

Policy Note

Prioritising Village Fund Utilisation: Cash-for-Work to Prevent Covid-19

Key Messages

- The Covid-19 pandemic has impacted on many sectors, from health to social and the economy, even employment.
- The social and economic burden on villages is increasing with people returning from cities—especially labourers/employees in construction/service industries.
- The Village Fund is an instrument whose use should be optimised to prevent a negative socioeconomic impact in villages, particularly in terms of employment. The issuance of Government Regulation in Lieu of Law No. 1/2020 on State Financial Policy and Financial System Stability to Manage Coronavirus Disease 2019 Pandemic (Covid-19) and/or In the Event of Dealing With Threat Endangering National Economy and/or Financial System Stability provides a new instrument to minimise the impact of Covid-19 on employment issues in villages.
- Activities should be relevant to Covid-19 pandemic management with target beneficiaries identified through a community-based program (*musyawarah*), that encourages local best practices, and in accordance with the needs in every village.
- The Cash-for-Work (*Padat Karya Tunai Desa*: PKTD) Program has been running quite effectively since 2018. This program can be one use of the Village Fund program and can be implemented as soon as possible in accordance with existing policy. It is necessary to adjust prioritised activities using the mechanism pursuant to the prevailing regulations.

Background

The Covid-19 pandemic has impacted on many sectors, from health to social and the economy, including employment. In the short term, one of the key indicators of its impact on health is the mortality rate of victims that had reached 8.9 per cent. In terms of the economy, the pandemic has caused a slump in domestic economic activity—posing the risk of a fall in society's welfare. In the medium-term, it is projected that the economic growth rate will be in the range of -0.4 per cent to 2.3 per cent. This is a significant decrease compared with the growth rate in 2019 (5 per cent).

The virus has taken its toll on many business sectors, causing employment terminations and falling employment recruitment. In the long term, this will widen the gap among income groups, increase disparity among regions and between cities and villages, and raise the unemployment rate.

The Covid-19 pandemic has impacted on every aspect of the economy, including the village economy. The effects of the pandemic have been greatly experienced by people in

the city, however, given that seasonal workers are highly mobile (from the village to the city and back again), the Covid-19 pandemic can also spread to the villages and the government needs to anticipate the risk. The introduction of a Work-from-Home (WFH) policy has led to a fall in economic activities in the cities.

The flagging economy is triggering a wave of employment terminations, causing workers to return to their villages to survive. In the lead up to Ramadhan in April and during Eid al-Fitr in May 2020, many people will return to their home village (*mudik*) and, therefore, potentially expand the spread of Covid-19 in villages. If this condition is not well managed, villages could emerge as the new epicentre for Covid-19, particularly the workers' home destination. Failure to counter this pandemic can also affect socioeconomic stability in villages.

A Role for the PKTD Program

With its economy and social resources funded by the village budget (*Anggaran Pendapatan dan Belanja Desa*: APBDes), villages can contribute to Covid-19 prevention and management, as well as minimise the socioeconomic impact through the PKTD Program. The Village Fund can also be used directly to support the effort to mitigate the pandemic's impact on households and villages. There are several benefits of the Village Fund: (i) the budget allocation is available in the State Budget (APBN); (ii) it can be used to immediately initiate a rapid response program; (iii) it can complement other programs to minimise the socioeconomic impact; (iv) it does not require a new system, so village officials can mobilise directly as they are already familiar with the existing system; (v) it can be used to build the legitimacy and credibility of village government through local problem solving; and (vi) the existing monitoring, evaluation, and liability system can be optimised to ensure accountability.

The issuance of Government Regulation in Lieu of Law (Perppu) No. 1/2020 provides a new instrument to minimise the impact of Covid-19 on the village economy. Article 2, Paragraph (1), Point (i) of this regulation states that it is necessary to prioritise the use of budget allocations for specific activities (refocusing), adjust allocations and/or cut/postpone fund transfers to regions and village funds under certain criteria. Furthermore, the Perppu also states that "prioritising the use of village funds" means that village funds can be allocated to, among other purposes, cash transfers for poor people in villages and activities to counter the pandemic. This regulation requires a study on how the policy can be implemented rapidly and how it can prevent the moral hazard as much as possible, particularly the one that relates directly to the PKTD program.

