

Doctoral Dissertation

**A Study on Implementation of Decentralized Rural Development in
Indonesia: Case of Three Villages in Purbalingga District,
Central Java Province**

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Graduate School for International Development and Cooperation
Hiroshima University

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Indonesia: Case of Three Villages in Purbalingga District,
Central Java Province**

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We hereby recommend that the dissertation by Mr. Sutiyo entitled "A Study on Implementation of Decentralized Rural Development in Indonesia: Case of Three Villages in Purbalingga District, Central Java Province" be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy.

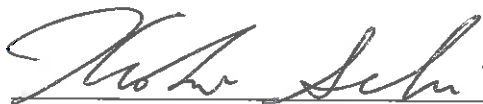
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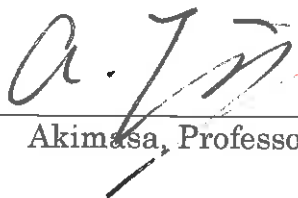
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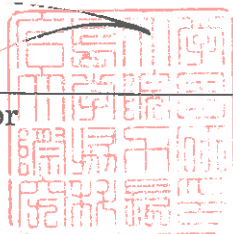
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Acknowledgment

My interest in issues of rural development began shortly after I worked as a local officer in one of ward governments in Purbalingga district in 2009. I witnessed many of my people had difficulty to obtain food despite bright economic indicators always presented by the district government. This phenomenon motivated me to study the problems of rural development scientifically. Thanks to the God, I passed screening tests of the scholarship from National Planning Agency, and could go to Hiroshima University in 2010.

After about three years studying in Hiroshima University, it is only because of Allah, my Almighty God, that I could finish writing my doctoral dissertation. I got tremendous supports from my families, especially my wife and my mother, who pray days and nights to support me mentally.

Further, it is only because of guide and professionalism of my supervisor, Prof. Keshav Lall Maharjan as well as co-supervisors Prof. Seki Koki, Prof. Togawa Masahiko, Prof. Kawai Akinobu, Prof. Yoshida Osamu, and Prof. Deddy Hadi Susilo Arifin, that I could build an understanding to finish my study. Advice and constructive critics from members of Rural Economic Lab also could not be underestimated. From the three years of discussion in Seminar on Cultural Dynamic and Rural Economic class, I could improve my presentation skill, research methodology, and more importantly, understanding on issues of rural development.

Living in Japan without mastering local language is quite difficult. Fortunately, I have a Japanese friend who always willing to help me. I would like to give special thanks to Ikuko Sugihashi and Terumi Yoshihara where I always bothered them for everything about Nihongo and Kanji.

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Hiroshima, August 2013

Sutiyo

Dedication

I dedicate my dissertation to all villagers suffering from poverty, underestimation and structural injustice, to all rural institutions tirelessly serving community, and to the mother of earth, Indonesia

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Abstract

Following the fall of New Order regime, Indonesian government launched the policy of decentralization in 2001. It transferred power, financial resources as well as personnel to district government. Rural development became the responsibility of district government, especially to allocate the budget, to implement the program as well as to monitor and evaluate. Decentralization laws also mandated rural development based on principle of diversity, participatory and community empowerment.

While the administration has systematically applied decentralized system, several macroeconomic indicators shows that decentralization has not completely led to successful rural development. GDP growth as well as the decline in poverty rate was getting slower under decentralization (BPS, Bappenas, & UNDP, 2001). World Bank (2007), which conducts panel data analysis on several development sectors in Indonesia, concludes that there is still no clear trend resulted from Indonesian decentralization on the quality of public service.

This study aims to analyze the reasons why Indonesian decentralization has not completely created successful rural development. It focuses on district budgeting process, community social capital, capacity of village government, community participation and impact of decentralization on poverty alleviation. A case study is conducted in Serang, Kedarpan and Sumilir villages in Purbalingga district, Central Java province. Data are collected through observation, interview, questionnaire and documentary study, and analyzed through both qualitative and quantitative approach. Multidisciplinary approaches are applied, mainly from the perspective of local politics, public administration and economic at village level.

With regard to the district budgeting, it is found that expenditure for rural development in Purbalingga district is low, especially for agriculture and infrastructure sector. The transferred financial resources from central government are spent more for recurrent expenditure due to the enlargement of civil service and the inefficiency of district government agencies. Low willingness of district government to share budget information has hindered public participation. In addition, district parliament lacks requisite capacity to analyze the budget. Thus, participatory budgeting just becomes the formality where rural people still cannot influence the decision making.

This study finds that social relations within the study villages mainly occur within informal institutions. Various types of rural institutions exist and are active in conducting periodical meeting and addressing common livelihood problems. However, although social capital exists, it is not well utilized to execute decentralization. Village government is still monopolized by several formal institutions namely village officers, village parliament and village development committee. The informal institutions are given no opportunity to enter the village political arena, somehow implying to lack of empowerment to the villagers during the implementation of decentralized system.

Indeed, capacities of village government are good enough. Their members come from relatively better human resources within the village, and they have good understanding on administration matters, regulations as well as technical skill to implement village budget. However, despite these good skills, weak coordination is a major problem hampering the realization of capacity to address local problems. Village head is still very dominant and blocking the capacity of other institutions.

With regard to community participation, this study finds that the spirit of participatory development mandated by national regulations is deviated by some locally made regulations. The existing local regulation in Purbalingga district does not guarantee

the rights of informal institutions as well as marginal groups to participate in village decision making. In general, community is involved more in project execution, but less in planning and in evaluation. Involvement in planning is just for deliverance of information, and resource mobilization is often coercive. Community has no power to access budget report and to hold the village government accountable. Village head is still orientating its accountability to district government.

At district level, decentralized system does not result in significant improvement in agriculture sector. In infrastructure, education and health sector, larger part of indicators in these sectors was improved though in various degree. At household level, lack of budget for rural development makes poverty alleviation programs suffer from under coverage. Program of Health Insurance for the Poor (*Askeskin*) and Program of Poor House Renovation (PPHR) are the programs suffering from serious under coverage. Further, some programs distributing kinds in hand like program of Rice for the Poor (*Raskin*) and Program of Woman Saving Group (PWSG) suffer from leakage because the kinds are distributed to almost all villagers. Under coverage as well as leakage of the programs makes them not able to achieve their objective to alleviate poverty. Only rural infrastructure development significantly improves respondent's access to some selected public service.

To improve the effectiveness of decentralization in rural development, it is strongly recommended for the central government to strengthen the legislations on decentralization by setting a minimum portion of district budget to be allocated for agriculture and rural infrastructure sectors and making compulsory for district governments to share budget information and to create clear-cut procedures for selecting village proposals. Further, a workload analysis to determine the ideal size of district government agencies as well as the number of civil service is strongly recommended, so that the structure of district government and their recurrent expenditure can be more efficient.

With regard to local capacity, this study recommends the government to deliver a capacity development for village parliament and village development committee. The content of capacity development should be directed to the personal empowerment of the members, so that they can take a more balance position with the village head traditionally very dominant in rural areas. Further, hand in hand with the capacity development for village government, the government should also empower community by guaranteeing the rights of informal institutions as well as the marginal groups in village decision making.

With regard to the identification of beneficiaries of poverty alleviation programs, the central government is expected not to impose centrally set indicators of poor households strictly. Rather, it should provide space for application of additional local indicators set by rural community and village government. The application of additional local indicators of poor households will fulfill the gaps when the central government indicators are not successful to identify the eligible households for social protections and other development programs.

Chapter 1 . Introduction

1.1. Background

Indonesia is an archipelagic country consisting of about 17,000 islands with 1.9 million square kilometer of land. It is divided into 33 provinces, 501 districts and municipalities, 6,694 sub-districts and 77,468 villages and wards (BPS, 2012). Its vast area is inhabited by about three hundreds ethnicities, each with its culture and language. Total population in 2011 was about 238 million, which ranked at the fourth largest in the world (BPS, 2012). About 60% of population live in Java Island, the only 8% of total land in the country. Further, most of economic activities are concentrated in Java and the western islands of Indonesia. Thus, Indonesia also has large demographic and economic gaps across the regions, especially between Java and outer islands.

Considering these diversities, there is strong reason to apply decentralized system. Therefore, the founding fathers of Indonesia, through the Article 18 of 1945 Constitution¹, orientated the country toward decentralized system. In the early times of the country, the government established several regulations² trying to build decentralized system based principality of “as extensive autonomy as possible (*otonomi seluas-luasnya*)”.

However, post-independence wars and persistent political unrest until 1960s had made the decentralization could not be completely executed (Matsui, 2003; Palmier, 1960). Even, after President Suharto through its New Order regime took the power in 1968, localism was blamed to be a threat of national unity. Law 5/1974 on Fundamentals of Governance in the Region, which was the main legal framework of local government

¹ Article 18 of the 1945 Constitution states: “The division of Indonesian territory into large and small regions with their form and governmental structure is regulated by the law by acknowledging the national governmental system and the rights of originality and specialness of the regions.” Based on this article, especially by highlighting the words of “the rights of originality and specialness of the regions”, many believe that the constitution basically orientates the state into a decentralized system

² Law 22/1948 on Fundamental of the Local Government, and Law /1957 on Fundamental of the Local Government

launched by the regime, implicitly presented the ways of thinking of the regime. In the provision of Law, article of 1.e clearly stipulated “The principality of as extensive autonomy as possible cannot be applied because based on our experience, it has induced an idea threatening the integrity of unitary state...”.

Further, having no intention to strengthen local government, but in the same time realizing that the central government alone would not be able to manage its territory of Indonesia, made the regime prefer to apply deconcentration rather than devolution of power (Ranis & Stewart, 1994; Smoke & Lewis, 1996; Tinker & Walker, 1973). Applying the deconcentration system, Indonesia during the New Order was practically under a centralized system. This is because deconcentration was just a task transfer from central ministries to their branch offices in the field. These branch offices were formally an organization of central government that was still under direct control of central ministries.

Law 5/1974 designed the intergovernmental system in such a way that the government could effectively implement centrally managed programs. All government levels, from villages, districts, provinces, to central level, were connected by a command line where the lower level was directly accountable to the higher level. To maintain their loyalty, all local government heads were positioned as the representatives of central government in the regions. Before running for election, they had to pass intensive screening from the central government. For effective mobilization of national resources, central government directly managed almost all revenue both from natural and taxation resources. Moreover, utilization of fiscal transfer to local governments was strictly marked by the central government (Ranis & Stewart, 1994; Tinker & Walker, 1973).

Regardless its intergovernmental arrangement, the rise of New Order regime had marked the period when economic development became the main agenda of government. Influenced very much by Rostow’s theory on development stages, the regime believed that

only through modernization and capital-intensive-programs could the government accelerate rural development. Thus, rural development programs were delivered through centrally planned projects and vast price subsidies. As the regime also believed that political stability was a prerequisite condition for economic growth, the government through Law 3/1975 on Political Organization suppressed local civil society and political activities.

The regime successfully delivered many development programs like green revolution, rural electrification, transmigration, family planning and other rural infrastructure development programs (Barbier, 1989; Manning, 1988; Rock, 2003), which created a remarkable achievement in economic development. From 1968 to 1997, per capita Gross Domestic Products (GDP) was growing by 7.1% per year averagely, and poverty rate was decreased from 60% to 17% of population (BPS et al., 2001). During the same period, life expectancy was increased from 41 to 64 years, infant mortality was decreased from 159 to 49 per 1,000 births, and illiteracy was decreased from 61% to 14% (BPS et al., 2001).

However, accompanying these achievements, centralization also created many negative consequences. Monopolization of natural resources extraction by the central government had raised claims of being neglected from local people (Anderson, 1983; Erawan, 1999; Matsui, 2003). Top-down development system diminished people participation, underestimated the local capacity and made local government heavily dependent on the central government (Antlöv, 2000; Evers, 2000; Ranis & Stewart, 1994; Smoke & Lewis, 1996). The worst thing, might be, centralization of power induced a culture of “as far as the boss happy” within bureaucracy and provided a suitable environment for the corruption, collusion, nepotism and abuse of power throughout the country (Antlöv, 2000; Mcleod, 2000; Rock, 2003; Shah & Thompson, 2004).

Nevertheless, in 1998, the Asian monetary crisis hit Indonesia and led to a reform movement. Not only did it collapse the regime, but the movement also demanded a more democratic government system. To respond the reform, the parliament enacted Law 22/1999 on Local Government and Law 25/1999 on Fiscal Balance, which directed an extensive transfer of tasks, fund and civil service to district governments. The laws also mandated that decentralization should have been started at least in 2001. Thus, it was observed that just in a short period, Indonesia was able to move rapidly from the years of tight central control to a decentralized and autonomous system of local government (Hofman & Kaiser, 2002; Rasyid, 2002; USAID, 2000). Just within two years, about two million of civil service, 4,172 field offices and 160,000 service facilities could be transferred to district and province governments (Hofman & Kaiser, 2002), and about 200 new technical regulations was enacted (Rasyid, 2002).

According to Rasyid (2002), who was the Ministry of Regional Autonomy at that moment, decentralization and democratization should go hand in hand, and there was no democratization without decentralization. Therefore, on the paper, decentralization aimed to provide more space for local participation, to foster local democracy and to increase public control over the government. Not only did the laws change the intergovernmental system, but also the governance at community level. They mandated rural development programs based on principles of diversity, participation, genuine autonomy, democratization and people's empowerment. Therefore, the government changed the strategy of rural development and poverty alleviation from vast price subsidy and large-scale development projects to programs directly targeting the poor by emphasizing on the principles of community empowerment.

1.2. Problem Statement

From the historical background discussed previously, it can be understood that decentralization policy in Indonesia was equal to a process of democratization. Nevertheless, besides to facilitate democratization, it is imperative to note that decentralization is not an end in itself. Rather, decentralization is only a way to pursue economic development. In the different words, wider public involvement in local decision-making should not only acquire legitimacy and grassroots support, but also lead to a more accelerated economic growth and poverty alleviation. In the context of Indonesia where about 65% of population as well as poor people live in rural areas, decentralized system was expected to accelerate rural development.

After more than twelve years of the implementation of decentralized system in Indonesia, however, some macro-economic indicators show that decentralization has not completely achieved its objectives to accelerate economic growth and poverty reduction. For example, per capita GDP grew by 4% after decentralized system. This figure is lower than under the New Order, when GDP per capita could grow by average 5.2% annually (Figure 1.1). Similarly, the number of poor people is still fluctuating, indicating how fragile is government achievement in poverty alleviation (Figure 1.2).

Further, World Bank (2007), in its rigorous evaluation of performance of Indonesian decentralization, concludes that there is no clear trend resulted from Indonesian decentralized system on quality of public service. Some indicators, like primary school enrollment rate, were improved, but many others, like infant and under-five mortality, maternal mortality rates, access to water, energy and sanitation services, were only slightly improved or even not at all (World Bank, 2007). The following two figures present per capita GDP growth and poverty number in Indonesia, before and after decentralization.

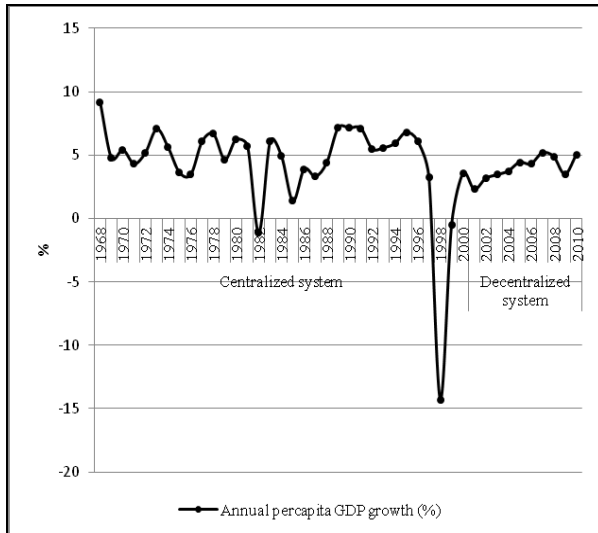


Figure 1.1. Growth of GDP per Capita in Indonesia, 1989-2011

Source: <http://www.indexmundi.com/facts/indonesia/gdp-per-capita-growth>

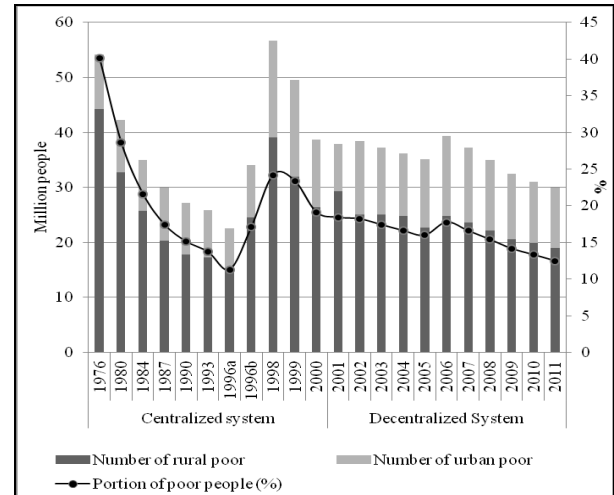


Figure 1.2. Number of Poor People in Indonesia, 1976 – 2011
Source: BPS et al. (2001), BPS (2012)

1.3. Study Rationale

Conceptually, there is no doubt that decentralization creates successful development (Cheema & Rondinelli, 2007; Cohen & Peterson, 1997; Parker, 1995). According to Cheema and Rondinelli (2007), many failures of decentralization are due to problems of implementation rather than the concept of decentralization itself.

Several studies on the implementation of decentralization have been conducted. Most of them find that the hasty preparation of decentralization created many problems during policy implementation. World Bank (2003) identifies four major problems including unclear distribution of tasks among government level, unequal fiscal transfer, low capacity as well as accountability of the district government. The other more specific studies also result in relatively similar findings. With regard to the task distribution, Rasyid (2002) himself admits that the technical regulations could not be enacted on time due to reluctance of some central ministries to loose their power. Brodjonegoro and Shinji (2000), who analyze district expenditure, find serious imbalances of district fiscal capacities due to different access to natural resources. Hirotsune (2001) and SMERU (2001) find that

majority district governments lacked capacity since management of local civil servant remained unclear without proper incentive to encourage best performance. Wilson, Djani, and Masduki (2009) find that accountability of district government was still low, while SMERU (2001) concludes that capacity of local parliament to control district government was weak. Further, Hadiz (2004) find that many district government institutions were hijacked by wide ranges of political interest accompanying local direct election. Indonesian decentralization was also noticed to lead to proliferations of many new local governments, which increased spending for administration and personnel (Firman, 2009).

Although there have been many studies on Indonesian decentralization, most of them focus on central and district government level. This is not really surprising because the design of decentralization in Indonesia is often understood as if it is only about the changed relation between central and district government. Actually, decentralization laws in Indonesia go a step lower than district government, which is village government. Many studies neglect the fact that to analyze decentralization and development in Indonesia, the role of village government cannot be overemphasized. It is the closets government level with community where daily interaction between the state and people happening. This level of government also holds power to provide the most basic facilities needed to address the daily livelihood like rural road, irrigation channel, primary school and village clinics. Thus, if decentralization is perceived as a policy to bring the government closer to people (World Bank, 1997), village level study will be more able to analyze how community is involved in execution of transferred power. Conducting study at village level will also provide opportunity to deeply explain the realities at grassroots level, something so far missed in the existing studies on Indonesian decentralization.

1.4. Research Question

The general question of this study is “Why has Indonesian decentralization not completely created successful rural development?”. To create a more specific research questions, this study will apply an approach of policy phases. A policy generally consists of three phases, which are formulation, implementation and taking the benefit. The policy formulation is always translated into budgeting decision. The implementation of a policy will be influenced by socio cultural character of community, capacity of implementer agencies, capacity of local people to participate, and interaction between them. The benefits of development policy can be seen from its impact on poverty alleviation. Based on these policy phases, this study formulates several specific research questions, as follows:

1. Has local budgeting prioritized rural development?
2. Is community social capital sufficient for decentralization?
3. Is village government capable to implement decentralization?
4. Has decentralization facilitated participatory rural development?
5. What is impact of decentralization on rural poverty alleviation?

1.5. Research Methodology

1.5.1. Research Location

The nature of implementation of decentralization in Indonesia can only be understood through a case study in the ground level. By assuming that livelihood problems are more profound in the poor localities, this study purposively selected poor areas to be the study sites. Serang, Kedarpan and Sumilir village in Purbalingga district, Central Java Province was purposively selected through several considerations. Firstly, Central Java province was purposively selected because it was one of provinces with the highest

poverty rate. It was a home of 5,369,160 poor people, from which about 58% lived in rural areas (BPS, 2010). Further, within Central Java Province, Purbalingga district was selected due to its far distance from urban areas, therefore character of rural areas was still dominant. Further, since poverty and needs of development programs are theoretically related to ecological condition, one village from the existing agro-climatical areas in the district was selected. Serang, Kedarpan and Sumilir village were selected to represent high dry, middle dry and low wet areas respectively

1.5.2. Method of Data Collection

Data of this study include both primary and secondary. Primary data were collected through interviews, questionnaires and observations. This study spent three main periods of fieldwork to collect primary data. The first fieldwork was from February to March 2011, when the author conducted initial data collection by interviews and observation. The second fieldwork was from January to February 2012, when the author distributed questionnaire and conducted interview and observation again. The third fieldwork was from January to February 2013, when the author distributed questionnaire and conducted interview and observation for the last time. In-depth interviews were applied mainly to some selected officers from district and village governments and some heads of rural institutions, and semi-structured interviews were applied to the villagers. Besides questionnaire and interview, participant observations were conducted through a direct attendance in some village meetings. Information from secondary data like project documents, local statistical reports, newspaper and other official documents were collected as per need.

1.5.3. Sampling

Respondents of this study consisted district government officers, village government officers and villagers. The respondents from the district government officers were purposively selected from the key actors in budget formulation and rural development. They included the parliament head, officers from local planning agency and officers from the sub district offices. The respondents from village government were purposively selected from the key actors in the implementation of rural development projects. They included village heads, village officers, village parliament, village development committee and neighborhood heads.

Respondents from villagers were selected through cluster and stratified random sampling. In each village, households were categorized based on location, gender and relative economic status. About 10% of them were then randomly selected. Some adjustment in the field was unavoidable due to technical reasons. In 2012, 232 people consisting of 113 in Serang, 61 in Kedarpan and 58 in Sumilir were selected. Further, in 2013, 229 people consisting of 111 in Serang, 60 in Kedarpan and 58 in Sumilir could be met again. This study only selected the villagers who had married and been independent family by 2001.

1.5.4. Method of Data Analysis

Data will be analyzed mainly through qualitative approach. In addition, some quantitative analysis through scoring and statistical descriptive technique will be supplemented. Due to complexity and multidimensionality of decentralization, an interdisciplinary approach is required. This study will be a combination of local politics, public administration and economic perspective at village level. The perspective of local

politics will be applied to analyze budgeting process and community participation in program execution. The perspective of public administration will be applied to analyze budget structure and capacity of village government. Further, the perspective of economy will be used to analyze impact of decentralization on poverty alleviation.

1.5.5. Significance of the Study

“All politics is local”, a chapter in the book of Moving Out of Poverty (Narayan, Pritchett, & Kapoor, 2007) conveys a very important message that one has to look at local realities in order to understand problems at national level. The message is very relevant to those who want to analyze decentralization. It is only micro study at grass root level that can analyze whether community-government relations are changed, how community is involved in day to day governance activities, and what is impact of decentralized system on community livelihood. Especially in Indonesia where village government is the lowest level of government and most of the poor live in rural areas, comprehensive evaluation of decentralized system strongly requires a village level study. As of author’s understanding, this study will be among the pioneering studies on Indonesian decentralization applying multidiscipline approaches of local politics, public administration and economy at village level

Up to now, Indonesian decentralized system has not been stable, and the government is still working to evaluate it. For example, in 2004, both Law 22/1999 and Law 25/1999 were changed to Law 32/2004 on Regional Governance and Law 33/2004 on Fiscal Balance between Centre and Regions. Law 32/2004 aimed to make distribution of government tasks more clear and to introduce the mechanism of direct election for district head and governor. Law 33/2004 aimed to address the imbalance fiscal capacity by enlarging the scope of fiscal transfer. Again, the parliament is currently working to

evaluate the laws and to formulate a new legal framework of decentralized system³. In this regard, this study is expected to result policy recommendations needed for improving legal framework of decentralized system in Indonesia, especially those related to village governance and rural development.

1.5.6. Structure of the Dissertation

This dissertation consists of ten chapters with the composition as follows:

1. Chapter I: Introduction.

This chapter aims to develop general idea of dissertation by presenting background, problem statement, study rationale, research question and objectives, research methodology, significance of the study and limitation.

2. Chapter II: Literature Review

This chapter contains literature review on theories of decentralization, social capital, local capacity, community leadership, participation, rural development and poverty. It aims to develop a conceptual framework of the study

3. Chapter III: Design of Decentralization in Indonesia

This chapter analyzes the structure of government level, the design and legal framework of decentralization. This chapter aims to provide a general understanding about the context of this study.

4. Chapter IV: Socio Economic Character of Research Location and Respondents

This chapter presents the monograph of research location and respondents.

5. Chapter V: District Budgeting for Rural Development

³ By the end of 2011, the Ministry of Home Affairs delivered the draft of revisions of Law 32/2004 and Law 33/2004 to parliament, which was supposed to discuss and enact. More detail information can be seen in the homepage of Indonesian parliament at <http://www.dpr.go.id/id/uu-dan-ruu/ruu-sedang-dibahas>

This chapter will discuss process of budget formulation, budget allocation for rural development and socio political realities behind the budgeting.

6. Chapter VI: Social Capital for Decentralized Rural Development

This chapter will assess social capital from dimension of institutional membership. Further, it will analyze utilization of social capital to execute decentralization and respondent understanding on decentralization.

7. Chapter VII: Capacity of Village Government to Implement Decentralized Rural Development

This chapter will assess capacity of village government to implement decentralized rural development and government efforts to develop their capacity. The evaluated institutions consist of village head, hamlet head, neighborhood head, village officer, village parliament and village development committee.

8. Chapter VIII: Community Participation in Decentralized Rural Development

This chapter will discuss community involvement in planning, execution and control of development projects.

9. Chapter IX: Rural Poverty Alleviation during Decentralization

This chapter aims to analyze targeting effectiveness of some programs implemented during decentralized system and their impacts on some indicators of poverty.

10. Chapter X: Conclusion and Recommendation

This chapter will draw conclusion and formulate policy recommendation for improving decentralized rural development in Indonesia.

Chapter 2 . Literature Review

2.1. Introduction

Many countries are now applying decentralization, in any forms, to develop rural areas. Their decentralization policy may come either from economic or political motivation. Economically, decentralization offers a flexible government spending, lower cost in public service provision and effective targeting of the beneficiaries. Politically, by moving the power of decision making to local level, decentralization offers greater space for community participation, accountability and transparency of government institutions.

