

RURAL LOCAL GOVERNMENT SYSTEM IN INDONESIA: Recent Issue on Making Autonomy Local by Fiscal Decentralization

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Abstract

Since the end of 2014, Indonesian government did enlarge village autonomy in order to accelerate rural prosperity. One of the ways is giving fiscal decentralization larger space to village government to accommodate the public demand. The good news is the number of funding on village expenditure is bigger than before. By Law number 6 /2014 every village in Indonesia has around 1 million rupiahs to fund village operational and development. Head of Village Government and BPD also local people involved deciding the purpose and the way to spend the money. The village which has qualified capacity building tend to be successful in their program, but in another side there are many villages didn't have the qualified capacity building and they don't know how the way to start and to spend their money. This is a challenge to the government to improve the village government capacity building. They must have a good capacity building, good availability, and good ability in personal, group, and organization.

Keywords: Rural, Local Government System, Indonesia

Introduction

Local autonomy means central government giving larger authority, more real, and more responsible. Especially in arranging enable, and explore some potential resources in their own authority. By the local autonomy, thus expected that economic development in their own local authority getting better and better. No one economic lack among the authority, because every one enables to achieve prosperity by exploring and take advantages of their own resources.

By local autonomy, so that government who centralized before have been changed to decentralized into many municipalities. In Indonesia decentralizing process was running till at present. There was four type decentralization in Indonesia: political decentralization, fiscal decentralization, administrative decentralization, and economic decentralization. All of them will be integrated one another.

Fiscal decentralization is one of the actualizations between government and local government relationship. To achieve the goal of fiscal decentralization, so that has been developed by grand design of fiscal decentralization itself, whereby fiscal decentralization that wants to achieve in

2030 was "Efficient National Local Allocation Resources by Transparent and Accountable Government and Local Government Relation".

In fiscal decentralization road progress in Indonesia, government tries as much as they can do to ensure that vision of fiscal decentralization can be achieved. One thing that government strived in order to government and local government relation to be transparent and accountable so that national resources allocation can run efficiently by enlarging local autonomy based. Therefore government performs Law Number 6, 2014 about Village. The main core of the policy was admitted village as local autonomy. So that village has been given entire autonomy to take advantages of the resources. By taken advantages of village's resources such as financial autonomy entirely by village government, so that the purpose that defined in fiscal decentralization vision can be achieved maximum.

Villages

According to Kartodikusuma, a village is a unity of law whereas living a group of people with their own government (Ahmadi, 2003). Whereas according to Bintaro, a village is a manifestation or unity of geography, social, economy, politic and culture which extent in a place, in the relationship and the influence reciprocal with the others place.

According to Paul H. Landis, as quoted by Ahmadi (2003), a village is a territory the people number is less than 2.500 people. And the nature is: a) to behave behavior knowing each other among thousands of people; b) there is sense of belonging each other which related to tradition or culture; c) have livelihood with strong relationship and influenced by the nature, such as climate, nature condition, wealth of nature, then livelihood except agrarians is just a side job.

Most of the government policy that related with village development prioritize pure purpose, such as fighting poverty, shifting village's face physically, giving social village service, till empowering the people and village government to be more modern. Unfortunately, a row of the purposes only stopped on the paper. Because village only being an object by the actor of village development project, where the benefit only took pleasure in by the actor.

Making autonomy local

Fiscal decentralization was given to the local government in order to explore the income resources, rights to transfer from the higher government, and determine routine expenditure and investment. Shortly, local government was given an opportunity to determine regulation in their own budget. Several purposes of fiscal decentralization: *first*, to reduce a fiscal gap between central government and local government (*vertical fiscal balance*) and among the local government (*horizontal fiscal imbalance*); *second*, to increase public service quality among local government; *third*, to increase an efficiency of national resources usage.

Fiscal decentralization was one of the implementations of a relationship between central government and local government. Some regulation was performed as fiscal decentralization policy. First policy performed was Law number 22 and number 25/1999 which consist of Dana Alokasi Umum (DAU) – general allocation funds, Dana Bagi Hasil (DBH) – revenue sharing, and giving limited authority in tax to local government. Furthermore, that regulation was

amendment and change to Law number 32/2004 and Law number 12/2008 which the main point was focused on monitoring mechanism by the central government and improvement accountability of local government expenditure. Fiscal decentralization policy change was a reflection that fiscal demand in local government being bigger and bigger.

