
| RESEARCH ARTICLE

The Efficiency of Village Funds in Indonesia: A Case Study of the Mandatory Spending Programme

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| ABSTRACT

The Law No. 6 of 2014 concerning the Village brought fundamental changes in the management, arrangement, and implementation of village governance. However, there are still a number of issues with how it's implemented. Government Regulation concerning Villages states that Village Funds are prioritized for handling food security, stunting, and Direct Cash Assistance from Village Funds (BLT-DD). Mandatory spending is distributed evenly to all villages that receive village funds, whereas each village is different, so an in-depth study is needed on whether the mandatory program is considered ineffective according to the real needs of the village. This study aims to identify the effectiveness of the mandatory program in terms of the priority of using Village Funds. The analysis was conducted using a qualitative approach by mapping Village Fund Problems (current situation - effects-causes) by looking at the Priority Use of Villages Funds and Implementation of Village Funds. The results showed that: 1) The percentage for Village Funds is more flexible to adjust to village needs 2) it is necessary to evaluate the weighting of indicators and determine the criteria for measuring the needs of each village in determining the amount of Village Funds and 3) important to increase capacity for structures under the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (Ministry of Villages PDTT). These efforts need to be carried out immediately so that the priority of using village funds can be more effective and meet the real needs of the village.

| KEYWORDS

Village Funds, Mandatory Spending Program, Policy, Indonesia.

| ARTICLE INFORMATION

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1. Introduction

Village Fund is the State Revenue and Expenditure Budget, which is derived through the district Regional Revenue and Expenditure Budget, which is expected to be the main support for administering government, implementing development, community development, and community empowerment. Based on 2023 Development Village Index (IDM) data, 23,035 villages have become developed villages, and 11,456 villages have become independent villages out of a total of 75,265 villages. Before the existence of village funds, the developed village category was only 3,608 villages, and there were only 174 independent villages. The use of Village Funds will reach a value of 70 trillion during 2023 for national economic recovery, national priority programs, and mitigation of natural and non-natural disasters. Overall, Village Funds have been distributed amounting to IDR 468.6 trillion since 2015. This

does not include other funds flowing to villages in the form of village fund allocations, financial assistance, profit-sharing funds, or other assistance (grants) for rural development.¹

Village Funds are expected to increase village income sources. The government provides an increase in village income to improve public service facilities in the form of meeting basic needs, strengthening village institutions, and other activities needed by village communities, which are decided through Village Musrenbang. However, with the existence of Village Funds, new problems have also arisen, namely that not a few central governments and even the community are worried about the management of Village Funds. This is related to the condition of village officials, who are considered to still have low quality human resources, and the community is not yet critical of the management of the village revenue and expenditure budget (APBDesa), so there is still a need for increased assistance in the use of village funds.

In order to avoid misuse of village funds, maximize the use of village funds, and support equitable village government development, the central government has handed over village funds accompanied by programs that must be implemented in accordance with established regulations. Currently, the use of village funds is prioritized to finance development and community empowerment aimed at improving the welfare of village communities, improving the quality of human life, and alleviating poverty. These activities are outlined in the Village Government Work Plan.

Currently, the use of village funds is more focused on economic recovery, increasing human resources, and accelerating the elimination of extreme poverty while still paying attention to problems that are still emerging, such as handling stunting, implementing Village cash-intensive work, developing the Village economy as well as handling natural and non-natural disasters that are in accordance with Village authority (djpb.kemenkeu.go.id.2023). This condition refers to the latest regulations contained in PDTT Ministerial Decree Number 13 of 2023, that currently, the Village Fund has three mandatory programs, namely handling extreme poverty through Direct Village Fund Cash Assistance (BLT-DD), food security, and stunting. Based on the formulation of the problem, this study wants to see whether it is necessary to evaluate the weighting of indicators to determine the criteria for measuring the needs of each village in determining the amount of village funds. The goal is to dig deeper into whether the mandatory spending program determined by the government has been running and has had an impact on village development in a targeted manner.

2. Literature Review

The Village Law is a form of state recognition of villages in political, economic, and socio-cultural aspects. In Indonesia, the law mentions fiscal policy for villages in the form of budget availability in the APBN, which is known as village funds. There are two concepts of village management, namely local self-government (LSG) and Self-Governing Community (SGC). LSG is subordinate to an authority above it, which is developed in modern countries, and SGC is interpreted as a special authority of a particular community to manage the lives and needs of the community. In this case, Indonesia applies the LSG concept. India, South Korea, and China are examples of countries that apply the LSG and SGC concepts.

