



WORLD BANK GROUP

TOWARDS THE BEST USE OF VILLAGE FINANCIAL RESOURCES

(Village Public Expenditure Review - VIPER 2017)

August 4, 2017

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What is VIPER?

The Village Public Expenditure Review (VIPER) is a tool to support the GoI in improving the use of village financial resources through:

- Providing a series of just-in-time analytical assessments on the use of the APBDes and realization reports, to stimulate discussion on options for getting better value for money; and
- Providing the ground for strengthening village budget transparency, accountability, participation and results-based budgeting.

The World Bank is keen to partner with GoI and others to help the government have regular and reliable village financial statistics

Scope of VIPER Analytical Framework

The VIPER focuses on:

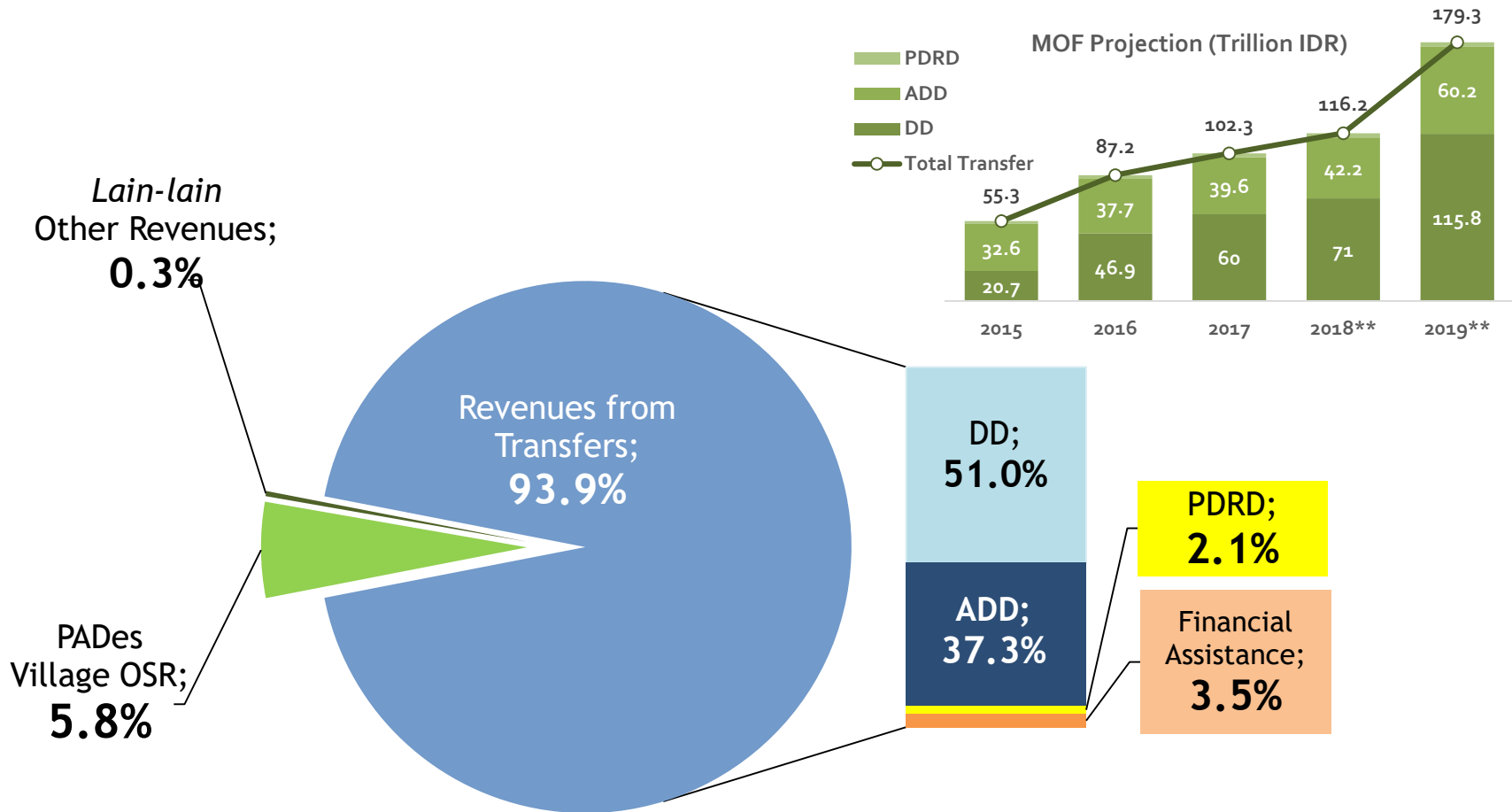
1. How village revenue is derived from multiple sources and identifies revenue composition variation in villages with different characteristics;
2. How village budgets (APBDes) and realization reports are allocated across bidang, sectors, activities and economic classification to better understand village service delivery costs in villages with different characteristics; and
3. How villages manage their finances to cover deficit or maximize surplus.

Observations

- The World Bank has collected more than 4,500 documents comprising APBDes, Revised APBDes, and APBDes realization reports from FY 2015 and 2016.
 - The current VIPER analysis focuses on 1,868 Village APBDes from FY 2016
- We have developed the framework for a nationally representative sample.
 - We are still completing the collection of documents from 14 districts to complete the sample.
- We have developed a system to collect, categorize, code, enter, analyze, and report on village revenue and expenditure.

VILLAGE REVENUE

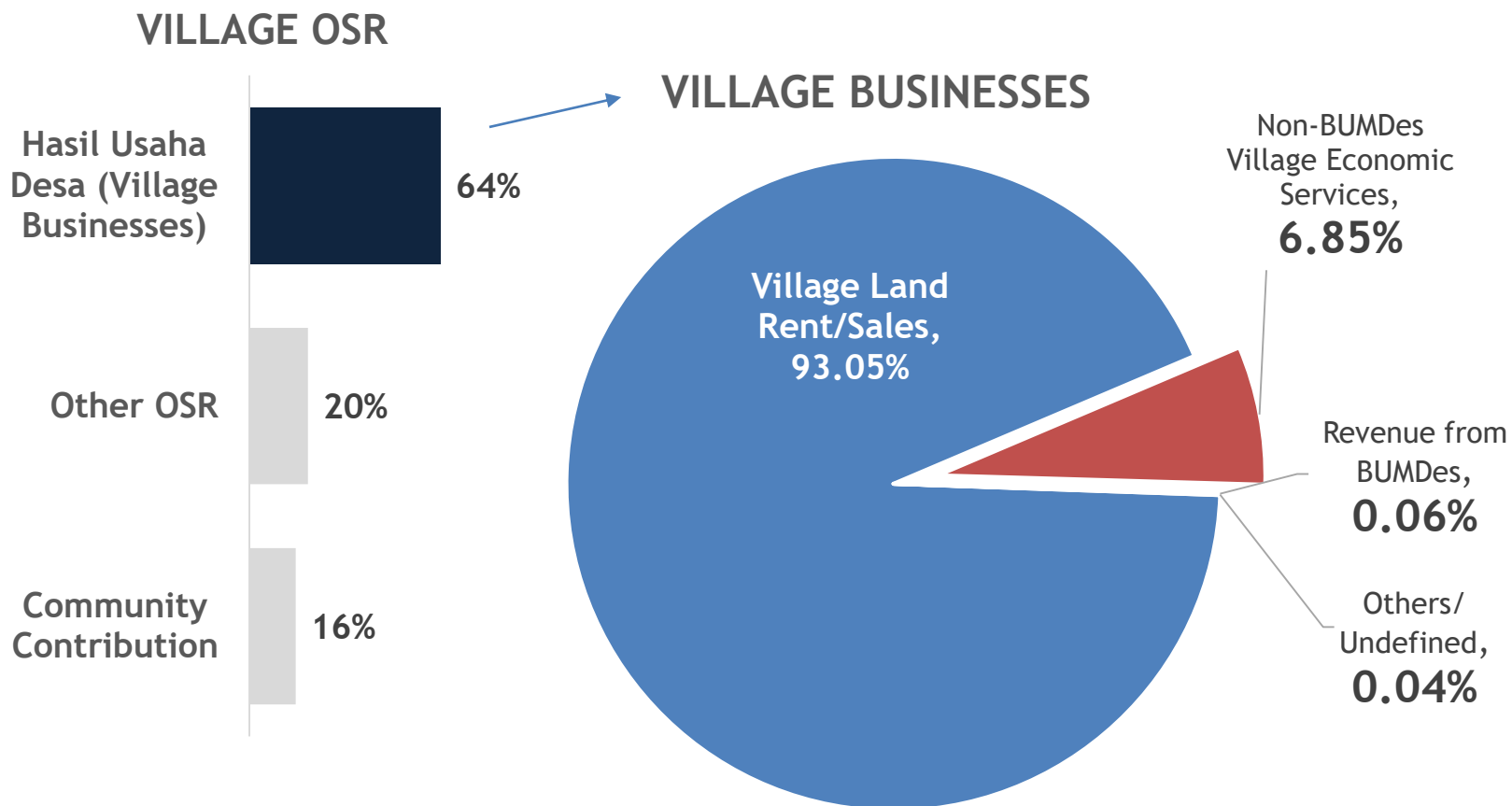
Villages are highly reliant on transfers...



