

The Village Fund Program in Indonesia

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This study analyzes the Indonesian Village Fund (VF) Program by mapping each VF-related activity to all 17 SDGs (Sustainable Development Goals), and then determines an SDG-based VF allocation in 2018, 2019, and 2020. This study used data from all villages in Indonesia and is the most comprehensive study in Indonesia to address the knowledge gap between VF allocation and SDGs by analyzing the distribution of the use of the VF. The objectives of this paper are: (1) to provide the extent of VF usage to provide evidence on whether this utilization was aligned with the targeted SDGs, and (2) to provide information regarding village activities funded by the VF that were linked to each SDG. The results from this analysis can be used to encourage the Government to socialize and provide an understanding of SDGs to village leaders. Moreover, since Indonesia has developed Village SDGs, which are based on national SDG targets and localization of global SDGs to adapt to local culture as well as social and environmental conditions, it is recommended that other developing countries could formulate similar strategies to help achieve their national SDG targets and to develop rural areas in a more targeted way by prioritizing the most relevant issues. The study shares lessons learned from Indonesian experience in managing fiscal policy to more than 70,000 autonomous villages through the village fund program in the last five years.

Keywords: Indonesia ; village fund ; SDGs ; fiscal policy ; village development

1. SDGs in Indonesia

Presidential Regulation No. 59/2017, concerning the implementation of SDGs in Indonesia, mandated the Ministry of National Development Planning to provide the Roadmap of SDGs in Indonesia, and this SDGs implementation was also translated as the main directions of the Medium-Term National Development Plan (RPJMN). Unfortunately, limited resources require the government to prioritize those goals with the highest leverage above others ^[1].

The SDGs and RPJMN are primarily derived from different perspectives. The RPJMN was designed based on regional issues concerning welfare and sovereignty, while SDGs centered on global issues related to the sustainability of the world ^[2]. However, the nine RPJMN goals are related to the SDGs. Therefore, by focusing on the RPJMN, the government also contributed to the national achievement of SDGs. **Table 1** presents the linkages between the RPJMN and SDGs.

Table 1. Linkages between the RPJMN and SDGs.

No	RPJMN Goals	SDGs
1	Bringing back the country to protect the people and provide security to all citizens	SDGs 9–10, 13, 16–17
2	Establishing clean, efficient, democratic, and reliable governance	SDGs 5, 10, 16–17
3	Building from the periphery to strengthen local areas and villages within the framework of a unitary state	SDGs 1–12
4	Strengthening the country's presence in reforming the law enforcement system to be corruption-free, dignified and reliable	SDGs 5, 10, 14–16
5	Improving the quality of human life and society	SDGs 1–4, 6, 8, 10
6	Improving productivity and competitiveness in the international market	SDGs 8–11, 17
7	Realizing economic independence by moving the strategic sectors of the domestic economy	SDGs 2, 6–9, 12–15
8	A revolution of national character	SDG 4
9	Strengthening diversity and cultural restoration	SDGs 5, 10, 16–17

To achieve the RPJMN goals, especially program number 3, the GoI launched the One Billion One Village program. The program aims to increase efforts to reduce poverty and inequality, increase the capacity of development planning and budgeting at the village level, empower communities, and improve rural infrastructure development, peace, public order services, and rural community services to develop social and economic activities, thereby encouraging community self-reliance and cooperation, increasing village community income through village-owned enterprises (BUMDesa), and increasing village independence and competitiveness.

2. The Village Fund Program

According to Village Law No. 6/2014, the goal of village development is to improve the welfare of rural communities and their quality of life by providing basic needs, thus reducing poverty. As a result of the implementation of this Village Law, villages have the authority to plan and manage the needs of communities in accordance with local development priorities. With increasing financial support from the VF, the governance and economy of the villages should also improve. Essentially, the VF can be the basis for achieving village independence.

As the fourth most populous country in the world with more than 261 million inhabitants, according to data from Statistics Indonesia [3], approximately 10.14% of Indonesian population lived below the poverty line in March 2021. The poverty line is defined by the sum of the Food Poverty Line (expenditure on minimum food needs which is equivalent to 2100 kcal per capita per day) and the Non-Food Poverty Line (expenditure on basic needs such as housing, clothing, education, and health. This evidence shows that information is needed on activities in Indonesia related to the SDGs. Since rapid sustainable development is essential, knowledge is required that can help with development [4].