Program Objectives and Target

PKTD is a development program based on a village community empowerment approach, especially for underprivileged and marginalised communities. This is also a productive activity prioritising local resources, labour, and the utilisation of technology to provide additional income, improve buying power, reduce poverty, and support a decrease in the stunting rate. PKTD implementation needs to be adjusted during this force majeure situation to align it with the effort to prevent and handle the epidemic in villages.

Conceptually speaking, PKTD has six main objectives:

- *First*, create job opportunities through self-managed and cash-for-work activities;
- *Second*, foster a sense of togetherness, mutual work, and village community participation;
- *Third*, improve village community empowerment both in terms of quality and quantity;
- *Fourth*, improve access for the underprivileged, women, children, and marginalised groups to basic education and health services;
- *Fifth*, reduce the number of unemployed, half underemployed, and the poor; and
- *Sixth*, raise social and economic activities in villages. Furthermore, to prevent and manage Covid-19 in villages, it is necessary to harmonise the objective with current conditions and policies.

The program's main target is the unemployed, half unemployed, and underprivileged groups. For the unemployed group, priority will be given to residents who do not have a job, have been laid off, and are still looking for a job. For the half unemployed group, priority activities will be given to residents working fewer than normal working hours (fewer than 35 hours per week), and residents who are still looking for a job or are still available to accept a job. For the underprivileged and vulnerable groups, priority is given to workers who do not have a job and/or whose expenditure is less than the poverty line. For this group, it is necessary to adjust the program target with conditions in the village.

Based on the presentation given by the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (*Kemendesa*) in early April 2020, PKTD realisation up until March 2020 was 2.5 per cent of the total Village Fund Stage 1 distribution (Rp 7.8 trillion) (Table 1). In terms of activities, the wage component has taken 23.73 per cent of the allocation and has involved a workforce of 59,127 people with an average wage during the implementation of Rp 783,000 per person. PKTD activities funded by the Village Fund can increase average income by at least Rp 261,000 per person each month, with the ratio between wage and total activity cost reaching 24 per cent. This 24 per cent wage ratio can still be improved, thus providing bigger income for workers.

Table 1: Cash-for-Work Implementation Realisation (April 2020)

Description	Value	Percentage
Distribution Stage I (Rp)	7,818,385,648,146	n.a.
PKTD Allocation (Rp)	195,136,666,825	2.50
Component (Rp)		
Wage (Rp)	46,302,262,742	23.73
Non-Wage (Rp)	148,834,404,083	76.27
Number of Workers		
Total	59,127	100.00
Male	55,448	93.78
Female	3,679	6.22
Poor Households	23,579	39.88
Unemployed	13,107	22.17
Half Unemployed	15,127	25.58
Other Marginalised Families	7,314	12.37
Average Wage	783,098	n.a.

Source: Restricted meeting discussion (*Kemendesa*) March 2020).

Program Activities

Prioritised Activities

In accordance with the existing regulation, there are at least three main requirements in implementing PKTD:

- First, PKTD is self-managed with the possibility to procure goods/services according to the stipulated laws and regulations;
- Second, prioritise the use of labour and raw materials from local villages so that they can employ workers and provide income for villagers as well as micro, small, and medium enterprises providing building materials in the village; and
- Third, work wages are given directly to villagers involved in the PKTD program. Wages are paid daily, however, if this is not possible, it will be paid weekly.

