

# Sustainable Village Fund Allocation for Indigenous Communities: A Culturally Responsive Analysis of the Baduy of Indonesia

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## ABSTRACT

This study examines the misalignment between Indonesia's standardized Village Fund allocation system and the socio-cultural realities of indigenous communities, highlighting the need for Indigenous Budgeting Systems that better reflect customary governance structures and local priorities. Drawing on participatory budgeting theory, indigenous governance frameworks, and SDG Localization, the study critiques the limitations of uniform fiscal accountability mechanisms and develops a budgeting approach grounded in Local Wisdom-Based Development. The research employs qualitative fieldwork, including in-depth interviews with Baduy leaders, government officials, and financial managers, complemented by document analysis and thematic mapping. A weighted relevance scoring system is used to assess the alignment between all 17 SDGs and both the existing and proposed budgeting models. Findings indicate that the Baduy community rejects the current arrangement due to administrative burdens, documentation requirements, and infrastructure-oriented spending that conflict with customary norms. SDG 1, SDG 2, SDG 13, SDG 15, and SDG 16 emerge as the most relevant to Baduy development priorities. The proposed framework supports Village Fund Reform by emphasizing direct cash assistance, agricultural land expansion, and simplified accountability mechanisms aligned with oral traditions and customary law. The study situates its contribution within ongoing scholarly debates on indigenous public finance and SDG implementation, drawing on qualitative insights from the Baduy case to inform the design of more culturally responsive and context-sensitive budgeting reforms.

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## 1. Introduction

Public sector budgeting discourse, particularly within the framework of local government implementation, remains a critical area of inquiry in public finance and development studies. Scholars have long emphasized the necessity of adaptive and context-sensitive budgeting frameworks to enhance fiscal efficiency and equity in resource allocation, (Goode et al., 2011; Lindblom, 1979). In developing countries, conventional incremental budgeting models often fall short in addressing the nuanced socio-cultural and economic realities of marginalized communities, especially indigenous populations.

Recent literature underscores persistent challenges in integrating indigenous perspectives into budget planning and execution, particularly within decentralized governance systems. These challenges include misalignment between central directives and local priorities, limited fiscal autonomy, and inadequate mechanisms for accountability and transparency, (Jayasinghe et al., 2020; Permatasari et al., 2021). Moreover, the standardization of budget accountability systems, while intended to streamline reporting and control, can inadvertently exacerbate disparities in fund distribution and accountability resolution across regions, undermining principles of equity and inclusion.

Within the context of the Sustainable Development Goals (SDGs), indigenous communities face systemic barriers that hinder their full participation in development processes. Despite their critical roles in environmental stewardship and cultural preservation, indigenous peoples are frequently excluded from decision-making and underrepresented in budget allocations. The SDGs' commitment to "leave no one behind" necessitates a re-evaluation of budgetary frameworks to ensure that indigenous communities are not merely beneficiaries but active agents in shaping fiscal policies that impact their futures, (IWGIA - International Work Group for Indigenous Affairs, 2025).

To address these gaps, alternative budgeting approaches, such as participatory budgeting, culturally responsive fiscal planning, and inclusive accountability mechanisms, are increasingly advocated. These models emphasize the importance of local knowledge, community engagement, and the recognition of indigenous rights in budgetary processes. However, their implementation requires robust institutional support, capacity building, and a paradigm shift in governance that prioritizes inclusivity and justice.

The Baduy case presents a compelling opportunity to explore alternative budgeting models that integrate local wisdom, oral traditions, and non-technological governance systems. The absence of written culture and modern technology in Baduy governance necessitates innovative approaches to culturally congruent budget accountability and transparency, (Sumantri et al., 2025). Recent studies have highlighted the relevance of Baduy customary practices to both national and global sustainability frameworks, including Indonesia's Asta Cita policy and the United Nations SDGs. The Baduy worldview offers an indigenous governance model that prioritizes harmony, resilience, and equity, (Matsuda et al., 2025).

Globally, several countries have undertaken significant reforms to make budgeting systems more responsive to Indigenous needs. In the United States, the 2024 federal budget allocated over \$32 billion to tribal programs, focusing on housing, education, and climate resilience. However, only a fraction of these funds reach tribes directly, prompting calls for more efficient access and tribal-led fiscal governance. In Australia, the government committed \$1.3 billion over six years to First Nations initiatives, including remote employment programs,

housing, and digital inclusion. The Remote Jobs and Economic Development Program alone is set to create 3,000 real jobs, reflecting a shift toward community-led development. Meanwhile, India launched the Dharti Aaba Janjatiya Gram Utkarsh Abhiyan, a massive tribal development program with a budget of ₹80,000 crore, integrating 25 ministries to improve infrastructure, education, and livelihoods across more than 63,000 tribal villages, (indigenous.gov.au, 2024; Sharma, 2025; yellowheadinstitute.org, 2024).

In Europe, reforms are more policy-driven. The European Union has adopted legislation such as the Corporate Sustainability Due Diligence Directive (CSDDD) and the European Deforestation Regulation (EUDR), aimed at protecting Indigenous rights within supply chains and environmental governance. However, critics argue that these laws lack enforceable mechanisms and fail to meaningfully incorporate Indigenous voices. Across the Asia-Pacific, countries like New Zealand and Chinese Taipei have promoted Indigenous economic empowerment through APEC initiatives, emphasizing traditional knowledge and community-based governance. The UNDP's Indigenous Futures Summary likewise advocates development models rooted in Indigenous values, highlighting successful examples from Asia that integrate cultural preservation with sustainable development. Unlike Indonesia's Village Fund, which applies a standardized administrative model, these global approaches emphasize alignment between fiscal mechanisms, cultural autonomy, and Indigenous-defined development priorities. This contrast provides analytical insight into the limitations of Indonesia's current budgeting structure, which does not fully embed customary governance or respect Indigenous authority in financial decision-making. From the perspective of Indigenous Budgeting Systems theory, the global cases demonstrate that effective budgeting for Indigenous communities must integrate cultural stewardship, localized accountability, and participatory governance elements (APEC Economic Committee, 2022; Krenak, 2024; UNDP, 2022, 2025) that remain insufficiently addressed in Indonesia and help explain why communities such as the Baduy resist rigid, documentation-heavy administrative schemes.

