



IMPLEMENTATION OF NORTH BENGKULU REGIONAL REGULATION NUMBER 5 OF 2021 CONCERNING REGIONAL CAPITAL INCLUSION IN PDAM TIRTA RATU SAMBAN

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ARTICLE INFORMATION

Received: January 29, 2024

Revised: March 25, 2024

Accepted: April 19, 2024

Available online: April 29, 2024

KEYWORDS

**Implementation , Control Systems,
and Government Internal**

CORRESPONDENCE

Master of Public Administration

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A B S T R A C T

PDAM Tirta Ratu Samban in North Bengkulu is a Regional Owned Enterprise (BUMD) that provides clean water services to continuously meet the community's needs. It prioritizes service distribution while considering affordability based on good corporate governance. Moreover, it aims to benefit network development without neglecting social functions for the prosperity of North Bengkulu residents. This scientific article aims to explore the implementation of North Bengkulu Regional Regulation Number 5 of 2021 concerning Regional Capital Inclusion in PDAM Tirta Ratu Samban. Descriptive qualitative methods were employed in writing this article. The conclusions drawn from the issue revolve around the targets to be achieved through the formation of Regional Regulations concerning Equity and Additional Capital Participation in PDAM Tirta Ratu Samban, North Bengkulu Regency. These include enhancing business capacity, strengthening the capital structure of PDAM Tirta Ratu Samban, and providing legal certainty regarding regionally owned goods used as objects of regional government capital participation.

INTRODUCTION

One of the efforts to realize good governance is through the national economic development system. Economic development represents the state's participation in economic development endeavors to enhance community welfare. Jhon Maynard Keynes argued that state participation is a response to market imperfections, demanding a larger role of government as an agent of development, including in government investment

management (Sastradipoera, 2007). Since the era of reform, the government has been urged to continuously improve national development, ensuring its reach extends to regional levels across Indonesia. The optimal operation of governmental functions requires adequate resources allocated to regions. Regional autonomy has become a significant step towards strengthening development. Regional autonomy policies are aimed at optimizing governance within an ideal working scope across various dimensions. Extensive and



comprehensive autonomy creates opportunities for regional governments to optimize public services, develop regional potentials, and enhance local community empowerment on a larger scale. Regional autonomy provides significant opportunities for regions to enhance their financial performance. Regions have the authority to manage and enhance their local resources (Setiaji & Adi, 2007). According to Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, hereinafter referred to as Regions, autonomous regions are legal entities with defined boundaries, authorized to regulate and manage governance affairs and local community interests based on their own initiatives and the aspirations of the people within the framework of the Unitary State of the Republic of Indonesia. Various opinions on regional autonomy suggest that it offers opportunities for each region to develop according to its capabilities in efforts to increase revenue. Therefore, the management and enhancement of local resources are essential. Article 18 paragraph 1 of the 1945 Constitution of the Republic of Indonesia divides the Unitary State of the Republic of Indonesia into provinces and further divides provinces into regencies and cities, each with its own regional government, regulated by law. According to Law Number 23 of 2014 concerning Regional Governments, regional governments, led by regional heads, as the implementing organs of regional governance, lead the implementation of regional affairs. Regional governance entails the administration of government affairs by regional governments and Regional People's Representative Councils based on the principles of autonomy and delegated duties within the framework and principles of the Unitary State of

the Republic of Indonesia. Law Number 23 of 2014 concerning regional governments classifies governance affairs into three categories: mandatory affairs, concurrent affairs, and general affairs. Concurrent affairs include basic services and non-basic services, where regional government investment or regional capital participation in Regional Owned Enterprises falls under non-basic services. Regional regulations are local legal products created by regional heads and Regional Representative Councils. The content of regional regulations must not contradict higher-level regulations, and their scope must not extend beyond their respective regions. A significant authority of a region is the power to establish regional regulations (Irwan, 2011). Furthermore, according to Taliziduhu (2006), regional regulations as legal products of regional governments must address all issues and aim to solve social problems. The formulation process should not only focus on formulation but also on implementation, ensuring that regional regulations meet expectations. A good regional regulation is visionary, with a missionary function; throughout the process, stakeholder aspirations are accommodated, academic studies are conducted professionally, and truth is valued over justification.