India strengthens the LSG concept in the form of Panchayat Raj as an institutional aspect of village representation. The Panchayat Raj system in India aims to develop a democratic decentralization system and community participation with the aim of ensuring rapid and appropriate socio-economic progress and providing adequate justice. The Panchayat Raj system involves the village, block, and district levels, which play a role in local village governance to develop villages in terms of health, women's development, basic education, child development, women's participation in local governance, and agricultural development (AGWB Report).

On the other hand, South Korea has no record of the existence of autonomous local government units, except for autonomous local governments related to morals such as Hyangoo and Hyangyak. This is in accordance with the character of South Korean society, which is governed centrally by a Presidential Government system (Ahn & Boyer, 1984 in Cahyono & Aziz, ed., 2020). Villages in South Korea are not included in the local government system and are only sub-units of local government, so villages do not have their own autonomous community governance model. In other words, South Korea implements the Self Governing Community (SGC) for rural areas.

China has implemented the LSG concept since 1982. The Chinese Constitution provides legal standing for the Village Citizens' Commission (VCC) as an autonomous mass governance organization in the village, with membership elected (Whalen, 1960). Based on Central Government Document Number 36 of 1982, the Central Commission of the Chinese Communist Party (KSPKT) requested a trial implementation of the formation of the Village Citizens' Commission (VCC). In November 1987, the Trial of the Villagers' People's Congress (Organic Law of Villagers Committees Trial) was conducted to implement the principle of self-government

¹ Laporan Akuntabilitas Kinerja Instansi Pemerintah Tahun Anggaran 2023. Kementerian Desa, Pembangunan Daerah Tertinggal dan Transmigrasi.

(Zhang and Li, ed., 2018). The Organic Law of Villagers' Committees (HOKWD) of 1987 was still a trial that was specifically enforced formally since June 1, 1988. The trial period for the implementation of the LSG in China at that time was 10 years (Cahyono and Aziz, ed., 2020). In its implementation during the trial period, HOKWD was handed over to each province concerned so that the results varied according to the needs of each province. Therefore, on November 4, 1998, KSPKT revised HOWKD as the forerunner of a more comprehensive village self-government model. Finally, the revised HOWKD gave legal status to the village self-government model, which was officially implemented throughout China in 1998. In relation to the efficiency of mandatory programs from the center to villages in Indonesia, in general, good governance in villages can prevent irregularities, for example, in the management of village funds. This mandatory program is hoped to create a democratic, fair, transparent, and accountable village government, thus supporting the anti-corruption system in the village. The experiences of India, South Korea, and China show the strategies of the three countries to realize quality village governance, which can be used as a lesson for Indonesia.

3. Methodology

Using a qualitative methodology, the study starts from February 2024 until June 2024 (four months). The research objects consisted of 21 villages in Indonesia (Sumatera, Java, and Bali). The selection of villages refers to the Village Development Index value, which represents Independent Villages, Advanced Villages, Developing Villages, and Underdeveloped Villages. In conducting this research, two types of sources were used in data collection, namely primary data sources and secondary data sources. Primary data sources were obtained through field research. The field study will be carried out by researchers through in-depth interviews with credible sources in their fields. Informants or sources consisting of several institutions, including those from the Directorate General of Village Development and Community Empowerment, District Inspectorate, Sub-district, Village Head, and Village Apparatus. While secondary data is in the form of document studies from books, journals, articles, and documents that support the validity of this research.

4. Results and Discussion

Village Funds have a significant impact on village development. Although the percentage of village fund usage has been set in various regulations, in reality, its implementation remains diverse and has been adjusted to local needs and priorities. Based on the Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration (Permendes) Number 7 of 2023, it is stated that the Village Fund Program has two priority uses, namely development and community empowerment. So far, the Village Fund is considered by the central government to have adhered to the principles of equality and fairness. The budget calculation is taken by considering the proportion of four factors, namely 30% for the village population, 20% for the village area and level of geographic difficulty, and 50% for the village poverty rate. These factors determine the amount of Village Funds

Priority Use of Villages Funds



Development Sector

- a. Fulfillment of basic needs
 - Stunting
 - Food security
 - Direct Cash Assistance (BLT)
- b. Construction of facilities and infrastructure
 - Improvement and consolidation of Village SDGs data
 - Alleviation of Poverty and Slum Areas
 - Electrical Maintenance
 - Transportation Procurement and Maintenance
 - Development of information and communication facilities and infrastructure
 - Improving the quality of human resources in village communities:
 - Mitigation and handling of natural and non-natural disasters
- c. Development of local economic potential
 - Bumdes
 - Tourism Village
- d. Sustainable use of natural resources and environment
 - Utilization of renewable energy
 - Village environmental management
 - Preservation of Village natural resources



