

VILLAGE FUNDING POLICY FOR RURAL DEVELOPMENT AND THEIR PROBLEMS

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Abstract

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Abstract

The Village Act In Indonesia has placed the village as the spearhead of development and the improvement of people's welfare. Villages are given sufficient authority and resources to manage their potential to improve the economy and welfare of the people. So it is necessary to continuously improve the policies, both the comprehensive policies and regulations, the pattern of accountability, and the institution of Trustees and supervisors in the use of the village funds.

Key word: The Village Funds, Policy and the problem

1. Introduction

Indonesian Act No 6 of 2014 concerning Village had been expected by all villagers as well as the village officers for 7 years. Exactly on Wednesday, 18 December 2013 the Draft Bill of this Act was passed into the Act of Village. The purposes of passing this Act are as follows:

1. providing recognition and respect to the existing village with its diversity before and after the establishment of the Republic of Indonesia;
2. providing clear status and law certainty upon village within the state administration of the Republic of Indonesia;
3. preserving and developing customs, tradition and culture of the villagers;
4. encouraging initiative, movement, and participation of villagers to develop village potential and asset for mutual welfare;
5. forming professional, efficient and effective, transparent, responsible village government;
6. improving public services for villagers in order to fasten the realization of public welfare;

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7. improving the socio-cultural endurance of the villagers to realize villagers who are able to maintain social unity as a part of national endurance;
8. improving villagers' economy and addressing the gap of national development; and
9. strengthening villagers as the subjects of development. [†]

Meanwhile principle arrangements in the Act of Village are as follows:

1. recognition, i.e. confession of origin rights;
2. subsidiarity, i.e. establishment of local authority and local decision making for villagers' interests;
3. diversity, i.e. recognition and respect upon the existing values system among the villagers, by remaining to consider mutual values system in the life of nation and state;
4. togetherness, i.e. a spirit to be active and cooperate based on mutual respect among institution in the level of village and villagers' element in developing village;
5. mutual cooperation, i.e. a habit of helping each other to develop village;
6. kinship, i.e. villagers' habit as a part of big family unity of the villagers;
7. discussion; i.e. a process of making decision concerning villagers' interest through discussion with many stakeholders;
8. democracy, i.e. organizing system of villagers in a governmental system conducted by villagers or by villagers' agreement as well as recognition, management and assurance of nobility of human prestige and dignity as a God creature;
9. independency, i.e. a process conducted by village government and villagers to conduct activities in order to fulfill their necessity with their own capability[‡]

In accordance to arrangement and implementation of Local Government, after the change of Indonesian Constitutional of 1945, Village regulation or with other designation in form of the government refers to Article 18 paragraph (7) which stated that "Arrangement and organizational procedures of Local Government are regulated by Acts". It means that Article 18 paragraph (7) of Indonesian Constitution of 1945 opens opportunity the existence of government arrangement in the system of Indonesia government.[§]

[†]General Explanation of Act No 6 of 2014.

[‡]Ibid.

[§] Indonesian Constitution of 1945

Through the change of Indonesian Constitution of 1945, recognition upon the people unity of customary law is reinforced by the provision of Article 18B paragraph (2) which stated that “The state recognizes and respects people unities of customary law including their traditional rights as long as live and in accordance to society development and the principles of the Republic of Indonesia, which are regulated by Acts”.

In the history of village arrangement, there are some regulations that have been established, i.e. Act No 22 of 1948 concerning the Fundamental of Local Government, Act No 1 of 1957 concerning the Fundamentals of Local Government, Act No 18 of 1965 concerning the Fundamentals of Local Government, Act No 19 of 1965 concerning *Praja* Village as A Form of Transition to Accelerate the Realization of Level III Region in the Entire Territory of the Republic of Indonesia, Act No 5 of 1974 concerning the Fundamentals of Local Government, Act No 5 of 1979 concerning Village Government, Act No 22 of 1999 concerning Local Government, and the last is Act No 32 of 2004 concerning Local Government.

