地域情報研究：立命館大学地域情報研究所紀要
7:1-14 (2018)

■査読付論文

INDONESIA'S VILLAGE FISCAL TRANSFERS POLICY: QUESTIONING THE VILLAGE GOVERNMENT COMPETENCE

Anshari Khairullah *

Abstract: The implementation of Village Law 2014 in Indonesia has led to progressive budget increases for villages through intergovernmental fiscal transfers with the goal of boosting Indonesia's rural development. However, many are skeptical about the capabilities of villages to utilize the allocated funds. This study tests village government competence in utilizing village fiscal transfers. The results show that village officials and village councils both have concerning results in terms of competence. Village officials have mastered prior competencies the general governance, but not new competencies in public finance management. This study also found that factors that positively influenced the competence result were rank/position and first-time training. The age factor influenced competence negatively. The disparities in infrastructure facilities and transportation among villages also positively influenced officials' competence.

Keywords: Decentralization, Fiscal Transfers, Village Government Competence

I. Introduction

Indonesia has engaged Village Law 2014 to boost rural development. This law provides increased funding from the central government and local government for rural development. After two years, the implementation of this Law is not without deficiency, as 61 village heads across Indonesia have been detained in corruption cases regarding the village fund. Indonesia Corruption Watch attributed the misuse of village funds to local elites capture and to inadequate capacity to manage the fund, lack of villagers' participation, and poor monitoring (The Jakarta Post, 9 February 2017). This report has delivered that capacity or competence are one of the early problems faced in this policy action.

Some scholars have criticized the Village Law 2014 act. Nasution questioned the effectiveness of this program, because village officials have little knowledge about the village fund (*Dana Desa*) (The Jakarta Post, 16 December 2015). Another, Lewis (2015) found that, as a result of the village fund allocation method, poor villages received smaller funds than villages that were well endowed with natural resources such as oil and natural gas. Indeed, the village fund allocation method emphasizes equivalent allocations per village, regardless of size or condition of village and regardless of other sources of village revenue. Only 10 per cent of the fund is allocated with regard to population, poverty levels, area, and geographic difficulties, while 90 per cent is distributed equally amongst villages. Hence, Diop in The Jakarta Post (16 December 2015) commented that this allocation method has created imbalances of village funds among villages.

A growing body of research offers various perspectives on the implementation of Village Law 2014.

*Doctoral student of Graduate School of Policy Science, Ritsumeikan University

Vel and Bedner (2015) highlighted the potential of the Village Law to create opportunities for villages to return to their customary village governance structure, as in the case of *Nagari* in West Sumatra. This return would bring public services closer to the poor and minimize the disadvantages of the decentralization design of Indonesia, and it would serve as an identity marker and a continuation of the customary system.

Antlov et al. (2016) highlighted the implications of Village Law 2014 based on the impact of prior policy. This new rural development policy has generated hope for the society, as long as the system is well managed financially and provided that adequate legal instruments are available to exert pressure on the village government to address the people's interests. Aspinall and Rohman (2017) witnessed village head elections post the Village Law enactment in two villages in Central Java. They found that the campaign involved vote buying, and only village elite or wealthy villagers could compete. Village elites are now rural brokers who have mutual political interests with local state elite.

In response to the above situation, this article seeks to address the skepticism surrounding the implementation of Village Law 2014, especially the competence in fiscal transfer utilization. Competence is one of the basic requirements for the success of fiscal transfers provision. Village Law 2014 marks the first time that village governments have been trusted with a relatively large budget increment and simultaneously the first time that villages have actively participated in Indonesia's development, since prior to the law, villages were only objects of development to the superior government. In addition, the present budget increase through fiscal transfers is shifting villages into a stage where village governments are modernized with public finance management to perform the administration. Therefore, measuring the village government competence is important, especially regarding the extent to which the village governments have mastered the new competencies in public finance management. Practically, this article can be used as an evaluation report for the improvement of village fiscal transfers policy in Indonesia.

The central question is whether village governments are competent in utilizing the allocated funds. This article is structured as follows. The first part presents introduction then the second part describes the policy of Village Law 2014 and the theoretical foundations for fiscal transfers, decentralization, and officials' competence. The third part presents the case study area profile and the research methodology. The fourth part presents the research findings, and the last part presents the discussion and conclusions.

