

Local Solutions to Poverty (LSP) Achievement Brief 2017

Local Solutions to Poverty (LSP) Multi-Donor Trust Fund: Improving the lives of poor and vulnerable Indonesians

In recent years, Indonesia has made persistent and successful efforts to reduce poverty and boost shared prosperity. Over the past decade and a half, the Government of Indonesia (GoI) has allocated 20 percent of the state budget to education, decentralized development responsibilities to local governments, and rolled out large-scale, globally recognized community-driven development (CDD) programs. These efforts have contributed to significant development progress and poverty rates have fallen from 19.1 percent in 2000¹ to 10.1 percent in 2018.²

However, about 35 percent (88 million) of Indonesians remain poor or vulnerable to poverty and most are concentrated in rural areas.³ Rising inequality, poor service delivery performance and lagging health and education outcomes continue to persist, particularly in rural and remote areas, despite increases in the GoI's spending in these areas. For example, Indonesia has the second highest incidence of child stunting in South-east Asia (37.2 percent of children under age five), and an estimated maternal mortality rate of 126 women per 100,000 births in 2015.⁴

The GoI is increasingly focusing its attention on addressing inequality, and lagging rural service delivery and development outcomes. A cornerstone of this effort is the Village Law (No.6/2014),⁵

which marks a new phase of decentralization and rapidly shifts responsibilities and large funding increases to Indonesia's nearly 75,000 villages. Since 2015, the GoI has transferred nearly US\$ 18 billion to villages (2015-17). In parallel, the GoI is seeking to transition and "mainstream" long-term CDD projects and methodologies, which are long supported by the World Bank, into the much larger Village Law related regulations, systems and transfers.⁶ However, not surprisingly, building village government capacity and incentives to do this remains a significant challenge.

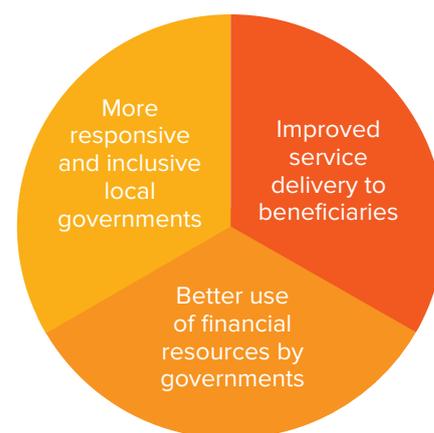
In line with the GoI's major transition, the World Bank's long-term support for village development and basic service delivery is undergoing major shifts as well.

The World Bank, in close collaboration with the Australian Department of Foreign Affairs and Trade (DFAT) and the Millennium Challenge Account-Indonesia (MCA-I), continues to support the GoI to 'move the needle' on poverty and inequality. However, in recent years, the focus and delivery of its support has shifted dramatically from designing and implementing large-scale community development projects (which often operated outside formal government systems) to focusing on strengthening the GoI's own systems, capabilities and knowledge. In 2017, LSP focused on strengthening the GoI's institutions and systems in three main areas:

- *Village Development:* Strengthening village institutions, as participatory and inclusive platforms for rural development and poverty reduction, to help improve the effectiveness of US\$ 7.3 billion in annual village funding;
- *Basic Service Delivery:* Institutionalizing and scaling up demand-driven approaches to improve frontline and basic services that reduce poverty and improve livelihoods, particularly in poor and remote areas; and
- *Analytics:* Producing and disseminating high-quality data and analytics, and strengthening the GoI's existing monitoring and evaluation (M&E) systems to support more effective village development and local service delivery.

FIGURE 1

LSP's End-of-Facility Outcomes



¹ The World Bank, 2017, Indonesia Economic Quarterly December 2017: Decentralization that Delivers. <http://pubdocs.worldbank.org/en/657051513163708686/IEQ-Dec-2017-ENG.pdf>.

² Partnership for Knowledge-based Poverty Reduction (PKPR), 2018, PKPR Semi-Annual Progress Report: July 2017 to January 2018. The World Bank.

³ The World Bank, 2017, Aspiring Indonesia: Expanding the Middle Class. The World Bank.

⁴ In comparison, the maternal mortality rate is 20 in Thailand, 40 in Malaysia, 54 in Vietnam and 114 in the Philippines (WHO, 2015).

⁵ Enacted in early 2014, Law 6 of 2014 (the Village Law) established a new institutional frame-

work for community development in Indonesia's 74,954 rural villages (*desa*). The law increases the authority and responsibility of villages. Under the Village Law, village fiscal transfers (*Dana Desa* and *Alokasi Dana Desa*) were substantially increased beginning in 2015. In 2017, villages received on average around Rp. 1.2 billion (US\$100,000), seventy percent of which villages are required to spend on village development and community empowerment. The remainder is for village administrative functions.

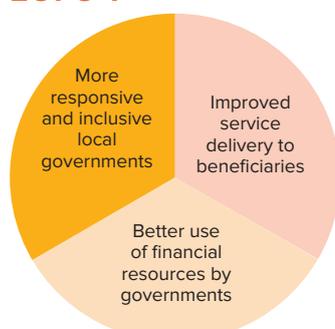
⁶ For example, Village Law and associated regulations include multiple provisions reflecting Indonesia's CDD experience (provisions on transparency, participation, accountability, etc.).

In 2017, LSP supported the Gol in these areas through nine main projects and initiatives (Table 1).⁷ The LSP MDTF's progress and achievements are measured against three End-of-Facility-Outcomes, which cut across projects and initiatives (Figure 1).

