Governance in a Village Fund Program in East Java Indonesia

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Governance in a Village Fund Program in East Java Indonesia

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The Village Fund program is a 'Big Bang' liberalisation policy, issued by the Indonesian government, aimed at helping develop rural areas and empowering local people that have been facing governance challenges. This research aims to analyse and evaluate local peoples' involvement in village governance. We used a mix of research methods to investigate village governance frameworks. Field data was collected by semi-structured interviews of 200 villagers in the East Java district. Participants scored their responses on a qualitative data point scale (1-5). We found indications that poor governance still exists in the Village Fund management program. The main problem is a low level of participation, and lack of transparency, in handling the Village Fund instrument. Therefore, we suggest pragmatic approaches, such as providing incentives for rule compliance and strengthening monitoring mechanisms, to improve good governance practice within Village Fund programs.

Key words: *good village governance, participatory program, Village Fund.*

Introduction

The social science literature on Asian development identifies weaknesses of institutions, causing high inequality and poor governance (Baliamoune-Lutz & Addison, 2007; Foley, 1992). A growing amount of literature has documented the importance of good governance and how it can produce positive economic outcomes (Kalirajan, 2012; Olken, 2007). Fundamental to the establishment of good governance is whether or not communities in the state have managed to develop institutional and bureaucratic autonomy, rather than a state directly organising activities. It is not necessarily dependent on whether a country's systems are centralised or decentralised. For example, there are countries, including most western European nations, as well as Japan and China, which have a high degree of state centralisation and good governance. The other side coin includes decentralised states such as the Philippines, Pakistan and Colombia, which have lower standard governance practices.

After the financial crisis in 1998, Indonesia faced the "Big Bang" policy agenda, a centralised policy introduced to decentralise policy, but not to make any significant changes for governance practices in the development of village policy. Before 1998's financial crisis, the relationship between the central government and rural governments was somewhat dictatorial. No autonomy, no transparency and no participation in development were standard in village policy. The state's role was omnipotent and omnipresent, from the perspective of village communities, and the system did not change even after policy was decentralised. This practice removed the village as a sovereign local entity. This new relationship, between the state and the village, became Law 6 in 2014: the introduction of the Village Fund. It was introduced primarily to address weaknesses in these relationships, by improving governance arrangements and shifting resources to a level government level, which, purportedly, were not as captured by special interests (Antlöv, Wetterberg, & Dharmawan, 2016; Latifah & Aziz, 2016).

Law 6/2014 adopts principles of good governance, such as community involvement, transparency, accountability and an increase in the autonomy of villages establishing priority development programs. Principles of good governance have actually been introduced into villages through the paradigm of the Community Development Program (CDP). This program is known domestically as *Program Nasional Pemberdayaan Masyarakat* (PNPM), and ran from 2008 to 2014. PNPM succeeded in developing good quality, low-cost, village-scale infrastructure, increasing community access to various types of services under reasonable targets. But, as previous studies have found, the CDP program in Indonesia did not have a major impact on the improvement of governance in villages (Antlöv et al., 2016; Lewis, 2015; Martinez-bravo, 2014). Problems with CDPs include: (i) a lack involvement of village governments in their program implementation; (ii) a lower level of participation of marginal community members who are determining the direction of village development programs, and; (iii) dominance of the political elite in decision making, control of information access and participation.

Law 6/2014 also provides a mandate to restore the authority of *Badan Permusyawaratan Desa* (BPD) to represent the village community, institutionalising village meetings (Musdes). The BPD aims to strengthen community involvement for village development programs and increase the transparency of village administrations, as well as obligating the submission of accountability reports to local government. Law 6/2014 also provides national government funds to villages, but village governments still lack the necessary experience to manage large funds, with limited resources in their management apparatus, in terms of both size and quality. Under such conditions, it is reasonable for concerns to exist regarding the abuse of the Village Fund (DD), a mismatch of development priorities according to the community, which isolates marginalised groups from the development process. Therefore, it is important to observe how good governance principles are practiced at the village level, especially in the early years of the Village Law.

After three years of Village Fund implementation, there have been many problems related to village governance. Firstly, Village Fund corruption has increased. Indonesia Corruption Watch (ICW) found that cases of corruption, through the Village Fund program over three years (2015-2017), doubled each year. Secondly, there are equity problem between villagers. The benefits received from the Village Fund program for poor and marginal groups are very small compared to richer communities (Anshori & Bukhori, 2018). Thirdly, there are problems with the effectiveness and efficiency of the use of funds. During these three years, the majority of Village Fund resources were mostly used for hard infrastructure development (Village Road, Balai Desa Building, etc.), yet hard infrastructure is not the one and only priority outlined in Law 6/2014.

Based on empirical data, it is important to observe how good governance principles are practiced at the village level, especially in the early years of implementing the Village Law. This research will analyse and evaluate local peoples' involvement in village governance.

Literature Review

The History of Village Development Policy Changes

The financial crisis of 1998 caused the Indonesian government to introduce the 'Big Bang' policy, advocating for centralised government to become decentralised. The effect of this policy resulted in a change of relationship between the central government and village governments. Before 1998, the relationship between the central government and village governments was more 'top–down', where the central government established programs without local government involvement. This concept and approach destroyed villages as a sovereign local entity. Everything has changed since 2001, when decentralisation commenced (and when LLI2 was carried out), and there have been numerous changes to Indonesian laws regulating village government.