II. Village Fiscal Transfers: Indonesia's New Decentralization Agenda

Indonesia is governed under three levels of administration. The first level is the central government, which comprises the president, ministries, and other national bodies. The second level is the provincial administration, while the third level comprises cities and regencies/districts. Until 2016, Indonesia had 34 provinces, 416 regencies/districts, 98 cities, 7,071 sub-districts, and 81,936 villages. In 1998, Indonesia had 27 provinces, 249 regencies, 65 cities, 4,028 sub-districts, and 67,925 villages. The number of intergovernmental units has increased rapidly in the last two decades, since the decentralization policy was implemented. Indonesia was a centralized government that shifted to a decentralized era after the collapse of the 'New Order' under President Soeharto in 1998. Several important elements of the decentralization policy of Indonesia that has been gradually implemented since 2001 are outlined as follows.

The first element is the *transfer of responsibilities* whereby almost all government responsibilities have been transferred to local governments with the exception of six absolute responsibilities: security, defense, fiscal and monetary policy, justice, religion, and overseas politics. The local level government plays a bigger role in public provision in sectors such as health, education, public works, tourism, and agriculture. The central-local arrangement of responsibilities is a concurrent responsibilities arrangement, whereby the central government provides guidelines, namely norms, standards, procedures, and criteria on how to perform the shared responsibilities, while local governments execute responsibilities according to central government guidelines.

The second element of Indonesia's decentralization policy is *local direct election*. In the New Order Era, the regent (i.e., city mayor) was appointed by the governor based on the selection mechanism of the regency/city representative council. The governor, in turn, was appointed by the president based on the selection mechanism of the provincial representative council. In the first phase of implementation of the decentralization policy, local government heads were elected by the local representative assembly. Since 2005, however, the method has been citizen direct election.

The third element of Indonesia's decentralization policy is *intergovernmental fiscal transfers*. The increased responsibilities of local government necessitate a higher budget. In terms of responsibilities, Indonesia is a highly decentralized country, but in terms of revenue, Indonesia is still a centralized country. Although local governments are allowed to generate their own revenue, they still depend heavily on the fiscal transfers from the central government. The central-local fiscal relations rely on fiscal transfers for local governments (provinces and regencies/cities). These transfers consist of a non-earmarked or general-purpose grant called *Dana Alokasi Umum (DAU)* and tax and natural resources revenue sharing or *Dana Bagi Hasil Pajak dan Sumber Daya Alam (DBH SDA). DAU* & *DBH SDA* are given some discretionary power in funding local government operations and development. The other types of transfers are the earmarked transfer *Dana Alokasi Khusus (DAK),* which has the specific purpose of helping local governments to execute central government programs; the special area transfer, or *Dana Otonomi Khusus,* which is given to special areas; and the achievement transfer, or *Dana Insentif Daerah (DID),* which is for local governments that have made particular government performance improvements (MoF, 2017).

Before 2015, the regency-village fiscal relation relied on regency government fiscal transfers consisting of a regency village allocation fund *(Alokasi Dana Desa)* and regency tax revenue sharing *(Bagi Hasil Pajak dan Retribusi Daerah)*. The implementation of Village Law 2014 subsequently created a central-village fiscal relation in addition to the prior regency-village fiscal relation. The new central-village fiscal relation relies on a central government transfer for villages that is referred to as the village fund. Regency government fiscal transfers are allowed for village government operation and village development programs. The village fund from the central government is allowed only for village development and community empowerment programs. Villages have more discretionary power with spending the regency fiscal transfers than with spending the village fund from the central government. All the fiscal transfers for villages in this article are referred to as village fiscal transfers.

Village Law 2014 marked the launch of Indonesia's new decentralization agenda. The goal of decentralization for villages is to improve Indonesia's development from the bottom level, reduce poverty, and improve the economy and welfare of the society. Indonesia's Central Agency for Statistics (BPS) noted for 2014, 28.28 million people live in poverty, and 17.77 million live in villages; overall, 14.17 per cent of the country's total population is considered as poor. Decentralization for villages established village local scale authorities that address four sectors: village development, community empowerment, social relations, and village governance funded by village fiscal transfers.