There are three criteria for PKTD activities: (i) work is conducted in groups with a supervisor in each group; (ii) work can be done by villagers without requiring specific skills and it will be supervised by trained staff who are also from the village community to ensure qualified work; and (iii) the activity is conducted using appropriate equipment, knowledge, and technology available in the village. The PKTD Program needs to be related to the effort to prevent and manage Covid-19 and should be enforced in all villages in Indonesia. This is important to anticipate the spread of the uncontrolled disease and the community's role in managing its area needs to be improved. The ongoing PKTD activity also needs to be adjusted to anticipate the socioeconomic impact of the Covid-19 pandemic.

Based on the data presented by *Kemendes*a, the government continues to put in efforts to prevent Covid-19 in line with the progress of village fund distribution. Only 14.2 per cent of Indonesia's villages have established village volunteers in order to prevent the pandemic (Table 2). As the number of villages receiving Village Fund transfers increases, the number of village volunteers should also rise. As of March

2020, only 22.66 per cent of villages have socialised a healthy lifestyle, while 21.27 per cent are spraying disinfectants. It is, therefore, necessary to increase village participation to prevent Covid-19 using financial resources from the Village Fund and to vary both preventive and physical and infrastructure activities.

Table 2: Covid-19 Response Implementation Realisation (April 2020)

Deskripsi	Nilai	Persentase
Distribution Stage I (Rp)	7,818,385,648,146	n.a.
PKTD Allocation (Rp)	195,136,666,825	2.50
Allocation for Covid-19 Response (Rp)	302,441,401,543	3.87
Village Responsive to Covid-19		
Socialising Healthy Lifestyle	16,986	22.66
Providing Sink to Wash Hands	12,823	17.11
Spraying of Disinfectant	15,941	21.27
Setting Up Posts for Covid-19 Volunteers	9,703	12.95
Setting Up Isolation Rooms	2,595	3.46
Collecting Data of Homecomers and Travellers	8,211	10.95
Collecting Data of People Prone to Illness	9,114	12.16
Providing Mask for Residents	4,446	5.93
Establishment of Village Volunteers Combating Covid-19		
Number of Established Villages	10,646	14.20
Number of Volunteers	242,684	n.a.
Average Volunteers/Village	23	n.a.

Source: Restricted meeting discussion (Kemendes)a March 2020).

Preventive Activities

There are several recommended prevention activities, among others:

- 1 Support socialisation/promotion;
- 2 Record data of people coming in and out of the village;
- 3 Monitor the movement of persons under surveillance and patients under observation, coordinating with puskesmas (pusat kesehatan masyarakat: community health centres) or health services;
- 4 Identify appropriate public facilities for potential use as isolation rooms (temporary)—such as meeting halls, mosques, village office rooms, and schools;
- 5 Monitor residents' movement by gathering data of residents or guests coming in and out; and
- 6 Support capacity building through training of village midwives or village health cadres so they can provide first medical response for villagers suspected of having Covid-19.

Physical and Infrastructure Activities

Activities that help prevent and counter Covid-19 will be prioritised, including:

- 1 Community empowerment, such as Covid-19 prevention through disinfecting the environment, garbage and waste management, neighbourhood environment management, and additional food distribution for children (babies and toddlers);
- 2 Build new and/or rehabilitate village facilities according to village government authority, such as provide public facilities as isolation room abiding by technical requirements from health services, provide clean water, manage waste, repair river and irrigation systems, and build new and/or repair village roads and bridges; and
- 3 Land use to maintain food production needs, including in wooded areas, such as for farming, forestry, plantation, animal husbandry, and fisheries.

Recommendations

- Immediately implement PKTD activity, as one of the measures to utilise village funds, in accordance with the current policy.
- Adjust various implementing regulations to ensure there is a legal basis for the program. An implementation plan for village funds specific to 2020 is needed to support the adjustments.
- Wage ratio can still be increased for PKTD activity if it does not sacrifice the ongoing construction project quality.
- It is necessary to adjust prioritised activities using the mechanism pursuant to the prevailing regulations.
- Take the required policy measures to ensure the activity's implementation, including socialisation and monitoring and evaluation.
- Improve facilitators' capacity to assist villages in implementing this activity pursuant to the Covid-19 mitigation implementation provisions and guidelines.

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