TITLE	OBJECTIVE	PARTNERS
VILLAGE DEVELOPMENT		
MELAYANI⁸	Support local governments to use a problem-driven approach ⁹ to tackle local service delivery issues.	Ministry of Home Affairs (MoHA) and Ministry of Finance (MoF).
Village Innovation Program (VIP)	Improve village capacity to plan and implement investments that focus on village entrepreneurship, human capital formation and village infrastructure.	Ministry of Villages, Development of Disadvantaged Regions and Transmigration (MoV).
Village Law Programmatic Advisory Services and Analytics (PASA)	Support the Gol's efforts to ensure accountable village governance and participatory village development.	MoHA, MoV and MoF.
BASIC SERVICE DELIVERY		
Early Childhood Education and Development (ECED)	Increase the availability of high-quality, affordable and professional training for ECED teachers in poor rural districts.	Ministry of Education and Culture (MoEC).
Generasi	Empower local communities in poor, rural sub-districts in Generasi provinces to increase utilization of health and education services.	MoV, MoEC and Ministry of Health (MoH).
Investing in Nutrition and Early Years	Increase simultaneous utilization of nutrition interventions by 1,000-day households in priority districts.	Secretariat Office of Vice President (SoVP), TNP2K, ¹⁰ Bappenas, ¹¹ and MoF.
KIAT Guru	Improve the presence and service quality of primary school teachers in targeted areas by making teachers more accountable and empowering communities to participate in education.	MoEC.
ANALYTICS		
Evaluations	Understand the direct impact of LSP-supported initiatives (KIAT Guru, Generasi and ECED pilot project) to inform program planning and decisions, along with the Gol policy frameworks, institutions and systems.	Bappenas, MoEC, MoV, MoHA, BPS. ¹²
Special Studies	Improve understanding about local development priorities in Indonesia through conducting in-depth research, such as Sentinel Villages Study, Civil Service Data Analysis project and just-in-time (JIT) analytics.	Bappenas, MoEC, MoV, MoHA, BPS and MoEC.

Progress and Achievements

EOFO 1



Local governments (LGs) are responsible for most health and education services in Indonesia and spend almost half of the entire state budget on these services. However, the quality of this spending remains low and does not always reflect the needs of the community. While the World Bank previously supported the Gol to implement large-scale CDD projects that often provided small block grants directly to communities, today LSP's support focuses on strengthening the Gol's core regulations, systems and institutions to enable village governments to convert larger village budgets into productive investments and services that reflect local needs. In 2017, LSP supported the Gol to better understand the quality of village spending, the extent to which it reflects community needs and the constraints limiting its impacts. Building on this work, LSP supported the Gol to strengthen its regulations, systems and processes so they better support more inclusive, responsive and accountable village development.

⁷ LSP also supports the Local Economic Development (LED) Pilot and Data for Results projects. However, both projects will commence in 2018 so are not reported in this brief.

⁸ *Menguraikan Permasalahan Perbaikan Layanan Dasar di Indonesia* (Untangling Problems to Improve Basic Services in Indonesia).

⁹ The approach draws on several different methodologies, such as problem-driven iterative adaptation (PDIA), Deliverology and an earlier World Bank pilot instrument called the Rapid

Assessment and Action Plan (the predecessor of MELAYANI).

¹⁰ *Tim Nasional Percepatan Penanggulangan Kemiskinan* (National Team for the Acceleration of Poverty Reduction, or TNP2K).

¹¹ *Kementerian Perencanaan Pembangunan Nasional/Badan Perencanaan Pembangunan Nasional* (National Development Planning Agency, or Bappenas).

¹² *Badan Pusat Statistik* (Central Bureau of Statistics).



LSP's Village Law Programmatic Advisory Services and Analytics (PASA) provided the Gol with in-depth analysis on actual Village Law implementation practices and constraints to help strengthen national regulations so that citizens in Indonesia's 74,954 villages have an opportunity to have a say in, and are informed about, how LGs are using village funds to promote local development. The LSP-supported Sentinel Villages Study, which began in 2015, examines community participation, transparency and accountability in village development processes, as well as district and sub-district support for these processes.¹³ In 2017, LSP completed two Sentinel Village case studies on facilitation and village fund utilization to complement the Sentinel Villages baseline survey, which was undertaken over 2015 and 2016. To date, analysis from the Sentinel Villages Study found that not all village meetings are inclusive, and that hamlet-level meetings are often more open and better attended. The study's analysis also revealed that generally women are less likely to attend village- and hamlet-level meetings than men. In general, villagers tended not to participate in meetings due to high opportunity costs and the perception that discussions only related to village government and community leaders. The findings also indicated that village activists frequent and partake in village and hamlet meeting discussions, and that female village activists were almost as engaged as their male counterparts during meetings. LSP leveraged these findings to strengthen and ensure that Village Law related regulations are more inclusive and incorporate structured participation and representation. For example, LSP, through policy discussions, analysis and regulation drafting, supported the Ministry of Home Affairs (MoHA) develop the MoHA regulation (*Peraturan Menteri Dalam Negeri, or Permendagri*) on Village Community Institutions (*Lembaga Kemasyarakatan Desa, or LKD*) and Village Customary Institutions (*Lembaga Adat Desa, or LAD*),

which is expected to be issued in 2018. LSP was instrumental in ensuring the *Permendagri* LKD and LAD draft incorporated strengthened participatory principles and elements, including for women and other marginalized groups. LSP also supported the Ministry of Villages, Development of Disadvantaged Regions and Transmigration's (MoV) ongoing revisions to the regulation on Village Development and Rural Development (*Permendagri* No. 114/2014), which sets the rules and framework for village planning and implementation processes, including for inclusion and participation. LSP fostered policy dialogue by conducting a workshop with legal experts to provide feedback and recommendations on the latest version of the draft. It is anticipated that the revised *Permendagri* No. 114/2014 will be finalized in 2018.