The result of a study conducted by Antlöv (2003) concluded that there were four major changes caused by decentralisation: (a) the freeing of villages from the authority of higher levels of government; (b) the providing of space for cultural diversity and responsiveness to local aspirations; (c) the separation of powers, by requiring the election of Village Representative Boards, also known as village councils (BPDs); and (d) making village heads accountable to BPDs. Antlöv believed these changes to policy constituted "nothing less than a quiet revolution in the countryside". They were a dramatic departure from the homogeneous model of governance imposed under the new order, when village affairs were firmly under the supervision and control of higher authorities, and when village structures were cast within a single administrative structure designed by Jakarta.

A second period of decentralisation occurred in 2004–2005, when Law 32/2004 was issued to local governments. It effectively reversed some of the earlier changes, particularly those affecting the checks and balances provided by BPDs. Previously, BPD members were directly elected for village communities and BPD members were appointed by a village head. As a result of this policy change, the BPD's control over village resources deteriorated. After Law 32/2004 was issued, their role was only to coordinate, rather than to monitor.

Funds transferred to villages increased substantially after 2001. The allocation of funds, in the early years after decentralisation, was mostly aimed to pay officials' salaries and for intermittent renovations of village offices. The funding allocation then developed to meet village infrastructure and development needs. This funding source is divided into several categories, such as revenue from a village-owned market (internal funds from villages); district budgets, such as the village allocation fund (ADD); assistance from provincial or local governments, or national projects, such as the national program for community empowerment (PNPM Mandiri)[1]. Data from Statistics Indonesia, the country's central statistics agency, show significant increases in village budgets, from a total of Rp 9.7 trillion in 2009, to Rp 24 trillion in 2014 (some Rp 305 million per village, including an average of Rp 125 million per village from PNPM in 2014)[2]. The PNPM program required villages to rely heavily on transfers and, although there has been a dependent relationship and a lack of control in recent years, there has been an increase in autonomy. In sum, villages received increased resources, but these funds were not always directed to address locally identified problems. Because of the limited funds under village governments' control, both responsiveness and financial management experience were restricted. In spite of the increased resources transferred to villages, central and district governments have generally failed to monitor whether funds are used as intended, and whether programs benefit villagers.

[1] The PNPM Mandiri is a spesially programs are designed to reduce development inequality between villages and cities. The transfer of funds to subdistricts is to encourage the participation of a broad swath of villagers. PNPM Mandiri — the largest of the programs — has grown to cover all rural subdistricts in Indonesia, supporting service delivery, small-scale infrastructure improvement, and other priority investments.
[2] See https://www.bps.go.id/linkTabelStatis/view/id/1292

Table 1: Changes to Laws Regulating Village Governance After the Financial Crisis of 1998.

	Law 22/1999 On Regional Government	**Law 32/2004 on Regional Government; Government Regulation 72/2005 on Villages**	**Law 6/2014 on Villages**
Definition of 'village'	A legal community in a district	A legal community within a district government	A legal community (including traditional villages) within the territory of a district
Village head	Directly elected; appointed by and accountable to BPD (after approval from district); can serve at most two five-year terms	Directly elected; approved by and accountable to district; can serve at most two six-year terms	Same, but with added accountability to BPD and village assembly; can serve at most three six-year terms
Village council	Directly elected BPD as separate entity	Appointed BPD as separate entity	Democratically elected or selected BPD; a village assembly for strategic decisions
Village legislation	Drafted and approved by village head & BPD	Drafted by village head in consultation with BPD; approved by district government	Same
Village funding	Block grant from district government and local sources	Same, plus national program funding	Overall national and partially district level, plus internal sources villages
Relations with supranational government	Far-reaching autonomy provided, with weakened upwards accountability	Same, final decision-making of budget and regulation by district	Hybrid system between self-governing community and local self-government

Organisational life	Democratisation; many new community and mass-based organisations emerged	Same, state associations specifically mentioned	same

Source : (Antlöv et al., 2016)

