Management of Implementation of Village Government in Empowering Village Enterprises (BUMDes)

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Abstract
Villages have an important and strategic role in creating prosperous independent villages within the territory of Indonesia. The village is a legal community unit that has regional boundaries that are authorized to regulate and manage local community interests based on local origins and customs that are recognized and respected in the Indonesian Government system. This means that the village becomes a pillar of Indonesia in realizing national goals. The achievement of prosperous independent villages is realized by empowering BUMDes. Andragogy theory has become more appropriate in assisting BUMDes to be efficient in optimizing assets, potential, and participation while also being able to increase community participation in developing villages in the context of regional autonomy. The formation of the Village Regulations (Perdes) in the empowerment of BUMDes has become an urgent basic management of the village government. The results showed that BUMDes became an efficient alternative to improve the welfare of rural communities.

Keywords: Village Enterprises (BUMDes), Village Government, Village Law

1. Introduction
The village recognized as a legal community unit that has regional boundaries that are authorized to regulate and manage local community interests based on local origins and customs that are recognized and respected in the Government system of the Unitary State of the Republic of Indonesia. Village enterprises (Badan Usaha Milik Desa, BUMDes) are pillars of economic activities in the village that function as social institutions and commercial institutions. BUMDes as a social institution favors the interests of the community through its contribution in the provision of social services. At the same context, the commercial institution it aims to seek profits through offering local resources (goods and services) to the market. BUMDes are village business institutions managed by the community and village government in an effort to strengthen the village economy and be formed based on the needs and potential of the village, and it characterized
by collective ownership, not only owned by the village government, not only owned by the community, not only owned by individuals, but belonging to the village government and the community. In contrast to cooperatives owned and useful only for its members, BUMDes are owned and utilized by both the village government and the community as a whole.

The mechanism for establishing BUMDes is inclusive, deliberative and participatory. This means that BUMDes are not sufficiently formed by the village government, but are formed through village meetings involving various components of the community. Organizational village meetings are also institutionalized as the highest institution in BUMDes, as well as member meetings in cooperatives.

Management of BUMDes is democratic and technocratic. The dimension of technocracy is seen in the form of a clear division of labor, the dimension of democracy is not only seen in the components of village consultation (deliberative democratic institutions) but also shown in the component of accountability. Separation of organization and assets of BUMDes from village government is an important component to maintain accountability of BUMDes (Sutoro, 2014).

BUMDes can be established according to the needs and potential of the village. The purpose of village needs and potential is community needs, especially in fulfilling basic needs, available village resources that have not been utilized optimally, especially village wealth and there is demand in the market, available human resources capable of managing business entities as assets driving the community economy, units business units which are the economic activities of community members who are managed partially and are not accommodated.

The establishment of BUMDes is essentially a form of development where development is considered as an activity or process carried out by humans consciously and continuously to improve the quality of their lives. Therefore, Indonesia certainly carries out development in order to achieve its goals or aspirations of increasing prosperity or welfare of its people. To achieve this condition, strategic and tactical steps are needed in Indonesia to build community independence, namely through empowerment. The aim is to provide opportunities for regional and rural capabilities in managing natural resources and village potential.

Based on this development, the government together with the community has an obligation to explore, process, and foster natural wealth which is the main driver of development. This is in line with the quality of human resources and is encouraged by mutually reinforcing, interrelated and integrated with other fields that are carried out in harmony, harmony and balance in achieving national development goals and
objectives. This will ensure good governance, to improve community empowerment at all stages of development.

Empowerment is an effort that must be followed by continuing to strengthen the potential or resources possessed by every community. This includes concrete steps and involves providing various inputs and opening up access to various opportunities that can later make the community more empowered. This is the government adopting new approaches to move the wheels of the rural economy through the establishment of economic institutions managed entirely by rural communities, namely BUMDes.

The establishment of BUMDes is based on Law Number 23 of 2014 concerning Regional Government. Article 87 paragraph (1) states that the Village can establish a Village Owned Enterprise in accordance with the needs and potential of the village and is listed in Government Regulation Number 43 of 2014. The establishment of this Village Owned Enterprise is accompanied by efforts to strengthen capacity and be supported by district or city policies participate in facilitating and protecting the business of rural communities from the threat of large investor competition. BUMDes is new economic institution operating in rural areas.

The latest Law Number 6 of 2014 concerning Villages (Village Law) regulates concerning to BUMDes which are business entities whose whole or part of their capital is owned by the village through direct participation from separated village assets to manage assets, services and other businesses for the welfare of the village. Through the Village Law it was concluded that the BUMDes can now play an important role in empowering and developing village potential, especially in managing village finance in their area. The existence of this BUMDes is expected to be a driver of the economy of the community so that it can improve the welfare of the village community. The following is a description of the existence of BUMDes.

