

# Village Law Support (Indonesia Village Law)

## Quarterly Progress Report: April to June 2016

Summary Information	
Status	Active
Activity Number	P154636 (EW-P154636-ESW-TFOA0258) P154484 (TA-P154484-TAS-TFOA0258) P155791 (TA-P155791-TAS-TFOA0258) P155783 (TA-P155783-TAS-TFOA1389) P153219 (PA-P153219-IMPL-TFOA0258) P154483 (TA-P154483-TAS-TFO19017)
Task Team Leader(s)	Samuel Clark (sclark@worldbank.org)
Executing Agency(ies)	PNPM Support Facility / The World Bank
Start date to Closing Date	May 1, 2015 to December 31, 2017
Geographic Coverage	National
Approved Budget	US\$6,250,000
Disbursements during the Quarter	US\$562,497
Cumulative Disbursements	US\$1,410,317

## Progress

### Project Overview

The overall objective of the Village Law Programmatic Advisory Services and Analytics (PASA) Program is to support the Indonesian Government's efforts to ensure accountable village governance and participatory village development. The program delivers three main types of support: 1) Just-in-Time policy advice and analytics; 2) technical support for the operationalization and implementation of policies and systems; and 3) monitoring and evaluation analytics.

The Village Law PASA Program is organized around four programmatic pillars: 1) resource mobilization, allocations and flows; 2) village development governance, accountability, and capacity; 3) community empowerment and inclusion; and 4) monitoring, evaluation and thematic studies. The program recognizes that full implementation of the Village Law is a multi-year effort and is therefore structured around a three-year phased engagement strategy:

**Year 1 (2015): Regulatory Framework, Financial Architecture and PNPM Transition:** During the first year, the program will focus on supporting the Government to put in place the national and sub-national regulatory framework and the basic financial architecture or "plumbing". It will also focus on restructuring key PNPM institutions and developing a simple monitoring framework.

**Year 2 (2016): Incremental Improvements and Deepening Participation:** During the second year, the program will focus on facilitating the achievement of incremental improvements to the national institutional framework and on deepening the level of community participation in village development processes.

**Year 3 (2017): Integrity and Decentralized Support Structures:** During the third year, the program will focus on strengthening formal accountability channels (such as audit functions) and the design of decentralized support structures to provincial and regional

governments.

The program's main Government clients are DJ-PK, Ministry of Finance (MoF) (pillar 1); DJ-Bina Pempdes, Ministry of Home Affairs (MoHA) (pillar 2); DJ-PPMD, the Ministry of Villages (MoV; pillar 3, also pillar 2), Kementerian Koordinator Bidang Pembangunan Manusia dan Kebudayaan (Menko PMK - Coordinating Ministry for Human Development and Culture), and The National Planning Agency (Bappenas). The program also provides advice to Indonesia Audit Board (BPK), Komisi Pemberantasan Korupsi (KPK - Corruption Eradication Commission), Badan Pengawasan Keuangan dan Pembangunan (BPKP --Development and Finance Surveillance Agency), Tim Nasional Percepatan Penanggulangan Kemiskinan (TNP2K - National Team for the Acceleration of Poverty Reduction), and the Executive Office of the President (KSP - Kantor Staf Presiden). The Village Law PASA Program is primarily financed from the PSF Trust Fund, although it also receives modest financing from the J4P Trust Fund and from Bank Budget (BB). This report covers only activities financed through the PSF Trust Fund.

### Overall progress towards development objective

The overall progress of the Village Law PASA program towards its project development objective (PDO) is satisfactory. As noted above, the Program is focused on policy and system implementation under four pillars. Good progress was made in relation to pillars 1, 2 and 4, whereas more modest progress was made in relation to pillar 3.

The main objective of Pillar 1 is to support the Government to enable it to determine the best means to mobilize resources to fund the village transfers, allocate and transfer these funds to maximize economic development, and reduce poverty and inequality. Progress in relation to this objective was satisfactory. As a result of preliminary data presentations from ViPER, the Menko PMK and Bappenas increasingly recognize the need for greater attention on ensuring village funds are prioritized for health and education, and both institutions have requested additional policy and technical advice on how to do this. Although the program has yet to achieve a major breakthrough on changing the allocation formula, key stakeholders such as KSP increasingly recognize the need to modify the formula and have incorporated findings from the team's studies in its presentations. The team also supported the DJ-PK to facilitate policy dialogue with BPKP, KSP, MoHA, and MoV on streamline reporting of village transfers and spending.