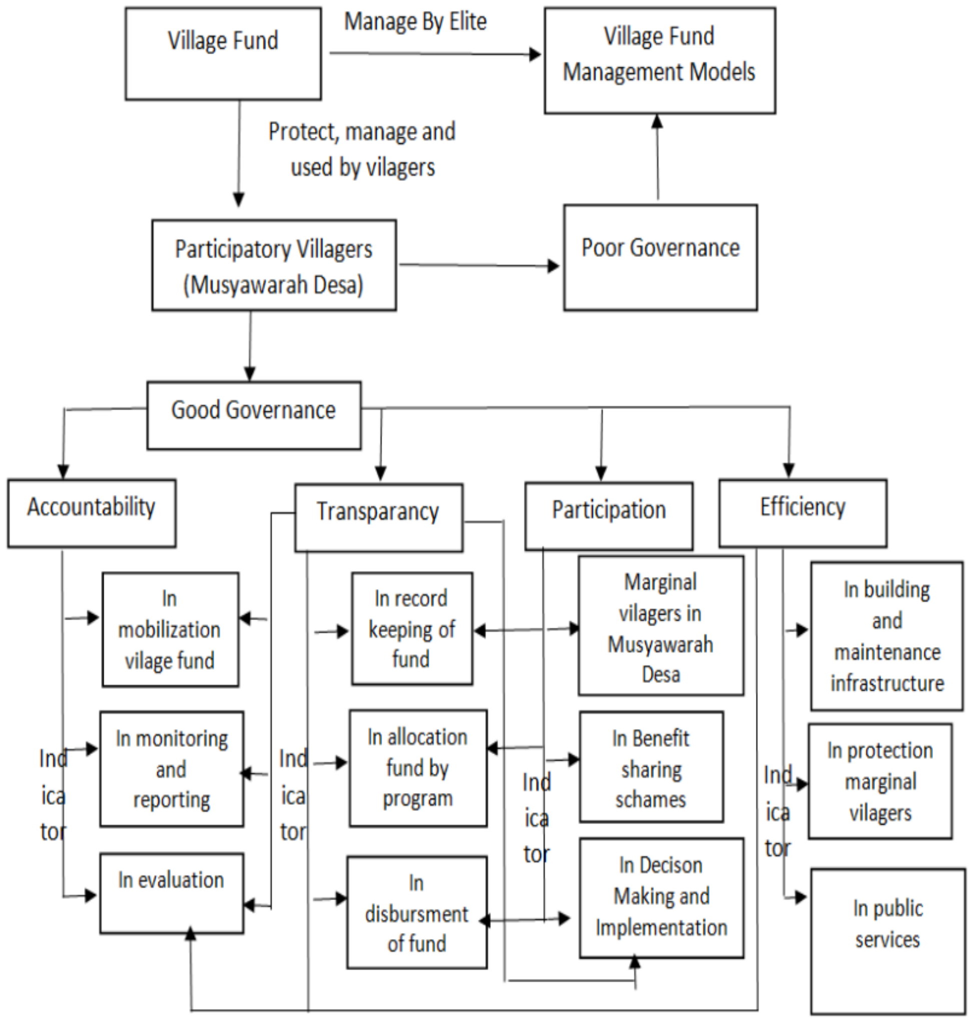
Concept of Village Governance

'Governance' has no single, universally accepted definition. Sometimes people use 'governance' to refer to 'government', or things that government does (Olken, 2007; Lewis, 2015; Wong, Wang, Luo, Zhang, & Rozelle, 2017; Kristiansen, 2018). The governance concept, therefore, recognises that decision making processes are far from linear, and involve civil society, government and the private sector, all playing roles in deciding outcomes. The concept of governance has become a popular framework in the evaluation of public policy literature over the last few decades. Good and bad outcomes of public policy, in developing countries, are not only influenced by technical matters (such as planning design or budget size), but by the quality of governance (such as civic participation or the power elites control) (Acemoglu et al., 2014; Kyriacou, Muinelo-gallo, & Roca-sagalés, 2017).

The concept of governance, in this case within villages, focuses on the complex social relations between village governance and the interdependence of different actors at different political levels, with different agendas. Governance is still considered as a loose set of theories, spanning from a global to a local dimension, and from analytical to normative perspectives (Schiller, 2008). Scholars argue that 'governance' is all about establishing, promoting and supporting a specific type of relationship between governmental and non-governmental actors in the governing process (Kosec & Wantchekon, 2018).

The term governance, particularly 'good governance' has become an important agenda for the management of the Village Fund program and village development after Law 6/2014. Through this governance, villages must reflect on various aspects, legal and administrative, but also social and economic. The integration of these aspects enables the formulation of public policies, achieving the goal of improving social welfare for villagers. In the context of implementing Law 6/2014, which concerns villages, good governance practice is an important instrument in improving social welfare. It has come to the fore, particularly from the debates on decentralisation during the Law 6/2014 implementation process, which highlighted corruption, lack of human resources and the influence of elite power (Foley, 1992; Olken, 2007; Kalirajan, 2012; Antlöv et al., 2016; Kristiansen, 2018). 'Village governance' as a term has evolved similarly to governance in general. In this study we focus on the four pillars/characteristics of governance (transparency, participation, accountability and efficiency), as these four characteristics are most often referred to in the literature (Johnston, 2004; Bebbington, Dharmawan, & Fahmi, 2006; Blind, 2007; Sundaram & Chowdhury, 2012; Kosec & Wantchekon, 2018).

Figure 1. A Modified Framework for Assessing Village Fund Governance.



