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REPORT OF WORK VISIT TO KEBUMEN REGENCY - CENTRAL JAVA

I. Introduction

On 10 of April 2012 YTS facilitated work visit of Head of Bappeda of Gunung Mas and two of the staffs as well as the Head of Community and Women Empowerment – Family Planning Board to Kebumen Regency for share learning of fiscal decentralization to the village.

Regency of Kebumen has successfully implementing sub district indicative budget ceiling and village allocation fund. This happens as the commitment of the local government and the active role of community organizations called Society Forum for Transparency which has been being Kebumen government's partner for a long time.

Gunung Mas is a new regency which is just 10 years old however it has already showed a variety of initiatives to improve the quality of governance. For an example in 2012, the government has been pursuing sub district indicative budget ceiling. As a first step, the determination of the allocation for all villages is still a distributive or equally. Therefore, the work visit aimed to look at how Regency of Kebumen preparing the formula of sub district indicative budget ceilings and support aspects to carry out the policy.

In addition, the government of Gunung Mas wanted to see what are the differences in Kebumen in carrying out Village Allocation Fund policy and supporting aspects so that those contributed to successful implementation of the policy.

II. Result of Work Visit

Regency of Kebumen in recent years has been implementing participative planning comprehensively. Scheduling of annual planning has been started since December the previous year. The process takes a long time which starts at village forum, it lasts for two days, then sub district forum for two days and ends up by the SKPD (Gov. Agencies) forum for two weeks (each of government agency carries out the forum for two days). The annual planning forums end at two day regency musrenbang.

The result of good planning is based on the regency and sub district indicative budget ceiling as well as sub-district quota.

The legal basis used for the indicative budget ceiling is referred to by cities and other regencies in Indonesia are:

- Government Regulation No. 58 Year 2005 on Regional Financial Management

"Allocating budget for the area should pay attention to the principle of fair and equitable with respect to the effectiveness and efficiency"

- Government Regulation No. 8 year 2008 on Stage, Procedures for the Preparation, Control and Evaluation of Regional Development Plan

"The program, activity and finance organized based on funding framework and indicative budget ceiling"

Indicative budget ceiling policy is intended to divide expenses budget allocations more proportional in accordance to the general conditions of area and the ability of the government. This policy aims to get the fair and equitable budget in respect to its level and efficiency.

Referring to the above legal basis, Kebumen makes policy centered to the strengthening of sub districts. This is carried out to decentralize part of affairs and authority of regency policies to the sub districts, villages and kelurahan. The policy considered appropriate because the regency government has a lot of duties to take care of 449 villages and 11 kelurahans as well as 26 regencies and 27 SKPD or government agencies.

The following are some policy aspects of fiscal decentralization to support sub district, kelurahan and village performance.

SUB DISTRICT BUDGET ASUMPTION of 2013

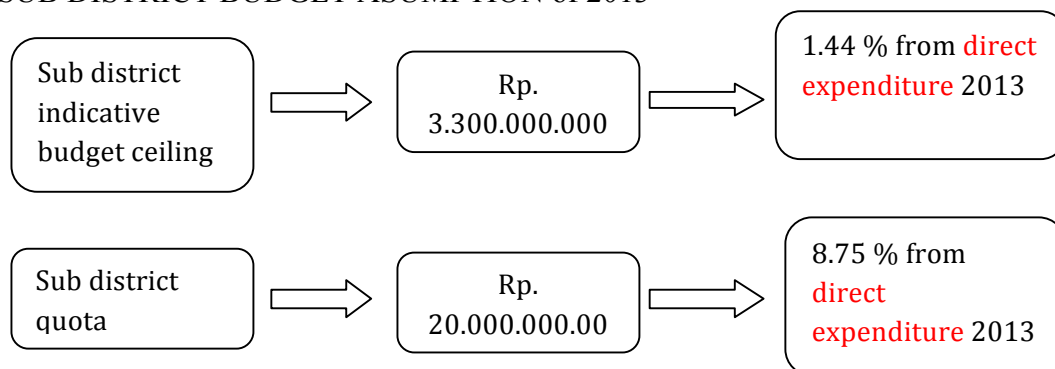


Figure 1: Calculation method of Indicative Budget Ceiling of Kebumen Regency of 2013

