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Review of the 2019 **VILLAGE BUDGET** (APB Desa) in KOMPAK Locations



KOMPAK

Kolaborasi Masyarakat dan Pelayanan untuk Kesejahteraan
Kemitraan Pemerintah Australia - Indonesia



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PREFACE

Kecamatan and Village Strengthening is one of the flagship supported by KOMPAK (*Kolaborasi Masyarakat dan Pelayanan untuk Kesejahteraan*), an Australia-Indonesia Government Partnership that closely works with the Ministry of Home Affairs. The objective of this flagship is to strengthen village capacity in promoting inclusive planning and budgeting to ensure basic services provision in the village. As such, village government will be held responsible in accommodating the needs of the community in accordance with their authorities.

To achieve this goal, KOMPAK has supported local governments to strengthen village governments in ensuring a more inclusive planning and development. The activities include: the piloting and implementation of Integrated Village Government Apparatus Capacity Development (PKAD Terpadu), the development and data utilisation using village information systems as well as promoting inclusive development by involving women and vulnerable groups in village meetings. All KOMPAK activities aim to increase access and the capacity of village officials in managing finance, encourage timely submission of budget documents and formulate village expenditure allocations to address community needs, and raise awareness of the importance of community participation in village development. In 2019, KOMPAK's activities were spread across 436 villages, 25 districts and seven provinces.

One measure of success is the change in revenue and expenditure patterns in KOMPAK-supported locations. Therefore, KOMPAK conducted the 2019 Village Revenue and Expenditure Budget (APB Desa) Study as a series of studies on village budgeting patterns. The presence of village budget allocations for basic services provisions reflects as an indicator of the program outcomes and encourages the sustainability of the impact of KOMPAK investment.

We hope that the Review of the 2019 Village Budget in KOMPAK Locations will not only provide an overview of village revenue and expenditure that are beneficial for program learning, but also serves a knowledge product for policy discussions, especially on how village budget priorities complement the higher-level government spending. Therefore, findings from this study can also provide feedback for improving both policy formulation and implementation of the village planning and budgeting cycle.

Salam KOMPAK!

Lily Hoo
Director of Performance, KOMPAK

LIST OF ABBREVIATIONS

ADD	Village Fund Allocation
Admindak	Civil Registration and Vital Statistic
APBD	Regional Budget (District/Municipality/Province)
APB Desa	Village Budget
BKB	Assistance for Families with Children Under-Five
BPD	Village Council
BUM Desa	Village-Owned Enterprises
DAU	General Allocation Fund
DBH	Revenue Sharing Fund
DD	Village Fund
DTKS	Integrated Social Welfare Data
IKG	Geographic Difficulty Index
IMF	International Monetary Fund
IPD	Village Development Index
KB	Family Planning Program
KOMPAK	<i>Kolaborasi Masyarakat dan Pelayanan untuk Kesejahteraan</i>
LED	Local Economic Development
LHS	Left-Hand Side
MoHA	Ministry of Home Affairs
NTB	Nusa Tenggara Barat
PADes	Village Own-Source Revenues
PAUD	Early Childhood Education and Development
PbMAD	Independent Learning of the Village Apparatus
Pemdes	Village Government
Permendesa	Minister of Village Regulation
PFM	Public Financial Management
PKAD	Village Apparatus Capacity Development
PKK	Family Welfare Movement
PODES	Village Potential Statistics
Polindes	Village Maternity Facility
Poskesdes	Village Health Post
Posyandu	Integrated Health Service Post
PP	Government Regulation
PTPD	Village Governance Facilitators
RHS	Right-Hand Side
RKPDes	Village Government Work Plan
RPJM Desa	Village Medium-Term Development Plan
RT/RW	Neighbourhood Organisations
SID	Village Information System
SILPA	Financing Surplus/Deficit
Siltap	Village Officials Salary
SISKEUDES	Village Financial System
TK	Kindergarten
UMKM/MSMEs	Micro, Small, and Medium Enterprises

TABLE OF CONTENTS

Preface	ii
List of Abbreviations	iv
Table of Contents	v
List of Figures	vi
List of Tables	ix
List of Boxes	ix
Executive Summary	x
1. Background	1
2. Research Objectives and Questions	3
3. Methodology and Study Limitations	4
4. Data Explanation and General Findings	8
5. Revenue	13
6. Expenditure: Overview by Functions and Activities	16
7. Expenditure: General Government Function	19
8. Expenditure: Public Works and Spatial Planning Function	23
9. Expenditure: Health	26
10. Expenditure: Education	30
11. Expenditure: Local Economic Development (LED)	33
12. Expenditure: Population Administration and Civil Registration	36
13. Expenditure: Village Information System	39
14. Expenditure: Village Apparatus Capacity Development (PKAD)	43
15. Financing	46
16. Conclusions and Recommendations	48
17. Annex	50
18. References	53

LIST OF FIGURES

Figure 1.	Percentage of KOMPAK Villages in the Study by District.....	8
Figure 2.	KOMPAK Villages and Study Sample.....	8
Figure 3.	Villages Distribution by Village Expenditure Quintiles per Capita and Province.....	9
Figure 4.	Average Population per Village in 2018 by Province.....	9
Figure 5.	The 2019 Village Budget based on the Regulation of the Minister of Home Affairs No. 20/2018	10
Figure 6.	KOMPAK Village Average Expenditure per Capita by <i>Subbidang</i>	12
Figure 7.	Village Revenue.....	13
Figure 8.	Village Fund by Village Development Index (IPD) Status 2014.....	14
Figure 9.	Composition of Village Revenue.....	14
Figure 10.	Village Own-Source Revenue and Other Revenue	15
Figure 11.	Total Village Expenditure by Province.....	16
Figure 12.	Village Expenditure per Capita by Province	16
Figure 13.	Village Expenditures by Economic Classification.....	17
Figure 14.	Village Expenditure (Economic Classification) by Province.....	17
Figure 15.	Village Expenditures by Function	18
Figure 16.	Expenditure per Capita by Function (IDR).....	18
Figure 17.	Activities with the Largest Share of Budget Allocation in 2019.....	18
Figure 18.	Village Expenditure on General Government Function by Province.....	19
Figure 19.	Village Expenditure per Capita on General Government Function by Province	19
Figure 20.	Activities of General Government Function (%).....	20
Figure 21.	Activities of General Government Function (%) by Province.....	20
Figure 22.	Village Expenditure on Salaries and Village Government Operations by Province	21
Figure 23.	Village Expenditure per Capita on Salaries and Village Government Operations by Province.....	21
Figure 24.	Percentage of KOMPAK Villages, Fulfilling 30% of Salaries by Village Expenditure Quintiles	22
Figure 25.	Percentage of KOMPAK Villages, Fulfilling 30% of Salaries by Province.....	22
Figure 26.	Percentage of KOMPAK Village, Fulfilling 30% of Salaries by 2014 Village Development Index (IPD) status	22
Figure 27.	Village Expenditure on Public Works and Spatial Planning Function by Province.....	24
Figure 28.	Village Expenditure per Capita on Public Works and Spatial Planning Function by Province.....	24
Figure 29.	Activities of Public Works and Spatial Planning Function (%).....	25
Figure 30.	Activities of Public Works and Spatial Planning Function (%) by Province.....	25
Figure 31.	Village Geographical Difficulty Index (IKG) and Village Expenditures per Capita on Public Works and Spatial Planning Function	25

Figure 32.	Percentage of Villages that Have Quality Roads and Village Expenditure per Capita on Public Works and Spatial Planning Function	25
Figure 33.	Village Expenditure on Health Function by Province.....	27
Figure 34.	Village Expenditure per Capita on Health Function by Province.....	27
Figure 35.	Activities of Health Function (%)	28
Figure 36.	Activities of Health Function (%) by Province	28
Figure 37.	Expenditure Details on Health Function (%)	28
Figure 38.	Percentage of Village with Posyandu and Poskesdes and Expenditure on Health Function in the Village Budget	29
Figure 39.	Village Expenditure on Education Function by Province.....	30
Figure 40.	Village Expenditure per Capita on Education Function by Province	30
Figure 41.	Activities of Education Function (%).....	31
Figure 42.	Activities of Education Function (%) by Province	31
Figure 43.	Expenditures Details on Education Function (%).....	31
Figure 44.	Percentage of Villages that have PAUD Facility and Kindergarten in the District and the Percentage of Village Expenditure on Education Function in the Village Budget	32
Figure 45.	Village Expenditure on Local Economic Development by Province.....	33
Figure 46.	Village Expenditure per Capita on Local Economic Development by Province	33
Figure 47.	Allocation of Expenditures on Local Economic Development (%)	34
Figure 48.	Allocation of Expenditures on Local Economic Development (%) by Province	34
Figure 49.	Expenditure Details on Local Economic Development (%).....	35
Figure 50.	Village Expenditure on Civil Registration by Province	36
Figure 51.	Village Expenditure per Capita on Civil Registration by Province	36
Figure 52.	Civil Registration Activities (%).....	37
Figure 53.	Civil Registration Activities by Province (%).....	37
Figure 54.	Expenditure Details on Civil Registration (%).....	37
Figure 55.	Village Expenditure on Village Information System by Province	39
Figure 56.	Village Expenditure on Village Information System per Capita by Province.....	39
Figure 57.	Expenditure Details on Village Information System Activities (%)	40
Figure 58.	Percentage of Villages by Village Information System Utilisation.....	41
Figure 59.	Percentage of Villages with Village Information System by Province	41
Figure 60.	The Percentage of KOMPAK Villages with Working Computer and Internet Facilities in Village Offices	41
Figure 61.	Village Expenditure on PKAD by Province	44
Figure 62.	Village Expenditure per Capita on PKAD by Province.....	44
Figure 63.	Village Apparatus Capacity Development Activities (%).....	44
Figure 64.	Village Apparatus Capacity Development Activities (%) by Province	44

Figure 65.	Expenditure Details on Village Apparatus Capacity Development Activities (%).....	45
Figure 66.	Village Budget Policies.....	47
Figure 67.	Village Budget Policies by Province	47
Figure 68.	Village Budget Surplus/Deficit by Province.....	47
Figure 69.	Village Budget File Format	50
Figure 70.	The Number of SISKEUDES and Non-SISKEUDES Villages	50
Figure 71.	The Percentage of SISKEUDES Utilization in KOMPAK Villages.....	50
Figure 72.	Village Distribution by Province and the 2014 IPD Status.....	51
Figure 73.	Village Distribution by Village Expenditure Quintile per Capita and the 2014 IPD Status	51
Figure 74.	Expenditure Allocations on Local Economic Development Activities in KOMPAK Locations (%).....	51

LIST OF TABLES

Table 1.	KOMPAK Survey (December 2019).....	4
Table 2.	Village Budget Collected.....	52

LIST OF BOXES

Box 1.	KOMPAK Survey at District, Subdistrict, and Village Levels	4
Box 2.	Stipulation Timing of the 2019 Village Budget (APB Desa)	7
Box 3.	KOMPAK's Support for the Health Sector.....	29
Box 4.	KOMPAK's Support for the Education Sector.....	32
Box 5.	Implementing the KOMPAK Market Linkages Program	35
Box 6.	Strengthening Population Administration and Civil Registration Services	38
Box 7.	Establishing and Strengthening the Village Information System (SID).....	42
Box 8.	KOMPAK's Support for Subdistrict and Village Strengthening	45

EXECUTIVE SUMMARY



As a governance facility, KOMPAK works at every government level, from the national to the village. KOMPAK seeks solutions to the main challenges of providing basic social services that improve the welfare of the Indonesian community. For more than five years, KOMPAK has encouraged stronger development planning and coordination, supported more inclusive and effective regional governments, and as one of the methods, assisted in creating performance-oriented and efficient public financial management systems.

One of KOMPAK's main outcomes is for village governments to have the right skills, mechanisms, and data to serve their communities. One way to measure these outcomes is by analysing the allocation of fiscal resources for KOMPAK-supported sectors, which indicate changes in budget policy priorities, investment leverage, and institutionalization that ensure program success and sustainability. KOMPAK therefore collects, monitors, and analyses village budgets in our support areas to observe the patterns in the revenue and expenditure mix.

In 2019, KOMPAK worked in 436 villages, 25 districts, and seven provinces. From those locations, the study obtained financial data from 272 villages (62%), then referred to as KOMPAK villages. The study results illustrate the village budgeting patterns in KOMPAK's working areas. This study is not designed to provide an overview at the national level, nor as a comparison with villages outside KOMPAK locations. The main focus of this study is to analyse only 2019 budget documents and does not aim to provide an overview of changes over years.



On average, KOMPAK villages had a total budget of IDR 1.97 billion in 2019, or equivalent to IDR 528 thousand per capita. Variations in revenue, expenditure and budget balance policies are observed among villages expenditure per capita by quintile group, province, and village development status.

Most of KOMPAK's village revenue in 2019 came from transfers, both from Village Fund (DD) and Village Fund Allocation (ADD). There are differences in the composition of village revenue in each province. The Village Fund contributed as much as 75% of total village revenue in Aceh, but only 45% in South Sulawesi, for example. The revenues of KOMPAK villages with Village Own-Source Revenue (PADes) are derived from village assets such as land, markets, sports facilities, and Village-Owned Enterprises (BUM Desa).

Based on standard economic classification, nearly half of village expenditure was capital expenditure, followed by goods and services (35%), and personnel expenditure (18%). Villages in Central Java, East Java, West Nusa Tenggara (NTB), and Papua had a larger allocation of capital expenditures than other types, while goods and services dominated expenditure in South Sulawesi and Papua Barat.



Based on functional classification, the three largest village expenditures in the 2019 village budgets included General Government (35%),¹ Public Works and Spatial Planning (31%), and Housing and Settlement (12%). Allocation for other functional expenditures was approximately 22% of the total. Expenditures on Local Economic Development (LED) and Health functions reached 6% each, while expenditures on Education and Socio-Cultural functions amounted to 4% each.

Although more than one-third of village expenditures are allocated for General Government functions, 82% of KOMPAK villages have village official salaries and allowances, as well as village government operational expenditures, below the maximum limit of 30%. The level of village compliance in conforming with the maximum expenditure varies. As spending increases, villages tend to comply more with the regulations of maximum spending on salaries of officials and village government operations. However, there are still several KOMPAK villages in the East Java, West Nusa Tenggara, and Papua provinces that have not fulfilled these requirements.

One-third of total village expenditure was allocated for Public Works and Spatial Planning functions, and three-quarters of that expenditure was used for road construction and maintenance, as well as village-level road and bridge infrastructure. This is appropriate given the limited access to roads in KOMPAK villages. In addition to building new infrastructure, village governments also allocated a significant amount for infrastructure maintenance. In general, one-fifth of expenditure on Public Works and Spatial Planning functions was allocated for maintenance. This indication is significant because it shows that villages have begun to focus on maintaining their infrastructure to keep it in optimal condition.

¹ Addition of *Bidang* of Village Administration and *Subbidang* of Village Apparatus Capacity Development.



Village governments allocated IDR 109 million (IDR 29 thousand per capita) in 2019, or 5.5% of their expenditure for public health. Two-thirds of that spending was used for the *Posyandu* (Village Integrated Healthcare Centers), followed by construction and renovation of village health facilities/infrastructure, and community health education. Village expenditure on health care includes 42% for goods and medicine purchases, 23% for personnel, and 11% each for building construction and community goods and services.

Expenditure on Education in KOMPAK villages reached IDR 72 million (IDR 19 thousand per capita) or 3.6% of total village expenditure, in 2019. Most of the education expenditure was for Early Childhood Education (PAUD) and kindergarten (TK) and also for the construction and provision of facilities/infrastructure, operations, and community education counselling. Expenditure on education included 40% for building construction, 22% for honoraria, and 15% for community goods and services.

Village governments provided IDR 102 million per year (IDR 27 thousand per capita) or 5.2% of their total expenditure for Local Economic Development (LED). This expenditure is allocated for several sectors, including Agriculture and Animal Husbandry, Investment Support, Cooperatives, Micro, Small, and Medium Enterprises (UMKM), Trade and Industry, as well as Maritime Affairs and Fisheries. Expenditure on LED functions was relatively balanced between facilities/infrastructure construction and maintenance, training/mentoring and community business development activities, as well as community assistance.

The allocation of village expenditures for KOMPAK-supported issues (Population Administration and Civil Registration, Village Information Systems, and Village Apparatus Capacity Development) began to be reflected in 2019 village budgets. Village spending variations across KOMPAK locations may be influenced by the differences in KOMPAK support, and the differences in the governance improvement model adopted by the villages. However, further evaluation is required as to how KOMPAK's advocacy has influenced changes in village expenditure patterns.

Expenditure for Civil Registration reached IDR 4 million (IDR 1,100 per capita) or 0.2% of total village expenditure, with those villages in Aceh having the highest Civil Registration expenditure per capita.

Of the total budget, 86% was allocated for general and civil registration services (related to Identity Card Recommendation Letters, Birth Certificates, and Family Cards). The rest was allocated for monitoring activities related to increasing public awareness of the importance of civil registration. Village expenditures on civil registration include 48% for honoraria, 32% for stationeries and other types of equipment, as well as 18% for business trips.

The Village Information System (*Sistem Informasi Desa – SID*) required a budget of IDR 7.7 million in 2019 (IDR 2,100 per capita) or 0.4% of total expenditure. Villages in Central Java had the highest proportion of SID expenditure to their budgets. Expenditures on SID included 40% for honoraria, 28% for capital expenditures, 15% for nourishment and stationeries, and 13% for business trips. Differences in budgets for SID in KOMPAK villages is because not all villages own and utilise the system.

In 2019, village Governments allocated IDR 28.5 million (IDR 8 thousand per capita) or 1.4% of total expenditure for Village Apparatus Capacity Development (PKAD), of which 70% was spent to increase the capacity of village heads and officials. Village Council (BPD) members only received an allocation of 15% for capacity development. Expenditure for Village Apparatus Capacity Development included 30% for training costs, 25% for business trips, 23% for stationeries, and 22% for honoraria and other costs.

Eighty percent of KOMPAK villages had varying amounts of surplus or deficits. Almost all financing revenues came from financing surplus (SILPA), while most financing expenditures were used for village equity participation.

1 BACKGROUND



As a governance facility, KOMPAK works at every government level, from the national to the village. KOMPAK seeks solutions to the main challenges in providing basic social services that improve the welfare of the Indonesian community.

In 2019, KOMPAK worked in 436 villages, 25 districts, and seven provinces (Aceh, Central Java, East Java, West Nusa Tenggara, South Sulawesi, Papua Barat, and Papua). KOMPAK encourages strong development planning and coordination, supports inclusive and effective regional governments, and has assisted in creating performance-oriented, efficient public financial management systems in Indonesia for more than five years.

KOMPAK also works at the local level in supporting regulations to improve village planning, budgeting and financial management. Using other social accountability methods, KOMPAK encourages governments to improve services with a specific focus on women, poor, and vulnerable populations. It is expected that social accountability tools and mechanisms are coherently institutionalized in the planning and budgeting process.

One of KOMPAK's main purposes is for village governments to have the skills, mechanisms, and data to improve social services for their communities. KOMPAK therefore actively collects, monitors, and studies village budget patterns in supported areas to observe the composition of revenue and expenditure. The allocation of fiscal resources for KOMPAK-supported sectors in the villages showed some success with changes in budget policy priorities, investment leverage, and institutionalization that ensure the program's sustainable results.

Village budget analysis is crucial to ensuring that KOMPAK activities are evidence-based and provide feedback for program evaluation and learning. The main objective of this study is to identify the patterns of village revenue and expenditure in 2019 as a baseline. The study also functions as a data source on village budgeting for discussions on the coherence of national and sub-national priorities, as well as the commitment of village governments to accommodate local preferences. The findings of this study provide documentation to strengthen the transparency and accountability of village budgets at both the policy and implementation levels.

Using a similar method applied in a study conducted by the World Bank (2019),² KOMPAK conducted a limited analysis of 2015–2016 village budgets in its supported areas (KOMPAK and World Bank, 2016).³

The analysis covered financial data from approximately 100 KOMPAK villages in Aceh, East Java, and West Nusa Tenggara, and found that 80% of village expenditures in that year were used for activities related to Public Works and Spatial Planning, as well as General Government. However, the total expenditure on these two areas varied among districts. Villages in Sumbawa had the largest budget allocation for General Government, (69%), while in Aceh Barat it only reached 28%. As for Public Works and Spatial Planning, villages in Trenggalek District provided the largest budget allocations (56%), while those villages in Sumbawa provided 20%.

The findings of the aforementioned study were still in aggregate form and could not illustrate the whole picture of KOMPAK villages, nor take into account any differences across provinces. The study also did not observe in detail how the budget was allocated for those issues supported by KOMPAK. This was because the inconsistency in naming revenue and expenditure line items made it difficult to map the budget per activity. The budget items were interpreted differently by the various village governments, and so budget placements often differed from one village to another.

The World Bank's ViPER Study (2019) also confirmed the challenges of analyzing expenditures in the village budget due to differences in the naming of each activity within a village budget. This limitation at the sector level made village expenditure analysis less meaningful. In the previous village budget format, before the implementation of Minister of Home Affairs (MoHA) Regulation No. 20/2018, one village activity was spread across various fields which required reclassification of village expenditures based on functions.

This review of 2019 village budgets at KOMPAK locations attempts to minimize the limitations of the previous study and develop information using the latest budgets. This study also accommodates applicable changes, especially with the use of the Village Financial System (SISKEUDES) and the implementation of MoHA Regulation No. 20/2018 concerning Village Financial Management. With the new system and regulations, a reclassification of village expenditure as per the previous study can be avoided. To facilitate synchronization with expenditures at higher government levels, and compare findings from the previous study, this study classifies expenditures based on functions as per Law No. 23/2014 concerning regional governments. In addition, this study identifies village budgeting for KOMPAK-supported affairs.

Organized into several sections, this study first describes its background, objectives, methodology, and limitations. The second section presents general data and findings. The next section explains the findings on the village budgets in detail based on revenue, expenditure, and financing components. Due to the broadness of the components, this study only discusses expenditure on the activities of the General Government, Public Works and Spatial Planning, Health, Education, Local Economic Development (LED), and items related to those supported by KOMPAK. The final section closes with conclusions and recommendations.