The Village Law PASA provided the Gol with the most in-depth analysis on how Indonesian villages spend their funds, which highlighted key challenges limiting the quality and impact of US\$ 7.3 billion (Rp 100 trillion) in village spending. In 2017, the LSP Village Law PASA, in partnership with MoHA, expanded the Village Public Expenditure Review (ViPER) analysis, adding 1,868 villages to the sample,¹⁴ to provide the Gol with the most in-depth review currently available in Indonesia on how villages spend their increased funds.¹⁵ The analysis highlighted that villages spend almost 40 percent of their funds on administration,¹⁶ but only about five percent on health and education. The analyses also revealed inconsistencies in how villages classify their finances hinders accurate reporting on village spending. Complementing this work, the LSP-supported Sentinel Villages analysis also found that villages tend to fragment development budgets into many small projects rather than financing larger projects, which are likely to have a greater development impact. Initial developments suggest that ViPER is being increasingly institutionalized into the Gol's systems and mechanisms.

¹³ The Sentinel Villages Study focuses on five districts across three provinces.

¹⁴ The World Bank has collected more than 5,500 documents comprising APBDes, Revised APBDes and APBDes realization reports from financial year (FY) 2015 and 2016. The results outlined in this brief focus on the ViPER analysis from the 1,868 Village APBDes from FY 2016.

¹⁵ As part of the ViPER Analysis, LSP, in collaboration with MoHA, collected village budgets and spending reports, and reclassified village budgets and expenditures, using standard classifications, to provide a more reliable view of village revenue spending.

¹⁶ This is above the 30 percent ceiling.

FIGURE 2

Characteristics of village- and hamlet-meeting attendees and non-attendees

TENDED NOT TO PARTICIPATE



FEMALE

HOUSEHOLD
HEADED BY FEMALEDISTANCE TO VILLAGE
HEAD OFFICE (KM)NO FORMAL
EDUCATION

BOTTOM -40

TENDED TO PARTICIPATE

COMPLETED SECONDARY
AND BEYONDCURRENTLY
WORKINGSUBMITTED COMPLAINTS
OR REPORT PROBLEMSACTIVE IN
LOCAL ORGANIZATIONACTIVE IN
POLITICAL PARTYVILLAGE HEAD
IS RELIABLE IN
IMPLEMENTATION

For example, MoHA plans to revise an existing regulation on villages budget (*Anggaran Pendapatan dan Belanja Desa*, or APBDes) evaluation and to incorporate the ViPER methodology as the main tool to assess village budgets and realization reports. MoHA also initiated work to present the ViPER methodology to LG officials to improve their skills in aggregating and analyzing village financial data and expenditures.

LSP-generated analysis on key governance constraints and risks around village funds is being used to help ensure the Gol's support to sub-national governments is more effective.

In 2017, LSP supported a joint World Bank-Gol (MoHA and the MoV) Spot Check of Village Governance and Financial Management¹⁷ and a Village Complaints Handling System Assessment.¹⁸ Analysis from the spot checks and assessment found that the most significant governance risks around village funds are at the district level; the limited capacity of village staff in managing village finances pose significant risks; and that village-level complaint handling systems need to be strengthened. Building on this analysis, the Village Law PASA began an assessment on districts' capacity (institutional, financial and human capacity) to provide adequate support and supervision to villages. Drawing on LSP's and other programs (Village Innovation Program (VIP) loan and DFAT-funded KOMPAK) findings, it is evident that many districts lack clear guidance, capacity, incentives and funds to perform these roles effectively. The district assessment is systematically unpacking these challenges and using the findings to support the Gol to shape more effective, demand-driven and sustainable support to villages.

Village Law PASA analyses on Village Law implementation bottlenecks informed a cross-ministerial decree to harmonize Village Law implementation.

Leveraging the Sentinel Villages and ViPER analyses, LSP prepared an analysis about Village Law implementation bottlenecks and recommended actions to senior Gol officials (MoHA, *Kementerian Perencanaan Pembangunan Nasional/Badan Perencanaan Pembangunan Nasional* (National Development Planning Agency, or Bappenas), the Ministry of Finance (MoF), the MoV and the *Kantor Staf Presiden* or KSP). The results of the analysis contributed to the Gol issuing a Joint Ministerial Decree on harmonizing and strengthening Village Law implementation among four ministries (MoHA, MoV, MoF and Bappenas).¹⁹ This analysis also informed the Village Law PASA's support to MoV and MoHA to improve the rules, regulations, training, and M&E that strengthen village planning and budgeting.

Under the MoV's Generasi project, LSP continued to support Generasi facilitators to empower communities (including women) to participate in community decision-making to increase prioritization of health and education services.

In 2017, LSP continued to support Generasi incentivized block grants and capacity building in West Kalimantan, Central Kalimantan and South Sumatera to help communities identify locally appropriate ways to improve access and use of health and education services.²⁰ Across the three provinces, about 74 percent of the block grants were used for health activities, while 26 percent were used for education activities. LSP also supported training for all 38,314 (51 percent female and 49 percent male) Generasi village actors (local facilitators, village officers, and health and education cadres) in 11 provinces.

LSP helped institutionalize lessons learned from the MoV's Generasi project to strengthen LG capacity to plan and budget for basic service delivery in health and education. LSP expanded its support for the Generasi Integration Strategy from

¹⁷ The Spot Checks were conducted in September 2017 in 64 villages across 27 sub-districts in 12 districts and six provinces.

¹⁸ The complaints handling assessment was carried out in four provinces (Central Java, East Java, West Sulawesi and East Nusa Tenggara) over 2016 and 2017.

¹⁹ Joint Decree regarding the Harmonization and Strengthening of Implementation Policy of Village Law No. 6/2014 about the Village (No.140-8698/tahun 2017 (MoHA), No. 954/KMK.07/2017 (MoF), No. 116 Tahun 2017 (MoV) and No. 01/SKB/M/PPN/12/2017 (Bappenas).

