

15 March 2010

(changes compared to Proposal 1 June 2009 in red + TC)

26 April 2010

(changes compared to Proposal 1 June 2009 in green + TC)

Submission of Proposals: Application Form

Please read carefully the "Guidelines for the Submission of Proposals" which outline the modalities for application and the criteria for the selection of proposals spelled out in the Cities Alliance Charter. Please ensure that all necessary supporting documentation is attached to this form. Additional information may also be enclosed, **but total submission should not exceed 12 pages.**

Date Rec'd 10 May 2010

TITLE of PROPOSAL:

'Making Urban Investment Planning Work: Building on the Indonesian CDS Process'

PROPOSAL SUBMITTED BY¹:

Name and Title : Ir. BUDI YUWONO PRAWIROSUDIRJO, Director General
Organisation : Ministry of Public Works, Directorate General of Human Settlements ('DGHS')
Address : Building B1C, 4th Floor, Jalan Pattimura 20 Kebayoran Baru Jakarta Selatan 12110, INDONESIA
Telephone/Fax/E-mail : +6221 739 2681

Contact person for questions on the application:

Name and Title : Ir DANNY SUTJIONO, Director Programme Development
Organisation : Ministry of Public Works, Directorate General of Human Settlements
Address : Building B1C, 4th Floor, Jalan Pattimura 20 Kebayoran Baru Jakarta Selatan 12110, INDONESIA
Telephone/Fax/E-mail : +6221 739 2681
sucahyono1@yahoo.com

and:

Name and Title : MR. TOSHI NODA, Director
Organisation : UN-HABITAT, Regional Office for Asia and the Pacific (ROAP)
Address : ACROS 8F, 1-1-1 Tenjin, Chuo-ku, Fukuoka, 810-0001, JAPAN
Telephone/Fax/E-mail : Tel: (+81-92) 724-7121; Fax: (+81-92) 724-7124
toshi.noda@fukuoka.unhabitat.org

Supported by:

Name and Title : Ir. H. JOKO WIDODO, Mayor
Organisation : City of Surakarta
Address : Jl. Jend. Sudirman No. 2 Surakarta, Surakarta (Central Java)
Telephone/Fax/E-mail : +62 644644, +62 642020 ext.400; fax +62 646303

Name and Title : DR. BASYIR AKHMAD, Mayor
Organisation : City of Pekalongan
Address : Jl. Mataram No. 1, Pekalongan
Telephone/Fax/E-mail : +62 285 411075, +62 285 421093 ext. 103
wakilwalikota@kotapekalongan.go.id

Name and Title : H.A. YUDHI WAHYUNI, Mayor
Organisation : City of Banjarmasin
Address : Jl. R.E. Martadinata No. 1, Banjarmasin - Kalimantan Selatan (South Kalimantan)
Telephone/Fax/E-mail : +62 511 52026; fax +62 511 53933
walikota@banjarmasin.go.id , walikota.bjm@gmail.com

Supporting letters of the mayors are attached in [Annex 1](#).

CITIES ALLIANCE MEMBER(S) SPONSORING THE APPLICATION:

Name and Title: MR. TOSHI NODA, Director
Organisation: UN-HABITAT, Regional Office for Asia and the Pacific (ROAP)
Address: ACROS 8F, 1-1-1 Tenjin, Chuo-ku, Fukuoka, 810-0001, JAPAN
Telephone/Fax/E-mail: Tel: (+81-92) 724-7121; Fax: (+81-92) 724-7124
Email: toshi.noda@fukuoka.unhabitat.org

Name and Title : HONGJOO HAHM, Lead Infrastructure Specialist
Contact person : DAYU IDHARMAPATNI
Organisation : World Bank Office Jakarta
Address : Stock Exchange Building 2, Fl.13, CBD, Jl. Sudirman, Jakarta, Indonesia
Telephone/Fax/E-mail : +62 21 52993000
dindira@worldbank.org

GTZ and CDIA have committed project level partnerships with the upcoming project. See [Section 12](#) and [Annex 2](#).

IMPLEMENTING PARTIES:

Task Manager, in charge of the substantive programme:

Name and Title : Ir DANNY SUTJIONO, Director Programme Development
Organisation : Ministry of Public Works, Directorate General of Human Settlements
Address : Building B1C, 4th Floor, Jalan Pattimura 20 Kebayoran Baru Jakarta Selatan 12110, INDONESIA
Telephone/Fax/E-mail : +6221 739 2681

Task Manager of the organisation receiving the grant, in charge of project management:

Name and Title : MR. TOSHI NODA, Director
Organisation : UN-HABITAT, Regional Office for Asia and the Pacific (ROAP)
Address : ACROS 8F, 1-1-1 Tenjin, Chuo-ku, Fukuoka, 810-0001, JAPAN
Telephone/Fax/E-mail : Tel: (+81-92) 724-7121; Fax: (+81-92) 724-7124
Email: toshi.noda@fukuoka.unhabitat.org

Detailed implementation arrangements have been agreed with each city. See [Section 13](#).

INFORMATION ON PROPOSED PROJECT:

1. Type of project (*check one*):

City Development Strategy: Slum Upgrading___ Both___

2. Geographic scope of project (*specify*):

Partner cities: Banjarmasin, Pekalongan, Surakarta/Solo

Secondary partner cities: USDRP network cities (mainly in Sulawesi provinces); **CDIA partner cities; GTZ PAKLIM partner cities; Mercy Corps – Rockefeller Foundation partner cities (ACCCRN) – See also [Section 12](#) and [Annex 2](#).**

Country: Indonesia (scope for mainstreaming)

Global/Regional/Multi-country: _____

3. **Expected duration:** 21 months

4. BUDGET SUMMARY:

Amount of total budget requested from Cities Alliance funding: US Dollars 490,000

Co-financing amount of total budget, including local partners: US Dollars 667,000

Total project budget cost: US Dollars 1,157,000

DESCRIPTION OF PROPOSED PROJECT:

5. Background & Formulation of the Project

5.1. Summary.

Indonesia's population of over 220 million people is growing more rapidly in urban areas than in rural ones.² In the past ten years, all urban areas have had a vital role in creating enlarged employment opportunities and economic growth.³ However, investment in urban amenities has been stagnant. The consequences are clear: urban areas need to undertake significant capital investments in order to provide sufficient basic services for its growing population and economy. Yet cities cannot cope at present, because of inadequate policies, chronic under-investment and a lack of expertise in urban management.⁴ Meanwhile, local governments have taken on many more responsibilities because of the decentralisation policy implemented in Indonesia since 1999. Cities are now in charge of the provision of social services and urban infrastructure, but are constrained by the strongly centralised tax system and are not yet familiar with the longer-term financing regulations.⁵

There is no real shortage of public funding, but mechanisms to put these into local amenity investments in a context of decentralised governance are inadequate. This Proposal explains why and how the Programme wants to contribute in finding adequate mechanisms, building on the CDS experiences. Since 1999, a swath of institutional and governance changes were introduced in Indonesia. During the early formative years, the Cities Alliance supported CDS initiatives, which influenced thinking and experiences for local governance. However, the legacy was insufficiently retained in the detailed governance processes that have taken hold since, especially those dealing with investment decisions of cities. Since 2005, DGHS has searched to amend these weaknesses and improve the processes. It formulated an approach and a toolkit that link up feasibility studies and financial planning for investments within a framework of citywide development and financing strategies. This process is called 'Mid-Term Investment Programming' or *Rencana Program Investasi Jangka Menengah (RPIJM)*. DGHS has been rolling out RPIJM in all 492 cities and urban centres in the country. The countrywide rollout will be concluded by the end of 2009. Interim evaluations have pointed to the fact that cities are scheduling long lists of needed interventions and investments, but without incorporating strong citywide strategies.

DGHS requests the support of the Cities Alliance to better integrate the CDS approach and to more strongly build a 'city-wide financing' methodology into the RPIJM toolkit. Moreover, it proposes to develop the improved methodology in collaboration with three cities. The cities were selected based on studies, meetings, focus groups discussions, city visits and participatory workshops held between June 2008 and early 2009.⁶ They have strong local leadership in common and all focus on improving settlements and amenities.

The three 'champion' cities shall provide strong demonstrations, spur credible city-to-city learning, and thus become partners of DGHS in advancing the aim "to make urban investment work", by means of the CDS approach and Cities Alliance knowhow in general. The findings, efforts and contributions of DGHS and the three cities will be for sure relevant to the Cities Alliance and its members. The Proposal stands for strategic approaches, linking development and financing strategies, leadership from cities that focus on slum improvement and investment, city-to-city learning and national mainstreaming.

5.2. Background: the search for good and effective urban governance

Decentralisation in Indonesia has become a successful political reality and useful arrangement for day-to-day affairs, but multi-year programming and decision-making on investments have become very challenging. Executive leaders and council members at the local and provincial levels are now directly elected.⁷ Executive leaders propose a medium-term development plan to the council, which is supported by sectoral development plans originating from the various departments. Year-on-year budgeting, following the in principle participatory *musrenbang* process, has to go through a complicated and lengthy cycle of consultations and proposal development, from the sectoral departments to the council. The regulatory framework for planning, programming and budgeting is impressive on paper, but in reality complex and facing extensive teething problems.⁸ Moreover, no budgets can be activated before they have been vetted on procedural compliance and financial soundness by the central government. In this environment, city managers feel that there is scant opportunity to prepare long-term investment plans.⁹ The hurdles seem too high.