Regional Owned Enterprises (BUMDs) are local government-owned enterprises aimed at generating local revenue (PAD) (Agustina & Hidayat, 2014). Establishing BUMDs is a fundamental step in regional development at both provincial and district/city levels across Indonesia. To maximize the benefits and profits of managing BUMDs/regional enterprises, a strong entrepreneurial spirit among regional governments (executive authorities) as the main shareholders of BUMDs/regional enterprises is



crucial (Sudarno et al., 2010). BUMDs play a vital role in driving local economies and contribute to regional revenue. This can be achieved through diligent implementation of regional regulations.

MATERIALS AND METHODS

This scientific article aims to explore the implementation of North Bengkulu Regional Regulation Number 5 of 2021 concerning Regional Capital Inclusion in PDAM Tirta Ratu Samban. Descriptive qualitative methods were employed in writing this article. The conclusions drawn from the issue revolve around the targets to be achieved through the formation of Regional Regulations concerning Equity and Additional Capital Participation in PDAM Tirta Ratu Samban, North Bengkulu Regency. These include enhancing business capacity, strengthening the capital structure of PDAM Tirta Ratu Samban, and providing legal certainty regarding regionally owned goods used as objects of regional government capital participation.

RESULTS AND DISCUSSION

Based on Government Regulation of the Republic of Indonesia Number 54 of 2017 Article 7 concerning Regional-Owned Enterprises (BUMD) asserts that the establishment of BUMD aims to provide benefits to regional economic development and provide quality products and services to meet the needs of the public in line with the conditions, characteristics, and potential of the region, or provide general benefits in the form of regional services based on good corporate governance and to obtain profits and/or benefits. This is in line with the objectives of BUMD in Provincial Regulation of

Bengkulu Number 1 of 2020 concerning Regional-Owned Enterprises, Article 2.

In order to achieve regional financial independence, namely the independence of management and regional resources and revenues, steps taken include increasing regional economic growth and improving services to the community. Improvements in services to the community, in addition to being carried out by departments and agencies, are also carried out by Regional-Owned Enterprises (BUMD). One way to improve the service capabilities of Regional-Owned Enterprises (BUMD) to the community is through capital participation in one of the Regional-Owned Enterprises (BUMD) (Journal of Economics and Banking, 2020). The role of BUMD in increasing regional revenue is very important, thus supporting capital participation for service improvement is necessary.

The general definition of capital participation is an effort to own a new or existing company by making capital injections into the company. Regional Capital Participation is the separation of state wealth from the State Revenue and Expenditure Budget or the establishment of company reserves or other sources to be used as capital for state-owned enterprises and/or other limited liability companies, and managed corporately (djkn.kemenkeu.go.id, 2020).

Then the purpose of North Bengkulu Regency's Regional Capital Participation in the Tirta Ratu Samban water company based on Regional Regulation No. 1 of 2022 is as a form of responsibility and investment by the regional government to participate in the management of providing healthy and quality clean water services to the community.



The objectives of capital participation in North Bengkulu Regional Regulation No. 5 of 2021 concerning capital participation in regional-owned enterprises are for network development and expansion, and improving the welfare of the community. Through this capital participation, it is hoped that North Bengkulu Regional-Owned Enterprises, including PDAM Tirta Ratu Samban, can become drivers in regional economic development.

The community's demand for goods and services provided by the public sector companies continues to increase with the development of time and the increase in population. The increasing demand requires the government to improve the quality of goods and services provided in order to achieve the goals of public sector companies.

Regional Water Company (PDAM) is a government-owned enterprise that performs the function of providing clean water needs for the community. It is expected to provide equitable access to clean water to all layers of society, support business development, and establish tariff structures adjusted to the community's ability. This means that PDAM has two functions, namely serving the community and increasing regional revenue (Alhabsji et al., 2001).

Regional Water Company is one of the Regional-Owned Enterprises (BUMD) engaged in providing clean water for community needs. The existence of Regional Water Company as a public service element must prioritize social aspects. This is reflected in the pricing policy, which considers the community's ability, but behind its function as a public service element, it is also not separated from the economic dimension, namely seeking profits, as it is one of

the sources of Regional Original Revenue (Maemunah, Sri. 2004).