Existing studies on the Village Fund in Indonesia predominantly examine administrative efficiency, infrastructure provision, and fiscal accountability, but they rarely address how these mechanisms interact with the socio-cultural systems and governance structures of indigenous communities leaving unanswered questions about the fund's suitability in culturally distinct settings. At the same time, scholarship on indigenous governance emphasizes the centrality of customary institutions, local wisdom, and traditional authority in shaping development priorities, yet this body of work seldom connects these insights to the design and implementation of national fiscal transfer schemes such as the Village Fund. This article seeks to bridge this gap by proposing a culturally adaptive budgeting framework that integrates local wisdom with the Sustainable Development Goals (SDGs), using the Baduy community as an empirical case to demonstrate how fiscal decentralization can be more effectively aligned with indigenous governance to advance inclusive and sustainable rural development.

## 2. Literature Review

Village Fund governance in Indonesia has traditionally emphasized transparency, participation, and accountability as core determinants of effectiveness (Wafirotin & Septiastuti, 2019), alongside macro-relationships between the composition of public expenditure and economic growth (Maulid et al., 2021). Yet indigenous communities such as

the Baduy prioritize non-material welfare and cultural preservation, signaling a potential misfit with one-size-fits-all allocation logics. Calls for better alignment with local needs and potentials (Purnomo et al., 2023), and for broad-based participation to optimize village assets (Harianto et al., 2021), foreground the question of how budgeting design interfaces with customary governance. A guiding contrast in the literature thus emerges between conventional budgeting, privileging standardized cycles and documentary proof, and indigenous budgeting, which centers cultural authority, oral accountability, and ecological stewardship (Zidny & Eilks, 2018).

### **SDGs and Indigenous People**

The Sustainable Development Goals (SDGs) aim to reduce poverty and inequality while promoting inclusive, sustainable growth; Indonesia's Village Funds are intended to localize these aspirations by channeling resources for community-driven programs (Cahyadi & Rahim, 2021; Izana *et al.*, 2024; Sodikin, 2017). However, standardized governance frameworks and reporting templates often marginalize indigenous communities by overlooking customary institutions and local wisdom (Bansal et al., 2023). In Indonesia, these tensions surface acutely in the Baduy context, where fiscal decentralization encounters cultural non-alignment.

Infrastructure-heavy and compliance-centric programming can conflict with indigenous priorities emphasizing ecological balance, social cohesion, and ritual regulation of land use (Bansal et al., 2023; Zidny et al., 2021). Moreover, SDG reporting presumes literate, codified systems, whereas many indigenous communities rely on oral transmission, communal witnessing, and customary sanctioning, creating friction in auditability and performance evidence (Maćkowiak, 2024; Putri et al., 2024). A resulting contradiction appears in the literature: while SDG discourse promotes inclusivity and cultural diversity, uniform fiscal and reporting standards risk reproducing marginalization in indigenous settings (Bansal et al., 2023; Cahyadi & Rahim, 2021). The literature remains under-specified on how to operationalize SDG localization through budgeting rules that allow community-weighted SDG prioritization, non-documentary accountability, and the formal recognition of customary authority in decision rights, particularly in Indonesia's Village Fund mechanism (Bansal et al., 2023; Sodikin, 2017).

### **Indigenous Knowledge (IK) and Sustainable Development**

Indigenous Knowledge (IK) is widely recognized as a policy-relevant asset embedding deep ecological and social understandings (Blackwell & Colmenar, 2000; Mungmachon, 2012). It supports community resilience and counteracts adverse effects of globalization, though integration into formal systems faces capacity and institutional barriers (Mungmachon, 2012; Pornpimon et al., 2013). In Indonesia, Baduy epistemology undergirds transformative education and ecological sustainability (Zidny & Eilks, 2018), while the community's selective rejection of external assistance has been shown to preserve social cohesion and adherence to customary law-*adat* (Christiyaningsih, 2020). Beyond education, IK informs disaster risk management and sustainable planning, contributing to SDGs in areas such as environmental stewardship and equity (Dorji et al., 2024; Hariwal et al., 2024; Christine *et al.*, 2023).

A recurrent tension in the literature lies between epistemic pluralism and fiscal standardization. IK is relational, practice-based, and context-bound; fiscal systems demand standardized indicators and documentary evidence. This misalignment challenges the fair

valuation of IK-guided outcomes in budget performance (Blackwell & Colmenar, 2000; Pornpimon et al., 2013). Capacity narratives can also be over-generalized: while barriers are often framed as deficits, evidence from communities like the Baduy indicates purposeful cultural choices to safeguard social–ecological integrity, suggesting that non-adoption of specific instruments can be normative rather than deficit-based (Christiyaningsih, 2020; Zidny & Eilks, 2018). The literature still lacks clear frameworks for translating IK principles into budget rules, such as eligibility criteria, procurement norms, and evidence standards, without diluting indigenous autonomy, especially under nationally standardized transfer programs (Mungmachon, 2012; Pornpimon et al., 2013).

