TOWARD MAINSTREAMING AND SUSTAINING COMMUNITY-DRIVEN DEVELOPMENT IN INDONESIA

UNDERSTANDING LOCAL INITIATIVES AND THE TRANSITION FROM THE NATIONAL RURAL COMMUNITY EMPOWERMENT PROGRAM TO THE VILLAGE LAW

Indonesia has adopted community-driven development as a major strategy for poverty reduction, and replicated the approach nationwide through a number of programs. Over the past few years, the country has formulated a road map for sustaining the systems, procedures, and benefits of community-driven development. Through case studies, the study examines the ongoing transition from the government’s long-standing National Community Empowerment Program to mainstreaming through the government’s regular planning and budget allocation system through the Village Law, which was enacted in early 2014. The study summarizes important lessons learned and policy implications from the first year of Village Law implementation.
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UNDERSTANDING LOCAL INITIATIVES AND THE TRANSITION FROM THE NATIONAL RURAL COMMUNITY EMPOWERMENT PROGRAM TO THE VILLAGE LAW
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Abbreviations

ADB  Asian Development Bank
ADD  Alokasi Dana Desa (Village Funds Allocation – from local government budget)
APBD  Anggaran Pendapatan dan Belanja Daerah (Local Government Budget)
APBN  Anggaran Pendapatan dan Belanja Negara (State Budget)
BAPPENAS  Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
BAPPEDA  Badan Perencanaan Pembangunan Daerah (Area Development Agency)
BKAD  Badan Kerjasama Antar Desa (Intervillage Cooperation Body)
BLM  Bantuan Langsung Masyarakat (Community Block Grant)
BPMD  Badan Pemberdayaan Masyarakat Desa (Village Community Empowerment Agency)
BUMDES  Badan Usaha Milik Desa (Village-owned Enterprise)
CDD  Community-Driven Development
CSO  Civil Society Organization
DFAT  Department of Foreign Affairs and Trade (Australia)
DMCs  Developing Member Countries
DPRD  Dewan Perwakilan Rakyat Daerah (Local House of Representative)
FDM  Forum Delegasi Masyarakat (Community Delegation Forum)
KDP  Kecamatan Development Program
KOPWAN  Koperasi Wanita (women’s cooperative)
LSP-FPM-FPM  Lembaga Sertifikasi Profesi Fasilitator Pemberdayaan Masyarakat (Institute for Professional Certification of Community Facilitators)
LPMD  Lembaga Pemberdayaan Masyarakat Desa (Village Institution for Community Empowerment)
MAD  Musyawarah Antar Desa (Intervillage Deliberation Forum)
MDGs  Millennium Development Goals
MoHA  Ministry of Home Affairs
MoV  Ministry of Village
PAMSIKAS  Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat (Community-based Drinking Water and Sanitation)
PID  Pagu Indikatif Desa (Earmarked Village Development Program)
PIK  Pagu Indikatif Kewilayahan (Earmarked Subdistrict/Area-based Development Program)
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<td>PNPM Generasi Sehatdan Cerdas (PNPM for Health and Education)</td>
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<td>PNPM-Mandiri</td>
<td>Program Nasional Pemberdayaan Masyarakat Mandiri (National Community Empowerment Program)</td>
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<tr>
<td>PPIP</td>
<td>Program Pembangunan Infrastruktur Perdesaan (Village Infrastructure Development Program)</td>
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<td>PSF</td>
<td>PNPM Support Facility</td>
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<td>PUAP</td>
<td>Pengembangan Usaha Agrisibisn Perdesaan (Rural Agribusiness Development)</td>
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<td>SIMANTRI</td>
<td>Sistem Pertanian Terintegras (Integrated Farming System)</td>
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<td>SKPD</td>
<td>Satuan Kerja Perangkat Daerah (District Work Unit)</td>
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<td>TPK</td>
<td>Tim Pengelola Kegiatan (Village Activity Management Committee)</td>
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<td>TNP2K</td>
<td>Tim Nasional Percepatan Penanggulangan Kemiskinan (The National Team for Accelerating Poverty Reduction)</td>
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<td>TKPKD</td>
<td>Tim Koordinasi Penanggulangan Kemiskinan Daerah (Local Coordination Team for Poverty Reduction)</td>
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<td>TUK</td>
<td>Tempat Uji Kompetensi (Competency Test Place)</td>
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<td>UPK</td>
<td>Unit Pengelola Kegiatan (Subdistrict Activity Management Unit)</td>
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<td>UPP</td>
<td>Urban Poverty Program</td>
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The initiative on which this report is based is one of two studies on community-driven development funded by an Asian Development Bank (ADB) technical assistance initiative entitled “Supporting the Operationalization of Community-Driven Development in Developing Member Countries”. This initiative has two overall objectives: (i) to expand the current base of knowledge concerning community-driven development in ADB's developing member countries, and (ii) to use this knowledge to build institutional capacity for operationalizing community-driven development in the increasing number of countries that choose to apply this approach to economic development.

The report focuses on Indonesia, which as of this writing has arguably instituted the most extensive community-driven development program in the world. The companion study focus on the Philippines, a country which while taking an approach substantially different from that of Indonesia, has likewise pursued community-driven development as a national strategy for reducing poverty and accelerating economic development.

Publication of the present report and completion of the study was possible thanks to the efforts particularly of consultants Irfani Darma, the study team leader and chief researcher, as well as Anggun Susilo who likewise performed a significant share of the research that underlies the report.

The study benefitted from the generous support of our Indonesian colleagues who shared the data and information that facilitated the summary of Indonesia’s community-driven development initiative. These individuals include Rudy S. Prawiradinata and Woro Srihastuti Sulistyaningrum of the Indonesia’s National Development Planning Agency; key members of the government’s National Team for Accelerating Poverty Reduction; Novi Susanto and Sidik Permana of the National Development Planning Agency; as well as Aunur Rofiq Hadi and Andi Yogatama of the National Team for Accelerating Poverty Reduction for their participation in the field study and their valuable comments on the draft version of the report.

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The study was supervised by Yukiko Ito, ADB Social Development Specialist with the assistance of Raul Gonzalez, ADB consultant and technical assistance initiative team leader, and John Victor Bottini, ADB adviser for the Indonesia study. Melanie Guevarra, Imelda Marquez and Kristine Marie Presbitero assisted in preparing the report.
Executive Summary

Study Background

The study on which this report is based is part of an ADB-supported regional technical assistance initiative that supports knowledge generation and capacity building in developing member countries (DMCs) as these relate to community-driven development.

DMCs are at varying stages of readiness to apply community-driven development principles in project operations. Some DMCs have simply expressed interest in community-driven development, while others such as Indonesia and the Philippines, have scaled up community-driven development initiatives to the national level. Still other DMCs have either pilot-tested elements of community-driven development or have integrated these elements into broader projects. A further group of DMCs seems keen to adopt community-driven development but has yet to begin its implementation.

The regional technical assistance aimed to “increase knowledge and capacity of participating DMCs to operationalize the community-driven development (CDD) approach”. Its major activities included: (i) production of analytical work on the CDD approach to support the inclusive growth agenda; (ii) conduct of cross-country learning exchanges on the CDD approach to contribute in the long run to building the capacity of selected DMCs; and (iii) identification of information and communication technology initiatives to improve basic service delivery at the local level”.

Study Objective

The “production of analytical work” referred to in (i) above encompasses two studies on community-driven development initiatives: one in Indonesia, the other in the Philippines.

In the case of the study on Indonesia—which is the focus of the present report—the study primarily addresses the ongoing transition from operationalization of community-driven development through the government’s long-standing National Community Empowerment Program, to its operationalization through the government’s regular planning and budget allocation system through implementation of the Village Law, which was enacted in early 2014.
Community-Driven Development in Indonesia

Indonesia’s community-driven development program has been under implementation for more than 15 years. When it began in 1997 as a World Bank-funded program, its aim was poverty reduction through community empowerment. While initially, the program focused on small-scale infrastructure in rural areas, over time the program expanded its focus to urban areas. A revolving-loan scheme was also added to the program.

Broadly, the program works through the provision of block grants to residents of local communities, who then are responsible for managing these funds. The communities themselves decide their own development priorities, and then plan, implement, and manage projects that fulfil these priorities. The program also provides technical assistance through facilitators who guide and train community residents. This approach promotes community self-management and emphasizes cooperation, participation, transparency, accountability, and capacity building. It also encourages affirmative action as a means of ensuring that women participate in, and benefit from all project planning and implementation processes.

In 2007, the government launched its National Community Empowerment Program (Program Nasional Pemberdayaan Masyarakat Mandiri [PNPM-Mandiri]), which is a comprehensive national poverty reduction strategy that emphasizes community empowerment. PNPM-Mandiri comprises two major programs: PNPM-Rural and PNPM-Urban, both of which are based on community-driven development. The launch of PNPM-Mandiri thus signaled the Indonesian government’s formal adoption of community-driven development as its national strategy for poverty reduction.

A major challenge to the sustainability of Indonesia’s community-driven development program was the Indonesian national elections of 2014, and the inevitable turnover of national leadership that followed. In response to this challenge, key stakeholders under the PNPM-Mandiri program formulated the PNPM Road Map, which provides the policy framework for sustaining community empowerment programs in Indonesia. This in particular included revisions to policies and operations manuals necessary for guaranteeing sustainability of community-driven development, as well as its beneficial results. The road map also highlighted the critical role of local government in mainstreaming and sustaining community-driven development and other poverty reduction programs.

The Ongoing Transition to Implementation of the Village Law

Indonesia enacted its Village Law in 2014 through Law 6/2014. The law, a major national policy that recognizes the relative autonomy of villages, serves as an important master framework for village development and community empowerment in Indonesia.

Members of the parliament drafting committee acknowledge that sections of the law are based directly on the government’s successful PNPM-Mandiri program, the PNPM-Rural program in particular.
With the Village Law in place, local communities will assume greater responsibility and control over village affairs, and will thus be able to meet more of their development needs. The law contains a provision that will allow villages to receive a substantial direct budgetary allocation from a mix of national and local government funds: from the national budget 10% on top of transfer funds to local governments; while from local governments 10% from the amount each district receives from the national government, with allocations from local revenues being received in the same proportion.

The Village Law clearly speaks to sustainability of community-driven development in Indonesia. The proponents of community empowerment, who were major supporters of the law during deliberations regarding it, see its enactment as a means of institutionalizing community-driven development as a national policy.

A national-scale program, PNPM-Mandiri is currently ending. Thus, in the future, the basis for institutionalizing community-driven development in Indonesia will be implementation of the Village Law. The year 2015 marks the first year of implementation of the Village Law. That year thus likewise marks the beginning of the transition of community-driven development in Indonesia from a program to a legal institution. This transition will bring about many changes in the institutional arrangements for implementing community-driven development. For example, the block–grant funding to villages that occurred annually under the PNPM–Rural program will be discontinued, and will be replaced by transfers of funds as mandated by the Village Law.

Major Findings, Lessons Learned, and Implications for Policy and Practice

Indonesia’s ongoing transition from community-driven development as a program to community-driven development as a legal institution has resulted in a number of lessons for ADB developing member countries (DMCs) that are implementing—or intend to implement—community-driven development programs. This transition has likewise resulted in a number of lessons relevant to Indonesia itself as regards its ongoing operationalization of community-driven development. Similarly, the study on which this report is based resulted in a number of key findings that are likewise relevant to all countries—including Indonesia—that are implementing or intend to implement community-driven development initiatives. These key findings and lessons learned—as well as the implications of these for policy and practice—are briefly summarized below.

Development of a Strategy for Sustaining Community-Driven Development

Indonesia has adopted community-driven development as a major strategy for poverty reduction, and replicated the approach nationwide through a number of programs. Over the past few years, the country has formulated a road map for sustaining the systems, procedures, and benefits of community-driven development. While progress has been
Executive Summary

made in some areas, more time will be required for full institutionalization of community-driven development to be achieved, and for the components of the strategy that are key to its success to be implemented. That said, as the PNPM-Rural program that formerly unpinned community-driven development in Indonesia is being phased out, these key components of Indonesia’s strategy for sustaining community-driven development must necessarily be implemented prior to the end of the PNPM-Rural program. Perhaps more importantly, the policies contained in the road map that are necessary for sustaining community-driven development must likewise be implemented prior to the phasing out of the PNPM-Rural program.

A major lesson learned in this regard is that DMCs interested in replicating Indonesia’s community-driven development pathway should formulate a strategy for sustaining community-driven development during its transition from a programmatic basis to a legal basis at an early stage of implementation.

The Role of Local Government

While Indonesia has adopted community-driven development as a national strategy for poverty reduction, local government agencies are central to its implementation. This is intuitively obvious, since community-driven development perforce takes place at the local level. As a result, in Indonesia, the degree of engagement of the local level of government in implementing community-driven development has been significant, the responsibilities of this level of government increasing considerably over time. This expansion of responsibility has in turn had the beneficial effect not only of building the institutional capacity of local government agencies in implementing community-driven development over time, but also of greatly expanding the sense of ownership of the program by local government in general. This sense of ownership has been reinforced and intensified by beneficiaries and other stakeholders alike, as they increasingly experience the positive outcomes that community-driven development has produced. This in fact has been a key factor in the adoption and institutionalization of Indonesia’s approach to community-driven development by local government agencies.

The manner in which this adoption and sense of ownership of community-driven development by local government agencies has played out has taken a wide variety of forms. Some local governments have followed the PNPM practice of providing block grant funds to beneficiary communities, while others have adopted different administrative arrangements, such as using the village government as an intermediary between beneficiaries and the various levels of government to which community-driven development relates. Despite these differences, most of the approaches pursued have maintained the fundamental notion that drives community-driven development, which is self-management of funds and projects by members of the community itself. Grants of financial and other resources are thus seen as the vehicle for program and service delivery. In contrast, some of the approaches to community-driven development pursued by local governments have been sector-focused, with the technical guidelines, activities, and participants involved in program delivery being predefined.
Most local governments have employed facilitators in implementing both community-driven development generally, as well as the projects that form its foundation. That said, the manner in which the use of facilitators has played out has varied widely in terms of intensity of engagement, the types of incentive schemes offered, and the level of operational support provided. This has in turn has resulted in significant variation in program quality and effectiveness.

These variations in institutional arrangements for implementing community-driven development currently coexist and operate relatively independently. However, the success of community-driven development programs overall, which at this writing remain based on the PNPM-Rural program, indicates a strong sense of ownership by local governments. This sense of ownership at the local government level is likely to be of significant assistance to district-level governments in implementing the Village Law.

Widespread Adoption of Participatory Planning Processes

One of the more important findings of the study is that the participatory planning process promoted under community-driven development has been widely adopted by beneficiary communities, in that it has been integrated into local development planning systems and procedures. This finding suggests that nationwide programs can provide powerful incentives for the adoption of such initiatives. However, while participatory planning has improved the planning process and has received widespread attention, these favorable outcomes have not always resulted in positive responses from district governments. Increased participation by beneficiaries in the planning processes has not always influenced the “supply side” effectively. Village participatory planning thus requires other budgetary instruments if participatory planning is to play out among beneficiaries as intended.

With respect to the above, the study found that subdistrict-based budget earmarking is an important instrument for reinforcing participatory processes in deciding development priorities at the local level. A budgetary allocation system that reflects the basic tenets of community-driven development, subdistrict-based budget earmarking allows district governments to earmark a certain portion of their annual budgets for supporting the development priorities identified by the intervillage planning forum. In particular, Gianyar District used subdistrict-based budget earmarking to continue community self-management of funds during the transition from the PNPM-Rural program to implementation of the Village Law.

The Transition to Implementation of the Village Law

A well-planned strategy for transitioning from implementation of the PNPM-Rural program to implementation of the Village Law would have been ideal. In this regard, Indonesia does not suffer from a lack of good plans. However, the country’s experience suggests
that the transition within the government is as important as the institutional transition of a community-driven development program. While the new government’s platform does not significantly differ from that of the previous one, the management of change within the government has resulted in substantial loss of opportunities in phasing-out the PNPM-Rural program and beginning to implement the Village Law.

In the relative absence of the effective central government leadership that was expected to provide direction during the transition, the district governments—together with community stakeholders—undertook measures for safeguarding and sustaining the results of the PNPM-Rural program, and their positive experience with community-driven development generally. Using the local-level regulatory framework available to them, in some instances these stakeholders were able to obtain legal recognition for, and institutionalize the systems and procedures formerly used to implement participatory planning and project implementation, as well as key intervillage and village-level organizations. Equally important was the fact that these stakeholders were able secure legal ownership of the substantial assets generated by these systems and procedures. This allowed them to continue the stream of benefits to community residents that had begun under implementation of the PNPM-Rural program.

Indonesia’s experience with regard to the above serve as an important lesson for other countries that wish to follow a similar path.

The Importance of the Subdistrict and Intervillage Institutional System

The subdistrict locus and intervillage institutional system established under the PNPM-Rural program are unique features of Indonesia’s experience with community-driven development. While a number of aspects of the PNPM-Rural program have been the subject of numerous studies, the latter generally fail to arrive at observations regarding the significance of the subdistrict and intervillage processes and organizations. The results of the present study indicate that the subdistrict and intervillage interactions that grew out of implementation of the PNPM-Rural program ultimately evolved into a network of community-driven development actors who sustain community-driven development in Indonesia through advocacy that often involves a broader network at the district level.

The long-term engagement of these actors seems to have strengthened institutional capacity at the local level to a significant extent. For example, in addition to the skills they acquired through their work experience, throughout the period of implementation of the PNPM-Rural program, these actors benefitted from training of various types, meetings and workshops. Quite often, the functionaries who served these intervillage organizations (and at times, subdistrict facilitators as well) began their experience with community-driven development as village cadres or members of activity management committees at the local level. Often young and better educated than other community residents, they fulfilled a wide range of roles under the PNPM-Rural program at both the village and intervillage levels.
The fact that these individuals acquired these positions through electoral processes rather than through appointment suggests that their advancement occurred through meritorious vertical mobility rather than being achieved through political means. In this regard, the PNPM-Rural program seems to have facilitated genuine vertical mobility and thus regeneration of leadership cadres from within. This is particularly relevant for implementation of the Village Law, which will require recruitment of numerous facilitators with a wide range of skills and qualifications. It is equally relevant for effective management of facilitation, which is essential for endogenous capacity building at the local level.

In light of the above, the common perception that rural villages may continue to experience a deficit of human resources may not be true in all cases. The significant financial resources that Village Law implementation will bring to bear on villages over time should attract better-educated and skilled human resources that either stay or return to their village of origin to become village leaders. This hypothesis should be the subject of further study.

Encouraging these local actors to complete professional development and certification programs for facilitators could further strengthen their individual capabilities. With appropriate qualifications, these individuals could then become a pool of resources that could be tapped for further village development and community empowerment.

