

# **Village Governance, Community Life, and the 2014 Village Law in Indonesia**

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In January 2014, the Government of Indonesia issued Law 6/2014 on Villages, aiming to address weaknesses in the decentralisation paradigm, including providing villages with increased budget allocations and improved governance arrangements. Using longitudinal data from forty Indonesian villages in the three-round Local Level Institution studies, fielded in 1996, 2001 and 2012, the article investigates the effects that prior policy has had on village life and the likely implications of the new Village Law for village governance. The focus is on shifts in capacities, constraints and opportunities for the improved responsiveness of local governments toward community needs. We suggest that there is potential for the Law to increase responsiveness – through a combination of strong financial management systems, new national institutional arrangements, and empowered citizens that can create pressures on the village government to work in the interest of the community – but that substantial risks and obstacles remain.

## **KEYWORDS:**

Decentralisation; village; local institutions; community empowerment; state-society relations; good governance.

## INTRODUCTION

Debates around decentralisation and subnational governance in Indonesia have mainly focused on districts and provinces and their relationships with central agencies in Jakarta. Less well researched is the impact that democratisation and decentralisation has had on village governance, community life and rural development. Indonesia's 74,000 villages (*desa*) make up the lowest tier of government in the national administrative hierarchy (starting from the national, provincial, district, sub-district and to village levels), to which the big-bang decentralisation in 2001 introduced far-reaching reforms, including freeing villages from the authority of higher levels of government (i.e., village autonomy), and an opening for democratic institutions. The aim was to revitalise village development, make community institutions more representative and accountable, and improve state-society relations. However, many villages have yet to fully institutionalise the intended changes and some subsequent policy shifts have negated the effects of earlier reforms. After years of debate, Law 6/2014 on Villages (*Undang-Undang 6 tahun 2014 tentang Desa*) was issued by the Government in January 2014, aiming to address these issues, including providing villages with increased budget allocations and improving internal village governance.

In this article we use longitudinal data from a set of Indonesian villages in the Local Level Institutions studies (LLI—see next section) to investigate the effects that prior policy has had on village governance, defined broadly as how village community life, including that of the village government, is managed. We focus on shifts in capacities, constraints and opportunities for the improved responsiveness of local governments toward community needs. Based on the patterns in our data, we identify the likely implications of the new Village Law for village governance.

The article proceeds as follows; after introducing the LLI studies, we review policy changes between the last two LLI rounds. The next section describes the implications of these shifts for village governance in the study area. Finally, the Village Law is introduced, along with the likely impacts of the Law on village governments' responsiveness to citizens' needs.

## **METHODOLOGY**

This article draws data heavily from the third round of the LLI study carried out in 2012.<sup>1</sup> The LLI is a longitudinal mixed-methods study started in 1996 (LLI1), and repeated in 2001 (LLI2) and 2012 (LLI3), that focuses on capacity to solve common problems collectively, social capital and village governance in three Indonesian provinces : Jambi, Central Java, and Nusa Tenggara Timur (NTT) (see Table 1). All three rounds of the study were administered by the World Bank. The LLI study offers a rare longitudinal perspective on village governance during a turbulent period of Indonesia's political development. However, the data are not representative of Indonesia as a whole, which we ask readers to keep in mind throughout the paper.

The LLI studies rely on three types of instruments (Table 1)<sup>2</sup>:

- Interviews with key informants, including representatives of village government and other village leaders (such as teachers, traditional and religious leaders). In LLI1 and LLI3, interviews were also conducted at the district level.
- Focus group discussions with community-members on select topics such as priority problems, experiences with collective action, and views on local institutions and development projects.

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<sup>1</sup> For the complete findings and description of the methodology, see Wetterberg, Dharmawan, and Jellema (2014).

<sup>2</sup> LLI2 also incorporated ethnographies.

- A household survey capturing participation in local organizations, priority problems, participation in local governance, use of services, coping strategies, and information on household welfare and demographics.

In 1996, Jambi, Central Java, and NTT were chosen to capture disparities in access to natural resources, population densities, wealth and inequality, and proximity to urban centers (Grootaert, 1999). Jambi, on the island of Sumatra, is a tropical forest and agricultural frontier zone, characterized by low population density, socio-economic indicators close to 1996 Indonesian averages, and the lowest level of inequality in the distribution of household expenditure among the three provinces. In contrast, Central Java is the most urbanized of the three provinces, with a very high population density and high dependence on agriculture, much of it irrigated. Of the study provinces, it has the highest income level and best access to services. NTT, in the eastern part of Indonesia, is the poorest and least urbanized of the three study areas. The population is heavily reliant on traditional, rainfed agriculture.

Within each province, the study team chose two districts (*kabupaten*), four sub-districts (*kecamatan*), and sixteen villages (*desa*). Site selection was purposive, to represent a range of social, economic and institutional situations. Within each village, 25 households were randomly selected to participate in the household survey, for a total sample of 1,200 households.

LLI3 returned to the same research sites as prior rounds and repeated the same types of instruments and data-gathering techniques to enable direct comparisons and tracing of events over time. For the qualitative part of the study, carried out in twenty villages, researchers

conducted a series of focus group discussions with community members on a number of topics including government, power relations, land use, threats to natural resources, production, consumption and problem-solving. Key informant interviews were also completed at district and village levels with relevant parties such as the bupati (district head ), the district secretary, officials from different district offices (planning, rural/community development), District Legislative Council members (*Dewan Perwakilan Rakyat Daerah*, DPRD), non-governmental organisations (NGOs), heads of villages, representatives from various village organisations, and religious/adat/community figures.

**Table 1. Summary of LLI1-LLI3 research designs**

	<b>LLI1 (1996)</b>	<b>LLI2 (2001)</b>	<b>LLI3 (2012)</b>
Topics covered	Local capacity Social capital Village governance	Local capacity Social capital Village governance Crisis response	Local capacity Social capital Village governance District governance PNPM
Research methods	Key informant interviews Focus group discussions Household (HH) survey	Key informant interviews Focus group discussions HH survey  Ethnography	Key informant interviews Focus group discussions  HH survey
Districts	1. Batanghari 2. Merangin 3. Banyumas  4. Wonogiri 5. Ngada 6. Timor Tengah Selatan	1. Batanghari 2. Merangin 3. Banyumas  4. Wonogiri 5. Ngada	1. Batanghari 2. Merangin 3. Muara Jambi (split from Batanghari) 4. Banyumas 5. Wonogiri 6. Ngada 7. Nagakeo (split from Ngada)

Number of villages	48	40	20 (qual. data) 40 (HH survey)
Number of HHs surveyed (re-interviewed from prior round)	1200	1000 (964) + 200 new	1200 (1096)

The quantitative data were collected by interviewing the same households in all three rounds of the study (panel survey) about their basic household characteristics and consumption, household involvement/membership in organisations, common problems that households faced in their areas, land ownership pattern and other resources, social interaction and trust, recent crisis and crisis resolution mechanism, and village government (satisfaction, transparency and accountability). The survey was carried out in the same forty villages as LLI2.