The increasing popularity of decentralization often leads to a misunderstanding where decentralization is deemed automatically to result in successful development. There have been increasing evidences that the link between decentralization and successful rural development is not straightforward. Jutting et al. (2005) make a review on implementation of decentralization in nine countries, and find that only in West Bengal and Kerala of India and Bolivia where decentralization had a positive impact on poverty alleviation. The rest is a somewhat positive impact in South Africa, Philippines, Ghana, a mixed impact in Uganda and a negative impact in Guinea and Madya Pradesh of India. Their study principally finds that the success of decentralization heavily depended on a combination of various social, political and cultural factors at local and national level. Similarly, Cheema and Rondinelli (2007) find that decentralization is not a panacea for all government problems, and suggest that decentralization will be successful only if it is appropriately designed and executed by the competent public officials.

In order to understand the linkage between decentralization and rural development, and in line with the objectives of this study, this chapter aims to analyze theories related to decentralization and rural development. This chapter consists of three sections. After

introduction, Section 2.2 will discuss theoretical terrains consisting of theory of decentralization, participation, local capacity, community leadership, rural development and poverty. Further, Section 2.3 will draw a conceptual framework to analyze decentralization and rural development.

2.2. Theoretical Terrain

2.2.1. Concept of Decentralization

Conyers (1983, p. 97) states that decentralization has been “the latest fashion in development administration”. As a model of development administration, it has gained vast attention from academicians, development practitioners, international donors and governments in many countries. The term of decentralization has been extensively used in literatures, through which its meaning evolves from time to time.

Most of the literatures principally refer to the definition and typology of decentralization developed by Rondinelli and Cheema. Their earlier concept was developed in 1980s when decentralization was defined as “transfer of planning, decision making, or administrative authority from the central government to its field organizations, local administrative units, semi-autonomous and parastatal organizations, local government or non governmental organization” (D. A. Rondinelli & Cheema, 1983, p. 18). They categorized decentralization into three forms, which were:

1. Deconcentration, which is a distribution of tasks from central ministries to their field offices. Although the field offices are located far away from the headquarter, they are formally the institution of central government. In deconcentration, the central ministries retain decision making while the field offices are only implementer agents;
2. Delegation, which is a transfer of tasks from central government to the organizations, public enterprises or a specific chamber outside of government bureaucracy;

3. Devolution, which is a transfer of decision making from central to local government.
In devolution, local government is autonomous and not a part of central bureaucracy

Those earlier concepts of decentralization came from a circumstance where the government was an institution solely formulating and implementing public policy. This made the concepts emphasized more on transfer of task within government bureaucracy. However, by 1990s, there was widespread idea that government was not exclusive in public policy, but there were civil societies, community and market in policy formulation and implementation. In this evolving theme of governance, Cheema and Rondinelli (2007) categorized decentralization into four types, which were:

1. Political decentralization, which includes establishment of procedures to improve people participation in local political process. Devolution of power to local government is equal to the political decentralization;
2. Administrative decentralization, which include deconcentration of central bureaucracy and delegation of government tasks;
3. Fiscal decentralization, which includes transfer of revenue sharing and expenditure discretion to local government;
4. Market or economic decentralization, which includes liberalization, deregulation and privatization.

Clear categorization of decentralization rarely took place in literatures since there is clearly an overlap in type and form of decentralization concept. Design of decentralization is always a combination of various types, ranging from deconcentration to devolution, by focusing either on politic, fiscal or administration. Usually, those applying deconcentration are categorized as centralized countries while those applying devolution are categorized as

decentralized ones. The most important thing may be that in order to have a comprehensive understanding on decentralization policy, multi disciplinary approaches are needed to analyze it.

2.2.2. Concept of Social Capital

Scholars have proposed various definitions of social capital by fundamentally highlighting the importance of community network. Bourdieu (1986) defines social capital as membership in communities that makes resources, advantages and opportunities available to individual. Further, Putnam (1993) defines social capital as features of social organization that facilitate coordination and cooperation for mutual benefit.

Based on types of connections among the group members, Szreter (2002) identifies three types of social capital, which are bonding, bridging and linking social capital. Bonding social capital refers to connections among people having relatively same demographic characteristics. They make a group just to share an identity without expecting benefit from it. An example of bonding social capital is a network of relatives within people in the same kinship. Bridging social capital refers to connections among people having relatively different characters and motivated by benefits offered by groups. An example of bridging social capital is membership in a sport group, farmer group, and any other institutional memberships. Linking social capital refers to connections among people having not only different demographic character, but also power. While bonding and bridging social capitals are a horizontal relation among the people, linking social capital is a vertical association between less powered people and government or external agencies.

Literatures are usually vague in extracting the concept of social capital into measurable indicators. Indicators of social capital are differently established to serve various purposes and contexts. Among various indicators proposed by the literatures, study

by Grootaert (1999) shows that institutional membership could be a good indicators to measure social capital in developing countries. Institutional membership is measured based on several dimensions including density of associations, internal heterogeneity, frequency of meeting attendance, members' effective participation in decision making and payment of dues (Grootaert, 1999).

Literatures have presented evidences on importance of social capital for community development programs. Putnam (1993), through his comparative study on localities in Italy, finds that development programs were more successful in the northern parts of Italy where civic tradition was well developed, compared to the southern part of Italy where community had less civic tradition. Study by Putnam (1993) has inspired a general understanding that social capital will influence very much on the success of decentralization. A robust social capital will produce a dense civil society, which is a necessary condition for modern democracy and well functioning political institution (Fukuyama, 1999). Putnam (1993) illustrates that relation between social capital and economic development is bowling alone. Strong social capital is needed for successful community development, and vice versa, successful community development foster social capital.

2.2.3. Concept of Participation

Cohen and Uphoff (1980) identify two main contexts where concept of participation is used. The first is political context where participation mainly refers to people involvement in political activities like general election and policy formulation. The second is developmental context where participation mainly refers to people involvement in development programs.

In the context of rural development, the concept of participation proposed by Cohen and Uphoff might be the most appropriate one. Cohen and Uphoff (1980), by using an approach of project cycle, define participation as people involvement in every stage of rural development programs, from planning, execution, getting benefits, to evaluation. According to them, involvement in planning stage covers activities to identify problems, generate idea, assess options and make choice. Involvement in execution stage covers activities of cash, labour and material contribution, engagement in project administration and enlistment. Involvement in getting benefit covers activities where people take advantage of the programs. Last, involvement in evaluation covers activities where people evaluate the programs and request the government to accountable for what it has done.

It is argued that community participation in development stages is interconnected each other, and increase in participation in one step has potential to increase participation in the other steps (Cohen & Uphoff, 1980; Oakley, 1991). From a political perspective, involvements in planning and evaluation are a foundation of participatory development. Direct involvement of people, especially in planning and evaluation stages, is better than representation system and should be pursued as far as possible (Cohen & Uphoff, 1980; Oakley, 1991; Parker, 1995; Paul, 1987).

Literatures suggest those aiming to analyze community participation on rural development programs to be aware about the circumstance where people are involved. Either Oakley (1991) or Cohen and Uphoff (1980) strongly advice that rural people in many developing countries are usually poor, therefore it should be carefully assessed whether community contribution during program execution is a voluntary or coercive action. Real participation, according to them, should be a voluntary action, and resource mobilization should not exploit the poor.

2.2.4. Concept of Local Capacity

UNDP (2002, p. 8) defines capacity as “the ability to perform functions, solve problems, and set and achieve objectives”. Uphoff (1986) argues that concept of capacity operates not only at individual level, but also at organization, community, regions and national level. He suggests studies aiming to analyze local capacity to narrow the scope into an area where residents have a long-standing interaction and emergent collective identity.

One way to understand individual capacity is by using an asset based conceptualization of capacity developed by Bebbington (1999). His main idea is that assets, which according to Scoones (1998) consist of natural, human, economic or financial and social capital, are not just what individual has, but also a source of capacity. Bebbington’s main idea is that possession of capital will enable a person to act and to be something. Thus, individual capacity can be measured from his access to different types of capital and the ways in which individual transforms those capitals to meet the preferred objective. Although Bebbington conceptualization is originally created to analyze capacity of rural people in addressing livelihood problems, his conceptualization is still applicable to analyze capacity for decentralized rural development.

Although individual capacity is the main source of organizational capacity, most literatures agree that the later is not just the sum of the former (Bebbington, 1999; Goodman et al., 1998; JICA, 2004; Mizrahi, 2004). JICA (2004) suggests that in addition of individual capacity of its member, organizational capacity is also determined by leadership, structure of the organization, resources and management strategy. Further, capacity at community level is more complex than organizational and institutional capacity. As Uphoff (2004) finds, community is often not cohesive and a harmonious social entity, but it is divided by various religious and clan separations that may result in a

considerable level of local conflict. Therefore, study on community capacity needs to discuss not only its resources, but also relationship among various organizations within the community.

Capacity is task specific. Different institutions needs different set of capacity indicators. For example, indicators of capacity for village officers will be different from those of village parliament as well as village development committee. Similarly, indicators of capacity to implement rural development tasks will be different from the indicator of capacity to implement the other tasks. Thus, Mizrahi (2004) suggests that in an analytical framework, indicators of capacity should be created based on “capacity of whom” and “capacity to do what”.

More often, concept of capacity has been inconsistently used up to the point that it overlaps with concept of performance (Goodman et al., 1998; Mizrahi, 2004). Capacity and performance are two different concepts. While capacity refers to skill and competence belonging to the actor, performance refers to a result of capacity realization. Therefore, one should avoid justifying capacity by only looking at performance, and vice versa, should not assume that good capacity will always result in good performance. Capacity may exist at each actor, but the likelihood that it can be realized to achieve good performance depends on many factors, among others are capacity of other actors, social structure that determine pattern of relationship among actors, and difficulties of problems that they want to solve (Bebbington, Dharmawan, Fahmi, & Guggenheim, 2006; Mizrahi, 2004).

2.2.5. Concept of Community Leadership

Several studies find that community leaders play substantial role in implementation of decentralization. Uphoff, Esman, and Krishna (1998) argue that successful rural development programs, although requiring funding, depends more on leadership factor.

Community leader can be either a supportive or an obstacle factor for the success of decentralization. Study by Takeshi (2006) in Bandung District of Indonesia shows that local leaders could improve inclusiveness of decision making by initiating a more open mechanism in development planning, somehow making budget utilization more satisfying the people. On contrary to the study by Takeshi, Hadiz (2004), through his study in North Sumatra regions of Indonesia finds that local leaders themselves hampered decentralization by capturing the decentralized resources for their own interest, and by creating a clan disaggregation that might create a more complex local conflict.

Goodman et al. (1998) state that without community leadership, local capacity realization as well as capacity development is impossible to occur in rural community. Capacity realization and development without community leadership will only create disorganization (Goodman et al., 1998). Yet, despite the efforts to understand the linkage between community leadership and local capacity, little is known about what kind of capacity that a community leader should has. Because community leadership is a very location specific, different culture and location needs different leadership style. Therefore, capacity needed by a person to become an effective leader in one location may be different from the other location.

In Javanese community, which is the location of this study, rural community is traditionally built based on principle of solidarity, but not equality (Mulder, 1996). The pattern of relation between rural leader and villagers is traditionally hierarchical by putting village head as the highest patron within villages (Antlöv, 1996; Evers, 2000; Mulder, 1996). Study by Mulder (1996) on concept of Javanese leadership provides very useful references to understand what villagers expect from their leader. According to Mulder (1996), villagers in Java see their leader as a parent or guardian of community, therefore they expect the leader to guide them, to treat fairly, to help them during a difficulty and to

protect them during a danger. Ki Hadjar Dewantara, a prominent leader of *Taman Siswa* institution and nationalist movement in 19th century extracts the role of Javanese community leader into three popular traditional principles, which are: 1) to provide example in the front (*ing ngarsa sung tuladha*); 2) to inspire from the midst (*ing madya mangun karsa*), and; 3) to encourage from the behind (*tut wuri handayani*). To provide example in the front means to become a paragon of community, to provide clear information and guide and to become the first person doing what he said before community. To inspire from the midst means to create a new idea or innovation for development. To encourage from the behind means to support and encourage communities so that they can achieve their objectives (Mulder, 1996; Velsink, 1996).

2.2.6. Concept of Rural Development

Rural areas can be defined from perspectives of ecology, economy, or political administration (Hoggart, 1990; Wiggins & Proctor, 2001). Ecologically, landscape of rural areas dominantly consists of field, pasture, forest, river or mountain where rural settlement is scattered with relatively minimum physical infrastructure. Economically, having relatively abundant natural resources in their areas, most rural people work in farming, livestock, forestry, fishing or mining activities. These activities, combined with limited availability of infrastructure, imply to a high incidence of poverty in rural areas. While rural areas are relatively easier to be recognized from ecological and economic perspectives, it is ambiguously defined from political administrative perspective. The distinction between rural and urban administration in many countries does not always refer to the ecological character. The effort to make clear distinction between rural and urban becomes more complex because economic transformation has created peri-urban areas where characters of rural and urban are mixed.

Rural development is broadly defined as the overall development programs conducted in the rural areas. Ellis and Biggs (2001) note that until the 1970s, rural development was mainly regarded as agricultural development aiming to increase crop production. With the focus on increasing agricultural production, rural development was delivered mostly through the Green Revolution (Fernando, 2008).

The emergence of a more diversified rural economy and the changing view of the meaning of development and poverty lead to the change in the concept of rural development. Currently, there are at least three main elements found in literatures aiming to elaborate the concept of rural development. Firstly, most literatures agree that rural development is multi-sectoral programs covering not only agriculture, but also infrastructure, micro finance, environment, human resources and so on. Secondly, objective of rural development is an improvement of quality of life of villagers, which ranges from income, housing, education, health and access to other public services. Thirdly, although rural development targets to rural community as a whole, most literatures also agree that it should give a priority to the poorest group within rural community (Ellis & Biggs, 2001; Fernando, 2008; Singh, 1999; World Bank, 1975).

2.2.7. Concept of Poverty

Poverty is broadly defined as lack of basic necessities to maintain sufficient standard of living (Haughton & Khandker, 2009). In most countries, poverty measurement is conducted through the establishment of poverty line, which is a minimum level of income needed by a person to obtain minimum calorie intake and other services to live properly. World Bank set a poverty line at US\$ 2 per day for moderate poverty and US\$ 1 per day for extreme poverty. At the same time, Indonesian government set its own poverty line at US\$ 1.56 Purchasing Power parity (PPP) per person per day (BPS, 2010).

Poverty is a multidimensional issue (Haughton & Khandker, 2009; Ravallion, 1996). Therefore, a simplified measure based on income alone may not explain fully the nature of poverty. Many literatures have proposed methods to measure the multidimensionality of poverty, yet according to Ravallion (1996), most of them face both methodological and conceptual challenges. Henry, Sharma, Lapenu, and Zeller (2001) argue that a relative poverty condition can be described from consumed food, dwelling condition, asset ownership, education and expenditure. Although this method is still not able to measure the multidimensionality of poverty, it provides a relatively better way to identify the poor in a community.

Rural poverty refers to the poverty phenomena existing in rural areas. Poverty alleviation programs principally aim to help the poor meet their basic needs. Alleviating rural poverty through improvement of quality of life of the poorest group within village is the final objective of rural development as well as decentralization.

2.3. Linkage between Decentralization and Rural Development

2.3.1. Potentiality of Decentralization to Rural Development

Arguments in favour of decentralization begin from several hypotheses. Firstly, fiscal decentralization provides local governments more discretion to formulate their local expenditure. Through a participatory budgeting system, rural people can propose their needs to make the budget more pro rural development. By assuming that local governments know local problems better than the central government does, decentralization is expected to result in a better allocation of development funding (Braun & Groat, 2009; Ebdon & Franklin, 2006). One of the examples is the case of Porto Alegre in Brazil, a city with about 1.5 million people, which applied participatory budgeting since 1986, and might be the first local government applying the system in the world. Bhatnagar, Rathore, Torres, and Kanungo (2003) find that people involvement in the local budget

formulation led to a pro poor budget. From 1986 to 1996, clean water coverage was increased from 75% to 98% of households, the number of schools was quadrupled and spending for health and education were increased from 13% to 40%.

Secondly, in political area, as Cheema and Rondinelli (2007) argue, decentralization does not only provide more space for people to participate in local leader selection, but also in the broader local development context. Decentralized local government will provide a maximum feasible participation, which is fundamental for successful rural development programs, either through increasing resource mobilization, providing mechanism of check and balance, and improving the match between development outputs and the need of rural people (Uphoff et al., 1998).

Thirdly, administrative decentralization promotes institutional approaches in poverty alleviation (Braun & Groat, 2009; Cohen & Peterson, 1997). This will improve local capacity, quality of public services and effectiveness of identification of program beneficiaries. Administrative decentralization will increase government accountability since it enables people to monitor their local officers (Braun & Groat, 2009).

2.3.2. Challenges for Decentralization

There are some challenges for decentralized system to promote rural development. Firstly, the effectiveness of fiscal decentralization is determined by the process whereby community is involved in local budgeting. Here, it is important to underline results of participatory budgeting in many local governments across the world. Despite some examples of success story of participatory budgeting, many studies find that budgeting process in many developing countries was not community friendly (Andrews & Shah, 2005). Information gaps and secrecy of document were still major obstacles to make a contestable budgeting plan (Andrews & Shah, 2005; PRIA Global Partnership, 2010; Wampler, 2008).

Secondly, certain local social conditions are needed for the success of decentralization. A supportive local condition is reflected from robustness of civic traditions, or more specifically, social capital. The main problem is that social capital cannot be created immediately, rather, it is a product of long time interaction entrenched in the history of community. Thus, before decentralization is implemented, it is important to make sure that some level of civic tradition exists within the community.

Thirdly, there are many concerns that local institutions may have not enough capacity. Johnson (2001) states local capacity perhaps has been eroded due to a long application of top down development. Similarly, UNDP (2002) concludes that successful and sustainable capacity development still cannot be achieved, and despite training of thousands people, lack of skills and weak institutions are still the major problem. In the context of Indonesia, study by Balisacan, Pernia, and Asra (2003) across 285 districts find a huge variation in poverty change and economic growth at district level, somehow indicating that district governments had no same capacity to gain the opportunity offered by decentralization. If the government does not properly conduct capacity development for local institutions, decentralizing rural development to them may only create program failure.

Fourthly, as explained by Uphoff (2004), rural communities are often not a cohesive and harmonious social entities, but segmented by various classes. In many traditional rural areas, power at local level is more concentrated and more elitist than in central level (D. A. Rondinelli & Cheema, 1983). Concentrations of the power will inevitably be translated into a political influence in local decision making. In addition, Johnson (2001) finds that one's ability to understand a policy is highly dependent on education level. Further, cost of travel, work hours and possible backlash to engage in local political process may also discourage the poor to participate. Thus, poverty will have a debilitating effect on the ability to participate in decentralization. If the poor do not

participate in decision making, they will probably not get the benefits from decentralization.

2.3.3. Conceptual Framework

Decentralization is like a double edge sword for rural development. It has several potentialities to create successful development, and at the same time, each potentiality has a counter argument of risk that may hamper the development programs. Conceptually, this study argues that only if local budget is spent to address the needs of rural people, social capital is good, the rural poor actively participates, and local institutions have enough capacity, then decentralization will result in successful rural development. Otherwise, if local budgeting just becomes a formality, social capital does not exist, the rural poor cannot participate and local institutions have not enough capacity, then decentralization will be failed.

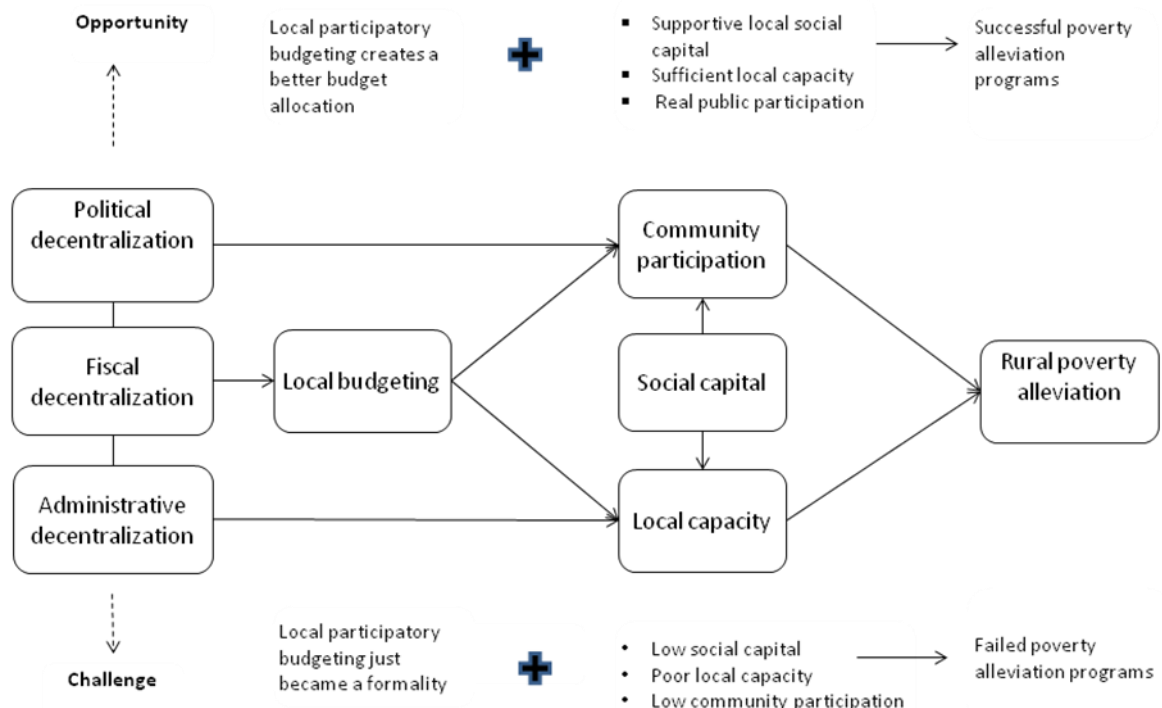


Figure 2.1. Conceptual Framework between Decentralization and Rural Development

Chapter 3 . Design of Decentralized Rural Development in Indonesia

Decentralization is always a country specific, which means that different countries apply different designs of decentralization. In order to be able to follow the discussion presented in the subsequent chapters, this chapter will present the general design of Indonesian government system underlining in particular those related to village government and rural development. This chapter consists of four sections. After introduction, the subsequent sections will orderly present administration level, design of decentralization from administrative, fiscal and political dimensions and description of village government in Indonesia.

3.1. The Tiers of Administration

The tiers of administration in Indonesia consist of central, provincial, district or municipality and village government (Figure 3.1; Figure 3.2). By the end of 2010, there were 33 provinces, 497 districts and about 70,611 villages. World Bank (2003) finds that the size of Indonesian local governments is considerably larger than the other countries. The average population was about 500,000 people per district, and the average width of areas was about 4,000 km² per district (BPS, 2010). There are also wide diversities among them. For example, the population of Tambrau district in Papua province was only six thousand people while Bogor district in West Java province had five million people (BPS, 2010). On the other side, the width of areas of Klungkung district in Bali province is 315 km² while Merauke district in Papua province covers an area of 44,000 km² (BPS, 2010).

District government is the main level of decentralized system. There might be several reasons why the government focuses decentralization at district level rather than at province or village level. Firstly, focusing decentralization at province level may be

regarded to be very close to federal system, somehow different from the mandate of constitution to keep Indonesia in a unitary state. Secondly, district government has since the Dutch colonial era had an experience to be an autonomous traditional government in Indonesia, hence some level of capacity has existed at this level. Thirdly, although the principle of subsidiary states that the government authorities should be transferred to the lowest level of government as possible, the scope of village government is too narrow to be the main level of decentralization.

Devolution of power implies that local government heads are politically responsible only to local parliament. The hierarchical relationship among government levels was abolished, except between central government and provincial level (Figure 3.1; Figure 3.2). Transfer of human resources was done by merging central ministry field offices and their civil servants to district governments.

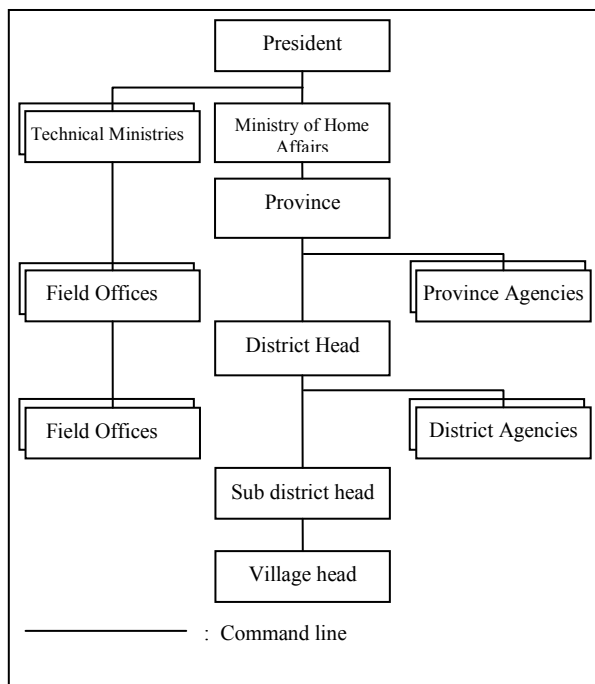


Figure 3.1. Intergovernmental Structure during New Order

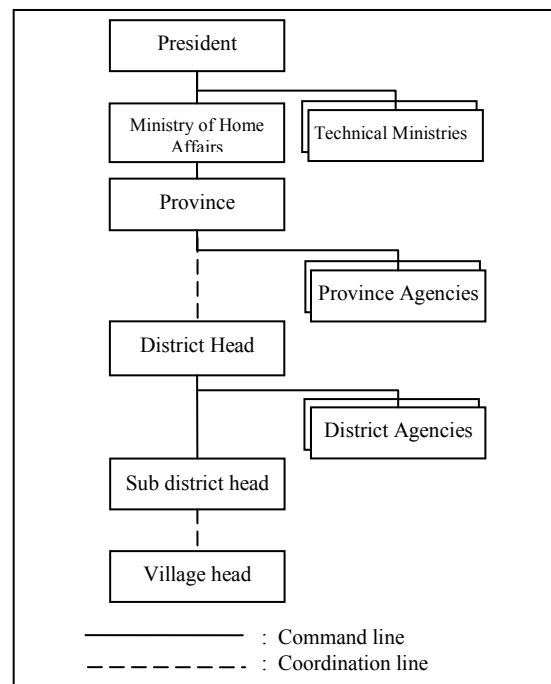


Figure 3.2. Intergovernmental Structure during Decentralized System

3.2. Design of Decentralized System

3.2.1. Political Decentralization

The policy of decentralization in 2001 changed the local political system. This mainly includes efforts to establish an empowered local legislative body. Local parliament is now having the power to monitor local government head, to be the main institution for which local government head is accountable, and even it can dismiss local government head if the later breaks some regulation. It is now playing decisive role in formulating and legalizing district budget. With this high power, local parliament is supposed to be an effective local legislative body rather than just rubber-stamping institution. Local government heads are also now directly elected by community rather than appointed by central government.