²⁰ Up until 2016, Generasi was operated in 499 sub-districts across 11 provinces. Following the enactment of the Village Law, in 2016, LSP supported the gradual phase out of Generasi incentivized block grants and implementation of the Generasi Integration Strategy, which aims to reorient Generasi's facilitation support towards assisting village governments and communities to utilize Village Law transfers to address health and education issues. In 2017, only 130 sub-districts in three provinces still received the incentivized Generasi block grants.

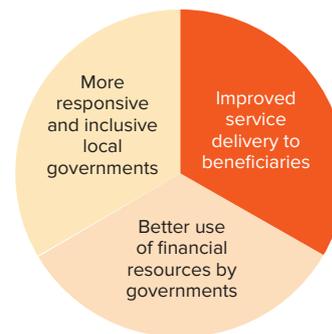
BOX 1.**Promoting gender equality and women's empowerment**

In 2017, LSP supported the National Civil Servant Organization (*Badan Kepegawaian Negara*, or BKN) to analyze the records of over four million civil servants to better understand the composition of the Indonesian civil service and the determinants of civil service promotion. From the analysis, LSP found that female civil servants make up fewer than 28 percent of all echelon in national ministries, and experience substantially lower rates of promotion than men. The analysis is being used to inform the Gol's major policy agendas related to merit-based and transparent promotions and more equitable distribution of civil servants. The World Bank governance team is also leveraging the results about gender disparities in civil service promotion to inform and better integrate gender into the proposed Human Resource Development for Bureaucratic Reform Operation.

Drawing on the BKN findings and other World Bank analysis, in May 2017 LSP prepared a policy brief for the Gol on 'Closing the Gender Gap: Translating the Budget into Improved Gender Outcomes' following a request from MoF. The policy brief outlined key statistics on gender inequalities; proposed potential activities that MoF could finance to increase female labor force employment and improve women's health and nutrition in 2018; and proposed a MoF-led program "Using the Budget to Improve Gender Outcomes". MoF incorporated key elements from the World Bank's policy brief into the Gol's Macroeconomic Fiscal Framework, including a commitment to increasingly strive to implement gender budgeting programs so that women face less barriers to economic opportunities and improved access to health care programs.¹ The Gol will use the framework to inform its 2018 national budget planning so it better supports gender equality and women's empowerment.

the initial six West Nusa Tenggara (*Nusa Tenggara Barat*, or NTB) pilot districts in 2016 to 44 districts in 2017.²¹ The integration strategy reorients Generasi's advocacy and facilitation support towards village governments and communities to better equip them to plan, budget and address health and education issues under regular planning and budgeting processes. Results from the six pilot districts in NTB (2016-2017) indicate that village governments are increasingly allocating *APBDes* funding for health and education services. For example, all six pilot districts in NTB issued draft district head regulations (*Peraturan Bupati*, or *Perbup*) that allow LGs

to fund health and education services under the *APBDes*. On average *APBDes* allocations for health and education spending in 411 villages in the six NTB pilot districts increased from 10.9 percent (2016) to 15.8 percent (2017).²² While allocations were mainly for infrastructure, non-infrastructure budget allocations also rose from 2.8 percent (2016) to 4.8 percent (2017). LSP also commenced the MELAYANI (*Menguraikan Permasalahan Perbaikan Layanan Dasar di Indonesia*) pilot project in October 2017, which aims to help pilot district governments navigate through a process to breakdown local problems, and identify and implement solutions that are regularly reviewed and adjusted. In 2017, LSP selected three pilot districts (Kubu Raya in West Kalimantan, Bojonegoro in East Java, and Belu in East Nusa Tenggara) and each district identified a priority issue to address.²³ The World Bank-supported MELAYANI coaches also supported district governments to commence baseline data collection, which will be used to analyze and support change processes in 2018. The project will be assessed in October 2018.

EOFO 2

The Gol is increasingly focusing on improving not only the availability, but also the quality of village service delivery after increased government spending on basic services has struggled to improve Indonesia's performance in terms of important human development indicators. These challenges tend

to be exacerbated in rural areas where basic health, education and infrastructure are lacking both in terms of quality and quantity. To help improve basic service delivery in poor and rural areas, LSP has increasingly moved away from supporting Gol-executed CDD approaches, which often operated outside regular government services, to supporting the Gol integrate and 'mainstream' good practices from these CDD projects, and other innovative pilot projects, into regular Village Law development planning and implementation.

LSP supported the Gol in addressing supply-side constraints in early childhood education and development (ECED) by ensuring more qualified ECED teachers are available at the village level. In 2017, the LSP-supported ECED pilot project successfully established a novel district-based, community-focused training system to improve the availability of ECED teachers in remote and rural Indonesia. All 2,674 pilot villages nominated teachers through a participatory process²⁴ and 15,491 ECED teachers in 25 districts received

²¹ The Generasi Integration Strategy is implemented in three phases: (1) pilot phase in six districts in NTB (2016-2017); (2) pilot expansion in 44 Generasi districts (2017-2018); and (3) final expansion in all 66 Generasi districts (2018).

²² This figure was calculated by comparing each pilot district's *APBDes* 2016 data (baseline data) with their *APBDes* 2017 data. The data is captured by Generasi-supported facilitators and collated in Generasi's management information system (MIS). The data is validated by the province and shared with national-level government.

²³ In Kubu Raya, the government is working to reduce incidences of stunting; in Bojonegoro to reduce infant mortality; and in Belu to improve quality of basic education.

²⁴ This process was usually undertaken through an existing platform, such as village meeting (*musyawarah desa*, or *MusDes*). However, in villages where *MusDes* had recently taken place, the selection process was done through a special *MusDes* (*MD Khusus*).