III. Theoretical Review and Methodology

III.1 Decentralization and Intergovernmental Fiscal Transfers: The Importance of the Competence of Officials

Decentralization is defined as the transfer of power or responsibilities from the central government to lower-level governments or to the local areas (Collin, 2004; Jackson & Tansey, 2015). Decentralization is thus limited to the internal dynamics between different levels of government (Baum, 1961) and includes the three principles of deconcentration, delegation, and devolution (Rhodes, 1992; Cheema & Rondinelli, 2007). Decentralization aims to accomplish more effective public provision while co-opting the voices of local residents. Then the concept of governance opens up a possibility for plurality of formal and informal actors or organizations involved in collective decision-making (Chhotray & Stoker, 2009). Governance establishes relations between the government, community, and private sector, where the local government acts as a decentralized coordination agent (Yasuo, 2016). The presence of governance broadens the concept of government decentralization to decentralized governance, which involves four forms: administrative, political, fiscal, and economic; these forms not only increase public service, but also improve economic development (Cheema & Rondinelli, 2007).

Decentralization must be supported by adequate funding. Generally, in local governments, there is an imbalance between expenditures and revenues. Therefore, intergovernmental fiscal transfers allow for the transfer of money from the central government to lower levels of government (Alam, 2014). Fiscal transfers exist in many forms, such as subsidies, block grants, and earmarked grants, and are important for local government revenue. Additionally, fiscal transfers account for a considerable portion of the national budget (Prud'homme, 2006). In industrialized nations, fiscal transfers aim to promote national standards in public provision, create equal fiscal capacity among local units, and create regional stabilization (Shah, 2008). In developing countries, fiscal transfers have become the major source of income for local governments, which generate less of their own revenue and have become very dependent on the central government (Mcmillan, 2007).

By receiving fiscal transfers, local governments or local entities have greater fiscal authority in line with their increasing role. The concern is the risk that they will perform poorly because of low technical capacity (Mikesell, 2007). Decentralization often fails due to poor administrative and managerial competence (Cheema & Rondinelli, 2007). The adaptation required by local entities to play an increased role could be hampered by inadequate capacity for policy implementation by local bureaucrats, lack of accountability for local politicians, and inadequate capacity of the local community to supervise (Hofman, Kaiser, & Günther, 2009). All in all, local competence is crucial to the success of decentralization.

III.2 Methodology: Case Study of Villages in Banjar Regency

The method of this study is case study approach, which involves data collection and analysis. Since the purpose of village fiscal transfers policy is for the promotion of rural development, a rural or remote area was chosen for the case study. Namely, the author selected Banjar Regency as the study site because its location is considered remote from the central area (Jakarta or Java Island). Moreover, the villages are located in various geographical situations, particularly coastal, mountainous, river banks, plateau, and swamps. Geographical situations are related to economic activities. In the Banjar Regency, most villagers work in agriculture, but some are also employed in the mining, fisherman, and home industries. In terms of human settlements, villages present mostly in suburban/outskirts and, to a lesser extent, in urban areas. The variations in the Banjar Regency offer more dynamic and valid data for the author to measure. The Banjar Regency is located in South Kalimantan Province. This regency has an area of 4,668 km^2, comprising 20 *Kecamatan* (sub-districts) and 277 villages. The author visited 19 of these sub-districts; only Paramasan, which is the remotest sub-district, was not visited. In every sub-district, one village was randomly chosen for field observation and assessment. The research activities were conducted in August and September 2016.

The author sought to determine whether the village government was competent in performing its duties after receiving fiscal transfers. This competence was fundamentally determined through assessment. Five indicators were assessed for village officials: (general) governance, planning, budgeting, procurement, accounting/reporting. For the village council members, only one indicator was assessed: legislation/representation. The indicators came from Village Law 2014 and from by-law Government Regulation 43/2014, as well as from other bylaws. This article determined the (general) governance indicator to represent the previous competence of village officials. (General) governance is about village governance and administrative public services. The present budget increase has increased the role of village government and hence necessitated a public finance qualification, which is the present competence. Four new indicators were selected to measure public finance competence. The first indicator, planning, refers to the mechanism for performing village development planning. Second, budgeting involves the regulations and procedures for developing the village budget. Third, procurement refers to the principles, regulations, and procedures for purchasing the goods and services required to complete village projects. Fourth, accounting/reporting refers to the process of compiling an official village financial report. For village councils, legislation is about understanding how to make village regulation, and representation is about absorbing the people's aspirations.

Each indicator was measured by 10 multiple choice questions. For each question, the participants had to select one of four possible answers (access the link on the appendix for all the questions on the village government assessment sheets). When answering the questions, all the participants were prohibited from opening any materials. Each question was weighted ten points, so the total score range for every indicator was 0 for the lowest and 100 for the highest. For village officials, the total competence is the accumulation of all five indicators' scores times two divided by ten, which yielded the score in a 0-100 scale. For village councils, the legislation/representation indicator is the total competence score. The total participants for this assessment were 176, namely 66 village council members from 37 villages and 110 village officials from 19 villages.

