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Fiscal Autonomy as the Missing Pillar of Village Governance: Lessons from the French Commune for Indonesia's Rural Reform

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Abstract. *This article offers a comprehensive and original examination of village autonomy in Indonesia by juxtaposing it with the Commune governance model of France, highlighting a critical gap rarely addressed in existing scholarship: the absence of fiscal autonomy as the core determinant of genuine local self-governance. While Indonesia's Village Law formally recognizes autonomy, it remains predominantly grant-based and structurally dependent on central transfers, producing a paradox wherein villages possess political authority but lack sustainable fiscal capacity. Employing a comparative normative analysis grounded in fiscal federalism, subsidiarity, and public choice theory, the study reveals that Indonesia's system embeds vertical control through ex-ante supervision, rigid expenditure menus, and limited revenue-raising powers. In contrast, French Communes enjoy constitutionally protected inherent autonomy, broad compétence générale, and—most importantly—robust local taxing powers that anchor accountability, policy innovation, and local economic dynamism. The article's key contribution lies in proposing a Tiered Village Fiscal Autonomy Model, a reform blueprint that adapts the Commune principles without replicating them. This study demonstrates that Indonesia's future village governance requires shifting from transfer-driven development to a self-financing, autonomy-strengthening system that enhances accountability and community participation. By offering a normative, comparative, and policy-oriented framework, the article provides a novel and actionable pathway for reimagining village autonomy in Indonesia toward stronger local governance and sustainable development.*

Keywords: *Comparative Governance; Fiscal Decentralization; Taxation; Village.*

1. INTRODUCTION

The history of village governance in Indonesia is a long and complex narrative of the push and pull between the recognition of local socio-cultural diversity and the state's desire for administrative control and uniformity (Bayu Ari Wibowo, 2025; Irhas Fansuri Mursal & Gusmira Wita, 2023; Lau, 2023; Yudi Setianto, 2010). Long before the modern nation-state was formed, the archipelago was a mosaic of thousands of autonomous socio-political communities. These communities, known by various names such as

Nagari in Minangkabau (Azwar et al., 2018), Gampong in Aceh (Mahmuddin et al., 2016), or Banjar in Bali (Warren, 2000), functioned as self-governing entities on a micro-scale. The Nagari, for instance, was not just a geographical unit but also a customary law entity governed by the Tungku Tigo Sajarangan collective leadership system (comprising customary leaders, religious scholars, and intellectuals) (Basri et al., 2022). Similarly, the Subak system in Bali is a sophisticated example of socio-religious-based communal governance that has managed complex irrigation systems for centuries (Norken et al., 2015). The autonomy possessed by these communities was not a grant from a higher authority but a sociological reality that grew organically and was inherent in their social structure.

The Dutch colonial period fundamentally altered this landscape. Colonial economic and political interests demanded administrative efficiency and standardized control. Through a series of regulations, culminating in the Inlandsche Gemeente Ordonnantie (IGO) in 1906, the colonial government began systematic intervention and standardization (Amaliatulwalidain, 2019; Amri Marzali, 2015). Desa (village) in Java was institutionalized as the lowest administrative unit integrated into the colonial bureaucracy, with the primary goal of facilitating economic exploitation, particularly under the *Cultuurstelsel* (Bosma, 2005; Wulan Sondarika, 2015). Although some elements of original autonomy, such as the process of electing the village head, were retained, the essence of its independence was drastically eroded. The village was restructured into an extension of the colonial bureaucracy, where its leadership was more accountable to the authorities above than to its own citizens (Pancar Catur Ramdiansyah, 2022).

Post-independence, the nation's founders attempted to accommodate this dualism. The spirit of re-recognizing original village autonomy was reflected in the Elucidation of Article 18 of the 1945 Constitution (original manuscript), which mentioned the existence of rights of origin in special-status regions. In practice, however, central government policies were often ambiguous and tended to prioritize national stability over local autonomy. The Old Order era was marked by various legislative experiments that tried to balance autonomy and control but never reached a satisfactory equilibrium.