Over the past several years, many efforts focused on achieving good local governance. Foremost, a new generation of politicians and top bureaucrats has given Indonesia its present democratic institutions and social freedoms. Many processes, often after having been tested with donor assistance, have been accepted by the

Ministry of Home Affairs and taken on board in new national regulations.¹⁰ The ideas also filtered through to revisions of legal frameworks. However, there has been a persistent rural bias, because of more persistent rural poverty, a long history of impressive rural development initiatives and of course the importance of the exploitation of natural resources to the overall economy.¹¹

Urban development planning has mostly been promoted from a regional development perspective, considering cities as growth poles and regional service centres, rather than as urban communities per se.¹²

A limited number of programmes, often with donor assistance, have tried to overcome the downside of the excessive fragmentation in decision-making as a result of the decentralisation. Their focus was most often to promote better urban and regional economic coordination and development.¹³ As for municipal planning, the only strong institutional legacy is the erstwhile experience with integrated technical planning and technical coordination. During the 1980's and 90's, the Indonesian Government relatively successfully invested systematically in urban upgrading and amenities. To make this happen, the Ministry of Public Works mainstreamed integrated municipal planning.¹⁴ Many cities, both large and small, benefited from a considerable investment stream channelled to them.¹⁵ However, systematic local coordination was not promoted and capacity building for local authority departments was scant. When subsequently the decentralisation was introduced and local democratic governance and accountability became the key governance issues, local governments lacked the technical skills to deliver municipal development programmes.

Since 1999, in the context of intense political, social and legislative reform, ten City Development Strategy (CDS) pilots were done in as many cities in Indonesia, but the regulatory framework is not sympathetic to strategic funding planning for cities. The participatory approach through city consultations, urban forums and training programmes tried to develop the missing local capabilities for institutional coordination. In general, the approach successfully facilitated institutions to work with urban poor communities and civil society organisations when setting priorities and planning actions¹⁶, and in many cities, the CDS process was inspirational when the process was run. Indeed in a number of these cities, notably in Blitar, Surakarta, Bontang and Palembang, CDS was recognised as a successful process. The national government, with the Ministry of Home Affairs in the lead, took into account the CDS experience when streamlining the new regulatory framework for participatory decision making on planning, programming and budgeting. But the present participatory systems, in which *musrebang* is the key mechanism, focus on year-to-year expenditures for social services and small investment.

The reality that strategic investment planning is difficult to achieve has been a very significant hurdle for city administrations. This has been the challenge of both cities and DGHS for most of the past decade. The challenge was already highlighted when the CDS programmes were evaluated. It was addressed with the formulation of the Urban Sector Development Reform Programme (USDRP) and the formulation of the RPIJM programme. Meanwhile, technical capabilities for integrated planning are evaporating. Proof of such is seen in the fact that local technical departments often fail to implement programmes even in districts with excess local funding. For these reasons, the Directorate General sees a continued urgency to provide assistance to cities on strategic municipal planning and budgeting and to empower them to undertake their own investment initiatives, through the provision of capacity building and the dissemination of toolkits. This aim is made possible through USDRP, RPIJM and will also be addressed through the Programme covered in this Proposal.

5.3. From CDS to the accelerated rollout of RPIJM.

Since 2005, the aim of DGHS has been to develop a consistent local process to achieve a city development strategy ('Strategi Pembangunan Kota', SPK, sometimes also referred to as 'city development scenarios'), complemented by the necessary feasibility studies and financial programming. This is the aim of the RPIJM programme.¹⁷ RPIJM should support the open and local formulation of an 'infrastructure investment action plan', under the leadership of a mayor and supported by local Public Works departments and the BAPPEDA. The emphasis is to define strategic needs, identify stakeholders and identify priorities and a blend of financing options. A key expectation of DGHS is to get public works officials out of their specialised 'silos'. Investment and financing options should be coordinated locally, with local stakeholders and if necessary with stakeholders from neighbouring districts. The role of the central DGHS is to provide technical expertise to support decision-making and to channel additional central government funding to locally coordinated and endorsed initiatives.

By 2007, a draft process and training manual for RPIJM was produced and since the process has seen an initial rollout in all cities in Indonesia. The Directorate General decided to embark on the large-scale rollout of RPIJM for all cities and urban centres in the country rather than first doing a series of monitored pilots in order to finalise and test the manual. In 2008, DGHS already assisted all 93 cities in the country as well as about 200 districts (*kabupaten*), with a facilitation budget of Rp 33 billion (USD 3.1 million). For 2009, more assistance is being given to another 200 districts, with a budget of Rp 25 billion (USD 2.4 million). With the large-scale introduction of RPIJM, DGHS has been able to start developing the human resources required for facilitation and capacity building. It

has mobilised a network of provincial facilitators and made available a range of knowledge sharing products, such as newsletters and a dedicated RPIJM website (<http://ciptakarya.pu.go.id/rpijm>). The large-scale facilitation to all districts is also to encourage strongly and quickly more investment planning and more investment budgeting all-over the country. For 2010, a smaller budget for facilitation will be allocated yet more money set aside to support implementation based on the RPIJMs.

The results of the first RPIJMs produced in 2008 have been of a variable quality. There are problems of insufficient facilitation, insufficient strategising and lacking motivation. The documents often are statements of vision and mission followed by project lists.¹⁸ The citywide financing strategy should be built around a CDS (SPK), but that is usually not done. Moreover, local authorities often see the requested RPIJM document as no more than that: another planning document required but with unclear benefits in an institutional environment where medium-term planning processes are not being simplified. However, more experienced urban planners, for instance officials in provincial administrations, are usually supportive and see CDS and RPIJM as tools to improve project planning coordination at the local level, integrating visions and on-the-ground issues through consultation into a strategy, action plans and financing plans.

Notwithstanding these teething problems, the commitment of the DGHS to strengthen capacity building and the dissemination of the RPIJM toolkit remains very strong. It understands that changing its own role from implementer to capacity builder is a feat of change management in itself. More importantly even, DGHS realises that RPIJM cannot succeed without a successful mainstreaming of CDS and that the CDS experience needs to be expanded by also addressing sustainable financing strategies at local levels. The need to promote sustainable financial programming formats is also encouraged by the Ministry of Finance. Now more than before, the qualitative improvement of the RPIJM programme, as implemented by cities, is required. This is the challenge for 2010 onwards.

5.4. Learning with Cities – establishing the aim and purpose of the proposed Programme.

During the preparation of this Proposal, it emerged that DGHS needs to collaborate with ‘champion’ cities where “urban investment works” in order to further strengthen RPIJM. Studies were undertaken looking into the influencing experiences, which affected the formulation of RPIJM as a tool and as a programme. City visits were undertaken and discussions within DGHS stimulated. Out of these explorations, a consensus emerged that it was important to learn from cities where good governance and investment in amenities have firmly taken hold, against the odds of difficult regulations and other teething problems of the young decentralisation process.

In August 2008, a workshop with mayors and other stakeholders was held. The purpose of the workshop was to listen to invited mayors who were leading cities in energetic and innovative ways and held strong views on urban amenity investments. Three mayors from three medium-sized cities had been identified and were invited to present their case¹⁹:

- **Surakarta.** The city of Surakarta (or Solo), in Central Java, has a reputation for good governance where capable city managers collaborate with a strong civil society. In recent years, the city has set up easily accessible and well managed one-stop service points for its population of half a million people. The mayor has also initiated several initiatives with poor hawkers, organising their relocation to mutually agreed locations and improving amenities useful for their livelihoods. City market spaces were systematically renovated. Inner-city areas were revitalised and pedestrianised where useful. The local authority also engaged in slum upgrading (including through the SUF programme) and sanitation improvement. At the same time, the mayor did vigorous city marketing, with the hosting of conventions, commemorations and co-operation agreements (World Heritage Cities, World Habitat Day, ‘Investment Year’ programme, sister-city agreements). A hands-on, people-centred and inspired management approach has been driving these initiatives. As said, Surakarta participated in the CDS programme under an earlier non-elected mayor, but the CDS has never become a bylaw.
- **Pekalongan.** Small and medium-sized industries have been sustaining the coastal city of Pekalongan, also in Central Java, for many decades. The small town of 272,000 inhabitants has been for long one of the main *batik* centres of the country, with a legacy of the semi-mechanised production of *batik*. The city has a sizeable population of urban poor, dependent on jobs in or for the old textile sector. In the workshop, the mayor showed that he is successfully improving worn-out infrastructure and slum settlements by mobilising communities to coordinate neighbourhood upgrading initiatives supported by block grants awarded competitively against good proposals. A separate programme focuses directly on the poorest as well as on children and pregnant women in slum areas. Assistance ranges from health and nutrition support to micro-credit for livelihoods. In 2007, the city was given a national award as the city with the best slum upgrading initiatives, which will be used as the basis for national replication, especially amongst small and medium-sized cities.
- **Banjarmasin.** Banjarmasin is a long-established trading centre in South Kalimantan province, in the estuary of the Barito River. The city has 0.6 million inhabitants. A fifth of the population of the province lives on 0.2% of the territory of the province. The resources economy of Kalimantan depends on the services of cities like Banjarmasin, but these cities have little to offer in terms of infrastructure. Banjarmasin has a good record in developing public-

private initiatives. A Build-Operate-Transfer water installation was developed in 2006. A waste-to-energy landfill to be financed with CDM credits is presently under development. Investment initiatives for wastewater treatment, a container port and an industrial estate are being developed. Banjarmasin has a successful city-level multi-stakeholder sanitation workgroup. In terms of social services, basic health and education provision are now free. Furthermore, the city government wants to upgrade the many waterfronts in the city, to increase their potential as markets servicing secondary small towns in the river basin and to build on the image of Banjarmasin as the city with floating markets, to keep the city competitive as a point of departure of inland tourism in Kalimantan.