### **Local Wisdom, Oral Traditions, and (II)literacy as Governance**

Local wisdom encapsulates cultural identity and ecological consciousness, operating through values, knowledge, and practices that co-evolve with landscapes (Ens *et al.*, 2022; Reyes-García et al., 2022). In Baduy governance, the Pu'un lead the inner villages of Cikeusik, Cibeo, and Cikertawana under *Pikukuh Baduy*, which regulates environmental stewardship and social conduct (Permana, 2010). A body of research documents selective rejection of formal education, modern technology, and external exploitation as strategies to preserve ecological and spiritual integrity (Kissiya & Biczó, 2025; Permana, 2010). This worldview positions the Baduy as stewards of nature with a sacred duty to protect forests and water sources, an approach that resonates with objectives for inclusive, safe, resilient, and sustainable settlements.

Comparative cases highlight the cultural contingency of literacy and schooling. The Pirahã in Brazil exhibit a language without numerical and tense systems, privileging immediate experience over abstraction and written documentation (Everett, 2005). In Indonesia, the Samin rely on *bebasan*, oral precepts passed down by customary elders, as their primary mode of moral and social education (Rinenggo & Kusdarini, 2021). Among Baduy Dalam, rejection of written systems aligns with spiritual epistemology and correlates with specific health-literacy challenges (Putri et al., 2024). Globally, an estimated 150–200 indigenous communities live in voluntary isolation and face heightened risks from extractive pressures, intensifying the stakes of culturally misaligned policy interventions (Ortiz-Prado et al., 2021). Oral traditions remain central to pedagogy and value transmission in communities such as the Baduy and Toraja, with relevance to multiple SDG domains (Maćkowiak, 2024).

These insights raise critical questions for budgeting. Village Fund cycles depend on plans, ledgers, and documentary reports, while oral communities prioritize ritual accountability, communal witnessing, and customary sanctions, forms that are locally legitimate but not easily legible to auditors (Maćkowiak, 2024; Rinenggo & Kusdarini, 2021). Documentation is intended to assure fairness and control misuse; in oral contexts, it can inadvertently exclude legitimate practices, leading to non-participation or refusal (Ortiz-Prado et al., 2021; Putri et al., 2024). Operational templates are needed for legally auditable yet culturally congruent evidence, such as sworn testimonies, customary registries, community juries, or ritual attestations, within national public finance systems, (Ens *et al.*, 2022; Permana, 2010).

### **Budgeting and Fiscal Policy in Indigenous Communities**

Budget theory has evolved toward performance orientation, participation, and subsidiarity, which are often cited as pillars of effective public financial management (Bagdigen,

2001; Beckett, 2002; LeLoup, 2002; O'Toole & Stipak, 1988; Schaeffer & Yilmaz, 2008; Shah, 2004). Empirical studies emphasize the welfare impacts of fiscal interventions and the need for budget flexibility and adaptiveness in the face of shocks (Boonperm et al., 2013; Goode et al., 2011; Østergren & Stensaker, 2011; Scorsone & Plerhoples, 2010), including applications of Programme Budgeting and Marginal Analysis (PBMA) in indigenous health and the complex implementation challenges that arise (Hampamma & Naidu, 2017; Otim et al., 2016). Local commitment and social dynamics are often decisive for budgetary success (Atmadja et al., 2018). In Indonesia, Village Funds have contributed to poverty reduction but show limited effects on inequality and persistent biases toward infrastructure (Amir & Rauf, 2020; Anam et al., 2023). Values and indigenous rationalities shape participatory budgeting processes and determine what counts as legitimate decision-making (Jayasinghe et al., 2020). To address conceptual gaps, scholars propose interdisciplinary frameworks and comparative exploration of alternative budgeting approaches (Aleksandrov & Mauro, 2023; Alsharari, 2020; Arora et al., 2021; Ouassini, 2018).

Together, these strands suggest a structured synthesis. Conventional budgeting relies on uniform cycles (planning–implementation–reporting–accountability), documentary evidence, and standardized performance indicators, often weighted toward infrastructure delivery (O'Toole & Stipak, 1988; Shah, 2004). Indigenous budgeting, by contrast, vests decision rights in customary leaders, leverages localized accountability (e.g., communal witnessing, ritual sanction), and values non-material outcomes such as social cohesion and environmental guardianship (Jayasinghe et al., 2020; Schaeffer & Yilmaz, 2008). A persistent contradiction emerges: evidence of economic gains from Village Funds (Amir & Rauf, 2020; Boonperm et al., 2013) coexists with cultural misalignment and limited distributional equity, indicating that funding volume alone cannot substitute for design fit (Anam et al., 2023; Østergren & Stensaker, 2011).

For Indonesia specifically, the standardized budgeting cycle may not align with indigenous governance structures and can fail to accommodate community heterogeneity (Otim et al., 2016; Permatasari et al., 2021). This raises design questions for Village Fund reform: how to embed customary decision rights in allocation rules; how to craft audit-credible yet oral-compatible accountability procedures; how to develop SDG prioritization tools weighted by community values; and how to recognize non-material key performance indicators (KPIs) such as social cohesion and environmental guardianship within performance frameworks (Arora et al., 2021; Jayasinghe et al., 2020).

### **Cross-Cutting Synthesis and Identified Gaps**

The literature documents the promise of decentralization and performance budgeting while simultaneously evidencing misfit in indigenous contexts due to epistemic, institutional, and accountability incongruences (Jayasinghe et al., 2020; Wafirotin & Septiviasuti, 2019). Research on IK and local wisdom demonstrates robust, place-based governance capacities, yet current fiscal architectures rarely translate these capacities into legitimate budgeting procedures at scale (Blackwell & Colmenar, 2000; Pornpimon et al., 2013). SDG localization studies emphasize inclusion and context sensitivity, but operational guidance remains limited on how to embed customary institutions within national transfer systems, particularly in Indonesia's Village Fund (Bansal et al., 2023; Cahyadi & Rahim, 2021).