² World Bank (2019) Policy Note on Redefining Village Expenditure Classification: Towards a Better Tracking of Village Spending.

³ KOMPAK and World Bank (2016) APBDes Analysis 2015–2016 - Villages in Aceh, East Java, and NTB Provinces (powerpoint presentation).

2 RESEARCH OBJECTIVES AND QUESTIONS

The main objective of this study is to observe the 2019 village budget patterns as a baseline. To make the study's broad objectives more operational, this study specifically aims to:

1. Provide an overview of revenue, expenditure, and financing patterns in KOMPAK villages.
2. Identify the extent to which KOMPAK villages allocate their expenditures for five main functions, i.e., General Government, Public Works and Spatial Planning, Education, Health, and Local Economic Development (LED).
3. Observe the extent to which KOMPAK villages allocate their expenditures related to issues supported by KOMPAK, including Population Administration and Civil Registration, Village Information System, and Village Apparatus Capacity Development.



From those objectives, this study formulates research questions into four main questions:

1. What is the composition of KOMPAK's village revenue in 2019?
 - a. To what extent do village governments depend on transfers, especially from the Village Fund and Village Fund Allocation?
 - b. What sources of revenue contribute to Village Own-Source Revenue?
 - c. Does the village have Other Legal Village Revenue?
2. How is the allocation of KOMPAK village expenditure in 2019 related to the functions of the General Government, Public Works and Spatial Planning, Education, Health, and Local Economic Development?
3. How is the allocation of KOMPAK village expenditure in 2019 related to issues supported by KOMPAK, i.e., Population Administration and Civil Registration; Village Information System; Village Apparatus Capacity Development?
4. Did KOMPAK villages in 2019 conduct a balanced budget policy, surplus, or deficit? What was the composition of KOMPAK village financing in 2019?

3 METHODOLOGY AND STUDY LIMITATIONS

This study includes all the villages supported by KOMPAK (436 villages in 25 districts and seven provinces). Village budget data for 2019 in various formats were collected, both in the districts that use the SISKEUDES village financial system and those that don't yet, including images, SISKEUDES PDF of output, or Excel files.⁴ The collection of financial documents was carried out by using copies of village and district budgets to obtain financial data from 272 villages. Only budgets from 2019 were analysed, so trends over years are not described or compared.

The research team carried out a descriptive analysis of revenue, expenditure, and financing, both in general and in detailed ways, if possible. The information was gathered to present an overview of the situation related to KOMPAK villages by comparing revenue, expenditure per capita, and the proportion of expenditure per village to the total village budget. Other data sources include 2018 Village Potential (PODES 2018) and primary data collected by KOMPAK.

BOX 1. KOMPAK SURVEY AT DISTRICT, SUBDISTRICT, AND VILLAGE LEVELS

KOMPAK conducted a survey to provide an overview of the current situation in all supported districts, sub-districts, and villages, in December 2019.

The survey was conducted by the KOMPAK monitoring and evaluation team by visiting or contacting village officials representatives using a structured questionnaire intended to collect information on various regional characteristics related to KOMPAK activities. For instance, whether village officials received a training on planning and budgeting in the past six months from KOMPAK program, development partners, or government agencies.

The survey aimed to provide program information as materials for refining interventions and benchmarks for progress in the next one or two years.

TABLE 1. KOMPAK SURVEY (DECEMBER 2019)

	COLLECTED	TARGET	PERCENTAGE (%)
District Survey	24	24	100
Subdistrict Survey	42	43	98
Village Survey	418	426	98*

* The survey did not collect data from six villages and one subdistrict in Nabire District, Papua, and two villages in Papua Barat (Fakfak and Kaimana Districts) because no personnel were available and found difficulty in accessing the locations.

⁴ The study only used village budget documents and did not analyse the changes or the realization of APB Desa.



In this study, villages were disaggregated based on the quintiles of expenditure per capita, province and the 2014 Village Development Index (IPD).⁵

To compile village expenditure quintile per capita, the study divided village expenditure by the number of people in each village, ranked the results from lowest to highest, then classified them into five equal numbers of classes. Disaggregation by category allowed comparisons among group characteristics.

By applying the principles of public financial management, this study refers to three budget classifications recommended by the IMF: administrative, economic and functional classifications (Jacobs, et al., 2009). Administrative classification indicates the authority of budget executors, while economic classification explains the form of expenditure on salaries, goods and services, as well as capital. Functional classification categorizes expenditures according to their goals and objectives.

MoHA Regulation No. 20/2018 serves as the first step in public finance analysis based on the above budget classifications. This study also refers to the nomenclature of village financial documents for several matters, such as activities, details and expenditures. In the administrative classification, village budgets are formulated specifically to allow comparison of expenditure allocation in each village or perform aggregation at other levels.

MoHA Regulation No. 20/2018 also helped in carrying out an analysis based on economic classification. The regulation requires villages to provide markers based on expenditure types, including (1) personnel expenditure; (2) goods/services; (3) capital; and (4) contingency expenditure. According to the regulation, personnel expenditure includes salaries, allowances, other revenues, and social security payments for village heads and village officials, as well as village council allowances. Goods/services expenditure is that used for the procurement of goods/services with an economic benefit value of fewer than 12 months. Capital expenditure is that used for the procurement of goods with an economic benefit value of more than 12 months and that contribute to asset accumulation. Contingency expenditure is that spent on activities for disaster management, emergencies and urgent situations.

⁵ Village status based on IPD 2014 was used because the study did not have access to village level data on 2018 IPD scores. In addition, the study did not use another village development indicator, the 'Building Village Index' in 2018, due to the unavailability of data at the village level for Papua/Papua Barat Provinces.

However, to conduct a spending analysis by function, the division of *bidang* and *subbidang* in MoHA Regulation No. 20/2018 does not adequately describe the aims and objectives of each expenditure.⁶

This study classified expenditure on government functions according to Law No. 23/2014 on Regional Government (with slight adjustments), to facilitate the grouping of expenditures based on objectives, and to facilitate the consolidation of village expenditure to the regency/municipal level. Functional classification was carried out by identifying expenditures at the activity level in the village budgets. The nine functions developed in the analysis include:

1. General Government;⁷
2. Public works and spatial planning;
3. Housing and Settlements;
4. Local Economic Development (LED);⁸
5. Health;
6. Education;
7. Social and Culture;⁹
8. Public Order;
9. Miscellaneous.

Grouping of expenditures based on the above functions imply a shift in spending from one budget category to another. Take for example the General Government function, the components of which include salaries and allowances, village government operations, village apparatus capacity development, as well as village office development and maintenance. In MoHA Regulation No. 20/2018, these expenditures are recorded in various *bidang* and *subbidang*. Salaries and allowances for government officials, as well as village government operations, are in *Bidang* 1 (Village Administration), while the budget for village apparatus capacity development is in *Bidang* 4 (Village Community Empowerment). As a result, *bidang* and *subbidang* do not necessarily represent village government expenditures to carry out a specific function.

The limitations of this study are:

1. This study is intended to be an overview of KOMPAK supported village expenditure. It is not designed to provide an overview at the national level or explain the difference in expenditure at villages supported by KOMPAK and those that are not.
2. The village budgets that were collected have different levels of detail. Some documents were in summary format, while others were more specific. The detailed explanation of the analysis results is only based on part of the village so that the number of observations is smaller.

⁶ *Bidang* is a four-sector classification system used to categorize village spending: (1) Village Government; (2) Village Development; (3) Village Community Development; (4) Village Community Empowerment; (5) Contingency. *Subbidang* is a detailed classification below *bidang*.

⁷ General Government in a broad sense includes the village administration, Village Apparatus Capacity Development (PKAD), and construction/renovation of village head offices.

⁸ The aggregation of some basic non-service compulsory and optional functions: Agriculture and Animal Husbandry, Investment Support, Cooperatives, Micro, Small, and Medium Enterprises (MSMEs), Trade and Industry as well as Maritime Affairs and Fisheries. This aggregation illustrates a village government's support for Local Economic Development (LED).

⁹ It is an Integration of two functions: Social and Culture.

3. For non-SISKEUDES village budget documents, there may be discrepancies between the sum of the detailed budget and the stated value. To balance the calculation, this study added an unidentifiable item for the particular budget item (either positive or negative).
4. This study does not discuss the correlation between expenditure allocation and planning documents (Village Government Work Plans). Likewise, this study does not examine the quality of village financial management and its outputs/outcomes.

BOX 2. STIPULATION TIMING OF THE 2019 VILLAGE BUDGET (APB DESA)

The timing of village budgets is essential. In addition to the administrative purposes for disbursing the Village Fund and the Village Fund Allocation, the timely provision of the budget reflects the accountability of the village government. The continuity of village government operations and other activities are also highly dependent on the appropriate disbursement of the village budget. KOMPAK supports this issue by advocating for the suitable preparation of village budgets as an indicator of village government performance in calculating the Village Incentive Fund.

However, this study was unable to carry out an analysis in all locations because the village budget document from SISKEUDES does not specify a timeline. The date attached in the document is the date of export from SISKEUDES. The study only analyses documents that are not obtained from the SISKEUDES printout.

KOMPAK villages in Aceh Province set the 2019 village budget at the end of March 2019, or 88 days after the deadline of December 31st, 2018. Meanwhile, all KOMPAK villages in Agats Subdistrict, Papua, set the village budget deadline as March 5th, 2019.

Some villages in Central Java and East Java, on average, listed the deadline as December 28th or 31st, 2018 (the last two working days in 2018). Further investigation is required to ensure that the inclusion of the date is not backdated.

4 DATA EXPLANATION AND GENERAL FINDINGS

The study obtained financial data from 272 KOMPAK villages (62%) with universal coverage for those villages in the Aceh and South Sulawesi Provinces (Figure 1). The coverage was relatively low in Papua and Papua Barat due to logistical constraints during the data collection stage. In the districts of Sorong, Kaimana, Fakfak, Lanny Jaya, Jayapura, and Boven Digoel, researchers did not obtain any village samples. The data obtained came from Aceh (18 villages), Central Java (21 villages), East Java (85 villages), West Nusa Tenggara (86 villages), South Sulawesi (17 villages), Papua Barat (32 villages), and Papua (13 villages). The composition of the data collected reflects the overall composition of the villages with KOMPAK support (Figure 2).

FIGURE 1. PERCENTAGE OF KOMPAK VILLAGES IN THE STUDY BY DISTRICT

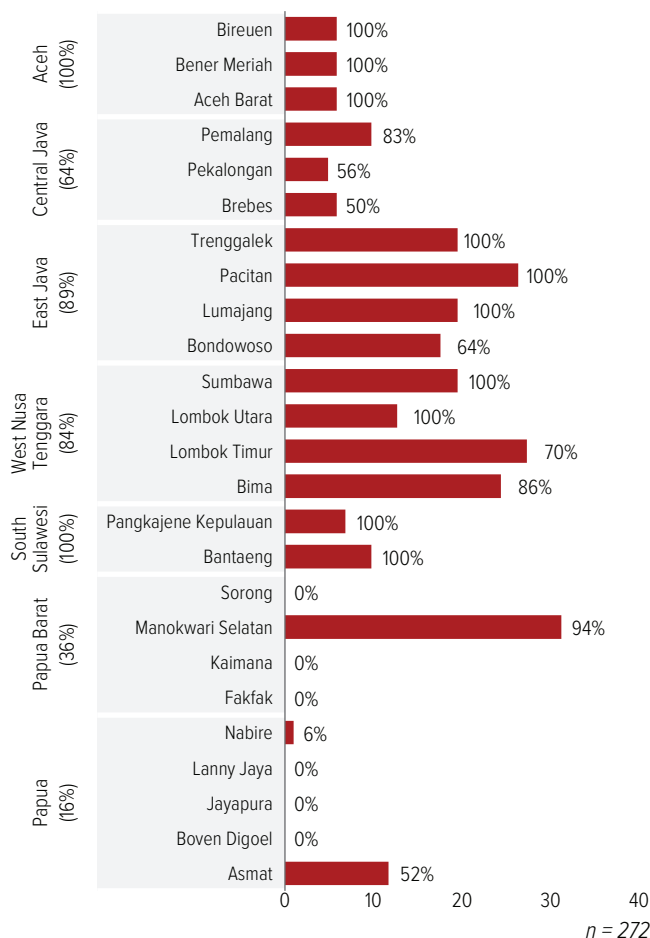
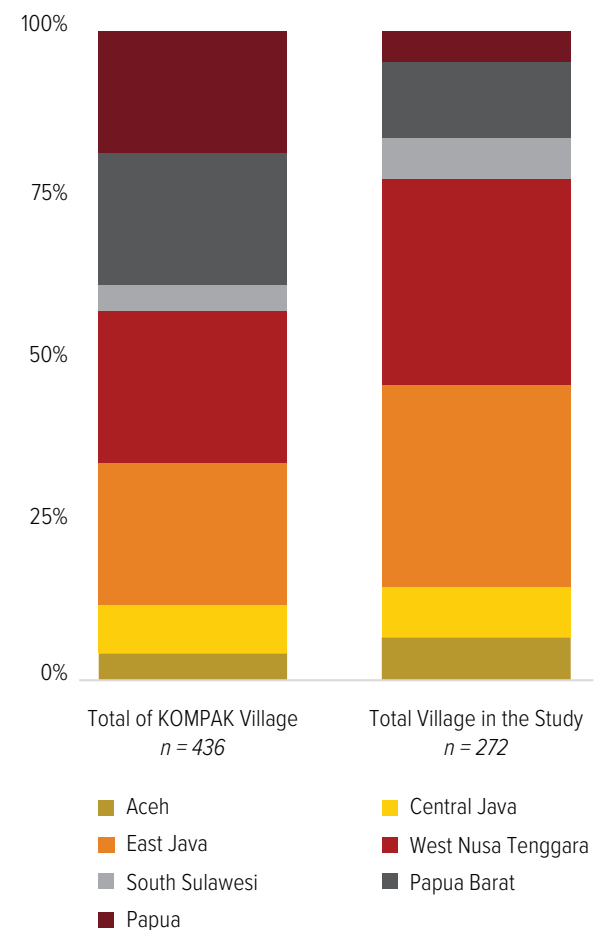


FIGURE 2. KOMPAK VILLAGES AND STUDY SAMPLE



Most of the villages in Papua and Papua Barat are in the upper quintile, as they are far less populated. In comparison, KOMPAK villages in Central Java have an average population of 7,237 or 12 times the average per village in Papua Barat and five times the average in Papua. Based on the status of the 2014 Village Development Index, there were 42 underdeveloped villages, 220 developing villages, and 10 developed villages included in the study.

FIGURE 3. VILLAGES DISTRIBUTION BY VILLAGE EXPENDITURE QUINTILES PER CAPITA AND PROVINCE

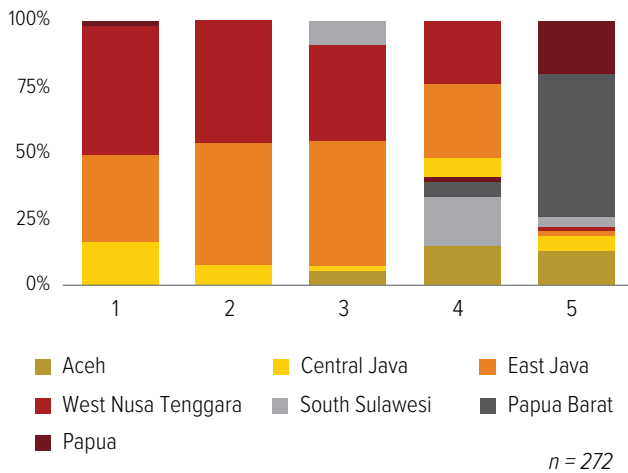
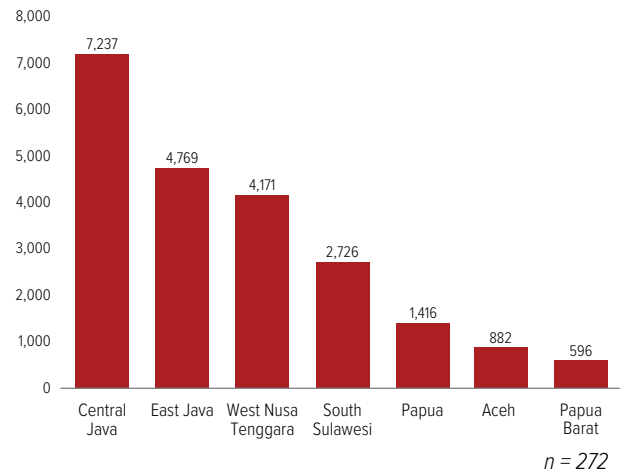
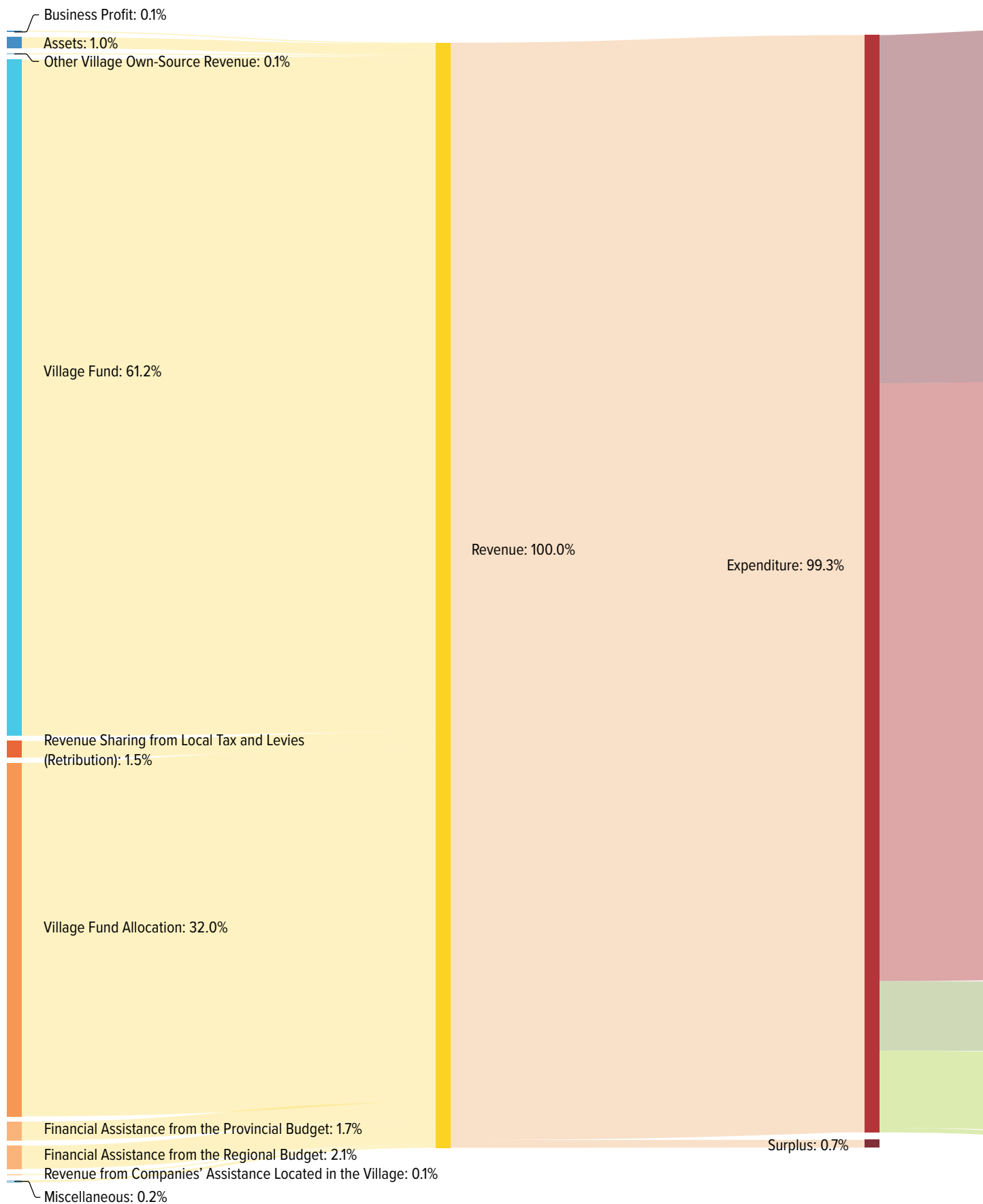


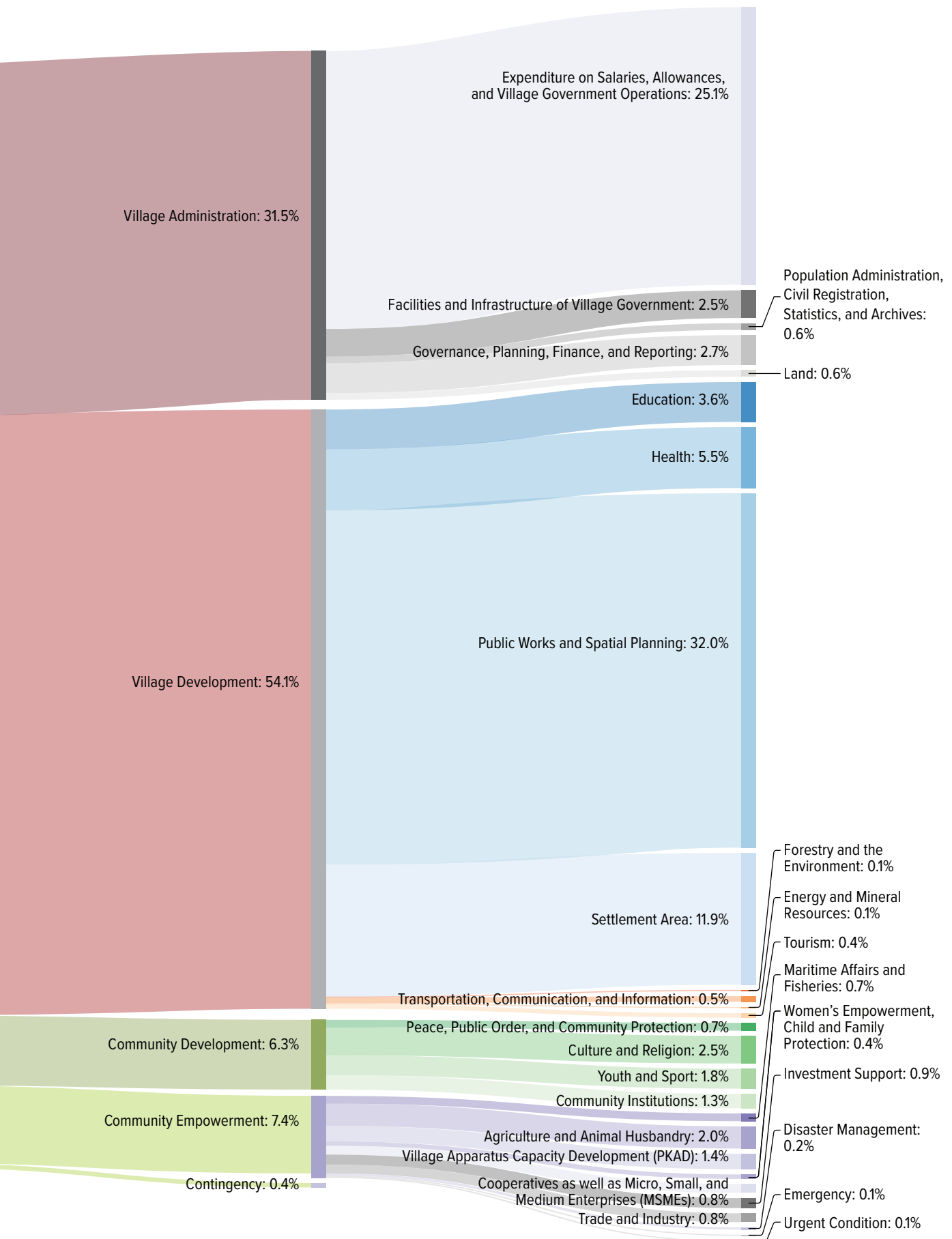
FIGURE 4. AVERAGE POPULATION PER VILLAGE IN 2018 BY PROVINCE



KOMPAK villages had revenues of IDR 1.98 billion, with an expenditure of IDR 1.97 billion and a surplus of IDR 13 million, in 2019. Figure 5 presents the flow of the village budget according to the division of *bidang* and *subbidang* in MoHA Regulation No. 20/2018. In general, 92 percent of village revenue comes from the Village Fund and the Village Fund Allocation. More than half of the expenditure was used for Village Development (*Bidang 2*), in which the majority of the allocation is for Public Works and Spatial Planning, Settlement Areas, Health, and Education. The second-largest expenditure is for Village Administration (*Bidang 1*), with Salaries and Village Government Operations being the largest of the line items.