The turning point toward full centralization and complete uniformity occurred during the New Order era with the enactment of Undang-Undang No. 5 Tahun 1979 regarding Pemerintahan Desa. This law can be seen as the peak of the mass depoliticization and floating mass politics applied down to the village level. Local diversity was eliminated, and all forms of indigenous governance across Indonesia were forced to follow a single structure consisting of a Village Head and Lembaga Musyawarah Desa (LMD), whose members were mainly loyal village elites, which later became known as Badan Pemusyawaratan Desa (BPD) (Adnan, 2016; Zayanti Mandasari, 2015). The village was firmly positioned as the lowest state administrative unit, with the Village Head functioning as a development agent whose compliance was ensured through a bureaucratic chain of command and supervision by territorial apparatus such as the Babinsa (Kusnadi, 2015; Mohammad Daniel Lasoma, 2015). In this structure, autonomy became an illusion; the village lost its essence as a self-governing community and metamorphosed into a passive object of development.

The wave of Reformasi in 1998 brought a fresh breeze of decentralization. Demands to return sovereignty to the regions and the people led to Undang-Undang Nomor 22 Tahun 1999 regarding Pemerintah Daerah, which began to restore partial autonomy to villages (Zayanti Mandasari, 2015). However, the most fundamental and transformative breakthrough only occurred with the enactment of UU Nomor 6 Tahun 2014 tentang Desa (UU Desa). The birth of this law marked a radical paradigm shift from the New Order's logic of uniformity. It no longer viewed the village merely as an administrative unit but as a hybrid entity: a synthesis of a self-governing community with its rights of origin and a local self-government that is part of the state system. Its core philosophies are recognition and subsidiarity. The state no longer grants autonomy but recognizes pre-existing autonomy and will only take over functions that the village proves incapable of performing (Pamungkas, 2019).

The primary instrument designed by UU Desa to realize the philosophies of recognition and subsidiarity is the Village Fund, a fiscal commitment unprecedented in the republic's history. Since it was first disbursed in 2015, hundreds of trillions of rupiah have been transferred directly from the state budget (APBN) to Village Treasury Accounts across Indonesia. Its positive impact on small-scale physical infrastructure development is undeniable. Many regions demonstrate significant quantitative achievements like thousands of kilometers of village roads have been paved, tertiary irrigation systems have been repaired, and access to clean water and sanitation facilities has been improved. These figures indicate that the Village Fund has effectively addressed the decades-long lag in basic infrastructure untouched by previous development models (A.A. Ngurah Gede & Iskandar, 2023; Chehafudin et al., 2022). However, behind this success narrative, deeper field observations reveal an increasingly worrying paradox. The massive financial empowerment through the Village Fund, instead of fostering independence, has the potential to create a new, more subtle, yet profound form of fiscal dependency. This issue manifests in several crucial, interconnected symptoms (Jamaluddin et al., 2018).

The first symptom is the absolute dominance of the Transfer Fund in the Village Budget (APBDesa) structure. In the majority of Indonesia's over 74,000 villages, this allocation from the national budget constitutes more than 90% of the total annual village budget (Direktorat Statistik Keuangan, Teknologi Informasi dan Pariwisata, 2024). This renders other revenue sources mandated in Article 72(1) of the Village Law—such as the Village-Owned Original Revenue (PADesa)—marginal and insignificant. The contribution of PADesa, which should reflect local economic independence derived from the profits of village-owned enterprises (BUMDes), asset management, or community self-help, remains stagnant. This condition slowly erodes the village's instinct to become an economically productive entity.

The second symptom is the shift in the work orientation of village officials to become more focused on administrative-project aspects (Saputra et al., 2019). The energy and time of village apparatus are consumed by the bureaucratic cycle of transfer funds: from preparing thick planning documents and conducting procurement-compliant tenders or self-management, to drafting complex accountability reports (SPJ) that often become a source of dread. Their work orientation shifts from how to explore potential and generate new revenue to how to spend the transfer budget according to regulations and produce a correct report to avoid audit findings (Nana Hermansyah et al., 2019).

The third symptom is the decline of local innovation as a direct result of the obligation to follow central directives. Article 72(2) of the Village Law mandates that the Village Fund allocation be prioritized for financing community development and empowerment. This mandate is technically translated each year by the Regulation of the Minister of Villages, Disadvantaged Regions, and Transmigration (Permendes) on the Priority Use of the Village Fund. The "menu" of programs presented in this Permendes, though wellintentioned to align village development with national priorities (such as stunting prevention, food security, or economic development), often functions in practice as a cage that restricts village creativity. Innovative proposals from citizens that are not on this priority menu are difficult to fund, risking the Village Deliberation (Musyawarah Desa) becoming a mere formality for selecting programs from a pre-existing list.