TEACHER PRESENCE,
AS REPORTED BY MEMBERS
OF THE SCHOOL-USER
COMMITTEES,
IMPROVED FROM

65% to 93%
(MID-2016) (DECEMBER 2017)

WHICH IS BEYOND
80% TARGET

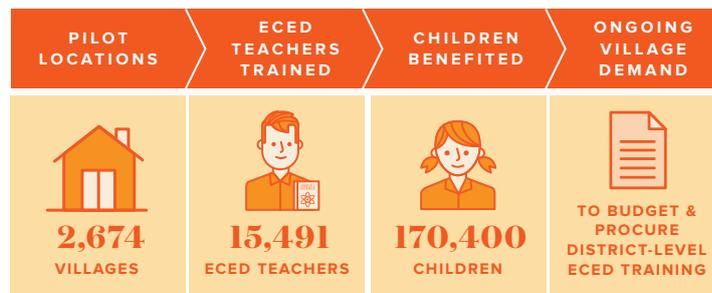
PERCEIVED TEACHER
SERVICE QUALITY
INCREASED FROM

56% to 96%
(TARGET 85%)

IN THE SAME PERIOD

training in ECED provision, including for children with special needs. It is estimated that approximately 170,400 children benefited from the improved ECED services across the 25 pilot districts.²⁵ The training not only helped improve access to, and the quality of, ECED services in rural areas, but also provided women in remote areas with an opportunity to upskill and access formal employment (98 to 99 percent of participants were women). By the end of the pilot project in 2017, demand from villages – including those not covered or financed by the project, but with knowledge of the pilot – increased, and village governments began using their own village budget to procure district-level training for ECED teachers. In one case, the district government in Gorontalo District has led the way by issuing its own district head regulation (*Perbup*) that enables village funds (*Dana Desa*) to be used to support the project's continuation in 2018, and by allocating Rp. 155 million (US\$11,650) for advanced ECED teacher training in its 2018 budget. At the national level, the Ministry of Education and Culture (MoEC) plans to use the LSP-supported ECED training materials in the annual district Training of Trainers, which will be rolled out across approximately 100 districts in 2018. The ECED pilot project was internationally recognized and recently awarded the 2017-2018 UNESCO-Hamdan bin Rashid Al-Maktoum Prize for bringing quality professionally-trained ECED teachers to the poorest and remote areas in Indonesia.²⁶

FIGURE 3
ECED pilot project



The Improving Teacher Performance and Accountability (KIAT Guru) pilot project improves the availability and quality of teachers in remote areas in Indonesia by empowering communities to provide oversight of teacher presence and performance. LSP leveraged the Gol's spending to maximize the development impact of the Gol's national teachers' special allowances (*Tunjangan Khusus*, or TK) mechanism.²⁷ Using a combination of service agreements, community scorecards, user committees, capacity building and camera monitoring (*KIAT Kamera*), the KIAT Guru pilot project empowered communities to verify teacher attendance and evaluate teacher service performance in 203 primary schools across five pilot districts. During 2017, LSP supported the MoEC and the *Tim Nasional Percepatan Penanggulangan Kemiskinan* (National Team for the Acceleration of Poverty Reduction, or TNP2K) to issue two key ministerial decrees to enable pilot implementation and to pave the way to tie TK payments to teacher performance.²⁸ A subsequent 435 sub-national (district and village) regulations were also issued to implement the pilot in the 203 pilot schools. In 2017, service agreements between provider groups and user groups were established;²⁹ and user committees and village cadres were appointed in all pilot schools. To maximize ownership and sustainability post-pilot, KIAT Guru also trained 375 government officials, and 2,030 community members and village cadres. Initial KIAT Guru results indicate that tying teachers' special allowance payments to presence and performance is having a positive impact on teacher attendance, teacher service

²⁵ The ECED pilot project did not collect primary data on the number of children under the care of each ECED training participant's local ECED service. However, the ECED pilot project conducted a survey of 600 randomly surveyed ECED teachers. Analysis from the survey found that the average ECED teacher-to-children ratio for the surveyed teachers is approximately 1:11. This ratio was used to determine the approximate number of children that benefited from the improved ECED services.

²⁶ UNESCO, 2018, *UNESCO rewards outstanding teacher initiatives in Chile, Indonesia and the UK*, Available at: <https://en.unesco.org/news/unesco-rewards-outstanding-teacher-initiatives-chile-indonesia-and-uk>.

²⁷ About US\$ 2.3 million (Rp. 32.7 billion) of Gol's US\$112 million (Rp. 1.6 trillion) spending on TK was paid based on teacher performance.

²⁸ MoEC Decree No. 99/P/2017 on the Priority Program in Delivery of teachers' special allowance (*Tunjangan Khusus*, or TK), which identified KIAT Guru as a MoEC priority program; and MoEC Decree No. 11788/B/HK/2017, which provided technical guidelines for its implementation.