FIGURE 5. THE 2019 VILLAGE BUDGET BASED ON THE REGULATION OF THE MINISTER OF HOME AFFAIRS NO. 20/2018

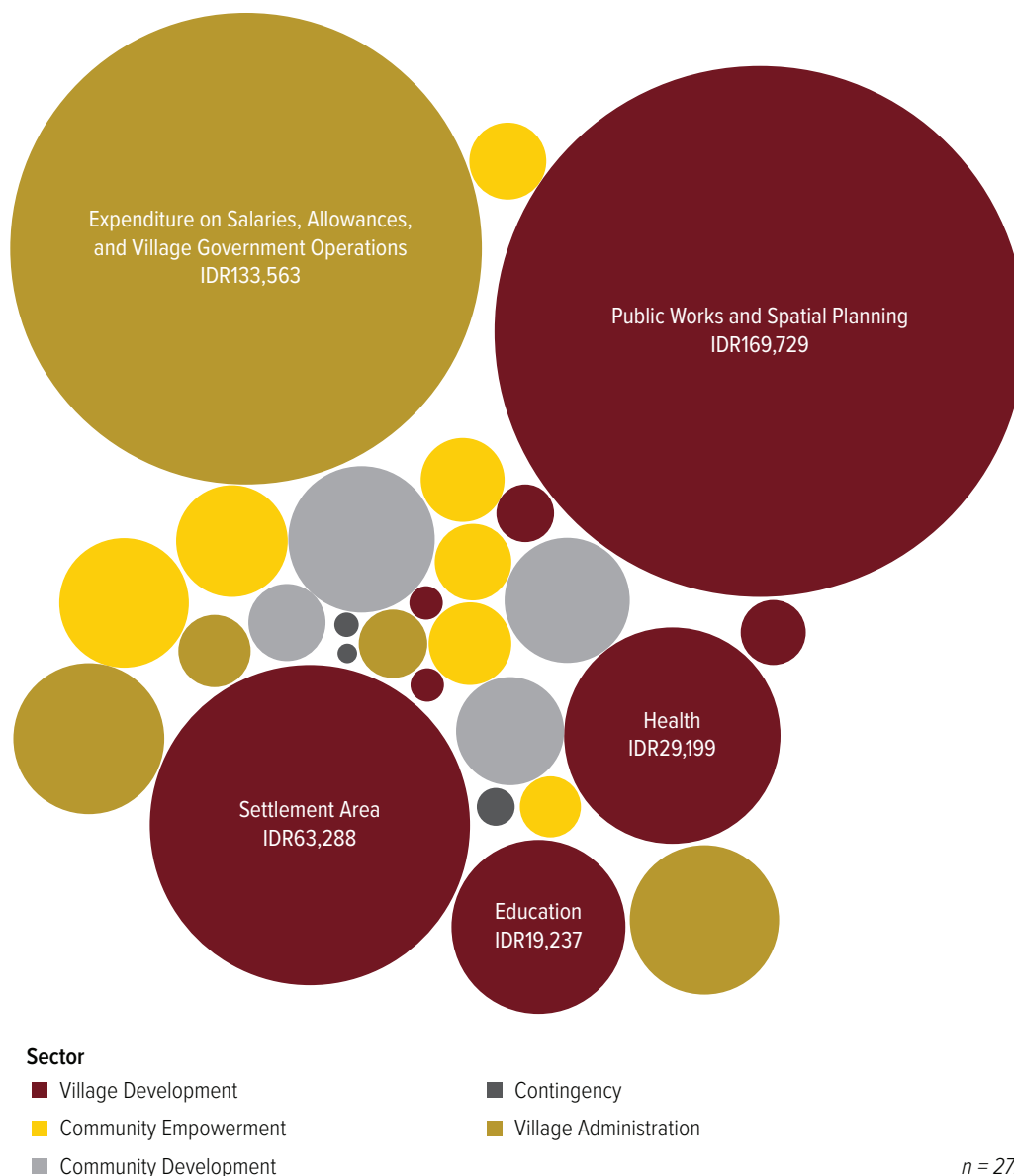




n = 272

The *Subbidang* of Public Works and Spatial Planning is the largest expenditure, which amounts to IDR 169,729 per capita, followed by the Village Expenditures on Salaries, Allowances, and Village Government Operations which was IDR 133,563 per capita. The third-largest expenditure is the Settlement Area *Subbidang* at IDR 63,288. Expenditures on the Health and Education *Subbidang* reached IDR 29,199, and IDR 19,237, respectively.

FIGURE 6. KOMPAK VILLAGE AVERAGE EXPENDITURE PER CAPITA BY SUBBIDANG



The study does not include any analysis using *bidang* and *subbidang* groupings as per MoHA Regulation No. 20/2018. However, the categorizations are based on functions. Apart from allowing for the consolidation of village expenditures at the district/city level, grouping by function answers how much village expenditure is allocated for specific functions.

5 REVENUE

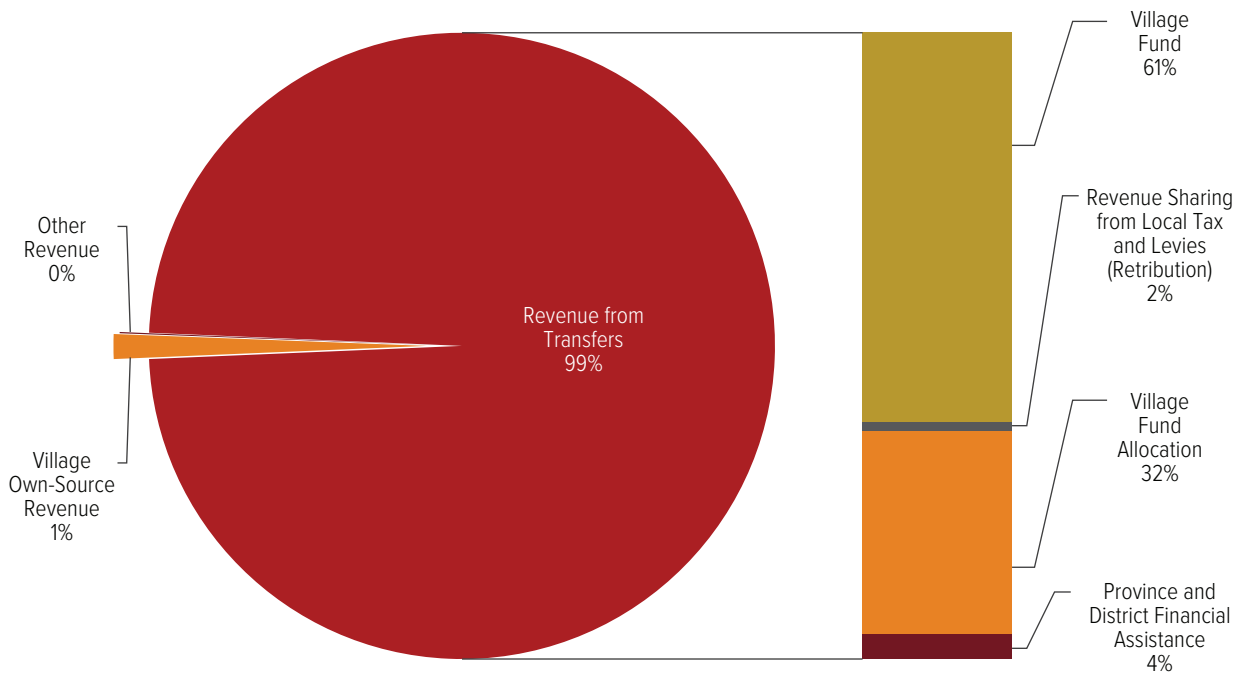
“

Most of KOMPAK village revenues in 2019 came from transfers, both from the Village Fund and the Village Fund Allocation.

”

Most of KOMPAK village revenues in 2019 came from transfers, both from the Village Fund and the Village Fund Allocation. On average, the Village Fund contributed 61%, the Village Fund Allocation 32%, the regional budget (APBD) financial assistance 4%, and the Revenue Sharing from Local Tax and Levies (Retribution), 2%. There were 112 villages in the analysis that provided detailed sources of revenue.

FIGURE 7. **VILLAGE REVENUE**



n = 112

Underdeveloped villages received more Village Fund than developing villages. This was due to the allocation of 3% of the total Village Fund ceiling in 2019 for underdeveloped and extremely underdeveloped villages with a high number of poor inhabitants. In proportion to total village expenditure, the higher the status of village development, the smaller the dependency on Village Fund. This can be seen from the percentage of Village Fund, which reached 72% of the total village revenue for underdeveloped villages, to only 57% for developed villages.

All villages in KOMPAK provinces received more Village Fund than Village Fund Allocation, except South Sulawesi. Nearly 75% of village revenue in Aceh came from the Village Fund, while the Village Fund in South Sulawesi only contributed 45% of total village revenue. Half of the village revenue in South Sulawesi derived from the Village Fund Allocation. The Village Fund Allocation itself is set at a minimum of 10% of the General Allocation Fund (DAU) plus the Revenue Sharing Fund (DBH) received by a district.

FIGURE 8. **VILLAGE FUND BY VILLAGE DEVELOPMENT INDEX (IPD) STATUS 2014**

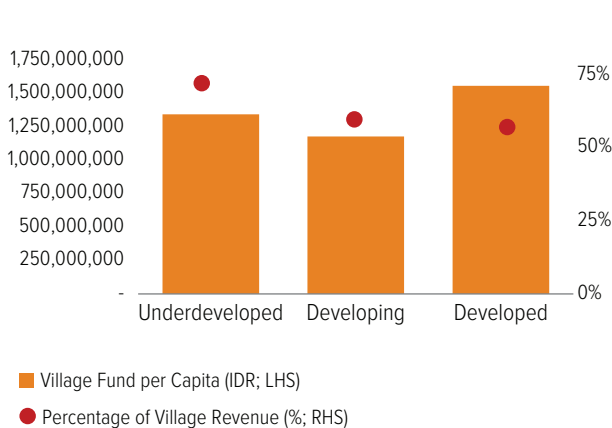
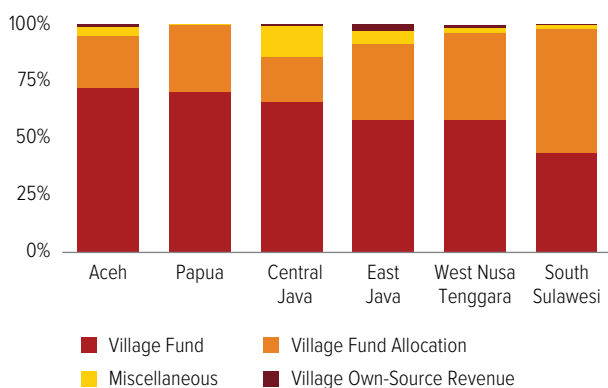


FIGURE 9. **COMPOSITION OF VILLAGE REVENUE***



*The study does not elaborate on transfer revenue from a sample of villages in Papua Barat.

n = 112

n = 112

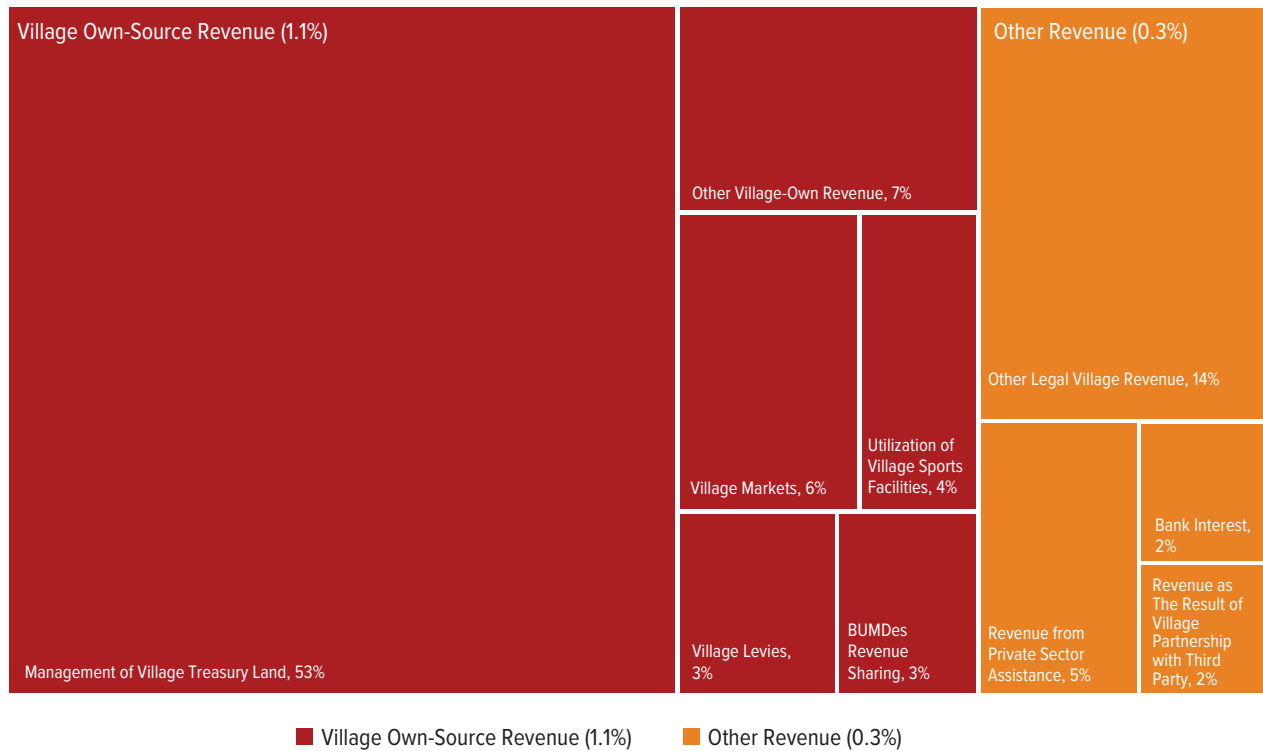
The study reveals that Village Own-Source Revenue only contributes 1% to the total revenue of KOMPAK villages, significantly different from the 5.8% shown in the ViPER study (World Bank, 2019). This is probably because many KOMPAK villages are located in underdeveloped areas so their ability to generate revenue through asset management and village businesses is limited. Of the 112 villages that reported details of their village revenue, 75 of them (67%) have Village Own-Source Revenue (Figure 10). Of the 75 villages, 71 have revenue from Village Assets Management (land, markets, sports facilities), and 25 of them have revenue from Village-Owned Enterprises (BUM Desa). Village Own-Source Revenue contributes 1.1%, while Other Revenue contributes 0.3%.

“The study reveals that Village Own-Source Revenue only contributes 1% to the total revenue of KOMPAK villages.”

On average, the management of the village land treasury is the largest contributor to village asset earnings (53%), followed by the village market at 6%, and village sports facilities at 4%. Village revenue also comes from revenue sharing of BUM Desa (3%), other Village Own-Source Revenue (7%), and village levies (3%).

Other revenue sources include bank interest from the village treasury (2%) and various legal streams (14%). Although only a few villages reported the results of cooperation with third parties, on average, this revenue source contributes as much as 5%.

FIGURE 10. VILLAGE OWN-SOURCE REVENUE AND OTHER REVENUE



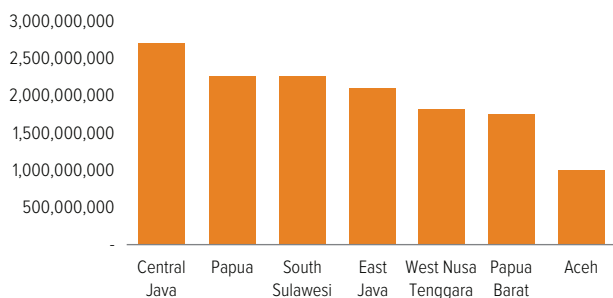
6 EXPENDITURE: OVERVIEW BY FUNCTIONS AND ACTIVITIES

“KOMPAK Villages allocated expenditures of IDR 1.97 billion, or IDR 528 thousand per capita, in 2019.”

KOMPAK Villages allocated expenditures of IDR 1.97 billion, or IDR 528 thousand per capita, in 2019.

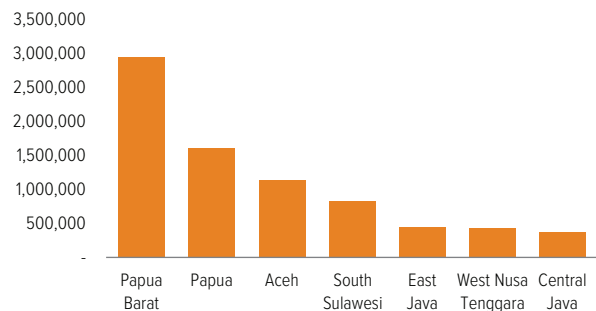
The amount of expenditure varies between provinces, with Aceh having the smallest at IDR 1.00 billion per village, and Central Java having the highest at IDR 2.72 billion per village (Figure 11). Despite having the highest village expenditure, villages in Central Java have some of the smallest disbursements per capita at IDR 376 thousand. Villages in Papua Barat and Papua have the largest village expenditure of IDR 2.95 million and IDR 1.61 million per capita, respectively (Figure 12).

FIGURE 11. **TOTAL VILLAGE EXPENDITURE BY PROVINCE**



n = 272

FIGURE 12. **VILLAGE EXPENDITURE PER CAPITA BY PROVINCE**

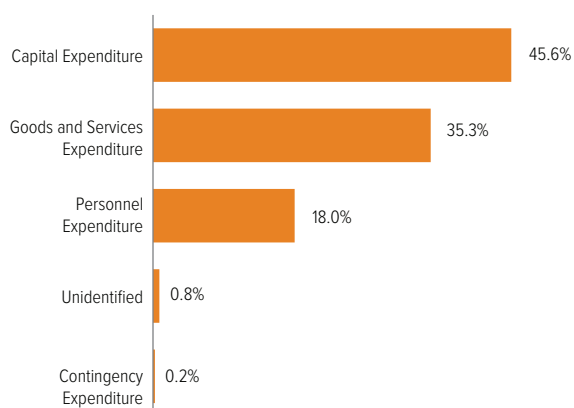


n = 272

Based on economic classification, nearly half of village expenditures were capital expenditures. The outlay on goods and services is 35%, followed by personnel expenditure at 18% (Figure 13). Villages in Central Java, East Java, West Nusa Tenggara, and Papua have a larger allocation of capital payments than other expenditures. Meanwhile expenditure on goods and services dominates the budgets of villages in South Sulawesi and Papua Barat, (Figure 14).

“Based on economic classification, nearly half of village expenditures were capital expenditures.”

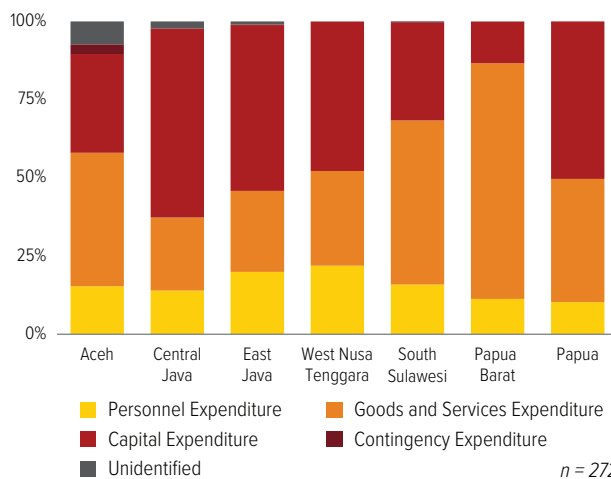
FIGURE 13. **VILLAGE EXPENDITURES BY ECONOMIC CLASSIFICATION***



*Unidentified comes from a village whose document is not a SISKEUDES document

n = 272

FIGURE 14. **VILLAGE EXPENDITURE (ECONOMIC CLASSIFICATION) BY PROVINCE**



n = 272

This study divides expenditure into nine functions, with the largest being General Government, Public Works and Spatial Planning, as well as Housing and Settlements (Figure 15 and Figure 16).¹⁰ More than one-third of the total village budget is allocated for the General Government (IDR 186 thousand per capita). The second-largest outlay is for Public Works and Spatial Planning (31% or IDR 163 thousand per capita), third-largest is for Housing and Settlements (12% or IDR 63 thousand per capita). Spending on Health function comes to 5.5% or IDR 29 thousand per capita, and expenditure on Education function reached 3.6% or IDR 19 thousand per capita.