For analysis of the Village Law's development, information was collected through frequent interaction by the authors with staff of the Directorate General of Community and Village Empowerment (*Direktorat Jenderal Pemberdayaan Masyarakat dan Desa, PMD*), Ministry of Home Affairs (MoHA), who was the main sponsor of the UU Desa, and with member and expert staff of the drafting commission of the *Dewan Perwakilan Rakyat* (DPR, People's Representative Council). Further, the Law itself and accompanying regulations were reviewed by the authors.

## **A DECADE OF POLICY CHANGE SINCE 2001**

Since the second round LLI study was carried out in 2001, there have been numerous changes in Indonesian laws regulating how villages are governed. In a 2003 BIES article, Antlov outlined the four major changes in village governance that were introduced with decentralisation in 2001: (i) freeing the village from the authority of higher levels of government; (ii) providing space for cultural diversity and responsiveness to local aspirations; (iii) the separation of powers through an elected village council (*Badan Perwakilan Desa*, BPD); and (iv) the accountability of the village head to the BPD. Together, Antlov claimed, these constituted “nothing less than a quiet revolution in the countryside” (Antlov 2003: 200). This was a dramatic departure from the homogenous model imposed under the New Order when village affairs were firmly under the supervision and control of higher authorities and village structures were cast within a single administrative structure designed by Jakarta. A second set of decentralization reforms in 2004/5, however, reversed some of the earlier changes, particularly on the checks and balances through the village council. This section will review Antlov’s claim, and based on the LLI3 study, provide some perspective on how village governance and community institutional life have evolved in light of these legal shifts.

***Table 2. Comparison of major laws regulating village governance, 1979-2014***

	<b>Law 5/1979</b>	<b>Law 22/1999</b>	<b>Law 32/2004</b>	<b>Law 6/2014</b>
<b>Definition of Village</b>	Lowest level of territorial government directly under the <i>camat</i>	A legal community in district	A legal community established within a district government	A legal community (including <i>desa adat</i> ) established within the territory of a district
<b>Village Head</b>	Directly elected, appointed by and accountable to district, max terms of office 2 x 8 years	Directly elected, appointed by and accountable to BPD (Village Council), after approval from district, terms of office 2 x 5 years	Directly elected, approved by and accountable to district, terms of office 2 x 6 years	Idem, but with added accountability to BPD and <i>Musyawarah Desa</i> , terms of office 3 x 6 years
<b>Village Council</b>	Appointed Village Council (LMD) as partner	Directly elected BPD (Village Council) as separate entity	Appointed BPD as separate entity	“Democratically elected/selected” <sup>3</sup> BPD, <i>Musyawarah Desa</i> (Village Assembly) for strategic decisions
<b>Village Legislation</b>	Drafted by village head and appointed Village Council(LMD), approved by sub-district government	Drafted and approved by village head and BPD	Drafted by village head in consultation with BPD, approved by district government	Idem
<b>Village Funding</b>	Block grant from district government, plus various national initiatives such as “Left-behind	Block grant from district government and local sources	Idem, plus national program funding	Substantial national and district level allocations plus local sources

<sup>3</sup> Article 56:1 states that BPD seats should be filled in a democratic manner (*pengisiannya dilakukan secara demokratis.*) Article 57:g stipulates that BPD members should be community representatives who are chosen democratically (*wakil penduduk Desa yang dipilih secara demokratis.*) These statements could be interpreted as requirements for direct election, but ambiguity remains. In fact, implementing regulations provide for two options: direct election or representative deliberations (PP 43/2014, Article 72.). This is different from Law 22/1999 which says that BPD members are to be “elected from and by the village population” (“*dipilih dari dan oleh penduduk Desa*”) (UU 22/1999, Article 103:2) and Law 32/2004 where BPD members are to be “appointed through representative deliberations” (“*ditetapkan dengan cara musyawarah dan mufakat*”) (UU 32/2004, Article 210:1)



	Village Program” (IDT)			
<b>Relations with District</b>	Strictly under the authority of the sub-district and district. No autonomy to approve regulations or budget	Far reaching autonomy provided, with weakened upwards accountability	Idem, final decision-making of budget and regulation by district	Hybrid system between “self-governing community” and “local self government”
<b>Organisational Life</b>	Only state-based organisations allowed; community organisations co-opted	Democratisation; many new community and mass-based organisations emerged	Idem, state associations specifically mentioned	Idem

**Village Head and Government**

Generally speaking, village elections have since Law 22/1999 been relatively free and fair and autonomous from higher levels and influential elites. Elections are called by the BPD and organized by the village itself (see Table 2) and take place every six years. Villagers are free to vote for their candidates. This is a clear departure from the closely supervised village head elections of the New Order when candidates had to get the blessings or approval from the district government to be able to run or to be later inaugurated, regardless of the result of the election. Today, term limits and educational requirement are mostly enforced. Whereas in LLI2 some village heads had only an elementary school education, by LLI3 most village heads had graduated from senior high school.

As a result, the political arena in villages is open for more qualified and responsive leaders to emerge. The democratisation has helped reduce spaces for dynastic leadership. In both LLI1 and

LLI2, the same family frequently kept an uninterrupted hold on the village head post, often by staging elections with only one uncontested candidate from the dominant family. Whereas in LLI2, nine villages had such dynastic leadership, in LLI3 there were none. In one village in Jambi, the new village head is the first who does not come from the ruling clan, which villagers and non-dominant groups described as “*orang-orang sombong*” (arrogant people), indicating their resentment. In another Jambi village, the son of a migrant from Bengkulu married to a woman in the village was elected twice consecutively, in 2003 and 2009. One Central Java village head comes from a minor hamlet and marginalized religious group, and in another village the son of the incumbent, whose father and brother were former village heads, lost precisely because villagers wanted a change.

Compared to their LLI2 predecessors, most village heads represented improvements in village governance, defined as working in villagers’ interests, maintaining transparency and participatory norms, and ability to implement decisions.<sup>4</sup> In 2012, the survey data also show that discontent with village government was less frequently reported than in 2001, and open protests in particular have declined since LLI2 (see Table 3). When there were protests, corruption was a much less frequent reason than in 2001.<sup>5</sup>

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<sup>4</sup> By looking at information gathered through interviews with village heads, community members, and local leaders as well as through a focus group discussion on local government, projects, and elections, the research team was able to rate satisfaction with village government in each community. After the data were collected, each village head was also classified based on these three indicators (working in villagers’ interests, being transparent and participatory, and able to implement their decisions). This is also in line with the findings of Bravo-Martinez (2014) who found that appointed local officials (head of urban *kelurahan*) have stronger incentives than elected local officials (village heads) to signal their alignment with upper levels of government.

