Delivering Together
Using Indonesia's Village Law to Optimize Frontline Service Delivery
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<td>ADD</td>
<td>Village Fund Allocation (Alokasi Dana Desa)</td>
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<td>APB Desa</td>
<td>Village Budget (Anggaran Pendapatan dan Belanja Desa)</td>
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<td>Bappeda</td>
<td>Sub National Development Planning Agency (Badan Perencanaan Pembangunan Daerah)</td>
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<td>Bappenas</td>
<td>Ministry of National Development Planning</td>
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<td>Binwas</td>
<td>Guidance and supervision (Pembinaan Dan Pengawasan)</td>
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<td>BLT Desa</td>
<td>Village Cash Transfer (Bantuan Langsung Tunai Desa)</td>
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<td>BPD</td>
<td>Village Council (Badan Permusyawaratan Desa)</td>
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<td>BPK</td>
<td>Audit Board of Indonesia (Badan Pemeriksa Keuangan)</td>
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<td>BPSDM</td>
<td>Human Resource Development Agency (Badan Pengembangan Sumber Daya Manusia)</td>
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<td>BumDes</td>
<td>Village-Owned Enterprise (Badan Usaha Milik Desa)</td>
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<td>CDD</td>
<td>Community Driven Development (Pembangunan Bertumpu Masyarakat)</td>
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<td>DAK</td>
<td>Special Allocation Fund (Dana Alokasi Khusus)</td>
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<td>General Allocation Fund (Dana Alokasi Umum)</td>
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<td>DD</td>
<td>Dana Desa (Village Fund)</td>
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<td>DFAT</td>
<td>Department of Foreign Affairs and Trade</td>
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<td>Dinas PMD</td>
<td>Village Community Empowerment Technical Agency (Dinas Pemberdayaan Masyarakat Desa)</td>
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<td>IDR</td>
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<td>Ministry of Finance</td>
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<td>Ministry of Village, Development of Disadvantaged Regions and Transmigration</td>
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<td>NGO</td>
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<td>OPD</td>
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<td>PAUD</td>
<td>Early Childhood Education Centre</td>
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<td>Permendagri</td>
<td>Minister of Home Affairs Regulation (Peraturan Menteri Dalam Negeri)</td>
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<td>District Head Regulation (Peraturan Bupati)</td>
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<td>PKTD</td>
<td>Village Cash-for-Work (Padat Karya Tunai Desa)</td>
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<td>PLD</td>
<td>Village Local Assistant (Pendamping Lokal Desa)</td>
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<td>Posyandu</td>
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<td>PP</td>
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<td>Village Government Work Plan (Rencana Kerja Pemerintah Desa)</td>
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<td>RPJMN</td>
<td>National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional)</td>
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<td>SID</td>
<td>Village Information System (Sistem Informasi Desa)</td>
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EXECUTIVE SUMMARY

OVERVIEW

Over the past 20 years, Indonesia has pursued an ambitious policy agenda for decentralization. Between 1999 and 2001, the Local Governance and Fiscal Balance Laws transferred all government function to districts, except finance, foreign affairs, defense, religion, and state administration. After 30 years of a highly centralized national government, Indonesia’s “big bang decentralization” as it is often referred to, was unprecedented in size, speed, and scope. The Local Governance Law (No. 23/2014) further strengthened Indonesia’s decentralization regime and clarified concurrent responsibilities across different government levels.

Indonesia’s subnational governments play a key role in providing frontline services. They manage 72% of health spending, 65% of education spending, 67% of infrastructure spending, and almost 40% of social protection spending. Over half of total government spending (excluding subsidies and interest payments) is conducted by local governments in Indonesia. This is in contrast to the year 2000 when subnational governments accounted for only 16% of government spending.

In 2014, Indonesia’s Village Law ushered in a new chapter in the country’s decentralization agenda. Since implementation began in 2015, over IDR 547 trillion (US$38 billion) has been transferred to Indonesia’s 74,961 villages. The law establishes a legal and financial foundation for villages to contribute to Indonesia’s rural development. It builds on Indonesia’s 22-year history with community-driven development (CDD), institutionalizing principles of participation (Article 3) and accountability (Article 24), and devolving significant funds to village governments (Article 72). The Law aims to advance the welfare of Indonesia’s villages and improve people’s quality of life (Article 78) by recognizing the sovereignty of villages and their right to prioritize and manage village-level development, based on principles of self-governing communities and of local self-government.

The Village Law is a key instrument for the delivery of Indonesia’s development strategies, including the National Medium-Term Development Plan (RPJMN) 2020 to 2024, to deliver basic services, increase accessibility, and contribute to national economic growth. The Village Law reaches 176 million people in Indonesia, 117 million of whom live in rural areas, and constitute 70% of the country’s poor. Government data shows that villages to date have made significant investments to support economic activities and improve quality of life for communities, including through the construction of 191,600 km of rural roads; 1,140 km of bridges; 58,931 village irrigation infrastructure; 192,974 meters of retaining wall; 50,854 early childhood education centers; 24,820 village health posts; 959,600 clean water projects; 240,587 water and sanitation facilities; and 29.6 million meters of drainage.

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1 Law 22/99 mandates exclusive authority for the central government over “the fields of international policies, defense and security, judicature, monetary and fiscal affairs, religion, national planning, macro national development control, financial balance fund, state administration and state economic insititutional systems, human resource development, natural resource utilization, strategic high technology, conservation, and national standardization. (IMF, August 2002)
2 Decentralization Policy Review Concept Note, 2019
3 World Bank, Indonesia Economic Quarterly, December 2017
4 World Bank, Indonesia Economic Quarterly, December 2017
5 BPS (2015 to 2019)
6 Village Law (No.6/2016) Sub-chapter 1.1
7 Indonesia Rural Poverty Assessment, 2020
8 Indonesia National Budget (APBN) 2020
In 2020, village transfers accounted for around ten percent of all subnational transfers, playing an important role in Indonesia’s COVID-19 response strategy. With the spread of the COVID-19 pandemic and associated fallout, the national government leveraged village funds and village governments to support its frontline response, particularly through the new village cash transfer program (BLT Desa). BLT Desa grants provided a fast mechanism for the government to reach the newly poor and those who had not been registered through the national social protection system (including female-headed households without national identification cards), reaching an estimated 8 million beneficiary families across 74,616 villages. By October 2020, the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (MoV) estimated that villages had spent a total IDR 33.2 trillion (US$2.3 billion) to support Indonesia’s COVID-19 response, including IDR 17.4 trillion (US$1.2 billion) for the new cash transfer program.

Despite these positive results, several frontier issues in the overall decentralization agenda hinder villages’ contributing potential to improving frontline service delivery. Some of these issues are merely teething problems of an ambitious decentralization agenda, and the government has been addressing them on an ongoing basis by revising regulations and guidelines for implementing the Village Law. Other issues, however, are more structural and arise from the lack of a deliberate policy objective related to the implementation of the Law, and the absence of a unified vision across government of the contributing potential of village development toward national development objectives.

This report categorizes these structural challenges into four broad categories: regulatory challenges, coordination gaps, limited capacity building systems, and fragmentation in accountability systems. Regulatory challenges largely derive from the ability of each ministry in Indonesia to issue its own regulations, without oversight to prevent duplication or avoid gaps. Horizontal and vertical coordination challenges exist at each level of government and between levels. Poor capacity-building systems lead to limited local capacity to implement core functions, both at the village level and with regard to the support and supervision of villages by other levels of government. Finally, despite Indonesia’s successful models of social accountability, bottom-up accountability mechanisms have not been institutionalized at the local level.

These challenges cause three types of problems across the service delivery chain: gaps in service delivery, duplication of services, and missed opportunities. Gaps in service delivery arise when there is no requirement for any level of government to provide certain functions or activities, such as training for village level volunteers (Kader) in Early Childhood Education Development facilities (PAUD) or financing maintenance of tertiary irrigation infrastructure. Duplication of services occurs when multiple levels are authorized to implement the same activity and where there is no coordination between the levels to negotiate roles and responsibilities. This leads to national, provincial, and district governments undertaking activities that are core functions of the village, and creates parallel systems and models for service delivery. Finally, and perhaps most critically, are the missed opportunities to enable village governments to support and complement frontline service delivery through village-level activities such as social accountability, behaviour change promotion, and increasing demand for services. This would require effective systems for the management of interactive authorities, where districts and villages can work together effectively to deliver frontline services.

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9 MoV estimation based on village reporting
10 Such as delays in initial staff recruitment, delays in issuing subsidiary regulations, refining reporting systems and requirements.
11 Village ECED volunteers are known as kader and are paid by the village to staff ECED facilities (Pendidikan Anak Usia Dini, PAUD)
The report aims to show how overcoming these structural challenges can enable the government to institutionalize systems of accountability and participation into its wider service delivery framework. Numerous pilot interventions have tested models for better linking village actions to sectoral service functions to improve development outcomes. Under one education project, district education departments can engage village governments and community members (parents) to monitor teacher absenteeism, particularly in remote schools, helping improve learning outcomes for students. In a water and sanitation program, villages support the role-out of community-led total sanitation, with the possibility to use village funds to hire local facilitators and promote behavior change, with technical support from district health departments. Under a Ministry of Marine Affairs and Fisheries program, villages formed community-based natural resource management committees to promote behavior change and monitor compliance with national and local safeguards requirements – such as stopping the use of explosives and poison to catch fish. The government can draw on these positive models and institutionalize such practices into sectoral service delivery systems.

There is an opportunity for the Government of Indonesia to better leverage the role of its nearly 75,000 villages through a unified national vision for how villages, as a part of Indonesia’s decentralized service delivery systems, can contribute toward national development objectives. Currently, policies related to the Village Law's implementation are primarily focused on administrative processes and inputs. In particular, these policies highlight the role of villages in a silo – responsible for a set of specific village-level functions. As demonstrated through the role that villages played in the government’s COVID-19 response, villages are a part of the government’s toolkit to improve service delivery and contribute to citizens’ quality of life. However, the contributing potential of villages is closely linked to functions that are played by higher levels of government. Indonesia could improve its progress on development objectives by recognizing the role of villages as a part of the national development agenda, focusing on results, and leveraging the potential for local innovation to generate better service delivery outcomes across all frontline sectors.

As the Government of Indonesia begins recovery efforts for a post-pandemic context, optimizing implementation of the Village Law provides a unique opportunity for development policy to reach all of the country’s 74,961 villages and support economic recovery and service delivery. The Covid-19 pandemic and the resulting economic fallout have posed challenges to the Indonesian government policymakers not seen since 1998. Millions of people have lost their jobs, and millions more are struggling. While there are signs that the worst has passed and recovery can begin, the road ahead will be difficult and protracted. In difficult times like these, governments must use every tool at their disposal to maximize the speed and reach of recovery efforts. More can and should be done to use the Law's potential to accelerate recovery. Key to the success of that effort is optimizing the division of labor and procedures between the national government, local governments, and the village-level – which is the immediate beneficiary of the Law.

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RESEARCH OBJECTIVES

Previous analytical work on the Village Law has concentrated on the system’s tail end – how the Law is operating at the village level. This study complements that work by taking the opposite tack: a look at how the structures of governance, fiscal architecture, and information feedback channels contribute to and constrain effective implementation of the Village Law. A particular focus is on 'positive deviance' – examples where local governments have solved the problems built into the regulatory and incentive structure. Such cases provide examples of opportunities to repair problems and improve the system. Planned forthcoming research will focus on two additional areas. First, a series of thematic policy notes will provide more details on sector-specific arrangements, including infrastructure, health, education, and data systems. Second, a political economy study will investigate the incentive structures and accountability mechanisms facilitating or impeding development performance within the village.

The purpose of this preliminary assessment is to map structural problems between the district and village levels and provide specific recommendations around functions and institutional arrangements that can optimize frontline service delivery as it relates to village authorities. The report serves as a diagnostic to identify the broader structural issues that impact delivery of basic infrastructure, health, and education services. The study looks at de jure and de facto arrangements and a review of laws and regulations on district governments' assigned responsibilities, particularly around support and supervision of villages. A particular focus is on cases of 'positive deviance' – examples where local governments have solved the problems built into the regulatory and incentive structure. Such cases provide real-time examples of opportunities to repair and improve the system.

The assessment aims to answer two questions: First, what are some of the key structural challenges that hinder the ability of villages to contribute to better development outcomes, including in health, education, and basic infrastructure? Second, how have some local governments sought to overcome these challenges? The report focuses on four core areas required for villages to realize their potential effectively: the regulatory framework and its implementation; coordination between levels of government on frontline service delivery; systems for support and technical assistance; and audit, oversight, reporting, and data systems.

This assessment includes three components: a desk review analyzing existing literature on the Village Law, including evaluation of pilot programs implemented by both government and NGOs; a regulatory assessment on the Village Law; and interviews with government officials in three provinces, three districts, five kecamatan, and seven villages. The field assessment locations were selected because they had instituted unique solutions to the challenges blocking effective implementation elsewhere. There are undoubtedly other districts where local authorities and village representatives are collaborating similarly. The value of harvesting such experiences is that they demonstrate that solutions using the existing rules and institutions are possible when local reformers are given the mandate and space to find them. These districts are not representative of the broad and varying challenges that impact Village Law implementation in each region. Therefore, findings from the field assessment are not aimed at drawing

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15 This assessment should be viewed as a part of the larger research analysis undertaken around the Village Law, including the Sentinel Villages study on Village Governance Under the New Village Law (2020), the Village Infrastructure Technical Assessment (2018), and the Village Public Expenditure Review (2018). This analysis draws heavily on the findings and assessments from these studies.

16 Ketapang (West Kalimantan); Pemalang (Central Java); Lombok Timur (West Nusa Tenggara)
generalizations; rather, they aim to highlight opportunities for strengthening the institutional architecture of the Village Law to optimize frontline service delivery.

SUMMARY OF FINDINGS

Village institutions are a part of the government’s toolkit for delivering frontline services. However, currently, village governments operate in a sectoral silo – independent of other service delivery institutions. There is an opportunity to leverage the Village Law to improve frontline service delivery by improving systems for coordination between villages and districts around the management of interactive authorities – where inputs from multiple levels of government are required for delivery of a service.

Optimizing village transfers for improved rural development outcomes necessitates robust systems and institutions that can manage interactive authorities. There is a need not just to regulate village development and governance but also to understand how each level of government contributes to addressing key development problems. This can help create a more effective and enabling environment for villages and other levels of government to realize their potential and better contribute to national and local development objectives. Accordingly, this report's findings focus on four interrelated categories: implementation of the regulatory framework; coordination on service delivery; guidance and technical assistance; and audit, oversight, reporting, and data systems.

Implementation of the Regulatory Framework

- Finding 1: The government has developed a comprehensive regulatory framework for the Village Law. However, the assignment of functions between districts and villages has not been fully clarified. This makes it difficult for local governments to ensure complementarity of activities, and in some cases, may lead to duplication and inefficient spending.

- Finding 2: The central government issues and updates regulations frequently to respond to changing priorities. However, socialization cannot keep up with the complex and frequently changing regulatory framework. Further, as monitoring focuses on disbursement control and measuring inputs, the central government cannot systematically identify when misinterpretation of regulation causes inefficiencies.

- Finding 3: Overregulation is reducing village autonomy. Regulatory requirements on prioritizing village funds can hamper local innovation and prevent villages from addressing community needs.

Coordination on Service Delivery

- Finding 4: While the RPJMN sets out a high-level vision and provides administrative targets for villages, and the new village level Sustainable Development Goals (SDG Desa) framework developed by MoV provides more specific targets, there is no national strategy, with results-based metrics, to enable a whole-of-government approach to village development. With at least 24 government ministries and agencies implementing village-level projects, the absence of a national coordination mechanism and shared approach risks causing inefficiencies and service delivery gaps.

17 The MoV has developed a framework to adapt Indonesia’s national Sustainable Development Goals (SDGs) for the village-level, with specific targets and indicators related to village-level interventions.
Finding 5: Some districts have established systems for sectoral coordination, under the authority of Bappeda\textsuperscript{18}, to manage services that depend on interactive authorities between villages and districts.

Finding 6: Innovative practices at the local level demonstrate that sectors, including health and education, can improve service delivery by working together with village governments.

**Systems for Support and Technical Assistance**

Finding 7: The system for delivering capacity building for village officials is fragmented, training is largely ad-hoc, and reaches only a fraction of villages.

Finding 8: The sub-district (kecamatan) can play a role in bridging the geographic gap between villages and districts, enabling horizontal and vertical coordination, increasing technical support, and strengthening oversight. Example districts that have successfully operationalized the role of the kecamatan show that with effective capacity-building of kecamatan officials and adequate budget allocation, the kecamatan can support village development, particularly for lagging and remote villages.

Finding 9: Annually, village governments invest IDR 5.1 trillion (US$3.5 billion) in infrastructure to improve rural access and services. However, the lack of engineering oversight and large workload of engineering facilitators may jeopardize the potential return on village infrastructure investments.

**Audit, Oversight, Reporting, and Data**

Finding 10: The government has established a comprehensive audit regime, which requires that a large portion of villages are audited each year. However, several barriers reduce efficiency and effectiveness, including fragmented audit responsibilities, lack of sanctions requirements, and regulatory requirements that prevent findings from being shared with communities.