A key message of the mayors of the three cities during the August workshop was that tweaking the many planning and budgeting tools would not necessarily bring about more investment initiatives. What these cities have in common to “make urban investment work” is hands-on urban management, driven by excellent leadership, creating an environment in which local stakeholders can believe that their cooperation can make a difference. These mayors are also increasingly becoming strategic in dealing with urban poverty reduction. They are demonstrating that strategic urban interventions can be pro-poor interventions. They see that working with poor constituencies can tackle systemic urban problems. The three mayors also expressed their expectations with regard to RPIJM. They want to see planning tools and capacity building for planning, which supports their dynamic and open style of governance. The tools and the capacity building should aim at mobilising their bureaucracies to implement the strategies supported by them and by people, including the poor.

After the workshop, a lengthy discussion within DGHS ensued, in particular about the recognition that cities are leading the search for successful mechanisms. Selecting one or two of the above cities and providing them with blended funding from national and Cities Alliance sources to plan and realise a worthwhile amenity could be laudable, but was not going to help the further development of RPIJM much. Putting all efforts on a top-down refining of the RPIJM toolkit would be equally unhelpful. Finally, a consensus was reached that DGHS would gain most benefit if it supported high-quality CDS and RPIJM processes in all three cities. These experiences in the cities could then be absorbed in further training and capacity building. City-to-city learning about CDS and RPIJM could then also be further encouraged. The ‘champion’ mayors would become ambassadors of CDS and RPIJM.

The proposed strategy for training is therefore build around three strong cities, with strong leaders. The aim of the Programme is to mobilise various groups of stakeholders and link them up in a learning exercise – within the three cities during the initial stage of the Programme and among those involved in the rollout of RPIJM towards the second half of the Programme. The various groups of stakeholders are:

- a) **Stakeholders in the ‘good practice cities’**, including government agencies and non-governmental organisations, will collaborate to develop best practice RPIJM initiatives in their respective cities, building on the national CDS experience in the country and local good governance practices
- b) **City administrations** will support their public works departments to formulate best practice city development strategies and financing action plans for short-term and mid-term initiatives; in addition, they will promote city-to-city learning, by compiling lessons-learned among each other and disseminating these to other cities, in collaboration with local authority organisations
- c) **RPIJM provincial facilitators** will be engaged to acquire expertise about ‘best practice’ achievements of cities and will then help disseminating those best practices to other cities.
- d) **DGHS** will collaborate with the three cities to achieve mutually agreed ‘best practice’ standards for city development strategies and city financing strategies; more specifically, the Directorate General will:
 - promote the best practices of CDS (SPK) and RPIJM
 - allocate development funding, on a priority basis, to the respective cities in line with the strategies
 - disseminate the expertise to the provincial RPIJM facilitator network
 - disseminate the expertise, on a priority basis, the USDRP network cities
 - invite the USDRP cities to collaborate in the RPIJM dissemination and city-to-city learning network
 - update the RPIJM toolkit
 - develop / negotiate improved funding mechanisms at the national level allowing cities to access investment funding based on good practice RPIJMs

6. Objectives and Outcomes

The Programme to be supported by the Cities Alliance shall establish cooperation between the DGHS and three cities in Indonesia that already practice good governance and already invest in better urban environments. The cooperation shall encourage the 'good practice' cities to drive further the development and dissemination of effective city investment planning under the 'RPIJM' label. The three cities will set down develop showcase pro-poor and participatory citywide development and financing strategies. DGHS will underscore the efforts by channelling investment funding to the cities on a priority basis. Together, DGHS and the cities will document and disseminate proven and validated good urban management and investment practices to new cities, making use of the RPIJM facilitator network, the USDRP city network and city-to-city networking directly undertaken by the three cities, in collaboration with a national local government authority.

The specific objectives of the cooperation are:

(A) Objectives relevant to each of the three cities:

- a) to capture "why urban investment works", i.e. the *actual* city development strategies established in the three cities, with and through city stakeholders
- b) to produce showcase city development and financing strategies and action plans in the respective cities, captured in comprehensive RPIJM strategies and action plans, which fully incorporate the CDS (SPK) process and are validated by all relevant stakeholders
- c) to channel national-level development funding to the respective cities, based on the RPIJMs, in order to test and further strengthen the CDS and RPIJM strategies.

(B) Objectives relevant to the aim of national mainstreaming through DGHS:

- d) to absorb the good practices, knowhow and experiences into an improved RPIJM toolkit that fully incorporates the CDS (SPK) process
- e) to disseminate the expertise, through DGHS, via the provincial RPIJM facilitators engaged by DGHS
- f) to engage other central government agencies in order to validate CDS (SPK) and RPIJM as a general tool for funding allocation in and to cities

(C) Objectives relevant to the aim of city-to-city learning:

- g) to engage the USDRP cities, on a priority basis, in city-to-city learning initiatives with the three cities, in order to disseminate the CDS experiences in the three cities but also to disseminate learning from the investment pilots undertaken in USDRP cities
- h) to promote city-to-city learning, with the three cities in the lead, to a wider audience of city governments and stakeholders in Indonesia, with the assistance of a national local government authority (to be selected).

At the end of the project cooperation, the following **outcomes** shall be achieved:

- a) **Outcomes beneficial to the respective cities:** physical investments in the collaborating cities, which could be promoted and funded as a result of collaboration in the Programme
- b) **Outcome beneficial to DGHS:** an improved facilitation capacity of the DGHS for city investment planning
- c) **Outcome beneficial to the aim of city-to-city networking and learning:** a 'best practice' initiative promoting city-to-city learning on effective city strategies and citywide financing strategies, which is supported by both the DGHS and a local authority association (to be selected).

Note:

The selection of the LGA has not yet been finalised, but LGA representatives will be part of national consultations. Relevant LGAs are: APEKSI (Association of Indonesian City Governments); ADEKSI (Association of Indonesian City Councils); APKASI (Association of Indonesian Local Authorities); ADKASI (Association of Indonesian Local Authority Councils); APPSI (Association of Indonesian Provincial Authorities); ADPSI (Association of Indonesian Provincial Councils). The capacity of the various LGAs in Indonesia is variable and is depending on the capacity of the elected board, which regularly changes.

7. Methodology and sequencing of activities

7.1. Methodology - Approach

The activities will be implemented based on the following principles:

- a) **Anchoring in the RPIJM facilitation structure.** The implementation of the activities will be structured by means of the national facilitation network set up for RPIJM. At the national level, the project will be guided by the steering committee of RPIJM. At the provincial level, it will closely cooperate with the provincial RPIJM Task Force, headed by the provincial Human Settlements Department or provincial BAPPEDA. At the city level, for the three respective cities, the implementation will be managed by City Project Teams seconded to the local Human Settlements Departments or BAPPEDAs.
- b) **Driven by local success stories and local champions.** The implementation is focused on three cities that have established urban pro-poor programmes and have done urban investments. The aim is to initiate a process of review, consultation and communication leading to standard official documents like SPK and RPIJM in which the success stories are acknowledged and recognisable.
- c) **A city consultation process based on informed and actively participating stakeholders, including those living in poor neighbourhoods and including women.** The process of city consultations builds on a community-based city ward mapping initiative initiated since 2009 in Solo, which will be replicated in selected neighbourhoods in Pekalongan and Banjarmasin. Poor and vulnerable urban neighbourhoods will be prioritised. Gender mainstreaming will be applied.
- d) **Providing a platform for city-to-city learning and the recognition of success approaches in urban investments.** Cooperation in the project engages cities to exchange experiences and good practices and provides the city leaders with a platform for exposure and mutual learning.
- e) **Rewarding participation for the development of best practice approaches and documentation.** In return for providing assistance for the further development of the RPIJM toolkit and the capacity building of provincial facilitators, financial assistance shall be channelled by the DGHS to the participating cities. This assistance will be provided based on recommendations of the improved formal SPK and RPIJM documents.