Three families of tensions recur across the evidence. First, uniform compliance vs. oral legitimacy: legal audit trails depend on documentary artifacts, whereas many indigenous systems rely on oral, ritualized, and community-sanctioned accountability (Maćkowiak, 2024; Rinenggo & Kusdarini, 2021). Second, infrastructure metrics vs. non-material well-being: while physical outputs are critical, outcomes like cohesion and stewardship are central to indigenous conceptions of prosperity but remain underweighted in conventional KPIs (Amir & Rauf, 2020; Zidny et al., 2021). Third, capacity framing vs. normative choice: practices often labeled as capacity constraints can be deliberate, normative choices to preserve cultural orders (Christiyaningsih, 2020; Putri et al., 2024). From this synthesis, several gaps are identifiable for Indonesia. A theory translation gap persists between Indigenous Knowledge/Local Wisdom and concrete budget rules, eligibility, procurement, evidence, monitoring and evaluation, that preserve autonomy, (Ens *et al.*, 2022; Mungmachon, 2012). An accountability design gap concerns the development of protocols that are legally auditable yet grounded in oral and customary practices (e.g., community testimonies, ritual validation, customary registries) within public finance (Permana, 2010; Rinenggo & Kusdarini, 2021). An SDG localization gap involves the creation of tools for community-weighted SDG alignment that recognize indigenous priority sets and non-material outcomes, (Dorji et al., 2024; Hariwal et al., 2024). Finally, an equity gap remains around the risks of exclusion created by documentation-heavy schemes, particularly for communities in voluntary isolation or with strong oral traditions (Bansal et al., 2023; Ortiz-Prado et al., 2021). These debates motivate the examination of the Baduy as an instructive case of principled resistance to standardized accountability and infrastructure-centric programming, and they inform the development of a culturally adaptive budgeting approach within Indonesia's Village Fund framework that is attentive to customary governance, localized accountability, and SDG alignment (Permana, 2010; Zidny & Eilks, 2018).

### 3. Research Method

This study adopts a fieldwork-based qualitative approach to explore the budgeting dynamics and cultural perspectives of the Baduy Indigenous community in Kanekes Village, Indonesia. This methodology was chosen for its appropriateness in indigenous research contexts, enabling deep engagement with local knowledge systems while honoring cultural protocols and community values, (Butler *et al.*, 2024).

- a. In-depth and semi-structured interviews were conducted with 14 purposively selected informants (Table 1), comprising village officials, customary leaders, government representatives, academics, and both Baduy and non-Baduy residents. The sample size adhered to the principle of thematic saturation. Interviews were undertaken in the Baduy dialect and Bahasa Indonesia using an ethnographic protocol that aligned with customary norms and community timeframes. Informants were purposively selected to represent key stakeholder groups, including customary leaders, village administrators, local government officials, and financial managers, ensuring sufficient institutional and socio-cultural coverage. Fieldwork was carried out in Kanekes Village, Leuwidamar Sub-district, Lebak Regency, Banten, while interviews with central government officials and academics were conducted at their respective institutions. The research extended from 2017 to 2022, beginning with exploratory visits and followed by formal fieldwork between 9 February to 1 October 2022.

Table 1. Profile of Key Informants Involved in Village Financial Governance in Kanekes

Informant Category	Number of Informants
Head of Kanekes Village	1
Village Secretary	1
Village Financial Management Officers	4
Officials from the Lebak District Village Empowerment Agency	2
Head of the State Treasury Service Office (KPPN) Rangkasbitung, Ministry of Finance	1
Academics from the State Finance Polytechnic STAN	2
Officials from the Directorate General of Fiscal Balance, Ministry of Finance	1
Non-Baduy Residents	2

Source: Sumantri et al., (2025)

Sample adequacy was strengthened through a comprehensive triangulation process involving cross-informant validation, analysis of official village documents, thematic mapping, limited FGDs with customary leaders, site observations in Inner and Outer Baduy areas, and linguistic verification of interviews conducted in mixed Indonesian–Baduy dialects. Together, these procedures ensured methodological rigor and reinforced the cultural validity of the findings.

b. Data Analysis and SDG Correlation:

To link the findings with the SDGs, the study applied a structured significance scoring system (see Figure 1) using the formula.

$$S_i = \frac{R_i + C_i + P_i}{3} \dots\dots\dots (1)$$

Where:

- $S_i$  = Significance score for SDG  $i$
- $R_i$  = Relevance to Baduy cultural values
- $C_i$  = Compatibility with current budgeting practices
- $P_i$  = Potential for policy adaptation

Each dimension represents relevance to Baduy cultural values, compatibility with current budgeting practices, and potential for policy adaptation. Scores were assigned on a standardized 1–100 scale by the research team using expert judgment informed by qualitative evidence. Equal weighting was applied to avoid dominance of any single dimension. Assessment validity was strengthened through methodological triangulation (integrating interview findings, document analysis, and thematic coding), ensuring internal consistency and comparability across SDGs.

