OVERVIEW OF VILLAGE LAW CHALLENGES AND VILLAGE GOVERNANCE UNDER THE VILLAGE LAW: FINDINGS FROM THE SENTINEL VILLAGES BASELINE

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II. PRESENTATION

A. Village Law PASA (Programmatic Advisory Services and Analytics)
   1. Background
      o Sixteen years of community-driven development (CDD) has brought village level output and impacts. Per capita income has increased 9% in PNPM rural areas vs non-PNPM rural areas (11.8% in poorest HHs). More than 500,000 additional households exited poverty between 2007 and 2010. The cost of infrastructure is 15-25% cheaper that typical contractor costs.
      o Ever since PNPM ended and we shift to the Village Law (VL), village transfers in a single year is equal to the 16 years of CDD spending. The total amount of fund in the Village Law era (Dana Desa + Alokasi Dana Desa) reached Rp. 102 trillion (US$ 7 billion), whereas the total funds from Program Nasional Pemberdayaan Masyarakat (PNPM) + Kecamatan Development Program (KDP) is only Rp. 85 Trillion, not adjustable to the inflation rate. However, until now, outputs from the VL are unclear. Is it true that the VL decrease poverty?

2. Key elements that impede VL’s impact on poverty: PNPM and KDP vs Village Law
   o The VL depends on more complex institutional arrangements than KDP/PNPM.
   o Key elements in PNPM that drive results vs reality in the VL:

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<td>Project implementation</td>
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<td>Oversight</td>
<td>Top-down and bottom-up oversight, informed by complaint handling system</td>
<td>Very limited top-down (by local Inspectorate) or bottom-up (by BPDs) oversight of village funds</td>
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3. Challenges in the Village Law Era
   o Village development spending quality varies widely, often fragmented.
   o Village spending is mostly on administration and infrastructure.
   o Community participation in village processes: the village and hamlet deliberation meetings (Musdus and Musdes, respectively) are not open to the public and dominated by more educated, employed and active villagers.
   o Systems are not yet able to reliable track village funds and outputs.
   o Capacity support to villages is limited, although their funding and responsibilities have significantly increased.
   o Bottom-up and top-down oversight of village government is weak.
   o District inspectorates have limited financing and capacity to provide systematic village oversight.
4. **Looking ahead**
   - Strengthening Village Law implementation
     - Guide village spending toward more pro-poor, productive investments.
     - Accelerate upgrades to monitor village spending + outputs (MoHA; Ministry of Finance (MoF); Indonesia's National Government Internal Auditor (BPKP)).
     - Decentralize capacity support and align to priorities with village needs (MoHA/MoV).
     - Monitor village transparency & participation (Local Inspector, MoHA, MoV, MoF).
     - Introduce independent audits on a sample of villages & improve local inspectorate coverage and quality of inspections/audits.
     - Provide adequate budgets and targets to strengthen the support systems.
     - Mobilize local governments to play a greater role in village support & oversight.
     - Continue to shift Dana Desa allocations to poor villages (the formula).
   - World Bank support
     - Scaled-up technical assistance (TA) and analytical work to support village system strengthening.
     - Launch preparation of new *Making Villages Work* results-based operation to strengthen village systems & capacity building.
     - Ongoing Village Innovation Program (restructured PNPM loan).

B. **Village Governance Under the Village Law** (taken from the Village Governance and Empowerment Study - Sentinel Villages)

1. **Main findings:**
   - Participation: Villagers have little interest to participate in village discussion, namely the *Musdes*. Even when they attend, their engagement is somewhat limited. *Musdus* are more popular with villagers. The participation rate in *musdus* in Wonogiri is quite high, as there is a tradition called *selapanan* (a local community meeting held every 35 days), which is utilized by hamlet heads to discuss development plans.
   - Information: Villagers have little interest in village government-related information, including about village funds and plans.
   - Representation: Village activists appear to frequent both *musdes* and *musdus* and are more engaged in discussions.
   - Role of districts: Districts’ policies influence village governance.

2. **Policy Recommendations:**
   - Strengthen hamlet deliberation (*musdus*) meetings.
   - Improve representation to strengthen qualities of public participation.
   - Raise public awareness to monitor governance through better information materials and dissemination methods.
IV. RESPONSE FROM THE DIRECTOR GENERAL OF DEVELOPMENT AND VILLAGE COMMUNITY EMPOWERMENT

Delivered by MoHA DG of Development of Village and Government Taufik Madjid

1. **Opening**
   - The positioning of the Village Law 6/2014 is very progressive, surpassing its era, since it is designed with the 13 principles of village arrangement\(^1\)
   - Recognition, respect towards the origin rights of villages, subsidiarity, and the granting of and strengthening of the local authorities of villages, as well as the democratization in the village, are the basis for village development and community empowerment. The purpose of village community empowerment lies in the principles of the Village Law.
   - Sovereignty is bestowed on the villagers, but at the same time, capacity is insufficient.
   - A solution is needed to build capacity of the village community in order that the democratization aspect of the program can develop into a deliberative process in the village to achieve an agreement.

