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Indonesian Village Governance under the new Village Law (2015-2018)

Sentinel Villages Report

May 2020

Social Development Unit

Indonesia



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Abbreviations and Acronyms

APBDesa	Village Budget (<i>Anggaran Pendapatan dan Belanja Desa</i>)
APBN	National State Budget (<i>Anggaran Pendapatan dan Belanja Negara</i>)
ADD	Village Fund Allocation (<i>Alokasi Dana Desa</i>)
BAPPENAS	National Development Planning Agency (<i>Badan Perencanaan Pembangunan Nasional</i>)
BKKDes	Village Finance Special Assistance (<i>Bantuan Khusus Keuangan Desa</i>)
BP-PDRD	Allocations by districts to villages (<i>Bagi Hasil Pajak Daerah dan Retribusi Daerah</i>)
BPD	Village Council (<i>Badan Permusyawaratan Desa</i>)
BUMDes	Village Owned Enterprise (<i>Badan Usaha Milik Desa</i>)
CDD	Community Driven Development (<i>Pembangunan Bertumpu Masyarakat</i>)
COVID-19	Corona Virus Infectious Disease 2019
DAK	Special Allocation Fund (<i>Dana Alokasi Khusus</i>)
DAU	General Allocation Fund (<i>Dana Alokasi Umum</i>)
DBH	Revenue Sharing (<i>Dana Bagi Hasil</i>)
DD	<i>Dana Desa</i> (Village Fund)
FGD	Focus Group Discussion
IDR	Indonesian Rupiah
IDT	Special Program for Disadvantaged Villages (<i>Inpres Desa Tertinggal</i>)
KDP	Kecamatan Development Project (<i>Program Pengembangan Kecamatan</i>)
Kemenko PMK	Coordinating Ministry for Human and Culture Development (<i>Kementerian Koordinator Pembangunan Manusia dan Kebudayaan</i>)
KIP	<i>Kampung</i> Improvement Program
LPJ	Year End Accountability Report (<i>Laporan Pertanggungjawaban</i>)
MoF	Ministry of Finance (<i>Kementerian Keuangan</i>)
MoHA	Ministry of Home Affairs (<i>Kementerian Dalam Negeri</i>)
MoV	Ministry of Villages, Disadvantaged Areas and Transmigration (<i>Kementerian Desa, Pembangunan Daerah Tertinggal dan Transmigrasi</i>)
MusDes	Village Assembly (<i>Musyawarah Desa</i>)
PAUD	Early Childhood Development Center (<i>Pendidikan Anak Usia Dini</i>)
PKTD	Cash for Work (<i>Padat Karya Tunai di Desa</i>)
PNPM	National Program for Community Empowerment (<i>Program Nasional Pemberdayaan Masyarakat</i>)
Perpres	Presidential Regulation (<i>Peraturan Presiden</i>)
Permendagri	Minister of Home Affairs Regulation (<i>Peraturan Menteri Dalam Negeri</i>)
PD	Village Facilitators (<i>Pendamping Desa</i>)
PLD	Village Local Assistant (<i>Pendamping Lokal Desa</i>)
PP	Government Regulation (<i>Peraturan Pemerintah</i>)
Puskesmas	Community Health Clinics (<i>Pusat Kesehatan Masyarakat</i>)
RAB	Estimated Budget Cost Details (<i>Rencana Anggaran Biaya</i>)
RKA	Budget for Workplan (<i>Rencana Kerja Anggaran</i>)
RKP Desa	Village Government Work Plan (<i>Rencana Kerja Pemerintah Desa</i>)
RPJMDesa	Village Medium-Term Development Plan (<i>Rencana Pembangunan Jangka Menengah Desa</i>)
SISKEUDES	Village Financial System (<i>Sistem Keuangan Desa</i>)
SV	Sentinel Villages
UPP	Urban Poverty Program
VIPER	Village Public Expenditure Review
VL	Village Law
WDR	World Development Report

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Executive Summary

In January 2014, the Government of Indonesia issued Law No. 6/2014 on Villages (the “Village Law” or VL), with the express intention of addressing gaps in Indonesia’s decentralization paradigm and of enshrining the principles of community driven development (CDD) into formal governance systems. The law recognizes the sovereignty and autonomy of the country’s villages. It confirms their right to prioritize and manage village-level development based on principles of self-governing communities and of local self-government.

To support village autonomy, the VL devolved an unprecedented amount of funds (*Dana Desa* or DD) to the village level. Between 2015 and 2018, the Indonesian government transferred a total of around US\$14 billion to nearly 75,000 villages across the country. In 2019, the total village revenue amounted to US\$8.6 billion, more than a five-fold increase from 2013, the year before the VL was passed. Given this very high level of expenditure, it is important to understand how these funds have been spent, what drives the expenditures, and how to maximize the VL’s potential.

The goal of this Sentinel Villages (SV) study is to use and interpret field-based data to highlight areas in the VL’s implementation chain where regulatory or organizational changes can help the Indonesian government improve the quality of the program’s investments. The report is based on findings from the first three years (2015-2018) of the VL’s implementation, a highly dynamic period during which regulations, mechanisms, and practices were being adjusted and refined on an ongoing basis. With this limited time frame, the study is not intended to assess long-term development outcomes as a result of the increased village autonomy and resources. That should be done only when sufficient time has passed to evaluate actual outcomes. Instead, the report should be read as a process review of how the VL is unfolding.

The SV study uses both qualitative and quantitative methods to: (i) determine how the VL’s principles of participation, transparency, and accountability are being put into practice; (ii) identify the factors influencing these practices; and (iii) understand the perceptions of villager and village governments. The quantitative component of the study surveyed over 4,000 respondents (half of them women), including Village Heads (*Kapala Desa*), heads of Village Councils (*Badan Permusyawaratan Desa* or BPD), hamlet heads, village activists, and health and education sector workers. The sample covers 112 villages in five districts and three provinces. The end-line survey interviewed a new sample of randomly selected individuals from the same villages as the baseline survey.

Findings from the study were shared on an on-going basis with the Government of Indonesia, most notably the Ministry of Home Affairs (MOHA) and the Ministry of Villages, Disadvantaged Areas and Transmigration (MOV). During this period, analysis from the study supported the government’s policy reforms related to the VL, including revisions to village public financial management and strengthening the role of BPD.

Structure of the Report

This report starts by providing the historical context and conceptual framework for the SV study (Chapter 1). It then moves to a discussion of the patterns of village expenditure across different types of development activities to determine the extent to which village fund spending meets the needs of villagers (Chapter 2). It then seeks to determine how issues related to transparency affect expenditure (Chapter 3); followed by a similar examination of issues related to participation (Chapter 4); and then accountability (Chapter 5). It subsequently seeks to determine the extent to which the provision of facilitation has supported the

application of these principles (Chapter 6). Finally, the report concludes with recommendations that can help to make village development more effective across Indonesia (Chapter 7).

Key Findings

- **Village spending in the early years of the Village Law (2015-2018) mirrors historical investment patterns of small-scale infrastructure and does not yet fulfill the potential for larger and more strategic investments.** Prior to the VL, village governments made investments in small-scale projects, mostly at the hamlet level, because of relatively small budgets. With the VL, these governments saw a ten-fold increase in funding and expanded responsibilities. However, this did not immediately translate into different investments and spending patterns, such as larger, village level investments, or even multi-year strategic investments. And while community needs continue to prioritize these smaller infrastructure investments—including market access roads, clean water points, and small-scale irrigation facilities—the anticipated potential from increased funding and authorities has not yet been realized. Findings from the research indicate that village heads, village governments, and village councils lacked the knowledge, capacity and technical support to immediately execute their new functions.
- **Village government transparency is on the rise.** Village governments are increasingly committed to the open dissemination of information. More transparent discussions do, as expected, lead to more community ownership and better oversight. However, the content of information and how it is presented are critical to making it relevant to community members. The study found that guidance from the central and district governments on disclosure was critical for the type and extent of information disclosed. When disclosure is required by higher levels of government and enforced through the application of sanctions and/or incentives, village governments are far more likely to engage in them.
- **Interest in village-wide investments will increase if more people are actively invited to village decision meetings.** Villagers were considerably more likely to attend meetings if they received formal invitations rather than just general announcements or verbal invites. Hamlet-level discussions were more inclusive and better attended than village meetings. However, hamlet-level discussions were limited to immediate hamlet-level needs. The study indicates that where people more actively involved in decision-making, there was greater interest in the investments.
- **Upward accountability is improving, but Village Law’s system of checks and balances is not yet operating well.** The administrative capacities of village governments have improved over the years since the VL was first implemented. Village government compliance with reporting requirements increased over the study period. However, higher levels of government have yet to translate compliance into active support and technical assistance that can help village governments make more strategic investments to meet community needs. The cascading support and supervision structure is mandated under both the VL and Indonesia’s Local Government Law (23/2014). The study also found that overly complex and contradictory central government regulations often confuse rather than help village governments execute the VLI. In terms of downward accountability (accountability to the community), Village Councils (BPDs) still do not fill their intended role of providing a system of checks and balances on village governments. BPD members appear to have limited understanding of their roles and responsibilities, with fewer than half of the BPD members surveyed for this study having attended the general training sessions provided by district-level government agencies.
- **Village heads are thirsty for knowledge and support in problem-solving.** Interviews found that, by the end-line survey, the majority of village heads were increasingly comfortable with using the VL to solve local development problems. However, capacity gaps persist. District support is more focused on

compliance monitoring than providing support and guidance. Village heads, overall, were found to be responsive to training opportunities and learning from peers.

- **There is limited facilitation support for villagers.** In principle, professional facilitators assist villages to plan and manage their development processes and activities, with the role of engineering support being key. However, facilitators have been spending much of their time on administrative and reporting requirements, and are not fulfilling their duties on community empowerment, monitoring implementation of activities. Technical facilitators are stretched very thin, being required to cover many projects and different villages that are often geographically spaced out. District sectoral extensionists and outreach workers often bypass village leadership and plans.

Recommendations

General and multi-stakeholder

- a. **Improve regulatory coherence and consistency:** At present there is very little oversight of the guidance going down to villages. Ministry of Villages, Disadvantaged Regions and Transmigration (MOV), Ministry of Home Affairs (MOHA), and the Ministry of Finance (MOF) often issue guidelines that contradict each other, causing confusion in the field. The Government of Indonesia's (GoI) agencies (Menko PMK, MOHA, MOV, MoF, and Bappenas) need to find a way to make regulatory guidance more consistent and strategic.
- b. **Reduce administrative burden on village governments:** Village governments and facilitators are spending the majority of their time on administrative and reporting requirements. Demands for reports come from all levels of government and multiple sectoral agencies. Reporting requirements are both excessively burdensome and often not tied to village-level issues. This study suggests that Bappenas, MoV, and MOHA should jointly carry out a consolidation and simplification exercise that produces a single, user-friendly set of technical and operational guidelines and a single, integrated, data entry system. Directions should also be provided to districts to reduce the additional burden they place on villages. Requiring local governments to use the Village Financial Management System (*Siskuedes*) wherever possible will help unify all financial reporting through the system and avoid burdensome requirements for paper-based reports and receipts to be submitted from villages to districts.

For the Ministry of Villages:

- c. **Return to open menus:** One of the major features of the GoI's earlier community empowerment programs was the open-menu system, which enabled communities to determine their own priorities for expenditure. Multiple reviews found that villagers overwhelmingly chose economically productive or socially useful investments such as market roads, better school and clinic access, and safe water sources. Central and district-level agencies increasingly issue their own priority lists to guide the use of DD, with these priority lists being frequently revised and subject to change. This creates confusion. It also produces sub-optimal investments, with village heads reluctant to address local priority needs other than those specified from above, whether these are the best use of funds or not. The GoI should return to the open menu, with instructions and guidelines to district-level governments to prevent the imposition of conditions at that level. MOV should issue a guideline that confirms an open menu for *Dana Desa* for the coming five years.
- d. **Enable larger, village-wide projects:** Because Indonesian villages are often very large and only loosely integrated, there is a natural tendency to divide up village funds into a large number of small projects. The study found that this fragmentation is partly driven by the lack of qualified technical support and is partly done to avoid community level conflict to ensure equal distribution of investments to all hamlets . The

economic returns to village fund investments would be higher if: (i) proper engineering support could enable villages to design and manage larger projects; and (ii) multi-year planning could be allowed so that villagers could negotiate a sequence of larger investments rather than treating each year's budget as a zero-sum game.

- e. **Improve facilitator selection and management:** Now that village heads have the capacity to handle administrative matters, facilitators should focus on community facilitation. MOV should: (i) update facilitators' terms of reference; (ii) conduct annual performance reviews for all facilitators; (iii) make the recruitment processes more transparent; (iv) develop and deliver training programs that focus on facilitator functions rather than regulatory requirements; and (v) introduce supervision and performance improvement oversight of facilitators.
- f. **Issue guidance for village governments to improve participation:** The study found that when village governments proactively invited a broader range of community members to attend meetings, participation levels increased. MOV should issue guidelines that require village governments to hold special meetings at the hamlet level and with special group to solicit input from as many elements of the community as possible in the lead-up to the annual Village Assembly (*Musyawah Desa*, or *MusDes*). The study also reconfirmed that formal invitations encourage participation at village-level meetings.
- g. **Introduce participatory poverty mapping:** At present there are few guidelines that would encourage village leaders to identify where the greatest number of poor people live or how village funds can address their needs. Organizations specialized in poverty mapping exist in many parts of Indonesia. These could be brought in at both the national and district levels to improve pro-poor village development planning. Special *MusDes* should be organized for poor and vulnerable households to allow them to express their specific aspirations and priorities.
- h. **Conduct information campaigns to ensure all citizens are aware of their rights under the Village Law:** MOV should mount national communication campaigns to make sure that villagers are aware of their rights to participate in village decisions. Simple poster boards, radio campaigns, and advertisements through social media, can reach millions of Indonesians.

For the Ministry of Home Affairs:

- i. **Strengthen local government systems for guidance and oversight to villages:** The study found that government agencies were often unwilling or unable to provide supervision, mentoring, and monitoring assistance to villages. When technical agencies adopt a problem-solving approach, development outcomes improve significantly. MOHA should issue guidelines to require district and sub-district (*kecamatan*) governments to provide this type of assistance. District and sub-district budgets must include funding for village support visits and have staff with the relevant skills to provide sectoral support, particularly in the areas of engineering, health, and education. Village heads should be empowered to coordinate district extension and outreach services.
- j. **Strengthen the position of the sub-district:** Sub-districts are responsible for the oversight of an average of 30 to 50 villages (with a high degree of variance). This makes them the appropriate unit to provide the technical support and supervision that villages need, as well as to improve inter-village planning and investment. Subdistricts need to be given clearer mandates, appropriate staff, and sufficient budget to provide adequate support to community planning. More active sub-districts could also convene fora for district service agencies to engage community representatives.

- k. **Increase learning opportunities for village leaders:** The study found that many village heads brought innovations back from cross-village visits and cross-district training sessions. Encouraging a local learning and problem-solving culture would cost little and should be promoted.
- l. **Build Village Council capacity:** The study found that BPDs are often unaware of their intended role as a system of checks and balances on village governments and as a channel for community aspirations. So far, MOHA has focused on building the capacities of village governments, with relatively little attention paid to building the capacities of BPDs. MOHA should help BPDs fulfill their intended role. Issuing operational guidelines; providing appropriate training; and using BPDs to monitor progress can only improve the quality of development.

1. Introduction

In January 2014, the Government of Indonesia (“the Government”) issued Law No. 6/2014 on Villages (the “Village Law”, VL), with the express intention of addressing gaps in Indonesia’s decentralization paradigm and of enshrining the principles of community driven development (CDD) into formal governance systems. The law formally recognizes the sovereignty and autonomy of Indonesia’s villages, affirming their right to prioritize and manage village-level development according to the principles of *self-governing communities* and of *local self-government*.¹ To support village autonomy, the VL mandates the devolution of authority for the management of an unprecedented value of funds, amounting to a total of more than US\$5 billion per year in 2018, with these funds being divided between almost all of Indonesia’s roughly 75,000 rural villages, where around 40 percent of its population of more than 267 million people still live.

This study is a review of the implementation of the Village Law over the first three years since its issuance. Based on an analysis of field-based data, it attempts to identify areas in the Law’s implementation chain where regulatory and/or organizational changes may be required to improve the quality of the program’s investments. Given that the Law has been in operation for only around four years, during which it has undergone an ongoing process of refinement and revision, it is still much too early to attempt to assess impacts. Thus, the Study is not intended as an impact evaluation, but as a process review to assess how the new Law is unfolding and how it should be shaped to deliver optimal impact.

1.1 Context and background

This introduction provides background and context of the Law. The Village Law is an integral part of Indonesia’s ongoing process of decentralization, democratization, and political reform. It is also a major component of the government’s overall initiative to reduce poverty and to promote inclusive economic growth. While Indonesia has become increasingly urbanized over the past three decades, the World Bank estimates that 44.68% of its population, over 100 million people even prior to the COVID-19 economic crisis, still resides in rural areas. In addition, much of its urban population consists of rural migrants who maintain strong links with their natal villages, with a tendency to return to these villages in times of economic hardship, when employment and other opportunities in the urban areas become more limited, as the current COVID-related crisis has already demonstrated. Thus, the VL’s potential to facilitate the integration of villagers with markets; to improve the quality of village service delivery; and to establish a relationship of trust between communities and government institutions is of foundational importance to improve resilience and to facilitate the healthy growth of the nation, benefiting the population in both rural and urban areas.

Village governance during the New Order

Up until the end of the New Order period in 1998, village governance was defined by Law No. 5/1979, which mandated a uniform structure of governance across the country, regardless of local contexts and conditions. Under this law, while village heads were theoretically elected by the communities they were intended to serve, in practice, these elections were tightly controlled and monitored by district heads and other authorities, whose approval was either explicitly or implicitly required for an individual to occupy this position. Throughout their period of office, village heads remained dependent on these higher-level authorities, with little or no autonomous control over funds to manage development. Rather, they relied upon projects managed by supra-village governments or line ministries that were often planned and

¹ See Sub-chapter 1.1 in the Explanation part of the VL.

implemented without any reference to the villagers' preferences or priorities.² There were also only very limited and ineffective mechanisms to ensure the downward accountability of these village heads to their communities, with a lack of transparency regarding funds and of mechanisms to enable members of the community to question expenditures; to express their aspirations; or to hold their leaders to account. At the same time, customary leaders and institutions were either disempowered or co-opted by higher-level authorities, resulting in the further weakening of civil society at the community level.

