

Rural Fund Supply Chain Monitoring System: Evidence from Indonesia and Lesson Experiences from South Korea and Malaysia

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Abstract— Rural fund in Indonesia, called village fund, developed since 2013. Indonesia Village Law that mentioned about the Village Development is an effort to improve the quality of life and life for the welfare of the village community, as well as Saemaul Undong in South Korea and FELDA (Federal Land Development Authority) in Malaysia. This research doing comparative study between Indonesia, South Korea and Malaysia in term of supply chain monitoring system on village fund. Further explained that the supply chain monitoring system of village fund covers the stages of planning, implementation, and monitoring itself. The purpose of monitoring system is to ensure the implementation of activities in accordance with the plans and budgets that apply to the expected objectives can be achieved. This research contributed on ensuring the supply chain monitoring system would be done based on structural approach that held by village official as well as monitoring by the village community as village stakeholder. Learning from the Saemaul Undong program in South Korea and FELDA in Malaysia, the village officials are the main pillars in the supply chain monitoring system of village funding, from the planning, implementation,

and accountability stages as a pillar of good village governance to improve the development of the welfare of the village community.

Keywords— rural fund, village development, supply chain, monitoring system, village officials

1. Introduction

The Statistics Indonesia recorded the poverty rate by 9.82 % in March 2018 to be the lowest in history [3]. The number of poor people in Indonesia currently amounts to 25.95 million people. The number of poor people in the period of March 2018 was reduced by 633.2 thousand people compared to the condition in September 2017 reaching up to 26.58 million people (10.12%). Referring to the statistics, the poor population in urban areas dropped by 128.2 thousand people, from 10.27 million in September 2017 to 10.14 million people in March 2018. Meanwhile, the population in rural areas decreased by 505 thousand people i.e. from 16.31

million in September 2017 to 15.81 million people in March 2018.

Ref [15] quoted a statement from the Director of the Center of Reform on Economics (CORE), Muhammad Faisal, who stated that the decline in the number of poor people in rural areas was faster than that in urban areas. This is influenced by the existence of the government programs, such as village funding, which are considered successful in reducing the number of rural poverties through the work programs. The same argument was conveyed by [12] quoting the statement of the Ministry of Village, Development of Disadvantaged Regions and Transmigration of Republic Indonesia, Eko Putro Sandjojo, stating that the factor causing the decline in poverty profile in the villages and malnutrition issue (stunting) is Village Fund Allocation (VFA).

Village funding has succeeded in reducing the poverty rate at the village level by 4.5 percent, although the level of poverty in the village is still high. The process of handling poverty in rural areas is faster than that in urban areas. For the past 3 (three) years, village funds have managed to reduce stunting rate by almost 10 percent, from 37 percent to 27 percent. The Ministry of Village continues to propose to increase the distribution of village funds. In 2015, the village funds were disbursed by Rp 20.76 trillion with an absorption of 82 percent. A year later, it increased to 46.9 trillion with uptake reaching 97 percent.

In 2017, the village funds increased to Rp 60 trillion with up to 99 percent uptake. The Minister explained further that the villages began to improvise in their use of funds. The total of the village funds, over the past 3 years, has created 120,000 km of village roads, 1,990 km of bridges, 3,800 landslide prevention, tens of thousands of early childhood education, integrated service post for baby's health, drainage, and etc. The Minister underlined the key to success in the allocation of village funding is in the monitoring sector, especially the supervision by the independent party i.e. by the community.

Previously in 1970, the South Korean Government began to introduce a movement called Saemaul Undong, a movement of change and rural reformation to lead a better life. [4] exemplifies the history of the emergence of the movement, starting from the condition of poverty in South Korea after the Korean war (1950-1953) which made South Korea a poor country with the second lowest gross domestic product (GDP) in the world after India. The same idea was conveyed by [5] stating that Saemaul Undong program as a rural development was developed by the government to overcome the problem of poverty and to fulfill basic food needs. Meanwhile, FELDA program in Malaysia, quoted from [6], has been developed since July 1, 1956 for

the land constructions and settlements with the main objective of poverty alleviation through the planting of oil palm and rubber. The function of FELDA is to carry out land development projects and agricultural, industrial and socio-economic activities. According to [9], the FELDA program can prove that poverty reduction as a sociocultural and developmental goal is achievable and in fact an inalienable part of sustainable development.