In general, these findings are in line with the results of the 2016 ViPER study (World Bank, 2019), where expenditure for General Government function was shown as 39%, and for Public Works and Spatial Planning function, 38%. The ViPER study also shows that spending on Health (3.2%) and Education (2.4%) was among the lowest outlays. However, most striking is the difference in village expenditure for Housing and Settlements. Villages in the ViPER study only allocated a budget of 5.2% of total expenditure, or less than half the proportion of village expenditure for the same functions in this study.

¹⁰ Housing and Settlement function is not the focus of this study, so there is no specific analysis for this function.

FIGURE 15. **VILLAGE EXPENDITURES BY FUNCTION**

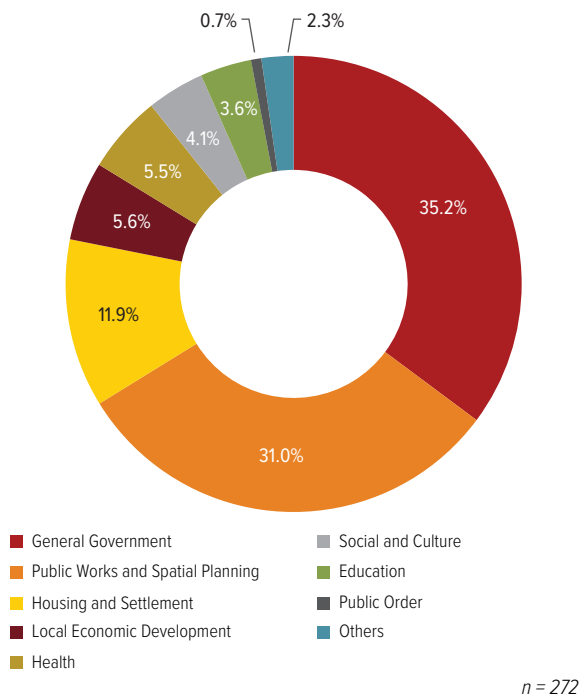
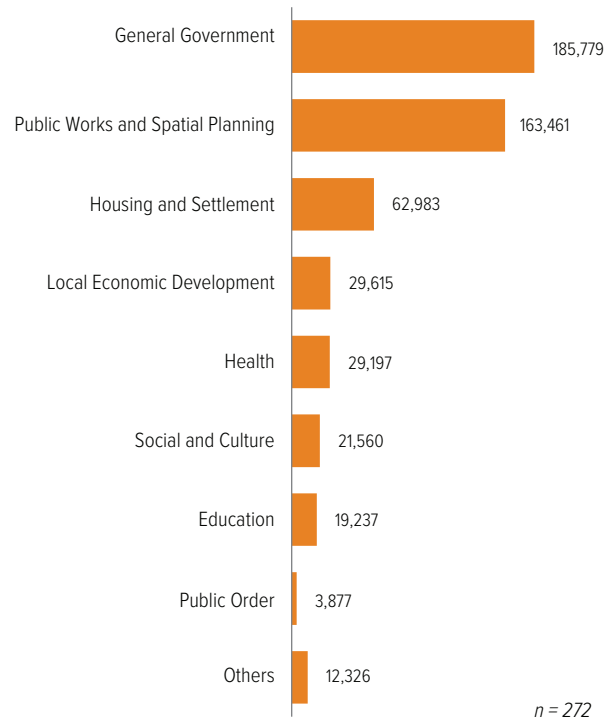
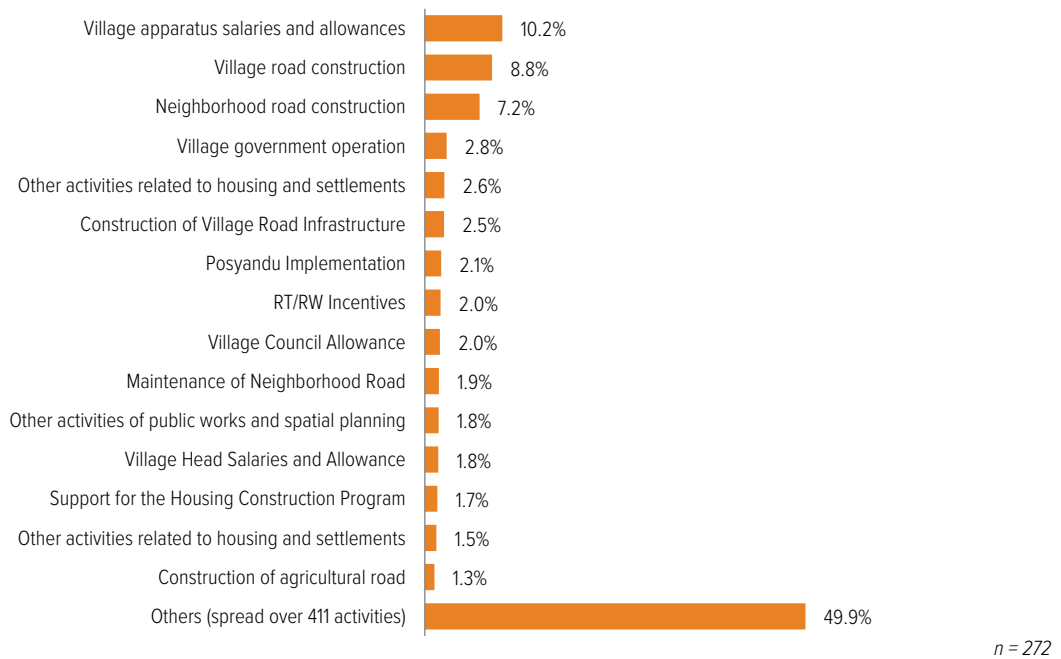


FIGURE 16. **EXPENDITURE PER CAPITA BY FUNCTION (IDR)**



Analysis of village expenditure at the activity level shows half of KOMPAK village expenditure is allocated to 15 activities while the other half is spread across 411 different activities (Figure 17). The three largest activities are the provision of salaries and allowances for village officials (10%), construction of village roads (8.8%), and construction of neighbourhood roads (7.2%).

FIGURE 17. **ACTIVITIES WITH THE LARGEST SHARE OF BUDGET ALLOCATION IN 2019**



7 EXPENDITURE: GENERAL GOVERNMENT FUNCTION

“ Expenditure on General Government function reached IDR 693 million (IDR 186 thousand per capita) or 35% of total village spending. ”

Expenditure on General Government function reached IDR 693 million (IDR 186 thousand per capita) or 35% of total village spending.¹¹ Villages in South Sulawesi and East Java had the highest disbursement for General Government function (Figure 18). However, villages in Papua Barat and Papua had the largest expenditure on General Government function per capita (Figure 19).

FIGURE 18. **VILLAGE EXPENDITURE ON GENERAL GOVERNMENT FUNCTION BY PROVINCE**

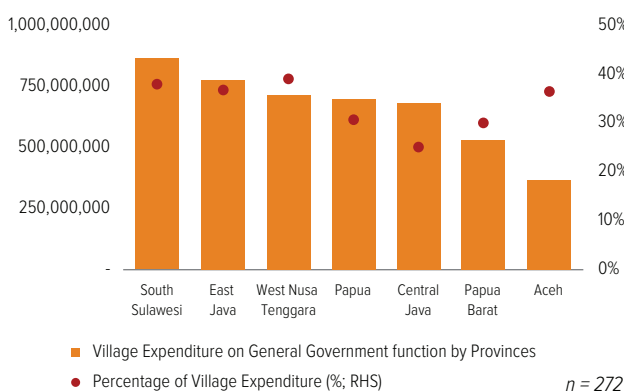
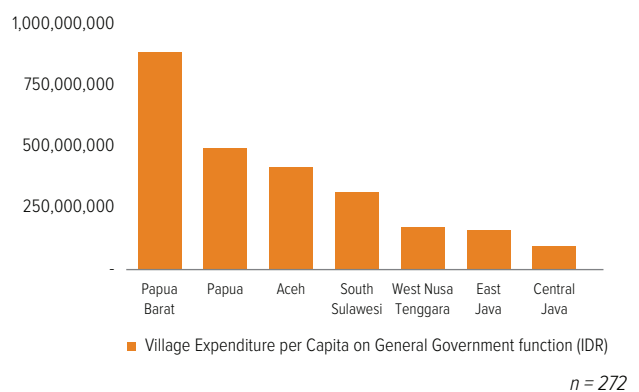


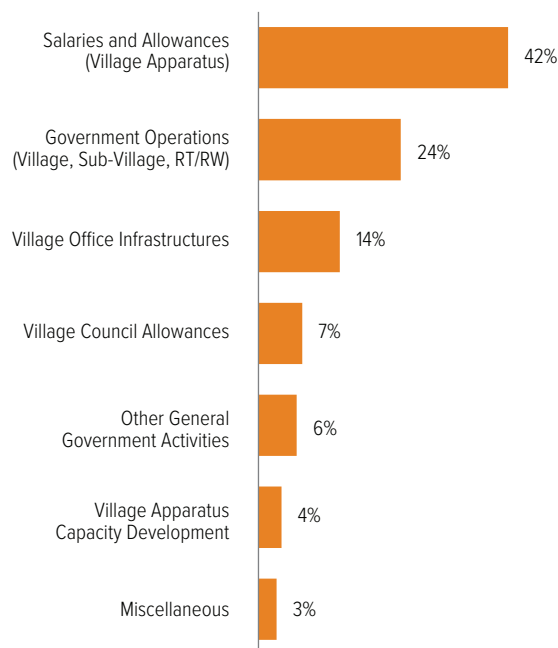
FIGURE 19. **VILLAGE EXPENDITURE PER CAPITA ON GENERAL GOVERNMENT FUNCTION BY PROVINCE**



¹¹ General Government in a broad sense includes the organization of village administration, Village Apparatus Capacity Development (PKAD), and construction/renovation of village head offices.

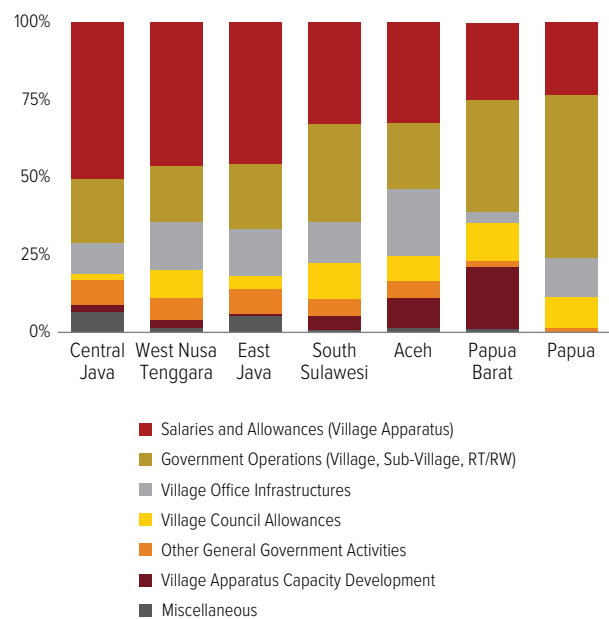
As much as 42% of General Government function expenditure is used for village heads, apparatus salaries (Siltap) and allowances (Figure 20). Village government operations, subvillage (*dusun*), and neighbourhood organisations (RT/RW) received 24%. The provision of facilities and infrastructure related to the village administration took 14% of the total expenditure for the General Government function. Aggregating at the province level, villages in Central Java allocate the most General Government funds for Salaries and Allowances. In contrast, villages in Papua allocate more than half of their General Government expenditure for their village and sub-village government operations (Figure 21).

FIGURE 20. ACTIVITIES OF GENERAL GOVERNMENT FUNCTION (%)



n = 272

FIGURE 21. ACTIVITIES OF GENERAL GOVERNMENT FUNCTION (%) BY PROVINCE



n = 272

In line with Government Regulation (PP) No. 43/2014 and stipulated in MoHA Regulation No. 20/2018, expenditure on Salaries and Village Government Operations is to be a maximum of 30% of the village budget. This study shows that the average spending on Salaries and Village Government Operations in KOMPAK villages is only 25% of all expenditures, or below the maximum allowed.¹² Villages in West Nusa Tenggara and South Sulawesi are close to the upper limit at 28%. In contrast, the villages in Central Java have the lowest proportion of Salaries and Government Operations expenditure at 18% (Figure 22 and Figure 23).

¹² The Minister of Home Affairs Regulation No. 20/2018 has specifically determined the activities to be included in 30% category, i.e., Provision of Salaries and Allowances for Village Heads and Village Apparatus, Provision of Social Security for Village Heads and Village Apparatus, Provision of Village Government Operations, Provision of Village Council Allowances and Operations, and Provision of RT/RW Incentives/Operations.

FIGURE 22. **VILLAGE EXPENDITURE ON SALARIES AND VILLAGE GOVERNMENT OPERATIONS BY PROVINCE**

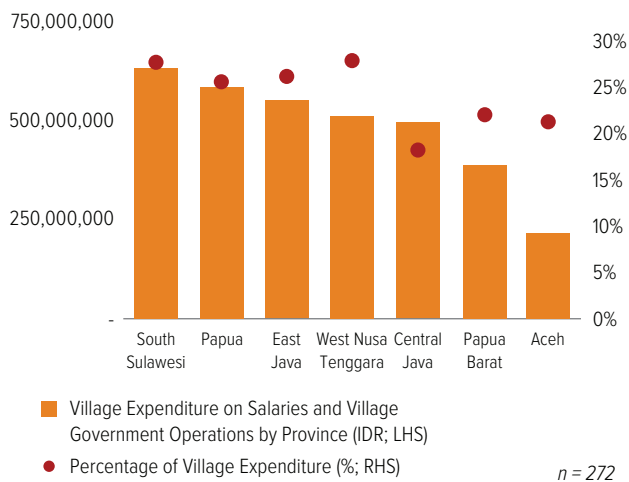
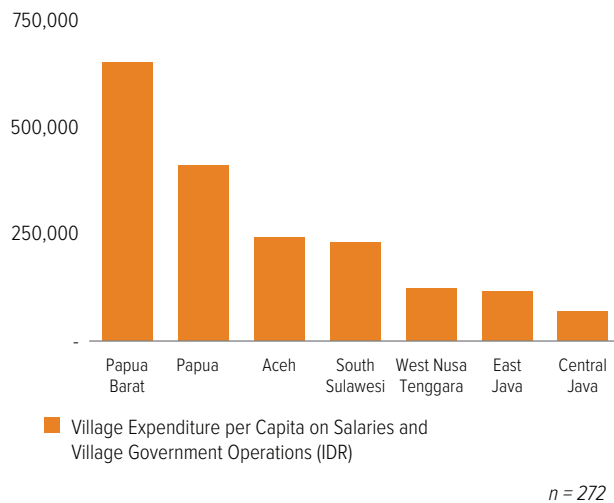


FIGURE 23. **VILLAGE EXPENDITURE PER CAPITA ON SALARIES AND VILLAGE GOVERNMENT OPERATIONS BY PROVINCE**



In addition, **82% of KOMPAK villages have kept their Salaries and Village Government Operations spending at or below the maximum of 30%. Although there are varied patterns between groups, villages with high expenditures tend to meet the 70:30 rule.** Figure 24 indicates that the higher the village expenditure quintile, the higher the percentage of compliant villages. Only 60% of villages in the first quintile spend below or equal to 30% on Salaries and Village Government Operations. Meanwhile, more than 90% of villages in the fourth and fifth quintiles meet the expenditure requirements. This indicates that the higher the total village expenditure, the more room there is in the village budget for salaries.

There are still many KOMPAK villages in East Java, West Nusa Tenggara, and Papua that have not complied with the provisions (Figure 25). KOMPAK villages in other provinces have universally kept expenditure on Salaries and Village Government Operations below or equal to 30%. Further research is required to determine what factors influence this compliance. Several possibilities are (1) the village (both village officials and the community) has a good understanding of village financial management and consciously limit spending; (2) the subdistrict head, the Village Community Empowerment Office, or other line offices conduct a detailed village budget review and explicitly control salary expenditure; or (3) village revenue is high enough so that salary expenditure is not a significant burden.

“ 82% of KOMPAK villages have kept their Salaries and Village Government Operations spending at or below the maximum of 30%.”

Interestingly, developed villages are less likely to comply with these regulations (Figure 26). However, further analysis is required regarding the compliance pattern based on a village’s status.

FIGURE 24. PERCENTAGE OF KOMPAK VILLAGES, FULFILLING 30% OF SALARIES BY VILLAGE EXPENDITURE QUINTILES

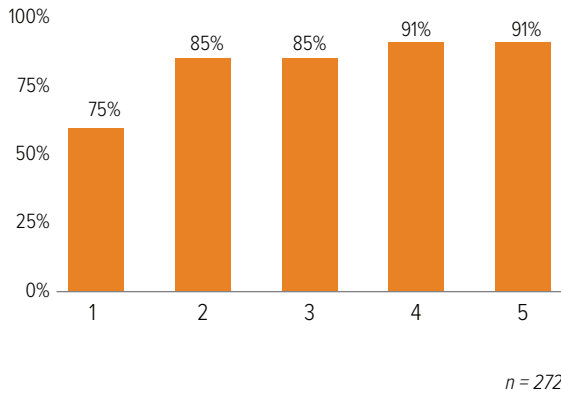


FIGURE 25. PERCENTAGE OF KOMPAK VILLAGES, FULFILLING 30% OF SALARIES BY PROVINCE

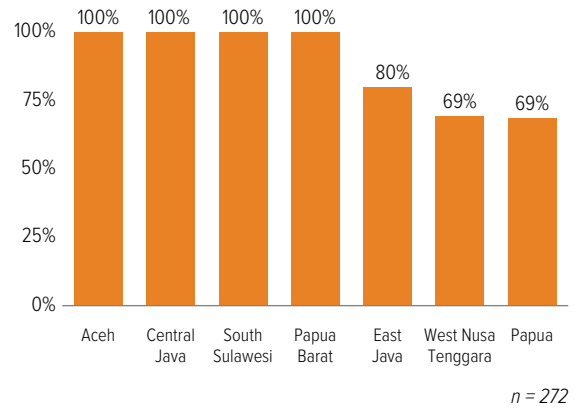
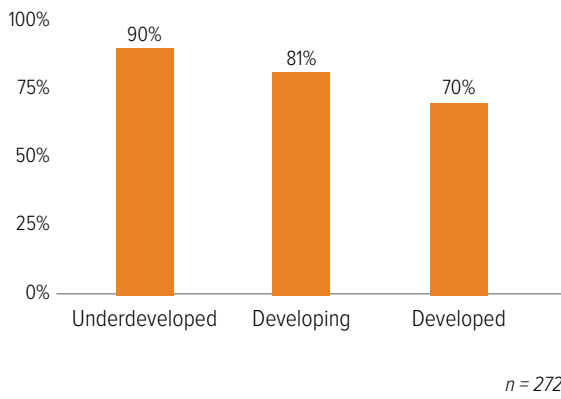


FIGURE 26. PERCENTAGE OF KOMPAK VILLAGE, FULFILLING 30% OF SALARIES BY 2014 VILLAGE DEVELOPMENT INDEX (IPD) STATUS



8 EXPENDITURE: PUBLIC WORKS AND SPATIAL PLANNING FUNCTION

“With IDR 610 million (IDR 163 thousand per capita) or 31% of total village expenditure, Public Works and Spatial Planning function were still posts of great value in the 2019 village budget.”

With IDR 610 million (IDR 163 thousand per capita) or 31% of total village expenditure, Public Works and Spatial Planning function were still posts of great value in the 2019 village budget. The activities included in the Public Works and Spatial Planning function are limited to the development of village facilities and infrastructure, which are not included in other functions such as the development of roads and bridges. The development and maintenance of the village office, educational and health facilities and infrastructure are included in their respective functions. Expenditures on Public Works and Spatial Planning are essential because they can improve the quality of access to villages and other public facilities such as street lighting and reliable roads and improve a village's Geographical Difficulty Index.¹³

Villages in Central Java have the highest expenditure on Public Works and Spatial Planning (IDR 1.45 billion). However, villages in Papua Barat have the highest expenditure on Public Works and Spatial Planning per capita at IDR 267 thousand (Figure 27 and Figure 28).

¹³ The Geographic Difficulty Index (IKG) is the figure that reflects the geographic difficulty level of a village based on variables of basic service availability, infrastructure conditions, transportation, and communications.