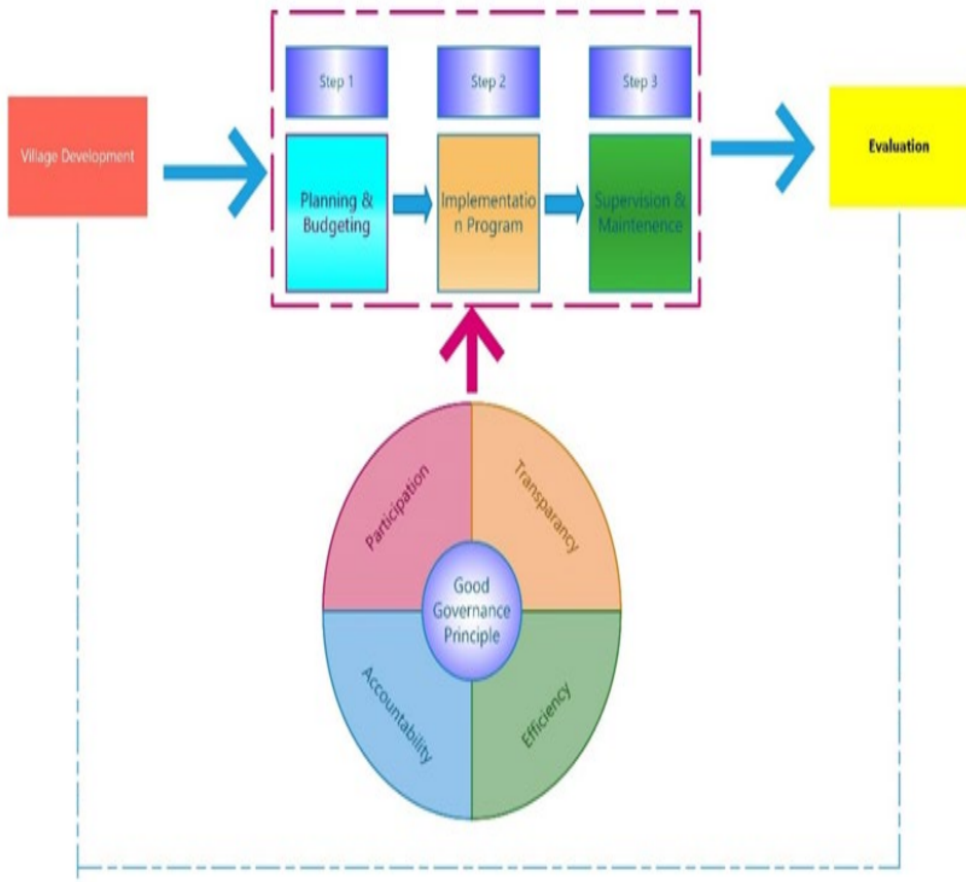
Governance is also about the power of actors in different political landscapes. The power of important actors to misuse the Village Fund program for their own self-interest has been reported as s major obstacle to its success. In this article, we apply a framework for assessing an actor's power using the Village Fund as a case study. In making use of suitable components of power theories, it builds strongly upon the social relations of actors, and organisational aspects and power sources, as described by Weber, Dahl, Etzioni and their adherents. The actor-centred power approach (ACP) is defined as a social relationship in which actor 'A' alters the behaviour of actor 'B', without recognising actor 'B's will. In our framework, we use decentralised Village Fund governance, with an actor-oriented approach, providing a pathway to reveal empirical evidence on why an actor within a particular socio-political context has been able to determine the outcomes of a policy program (Arts, B, 2004).

Understanding an actor's involvement in policymaking and implementation, and the power relation among them, is necessary. In this case, the Village Fund program also relates to multi-level power relation within the domestic arena, such as local and national actors (Boonperm, Haughton, & Khandker, 2013; Latifah & Aziz, 2016). Village Fund governance is related to rules and polices that assist funds management, decision making processes and the process of selecting the actors who make those decisions (Abumanshur, Zuraidi, Setyadiharja, & Sanopaka, 2015; Lewis, 2015). In this study, The World Bank and The Asian Development Bank definition of village governance is only a guiding definition. Among many different actors (elite, marginal society, NGOs, local institution etc), village governance will be better if the village has many figures and activists, so that power structure does not collect in one group, but is more widespread.

Mix Methods Study

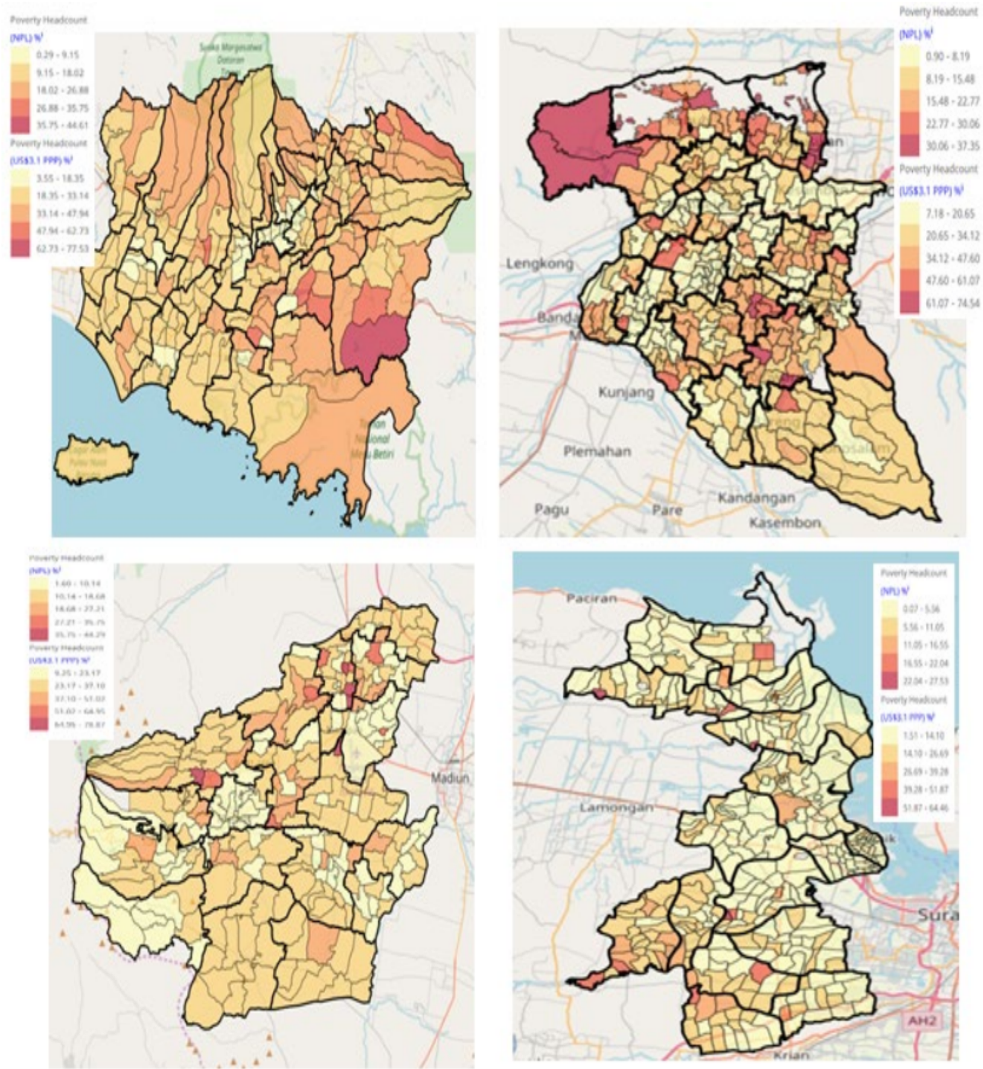
The main focus of this study is on the implementation of governance during the three years of implementing the Village Law. This is achieved by looking at the four-component principle of good governance: (1) transparency, (2) participation, (3) accountability and (4) efficiency. These four components are explored by analysing the development process in the village, which consisted of (a) planning, (b) budgeting, (c) implementation, (d) supervision, and (e) evaluation. In addition, governance is also examined in several other ways, which have close links with village development, namely the formulation of village regulations (Perdes), public services, and managing village information. Schematically, the focus of the research can be seen in Figure 2.