The implementation of the above regulations could not accommodate all villagers’ interest and necessity which are in total 73,000 (seven three thousands) Villages and around 8,000 (eight thousand) *Kelurahan*. Besides that, implementation of the existing Village regulations is no longer appropriate with the current development, especially related to the position of customary law, democratization, diversity, people participation, as well as development progress and equity so it makes gap among areas, poverty, and socio-cultural problems which may disturb the unity of the Republic of Indonesia.

The Act No 6 of 2014 is arranged with spirit of the implementation of constitutional mandate, i.e. regulation of customary law society based on Article 18B paragraph (2) to be regulated within government structure in accordance to Article 18 paragraph (7). Nevertheless, authority the unity of customary law society concerning customary rights referring to related sectoral regulations as well as in the Act of Basic Agrarian. With the construction of grouping self-governing community and local self-government function, it is expected that the unity of customary law society which is a part of rural areas, is properly arranged to be a Village and Customary Village. Administrative Village (Official Village) and Customary Village are basically conducting the same functions. The difference is in term of rights of origin, especially concerning about social preservation of Customary Village, arrangement and management customary area, customary peace trial, keeping tranquility

and order of customary law society as well as regulation of government implementation based on original arrangement.

In this Act of Village, there is a point that has been declared for 7 years, i.e. a regulation that discuss funds allocation for village. In the explanation of Article 72 paragraph 2 concerning village finance. Direct fund allocation for village is established 10% from and beyond local transfer fund by considering total population, poverty level, total area, and geographical obstacle. By the allocation from National budget, it is expected that village development will be better and prospering the villagers by using the funds maximally. With good and wise management, it is not impossible that poverty villagers will decrease and even be able to compete with other villagers or even global community in general.

Fund for Village Development

Village Act has positioned village as the spearhead of people development and prosperity improvement. Village is given sufficient authority and resources to manage their potential for improving society economy and welfare. Yearly, Central Government always hugely allocate Village Fund to be transferred directly to all villages in Indonesia. In 2015, Village Fund was allocated IDR 20.7 trillion, averagely every village got IDR 280 million. In 2016, the Village Fund increased to be IDR 46.98 trillion in which every village got IDR 628 million and in 2017 the fund increased again to be IDR 60 trillion with averagely every village got IDR 800 million.** Besides that, local government also allocated fund for village development through Local Government Budget for.

Based on the spirit of Village Act, every village will get allocation from National budget at least 10% every year. Therefore, it can be estimated that every village will get around IDR 1.2 to 1.4 billion yearly. Based on calculation in the explanation of Village Act, 10% from and local transfer based on National budget for village officers IDR 59. 2 trillion, added from Local Government Budget for 10% around IDR 45.4 trillion. In total, the village fund will be IDR 104. 6 trillion which will be divided for 72 thousand villages in Indonesia. With this amount of fund, it is possibly misused by not responsible village officer. Therefore, supervision is important to be conducted of which is the role of *BPD* and local government to conduct regular supervision

** Sri Mulyani, *Buku Pintar Dana Desa*, Indonesia Treasury Ministry, page I, Jakarta 2017.

to every village ensuring the village development is in right track. Another potential problem may arise, i.e. the various condition of all villages in Indonesia. There are villages which can prosper the villagers before establishment of the Act but there are also village which cannot do so. It is feared that the fund will be useless for the well-advanced villages and in contrary it will be less for backward villages. Once again, the role of supervision is highly expected to watch the use the fund allocation so the fund will be on target based on the village necessity. Village as a government organization unit which directly faces different people with different necessity, has a strategic role, especially in the public services field. Therefore, more authority decentralization supported by sufficient financial and facilities should be done in order to strengthen village autonomy towards village independence. Act No 6 of 2014 or well-known as Village Act which has been established and enacted on 15 January 2014 is a realization of recognition and respect of the state upon the village with its diversity. In Village Act, regarding to village development, there two main points namely Village Develops and Developing Village. Village Develops means village has a full authority to manage its own village. Village government along with villagers work together to develop and advance their own village. Village has an authority to make programs that can improve villagers' economy. Villages decide their own necessity and they also find a way to fulfill that. Village Develops means village is no longer as an object of development but becomes subject of development, By Village, From Village, and For Village.

