



REPUBLIC OF INDONESIA



DEVELOPING VILLAGE THROUGH VILLAGE FUND POLICY AND ESTABLISHMENT OF VILLAGE-OWNED ENTERPRISES (*BUM DESA*)

Secretary General

Ministry of Village, Development of Disadvantaged Region, and Transmigration



18th ASIAN GAMES
**Jakarta
Palembang
2018**

DESIGN OF VILLAGE TYPOLOGY IN INDONESIA

KALIMANTAN:

Extremely Underdeveloped Village: 2.497 villages;
Underdeveloped Village: 3.089 villages;
Developing Village: 927 villages;
Developed Village: 66 villages;
Self-Sufficient Village: 1 villages.

SULAWESI:

Extremely Underdeveloped Village: 854 villages;
Underdeveloped Village: 5.161 villages;
Developing Village: 2.582 villages;
Developed Village: 79 villages;
Self-Sufficient Village: 1 villages.

Number of Villages in 2017: 74.910 Villages*

1. **Extremely Underdeveloped Village: 13,453 Villages;**
2. **Underdeveloped Villages: 33,592 Villages;**
3. **Developing Village: 22,882 Villages;**
4. **Developed Village: 3,608 Villages;**
5. **Self-Sufficient Village: 174 Villages.**

SUMATERA:

Extremely Underdeveloped Village: 3.571 villages;
Underdeveloped Village: 13.705 villages;
Developing Village: 5.321 villages;
Developed Village: 395 villages;
Self-Sufficient Village: 13 villages.

MALUKU:

Extremely Underdeveloped Village: 823 villages;
Underdeveloped Village: 988 villages;
Developing Village: 270 villages;
Developed Village: 26 villages;
Self-Sufficient Village: -

JAWA-BALI:

Extremely Underdeveloped Village: 263 villages;
Underdeveloped Village: 6.953 villages;
Developing Village: 12.784 villages;
Developed Village: 2.960 villages;
Self-Sufficient Village: 156 villages.

NUSA TENGGARA:

Extremely Underdeveloped Village: 476 villages;
Underdeveloped Village: 2.570 villages;
Developing Village: 827 villages;
Developed Village: 70 villages;
Self-Sufficient Village: 3 villages.

PAPUA:

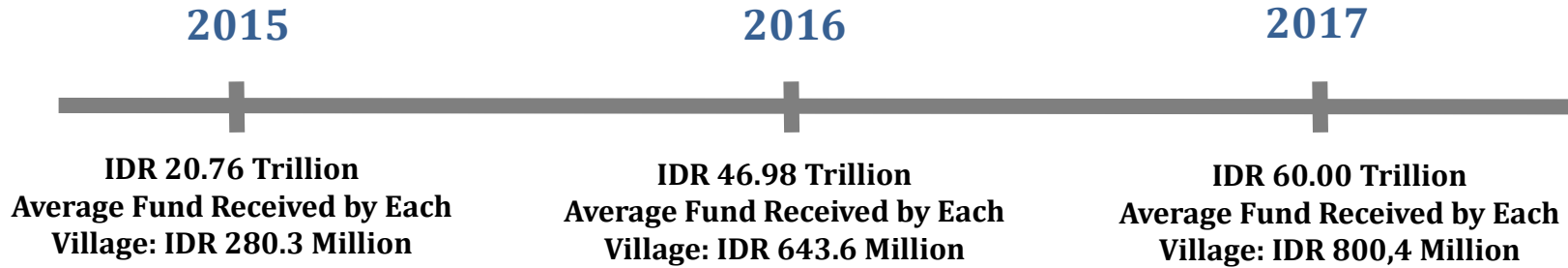
Extremely Underdeveloped Village: 4.960 villages;
Developing Village: 1.126 villages;
Developing Village: 171 villages;
Developed Village: 12 villages;
Self-Sufficient Village: -

