

Delivering Quality Rural Infrastructure with Village Funds

Village Law Policy Note

October 2019

Summary

There has been a ten-fold increase in village expenditures on infrastructure between 2012 and 2016 (see Figure 1)¹; however, the quality of the infrastructure over the same period has declined.

Most village funds are spent on infrastructure. In 2018, less than half of projects, 46%, met technical specifications (meaning the structures were built according to code), compared to 82% in 2012. Further, there has been an 80% drop in Operations and Maintenance (O&M) in the same period. The quantity and quality of technical assistance to villages is insufficient to meet the demand from villages. Local governments are mandated to provide supervision of infrastructure under the Village Law and PP47/2015², but face difficulties in fulfilling this role.

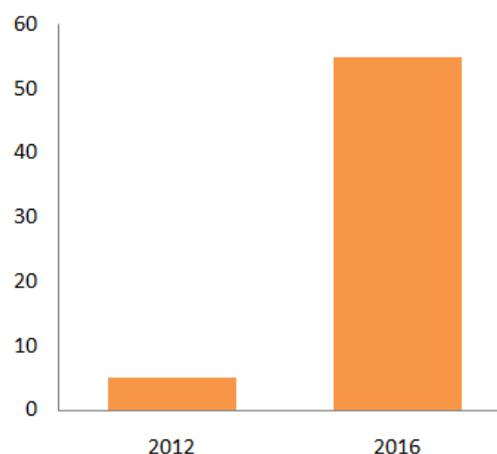
To reverse the decline in infrastructure quality, villages require access to quality engineering services for design, cost estimation, construction, supervision, and O&M. This brief recommends to:

1. Consolidate government regulations on Village Law into one single government regulation (*Peraturan Pemerintah* or PP) and one Ministerial

Regulation (*Peraturan Menteri* or Permen) on Village Community Facilitation, to clarify roles and responsibilities on the delivery of facilitation and technical assistance to village communities, including by third party service providers.

2. **Develop guidelines for district governments** to clarify roles and responsibilities of stakeholders related to village infrastructure, including preparation of designs, implementation, supervision, monitoring, operations and maintenance, and dispute resolution.
3. **Provide standard specifications** and drawings for village-level infrastructure.

Figure 1: Village infrastructure expenditures increased substantially by more than ten-fold between 2012 and 2016 (trillions RP)



**This note was prepared jointly by the World Bank and KOMPAK at the request of Bappenas, to inform policy discussion related to Village Law. The note is based on available data as of October 2019, including forthcoming assessments and studies. It is one of five briefs: 1) How to improve the delivery of Village Law, 2) Effective support from Local Governments to Villages, 3) Delivering Quality Rural Infrastructure with Village Funds, 4) Putting communities at the center of Village Law implementation, and 5) Financial management, reporting and oversight.*

Improving the Quality of Village Spending on Infrastructure

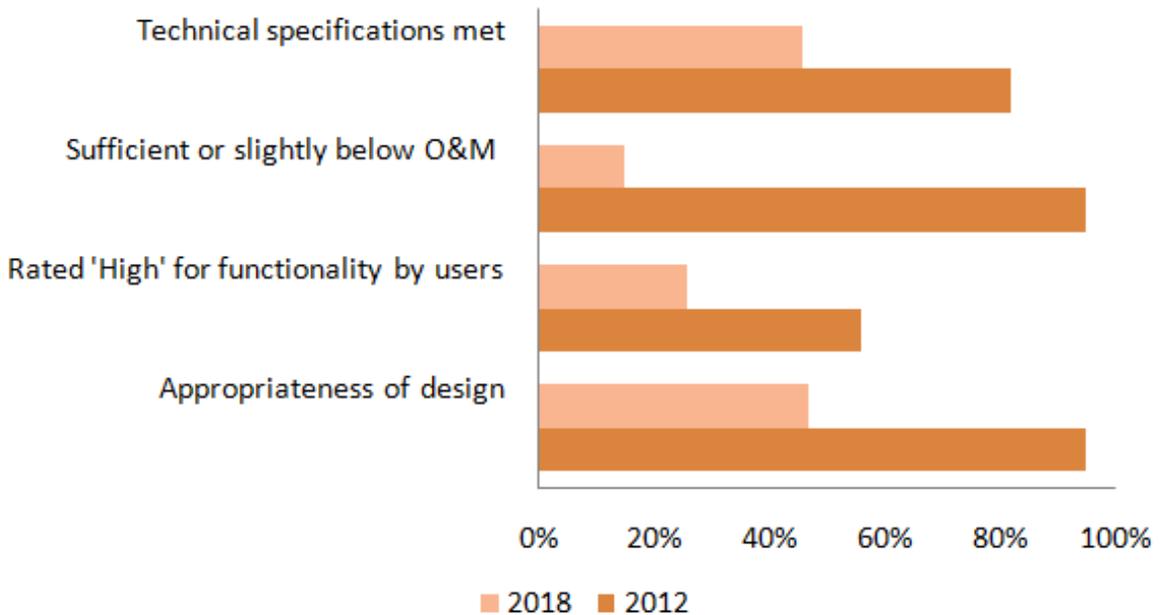
Well-built village infrastructure can be maintained for many years, help improve local economies, provide opportunities and access to services for the poor and marginalised, and help create jobs.³