Sub district indicative budget ceiling = Average Variable + Proportion Variable + Growth Variable

VARIABLE	REMARKS	PERCENTAGE
Average Variable	Expenditure component whose value is shared equally regardless of the condition of the area;	30%
Proportion Variable	Expenses component which value is divided by the proportion of the general condition of the sub-districts;	30%
Growth Variable	Expenditure component which value is divided based on sub districts achievements in health, education, levels of repayment of tax of property in 2010; economic contribution (sub districts Gross Regional Income).	40%
Appendix 1 Technical Guidance of Sub District Musrenbang		

COMPONENT of PROPORTION VARIABLE 2013

COMPONENT	INFORMATION	PERCENTAGE
Wide of area	Sub districts with larger areas will have a greater allocation	5 %
Component of area	Sub district with greater number of villages/kelurahan, RW and RT receive higher allocation	40 %
The poor	Sub districts with greater population receive higher allocation	5 %
Poor household	Sub district with greater number of poor households receive higher allocation	5 %
Arbitration Orbitrasi? Or Arbitrasi	Sub districts which are farther from the regency receive higher allocation	35 %
Number of Civil Servant	Greater number of employees in sub district offices including in village and kelurahan offices will receive higher allocation	10 %

COMPONENT of GROWTH VARIABLE 2013

COMPONENT	INFORMATION	PERCENTAGE
Economic	Sub districts with with greater contributions of Gross Regional Income (GDP) will have larger allocations	20 %
Infant Mortality	Sub district with lower infant mortality receive higher allocation	20 %
Member of Family Planning	Sub districts with greater number of contraception users (acceptor) receive higher allocation	15 %
Tax of property	Sub districts with greater repayment rate of tax of property receive higher allocation	25 %
Gross	Sub district with greater of Gross Enrollment	20 %

Enrollment Rate (GER) Education	Rate receive higher allocation	
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LIST of ALLOCATION of SUB DISTRICT INDICATIVE BUDGET CEILING

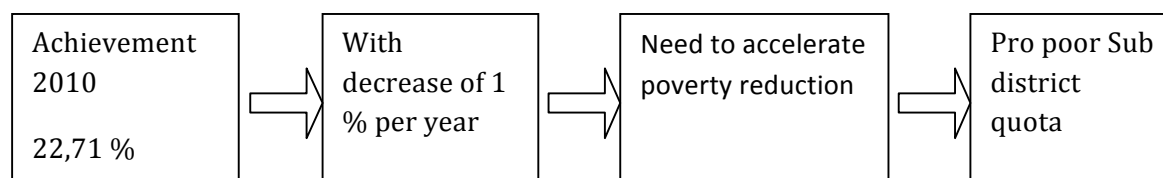
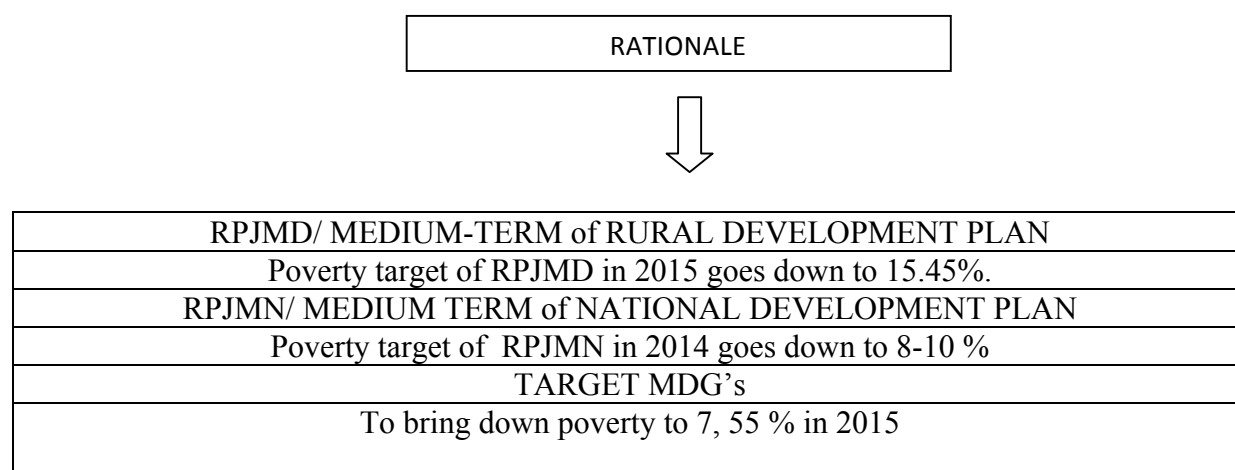
Sub district	Indicative Budget from Variable (Rp.)			Total
	Average	Proportion	Growth	
01. Ayah	38,076,923.08	47,467,758.50	56,149,575.52	141,694,000
02. Buayan	38,076,923.08	47,622,257.24	53,629,477.10	139,329,000
03. Puring	38,076,923.08	45,226,152.77	48,072,811.08	131,376,000
04. Petanahan	38,076,923.08	39,102,634.91	50,204,696.70	127,384,000
05. Klirong	38,076,923.08	40,301,909.77	58,755,060.11	137,134,000
06. Buluspesantren	38,076,923.08	39,150,348.43	46,282,742.40	123,510,000
07. Ambal	38,076,923.08	55,757,929.33	47,195,486.07	141,030,000
08. Mirit	38,076,923.08	44,521,200.47	43,762,198.72	126,360,000
09. Bonorowo	38,076,923.08	25,956,275.37	43,072,958.79	107,106,000
10. Prembun	38,076,923.08	29,435,477.29	42,057,285.99	109,570,000
11. Padureso	38,076,923.08	28,699,730.43	43,081,344.42	109,858,000
12. Kutowinangun	38,076,923.08	35,342,726.35	52,039,851.10	125,459,000
13. Alian	38,076,923.08	37,197,236.79	51,458,537.42	126,733,000