FIGURE 27. **VILLAGE EXPENDITURE ON PUBLIC WORKS AND SPATIAL PLANNING FUNCTION BY PROVINCE**

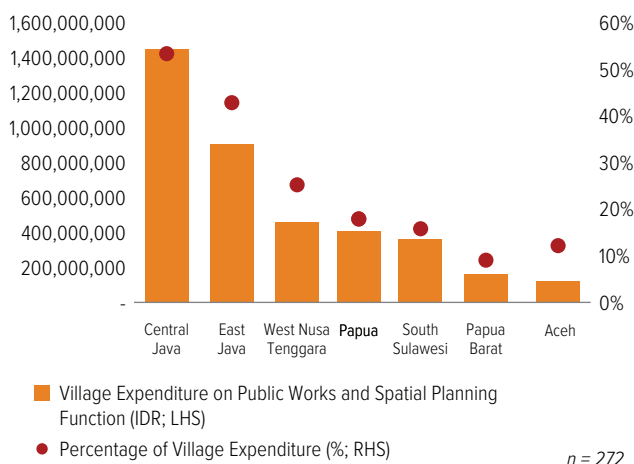
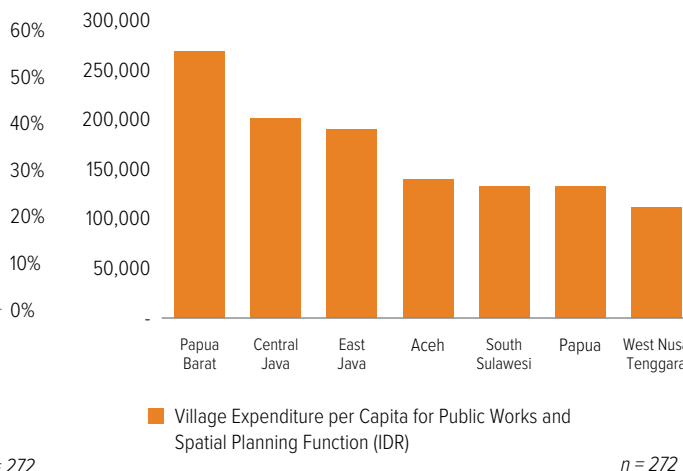


FIGURE 28. **VILLAGE EXPENDITURE PER CAPITA ON PUBLIC WORKS AND SPATIAL PLANNING FUNCTION BY PROVINCE**

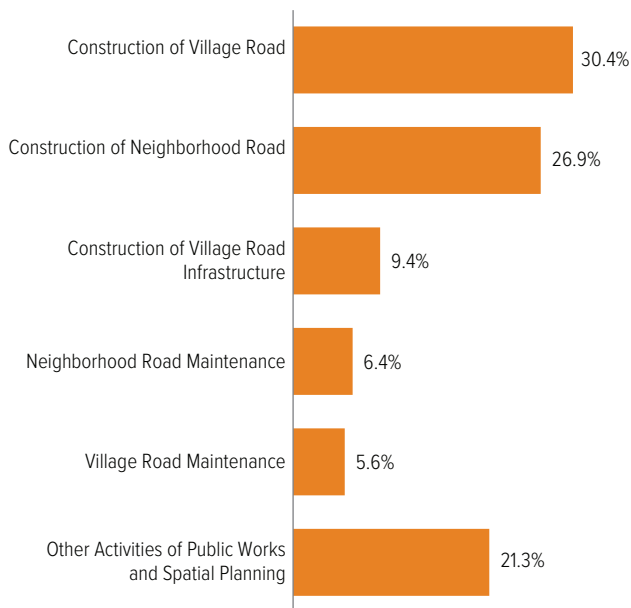


More than three-quarters of public works and spatial planning expenditure is for roads and bridges at the village scale (Figure 29). As per figures 29 and 30, village budget (APB Desa) allocations are used to develop both village roads and neighbourhood roads. The development budget allocated is not limited to facilities, but also covers road and bridge infrastructure. It is expected that infrastructure development at the village scale will increase village access and contribute to the improvement of village’s Geographical Difficulty Index.

“Villages have also started to allocate one-fifth of infrastructure expenditure for maintenance.”

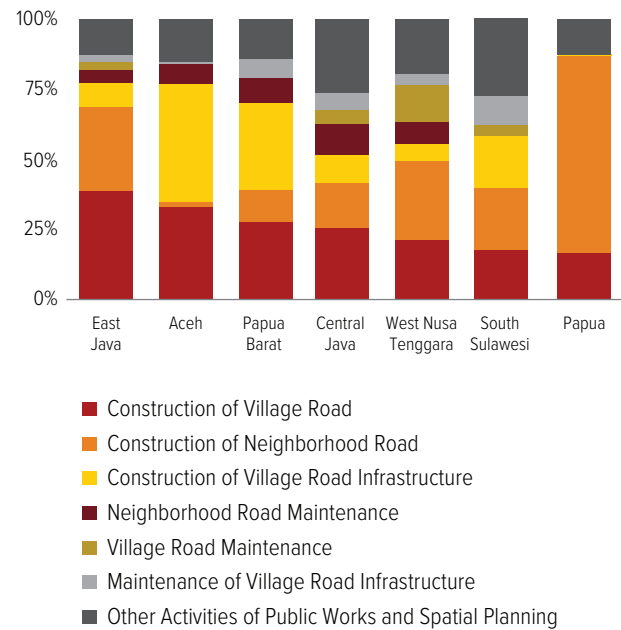
Villages have also started to allocate one-fifth of infrastructure expenditure for maintenance. Helpfully, MoHA Regulation No. 20/2018 separates the nomenclature of infrastructure expenditure for development and maintenance that was not conducted earlier, so it was easier to identify the amount of each expenditure. There are indications of increased village awareness in the importance of maintenance on infrastructure already in place. This is vital for optimal infrastructure functioning and sustainability.

FIGURE 29. **ACTIVITIES OF PUBLIC WORKS AND SPATIAL PLANNING FUNCTION (%)**



n = 272

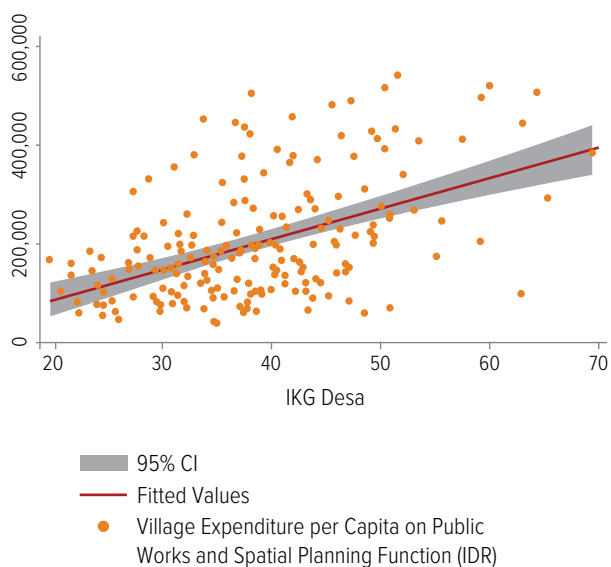
FIGURE 30. **ACTIVITIES OF PUBLIC WORKS AND SPATIAL PLANNING FUNCTION (%) BY PROVINCE**



n = 272

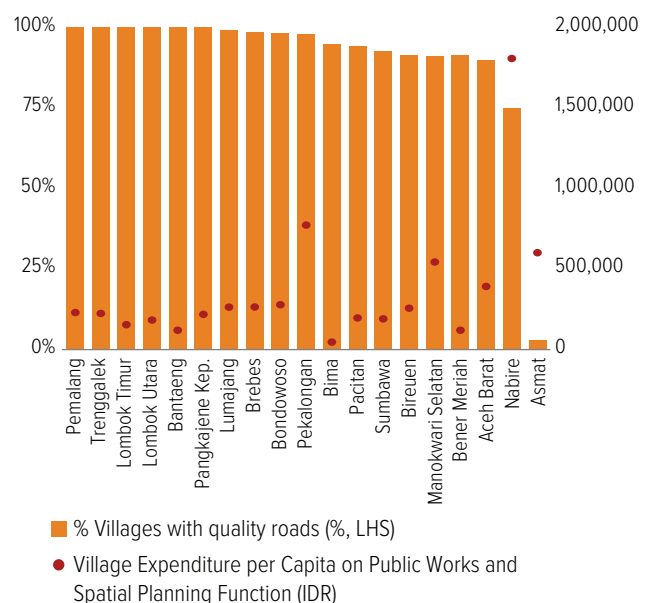
Limited access to public facilities is one reason why KOMPAK villages budgeted a large amount on Public Works and Spatial Planning, as Figure 31 illustrates. Expenditure on Public Works and Spatial Planning functions often increase if a village is high on the Village Geographical Difficulty Index (IKG). Those villages with low road access tend to provide higher allocations for public works and spatial planning (Figure 32).

FIGURE 31. **VILLAGE GEOGRAPHICAL DIFFICULTY INDEX (IKG) AND VILLAGE EXPENDITURES PER CAPITA ON PUBLIC WORKS AND SPATIAL PLANNING FUNCTION**



n = 272

FIGURE 32. **PERCENTAGE OF VILLAGES THAT HAVE QUALITY ROADS AND VILLAGE EXPENDITURE PER CAPITA ON PUBLIC WORKS AND SPATIAL PLANNING FUNCTION***



n = 272

*The aggregation for these calculations is made at the district level

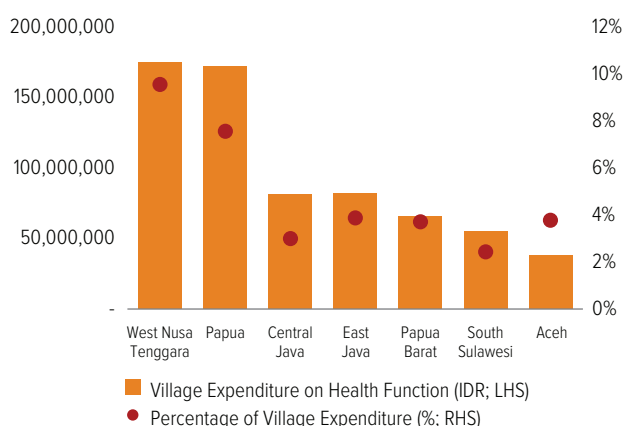
9 EXPENDITURE: HEALTH

“KOMPAK villages allocated IDR 109 million per year (IDR 29 thousand per capita) or 5.5% of their total expenditure for health purposes.”

Villages play an essential role in improving the quality of public health through various community empowerment efforts, organizing Village Health Post (Poskesdes), and Integrated Health Service Post (Posyandu) activities. The Minister of Villages Regulation (Permendesa) No. 16/2018 mentions a village's authority in its efforts to prevent stunted physical growth. Although stunting is a multi-sectoral issue, it remains the leading need for intervention in the health sector. Some of the villages work to prevent stunting by improving family nutrition at Posyandu in the form of providing nutritious food for pregnant women and breastfeeding mothers and children aged 0–23 months. In addition, KOMPAK encourages village governments to provide access to health services and the National Family Planning Program (KB), to provide community nutrition education and materials about sexual and reproductive health, and nutrition for adolescents.

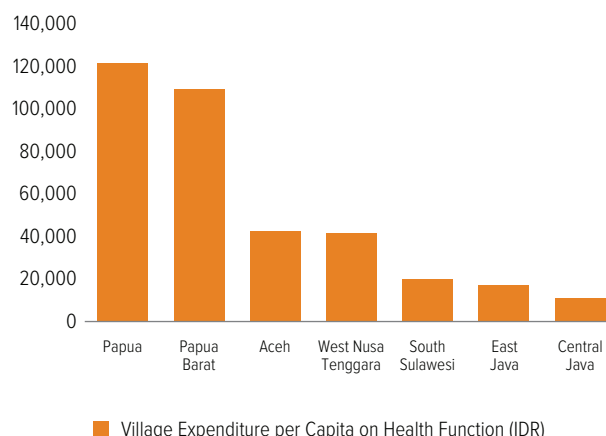
KOMPAK villages allocated IDR 109 million per year (IDR 29 thousand per capita) or 5.5% of their total expenditure for health purposes. Villages in West Nusa Tenggara allocated the highest amount for the health sector, or nearly 10% of total village expenditure, in 2019. Villages in Papua and Papua Barat had the highest health expenditure per capita among other KOMPAK locations at IDR 122 thousand and IDR 110 thousand respectively (Figure 33 and Figure 34).

FIGURE 33. VILLAGE EXPENDITURE ON HEALTH FUNCTION BY PROVINCE



n = 272

FIGURE 34. VILLAGE EXPENDITURE PER CAPITA ON HEALTH FUNCTION BY PROVINCE



n = 272

Two-thirds of health expenditures were used for Posyandu activities, followed by the construction and renovation of village health facilities/infrastructure and health education for the community (Figure 35).

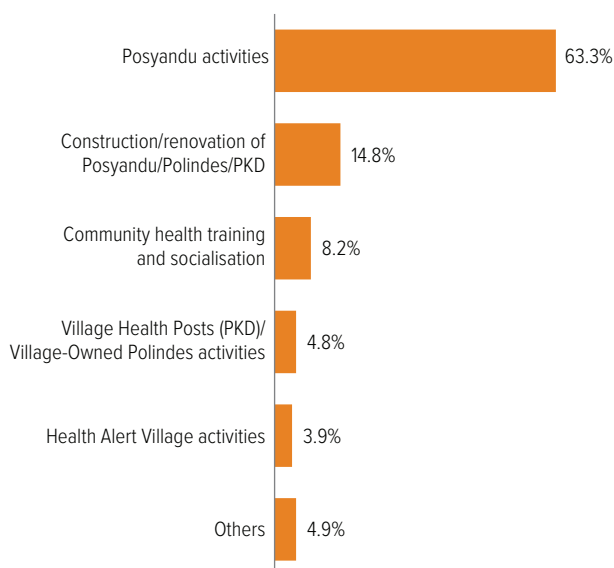
Other health sector activities budgeted by KOMPAK villages were for the operation of the Village Health Post (Poskesdes)/Polindes at 4.8%, the Implementation of the Health Alert Village at 3.9%, as well as other activities. Although the numbers are relatively small, the villages have started to provide a budget for parenting or Helping Families with Children Under-Five.

“Two-thirds of health expenditures were used for Posyandu activities, followed by the construction and renovation of village health facilities/ infrastructure and health education for the community.”

Outlays on Health function varied by province (Figure 36). The villages in Papua spent almost 80% of their health budget on managing their Integrated Health Service Posts (Posyandu), while villages in Central Java only spent 36%. Another notable pattern appeared in South Sulawesi, where the villages spent 30% of Health function on health awareness.

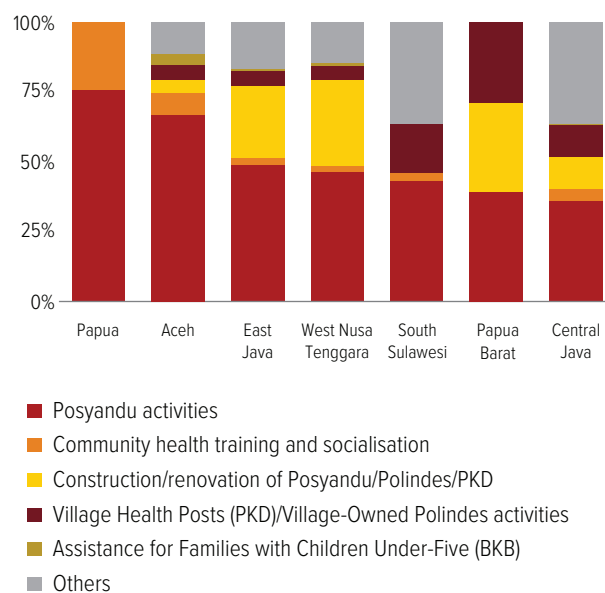
Figure 37 indicates the purchase of medical supplies (42%) as the largest component of the Health function budget, followed by 24% for team and officer honoraria, and 11% each for building construction and expenditure for goods and services delivered to the community. A small fraction of health expenditure was for capital expenditure and others.

FIGURE 35. **ACTIVITIES OF HEALTH FUNCTION (%)**



n = 103

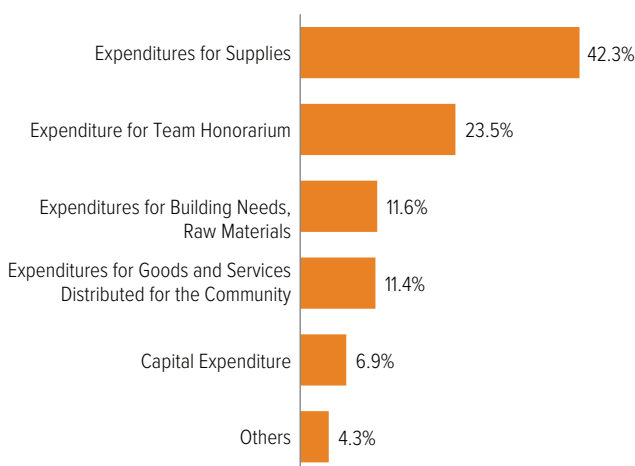
FIGURE 36. **ACTIVITIES OF HEALTH FUNCTION (%) BY PROVINCE**



n = 103

These expenditures are in line with the majority of activities carried out in the villages, such as the Integrated Health Service Post (Posyandu). Posyandu’s main activities covering maternal and child health, family planning, immunization, nutrition, diarrhea prevention and management. In KOMPAK villages, the budget data shows that each village provided Posyandu allocations for extra food, implementation of antenatal and senior citizen classes, as well as providing incentives for Posyandu cadres. Other expenditures include the provision of medicines, additional incentives for midwives and village nurses, family planning services, and contraceptives for poor families.

FIGURE 37. **EXPENDITURE DETAILS ON HEALTH FUNCTION (%)**



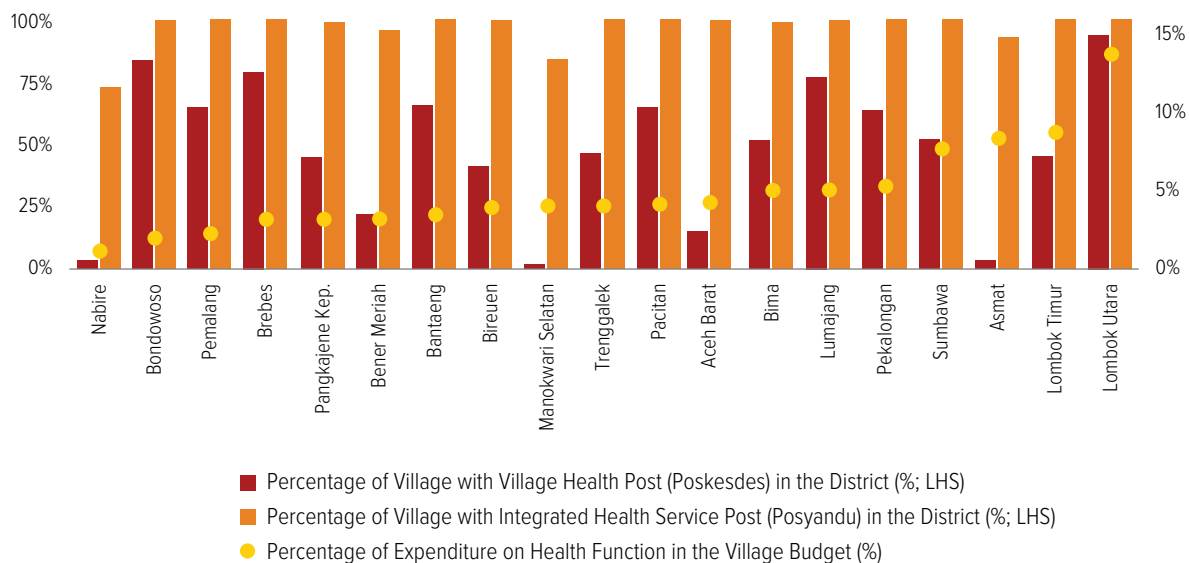
n = 103

2018 PODES data indicates that only 41% of KOMPAK villages have a Village Health Post (Poskesdes).

This is below the national average of 43%. Almost all KOMPAK villages (95.2%, slightly above the national average of 94.5%) have excellent access to Posyandu.¹⁴ However, this access is not evenly distributed between each KOMPAK province (Figure 38). Only a few KOMPAK villages in Papua and Papua Barat have adequate access to Poskesdes, as opposed to villages in Aceh, Java, West Nusa Tenggara and South Sulawesi Provinces.

¹⁴ Establishing Posyandu routine activities/services (once a month or more), the data is aggregated at the district level.

FIGURE 38. **PERCENTAGE OF VILLAGE WITH POSYANDU AND POSKESDES AND EXPENDITURE ON HEALTH FUNCTION IN THE VILLAGE BUDGET**



n = 272

BOX 3. KOMPAK’S SUPPORT FOR THE HEALTH SECTOR

KOMPAK assists in piloting innovative ways of delivering health services that are more efficient and effective. KOMPAK also promotes the strengthening of policies, regulations, and systems related to health and nutrition in several supported districts.

In 2019, KOMPAK conducted many important activities in the health sector including (1) developing mobile applications and dashboards to support health services for pregnant women in the Bener Meriah, Pangkajene Kepulauan districts; (2) implementing a feasibility study on the use of drones for medical supply distribution in remote areas in South Sulawesi; (3) establishing a health clinic service program in the “Perahu Sehat, Pulau Bahagia” area in Pangkajene Kepulauan districts; and (4) supporting the development of Maternal and Child Health Action Plans in six districts (Pacitan, Bondowoso, Lumajang, Bima, Lombok Timur, Pangkajene Kepulauan).

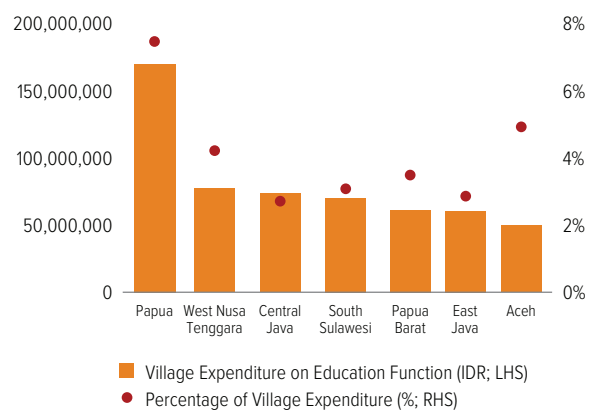
10 EXPENDITURE: EDUCATION

“ Spending for Education functions in KOMPAK villages reached IDR 72 million (IDR 19 thousand per capita) or 3.6% of total village expenditure. ”

The Minister of Village, Development of Disadvantaged Regions, and Transmigration (Permendesa) Regulation No. 16 of 2018 provides several directions for village spending on Education function in 2019. Villages should budget for (1) the construction and/or provision of the Early Childhood Education and Development (PAUD) such as an PAUD facility, playground, traditional play equipment; (2) the construction and/or provision of educational support infrastructure and management for school-age children, such as village libraries, additional learning facilities, books, sports equipment for adolescents; and (3) the construction and/or provision of out-of-school educational support infrastructure and management for adolescents, such as the development of agricultural production facilities, the development of nurseries for plants, fisheries, and/or plantations, simple automotive workshops, traditional play equipment, arts and culture studios; and (4) providing scholarships for children of high achievement to obtain a higher education.

