

MANAGEMENT, DISTRIBUTION, AND REDEMPTION OF VILLAGE FUND

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Abstract

One on the policies following the change of politics of law in village management is the allocation of Village Fund in the state budget. The management, distribution, and redemption of Village Fund, as well as the obstacles and how to overcome the problems were studied. The research method used was normative. The distribution and redemption arrangements of Village Fund were related to the coordination and communication of three Ministries, Regency / City and Village, village assistants, the requirements of administration and finance, and human resource capacity. The obstacles in the management, distribution, and redemption of Village Fund were that the requirements in the management and the coordination of distribution and redemption of Village Fund have not been met by villages and the villages lacked of preparation. It was overcome by the harmonization of legislation, improved coordination, acceleration of compliance, and increase in the capacity of village officials.

Keywords: *management, distribution, and redemption of Village Fund*

1. Introduction.

A long history of village existence and management in the Republic of Indonesia can be traced from the time before the independence¹, colonial period, the independence period with some periodicities, i.e. the period after independence, the old order, the new order, the reform period until the enactment of Law No. 6 of 2014 on Village. The management of village from the colonial period to the present has always been in the vortex of political interests of the state elites². Concerning

¹ see Ni'matul Huda, 2015, *Hukum Pemerintahan Desa (Village Government Law)*, (Malang : Setara Pers), p. 2-3

²Ibid, the introduction of the publisher, p. xii

that matter, the Annual Session of the House of Representatives (MPR) in 2000 had conducted the Second Amendment of the 1945 Constitution that amended Chapter VI on Regional Government by improving Article 18 into Article 18, Article 18 A, and Article 18 B.³

Based on Article 18, 18 A, and 18 B of the 1945 Constitution, Law No.32 of 2004 on Regional Government was enacted. The regulation of village administration in Law No. 32 of 2004 does not change significantly or does not cause changes in principle.⁴

Furthermore, in 2014, Law No. 23 of 2014 on Regional Government was enacted. In Chapter XVIII, article 371 and article 372 regulate the matters concerning village. Village authorities are governed by the laws on village. On the other hand, the funding of village government affairs is derived from the state budget when assigned by the central government, from the provincial budget when assigned by the Provincial Government, and from the City/ Regency Government budget when assigned by the regency/ city government. The law concerning village today is Law No. 6 of 2014 on village. Then, regarding the Village Fund from the state budget, it is stipulated in Government Regulation No. 60 of 2014 on Village Fund from the State Budget.

Regardless political fight in the 2014 election, with the enactment of Law No. 6 of 2014, the people in village society has a stronger legal protection than the village management in Law No. 22 of 1999 and Law No. 32 of 2004. Although it can not be denied that the public's view of the Village Law is highly focused on the huge amount of village fund allocation⁵, the content of the Village Law actually covers quite broad matters⁶. Based on the description in the background above, the

³ Ibid, p. 185

⁴ see Mashuri Maschab, 2013, *Politik Pemerintahan Desa di Indonesia (Politik of Village Government in Indonesia)*, First Edition, (Yogyakarta : PolGov Fisipol UGM), p. 146

⁵ Ni'matul Huda, Op.Cit, p. 206-207

⁶ Amalia Diamantina, Law No. 6 of 2014 on Village as the manifestation of the enforcement of of article 18 B paragraph (2) of the 1945 Constitution, Journal of Legal Issues No. 1. January 2016, Faculty of Law, Diponegoro University p. 4.

⁷ Peter Mahmud Marzuki, 2004, Legal Research, Prenada Media, Jakarta, p. 142-144.

problems in this research were; how to manage the distribution and redemption of Village Fund and what the obstacles in the distribution of Village Fund?

2. Research Methods

The approach in this study was a normative juridical or doctrinal approach by reviewing the secondary data including primary and secondary legal materials.⁷ Primary legal materials are authoritative legal materials meaning that they have authority. Primary legal materials consist of legislations, official records or minutes in legislation making. The specification in this research was analytical-descriptive, which provides detailed, systematic and thorough descriptions, with regard to the management, distribution and redemption of Village Fund. The data were collected through documentary studies, the review of the literatures, or the review of the literatures or library materials related to the management of distribution and redemption process of Village Fund. Then, they were analyzed qualitatively.

3. Result and Discussion

Village Fund Allocation appeared to be a very sexy issue in the campaign stage of legislative and the president elections in 2014 because the political parties and both presidential candidates promised the village budget of IDR 1 billion to IDR 1, 4 billion. Certainly, for 72 944 villages in Indonesia, the amount of money that will be distributed are arguably not a small amount. If it is true, the villages will receive the funding of IDR 1 billion. As a result, the state budget should be allocated about 73 trillion for the villages. The enormous funding to the villages would have a big impact on the face changing of the villages, not only the infrastructures but the strengthening of the community resilience programs can also be developed. The villages will be the basis of development, and they will be autonomous regions which are directly related to the lives of citizens. Therefore, the empowerment of the community and efforts to maintain village social bonds

have to be implemented so that the village social capital which is getting weaker currently will be able to raise again and not eroded. The survey results on Village Potential by the Statistic Center Bureau (BPS) showed that the mutual aid activities in rural communities began to decline, from 94% of the villages that still did it in 2003, to 89% in 2011. The activities of non- governmental organizations also dropped dramatically in rural areas, from 19% of the villages that still did it in 2005, to only 8% in 2011.⁸

Village Fund Allocation as a form of transforming village into the autonomy-based one must be accompanied by a maximum of supervisory mechanisms and responsibilities of village officers unless it will be able to become a boomerang that will injure the social bonds of the residents. The fragmentation of society is likely to occur when village government is increasingly attractive resource to be fought for by people to get positions.