Community Empowerment Sector

- a. Health promotion and healthy living community movement
 - Stunting Prevention
 - Management of infectious and non-communicable diseases
 - Promotion of the national health insurance program
 - Prevention and Eradication of Narcotics
- b. Strengthening community participation
 - Improvement and consolidation of Village SDGs data
 - Food security
 - Increased overall community involvement
 - Improving the quality of human resources,
 - Strengthening community participation in the context of electricity development
- c. Productive economy and entrepreneurship (Bumdes)
- d. Development of local arts and culture
- e. Mitigation and handling of natural and non-natural disasters

received. Even though the amount of village funds received varies, the central government still equates program priorities that must be implemented.

Figure 1. Priority Use Village Funds (source: Permendes No 7 Tahun 2023)

If you look at the picture above, the priority use of Village Funds is in line with the vision of the Nawacita program in the 2015-2019 RPJMN, namely, nine priority strategic agendas that are derivative of the President's vision and mission. The third Nawacita contains "Developing Indonesia from the periphery by strengthening regions and villages within the framework of a unitary state." In other words, National Priorities focus on solving village problems such as poverty, health, and education. This priority rule is considered a form of decentralization to encourage the state's approach to society and, at the same time, increase community participation, which ultimately encourages accountability, transparency, and responsibility of local government. However, from 2020 to 2022, the priority use of Village Funds is focused on tackling the Coronavirus Disease 2019 (COVID-19) outbreak, which has an impact on various aspects of community life, including social, economic, community welfare, and cultural aspects.

Although the priority of village funds has been determined, the implementation of activities funded by Village Funds is still guided by the technical guidelines set by the regent/mayor regarding activities funded by Village Funds. The implementation of activities funded by Village Funds is prioritized and carried out independently using local resources/raw materials, and efforts are made to absorb more labor from the local village community. Village Funds can be used to finance activities that are not included in the priority use of Village Funds after obtaining approval from the regent/mayor by ensuring that the allocation of Village Funds for priority activities has been fulfilled and/or community development and empowerment activities have been fulfilled. In addition to mandatory programs can be interpreted in various ways, their use must remain transparent and through a participatory process by actively involving village communities. Unfortunately, there are still villages that have not been able to plan optimally, especially in determining priority programs or activities according to the needs and potential of their villages.

4.1 Mapping village funds Problem

The results of field studies and interviews with 21 Village Heads showed that almost all of them said that one of the causes of the ineffective use of Village Funds is the uneven distribution of Village Funds. Some villages receive Village Funds that are considered excessive, while others do not receive sufficient amounts. Table 1 is the result of the mapping of cases found in the field related to the implementation of the mandatory spending program.

Table 1. Village Fund Problems

Current Situation	Cause	Effect
Government Regulation Number 72 of 2019 concerning Villages states that at least 70% of Village Funds must be used for village development, which includes physical and non-physical development.	<ul style="list-style-type: none"> Villages use Village Funds more for physical development, such as village road infrastructure and farm roads, which is not balanced with the budget for community empowerment. Physical development is indicated to be a loophole for misuse (for example, the realization of the quality and specifications of the project results are not appropriate). Villages have not been able to determine what priorities are most needed by the village community or what is in accordance with the village's potential and have not been able to make mature plans for the long term. 	<ul style="list-style-type: none"> Physical development is considered more visible and felt by the village community. The capacity of village officials still needs to be improved, especially in planning. Community participation in planning is still limited, or village deliberations and village development planning deliberations are not yet of good quality.
Details of Priority Use of Village Funds in Permendesa 7 of 2023 Priority Use of Village Funds, and Focus of Use of Village Funds Permendesa Number 13 of 2023, Village Funds are prioritized for handling extreme poverty, food security, stunting, and Direct Cash Assistance from Village Funds (BLT-DD).	<ul style="list-style-type: none"> Villages experience constraints on obtaining Village Funds that change every year, resulting in the distribution of Village Funds that are not in accordance with Village planning and have the potential to be off-target. The problem of data integration and indicators for determining residents who receive Village Fund Direct Cash Assistance (BLT-DD) is considered inappropriate to the current conditions of the community, causing the potential for jealousy among the community. 	<ul style="list-style-type: none"> Standardization of priority policy directions for the use of Village Funds. Mandatory programs require the Village Government to continue to budget and distribute Village Fund Direct Cash Assistance (BLT-DD). Real village conditions differ from data obtained from the government, for example for indicators, criteria and the number of extremely poor people
Programs/activities from the Central, Provincial and Regency Governments that are entrusted to villages to be implemented using Village Funds.	<ul style="list-style-type: none"> Villages often have to change their plans in the current year to accommodate programs assigned to the village, thus hampering activities already carried out by the village. Some entrusted programs may not be in accordance with the needs, character, and potential of the village. 	<ul style="list-style-type: none"> Village heads feel at a loss when accepting or rejecting programs/activities offered by the Central/Provincial/District Government to the village. Lack of role of village facilitators in facilitating the