IV. Village Fiscal Transfers and Competence of Village Officials

IV.1 Village Fiscal Transfers in Banjar Regency

The realization of Village Law 2014 represents a budgetary increase for villages through intergovernmental fiscal transfers, which consist of three types of fiscal transfers. The first and second transfers are prior to the regency government transfers and was the main supporters of villages. The first transfer is the *regency village allocation fund*, which is allocated from 10 per cent of the fiscal balancing fund (only the general grant/DAU and the shared revenues from tax and natural resources/DBH SDA excluding the special purpose grant/DAK) received by the regency from the central government. The second transfer is the *regency tax sharing*, which comes from 10 per cent of regency tax revenues. The third transfer is the latest, namely the central government transfer, and is called the *village fund*. The village fund is 10 per cent of the value of all fiscal transfers for local governments.

The amount of village fiscal transfers is shown in Figure 1 for the national level, while Figure 2, for this article's case study, shows fiscal transfers at the regency level. In both the national level and regency level, the most astonishing change is from the year 2014 to 2015. Accumulatively, from the regency and central government for the national level, the village fiscal transfers for 2014 totaled Rp. 22 trillion. The total increased in 2015 to Rp. 47 trillion and in 2016 to Rp. 70 trillion.

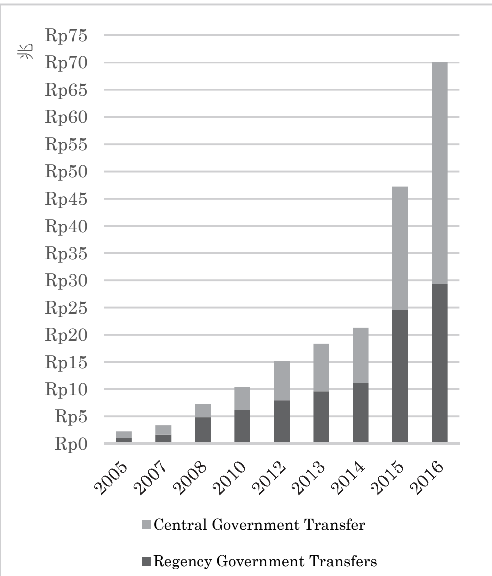

Figure 1. Total Fiscal Transfers for Villages in Indonesia (2005-16)

Source: Indonesia's Village Government Financial Statistics 2005-15.

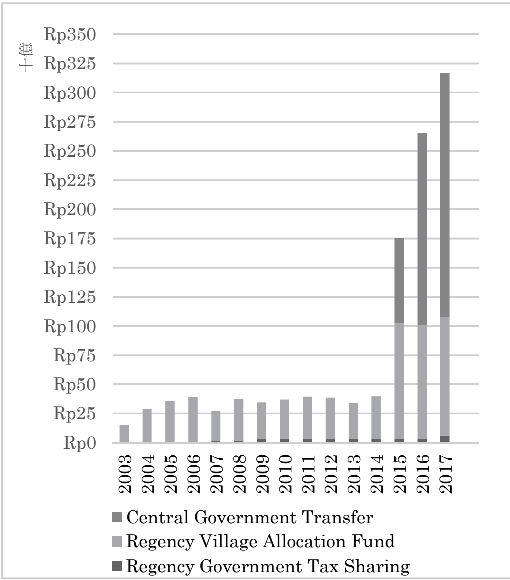

Figure 2. Total Village Fiscal Transfers for Villages in Banjar Regency (2003-17)

Source: Banjar Regency (2017).

For the regency level, the budgetary increase is more progressive. The total fiscal transfers from regency to villages in 2014 was Rp. 39 billion, which increased to Rp. 175 billion in 2015. The budgetary increase for villages continued in 2016 (Rp. 265 billion) and in 2017 (Rp. 316 billion). The biggest contributor to the village budget increase was the village fund from the central government, while the second biggest was the village allocation fund from the regency government. A close look at the bottom of the bar chart on Figure 2 shows that the regency tax sharing is very small and remained flat from 2009 to 2016, in the position of Rp. 3 billion, but starting from 2017, the amount increased to Rp. 6 billion. Before Village Law 2014 was implemented, villages in the Banjar Regency received around Rp. 130 million per village. After the implementation of Village Law 2014, one village received Rp. 1 billion, reflecting a ten-fold budgetary increase. Since villages are local entities, they should identify their own sources of revenue. But Indonesian villages are heavily dependent on intergovernmental fiscal transfers from the central government.

