

2020 KOMPAK Village Budget Study

Village Responses in
the Efforts to Mitigate
the Impact of
COVID-19



2020 KOMPAK VILLAGE BUDGET STUDY

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**2020 KOMPAK Village Budget Study:
Village Responses in the Efforts to Mitigate the Impact of COVID-19**

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PREFACE

The COVID-19 pandemic in 2020 was an unexpected tragedy that put pressure on all levels of government, including at the village level. Village governments strived to carry out measurable policies in preventing transmission and to safeguard community economic resilience. Consequently, the year 2020 has seen the issuance of various regulations concerning village planning and budgeting policies.

Since 2015, KOMPAK has continuously supported the Government of Indonesia in responding to the main challenges faced in the provision of basic services and the welfare of the community. In responding to the dynamics of 2020, KOMPAK supports the government's work by aligning its activities with the government's main priorities. At the central level, KOMPAK provides support to the Ministry of Home Affairs, Ministry of Finance, and Ministry of National Development Planning (Bappenas), in the preparation of guidelines for handling the COVID-19 pandemic for district and village governments. KOMPAK also worked with district governments in KOMPAK-supported locations, to assist with the implementation of the policy. At the village level, various KOMPAK flagship activities are encouraged to focus on assisting villages in disaster management, such as improving the Integrated Social Welfare Data (DTKS) by villages, collecting data on poor and vulnerable groups affected by the pandemic, strengthening community-based mechanisms for verification and validation of social assistance recipients, as well as technical support for village officials in making changes to the village budget for the 2020 fiscal year.

As one of the efforts to encourage data-based policies, KOMPAK conducts Village Budget Studies at its supported locations on a regular basis. The results of the 2019 Village Budget Study found that village spending allocations for education and health gradually increased between 2015 and 2019. Villages began to allocate budgets for activities such as population administration services, village information system (SID), and capacity building for village officials, which are the focus of KOMPAK's program support. However, these allocations decreased in 2020. The COVID-19 pandemic has impacted village budgeting policies, especially with the need for villages to provide budget for Direct Cash Assistance – Village Fund (BLT-DD) and refocus the budget for other pandemic-related activities.

We hope that the results of the 2020 Village Budget Study at this KOMPAK location can provide an overview of village budgeting, especially during a pandemic or disaster conditions, in addition to completing the KOMPAK Village Budget Study series. We hope that the findings of this study can enrich discussions on related topics and provide inputs for policy improvement at both the central and regional levels.

Salam sehat,

Lily Hoo

Director of Performance, KOMPAK

LIST OF ABBREVIATIONS

ADD	Village Fund Allocation (<i>Alokasi Dana Desa</i>)
Admindak	Population Administration (<i>Administrasi Kependudukan</i>)
APB Desa	Village Budget (<i>Anggaran Pendapatan dan Belanja Desa</i>)
APBN	State Budget (<i>Anggaran Pendapatan dan Belanja Negara</i>)
Bappenas	Ministry of National Development Planning of the Republic of Indonesia (<i>Badan Perencanaan Pembangunan Nasional</i>)
BH-PDRD	Local Government Tax and Levies Revenue Sharing (<i>Bagi Hasil Pajak Daerah dan Retribusi Daerah</i>)
BLT-DD	Direct Cash Assistance – Village Fund (<i>Bantuan Langsung Tunai Dana Desa</i>)
BUM Desa	Village-Owned Enterprises (<i>Badan Usaha Milik Desa</i>)
BPD	Village Council (<i>Badan Permusyawaratan Desa</i>)
BPS	Statistics Indonesia (<i>Badan Pusat Statistik</i>)
COVID-19	Coronavirus Disease of 2019
CRVS	Civil Registration and Vital Statistics (<i>PASH/Penguatan Administrasi Kependudukan dan Statistik Hayati</i>)
DAK	Special Allocation Fund (<i>Dana Alokasi Khusus</i>)
DAU	General Allocation Fund (<i>Dana Alokasi Umum</i>)
DBH	Revenue Sharing Fund (<i>Dana Bagi Hasil</i>)
DD	Village Fund (<i>Dana Desa</i>)
DID	Regional Incentive Fund (<i>Dana Insentif Daerah</i>)
DJPK	Directorate General of Fiscal Balance (<i>Direktorat Jenderal Perimbangan Keuangan</i>)
DTI	Additional Infrastructure Fund (<i>Dana Tambahan Infrastruktur</i>)
DTKS	Integrated Social Welfare Data (<i>Data Terpadu Kesejahteraan Sosial</i>)
DTU	General Transfer Fund (<i>Dana Transfer Umum</i>)
FY	Fiscal Year (<i>TA/Tahun Anggaran</i>)
GDP	Gross Domestic Product (<i>PDB/Produk Domestik Bruto</i>)
GDRP	Gross Domestic Regional Product (<i>PDRB/Produk Domestik Regional Bruto</i>)
IDR	Indonesian Rupiah
Inmendagri	Instruction of the Minister of Home Affairs (<i>Instruksi Menteri Dalam Negeri</i>)
Inpres	Presidential Instruction (<i>Instruksi Presiden</i>)
Kasi	Head of Section (<i>Kepala Seksi</i>)
Kaur	Head of Affairs (<i>Kepala Urusan</i>)
Kemendesa	Ministry of Villages, Development of Disadvantaged Regions and Transmigration (<i>Kementerian Desa, Pembangunan Daerah Tertinggal dan Transmigrasi</i>)
Keppres	Presidential Decree (<i>Keputusan Presiden</i>)
K/L	Ministries/Institutions (<i>Kementerian/Lembaga</i>)
KOMPAK	<i>Kolaborasi Masyarakat dan Pelayanan untuk Kesejahteraan – Australia–Indonesia Government Partnership</i>

KPM	Beneficiary Family (<i>Keluarga Penerima Manfaat</i>)
LED	Local Economic Development (<i>Pengembangan Ekonomi Lokal</i>)
LKPP	Central Government Financial Report (<i>Laporan Keuangan Pemerintah Pusat</i>)
MSME	Micro, Small, and Medium Enterprise (<i>Usaha Mikro, Kecil, dan Menengah</i>)
Musdesus	Special Village Meeting (<i>Musyawarah Desa Khusus</i>)
Musrenbangdes	Village Development Planning Meeting (<i>Musyawarah Perencanaan Pembangunan Desa</i>)
NTB	West Nusa Tenggara (<i>Nusa Tenggara Barat</i>)
OPD	Local Government Agencies (<i>Organisasi Perangkat Daerah</i>)
OSR	Own-Source Revenue (<i>Pendapatan Asli</i>)
Otsus	Special Autonomy (<i>Otonomi Khusus</i>)
PAUD	Early Childhood Education (<i>Pendidikan Anak Usia Dini</i>)
PDTT	Development of Disadvantaged Areas and Transmigration (<i>Pembangunan Daerah Tertinggal dan Transmigrasi</i>)
PEKKA	Women-Headed Family Empowerment (<i>Pemberdayaan Perempuan Kepala Keluarga</i>)
PEN	National Economic Recovery (<i>Pemulihan Ekonomi Nasional</i>)
Permendagri	Regulation of Minister of Home Affairs (<i>Peraturan Menteri Dalam Negeri</i>)
Permendesa	Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration (<i>Peraturan Menteri Desa, Pembangunan Daerah Tertinggal, dan Transmigrasi</i>)
Perppu	Government Regulation in Lieu of Law (<i>Peraturan Pemerintah Pengganti Undang-Undang</i>)
Perpres	Presidential Regulation (<i>Peraturan Presiden</i>)
PKK	Family Welfare Empowerment (<i>Pemberdayaan Kesejahteraan Keluarga</i>)
PKTD	Village Cash for Work Program (<i>Padat Karya Tunai Desa</i>)
PMK	Regulation of Minister of Finance (<i>Peraturan Menteri Keuangan</i>)
PODES	Village Potential Data (<i>Pendataan Potensi Desa</i>)
Polindes	Village Maternity Facility (<i>Pondok Bersalin Desa</i>)
Poskesdes	Village Health Post (<i>Pos Kesehatan Desa</i>)
Posyandu	Integrated Healthcare Post (<i>Pos Pelayanan Terpadu</i>)
PP	Government Regulations (<i>Peraturan Pemerintah</i>)
PPKM Mikro	Micro-Scale Public Activity Restriction (<i>Pemberlakuan Pembatasan Kegiatan Masyarakat Mikro</i>)
PTPD	Village Governance Facilitator (<i>Pembina Teknis Pemerintahan Desa</i>)
PNS	Government Officials (<i>Pegawai Negeri Sipil</i>)
RAB	Budget Plan (<i>Rencana Anggaran Biaya</i>)
RKPD	Regional Government Work Plan (<i>Rencana Kerja Pemerintah Daerah</i>)
RKP Desa	Village Government Work Plan (<i>Rencana Kerja Pemerintah Desa</i>)

RPJM Desa	Village Medium Term Development (<i>Rencana Pembangunan Jangka Menengah Desa</i>)
RT/RW	Neighbourhood Unit (<i>Rukun Tetangga/Rukun Warga</i>)
SDGs	Sustainable Development Goals (<i>Tujuan Pembangunan Berkelanjutan</i>)
SE	Circular Letter (<i>Surat Edaran</i>)
SID	Village Information System (<i>Sistem Informasi Desa</i>)
SILPA	Financing Surplus (<i>Sisa Lebih Pembiayaan Anggaran</i>)
Siltap	Salaries (<i>Penghasilan Tetap</i>)
Siskeudes	Village Financial System (<i>Aplikasi Sistem Keuangan Desa</i>)
SKB	Joint Decree Letter (<i>Surat Keputusan Bersama</i>)
SPP	Payment Request Letter (<i>Surat Permintaan Pembayaran</i>)
SUSENAS	National Socio-Economic Survey (<i>Survei Sosial Ekonomi Nasional</i>)
TKDD	Transfer to Regions and Village Fund (<i>Transfer ke Daerah dan Dana Desa</i>)
UU	Law (<i>Undang-Undang</i>)
ViPER	Village Public Expenditure Review

TABLE OF CONTENTS

Preface	iii
List of Abbreviations	iv
Table of Contents	vii
List of Figures	viii
List of Tables	ix
List of Boxes	ix
A. Background	1
B. Study Objectives and Research Questions	3
C. Methodology and Study Limitations	4
D. COVID-19 and Pandemic Management Policies that Affect Village Budget	7
Changes in Government Budget Posture.....	7
Direct Cash Assistance – Village Fund (BLT-DD)	11
Village Cash for Work Program (PKTD) and COVID-19 Responsive Villages	12
E. Village Expenditure Allocation Shift for COVID-19 Response	15
Overview of Village Budget in 2020	15
Expenditure for KOMPAK-Supported Issues	23
Village Budget Policy Strategy.....	29
F. Conclusion, Policy Recommendations, and Potential Topics for Further Studies	31
Conclusion	31
Policy Recommendations	32
Potential Topics for Further Studies	33
References	35
Annexes	37
Annex 1. Various Regulations Regarding BLT-DD in 2020.....	37
Annex 2. Selected Village Development Indicators (2018–2020).....	39

LIST OF FIGURES

Figure 1.	Flow of the FY 2020 Revised Village Budget.....	11
Figure 2.	Total Revenue and Expenditure of All Village Governments in Indonesia (in Trillion Rupiah)	15
Figure 3.	Proportion of Village Expenditure to District GDRP (in Percent).....	15
Figure 4.	Composition of Indonesian Village Government Revenue (in Trillion Rupiah)	16
Figure 5.	Google Trends Index “Village Fund”	17
Figure 6.	Top 10 Search Words Related DD on Google	17
Figure 7.	Overview of the FY 2020 Revised Village Budget at KOMPAK Locations (as Percentage of Total Village Expenditure)	18
Figure 8.	KOMPAK Village Expenditure by Function (as a Percentage)	20
Figure 9.	Proportion of KOMPAK Village Expenditure by Economic Classification (as a Percentage).....	21
Figure 10.	Proportion of KOMPAK Village Expenditure Based on District and Economic Classification in FY 2020 Revised Village Budget (as a Percentage)	21
Figure 11.	Proportion of Village Expenditure for Disaster Response, Emergency and Urgent Need in Relation to Total Village Expenditure (as a Percentage)	22
Figure 12.	Proportion of BLT-DD Allocation in Relation to DD (as a Percentage).....	22
Figure 13.	The Number of KOMPAK Villages with <i>Adminduk</i> Services (2019 and 2020)	24
Figure 14.	The Presence of Village <i>Adminduk</i> Services and the Average Spending Allocation on <i>Adminduk</i> in the FY 2020 Revised Village Budget (in Rupiah).....	25
Figure 15.	The Average Spending Allocation on <i>Adminduk</i> in the FY 2020 Revised Village Budget by Province (in Rupiah)	25
Figure 16.	The Number of KOMPAK Villages with SIDs (2019 and 2020).....	26
Figure 17.	The Presence of SID and the Average Expenditure Allocation on SID in FY 2020 Revised Village Budget (in Rupiah).....	26
Figure 18.	The Average Expenditure Allocation on SID in FY 2020 Revised Village Budget by Province (in Rupiah).....	26
Figure 19.	The 2020 Village Budget Approval Time	27
Figure 20.	Delay in Ratification of the FY 2020 Village Budget and Perception of PTPD Facilitation (in Days)	27
Figure 21.	Budget Policies accross KOMPAK Villages (as a percentage of Village in the sample).....	29
Figure 22.	Average Deficit of Budget in KOMPAK Villages (in Rupiah).....	29
Figure 23.	Average Financing per Village (in Rupiah).....	30
Figure 24.	Percentage of KOMPAK Villages with Access to Health Services (% of Village)	39
Figure 25.	Percentage of KOMPAK Villages with Access to PAUD (% of Village).....	39
Figure 26.	Percentage of KOMPAK Villages with Ashpalt/Concrete Road Access and Passable Year-Round (% of Village).....	39
Figure 27.	Percentage of KOMPAK Villages with BUM <i>Desa</i> (% of Village).....	39
Figure 28.	Percentage of Households with Informal Houses in KOMPAK Villages (% of Households in Villages).....	39

LIST OF TABLES

Table 1.	Summary of the FY 2020 Village Budget Documents in the Study	5
Table 2.	State Budget Revision FY 2020.....	8
Table 3.	Village Financial Timelines in 2020.....	9
Table 4.	Expenditure for KOMPAK-Supported Issues	24
Table 5.	Minimum Amount of <i>Siltap</i>	28

LIST OF BOXES

Box 1.	Policy Implications of COVID-19 in Villages as well as Mechanisms for Changes to the Village Work Plan and Village Budget in 2020	10
Box 2.	Alignment of KOMPAK Activities in Supporting Villages to Address COVID-19	13
Box 3.	Google Trends Index for Village Fund.....	16
Box 4.	Village Expenditure for BLT-DD.....	22
Box 5.	The Compliance for <i>Siltap</i> and Village Administration Spending in Accordance with Government Regulation (PP) No. 11 of 2019	28

A decorative graphic of a magnifying glass with a light blue handle and a yellow and blue circular frame, positioned in the top left corner of the page.

BACKGROUND

The economic landscape changed in early 2020 when the Coronavirus Disease of 2019 (COVID-19) was declared as a pandemic. Apart from impacting the health sector, the COVID-19 pandemic caused a slowdown in economic activity, limiting employment opportunities, as well as reducing demand and consumption. Governments at every level strived to implement measurable policies to mitigate the impact of the spread of the COVID-19 pandemic. In addition to efforts to control the spread of disease, as well as handling and recovering infected communities, the government is also trying to take mitigation measures to prevent a slowdown in economic activity.