7.2. Sequencing of the Activities

Preliminary comment:

Compared to the draft Proposal, the preparatory activities in Step 1 and 2 have been enforced extensively. The kick-off of the city consultation process is aided by a range of preparatory and/or auxiliary activities (See also Annex 2 and Annex 3):

- *Preparatory study and scoping activities undertaken in the past months (August – December 2009) in all three cities, as documented in Annex 6.*
- *Participatory city ward mapping in Solo (undertaken since March 2009, supported by UN-HABITAT since late 2009).*
- *Vulnerability analysis of selected neighbourhoods to be undertaken in Pekalongan (April-July 2010).*
- *Provisional: The Safer Cities Campaign undertaken in the three cities (pending funding approval by DIPECHO / European Community). If approved, the campaign in the cities would strengthen the city consultations, with issues of vulnerability assessments and the impact of the findings on citywide strategies and funding. (In the activity list below, an asterisk indicates which activities and their related results this complementary project will impact upon.)*

- a) **Step 1: National mobilisation, preliminary studies and scoping, agreement on the detailed national work plan with partners.** NPT and CPTs will be recruited/selected. Building on ongoing city ward mapping in Solo and neighbourhood vulnerability analysis in Pekalongan, the project is initiated and forward planning is set. This phase will bring the stakeholders together in meetings and a national workshop to agree on the work plan and city level joint activities with other municipal planning projects with regard to data collection and consultations. An easy to use guideline of participatory city ward mapping and a draft guideline on common and useful citywide planning and budgeting tools will be produced.
In the national consultations, the NPT will liaise with national and provincial RPIJM facilitators, representatives of USDRP and other national stakeholders and partners. Cooperation with Local Government Associations will be initiated.
- b) **Step 2: Re-formulation and re-validation of CDS/SPK and RPIJM documents at city level.** The CPTs will undertake a consultation cycle focused on the formulation and validation of a city development strategy.
The activities will be initiated in Solo, where most preliminary data collection, at municipality and neighbourhood level has already been completed. The Solo experience will be used to train CPT partners in Pekalongan and Banjarmasin.

- c) **Step 3: Short listing and facilitation of investment initiatives and mobilisation of stakeholders, to validate the prioritisation of the respective initiatives for follow-up funding.** The CPTs will facilitate shortlisted stakeholder groups to propose or assist in the elaboration of city investments. This will be a contest for funding, with criteria to be reflected in the revalidated SPK and RPIJM. A short-list of possible city investment initiatives will be undertaken. The purpose of the short listing is to create a public discussion, for the purpose of public scrutiny, for the prioritisation of city initiatives. The purpose of the facilitation is to initiate models for feasibility evaluations and financial explorations.
- d) **Step 4: Capturing and exchanging of the experiences in the three cities.** The experiences in the three cities will be captured, leading to the strengthening of the toolkit and to dissemination to other cities through various means. Training-of-trainers will be provided to provincial facilitators, who will benefit from the on-the-ground knowhow gained in the three cities. A special emphasis will be towards the mobilisation of city-to-city exchanges.

Comment 23 April 2010

The RPIJM methodology presently used by the Ministry of Public Works favours city consultations yet only to digest and endorse citywide planning proposals, collected from conventional planning sources (multi-year plans, departmental work lists) and prioritised by consultants. There is no approach to encourage alternative bottom-up information collection. The experience with city ward mapping has been that it provides better and clearer data to neighbourhood communities to participate. Meanwhile, the mapping methodology uses technology and local survey capacity in an intelligent way and has proven to be cost effective.

The mapping initiative should allow a more active participation of communities. Assuring that the investments are then well prioritised and pro-poor is then a matter of conducting a transparent process based on clear guiding principles (i.e. pro-poor, sustainable, supported by women,...). The project driving stakeholders will need to assure that these guiding principles are clearly set out at the start and are well understood and supported. Thereafter, these guiding principles need to be enshrined in the updated RPIJM methodology.

See also Annexes 2 and 3.

(Updated) Activity List

STEP 1	Activity 1	Recruitment of NPT
National mobilisation, preliminary studies and scoping, national work plan agreed with partners	Activity 2	Solo city ward profiling in guideline for replication
	Activity 3	Results Pekalongan vulnerability analysis reviewed
	Activity 4	Safer Cities campaign issues reviewed in RPIJM (*)
	Activity 5	Inception, national work plan, discussion of co-planning agenda with city partners
	Activity 6	Recruitment of CPTs, based on proposals to do city mapping and consultations
	Activity 7	Common citywide planning and budgeting tools catalogued/reviewed (*)
	Activity 8	Draft guideline on citywide planning and budgeting tools (*)
	Activity 9	National workshop with partners on work plans, in Solo
	STEP 2	Activity 10
Re-formulation and revalidation of city strategies	Activity 11	CPTs (except Solo) do selective neighbourhood profiling, with assistance of Solo CPT
	Activity 12	City profile of planning and budgeting, captured in draft publication (*)
	Activity 13	City Consultation 1 - 'call for proposals', supported by NPT (*)
	Activity 14	Generation of proposals
	Activity 15	Draft final publications with city profiles, containing planning and proposals
STEP 3	Activity 16	City Consultation 2, leading to the short-listing of investment initiatives
Selection and evaluation of investment proposals	Activity 17	Prefeasibility evaluation of short-listed proposals, assisted by NPT
	Activity 18	Communication of the evaluation, leading City Consultation 3
	Activity 19	DGHS - City budgeting agreements
STEP 4	Activity 20	CDS-RPIJM tool development (*)
	Activity 21	City-to-city exchanges, lead by Solo CPT
	Activity 22	National workshop with cities and partners for tool and city-to-city learning review
	Activity 23	Further city-to-city exchanges, capacity building with RPIJM facilitators, policy advice to DGHS
	Activity 24	Final project reporting and publication

(*) Component where DRR mainstreaming will have impact upon, if DIPECHO funding is added.

8. Deliverables

Step 1: Project Mobilisation.

- a) Approved TOR for the NPT and CPTs. DGHS and representatives of the three city administrations will approve TOR for the project teams

- b) Set up of the NPT and CPT, in accordance with the TOR
- c) City ward mapping guideline
- d) Draft guideline on citywide planning and budgeting tools
- e) NPT focus group discussions minutes and national workshop proceedings
- f) National communication forum established based on the recommendations of the national workshop and provided with the capacity for moderated discussions and networking.

Step 2: Re-formulation and re-validation of SPK and RPIJM documents at the city level

- g) City work plans
- h) Selective neighbourhood mapping outputs
- i) Draft and draft final publication on citywide planning strategies
- j) Report on city consultations 1, on SPK and RPIJM in each of the respective cities, leading to 'Call for Proposals' from city wards
- k) Set of proposals for local investment priorities

Step 3: Short listing and facilitation of investment initiatives

- l) Report on city consultations 2, on the prioritisation and short-listing of preferred investment initiatives
- m) Brief prefeasibility evaluation reports of short-listed proposals
- n) Report on city consultations 3, evaluation and approving the short-listing.
- o) Minutes of meeting with DGHS, on budgeting agreements.

Step 4: Capturing and exchanging of the experiences

- p) Improved RPIJM toolkit
- q) Communication material advocating SPK and RPIJM for funding mobilisation
- r) Reports on city-to-city exchanges and capacity building through a series of provincial, regional and national workshops initiated and supported by the lead cities.
- s) National workshop report, of lead cities and DGHS involving other national departments involved with funding allocation for cities.
- t) Policy advice to the Directorate General of Human Settlements on the way forward (RPIJM, funding processes, required changes in funding regulations,...)
- u) Final publications and reporting

9. Expected impact and related monitoring indicators and plans

This section describes how the success and impact (outcomes) of the activities in reaching the objectives listed above will be measured, as well as the indicators to be used and the mechanisms for monitoring and quality review.

(A) The facilitation on CDS/SPK and RPIJM in the three cities has positive outcomes for the three cities.

	Objective	Output	Outcomes	Indicators / Quality Review
1	to capture the <i>actual</i> city development strategies in the three cities, with and through city stakeholders	<ul style="list-style-type: none"> - Evaluation report of prior SPKs and RPIJMs in each of the respective cities - City consultation on SPK and RPIJM in each of the respective cities reported 	<ul style="list-style-type: none"> - Intermediate outcome: Validation of strategic planning through active neighbourhood / city ward documentation and participation. 	<ul style="list-style-type: none"> - Participation indicators, with evidence related to social profile and gender of participants
2	to produce showcase city development and financing strategies and action plans in the respective cities, captured in comprehensive CDS and RPIJM strategies and action plans	<ul style="list-style-type: none"> - Improved SPK and RPIJM documents for each of the cities - Lessons-learned report on SPK and RPIJM in the three cities 	<ul style="list-style-type: none"> - Intermediate outcome: improved SPK and RPIJM documents - Approval for priority investments from national budget 	<ul style="list-style-type: none"> - Evaluation reports - Locally validated processes for city consultations - Number of consultations held - Improved SPK and RPIJM documents
3	to channel national-level development funding to the respective cities, based on the RPIJMs, in order to test and further strengthen the CDS and RPIJM strategies	<ul style="list-style-type: none"> - City-to-city interim evaluation workshop with key stakeholders reported - Technical reports prioritising and justifying funding decisions for priority actions in the three cities 	<ul style="list-style-type: none"> - Through synergies with GTZ and UN-HABITAT CCCI, strategic planning is linked to issues of vulnerability reduction, environmental planning, CC adaptation. 	<ul style="list-style-type: none"> - Validation of the quality of the above output through one or more city-to-city evaluation workshops - Evidence of inputs delivered by partner activities.