In the grand design, the vision of Indonesian fiscal decentralization was "Efficient National Resources Allocation by Transparent and Accountable Relationship between Central Government and Local Government". To achieve that vision, there were some mission that determined by government: *first*, Developing financial relationship between government and local government that minimizing the lack of vertical and horizontal; *second*, Developing local tax system that support efficient national resources allocation; *third*, Developing freedom of action in accountable local expenditure to achieve minimum service standard; *fourth*, Harmonize government and local government expenditure in order to achieve optimum public service performance.

In line with vision and mission of fiscal decentralization and to solve fiscal demand in local government that being increasing, so that in 2014 government legitimize Law number 6/2014 about the village. Before that regulation, there was Law Number 32/2004 and Law number 12/2008 which state that village belongs to district government.

To know more about fiscal decentralization in the government village, so it can take look from village financial administration system start from arranging process Anggaran Pendapatan dan Belanja Desa (APBDesa) - The village budget revenue and expenditure plans decided. From that process, we can see the difference of village decentralization before and after Law number 6/2014 implemented.

Before Law Number 6/2014 implemented

In Minister of Domestic Affair Regulation number 37/2007, able to see the process of arranging to the village income and expenditure budget and decided. In that regulation able to see that the draft of the village income and expenditure budget arranged by referring to Rencana Kerja Pembangunan Desa (RKP) – village development work plan that was defining of Rencana Pembangunan Jangka Menengah Desa (RPJMD) – village mid-term development plans. The village mid-term development plans arranged by Head of Village Government based on his vision and mission while elected. From The village mid-term development plans defined into RKP that arranged by direct local people participation in musyawarah perencanaan pembangunan desa (musrenbangdes) – village development planning deliberations.

By draft of the village income and expenditure budget arranging process as well, it should be told that draft of the village income and expenditure budget was aspiring and tend to the public interest because in the first step arrangement was involved the people directly. But, because village decentralization was limited, so that draft of the village income and expenditure budget must report to regent/major first to be evaluated. If regent/major approve, or evaluation pass the time limit, so that Head of Village Government may decide the draft to be the village income and expenditure budget. If the draft of the village income and expenditure budget considered not suitable with the public interest or break the law and higher regulation so that regent/major will

order to Head of Village Government and Badan Permusyawaratan Desa (BPD) – village deliberation body to improve it. If Head of Village Government and BPD do not do improvement and still decided, regent/major will postpone and implement the previous period the village income and expenditure budget ceiling by peraturan bupati/walikota - regent/major regulation.

Another side, village expenditure consists of direct expenditure and indirect expenditure. Direct expenditure consists of employee expenditure, good and service expenditure, and also capital expenditure. Indirect expenditure consists of employee expenditure, subsidy expenditure, grant expenditure, social help expenditure, financial help expenditure, and unexpected expenditure.