Villages are at the forefront of dealing with COVID-19 and play a role in accordance with their authority. Several things that villages can do include: (1) Optimising the handling of the pandemic through the village budget (APB Desa); (2) Collecting data on people affected by COVID-19; (3) Increasing public awareness in complying with COVID-19 health protocols; (4) Activating the participation of all members of the village community (activation of communal work [*gotong royong*], activation of the role of community supervision in monitoring citizen traffic, activation of village communication media, and improvement of community security and public order); and (5) Increasing the role of the Village Council (BPD) in monitoring and evaluating village activities in addressing COVID-19, including through supra-village assistance from the sub-district government and the Village Governance Facilitators (PTPDs).

Law (UU) No. 2 of 2020 emphasises the important role of villages in handling COVID-19. In addition, the Instruction of the Minister of Home Affairs (*Inmendagri*) No. 3 of 2020 and the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration (*Permendesa*) regarding the priority use of the Village Fund (DD) further outlines how to use the village budget for COVID-19 mitigation. Villages are encouraged to make changes and/or spend the village budget primarily to organise the Village Cash for Work Program (PKTD), strengthening the village economy, and the social safety net program in the form of providing Direct Cash Assistance – Village Fund (BLT-DD). In addition, villages also play a role in supporting the COVID-19 Response Task Force and carrying out activities according to its authority. During the first year of the pandemic, village governments were required to be responsive in implementing policies, complying with regulatory provisions, and managing the dynamics of village development.

The role of the village in dealing with the COVID-19 pandemic has implications for budget allocations. Therefore, KOMPAK needs to document and analyse village budgets in its locations in 2020. The main objective of this study is to find out patterns of the 2020 village revenue and expenditure, especially in terms of village fiscal responses to the COVID-19 pandemic. Analysis of the village budget is important to ensure that all KOMPAK activities are implemented based on evidence and provide feedback for program evaluation and learning. This study is also a knowledge product related to village budgeting during disaster conditions.



► Provision of hand washing facility in Jayapura District, Papua

This study complements the series of Village Budget Studies that KOMPAK routinely conducts. KOMPAK and the World Bank (2016) conducted a Village Public Expenditure Review (ViPER) for 127 KOMPAK-supported villages in Aceh, East Java, and West Nusa Tenggara (NTB) for the fiscal year (FY) 2015 and 2016 village budgets. KOMPAK then developed a study to examine the village revenue and spending patterns for FY 2019, which includes 272 KOMPAK-supported villages in 29 sub-districts and 19 districts of KOMPAK's work area (KOMPAK, 2020a).

Findings from a previous series of studies indicate changes in village spending patterns (KOMPAK, 2021). The majority of village expenditures are allocated for General Government Function (*urusan*) as well as Public Works and Spatial Planning (including Housing and Settlements).^{1,2} Generally, the expenditure allocation for these *urusan* reached 85.7% (2016) and 78.1% (2019). In addition, village spending allocations for Education and Health Functions have shown an increase. The proportion of village Health spending reached 5.5% of total village spending in 2019 or 2.5% higher than 2016. Furthermore, the proportion of spending on Education appears to be higher in 2019, an increase of 3.6% from total village expenditure, compared with 2016 when it was only 1.7%. The increase in spending for some of these functions occurred due to a shift in spending on General Government Function from 39.6% (2016) to 35.2% (2019).

This study tries to explain the changes that occurred in the 2020 village budget, especially to see whether the pattern found in the previous studies still continued during the pandemic. The study examines the allocations for expenditure items that change and the sources of increases in expenditure allocations for the respective items. The study verifies whether village spending on issues supported by KOMPAK shifted in the year 2020 due to prioritisation of spending related to COVID-19 mitigation. In addition, the study also examines various adjustments in the village budgets due to additional mandatory spending.

This report is organised into several sections. The second section discusses the study objectives and research questions. The third section describes the methodology and limitations of the study. The discussion continued with the development of COVID-19 in Indonesia throughout 2020, as well as policies for dealing with the pandemic that affected the village budget. This section also briefly reviews the alignment of KOMPAK activities to support villages in dealing with COVID-19. Next, the study answers the questions posed by discussing the findings from the analysis of the collected data. The last section concludes the study, as well as provides policy recommendations and potential topics for further studies.

¹ The village financial management does not use the *urusan* (functional) classification. The KOMPAK and World Bank (2016) study used the *urusan* classification for the consistency of various village financial document formats at the beginning of the enactment of the Village Law and to harmonise financial reporting at the district/municipality, provincial, and national levels. The KOMPAK study (2020a) further uses the *urusan* category to provide objective comparisons.

² Includes activities related to Village Administration, Village Apparatus Capacity Development, as well as Development/Renovation of Village Head Offices and Village Infrastructure.

STUDY OBJECTIVES AND RESEARCH QUESTIONS

The main objective of this study is to examine the pattern of village revenue and expenditure in 2020, especially the village fiscal response in addressing the COVID-19 pandemic. To achieve the relatively broad objectives of the study, four questions were posed in this study:

1. How does the allocation of KOMPAK village expenditures in 2020 support the handling of the COVID-19 pandemic?³
2. What are the changes in the 2020 village budget allocation compared to the 2019 village budget? Particularly fo:
 - a. Five main functions: General Government, Public Works and Spatial Planning, Education, Health, and Local Economic Development (LED) Functions.
 - b. Issues supported by KOMPAK: Population Administration and Civil Registration, Village Information System (SID), and Village Apparatus Capacity Development.
3. What is the composition of KOMPAK village revenue in 2020?
 - a. To what extent are village governments dependent on transfers, particularly DD and Village Fund Allocation (ADD)?
 - b. What are the sources of Village Own-Source Revenue?
 - c. Does the village have Other Revenue?
4. Do KOMPAK villages in 2020 implement a balanced budget policy? Do villages have a surplus or deficit? What is the composition of KOMPAK village financing in 2020?



► SAIK+ cadre training, Fak-Fak District, Papua Barat

³ The analysis can only be carried out for the allocation of BLT-DD expenditures, but cannot be carried out for related expenditures, including: (1) *Desa Siaga*/village level COVID-19 Response Task Force, due to unavailability of detailed budget information in the collected revised budget; the revised village budget document only specifies the Urgent Need expenditure (which is specifically for BLT-DD); (2) Village Cash for Work Program and Village Economic Strengthening, as the detailed identification can only be done in the RAB; and (3) Implementation of other activities in accordance with the village authority, considering that this can be carried out in other related activities (outside the *Bidang* 5 [Disaster Response, Emergency and Urgent Need]).

METHODOLOGY AND STUDY LIMITATIONS

The study collected the FY 2020 revised village budget document, known as 'Lampiran 1C', which provides a comparison between the original and revised village budget that accommodates village responses to support the COVID-19 mitigation. The data was collected by the KOMPAK sub-national team and initially targeted to cover the entire KOMPAK working area (411 villages in 43 sub-districts, 24 districts, and 7 provinces).

The analysis performs village aggregation by province of KOMPAK's work area, but the findings of the analysis are not statistically representative for those provinces.

The study compares the results of the analysis of the village budgets from previous years as normal references and the FY 2020 revised village budgets as village fiscal responses during the pandemic. The study presents descriptive statistics of the village budgets, as well as the suitable correlation using data from the 2020 Village Potential Data (PODES).

The data collection took place from the second week of August 2020 to the end of December 2020, although the study did not obtain information on whether the data collected was the latest version of the 2020 revised village budget. The number of villages included in the analysis was 342 villages out of 411 KOMPAK-supported villages (83%). This is a higher coverage compared with the number of villages in the 2019 KOMPAK Village Budget Study, which only covered 272 of 436 KOMPAK villages (62%), as well as the 2016 village budget study which covered 127 villages.⁴ However, the sample of villages from Papua and Papua Barat Provinces (mainly from villages in Kaimana District and Sorong District) is still limited. All village budget documents analysed have used a chart of account based on the Minister of Home Affairs Regulation (*Permendagri*) No. 20 of 2018.⁵



► Village CRVS activities in Sumbawa District, West Nusa Tenggara

⁴ The number of villages supported by KOMPAK decreased from 436 villages in 2019 to 411 in 2020 due to the decreasing number of KOMPAK-supported districts and sub-districts in Papua. As such, there were 411 villages that were the target of this study. In the second semester 2020, the number of KOMPAK villages increased to 496 due to the addition of all villages in the KOMPAK-supported sub-districts in Aceh.

⁵ However, additional data cleaning is needed because there are villages that incorrectly enter budget accounts and/or the detailed amount of the budget is different from the total budget written for the related expenditure items. It is necessary to swap the misplaced expenditure (for example, BLT-DD expenditures are recorded in the Emergency Account instead of the Urgent Need Account). In addition, any Unidentified items need to be added to balance the total budget. The documents collected are in various formats (i.e. PDF from the output of the *Siskeudes* application, photos in PDF and JPG format, as well as Excel documents), so that additional data cleaning is needed to standardise those formats.

Table 1. **Summary of the FY 2020 Village Budget Documents in the Study**

Location	Number of KOMPAK Villages	Village Budgets as the Sample	Percentage
Aceh	18	18	100%
West Aceh	6	6	100%
Bener Meriah	6	6	100%
Bireuen	6	6	100%
Central Java	33	33	100%
Brebes	12	12	100%
Pekalongan	9	9	100%
Pemalang	12	12	100%
East Java	95	95	100%
Bondowoso	28	28	100%
Lumajang	20	20	100%
Pacitan	27	27	100%
Trenggalek	20	20	100%
West Nusa Tenggara	102	100	98%
Bima	29	27	93%
East Lombok	40	40	100%
North Lombok	13	13	100%
Sumbawa	20	20	100%
South Sulawesi	17	17	100%
Bantaeng	10	10	100%
Pangkajene and Islands	7	7	100%
Papua Barat	89	36	40%
Fakfak	15	2	13%
Kaimana	17	0	0%
South Manokwari	34	34	100%
Sorong	23	0	0%
Papua	57	42	74%
Asmat	23	23	100%
Boven Digoel	5	5	100%
Jayapura	19	11	58%
Nabire	10	3	30%
Total	411	342	83%

The study also uses data from village monitoring that KOMPAK routinely conducts at the end of each semester.⁶ In addition, the study uses some data from Village Government Financial Statistics published by Statistics Indonesia (BPS) to illustrate the aggregate pattern of village budgets in Indonesia.⁷ Another data source used in the study is Google Trends,⁸ to see internet browsing patterns related to DD.

The study limitations are as follows:

1. The study is intended to provide an overview of KOMPAK-supported village expenditures and is not designed to provide a representative picture at the district, provincial, and national levels.
2. The study was not designed to show differences in expenditures between villages supported by KOMPAK and villages not supported by KOMPAK.
3. The study does not discuss the correlation between expenditure allocation and planning documents in the Village Government Work Plan (RKP *Desa*).
4. The study does not discuss the quality of the village budgeting process (including the aspects of community participation, planning, and reporting), as well as expenditure outcomes.
5. The study is not intended to explain the allocation of expenditure per activity for the type of contingency expenditure.⁹
6. The study does not explain the source of funds for each expenditure item.
7. The study does not include analysis for: (i) *Desa Siaga* (Alert Village) activities/village-level COVID-19 Response Task Force; (ii) the PKTD and Village Economic Strengthening Program; and (iii) implementation of activities according to village authority.

In addition, a number of challenges were encountered in conducting the study, including:

1. There is no access to the Village Financial System (*Siskeudes*) at the national level, so data collection is implemented at the district and village levels.
2. Village budget revisions took place several times, which made it difficult to collect data.
3. Re-checking the village budget data obtained in PDF format needs to be carried out to ensure consistency between the results of the detail and the written budget.
4. Data cleaning needs to be done for villages that have mistakenly allocated the BLT-DD expenditure account within their budget data.

⁶ KOMPAK conducted a survey in 484 villages, 41 sub-districts, and 23 districts in 7 KOMPAK-supported provinces in December 2020. There is a difference in the number of villages between the reference used in this study (KOMPAK, 2020b) and that used in the Village Survey. This difference is due to the increase in the number of KOMPAK-supported villages in Aceh in the second half of 2020: all *gampongs*/villages (103 *gampongs*) in the three KOMPAK-supported sub-districts in Aceh became KOMPAK locations (previously, only 18 *gampongs* were included). The number of villages increased to 496.

⁷ BPS conducts an annual survey for Village Government Financial Statistics, with a sample of 7,418 villages (about 10% of the total number of villages in 2017). The sample selection was carried out in each district/municipality so that the statistics collected were representative at that level.

⁸ Google Trends provides access to actual searches on Google websites, showing search interest on specific topics that can be filtered by region and period.

⁹ The details of unforeseen expenditures are included in the year-end report, while this study uses information from the FY 2020 revised village budget document.

COVID-19 AND PANDEMIC MANAGEMENT POLICIES THAT AFFECT VILLAGE BUDGET

CHANGES IN GOVERNMENT BUDGET POSTURE

The first COVID-19 cases were identified in Indonesia in early March 2020. However, data from the March 2020 National Socio-Economic Survey (SUSENAS) have shown an increase in poverty. The number of people in poverty reached 26.14 million people, or 9.78% of Indonesia's population (an increase of 1.63 million people compared with September 2019).¹⁰ Urban areas were severely affected in the early days of the pandemic, with an additional 1.3 million people experiencing poverty. Meanwhile, there were 330,000 additional people experiencing poverty in rural areas. However, the poverty rate in rural areas was still higher at 12.82% compared with urban areas (7.38%).



► *Water hyacinth craft production in West Aceh District, Aceh*

In mid-March 2020, the government began to take a number of stricter measures to control the pandemic, namely through border control, social distancing, and restrictions on economic activities. The pressure on the Indonesian economy and the spread of the pandemic has the potential to increase the number of poor people. The government then ushered in a spending of IDR 695.2 trillion to control the COVID-19 pandemic and support the economy, known as the National Economic Recovery (PEN) program. The PEN budget is divided into six clusters, including the Social Protection cluster which has an allocation of IDR 230.21 trillion, including the BLT-DD.

The central government then revised the State Budget (APBN) policy for 2020, which also had an impact on the village budget (Table 2). Revisions in both Presidential Regulation (Perpres) No. 54 of 2020 and Presidential Regulation No. 72 of 2020 stated a reduction of the 2020 village fund allocation of IDR 810 billion (from IDR 72 trillion). This had an impact on the adjustment of DD received by each village. In addition, a decline in the allocation also occurred in the General Allocation Fund (DAU), which became IDR 384 trillion from the original IDR 427 trillion. The Revenue Sharing Fund (DBH) also

¹⁰ The poverty line, a minimum expenditure needed to fulfill 2,100 calories a day and obtain non-food necessities, in March 2020 was set at IDR 454,652 per month.

decreased from IDR 117 trillion in the 2020 State Budget, to IDR 86.4 trillion. This reduction in the total General Transfer Fund has the potential to reduce the ADD received by the village, since the amount is set at a minimum of 10% of the DAU and DBH of each district/municipality. The amount of the reduction then varies according to district/municipality policies.