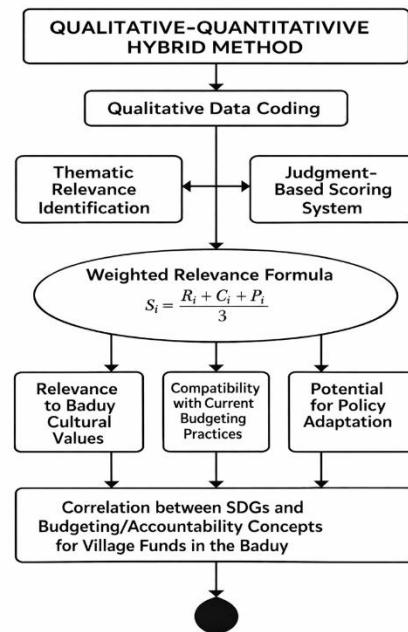


Figure 1. Flowchart of SDG–budgeting correlation analysis in the Baduy Indigenous Community.

Source: Author's, 2025

This methodology supports the study's objective to reframe Village Fund allocation through a culturally sensitive lens aligned with the Sustainable Development Goals (SDGs), ensuring that Indigenous voices remain central to the policy discourse. Ethical approval was obtained prior to the commencement of fieldwork, and all participants provided informed consent. The research design was guided by principles of respectful and reciprocal engagement, in alignment with Indigenous research ethics that prioritize community agency and relational accountability, (Papillon et al., 2020).

During the preparation of this article, the author used Copilot in order to support the drafting process by improving linguistic clarity, refining academic tone, and assisting with the organization of complex ideas and references. The tool was also used to streamline literature synthesis and enhance consistency across sections. After using this tool/service, the author reviewed and edited the content as needed and takes full responsibility for the content of the publication.

## 4. Results and Discussion

### The Role of Local Wisdom in Baduy Customary Governance and Sustainable Development

Local wisdom serves as a vital expression of cultural identity and Indigenous epistemology. It encompasses an accumulation of knowledge, values, and practices developed by local communities through sustained interaction with their natural environment. This form of knowledge is not merely traditional but also adaptive and dynamic, offering a constructive framework for community resilience and sustainable development, (Muis & Sintang, 2025).

As foundational knowledge, local wisdom emerges from a lifestyle in harmony with nature and emphasizes reverence for ancestral traditions. This worldview is embedded in both

tangible and intangible cultural expressions, transmitted intergenerationally through lived experience. It integrates moral values, ecological ethics, and communal norms that often prioritize spiritual and social well-being over material gain, (Mungmachon, 2012).

In the Indonesian context, the Baduy people exemplify the embodiment of local wisdom in governance and ecological stewardship. Residing in Kanekes Village, Banten Province (coordinates: -6.645906, 106.213933), the Baduy community is renowned for its deliberate isolation from modernity, including the rejection of formal education, technological adoption, and forest exploitation. This cultural stance is not merely symbolic but operationalized through a dual governance system that reflects Indigenous autonomy.

Administratively, Kanekes is divided into two zones: Baduy Dalam (Inner Baduy) and Baduy Luar (Outer Baduy). Baduy Dalam adheres strictly to ancestral customs, while Baduy Luar functions as a cultural buffer zone, mediating interactions with external society. The dualistic governance structure of the Baduy (See Appendix A-Supplementary File, for the Governance Structure of the Kanekes Indigenous Village) illustrates that leadership in Kanekes is held by a triad of customary leaders known as the *Pu'un*. These senior leaders exercise collective authority, with the Head of Kanekes Village serving as a subordinate intermediary to the formal administrative system, particularly in managing village finances and external communications, (Astheria et al., 2021).

The Baduy governance model is deeply rooted in *Pikukuh*, a customary legal system that enshrines environmental preservation and cultural continuity. Their ecological philosophy "*lojor teu meunang dipotong, pendek teu meunang disambung*" (what is long must not be cut, what is short must not be extended) reflects a profound environmental ethic. This principle guides the sustainable use of natural resources, especially in the management of rivers and forests (Dzulhaji et al., 2024).

### **Budgeting Conflicts and Cultural Incompatibility**

Between 2015 and 2018, Kanekes Village received and utilized Village Funds allocated by the central government, primarily for infrastructure and administrative purposes. Although initially compliant with modern budgeting principles, in 2019, the *Pu'un* (customary leaders) issued a directive to cease acceptance of Village Funds. This decision was grounded in the belief that the allocation mechanisms and administrative accountability requirements conflicted with Baduy local wisdom and cultural values. As a result, Kanekes became the only village among Indonesia's 74,961 villages to formally reject Village Funds (Sumantri et al., 2025). The Baduy leadership viewed the program as detrimental to their environmental integrity and social harmony. Their rejection was based on violations of *Pikukuh Baduy*, the customary philosophy mandating ecological preservation and spiritual balance.

This rejection extended to other forms of government assistance, including COVID-19 social aid in 2020, which was deemed incompatible with Baduy communal distribution practices. These developments underscore the tension between national development policies and Indigenous governance systems that prioritize spiritual integrity, ecological equilibrium, and communal autonomy over material infrastructure, (Matsuda et al., 2025).

Indonesia's decentralization policy, initiated in 2001, and the Village Fund program launched in 2015, were designed to empower local governments in managing rural development agendas. Inspired by similar models in Thailand and China, Village Funds aim to boost rural incomes and promote equitable development. However, implementation in

Indigenous contexts such as Kanekes reveals critical gaps in cultural sensitivity and policy alignment, (Lestari et al., 2023).

In response, the Provincial Government of Banten enacted Regional Regulation No. 2 of 2022, formally recognizing the dual governance system in Kanekes Village, comprising both national administrative structures and customary governance systems. This regulation affirms the legitimacy of Indigenous leadership, particularly the role of the *Pu'un* and other customary authorities. The legal framework provides a foundation for integrating customary governance into broader administrative systems while preserving cultural autonomy.