14. Poncowarno	38,076,923.08	25,447,360.74	49,739,998.61	113,264,000
15. Kebumen	38,076,923.08	49,315,797.33	67,976,340.84	155,369,000
16. Pejagoan	38,076,923.08	29,067,856.29	51,615,211.02	118,760,000
17. Sruweng	38,076,923.08	37,560,417.99	51,470,199.39	127,107,000
18. Adimulyo	38,076,923.08	41,065,244.59	53,834,466.79	132,977,000
19. Kuwarasan	38,076,923.08	39,523,620.98	55,051,872.79	132,652,000
20. Rowokele	38,076,923.08	35,160,031.43	48,325,576.82	121,563,000
21. Sempor	38,076,923.08	45,233,873.73	52,601,067.81	135,912,000
22. Gombong	38,076,923.08	31,945,764.46	60,350,929.34	130,374,000
23. Karanganyar	38,076,923.08	27,249,579.07	53,237,096.89	118,563,000
24. Karanggayam	38,076,923.08	47,504,365.99	48,303,357.47	133,885,000
25. Sadang	38,076,923.08	27,636,603.59	43,146,111.46	108,860,000
26. Karangsambung	38,076,923.08	37,507,846.15	48,585,745.34	124,171,000
Total	990,000,000	990,000,000	1,320,000,000	3,300,000,000

MANDATORY SUB DISTRICT ACTIVITY 2013

No.	ACTIVITY	SOURCES of FUND	Information
1.	Administration and infrastructure services	Indicative budget ceiling	Appendix II
2.	Sub district Musrenbang implementation	Indicative budget ceiling	Appendix II
3.	Inventory project in the village	Indicative budget ceiling	Appendix II
4.	Sub district profile developmet	Indicative budget ceiling	Appendix II
5.	Facilitation of Revenue and Expenditure Budget	Indicative budget ceiling	Appendix II
6.	Other activities in sub district	Indicative budget ceiling	Appendix II
7.	Facilitation of village head	Regency indicative budget	Appendix III

SUB DISTRICT QUOTA 2013



Kebumen poverty rate is the highest in Central Java and surpassing the national average. This condition triggers local government to find effective ways to address the problems of poverty

so that fiscal decentralization implemented by transferring directly to the sub districts and villages. Indicative budget ceilings transfer focused on infrastructure development.