		preparation of village medium-term development plans, which include identification of needs, determination of priorities, and allocation of resources.
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In addition to the distribution of village funds that are not yet fair, evenly, and appropriate, community participation in the management of Village Funds is also not optimal. Lack of transparency and involvement in the decision-making process can reduce the effectiveness of the Village Fund program. Although there are standard procedures in determining the priority of Village Fund use, the active role of the community in conveying aspirations and involvement in decision-making is still minimal. In other words, participation is still limited to attendance at village meetings, which are often represented only by certain figures or groups. An inventory of community needs is needed through meetings at a smaller level (RT-RW-Dusun).

Furthermore, there are currently many regulations governing village funds. New legal products usually emerge to solve problems faced by the government. However, there is still a perception that the current regulations seem to be out of sync. Between the rules issued by policy makers, one with another actually creates new problems, namely the difficulty of village officials in making decisions because they are confused about which regulation to refer to. This confusion is also caused by regulations that come down from across ministries that are difficult to understand because they clash with each other, or there are also rules that appear at the wrong time. For example, the issuance of Ministerial Regulations and technical instructions that are intermittent (not simultaneous) has an impact on delays in Village planning.

4.2 Implementation of Mandatory Spending Programme

Based on data from the Coordinating Minister for PMK's Village Dashboard, in 2024, 26.1% of village funds were absorbed by the food security program, followed by direct cash assistance at 14.3% and stunting at 11.0%. If the program is implemented, it will change the initial planning, but if it is not implemented, it is feared that it will be considered to violate instructions or regulations. Several activities that are not in accordance with the real needs of the village or are built without careful planning have the potential to result in budget waste. Details of Priority Use of Village Funds in Permendesda 7 of 2023 Priority Use of Village Funds, and Focus on Use of Village Funds Permendesda Number 13 of 2023, Village Funds are prioritized for handling extreme poverty, food security, stunting, and Direct Cash Assistance from Village Funds (BLT-DD).

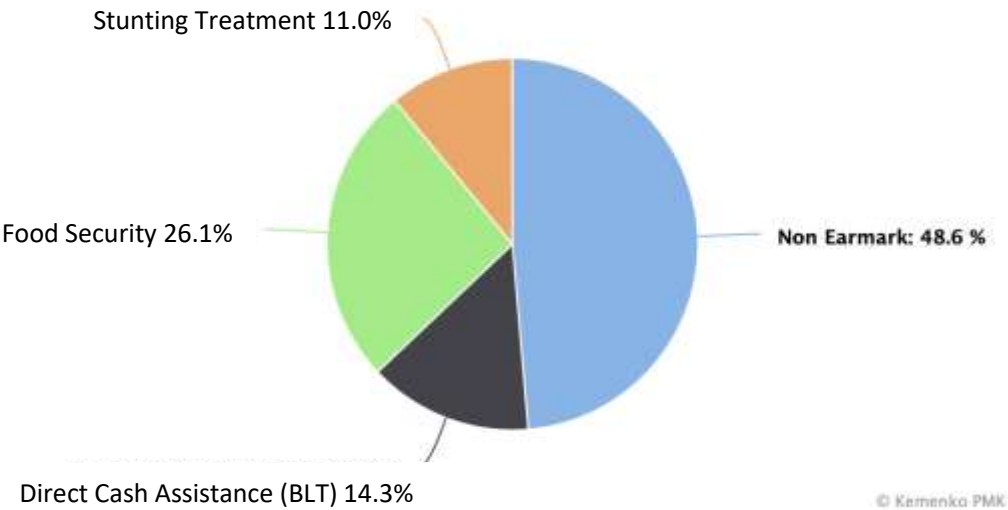


Figure 2. Percentage of village fund distribution: Source: <https://dasbordesda.kemenkopmk.go.id> (2024)

4.3 Stunting Treatment

In the stunting program, there is a village that gets the highest stunting predicate in the Regency, but the village apparatus considers that the stunting data shown by the local government is not appropriate. The village apparatus admitted that they did

not get a clear answer from the local government regarding the indicators used by the local government in determining the stunting rate in their area, so when this program was implemented, many people asked why they were given assistance because they thought their children had received sufficient nutrition. The next program is food security; almost all villages face the same problem, and the food security program is more diverted to physical development such as irrigation and farm roads. This is because in its implementation when the formation of community group activities was held, such as for fish farming or plantations, many of them did not run, so the budget issued was considered wasted.

