

Village Development Initiative as an Alternative Strategy of Rural Poverty Reduction: An Evaluation of Village Fund Program in Indonesia



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ABSTRACT: Law Number 6 of 2014 on villages has been ratified due to the persistent poverty suffered by the village community. Through financial decentralization (Village Fund Program) as regulated in the law, poverty reduction policies are expected to be applied by the lowest level of government. This study aims to evaluate the contribution of the Village Law to reducing poverty. Therefore, this study is important not only to assess how deepening process of decentralization works but also evaluate its impact to reduce rural poverty in Indonesia. The study was conducted in three regions in Indonesia, namely West Sumatra, East Java, and North Maluku Provinces represents the western, central, and eastern regions of Indonesia respectively. The findings indicate that although the studied village governments did not specifically design a development program for poverty reduction in their budget, access to basic needs and public facilities improved and rural unemployment reduced significantly.

KEYWORDS: Poverty, Village law, Village Fund Program, Village Development

INTRODUCTION

Law Number 6 of 2014 on Villages (the Village Law) is a means to overcome persistent rural poverty in Indonesia. Before the enactment of the Village Law, the fund for the village development was fully provided by the central government. The village governments did not have autonomy to manage their own finances. Formally, all village development policies prioritize a series of great goals, namely creating more modernized village governance, changing the physical face of the village, providing social services for rural communities, alleviating poverty, empowering communities, increasing income and living standards of the community, building village social resilience, and so forth (Antlov et al 2015; Sarker 2014; Kushandajani and Alfirdaus 2019). In contrast, scientific studies on villages criticize various regulations and policies launched by the central government. Despite the "success stories" of the New Order era, its centralized policy did not significantly improve the welfare of rural communities (van Leeuwen and Foldvari 2016). The problem of poverty was continuously haunting the village.

It is evident that organizations including the Village Renewal Development Forum, the Indonesian Village Governments Association (APDESI), Indonesian Village Apparatuses Association and several Non-Governmental Organizations engaged in rural development encourage a change in the approach of village development (Marx and Gosh 2014; Eko et al. 2015; Jacqueline, Zakaria and Bedner, 2017; Syukri, 2019). Therefore, the government formulates Law Number 6 of 2014 on Villages. The previous sectoral village development approach has been changed to sectoral and spatial (territorial) aspect after the enactment of Law Number 6 of 2014 on Villages. It excludes the district's sectoral planning and implementation of co-administration tasks (which are supra-village government domains), and spatial and village-based development programs. In this case, they will be integrated into village planning while the program' funds will be included in the Village Development Budget (APB Desa) (Rauf, 2017; Irawan, et al, 2017; Revida 2019; Wicaksana et al 2019).

The first objective of this integration is to avoid the "dualism" of the development and management planning and manage routine planning and other development agendas (e.g., PNPB Mandiri) excluded from the village budget system. In practice, routine planning is often hampered because of lack of funds, but programs excluded from Revenue and Expenditure Budget of Village (*APB Desa*) provide more abundant supply and more promising funds. The second objective of the integration is to focus more on development planning and implementation based on the needs of the village community (Watts, et.al, 2019; Jayadi, 2019; Damayanti & Syarifuddin, 2020).

In the new model, village planning is not planned at a higher, regional level, but designed at the village level by the village's local community and aligned with regional planning. The purposes of village planning include simplifying planning procedures, strengthening the villagers' responsibilities and sense of belonging toward/to development, improving public service provision at the village level, and making the village fund more effective in addressing village's problems (Sudarno, 2010; Lu, 2016; Putra et

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al., 2017; LaRochelle, 2019). In particular, village regulation in Article 4 of Law Number 6 of 2014 is aimed at recognizing village authority and legal status, preserving village's tradition and culture, encouraging the initiative of the villagers, and improving the economic productivity of the village as the backbone of the national economy.