The objective of Pillar 2 is to support the Government to establish an accountable and participatory village development cycle, with a particular focus on the national regulatory framework as well as analytical and policy advice on capacity development. Good progress was made in relation to the national regulations on village councils and village financial management (see details below) as well as more modest progress on village development planning. The task team also initiated dialogue with BPKP in relation to village Integrated Financial Management Informational System (IFMIS) arrangements as well as the Inspectorate General (MoHA) in relation to village oversight. In addition, good progress was made on the Village Apparatus Capacity Mapping (VACM) survey, and it is anticipated that findings from this survey will be presented to the DJ Bina Pempdes in collaboration with DFAT's Indonesia Governance for Growth project (KOMPAK).

Pillar 3 is intended to support the Government in its development of policies and its provision of support for systems that empower communities and individual community members to participate in the village development cycle and to ensure village institutions are inclusive and create space for marginalized groups. Good progress was made on ensuring empowerment was mainstreamed into the national regulatory framework, but more modest progress was made on the facilitation support structure (see the Rural Quarterly Report for more details).

The objective of Pillar 4 is to support empirically-based policy making by facilitating the production and dissemination of relevant, high quality data and analysis to inform, influence and guide policy and action. Good progress has been made on carrying out research studies as well as developing and testing an M&E tool to monitor and evaluate Village Law implementation. Perhaps most significantly, the task

team supported the Menko PMK to prepare a Presidential Decision (Keppres) on the formation of an M&E Team for the Village Law / Village Funds (Dana Desa). This team has the potential to drive a more coordinated and sustainable approach to developing government systems to monitor and evaluate the Village Law and Dana Desa.

### Key developments during the quarter:

#### Pillar 1: Resource Mobilization, Allocations and Flows

In Q2, the Program focused on two main activities: the Village Public Expenditure Review (ViPER) and additional analysis of the Dana Desa allocation formula.

- The objective of ViPER is to collect budget and realization data on how villages allocate and use their village transfers, including both the Dana Desa and the Alokasi Dana Desa. Building on the data collection exercise in CY15, the task team prepared a coding methodology, coded and analyzed over 300 village budgets from 15 provinces, and presented preliminary findings to the Government (Menko PMK) as well as development partners (DFAT and KOMPAK);
- Having presented its findings on the formula in the December 2015 IEQ, the analytics team focused on analyzing alternative formulas. It is anticipated that the team will present these findings in Q3. The task also involved the provision of support to DFAT's KOMPAK program to analyze village budget data from its field locations (East Java); and
- In addition, a series of planning meetings were held with DJ-PK on how to take forward their interest in designing a village performance system, as well as a technical discussion and an initial stakeholder workshop on IFMIS information needs and policy.

#### Pillar 2: Village Development Governance, Accountability, and Capacity

The task team from the Bank's Social, Urban, Rural, and Resilience Global Practice (GSURR) and Governance Global Practice (GGODR) focused on two main activities in Q2: providing policy advice and technical support to prepare Ministerial Regulations (MoHA) on Village Councils (BPDs) and Village Financial Management (revision of Permendagri 113/2014); as well as analyzing data from the Village Apparatus Capacity Mapping (VACM) survey to inform capacity development approaches at the DJ Bina Pemdes.

- The support for Bina Pemdes to prepare the BPD regulation was particularly well received. After internally identifying problems and issues experienced by the BPD in Q1, this quarter the team conducted a Focus Group Discussion (FGD) to map BPD issues on a larger scale. The workshop was attended by 30 people from the MoV, MoHA, the donor community, KOMPAK, the Local Government village departments (e.g., BPMPD), and several village and sub district heads. The team also undertook field visits together with national government officials to Nusa Tenggara Timur (NTT), West Java, West Sumatera, Papua, Maluku, and Bali to conduct further research and confirm the issues identified from the March FGD. In June, the project team conducted a workshop consisting of 50 participants to finalize the draft MoHA regulation, including representatives from BPKP and the MoV. All activities were undertaken in close coordination with DFAT's KOMPAK program;
- National and regional analysis and consultations were held in collaboration with DJ Bina Pemdes in relation to the revision of Permendagri 113/ 2014. However, progress was delayed because a key government counterpart was seriously ill for much of Q2. It is hoped that this support will accelerate in Q3;
- A team of analysts from GGODR and GSURR as well as an academic from *Centro de Estudios Monetarios y Financieros* (CEMFI), an economics research institute from Spain, arrived at preliminary findings that suggested village heads and village officials with higher Public Service Motivation (PSM) are associated with better village governance, including high levels of

participation and transparency; and

- The Village Apparatus Capacity Mapping (VACM) survey was conducted towards the end of 2015 to help the DJ Bina Pemdes devise targeted, demand-driven training methods for village apparatuses. The team gave a presentation to the Indonesia Bank office where development partners were invited in June, and in collaboration with KOMPAK, the team plans to present the findings to the DJ Bina Pemdes in early Q3.