Table 2. **State Budget Revision FY 2020**

	Budget Amount (in trillion rupiah)		
	APBN 2020	Presidential Regulation No. 54 of 2020	Presidential Regulation No. 72 of 2020
TRANSFER TO REGIONS AND DD	856.9	762.7	763.9
Transfer to Regions	784.9	691.5	692.7
A. Balancing Fund	747.2	657.1	653.4
1. General Transfer Fund (DTU)	544.7	474.2	470.8
a. DBH	117.6	89.8	86.4
b. DAU	427.1	384.4	384.4
2. Special Allocation Fund (DAK)	202.5	182.9	182.6
a. Physical	72.2	54.2	53.8
b. Non-physical	130.3	128.8	128.8
B. Regional Incentive Fund (DID)	15	13.5	18.5
C. Special Autonomy (Otsus) Fund and Yogyakarta Special Fund	22.7	20.9	20.9
1. Special Autonomy Fund	21.4	19.6	19.6
a. Papua and Papua Barat	8.4	7.6	7.6
b. Aceh	8.4	7.6	7.6
c. Additional Infrastructure Fund (DTI)	4.7	4.4	4.4
2. Yogyakarta Special Fund	1.3	1.3	1.3
DD	72	71.2	71.2

Various regulations administer budget reallocation at the village level. Villages are required to be agile and responsive in complying with 2020 budget policies, while still following regulations issued by various agencies at different times (KOMPAK, 2021). In 2020, Government Regulation (PP) No. 11 of 2019 came into effect to regulate the minimum amount of salaries (*Siltap*) and allowances for village officials (including the maximum expenditure for *Siltap* and allowances expenditure, as well as village administration operation). In responding to the pandemic, villages need to comply with the *Permendesa* regarding priorities for the use of DD (which has undergone three changes), the Regulation of the Minister of Finance (PMK) on Management of DD to regulate the disbursement and accountability for the use of DD (which has undergone three revisions), and the *Inmendagri* regarding administrative guidelines on the village budget. In addition, *Bupatis*/mayors (district heads) further provided guidelines on village financial management and certain budget policies in districts/municipalities. Table 3 summarises the timeline and policies in 2020 related to village finance.

Table 3. **Village Financial Timelines in 2020¹¹**

Date	Related Events or Policies
2 March 2020	Indonesia reported its first two cases of COVID-19.
11 March 2020	The World Health Organization declared COVID-19 as a pandemic.
13 March 2020	President Joko Widodo formed the COVID-19 Response Task Force through Presidential Decree No. 7 of 2020.
16 March 2020	The Ministry of Finance issued the first regulation related to budget adjustments for COVID-19, namely PMK No. 19/PMK.07/2020 regarding the Distribution and Use of DBH, DAU, and DID for FY 2020 to respond to COVID-19.
20 March 2020	The government-issued Presidential Instruction (<i>Inpres</i>) No. 4 of 2020 regarding Refocusing of Activities, Budget Reallocation, and Procurement of Goods and Services in Addressing COVID-19.
24 March 2020	The Ministry of Villages, Development of Disadvantaged Regions and Transmigration (Ministry of Villages/ <i>Kemendesa</i>) issued Circular Letter (SE) No. 8 of 2020 regarding Villages Responding to COVID-19 and Village Cash for Work Program.
31 March 2020	The Central Government issued PP No. 21 of 2020 regarding Large-Scale Social Restrictions.
31 March 2020	The government-issued Government Regulation in Lieu of Law (<i>Perppu</i>) No. 1 of 2020 regarding State Financial Policy and Financial System Stability, in which it stated an increase in spending and financing of IDR 405.1 trillion that has not been included in the 2020 State Budget, and was allocated as follows: health sector (IDR 75 trillion), social safety nets (IDR 110 trillion), industry (IDR 70.1 trillion), and financing guarantee and industry to support the PEN Program (IDR 150 trillion).
31 March 2020	COVID-19 was declared a public health emergency through Presidential Decree (<i>Keppres</i>) of the Republic of Indonesia No. 11 of 2020.
3 April 2020	The government-issued Presidential Regulation No. 54 of 2020 concerning Revision of the 2020 State Budget. In this Presidential Regulation, the amount of Transfer to Regions and Village Fund (TKDD) has been adjusted to IDR 762.7 trillion from the previous IDR 856.9 trillion in the 2020 State Budget.
9 April 2020	The Minister of Finance and the Minister of Home Affairs issued a Joint Decree Letter (SKB) for the Acceleration of Completion of the 2020 Regional Budget in the context of Handling COVID-19 and Securing Public Purchasing Power and the National Economy.
13 April 2020	COVID-19 has been declared a national disaster through Presidential Decree No. 12 of 2020.
14 April 2020	The Ministry of Villages issued <i>Permendesa</i> No. 6 of 2020 regarding Changes in Priority for the Use of Village Fund in 2020. This regulates the provision of BLT-DD to village governments for three months from April 2020, with a non-cash distribution scheme.
16 April 2020	The Ministry of Finance issued PMK No. 35/PMK-07/2020 concerning TKDD in 2020 in Addressing COVID-19 and/or Facing Threats that Endanger the National Economy.
20 April 2020	Through PMK No. 40/PMK.07/2020, the Ministry of Finance regulated changes in the management of DD, one of which was the adjustment in the mechanism for distributing DD.
21 April 2020	The Ministry of Home Affairs issued the Instruction of the Minister of Home Affairs (<i>Inmendagri</i>) No. 3 of 2020 regarding COVID-19 Response in Villages through the Village Budget.
24 April 2020	The Ministry of Villages issued Circular Letter (SE) No. 8 of 2020 regarding Villages Responding to COVID-19 and Affirmation of PKTD.
30 April 2020	The Ministry of Villages issued Circular Letter (SE) No. 11 of 2020 regarding Amendments to Circular Letter (SE) No. 8 of 2020, which expanded registration to include families who are entitled to social security net benefits, both those who have and have not received benefits.

¹¹ This table only provides a summary of timeline references and does not cover all events or policies at the district/municipality level.

Date	Related Events or Policies
18 May 2020	Government Regulation in lieu of Law (<i>Perppu</i>) No. 1 of 2020 was ratified into Law Number 2 of 2020.
19 May 2020	The Ministry of Finance issued PMK No. 50/PMK-07/2020 regarding the Second Amendment of PMK No. 205/PMK.07/2019 regarding Village Fund Management.
16 June 2020	The Ministry of Villages changed the priority of DD use in 2020 through <i>Permendesa</i> No. 7 of 2020. The regulation stipulated the extension of the BLT-DD distribution for the following three months (July, August, and September) with the amount of IDR 300,000 per month per family. Disbursement can be done using a cash or non-cash method.
25 June 2020	The government has also adjusted the amount of the 2020 State Budget through Presidential Decree No. 72 of 2020.
2 July 2020	The Ministry of Villages issued the Decree of the Ministry of Village No. 63 of 2020 regarding the New Normal Protocol in Village.
20 July 2020	President Joko Widodo formed the COVID-19 Handling and PEN Committee.
27 July 2020	The Ministry of Villages issued Circular Letter (SE) No. 15 of 2020 concerning PKTD and Economic Empowerment through Village-Owned Enterprises (<i>BUM Desa</i>).
15 September 2020	The Ministry of Villages issued the <i>Permendesa</i> No. 13 of 2020 regarding Priorities of Use of Village Fund in 2021.
30 September 2020	The Ministry of Villages changed the priority of DD utilisation in 2020 through <i>Permendesa</i> No. 14 of 2020. The regulation stipulates the extension of the BLT-DD until the end of 2020, with a benefit of IDR 300,000 per month per family for those in the list of beneficiaries (KPMs), following the previous KPM list, or included through the Special Village Meeting (<i>Musdesus</i>).
14 October 2020	The Ministry of Finance issued PMK No. 156/PMK.07/2020 regarding the Third Amendment of PMK No. 205/PMK.07/2019 in relation to Village Fund Management.

Box 1. Policy Implications of COVID-19 in Villages as well as Mechanisms for Changes to the Village Work Plan and Village Budget in 2020

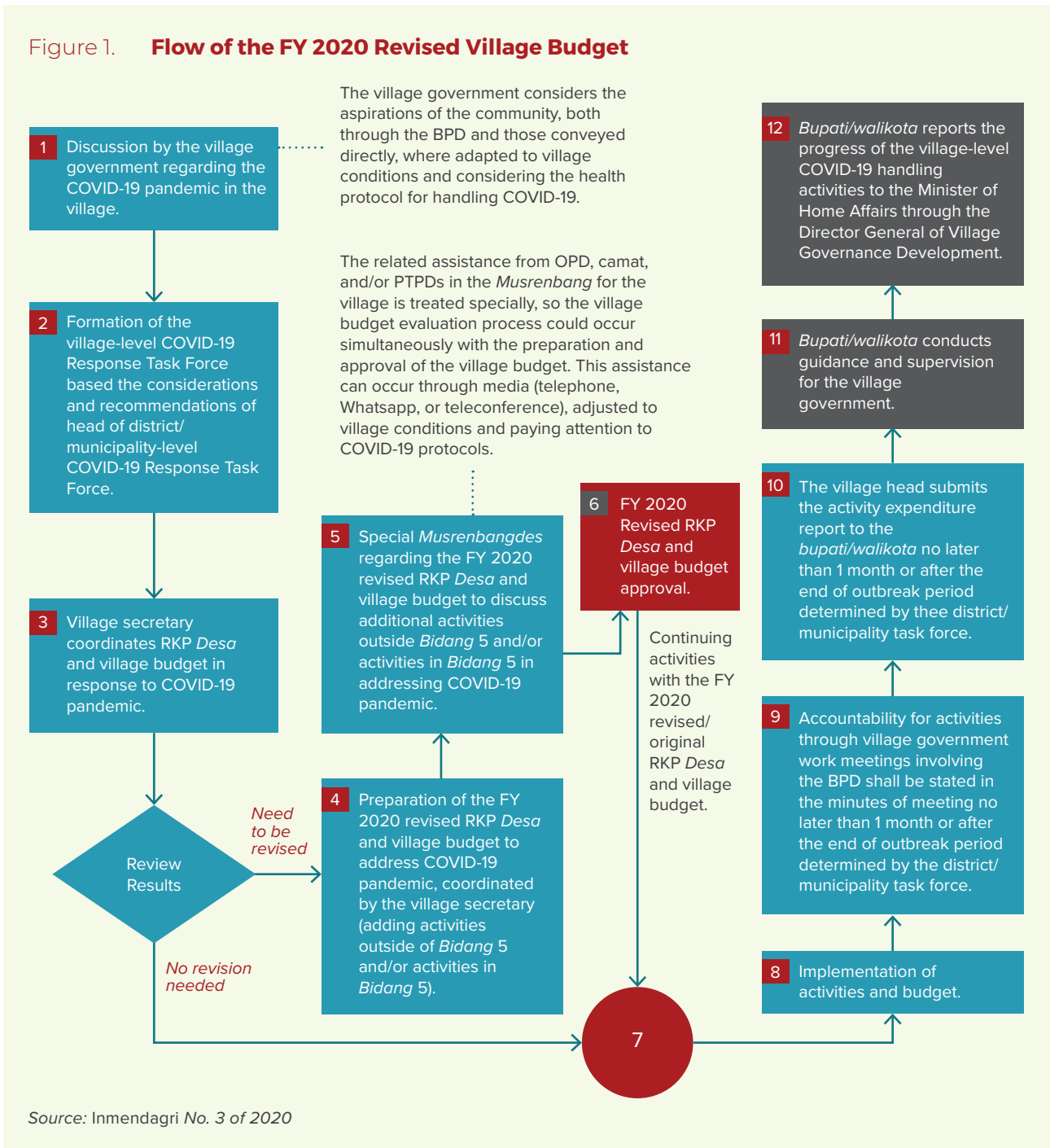
Inmendagri No. 3 of 2020 regulates in detail the mechanism for village work plan and village budget revision in responding to COVID-19 (Figure 1). Villages needed to review the FY 2020 village budget to determine whether there was a need to revise village budget to accommodate activities in mitigating the impact of COVID-19, particularly to fulfill basic service delivery for the community according to village authorities.

Villages with sufficient budget allocations for *Bidang* 5 (Disaster Response, Emergency and Urgent Need), could immediately implement these activities. The respective head of section (*kasi*) or head of affairs (*kaur*) could prepare a budget plan (RAB) for activities through contingency expenditure, which was then verified by the village secretary and approved by the village head. The financial officer could disburse funds through the Payment Request Letter (SPP) of the down payment submitted by the relevant *kasi/kaur*.

Villages that had not allocated a budget or with an insufficient amount of budget for activities within *Bidang* 5 needed to change the work plan and/or village budget. These changes were made through a special Village Development Planning Meeting (*Musrenbangdes*) involving the village government, BPD, elements of the village community, related village government agencies, and the sub-district head. The changes through the special *Musrenbangdes* did not require evaluation from the *bupati/mayor*, considering that intensive assistance had been provided by the relevant local government agencies (OPD), *camat* (sub-district head), and/or PTPD.

Accountability for the implementation of activities in the *Bidang* 5 of Disaster Response, Emergency and Urgent Need is conducted in a meeting between the village government and the BPD no later than one month after activity implementation. The village head then reports the contingency expenditure to the *bupati/mayor* no later than one month after the village head's decision is made.

Figure 1. **Flow of the FY 2020 Revised Village Budget**



DIRECT CASH ASSISTANCE - VILLAGE FUND (BLT-DD)

The Direct Cash Assistance – Village Fund (BLT-DD) as one of the programs in the Social Protection cluster within PEN Program received an allocation of IDR 31.8 trillion, with the realisation at the end of 2020 reaching IDR 23.74 trillion.¹² Villages have an obligation to budget and carry out BLT-DD activities.¹³ Sanctions for villages that do not carry out BLT-DD activities are the termination of the distribution of the third stage of DD for the current year, or a cut in half of the second stage of DD for the

¹² <https://www.kemenkeu.go.id/publikasi/siaran-pers/siaran-pers-pemerintah-optimalikan-blt-desa-untuk-pemulihan-ekonomi-di-desa/> (accessed 5 July, 2021).

¹³ Based on PMK No. 40/PMK.07/2020. This regulation was revised twice: PMK No. 50/PMK.07/2020 and PMK No. 156/PMK.07/2020.

following year for villages with developed status. Initially, the maximum proportion of BLT-DD allocation to DD was set differently according to the amount of DD received.¹⁴ However, the central government then relaxed the arrangement and no longer regulated the maximum amount of BLT-DD allocation.¹⁵ The BLT-DD allocation is recorded as contingency expenditure in the sub-sector of Urgent Need and is tax-free.¹⁶

The BLT-DD program was in place for nine months in the year 2020. The amount received by KPMs was IDR 600,000 per month for April, May and June 2020, respectively, with a non-cash distribution scheme.¹⁷ Meanwhile, for the next six months, KPMs received IDR 300,000 per month with non-cash and cash distribution schemes.¹⁸ The BLT-DD KPM list can follow the previous KPM list or be changed through the *Musdesus*. The BLT-DD program will be continued in 2021 with a budget ceiling of IDR 14.4 trillion; each KPM received assistance of IDR 300,000 per month.

KPMs for BLT-DD are poor families, whether they are included in DTKS or not. Poor families who have not been recorded in the DTKS, but meet the criteria for receiving the benefits, include those who: (1) have not received assistance from the Conditional Cash Transfer (*Program Keluarga Harapan*)/Non-cash Food Assistance or Pre-Employment Cards; (2) loss of livelihood so that they do not have resources to survive for the following three months; or (3) have a chronically-ill family member. The data collection on beneficiaries outside DTKS through the *Musdesus* was carried out to minimise exclusion errors and overlapping distribution of assistance. The 2020 BLT-DD targeted 7.95 million families.