Decentralization and the Village Law

With the promulgation of Law No. 22/1999 on Regional Government, the central government devolved a high level of authority to district-level governments, including the authority to manage the villages within their jurisdiction. While village governments were granted the right to manage their own budgets as far back as 1979,³ the size of these budgets was typically quite small. Law No. 22/1999 (which was operationalized only in 2001) also mandated the establishment of village councils (*Badan Perwakilan Desa*, BPD⁴), the role of which was to ensure horizontal and downward accountability. After this law was operationalized, these councils initially had the power to remove village heads, a provision that was deeply unpopular with these officials. As a result of lobbying by the village head association, in 2004, Law No. 22/1999 was revised to deprive the councils of this power.

This decentralization drive was motivated both by a desire to improve efficiency by devolving authority for a wide range of areas to the least centralized competent authority (subsidiarity) and to maintain political stability. With these reforms, districts became the primary administrative unit, with authorities over matters such as the provision of health, educational, and other basic services, as well as over the governance of lower level administrative units. However, district capacities proved to be weaker than anticipated, particularly for delivering services to villages, where infrastructure gaps remained large and development service delivery was often erratic and of low quality.

The 2014 Village Law was intended to increase the ability of village authorities to provide basic services and infrastructure to their communities. It would enshrine the participatory principles and practices developed through the implementation of the government's CDD projects. It was also intended to strengthen accountability mechanisms, including through a revival of the village councils (albeit without their previous power of impeachment), to control corruption and build more trust in the government (Antlov, *et al.*, 2016).

The VL recognizes villages as self-governing entities with the authority, right, and resources to manage their own affairs. It gives them control over a significant village budget, which is to be used for administration and development. The Law recognizes community members' right to participate in village affairs and the village government's responsibility to ensure that all members benefit from village resources such as through participation in village forums (*musyawarah desa*, or *MusDes*). Thus, the law is often viewed as a watershed policy, with the potential to improve the governance and prosperity of around 75,000 villages across Indonesia.

Community development in context

² The first Local Level Institutions (LLI) Study documented village development towards the end of the New Order, including how villages often had to propose for a project for years without knowing when they were going to it (Evers, 2003)

³ Law No 5/1979

⁴ This is the initial term for BPD. *Perwakilan*, means "representative". This change in the subsequent Law to "permusyawaratan," which means "deliberation," to signify the changes in the BPD's power and authority

The Village Law draws heavily on the Government's extensive experience with community driven development ("CDD") initiatives, effectively moving to mainstream the mechanisms and structures that were developed within CDD projects that ran in parallel with formal governance systems into these systems. The government's lengthy experience with CDD projects arguably began with President Suharto's Special Program for Disadvantaged Villages (*Inpres Desa Tertinggal*, IDT), a project launched in 1996 with the stated purpose of providing poor people with access to the seed capital that they needed to launch micro-businesses. This was followed by a number of Bank-financed sectoral programs that adopted and built upon this earlier project, including the Water Supply and Sanitation Program (WSSLIC); the urban sector's Kampung Improvement Programs (KIP); the direct grants to schools program (BOS); and the transport sector's Village Infrastructure Program (P3DT). Each of these sectoral programs was premised on the principle that successful "final mile" service delivery required a level of local knowledge, community participation, and flexibility that would not have been possible under more traditional centrally planned, top-down programs.

In late 1997/98, during a period of deep political and economic instability, the Government launched the Kecamatan⁵ Development Project (KDP), with World Bank support, to test a range of mechanisms and systems to enable community groups to prioritize and plan local-level development projects and to directly manage funds to implement them. At the time, the government recognized that these systems might be relatively immune to corruption and misuse of funds, thus enabling it to meet the urgent needs of communities in crisis within the limitations set by the Government's constrained financial space. It also recognized that this system might enable it to close the country's enormous tertiary infrastructure gap in a cost-efficient manner. Once villages were free to choose their top priority investment, it turned out that the overwhelming majority of them chose economic and social infrastructure, with a particular emphasis on market connectivity. The top five investments including roads, bridges, irrigation, clean water supply and sanitation, and flood control facilities. Finally, the government also recognized that the project might enable rural communities to develop the social capital required for them to build resilience to the impact of the crisis, natural disasters, and to other shocks that might ensue in Indonesia's turbulent environment.

KDP and the subsequent PNPM's operating modalities were simple. Through a process of participatory hamlet and village meetings, each village produced a maximum of two investment proposals, one of which had to come from women's groups. All villages within each subdistrict in which the project was implemented sent representatives to a subdistrict-level decision-meeting, at which villagers had to rank and negotiate the proposals to compete for allocations from a fixed grant amount. Once the list of approved subprojects was finalized, no further reviews were permitted, thus preventing interference from higher-level agencies and reaffirming the project's autonomy. An urban equivalent of the KDP, the Urban Poverty Program (UPP), was established on similar principles and with similar mechanisms, with adjustments for the urban context.

The KDP's financial flows largely bypassed the inter-governmental fiscal transfer system, which Bappenas believed was adding little value but resulting in many delays and financial diversions. Instead, the program disbursed directly from the Ministry of Finance to subdistrict accounts held in a state-chartered bank. These accounts were held collectively in the name of the inter-village cooperation unit (UPK), with each village head being a signatory, but were registered on district treasury accounts and audited by state auditors (BPKP). A number of measures were implemented to increase subnational governments involvement in and ownership of the project, including systems to encourage district governments to

⁵ sub-district

contribute matching grant funds. While their contributions varied over time, more than 95 percent of districts did contribute such funds, indicating the project's high level of popularity and acceptance.

It was a basic principle of the program that the funds provided were owned and managed by communities, who were responsible for developing plans to utilize them to meet their own perceived needs. However, it was also recognized that with the degraded state of social capital at the time and with their limited technical capacities, they needed significant technical and social support, a need which the project met through the provision of facilitation. Of particular importance were privately contracted engineers (technical facilitators), who reviewed and supervised all larger infrastructure subprojects to determine their feasibility and trained villages in low-cost periodic maintenance. In addition, privately contracted social facilitators also provided training in participatory methods to ensure transparency (particularly financial transparency), and to enable communities to submit complaints regarding the misuse of funds and other deviations to higher authorities for follow-up action.

By 2007, KDP had facilitated the completion of more than 23,000 community infrastructure projects, covering every district in Indonesia. Following a high-level review of local development needs led by Minister of Finance, Sri Mulyani, and the Minister of Social Welfare, Aburrizal Bakrie, KDP and UPP were scaled-up to achieve nationwide coverage with the establishment of the National Program for Community Empowerment (*Program Nasional Pemberdayaan Masyarakat*, PNPM). With the establishment of this program, coverage increased from 25,000 villages to more than 70,000 villages in less than five years. As has since been the case with the Village Law, quality suffered somewhat as a result of the rapid scale-up in the initial period of the new program's implementation. However, by 2009, PNPM's management systems had again re-stabilized, and the program continued to receive high-level political support and funding until its completion in 2014.

Quantitative reviews demonstrated that these projects' mechanisms produced better quality infrastructure and provided better services at far lower cost than through standard government mechanisms. At least part of this success was attributable to the projects' high-quality monitoring and evaluation programs. Peer-reviewed evaluations that testify to the projects' success include the following:

- Economic returns to village investment (Torrens 2001, Dent etc. 2004)
- Reducing corruption (Olken, 2006)
- Quality of infrastructure (WB PPAR, Neate, 2012)
- Local level conflict resolution (Barron, Humphreys et al 2011.; Woolcock, Barron, Diprose 2006)
- Efficiency of competitive project selection (Zinnes 2011)
- Malnutrition and stunting (Onishi et al 2011; JPAL 2019)
- Primary education performance (Pradhan et al, 2011)
- Microfinance (Holloh, Mercy Corps)
- Safety net targeting (Alatas, Banerjee et al 2016)

The bottom-line conclusion from all of these studies was that, provided that some core design principles were followed, a community-based approach was an efficient, cost-effective way for Indonesia to close its long-standing gaps in village infrastructure.

Box 1. Objectives of village governance

Article 4 of the Village Law acknowledges the principles of self-governance and community empowerment, defining the objectives of village governance as: (i) recognizing and honoring village diversity; (ii) encouraging community initiatives and participation in developing the village's potential and assets for mutual benefit; (iii) establishing a professional, efficient, effective, open, and responsible village government; and (iv) strengthening

the community as the main development subject. The VL defines village community empowerment as *efforts to develop self-reliance and community welfare by promoting knowledge, attitudes, skills, behaviors, abilities, and awareness, as well as utilizing resources through the establishment of policies, programs, activities, and facilitation that address the community's problems and needs*. The law also recognizes villages' authority to govern themselves; to manage their own development; to develop their capacities; and to support community empowerment on the basis of local initiatives, rights of origin, and customs.

1.2 Objective and research questions

The Sentinel Villages (SV) study was launched in 2015 to observe and assess the implementation of the VL during the first three years of its operation through a large, qualitative assessment *to assess how the Law's goals and objectives were being understood and worked out in practice*. Based on this assessment, the Study's goal is *to contribute to the ongoing refinement and improvement of the law and associated regulations and guidelines*.

The Study first seeks to determine whether villages adhere to the principles of participation, transparency, and accountability and to assess whether adherence to such principles influences decisions related to the use of resources. It then seeks to determine how villages have utilized the funds made available to them in the defined time period, with a breakdown across different development activities and investments. Finally, it examines how support systems, including facilitation and M&E systems, have influenced the implementation of village development processes and their outcomes. Thus, it seeks to assess the potential benefits of the VL to the community and to analyze the interplay between community participation, the transparency of information, and the accountability of funds spent.

It is important to note that the Study is based on findings from the first three years of the implementation of the new law, a highly dynamic period during which regulations, mechanisms and practices were being adjusted and refined on an ongoing basis. In particular, three points are key to defining the boundaries of the inquiry.

First, the Village Law has resulted in a nearly unprecedented scale up, with a massively increased allocation of financial resources. Even at their peak, the PNPM programs never disbursed more than US\$350 million per year. In stark contrast, by 2018, the government was disbursing more than US\$5 billion per year to villages, a 15-fold increase. Even more disconcertingly project stakeholders being given less than nine months to prepare for the change.

Second, to make matters even more challenging, to handle the scale-up, the Government split responsibility for the implementation of the new law between the Ministry of Home Affairs (which had previously managed the government's CDD programs) and the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, transforming and massively expanding the mandate of the previously Ministry of Transmigration and Left Behind Communities (which had little or no previous experience with these programs).

Third, prior to the Village Law, donors such as the World Bank, ADB, and DFAT provided the bulk of the funding for government CDD projects, including the provision of extensive technical support for project supervision and evaluation, and with these entities facilitating and convening high-level dialogue between Bappenas and the Ministries of Finance and Home Affairs. With the move to full government financing, these responsibilities are now borne entirely by the Indonesian government's own institutions.

Taking these three points into consideration, it must be reiterated that this Study is not intended to assess long-term development outcomes as a result of increased village autonomy and resources, as this type of

assessment would simply not be meaningful until sufficient time has passed to enable these issues to be addressed. Rather, the report attempts to answer three main research questions:

- 1. Research Question One: To what extent are villages adhering to the principles of participation, transparency, and accountability?**
 - a. Are planning and implementation processes open to non-elites, including women, poor villagers, and marginalized groups? Why or why not?
 - b. Are community members, including non-elites, women, poor villagers, and marginalized groups, informed about: (i) village government planning processes; (ii) village government decisions; and (iii) the implementation of projects supported by village funds? Why or why not?
 - c. Is the community able to hold the village government to account for the use of village funds through mechanisms stipulated in the VL, such as the BPD and *MusDes*? Why or why not?
- 2. Research Question Two: Does implementing the principles of participation, transparency, and accountability lead to village fund allocations that correspond to the community's priorities?**
 - a. Are village funds allocated according to priorities that reflect the needs of non-elites, including those of women, poor villagers, and marginalized groups? Why or why not?
 - b. Have community members, including non-elites, women, the poor, and marginalized groups, perceived changes in their interactions with the village government after VL implementation? Why or why not?
- 3. Research Question Three: Do local institutions (BPDs, *adat* councils) and village activists (former PNPM actors) influence VL implementation? What role do they play, if any?**

1.3 Conceptual framework and review of issues

The concept of community driven development first began to appear in the global development lexicon shortly before the turn of the 21st century, though its history goes back much further. The World Bank's 2004 World Development Report on *Delivering Services to the Poor* presented a conceptual framework for this idea, drawing heavily on the Indonesian government's CDD portfolio to confirm many of its points. The WDR posited that the "long route" of accountability typical of institutionally mature democracies assumes that service delivery is supported through a virtuous circle in which electorates choose politicians, who provide resources and authorities to bureaucrats, who in turn oversee the delivery of services such as health, education and agricultural extension. If voters are not satisfied with these services, they can replace their representatives with politicians were more willing to ensure that the bureaucracy deliver what the people want.

However, in many developing countries, there are breaks at various points along this chain, due to issues ranging from predatory corruption to poorly informed electorates, secretive bureaucracies, and non-performing service providers. In these contexts, providing resources directly to communities creates a "short route" to solving this principal-agent problem, enabling the intended end beneficiaries to contract, prioritize and oversee the provision of services.

More recent work on social accountability, while still building on the WDR's solution to the principal-agent problem, places greater emphasis on the other half of the equation, stressing the role of the bureaucracy that oversees service delivery and its receptiveness to villager's priorities and concerns. In this framework, the engagement between community and official is interactive: as villagers make claims on public services, government service providers become more responsive, if measures are taken to enable, encourage and

require officials to act effectively. National policy reforms are increasingly designed to structure the service provider's resources, autonomy, and incentives, including through reforms to reduce patronage and rent seeking and to delegate greater responsibility to ensure that officials respond appropriately.

The implementation of Indonesia's Village Law is taking place in the context of a shift from the original "short-route accountability" model to one in which the formal structures of government now extend down to the villages. While village heads represent both the national and district administration, they are now also elected directly by village constituents, to whom they must deliver services that meet these constituents' expectations if they desire to stay in office. In principal, the large sums of money transferred to village heads free them from their former role as supplicants to districts, making them accountable to their constituents to an unprecedented degree.

The model described above is premised on several basic assumptions. First, "short route" accountability assumes that a sufficient level of social capital exists to enable villages to effectively make collective decisions. Second, it assumes the existence of mechanisms to enable the community to hold the village heads to account. While the Village Law's empowerment of village heads is intended to enable them to discover the freedom and interest to be good leaders who develop their home constituency, without these mechanisms, it could also allow them to use their newfound authority and funds to reinforce past patterns of hierarchy and authoritarianism. Third, community "claims" on village authorities and service providers depends on communities having a high level of awareness of their rights and entitlements and a reasonable expectation that governments will respect these rights. Given Indonesia's long history of centrally managed, top-down governments, this transition to village-level democracy can be expected to result in a great deal of confusion, confrontation, and negotiation between stakeholder groups with different and conflicting interests and expectations, particularly in the early stages as the new rules start to take shape and be translated into actual practice.

An examination of the global literature shows that around the world, several different approaches have been adopted to scale up and institutionalize CDD principles and practices. With the Village Law, Indonesia has endeavored to institutionalize the principles and mechanisms of CDD into government administrative and financial structures, including through the establishment of village councils and through the provision of government budgetary funds directly to village administrations. The underlying assumption is that the inclusion of a wide range of actors in decision-making processes improves village government performance and produces more broadly shared and sustainable development outcomes (particularly where non-elites have previously been excluded) (Narayan, 2002, Clearly, 2007).

However, it has generally been found that inclusion is highly dependent on the *quality* of participation, which can vary widely. The baseline quantitative and qualitative social capital studies that the World Bank conducted in Indonesia in the mid-1990s showed that the bottom-up/top-down P5D⁶ planning system ended up supporting a mere three percent of community-identified development priorities. It is not a surprise that participation rates for the associated meetings were very low, with the almost total exclusion of women except in cases involving issues traditionally considered to be in the women's domain, such as educational health and social services. In stark contrast, data from PNPM Rural show that project-related meetings were well-attended by women (45 percent of participants) and the poor (50 percent of participants). Even so, these groups rarely participated in decision-making processes, which were still dominated by village elites (Neate, 2013). Similarly, members of marginalized groups were almost entirely

⁶ Guidelines for Local Development Planning and Monitoring (Indonesian: *Pedoman Penyusunan Perencanaan dan Pengendalian Pembangunan di Daerah*)

excluded from participation (Syukri *et al.*, 2013; AKATIGA, 2010; AKATIGA, 2012).⁷ These projects resulted in only limited citizen empowerment and ownership in remote and marginal areas, particularly in the poorest regions (Neate, 2013; PSF, 2015). Regardless of these findings, around 90 percent of those participating in PNPM reported that they had benefited from the program's outcomes, regardless of their gender or economic status (Pokja Pengendali PNPM, 2012; PSF, 2015).

Another basic foundational principle of Indonesia's CDD initiatives and the VL is *transparency*. Transparency is a necessary pre-condition for accountability, enabling community members to identify budget discrepancies, unfulfilled development plans, and other causes for dissatisfaction. While open access to information related to government decisions, budgets, service standards, and other matters may by itself be insufficient to ensure that government programs are implemented effectively, it does provide community members with the means to hold state actors to account (Grindle, 2007). For transparency to lead to accountability, it requires supporting factors, such as forums or other mechanisms for community awareness and decision-making; complaint handling mechanisms where community members can report discrepancies to higher authorities; and a system of enforced sanctions when complaints are found to be justified (Fox, 2007; Joshi, 2014).

PNPM Mandiri's systems to ensure hard accountability have been demonstrated to be largely effective. PNPM's internal and external financial monitoring and oversight regime yielded a reported corruption rate of less than 1 percent of the total value of its disbursements (PSF, 2014; Woodhouse, 2012; McLaughin *et al.*, 2007). The VL was formulated with the intention of emulating this level of success through the imposition of "a threefold accountability structure: horizontally, to an empowered BPD; downward, to the public, through a newly introduced village assembly; and upward, to the district government" (Antlov *et al.*, 2016). The VL encourages and requires the community to play a role in monitoring, with the law stating that community members have the right and obligation to solicit and receive information from the village government and to oversee activities related to governance, project implementation, and community empowerment (Article 68). In addition, Article 82 guarantees the community's rights to monitor development plans and activities and obliges village governments to deliver full reports on the planning and implementation of the Village Medium-Term Development Plan⁸ and Village Budgets (at least annually, through the Village Deliberation Forum, or "*MusDes*").