Concerning that matter, it is necessary to set up human resources and its implementing regulations carefully since not all villages have the village heads who have the capacity and the same understanding of village fund allocation. Mainly, it relates to the ability to plan Village Budget. Large amounts of money in villages will be prone to corruption if the stakeholders at the center, regions, and villages are not ready.

Due to stronger village status and authorities, village administration should be more accountable supported by the system of checks and balances between village government and village institutions. The village institutions, particularly the Village Consultative Organization, in their position play an important role in preparing policies. Village government and village head must have the vision and mission so that the Village Consultative Organization cannot terminate a village head who had been elected democratically by the villagers.⁹

⁸Kompas, 28 November 2014 as quoted by Nikmatul Huda in Village Government Law, Malang, Setara Press, 2015, p. 229

⁹Ibid, p. 229-230

According to Article 72 of Law No. 6 of 2014 on Village, Village Revenue is derived from:

1. Village Original Revenue that consists of business profits, assets, self-help and participation, mutual works, and others.
2. The Allocation of State Budget
3. Proportion of regency/ city taxes and retributions
4. The allocation of village funds as a part of the balance funds received by Regency / City.
5. Financial assistance from the budget of the Provincial and Regency / City Revenue and Expenditure.
6. Grants and donations which are not binding from third parties
7. Other legitimate village revenues.

According to the Government Regulation (PP) No. 60 of 2014, Village Fund is a fund sourced from the State Budget allocated for a Village transferred through the Budget of the Regency/ City and used for the governance, implementation of development, social development and community empowerment.

Under Law No. 6 of 2014 on Village, village is given the authority to regulate and manage its authority in accordance with the needs and priorities of the village. It means that Village Fund will be used to fund the whole village authority in accordance with the needs and priorities of the Village Fund. However, considering the Village Fund sourced from the Central Expenditure, to optimize the use of Village Fund, the Government has the authority to set the priorities for the use of Village Fund to support village development and empowerment of rural communities. The prioritization of the use of the funds is in line with the authority which is the responsibility of the village.

Village Fund is managed orderly, subject to the provisions of legislation, efficient, economically, effectively, transparently, and accountably with regard to justice and propriety as well as the interests of the local community.

Village fund must make the village-based program effective equally, and equitably. Village Fund is allocated by the Government to Villages, and the allocation is calculated based on the number of villages and allocated by taking into account the population, poverty, area, and geographical level of difficulty. Furthermore, it will be regulated in a ministerial regulation. Village Fund is transferred through the budget of Regency / City to be transferred to the budget of the villages, and the management is implemented in accordance with the provisions of the laws and regulations of regional and village financial management.

Village Fund Distribution is made by the government to Regency / City by transfer from RKUN to RKUD. Then, it is distributed by Regency / City to villages transfer from RKUN to the account of Village Treasury. The distribution of Village Fund is conducted in three phases; Phase I in April, Phase II in August by 40%, and Phase III in October by 20%.¹⁰

The management, distribution, and redemption of Village Fund was started by the enactment of Law No. 6 of 2014 on Village and the Government Regulation No. 43 of 2014 on the Implementing Regulation of Village Law as amended by the Government Regulation No. 47 of 2015. Then, it is the Government Regulation No. 60 of 2014 on Village Fund sourced from the State Budget as amended by the Government Regulation No. 22 of 2015.

In the classification, the competencies of the village include,

- a. The authority in the field of village administration
- b. The authority in the field of the implementation of village development
- c. The authority in the field of social development the village, and
- d. The authority in the field of village community empowerment based on community initiatives or the rights of origin based on village customs.¹¹

The Village Law, in the arrangement, has given clear authority to Village and Customary Village. It is included in Article 18 and 103 of Village Law

¹⁰ The Material of the Dialog with the Heads of the Villages in South Sumatera, 2015, (Jakarta : Ministry of Village, Rural Area Development, and Transmigration).

¹¹M.Silahuddin. *Kewenangan Desa dan Regulasi Desa (Village Authority and Regulation)*. 2016, Ministry of Village, Rural Area Development, and Transmigration, p. 12

stating stating that Village and Customary Village have 4 (four) authorities, which includes:

- a. authority based on the right of origin
- b. local authority of village-scale in which village has full authority to control and manage itself.
- c. authority assigned by the government, the provincial government, or local government of regency / city, and
- e. other authority assigned by the government, the provincial government, or local government of regency / city in accordance with the provisions of legislation.