The final, and perhaps most crucial, symptom is the strengthening of vertical accountability at the expense of horizontal accountability. Because the main source of funding comes from the central government, the most felt accountability pressure by the Village Head is vertical—reports to the district, provincial, and central governments. The reporting mechanism regulated in Peraturan Menteri Dalam Negeri Nomor 20 Tahun 2018 regarding Pengelolaan Keuangan Desa (Permendagri 20/2018) is highly detailed and strict. The fear of administrative errors that could lead to audit findings by the Inspectorate or even the Supreme Audit Agency (BPK) is far greater than the pressure from the villagers themselves. Consequently, horizontal accountability to citizens through forums like the Village Deliberation, although legally mandated, often becomes secondary.

This paradox seriously threatens the achievement of the UU Desa's noble goals. Instead of becoming autonomous and independent subjects of development, villages risk sliding back into being passive implementers of central government programs, with an autonomy limited to the administrative-financial scope of managing transfer funds. To break this cycle of dependency, Indonesia needs to undertake a deep reflection and courageously look outward, learning from other time-tested models of local governance. The Commune in France, with its long history of robust autonomy and fiscal independence, offers a valuable contrasting mirror for comparison and learning.

Based on the outlined background, this article posits a main research question that is both exploratory and normative that is how can the fundamental principles of governance of the French Commune, particularly those related to fiscal autonomy, be realistically and carefully adapted to overcome the paradox of fiscal dependency and foster true village independence in Indonesia to achieve sustainable prosperity? To answer this complex question, this research adopts a qualitative comparative analysis method, comparing two cases between Desa and Commune in-depth to identify key differences, similarities, and lessons that can be learned. This analysis will be framed and enriched by several relevant theoretical frameworks in political science and public administration.

The first theoretical foundation is the Theory of Fiscal Decentralization, often referred to as Fiscal Federalism. This theory, pioneered by economists like Charles Tiebout and Richard Musgrave, addresses the optimal allocation of functions and financial resources among different levels of government. The theory emphasizes the importance of alignment between expenditure assignment and revenue assignment (Brueckner, 2004; Yilmaz, 1999). This article will use this lens to analyze how the Indonesian model, which assigns significant expenditure tasks to villages but with very limited revenue authority, creates a structural misalignment. Conversely, the French model will be analyzed as an example where expenditure tasks and revenue authority at the local level are more aligned.

The second theoretical framework is the Principle of Subsidiarity. This principle, with strong roots in European political thought, posits that social and political issues should be handled by the smallest or most local authority capable of addressing them effectively (Melé, 2005). A higher authority should only intervene when the lower authority is proven incapable of resolving the issue (Fabbrini, 2016). The Village Law explicitly adopts this principle. However, this article will critically analyze whether the implementation practices of the Village Fund, with all its technical guidelines and national priorities, actually contradict the spirit of subsidiarity itself, and compare it with how this principle is translated into the broad autonomy of the Commune.

The third theoretical framework is Public Choice Theory. This theory, developed by economists like James Buchanan and Gordon Tullock, applies economic analysis to the political process. It assumes that political actors (including bureaucrats and local politicians like village heads) are rational individuals acting to maximize their own self-interest (Buchanan & Tollison, 1996; Halper, 1992). In the context of this research, this theory is very useful for explaining the behavior of village governments. In a system dominated by transfer funds, a village head will rationally tend to maximize the security and predictability of the fund flow by complying with all top-down rules. Taking risks with innovative programs not on the menu could threaten this fund flow. The theory also helps explain why vertical accountability becomes more dominant; because the grantor (central government) has a much stronger bargaining position than the voters (village residents) in the current incentive structure.

2. REASEARCH METHODS

This research uses a normative approach with literature study. By using a combination of these theoretical frameworks, this article will dissect the Desa and Commune models in-depth, not only at the regulatory level but also at the level of principles and implications, to then formulate a set of concrete, measurable, and implementable policy recommendations for Indonesia.

