

Integration of BUMD and BUMDes to Maximize Existing Potential in Indonesia

Karina Kurniawati H., Salsa Wirabuana Dewi, Usman Fathoni, Keren Yuni S. and Putri Selfi W.R.
*Magister of Notarial Law, Faculty of Law Universitas Airlangga Surabaya Indonesia, Department of Airlangga University
Jl. Dharmawangsa dalam selatan, Surabaya*

Keywords: BUMD, BUMDes, Indonesia.

Abstract: Since the Law of the Republic of Indonesia number 6 of 2014 concerning Village has been ratified on January 15th, 2014, Indonesia has BUMDes as coordinating institution for the welfare of society especially in the village. One of the purposes of the government ratification on the Law of the Republic of Indonesia number 6 of 2014 is to advance the economy of village society and overcome the national development gap. In 2015, when Indonesia agreed to join the 2030 Agenda for Sustainable Development Goals proposed by United Nations, there are two points of Sustainable Development Goals (SDGs) which are in line with the Law of the Republic of Indonesia number 6 of 2014. The two points are; Decent Work and Economic Growth (point number 8) and Reduced Inequalities (point number 10). Unfortunately, after a couple of years of implementation, the researchers still cannot see satisfactory results that many are expecting from the application of the newly ratified law even after the government has given a quite significant amount of fund to each village since the ratification of the law in 2014. The researchers found that the lack of clear objectives and mentorship from more experienced organizations as well as systematic operational procedures that many of these newly found BUMDes are experiencing may have contributed to the slow process of these BUMDes growths.

1 INTRODUCTION

In September 2015, the General Assembly applied the 2030 Agenda for Sustainable Development which includes 17 Sustainable Development Goals (SDGs). Based on the principle of "leaving no one behind", the new Agenda emphasizes a holistic approach to achieve sustainable development for the public (UN, 2019).

Adopted by all United Nations Member States in 2015, the 2030 Agenda for Sustainable Development provides a shared blueprint for peace and prosperity for people and the planet, today and tomorrow. At its heart are the 17 SDSs, an urgent call for action by all developed and developing countries in a global partnership. These countries realize that ending poverty and other deprivations must go hand-in-hand with strategies which can improve health and

education, reduce inequality, improve economic growth, resolve climate change, as well as preserve the oceans and forests (UN, 2019).

Collectively, they offer broader insights of sustainable development and give a sense of the extent of the 2030 Agenda for Sustainable Development as well as its diverse social, economic, and environmental issues (Shawki, 2016) into five core principle which balancing them. The five core principles are people, planet, prosperity, peace, and partnership. These five principles distinguish the 17 SDGs from Millennium Development Goals (MDGs). MDGs had 8 goals and as the agenda ended, SDGs proposed "a new development agenda, has been conceived to continue what the MDGs have started in the next fifteen years and may have to be applied to all countries for societal peace, more job opportunities and a global agreement for eliminating change" (Sumil, 2015).

Table 1: Sustainable Development Goals

Goal 1	No Poverty	End poverty in all its forms everywhere.
Goal 2	Zero Hunger	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.
Goal 3	Good Health and Well-being	Ensure healthy lives, and promote well-being for all at all ages.
Goal 4	Quality Education	Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all.
Goal 5	Gender Equality	Achieve gender equality, and empower all women and girls.
Goal 6	Clean Water and Sanitation	Ensure availability and sustainable management of water and sanitation for all.
Goal 7	Affordable and Clean Energy	Ensure access to affordable, reliable, sustainable, and modern energy for all.
Goal 8	Decent Work and Economic Growth	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.
Goal 9	Industry, Innovation, and Infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
Goal 10	Reduced Inequalities	Reduce inequality within and among countries.
Goal 11	Sustainable Cities and Communities	Make cities and human settlements inclusive, safe, resilient, and sustainable.
Goal 12	Responsible Consumption and Production	Ensure sustainable consumption and production patterns.
Goal 13	Climate Action	Take urgent action to combat climate change and its impacts.
Goal 14	Life Below Water	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
Goal 15	Life on Land	Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss.
Goal 16	Peace, Justice and Strong Institution	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
Goal 17	Partnerships for The Goals	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