3.2.2. Administrative Decentralization

Indonesian decentralized system applies a distribution of tasks among government level. Law 32/2004 classified the tasks of government into two categories, which are absolute and concurrent tasks. Absolute tasks include foreign policy, defence and security, monetary system, judiciary and religion. These are the tasks solely conducted by the central government. The rest tasks, which include public works, health, education, culture, agriculture, communication, industry, trade, investment, environment, land, cooperation and labour, are concurrently conducted by the central, province and district government. The role of central government on these concurrent functions is mainly to formulate national policy and to establish standardization. The role of province is to supervise and to conduct across district coordination. Most of the responsibilities in conducting these concurrent tasks belong to district government. Village government receives transfer of tasks from district government.

Table 3.1 presents the example of distribution of tasks in agriculture, infrastructure, health and education, which are several sectors spending the largest portions of development expenditure.

Table 3.1. Distribution of Tasks among Government Levels in Agriculture, Infrastructure, Health and Education Sectors

No	Sector	Government Level			
		Centre	Province	District	Village
1	2	3	4	5	6
1	Agriculture	<ul style="list-style-type: none"> - Building dams covering areas more than 3,000 ha and primary irrigation network - Overcoming plant and animal disease at national scale 	<ul style="list-style-type: none"> - Building dams covering areas between 1,000 and 3,000 ha - Overcoming plant and animal disease at province scale 	<ul style="list-style-type: none"> - Distribution of agriculture inputs - Extension service, training and empowerment of farmer groups - Building dams covering areas less than 1,000 ha and secondary and tertiary irrigation network - Overcoming of plant and animal disease at district scale - Management of extension workers 	<ul style="list-style-type: none"> - Building rural small irrigation - Developing agribusiness facilities at village level
2	Infrastructure	<ul style="list-style-type: none"> - Building strategic and national scale infrastructures and those in metropolitan areas - Building trans province road network 	<ul style="list-style-type: none"> - Building cross district infrastructure and trans district road network 	<ul style="list-style-type: none"> - Building interior and trans village road network, rural sanitation, clean water, housing sector and other rural infrastructures 	<ul style="list-style-type: none"> - Building rural roads and sanitation and other rural small scale infrastructure
3	Health	<ul style="list-style-type: none"> - Provisioning drugs, vaccine and medicine tools - Financing free health services for the poor - Overcoming national scale disease 	<ul style="list-style-type: none"> - Supervisory function and cross district coordination - Overcoming provincial scale disease 	<ul style="list-style-type: none"> - Management and financing of district health service providers - Building sub district polyclinic and district hospital - Overcoming district scale disease, vaccination and the improvement of child nutrient - Management of health workers 	<ul style="list-style-type: none"> - Building and rehabilitation of village polyclinic - Identifying the recipient of free health services for the poor
4	Education	<ul style="list-style-type: none"> - Standardizing curricula and national examination - Financing student schooling cost - Exclusive responsibilities for university level and religious education 	<ul style="list-style-type: none"> - Supervisory function and cross district coordination 	<ul style="list-style-type: none"> - Building and managing of pre elementary, elementary, lower and higher secondary school and non formal education - Distribution of books and educational tools - Management of teacher 	<ul style="list-style-type: none"> - Building and rehabilitation of pre-elementary schools

Source: Adopted from Law 32/2004, Government Regulation 38/2007 and Purbalingga District Regulation 21/2007

3.2.3. Fiscal Decentralization

In order to support district governments in conducting their new tasks, the central government significantly increased fiscal transfer to them. The fiscal transfer consists of a general grant distributed based on equalization of population, area and poverty rate, a revenue sharing from natural and tax resources, and special grants to perform the programs of central government. Fiscal decentralization also establishes a clear calculation of revenue sharing between central and local government. For example, the central government shares 15% of the oil revenues and 30% of gas revenues for district and province producing. From the other mining, fishery and forestry, the central government only retains 20% of revenues. In taxation-based revenues, 90% of land and property tax and 80% of land acquisition tax are shared to local governments. Article 27 Law 33/2004 guaranteed that at least 26% of total state revenues should be allocated as fiscal transfer. Compared to the portion of fiscal transfer that under centralized system constituted only about 17% of state expenditure, fiscal transfer has since 2001 been the largest part of state expenditure, amounting to about 32% in 2011, and about 90% of them are given to district rather than to province.

More important than the increase in quantity is changes in the nature of fiscal transfer given to local governments. Previously scattered from various ministries earmarked funds, the funds are now unified and transferred through a block grant directly from the Ministry of Finance. Fiscal transfer from central government is given only to province and district/municipality government, but not to village government. According to the regulation, village budget is derived from district government.

3.3. Village Government in Indonesia

In Indonesia, village is the lowest level of government. Administratively, it is divided into hamlets, which are group of settlement bordered by natural boundary. Under hamlet, there are two levels of neighborhood, which are the upper neighborhood group or *Rukun Warga* (RW), and the lower Neighborhood Groups or *Rukun Tetangga* (RT). A village head directly elected every six years lead the village. He, assisted by a secretary, staffs and hamlet heads, stays in the village office to administer development programs, issue various letters of reference and deliver other public services.

Although acknowledged as a government level, the New Order regime did not apply power separation between executive and legislative within village. According to Law 5/1979 on Village, which was the main legal framework of village government at that time, village government consisted of a village head and its officers and a village assembly named *Lembaga Musyawarah Desa* (LMD). LMD was an institution to discuss rural development programs without any power to control village head. Village head became an ex officio LMD head and had a power to appoint members of LMD. The law clearly stipulated that village head was structurally under and responsible to sub district head.

The decentralization policy implemented brought about significant change in village government structure. It created power separation by introducing a village parliament named *Badan Perwakilan Desa* (BPD) to replace LMD. It has a power to formulate village decree, to approve or to reject village budget and to monitor village head. Different from the LMD whose members were appointed by village head, village parliament members consist of 5 to 11 people elected by people every 6 years.

Indeed, village parliament and village head are not the only institution in village government. Another important organization is Village Development Committee or *Lembaga Ketahanan Masyarakat Desa* (LKMD). This is a government-initiated-

organization introduced in 1980s to coordinate implementation of physical projects in rural areas.

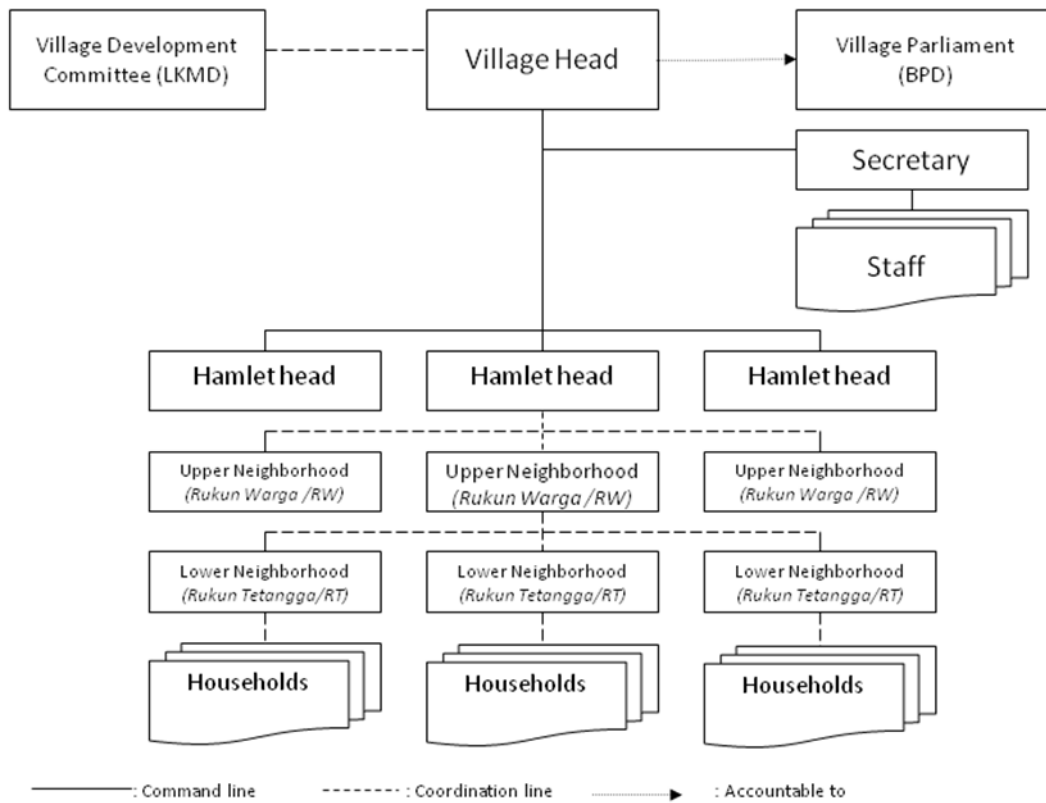


Figure 3.3. Structure of Village Government

The role of village government in Indonesia cannot be underestimated. For example, people always need letter of reference from village office to get an official letter from the higher government agencies. Similarly, government agencies and NGO aiming to make activities within the village need an official approval from the village office. The nature of village as a government level is presented through, among others: an autonomy to elect the leader; a power to issue regulation bounding the villagers; tasks to deliver some government functions; a power to collect taxes as well as to manage the village budget, and more importantly; rights to manage its home affairs.

According to the regulation, village government has tasks to build various rural infrastructures, to identify the beneficiaries of poverty alleviation programs, to provide letter of reference for the villagers, to conduct demographic registration, and to do various tasks given by the district government (See Table 3.1). Decentralized system granted village government a discretion to plan, to execute and to evaluate development projects based on local initiatives. Scheme of rural development programs was changed to deliverance of grant where villagers locally decided its utilization. To conduct these tasks, village has a budget from a transfer from the district government. Some are automatically given based on an equalization of population and area size, some are entrenched to development programs delivered in that area, and some should be requested to district through submission of village proposal. Besides these transfers, village government has a power to raise internal revenues and to collect some contribution from community.

Simply speaking, Antlöv (2003, p. 119) states that the regulation appears fairly favorable to local democracy. The upper government levels cannot intervene village as far as it does not deviance the law. In this connection, Antlöv (2003) regards decentralization policy as “a quiet revolution in the countryside”, which did not only provide mechanism for check and balance but also revised the old paradigm when rural people just become an object of development.

Chapter 4 . Profile of Research Location and Respondents

4.1. Introduction

This chapter will present profile of research location and respondents. It consists of three sections presenting the monograph of Purbalingga district, study villages and respondents, respectively. In presenting the profile of Purbalingga and study villages, this study will discuss geographical, economic and administrative condition. Further, in presenting the profile of respondents, this study will discuss education, occupation, income, landholding size and access to public services.

4.2. Purbalingga District

Purbalingga district is located at longitude of $7^{\circ}10'$ - $7^{\circ}29'$ South and latitude of $101^{\circ}11'$ - $109^{\circ}35'$ East. Administratively, it has borders with district of Pemalang in the north, district of Banjarnegara in the east, and district of Banyumas in the south and west (Figure 4.1). The district covers 777.6 km^2 of land (BPS Purbalingga, 2012). Most of the areas are wet cropland (28%), followed by settlement (24%), dry cropland (22%), forest (15%) and other (11%) (BPS Purbalingga, 2012). Topographically, it is located in the Valley of Slamet Mountain and Dieng plateau. The northern part of the district is located just in the mount foot of Slamet Mountain, which is the highest volcano in Central Java province. In the eastern part, most of the areas are the part of Dieng plateau ranges. The western and southern parts of the district are relatively low land areas located surrounding the streamline of Klawing and Serayu river. The elevation of the district ranges from about 2,500 m.a.s.l in the Peak of Slamet Mountain to about 50 m.a.s.l in the streamline of Klawing River (Figure 4.1).

The differences in the topography implies to the differences in the main agriculture commodity and economic potentiality within the district. For example, in the northern part, most people plant vegetable like carrot, cabbage and potato. In the eastern area, people mostly plant cassava, corn and peanut. In the southern and western area, people mostly plant paddy. Up to now, agriculture is still the backbone of local economy. It always contributes one third of Gross Regional Domestic Product (GRDP) in the last ten years.

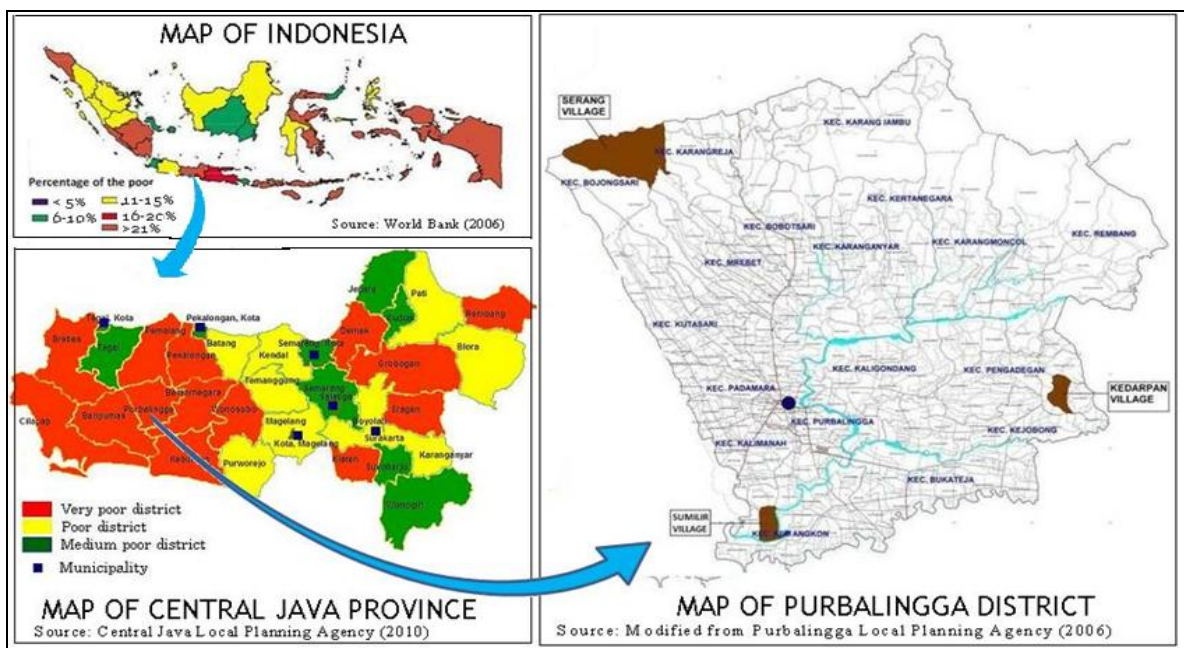


Figure 4.1. Map of Research Location (not for scaling)

Total population in 2011 was about 901,369 people, or about 230,450 households. Most of the households (43%) work in agriculture sector, followed by trading (20%), industry (17%), service (10%), construction (6%) and other (6%). Up to now, the district is still dealing with poverty problem, either in term of income, education, health and infrastructure. By 2010, 23% of population had income less than US\$ 1.54 PPP per day. Moreover, education sector strongly needed improvement. The enrolment rate of primary, lower and upper secondary school was 91%, 68% and 31%, respectively. In health sector, 95% of births were assisted by medical personnel, and life expectancy was 70 years.

However, only 43% of households were covered by health insurance. Further, in care of rural infrastructure, 65% of the existing road was badly deteriorated (BPS Purbalingga, 2012).

Table 4.1. Profile of Purbalingga District, 2010

No	Condition	Explanation
1	Geography and ecology a. Astronomical position b. Area coverage c. Elevation	7 ^o 10' - 7 ^o 29' South, 101 ^o 11' - 109 ^o 35' East. 777.6 km ² 50 m.a.s.l. to 2,500 m.a.s.l.
2	Demography a. Population 1) Agriculture household 2) Non agriculture household b. Percentage of poor people	851,963 people / 264,747 households 43% 57% 22%
3	Education a. Net Enrolment Rate (NER) of elementary level b. NER of lower secondary level c. NER of upper secondary level	91.07 % 68.49 % 31.24 %
4	Health a. Household with health insurance b. Infant mortality rate c. Mother mortality rate	43.4% 11 per 1000 birth 1 per 1000 birth
5	Infrastructure a. Road in good condition by 2011 b. Coverage of irrigated crop land	45% 217.5 km ²
6	Administration a. Number of district parliament b. Number of district agencies and civil servant c. Number of sub districts and villages	45 members 27 agencies with 10,384 persons 18 sub districts, 239 villages

Source: BPS Purbalingga (2012)

The persistent of poverty problem in this district may be related to geographical factor. This district is, unfortunately, not located in the main route of trans-province roads and far away from the port. Therefore, trading, industry as well as tourism sectors are difficult to develop. When most of the districts in the north coastal areas of Java experienced rapid development in industry and trading from 1970s to 1990s, and even

some were transformed into urban areas, the economy of Purbalingga district were slowly growing. In term of human development index, among totally 35 districts and municipalities in Central Java province, Purbalingga district was always positioned bellow the 30th rank. Anecdotally, the district was labeled as a retirement district (*kota pensiunan*) due to its desolated situation.

Historically, there have been some development programs executed in the district. During the period of 1970s and 1980s, when Indonesia was still under centralized system of New Order regime, the central government launched many rural development programs. The windfall of oil revenues in 1970s made the central government able to finance large-scale rural development programs in Indonesia. In Purbalingga district, through the program of Green Revolution, the central government built about 159 dams and around 296 km of technical irrigation network. In education sector, elementary schools were built in each village while lower secondary schools were provided in each sub-district. In health sector, polyclinics were built in each sub-district, accompanying health posts that were made available in each village. In term of infrastructure, electricity network was provided in all villages in this district during the beginning 1990s through the program Electricity Comes to Village. Asphalt road and clean water facilities were built only in few selected villages. Further, during the New Order regime, each village received a development fund, locally known as *Dana Bandes*, amounting to about IDR 100 thousand per year in 1970s and gradually increased to about IDR 10 million in 1990s. All of these programs had contributed to the economic growth of the district as well as the improvement of quality of life of the people, although its speed was not as fast as the other districts.

In 2001, along with the implementation of decentralized system, district government was no longer only responsible for executing the central government programs, but also for planning and financing locally made ones. Responding to the

transfer of tasks from the central government, Purbalingga district government in 2005 issued both documents of medium and long term strategic plan, which were completed by the minimum standard of services and the targets being expected. On the paper, in order to achieve a vision of “the autonomous, competitive and lofty Purbalingga”, rural areas will be the main target of development programs. According to the documents, development programs will be focused on improvement of infrastructure facilities, fulfillment of basic needs and empowerment of rural people.

By 2011, the structure of the district consisted of 29 agencies including one district secretariat, one parliament secretariat, 10 implementer agencies (*dinas*) consisting of agencies of farming and forestry, poultry and fishery, trading and cooperation, manpower, public work, transportation, education, health, tourism, family planning, and 17 auxiliary agencies (*Badan* and *Kantor*) consisting of agencies of planning, inspectorate, community empowerment, political affairs, public security, archive, agriculture extension service, food security, disaster management, investment, license, civil registration, environment, drugs and narcotic prevention and taxes office. The district was administratively divided into 18 sub-districts and 239 villages. Further, local parliament consisted of 45 members. The number of civil services was about 10,217 people.

So far, the district government is the main provider of rural education and health service. In education sector, about 75% of schools were government school. There were about 230 kindergartens, 647 elementary schools, 110 low secondary schools and 73 high secondary schools in this district. In health sector, in addition of two private and one government hospitals available at district centre, rural people relied on the 161 village polyclinics and 22 sub-district health centers to obtain primary medical treatment (BPS Purbalingga, 2012).

4.3. Study Villages of Serang, Kedarpan and Sumilir

The villages of Serang, Kedarpan and Sumilir cover an area of 13.09 km², 2.25 km² and 2.26 km² respectively. Serang is located in the mount foot of Slamet Mountain, a relatively high dry land with altitude between 800 and 1000 m.a.s.l. In term of area size, it is the largest village in Purbalingga District. Kedarpan is ecologically located in middle dry land with altitude between 400 and 500 m.a.s.l. Last, Sumilir is ecologically located low wet land with altitude between 50 and 100 m.a.s.l, within the watercourse of Klawing River, which is one of the biggest rivers in Purbalingga district.

By 2010, there were 1,246 households living in Serang village, from which 77% of household heads were working in agriculture sector. Further, Kedarpan village was inhabited by 585 households, from which about 46% of household heads worked in agriculture sector. The last study village, Sumilir, was inhabited by 547 households, from which about 52% work in agriculture sector. Adapting to the existing cropland condition, each village had its main farming commodities, which were vegetable, mostly potatoes, cabbage and carrot in Serang, cassava in Kedarpan and paddy in Sumilir. The average landholding per household was 0.6 ha in Serang, 0.23 ha in Kedarpan and 0.39 ha in Sumilir. Besides having the largest landholding, the relatively high price of vegetable enable farmers in Serang to earn better income than those in Sumilir and Kedarpan. In Sumilir, with the existence of irrigation network, the farmers were able to plant paddy twice or three times a year. The farmers in Kedarpan seemingly faced the most difficult condition since their landholding was small and the price of cassava was lower than vegetable or paddy.

Although farming was the main livelihood sources in three villages, farming alone was not sufficient to meet the daily needs of many villagers, especially in Kedarpan. To sustain their life, they had side jobs like part-time livestock, working in the others' land,

becoming mason or going to urban areas as temporary migrants. The other sectors of occupation included industry, trading, construction, transportation, running small and medium enterprises and becoming civil servant. Some of those working in industry, construction and transportation stayed in urban areas like Jakarta as migrants. Those running small and medium enterprises mostly produced foods like coconut sugar, snack or tofu (Table 4.2).

Table 4.2. Socio-Economic Condition of Selected Villages, 2011

No	Condition	Serang	Kedarpan	Sumilir
1	Ecological and geographical a. Size of territory b. Ecological character c. Altitude d. Main farming commodity	13.09 km ² Hilly, dry land ±1,000 m.a.s.l. cabbage, carrot	2.25 km ² Hilly, dry land ±400 m.a.s.l. Cassava	2.26 km ² Flat, wet land ±100 m.a.s.l. Paddy
2	Socio-economy a. Number of households b. Gender of household heads (HHH) 1) Male 2) Female c. Occupation of HHH 1) Agriculture 2) Salaried job 3) Labor 4) Business 5) Jobless d. Education of HHH 1) Not completed primary 2) Primary 3) Low secondary 4) Upper secondary 5) University	1,246 93% 7% 77% 9% 1% 9% 4% 21% 67% 7% 3% 2%	585 90% 10% 46% 24% 6% 19% 5% 14% 62% 14% 8% 2%	547 84% 16% 52% 32% 1% 7% 8% 16% 56% 15% 10% 2%
3	Administration a. No. of hamlets (sub-village unit) b. No. of upper neighborhood (<i>Rukun Warga</i> /RW) c. No. of lower neighborhood (<i>Rukun Tetangga</i> /RT)	5 8 33	3 5 11	3 3 9
4	Physical infrastructures within village a. Number of elementary schools b. Number of kindergartens c. Number of village polyclinic d. Main road condition by 2013	6 3 1 Asphalt, good	2 2 1 Asphalt, seriously damaged	2 1 1 Asphalt, slightly damaged
5	Average distance to a. Sub-district capital b. District capital c. Sub district health center d. Junior high school e. Senior high school f. Market g. Bank office h. Post office i. Bus station	5 km 30 km 4 km 2 km 5 km 2 km 5 km 5 km 5 km 5 km	2 km 26 km 2 km 2 km 7 km 2 km 2 km 2 km 2 km	4 km 15 km 4 km 2 km 5 km 4 km 4 km 4 km 4 km 4 km

Source: BPS Purbalingga, 2011a, 2011b, 2011c and observation in 2013

All three villages had some basic physical infrastructures. State kindergarten and elementary schools were available in the three villages, and a private low secondary school was available only in Serang. Each village had a clinic with one mid wife staying to provide basic medical treatment for community. Electricity network was available in the three study villages. Small public clean water facility was available only in few neighbourhoods in Serang and Kedarpan, and most of the villagers used uncovered wells. Serang and Kedarpan villages always faced difficulties to obtain clean water in dry season. Irrigation was available only in Sumilir, which was small-scale network managed by village government. Market, public transportation, post office and local banks were only available in sub-district capital. The main roads in the villages were asphalted, but severely damaged in Kedarpan during 2013 field visit.

4.4. Respondents

Majority of respondents (87%) were male. In term of education, 58% of respondents graduated from primary education. Most respondents (59%) worked in agriculture sector. The highest variability of occupation was in Kedarpan, which had the lowest share of occupation in agriculture sector. Further, because this study purposively selected only villagers having married and been separated household in 2001, age of respondents was mostly between 41 and 60 year old. The respondents below 40 years and above 61 year-old constituted 11% and 10 % of total respondents, respectively (Table 4.3). It was important to see that there were significant difference of education and occupation among the study villages. Most respondents in Kedarpan had better education level as well as more people working in non-agriculture sector (Table 4.3).

Most respondents (74%) were found to have less than 0.5 ha of land. This means that they mostly engaged in subsistence farming. The limitedness of cropland availability

to support a densely populated area such as Java Island made many farmers have a very small cropland. In the study villages, villagers having cropland more than one hectare was very rare, and if any, they would be regarded as a rich farmer by their neighbors. This might explain why poverty rate in the study villages was quite high. Using the poverty line at US\$ 1.56 Purchasing Power Parity (PPP) per person per day, this study finds that 26% respondents were chronic poor, 16% were poor, 18% were vulnerable poor and 40% were non-poor.

Table 4.3. Profile of the Respondents

No	Character	Serang	Kedarpan	Sumilir	Total	P value
1	Average Household size	3.8	3.8	4	3.9	
2	Gender of household head (HHH)					0.058*
	a. Male	104(92)	49 (80)	48 (83)	201 (87)	
	b. Female	9 (8)	12 (20)	10 (17)	31 (13)	
3	Education of HHH					0.005***
	a. Uncompleted primary	28 (24)	9 (14)	13 (22)	50 (22)	
	b. Primary	69 (61)	32 (53)	33 (57)	134 (58)	
	c. Low secondary	10 (9)	11 (18)	7 (12)	28 (12)	
	d. High secondary	3 (3)	7 (12)	5 (9)	15 (6)	
	e. University	3 (3)	2 (3)	0 (0)	5(2)	
4	Occupation of HHH					0.044**
	a. Agriculture	78 (69)	24 (39)	36 (62)	138 (59)	
	b. Labor	15 (13)	17 (28)	10 (17)	43 (18)	
	c. Salaried Job	3 (3)	6 (10)	3 (5)	12 (5)	
	d. Business	11 (10)	12 (20)	6 (11)	29 (13)	
	e. Jobless	6 (5)	2 (3)	3(5)	11 (5)	
5	Age (years) of HHH					0.005***
	a. < 40	7 (6)	14 (23)	4 (7)	25 (11)	
	b. 41-50	50 (44)	20 (33)	23 (39.5)	93 (40)	
	c. 51-60	49 (44)	18 (29)	23 (39.5)	90 (39)	
	d. > 61	7 (6)	9 (15)	8 (14)	24 (10)	
6	Size of Landholding					0.000 ***
	a. <0.5 ha	67 (60)	49 (81)	54 (93)	170 (74)	
	b. 0.51-1 ha	25 (23)	7 (12)	2 (3.5)	34 (15)	
	c. 1.1-1.5 ha	9 (8)	3 (5)	0 (0)	12 (5)	
	d. 1.51-2 ha	7 (6)	0 (0)	0 (0)	7 (3)	
	e. >2 ha	3 (3)	1 (2)	2 (3.5)	6 (3)	
7	Expenditure per person per day in Purchasing Power Parity (US\$ PPP)					0.209
	a. < 1 (Chronic poor)	28 (25)	10 (17)	21 (36)	59 (26)	
	b. 1.1 - 1.56 (Poor)	14 (13)	14 (23)	8 (14)	36 (16)	
	c. 1.57 – 2 (Vulnerable to poor)	21 (19)	11 (18)	9 (16)	41 (18)	
	d. > 2 (Non-poor)	48 (43)	25 (42)	20 (34)	93 (40)	

Source: Field Survey 2012 (No. 1, 2, 3, 4, 5) and Field Survey 2013 (No. 6, 7)

Note: ***significant at 1%, **significant at 5%,*significant at 10%

Chapter 5 . District Budgeting for Rural Development

5.1. Introduction

Budget is the most effective tool to realize government policies, thus analyzing budget allocation will provide tangible evidences about prioritization of government policies. In the context of rural development, although every development program will have an impact on rural people, several sectors should be the priority of government spending. As villager's livelihood relies on agriculture sector and rural areas are usually characterized with low human development index and infrastructure availability, thus spending for agriculture, education, health and infrastructure are considered very important for rural development.