3. RESULT AND DISCUSSION

3.1. Autonomy and Authority: Defined Grant vs. Inherent Right

The most fundamental difference between the Desa in Indonesia and the Commune in France lies not in the list of day-to-day tasks they perform, but in the source and nature of their right to act. The legal and philosophical foundations supporting their respective autonomies are at opposite poles: one is based on a defined grant, while the other is based on an inherent right. In Indonesia, the autonomy of Desa is defined, structured, and essentially a grant from the state, enshrined within a national legal framework. UU Desa, while revolutionary compared to previous legislation, is a legal product of the central government that simultaneously grants and limits village autonomy. This limitation is most evident in the formulation of Articles 18 and 19 of UU Desa, which carefully delineates village authorities into two distinct categories.

The first category is authority based on Rights of Origin, which is a form of state recognition of the original autonomy possessed by indigenous communities before the modern Indonesian state was formed. Its scope, as detailed in Article 19a, includes the indigenous community organization system, the development of customary institutions and law, and the management of village treasury land (Beni Kurnia Illahi et al., 2023; Yunas Hanidya, 2017). In practice, however, the implementation of this authority often faces serious legal dilemmas and conflicts, especially when it intersects with sectoral laws and regulations issued by the central government. For example, a customary village attempting to manage forests in its territory based on customary law can easily clash with the holder of a Timber Forest Product Utilization Business Permit (IUPHHK) whose concession was granted by the Ministry of Environment and Forestry, based on the national Forestry Law.

The second category is Local-Scale Village Authority, which is essentially a delegated authority from the government above, specifically the district/city government. Its scope is very specific and limited to affairs deemed not effectively manageable by the district government. A village cannot unilaterally take over authorities that are already the responsibility of a higher level of government. This system effectively creates a clear jurisdictional fence for village autonomy. Beyond this fence, the village has no authority to regulate. The supervisory structure reinforces this hierarchical nature (Ilham Ayu et al., 2018). The role of the Sub-district Head as an extension of the Regent/Mayor, as regulated in various government regulations, is central to providing guidance and supervision. Every Draft Village Regulation (Perdes), especially those related to the Village Budget (APBDesa), must undergo an evaluation process at the district level to ensure alignment with higher regulations and the public interest. This can be recognized as a top-down structure designed to ensure uniformity, compliance, and the integration of the village into the unitary state framework.

In France, conversely, the autonomy of the Commune is an inherent, broad right guaranteed by the constitution. The foundation of this autonomy is the principle of principe de compétence générale, explicitly regulated in Article L2121-29 of the Code général des collectivités territoriales. This principle, a direct legacy of the anti-centralist spirit of the French Revolution (Hunt, 1988), states that the Municipal Council is authorized to regulate through its deliberations the affairs of the Commune (Booth, 2009; Martin et al., 2016). The jurisprudential interpretation of this phrase over the last two centuries has been very broad that the Commune can take action in any field that can be justified as a local public interest, as long as that authority has not been explicitly assigned by law exclusively to another level of government (Department or Region) or is altogether prohibited by national law. This fundamentally reverses the logic of authority. If in Indonesia the question is what is Desa allowed to do? In France the question is what is Commune not allowed to do? They have the freedom to innovate in various fields unthinkable in the Indonesian context, from establishing a municipal theater and subsidizing local bookstores, to funding art festivals and implementing environmental policies stricter than national standards.

State supervision, carried out by a *Préfet*, also operates on a completely different logic. The *Préfet* does not issue instructions or provide prior approval. They conduct a legality review after a decision has been made (Petit, 2019). If the *Préfet* deems a mayor's decision unlawful, they do not have the authority to annul it directly. They must file a lawsuit with the administrative court, which will act as an independent arbiter and make the final decision (Lizabeth Zack, 2003; Soltau, 1922). This mechanism positions the Commune not as a subordinate in a bureaucratic hierarchy, but as a legal entity equal to the state before the court.