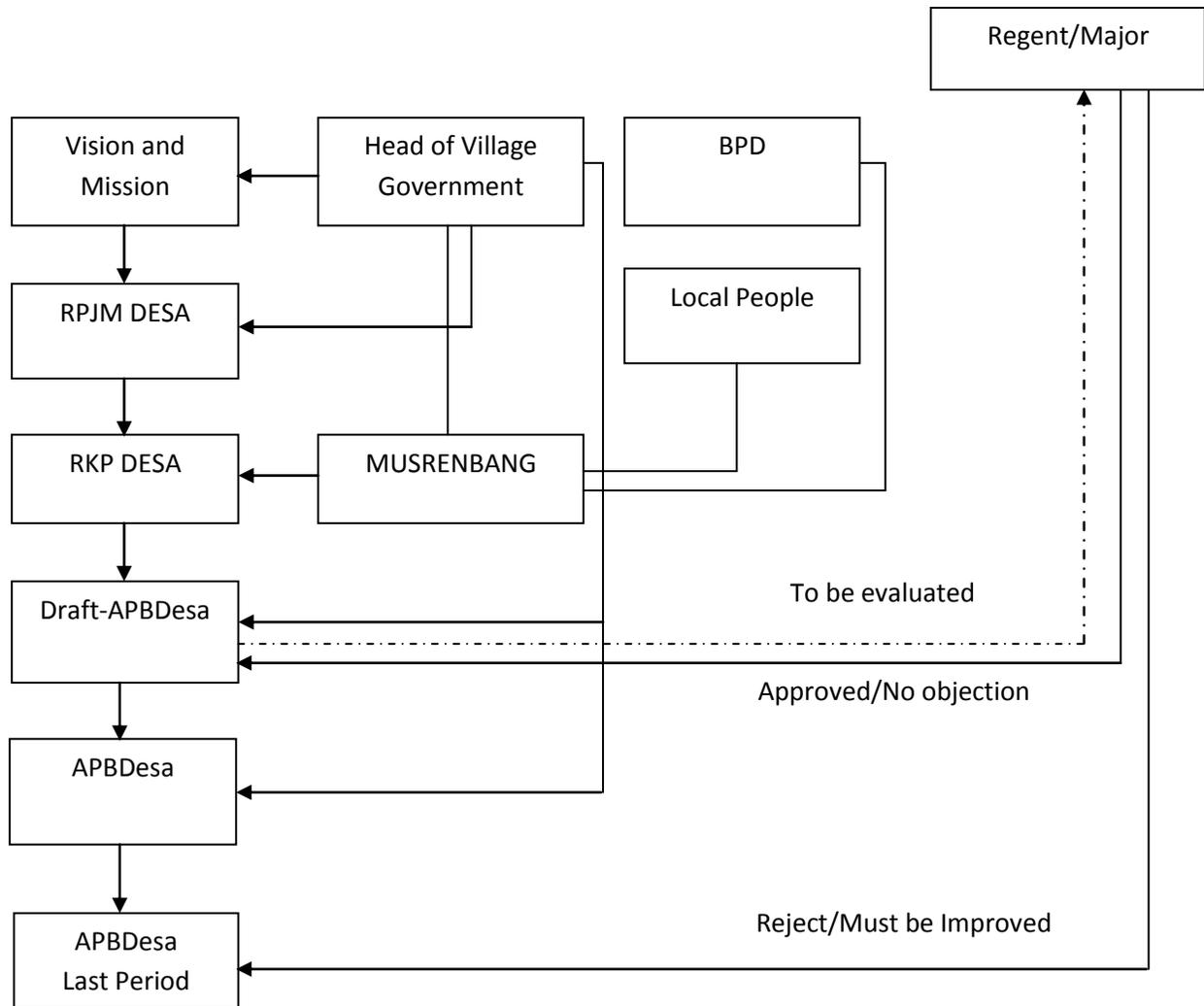
In defraying side, village budgeting consists of revenue budgeting and expenditure budgeting. Revenue expenditure able consist of Sisa Lebih Pembiayaan Anggaran Tahun Berjalan (SILPA) – remaining more financing of current year's budget in the previous year, a meltdown of storage fund, the result of selling of the village affluence that has been divided, and a loan revenue. Whereas expenditure budgeting consists of the arrangement of storage fund, village taking part in a capital, and debt payment.

In Minister Domestic Affair Regulation number 37/2007 also explained about Alokasi Dana Desa (ADD) – allocation of village funds. Primary, the goals and function ADD is the same with DAU that is in order to reduce the gap of development among the villages in decentralization context and in order to accelerate fighting poverty. ADD resources came from Anggaran Pendapatan dan Belanja Daerah (APBD) – budget for regional income and expenditure that based on counterbalance budget which district/city gained 10%. Counterbalance budget means consist of tax sharing budget and natural resources plus DAU. ADD almost the same with DAU, consist of two items, that are **Minimum** and **ADD Proportionally**. Minimum ADD decided 60% of total ADD, whereas proportional ADD decided 40% of total ADD. Every village will get minimum ADD, whereas proportional ADD only gave to village which has high poverty rate, education rate, health rate, and marginal infrastructure. So that higher poverty rate in a village, higher they get proportional ADD. ADD usage itself have been decided based on usage percentage which is 30% for apparatus expenditure and village government expenditure, which is 70% of people empowerment budgets such as facilitation maintenance, environment and settlement, and also food purchasing endurance.

Related to the village income and expenditure budget accountability, Head of Village Government give the report as the realization of the village income and expenditure budget to regent/major through Head of Subdistrict at least one month after the end of a budget year.

