

The Analysis of Village Budgeting by Using Performance-Based Budgeting in Meeting the Basic Service Standard (A Case Study in Aceh Besar District)

¹Herizal, ¹Muliawati, ²Efendi, ¹Bustami Usman, ¹Nofriadi

¹Faculty of Social and Political Sciences, Syiah Kuala University
Banda Aceh, Indonesia

²Faculty of Law, Syiah Kuala University
Banda Aceh, Indonesia
herizal.ismail@unsyiah.ac.id

Abstract—The village fund program budgeted by the central government annually for villages through State Budget is a synergy in running the government to focus on all public sectors. This will help with the development and welfare, and decrease poverty in a village. The public sectors which can be emphasized for the village fund include both infrastructure and non-infrastructure development. This research was aimed at determining how prepared was the village government in managing the village fund by using performance-based budgeting in performing basic service standard. This research utilized a quantitative approach to obtain information related to the data more accurately and more comprehensively. The research results show that there were some problems which the village government faced in managing the village fund. First, village governments have not entirely understood the role of strategic planning in village short-term development plan as a principle in designing performance-based budget. Second, the use of village financial system application as a tool to manage performance-based budget could not be optimally used. Third, village fund related to basic service in villages as mandated by the Regulation of the Ministry of Village No. 1 of 2015, Article 9, elaborated in Article 10 has not been used optimally by village governments in Aceh Besar District such as health center and birth clinics development, health personnel improvement, and integrated health center supervision and management.

Keywords—village budget; performance-based budgeting; basic service standard requirement

I. INTRODUCTION

The affirmation policy to develop villages in Indonesia has been started from the passing of Law No 6 of 2014 regarding Villages. With this policy, it is expected that villages can become the key player in development to improve the people's welfare especially in delivering public services in villages (Irawan, 2017). Villages are granted with an adequate amount of fund to manage their unique potentials. The central government set the budget annually in the State Budget for the village fund. In 2015, the village fund budgeted reached IDR 20.7 trillion (USD 1.38 billion), with the average amount of IDR 280 million (USD 18,713) for each village. In 2016, the numbers increased into IDR 46.98 trillion (USD 3.14 billion) in total and the average amount of IDR 628 million (USD 41,950) for each village. In 2017, the total amount increased into IDR 60 trillion (USD 4 billion), making it IDR 800 million (USD 53,454) average for each village (Indrawati, 2017).

If we consider the context of Aceh Besar District as one of the districts consisting of villages, the amounts are somewhat similar to other village areas in Indonesia. In addition, the amount of fund given to the villages has been adequate. In 2015, the district received IDR 156.4 billion (USD 1.03 million) with the average amount distributed to the villages of IDR 259 million (USD 17,306). In 2016, the fund increased into IDR 350.1 billion (USD 23.4 million), with the average of IDR 581 million (USD 38,817) and 447.1 billion (USD 29,867 million) in 2017 with IDR 740 million (USD 49,442) in average for each village (DPMG Aceh Besar, 2018).

The geographic conditions of Aceh Besar district show that the district area is vast, causing difficulties for development. People in villages have been economically less fortunate. Generally, the poverty rate in villages is very high, i.e., 18.49 percent in 2018, which is higher than the national average of 9.82 percent. This number makes Aceh one of the poor provinces in Indonesia. The support from the government such as by providing the village fund has not shown significant improvement in decreasing the poverty rate in villages in the Province of Aceh. In 2015, as the first year of village fund distribution, the poverty rate was 19.44 percent. In 2017, three years since the launch of the village fund program, the poverty only decreased by 0.95

percent (BPS, 2018). This general condition of what happened in Aceh represents the picture of poverty in districts such as in Aceh Besar, as the district which consists of village areas.