Finding 11: Excess and duplicate reporting requirements are significant and cumbersome, hindering over-stretched village governments' ability to focus on delivery.

Finding 12: While villages play an important role in collecting data and compiling reports, village and district governments do not have access, or are not able to use much of this data for their own planning and problem-solving.

**SUMMARY OF RECOMMENDATIONS**

The Government of Indonesia has rolled out the Village Law at an unprecedented scale and speed, reaching nearly every village in the country within one year of the Law’s passing. The government is continuously working to strengthen the implementation of the Village Law. These recommendations, which focus on the role of local governments, aim to support the government’s continued efforts to strengthen village development. Specifically, these recommendations are framed around how the Government of Indonesia can create an enabling environment of village service delivery by improving linkages between village government and frontline service delivery facilities and programs.

**Recommendation 1:** Align and simplify the legal and regulatory framework around village development and clarify sectoral functions and authorities between villages and districts. First, this will require a clear

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\textsuperscript{18} Sub National Development Planning Agency (Badan Perencanaan Pembangunan Daerah)
directive for a single entity to have the authority to operationalize the national strategy for village development, task ministries, approve plans, and hold implementing ministries to account.\(^{19}\) The lead coordinating agency can work with relevant implementing and sectoral ministries to correct regulatory inconsistencies, reduce duplicate reporting requirements, enable information sharing, and clarify sectoral functions and authorities.

**Recommendation 2:** Develop a national strategy for village development to guide how sectoral services can empower village governments to improve the reach and quality of services and develop evidence-based guidance that enables villages to improve development outcomes. The strategy should include clear targets for villages, ministries, and local governments to provide effective support and supervision. Critically, village government can help to ensure local needs and bottom-up accountability systems are integrated into sectoral service delivery strategies, such as service scorecards. The national strategy for village development can also provide a comprehensive framework to ensure future policies and regulations concerning village development are consistent and work toward a shared national vision.

**Recommendation 3:** Institutionalize systems for improved district-village collaboration and enable local problem solving by making relevant data available and accessible to local governments. With guidance from MoHA, each district can establish a multi-sectoral team to strengthen village-district collaboration and innovation, particularly through leveraging the coordinating role of Bappeda. MoV and MoHA also have the opportunity to make relevant data available and accessible to district and village governments to inform better planning and budgeting.

**Recommendation 4:** Ensure that villages have access to quality support and are subject to effective oversight for infrastructure projects. Bappenas should establish a working group to review systems and policies around village infrastructure, together with the Ministry of Public Works and Housing (MoPWH), MoV, and MoHA. The working group should have the following tasks:

a. Review the structure for recruiting, deploying, coaching, and evaluating Village Infrastructure Facilitators (PDTI - Pendamping Desa Teknik Infrastruktur).

b. Develop a plan for using private sector engineers to support village infrastructure.

c. Issue technical drawings and standards for village infrastructure projects.

d. Negotiate clear roles and responsibilities between the central, district, and village governments.

**Recommendation 5:** Clarify audit functions, enforce sanctions, and require community meetings to present audit findings publicly. MoHA can clarify audit functions for all agencies currently involved in the audit of village funds. Roles and responsibilities should be made manifest, and each entity should be held accountable to fulfill its mandated role. Further, MoHA can establish a strict sanctions regime for both villages and districts based on audit findings and recommendations from the inspectorate. Finally, PP 12/2017 on Support and Oversight of Local Government Administration should be updated to allow for village audit findings to be made publicly available and presented at a public community meeting upon completion of audits.

\(^{19}\) Currently this function is held jointly by Kemenko PMK, Bappenas, and certain functions such as poverty reduction and stunting prevention are coordinated through TNP2K (National Team for the Acceleration of Poverty Reduction or Tim Nasional Percepatan Penanggulangan Kemiskinan).
A. INTRODUCTION

DECENTRALIZATION AND THE VILLAGE LAW

Brief Overview of Decentralization in Indonesia

Indonesia has undertaken an administrative and fiscal decentralization from the national to district, and more recently, to village governments. This has provided district and village governments with substantial financial resources and authority to oversee and deliver basic services, including health, education, and infrastructure development. The 2014 Village Law (No. 6/2014), the subject of this review, must be understood within this overall decentralization context.

In 1999, Indonesia began an ambitious process of decentralization, passing Laws 22/1999 and 25/1999 on Governance and Fiscal Balance that transferred service delivery functions from the central government to districts and municipalities over a two-year period. Today transfers to subnational governments cover over half of the public expenditures in the country. Unlike many other countries, the transfer of authorities and fiscal resources was implemented over a short period, without major political or economic problems.

For a country as diverse as Indonesia, decentralization may be an obvious choice – balancing the government’s desire to maintain a unitary state with the opportunities provided by a more decentralized system of government. Spread over 13,000 islands, covering more than 5,000 kilometers from east to west, Indonesia has more than 300 distinct languages and ethnic groups. Economic development in the country differs as widely – from the skyscrapers and congested highways of Jakarta to Papua’s mountain peaks – the poverty rate ranges from 3.5% in the capital city to 27.5% in Papua. Indonesia’s diversity suggests varying needs for basic services that can be met more effectively by bringing the government closer to the people.

Overall, despite its quick pace, decentralization in Indonesia did not cause the immediate problems many had expected – but it did have some structural problems that undermined the efficiency gains of decentralization. A World Bank assessment undertaken eighteen months into Indonesia’s decentralization notes, "it is fair to say that the program started much better than many -including the World Bank- expected. There were no major disruptions of services, civil servants were paid by and large, and little of the feared unrest among transferred civil servants substantiated." The same report highlighted four broad categories of issues that remained unaddressed: (i) the assignment of functions over levels of government; (ii) local capacity to implement the functions; (iii) the intergovernmental fiscal system; and (iv) accountability at the local level. Many of these issues were not addressed until the 2014 revision of the Local Governance Law (No. 23/2014).

The 2014 Village Law, which moved Indonesia further along its path of decentralization, recognized the autonomy of the country’s nearly 75,000 villages. One of the largest village decentralization programs

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20 Governance and Fiscal Balance Laws 22/1999 and 25/1999
21 World Bank, Indonesia Economic Quarterly, December 2017
22 Anwar Nasution, ADB, Government Decentralization Program in Indonesia, October 2016
23 World Bank, Indonesia Economic Quarterly: Investing in People, December 2019
24 World Bank, Decentralizing Indonesia: A regional Public Expenditure Review, June 2003
globally, the Village Law substantially increases the autonomy, responsibilities, and funding transferred to villages, building on the country's rich history of community-driven development. Six years since Village Law implementation began, many of the challenges echo those faced by local governments in the early 2000s.

From Community Driven Development to Village Law

The 2014 Village Law built and expanded on the country's decentralization initiative, but it also extensively drew from Indonesia's experience with community-driven development to institutionalize the model into formal government structures. In the 1990s, the Government of Indonesia launched Inpres Desa Tertinggal (the program for left-behind villages), which consisted of block grants being transferred to poor villages across the country. The IDT was followed by a series of World Bank-supported last-mile service delivery programs for water supply and sanitation, education, and transportation infrastructure. These programs had strong bottom-up planning mechanisms embedded in them, drawing on local community knowledge to guide decisions on village-level development investments.

In 1996, the World Bank and the Government of Indonesia began a series of studies to better understand the impact of development programs in Indonesia's villages. The Local-Level Institution (LLI) studies looked at capacity within villages to solve self-identified problems, compared government and community institutions for delivering development projects, and the linkage between communities and government institutions and systems. The LLI studies found that communities carried out projects similar to what government and development agencies were doing. However, community-owned projects had more ownership, higher participation from the poor and women, and had embedded grievance redress mechanisms.

Critically, these studies found that service delivery problems at the village level could not be solved solely through more technical assistance, better fiduciary controls, and tighter supervision. Instead, the studies highlighted that a shift of mindset was required, away from the projectization of village development, toward a model where villages were provided with resources, opportunities and allowed to make their own interpretations and adjustments. What was needed was a model that helped villagers solve self-identified development problems.

In 1998, with findings from the LLI studies and previous CDD projects, Indonesia began testing mechanisms to improve service delivery and contribute to poverty reduction by empowering communities to choose and deliver on their own local priorities. The first iteration was the Kecamatan Development Project (KDP), launched by the Government of Indonesia, with support from the World Bank. The KDP provided communities with a mechanism to build much-needed tertiary infrastructure, including roads, bridges, irrigation, clean water supply and sanitation, and protection walls and gabions. KDP and its successor, Indonesia’s Program for Community Empowerment (PNPM), enabled communities to design their own development agenda to solve their problems by providing them with the financial resources and technical support to prioritize, plan, and implement village-level development projects.

In 1998 the first KDP pilot was implemented in 48 villages. By 2009, CDD projects in Indonesia had reached 70,000 villages. The KDP and PNPM programs built village-level governance, planning, and fiduciary capacities, which over time, sectoral programs also began using. Both KDP and PNPM included

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25 Scott Guggenheim, Crises and Contradiction: Understanding the Origins of Community Development Project in Indonesia
robust monitoring and evaluation mechanisms. Quantitative reviews showed that the community-based approach was an efficient, cost-effective model for Indonesia to close its tertiary infrastructure gap.\textsuperscript{26}

Linked with the broader decentralization agenda, the 2014 Village Law was developed by the government to recognize village autonomy and build on the experience of KDP and PNPM. The political incentives for the formulation of the law and the differing viewpoints of constituency groups are well documented in other papers.\textsuperscript{27} These factors heavily influenced the design of the Law and its subsequent regulations. In the end, the Village Law recognized villages as a legal community unit (\textit{kesatuan masyarakat hukum}) under the authority and oversight of the district government (Article 18).

Not unlike the 2001 decentralization to districts, the Village Law came as a near total surprise to the agencies involved in implementing the program – with less than nine months to prepare for the change. Adding to this challenge, the government split responsibility for implementing the new Law between the MoHA and the newly created MoV. Finally, implementation required shifting from community-driven mechanisms that largely bypassed the local government structure into a model entirely based within government institutions.

Despite these challenges, by 2015, the government had designed the inter-governmental transfer mechanisms required and disbursed around 95\% of village funds. In the first year of implementation, the government transferred over IDR 20 trillion to over 70,000 villages. In the same year, nearly 140,000 government officials received basic training on the new Law.\textsuperscript{28}

\textbf{Achievements of Village Law to Date}

Several key achievements have marked the implementation of the Village Law. These include developing subsidiary regulations to implement the Village Law, building financial systems for fiscal transfers to the village level, mobilizing large-scale capacity support, and strengthening policies and systems to monitor village performance. The government has also introduced a formula for the allocation of Dana Desa, required villages to report on expenditures, and is paying increasing attention to improving village spending. There has been significant and increasing high-level government attention on villages and Village Law implementation, including cabinet and inter-ministerial meetings, presidential visits, and focus on Village Law implementation and its impact.

Villages have made significant investments to support economic activities and improve communities' quality of life. While there is still a lack of comprehensive output data of village funds, according to government reporting on Dana Desa funds alone, in 2019 village have constructed: 191,600 km of rural roads; 1,140 km of bridges; 58,931 village irrigation infrastructure; 192,974 meters of retaining wall; 50,854 early childhood education centers; 24,820 village health posts; 959,600 clean water projects; 240,587 WASH facilities; and 29.6 million meters of drainage.\textsuperscript{29}

\textbf{Villages play an important role in the operationalization of the National Strategy to Accelerate Stunting Prevention (StraNas Stunting).} In 2017, the Government of Indonesia launched the StraNas Stunting

\begin{itemize}
\item Torrens 2001; Dent et al. 2004; Olken, 2006; Neate, 2012
\item Hans Antlöv, Anna Wetterberg, Leni Dharmawan, Village Governance, Community Life, and the 2014 Village Law in Indonesia, August 2016
\item Ibid.
\item Indonesia National Budget (APBN) 2020.
\end{itemize}
(2018-2024) to enable convergence across sectors and levels of government to help reduce Indonesia’s high rates of stunting. The strategy commits 23 ministries to increase the impacts of US$14.6 billion of government spending by converging priority nutrition interventions on households with children under two years old and pregnant women (1,000-day households). Implementation of StraNas stunting is supported by TNP2K, with a focus on data and monitoring of results. The Strategy is translated into regional action plans with a coordination mechanism at the subnational level, down to the village level. Village governments play a critical role in supporting stunting-related interventions, including delivery, monitoring, and reporting on health, water and sanitation, and early childhood education. In particular, village-level actors are supporting behavior change and community mobilization to ensure interventions reach target households.

**Village governments and village funds are also playing an important role in supporting the Government of Indonesia’s response to the COVID-19 pandemic and associated economic fallout.** The central government quickly revised its regulation on priority usage of village funds (Permendes 20/2020) to help communities deal with the pandemic, including activating the cash for work program to support COVID-19 response, activating community response systems for isolation, monitoring, and mutual support, and prioritizing spending towards COVID-19 response and recovery. By March 2020, around 40% of the Dana Desa had already been disbursed to village governments. By October 2020, the MoV estimated that of the IDR 72 trillion (US$5.6 billion) in Dana Desa, villages had spent a total IDR 33.2 trillion (US$2.3 billion) for COVID-19 response, including IDR 17.4 trillion (US$1.2 billion) for a new village cash transfer program (see Box 1).

**Box 1: Bantuan Langsung Tunai (BLT) Desa**

In April 2020, the Government of Indonesia began rolling out BLT Desa to provide cash support to poor families affected by COVID-19. BLT Desa helps to quickly and effectively reach families who are not receiving benefits from other social protection programs. Village governments select target beneficiaries through a transparent and deliberative process. The funds come from the existing allocation of Dana Desa, with a total budget of IDR 31.8 trillion. Beneficiary families receive IDR 600,000 per month for the first three months of the program and IDR 300,000 per month for an additional five months – totaling nine months of support. The government announced an extension of the program for 2021 to continue the support.

Through its engagement on the Institutional Strengthening for Improved Village Service Delivery Project, the World Bank team provided technical guidance on the implementation of BLT Desa, based on previous analytical work on community identification mechanisms in Indonesia. This helped to strengthen inclusion of the most vulnerable families, remove administrative barriers, and simplify the approval process to support disbursement.

In June 2020, MoV announced that over 80% of beneficiary families of BLT Desa were receiving benefits from the government for the first time. Many of whom were either newly pushed into poverty or had not previously been registered under Unified Database for Social Assistance (DTKS). According to Ministry data, 27% of beneficiaries are female-headed households.
DECENTRALIZATION AND FRONTLINE SERVICE DELIVERY

Poverty and Access to Basic Services in Indonesia

Over the last two decades, the poverty rate in Indonesia has halved, reaching a record low of 9.2% in September 2019. This has been led by a steady economic growth of around 5% per year. However, the rate of decline in poverty has slowed in recent years. The economic impacts of COVID-19 are also expected to increase the poverty rate.

An overwhelming majority of the poor and vulnerable are living in rural areas. While the poverty rate has also seen a significant reduction in rural areas, falling from 20% in 2007 to 13% in 2018, making continued progress in reducing poverty will require that the challenges to improving the living conditions of the poor in rural areas are addressed.

Access to clean water, sanitation, and electricity all show improvement across regions, but access to clean water and sanitation are much lower in rural areas. Between 2007 and 2018, improvements were made in access to WASH and electricity in rural areas. However, the gap between urban and rural areas is still large. 36% of Indonesia’s rural population lacks access to basic sanitation facilities, and nearly 20% of the rural population lacks access to basic drinking water.

Despite improvements in access indicators, the quality of services varies greatly across the country. One stark contrast is based on the Human Capital Index, introduced by the World Bank in 2018, to measure aggregate human capital potential, looking at child survival rates; education and learning achievement; and health and adult survival rates. In 2020, Indonesia’s Human Capital Index score was 0.54, which means that a child born in Indonesia will only be 54% as productive as they could be under the benchmark of complete education and full health. Indonesia outperformed other lower-middle-income countries but scored lower than other countries in East Asia and the Pacific. Critically, subnational human capital index assessments in Indonesia reveal a stark regional contrast in the country. The ranking of metropolitan areas in Java is on par with countries such as China and Vietnam, while rural areas in eastern Indonesia are on par with countries such as Chad and Niger.

Impact of Decentralization on Service Delivery

While primarily driven by political and economic factors, decentralization in Indonesia also provided the opportunity to deliver services more effectively across these vastly differing contexts. As would be expected in the short term, decentralization in Indonesia has produced varying results in terms of citizen access to basic services. While there have been overall improvements in service delivery, the quality of services remains poor and regional disparity is increasing in many places. Between 2000 and 2019,
Indonesia's Human Development Index value went from 0.604 to 0.718, an increase of 19%. However, evidence on the impact of decentralization and local government public spending on Indonesia's service delivery outcomes is mixed. Both global literature and studies in Indonesia show that while local government public spending can improve human development outcomes, this significantly depends on governance and accountability mechanisms.