ANALYSIS of SUB DISTRICT INDICATIVE BUDGET CEILING IN KEBUMEN AND IN GUNUNG MAS

KEBUMEN	GUNUNG MAS
Indicative limit values down to the village much smaller than Gunung Mas (about 109 million - 141 million), yet can be effective because it is used exclusively for infrastructure support and management at the village level is quite good.	Indicative limit values for village is four times greater than Kebumen which is about 650 million per village, but its effectiveness cannot be assessed since this policy was just launched in 2012 and has not been adequately disseminated to government agencies that hold the indicative budget for sub district and village levels. The progress of this new policy could be seen later in 2013 whether it works well or not.
The successful implementation of the indicative budget ceiling is inseparable from the performance of the sub district governments to manage the fund of sub district quota (\pm 77 million). Sub district quota is a sharing fund of local government for PNPM (20 billion dollars). By placing the sharing of funds in the sub district, it provides additional resources for the sub district to provide adequate assistance to the village, particularly related to indicative budget ceiling (ranging from participatory planning to monitoring of implementation).	Gunung Mas has provided substantial funding allocation to the village that is deposited on government agencies however there is no special fund to support sub district governments performance to assist and strengthen village in accepting its new authority (the consequences of fiscal decentralization). The fund sharing government in PNPM still stored in an agency (BPMPDP-KB). So the sub district does not have the resources to assist the village.
Preparation of village official and facilitators in villages carried out by the local government and civil society organization like FORMASI regularly every year. Therefore villages are ready and able to respond to fiscal decentralization policy well.	The capacity of village government (village head) is still weak despite BPMPD-KB routinely provides training to village officials every year, nonetheless due to the frequent change of the head of the village then training must be repeated for new officers
Formula for computing the value of existing qualitative of ADD (village allocation fund)/ proportional enable villages to develop in balance with other villages.	The formulation is distributive because they still need further analysis to qualitative formulations.

VILLAGE ALLOCATION FUND

Policies and mechanisms of ADD implementation in Kebumen are the same Gunung Mas and other regions of Indonesia. Thing that stands out of Kebumen is the dominant role of the sub district head in the oversight and control

Transfer scheme to the village has been done before the ADD policy begins. In 2005 the policy was called Dana Kemandirian Desa/Kelurahan dan Pemberdayaan Masyarakat/ DKPM (Rural Independence Fund/ Village and Community Empowerment). Number of funds adjusted to the ability of the region. Variable of allocation based on criteria of village. Total allocation for the Rural Independence is of Rp. 8,630,526,000. -

Village allocation fund implementation in Kebumen based on:

- Permendagri (domestic minister regulation No. 37 of 2007 on Village Financial Management Guidelines.
- Kebumen Regent decree No. 31 of 2008 on Village Financial Management which set on May 2, 2008

To disseminate the provisions above, Kebumen Government has implemented socialization and training to all villages in 2008.

Villages in Kebumen have implemented village allocation fund policy according to applicable regulations that is 30% of to support governance and 70% of to support community empowerment. Therefore, although the village allocation fund received by village is much smaller than the villages in Gunung Mas nonetheless it can make a significant contribution to the development of the village. Types of activities that have been carried out using village allocation fund according to its purposes are:

1. Reduce poverty and gap;
2. Increase development planning and budgeting as well as community empowerment in village level;
3. Improving rural infrastructure development;
4. Improving practice of religious values, social and cultural in order to achieve social improvement;
5. Increasing public peace and order;
6. Improving services in rural community in order to develop social and economic activity;
7. Encourage self-reliance and social mutual aid improvement;
8. Increase village and the society revenue through Community-Owned Enterprise (BUMDes).

In the implementation, after the funds gets in to village's account at BPR or Rural Bank, the sub district head asked to examine the utilization of funds by the following mechanism:

- Any withdrawal of funds from village account should be accompanied by a recommendation from sub district head

- Any withdrawal of fund from village account should be carried out by steps and adjusted to the needs
- Submission of recommendation to the sub district head at first phase of withdrawal must attach **SPP**.
- On further withdrawal, sub district head will recommend if a village was completed the liability of SPJ or **Surat Perintah Jalan** in accordance with the village's rules that have been taken along with the physical realization the financial statements of village allocation fund implementation
- Sub district head reports the recapitulation of the withdrawal and the use of funds to regent of Kebumen then CC to Head of BPM (Community Empowerment Agency) of Kebumen with a copy to the regency inspector of Kebumen and Head of Finance and Asset Management District.