VILLAGE CASH FOR WORK PROGRAM (PKTD) AND COVID-19 RESPONSIVE VILLAGES

Another social protection modality at the village level is PKTD. This PKTD was restated in the Circular Letter (SE) of the Minister of Villages PD TT No. 8 of 2020, which determines the approach of implementing PKTD through self-management. Workers who are prioritised to be involved in PKTD are members of poor families, unemployed, underemployed, and other members of marginalised communities. Wages are paid every day. The PKTD allocation was IDR 36.4 trillion, with a target of 5.2 million beneficiaries. Ministry of Villages data shows that about 26% of the disbursed PKTD funds were used as wage expenditures.

The Ministry of Villages reported that IDR 3.1 trillion (4%) of the DD disbursed in 2020 was used for activities for COVID-19 Responsive Villages. More than 75% of villages reported using the budget for this activity to conduct socialisation on healthy lifestyle, provide a place for washing hands, spraying disinfectants, and establishing a village volunteer post for COVID-19. In addition, 68% of villages collected data on migrants, 50% of villages collected data on people who are vulnerable to illness, and 28% built isolation places.

All programs carried out at the village level were intended to complement efforts to mitigate the impact of COVID-19 by other levels of government. However, economic contraction, slowing household consumption, and rising unemployment, will still have a significant net effect on poverty in Indonesia during 2020. SUSENAS data for September 2020 shows 27.6 million people were living below the

¹⁴ *Permendes* No. 6 of 2020 and PMK No. 40/PMK.07/2020.

¹⁵ PMK Nomor 50/PMK.07/2020.

¹⁶ *Inmendagri* No. 3 of 2020.

¹⁷ Regulation of Minister of Villages (*Permendes*) No. 6 of 2020.

¹⁸ Regulation of Minister of Villages (*Permendes*) No. 7 of 2020 and *Permendes* No. 14 of 2020.

poverty line. This number was equivalent to 1 in 10 residents, or an increase of 0.97% from the previous year.

The government claims that increased spending on social protection prevented more than 5 million additional people from experiencing poverty.¹⁹ There are indications that government spending on various social protection programs supported low-income households, including in rural areas. The distribution of consumption of people with the lowest 40% of income in rural areas in September 2020 was 20.89%, or an increase from 20.66% in the previous year.

Box 2. Alignment of KOMPAK Activities in Supporting Villages to Address COVID-19

KOMPAK aligned activities in 2020 to support the government in dealing with the pandemic. At the national level, KOMPAK supported the Ministry of Home Affairs, Ministry of Finance, and Bappenas in the preparation of guidelines for handling the COVID-19 pandemic for district and village governments. For example, KOMPAK assisted in the formulation of national policies related to BLT-DD and their implementation in KOMPAK locations.

Meanwhile at the village level, KOMPAK facilitated village governments to provide accurate data regarding the poor and vulnerable. The list of beneficiaries could then be integrated into the DTKS update. KOMPAK supported villages to actively ensure the identification and collection of data for poor and vulnerable groups through expanding civil registration outreach services and building community-based mechanisms for verification and validation of social assistance recipients in villages. KOMPAK also encouraged community participation in monitoring the disbursement of BLT-DD. In addition, KOMPAK provided technical support and training to village officials regarding changes to the FY 2020 village budget.

Flagship Programs	Selected Activities (Related Village)
Public Financial Management	Support district governments in the revision of FY 2020 APBD and the preparation of the FY 2021 Regional Government Work Plan (RKPD) in response to COVID-19.
Civil Registration and Vital Statistics	<ul style="list-style-type: none"> • Provide technical assistance to the District Civil Registration Office in coordinating data collection for the poor and vulnerable people affected by COVID-19. • Provide technical support to village governments in updating data on poor and vulnerable groups (including SID updates and publication of beneficiary lists). • Conduct training for village <i>Adminduk</i> facilitators related to the identification and data collection of vulnerable groups affected by COVID-19.
<i>Kecamatan</i> and Village Strengthening	<p>Strengthen the role and capacity of sub-district and village officials regarding revision and budgeting of the village budget for handling COVID-19:</p> <ul style="list-style-type: none"> • Provide technical support to the Ministry of Home Affairs to develop and issue regulations regarding changes to the village budget, develop guidelines for sub-district heads regarding supervision of the implementation of COVID-19 prevention activities in villages, and develop guidelines for PTPDs regarding assistance in the preparation of the FY 2020 village budget revision and facilitation of BLT-DD distribution. • Provide technical support to sub-district heads and PTPDs to support villages in implementing policies to mitigate the impact of COVID-19 (make changes to the village budget, distribute BLT-DD, and increase transparency and accountability through publication of village budget and beneficiary lists, as well as provision of feedback mechanisms).
SID	Improve the collection and use of data on vulnerable groups in SID to support a more targeted COVID-19 policy response.

¹⁹ <https://www.kemenkeu.go.id/publikasi/berita/pen-2020-selamatkan-5-juta-orang-menjadi-kelompok-miskin-baru/> (accessed 4 May, 2021).

Flagship Programs	Selected Activities (Related Village)
Social Accountability	<ul style="list-style-type: none"> • Develop guidelines with the Ministry of Villages and the Ministry of Home Affairs for BPD regarding monitoring of activities in villages to handle COVID-19 that were financed by the village budget. • Increase public awareness about COVID-19 and community participation in overseeing activities funded by the village budget, through: <ul style="list-style-type: none"> - Providing technical support to village officials, BPD, and village communities in using guidelines and mechanisms for community complaints. - Sharing information and organising prevention of COVID-19 transmission and supporting village governments in distributing social assistance through the Women-Headed Family Empowerment (PEKKA) network. - Providing support to sub-district and village governments in distributing communication materials to raise awareness and related to the COVID-19 response in Papua and Papua Barat.
Market Linkages	Strengthen the role of BUM <i>Desa</i> in encouraging the realisation of village economic resilience.
Cross-Cutting	Ensure that people with disabilities, women, and vulnerable groups receive adequate services in the efforts to address COVID-19.

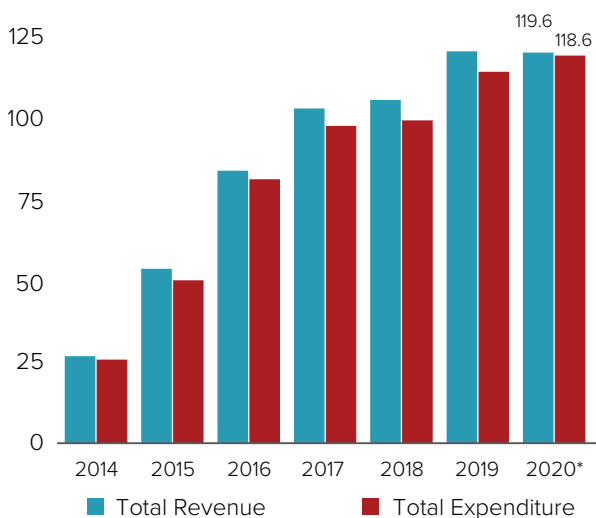
VILLAGE EXPENDITURE ALLOCATION SHIFT FOR COVID-19 RESPONSE

OVERVIEW OF VILLAGE BUDGET IN 2020

The Village Government Financial Statistics data for 2020 shows that the total village expenditure in Indonesia reached IDR 118.6 trillion (Figure 2). This amount has increased almost fivefold compared with the total village expenditure in 2014. This increase is in line with the increase in fiscal resources for villages, especially those originating from DD and ADD. The total revenue of village governments in Indonesia reached IDR 119.6 trillion in 2020. Compared with 2019, the amount of income decreased by 0.36%, while total expenditure increased by 4.3%.

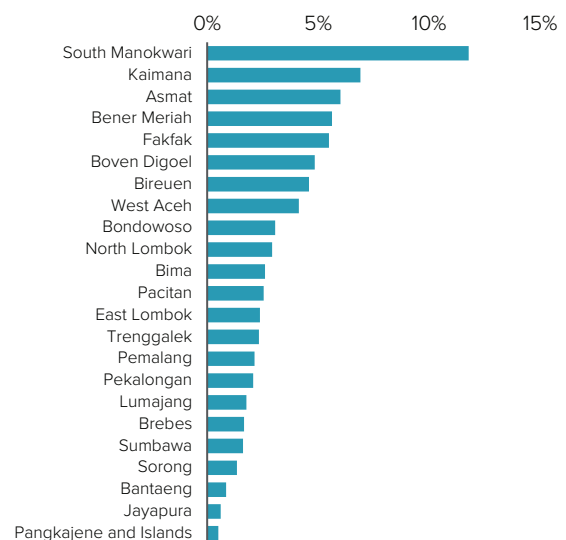
The village budget is an important fiscal instrument, as measured by the ratio of village spending to economic size. The ratio of village spending in Indonesia in 2020 reached 0.77% of Gross Domestic Product (GDP). At the district level, the proportion of village expenditures to Gross Regional Domestic Product (GDRP) varies. Almost all KOMPAK districts have a proportion of village expenditure to GDRP that is greater than the national average (Figure 3).

Figure 2. Total Revenue and Expenditure of All Village Governments in Indonesia (in Trillion Rupiah)*



* The data for 2020 is budget, while the data for the previous year used the realisation in the Central Government Financial Report (LKPP)

Figure 3. Proportion of Village Expenditure to District GDRP (in Percent)*

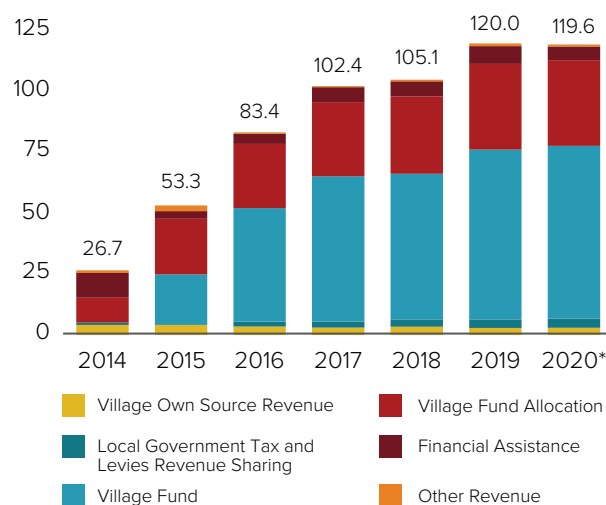


* Data for villages in Nabire District is not available.

Source: Village Government Financial Statistics (BPS, 2020) and Central Government Financial Report (LKPP); KOMPAK Staff Calculation

Nationally, the source of village revenue in 2020 is dominated by transfers, which are the extension of central (and regional) government policies, especially during the pandemic (Figure 4).²⁰ The Ministry of Finance reported an increase in the realisation of DD disbursement in 2020, which reached IDR 71.1 trillion (99.9% of the APBN ceiling according to Presidential Regulation No. 72 of 2020). This amount increased from IDR 69.8 trillion or 99.7% of the allocation in 2019. The amount of ADD saw an increase of IDR 0.03 trillion, although the amount of DAU and DBH received by all districts/municipalities in Indonesia declined by IDR 6.4 trillion (BPS, 2021). The increase in ADD might be caused by an increase in the number of district/municipality governments that fulfill the ADD amount of at least 10% of DAU and DBH revenues. Villages also recorded an increase of IDR 0.13 trillion in revenue sourced from Local Government Tax and Levies Revenue Sharing (BH-PDRD). However, the financial assistance received by villages from both provinces and districts/municipalities decreased by IDR 1.7 trillion.

Figure 4. **Composition of Indonesian Village Government Revenue (in Trillion Rupiah)**



* The data for 2020 is budget data; DD figures each year use the realisation data in the LKPP.
Source: Village Government Financial Statistics (BPS, 2020)

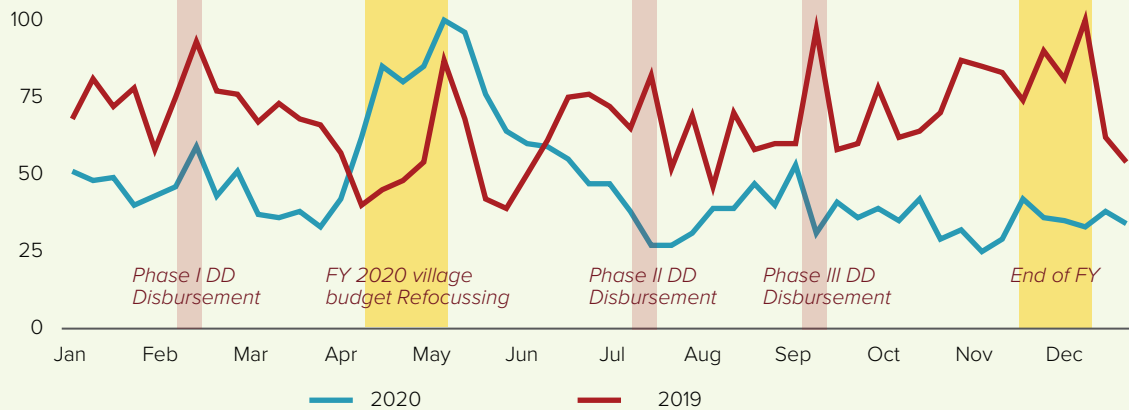
On the other hand, the role of Village Own-Source Revenue continues to decline (both in nominal terms and in proportion to total village budget) as village revenue from transfers increases. In 2014 prior to the implementation of the Village Law, villages generated Village Own-Source Revenue of IDR 4.2 trillion or 16% of the total village revenue. This number continues to decline and only reached IDR 3 trillion (2.5% of total village revenue) in 2020. An in-depth study is needed to confirm whether a surge in transfers after the implementation of the Village Law has contributed to the decline in village government efforts to generate the Village Own-Source Revenue and/or the presence of other factors that have influenced the decline.

Box 3. Google Trends Index for Village Fund

The search trend for Village Fund on Google in 2020 shows a different pattern when compared with 2019 (Figure 5). As a typical reference in 2019, the search interest related to DD increased during the period of DD disbursement and end of FY, whereas the interest for DD searches in 2020 peaked during April to June. This period coincided with the issuance of policies for refocusing of the village budget and BLT-DD. The early days of the pandemic were marked by various regulations issued by ministries/institutions (K/L) on the implementation of village budget, causing confusion at the village level. In addition, the top 10 search terms related to DD on Google also changed. Compared with more diverse search terms in 2019, the top four search terms for DD during 2020 were closely related to BLT-DD (Figure 6).

²⁰ The calculation of village revenue throughout Indonesia uses two different data sources, namely the Village Government Financial Statistics published by BPS, and the Central Government Financial Report. The Village Government Financial Statistics data shows that the total income of all villages in Indonesia in 2020 reached IDR 117.6 trillion (the amount of DD was IDR 69.1 trillion), while the LKPP recorded the total DD of IDR 71.1 trillion.

Figure 5. Google Trends Index “Village Fund”*



* Figures represent popular search interest against the highest point of the term for a given region and time. A value of 100 is the peak of popularity for the term. A value of 50 means the term is quite popular. A score of 0 means there is not enough data for the related term.