Figure 1

Type of Fiscal Decentralization Model Before Law number 6/2014



After Law Number 6/2014 implemented

The implementation of Law number 6/2014 felt as a fresh wind for the village people. This regulation is a fundamental jurisdiction to be confessed of the village existential as autonomy territory. In the relationship with fiscal decentralization there are two main points of Law number 6/2014; *first*, related to 10% allocation budget of Anggaran Pendapatan dan Belanja Negara (APBN) – state budget for all the village in Indonesia, whereas predicted that every village will get budget around 1 million rupiahs per year; *second*, budget sharing that almost the same 1 million rupiahs, although the capacity of village government was variation. This problem will be anticipated by some fiscal decentralization regulations that regulate the number of village budget based on demand and also the ability to manage by government regulation.

As the operational regulation of Law number 6/2014, so government also publish Government Regulation number 43/2014. This regulation set up some rule in the relationship with fiscal decentralization.

Related to The village income and expenditure budget arrangement, there is a different principle between Government Regulation number 43/2014 with Minister Domestic Affair Regulation number 37/2007. The main different thing is on the authority of Head of Village Government in order to decide The village income and expenditure budget. In Minister of Domestic Affair Regulation number 37/2007, the people who have right to decide The village income and expenditure budget is regent/major. But in Government Regulation number 43/2014, the draft of the village income and expenditure budget that prearranges by the head of the government village and BPD then asking for an evaluation to regent/major. Regent/major can delegate obligation to evaluate draft of the village income and expenditure budget to Head of Subdistrict. Then the decision making of the village income and expenditure budget did by Head of Village Government at least December 31st.

Related to the village mid-term development plans, in Government Regulation number 43/2014 The village mid-term development plans arranged by village government with performing participative musrenbangdes. BPD and local people, using for orientation to the village mid-term development plans and at least contented vision and mission of Head of Village Government. The village mid-term development plans will define into RKP Desa and used to the village income and expenditure budget arrangement.