Source: 2030 Agenda for Sustainable Development

SDGs are approved by 193 countries which are the member of UN including Indonesia. In Indonesia, Joko Widodo as the President ratified Presidential Decree of Republic of Indonesia number 59 of 2017 regarding Achieving the Sustainable Development Goals, on July 4th, 2017. Presidential Decree of the Republic of Indonesia number 59 of 2017 regarding Achieving the Sustainable Development Goals elaborate 17 goals of SDGs which are included in national goals as implemented in National Mid-term Development Plan of 2015-2019 as we called in Indonesia 'Rencana Pembangunan Jangka Menengah Nasional (RPJMN) Tahun 2015-2019'. Article 15 of Presidential Decree of Republic of Indonesia number 59 of 2017, written that:

(1) *"Untuk pencapaian sasaran TPB Daerah, Gubernur menyusun RAD TPB 5 (lima) tahunan bersama Bupati/Walikota, diwilahnya masing-masing dengan melibatkan Ormas, Filantropi, Pelaku Usaha, Akademisi, dan Pihak terkait lainnya."*

(1) to achieve regional TPB target, the Governor composes an annual 5 (five) RAD* with the Regent/Mayor, in their respective regions by involving mass organization, Philanthropy, Business Actors, Academics, and other related Parties.

(2) *"Ketentuan lebih lanjut mengenai mekanisme koordinasi penyusunan, pemantauan, evaluasi, dan pelaporan pelaksanaan RAD TPB 5 (lima) tahunan ditetapkan dengan peraturan Menteri Perencanaan Pembangunan Nasional/Kepala Badan Perencanaan Pembangunan Nasional"*

(2) Further provisions concerning the coordination mechanism for the preparation, control, assessment, and reporting of the implementation of five annual RAD TPB are set by the regulation of the Minister of National Development Planning or Head of the National Development Planning Agency.

*RAD is referred to *Rencana Aksi Daerah* or Regional Action Plan.

Related to those goals, in this paper we would focus on Goal 8 concerning Decent Work and Economic Growth, especially in the regional section. "Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs that stimulate the economy while not harming the environment. Job opportunities and decent working conditions are also required for the whole working age population. There needs to be increased access to financial services to manage incomes, accumulate assets and make productive investments (UN, 2019)." And BUMDes can be one of the answers to reach that goal.

2 BUMDES IN INDONESIA

The efforts to promote Village economic growth had begun since a few years ago despite the fact that the efforts have currently yet to produce satisfactory results. Therefore, the idea to stimulate village economy growth in Indonesia has been re-introduced with the existence of the Law of the Republic of Indonesia number 32 of 2004 concerning Regional Government. The article 213 paragraph (1) stated that "Desa dapat mendirikan badan usaha milik desa sesuai dengan kebutuhan dan potensi desa" (Villages can build their village-owned enterprises based on the needs and potential of the village), in Article 213 paragraph (2) it is furtherly explained that "Badan Usaha Milik Desa adalah badan hukum sebagaimana yang diatur dalam peraturan perundang-undangan" (Village-Owned Enterprises are legal entities as regulated in legislation). Also, reinforced by Government Regulation number 71 of 2005 concerning Villages, it is stated that the establishment of a Village-Owned Enterprise is also accompanied by efforts to strengthen its capacity and supported by regional policies (from districts/cities) that facilitate and protect rural communities businesses from the threat of competition from large investors.

Therefore the existence of BUMDes as an economic institution has been recognized since 2004, with the existence of Law of Republic Indonesia number 32 of 2004 concerning Regional Government. However, considering that BUMDes is the new economic institution which operates in rural areas, they need strong a foundation to grow and develop, which is why the Law of Republic Indonesia number 6 of 2014 appears as a statutory regulation that discusses more details about BUMDes.

The Law of the Republic of Indonesia number 6 of 2014 that is in concern to Village stated that Village-owned Enterprises referred to as Village BUM is a business entity whose most of the capital is owned by the village through direct participation from the separated assets of the village in order to manage the assets, services, and other business for the greatest welfare of the community.