Referring to the explanation, research on village development and poverty alleviation becomes an urgency that must be solved. Research on village development and poverty alleviation has been widely done by several researchers. Research from Li, Fan, & Liu (2019) doing in China about the village development of agricultural area. The main findings suggest that rural elites are crucial actors in the transformational development of relatively successful villages. The success of these villages is based on the integration and coordination of internal and external driving forces, the participation, negotiation and cooperation among key actors, and the formation and development of rural networks with these key actors. Furthermore, Papageorgiou (2019) doing same research about Fuzzy cognitive map-based sustainable socio-economic development planning for rural communities. From that research can be find that the proposed method can support policymakers in eliciting accurate outcomes of proposed policies that deal with social resilience and sustainable socio-economic development strategies. Adamowicz & Zwolińska-Ligaj in 2020 also determined the smart village as a way to achieve sustainable development in rural area. Some of these studies can be used as a reference on village development in order to rural poverty reduction.

Despite some differences, both the theoretical approach and the juridical approach are a unit, a system, or a series of processes leading to aspire and achieve the prosperity for the village community. Specifically, Article 4 letter b of Law Number 6, 2014 on Villages states that the village regulation aims to encourage initiatives, movements, and participation of the village's communities to develop the village's potential and assets for mutual welfare. Thus, initiatives, movements, and public participation, as well as development of the village's potential and assets are means for achieving one ultimate goal of reducing poverty (Watts et al 2019; Syukri 2019).

METHOD

Given the vast territory of Indonesia, this research was conducted in three Indonesian regions. The western region is represented by Agam Regency, West Sumatra Province; the central region is represented by Malang Regency, East Java Province; and the eastern region is represented by North Halmahera Regency, North Maluku Regency. In each district, five research villages were selected (two developed villages, two developing villages, and one remote village). A research procedure based on grounded theory was employed to produce some general findings on some relevant phenomena that occurred in the three regions. Data analysis was carried out in three stages, namely open coding, axial coding, and selective coding.

Open Coding is a part of the analysis that deals with naming and categorizing phenomena through careful data testing. At this stage, the data were broken down into separate parts before they were carefully tested and compared in terms of their similarities and differences. Meanwhile, axial coding treats data in a new way that defines relationships between categories and sub-categories. The substantive theory arises through testing the similarities and differences in the order of relationships, between categories or subcategories, and between categories and properties. In the selective coding section, the chronology was broken down, and additional categories were connected to the core category by using a particular paradigm that links categories on dimensional levels and validates the relationships based on the data (Bryant and Charmaz, 2007; Dey, 2004; Dougherty, 2017; Utama, 2019).

RESULT AND DISCUSSION

Strategy for Local Governance and Poverty Reduction

According to (Nkum, 2002), the goals of local government policies in reducing poverty are (i) to bridge between public administration and investment promotion, private sector investment, traditional authorities, and civil society, and (ii) to improve rural welfare. In the context of community, poverty management is expected to promote initial participation in policy and program formulation, so that people's awareness in terms of their sense of belonging to development programs increases. Participation also encourages the selection of sufficient priorities and the right technology to meet the needs of the poor. They have not learned how to create prosperity and services for the rural poor from the private sector and NGOs (Cheema and Rondinelli, 2007; Sarker 2014; Marx and Gosh 2014; van Leeuwen and Foldvari 2016; Putra et al. 2017). Thus, there will be more resources available for development, focusing on the poor (Lourenco & Nunes, 2020; Syukri, 2019; Watts, et.al 2019; Utama, 2019).

Development cooperation initiatives have focused a lot on building the capacity of public sector bodies at the central and regional levels to carry out their legislative functions under decentralized governance. These initiatives are often based on a demand-driven approach where local government structures enquire support for what they have identified. In this regard promoting a sense of belonging and better commitment in the part of local officials and development agents are encouraged (Cheema and Rondinelli, 2007; van Leeuwen and Foldvari 2016; Jacqueline et al 2017; Jayadi 2019). Capacity development as an approach is sometimes carried out through institutional reform programs intended to reduce corruption and public sector lethargy.

The sector-wide approach (SWAPs) has become a new model to foster coordination between donor agencies and developing country governments in the design and implementation of integrated action programs to reduce poverty and support local

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governance. It has been initiated by promoting the formulation of a coherent plan and budget and the adoption of a transparent management system in several economic sectors of the recipient countries. In some countries, sector coordination groups have been formed to reduce duplication between development cooperation agencies and government departments through periodic reviews of the National Comprehensive Development Framework (Househ, 2018; Putra et al. 2017; Jayadi 2019). Bilateral and multilateral institutions tend to provide support for civil society that is relatively difficult to unite. Northern NGOs, therefore, are used as more effective supporting channels for local NGOs and CSOs (Marx and Gosh 2014). The exciting part is that NGOs and CSOs receive more support in organizational development and change management relative to the public sector.