(B) The demonstrations strengthen DGHS' capacity to mainstream and facilitate RPIJM and CDS to other cities in the country.

	Objective	Output	Outcomes	Indicators / Quality Review
4	to capture the expertise and improve the RPIJM toolkit	<ul style="list-style-type: none"> - Improved RPIJM toolkit - Communication material advocating SPK and RPIJM for funding mobilisation - Workshops with provincial RPIJM facilitators reported - Policy advice Notes to DGHS on the way forward - Workshops with national agencies on lessons-learned and applicability of RPIJM toolkit for national planning and budgetary decision-making reported 	<ul style="list-style-type: none"> - An improved facilitation capacity of the DGHS for city investment planning - Citywide strategic planning issues related to vulnerability reduction, environmental planning, CC adaptation are incorporated into the DGHS toolsets. 	<ul style="list-style-type: none"> - Updated RPIJM documents - Approved communication material - Policy advisory report - Response survey of stakeholders (department staff, facilitators, other departments) - DGHS Report showing the assimilation of the advice and updates - Workshop reports and feedback
5	to disseminate the expertise, via the provincial RPIJM facilitators engaged by the Directorate General			
6	to engage central government agencies in order to validate RPIJM as a tool for funding allocation to cities			

(C) City-to-city networking and learning on CDS and RPIJM is initiated by the three 'champion' cities, in collaboration with complementary networks (RPIJM facilitators, USDRP cities, a national local authority association). The networking is moreover expanded to initiatives and stakeholders active on vulnerability reduction, environmental planning and Climate Change adaptation.

7	to engage the USDRP cities, on a priority basis, to the city-to-city learning initiatives	<ul style="list-style-type: none"> - Reports on City-to-city capacity building through a series of provincial, regional and national workshops. Including workshop involving other national departments involved with funding allocation for cities. - Communication forum through National Habitat Secretariat by means of Solution Exchange platform has consolidated information on issues relevant to the programmes 	<p>A 'best practice' initiative promoting city-to-city learning on effective city strategies and citywide financing strategies, which is supported by both the DGHS and a local authority association (to be selected).</p>	<ul style="list-style-type: none"> - Evidence of city-to-city exchanges, workshops, communication - Evidence of engagement of USDRP cities and central government agencies (workshops, information sessions,...) - Evaluation of next round of RPIJM documents, indications of improvements and use of communication and outreach material and its impact
8	to promote city-to-city learning, initiated and lead by the three lead cities			

10. Consistency with the Cities Alliance mission

The proposed Programme will promote and strengthen accountable and consultative decision-making on urban development strategies and urban funding. It wants to impact on the established but ill-functioning bureaucratic processes for the mapping, approval of and the consultation processes for urban investment initiatives. The Programme builds on many years of institutional strengthening and capacity building of the Cities Alliance and many of its members. It also focuses on the dissemination of national tools promoting city-to-city learning and engages 'good practice cities' or 'city champions' towards this objective.

The Programme puts the initiative to formulate and demonstrate new solutions to strategic planning and budgeting with the three 'champion cities'. During the national workshop, these cities have articulated the challenges and now hope for Cities Alliance assistance to further develop initiatives, tools and good practices. Each of these cities has a strong commitment to show that local governance can be successful, inclusive and innovating. The three cities already demonstrated quick-win solutions to alleviate and reduce poverty and already undertook initiatives to make urban developments more sustainable.

The Programme also proposes to align the efforts of DGHS, the World Bank (engaged with USDRP-1) and particular cities. GTZ, which has no on-going cooperation with DGHS, has expressed interest to remain informed

about the proposed actions, as an avenue to future engagements on good governance and urban governance. DJIA, supported by GTZ and ADB, has recently engaged Surakarta for a pre-feasibility study on sustainable urban transportation. UN-HABITAT engages with Surakarta for the Slum Upgrading Facility.

The Programme also emphasises an approach that focuses on mainstreaming and institutionalisation. Replication, through DGHS and through city networking, is an integral part of the Programme. Surakarta already has shown that city networking (and city marketing) is a critical avenue to promote change and innovation. Knowledge sharing is fully built into the approach of the Programme.

Finally, the Programme has already selected cities where awareness that urban development and environmental improvements are two sides of the same coin has taken hold. Surakarta has created new market spaces for small vendors. Presently, it wants to create a bus-way system. Pekalongan has promoted water and hygiene improvements first, to the benefit of slum families and their children. Banjarmasin, as a city surrounded by water, is looking to use its rivers for local economic development. Meanwhile, it is one of the first cities to invest in waste-to-energy and collective wastewater treatment installations. Improving the environmental is evidently a major development aim for each of the three cities.

11. Sources of investment to implement the CDS

The effective allocation of national budget funds and national on-lending funding to local initiatives is an unresolved issue within the democratisation process. The political reality is that national funding streams will not disappear. On the contrary, the Indonesian Government has an excess of spendable funds. Lots of funding is not spent by local authorities but hoarded on savings accounts in the Central Bank.

Today, government funding is moreover a crucial engine for economic growth in 2009 and 2010, due to the global crisis, but spending remains difficult. In April 2009, the Government typically could disburse only 20% of its budget for the full year.

Accountable SPK and RPIJM processes are part of several efforts to built transparent and predictable processes to allocate funding, both from national (APBN) and local (APBD) sources. From the APBN, typically about US\$ 650 million is channelled yearly to cities and urban centres by DGHS, about half for amenity investments and half for cash grants.²⁰

The co-financing proposed in the Draft Proposal (US\$ 250,000 per year per city) is now classified as investment funding. In the sections below, DGHS and city funding particularly focused on planning and capacity building is now included as co-financing.

12. Partnerships, Co-financing, Coherence, Knowledge creation.

12.1. Partnerships with local partners and stakeholders

The City Project Teams will be seconded to city Public Works / Human Settlements Departments or BAPPEDAs. The key requirement is to make good use of the leadership of the elected mayor, but also to include local council members and media in the consultations. The day-to-day leadership will be assumed by a head of department of either BAPPEDA or the Human Settlements Departments within each city, with a steering committee chairing by the mayor being responsible for oversight and steering.

The following detailed arrangements were agreed:

1. Each city will appoint a steering committee. Chairs will be respectively:
 - a. Surakarta – Assistant Mayor III
 - b. Pekalongan – Head of BAPPEDA (local planning board);
 - c. Banjarmasin – Head of BAPPEDA (local planning board)
2. In each city, the Human Settlements Division (Public Works Department) will be the representing partner.
3. Each city has selected a number of local planning projects in the 2010 budget, which will be implemented by the city 'under one roof' with the CDS project. The intention is to maximise joint data collection and participatory planning actions. Meanwhile, the CDS appointed consultants will also provide technical assistance to the city teams dealing with the local planning projects.

The CDS experience taught that stakeholder consultations facilitated by ad-hoc civil society groups at city level (seconded to, for instance, local universities or NGOs) are not quite sustainable. These institutions are,

however, welcome and necessary resources in consultations. Local university such as Sebelas Maret University (UNS) in Surakarta, Lambung Mangkurat University (UnLaM) in Banjarmasin and Diponegoro University (UNDIP) in Semarang can be useful partners for assisting the processes. Non-governmental organisations and CBOs in the respective cities will also be involved. **UNDIP has been selected as the partner for undertaking vulnerability analysis in Pekalongan as part of the UN-HABITAT CCCI programme.**

The mayor of Surakarta is presently a regional chairperson within the association of city governments, APEKSI. Through this connection, this organisation and other parallel LGAs will be mobilised for, for instance, workshops.

12.2. Partnerships with financing and international institutions

The primary objective of this project is not to mobilise funding from development institutions (neither multilateral nor bilateral). (See also section 11.)

The knowledge management function is more important. Organisations like UN-HABITAT, the World Bank, GTZ and UCLG have all expressed interest for participation in the consultations during the course of the project.

12.3. Co-financing

The Ministry of Public Works is contributing through its RPIJM budget. City governments are contributing in kind, with office space, staff, consultation sessions, but may contribute to certain prioritised investments.

In the Draft Proposal, the co-financing had been proposed to come from the RPIJM investment budgets of about US\$ 250,000 per year per city. This was not deemed a proper co-financing source of funding, but rather a source for follow-up investment financing. In the light of this problem, the preparatory team negotiated a collaborative framework with DGHS and the 3 cities. Together with the preliminary support of UN-HABITAT in Solo and Pekalongan (on budgets other than the Preliminary Grant from Cities Alliance), the total amount of co-financing is US\$ 667,000. Details are found in [Section 17](#) and [Annex 4](#).

Additional Comment/Clarification 23 April 2010.

In view of the Secretariat's request not to enlist any investment funding as co-financing, sufficient sources of finance for planning activities, including training and capacity building had to be identified. The sources of co-funding at the national ministry level were fairly large, but not sufficient. Moreover, it was important to enlist active financial participation of the collaborating cities. The enlisting of appropriate local finance was again an arduous process and required a prolonged negotiation.