Based on North Bengkulu Regional Regulation No. 1 of 2022, the purpose of establishing the Tirta Ratu Samban Regional Water Company in North Bengkulu is to provide clean water services to meet the community's needs continuously by prioritizing service distribution, considering community affordability based on good corporate governance. Furthermore, to provide benefits for network development without ignoring social functions for the prosperity of North Bengkulu's community. On the other hand, by selling clean water, this PDAM is also expected to be efficient and capable in network development.

The enactment of North Bengkulu Regency Regulation Number 5 of 2021 concerning Capital Participation in Regional-Owned Enterprises includes in the Regional Water Company Tirta Ratu Samban North Bengkulu with the aim of strengthening the capital structure to obtain economic, social, and other benefits, expand services, and business development. Capital participation can be in the form of money and goods.

The research results from Evin, et al., 2023 in the journal titled "Development Strategy of Regional-Owned Enterprises in Bengkulu Province" found that from the assessment of respondents, it was found that the parameter of government capital participation ranked first with an average value of 2.71. The value of respondent answers falls into the moderate category. This result illustrates that Bengkulu Province has the potential for moderate/regional-owned enterprise development supported by government capital participation. Other supporting potentials such



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as supervision by government organizations over regional-owned enterprises, distribution networks for products/services to consumers, the performance and capacity of company directors, and the types of businesses managed by regional-owned enterprises in Bengkulu Province at present. To exploit these potentials, there needs to be periodic and continuous potential identification efforts.

In his article entitled "Breaking the Shackles of BUMD" Sunarsip (2009) stated that Regional-Owned Enterprises in Indonesia still face many complex and difficult problems. The problems mentioned are in terms of governance, BUMD institutions are still treated the same as government institutions, even though BUMD is not a government institution; the lack of equal treatment for BUMD (i.e., companies that are required to profit) causes BUMD to be unable to compete fairly with state-owned enterprises and more agile private enterprises. Furthermore, the lack of capital due to the lack of attention from the owner (in this case, the regional government), even if there is more attention, still has to face political obstacles, due to the wrong interpretation of regulations by DPRD politicians, resulting in the process of strengthening BUMD capital becoming inefficient.

Meanwhile, Afandi (2013) in his article entitled "Orphaned Children Named BUMD" highlights BUMD which does not yet have its own legal umbrella. Since 2006, the BUMD Bill has been included in the National Legislation Program, but in the last few years it has disappeared from the list. Furthermore, Afandi (2013) stated that several regions have addressed this legal umbrella issue by making BUMD limited liability companies. This method provides legal certainty to BUMD managers and

makes BUMD business movements more flexible and agile. The problem is, many regional heads are reluctant to make BUMD limited liability companies. The reason is that BUMD is feared to be unable to perform public service functions because it must be managed with a purely business approach.

In addition to the problem of the lack of legal umbrella, Afandi (2013) also highlights the potential of BUMD to become a regional economic driver (economic engine). According to him, BUMD can be an instrument for carrying out public service functions more quickly and at the same time becoming an economic growth engine in the region. However, this role can only be felt when BUMD is managed properly and professionally. A healthy and professionally managed BUMD is very likely to be one of the sources of regional original income BUMD obtains capital from regional capital participation, which can be sourced from the Regional Revenue and Expenditure Budget and/or conversion from loans; loans sourced from the region, other Regional Owned Enterprises, and/or other sources in accordance with prevailing regulations; grants that can be sourced from the central government, regions, other Regional Owned Enterprises, and/or other sources in accordance with prevailing regulations; and other sources of capital that can be sourced from capitalization of reserves, revaluation gains on assets, and share premiums. Capital of BUMD sourced from regional capital participation constitutes the limit of the region's liability for BUMD losses.

Regarding the substance of regional capital participation, it is regulated in the second part of the section on BUMD Capital. Regional capital participation is carried out for the establishment of BUMD, capital injection for BUMD, and



purchase of shares in other regional state-owned enterprises, as stipulated by Regional Regulations. It can take the form of money and goods owned by the region, with the provision that regional goods are valued in accordance with the real value at the time the regional goods are used as regional capital participation. This real value is obtained by interpreting the price of regional goods in accordance with prevailing regulations.

Regional capital participation in the context of capital injection for BUMD is carried out for business development, strengthening of capital structure, and assignment by the regional government. Assignments to BUMD must be adjusted to the type of assignment by the regional government and the objectives of BUMD. Regional capital participation for capital injection for BUMD is carried out after investment analysis by the regional government and the availability of a business plan for BUMD, which details activities for a minimum period of 3 (three) years (business plan).