Program Reputation as a Primary Factor in Institutionalization

A primary factor in the adoption and institutionalization of an initiative such as community-driven development on a national scale is the reputation of that initiative. As regards the PNPM-Rural program, the roles and responsibilities of local government agencies in implementing the program strengthened institutional capacity and increased their sense of ownership of community-driven development. More importantly, these roles and responsibilities and the manner in which they were fulfilled increased the scope and impact of the program itself. This suggests that the program became a powerful vehicle for expanding and sustaining itself on a national scale. This should serve local governments well in implementing the Village Law.

Concluding Remarks

The first few years of implementing the Village Law will be challenging. In particular, the policies and guidelines issued to guide its implementation will be tested and, in many cases, will need to be revised and upgraded in light of operational feedback. In the case of the Village Law, the scope for assistance and system strengthening will be broader and more challenging than under the PNPM-Rural program, given the massive scale of the former. Further, as the Village Law will necessarily be implemented on a national scale, its implementation will be simultaneous in all regions. As the institutional capacity of government differs widely among the various regions of the country, the initial stages of implementation will likely generate lessons that can be used to guide its continuous improvement during the Village Law’s implementation.
Ultimately, the rationale for the significant transfer of resources, authority, and responsibilities from the upper echelons of government to the villages that will take place when the Village Law is implemented is that such a transfer will accelerate poverty reduction and improve development outcomes through a gain in the efficiency with which resources are used. This notwithstanding, it is important to note that such a gain in efficiency is neither automatic, nor is it assured. The considerable shifts that implementation of the Village Law entails introduces risks that could place achievement of the very goals of the Village Law in jeopardy. Examples of such risks include those relating fiduciary management, accountability as regards the uses to which funds are put at the village level, and the increased power of the village heads themselves. Implementation of the Village Law thus requires measures for mitigating such risks.
Since 2007, the Asian Development Bank (ADB) has approved two regional technical assistance initiatives in support of knowledge generation and capacity building as it relates to community-driven development in its developing member countries. A third such regional technical assistance initiative (ADB RETA No. 8589: Supporting the Operationalization of Community-Driven Development in Developing Member Countries) was approved in October 2013.

ADB has defined community-driven development as having the following five features: (i) community focus, (ii) participatory planning and design, (iii) community control of resources, (iv) community involvement in implementation, and (v) community-based monitoring and evaluation.

As a development approach that gives control over planning decisions and investment resources to community groups and local governments, one unique feature of community-driven development is direct disbursement of investment funds or resources to beneficiary communities. This allows them to design, implement, operate, and maintain small-scale infrastructure such as, classrooms, community irrigation systems, day-care centers, health stations, postharvest facilities, rural roads, sanitation facilities, and water supply systems.

An ADB-supported study undertaken in 2009 concluded that community-driven development: (i) results in more cost-effective delivery of international donor funding for rural infrastructure projects; (ii) presents a more responsive approach to local community infrastructure demands, thus generating increased benefits; (iii) instills a sense of ownership that translates into better operation and maintenance, and thence increased sustainability of project-funded facilities; (iv) provides a fund disbursement mechanism
that promotes transparency and limits leakages; and (v) results in projects with higher rates of return than ADB sector projects implemented under more conventional arrangements.4

Despite such benefits, other studies performed by ADB have identified two major difficulties in the wider application of community-driven development: (i) weak coordination among sector agencies in delivering basic services that effectively respond to local development needs, and (ii) limited knowledge of developing member country (DMC) officials with regard to designing community-driven development projects and programs in a way that is appropriate to the country concerned.

Given this, it is unsurprising that DMCs are at varying stages of readiness with regard to integrating CDD into development operations. Some countries—Indonesia and the Philippines in particular—have accumulated extensive experience in implementing large-scale community-driven development initiatives. A number of other DMCs have either pilot-tested community-driven development, or have integrated community-driven development elements into larger projects. Other DMCs are keen to adopt community-driven development, but have yet to begin doing so.

In light of the above, numerous variants of the community-driven development model have emerged. While the foundation of all of these variants is the premise that communities should be at the forefront of their own development, the variants themselves differ widely with respect to their geographic scope; timeframe for completion of project works; implementation arrangements; subproject selection mechanisms; funding flows; roles of secondary agents (i.e., national- and local government agencies, and civil society organizations); and community decision-making processes. This divergence is a natural outgrowth of the fact that development requirements and priorities vary greatly from community to community and country to country. The numerous variants of the community-driven development model that have emerged to date thus reflect the necessity of adopting a flexible approach to development that is tailored to local circumstances.

In recognition of the need for such a flexible approach, the overall objective of this third ADB regional technical assistance is “increased knowledge and capacity of participating developing member countries (DMCs) to operationalize the community-driven development approach.” Its major activities include: (i) “production of analytical work on the community-driven development approach to support the inclusive growth agenda; (ii) conduct of cross-country learning exchanges on the community-driven development approach to contribute in the long run to building the capacity of selected DMCs; and (iii) identification of information and communication technology initiatives that improve basic service delivery at the local level.”

Simply stated, the “production of analytical work” referred to in (i) above encompasses two studies on community-driven development initiatives: one in Indonesia, the other in the Philippines.

4 ADB. 2009. Supporting Community-Driven Development in Developing Member Countries: Community-Based Development in Water and Sanitation Projects. Manila.
In the case of the study on Indonesia—which is the focus of the present report—the study primarily addresses the ongoing transition from operationalization of community-driven development through the long-standing National Community Empowerment Program, to its operationalization through the government’s regular planning and budget allocation system through implementation of the Village Law, which was enacted in early 2014.

From a broader perspective, an important objective of the study on Indonesia was to identify opportunities for expanding application of the community-driven development approach in ADB operations to other DMCs that are either at an earlier stage of operationalization of community-driven development than is Indonesia, or to DMCs in which its operationalization has not yet begun. Integral to this broader objective is identification of the preconditions for maximizing the potential benefits from community-driven development overall.

The structure of the report is as follows. Chapter II provides an overall background to the study on which the report is based, particularly as it relates to the ongoing transition from operationalizing community-driven development through the National Community Empowerment Program, to its operationalization through implementation of the Village Law. Chapter III then summarizes the history of community-driven development in Indonesia, and outlines current trends in its operationalization. Chapter IV enumerates the best practices that have developed as a result of implementation of the National Rural Community Empowerment Program, as well as the lessons learned from the program’s implementation to date, while Chapter V summarizes the findings of the study team as regards respondent concerns about implementation of the Village Law. Chapter VI then concludes the report by summarizing the lessons learned from the study, as well as the implications of these lessons for policy and practice.
II. Background of the Study

This chapter summarizes the objectives, scope, methodology, and limitations of the study. The primary context of the study was the transition from operationalizing community-driven development through the National Community Empowerment Program to implementation of the Village Law.

A. Study Objectives

This study had two major objectives: (i) to better understand the role of local initiatives in mainstreaming and sustaining community-driven development in Indonesia; and (ii) to obtain a local perspective on community-driven development, particularly as the government transitions from operationalization of community-driven development under the National Community Empowerment Program to under the Village Law.

The study’s specific objectives were to:

(i) identify the key local initiatives in mainstreaming and sustaining community-driven development programs;
(ii) identify the key characteristics of Indonesia’s various community-driven development programs at the local level;
(iii) obtain the perspective of local stakeholders regarding the Village Law; and
(iv) identify lessons learned from the manner in which community-driven development was being operationalized during the transition from its operationalization under the National Community Empowerment Program to its operationalization under the Village Law.

The study thus focused on answering the following questions:

(i) What are the significant local initiatives in mainstreaming and sustaining community-driven development?
(ii) How do the various development programs interact at the community level?
(iii) To what extent can community-driven development—including its results, processes, and institutions—be sustained under implementation of the Village Law?
(iv) What is the likelihood that the most important elements of community-driven development can be sustained during the transition from implementation of
the National Community Empowerment Program to implementation of the Village Law?

(v) What can be done to facilitate the transition from operationalization of community-driven development under the National Community Empowerment Program to operationalization under the Village Law?

B. Study Sites

The analysis was performed at the village level since it is at this level of administration that community-driven development takes place. However, since interviewing stakeholders in all of Indonesia's approximately 75,000 villages would be an impossible task, eight villages representative of Indonesia's vast geographic expanse were chosen, in which community-driven development initiatives under the National Community Empowerment Program were ongoing.

The study used a three-step procedure in selecting these eight villages. Four districts geographically representative of the entire country were first selected using the criteria enumerated immediately below. A single subdistrict within each of these four districts was then selected. Finally, two villages were selected from each of these four subdistricts. The study sites are presented in Table 1.

Table 1: Study Sites

<table>
<thead>
<tr>
<th>Region and Province</th>
<th>District</th>
<th>Subdistrict</th>
<th>Village</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Indonesia</td>
<td>Jombang</td>
<td>Kabuh</td>
<td>Grenjengan, Kauman</td>
</tr>
<tr>
<td>East Java</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Indonesia</td>
<td>Bantaeng</td>
<td>Sinoa</td>
<td>Bonto Tiro, Bonto Maccini</td>
</tr>
<tr>
<td>South Sulawesi</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Indonesia</td>
<td>Lombok Barat</td>
<td>Narmada</td>
<td>Badroin Basantren</td>
</tr>
<tr>
<td>Nusa Tenggara Barat</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bali</td>
<td>Gianyar</td>
<td>Payangan</td>
<td>Melinggih, Berselo</td>
</tr>
</tbody>
</table>


The criteria used for selecting the four study districts were as follows:

(i) To what degree is the government of the district supportive of community-driven development?

(ii) To what degree is the National Community Empowerment Program active in the district in question, and if it is active, is the performance of this program in the district concerned of good quality?

(iii) Does the district in question apply community-driven development principles in implementing its programs, allocating its budgetary resources, and issuing its local regulations?
In consultation with the National Community Empowerment Program Support Facility and the National Team for Accelerating Poverty Reduction (*Tim Nasional Percepatan Penanggulangan Kemiskinan* [TNP2K]), the study team selected the following study sites with summary of data and information relating to study Districts as attached in Appendix 3:

### C. Study Methodology

The study used qualitative analysis based on data and other information gathered during field visits to the eight study villages, as per schedule in Table 2, as well as desk review of relevant documents. During these field visits, the study team used semi-structured individual interviews and focus group discussions with community residents and other stakeholders to obtain the data and information collected.

**Table 2: Field Visit Schedule**

<table>
<thead>
<tr>
<th>Site</th>
<th>Dates of Field Visit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kabupaten Gianyar (trial)</td>
<td>8–13 December 2014</td>
</tr>
<tr>
<td>Kabupaten Jombang</td>
<td>22–28 December 2014</td>
</tr>
<tr>
<td>Kabupaten Bantaeng</td>
<td>5–10 January 2015</td>
</tr>
<tr>
<td>Kabupaten Lombok Barat</td>
<td>12–17 January 2015</td>
</tr>
</tbody>
</table>


As regards the transition from operationalization of community-driven development under the National Community Empowerment Program to its operationalization under implementation of the Village Law, the study was informed by policy discussions with stakeholders under both the National Community Empowerment Program and the Village Law.

The following groups of stakeholders were the study’s key informants with detailed list attached in Appendix 1:

(i) District-level government officials and staff, including those from the district-level development planning agency, and staff drawn from other sectoral government agencies relevant to community-driven development programs;

(ii) National Community Empowerment Program facilitators at both the district and subdistrict levels;

(iii) Village leaders, including village heads, village council members, and village development cadres; and

(iv) Community-level beneficiaries of activities supported by the National Community Empowerment Program.

Two members of the study team sent to each study district were affiliated with Asian Development Bank (ADB), while a third member was drawn from government staff with the list of members of the research team attached in Appendix 2.
This chapter briefly summarizes the history of community-driven development in Indonesia, as well as current trends in its operationalization. From a historical perspective, the discussion highlights the major factors underlying Indonesia’s widespread adoption of community-driven development. These include funded by the World Bank Kecamatan Development Program and Urban Poverty Program, the Community Facilitators Development Project, the role of local government in operationalizing community-driven development, and the road map for operationalizing community-driven development formulated under the rural subprogram of the National Community Empowerment Program (Program Nasional Pemberdayaan Masyarakat Mandiri [PNPM-Rural]).

From a forward-looking perspective, the chapter focuses on operationalization of community-driven development under the Village Law, the major objective of which is institutionalizing community-driven development as Indonesia’s national strategy for reduction of poverty and acceleration of economic development.

In short, the major focus of the study is the ongoing transition from operationalization of community-driven development under the National Community Empowerment Program (PNPM-Rural), to its operationalization under implementation of the Village Law, which was enacted in 2014 shortly after the new government assumed power. The study thus primarily addresses operationalization of community-driven development under a transition from a programmatic basis to a legal basis. The field research for the study was conducted during this transition.

A. History of Community-Driven Development in Indonesia

Operationalization of community-driven development in Indonesia began with the Kecamatan Development Program, which was implemented in three phases over the period 1997–2007. As the program’s overall objective was poverty reduction through community empowerment, the program provided block grant funding directly to beneficiary communities. Community residents thus directly managed the funds provided, and decided their own development priorities. On the basis of these priorities, beneficiaries planned, implemented, and managed small-scale projects. The bulk of these projects related to establishing or upgrading of small-scale infrastructure that served the beneficiary community itself.
Community empowerment and technical facilitators funded under the program assisted beneficiaries in selecting, planning, and implementing the projects undertaken, and provided training in these tasks. As the rationale underlying the Kecamatan Development Program was community self-management, the program placed heavy emphasis on accountability, beneficiary participation, capacity building, cooperation, and transparency. Ensuring the participation of women throughout project planning and implementation ensured that female beneficiaries would benefit from the entire project implementation process.

Building on the significant success of the Kecamatan Development Program that primarily targeted rural areas, in 1999 the government launched the Urban Poverty Program, also funded by the World Bank, which was a parallel program focusing on urban areas. As implementation of the Kecamatan Development Program was to be completed in 2007, on April 30 of that same year, the government launched its Program Nasional Pemberdayaan Masyarakat Mandiri (PNPM-Mandiri, or National Program for Community Empowerment), which ultimately became its national strategy for poverty reduction. As of 2015, this is at the largest community-driven development program in the world.

**B. The National Program for Community Empowerment (PNPM-Mandiri)**

A national poverty reduction program, PNPM-Mandiri, is fundamental to community empowerment in Indonesia, as its long-term goal is achievement of the targets the government has set for itself in meeting the Millennium Development Goals prior to 2015. The program’s coverage thus expanded so rapidly that by 2013, the rural subprogram under PNPM-Mandiri—which is often referred to as PNPM-Rural—had reached all of Indonesia’s 413 districts and 6,982 subdistricts, and thus nearly all of the country’s 75,000 villages.

The major objectives of PNPM-Mandiri are inextricably intertwined with poverty reduction, as the latter is the government’s flagship program for meeting the Millennium Development Goal targets it has set for itself. PNPM-Mandiri thus places heavy emphasis on upgrading the capacity of beneficiaries in improving living standards and creating employment opportunities at both the collective and individual level as a means of reducing poverty. More specifically, the program’s objectives include the following.

1. Increasing the level of participation of all community members in the development process. This particularly includes the poor, women, indigenous peoples, and other community members that to date have not fully benefitted from economic development initiatives.
2. Improving the capacity of local community institutions by making them more representative and accountable than previously.
3. Improving the capacity of local government agencies to provide public services to poor residents by making policies, programs, and budgets pro-poor.
(iv) Increasing the effectiveness of poverty reduction initiatives by creating or expanding synergy between the beneficiary community concerned, local government agencies, and other stakeholders in the development process. The latter includes nongovernment organizations, as well as other entities with an orientation to economic development such as associations, university groups, and the media.

(v) Improving the capacity of beneficiary communities, local government agencies, and other stakeholders to reduce poverty at the local level.

(vi) Expanding the use of information dissemination and communication technology in promoting economic development at the community level.

PNPM-Mandiri includes two major components: PNPM-Core (PNPM-Inti) and PNPM-Strengthening (PNPM-Penguatan), the latter being briefly discussed further below. PNPM-Core includes two major PNPM-Mandiri community-driven development subprograms: (i) the rural subprogram, which is referred to as “PNPM-Rural”, and (ii) the urban subprogram, which is referred to as “PNPM-Urban”

Each subdistrict is assigned to either PNPM-Rural or to PNPM-Urban, the rationale underlying this division being that of avoiding duplication of effort and waste of resources. Each of these subprograms thus operates solely within the particular set of subdistricts to which it has been assigned. These subdistrict assignments are decided at discussions that include officials from Indonesia’s National Planning Agency (Badan Perencanaan Pembangunan Nasional [or BAPPENAS]) and all other ministries concerned with poverty reduction.

Because PNPM-Rural and PNPM-Urban work in geographically separate sets of subdistricts, the two programs are implemented by two separate ministries. The implementing agency for PNPM-Rural is the Ministry of Home Affairs, while the implementing agency for PNPM-Urban is the Ministry of Public Works.

For its part, PNPM-Strengthening (PNPM-Penguatan) addresses village development requirements that for one reason or another remain unmet by PNPM-Rural or PNPM-Urban. Box 1 briefly outlines PNPM-Strengthening’s 16 programs, each of which addresses development requirements in a particular sector such as agriculture, education, fisheries, and health.

As the focus of the field research under the study on which this report is based was community-driven development in rural areas (i.e., villages), the study’s focus as it pertains to PNPM-Mandiri was on PNPM-Rural rather than PNPM-Urban. However, as mentioned above, from a broader perspective, the study’s overall analytical context was operationalization of community-driven development in Indonesia during the transition from community-driven development’s programmatic basis (i.e., PNPM-Rural) to its legal basis (i.e., the Village Law).
Box 1: PNPM-Strengthening’s 16 Programs

1. **PNPM RIS**: addresses Indonesia’s infrastructural development requirements
2. **PNPM RISE/PISEW**: improves access to basic infrastructure and microcredit by the poor, strengthens the capacity of district and kecamatan administrations in decentralizing government functions
3. **PNPM Green**: introduces natural resource and environmental management practices into PNPM programs.
4. **PNPM RESPEK**: is a community-driven development program implemented in rural areas of Papua province
5. **PNPM Mandiri BKPG**: is a community-driven development program implemented in urban areas of Aceh province
6. **PNPM Integration/P2SPP**: pilots integration of the PNPM model into district government development planning processes.
7. **PNPM Generasi**: increases the uptake of health and education services by local community residents.
8. **PNPM Peduli**: strengthens the capacity of Indonesian civil society organizations to improve the socioeconomic condition of marginalized groups
9. **Creative Communities 2**: expands public participation in the PNPM-Mandiri program through use of creative expression and community-based cultural activities.
10. **PNPM Mandiri Sanimas**: is an urban-based water and sanitation program
11. **PNPM Mandiri Pamsimas**: is a water and sanitation program that operates in rural areas
12. **PNPM Mandiri Disaster Management**: supports community-level disaster management programs in West Sumatra (Mentawai), Central Java, and DI Yogyakarta.
13. **PNPM Mandiri Rural Agribusiness Development**: provides block grants to farmers’ groups for funding agriculture-based projects
14. **PNPM Mandiri Marine and Fisheries**: expands employment opportunities for the poor who work in the fisheries sector
15. **PNPM Mandiri Tourism**: assists poor communities that live adjacent to tourist areas
16. **PNPM Mandiri Housing and Settlement**: improves the quality of housing and settlements through community empowerment.