There are similarities in the reasons for the emergence of village funding programs in Indonesia, the Semaul Undong program in South Korea and FELDA in Malaysia i.e. as a poverty alleviation program in disadvantaged regions, which would be discussed in this paper.

2. Literature Review

2.1 System

System is defined as a set of interrelated components or subsystem, with a clearly boundary, working together to achieve a common set of objectives by accepting inputs and producing outputs in a organized transformation process [10]-[17]. System composed of interrelated subsystems that should be harmonized and integrated.

2.2 Monitoring System

According to [16], monitoring is one of the basic functions of management i.e. observing the tasks that have been planned, can be carried out appropriately according to plan, and if there are irregularities, corrective actions are taken. Furthermore, [18] show the construction of the village government monitoring system according to Law No. 6 of 2014 concerning Villages along with the rules for their implementation include:

- a. Aspects of the relationship between village government and village supra:
 - The village is placed as a government in the district/city in carrying out its government affairs.
- b. Aspect of the supervisory function by the Village Consultative Body (VCB):
 - The function of VCB monitoring becomes strong i.e. the return of the process of political supervision by the VCB toward the performance of the Village Head.
- c. Aspect of the role of community participation:
 - The community can increase the role of their participation by actively participating in village meetings.

2.3 Supply Chain Management

When entity collaborates with other entities in Supply Chain Integration (SCI), the monitoring activities and system will be easier, efficient and effectively [1]. Supply chain management in general would help us to ensure material and resources flow/allocation from point of origin to point of consumption [22].

2.4 Village Fund Allocation (VFA)

Ref [14] cited the Government Regulation (GR) No. 72 year 2005 concerning Villages that VFA is a central and regional financial balance fund received by districts/cities in which the distribution for each village is proportionally distributed. VFA is a form of financial relations between levels of governments, namely, the financial relationship between the district government and the village government. In order to formulate an appropriate financial relationship, an understanding in the authority of the village government is required. The funds must be utilized and allocated in accordance with the applicable laws and regulations set by the government. The use and implementation of VFA in GR No. 4 of 2007 article 14 are as follows:

It is set that at least 60% (sixty percent) of VFA is used to finance public services in the form of physical and non-physical village developments, especially for education, poverty, and village economic development. The rest of the village allocation of 40% (forty percent) is used to finance village institutions, VCBs, community organizations and other organizations recognized by the villages.

3. Research Problem

Ref [19] from CNN Indonesia quoted the Chairperson of the Village Fund Task Force, Bibit Samad Rianto, who reported that up to September 2017, there were up to 10,000 reports of alleged misuses of village funds. This shows that, despite the program, VFA is quite successful, including in reducing the number of poverty and stunting; however, it is fairly weak in terms of accountability and supervision. President of Republic of Indonesia, Joko Widodo, directly instructed the elements of the community, including the political party cadres who were concerned to supervise the use of village funds, due to village funds can provide jobs for villagers.

Monitoring is also required because half of the future village funds will be used for labor intensive, so that the community will open new businesses and

jobs. This is in line with the statement of the Ministry of Village, Development of Disadvantaged Regions and Transmigration of Republic of Indonesia, that the key to implementing VFA is stand in its monitoring, especially by the Village officials. The Ministry also cooperates with the Indonesian Corruption Eradication Commission (ICEC), the Police, and the Attorney General Office to get involved in the Village Fund Task Force. [2] in its surveillance report quoted the ICEC Leader, Alexander Marwata, who stated that there were more than 300 (three hundred) reports of irregularities in village funds entering the ICEC.

Based on the phenomena presented in the introduction and problems, would be very interesting in discussing the supply chain monitoring system of the village fund allocation for village officials by comparing the village fund programs in Indonesia with the Saemaul Undong program in South Korea and the FELDA program in Malaysia.

4. Discussion

4.1 Supply Chain Monitoring Model of the Saemaul Undong Program in South Korea

The spirit of Saemaul Undong is perseverance (*geun myeun*), independence (*jajo*), and cooperation (*hyom dong*) [4], in which villagers are expected to be diligent, persistent, voluntary, and cooperate to achieve a better life. The community and the head of Saemaul and the village head make their own programs required by the village. The existence of the Saemaul Leader greatly influences the success of the program. The Saemaul leader is the person appointed after being given education and training by the Government and a volunteer (not given a salary) who works with the village head to oversee the implementation of the Saemaul Undong program, including approaching the community to participate in the program, such as sacrificing the land to be used as Village roads as a result of road widening and voluntary donation of property (even in installments), for the continuation of the work program.