4.4 Food Security

For food security programs, several villages have difficulty in creating community empowerment programs such as crop cultivation, livestock, and other group activities. These activities do not run sustainably because many failures are found, such as crop failures, and many livestock die, so in the end, they only spend the budget. To counteract this problem, several villages have worked around the program by diverting it to physical ones such as repairing farm roads. This has proven to be more beneficial in the long term and has also had an impact on village infrastructure development. We can conclude that several villages feel that the use of village funds is not effective. This is due to the existence of central, provincial, or district deposit programs, which are charged to the village with the Village Fund budget. This is because these programs do not match the needs and local potential of the village. With the deposit program, the Village Head feels at a loss.

4.5 Direct Cash Assistance (BLT)

According to several village heads interviewed in this study, the BLT-DD program is considered less effective to implement, especially in villages that have been indexed as independent and advanced. There are problems with invalid data and conditions in the field. BLT-DD is not on target; for example, the recipient is not the right person because it turns out that they have a motorized vehicle at home. Meanwhile, in villages that are still developing, similar things are still found, but more due to errors in the data of residents who receive BLT; on the other hand, there are villages whose residents are not included in the list of aid recipients because they do not meet the criteria, but in reality in the field they actually need help. In addition, there are also many villages that feel that their population economically has the same level of income and does not need help.

To distribute Village Funds more fairly, evenly, and appropriately, an evaluation of the indicator weighting is needed to measure the needs of each village in determining the amount of Village Funds. Although the percentage of Village Fund use has been stated in various regulations, its implementation varies in each village according to local needs and priorities. Mandatory programs can be interpreted in various ways; their use must remain transparent and through a participatory process by actively involving the village community.

5. Result and Discussion

5.1 Percentage for Village Funds is more flexible to adjust to village needs.

The current Village Fund percentage rules have considered the country's fiscal conditions, village development needs, and the level of development equality between villages. However, village development needs in Indonesia cannot be equalized, so an inappropriate percentage of Village Fund distribution can slow down development in the Village. The weighting of indicators in measuring the needs of each village in determining the amount of Village Funds needs to be reviewed. Mandatory programs should not limit the potential for innovation or creativity in villages. By considering the diversity of geographical conditions and village needs, it is appropriate for the government to provide more flexible Village Fund regulations (mechanisms). Providing flexibility to villages in managing village funds will provide an opportunity for the community to build (improve) their villages, especially for villages that still have many unresolved community aspirations.

5.2 Business process evaluation in the scope of village data verification and validation

The Central Government, through the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, needs to evaluate the business process of determining the priority of Village Fund usage through the alignment of Village planning. Its implementation can be done by strengthening the function of Village Facilitators as providers of village planning data according to the time stages. Based on this flow, the results of the tiered review that have been tabulated from below (Village) can be used as a reference in determining national programs. Optimizing this agenda by utilizing the prepared application infrastructure (Village Information System). In addition, data collection must be comprehensive. Data on BLT-DD recipients, for example, must be shared with the community so that corrections can be made if there are those who do not receive assistance correctly.

5.3 Strengthening the role and function of village facilitators

The knowledge of village facilitators in the technical realm of village development is very much needed. However, with the current conditions, strengthening the capacity of village facilitators in the field of physical development supervision is still very challenging, considering the diverse academic backgrounds. Optimization and improvement of empowerment programs need to be mainstreamed through Village Facilitators. Meanwhile, assistance and supervision of activities in the form of physical development

are carried out by the Regional Apparatus Organization (OPD), which handles the technical aspects of physical development. The addition of these functions and authorities is regulated through a regulatory framework and is accompanied by strengthening the government's tiered budget.

6. Conclusion

It can be concluded that one of the causes of the ineffective use of Village Funds is the incompatibility with the real needs of the village, especially for mandatory programs from the center. The determination of mandatory programs from the central government should be adjusted to the needs, character, and potential of the village. Indicators such as the different geographical and demographic conditions of each village should not only be used to calculate how much the village receives village funds but also as a reference for mandatory programs that are in accordance with the local potential of the village, both in terms of the availability of human resources (HR), natural resources (SDA), environmental sustainability, and other socio-economic potentials. Field studies have found that not all villages experience extreme poverty, especially villages that are categorized as independent villages. In determining mandatory programs for village development and the use of Village Funds, the government should see and review the conditions of the local village based on national data that has been collected.

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