The insignificant effect of the village fund program to improve the development and increase the welfare of the people after three years of its implementation was caused by the poor fund management in the village level. The problems which have been found included frauds by village administrators, especially by the *Geuchik* (village head), as revealed by the Indonesian Corruption Watch (ICW) which found that village heads are the main actors persecuted for village fund frauds. From the observations and studies conducted by the ICW, the number of frauds by village heads increased over the years (Suara Pembaruan, 2018).

The other research studies by ICW dealt with the modes of village fund corruption. An ICW researcher, Egi Primayoga, presented his research result, which showed that the modes of corruption included manipulating prices, reporting infrastructure constructions which were actually funded by other sources, lending the money to other people but it has not been returned, cutting the amount of fund by officials in subdistrict and district levels, reporting fictitious official travel by village heads or other village officials, marking up honorarium for village officials, collecting tax and retribution without depositing it to the village bank account, cutting other budgets for village officials, conspiring frauds in village funded projects, designing fictitious projects to be financed by the village fund (Aryadji, 2018).

The frauds were also found in the subdistrict level as one of the institutions which play a very important role in supervising and monitoring of the villages. In Aceh Besar, a case was found that an official in subdistrict office asked for a donation from a village revenue in order to smoothen the process of reporting fund in the subdistrict (Bakri, 2017). The frauds by village heads could potentially cause conflicts between the village heads and other village officials such as *tuha peut*, village fund supervisors, and other villagers. Such conflicts distract administration services in a village.

Various cases of frauds in Aceh Besar has affected the development in the villages. The villages have been considered as the key players in development to increase the welfare especially in public service, and thus attention should be given to minimize the frauds problems. A good government should be able to implement programs which emphasize on public sectors for development, welfare, and decreased poverty rate. Each government has indicators of success for the program they are implementing.

The distribution of village fund from the State Budget is a central government strategy to ensure equality of development in the provinces and districts and to make better progress at the village level. On the other hand, the central government also expects that villages become key players in the development to improve the people's welfare. Therefore, village officials should manage the village fund by using performance-based budgeting. It is a technique of budgeting which follows the approach of new public management emphasizing on an organizational outcome, and it is closely associated with the vision, mission, and strategic plan of the organization. The approach used in this system is to explain the association between fund allocation and performance by also considering efficiency and effectiveness in achieving the performance (Wijayanto, 2014).

In line with the problems and how significant is the village fund management, it is urgent that a research study is conducted to analyze the management of village budget in Aceh Besar district especially in implementing the performance-based budgeting. In addition, it is also significant to find out how the village fund was budgeted by village administrators in improving the public service in the villages.

II. METHOD

In this research, the researchers used a qualitative approach to obtain accurate and comprehensive information regarding the object of the study. The object of this qualitative research was the village governments in Aceh Besar District in managing village budget based on the framework of performance-based budgeting in improving public service to meet the basic service standard in the villages. The data were collected from the Central Statistics Agency, Aceh Village and People Empowerment Department, Village and People Empowerment Department of Aceh Besar District, 2 subdistrict offices and 10 village offices. The informants were selected by using a purposive sampling technique. The required data for this qualitative research design were collected through the interview, documentation and library research.

III. FINDING AND DISCUSSION

A. *The implementation of performance-based budgeting in managing the village budget*

There have been some changes in the financial management in Indonesia. Generally, the implementation of financial management can be categorized into two periods, i.e., government financial management pre-reformation period and post-reformation period. The reformation in the state financial management was marked by the establishment of some laws.

- 1) Law No. 17 of 2003 regarding government finance;
- 2) Law No. 1 of 2004 regarding government treasury;
- 3) Law No. 15 of 2004 regarding government fund management and audit;

4) Law No. 25 of 2004 regarding national development plan system.

Before the reformation in government finance, the government financial management in Indonesia used a traditional system which was marked by line item and incremental characteristics; therefore, it was challenging to observe the relationship between operational and capital expenditure, it was input oriented, and it was monitored annually. The advantages of this system were that it was simple, it was easy to use, and it did not need a comprehensive analysis. However, it has several disadvantages.