The four authorities possessed by Village and Customary Village have underlying important principles. In the first two authorities, the authority based on the right of origin and the local authority of village-scale is the authority owned by village. The authority is not the residual authority delegated by the Regency / City Government as stipulated in Law No. 32 of 2004 on Local Government and the Government Regulation No. 72 of 2005 on Village Government. The authority is the authority which is based on the principle of recognition and subsidiary; the authority which is recognized and specified by laws and regulations. Thus, it can be understood that Village and Customary Village have the authority to "regulate" and "manage", as referred to in Article 20 of Village Law, which reads, "The implementation of authority based on the right of origin and the local authority of village-scale as referred to in Article 19 letter a and b regulated and managed by Village". It is clear that Village and Customary Village have the authority to run the rules on what is allowed and what is not allowed to do so that it binds to the parties concerned and implement these principles. In other words, village is responsible for what is planned and budgeted, and it undertakes development activities or services, as well as resolves the problems that arise.

The Village authorities based on the right of origin and local authority of village-scale in their implementations, according to th Government Regulation No.

43 of 2014 on the Implementing Regulations of Law No. 6 of 2014 on Village, are organized and funded by the Village Budget (APBDes). In the local authority of village-scale, can also be funded through state and local budgets other than funded from the Village Budget (APBDes). The funding mechanism through the state budget is the village authority assigned by the government by allocating part of the budget of the ministries / agencies and distributed through SKPD (the Working Unit of Regional Officers) of regencies / cities. In other hand, the implementation of village authority assigned by the local government is funded from the regional budget.¹²

Based on the General Explanation of the Government Regulation No. 60 of 2014 on Village Fund sourced from the State Budget, the budget allocation for Village Fund set at 10% of total transfer fund to regions will be met gradually conformed to the state budget. In the transition period, before the Village Fund reaches 10%, the Village Fund budget is met through reallocation of the Center Budget from a village-based program. The Ministries/ agencies proposed a budget for the village-based program to the ministers to set as the Village Fund.

When Village Fund has been met by 10% of the total transfer funds to Regions, the budgeting fully follows the fund budgeting mechanism of the state general treasurer that has been adjusted in accordance with the laws.

The Village Fund sources proposed by the ministries / agencies and determined by the Ministers will be placed as the Center Expenditure of Non-Ministry / Agencies as the Village Fund Reserve. The village fund reserve is proposed by the Government in the context of the discussion of the Draft of the State Budget and the Draft of the State Budget Law. The Village Fund Reserve which has been approved by the House of Representatives is set as Village Fund, which is part of the Transfer Budget to regions and villages. The mechanism is adopted in order that the compliance of the Village Fund remains visible as the transfer of the center expenditure to village fund in the form of Transfer Funds to

¹² Article 90 of the Government Regulation No 43 of 2014

Regions. In addition, the mechanism also provides a strong commitment to the Government and Parliament to empower the villages.

The amount of the Village Fund which has been established in the state budget is allocated to the villages in two phases. In phase I, the Minister allocates Village Fund to the regencys/ cities according to the number of villages, based on the variable of the population, the width of the areas, and the rate of poverty in a particular weight. The calculation results are further multiplied by the construction cost index as the indicators that reflect the level of geographical difficulties. In the second phase, based on the amount of the Village Fund of each regency / city, the regent / mayor allocates the Village Fund to each village. The regent / mayor has the authority to determine the variable weight of geographical difficulty level village as one of the calculation variables by the regional characteristics. The level of geographical difficulty is indicated by the availability of basic services, infrastructures, and transportation conditions.

Law No. 6 of 2014 on Village is regulated further by the Government Regulation No. 60 of 2014 on Village Fund as amended by the Government Regulation No. 22 of 2015 on Village Fund from the State Budget. The direction of the amendment of the Government Regulations from the Government Regulation No. 60 of 2014 to No. 22 of 2015 is to realize the allocation of Village Fund which is more evenly distributed by considering the element of justice as reflected in various variables that have been stipulated in Law No. 6 of 2014 (total population, the number of poor population, area and level of geographical difficulty) and clarifying the roadmap of the fulfillment of Village fund by 10% from and outside transfer funds to regions.

The initial rule of Village Fund allocation was the Government Regulation No. 60 of 2014, stating that;

- a) According to Article 11 paragraph (2) that the average of Village Fund of each province as referred to in paragraph (1) shall be allocated based on the number of villages in the province and the number of people in the

Regency/ City, the width of Regency/ City, the poverty rate of Regency / City, and the geographical difficulty level of the regencies / cities in the province,

- b) According to Article 12 paragraph (2), the amount of Village Fund as intended in paragraph (1) shall be calculated based on the number of village population, the width of the village, the rate of poverty in the village, and the geographical difficulty level.

The new rule of of Village Fund allocation is the Government Regulation No. 22 of 2015, that states;

- a) According to Article 11 paragraph (2), village fund as referred to in paragraph (1) is allocated equitably based on the basic allocation, the allocation calculated by taking into account of population, poverty rate, the width of the area, and geographical difficulty level of the villages of each Regency / City.
- b) According to article 12 paragraph (2), the Village Fund of each village as referred to in paragraph (1) shall be calculated based on the allocation of village funds and the allocations calculated by taking into account the population, poverty rate, the width of the area, and the geographical difficulty level of every village,
- c) According to Article 29, for 2015, the basic allocation as referred to in Article 11 paragraph (2) letter a and article 12 paragraph (2) shall be calculated based on the allocation shared evenly to each village by 90% of the allocation of village funds.

The major amendments are as follows;

- a) The adjustment of village fund ceiling through the state budget revision providing it is not more than 10% of the funds transferred to regions/ article 10.