<sup>5</sup> Fewer protests against corruption does not necessarily mean that there is less frequent misuse of funds; villagers may have become more apathetic, misappropriations better hidden, or intimidation more effective. However, there are some reports of more responsible funds management. For example, the Australian ACCESS project identified just a single corruption case in the 906 villages it supported in Eastern Indonesia in 2013; and the nation-wide PNPM Rural has a corruption rate of less than one percent (PSF, 2014).

**Table 3. Expression of discontent with village government (%)**

	2001 (LLI2)	2012 (LLI3)
Report of discontent	32	26
Reason for discontent <sup>1</sup>		
Corruption of development fund	39	15
Dissatisfied with government performance	16	38
Dissatisfied with government decision	10	24
Poor government service	7	13
Nepotism	5	1
Mode of expressing discontent		
Discuss w/ friends	49	67
Demonstrations/Open Protest	20	8
Contacting community leaders	7	5
Contacting other officials	4	14
Other	19	6

<sup>1</sup> Most frequent reasons reported

Source: LLI2 & LLI3 household surveys

Although Law 32/2004 supports democratic elections, it simultaneously weakened other village accountability mechanisms. With the demise of the BPD (further discussed below), village heads faced fewer constraints on their power. Without institutions of countervailing power, the village head's position is prone to abuses. More resources go to villages (see below) but often mostly benefit the village head and other elites, as there are no formal institutional measures to align the village head's interests with those of a broad swath of villagers.

### **The Village Council**

Law 22/1999 introduced radical changes to the existing, centrally-controlled Law 5/1979, specifying a legislative village council with elected members, the *Badan Perwakilan Desa* (BPD);

Village Representative Council). The BPD broke up the power monopoly of the village head and improved villagers' participation in community governance matters. However, the relations between the village head and BPD were hostile in many villages, especially because the BPD held the right to impeach the village head. Three years after its enforcement, Law 22/1999 was replaced by Law 32/2004. The major change was the disempowerment of the BPD, as a result of the lobby of the association of village heads which argued that the BPD was creating conflicts and paralysing village government. Instead of being elected, Law 32/2004 stipulated that BPD members should be appointed through consensus. The name was also changed slightly – still using the same abbreviation – into *Badan Permusyawaratan Desa* (Village Consultative Council). The meaning, however, was significantly different. While the *Badan Perwakilan Desa* referred to elected representation, the new BPD was based on consensus-building, subordinating the village council's legislative power under the village head. BPD could only give advice or inputs to decisions. It no longer had control over the village budget or regulations. Village heads were no longer accountable to the BPD, but to the district head, submitting an annual report to his office, and to the community through elections every six years.

These changes have undermined the BPD, weakening villagers' ability to monitor the village head and ensure that village government is working in the broader collective interest, rather than exclusively for individual or elite benefits, as in the following case in Central Java (Box 1).

**BOX 1: Brief, but declining, accountability through the BPD**

In Karya Mukti, the BPD head elected in 2000 was the defeated candidate in the village head election the year before. Under his leadership, the BPD provided a counterweight to the village head's power in the village, keeping in check the village head's plans to use large portions of village resources for an extravagant village hall.

When the "new" BPD of Law 32/2004 came into full effect, the BPD's control over village resources deteriorated. The village head appointed BPD members and their role was only to coordinate with, rather than monitor, village government. Between 2006 and 2012, 70 percent of the Village Allocation Grants, Alokasi Dana Desa or ADD, were used to construct the village hall. To raise funds for the inauguration of the building, the village government sold three months of subsidised rice allocated to poor households. BPD members recognised that the village has other development priorities and needs but said that they have no power to reject or give input to the village head's plans.

Villagers are apathetic, as nobody in government pays attention when they complain, and feel that they just have to wait until the next election when the present village head cannot run again for election. In the meantime, there is little they can do to influence how the village head is administering village funds and governing in general. There is a sense of disappointment with the BPD which is now passive and quiet in the face of the village head's abuses.

Nevertheless, there is great variation. LLI3 found that a village head is likely to work in villagers' interests when there are active accountability mechanisms, be it from the BPD, customary organization (*lembaga adat*) or district government. In three LLI villages, the original concept of the BPD has been maintained, in spite of Law 32/2004 (see Box 2 below). In such cases, the BPD continues to function as a means of bringing villager's ideas and needs to the attention of the village government, and as a check on both the village head (for example, by checking and commenting on annual reports) and other village officials (reviewing performance, requests for additional compensation, etc.).

## **BOX 2: A different kind of BPD**

Deling (Central Java) is one of the villages that has maintained its high capacity for collective action between LLI2 and LLI3. Various local initiatives have been made to govern the village in ways that are more responsive to different groups' inputs and needs, such as activating the village youth organisation beyond sports and cultural activities to create employment and maintaining the same BPD to create checks and balances, despite the changes made by national regulation. The present BPD (2008-2013) is a vestige of the previous design under Law 22/1999. In 2003, before Law 32/2004 came into effect, the community nominated 15 community leaders to be BPD candidates, such as a school principal, the head of a private Moslem education foundation, and a section head of the district education office. Villagers then cast their votes in a democratic election. The first top 9 candidates became BPD members, each with his/her own area of work. While many other village governments appointed new members of the BPD right after Law 32/2004, Deling retained members, who have served for two terms (10 years).

Each year the village head prepares an accountability report, which is given to the BPD for comments a week before being presented in a village meeting (attended by the BPD and village government, heads of RT and RW and informal community leaders). The BPD presents their comments and the village head responds. The village head revises the report as agreed in the meeting. Once the BPD approves, the report is sent to every participant of the meeting and to the district. Neighbourhood heads (RT) convey the results to the weekly RT gathering or at the weekly Koran recital. These meetings are often attended by the BPD members who have the opportunity to hear the community's problems, needs and grievances. This information helps the BPD work with the village government to address the identified issues. BPD members also help resolve neighbourhood problems (e.g., conflicts between neighbours), and actively disseminates and discusses village government policies (e.g., on splitting large neighbourhoods into smaller ones).

## **Village Funds and Resources**

Funds transfers to villages have increased substantially since LLI2 in 2001. Prior levels of available funds usually only sufficed to pay for officials' salaries and intermittent renovations to the village office. Villages now have several funding streams for operations and development purposes, including own-source revenues (e.g. revenues from a village-owned market or from minibuses passing through the village), a portion of the district budget (classified as Village Allocation Grants, *Alokasi Dana Desa* or ADD), and assistance from provincial or district governments or from national projects (e.g. the National Program for Community

Empowerment, *Program Nasional Pemberdayaan Masyarakat Mandiri* or PNPM Mandiri<sup>6</sup>).