This contrast highlights a profound philosophical difference: the autonomy of the Desa in Indonesia is a permitted autonomy managed within clear boundaries, whereas the autonomy of the Commune in France is a guaranteed and fundamental autonomy, where limitations are the exception. To summarize these fundamental differences in governance and authority, the following comparison can be presented in a table:

Table 1. Fundamental difference of authority, structure, and autonomy between Desa and Commune

Criteria	Desa	Commune
Basis of Authority	Defined/Attributive Authority (Only as regulated in UU Desa)	Principle of General Competence (Authority over all local interests unless prohibited)
Government Structure	Village Head (Executive) & BPD (Legislative)	Mayor / Maire (Executive) & Municipal Council / Conseil Municipal (Legislative)
Nature of Autonomy	Granted autonomy, supervised hierarchically	Inherent and constitutionally guaranteed political autonomy.

3.2. Fiscal Autonomy as The Root of Independence and Accountability

The difference in the foundation of autonomy becomes sharper and more concrete when we enter the fiscal realm. Herein lies the heart of the Commune's independence and what can be identified as the most significant structural weakness of the current Desa model. The ability to generate and manage one's own financial resources is the primary determinant of substantive autonomy.

The financial structure of the Desa in Indonesia, as detailed in Article 72 (1) of UU Desa, is designed to be highly dependent on top-down fund flows or vertical transfers. The main sources of village revenue include several components. The most dominant, both nominally and psychologically, is the Village Fund, sourced from the APBN. Its allocation to each village is calculated using a complex formula that considers variables such as population, poverty rate, area size, and geographical difficulty level. The next component is the Village Fund Allocation (ADD), which is an obligation for District/City Governments to set aside at least 10% of the General Allocation Fund (DAU) and Revenue Sharing Fund (DBH) they receive from the central government to be distributed to villages in their territory. In addition, there is a share of regional taxes and levies, where villages receive a certain percentage of Land and Building Tax (PBB-P2) and other levies collected by the district/city government. The final component is Village-Owned Original Revenue (PADesa), which is the only truly independent source of income albeit being the first in UU Desa yet it is not impactful. PADesa, according to the law, can be sourced from village business proceeds (including from Village-Owned Enterprises or BUMDes), village asset management returns, community self-help and participation, and other legitimate revenues. In reality, however, the contribution of PADesa to the total APBDesa is still nationally very minimal, about 2%.

This transfer-dominated mechanism creates several serious implications that shape the behavior of village governments. The planning and budgeting process becomes highly technocratic and compliance-oriented. The Village Deliberation (Musdes), ideally the highest democratic arena in the village to conceive a local development vision, is often degraded in practice to a forum for matching citizen proposals with the menu of programs permitted by the Peraturan Menteri Desa, Pembangunan Daerah Tertinggal, dan Transmigrasi Nomor 7 Tahun 2023 regarding Rincian Prioritas Penggunaan Dana Desa (Permendes PDTT 7/2023), to ensure the resulting Village Government Work Plan (RKPDes) passes verification and the funds can be disbursed.

The funding system of the Commune in France presents a model that is almost the complete opposite. Although they also receive grants from the state (*i.e. dotations de l'État'*) (Moysan, 2018), the main pillar supporting their financial independence is the authority to levy local taxes (*i.e. impôts locaux*) (Gonthier-Besacier et al., 2022). Article L2331-3 of the CGCT gives them the legal basis to levy several types of taxes, including the taxe foncière sur les propriétés bâties et non bâties (tax on property, both land and buildings), the contribution économique territoriale (CET) which is a tax levied on business activities, and the taxe d'habitation sur les résidences secondaires (tax on properties used as second homes or holiday homes). What is most important is not the type of tax, but the mechanism which the Municipal Council has the full authority to vote on and set the rates for these taxes each year during budget deliberations (Gilbert & Guengant, 2002).

This is a very powerful mechanism of fiscal democracy with profound implications. First, it creates a transparent and direct cause-and-effect relationship between the government and its citizens. Citizens can clearly see the tax rates set by their local government and the amount they must pay, creating high expectations for the quality of public services they receive. Second, this mechanism forces the Mayor and the Municipal Council to be highly accountable horizontally to their voters. A tax rate increase is a very sensitive political decision and must be strongly justified to the public; otherwise, it could become a fatal campaign issue in the next election. Third, it provides extraordinary planning flexibility and independence. A Commune can plan its long-term budget based on its own tax revenue projections, enabling it to make strategic investments or even issue municipal bonds to fund major projects, without having to depend on approval or priorities set from Paris. State grants still exist, but their function has shifted to a sophisticated equalization mechanism, designed to help poor Communes or those with a weak tax base, rather than being the primary source of revenue for all. This system ensures that no Commune is left too far behind, while at the same time providing a strong incentive for all Communes to manage and maximize their local revenue potential (Charpin & Maurice, 2001). To reiterate the fundamental difference in autonomy status, which is heavily rooted in fiscal independence, the following table presents it concisely.