Notes : The shares are the average shares of APBDes 2016 (mixed documents) estimated from 1,868 sample villages; *Dana Desa* or Village Fund transferred from Central Government; *Alokasi Dana Desa* or Village Allocation Fund transferred from District/City Government; PDRD is shared revenue from tax and levies of District/City Government; Village OSR is Village Own Source revenue

Source: World Bank Village Public Expenditure Review (VIPER)

Village Businesses (Hasil Usaha Desa) account for 64% of Village OSR; more than 93% of them are coming from Village Land Utilization



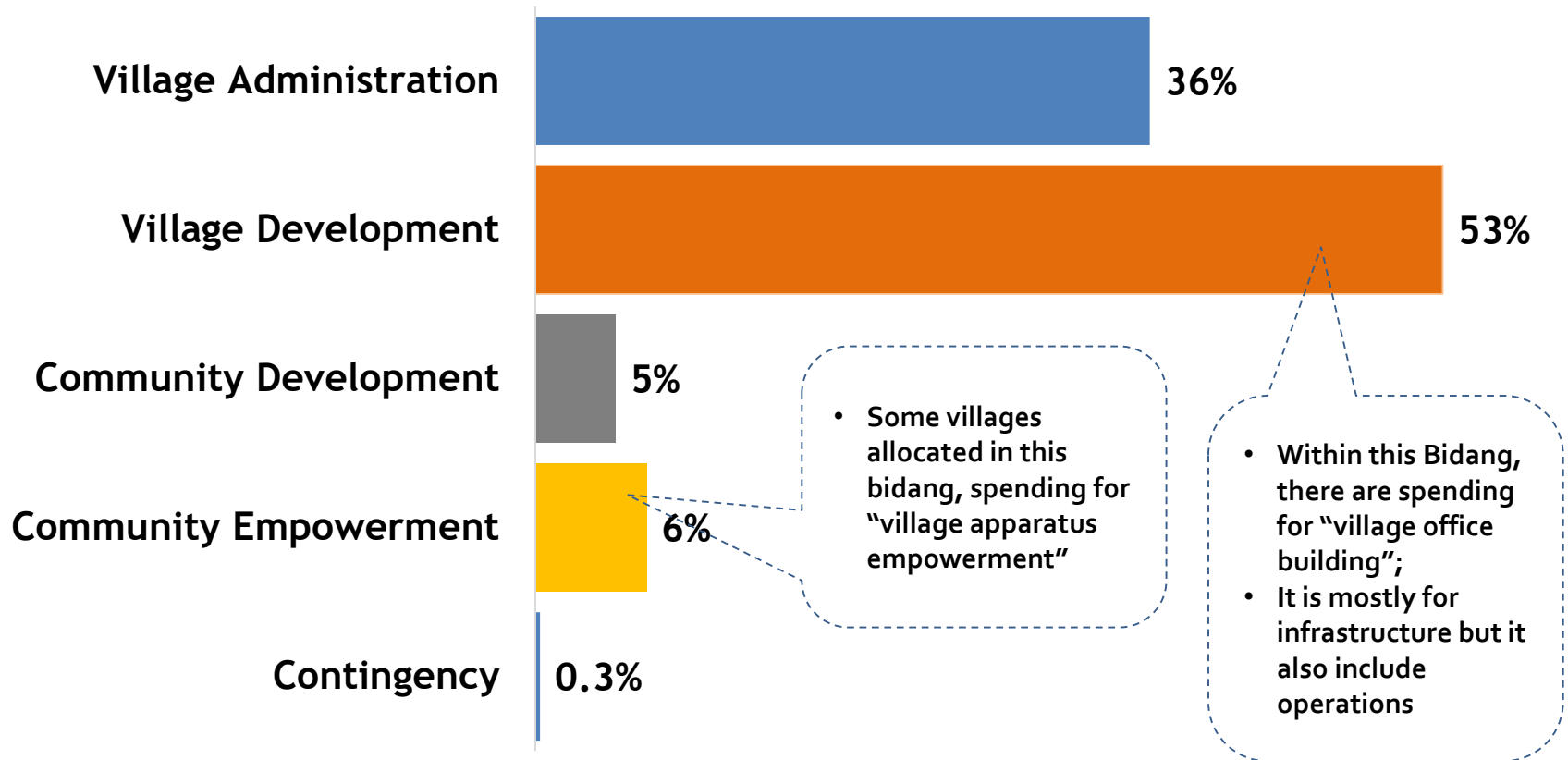
Notes: sample size = 1,868 villages, APBDes 2016 is document observed

Source: World Bank Village Public Expenditure Review (VIPER)

EXPENDITURE ANALYSIS BY BIDANG CLASSIFICATION

In 2016, about 53% of Village Expenditure are allocated for Bidang “Village Development”, but what does it mean? Is it good or bad?

Share of Village Expenditure by Bidang Classification



Notes: sample size = 1,868 villages, APBDes 2016 is document observed

Source: World Bank Village Public Expenditure Review (VIPER)

Evaluating compliance on the limit of “personnel and office operation” spending towards “30-70” Rule

Article 100, poin (2) of PP 43/2014 on Implementing Regulation of Law 6/2014

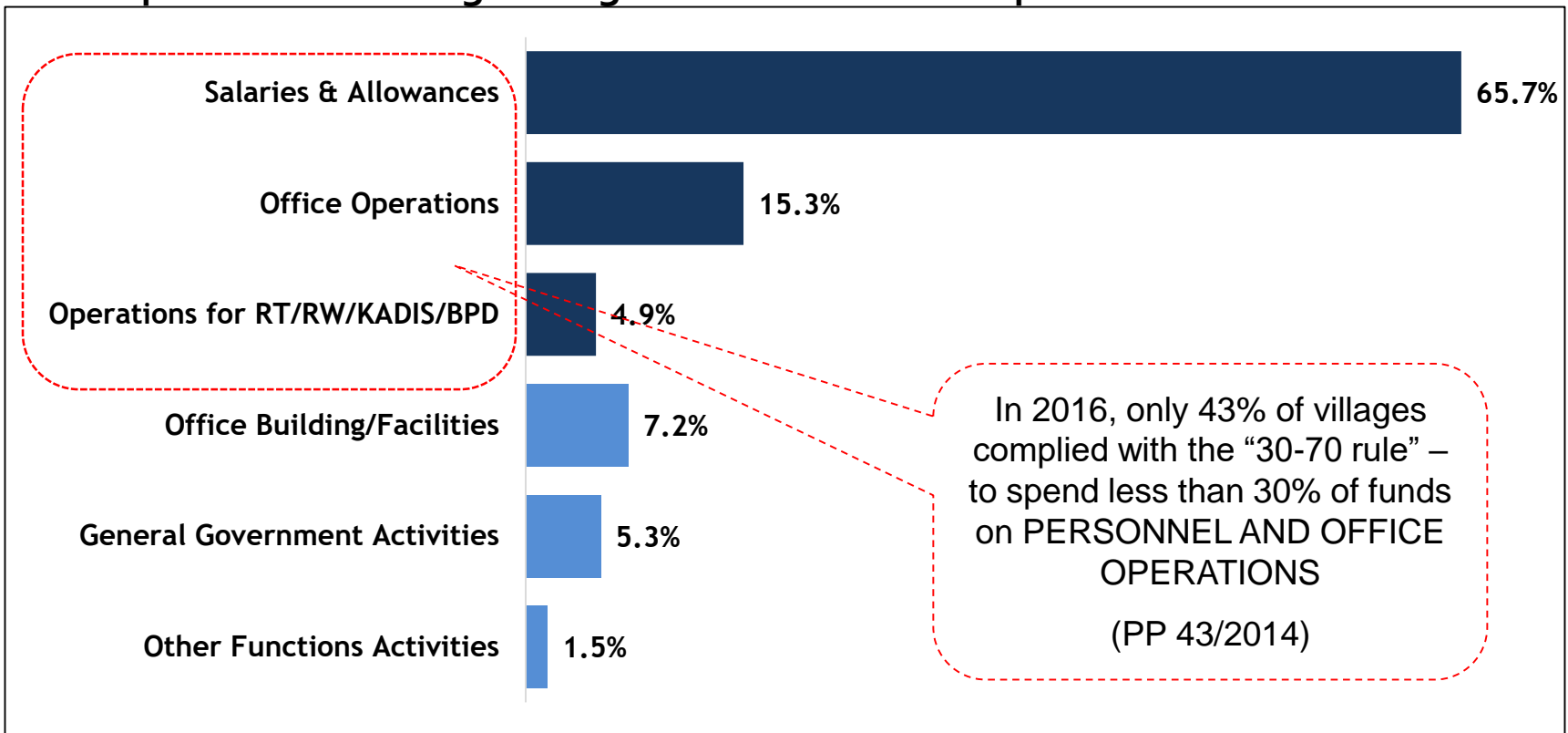
Belanja Desa yang ditetapkan dalam APB Desa digunakan dengan ketentuan paling banyak **30% (tiga puluh perseratus)** dari jumlah anggaran belanja Desa digunakan untuk:

- (1) penghasilan tetap dan tunjangan kepala Desa dan perangkat Desa;
- (2) operasional Pemerintah Desa;
- (3) tunjangan dan operasional Badan Permusyawaratan Desa; dan
- (4) insentif rukun tetangga (RT) dan rukun warga (RW)

Hereinafter, we call this group of expenditures as
”PERSONNEL AND OFFICE OPERATIONS”

More than 85 % of spending on bidang “village administration” goes to “Personnel and office operations”