Evidence on the impact of decentralization on service delivery, globally and in Indonesia, has been mixed. Decentralization does not automatically translate to improved service delivery. Countries from Bolivia, India, Nigeria, Pakistan, South Africa, and Indonesia, among many others, have taken on large-scale decentralization. Across these countries, the impact on service delivery has varied. Numerous factors have been highlighted in global literature for the varying impact of decentralization on service delivery, including the capacity of subnational government, misalignment of responsibilities, political capture, and poor citizen accountability.

The 2004 World Development Report provides a useful framework for understanding the necessary conditions for decentralization to improve service delivery. Central to this framework is that the service delivery requires strong accountability relationships between citizens, service providers, and policymakers. Ahmad et al. (2006) build on this framework and argue that weaknesses in service delivery can result from the breakdown of one or both links of accountability – accountability of service providers to citizens and that of service providers to policymakers.

Since 1999, subnational governments in Indonesia have taken on significant responsibilities in the delivery of frontline services. This has been coupled with improved access to services. More than half of public spending in Indonesia is conducted by subnational governments. Under decentralization, authorities for key frontline services have devolved to local governments (especially districts), particularly for health, education, and infrastructure. They manage 72% of health spending, 65% of education spending, 67% of infrastructure spending, and almost 40% of social protection spending. In 2017, the World Bank assessed the impact of decentralization on service delivery. Five indicators were used to develop a single aggregate measure for service improvements. Between 2001 and 2015, the average access to basic services increased from 48.8% to 70.9%. In addition, variation in access to services across districts also declined, from a variation coefficient of 0.23 to 0.17.

Despite success in improving access to services, evidence of visible improvements in outcomes is limited. For example, even though there is a constitutional mandate to allocate 20% of budgets to Education, student learning outcomes have not shown improvements; upon completion of school, 55%

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38 UNDP Human Development Reports
39 Sudarno Sumarto, Asep Suryahadi, Alex Arifianto, Governance and Poverty Reduction: Evidence from Newly Decentralized Indonesia, SMERU, March 2004; Blane Lewis, Local government spending and service delivery in Indonesia, 2016; Giorgio Brosio, ADB, 2014; Rajkumar and Swaroop, 2008
41 World Bank, WDR 2004.
42 Junaid Ahmad, Shantayanan Devarajan, Stuti Khemani and Shekhar Shah, Decentralization and service delivery, 2006.
44 Decentralization Policy Review Concept Note, 2019
46 i) net enrollment rate for junior high school; (ii) net enrollment rate for senior high school; (iii) access to protected water; (iv) access to protected sanitation; and (v) proportion of births attended by a skilled health worker.
of Indonesians are functionally illiterate, compared to 14% in Vietnam. Indonesia’s scores for the PISA assessment for reading, mathematics, and science were among the lowest of all PISA-participating countries. Between 2001 and 2018, student performance in all three subjects remained constant, with a decline in student performance in reading and mathematics between 2015 and 2018. Subnational management of infrastructure also has significant gaps. While districts manage 80% of the national road network, more than 40% is in bad and poor repair, compared with only 8% of the national road network.

Role of Villages in Frontline Service Delivery

The Government of Indonesia issued the Village Law with the aim of enshrining principles of community-driven development into formal governance systems and addressing gaps in Indonesia’s decentralization paradigm. The law recognizes the sovereignty and autonomy of villages and confirms their right to prioritize and manage village-level development based on principles of self-governing communities and local self-government. Unlike village-level governance initiatives in countries such as India and China, the Village Law promotes a bottom-up development process, where villages are not only responsible for service delivery, but also to bridge the gap between citizens and the state through principles of participation, accountability, and recognition.

While global results on the impact of decentralization on service delivery are mixed, many community-based interventions that promote participation and accountability have shown positive results. In a meta-analysis of studies from low- and middle-income countries in Asia, Africa, and South America, Molina et al. (2017) show that community-monitoring initiatives have a positive effect on improving the quality of service delivery and on helping curb corruption. A review of 26 randomized trials on the impact of community-based health interventions found that such programs significantly reduced maternal morbidity and neonatal mortality. The study also found that community-based intervention packages increased uptake of immunization, rates of institutional delivery; breastfeeding; and healthcare-seeking. A recent large-scale randomized experiment in India found that adding a community-based worker for pre-school education led to a 0.29 and 0.46 standard deviation increase in math and language test scores and helped reduce rates of stunting and severe malnutrition.

In Indonesia, studies have shown that coordinating sectoral service delivery with village authorities improves development outcomes. In the health sector, one study shows that increasing the number of village health posts increases the probability of children receiving critical vaccinations by 54%, while increasing the number of hospitals and health centers had no significant effect. In the education sector, a randomized experiment on school committees found that strengthening the linkages between school

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47 Learning more, growing faster. Indonesia Economic Quarterly, June 2018.
48 The Program for International Student Assessment (PISA) is an international assessment that measures 15-year-old students’ reading, mathematics, and science literacy every three years.
49 OECD Education GPS Database
50 Decentralization Policy Review Concept Note, 2019; Source: Directorate General of Highways (DGH) and Ministry of Public Works and Housing (MPWH).
54 Asri Maharani and Gindo Tampubolon, 2014, “Has decentralization affected child immunization status in Indonesia?”
committees and village councils improved learning outcomes. Both health and education officials interviewed for the study noted that coordination between service facilities (primary schools and Puskesmas – Community Health Clinics) and village governments helped improve coordination with the village community, resulting in better uptake of services and more effective problem-solving.

**Villages have played an important role in delivering services and infrastructure across Indonesia's villages.** Experience from Indonesia’s community development programs has shown that infrastructure investments can help to improve local economics; provide opportunities and access to services for the poor and marginalized; bring goods to markets; are cost-effective; create jobs; and can last for more than ten years, even in Indonesia’s volatile geology. Through Dana Desa funding alone, in 2019, villages constructed nearly 200,000 km of rural roads, over 50,000 pre-schools, 25,000 health posts, and 30 million meters of drainage.

**Under the Village Law, villages and communities are increasingly contributing to improving frontline service delivery.** The increase in village funds has been coupled with increased village functions. In particular, as described further in this report, the health sector has successfully established a partnership between health facilities and village governments to increase demand for healthcare, undertake health promotion, and support preventative community-based interventions. As highlighted above, the role of villages in distributing cash transfers to households to cushion the shock of the COVID-19 pandemic further cemented the broader village role even in the most centrally driven of social services, social assistance.

**OPPORTUNITIES AND KEY CHALLENGES**

Despite the success, there is an opportunity for the Government of Indonesia to better realize the potential of villages by resolving critical structural challenges in the delivery of the Village Law. This paper aims to summarize these key challenges and offer opportunities for strengthening the service delivery system related to areas of authority under the village.

The fast roll-out of Village Law created challenges similar to those that arose from decentralization in the early 2000s. Many of these challenges are merely teething problems that the government has been addressing on an ongoing basis by revising regulations and guidelines for implementing the Village Law. Other issues, however, are more structural and arise from the lack of a deliberate policy objective related to the implementation of the Law, and the absence of a unified vision across government of the contributing potential of village development toward national development objectives.

This report categorizes these challenges into four broad categories: regulatory challenges, coordination gaps, limited capacity building, and fragmentation in accountability systems. Regulatory challenges largely derive from the ability of each ministry in Indonesia to issue its own regulations, without oversight to prevent duplication or avoid gaps. Both horizontal and vertical coordination challenges exist at each level of government and between levels. Poor capacity-building systems lead to limited local capacity to implement core functions, both at the village level and with regard to the support and supervision of

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57 Indonesia National Budget (APBN) 2020.
villages by other levels of government. Finally, despite Indonesia’s successful models of social accountability, bottom-up accountability mechanisms have not been institutionalized at the local level.

**These challenges cause three types of problems across the service delivery chain: gaps in service delivery, duplication of services, and missed opportunities.** Gaps in service delivery arise when there is no requirement for any level of government to provide certain functions or activities, such as training for village level volunteers (Kader) in Early Childhood Education Development facilities (PAUD)\(^{58}\), or financing maintenance of tertiary irrigation infrastructure. Duplication of services occurs because of a lack of coordination and weak regulatory requirements lead to national, provincial, and district governments duplicating core functions of the village, creating parallel systems and models for service delivery. Finally, and perhaps most critically, are the missed opportunities to engage village government to support service delivery through strengthened social accountability systems, behavior change promotion, and increasing demand for services. This would require effective systems for the management of interactive authorities, where districts and villages can work together effectively to deliver frontline services.

**Numerous pilot interventions in Indonesia have tested models for better linking village actions to sectoral service functions to improve frontline service delivery.** Under one education project, district education departments can engage village governments and community members (parents) to monitor teacher absenteeism, particularly in remote schools, helping improve learning outcomes for students.\(^{59}\) In a water and sanitation program, villages support the role-out of community-led total sanitation, with the possibility to use village funds to hire local facilitators and promote behavior change, with technical support from district health departments.\(^{60}\) Under a Ministry of Marine Affairs and Fisheries program, villages formed community-based natural resource management committees to promote behavior change and monitor compliance with national and local safeguards requirements – such as stopping the use of explosives and poison to catch fish.\(^{61}\) The government can draw on these positive models and institutionalize such practices into sectoral service delivery systems.

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58 Volunteers are known as cadre, or kader and are paid by the village to staff ECED facilities (or Pendidikan Anak Usia Dini, PAUD)
B. SCOPE OF STUDY

Previous analytical work on the Village Law has concentrated on the system’s tail end – how the Law is operating at the village level. This assessment should be viewed as a part of the larger research analysis undertaken by the World Bank around the Village Law. The Sentinel Villages study on Village Governance Under the New Village Law (2020) provided evidence on community participation in the Village Law and accountability systems at the village level. The Village Infrastructure Technical Assessment (2018) assessed the quality of village infrastructure projects. Two Village Public Expenditure Reviews reviewed 2016 and 2019 village spending patterns and systems for village financial management. While this analysis draws on findings from these studies, this study does not review systems and governance within the village itself.

This study complements that work by taking the opposite tack, with a focus on debottlenecking the village service delivery enabling environment, to improve the capacity and effectiveness of villages in contributing to better development outcomes. This includes analysis of the regulatory framework, the authorizing environment, clarity of roles and responsibility, capacity building, financing, and accountability arrangements. The report looks at the structures of governance, fiscal architecture, and information feedback channels that contribute to or constrain effective implementation of the Village Law in line with the government’s objectives.

Planned forthcoming research will focus on two additional areas. First, a series of thematic policy notes will provide more details on sector-specific arrangements, including infrastructure, health, education, and data systems. Second, a political economy study will investigate the incentive structures and accountability mechanisms facilitating or impeding development performance at the village level.

OBJECTIVES AND RESEARCH QUESTIONS

The purpose of this preliminary assessment is to map structural problems between the district and village levels and provide specific recommendations around functions and institutional arrangements that can optimize frontline service delivery as it relates to village authorities. The report serves as a diagnostic to identify the broader structural issues that impact delivery of basic infrastructure, health, and education services. The study looks at de jure and de facto arrangements and a review of laws and regulations on district governments’ assigned responsibilities, particularly around support and supervision of villages. A particular focus is on cases of ‘positive deviance’ – examples where local governments have solved the problems built into the regulatory and incentive structure. Such cases provide real-time examples of opportunities to repair and improve the system.

The assessment aims to answer two questions: First, what are some of the key structural challenges that hinder the ability of villages to contribute to better development outcomes, including in health, education, and basic infrastructure? Second, how have some local governments sought to overcome these challenges? The report focuses on four core areas required for villages to realize their potential effectively: the regulatory framework and its implementation; coordination between levels of government on frontline service delivery; systems for support and technical assistance; and audit, oversight, reporting, and data systems.
With the considerable variance in Indonesia’s local government systems and capacities, these findings focus on the wider systematic and institutional arrangements that impact frontline services. Findings and recommendations in this report are based on an analysis of three districts, which are not representative of the broad and varying challenges that impact Village Law implementation in each region. Follow-up studies will supplement this analysis with more detailed sectoral analysis and recommendations.

Structure of the report: The report begins with an introduction in Part A, contextualizing the analysis within Indonesia’s broader decentralization process. Part B outlines the legal and regulatory framework of village development. Part C details the findings from the qualitative assessment. Part D provides recommendations to support the government’s continued efforts to strengthen village development.

METHODOLOGY

This assessment includes three components: a desk review analyzing existing literature on the Village Law, including evaluation of pilot programs implemented by both government and NGOs; a regulatory assessment on the Village Law; and interviews with government officials in three provinces, three districts, five kecamatan, and seven villages. The findings and recommendations presented in this report were formulated based on findings from all three components.

The first phase of the research consisted of a desk review, which drew on previous research and field notes from analysis undertaken as a part of the World Bank’s engagement on the Village Law, including the Sentinel Villages study on Village Governance Under the New Village Law (2020), the Village Infrastructure Technical Assessment (2018), and the Village Public Expenditure Review (2018). The review also draws on findings from the Managing for Results under the World Bank’s Nutrition Programmatic Analytics and Advisory Services, which supported district-level interventions during the first two years of the Investing in Nutrition and Early Years (INEY) program.

Second is an analysis of the regulatory framework to understand local government authorities in implementing Village Law and supporting agencies for carrying out these authorities. The regulatory assessment aimed to map the de jure authorities of villages and subnational institutions around the implementation of the Village Law.

The third part of the assessment involved primary research, focusing on three districts across three provinces that have developed effective and innovative models to ensure intergovernmental support and supervision to implement Village Law. The assessment of these districts aimed to identify the enabling factors that can strengthen support and supervision systems and provide operational recommendations to scale up such interventions. This phase included field assessments in Lombok Timur, Pemalang, and Ketapang. Through support from MoHA and the Australia-Indonesia government partnership Kompak program, the first two districts have developed systems for improved district coordination and strengthened the role of the kecamatan to provide support and oversight to villages. In Ketapang, through the pilot initiative of KIAT Guru, village officials, schools, and communities are working together to improve oversight of education services. While the analysis aimed to identify positive interventions in the three districts, interviews also focused more broadly on the wider operational arrangements to identify challenges, bottlenecks, best practices, and innovative approaches to Village Law implementation.
Table 1: Field-Assessment Locations

<table>
<thead>
<tr>
<th>Province</th>
<th>District</th>
<th>Kecamatan</th>
<th>Village</th>
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<tbody>
<tr>
<td>West Kalimantan</td>
<td>Ketapang</td>
<td>Kendawangan</td>
<td>Kedondong Keramat Jaya</td>
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<tr>
<td>Central Java</td>
<td>Pemalang</td>
<td>Taman</td>
<td>Penggarit</td>
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<td></td>
<td></td>
<td>Belik</td>
<td>Sikasur Kuta</td>
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<tr>
<td>West Nusa Tenggara</td>
<td>Lombok Timur</td>
<td>Aikmel</td>
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<td>Tertara</td>
<td>Rarang Selatan</td>
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Information was gathered using semi-structured interviews with **provincial** and **district** officials from the following government agencies (OPDs):

- Regional Development Planning Agency (Bappeda)
- Finance Agency (BPKAD)
- Audit Agency / Inspectorate (Inspektorat)
- Human Resource Development Agency (BPSDM)
- Department for Community and Village Empowerment (Dinas PMD)
- Department of Health (Dinas Kesehatan)
- Department of Public Works (Dinas Pekerjaan Umum)
- Department of Education (Dinas Pendidikan)
- Department of Communication and Information Technology (Kominfo)

At the **kecamatan** and **village** levels, interviews were conducted with:

- Camat
- Kecamatan technical staff
- Village community facilitators (Pendamping – PD and PDTI)
- Village Head
- Village Secretary
- Village Council members (BPD)
- Dusun Heads
- Community Kader
- Village volunteers (health, education)
C. LEGAL AND REGULATORY FRAMEWORK

THE VILLAGE LAW

The Village Law is a significant component of the government’s strategy to reduce poverty and promote inclusive economic growth. The Law aims to advance the welfare of Indonesia’s villages and improve people’s quality of life (Article 78). The law promotes community harmony, aims to bring citizens and the state closer together, and emphasizes the important role of local communities in development decisions.

The Law has reinstated village autonomy in Indonesia for the first time since the introduction of Law 5/1979, which deprived villages of their autonomy and mandated a single village governance structure (Desa) across the country. The 2014 Law recognizes villages’ sovereignty and their right to prioritize and manage village-level development, based on principles of self-governing communities and local self-government.

The Village Law significantly increased fiscal resources for Indonesia’s nearly 75,000 rural villages to deliver frontline service, meet village infrastructure needs, and strengthen local economic potential. In 2019, the Government of Indonesia transferred an average of IDR 1.6 billion (over US$107,000) to each village. Between 2014 and 2019, village budgets increased from approximately IDR 16.8 trillion (US$1.2 billion) to IDR 117.4 trillion (US$8.1 billion).