Ref [7] stated that during the implementation of the community development projects under the Saemaul Undong, a great deal of emphasis and effort was put on monitoring and evaluation. The system of monitoring and evaluation was quite robust with multiple layers, one in each level of government, and was administered frequently at various stages of a project implementation, as seen in Table 1.

Table 1. Supply Chain Monitoring System on Saemaul Undong's Projects

Officials	Area of responsibility	Frequency of onsite visit
Higher than the division chief of Ministry of Internal Affairs	<i>Saemoul</i> project at the provincial level	More than once a month
Higher than the division chief of province	<i>Saemoul</i> projects at the country level	More than once a month
Higher than the division chief of the count	<i>Saemaul</i> projects at Myun/Eun level	More than once a month
Officers in Myn/Eu	Village	More than twice a week

4.2 Supply Chain Monitoring Model of the FELDA Program in Malaysia

Since 1990, the Kingdom of Malaysia has entrusted FELDA to stand as an independent business entity in supporting its programs and businesses. Even since 1994, the Kingdom has not allocated funds for FELDA. FELDA compiles its organizational structure by establishing private business entities for its main activities such as capital cooperatives, FELDA Global Ventures and FELDA Investment Corporation. With the form of an independent business entity, the supervisory model in FELDA has become more modern and organizational, by achieving certification in the Round-table Sustainable Palm Oil (RSPO) since 2010 as the first small plantation organization to obtain it. According to [8], the supervision of the FELDA program will follow the organizational structure as illustrated in Figure 1.

4.3 Supply Chain Monitoring Model of Village Fund Allocation Program in Indonesia

Based on the mandate in Law Number 6 of 2014 concerning Villages (hereinafter written as the Village Law), which is followed up by the issuance of GR No. 43 concerning the Regulation of the Implementation of Law Number 6 of 2014 concerning Villages and GR No. 60 of 2014 concerning Village Funds sourced from the National Budget of Republic of Indonesia, it is stated that the tasks of the village management and monitoring and supervision for the village developments are carried out jointly by the Central Government, Provincial Government and District/City Government. In the context of village finance, the central and regional government agencies have their respective duties and functions according to their level. The village has the authority to regulate and manage the affairs of its own government according to legislation, even though it is at the lowest level of government

structure. The village is the lowest government from the basic structure of the existing Governmental authority, as described by [20] below in Figure 2.

As described above, to ensure the smooth implementation of village development and adequate financial management, arrangements are essential at the central and the regional levels as well as at the village level. The village government uses the Village Budget to financing the implementation of village authority in the form of various development activities and empowerment of village communities. In addition, the village government is obliged to carry out financial management in an orderly manner and in accordance with the provisions. Therefore, the village government needs to formulate various regulations, both in the form of village regulations related to allocation, use, and monitoring and evaluation of funds allocated in the Village Budget as follows:

- a. Village Budget as mandated in Law No. 6 of 2014 Article 73;
- b. Village Medium Term Development Plan (VMTDP) as mandated in Law No. 6 of 2014 Article 79;
- c. Village Government Work Plan (VGWP) as mandated in Law No. 6 of 2014 Article 79; GR Number 43 of 2014 Article 58 and Regulation of the Ministry of Internal Affairs No. 114 of 2014 Article 29;
- d. Establishment of Village Business Entity as mandated in Law No. 6 of 2014, Article 88; GR No. 43 Year 2014 Article 132;
- e. List of Authorities Based on the Rights of Origin and Local Scale Village Authority as mandated in GR No. 43 of 2014 Article 37;
- f. Management of Village-Owned Wealth as mandated in GR No. 43 of 2014 Article 110;
- g. Planning and Utilization of Village Assets and Spatial Planning in Rural Area Development as mandated in PP No. 43 of 2014 Article 125;
- h. Establishment of Village Community Institutions as mandated in GR No. 43 of 2014 Article 150;