Decomposition of Bidang “Village Administration” Expenditure



Note: sample size = 1,868 villages, APBDes 2016 is document observed

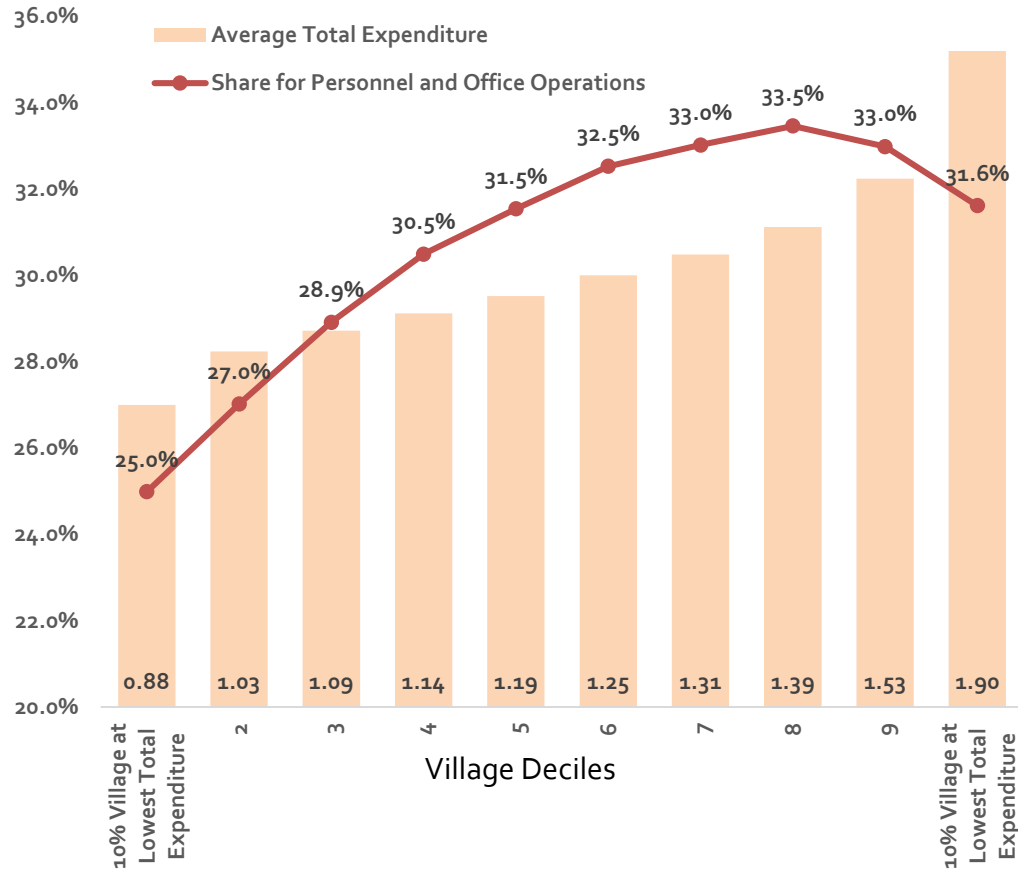
*) Village Office Building include construction/rehabilitation/maintenance activities

***) Village Admin Activities includes planning (musrenbang, etc), budgeting, village policy formulation, and other admin

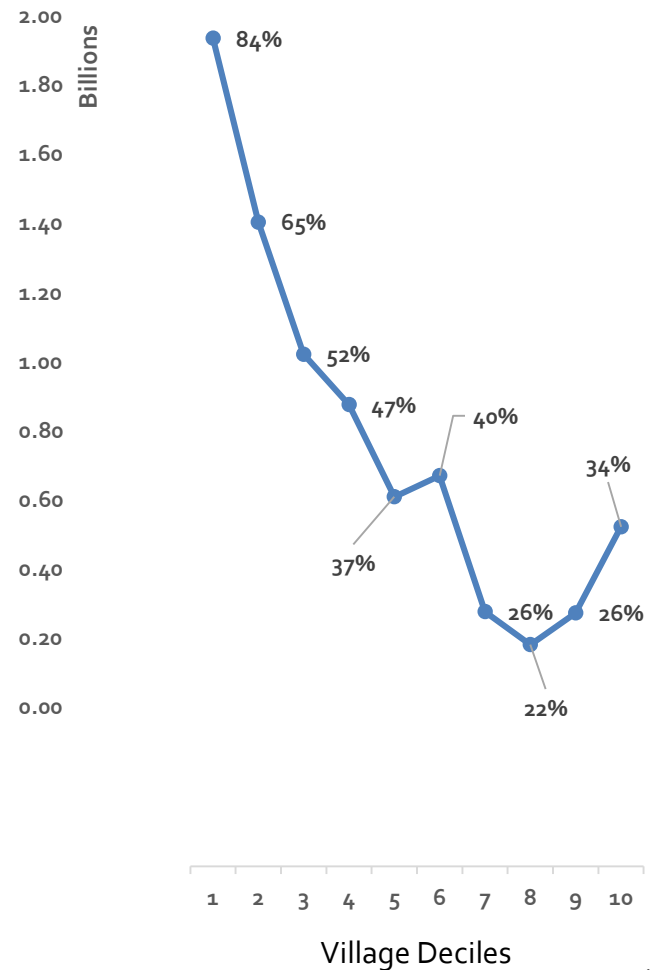
Source: World Bank Village Public Expenditure Review (VIPER)

As villages get more money, they spend a greater share on PERSONNEL AND OFFICE OPERATIONS, and comply less with the “30-70” rule

Average Total Expenditure and Share of Personnel and Office Operation Expenditure



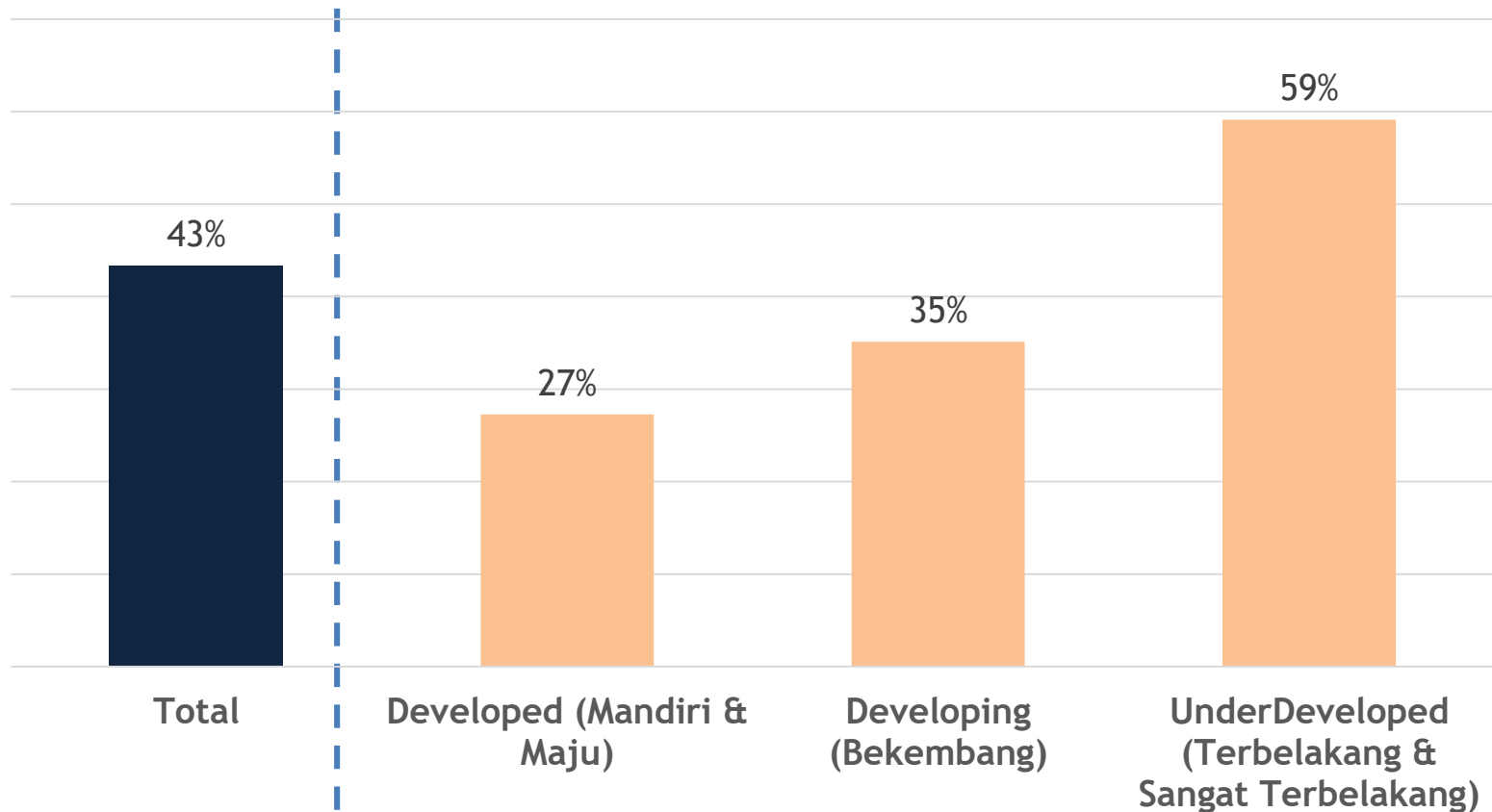
compliance rate with “30-70” Rule



Source: World Bank Village Public Expenditure Review (VIPER)

Underdeveloped villages have higher compliance rates with the limit on PERSONNEL AND OFFICE OPERATIONS

Compliance Rate on "30-70" rule (PP 43/2015) by Village Status of Development



Source: World Bank Village Public Expenditure Review (VIPER)

EXPENDITURE ANALYSIS BY FUNCTIONAL CLASSIFICATION

What is Functional Classification?