OLD VILLAGE VS NEW VILLAGE

CONTEXT	OLD VILLAGE	NEW VILLAGE
Legal protection	UU No. 32 / 2004 and PP No. 72/2005	UU No. 6 / 2014
Main Principle	Decentralization-residual	Recognition-subsidiary
Position	As a government organization within the district / city government system (<i>local state government</i>)	As a community government, a <i>hybrid</i> between <i>self-governing community</i> and <i>local self government</i> .
Position and role of regency/city	Regency/municipality has huge authority in governing and managing villages.	Regency/municipality has limited and strategic authority to manage villages; Including arranging and managing villages in sectors that are not needed to be handled directly by the central government.
Delivery of authority and programs	Target	Mandate
Politics of the place	Location: village as the location of top-down projects	Arena: Village as an arena for the villagers to organize the village government, development, empowerment and community
Position in Development	Object	Subject
Development Model	<i>Government driven development</i> or <i>community driven development</i>	<i>Village driven development</i>
Approach and action	Imposition and sectoral mutilation	Facilitation, emancipation, and consolidation

VILLAGE FUND

POLICY OF VILLAGE FUND



Priority of Village Fund Utilization

According to Village Law No.22/2016 on Priority of Village Fund Utilization in 2017; and Village Law No.4/2017 about Amendment of Village Law No.22/2016 on Priority of Village Fund Utilization in 2017

Village Fund is utilized to implement programs / activities on **village development** and **community empowerment**, especially those that are cross-cutting, which have been agreed in village meetings and published in the public sphere

- a. **Rural Development** concerning on Infrastructure Facilities, Basic Social Services, Village Economic Facilities, Environmental Conservation, Natural Disaster Mitigation;
- b. **Community Empowerment:** Improving Quality of Basic Social Services, Local Resource Management, Productive Economic Business Management, Disaster Capacity Building, Environmental Conservation and Strengthening Democratic Village Governance.

PROCEDURES OF THE VILLAGE DISCUSSION FORUM

1 Activity Planning

The Discussion is prepared by Regional Planning Board (BPD) with planning in the previous year (as a routine activity) or when there is an objective condition

2 Drafting the Topics of Discussion

- *The source of the material to be discussed comes from the aspirations of the community related to the villages development plan*
- *The final material will be submitted head of villages to BPD*

3 Establishment and Legalization of the Committee

BPD establishes and legalizes a Committee chaired by the Secretary of BPD and assisted by KPDM, Members of BPD, Community Elements and villages apparatus.

4 Preparation of the schedule, venue, facilities, and infrastructures of activities

The committee initiates the preparation of activities

5 Preparing the Allocated Budget

The Village's discussion is included in the BPD's operational expenditure.

6 Preparation of the Event and Media of Discussion

This includes copying documents, preparing material summaries, creating live media

7 Inviting Participants, Mentors, and Invitees

The invitation shall be distributed by BPD to the public, through an official invitation to an individual or announced publicly through the village's communication media;

Keterangan:

- BPD: Regional Planning Board ;
- RKP: Gov't Activity Planning;
- KPMD: Cadre of Village Community Empowerment.

Source :
Reg. of MoV No.2 /2015 on Guidelines and Procedures for Decision Conducting the Village Discussion Forum

MECHANISM OF VILLAGE FUND DISTRIBUTION

Source: PMK No.49 / 2016 on Procedures for Appropriation, Distribution, Utilization, Monitoring and Evaluation of Village Fund; and Government Regulation (PP) No.8 / 2016 on the Second Amendment to Government Regulation (PP) No.60 / 2014 on Village Fund Allocated from the State Budget.

From the State General Treasury Account (RKUN) to the Regional General Treasury Account (RKUD)

Executed by Minister of Finance

TERMS OF DISBURSEMENT:

1. Local Government Regulation on Regional Budget;
2. Regent's Regulation on the procedures for the distribution and determination of Village Fund details;
3. Report on realization of the distribution and consolidation of the Village Fund Utilization in the previous year.