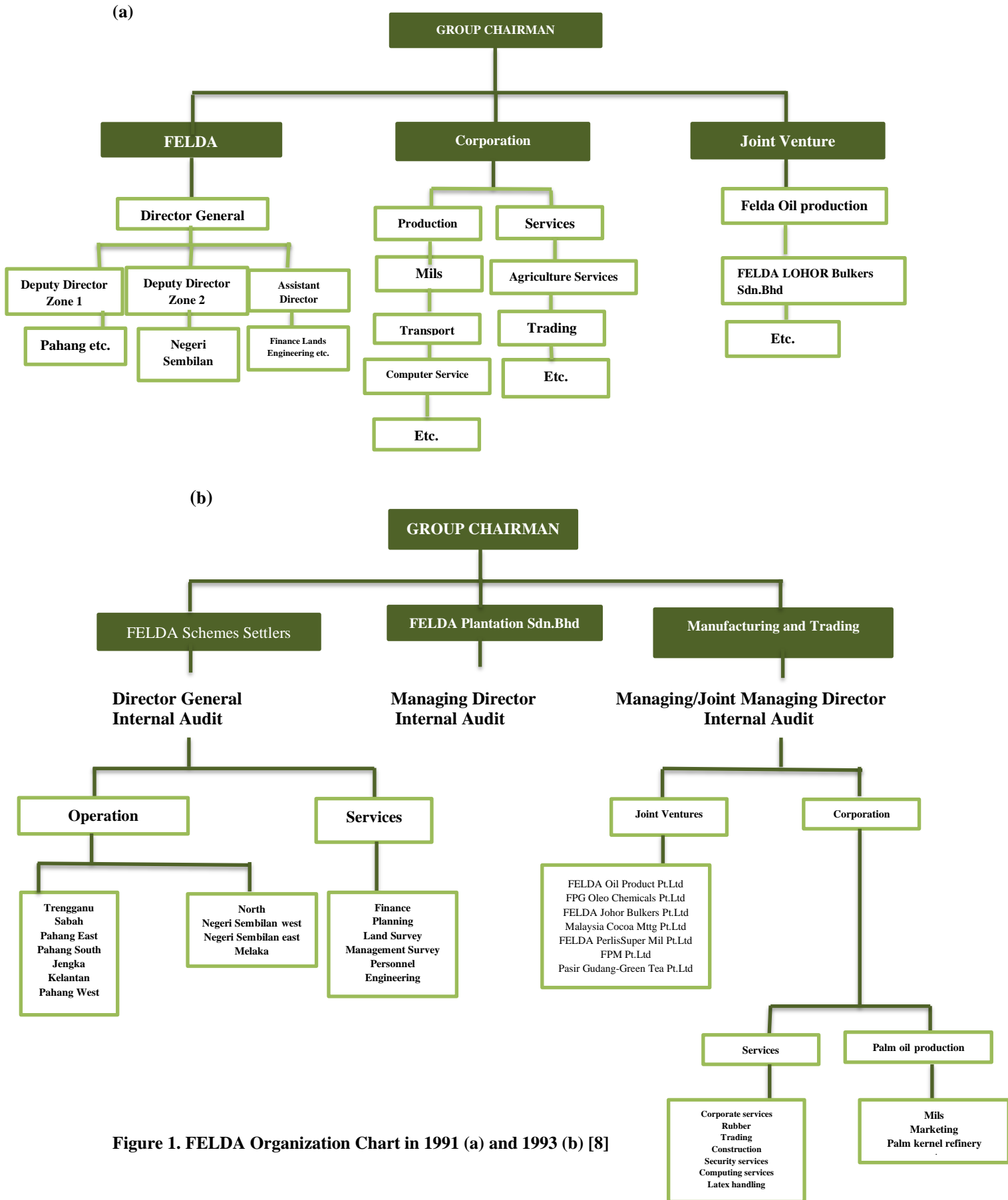


Figure 1. FELDA Organization Chart in 1991 (a) and 1993 (b) [8]