In some areas, the VL goes beyond the accountability mechanisms that characterized PNPM, including through measures to strengthen the BPD. In particular, the VL and associated legislation and regulations emphasize that BPDs must be democratically elected, thus providing these institutions with an independent mandate, an important step towards ensuring these institutions' independence from the village head. The BPDs' functions include soliciting and analyzing information from the village government; proposing draft village regulations; channeling community aspirations; general oversight; and ensuring the application of democratic principles and gender equity (Articles 55, 61–63). With a mandate to convene and organize *MusDes*, BPDs should play an important role in village planning.⁹

⁷ Where participation means active participation, or influencing the decision-making processes versus "passive" participation, or as measured by attending community meetings

⁸ *Rencana Pembangunan Jangka Menengah Desa*, RPJM Desa; and *Anggaran Pendapatan dan Belanja Desa*, APB Desa,

⁹ These roles have been further defined and strengthened through the promulgation of Permendagri No. 110/2016 on the BPD.

1.4 Methodology

The SV study uses qualitative and quantitative methods to examine how principles of participation, transparency, and accountability are being put into practice; to identify the factors influencing these practices; and to understand how villagers and village governments perceive these changes.

Sampling: Study locations represent a variety of different contexts in rural Indonesia. While these locations were not intended to represent the full range of contexts and local conditions across Indonesia, they did include locations in both resource-rich and resource-poor provinces; in Java and off-Java; and in areas with both strong and weak local institutions (including both formal/state and community/*adat*/faith-based institutions). The quantitative component of the Study surveyed over 4,000 respondents of both genders, including village heads, BPD heads, hamlet heads,¹⁰ village activists,¹¹ and health and education sector workers in 112 villages at both the baseline and end-line. The end-line survey interviewed a new sample of randomly selected individuals within the same villages as for the baseline survey. Five districts in three provinces provide a range of case studies according to these criteria, based on the micro-level data on local capacity collected through the Bank's earlier Local Level Institutions Study (LLI).¹² The Study locations included two in resource-rich Jambi (in the districts of Merangin and Batang Hari); two in Central Java (Banyumas and Wonogiri), and one in resource-poor East Nusa Tenggara (Ngada). In each district, different villages with both strong or weak local institutions were selected for the qualitative component of the Study.

1.5 Organization of the report

Over the past four years, the Indonesian government has transferred a total of around US\$14 billion to villages across the country. Given this very high level of expenditure, it is important to understand how these funds have been spent and what drives the expenditures. Thus, this report starts with a discussion of the patterns of village expenditure (Chapter 3). It then seeks to determine how issues related to transparency affect expenditure (Chapter 4); followed by a similar examination of issues related to participation (Chapter 5); and then accountability (Chapter 6). It then seeks to determine the extent to which facilitation has supported the application of these principles (Chapter 7). Finally, it presents recommendations to strengthen VL implementation (Chapter 8).

2. Village spending can do more to bolster village development

Village governments may allocate financial resources for a range of purposes related to village development. These resources are spent through a planning and budgeting process that involves the village government, the BPD, the village community, and community organizations, with additional support provided by supra-village government agencies.

¹⁰ In the baseline survey, we interviewed 1 hamlet head where all the respondents reside; while in the end-line survey we interviewed all hamlet heads in the selected villages.

¹¹ In the survey, activists were identified from responses of Village Heads and BPDs on the most influential figures in religion, community, youth and women groups.

¹² LLI studies, a longitudinal study conducted in 1996 (LLI1), 2000/01 (LLI2), and 2012 (LLI3), explored the preconditions for, and constraints on, local capacity (defined as the ability to resolve common problems collectively), and the extent to which state structures complemented or impeded communities' problem-solving efforts. See Wetterberg, A, Jellema, J.R. and Dharmawan, L (2014).

This section of the SV study examines village budgets (APB Desa) for two fiscal years, FY2015 and FY2017.¹³ It starts with a short discussion on the composition of village **revenue**, based on an examination of village budgets (*Anggaran Pendapatan dan Belanja Desa*, or APBDesa) in FY2017. This is followed by a longer discussion on patterns and variations in village **expenditures**. Finally, it investigates the extent to which budget allocations **reflect community priorities and aspirations**.

2.1 Transfers are village's main fiscal resources

Village Revenue Comes from Three Types of Transfer: The total average value of village annual income stood at IDR 1.658 billion (US\$120,000). The overwhelming share of this is derived from government transfers.

Transfers from supra-village level governments take three forms:

- *Village Funds (Dana Desa, DD)*: Dana Desa refers to funds provided from the Indonesia State Budget to villages for the purposes of village development and community empowerment. The total envelope of DD is set to gradually reach 10 percent of the total transfers to the regions. The central government transfers DD to villages through district government agencies upon the villages' fulfillment of a number of conditions.
- *Village Fund Allocation (ADD)*:¹⁴ ADD refers to allocations by district governments from their district government budget for the primary purpose of funding village government salaries, benefits, and operations. The total value the ADD provided to villagers within a district's jurisdiction amounts to at least 10 percent of the balancing funds received by the district government (Special Allocation Fund, DAK).¹⁵ These funds consist of general allocation funds (DAU)¹⁶ and revenue sharing (DBH).¹⁷
- *Revenue Sharing from Local Taxes and Levies (BH-PDRD)*:¹⁸ BH-PDRD refers to allocations by district governments to villages from taxes and levies collected at the district level. The total value of these allocations should amount to at least 10 percent of the funds collected.

In the period from 2015 to 2018, the total value of funds transferred by the Indonesian government to around 75,000 villages in the form of DD amounted to IDR 188 trillion (US\$13 billion), while the total value of funds transferred by district governments as ADD amounted to IDR 141 trillion (US\$10 billion). These two transfers are the main fiscal resources of villages (World Bank, 2017). The total value of BH-PDRD transferred by district governments amounted to IDR 12 trillion (US\$0.9 billion) (Figure 1).

¹³ A total of 84 APB Desa FY2015 and 58 APB Desa FY2017 documents were collected. These documents cover Merangin (FY2015: 22 villages; FY2017: 4 villages), Batanghari (12; 9), Banyumas (20; 20), Wonogiri (16; 20), and Ngada (14; 5).

¹⁴ Indonesian: *Alokasi Dana Desa*

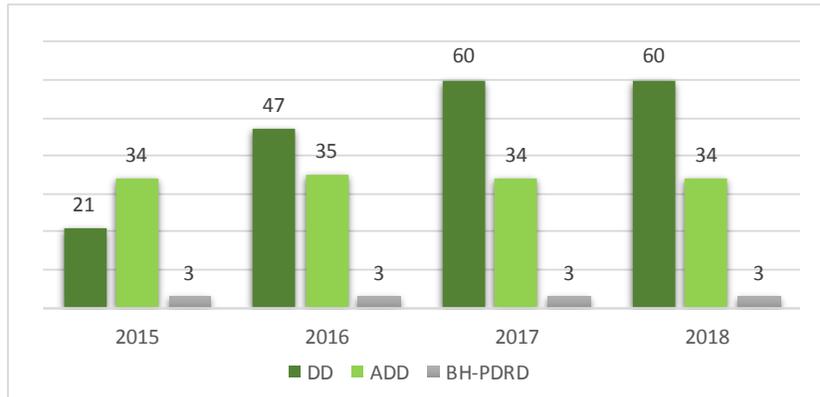
¹⁵ Indonesian: *Dana Alokasi Khusus*

¹⁶ Indonesian: *Dana Alokasi Umum*

¹⁷ Indonesian: *Dana Bagi Hasil*

¹⁸ Indonesian: *Bagi Hasil Pajak Daerah dan Retribusi Daerah*

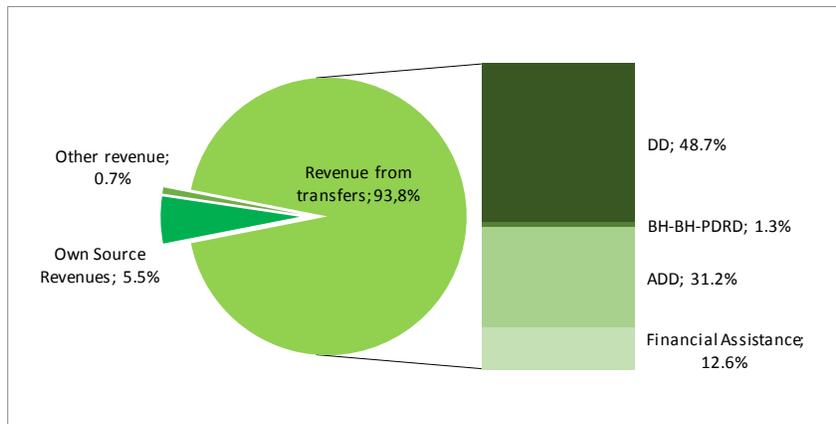
Figure 1. Transfer to villages, 2015-2018 (in IDR trillion)



Source: Ministry of Finance

In FY2017, for the villages included in the SV study, DD transfers amounted to, on average, 48.7 percent of total village revenues; transfers of ADD came to 31.2 percent; financial assistance from provincial and district governments to 12.6 percent; and BH-PDRD to 1.3 percent.¹⁹ The contribution of villages’ own-raised revenue to the village budget (from business activities, asset management, etc.) was very limited, at an average of 5.5 percent of all village revenues. Other revenues (including earnings from inter-village cooperatives, assistance from companies located in villages, third-party grants, etc.) contributed an average of 0.7 percent of total village revenues.

Figure 2. Village revenues, 2017



Source: Calculated from APB Desa FY2017 documents from villages visited in 2018.

In FY 2017, there were significant variations in the composition of village revenues between different districts (see Figure 2), with varying district policies and regulations appearing to exert a strong influence. For example, in Batang Hari, ADD contributed 50.5 percent of total revenues, which was even larger than DD (48.4 percent). This was due to incentive payments given for religious teachers and Syara employees, which are channeled through the ADD. For another example, in Banyumas, after villagers made requests

¹⁹ The Village Public Expenditure Review (ViPER) study, using 1,868 FY2016 APB Des from across Indonesia, found, on average, villages received fiscal transfers of 93.9 percent comprising DD of 51.0 percent and ADD of 37.3 percent. In addition, villages also receive revenue sharing from local taxes and levies (BH-PDRD) and financial assistance from provincial and district governments. Villages also generate their own source revenues (PADes) from business activities, asset management, etc. as well as receive other revenues from earnings from inter-village cooperation, assistance from companies located in villages, third-party grants, etc.

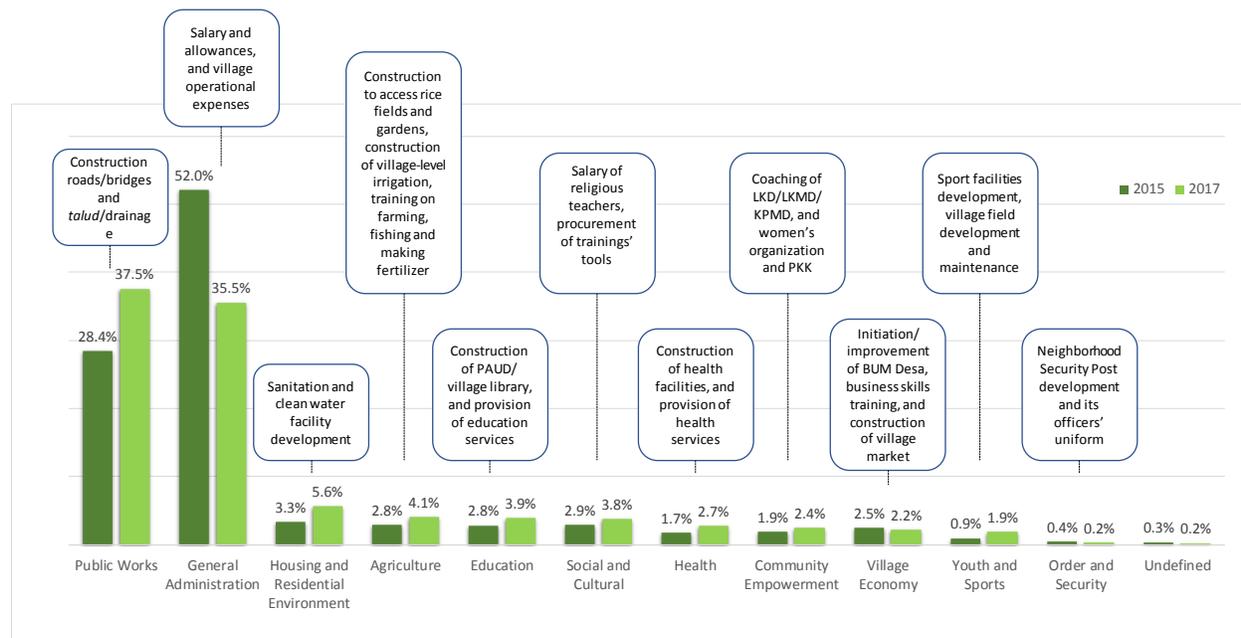
to their local parliamentarians, financial assistance from the district government amounted to 22.9 percent of the total, the highest level out of the five districts.²⁰

2.2 How are village funds spent?

The new funds have translated into substantial increases in village expenditure. The average total value of village expenditures increased by 130 percent, rising from IDR 732 million (US\$52,000) in FY 2015 to IDR 1,682 million (US\$120,000) in FY 2017. Village expenditure allocations in the APB Desa were grouped into five categories. The average proportions of the total value of expenditure on these five categories were as follows, in descending order: village development (52.7 percent, mostly financed by DD); village administration (33.4 percent, mostly financed by ADD); community development (5.0 percent); community empowerment (8.6 percent); and contingencies (0.2 percent).²¹

A breakdown of village expenditures by functional classification provides an alternative view of the use of village finances, with a better means to monitor outcomes.²² In particular, public works and general administration sectors dominated village expenditures in both FY 2015 and 2017 (Figure 3).

Figure 3. Village expenditures by functional classification, 2015-2017



Source: Calculated from APB Desa FY2015 and FY2017 documents from villages visited in 2016 and 2018.

Increases in expenditure on infrastructure, decreases on administration: Compared with FY2015, in FY2017, there was a significant shift away from expenditure on administration, towards infrastructure. The average expenditure on administration declined by 16.6 percentage points, while the expenditure on

²⁰ In FY2017, funds to a total of IDR 179.4 billion (US\$13 million) were allocated as Village Finance Special Assistance (*Bantuan Khusus Keuangan Des*, BKKDes) to 301 villages in Banyumas District (Radar Banyumas, 2017a; Radar Banyumas, 2017b).

²¹ An additional 0.2 percent of revenues cannot be classified into these five *bidang*.

²² Village expenditures are grouped according to the 'character of services' in which the results (outputs, outcomes, or impacts) can be achieved using a mix of inputs (comprising personnel, goods and services, and capital). Transformation from expenditure allocation based on *bidang* to functional classification is done by grouping activities in the *bidang* into sectors (or *urusan*) that are generally used in government budgeting.

public works increased by 9.1 percentage points. The proportion of funds allocated to these two sectors varied between districts. In FY2017, Banyumas and Wonogiri spent 43 and 45 percent respectively on public works, substantially more than the three off-Java districts, which all recorded a higher proportion of expenditure on general government administration than on public works throughout the period.

Nearly 90 percent of Dana Desa funds was spent on infrastructure: In nominal terms, average expenditure on public works increased by more than 200 percent. The growth in expenditure on public works is largely due to the threefold increase in the total value of allocated DD, which went up from IDR 20.7 trillion (US\$1.5 billion) in FY2015 to IDR 60 trillion (US\$4.3 billion) in FY2017, with these funds earmarked for village development and community empowerment. In FY2017, more than half of the funds allocated for public works were utilized for road and bridge construction. A further 37 percent of these funds were utilized for the construction of *talud* (retaining walls used to increase land stability) and drainage facilities.

On average, villages allocated the remainder of their budget to clean water and sanitation; health services; and early childhood development. Expenditure in the housing and residential environment category (which includes allocations for the provision of clean water and sanitation facilities) constituted 5.6 percent of the total in FY2017, up from 3.3 percent in FY2015. This was followed by health (including the construction of health facilities, the provision of health services, and capacity building for *posyandu* cadres) at 3.9 percent, and by the education sector (the construction of early child education [PAUD] facilities and village libraries, the provision of PAUD and village library services, and capacity building for PAUD teachers) at 2.7 percent in FY2017.

2.3 Village governments tend to distribute funds equally among hamlets

During the first three years of VL implementation, while the overall amount spent on infrastructure was substantial, many villages in the Study split their investments between a large number of small subprojects. Based on evidence derived from the villages included in the qualitative component of the Study, Table 4 shows that, with the exception of villages in Batang Hari, the average nominal value of individual infrastructure projects ranged from IDR 29 million (US\$2,000) to IDR 78 million (US\$5,600). Some villages split their allocations almost equally between hamlets, and sometimes even between wards, to prevent resentment and jealousy. These hamlets usually had similar subprojects, including the construction of small roads (*jalan setapak* and *jalan dusun*) and retaining walls (Bachtiar *et al.*, 2019a). The limited allocation for each infrastructure subproject and the wide-spread locations of these activities has been commonly noted, particularly in Central Java:

In Kalikromo we distribute development activities equally among hamlets. Each hamlet gets about the same amount, and each activity is roughly about IDR 50-60 million. We first decided how much each hamlet got, then we agreed on what the activities were. Otherwise there would be disagreements. (Village head of Kalikromo, Wonogiri, Central Java).

In an exception to this rule, in Batang Hari, the village government, in consultation with the community, decided to implement only one or two infrastructure subprojects, which were considered to provide benefits to a large proportion of the villagers. They also agreed to “rotate” the location of the village projects across different hamlets in following years. In Tiang Berajo, funds were allocated to renovate the village’s *madrasah* (Islamic school), which has about 200 students, with this expenditure justified on the grounds that the building was in such poor condition that it threatened the safety of the children (“We were worried about the safety of the children because the building condition was bad,” said the head of the customary council). In Kelok Sungai Besar, funds were allocated for the construction and maintenance of access roads to garden farms used for the cultivation of rubber and palm-oil (“Many villagers use the road, not just the owners of the garden but also the workers,” said one villager).

Table 4. Infrastructure expenditures in qualitative sites, 2016

Village (in pseudonyms)	Infrastructure Activity in 2016 (IDR)			
	Total Activity	Lowest Cost	Highest Cost	Average Cost
Merangin				
Jembatan Rajo (JRJ)	12	15,000,000	35,000,000	30,416,667
Seberang Sungai (SSB)	4	32,008,000	104,047,500	65,851,625
Batang Hari				
Tiang Berajo (TBJ)	1	479,352,130	479,352,130	479,352,130
Kelok Sungai Besar (KSB)	1	500,250,000	500,250,000	500,250,000
Banyumas				
Deling (DLG)	27	3,516,000	200,000,000	37,171,185
Karya Mukti (KYM)	46	5,500,000	198,000,000	37,957,893
Wonogiri				
Kalikromo (KLK)	27	6,000,000	50,000,000	29,032,519
Beral (BRL)	24	5,000,000	250,000,000	42,000,625
Ngada				
Ndonga (NDO)	15	2,000,000	157,293,000	37,693,781
Lekosoro (LKS)	10	10,500,000	217,238,000	78,042,365

Source: APB Desa 2016 (published by SMERU, 2019a).