- b) The improvement of Village Fund allocation to each regency/ city through Basic Allocation application based on the number of Villages/ article 11.
- c) The improvements in the localization of Village Fund to every village by even distribution and the use of formulas within particular percentage/ chapter 12.
- d) The acceleration of the distribution of Phase III.
- e) The improvement of the data used to calculate the allocation of Village Fund
such as the data of population, the area of the villages, and the village's poverty rate that reflect the real condition of the villages, the improvement of the data source which is used for the calculation of the allocation at the central and regency/ city level derived from the Statistic Central Bureau (BPS) and the related ministries.

The differences between the calculation results of the Village Fund in the Government Regulation (PP) No. 60 of 2014 and the Government Regulation (PP) No. 22 of 2015 are as follows:

- a) The Government Regulation (PP) No. 40 of 2014 based on the ceiling of the 2015 state budget at IDR 9.0.66 Trillion. The Village Fund allocations calculated purely based on the Formula Base results in; the average village fund for every village is IDR 124.29 million, the lowest allocation is IDR 41.26 million, the highest allocation is IDR 287.46 million, and the ratio is 1 to 6.9.
- b) According to the Government Regulation (PP) No. 22 of 2015 based on the ceiling of the Draft of the State Budget (RAPBN) of 2016 is IDR 20,766.2 trillion. The allocation of Village Fund is calculated using; 1). Pure Formula Base in order to obtain the average of Village Fund for every village at IDR 280.27 million, the lowest allocation is IDR 96.50 million, the lowest allocation is IDR 693.31 million, and the ratio is 1 to 7.2; 2) the Basic Allocation and Formula Base show the results that 90% of the fund ceiling

is shared evenly; 10% of the fund ceiling is shared based on the total population (weight of 25%), poverty rate (weight of 35%), the width of the areas (weight of 10%) and level of geographical difficulty (weight of 30%). Therefore, the average village funds for every village is IDR 280.51 million, the lowest allocation is IDR 254.47 million, and the highest allocation is IDR 1,121.04, and the ratio is 1 to 4.4.¹³

The redemption of village fund is made by the government to Regency/ City and from Regency/ City to village by transfer from RKUN to the account of village treasury. The redemption of village fund from RKUN to RKUD is made by the following conditions;

- a. The regulation of Regent/ Mayor concerning the procedures for the distribution and determination of the amount of Village Fund has been submitted to the Minister.
- b. The budget of regency/ city has been determined.
- c. Village Fund distribution from RKUD to village treasury account is made after the village budget (APBDesa) is set.
- d. When the budget of regency/ city is not determined, the distribution of Village Fund is made after Regent / Mayor Regulation is established.

Pursuant to Article 16 of the Government Regulation No. 20 of 2016 on Village Fund, Village Fund distribution is conducted in 3 Phases; Phase I is in April and Phase II is in August by 40%, and Phase III is in October by 20%. The distribution of Village Fund for each stage is made no later than the second week and no later than 7 working days after it is received in village treasury.

Furthermore, the redemption of village fund is set in the Regulation of the Minister of Finance No. 93/ PMK.07/ 2015 on the Procedures for Allocation, Distribution, Use, Monitoring, and Evaluation of Village Fund. The other relevant regulations are the Regulation of the Minister of the Domestic Affairs no. 113 of

¹³ Marwan Jafar, 2015, *Kemajuan Penyaluran Dana Desa Tahun 2015 (The Progress of Village Fund Distribution in 2015)*, (Jakarta: Ministry of Village, Rural Area Development, and Transmigration), p. 3

2014 on the Management of Village Finance, the Regulation of the Minister of Village, Rural Area Development and Transmigration No. 5 of 2015 on Priority Setting on the Use Village Fund In 2015, the Joint Decree of the Minister of Domestic Affairs, the Minister of Finance, and the Minister of Rural Area Development and Transmigration No. 900/ 5356/ SJ, No. 595/ KMK.07/ 2015, No. 49 of 2015 on the Acceleration of Distribution, Management, and Use of Village Fund in 2015.

The Joint Decree regulates the orders of the Minister of Domestic Affairs to Regents/ Mayors to accelerate the distribution and management of Village Fund in 2015, with the following steps;

- a. Regents/ Mayors immediately distribute Village Fund from the Regional General Treasury Account of Regencies/ Cities to the accounts of village treasuries when the villages submit the Village Regulations on Village Budget (APBDesa).
- b. The Village Regulation on Village Budget (APBDesa) is proposed by the head of village to the Village Consultative Body (BPD) to be approved and designated as the village regulation by the Head of Village,
- c. The Head of Village who have not made the village regulation on Village Budget (APBDesa) immediately makes the regulations concerning Village Budget (APBDesa).
- d. Regent/ Mayor through Head of Sub-District immediately facilitates and assists Head of Village in formulating the village regulations on Village Budget (APBDesa),
- e. In the case when the Village Fund is unbudgeted in the Regulation on Village Budget (APBDesa) of the Fiscal Year 2015, Regents/ Mayors shall budget it preceding the establishment of Regional Regulation on the Regional Budget Revision in the Fiscal Year of 2015 by;