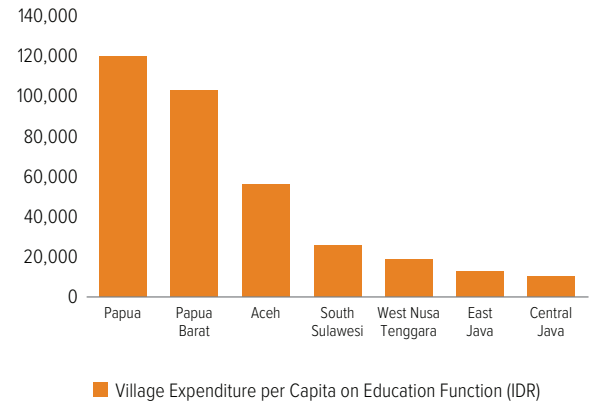
Spending for Education function in KOMPAK villages reached IDR 72 million (IDR 19 thousand per capita) or 3.6% of total village expenditure. The villages in Papua spent the highest per capita on education, as well as the highest education expenditure proportionally among other KOMPAK provinces. Education spending per capita in Papua was IDR 120 thousand, or 12 times higher than village the per capita on education in Central Java (Figures 39 and 40).

FIGURE 39. VILLAGE EXPENDITURE ON EDUCATION FUNCTION BY PROVINCE



n = 272

FIGURE 40. VILLAGE EXPENDITURE PER CAPITA ON EDUCATION FUNCTION BY PROVINCE



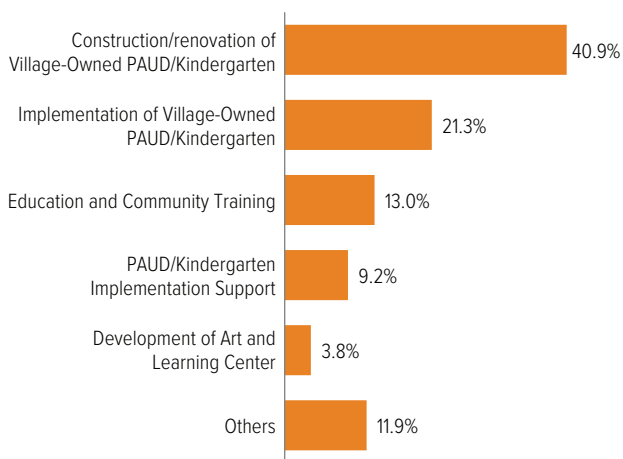
n = 272

The majority of education activities that the village governments budgeted in 2019 were for facilities procurement and the implementation of PAUD, kindergarten (TK), and other academic units at the same level. Nearly half of the education budget was spent on PAUD/childcare development, and one-fifth was utilized for PAUD/childcare operations. Figure 41 shows the next largest outlays were for community counselling and education, as well as additional support (facilities and teaching props).

“The majority of education activities that the village governments budgeted in 2019 were for facilities procurement and the implementation of PAUD, Kindergarten (TK), and other academic units at the same level.”

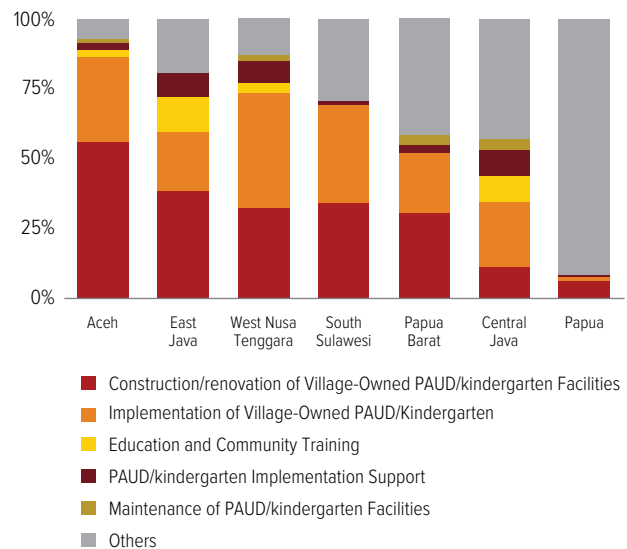
Expenditure for education activities varied by province. Villages in Aceh spent more than half of their education budget on the construction and renovation of village-owned PAUD/childcare facilities, in 2019. In contrast, the villages in Papua spent less than 10% on those activities (Figure 42).

FIGURE 41. EDUCATION FUNCTION ACTIVITIES (%)



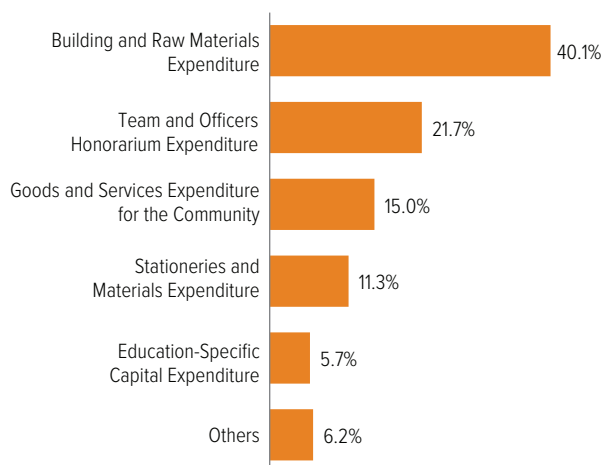
n = 81

FIGURE 42. EDUCATION FUNCTION ACTIVITIES (%) BY PROVINCE



n = 81

FIGURE 43. EXPENDITURES DETAILS ON EDUCATION FUNCTION (%)

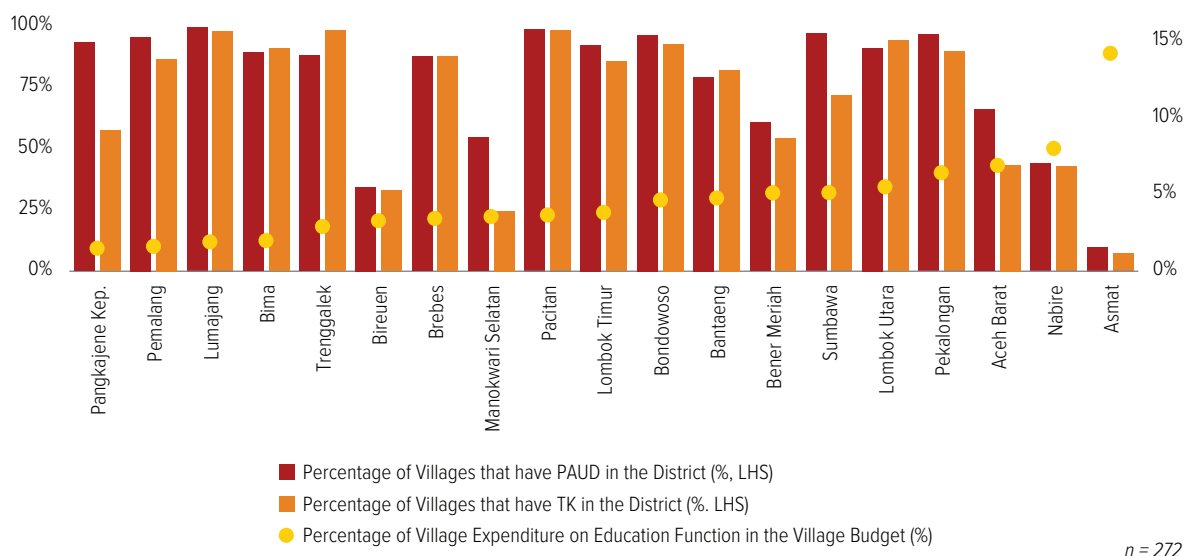


n = 81

This expenditure is in line with the village activities, the majority of which were for the development and operation of village-owned PAUD/childcare (Figure 43). Much of the education spending was for developing school buildings (40.1%) and team or officer honoraria (21%). The provision of community goods and services was at 15%, stationery and consumption items around 11%, and exceptional capital expenditure for education was at 6%.

Several villages with limited access to an PAUD facility and kindergarten allocate more for Education function (Figure 44). PODES 2018 data implies that 77% of KOMPAK villages have PAUD better than the national average of 72%. Meanwhile, 63% of KOMPAK villages have a kindergarten, or slightly below the national average of 64%. However, this access is not evenly distributed between KOMPAK provinces. Only a few KOMPAK villages in Papua and Papua Barat have access to both an PAUD facility and kindergarten, as opposed to the villages on the island of Java.

FIGURE 44. **PERCENTAGE OF VILLAGES THAT HAVE PAUD FACILITY AND KINDERGARTEN IN THE DISTRICT AND THE PERCENTAGE OF VILLAGE EXPENDITURE ON EDUCATION FUNCTION IN THE VILLAGE BUDGET**



BOX 4. KOMPAK'S SUPPORT FOR THE EDUCATION SECTOR

KOMPAK's support for the education sector focuses on assisting local governments to better finance and manage education services, particularly by initially addressing the children who are not in school and providing PAUD facilities.

Some of the activities conducted by KOMPAK related to education include providing suggestions to the National Action Plan for PAUD at the national level. KOMPAK also assists the PAUD task forces in Central Java and West Nusa Tenggara to advocate the use of the Village Fund in the provision of teaching props (including books, games, and other equipment), PAUD facility renovations, and teacher incentives. Regarding Non-Formally educated children, KOMPAK supports the development of "Kelas Perahu" in the Pangkajene Kepulauan District for children who are often out fishing on boats. In Pekalongan and Brebes, KOMPAK supports the government effort in returning drop out kids to school.

11

EXPENDITURE: LOCAL ECONOMIC DEVELOPMENT (LED)

“*KOMPAK villages allocated IDR 102 million in 2019 (IDR 27 thousand per capita) or 5.2% of the total budget for Local Economic Development (LED) function.*”

Village Law mandates villages be economically independent by optimising their existing resources. Various activities can be carried out by the village government to improve community welfare including sectoral support (agriculture, animal husbandry, fisheries); forming, managing, and developing Village-Owned Enterprises (BUM Desa) and/or Joint BUM Desa; village market development, and management; and promoting village products.

KOMPAK villages allocated IDR 102 million in 2019 (IDR 27 thousand per capita) or 5.2% of the total budget for Local Economic Development (LED) function.¹⁵ There were large variations in each province in terms of village budget support for LED activities (Figure 45 and Figure 46).

FIGURE 45. **VILLAGE EXPENDITURE ON LOCAL ECONOMIC DEVELOPMENT BY PROVINCE**

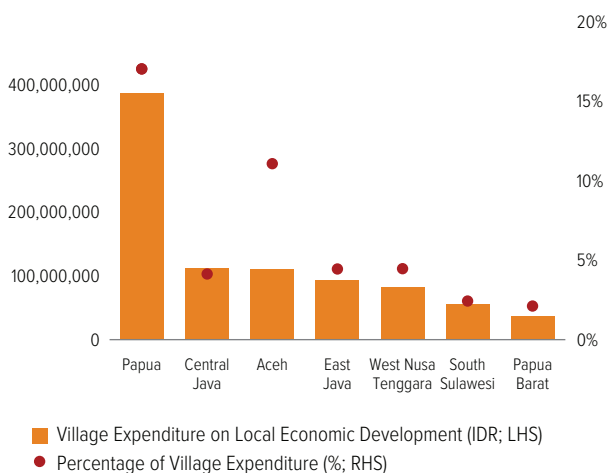
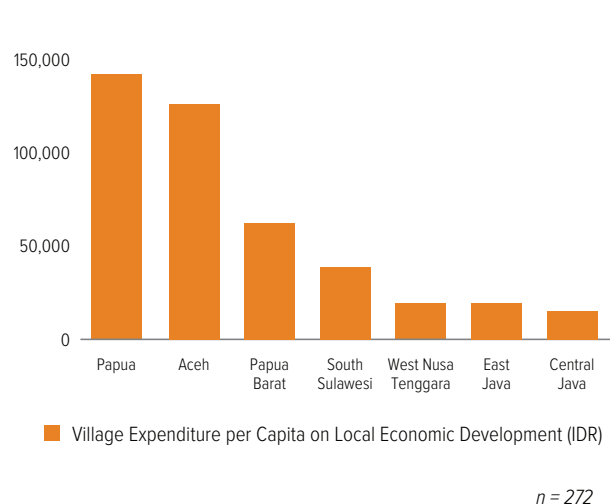


FIGURE 46. **VILLAGE EXPENDITURE PER CAPITA ON LOCAL ECONOMIC DEVELOPMENT BY PROVINCE**

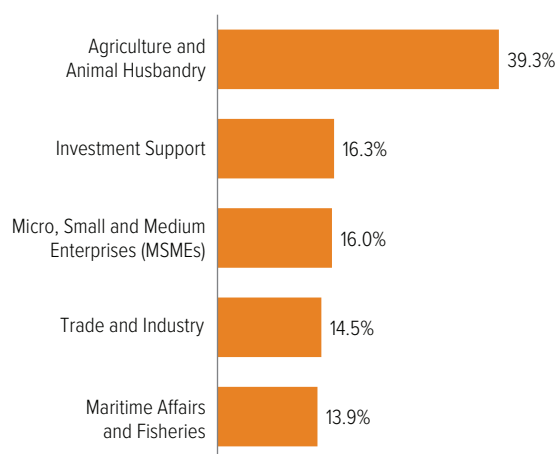


¹⁵ Aggregation of some basic non-service compulsory and optional functions: Agriculture and Animal Husbandry, Investment Support, Cooperatives, Micro, Small, and Medium Enterprises (MSMEs), Trade and Industry as well as Maritime Affairs and Fisheries. This aggregation illustrates the village government’s support for Local Economic Development (LED).

The expenditures related to economic development were spread across the Agriculture and Animal Husbandry, Investment Support, Cooperatives, Micro, Small, and Medium Enterprises (MSMEs), Trade and Industry, as well as the Maritime Affairs and Fisheries sectors (Figure 47). More than a third of this expenditure was allocated to agriculture and animal husbandry, mostly to increase the production and training for the village community. The village governments also allocated funds to assist investment in their villages (the majority of which were related to the establishment of BUM Desa). Village governments also provided a relatively large allocation for the construction/renovation of village markets. This is in line with the findings of the 2018 PODES, which states that only 70% of KOMPAK villages have markets in their village, which is lower than the national average (86%).

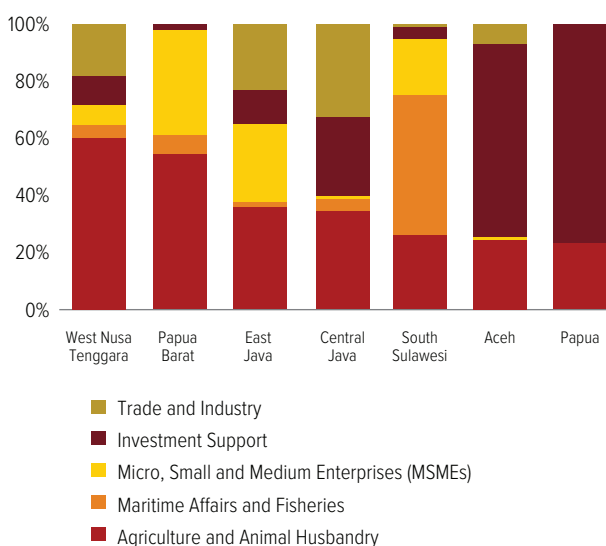
Allocations for village LED differ in each province (Figure 48). In West Nusa Tenggara, 60% of expenditure on LED was for Agriculture and Animal Husbandry, while in Papua, it was 23%. Because the KOMPAK districts in South Sulawesi have great marine resource potential, the LED allocation for the marine affairs and fisheries sector was half of their expenditure.¹⁶

FIGURE 47. ALLOCATION OF EXPENDITURES ON LOCAL ECONOMIC DEVELOPMENT (%)



n = 272

FIGURE 48. ALLOCATION OF EXPENDITURES ON LOCAL ECONOMIC DEVELOPMENT (%) BY PROVINCE

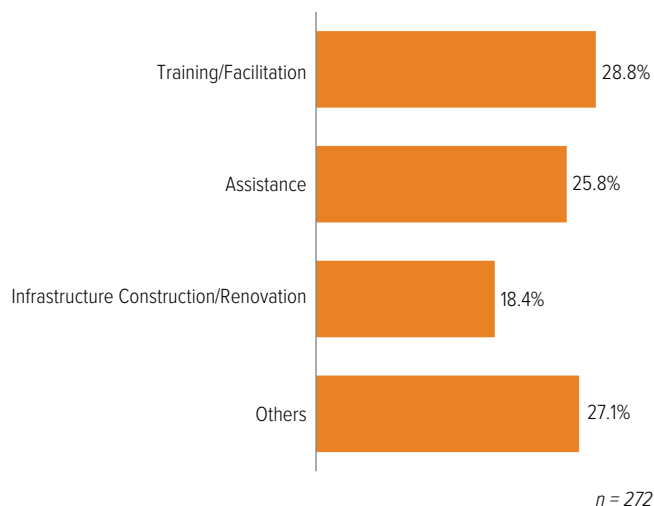


n = 272

Village LED expenditure was relatively balanced (Figure 49). Training/mentoring and community business development activities were allocated 28.8% of the total local economic development budget, including training/guidance/introduction of appropriate technology for the Agriculture, Animal Husbandry and Fisheries sectors. The village governments also provided support for the formation of BUM Desa, BUM Desa management training, for small industries, and training for productive economic groups. Assistance to the community received a budget of 18.4% in the form of appropriate technology, agricultural production tools, and help with seed or feed. Facilities/infrastructure development and maintenance received 18.4%. This expenditure is related to the development and maintenance of ponds and cages, as well as village stalls.

¹⁶ The expenditure details on each activity can be found in Figure 68 (Annex).

FIGURE 49. EXPENDITURE DETAILS ON LOCAL ECONOMIC DEVELOPMENT (%)



BOX 5. IMPLEMENTING THE KOMPAK MARKET LINKAGES PROGRAM

KOMPAK and Bappenas have initiated a market linkages approach that involves market players to identify problems and create innovative solutions to meet market needs. This approach seeks to have micro and small business performance and operations be more productive and better market connected.

KOMPAK aims to improve the welfare of micro and small entrepreneurs by increasing access to markets. Through market linkages, KOMPAK seeks to: (1) coordinate village resources for local economic development; (2) assist local governments in preparing policies on potential commodities; (3) develop the capacity and market education of local MSEs, and; (4) promote public awareness of support services.

KOMPAK supports the improvement of service systems, policies, and community involvement in economic activities. For instance, KOMPAK promotes partnerships between market players and low-income producers and local governments, and assists regional governments to prepare policies related to potential commodities for poverty reduction, capacity building and market education for local MSEs.

Some of the market intermediary activities have been implemented, i.e., cooperation between BUM Desa with Panggul Sub-district (Trenggalek) and PT Nusa Berdaya for coconut fibre - processing; Berdikari Makmur Cooperative (Pekalongan) with PT Negeri Kebun Kopi for green tea production; BUM Desa with Ulujami Subdistrict (Pemalang) with PT Kendal Agro Atsiri for the processing of jasmine into an essential oil.

12

EXPENDITURE: POPULATION ADMINISTRATION AND CIVIL REGISTRATION

“Village expenditure for civil registration was four million rupiah (IDR 1,100 per capita) or 0.2 percent of total expenditure.”

The Republic of Indonesia Presidential Regulation No. 62/2019 concerning the National Strategy on Civil Registration and Vital Statistics (CRVS) says that villages should play a role in the outreach of population registration and civil registration services. The national strategy describes a service approach to the village level. The numerous forms of outreach expansion include, (1) fulfilling the placement of village registration officers; (2) a village/ward information system connected to the CRVS Information System; (3) implementation of socialization, advocacy, and education on the procedures and significance of integrated population registration and civil registration; and (4) village support for civil registration. Villages play a vital role in ensuring the success of this national strategy. The efforts in expanding civil registration are reflected in the village budgets.

FIGURE 50. VILLAGE EXPENDITURE ON CIVIL REGISTRATION BY PROVINCE

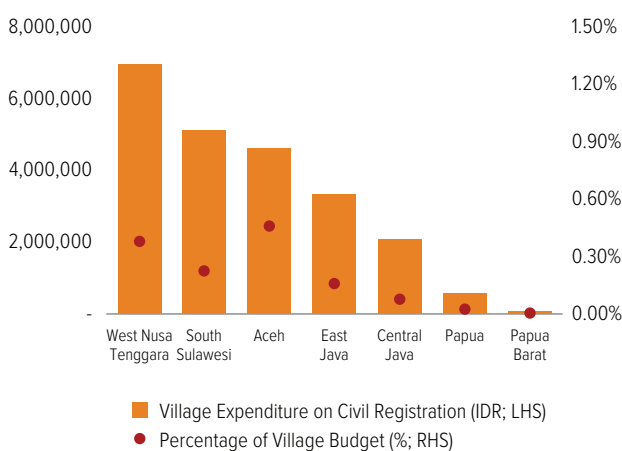
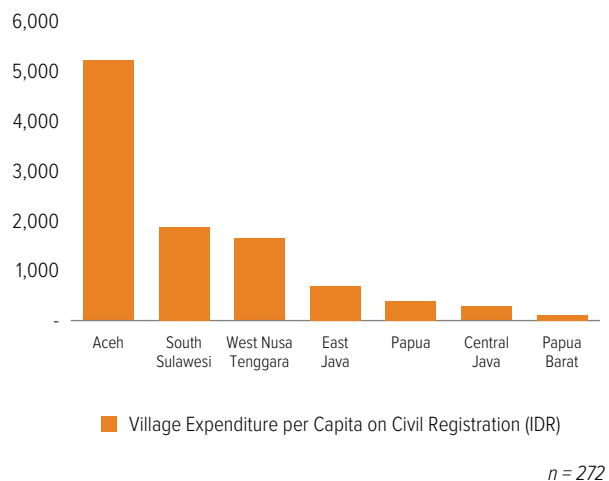


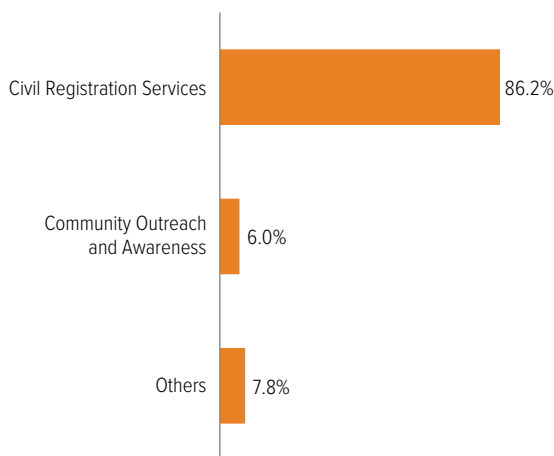
FIGURE 51. VILLAGE EXPENDITURE PER CAPITA ON CIVIL REGISTRATION BY PROVINCE



Village expenditure for civil registration was four million rupiah (IDR 1,100 per capita) or 0.2 percent of total expenditure, in which the villages in Aceh had the highest per capita spending. Villages in West Nusa Tenggara, South Sulawesi, and Aceh allocate the highest total civil registration expenditures (Figure 50 and Figure 51).