The Baduy exemplify a lifestyle rooted in self-sufficiency and ecological ethics. They produce their own food, clothing, and shelter, and maintain a deliberate resistance to modernization, including the use of technology and formal education. The core message of *Pikukuh* emphasizes environmental stewardship: land must be protected from degradation to prevent harm to humanity, (Silalahi & Purwanto, 2025).

Despite their strong adherence to tradition, the Baduy community demonstrates tolerance and respect for modern lifestyles practiced by outsiders. This cultural openness, however, does not compromise their commitment to ancestral values. Respect for elders and communal cooperation are central to their social structure, reinforcing moral and spiritual cohesion. The philosophical foundation of Baduy governance, particularly through *Pikukuh Tilu* and *Pikukuh Sapuluh*, reflects a triadic relationship between God, humanity, and nature. These principles align with global sustainability goals, including the SDGs, offering a model of Indigenous resilience and ecological harmony (Halmahera et al., 2019; Silalahi & Purwanto, 2025).

The budgeting system for Village Funds in Kanekes, home to the Baduy Indigenous community, represents a unique intersection between formal fiscal policy and customary governance. While Indonesia's general framework for village financial management emphasizes structured planning, revenue regulation, and expenditure control, the Baduy have historically approached budgeting through the lens of cultural preservation and communal autonomy, (Sumantri et al., 2025).

Initially, the Kanekes government, comprising both Baduy and non-Baduy representatives, adopted the national budgeting model for Village Funds, including compliance with standard allocation mechanisms and administrative procedures. However, the Baduy leadership, particularly the *Pu'un*, later expressed concerns that centralized budgeting approaches conflicted with their local wisdom and traditional values. Consequently, Kanekes Village withdrew from the Village Fund program starting in 2019, (Matsuda et al., 2025).

Village Funds were designed as strategic instruments to promote rural development and community empowerment. Since 2020, their allocation has been structured around four components: Basic Allocation, Formula Allocation, Affirmative Allocation, and Performance-Based Allocation. These components aim to ensure equitable distribution across Indonesia's diverse villages. However, in the case of Kanekes, the rigid structure of these allocations does not align with the Baduy's non-material development priorities and oral governance traditions, (Permatasari et al., 2021).

According to the Head of Kanekes Village, while the *Pu'un* have rejected Village Funds on cultural grounds, the community still faces urgent needs. One such issue is the declining availability of *tanah bengkok*, customary land allocated for village heads in Java, which is

increasingly insufficient due to population growth. A proposed solution involves purchasing land from Outer Baduy residents for redistribution to Inner Baduy families for agricultural use, (Kurosaki et al., 2020).

A culturally adaptive budgeting system for Kanekes must be designed as a goal-oriented governance model that integrates community values, environmental interactions, and spiritual beliefs. Standardized financial systems, when uniformly applied across diverse regions, risk creating inequities and inefficiencies. In the Baduy case, forced compliance with modern fiscal procedures may erode cultural identity and disrupt social harmony, (Matsuda et al., 2025).

The Baduy's rejection of Village Funds has been acknowledged by both the Lebak Regency and the central government. Their stance is not merely symbolic but reflects a broader resistance to modernization that threatens Indigenous customs. Therefore, policymakers are urged to develop culturally tailored fiscal policies for Indigenous villages, recognizing that Village Fund allocation is not merely a financial transaction but a form of delegated authority that must be culturally sensitive, (Sumantri et al., 2025).

The distribution and management of Village Funds in Kanekes should prioritize well-being through culturally aligned development, rather than imposing modern infrastructure. A collaborative framework involving central, provincial, regency, and village governments is essential to ensure that fiscal governance respects Baduy traditions while maintaining accountability and transparency.

The Baduy case presents a compelling opportunity to explore alternative budgeting models that integrate local wisdom, oral traditions, and non-technological governance. The absence of written culture and modern technology in Baduy governance necessitates innovative approaches to culturally congruent accountability and transparency, (Sumantri et al., 2025).

### **Integration of SDGs into Village Fund Policy for the Baduy Community**

The officially recognized number of Sustainable Development Goals (SDGs), as established by the United Nations (UN), is 17. This has been reaffirmed in various UN publications, including the *Sustainable Development Goals United Nations in Indonesia* portal, which outlines the UN's commitment to supporting the achievement of all 17 SDGs in Indonesia and across the globe, (United Nations, 2025). These 17 goals encompass a wide range of development dimensions, including poverty eradication, education, health, gender equality, environmental sustainability, and global partnerships. Designed to be achieved by 2030, the SDGs serve as a primary reference for both national and local development planning.

In the context of sustainable rural development, the allocation of Village Funds in Indonesia has been strategically designed to support the realization of the SDGs. However, the case study of Kanekes, the Baduy Indigenous village, reveals that a uniform approach to Village Fund management does not always align with the local values and philosophical worldview of Indigenous communities. The Baduy's formal rejection of Village Funds since 2019 serves as a critical reflection that development policies must incorporate local wisdom as an integral component of public budgeting and implementation processes.

A comparative analysis of Sustainable Development Goals (SDGs) within the Baduy community's budgeting framework reveals that SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 13 (Climate Action), SDG 15 (Life on Land), and SDG 16 (Peace, Justice, and Strong Institutions) are the most prominently aligned with both qualitative narratives and quantitative

assessments (see Figure 2). These SDGs reflect the community's core priorities: poverty alleviation through direct financial assistance, food security via agricultural land expansion, environmental stewardship rooted in customary ecological knowledge, and the preservation of Indigenous governance systems. Under the proposed alternative budgeting model, SDG 1 and SDG 2 showed significant increases in relevance by 25 percent and 20 percent, respectively, while SDG 13 and SDG 15 reinforced the ecological values central to Baduy cosmology. SDG 16 further emphasized the importance of maintaining social harmony through traditional institutions.