Figure 6. Top 10 Search Words Related DD on Google

2019		2020	
1. dana desa 2019	6. dana desa adalah	1. blt dana desa	6. pengelolaan dana desa
2. alokasi dana desa	7. korupsi dana desa	2. dana desa 2020	7. penerima blt dana desa
3. penggunaan dana desa	8. dana desa 2020	3. bantuan dana desa	8. dana desa untuk covid
4. dana desa 2018	9. dana desa tahun 2019	4. anggaran dana desa	9. pencairan dana desa 2020
5. anggaran dana desa	10. pajak dana desa	5. alokasi dana desa	10. anggaran dana desa 2020

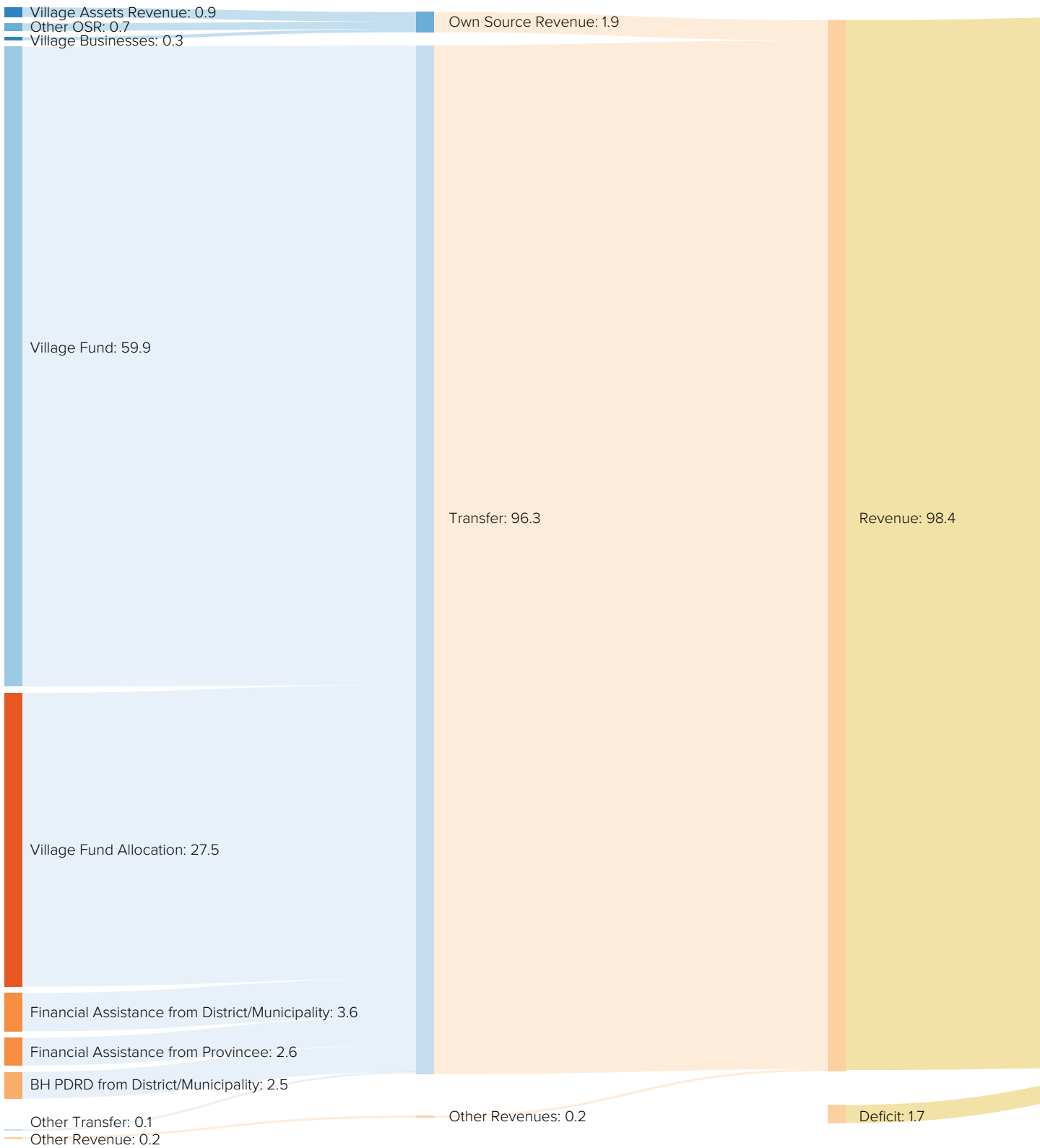
Source: Google; KOMPAK Staff Calculation

Figure 7 shows an overview of KOMPAK village revenue and expenditure in the revised village budget for FY 2020.²¹ KOMPAK village revenues sourced from Village Own-Source Revenue reached less than 2%, up from 1% in 2019. The proportion of DD did not change much compared with the previous year at about 61%, while the contribution of ADD slightly decreased to village income. The proportion of village revenue from provincial and district/municipality financial assistance in 2020 increased to 6.2% when compared with 2019, which was 4%. The share of Local Government Tax and Levies Revenue Sharing reached 2.5%, an increase from 2% in 2019.

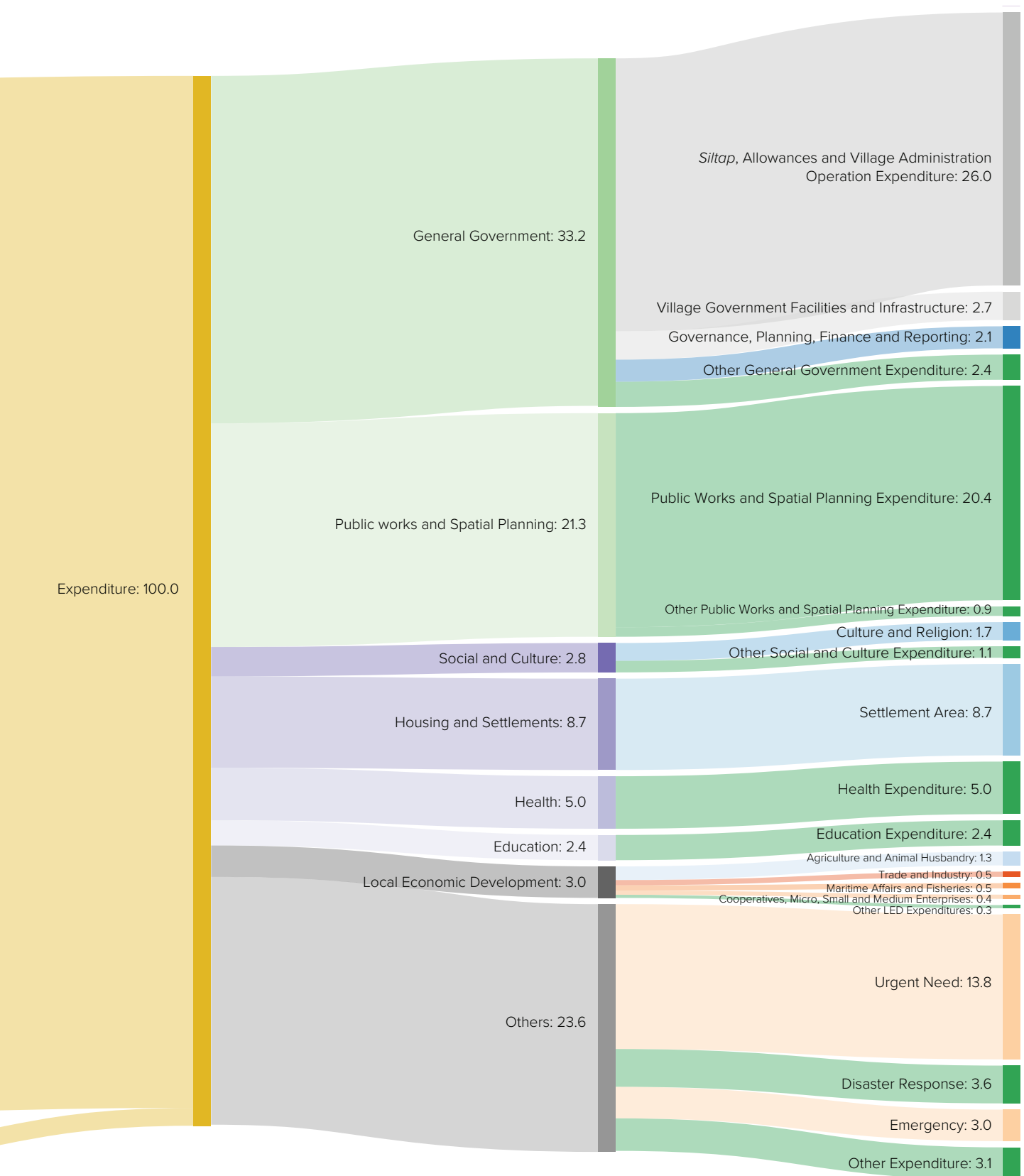
On the expenditure side, the largest expenditure was made for General Government Function, especially for the *Siltap* and allowances, as well as village administration spending. A quarter of the total village expenditure is used for Other functions as the second largest expenditure (in previous years, expenditure related to these activities was not significant). Expenditures in this function include those for BLT-DD (Urgent Need) and other activities to mitigate the impact of COVID-19. The third largest expenditure was for Public Works and Spatial Planning, with 21% of total village expenditure.

²¹ The share of income by components in Figure 7 is calculated against the total village expenditure. Since total revenue in year 2020 is 98.4% of total expenditure, the percentage of each component of income in relation to total income is slightly larger than the share in relation to total expenditure (for example, the average amount of DD received by KOMPAK villages is 59.9% of total expenditure or 60.9% of total revenue). Income calculation in other sections is calculated based on the total income, so that the percentage written is not the same as that written in Figure 7, although the amounts of the two are not far apart.

Figure 7. **Overview of the FY 2020 Revised Village Budget at KOMPAK Locations (as Percentage of Total Village Expenditure)**



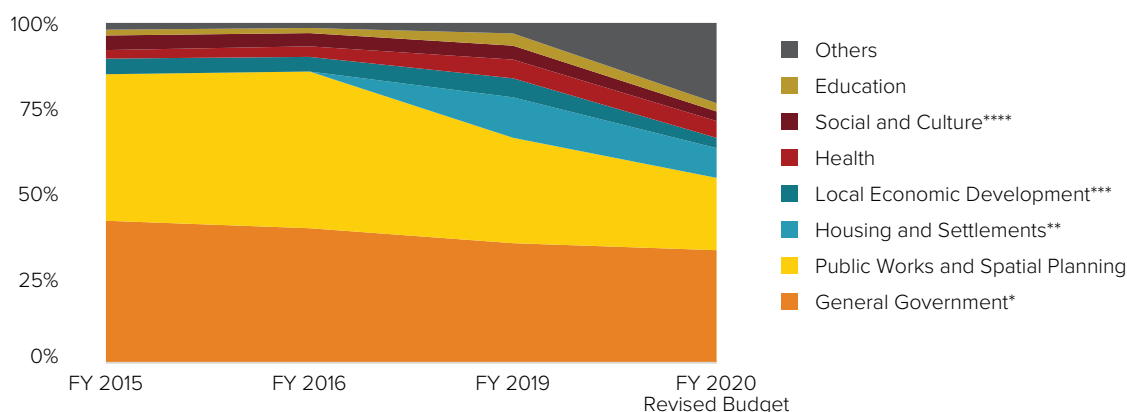
n=328



Compared with findings from the Village Budget Study in KOMPAK locations in previous years, there are indications of changes in village expenditure allocations, including:

- Prior to the COVID-19 pandemic, the three expenditures with the largest allocations in the village budget were General Government, Public Works and Spatial Planning, and Housing and Settlements. However, in the FY 2020 revised village budget, Other expenditures (for BLT-DD and COVID-19 response) received an allocation of 24% of the total village budget and became the second largest expenditure after General Government (33%). The expenditure allocation for Public Works and Spatial Planning in FY 2020 was 21%.
- The allocation of village expenditures for General Government has tended to decrease, from 40–42% of the total village expenditure (KOMPAK and World Bank, 2016) to 39% (World Bank, 2019), 35% for FY 2019 (KOMPAK, 2020), and reached 33% in the FY 2020 revised village budget.
- The allocation of spending on Education and Health gradually increased between 2015 and 2019. This pattern was stagnant in 2020. The proportion of Health spending reached 5.5% of total village spending in 2019, higher than 2.5% in 2015. Also, the proportion of spending on Education appeared to be higher in 2019 (3.6% of total village spending) than in 2015 (1.7%). However, in 2020, the proportion of village spending on Education dropped to 2.4% of the total village budget, while for Health it declined to 5%.²²
- Expenditures for Other Functions (related to BLT-DD and COVID-19 handling activities in villages), which received an allocation of 24% in 2020, appeared to put additional pressure on village spending. Most of the village budget refocusing comes from the reduction of spending on Public Works and Spatial Planning. However, declines in spending were also seen for a number of other functions (Figure 8).

Figure 8. KOMPAK Village Expenditure by Function (as a Percentage)



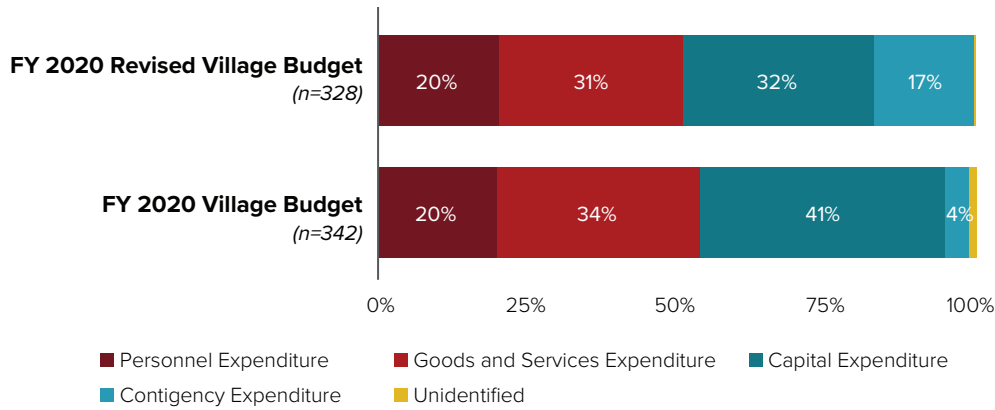
* General Government includes village government operations, village apparatus capacity development, and construction/renovation of village head offices.
 ** Housing and Settlements Function for the 2016 KOMPAK and World Bank study were combined with Public Works and Spatial Planning.
 *** Local Economic Development is an aggregation of: agriculture and animal husbandry; investment support; cooperative; micro, small and medium enterprises (MSMEs); trade and industry; and marine and fisheries. This aggregation illustrates the village government's support for local economic development. For the World Bank (2019) and KOMPAK and World Bank (2016) studies, functions related to local economic development were divided into two: Economy and Agriculture.
 **** Social and Culture constitutes a combination of social and cultural activities.

Source: KOMPAK (2020); World Bank (2019); KOMPAK and World Bank (2016)

²² It is possible for Health expenditure to be allocated in the expenditure for Disaster Management activities. However, expenditures for these activities cannot be analysed, due to the limited information in budget documents collected in this study.