Table 2. Autonomy status between Desa and Commune

Criteria	Village	Commune
Nature & Basis of Autonomy	Autonomy is granted and defined by Law No. 6/2014 within a decentralization framework.	Autonomy is guaranteed as an inherent constitutional right in Article 72 of the 1958 French Constitution.
Political & Authority Limitation	,Authority is specifically limited to rights of origin and local-scale affairs (Art. 19, Law 6/2014).	Authority is general, covering all local affairs unless prohibited (CGCT Art. L2121-29).
Administrative & Supervisory Limitation	Supervision is hierarchical and active, conducted by the Sub-district Head on behalf of the Regent/Mayor.	Legality review is conducted a posteriori by a Préfet through the courts (CGCT Art. L2131-6).
Financial Limitation	Fiscal autonomy is very low, dependent on central transfers (Art. 72, Law 6/2014) and does not levy taxes.	Fiscal autonomy is very high, with the authority to levy local taxes as the main source of funds (CGCT Art. L2331-3).

These fundamental differences in the architecture of authority and fiscal structure inevitably produce significantly different political cultures, democratic dynamics, and development outcomes between the two models. In Indonesia, the current system tends to strengthen the procedural aspects of democracy while inadvertently weakening its substantive aspects at the village level. All formal democratic procedures are followed: Village Head elections are held directly, MusDes are convened to draft the RKPDes, and the APBDesa is enacted through a Village Regulation mutually agreed upon with the BPD (Anggriani et al., 2019; Harefa et al., 2022). However, the substance of these processes often feels hollow because the scope of decisions that can be made has been significantly limited by the top-down fiscal and regulatory framework. In this model, the Village Head acts more like a project manager or a low-level bureaucrat tasked with executing national programs at the local level, rather than a visionary political leader (Hadi et al., 2022). The de facto Key Performance Indicator (KPI) for a Village Head is not the improvement of their citizens' welfare index, but the budget absorption rate and the timeliness and correctness of the Accountability Report (SPJ). This condition creates a dilemma that can stifle innovation. When a village, for example, has a unique fruit-picking agritourism potential, the system's logic will push them to use the Village Fund for village road or embankment construction—because these activities are clearly listed on the priority menu and are easier to account for—rather than using it for activities that might be more impactful, such as hospitality training, digital branding, or networking with travel agents, which I consider a more abstract and risky in an audit.

In France, the system instead fosters a vibrant, competitive, and substantive local democracy. The Mayor is a very important political figure in the daily lives of French citizens, often with a long career and a very strong local support base built on trust and a proven track record. They must constantly negotiate with city council members from various political factions, convince the public of the need for a policy (including tax policy), and show tangible results to be re-elected (Biarez, 1993; Kada & Mathieu, 2014; Michel, 1998). The fiscal independence they possess is the primary fuel for innovation. A Commune in Provence surrounded by lavender fields can decide to allocate a large part of its budget to building a world-class aromatherapy tourism brand. Meanwhile, a Commune on the outskirts of Paris facing gentrification problems can use its revenue to build subsidized social housing or provide subsidies for childcare costs to retain its young family population. This flexibility allows development policy to be truly bottom-up, contextual, and responsive to local aspirations (Crespy et al., 2007; Halpern et al., 2018).

Of course, the French model is not without its problems. It can create sharp inequalities between rich and poor Communes, and sometimes triggers a race to the bottom where Communes might compete to lower business tax rates to attract investment, which can ultimately harm public revenue as a whole. Nevertheless, its fundamental principle—that fiscal independence is an absolute prerequisite for strong horizontal accountability and dynamic local innovation—offers a very basic and powerful lesson for Indonesia.