The birth of Law of Republic Indonesia number 6 of 2014 itself is an attempt to explain the articles listed in the Constitution of 1945, article 18B paragraph (2) of the constitution of 1945, declared that:

"Negara mengakui dan menghormati kesatuan-kesatuan masyarakat hukum adat beserta hak-hak tradisionalnya sepanjang masih hidup dan sesuai dengan perkembangan masyarakat dan prinsip Negara Kesatuan Republik Indonesia, yang diatur dalam undang-undang"

(The state acknowledges and respects the units of customary law community along with each of the traditional rights as they are alive and in line with the development of the society and the principles of the Republic of Indonesia regulated in the Law).

Berbeda dengan koperasi, BUMDes bukan ditujukan untuk mewujudkan kesejahteraan anggotanya, melainkan masyarakat desa secara keseluruhan. Masing-masing BUMDes per tahunnya menerima anggaran 800 Juta hingga 1,2 milyar dari pemerintah dan mendapatkan pendampingan Kementerian Desa, Pembangunan Daerah Tertinggal, dan Transmigrasi (KDPDPT). Tujuan akhir dari BUMDes adalah melahirkan produk yang berdaya saing secara nasional untuk kemudian meluas secara regional dan internasional (Masri, 2017).

(Unlike the Cooperative, BUMDes is not intended to actualize the welfare of its members, but the village community as a whole. Each of BUMDes receives a fund of 800 million to 1.2 billion per year from the government and receive guidance from the Ministry of Villages, Disadvantaged Regions, and Transmigration, or as we have known in Indonesia as Kementerian Desa, Pembangunan Daerah Tertinggal dan Transmigrasi (KDPDPT). The final goal of BUMDes is to engender products that are nationally competitive to then expand regionally and internationally).

BUMDes is one of the new economic institutions that are expected to be the pioneer in bridging economic strengthening efforts in rural areas, therefore, in its operation, BUMDes is supported by village monetary institutions (financing fields) as the fields that conduct financial transactions in the form of credits and savings. If the economic institutions are strong and supported by adequate policies, therefore the economic growth accompanied by the equitable distribution of assets to the people at large will be able to overcome various economic problems in the countryside. However, from the tens of thousands of BUMDes that have been formed, there are still many BUMDes that need immediate assistance.

"Menurut data kami, sudah terbentuk sekitar 41 ribu BUMDes dari total 74.957 Desa di Indonesia. Berarti kan sudah 64 persen, bahkan mendekati 70 persen kalau desa-desa di Indonesia sudah punya BUMDes" kata Sekretaris Jendral (Sekjen) KDPDPT, Anwar Sanusi. "Dari jumlah itu, belum semuanya berkembang, dan masih banyak yang perlu mendapat pendampingan agar bisa menjadi pilar ekonomi dan menampung seluruh aktivitas ekonomi yang tumbuh dipedesaan", ujarnya (Pertana, 2018).

(According to our data, around 41 thousand of BUMDes have been formed from a total of 74,957 villages in Indonesia. It means, that it is already 64 percent, even close to 70 percent of villages in Indonesia already have BUMDes, "said General

Secretary of KDPDPT, Anwar Sanusi. "Of that number, not all have developed, and there are still many that need guidance in order to become an economic pillar and accommodate all economic activities that thrive in the village," he said.)

3 MAXIMIZE THE EXISTING POTENTIAL WITH VERTICAL STRUCTURAL

With the number of villages totaling at 74,957, ideally, villages should become the pioneer of economic growth in Indonesia. However, based on the fact that we gather, there are still many BUMDes which are currently not productive enough to help drives the growth of economic power in rural areas or villages. We realized that we need to revolutionize the way BUMDes runs currently. Analogically speaking, we can address many of BUMDes as if they were children without a parental figure to look up to. They have to figure out how to walk, eat and think for themselves without a mentor figure to guide them on how to do what they want to do in the most effective and efficient way possible.

Some possible problems that may appear and stall the growth of BUMDes in the village area are: the lack of complete or whole understanding about each villages hidden or existing potential, the lack of organizational or business experience for those who runs BUMDes, the limited availability of skillful human resources, and the limited business network available in the rural areas.

The general steps on how to start a successful BUMDes usually involves mapping Village's natural resources potential, the human resources skill levels and their availability, understanding the primary needs of each community, and the ability to read the condition and business potential in each community. Each village is unique in their own ways, therefore we cannot apply the same set of methods to asset each village potential. Consequently, we will end up with various BUMDes that will specialize in their own business based on their own village potential, which also works in our benefits because we can have different local BUMDes in the same region to support each other needs and help each other sustain their business model. In a bigger scope, if each of these BUMDes grows and able to support a wider range of customers, we will be making an impact in a National or even International scale.