Note: The Financial Assistance for Village Development (BKPG) is often referred to as Healthy and Smart Generation.

BKPG = Bantuan Keuangan Peumakmoe Gampong (Financial Assistance for Village Development);
P2SPP = Program Pembangunan Sistem Perencanaan Partisipatif (Participatory Planning System Development Program);
Pamsimas = Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat (Community-based Water Supply and Sanitation);
PISEW = Pengembangan Infrastruktur Sosial Ekonomi Wilayah (Regional Infrastructure for Social and Economic Development);
RESPEK = Rencana Strategis Pembangunan Kampung (Strategic Plans for Village Development);
RIS = Rural Infrastructure Support;
Sanimas = Sanitasi Berbasis Masyarakat (Community-based Sanitation).
The key features of PNPM-Rural are summarized immediately below.

(i) Women, poor residents, and representatives of remote hamlets participate in the discussions that identify local development priorities on which community-level projects are based. Women are allocated half the seats on the committees convened for this purpose at the subdistrict level. Half of all project proposals submitted by each village must be put forward by women's groups.

(ii) The program relies on existing institutions, on the assumption that accumulated trust and reciprocity encourages transparent and accountable use of program funds. Over time, the program initiated program-specific groups to complement existing institutions. These include, among others, Unit Pengelolaan Kegiatan (Subdistrict Activity Management Unit [UPK]) for management of kecamatan funds; Badan Kerjasama Antar Desa (Intervillage Cooperation Body [BKAD]) for intervillage cooperation; village implementation teams (Tim Pengelola Kegiatan, [TPK]); and Musyawarah Antar Desa (Intervillage Deliberation Forum [MAD]) for allocating and monitoring village subprojects.

(iii) Other than a limited negative list, the menu of projects that can be funded by the program is entirely open. This ensures that the projects funded fulfill development requirements identified by the beneficiaries themselves.

(iv) Competition for project funding at the subdistrict level ensures that decisions regarding the project proposals to be funded are the result of collective decision-making at the intervillage level. This encourages transparency, increases efficiency, and reduces opportunities for elite capture.

(v) The funds to be used for implementing projects are provided as block grants that are transferred directly to the subdistrict level. This ensures that all grant funds are received at the subdistrict level in their entirety, and that funding of projects occurs on a timely basis.

(vi) Multiple checks on the use of funds ensure that project implementation processes are transparent. For example, multiple signatures are required for withdrawals of project funds, activity on project fund accounts is announced at public meetings, the purposes for which project funds are dispersed are posted publicly, and the results of fund dispersals are shared at public meetings.

(vii) The program provides for facilitation and technical assistance throughout the various stages of preparation of project proposals and project implementation. This includes support to decision-making and project implementation provided by subdistrict facilitators. District-level technical facilitators provide technical assistance and oversight of project proposals selected for funding.

(viii) Separating responsibilities as a means of avoiding conflicts of interest; ensuring that sanctions are imposed in cases in which funds are misused; and using open meetings as the venues for selection of projects and decisions regarding use of project funds require land acquisition.

The program recruited village representatives at the subdistrict level. However, over time, additional subdistrict facilitators were hired, each with a particular social, technical, or economic skill to ensure that the diverse projects being implemented in each beneficiary community could be appropriately supported. However, the PNPM does not hire facilitators at the village level. Instead, each village selects two community volunteers (one male and one female) who assist subdistrict facilitators in village-level processes relating to implementation of community-level development projects.
the funds, all ensure accountability of a type that gains the trust of beneficiaries (TNP2K 2015).

Because it is a national program, national, provincial, and district levels of government are all involved in implementation of PNPM-Rural. At the national level, the program is managed by the Directorate General of Village Community Empowerment9 of the Ministry of Home Affairs. At the provincial and district levels, the program is managed by the Agency for Village Community Empowerment.10

The technical assistance teams that implement PNPM-Rural at the national, provincial, and district levels—which mirror the government agencies involved at each of these levels—are staffed by consultants or other experts rather than civil servants. These technical assistance teams have expertise in civil engineering, community development, financial management (including administration of revolving funds), complaint handling, and information management.

The teams at the district and subdistrict levels are often referred to as district facilitators and subdistrict facilitators, respectively. Generally, the subdistrict facilitator team comprises two community development facilitators and one technical (engineering) facilitator.

These technical assistance teams—the subdistrict facilitators in particular—are critical to successful implementation of PNPM-Rural. In addition to providing day-to-day assistance to beneficiaries, these teams help ensure project quality and appropriate financial management.

A recent publication issued by the National Team for Accelerating Poverty Reduction (Tim Nasional Percepatan Penanggulangan Kemiskinan [TNP2K]) noted that

“...PNPM’s strengths rest on the intensity and quality of facilitation of the program’s processes. It is difficult to overstate facilitators’ contributions to the program’s achievements. Facilitators—at community, subdistrict, district, and provincial levels—are responsible for making sure that information is shared, meetings occur, community-members are invited, and project mechanisms function according to program principles. They also monitor implementation, report on progress to higher program levels, connect communities to technical assistance, and receive and channel complaints.”11

PNPM-Rural is one of the most documented and extensively evaluated development programs in the world. Box 2 summarizes the results of several studies that identify the strengths and limitations of the program.

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9 In 2015, the new government changed the name of the directorate general to the Directorate General for Supervision of Village Governance.

10 Indonesia is a unitary state with governing power decentralized to the provincial and district levels. Below the district government is the subdistrict level, which is an administrative unit of the district government.

In terms of poverty alleviation in marginal areas, the PNPM program has faced challenges in remote regions. In areas such as Mentawai and Papua, infrastructure projects have been of lower quality than in other regions. Multiple factors explain these differences in program outcomes, including problems in recruiting provincial staff, as well as limited transportation infrastructure.

The higher quality of PNPM projects is attributed to better oversight due to community participation compared to non-PNPM projects. Notably, this higher quality has not come at higher cost. In fact, PNPM-Rural infrastructure projects have cost less to build than those under which infrastructure was constructed by contractors.

In terms of participation by rural women and the poor, the gains speak to the effectiveness of program processes. Nevertheless, it is also important to note that the quality of participation by women and the poor has not been commensurate with their substantial presence at planning meetings. Village officials, as well as religious and traditional elites, often continue to dominate proposal formulation and selection processes, without providing participants previously excluded from such processes with opportunities for such participation.

As a result of PNPM’s emphasis on transparency and accountability, as well as extensive internal and external financial monitoring, leakage of program funds has been limited. This is particularly remarkable, given that program funds are dispersed directly to beneficiary subdistricts and villages. Such a leakage rate compares favorably with other programs that target poor Indonesians as beneficiaries.

In terms of limitations, while some wealthier or particularly well-organized communities are able to mobilize the technical support and funds necessary for properly maintaining infrastructure, poorer communities—as well as residents of poorly-governed villages—are often unable to do so. As a result, the benefits of the infrastructure funded by the PNPM program tend to diminish over time, as the facilities constructed increasingly fall into disrepair.

There is low uptake of PNPM governance mechanisms outside the program. This relatively weak diffusion of PNPM mechanisms has been attributed to several factors. First, villagers perceive PNPM governance mechanisms as program rules, rather than general principles that could be more broadly applied. Second, this tendency is reinforced by elites who prefer to preserve the status quo. In particular, power is concentrated in the village head, with PNPM mechanisms not being strong enough to balance the village head’s control, and to create opportunities for community input outside the program. Third, neither villagers nor elites are incentivized to promote greater transparency and accountability. In fact, non-elites who push for such mechanisms run the risk of facing social sanctions.

Another limitation is weakening governance mechanisms. While participation, transparency, and accountability under the PNPM program have proved better than under other government programs, shortcomings remain. Although women and poor residents attend planning meetings and are involved in subproject implementation, they participate less frequently in decisions than do others, as decisions remain dominated by elites. Marginalized groups similarly remain excluded from participation.
Corruption has been remarkably limited under the PNPM-Rural program. However, monitoring capacity and complaint resolution mechanisms have been stretched by the program’s expansion. Community members and facilitators complain that problems that have been reported remain unattended by higher-level PNPM staff. With the scale-up in the scope of the program, the number of large-scale corruption cases has increased, and the amount of time taken to investigate and litigate these cases has lengthened.

Facilitators are critical to PNPM objectives and sustainability, but they are scarce and overworked. As the PNPM program has scaled up nationally, it has expanded into regions with more dispersed populations and more challenging physical environments. This has increased the geographic areas over which facilitators are responsible, the predictable result being increasing workloads. The program’s expansion has also increased the number of facilitators required to implement the program, thus creating challenges for PNPM recruitment and training. The PNPM program also faces competition for good facilitators from other participatory programs, which have become increasingly common in Indonesia and sometimes offer more competitive salaries and attractive work conditions.

**Box 2: Strengths and Limitations of the PNPM-Rural Program**

**STRENGTHS:**

1. **Poverty alleviation in rural communities**
   - A 2012 evaluation showed that real per capita consumption by poor households increased by an average of 9 percentage points as a result of PNPM-Rural.
   - The proportion of poor households that were raised above the national poverty threshold was 2.1 percentage points greater in PNPM subdistricts than in control areas.
   - The gains in living standards that resulted from the program are concentrated in poor households. Consumption gains were greater for households in the poorest quintile (11.8 percentage points) than the average gain across program areas, and were even larger for PNPM-Rural households in the poorest quintile of subdistricts (12.7%).
   - Another benefit associated with PNPM participation is higher employment. Households in PNPM areas have enjoyed a small but significant improvement in employment rates (1%–2%) relative to villages not involved in the program.

2. **Poverty alleviation in marginal areas**
   - PNPM-Rural has worked effectively in poor subdistricts and disadvantaged regions. Impact evaluations have shown that real per capita consumption gains were greater in poor subdistricts (12.7%) than the average gain of 9.1%. For the poorest 20% of subdistricts per capita consumption increased by 19%.

3. **High quality, cost-effective infrastructure**
   - The infrastructure built under the program is of high quality, and is generally well-maintained. Further, this generally high quality of PNPM-Rural infrastructure has been consistent throughout the life of the program. A 2001 evaluation found that 96% of respondents perceived infrastructure quality as being as good or better than that built under other government programs. Three years into the program, 86% of subprojects continue to be well maintained, with 94% of maintenance being performed by villagers. Another 2012 evaluation showed that 82% of subprojects were of high quality, with the quality of another 14% being considered acceptable, and 90% of subprojects continuing to function as intended.

*continued on next page*
Box 2 continued

- Infrastructure evaluations have consistently shown PNPM-Rural projects to have cost 25%–30% less than similar infrastructure built by contractors that were selected by local government agencies.

4. Improved access to some services
- The cost-effective investments in infrastructure undertaken under the program have resulted in improved access to services. Compared to villages in which PNPM was not active, access to health services by households in PNPM areas increased 5.1% between 2007 and 2010 (Voss 2012).

5. Greater participation by rural women and the poor generally
- PNPM-Rural data show that the participation rates of women and the poor are significant, with women comprising 50% of those engaged. Similarly, 45% of participants are categorized as poor.
- The poor are also heavily involved in subproject implementation. More than 70% of workers under PNPM-Rural infrastructure projects are drawn from the poorest segments of the village population.

6. Improved transparency and accountability at the community and subdistrict levels
- Since 2008, reported corruption levels have consistently been less than 1% of overall disbursements.

LIMITATIONS:
1. Maintenance and sustainability
- A 2010 study estimated that user fees sufficient to fund sustainable maintenance of infrastructure could be collected in only 10%–20% of villages.

2. Low uptake of PNPM governance mechanisms outside the program
- Although PNPM programs are generally more participatory and transparent and include more transparent accountability mechanisms than other government programs, program mechanisms have not spilled over into other public planning processes and development efforts generally.

3. Shortcomings and weakening governance mechanisms
- There are reports that the quality of participation in PNPM-Rural may be diminishing, with input from non-elite members decreasing over time. The same also appears to be true of beneficiary ownership of project planning and implementation processes in remote locales, as well as in the more marginal areas of the country’s poorest regions.

4. Lagging monitoring and responses to corruption
- Revolving loan funds pose particular risks for corruption. An audit of 508 Subdistrict Activity Management Units (Unit Pengelola Kegiatan [UPKs]) responsible for managing these funds showed that many have suffered from declining repayment rates. This has mainly resulted from perceptions that loans do not need to be repaid, that their legal status is unclear, and that management capacity is weak. Some of these loans apparently fail to benefit the poor women that are the intended beneficiaries of such loans.

5. Facilitators are critical to PNPM objectives and sustainability, but scarce and overworked
- As a result of the above changes, availability of facilitators and the quality of facilitation overall have declined. At every level, PNPM field staff feel overworked, particularly because recruitment challenges have left many positions unfilled, which has in turn resulted in lower-quality subprojects and more limited engagement with communities.

Sources: Adapted from TNP2K, 2015; psflibrary.org.
C. Implementation of the PNPM-Rural Program

Figure 1 summarizes the PNPM-Rural implementation cycle from a diagrammatic perspective. The annual PNPM-Rural cycle begins with the convening of an intervillage forum at the subdistrict level. The purpose of this initial meeting is to inform village representatives of the amount of the subdistrict’s annual PNPM-Mandiri grant allocation, as well as the sectors to be given priority by the district during the following fiscal year.

The purpose of the first intervillage meeting is information dissemination. This meeting thus informs planning processes at the village level. This initial meeting is followed by consultations regarding the priorities of residents at the hamlet (subvillage) level. Hamlet-level meetings include separate meetings convened solely for female participants.

The priorities of all of the subvillages (hamlets) are then brought together at the village-level planning meeting. At this meeting, village-level proposals are selected for submission to the second intervillage meeting, at which villages compete for PNPM-Rural funding. At this village meeting, the five village representatives (three of them women) who will represent the village at the intervillage meeting are also nominated. Each village is allowed to submit three project proposals, two of which must be proposals submitted by women. A special women’s meeting is convened at which the two proposals to be submitted by the women are agreed. The three female village representatives who will represent the village at the intervillage meeting are also identified at this meeting.

The discussions at the second intervillage meeting result in a list of proposed projects. At this stage, the proposals include only a rough estimate of the budget required for implementation of the subproject concerned. These proposals thus do not include detailed technical designs and cost estimates. Preparation of the detailed technical designs and cost estimates of the priority projects is performed jointly by the village technical cadres elected by village residents and the subdistrict facilitators. These plans are submitted to the third intervillage meeting, at which decisions regarding the final funding allocations are made.

Proposals not funded for implementation during the current year may either be submitted to relevant sector programs for funding, or submitted during the subsequent PNPM-Rural annual cycle.

The residents of the villages that receive funding for the projects they have proposed then elect their respective village implementation teams. These teams are responsible for construction of the facilities funded, as well as management of the funds that are then transferred to segregated village accounts in three tranches.

At subsequent village meetings, these teams report on the uses to which these funds have been put, as well as the progress in project implementation achieved. These subsequent village meetings are held following dispersal of the funds from particular tranches, and prior to the release of subsequent tranches of funding. Once subproject implementation is complete, a final evaluation of each subproject is performed.
Figure 1: PNPM-Rural Program Subproject Implementation Cycle

- Intervillage orientation meeting
- Nominate village facilitators, committee
- Village orientation meeting
- Train village facilitators, committee
- Village group discussions to collect project ideas
- Special women’s meeting to agree on 2 proposals and 3 representatives to intervillage meeting
- Village planning to prioritize 3 proposals (2 from women)
- Intervillage meeting to prioritize proposals
- Final proposal design and cost estimates
- Intervillage meeting for final funding decision
- Prepare for subproject implementation
- Village meeting: to report on and discuss workplan
- Fund transfers and subproject implementation
- Village meeting 1: report by implementation committee
- 2nd funds transfer
- Village meeting 2: report by implementation committee
- 3rd funds transfer
- Village meeting: completion report and hand-over of facilities
- Evaluation

Source: Adapted from PNPM Support Facility (TNP2K 2015).
D. PNPM-Rural Program Budget

The PNPM-Rural budget mainly comes from the state budget (Anggaran Pendapatan dan Belanja Negara [APBN]) of the ministries and agencies that allocate funding for the community block grants to beneficiary villages and the technical assistance that supports subproject implementation. Beneficiary communities and local government agencies are required to provide counterpart funding and other resources. These resources are used to support program coordination, provide matching funds that augment the PNPM block grant, and technical assistance that supports implementation of village-level subprojects.

The local counterpart funding committed by the beneficiary communities and local government agencies is documented in the allocations of the budget of the province, district, or city concerned. In general, this counterpart funding accounts for 20%–30% of the total amount of the community block grant, the exact percentage share depending on the fiscal capacity of the district or city concerned.

The PNPM-Mandiri program also uses funding from external sources, primarily grant funding from the Australian government, and to a lesser degree, from World Bank loans. Headed by a ranking official of the National Development Planning Ministry (Badan Perencanaan Pembangunan Nasional [BAPPENAS]), the PNPM Support Facility coordinates the funding for the program provided by external donor agencies.

Each of the two implementing ministries administers its own allocation of PNPM-Rural program funds, these funds forming part of its overall budget. The ministry concerned then disburses the community block grants that fund village-level subprojects. These funds are dispersed directly to the Subdistrict Activity Management Unit (Unit Pengelola Kegiatan [UPK]), which in turn disburses the block grant allocations to the beneficiary villages.

E. PNPM-Mandiri Road Map

In 2013, the National Team for the Acceleration of Poverty Reduction (Tim Nasional Percepatan Penanggulangan Kemiskinan [TNP2K]) led the formulation of a road map for achieving sustainability of the PNPM-Mandiri program.