### **Pillar 3: Community Empowerment and Inclusion**

The task team has focused on three main activities under pillar 3 in Q2:

- The Village Law PASA Program dedicated considerable resources to support the Rural Team, which included policy inputs from the team's legal advisors and technical support to develop facilitator training modules;
- The task team supported the Menko PMK to produce the Guidebook for Village Management Development (*Buku Bantu Pengelolaan Pengembangan Desa*), a book that targets village and district government officials, village communities, and Village Law facilitators to provide guidance on the process of village development using village transfers based on the Village Law and the existing regulations that govern the process. This was done in close collaboration with KOMPAK, who provided inputs on the desktop publishing and layout of the guidebook. The Bank supported the Menko PMK to organize meetings attended by government ministries and institutions; and
- In addition, consultations were held with The Asia Foundation (TAF) and KOMPAK on how a proposed Village Law Social Inclusion Review could complement existing analytical work on inclusion and inform existing programs.

### **Pillar 4: Monitoring, evaluation and thematic studies**

The task team focused on three sets of activities under pillar 4 in Q2:

- Legal and M&E experts from the VL program provided support to the Menko PMK to prepare a Presidential Decision (*Keputusan Presiden, Keppres*) on the establishment of a Village Law / Dana Desa Monitoring and Evaluation Team. The team's advice focused on ensuring consistency with national laws, clarifying the scope and authority of the team, and conducting a mini study on the tools that the team could use to monitor and assess implementation, with a particular focus on tools that can assess implementation progress as well as the impact on human development and welfare. The Menko PMK and the Cabinet of the Secretary met on June 29 to finalize the Keppres. It is anticipated that the President will sign the Keppres in the next quarter (Q3/2016);
- Tracking Village Development Outcomes: The team has made promising progress towards achieving next quarter's planned implementation of a method of tracking village outcomes through the attachment of additional "tracking" questions to the national survey instruments: the National Socioeconomic survey (Susenas) and the Village Potential survey (Podes). The Director and Deputy Director of the Statistics Agency of Indonesia (*Badan Pusat Statistik, BPS*) have agreed to allow the team to add several "tracking" questions on both surveys, which are expected to appear on March 2017;
- Sentinel Villages: The team has successfully obtained realization reports, cashbooks and financial receipts from 110 villages for analysis. The team also discussed holding regular "research-to-policy forums" at the DJ Bina Pemdes in collaboration with KOMPAK beginning in Quarter 3. (See M&E Quarterly Report for more details);

- **Digit Analysis:** The team has generated preliminary findings that the village financial reports are not formatted and recorded uniformly across villages, transactions are aggregated (not recorded in detail per transaction), expenditures mostly comprise of construction projects, and most transactions are supported by receipts; it is anticipated that these preliminary results will be presented to the BPK in Q3. (See M&E Quarterly Report for more details); and
- In addition, the task team contributed to a new proposal approved in Q2 to expand some of this work over the next few years. The proposal will deepen work on tracking village development outcomes, the bureaucracy analysis, as well as a stock take of village and local service delivery data. The proposal was endorsed by JMC members.

### **Critical challenges:**

There are three main critical challenges that the Village Law team has faced in Q3:

- **Overlapping authorities and weak coordination.** Although there was some notable progress in Q2 (e.g., coordination in relation to IFMIS information needs, ministerial regulations on BPD and village financial management), the program continues to face challenges in relation to overlapping authorities, reluctance to coordinate (particularly at the leadership level) as well as incentives for some agencies to exaggerate their mandates. It is anticipated that the Keppres M&E Team (see discussion above) will help improve policy and implementation coordination; although to be effective it will be critical that this team has access to quality and reliable data;
- **Delivery of Just-in-time (JIT) analysis.** Requests for analysis often do not take into account the time required to sufficiently complete the analysis; and windows of opportunity to inform policy and implementation arrangements are often short and difficult to anticipate. The team's strategy to overcome this is to conduct ongoing various analytical activities at multiple levels of intensity; however, this generates management challenges in terms of redirecting team resources at short notice; and
- **Getting the right mix of analytic, technical, legal and policy expertise.** The team has been most successful when it has brought the right mix of analytic, technical, legal and policy expertise to bear on issues (e.g., BPD revision). Getting the right skill sets at the right time remains a core challenge, particularly when, as noted above, the windows of opportunity are often short and unpredictable. Overall, the team has strong analytic skills as well as strong technical and legal skills in most areas; policy skills require more development. It will remain important for the team to draw on the Bank's global human resources to augment technical expertise and the Program should consider a series of staff development activities focused on the policy making processes in FY17.