Expenditure Classification by which the budget are grouped according to “**character of services**” and where the **results** (output, outcomes, or impact) can be achieved using mix of inputs*

Broad Classification: (e.g. Function, Sector, or Urusan)

- General Government
- **Education**
- **Health**
- Public Works
- Housing
- Agriculture,
- **Social & Culture**
- etc

Detail Classification: (Program or Activity)

Program within Function/Sector/Urusan

- Program for early education
- Program for Under-Five Healthcare

Activity within Program or Functions

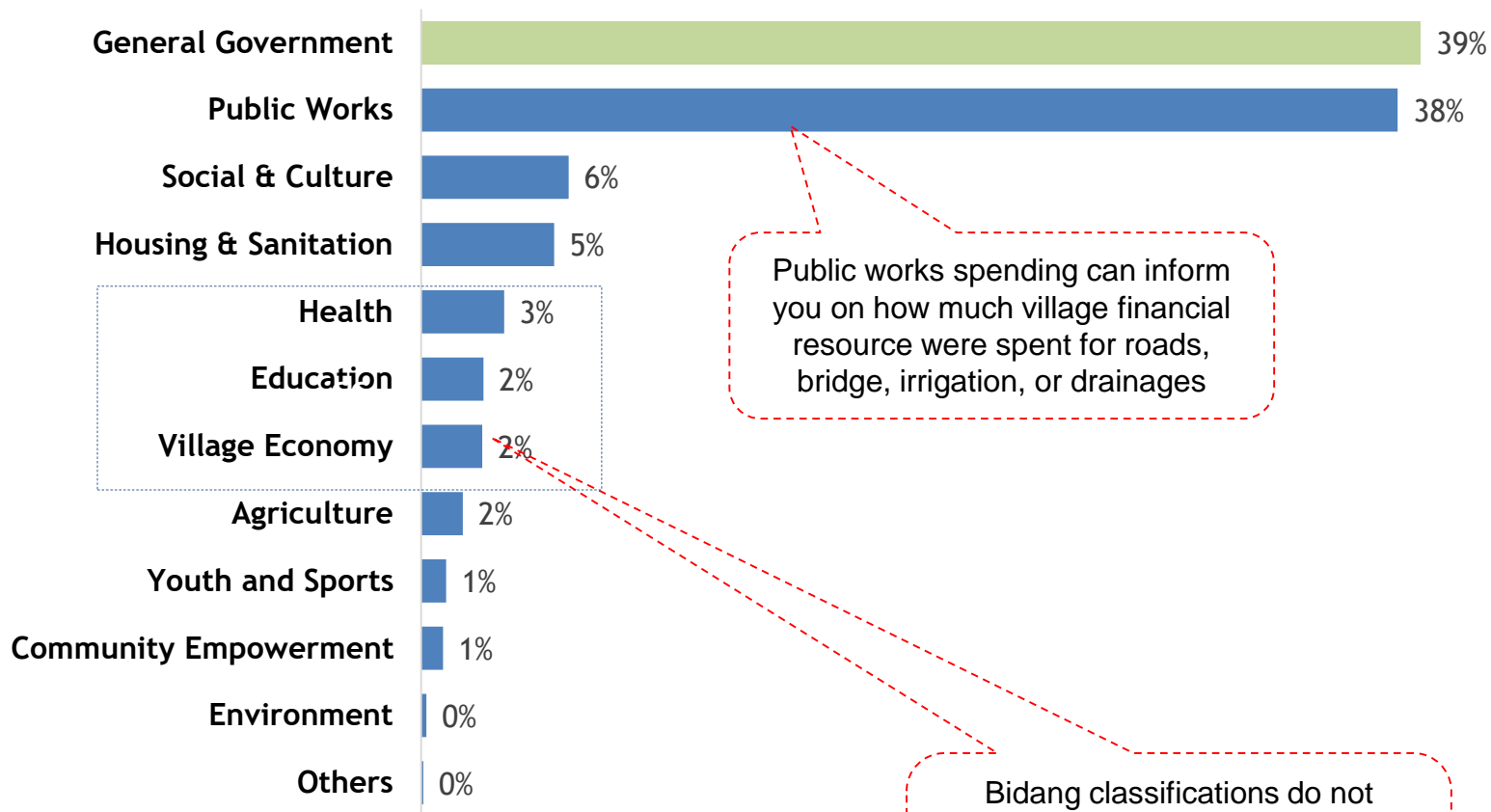
- Construction of PAUD building
- Provision of Education Equipment for PAUD
- Improving child nutrition
- Elderly Nursing
- Provision of “Pakaian Adat”
- “Penyelenggaraan Upacara Adat”

*) Input includes personnel, goods/services, capital, etc. (Economic Classification)

CRITERIA:

- KEWENANGAN HAK ASAL-USUL
- KEWENANGAN LOKAL BERSKALA DESA

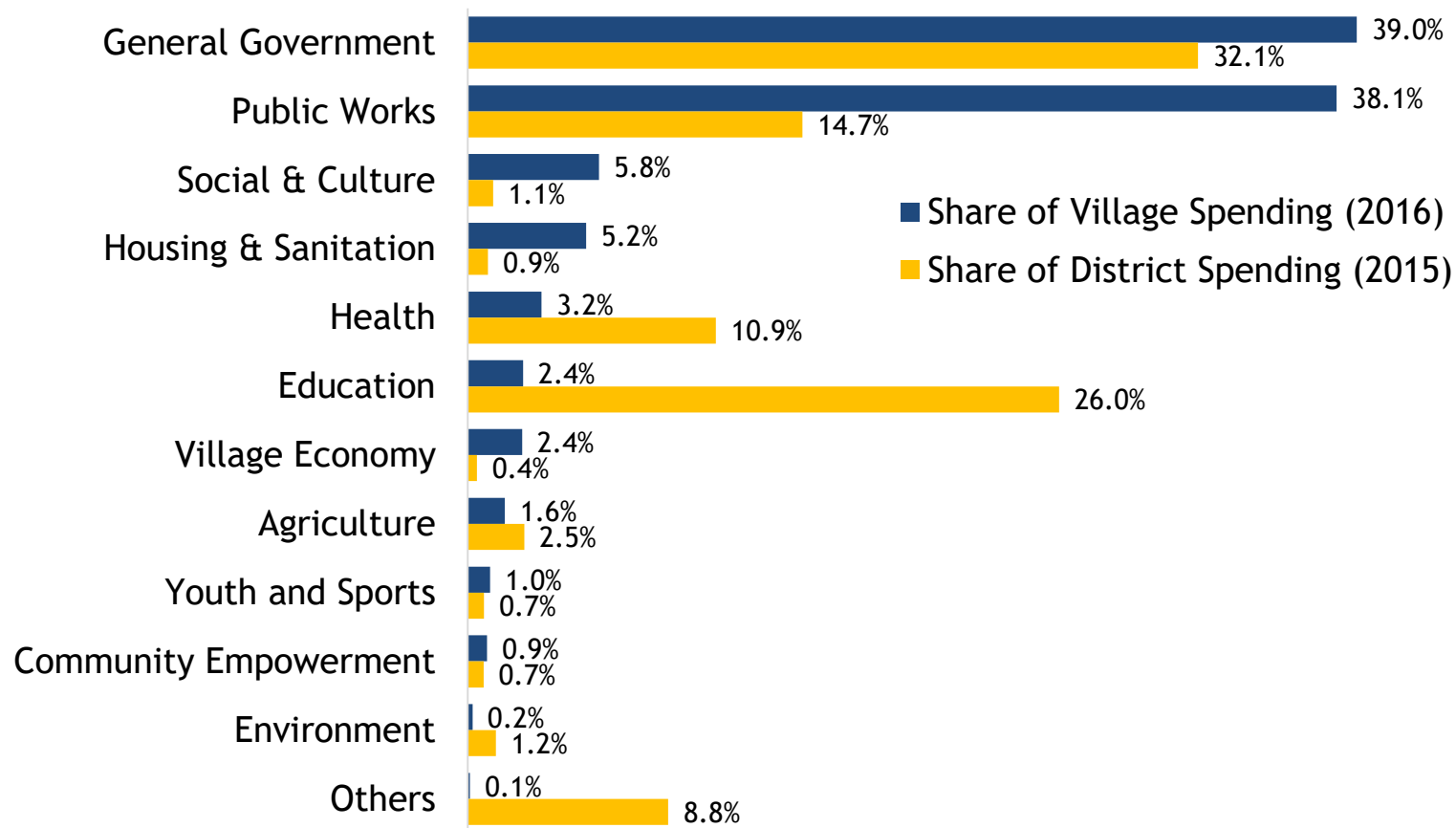
Village spending by functional classification provides a different picture on the use of village financial resource...and an easier way to monitor outcomes



Note: sample size = 1,868 villages, APBDes 2016 is document observed
Source: World Bank Village Public Expenditure Review (VIPER)

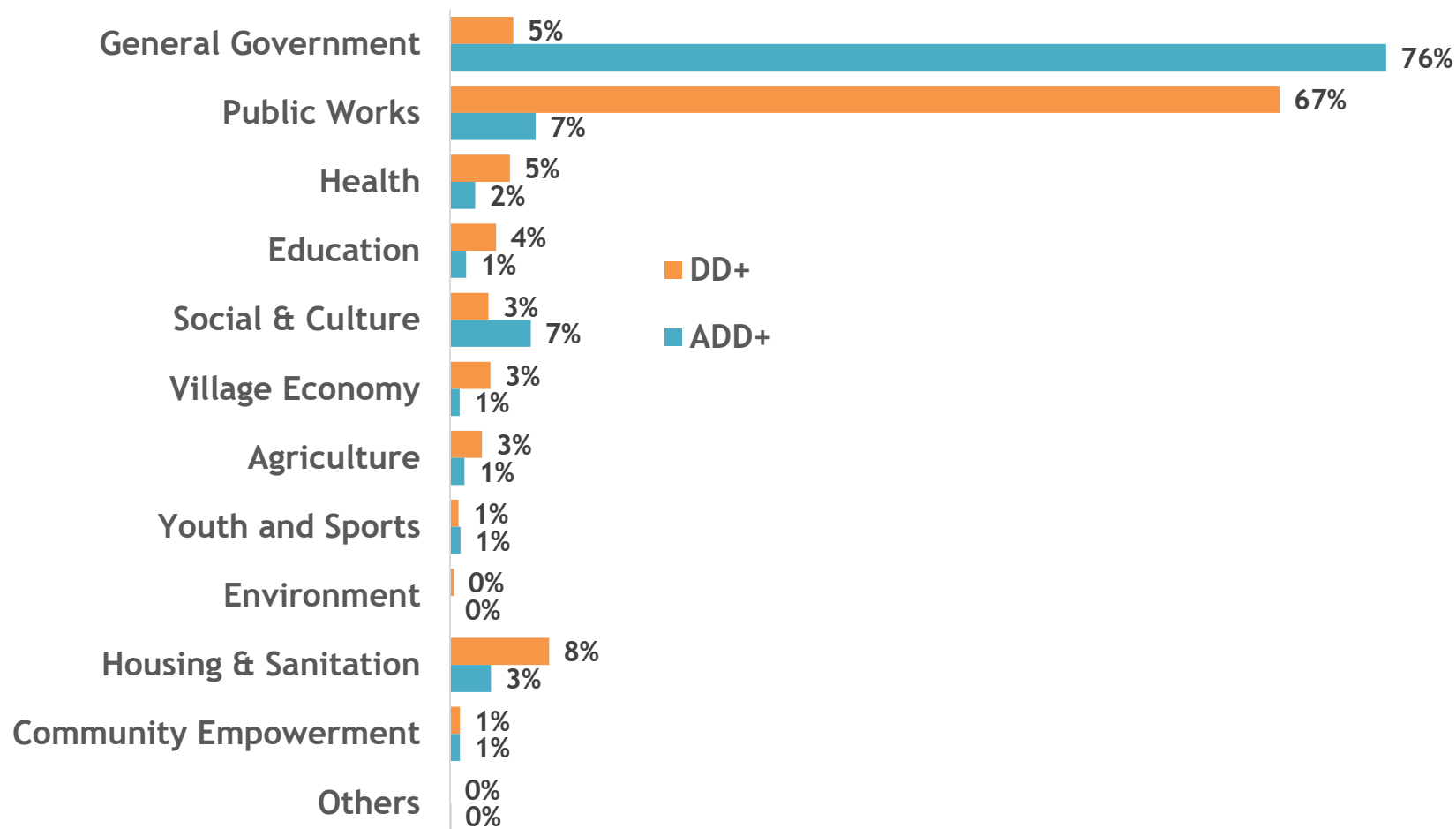
Villages and districts have different spending priorities