The village fiscal transfers are included in the annual village budget. Before the implementation of Village Law 2014, the budget design of the village government included salary disbursement to village officials, while the rest was for the operation and maintenance of village offices. Village development, specifically the funding of projects in the villages, was the responsibility of the regency government. After the introduction of the huge village fiscal transfers, however, the village budget design changed. The budget design is 70/30, which allocates 70 per cent for development and other village governance activities and 30 per cent for the routine operations of the village government. In practice, almost the entire 70 per cent of the village budget is for infrastructure such as roads, bridges, clean water facilities, health posts, and kindergarten buildings. These projects are built through community work. On the other hand, 30 per cent of the budget goes towards the salaries of officials and routine work.

IV.2 Village Government Officials' Competence

The village government, led by the village head (*Pambakal*) on the executive side, is responsible for utilizing the village budget. On the legislative side is the village council (*Badan Permusyawaratan Desa*), which is responsible for presenting villagers' aspirations and supervising governance activities. The village head and village council work together in formulating village regulations. Subordinates of the village head are the village secretariat, territorial division, and village treasurer. The village government is supported by community groups.

The village secretariat has the task of village staffing functions. It is headed by the village secretary, who also functions as the deputy to the village head. The village secretary is assisted by three heads of affairs (*Kepala Urusan*): the governance affairs head, the development affairs head, and the general affairs head. The village treasurer manages the village cash flow and has to cooperate with the village secretariat, especially the secretary and general affairs head, in developing the financial report. For administrative public service, such as issuance of resident identity cards, birth certificates, family cards, etc., the village secretary cooperates with the governance affairs head and neighborhood heads. For village organization structure, see Figure 1 in the Appendix. Development projects are the task of the village secretary together with the development affairs head and village treasurer. The sub-territorial division of the village is known as the *Rukun Tetangga/RT*, or neighborhood. This territorial division is led by the neighborhood head, or *Ketua RT* (also called the *Kepala Lingkungan*).

Table 1 shows the data of 252 village government employees. Almost half of the village officials graduated from high school, while only 10 per cent have university degrees. All village official positions are filled by high school graduates, but almost 40 per cent of the territorial divisions are dominated by elementary school graduates. Furthermore, some village officials went only as far as middle school, and some only completed elementary school. The position of village head requires graduation from middle school as a minimum educational qualification. For other positions, the minimum requirement is graduation from elementary school, except village secretary, which requires graduation from high school as a minimum educational qualification. For village councils, dominantly the members graduated only from elementary school. The next percentages up graduated from middle and high school, respectively. Village government officials and village council members are mainly men, with men accounting for 1858 positions (91.4%) and 1638 positions (98.3%) and with women filling just 175 positions (8.6%) and 28 positions (1.7%), respectively. Women's representation in the village government is still low.

Table 1. Village Government Officials by Education Level

Position	Education Level					
	Elementary School	Middle School	High School	Diploma	Bachelor Degree	Master Degree
Village Head	0 (0%)	45 (19.4%)	153 (65.9%)	2 (0.9%)	28 (12.1%)	4 (1.7%)
Secretary	5 (2.6%)	13 (6.7%)	128 (66.0%)	6 (3.1%)	42 (21.6%)	0 (0%)
Treasurer	11 (4.9%)	13 (5.8%)	145 (64.2%)	7 (3.1%)	50 (22.1%)	0 (0%)
Affairs Head	81 (11.6%)	158 (22.7%)	370 (53.2%)	16 (2.3%)	71 (10.2%)	0 (0%)
Neighborhood Head	273 (39.5%)	206 (29.8%)	193 (27.9%)	3 (0.4%)	16 (2.3%)	0 (0%)
Total Village Officials	370 (18.2%)	435 (21.4%)	982 (48.3%)	34 (1.7%)	208 (10.2%)	4 (0.2%)
Village Council Member	703 (42.2%)	395 (23.6%)	435 (26.1%)	27 (1.6%)	103 (6.2%)	4 (0.2%)

Source: Community and Village Empowerment Agency of Banjar Regency (2017).