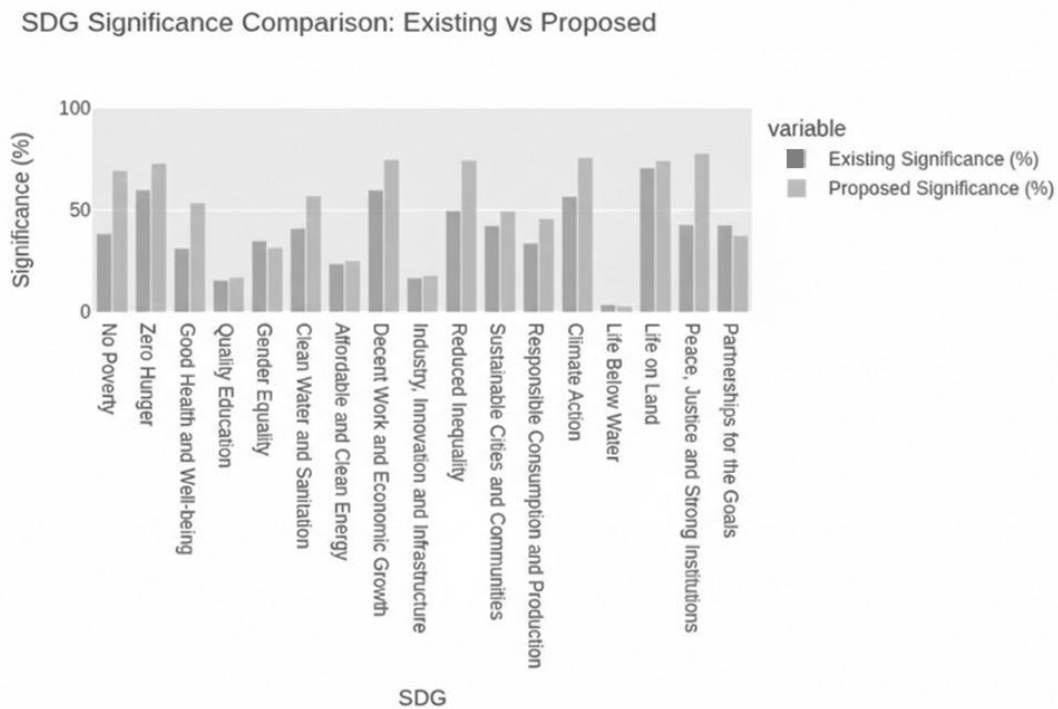


Figure 2. Comparative Analysis of SDG Relevance in Existing vs. Proposed Village Fund Budgeting for the Baduy Community  
Source: Author's

The proposed model reorients fiscal priorities toward direct support for traditional livelihoods, sustainable land management, and accountability mechanisms that respect customary norms. Anchored in the Baduy philosophical tenet, “*Gunung teu meunang dilebur, leuweung teu meunang diruksak, lojor teu meunang dipotong, pondok teu meunang disambung*” the model demonstrates a stronger alignment with SDG 15 (Life on Land), which increased in relevance from 80% to 95%, and SDG 2 (Zero Hunger), which rose from 70% to 90%. A structured evaluation of all 17 SDGs, based on cultural relevance, administrative feasibility, and policy adaptability, revealed that the proposed model enhances alignment across nearly all goals, with the most notable gains in SDG 1, SDG 2, and SDG 15 (each increasing by 15–25 percentage points). These findings underscore the limitations of standardized budgeting frameworks and highlight the transformative potential of culturally responsive fiscal reforms in advancing sustainable development within Indigenous communities.

While SDG 9 (Industry, Innovation and Infrastructure) and SDG 14 (Life Below Water) are crucial for global development, they hold limited relevance for the Baduy community due to their unique socio-cultural and geographical context. The Baduy, particularly the Baduy Dalam,

consciously reject industrialization, modern infrastructure, and technological innovation to preserve their ancestral way of life rooted in simplicity and ecological harmony, making the objectives of SDG 9 incompatible with their values. Additionally, as an inland, land-based indigenous group residing in the mountainous regions of Banten, the Baduy have no direct interaction with marine ecosystems, rendering SDG 14, which focuses on ocean and marine resource conservation, largely inapplicable to their daily lives and environmental stewardship practices.

### **New Alternatives in Village Fund Formulation for Indigenous Villages**

Formulating Village Fund policies for traditional communities such as the Baduy requires a paradigm shift in both public budgeting theory and practice. Classical budgeting frameworks, rooted in Keynesian economics and administrative rationality, have long dominated fiscal policy. Scholars such as Key, (1940) posed foundational questions about budget allocation, emphasizing marginal utility, government service typologies, and normative ideals. However, these models often fail to accommodate the socio-cultural complexities of Indigenous governance, (Réka et al., 2014).

In the case of Kanekes Village, the Baduy community has expressed a clear preference for non-infrastructure support, such as Direct Cash Transfers (BLT), agricultural inputs, and materials for customary institutions. These preferences reflect a rejection of mainstream development paradigms, which prioritize infrastructure and modernization. The concept of “infrastructure” itself is absent from the Baduy cultural lexicon, and any form of assistance must align with their ecological ethics and oral traditions, (UNDP, 2022, 2025).

To accommodate these needs, the government must consider adaptive financial management systems that respect customary law while maintaining legal accountability. This includes the development of specialized regulatory frameworks, such as ministerial regulations, provincial decrees, and village-level bylaws, that enable culturally appropriate use of Village Funds. Such frameworks must balance legal compliance with Indigenous autonomy, ensuring that documentation requirements, for example signatures and photographs, do not violate customary norms, (UNSW-Sydney, 2025).