Village Spending VS District Spending by Urusan

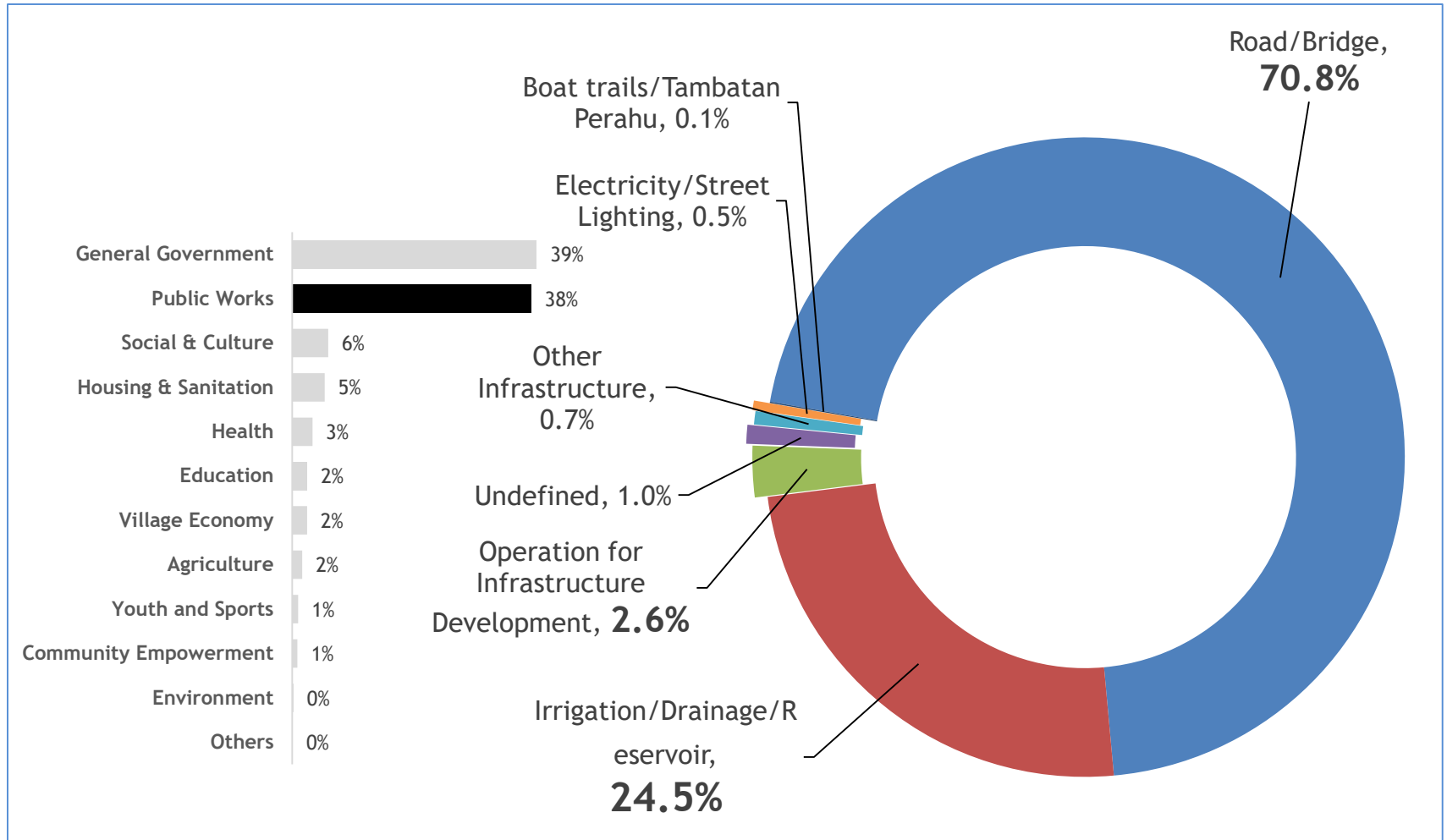


Source: World Bank Village Public Expenditure Review (VIPER)

...and so do between Two Largest Revenue Sources

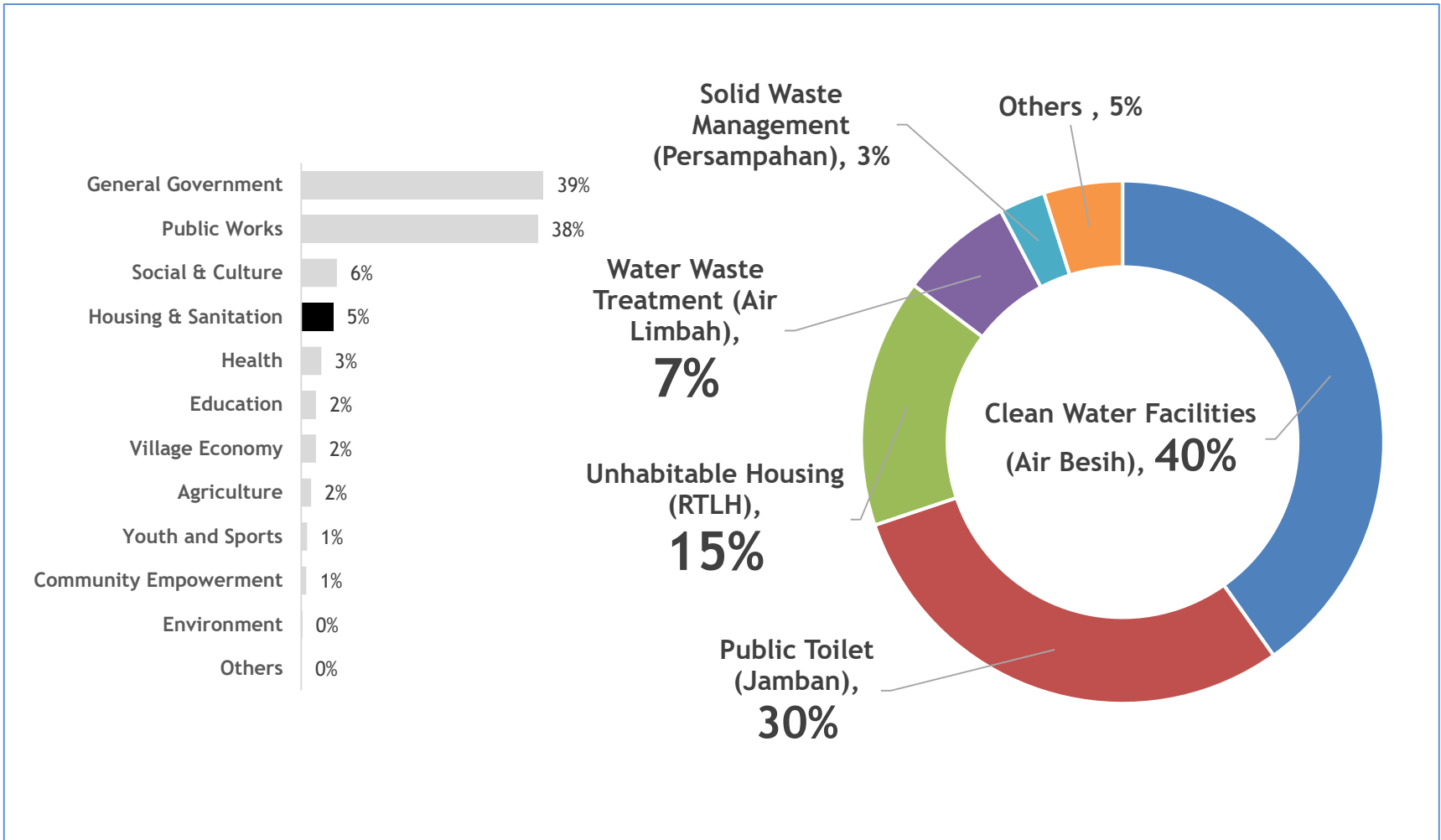


What is village spending on public works buying?