2. **Community participation in the Musdes**
   - The data that was presented indicated that there is a problem with participation in the Musdes. But this phenomenon is not uniform; we found that in some areas the community is enthusiastic in coming to meetings.
   - Regarding the finding that villagers are apathetic coming to meetings, the MoV found that most community members come to meetings merely because they were invited to fulfill quorums, and not because of their own personal drive. These forums are also not designed to be accountable and transparent ones. As such, we need to deconstruct the forums into more participatory approaches through:
     - First, activities proposed in the Musdes can be done in a bottom-up manner, to represent the needs of the village community. In the case that an activity is delayed or encountered problems, community members need to be informed. The village government and the Village Council (BPD) should be able to explain why the problem occurred. Unfortunately, until recently there is no accountability such as described above. As a result, villagers become apathetic.
     - Secondly, there is not much access to information given to the community. For example, in Merangin, less than 50% of villagers admit that the village head has disseminated information about the source of revenue and expenditure. This discourages participation. The community should be able to exercise oversight if information is open.
   - The Musdes should be an accountable and transparent forum due to potential social and cultural conflicts in the village community. For example, in Eastern Indonesia, a small project can be a source of conflict if there is no transparency in the budget managed by the village. The conflict can be more egregious when political matters plays in, for example, funds that are misused for village or district head elections.

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3. **Social Capital for the Community**
   - The community sometimes can seem to be exploited economically. Their resources are drained (in the context of labor, funds, and/or land) and politically speaking, they do not have bargaining power, because the design of the planning process is not suitable for it. As of now, we are still unable to design a strong social capital in the village level. If the social capital is truly strengthened, any kind of program in the village can be done successfully by the community.

4. **Obstacles faced by the BPD and Village Government**
   - There are several obstacles for the BPD and Village Government.
     - From the regulatory aspect, in Permendgari 110/2016 (MoHA regulation), the authority of the BPD is limited to monitoring and evaluation and requesting and giving opinions and assessments for the role of the village government.
     - The capacity of the BPD is still limited, especially in their ability to make a technocratic plan.
     - Budget is limited and as a result, operations are not functioning to their full capacity.
   - If we want a democratic program where the community has bargaining power, a deliberative meeting and political process, these obstacles must be overcome. If not, we will be trapped in a slow transition process, in which the community can perceive the national government as not ready.

5. **The strategy of the DG to overcome the obstacles**
   - The Directorate General of Development and Village Community Empowerment, Ministry of Villages (MoV) will strive to consolidate at the interministrial level (as well as the MoHA, that has the role of coaching the apparatus) including the BPD.
   - MoV’s PPMD will recruit 40, 142 facilitators that can push for this process to continue.
   - With the support from MoV facilitators and the World Bank, MoV will design a transparent and accountable musdes that can includes villagers. MoV will also mandate village governments to inform all of their programs to villagers, so that the community can be involved in the monitoring process.
   - A recent demonstration of 15,000 village staff was directed at the MoV raising the following issues:
     - Request to be made “Civil Servant Apparatus” (Aparatur Sipil Negara – ASN). However, if village apparatuses are made ASN, the village as an independent entity will be lost.
     - Low wages or salaries for village apparatus, despite the huge program they manage—Rp. 60 Trillion of Dana Desa and other sources of revenue—and the 24-hour work demands. Currently these apparatuses are only given Rp. 1,2 million/month with limited operational funds.
   - As such, the MoV will figure out a solution with other ministries, even though, it might not be feasible to pay almost 500,000 village apparatus with a salary equivalent to a 2A² staff.

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² A low-mid tier in the hierarchy of Indonesian civil servant positions
6. **Give time for the Village Law to be truly impactful**
   - The Village Law has given a “luxury” for the process of development, but technical aspects in regulation and governance are still problematic.
   - The central, provincial, and district governments need time to synergize.
   - There needs to be a change in mindset:
     - That the Village Funds (*Dana Desa*) belong to the village.
     - That the Village Funds (*Dana Desa*) that have been implemented for three years can increase the welfare of villages.

7. **Further questions**
   - Has the *Dana Desa* equivalent to Rp. 500,000/person/year contributed to poverty eradication?
   - How about the investment of the water reservoir (*embung desa*) or the BUMDes?