Ministry of Village has a full responsibility in improving villagers' economy empowerment for realizing village independence and decreasing the gap between village and city. Proclaimed programs by Ministry of Village are (1) *Prudes* i.e. village superior product. It is not a must only from agriculture sector, but also from other sector such as services, tourism and creative economy, (2) *BUMDesis* a realization of village entrepreneurship which is independently managed by village itself to realize business units for the purpose of improving villagers' economy, (3) *EmbungDesaas* a support to village agriculture especially in irrigation sector, and (4) *Raga Desais* a realization of making a place for the villagers to gather, improving villagers' economy and nurturing from young generation athletes from village. Developing Village looks like top down management. However, it should be concerned that there is a people participation in developing village because without this participation the success is highly difficult to achieve. Therefore, discussion forum is established and facilitated by central

and local government to collect villagers and village officer aspirations. However, it should be remembered that the most important thing in village development are paying attention to environmental condition, people social condition, and finally improvement of people economy. The mutual desire in developing and strengthening village has some obstacles in form of policy and implementation in the field. These obstacles should be part of mutual evaluation in strengthening sustainable village development.

Policy Direction Consistency of Village Development

Regulation concerning priority allocation of the use of village fund in 2018 has been issued by the Indonesia Minister of Village, Disadvantages Areas Development, and Transmigration. Regulation of Village Minister No 19 of 2017 (*Permendes* 19 of 2017) regulates in detail about the priority of village fund in 2018. Establishment of priority use of village fund in 2018 aims as a guide and reference for the implementation of authority, reference for Regency/City Government in arranging technical guidance the use of village fund and for the Province Government in supervising and evaluating the implementation of the use of village fund.

In Chapter 3 Article 4, there are 5 priority points in using village fund as follows:

1. Priority of the Use of Village Fund is to fund program implementation and activities in village development and villagers' empowerment.
2. Priority of the Use of Village Fund is mainly for funding program implementation and cross-field activities.
3. Program and activities as stated in paragraph (2) are village superior product activity or rural areas, village business agency or mutual village business agency, retention basin, and village sport facilities based on village authority.
4. Village sport facilities development as stated in paragraph (3) is a business unit managed by village business agency or mutual village business agency.
5. Priority of the Use of Village Fund as stated in paragraph (1) is obliged to be published by Village Government to villagers in public space which can be accessed by the villagers.

Village fund is used for three things. First thing is village infrastructure development such as irrigation, embankment and drainage. Afterward, development of village facilities such

as *Posyandu* and Kindergarten, it cannot be used for developing village office or other things outside these three things.^{††}

Important thing that can be implemented to manage Village Fund by involving people is the necessity of conducting activities with self-managed pattern, using local human resources, and using local raw material in the village. By self-managed pattern, it means that the planning and implementation of the activity should be conducted independently by the village, so the fund will not come out of the village. By using local human resources, it is expected that it can absorb labor from the village so the villagers will have income. Meanwhile, the using of local raw material is expected to give income for villagers who owned the raw material.

In the implementation of Village Act, many technical regulations have been established to manage many things in order to make the village development could run as mandated by the Act. These regulations are stated in various level, starting from Government Regulation, related Ministry Regulations (Treasury Minister Regulation, Minister of Home Affairs Regulation, Regulation of Minister of Village, Disadvantages Areas Development, and Transmigration), until local government regulations. In order to make the implementation regulations of Village Act are well implemented, so there should be a regulation alignment in every Ministries on the purpose of improving efficiency, effectiveness, transparency, and accountability of the use of Village Fund. Therefore, government designed Mutual Decision of 4 Ministers, i.e. Treasury Minister, Minister of Home Affairs, Minister of Village, Disadvantages Areas Development, and Transmigration, and Minister of National Development Plan/The Head of National Planning Agency. The design contains strengthening of role and synergizing those Ministries in planning, funding, allocating, implementing, supervising and evaluating, supervision strengthening to Regency/City Government, and Village Government.^{‡‡}

Evaluation of the Use of Village Fund

Monitoring is an important step to make sure that the allocation of Village Fund can be used as instrument of income distribution in the village and improve villagers' welfare.