The results of the competence assessment are shown in Table 2. All the village officials had good results in general governance, but did not reflect good scores in public finance management. Village government officials are thus well versed in general governance, but are yet to acquire competence in public finance management skills. The top three positions for the total competence scores were held by the village heads, secretaries, and treasurers, because these positions play a crucial role in utilization of the village budget, especially on the administration side. Affairs heads and neighborhood heads were unfamiliar with public finance management, scoring as the top two lowest ranking positions. Moreover, according to the author's observations in the field, the development affairs heads are involved in supervision of projects in the field or activities that do not relate to financial administration, while the governance affairs heads are involved in administrative services. Finally, the village councils scored moderate in competence, reflecting a low average score.

Table 2. Village Government Officials and Village Councils Competence Assessment Results

Position	Number of Participants	Competence Assessment Results (Average Score)						
		Total Competence	Public Finance Management				General Governance	Legislation & Representation
			Planning	Budgeting	Procurement	Accounting/ Reporting		
Village Head	16	70	62	71	64	63	88	-
Secretary	16	71	63	70	70	60	93	-
Treasurer	18	69	57	74	67	59	86	-
Affairs Head	47	60	50	61	64	50	75	-
Neighborhood Head	13	49	38	49	51	43	62	-
Village Council	66	65	-	-	-	-	-	65

Source: Author's own survey.

The author sought to know the factors that determined the assessment results of the village officials. The factors that determined the score are assumed to be internal, or individual, factors and external factors, or the village situations. The individual factors comprise rank (position in the village), age, education level, and training (whether the individual has received training, never received, received once, or received more than once). Rank refers to order from the highest to lowest level, namely village head, secretary, treasurer, affairs head, and neighborhood head, in that order.

The external factors are from the Village Development Index, or *Indeks Pembangunan Desa* (BAPPENAS&BPS, 2015), published by the National Development Planning Agency (BAPPENAS) with the cooperation of the BPS. The village development index have a 0-100 scale and it comprises five aspects. The first, index of basic service, is a value for education and health facilities availability. Second, index of infrastructure is a value representing infrastructure availability for the economy, energy, clean water and sanitation, and communication and information. Third, index for transportation is a value representing transportation facilities availability and village accessibility (cost and time spent to access some central locations). Fourth, index for public service is a value representing public health initiation and sport facilities availability. Fifth, index for governance is a value representing village autonomy (office, own revenue, and village asset availability) and village official performance (limited only to village head and secretary).

Table 3. Regression Results

Independent Variables	Dependent Variable Village Official Competence Score
Village Officials’ Position	3.320***
	(.002)
Village Officials’ Age	-.239**
	(.043)
Village Officials’ Education Level	2.691
	(.100)
Village Official Trained One Time	6.501**
	(0.036)
Village Official Trained More Than One Time	3.461
	(0.247)
Village Development Index on Basic Service	-.027
	(.744)
Village Development Index on Infrastructure Facilities	.403***
	(.002)
Village Development Index on Transportation	.172*
	(.083)
Village Development Index on Public Service	-.027
	(.830)
Village Development Index on Governance	.093
	(.301)
Constant	21.380**
	(.047)
Adjusted R-squared	.412
Observations	110

Note: Multicollinearity is not occurred between independent variables. All regression coefficients are unstandardized. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. p-value in parentheses.
Source: Author’s estimate.

The author then performed a multi-linear regression to predict village officials’ competence score depending on their internal and external factors. The results are shown in Table 3. The regression results show the internal factors that influenced competence. Rank had a strongly significant positive influence, and age had a significant negative influence. The author divided the training factor into two dummy variables: the first is trained one time, and the second is trained more than one time. The value 1 was given for one of the two dummy variables if the village official fell under one of the two dummy variables. If the village official had never trained, the value 0 was given on both variables. The results show that training had a positive influence if conducted once (first time only), but training more than one time did not significantly influence the competence score. For the external factors, the village development index on infrastructure facilities had a strongly significant positive influence on competence, and the village development index on transportation had a significant positive influence. The other factors, namely basic service, public service, and governance, did not significantly influence village officials' score.

V. Discussion and Conclusions

The education level of village officials and village council members was mainly from compulsory education; only a small percentage of representatives had postsecondary education. Moreover, the majority of the village council members had only a primary school education. This result is concerning for village government, and it is unsurprising that the assessment results for the village officials and village council members were also concerning. These results suggest that in the village level, fewer people have higher/postsecondary education, and those people who do have higher education do not necessarily want to work in the village government. But as education quality continues to develop, the possibility of recruiting village government representatives with a higher education level is also rising.