Local financing regulations do no longer allow local governments to add local financing to donor projects, in order to prevent reduced budget holder accountability. Donor project management teams often took on the accountability for such budgets, resulting in complex and at times insufficient transparent reporting to donors, national ministries and local governments. Cities first proposed in-kind contributions to the projects, but these contributions were insufficient, even in combination with the national funding.

It was in this context, that the preparatory team explored the possibility of 'under one roof' planning activities. Initially, the Banjarmasin local government advocated this approach. The rationale is that if financing laws prevent the local authority to add funding to a donor project, it should focus its efforts to add resources derived from planning work ongoing in parallel. The preparatory team is of the opinion that credit should be given on the effort to discuss synergies in-between planning activities including the upcoming CDS. It is next to the project team to use the mayor's letters and the stated commitments in order to assure that the 'under one roof' activities result in tangible multiplier effects. Moreover, 'under one roof' also means that the project will use the accommodation of the public works office or of one of its project offices to operate locally.

UN-HABITAT Indonesia is investing \$50,000 in Solo and Pekalongan. The mapping pilot in Solo will cover 1/3 of the city, while USAID has committed, to the mayor in person, to fund the mapping for the rest of the city. UN-HABITAT is now investing \$30,000. Furthermore, through the Cities and Climate Change project, UN-HABITAT is promoting a pilot city consultation on vulnerability issues in Pekalongan, at a cost of \$20,000.

12.4. Coherence with development cooperation priorities.

For the Indonesian Government, the acknowledged primary needs are the assistance to the poorest districts in the country (mostly in rural Eastern Indonesia), the sector of basic human development (especially education), good governance (including justice reform and anti-corruption) and institutional capacity building supporting the

ongoing process of democratic and fiscal decentralisation. As explained earlier, this engagement focuses on capacity building for good governance and decentralisation.

Moreover, there is acknowledgement that the present global crisis may affect urban Indonesia worse than what was the case during the 1997-2002 economic crisis. A recent evaluation by BAPPENAS highlighted that crisis monitoring, community grant allocation programmes and cash transfer programmes to the poor have a much less credible impact in urban areas than in rural areas. It was acknowledged that this was not because of lesser poverty but because of poorly adapted institutional mechanisms. These mechanisms, in a context of urban complexity, do not live up against the expectations of accountability and effectiveness.

12.5. Safeguards.

The evaluation of priority projects will include the normal social and environmental safeguards evaluation, in line with national rules and regulations. UN-HABITAT will take into account its codes on involuntary displacement, tenure rights and gender mainstreaming.

12.6. Knowledge creation and sharing.

Learning about good practices is a core concern in this programme. This has been explained sufficiently in the methodology, sequencing of activities and list of deliverables.

IMPLEMENTATION AND FINANCING PLANS:

13. Implementation arrangements

The proposal will be implemented over a period of **21 months**.

National and city steering committees are providing oversight. The national steering committee, which is the already existing RPIJM Steering Committee, is chaired by the Director General of Human Settlements. City Steering Committees are chaired by the respective mayors, **or delegated as specified in 12.1**. Cities will second the local Public Works Department as lead implementation partner. An cooperation forum lead by the three cities will be made up by members of the respective steering committees.

MOUs will be signed between DGHS and the respective cities on the mobilisation of their project teams. The MOUs will spell out the rights and responsibilities of both parties. Substantive oversight is with DGHS. All technical reporting shall be approved by the Director General or his appointee. All results will be owned by either the respective cities or DGHS.

The Director General of DGHS is requesting that the grant to be taken up through UN-HABITAT, in order to allow a timely implementation of the programme. UN-HABITAT will recruit the expert personnel for the NPT and CPTs. Implementing the programme on an off-budget modality is allowed by UN-HABITAT's rules and regulations. The oversight for the steering of the programme remains with the Director General of Human Settlements or his appointee. All financial reporting shall be approved by UN-HABITAT and acknowledged by the Director General or his appointee.

Cooperating with the World Bank – Jakarta office will be through regular steering committee meetings and reporting. The collaboration with the USDRP programme will be conducted through DGHS.

14. Time line.

Project Time Table		2010												2011												2012
		M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J				
		approx. end of 30 d Ramadhan												01-Sep												
		project months																								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21				
STEP 1	Activity 1	Recruitment of NPT	NPT																							
	Activity 2	Solo city ward profiling in guideline for replication	NPT																							
	Activity 3	Results Pekalongan vulnerability analysis reviewed	CCCI																							
	Activity 4	Safer Cities campaign issues reviewed in RPIJM (*)	DIP-E																							
	Activity 5	Inception, national work plan, discussion of co-planning agenda with city partners	NPT																							
	Activity 6	Recruitment of CPTs, based on proposals to do city mapping and consultations	NPT																							
	Activity 7	Common citywide planning and budgeting tools catalogued/reviewed (*)	NPT																							
	Activity 8	Draft guideline on citywide planning and budgeting tools (*)	NPT																							
	Activity 9	National workshop with partners on work plans, in Solo	All																							
STEP 2	Activity 10	CPTs and partners set city work plans, NPT and Solo CPT trains city partners on mapping, consultations		CPTs																						
	Activity 11	CPTs (except Solo) do selective neighbourhood profiling, with assistance of Solo CPT			CPT P+B		CPT P+B																			
	Activity 12	City profile of planning and budgeting, captured in draft publication (*)		NPT+ Solo	NPT+ Solo		NPT+ CPTs																			
	Activity 13	City Consultation 1 - 'call for proposals', supported by NPT (*)				CPT Solo		CPT P+B																		
	Activity 14	Generation of proposals				CPT Solo	CPT Solo	CPT P+B	CPT P+B																	
Activity 15	Draft final publications with city profiles, containing planning and proposals						NPT		NPT																	
STEP 3	Activity 16	City Consultation 2, leading to the short-listing of investment initiatives						CPT Solo		CPT P+B																
	Activity 17	Prefeasibility evaluation of short-listed proposals, assisted by NPT						CPT Solo	CPT Solo	CPT P+B	CPT P+B															
	Activity 18	Communication of the evaluation, leading City Consultation 3								CPT Solo	CPT P+B															
Activity 19	DGHS - City budgeting agreements									NPT+ CPT	NPT+ CPTs															
STEP 4	Activity 20	CDS-RPIJM tool development (*)										NPT	NPT	NPT	NPT											
	Activity 21	City-to-city exchanges, lead by Solo CPT											NPT+ CPT	NPT+ CPT	NPT+ CPT											
	Activity 22	National workshop with cities and partners for tool and city-to-city learning review															NPT									
	Activity 23	Further city-to-city exchanges, capacity building with RPIJM facilitators, policy advice to DGHS																NPT	NPT							
Activity 24	Final project reporting and publication																			NPT	NPT					

(*) Component where DRR mainstreaming will have impact upon, if DIPECHD funding is added.

The above project time table assumes a project start in May 2010. The calendar a tentative halt (slowing down) of activities during the Islamic fasting month, which approximately ends on the indicated dates.

The colour coding stands for:

- Black: national activities
- Yellow: activities focusing on Solo
- Blue: activities focusing on Pekalongan and Banjarmasin

15. Summary of the Financing Plan.

A. CITIES ALIANCE GRANT REQUEST

Components / Main Activities	Total (US\$)	Type of Expenditure			
		Consulting Services (US\$)	Training/ Capacity Building (US\$)	Dissemination Costs (US\$)	Other (US\$)
PROJECT ACTIVITIES:					
Step 1- Project Mobilisation	93,000	53,000	20,000	11,000	9,000
Step 2- Re-formulation/re-validation of SPK and RPIJM for the cities	120,000	92,000	24,000	4,000	0
Step 3- Short listing of initiatives	70,000	52,000	18,000	0	0
Step 4- Capturing, exchanging expertise	132,000	80,000	45,000	7,000	0
Sub-Total – Project Activities	415,000	277,000	107,000	22,000	9,000
PROJECT ADMINISTRATION & SUPERVISION:					
External audit	0				0
Supervision by UN-HABITAT	75,000				75,000
Sub-Total – Project Administration & Supervision	75,000	0	0	0	75,000
TOTAL A (Cities Alliance Grant Request)	490,000	277,000	107,000	22,000	84,000

B. CO-FINANCING

DGHS	374,000	128,000	246,000	0	0
Banjarmasin	57,000	36,000	21,000	0	0
Pekalongan	98,000	75,000	23,000	0	0
Surakarta	88,000	61,000	27,000	0	0
UN-HABITAT	50,000	25,000	25,000	0	0
TOTAL B (Co-Financing)	667,000	325,000	342,000	0	0

C. TOTAL

TOTAL PROJECT BUDGET COST (A+B)	1,157,000	602,000	449,000	22,000	84,000
--	------------------	----------------	----------------	---------------	---------------

16. Expected currency of expenditures

The project will be mainly expended in Rupiah (exchange rate US\$1= IDR 9350). A fraction of the consulting fees will be expended in USD. Also the supervision costs are expended in USD.