BPS data on “Actual Receipt of Expenditure of Village Government throughout Indonesia, 2005-2009” shows that villages in 2009 had an average development budget of Rp. 160 million per year, with a doubling in funds since 2005.<sup>7</sup> This figure will have increased further with the scale-up of PNPM and other rural poverty reduction efforts since 2009 (PNPM Mandiri by itself equaled in 2013 some Rp. 125 million annually per village if split evenly).

Only a small proportion of these funds is managed by the village head through the APB-Desa (*Anggaran Pendapatan dan Belanja Desa*, village budget), leaving them with little experience to manage larger development funds. The remaining funds are mainly grants from Jakarta managed by central ministerial project structures. In 2010, research by the non-governmental *Forum Pengembangan Pembaharuan Desa* (FPPD, Forum for Village Renewal) found that villages<sup>8</sup> had an average of Rp 72 million in ADD, Rp 15 million in own-source revenues, Rp 78 million in district development programs, Rp 35 million from the province, and an average of Rp 440 million in central government projects, with some villages receiving more than Rp 2 billion in kind from national project funds for roads, markets and sanitation facilities (Sahdan & Iswari, 2007). A World Bank mapping also found that only 42 percent of districts fully complied with

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<sup>6</sup> The PNPM Mandiri portfolio of programs transfers funds to sub-districts to encourage the participation of a broad swath of villagers to identify development priorities and to allocate these resources equitably across villages. Originally operating in only a handful of sub-districts as the Kecamatan Development Project, PNPM Rural – the largest of the program – has grown to cover all rural sub-districts in Indonesia, supporting service delivery, small-scale infrastructure improvement and other priority investments in all of Indonesia’s sub-districts and villages (for evaluations, see among others, Voss 2008; Syukri et al. 2010; Barron et al. 2011).

<sup>7</sup> [http://dds.bps.go.id/eng/tab\\_sub/view.php?tabel=1&daftar=1&id\\_subyek=13&notab=7](http://dds.bps.go.id/eng/tab_sub/view.php?tabel=1&daftar=1&id_subyek=13&notab=7), accessed on January 30, 2012.

<sup>8</sup> Data were collected from 136 villages in 15 districts in 7 provinces.

ADD requirements<sup>9</sup> (World Bank 2014); outside these areas, the proportion of funds under villages' control is reduced further. In spite of increased autonomy, villages thus rely heavily on transfers from the supra-village governments, with the dependency relations and lack of control that entails. These transfers are often allocated to programs designed by district or national agencies and when they are received by villages they rarely correspond to expressed problems or needs (PNPM is an exception, where activities are planned, implemented and monitored by the community itself, supported by project facilitators). In sum, villages receive increased resources, but these funds are not always prioritized to address locally-identified problems. Because of the limited funds under village governments' control, both responsiveness and financial management experience are restricted.

In spite of the increased resources transferred to villages, central and district governments have generally failed to monitor whether funds are used as intended or programs benefit villagers. In all three provinces, village governments report that there are no effective monitoring mechanisms in place. According to LLI3 interviews, Jambi district governments train village heads in financial reporting but do not corroborate or actively use this information. In Central Java, at the end of a village head's term, there is an audit by the district, but by then it is too late to sanction past misappropriations. District staff in one of the Central Java districts report that they only visit one village per year, picked at random of the almost 300 villages in the district. In NTT, regulations stipulate that the second tranche of ADD grants (30 percent) will only be transferred if the first tranche has been spent as planned. However, village officials in LLI

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<sup>9</sup> Law 32/20114 and PP 72/2007 require allocations of 10 percent of their DAU and DBH (after deducting personnel expenditure) to villages. 45 percent of districts partly complied, while a full 13 percent did not allocate any ADD at all (World Bank 2014).



villages say that both tranches are always received, regardless of expenditure patterns. In NTT, village heads characterise district officials as “just chasing targets,” distributing program funds without consideration of who benefits and whether programs are appropriate or work as intended. Combined with the weakening of the BPD, the lack of upward accountability to the district means that village heads often exercise sole control over funding and expenditure decisions.

### **Village-District Relations**

During the past decade, the shift of fiscal resources to the regions and the direct election of district executives and legislators have allowed villages to capitalise on political competition at the district (and sometimes provincial) level to leverage substantial contributions to problem-solving efforts.<sup>10</sup> LLI villagers show considerable sophistication in their strategies to mobilise funds, programs, and political support to help address problems. When district and provincial political campaigns are underway, village leaders target candidates for assistance in exchange for electoral support. In a particularly impressive show of organizing skills, one Jambi village head participated in a network of 30 village heads affected by the poor quality of the road to the district capital. The network investigated the amount of funds spent by the district to maintain the road for a decade, and met with provincial DPRD members and the governor to question how the road could be in such disrepair when Rp 120 billion had been allocated for maintenance. When the promised response did not materialise in two months, the network mobilised students studying in the district capital to demonstrate at the provincial DPRD office. Subsequently, a

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<sup>10</sup> On September 26, 2014 the DPR voted to eliminate direct election of governors, district heads, and mayors, instead leaving their appointment up to regional legislatures. If it passes judicial review, this legislation will have implications not only for checks and balances at provincial and district levels, but likely also for village governance.

three-year project, worth Rp 211 billion, was designed to repair the road. The village head attributes the effectiveness of the effort at least in part to the fact that the governor had only six months left in office and was campaigning for re-election.

Conflicts due to overlapping resource claims between villages and external actors or higher authorities were evident in all three LLI studies. An encouraging finding from LLI3, however, is several cases of villages in Jambi that were able to gain legal rights to land and other resources, even prevailing over corporate actors in disputes with the support from local governments and by leveraging relevant regulations. For example, one Jambi village government was able to designate land as *hutan adat* (customary forests) based on a higher-level regulation. Two other villages obtained edicts from the *bupati* to legalize their land claims. In a fourth village in Jambi, the village head spearheaded a decade-long campaign to resolve disputed claims over land planted with oil palm. This dispute was recorded in LLI2, but in 2001 the village's efforts (which had already been on-going for five years, awaiting action by the DPRD) seemed futile in the face of companies backed by the military. Since then, however, the village head, working with other villagers with claims on the land, NGOs, and key actors in local government, took the case all the way to the Supreme Court where the villagers won the legal rights to their land, although later another company also filed a claim over a portion of the disputed land, indicating the precariousness of the villagers' gain (see the next paragraph). Nevertheless this case illustrates how the village's strengthened position relative to external actors has helped resolve previously intractable problems.

It is only with the support of supra-village actors and institutions that such victories can be sustained. Local victories have been fragile, due to a lack of clarity in land and natural resource regulations. District designations of *hutan adat/hutan desa* may be superseded by prior licenses assigned to companies by the Forestry Ministry. Legal victories over one plantation owner may open villagers up to new charges due to a conflicting claim by another company. Encouragingly, recent legislative shifts may have tipped the political balance in favour of communities. In May 2013, the Constitutional Court invalidated the 1999 Forestry Law's classification of customary forests as "state forest areas." As a result, the Forestry Ministry no longer has absolute jurisdiction over customary forests and cannot issue licenses for their use by corporations. President Yudhoyono followed this ruling with a two-year extension of a moratorium on forest-clearing concessions (Witoelar 2013).