In case of making it happen, BUMDes can't do it just by themselves. BUMDes needs structural power on the vertical side who will guide and train them, and the answer is *Badan Usaha Milik Daerah* (BUMD) or

Regional Owned Enterprises. In this case, we should say that BUMD as BUMDes parents.

Pemerintah daerah mendirikan dan memiliki Badan Usaha Milik Daerah (BUMD) sebagai perusahaan. Kewenangan pemerintah daerah dalam membentuk dan mengelola BUMD sudah ditegaskan dalam Peraturan Pemerintah nomor 25 Tahun 2000 tentang kewenangan pemerintah dan kewenangan provinsi sebagai daerah otonom (Wikipedia, 2019).

(BUMD are companies which are established and owned by local governments. The authority of the regional governments to establish and manage BUMD is confirmed in Government Regulation number 25 of 2000 concerning the authority of the government and provincial authorities as autonomous regions.)

Pendirian BUMD didasarkan pada kebutuhan daerah dan juga kelayakan bidang usaha BUMD yang akan dibentuk. Hal ini bertujuan untuk memberikan manfaat bagi perkembangan perekonomian daerah pada umumnya dan juga menyelenggarakan kemanfaatan umum berupa penyediaan barang dan/atau jasa yang bermutu bagi pemenuhan kebutuhan hidup masyarakat yang sesuai dengan kondisi, karakteristik, dan potensi daerah yang bersangkutan dengan berdasar tata kelola perusahaan yang baik. Selain itu, diharapkan dapat menghasilkan laba dan/atau keuntungan (Asikin & Suhartana, 2016).

(The establishment of BUMD is based on regional needs, and the feasibility of BUMD business sector that will be formed and aims to provide benefits to regional economic development in general, to provide public benefits in the form of quality goods and/or services to fulfill people's livelihoods according to conditions, characteristics and potential the area concerned is based on good corporate governance, and earn profits and / or profits.)

We believe that BUMD is able to take the role of BUMDes marketing and business distributors because BUMD may have greater resources to help them mapping market potential and could help direct BUMDes business strategy on which products to create or produce, and the BUMD could help the BUMDes in terms of transportation and logistics needed to distribute their products.

Another role that BUMD could take is to represent BUMDes in the various negotiation process and to gain trust from principals in the Regional, National, and International scale. Second, Build trust with good communication. Third, as business development for monitoring, training, and motivation to describe the market potential.

On the legal sides, BUMD could take the role as a BUMDes's facilitator in legal standard practices, defining each organization responsibility and rights to avoid overlap in the day to day practices, and

licensing process. Furthermore, BUMD could help BUMDes to make integrated Standard Operational Procedures (SOP) regarding finance, accounting, and taxation. Additionally, BUMD could also help BUMDes by acting as an auditor function of BUMDes.

Ultimately, the most important thing to make all those happen is that the Government as the Executive Body and the House of Representatives as the Legislative Body must take the first step to decide and ratifies the Law that says BUMD as a regionally owned business institution to act as the direct supervisor of locally owned business (BUMDes).

4 CONCLUSIONS

The role of Government as the Executive and the House of Representatives as the Legislative are the key to make this proposed idea happen. We believe that the Government and the House of Representatives agreed to ratify the bill that assigns BUMD as the direct vertical structure for BUMDes in each region, it will help to boost the growth of the currently struggling BUMDes by giving them what they need the most, which are guidance and assistance in various scopes such as business and laws.

If we can help each BUMDes to achieve their maximum potential and grow into sustainable business that can support not only their Local, Regional, National but also International needs, without a doubt we will see Indonesia successfully tackled the challenge of 2030 SGD's Agenda number 8 (eight) "Decent Work and Economic Growth" as well as Agenda number 10 (ten) "Reduced Inequalities" to become one of the pioneer countries that could be the leading example of good governance practices in the world.

ACKNOWLEDGEMENTS

Thanks for Toto Sucartono, S.E, M.BA, a practitioner, for giving us the idea to write for this paper and to share this idea to the world. Also, thanks for Dimas Setyawan, S.Kom., a language advisor, for helping us proof-read our paper.

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