The quantitative component of the SV study confirms that equity considerations were a major factor in determining investment decisions. Village heads stated that the prerequisites for the funding of subprojects included that they benefited a large number of beneficiaries (62 percent); that the subprojects resulted in the equal sharing of funds and/or benefits to all hamlets (11 percent); that they benefited all members of the community (10 percent); or that they provided benefits to locations that had previously never received funds from the village (7 percent).

2.4 Communities prioritized infrastructure investment

The Study found that funding allocations were largely aligned with community members' perceptions of the most pressing problems.²³ In 2016, the most pressing needs identified by villagers were related to roads, followed by measures to address crop failure, to address unemployment, and to ensure the provision of clean water (Figure 4). In subsequent years, it was found that village budgets did indeed allocate a significant proportion of funds for public works such as roads, clean water facilities, and bridges. The majority of funds allocated for public works were for the construction of roads and bridges in both FY2015 (75.1 percent) and FY2017 (55.1 percent).²⁴ The figure below provides an overview of village spending and primary outputs between 2015-2018.

²³ See Annex 3 for a simple correlation analysis between increased spending and community perceptions of village challenges.

²⁴ Regardless, only 1 percent was allocated to maintaining new roads and bridges. Such a low level of investment in maintenance threatens to undermine the quality of the newly constructed infrastructure, which may increase the costs of repairing or rehabilitating them in the future. Please note that budget allocations for road and bridge maintenance are underestimated because some activities are recorded as "the construction and maintenance of roads/bridges."

Village Fund Use Achievements

Supporting economic activity and improving the quality of life for communities.



Supporting economic activities for rural communities



Improving the quality of life for communities



Rural GINI ratio



Rural Poor (millions)



Percentage Poor in Villages (%)

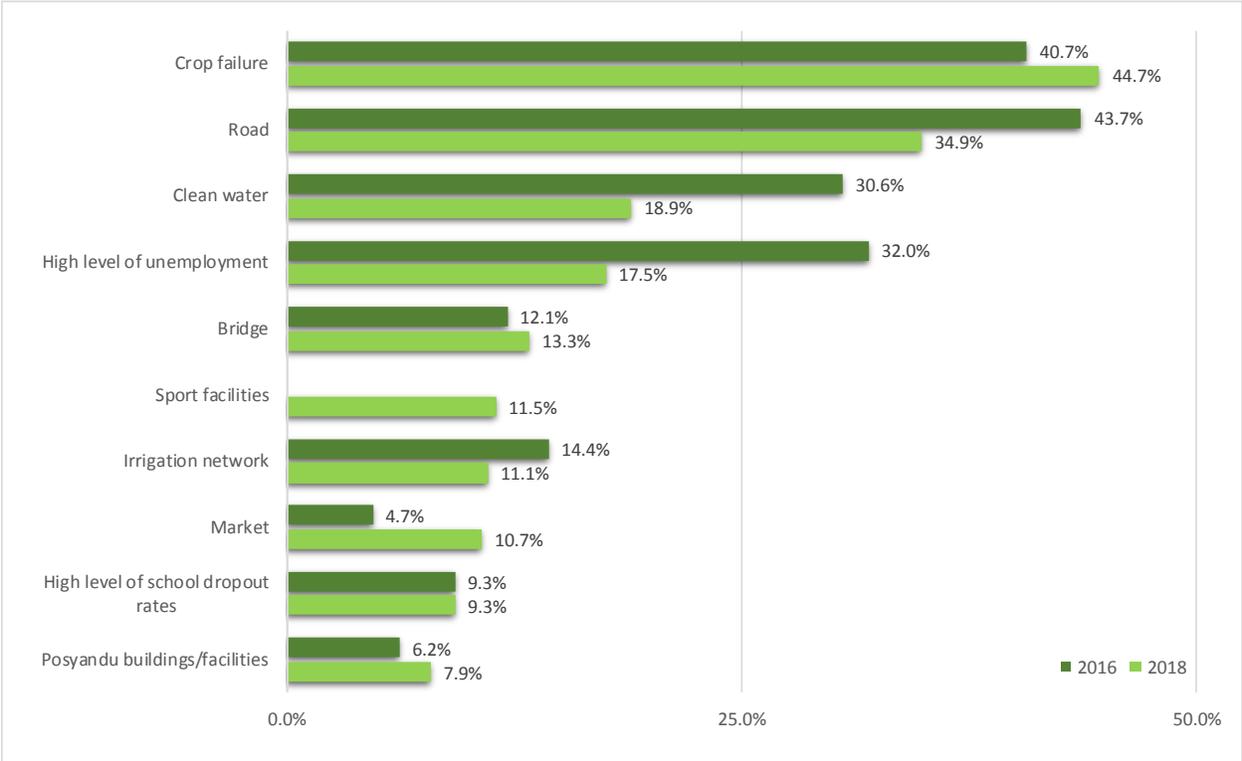


Source: Indonesia National Budget 2020

Out of the funds allocated for the housing and the residential sector, the greatest proportion was spent on the construction of clean water facilities. By 2018, it appears that community members’ perceived needs for these facilities had been fulfilled, with an increase in the proportion of respondents stating that the top priority was measures to prevent crop failure (44.7 percent).²⁵ The proportion that stated that roads were the most important priority declined to 34.9 percent, while those stating that clean water facilities were the top priority dropped to 18.9 percent.

In contrast to the declining proportions stating that roads and clean water facilities were the top priority, in both 2018 and 2016, two-fifths of respondents stated that measures to address crop failure were a top priority, suggesting that village government has not effectively addressed this issue, either by itself or with assistance from higher levels of government. The proportion of the APB Desa allocated to the agricultural and village economy sectors remains limited, at 7.2 percent in FY2015 and 8.7 percent in FY2017. A closer examination of subprojects in the agricultural activity category funded by the APB Desa show a dramatic decrease in allocations for the construction of village irrigation canals (from 24 to 6 percent of the total for that category) and for the provision of plant seeds to farmers (from 18 percent to zero). However, it is not clear if the reasons for the decline are because of capture problems (they are private goods) or some other issue. These decreases were counterbalanced by increases in funding for road construction to access rice fields and gardens (from 49 to 64 percent), and training related to farming, fishing and the production of fertilizer (from 8 to 14 percent).

Figure 4. Village problems/challenges from villagers’ perspective, 2016-2018



Source: SV survey in 112 villages.

²⁵ Village heads also named crop failure as the greatest challenge faced by villagers, while the hamlet and BPD heads placed it second.

The authority of village governments to address the persistent issue of crop failure through the village budget is limited. Many of the activities that would deliver long-term impacts in this area, such as improvements in primary and secondary canals, district roads, and the provision of extension services, are under the authority of the district and provincial levels of government. In the village economy category, budget documents show that, on average, half of the allocated expenditures in 2017 were for business skills training (such as catering, sewing, and machining), which represents an increase from the figure of 31 percent recorded in FY2015. However, the qualitative component of the SV study showed that this training often had little real economic impact, with villagers rarely applying the skills they had acquired to improve their livelihoods. Reasons given included limited access to working capital and limited knowledge of potential demand. Another 37 percent of expenditure in this category is allocated for the construction of market buildings, which may potentially have resulted in increased village economic activities and addressed unemployment concerns. Public works activities may also have provided some short-term employment opportunities and thus addressed unemployment concerns.²⁶ By the end of 2017, a cash-for-work initiative (PKT)²⁷ was introduced as part of the Village Law. A minimum of 30 percent of DD allocated for development activities was to be used to provide temporary employment to villagers.

About half of the expenditure in the health category was allocated for the construction of village-level health facilities (*posyandu*, *polindes*, and *poskedes*), with about 40 percent to support the provision of health services in these facilities. The remaining funds were allocated to increase the capacity of community health post (*posyandu*) cadres. Between FY2015 and FY2017, there was a modest decrease in allocations for the construction of health facilities, from 52 percent to 47 percent. This decrease was counterbalanced by increased expenditure on capacity building for *posyandu* cadres (from 7 percent in FY2015 to 12 percent in FY2017). The proportion of village community members that prioritized improvements to health facilities ranged from about 6 to 8 percent, while the proportion that prioritized the provision of services ranged from about 1 to 3 percent. These figures did not change significantly over the Study period.

In education, slightly more than half of the funds allocated in FY2017 were for the construction of child education and development (PAUD)²⁸ and village library facilities, down from 72 percent in FY2015. As with the other categories, in the education category, there was generally a greater emphasis on the construction of facilities than on improving services. This seems to have been in line with community priorities, with a greater proportion of villagers feeling that improving PAUD buildings was important (7.4 percent) than the proportion that prioritized improvements to PAUD services (2.5 percent).

The Study found that village governments (particularly those in which village heads are seeking re-election) tend to prefer infrastructure projects over other sorts of expenditure, as these provide tangible proof of their achievements (Bachtiar *et al.*, 2019b).

2.5 Government guidelines restrict village spending flexibility

While supra-village government transfers constitute the largest portion of village revenues, strict top-down instructions around the use of these transfers reduces village governments' ability to spend on activities that may better meet the overall needs of the community they serve. Transfers from the central and district governments are usually accompanied by a range of stipulations regarding their use. The

²⁶ APB Desa documents do not specify in detail expenditure on workers' wages in infrastructure development activities. This information is usually available in the detail activities and budget plan (*Rencana Anggaran Belanja*, RAB).

²⁷ Indonesian: *Padat Karya Tunai*

²⁸ Indonesian: *Pendidikan Anak Usia Dini*

requirements frequently change from one fiscal year to the next, and do not necessarily reflect villagers' priorities. A summary of regulations imposed by the Ministry of Villages (MOV) on the use of DD is presented in Table 3.

Table 3. Recorded Priorities for Dana Desa Spending

Village Development	Community Empowerment
2015	
<ul style="list-style-type: none"> • Fulfilment of basic needs: development of <i>Poskesdes</i> and <i>Polindes</i>, guidance and management of <i>Posyandu</i> and ECED • Construction of village facilities and infrastructure: roads, farm roads, village reservoirs, new and renewable energy, sanitation, village-level clean water, tertiary irrigation, etc. • Development of local economic potential: establishment and development of <i>BUM Desa</i>, village markets and kiosks, village-owned fish auction sites, floating net cages and fish charts, village food barns, etc. • Sustainable use of natural resources and the environment 	<ul style="list-style-type: none"> • Improving the quality of the village planning process • Supporting economic activities developed by <i>BUM Desa</i> and by other village community business groups • Capacity building of community empowerment cadres • Paralegals facilitation to provide legal assistance to villagers • Organizing health promotion and clean and healthy life initiatives
2016	
<ul style="list-style-type: none"> • Construction, development and maintenance of: <ul style="list-style-type: none"> ○ physical infrastructure or facilities and infrastructure for livelihoods, including food security and settlement ○ public health facilities and infrastructure ○ educational, social and culture infrastructure • Development of community economic businesses, including construction and maintenance of production and distribution infrastructure • Construction and development of renewable energy infrastructure and environmental preservation activities 	<ul style="list-style-type: none"> • Village economic investment through the procurement, development or assistance of means of production, capital, and capacity building through training and apprenticeship • Supporting economic activities developed by <i>BUM Desa</i> or <i>BUM Desa Bersama</i>, or by other village community groups and economic institutions • Capacity building for village food security programs and activities • Paralegal facilitation and training, and village community legal assistance • Promotion and education of public health and clean and healthy life initiatives; capacity building for <i>Posyandu</i>, <i>Poskesdes</i>, and <i>Polindes</i> management
2017 and 2018	
<p><u>2017 & 2018</u>: DD is prioritized to finance the implementation of cross-cutting programs and activities, especially in the fields of <i>BUM Desa</i> or <i>BUM Desa Bersama</i> activities, <i>embung</i> (village reservoirs), village superior products, and village sports facilities</p> <p><u>2018</u>: at least 30 percent of DD must be used to pay community wages in order to create jobs in the village through the cash-for-work program (<i>Padat Karya Tunai di Desa</i> or <i>PKTD</i>)</p>	
<ul style="list-style-type: none"> • Construction, development and maintenance of basic infrastructure facilities related to residential environment, transportation, energy, and information and communication. • Construction, development and maintenance of basic social service infrastructure related to public health, education and culture • Construction, development, and maintenance of economic infrastructure to realize the Village Economic Granary (<i>Lumbung Ekonomi Desa</i>) • Construction, development and maintenance of environmental infrastructure related to preparedness to face and handling of natural disasters, preservation of the environment 	<ul style="list-style-type: none"> • Increasing community participation in the process of planning, implementing and supervising village development • Capacity building in the village: education, learning, training, counselling and technical guidance • Developing village community resilience • Management and development of village information systems • Supporting the management of basic social service activities in education, health, empowering women and children, marginal communities and the disabled • Supporting environmental conservation activities • Supporting for preparedness in facing natural disasters and their handling

Source: Permendes 5/2015, 21/2015. 8/2016, 22/2016, 4/2017, and 19/2017

In addition to these binding stipulations, the MoV also aggressively promotes certain specific village development activities. In FY 2018, it was found that the MoV promoted four categories of activities in particular, these being the construction of water reservoirs (*embung*); the creation of superior village

products; the development of village enterprises (BUMDes);²⁹ and the construction of sports facilities. These centrally-determined activities are almost always of less economic value than the activities chosen by villagers when they are not constrained.

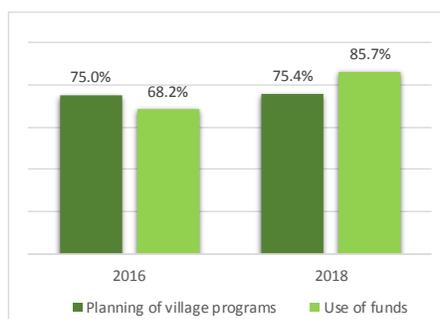
3. Increasing transparency but less awareness

This section discusses the provision of information from village governments; the manner in which community members receive this information; and the media through which they receive it. The VL specifically enshrines the community's right to access to information regarding village plans and development (Article 82). Village heads are responsible for the dissemination of this information, including through written reports issued at the end of each fiscal year (Articles 24, 26, and 27). Central government regulations and guidelines require village governments to publicly display current budgets, with the threat of sanctions in cases of failure to do so. In many cases, these requirements have been further reinforced through district-level regulation. The media has also played a significant role in publicizing both the requirement to provide access to information and the associated sanctions in cases of failure to do so.³⁰

3.1 Village budget information disclosure is on the rise

Measures to promote budget transparency through the public display of information, including on banners and posters, appear to have had positive results. Most village heads reported that they had disseminated budget information to their community, with the proportion claiming that they had done so increasing from 68.2 percent in 2016 to 85.7 percent in 2018. The proportion of village heads claiming that they disclosed information relating to the planning of village programs remained stable at around 75 percent (Figure 5).

Figure 5. VG information disclosure, 2016-2018



Source: SV survey in 112 villages.

The qualitative component of the Study confirmed that there had been improvements in the disclosure of information through public displays (Table 5). While the baseline found no examples of the use of budget display banners, by the time of the qualitative study they were being used in all villages except

²⁹ Some uncertainty around how villagers can spend DD compounded by lack of coordination with higher level of governments can result in wasted village fiscal resources. This is evident from the lack of information regarding DD utilization related to BUMDes formation and activities as depicted in Annex 2.

³⁰ See www.kemendes.go.id/view/detil/2057/tak-pasang-baliho-dd- aparat-des-a-terancam-berurusan-dengan-hukum ("Without DD banners, village government might have problems with law enforcement"), and www.liputan6.com/news/read/2901550/menteri-des-a-wajibkan-kades-pasang-baliho-dana-des-a ("Minister [of MOV] demanded villages to put up banners on DD"), both accessed on September 19, 2019.

one. There was also a more widespread use of project signboards (usually containing information about the source of funds, the total cost allocated for the project, and the volume of work). In most villages, representatives of the village government or the implementation team held discussions about each project with villagers/workers in the project site when the work was about to commence.

Table 5. Types of information media found at the qualitative sites

District	Village	Banner		Project info board		Meeting on project sites	
		2015	2018	2015	2018	2015	2018
Merangin	JRJ	-	√	-	√	-	√
	SSB	-	-	-	√	-	-
Batang Hari	TBJ	-	√	√	√	-	√
	KSK	-	√	√	√	-	√
Banyumas	DLG	-	√	-	√	-	-
	KYM	-	√	√	√	-	-
Wonogiri	KLK	-	√	-	√	√	√
	BRL	-	√	-	-	√	√
Ngada	NDO	-	√	√	√	√	√
	LKS	-	√	√	√	√	√

Source: Qualitative monitoring reports (published in SMERU, 2019b).

While disclosure of information through banners and posters increased between 2015 and 2018, other means of information disclosure which were not compulsory, particularly through digital means, decreased. In 2016, a number of villages actively uploaded information to their websites or their social media accounts, including Facebook and Twitter. In 2016, in Deling and Karya Mukti (both in Banyumas, Central Java), village government websites provided information related to the progress of physical work and to the formulation and implementation of village budgets, accompanied by images. The village governments of Tiang Barajo and Batang Hari (Jambi) provided similar information through their Facebook accounts. However, since 2017, these sites and accounts have become inactive. Representatives of village governments stated that with their increased administrative workloads, they were too busy to maintain the sites and to ensure that they remained relevant to their followers.

The central government's clear instructions regarding the disclosure of information and the threat of sanctions in the case of failure to do so appears to have successfully driven the public display of information related to the use of village funds, particularly in the case of information related to total revenues and expenditures (Box 4). While these high levels of compliance are encouraging, it was often found that complicated tables and graphs made the information incomprehensible to most villagers, as discussed in the following section.

Box 4. Fresh air from new village heads: Merangin

In Jembatan Rajo, Jambi, the village head's term ended in May, 2017. At the prompting of subdistrict officials, the BPD began scouting for candidates for the position of acting village head. Edi, a physical education teacher (a civil servant), accepted the offer. He was invited to Banyuwangi to participate in a training program. There, he saw examples of village offices that were able to provide services and disclose information to the community. This inspired him to make changes in his own village, so he campaigned with a pledge to continue these changes if elected as Village Head. Edi won the election. He immediately began to keep regular office hours rather than requiring villagers to visit his staff at their homes, as was formerly the case. All staff were required to be present on Mondays, while from Tuesdays to Fridays, at least two staff members would be available at the village office. The office was renovated to facilitate increased access, with a waiting room and a display of samples of various letters of recommendation that villagers frequently required from the village government. Edi also intensified

discussions with the BPD, including through meetings to review and assess his year-end accountability report before he submitted it to the subdistrict/district. At the advice of the district government, Edi established information boards at project. In early 2018, Edi placed banners in front of the village office and in between two hamlets to make public the value of the funds the village had received and how they were used.