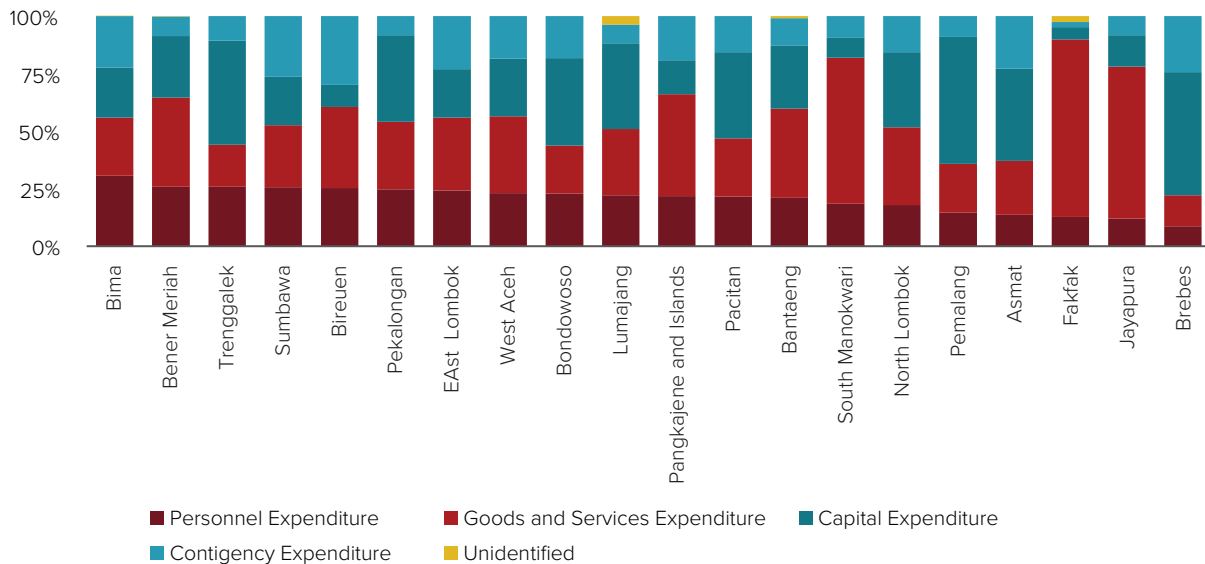
This pattern is also confirmed by the proportion of KOMPAK village expenditure by economic classification (Figure 9). Allocations for contingency expenditure increased significantly, stemming from a decrease in the allocation of capital expenditure and the outlay for goods and services. Capital expenditure, which previously reached 41% of the total village budget, fell to 32% in the FY 2020 revised village budget (APB Desa) in 2020. Contingency expenditures, which were previously insignificant, jumped to 17% of the total village budget. Village spending based on this economic classification differs between districts (Figure 10).

Figure 9. **Proportion of KOMPAK Village Expenditure by Economic Classification (as a Percentage)**



n=328

Figure 10. **Proportion of KOMPAK Village Expenditure Based on District and Economic Classification in FY 2020 Revised Village Budget (as a Percentage)**



n=328

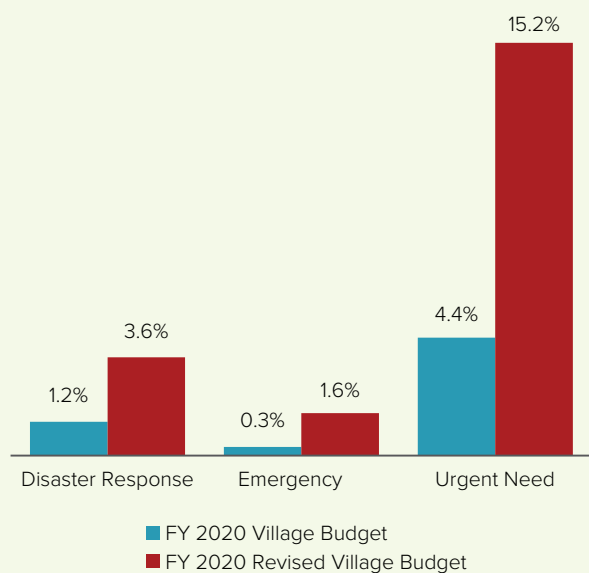
Box 4. Village Expenditure for BLT-DD

The change in the KOMPAK village expenditure allocation pattern was caused by a shift in the expenditure to mitigate the impact of COVID-19. *Inmendagri* No. 3 of 2020 describes how villages allocate budget for activities related to Disaster Response, Emergency and Urgent Need. KOMPAK villages allocated a budget for Disaster Response activities in the FY 2020 revised village budget for as much as 3.6% of total village expenditure, or up from 1.2% from the FY 2020 original village budget. Expenditures in this budget account are intended to finance various activities according to village authority; for example: establishment of village posts, disinfection of public facilities, production of communication materials, provision of personal protective equipment, and data collection on conditions for village community members including temporary residents and migrants. Spending on Emergency Activities also increased to 1.6%.²³ A significant increase occurred in the allocation for Urgent Need, from 4.4% to 15.2% in the FY 2020 revised village budget. Spending for this activity is used for BLT-DD.

Regulations issued by various ministries regulate in detail the governance and implementation of village expenditures for BLT-DD (see Annex 1). These regulations provide boundaries regarding: village obligations to allocate budget for BLT-DD, sanctions for villages that do not provide BLT-DD allocation, governance and accountability, beneficiary criteria, data collection, amount of assistance, the disbursement period, and distribution mechanism, as well as maximum allocation. Those provisions have been changed several times (especially in the first semester of 2020), and villages need to accommodate these changes in their budgets.

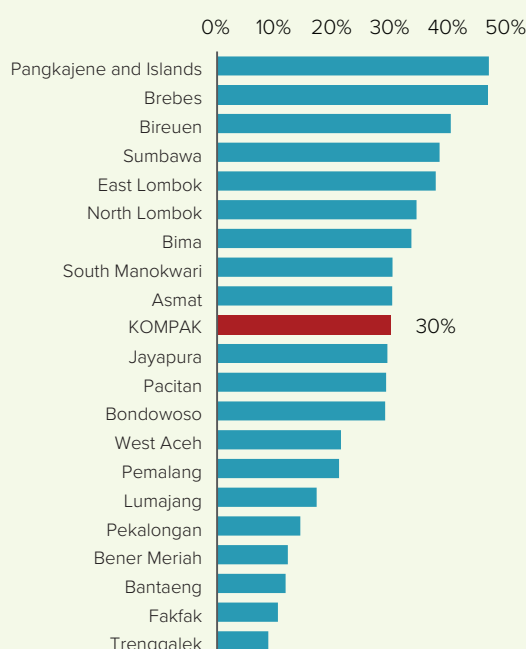
On average in KOMPAK villages, the budget allocation for BLT-DD is 30% from DD. This magnitude varies between locations (Figure 12). More than 45% of DD in KOMPAK villages in the districts of Pangkajene and Islands and Brebes was channelled for BLT-DD.

Figure 11. Proportion of Village Expenditure for Disaster Response, Emergency and Urgent Need in Relation to Total Village Expenditure (as a Percentage)



n=328

Figure 12. Proportion of BLT-DD Allocation in Relation to DD (as a Percentage)



n=285

²³ Spending under Emergency Activities is aimed at overcoming the disruption of basic public services due to damage and/or incomplete construction of facilities and infrastructure from price increases.

EXPENDITURE FOR KOMPAK-SUPPORTED ISSUES

The COVID-19 pandemic has also affected the allocation of village expenditure on KOMPAK-supported issues (Table 4). Expenditure allocation for Village Apparatus Capacity Development, LED, Education, and Health declined. Village expenditure allocation for Health in 2020 was IDR 103 million, or 5% of the total village expenditure. This amount is 5% lower compared with Health spending in 2019. However, it should be noted that the total allocation of Health expenditure might be higher, due to the allocation of health-related expenditure in Emergency Activities expenditure, which is not able to be further detailed in this study.



► Gampong (Village) Information System Training in Bener Meriah District, Aceh

Other expenditures that experienced a significant decline were spending on Education, Village Apparatus Capacity Development, and those related to Local Economic Development. Villages allocated a budget of IDR 51 million or 2.4% of the total FY 2020 village budget on Education. This amount decreased by 30% compared with FY 2019. The spending allocation for Village Apparatus Capacity Development and Local Economic Development decreased by 64% and 38%, respectively, compared with the FY 2019 allocation. If this decline continued to occur, the

quality of development achievements for the compensated sectors would be at risk of deterioration. The provision of basic services in the villages will ultimately depend on the availability of funds and prioritisation in the village budget. However, several indicators related to development in KOMPAK villages were not negatively affected in 2020 (see Annex 2).

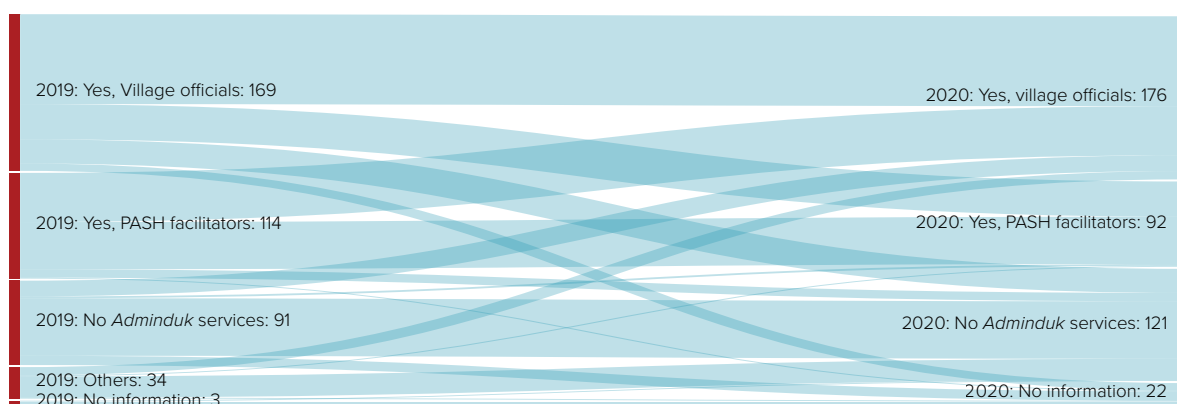
In addition, several KOMPAK-supported issues in villages experienced an increase in budget allocation, particularly for Civil Registration and Vital Statistics (CRVS/PASH) and the Village Information System (SID). Village expenditure allocations for CRVS increased by 2% compared with FY 2019, while spending on SID increased 11%. In FY 2020, the average spending for CRVS across KOMPAK villages was IDR 4.1 million and spending for SID reached IDR 8.6 million.

Table 4. **Expenditure for KOMPAK-Supported Issues²⁴**

	2019		2020	
	Nominal Expenditure	Percentage of Total Village Expenditure	Nominal Expenditure	Percentage of Total Village Expenditure
Health	IDR 109 million	5.5%	IDR 103 million	5%
Education	IDR 72 million	3.6%	IDR 51 million	2.4%
Civil Registration and Vital Statistics	IDR 4 million	0.2%	IDR 4.1 million	0.2%
Village Information System	IDR 7.7 million	0.4%	IDR 8.6 million	0.4%
Village Apparatus Capacity Development	IDR 28.5 million	1.4%	IDR 10.1 million	0.5%
Local Economic Development (excluding equity participation)	IDR 102 million	5.2%	IDR 63.1 million	3%

The number of KOMPAK villages that have Population Administration (*Adminduk*) services has not changed much compared with the previous year. The number of villages with *Adminduk* services (both with CRVS facilitators and village officials) was 283 villages in 2019, and 268 villages in 2020. However, as well as this net reduction, there were actually 35 villages that had *Adminduk* services in 2019 but no longer had these services in 2020.

Figure 13. **The Number of KOMPAK Villages with *Adminduk* Services (2019 and 2020)**



n=411

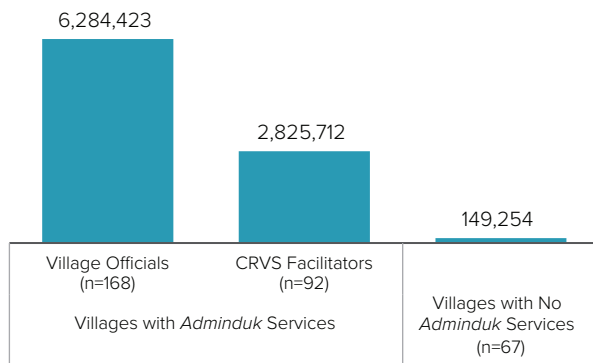
Source: KOMPAK Village Survey

²⁴ There were 272 villages included in the 2019 study and 328 villages in 2020. The following method was used in calculating the allocated amount of village spending on KOMPAK-supported issues:

- Total expenditure on Health and Education is the sum of all activities under those two sub-*bidang*.
- Expenditure on Civil Registration and Vital Statistics is the sum of the following activities: civil registration services, community outreach and awareness, as well as other expenditures related to civil registration services.
- Spending on SID is related to SID development activities in the sub-*bidang* of Governance, Planning, and Finance, and Reporting.
- Expenditure on Village Apparatus Capacity Development includes all spending allocation for activities under the sub-*bidang* of Village Apparatus Capacity Development (including for village heads, village officials, and BPD).
- Local Economic Development expenditures include all spending allocations for activities under the sub-*bidang* of: Agriculture and Animal Husbandry, Investment Support, Cooperatives and MSMEs, Trade and Industry, and Maritime Affairs and Fisheries. This amount excludes village equity participation recorded in the financing expenditures section of the village budget.

The analysis shows that KOMPAK-supported villages that have *Adminduk* services allocate higher village expenditures for *Adminduk* (Figure 14). For villages that do not have *Adminduk* services in the village, the allocation of village expenditures for these activities is smaller. However, the difference in the spending allocation reflects the ‘cost’ of administering *Adminduk* documents, which are then borne by the village community (out-of-pocket costs). Expenditure for village *Adminduk* varies, with KOMPAK villages in West Nusa Tenggara, for example, allocating higher *Adminduk* outlays than KOMPAK villages in other provinces.

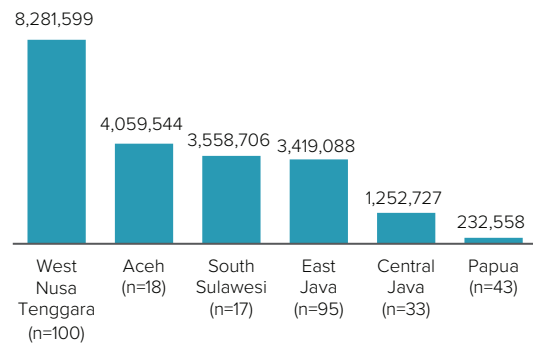
Figure 14. **The Presence of Village *Adminduk* Services and the Average Spending Allocation on *Adminduk* in the FY 2020 Revised Village Budget* (in Rupiah)**



n = 342

* 15 villages in the sample do not have information regarding *Adminduk* services.

Figure 15. **The Average Spending Allocation on *Adminduk* in the FY 2020 Revised Village Budget by Province* (in Rupiah)**



n = 342

* 36 villages in Papua Barat do not allocate expenditure for *Adminduk* activities.

At the beginning of the COVID-19 pandemic, the number of birth certificate documents processed by the village decreased slightly. In the first semester of 2020, the number of birth certificates issued in KOMPAK-supported villages represented 0.86% of the total village population. This was a decrease from the second semester of 2019, when the same figure affected 1.99% of the village population. This may have occurred due to the COVID-19 pandemic, which hindered people from taking action to administer birth certificates. The number of birth certificates issued in KOMPAK villages in the second semester of 2020 then increased to 1.34% of the total village population. Meanwhile, family cards (KK) issued in KOMPAK villages made up 15% of total families in the village. The high demand for KK administration may be due to the obligation on village communities to show these documents to access assistance.