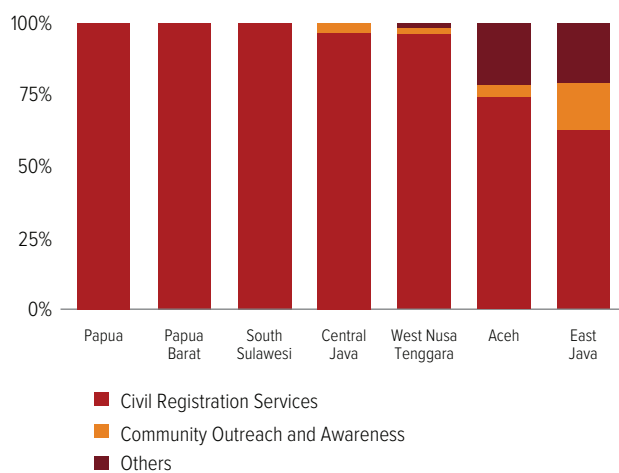
On average, the KOMPAK village governments allocated 86 percent of their civil registration budget for general administration and population services (Figure 52). Their activities include making recommendation letters, national ID cards, family cards, and birth certificates. Other expenses were for community counselling and other activities. The allocation for each activity also differs between the villages in one province and the villages in another (Figure 53). Villages in Papua, Papua Barat, and South Sulawesi allocated for general administrative service activities only. In contrast, villages in East Java allocated funds for counselling and public awareness at 17% of the village civil registration budget.

FIGURE 52. CIVIL REGISTRATION ACTIVITIES (%)



n = 61

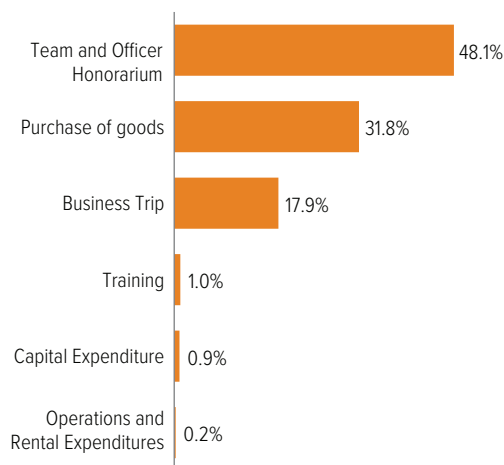
FIGURE 53. CIVIL REGISTRATION ACTIVITIES BY PROVINCE (%)



n = 61

This expenditure is in line with the activities carried out by the villages for civil registration and to expand the reach of civil registration services (Figure 54). Based on the civil registration activities, much of the civil registration expenditure was for team and registration officer honoraria (48%). The second-largest allocation was for stationery items and other equipment (32%), while business trip expenses for transportation from the village to the District Population and Civil Registry Agency reached 18%.

FIGURE 54. EXPENDITURE DETAILS ON CIVIL REGISTRATION (%)



n = 61

BOX 6. STRENGTHENING POPULATION ADMINISTRATION AND CIVIL REGISTRATION SERVICES

KOMPAK works at the national level to improve the policy framework and standardize guidelines and training for civil registration services and draws on lessons from the practice of the civil registration services - such as the earthquake response in West Nusa Tenggara or the pilot of village registration officers. KOMPAK and its partners then push for the government to integrate these lessons into national policies so they have a much greater reach and impact in support of the “National Strategy for the Acceleration of Population Administration for Vital Statistics Development”, for example.

KOMPAK provides support to subdistrict and village governments to improve legal identity services by drafting relevant regulations, encouraging and training village registration officers, and refining systems to gather disability information.

KOMPAK introduces three models for strengthening civil registration services: (1) The Outreach Model — villages provide village registration officers; (2) Anticipation Model — collaborating with service units, such as Posyandu, hospitals, and PAUD; and (3) Acceleration Model — mobile services through educational facilities and post-disaster community strengthening.

In 2019, the ownership of birth certificates for children under 18 years old was 87.4 percent, which was an increase from 85.3 percent in 2018. Although there are wide variations among KOMPAK districts.

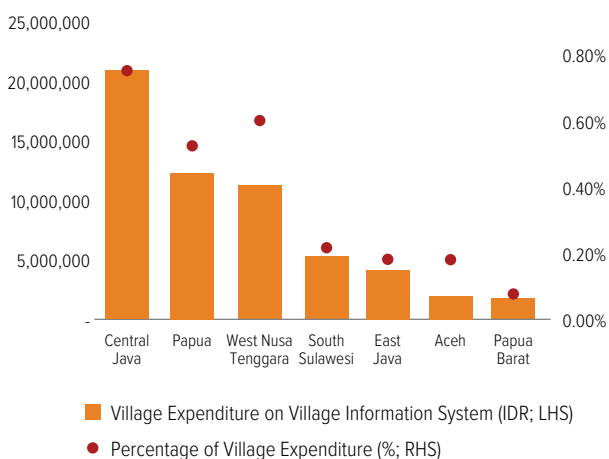
EXPENDITURE: VILLAGE INFORMATION SYSTEM

“Villages allocated IDR 7.7 million in 2019 (IDR 2.1 thousand per capita) for Village Information System (SID), or 0.4 percent of the total expenditure.”

Development of Village Information System (SID) was one of the priority activities to be financed by the Village Fund in 2019, as per the Minister of Villages Regulation No. 16/2018. The Village Information System development included the capacity and procurement of computer software and hardware applications for integrated data collection and information dissemination. The publication of village development data through the village information system is used by village governments and district governments as one of the bases for planning village development in a transparent, participatory, integrated, and accountable manner. In its implementation, the development of the system includes several parts: (1) capacity building for the data collection team recruited from the village communities; (2) data collection by the data collection team; (3) capacity building for the operator team recruited from village communities; (4) data entry processing, data cleaning, data reconfirmation, and data analysis; (5) Data management and data updating; and (6) publication of the data and information.

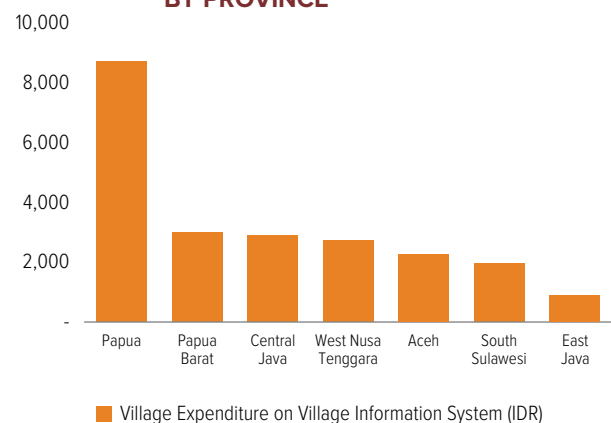
Villages allocated IDR 7.7 million in 2019 (IDR 2.1 thousand per capita) for SID, or 0.4 percent of the total expenditure. While villages in Central Java allocated the highest expenditure for SID, the amount per capita spent on the system is nearly equal in all provinces, except for Papua and East Java (Figure 55 and Figure 56).

FIGURE 55. **VILLAGE EXPENDITURE ON VILLAGE INFORMATION SYSTEM BY PROVINCE**



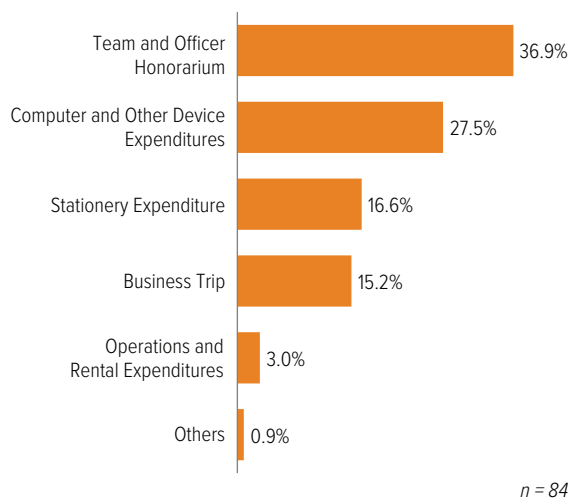
n = 272

FIGURE 56. **VILLAGE EXPENDITURE ON VILLAGE INFORMATION SYSTEM PER CAPITA BY PROVINCE**



n = 272

FIGURE 57. EXPENDITURE DETAILS ON VILLAGE INFORMATION SYSTEM ACTIVITIES (%)



The largest expenditure for SID (37%) is aimed at honoraria (Figure 57). The second-largest was for capital expenditure including computers and devices (28%), followed by stationery and business trips (17% and 15%, respectively). Other expenses were for operations and rentals.

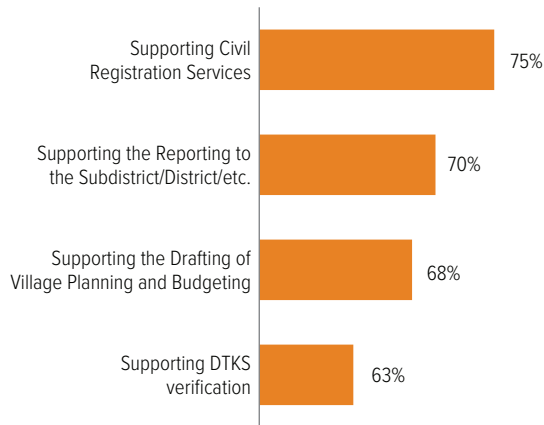
There were variations in village budget allocations for SID between locations as not all villages had or used it yet. This illustrates the difference in support for KOMPAK activities. The 2019 KOMPAK village survey indicated that only 339 out of 418 villages (81%) had SID in place. In addition, not all the KOMPAK villages with the system had an electronic-based one. Villages with no electronic-based information system, especially in South Sulawesi, Papua, and

Papua Barat, generally had a lack of computers and Internet access in village offices (this was referred to in the 2018 PODES data).

Based on the 2019 KOMPAK village survey, approximately 81 percent of KOMPAK villages already had the SID. The survey showed that the most common use of SID online was to support civil registration services (75%), followed by reporting to districts and sub-districts (70%) and for planning and budgeting (68%). However, some villages like those in South Sulawesi still use a manual-based system. Having a SID or not was congruent with the availability of facilities and infrastructure to support the system. Village investment in SID is crucial. The 2018 PODES data revealed that more than 85 percent of KOMPAK villages had functioning computers, yet only 50 percent of village offices were connected to the Internet. For those villages that already have an online system, considerable room on accessible platforms is still available to support the village government.

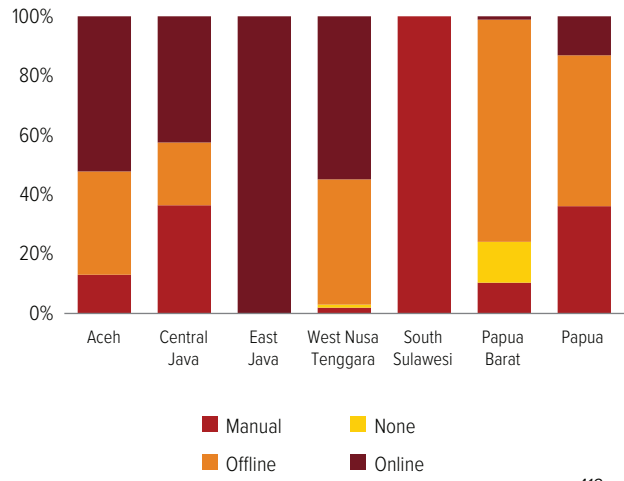
“Based on the 2019 KOMPAK village survey, approximately 81 percent of KOMPAK villages already had the SID.”

FIGURE 58. PERCENTAGE OF VILLAGES BY VILLAGE INFORMATION SYSTEM UTILISATION



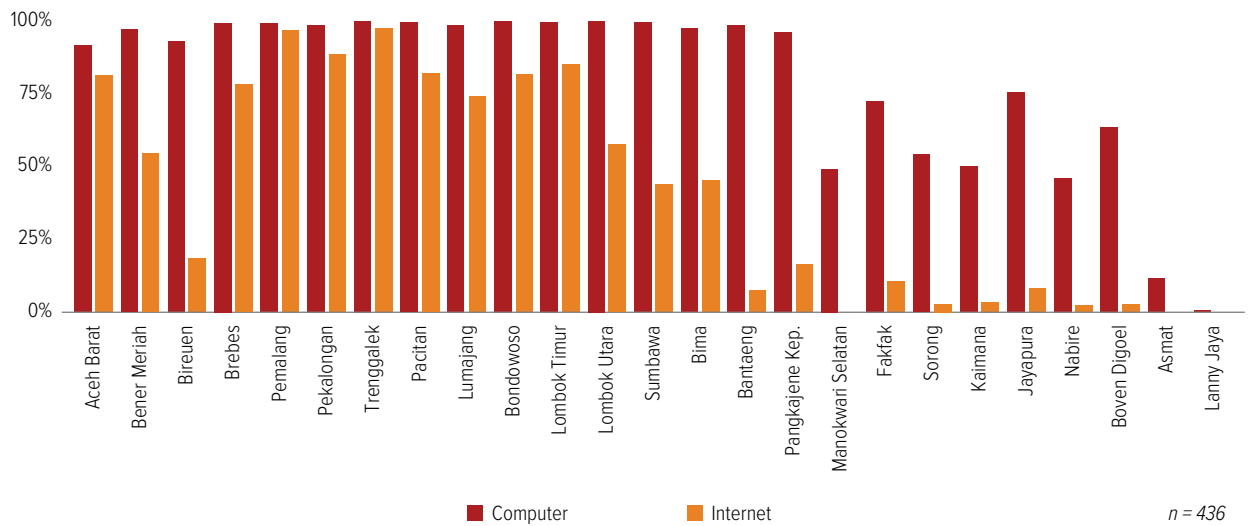
n = 418

FIGURE 59. PERCENTAGE OF VILLAGES WITH VILLAGE INFORMATION SYSTEM BY PROVINCE



n = 418

FIGURE 60. THE PERCENTAGE OF KOMPAK VILLAGES WITH WORKING COMPUTER AND INTERNET FACILITIES IN VILLAGE OFFICES



n = 436

BOX 7. ESTABLISHING AND STRENGTHENING THE VILLAGE INFORMATION SYSTEM (SID)

The Minister of Village Regulation No. 16/2018 states that the 2019 Village Fund can be used to finance a village information system on the condition that the preparation and development of the system shall be community-based. Properties of a community-based system mentioned in the regulation include:

1. performed from, by, and for the community,
2. a reconfirmation process is necessary so that the data obtained is more factual and valid,
3. the data is by name and by address, so that village development planning can be more appropriately targeted,
4. the resulting data and information can be discussed as a reference to complement the results of village condition assessments in preparing a village development work plan.

KOMPAK provides technical assistance to expand the village information system and improve the use of systems for village planning and budgeting, civil registration, monitoring of basic services and other related functions.

To expand the scope of SID and improve its use, KOMPAK provides support based on an agreement with the district governments that includes

1. In Central Java, KOMPAK supported the government in developing technical guidelines on the use and administration of SID and the formulation of village regulations to support its implementation.
2. In Aceh, KOMPAK provided workshops for operators and provided input to district governments to allocate funds for SID in future budgets.
3. In East Java, KOMPAK supported district governments in building an integrated data system related to poverty reduction programs managed directly by the Regional Development Planning Agency.
4. In West Nusa Tenggara, KOMPAK supported OpenSID replication to all KOMPAK districts thereby enhancing the system's ability to interconnect with the Population Information and Administration System (SIAM) and the Integrated Social Welfare Data (DTKS).

14

EXPENDITURE: VILLAGE APPARATUS CAPACITY DEVELOPMENT (PKAD)

“Villages allocated IDR 28.5 million in 2019 (IDR 8,000 per capita) for Village Apparatus Capacity Development (PKAD), or 1.4 percent of total expenditure.”

The Minister of Home Affairs Regulation No. 20/2018 regulates expenditure for Village Apparatus Capacity Development (PKAD) to be allocated in the fourth *bidang* (Village Community Empowerment), although the Minister of Villages Regulation No. 16/2018 concerning Priorities for the Use of Village Fund in 2019 does not regulate in detail the activities to develop the capacity of village officials that can be budgeted for that year. Empowerment of village communities, as regulated in Article 10 of the Minister of Villages Regulation, refers to activities aimed at increasing the capacity and capability of rural communities in applying the results of science and technology development for economic development. Those activities are quite diverse, ranging from increasing community participation in village development and supporting the management of basic social services to developing inter-village collaboration as well as with third parties. With no rigid restrictions on the types of capacity building activities, the Minister of Villages Regulation highlights other village community empowerment activities that are not detailed can be financed from the Village Fund, as long as these activities are under village authority and are decided through discussion by the community.

Villages allocated IDR 28.5 million in 2019 (IDR 8,000 per capita) for Village Apparatus Capacity Development (PKAD), or 1.4 percent of total expenditure. The Papua villages in this study did not provide a budget allocation for PKAD in 2019, while villages in Papua Barat had the highest per capita PKAD expenditure. The villages of East Java allocated the smallest per-capita PKAD expenditure compared to others in this study (Figure 61 and Figure 62).

FIGURE 61. VILLAGE EXPENDITURE ON PKAD BY PROVINCE

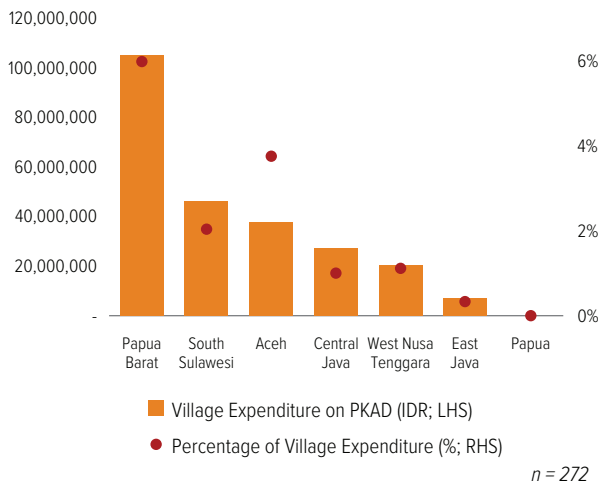
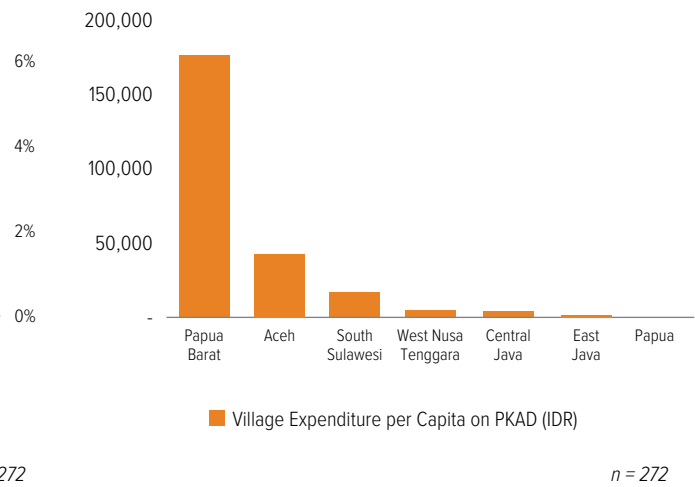


FIGURE 62. VILLAGE EXPENDITURE PER CAPITA ON PKAD BY PROVINCE



In general, the majority of PKAD expenditure was used to increase the capacity of village heads and village officials (Figure 63). However, only 15 percent of the capacity building budget was allocated to Village Councils. Even though based on the 2018 PODES data, KOMPAK villages have an average of seven Village Council members or almost as many as the village apparatus (apart from regional implementers and other village officials).

“In general, the majority of PKAD expenditure was used to increase the capacity of village heads and village officials.”

The allocation to develop the capacity of village officials also varied between provinces (Figure 64). Villages in Aceh and West Nusa Tenggara allocated funds to increase the capacity of village heads by 33 percent and 35 percent, respectively. On the other hand, almost all of the expenditure to develop the apparatus capacity in Papua Barat was allocated to village heads.