17. Co-financing arrangements.

DGHS will contribute through its 2010 budget for the furthering of the CDS, RPIJM and USDRP. The sources of support for the CDS project are, as listed in the national budget for DGHS :

- Revision of RPIJM 2009-2013 in selected cities.
- Direct Support to CDS Facilitation.
- USDRP Support and Facilitation.

DGHS will also provide in-kind provisions (travel expenses for DGHS staff and operational costs for national workshops (2 workshops)).

The cities have each listed a range of support projects, both delivery consultancy services useful to the CDS project or support, training and capacity building to regular or city specific planning initiatives. The range of activities for 2010 is the following:

- Primary Project and Support (with strong capacity for synergies):
 - Detailed Spatial Plan for Sub-Districts
 - Housing and Settlement Controls Plan
 - Slum upgrading plan
- Secondary Projects (sources for data, neighbourhood workshops, meeting budgets, etc.)
 - Participatory Budget Process (Musrenbang)
 - Bye-Law Formulation on Planning
 - Feasibility Studies & Master Plans for Urban Infrastructure (roads, water)
 - Sectoral / Special Master Plans (tourism,...)
 - Environmental planning
 - Infrastructure projects with planning components
 - Community-based grant facilitation
 - Community-based programming facilitation (e.g. education)
 - Civil Society Dialogue, Workshops, Support to non-governmental institutions
 - Inter-departmental workshops and meetings

The preparatory team collected the respective budget of these activities and allocated a 'relevance factor' to them, in order to get a fair representation of the co-financing budget. The factor is between 50% and 100% for primary projects and 1% to 5% for secondary ones.

A final fair assumption has been to estimate the support of the respective cities through their 2011 budgets. In total, the co-financing contributions are the following:

- Banjarmasin: US\$ 57,000
- Pekalongan: US\$ 98,000
- Surakarta: US\$ 88,000
- DGHS: US\$ 374,000
- UN-HABITAT: US\$ 50,000

The total contributions of each city, DGHS and UN-HABITAT are listed. Planning projects delivering specific outputs are listed as 'consultancies'. Project more geared towards supporting processes and facilitation are listed under 'training/capacity building'.

[Annex 4](#) lists the details of the calculation.

18. Costing assumptions.

The consultancy services will be provided by both international consultants (CTA level and qualified planners) and national consultants.

The national team will also cover Banjarmasin. The cities of Pekalongan and Surakarta will be covered by one team, possibly with a designated facilitator on the ground in each city. The first team is based in Jakarta. Ideally, the second team will be based in either Surakarta or Semarang. Sufficient travel budgets (under 'other') are reserved allowing commuting between Jakarta and Banjarmasin and between Surakarta and Pekalongan. If an institutional contract is awarded, e.g. for the second team, then the travel budget will be re-allocated under the consulting costs (lump sum with fees).

The staffing inputs have been estimated for the following positions:

- Senior international adviser, with strong urban planning background, at least 10 years of relevant experience. About 6 man-months.
- Urban planner, international, with advanced educational training and relevant experience in producing spatial data collection, analysis, GIS based mapping, advanced presentations, with experience in community-based and/or other strongly consultative planning contexts. About 12 man-months.
- Spatial planner, national, urban/regional planner, urban economist, urban demographer or other relevant urban specialist, capable of support data collection, city consultations and other processes relevant to CDS. National staff with at least 5 years of experience. About 12 man-months.
- Institutional adviser, with planning or governance background, with ample experience in budgeting processes relevant to the project (investment advice, USDRP related experience,...). About 12 man-months.

- Financial analysts (one position per city), capable of evaluating financial and fixed asset investments, with experience in urban and pro-poor projects (USDRP related experience, or experience in water and sanitation programming,...). About 11.5 man-months.
- Project manager to support procurement and operations of the project, knowledge of UN rules and regulations. 10.5 man-months.

In addition, the project allows the appointment of teams or individuals to support the city activities and to support report editing and publishing:

- Solo city project team – budget of USD 23,000.
- Pekalongan and Banjarmasin – budgets of USD 22,000 each.
- Publishing team – budget of USD 22,000, which includes both editing and translation services and printing outputs.

Other costs comprise equipment (US\$9000). In view of the complications to acquire direct funding from the City Governments, the proposal requests \$3000 per city as an allocation for small equipment to be purchased for properly selected neighbourhood facilitators and/or a local university in charge of processing neighbourhood mapping data. This is in effect a contingency in order to assure that the lack of equipment does not reduce the capacity of the project to engage quickly at grass-roots level. The allocation does not prevent that the project team will request the city administrations to provide in-kind support to a city planning team. Any purchased assets will be owned by the project and disposed of to public-interest beneficiaries, in line with asset disposal rules of UN-HABITAT and in consultation with the city-level project stakeholders.

Annex 5 has detailed costing assumptions on staffing, both by activity and by project month for **Consulting Costs**.

The table below provides details for the other costs (T/CB and Dissemination)

INS - CDS - costing details T/CB and Dissemination.

		Training	Dissem.	explanation (costs in brackets, in US\$ '000 unless stated otherwise)
Activity 1	Recruitment of NPT		1	announcement once nationally (0.7); website update 0.3
Activity 2	Solo mapping in guideline for replication		3	translations and printing costs (300 copies @ \$5 per copy); posters (60 @ \$5 per copy); courier costs (0.2 per city); costs of printing of draft for review, Cdrom replication, and related (approx 0.6)
Activity 3	Results Pekalongan vulnerability analysis reviewed		1	translation and report printing costs
Activity 4	Safer Cities campaign issues reviewed in RPIJM (*)		1	translation and report printing costs
Activity 5	Inception, national work plan, discussion of co-planning agenda with city partners	5	1	trips for small inception workshops in each city by NPT (3 pax @ 0.4/pax/visit x 3 cities = 3.6); cost for small inception workshop (approx 0.45 per workshops); printing costs of city information, project information, sample neighbourhood maps
Activity 6	Recruitment of CPTs, based on proposals to do city mapping and consultations		3	announcements for recruitment in multiple newspapers (national and local); national announcement at 0.7 for one small size; local announcement at 0.3; total budgets national announcement twice and announcement once x1 for 2 provinces = 2.0; cost of website updates (0.3); printing of information packages & communication costs to support city recruitment (0.7)
Activity 8	Draft guideline on citywide planning and budgeting tools (*)		1	translation and printing costs
Activity 9	National workshop with partners on work plans, in Solo		15	direct workshop expenses (2); travel expenses (national PT 0.7 x 5 persons; national stakeholders 0.4 x 8; city participants - Solo 0.075 x 10 persons; other participating cities 0.4 x 10 persons; USDRP city participants, provincial RPIJM stakeholders (0.4 x 4)
Activity 10	CPTs and partners set city work plans, NPT and Solo CPT trains city partners on mapping, consultations		15	CPT Solo does Solo workshop for CPTs of Banjarmasin and Pekalongan (extension of Activity 9; extra costs 0.25 x 10 pax); CPT Solo travels to Banjarmasin and Pekalongan to support initial activities (3 nov at 0.7 and 0.5); related neighbourhood workshop costs in each city (4 x 0.4, in each city); supporting of NPT (travel expenses) 2 pax at 0.6 for two cities and 3 pax at 0.3 for Solo; announcements, public communication & other support to conduct the neighb. workshops (0.25 per city)
Activity 12	Evaluation of planning and budgeting, captured in draft publication (*)		1	translation and printing costs
Activity 13	City Consultation 1 - 'call for proposals', supported by NPT (*)		9	city consultation cost = 3 per city; covering direct workshop costs (approx 1.5); announcements and printing (0.5); support by 2 pax of NPT (0.5 per pax)
Activity 15	Draft Final Publication on planning and proposals		3	printing costs, per city
Activity 16	City Consultation 2, leading to the short-listing of investment initiatives		9	city consultation cost = 3 per city; covering direct workshop costs (approx 1.5); announcements and printing (0.5); support by 2 pax of NPT (0.5 per pax)
Activity 18	Communication of the evaluation, leading City Consultation 3		9	city consultation cost = 3 per city; covering direct workshop costs (approx 1.5); announcements and printing (0.5); support by 2 pax of NPT (0.5 per pax)
Activity 20	CDS-RPIJM tool development (*)		2	translation and printing costs
Activity 21	City-to-city exchanges, lead by Solo CPT		15	for about 5 exchanges; each exchange consisting of travel expenses (3 pax CPT Solo at 0.6; 1 NPT delegate at 0.6; workshop expense 0.4; communication 0.2)
Activity 22	National workshop with cities and partners for tool and city-to-city learning review		15	direct workshop expenses (2); travel expenses (national PT 0.7 x 5 persons; national stakeholders 0.4 x 8; city participants - Solo 0.075 x 10 persons; other participating cities 0.4 x 10 persons; USDRP city participants, provincial RPIJM stakeholders (0.4 x 4)
Activity 23	Further city-to-city exchanges, capacity building with RPIJM facilitators, policy advice to DGHS		15	for about 3 exchanges; each exchange consisting of travel expenses (3 pax CPT Solo at 0.8; 1 NPT delegate at 0.6; workshop expense 0.8; communication 0.2; plus one policy workshop - travel expenses city participation 6 pax @ 0.5)
Activity 24	Final project reporting and publication		5	printing, website update costs, courier costs

107 22

The other costs is about small equipment to need for local teams, as mentioned, for instance 3 computers including back-up batteries and hard disks, 1 A3 printer, small cameras (3 x \$800, 1x 400; 2x \$200 = \$3,000).