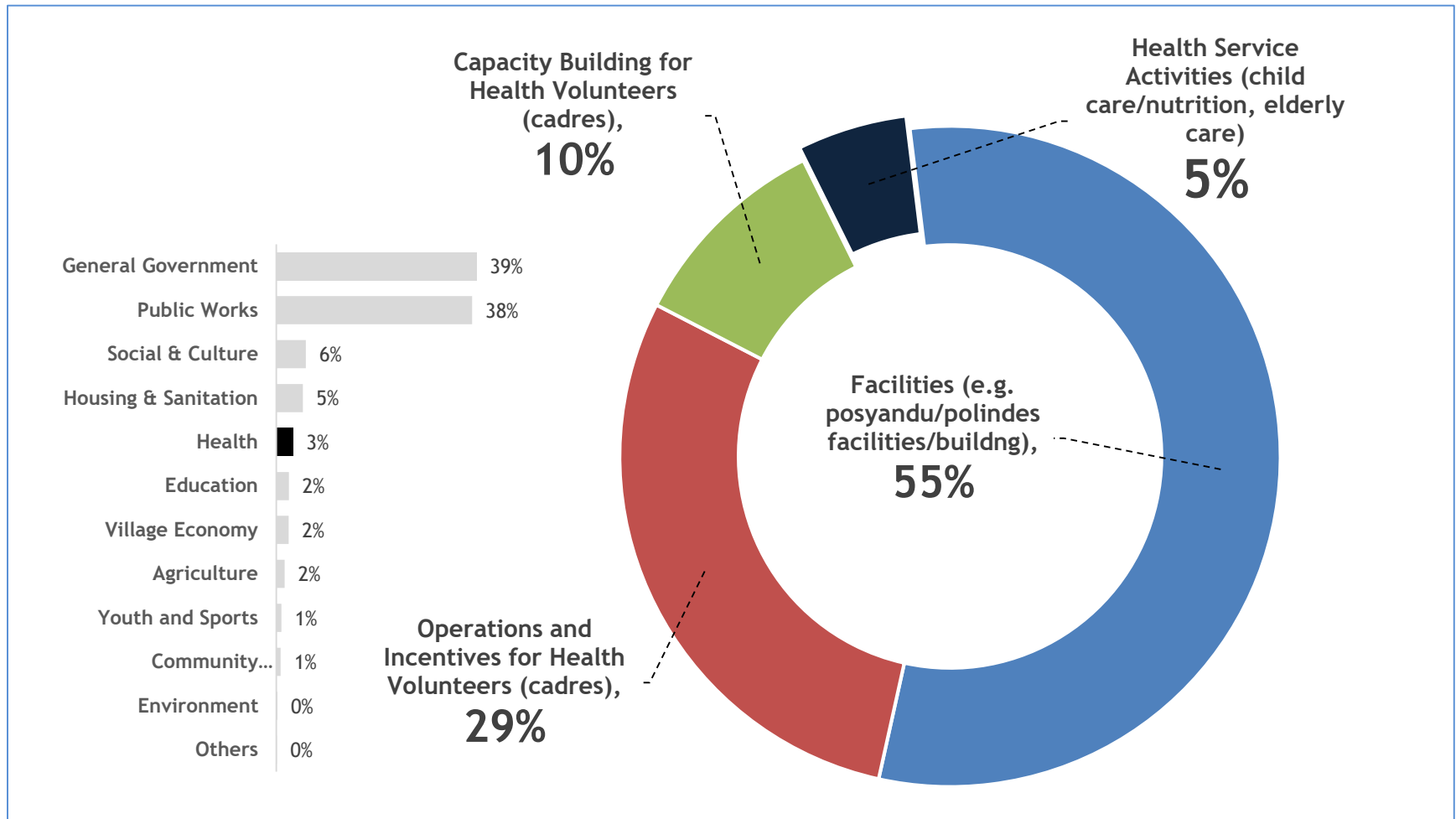


Source: World Bank Village Public Expenditure Review (VIPER)

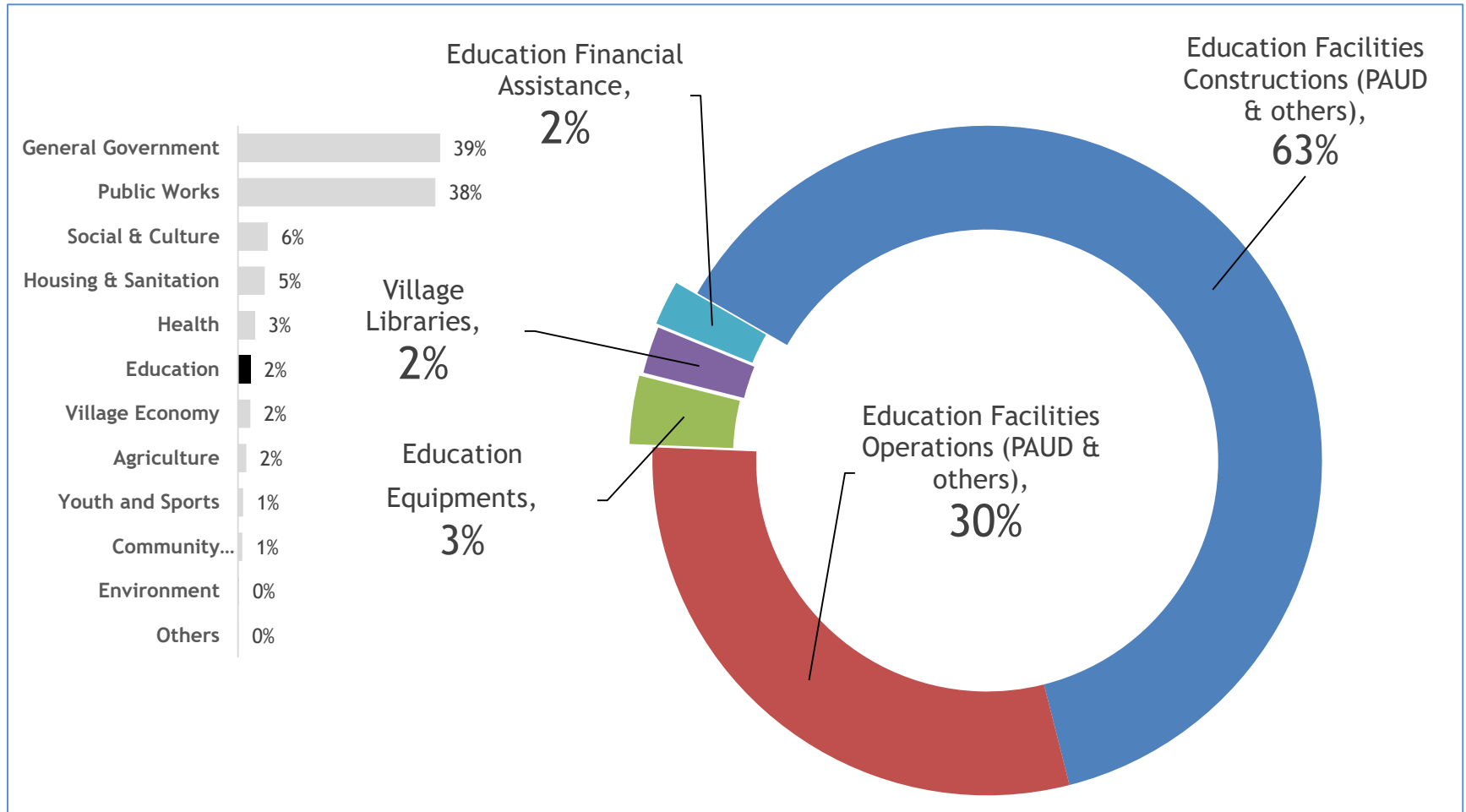
What is village Housing spending buying?



What is village health spending buying?



What is village education spending buying?

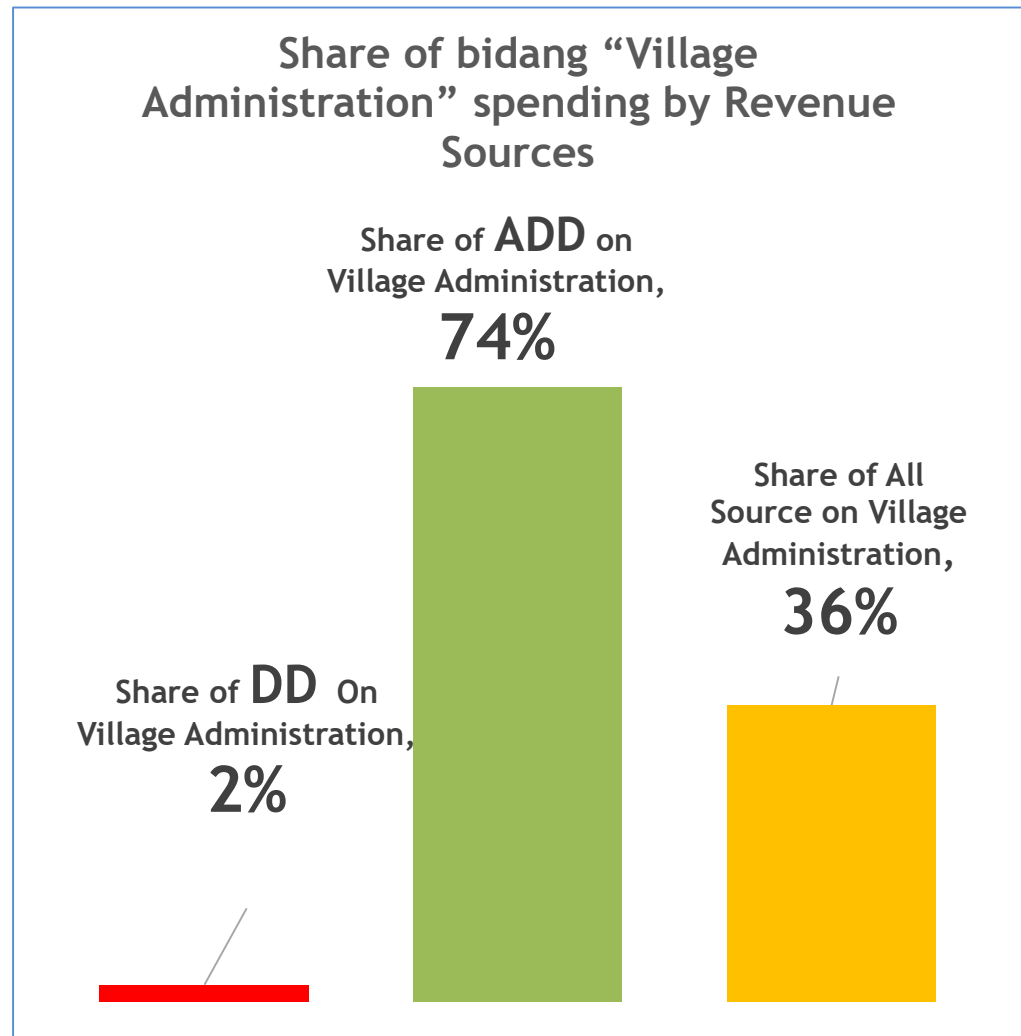


Source: World Bank Village Public Expenditure Review (VIPER)