The road map identifies two objectives for PNPM-Mandiri beyond 2014: (i) consolidation of the PNPM-Core and PNPM-Strengthening programs; and (ii) integration of local development planning. These two objectives are to be achieved by: (1) integration of PNPM-Mandiri activities, (2) continuing use of facilitators, (3) strengthening community organizations, (4) strengthening the institutional capacity of local governments as this relates to implementing the program, and (5) good governance, (1)–(5) being referred to as the five “pillars” of the road map as presented in Figure 2.
Achieving the two objectives above requires fulfilling the following 12 agenda items:

(i) improving the mechanism for direct transfers of funds to community groups;
(ii) using an integrated database for improving targeting of beneficiaries;
(iii) legal recognition of community empowerment organizations;
(iv) certification of, and provision of competitive, standard remuneration packages for community facilitators;
(v) defining standardized performance indicators for community empowerment programs;
(vi) forming partnerships in implementing community empowerment programs;
(vii) formulating a participatory planning mechanism at the village level with links to local government agencies;
(viii) increasing the role of subdistrict government agencies in managing participatory development planning, coordinating community empowerment programs, and delivering services;
(ix) formulating policies and strategies for improving transparency and social accountability (e.g., upgrading governance action plans and improving anti-corruption strategies)*;
(x) improving management of assets, and operation and maintenance of facilities funded by the program;
(xi) strengthening the capacity of the Local Coordination Teams for Poverty Reduction (Tim Koordinasi Penanggulangan Kemiskinan Daerah (TKPKD)) in coordinating and monitoring the PNPM-Mandiri program, and
(xii) formulating policy for guiding revolving loan fund institutions and their operations.
In 2014, the PNPM Road Map initiative achieved the following:

(i) Formulation of an improved mechanism for transferring block grants that had been finalized for use in 2015.
(ii) Formulation of an improved targeting formula for setting 2015 allocations that was finalized by the National Development Planning Ministry (BAPPENAS).
(iii) Facilitating issuance of a government decree that specified a new remuneration system and pay scale for PNPM-Mandiri facilitators.
(iv) Facilitating issuance of a government decree that memorialized the PNPM’s eight key principles, as well as a set of performance indicators for the program.
(v) Facilitating issuance of the Better Governance Action Plan (BGAP) that covers all PNPM-Mandiri subprograms. This included issuance of a statement in advance of national election campaigning in 2014 reiterating nonpoliticization of the PNPM.
(vi) Facilitating passage of a new Microfinance Law in 2013. This included establishment of Subdistrict Activity Management Unit (Unit Pengelola Kegiatan [UPK]) revolving loan funds as formal legal entities in 2014, and finalization of directives that give beneficiary communities the option of establishing community-level revolving loan funds as legal entities, as well as the procedures for registering these entities.
(vii) Continuation of studies and research in 2014, which will result in the drafting of key regulations, as well as review of other key agenda items relating to the PNPM road map.

Work on the road map was meant to include formulation of institutional arrangements for sustaining the results of the PNPM-Mandiri program. However, since this work coincided with deliberations regarding the Village Law, the National Team for Accelerating Poverty Reduction (TNP2K) and other government stakeholders focused on supporting legislative processes relating to the Village Law, given that the law is the primary vehicle for sustaining PNPM-Mandiri principles.

The following sections highlight the progress relating to the road map.

F. Community Facilitators Development Project

Financed by international donors through a trust fund managed by the PNPM Support Facility, the Community Facilitators Development Project funds facilitator certification and training programs.

An estimated 25,000 facilitators have been deployed under the various phases of the PNPM-Mandiri program. In addition to these, thousands more work for donor agencies, civil society organizations, and community empowerment projects across Indonesia.
The premise underlying the Community Facilitators Development Project is that improving facilitator performance can only be achieved by: (i) equipping facilitators with basic competencies; (ii) certifying these competencies through a recognized process; and (iii) supporting their continual professional development.

**Box 3: The Community Facilitators Development Project**

By the end of June 2014, a total of 1,437 facilitators had been certified by (Lembaga Sertifikasi Profesi Fasilitator Pemberdayaan Masyarakat [LSP-FPM]), of whom 475 were certified during the second quarter of 2014. About 23 competency test centers have been accredited, with six temporary TUKs (Tempat Uji Kompetensi or Competency Test) being established in mid-2014, which are managed by local facilitators’ associations.

Under the second component of the project, a refresher training program for facilitators has been designed in collaboration with stakeholders from PNPM-Mandiri programs, regional universities, and Indonesian government institutions. This collaboration has resulted in two batches of advanced training [in which] a total of 233 participants from 20 provinces were involved in the design of the training program. The project has also facilitated the preparation of the accreditation mechanisms for training institutes that will provide training for community facilitators. Consultations with stakeholders concluded that competency-based training materials and master trainers are the primary [...] [outputs] of this training. The system of refresher training for community facilitators has been developed in collaboration with the Directorate General of Community and Village Empowerment at the Ministry for Home Affairs. The system will allow individual facilitators to improve their capacities through self-learning mechanisms.

Following are the critical challenges faced by the Project:

1. **Future of Facilitator Management**: Government Regulation (PP) 43/2014 on the implementation of the Village Law states that the Government should ensure that professional facilitators have the basic competencies required to facilitate village-level development and capacity building. In particular, it is necessary to determine how community facilitators will be contracted and managed within the regular government support system for village development. This new design will affect the career path, competencies, certification scheme, and training for facilitators. Substantial investments will be needed to ensure that the certification program supports the implementation and complies with the provisions of the Village Law and the Civil Service Law. In particular, it is necessary to formulate implementing regulations covering the hiring and management of community and village facilitators;

2. **Additional Support to Enhance the Certification System**: While the LSP-FPM is starting to generate income from certification activities, these revenues are still not sufficient to cover all LSP-FPM expenses, particularly in locations where the availability of assessors and TUKs (Tempat Uji Kompetensi or Competency Test) is still limited, and where the mobilization of assessors results in extra costs. Therefore, the LSP-FPM has formulated a business plan to ensure the sustainability of revenues, with this plan including plans [for reviewing and revising] the certification scheme in the context of the implementation of the Village Law, which will create [a] need for a greatly increased number of community facilitators.

Since July 2011, the Community Facilitators Development Project has:

(i) established a certification program for community facilitators. This program is administered by the Independent Institute for Professional Certification of Community Facilitators (Lembaga Sertifikasi Profesi Fasilitator Pemberdayaan Masyarakat [LSP-FPM]). The Institute operates competency test centers across the country that uses national and international guidelines as the basis for professional certification; and

(ii) provided refresher training that equips community facilitators with advanced competencies, and established a knowledge management system that allows facilitators to join a virtual community of practitioners.

By mid-2015, Independent Institute for Professional Certification of Community Facilitators (LSP-FPM) had already certified 2,000 facilitators. The Institute now receives financial support from Australia’s Department of Foreign Affairs and Trade.

G. Role of Local Government

Expansion of the roles and responsibilities of local government agencies brought about by the PNPM-Rural program has strengthened both the institutional capacity of local government agencies and their ownership of the PNPM-Rural program.

As a result of this program, district governments have integrated participatory planning into their overall development planning processes. This in turn has led to medium-term village development plans being formulated for all villages in the districts under study. Further, the project proposals contained in these plans can be submitted to a wide variety of agencies for funding. Participatory planning will be even more relevant under the Village Law, under which each village will receive significant funding each year.

While the benefits of participatory planning are widely appreciated, they do not necessarily result in support by district governments. As a result, if participatory planning at the village level is to have the results expected, access to other budgetary resources is required.

The road map highlights the critical role of local government in sustaining community-driven development, as well as broader poverty reduction programs. The road map also stresses integration of PNPM-Rural systems and procedures into regular local government development planning and budget allocation processes. This answers the common criticism that the PNPM-Rural program is implemented outside of, and in parallel with regular government development planning and budgetary allocation processes.12

An initiative for integrating the PNPM-Rural participatory approach to development planning into regular local government development planning and budgetary allocation processes began in 2010 under the PNPM-Integrasi scheme. PNPM-Integrasi supports shifting from program-based, ad hoc planning processes to regular midterm village

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development planning (i.e., “horizontal integration”). *PNPM-Integrasi* likewise supports integrating village planning processes into subdistrict and district level planning and budgeting (i.e., “vertical integration”), as well as linking midterm village development planning with the deliberations of the local parliament.

Evidence that has become available over recent years suggests that a growing number of local governments have implemented community-driven development programs into their own budgets. For example, an assessment conducted by the PNPM Support Facility in 2014 found that at least 82 provincial and district local governments were integrating community-driven development into their own development programs. While such changes include integrating most of the features of the *PNPM-Rural* program into provincial- and district-level planning processes, a notable difference is lack of any emphasis on encouraging the participation of women in decision-making processes. Similarly, unlike the *PNPM-Rural* program under which an elected committee manages funds and development initiatives, under provincial and district local governments that have integrated community-driven development into their own development programs as described in Box 4, the village government directly implements some of those programs.13

The study also found that some local governments implement sector-focused programs that include predefined activities and participants. Two examples of such programs include (i) the integrated farming system in Bali; and (ii) the women’s cooperative in East Java, which seem to have been motivated by the initiative of the sector agencies that have allocated funds for these programs. Each of these programs has its own operations manual and technical guidelines. Similarly, because these programs engage facilitators to varying degrees and employ different facilitator incentive systems, they result in different types of operational support, which in turn results in facilitation that varies significantly with regard to quality. Finally, these programs coexist and operate independently of one other at the village level. However, in some instances, there has been some synergy between programs. For example, an access road in Melinggih village, Gianyar District, reduces transportation costs for the agricultural produce of farmers that receive assistance from the integrated farming system.

### H. Institutionalization of Community-Driven Development under the Village Law

In 2014, Indonesia enacted the Village Law through passage of Law 6/2014. Enactment of the Village Law signaled a major policy shift at the national level in that it recognized the relative autonomy of village-level units. The Village Law also serves as a master framework for village development and community empowerment.

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In Bantaeng district, the Australian Agency for International Development (AusAID) funds a community development and civil society strengthening program known as ACCESS. This program supports a network comprising PNPM-Rural program staff, civil society organizations, and government officials. The network trains the village planning team, and supports consultation planning processes up to the point at which each village-level plan is finalized.

All villages have developed their medium-term village development plans in 2012. PNPM-Rural facilitated processes are now adopted and integrated with the regular government system. Thus, PNPM-Rural is no longer exclusive. – A Bantaeng district official of the Village Community Empowerment Agency (Badan Pemberdayaan Masyarakat Desa [BPMD]).

The network has continued its operations, even after completion of the medium-term village development planning process. Supported by the district government (in this case, the district BPMD) and PNPM-Rural facilitators, the network’s functions have expanded to include sending delegations to the Subdistrict Intervillage Forum (Forum Delegasi Masyarakat [FDM]). FDM members are elected, and are drawn from village representatives who attend the subdistrict-level annual development planning meeting.

The study team observed a regular annual village planning meeting at which women’s groups convened a separate meeting for the purpose of formulating their own development priorities. This in fact was an outgrowth of the practice of holding separate women’s meetings under the PNPM-Rural program. In the absence of PNPM-Rural facilitators, this particular meeting was facilitated by an FDM member and a village development cadre.

The network has advocated development of local regulations that institutionalize participatory planning and budgeting. It has also advocated for legal recognition of the Intervillage Cooperation Bodies (Badan Kerjasama Antar [BKAD]) and the financial assets managed by the Subdistrict Activity Management Units. District-head regulations function as interim legal instruments until regular district regulations are issued, the latter requiring deliberation by the local parliament. Further, the network plans to assist the training of village council members. The village council is an important institution under the Village Law in that it is expected to provide oversight to village government and decide upon local-level regulations, development plans and budget.


Once the Village Law is fully implemented, local residents will assume greater responsibility and control over village affairs, and will be able to fulfill more of their development requirements. One noteworthy provision of the law is that villages are to receive substantial direct allocations from national and local government budgets alike. This includes – from the national budget – 10% on top of total transfer funds to the local governments, and – from the local government budget – 10% of the amount each district receives from the national government, as well as the same proportion from local revenues.
The transfer from the national budget will initially occur on an incremental basis, as implementation of the Village Law begins. For 2015, each village will receive Rp750 million ($60,000) on average, which will come from national and local government funding sources. In 2017, each village will receive an estimated Rp1.4 billion ($136,000); and in 2019, an estimated Rp2.4 billion ($190,000).14

The Village Law reflects the government’s intention to make community-driven development sustainable. Proponents of community empowerment—who were major supporters of the Village Law during parliamentary deliberations concerning it—see the law’s enactment as institutionalization of community-driven development at the national level.

Members of the parliament drafting committee for the Village Law acknowledge that some of its sections are based directly on the PNPM-Rural program. A prominent proponent of the Village Law even stated that “the Village Law is PNPM-Rural.”

The Village Law embodies principles that facilitate integration of PNPM-Rural systems and procedures into village governance processes, in that it explicitly states that:

(i) village governance should be based on transparency, accountability, and participation (Article 24);
(ii) the village head should coordinate village development in a participatory manner, apply principles of gender equity, and ensure transparent and accountable governance (Article 26); and
(iii) the whole village community should be involved in development planning, implementation, and monitoring (Articles 80–82).

Further, the Village Law stresses the importance of facilitation in project implementation processes.

Implementation of the Village Law will begin in 2015. That year thus marks the beginning of the transition from community-driven development being based on PNPM-Rural principles to its full legal institutionalization. For example, 2015 will see the transfer of funds mandated by the Village Law replacing PNPM-Rural block grant funding. The manner in which other PNPM-Rural systems and procedures are likely to translate into implementation of the village law is discussed in Chapter V.

This chapter summarizes the key findings from the field research that relate to best practices and lessons learned from implementation of the PNPM-Rural program. These best practices and lessons learned are outcomes of the positive reputation of the PNPM-Rural program overall, as well as adoption of participatory planning, intervillage cooperation, coordination of development programs at the village level, and the role of facilitators under the program.

A. Reputation of the PNPM-Rural Program

After numerous years of implementation as the most extensive community-driven development program in Indonesia, the PNPM-Rural program has become synonymous with empowering villagers in a way that allows them to create and implement their own development agendas. As a result, the program has become integral to the development process in thousands of communities in Indonesia. Box 5 summarizes some common sentiments of village and subdistrict residents regarding the PNPM-Rural program.

Despite such optimism, the above sentiments can also be interpreted as reflecting a sense of skepticism regarding the sustainability of PNPM-Rural program systems and procedures. As a means of ensuring sustainability of the program’s systems and procedures, the network of civil society organizations and PNPM-Rural actors in Bantaeng District plans to develop an information-technology-based complaint handling system that will allow the entire community to participate in the monitoring of funds. The network also plans to strengthen the capacity of the village council as a means of ensuring community oversight over funds. In light of such actions, implementation of the Village Law will ultimately test the degree to which the PNPM-Rural program resulted in increased demand for accountability by village residents.
B. Adoption of Participatory Planning Mechanisms from Other Rural Development Programs

As part of its sustainability strategy, the PNPM-Rural program has developed a means of integrating its planning processes into the district government’s regular development planning procedures. Such integration is expected to result in institutionalization of PNPM-Rural program values, systems, and procedures in the regular systems of development planning. It is likewise expected to address the concern that the PNPM-Mandiri program as a whole operates as an ad-hoc program separate from mainstream development planning mechanisms.

Overall, the stakeholders in the study districts consulted during field visits expressed satisfaction with participatory planning—which while initially designed for purpose of the PNPM-Rural program—has now been integrated into regular village- and district-government planning procedures. While the PNPM-Rural participatory planning system was mainly designed as a means of prioritizing village proposals for funding, the intervillage deliberation forum at the subdistrict level has enabled preparation and review

Box 5: Sentiments Regarding the PNPM-Rural Program Expressed at a Focus Group Discussion in Kabuh Subdistrict, Jombang District

- By the people, from the people, for the people
- Benefits are felt, real
- Good quality
- Transparent
- Rules are clear
- Village heads may not appreciate the PNPM-Rural program, as they are not in control of the funds. That is, there is no opportunity for village heads to capture the funding process and redirect it to their own ends.
- When the PNPM-Rural program ends, the community ends. Respondents feel that the PNPM-Rural program allows community members to participate fully in the development process. Their concern is that the end of the program may decrease opportunities for participation by community residents, as under the Village Law, the village government has ultimate responsibility for managing funds.
- The PNPM-Rural program has mechanisms for information dissemination to the general public.
- The PNPM-Rural program is predictable. Everyone knows which projects will be prioritized and funded, and when funds for prioritized projects will be released.
- The microfinance program provides easy credit. No collateral is required, and the application process is easy.
- Cadres and committees are elected. If trust is not maintained, they will not be elected in subsequent elections.

Note: Results are from a field visit on 22–28 December 2014.
of comprehensive plans that include 5-year multisector development priorities, and a list of potential funding sources. Villages in the four study districts now have midterm village development plans that have legal standing as a result of their incorporation into individual village regulations. This is consistent with the “one village, one plan” objective of the PNPM-Rural program.

Box 6: Adoption and Adaptation of PNPM-Rural Program Systems and Procedures by the Siaga Desa Swatantra Program in Gianyar District

Strengthening the role of the subdistrict government is one of the objectives of the current head (bupati) of Gianyar District. Historically, subdistricts in Gianyar have been powerful branches of government, in that they have a district government.

The objective of the Siaga Desa Swatantra “towards the self-reliant village” program is reducing poverty through accelerated rural infrastructure development. The procedures it uses for deciding budgetary allocations are modelled after those used under the PNPM-Rural project. Each year, the district government allocates Rp2.8 billion to Rp3.8 billion ($224,000–$304,000) to each of the seven subdistricts, which on average comprise nine villages. This allocation is approximately the same as the subdistrict grants under the PNPM-Rural program. The subdistrict/intervillage annual planning forum decides its budgetary allocations on the basis of village infrastructure project proposals.

While the subdistrict government holds these funds prior to their being dispersed, implementation of the projects funded is governed by an agreement with the Village Community Empowerment Institution (Lembaga Pemberdayaan Masyarakat Desa [LPMD]). The LPMD partners with the village government in formulating community-level priorities, promoting participation, and planning and implementing development programs. It is also responsible for the technical design and costing of projects. At the onset of project implementation, the subdistrict government transfers funds earmarked for particular projects to the LPMD, which in turn forms implementation teams at community-wide meetings, and then implements the projects that have been funded.

The agreement between the subdistrict government and the LPMD is consistent with the generic government procurement threshold rule for self-management. This allows the subdistrict government—which holds the funds allocated to particular projects—to assign construction works to the LPMD without a tender up to a maximum value of Rp200 million. This roughly mirrors a special rule under the PNPM-Rural program that allows a single project to be implemented by a particular community without a tender up to a maximum value of Rp350 million.

The Siaga Desa Swatantra program is managed by the subdistrict government in close collaboration with the PNPM-Rural program, not only with regard to decisions as to which projects are to be funded, but with regard to project implementation as well. However, the subdistrict government has neither sufficient staff to assist in project implementation, nor the budgetary resources to hire facilitators. As a result, village development cadres for community empowerment and technical cadres trained under the PNPM-Rural program assist project implementation. PNPM-Rural subdistrict facilitators also oversee the technical and financial aspects of project implementation.