2. The Implementation of Article 18 of the 1945 Constitution in the Context of Village Development in Indonesia

The development of village governance is based on legislation concerning village governance that has been in effect since the days of the Dutch East Indies up to Law 23 of 2014, as follow:

1. The Reign of the Dutch East Indies Period

   Based on the Dutch East Indies Act, the native/national inhabitants were left under the head directly from their own heads or leaders. Further settings are regulated
in IGO and IGOb (Inlandsche Gemeente Ordonnate Buitengewesten). The name and type of fellowship of the indigenous people is the Bumiputera Fellowship. The alliance of indigenous peoples on Java and in Bali is called Village (Desa).

2. Early Period of Independence

At the beginning of the government the government had not had time to regulate the village administration so that IGO / B remained in force until the enactment of the new law.

3. Old Order Period

This period Law Number 19 of 1965 concerning the Praja Desa used as legal basis. The New Order period of the New Order period stipulated Law No. 5 of 1979 concerning village government. This law aims to regulate the position, name, form, size, structure and duties of the Village Government. This law also aims to regulate the village in terms of its governance uniformly for all regions in Indonesia.

4. On the basis of consideration Law No. 5 of 1979

It is not in accordance with the spirit of the 1945 Constitution, and the need to recognize and respect special origins, so that this law needs to be replaced / revoked. The replacement of this Law has been stipulated since the issuance of Law No. 22 of 1999 concerning Regional Government, where articles in this paragraph are regulated through Government Regulation No. 76 of 2005.

5. In the Period of Reformation, Law No. 22 of 1999 was replaced with Law No. 32 of 2004 and Law No. 23 of 2014 recognized the existence of village autonomy in the diversity and democratization of village governance.

The history of this regulation at the same time describes the origin of the village based on the formation of the Village through community initiatives by taking into account 2 (two) important things, namely (1) Village Origins; Can be understood as the origin of a status village which is the territory of a village, then its status increases to become a village. Or it could be said that a new area inhabited by a number of residents who had just been migrated as a whole to the village. Requirements for village formation in article 2 of Government Regulation No. 72 of 2005, including: Population, Area, Division of Work Area, Equipment, Government Facilities and infrastructure and equipment. Formation of villages can be: merging several villages, combining matching parts of the village, expanding from one village to two villages or more, and forming villages outside the village outside the existing village.
3. Village Autonomy as Original Autonomy in Perspective of Law No. 23 of 2014

Village autonomy is genuine, whole and round autonomy and is not a gift from the government. Ownership rights (hak berian) constitute authority obtained by a government unit at a certain level on the basis of giving by a higher government unit. while innate rights are a series of rights that arise from a social, economic, political and cultural process of a particular legal community, including the results of a process of interaction with other legal community alliances. The legitimacy of village autonomy stems from the recognition of the rights of origin and customs and the authenticity of capital social life in the village civil society environment.

Referring to this understanding, based on Article 18 of the 1945 Constitution, it can be said that village autonomy is inherent rights. This is reinforced by the second amendment to article 18 of 1945 which indicates that village autonomy is an innate right. however, the regulation of villages in Law Number 32 of 2004, as amended by Law Number 8 of 2005 concerning the stipulation of Government Regulation in lieu of Law Number 3 of 2005 concerning Amendment to Law Number 32 of 2004 concerning Regional Government into Law, further shows village autonomy as an entitlement right even though the recognition of the origin of indigenous customs of the local community persists.

This division of villages into genealogical and administrative villages is the reason that Law Number 32 of 2004 concerning governance, as amended by Law Number 8 of 2005 concerning the regulation of government substitute uu number 3 of 2005 concerning amendment to law number 32 of 2004 concerning government the region became a law, seeing village autonomy as a right of entitlement or innate rights. Genealogical villages are native villages and are traditional villages. Desa Adat (Adat village) is a government system that is functionally and not structurally intertwined. These things are reflected in their main functions in the fields of adat and religion. some regions in Indonesia continue to preserve these traditional villages, for example Nagari in west Sumatra, Pakraman village in Jembrana Bali Province, Gampong in Aceh Province, Lembang in South Sulawesi, Kampung in South Kalimantan and Papua, Negeri in Maluku and Marga in Lahat district. Administrative villages are the result of expansion, because of transmigration or for other reasons that are pluralistic, pluralistic, or heterogeneous. The village is categorized as an official village (Desa Dinas). Desa Dinas is a government institution that is directly related to administrative administration issues. This village is
headed by a village head/village head. Wasistiono (2003) divided the village based on the origin and kinship ties of the population into three groups, namely:

1. Pure genealogical village, where more than 75% of the population still has kinship ties in the second degree, sideways and downward;

2. Mixed village, where 50% of the population still has kinship ties in the second degree, sideways and downward;

3. Territorial village, where less than 25% of the population still has kinship ties in the second degree, sideways and downward.