Source: Qualitative monitoring reports.

3.2 Program awareness is higher than financial awareness

While by 2018 access to general program information had increased, villagers' awareness of budgets and spending was much lower. Only 6.3 percent of villagers responding to the household survey were aware of the value of funds and allocations, compared with 41.4 percent who stated that they were aware of the nature and location of village programs (Figure 6). Moreover, villagers' awareness on both matters was significantly lower at the end-line survey than at the baseline. Significantly fewer villagers were aware of the details of village programs, with a decrease of more than six percentage points. In the case of awareness regarding the use of village funds, the decrease was less significant (four percentage points), albeit from a much lower baseline point.

Figure 6. Villagers' awareness by district, 2016 and 2018 (in percent)



Source: SV survey in 112 villages.

This pattern can be at least partially explained by differences in the way information is disseminated. Program information is often shared through hamlet meetings, where issues related to the use of funds were hardly discussed. For example, a villager from Beral, Wonogiri, stated that the hamlet head had provided villagers with full details regarding construction projects and had surveyed community members to determine their priorities for the following year. However, the hamlet head did not discuss the costs or the use of funds under the management of the village administration.

While villagers did acknowledge that increased information related to the use of funds was available, they expressed little interest in it, stating that it was difficult to understand or that it was not directly relevant to them. In focus group discussions in Beral, Wonogiri, for example, many participants reported having seen the banners, but few had actually read or understood them. A few even mistook the banners for advertisements. Villagers' lack of understanding and interest in matters not related to actual outputs is indicated by the following quotes from the FGD:

“The information was good. It was about village funds, but I didn’t really understand what was written on the APB Desa board. I didn’t think it was relevant to me.” (A villager, female, in Karya Mukti, Banyumas, Central Java).

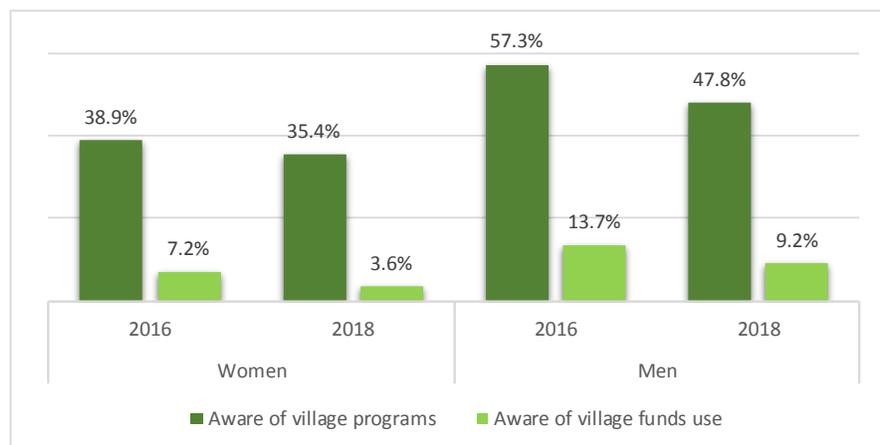
“There was a banner in the market, but I didn’t read it. The banner is a sign that the village government is transparent, but most people haven’t read it. It would be more effective to share the information through hamlet meetings, which are held in the evenings on the fourth of each month.” (A villager, male, in Kalikromo, Wonogiri, Central Java).

“We’d rather see the output than detailed information on projects. The important thing is we get the benefits.” (A participant of FGD, female, in Tiang Berajo, Batang Hari, Jambi).

District awareness patterns diverged. Off-Java, awareness regarding village programs was significantly greater than in the case of districts on Java (see Figure 7). In 2016, the level of awareness in the off-Java districts was significantly lower than in Banyumas (Java) and Wonogiri (Java), except in the case of Ngada (off-Java), which consistently topped the list. In 2018, the greatest increase was found in Batang Hari (off-Java), with the proportion of respondents stating that they were aware of village programs going up from 22.9 percent in 2016 to 66.6 percent in 2018, an increase of 43.7 percentage points.³¹ In Ngada, the proportion of respondents who claimed to be aware of village programs increased to 94.1 percent, while in Merangin, it increased to 52.4 percent. By contrast, decreases in awareness were recorded in the two districts in Central Java (which had larger populations than the other three districts), dragging down the overall figure. In Banyumas, the proportion stating that they were aware of village programs declined by 14.6 percentage points to 39.7 percent, while in Wonogiri it declined by 7.6 percentage points to 33.8 percent. The Study was not designed to analyze the reasons for these differences, indicating the need for a further study to gain a better understanding of the causes of these regional differences.

In terms of the characteristics of respondents, lower levels of decline in the level of awareness were recorded for men and wealthier villagers (Figures 7 and 8). These are the groups that are usually most likely to participate in formal village activities (see next chapter on participation), with most village officials coming from these socio-economic groups. The decline in villagers’ awareness does not seem to relate to lack of access to information, but rather to declining levels of interest and attention.

Figure 7. Villagers’ awareness by gender, 2016-2018



³¹ In Batang Hari, citing a lack of relevance as the reason for not attending village meetings decreased by 15.2 percentage points, indicating a shift in perceptions about the importance of village-related information.

Source: SV survey in 112 villages.

Figure 8. Villagers' awareness by economic status, 2016-2018



Source: SV survey in 112 villages.

Box 5. Changes in villagers' source of information

Survey results show a general decline in the use of most sources of information, except for dissemination through information boards and community/religious leaders. A large proportion of villagers prefer to receive information verbally through formal meetings or through informal communications with village staff, indicating their reliance on authoritative sources. Deriving information from information board, banners, etc. appears to be among the least preferred methods, as was found in 2016, despite the significant increase in the availability of information boards.

	All observations			Women			Men		
	2016	2018	Difference	2016	2018	Difference	2016	2018	Difference
Special meetings (village, hamlet, RT/RW)	50.0	44.2	-5.8	34.7	32.2	-2.6	61.2	53.6	-7.6
Special meetings (prayer group, etc.)	11.7	10.8	-0.9	16.1	10.9	-5.1	8.5	10.7	2.3
Information board @ VH office	0.4	3.0	2.6 **	0.2	2.1	1.9 **	0.5	3.6	3.1 **
Announcement VH Office/Mosque/Church	1.6	1.6	0.0	2.1	2.3	0.2	1.3	1.1	-0.2
Verbal from Village apparatus	37.2	26.3	-11.0 **	41.5	30.5	-11.0 **	34.1	22.9	-11.2 **
Verbal from community/religious leaders	3.6	4.7	1.1	5.4	5.2	-0.2	2.3	4.2	1.9 *
Observations	4,081	3,857		2,125	2,030		1,956	1,827	

Source: SV survey in 112 villages.

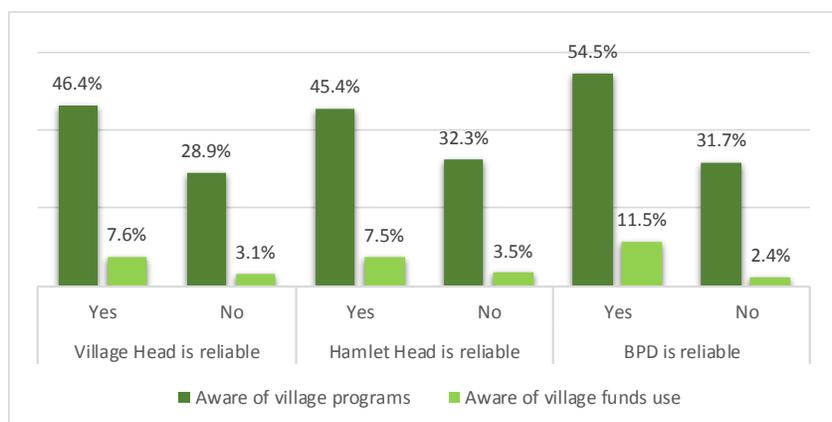
Note: *, ** statistically significant at 10, 5 percent levels.

The table also shows that villagers' preferences regarding sources of information differ by gender. While men were more likely to receive information from authoritative sources in formal meetings, women were more likely to receive information from less formal sources, with relatively few women attending formal meetings (see next chapter on participation). Women were more likely to receive information verbally from village staff during casual meetings and through community gatherings, such as prayer groups and *arisan* that may also be attended by village staff.

The Study also found a positive correlation between the level of awareness and villagers' perception of their leaders. Villagers with positive perceptions regarding their village head also generally had higher levels of awareness and interest. It was found that in cases where villagers believed that village heads could be relied upon to plan and implement village activities effectively, the villagers also had higher levels of awareness of village programs (46.4 vs. 28.9 percent) and of village finances (7.6 vs. 3.1 percent) (Figure

11). This was also true in the case of villagers who expressed confidence in their hamlet head and the BPD head to plan and conduct village activities.

Figure 11. Villagers’ awareness and perception on VG reliability, 2018



Source: SV survey in 112 villages.

3.3 Financial information is not presented in a relevant and accessible manner

The Study found that villagers are more concerned with financial information that is more immediately relevant to them, such as wages and costs of material bough from villagers (Boxes 4 and 6). However, this information is often excluded from signboards created by village governments. Villagers interviewed indicated that they would be more interested in seeing project-level costs, and even *dusun*-level breakdowns. Although village authorities are posting budget data, most of the budget posters don’t actually have information on wages and cost of material. Even when community members ask village governments for this information, in the large majority of villages surveyed, it isn’t shared with them.

3.4 There are several exceptions to the general finding of declining interest

Cases were found in Jambi and NTT of villagers demanding more information, especially when they considered that village governments were not transparent. In Jembatan Rajo (Merangin), the reading of the budget realization report by the village treasurer at village meetings in 2015 and 2016 led to heated discussions, with some villagers demanding that the village government provide them with copies of the report. The government did not respond to these requests. It should be noted that the village head lost his re-election bid in 2017 (Box 4).³²

Similarly, distrust in the new village head in Sungai Seberang (Merangin) prompted villagers to demand the release of further information:

“If not now, when would we get information on the realization [of the DD spending] budget of 2017? All right, we can see the output of the construction, but how would we know what was the [planned] volume? Is it consistent? How much sand and gravel were [needed and actually used]?” (A participant in a village meeting in Sungai Seberang, Merangin, Jambi).

In contrast, with their higher levels of awareness, villagers in Central Java were more complacent regarding the use of funds; villagers pointed to the completion of physical works projects as evidence of

³²The new village head of Jembatan Rajo, inaugurated in November 2017, did not provide the copies either in the village meeting on December 22, 2017. Villagers agreed to not press further as he was new.

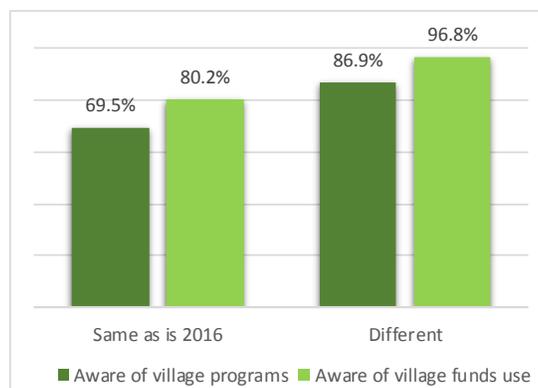
effective village fund management. Some villagers expressed the belief that they should be grateful for these government-provided projects, with one villager stating: “I’m just happy [to see the results].” Villagers expressed the belief that questioning the village government regarding these projects would demonstrate a lack of gratitude or trust and create tensions or unease (*tidak enak*). They also felt confident that each hamlet would receive a fair share of program funding, given that the funds were available every year. Villagers felt it was just a matter of time until their own hamlet received funding, and that it was the village government’s job to manage the planning and use the funds. Field observations indicated that people also lost interest in discussions of routine information, especially as it related to the implemented programs and their budget allocations. They felt they already knew these details and that there was no need to discuss them further.

3.5 New Village Heads are more likely to share information

In 2018, it was found that 42 out of the 112 interviewed village heads were elected between 2016 and 2018 (“new” village heads). The demographic characteristics of the new village heads were generally similar to those of old village heads, except in terms of their age, where statistically significant differences were found. On average, new village heads were seven years younger than old village heads. In addition, the new village heads were nine percentage points less likely to be a resident of the village compared to old village heads, indicating the new village heads might have spent more time outside their villages.

According to the 2018 survey, new village heads were 16-17 percentage points more likely to share information related to both village programs and the use of funds than were old village heads (Figure 13, Boxes 4 and 6). The qualitative assessment shows that the new younger village heads were usually more responsive to changes and more likely to be willing to learn from their peers (Box 6).

Figure 13. VG information disclosure by type of village heads, 2018



Source: SV survey in 112 villages.

Several new village heads were involved in promising initiatives that were well-received by villagers. They tended to be more likely to present details of the budget relevant to villagers (e.g., wages and costs of materials bought from villagers) in a comprehensible manner (Boxes 4 and 6), also further highlighting the importance of the type of information being shared (Section 4.1).

Box 6. Fresh air from new village heads: Wonogiri

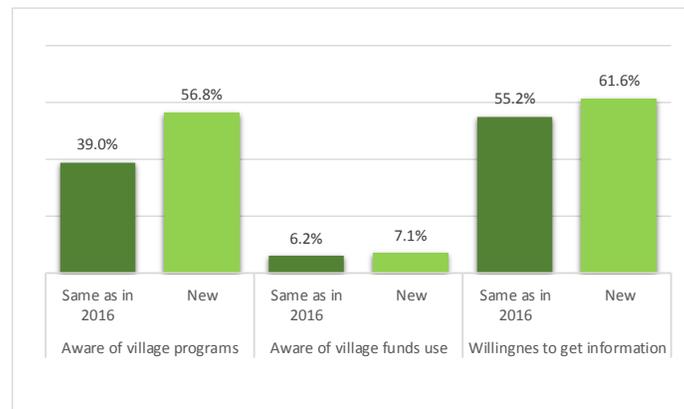
In November 2016, in Kalikromo (Wonogiri), the incumbent village head was replaced in a village election. The new village head, Karjo, had previously served as a PNPM village facilitator and had since been extensively involved in the village government’s activities (assisting the government to prepare mid-term plan, budget calculation, and activities’ reports). Under the previous administration, officials had tended to communicate

information verbally. However, Karjo established information boards to provide examples of the letters of recommendations and permits the village government issued and to describe the requirements for these documents. He based these measures on the examples provided by other village and subdistrict offices. Following the directions of district officials and the PD (facilitator), Karjo also placed banners in three different locations to present information regarding the village’s total funds and allocations by category. He also provided information on the allocation of funds for infrastructure and other projects and responded to villagers’ suggestions regarding the placement of the banners. Before construction activities commenced, Karjo also used hamlet meetings to discuss plans for village expenditure (RAB) on construction wages for villagers and price of material to be purchased from villagers. Villagers expressed appreciation for this information, claiming that they could use it to check that they received fair payments.

Source: Qualitative monitoring reports.

Villagers’ interest in information appeared to be higher in villages with a new village head. In villages with a new head, community awareness of village programs increased by 17.7 percent (Figure 14). Likewise, villagers’ level of interest in the information was 6.4 percent higher in villages with a new village head. Villagers seemed to be enthusiastic following the election of a new village head and wanted to learn more about the new leader’s programs.

Figure 14. Villagers’ awareness and willingness to get village information by type village heads, 2018



Source: SV survey in 112 villages.

3.6 Effective BPDs could improve participation and accountability

The VL instituted a new system of checks and balances on the village head, placing more control in the hands of the community generally, particularly through the village council. The VL gives the BPD the mandate to channel the community’s aspiration and to convene the *MusDes*, the highest forum for decision-making processes at the village level.

The BPD has had a number of roles over the past 20 years. Under Law 22/1999, when the BPD was first established, the powers of the village head and BPD were separated, with the village head accountable to the democratically elected BPD. This arrangement resulted in objections from village heads across Indonesia, resulting in a revision to Law 32/2004 that made the BPD subordinate to the village head. Under the provisions of this new law, the BPD was appointed by a process of consensus that enabled the village head to overtly or covertly select candidates, which was now viewed as the “partner” of the village head. In 2014, the VL recognized the authority of the BPD to oversee the village government, but removed its power to impeach village heads.

The BPD is expected to play an important role in village planning and governance in general, but particularly through its role in convening and chairing the village assembly meetings (*MusDes*). Functions of the BPD are as follows: (i) drafting village regulations in collaboration with the village head; (ii) channeling the community’s aspirations; and (iii) overseeing village head’s performance (Article 31). Legally defined BPD tasks include soliciting, managing and channeling community aspirations; organizing the *MusDes*; selecting the village head election committee; drafting village regulations in collaboration with the village head; overseeing the performance of the village head; evaluating reports on village governance; and maintaining harmonious relationships between the village government and other village institutions.

At the point when the SV study was conducted, most currently serving BPD members had been elected before the issuance of this regulation, with BPD members having served on average for 4.4 years. BPD members had little understanding of their roles. BPD members are relatively well-educated. More than half of BPD chairs and nearly 30 percent of members have completed tertiary education (Table 16). Almost all of them are employed (90.8 percent). However, less than 45 percent of BPD heads surveyed in 2018 had attended the training for the socialization of the VL at district-agency offices. In the Study’s qualitative sites, many BPD were aware that they were required to monitor (but not necessarily oversee) the performance of the village government. However, they tended to limit themselves to monitoring project implementation and/or construction activities rather than monitoring village governments’ activities more generally. They also tended to emphasize that they were *partners* to the village government (referring to the role defined in the revoked Law No. 32/2004), which they interpreted as meaning that they were required to support the village government.

Table 16. Profile of BPD head and BPD apparatus, 2016-2018

	2016	2018	Difference
BPD Head			
Women	0.9	2.0	1.1
Age (years)	50.3	53.6	3.2 **
Completed senior secondary education	32.0	35.3	3.3
Tertiary education	55.0	51.5	-3.5
Active in local organization	90.3	76.2	-14.0 **
Active in political party 1)	30.5	23.0	-7.5
Directly elected by the community	60.0	56.8	-3.3
Ever attended capacity building 2)	37.5	44.3	6.8
Observations	92	104	
BPD Apparatus			
Total BPD Apparatus (persons)	7.9	7.7	-0.2
Women	14.7	15.0	0.2
Completed senior secondary education	49.6	49.6	0.0
Tertiary education	28.5	28.9	0.4
Currently working	93.2	90.8	-2.4
Observations	112	112	

Source: SV survey in 112 villages.