PHASE STAGES:

1. Stage 1 → in March (60%);
2. Stage 2 → in August (40%).

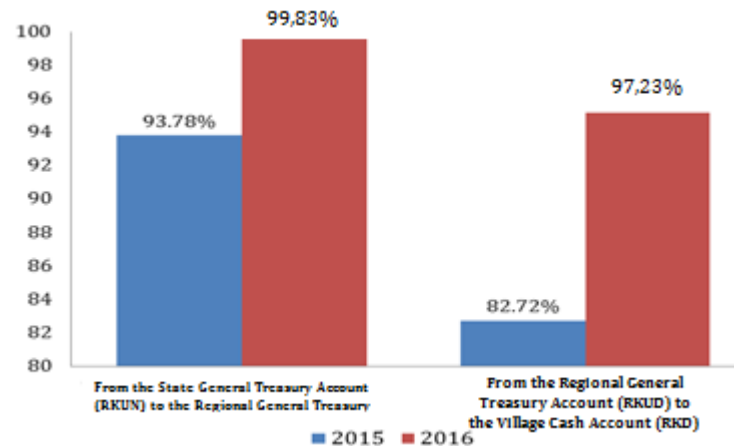
From the Regional General Treasury Account (RKUD) to the Village Cash Account (RKD)

Executed by Regent/Head of District

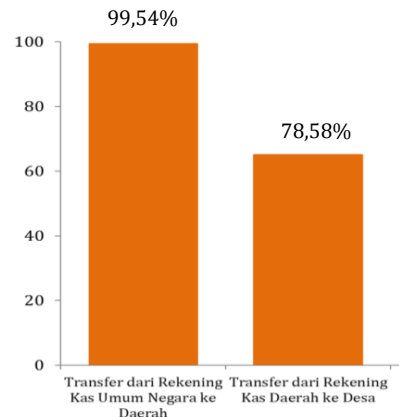
TERMS OF DISBURSEMENT:

1. Village Regulation on Village Budget; and
2. Report on the realization of the Village Fund Utilization in the previous year.

DISTRIBUTION IN 2015-2016



DISTRIBUTION IN 2017, STAGE 1 (IDR 36 TRILLION) As Per July 28, 2017



RESULTS OF VILLAGE FUND UTILIZATION IN 2016

No	Activity	Total (Rp Trillion)	%
1	Basic Needs Fulfillment	2,14	5,90
2	Infrastructure	29,51	81,14
3	Improvement of Local Economy Potential	0,61	1,70
4	Development of Natural Resources & Sustainable Environment	0,90	0,25
5	Community Empowerment	2,58	7,10
6	Organization of Village Government	0,88	2,45
7	Community Development	0,53	1,47

Village Fund Utilization Results which Influence the Economy of the Villagers



Village Roads
66.884 KM



Bridges
511,9 KM



Village Market
1.819 Unit



Moorings
1.373 Unit



Water Reservoir
686 Unit



Irrigation
12.596 Unit

Village Fund Utilization Results that Improve the Quality of Life of the Villagers



Retaining Walls
38.184 Unit



Clean Water
16.295 Unit



Toilet
37.368 Unit



Maternity Clinic
3.133 Unit



Well
14.034 Unit



Drainage
65.998 Unit



Preschool
11.296 Unit



Posyandu
7.524 Unit

VILLAGE-OWNED ENTERPRISE
(BUM Desa)

BUM DESA AS VILLAGE ECONOMIC GENERATOR

Issues on Village Economic Institutions:

- Low economic scale;
- Limited funding access which tend to use “*ijon*” system;
- Low access to market and low bargaining;
- Low application of technology.



Effects:

- High production cost;
- The selling price of production is not competitive;
- Low market penetration.

“ECONOMIC STAGNATION”



Functions of *BUM Desa*:

1. Provide funding;
2. Increase production capacity;
3. Expand market access.

Objectives of *BUM Desa*:

Increasing of investment value; Increasing of added value; Expansion of marketing; and Increasing of competitiveness

Scope of Activities of *BUM Desa*:

1. **Service Unit** (Public Service and Distribution of Government Aid);
2. **Business Unit of Trade and Services** (Production of Goods and Reduce Logistics Chain);
3. **Financial Institution in Village** (Promoting *Financial Inclusion* in Villages).



Increasing productivity


Creating New Business Field

Increasing income

ESTABLISHMENT OF BUM villages

Village-owned Enterprises (*BUM villages*) is a business entity whose capital is wholly or mostly owned by village through direct participation derived from part of the village's wealth to manage assets, services and other businesses for the greatest welfare of the village community.