Table 2: Village revenue trends before and after the Village Law (in trillion IDR, nominal)

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</thead>
<tbody>
<tr>
<td>PADes (Village Own Source Revenue)</td>
<td>4.1</td>
<td>4.2</td>
<td>4.2</td>
<td>3.5</td>
<td>3.1</td>
<td>3.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Transfer Revenue</td>
<td>17.5</td>
<td>21.3</td>
<td>47.2</td>
<td>78.3</td>
<td>96.7</td>
<td>98.0</td>
<td>113.4</td>
</tr>
<tr>
<td>DD (Dana Desa, Block Grant from Central Govt.)</td>
<td>-</td>
<td>-</td>
<td>19.5</td>
<td>45.6</td>
<td>57.6</td>
<td>56.9</td>
<td>67.3</td>
</tr>
<tr>
<td>BH-PDRD (Shared Tax and Levies from District Govt.)</td>
<td>0.6</td>
<td>0.9</td>
<td>1.7</td>
<td>2.0</td>
<td>2.5</td>
<td>3.0</td>
<td>3.6</td>
</tr>
<tr>
<td>ADD (Alokasi Dana Desa, Block Grant from District Govt.)</td>
<td>8.1</td>
<td>10.2</td>
<td>22.8</td>
<td>26.4</td>
<td>30.5</td>
<td>31.8</td>
<td>35.2</td>
</tr>
<tr>
<td>Financial Assistance (from Central/Province/District)</td>
<td>8.8</td>
<td>10.1</td>
<td>3.2</td>
<td>4.3</td>
<td>6.1</td>
<td>6.2</td>
<td>7.3</td>
</tr>
<tr>
<td>Other Revenue (incl. Grant/Third Party Contribution)</td>
<td>1.0</td>
<td>1.1</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
<td>0.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Total Village Revenue IDR (trillions)</td>
<td>22.6</td>
<td>26.7</td>
<td>52.1</td>
<td>82.3</td>
<td>100.2</td>
<td>102.1</td>
<td>117.4</td>
</tr>
<tr>
<td>Total Village Revenue USD (billions)</td>
<td>1.6</td>
<td>1.8</td>
<td>3.6</td>
<td>5.7</td>
<td>6.9</td>
<td>7.0</td>
<td>8.1</td>
</tr>
</tbody>
</table>

62 Village Law (No. 6/2016) Sub-chapter 1.1
63 The data for 2015-2019 is based on realized/actual revenue (BPS). The BPS does not record realized DD as separate item from realized bantuan keuangan in 2015. The DD data of 2015 in the table use Ministry of Finance (MoF) estimates of 93.8% of disbursed IDR 20.8 trillion of DD allocation, which in turn adjusts BPS data of bantuan keuangan of respected year from IDR 22.7 trillion to become IDR 3.2 trillion. The DD amount of 2016, 2017, 2019 are BPS data which show smaller figures compared to MoF data on DD allocation at IDR 47 trillion (2016), IDR 60 trillion (2017), 60 trillion (2018), and 70 trillion (2019). The BPS estimates a smaller amount of ADD and BH-PDRD compared to BPS estimates. For ADD, MoF estimates at IDR 33.8 trillion, IDR 35.5 trillion, and IDR 34.1 trillion in 2015, 2016, and 2017 respectively, while for BH-PDRD the MoF estimates at 2.7 trillion, 2.8 trillion, and 3.2 trillion. The USD figure is based on exchange rate of 1 USD = 14.500 IDR.
Indonesia's decentralization relies on a cascaded system of governance. The Local Governance Law (Articles 374 and 375) states that the central government is responsible for guidance and supervision of provinces, which in turn are responsible for the guidance and supervision of the district, assisted as necessary by the central government.

Village capacity building, guidance, and supervision are "concurrent" affairs shared between national, provincial, and district governments. Under the Village law, the central, provincial, and district governments can introduce village regulations, assign village authorities, provide budget, set priorities, and provide guidance and supervision. However, unlike the Village Law, Indonesia's Local Governance Law does not assign provinces and districts detailed tasks for village guidance and supervision. District and provincial governments refer to Law 23 in assigning district agencies tasks and functions concerning village development and basic services. Law 23 envisions the village as a single sector, under the authority of one agency.

SUBSIDIARY REGULATIONS OF THE VILLAGE LAW

Since 2014, the government has focused on developing the regulatory framework and financial architecture for village governance to support the implementation of the Law. This includes developing subsidiary regulations to implement the Village Law (Table 3), building financial systems for fiscal transfers to the village level, mobilizing large-scale capacity support, and strengthening policies and systems to monitor village performance. The government has also introduced a formula for the allocation of Dana Desa, required villages to report on outputs and expenditures, and is paying increasing attention to improving village spending. There has been significant and increasing high-level government attention on villages, including cabinet and inter-ministerial meetings, presidential visits, and focus on Village Law implementation and its impact.

In 2019, through Permendagri 20/2018 on Village Public Financial Management, the system for village financial management was significantly strengthened. The regulation provides three functional classification levels:

1. The Bidang classification, which originates from the Village Law, describes village authorities.
2. The sub-Bidang classification, which was introduced in this new regulation, is harmonized with sectoral categories (urusan), which are used by other levels of government. The village expenditure can be classified and aggregated sectorally for education, health, public works, etc.
3. The activity classification, which has also been newly introduced, helps aggregate village funds at the activity level, which was not previously possible.

The new classification system was integrated into the Village Financial System (Siskeudes) and has helped standardize budget classification and enable automated analysis as of 2020.
### Table 3: Subsidiary Regulations of the Village Law

<table>
<thead>
<tr>
<th>Category</th>
<th>Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PP 60/2014 22/2015 jo 8/2016 on Dana Desa sourced from the state budget</td>
</tr>
<tr>
<td><strong>Presidential Regulation</strong></td>
<td>Presidential Regulation Number 12/2015 on the establishment of the Ministry of Village, Development of Disadvantaged Regions and Transmigration</td>
</tr>
<tr>
<td><strong>MoHA Regulations</strong></td>
<td>Permendagri 111/2014 on Technical Guidelines for Village Regulations</td>
</tr>
<tr>
<td></td>
<td>Permendagri 112/2014 on Village Head Elections (Revised by Permendagri 65/2017)</td>
</tr>
<tr>
<td></td>
<td>Permendagri 113/2014 on Village Financial Management (Revised by Permendagri 20/2018)</td>
</tr>
<tr>
<td></td>
<td>Permendagri 114/2014 on Guidelines for Village Development</td>
</tr>
<tr>
<td></td>
<td>Permendagri 81 /, 2015 on the Evaluation of Village Progress</td>
</tr>
<tr>
<td></td>
<td>Permendagri 82 /, 2015 on Appointment and Dismissal of Village Head (Revised by Permendagri 66/2017)</td>
</tr>
<tr>
<td></td>
<td>Permendagri 83/2015 on Appointment and Termination Village Apparat (Revised by Permendagri 67/2017)</td>
</tr>
<tr>
<td></td>
<td>Permendagri 84/2015 on Organizational Structure and Working Procedures of Village Governments</td>
</tr>
<tr>
<td></td>
<td>Permendagri 1/2016 on Village Assets</td>
</tr>
<tr>
<td></td>
<td>Permendagri 44/2016 on Village Authority</td>
</tr>
<tr>
<td></td>
<td>Permendagri 45/2016 on Guidelines for Determination and Confirmation of Village Boundaries</td>
</tr>
<tr>
<td></td>
<td>Permendagri 46/2016 on Village Head Reports</td>
</tr>
<tr>
<td></td>
<td>Permendagri 47/2016 on Village Government Administration</td>
</tr>
<tr>
<td></td>
<td>Permendagri 1/2017 on Village Arrangement</td>
</tr>
<tr>
<td></td>
<td>Permendagri 2/2017 on Village Minimum Service Standards</td>
</tr>
<tr>
<td></td>
<td>Permendagri 96/2017 on Procedures for Village Cooperation in the area of Village Governance</td>
</tr>
<tr>
<td></td>
<td>Permendagri 18/2018 on Village Community Institutions and Village Customary Institutions</td>
</tr>
<tr>
<td></td>
<td>Permendagri 12/2007 on Guideline Preparation and Utilization Data Profile Rural and Urban Village (Prodeskel)</td>
</tr>
<tr>
<td></td>
<td>Permendagri 19/2007 on Community and Village/ Wards Empowerment Training</td>
</tr>
<tr>
<td><strong>MoV Regulations</strong></td>
<td>No. 1/2015 on Guidance for Village Authority Based on the Rights of Origin and the Authority of Local Village-Scale</td>
</tr>
<tr>
<td></td>
<td>No. 2/2015 on Guidelines of Rules of Conduct and Mechanism for Decision Making at Village Deliberations</td>
</tr>
<tr>
<td></td>
<td>No. 3/2015 on Village Facilitation (revised with No. 18/2019 on the General Guideline for Village Community Facilitation)</td>
</tr>
<tr>
<td></td>
<td>No. 4/2015 on Village Owned Enterprises</td>
</tr>
<tr>
<td></td>
<td>No. 11/2019 on Priority Use of Dana Desa for 2020 (annually published since 2015)</td>
</tr>
<tr>
<td></td>
<td>No. 2/2016 on the Village Development Index</td>
</tr>
<tr>
<td></td>
<td>No. 5/2016 on Development of Rural Areas</td>
</tr>
<tr>
<td></td>
<td>No. 9/2016 on Community Training</td>
</tr>
<tr>
<td></td>
<td>No. 10/2016 on Guidelines for Data and Information Management in Villages</td>
</tr>
<tr>
<td></td>
<td>No. 16/2019 on Village Deliberation</td>
</tr>
<tr>
<td></td>
<td>No. 17/2019 on General Guidelines for Village Community Development and Empowerment</td>
</tr>
<tr>
<td><strong>MoF Regulations</strong></td>
<td>PMK 297 PMK.07 2015 on Procedures for Delays or Deduction of Balancing Funds for Regions that do not meet ADD</td>
</tr>
<tr>
<td></td>
<td>PMK 49 PMK.07 2016 on Guidelines of Procedures for Allocation, Distribution, Use, Monitoring and Evaluation of Dana Desa</td>
</tr>
<tr>
<td></td>
<td>PMK 121 PMK.07 2018 on the Third Amendment to PMK 50/PMK.07/2017 concerning Management of Transfers to Regions and Village Funds</td>
</tr>
<tr>
<td></td>
<td>PMK 193 PMK.07 2018 on Dana Desa Management</td>
</tr>
<tr>
<td></td>
<td>PMK 61 PMK.07 2019 on Guidelines for Using Transfers to Regions and Village Funds to Support the Implementation of Integrated Stunting Prevention Activities.</td>
</tr>
<tr>
<td><strong>Provincial Governor Regulations</strong></td>
<td>Village Information System(^{64})</td>
</tr>
<tr>
<td></td>
<td>Village Guides and Supervision(^{65})</td>
</tr>
<tr>
<td></td>
<td>Financial Assistance to Villages(^{66})</td>
</tr>
<tr>
<td><strong>District/ Head of District (Bupati/ Mayor) Regulations</strong></td>
<td>Allocation of DD and ADD (annual); Village Financial Management; Village Budgeting Guidelines, Priority Use of Village Funds (annual); Procurement of Goods and Services in the Village; Village Authority; Development of Rural Areas; Delegation of parts of Bupati Authority to Camat; Village Information System; Village Support and Supervision; Village Council (BPD)</td>
</tr>
</tbody>
</table>

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\(^{64}\) Ex. Central Java Governor regulation 47/2016  
\(^{65}\) Ex. Central Java Governor regulation 17/2018  
\(^{66}\) Ex. Central Java Governor regulation 48/2018
GOVERNANCE OF VILLAGE AFFAIRS

At the national level, four ministries are responsible for Village Law implementation.67

- **Ministry of National Development Planning (Bappenas)** sets overall planning objectives, targets, and budget ceilings for village development and monitors a village development index.

- **The Ministry of Home Affairs (MoHA)** supports and oversees village governments, boundaries, elections, governance, institutions, and overall administration. Under Law 23, MoHA has overarching responsibility for the general supervision of sub-national governments.

- **Ministry of Village, Development of Disadvantaged Regions and Transmigration (MoV)** provides support and oversight for village community empowerment and development. They are also responsible for the 37,000 facilitators deployed to support villages.

- **The Ministry of Finance (MoF)** provides support and oversight for national transfers to villages (Village Fund – Dana Desa), including setting the allocation formula, disbursement conditions, and monitoring the implementation and impact of Dana Desa.

**Provincial authorities are responsible for supervising the district’s support to village governments** and providing limited direct support to villages that the district cannot carry out. Both Law 6 and Law 23 allow the provincial government to provide direct financial assistance to the village government. The duties of provincial governments in providing guidance and supervision to villages are stipulated in Article 114 of the Village Law, further detailed in government regulations PP 43/2014 as revised by PP 47/2015. These include supporting districts/municipalities to prepare regulations governing villages, allocating village funds, supporting village officials' capacity building, providing villages with technical assistance, and providing relevant technical guidelines beyond districts' ability.

Both Law 23 and Law 6 state that the district government serves as the main tier of government responsible for providing village assistance and supervision; however, neither Law 23 nor Law 6 stipulate expressly who within local government holds the authority and responsibility for these activities. Under the Village Law and PP 43/2014, district authorities for Village Law implementation include authority to draft regulations, establish customary villages, channel and allocate funds to support village guidance and supervision, provide guidance and supervision, conduct village financial reporting & monitoring, develop village information system; and facilitate inter-village programs. The Local Governance Law sets out similar but less specific district responsibilities for villages, including for guidance and oversight of village governance administration. Critically, Law 23 and its subsidiary regulation (PP 18/2016)68 delegate the responsibility for villages, as one affair, to a single local government agency.

The district-level Village and Community Empowerment Technical Agency (Dinas PMD) plays the primary role in providing district support and supervision for the core village governance and development cycle. Dinas PMD typically includes three or four divisions, including a village government division, an institutional division, and one or more divisions focused on village/community development and empowerment. Across the country, the structure of Dinas PMD is not standardized. For example, in some districts, the department is also responsible for population and civil registration, while in others, it is also responsible for family planning and women.69

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67 World Bank, Local Governance Assessment Study Report, 2019
68 Article 2 of PP 18/2016 introduces the principle of ‘divide up tasks’ (pembagian habis tugas); which treats the village as its own sector (urusan)
69 World Bank, Local Governance Assessment Study Report, 2019
Box 2: District Authorities for Village Law Implementation

1) Authority to set regulations, especially regarding:
   • Village Authority
   • Distribution and use of village transfers (DD, ADD) and profit-sharing of taxes and levies
   • Determination of DD and ADD for each village (each year)
   • Procurement of goods and services in the village
   • Village unit prices - as a basis for calculating budgets
   • Establishment of rural areas

2) Establishment of customary villages and villages

3) Obligation to channel and allocate funds to support programs/activities to provide village guidance and supervision

4) Authority to conduct guidance and supervision to the village, especially for:
   • Planning assistance
   • Village budget evaluation
   • Regional regulation evaluation: assets, land use
   • Inter-village cooperation

5) Obligation to conduct village financial reporting:
   • DD usage report
   • District government reports

6) Development of Village Information System (SID)

7) Facilitating inter-village programs/activities:
   • Facilitating Inter-Village Deliberations
   • Facilitate the establishment of the Interagency Coordinating Board
   • Facilitate the implementation of development activities and services between villages
   • Facilitating institutional management and asset inheritance of PNPM Mandiri

The kecamatan has a regulatory mandate for overseeing village development. Article 221 of the Local Governance Law mandates that "district/city region shall establish subdistricts in order to improve coordination for the administration of government, public services, and village/ward community empowerment." The regulatory framework for kecamatan has recently been further strengthened under PP 18/2016 on Local Government Apparatus, PP 17/2018 on Kecamatan, and Permendagri 90/2019 on Budget Nomenclature. As per this regulatory framework, kecamatan governments, under the leadership of the camat (sub-district head), are now responsible for: administration and coordination around service delivery; community participation and empowerment; coordination of peace and public order; support and supervision to village governments; local innovation; and overall public administration at the kecamatan.

The MoV finances more than 37,000 facilitators tasked with providing support to villages for administration, engineering, and community empowerment. There are more than 29,000 village facilitators (pendamping lokal desa – PLD, and pendamping desa – PD), 5,371 village infrastructure facilitators (PDTI), and nearly 5,000 facilitators at the district, provincial and national level. The PDTI provides engineering support for village infrastructure projects, while the PD and PLD support village governments to fulfill their reporting requirements (including developing village plans and budgets) and support MoV to collect data on village outputs.

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70 Based on Law 6 and PP 43/2014
One notable change since 2017 is the consolidation of all village affairs responsibility to the Dinas PMD.71 Districts moved from the former Village and Community Empowerment Coordinating Agency (Badan PMD) to a Village and Community Empowerment Technical Agency (Dinas PMD), the district equivalent of a sectoral ministry, to consolidate all village affairs. With the status change from a "Badan" to a "Dinas," the Village and Community Empowerment office's duties and functions have broadened to include the policy, implementation, and monitoring of village programs and activities. The change from Badan to Dinas for management of village affairs has helped to clarify administrative authorities, but it has also made horizontal coordination at the district more ad-hoc, as a Dinas does not hold formal coordination authority.