In order to create a better spending for rural development, scholars and international donors usually suggest government to implement fiscal decentralization. Fiscal decentralization is expected to promote participatory budgeting system where rural people can articulate their interest. Hypothetically, their involvement will push local government to increase the spending for rural development (Cheema & Rondinelli, 2007; Cohen & Peterson, 1997; Parker, 1995).

Although advocated by many, decentralization in practice does not always create a better spending for rural development. For example, in case of Indonesia where decentralization is focused at district level, recent studies indicate that a larger percentage of district budgets were allocated for recurrent rather than development expenditure (Dixon & Hakim, 2009; Mahi, 2010; World Bank, 2007). This has raised a question on how effective is fiscal decentralization and participatory budgeting to accommodate the interest of rural people.

This chapter aims to analyze the spending for rural development and the effectiveness of participatory budgeting in Purbalingga district. The rest of this chapter is organized as follows: Section 5.2 will present the legal framework of participatory budgeting; Section 5.3 will discuss finding of this study, which consists of expenditure comparison before and after decentralization and a case study of 2010 budgeting; Section 5.4 for discussion; Section 5.5 will draw conclusion and policy implication.

5.2. Legal Framework of Participatory Budgeting

Along with fiscal decentralization, Indonesian government tried to include villagers in budgetary decision making by establishing a public hearing mechanism, locally named *Musrenbang*, through Law 25/2004 on National Planning System. In general, the current process of budgeting consists of three main stages, which are public hearing, budget drafting and budget enactment (Figure 5.1).

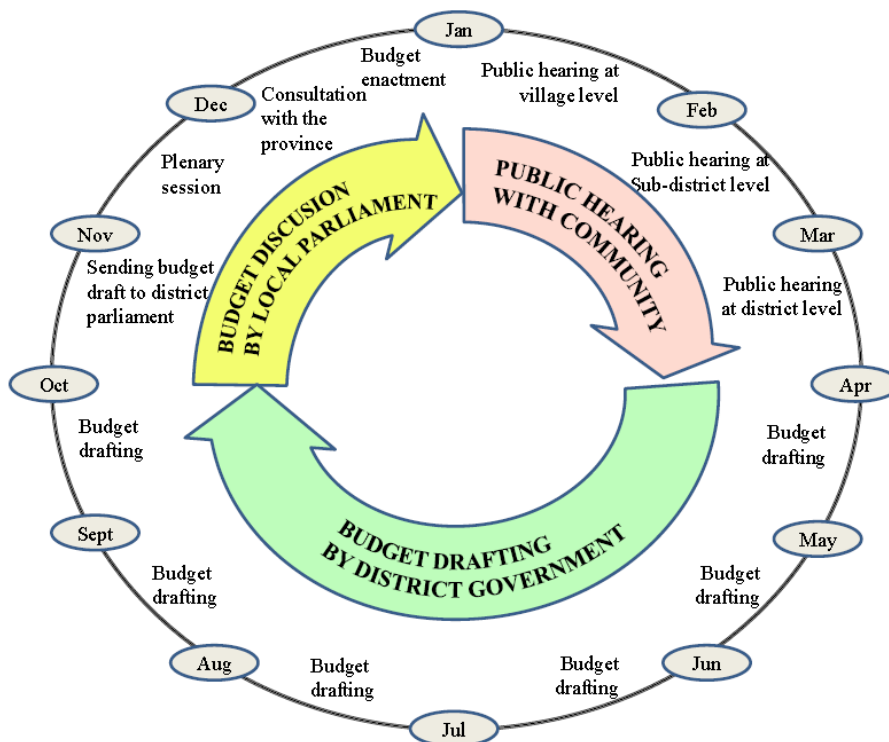


Figure 5.1. Stages of Budgeting Process

The public hearing consists of meetings held at village, sub-district and district levels. At village level, village government invites community in the meeting to identify development proposals and to select delegations to attend sub-district meeting. Subsequently, the sub-district meeting is held to find agreement on the priority proposals from this area to be proposed to district meeting. Finally, the district meeting is held by inviting the delegations from the villages, district agencies, local associations and Non Governmental Organizations (NGO's). In the district meeting, bottom up proposals are discussed together to be funded by the district budget. Further, public hearing is followed by budget drafting, which is done by district agencies under supervision of the district head. After the budget is drafted, the district head sends the draft to the local parliament to be discussed in plenary session.

5.3. Results

5.3.1. Budget Allocation in Purbalingga District

When decentralization was started in 2001, district revenues increased by more than 200%, thanks to the increase in fiscal transfer (Figure 5.2.A). Ideally, if the district wants to prioritize rural development, this revenue inflow should be used more for agriculture, education, health and infrastructure. In practice, however, a larger portion of the budget was utilized for recurrent expenditure (Figure 5.2.B), which mostly consisted of the salary of civil servants (Figure 5.2.C).

As presented in Figure 5.2.C, recurrent expenditure was increased since 1998, a year when Indonesia was hit by the monetary crisis. With a drastic decline in the exchange rate of Indonesian rupiah at the time, the government had no option but to increase the salaries of civil servants to meet the living costs. Moreover, the merger of central ministry field offices with the district government as a result of decentralization in 2001 increased

the number of civil servants from 1,743 to 8,907 persons (BPS Purbalingga, 2002). Thus, it can be said that the increases in recurrent expenditure before 2001 were unavoidable due to external factors.

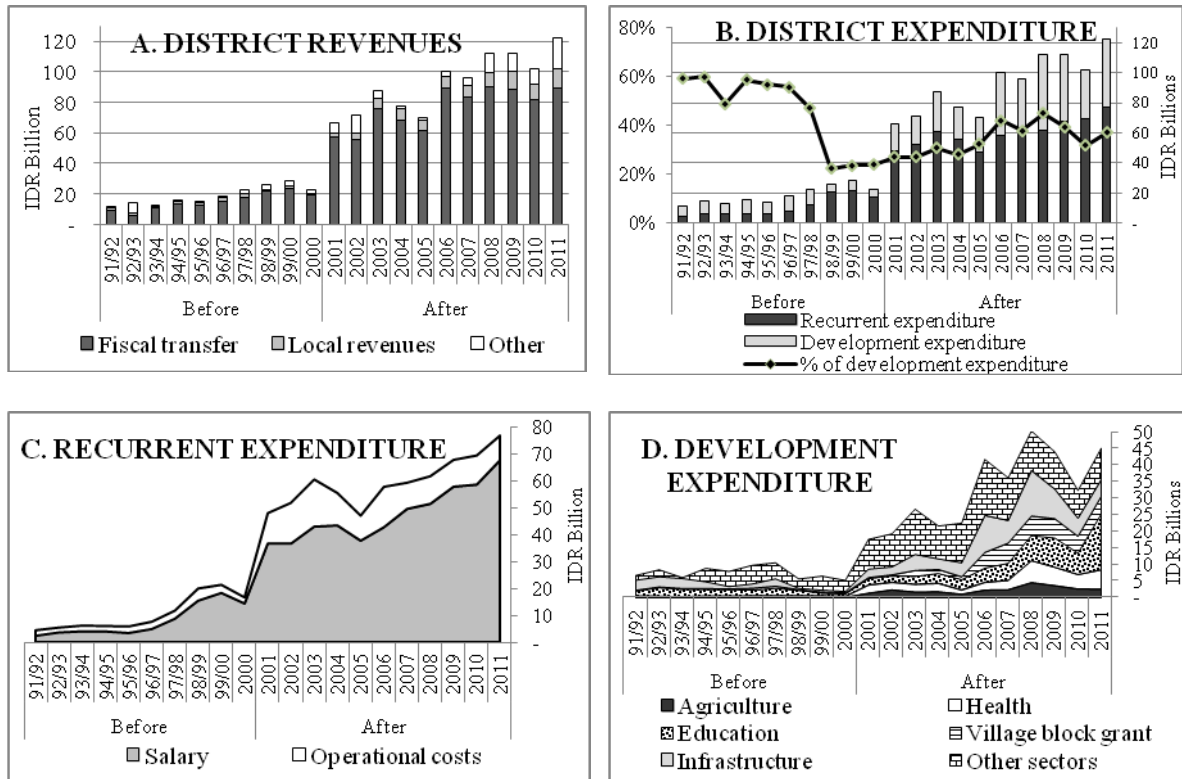


Figure 5.2. Purbalingga District Budget, 1991-2011

Source: Author's calculation from annual Purbalingga district budgets. Data are obtained from (BPS Purbalingga, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005) and the homepage of Ministry of Finance at <http://www.djpk.depkeu.go.id/datadjpk/105/> and <http://www.djpk.depkeu.go.id/datadjpk/131/>

Note: The value of money is converted into real values of 1991

Besides those unavoidable reasons, a poor recruitment system of civil service had substantially contributed to the further increase in the recurrent expenditure. There was so far no workload analysis to identify the number and qualifications of civil servants needed in this district. This made the number of civil servants always increased over years, reaching the figure of 10,384 persons by 2010 (BPS Purbalingga, 2011d). Some indication of organizational inefficiency was also found. For example, tasks in agriculture sector, which might be more efficient to be handled by a single agency, were managed by four

agencies, namely: Forestry and Farming Agency; Poultry Agency; Agriculture Extension Agency; Food Security Agency. Thus, it is not surprising that under decentralized system, a larger portion of district budget was allocated for recurrent expenditure. This is because the more is the number of district agencies and civil services, the higher is the expense of salary and operational cost for them. Besides that, it is also important to note that various kinds of allowance were locally determined based on district head policy.

Education, health and village block grant were the sectors where spending were consistently increased (Figure 5.2.D). However, these increases were not initiated by the district government. There were Law 20/2003 on National Education System, Law 36/2009 on Health and Government Regulation 75/2005 on Village, which directed district government to allocate more funds in these sectors. Thus, the increases in spending for education, health and village block grant were more due to the central government intervention rather than the process of decentralization itself.

5.3.2. Process of Budget Formulation

5.3.2.1. Proceedings of 2010 Budgeting Process

In January 2010, Purbalingga Local Planning Agency projected that the 2011 revenues would be IDR 860 billion, an increase by IDR 180 billion from the previous year. In line with this revenue projections, the 2011 recurrent expenditure would be IDR 570 billion, an increase by IDR 100 billion from the previous year (Radar Banyumas Daily News, 2010b). This means that more than half of the revenue would be used for recurrent expenditure. Further, as annual routine, public hearings began with village meetings in February, and sub-district meetings in March. Documentary study on the database of village proposals finds that there were about 1,540 projects proposed by rural community, which required funding of about IDR 298 billion.

All of these proposals were submitted to the district meeting, which was held in the district hall in April 1st, 2010. Sessions of the district meeting began in the morning, started with the speech from the district head. Thereafter, Local Planning Agency presented the projection of revenues and the general indicative budget allocated for each sector. Throughout the meeting, lack of budget transparency was observed. Budget documents, especially operational expenses, were considered confidential and not presented. There were no agenda enabling rural delegations scrutinized the recurrent expenditure items (Head of Purbalingga Local Planning Agency, 2010).

During the afternoon session, the participants were divided into three groups to discuss the development proposals of each sector, namely economy, socio-cultural and infrastructure group. Although the meeting provided an opportunity for community to submit proposals, it did not guarantee the approval of funding. Each village proposal competed not only with the proposals from the other villages, but also with the proposals from district agencies. With only one day meeting, it was impossible to screen all proposals accurately. Some problems were unavoidable since there were no clear procedures to screen and prioritize the proposals and no field observation to investigate them. Because of different level of social or political positions, as well as, different capacity to propose ideas and make favorable argument for their proposals, what really happening in the forum was a process of negotiation and competition that was often political in nature. In the forum, participants from district agencies were seen dominating discussions. Village delegations, with little power and experience, could not make strong argument for their proposals.

District parliament's plenary session offered the last window of opportunity to gain a pro rural development budget after the public hearing could not optimally accommodate the village proposals. Yet, the power of district parliament to revise budget draft was hardly exercised. Generally, members of the parliament lacked a capacity to evaluate the

draft budget as 40% of them graduated only from the upper secondary school. The parliament formally only commented on four points in budget allocation, which was that district government to allocate more for poorhouse reparation, scholarship for the poor children, development of a road network in some sub district, and to focus on road reparation rather than new road development. Besides some minor revisions in development expenditure, there was no substantial comment to examine the items of this expenditure in detail⁴.

The result of a tiring and long budgeting process did not meet expectation of most rural delegations. The attendance of rural delegations did not influence much on budget allocation for rural development. They had many proposals, yet they faced a classic problem of budget limitedness during the district meeting. As the following Table 5.1 shows, 68% of district budget in 2011 was spent for recurrent expenditure. The portion of expenditure for main sector of rural development including agriculture, infrastructure, health, education and village grants was only about 29% of total budget. Among the 1,540 proposals with funding requirement of IDR 298 billion, 320 proposals were accepted with the funding of about IDR 29 billion⁵. This means that among IDR 290 billion of total development expenditure in 2011, only 10% of them was used to finance proposals from village (Purbalingga District Government, 2010a).

⁴ Official Letter of local parliament on 2011 Budget Draft. The author holds the soft copy.

⁵ Analyzed from list of village proposals and 2011 budget draft

Table 5.1. Budget of Purbalingga District, 2011

Budget items	Amount of money (IDR)
I. REVENUES	865.161.075.000
A. Locally generated revenues	91.721.635.000
1. Local taxes	17.131.721.000
2. Local service charges	60.429.693.000
3. Shares of profits of local government enterprise	8.980.000.000
4. Other locally generated revenues	5.180.221.000
B. Fiscal Transfer	628.936.355.000
1. Revenue sharing from central government	39.187.956.000
2. General Grant	522.204.299.000
3. Special Grant	67.544.100.000
C. Other	144.503.085.000
1. Grants	2.751.586.000
2. Revenue sharing from province	22.765.992.000
3. Adjustment fund of special decentralization	54.957.290.000
4. Financial assistant from province and other	14.827.461.000
5. Adjustment fund of education budget	49.200.756.000
II. EXPENDITURE	915.827.562.000
A. Recurrent expenditure	578.069.267.000
1. Salary	506.584.153.000
a. Basic salary	314.185.342.900
b. Family allowance	29.775.831.800
c. Rice allowance	18.711.693.000
d. Income taxes	7.958.750.800
e. Health insurance	6.879.215.200
f. Allowance for non-certified-teacher	12.725.850.000
g. Allowance for certified-teacher	36.476.406.000
h. Structural allowance	6.361.030.000
i. Functional allowance	31.650.576.100
j. General allowance	9.004.924.500
k. Welfare allowance (8 month)	13.463.817.000
l. Honor of district revenue collection	3.000.000.000
m. New civil service salary	7.200.000.000
n. Allowance for district head	400.000.000
o. Salary of district parliament	8.630.917.000
p. Other salary	159.798.700
2. Interest	70.234.000
3. Subsidy	300.000.000
4. Grants and for some selected organization	24.753.418.000
5. Office maintenance and other operational cost	43.361.462.000
6. Accidental expenses	3.000.000.000
B. Development expenditure	337.758.295.000
1. Agriculture	19.705.743.000
2. Infrastructure	37.588.358.000
3. Health	42.774.225.000
4. Education	127.434.645.000
5. Village grant	40.097.282.000
6. Other sectors (IDR)	70.158.042.000
III. FINANCING	
A. Local government revenues	57.053.078.000
1. Balance remaining from previous year budget	52.853.078.000
2. Local borrowing	2.100.000.000
3. Repayment of district loan	2.100.000.000
B. Local government expenditure	6.386.591.000
1. Investment in district enterprise	2.014.000.000
2. Payment of district borrowing	2.272.591.000
3. District loan	2.100.000.000

Source: Purbalingga District Government (2011)

5.3.2.2. Evaluation of Budgeting Process by Several Key Actors

From the perspective of rural delegation, the participatory budgeting was a mere formality. A village head routinely attending district public hearing conveyed his pessimistic about the effectiveness of public hearing to accommodate village proposals. He narrated how he, on several occasions, proposed a building of clean water facility for his village to the district government, but the proposal was not accepted yet. He even questioned the rationale for annual meetings considering that the previous proposals had not been funded⁶.

From the perspective of the district government, the main problem was the irrationality of community in making proposals. The interviewed officer said, "...You can see yourself, how many are the proposals from village government.... I have to cut them so that our expenditure will be balanced among all sectors. If not, our agencies cannot work since all of the money is only allocated for the village proposals". The interviewed officer also told that there were difficulties in matching the district program priorities with the village proposal. Even, by some extent, the participatory budgeting was seen to be something fouling up the draft⁷.

Further, the district parliament head indeed recognized that their capacity to evaluate the budget draft was low. However, according to him, it did not mean that the parliament did nothing to improve the budget for rural development. He even pretended that the spending for rural development was significantly higher than before decentralization, and praised that this would be impossible without the role of district

⁶ Interview with one village head in Kejobong sub-district on March 26, 2011

⁷ Interview with Mr. T.P.R. (initial name), the officer of planning agency of Purbalingga in 17 March 2011

parliament. Further, he also criticized that the district government was often late in sending the budget draft, making parliament not optimal in scrutinizing⁸.

For a triangulation, this study investigated budget documents and found that the justification of many recurrent expenditure to be questionable. For example, there were transfers of grant to about 29 organizations amounting to IDR 10 billion. They included a sport committee, a women group namely *Pemberdayaan Kesejahteraan Keluarga* whose members are mostly wives of the district officers, a civil service association, a pensioner association, and many others, which were questionable to have direct link with community development programs. Further, the cost of meeting and travel to province and central government institutions was quite high, reaching figure of IDR 6.5 billion. Considering that in decentralization, district government was supposed to solve its problems based on local initiative, this amount was questionable and considered excessive (Purbalingga District Government, 2010a). All of the findings from the investigation to district budget show that there were actually still many possible spaces to decrease recurrent expenditure and, vice versa, to increase development expenditure.

Further, the district parliament was partly responsible for the rise in recurrent expenditure. They spent about IDR 5 billion for training, study tour and work visit of its only 45 members as compared to a budget of only IDR 7.5 billion for irrigation (Purbalingga District Government, 2010a). Even, some members of parliament proposed an extra additional fund allocated to parliament members to accommodate the proposal from their constituent (Radar Banyumas Daily News, 2010a). All of these findings show that the parliament was not only lacked of capacity to evaluate the budget draft, but also, more importantly, it lacked of sensitivity to prioritize the development expenditure.

⁸ Interview with the district parliament head, 18 February 2013

5.4. Discussion

Public involvement in budgeting process is a topic gaining a great attention from the literatures. Ebdon and Franklin (2006) make a review on existing literatures on participatory budgeting and find that public participation in budgeting is still a complex issue. According to them, there are principally three factors influencing the effectiveness of participatory budgeting to accommodate public interest. The factors are the selected mechanism to involve the community, process within the mechanism and political and governmental environment.

Literatures identify various mechanism of participatory budgeting, which range from public hearing, focus group discussion by committee and survey (Ebdon & Franklin, 2006). Each mechanism has its strengths and weaknesses. For example, a public hearing is usually better in term of representativeness because it can involve many rural people, but its discussion can be not focused due to high number of participant. Vice versa, a focus group discussion through a specially created committee may deeply analyze the budget, but its membership is usually very limited. In Indonesia, the overall mechanism is a combination of public hearing and focus groups discussion, which is good because it overcomes the weaknesses of one method by the other.

The problem may be the process within mechanism itself. For example, from the case of Purbalingga district, although budgeting totally took time of one year, the district government did not use it to make field observation of proposals and to send the budget draft to parliament on time. If there were a field observation, the budgeting result would be fairer. So far, the results were questionable because within a meeting where participants came from different background with unequal political power, discussion would not be effective to create fair decision.

There are also problems of political environment. Foremost, the number of civil servant had been un-proportional, thus the salary spending was high. Further, the confidentiality of recurrent expenditures indicated low transparency and low willingness of district government to seek public inputs. It may be true that community has been irrational in making proposal. Yet, if the budget information was openly shared, such irrationality might be decreased. By openly sharing the information, public could evaluate the recurrent expenditure, thus some unimportant items could be deleted.

5.5. Conclusions and Policy Implication

By analyzing the portion of development expenditure in the district budget after decentralization, this study concludes that so far the district government of Purbalingga has not prioritized rural development. The increase in recurrent expenditure was indeed unavoidable in the initial years of decentralization. However, inefficiency in establishing district agencies and non-existence of workload analysis for civil service recruitment accounted to this increasing trend of recurrent expenditure. There were also many evidences that some recurrent expenditure is not truly necessary. Further, the existing participatory budgeting still cannot effectively accommodate rural community interest. The biggest implementation gap within the current mechanism is the governmental environment. Low willingness of the district government to share budget information has hindered the effectiveness of public participation. In addition, there are no clear procedures to screen the village proposals, and local parliament lack requisite capacity to analyze the draft budgets as well as sensitivity to local problems. All of these implementation gaps make public not able to influence the budgeting process to increase spending for rural development.

This study recommends Purbalingga district to reform its organization to be more efficient. It can be started by restructuring the current district agencies and by conducting study on workload analysis to identify the proportional number of civil service. Further, the district should also improve the implementation of budgeting forum by disseminating budget information freely and by crafting clear-cut procedures for selecting proposals, for example by conducting field observation to examine the proposals.

At the national level, central government is expected to strengthen its monitoring on the utilization of the district budget. The experience from the regulations on education, health and village block grant shows that they are effective to increase the spending in respective sectors. Similar regulations setting the minimum portion of district budget to be allocated can be enacted for agriculture and rural infrastructure sectors.

Chapter 6 . Social Capital for Decentralized Rural Development

6.1. Introduction

Social capital has recently become one of the main issues in community development debates. Study by Putnam (1993) in rural Italy identifies a specific character of social relation that will influence the success of development programs. The characteristic is generally called as civic tradition, and more narrowly, social capital. It is not simply a product of intentional policy design, rather it is the outcomes of a long time process entrenched in the community history (Hadiz, 2010). To be successful, it is argued that decentralization should be rooted in a functioning local and participatory self governance institutions (Hadiz, 2010).

Rural community in Indonesia has traditionally built a social relation as well as collective action since the past time. Keyfitz (1985), in his study within one village in Java during 1950s, find that a tradition of helping each other was commonly practiced in his study village. Not only was the tradition of self-help, but also various informal institutions, mostly traditional and religious organizations, which facilitated the social relations among the villagers. Keyfitz's study indicates that a long time before the New Order regime came to power, social capital had been existed within Indonesian rural community.

However, the policy of New Order regime in implementing a state-led-rural-development system might have an influence on the social capital. As Antlöv (2000) has clearly described, in the name of efficiency, the regime homogenized and bureaucratized rural institutions in Indonesia. Various institutions were established by the state, all with the same structure and name throughout Indonesian villages, to be the only vehicle of rural development and the only media where voices of community could be channelized. The system might have weakened the informal rural institutions where social capital of

Indonesian villagers traditionally existed. Thus, whether the existing social capital in Indonesian rural areas was sufficient to sustain decentralization or not was questionable.

This chapter aims to analyze the existing social capital and its utilization to execute decentralization in Indonesia. This study is aware that this chapter alone will not be able to analyze the whole concept of social capital due to its broad dimension. Among various indicators of social capital proposed by literatures, study by Grootaert (1999) has shown that institutional membership can be a good indicators to measure social capital in Indonesia. Therefore, this study will emphasize on dimension of institutional membership. The rest of this chapter is organized as follows. Section 6.2 will present findings consisting of social capital and its utilization in decentralization. Section 6.3 will provide discussion, and Section 6.4 will draw conclusion and policy implication.

6.2. Results

6.2.1. Social Capital

Various types of organization existed in the study villages, initiated either by the state or by community. To simplify the analysis, this study will categorize those organizations into five types based on similarity of their role, as follows:

1. Governmental organizations, which are the organizations given a power from the state to conduct some specific tasks.
 - a. Village officers, which consist of tens people to conduct daily administration tasks in village office.
 - b. Village parliament, which consists of 5 to 11 people to supervise village officers.
 - c. Village development committee, which consists tens people to execute physical development.

- d. Neighborhood groups, which are sub-hamlet units consisting of 50 –100 households living in the same location.
2. Social Service Groups, which are the groups providing specific services like education, health, family planning, etc, to their members. In the study villages, this study finds:
 - a. Group of homemakers (*dasawisma/PKK*), a group of homemakers to promote secondary income generation.
 - b. Group of health service post (*Posyandu*), a group to serve health care for child and pregnant mother, vaccination and family planning.
 - c. Civilian defense group (*hansip*), a group to maintain security and to conduct night patrol.
 - d. Funeral group, a group to maintain cemetery and to serve a funeral ritual of dead villagers.
3. Farmer groups. The groups promoting mutual assistance of their member to increase agriculture production.
4. Religious Groups. The groups promoting religious activities like collective praying and mosque maintenance.
5. Other. Under this category are sport club, art group, etc which cannot be simply categorized in the previous four groups

In term of membership number, and except neighborhood groups where all villagers were automatically the member, community initiated groups had more members than the state initiated groups. Neighborhood group, religious group, farmer group, group of health service post and group of homemakers were the groups where most of the respondents become member (Table 5.1). In the hamlet of Bojongsari of Kedarpan village,

there was one funeral group having substantial number of membership. Among 20 respondents in the hamlet of Bojongsari, 16 respondents were members of this funeral group. Most of the active groups were informal and existed based on hamlet proximity. They maintained periodical meeting by establishing rotating saving group and managing soft loan for the members.