CHANGES NEEDED TO BETTER UNDERSTAND VILLAGE FINANCES

Monitoring only DD expenditure does not give a complete picture of village expenditures

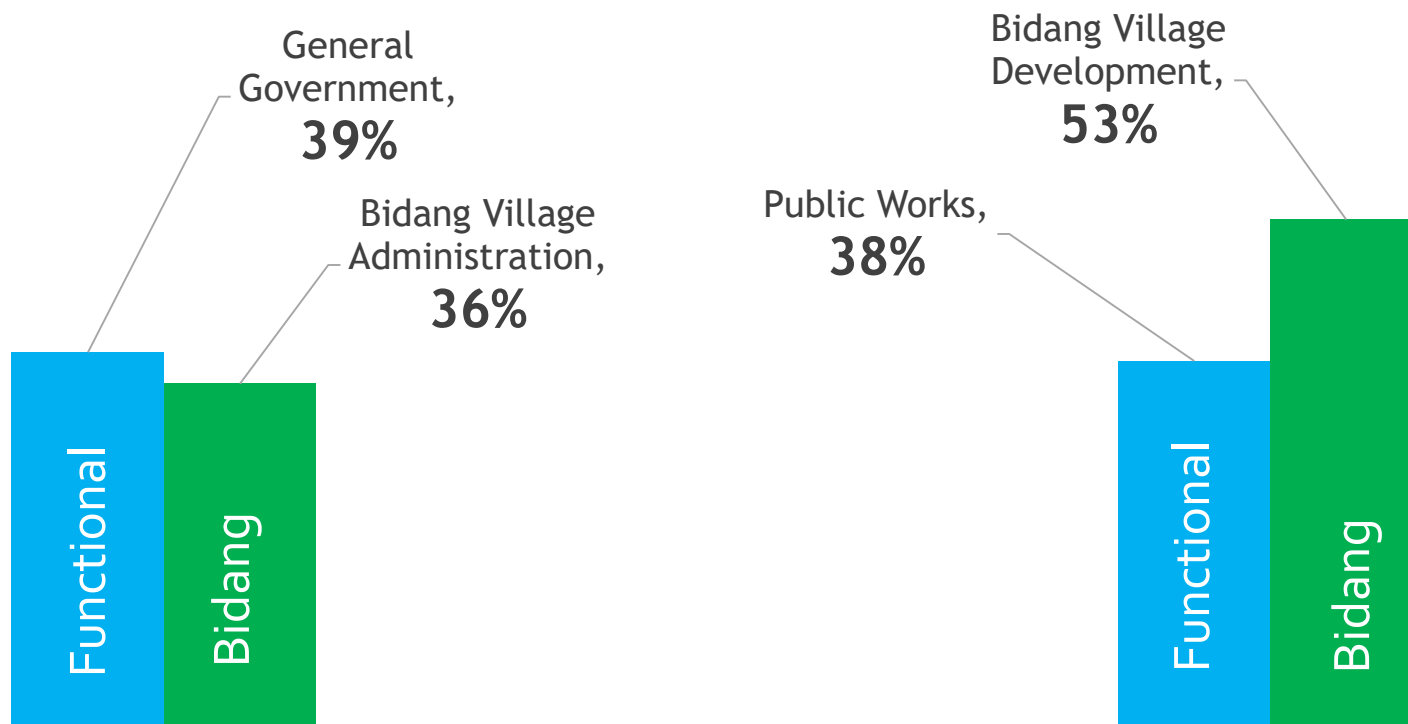
- Monitoring only DD expenditure does not give a complete picture of village expenditure - as 37% of village fiscal resources comes from ADD.
- The share of ADD spent on administration (74%) is much higher than the share of DD (2%).



Improving the budget classification is an important milestone for village budget transparency and national village financial statistics

Bidang “Village Administration” is not equivalent with “General Government”, as much as the Bidang “Village Development” is not equivalent with infrastructure or public works

Comparison of Spending by Bidang and Functions



The use of “bidang” to classify village expenditure does not allow spending to be properly tracked

The village accounting category of expenditure (“bidang”) does not enable effective planning, budgeting, or accounting; and does not integrate with higher levels of government

National functional classification

Health



Health



Health

Difficult to add

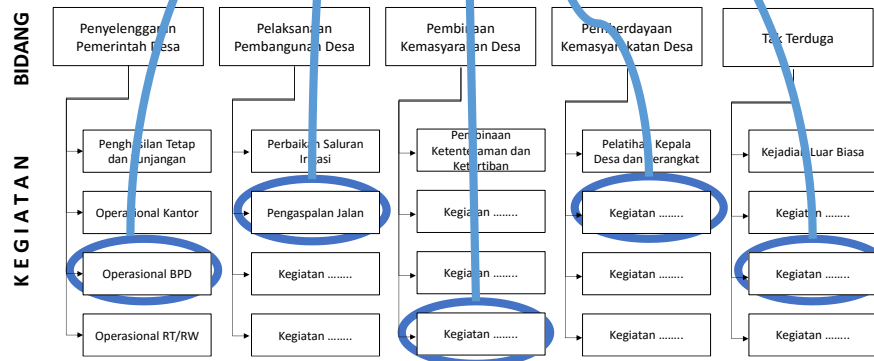
Total Coordinated Spending on Health

Sub-National functional classification

Village Bidang Classification

Health

BIDANG DAN KEGIATAN



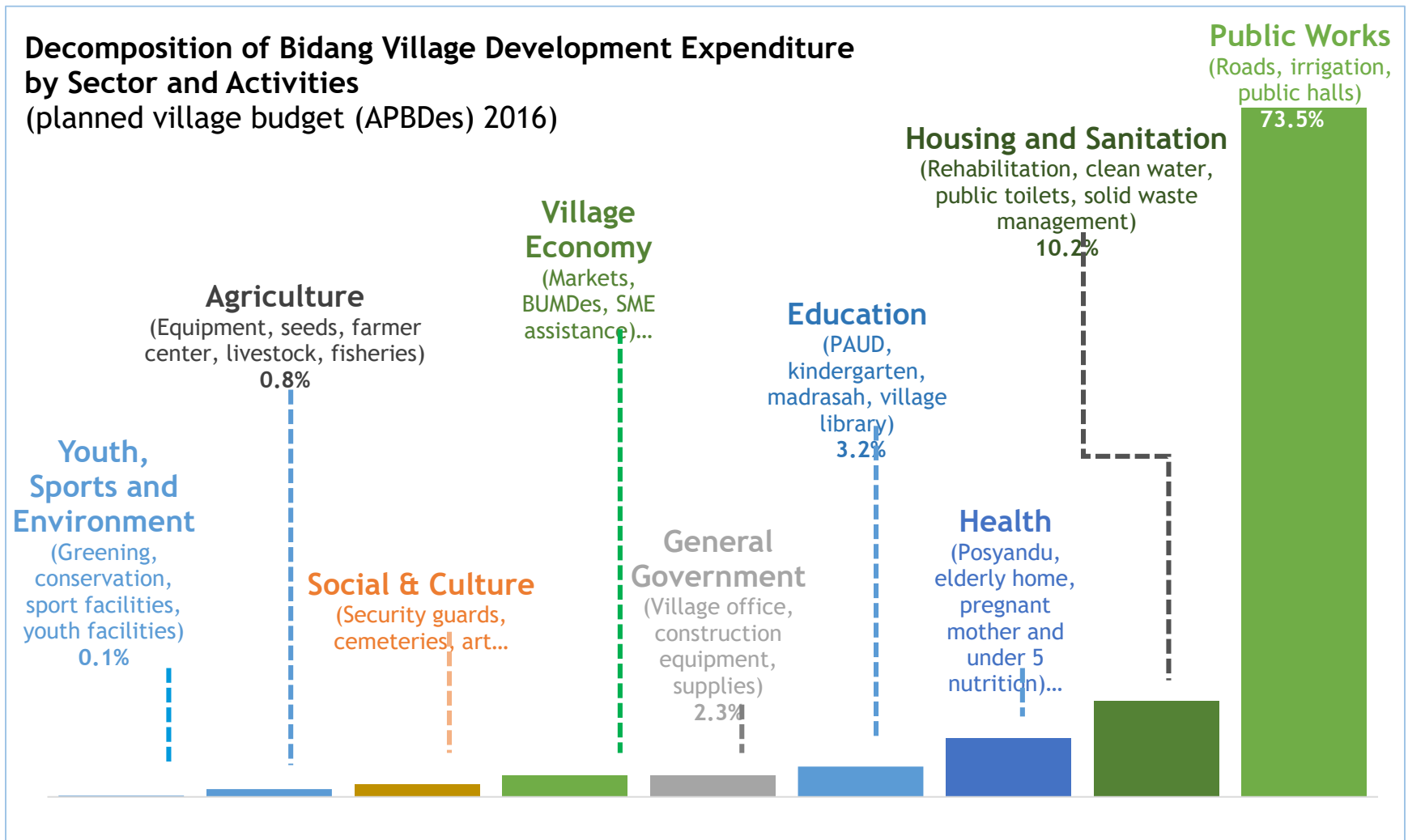
One sector could be found in different Bidang..

- Activities under “General Government” and “Public Works” Functions are relatively well grouped into one Bidang, despite of some minor spillover in other bidangs.
- Activities under “Health”, “Social Culture”, and “Youth and Sports” functions are the most dispersed activities across more than two Bidang..