Well-designed irrigation systems align with district distributaries and use increasingly scarce water resources efficiently, helping increase agricultural yields. However, poorly designed roads and bridges collapse or are destroyed after only two or three years. Poorly designed irrigation canals cause leakage, waste large amounts of water, and can even have detrimental impact on small-holders and downstream water users.

Current evidence points to a drop in the quality of infrastructure constructed with village funds, posing significant policy implications.

According to a 2016 village expenditure review, the largest category of village spending is on infrastructure (at least 38% of village budgets, almost IDR 60 trillion, or USD 4.2 billion). This includes public works, administrative buildings and service facilities.⁴ A 2018 assessment on village infrastructure quality⁵ found a 36% reduction in projects meeting technical specifications; 80% drop in operations and maintenance; 30% reduction in the number of projects rated 'high' for functionality by users; and a near 50% drop in projects considered to have appropriate design by users as compared to 2012.⁶ Figure 2 provides an overview of the comparison between 2012 and 2018.

Figure 2: Quality of village infrastructure projects has dropped from 2012 to 2018



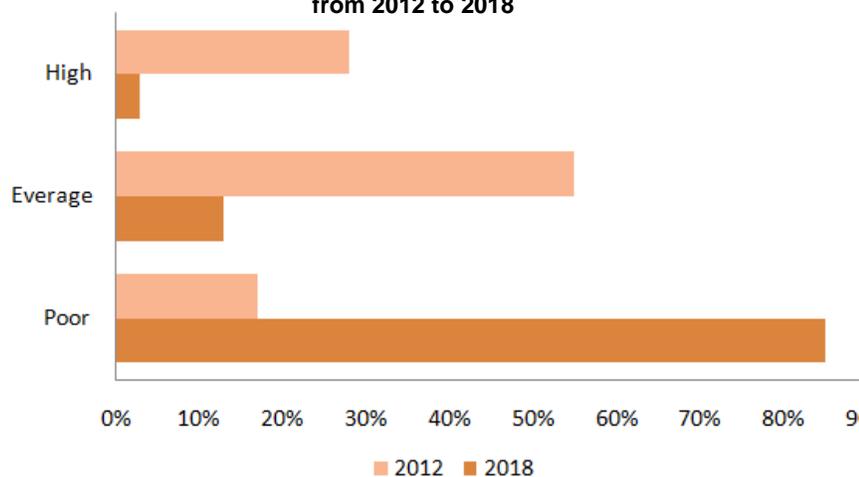
Four factors contribute to the decline in village level infrastructure quality since 2012: engineering design drawings were not present; villages did not have access to qualified technical engineering services; limited efforts in seeking user and community inputs to designs; and overall decline in attention to operations and maintenance (O&M).

The 2018 assessment looked at 165 village level projects and found that 60% did not have necessary planning and design documents and 45% had no design drawings at all. Generally, projects with more complete files tended to have higher quality of construction ratings. The assessment also found the lack of community and user input linked to lower utility of infrastructure (as rated by the community). This weakens citizens' sense of ownership which in turn, as global evidence shows, underpins their willingness to fund ongoing maintenance. In addition, whereas in 2012 95% of infrastructure projects were judged to have 'sufficient' or 'slightly below sufficient' O&M practices, by 2018 85% of projects were judged to be poorly maintained, with only 3% 'meeting specifications.' This has important implications for the effective use of public funds.

Of the four factors identified, perhaps the most critical is the declining access to quality technical advice and facilitation support. Village implementation committee members reported that technical supervision provided by government ministries and agencies was poor (85%), with only 2% reporting that they received adequate supervision. Comparison of this data with 2012 findings under PNPM shows a clear drop in the quality of technical supervision.