The most important philosophical foundation to be used as a reference in this context is the opening of the 1945 Constitution which has the spirit of a welfare state. It is emphasized in the fourth clause that the Indonesian government protects all Indonesian citizens and the entire Indonesian bloodline and advances the general welfare, enriches the life of the nation, and participates in implementing world order based on freedom, eternal peace, and social justice. The clause advancing the general welfare is considered to have a very close correlation with the conception of the welfare state. This stems from the substance of the concept of the welfare state which assumes that the state government is responsible for ensuring a minimum standard of living for

every citizen. Pierson mentions that the term welfare in the construction of the welfare state contains at least 3 (three) sub-classifications, namely: first, social welfare, which refers to collective welfare acceptance. Second, economic welfare, which refers to security guarantees through markets or the formal economy. Third, state welfare, which refers to social welfare service guarantees through state agents.

G. Esping Andersen as quoted by Darmawan Triwibowo and Sugeng Bahagijo view the welfare state as a form of active state role in managing and organizing the economy, which also includes the state's responsibility to ensure the availability of basic welfare services to a certain extent for citizens. The state is required to intervene in various social and economic issues to guarantee the creation of shared prosperity in society. Consistent with Anthony Giddens' opinion, that the role of the state in the concept of the welfare state tends to be interventionist, meaning that the state will always be involved in every movement and step of society for the purpose and goal of improving general welfare.

The above description indicates that the welfare state desires the state to play an active and direct role in rectifying market imperfections in providing social services that are the rights of citizens, thus causing injustice. The state is required to be actively present in ensuring social stability in achieving the welfare of its citizens.

The aspirations of the welfare state contained in the national objectives as mentioned in the Fourth Clause of the 1945 Constitution are then translated into various legal policies, as well as the formation of certain bodies that contribute to market control and social stability to achieve general welfare. One



form of this is the existence of State-Owned Enterprises in the context of the central government and Regional Owned Enterprises in the context of regional governments.

The establishment of government-owned enterprises is a concrete form of state involvement in the context of community economics and balancing market forces, so its management mechanism follows good corporate governance, but still focuses on public service and community welfare. Even after the reform era, regions with autonomy are given a very wide space to manage Regional Owned Enterprises, in the form of regional public companies and regional limited liability companies. Regional public companies are mainly formed in the public sector related to basic rights services for citizens, such as regional public water companies. This is expected to enable regions to have strong control, considering that the entire capital of public regional companies is owned by regional governments.

On the other hand, the management of regional public companies will also certainly depend heavily on regional governments, including in the context of the amount of its capital. This means that the government at the same time has a great responsibility to participate in the management of regional public companies. Therefore, it is important for regional governments to provide affirmation for regional public companies, especially in the field of capital. This form of state responsibility is actualized in the regional government's capital participation in the Regional Water Company, with its determination through this regional regulation being the background for the preparation of this academic manuscript.

The target to be achieved by the formation of the Regional Regulation on Participation and Addition of Capital Participation in the Regional Water Company of Tirta Ratu Samban North Bengkulu Regency is first, to increase business capacity and strengthen the capital structure of the Regional Water Company of Tirta Ratu Samban North Bengkulu Regency, so as to improve the efficiency and effectiveness of company management. Second, to provide legal certainty regarding the status of regional goods that will be used as objects of regional government's capital participation, so that these regional goods become part of the company's capital. It is hoped that the aforementioned regional goods can be immediately utilized and operationalized according to their intended purposes.

CONCLUSION

The target to be achieved by the formation of the Regional Regulation on Participation and Addition of Capital Participation in the Regional Water Company of Tirta Ratu Samban North Bengkulu Regency is first, to increase business capacity and strengthen the capital structure of the Regional Water Company of Tirta Ratu Samban North Bengkulu Regency, so as to improve the efficiency and effectiveness of company management. Second, to provide legal certainty regarding the status of regional goods that will be used as objects of regional government's capital participation, so that these regional goods become part of the company's capital.

Recommendations Comprehensive oversight and evaluation of the utilization, operation, and maintenance of regional goods facilities that become capital of the Regional Water Company of Tirta Ratu Samban North



Bengkulu Regency are needed to provide real impact on public infrastructure.

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