Although many organizations existed in the study villages and many respondents became the members, not all of those becoming member were active. The differentiation between active and non-active members in this study was made based on respondent's attendance on group meetings. The respondents were given a question on whether they attended group meetings or not. If they answered that they often or always attended the meeting, this study categorized them as an active member. In contrary, if they answered that they never or only rarely attended the group meeting, this study will then categorize them as a non-active member. Through this method of categorization, this study finds some gap. For example, although all respondents were by regulation automatically becoming members of neighborhood groups, only 59% were active members. In general, neighborhood group, followed by religious and farmer group were the three first organizations having active membership (Table 6.1). Therefore, it was fair enough to say that community initiated groups were generally more active than the state initiated group. Further, only 19% of respondents had not actively joined to any groups. This means that institutional membership was high in all villages.

Table 6.1. The Organizations Existing in the Study Villages and the Respondent's Membership

No	Type of groups	The founder	Serang		Kedarpan		Sumilir		Total	
			Respondent becoming the member	Respondent becoming the active member	Respondent becoming the member	Respondent becoming the active member	Respondent becoming the member	Respondent becoming the active member	Respondent becoming the member	Respondent becoming the active member
1	Neighborhood group	State	111 (100)	64 (58)	60 (100)	38 (63)	58 (100)	33 (57)	229 (100)	135 (59)
2	Religious Group	Community	43 (39)	37 (33)	21 (35)	17 (28)	15 (26)	11 (19)	79 (34)	65 (28)
3	Farmer Group	Community	40 (36)	34 (31)	12 (20)	11 (18)	11 (19)	13 (22)	63 (28)	58 (25)
4	Group of Health Service Post	State	25 (23)	20 (18)	7 (12)	5 (8)	4 (7)	3 (5)	36 (16)	28 (12)
5	Funeral Group	Community	0	0	16 (27)	15 (14)	0	0	16 (7)	15 (7)
6	Group of Housewife (<i>dasawisma/ PKK</i>)	State	4 (4)	3 (3)	2 (3)	2 (3)	12 (21)	9 (15)	18 (8)	14 (6)
7	Village parliament	State	2 (2)	2 (2)	3 (5)	1 (2)	2 (3)	2 (3)	7 (3)	5 (2)
8	Village Development Committee	State	3 (3)	3 (3)	2 (3)	1 (2)	0 (0)	0	5 (2)	4 (2)
9	Civilian Defense (<i>Hansip</i>)	State	1 (1)	1 (1)	1 (2)	0	1 (2)	1 (2)	3 (1)	2 (1)
10	Group of driver	Community	1 (1)	0	0	0	0	0	1	0
11	Youth group (<i>karang taruna</i>)	State	1 (1)	0	0	0	2 (3)	0	3 (1)	0

Source: Field Survey, 2013

Note: Number in parenthesis indicates a percentage

This study is also interested to understand the inclusiveness of organization, especially in term of economic background of the active members. Such understanding in this matter is important to understand the quality of social relation in the study villages. Inclusiveness of organization is expected to facilitate social capital, especially when the marginal groups or the poor can participate actively and equally. This study assumes that the more inclusive a community group is; the stronger is the horizontal relationship of members and therefore the stronger is the social capital. It was found that the existing groups were quite inclusive, which means that the poor and non-poor join in the group. There was no significant difference of membership across different economic status (Table 6.2).

Table 6.2. Number of Groups Actively Joined By Respondents

No	Category	Number of groups being actively joined					P value
		None	1 group	2 groups	3 groups	4 groups	
1	Village	19(17)	45(41)	26(23)	18(16)	3(3)	0.734
		11(18)	22(37)	14(23)	12(20)	1(2)	
		13(22)	25(43)	15(26)	5(9)	0(0)	
2	Economic background	13(22)	27(46)	14(24)	5(8)	0(0)	0.365
		9(25)	14(39)	10(28)	3(8)	0(0)	
		7(17)	18(44)	6(15)	9(22)	1(2)	
		14(15)	33(35)	25(27)	18(19)	3(3)	
	Total	43(19)	92(40)	55(24)	35(15)	4(2)	

Source: Field Survey, 2013

Note: Number in parenthesis indicates a percentage

6.2.2. Utilization of Social Capital

The existence of informal groups was due to their role to address various livelihood problems in the study villages, for example by providing rotating savings and credit, maintaining facilities, organizing prayer, etc. Although these groups were active, which means that they had periodical meeting and tried to solve the common problems of the members, it did not always means that matters of public policies, development programs and governmental affairs were discussed here. More often, those matters were discussed only by village officers, village parliament and village development committee. Besides membership in these three organizations was very limited, their meetings remained un-directly accessible by most of the villagers. Therefore, respondent understanding on some general matters related to decentralization in Indonesia was relatively low (Figure 6.1). Two elements measured in this study were the understanding on some general terms of decentralization, and the understanding on some selected major poverty alleviation programs implemented during decentralized system.

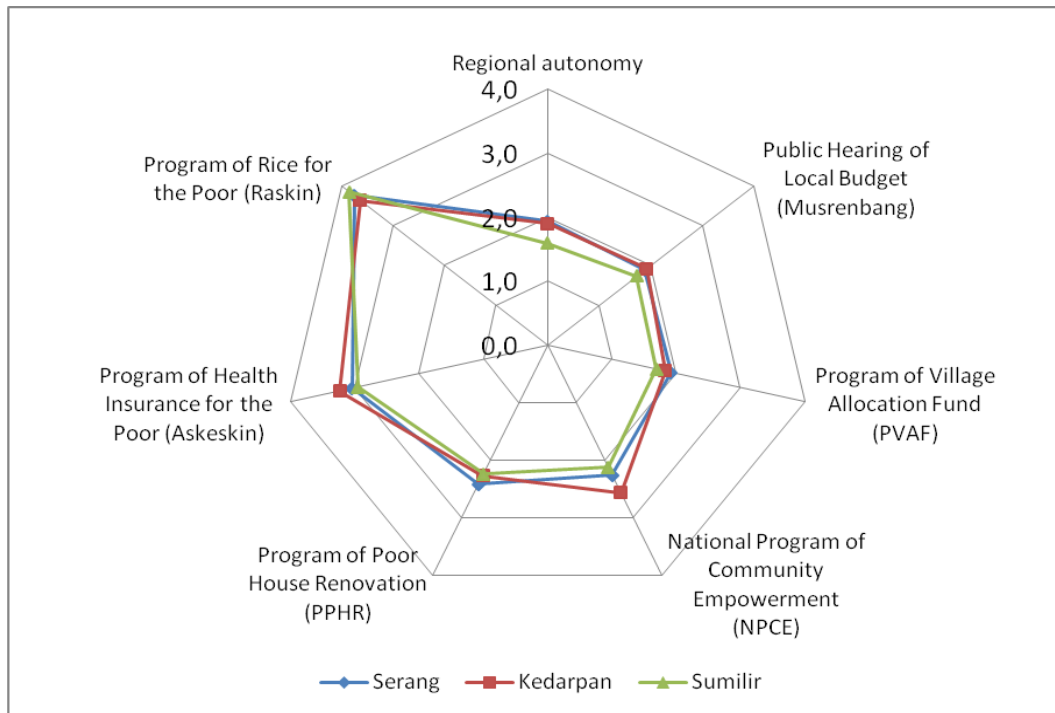


Figure 6.1. Understanding of Respondents on the Some Matters Related to Decentralization

Source: Field Survey, 2013

Note: Scoring method: Never heard=1; Heard, but not understand=2; partially understand=3; Understand=4

Respondent understanding on some general matters related to decentralization in Indonesia was relatively low. Two proxies used in this study were the understanding on the term of “regional autonomy (*autonomy dearth*)”, which was broadly quoted and mentioned in Indonesia, and “Public Hearing of Local Budget (*Musrenbang*)”, which was an annual event of participatory budget formulation in district and village level. Surprisingly, even though these two terms had been used for quite long time, most of the respondents answered that they only heard, but did not understand the meaning.

Most respondents had a relatively similar level of understanding on some major programs of poverty alleviation implemented in the study villages. There were several programs used as the indicators in this study. Program of Rice for the Poor (*Raskin*), Health Insurance for the Poor (*Askeskin*), and Program of Poor House Renovation (PPHR) were social protection programs delivering rice, free health card and renovation fund,

respectively. Further, National Program for Community Empowerment (NPCE) and Program of Village Allocation Fund (PVAf) were infrastructural development programs implemented since 2004 and 2006 respectively. Except understanding about *Raskin* and *Askeskin* program, the understanding of respondents on the other programs was low. The highest understanding was about the program of *Raskin*, in which most respondent became the beneficiaries.

6.3. Discussion

The findings of this study are contrary with many concerns that social capital has been disappeared due to a long time state intervention during the New Order. As presented in the previous section, diverse community groups existed, ranging from neighborhood, farming, religious, funeral, women and many others. They facilitated social relations of the villagers, provided some kind of social service where the government usually cannot do, and tried to solve some livelihood problems.

The main problem of social capital in Indonesian rural community is not about its existence, rather about its utilization. So far, the Indonesian government has not seriously taken issues on the utilization of the social capital to execute decentralization Indonesian. The design of decentralization, as stipulated in the existing laws and regulations, emphasizes more on the role of formal institution of village government where membership is limited and access are difficult. The village government is not set-up to interact with the informal institutions by the law. Thus, the key point to emerge from this study is that the existing community groups do not reflect the civic traditions. The current relation between the government and informal institutions is indifferent. If the villagers are indifferent with the government, they will mainly engage as a passive actor within the development programs.

Although some informal groups may be internally strong, lack of external connections with the government has limited their effectiveness. To refer the typology of social capital by Szreter (2002), the existing network is only a bridging social capital among the members, but not linking with the government. Lack of connection with external actors having higher power implies to the lack of empowerment to the member. The informal institutions are like unused resources in decentralization. They exist in the community, and the members indeed utilize them to serve their interest, but the government does not. The under-utilization also means that social capital will not be able to grow simultaneously. As this study shows, after about twelve years of decentralization in Indonesia, community still have less understanding on some very basic term of decentralization.

6.4. Conclusions and Policy Implication

Community social capital in the study villages is generally supportive enough for decentralization. This is indicated from the active membership of many respondents in rural institutions, mostly those informal. However, social capital is not utilized well to execute decentralization since informal institutions are not given an opportunity to enter village political arena. While social capital exists within informal institutions and operates at the farthest in hamlet level, decentralized system is exercised by formal institution where membership is limited and operating at village level.

For the success of decentralization, and as a way to develop community capacity, this study recommends the government to involve informal institutions in the execution of decentralization. The regulations on decentralization should oblige village government to involve informal institution in developmental decision-making.

Chapter 7 . Capacity of Village Government in Implementing Decentralized Development

7.1. Introduction

There is a notion that rural institutions originally have capacity to solve local problems. In one sense, this notion is very reasonable. Compared to the outsiders, rural people and their institutions are accustomed with their problems and the possible ways to solve. Based on an assumption that some capacity exists at rural institutions, it is suggested that central government, donors and consultants not to interfere rural community. They should facilitate rural institutions by conducting empowerment, giving discretion to make decision and providing financial and technical support needed (Cohen & Peterson, 1997; Parker, 1995; D. Rondinelli, A. & Cheema, 2007)

Various development programs have been implemented in many countries by emphasizing on role of local institutions. Program of rural community forest in Nepal is one example of success story of institutional approach in local resource management. Chetri, Joshi, and Maharjan (2007) and Joshi and Maharjan (2007) find that local institution in rural Nepal can successfully manage forest resources, somehow making forest conservation go hand in hand with rural poverty alleviation. Another example is the study by Blair (2000) on empowerment of local government in Bolivia, Honduras, India, Mali, Philippines and Ukraine. Blair (2000) finds that empowerment of local government bodies leads to increase in their responsiveness and quality of public services.

Despite the success stories of institutional approach, decentralizing development tasks to rural institutions will not be a simple work. Johnson (2001) states that in many countries experiencing a long time top down development, local capacity perhaps has been eroded. Similarly, UNDP (2002) concludes that despite training of thousands people, lack

of skills and weak institutions are still a major problem in many developing countries. In addition, although capacity exists, Bebbington (1999) argues that the likelihood that it can be realized to achieve good performance depends on capacity of other actors, social structure that determine pattern of relationship among actors, and complexity of problems that they want to solve. Therefore, one should avoid justifying the capacity by only looking at the performance, and vice versa, should not assume that good capacity will always result in good performance. The possibility of success in tackling rural problems depends not only on capacity of each rural institution as a separated group, but also on their ability to work together in a synergetic way.

An understanding about capacity of village government will help the government to formulate policy of capacity development to rural institutions. This chapter has three main objectives, which are to assess the current capacity of village government, to understand the realization of capacity to address local problems and to evaluate capacity development done by the government. The rest of this chapter is organized as follows: Section 7.2 will discuss the institutions covered in this study and indicators of their capacity; Section 7.3 will present findings, which consist of socio-economic condition of the selected institutions, capacity of selected institutions, realization of capacity, and capacity development done by the government; Section 7.4 will provide discussion; Section 7.5 will draw conclusion and policy implication.

7.2. The Institutions Covered by this Study

Many parts of the current landscape of village government are still a heritage of New Order policy in local political and development sphere during 1968 to 1998. At that time, to increase efficiency of top-down planning, through Law 05/1974 on Village, the regime homogenized village government structure and put it in the hierarchy of

administration as the lowest level of government (Antlöv, 2000; Smoke & Lewis, 1996; Tinker & Walker, 1973). Various institutions were established in rural areas, and not only they existed throughout all villages with the same structure, but also they were the only organizations through which community voices to government could be channelized and the development programs would be delivered (Antlöv, 2000, 2003; Evers, 2000). After decentralization policy, most of the institutions still existed without substantial change. The only substantial change was introduction of village parliament.

Since decentralization is a matter of task distribution among government levels, the nature of village as government level is more prominent in the regulations rather than as a community group. Regulation of Ministry of Home Affairs (MoHA) 5/2007 on Rural Community Institution principally distributes the tasks on rural development to several governmental institutions⁹, namely village officer, village parliament and village development committee. In addition, there are also four levels of rural leadership consisting of village head, hamlet head, upper neighborhood head and lower neighborhood head. They are the institutions practically involved in almost all rural development projects.

The following sub sections will briefly describe the origin, membership, function and capacity indicators attributed to each institution. By following Mizrahi (2004) suggestion that in an analytical framework, indicators of capacity should be made based on “capacity of whom” and “capacity to do what”, capacity indicators are set based on the tasks of each institution.

⁹ This study employs Uphoff (1985) classification on rural institutions. According to him, there are three types of rural institutions, which are governmental institution, membership institution and private institution. Governmental institutions are institutions whose the power are given by the government

7.2.1. Village Officer

Village officer consists of about ten people including village head, secretary, staffs and hamlet heads. Community directly elects village head every six years. Village secretary, staff and hamlet heads are recruited from villagers to serve up to 56 years old. While village secretary and staffs conduct village administration, hamlet heads are community leader in their respective areas. Among all institutions covered in this study, only village officers who routinely work in village office and earn salary from their position. Their salary comes from two main sources, which are *bengkok* land, which is a specific plot of land given to each village officer during his time of service, and some supplementary allowance given by district government.

The task of village officers is to administer rural development. Therefore, the indicators used to assess their capacity are the understanding on rural development mechanism, skill on proposal making, skill on budget reporting and skill to operate computer. Further, village heads and hamlet heads are a leader of their respective community levels. In planning stage, they are responsible to disseminate information, to formulate the strategy, to solve problems and to accommodate different inputs from community. In execution stage, they are responsible to encourage their community to participate. In evaluation stage, they are responsible to provide report for transparency and accountability. By considering these tasks and the concept of Javanese leadership identified by Maurer (1996) and Velsink (1996), their leadership capacity indicators are set as follows:

1. Informativeness, which is to provide information and to socialize development programs to community;
2. Creativity, which is to be able to identify the most effective way to solve local problems and to create new programs for betterment of local livelihood;

3. Fairness, which is to distribute development programs fairly without discrimination to all villagers;
4. Encouragement, which is to motivate people to participate in development;
5. Responsiveness, which is to give a fast respond to local problems;
6. Accountability, which is to provide a report of village budget;
7. Submission to consensus, which is to obey and consistent to decisions made by the meeting.

7.2.2. Neighborhood Group

Neighborhood group originally came from a *tonari gumi* system introduced by Japanese army during its occupation in Indonesia. Neighborhood group consists of two levels. The lower level is Neighbor Solidarity Unit (*Rukun Tetangga /RT*), which is group of about fifties households living in the same areas. The upper level is Community Solidarity Unit (*Rukun Warga/RW*), which is the association of 2-5 RTs adjoining each other. All households are automatically members of neighborhood groups. Villager elects the heads every five years, and their position is set below the hamlet heads. However, they are not part of village officer.

Initially created to mobilize people, neighborhood groups have evolved to become community organization having broader functions ranging from maintaining neighborhood security, conducting demographic registration, generating community contribution, disseminating information from the government and linking communication between villagers and village officer. In this study, the role of neighborhood heads will be narrowed to those related to the implementation of rural development programs. The indicators of leadership capacity of neighborhood head are the same as those of village head and hamlet heads.

7.2.3. Village Parliament

Village parliament or *Badan Permusyawaratan Desa* (BPD) is new institution established after the decentralization policy in 2001. It consists of 5 to 11 people elected every six years and can be re-elected once. Different from the other levels of parliament where candidates run for election through political party, villagers run for village parliament not through political parties but directly as an individual. There is formally no work linkage between village parliament and the other levels of parliament.

Regulation stipulates that their tasks are to channelize community aspirations, to supervise village officer and to enact village decree. Therefore, capacity indicators of village parliament are the ability to generate aspiration and to monitor village government.

7.2.4. Village Development Committee

Village Development Committee or *Lembaga Ketahanan Masyarakat Desa* (LKMD) was introduced in 1980s. It consists of about ten people to execute physical projects. The head is elected every five years, more often only by neighborhood heads, while the members are selected by the elected head. The pattern of relationship with village officer and parliament is coordination, consultation and partnership.

The main tasks of Village Development Committee are to execute physical projects and to mobilize labors, cash and other resources. Therefore, capacity indicators of village development committee are technical skill in infrastructure building and ability to mobilize resource.

7.3. Results

7.3.1. Socio-Economic Condition of Selected Institutions

The education of most members was high secondary level. By considering that villager's education was commonly elementary school, graduating from high secondary level was good enough in the study villages. This means that the governmental institution members mostly came from better educated groups within the community. In term of age composition, those in Serang were averagely younger than the other two villages. Serang and Kedarpan also had younger village heads compared to Sumilir. Before becoming a village head, both Serang and Kedarpan village heads spent most of their time out of the village as migrants, and just came back to the village few years before election in 2008. No one of the two had experience in any rural institutions before. On the other hand, Sumilir had the oldest village head. He was ex of elementary school teacher, and had been active in some rural institutions long before the election. Further, Serang village head had the highest education level.

In term of occupation, the three villages had similar phenomenon. Farmer, civil servants and retired persons dominated the governmental rural institutions. This was an interesting phenomenon because civil servant and retired persons constituted only 2% in Serang, 3% in Kedarpan and 9% in Sumilir (BPS Purbalingga, 2011a, 2011b, 2011c). This study finds that besides they were generally more educated than the common villagers, they had more time to be active in village government. This was why they held many positions at formal rural institutions either those through selection or appointment process.

Table 7.1. Profile of Village Government

No	Institution	Village		
		Serang	Kedarpan	Sumilir
1	Village Head ❖ Education ❖ Age (year) ❖ Occupation background	Under graduate 38 Salaried job	Upper secondary 45 Business	Upper secondary 67 Salaried job
2	Other village officers ❖ Number (person) ❖ Average education (year) ❖ Average age (year)	12 10 45	11 10 43	12 11 42
3	Upper Neighborhood (<i>Rukun Warga /RW</i>) heads ❖ Number (person) ❖ Average education (year) ❖ Occupation background (farmer : non-farmer)	8 7 4:4	5 6 2:3	3 6 2:1
4	Lower Neighborhood (<i>Rukun Tetangga/RT</i>) heads ❖ Number (person) ❖ Average education (year) ❖ Occupation background (person)	33 6 25:8	11 8 7:4	9 8 5:4
5	Village parliament ❖ Number (person) ❖ Average education (year) ❖ Occupation background (farmer : non-farmer)	10 11 5:5	5 12 3:2	4 12 2:2
6	Village development committee ❖ Number (person) ❖ Average education (year) ❖ Occupation background (farmer : non-farmer)	15 12 8:7	12 12 3:9	9 11 1:8

Source: (BPS Purbalingga, 2011a, 2011b, 2011c)

7.3.2. Assessing the Capacity of Village Government

7.3.2.1. Village Officer

7.3.2.1.1. Leadership Capacity

Rural leaders, especially village head, are the most influencing actors within community. Community decision making is influenced very much by the perspective of rural leaders. Although the democratization movements after the fall of New Order regime might have decreased the extent of their power of rural leaders, the traditional hierarchical

relationship was still strong enough (Antlöv, 2000). The result of questionnaires distributed to villagers shows that total score of village head capacity was highest in Serang and lowest in Kedarpan (Figure 7.1). However, the highest score of hamlet head's capacity was in Kedarpan.

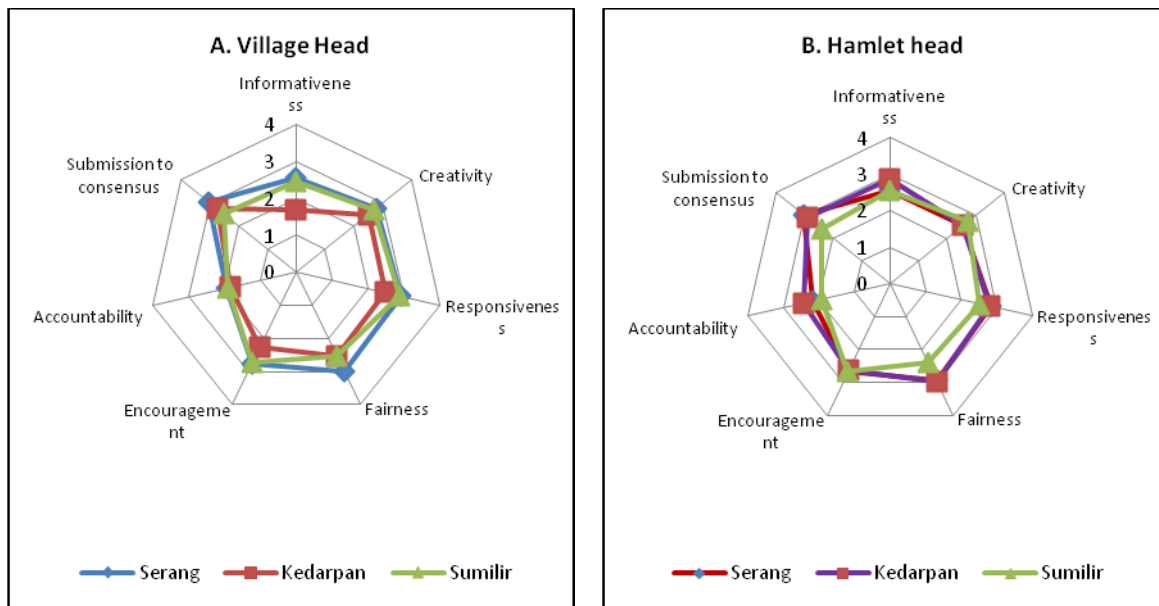


Figure 7.1. Community Perception on Village Head and Hamlet Head Leadership

Source: Field survey, 2012

Note: Scoring method: 1=Poor; 2=Slightly poor; 3=Good enough; 4=Good

In Serang, most respondents told that the village head was quite good in conducting his function as a community leader. The village head invite many villagers in village meetings and utilized the meetings to socialize government programs and to share his idea of development plan. During project implementation, the village head was willing to visit the location to control the workers, to join the villagers as well as to encourage them to become voluntary workers. The respondents also felt that he gave equal treat to all hamlets and villagers. All of this leadership practices contributed to a positive assessment from the villagers to Serang village head.

In Kedarpan, the respondents gave lowest assessment on the leadership capacity of village head. The decision of village head to apply strict representation system in the village meeting had contributed to a low assessment from the respondents. Documentary study on Kedarpan Village Government (2010) shows that village meeting was attended only by rural institution heads, mainly neighbourhood heads. Therefore, most villagers had limited understanding on what the village head had done as a community leader. Most villagers got information of development programs from hamlet and neighbourhood heads during a meeting in their respective area. Therefore, villagers in Kedarpan gave higher assessment to the hamlet and neighbourhood heads.

Among the seven indicators of leadership, score of accountability is the lowest. Observation finds that budget transparency like presenting report in a public information board was not practiced in the three villages. Also, from documentary study and interview, meetings of responsibility after projects were finished were not always conducted (Kedarpan Village Government, 2010; Serang Village Government, 2010; Sumilir Village Government, 2010).

7.3.2.1.2. Administration Capacity

Self-assessment questionnaire distributed to the village officers in Serang, Kedarpan and Sumilir shows that they had good enough skill in development administration (Figure 7.2). Observation and documentary study finds that the tools needed to conduct development administration had been available in each village office. There were at least two sets of computer and printer in each village office. In addition, the district government every year distributed various village administration books.

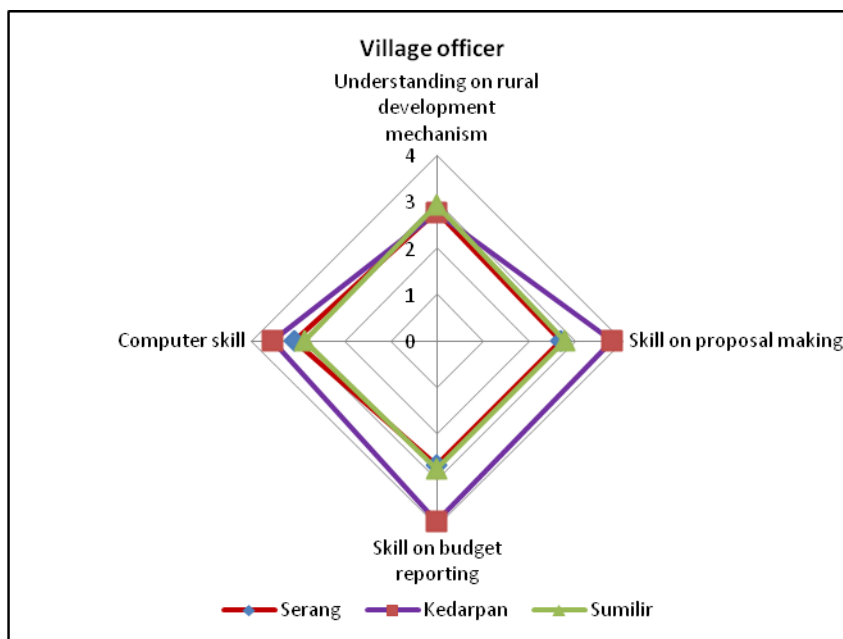


Figure 7.2. Self-Assessment Questionnaire on the Capacity of Village Officer
 Source: Field survey, 2012
 Note: Scoring method: 1=Poor; 2=Slightly poor; 3=Good enough; 4=Good

However, their administration skills were not always translated into action. For example, during visiting to the village offices, this study finds that the monograph board in the office wall was not up dated. The latest available data were about three years ago. Administration of development projects was bounded in a mimeo of annual report of development budget. However, the documents were mostly not accessible for the villagers. After this study accessed the documents, it found that the pages on budget plan, record of the expenses, bill proof, attendant list, technical drawing and photograph of outputs were quite well arranged because they were objects of inspection by the district staff. The rest pages on the report on difficulties or local problems were just copied from year to year (Kedarpan Village Government, 2010; Serang Village Government, 2010; Sumilir Village Government, 2010).