^{††}The Minister of Village, Disadvantages Areas Development, and Transmigration Marwan Jafar, JPPN.com downloaded on 27 March 2018.

^{‡‡} Sri Mulyani, *Buku Pintar Dana Desa*, Indonesia Treasury Ministry, page iv. Jakarta 2107.

Therefore, development gap between urban and rural area can be decreased. Monitoring and supervision are also aimed at identifying early misconduct. Monitoring process involves all stakeholders of the village fund management both in central and local level.

In order to make more accountable village fund management, so there should be monitoring mechanism. All parties can be involved in this mechanism, i.e. Villagers, Head of District, Village Deliberation Agency, Internal Government Supervisor Officer, and Audit Board of the Republic of Indonesia. Even lately Corruption Eradication Commission has conducted monitoring on the village fund management. In central level, the monitoring has been conducted synchronically with all parties. Started by strengthening village institution since 2014 until village fund operationalization, village development policy has moved to the next step by implementing program "*padatkarya*" in 2018. Besides positive side, as generally a breakthrough, it cannot be separated from many notes especially about management and accountability.

First is village fund misuse. For month after the establishment since July 2017, report to Village Fund Task Force reached 10,000 reports, and more than 400 reports in the first semester of 2017 to Corruption Eradication Commission. Second is the use of village Fund. Most of the use is still in option of infrastructure development as the solution of "confusion" of the village stakeholders to make that should be developed in their village. Indicator of program achievement in Minister of Village Regulation concerning priority of the use of village fund every year is physical development. Third is executive regulation architecture has a tendency on top down policy model; village as policy location, not a subject. In 2014-2017, there were 32 implementation regulations established (including revision) directly related to village policy; from Government Regulation, Minister Regulation, until Ministers Mutual Agreement. However, the essence is not managing management of village necessity and initiative to achieve each direction (bottom-up).

Policy Refinement

Refinement of policy implementation should be conducted constantly and worth to be appreciated in which policy and regulation architecture should be comprehensive, so the village independence can be achieved after comprehensive evaluation from the achieved-results related to regulation policy, responsibility pattern, and supervisory institutions in using

village fund. It is including coordination with local government related to Local Government Budget allocated for village fund, so there will not be overlapping usage and transparency.

In management of functional ownership, the problem occurs because of conflict of norms between self-governing community and village fund usage controlled by central government. For instance, communal decision principle is regulated in Act No 6 of 2014 concerning Village which stated that forum is a basis of decision making and development priority. However, Minister Regulation of Village concerning the use of village fund still becomes the basis of village fund nationally. "It is normal" in the last October President Joko Widodo stated that there were 900 village head arrested for cases of village fund. People are not interested in joining the planning and supervision of their village development because in the end, it is going to implement central government priority. Corruption Eradication Commission found 14 findings on four different aspects, namely regulative and institutional aspect; management aspect; supervision aspect; and human resources aspect. Whereas, many villages have no supporting human resources and technology. Moreover, supervision mechanism by Regency/City Government established by central government is not maximal.