3.3. Designing a New Fiscal Autonomy Model for Indonesian Villages

Adopting the French model wholesale is an impossible and even undesirable utopia. The differences in historical context, political culture, and especially the extreme diversity of capacity among villages in Indonesia make the simultaneous application of a local tax system a recipe for administrative chaos and social injustice. The most realistic and prudent path is through a planned, gradual, and cautious evolution, with the ultimate goal of slowly but surely shifting the balance from dependency on transfers to substantive fiscal independence. The following is a proposed framework and legal structure to tread this evolutionary path.

The first and most fundamental step is to unlock the regulatory key that currently and effectively prevents villages from becoming fiscally independent entities. This legal reform must touch upon several levels of legislation synergistically. By conducting a high-priority revision of UU Desa. The main focus of this amendment must be the expansion and strengthening of Article 73 on Village-Owned Original Revenue (PADesa). The current wording of the article is still too vague and does not provide a sufficiently strong legal basis for villages to impose levies. A new clause should be added that explicitly and clearly establishes a legal foundation for villages to impose levies on the use of their assets and on certain economic activities that generate impacts (externalities) within their territory. This clause must affirm that the type, mechanism, object, subject, and maximum limit of the levy will be further regulated in detail in a Government Regulation to maintain legal certainty. Simultaneously, Article 112 on the Role of District/City Governments needs to be strengthened. This article needs to be changed from merely stating "to provide guidance and supervision" to an active obligation to "facilitate the development of village fiscal capacity". This obligation must be detailed, including a mandate to map economic and fiscal potential in each village, provide technical assistance in drafting Village Regulations on levies, and help build a modern and transparent village revenue administration system.

The second step, as a direct derivative of the UU Desa amendment, is the creation of a New Government Regulation (PP) specifically regulating Tiered Village Fiscal Authority. This is the most crucial policy instrument as it will be the operational guide for this reform. This PP will not impose a single rule for all villages, but rather create an incentive system where villages are rewarded with greater fiscal authority as their independence status improves. This village development status can be measured using an existing and nationally recognized instrument, the Village Development Index (IDM). For example, for villages still with Developing status, the fiscal authority granted would be the full right to collect various types of Village Retributions on the use of assets and services directly provided or owned by the village, such as entrance tickets to tourist attractions managed by BUMDes, cleaning levies in village markets, or management fees for communal clean water systems. For villages that have reached Advanced status, this authority could be supplemented with the right to impose a type of Special Village Levy. This levy would be non-tax in nature and could be imposed on third-party economic activities that cause negative externalities or intensively use village infrastructure, such as a levy on each tonnage of trucks from mining or palm oil plantation companies that pass through roads maintained by the village, or a levy on the construction of telecommunication towers on village treasury land. At the peak, for villages that have successfully achieved Independent status, all the above authorities could be granted, plus the special right to receive a Direct Share of Specific Taxes. This mechanism could be in the form of granting Independent Villages the right to receive a certain percentage, for example, 10 to 15 percent, of the total revenue from the Rural and Urban Land and Building Tax (PBB-P2) collected from tax objects located within the village's territory. These funds must be channeled directly to the Village Treasury Account, not through the often-bureaucratic Village Fund Allocation (ADD) mechanism.

The third, equally important step is harmonization with Undang-undang Nomor 1 Tahun 2022 regarding Hubungan Keuangan antara Pemerintah Pusat dan Pemerintah Daerah

(UU 1/2022). This law needs to be revised or supplemented with derivative regulations that explicitly recognize the Village as one of the government levels that can receive a delegation of certain levying authorities from the District/City. This is important to avoid potential legal conflicts and overlapping levies between the village and the district/city government, and to provide a solid legal foundation for the direct PBB-P2 revenue-sharing mechanism for Independent Villages.

3.4. Implementation Framework: An Evolutionary Roadmap

An ambitious legal change must be accompanied by a careful, realistic, and phased implementation roadmap to minimize shocks and ensure a smooth transition. This roadmap can be divided into three main phases:

Phase 1 (Years 1-2): the Pilot Project and System Development. In this stage, the government may choose one or two provinces with a large number of Independent and Advanced Villages as pilot locations. The main goal is to test different levy mechanisms, assess the effectiveness of regional government technical assistance, and develop and improve a national digital platform for village revenue transparency. During this phase, the central government also has the opportunity to design and introduce the PP on Tiered Village Fiscal Authority thoroughly.