7.3.2.2. Neighborhood Heads

The heads of neighborhood groups formally should be elected every five years. However, in practice, once a person was elected, he could keep the position for longer time due to reluctance of the other villagers to hold the position. Having a quite many tasks but receiving almost no incentives was the main reason why the villagers were reluctant to become neighborhood head. The tasks of two levels of neighborhoods were overlapped each other. In most cases, the lower level was more active than the higher level. This is supported with the result of questionnaire that shows higher score of lower neighborhood heads (Figure 7.3). Among the four levels of community leader in village, the lower neighborhood head became the most favorable. They became a safety net when the upper community leader did not function. Neighborhood heads in Kedarpan got the highest scores, which might be resulted from the reliance of villagers on neighborhood to get information. As previously described, the village of Kedarpan applied quite strict representation system where the villagers had limited opportunity to be invited in the village meeting.

Neighborhood heads were the closest institution to community where daily community problems, complains and other affairs would first come to. Interview with the villagers reveals that most neighborhoods had periodical meetings, and information on development programs was sometimes delivered through this meeting. Therefore, it is fair enough to say that although neighborhood groups were initially established by the state as the tools to mobilize people, they had transformed to act for villager's interest rather than a vehicle of state control.

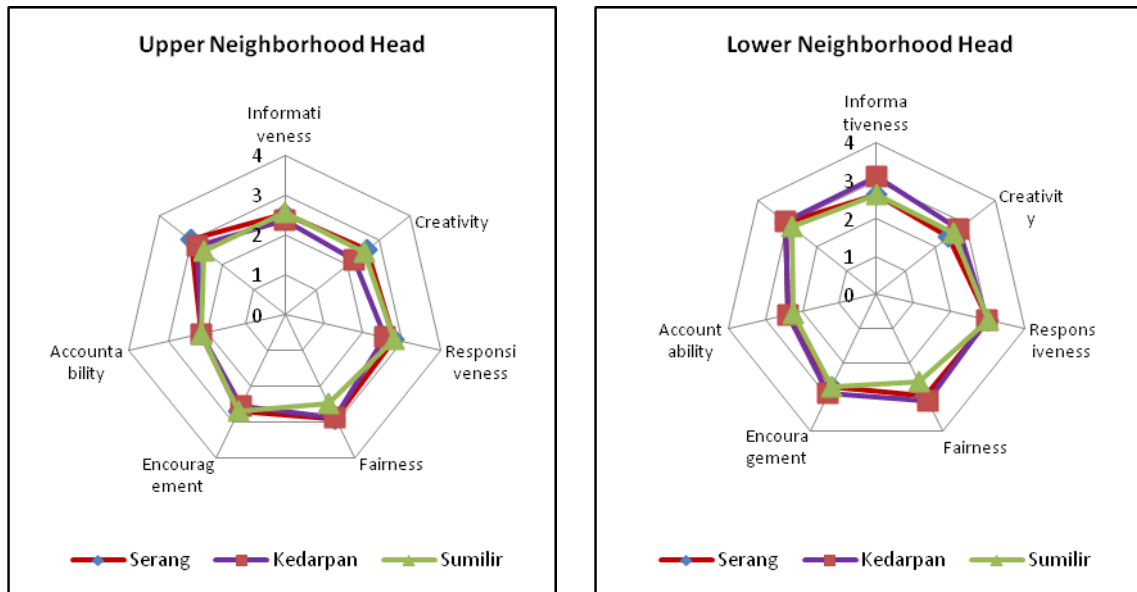


Figure 7.3. Community Perception on the Leadership of Neighborhood Heads
 Source: Field survey, 2012
 Note: Scoring method: 1=Poor; 2=Slightly poor; 3=Good enough; 4=Good

7.3.2.3. Village Parliament

Although empowered by law, the village parliament was somewhat confused as to what to do. There was also indication that they lacked knowledge to deal with specific problems. For example, the interviewed village parliaments told that their tasks were to give inputs and warning to village head. Yet, when more detail questions were given, for example, how if the inputs were neglected and warning was not effective, no clear answer could be generated. Mostly they answered to try to create consensus and to prevent an open conflict with village head. Village parliament in the three villages had never used their power to initiate village decree¹⁰.

Occupation background was seen to determine the ability to propose idea. Most of the village parliaments with farmer background were not capable enough to speak in front of a village meeting. Simply said, they came to the meeting but no idea could be

¹⁰ Summarized from the interview with the head of Kedarpan parliament in February 23rd, 2012, the head of Sumilir parliament in January 18th, 2012 and the head of Serang parliament in February 2nd, 2012

generated¹¹. Village parliaments with background of civil servant was usually more educated and experienced. However, because they were still a part of bureaucracy, they were usually reluctant to make open confrontation to government policies. This institution was also not so popular within community. Some villagers only knew village parliament members from their hamlet, even the other villagers forgot the parliament members. Villager's perception on the capacity of village parliament is presented in the Figure 7.4.

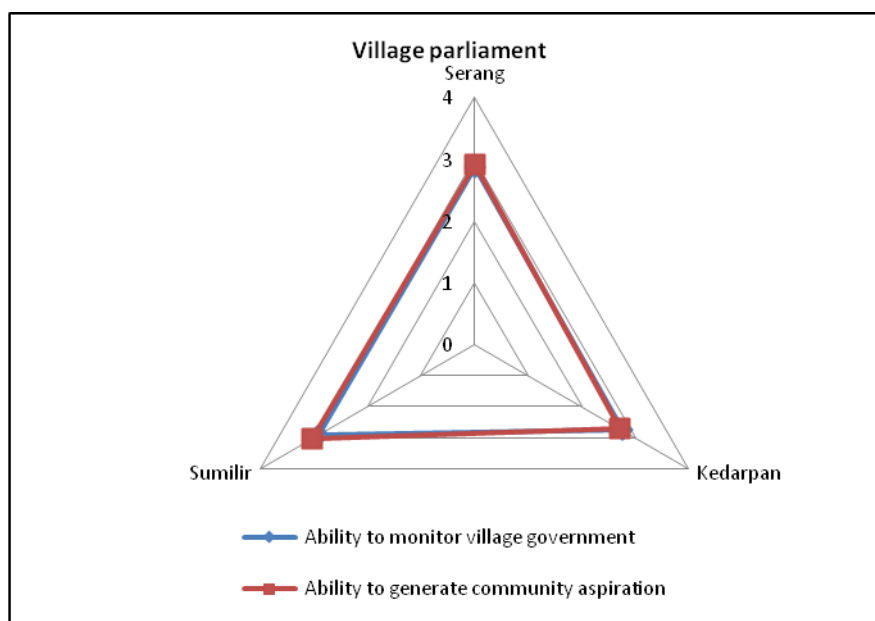


Figure 7.4. Community Perception on the Capacity of Village Parliament
Source: Field survey, 2012

Note: Scoring method: 1=Poor; 2=Slightly poor; 3=Good enough; 4=Good

Some weaknesses on the current regulations were identified by this study. As a village legislative body, regulations required no accountability mechanism of village parliament to community. For example, there was no legal obligation to notify the decision made by village parliament to the community.

¹¹ Summarized from the interview with the head of Kedarpan village in January 12th, 2012; the head of Kedarpan parliament in February 23rd, 2012, the head of Sumilir parliament in January 18th, 2012; and the head of Serang parliament in February 2nd, 2012

7.3.2.4. Village Development Committee

Village Development Committee was quite popular within the village due to its role in the team of rural development projects. They presented in almost all physical projects by designing the building and by coordinating the workers directly. The committee mainly consisted of villagers mastering construction, either by education or by experience. Therefore, they had sufficient skill to carry out a small-scale infrastructure development like road improvement, irrigation channel and small bridge. Villager's perception on the capacity of village development committee is presented in Figure 7.5.

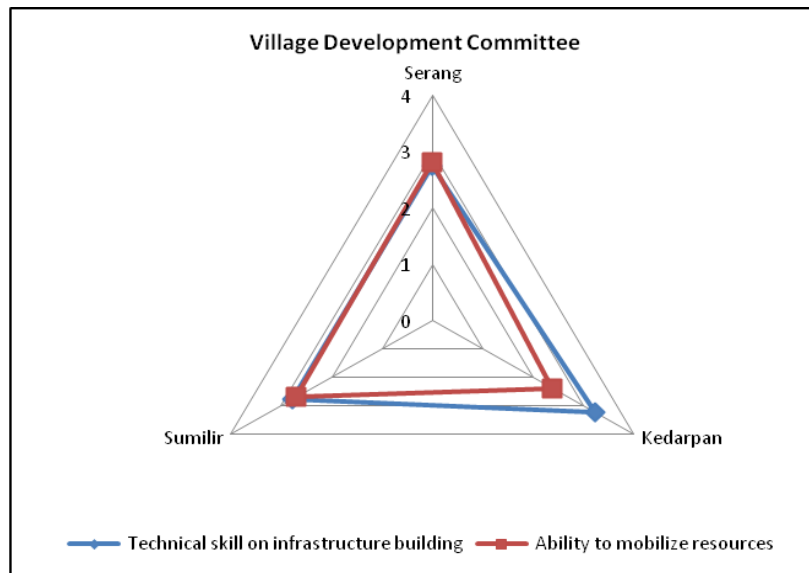


Figure 7.5. Villager's Perception on the Capacity of Village Development Committee

Source: Field survey, 2012

Note: Scoring method: 1=Poor; 2=Slightly poor; 3=Good enough; 4=Good

Regulation of MoHA 5/2007 stipulates that village development committee is community organization to be the partner of village head in mobilizing local resources and in executing development projects. However, the position of this institution is somewhat confusing. It is not clear enough whether the village head, village parliament or community who should control the committee. Villagers usually had limited access to the committee.

Interview with heads of village development committee reveals that they took position as a sub-ordinate of village head rather than as a representation of villagers. What they did was to implement the order given by village head, and they felt to be accountable more to the village head rather than to community¹².

7.3.3. Realization of the Capacity

The following sub-sections will present the evidences on how the existing capacity was realized to address local problems. Two types of major problems were identified in the study villages. *The first* was general problem, which was lack of physical infrastructure such as road, clean water facilities, irrigation, education and health infrastructure. These general problems were found in all villages. Further, limitedness of village budget had been the main difficulties to develop rural infrastructure. *The second* was specific problems, which were problems of income and livelihood difficulties. This specific problem was mainly related to ecological condition of each village. Serang, a high dry land with main commodity was vegetable, faced problems on decreasing soil fertility and difficulties to obtain capital to start vegetable planting. Kedarpan, a middle dry land with main commodity was cassava, faced problems on in-sufficiency of farming income to meet daily needs and lack of job opportunity outside of farming. Sumilir, a low wet land with main commodity was paddy, faced problems on decreasing soil quality and frequent rat attacks.

7.3.3.1. Case of Serang

To overcome the problem of budget limitedness for infrastructure building, the village head of Serang told that, so far, efforts to mobilize resources during physical

¹² Interview with the head of Sumilir village development committee in January 18th, 2012 and the head of Kedarpan village development committee in February 23rd, 2012;

infrastructure development was going well¹³. He, according to his statement, tried to involve rural institution heads and villagers as much as possible in village decision making. A meeting between village head, parliament head and development committee head was periodically conducted, at least two months once. List of meeting attendance in some project reports (Serang Village Government, 2010), as well as a planning meeting where the first author observe¹⁴, shows that many villagers attended. Most of villagers said that the village head was generous¹⁵. Combination of popularity of village head and fluent communication of rural institutions made resource mobilization could be done without substantial difficulties.

The area of Serang was also much larger than the other village, therefore its needs on infrastructure was also higher. In order to get more funds from the government, there was an idea to split Serang into two new villages. The idea had been discussed and agreed by the community. A formal letter to propose proliferation of village was sent to district government, and village head together with village parliament were lobbying some district officers.

With regard to problem of decreasing soil quality, either village head or officers told that village government could not do much effort to solve it. The problem was deemed to be out of villager's capacity. Some farmers started to utilize organic fertilizers from beef and chicken feces to normalize the soil quality. However, these organic fertilizers were difficult to be promoted since their supply and transportation did not run well.

¹³ Interview with the head of Serang village in February 2nd, 2012

¹⁴ Conducted in Serang Village on March 7th, 2011

¹⁵ For example is the case of village office reparation in 2008. Due to severely damaged, the office cannot be used for administration tasks. According to raw calculation of village development committee, full reparation could only be done within two fiscal years, as one annual budget was not sufficient. Surprisingly, the village head said that he was willing to provide the additional money needed for completed reparation from his own pocket as far as the villagers agreed to reimburse it in the following year. Through the meeting, this idea was agreed and the reparation could be started.

Some progress was found in effort to improve farmer's access to credit. In 2008, the village received a grant from National Program of Community Empowerment¹⁶ (NPCE) funds amounting to about IDR 100 millions. The village government used the fund to establish a borrowing and lending cooperative, from which villagers could lend the money without collateral. During the 2012 observation, cooperative was still functioning, and some villagers went there to get lending. Some limitations existed, in which the amount of fund was relatively small. The maximum amount of loan was only IDR 5 millions, which was still less far than enough to obtain all inputs to plant vegetable.

7.3.3.2. Case of Kedarpan

Different from Serang where the village head involved many villagers, Kedarpan village head applied a strong representation system within village meetings. Documentary study and participant observation shows that mostly neighborhood heads and development committee members who attended the village meeting¹⁷. There was no routine meeting among rural institution heads, rather, the meeting was conducted as per needs. Although the village head applied a strong representation system, hamlet and neighborhood heads were well functioning in bridging the communication between villagers and village head and in disseminating the information to community. Therefore, cash and labor could be mobilized without substantial barriers.

In order to get more access to district budget, Kedarpan village head also built a network with some district parliament members from this area. Entrusting development proposal to them was believed to have great chance of funding from district budget rather than the village head himself who submit to district government.

¹⁶ The program distributed grant to village government to be used for either infrastructure development, cooperation or other commonly managed economic activities

¹⁷ Conducted in Kedarpan on March 19th, 2011

With regard to the problem of in-sufficient income from farming, either village head, village parliament and village development committee admitted that nothing they could do. Mostly, it was argued that only if the farmers changed the main crops from cassava to the other commodity, then their income would be increased. Interview with village head reveals that about ten years ago, the government had distributed many seeds of durian in order to increase farmer's income¹⁸. However, the farmers gave limited cares, and most of the seeds were died.

Other than changing the crops from cassava to another commodity having higher economic value, no idea could be generated to identify a feasible way to provide job opportunity for villagers. Most villagers expected the government to attract investors to establish industry in the village. Some also expected the government to provide some training for the youth, for example mechanic course. However, what villagers expected was beyond the capacity of village government. Attracting investor was the tasks of district government, and the idea of delivering training for the youth had never been a priority in village budget. The only strategy of village government to improve villager's livelihood was by allocating some portion of village budget to some borrowing and lending groups in this village¹⁹. The other way, in order to facilitate the villagers in looking for job opportunity, village officers always eased the procedure when villagers needed a letter of reference from the village office to hunt the job.

7.3.3.3. Case of Sumilir

In Sumilir, resources mobilization was somehow problematic. The village head, village parliament and village development committee during separated interviews told

¹⁸ Interview with the head of Kedarpan village in January 12th, 2012

¹⁹ Documentary study shows that in 2010, the village government transferred capital assistance to women lending group as much of 10 Million Rupiah (Purbalingga District Government, 2011)

that in the village, it was very difficult to create consensus with villagers. For example, it needed a very long discussion just to decide the type and location of project. From the perspective of village head, he often felt that his policy was always challenged by some villagers. According to his unilateral conclusion, it might be provoked by one of the defeated candidates during the village head election several years ago²⁰.

Interviews with some villagers reveal relatively different information. Some villagers felt uncomfortable with the high number of familial relationship within village officers. In fact, it was found that five officers in the village office had familial relationship in the form of father and son or son in law. Further, the village head and the head of development committee had their son and daughter married each other. Therefore, in village meeting, villagers often had different opinion with village government in order to ensure that the village decision was fair to all villagers.

Interview with the officers of sub-district reveals that there were often mails sent by anonym from Sumilir village to complain on village government²¹. The problems in the relationship between some villagers and village officer had influenced the possibility of success of Sumilir village in overcoming their local problems. Although there were formally limited direct responds from the district government to those anonym mails, some reluctance from the district officers to accept the proposals submitted by Sumilir village might arise due to disbelieve that the project would be smoothly executed.

With regard to the problems on decreasing soil quality, just like Serang village, village government could not do any effort to overcome it. They actually understood that fallowing the cropland in one planting period might recover soil fertility. However,

²⁰ The current village head run for election in 2008 and won from the other four candidates.

²¹ Interview with the secretary of Kemangkon sub-district in January 28th, 2012

fallowing the land was not feasible for many farmers because this would make them had no income at all from the farming.

To overcome the problem on rat attacks, the farmers, coordinated by hamlet heads, periodically conducted rat hunting in the night during paddy growing session. District government distributed rat poison, firecracker and other tools needed to exterminate the rats. Even though it was not completely successful, this method was believed to help decreasing rat population.

7.3.4. Capacity Development for Village Government

On the paper, Purbalingga district government, as written in its Medium Development Plan, will prioritize capacity development for village government (Purbalingga Local Planning Agency, 2006). Documentary study on annual district budget shows that to develop the individual capacity of village officers, there was training conducted every year. The duration of the training was usually three to five days, with the delivered material includes socialization of the newest regulations, letter and archival matters and financial administration. To strengthen the organizational capacity of village government, the district government had distributed at least one motorcycle and two sets of computer to village office. Software on demographical registration and financial administration was also provided along with training for the operators. Besides these trainings on administration matters, technical trainings to address the livelihood problems were very limited. For example, training on agriculture and other working skill for the rural institutions as well as the villagers were very rare.

However, the district government focused only to develop village officer's capacity. Village parliament, neighborhood head and village development committee were still neglected. Although previous sections show that village parliament, neighborhood group and village development committee had capacity to conduct their function, their

existing competency were not a result of capacity development from district government. Rather, it was a result of learning by doing process.

Moreover, capacity development was not only about training, but also by giving opportunity for village governments to do more tasks on rural development. With regard to transfer of tasks on rural development, the district government had issued several regulations in order to provide legal framework of village government authority. One of the most important regulations was District Regulation 21/2007, which regulates the types of tasks transferred to village government. Among others, the tasks transferred to village governments were to develop rural small irrigation, rural roads, village polyclinics, kindergarten, sanitation and other small-scale infrastructure. However, the regulation was not followed by a commitment to deliver sufficient fund transfer to village government. The portion of district budget given to village government was still low constituted only about 5% of total district budget (Purbalingga District Government, 2010a).

7.4. Discussion

The previous sections have presented the capacities of rural institutions as well as their realization to address the existing livelihood problems. The findings of this study are generally in line with the argument of Bebbington (1999), who states that a good capacity does not always result in a good performance due to complex social cultural factors determining capacity realization.

The cases in Serang, Kedarpan and Sumilir suggest that the possibility of success in overcoming the livelihood problems is significantly influenced by how the village heads exercise their power. Thus, leadership capacity is very matters. Having the highest capacity scores of village head, Serang village can achieve relatively better result in addressing the livelihood problems.

Perhaps, the most general problems found in the study villages were the problem of coordination within village government. The relations between village head, village parliament and village development committee could not work as it was arranged in the village structure. Village head was still too powerful and too dominant in the village governance. The establishment of village parliament after decentralization policy in 2001 was still unable to make the power within village more balanced. Village parliament positioned themselves as farthest as to be the partner of village head while village development committees positioned themselves to be a subordinate of village head. Since decentralization requires that all rural institutions do their tasks and work together in the village governance without cultural barrier, an over domination of village head had in some extent hampered the possibility of success in solving local problems.

These general problems are particularly interesting to refer to the relationships between power and local culture. In the name of decentralization policy, the central government has transferred the power to village government. Given the local Javanese culture in seeing village head as a father of community and as the highest patron where the traditional power should be obediently followed, village governance during decentralized system is not much changed from the previous traditional pattern. The village heads, supported by their officers, still dominated the village politics and prevented the other institutions such as village parliament, village development committee and neighborhood head to perform their role, either in controlling the village head, in consultation with the village head and in demanding an equal position in village meeting.

Of course, this is not simply a cultural problem. Resources and support from the district government also matter. Among all rural institutions, it was only village head and his officers who got salary and organizationally had facilities. Village parliament, development committee, neighborhood groups were voluntary jobs receiving no incentives, thus it would be difficult to expect total devotion from them. Further, supports

from district government were so far given only to village head and officers. Village heads are the only institution legally accepted to represent the village with outsider, particularly district government. Thus, only village head who can develop network with the outsider. He had the best capacity among rural institutions, eliminating village parliament, development committee and neighborhood heads who struggle by themselves to understand complex issues of decentralization.

7.5. Conclusions and Policy Implication

Village government has good enough capacity to implement its respective tasks in rural development. Yet, realization of the capacity to address local problems is still limited, and only partial solution can be made. Weak coordination among rural institutions and limited budget availability are the major problem found in all study sites that hamper the realization of capacity to address local problems. Further, the district government has done limited efforts to develop the capacity of rural institutions. So far, it emphasizes more on capacity development for village officers while neighborhood group, village parliament and village development committee receives only little attention from the government.

Such effort of capacity development was needed for neighborhood group, village parliament and village development committee. The most urgent one may be the capacity development of village parliament and village development committee, which can be done by socializing the regulations and training to foster community participation in village governance like facilitating community dialogue, public hearing and development planning. Technical trainings to address the livelihood problems, like those related to agriculture and environmental matters, are also strongly recommended. Besides that, it is important to increase transfer of funds from district to village government, so that village government has enough financial resources to overcome local problems.

Chapter 8 . Community Participation in the Decentralized Rural Development

8.1. Introduction

Decentralization has transferred to village government not only a power to execute, but also to plan and to evaluate village budget. It is obviously different from the state-led rural development system previously applied by New Order regime. During that time, rural development initiatives mostly came from the upper village levels and community acted more as an object of development (Antlöv, 2000; Bebbington et al., 2006; Evers, 2000; Widianingsih, 2005). According to Rasyid (2002), Indonesian decentralization aims to encourage local initiatives by placing the center of decision making at the lowest level of government. It is expected that community will not only become a program beneficiary but also as an active subject of rural development.

Despite those expectations, the success of decentralization in promoting participatory development heavily depends on the mechanism offered by the regulation. At this point, a concern may arise to the viability of Indonesian decentralization to promote participatory rural development. This is because the existing decentralization laws explain more on transfer of power but less on mechanism to involve the community. Thus, the ways to involve community will depend on a locally made mechanism.

This chapter aims to analyze whether decentralized system has facilitated community participation in rural development. The rest of this chapter is organized as follows: Section 8.2 will discuss mechanism of community participation at village level; Section 8.3 will discuss findings of this study, which mainly consist of discussion on community involvement in planning, execution and evaluation in the study villages; Section 8.4 will provide discussion; Section 8.5 will draw conclusions and policy implication.

8.2. Mechanism of Community Participation

At the national level, the spirit of decentralization to promote participatory development is expressed in the Government Regulation 72/2005 on Village. This is the main implementing regulations of decentralization that specifically regulate the village government and rural development. In principle, the regulation mandates that village planning should be participative (Article 63.1). Village head should provide budget report to district government and village parliament, and should inform the villagers (article 15.2). Further, the regulation does not elaborate a mechanism to involve the villagers, rather, it mandates district governments to make a guide for village government under their supervision (Article 66).

The district government of Purbalingga has issued a guide on village budget management. This guide is made every year and legalized through a district head regulation (*Peraturan Bupati*). However, it is found that every year, the guide is seemingly always copied from the previous year without any change. The main essence of the guide is, among other, about stages in village budget management. According to the guide, the first stage of village budget execution is planning meeting to decide the utilization of village budget. The second stage is technical meeting in which the project team discusses the project technically. After the project is executed, the last stage is a responsibility meeting where the village head should present the project report. Further, it is stipulated that village meeting should be conducted by involving at least all members of village development committee, head of village parliament and one member dealing with development affairs, village officers, neighborhood heads and community prominent figures.

Here, this study finds some conflict between the national regulation and the guide made by district government. The spirit of participatory development mandated by regulation 72/2005 is deviated by the implementing guide, which limits community involvement only to some selected institutions. Informal institutions, like farmer groups, religious groups and many other traditional groups where social capital within community exist, are not involved. The mechanism also makes impossible for villagers to be involved as an individual, not representation of a group, in a village decision making.

8.3. Results

8.3.1. Community Involvement in Planning

Formalization of planning meeting was found in the study villages. It was conducted in the village office based on an invitation letter distributed to the attendant. The issue of formal invitation was decisive, because villagers could not join the meeting unless they were given an invitation letter. Especially for female household heads, obstacles discouraging their involvement were not only structural related to the formalization of meeting, but also cultural. When they were asked whether they would go or not if they received invitation, most of them preferred to stay at home rather than to attend the meeting. Their reasons varied from considering it as man's business, the meeting was often held during the night that was customarily inappropriate for women to go out of home, or feeling not able to speak in front of public.

Village head played a decisive role to decide who will be invited and how to conduct the meeting. In Serang, village head asked neighborhood heads to send five people from their neighborhoods to come to the village meeting. In Sumilir and Kedarpan, village head only invited neighborhood heads. This was quite different from Kedarpan, in which only the institution heads attended the village meeting. Based on interview with the

headman of Kedarpan, the main factor discouraging from applying open meeting was its inefficiency in terms of budget²². According to him, open meeting spent more operational costs to provide logistic for the attendants, something considered as wastefulness amidst village budget scarcity. However, this study argues that budget efficiency was not strong enough to be the main reason to reduce the number of meeting attendants. This could be seen from the case of Serang, in which the village head involved more villagers in the meeting. According to the headman of Serang, he preferred to invite many villagers to increase the legitimacy of the decision and to minimize the complaint from community²³. In the end, it was clear that the decision whether to apply open or representation meeting was not strongly motivated by cost saving of village budget. The decentralized rural development, as well as the mechanism to involve community in village decision making, was practically executed in the environment where village head had decided a mechanism deemed better to involve the villagers.

Respondent's involvement in planning was significantly higher in Serang. In Serang, besides attended by the institution heads, the meeting was also attended by many villagers. Further, respondents in Kedarpan village were the least involved in planning meeting (Table 8.1).

Villagers not invited in the village meeting might be still involved in planning in the neighborhood meeting where they were mostly just informed what the decision had made previously in village meeting. Indeed, participant observations find that the meeting at neighbor or hamlet level was more inclusive by involving more villagers²⁴. In addition, the meeting was held in the informal atmosphere where letter of invitation was not applied.