²⁹ Provider groups include teachers and principals, and user groups include parents and community representatives.

performance, and student learning outcomes. The results showed that teacher presence, as reported by members of the school-user committees, improved from 65 percent (mid-2016) to 93 percent (December 2017), which is beyond the 80 percent target. Meanwhile, perceived teacher service quality increased from 56 percent to 96 percent (target is 85 percent) in the same period.³⁰ The direct impact of the pilot project will be better understood following the completion of the KIAT Guru Impact Evaluation in mid-2018.³¹

Access to and utilization of basic services have improved in villages across Generasi provinces. Generasi's continued facilitation support, capacity building and integration strategy have contributed to improve access and service utilization indicators. For example, in villages across all Generasi provinces, there have been increases in the percent of expectant mothers receiving prenatal care visits; junior secondary enrolment rates; and assisted deliveries by a trained professional. Meanwhile, in the three Generasi provinces that continued to receive specific block grants in 2017,³² LSP monitoring data also indicated increases in the percent of women participating in pregnancy and nutrition classes; parents of zero-to-two years old participating in monthly parenting and nutrition classes; and the number of male caregivers participating in pregnancy and child nutrition classes. Complementing this work, in 2017, LSP also completed the "fourth wave" Impact Evaluation (IE) of the Generasi Sehat and Cerdas Project, which originally started in 2007, to learn about the longer-term impacts of the project.³³ The Generasi IE found that since 2009, the overall health and education environment in Generasi IE districts (including control areas) has improved. The IE highlighted that one of Generasi's greatest achievements is the sustained revitalization of the village health clinic (*posyandu*). The quantitative IE results found that Generasi still helps mobilize community members to attend the *posyandu* for infant weighing, and to attend maternal health and parenting classes. In the lowest-performing districts, Generasi also continued to encourage communities to increase immuni-

zation uptake and vitamin A distribution. However, the IE found that Generasi's initial impact on stunting (concentrated in *Nusa Tenggara Timur* (NTT) province) was not sustained beyond the 2009 IE.³⁴ The IE's quantitative findings were presented to Bappenas in early 2018. The complete IE results will be disseminated more broadly in 2018, including at the DFAT-supported Bappenas-Abdul Latif Jameel Poverty Action Lab (JPAL) Evidence on Stunting from Three Randomized Evaluations in Indonesia event in May. The IE's findings will contribute to Indonesia's evidence base about the drivers of stunting, and the Gol's future priorities related to stunting and Village Law expenditures on health and education challenges. The findings will also inform the Gol requested Investing in Nutrition and Early Years (INEY) Program-for-Results operation (Box 2 on page 8), particularly the findings related to the role of communication mobilization, social accountability and technical measurement of stunting.

LSP is mobilizing specialized village facilitators to converge multi-sectoral services, at the sub-national level, to reduce stunting. In July 2017, LSP launched the Human Development Workers (HDW)³⁵ pilot project following high-level discussions between President Joko Widodo, Minister of Finance Sri Mulyani Indrawati and the World Bank President Jim Yong Kim. The HDW pilot project aims to support villages to address local service delivery challenges and to implement national priority programs, such as stunting reduction. The pilot project will engage, train and equip HDWs with a range of skills and tools (checklists, scorecards, stunting length mats and social mapping) to overcome key information gaps, diagnose local drivers of development problems, and monitor and demand improved service delivery. The pilot project will be implemented in 3,105 villages across 281 sub-districts and 31 stunting priority districts to help promote, incentivize and converge multi-sectoral village efforts to reduce stunting. The first 30 HDWs were trained in early January 2018. It is intended that the pilot project will inform the Gol's national scale-up (up to 75,000 HDWs) as part of the National Action Plan to reduce stunting.



³⁰ World Bank. 2018. Implementation Status and Results Report. *Indonesia: Improving Teacher Performance and Accountability*. January 2018.

³¹ The IE consists of a baseline survey (2016) and an endline survey (2018). The IE results will be complemented with monitoring data and qualitative research to identify aspects that improve teacher presence, teacher service performance and student learning outcomes.

³² As noted earlier, in 2016, following the enactment of the Village Law, LSP supported MoV to gradually phase out Generasi incentivized block grants and to implement the Generasi Integration Strategy to help integrate and institutionalize good practices and lessons learned from Generasi into regular Village Law implementation. In 2017, only 130 sub-districts in three provinces still received the Generasi block grants.

³³ The fourth and final wave of Generasi evaluation, which was conducted between October 2016 and February 2017, provided a rare and unique opportunity to learn about the longer-term impacts of the project through a randomized control trial involving over 90,000 respondents. The first three waves of IE were carried out between 2007 and 2010 (Wave I at baseline, Wave II 18 months after implementation, and Wave III 30 months after implementation).

³⁴ There are multiple possible reasons for this, including, among other things, overall substantial improvements in stunting across NTT (in both control and treatment groups) exhausted the 'long hanging fruit' and meant there was significantly less room for improvement; and Generasi funding produced crowd-in/crowd-out effects on other program resources that undercut the efficacy of the intervention.

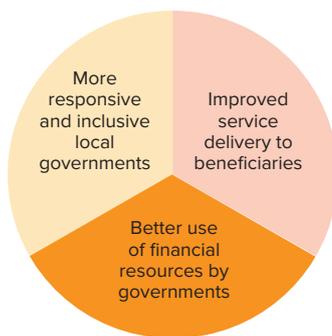
³⁵ HDWs may include health cadres, ECED teachers and staff, and regular village development cadres (*Kader Penggerak Masyarakat Desa*, or KPMD) who are all involved in village planning and budgeting processes.

LSP leveraged the Gol's VIP and Generasi project to generate innovations and learning, across tens of thousands of Indonesian villages, to help solve local service delivery challenges and improve the impact of district and village governments' fiscal resources. In 2017, LSP provided specialized technical and implementation support to the Generasi-supported Village Innovations Festival pilot project³⁶ and the VIP Village Innovations Exchanges (*Bursa Inovasi Desa*) to help bring villages together to learn from one another about local solutions to local development problems. In 2017, 219 district-level *Bursa Inovasi Desa* events were held across Indonesia, bringing together 185,900 participants of whom 55,300 were estimated to be women from 55,302 villages. The events generated over 9,454 village innovations ideas or "idea cards" (*Kartu IDE*, or *Inovasi Desaku*),³⁷ including 5,929 ideas on entrepreneurship, 3,018 on human capital and 507 on village infrastructure.³⁸ More than 31,600 village "commitments" to replicate innovations were made by village heads at the *Bursa* events.³⁹

FIGURE 4

Bursa Inovasi Desa

EOFO 3



The quality of village spending remains a key concern for the Gol. For village funds to have a positive development impact, it is essential that fiscal resources go to where the needs are greatest and that villages use them effectively (i.e. village spending is needs-based and focuses

on investments and services that have a high development return). Without better targeted allocations and effective spending, villages will not be able to convert village funds into investments that reduce poverty and inequality.