Figure 2. Focus Evaluation of Village Development Governance.



In this study, we chose villages in East Java province to investigate good governance in a participatory village development program, as participatory approaches in implementing Village Law have given top priority by Indonesia's central government (Antlöv, 2003; Abumanshur et al., 2015; Antlöv et al., 2016). East Java province is the largest province receiving village fund transfers from the central government (Kemendes, 2018). The villages selected in this study were chosen due to their access to ongoing data and their local knowledge. Having continuity of information and data made it possible to do inter-time comparison analysis, tracking the development of village governance. Based on these considerations, it was decided to include villages that had also been used as the location of previous research (Anshori, 2018; Triani, 2018; Sudarmo, 2018). The village locations are spread across Jember district, Jombang district, Magetan district and Gresik district.

Figure 3. Locations of Village Study (Left – Right; Jember District; Jombang District; Magetan District and Gresik District).



This research was conducted in 10 villages, in nine sub-districts, and in four districts of East Java province, where we interviewed 200 local villagers across the 10 villages. The 10 villages in this study had adequate initial information to gain an understanding of social, cultural, economic and governance conditions. About 150,000 people had lived in and around the ten villages. Agriculture was the major economic activity of participants in this field study. The average farm size is only around 0.3 hectares[3]. In these 10 villages, villagers argue that agriculture alone is not enough to sustain their life, especially with the rising price of inputs, although they still perceive farming as their primary source of wealth. There are too few other natural resources for them to find alternative lines of work. Villagers therefore look beyond the village for work, above all from circular migration. Small trade and agricultural labouring have become other sources of income. Workers in this field have heterogeneous ethnicities, with the majority ethnicities of Javanese and Madurese, with the minority mostly consisting of Batak, Sundanese and Chinese.

We analysed various key documents, including government policy (Rencana Pembangunan Jangka Panjang, RPJMN, 2014 – 2019), acts of parliament (Village Law 6/2014), rules (Permendagri No. 114/2014 for village development guidelines, PP No. 47/2015, and village planning development guidelines), regulations in district areas, and other important documents, such as village master plans and participatory management plans. These were reviewed to see how villagers acquire and exercise power in village development governance. A total 47 documents were consulted for content analysis. Legal documents provided the legal basis for the analysis, as well as an intuitional framework for participants to own and govern a Village Fund and associated resources. Key informants were interviewed, as well as management committee members, local district government officials, NGOs, village activists and marginal local peoples. The interviews were conducted to collect information on village governance and decentralisation in village development. Focus group discussions (FGDs) were also held.

In addition, a semi-structured questionnaire was prepared for interviews of 200 village participants (i.e. beneficiaries using scoring of qualitative data on a point scale, 1 = very poor, 2 = poor, 3 = moderate, 4 = good and 5 = very good).

Table 2: Point of Scale Level of Villages' Governance Measures

Point of Scale	Example Case
5 = Very Good	Attending *musyawarah desa* (meeting villagers) with more than 60 percent and less than 75 percent of village participants
4 = Good	Attending *musyawarah desa* with more than 50 percent and less than 60 percent of village participants
3 = Moderate	Attending *musyawarah desa* with more than 30 percent and less than 50 percent of village participants
2 = Poor	Attending *musyawarah desa* with more than 20 percent and less than 30 percent of village participants
1 = Very Poor	Attending *musyawarah desa* with less than 20 percent of village participants

[3]In comparison, the average land control in Java was 0.48 hectares per household in 2015 – the latest agricultural census at the time of research.