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1. Establishing the Regulation of Regent/ Mayor on the Interpretation Revision of the Regional Budget of the Fiscal Year 2015 and notifying it to the Chairman of Parliament.
 2. Developing RKA - PPKD and certifying DPA - PPKD as the basis for the budget implementation of Village Fund.
 3. Accommodating Village Fund in Regional Regulation on the budget revision in the Fiscal Year of 2015.
 4. If the Regional government has set the Regional Budget Revision for the Fiscal Year of 2015 or does not revise the Regional Budget for the Fiscal Year of 2015, the Village Fund is included in the Budget Realization Report.
- f. Regent / mayor instructs the head of village who does not have the account of village treasury to immediately open the account of village treasury, to accommodate the Village Fund and other village incomes.
- g. The head of village immediately prepares a Report on the Utilization of Village Fund of Semester I and Semester II that consists of the receipt, expenditure, and remaining funds,
- h. In the case when Regent / Mayor has not set the regulation of Regent/ Mayor on Village Financial Management, the regent/ mayor immediately orders the head of village to use the Village Fund of 2015 by referring to the regulation the Minister of Domestic Affairs No. 113 of 2014 on Village Financial Management,
- i. The regent/ mayor who has not set the Regulation of Regent/ Mayor on the Procedures for Procurement of Goods/ Services in villages shall accelerate the establishment of the Regulation of Regent/ Mayor based on the Regulation of the Head of Government Regulation and Policy Institute No. 13 of 2013 on the Procedures for Procurement of Goods/ Services in Village,

- j. In the case when the village government has not set RPJMDesa and RKPDesa as the basis for preparing the Village Budget (APBDesa), the Regent/ Mayor orders the Head and officials of the sub-district as the assistant for the village government and village assistants to immediately facilitate the completion of the Village Regulation on RPJMDesa, RKPDesa and the Village Budget (APBDesa).

The Minister of Domestic Affairs accelerates the implementation of training/ technical guidance on village financial management for village officials. Furthermore, the Minister of Finance monitors Village Fund from Regional General Treasury Account to Village Treasury Account for each stage of the distribution in accordance with the time limits and the amount of distribution. The Minister of Village, Rural Area Development, and Transmigration facilitates the acceleration of the use of the Village Fund in 2015 for the activities of;

- a. Prioritizing the use of village fund to finance the construction/ rehabilitation/ maintenance of rural infrastructures and local economic developments according to the needs of village priority based on the Regulation of The Minister of Village, Rural Area Development, and Transmigration No. 5 of 2015 on the Priority Setting for the Use of Village Fund which includes:
 1. The construction of village infrastructures, such as village roads, simple bridges, aqueducts, reservoirs, riprap village dam, tertiary irrigation, and clean water management of village scale,
 2. The fulfillment of basic needs, such as neighborhood health center (Posyandu) development, the development of village health posts and village polyclinics, and Early Childhood Education activities.
 3. Local Economic Development such as village market, village kiosks, fish auction managed by village, and the distribution of revolving loans for businesses to the community groups through the establishment and development of village-owned enterprises.

- b. Construction/ rehabilitation/ maintenance of infrastructures managed independently using local resources/ raw materials and it is attempted using more employment and optimizing the local workers.

The Minister of Village, Rural Area Development, and Transmigration accelerates the provision of village assistants and optimization of existing assistants. The Regulation of Regent/ Mayor on Village Financial Management, the Regulation of Regent/ Mayor on Procurement of Goods and Services, and the Village Regulation on Village Budget (APBDesa) of 2015 Village are set no later than the second week of October 2015.

In the State Budget of 2015, the Village Fund of IDR 9.066 trillion is derived from the reallocation of the PNPM Program for Rural Independence/ Kemdagri and Rural SPAM, and PPIP/ Ministry of Public Works. In the revised state budget of 2015, the Village Fund allocated was IDR 20.766 trillion.

Thus, the tasks division of the management of Village Fund have several levels;

- a). the Central Government, i.e.:

1. The Ministry of Finance allocated village fund in the state budget that specifies the details of Village Fund for each regency through the presidential regulation and distributes Regency's Village Fund. This has been conducted in the revised state budget of 2015 at 20,766.2 trillion, while the details are in the Annex of the Details of the 2015 State Budget, in the Presidential Decree No. 36 of 2015.
2. The Ministry of Village, Rural Area Development, and Transmigration has set the General Guidelines and Priority for the Use of Village Fund through Permendesa No. 5 of 2015 and organized the mentoring that was budgeted in the 2015 revised state budget of IDR. 2.1 trillion.
3. The Ministry of Domestic Affairs organized the activities aimed at improving capacity building for village officials and this activity was budgeted in the 2015 revised state budget of IDR 1.4 trillion.

Besides the three Ministries had synergistically prepared a package Village Fund Policy Implementation and performed monitoring, evaluation, and the imposition of sanctions. The policy package was by the issuance of the Regulation of the Minister of Domestic Affairs (Permendagri) No. 111, 112, 113, and 114 of 2014, Permendes No. 1,2,3,4,5 of 2015, the Government Regulation (PP) No. 60 of 2014 in conjunction with the Regional Regulation (PP) N0. 22 of 2015 and the Regulation of the Minister of Finance No. 93 of 2015.

b). Regency Government;

1. has the duty to budget Village Fund allocated in the regional budget based on the Presidential Regulation on Village Fund,
2. make the regulation of regent regarding the distribution of Village Funds to each village
3. distribute Village Fund from Regional General Treasury Account to Village General Treasury Account no later than 7 days after the receipt at the Regional General Treasury Account,
4. create and submit the realization report of the distribution and consolidation of the use of village fund in the form of annual reports that must be submitted no later than the end of March in the next budget year,
5. organize assistance,

c). Village government;

1. is obliged to prepare the Village Budget (APBDesa) which is a condition of Village Fund distribution of Phase I from the Regional General Treasury Account to the Village General Treasury Account,
2. budgets Village Funds in the village budget in accordance with the amount of allocation,
3. uses Village Fund in accordance with the stipulation prioritized to fund the development and community empowerment activities,

4. creates and submits the realization report of Village Fund to the Regency in the form of semi-annual report.