### **Associational Life and Community Organisations**

Up until 1999, social organisations existed only under heavy regulation and repression. Labour and farmers were not allowed to organise – a legacy still felt today with weak and fractured organised interests. Many community institutions (such as religious and customary associations) were corrupted by decades of co-optation and distortion. Associations linking the community with the outside were only allowed to be established by the government, through networks of state associations. There has been a gap between communities and broader political forces, a gap that has made it difficult to mobilise communities for policy changes.

How have social assets and community life changed over the past decade? The number of communal organisations that LLI3 households report participating in has declined overall and

household members' monthly participation in communal activities fell by more than half since LLI2 (Table 4).

**Table 4. Household organisational memberships**

	All reported organisations		Membership in state-initiated orgs
	total	per capita	(%)
	memberships	activity	
		participation	
1996	5293	7	46
2001	3609	7	23
2012	3084	3	49

Source: LLI1, LLI2, LLI3 household surveys

Within this shrinking organisational landscape, government-initiated organisations stand out, because participation in these groups has risen, both as a proportion of overall memberships and in absolute terms. In 2001, relatively soon after the demise of the New Order (and its drive to monopolise communal life), governments everywhere let wither their proclivity for establishing and/or regulating formal organisations. LLI3 thus highlights a general decline in community activity and, in most of the research area, the re-emergence of government actors in the organisational landscape. This shift mirrors the rise of village government in community governance discussed earlier.

## **THE MAKING OF THE VILLAGE LAW**

Previous sections have outlined weaknesses in legislation and major challenges in the implementation of the existing regulatory framework as well as on-going transformation in village social life. The present section will describe how the Government of Indonesia has

responded to these challenges through a legal initiative, Law 6/2014 on Villages, *Undang-Undang 6/2014 tentang Desa*. A broad overview of the major changes from the Law 5/1979 to Law 6/2014 can be found in Table 2. The Village Law was initiated by the Government as a means to recognise the traditional rights of village communities, address weak governance arrangements, and empower villages to meet their own development needs, reducing poverty and social inequality. The bill was picked up by a number of reform-minded members of DPR, motivated by strong demands from various constituency groups to increase village autonomy and enshrine lessons from PNP Mandiri. Political parties saw opportunities for popular support ahead of the 2014 elections and the Law was fast-tracked to make sure it would be approved ahead of the 2014 campaign season.<sup>11</sup>

The drafting of the Law was not without controversy. The basic difference in opinion was between MoHA's original draft in 2010 which constituted little more than a codification of implementing regulations to Law 32/2004 with the village as the lowest level of state administration, and other Government officials and members of DPR who wanted the village to become a self-governing community, outside of the state bureaucracy. This reflected a basic difference in the view of village communities, and which part of the 1945 Constitution that the village should be regulated by.<sup>12</sup> In the end, a compromise hybrid system was agreed: in Law

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<sup>11</sup> The Law did indeed become a political commodity during the parliamentary and presidential election campaigns: most parties and both presidential candidates endorsed the Law, highlighting the strong political support it enjoys.

<sup>12</sup> The first interpretation is based on Article 18(1) of the Constitution: "The Unitary State of the Republic of Indonesia shall be divided into provinces and those provinces shall be divided into regencies (*kabupaten*) and municipalities (*kota*), each of which shall have regional authorities which shall be regulated by Law". In this view, villages are the lowest part of state administration, under the authority and supervision of the district government, as in Laws 5/1979, 22/1999 and 32/2004. The second interpretation is in Article 18B(2): "The State recognises and respects traditional communities along with their traditional customary rights as long as these remain in existence and are in accordance with the societal development and the principles of the Unitary State of the Republic of Indonesia, and shall be regulated by law." As an example of the latter, In August 2011 the Minister of Home Affairs introduced the idea that villages need not remain part of the public administration but should return to its origin as a

6/2014 on Villages, the village is recognised as a legal community unit (*kesatuan masyarakat hukum*) as per Article 18B(2), but with a village government that is recognised by the State, which provides support and funding as per Article 18(1).<sup>13</sup> Resistance was simply too strong from the bureaucracy within MoHA to totally relinquish the control over villages.

The Village Law was thus characterised by a quite typical Indonesian pattern of policy-making (Mietzner 2013): no strong executive leadership, various actors trying out ideas in public, and in the end a compromise that all parties could agree upon. Interestingly, to counter the bureaucracy within the MoHA, DPR appointed a handful of expert staff, mainly civil society activists and researchers with deep knowledge of various aspects of community empowerment and village democracy. In the end, these DPR experts were also accepted by the Government, and their views became quite influential, drafting sections on customary villages, accountability structures, funding flows, and rural development.

However, part of their influence was negated in the drafting of two crucial government regulations mandated by the Law. *Peraturan Pemerintah* (PP, Government Regulation) 43/2014 on the Implementation of the Village Law and PP 60/2014 on Village Grants [*Dana Desa*] were approved by the President in June and July 2014, respectively. PP 43, especially, was conceived in haste by the DG for Community and Village Empowerment (PMD), MoHA without much consultation, and reflect a more conservative view of village government as the lowest level of

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self-regulating community. Public administration would thus end at the sub-district, and villages would regulate themselves as “*self-local communities*” [Minister of Home Affairs Gawaman Fauzi, Op-Ed, KOMPAS March 14, 2013, page 4].

<sup>13</sup> “combining the functions of *self-governing community* with *local self government*” [English in original], Law 6/2014, Elucidation, Section 1:1.

the state administration, not as self-governing communities. Powers to manage much larger funds are given to the village government without strong checks-and-balances and with weak accountability and transparency. Concerned that the pendulum was swinging back to the “old timers” within MoHA, the Coordinating Ministry for People’s Welfare (*KemenkoKesra*), who manage the PNPM Steering Committee (*Pokja Pengendali PNPM*) and the National Team for Acceleration of Poverty Reduction (TNP2K) through the Vice-President’s office, sent memos to PMD requesting that the PPs linked funding to needs and capabilities, strengthened the participatory planning system, ensured checks and balances in village government, harmonize rules for spending at different levels of government, and establish professional financial management and a rigorous system of upwards and downwards accountability. However, these calls went largely unheard.

Key changes introduced with Law 6/2014 include multiple accountability mechanisms for the village head through the introduction of a village assembly; more power and clearer election rules for the BPD; improved transparency through an information system; inter-village collaboration; and crucially, substantially increased funding to villages.

