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Legal Consequences of Status Change Regional Drinking Water Company (Case Study in PDAM East Lombok District)

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Abstract: The purpose of this research is to analyze the legal consequences for Regional Drinking Water Companies that have not adjusted the legal form in accordance with statutory regulations, and what factors influence the of Regional Drinking Water Companies into Perseroda. This research uses a normative empirical method with a case study approach. Data was obtained through document studies, interviews with relevant parties, and direct observation of the operations of PDAM East Lombok Regency before the change in status. The analysis was conducted by comparing regulations governing PDAMs, such as Law Number 23 of 2014 concerning Regional Government and related regional regulations. The types of data used are secondary data and primary data. Secondary data is library data sourced from primary, secondary and tertiary legal materials. The conclusion of this research is that the legal consequences for regional drinking water companies that have not adjusted their legal form in accordance with Law Number 23 of 2014 concerning Regional Government will experience legal consequences that cannot obtain financial support and cannot obtain capital participation from the local government.

Keywords: Legal Entity Status, Legal Effects, BUMD

INTRODUCTION

Since the enactment of Law Number 23 of 2014 concerning Regional Government as amended several times last by Law Number 9 of 2015, Regional-Owned Enterprises (BUMD) have only been clearly defined, namely in Chapter XII concerning BUMD. Based on Article 402 paragraph (2) of the 2014 Law on Regional Government, it reads "BUMDs that have existed before this Law comes into effect, must adjust to the provisions in this Law within a maximum period of 3 (three) years from the enactment of this Law".

From the sound of the article, regionally-owned companies that have started operating before this Law comes into force, are required to adjust to the provisions of the Law within a maximum period of three years from the time the Law comes into force. What must be adjusted is the change in the legal entity of a regionally-owned company which is still called BUMD to PERUMDA (Dzaki Dwi Atma and Rommy Patra; 2023).

One of the fundamental implications in the implementation of Regional-Owned Enterprises on the legal position of Regional Companies is that the legal form must be immediately adjusted to become PERUMDA OR PERSERODA.

In connection with what is stated above, the urge to change the legal form of PDAM has become stronger since the enactment of Government Regulation No. 54/2017 on Regional-Owned Enterprises, one of which regulates the Restructuring of BUMD, whether to choose the form of Regional General Company or the form of Regional Company.

Article 331 paragraph (3) of Law No. 23 Year 2014 on Regional Government states that BUMD consists of Regional public companies and Regional corporate companies. The establishment and change of status of BUMD must go through the mechanism of Regional Regulations at both the Provincial and Regency/City levels. This means that in 2017 all BUMDs should have adjusted their legal form to be as mandated by the Law, regardless of the possible ignorance of the lawmakers regarding the dynamics of regional companies in the regions and whether they are able to simultaneously fulfill the mandate of the law, but the fact is that until 2024 there are still BUMDs that have not explicitly changed their legal form.

Based on the background description above, there are several problems examined in the research, namely what are the legal consequences for Regional Drinking Water Companies (PDAMs) that have not adjusted the legal form according to statutory regulations? and what factors cause PDAM East Lombok Regency not to change its form PERUMDA according to statutory regulations.

METHOD

The type of research conducted by the author is normative-empirical research, which is legal research that not only examines the norm system in laws and regulations, but also observes the reactions and interactions that occur when the norm system works or is applied in society as the object of study.

The approach method used in this research is The Statute Approach and Conceptual Approach (conceptual) depart from the views and doctrines that develop in legal science.

The data sources in this research consist of: a) Primary data in legal research is data obtained mainly from empirical research, namely research conducted directly in the community (Mukti Fajar & Yulianto Achmad; 156; 2010). Primary data sources are data taken from the source or from the field, through interviews with interested parties or respondents who can provide the information needed related to the problem to be studied, b) Secondary data serves as a complement or support for primary data. According to Soerjo Soekamto states that secondary data is data which includes, among others, official , books, and even research results in the form of reports (Soejono Soekamto, 12, 2007).

Primary data collection techniques through interviews and observations. In the interview, the researcher has first made preparations by making questions that will be asked to the source directly. Secondary data collection techniques through literature study of legal materials, both primary, secondary and tertiary legal materials.

After collecting data, the author compiles the data systematically, logically and juridically. Then the author conducts a normative juridical analysis, which begins with the analysis of primary, secondary and tertiary legal materials based on the statutory approach and conceptual approach. Then, the author conducts qualitative analysis in accordance with primary data obtained from the results of research through direct interviews with respondents and informants. The analysis is carried out to find answers and conclusions to the problems that have been formulated.