**Box 3: Span of Control Under the Village Law**

<table>
<thead>
<tr>
<th>Level</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Government</td>
<td>33</td>
</tr>
<tr>
<td>Province</td>
<td>(33)*</td>
</tr>
<tr>
<td>District</td>
<td>(434)*</td>
</tr>
<tr>
<td>Kecamatan</td>
<td>(6,484)*</td>
</tr>
<tr>
<td>Village</td>
<td>(74,961)</td>
</tr>
</tbody>
</table>

The Village Law clarifies responsibilities between the central, provincial, district, and the kecamatan related to support to, and oversight of villages for the implementation of the Village Law and execution of village funds. However, under Law 23, responsibility for oversight of village affairs rests solely with the district at the subnational level, with directive from the central government.

This means that each district is responsible for directly supervising and aiding an average of 173 villages. In turn, the central government is responsible for oversight of 434 districts in how they regulate, oversee, and support villages. This span of control makes direct support and supervision nearly impossible.

Operationalizing the support and supervision role of provinces and kecamatan, as mandated under the Village Law, can help bridge the divide and ensure a more manageable span of control for each level of government.

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71 These changes are based on the government regulation PP 18/2016 that encourages regions and districts to form technical agencies (Dinas) to handle specific government affairs. Under Law 23/2014 and PP 18/2016, 'village' is a mandatory government affair.

72 *Note: the number of each level of government in the table only includes provinces, districts, and kecamatan that specifically have rural villages.
VILLAGE AUTHORITIES

Functions and Authorities

Village functions are described under multiple national regulations, resulting in uncertainty and differing interpretations. Two government regulations guide the implementation of the Village Law: PP43/2014 on Village Law Implementation and PP60/2014 on Dana Desa (and their revisions). The Village Law implementation is further regulated by three ministries: Ministries of Finance, Home Affairs, and Villages. Each ministry then guides local governments to further regulate village development in specific areas. Table 3 provides a list of the subsidiary regulations directly related to Village Law implementation. Article 39 of Government Regulation PP 47/2015 (revisions to PP43/2014) provided the mandate for MoHA to issue a regulation on village authority, and MoHA regulation (Permendagri) 44/2016 provides an overview of village administrative authorities and further mandated local governments to list village authorities. However, this regulation, which superseded an earlier MoV regulation in 2015, does not provide clear roles for villages on improving access to basic services (education, health) despite mandates from the Village Law.

At the village level, where functions of village governments are not clearly authorized by any single regulation, this often translates to differing interpretations within each district and reduces local innovation. Village heads avoid any activities that have not been explicitly authorized. This often means that village governments rely on the Village Chart of Accounts, which provides the most comprehensive list of village activities. Despite the fact that the Village Chart of Accounts was explicitly designed with the flexibility to allow villages and districts to add activities under each sector based on local needs.

Box 4: The Importance of explicit authorization in Indonesia

In many countries, particularly those built on an English common law tradition, governments operate on the basis that laws constrain them from undertaking specific activities. In countries with a civil law tradition, government functions must be more explicitly authorized. Any government action should be anchored in a legal instrument.

In Indonesia, this is coupled with a cascading hierarchy. Authorizing legal instruments are issued at each level. For example, a MoHA regulation (permendagri) will have a corresponding implementing regulation issued by the provincial governor, which is in turn implemented at the district level by a corresponding bupati regulation, and in some cases again at the village level by a village head regulation. Similar instruments originating from sectoral ministries are replicated at each level as well.

The requirement for explicit authorization is reinforced by audit requirements, under which any spending by a government on activities that are not explicitly authorized is classified as corruption.

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73 Article 74 of Village Law and its explanation: Development needs as stipulated in clause (1) shall include, but are not limited to, primary needs, basic services, environment, and Village community empowerment activities. What is meant by “basic services” are among others education, health, and basic infrastructure.
Table 1: Village Authorities Explicitly Authorized in Education, Health, Water, Roads

<table>
<thead>
<tr>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Early Childhood Education</strong></td>
</tr>
<tr>
<td>- Operation of Early Child Education: Early childhood classes (PAUD), kindergartens, Village-Owned Non-Formal Madrasas – including teacher honorarium, uniforms, operational costs, etc.</td>
</tr>
<tr>
<td>- Education equipment and teaching aids provision (ECD)</td>
</tr>
<tr>
<td>- Education and Training for the Community</td>
</tr>
<tr>
<td>- Maintenance early child education facilities</td>
</tr>
<tr>
<td>- Development/Rehabilitation/Improvement/ Provision of Facilities/Infrastructure/Educational Teaching Aids (APE) for PAUD, kindergartens, and Non-Formal Madrasas in the Villages</td>
</tr>
<tr>
<td><strong>Village Libraries</strong></td>
</tr>
<tr>
<td>- Development of libraries and art and learning studio</td>
</tr>
<tr>
<td><strong>Support to Poor Students</strong></td>
</tr>
<tr>
<td>- Educational Support for Poor/ Achievement Students</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Village Health Posts</strong></td>
</tr>
<tr>
<td>- Operation of Village Health Posts, including incentives for village midwives/nurses and Kader, medicine, and family planning services and contraception for poor families</td>
</tr>
<tr>
<td>- Provision of supplementary food, prenatal classes, calluses for the elderly</td>
</tr>
<tr>
<td>- Facilities/Infrastructure: Construction/ Rehabilitation/Improvement/Provision of Posyandu/Polindes/PKD Facilities/Infrastructure</td>
</tr>
<tr>
<td>- Maintenance of Posyandu/Polindes/PKD</td>
</tr>
<tr>
<td><strong>Health Education and Training</strong></td>
</tr>
<tr>
<td>- For Community, Health Workers, Health Kaders, etc.</td>
</tr>
<tr>
<td><strong>Community health activities</strong></td>
</tr>
<tr>
<td>- Implementation of Village Health Alerts</td>
</tr>
<tr>
<td>- Youth Red Cross Development (PMR) at village level</td>
</tr>
<tr>
<td>- Joint Caring for Children with Under Five Family Development (BKB)</td>
</tr>
<tr>
<td>- Guidance and Supervision of Traditional Health Efforts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Water Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maintenance of Village Reserves</strong></td>
</tr>
<tr>
<td>- Maintenance of Village-Owned Infiltration Wells</td>
</tr>
<tr>
<td>- Maintaining Simple/Tertiary Irrigation Channels</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Drinking-Water</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Village-Owned Clean Water Sources</strong></td>
</tr>
<tr>
<td>- Construction/Rehabilitation/Improvement of Village Owned Clean Water Sources (Springs/Rainwater Reservoirs/Drilling Wells, etc.)</td>
</tr>
<tr>
<td>- Maintenance of Village Clean Water Sources (Springs/Rainwater Reservoirs/Drilling Wells, etc.)</td>
</tr>
<tr>
<td><strong>Clean Water Connections to Households</strong></td>
</tr>
<tr>
<td>- Construction/Rehabilitation/Improvement of Clean Water Connections to Households (piping, etc.) **</td>
</tr>
<tr>
<td>- Maintenance of Clean Water Connections to Households (piping, etc.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Roads</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Works and Spatial Planning</strong></td>
</tr>
<tr>
<td>- Village Road Maintenance</td>
</tr>
<tr>
<td>- Road Neighborhood/Alley Maintenance</td>
</tr>
<tr>
<td>- Farm Business Road Maintenance</td>
</tr>
<tr>
<td>- Maintenance of Village-Owned Bridges</td>
</tr>
<tr>
<td>- Maintenance of Village Road Infrastructure (Culverts, Ditches, Culvert Box/Slabs, Drainage, Other Road Infrastructure)</td>
</tr>
<tr>
<td>- Village Road, Settlement/Alley Road, Farmers’ Roads, Village-Owned Bridges (Construction/Rehabilitation/ Enhancement)</td>
</tr>
<tr>
<td>- Construction/Rehabilitation/Improvement of Village Road Infrastructure (Culverts, Ditches, Culvert Box/Slabs, Drainage, etc.)</td>
</tr>
</tbody>
</table>
Interactive Authorities

Interactive authorities are those that are either dependent upon authorities held by other levels of government, held jointly, or negotiated between levels of government as they work together to deliver services. For example, the delivery of vaccines (see Box 5) relies on inputs from the central, district, and village governments. Many functions for each level of government are strictly defined in regulations, while others are shared between two levels of government or require different levels to interact for effective service delivery. For example, villages are responsible for establishing and managing Posyandu (Integrated Village Health Post) and can choose how many they want to set up. However, they are often functionally limited (at least in terms of vaccinations) by the number of Posyandu that can be visited by the nurse from the health clinic who administers the vaccines. In this sense, villages are both the sole “owners” of the institution and must work closely with the health clinic to ensure that it can function effectively. In addition, the responsibility for training Posyandu Kader and managing vaccine records are held by both district and village governments. It is important in this case that in each district, there is clarity on financing and responsibilities around training for Posyandu Kader – particularly if neither budget for the activity, it would result in a critical gap in the provision of frontline healthcare.

The effective delivery of many frontline services requires coordination between different levels of government; however, there is no formal mechanism for village governments to coordinate with officials in the health, education, and public works sectors. The Regional Autonomy Law has designated “village” as a single sector under one agency’s authority (Dinas PMD). While village functions closely link to sectoral departments, Dinas PMD is usually the only district department that interacts with village governments. In one district, the head of Bappeda explained that the word ‘village’ does not even appear in the Tupoksi (Main Tasks and Functions) of other district sectoral agencies.

First, under Indonesia’s regulatory environment, where functions must be specifically authorized, it is critical that local government and sectors can coordinate effectively to deliver services that rely on interactive authorities. As districts are now required to transfer at least 10% of their balancing funds under the Village Law to villages, they rely more on villages to deliver certain frontline services, particularly for sectors with low levels of funding, such as health. This requires that districts and villages negotiate functions and responsibilities for complementary activities to ensure no gaps in the service delivery chain.

Second, what is critical is the concept of “handshaking” between the levels in the delivery of a single service, rather than classifying functions into either “district” or “village” as is implied by the standard concept of functional assignment. Even where authorities are clearly defined, without effective coordination between the two levels, the delivery of certain services will still not be possible. For example, villages have the authority to build early childhood education centers (PAUD) and pay a stiped to Kader working in village-owned PAUD. However, prior to building, villages often need help understanding how to set up an organization that village funds can finance. They also need information and permits for the building itself. Finally, they rely on district governments to provide training for PAUD Kader. This means that districts need to be in constant communication with villages to ensure they have the information and support they need at the front end, as well as being aware of how many PAUD Kader they are responsible for providing training, what type of training they need, and how to communicate with villages about the provision of that training.
The effective management of interactive authorities requires clarity in the regulatory framework, effective coordination mechanisms, systematic technical assistance and capacity building, and data analysis and monitoring systems. This report describes how some districts and sectors have better managed such services and areas where improvements are needed to improve and enable the co-management of services.

*Box 5: Interactive Authorities for Community-Based Immunization*

Community-based vaccination relies on at least three levels of government. Most immunization services are delivered at the village level at the Posyandu (integrated health post) by nurses at the puskesmas (community health center). A village volunteer (Posyandu Kader) is responsible for mobilizing community members to attend vaccination clinics, usually held monthly. The Posyandu Kader receives a modest stipend from the village government for preparing the monthly Posyandu events. The Posyandu is usually held in a designated space, for which the village government is usually responsible (including construction, operations, and maintenance). The district health office provides the Posyandu Kader's training, but village funds usually cover the training cost. The puskesmas assigns one nurse to each Posyandu, who is responsible for administering the vaccines. The nurses' salaries are paid by the district (usually through DAU – General Allocation Fund). Supplies for the vaccinations are also provided through the puskesmas, usually purchased through district funds. The transportation costs for nurses are also covered by the districts (usually through DAK – Special Allocation Fund). The central government procures the vaccines, but the district is responsible for the cold chain management.
D. FINDINGS

The findings of this report focus on four areas:

First are issues related to the regulatory framework and the need for clarification around village functions. How responsibilities and functions are divided and understood impact service delivery. In particular, the interrelated role of each level of government impacts the management of interactive authorities, where different levels of government are jointly responsible for the delivery of a service.

The second area of assessment focuses on systems for coordination. This includes central and local government coordination mechanisms. Top-down regulatory reform alone will not be sufficient to solve the challenges facing frontline service delivery. With a considerable variance in Indonesia’s local government systems and capacities, there is a need for local governments to adapt and negotiate based on their context.

Third, village governments must receive effective technical support and guidance. These findings look at how systems for capacity building and guidance are functioning in order to identify bottlenecks and opportunities for improvement.

Finally, the Village Law requires effective systems for audit, oversight, reporting, and data sharing. While the government has established strict reporting requirements for villages, this assessment seeks to map audit and oversight authorities and identify opportunities to better leverage downward accountability mechanisms.

IMPLEMENTATION OF THE REGULATORY FRAMEWORK

Finding 1: The government has developed a comprehensive regulatory framework for the Village Law. However, the assignment of functions between districts and villages has not been fully clarified. This makes it difficult for local governments to ensure complementarity of activities, and in some cases, may lead to duplication and inefficient spending.

While the Local Governance Law (No. 23/2014) clarified functional authorities between the central, provincial, and district levels, neither Law 23 nor the Village Law clarify village functions. This causes two problems: First, sectoral laws and regulations stipulate conflicting functions, resulting in service delivery gaps. Village governments are apprehensive about implementing any activity which has not been unequivocally designated in all relevant regulation as a village authority, for fear of being audited. The second type of problem is that of concurrent functions, where projects can be implemented by any level of government (village, district, province, and the central government), regardless of complexity or size. This causes duplication and inefficiencies.

Functional unclarity, caused by conflicting laws and regulations, makes responsibilities unclear across government levels and risk causing service delivery gaps. For example, water supply systems are one area where laws and regulations stipulate conflicting functions. Analysis of 2019 village budgets indicates that villages only allocated 1.8% of their budget toward water projects. Village governments interviewed cited that the lack of clear authorities prevented them from implementing drinking water projects. There are four laws and regulations on village water supply, and each provides differing guidance. The annex of Law 23

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74 World Bank estimation based on preliminary 2019 Siskeudes data from 258 districts
delegates authority to district governments through the Department of Public Works. The Village Law specifies "village-scale water supply" as the mandate of village governments. Government Regulation 122/2015 on Drinking Water Provision System (SPAM) states that the village government's authority and responsibilities only include support and supervision of drinking water projects at the community level. Most recently, Law 17/2019 on Water Resources tasks village governments to create village water management committees. The law requires districts to provide villages with support and supervision. Law 17 also prioritizes village water enterprises to receive the permit to manage local water resources as businesses.

When the regulatory framework for Law 17 is further developed, it should clarify roles and responsibilities for village water supply projects. However, at the time of this assessment, officials expressed frustration at the lack of clear authorities. One district official explained, "if the relevant ministries could sit together and make decisions, then come to us with one directive, the majority of our problems would be solved. Instead, we spend all of our time reading new laws and regulations and not knowing which we should follow."

The second problem is concurrent functions, which can be implemented by any level of government (village, district, province, and the central government). This causes duplication and inefficiencies. Under Law 23, as with earlier decentralization laws, specific mandatory functions have been designated to the central, provincial, and district governments – this means that the specified level of government is required to take responsibility for the function, and no other level of government has the authority. These mandatory functions have never been stipulated for villages. This means that while village authorities are limited in that they are not authorized to administer functions of other levels of government (such as building primary schools or district roads), supra-village governments are allowed to implement village-level projects.

Complex village-level projects may require support from the district (such as a bridge over 12 meters or dams). However, currently, every level of government is directly implementing simple village-level projects. In every village visited during this study, at least one village-level project was constructed by the central, provincial, or district government. In one instance, the provincial government had built a narrow, unpaved village road through contractors. The road ran parallel to a complex retaining wall constructed by the village (see Figure 1). In one example found in 2015 in Jambi, the floor of a hanging bridge was deteriorating. Both the village and district governments budgeted for its rehabilitation. When the village work was completed, the district dismantled it and redid the work because they had already budgeted for it. The same project was reported as accomplished in both the district and the village accountability report.

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75 Law 23 Annex: Distribution of Concurrent Affairs Between the Central Government, Provincial and Regional Governments; C. Distribution of Governmental Affairs on Public Works and Spatial Arrangement
76 Reiterated in PP 122/2015 (article 40.g)
77 Law 17/2019 (Article 46)
Functional authorities are further confused due to asset ownership, which particularly impacts operations and maintenance. Village funds can only be used to support operations and maintenance of village assets, which are distinct from community-owned infrastructure. Asset ownership depends not on delegated legal and regulatory function but on who built the asset or to whom it is formally transferred. For example, early childhood development centers (PAUD) built with community contributions, on private land cannot be designated as a village asset. Likewise, if a water network is constructed by a project and handed over to a community user group, it is not a village asset. In the villages visited, village governments notably raised concerns about asset ownership of PAUD buildings, irrigation infrastructure, and water supply networks (often built by the district and handed over to the community). This type of infrastructure in the villages visited often did not receive funds for operations and maintenance. With the village unable to allocate its budget toward repairs, the infrastructure was left in disrepair with no potential recourse by the village government.

Finding 2: The central government issues and updates regulations frequently to respond to changing priorities. However, socialization cannot keep up with the complex and frequently changing regulatory framework. Further, as monitoring focuses on disbursement control and measuring inputs, the central government cannot systematically identify when misinterpretation of regulation causes inefficiencies.