History of Rural Poverty Alleviation in Indonesia

According to Remi and Tjiptoherijanto (2002), efforts to improve the welfare of rural communities have been started since the early 1970s through Community Guidance (Bimas) and Village Assistance (Bandes) programs. However, such efforts ceased in the mid-1980s, so that the improvement of the welfare of rural communities in the 1970s and 1980s was not optimal. The number of poor people in the early 1990s increased. More significant income inequality gap continued between sectors, between groups, and between rural and urban areas. In this era, the government re-created welfare programs for rural communities, including the Program of Presidential Instruction for Disadvantaged Villages (IDT), Disadvantaged Village Infrastructure Development Programs (P3DT), Family Welfare Savings (Takesra) and Prosperous Family Loans (Kukesra). The economic crisis hitting Indonesia since the mid-1997 contributed to the decline of the welfare of rural communities. The number of poor people became 49.5 million people or around 24.2% of the total population of Indonesia. In the crisis situation, a price hike that was not followed by an increase in nominal income caused the poverty line to shift upwards, which can be seen from the fact that many prosperous segments of the population fell into poverty.

To cushion the impact of the economic crisis in 1997, the government implemented Social Safety Net (JPS) programs to solve the declining purchasing power of many people. The programs include 1) food safety program through the provision of cheap rice for poor families, 2) education and social protection programs, 3) health program through the provision of basic health services for poor families; and 4) labor intensive programs to maintain the purchasing power of poor households (Putra et al., 2017; Remi & Tjiptoherijanto, 2002). The effort was continued by implementing the Sub-District's Development Program (PPK) focused on rural development. It was followed by the implementation of Oil Fuel Subsidy Reduction Compensation Program (PKPS BBM) carried out in such fields as food, health, education, infrastructure.

Due to the increased urgency of Poverty problems in Indonesia, through Presidential Decree Number 124 of 2001 and the articles Number 34 and Number 8 of 2002, Poverty Reduction Committee (KPK) was formed to serve as a cross-actors forum in coordinating, planning, coaching, monitoring and reporting all counter measures for poverty. Presidential Regulation Number 54 of 2005 on the Poverty Reduction Coordination Team (TKPK) was issued to strengthen the role of the Poverty Reduction Committee (KPK). KPK is expected to empower the results achieved by the KPK. According to the regulation, the role of the TKPK is to take concrete steps to accelerate the reduction of the number of poor people in the entire territory of the Republic of Indonesia through coordination and synchronization in the preparation and implementation of sharpened policies on poverty reduction (Putra et al., 2017; Foster and Welsh 2017).

The implemented poverty reduction programs included Small Farmers and Fishermen Income Improvement Project (*Proyek Peningkatan Pendapatan Petani dan Nelayan Kecil or P4K*), Joint Business Group (*Kelompok Usaha Bersama or KUBE*), Savings and Loan Service of Village Unit (*Tempat Pelayanan Simpan Pinjam Koperasi Unit Desa or TPSP-KUD*), Economic Business of Village's Savings and Loan Unit (*Usaha Ekonomi Desa Simpan Pinjam or UEDSP*), Integrated Area Development (*Pengembangan Kawasan Terpadu or PKT*), Presidential Instruction for Underdeveloped Villages (*Inpres Desa Tertinggal or IDT*), Development of Supporting Infrastructure for Disadvantaged Villages (*Pembangunan Prasarana Pendukung Desa Tertinggal or P3DT*), District Development Program (*Program Pengembangan Kecamatan or PPK*), Urban Poverty Reduction Program (*Program Penanggulangan Kemiskinan Perkotaan or P2KP*), Regional Empowerment to Overcome the Impact of the Economic Crisis (*Pemberdayaan Daerah Mengatasi Dampak Krisis Ekonomi or PDMDKE*), Community and Regional Government Development Projects (*Proyek Pembangunan Masyarakat dan Pemerintah Daerah or P2MPD*), and sectoral development programs that had succeeded in reducing the impact of the economic crisis and poverty (Sutiyo and Maharjan 2011).