The questions distributed in the questionnaires were administered to generate responses regarding good governance issues related to transparency, participation, accountability and efficiency of Village Fund governance for village development in East Java. We first collected focus group discussions from three types of FGDs carried out in the study: (1) FGDs on village governance of activist villages; (2) FGDs on village governance for marginal villagers (ethnic minorities, disabled people, poor people); (3) FGDs on village governance of village officials. The next step was conducting in-depth interviews using semi-structured interview guides. Interviews were conducted at a district, sub-district and village level, focusing on issues of village governance. The final step was collecting data from the questionnaires provided to villagers. In this way, we used a stratified random sampling technique, as samples were first stratified according to villages, and then respondents were selected randomly. Each respondent was interviewed opportunistically by visiting each household, without repetition.

The study is based on a framework (Figure 1), used for evaluating Village Fund governance through the analysis of four principles: transparency, participation, accountability and efficiency. As seen in Table 2, we used four criteria and 18 indicators in assessing good Village Fund governance, relevant to local conditions. The indicators were in the form of multiple-choice questions about modified aspects of village governance, based on Village Law 6/2014. Data was collected in February-July 2018. We analysed the data from questionnaires using Microsoft Excel (2013). The status of good governance for each indicator was calculated through a simple mathematical procedure. For example, the average participation in 10 *musyawarah desa* meetings, participated in by marginalised villagers participants, was (3 + 2 + 2 + 1 + 1 + 3 + 2 +3 + 3 +2)/ 10 = 2.2. Similarly, the status of good governance within the Village Fund program, in terms of participation, with six different criteria was (2,2 + 2,8 + 3,5 +4,1 + 3,8 + 2,6)/6 = 3.16. For the statistical test, we used a one-way analysis of variance (ANOVA), performed to test the significant difference among the highest and lowest score of indicator for each criterion.

Table 3: Criteria and Indicators for Assessing Good Governance in the Study Area

Criteria	Indicators
Accountability	(1) In Mobilisation of Village Fund
	(2) In Monitoring and Reporting
	(3) In Evaluation
Transparency	(1) In Record Keeping of Fund
	(2) In Allocation of Fund By Program
	(3) In Disbursement of Fund
	(4) In Monitoring and Reporting
	(5) In Mobilisation of Village Fund
	(6) In Evaluation
Participation	(1) Marginal Villagers in *musyawarah Desa*
	(2) In Benefit Sharing Schemes
	(3) In Decision Making and Implementation
	(4) In Record Keeping of Fund
	(5) In Allocation Fund By Program
	(6) In Disbursement of Fund
Efficiency	(1) In Building and Maintenance Infrastructure
	(2) In Protection of Marginal Villagers
	(3) In Public Services
	(4) In Record Keeping of Fund
	(5) In Allocation of Fund By Program
	(6) In Disbursement of Fund
	(7) In Evaluation