Mechanism on the Establishment of BUM villages



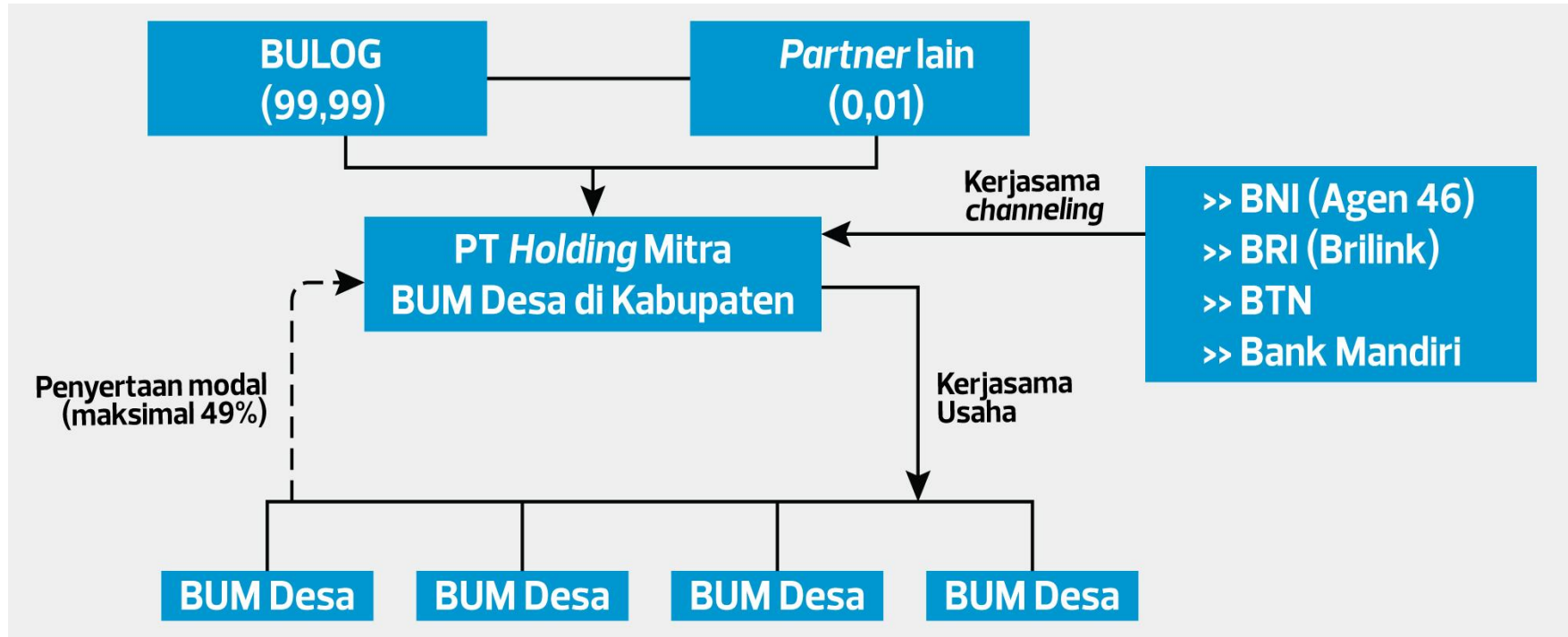
The legal basis for the establishment of BUM villages is found in Permendesa No.4 / 2015 On the establishment, management and dissolution of BUM villages.

- **Establishment of BUM villages must be agreed through village meeting and deliberation**
- **Result of Village Meeting shall be formulated into an agreement on BUM villages management organization; BUM villages's venture capital; and Statutes/Bylaws of BUM**

Determination of Village Regulation on BUM villages

BUM DESA HOLDING

BUM Desa Holding is established as a collaborative arrangement between private, government and BUM Desa that can solve BUM Desa's problems such as limited capital and investors, low business market share, underdeveloped business operational management, unqualified human resource competence and technological infrastructure, or Potential "moral hazard" of BUM Desa by Village Head and private.