### **Activities planned during the next quarter:**

As the government will finalize its 2017 national budget (APBN) in Q3 2016, policy advice will mostly be geared towards influencing aspects of the APBN where relevant. In this regards, the team will present findings on alternative Dana Desa allocation formulas to the government as it might influence the APBN if the government decides to follow the Bank's consultation for the formula to be implemented in 2017.

Other on-going programs from previous quarters will continue to move forward in Q3:

- VACM results presentation to Bina Pempdes in collaboration with KOMPAK will take place next quarter. Hopes are that policy recommendations from the VACM will influence training

modules/capacity development strategies;

- A meeting is planned with TAF, DFAT, and KOMPAK to discuss social inclusion in the Village Law on the hopes of getting the study conducted as soon as possible in Q3;
- The team working to track village outcomes will socialize the project to other government counterparts (Bappenas, MoV, MoHA, PMK, and TNP2K), prepare a list of “tracking” questions, and conduct pretests for the survey;
- The Sentinel Villages team will start a regular “research-to-policy” forum at the DJ Bina Pempdes in collaboration with KOMPAK; and
- The Digit Analysis team will present a report to BPK based on a preliminary analysis of 110 village realization reports, cashbooks and financial receipts.

Key Performance Indicators								
Indicator	Baseline	Cumulative Target	Cumulative Achievements	VAR	Target for 2016	Achieved in Q2 2016	VAR	Remarks
<b>Project Development Objective:</b> To support the Government's efforts to ensure accountable village governance and participatory village development.								
<b>Component 1: Development financing informed</b>								
JIT analytics and technical work informs transition of facilitation structure	No facilitation structure	Facilitation adapts and retains key principle of PNPM	n/a	n/a	Advice to improve	n/a	n/a	On Track
JIT analytics and technical work informs thinking for possible new operation to support Village Law implementation	No Concept	Design well adapted to new institutional framework	n/a	n/a	Inputs to design	n/a	n/a	On Track
<b>Component 2: Village Law policy/strategy informed and public debate stimulated</b>								
# of high-level policy briefings delivered (KSP, VP Office, TNP2K, Menko PMK, Bappenas)	# briefings	30	n/a	n/a	10	1	9	On Track
# of technical briefings delivered to VL	# briefings	35	n/a	n/a	10	7	3	On track

implementing agencies (MoF, MoHA, MoV)									
# of resource meetings for development partners	# present., peer review, updates	18	n/a	n/a	6	1	5	On Track	
# of joint technical missions with development partners	# missions	30	n/a	n/a	10	1	9	On Track	
Inclusion of key policy issues in IEQ or similar flagship publication	# contributions	3	n/a	n/a	1	n/a	1	On Track	
<b>Component 3: Client capacity strengthened</b>									
# implementing regulations informed by policy & technical advice	# regulations	13	n/a	n/a	TBD	2	TBD	On Track	
# of implementing guidelines/modules informed by technical advice	# guidelines, modules, etc.	12	n/a	n/a	TBD	1	TBD	On Track	
# of joint technical missions with government	# missions	15	n/a	n/a	5	4	TBD	On Track	
<b>Component 4: Knowledge deepened</b>									
# JIT quantitative surveys Conducted	# surveys	n/a	n/a	n/a	4 (Debottlenecking, Sentinel Villages, Facilitator, VACM)	n/a	n/a	On Track	
# technical and/or analytical missions	# missions	12	n/a	n/a	7 (corruption, FM	n/a	n/a	On-Track	

(inc. Jakarta-based and field-based)					reporting, bottlenecks, allocation inequity, module pilots, VACM & ViPER, CPA)			
Facilitated exchange of best practices with client.	# s-s exchanges	3	n/a	n/a	0	n/a	n/a	S-S exchange in progress