- 1) There was no strong relation between annual budget and short/long-term development plan;
- 2) The use of incremental approach made it difficult to comprehensively analyze the effectiveness of expenditure in big amount;
- 3) The separate budgeting between routine expenditure and development expenditure such as capital and infestation gave a possibility for the duplicate budget;
- 4) The annually-planned budget with a short period of time especially for the development project (capital expenditure) enabled unhealthy practices, and it was very difficult to minimize the risk of project failure.

Responding to those weaknesses, in 2003 the government initiated the reformation to revise the planning and budgeting system for effectivity, efficiency, and accountability. The reformation focused on designing government financial management which referred to three approaches, i.e., unified budget, medium-term expenditure framework, and performance-based budgeting (Wijayanto, 2014).

The performance-based budgeting is a budgeting technique which is based on new public management which focuses on performance. The approach in this system is intended to show the relationship between financial allocation and performance by considering efficiency and effectivity in achieving the performance. This performance-based budgeting will be applicable to three requirements. First, the budgeting process, planning, and organization administration should be synchronized. The synchronization requires integration between budgeting and plan based on organization performance administration and budget architecture by involving stakeholders. Second, comprehensive budgeting and plan should be achieved through coordination and quality assurance, which requires commitment, and involvement, from high-level leaders in planning and implementing the budget. Third, the monitoring and evaluation in performance-based budgeting should focus on fund, time, and performance (Wijayanto, 2014).

The system for the government financial management elaborated above also applies to financial management at the village level. Although the affirmation policy gave an opportunity for the village government to decide how the village fund was budgeted and used for development to improve the welfare of the people, the rules set by the central government should be followed, especially by implementing the performance-based budgeting (Widodo, 2015).

In the context of village fund, the village government should prepare Report for Realized Village Budget Implementation, Accountability Report on Realized Village Budget Implementation. These reports were prepared based on a cycle of village financial management, starting from planning and budgeting, implementing and administering to the accountability of village financial management.

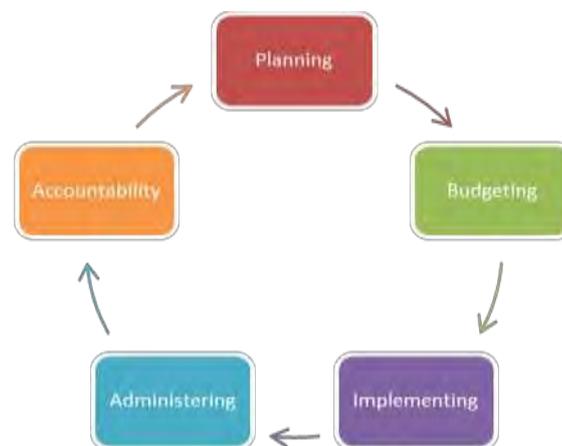


Figure 1. Village budgeting management cycle based on performance-based budgeting

In the planning process, the village governments prepared village development plans based on Aceh Besar District development blueprint. The village development plans included medium-term development plans and annual plans for village-level development. The plans were prepared steps by steps, and they were approved by village regulation. The medium-term development plans were intended for a six-year period and annual development plans, or annual plans for village-level

development, were prepared for a one-year period. The annual plans for village-level development derived from the village-level medium-term development plans. The plans were prepared based on the results of a village meeting.

In the village-level medium-term development plans, the village government in Aceh Besar District was required to hold a meeting for village-level development plans (called village *musrenbang*). The village *musrenbang* should be participated by village government officials by involving the Village Consultative Body (*tuha peut*) and villager representatives consisting of customary law leaders, religious leaders/figures, education leaders. However, some villages did not hold the *musrenbang*. In this case, only the village head and *tuha peut* hold an internal meeting to discuss what should be included in the documents without involving other village members. Another problem was the lack of participation in the village *musrenbang* (Puspawijaya, 2016).