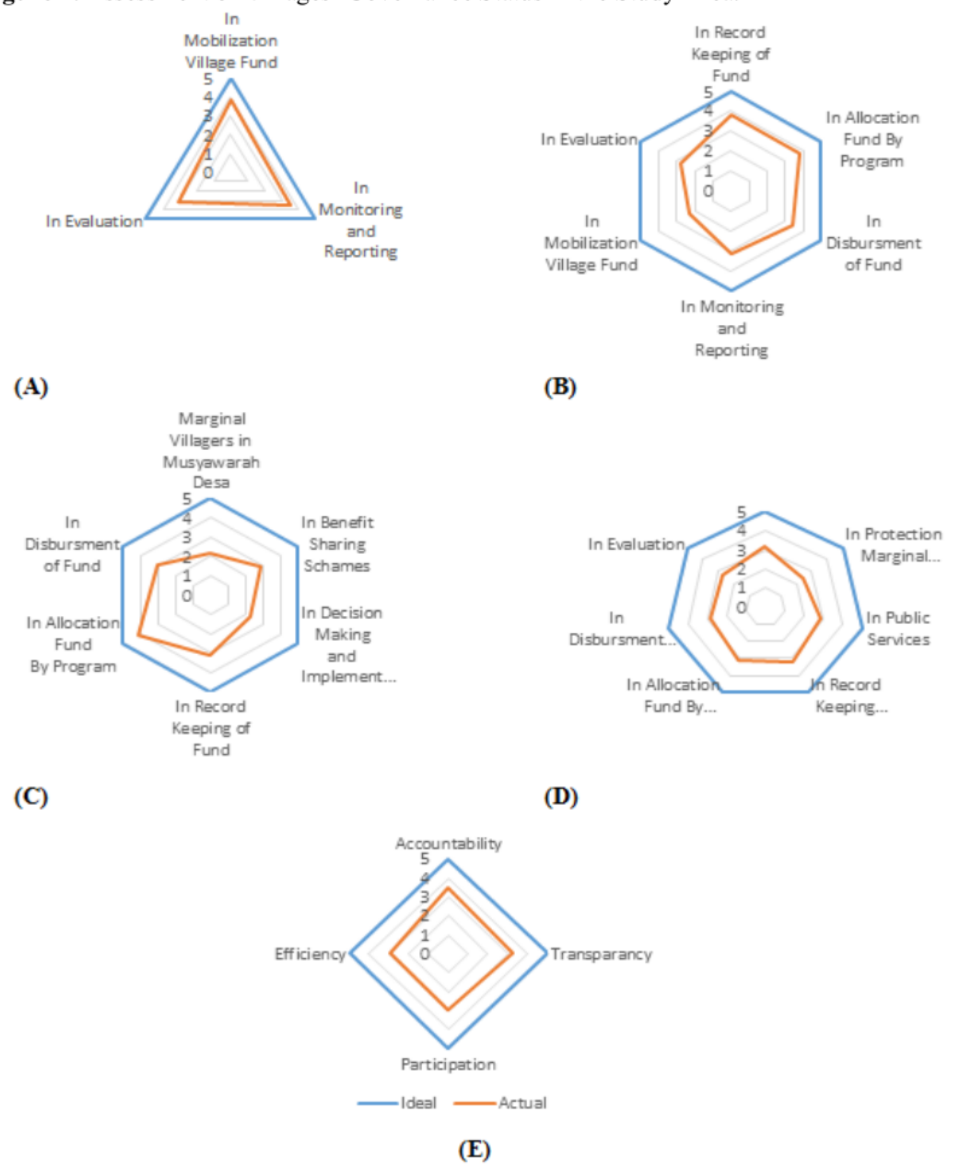
Result and Analysis

Accountability

Accountability is key when managing a Village Fund. The accountability of village government has been considered a pathway for improving good village governance, and increasing the trust of villagers toward their government (Kosec & Wantchekon, 2018). A village financial accountability report is a principal responsibility of a village government. In general, the practice of accountability trends vertically upward, in the form of administrative reporting to higher-level institutions (village governments to local governments, and village governments to the central government). Data showed that none of the government villages showed accountability for the Village Fund program to villagers, because there is no binding regulation on this, and villagers were not generally accustomed to using legislative tools to demand accountability.

Figure 4A shows the status of village governance accountability using three criteria. Accountability in mobilisation of the Village Fund program received the highest score (3.9) and the lowest in evaluation (3.1). One-way analysis of variance (ANOVA) showed no significant differences in accountability (Table 3). The village government indeed carried out its duties, taking accountability for managing the Village Fund, in terms of planning, implementation, monitoring and evaluation, but only reporting to local government and central governments, not villagers.

Figure 4. Assessment of Villages' Governance Status in the Study Area.



(a) Villages' governance in terms of accountability; (b) Villages' governance in terms of transparency; (c) Villages' governance in terms of participation; (d) Villages' governance in terms of efficiency and (e) Overall village governance status.

For village governments, reporting to other villages is an obligation of the program, but reporting to villagers themselves is not important, as it is considered that all decisions are based on the result of the *musrebengdes* (development planning meeting). Low scores in the evaluation indicate a decreasing level of involvement of villagers in village governments in evaluation activities. In the previous program (PNPM), the development outcome evaluation activities were an inseparable part of village government accountability for villagers. It is apparent that accountability in the evaluation of development results during the PNPM period did not continue with the Village Fund program. In additional analysis from FGDs, we found that there was also a weak role of the Badan Permusyawaratan Desa/BPD (independent villagers' representative) as a supervisor in village governments.

Table 3: ANOVA results among the highest and lowest score of four indicators of village governance.

Source of variation	**SS**	**df**	**MS**	**F**	**P-value**
Accountability	38.46321	5	7.323	9.764	0.1436
Transparency	51.46336	5	13.6736	10.892	3.7382**
Participation	59.78231	5	14.2562	11.261	4.3212**
Efficiency	76.33751	5	17.6457	14.821	7.6381**

* $P < 0.05$ *$P < 0.01$

Transparency

Transparency is one of the several of main prerequisites for creating a good democratic climate in villages. It is among the basic requirements for building their governance strategy (Lewis, 2015). In this study (Figure 4B), transparency in record keeping of funds (and in particular, the Village Fund) received the highest score (3.8), while the lowest was 2.32. ANOVA analysis revealed significant differences ($P < 0.01$) among the highest and lowest scores of transparency indicators (Table 3). The results indicate that village governments were not fully transparent in management of the Village Fund. In general, village governments have not been proactive in implementing transparency practices in their village development process. It is not that they do not want to share information regarding Village Fund management, but that information will only be shared if there are villagers asking for it.

Under Village Law 6/2014, there is a provision to form a BPD to monitor and manage funds efficiently. The task of the BPD should be to keep detailed records, open to beneficiaries, as well as to run village development programs funded with communal funds. If the task of routine monitoring and reporting can continue, it helps villagers understand the latest status of development progress and the management of funds. The presence of this BPD is expected to act as a communication link between the community and other stakeholders. Periodic reports (weekly or monthly) are important documents of transparency. Transparency in monitoring and evaluation was the second lowest (2.76) in all six criteria. It indicates poor motivation of BPD members to conduct periodic monitoring and reporting. Lack of transparency in monitoring and evaluation may create conflicts among the implementation of the Village Fund program, undermining the overall governance system. Better transparency increases the understanding of the rights and needs of village participants.

Participation

Participation is key for successful village development. The participation of villagers in village development activities is considered a pathway to improve village governance. Under Village Law, space is provided for villagers to participate in the village development process, especially in the *musyawarah desa*. PP number 47/2015 details the elements of villagers involved in the village development process, including for marginal villagers (poor households, women, etc.). The voices of marginal villagers is important when encouraging good village governance. Figure 3C shows the status of village governance in terms of participation in six criteria. Allocation of funds by program received the highest score (3.90) and the lowest participation of marginal villagers (2.2). In Table 3, ANOVA analysis showed significant differences ($P < 0.01$) among the highest and lowest scores for the participation criterion. In general, the level of participation is high only during program formulation and through the allocation of funds in the program, through the *musyawarah desa*, but the process of preparing draft planning documents follows the priorities of village elites. Furthermore, the implementation program (RKPDs) determines program development priorities, which no longer involves villagers, only village elites.