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Development of village-level plans involved processes used under the PNPM-Rural program. These include: (i) formation of a team of elected community members, (ii) training of the community team, (iii) a series of consultations at the hamlet (subvillage) level, (iv) analysis of projects for prioritization, (v) village development planning and deliberations, and (vi) preparation of project documents by the community team. Supported by representatives from the subdistrict administration office, PNPM-Rural program facilitators assist villagers with training, facilitating the prioritization of projects, and preparation of plan documents (Box 6).

Village midterm plans are revisited by residents each year, as these plans form the bases of their annual project proposal submissions to the district government. The annual planning exercise takes place at a series of meetings at the village, subdistrict, and district levels. At the subdistrict level, the annual planning meeting is integrated with intervillage deliberations at which decisions regarding which projects are to be funded are decided, with PNPM-Rural program facilitators assisting these meetings. Representatives from the District Development Planning Agency (Badan Perencanaan Pembangunan Daerah [BAPPEDA]) and the District Work Unit (Satuan Kerja Perangkat Daerah [SKPD]) also attend this meeting, with discussions with these district representatives normally occurring.

Subdistrict government officials appreciate the benefits of coordinating with the PNPM-Rural program as regards implementation of village-level projects. Nevertheless, the Siaga Desa Swatantra program relies on its own facilitator teams to assist the LPMD with project implementation, as the amount of time PNPM-Rural program facilitators would be able to devote to implementation of projects under the Siaga Desa Swatantra program is limited, given that their primary duties include supporting implementation of projects under the PNPM-Rural program.

As the PNPM-Rural program is a time-bound initiative, the Siaga Desa Swatantra program is widely perceived as a continuation of the former in terms of the functions it performs. Thus the Siaga Desa Swatantra program will most likely recruit former PNPM-Rural program facilitators as district-level staff to assist with implementation of projects. The district government also plans to increase the number of facilitators from two per subdistrict—each subdistrict on average comprises nine villages—to two subdistrict facilitators for every four to five villages. The district government is likewise considering a slight increase in facilitator remuneration levels.

The case of the Siaga Desa Swatantra program demonstrates a commitment on the part of the district government to continue using the approach to community-driven development originally formulated under the PNPM-Rural program, as this approach has been proven to deliver optimal results. However, while the PNPM-Rural program was able to waive the requirement of construction works valued at more Rp200 million requiring a tender because it was a special national program, the district government is unable to do so.

Note: Results are from a field visit on 8–13 December 2014.
after PNPM-Rural program deliberations have concluded. The rationale for these representatives attending these meetings is that these district-level government agencies will subsequently consider the proposals submitted by the villages at their own annual planning and budgeting meeting.

The representatives of the villages submitting project proposals who will attend the district-level planning meeting (i.e., the district work unit planning forum) are elected at the intervillage forum. Once this forum has been convened, the district government convenes its own annual planning meeting. Subsequent to the district government’s annual planning meeting, a series of meetings between local government agencies and the district parliament’s budget committee are convened.

The major benefits of including PNPM-Rural program facilitators in the above process include the transfer of skills, the inclusive nature of community engagement during the development planning process, and the quality of the village medium-term development plans themselves. Nevertheless, these medium-term village development plans have not always resulted in increased funding of village-level projects by district governments. In this regard, the sentiments of village leaders consulted during the field work that underlies the present study were mixed. For example, some village leaders in Bantaeng District referred to the above process as “planning deliberations without results”. Similarly, in Lombok, some village leaders referred to the process as “planning deliberations without response”.

Consultations with stakeholders at the district level suggest that a number of factors impact the process by which village-level project proposals are incorporation into district annual development plans. These include:

(i) whether or not the proposals submitted are consistent with district development priorities;

(ii) the fiscal capacity and priorities of the district government concerned. In the case of relatively large projects such as construction of a hospital, a single project tends to absorb a significant portion of the district development budget, leaving few funds for projects that address village-level development requirements. This problem is particularly acute in districts such as Bantaeng, in which the district’s fiscal capacity is significantly constrained; and

(iii) the nature of the village-level project proposals themselves, which tends to mitigate against their being selected for funding. Village-level project proposals by their nature tend to be numerous, small-scale, and oriented toward local development requirements, while district work units tend to respond more positively to project proposals that are of significant size and thus generate more extensive—and more visible—impacts.
C. Intervillage Cooperation and the Network of Actors

The subdistrict level of government is an important locus of the PNPM–Rural program. For example, PNPM–Rural program facilitators are based at the subdistrict level. While they frequently travel to the villages that comprise the subdistrict to which they have been assigned, they work closely with subdistrict government officers.

The subdistrict is also an important locus of intervillage decision-making as regards funding of projects. Five representatives from each village—at least two of them women—participate in these funding deliberations, as do two facilitators recruited by the subdistrict concerned.

An intervillage cooperation body (Badan Kerjasama Antar Desa, [BKAD]) established at the subdistrict level under the PNPM–Rural program oversees working units, each of which is assigned a particular activity. These units include: (i) the activity management unit, (ii) the Subdistrict Activity Management Unit oversight committee, (iii) the verification team for infrastructure activities and revolving funds of beneficiaries, (iv) the training team, and (v) the monitoring team.

For its part, the activity management unit receives transfers from the central government each year in accordance with each subdistrict’s allocation. The activity management unit then administers these funds, including the allocations to particular villages that fund the projects decided collectively at intervillage funding deliberations.

The intervillage cooperation body and all of its associated working units, which are based at the subdistrict level, are established at the intervillage deliberation meeting. The election of functionaries and representatives also occurs at this meeting. In addition to above, representatives that oversee the results of the subdistrict annual planning meeting until the district planning meeting is held are nominated at the intervillage deliberation meeting, their nomination having begun at the village level at a community meeting.

The subdistrict is also a locus for training, workshops, and meetings of stakeholders, including the village activity management committees and community development cadres that assist program implementation at the village level.

The fact that these trained villagers participated in the development process in such an operational way sharpened their respective abilities in participatory development at the village level, as described in Box 7. In addition, it demonstrated to them that despite limited financial resources, participatory development could produce positive outcomes for beneficiaries. In fact, many of these individuals began as village development cadres or as members of activity management committees. Similarly, subdistrict facilitators often began their careers as village development cadres or members of activity management committees. Further, both youthful village residents and the better educated among them are particular drawn to work in participatory development, with some of them ultimately becoming village heads or members of the local parliament.
The intervillage cooperation bodies and subdistrict activity management units in the study districts have accumulated considerable expertise in covering their operational costs, and providing incentives to their staff that are financed from surpluses generated from the lending programs they oversee. For example, the subdistrict activity management unit in Kabuh subdistrict (of Jombang district) manages a lending facility with assets of Rp7 billion ($560,000), 2,000 borrowers, and a 99.97% repayment rate. A portion of the annual profits from this facility is allocated to a social assistance program for the poorest of families, the actual beneficiaries being decided collectively at the intervillage meeting.

The subdistrict activity management units in the study subdistricts of Bantaeng and Lombok Barat Districts have likewise demonstrated similar abilities, as has the subdistrict activity management unit in Payangan subdistrict (of Gianyar District) which addressed a mismanagement problem that was resolved satisfactorily.

The intervillage cooperation bodies and subdistrict activity management units in the study districts have achieved significant recognition by key stakeholders. For example, the district and subdistrict governments invite the chair of the intervillage cooperation body to meetings at which matters concerning villages are discussed. Intervillage cooperation body leaders have likewise chaired intervillage meetings and functioned as interlocutors. Similarly, they continually network with village-level cadres, ad-hoc activity management committee members, and village heads concerning program implementation, as well as issues regarding loan repayment. Subdistrict activity management unit teams likewise regularly visit villages to meet groups of borrowers, and have established a district-wide network in all study districts. They also sometimes participate in local parliamentary hearings.

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**Box 7: Making Full Use of Training Provided to Villagers Under the PNPM-Rural Program**

The PNPM-Rural program trained villagers as village development cadres; technical cadres; and as members of activity management committees, planning teams, verification teams, and monitoring and evaluation teams.

These individuals are key figures in village-level organizations such as the village council and the village organization that coordinates village development planning and implementation. Due to the potential of these individuals to promote development at the village level, the head (bupati) of Gianyar District issued an official circular that encouraged villagers to make use of their services. The timing of this circular was just prior to the close of the PNPM-Rural program. The circular’s effect was thus that of encouraging villagers to support the district’s Siaga Desa Swatantra program, an initiative that functionally continued PNPM-Rural program activities and processes.

Note: Results are from a field visit on 22–28 December 2014.
The *PNPM-Rural* program has likewise created opportunities for leaders of intervillage cooperation bodies and subdistrict activity management units to participate in the development process outside of *PNPM-Rural* program activities, in that they have themselves developed both formal and informal networks.

Initially, the date slated for closure of the *PNPM-Rural* program was December 2014. However, the central government has issued no guidance as to post-*PNPM-Rural* program arrangements for intervillage cooperation bodies and subdistrict activity management units, nor has any guidance been issued regarding the financial assets generated under the *PNPM-Rural* program. In the absence of legal clarity, the program’s closure puts the security of these financial assets at risk, this likewise including active loans. Key *PNPM-Rural* program stakeholders such as district officials, subdistrict officers, village heads, and functionaries of various organizations are concerned about this lack of legal clarity. As a result, individuals are advocating for the central government to address this issue.

D. Coordination of Village-Level Programs in Community-Driven Development

In recent years, development assistance to community-driven development initiatives has expanded at a considerable rate. This is true not only of the two major components of the *PNPM-Mandiri* program (the *PNPM-Core* [rural and urban] and *PNPM-Strengthening* programs), which are national programs, but also of community-driven development programs at the provincial and district levels (Table 3).

Following are the observations of study team members as to how these various programs operate at the village level:

(i) **Provision of grants.** All programs involve the provision of grants, except for the Subdistrict or Area-based Development Program Based on Earmarked Budgetary Allocations (*Pagu Indikatif Kewilayahan [PIK]*) , which receives funding from a number of sources. As its name implies, the PIK is based on earmarked budgetary allocations, with the subdistrict/intervillage annual development planning forum deciding these funding allocations. In Jombang District, program implementation is managed by district sector or technical agencies. However, in Gianyar District, the program is managed by the subdistrict government and implemented through a village community organization (Box 8).
### Table 3: Village-Level Community-Driven Development Programs

<table>
<thead>
<tr>
<th>Program and Funding Source</th>
<th>Sectoral Focus</th>
<th>Study District</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Gianyar</td>
</tr>
<tr>
<td>PNPM Rural</td>
<td>Infrastructure, credit</td>
<td>X</td>
</tr>
<tr>
<td>PIK (district)</td>
<td>Infrastructure</td>
<td>X</td>
</tr>
<tr>
<td>PPIP (PNPM for rural infrastructure - national)</td>
<td>Infrastructure</td>
<td>X</td>
</tr>
<tr>
<td>SIMANTRI (province)</td>
<td>Integrated farming</td>
<td>X</td>
</tr>
<tr>
<td><strong>Bedahrumah (home rehabilitation) (province)</strong></td>
<td>Home rehabilitation for the poor</td>
<td>X</td>
</tr>
<tr>
<td>BLM Tani (district)</td>
<td>Agriculture</td>
<td>X</td>
</tr>
<tr>
<td>BLM Pemuda (district)</td>
<td>Arts for youth</td>
<td>X</td>
</tr>
<tr>
<td>PID (district)</td>
<td>Infrastructure, capital for economic activities</td>
<td>X</td>
</tr>
<tr>
<td>KOPWAN (district)</td>
<td>Credit cooperative for women</td>
<td>X</td>
</tr>
<tr>
<td>JASMAS (district)</td>
<td>Infrastructure</td>
<td>X</td>
</tr>
<tr>
<td>PKH (national)</td>
<td>Conditional cash transfer program (household)</td>
<td>X</td>
</tr>
<tr>
<td>PUAP (PNPM Agribusiness/ national)</td>
<td>Agribusiness, including in-kind, credit</td>
<td>X</td>
</tr>
<tr>
<td>BUMDES (district and province)</td>
<td>Capital for village enterprise</td>
<td>X (from province)</td>
</tr>
<tr>
<td>PNPM Generasi (national)</td>
<td>Conditional cash transfer program (community-based)</td>
<td>X</td>
</tr>
<tr>
<td>PAMSIMAS (national)</td>
<td>Water and sanitation facilities</td>
<td>X</td>
</tr>
<tr>
<td>Baruga Sayang</td>
<td>Community information center</td>
<td>X</td>
</tr>
<tr>
<td>GERBANGSADU (province)</td>
<td>Infrastructure, capital for credit by village enterprise</td>
<td>X</td>
</tr>
<tr>
<td>ADD (district)</td>
<td>Various</td>
<td>X</td>
</tr>
</tbody>
</table>

ADD = Alokasi Dana Desa (Funds Allocation to Village - from District budget), BARUGA SAYANG = Balai Rujukan Keluargadan Pusat Layanan Pembangunan (Community Center for Family-Based Empowerment), BLM Tani = Bantuan Langsung Masyarakat Tani (Grant/Direct Assistance for Farmers), BLM Pemuda = Bantuan Langsung Masyarakat Pemuda (Grant/Direct Assistance for Youth), BUMDES = Badan Usaha Milik Desa (Village Owned Enterprise), GERBANGSADU = Gerakan Pembangunan Desa Terpadu (Integrated Village Development Movement), PAMSIMAS = Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat (Community-based Drinking Water and Sanitation), PID = Pagu Indikatif Desa (Village Development based on earmarked budget system), PIK = Pagu Indikatif Kewilayahan (Subdistrict/Area-based Development based on earmarked budget system), PNPM Generasi = PNPM Generasi Sehat dan Cerdas (PNPM for Health and Education), PPIP = Program Pembangunan Infrastruktur Perdesaan (Rural Infrastructure Development Program), PUAP = Pengembangan Usaha Agribisnis Perdesaan (Rural Agribusiness Development), SIMANTRI = Sistem Pertanian Terintegrasi (Integrated Farming System).

Note: Results are from a field visit on 8 December 2014 to 17 January 2015.
Best Practices under the PNPM-Rural Program and Lessons Learned from Its Implementation

Box 8: Budget Allocation Mechanisms in Gianyar and Jombang Districts

The objective of PNPM-Rural program block grants was that of addressing uncertainty with regard to the funding of village-level development projects. Due to its success in promoting participatory development planning, numerous district governments have now adopted the budget earmarking system, the latter being modelled after the block grant system used under the PNPM-Rural program. Integration of the budget earmarking system into the subdistrict annual planning process has stimulated enthusiasm on the part of participants, mainly because of the certainty of funding of projects under the budget earmarking system.

Each year, Jombang District earmarks an average of Rp4 billion ($320,000) to each of Jombang’s 21 subdistricts, which together comprise a total of 302 villages. For its part, Gianyar District earmarks Rp2.8 billion to Rp3.8 billion ($224,000–$304,000) to each of its seven subdistricts, which together comprise a total of 63 villages. The project proposals that will be funded from these resources are decided at the subdistrict-level annual planning meetings, these project proposals being based on the village development plans agreed by all residents at village meetings. In addition to earmarking funds for use by each subdistrict, these funds are assigned to particular sectors. For example, Jombang District has assigned 45% of its funds to infrastructure projects, 10% to health projects, 20% to education projects, and 25% to projects in the agriculture sector. As for Gianyar district, its entire development budget was assigned to infrastructure development projects.

As regards project implementation, these two districts take entirely different approaches. Project implementation in Jombang is the responsibility of the respective district-level lead sectors, while Gianyar District adopted an approach similar to that under the PNPM-Rural program, under which the funds were assigned to the respective subdistrict administrations.

Originally used by Sumedang District in West Java, the budget earmarking system was then adopted by Jombang and Gianyar districts, following which a growing number of districts have begun adopting similar systems.

Note: Results are from a field visit on 22–28 December 2014.

(ii) Transfer of funds to community groups. All funds are transferred directly to community groups, except for the Funding Allocations to the Village Level from the District Budget (Alokasi Dana Desa [ADD]) and Gerbangsadu programs. The ADD program uses funds transferred from the district government to the village government. This includes funds for operational and administrative support, support for key village or community organizations, and various small-scale activities, depending on the size of the funds. The Gerbangsadu program is a special financial assistance program of the Bali provincial government that provides assistance to communities for village enterprises. These funds are thus channeled through the village government account. The infrastructure component is implemented by an activity management committee, while seed capital is transferred to the village enterprises.
(iii) **Use of facilitators.** The various programs have their own facilitators, though different programs employ facilitation to varying degrees. While all national programs under the PNPM-Mandiri group of programs may treat facilitators in similar ways in terms of remuneration and allowances (transportation, communication, housing), provincial and district governments provide lower rates of remuneration to their facilitators, and do not necessarily remunerate transportation costs for visits to villages. For example, in Jombang District, ADD facilitators are paid Rp1.750 million per month (the district minimum wage), while subdistrict facilitators under the PNPM-Mandiri group of programs receive an average wage of Rp3 million per month, plus transportation, communication, and housing allowances.

(iv) **Policies and procedures.** Each program has its own policies and procedures. Operational manuals are issued by the government agency responsible for the program.

(v) **Differences among village organizations.** The types of village organizations and community groups that receive funding for projects vary considerably. For example, an integrated farming system program in Bali Province implemented in Gianyar District provides funds to existing farmers’ groups in a manner that reflects the traditional irrigation system. In contrast, the rural infrastructure program works with a community-based organization in the neighborhoods in which the program is implemented. Assistance provided to a women’s cooperative in Jombang works with an existing cooperative that already has achieved legal recognition.

(vi) **Incorporation of programs into village annual plans.** Not all programs are reflected in village annual development plans. For example, while project proposals to be funded under the PNPM Rural, PNPM Generasi, and PIK programs are reflected in the annual plans, the housing rehabilitation programs in Gianyar and Lombok Barat became known only after the annual development plans had been completed and submitted. Assistance for these programs was also confirmed only after the village heads had lobbied the provincial government. Likewise, the assistance provided by the provincial government to the Simantri and Gerbangsadu programs in Gianyar District was only known and confirmed after the village planning exercise had ended. Sometimes village governments learn of assistance programs operating in their villages only when programs are about to be implemented. The small-scale irrigation and asphalting projects in Jombang District that were managed by district technical agencies provide one such example. This suggests that despite efforts at promoting the "one village, one plan" principle, it is difficult—if not impossible—to coordinate funding allocations to villages with the upper levels of government.