Furthermore, in the context of autonomy, regions and villages must have the authority to deal with matters relating to the two groups of needs above. The group of basic needs is almost the same throughout Indonesia, only the gradations of their needs are different. While the needs of developing the business of the population are very closely related to the character of the region, patterns of land use and livelihoods of the population.

In contrast to developed countries where most business development has been carried out by the private sector, then in the country of Indonesia as a developing country, the role of the government is still very much expected to drive community business. The authority to move the business or the economy of the people is still highly expected from the government. Local governments in developed countries are more oriented to providing basic services for the community. For this reason, the Regional Government in Indonesia has the authority (autonomy) to provide basic needs services and economic business development services for local communities.

In providing autonomy for the service of basic needs and services for economic development of the community, there are three things to consider, namely:

1. Economies of scale: that the surrender of affairs will create efficiency, effectiveness and economics in its implementation. This is related to economies of scale in the delivery of services. For this reason, there must be a match between the economic scale and the catchment area (service area coverage). The problem is the extent to which the economies of scale are in accordance with the administrative boundaries of existing local governments. The wider the area needed to achieve economies of scale the higher the authority needed. Airports and ports whose coverage of services between provinces is a national responsibility.

2. Accountability: that the surrender of the matter will create accountability of the local government to the community. This means how to bring the service closer
to the community. The closer the government unit that provides services to the community will further support accountability.

3. Externality: the impact caused by activities that require the service. Externalities are strongly related to accountability. The broader the externality generated will be the higher the authority needed to handle the matter. For example, rivers or forests that have regional externalities should be the responsibility of the Province to take care of them.

4. Implementation of the Village Law on the Organizing Village Government Management through BUMDes

Village government consists of village government and village consultative bodies. The village government consists of the village head and the village apparatus, the village apparatus is a tool for assisting the village head consisting of the village secretariat, field technical implementers such as head of affairs, and territorial elements such as hamlet heads or other designations, consists of village secretaries, the village secretary oversees several sub-affairs heads. Legal basis for management of village government in Indonesia, as follows

1. Law Number 6 of 2014 concerning Villages
2. Government Regulation No. 43 of 2014 concerning Implementation Regulations number 6 of 2014 concerning Villages
3. Government Regulation No. 47 of 2015 concerning Amendments to the Implementation Regulations number 6 of 2014 concerning Villages

As stated in Permendesa PDT dan Transmigrasi No. 4/2015, the establishment of BUMDes aims to:

1. Improve village economy;
2. Optimizing Village assets to be beneficial for the welfare of the Village;
3. Increasing community efforts in managing the economic potential of the Village;
4. Develop a business cooperation plan between villages and / or with third parties;
5. Creating market opportunities and networks that support the public service needs of citizens;

6. Open employment;

7. Improve community welfare through improving public services, growth and economic equality of the village; and

8. Increase the income of the village community and village original income.

4.1. Process and stages of establishment of BUMDes according to village law

The establishment of BUMDes is intended as a joint effort between the community and the village government, to develop the economic potential of the Village and the needs of the community in order to improve the welfare of the entire community and contribute to village income. However, the establishment of BUMDes should be well prepared and mature so as not to cause problems in the future. Villages can establish BUMDes by considering the following:

1. Village Government Initiatives and/or Village Communities;

2. Potential of village economic business;

3. Natural resources in the village;

4. Human resources capable of managing BUMDes;

5. Equity participation from the Village Government in the form of financing; and

6. Village assets that are submitted to be managed as part of the BUMDes business.

Some of the initial preparations that need to be carried out by the Village include:

1. Dissemination of ideas or initiatives to establish BUMDes. This idea or initiative can arise from the Village Government and or the community. Regardless of the initiative if it is felt good for the community, then the key is to be discussed in the Village Conference.

2. Conduct a brief review or study of identifying what potential exists in the village, both the potential of natural resources, the potential of agriculture, livestock, fisheries, tourism, potential culture and traditions, the potential of existing human resources, potential assets and village assets that become village authority;
3. Identifying the assets and wealth in the village, and selecting which are the authorities of the village and which are not over the assets and wealth in the village. Based on the identification, then village regulations were stipulated regarding village assets and assets which were the authority of the village.