According to the regression results, the higher the rank, the better the competence. The most involved persons in the utilization of the fiscal transfers/village budget were the top three positions, namely village head, secretary, and treasurer. As for age, the younger the age, the easier it is to absorb material or to learn new material such as public finance management. Although educational level did not significantly determine competence, for the village officials, the younger the age, the higher the educational level. Simultaneously, when village governments recruited younger people as officials, the new recruits were more qualified educationally than the existing or prior village officials. For the external factors, two factors that positively influenced competence levels were infrastructure and transportation. The author proposes that if the village is more developed, then competence level also rises. The regency government should focus on the remotest villages rather than on the villages located nearest to central locations.

In terms of training, and in the early implementation of the fiscal transfer policy, priority for receiving training goes to the top three positions over other positions. The results of this study suggest that the regency and village government should start training lower rank village officials. One-time training had a positive influence on the competence score. However, surprisingly, additional training did not significantly contribute to the competence score. This finding suggests that the regency and village government should focus on the content of the training, because in the early implementation of the fiscal transfer policy, the training material is mostly conceptual, and the material comes from regulations for villages like Village Law 2014 and its bylaws. Additional training tends merely to revisit the same materials. To enhance competence levels, training content should be developed on a more technical basis, and it should be more specific to the job description of every village official.

The regency government should seriously improve the competence of the village government. When doing field observation, the author found the atmosphere of village government working to have a very low intensity. Village offices are open from Monday to Friday, but the working hours are unclear even though village heads claim that they are accessible 24 hours a day at either their offices or homes. The low working intensity does not necessarily mean that more manpower is needed, but rather that an opportunity exists to improve the quality of service, since the significant working time means little without proper competence among the employees.

Appendix

Figure 1. Village Government Organization Structure

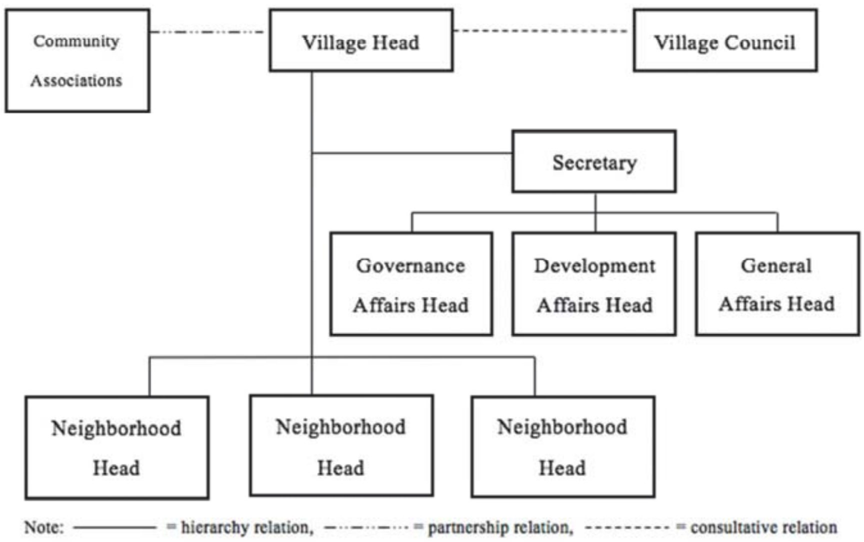

Table 1. Descriptive Statistics

Variables	Mean	Std. Deviation	N
Village Official Competence Score	63.08	13.938	110
Village Officials' Position	2.76	1.263	110
Village Officials' Age	38.58	9.614	110
Village Officials' Education Level	2.95	.788	110
Village Development Index on Basic Service	65.344818	14.3025443	110
Village Development Index on Infrastructure Facilities	39.6350	10.28463	110
Village Development Index on Transportation	78.559909	12.5683987	110
Village Development Index on Public Service	52.169545	10.5970880	110
Village Development Index on Governance	53.474909	12.7858323	110
Village Official Trained One Time	.23	.421	110
Village Official Trained More Than One Time	.31	.464	110

Source: Author Own Calculation from Community and Village Empowerment Agency of Banjar Regency (2017).

The village government assessment sheets and statistical analysis can be accessed through this link: https://drive.google.com/open?id=1HbLOro9JDqtn38YWaw3PWztoPyBzRcHi.

[References]

Alam, M. (Ed.). (2014). *Intergovernmental Fiscal Transfers in Developing Countries.* London: The Commonwealth.