³⁶ The Village Innovations Festival pilot project in NTB brought together over 350 participants from LGs, civil society and the private sector to showcase and learn about service delivery. The festival acted as a pilot to inform the VIP's Village Innovation Exchanges.

³⁷ Idea cards are for innovation ideas that villages have implemented but are not yet captured and documented. Villages can bring innovation ideas to the *Bursa* events for the District Innovation/Sub-District Innovation Teams to review. If the innovation ideas meet the VIP Innovation criteria, the innovations can be captured and showcased as a "village innovation" during the next *Bursa* event.

³⁸ Types of ideas included innovations on waste recycling, using an online ticketing system to encourage village-level tourism, village product improvement and packaging, and improving the quality of ECED and health services.

³⁹ Commitments refer to the instances where villages at the *Bursa* events committed to replicating an innovation in their own village. During the *Bursa* events, these commitments were recorded by village representatives on "commitment cards."

BOX 2.

Supporting the GoI design, launch and implement a multi-sectoral national strategy to reduce stunting.

37.2 percent or approximately nine million children in Indonesia are stunted, which not only affects quality of life, but hampers economic growth and labor market productivity in the long run. LSP leveraged its access to international expertise and knowledge, and its extensive experience with implementing multi-sector programs to help the Gol make stunting a national priority agenda and to inform the Presidential National Action Plan to reduce stunting. The National Action Plan aims to converge existing national, regional and community programs to deliver a set of priority nutrition-specific and nutrition-sensitive interventions in the first 1,000 days of a child's life and up until age six. Key LSP and broader World Bank contributions include:

- Analyzing national and global data to identify major policy and implementation constraints hindering the effectiveness and impact of the Gol's approximately US\$ 3.9 billion in spending on nutrition interventions each year;
- Leveraging World Bank expertise and networks, including the World Bank President Jim Kim, to build momentum and raise awareness about stunting as a national priority;
- Providing technical inputs and briefings to the Gol (including for two Vice President Ministerial Cabinet Meetings in July and August 2017) to highlight the importance on investing in early childhood development, and converging and incentivizing multi-sectoral interventions to maximize impact;
- Providing analyses, along with the DFAT-funded MAHKOTA program, to help the Gol identify 100 priority districts, which informed the Gol's "100 Priority Districts for Stunting Interventions" book and accompanying database;
- Leveraging LSP's access to international expertise and global knowledge to support a knowledge exchange field trip with key Gol counterparts (from MoSA, MoF, MoHA, MoV, *Bappenas* and *Kemenko* PMK) to Peru, in April 2017, to look at the country's positive experiences in reducing stunting;
- Helping the Gol build and sustain momentum to support the National Action Plan's early implementation. For example, after the Peru field trip, LSP facilitated multiple *Bappenas* Technical Team meetings in July 2017 to gain consensus and prompt action on agreed next steps; and
- Providing technical advice and support for early implementation of the National Action Plan, including the *Rembuk* Stunting (boot camp) for all 100 priority districts in October and November 2017, and the Human Development Worker (HDW) pilot project.

Given the World Bank's extensive programmatic and operational experience, the Gol have requested a new World Bank operation – Investing in Nutrition and Early Years (INEY) – and additional support from LSP to help implement the Presidential National Action Plan to reduce stunting. The INEY operation will provide incentives and tools to improve the efficiency and impact of the US\$ 3.9 billion annual budget allocated for stunting reduction across 20 ministries and four levels of government.

LSP is strengthening the Gol's ability to better monitor, account for and understand the impact of the Gol's US\$ 7.3 billion spending across Indonesia's 74,954 villages. LSP leveraged findings from the VIPER, Sentinel Villages and the Spot Check analyses to strengthen the key regulation governing village financial management (VFM) (*Permendagri* No. 113/2014) and the village financial system (*Sistem Keuangan Desa*, or *Siskeudes*)⁴⁰ so that villages can more accurately track and report their finances. LSP's support helped ensure that the revised *Permendagri* No. 113/2014 included simplified budgeting classifications, and clarified roles and responsibilities to enable aggregation of fiscal data.⁴¹ LSP also supported the Gol-led upgrade and rollout of the national *Siskeudes* system to help ensure more standardized budgeting and reporting across village governments.⁴² By December 2017, 70,380 villages in 418 districts had received information on *Siskeudes*; 68,940 villages in 413 districts received training/workshops on *Siskeudes*; and 64,756 villages in 403 districts were running the *Siskeudes* application. LSP's support to the Gol is helping set the stage for how villages track and manage their finances; and provides critical building blocks to improve understanding about village spending, outputs and performance.

LSP supported the Gol to make village transfers (which account for four percent of the national budget) fairer, more pro-poor and service delivery focused.⁴³ In 2017, LSP's Village Law PASA, along with the DFAT-funded KOMPAK, MAHKOTA and the Knowledge Sector Initiative (KSI) programs, provided analytical inputs, technical advice and policy dialogue to inform the MoF's revisions for the 2018 *Dana Desa* Allocation Formula. Specifically, LSP provided extensive analytical support (including over 20 rigorous village-level simulations) and advice to MoF to better understand the impact of different allocation formulas across thousands of villages, and

to advocate for a fairer and more pro-poor formula. In December 2017, the new formula was approved and issued by the Indonesian Parliament (*Dewan Perwakilan Rakyat*, or DPR) (PMK No. 199/PMK.07/2017).⁴⁴ The revised formula allocates a greater share of money to highly-populated villages and those villages with higher numbers of poor people, including those in disadvantaged and remote areas that need basic health, education, economic development and infrastructure services. It also ensures that villages receive resources more proportionate to their size and fiscal needs (i.e. the cost of service delivery).⁴⁵ Given that the *Dana Desa* Allocation is reviewed annually and is expected to increase in future years, LSP will continue to support the Gol to continually assess and revise the formula, such as for the 2019 *Dana Desa* Allocation.