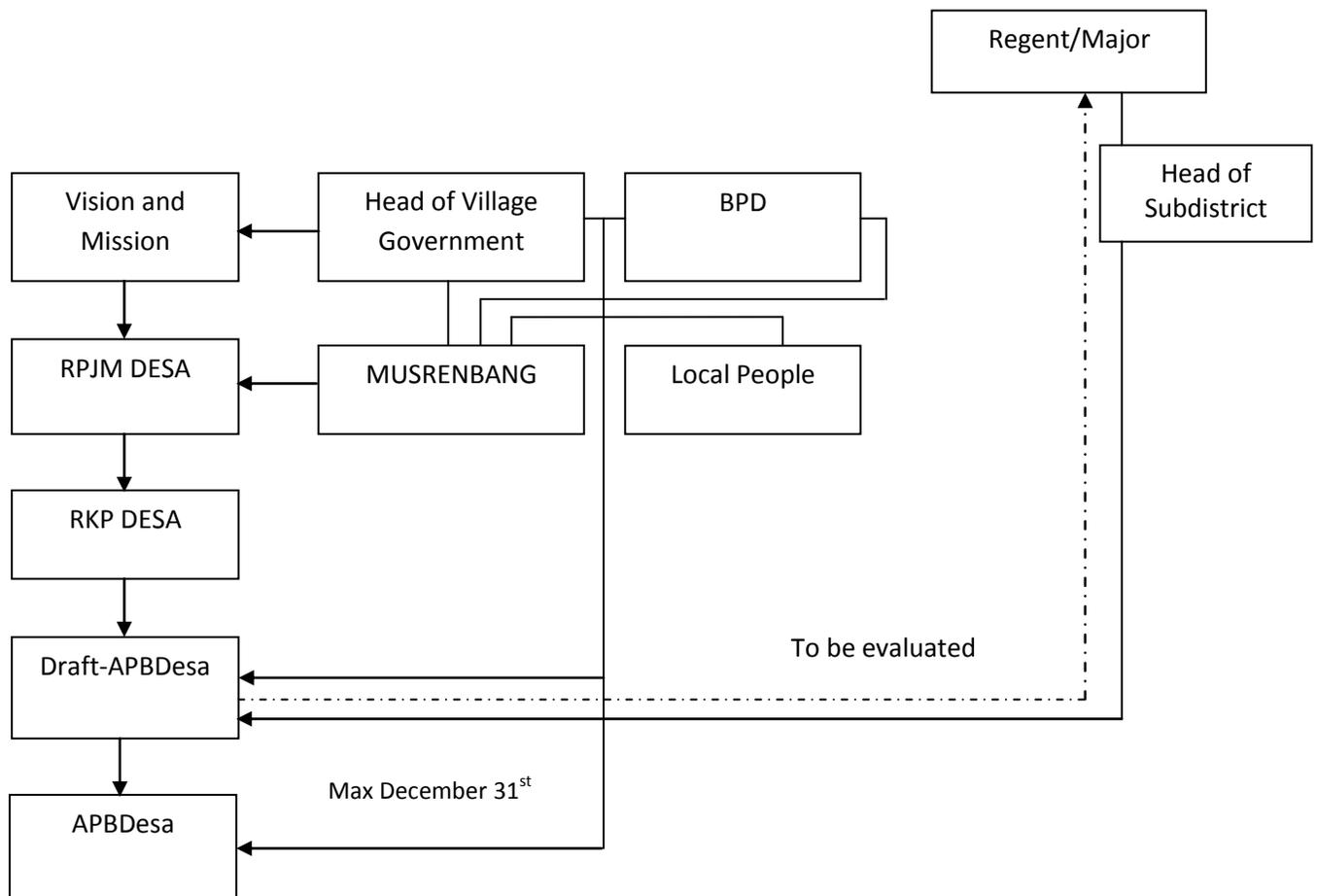
Related to village income, there is an additional point in Law number 6/2014 that is except all kind of revenue that noted in Minister of Domestic Affair Regulation number 37/2007, village revenue sourced to APBN and the others legal revenue. Allocation of APBN sourced to central government expenditure by making an effective program based on village commonly prevalent and equality. In Law number 6/2014 also decide that tax revenue sharing and local retribution regency/city at least 10% of revenue realization giving to the village, whereas in Minister of Domestic Affair allocation as big as 10% only arranged sharing revenue in tax. The allocation of tax revenue and retribution based on the regulation as big as 60% divided in average to all over of the village and 40% divided by proportional as big as their contribution to tax revenue and retribution. Related to ADD given at least 10% of counterbalance that received by regency/city in APBD after detracted by DAK.

Related to village expenditure, regulated that village expenditure prioritized to fulfill the demand of development that agreed in village meeting and according to the priority of local government (regency/city), province government, and central government. In Government Regulation number 43/2014 define more that village expenditure used to the rule at least 70% to fund village government performance, building up village society, and village people empowerment; and also at least 30% used to fixed income and incentive for Head of Village Government and the staffs, village government operational, incentive and operational budget for BPD, and also incentive for RT – neighborhood association and RW – citizens association. Concerning related to village funding not defined detail in Law number 6/2014 neither in government regulation number 43/2014.

Related to ADD there is a difference among before and after implementation of Law number 6/2014. After Law number 6/2014 implemented, ADD to behave at least 10% of counterbalance that received by regency/city in APBD after distracted DAK. Concerning related to minimum ADD and proportional didn't define yet more in regulation.

Related to the village income and expenditure budget accountability, Head of Village Government deliver two kinds of report, namely the village income and expenditure budget realization report per semester maximum in the end of July and the end of January also annual the village income and expenditure budget realization report every the end of the budget year. The reports deliver to regent/major by Head of Subdistrict

Figure 2
Type of Fiscal Decentralization Model After Law number 6/2014



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Conclusion

Fiscal decentralization in village autonomy getting improved especially by the born of Law number 6/2014 about the village and Government Regulation number 43/2014 about the implementation of Law number 6/2014 about the village. The born of the regulations so that the coverage of fiscal decentralization in the village getting larger. In fiscal decentralization scope, village gain additional income having a form allocation from APBN and the other legal revenue. Beside that, there are some regulations that more detail related to village expenditure and ADD. The accountability of the village income and expenditure budget also expected to be more transparent and accountable as well as vision and mission of fiscal decentralization itself. But that thing will not reach if not followed by the strengthening of village government, availability, and the ability of the staffs and local people.

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