Furthermore, in the planning process, the annual plans for village-level development were prepared as the implementation of the village-level medium-term development plans. The annual plans for village-level development were prepared by the village government officials based on the information in Aceh Besar District government, related to budget allocation and activity plans of central government, the provincial government, and district government. The Village Budget Plan verified by an authorized team needed to be submitted with the annual plans for village-level development. The annual plans for village-level development also covered performance indicators of the programs, feedbacks, and outputs as the indicators in an assessment of proposed activities in the annual plans. The village regulation draft regarding the annual plans for village-level development was discussed by the village head and *tuha peut* to be passed as the village regulation on Village Government Working Plans.

The drafting process of the annual plans for village-level development was full of obstacles. The annual plans were often designed not based on the village-level medium-term development plans so that the plans only accommodated short-term plans. The synchronization between those plans was to match between the planning document and budget, as mandated by the performance-based budget management. The unmatched documents indicated that the performance-based budgeting in Aceh Besar District had not met the expectation.

After the annual plans were verified, the village budget could be drafted. The process of drafting the budget plans was as follows.

- 1) The activity organizer proposed an activity budget based on the verified annual plans to the village secretary;
- 2) The village secretary drafted the village budget and submitted it to the village head;
- 3) The village head presented the budget to *tuha peut* to be discussed and agreed upon;
- 4) The draft of Village Regulation regarding the village budget which has been decided was submitted for evaluation to the Regent through the subdistrict head;
- 5) The Regent through the subdistrict head stipulated the results of evaluation within the maximum of twenty working days since the submission was received.

In practice, there were some general principles which needed to be followed regarding the income and expenditure. One of the principles was that all income and expenditure should be made through village account in a given bank, where the village government kept all the money to pay for all expenditure. All payments from a village bank account should be ordered and signed by the village head and treasurer. Therefore, all payments to a third party should be made through bank transfer to the third-party bank account. However, the treasurer was allowed to reserve some money for operational expenditure.

Village financial administration is an act of keeping a record of income and expenditure by the village treasurer. The treasurer should record the income and expenditure systematically in chronological order. The financial administration should be kept simple in terms of accounting. Finally, in performing his duty, and authority, a village head was required to write a report. The report was submitted to the Aceh Besar Regent through a subdistrict head periodically, either semesterly or annually. The village head should also present the report to *tuha peut* (Widodod, 2015).

However, the role and responsibility of the village government in Aceh Besar District in managing the performance-based village budgeting has not matched the human resource capacity both in terms of quality and number. The addition of authority with the establishment of affirmation program requires that the village officials be more responsive in anticipating this additional responsibility. This expectation required capacity upgrading for the village officials to perform their duties and responsibility. According to the writers' observation, the technical capacity of the village officials was the key for village personnel performance. Their capacity can be measured by their formal education qualification.

In terms of village official education, especially village heads and secretaries, most of them only had junior and senior high school degree, and only a few of them graduated from a diploma degree (D1-D3) or undergraduate degree (S1), let alone master degree or doctoral degree. This lack of high education qualification was caused by the fact that the formal education requirement to be a village head was a junior high school diploma. This level of education is an inhibiting factor to implement their duties in managing the performance-based budgeting. Another general inhibiting factor was the lack of facilities and infrastructure for financial management, and people in the villages were not critical in evaluating the village budget management.

In order to support village officials, the government developed an information system to help the village government in planning, budgeting, implementing, administering, recording, and reporting the village fund. This village financial system was developed by using software called Sistem Keuangan Desa/Village Financial System (*siskeudes*). It is an initial step to help the village government implement performance-based budgeting.



