

# Developing Good Village Governance to Prevent Corruption of Village Fund

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## Abstract

Since 2015, the Indonesian government has been rolling a scheme of transfer called "village fund." The fund was allocated from the state budget and targeted at providing financial support for the village government to develop their village, reduce poverty, and increase village prosperity. While the fund has been proven to be effective in reducing the poverty rate and developing thousands of facilities and infrastructures in villages, it is also vulnerable to being misused and corrupted. Between 2015-2018, there were 264 corruption cases – all of them have been in *inkracht* status. Although the number of corruption cases is relatively small compared to the number of villages in Indonesia, the corruption cases are worrisome because the spread of corruption also followed the distribution of the fund to the village level. The cases of village fund corruption are increasing. Therefore, any initiatives intended to prevent the fund from being corrupted should be taken – one of which is implementing good village governance.

**Keywords:** Good village governance, corruption, village fund.

## INTRODUCTION

Since the majority of Indonesian live in rural areas, the national development plan must pay particular attention to the problems and issues arising from these areas. The successful implementation of the government's initiative to increase the nation's prosperity is influenced by the success of development in rural areas as the majority of poor people live in rural areas. Therefore, President Joko Widodo prioritizes rural areas development in his administration as depicted in his vision, "Building Indonesia from the periphery to strengthen the regions and villages within the framework of a unitary state."

To improve rural areas' development, based on the Law number 6/2014 (known as Village law) and government regulation number 22/2015 about Village fund, all 74,957 villages in Indonesia will receive transfer funds in an amount ranging from IDR 700 million to IDR 1.4 billion per year. The fund was allocated from the state budget and will be rolled through several installments.

The village fund has been proven effective in reducing poverty in rural areas from 17.7 million people (14.09%) in 2014 to 17.1 million people (13.93%) in 2017. Furthermore, from 2015-2016, the village fund has contributed to the development of 95.2 thousand kilometers of road in rural areas, 914 thousand meters of bridges, 22616 clean water supply facilities, 2,201 boat

moorings platforms, 14,957 early childhood education facilities, 4004 health facilities, 19485 wells, 3106 village markets, 103405 drainage and irrigation systems, and 1338 dams (PDT, 2017). However, data also revealed that the fund was vulnerable to being misused and corrupted. According to Indonesia Corruption Watch (2019), there were 264 corruption cases of the village fund between 2015 and 2018 – all of which have been in *inkracht* status (there has been a final court decision that is legally binding and final).

Although the number of *inkracht* cases is relatively small compared to the number of villages in Indonesia, corruption cases are increasing. It is also a worrisome indication that corruption has now spread and reached government institutions at the lowest level in the village.

In line with this phenomenon, this current study postulates that the implementation of good village governance has not yet optimum, as indicated by the increasing number of corruption cases. The village fund must be protected from being misused and corrupted by implementing good village governance.

Therefore, this current study formulated the following problems to pursue:

1. In what ways are the village fund being corrupted?
2. How to develop good village governance to prevent corruption of the village fund?

3. What barriers and possible solutions to optimize good village governance prevent corruption of the village fund?

#### **RESEARCH METHOD**

This current study was carried out using a qualitative approach because it intends to explore and identify the meaning held by an individual or a group of individuals about social and humanity case (Creswell, 2014). The data was collected from the documentary analysis that followed the following procedures: data reduction, data display, data verification, and concluding.

#### **THEORETICAL OVERVIEW**

##### **Good village governance**

The term good village governance was adopted from the term good governance. According to Emerson, Nabatchi & Bulogh (2011), in common contexts, governance means efforts to manage both public and private businesses. Meanwhile, UNDP defines governance as political, economic, and administrative authority to manage national issues at all levels.

According to Rosenau in Winarno (2014), governance is not always synonymous with government. Both terms refer to directed behavior and activities oriented to the attainment of goals and specific regulations. The government implements its activities by exercising formal authority – power and authority to ensure that their activity is implemented. Meanwhile, governance implements its activities based on the common goals and interest which might not come from formal legal responsibilities and independent from certain authority – although it is not always the case. Governance is an apparatus established by and depends on binding agreements between all parties involved. Therefore, governance is well-functioned when all parties agree or, at least, by the strongest party involved.

The concept of governance is more inclusive than the government. It refers to the organization's management based on the highest authority (government or state). Meanwhile, governance involves the government or state and other stakeholders outside the government and state. That is why governance includes more parties (Widodo, 2001).