An evaluation by the National Team for Accelerating Poverty Reduction (Tim Nasional Percepatan Penanggulangan Kemiskinan [TNP2K]) performed in 2012 suggests that the growth of national community-driven development programs that are managed by different ministries has led to a number of issues as follows:16

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15 Subak is the name of an irrigation system for paddy fields on Bali island that was developed in the 9th century. For Balinese, irrigation is not simply providing water for the plant’s roots; water is used to construct a complex, pulsed artificial ecosystem. The system consists of five terraced rice fields and water temples covering nearly 20,000 hectares. The temples are the main focus of this cooperative water management system of canals and weirs, which are known as subak (https://en.wikipedia.org/wiki/Subak_(irrigation))

(i) There is fragmentation in community empowerment due to the proliferation of programs.
(ii) Poor coordination between the PNPM-Core and PNPM-Strengthening programs has led to variation in the quality of implementation, facilitation, participation, transparency, oversight, and gender mainstreaming in particular.
(iii) Opportunities have been missed. This in particular includes the potential significant impact of scale economies as regards poverty reduction initiatives.
(iv) Confusion exists regarding the empowerment approach and program objectives.
(v) The impact of the PNPM-Mandiri group of programs relating to local governance and local institutions at the village and district levels has been limited.17

Overall, the study team agrees with the above observations. There is a tendency for each program to operate independently in villages, and thus to coexist alongside other programs, with minimal or a complete lack of coordination between programs with parallel or similar objectives.

For example, the Rural Infrastructure Development Program (Program Pembangunan Infrastruktur Perdesaan [PPIP]) is a PNPM-Mandiri program facility that focuses on small-scale infrastructure. This program operates on the basis of a district proposal to the Ministry of Public Works, and provides funding in a fixed amount directly to community groups. However, at the field level, funding allocations under this program are known to be at the discretion of members of parliament, who tend to dispense funds to their respective electoral districts. As a result, parliamentarians propose locations and types of projects through the district government, and then influence the corresponding budget allocation decisions at the national level. In contrast, decisions regarding funding allocations under the PNPM-Rural program are the result of collective decision-making at the village level that are then passed up to the subdistrict level planning forum. Unfortunately, these two programs have their own facilitators who work independently. Thus there is limited communication between these programs.

In contrast to the above is the coordination between the PNPM-Rural and PNPM-Generasi programs, the latter being community-based conditional cash transfer programs that address health and education issues in Lombok Barat. Managed solely by the Ministry of Home Affairs at the national level, the facilitator teams of these two programs share the same office. The two programs also share the same general implementation cycle, including annual information dissemination and village planning meetings.

More complex is the relationship between the various credit programs. While the PNPM-Rural program operates on the basis of a simple group lending scheme, other microcredit programs such as the women’s cooperative in Jombang operate on the basis of membership, and thus require participants to maintain savings accounts. Similarly, there is wide variation in the manner in which village enterprises operate. While some operate both savings and loan programs (and are thus membership-based), others only provide credit, and thus do not require that borrowers maintain savings accounts.

17 See also Voss (2012), Syukri et al. (2012), and Dharmawan et al. (2014).
Outside of government-sponsored lending programs, commercial banks and nongovernment organizations also extend credit to the same villages. For example, in Lombok Barat, five programs operate in the study villages, their interest rates and repayment schemes varying widely. Some of the participants in focus group discussions with the subdistrict activity management unit in Lombok Barat suggested that the participation of some PNPM-Rural beneficiaries in the various credit programs could be a cause for late repayment of PNPM-Rural program loans, the reason being that the beneficiaries could be assigning greater priority to repayment of other loans.

District government officials likewise were concerned about poor coordination between the various programs that operate at the village level. That said, these individuals acknowledged that “coordination is easy to say, but difficult to implement.”

Although it is possible to agree on coordination generally during planning, each agency tends to be preoccupied with its own programs during implementation. For example, the special district-level team, which was created by the previous government for coordination of poverty reduction programs, is commonly known to be inactive and to meet rarely. Further, this team lacks its own budgetary allocation, which means that it operates ineffectively. Further, its membership and coordination functions are embedded in various interagency meetings that already exist.

Another difficulty relates to the fact that coordination involves numerous levels of government. That said, national programs that have established a long-running presence at the district level—such as the PNPM-Rural and PNPM-Generasi programs—can be expected to have a better coordination. On the other hand, assistance programs implemented by provincial governments do not necessarily involve district governments.

There is also the issue of data inconsistencies that result in poor beneficiary household targeting. For example, Gianyar district has initiated identification of individual poor households in all villages. As a result, the social workers who have been employed for this purpose have developed their own database. Other programs use different databases as per their own implementation guidelines. For example, the household-based conditional cash transfer program uses a national database.

At the village level, perceptions are different. A previous study that detailed community perspectives on the proliferation of community empowerment programs suggests that lack of coordination and integration during implementation is not necessarily an issue for villagers. This is consistent with the conclusion of this study that overall, the benefits of having a wide range of community empowerment programs outweigh the costs of such proliferation—at least at the village level.

The observations made throughout the study suggest that villagers see the existence and operation of a wide range of programs as being beneficial, since the greater the number of programs, the greater the benefits received. Some respondents also felt that a greater number of programs in operation in a particular village reflects positively on the

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performance of village heads. The fact that most programs operate outside the village government system and that resources are channeled directly to community groups were also seen as being positive.

From the perspective of the village heads, it is important that program policies and guidelines are clear. This is particularly true of their roles under each of the programs, since they want to avoid adverse findings when audits are conducted.

At the same time, village heads also share a common concern that coordination of the various programs—particularly as regards communication with the village government—needs to be improved via regular progress reports that highlight issues and concerns regarding each project. In general, village heads were unanimous in feeling that they do not want program or project officers or facilitators to run to them to resolve serious problems experienced by their projects, or to respond to audit findings regarding matters about which they had not been previously informed, as has sometimes occurred.

E. Role of Facilitators

In early 2015, the government made some key decisions regarding closure of the PNPM-Rural program and the transition to implementation of the Village Law. Closure of the PNPM-Rural program will require completion of outstanding community grants and activities, postprogram management of physical and financial assets, and clarity regarding the regulatory framework community organizations are to use, as well as reporting requirements.

Some of these decisions impacted PNPM-Rural facilitators who would not be rehired, but instead would be recontracted by the new Ministry of Village, Development of Disadvantaged Region, and Transmigration (MoV). Their remuneration would thus be financed from remaining World Bank loan funds that were originally earmarked to be used to fund the PNPM-Rural program. Former PNPM-Rural facilitators were to be hired for 4 months, and tasked with supporting implementation of the Village Law.19 The previous ratio of two community development facilitators per subdistrict under the PNPM-Rural program was to be maintained, although this would depend to a significant extent on the actual number of facilitators still available at the onset of the rehiring process.

The deployment of facilitators summarized in Table 4 is similar to that under the PNPM-Rural program. One significant addition is the “Local Village Facilitator” category. While “local” is not specifically defined, it is the intent that whenever possible, candidates are to be recruited from the same subdistrict, or at least from the same district. These “local” village facilitators are to be considered junior staff, and thus are to work under the supervision of the professional village facilitators who will be based at the subdistrict level.

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19 However, as of this writing in July 2015, the former PNPM-Rural facilitators have yet to be contracted and mobilized, despite the fact that 6 months have already passed since expiration of their contracts.
### Table 4: Deployment of Facilitators for Assisting Implementation of the Village Law
(as per Government of Indonesia Regulation 47/2015)

<table>
<thead>
<tr>
<th>Category</th>
<th>Base</th>
<th>Key Role</th>
<th>Financing</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Empowerment Expert</td>
<td>National, provincial, district</td>
<td>Capacity building for facilitators</td>
<td>National, province, or district budget</td>
<td></td>
</tr>
<tr>
<td>Technical Facilitator (Professional)</td>
<td>District</td>
<td>Facilitation of sector program and activity</td>
<td>National, province, or district budget</td>
<td>Incremental: 2 (minimum) to 4 (ideal)/district: 1,000 – 2,000</td>
</tr>
<tr>
<td>Village Facilitator* (Professional)</td>
<td>Subdistrict</td>
<td>Facilitation of village government or governance, intervillage cooperation, BUMDES, village development</td>
<td>National, province, or district budget</td>
<td>Incremental: 3 (minimum) to improved ratio (ideal)/subdistrict: 15,000</td>
</tr>
<tr>
<td>Local Village Facilitator</td>
<td>Village</td>
<td>As above</td>
<td>National, province, or district budget</td>
<td>Incremental – 1 per village – 75,000</td>
</tr>
<tr>
<td>Community Empowerment Cadre</td>
<td>Village</td>
<td>Promote community initiative, participation, and mutual help (gotong-royong)</td>
<td>National, province or district or village budget</td>
<td>Incremental: 2 (minimum) to 5 (ideal)/village: 148,000–370,000</td>
</tr>
</tbody>
</table>

*The official title of a facilitator was different under the PNPMP-Rural program than it is under the Village Law. That is, the role of the “Village Facilitator” under the Village Law is the same as that of “Subdistrict Facilitator” under the PNPMP-Rural program.

Note: Results are from a field visit during 8 December 2014 and 17 January 2015.

There are a number of factors that will affect recruitment of facilitators, including remuneration levels, competency, and geographic distribution. Former PNPMP-Rural facilitators will be hired under the same standards as under the current program. However, it has historically been difficult to recruit the target number of technical facilitators to work with the PNPMP-Rural program, this particularly being true of civil engineers. Finally, based on current discussions, the remuneration level for “local” village facilitators will be approximately 50% of that provided to PNPMP-Rural program facilitators. Recruitment of local village facilitators will likely target village residents who have performed PNPMP-Rural-related roles at the village and subdistrict levels.

The implementation delays that have occurred during 2015 are likely to have important knock-on effects. As noted earlier, progress to date suggests that the remaining time available for facilitators to assist villages is short, as it corresponds to the remainder of the current fiscal year. Once mobilized, facilitators will undergo training, including an orientation to the Village Law, as well as training regarding the policies and guidelines that are to govern its implementation. Meanwhile, the first tranche of funds from the national budget reached most districts in June–July 2015. These funds will subsequently be transferred to the villages, thus generating urgency to begin and complete implementation of village-level projects.
At the same time, villages will have to begin preparing their annual plans and budgets for the following year, the meetings for these purposes having already been scheduled. However, since funds will be allocated to the villages on an incremental basis, it is not known when (and in what amounts) the central government transfers to the villages will occur. As a consequence, villages may need to subsequently revise their plans and budget following their “finalization”.
V. Toward Implementation of the Village Law

This chapter summarizes the findings of the study team as regards respondent concerns about implementation of the Village Law. These concerns relate to (i) the transition from community-driven development procedures under the PNPM-Rural program to those under the Village Law, (ii) the Village Law itself and some of its provisions, and (iii) remaining challenges.

A. Transition from PNPM-Rural Program Procedures to Implementation of the Village Law

The beginning of the transition of the community-driven development program from PNPM-Rural procedures to procedures under the Village Law coincided with the transition of government administration. The current president, Joko Widodo, was sworn into office on October 20, 2014. One week later, on October 26, he announced his cabinet. This announcement included a new ministry called the Ministry of Village, Development of Disadvantaged Region, and Transmigration (MoV). Under the previous government, village government and administration, village development, and community development all fell under the Directorate General of Village and Community Empowerment of the Ministry of Home Affairs. The prominence of the village under the new ministry reflects the president’s vision. “Developing Indonesia from the periphery by strengthening regions and villages within the unitary state of Indonesia” is one of his nine priorities.

Both the new cabinet and the change from the previous administration have resulted in considerable uncertainty. A primary concern in this regard is whether all regulatory functions relating to villages—that is, the entire directorate general of village and community empowerment—will be transferred to the new ministry, or whether the Ministry of Home Affairs will retain some of its former functions. The new government confirmed the organizational structure and functions of the two ministries in January 2015: the Ministry of Home Affairs is to be responsible for village government, administration, and institutions under the new Directorate for General Supervision of Village Governance. For its part, the Ministry of Village, Development of Disadvantaged Region, and Transmigration is to be responsible for village development, community empowerment, community development.

20 During the previous administration, the Development of Disadvantaged Regions was a ministry unto itself, while Transmigration was part of the Ministry of Manpower and Transmigration.
and rural development, in addition to being responsible for disadvantaged regions and transmigration.

Given the above, the budgets of the ministries, which had been prepared and approved by parliament during the previous presidency, needed to be revised and made consistent with the new organizational structure. The decision regarding budgetary allocations—which was made several weeks later—confirmed that the budget allocation for the PNPM—Rural transition would be allocated to the Ministry of Village, Development of Disadvantaged Region, and Transmigration. However, the budget would only be effective in May-June 2015 after all documents had been processed.

At the same time, the Ministry of Village, Development of Disadvantaged Region, and Transmigration’s organizational structure was only fully staffed in late June 2015. Prior to this, the minister filled acting directorate general positions under him through appointments, even though the ministry’s staff and authority were limited, and the ministry was effectively functioning without a budget. As for the Ministry of Home Affairs, by mid-June, only the director-general had been appointed, which meant that lower-echelon staff had yet to be selected.

To summarize, the transition to the new presidential administration has a number of important implications for community-driven development. First, the government has divided the responsibility for development at the village level between two ministries. As a result, ensuring consistency in the policies of the two ministries is likely to be difficult. Second, in addition to the amount of time taken to date to effect the transition representing a missed opportunity, it has likewise put pressure on the entire government apparatus to complete remaining transition activities by the end of the fiscal year in December 2015. Third, for all intents and purposes, the villages have lacked the assistance of facilitators during the first year of implementation of the Village Law.

B. Understanding the Village Law

Overall, the interviews and discussions convened by the study team left the impression of a common sense of ambiguity among respondents. While the significant amount of funding available to villages under the Village Law represents an opportunity, there is an underlying sense of uncertainty as to whether or not these funds will positively impact these communities, and whether or not they will be managed well.

In sum, the end of the PNPM—Mandiri program has resulted in an ambiguous context for community-driven development. The program was implemented for many years using systems that have been proven effective. The district governments’ level of participation and responsibility, as well as its overall contribution to the development process in managing the program has grown considerably since the program’s inception. Other stakeholders, including village cadres, have become active at the subdistrict and intervillage levels, and have enjoyed the benefits of participating in the program in numerous ways. A common theme reiterated during the interviews and discussions convened during
field visits was that the end of the program was unfortunate, and that the PNPM-Mandiri program should be replaced with a similar program, even if it is called by a different name.\footnote{One of the political rumors circulating during the field research phase of the study was that the current government did not want to continue PNPM-Mandiri because the program was largely perceived as a legacy of the former President Susilo Bambang Yudhoyono. To a significant extent, rumors regarding continuation or termination of the program were spread through the PNPM-Mandiri management and facilitator network, in addition to the media.}

The views of the district government officials can be summarized as follows:

(i) Implementation of the Village Law will impact district budgets and programs. The law obliges the district governments to transfer to the villages a minimum of 10% of the funds they receive from the central government (excluding the “special allocation fund” category that is a national transfer to local government programs that fulfil national priorities), plus 10% of local revenues. Thus, nearly 10% of the total district government’s budget must be transferred to the villages. Prior to implementation of the Village Law, the amount the district governments were obliged to transfer to the villages was 10% of the transfer from the central government after deducting personnel costs, which constitute an estimated 43% of local budgets on average.\footnote{Ministry of Finance. 2014a. Deskripsi dan Analisis APBD 2014 (Description and Analysis of APBD 2014). Jakarta.} In short, the Village Law requires a substantial increase in the percentage share of the district budget that must be transferred to the villages. The district heads (bupati) of Bantaeng and Gianyar districts who met with the study team reiterated that they were committed to fulfilling this requirement.

(ii) District governments may make adjustments to programs for which allocations have already been made to villages. Programs likely to be affected by this provision include those that provide direct financial assistance to community groups, in-kind support (such as equipment for village government offices, community groups, and the agriculture sector), and small- and local-scale infrastructure (in particular, infrastructure that falls under the authority of village governments under the Village Law).\footnote{Ministerial Regulation No. 1/2015 issued by the Ministry of Villages, Development of Disadvantaged Region and Transmigration, outlines a wide range of local infrastructure that was to remain under village authority. Examples include village roads, tertiary irrigation systems, local markets, religious facilities, water supply and sanitation facilities, graveyards, and sports fields.} For example, Jombang District is likely to reallocate its budget commitment of Rp500 million ($40,000) previously earmarked to be transferred to each village in a way that makes it part of the district’s transfer of funds to villages.

(iii) The above may lead to a new division of responsibilities between districts and villages in the future. As a result, the number and types of programs, as well as the number and types of activities of the sector and technical agencies may decrease. For example, district governments may focus on establishing or upgrading larger-scale infrastructure than previously, or may focus on infrastructure projects that are seen as having greater impact. For their part, the development focus of the villages may become more inward-looking.

(iv) District-government officials share a common concern regarding the capacity of village governments to manage substantial amounts of funds. This concern relates to the capacity of village governments to absorb and deploy funds effectively,
and to manage them in an accountable way. As a result, district government officials see at least part of their role as building the institutional capacity of village governments and providing oversight.

The backgrounds of the village heads interviewed by the study team varied widely. For example, the village heads in Jombang are now serving their second and third terms, while village heads in other districts are serving their first or second term. The age of the village heads also varies widely, with some identifying with 30-year-olds rather than the older generation. Some are university graduates (e.g., in Gianyar and Lombok Barat), while others are high school graduates. All are familiar with PNPM-Rural program processes.

While respondents expressed mixed feelings regarding the potential accountability risks relating to management of funds, the village heads interviewed expressed their support for the Village Law, and generally held a more positive view. When asked about the size of the funds that are to be managed under the Village Law, a common reply was that “villages have been used to managing significant amounts of funds from different sources.”

The village heads in Lombok Barat and Bantaeng Districts have formed a network of their own through their association with other stakeholders, including the civil society organization networks supported by ACCESS, the AusAID’s community development and civil society strengthening program. These villages are also prime examples of participatory planning. It therefore comes as no surprise that the village heads interviewed by the study are proponents of the Village Law.

The sentiments of these village heads can be summed up by the view of the village head of Badroin village, when he said: “We want to become independent... the Village Law frees villages...if other countries have a ministry for villages, why not Indonesia too?”

Village heads expressed other views and comments as follows.

(i) There is potential for scrutiny by higher authorities, and there are precedents in which some village heads have been or are being jailed for mismanagement of funds.

(ii) Program rules under the Village Law may not be clear. Village heads need policies and guidelines to be clear, not only to guide program implementation and management of funds, but also because these rules will form the basis of audits and other forms of oversight.

(iii) Although facilitators are needed, the village heads ultimately will be held responsible for both the funds they receive and the projects that are implemented under their administrations. This perception could cause the transition from PNPM-Rural program procedures to implementation of the Village Law to result in changes in the roles and power relationships of facilitators. Under the PNPM-Rural program, facilitators fulfilled oversight roles and had some degree of approval authority. For example, under PNPM-Rural program procedures, facilitators were designated signatories for purposes of disbursing funds and played a significant role in financial reporting. In contrast, they will lack these powers under the
Village Law. Whether or not such a change in roles will impact the effectiveness of facilitation when the Village Law is fully implemented remains to be seen.