Poverty reduction programs were also carried out under the coordination of *Bank Indonesia (BI)* through various microfinance programs involving Regional Development Banks (BPD) and Rural Credit Banks (BPR) in collaboration with community-owned financial institutions including Rural Credit and Funding Institutions (*Lembaga Dana dan Kredit Pedesaan or LDKP*) and Community Assistance Groups (*Kelompok Swadaya Masyarakat or KSM*). Several state-owned enterprises (*Badan Usaha Milik Negara, BUMN*) and private-owned enterprises also provided microfinance programs tailored to the various characteristics of each financial institution. Similarly, national non-financial institutions, both government-owned (BUMN) and private, have taken the initiative to undertake poverty reduction measures through a variety of programs, ranging from social assistance to economic assistance (Eko et al. 2014; Antlov et al. 2015).

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The last effort to reduce village poverty is the National Community Empowerment Program in Rural Areas (*Rural PNPM Mandiri*), which has been implemented since 2007. Rural PNPM is a mechanism to accelerate poverty reduction and expand employment opportunities in rural areas. The program fully adopts the District Development Program (PPK) mechanisms and procedures implemented since 1998. Similar to previously mentioned programs, rural PNPM also has some failures, i.e. its inability to empower communities and support the creation of participatory communities, its use of excessive funds for infrastructure development, and its stagnant savings and loan program for women (*Simpan Pinjam Perempuan*).

According to an empowerment activist outside the PNPM circle, there are substantial and ideological problems or issues in Rural PNPM (Joglosemar, 2015; Duile 2018). First, the PNPM does not have a clear ideological conception focusing on the poor. PNPM is considered a "cure" for the wound due to poverty arising from the ideological system based on neoliberal political and economic policies. The World Bank, as a debt provider for PNPM, further affirms the implementation of neoliberalism policies. Second, funds originating from debt provided by the World Bank will certainly be a burden for the state budget. It will also indirectly become a burden for the people because the people will then bear the burden by paying various increased taxes. Third, Rural PNPM does not have a comprehensive understanding of the sociological roots of poverty, social cultural maps, and the local wisdom of rural communities.

The policy underlying PNPM is not the only one that has failed to take into account the sociological roots, socio-cultural map, and the local wisdom of village communities. Almost all the issued policies neglected sociological roots, socio-cultural maps and local wisdom of village communities. From a joint discussion with 40 village heads from various districts in East Java Province (in one of the Village Head Capacity Building Training sessions), it was found that the program of rice for poor families did not contribute to welfare improvement. According to the village heads, there was no low-income family in East Java starving and lacking of rice. The program of rice for low-income families caused serious problems for many villages due to the mismatched data on low-income families in the villages and the actual conditions. It caused some complications in the distribution of rice assistance. Some low-income families did not get any assistance, while some wealthy families received assistance. The village governments, as the spearhead of the national government, must spend extra energy to realize social justice and minimize conflict between communities (Tjiptoherijanto, 2002; Sutiyo and Maharhan 2011; Putra et al. 2017).

The process of regional development planning also neglected the communities' sociological roots. After the reform era, development planning and Indonesia's budget politics tended to be realized through fiscal decentralization and the opening of opportunities for public participation. Hierarchically, the process of determining development policies was carried out with the bottom-up flow of aspirations. The following is a comprehensive picture of the development policy planning process from the lowest level (development planning meeting/Musrenbang) to the APBD (National Development Budget) determination. Annahar (2017) suggested a conceptual planning process that starts with the selection of community aspirations through the Village Development Planning Discussion (Musyarawah Perencanaan Pembangunan) forum.