Moreover, the current allocation formula—comprising Basic Allocation, Formula Allocation, Affirmative Allocation, and Performance-Based Allocation—may require revision for Indigenous villages. A customized formula that integrates local wisdom and community-defined priorities could enhance equity and effectiveness. The Baduy have proposed a regional regulation to formalize their unique budgeting needs, including the use of funds for customary ceremonies and ecological preservation. However, these proposals face challenges in gaining government approval due to concerns about setting precedents for other villages, (Lestari et al., 2023).

The current budgeting system applied to Indigenous communities such as the Baduy fails to reflect their cultural values and governance structures. The Baduy community’s rejection of the Village Fund program, making it the only Indigenous community in Indonesia to do so, underscores the incompatibility between formal administrative procedures and traditional customs. As noted in the literature, “the decision to grant Village Funds to the Baduy using general management rules is likely to be perceived as inappropriate by the Baduy community.” This incompatibility stems from requirements related to documentation and infrastructure

development, which conflict with Baduy principles of simplicity, autonomy, and environmental stewardship.

The Baduy's unique stance calls for urgent policy reform to accommodate Indigenous autonomy within the national development agenda. Evidence from the comparative SDG assessment shows that the proposed budgeting reforms consistently outperform existing models in terms of cultural alignment and developmental impact. As emphasized by Permatasari et al., (2021), Village Fund programs are more effective when aligned with local wisdom and participatory planning. For the Baduy, this means establishing a legal framework that recognizes customary governance and enables flexible, culturally legitimate financial management. Such reforms not only enhance SDG implementation but also safeguard Indigenous identity and ecological integrity.

Based on the preceding analysis, this study proposes two alternative best-practice models for Village Fund allocation tailored to the socio-cultural context of the Baduy community:

a. Adaptive Beyond-Budgeting Model for Indigenous Communities

This model emphasizes flexibility, decentralization, and cultural legitimacy. Unlike conventional budgeting systems that rely on fixed performance contracts, it avoids rigid targets that conflict with traditional values. Budget allocations are determined based on seasonal needs and traditional cycles, with decision-making authority shared between customary leaders and the village head. Administrative documentation is replaced by narrative-based reporting or community testimonies, ensuring culturally congruent accountability. In practice, this model allows Village Funds to be distributed as direct cash assistance (BLT) and agricultural inputs such as seed provision. Expenditures for customary ceremonies and the protection of sacred forests are formally recognized as legitimate budget categories. This approach not only respects the Baduy's ecological and spiritual values but also aligns with key Sustainable Development Goals.

b. Narrative Accountability System

This model redefines fiscal transparency through oral traditions. Instead of standardized forms, financial reporting is conducted through storytelling and community testimonies, often delivered in village deliberation forums. Social audits are performed openly by customary elders and community members, reinforcing collective oversight. To institutionalize this model, regulatory support is required from the Ministry of Home Affairs, the Governor of Banten, and the Regent of Lebak. These legal instruments would provide the necessary framework to legitimize Indigenous accountability practices within the broader public financial management system.

Based on the study, here are three potential subjects to discuss further:

a. Policy Reform for Indigenous Budgeting Systems

How can national and regional governments design legal frameworks that accommodate indigenous governance structures like those of the Baduy? What are the implications for decentralization and fiscal accountability?

b. SDG Localization through Customary Wisdom

In what ways can the Sustainable Development Goals be adapted to reflect the values and priorities of indigenous communities? How do traditional ecological knowledge and cultural norms enhance or challenge global development frameworks?

c. Participatory Budgeting and Administrative Flexibility

What models of participatory budgeting are most effective for communities that reject formal documentation and modern infrastructure? How can governments ensure accountability while respecting oral traditions and non-written governance?

## 5. Conclusion

A sustainable Village Fund allocation model must be firmly grounded in local wisdom and uphold the autonomy of indigenous communities. For the Baduy, this entails prioritizing agricultural land expansion, direct cash assistance, and accountability mechanisms that do not depend on written documentation.

SDG 1 (No Poverty) is relevant to the Baduy community, as the proposed budgeting model focuses on direct cash assistance and support for traditional livelihoods. On the other hand, their guiding philosophy, “mountains cannot be melted down, forests cannot be destroyed, locations cannot be moved,” embodies a profound ecological ethic that strongly aligns with SDG 2 (Zero Hunger), SDG 15 (Life on Land), and SDG 16 (Peace, Justice and Strong Institutions), while also reinforcing the relevance of SDG 13 (Climate Action) through their unwavering commitment to forest preservation and environmental harmony.

The proposed reforms represent not merely technical adjustments but a paradigm shift toward inclusive and culturally legitimate development. SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 13 (Climate Action), SDG 15 (Life on Land), and SDG 16 (Peace, Justice and Strong Institutions) emerge as the most prominently addressed goals in the comparative evaluation of SDG relevance within the Baduy community’s budgeting framework. Aligning Village Fund programs with indigenous values significantly enhances their effectiveness, sustainability, and legitimacy.

Ultimately, the Baduy case offers a compelling blueprint for broader policy reform in Indonesia and other multicultural nations. Establishing legal frameworks that recognize customary governance and allow for flexible, non-bureaucratic financial management is essential. Such reforms will not only improve SDG implementation but also safeguard the cultural integrity of indigenous communities. Moving toward sustainable Village Fund allocation for indigenous peoples is not just a matter of equity, it is a strategic imperative for inclusive national development.

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