*, ** statistically significant at 10, 5 percent levels.

1) Almost 70% of this is religion-based organizations.

2) Usually only the chair (together with the village head) attended the sessions

The survey found that most BPD reported that they had conducted their mandated tasks. They held the required number of internal meetings, with the frequency increasing from three meetings in 2015 to nine in 2017 (Table 18). They also provided advice to the village government, reviewed the government’s

reports, and engaged with villagers to determine their aspirations. Direct observation at the qualitative sites, however, provided several insights into the way the BPD fulfilled their roles. For example, only very few of them played an active role in convening and chairing the *MusDes*. Rather, this role was fulfilled by the village government, as per standard practice before the promulgation of the VL, with the village government inviting members of the BPD to attend as participants. In some cases, when the BPD did chair the *MusDes*, the village head effectively took over the meetings. In one village, it was found that villagers failed to respond to invitations to attend the meeting, because they were confused by the fact that the invitation had been issued and signed by the BPD chair, rather than the village head.

As to the inputs provided by BPD, one village head stated:

The BPD has the right and opportunities to propose activities, but they don't have time because they are too busy with their own personal affairs and work. Sometimes they don't even come to meetings. They don't read the drafts [that we gave them]. In the meetings, they proposed some things that had already been listed or decided. So far, they haven't initiated any new proposals. (Village Head, Karya Mukti in Banyumas, Central Java).

With their limited skills and capacities, the BPD often merely went along with whatever the village government proposed. As one BPD member in Wonogiri said: “The village government knows their work better [than us]—they have the skills and knowledge.” In general, they seem to conduct their duties perfunctorily, with little understanding. They also complain about being given limited time to review documents before these documents had to be submitted for fund disbursements (particularly when the disbursement schedule was delayed).

Table 17. BPD's key activities, 2016-2018

	2016	2018	Difference
BPD internal meetings in 2015/2017			
Ever conducted	96.4	93.7	-2.7
#meetings in 2015/2017 (times)	2.6	8.5	5.8 **
BPD has ever advised VG, on:			
- types of activities that must be carried out	96.4	99.3	2.9
- village financial dissemination/socialization	63.9	66.6	2.7
- village program dissemination/socialization	29.7	31.9	2.3
	38.9	22.9	-16.0 **
BPD asks for activity reports from VG			
#times BPD requested reports	75.5	76.3	0.8
BPD examined reports on village activities submitted by VG	21.7	44.6	22.9 **
When checking the reports, BPD compares with RKP Desa	86.6	88.2	1.6
BPD delivered the assessment to VG	91.8	95.4	3.6
BPD has received budget realization reports	96.3	90.9	-5.4
BPD delivered the assessment to VG	83.7	82.4	-1.3
	95.1	92.6	-2.4
BPD capture information from villagers (top 3)			
- attend community group meetings	71.4	61.4	-10.0 *
- from residents who came to the BPD office or visited	19.4	30.7	11.3 *
- invite the community to a special meeting	25.9	26.9	1.0
BPD submits community proposals to VG	98.2	96.4	-1.9
Observations	112	112	

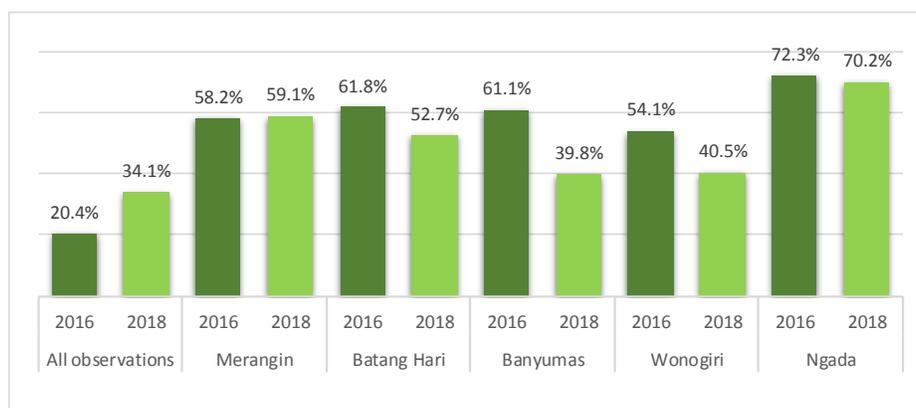
Source: SV survey in 112 villages.

*, ** statistically significant at 10, 5 percent levels.

With the passive and disengaged stance of the BPDs, many villagers in the qualitative sites did not even know who their BPD representatives were and thus had little trust in them. With many BPD members not

being elected directly, most villagers were at best only aware of who the BPD chair was. In 2018, the survey found that nearly 35 percent of respondents stated that they did not know the BPD members in their village, an increase of 14 percentage points over the figure recorded in 2016 (Figure 22). In both 2016 and 2018, community members consistently reported that they trusted village and hamlet heads to a far greater extent than the chair or members of BPDs to plan and implement village development programs (Table 18). In most qualitative sites, in focus group discussions with representatives of village institutions, villagers reported that hamlet heads played a far more important role in conveying their aspirations and other matters.

Figure 22. Villagers who do not know BPD, 2016-2018



Source: SV survey in 112 villages.

Table 18. Villagers perception on reliability of village leadership and activist

	All observations		
	2016	2018	Diff.
Felt that [...] is reliable to make development plans			
- Village Head	74.9	62.7	-12.2 **
- Hamlet Head	78.5	65.0	-13.4 **
- BPD	58.3	41.4	-16.9 **
- Village activists	49.0	50.9	1.9
Felt that [...] is reliable to implement development			
- Village Head	77.5	71.6	-5.9 *
- Hamlet Head	80.8	69.9	-10.9 **
- BPD	59.0	42.7	-16.2 **
- Village activists	48.8	52.6	3.8
Observations	4,081	3,857	

Source: SV survey in 112 villages.

*,** statistically significant at 10, 5 percent levels.

In general, the poor performance of the BPD can be partially explained by the lack of capacity building and incentive systems. Since members of the BPD are not expected to work full time, they receive relatively low levels of compensation, particularly compared to the increased payments received by other village government officials. This is likely to undermine their willingness to perform their tasks effectively. It should be noted that some exceptional cases of well-functioning BPDs were found (Box 9), with these BPD supported by district-level policy and maintaining some characteristics of the BPD as defined by Law No. 22/1999.

Box 9. Case study of an effective BPD

In Ngada, all villages are required to conduct an annual one-day forum to discuss the end-of-year accountability report (*Laporan Pertanggungjawaban*, LPJ) and also at the end of the village head's term. The BPD organizes the forum, which may be conducted at any time between December and March. The village head submits his/her report to the BPD at least two weeks before the discussion is to be held. The BPD invites all villagers and representatives of the subdistrict government to hear the village head deliver his/her report on development activities in the related year and the BPD's comments/criticisms. Villagers are not allowed to comment or ask questions, as this forum is specifically intended to enable the BPD to scrutinize the village head's performance.

In Ndona, in order to receive feedback from the villagers regarding the village head's performance, the chair of the new BPD has commenced a new initiative. Once he receives the accountability report from the village government, he visited each hamlet and conducts a discussion on the report with villagers.

Source: Qualitative monitoring reports.

Other examples are also found from villages not in our research area where capacity building for BPD (in the form of training and facilitation related to VL implementation and to solicit, manage and channel community's aspirations) seems to improve the quality of village planning process. In a pilot project implemented by a national NGO and a donor-supported development program in 33 villages in five provinces, BPD members were trained on various aspects of VL implementation (including the roles of BPD, village planning and budgeting) and were supported to organize regular community feedback mechanisms to solicit the community's inputs for the formulation of village development plans. Initial results indicated this initiative had positive impacts on BPDs' ability to perform their roles, especially in terms of contributions to village development processes and to enabling the community to channel its aspirations effectively (Box 10)

Box 10. Sekar Desa: Improving the BPD's capacity

Sekar Desa, or *Sekolah Anggaran Desa* (village budget school) is a training program for BPD and other villagers on VL implementation. This training is implemented by *Seknas FITRA* (a national NGO focusing on budget transparency) in partnership with KOMPAK (a DFAT-supported local development program). In 2019, *Sekar Desa* was piloted in 33 villages across five provinces (Aceh, Central Java, East Java, South Sulawesi and West Nusa Tenggara/NTB). The training covered five modules: (i) Implementation of Village Law; (ii) Improving BPD performance; (iii) Basic concepts of village planning and budgeting; (iv) Gender responsive and inclusive analysis of village development plans (RPJM and RKP); and (v) Analysis of the Village Budget (APBDes). Feedback from participants indicates the trainings have been effective in improving understanding of village law, planning and budgeting, particularly for BPD that rarely received any training prior to *Sekar Desa*.

In the same villages as *Sekar Desa* was undertaken, KOMPAK and *Seknas Fitra* trialed the *Posko Aspirasi* community feedback mechanism. This involved using BPD as the primary gateway for community members to submit their priorities and for them to collate these submissions and advocate to the village government for their adoption. Each village held an 'aspiration week' to promote the initiative. Aspirations and complaints could be delivered orally or in writing directly to a designated post staffed by a BPD member or through submission of a form at one of multiple suggestion boxes installed in the villages. The public could also submit via electronic mail, such as through WhatsApp, SMS or the village website.

The approach has been successful, with over 15,000 suggestions submitted by 3760 different people. That equates to almost 500 suggestions and 120 people per village. The feedback has also proven useful, helping village governments to identify local priorities to be included in their development plans and annual budget.

Source: KOMPAK Annual Report 2019

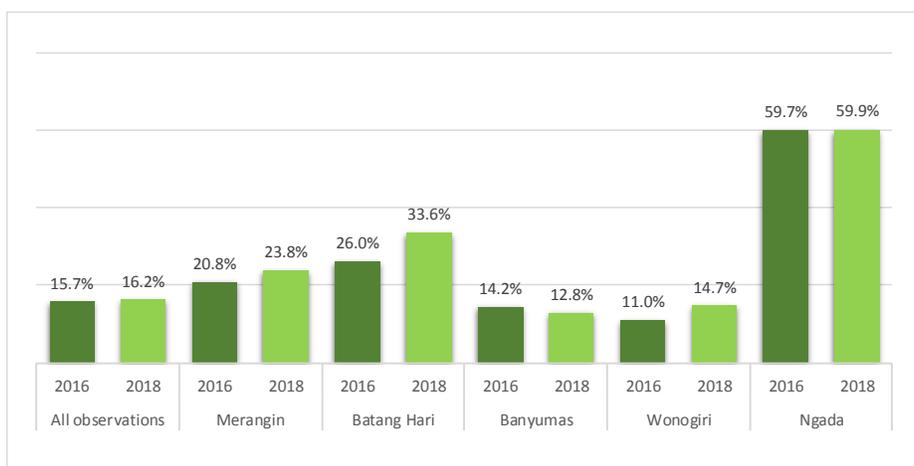
4. Limited interest in attending village meetings

Village planning processes are crucial to ensuring that village funds are allocated and utilized to meet the community's needs. The VL establishes mechanisms for robust citizen participation in these processes, including through the *Musyawarah Desa (MusDes)*, a deliberative forum through which the BPD (Village Consultative Body), the village government, and elements of the village community discuss the administration of village government. The results of the *MusDes* should serve as the basis for villages to develop their plans and budgets. Thus, the degree of inclusion and engagement of all community groups in the *MusDes* is critically important to ensure that the needs of all segments of the village community are recognized.

4.1 Participation rates at village level meetings remain stable

It was found that the proportion of villagers attending village meetings remained relatively stable between 2016 (15.7 percent) and 2018 (16.2 percent) (see Figure 15).³³ At the district level, no significant differences were found across the various villages. However, there were some notable differences *between* regions, with a consistently higher attendance rate for villagers in Ngada (around 60 percent) than for those in Jambi (around 20-30 percent) and in Central Java (around 10-15 percent).^{34,35} Participation rates in village planning was found to be lower than those identified by LLI2, which was conducted in 2000/2001 (Alatas, et.al, 2003).³⁶

Figure 15. Villagers attendance in village-level meetings, 2016-2018



Source: SV survey in 112 villages.

³³ The baseline survey asked about attendance of village meetings in 2015, while the end-line survey asked about 2017.

³⁴ The results in the ten qualitative study villages were slightly different, as they recorded the attendance of the *MusDes* for planning only (*Musrenbangdes* and/or the pre-*Musrenbangdes*), which took place once or twice a year (Bachtiar, et al., 2019b). The report found that villagers' participation increased during the Study period.

³⁵ SUSENAS-MSBP (National Social-Economics Survey, Socio-Culture and Education module) 2015, solicited information on participation in local meetings to respondents aged 10+ years. The question reads: "Did (respondent name) ever follow meetings activities in the surrounding environment (RT/RW/Hamlet/Village)"; therefore, it may also include attending meetings at lower levels than the village, such as the hamlet. Attendance in local meetings among respondents residing in rural areas of Jambi (32.9 percent) and Central Java (48.3 percent) are higher than SV findings, while in East Nusa Tenggara (46.9 percent), participation rate is lower than that of SV.

³⁶ Average participation in village planning in LLI2 was 37.3 percent with villages in Ngada remained the highest (62.3 percent), and villages in Central Java were the lowest (Banyumas 26.0 percent, Wonogiri 20.5 percent), while villages in Jambi were between them (Merangin 44.2 percent, Batanghari 33.3 percent).

In 2018, those participating in village meetings were more likely to be male, well-off, and socially engaged. Men, better educated, and employed villagers, and those with previous experience in community/political engagement and positive opinions of village leaders were more likely to attend village meetings. In contrast, women, those with no formal education, the poor, and those receiving social assistance, were generally less likely to attend village meetings.

The Importance of Written Invitations: Formal, written invitations play an important role in determining who attends village meetings. The end-line survey directly asked villagers if they had been invited to attend village meetings, with only 18.6 percent of respondents responding in the affirmative.³⁷ When those who attended were asked *why* they participated in the village meetings, 37.4 percent of the end-line survey respondents stated that they felt they had to attend because they had been formally invited. Conversely, of the respondents who had not participated, 74.7 percent said they did not attend because they had *not* been invited. Villagers viewed the events as the domain of the village government, so they felt unable to attend unless invited. There is further evidence for this conclusion, with the survey data showing that only a very small proportion of villagers (2.1 percent) attended village meetings despite not being invited. Among the latter few were villagers who were already actively engaged in local activities/organizations. Furthermore, the significance of invitations can be seen from the response of villagers when they asked if they would attend future village meetings. Around three-quarters (72.1 percent) of respondents stated that they would attend future village meetings *if* they were invited. Respondents from poor households were more likely to assert this (75.7 percent) than those from non-poor households (69.5 percent), indicating that the poor are less likely to attend without an invitation.³⁸

Village officials confirmed that they issued invitations to the *MusDes* selectively. According to the VL, the *MusDes* should involve all elements of the village community in planning and budgeting. On average, however, only slightly more than half (51.9 percent) of the village governments that had conducted a *MusDes* to develop the village work plan (RKP Desa) stated that they invited ordinary citizens to attend the deliberative meeting (Box 7). There were substantial differences between districts in this regard. Nearly all villages in Ngada (93.4 percent) invited local residents to participate in the *MusDes*; while only around 35 percent of villages in Central Java (Banyumas, 35.3 percent; Wonogiri, 35.4 percent); and about two-thirds of those in Jambi (Merangin, 65.4 percent; Batang Hari, 69.7 percent) did so. In total, 94.7 percent of village heads said that their reason for not inviting ordinary citizens to village meetings was because the villagers were adequately represented by their hamlet heads or community leaders (82.3 percent) or by RT/RW staffs (12.4 percent). Other reasons given were that village heads felt that villagers would not attend anyway (3.1 percent); that technical constraints such as budget limitations prevented them from doing so (2.6 percent); or that there was a lack of space to accommodate villagers (2.4 percent).

Box 7. The characteristics of more inclusive-minded village heads

About half of the surveyed village heads reported inviting ordinary villagers to participate in village meetings (*MusDes*). In general, village heads who invited ordinary citizens to village meetings had been serving for shorter terms (3.7 years on average) than those who did not invite ordinary citizens (6.6 years, going into their second term). Those issuing invitations to citizens also seemed to have had more varied experience, often having served as village heads in other villages; as village officials in some other position; or as administrators of village cooperatives.

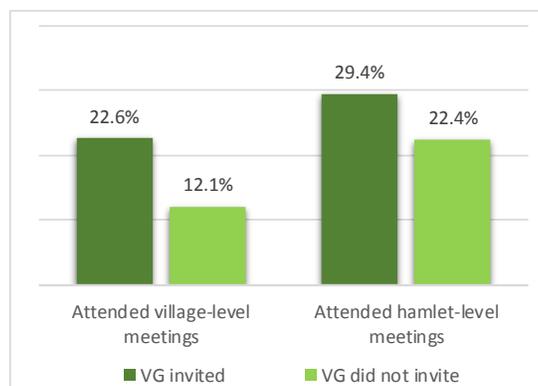
³⁷The characteristics of respondents who are invited to village meetings are similar to those who attended the them.

³⁸ Ben Olken found similar effects in an RCT on the KDP program almost 15 years previously. See Olken (2002)

These characteristics were similar to those of village heads who stated that they provided information on village programs and finances to ordinary villagers (about 75 percent). Village heads who had participated in training on village financial management were also more likely to be open to sharing information.

Levels of participation in village meetings where village governments invited ordinary citizens to attend the *MusDes* (22.6 percent) were significantly higher than in cases where they did not invite ordinary citizens to attend (12.1 percent) (Figure 16).³⁹ This finding shows that the degree of openness of village governments increased citizen participation in the village deliberation process.

Figure 16. Levels of participation in village meetings (open meeting or selective invitation) in 2018



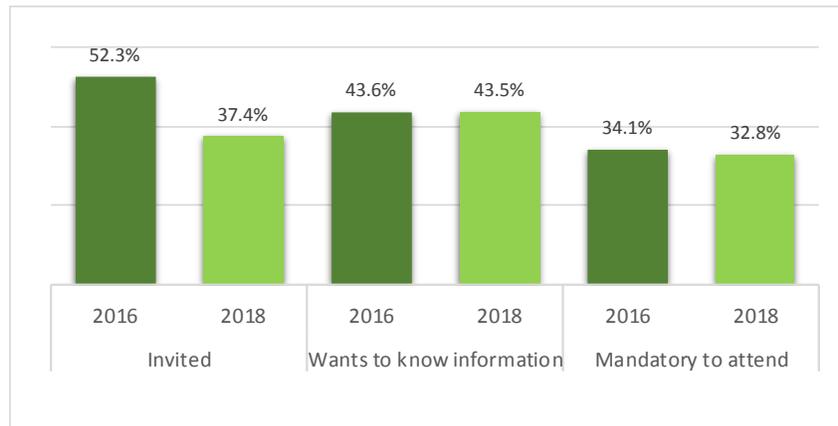
Source: SV survey in 112 villages.