However, the development planning system, which had been applied before the enactment of Law Number 6 on Villages, has some critical weaknesses. First, Village Development Planning Discussion (*Musrebangdes*) as the core of the development policy planning process had some weaknesses in providing inputs, aspirations, and ideas for development programs. Village communities considered that development means "physical infrastructure development projects." They were unable to identify their potentials and needs. It was not entirely the fault of the society. Such problems should have been anticipated by the central government. The role of the government is to provide knowledge and an overview of how to identify potential needs. Second, many proposed development activities were eliminated without any transparency. The activities proposed in the Village Development Planning Discussion (*Musrebangdes*) as amended by local government agencies (OPD) were commonly only "copy-paste" of the previous year activities of OPD without referring to the proposals from the village community. At this level, discussions on village development planning, which spent a great amount of budget, were meaningless. Third, in addition to being eliminated by OPD, the proposed development activities were often changed during the discussion of the Regional Regulation of RAPBD (Regional Development Budget Plan) by the Regional House of Representative (DPRD). It was common that DPRD members would prioritize programs or activities located in their election areas.

Since villages are positioned as the objects of development, there are several implications at both the macro and micro levels. At the macro level, the project-based development leads to a lack of continuity of programs from one year to the next, and political factors (such as the ones having some influence in the third phase of the regional development process) cause uneven rural development in terms of locations. At the micro level, there are fragmentation (overlapping) of the activities carried out by the central and regional governments in the village, fragmentation of the implementing agencies in the village, and fragmentation of the development target groups.

FINDING AND DISCUSSION

The village fund program has the potential to accelerate the development and overcome various problems occurring in the village. Through the Ministry of Villages, Underdeveloped Regions Development, and Transmigration, the central government has annually

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made the expenditure of village funds a priority. This measure aims to keep village funds being used properly. The expected final results are increased welfare and reduced poverty in the village. The enactment of the Village Law is intended to enable the creation of a more effective mechanism in reducing poverty in the village. Village conditions are very diverse and complicated. Due to this, poverty cannot be dealt with by only national policies. Therefore, it can be assumed that it will be better if village governments promote poverty reduction programs which take into account the unique conditions of each village.

Nkum (2002) states that most local governments in many developing countries have not yet learned how to provide support and create an environment which enable actors, the private sector, and NGOs to create welfare and provide needed services to the rural poor. This is the case with the local, especially village, governments in Indonesia. Instead of promoting collaboration among actors to create community welfare, the village governments are unable to produce a development policy or program specifically intended to tackle poverty.

The village governments in North Halmahera District generally prioritized infrastructure development whose benefits could be received by all communities, such as village roads, agricultural roads, irrigation channels, and village halls (village offices). However, there was not any village fund program specifically designed to overcome poverty problems. Although there was not such a program, according to the community, the village fund program was still beneficial to reduce the life burden of the poor. One example of activity under the program is the construction of houses for the poor in Mamuya Village, North Halmahera.

The village fund program was also used to provide agricultural assistance to village communities. Moreover, Some communities also used the fund to found an Early Childhood Education School and construct its building. The establishment of the school means that villagers received an assistance in educating their children. The assistance contributed to a reduction in economic costs of their daily living. Before the school was founded, children in the village of Soasangaji Dim Dim had to go to the center of the sub-district about 13 Kilometers or 20 minutes away. The existence of the school cut the transportation costs which the parents had to spent previously.

In Malang Regency, the problem of poverty did not increase in number. The village governments and the communities stated that the actual number of poor people in the villages in the regency was low. Therefore, villages in the regency did not create programs to reduce poverty. The village governments considered that the development of road infrastructure was one of the successful programs in helping the poor, especially poor farmers. Because of the better road, farmers could more easily transport their equipment and plants. This way, the cost of agricultural production declined.

As in North Halmahera Regency, the construction of several public facilities in Agam Regency indirectly reduced the living costs of rural communities. Public facilities built, like a kindergarten, did not directly reduce poverty. However, they could be accessed by everyone, both the poor and the rich. Public facilities, especially new schools, were able to stimulate the growth of new businesses. After a school was built, some businesses emerged in its surrounding environment.

In the three research districts discussed above, the village fund was generally used for various programs, but there is no sufficient evidence which shows that village fund programs contributed to poverty reduction. However, the village fund program supported productive activities carried out by the community, both individually and communally. During the 2015-2017 period, there was a decline in poverty in all the studied villages. However, it is hard to say that poverty reduction was a result of village fund programs since various programs or projects carried out by villages were not explicitly designed to reduce poverty (See Table 1). Although there is no significant evidence of the impact of the village fund on poverty reduction, it is believed that the program had a direct and indirect impact on assisting the poor. Road developments ultimately facilitated mobility and economic activities of farmers, who are generally classified as low-income people.