The stages of establishing BUMDes can be detailed as follows:

1. Stage I (Pre Village Meeting)
   
   (a) Conduct socialization and assessment of the villagers the opportunity to establish BUMDes
   
   (b) Carry out mapping of assets and needs of residents
   
   (c) Prepare a draft of the Articles of Association and Bylaws of BUMDes
   
   (d) Determine the criteria for management of the BUMDes management organization

2. Stage II (Village Conference)
   
   (a) Deliver the results of mapping and potential types of business
   
   (b) Agree on the establishment of BUMDes in accordance with economic conditions, potential types of business and social culture of the community;
   
   (c) Discuss the Draft Articles of Association and Bylaws
   
   (d) Choosing the management of BUMDes management organization
   
   (e) Source of Capital BUMDes
   
   (f) Establish an Ad-Hock Committee for the formulation of Village Regulations on the establishment of BUMDes

3. Stage III (Post Village Consultation)
   
   (a) Prepare a Draft Village Regulation on the Establishment of the Establishment of a Village-Owned Business Entity that refers to the Village Law, Implementation Regulations and Village Minister Regulations, Development of Disadvantaged Regions and Transmigration
   
   (b) Discussion of the Draft Village Regulation concerning the Establishment of the Establishment of Village-Owned Enterprises
   
   (c) Determination of Village Regulations concerning the Establishment of the Establishment of Village-Owned Enterprises
4.2. The type and status of BUMDes organization

As an organization or public institution that runs village economic development activities, the management of BUMDes must be managed transparently, professionally and equitably. Therefore, the BUMDes management organization is separate from the Village Government Organization. The existence of BUMDes is legally based on the Village Regulation on the Establishment of BUM Des. Permendesa PDT dan Transmigrasi No. 4 of 2015 Article 7 states that BUMDes can consist of business units with legal entities. The existence of a legal entity business unit can be in the form of a business institution whose share ownership comes from BUMDes and the community.

The management structure of the BUMDes management organization consists of: (a) Advisor; (b) Operational Executors; and (c) Supervisors. It was further explained that naming the organizational structure of the organization could use the mention of local names based on the spirit of kinship and mutual cooperation.

BUMDes is a business entity that is determined through Village Regulations based on the results of the Village Conference decisions. This means that the establishment of BUMDes is only based on Village Regulations and does not require ratification of the Notary Deed. Nevertheless, based on Article 7 of Law Number 6 of 2014 concerning Villages, BUMDes can consist of business units with legal entities such as Limited Liability Companies and Microfinance Institutions.

The BUMDes model is similar to a BUMN with the form PERUM or BUMD in the form of PERUMDA, where the legal basis for its formation is regulation, not a Deed such as Company. In Perum or BUMDes, there is a special purpose, namely the total and total ownership of the business by the government for the benefit of the people, not merely for profit. BUMDes can still be owned in part by other than the Village Government.

BUMDes’ initial capital comes from the participation of village capital allocated through the Village Budget (APBDes). The initial capital for BUMDes does not have to originate or be allocated from the Village Fund transfer. The initial capital for BUMDes can be allocated from any funds that have been entered into the village cash account as Village Income in the APB Village.

In the APBDes structure, in the Village Revenue section, it is explained that Village Revenues consist of 7 sources, namely: (1) Village Original Revenue, (2) Village Fund Transfers from the APBN, (3) Parts of the results of regional taxes and Regency/City retributions (At least 10% of regional taxes and levies, (4) Village Fund Allocation (ADD) which is part of the balance fund received by the Regency / City; (5) Financial assistance from the Provincial Regional Revenue and Expenditure Budget and Regional Revenue...
and Expenditure Budget Regency/City; (6) Grants and non-binding donations from third parties; and (7) Other legitimate Village Revenues, for example cooperation with third parties or company assistance/CSR. The types of businesses or businesses that can be developed by BUMDes are as follows:

1. Simple social business (social business) that provides public services (serving) to the community by obtaining financial benefits. This business is an economic business of public service that is social in nature but has a business nuance to the community even though it does not provide maximum benefits. Examples of this type of business are village water management, village electricity, food storage, businesses related to local resources and appropriate technology.

2. Leasing (renting) goods to serve the needs of the village community and is intended to obtain village original income. The types of business that can be done in this business group are transportation equipment rental, tractor rental, party equipment rental, building rental, shop / kiosk rental, rental of village-owned land that has been submitted to BUMDes as Village Capital Participation, etc.

3. Brokering businesses that provide services to residents. BUMDes can act as a marketing institution for agricultural, plantation, animal husbandry, handicrafts, etc. from the community, so that they have no difficulty in marketing their products and commodities.