REPUBLIC OF INDONESIA



THANK YOU

Secretary General

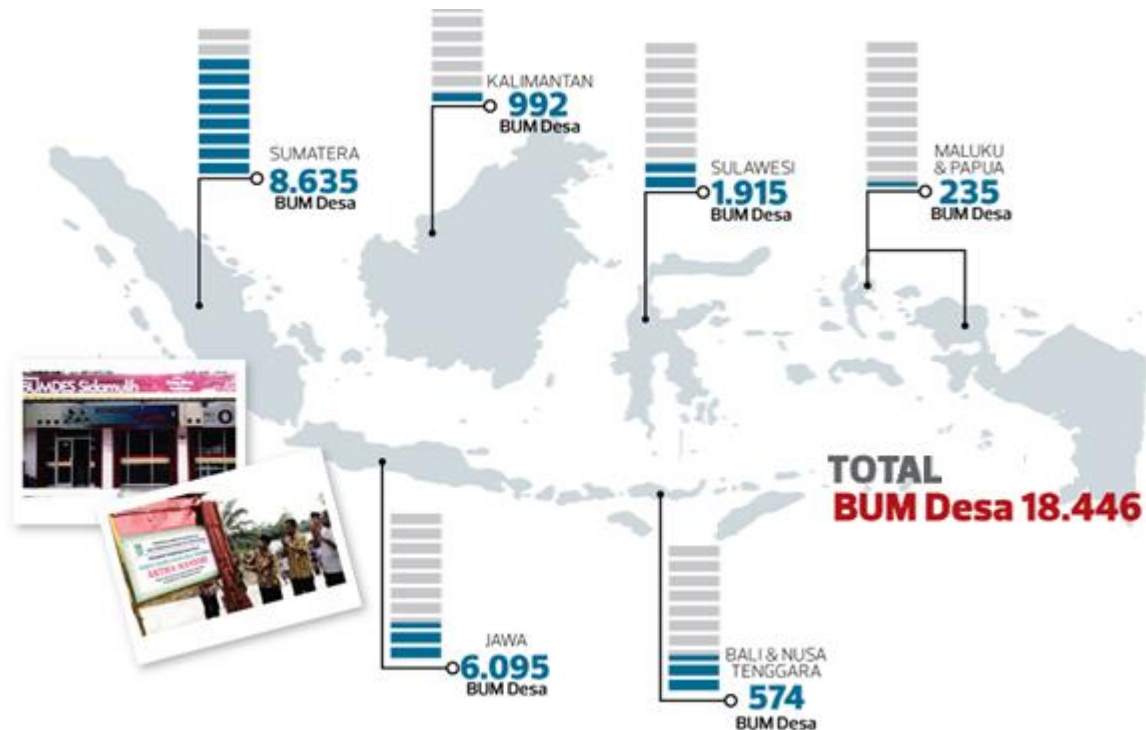
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ANNEX