Phase 2 (Years 3-5): Scaling up and transforming the role of the Village Fund involves expanding lessons learned from the pilot phase to all Independent and Advanced Villages across Indonesia. This stage requires launching a nationwide capacity-building program aimed at village officials in financial management and revenue administration. Significantly, the government will also start reforming the Village Fund allocation formula. Over time, the basic allocation's weight will be increased for Disadvantaged and Developing villages, while the performance allocation (based on criteria like PADesa growth) will be prioritized for Advanced and Independent villages. This approach aims to motivate villages to substantially boost their own revenue and development efforts revenues.

Phase 3 (Year 6 onwards): Full implementation and reaching a new balance. At this point, all villages in Indonesia are expected to operate under a tiered fiscal autonomy system aligned with their capacity levels. The Village Fund will have transitioned from being the main source of development funding to a more advanced equalization fund. Its purpose will be to prevent any village from being left behind, particularly those in remote regions or with limited natural resources, while still supporting and encouraging already independent villages to further progress on their own resources.

Granting new, albeit limited, fiscal authority to tens of thousands of villages without robust safeguard mechanisms is a recipe for disaster. This initiative risks creating tens of thousands of petty kings, fostering illegal levies, and deepening injustice. Therefore, this reform framework must be bound by three non-negotiable, tiered safeguards.

The first safeguard is an anti-corruption and anti-illegal levy framework. Every type of levy and its corresponding tariff must be stipulated through Perdes. The formulation process of this Perdes must substantively involve and secure the approval of BPD to fortify the checks and balances mechanism between the village executive and legislative branches, as mandated in Article 55 of UU Desa. Levies must not, under any circumstances, be based on verbal decisions or circulars issued by the Village Head, thereby preventing the abuse of power explicitly prohibited in Article 29 of UU Desa. Furthermore, to help prevent exploitative tariffs, the central government should set clear limits or caps on the types of levies or fees that villages within their area can impose, all governed by regulations. Most importantly, digital transparency plays a crucial role—villages collecting levies should openly share their revenue and expense details on an accessible online platform for everyone to see real-time.

The second safeguard is a framework for justice and anti-inequality. There must be an explicit prohibition within the forthcoming PP against levies that are regressive or that disproportionately burden impoverished citizens, micro-enterprises, or access to basic services such as education and health. The Village Fund mechanism, which has been transformed into an equalization fund, becomes a vital safety net to ensure that geographically disadvantaged or resource-poor villages are not left further behind their resource-rich counterparts.

The third, and no less critical safeguard is a capacity framework. The escalation of fiscal authority from one level to the next (e.g., from a Developing to a Developed status based on the IDM) must not be an automatic promotion. This advancement in authority must function as a license that is granted only after the respective village has passed a due diligence assessment or an audit of its financial performance and governance, conducted by an independent body such as the Regional Inspectorate. This will ensure that greater autonomy is invariably accompanied by demonstrated greater responsibility and capacity.

4. CONCLUSION

Indonesia's long experiment with village governance is entering a decisive phase. The Village Law and the Village Fund have undeniably accelerated essential infrastructure development, yet these gains remain vulnerable because they rest on a foundation of structural fiscal dependence. The comparison with the French Commune model is not intended as replication but as a conceptual lens to extract a core insight: authentic autonomy is inseparable from fiscal independence, and fiscal independence is what enables stronger horizontal accountability, community participation, and sustained local innovation. The tiered fiscal autonomy model advanced in this article provides a measured, evolutionary reform path—one that improves the current system without destabilizing it. By granting expanded revenue authority to villages that demonstrate governance capacity, the model fosters constructive incentives and healthy competition toward genuine self-reliance. Such a transformation, however, will require far more than regulatory adjustments. It calls for unwavering political commitment at both national and regional levels, a fundamental shift in bureaucratic mindset from control to facilitation, and a serious investment in strengthening village institutional capacity. Yet if Indonesia is committed to fulfilling the aspirational mandate of the Village Law—to build resilient, empowered, and sovereign villages—then moving toward substantive fiscal autonomy is not merely desirable but strategically indispensable. Only through this shift can the paradigm evolve from "villages progress because they receive funds" to "villages prosper because they command their own resources and potential."

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