Good governance is the best practice of governance. UNDP (1997) identifies the characteristics and principles of good governance, including participation, the rule of law, transparency, responsiveness, consensus orientation, equity, effectiveness and efficiency, accountability, and strategic vision. These nine characteristics and principles are interrelated and mutually reinforcing; thus, they are not independent. For example, when people can have easy access to information, it means that the government has improved transparency, included a high level of participation, and conduct an effective decision-making process.

##### **Corruption**

According to the World Bank, corruption is the abuse of public office for private gain. Robert Klitgaard, in Said & Suhendra (2002), corruption happens when someone illegally put his/her personal interest above public interest and the mandate given to him/her. Corruption can take many forms and variations and range from small scale to monumental ones. Corruption also takes the form of abuse of policy apparatus.

Meanwhile, according to Webster's Third New International Dictionary in Said & Suhendra (2002),

corruption is the act of inviting (by a public officer), based on unlawful intentions, to abuse his or her power and authority/her position. An act can be categorized as corruption if it has the following criteria involves one or more persons, including actions that are against norms – moral, ethical, legal, and religion, incur damage to state or public finance – directly or indirectly, provide private gain for certain person or group.

According to Law Number 31/1999 about corruption eradication, which was later amended by the Law number 20/2001, chapter 2 point 1, corruptors are defined as anyone who unlawfully makes a benefit for himself or others that are resulting in the damage to state finance and economic. Chapter 3 of the same law explains that corruption is conducted by anyone to make private benefits for himself or others or corporate and include the abuse of power, opportunities, and facilities mandated to him/her upon his/her public position that incurs damage to the state finance and economic.

In order to eradicate corruption more effectively, the Corruption Eradication Commission (KPK) was established based on law number 30, the year 2002, about the Corruption Eradication Commission.

#### **DISCUSSION**

##### **Village fund corruption**

Just like a coin, the village fund has two opposite sides. On the one side, the village fund's large amount is a blessing for the village government, especially the poor villages. With this fund, village governments now have a more reliable financial capacity to develop their village. They have no longer excuse of lacking the budget for building their village. Instead, many of them are now confused about how to spend the money.

Meanwhile, on the other side, for many village governments who conducted corruption, the village fund is a curse. Indonesian Corruption Watch (2019) reports that from 2015 to 2018, there were 264 village fund corruption cases in inkraht status (a final court decision that is legally binding and final). In more detail, there were 22 cases in 2015, 48 cases in 2016, 98 cases in 2017, and 96 cases in 2019. Although the number of these corruption cases is small compared to the total number of villages in Indonesia – 74957 villages – the trend is increasing. Meanwhile, numerous cases are still under investigation, undetected, and unreported.

Corruption cases by village governments psychologically make sense since they are not ready to receive and manage a considerable fund. They might even have never had money in such amount. They are psychologically shocked but thinking that they are receiving "an unexpected fortune." Thus, using the money for something unrelatable to its primary intention is so much tempting. Things get worse when the village governments have no integrity and motivation to build their village. What happens in the field is an actual realization of what Lord Acton said: "Power tends to corrupt and absolute power corrupt absolutely."

The modus operandi of village fund corruption is similar to common corruption. Indonesian Corruption Watch (2019) reports that the modus operandi of village fund corruption includes mark-up budgeting, fake development projects, gratification, fake project reports, and stealing money from the budget. The most recent finding is quite shocking where there is a "fictitious village" reported in North Sulawesi. This case is shocking and embarrassing as it should have been easily spotted.

These corruption cases are worrisome as they indicate

that the fiscal decentralization policy brings not only money but also corruption practices to the village level. Corruption no longer happens at higher government institutions; it also happens at the lower level – the village government.

The increasing number of village fund corruption cases is a clear indication that an effective measure to prevent it to happens is critically needed. Taking actions to prevent corruption is much better than dealing with it as preventing is better than cure. Taking preventive actions is in line with one of the principles of reinventing government identified by Osborne & Gabler (1992), who said, "anticipatory government, prevention rather than cure." There are numerous ways of preventing corruption of the village fund – one of which by developing a good village government.

### **Developing good village governance**

Law 16/2014 about village defines village as a unit of community that has boundaries with authority to regulate and manage the affairs of government, interests of the local communities based on the community's initiatives, right of the origin, and/or traditional rights recognized and respected in the system of government of the Republic of Indonesia. Therefore, villages have the autonomy to manage governmental and community businesses.