²² Summarized from the interview with Kedarpan village head in 19 March 2011

²³ Summarized from the interview with Serang village head in 26 February 2011

²⁴ Observation and discussion in hamlet meeting in Bojongsari in 28 March 2011

The weaknesses of this meeting were because it functioned mostly only to disseminate information, not to make a decision.

Table 8.1. Respondent's Involvement in Planning

No	Indicators	Village				P value
		Serang	Kedarpan	Sumilir	Total	
1	Involvement in planning					0.00***
	❖ Never	15(13)	20(33)	11(19)	46(20)	
	❖ Rarely	25(22)	23(38)	17(29)	65(28)	
	❖ Often	69(61)	14(23)	28(48)	111(48)	
	❖ Always	4(4)	4(7)	2(3)	10(4)	
2	Generating idea in planning(n=186)					0.11
	❖ Never	23(23)	5(12)	19(40)	47(25)	
	❖ Rarely	51(52)	22(54)	22(47)	95(51)	
	❖ Often	22(22)	13(32)	3(6)	38(20)	
	❖ Always	2(2)	1(2)	3(6)	6(3)	

Source: Field survey

Note: *, **, *** means significant at 10%, 5% and 1% respectively

8.3.2. Community Involvement in Execution

Villagers participated in project execution mainly by becoming paid workers, contributing cash or material and engaging in voluntary working. Voluntary working was the most preferred form of participation in project execution. Participation in Serang was significantly higher than in the other village (Table 8.2).

Still related to resource mobilization, this study finds that the wage for village government sponsored projects was set below the standard. In Sumilir, the wage of a laborer in road asphaltting project in 2010 was set at IDR 20,000 per day (the wage standard at that time was about IDR 24,500) while the wage of skilled mason was set at IDR 30,000 per day, compared to the wage standard of IDR 32,500. Data from several project documents in Kedarpan and Serang also confirmed similar phenomenon. Although considered unjust, it could ensure that the workers of government-sponsored projects were

poor households. The non-poor were reluctant to become workers in those projects since they still could earn more income from other jobs.

Table 8.2. Respondent's Involvement in Program Execution

No	Indicators	Village				P value
		Serang	Kedarpan	Sumilir	Total	
1	Times of voluntary working a year					0.00***
	❖ Never	2(2)	3(5)	4(7)	9(4)	
	❖ 1-6 times	2(2)	9(15)	14(24)	25(11)	
	❖ 7-12 times	3(3)	32(53)	39(67)	74(32)	
	❖ More than 12 times	104(94)	16(27)	1(2)	121(53)	
2	Days of becoming the paid worker a year					0.260
	❖ Never	97(87)	47(78)	47(81)	191(83)	
	❖ A day to 14 days	9(9)	7(12)	7(12)	23(10)	
	❖ 15 days to one month	4(4)	6(10)	2(3)	6(6)	
	❖ More than a month	1(1)	0(0)	2(3)	3(1)	
3	Amount of cash/material contribution a year (IDR)					0.140
	❖ None	69(62)	44(73)	39(67)	152(66)	
	❖ < 100,000	23(21)	9(15)	17(29)	49(21)	
	❖ 101,000 - 500,000	14(13)	5(8)	1(2)	20(9)	
	❖ > 500,000	5(5)	2(3)	1(2)	8(3)	

Source: Field survey

Note: *, **, *** means significant at 10%, 5% and 1% respectively

Community participation in project execution should ideally be a voluntary action selected by each villager. However, there were cases where community contribution was coercive, for example by cutting the salary of worker to add the amount of cash contribution. In some cases, the workers were made unaware that their salary was cut due to un-accessibility of budget document. The example was in the road-building project of Kedarpan village in 2007. At the time, worker's wage was reduced by IDR 1,500 from the wage of IDR 18,500 per day per worker to be counted as cash contribution. The village government should do this to reduce the expenses since the community insisted the village government to lengthen the road up to about 1 kilometer while the available fund was only about IDR 81 million, which was only enough for building a road with a length of 600 meter²⁵. Of course, this case was not simply an issue of coercive mobilization since it was

²⁵ Interview with the LKMD head in Kedarpan Village, in 19 March 2011

also respond to community insistence to lengthen the project quantity. From the other perspective, this case could also be regarded as a method to seek a way out of the problem on fund limitedness.

It was also found that decentralizing rural development to village government led to a more efficient spending in obtaining building material, especially in Serang and Kedarpan (Table 8.3). The expenses in infrastructure development were cheaper compared to the standard of price set by district government in the same year for respective area²⁶. Village government could obtain them from the producer directly with a cheaper price. This was different from the district government sponsored projects where registered supplier supplied the material.

Table 8.3. Cost of Some Building Materials in Rural Development in Serang, Kedarpan and Sumilir, 2010

No	Material building	Serang (<i>madrassa</i> building)			Kedarpan (river bank improvement)			Sumilir (road improvement)		
		The cost spent by the village	The price standard set by government for this area	Comparison of cost	The cost spent by the village	The price standard set by government for this area	Comparison of cost	The cost spent by the village	The price standard set by government for this area	Comparison of cost
1	Stone for foundation	70.000	93.500	25% lower				81.430	81.430	Same
2	Stone (2/3 size)	195.000	198.000	2% lower				167.475	167.475	Same
3	Stone (5/7 size)							96.290	96.290	Same
4	Stone (3/5 size)							103.375	103.375	Same
5	Stone (10/15 size)				67.500	67.570	Same			
6	Sand for mortar	160.000	165.185	3% lower	65.500	76.810	15% lower	80.850	80.800	Same
7	Sand fill	55.000	60.060	8% lower				69.300	69.300	Same
8	Land fill	45.000	60.060	25% lower	53.000	58.330	9% lower			
9	Brick/clinker	400	440	9% lower				450	440	2% higher
10	Concrete tile	1.100	1.100	Same						
11	Wage of laborer	20.000	24.500	18% lower	20.000	24.500	18% lower	20.000	24.500	18% lower
12	Wage of skilled mason	30.000	32.500	8% lower	30.000	32.500	8% lower	30.000	32.500	8% lower

Source: Kedarpan Village Government (2010), Serang Village Government (2010), Sumilir Village Government (2010)

²⁶ Every year, the district government issues a regulation on the standard of price for government expenses. The standard is set differently into four categories of areas by considering the difficulty of location and transportation.

8.3.3. Community Involvement in Evaluation

Decentralizing rural development to village government aimed to increase community control to development funds. For this objective, transparency in the fund utilization was compulsory to create government accountability. Yet, in general, this study finds that budget transparency was not well practiced. Such practice to present a report in public information board was not always conducted. The public information boards in village offices were not updated. For example in Sumilir village office, during a work visit in January 2012, a public information board in the office was still presenting some general information about 2010 village budget. The responsibility meeting, which was supposed to be a forum to present the fund utilization and to hand over the outputs to community, was not always implemented. Thus, it was therefore not surprising that most respondents (80%) stated that they were never/rarely informed about fund utilization. Here, again, respondents in Serang were significantly more informed than the other villages (Table 8.4).

Table 8.4. Respondent's Involvement in Evaluation

No	Indicators	Village				P value
		Serang	Kedarpan	Sumilir	Total	
1	Informed about utilization of fund					
	❖ Never	31(27)	19(31)	26(45)	76(33)	0.042*
	❖ Rarely	62(55)	24(39)	25(43)	111(48)	
	❖ Often	16(14)	17(28)	6(10)	39(17)	
	❖ Always	4(4)	1(2)	1(2)	6(3)	

Source: Field survey

Note: *, **, *** means significant at 10%, 5% and 1% respectively

Although in many cases the utilization of fund was not reported to community, this study finds that actually all the three villages always made a project report, but they kept it safe in the office and submitted only to the district government via sub-district head. Thus, the village governments still orientated their accountability to the upper government level rather than to the community.

To where the village government would be accountable was related to an issue on power relation. So far, community had no power to hold the village head accountable and transparent to them. On the other hand, although in decentralized system there was no direct command line from district to village government, the former was still powerful to the later. The other reason was the incentives of giving report to district government. If village government was failed to submit the report on time, the district government would delay transfer of fund as well as give punishment by reducing the amount of the next year transfer. The existence of punishment motivated the village heads to submit report routinely, as it would also show that village government could execute the project well. The punishment itself was a crucial threat because up to now, the main source of village budget was transfer from district government. Although village government could look for internal revenues, no one of the study villages was able to earn. Facilities like village market and motorcycle pedicab pool, from which village governments could impose charge, or village government's enterprises that could provide profit, were not available in the study villages.

Open complain from villagers was limited. Not all villagers especially the poor had the bravery to make protest since they did not want to be regarded as troublemakers or were afraid that it would cause troublesome when they administered official letters in the village office. Some indirect protests were expressed through a reluctance to join the village government sponsored activities. Villagers themselves unintentionally developed some kind of tolerance to fund misusing. They might sometimes be aware that several projects suffer from corruption just by seeing their construction quality or by comparing to the other projects using the same amount of fund. As far as they thought it was only a petty corruption, they would not openly complain. Among the study villages, there was a case of fund misusing reported in Serang in 2007. At that time, the village development team was

suspected to misuse about IDR 10 million from village budget. Since public complain resulted in no settlement at village level, community then reported it to sub-district head. Instead of bringing the case to the police for legal settlement, the sub-district head preferred to issue administrative sanction for the doers and to ask them to return the fund. The case was closed in 2008 after the doers returned the fund.

8.4. Discussion

Literatures argue that direct participation is better than representation system. In this regard, decentralization is promoted based on an assumption that the more local a power is executed, the higher is its potentiality to promote direct participation, inclusive decision making, optimum resource mobilization as well as better accountability and transparency. However, it is indeed recognized a considerable scope for enhancing a direct participation. For example, just in a village of 500 households, it is seen that direct participation in every moment of public decision-making is impossible. Thus, representation mechanism was unavoidable to overcome this problem.

Blair (2000), through his review on decentralization practices in Bolivia, Honduras, India, Mali, the Philippines and Ukraine, finds that a real participatory development will be achieved only if decentralization involved as many citizens as possible in decision making. Further, when a direct participation is seen impossible due to the area size and number of population, he suggests that the regulation should guarantee the participation of marginalized groups in the established representation system. He also suggests that accountability of local government should not rely only on formal mechanism, but also through informal mechanism.

What happening in Indonesia, especially in Purbalingga district, is an opposite of the suggestion made by Blair. The spirit of participatory rural development mandated by

the national regulations is deviated by a locally established mechanism made by district government. While Blair (2000) suggests that the marginal groups should be guaranteed in public decision making, the procedure made by Purbalingga district conversely mandates the formal institutions like village parliament and development committee to be the core institution in village meetings. By only making compulsory for village head to involve formal institution, then informal institutions and marginalized groups have been excluded from the village meeting. Informal institutions where most villagers actively becoming the members, like farmer groups, religious group and many other traditional groups, are not involved. Less involvement of informal institutions creates problems of representativeness.

As this study has presented, the ways to seek community participation in the study villages is through formal method. The formalization of village meeting, which has become the obstacle of inclusive participation, is also seen the results of the current administrative reporting system. Village government needs letter of invitation, signature, bill of meeting logistic and so on to be the proof of spending submitted to district government. This also seems to be the structural barrier inherited from the New Order policy to bureaucratize the village governance.

Indeed, regulation is not the only factor influencing the success of decentralization in promoting participatory development. It is found that leadership of village head is another influencing factor in promotion of community participation. In a condition where village head is still the most powerful actor within village, the way of involving people depends on his inclination.

It is also found that the mechanism of accountability emphasizes more on formal method, especially through reports to district government and village parliament. The study villages do not use informal methods like presentation to the villagers directly or indirectly through public board. The formalization and upward orientation of

accountability of village government implies that lack of community control over village government. As an impact, community involvement is currently just a pseudo-participation emphasizing more on the resource mobilization but less in planning and evaluation.

8.5. Conclusions and Policy Implication

The spirit of participatory development mandated by decentralization laws is deviated by the locally established mechanism of participation. Thus, Indonesian decentralization has not completely facilitated a real participatory development. Community was involved more in the project execution, but less in planning and in evaluation.

Decentralized system requires more than just transferring power on planning, execution and evaluation to village government. Perhaps more important, there should be a general guide on the way to involve villagers and the mechanism of complain by considering local social and political context. Regulation should oblige village government to involve informal institutions and the marginal groups in village decision making. Further, the district government should monitor the implementation of this regulation.

Chapter 9 . Rural Poverty Alleviation during Decentralization

9.1. Introduction

During the New Order regime, Indonesia experienced remarkable reduction in poverty rate. From 1968-1997, the headcount poverty was declined from 60% to 17% of population (BPS et al., 2001). Although being impressive achievement, the government at that time had no specific poverty alleviation programs. The reduced levels of poverty were attributable to heavy price subsidies and benefits of Green Revolution (BPS et al., 2001; Manning, 1988)

The 1998 economic crisis reversed many economic gains made by the regime. With weakened financial position, the government was not able to continue most subsidy programs. Further, with the devolution of power through decentralization policy, the government changed its strategy on poverty alleviation, moving away from price subsidies to programs directly targeting the poor.

This chapter aims to measure their targeting effectiveness and impacts on some selected poverty indicators. In addition, this study will also discuss the changes in some selected sectors at district and village level. The rest of this chapter is organized as follows: Section 9.2 will discuss changes in some sectors at district level; Section 9.3 will discuss change in some poverty indicators at village level; Section 9.5 will present changes in poverty indicators at household. This section will consist several sub-sections presenting programs and poverty indicators used in impact measurement; targeting effectiveness of selected programs; change in socio-economic condition of respondents and case studies on some selected respondents; Section 9.6 will provide discussion; Section 9.7 will draw conclusion and policy implication.

9.2. Changes in Some Sectors at District Level

As it has been discussed in Chapter 5, Agriculture, infrastructure, health and education constituted the most important sectors in rural development. In agriculture sector, the irrigation was relying on 159 dams built by the New Order regime during 1970s to 1980s, in which 25 of them were seriously damaged. The length of technical irrigation channel before and after decentralized system was relatively same, only increased by about 19 km. Enlargement of irrigation coverage was done only through small-scale irrigation channels built by village governments. Their scope was often very small, with length less than 1 km. As an impact, rice production was relatively stagnant over the years. Further, growth of GDP of agriculture sector during decentralized system was getting slower than before (Figure 9.1).

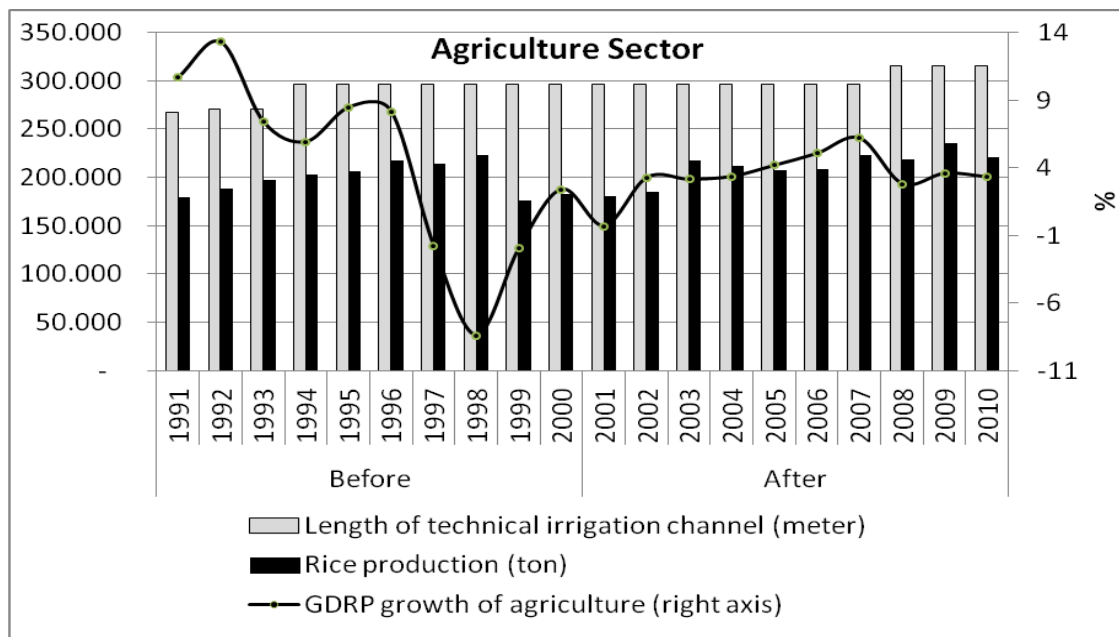


Figure 9.1. Irrigation network, production of paddy and the growth of GRDP of agriculture sector in Purbalingga district, 1991-2010

Source: BPS Purbalingga, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005

In infrastructure sector, from about 710 km of total district road, data in 2010 show that 95% of them were asphalted, or an increase from 52% in 2000. Yet, by 2010, only 45% of them were in good condition. With regard to clean water facilities, up to 2010, about 79% of households accessed clean water, compared to that of 31% in 2000 (Figure 9.2).

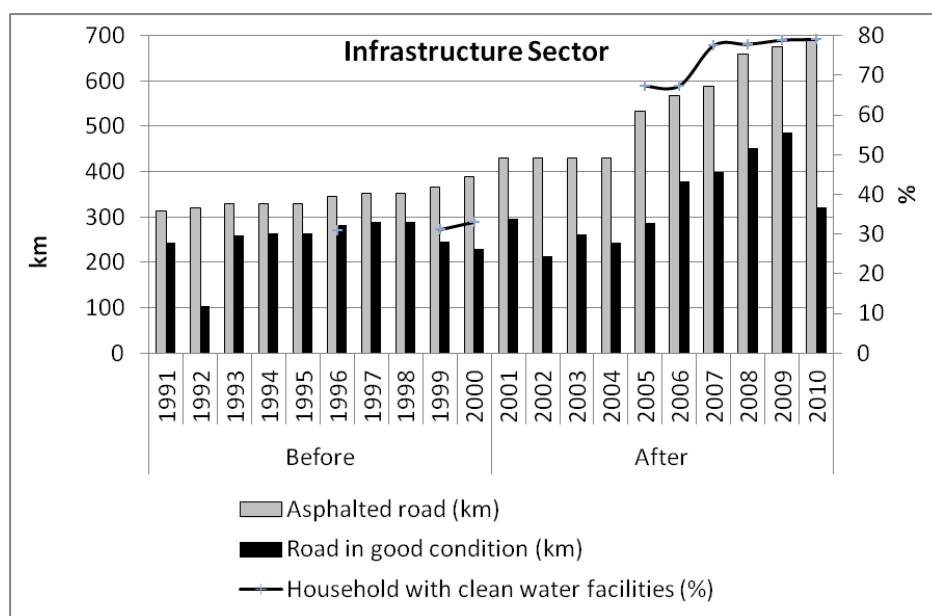


Figure 9.2. Road and clean water development in Purbalingga district, 1991-2010
 Source: BPS Purbalingga, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005

With regard to health sector, up to 2010, the district government has built about 21 new village polyclinics. Further, about 43% of households were covered by the social health insurance. The impact of development of health sector can be seen from several key indicators like infant mortality rate, mother mortality rate, and life expectancy rate. It is found that life expectancy increased over the years while infant mortality rate seems stagnant, and mother mortality rate seems fluctuating (Figure 9.3).

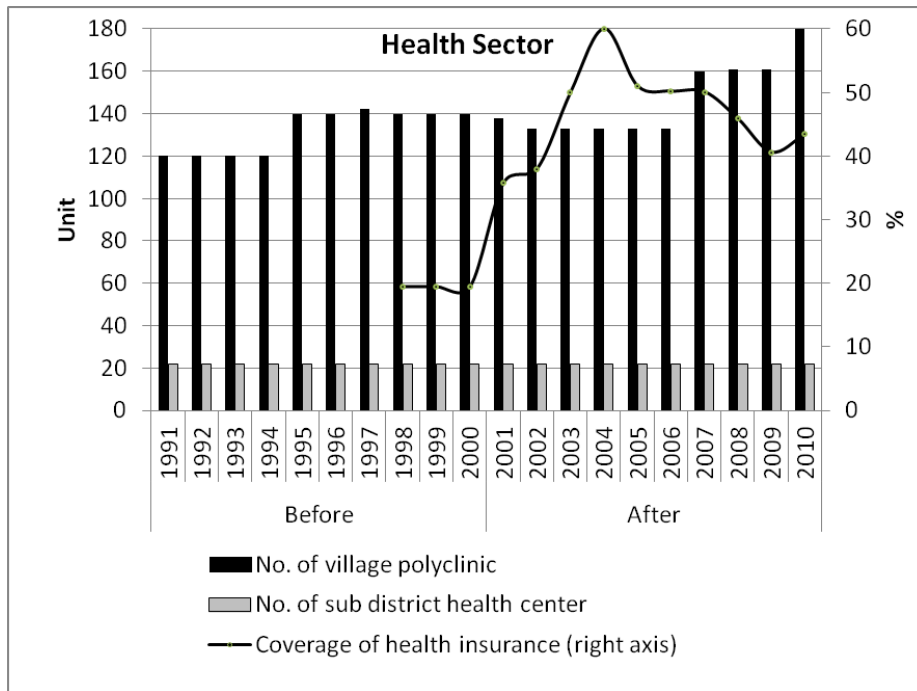


Figure 9.3. Health indicators in Purbalingga, 1991-2010

Source: BPS Purbalingga, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005

With regard to education sector, from 2001 to 2010, the district government built 113 new kindergartens, 21 new lower secondary schools and 45 new upper secondary schools. Net Enrolment Ratio (NER) of lower secondary school has considerably increased during decentralized system. However, NER of elementary school and upper secondary school seems does not show significant increase (Figure 9.4).

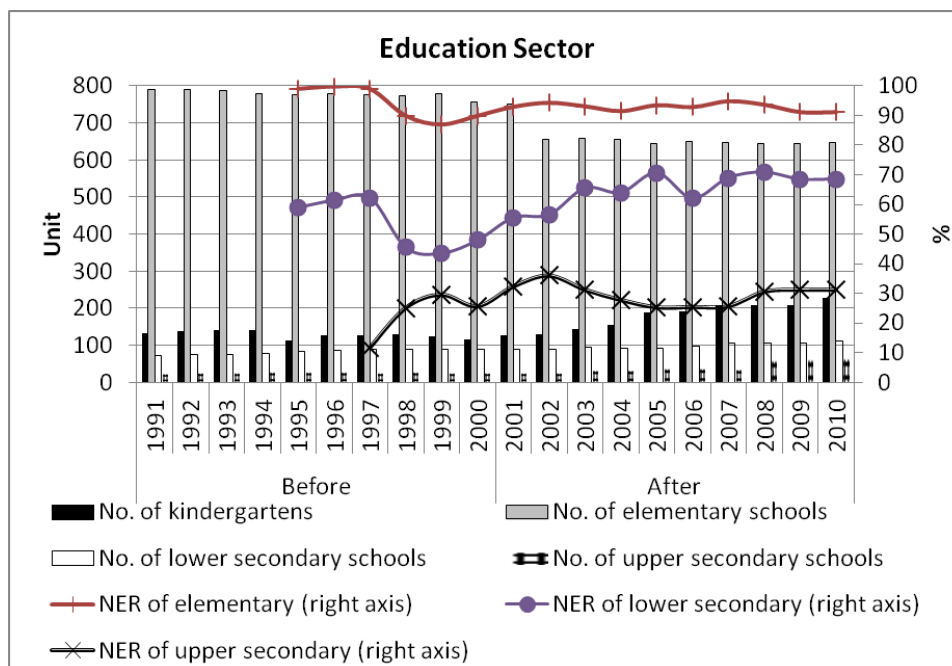


Figure 9.4. Education indicators in Purbalingga, 1991-2010

Source: BPS Purbalingga, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005

9.3. Changes in Some Indicators at Village Level

Prior to the decentralized system, some basic rural infrastructures had been available. For example, in physical infrastructure, the main village road was passable by cars, but mainly from dirt. In education sector, primary schools existed in each village, but secondary schools were only available in sub-district. In health sector, the villagers mainly accessed medical treatment in the sub-district health centre. Electricity network existed in each village, but the irrigation only existed in Sumilir village.

During decentralization, village polyclinic, kindergarten, asphalt road and clean water facilities were built from village budget. Moreover, there were currently some women saving groups received capital assistance from village budget. Although some infrastructures were improved, villager's still have difficulties to access market, bus terminal, bank, post office, low and high secondary schools and more completed health centre. Those facilities were available only in sub-district, and the distance was about 5 km

from Serang, 2 km from Kedarpan, and 3 km from Sumilir. Due to inexistence of public transportation, the villagers can only access them on foot or private vehicle (Table 9.1).

Table 9.1. Change in Village Infrastructure

No	Infrastructure	Serang		Kedarpan		Sumilir	
		2000	2011	2000	2011	2000	2011
1	Physical infrastructure						
	- Passable road (asphalt: total)	7:36 km	26:36 km	0.5:7 km	5:7.5 km	1.3: 6.9 km	4.8:6.9 km
	- Clean water supply	-	3 unites	2 unites	5 unites	-	-
2	Agricultural facilities						
	- Irrigation channel	-	-	-	-	3 km	3 km
3	Education facilities						
	- Kindergarten	-	5 schools	-	2 schools	-	2 schools
	- Primary school	6 schools	6 schools	2 schools	2 schools	2 schools	2 schools
	- Low secondary school	1 school	1 school	-	-	-	-
4	Health facilities						
	- Village polyclinic	-	1 unit	-	1 unit	-	1 unit
	- Village health post	8 unites	8 unites	3 unites	3 unites	3 unites	3 unites
5	Financial institution						
	- Women saving group	-	5 groups	-	3 groups	-	3 groups
	- Cooperation	1 coop	2 coops	-	-	-	-

Source: Field survey, 2012

9.4. Changes in Poverty Indicators at Household Level

9.4.1. Programs and Poverty Indicators

The government strategy to alleviate poverty is implemented through three clusters of programs. The programs having wide coverage and funding, as identified by Daly and Fane (2002), as follows:

1. Cluster of Social Protection, which consists of individual targeting programs to distribute basic needs to the poor. This cluster consists of several key programs, as follows:
 - a. Program of Rice for the Poor (*Raskin*), which distributes about 15 kg of subsidized rice per household per month;

- b. Program of Health Insurance for the Poor (*Askeskin*), which provides a card of free basic medication for the poor in a government clinic;
 - c. Program of Poor House Renovation (PPHR), which gives the funds to the poor people for house renovation.
2. Cluster of Community Driven Development, which consists of programs to improve infrastructure in poor villages. This cluster consists of several key programs, as follows:
 - a. National Program for Community Empowerment (NPCE), which delivers grant from central government;
 - b. Program of Village Allocation Fund (PVAf), which distributes the grant from district government.
3. Cluster of Small Enterprise Development, which consists of programs to provide loans for the poor without collaterals. The prominent one is the Program of Woman Saving Group (PWSG), which distributes funds to rural women in a microfinance arrangement.