List of

Annexes.

- Annex 1 Commitment Letters of Mayors.
- Annex 2 Partnerships and Preparatory Initiatives.
- Annex 3 Kota Kita leaflet (Solo).
- Annex 4 Co-financing Details (3 cities).
- Annex 5 Staffing Terms of Reference and Detailed Costing Assumptions.
- Annex 6 Preparatory studies (3 cities).

¹ Country-specific proposals typically originate from local authorities, but must be sponsored by at least one member of the Cities Alliance (see 'Cities Alliance Charter', Section D.14).

² While the average population growth between 1990 and 2003 was modest at 1.6% per annum, the growth of urban population reached 4.2%. Predictions are that in 2025 almost 75% of the population in Java will live in urban areas. By 2025, six in ten Indonesians will live in urban areas.

³ In many Asian countries, job growth has happened mostly in urban areas, reversing the trend of prior decades. See ADB Asia Economic Outlook 2008. In Indonesia, rural unemployment was 28% in 1994 and 35% in 2004. Urban unemployment declined from 32% to 23%.

⁴ During the past 10 years both in heavy primary infrastructure (highways, water mains, energy production) and in infrastructure reticulation and amenity development has made the situation increasingly dire.

⁵ Most of the responsibility for providing basic infrastructure resides with the local government at Kota (municipality) or Kabupaten (district) levels. Local governments are responsible for planning, programming, budgeting and spending. The central government has largely kept control over taxation, the cash management for public expenditures and the funding for national social assistance programmes and subsidies. By implication, operational controls have shifted largely to elected mayors and elected councils, but the central government is still safeguarding financial controls. Most competence for financial decision-making and the final authority to take up debt – both crucial capabilities to make investment decisions – are still largely the monopoly of the central government.

⁶ The reports are:

- "Inception Report - Support to CDS-III project preparation on participatory pro-poor urban investment planning; Technical Proposal for "Making urban investment planning work. Building on the Indonesian CDS Process", June 15, 2008;
- "Background Report: Overview of CDS Process and Participatory Urban Investment Program in Indonesia", June 19th 2008.
- National workshop on "City Development Strategy (CDS) towards integrated, effective and efficient city investment plans", Jakarta, August 20, 2009
- City Case Study Report s

⁷ Department heads are appointed by the elected leaders and are accountable to them. They need not to be career civil servants but often are.

⁸ Implementation regulations and auxiliary laws, such as for instance the amended Spatial Planning Law of 2007 or the Waste Management Law of 2008, stipulate a wide range of rights and responsibilities of local stakeholders. They also contain new and more complicated rules on vertical integration of decision making, between the cities or districts and the province and the province and national departments.

⁹ The incentives to do so are few as the central government is still disenfranchising even capable local authorities to engage in debt financing. No decision on debt can be taken without involving the central government. Setting up public-private financing schemes is legally challenging. Persistently prioritising pro-poor investments requires a lot of local political will.

¹⁰ International organizations such as UN-HABITAT, UNDP, USAID, GTZ, the ADB and the World Bank have all provided crucial support to policy reform. For instance, GTZ advisers drafted the outlines of the decentralisation process while advising the home affairs ministry in the 1990s. Since 1998, USAID has provided crucial support on local participatory governance processes, under the Local Governance Support Programme (LGSP). In addition, UNDP's Breakthrough Urban Initiatives for Local Development (BUILD) Programme, to which UN-HABITAT contributed, introduced a new approach in municipal management and administration, focusing on more responsive, participative, transparent and accountable practices. New organisations and modifications in planning, programming and financial management were introduced. Civil society and media became involved, opening the decision making process, guaranteeing public access to information and increasing transparency and accountability of the government.

¹¹ With regard to donor support, the interest for policy and governance reform has also been generic and often not specifically geared to urban issues. For instance, a flagship project of the Partnership for Governance Reform in Indonesia (PGR1), which was set up in 2000 and generously financed by bilateral and multilateral donors, dealt with community forestry. Generic local financial management capabilities were also targeted. The Ministry of Finance, sponsored by CIDA, initiated a programme called 'Basic Approaches to service Provision through Increased Capacity in Sulawesi' (BASICS). The programme started with assisting local governments to improve the quality of decentralised social services, providing training on planning and budgeting for with a pro-poor and participatory approach. Subsequently, CIDA re-focused the programme simply on issues of financial management, developing systems for online inter-department financial management.

¹² The decentralisation was made politically acceptable by putting most financial resources with the local levels, at the detriment of regional decision-making, which was perceived as potentially competitive with the national-level authority and a threat to the cohesion of the Indonesian state.

¹³ The influential Ministry of Home Affairs, with support of GTZ, launched the Good Local Governance Programme (GLG), which focused on capacity building for urban and regional governance, including the provision of basic urban services. Another GTZ supported programme was 'Local and Regional Economic Development' (LRED), which aimed at developing and implementing local economic development policies and location marketing on the basis of a cooperation between local officials and the local private sector. Surakarta participated in this programme. At times, secondary town outside Java or small towns in Java benefited from generic assistance programme. For instance, Banjarmasin received assistance from the the 'Basic Education Program', which was supported by Ausaid. The programme was aimed at assisting local government in the efficient and effective organisation of basic education – a social service that was earlier completely managed by the national ministry.

¹⁴ The Public Works department had always been the traditional anchor. State ministries on respectively housing and the environment had increasingly isolated particular issues of policy support. The Ministry of Home Affairs had set up a sub-directorate on urban development to mainstream policy.

¹⁵ It was understood that integrated infrastructure planning required a more comprehensive approach to local physical and economic planning. Considerable efforts were made to establish integrated planning among various implementing departments with long term and multi-sector city strategies in mind. Because of the emphasis of central planning, institutional coordination was seen as a major issue. This was difficult, due to overlapping roles, over-bureaucratisation and institutional competition. Moreover, the emphasis was on technical coordination and not on empowerment.

¹⁶ CDS I in Bandung. CDS II in Bandar Lampung, Blitar, Bau-bau, Bogor, Palu, Palembang, Pangkalpinang, Surakarta and Bontang.

¹⁷ Already in 1999, discussions were started to formulate a follow up strategy to NUDS of 1985. BAPPENAS and the Ministry of Public Works lead these discussions, but progress has been very slow. It is significant, that only now, in 2009, the formulation of a new urban development strategy is again on track, as part of the 'Urban Sector Reform Development Project' (USDRP). Initiated by the World Bank to support and fund the urban service development in the decentralised urban governments, the sub-project aims to provide advice on governance reforms and institutional development. It has been indicative of the problems of policy reform, that USDRP achieved quick wins with regard to the loan agreements, but has taken a long time to initiate a dialogue on policy reform. USDRP has now set up a structure where it has planted 'reform facilitators' in 27 cities. A Jakarta-based consulting team is still gearing up.

¹⁸ RPIJM suggests that city make a Strategi Pengembangan Kota (SPK, which is literally a City Development Strategy), complementary to a general medium-term development plan (RPJMD), which is a legal document required by all districts and provinces and which is approved by the council. SPK would be a document only cities develop. The problem for the SPK ('CDS') is that the brunt of participatory planning needs already to be focused to the yearly budgetary planning process. This process, the said *musrebang*, deals with regular expenditure allocation issues and is rarely strategic. The *musrebang* process has been strongly codified and many local authorities are unhappy: a lengthy process is required for decision-making often with little impact and reversals are often decided when the final budget is discussed and approved in local councils. The council decisions prevail, leaving little scope for a development strategy that binds stakeholders over multiple years.

¹⁹ It was opted not to focus the workshop on cities that are either too large or too small. The cities with a positive CDS legacy are, as said in the discussion: Blitar, Bontang, Surakarta and Palembang. Blitar and Bontang have both a population of about 120,000. As cities with a well publicised good governance environment, they have been provided with a proportionally large flow of donor and NGO assistance, making new initiatives likely less effective there, in terms for achieving change. Palembang, with a population of 1.3 million, is one of the ten largest cities of the city. Any effort to provide assistance to Palembang should be done either on a standalone basis, on a very specific and narrowly defined topic or with larger funding than available for this Proposal.

²⁰ The Indonesian Government is mainstreaming unconditional and conditional cash transfer programmes and is presently running the largest unconditional variant in the world, i.e. the monthly oil price compensation allowance of approximately US\$ 10 to 30 million poor people, distributed through the postal system. It is also mainstreaming the community grant programmes KDP and UPP developed with assistance of the World Bank during the past 13 years. Meanwhile, the Indonesian Government has maintained a conservative approach to debt financing in running USDRP-1, as is the case with other debt financing programmes: it is allowing cities only to propose investments that allow full cost recovery. The macro-economic presumption is that Indonesia has sufficient budget funds to finance the development of basic long-term infrastructure, such as urban roads, sanitation, water supply and other items that do not allow full cost recovery through the collection of local levies and fees.