DEVELOPMENT OF *BUM DESA* IN 2017

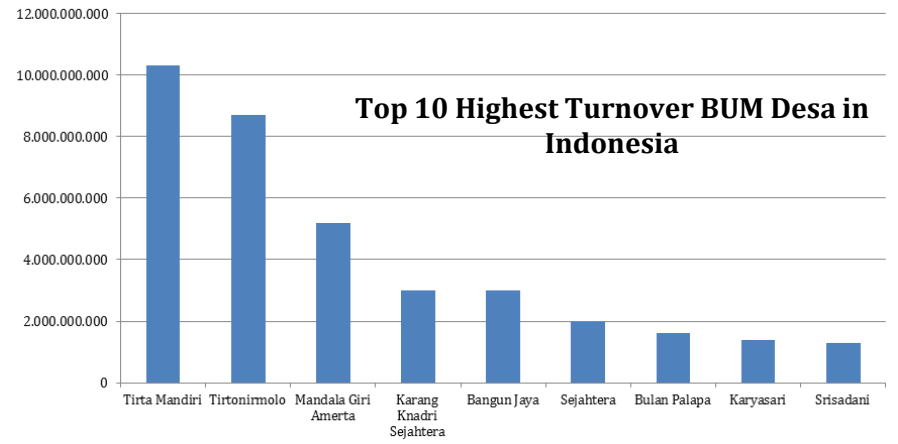


NO	PROVINCE	NUMBER OF BUM villages
1	Nangroe Aceh Darusalam	6.728
2	Sumatera Utara	430
3	Bali	336
4	Bangka Belitung	19
5	Banten	146
6	Bengkulu	360
7	D.I Yogyakarta	148
8	Gorontalo	68
9	Jambi	11
10	Jawa Barat	2.964
11	Jawa Tengah	1.413
12	Jawa Timur	1.424
13	Kalimantan Timur	369
14	Kalimantan Tengah	256
15	Kalimantan Selatan	160
16	Kepulauan Riau	20
17	Lampung	255
18	Maluku	76
19	Nusa Tenggara Barat	178
20	Riau	319
21	Sulawesi Selatan	313
22	Sulawesi Tenggara	259
23	Sulawesi Tengah	496
24	Sulawesi Utara	629
25	Sumatera Barat	339
26	Sumatera Selatan	154
27	Nusa Tenggara Timur	60
28	Kalimantan Barat	152
29	Kalimantan Utara	55
30	Maluku Utara	134
31	Papua	10
32	Papua Barat	15
33	Sulawesi Barat	150
TOTAL BUMDESA		18.446

In the last 2 years, the number of *BUM villages* has been increasing sharply. **By the end of 2014, there were only 1,022 Units of *BUM villages* developed, but until early 2017 it increased drastically to 18,446 Units.**

NO	DISTRICT/CITY	VILLAGE	NAME OF BUMDESA	TYPE OF BUSINESS	ANNUAL TURNOVER
1	Bantul	Tirtinirmolo	Tirtonirmolo	Loan & Savings	8.700.000.000
2	Buleleng	Tajun	Mandala Giri Amerta		5.179.000.000
3	Klaten	Pongkok	Tirta Mandiri	Pool & Tourism Services	10.300.000.000
4	Cilacap	Karang Kandri	Karang Knadri Sejahtera	Supplier for Steam Powered Generator	3.000.000.000
5	Kampar	Rokan Hulu	Bangun Jaya	Plantation and Loan & savings	3.000.000.000
6	Gunung Kidul	Bleberan	Sejahtera	Tourism Services	2.000.000.000
7	Bangli	Landih	Bulan Palapa	Ranch	1.600.000.000
8	Buleleng	Pakistan	Karyasari		1.400.000.000
9	Bojonegoro	Kedungprimpen	Srisadani	Pumping, Renting	1.300.000.000
10	Buleleng	Tunjung	Tunjung Mekar		1.300.000.000
11	Karangasem	Bebandem	Bandem Jagadhita	Ranch and Agriculture	1.200.000.000
12	Buleleng	Pacung	Kencana Bumi Sejahtera		1.160.000.000
13	Buleleng	Bulian	Gunung Sarimas		1.121.000.000
14	Buleleng	Patas	Amartha		1.100.000.000
15	Bangli	Pengotan	Pengotan	Loan & Savings	1.050.000.000
16	Bangli	Kutuh	Kutuh Lestari		1.040.000.000
17	Kebumen	Karang Duwur	Karang Duwur	Tourism Services	1.000.000.000
18	Bogor	Sukamanah	Sukamanah	Water Management and Loan & Savings	1.000.000.000
19	Flores Timur	Kenere	Kenere	Loan & Savings	900.000.000
20	Sukabumi	Nyalindung	Panva Karya Sejahtera	Agriculture	800.000.000
21	Dharmas Raya	Ranah	Koto Ranah Sakti	Loan & Savings and Trading	700.000.000
22	Bojonegoro	Kedungarum	Jaya Tirta	Pumping	600.000.000
23	Malang	Banjarejo	UPK Makmur	Water Management Service	550.000.000
24	Bojonegoro	Sugiwaras	Sugiwaras	Agriculture and Loan & Savings	550.000.000
25	Taban	Ngadipuro	Sejahtera	Pumping & Ranch	520.000.000
26	Kuningan	Lengkong	Langgengkamulyan	Micro Finance and Ranch	500.000.000
27	Malang	Randugading	Hipam Sumber Guwo	Water Management Service	500.000.000
28	Serang	Beberan	Maslahat	Loan & Savings, Groceries, Transportation & Expedition Service	500.000.000
29	Tangerang	Cangkudu	Cangkudu Cipta Mandiri	Loan & Savings	500.000.000
30	Lampung Selatan	Bumiasih	Bumiasih	Waste Bank and Loan & Savings	500.000.000
31	Indragiri Hilir	PekanTua	Harapan Barokah	Village Market Management and Loan & Savings	500.000.000
32	Tulungagung	Tanggunggunung	Graha Lestari	Agriculture & Ranch	400.000.000
33	Tulungagung	Gondang	Al- Hidayah	Blacksmith	350.000.000
34	Lamongan	Beransi	Bumi Lestari	Marketing Service	350.000.000
35	Blitar	Tegalrejo	Barokah	Loan & Savings	350.000.000
36	Pangandaran	Kertayasa	Guha Bau	Tourism Service	300.000.000
37	Sumedang	Ganeas	Ganeas Sejahtera	Agriculture & Ranch	300.000.000
38	Bandung	Sukamenak	Sukamenak	Water Management	300.000.000
39	Cirebon	Cikeusal	Karya Mandiri	Loan & Savings	300.000.000
40	Majalengka	Weragati	Bina Mandiri	Agriculture	300.000.000