4. The business produces and/or trades certain items to meet the needs of the community and is marketed on a wider market scale. For example ice factories, agricultural production facilities, livestock businesses, processing of village commodity products, and other productive business activities.

5. A financial business that is intended to meet the capital needs of micro-scale businesses run by economic business actors in the village, with lower interest rates compared to loan sharks or conventional banks, for example Village Banks, Microfinance Institutions, Village Credit, etc.

6. Joint ventures (holding) as the parent of business units developed by the Village community both in the local scale of the Village and rural areas. For example, the village transportation business, especially for villages in isolated areas, village boats, tourist villages, and developing handicrafts typical of medium-scale villages, etc.

The Ministry of Village, PDT and Transmigration encourages BUMDes to move in 5 (five) priorities so that its existence does not kill other businesses that have grown in
the Village (such as cooperatives, SMEs, and individual businesses). The five priority sectors are:

1. Management of natural resources; Examples of BUMDes that manage natural resources include: clean water supply businesses. This region is a coastal area, so the need for fresh water (clean) becomes urgent. Distillation of sea water into fresh water is sought by BUMDes with appropriate technology;

2. Local resource-based processing industry; BUMDes is expected to be able to increase added value through local resource-based economic product business originating from the village. For example, processed agricultural products in the form of intermediate goods and finished goods;

3. Distribution network; an example is the BUMDes business which operates as a distributor of village agricultural products. So that BUMDes can simplify supply chains which ultimately benefit businesses in the village;

4. Financial sector; BUMDes is also expected to play a role in the financial sector, especially to facilitate villagers’ access to capital. An example of the role of BUMDes in the financial sector is establishing a work unit in the form of low interest savings and loans;

5. Public services; BUMDes can move in sectors that concern the livelihoods of many people in the village such as: building a village-scale power plant, providing clean water / drinking water for villagers, transportation equipment, etc.

The establishment of BUMDes must be oriented to:

1. Collective ownership (Village Government and Community) to encourage village economic independence and improve community welfare through participation in economic activities and enjoying the results of economic activities.

2. Not only provides financial benefits (taxes, village original income) but also broad economic benefits (employment, sustainable economy, etc.).

3. Providing services and organizing public benefits for the village community and fostering income.

5. Establishment of BUMDes as a Mandate of Law

The establishment of BUMDes is a village-scale local authority based on the initiative of the Village in accordance with the capabilities, needs and local conditions
of the Village. The establishment of BUMDes is a form of implementation of village authority as stated in the Village Law No. 6 of 2014 concerning Villages, Government Regulation No. 43 of 2014 concerning Implementation Regulations Law Number 6 of 2014 concerning Villages, Village Minister Regulation, Development of Disadvantaged Regions and Transmigration No. 4 of 2015 concerning the Establishment, Management and Management, and Dissolution of Village-Owned Enterprises and Minister of Home Affairs Regulation number 44 of 2016 concerning Village Authority.

What is meant by BUMDes is a Village-Owned Business Entity which according to Law No. 6 of 2014 concerning Villages explains that Village-Owned Enterprises hereinafter referred to as BUMDes are: “Business entities whose entire or part of their capital is owned by the Village through direct participation originating from Village assets separated to manage assets, services and other businesses for the greatest welfare of the village community”. Based on this understanding, BUMDes can be understood as a village business institution that serves as a forum for accommodating economic activities and/or the implementation of public service functions managed by the community and the village government to strengthen the village economy and aimed at maximizing the prosperity of the village community.

The establishment of BUMDes is the mandate of Article 33 of the 1945 Constitution to implement family-based economic management. Encourage every villager to control the running of economic activities at the village level, to ensure the implementation of social protection in the village. The people (residents) of the Village through BUMDes are empowered to manage the economic business autonomously.

BUMDes has differences with economic institutions in general. In addition to improving the welfare of the community, it is also to prevent the development of capitalistic efforts in rural areas that threaten the life and values of mutual cooperation that develop in the village community.

6. Conclusion

Village empowerment as a mandate from law in Indonesia is one of them by establishing village-owned enterprises (BUMDes) as part of the village development process, both in terms of social, economic and cultural aspects. BUMDes and village management as stipulated in village laws have an important and strategic role in realizing the independence and welfare of rural communities. Several models of management and empowerment in various regions can be adopted and used as references in the development of BUMDes based on the uniqueness, success, and resources of the village itself.
Laws and Regulation

Undang-Undang Republik Indonesia Nomor 6 Tahun 2014 Tentang Desa.


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