Further compounding the challenge of achieving high quality village infrastructure investments is the lack of clarity in roles of the district and the villages related to infrastructure. Neither Law 6 or Law 23 identify the roles and responsibilities related to infrastructure investments at the village level. The district and sub-district, on average, do not have the engineering staff necessary to support and supervise village level infrastructure investments. Without clear guidelines in place, and given budget and staffing constraints, districts are not fulfilling the role to provide engineering inputs to village governments.

Figure 3: Quality of Technical Facilitation Has Dropped from 2012 to 2018



Some village governments are using their village funds to purchase engineering inputs from qualified third-party providers. In some districts, local governments have developed lists of qualified third party and private sector engineering firms that village governments are able to contact, using their village funds to pay for these services directly.

Policy Recommendations

In order to improve the quality of village level infrastructure investments, the following actions should be considered:

- 1. Ensure villages are receiving appropriate and quality technical facilitation:**
 - **Revise Ministerial Regulation (*Permen*) on facilitation.** In line with the Government Regulation on Implementation of Village Law (PP 47/2015, article 131), Ministry of Villages (MoV) to consult Bappenas, Ministry of Public Works (MPW), Ministry of Home Affairs (MoHA) and other technical ministries to revise the *Permen* on Facilitation to integrate facilitation services at the village level, including from third party and technical service providers. Currently the *Permen* only focuses on MoV professional facilitators, who are only tasked to provide part of the required support to villages.
 - **Issue single government regulation (PP) for Village Law.** Bappenas to facilitate relevant ministries to draft and issue a single PP for Village Law implementation, which would include integration of facilitation and technical assistance to villages and rural area development.
 - **Develop guidelines on roles and responsibilities related to infrastructure development.** There is no system for reviewing the quality and existence of infrastructure designs. Bappenas to coordinate with MoV, MPW, and MoHA and issue guidelines to district governments on how to mandate and support village governments and relevant Dinas to support village development. This should include the roles and responsibilities of the community, district government (including Village Community Empowerment and Public Works agencies), facilitators, village government, technical service providers, and contractors. Guidelines should clarify roles and responsibilities for preparation of designs, supervision, regular monitoring, operations and maintenance, assets, liability and dispute resolution mechanisms.
 - **Increase role of private sector.** Government engineers (under Public Works or Village Community Empowerment agencies) should be responsible for supervising village infrastructure projects. However, given the limited availability of government engineers, it is advised that construction supervision activities be increasingly shifted to qualified firms or individuals, with government engineers focused on review and approval of designs; spot checks of costs and plans; and compliance with technical specifications and social and environmental considerations.

2. Ensure effective operations and maintenance.

For all existing and proposed village infrastructure, villages should have a plan and budget for O&M. The responsibility of O&M should be clear and based on specific requirements of each type of infrastructure and available capacities. In particular, it should be clarified where infrastructure requires management and maintenance by communities, technical cadres or budget through collection of user fees; if village government is responsible for allocating budget from village funds; or if part of the responsibility would rest with the district government.

3. Provide villages with standard specifications.

Bappenas to convene MPW and MoV to provide standard specifications and drawings for typical village-level infrastructure. The specifications should also outline operational requirements, such as community consultations, and developing operations and maintenance plans linked to each project.



Irrigation canal in Manyang Lancok village with incomplete design and lack of maintenance. The canal is missing field gates. The community is not performing basic maintenance such as cleaning overgrowth. (World Bank, 2018)

¹Based on World Bank estimation deferred from 2016 ViPER assessment and PNPM 2014 Implementation Completion Report

²Article 112-115 of Village Law, article 128 of PP47/2015

³ Experience from PNPM and KDP has shown that well designed bridges and roads can bring goods to markets and last for over a decade, even in Indonesia's volatile ecology

⁴World Bank, Village Public Expenditure Review (ViPER), 2018

⁵ Quality is assessed based on process, technical specifications, operations and maintenance (O&M), and cost.

⁶ World Bank, Village Infrastructure Technical Assessment, 2018 and Neate, 2012, PNPM Mandiri Rural Infrastructure Technical Evaluation Report, World Bank. While the 2012 assessment looked at infrastructure constructed under PNPM, it provides a useful benchmark for looking at village infrastructure quality, particularly in highlighting the drop in access to technical and engineering services required for small scale infrastructure. The 2018 assessment also found that as a result of the lower levels of technical inputs, the overall quality of the infrastructure constructed was lower.

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