For that reason, the Village Fund (VF) program in Indonesia is considered a very important national program that includes many funds distributed by the government. Funds disbursed totaled IDR20.76 trillion (USD1.4 billion) in 2015, IDR45.98 trillion (USD3.2 billion) in 2016, IDR60 trillion (USD4.2 billion) in 2017 and 2018, and IDR70 trillion (USD4.9 billion) in 2019. The VF was distributed directly to approximately 50% of the population that lived in 74,093 villages in 2015, 74,754 villages in 2016, 74,954 villages in 2017, and 74,953 villages in 2018 and 2019. The main stakeholders of the VF are the Ministry of Villages, the Ministry of Home Affairs, and the Ministry of Finance through the Directorate General of Fiscal Balance. These bodies have formulated various policies to ensure the effectiveness of the VF program.

The VF program also has an indirect purpose that contributes to the achievement of SDGs through SDGs financing. The VF is allocated, among other things, to support village infrastructure programs to improve accessibility to and build essential facilities. The policy design of the VF in Indonesia is similar to other rural development policies found in South Africa and the US, where community-centered development supported with financial and technical assistance helps enable better development of infrastructure and relevant business ecosystems [5][6]. This approach could work equally and equitably by providing opportunities for village governments to manage and utilize these funds for their needs; therefore, it is directly related to the SDGs.

In addition, there is a strong legal basis for the implementation of SDGs, i.e., Presidential Decree No. 59/2017, as well as through mainstreaming SDGs via the Medium-Term National Development Plan (RPJMN) as the basis to determine budget priorities and allocations. However, there is still some room for improvement of the VF program by the Fiscal Policy Agency. The Fiscal Policy Agency has the task of formulating, stipulating, and recommending fiscal and financial sector policies following laws and regulations [7]. The main problem is that the government has not provided any guidance or introduction related to SDGs for village governments to ensure that their VF management policies support the SDGs. Therefore, an improvement could be made by evaluating the utilization of the VF to achieve SDGs, which can be considered SDGs financing.

Accelerating village development has the potential to promote the achievement of the SDGs through various development agendas based on local needs. To achieve SDGs at the village level in the era of the COVID-19 pandemic, the Ministry of Villages issued Regulation Number 13/2020, which stipulates the priorities for village funds usage. In order to minimize social and economic impacts that might hamper village development due to the COVID-19 outbreak, the VF is expected to be allocated to support national economic recovery, national priority programs, and adaptation of new habits. These programs include villages without poverty and hunger, economic villages that grow evenly, villages that are concerned with health, environment, and education, women-friendly villages, and villages that are culturally responsive, to accelerate the achievement of the SDGs.

3. The Village Fund Program and Its Related Regulations

Village Financial Management includes planning, implementation, administration, reporting, and accountability. In determining priorities for the use of VF, it is necessary to pay attention to the principles. The principles of setting priorities for the use of VF include:

- Justice: prioritizing the rights and interests of all village residents without discrimination.
- Priority needs: prioritizing the village's more urgent interests.
- Village authority: prioritizing the authority of the rights of origin and local authority at the village scale.
- Participative: prioritizing community initiative and creativity.
- Self-management and based on village resources: implementation independently with the utilization of village natural and local resources.
- Typology of the Village: considering geographical, sociological, anthropological, economic, and ecological characteristics. Based on the Regulation of The Minister of Village, Number 2/2016, there are five categories: Independent, Advanced, Developing, Disadvantaged and Very Disadvantaged.

The Village Development Index (IPD) has an important role as an indicator of village development. It is included in the 2015–2019 RPJMN, which states the development targets that must be achieved in the next five years. In 2019, 5000 disadvantaged villages were targeted to become developing villages and 2000 developing villages were to become independent villages.

The VF as a source of village income is managed within the framework of Village Financial Management. The Village Financial Management principles are (1) Transparency; (2) Accountability; (3) Participativeness; (4) Budgetary order and discipline (must refer to the rules or guidelines that underlie it).

Based on the Regulation of The Ministry of Finance No. 49/2016, the VF budget for each district/city is calculated using the following formula:

$$VF = BA + AF \quad (1)$$

where VF is the district/city Village Fund, BA is the basic allocation, and AF is the allocation formula. The calculation of each variable is explained in detail in the regulation.

In 2018, the Ministry of Villages set priorities for the use of the VF in 2019 through the Regulation of Ministry of Villages No. 16/2018. This regulation is more detailed and provides direction regarding the fields and types of village development activities. However, it does not mention the SDGs' targets and agenda. Soerjatisnanta and Natamihardja ^[8] mapped the SDG agendas to the VF priorities for 2019. **Table 2** presents the comparison of 17 SDG agendas to the VF usage priorities.