Figure 2. Village Financial System (*siskeudes*)

Representatives from Sulawesi Development Finance Comptroller first developed the *siskeudes* application as a model for the Development Finance Comptroller in 2015. The *siskeudes* application is very portable because it uses a Microsoft Access database, and it can be easily used by most people. The village officials who were not proficient in using the computer were the target of this application (Basori, 2016). In 2017, Aceh Besar District Government requested access to the application from Development Finance Comptroller. Since 2018, the government has required all villages to use the application in managing the village fund. Before its implementation, a tutorial was provided in order that the village officials know how to use the application.

By using *siskeudes*, village governments in Aceh Besar District could input all village plans including strategic plans, medium-term development plans and annual plans for village-level development into one integrated document combined with other budget documents. The use of this application is expected to help village governments manage village fund based on the performance-based budgeting. The success will help villages become the key players in development and people's welfare, especially in terms of public service in villages.

The application was first used in 2018, but the lack of computer skills to use the application was still a problem faced by village officials although the application was designed to be used easily. Therefore, Aceh Besar District Government implemented the use of the application gradually. In 2018, the application was only required when preparing the financial statement. Later, the application will be required in preparing plans and synchronizing they plan to budget so that the village government performance can be accessed.

B. Basic Service in Villages

The use of village funds related to public service has focused more on infrastructure. Some villages in Aceh Besar have used the annual plans for village-level development to manage the village fund for infrastructure development such as public facilities. The villages in Aceh Besar District mostly used the village fund for such physical development projects like construction and maintenance of drainages, schools, and water closets, and bathrooms in Lam Tamot. In Lamreung, the fund was used to build rental houses for village income generating. Rental houses are suitable for villages around urban areas, and other developments and maintenances are suitable for other villages such as drainage, village roads, concrete plates, and sewers. The types of development in Aceh Besar District appear to focus more on physical development. Human resource development such as training of capacity building for village officials was only found in few villages.

Human resource in using the village fund was lacking. Therefore, the purpose of village fund for basic service in all sectors as amended by the Regulation of the Ministry of Village No. 1 of 2015, Article 9, elaborated in Article 10 has not been achieved in many villages. The village fund was expected to be used for the village health center and birth clinics development, health personnel improvement, and integrated health center supervision and management. There were some villages which focused on those basic service programs, such as Kandang, Lambheu, Jeumpiet Ajun, and Gue Gajah. However, the budget allocated for these basic service programs were less than that allocated for other developments.

In addition, the plans for monitoring and prevention of narcotics use in Aceh Besar Districts have not been found in any village. The need for drug use prevention is one of the strategies to eradicate narcotic use, which is now urgent in Aceh. If the basic service programs were implemented in the village level, they would result in many positive changes in the villages.

In the Regulation of Aceh Besar Regent No. 40 of 2017 regarding technical guideline for activities funded by the village fund in Aceh Besar District for 2017, the Article 6 does not address such basic service as the supplement food for babies and

under five (IRD 5,000 / USD 0.34 for each month). There was also no operational budget allocation for premium integrated health center operational spending, i.e., cadre honorarium of IDR 25,000 (USD 1.72) per person per month or spending for stationary and Report of Premium Integrated Health Center Working Group of IDR 300,000 (USD 20.60). Meanwhile, the spendings for the Village Government Administration in Article 4 included monthly honorarium (for eight months) for the village budget executors as referred to in point c of paragraph (1), i.e. honorarium of budget executors of IDR 400,000 (USD 27.47), honorarium for coordinator of IDR 300,000 (USD 20.60), honorarium for activity executors of IDR 200,000 (USD 13.73), and honorarium for treasurer of IDR. 200,000 (USD 13.73). Based on the Regulation of Aceh Besar Regent, it is evident that the village fund was used less for basic service compared to other services, especially physical development. Based on some findings, almost 80% of the village fund was used for the development sector. The other 20% was used for basic service related programs.