## **Funding**

Funding was the most controversial section of the Law, receiving significant media attention and being the last to be agreed upon by DPR. The demand from village officials’ associations was “*Satu Desa, SatuM*” (One billion rupiah per village). In the formulation of the Law, no figure for national funding is mentioned in the main text; however, as a last minute compromise, the Elucidation to Article 72:1 states that “the [national budget] allocation to be provided directly to villages is ten percent of and on top of the regional transfer grants”. In the 2015 National Budget,

this equalled Rp 64.1 trillion. In addition, villages will also continue to receive funding from districts through the ADD, defined as “at least ten percent of the national balance transfers to regions (*Dana Perimbangan*) that districts receive, after taking out the Special Allocation Grants” (Article 72:4). In 2015, this equalled 34.2 trillion. A possible deadlock was avoided by earmarking *regional* grants, not national budget allocations directly: it is 10 percent of *regional* transfers and 10 percent of *district* balance transfers that are earmarked for villages.<sup>14</sup> In 2014 figures, these two funding sources would equal Rp 98.3 trillion. Importantly, these grants should be transferred directly to villages via district budgets. If divided equally between Indonesia’s 74,000 villages, each would receive an average of Rp 1.34 billion per village per year, significantly higher than funds currently managed by the village government and even exceeding the original demand.<sup>15</sup> However, because of fiscal constraints, in the 2015 national budget, only Rp. 9.1 trillion was initially allocated for the Dana Desa. This was later increased by incoming president Widodo to Rp. 20.8 trillion, using fuel subsidy savings; but still considerably lower than the legislated Rp 64 trillion.

The Law states that funds will come from making present national rural development programs more effective (Article 72:2). This could mean consolidating present national ministerial programs delivered through separate project modalities in villages across the country, thus presenting an opportunity to reduce wasteful expenditure. The Village Law’s net contribution to development will largely be determined by the extent to which the village transfers are funded

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<sup>14</sup> In addition, just as in the past, villages will receive ten percent of local taxes and levies, have income from own sources, and possible assistance from the district and province. In the past, these have been quite small, and dwarf in comparison with the new national and district allocations.

<sup>15</sup> The promise of these funds eliminated another demand by village officials to become civil servants. On several occasions in 2011 and 2012 thousands of village officials demonstrated in front of the DPR building demanding to become civil servants. In the end, it was hardly an issue. In addition to the increased grants, village heads were also given the possibility of a third term, and can now be in power for 18 years.



from poorly targeted spending (e.g., fuel subsidies, cf. Arze del Granado, Coady, & Gillingham, 2012) or approaches that have had demonstrable impacts on rural poverty (e.g., infrastructure, block grants, cf. Voss, 2012). The government could also leverage the popularity of the Village Law to fund the village transfers via a reduction in fuel subsidies. Likewise, at the district level, the potential popularity of the village transfers could provide an opportunity for reform-inclined *bupatis* to reduce wasteful expenditure on staff, and shift resources to a level of government less captured by special interests.

To prepare the 2015 budgets, national and district governments identified possible programs that could be reallocated as *Dana Desa* and *Alokasi Dana Desa*, respectively. The 9.1 million allocated from the APBN for the Dana Desa was saving from closing PNPM Rural – a popular program associated with the outgoing Yudhyono administration. ADD was more complex. In some districts in Central Java the authors visited in September 2014, reallocation was done through reclassification of existing sectoral allocations to village activities, such as social assistance, cement for maintenance of village roads, upgrading of village markets, small grants to hamlets, etc. This reclassification is a double-edge sword. On the one hand, the spirit of the Village Law is to consolidate national and district budget into village grants that will be managed by the village (“One Village, One Plan, One Budget”). On the other hand, consolidated village grants could crowd out existing programs and allocations, such as public services or infrastructure that villages cannot provide entirely on their own. Clear regulations and guidance will be needed which programs can be reduced and “reclassified” in order to avoid the latter.

The use of the village budget is not detailed in the Village Law. Just as with Law 32/2004, 30 percent of the village grants provided by higher authorities is to be used for village government operations, and 70 percent for development. However, as mentioned earlier, fund use has seldom been monitored, which could result in village heads using grants to improve village offices, provide official cars, etc., as they have learnt from their district peers, rather than funding the communities' development priorities. The same could hold true for BPD members, who will be salaried under the Law, and may take that as a mandate to request operational grants. The Law does state that the Village Budget should be based on the RPJM-Desa (*Rencana Pembangunan Jangka Menengah Desa*), the six-year development plan drafted with community participation and approved by village meetings and the BPD. However, only about half of villages in 2014 had a RPJM-Desa and those with plans may not have drafted them in a participatory manner (personal communication, PMD). Major capacity-development efforts are needed to prepare village plans so they correspond to the key development challenges of each village and their implementation can be monitored by the community, as well as higher levels of government.

### **Accountability and Governance**

Governance arrangements will have a significant impact on how village transfers are used, and whether resources are embezzled, used to finance local patronage, allocated to public goods, or the needs of the poor and marginalized. One of the principles behind the Law is to institutionalise PNPM Mandiri by providing direct block grants to village communities and enshrining good governance in village administration (Wetterberg and Bottini, 2015). Through its core principles of participation (development priorities are determined by communities), empowerment (resources are managed by communities), and accountability (communities monitor delivery and the project management tracks grievances), PNPM has been able to

strengthen communities to plan and implement cost-effective projects (good quality infrastructure and cheaper than those built by contractors) with high participation of women and benefits for the poor (Voss 2008, 2012). Reported corruption of PNPM grants has been low (less than 1%) with 50 percent fund recovery, using a combination of community-based mechanisms and the formal legal system (PSF, 2014).

However, unlike in PNPM where funds are under the control of elected community groups, the increased village grants and the Village Law will be under the direct control of the village head<sup>16</sup>, consolidated into a single village budget (APD-Desa). There are legitimate concerns that such large resources going straight into the village budget might not be used for the benefit of those that need them most, and might lead – without strong oversight – to corruption. Without clear accountability mechanisms from communities and districts, large sums of money could simply enrich the elites or lead to wastage rather than develop the countryside.

This risk was identified by Government drafters and DPR members quite early on: if villages are to be given more authority over increased funds and village development, there is a need to balance the increased powers with improved management and accountability mechanisms. The picture presented above of the increasing power of the village head and decline of the BPD was generally acknowledged by DPR. PNPM practices were also identified as possible remedies, and included in the Law, such as the village assembly, access to information, and participatory planning.<sup>17</sup>

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<sup>16</sup> “The Village Head holds the power of Village financial management” (Article 75:1)

<sup>17</sup> International success of community-driven development efforts bring together a set of not very surprising conditions to avoid elite capture, such as high community capacity, low poverty levels and well-functioning government (Mansuri, Ghazala and Rao 2011, page 68).