Table 2. Comparison of SDG agendas to VF usage priorities.

Goal	SDG Agendas	VF Priorities 2019
1	No Poverty	• Improving economic income for poor families
		• Poverty alleviation
2	Zero Hunger	• Development of rural food safety
		• Improving agriculture in terms of food safety
		• Construction of reservoirs/irrigation

Goal	SDG Agendas	VF Priorities 2019
3	Good Health and Well-being	<ul style="list-style-type: none"> • Meeting public health needs • Prevention and management of stunting • Improved nutrition
4	Quality Education	<ul style="list-style-type: none"> • Education and culture • Early childhood education programs
5	Gender Equality	<ul style="list-style-type: none"> • Support for integrated service posts to assist pregnant women's and nursing mothers' health control • Health in general • Education in a standard of 12 years
6	Clean Water and Sanitation	<ul style="list-style-type: none"> • Clean water supply and sanitation
7	Affordable and Clean Energy	<ul style="list-style-type: none"> • Construction and development of basic infrastructure for energy development
8	Decent Work and Economic Growth	<ul style="list-style-type: none"> • Development of superior village products • Establishment and development of products
9	Industry, Innovation, and Infrastructure	<ul style="list-style-type: none"> • Procurement, construction, development, and maintenance of village infrastructure as determined by village authorities
10	Reduced Inequalities	<ul style="list-style-type: none"> • Increasing sustainable employment • Development of non-agricultural economic businesses
11	Sustainable Cities and Communities	<ul style="list-style-type: none"> • Improving the environment and settlements • Improving transportation
12	Responsible Consumption and Production	<ul style="list-style-type: none"> • Improving agriculture in terms of food safety • Productive scaling of agricultural business including aspects of production, distribution, and marketing
13	Climate Action	-
14	Life Below Water	-
15	Life on Land	<ul style="list-style-type: none"> • Managing outcomes of natural and social disasters • Environmental preservation
16	Peace, Justice, and Strong Institutions	<ul style="list-style-type: none"> • Prevention of social conflict • Information and communication

Goal	SDG Agendas	VF Priorities 2019
17	Partnership for The Goals	-

Source: Data from Soerjatisnanta and Natamihardja ^[8], modified by author.

4. Village SDGs

In 2020, the Ministry of Villages formulated a set of goals as the reference for village development in 2020–2024, called Village SDGs, which were based on national SDG targets and localization of the global targets. With the issuance of Regulation of Ministry of Villages No. 13/2020 on Priority Use of the Village Fund 2021, the Ministry of Villages stated that the IDR72 trillion VF in 2021 would be directed to achieve the Village SDGs.

According to the regulation, there are 18 goals set in the Village SDGs, which are: (1) Villages without poverty; (2) Villages without hunger; (3) Healthy and prosperous villages; (4) Quality education in villages; (5) Gender equality in villages; (6) Villages with clean water and sanitation; (7) Villages with clean and renewable energy; (8) Employment and rural economic growth; (9) Innovation in village infrastructure; (10) Villages without discrepancies; (11) Sustainable village residential areas; (12) Villages with sustainable consumption and production; (13) Villages with climate change control; (14) Village marine ecosystems; (15) Village land ecosystems; (16) Peaceful and just villages; (17) Partnerships for village development; (18) Dynamic village institutions and adaptive rural culture.

Each of these goals has its own targets to be achieved. The 18th goal is an additional goal, as according to the Ministry of Villages, village development has to be based on the local culture of each village ^[9]. It was also stated that the contribution of Village SDGs to the achievement of national SDGs could reach 74% ^[10], which was calculated by the Ministry of Villages based on two aspects: a population aspect (43% of Indonesians live in villages) and a territorial aspect (91% of Indonesia's territory is rural areas) ^[11]. However, the achievement of Village SDGs during COVID-19 pandemic will be difficult. Therefore, as stated in Regulation of Ministry of Villages No. 13/2020, the Minister focused the VF priorities on the most critical issues, namely: (1) Villages without poverty; (2) Villages without hunger; (3) Healthy and prosperous villages; (4) Gender equality in villages; (5) Villages with clean and renewable energy; (6) Equitable village economic growth; (7) Villages with sustainable consumption and production; (8) Peaceful and just villages; (9) Partnerships for village development; (10) Dynamic village institutions and adaptive rural culture.

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