LSP supported and encouraged national cross-agency knowledge exchanges, which generated ideas to strengthen existing village governance systems and processes. Through the South-South Knowledge Exchange, LSP supported a 15-member Indonesian delegation⁴⁶ to meet and share experiences with Indian counterparts on strengthening village governance and village poverty reduction using tools to enhance local ownership and downward accountability to communities. As a result, the Gol developed and is rolling out a new module for *Siskeudes* that tracks village outputs; the District Inspectorate of Kutai Barat developed Guidelines for Risk Management, which are being used by all district government units; and the Finance and Development Supervisory Agency (*Badan Pengawasan Keuangan dan Pembangunan*, or BPKP) and MoHA Inspectorate General finalized VFM oversight guidelines (monitoring, review, evaluation and audit of VFM), which will be used by local inspectorates providing oversight to villages.



⁴⁰ *Siskeudes* is used by village governments to submit standardized budgets and realization reports.

⁴¹ In 2017, LSP provided extensive analytical support to inform the revision and supported the drafting of the revised *Permendagri*.

⁴² Specifically, LSP supported improvements to the *Siskeudes* system, a trial before the application was launched and training modules to support its rollout.

⁴³ Total Village Fund transfers includes US\$ 4.4 billion (Rp. 60 trillion) in *Dana Desa* (village funds, or DD) and US\$ 2.9 billion (Rp. 40 trillion) in *Alokasi Dana Desa* (village funds allocation, or ADD). The Allocation Formula change applies to the DD (not the ADD) proportion of the Village Fund transfers, which affects the full amount of Village Fund transfers (DD and ADD) to villages.

⁴⁴ Minister of Finance. 2017. *Peraturan Menteri Keuangan (PMK) Republik Indonesia Nomor 199/PMK. 02/2017 Tentang Tata Cara Pengalokasian Dana Desa Setiap Kabupaten/Kota dan Penghitungan Rincian Dana Desa Setiap Desa*. Available: <http://www.djpk.kemenkeu.go.id/wp-content/uploads/2018/01/PMK-199-Tahun-2017.pdf>.

⁴⁵ The revised formula reduces the basic allocation from 90 percent to 77 percent; includes a new three percent affirmation allocation for Disadvantaged and Very Disadvantaged Villages that have a high poor population; and increases the formula allocation portion from 10 percent to 20 percent, as well as adjusting the weight of each variable to be more pro-poor.

⁴⁶ The delegation included representatives from MoHA, MoF, MoV, BPKP, Bappenas and district governments.

Future Directions



Going forward, LSP will focus on promoting greater sustainability of the policy framework, institutions and systems that guide village development and basic service delivery so that these programs continue to bear fruit long after LSP's projects have ended. With LSP's MDTF expected to close in June 2020, LSP is ramping up efforts to help sustain LSP-supported Gol activities, financing and structures beyond June 2020, including through building the capacity of the Gol counterparts and partners, and communicating and institutionalizing LSP lessons learned and good practices in the Gol's systems and programs. In 2018, key LSP priorities include:

1. Improving the effectiveness of Village Law for village development and poverty reduction

- Continuing to shift the allocation of *Dana Desa* to poor villages; driving village spending towards more pro-poor and productive investments; and strengthening inclusion and transparency across the village development cycle.
- Accelerating reforms to support better coordination of Village Law implementation, and to enable reliable reporting on village spending and outputs.
- Mobilizing districts to play a greater role in village capacity building and oversight; and testing alternative models and sources for facilitation to help deliver more sustainable and demand-driven facilitation support to villages.
- Prioritizing, testing and scaling up innovation reforms, through the VIP, to identify, generate and capture solutions to local development and service delivery challenges.
- Piloting a “public, private and people partnership” (P4) model of local economic development (LED) that empowers village farm and non-farm entrepreneurs to aggregate and form productive alliances.

2. Improving basic service delivery and performance for better development outcomes

- Completing the KIAT Guru IE and ECED pilot process evaluation to generate evidence on each pilot projects' impacts to inform policy recommendations, future scale-ups (e.g. KIAT Guru Urban pilot project) and other operations across the country.
- Integrating health and education spending into village budgets to improve villages' use of *Dana Desa* for health and education services in Generasi locations.
- Preparing the Gol requested INEY Operation and providing operational, coordination, policy and technical support to help the Gol implement its National Action Plan to reduce stunting (including supporting the HDW pilot project in 3,105 villages across 31 stunting priority districts).

3. Providing high-quality analytical work to inform the Gol's policy, particularly with regards to village development, poverty reduction, basic service delivery and gender equality

- Leveraging information from the ongoing Sentinel Villages Study to inform policy and regulations to enhance the impact of Village Law implementation.
- Preparing a baseline survey and complementary qualitative assessments for the LED pilot project focused on P4; village partnership investments; and the inclusion of women and market groups.
- Providing analysis of BKN data to the Gol to inform civil servant reforms related to merit-based and transparent promotions across Indonesia.
- Working with Bappenas to conduct a study to analyze factors that contribute to an enabling environment for sustainable livelihoods including roles/concepts of “*keperantaraan*” (partnership/linkages with market and technical experts) to inform inputs for RPJMN 2020-2024.