Further, in Indonesia, the poor is identified based on fourteen indicators determined by the statistical agency. These indicators reflect an increasing acknowledge to see poverty as not only problem of income but also education, health, dwelling, asset and access to public service. Those meeting at least nine indicators are eligible to receive social protection programs and should be prioritized to the other programs. The indicators are as follows:

1. The education of household head is elementary or less;
2. The floor area is less than 8 m² per capita;
3. The floor is dirt or rudimentary;
4. The wall is bamboo, poor wood or un-cemented brick;
5. Having no private toilet;

6. Having no electricity;
7. Having no clean water facilities;
8. Cooking fuel is wood or kerosene;
9. Not able to pay medical cost;
10. Only able to consume meat or milk once a week;
11. Only able to take meal twice a day;
12. Only able to buy new clothes once a year;
13. Having no asset worth than IDR 500,000;
14. Having income less than IDR 600,000 per month.

The study framework to analyze impact of decentralized rural development on poverty alleviation is as Figure 9.5.

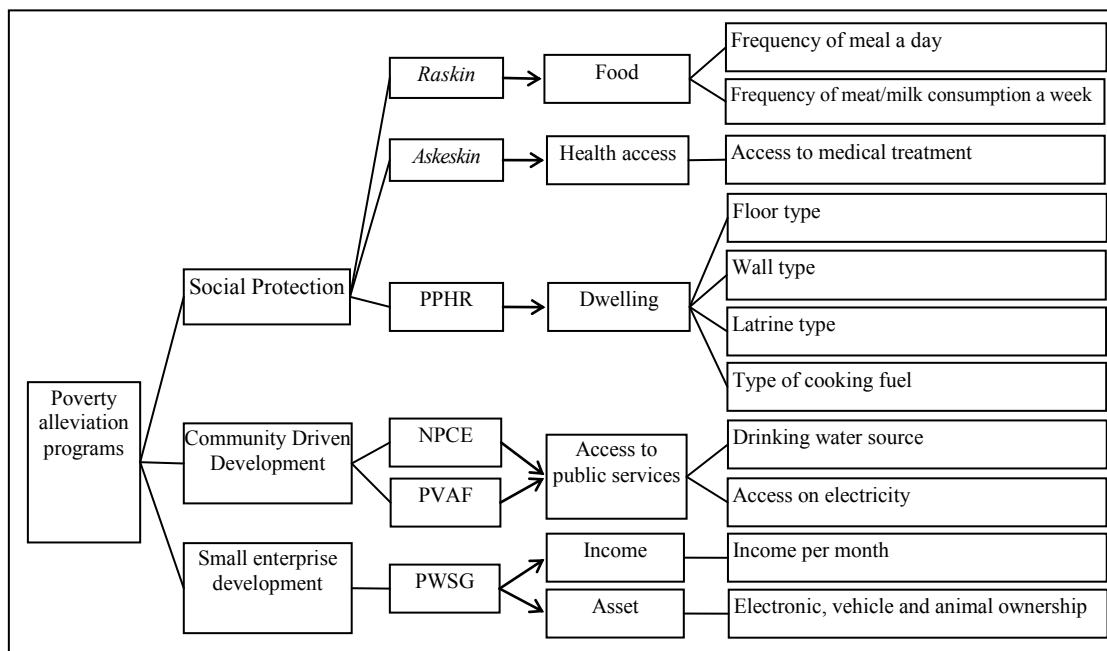


Figure 9.5. Framework to Analyze Program Impact on Poverty Alleviation

9.4.2. Targeting Effectiveness

By referring to the indicators set by the government, this study identified that totally 81 respondents consisting of 34 respondents in Serang, 25 respondents in Kedarpan and 22 respondents in Sumilir were eligible to the programs. However, the real number of beneficiaries of many programs did not match with those criteria. Some programs suffered from leakage, which means that they were distributed to the non-eligible. On contrary, some programs suffered from under-coverage, which means that those eligible did not become the beneficiaries.

Social protection suffered from both leakage and under-coverage. Program of *Raskin* suffered from leakage, as the rice was distributed not only to the eligible villagers, but also to almost all the villagers. The interviewed village officers said that the rice was equally distributed to prevent social jealousy from the non-recipients. Some 94% of the total respondents received rice from this program monthly. As a result, the amount of rice that the poor received was less than what it should be. Program of *Askeskin* delivered to the poor a card for free basic medication in government clinic for a year. Some 40% of the respondents received free health cards from the program. There was almost no leakage in this program because the name of recipients was printed on the identification card issued by the Statistical Agency, which was necessary to access the services. However, the program suffered from under-coverage, as some of the poor respondents did not become the beneficiaries. PPHR provided funds to renovate about five poor houses annually, amounting to IDR 2.5 million per house. The same as *Askeskin*, PPHR also suffered from the under-coverage. Only 16% of the respondents had ever received the fund, and many of the eligible were still in a waiting list. Because of limited funds, only small amounts could be disbursed. Most of them used the money to improve floors of their homes.

NPCE and PVAF distributed grants to village government annually by considering the landmass, population and prevalence of poverty. The village of Serang, Kedarpan and Sumilir received about IDR 256 million, 152 million and 180 million in 2010, respectively (Kedarpan Village Government, 2010; Serang Village Government, 2010; Sumilir Village Government, 2010). However, disbursed amounts, according to village heads, were not large enough for rural infrastructure development. Annual budget reports show that the largest share of the grant was used for road improvement, followed by irrigation, clean water facilities and school building.

The PWSG provided an alternative source of loan for the villagers to develop small business. It distributed funds to women groups to be utilized as revolving credit, amounting to IDR 10 million per group (Purbalingga District Government, 2010b). There were five women groups in Serang, 3 groups in Kedarpan and Sumilir that received the PWSG funds.

Because of limited funds, the amount of loan that clients could borrow was small. For example, in one hamlet of Kedarpan, the head of a women's group said that her group reached a consensus to limit the loan at IDR 500,000 with interest rate was 10%. About 92% respondents had borrowed money from the program. However, there were no criteria used to determine who is eligible to apply for the loan. Thus, the wealthier became clients of the program while some of the poor had never accessed the loan because of high interest rate and fear of not being able to repay the loans.

Despite all of those leakages and under coverage, this study does not find association between miss targeting and kinship relation with village government. The reason of the leakage was that using the criteria set by government, the differentiation between the poor and non-poor was often so slight. "Everybody here is poor", was commonly expressed by respondents when talking about distribution of programs. Thus, equal distribution was done to prevent social jealousy and to maintain village harmony.

Table 9.2. Kinship Relation and Distribution of the Programs

Eligibility	Name of programs	Kinship relation with village officers	Beneficiaries?		P Value	
			No	Yes		
Eligible	<i>Raskin</i>	No	0	67	0.049**	
		Yes	0	14		
	<i>Askeskin</i>	No	24	43		
		Yes	9	5		
	PPHR	No	50	17		0.804
		Yes	10	4		
	PWSG	No	9	58		0.515
		Yes	1	13		
Non eligible	<i>Raskin</i>	No	8	92	0.266	
		Yes	7	44		
	<i>Askeskin</i>	No	67	33	0.299	
		Yes	39	12		
	PPHR	No	90	10	0.97	
		Yes	46	5		
	PWSG	No	4	96	0.319	
		Yes	4	47		

Source: Field Survey, 2012

Note: *, **, *** means significant at 10%, 5% and 1% respectively

9.4.3. Changes in the Socio Economic Condition of Respondents

By 2012, there were still many respondents falling under poverty in term of food, health access and dwelling condition. With regard to food dimension, there were 25 respondents (11%) having difficulty take meal twice a day and 184 respondents (79%) not able to consume meat more than once a week. With regard to access to health service, there were still 63 respondents (27%) not able to pay medical cost when getting sick. With regard to dwelling condition, there were 35 respondents (15%) still using mud or rudimentary floor, 115 respondent (50%) using bamboo, poor wood or un-cemented brick wall, 126 respondents (54%) having no private toilet, and 183 respondents (79%) still cooking with firewood. Even though there were some beneficiaries escaping from poverty indicators, their number were lesser than the non-beneficiaries. This means that social protection programs have no significant impact on poverty alleviation.

With regard to access to public services, by 2012, there were still 139 respondents (60%) and 73 respondents (31%) having no access to clean water and electricity, respectively. Indeed, among 227 respondents having no access to clean water in 2000, 19% were having clean water facilities in 2012. Out of 106 respondents having no access to electricity in 2000, 31% were having access to electricity in 2012. The changes are statistically significant, except change in electricity access in Kedarpan. Observations shows that district waterworks did not exist except some small clean water facilities in few neighborhoods. Electricity networks had existed in each village before decentralization. Therefore, it is fair to say that the inability of some respondents to access electricity was due to the respondent's financial difficulties while the low access to clean water facilities was due to limited infrastructure.

With regard to income and asset, by 2012, there were still 90 respondents (39%) having income less than IDR 600,000 per month, and 39 respondents (17%) having asset less than IDR 500,000. After about twelve years of decentralization, incomes of the poor respondents were not much improved. There were only nine respondents moving out the income poverty. Most of the improvements were the asset of the poor where 39 poor respondents could increase their asset to worth more than IDR 500,000. Comparing between the beneficiaries and the non-beneficiaries of PWSG, this study finds the significant difference only in asset of the poor (Table 9.3).

Table 9.3. Change in Some Selected Poverty Indicators, 2000 - 2012

Poverty indicator	Program beneficiaries?	Respondents meeting poverty indicator		Change	P value
		2000	2012		
Only able to take meal twice a day	Beneficiaries of Raskin	29	25	4 (14)	0.023**
	Non beneficiaries of Raskin	1	0	1 (100)	
Only able to consume meat once a week	Beneficiaries of Raskin	207	176	31 (15)	0.273
	Non beneficiaries of Raskin	11	8	3 (27)	
Not able to pay medical cost	Beneficiaries of Askeskin	50	39	11 (22)	0.175
	Non beneficiaries of Askeskin	37	24	13 (35)	
Mud housing floor	Beneficiaries of PPHR	30	11	19 (63)	0.679
	Non beneficiaries of PPHR	74	24	50 (68)	
Bamboo/poor wood/un-cemented brick wall	Beneficiaries of PPHR	36	35	1 (3)	0.00***
	Non beneficiaries of PPHR	145	80	65 (45)	
No private toilet	Beneficiaries of PPHR	35	30	5 (14)	0.007***
	Non beneficiaries of PPHR	155	96	59 (36)	
Cooking with wood/kerosene	Beneficiaries of PPHR	36	31	5 (14)	0.289
	Non beneficiaries of PPHR	194	152	42 (22)	
No access to clean water	Serang	113	101	12 (11)	0.000***
	Kedarpan	56	38	18 (32)	0.000***
	Sumilir	58	45	13 (22)	0.000***
No access to electricity	Serang	54	36	18 (33)	0.000***
	Kedarpan	18	14	4 (22)	0.219
	Sumilir	34	23	11 (32)	0.001***
Income less than IDR 600,000 per month	Beneficiaries of PWSG	87	79	8 (9)	0.922
	Non beneficiaries of PWSG	12	11	1 (8)	
Asset worth not more than IDR 500,000	Beneficiaries of PWSG	73	39	34 (47)	0.021***
	Non beneficiaries of PWSG	5	0	5 (100)	

Source: Field Survey (2012)

Note: *, **, *** means significant at 10%, 5% and 1% respectively

9.4.4. Case Studies of Some Selected Respondents

The general impact of poverty alleviation programs have been presented in the previous chapter. In addition, it is still necessary to understand the specific impact of those programs at household level. For this purpose, in-depth interview with some selected villagers has been conducted. The case studies are presented in the following sub sections.

9.4.4.1. Case of Mr. Tugiyono, a Coconut Sugar Maker

Mr. Tugiyono, at age of 38 years, had a totally three family members consisting of wife and two children at elementary schools. He was a maker of coconut sugar by utilizing his sixteen coconut trees. Every day he incised and boiled the sap to make sugar, from which he could make about three kilogram of sugar worth at IDR 21,000. Becoming a coconut sugar maker, he practically could not develop a side job since he spent all the day for incision, boiling and looking for firewood. His wife had an additional income source to become the maker of fake eyelash, from which she earned about IDR 8000 a day. Having dirt floor, wall bamboo, no clean water facilities as well as electricity, he was easily recognized to be a poor household. His only liquid asset was an old motorbike worth at about IDR 4 million.

He was the beneficiaries of social protection programs, except PPHR. From *Raskin* program, every month he received about 8 kg of rice. This amount was just half of the amount that he formally reserved to receive, 15 kg. Although he knew that the rice was reduced, he saw it as not a serious problem since he also considered the feeling of the other villagers who did not become official beneficiaries. Thanks to *Raskin* program, he told that he did not experience serious food insecurity in the last year. He also received a card of free basic medication from *Askeskin* program. By bringing the card, his family could have a free medication in sub-district polyclinic when getting sick. In 2011, he counted that he used the card about three times. He had never received the fund of PPHR. He actually really wanted to receive the fund to improve the house. He even questioned why he, as a poor household, did not yet receive the program while those having relatively better economy had received. What he could do was only to wait that might be in the future he will get the fund from PPHR.

He had never accessed the loan from PWSG since according to him, it would only create additional financial burden. If cash was needed, he preferred to borrow to a middleman of his coconut sugar. According to him, proposing loan to the middleman was relatively easier, and he could repay just by selling the sugar to him.

He might be among the most marginalized group within his village. Due to his far house location from a main road, he was not benefitted from infrastructure development. For example, although the neighborhood built a clean water facility, he could not access since the pipe did not reach his house. Similar case happened when he want to access electricity. From 2000 to 2012, the changes in his economic condition were the owning of a second hand motor bike bought in 2005 and the improvement of his foundation to concrete stone in 2008. However, these changes were not attributable to the existing poverty alleviation programs.

9.4.4.2. Case of Mr. Santo, a Farmer

Mr. Santo, at age of 50 years, had a big family to maintain. He had wife, one child at elementary school and one mother-in-law. In addition, there was his son at age 28 years, his daughter-in-law and a granddaughter in Mr. Santo's house. He was poor as it could be easily seen from his house condition. The material used for wall was bamboo, and the floor was just rudimentary. He had access to electricity and clean water since before decentralization. As a farmer, his family only had 0.2 ha of dry cropland where he planted coconut, coffee and some wood trees. Income from farming was less than enough to support his daily needs. Thus, he also worked in the other's land and sometimes became a labor in construction projects. His wife and son were engaged in various income generations like becoming labor and migrant.

He was a beneficiary of all social protection programs. From *Raskin* program, every month he received about 6 kg of rice. He told that he had never faced serious food insecurity in the last year, thanks to the program of *Raskin*. Further, he received a card of free basic medication from the *Askeskin* program. By bringing the card, his family could have a free medication in the sub-district polyclinic when getting sick. However, he told that the service and drug quality he received when using the card was not good, thus, sometimes he did not use it. In 2012, when his granddaughter was born, he needed additional money for paying the medication and conducting some birth rituals. Having no cash on the hand, he proposed a loan to PWSG, amounting to IDR 500,000. Thus, in his case, the aim of PWSG to be the capital assistance for developing business was not achieved. Up to the time of interview, the repayment of the loan was not finished yet. When he was asked whether he would propose loan on the future to develop a business, he answered that he might not borrow again. According to him, PWSG interest rate was too high, about 15%, which was higher than a loan given by the usurer.

The only change in his economic condition from 2000 to 2012 was the floor condition, from dirt to rudimentary due to PPHR. He received that fund in 2007, amounting to IDR 2,500,000. With some additional fund from selling a goat, he could improve his floor and kitchen.

9.4.4.3. Case of Mrs. Mayeng, a Chicken Trader

Ms. Mayeng was a widow, 55 years old, with three family members. Her first daughter, at age 25 years, worked in Jakarta. Her second son, at age 20 years, worked as labor, and sometimes went to Jakarta to find job. Her last son was still age of 12 years, a student in elementary school. She lived in a house with wooden wall and rudimentary floor. She had no clean water facilities, and getting electricity power through illegal

connection to his kinship. She had no cropland, and her income mainly came from chicken trading in market and remittance from her daughter.

She was a beneficiary of *Raskin*, *Askeskin* and PWSG, but not PPHR. From *Raskin* program, she received about 6 kg per month. She also a beneficiary of *Askeskin* program, and she had used that card to get health service in government polyclinics. She had not received fund from PPHR although she really wanted to. While not benefitting from PPHR, she was benefitted more from the PWSG. She counted that she had accessed the loan from PWSG three times, totally amounting to about 2 million rupiah. She used the money to supplement the capital of her trading. She actually expected that PWSG provided more many funds for women. In her experience, the fund from PWSG was very helpful, especially when her original capital was decreased. If she program could provide more funds and its interest rate was decreased, then she thought to be able to increase the profit.

From 2000 to 2012, there were some changes in her economy. Her floor was improved from dirt to rudimentary. She also had a color television, which she bought in 2007. However, these changes were not attributable to PWSG. Her daughter gave her the money to improve the house as well as to buy the television.

9.5. Discussion

At district level, indicators of some sectors show mixed results. Positive impact of decentralization can be easily identified in access to clean water, road development, coverage of health insurance, number of village polyclinic, kindergarten and upper secondary schools, and NER of lower secondary school. In contrary, GDP growth of agriculture sector and NER of elementary school are decreased. Findings in Purbalingga district are consistent with study by World Bank (2007), which finds that there is no clear trend on impact of decentralization in quality of public service.

At community level, although most programs suffered from leakage and under coverage, rural elite capture did not happen, as there is no association between miss targeting and kinship relation with the rural elite. The actual reason of this leakage was that using the criteria set by government, differentiation between the poor and non-poor was often so slight. Thus, equal distribution prevents social jealousy and maintains village harmony.

At household level, poverty can be categorized based on degree of severity. Those who still face problems of food insecurity and poor dwelling condition might be the poorest group within the community. They need intensive government programs to move out of poverty. Social protection like *Raskin*, *Askeskin* and PPHR is by design targeted to this group. This study argues that only if social protection is successful in achieving its stated objectives, then the poorest people can take advantage of other programs. However, the leakage in targeting as observed in *Raskin* program where the rice was distributed to all the villagers, and under coverage as observed in *Askeskin* and PPHR program, had made these programs not able to achieve their objective completely.

NPCE and PVAF have indeed improved the infrastructure in the study villages. Further, changes in access to electricity and clean water facilities were also significant. However, here too, it cannot be simply concluded that the poorest group benefitted from the existing infrastructure. Closer observation finds that that it is usually the non-poor who could access clean water and electricity. The poor usually does not consider infrastructure development as a priority.

In case of cluster of small enterprise development (PWSG), nearly half of the poor respondents were able to increase their assets worth to over IDR 500,000. However, in terms of income generation it could not meet its objective, as the loan could not be delivered to the poor effectively due to leakage in targeting and inadequate funding. It can also be said that

PWSG only prevented beneficiaries from falling deeply into poverty but not enable them escape poverty.

9.6. Conclusions and Policy Implication

At district level, sectoral indicators show mixed results. Positive impact of decentralization is found mostly in term of physical infrastructure. At household level, most of poverty alleviation programs suffer from under coverage due to insufficient funding. Program of Health Insurance for the Poor (*Askeskin*) and Program of Poor House Renovation (PPHR) suffered from serious under coverage. Further, some programs distributing kinds in hand like program of Rice for the Poor (*Raskin*) and Program of Woman Saving Group (PWSG) suffer from leakage because the kinds are distributed to almost all villagers. Despite of some miss targeting, there is no association between kinship relation with village officers and this miss targeting. Thus, the miss targeting is more due to the principle of solidarity within the rural community. Further, the under coverage as well as leakage of the programs make them not able to achieve their objective to alleviate poverty. Only rural infrastructure development significantly improves respondent's access to some selected public service.

To ensure that the poorest groups are benefitted from decentralization, the government should improve the targeting mechanism in poverty alleviation, especially social protection and microfinance clusters. As Indonesia is a diverse country, the government should not strictly impose any national standard to identify the eligible household. It may be worth if the government involve community in identifying the program beneficiaries, as it will provide an opportunity to develop a local flexibility in defining the poor households.

Chapter 10 . Conclusion and Policy Recommendation

10.1. Conclusion

By conducting a case study in Purbalingga district, more specifically in villages of Serang, Kedarpan and Sumilir, this study has tried to understand the nature of implementation of decentralization in Indonesia. Using an approach of policy phases starting from policy formulation especially in budgeting, policy implementation by underlining the existence and role of social capital, capacity of village government and community participation, and policy impact on poverty alleviation, this study identifies either bottlenecks or strength of each stage.

In district budgeting process, findings in Purbalingga district are contrary with an expectation that decentralization will improve budget responsiveness. As discussed in Chapter 5, portion of expenditure for rural development in Purbalingga district, especially for agriculture and infrastructure sector, is low. The transferred financial resources from central government are spent more for recurrent expenditure due to the enlargement of civil service and the inefficiency of district government agencies. Low willingness of district government to share budget information has hindered public participation in budgeting process. In addition, district parliament also lacks requisite capacity to analyze the budget. Thus, the existing participatory budgeting just becomes a formality, and rural people still cannot influence the budgeting process.

Study at village level reveals more complex situation. As discussed in Chapter 6, social capital exists in the study villages. This is indicated from a low portion of respondents, only 19%, who do not become active members in any institution. However, while community social relations are mostly in informal institutions, the village government is still monopolized by village officers, village parliament and village

development committee. In the name of decentralization, power and resources are transferred to these formal institutions although they have only limited membership and access of villager to these institutions was limited. The formalization of decentralization has created significant barrier for community participation since the informal institutions are given no opportunity to enter village political arena. Not well utilized in decentralization, membership in informal institution just becomes a bounding social capital not transformed to linking social capital connecting villagers to government.

In Chapter 7, this study finds that capacities of village government are good enough. Their members come from relatively better human resources within the village, and they have good understanding on administration tasks, regulations as well as technical skill to implement village budget. However, despite these good skills, weak coordination among them is still a major problem hampering the realization of capacity to address local problems. Village head is still very dominant and blocking the capacity of other institutions, especially village parliament and village development committee.

Related to the issue of formalization of village government presented in Chapter 6, Chapter 8 of this study finds that the spirit of participatory development mandated by the national decentralization laws is deviated by a guide of village budget execution locally made by Purbalingga district. The guide does not guarantee the rights of the marginal groups like women and the poor as well as informal institutions to participate in village decision making. This has become a barrier in promoting inclusive decision-making as well as accountability of village budget. Thus, decentralization creates only a pseudo participation emphasizing more on resource mobilization but less on planning and evaluation. Indeed, this study finds that in Serang, community is more active in planning, implementation and evaluation. The better quality of community participation in this village is attributable to the leadership factor.

In Chapter 9, this study finds that at district level, positive impact of decentralization is found mostly in term of physical infrastructure. At household level, most of poverty alleviation programs implemented within decentralized system suffer from under coverage due to insufficient funding. The findings in this chapter are still related to the findings in the Chapter 5, in which budget of rural development in Purbalingga district is low. Thus, when the programs are implemented in village level, they cannot cover many of the poor. Program of Health Insurance for the Poor (*Askeskin*) and Program of Poor House Renovation (PPHR) are the programs suffering from serious under coverage. Further, some programs distributing kinds in hand like Program of Rice for the Poor (*Raskin*) and Program of Woman Saving Group (PWSG) suffer from leakage because the kinds are distributed to almost all villagers. Despite of some miss targeting, there is no association between kinship relation with the village officers and this miss targeting. Thus, the miss targeting is more due to a principle of solidarity within rural community. Further, under coverage as well as leakage of the programs make them not able to achieve their objective to alleviate poverty. Only rural infrastructure development significantly improves access of respondents to some selected public service.

10.2. Recommendation

To improve the effectiveness of decentralization in rural development as well as poverty alleviation, it is strongly recommended for the central government to strengthen the legislations on decentralization. The legislations on Indonesian decentralization should set a minimum portion of district budget to be allocated for agriculture and rural infrastructure sectors. To improve the quality of public hearing in district budgeting process, the legislations should make compulsory for district governments to share budget information and to create clear-cut procedures for selecting village proposals. Further, a workload

analysis to determine the ideal size of district government agencies as well as the number of civil service is also strongly recommended, so that the structure of district government and their recurrent expenditure can be more efficient.

With regard to local capacity, this study recommends the government to deliver a capacity development for village government, especially village parliament and village development committee. The content of capacity development should be directed to the personal empowerment of these institutions, so that they can take a more balance position with the village head traditionally very dominant in rural areas. It can be done through socialization of the regulations on decentralization and rural development and training to foster community participation in village governance and development planning.

It is important to note the effort to strengthen village government capacity should not go alone. Capacity development for village government institutions will not automatically empower community because their structures have limitations to reach the community directly. Majority of villagers are organized in informal institutions. Thus, hand in hand with the capacity development for village government, the government should also empower community. It can be done by guaranteeing the rights of informal institutions as well as the marginal groups in village decision making. This study recommends to involve the informal institutions and marginal groups based on a logic that the more they are involved, the more they are empowered. Further, the more they are empowered, not only they will be more able to identify their problem and to solve it, but also they will be more able to find agreement of various interests within community and to manage local conflict.

With regard to the identification of beneficiaries of poverty alleviation programs, the central government is expected not to impose centrally set indicators of poor households strictly. Rather, it should provide space for application of additional local indicators set by rural community and village government. The application of additional local indicators of

poor households will fulfill the gaps when the central government indicators are not successful to identify the eligible households for social protections and other development programs. In this connection, poverty alleviation should be understood as rights-based-development that should not exclude a poor from the development programs just because they do not meet an indicator set by the central government.

At the end, although this study has tried to analyze the implementation of decentralization, especially those related to district budgeting, social capital, local capacity, community participation and poverty alleviation, there are still many limitations in this study. Within the framework made by this study, unfortunately, it cannot provide analysis more comprehensively on budget composition due to the relatively secret document. Thus, future studies needs to address this aspect more deeply.

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Appendix

Academic profile of the author

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- ❖ Master of Science in Public Administration Science, June 2006, Graduate School for Public Administration Science, University of Jenderal Soedirman, Indonesia
- ❖ Bachelor of Governance Science, Augustus 2003, Institute of Local Governance (STPDN), Indonesia

Award and scholarship

- ❖ The Best Graduate of Master Program, University of Jenderal Soedirman, June 2006
- ❖ Scholarship from the Project of Human Resource Development (PHRD) III (2010-2013) to pursue doctoral degree in Japan from National Planning Agency of Indonesia (BAPPENAS)

Publication

Refereed Journal

- ❖ Sutiyo and Maharjan, K. L. (2011), Rural Poverty Alleviation in Indonesia: Programs and the Implementation Gaps, *Journal of International Development and Cooperation*, Vol. 18 (1), pp. 13-22

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Newspaper article

- ❖ Sutiyo, *Menggagas Pembangunan Desa Terintegrasi [Re-conceptualizing Integrated Rural Development]*, Article in Radar Banyumas Daily News, February 25, 2010.
- ❖ Sutiyo, *Otonomi Desa, Agenda Yang Terlupakan [Decentralization for Village Government, a Forgotten Agenda]*, Article in Suara Merdeka Daily News, February 27, 2010.
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