As a result, some accountability mechanisms have been strengthened with the Law, although weaknesses remain. The village head will face a three-fold accountability structure: horizontally to an empowered BPD, downwards to the public through a newly introduced *Musyawarah Desa* (Village Assembly), and upwards to the district government. This will be complex and not easy to achieve in real-time, but could potentially make significant strides towards ensuring that village government works in villagers' interests.

#### *Horizontal accountability*

First, legislative and oversight powers have been reinstated in the BPD, but without the impeachment clause that caused tensions under Law 22/1999. The BPD is no longer just a consultative body, but a part of the village political system. As defined by Law 6/2014, Article 55, the BPD shall: (i) discuss and agree to draft village regulation together with the village head; (ii) accommodate and channel village community aspirations; and (iii) conduct oversight of the Village Head's performance. This is clear language that institutionalises checks and balances for the BPD. BPD positions are to be "filled democratically", which might mean by balloting or by *musyawarah*, consensus.<sup>18</sup>

#### *Downward accountability*

A second mitigating measure to the corruption risk is the introduction of *Musyawarah Desa* (Village Assembly). This is built on PNPM practices, in which the *Musyawarah Desa* is the highest decision-making body and must approve of crucial decisions, such as the village plan and

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<sup>18</sup> Article 56:1 states that "BPD members shall be representatives of village residents based on territorial representation, the filling of which shall be done democratically." The ambivalence towards direct elections mirrors the debate in DPR in September 2014 on direct or indirect elections of heads of local government, with all both parties presenting choices as "democratic".

expenditure reports. In the Village Law, the *Musyawarah Desa* is organised at least once a year by the BPD for the full village population “to agree on strategic governance matters” (Article 54:1), including village development and spatial plans, inter-village collaboration, village investments and village-owned corporations. As development funds are part of the village plan and the APB-Desa, they are to be planned and managed by the village community through the *Musyawarah Desa*. The Law also states that the community has the right to access information about and monitor village affairs. With communities empowered to plan and build their own tertiary infrastructure, and supervise village governance, corruption and predatory behaviour should be reduced. Without community involvement, however, there is a risk that contractors and district-level agencies will line up in front of the village office requesting support for their proposal.

The Law recognises the need for a support system for villagers to exercise accountability. Strong facilitation is one of the most important foundations for PNPM’s operations and is critical to poor community-members’ gains from participatory development (Baird, McIntosh, & Özler, 2013). Facilitators familiar with villages’ social dynamics can assist communities to plan, implement, and maintain infrastructure and services in line with communities’ identified needs. Facilitators are specified in the Law, with “community empowerment to be carried out... with facilitation in planning, implementation and supervision of village development” (Article 112:4).

There are several options for providing high-quality facilitation. The Government recognizes a nationally-funded network of professional community facilitators that would be tasked with: (i) safeguarding development targets and inclusive and accountable development programs; (ii)

facilitating various flows of funds into villages; and (iii) tracking their planning and expenditure, to ensure that national priorities such as climate change adaptation and maternal and neo-natal health are incorporated into village plans. The community facilitators would coordinate and work with sectoral agency field staff, such as agricultural extension workers, midwives, and existing village volunteers (Kader Pemberdayaan Masyarakat Desa.) Nevertheless, there are concerns about the feasibility of a high-quality national support system and how it would reach historically excluded groups, such as persons with disabilities, ethnic minorities, migrant workers or female-headed households. Further, a significant shortfall of experienced facilitators is expected; the Minister of Villages has publicly announced that each village should have its own facilitator for a total of 74,000, but only 20,000 PNPM facilitators were available in 2014 (Pokja Pengendali PNPM, 2014).

#### *Upward accountability*

Greater clarity on how upward accountability and reporting lines will operate is crucial. Upward accountability has not changed much from Law 32/2004 – which is a concern, since it was already weak and seldom enforced. Under Law 32/2004, district governments’ reviews of the APB-Desa were seldom enforced, partly due to a weak audit capacity at the district (Novrizal and Podger 2014). Under the Village Law, village heads’ annual accountability reports are provided to the *Bupati*, who inaugurates heads but also has power to suspend or dismiss them. LLI3 results show that the district could be an important counterweight to village-level accountability, especially in villages with poor organizing capacity. In reality, however, none of the districts in the LLI research area monitor the use of village grants.<sup>19</sup> As Olken (2005)

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<sup>19</sup> See Chapter 7 of Wetterberg, Dharmawan and Jellema (2014).

demonstrates in a field experiment in over 600 PNPM villages, one means of strengthening upward accountability is to increase the probability of external audits. Although universal audits are cost-prohibitive, he suggests that raising audit levels to an intermediate level (25-50%) could be a cost-effective way for higher levels of government to reduce corruption.<sup>20</sup> However, this strategy would require capacity strengthening of the *Inspektorat Daerah* (the district internal audit agency) and the *Badan Pemeriksa Keuangan* (BPK), who would carry out formal audits of villages.

Lessons learned from Indonesia's decentralization experience include the importance of having adequate legal foundations and institutional arrangements for decentralization. Institutional arrangements must clearly assign functions, roles and responsibilities at all levels of government, which are the basis for resource flows ("Money follow functions"). The Indonesian experience has also shown that effective local service delivery requires the central government to monitor and incentivize local governments for service performance (Brinkerhoff and Wetterberg 2013). Such mechanisms would rely on a process of performance review to drive continual improvements, which however has weak grounding in the Village Law.

## **QUO VADIS VILLAGES IN INDONESIA?**

The Village Law was well received by political observers and village officials - hundreds of village heads present as observers during the DPR plenary session applauded wildly after the approval. The media has been generally positive. The main concerns raised are about the capacity of villages to manage the increased funds: corruption is headline news daily. Based on

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<sup>20</sup> In Olken's study, BPKP (*Badan Pengawasan Keuangan dan Pembangunan*, National Development Audit Agency) carried out audits.

the Village Law itself and what we know about the current state of village governance, what changes can we predict for villages in Indonesia?

The fall of Suharto in 1998 triggered a rapid decentralisation and democratisation process that together led to radical changes in the way that villages are regulated. Law 5/1979 on Village Governments had brought village affairs under the firm supervision and control of higher authorities. Village leaders were enlisted as members of the state party Golkar and incorporated into the national bureaucracy, as a means of maintaining tight control over village activities. Law 22/1999 introduced far-reaching democratic features to village governance, and while Law 32/2004 retracted on some of these, the power monopoly of the village head began to be broken up and citizens gained some opportunities to participate in village governance matters. The Village Law promises to take this even further, putting villages themselves at the centre as subjects of local development, not just objects for national programs.