IV. CONCLUSION

This research shows that the performance-based budgeting in managing village fund in Aceh Besar District has not been optimally implemented. There was unmatched interest between plans made by village officials and people in villages as the stakeholders. In the planning process, each village in Aceh Besar District has made annual plans for village-level development, but it has not been synchronized with the strategic plan as an implementation for medium-term development plans. Furthermore, implementing the plans through coordination has not been well executed. Finally, in monitoring and evaluation for the performance-based budgeting which focused on fund, time, and performance, many villages have not prepared reports on time. This was the main weaknesses in managing the budget with performance-based budgeting.

The use of technology, i.e., *siskeudes* computer application, has not improved the village government performance because the village officials did not know how to use the application. In addition, the village fund allocation in the annual plans for village-level development has not emphasized on basic service in the health sector for which only 20% of the fund was allocated, while the other 80% was intended for infrastructure development.

REFERENCES

- Arikunto, S. (2002). *Prosedur Penelitian (Suatu pendekatan Praktek)*. Jakarta: Rineka Cipta.
- Aryadji. (2018). Ini Dia 12 Modus Korupsi Dana Desa Versi ICW. Retrieved from <http://www.berdesa.com/12-modus-korupsi-dana-des-a-versi-icw/>
- Bakri. (2017). Dana Gampong Ternyata Diminati Banyak Pihak. Retrieved from <http://aceh.tribunnews.com/2017/06/02/dana-gampong-ternyata-diminati-banyak-pihak>
- Basori, A., Megantoro, R.G., & Lasantu, A.I. (2016). *Buku Kerja : Aplikasi Sistem Keuangan Desa Siskeudes*. Bogor: BPKP.
- Caiden, N., & Aaron, W. (2012). *Dinamika Proses Politik Anggaran*. Yogyakarta: Matapena.
- Dwiputrianti, S. (2012). *Analisis Penerapan Anggaran Berbasis Kinerja (ABK) Terhadap Efisiensi, Efektifitas Dan Akuntabilitas Pada Pusat Pendidikan Dan Pelatihan Kementerian Dalam Negeri Regional Bandung*. Jurnal Ilmu Administrasi, 9(3), 20-30.
- Hamid, P. (2011). *Metode Penelitian Kualitatif*. Bandung: Alfabeta.
- Indrawati, S.M. (2017). *Buku pintar Dana Desa*. Jakarta: Kemenkeu.
- Irawan, N. (2017). *Tata Kelola Pemerintahan Desa Era UU Desa*. Jakarta: Yayasan Pustaka Obor Indonesia.
- Kurniawan, B. (2015). *Desa Mandiri Desa Membangun*. Jakarta: Kementerian Desa, Pembangunan Desa Tertinggal dan Transmigrasi Republik Indonesia.
- Kusufi. (2012). *Akuntansi Sektor Publik dan Akuntansi keuangan Daerah*. Jakarta: Erlangga.
- Nordiawan, H. (2012). *Teknik Penyusunan Anggaran Sektor Publik*. Yogyakarta: Penerbit BPFE.
- Puspawijaya, A., & Siregar, J. D. (2016). *Pengelolaan Keuangan Desa*. Bogor: BPKP.
- Sidik. (2015). Menggali Potensi Lokal Mewujudkan Kemandirian Desa. Yogyakarta: JKAP.
- Suara Pembaruan. (2018). ICW: Kades Jadi Aktor Utama Penyalahgunaan Dana Desa. Retrieved from <http://sp.beritasatu.com/home/icw-kades-jadi-aktor-utama-penyalahgunaan-dana-des-a/122673>
- Widodo., et al. (2015). *Petunjuk Pelaksanaan, Bimbingan & Konsultasi Pengelolaan Keuangan Desa*. Jakarta: BPKP.
- Wijayanto, F.X.C., et al. (2014). *Better Practice Guide, Penganggaran Berbasis Kinerja*. Jakarta: Kementerian Keuangan.
- Wahyudin, K. (2015). *Buku 6: Perencanaan Pembangunan Desa*. Jakarta: Kemendes PDTT.