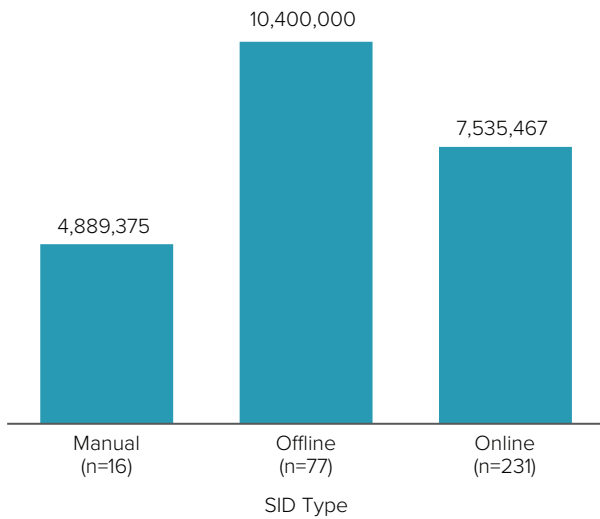
Compared with 2019, an additional 61 KOMPAK-supported villages had an online SID in 2020 (Figure 16). There were several villages that had an online SID in 2019, but then used an offline SID in 2020. When viewed from the spending allocation for each type of SID, the average SID spending allocation for villages with offline SID was IDR 10.4 million in the FY 2020 revised village budget (Figure 17). Meanwhile, the spending allocation on SID for villages with online and manual SIDs was IDR 7.5 million and IDR 4.9 million, respectively. Upgrading a SID from paper-based (manual) to a computer-based system (offline and online) requires additional costs. However, online and updated systems provide better efficiency, in terms of the budget that needs to be allocated by the village. KOMPAK-supported villages in Central Java allocated the highest SID expenditures in nominal terms compared with other KOMPAK villages, while KOMPAK villages in South Sulawesi, Aceh, and Papua Barat allocated the lowest outlays on SID.

Figure 16. **The Number of KOMPAK Villages with SIDs (2019 and 2020)**



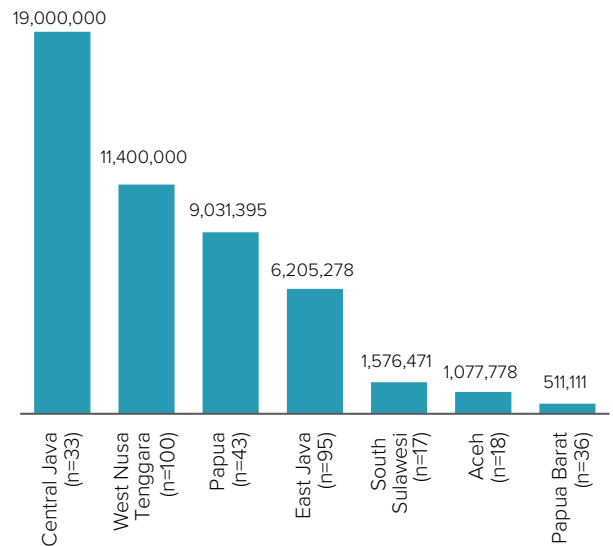
n=411
Source: KOMPAK Village Survey

Figure 17. **The Presence of SID and the Average Expenditure Allocation on SID in FY 2020 Revised Village Budget* (in Rupiah)**



n=342
* There are 15 villages that do not include SID information and 3 villages in the sample that do not have SID

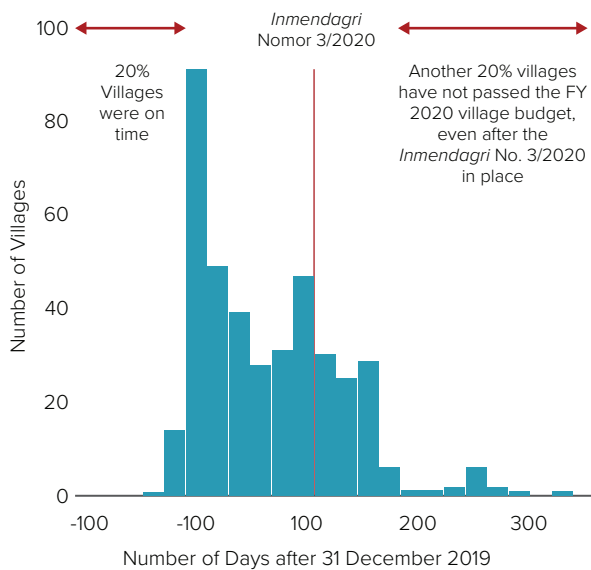
Figure 18. **The Average Expenditure Allocation on SID in FY 2020 Revised Village Budget by Province (in Rupiah)**



n=342

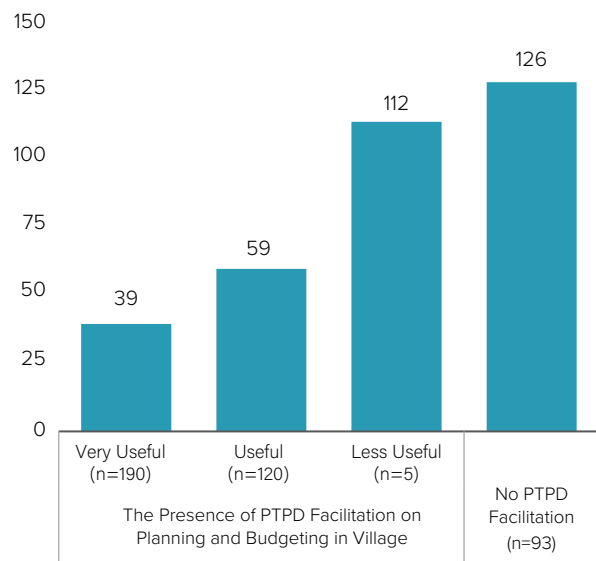
From an administrative standpoint, the study found that only a fifth of KOMPAK-supported villages were able to pass the FY 2020 village budget on time (before 31 December 2019). One-fifth of the KOMPAK villages in the sample only ratified the FY 2020 village budget after the *Inmendagri* No. 3 of 2020 was enacted (to regulate the FY 2020 village budget amendment). When viewed from the village perspective, in terms of the usefulness of the services provided by the sub-district facilitators and PTPDs to support village planning and budgeting, it appears that villages that perceived PTPD support as very useful and useful tended to experience fewer days of delays in the approval of the FY 2020 village budget than villages that did not receive PTPD assistance at all. These findings indicate that the PTPD model is effective in implementing its role to assist village governments in planning and budgeting (Figure 20).

Figure 19. **The 2020 Village Budget Approval Time***



n=411
 * 2 villages are excluded for not answering.
 Source: KOMPAK Village Survey

Figure 20. **Delay in Ratification of the FY 2020 Village Budget and Perception of PTPD Facilitation (in Days)**



n=411
 * 3 villages are excluded for not answering.
 Source: KOMPAK Village Survey

In addition, all KOMPAK-supported villages in the sample reported revising the FY 2020 village budget at least once. The KOMPAK Village Survey conducted in December 2020 showed that 13% of KOMPAK villages made one revision of the FY 2020 village budget, another 37% of villages revised it twice, 35% of villages did this three times, and 15% of villages revised more than three times. Villages tried to accommodate the needs of the community (for BLT-DD) and to respond to regulatory changes that occurred by making several budget changes.

Box 5. The Compliance for *Siltap* and Village Administration Spending in Accordance with Government Regulation (PP) No. 11 of 2019

The government issued PP No. 11 of 2019 regarding the Second Amendment to PP No. 43 of 2014 regarding Implementing Regulations of Law No. 6 of 2014 on Villages. The changes in PP No. 11 of 2019 included: (1) stipulation of the *Siltap* of village heads and village officials to be equivalent to the basic salary of government officials (PNS) class II/a; (2) the effective period of *Siltap* fulfillment; and (3) changes to the 70-30 proportion rule in village expenditure. The minimum amount of *Siltap* given to village heads, village secretaries and other village officials appears below (Figure 5).²⁵ The *Siltap* adjustment was to be implemented no later than January 2020.

Table 5. Minimum Amount of *Siltap*

Position	Minimum <i>Siltap</i> Quantity
Village head	IDR 2,426,640/120% of the basic salary of II/a civil servants
Village secretary	IDR 2,224,420/110% of the basic salary of II/a civil servants
Other village officials	IDR 2,022,200/100% of the basic salary of II/a civil servants

The budget for this *Siltap* was sourced from ADD. The use of ADD was optimised to fulfill the need for adequate *Siltap* for village heads and village officials, the provision of health insurance benefits for village heads and village officials, as well as allowances and operational costs for BPD as long as they do not exceed 30% of the village spending. If the ADD obtained by the village was insufficient, villages could use other sources in their village budget, except for the village fund. The *bupati*/mayor further regulated this *Siltap*, including, for example, the determination of further differences in *Siltap* based on the position, as well as other village officers' allowances, including for the BPD.

The central government also allocated Additional DAU to assist the provision of *Siltap* to village heads and officials in 68 districts/municipalities in the FY 2020 State Budget, with a total budget of IDR 1.12 trillion. The three KOMPAK districts in Aceh received the Additional DAU. The Additional DAU was recorded in the village budget as Other Village Revenue (with account code 4.3.9 (90-99)).

The study found that 94% of KOMPAK villages in 2020 had fulfilled the village head *Siltap* amount according to the regulation. The average amount of *Siltap* for village heads in KOMPAK locations is IDR 2.9 million per month. Village heads in KOMPAK locations in South Sulawesi received the highest *Siltap* with IDR 3.33 million/month, in line with the relatively high ADD, followed by Central Java and East Java with IDR 3.1 million, Papua and Papua Barat with IDR 3 million, and West Nusa Tenggara with IDR 2.7 million. The *Siltap* amount for a village head in KOMPAK locations in Aceh is equivalent to the provision (IDR 2.4 million).

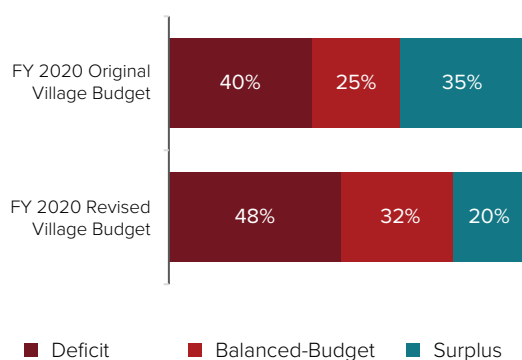
In addition, PP No. 11 of 2019 also changed the 70-30 proportion rule in village expenditure. Whereas in the previous regulation of PP No. 47 of 2015, village government operational expenditures and incentives for the Neighbourhood Unit (RT/RW) were included in the expenditure, within a maximum of 30% spending for government operation, PP No. 11 of 2019 stipulated that the maximum 30% spending on government operation only consisted of *Siltap* and allowances, as well as allowances and BPD operational costs. A total of 93.5% of KOMPAK villages have met these expenditure requirements (up from 82% in 2019).

²⁵ Previously, the amount of *Siltap* was regulated in Article 81 paragraph (4) of PP No. 47 of 2015 regarding the First Amendment of PP No. 43 of 2014. The amount of village apparatus *Siltap* was calculated based on a percentage of the amount for a village head, where the regent/ mayor set the amount for village heads' *Siltap* at 100%, for the village secretary at least 70% of the amount for village head *Siltap*, while for village apparatus other than the village secretary it is at least 50% and a maximum of 60% from the amount of village head *Siltap*. The minimum *Siltap* nominal amount is not yet determined.

VILLAGE BUDGET POLICY STRATEGY

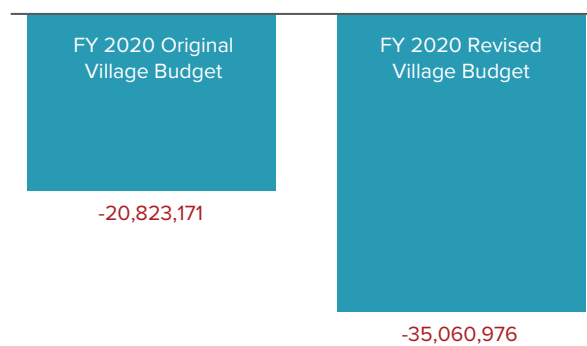
Increasing spending pressures and limited income required villages to change their budget policy strategies in the FY 2020 revised village budget. There were more villages that implemented deficit and balanced-budget policies, while the number of villages that had a budget surplus decreased. In simple terms, it can be concluded that the number of KOMPAK-supported villages experiencing a budget surplus and able to channel the surplus for financing expenditures (for example, for BUM *Desa* capital participation) decreased.²⁶ Nearly half of the KOMPAK villages in the analysis experienced a deficit in the FY 2020 revised village budget (Figure 21). This was also accompanied by an increase in the average budget deficit, which widened from IDR 20.8 million to IDR 35 million (Figure 22).

Figure 21. **Budget Policies across KOMPAK Villages (as a percentage of Village in the sample)**



n=328

Figure 22. **Average Deficit of Budget in KOMPAK Villages (in Rupiah)**

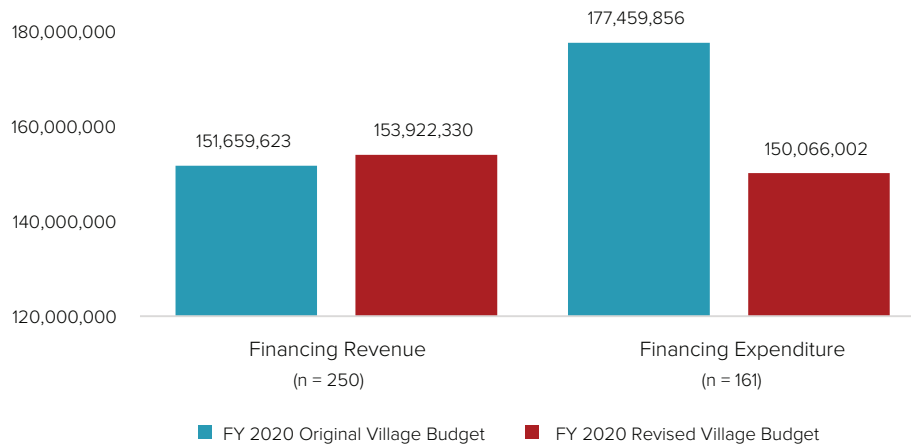


n=328

With the widening of budget deficits, villages needed to maintain the amount of net financing. This can be done by villages in two ways, namely by: (1) adding financing receipts (through the last year's Financing Surplus [SILPA] and other financing receipts); or (2) reducing financing expenditures. Figure 23 shows that there was no significant increase in financing receipts in the FY 2020 revised village budget. So, in aggregate, KOMPAK villages suppressed financing expenditures (by 15%) in the FY 2020 revised village budget, by reducing village equity participation. KOMPAK villages in the study that experienced a decrease in village equity participation of more than 50% included villages in Sumbawa (down 74% from the FY 2020 original village budget), Bima (65%), North Lombok (56%), Bondowoso (51%), and Brebes (50%).