In light of these policy shifts, the LLI studies found that state and community actors have enhanced local problem-solving through mutually reinforcing efforts. In LLI1 (1996), the state dominated community life but was simultaneously disconnected from it, with high capacity villages being able to circumvent government in their problem-solving efforts. During the turbulent times of LLI2 (2001), we saw reactions against the earlier heavy-handed state involvement, in protests and election of some reformist candidates. By LLI3 (2012), villagers and their leaders faced an environment with more readily accessible state resources, some beneficial shifts in the broader political economy, and empowerment of the office of the village head, to which a more inclusive range of candidates had been elected. During the past ten years,



fragile gains in state-society synergy have been made, and the Village Law is an opportunity to consolidate these achievements.

There are, however, weaknesses and vagaries in the Law and much remains to be clarified to make it operational – as mentioned, there are worrisome trends in the drafting of the implementing regulations. Having a decade of PNPM experiences with identifying community priorities and undertaking participatory planning might help communities to take advantage of the stipulations in the Law (McCarthy et.al. 2014, page 252). Increased funds and mechanisms for participatory planning might also provide an opportunity to revitalise village associational life that has been on the decline during the past few years, seemingly because many issues are perceived as outside of villagers' sphere of influence. PNPM experience demonstrates the potential of villages and communities to execute and monitor village infrastructure sub-projects that are cost-effective, productivity-enhancing and with little corruption.

The Village Law itself does not provide an adequate basis to regulate proper village financial management (Novrizal and Podger 2014: 29) and must be combined with strengthening of other accountability and governance arrangement, including the capacity of districts to oversee and coordinate village activities, audit village budgets, and design a simple and effective budget and information management system. Risk monitoring will be critical during 2015 and 2016, which will determine whether the government gets a firm handle on corruption and wastage risks. However, we also know from the implementation of Law 32/2004 that upwards accountability and formal reporting seldom are imposed and are often ineffective, attested by the sheer number of *bupatis*, mayors and DPRD members in prison for corruption. Compliance will become a

crucial indicator for how successful the Law is. One core tension in the Law's implementation is the need to balance full stipulated financing with villages' ability to efficiently use more funds, as well as national and district governments' capacities to reallocate funds.

In the rapidly changing policy environment, the Government needs to implement a new set of institutional arrangements for the implementation of the Law. Through PNPM Rural, MoHA has gained a decade of experience building a strong national management system for community development. However, PNPM arrangements were set up to manage a national project and are not appropriate for the major institutional reforms outlined in the Village Law. The role of national bodies needs to shift from allocation, disbursement, and monitoring of project resources to one of supporting subnational governments to assist (through facilitators and capacity development) villages and local communities to successfully take up their more comprehensive responsibilities. Indonesian experiences and lessons from elsewhere suggest that, for successful implementation, major institutional reform needs to be driven by a dedicated task force with specialist skills, strong leadership, high level authority and influence, and resources to support implementation.<sup>21</sup>

To this end, a new Ministry of Villages, Development of Disadvantaged Areas and Transmigration (MoV) was established in October 2014 as part of the new Widodo administration, tasked with regulating and overseeing village development and community empowerment. The original sponsor of the Village Law – the DG for Community and Village Empowerment (PMD) at the Ministry of Home Affairs – has been reorganized as the DG for

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<sup>21</sup> For background on the leadership required for successful institutional change, see Barma et al. (2014) and Andrews (2013.)

Village Government (Bina Pempdes), and will regulate and oversee village administration. In addition, the Coordinating Ministry for Human Development and Culture (Menko PMK) has established a “Coordinating Team for Village and Rural Development” as a mechanism to coordinate line ministries supporting village development. During early 2015, tensions between MoHA and MoV<sup>22</sup> caused substantial delays in the implementation of the Village Law. Community facilitators could not be contracted, since the budget holder had not been decided. The *Dana Desa* grants could not be disbursed since implementing ministerial regulations were delayed. Training of village governments did not take place as planned. Tensions only decreased in May-June 2015, with new Director-Generals and Directors appointed. In April 2015, the first disbursement of Dana Desa took place. District-funded ADD had been allocated and disbursed already, even though at the time of writing (August 2015) no one in Jakarta can say how many districts are in compliance with the 10 percent mandatory ADD allocation. Deployment of ex-PNPM facilitators had by July 2015 reached more than 10.000. A massive training program to all 74,000 villages is scheduled to begin in October 2015. The hastily conceived PP 43 and 60 from 2014 were also revised in 2015 – although also rather hastily. Importantly, as mentioned above, the Widodo government allocated part of the fuel subsidy savings to top-up the Dana Desa for 2015, from 9.1 to 20.8 trillion rupiah. For 2016, this figure is scheduled to exceed 40 trillion, with the Dana Desa to be fully funded in 2017.

The potential in Law 6/2014 to invest in community-identified productive infrastructure and provide public services that can reduce poverty and social inequality will only become a reality if there is a combination of strong upward accountability to complement empowered citizens’

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<sup>22</sup> And between the two career party politicians who headed the two ministries, Tjahjo Kumulo and Marwan Jafa’ar.

pressures on the village government to work in the interest of the community. Reform and performance are not a result only of state policies, but of villagers' own efforts – hence the importance of revitalizing association life and developing community capacity as part of the self-governing community paradigm introduced with the Law. The basic premise is that the communities shall administer their villages themselves. This entails the existence of village authorities endowed with democratically constituted decision-making bodies, possessing a wide degree of autonomy with regard to their responsibilities. But self-management also requires capacity, which varies greatly across the country. As is stands, the Village Law and implementing regulations contain insufficient support for capacity development needed for villages and sub-district institutions and groups – there are presently hardly any such efforts.<sup>23</sup>

Legal instruments should be connected to the society in which the institution they are set to regulate is rooted – in the case of villages, the structures of power, authority and interest that make up the political weave and the rural-urban transformation that will affect community life. A non-conflictual and harmonious view of villages as self-governing communities will not solve core issues around poverty, quality of services, corruption, and land pressure. It is insufficient merely to reshuffle the system of public administration or open up new spaces, as in earlier state-driven efforts at administrative decentralisation. Decentralisation must come with democracy and empowerment – it must allow for the active and equitable involvement of people outside of formal state structures. Otherwise, when government is decentralised, the local elites simply usurp the new powers. To foster the responsiveness and accountability of local government to community-level needs, interventions and policy reforms are needed to support empowered and

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<sup>23</sup> An evaluation of capacity building calculates (International Projects Group 2011) that at the present scale, the government would need 687 years to provide training to all villages in Indonesia!

inclusive communities where the poorest and marginalised have a say in the decision-making process and the apportionment of development funds at the community-level. Strong and democratic village institutions are needed that can carry out integrated, participatory development planning, implement and oversee and act as guardians for community priorities. Policy reforms must support communities by strengthening upward accountability, with state and non-government actors from district, province, and central levels actively engaged in ensuring that community priorities are recognized and village governments working to address them. The Village Law is a move in the right direction. Perhaps the “quiet revolution” of state-society relations foreseen in 2003 by Antlov, but interrupted in 2004, can now be realised – but not without much efforts.

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