Indonesia Corruption Watch (ICW) recorder in 2016, there were 62 corruption cases in village government with total state loss of IDR 18 billion. ICW Coordinator, Adnan TopanHusodorevealed that although this number below the number of corruption cases of Regency/City Government but it is still categorized as high. Corruption cases of Regency/City Government in 2016, reached 219 cases with state loss IDR 478 billion. Afterward, corruption cases in City Government reached 73 cases with state loss IDR 247 billion. Concerning the actors, 47% or around 515 corruptors were Civil Servants. The second actors were businessmen who were involved in manipulating tender and bribery. Third actors were common people and village head who corrupted with total number of 62 people. In term of regulative and institutional aspects, Corruption Eradication Commission found some problems, such as; Not complete regulation and implementation technical guidance between Ministry of Village and Village Government Founding General Directorate of Ministry of Home Affairs; Formulation of Village Fund in Government Regulation No 22 of 2015 is not sufficiently transparent and merely based on equity principle; Management of fix income allocation for village officer from the regulated *ADD* in Government Regulation No 43 of 2014 is less fair; as

well as the obligation of transparency report by the village is not efficient caused by the overlapping regulation.

The striking issue is that the change of formulation of village fund distribution from Government Regulation No 60 of 2014 to be Government Regulation No 22 of 2015. In Article 11 of Government Regulation No 60 of 2014, the formulation of the amount of village fund distribution for every Regency/City is quite transparent by stating weights on each variable of 90% and only 10% is calculated by using formula of total population, poverty level, total area, and geographical difficulty level. As an illustration by using formula of Government Regulation No 60 Of 2014, Village A with 21 sub-villages of total area 7.5 km square will get IDR 437 million for village fund, while Village B with 3 sub-villages of total area 1.5 km square will get IDR 41 million. However, with new regulation of Government Regulation No 22 of 2015, Village A will have IDR 312 million and Village B will have 263 million. In implementation aspect, there are 5 problems such as Time framework of management cycle of village fund is difficult to fulfill by village; Standardized price unit of goods/service which is used as a reference for the village in arranging Village Budget is not available yet; Transparency of the use and transparency report of the Village Budget is still low; the transparency report made by the village is not based on standardized and susceptibly manipulated; the arranged Village Budget does not reflect all necessities of the village. Regarding to the last point, based on the existing regulation, mechanism of Village Budget arrangement is conducted with participative principle to improve villagers' welfare. However, not all of the Village Budget planning quality are suitable with the priority needs and condition of the village. For instance, Village X with minimum infrastructure condition and most of the people are poor, prioritizes the village fund for renovating village office of which still in a good condition. In another case, Village Y prioritizes to make Village Business Agency of cloves trading although the village is lacking of infrastructure. Meanwhile, in supervision aspect there are three potential potencies, namely Local Inspectorate Effectivity in conducting supervision upon the financial management in village is still low; Public complaint channel is not well-managed by all Local Governments; and Authority of supervision and evaluation by the Head of District is not clear yet. Meanwhile in human resources aspect, there is a problem potency, i.e. village assistant potentially conducts corruption/fraud by exploiting the weaknesses of village officers. It is reflected from the similar previous program, Village *PNPM*, in which village assistant who should function as

helper of the people and village officer, did corruption and fraud. In order to make the purpose of village fund runs as villagers' expectation as well as the government expectation, so there should some refinement of the policy as follows:

1. In form of regulation or management, central and local government should immediately finish comprehensively the technical and operational regulation related to plan, use and supervision of the use of village fund. There should be no more overlapping regulation or waiting for each other to have authority related to regulation and management of process from the beginning until report and supervision of the use of village fund.
2. Preventively there should be other agency which accompanies the process of village fund usage as well as continuous training for village officers as a treasurer or financial administrative officer. It is also a part of strengthening the village as well as strengthening the village autonomy.
3. There should be transparency and accountability in the process of planning until implementation of village fund use conducted by village officer by involving the villagers. It is also a part growing transparency and accountability culture in village as well as motivating villagers' involvement in developing their own village.
4. The role of Province and Regency/City Government should be more maximal starting from the beginning process to supervision process in order to create and clean government starting from village, district and so on.
5. Law enforcement officers should be involved supervising the progress of village development by focusing on preventive function, unless there is an indication of fraud in using village fund. Based on criminal principle, i.e. "ultimumremedium", which means criminal law is the last cure.

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