The village government runs and manages governmental and social businesses by aligning to the Republic of Indonesia as a state system. Village government institution has two bodies – the village government and the village consultative body (BPD). The village government is a village chief assisted by other apparatus. Meanwhile, BPD comprises of representatives of people who live in the village.

The village government sits on the lowest position in the Indonesian governmental hierarchy and is the closest to the community. Therefore, the government in the village level must implement a professional governmental system that is in accord with the principle of good governance to create a good village governance institution. Good village governance is critical for preventing corruption at the village level.

By adopting the principles of good governance as outlined by UNDP (1997), good village governance can be implemented by exercising the following principles: participation, the rule of law, transparency, responsiveness, consensus orientation, equity, effectiveness and efficiency, accountability, and strategic vision.

The first principle of good village governance is participation. With this principle, people participate either directly or through BPD in planning, decision making, and controlling village budgeting and programs. Participation in the planning takes the form of community involvement in the consultative discussion and decision making of village budgeting, including deciding how to spend the village fund. In the consultative discussion, the community poses control over the budgeting process to prevent corruption. However, this control mechanism did not work properly due to the village chief's strong and dominant power in making decisions of all village budget and projects.

In addition to playing the controller's role to prevent corruption, the community can also participate in curative actions through active involvement in BPD. Community exercises this role by reporting the suspiciously spending of village fund by village apparatus.

In a digitalized era like today, reporting suspicious conduct by government apparatuses has become more accessible. People can send a report via a short message service (SMS) or e-report platform. Indonesian Corruption Watch (2019) notes thousands of reports by the community regarding the suspicious spending of village funds. Some of the reports have been taken care of, and many of those are declined due to a lack of proof. Unfortunately, most people are apathetic or afraid of sending reports due to the intimidation from or bribe promised by the village governments.

The second principle of good village governance is the rule of law. This principle takes the form of village government obedience to the rules, laws, regulations, norms, and procedures of the village fund spending. This principle requires firm enforcement of the law regulating the village fund misused and corruption.

Had the village government indeed obedience to the laws, regulations, and procedures of village fund management and spending, the corruption should be prevented. However, the vast amount of money poses an unbearable temptation for many village governments. Weak law enforcement and integrity are worsening the situation.

The third principle of good village governance is transparency. This principle can be implemented by providing access to information about the planning and the spending of the village fund. Therefore, the village government must provide information channels that are easy to be accessed by the community. This transparency principle is critical as it relates to another good governance principle – accountability.

To implement transparency, information about the use of village funds should be made available to the public through various channels and based on open and honest intentions. The channels that the village government can use to make the information about village fund spending, including banners posted in the village government office, community discussion forum, or village website. The purpose is to get the public well-informed about how the village fund was spent and managed. However, many villages do not use these channels; or use them but provide fabricated information.

The fourth principle of good village governance is responsiveness. This principle requires the village government to be responsive to the community's aspirations or complaints regarding the use of village funds. The village government also needs to provide immediate clarification about issues and rumors in relation to the spending of the village fund. In reality, the village government has not this responsive attitude.

The fifth principle of good village governance is the consensus orientation. This principle requires the village government to actively involve community either directly or through BPD in policy and decision making about the management and spending of the village fund. By implementing this principle, the policies and decisions made about the village fund's spending are mutual consensus between the village government and community so that they are expected to be effective and efficient. However, in reality, the role of BPD in policy and decision-making about village funds is limited due to the intense domination and authority held by the village government chief.

The sixth principle of good village governance is equity. This principle requires the village government to spend village fund to build facilities and infrastructures for the good of its people by implementing the principle of goodness, fairness, and indiscriminative. The community

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needs to be critical whenever they see discriminative use of the village fund. The challenge is that the community is mostly apathetic to the village apparatus. Also, the integrity of village apparatuses makes the implementation of this principle challenging.

The seventh principle of good village governance is effectiveness and efficiency. This principle requires the village government to spend the village fund in effective and efficient ways. Many village governments implemented this principle, as seen in the rapid development of village facilities and infrastructures. However, in the field, numerous village governments have not spent the fund effectively and efficiently developing their village. Instead, many of them spend the fund to gain private benefits for them or their group by marking up the budget.