The Village Fund distribution requirements require that Village Fund can be distributed on time (Phase I: April 2015):

1. The distribution from RKUN to RKUD requires a regional regulation on Regional Budget which includes the Village Fund from the State Budget. It also requires the Regional Regulation of the Regional Heads (Perbup or Perwali) on the division of Village Fund for every village in the regencies or the cities concerned.
2. The distribution from the General Regional Treasury Accounts (RKUD) to village account shall meet the requirement of the presence of the Village Regulation (Perdes) on Village Budget (APBDesa).

The distribution realizations of the Village Fund in 2015 were as follows:

1. Total distribution realization of the Village Fund by 25 May 2015 had reached IDR 4.39 trillion (21.15% of the revised state budget ceiling of 2015, or 52.88% of the distribution obligation of Phase I)
2. the redemption of village fund from the State General Treasury Account to the Regional General Treasury Account was made in three stages:
 - a. Phase 1 (40%) was no later than the second week of April after the local government budget conveyed the Regional Regulation on Regional Budget and the Regulation of Regent/ Mayor (Perbup/ Perwali) regarding the division of village funds to each village.
 - b. Phase 2 (40%) was no later than the second week of August after the Regional Government submitted a realization report of the Village Fund in the 1st half of the current year.
 - c. Phase 3 was no later than the second week of October after the regional government submitted a realization report of the Village Fund in the 1st half of the current year.

3. The distribution of the village fund of Phase 1 as of May 25, 2015 was made to 232 Regencies/ Cities and met the requirement of distribution in the form of the submission of the Regulation of Regents/ mayors regarding the determination of the Village Fund per village. It was distributed in the amount of 4.39 trillion (21.15% of the ceiling of the revised state budget, or 52.88% of the distribution obligation of Village Fund of Phase 1 in the amount of IDR 8.3 trillion.
4. On May 26, 2015, with the input from the Ministry of Village, Rural Area Development, and Transmigration after the National Coordination Meeting (Rakornas) of Village Fund in 2015, the Ministry of Finance had conducted a verification and distributed to 25 regencies/ cities who had submitted the Regulation of Regent / Mayor in the amount of IDR 432. 89 billion so that the total redemption of village fund as of May 26, 2015 was IDR 4.83 trillion, or 58% of the village fund distribution obligation of Phase 1.
5. As of the date of May 29, 2015, based on the requirement submission of the Regions in the National Coordination Meeting (Rakornas) of Village Fund in 2015 held by the Ministry of Village, Rural Area Development and Transmigration on May 25, 2015, the Ministry of Finance had completed the verification to the process of the Village Fund distribution to 95 Regencies/ Cities who handed the Regulation of Regent/ Mayor with the amount of IDR 1.85 trillion, so as of May 29, 2015, the distribution of the Village Fund amounted to IDR 6.68 trillion, or 80% of the distribution obligation of Phase 1 to 352 regencies or cities or 81% of the distribution obligation of Phase 1 to 434 regencies or cities that have the villages.

The distribution of village funds from the State Treasury to the Regional Treasury Account was until the date of August 12, 2015. The national realization of the Village Funds which have been distributed to the Regencies/ Cities reached IDR 14.77 trillion, and it is equivalent to 71.1% of the ceiling of the Village Fund in the Revised State Budget (APBNP) of 2015. This amount consisted of IDR 8.27

trillion which was equivalent to 99.5% of the distribution of Phase I to 433 regions, and IDR 6.5 trillion which was equivalent to 78.3% of the distribution of Phase II to 349 regions. The realization of the Village Fund of Phase I and Phase II were distributed to the regions which were qualified for the redemption.

The redemption of village funds from the Regional General Treasury Account to Village Treasury Account in 326 regencies that had been assisted by the village assistants in the regencies and sub-regencies (ex PNPM) from the village fund allocation was IDR 16,206,901,283,578. The funds that had been disbursed from the Regional General Treasury Account to the Village Treasury Account was IDR 4,288,937,952,743 (26%), while 77 regencies with no assistance did not have the accurate data.¹⁴

Regarding the accountability of the use of village funds, the head of village is the person responsible for the use of Village Fund. The head of village has to submit the reports on the realization of village fund to the head of regency each semester with the provisions; semester one is no later than the fourth week of July of the current fiscal year, and the second semester is no later than the fourth week of January of the next fiscal year. Regents submit the consolidation report of the realization of the distribution and use of Village Fund to the Minister with a copy to the Minister who handles the villages, the technical ministers, the heads of the relevant non-ministerial government institutions, and governors no later than the fourth week of March of the next financial year. The submission of the consolidation report of the realization of the distribution and use of village funds by the Regents is conducted every year.