Another stand out aspect is the MoU between the regency government and Rural Bank. Banks that circulate village allocation fund have some obligations to disburse the funds that support the oversight functions of the sub district head. If the bank turns out negligence causing diversion (such as accounts payable for personal payment of village head/ treasurer using the funds then cooperation will be transferred to another bank.

SETTING FORMULA FOR VILLAGE ALLOCATION FUND:

Local government sets the value of the allocation provided later by the regency, the funds are divided for villages according to the formula and criteria that have been established as follows:

A. Determination of allocation in regency

Based on domestic minister regulation No. 37/2007 minimum 10% of the total regional income is coming from central equalization fund.

Types of equalization funds are: tax-sharing fund, fund of natural resources, and the general allocation fund.

B. Sharing Formulation of Village Allocation Fund

Sharing formulation of village allocation fund set proportionately based on:

1. Evenly principle (60%) is called the minimum allocation fund, and
2. Fair principle (40%) is called the allocation of variables of the total VAF for 449 villages.

FAIR PRINCIPLE assessed based on village condition which calculated by using certain variables as follows: number of poor households, land area, population, affordability, tax of property, the accuracy of the accountability report the previous year, and village income besides results of village land.

THE ANALYSIS OF IMPLEMENTATION OF VILLAGE ALLOCATION FUND
IN KEBUMEN AND IN GUNUNG MAS

KEBUMEN	GUNUNG MAS
ADD has been implemented according to the rules and oversight mechanisms and control as well as sanctions is already running	<p>VAF in Gumas is not be able to be implemented according to the rules. The system is not running because all the funds used to pay the village government, village leaders travel and only about 3% of the average for rural operations.</p> <p>This conditions occur for two reasons, they are: (1). The village administration has no salary, and (2). Moral hazard of some of the village heads.</p> <p>Remote villages and high transportation costs make village head and officials positions are less interesting. Therefore, it is politically difficult to enforce regulations since there will be no power in the village and halt the development process there.</p>
<p>Village government has been being able to perform public services, maintain administration and build cooperation with other village organizations such as the PKK, BPD and others;</p> <p>The tax of property has been gained and contributed to VAF;</p> <p>Village asset already maintained as one of sources of income.</p> <p>Affairs submission from regency to the village is clear</p> <p>No more village division</p>	<p>Village government has not been being able to perform public service, village institutions has not arranged properly;</p> <p>The capacity of the officials is still relatively low;</p> <p>Administration maintenance in general has not been performed properly;</p> <p>Village assets have not yet managed to support village incomes;</p> <p>Village revenues have not been well explored</p> <p>Affairs submission from regency to villages has not been done.</p> <p>Number of village tend to increase</p>
Kebumen has already had cadres and facilitators of development in the village that every year having regeneration and capacity building	There are no reliable development facilitators in each village

III. Conclusion

- Allocation value both of indicative budget ceilings or village allocation fund of Gunung Mas are much greater than Kebumen. The main problem is how to prepare resources for the village government to be able to implement the policy and to mobilize the community to participate in managing program coming into the village.
- Formulation of VAF policy or indicative budget ceilings in Gunung Mas still has shortcomings so that the implementation has not been as expected.
- Commitment and vision of fiscal decentralization from regency government is not clearly conveyed to government agencies, sub district and village governments. One of the important and fundamental aspect that need to be understood by all parties is, when there is an authority and budget allocations given then there are consequences in the management and accountability. So the beneficiary does not only see the benefits, but also there is the responsibility for implementation.

IV. Recommendation

1. Policy formulation of indicative budget ceilings and VAF still need to be refined. Especially for VAF, in addition to improve formulation there should be a special allocation scheme for salary or incentives for village head and the officials so that they could work properly and the use of VAF may fit the rules.
2. Gunung Mas government should allocate sufficient time and resources to promote and provide assistance for the implementation of indicative budget ceilings policies to government agencies, sub district and village levels in stages.
3. Given the geographical conditions and high cost of transportation, to be able to provide capacity building periodically to villages need partnerships with other parties such as companies or private parties in Gunung Mas. According to the government currently there are more than 35 companies having CSR scheme, yet there is only one contributed to the strengthening capacity of government start from regency level to village government (in the region of the company). Therefore it is necessary for the government to create a design of a CSR contribution to strengthening governance in Gunung Mas.