SEVERAL BUM DESAS WITH 300 MILLIONS OR HIGHER TURNOVER



1. Based on data from Ministry of Village, DDRT in 2016, some developing *BUM Desa* earn between 300 million-10 billion turnover.
2. *BUM Desa* which has the highest turnover in 2016 is *BUM Desa* in Pongkok Klaten which earned IDR 10.3 Billion with its business in tourism sector
3. Followed by *BUM Desa* Tirtonirmolo Bantul (savings and loan) with a turnover of 8.7 billion.

SUCCESS STORY OF *BUM DESA* IN PONGGOK-KLATEN



Water Tourism Destination



Bottled Drinking Water Factory



Microfinance



Village Stores



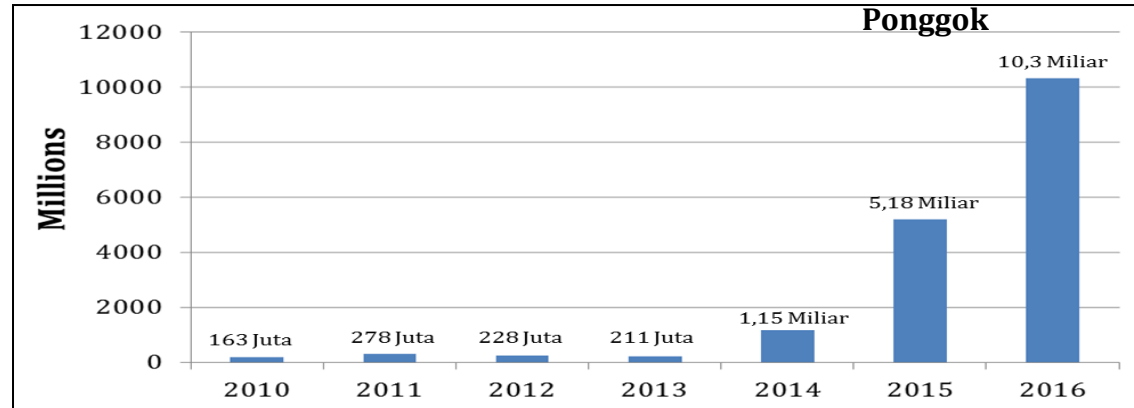
Red Tilapia Fish Farming



Education & Health Insurance Program



Foodcourt at Umbul



Total income of BUM villages Tirta Mandiri increase significantly every year. The BUM villages Profit Allocation is used to finance the featured activities in Ponggok Village: the provision of education funds (*Kartu Cerdas* villages), health insurance (Child Health Card), distribution of fund through the village *zakat* institution, etc.