The central government issues and updates regulations frequently to respond to changing priorities. However, the lower levels of government do not always interpret the regulatory changes in line with the central government's intended results. As a result, one district official explained, "districts receive tens of regulations from central ministries, requiring new procedures and reports, which are difficult even at the district level to read and understand, let alone for village governments."

Current monitoring systems for Village Law focus on disbursement control and measuring inputs. This means that the central government cannot systematically identify instances where a poor understanding of regulation may be causing inefficiencies. One such example was concerning the village financial management regulation. The Village Chart of Accounts (COA) was designed based on broad categories of village authorities, with over 500 potential activities listed. The COA was specifically designed to provide flexibility for additional activities based on local needs. This embedded flexibility relies on districts adding additional eligible activities (under codes 90 to 99) based on community needs and the local contexts. Data from Siskeudes show that districts utilize this function, with 10% of total village budgets allocated under these flexible codes in 2019. However, observations in one district showed that these codes were only used to respond to district priorities rather than community needs. There was no mechanism for villages to request activities. In this district, additional activity codes were only created in response to NGOs' requests for a specific project. One village head explained that he had submitted a request to the district to use village funds to construct a village-owned house for a schoolteacher. The village was in a very remote area and was not easily accessible, even from the kecamatan-center. The village had difficulty retaining quality teachers as a result and believed providing housing could act as an incentive to allow the teacher to remain in the village. However, the district had refused to consider their request – not based on authority, but rather the district did not have a systematic way to assess such requests and consider their adoption.
Through strong coordination with villages, one district was able to identify and address an instance of regulatory confusion by villages. In August 2017, the Government of Indonesia launched the National Strategy to Accelerate Stunting Prevention (StraNas Stunting). The strategy outlines how each level of government can better coordinate and target their interventions toward reducing stunting. Throughout field visits, it was apparent that StraNas Stunting and the national prioritization of stunting prevention have helped local governments to increase their focus on this important. However, two of the districts visited had taken the additional step of putting in place spending quotas for stunting prevention, something that the StraNas does not recommend. Both districts had passed regulations requiring villages to allocate 20% of their budgets toward stunting prevention activities.

Regulation on budget quotas for stunting prevention confused village governments and caused some villages to budget for activities that the village did not need, only to ensure compliance. For example, in one district, nearly every village had purchased an ambulance, an activity that they assumed would meet the regulatory requirement. One official remarked that he did not fully understand what stunting was, so he had assumed any activity under the health sector would be accepted. Another said the village already had a PAUD and access to clean water, and he did not know what else they could do toward stunting reduction with village funds. A district official echoed their concerns, explaining:

National and regional governments agreed that stunting is an important issue, and we agree that villages need to contribute. However, from the perspective of the village, they do not know how to deal with the stunting issue. We thought the regulation that villages must budget 20% of their funds for stunting reduction would be enough to encourage the villages to participate. Unfortunately, the response from the village was that we do not understand what stunting is and how we should respond to this issue. Ministry of Health now has 20 determinants of stunting that they use for assessment. They have ten pilot villages using these 20 determinants to assess the stunting outcome indicators, and these are specific things the village can address. This has helped to clarify authorities.

In this district, through regular communication between the village and district government, the district Bappeda department had identified the gap. They worked to address the issue through better socialization and encourage health workers to attend village deliberation meetings to prioritize activities.

Finding 3: Overregulation is reducing village autonomy. Regulatory requirements on prioritizing village funds can hamper local innovation and prevent villages from addressing community needs.

Regulatory requirements for villages on how to spend village funds hamper local innovation and reduce the flexibility to allocate funds based on local needs. Annually, MoV issues a regulation on priority areas for Dana Desa expenditures, which has become the main guidance for village budget allocation. While this regulation does not prevent villages from budgeting for “non-priority” activities, one Dinas PMD official said that they discourage villages from spending their budget on activities that are not considered a priority by the annual MoV regulation. In addition, district governments also issue an annual regulation to add additional local priority areas to guide DD and ADD use. Together these regulations mandate how villages can use funds from their two largest revenue sources – amounting to 85% of the total revenue.79

While such regulatory requirements are put in place with the intention to tackle national challenges, in some of the villages visited, officials said that they had no budget remaining to respond to community

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79 World Bank estimation based on preliminary 2019 Siskeudes data from 258 districts
needs. The first consideration of all village officials interviewed was to follow the annual regulations on village funds. In practice, this resulted in village funds going toward projects stipulated explicitly in the annual regulations rather than community needs. For example, in one village, officials wanted to give scholarships to poor students but decided against this as it was not listed in the regulation on priority use of village funds.

**Districts and central ministries are also increasingly regulating village funds through quotas, which remove authority and decision-making from the village.** One Dinas PMD official expressed that as a result of overregulation, “the village has become a project executor and the village head is merely a figurehead.” All districts visited had a quota for village spending on health and stunting prevention, with some as high as 20%. In one district, villages were required to spend 50% of their ADD funds on poverty reduction. The same district required that at least 25% of the total budget be allocated for “non-infrastructure” activities. The MoV mandates that villages are required to spend 30% of their village development budget on cash for work activities – 50% of which needs to be allocated for salaries.

**A critical issue with budget quotas is that they focus on inputs rather than results and outcomes.** For example, the Village Cash-for-Work (PKTD) requirements focus on the total village budget allocation to provide work for unemployed and under-employed households. However, there are no expectations about how much work each targeted household should receive to ensure the impact of PKTD activities. Since the PKTD regulations came into force, it has helped create over 88 million workdays for nearly 11 million individuals. An average of eight workdays per individual. However, global evidence shows that eight days may not be sufficient to ensure a minimum income for each participant. Further, there is generally no monitoring of when PKTD activities are implemented in the village. For such work to be effective, the implementation should be scheduled when work is limited and avoid competition with agriculture jobs.

**Both regulatory requirements and budget quotas lack an evidence base.** There is limited data available regarding whether these input-based requirements lead to improved results at the village level. One example is the requirement for villages to invest in developing and supporting a village-owned enterprise (BumDes). Both the RPJMN and the annual MoV regulation on village fund prioritization encourage villages to invest in BumDes. However, no analysis has been conducted on the impact of the BumDes or the type of support villages require to develop an effective BumDes. In the villages visited, there was considerable variance in the quality of these BumDes. While some had helped villages develop a tourism industry or local commodity production, the BumDes had no demonstratable result in other villages. Regardless of success, villages continued to invest in BumDes as per the regulatory requirements from the MoV. In 2019, according to Siskeudes data from 258 districts, villages had allocated 0.5% of their budgets to support the BumDes. In these districts alone, this amounted to nearly US$26 million of investments. Assuming a similar trend across the country, this would amount to over US$42 million. In the 258 districts, revenue generated from these BumDes was less than US$4.5 million, amounting only to 0.09% of village revenues. Budget data alone are not sufficient to reach a conclusion about the impact of BumDes, but the numbers do point to the need for further analysis.

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COORDINATION ON SERVICE DELIVERY

Finding 4: While the RPJMN sets out a high-level vision and provides administrative targets for villages, and the new SDG Desa framework developed recently by MoV provides more specific targets, there is no national strategy with results-based metrics, to enable a whole-of-government approach to village development. With at least 24 government ministries and government agencies implementing village-level projects, the absence of a national coordination mechanism and shared approach risks causing inefficiencies and service delivery gaps.

There is no unified national vision for how villages can contribute toward national development objectives. The RPJMN broadly highlights the important role of villages in Indonesia’s development; however, the role of villages in supporting service delivery outcomes is not defined. All targets in the RPJMN focus on administrative functions of the village and process-oriented inputs. Similarly, Minimum Service Standards for village governments are comprised entirely of administrative functions.

There is an opportunity to set clear targets for what outcomes are expected from the US$8 billion a year at the discretion of village governments. Unlike district governments and sectoral ministries, village governments are not responsible for the achievement of sectoral targets. Even though, as highlighted in Finding 3, villages are overburdened with largely input-based quotas and regulations, there are no outcome-based performance targets for villages.

No single authority has the responsibility to coordinate across national-level ministries on village development and the implementation of the Village Law. While Kemenko PMK (the Coordinating Ministry for Human Development and Culture) is responsible for coordination around village development, only one of the four ministries responsible for implementing the Village Law, MoV, falls under its purview. MoHA and MoF are each under separate coordinating ministries, and Bappenas does not have a coordinating Ministry. At the national level, at least 24 different line ministries implement activities directly at the village level. The majority of these ministries fall outside the purview of Kemenko PMK, including the Ministries of Public Works, Agriculture, and Environment and Forestry.

The success of the National Team for the Acceleration of Poverty Reduction (TNP2K) may provide a successful model that could be replicated for village development. TNP2K was established through Presidential Regulation (Perpes) 15/2020 to “promote coordination across ministries/agencies to improve the implementation of poverty reduction programs, improve the living standards of the poor and vulnerable, as well as reduce inequality among income groups.” Specifically, the role of TNP2K is to develop national poverty reduction policies, coordinate and synergize the efforts of poverty reduction programs between different ministries and agencies, and supervise the implementation of these programs. TNP2K has been described as an “unqualified success” and established a strong standard for national oversight and coordination.

The MoV’s recent work on establishing the village-level Sustainable Development Goals (SDG Desa) could be used to develop outcome-based targets and standards for villages. The SDGs provide a comprehensive framework to guide village development across a multitude of priority sectors. However, without clear linkage between SDG Desa targets and district-level targets (for which multiple results-

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82 Based on World Bank assessment of 2018 national expenditures
83 tnp2k.go.id
84 Vin Ashcroft, Independent Completion Report, DFAT, 2015
frameworks coexist), these targets could actually create additional confusion and administrative burden for both villages and districts. There is also an opportunity to link village targets with district and national targets, including establishing joint targets. For example, SDG 6.2, on access to sanitation and hygiene, calls for an end to open defecation. Indonesia’s villages can play a critical role in supporting the national roll-out of community-led total sanitation, with support from district health departments. In 2019, villages allocated less than 1.5% of their budget toward improving sanitation, more than half of which was used to build toilets, contrary to community-led total sanitation best practices promoted by the Ministry of Health.\footnote{World Bank estimation based on preliminary 2019 Siskeudes data from 258 districts} With clear targets for village and district health departments, a joint strategy for establishing open-defecation-free villages can mobilize village governments to promote behavior change and help bring Indonesia closer to achieving its target.

Finding 5: Some districts have established systems for sectoral coordination, under the authority of Bappeda, to manage services that depend on interactive authorities between villages and districts.

A lack of systematic coordination on inter-dependent services can lead to gaps in service delivery. In districts where Dinas PMD and sectoral departments had no formal coordination, villages reported that districts did not allocate funds to support key village functions, and instead, district spending often duplicated village spending. In one district, the education agency and villages had prioritized the construction of PAUD buildings and PAUD teacher allowances, but neither had budgeted for PAUD teacher training. In this case, the district was implementing activities that should have been the responsibility of the village. Instead of duplicating village interventions, the district education agency could have used their funds to organize training for PAUD teachers, which villages cannot do independently. Village governments and PAUD teachers both complained about the lack of district support for PAUD activities. Most PAUD teachers had never received any training, which likely reduces potential benefits. In reality, the district was investing quite a bit of money in PAUD, but it duplicated what villages themselves could do instead of supporting them with functions beyond village capacity and authority.

Some districts have established their own coordination mechanism for frontline service delivery. During the study, two districts visited, through technical support from the Kompak program, had developed a multi-sectoral approach to village affairs. In both districts, the overall coordination of village affairs was under the authority of Bappeda (as delegated by the bupati – District Head), with Dinas PMD as the technical lead. One of the most critical activities led by Bappeda was the drafting of the annual Perbup (District Head Regulation) on village fund usage. As noted above, the Perbup was the primary regulation used by villages to guide them (with regard to their authorities) in developing their annual plans and budgets. In these districts, with the technical guidance of Dinas PMD and supported by Kompak, Bappeda invited sectoral health, education, agriculture, public works, and other relevant agencies to participate in the drafting of the Perbup. The agencies then specified what functions they expected to be undertaken by villages to complement (rather than duplicate) district functions. However, according to provincial Bappeda officials interviewed, many districts are not issuing this annual Perbup. One province had begun developing templates for districts to support them in this process.

District coordination efforts were most effective in the health sector, for which the central government had provided clear guidance on functional authorities. As a part of the StraNas Stunting, the Ministries
of Health and Home Affairs clarified responsibility for each level of government under the annual guidelines for the preparation of regional government work plans (Permendagri 31/2019). The Permendagri outlines clear roles and responsibilities for each government level (including village) and how they link to national development objectives. At the district level, the health agency and Dinas PMD used the guidance from Permendagri 31 to list functions related to health.

Health agency staff in the district recognized the critical role of villages in supporting national health targets. One district health official explained, “without the village, we would not be able to meet our national health targets, the village is the end-user, so coordination is critical.” However, in the same district, the delegation of authorities between the village and district for education and infrastructure activities was not as clear, despite the district sectoral agencies’ participation in district meetings. This demonstrates that it is critical to have both clear guidance on core functions from the central government and a coordination mechanism at the district to further clarify and ensure complementarity around interactive functions.

Box 6: Health Sector Coordination in Lombok Timur and Pemalang

Through strong coordination between Bappeda, Dinas Health, and Dinas PMD, villages and districts in Lombok Timur and Pemalang have established an effective system to ensure coordination and complementary health functions between villages and districts. During the annual planning processes, necessary health activities are outlined, and specific rules and responsibilities are negotiated between Dinas PMD and Dinas health. For example, districts outline planned training sessions and communicate that to villages so that village governments can budget for all associated costs such as travel and allowances.

This coordination is also paralleled at the village level itself, where health workers work closely with the village government and attend village meetings. In Lombok Timur, puskesmas and health workers attend MusDes meetings to help ensure priority health activities are included in village budgets and plans. In Pemalang, puskesmas hold an intersectoral forum where villages and kecamatan officials are invited to discuss health programs, identify any service gaps that exist, and request additional services that local governments feel are needed.

One advantage of working closely with villages, one district health official explained, was the ability of villages to respond much more quickly than district governments. He specifically noted that there is often a shortage of disposable material for Posyandu and Posbindu activities. In these cases, villages use village funds or fundraise within the community to purchase new materials, such as paper for glucose testing.

Critically, health officials in both districts recognized the role of villages in the effective delivery of frontline health services. One district health official in Lombok Timur explained, “villages are our partners. We cannot deliver health services without them, particularly with regard to health promotion and preventative healthcare.”

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86 The guideline for preparation for regional government workplans are issued annually by MoHA’s Directorate General for Regional Development (Bangda). Permendagri 31/2019 is referenced as it was the annual guidelines utilized to develop the annual workplans for fiscal year 2020, when interviews were being conducted. Permendagri 40/2020 has been issued to guide local government planning for fiscal year 2021.
Finding 6: Innovative practices at the local level demonstrate that sectors, including health and education, can improve service delivery by working together with village governments.

The most effective mechanism to build sectoral linkages was to leverage and strengthen existing institutional arrangements. In the education sector, the KIAT Guru program successfully built a partnership between village governments and primary schools (see Box 7); in the health sector, Puskesmas staff participated in village meetings and provided technical guidance on health activities in village plans and budgets; for administrative support and oversight, the kecamatan helped village governments with planning, budgeting, and reporting requirements. A brief overview of these arrangements is provided below, but these will be further detailed in follow-up sectoral studies.

In the education sector, the KIAT Guru87 pilot program encouraged better coordination between education officials and village governments. There is no formal mechanism for school officials to coordinate and work with village governments under the existing primary education system. However, through KIAT Guru, which is co-led at the village level by school principals and village heads, schools and village governments have come together with parents and other community members to tackle education challenges. The primary objective of KIAT Guru is to bring communities and primary schools together to improve teacher presence, service performance, and learning outcomes. In the communities visited during this study, the model had also enabled a problem-solving approach to tackle additional education challenges. School officials expressed that through direct contact with village heads, they have finally been able to tackle critical challenges with village governments’ support that previously had not been addressed. This included improving student attendance and encouraging the community to protect and take care of the school environment – preventing livestock from roaming and people from leaving trash, including empty alcohol bottles, on the school grounds.

In the health sector, Puskesmas staff participation in village meetings helped villages optimize their budget toward health promotion activities. Health professionals provided specific recommendations for village activities and guided villages on including these activities in their plans and budgets. In two of the districts visited, district health officials asked Puskesmas staff to participate in village meetings. In these districts, village officials expressed that Puskesmas staff’s participation helped them select more strategic activities to reduce and improve community healthcare. For example, in one village, the midwife argued against purchasing a village ambulance (as the Puskesmas was in the same village) and convinced the village to establish a feeding program for under-five children from poor families.

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87 KIAT Guru, which began in July 2016, is helping to improve education service delivery in remote villages by empowering communities to report on teacher attendance. Teacher allowances are linked to their service quality. Communities, school officials, and the village government meet each month to discuss issues related to education, and review progress on their own goals and targets, as well as monitor teacher attendance.
Box 7: Improving Learning Outcomes Through KIAT Guru

KIAT Guru aimed to improve frontline education delivery in remote villages, where teacher absenteeism tends to be higher and student learning outcomes lower than the national average. The pilot empowered communities to conduct a citizen-led student learning diagnostic and develop joint agreements with schools to improve education service delivery and support student learning. The Ministry of Education and Culture required teachers in pilot schools to record their presence in schools using a camera application and cut teacher remote area allowance payments based on teacher absence.