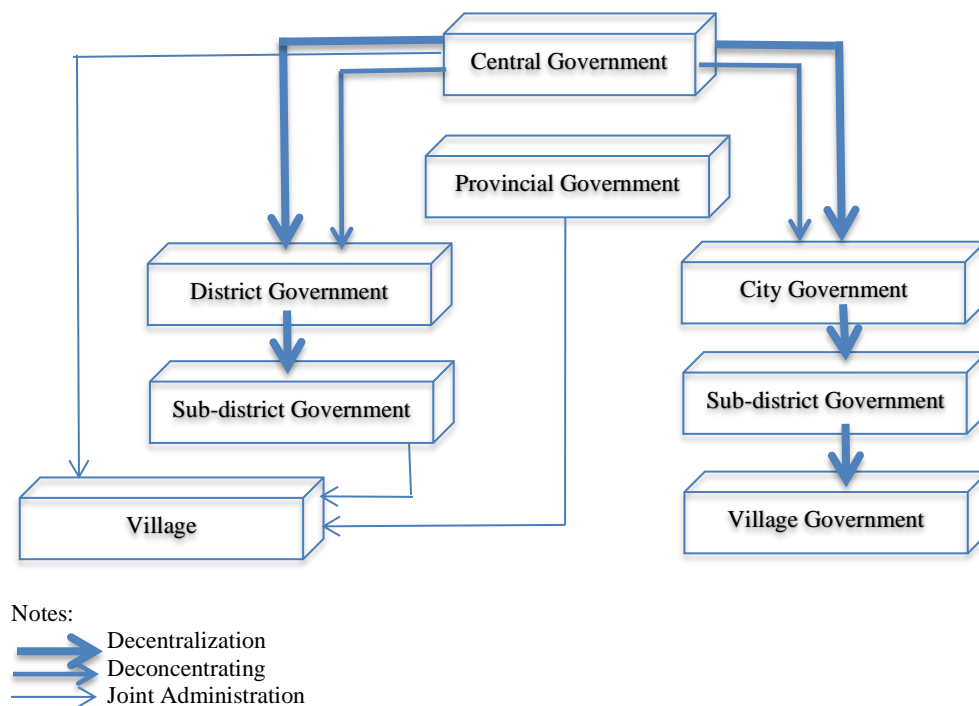


Figure 2. Governmental authority in Indonesia [20]

- i. Establishment of Village Customary Institutions as mandated in GR No. 43 of 2014 Article 152;
- j. Planning, Utilization, and Utilization of Village Assets and Spatial Planning in Rural Area Development, as mandated in GR No. 43 of 2014 Article 125;
- k. Establishment of Reserve Funds as mandated in Regulation of the Minister of the Internal Affairs No. 113 of 2014 Article 19; and
- l. Sustainability and Utilization of the Results of Village Development Activities as mandated in GR No. 43 of 2014 Article 83.

Ref [21] stated that the Government as the "capital owner" of village funds must conduct supervision practices because with the concept of "cash transfer" (budget allocation and distribution in the form of money), the creation of real output in the form of "cash for work" must be achieved (solid cash work) so as to create employment and education for the community. In addition, every existing development must be truly on target because it is planned, implemented and supervised by the village community as the subject of development.

Ref [13] further stated that the cash-for-work program intervention model is suitable to be implemented in post-disaster, food-insecure, post-conflict, underdeveloped and highly underdeveloped areas to reduce the number of

unemployment and poor communities so that productivity, income, and purchasing power increase. If this model is successfully implemented, the balance triangle will be created in the village, economic, social and environmental balance. The balance triangle is the characteristics of a village that has been developed and independent, so that the problems of migration, urbanization, and sending labor abroad, will not happen.

4.4 Supply Chain Monitoring System Stages of Village Fund for Village Officials

VFA monitoring is carried out directly by the Village officials independently, in this case, the Village Head and Village Business Entity chairman in the Village Consultative Body, consisting of 3 (three) guiding sessions namely:

1. Planning Stage

The formulation of the VMTDP, VGWP, and Village Regional Budget, that must be understood and believed to be in existence and completeness by the Head of Village and Head of the District Office.

2. Implementation Stage

The stage consists of the submission, disbursement, using, and implementation of the project from the allocation of village funds according to the stages which must be

3. Report and Accountability Stage

This stage covers preparing reports on the Village Regional Budget realization by the Village Head and at the same time reviewing the substance of the report and its accountability.

5. Conclusion

There are a vast number of parties and institutions that monitor villages fund in Indonesia. The village government, in this case the village officials, should see this as a reminder and guard of the village government. The village is expected not to be afraid of carrying out activities with a lot of monitoring. Transparency and accountability must be the principle implemented by the village, and

understood and believed to be in existence and completeness by the Head of Village and Head of the District Office.

internal control of the village must be created. This research showed us the supply chain monitoring system would be done based on structural approach that held by village official as well as monitoring by the village community as village stakeholder. Learning from the Saemaul Undong program in South Korea and FELDA in Malaysia, together with the Village Consultative Body, consisting of village officials, community leaders and Village Business Entity, the village officials are the main pillars in the village funding monitoring system, from the planning, implementation, and accountability stages. The elements of village officials and the village community must work together to realize the village government good through in accountability, transparency as a pillar of good village governance to improve the development of the welfare of the village community [11].

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