SUCCESSFUL DEVELOPMENT OF BUM DESA PANGGUNG HARJO-BANTUL

1. BUM Desa Panggungharjo was founded in 2015 and now their assets have reached Rp 860 Million;
2. In 2016, BUM Desa Panggungharjo's reached Rp. 3 billion in turnover and was able to contribute up to Rp 80 Million per month to Region-generated revenue;
3. Their businesses are: waste management, management of used cooking oil, organic waste recycle, village outlets, local craft, village's land cultivation, 'ruko' rental, gas station, etc. ;
4. BUM Desa earned around Rp. 1.64 million of monthly profit from waste management business. While for used cooking oil management, BUM Desa can earn Rp. 230 million net profit (in 2016, BUM Desa bought used cooking oil from the community for Rp. 4,000 and after they processed it into bio diesel, they sold 32 tons of it to Danone for Rp. 7,250/lt.



Waste Management



Store Renting

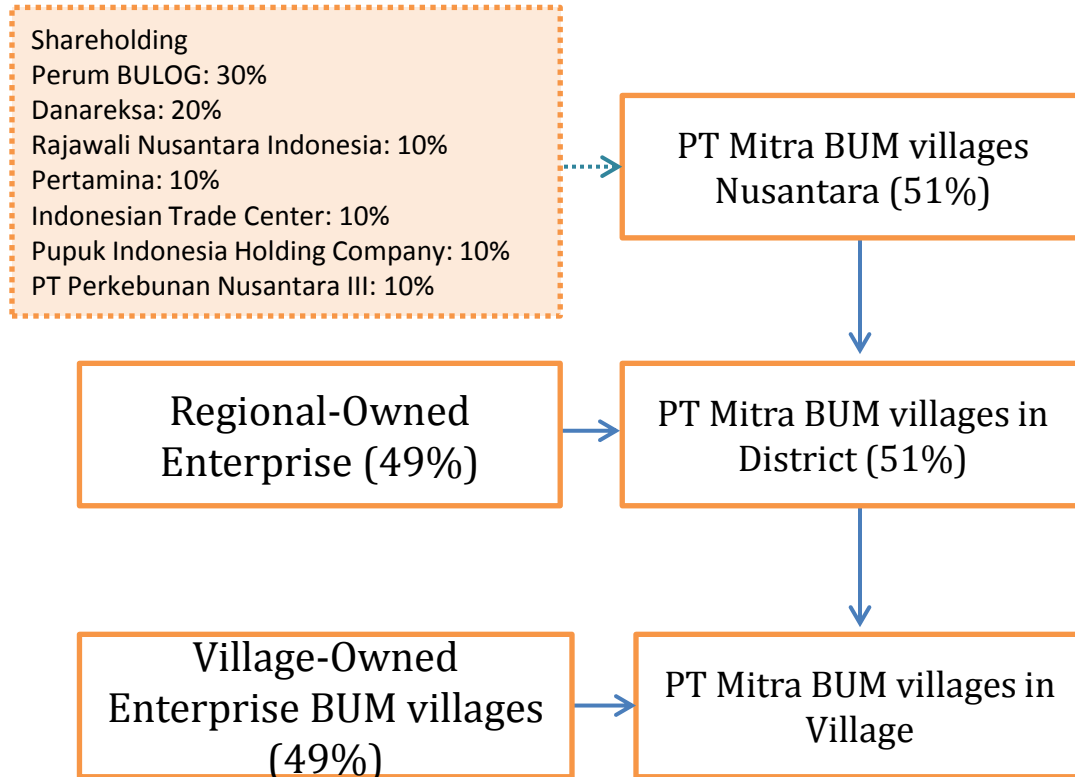


Management of Village Land Bank



Gas Station

ESTABLISHMENT OF PT MITRA BUM villages



- **Establishment of PT Mitra BUM villages Nusantara;**
- The role of PT Mitra BUM villages Nusantara:
 1. **Aggregator:** improving the economics of BUM villages, marketing efficiency, production, operations, capital and expansion of investment networks and business scale;
 2. **Off Taker from BUM villages production:** ensuring absorption of agricultural and livestock products from BUM villages, increasing market share and optimizing product marketing;
 3. **Operational Supervision:** standardization of product quality, procedures and operations of BUM villages, improvement of human resources competence and development of Good Corporate Governance.