FIGURE 63. VILLAGE APPARATUS CAPACITY DEVELOPMENT ACTIVITIES (%)

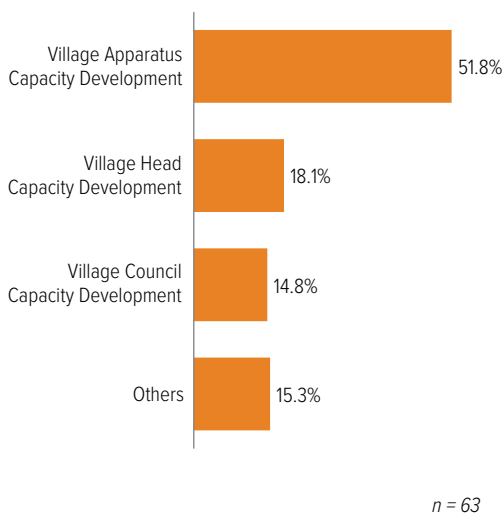


FIGURE 64. VILLAGE APPARATUS CAPACITY DEVELOPMENT ACTIVITIES (%) BY PROVINCE

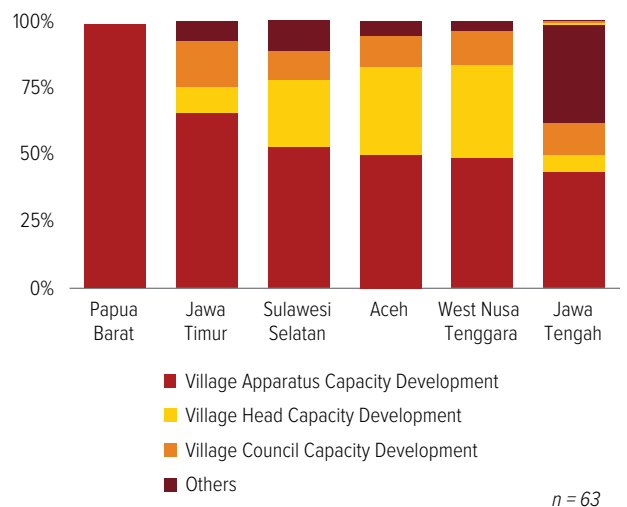
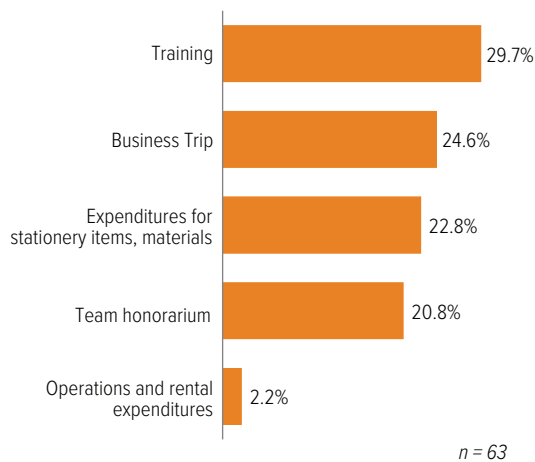


FIGURE 65. EXPENDITURE DETAILS ON VILLAGE APPARATUS CAPACITY DEVELOPMENT ACTIVITIES (%)



Expenditures for these activities are also reflected in outlays for PKAD (Figure 65). Nearly a third of PKAD expenditure in KOMPAK villages was used for training, followed by 25 percent for business trips, and 23 percent for stationery and consumption. A further one-fifth of the Village Apparatus Capacity Development budget was spent on honoraria.

BOX 8. KOMPAK'S SUPPORT FOR SUBDISTRICT AND VILLAGE STRENGTHENING

KOMPAK supports the strengthening of subdistricts as learning centers and technical assistance for village governments. Through its support of the Ministry of Home Affairs, KOMPAK developed a National Strategy on Strengthening the Village Apparatus Capacity Development (PKAD).

To support this strategy, KOMPAK and the Ministry of Home Affairs designed a capacity building program to support subdistrict governments through the Village Governance Facilitators (PTPD), who provide training and technical assistance to the village governments. In some locations, Village Governance Facilitators have an assigned room in the subdistrict office (known as the Village Governance Clinic) as a consultation service centre for village officials.

In addition, KOMPAK also encourages Independent Learning of the Village Apparatus (PbMAD) so that village governments can learn independently using these modules and identify training needs. From this learning and self-assessment, village governments can use the Village Fund to attend training or find relevant support.

The arrangement for PKAD expenditures in the Village Community Empowerment *Bidang* allows funding for these activities to come from the Village Fund. That condition reduces the burden on village government administration expenses (*Bidang 1*), the majority of which is used for village apparatus salaries and allowances. The limited expenditure space using resources in *Bidang 1* will likely narrow the allocation for developing the capacity of village officials.

15 FINANCING

“Only one-fifth of the villages in this analysis implements a balanced budget policy.”

Only one-fifth of the villages in this analysis implements a balanced budget policy (Figure 66). As many as 40.4 percent of villages implemented a surplus budget policy, while 41.2 percent had a budget deficit in 2019. Although there were quite significant differences in the budget-balancing policies among provinces, the number of villages that had a surplus, deficit, or balance was relatively proportional in Aceh.

The majority of villages in Papua, South Sulawesi, and East Java had budget deficits in 2019 (Figure 67). Regardless of the varying revenues and expenditures, all villages in Nabire had a deficit of IDR 23 million, which was then financed through financing surplus (SILPA) from the previous fiscal year. Further confirmation is required regarding budget deficits in the villages to identify: (1) is there a SILPA policy in the district that affects all villages universally?; and (2) how does this additional financing lead to changes in the pattern of village expenditure in the current year?

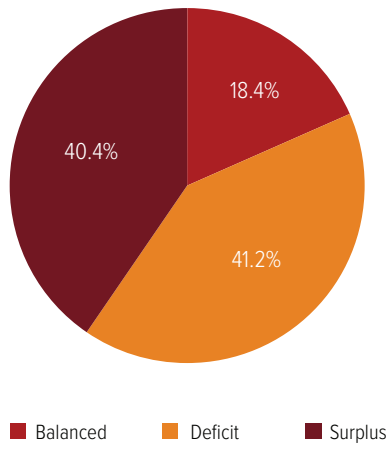
In South Sulawesi, all the villages with a deficit in 2019 received large financing from SILPA Revenue Sharing Tax and Retribution and SILPA of Village Allocation Funds in 2018. In smaller numbers, several villages also reported SILPA from 2018 Village Fund and Village Own-Source Revenue. Meanwhile in East Java, the size of village budget deficit largely varies between villages.

“On average, the surplus/deficit amounts between provinces varied, although still on a small scale.”

On average, the surplus/deficit amounts between provinces varied, although still on a small scale (Figure 68). The villages in Central and East Java had deficits of 1.4 and 1.0 percent respectively, of their total budget.¹⁷ The villages in West Nusa Tenggara and Papua Barat had the largest surpluses with 3.7 and 3.3 percent respectively, of their total budget.

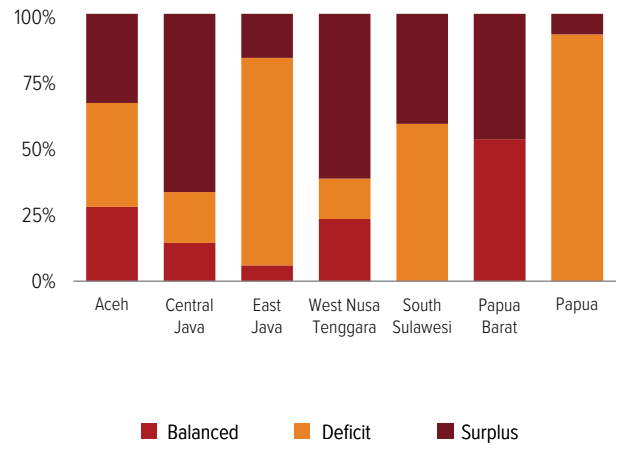
¹⁷ PFM analysis usually calculates the percentage deficit/surplus of the region's gross domestic product. Although it was uncommon, this study employed deficits/surpluses to the total village budget to facilitate comparisons between regions due to the absence of proxies for gross domestic product at the village level.

FIGURE 66. VILLAGE BUDGET POLICIES



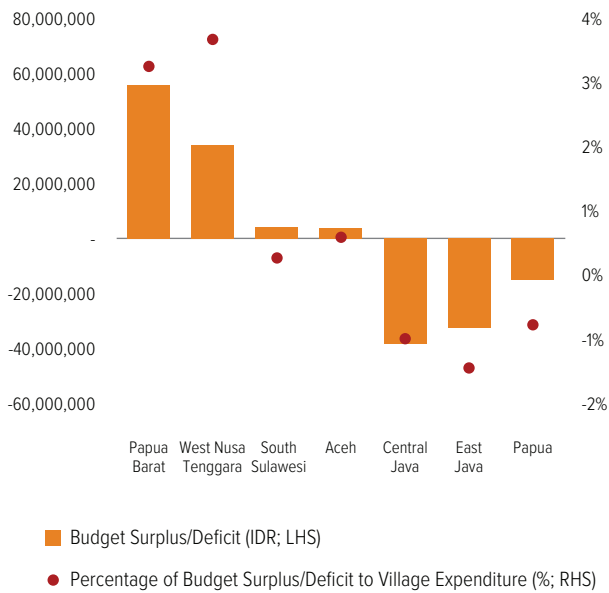
n = 272

FIGURE 67. VILLAGE BUDGET POLICIES BY PROVINCE



n = 272

FIGURE 68. VILLAGE BUDGET SURPLUS/DEFICIT BY PROVINCE



n = 272

16 CONCLUSIONS AND RECOMMENDATIONS



Apart from its work at the national level, **KOMPAK** operates at the local level in supporting regulations to improve village planning, budgeting and financial management. KOMPAK collects, monitors, and studies village budget patterns in supported areas to observe the composition of revenue and expenses. The allocation of fiscal resources in the villages for KOMPAK-supported sectors shows some success, in that the changes in budget policy priorities, leverage investments and institutionalization are ensuring the sustainability of program results. Village budget analysis is essential in making sure that KOMPAK activities are evidence-based and provide feedback for program evaluation and

learning. This study provides an initial description of the pattern of village revenue and expenditure in 2019 as a baseline.

The implementation of MoHA Regulation No. 20/2018 concerning Village Financial Management accommodates village financial post classification. However, the flexibility in budgeting requires diligence in preventing mechanical and identical practices in one location (e.g., sub-district or district). Although the study did not conduct an in-depth analysis of this matter, it does identify indications of the attempt to equalize village budgeting in several locations. Conducting separate classifications apart from the nomenclature in MoHA Regulation No. 20/2018 (using function classifications) will provide information from other perspectives in village budget analysis. It can also be synchronized with district/city/provincial government reporting.





Out of 436 villages supported by KOMPAK, the study obtained financial data from 272 villages (62 percent). The average KOMPAK village budget in 2019 was IDR 1.97 billion (IDR 528 thousand per capita). Variations in revenue, expenditure, and budget policies can be seen between the village expenditure quintile per capita, province, and village development status. KOMPAK village revenue in 2019 generally emanated

from transfers sourced from the Village Fund and the Village Fund Allocation. Village own-source revenue, both from assets and village businesses, was still limited.

General Government function were the largest expenditures in the 2019 village budgets. Nevertheless, the majority of KOMPAK villages had salaries (*Siltap*), allowances, and village government operations expenditures below the maximum limit of 30 percent, according to the applicable regulations.

The second highest expenditure was on public works and spatial planning. That condition indicates limited access to KOMPAK working areas. Aside from the construction of infrastructure, the villages have also started to allocate a significant amount for maintenance as part of retaining the performance of village infrastructure already constructed.

The KOMPAK villages allocated 5.5 percent of total expenditure for health and 3.6 percent for education. The expenditure for these two functions was in line with the village authority to provide basic services in those two sectors.

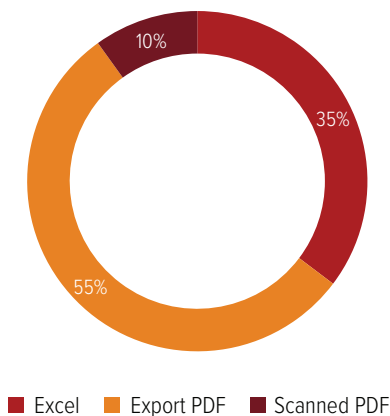
The villages allocated 5.2 percent of total expenditure for Local Economic Development (LED) function. This was spread across the sectors of Agriculture and Animal Husbandry, Investment Support, Cooperatives, Micro, Small and Medium Enterprises (MSMEs), Trade and Industry and Maritime Affairs and Fisheries. **The budget allocations for KOMPAK support issues (Population Administration, Village Information System, and Village Apparatus Capacity Development) were starting to be reflected in the 2019 village budgets.** The allocation of fiscal resources in the villages for KOMPAK-supported sectors shows some success in that the changes in budget policy priorities, leverage investments and institutionalization are ensuring the sustainability of program results.

There are numerous opportunities for further analysis of village financial management. First, further studies can analyse the coherence between budget priority policies at different levels of government (district and village). Second, the studies can assess how compliant a village is in meeting financial management regulations (apart from the salary expenditure provisions discussed in this report). Third, the studies can review how villages translate the mandate of village planning documents (Government Work Plan/RKPDes and Village Medium-Term Development Plan/RPJMDes) into the village budget. Fourth, the studies can identify the suitability of budget allocations with the needs of village communities and how community suggestions are accommodated in village meetings. Fifth, the studies can function to observe the deviation between budget documents and their realization.

17 ANNEX

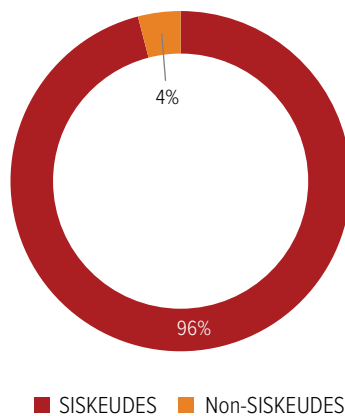
This study used village budget documents collected in various formats. More than half of the documents received were exported in PDF from SISKEUDES (the village financial system), with another 35 percent were in Excel format (Figure 69). A small portion of the documents was in the form of scanned PDFs and pictures that required manual data transfers. Almost all the villages included in the samples used SISKEUDES (Figure 70). This confirms the 2019 KOMPAK village survey which found nearly all KOMPAK villages had used SISKEUDES, except for those in Papua and Papua Barat (Figure 71).

FIGURE 69. **VILLAGE BUDGET FILE FORMAT**



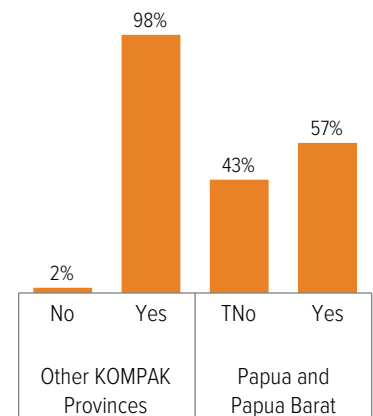
n = 272

FIGURE 70. **THE NUMBER OF SISKEUDES AND NON-SISKEUDES VILLAGES**



n = 272

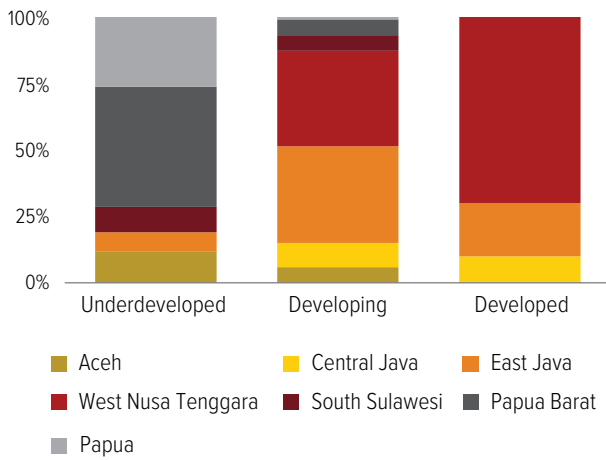
FIGURE 71. **THE PERCENTAGE OF SISKEUDES UTILIZATION IN KOMPAK VILLAGES**



n = 272

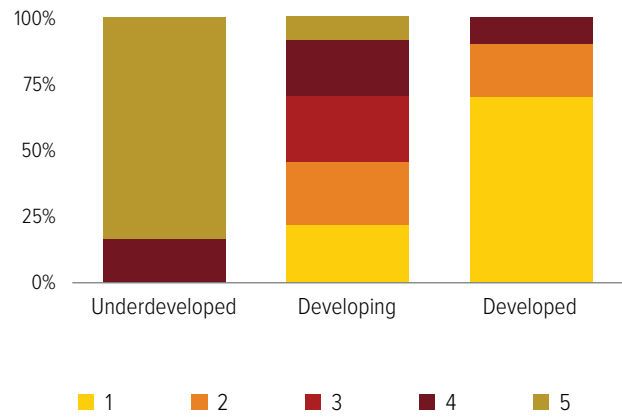
The study identified that village status based on the Village Development Index is not associated with a province or an expenditure quintile. Underdeveloped, developing and developed villages might be located in any provinces (Figure 72). In addition, the category as a developed village does not indicate that it has a high per capita village expenditure, and vice versa (Figure 73). This condition may also be ascribed to the variations in the population per village. Hence, many underdeveloped villages that have a small population tend to have high per capita village expenditures.

FIGURE 72. VILLAGE DISTRIBUTION BY PROVINCE AND THE 2014 IPD STATUS



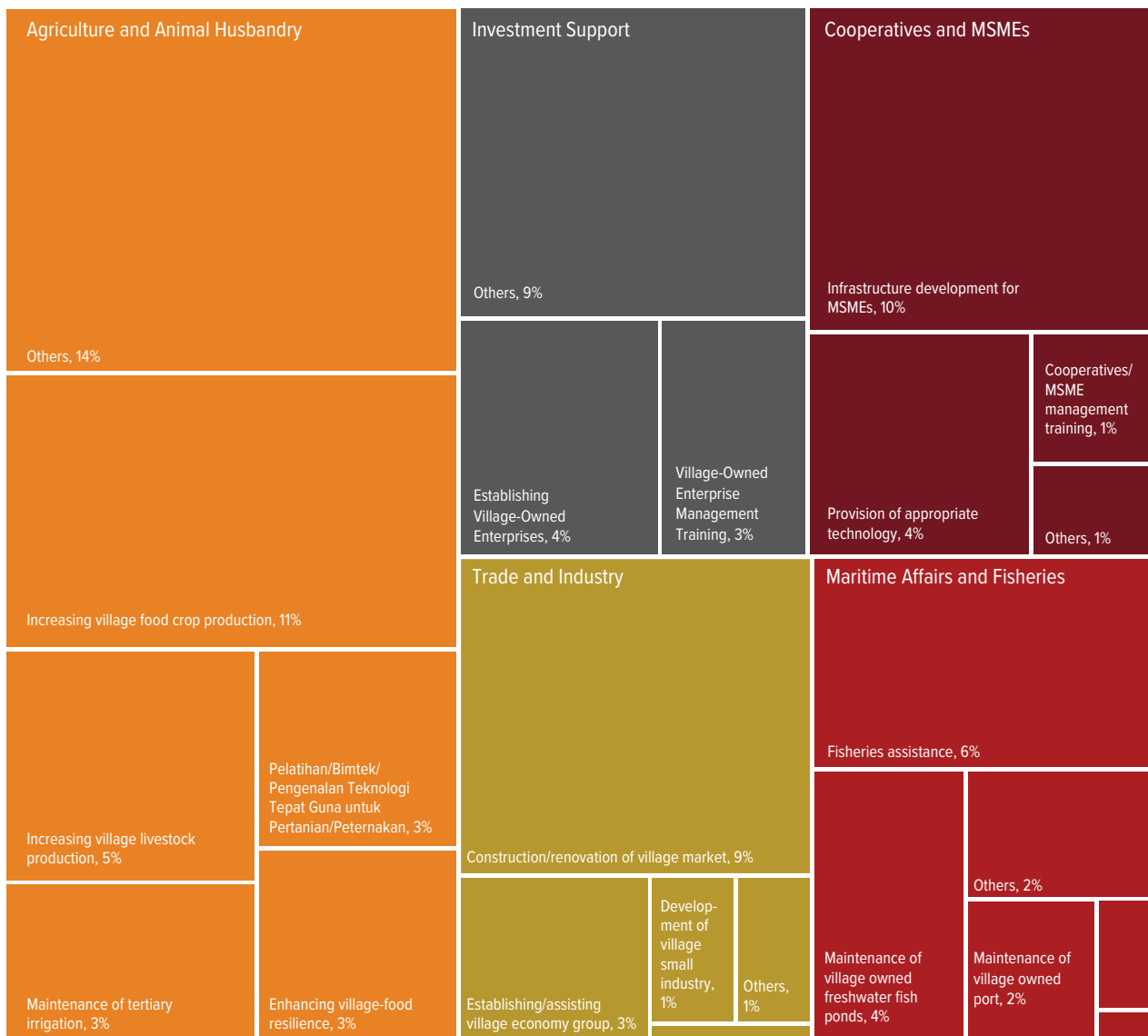
n = 272

FIGURE 73. VILLAGE DISTRIBUTION BY VILLAGE EXPENDITURE QUINTILE PER CAPITA AND THE 2014 IPD STATUS



n = 272

FIGURE 74. EXPENDITURE ALLOCATIONS ON LOCAL ECONOMIC DEVELOPMENT ACTIVITIES IN KOMPAK LOCATIONS (%)



n = 272

TABLE 2. VILLAGE BUDGETS COLLECTED

KOMPAK Locations	Number of Subdistricts	Number of Villages	Number of KOMPAK Subdistricts	Number of KOMPAK Villages	Number of KOMPAK Subdistricts	Number of KOMPAK Villages
Aceh	3	18	3	18	100%	100%
Aceh Barat	1	6	1	6	100%	100%
Bener Meriah	1	6	1	6	100%	100%
Bireuen	1	6	1	6	100%	100%
Central Java	3	21	3	33	100%	64%
Brebes	1	6	1	12	100%	50%
Pekalongan	1	5	1	9	100%	56%
Pemalang	1	10	1	12	100%	83%
East Java	8	85	8	95	100%	89%
Bondowoso	2	18	2	28	100%	64%
Lumajang	2	20	2	20	100%	100%
Pacitan	2	27	2	27	100%	100%
Trenggalek	2	20	2	20	100%	100%
West Nusa Tenggara	8	86	8	102	100%	84%
Bima	2	25	2	29	100%	86%
Lombok Timur	2	28	2	40	100%	70%
Lombok Utara	2	13	2	13	100%	100%
Sumbawa	2	20	2	20	100%	100%
South Sulawesi	2	17	2	17	100%	100%
Bantaeng	1	10	1	10	100%	100%
Pangkajene Kepulauan	1	7	1	7	100%	100%
Papua Barat	3	32	8	89	38%	36%
Fakfak	0	0	2	15	0%	0%
Kaimana	0	0	1	17	0%	0%
Manokwari Selatan	3	32	3	34	100%	94%
Sorong	0	0	2	23	0%	0%
Papua	2	13	12	82	17%	16%
Asmat	1	12	2	23	50%	52%
Boven Digoel	0	0	2	9	0%	0%
Jayapura	0	0	3	19	0%	0%
Lanny Jaya	0	0	2	15	0%	0%
Nabire	1	1	3	16	33%	6%
Grand Total	29	272	44	436	66%	62%

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