(iv) District governments may suddenly disown their obligations to village heads, and simply assign the responsibilities of the latter directly to village residents.

C. Progress Achieved in the Passage of Key Legislation and Remaining Challenges

All stakeholders met by the study team were aware that the government had initially planned to end the PNPM-Rural program in 2014. However, they were subsequently informed that they might be granted an extension to allow them to complete their remaining work under the PNPM-Rural program, and to assist in implementing the Village Law.24

A major development in implementation of the Village Law that occurred during the field work conducted under the study was the passage of two major government regulations: (i) Implementation of the Village Law (PP 43/2014), and (ii) Allocation of Village Grants from the National Budget (PP 60/2014).25 These two regulations require relevant ministries to issue lower-level implementing policies in the form of ministerial regulations that are consistent with these two regulations. However, these lower-level implementing policies have yet to be issued.

The study team learned that all four study districts had disseminated implementing regulations to the village heads. However, the study team also found that overall, dissemination of the Village Law itself and the central government’s two major government regulations as relatively limited, especially as regards dissemination to the village population in general.

District governments are using local regulations for the purpose of generating clarity. For example, Gianyar District passed District Regulation No. 3/2012, which relates to parliamentary processes governing local integrated development systems. This regulation also addresses the planning and implementation arrangements of development initiatives such as the Siaga Desa Swatantra program described earlier.

District regulations allow the district head (bupati) to issue derivative operational regulations as district-head regulations. For example, Gianyar District has issued regulations relating to the subdistrict budget earmarking system. This includes the formula to be used in making budgetary allocations, delegation of authority to subdistrict administrations and villages, the rules under which community self-management is to be exercised, and the workings of the Siaga Desa Swatantra program.

24 After a period of uncertainty, in January 2015, the government announced the termination of PNPM-Rural program activities, thus rendering the employment contracts of the facilitators invalid. The main reason for the uncertainty was the transition to the new government. Thus, there was lack of clarity regarding which ministry would be responsible for deciding whether or not to extend the PNPM-Rural program. Under the previous government, Village Affairs fell under the Ministry of Home Affairs (MoHA). The new Ministry of Villages (MoV) was created under the new government.

25 Both the law and the regulations are posted on the websites of the concerned ministries.
For its part, Bantaeng District has passed District Regulation No. 4/2011 on participatory development planning and budgeting. This district regulation provides the legal basis for the district head to issue a circular affirming his commitment to involve women’s groups in the development planning and budgeting process.

Regarding the sustainability of key features of the *PNPM-Rural* program (e.g., the Intervillage Cooperation Body [BKAD], the Subdistrict Activity Management Unit [UPK]) and financial assets including revolving funds, all districts are in the process of preparing district regulations that will address such issues. As local parliamentary deliberations regarding these regulations take time, district regulations regarding such issues have been issued in the interim, as described in Box 9. Such district regulations were required prior to closure of the *PNPM-Rural* program so that the assets generated under it could be protected. The networks of key actors formed under the *PNPM-Rural* program assisted the formulation of these policies.

### Box 9: Transforming a Program-Based Organization into a Body Consistent with Implementation of the Village Law: The Case of the Intervillage Cooperation Body in Gianyar District

Gianyar District undertook an additional initiative in response to implementation of the Village Law. Under this initiative, all villages in each subdistrict formulated joint regulation establishing the Intervillage Cooperation Body. The initiative began at the level of the individual village at a community deliberation meeting. Upon agreement by the village council, the village head issued a village regulation that served as the legal basis for the village to formulate an intervillage agreement. The roles of the Intervillage Cooperation Body include supporting participatory planning, managing assets, cooperating with third parties, and formulating development programs. These steps adapted the Intervillage Cooperation Body to the requirements of the Village Law.

Note: Results are from a field visit on 8–13 December 2014.

In addition to the two major government regulations on implementation of the Village Law (PP 43/2014) referred to above and allocation of village grants from the national budget (PP 60/2014), the government also formulated eight ministerial regulations. Three of these ministerial regulations were issued by the Ministry of Home Affairs, and five were issued by the Ministry of Village, Development of Disadvantaged Region, and Transmigration. These ministerial regulations are more operational than are the two major government regulations issued by the central government. They are thus meant to serve as guidelines. These eight regulations are presented in Table 5.
### Table 5: Ministerial Regulations

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<td><strong>Ministry of Home Affairs</strong></td>
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| 1. Village development | This regulation contains principles and processes relating to the village development cycle, which includes guidelines relating to community participation, transparency, accountability, and the roles of village government.

Programs from central, provincial, and district government may continue to operate at the village level in accordance with their guidelines. These programs have to be coordinated and may be delegated to villages for implementation; and acceptance or objection on the delegation by villages will have to be decided through a village assembly meeting. The regulation incorporates the PNPM-Mandiri approach and processes to a significant extent. However, some parallels with the PNPM-Mandiri approach are not clearly prescribed, for instance, gender-specific affirmative action (separate meeting of women groups, women proposals receive priority) and procedures for the establishment of the activity management committee (under PNPM-Mandiri through an election in assembly meeting). |
| 2. Village financial management | This regulation contains principles and processes regarding the annual financial management cycle, including procedures relating to participation, transparency, and accountability.

The village government, under the Village Law, has ultimate responsibility for the management of the funds and has the accountability in reporting to the district government; under the PNPM-Mandiri, funds are managed by an elected committee and this committee is accountable for reporting to the community through an assembly meeting. The accounting system is more complex, in that it includes requirements for reporting on allocations and expenditures using funds from different budget sources. For example, funds received from the central government are to be used solely for development investments, while funds from the district government can be used for salaries, allowances, village government administrations and operations, and for development activities. |
| 3. Development of regulations by villages | This regulation provides guidelines on the processes for formulating various types of regulations at the village level. This includes village regulations (Perdes/Peraturan Desa) issued with the deliberation and agreement of the village council, village head regulations, and village head decrees. |
| **Ministry of Village, Development of Disadvantaged Region, and Transmigration** | |
| 1. Village authority based on traditional rights and village level scope | This regulation is the translation and operationalization of the principle of “recognition” of villages in the law. This includes criteria and a wide range of village-level authorities in different areas: village governance, assets, infrastructure, basic social services, economic activities, and intervillage cooperation and partnership with other entities. |
| 2. Procedures and mechanism for village assembly meeting | This regulation includes criteria, principles, processes, and detailed organizing protocols and decision-making mechanisms (voting, consensus) to ensure participation. Although these are somewhat beyond the scope and processes applied under the PNPM-Mandiri program, key PNPM-Mandiri principles are incorporated to a significant extent. |

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<td>3. Village economic enterprise or Badan Usaha Milik Desa</td>
<td>Principles and processes for the establishment, governance, management, and dissolution of village enterprises.</td>
</tr>
<tr>
<td>4. Priority allocations of village funds originated from national budget</td>
<td>It is a requirement of the law that the central government should provide directives regarding the uses of funds originating from the national budget, to ensure that development investments at the village level are consistent with, or respond to national development priorities.</td>
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<tr>
<td>5. Village facilitation</td>
<td>This is a translation and operationalization of the requirement of the law for village facilitation. It includes roles, general qualifications, composition and structure at different levels, management, and financing. It opens up the possibility that provincial and or district governments may finance facilitators. Basically, the regulation adopts the PNPM-Rural system and structure, although the scope of facilitation is broadened to include assistance for village government operations, economic activities (such as Badan Usaha Milik Desa), and various types of development investments.</td>
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Note: Results are from a field visit on 8 December 2014 to 17 January 2015.

The two major regulations issued by the central government mentioned earlier were formulated by the previous government administration. As such, they were “tested” to a certain extent before actual implementation, and this resulted in some revision. The regulations on implementation of the Village Law (PP43/2014) and the allocation of village grants originating from national budget (PP60/2014) were revised on (give month, year) under regulations PP22/2015 and PP43/2014, respectively.

Major revisions to the Village Law (PP 43/2014) include the following:

(i) A provision that allows villages to continue using traditional assets to pay the salaries of village government staff through village budgeting processes has been included. For example, villages in Central Java have traditionally designated village lands for village government staff during their respective terms of service for purposes of generating income for them. Under the previous regulation, their source of income would come from funds transferred from the district budget. The association of village heads was the major advocate for this change.

(ii) The responsibility for ensuring collective decision-making at village assembly meetings regarding the charters and operational norms of village economic enterprises is now the responsibility of the governance of village economic enterprises. Previously, this was the direct responsibility of the village government, the village head in particular.

(iii) The new regulation adds an additional category of staff assigned to villages (the “local village facilitator”). These facilitators are in addition to the subdistrict-based facilitators under the PNPM-Rural program. Discussions suggest that the Ministry of Village, Development of Disadvantaged Region, and Transmigration plans to implement this provision in phases, until an ideal ratio of one local facilitator per village is achieved.
(iv) MoHA and MoV share the responsibility for developing implementation policies and guidelines, as well as the responsibility for coordinating the two during formulation of both. For example, the ministerial regulation on village development is to be issued by the Ministry of Home Affairs and the Ministry of Village, Development of Disadvantaged Region, and Transmigration, while regulations relating to village authority are to be issued by the Ministry of Home Affairs.

The main change to PP60/2014 (Allocation of Village Funds from the National Budget) is a new formula for addressing concerns over the significant range in the amounts to be received by villages under the previous regulation. The old formula calculated the allocation per district on the basis of variables such as population, geographic size of the district concerned, its poverty rate, and degree of geographic remoteness. Once the amount of allocation per district is determined, the district then allocates the funds to villages using similar variables. The new funds formula is based on a combination of a fixed proportion (90%) and a variable proportion (10%) per village that is disbursed directly from national to villages, thus, the difference among all villages is now narrowed.

The above notwithstanding, the major aspects of the PNPM-Rural program are incorporated into the implementation policies and guidelines of the Village Law. Overall, the elements of PNPM-Rural program operations and technical manuals are now translated into regulations.

In the future, more detailed and operational guidelines (i.e., ministerial regulations) may be required. These have yet to be prepared and tested during the first year of implementation of the Village Law. Revisions and refinements may require a few annual cycles for those regulations to become stable.

At the same time, transitioning from the PNPM-Rural program to implementation of the Village Law faces numerous challenges. This transition coincides with the political transition from the previous government to the new government. The platform of the new government is essentially the same as that of the previous government. Nevertheless, the change in government has caused a number of opportunities to be lost during the phase-out of the PNPM-Rural program and implementation of the Village Law. Indonesia’s experience in this regard will serve as an important lesson for other countries following a similar path.

In the absence of an operational pathway provided by the central government for closing out the PNPM-Rural program, district governments—together with community stakeholders—have safeguarded the most important elements of the program in an effort to sustain its beneficial outcomes. Using the regulatory framework available to them, they have provided legal recognition for, and institutionalized the key intervillage organizations formed under the PNPM-Rural program. This is particularly true of those elements that potentially could be self-sustaining, in that they already possess sufficient financial assets to serve their beneficiaries over the long term.

The subdistrict locus and intervillage institutional framework set up under the PNPM-Rural program represent unique features of community-driven development in Indonesia. While various aspects of the PNPM-Rural program have been the subject of numerous studies, conclusions regarding the vital role played by the subdistrict and intervillage frameworks
in community-driven development are conspicuous by their absence. This study found that the subdistrict and intervillage frameworks evolved as a network of community-driven development actors that are able to sustain both community-driven development in general, as well as its beneficial results through a broader network at the district level.

Long-term engagement by these community-driven development actors appears to have significantly expanded local institutional capacity. The PNPM-Rural program provided training of numerous types throughout its implementation. It likewise facilitated regular meetings and workshops, in addition to offering “on-the-job” skills-building. Often, functionaries of the intervillage organizations and subdistrict facilitator teams began their careers as village cadres or members of activity management committees; or served in other PNPM-Rural program-related roles at the community level. They assumed their various roles under the program through an electoral process at community deliberation meetings, both at the village and the intervillage level. These actors are often young and well educated. From this perspective, the PNPM-Rural program seemed to facilitate vertical mobility and regeneration from within. This is relevant to implementation of the Village Law as regards recruiting qualified facilitators.

The study also revealed that contrary to common perceptions, villages do not necessarily experience a deficit of human resources of all types. Further, the significant financial resources that the Village Law will bring to the villages over time should create opportunities for attracting better-educated and -skilled human resources, including village leaders.

The first years of implementation of the Village Law will be challenging. Implementation policies and guidelines will be put to the test. The requirements for assistance are likely to be greater than under the PNPM-Rural program, particularly due to the massive scale on which the Village Law is to be implemented, which includes diverse regions with widely varying levels of institutional capacity. With the closure of the PNPM-Rural program, and uncertain support during the transition, local stakeholders shared a sense of ambiguity in welcoming implementation of the Village Law. Challenges regarding accountability and fiduciary risk were apparent during the field work undertaken as part of the present study. At the same time, the initial stages of implementation of the Village Law will also generate lessons on which continual improvement can be made.

The transition from the PNPM-Rural program to implementation of the Village Law will also require appropriate arrangements for the treatment of assets acquired during implementation of the PNPM-Rural program. This particularly relates to the financial and physical assets of agencies such as the Intervillage Cooperation Bodies and the Subdistrict Activity Management Units. As suggested earlier, local stakeholders have an interest in protecting and sustaining the outcomes of the PNPM-Rural program, and have used the regulatory framework available to them for such purposes. The policy toward those program results and assets that will be formulated by the central government remains unclear at this writing, despite the fact that discussions regarding such issues are ongoing.

While significant initiatives have been undertaken at the local level to safeguard and sustain the financial assets generated under the PNPM-Rural program, the legal aspects relating to these assets remain unsettled. For example, local initiatives for obtaining legal recognition for the Intervillage Cooperation Bodies may not be sufficient to ensure that ownership of
these assets survives the transition to full implementation of the Village Law, as national regulations relating to financial institutions tend to only recognize certain types of legal entities. The same is likely true of the microcredit facilities administered by the Subdistrict Activity Management Units under the PNPM-Rural program. As these may lack legitimate legal status under the Village Law, they may be unable to continue extending microloans to rural residents.

Following are the observations of this study on initiatives taken at the local level that have informed policy discussions at the national level regarding the transition from the PNPM-Rural program to implementation of the Village Law.

(i) Closure of the PNPM-Rural program and the lack of legal clarity regarding the ownership of the funds generated under the program put these resources at risk (e.g., loans not being repaid, or assets being lost through corruption) as described in Box 10. In recognizing these risks, the district governments, the Intervillage Cooperation Bodies, the Subdistrict Activity Management Units, and the village heads have advocated for a policy that legalizes the collective ownership of these funds, recognizes these organizations in a way that allows them to continue operations, and protects the assets generated. Local policies for such purposes uncovered during field visits include district regulations that involve parliamentary processes, and enactment of district head regulations that function as interim instruments prior to enactment of district head regulations.

Box 10: Linking the PNPM-Rural Program Financial Asset Mechanism with the Village Economic Enterprise: A Cautionary Note

One observation made during field visits relates to the village economic enterprise. As described earlier, the study found that village economic enterprises have been established in all villages in three of the four study districts. Their establishment required seed capital from district or provincial governments. Little is known regarding the progress of these enterprises, as no systematic monitoring of these enterprises is in place. The study team learned that establishment of these enterprises has not been accompanied by technical support or oversight. Further, anecdotal evidence suggests skepticism regarding their sustainability.

This finding is particularly relevant as regards the future status of PNPM-Rural program financial assets currently managed by the subdistrict activity management units. In Bantaeng and Lombok Barat, one possibility would be to link the subdistrict activity management unit with the village economic enterprise through a lending arrangement, with technical assistance being provided by the subdistrict activity management unit. While this initially sounds feasible, such an arrangement involves substantial risks. A well-performing subdistrict activity management unit could be trapped in a codependent relationship with a poorly performing village economic enterprise, which could seriously threaten the sustainability of the well-performing subdistrict activity management unit. Thus, a blanket national policy as regards this issue may produce a more optimal outcome than the arrangement referred to above.

Note: Results are from a field visit on 5–17 January 2015.
The villages included in the study have agreed to transform the Intervillage Cooperation Bodies into legally recognized inter-village cooperation entities with a mandate to oversee management of the Subdistrict Activity Management Units as well as any funds, which is a position consistent with the Village Law. Escalating recognition of the Intervillage Cooperation Bodies in each subdistrict and consolidating ownership of assets at the district level would allow for a blanket policy for the entire district. Internet research suggests that such an initiative appears to be commonly pursued in many districts beyond those included in this study. While it may not be definitively known how many districts have undertaken such initiatives, the findings of this study are sufficient to make a case that the ownership status of these funds needs to be secured. One possibility in this regard would be to issue a national blanket policy that confirms the status of the funds as being collectively owned by all villages in each subdistrict, while options regarding legal business status (e.g., cooperatives, limited liability companies such as banks, or other microcredit institutions) are being considered.

Ownership of physical assets should be straightforward. Village governments have assumed that the villages own all of the facilities they have built. In fact, this is consistent with village authority under the Village Law. For facilities that serve more than one village such as gravity-fed water supply systems, ownership could be arranged through inter-village cooperation, which is also consistent with the Village Law.

Implementation of the Village Law requires training of village government staff. In fact, the government has prepared such a training program. This involves a cascading system under which the Ministry of Home Affairs is to train a group of national grandmaster trainers, who will in turn train provincial trainers, who will then train district trainers.

Curriculum and training materials appropriate for this purpose have been prepared and tested with the support of donor agencies including the World Bank and AusAID. First-year training of this type primarily focuses on operational regulations (financial management, village management, and formulation of village-level regulations). While the training curriculum does include good governance, social inclusion, and leadership, these topics are planned to be presented in later stages of the training program.

The national government is targeting 200,000 participants for the training referred to above. These will be drawn from village government staff (three) and subdistrict government officers (two) in each district. The idea is that the government will incrementally increase these numbers over the coming years. However, training of trainers has yet to commence.

Under the Village Law, the village government has the ultimate responsibility and accountability for development at the village level, as well as for financial management. This is a major departure from arrangements under the PNPM-Rural program, which put more emphasis on the “community” and protecting it from direct control by the village government. While the PNPM-Rural program has proven to be effective in promoting
accountability and transparency within the program itself, its impact on other programs, including broader village governance, appears to have been limited.\textsuperscript{26}

Placing emphasis on capacity building—including promoting participatory and accountable governance—is thus imperative. Other initiatives such as enforcement, oversight, and civic monitoring including an effective complaint management system, are also required.