²⁶ Even though in some conditions, in villages with balanced budgets and deficits, financing expenditures can still be made by using village financing receipts (the majority comes from SILPA).

Figure 23. **Average Financing per Village (in Rupiah)**



n=328

CONCLUSION, POLICY RECOMMENDATIONS, AND POTENTIAL TOPICS FOR FURTHER STUDIES

CONCLUSION

This study was conducted in 342 villages from 411 KOMPAK-supported villages to explore how the fiscal response of villages addressed the impact of the COVID-19 pandemic during 2020.

This study continues a series of Village Budget Studies that KOMPAK conducted for FY 2015, FY 2016, and FY 2019. Since FY 2019, the presence of nomenclature uniformity in the village budget accounts, as regulated in *Permendagri* No. 20 of 2018 and *Siskeudes*, has facilitated this analysis. Previous studies have found that the construction of road/bridge facilities and infrastructure are among

villages' top priorities, although there are indications of a changing pattern of village expenditure allocation for non-physical infrastructure spending; for example, for Education and Health. KOMPAK-supported issues, such as SID, *Adminduk* services, and Village Apparatus Capacity Development have also begun to be budgeted.



► *Special village meeting in Pemalang District, Central Java*

The COVID-19 pandemic in 2020 required villages to be responsive in carrying out policies. Various regulations issued to regulate the implementation of village budgets brought about challenges for villages. All KOMPAK-supported villages amended their FY 2020 village budget to ensure compliance with existing regulations and to provide support to mitigate the impacts of the pandemic.

The pattern of KOMPAK village revenue in FY 2020 did not change much compared with the previous year. KOMPAK village revenues sourced from Own-Source Revenue reached less than 2%, up from 1% in 2019. The proportion of DD did not change much compared with the previous year, when it reached 61%, while ADD contributed less to village income. The proportion of village income from provincial and district/municipality financial assistance in 2020 increased to 6.2% when compared with 2019, which was 4%. The share of Regional Taxes and Levies reached 2.5%, an increase from 2% in FY 2019.

The COVID-19 pandemic has again changed KOMPAK village expenditure patterns. Expenditures related to COVID-19 responses receive a large allocation (in this case, for BLT-DD). KOMPAK villages provide a budget allocation for BLT-DD as high as 30% of the DD. In the reallocation for this expenditure: (1) the majority came from a decrease in spending on Public Works and Spatial Planning, as well as Housing and Settlements; or (2) was sourced from a decrease in the allocation of capital expenditure, as well as goods and services expenditure. In addition, there was a decrease in the allocation of village expenditures for General Government from year to year.



► COVID-19 post in Tangkil Village, Trenggalek District, East Java

With regard to spending on KOMPAK-supported issues:

- Expenditure allocations for the Education and Health Functions stagnated in FY 2020. KOMPAK village Health expenditure allocations reached 5% of the FY 2020 revised village budget (down from 5.5% in 2019). Meanwhile, the allocation for Education spending fell to 2.4% from the previous 3.6% in FY 2019.
- Expenditure allocation for SID and CRVS increased by 11% and 2%, respectively.
- Expenditure allocation for Village Apparatus Capacity Development decreased significantly by 64% compared with 2019.
- The adoption of the various KOMPAK models has specific implications for village budget allocations.

Increasing spending pressures and limited incomes require villages to change their budget policy strategies. Almost half of the KOMPAK villages in the analysis have a deficit FY 2020 village budget. KOMPAK villages maintained their amount of net financing through: (1) additional financing receipts (through last year's SILPA and other financing receipts); or (2) reduction of financing expenditure.

POLICY RECOMMENDATIONS

The large number of regulations issued by various ministries within a short period of time in 2020 created confusion at the village level. Therefore, harmonisation and consistency of policies related to the implementation of the village budget is needed to prevent confusion in technical implementation at the village level. Furthermore, the timing of implementing regulations needs to be reviewed to provide sufficient opportunity for villages to understand the alignment and technical aspects of their implementation. In 2020, villages also received various responsibilities stated in the regulations that were issued by the relevant K/L in a short period of time and related to prioritising the use of village budgets, as well as managing and operating village activities.



► Community training in Bonto Tiro Village, Bantaeng District, South Sulawesi

Villages needed to pay attention to the flexibility of using DD to respond quickly to COVID-19, but also to provide opportunities for spending allocations related to providing public services to maintain service quality and development achievements in the village.²⁷

Although the achievement of indicators related to education, health, road access, families with slum houses, and BUM *Desa*, still shows a positive trend in 2020, it is possible that changes in spending patterns will affect the quality of development achievements for the compensated sectors. For example, infrastructure requires maintenance spending. If changes in the village budget expenditure pattern continue, the quality of village infrastructure may decline.

Flexibility in the use of DD provides opportunities for villages to budget to respond quickly to COVID-19. However, the budget earmarking policy has the potential to narrow villages' fiscal space. Policy makers need to consider and encourage spending allocations to suit village needs.

POTENTIAL TOPICS FOR FURTHER STUDIES

With the COVID-19 pandemic continuing in 2021, related studies could be developed to consider the continuation of villages' fiscal response in the second year of the pandemic, as well as various development achievements affected by changes in the village budget patterns. This is important, because in 2021 there were several additional provisions governing village spending, including: (1) the use of DD for the implementation of Micro-Scale Public Activity Restriction (PPKM Mikro) in accordance with the Instruction of the Minister of Villages and PDTT No. 1 of 2021; (2) allocation of village expenditures for the fulfillment of villages' Sustainable Development Goals (SDGs) (*Permendesa* No. 13 of 2020); (3) expenditures to support strengthening the role of Family Welfare Empowerment (PKK) (SE Minister of Home Affairs No. 188.34/5170/SJ); and (4) budget earmarking of 8% from the village budget for handling the COVID-19 pandemic outside of BLT-DD (Circular Letter of Directorate General of Fiscal Balance [DJPK] No. SE-2/PK/2021 and No. SE-3/PK/2021). This situation presents a challenge in the provision of village public services, given the increasingly narrow fiscal space.

²⁷ PODES 2020 shows that 95% of KOMPAK villages provide access to Early Childhood Education (PAUD), 97% of KOMPAK villages have an Integrated Healthcare Post (*Posyandu*), 74% of KOMPAK villages provide access to the Village Health Post (*Poskesdes*), and 39% of KOMPAK villages provide access to the Village Maternity Facility (*Polindes*). In addition, 90% of KOMPAK villages have access to asphalt/concrete roads and can be passed through all year round. The percentage of families with slum houses in KOMPAK locations is 12%, down from 14% in 2018. BUM *Desa* is already present in 70% of KOMPAK villages, up from 63% in 2019.

Further studies may also include improvements in the following areas:

1. Analysis using Budget Plan documents and consolidated reports on the activities of the sub-*bidang* of Disaster Management to identify the details of contingency expenditure. Both documents provide information up to this level (for example, for PKT *Desa* expenditures and ‘*Desa Aman COVID-19*’ activities).
2. Analysis of expenditure by budget sources.
3. Analysis on the coherence between budget priority policies at different levels of government (district and village).
4. Analysis on the coherence between the mandate in the Villages RKP or Villages Medium Term Development (RPJM *Desa*) and the village budget. This includes an analysis of the context of the COVID-19 pandemic and the potential effect on the village public service budget, due to expenditures that need to be budgeted by villages during the pandemic.
5. Analysis on the suitability of the budget allocation for the needs of village communities and the mechanism for accommodation proposed by communities at their village meetings, including how the village meetings identify the needs of the community and the involvement of vulnerable groups in the process.
6. Analysis of deviations between budget documents and budget realisation.



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ANNEXES

ANNEX 1. VARIOUS REGULATIONS REGARDING BLT-DD IN 2020²⁸

Peraturan	Tanggal	Hal yang Diatur
<i>Perppu</i> No. 1 of 2020	31 March 2020	The use of DD, among others, is for BLT for the poor community in the village
<i>Permendes</i> No. 6 of 2020	14 April 2020	Amending <i>Permendes</i> No. 11 of 2019 regarding BLT-DD: <ul style="list-style-type: none"> • Beneficiary Criteria: (1) loss of livelihood; (2) has not been recorded in the list (exclusion error); and (3) have family members who are prone to chronic illness. • Data Collection: Performed by the Village COVID-19 Volunteers and verified through <i>Musdesus</i>. • BLT-DD Budget: DD <IDR 800 million: a maximum of 25%; DD IDR 800 million up to IDR 1.2 billion: a maximum of 30%; DD >IDR 1.2 billion: a maximum of 35% (with possibility of exceeding the provision as per approval of the <i>bupati/mayor</i>). • Amount: IDR 600,000. • Period: 3 months. • Governance: Monitoring, evaluation, accountability mechanisms.
PMK No. 40/PMK.07/2020	20 April 2020	<ul style="list-style-type: none"> • Village responsibility to allocate budget and administer BLT-DD. • Sanctions for villages that do not provide BLT-DD: termination of the distribution of DD in the third phase of the current year, or distribution of the second phase of DD halved in the following year for villages with developed status. • The BLT-DD budget is a maximum of 35% of the DD received; with possibility of exceeding the provision as per approval of the <i>bupati/mayor</i>. • Beneficiary Criteria: (1) poor families in the village; and (2) not yet received the Family Hope Program, Basic Food Cards, and Pre-Employment Benefits. • Data Collection: Considering DTKS. • Amount: IDR 600,000. • Period: 3 months.
<i>Inmendagri</i> No. 3 of 2020	21 April 2020	<ul style="list-style-type: none"> • Technical details following the Ministry of Finance and Ministry of Village. • Arrangements related to recording and distribution (cash and/or non-cash, budget execution flow, facilitation, reporting, and monitoring).
PMK No. 50/PMK-07/2020	19 May 2020	Amending PMK No. 40/PMK.07/2020: <ul style="list-style-type: none"> • Budget: There is no explicit mention of the maximum amount of the BLT-DD budget. • Amount: IDR 600,000 (first 3 months) and IDR 300,000 (next 3 months). • Period: 6 months (April to September 2020).

²⁸ The words in bold are changes or differences from the previous rule.

Peraturan	Tanggal	Hal yang Diatur
<i>Permendes</i> No. 7 of 2020	16 June 2020	Amending <i>Permendes</i> No. 6 of 2020: <ul style="list-style-type: none"> • Data Collection: Included in DTKS updates. • Amount: IDR 600,000 (first 3 months) and IDR 300,000 (next 3 months). • Period: 6 months (April to September 2020).
<i>Permendes</i> No. 14 of 2020	30 September 2020	Amending <i>Permendes</i> No. 6 of 2020 and <i>Permendes</i> No. 7 of 2020: <ul style="list-style-type: none"> • Amount: IDR 600,000 (first 3 months) IDR 300, (next 6 months). • Period: 9 months (April to December 2020).
PMK No. 156/PMK-07/2020	14 October 2020	Amending PMK No. 40/PMK.07/2020 and PMK No. 50/PMK-07/2020: <ul style="list-style-type: none"> • Budget: The remaining BLT-DD budget can be used for PKTD and strengthening BUM <i>Desa</i>. • Amount: IDR 600,000 (first 3 months) IDR 300,000 (next 6 months). • Period: 9 months (April to December 2020).

ANNEX 2. SELECTED VILLAGE DEVELOPMENT INDICATORS (2018–2020)

Figure 24. **Percentage of KOMPAK Villages with Access to Health Services (% of Village)**

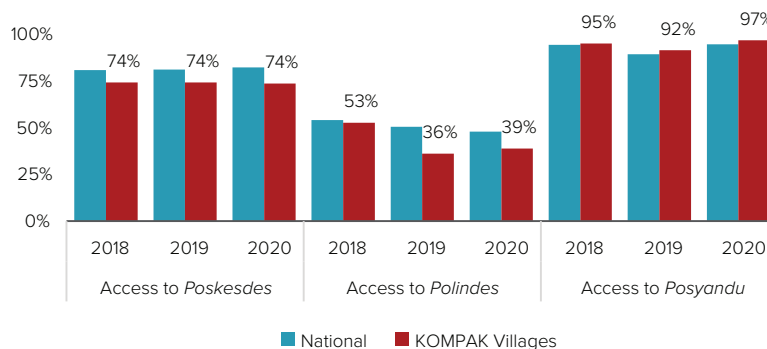


Figure 25. **Percentage of KOMPAK Villages with Access to PAUD (% of Village)**

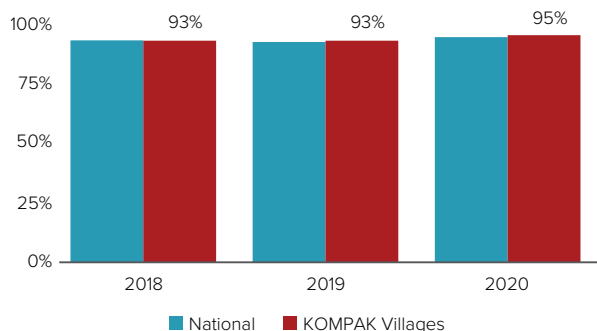


Figure 26. **Percentage of KOMPAK Villages with Asphalt/Concrete Road Access and Passable Year-Round (% of Village)**

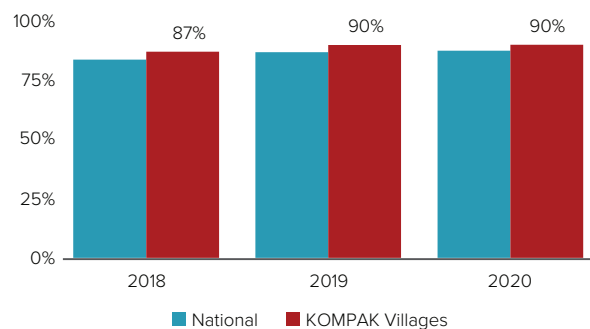


Figure 27. **Percentage of KOMPAK Villages with BUM Desa (% of Village)**

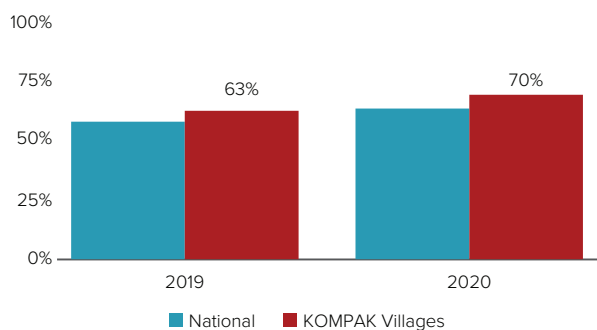
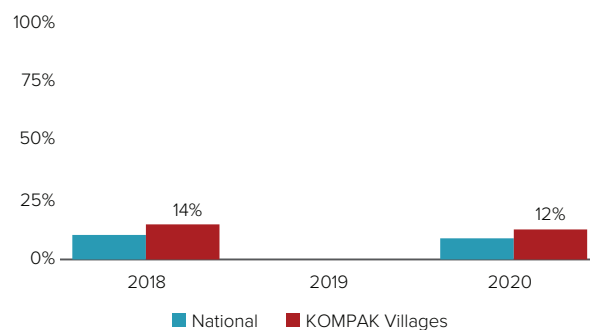


Figure 28. **Percentage of Households with Informal Houses in KOMPAK Villages (% of Households in Villages)**



Number of KOMPAK villages: 411

Source: PODES 2018, PODES 2019, PODES 2020 (BPS); KOMPAK Staff Calculation

KOMPAK

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