The eighth principle of good village governance is accountability. This principle requires the village government to spend and manage the village fund following the laws that regulate the planning, spending, managing, reporting, and responsibility of the village fund. The village government must develop the village medium-term development plan (RPJMDes) and budget (APBDes) by involving the community to make the village fund's spend in accord with the needs of the community.

Accountability of the village fund can only be achieved if the village government has the ability to develop RPJMDes and APBDes and involve the community in developing and controlling the RPJMDes and APBDes. However, many village governments lack the capacity to develop the RPJMDes and APBDes and did not involve the community in developing and controlling them. As a result, the RPJMDes and APBDes are developed in favorable to village government views, not the wide community. Meanwhile, the BPD's controlling function is also weak due to the strong domination of the village government and poor relations and coordination between the government and BPD. Control from the community is also not optimal due to an apathetic attitude from the community and intimidation and bribe from the village apparatus.

The accountability principle also means trustworthiness and mandate from the community to the village government. However, in reality, there is numerous village government who are not trustworthy in spending the village fund as indicated through the increasing number of village fund corruption. The corruption also indicates that the village government undervalues the mandate that the community gives to them.

The ninth principle of good village governance is a strategic vision. This principle requires the village government to have the vision to build their village and improve the prosperity of the community of the village. They then articulate the vision into achievable missions and targets that will be pursued in several stages throughout the village government administration period. To realize the vision and mission, village governments need to have a strong, creative, and innovative leadership capacities to build their village. With these leadership qualities, many villages achieve desirable development. However, a large number of village governments lack these leadership qualities and are incapable of spending the village fund developing their villages.

These nine principles of good village governance are interrelated and inseparable one another. For example, if the information about the village fund is easily accessible, then the transparency and community involvement are increasing, and the decision and policy-making process is

becoming more effective. Also, if the village fund's spending is transparent and follows the regulations, then accountability is getting better.

### Challenges and solutions

Implementing good village governance is not an easy endeavor due to many challenges. However, these challenges come from one root – the quality of human resources in the village: village chief, village apparatuses, BPD members, and the community.

Many village chiefs still hold secondary education influences the quality, ability to be creative and innovative, and their capacity to comprehend the laws and regulations regarding the management and spending of the village fund. Similarly, most of the village apparatuses also still hold low education capacity, affecting their capacity to run and manage village development programs. Meanwhile, BPS also faces similar problems: many of its members have no sufficient education to carry out their roles and responsibilities. Furthermore, most rural areas also have no high education so that they are incapable and reluctant to participate in the village fund management.

There is also an issue with mentality. People who live in rural areas were known as humble and honest. However, the villagers' common characteristics were changed as there was a massive corruption of the village fund that happened. There are a more significant number of village chiefs who have low integrity and corruption. Also, many of them view managing the village as not a primary job since they also have another job supporting their family.

Therefore, since the root of the problems is human resources, the solution should be to take efforts and initiatives to improve the quality of human resources that manage the village both their intellectual and integrity capacity. Higher education institutions should play significant roles in providing assistance in training, consultation, and advocacy about how to manage and spend the village fund. Other parties that should also be responsible for developing the village government's quality of human resources are government institutions at the central and regional levels. However, these efforts and initiatives to improve the quality of human resources in village government institutions are not optimal since they are still conducted sporadically. There are no massive, systematic, well-intentioned, and sustainable programs intended to develop the quality of human resources in village government institutions. Therefore, any efforts for improving village government human resources should include many actors in *Penta helix*, including government, higher education institutions, private sectors, NGOs, and media.

### CONCLUSION

According to the description above, this current study draws the following conclusions: Corruption cases of village funds are increasing with a variety of modus operandi such as misused budget, fake projects, fabricated reports, mark-up budgeting, gratification, and even fictitious villages. The decentralization of corruption follows the decentralization of fiscal in reality. The implementation of good village governance is not yet optimum, thus provides more spaces for corruption. Therefore, it is critical to developing good village governance by implementing the nine principles of good governance, including the rule of law, transparency, responsiveness, consensus orientation, equity, effectiveness and efficiency, accountability, and strategic



vision. The low quality of human resources in the village government has become the primary cause of the failure to implement good village governance. Therefore, efforts intended to develop the quality of the human resources is critical and should involve many parties in the *Penta helix* such as government, higher education institution, private sectors, NGOs, and media.

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