\textsuperscript{26} See Voss (2012) and Dharmawan et al. (2014).
VI. Implications for Policy and Practice

The study on which this report is based had two major objectives: (i) improving the presstudy level of understanding of local initiatives in mainstreaming and sustaining community-driven development, and (ii) obtaining a local perspective on implementation of the Village Law.

The study resulted in lessons from the ongoing transition from operationalization of community-driven development through implementation of the PNPM-Rural program, to its operationalization through implementation of the Village Law.

This chapter summarizes the implications of the study’s findings for policy and practice for Indonesia after developing member countries that implement community-driven development programs.

A. Developing a Strategy for Sustaining Community-Driven Development During the Transition to Implementation of the Village Law

In 1997, Indonesia adopted community-driven development as a national strategy for poverty reduction. Over the past few years, the government has formulated a comprehensive strategy for sustaining community-driven development nationwide through development of a road map for this purpose. While progress in achieving this relatively ambitious objective has been made in some areas, it is now apparent that more time will be required for institutionalization of community-driven development on a nationwide basis to be fully achieved. This will in particular require implementation of policies that underpin the strategy.

As mentioned above, the country is transitioning from operationalization of community-driven development through particular programs—the PNPM-Rural program in particular—to implementation through the Village Law. One implication of this transition is that implementation of the policies that support community-driven development through implementation of the Village Law must be achieved prior to closure of the programs that formerly supported the country’s community-driven development strategy. This will be necessary if continuity is to be maintained, and uncertainty regarding the institutional arrangements for sustaining community-driven development is to be erased.
Without doubt, the scale on which Indonesia has pursued community-driven development to date eclipses that of all other countries. The findings of the study suggest that other countries contemplating replication of Indonesia’s pathway to achieving community-driven development on a nationwide basis first on a programmatic basis and then later through a legal basis should ensure that appropriate policy and institutional arrangements are in place throughout such a transition. In short, such a transition should be incorporated into that country’s community-driven development strategy at an early stage of implementation.

B. The Engagement of the Local Government

While Indonesia has adopted community-driven development as a national strategy for poverty reduction, local government agencies are central to its implementation. This is intuitively obvious, since community-driven development perforce takes place at the local level. As a result, in Indonesia, the degree of engagement of the local level of government in implementing community-driven development has been significant, the responsibilities of this level of government increasing considerably over time. This expansion of responsibility has in turn had the beneficial effect not only of building the institutional capacity of local government agencies in implementing community-driven development over time, but also of greatly expanding the sense of ownership of the program by local government in general. This sense of ownership has been reinforced and intensified by beneficiaries and other stakeholders alike, as they increasingly experience the positive outcomes that community-driven development has produced. This in fact has been a key factor in the adoption and institutionalization of Indonesia’s approach to community-driven development by local government agencies.

The manner in which this adoption and sense of ownership of community-driven development by local government agencies has played out has taken a wide variety of forms. Some local governments have followed the PNPM practice of providing block grant funds to beneficiary communities, while others have adopted different administrative arrangements, such as using the village government as an intermediary between beneficiaries and the various levels of government to which community-driven development relates. Despite these differences, most of the approaches pursued have maintained the fundamental notion that drives community-driven development, which is self-management of funds and projects by members of the community itself. Grants of financial and other resources are thus seen as the vehicle for program and service delivery. In contrast, some of the approaches to community-driven development pursued by local governments have been sector-focused, with the technical guidelines, activities, and participants involved in program delivery being predefined.

Most local governments have employed facilitators in implementing both community-driven development generally, as well as the projects that form its foundation. That said, the manner in which the use of facilitators has played out has varied widely in terms of intensity of engagement, the types of incentive schemes offered, and the level of operational support provided. This has in turn has resulted in significant variation in program quality and effectiveness.
These variations in institutional arrangements for implementing community-driven development currently coexist and operate relatively independently. However, the success of community-driven development programs overall, which at this writing remain based on the PNPM-Rural program, indicates a strong sense of ownership by local governments. This sense of ownership at the local government level is likely to be of significant assistance to district-level governments in implementing the Village Law.

One of the perhaps less obvious findings of the study is that local governments experience limitations in adopting community-driven development using their own funds. While adoption of community-driven development at the national level has resulted in rules that in some cases can waive procurement ceilings, local communities must ultimately manage their projects within the constraints of government-dictated procurement thresholds.

C. Widespread Adoption of Participatory Planning

One of the more important findings of the study is that the participatory planning process promoted under community-driven development has been widely adopted by beneficiary communities, in that it has been integrated into local development planning systems and procedures. This finding suggests that nationwide programs can provide powerful incentives for the adoption of such initiatives. However, while participatory planning has improved the planning process and has received widespread attention, these favorable outcomes have not always resulted in positive responses from district governments.

Increased participation by beneficiaries in the planning processes has not always influenced the “supply side” effectively. Village participatory planning thus requires other budgetary instruments if participatory planning is to play out among beneficiaries as intended.

With respect to the above, the study found that subdistrict-based budget earmarking is an important instrument for reinforcing participatory processes in deciding development priorities at the local level. A budgetary allocation system that reflects the basic tenets of community-driven development, subdistrict-based budget earmarking allows district governments to earmark a certain portion of their annual budgets for supporting the development priorities identified by the intervillage planning forum. In particular, Gianyar District used subdistrict-based budget earmarking to continue community self-management of funds during the transition from the PNPM-Rural program to implementation of the Village Law.

D. Strategic Planning to Transition into Village Law

A well-planned strategy for transitioning from implementation of the PNPM–Rural program to implementation of the Village Law would have been ideal. In this regard, Indonesia does not suffer from a lack of good plans. However, the country’s experience suggests that the transition within the government is as important as the institutional transition of a
community-driven development program. While the new government’s platform does not significantly differ from that of the previous one, the management of change within the government has resulted in substantial loss of opportunities in phasing out the PNPM-Rural program and beginning to implement the Village Law.

In the relative absence of the effective central government leadership that was expected to provide direction during the transition, the district governments—together with community stakeholders—undertook measures for safeguarding and sustaining the results of the PNPM-Rural program, and their positive experience with community-driven development generally. Using the local regulatory framework available to them, in some instances these stakeholders were able to obtain legal recognition for, and institutionalize the systems and procedures formerly used to implement participatory planning and project implementation, as well as key intervillage and village-level organizations. Equally important was the fact that these stakeholders were able secure legal ownership of the substantial assets generated by these systems and procedures. This allowed them to continue the stream of benefits to community residents that had begun under implementation of the PNPM-Rural program.

The experience of district and local government agencies as well as that of community residents above provides an important lesson for countries that wish to follow a path similar to that undertaken by Indonesia.

E. Importance of the Subdistrict and Intervillage Institutional System

The subdistrict locus and intervillage institutional system established under the PNPM-Rural program are unique features of Indonesia’s experience with community-driven development. While a number of aspects of the PNPM-Rural program have been the subject of numerous studies, the latter generally fail to arrive at observations regarding the significance of the subdistrict and intervillage processes and organizations. The results of the present study indicate that the subdistrict and intervillage interactions that grew out of implementation of the PNPM-Rural program ultimately evolved into a network of community-driven development actors who sustain community-driven development in Indonesia through advocacy that often involves a broader network at the district level.

The long-term engagement of these actors seems to have strengthened institutional capacity at the local level to a significant extent. For example, in addition to the skills they acquired through their work experience, throughout the period of implementation of the PNPM-Rural program, these actors provided training of various types and facilitated meetings and workshops. Quite often, the functionaries who served these intervillage organizations (and at times, subdistrict facilitators as well) began their experience with community-driven development as village cadres or members of activity management committees at the local level. Often young and better educated than other community residents, they fulfilled a wide range of roles under the PNPM-Rural program at both the village and intervillage levels.
The fact that these individuals acquired these positions through electoral processes rather than through appointment suggests that their advancement occurred through meritorious vertical mobility rather than being achieved through political means. In this regard, the PNPM-Rural program seems to have facilitated genuine vertical mobility and thus regeneration of leadership cadres from within. This is particularly relevant for implementation of the Village Law, which will require recruitment of numerous facilitators with a wide range of skills and qualifications. It is equally relevant for effective management of facilitation, which is essential for endogenous capacity building at the local level.

In light of the above, the common perception that rural villages may continue to experience a deficit of human resources may not be true in all cases. The significant financial resources that Village Law implementation will bring to bear on villages over time should attract better-educated and skilled human resources that either stay or return to their village of origin to become village leaders. This hypothesis should be the subject of further study.

Encouraging these local actors to complete professional development and certification programs for facilitators could further strengthen their individual capabilities. With appropriate qualifications, these individuals could then become a pool of resources that could be tapped for further village development and community empowerment.

F. Program Reputation as a Primary Factor in Institutionalization

A primary factor in the adoption and institutionalization of an initiative such as community-driven development on a national scale is the reputation of that initiative. As regards the PNPM-Rural program, the roles and responsibilities of local government agencies in implementing the program strengthened institutional capacity and increased their sense of ownership of community-driven development. More importantly, these roles and responsibilities and the manner in which they were fulfilled increased the scope and impact of the program itself. This suggests that the program became a powerful vehicle for expanding and sustaining itself on a national scale. This should serve local governments well in implementing the Village Law.

The first few years of implementing the Village Law will be challenging. In particular, the policies and guidelines issued to guide its implementation will be tested and, in many cases, will need to be revised and upgraded in light of operational feedback. In the case of the Village Law, the scope for assistance and system strengthening will be broader and more challenging than under the PNPM-Rural program, given the massive scale of the former. Further, as the Village Law will necessarily be implemented on a national scale, its implementation will be simultaneous in all regions. As the institutional capacity of government differs widely among the various regions of the country, the initial stages of implementation will likely generate lessons that can be used to guide its continuous improvement during the Village Law’s implementation.

Ultimately, the rationale for the significant transfer of resources, authority, and responsibilities from the upper echelons of government to the villages that will take
place when the Village Law is implemented is that such a transfer will accelerate poverty reduction and improve development outcomes through a gain in the efficiency with which resources are used. This notwithstanding, it is important to note that such a gain in efficiency is neither automatic, nor is it assured. The considerable shifts that implementation of the Village Law entails introduces risks that could place achievement of the very goals of the Village Law in jeopardy. Examples of such risks include those relating fiduciary management, accountability as regards the uses to which funds are put at the village level, and the increased power of the village heads themselves. Implementation of the Village Law thus requires measures for mitigating such risks.
## Appendix 1
### List of Respondents

### Gianyar District

<table>
<thead>
<tr>
<th><strong>District Level</strong></th>
<th><strong>Position</strong></th>
</tr>
</thead>
</table>
| **District Executive Office** | Head of District Government  
Assistant Secretary for Development |
| **BAPPEDA** | Section Head Economy  
Section Head Social and Cultural |
| **BPMD** | Head of BPMD  
Staff of PNPM Program Management Unit |
| **PNPM Rural Facilitator** | District Facilitator (Community Empowerment)  
District Facilitator (Engineer)  
District Financial Management Specialist |

<table>
<thead>
<tr>
<th><strong>Subdistrict Level</strong></th>
<th><strong>Position</strong></th>
</tr>
</thead>
</table>
| **Subdistrict Office** | Head of Subdistrict Administration  
Section Head Village Development |
| **PNPM Rural Facilitator** | Subdistrict Facilitator (Community Empowerment) |
| **BKAD, UPK** | Chair of BKAD  
Chair of UPK  
Verification Team Members of UPK |

<table>
<thead>
<tr>
<th><strong>Village Level</strong></th>
<th><strong>Position</strong></th>
</tr>
</thead>
</table>
| **Village Government** | Head of Village Government  
Secretary of Village Government |
| **Other Village Organization** | Head of BPD  
Head and Members of LPMD |
| **Other Community Members** | Representatives of community groups participating in PNPM Rural and other programs – women and men  
(Focused Group Discussion) |
### Jombang District

<table>
<thead>
<tr>
<th><strong>District Level</strong></th>
<th><strong>Subdistrict Level</strong></th>
<th><strong>Village Level</strong></th>
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<td><strong>BAPPEDA</strong></td>
<td><strong>Subdistrict Office</strong></td>
<td><strong>Village Government</strong></td>
</tr>
<tr>
<td>Section Head of Infrastructure</td>
<td>Head of Subdistrict Administration</td>
<td>Head of Village Government</td>
</tr>
<tr>
<td><strong>BPMD</strong></td>
<td><strong>Section Head Village Development</strong></td>
<td>Secretary of Village Government</td>
</tr>
<tr>
<td>Head of PNPM Program Management Unit</td>
<td><strong>PNPM Rural District Facilitator Team</strong></td>
<td><strong>Other Village Organization</strong></td>
</tr>
<tr>
<td><strong>PNPM Rural Facilitator</strong></td>
<td>Subdistrict Facilitator (Community Empowerment)</td>
<td>Head of BPD</td>
</tr>
<tr>
<td>District Facilitator (Community Empowerment)</td>
<td><strong>BKAD, UPK</strong></td>
<td>Head and Members of LPMD</td>
</tr>
<tr>
<td><strong>Subdistrict Office</strong></td>
<td>Chair of BKAD</td>
<td><strong>Other Community Members</strong></td>
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<tr>
<td><strong>Section Head Village Development</strong></td>
<td>Chair of UPK</td>
<td>Representatives of community groups participating in PNPM-Rural and other programs, women and men (Focused Group Discussion)</td>
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<tr>
<td><strong>Subdistrict Office</strong></td>
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<tr>
<td><strong>PNPM Rural District Facilitator Team</strong></td>
<td><strong>BKAD, UPK</strong></td>
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<tr>
<td>Subdistrict Facilitator (Community Empowerment)</td>
<td>Chair of BKAD</td>
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<tr>
<td><strong>BKAD, UPK</strong></td>
<td>Chair of UPK</td>
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<td><strong>Village Government</strong></td>
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<td><strong>Other Village Organization</strong></td>
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<td>Head and Members of LPMD</td>
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<tr>
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### Bantaeng District

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<td><strong>BAPPEDA</strong></td>
<td><strong>Section Head of Village Development</strong></td>
<td>Secretary of Village Government</td>
</tr>
<tr>
<td>Section Head of Economy</td>
<td><strong>PNPM Rural District Facilitator Team</strong></td>
<td><strong>Other Village Organization</strong></td>
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<tr>
<td>Section Head of Social and Cultural</td>
<td>Subdistrict Facilitator (Community Empowerment)</td>
<td>Head of BPD</td>
</tr>
<tr>
<td><strong>BPMD</strong></td>
<td><strong>District Facilitator (Engineer)</strong></td>
<td>Head and Members of LPMD</td>
</tr>
<tr>
<td>Head of BPMD</td>
<td>District Facilitator (Community Empowerment)</td>
<td><strong>Other Community Members</strong></td>
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<tr>
<td>Head of PNPM Program Management Unit</td>
<td>District Facilitator (Engineer)</td>
<td>Representatives of community groups participating in PNPM-Rural and other programs, women and men (Focused Group Discussion)</td>
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<tr>
<td><strong>PNPM Rural District Facilitator Team</strong></td>
<td>District Financial Management Specialist</td>
<td></td>
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<tr>
<td>Subdistrict Facilitator (Community Empowerment)</td>
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</tr>
<tr>
<td><strong>Subdistrict Office</strong></td>
<td>Chair of BKAD</td>
<td></td>
</tr>
<tr>
<td><strong>Section Head Village Development</strong></td>
<td>Chair of UPK</td>
<td></td>
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<tr>
<td><strong>Subdistrict Office</strong></td>
<td>Verification Team Members of UPK</td>
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<tr>
<td><strong>PNPM Rural Facilitator</strong></td>
<td><strong>BKAD, UPK</strong></td>
<td></td>
</tr>
<tr>
<td>Subdistrict Facilitator (Community Empowerment)</td>
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<td></td>
</tr>
<tr>
<td><strong>BKAD, UPK</strong></td>
<td>Chair of UPK</td>
<td></td>
</tr>
<tr>
<td>Chair of UPK</td>
<td>Verification Team Members of UPK</td>
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<td>Verification Team Members of UPK</td>
<td><strong>Village Government</strong></td>
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<tr>
<td><strong>Other Village Organization</strong></td>
<td><strong>Other Community Members</strong></td>
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<tr>
<td>Head of BPD</td>
<td>Representatives of community groups participating in PNPM-Rural and other programs, women and men (Focused Group Discussion)</td>
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<tr>
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<tr>
<td>Secretary of Village Government</td>
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<td>Head of BPD</td>
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## List of Respondents

### Lombok Barat

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<tbody>
<tr>
<td>BAPPEDA</td>
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<td>Village Government</td>
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<tr>
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<td>Section Head of Village Development</td>
<td>Head of Village Government</td>
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<td>Section Head of Infrastructure</td>
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<td>PNPM Rural Facilitator</td>
<td>Other Village Organization</td>
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<td>Head of BPD</td>
</tr>
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<td>Head of PNPM Program Management Unit</td>
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<td>Section Heads of Village Economic Activities</td>
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<td>PNPM Rural District Facilitator Team</td>
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<td>Chair of BKAD</td>
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<td>District Financial Management Specialist</td>
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<td>District Facilitator</td>
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BAPPEDA = Badan Perencanaan Pembangunan Daerah (District Development Planning Agency), BKAD = Badan Kerjasama Antar Desa (Intervillage Cooperation Body), BPD = Badan Perwakilan Desa (Village Council), BPMD = Badan Pemberdayaan Masyarakat Desa (District Community Empowerment Agency), LPMD = Lembaga Pemberdayaan Masyarakat Desa (Village Community Empowerment Organization), UPK = Unit Pengelola Kegiatan (Activity Management Unit).

## Appendix 2
### Summary of Data and Information Relating to Study Districts

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Gianyar</th>
<th>Jombang</th>
<th>Bantaeng</th>
<th>Lombok Barat</th>
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<tr>
<td>Number of villages</td>
<td>70</td>
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<td>46</td>
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<tr>
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<td>$106.4 million</td>
<td>$132 million</td>
<td>$49.7 million</td>
<td>$108.8 trillion</td>
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</table>
References


———. 2009. Supporting Community-Driven Development in Developing Member Countries: Community-Based Development in Water and Sanitation Projects. Manila.


Toward Mainstreaming and Sustaining Community-Driven Development in Indonesia
Understanding Local Initiatives and the Transition from the National Rural Community Empowerment Program to the Village Law

Indonesia has adopted community-driven development as a major strategy for poverty reduction, and replicated the approach nationwide through a number of programs. Over the past few years, the country has formulated a road map for sustaining the systems, procedures, and benefits of community-driven development. Through case studies, the study examines the ongoing transition from the government’s long-standing National Community Empowerment Program to mainstreaming through the government’s regular planning and budget allocation system through the Village Law, which was enacted in early 2014. The study summarizes important lessons learned and policy implications from the first year of Village Law implementation.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to the majority of the world’s poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.