One program that directly benefits poor people is cash transfer. Cash assistance is provided to the public with one or more of the following criteria: poor people, disabled people, elderly widows, sick people, orphans, and children of poor people who attend school. In addition to cash assistance, the village governments also allocated a portion of the village fund for the renovation of uninhabitable houses and the construction of bathrooms for poor families

Table 1. Poverty Dimensions of Village Fund Program in Indonesia

| Poverty Dimension | Practice Mark on Village Fund Programs |
|---|--|
| Inadequate access to public necessities and facilities | + |
| Inability to provide education and medical care for the community | + |
| Lack of capable human resources both in skills and education | + |

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| | |
|--|---|
| Unemployment problems caused by the shortage of job availability | + |
| Inadequate access to production and technology resources | + |
| Deficiency in food supplies for households causing hunger and malnutrition | + |
| Exclusion from decision making, policy formulation, and resource allocation mechanisms | - |

Source: Nkum et al (2002) modified by author

Villages in the three research sites generally used the village fund for infrastructure development, such as village roads, rice fields, early childhood education or PAUD, village markets, irrigation channels, and so on. Therefore, access to basic needs and public facilities could be increased. The village fund also contributed positively to the provision of education and medical care to the community. Before the era of the village fund program, many villages did not have any PAUD (early childhood education) school. Now almost every village had PAUD and TK (kindergarten) schools. The village fund was also commonly used to finance the construction of Family Planning and Integrated Health Service Post (*Posyandu*) and Village Health Post (*Polindes*) buildings. It can be seen that the village fund positively contributed to the provision of education and health care.

The President has instructed that the development projects funded by the village fund should be carried out by the local community. With a self-managed mechanism and local workers from the village, the village fund contributed to the effort of reducing unemployment and creating new jobs. In the long run, these workers will ultimately have better technical capacity and capabilities in carrying out infrastructure development. In some cases, the village fund was also allocated for savings and loan programs. Through women's groups, the village fund became a stimulus for the development of savings and loan units. It can be said that the village fund could bring access to production, especially loan to the community. The fund also had a role in opening people's access to technology, as happened in North Halmahera District, in which some of the village fund was used to provide agricultural assistance to all the village farmers.

It is evident that to some degree the village fund contributed to the efforts to overcome the problems of malnutrition and household food insecurity. Through the program of Family Planning and Integrated Health Service Post (*Posyandu*) managed by the PKK (Family Welfare Program), the village fund provided additional nutrition and health care to children under the age of five and the elderly. Despite the positive findings, as explained above, the community participation in the programs funded by the village fund needs to be improved. The participation of the poor in the planning and evaluation was still meager. Their demands and needs were not addressed in the village's discussion forums. There was not any effort to strengthen community capacity in the development process, and there was not any particular forum either to explore the demands and needs of the poor.

The village governments accommodated more activities that benefited all the community segments, not specifically the poor. Also, none of the villages mapped the distribution of benefits and impacts of the village fund programs, so that the positive findings felt by the poor and the benefits received by the rich are not precisely identified

CONCLUSIONS

From the general point of view, poverty reduction efforts should begin with programs specifically aimed to overcome the problem of poverty. Therefore, the objectives of the Village Law and village fund programs, to some extent, have not yet been successfully achieved. There has been a decline in poverty in almost all villages in Indonesia, but it is hard to say that village fund programs cause the decline considering that not even one village has specifically designed a development program aimed at reducing poverty.

However, based on the poverty dimension, the village fund has been on the right path in its expenditure. The village fund has overcome many problems by improving access to basic needs and public facilities, providing education and medical care for families, improving the quality and skills of rural human resources, reducing unemployment and opening new job opportunities, improving access to production resources, providing credit and technology, and improving food security. Village fund programs in the context of poverty reduction generally need to be improved in two ways. First, the programs need to ensure the poor are the primary determinant factors influencing decision making, policy formulation, and resource allocation mechanisms. Second, the programs will be more fruitful if they are specifically and explicitly designed to overcome poverty.

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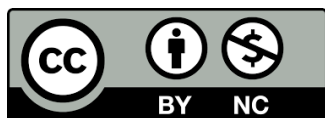
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