V. Q&A AND DISCUSSION

1. **Village accountability**
   - Transparency starts to be visible. Almost all villages under the observation of SMERU have posted their APBDes to inform villagers about the allocations in the APBDes.
   - In the district level, reports are only checked administratively and happens only at the end of the year. Report checkings are not designed to be done from the beginning of the planning process up to post-implementation.
   - Villages are actually not afraid of the accountability mechanism, as long as the checkings are done from the planning until the implementation process, and the nuance of the oversight and coaching regulation are more steered towards the coaching aspect, rather than the vertical oversight aspect.
   - The oversight done by the inspectorate is very limited. At one instance, they can only oversee five villages within a district that are chosen randomly without a clear basis/framework.
   - The backbone of oversight and accountability should be the village community with subsidiarity and recognition as the spirit of villages. The strengthening of social accountability is yet to be seen: vertical accountability is currently being favored, evident through the signing of the MoU about *Dana Desa* oversight between the MoHA, MoV, and the National Police. In the Forum of Development Studies (Forum Kajian Publik – FKP), SMERU has presented an oversight scenario initiated by the community, including the planning aspect.

2. **Facilitation and engineering in the Village Law process**
   - Drawing from the KDP and PNPM experience, we can see that the social engineering process was robust due to the facilitators. Hamlets, villages, and women groups, up to the *kecamatan* level, all “pushed” villagers to attend meetings to improve the quality of planning. This process is yet to be realized in the Village Law, because the community are not fully aware that this program belongs to them. As such, facilitation becomes important.
   - Much of participation is still influenced by the district. For example, Batanghari in Jambi mandates that the *Musrenbangdes* should be attended by a minimum of 60 villagers and that food, drinks, and pocket money are given to the attendees. Due to this, villagers’ motivation of attending the meetings is questionable. Additionally, this mandate burdens the village government to provide refreshments during meetings.
3. **Villagers’ apathy about village information**
   - Villagers can be apathetics if their aspirations are not accommodated—they are just involved in the planning, with no accountability and are unaware about the process, realization, and funds usage of the projects agreed in the planning meeting.

4. **Factors that can influence participation**
   - Women tend to not come to village meetings if:
     - Their hamlets are far from the village offices.
     - They have children under five years old
   - Men tend to not come to village meetings if:
     - They come from a Female Headed Household (FHH).
     - They are less wealthier (this patterns does not apply to women).
   - The size of the village might influence the level of participation, but the effect is not significant.

5. **Community aspiration are channeled in the Activity Plan.**
   - Qualitative observation from the 10 villages in Sentinel Villages found that community aspirations are represented in the Musdus and village work plan (**Rencana Kerja Pemerintah – RKP**).
   - Most of the cases encountered in the field reveal that every hamlet will get its turn to realize their aspiration.

6. **Strategy in alleviating poverty in the 112 districts and 5,000 underdeveloped villages (PP 78/2014).**
   - Classify villages according to their needs.
   - Underdeveloped villages have different needs from the rest of the villages in terms of basic infrastructure and capacity support.
   - To target the underdeveloped villages, we need to segment between the underdeveloped regions that need more support. Currently there are two indexes for this segmentation: **Indeks Desa Membangun** (IDM) from MoV and **Indeks Pembangunan Desa** (IPD) from Bappenas. These indexes can be improved and the World Bank has been working together with MoV and Bappenas to improve these indexes. The challenge is how to take these indexes and align them with priorities to deliver support to the regions that need it the most.
   - Integrating the current reporting system.
     - Indonesia has already delivered lots of outputs, but the current reporting system is not integrated and are under the authorities of different ministries.
   - Improving accountability.
     - The challenge in accountability is how to monitor village funds usage. In the Village Law era, accountability is more complex compared to the PNPM/KDP era.
       - How can we have a uniform classification to report village funds usage?
       - How can we integrate the systems, like Siskeudes and monitoring output, especially when there are several ministries in charge?
     - The role of the district, kecamatan, and kabupaten. There are several districts that have done a good job in monitoring their villages, but there are some districts that are hindered by capacity and willingness issues.
When we see PNPM, accountability is easier to do with the competition, discussion forums, and dialogues between villages at the kecamatan. But this kind of mechanism is not present in the Village Law.

7. **MoU between the MoV, MoHA, and National Police (Polri)**
   - The MoU exists because when we talk about the sovereignty of villages, there might be cases (in the Dana Desa) that emerge but are not directly visible. There might be some unscrupulous players; thus, the MoHA and MoV need to collaborate with the Polri. However, the Polri’s involvement is limited to three things:
     - The Polri will not replace the function of the inspectorate. The MoU has carefully delineated everything. As of now, preventive measures are taken.
     - The Polri will only supervise. Technically speaking, for example, village heads in Papua should travel far to get their funds. The Polri will only ensure safety of village heads in this journey.
     - The Polri will help to solve problems, such as signatures that are not approved or fraudulent.
   - In other words, the Polri only has a supporting role, instead of taking over the oversight of village funds.