A steering committee was established at the central level, co-chaired by the National Team for the Acceleration of Poverty Reduction (TNP2K) and the Ministry of Education and Culture (MoEC), and membership from relevant agencies and ministries, including Bappenas, MoHA, MoF, and MoV. The steering committee was responsible for setting the overall policy and vision and issuing the relevant national regulation and guidelines.

Sub-national Coordination Teams (SCT) were established in each of the five pilot districts under the leadership of the Bupati. The SCT was responsible for: issuing district regulations that enabled community participation in improving service delivery, enabling linkage between village governments and schools, and project monitoring.

At the village level, village governments appointed village Kader to facilitate meetings and community committees to monitor the implementation of joint agreements. Village-wide stakeholders met regularly, financed by village funds, to evaluate progress made on the joint agreement and verify teacher absence. The meeting results were reported to the district governments and school supervisors.

An impact evaluation by the World Bank found that institutionalizing a formal mechanism for connecting communities to schools and including them in education improvement initiatives improved parental involvement in student learning, teacher attendance and performance, student learning outcomes, and overall support from village and district governments.
Table 2: Typology of Coordination Mechanisms

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<tr>
<th>Mechanism</th>
<th>Description</th>
<th>Example</th>
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<tr>
<td><strong>Vertical Sectoral Coordination</strong> (central down to provincial, district, and village)</td>
<td>Through this approach, the central government helps clarify authorities and built a district-level structure to negotiate interactive functions between different levels of government. The central government also issues annual guidelines for preparing regional government workplans (Permendagri 31/2019 and 40/2020). These guidelines are issued annually by MoHA’s Directorate General for Regional Development (Bangda). The province also plays an important role in monitoring and oversight of overall coordination.</td>
<td>StraNaStunning approach, implemented through INEY program under direction of TNP2K</td>
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<tr>
<td><strong>District-level Horizontal Coordination</strong></td>
<td>At the district level, sectoral coordination is institutionalized, leveraging the role of Bappeda to coordinate between sectoral Dinas and Dinas PMD to negotiate roles and responsibilities (including funding of specific activities) between villages and districts for effective management of interactive authorities.</td>
<td>StraNaStunning approach, implemented through INEY program and the poverty reduction program under direction of TNP2K and its district-level coordination (TKPKD)</td>
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<tr>
<td><strong>Vertical coordination through Kecamatan</strong></td>
<td>Through this approach, the kecamatan acts as the intermediary between villages and districts. The kecamatan plays a key role in supporting districts to better monitor villages around planning and budgeting village funds. They also support the roll-out of certain core training programs for village officials, enable inter-village coordination, and link villages to needed technical assistance and support. This approach particularly supports more remote and smaller villages that often do not have direct linkages to district officials.</td>
<td>Kompak PTPD program</td>
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<tr>
<td><strong>Facility-village linkages to promote local problem solving</strong></td>
<td>Through this approach, local facilities (such as schools and puskesmas) are linked to village governments to support one another in improving development outcomes. Service providers can benefit from the village government’s support to mobilize communities, institutionalize systems for downward accountability, and complement sectoral spending through village funds. Village governments can benefit from input from technical specialists to better strategize plans and budgets for sectoral activities and ensure linkage between district and village services.</td>
<td>KIAT Guru</td>
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<tr>
<td></td>
<td></td>
<td>Puskesmas-village government linkage in Lombok Timur and Pemalang</td>
</tr>
</tbody>
</table>
Finding 7: The system for delivering capacity building for village officials is fragmented, training is largely ad-hoc, and reaches only a fraction of villages.

The Village Law and Local Autonomy Law both stipulate a cascade system of guidance and supervision (*pembinaan dan pengawasan – binwas*). The central government supervises and supports provinces, provinces monitor and support districts, and district heads (and their sub-districts) provide guidance to and supervise villages. Each level provides guidance and supervision to the level below, with districts and sub-districts holding the primary authority for direct village support and supervision.

However, in practice, village capacity building is delivered through multiple sources with limited coordination. In the districts visited, village officials received training directly through multiple sources, including MoHA Balai; provincial Human Resource Development Agency (BPSDM); provincial Dinas PMD; district Dinas PMD; technical teams at the kecamatan; and Pendamping Desa. There was no formal system to coordinate and monitor village apparat training in the three provinces visited.

Through the current delivery system, capacity building programs only reach a fraction of villages. For example, in one province where the provincial BPSDM provided training to the district Dinas PMD, BPSDM could only reach 10% of districts. The Dinas PMD, in return, invited only two village officials in each kecamatan for training. Village officials are required to budget for their own travel costs from village funds to attend training programs. However, one kecamatan official reported that many villages have already allocated their capacity building budget by the time the invitation reaches them. Overall, in the districts visited, only a small fraction of village officials had received formal training through either district or central government capacity-building efforts.

MoHA and MoV also implemented training of trainers (TOT) to support district officials to deliver capacity building to villages; however, the individuals trained at the subnational level were not necessarily those who were responsible for providing support to villages. A BPSDM official at the provincial level noted that only some of its trainers had been certified by MoHA, even though, according to the Dinas PMD, 300 Master Trainers had received training from MoHA’s TOT. In another province, a Dinas PMD official explained that the district staff selected to receive training through the MoV were often not those who would later be responsible for training village officials. The official noted that because TOTs are often held in Jakarta or the provincial center, training opportunities may be given to more senior or politically connected officials.

Finding 8: The sub district (kecamatan) can play a critical role in bridging the geographic gap between villages and districts, enabling horizontal and vertical coordination, increasing technical support, and strengthening oversight.

With an average number of 178 villages per district, districts are often unable to reach villages with effective support and supervision. Numerous sources highlight the important role that the kecamatan plays in helping bring services closer to the people and support districts to provide village guidance and

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88 This study focuses on the systems for the delivery of capacity building and not on the content of these programs. Currently, work is underway by MoHAs, with support from the World Bank, to review capacity building content and modules.
The kecamatan is more geographically accessible for villages, is a cost-effective base for support and supervision, and has familiarity with the context. Kecamatan can also play a key role in transmitting village needs, accomplishments, and priorities upward to district governments and above. Further, key service delivery points, including Puskesmas and schools, are located at the kecamatan-level.

The kecamatan has a regulatory mandate to provide support and supervision to village governments. Under PP 18/2016 on Local Government Apparatus, PP 17/2018 on Kecamatan, and Permendagri 90/2019 on Budget Nomenclature, kecamatan governments are responsible for support and supervision to village governments, administration and coordination of frontline service delivery, and community participation and empowerment. However, many districts have not yet adopted the updated kecamatan nomenclature and delegated the relevant authorities on village support and supervision to the kecamatan. Therefore, across the country, there is great variation in the role that kecamatan play in supporting the delivery of the Village Law.

Examples of districts that have successfully operationalized the role of the kecamatan show the potential role that kecamatan can play in village development, particularly for lagging and remote villages. Some kecamatan have been able to provide systematic support and supervision to villages by establishing technical assistance teams. For example, in Lombok Timur and Pemalang, through MoHA-Kompak-DFAT support, kecamatan has developed Technical Guidance for Village Government (PTPD) teams, including village clinics, to support village planning, budgeting, implementation, and reporting. These teams involve district and sub-district staff. Villages supported through PTPD teams particularly highlighted the impact of kecamatan support for capacity building, including technical training on Siskeudes, planning, budgeting, and reporting. One Camat explained that the establishment of the PTPD had helped the kecamatan to be able to support and supervise village activities. He noted that in the past, support to villages was dependent on one individual (Kasih PMD), but through the PTPD, there is an entire team with different expertise that can respond to requests and support villages. During interviews with village governments, village heads from more remote villages, in particular, highlighted the critical role of the kecamatan in providing support and advocating on their behalf to the district. One village head highlighted that since the establishment of the PTPD, village Kader and officials had received targeted support and training.

Kecamatan PTPD teams can play a role in improving collaboration between district sectoral departments and village governments. Kecamatan officials in one district worked with Bappeda to identify village capacity-building gaps and identify trainers to come to deliver training. For example, in Pemalang, officials in Kecamatan Taman had coordinated with the health department and the Puskesmas to organize targeted training for village officials on stunting prevention through the PTPD. One Camat explained that the PTPD team has helped ensure villages allocate budget for key operations, such as PAUD Kader stipends. In the visited location, local officials in the kecamatan, Dinas PMD, and Pendamping Desa recruited by MoV coordinated closely to support villages through the PTPD structure. This coordination was built on strong interpersonal relationships rather than a specific mandate on roles and responsibilities. For the effective scale-up of the PTPD model, both the central government and each district will need to clarify and ensure roles, responsibilities, and coordination functions between these teams.

Kecamatan staff require specific capacity building on the Village Law to support and supervise villages effectively. Currently, kecamatan staff do not receive any training or information on the Village Law in

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89 MoHA, Village Apparatus Capacity Development Strategy (PKAD); KOMPAK Kecamaton Study (May 2017); World Bank – SMERU, Sentinel Villages studies on Kecamatan and Supra-Desa support for villages.
their core training from MoHA through the BPSDM. In two kecamatan, where staff had received technical support from Kompak, they understood village systems and their own role in village development. In another kecamatan, the staff had not received training and were unable to review village budgets effectively. As a result, the district was forced to review all village budgets again. One village in this kecamatan explained that the delegation of authority had doubled their reporting requirements rather than simplify their work.

**Delegation of authority to kecamatan must be paired with sufficient budget allocation.** Some kecamatan highlighted that despite the delegation of authorities, they had not received sufficient budget from the district and specifically noted that the allocation for their operations budget was fixed by the district and could not be changed to respond to needs. Kecamatan staff noted that this made it difficult for them to carry out their responsibilities and limited their ability to travel to villages.

*Finding 9:* Annually, village governments invest IDR 5.1 trillion (US$3.5 billion) in infrastructure to improve rural access and services. However, the lack of engineering oversight and large workload of engineering facilitators may jeopardize the potential return on village infrastructure investments.

An estimated 45% of village budgets are allocated for infrastructure projects, amounting to an estimated IDR 5.1 trillion (US$3.5 billion) in infrastructure spending in 2019. Experience from Indonesia’s community development programs has shown that infrastructure investments can help to improve local economics; provide opportunities and access to services for the poor and marginalized; bring goods to markets; are cost-effective; create jobs; and can last for more than ten years, even in Indonesia’s volatile geology. With the increase in village budgets, village governments have a tremendous opportunity to drive local economic development through these infrastructure investments. However, the lack of adequate technical support and oversight can jeopardize investments.

A 2018 World Bank infrastructure assessment, which looked at 165 village-level projects, found that less than half of projects met technical specifications, and 85% of projects did not have adequate operations and maintenance. More than half of the projects also lacked design drawings, closely linked to lower quality of construction. The assessment also found that more than half of projects lacked community and user input, which weakened citizens’ sense of ownership. In addition, the assessment found that 85% of village officials interviewed said that government ministries’ technical support was inadequate. Only 2% reported that they received adequate support.

There is limited technical support for village infrastructure projects. Villages receive technical support through MoV’s 5,371 technical facilitators (PDTI). Village officials interviewed stressed that PDTI plays a critical role; however, the ratio of PDTI to projects is low, as is their technical capacity to support complex projects. For example, one PDTI interviewed said that villages under his purview implement around 240 infrastructure projects in one year, so he could not provide sufficient support for all villages. Two other

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90 World Bank estimation based on 2019 village budget data from Siskeudes and BPS’s Village Finance Statistics
92 World Bank, Village Infrastructure Technical Assessment, 2018
93 Ibid.
94 Ibid.
95 Ibid.
PDTI interviewed noted that they did not have the expertise to support villages with more complex projects, and they were not provided with standard drawings.

Some villages used village funds to hire additional engineers to provide technical support, particularly for complex projects. In two of the villages visited, officials noted that they had used village funds to hire private engineers to support infrastructure project design. In another village, the responsible PDTI requested assistance for a particularly complicated bridge project through the district Department of Public Works, which was provided, but the village was required to pay the Public Works engineer. The PDTI are not systematically working together with the Department of Public Works, and such interactions are based only on personal relationships between individuals.

There is no formal technical oversight or supervision of village infrastructure projects, but some districts have established their own infrastructure approval processes. There is no formal technical supervision for the implementation of village infrastructure projects. While the PDTI supports villages in developing plans and designs for projects, there is no requirement for approval and sign-off of village infrastructure plans. The PDTI are also unable to monitor implementation of the plans and ensure technical specification of met. During this assessment, engineers interviewed referred to a number of local approval processes, but their implementation was ad-hoc. In one district, a regulation had been passed that all village infrastructure projects over IDR 10 million implemented through ADD financing should receive signoff from the Department of Public Works. In another district, engineers continued to follow the PNPM program’s requirements, where two-story buildings, bridges over 12 meters, and all dams required review from the Department of Public Works. Usually, this meant that the PDTI would send drawings to an engineer from Public Works who would provide advice, but this did not require any formal sign-off. Further, some PDTI noted that the Public Works engineers were too busy to review the documentation in some cases. In another district, the PDTI said that the Department of Public Works reviews all projects submitted to them. In all visited locations, sign-off and oversight of project implementation were ad-hoc and largely depended on the interpretation and experience of each PDTI.

AUDIT, OVERSIGHT, REPORTING, AND DATA

Finding 10: The government has established a comprehensive audit regime, which requires a large portion of villages to be audited each year. However, several barriers reduce efficiency and effectiveness, including fragmented responsibilities, lack of sanctions requirements, and regulatory requirements that prevent findings from being presented to communities.

Responsibilities for audit and oversight of village financial management are fragmented. No single entity has the authority to conduct a comprehensive audit of all village funds. There are also differing audit processes for different sources of funds, with Dana Desa having more oversight than ADD and provincial transfers. The audit functions of different entities are outlined below, based on their designated authority, with further contextualization based on interviews with government officials.

- **Audit Board of Indonesia (BPK):** BPK conducts an audit on district budgets in Indonesia, including village budgets as an annex, as regulated through the annual Permendagri on Local Government Budget Development. BPK also conducts an audit on a small sample of villages to verify the financial documents submitted by districts. Based on Law 15/2004, BPK is mandated to conduct village financial audits. However, due to a lack of resources and village accounting standards, BPK is not auditing villages as a separate entity.
• **Indonesian State Financial and Development Supervisory Board (BPKP):** BPKP is responsible for strengthening public entities' accountability and oversight through inspectorates at the central and local levels. Its role is to consult and coach internal auditors. It has offices at the central and provincial levels. BPKP has been conducting quarterly evaluations on the use of Dana Desa as instructed by the President. The evaluation focuses on compliance with policies, regulations, and outputs from Dana Desa. All BPKP Provincial offices conducted evaluations on Dana Desa through village financial management reports and data and field visits to two villages per district. The reports are only submitted to the Presidential Staff Office (KSP).

• **Provincial Inspectorate:** MoHA issued guidelines in December 2019 to all Governors for provincial inspectorates to conduct oversight of Dana Desa, including district regulations and policies on Dana Desa, compliance of disbursement of Dana Desa from the district treasury to village accounts, and mechanism for village support and supervision. However, this oversight is not systematic due to a lack of capacity and resources. The provinces visited in this study assigned one to two auditors to manage all issues related to Village Law. Due to pressure from BPK, some provinces have started to implement Dana Desa evaluations; however, provincial Inspectorates are mostly focusing on oversight of disbursement of Dana Desa and not yet reviewing district regulations related to villages. MoHA has issued a circular to require Provincial Inspectorate to submit quarterly audit results by District Inspectorates on villages to MoHA, but this is not being implemented. There is no information system for District Inspectorate to submit audit reports to the Provincial Inspectorate.

• **District Inspectorate:** District Inspectorates conduct audits on village financial reports and performance. The audit is done through internal control assessments, transaction reviews, and physical checks. District Inspectorate provides a conclusion on compliance, effectiveness, and efficiency. This audit is mandated through Permendagri 07/2008 and PP 12/2017. In the districts visited, District Inspectorates were auditing between 30 to 50% of villages, including operational audits on select activities of those villages through site visits by audit teams, including infrastructure specialists. There are no specific guidelines for village audits. The district inspectorate refers to the standards from the Government Internal Audit Association. Further, the audit of village budgets and utilization reports is done manually and not yet linked to Siskeudes. There is also no specific guidance for technical audits for village infrastructure, and the inspectorate uses general guidelines from the Ministry of Public Works and Housing. There is also no formal sanctions system. In the districts visited, the inspectorate only shared audit reports with the village head and the bupati. For findings that indicate financial loss, the auditor recommends repayment to the Village Account. Other types of sanctions are decided at the discretion of the bupati.