3.2. The Obstacles in the Management, Distribution, and Redemption of Village Fund

¹⁴ Ibid, p. 17

1. The Village Governments did not understand the rules of the utilization of village funds based on the Regulation of Regent/ Mayor (Perbup/ Perwali) especially related to the spending on goods/ services.
2. The Regulations which were considered to be overlapping related to the spending on goods and services were, for example, the Regulation of the Minister of Domestic Affairs No. 113 and 114 of 2015, Perka LKPP No. 13 of 2013 on the Guidelines and Procedures for procurement of goods and services in village, and the Regulation of Regent/ Mayor of the Regions.
3. The delay of the Ministry of Finance which issued a Special Cost Unit (SBK) so that it disrupted the recruitment process of the village assistants.
4. The Regulation of the Minister of Finance No. 93 of 2015 in article 11 states the procedures for the calculation and distribution of Village Fund established by the Regulation of Regent/ mayor, so it obstructed the Village Fund distribution. When it existed, it was only a formality which was not clear enough to be the guidelines for the calculation and distribution of village funds from regency/ city to village.
5. Some villages had not made RKP and Village Development Plan (RPJM), so it obstructed the distribution of the Village Funds, especially the villages with no assistance.
6. The overlapping minister regulations, such as the Regulation of the Minister of Domestic Affairs No. 113 of 2014 on Village Financial Management, the Regulation of the Minister of Village, Rural Area Development, and Transmigration No. 5 of 2015 on the priority use of Village Fund, and the Regulation of the Minister of Finance No. 93 of 2015 on the Procedures of the Distribution, Use, Monitoring, and Evaluation of Village Funds.
7. The heads of the villages did not want to use the Village Funds with the reason that there were no general guidelines and the implementation guidelines from the Ministry of Village, and there were no technical

guidances from the regents/ mayors and waited for the presence of Village Assistants.

The ways to overcome the existing obstacles were:

- a. Because the village governments had not understood the rules of the utilization of village funds based on the Regulation of Regent/ Mayor, particularly related to the spending on goods / services, the harmonization of rules and capacity development and improvement for the heads of the villages, the village officials, the Village Consultancy Body and village communities through the activities of socialization, learning/ training, the Development of Inter-Ministry Information System (Ministry of Finance, Ministry of Domestic Affairs, and Ministry of Village, Rural Area Development, and Transmigration) as a means of synchronization, redemption data, Regency Regulation, and the control of the use of village funds nationally had also been implemented.
- b. Concerning the regulations which were considered overlapping, related to the spending on goods and services, such as the Regulation of the Minister of Domestic Affairs No. 113 and 114 of 2015, Perka LKPP No. 13 of 2013 on the Guidelines and Procedures for Procurement of Goods and Services in Village, and the Regulation of Regent/ Mayor of the Regions. A coordination meeting was made attended by the Regents to accelerate the making of regency regulations related to the use of village funds.
- c. Regarding the delay of the Ministry of Finance to issue a Special Cost Unit Cost (SBK) which disrupted the recruitment process of village assistants, the policy to accelerate the recruitment of village assistants was issued by publishing some regulations governing accelerated recruitment.
- d. Concerning the Regulation of the Minister of Finance No. 93 of 2015 in article 11, it states the procedures for the calculation and distribution of Village Fund established by the Regulation of Regent/ Mayor, so it obstructs the distribution of Village Fund. The coordination meeting of

governors, regents, and mayors was held in order to synchronize the perception of the distribution of village fund and the harmonization of the implementing regulation on the distribution and redemption of village fund redemption to accelerate the making of the regulations in regencies related to the use of village fund.

- e. Regarding the presence of some villages which had not made RKP and RPJM of the villages, it impeded the distribution of Village Fund, particularly the villages with no assistance. Then, the accelerated recruitment and placement of village assistants were conducted with the target that they would be placed on 1 October at the job sites immediately. In addition, the capacity building development for the heads of the villages, village officials, the Village Consultancy Body, and village communities through socialization, learning/ training conducted independently by the villages and/ or the Inter-Village Cooperation Body . Therefore, the capacity building can be massive in a short time.
- f. Due to the overlapping regulations of the Ministers, such as the Regulation of the Minister of the Domestic Affairs no. 113 of 2014 on the Management of Village Finance, the Regulation of the Minister of Village, Rural Area Development and Transmigration No. 5 of 2015 on Priority Setting on the Use Village Fund In 2015, and the Regulation of the Minister of Finance No. 93 of 2015 on the Procedures for Allocation, Distribution, Use, Monitoring, and Evaluation of Village Fund, particularly with regard to the guidelines of the use of Village Fund.
- g. The heads of the villages did not want to use the Village Fund with the reason that there were no general guidelines and the implementation guidelines from the Ministry of Village, and there were no technical guidance from the regents/ mayors and waited for the presence of Village Assistants. The accelerated recruitment and placement of village assistants

had been conducted and accelerated the issuance of general and technical guidelines from the regents/ mayors.