Why do villagers join village meetings? The main reason expressed by villagers for attending meetings was the desire to obtain information regarding village programs, with 43.5 percent of respondents at the end-line survey giving this as the reason for attendance (Figure 17).⁴⁰ This was followed by those responding to an invitation (37.4 percent); and perceptions that attending these meetings was obligatory (32.8 percent). By contrast, at the baseline survey, the main reason villagers attended was that they had received an invitation; followed in descending order by interest in obtaining information on village activities, and by perceptions that attending these meetings was obligatory. The shift in the stated reasons may be interpreted as reflecting increasing awareness regarding the importance of attendance and participation.

³⁹ A village is categorized as providing citizens with access to the *MusDes* if the village head reported inviting ordinary villagers to at least one of the three types of *MusDes* asked about in the survey: to develop village work plans, village budgets, or village accountability reports.

⁴⁰ Such willingness to get information increased significantly in three districts: Batang Hari, Merangin and Ngada.

Figure 17. Villagers' reasons to participate in village-level meetings, 2016-2018



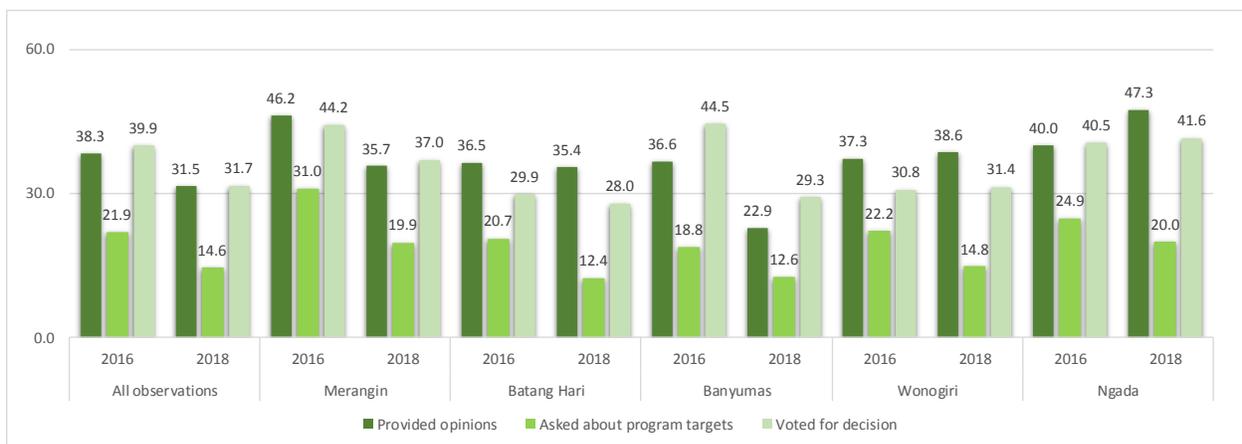
Source: SV survey in 112 villages.

4.2 There is Less Engagement in Village Meetings

Village meetings were used to discuss village development programs and proposals for activities in the following year. These proposals usually came from the hamlets. There was little discussion of village-level issues, their causes, or how to resolve them using available resources; or to align village and district plans.

Participants' engagement decreased over the Study period (Figure 18). Declines were noted for indicators related to engagement and participation, including the proportion of villagers expressing opinions (from 38.3 percent in 2016 to 31.5 percent in 2018); enquiring about program targets (from 21.9 to 14.6 percent); and voting to determine decisions (from 39.9 to 31.7). This decrease in enthusiasm was particularly notable among male and non-poor respondents.

Figure 18. Villagers' engagement in village-level meetings, 2016-2018 (in percent)



Source: SV survey in 112 villages.

There are at least two possible reasons for this decline. First, given the increased value of the funds that villages now manage, it is considerably more likely that each hamlet will receive funding for its proposals.⁴¹

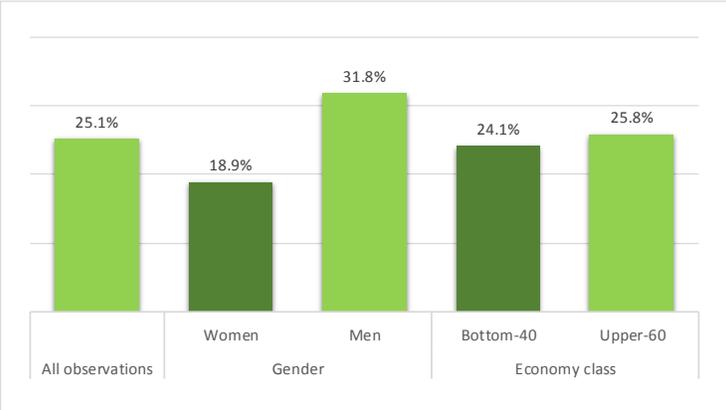
⁴¹ Recall that the average village expenditure allocation in FY2017 is 2.3 times that of FY2015.

In total, 85.2 percent of surveyed hamlet heads stated that if proposals are rejected one year, they can be resubmitted in the next year’s budget cycle. Thus, villagers seem to believe that participation in the deliberative process was no longer required to secure funds for their projects.⁴² In addition, it was found that many village heads preferred to distribute funds equally among their hamlets to avoid conflict, regardless of the specific needs of each hamlet (see Chapter 2.3). Second, given that almost half of the participants in village meetings (46.8 percent) also attended hamlet meetings, they usually knew which activities would be funded and therefore had little need to engage actively.

4.3 Community engagement is highest and most inclusive in hamlet level meetings

In 2018, less than one-third of those who attended the hamlet meetings also attended village meetings. This was similar to the baseline results in 2016. In 2018, the average level of villagers’ attendance at hamlet meetings (25.1 percent) was considerably higher than at village meetings (16.2 percent) (Figure 19). Men were more likely than women to attend hamlet meetings, but women’s participation was still significant. Also significant is that there was no major difference between the rates of attendance for the poor and non-poor.

Figure 19. Villagers’ participation in hamlet-level meetings by gender and economic status, 2018



Source: SV survey in 112 villages.

As was the case for village meetings, hamlet discussions were dominated by discussions of current village development activities and proposals for the next fiscal year, with limited discussion of broader village issues. Between 2016 and 2018, the level of attendance at hamlet meetings was more stable than for village meetings, with no significant changes except for a decline in the proportion of participants voting on decisions (from 41.1 to 30.0 percent).

The survey results also show that hamlet heads understood community priorities better than village heads, the BPD, or village activists.⁴³ To see how well leaders’ priorities are aligned with those of their constituencies, Table 7 shows the degree of correlation between perceived problems/challenges reported by villagers and those reported by village heads, hamlet heads, BPD and activists. For example, the correlation between the need for roads reported by villagers and by the village head was 0.337; while by

⁴²By contrast, the more limited amount of funding during the KDP/PNPM era led villagers to compete for funding at the sub-district level

⁴³In this study, village activists is defined as those with knowledge of government projects and who use the knowledge to be involved in later projects. Activists are not village government officials but have close relations with government officials and they are not necessarily the village wealthy. These activists include, among other, the cadres of health centers, government-led women’s groups, and farmers’ groups.

hamlet heads it was 0.410; by BPD 0.396; and activists 0.446. All correlation coefficients are statistically significant.

Table 7. Correlation between villagers’ perceptions of top-5 village problems and those of various village stakeholders, 2018

	Village Head	Hamlet Head	BPD	Activist
Crop failure	0.276 **	0.463 **	0.380 **	0.259 **
Road	0.337 **	0.410 **	0.396 **	0.446 **
Clean water	0.410 **	0.466 **	0.299 **	0.571 **
Unemployment	0.394 **	0.372 **	0.328 **	0.398 **
Bridge	0.337 **	0.257 **	0.373 **	0.519 **

Source: SV survey in 112 villages.
 ** statistically significant at 5 percent level

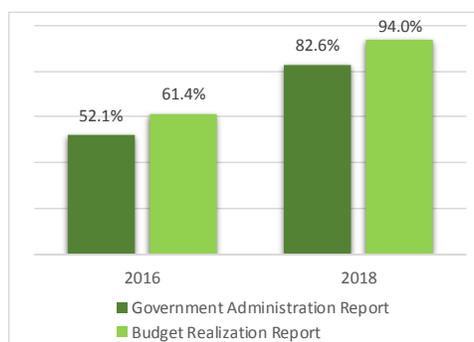
5. Improved upward accountability, limited downward accountability

The VL contains provisions to ensure both upward accountability and downward accountability. In this context, *upward accountability* refers to village governments’ accountability for the funds they receive to district and central governments, while *downward accountability* refers to village governments fulfilment of their obligations to their communities to demand improvements and corrective actions where these are needed.

5.1 Village governments have improved their capacity to meet reporting requirements

By 2018, most village governments had improved their capacities to meet reporting requirements. Nearly all villages surveyed for the qualitative component of the Study stated that they were able to submit their reports on time in 2017. Likewise, most village governments surveyed in 2018 claimed to have submitted reports on government administration (82.6 percent) and budget realization (94.0 percent) to the district head, subdistrict head, and/or the BPD, compared to rates of 52.1 and 61.4 percent, respectively, in 2016 (Figure 20).

Figure 20. Reports’ submission and dissemination by VG



Source: SV survey in 112 villages.

The main driver for high reporting rates was that compliance was a condition for the receipt of DD transfers. Observations in the field confirmed that village officials were highly committed to compliance,

given that DD and ADD were their most significant source of revenue. In the first two years of VL implementation, staff from different villages in a subdistrict often worked together or helped each other to prepare the required documents. In Batang Hari, one subdistrict official mentored the village staff and provided them with current updates to reflect revolutions in the regulations, stating that: “I basically monitored the MoV’s website to check on changes and to determine what new regulations we needed to follow.”

5.2 Reporting and administrative requirements from central and district governments have sharply increased

The cost of all of this reporting and regulation in terms of village government’s ability to carry out field activities is very high. Village government officials spend much of their time filling in forms rather than visiting villagers and village projects. In fact, the reporting load is so heavy that village governments frequently co-opt the MoV facilitators into becoming additional reporting staff, just to handle the loads. Village heads interviewed by the Study teams frequently reported that they could barely keep up with the demands.

In addition to documents villages were required to submit to receive their DD disbursement, village governments were also required to submit another set of regular reports, following additional regulations on planning, budgeting, implementation, and reporting (Table 10). In addition, each week there is a voluminous set of letters and circulars from multiple ministries demanding new reports and adjusting guidelines and formats. Prior to the delegation of authority to subdistricts, village staff often had to make multiple trips to the district (which could be hundreds of kilometers away, and even require boat rides) to complete and submit the required documents.

Table 10. Typical administrative workload of VG

Required document	Supporting document	Process/Activity to do
Planning		
RPJM Desa and RKP Desa Time: three months after a new village head is inaugurated for RPJM Desa, and in Jul-Sept for the RKP Desa	Per Permendagri 114/2014: 1. VH decree on formation of a team to prepare RPJM & RKP Desa 2. Report on village assessment (including general village data, district’s planned programs and inter-village plans, list of villagers’ proposals) 3. Minutes of village meeting 4. List of proposals for RKP	Review of district and its sectoral offices’ plans, land use plan Assessment of village conditions and development, discussions with villagers
Budgeting		
RAB and APB Desa Time: Oct-Dec	Per Permendagri 113/2014: 1. A decree on formation of PTPKD 2. Draft APB Desa 3. Village regulation on village reserve (if any) 4. Draft RAB 5. Draft of revised APB Desa (if relevant)	Village staff have to get assistance from supra-village governments multiple time (in practice)
Implementation		
A variety of letters and decrees Time: all through the fiscal year	Per Permendagri 47/2016: 1. A number of ledgers/cash books and bank statement 2. A number of log books of village activities 3. Village cadre log book 4. BPD log book Per Permendagri 113/2014 1. Request for payment	Continuous monitoring, appointment of person in charge

	2. Expenditure report 3. Proofs of transaction Per Perka LKPP (Regulation of Head of National Procurement Agency) 13/2013: 1. A plan of use of resources 2. Working drawing	
Reporting		
Receipts, proofs of implementation, and report	Per Permendagri 114/2014: 1. 6-monthly report 2. Annual report (realization) 3. Report on village assets 4. Report on supra-village government's programs in the village	Collecting of all proofs of transactions from the village implementation team or other groups that are in charge of the activity

Source: SMERU, 2019b.

Table 9. Examples of additional administrative requirements by district

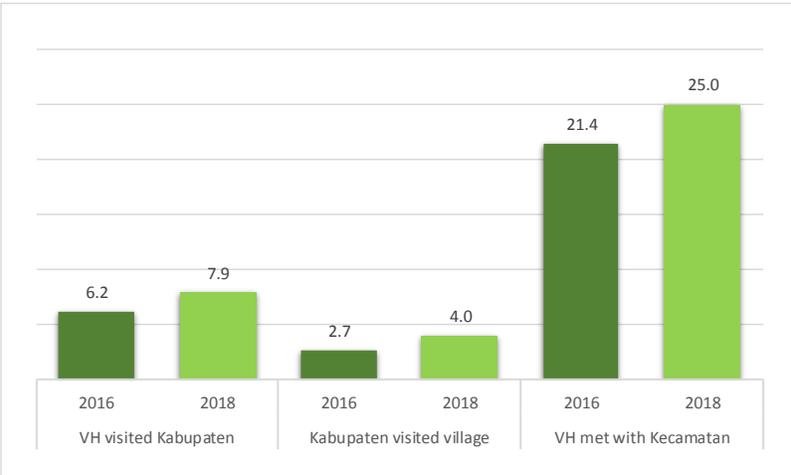
District	Additional administrative requirements
Merangin	Villages had to formally write to district to issue a request for payment to the district treasury
Banyumas	Villages had to provide proofs of transactions to disburse funds while the transactions had not taken place as the fund was yet to be transferred
Wonogiri	Villages had to provide Village Regulation (<i>Peraturan Desa</i>) on APB Desa and its implementing regulation (<i>Peraturan Kepala Desa</i>) issued by the village head
Ngada	Villages had to prepare a detailed plan for fund use for each activity

Source: SMERU Policy Brief on Debottlenecking Distribution and Disbursement of the Village Fund

5.3 Oversight by higher levels of government is still limited

High compliance rates have not yet translated into effective oversight, despite the increasing frequency of contacts between village, subdistrict, and district governments and their officials (Figure 21). In late 2017, a number of districts began to delegate authority to the subdistricts, a measure that was intended to enable village governments to fulfil their administrative requirements more efficiently.

Figure 21. Interaction between VG and district government (in times)



Source: SV survey in 112 villages.

However, this delegation of authority has yet to be accompanied by measures to improve the capacity, infrastructure, and fund allocations for subdistricts to supervise VL implementation. Thus, the subdistricts

have played only a limited role in supervising the villages' fund use and quality of implementation. They often had to request the facilitators to do the supervision (see Chapter 6). Clear guidelines to define the subdistrict's authority were still lacking. In one case, in which the subdistrict head refused sign off on a village's documents on the grounds that it was incomplete, the village head circumvented the subdistrict by going directly to the district office to receive approval.

Many subdistricts have established teams to supervise villages. Some of these teams managed to visit the villages to monitor the use of funds and to check on construction work, although not many of their members had backgrounds in civil work.

Intense media coverage of DD-related corruption cases⁴⁴ has also prompted the central government to issue a number of *ad hoc* measures to strengthen anti-corruption efforts, including measures mandating the monitoring by law enforcement agencies of DD compliance, particularly with regard to posting information on banners and boards (Boxes 6 and 8). Computer-based financial management applications, such as Siskeudes, have been developed to enable village and supra-village governments to improve the reporting and monitoring of village fund utilization.⁴⁵

5.4 Resolving Citizen Complaints

Article 82 of the VL guarantees communities' rights to monitor development plans and activities. One important route for doing this is through the submission of complaints or reports to the village government or hamlet head (Table 11). Only 8.5 percent of villagers did this in 2018, however, almost the same level as in 2016 (9.0 percent). Men and the non-poor were relatively more likely to express their dissatisfaction than other members of the community.

⁴⁴ Indonesia Corruption Watch reported that from 2015 to the first semester of 2018 there were at least 181 DD corruption cases involving 184 corruption suspects with a potential state loss of IDR 40.6 billion (US\$2.9 million) (Ihsanuddin, 2018).

⁴⁵ Siskeudes (*Sistem Keuangan Desa*) is a computer-based financial reporting system developed jointly by the BPKP (state performance and financial supervision agency) and Ministry of Home Affairs. The system is based on Permendagri No. 20/2018 on village financial management.

Table 11. Complaints submitted by villagers and their perceptions of the responses, 2018

	All Obs	Women	Men	Difference	Bottom 40	Upper 60	Difference
Submitted complaint/report problems to village/hamlet	8.5	5.9	11.1	-5.2 **	6.2	10.0	-3.8 **
Complaint submitted (top 3):							
- unfair distribution of aid funds	20.8	25.0	18.4	6.6	24.8	19.1	5.7
- not satisfied with VG decision on aid's beneficiary	19.3	25.3	15.8	9.4	25.1	16.8	8.2
- access to public facilities is difficult	6.0	5.1	6.5	-1.4	3.7	6.9	-3.2
Submitted complaint to/through (top 3):							
- verbally to village/hamlet officials	66.3	74.8	61.5	13.3	70.5	64.6	5.9
- meetings conducted by hamlet/ward head	22.0	12.9	27.1	-14.1 **	26.2	20.2	6.0
- meetings conducted by village government	15.4	13.7	16.3	-2.7	8.1	18.3	-10.2 **
Village/Hamlet head response (top 3):							
- no response from village/hamlet	28.7	36.7	24.2	12.5	39.1	24.4	14.7 **
- submit complaints/reports of citizens to the VG	24.2	27.1	22.5	4.6	22.7	24.8	-2.0
- conducting a complaint verification/examination of cases	11.1	11.8	10.7	1.1	4.3	13.9	-9.6 **
Villagers perception on whether the problem is resolved:							
- unresolved	39.8	38.1	40.8	-2.8	29.0	44.3	-15.3 *
- fully or mostly resolved	20.1	17.3	21.7	-4.4	15.4	22.0	-6.7
- only a small fraction is resolved	11.4	7.9	13.3	-5.4 *	16.5	9.3	7.3
Observations	3,857	2,030	1,827		1,547	2,309	

Source: SV survey in 112 villages.