This mechanism is in accordance with the old Permendagri No 66/2007, where no innovation was found in village governments to implement a more participatory mechanism. A low score – the lowest participation of marginal villagers – indicates a reluctance to participate in group activities like *musyawarah desa* or general meetings. These marginal villagers, when invited to participate in village meetings, often act more as listeners, rather than sharing their opinions, so their voices are often not heard. In some instances, marginal villagers were not well informed about the meeting or decided to participate only passively. It is perceived from the FGDs that the voices of marginal villagers are not important when deciding program development priorities, yet these voices would improve the quality when developing village governance (Sapkota, Keenan, & Ojha, 2018). Collective action is considered as an important asset when creating successful village governance (Wong et al., 2017).

Efficiency

Efficiency provides an optimum use of human, financial and other resources, without unnecessary delays or wastage of village development (Boonperm et al., 2013). This ensures the sustainability of villager participation in development activities. Figure 4D shows that good governance, in terms of efficiency in building and maintenance of infrastructure, received the highest score (3.23) and the lowest efficiency in terms of the protection of marginal villagers (2.41). Table 3 revealed ANOVA analysis, showing significant differences ($P < 0.01$) among the highest and lowest scores of indicators for the efficiency criterion. The largest portion (80%) of village development program funding, using Village Fund resources, was used for building and maintaining infrastructure (roads, school building, irrigation, etc.). This means that there are still many villages struggling with basic infrastructure. Although, through the Village Law, fiscal capacity has increased significantly, but villages cannot always work to rehabilitate infrastructure. For example, some villages rely on district infrastructure (such as roads), which are vital to villagers' livelihoods, but even in villages that have lot of money, the village cannot repair damaged roads, as it is not in their jurisdiction.[4]

Low scores, relating to the protection of marginal villagers, indicate that village governments were not efficient in managing resources through the Village Fund program. Over three years they received 80% of the funds allocated for hard infrastructure development, and this composition has remained relatively similar over the last three years. To create inclusive village development, in accordance with the mandate of Village Law 6/2014, marginal villagers must become mainstreaming in development decisions – this has not been achieved. Low scores for the protection of marginal villagers show that village governments have a low level of efficiency in allocating funds to prioritise inclusive village development. Planning and budgeting toward assisting marginal villagers (pro-poor and gender responsive approaches) is also aimed at creating more effective and efficient programs and budgets. Diverse inclusion of men and women helps governments determine priorities and target groups more precisely. Thus, the development goals of reducing poverty, improving the quality of public services, and reducing the gap between beneficiaries of development can be achieved (Sridadi & Prihantono, 2018).

Overall Governance Evaluation in the Area of Study

Overall good governance in this study is at a moderate level (Figure 4E). Accountability has the highest rating (3.5), with efficiency rating the lowest (2.93). This indicates that village governments have a moderate level of accountability in managing village funds and have low levels of efficiency in protecting marginal villagers, disbursement funds, evaluation and the

[4] Four authorities managing roads in Indonesia: (1) national road (central government); (2) province road (regional government); (3) city road (local government); (4) villages road (village government).

execution of public services. FDGs reported that villagers have considerable involvement in activities like the preparation of five-year village development plans (RPJMDES), and help develop priority programs and monitoring programs, whereas participation in decision making processes, such as the allocation of funds and implementing program activities, were insignificant. The field findings reveal that village governance practices have not proven to be inclusive. Village governments have failed to represent poor households and marginal villagers in village development policies, while securing their design and implementation of policy is critical for ethical and sustainability development (Franceschi & Kahn, 2003). Village governments need to improve governance practices in Indonesia. An effective governance practice must ensure the participation of all villagers, with no exception, and distribute benefits via village development programs to all segments of the village (Antlöv et al., 2016; Wong et al., 2017).

Conclusion

This paper discusses research that assesses governance practices in managing the Village Fund program in Indonesia. The purpose of the study was to understand the achievement of good governance, based on criteria of Village Fund management. By studying this area, we have seen that accountability and transparency are more important than efficiency and the participation of all villagers, with no exception. Accountability and transparency of the Village Fund is currently only vertically reporting to local government (Pemkab), currently as a condition for the following stages or years of inspection and disbursement. Ultimately, to develop good village governance practices, transparency, accountability, participation and efficiency should be indispensable aspects of good governance and management. Often, the implementation of good governance practice is not enough, as it is blocked by elite forces, which have significant influence on the direction of village development. By continually improving the practices of village governance, communities can reduce the power of the elite in controlling village development.

This study provides insight on overall governance performance of those currently managing resources through the Village Fund program. This is useful to scholars, village development policy makers, non-government organisations and villagers, in formulating effective polices for village development programs in Indonesia, as well as in other developing countries. However, this research has limitations. We focused on four key aspects of good governance principles. There are weaknesses in understanding how the rights and responsibilities of village resources must be distributed and regulated among institutions fairly. In future studies, we suggest qualitative studies be conducted to understand how and why marginal villagers participate in the Village Fund program.

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