	Village Administration	Village Development	Community Development	Community Empowerment	Contingency	Total Spending by Functions
General Government	90.0%	6.2%	0.5%	3.2%	0.1%	100.0%
Public Works	0.1%	99.7%	0.1%	0.1%		100.0%
Health	1.3%	71.2%	10.0%	17.6%		100.0%
Education	0.4%	81.2%	12.0%	6.3%		100.0%
Social & Culture	8.6%	14.2%	51.9%	21.9%	3.5%	100.0%
Village Economy	0.2%	52.1%	1.3%	46.5%		100.0%
Agriculture	0.3%	33.4%	0.8%	65.5%		100.0%
Youth and Sports	2.6%	22.5%	51.5%	23.4%		100.0%
Environment		84.1%	0.6%	15.4%		100.0%
Housing & Sanitation	0.1%	96.9%	0.4%	2.6%		100.0%
Community Empowerment	3.1%	0.4%	25.8%	70.6%		100.0%

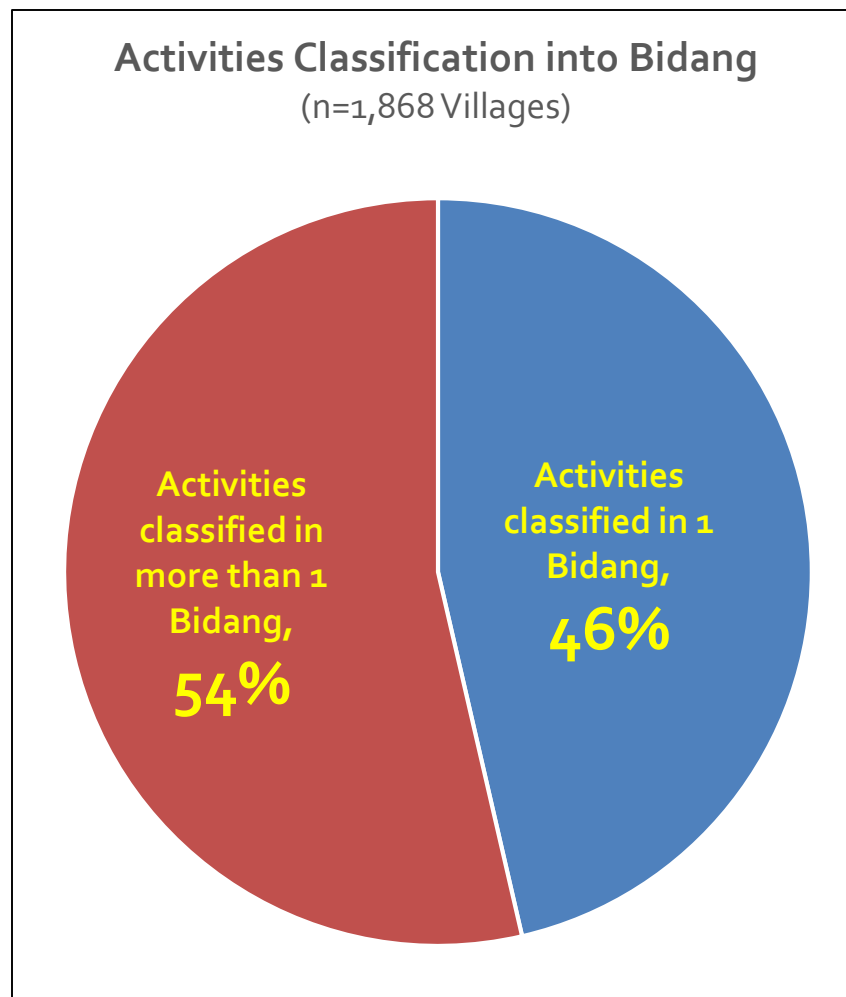
Within a single bidang “Village Development”, we can find a number of “character of services”

Decomposition of Bidang Village Development Expenditure by Sector and Activities
(planned village budget (APBDes) 2016)



The absence of broader functional classification makes it harder to have meaningful village budget consolidation at all levels of government

- 54% of the same activities were classified into more than one bidang
- “Bidang” is too large to capture meaningful results, while on the other hand, the activity-level is too narrow/detailed
 - Further, there are thousands of uniquely named activities which makes it challenging to aggregate them.
- Something in-between is needed to bridge bidang and activities
 - A functional classification - it could be sector, urusan, or program



Source: World Bank Village Public Expenditure Review (VIPER)

Some of the most common activities occurring in village budget were classified in four different Bidangs in different villages

	#Desa	BIDANG I <u>Penyelenggaraan Pemerintah</u>	BIDANG II <u>Pembangunan Desa</u>	BIDANG III Pembinaan Kemasyarakatan Desa	BIDANG IV <u>Pemberdayaan Masyarakat</u>
Operasional Kegiatan PKK <i>(Women Group Activities Operations)</i>	1,129	212	1	705	210
Kegiatan Peningkatan Kualitas SDM Aparatur Desa <i>(Capacity Building for Village Apparatus)</i>	1,095	117	6	95	877
Operasional Posyandu <i>(Posyandu Operations)</i>	962	35	413	318	196
Pembangunan/Rehabilitasi Kantor Desa <i>(Office Building Constructions/Rehabilitation)</i>	768	296	469	1	2
Operasional Penyelenggaraan Pendidikan PAUD <i>(Operational for PAUD)</i>	656	14	178	320	144

Source: World Bank Village Public Expenditure Review (VIPER)

Recommendations: Improve the effectiveness of village expenditure through better allocation, monitoring and reporting

- Enforce the limit on spending on village personnel and office operations, while promoting flexibility for setting (and spending) on village level priorities such as Posyandu and ECED/PAUD.
- Institutionalize the Village Public Expenditure Review (VIPER) in GOI
- Credibly enforce a legal requirement to collect and publish budget and spending data at the village and national level through the revised Permendagri 113.
- Harmonize the budget classification structure and chart of accounts (CoA), consistent with higher levels of government.
- Along with expenditure analysis, the GoI may need to START developing ANNUAL VILLAGE DEVELOPMENT RESULTS through BPS

For transparency and accountability, we suggest developing “building blocks” across bidang...

BIDANG I Penyelenggaraan Pemerintahan Desa	BIDANG II Pembinaan Kemasyarakatan Desa
Pemerintahan Umum	Sosial-Budaya
SILTAP	Kegiatan 1...
Operasional Pegawai/Kantor	Kegiatan 2...
Operasional RT/RW/KADUS/BPD	Kegiatan 3...
Kegiatan 1...	Dst (Terbuka)
Kegiatan 2...	Pemuda dan Olahraga
Kegiatan 3...	Kegiatan 1...
Dst (Terbuka)	Kegiatan 2...
	Kegiatan 3...
	Dst (Terbuka)
BIDANG III Pembangunan Desa	Pembinaan Organisasi Kemasyarakatan
Pekerjaan Umum	Kegiatan 1...
Kegiatan 1...	Kegiatan 2...
Kegiatan 2...	Kegiatan 3...
Kegiatan 3...	Dst (Terbuka)
Dst (Terbuka)	
Permukiman	BIDANG IV Pemberdayaan Masyarakat
Kegiatan 1...	Perekonomian Desa
Kegiatan 2...	Kegiatan 1...
Kegiatan 3...	Kegiatan 2...
Dst (Terbuka)	Kegiatan 3...
Pendidikan	Dst (Terbuka)
Kegiatan 1...	Pertanian/Kehutanan/Kelautan/Peternakan
Kegiatan 2...	Kegiatan 1...
Kegiatan 3...	Kegiatan 2...
Dst (Terbuka)	Kegiatan 3...
Kesehatan	Dst (Terbuka)
Kegiatan 1...	
Kegiatan 2...	
Kegiatan 3...	
Dst (Terbuka)	
Pelestarian Lingkungan	
Kegiatan 1...	
Kegiatan 2...	
Kegiatan 3...	
Dst (Terbuka)	

NATIONALLY representative sample for Village Financial Statistics needs a systematic processes

Building Sample Framework for Village Financial Statistics :

- Size of sample in each stratum is taken in proportion to the size of the stratum
- The stratum are chosen to divide a population into important categories relevant to evaluation interest

	Sumatera	Jawa Bali	Kalimantan	Sulawesi	NT Maluku Papua	Total
by Region	31.2	31.4	8.9	11.8	16.7	100
by Region and Village Population Size - based on National Tertile						
<i>Small</i>	13.4	0.4	3.5	4.9	11.2	33.4
<i>Medium</i>	12.5	6.5	4.2	5.8	4.3	33.3
<i>Large</i>	5.3	24.5	1.2	1.1	1.3	33.3
Total	31.2	31.4	8.9	11.8	16.7	100
by Region and Village Status (IDM)						
<i>Developed (Maju, Mandiri)</i>	0.6	4.2	0.1	0.1	0.2	5.1
<i>Developing (Berkembang)</i>	7.2	17.3	1.3	3.5	1.7	31.0
<i>UnderDeveloped (Terbelakang - Tertinggal)</i>	23.4	9.8	7.6	8.2	14.9	63.8
Total	31.2	31.4	8.9	11.8	16.7	100
Cross Tabulation (Region, Size and Status)						
<i>Small - Developed</i>	0.0	0.0	0.0	0.0	0.0	0.1
<i>Small - Developing</i>	1.5	0.1	0.1	0.6	0.5	2.9
<i>Small - UnderDeveloped</i>	11.9	0.3	3.5	4.2	10.6	30.5
<i>Medium - Developed</i>	0.2	0.3	0.0	0.1	0.0	0.5
<i>Medium - Developing</i>	3.1	3.1	0.7	2.1	0.5	9.5
<i>Medium - UnderDeveloped</i>	9.2	3.1	3.5	3.6	3.7	23.2
<i>Large - Developed</i>	0.4	3.9	0.1	0.0	0.1	4.5
<i>Large - Developing</i>	2.6	14.2	0.5	0.8	0.7	18.7
<i>Large - UnderDeveloped</i>	2.3	6.4	0.6	0.3	0.6	10.2
Total	31.2	31.4	8.9	11.8	16.7	100

TERIMAKASIH

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