• **Kecamatan:** The kecamatan is mandated to provide guidance and oversight to villages as mandated in PP 18/2016. The detailed tasks and responsibilities of kecamatan in providing guidance and oversight to villages are elaborated in PP 17/2018 on Kecamatan. Some kecamatan have been delegated the authority (by the bupati) to review the draft village of budget to ensure compliance with central and district regulation. In the districts visited, the kecamatan reviewed village budgets to ensure that district regulations on fund usage were followed, particularly for budget quotas. While the current review process focuses on compliance, village governments interviewed found that the kecamatan officials were responsive and supported them on administrative requirements of their budget – which considerably streamlined the process compared to engaging directly with district officials.
• **Village**: Responsibility for oversight at the village level is with the Village Council (BPD), the Monitoring Team, and village facilitators. The BPD, both directly and through the village monitoring team, is responsible for conducting oversight of village activities through the Musyawarah Desa (village deliberation forum), visit to project sites, receiving complaints or suggestions from the community, reviewing financial records (monthly), and reviewing the Village Head Accountability Report. However, in the villages visited, the BPD did not have proper documentation on oversight activities and results. Further, the District Inspectorate audit report is not shared with the BPD. At times, the village facilitators are asked to oversee village activities, but this is not done systematically. There is no standard guidance for oversight and reporting, and the BPD has no formal power for sanctions.

**MoHA issued the Village Financial Oversight regulation (Permendagri 73/2020)** in December 2020, which, together with new technical guidelines on village financial management oversight, and an audit software (Siswaskeudes), will address many of the issues raised above and improve village oversight and audit by central, provincial, and district governments. The new guidelines introduce risk-based audits; a standard format for village audits; guidelines to assess compliance, effectiveness, accountability of village financial management, and quality of village spending; promote IT-based solutions; clarify the oversight by BPD and the community; and enable consolidation of audit results from the district to the provincial to the central level. The new system also strengthens the role of the provincial inspectorate to oversee district management of village funds. Currently, MoHA and BPKP are preparing training for Districts and Provincial inspectorate on these new changes.

**There is no systematic mechanism to impose sanctions if audit reports find financial discrepancies and corruption.** Currently, sanctions are under the domain of the bupati, with no oversight on whether the bupati follows up on the recommendations of the inspectorate and no requirement for sanctions. Article 115 of the Village Law places the authority of sanctions on the district government. However, district governments are dissuaded from imposing sanctions, which will negatively impact the district's disbursement rate.

**Audit reports are not released, either in full or in summary, to the public.** Per PP 12/2017 on Support and Oversight of Local Government Administration (Article 23), the results of audits must be confidential and not made available to the public. Releasing audit reports could help increase communities' and civil society's ability to identify and report corruption or mismanagement cases. According to the recent World Bank assessment, most corruption cases that have been made public were reported by communities and civil society. In one district, NGOs requested regular meetings with Dinas PMD to report any suspected cases of capture or corruption for the government to follow up. The head of Dinas PMD in the district noted that NGOs' role is critical to identify such cases at the local level. Despite the important role civil society and communities play in identifying corruption, audit results cannot be shared with communities.

**Finding 11: Excess and duplicative reporting requirements are significant and cumbersome, hindering over-stretched village governments' ability to focus on delivery.**

**Excess and duplicative reporting requirements are significant and cumbersome, hindering the ability of over-stretched village governments to focus on delivery.** Village Governments are required to submit 22 reports in one year to comply with various national regulations, in addition to district reporting

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96 World Bank, Update on Village Corruption, December 2019
requirements that vary between districts. It is in the government’s interest to consolidate, streamline, and simplify reporting requirements to reduce the administrative burden on villages and ensure they can focus more on implementation.

There is nearly no difference in the financial administration for districts and villages, despite the significantly smaller scope and mandate of villages. One district official explained that Dana Desa regulations are too complex, particularly compared to the limited human resources available at the village. He said that even district officials often make mistakes despite the much higher administrative resources and capacity. Another district official explained that “even for five rupiah, the accountability receipts could be five pages long, but this is not feasible for villages.” A recent World Bank study echoes these findings. Table 5, from this study, shows a sample of the administrative workload for village governments.

Table 5: Sample Administrative Workload of Village Governments

<table>
<thead>
<tr>
<th>Required document</th>
<th>Supporting document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td></td>
</tr>
<tr>
<td>RPJM Desa and RKP Desa</td>
<td></td>
</tr>
<tr>
<td>Time: three months after a new village head is inaugurated for RPJM Desa and in Jul-Sept for the RKP Desa</td>
<td>Per Permendagri 114/2014 on village development guidelines:</td>
</tr>
<tr>
<td></td>
<td>1. VH decree on formation of a team to prepare RPJM &amp; RKP Desa</td>
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<td></td>
<td>2. Report on village assessment (including general village data, district’s planned programs, and inter-village plans, list of villagers’ proposals)</td>
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<td></td>
<td>3. Minutes of village meeting</td>
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<tr>
<td></td>
<td>4. List of proposals for RKP</td>
</tr>
<tr>
<td>Budgeting</td>
<td></td>
</tr>
<tr>
<td>RAB and APB Desa</td>
<td>Per Permendagri 113/2014 on village financial management:</td>
</tr>
<tr>
<td>Time: Oct-Dec</td>
<td>1. A decree on formation of PTPKD</td>
</tr>
<tr>
<td></td>
<td>2. Draft APB Desa</td>
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<tr>
<td></td>
<td>3. Village regulation on village reserve (if any)</td>
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<tr>
<td></td>
<td>4. Draft RAB</td>
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<tr>
<td></td>
<td>5. Draft of revised APB Desa (if relevant)</td>
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<tr>
<td>Implementation</td>
<td></td>
</tr>
<tr>
<td>A variety of letters and decrees</td>
<td></td>
</tr>
<tr>
<td>Time: all through the fiscal year</td>
<td>Per Permendagri 47/2016 on village administration:</td>
</tr>
<tr>
<td></td>
<td>1. Ledgers/cash books and bank statement</td>
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<td></td>
<td>2. Logbooks of village activities</td>
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<tr>
<td></td>
<td>3. Village Kader logbook</td>
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<td></td>
<td>4. BPD logbook</td>
</tr>
<tr>
<td></td>
<td>Per Permendagri 113/2014</td>
</tr>
<tr>
<td></td>
<td>1. Request for payment</td>
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<tr>
<td></td>
<td>2. Expenditure report</td>
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<td></td>
<td>3. Proofs of transaction</td>
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<tr>
<td></td>
<td>Per Perka LKPP (Regulation of Head of National Procurement Agency) 13/2013:</td>
</tr>
<tr>
<td></td>
<td>1. A plan of use of resources</td>
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<tr>
<td></td>
<td>2. Working drawing</td>
</tr>
<tr>
<td>Reporting</td>
<td></td>
</tr>
<tr>
<td>Receipts, proofs of implementation, and report</td>
<td>Per Permendagri 114/2014:</td>
</tr>
<tr>
<td></td>
<td>1. 6-monthly report</td>
</tr>
<tr>
<td></td>
<td>2. Annual report (realization)</td>
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<td></td>
<td>3. Report on village assets</td>
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<td></td>
<td>4. Report on supra-village government’s programs in the village</td>
</tr>
</tbody>
</table>

Finding 12: While villages play an important role in collecting data and compiling reports, village
and district governments do not have access, or are not able to use, much of this data for their
own planning and problem-solving.

District governments visited in this study did not have access to the national databases that collect
village data – including financial and non-financial data. There are several village-level information
systems, each run by different ministries. While villages are often required to collect and compile the
data used in these databases, there is no interface for them to use the data for their own planning and
problem-solving. They also cannot compare their own performance with that of neighboring villages.

Although all districts visited have adopted the Siskeudes, none utilized the system to review village
budgets, monitor village financial management, and identify expenditures or accounting issues. Two
local government offices had tried to collect village financial data in the past to help with district planning.
In one district, the Bappeda had only received scans of hardcopy budgets, and another had received
incomplete data. Because of the amount of labor required to clean the data, neither had pursued the
matter. Neither of the local government agencies was aware they could access village financial data
through Siskeudes for their own planning and monitoring purposes.

Bappeda officials interviewed expressed their interest in understanding village expenditure
compositions to prioritize complementary district interventions. However, the data is currently not
systematically shared with Bappeda. For example, in the case of stunting, while one district already had a
mapping table indicating red areas of stunting incidence, they did not know how much village resources
had been allocated for stunting prevention interventions. Although the kecamatan has undertaken village
budget reviews to evaluate whether the village has allocated 20% of their budget to stunting
interventions, there was no consolidated information at the district level to show which villages had
invested in what type of activities, which would help to evaluate the efficiency and effectiveness of
different interventions.

MoHA is designing standard queries for mandatory reports to provide access to village financial data to
districts. This will include outputs and results of stunting interventions. However, to ensure districts utilize
these reports effectively, MoHA will need to couple this with capacity building. The capacity of the district
administrator of Siskeudes is critical to better utilization of village financial data. For example, only one of
the three Siskeudes operators interviewed for this report could extract a detailed budget from the system
in the districts visited.

97 Prodeskel (Village Profile Data) System, Village Financial Management System (Siskeudes), Village Asset Management System
(SIPADES), Village Development Information System (SIPEDE), and the Integrated System for Poverty Planning, Budgeting, Analysis
and Evaluation (SEPAKAT). In addition, data on basic health and education service provision are available from the Ministry of
Health and the Basic Education Data System (Dapodik) of the Ministry of Education and Culture, while poverty-related data are
available through the Unified Database managed by the Ministry of Social Affairs (DTKS).
E. RECOMMENDATIONS

The Government of Indonesia has rolled out the Village Law at an unprecedented scale and speed, reaching nearly every village in the country within one year of the Law’s passing. The government is continuously working to strengthen the implementation of the Village Law. These recommendations, which focus on the role of local governments, aim to support the government’s continued efforts to strengthen village development. Specifically, these recommendations are framed around how the Government of Indonesia can create an enabling environment of village service delivery by improving linkages between village government and frontline service delivery facilities and programs.

Recommendation 1: Align and simplify the legal and regulatory framework around village development and clarify sectoral functions and authorities between villages and districts.

Drawing from the national strategy, the Government of Indonesia should clarify and strengthen the role of one agency or ministry as the lead coordinator for the implementation of the Village Law. Currently, coordination functions are jointly shared between Kemenko PMK and Bappenas, but neither holds the authority to task ministries, approve plans, and hold implementing ministries to account for the performance. Clarification of authorities for a lead responsible agency can help resolve conflicting regulations and duplicate reporting requirements.

The lead coordinating agency should:

a. **Work with implementing agencies and line ministries to review the current regulatory framework and administrative requirements at the central, provincial, and district levels, including:**
   - Correct inconsistencies (including between Laws 23/2014 and 6/2014, and PP43/2014 and PP60/2014)
   - Reduce unnecessary reporting (such as collection of original receipts for purchases of as little as IDR 5)
   - Enable information sharing between levels of government and different ministries (unified databases)
   - Leverage technology and systems such as Siskeudes to streamline reporting to all levels of government
   - Clarify authorities between MoV and MoHA, including for village information systems, data collection, and regulation around BPD role, responsibilities, and capacity building

b. **Clarify sectoral functions and authorities between villages and districts.** In coordination with line ministries and Village Law implementing ministries, the National Coordination Team should clarify village and district functions and authorities, particularly to correct current inconsistencies and contradictions in ministerial regulations. First, sectoral service functions should be defined with the Ministries of Health and Education, which can then be provided to districts and villages through the annual MoHA guidance on local government planning (building on the existing functional guidance provided for stunting prevention). This work should leave some space for negotiation at the local level, where districts and provinces can adapt national frameworks for the local context.

Recommendation 2: Develop a national strategy for village development to guide how sectoral services can empower village governments to improve the reach and quality of services and develop evidence-based guidance that enables villages to improve development outcomes.

A national village development strategy should be developed to guide all line ministries around village development. The strategy should include clear targets for villages, ministries, and local governments to
provide effective support and supervision. Critically, village government can help to ensure local needs and bottom-up accountability systems are integrated into sectoral service delivery strategies. The national strategy for village development can also provide a comprehensive framework to ensure future policies and regulations concerning village development are consistent and work toward a shared national vision.

Numerous pilot interventions have tested models for better linking village actions to sectoral service functions to improve frontline service delivery. The government can draw on these positive models and institutionalize such practices into sectoral service delivery systems through a national strategy for village development. In the education sector, district education departments can engage village governments and community members (parents) to monitor teacher absenteeism, particularly in remote schools, helping improve learning outcomes for students.98 In the area of water and sanitation, villages can support the role-out of community-led total sanitation, with the possibility to use village funds to hire local facilitators and promote behavior change, with technical support from district health departments.99 Indonesia’s ministries of Environment and Forestry, and Maritime Affairs and Fisheries, can leverage village government to form community-based natural resource management committees, with budget from village funds, to promote behavior change and monitor compliance with national and local safeguards requirements – such as stopping the use of explosives and poison to catch fish.100

The national strategy should establish strategic and evidence-based guidance for village spending based on key development priorities and village capacities. Indonesia’s decentralization, and the Village Law, are based on the principle that local people understand their own needs. The country has developed strong institutions at all levels, which are responsible for frontline service delivery. The long-term success of Village Law is not dependent on top-down requirements for regulatory compliance but on people’s ability to hold their government accountable for delivering services and meeting their basic needs. In practice, this would require the Government of Indonesia to replace annual MoV and district regulations on priority use of village funds with a broader framework linked to development outcomes.

Recommendation 3: Institutionalize systems for improved district-village collaboration and enable local problem solving by making relevant data available and accessible to local governments.

With guidance from MoHA, each district can establish a multi-sectoral team to strengthen village-district collaboration and innovation. While clarifying functions between districts and villages will help reduce duplication and ensure more effective complementarity of actions, it will not be sufficient to overcome all service delivery challenges. In districts visited for this study, district Bappeda had been authorized by the bupati to coordinate between Dinas PMD and other sectoral departments (health, education, public works, agriculture, and others). This practice can be systematized through guidance from MoHA. Each district can bring sectoral agencies and Dinas PMD together to develop their annual plans, linking to sectoral targets. During these discussions, districts, based on local capacities and context, can clarify roles and responsibilities for sectors, village government, and the kecamatan. Budgets should be linked to the negotiated and agreed-upon responsibilities. This can then be reflected in district

regulation for villages and plans for each relevant sector. The bupati can monitor progress and hold district agencies accountable for meeting the agreed targets.

**MoV and MoHA have the opportunity to make relevant data available and accessible to district and village governments to inform planning and budgeting.** This means creating accessible interfaces for existing databases (and in the medium-term, a unified database) that are easy to use and provide relevant data for village and district governments. This can be linked to the existing Satu Data initiative under the leadership of TNP2K and Bappenas. MoV is currently developing a separate system for SDG Desa data. There is an opportunity to better coordinate this intervention with the Satu Data initiatives and work underway in Bappenas and MoHA to improve access to data for local governments. Village governments can use the data to plan more effectively, and communities should access the data to monitor village government performance. MoHA can develop a user interface for villages and districts to access Siskeudes data, compare their performance with other villages and regions, and incentivize better data entry practices. Better data can help villages and districts understand the root causes of development challenges and focus on problem-solving. This work should be coupled with necessary technical training for local governments to develop skills for using data effectively. This will require that MoHA and MoV also provide capacity building for system operators to extract data, develop simple and visual tools to analyze data, and socialize local governments to understand and use data for planning, budgeting, and service delivery.

**Recommendation 4:** Ensure that villages have access to quality support and effective oversight for infrastructure projects.

**Bappenas should establish a working group to review systems and policies around village infrastructure, together with the Ministry of Public Works and Housing, MoV, and MoHA.** The working group should develop an operational plan to unify the support and oversight of village infrastructure projects. They should identify and respond to challenges on an ongoing basis, undertake regular evaluations, and troubleshoot problems as they arise. The working group should also have the following tasks:

a. **Review the structure for recruiting, deploying, coaching, and evaluating PDTI.**

b. **Explore options for using private-sector engineers** and establish a mechanism at the district level to pre-qualify engineers.

c. **Issue technical drawings and standards for village infrastructure projects.** Technical teams from Ministries of Public Works and MoV, with support from village infrastructure experts, should produce standard drawings that can be adapted to local contexts. Such drawings existed in previous community-driven projects in Indonesia and can be updated immediately. Drawings and standards will help PDTI implement their job, allow villages to implement simpler projects without external assistance, and support communities and kecamatan officials to oversee implementation quality.

d. **Clarify functions between the district Department of Public Works and village governments,** including standard operating procedures for how villages can request support for complex projects; cases where the district can implement village projects (avoiding duplication); and sign-off requirements for more complex projects.
Recommendation 5: Clarify audit functions, enforcement of sanctions, and require community meetings to present audit findings publicly.

Recent regulatory updates by MoHA (Permendagri 73/2020) will further strengthen village oversight. However, MoHA has the opportunity to also address the following issues:

a. **Clarify audit functions for all agencies** currently involved in the audit of village funds. Roles and responsibilities must be made manifest, and each entity must be held accountable to fulfill its mandated role.

b. **Establish a strict sanctions regime**, including monitoring follow-up to any qualified audits.

c. **Update PP 12/2017** on Support and Oversight of Local Government Administration to allow village audit findings to be made publicly available and presented at a community meeting upon completion.