*,** statistically significant at 10, 5 percent levels.

In villages where village heads were perceived to be transparent, villagers rarely complained about the use of village funds, with most stating that they were happy with the infrastructure and services that they received (see Chapter 3). However, when projects were perceived to benefit only specific households, the number of complaints tended to increase, due to perceptions of unfairness. This was most obvious in the case of social protection programs, for which the greatest number of complaints were recorded related to mistargeting and exclusion errors. Community members mostly expressed their dissatisfaction verbally to the village/hamlet heads, or in village/hamlet meetings. Despite village government efforts to address citizens' complaints, according to both baseline and end-line surveys, around 30 percent of respondents stated that their village government had failed to adequately address these complaints. Survey results show that the poor were less likely to receive an adequate response to the issues they raised, with village governments more likely to investigate issues raised by the non-poor. Therefore, it is no surprise that the poor (44.3 percent) were more likely to assert that complaints had been inadequately handled than the non-poor (29.0 percent). Between 2016 and 2018, the proportion of respondents stating that they had not received an adequate response to their complaints increased from 25.4 percent to 39.8 percent.

6. Limited facilitation support for villagers

According to the VL, facilitators are to be assigned to help village governments and communities to plan, implement, and oversee village development activities (Article 112). This facilitation may be provided by local government agencies, professional facilitators, village empowerment cadres, or other third parties (PP No. 47/2015).⁴⁶

6.1 Facilitators focus on administrative support to village government

Facilitators are expected to assist in four main areas of village development: (i) planning; (ii) village implementation; (iii) empowerment and inclusion; and (iv) monitoring and evaluation. Facilitators are important for two reasons. First, with such a large share of *Dana Desa* funds going to infrastructure, engineering support is critical for proper construction, safety design, and sustainability. Second, given the Law's social goals, social facilitators help ensure broad-based participation in project planning and management, including financial management and local dispute resolution. Both kinds of facilitators also act as a communication bridge between community projects and district technical agencies, ensuring that technical standards are met, village and district projects are aligned, and community projects are properly recorded in government statistics. Since the baseline survey in 2016, almost 80 percent of villages have in principle had access to professional subdistrict-based facilitators deployed by the central government. District and subdistrict governments may also provide facilitation and supervision assistance.

However, rather than focusing on the substantive areas of village development described by the law, facilitators have largely focused on matters related to village administration. Facilitators at the qualitative sites reported that they spent most of their time with village government officials, rather than with communities, and that they were mostly engaged in administrative work, including the preparation of reports. The central government also tasked facilitators with collecting data, with requests for data so numerous and burdensome that one village head described them as “*tukang kumpul data*” (data collectors) rather than facilitators.

After two to three years of receiving assistance in matters related to administration and reporting from facilitators, in addition to trainings provided by district-level agencies, village governments' capacities for reporting appeared to have improved, as discussed earlier in Chapter 5. The qualitative study end-line confirmed this: when village heads were surveyed to determine whether they still faced issues with the reporting system, many said that they did not, although they also complained that the associated workload was still very demanding. Facilitators at these sites concurred, stating that village governments are now familiar with the administration and reporting requirements. However, the survey showed that village heads still felt the need for facilitators to support administrative work (Table 12) to the same extent as in 2016, because of the frequent change to regulations and requirements over the past three years.

⁴⁶ PP (Peraturan Pemerintah, Government Regulation) 47/2015, a revision of PP 43/2014, is the implementing regulation of the VL. It covers a broad range of issues under the VL, including empowerment and facilitation.

Table 12. The need for facilitation as reported by village heads

	Village Head, 2018			Village Head, 2016-2018		
	Same as in 2016	New	Difference	2016	2018	Difference
VH felt village needed <i>pendampingan</i> regarding:	92.3	96.1	-3.8	92.8	93.6	0.8
- Preparing village development plans (RPJM Desa, RKP Desa)	82.0	97.7	-15.7 **	85.1	87.3	2.2
- Preparing village budget (APB Desa)	81.7	88.3	-6.6	78.1	83.9	5.8
- Procurement of goods and services	63.4	82.6	-19.2 **	62.8	69.9	7.1
- Technical design for village infrastructure projects	93.5	94.4	-0.9	92.5	93.8	1.3
- Technical support to improve village services	76.0	90.8	-14.8 **	74.3	81.0	6.7
- Preparing financial realization report	88.6	87.3	1.4	83.6	88.2	4.6
- Preparation of village regulation (Perdes)	66.8	76.7	-9.9	68.5	70.2	1.7
- Community empowerment	77.8	91.9	-14.2 *	79.5	82.6	3.1
- Other	25.0	33.9	-8.9	12.9	28.0	15.1 **
Observations	70	42		112	112	

Source: SV survey in 112 villages.

*, ** statistically significant at 10, 5 percent levels.

Almost all village heads acknowledged the need for facilitation/assistance, particularly for matters related to the technical design of village infrastructure projects (93.8 percent); preparing financial realization reports (88.2 percent); and preparing annual and mid-term village development plans (87.3 percent).⁴⁷ While assistance related to preparing village budgets (APB Desa) and community empowerment ranked only fourth and fifth on the list of their expressed needs respectively, both were recognized as important by more than 80 percent of respondents. Unsurprisingly, new village heads expressed a greater need for assistance than their longer-serving peers. There were also some significant regional differences. For example, between 2016 and 2018, the expressed need for assistance declined in certain areas and in certain locations (such for the preparation of financial realization reports in Merangin), while in other areas it increased (such as for community empowerment and for the preparation of financial reports in Batang Hari and for preparing budget and realization reports in Banyumas).

Members of the BPD concurred with the village heads that facilitators were needed to prepare technical designs for village infrastructure, for financial management, and for community empowerment (Table 13).

Table 13. The need for facilitation reported by BPD heads

	2016	2018	Difference
BPD felt village needed <i>pendampingan</i> , regarding:	91.0	89.2	-1.8
- Preparing village development plans (RPJM, RKP Desa)	76.3	82.9	6.7
- Preparing village budget (APB Desa)	71.7	79.9	8.1
- Procurement of goods and services	59.8	59.7	-0.1
- Technical design for village infrastructure projects	81.6	86.8	5.2
- Technical support to improve village services	79.1	80.3	1.2
- Preparing financial realization report	80.8	75.6	-5.3
- Preparation of village regulation (Perdes)	63.4	66.5	3.2
- Community empowerment	76.8	81.1	4.3
- Other	10.9	4.9	-6.1 *
Observations	112	112	

Source: SV survey in 112 villages.

*,** statistically significant at 10, 5 percent levels.

Many of the facilitators interviewed noted that they were unable to perform their duties, particularly as they related to community empowerment, as they are overloaded with administrative duties. They were also often tasked by district or subdistrict officials with work outside their defined responsibilities.

“We thought that our area of responsibility was the Dana Desa, but we were asked to collect data related to poor households, which the social welfare agency needed to update the Jamkesda (local health insurance) system. Work keeps on coming in! I am meant to facilitate community empowerment, but I am so busy with other tasks. When can I facilitate the community? When can we develop village potential? We are busy processing data all the time.” (Facilitator in Wonogiri, Central Java).

“Now, facilitators have to do a large proportion of the administrative work. They have to assist the village government with the preparation of the village annual plan and budget. This is because of the low capacity of the village government...” (Consultant/TA in Banyumas, Central Java).

“I haven’t done anything much with the villages because I’m busy with other tasks from the subdistrict. Because they are understaffed and I visit the villages regularly, I’m asked to assist villages to prepare proposals, check the required documents, assist with disbursement process, and prepare the reports on the use of financial assistance (bantuan keuangan) that the village got from the province.” (Facilitator in Banyumas, Central Java).

6.2 There is an insufficient number of technical facilitators

Coverage has been stretched for technical facilitators involved in the construction of infrastructure. Engineers are expected to handle between 16 to 50 villages each (Table 15), each of which can have tens of infrastructure projects. The 2018 infrastructure assessment asked village officials to rate the technical facilitation support they received.⁴⁸ They indicated that the quality facilitation received was ‘poor’ for 85 percent of projects. Thus, villages have received little assistance to ensure that the technical quality of civil works meets required standards, in spite of the large proportion of funding allocated to such projects.

The costs of inadequate engineering are very visible. The 2018 infrastructure assessment found that the quality of infrastructure construction has declined, with less than half of projects (46 percent) meeting technical requirements and having appropriate designs and drawings. There are also no requirements for government engineers to sign-off on projects, which further aggregates the quality control problems.

The gravity of the situation cannot be understated. The best performing communities are sometimes able to locate and fund engineering support on their own. In Ngada, some villages sought help from former PNPM technical facilitators to prepare plans for their infrastructure projects. However, Ngada tops the village performance rankings (and is the district where KDP began 20 years ago). In general, the lack of engineering support to village projects quite visibly reduces their quality and the viability of the investment.

6.3 Limited coordination between district extension workers and village governments

In addition to the facilitators deployed by the central government, districts deploy their own sectoral outreach workers, including agriculture extension workers and facilitators involved in co-operative or small-scale business development. However, the number is limited and they are often underfunded. Coordination between these extension workers is also limited, with each working on their own programs,

⁴⁸ Neate 2019

without reference to other programs. Many village governments are not even aware of their existence and do not know how to contact them. In most cases, it does not appear that any individual or entity has taken on the role of establishing connections between the villagers and these program specialists, or of making villagers aware of other forms of technical assistance that might be available from local NGOs or universities. In-depth interviews with the village heads showed that one of the reasons they did not undertake more economic development, agriculture, and community empowerment projects was due to lack of access to technical assistance to design and implement programs and activities.

Box 8. Failure of information sharing

In Jembatan Rajo, Jambi, in 2015, the floor of a hanging bridge was deteriorating and needed rehabilitation. The village submitted a proposal for this purpose to the district, but they did not receive a reply. As a result, the village decided to fund the work using their village budget. The work was completed, but dismantled afterwards, when it was found that the district public work agency had already allocated a budget for the same project. Both the district and the village administrations wanted to ensure that their allocated budget was absorbed. The same project was reported as *accomplished* in both the district's and the village's accountability report.

Source: Qualitative monitoring reports.

6.4 There is no mechanism for quality assurance of facilitators

Some district, subdistrict, and village government officials stated that many of the first wave of facilitators (2015-16) were too inexperienced or too poorly supervised to provide effective assistance. The village secretary of Jembatan Rajo, for example, complained that both subdistrict (PD) and village (PLD) facilitators seldom came to the village. When they came, it was usually to ask for the village head's signature on various forms rather than to provide any form of assistance or facilitation to the village. In addition, he stated that the PD gave bad advice for the preparation of APB Desa 2016, which meant that the villages later had to revise these documents. He felt that the PD and PLD often did not seem to know what they were supposed to do to prepare the RPJM Desa, RKP Desa, APB Desa and other important planning and budgeting documents.

7. Recommendations

Based on the findings of this study, a number of recommendations are presented to assist the Indonesian government to achieve the stated objectives of the Village Law. These recommendations include the following:

7.1 General

- a. **Improve regulatory coherence and consistency:** At present there is very little oversight of the guidance going down to villages. MOV, MOHA, and MOF often issue guidelines that contradict each other, causing confusion in the field. GOI's partner agencies (Menko PMK, MOHA, MOV, MoF, and Bappenas) need to find a way to make regulatory guidance more consistent and strategic.
- b. **Reduce administrative burden on village governments:** Village governments and facilitators are spending the majority of their time on administrative and reporting requirements. Demands for reports come from all levels of government and multiple sectoral agencies. Reporting requirements are both excessively burdensome and often not tied to village level issues. This study suggests that Bappenas, MoV, and MOHA should jointly carry out a consolidation and simplification exercise that produces a single, user-friendly set of technical and operational guidelines. Directions should also be provided to districts to reduce the additional burden being placed on villages by districts. Requiring local government

to use Siskuedes wherever possible will help unify all financial reporting through the system and avoid burdensome requirements for paper-based reports and receipts to be submitted from villages to districts.

7.2 For the Ministry of Villages:

- c. **Return to open menus:** One of the major features of the Indonesian government's earlier community empowerment programs was the open menu system, which enabled communities to determine their own priorities for expenditure. Multiple reviews found that villagers overwhelmingly chose economically productive or socially useful investments such as market roads, better school and clinic access, and safe water sources. Central and district level agencies increasingly issue their own priority lists to guide the use of DD, with these priority lists being frequently revised and subject to change. This creates confusion. It also produces sub-optimal investments, with village heads reluctant to address local priority needs other than those specified from above, whether these are the best use of funds or not. The Government, through MOV and MOHA, should jointly confirm a return to the open menu system, with instructions and guidelines to district-level governments to prevent the imposition of conditions at that level.
- d. **Enable larger, village-wide projects:** Because Indonesian villages are often very large and only loosely integrated, there is a natural tendency to divide up village funds into many small projects. The Study found that this fragmentation is partly driven by the lack of qualified technical support, and partly driven by the desire of the village head to avoid conflict by ensuring that each hamlet receives funding for at least one investment. The economic returns to village fund investments would be higher if: (i) proper engineering support could enable villages to design and manage larger projects; and (ii) multi-year planning could be allowed so that villagers could negotiate a sequence of larger investments rather than treating each year's budget as a zero-sum game.
- e. **Improve facilitator selection and management:** Now that village heads have the capacity to handle administrative matters, facilitators should focus on community facilitation. The Ministry of Villages should: (i) update facilitators' TORs; (ii) conduct annual performance reviews for all facilitators; (iii) improve recruitment processes; (iv) develop and deliver improved training programs; and (v) introduce supervision and performance improvement oversight for facilitators.
- f. **Issue guidance for village governments to improve participation:** The Study found that when village governments proactively invited a broader range of community members to attend meetings, participation levels increased. The MOV should issue guidelines that require village governments to hold pre-*MusDes* meetings at the hamlet and group levels to solicit input from as many elements of the community as possible. The Study also reconfirmed that formal invitations will encourage participation at village level meetings
- g. **Introduce participatory poverty mapping:** At present there are few guidelines that would encourage village leaders to identify where the greatest number of poor people live or how village funds can address their needs. Organizations specialized in poverty mapping exist in many parts of Indonesia. These could be brought into both the national and the district level to improve pro-poor village development planning. Special *MusDes* should be organized for poor and vulnerable households to allow them to express their specific aspirations and priorities.
- m. **Conduct information campaigns to ensure all citizens are aware of their rights under the Village Law:** The Ministry of Villages should mount national communication campaigns to make sure that

villages are aware of their rights to participate in village decisions. Simple posters boards, radio campaigns, and advertisement through social media, can reach millions of Indonesians.

7.3 For the Ministry of Home Affairs:

- n. **Strengthen local government systems for guidance and oversight to villages:** The Study found that government agencies were often unwilling or unable to provide supervision, mentoring, and monitoring assistance to villages. When technical agencies adopt a problem-solving approach, development outcomes improve significantly. The Ministry of Home Affairs should issue guidelines to require district and kecamatan governments to provide this type of assistance. District and subdistrict budgets must include funding for village support visits, and have staff with the relevant skills to provide sectoral support, particularly in the areas of engineering, health, and education. Village heads should be empowered to coordinate district extension and outreach services.
- o. **Strengthen the position of the subdistrict:** Subdistricts are responsible for the oversight of an average of 30-50 villages (with high degree of variance). This makes them the appropriate unit to provide the technical support and supervision that villages need, as well as to improve inter-village planning and investment. Subdistricts need to be given clearer mandates, appropriate staff, and sufficient budget to provide adequate support to community planning. More active subdistricts could also convene forums for district service agencies to engage community representatives.
- p. **Increase learning opportunities for village leaders:** The Study found that many village heads brought innovations back from village cross-visits and district training sessions. Encouraging a peer to peer learning system, alongside capacity building, would support a more systematic learning and problem-solving culture.
- q. **Build BPD capacity:** The Study found that BPDs are often unaware of their intended role as a system of checks and balances on village governments and to effectively channel community aspirations. So far, the Ministry of Home Affairs has focused on building the capacities of village governments, with relatively little attention paid to building the capacities of BPDs. The Ministry should help BPDs fulfill their intended role. Issuing operational guidelines; providing appropriate training; and using BPDs to monitor progress can only improve the quality of development.

Postscript: The Village Law in the context of the Covid-19 Pandemic

In January 2020, the Covid-19 pandemic began spreading globally, causing widespread economic downturn, including in Indonesia. While the original Sentinel Village study did not foreshadow the Covid-19 pandemic, the findings from this work continue to be relevant and can inform the plans for using the Village Law and Local Institutions work to assist the Indonesian government to cope with this pandemic. The findings and recommendations continue to be relevant mechanisms to address the current and growing economic crisis.

While the global response to the pandemic picked up steam in late January, lack of testing facilities and other factors meant that its significance was not immediately recognized in Indonesia. However, by late March, that the Indonesian government begun to mobilize its response. To address the social impact of the pandemic, the government's response involves three main strategies: (i) a 50 percent increase in

disbursements through the Wholesome Families⁴⁹ cash transfer program; (ii) the adaptation of a new, online vocational training program for poor people (“Kartu Pra-Kerja”); and (iii) use of the Village Law’s mechanisms and systems to enable rural communities to identify and provide support for the poor and newly poor. These include many people who have migrated to urban areas or abroad in search of employment who have had to return to their rural communities after losing their jobs and who would not be covered by the other two programs. By the end of April 2020, 35 percent of Village Law funds were being used to provide cash transfers to those affected. These cash transfers are expected to provide around 12 million poor Indonesians with a household grant of IDR 600,000 per month for three months, possibly sufficient to meet their bare subsistence needs and to sustain themselves through the crisis. Further adjustments to this arrangement may be made as the pandemic comes under control and the country begins moving to recovery.

Where to now? The Sentinel Village report is a bottom-up view of how the Village Law is changing local institutions. It flags but does not pursue higher-level issues, such as the role of technical agencies in delivering frontline services, the role of subdistricts in coordinating larger investments such as network roads and irrigation systems and means to improve alignments between village planning and sectoral service delivery. This will need to be done against a larger backdrop of economic recovery and a sharp rise in poverty. Nobody can predict how the crisis and recovery will play out. But in a country as large, diverse, and volatile as Indonesia, there’s no questioning the need for a fine-grained understanding of the ways that global knowledge and national policies get filtered through the prism of local institutions. Indonesia is fortunate that it can build on twenty-five years of operational analytics and practical experience in building local level partnerships for better development. The Sentinel Village study is, to paraphrase an Indonesian folk saying, just one sip of water drawn from a river whose origins came before us and whose ending we cannot see.

⁴⁹ Indonesian: *Program Keluarga Harapan*

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