Antlov, H., Wetterberg, A., & Dharmawan, L. (2016, March 1). Village Governance, Community Life, and the 2014 Village Law in Indonesia. *Bulletin of Indonesia Economic Studies.*

Aspinall, E., & Rohman, N. (2017, 2). Village Heads Elections in Java: Money Politics and Brokerage in The Remaking of Indonesia's Rural Elite. *Journal of Southeast Asian Studies, 48*(1), 31-52.

BAPPENAS&BPS. (2015). *Indeks Pembangunan Desa 2014 [The 2014 Village Development Index].* Badan Perencanaan Pembangunan Nasional/BAPPENAS [National Development Planning Agency] and Badan Pusat Statistik/BPS [Central Agency for Statistics]. Jakarta: BAPPENAS & BPS.

Baum, B. H. (1961). *Decentralization of Authority in A Bureaucracy.* New York: Prentice-Hall.

Cheema, G. S., & Rondinelli, D. A. (2007). From Government Decentralization to Decentralized Governance. In G. S. Cheema, & D. A. Rondinelli (Eds.), *Decentralizing Governance: Emerging Concepts and Practices.* Washington: Brookings Institutions Press.

Chhotray, V., & Stoker, G. (2009). *Governance Theory and Practice: A Cross Diciplinary Approach.* Basingstoke, Hampshire: Palgrave Macmillan.

Hofman, B., Kaiser, K., & Günther , G. (2009). Corruption and Decentralization. In J. C. Holtzappel, & M. Ramstedt (Eds.), *Decentralization and Regional Autonomy in Indonesia* (p. 99). Leiden, The Netherlands: International Institute for Asian Studies.

Jackson, N. A., & Tansey, D. S. (2015). *Politics The Basics* (Fifth ed.). Abingdon, Oxon: Routledge.

Lewis, B. D. (2015). Decentralising To Villages In Indonesia: Money (and other) Mistakes. (J. P. de Oliviera, Ed.) *Public Administration and Development, 35*, 345-59.

Marx, S., & Gosh, A. (2014). *Comparative Review of Village Government in Cambodia, Indonesia, Papua New Guinea, and the Phillipines.* The Asia Foundation. The Asia Foundation.

Mcmillan, M. L. (2007). Intergovernmental Transfers and Rural Local Governments. In R. Boadway, & A. Shah (Eds.), *Intergovernmental Fiscal Transfers* (p. 511). Washington: The World Bank.

Mikesell, J. (2007). Fiscal Administration in Local Government: An Overview. In A. Shah (Ed.), *Local Budgeting.* Washington: The World Bank.

MoF. (2017). *Nota Keuangan Republik Indonesia [Republic Indonesia Financial Note]*. Kementerian Keuangan republik Indonesia [Ministry of Finance Republic of Indonesia]. Jakarta: Ministry of Finance Republic of Indonesia.

P.H. Collin. (2004). *Dictionary of Politics and Government* (Third Edition ed.). (P. Holmes, Ed.) London: Bloomsbury Publishing.

Prud'homme, R. (2006). Local Government Organization and Finance: France. In A. Shah (Ed.), *Local Governance in Industrial Countries* (p. 83). Washington: The World Bank.

Rhodes, R. (1992). Intergovernmental Relations: Unitary Systems. In M. Hawkesworth, & M. Kogan (Eds.), *Encyclopedia of Government and Politics* (Vol. I, pp. 317-18). Routledge.

Shah, A. (2008). Federalism and Macroeconomic Performance. In A. Shah (Ed.), *Macro Federalism and Local Finance*. Washington: The World Bank.

The Jakarta Post. (2015, 12 16). *Effectiveness of Village Fund Questioned.* (A. Hermansyah, Editor, & PT. Niskala Media Tenggara) Retrieved 5 4, 2017, from The Jakarta Post: http://www.thejakartapost.com/news/2015/12/16/effectiveness-village-funds-questioned.html

The Jakarta Post. (2017, 2 19). *Rampant Corruption in Villages Caused by Incompetence: ICW.* (PT. Niskala Media Tenggara) Retrieved 5 4, 2017, from The Jakarta Post: http://www.thejakartapost.com/news/2017/02/19/rampant-corruption-in-villages-caused-by-incompetence-icw.html

Vel, J. A., & Bedner, A. (2015, 8 31). Decentralisation and Village Governance in Indonesia: The Return to The Nagari and The 2014 Village Law. *The Journal of Legal Pruralism and Unofficial Law, 47*(3), 493-507.

Yasuo, T. (2016). *Japan's Environmental Politics and Governance.* Abingdon, Oxon: Routledge.