4. Conclusion

Based on the research results and discussion, a number of conclusions can be drawn, i.e.:

4.1 Management, Distribution, and Redemption of Village Fund.

- a. the making of regulations including Law No. 6 of 2014 on Village, the Government Regulation No. 60 of 2014 on Village Fund, the Regulation of the Minister of Finance No. 93 of 2015, the Regulation of the Minister of Domestic Affairs No. 113 and 114 of 2014, the Regulation of the Minister of Village No. 5 In 2015, the Letter of the Director General of PPMD No. 238/ DPPMD/ 8/ 2015.
- b. The relevant institutions with the distribution of Village Fund, the Ministry of Finance, the Ministry of Domestic Affairs, the Ministry of Village, Rural Area Development, and Transmigration, Governor, Regents/ Mayors, Village Heads, and Village Assistants.
- c. The budgeting of Village Fund in the state budget with its allocation directly to the villages was determined by 10% of and out of transfer funds to the regions gradually which was sourced from the center's expenditures by bringing about village-based programs.
- d. The Village Fund distribution, from the Central Government to the Regencies/ Cities (the State General Treasury Account (RKUN) to the Regional General Treasury Account (RKUD)) as well as from the Regency/ City/ RKUD to Village Account was performed through three phases; phase 1 was in the second week of April by 40%, phase II was in the second week of August by 40%, and the phase III was in the second week of October by 20%.

- e. The distribution of village funds from the State General Treasury Account to the Regional General Treasury Account was until the date of August 12, 2015. The realization of the Village Funds which has been distributed nationally to the Regencies/ Cities reached IDR 14.77 trillion, equivalent to 71.1% of the ceiling of the Village Fund in the Revised State Budget (APBNP) of 2015. The redemptions of the village funds from the Regional General Treasury Account to the Village Treasury Account in 326 regencies from the village fund allocation of IDR 16,206,901,283,578 was disbursed from the Regional General Treasury Account to the Village Treasury Account of IDR 4,288,937,952,743 (26%).

4.2 The Obstacles that Occurred in the Distribution and Redemption of Village Fund and How to Overcome the Obstacles:

- a. Concerning the village government that had not understood the rules of village fund utilization based on the Regulation of Regent/ Mayor, particularly related to the spending on goods / services, the harmonization of rules and capacity development and improvement for the heads of the villages, the village officials, the Village Consultancy Body and village communities through the activities of socialization, learning/ training, the Development of Inter-Ministry Information System (Ministry of Finance, Ministry of Domestic Affairs, and Ministry of Village, Rural Area Development, and Transmigration) as a means of synchronization, redemption data, Regency Regulation, and the control of the use of village funds nationally had also been implemented.
- b. Concerning the regulations which were considered overlapping, related to the spending on goods and services, such as the

Regulation of the Minister of Domestic Affairs No. 113 and 114 of 2015, Perka LKPP No. 13 of 2013 on the Guidelines and Procedures for Procurement of Goods and Services in Village, and the Regulation of Regent/ Mayor of the Regions, a coordination meeting was made attended by the Regents to accelerate the making of regency regulations related to the use of village funds.

- c. Regarding the delay of the Ministry of Finance to issue a Special Cost Unit Cost (SBK) which disrupted the recruitment process of village assistants, the policy to accelerate the recruitment of village assistants was issued by publishing some regulations governing accelerated recruitment.
- d. Concerning the Regulation of the Minister of Finance No. 93 of 2015 in article 11, it states the procedures for the calculation and distribution of Village Fund established by the Regulation of Regent/ Mayor, so it obstructs the distribution of Village Fund. The coordination meeting of governors, regents, and mayors was held in order to synchronize the perception of the distribution of village fund and the harmonization of the implementing regulation on the distribution and redemption of village fund redemption to accelerate the making of the regulations in regencies related to the use of village fund.
- e. Regarding the presence of some villages which had not made RKP and RPJM of the villages, it impeded the distribution of Village Fund, particularly the villages with no assistance. Then, the accelerated recruitment and placement of village assistants were conducted with the target that they would be placed on 1 October at the job sites immediately. In addition, the capacity building development for the heads of the villages, village

officials, the Village Consultancy Body, and village communities through socialization, learning/ training conducted independently by the villages and/ or the Inter-Village Cooperation Body . Therefore, the capacity building can be massive in a short time.

- f. Due to the presence of the overlapping regulations, such as the Regulation of the Minister of Domestic Affairs No. 113 of 2014 on Village Financial Management, the Regulation of the Minister of Village, Rural Area Development, and Transmigration No. 5 of 2015 on the priority use of Village Fund, and the Regulation of the Minister of Finance No. 93 of 2015 on the Procedures of the Distribution, Use, Monitoring, and Evaluation of Village Funds, the harmonization should be carried out in the Regulation of the Minister of Domestic Affairs No. 113 of 2014 on Village Financial Management, the Regulation of the Minister of Village, Rural Area Development, and Transmigration No. 5 of 2015 on the priority use of Village Fund, and the Regulation of the Minister of Finance No. 93 of 2015 on the Procedures of the Distribution, Use, Monitoring, and Evaluation of Village Funds, particularly with regard to the Guidance on the Use of Village Fund.
- g. The heads of the villages did not want to use the Village Fund with the reason that there were no general guidelines and the implementation guidelines from the Ministry of Village, and there were no technical guidance from the regents/ mayors and waited for the presence of Village Assistants. The accelerated recruitment and placement of village assistants had been conducted and accelerated the issuance of general and technical guidelines from the regents/ mayors.

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