RESULT AND DISCUSSION

Legal Consequences for Regional Drinking Water Companies That Have Not Adjusted the Legal Form in Accordance with Legislation

Changes in the legal form of regional companies into perseroda and perumda are the responsibility and obligation of the local government or legislature as policy makers through regional regulations. So that the change in legal form that is most suitable to be held accountable is the Regional Head and also the DPRD. The Regional Head, both at the Provincial and Regency / City levels and the DPRD are given the mandate to draft regional regulations to support Regional-Owned Enterprises, from the formation and capital participation.

Returning to the issue of changing the urgency of changing the legal form of BUMD into Perseroda or Perumda, this is a necessity and mandate of Law 23 of 2014 concerning Regional Government and PP 54 of 2017, the Holders of Authority to change the legal form are in the Authority of DPRD and Regional Heads. Authority or authority in terms is often equated with the Dutch term "bevoegdheid" which means authority or power.

Of all the attitudes that influence governance, the main one is that of loyalty to the authority of political power. Authority is fully legitimate if the citizens support the regime and abide by the basic political law, i.e. the law that what the ruler says must be obeyed as a condition for the survival of the regime.

If the people refuse to support a regime but submit to its laws, then the regime is coercive. If a regime loses both support and obedience from its citizens, its power will face resistance (Mohtar Mas'oed, 2016). According to Philipus M. Hadjon, authority (*bevoegdheid*) is described as legal power (*rechtsmacht*). So in the concept of public law, authority is related to power (Philipus M. Hadjon, 1997).

BUMD can make a change in legal form, the change in legal form as intended is carried out in order to achieve the objectives of BUMD and restructuring

Restructuring includes regulatory restructuring and/or corporate restructuring. Restructuring is implemented through:

- a) Internal restructuring covering finance, management, operations, systems and procedures
- b) Structuring the functional relationship between the Regional Government and BUMD to set the direction in the context of implementing public service obligations. (Article 114 PP No 54 2017)

One of the fundamental implications in the implementation of regional-owned enterprises on the legal position of Regional Companies is that the legal form must be immediately adjusted to become PERUMDA OR PERSERODA. The transition is accompanied by adjustments to the establishment priorities. For example, in the establishment of PERUMDA, namely to carry out public benefits in the form of providing quality goods and / or services for the fulfillment of people's lives according to the conditions, characteristics and potential of the region concerned based on good corporate governance.

Changes and adjustments to the legal form of Regional Companies into PERUMDA OR PERSERODA, are stipulated by Regional Regulation. To provide a basis and guidelines in the preparation and discussion of the draft regional regulation, it is deemed necessary to conduct an analysis and study in advance related to the change in legal form.

In general, if a statutory regulation is declared to come into force, then all existing legal relationships or legal actions that occur both before, at the time, and after the new statutory regulation is declared to come into force, are subject to the provisions of the new statutory regulation. However, in reality and generally "*Law is always one step behind human civilization*" (Kukuh Tirta S, 2015). By looking at social conditions in the fields of information, technology and other human civilizations that are always developing, there will always be new events that have never happened before.

The legal standing of Regional Drinking Water Companies that have not changed into Perumda or Perseroda is that BUMDs cannot perform legal actions that should be performed by a legal entity.

This is in accordance with the provisions stipulated in Article 402 paragraph (2) of Law Number 23 of 2014 concerning Regional Government. then the operational legal basis for adjusting the BUMD legal form is the transitional provisions as referred to in Article 405 of the Regional Government Law jo. Article 140 of the BUMD Government Regulation, namely all provisions of laws and regulations that are implementing regulations of Law Number 5 Year 1962 and implementing regulations relating to BUMD are declared to still apply as long as they have not been replaced and do not conflict with the provisions in the Regional Government Law.

Based on Article 402 of Law Number 23 Year 2014 concerning Regional Government, BUMDs that have existed before this Law came into force, must adjust to the provisions of this Law within a maximum period of 3 (three) years from the enactment of this Law. But the question is, what if the Regional Company has not adjusted to become Perseroda or Perumda as mandated by the Act more than 3 (three) years after the Act comes into force? In various writings it is recommended to impose sanctions on BUMDs that have not changed their legal form, but the next question is, can BUMDs change their legal form themselves? Doesn't the change in legal form have to go through the mechanism of Regional Regulations submitted by the Executive or the legislature.

Especially in BUMDs engaged in certain business fields whose capital ownership is owned by more than one region, which in total reaches 100%, then politicization even though it becomes a perseroda will not be able to disappear, even though the company has the independence to formulate regulations at the company level itself in accordance with statutory regulations. Changing the legal form of regional companies into perseroda and perumda is fully the responsibility and obligation of the regional government or legislature as a policy maker through regional regulations.

So that the most appropriate change in legal form to be held accountable is the Regional Head and also the DPRD. Regional Heads, both at the Provincial and Regency / City levels and DPRD are mandated to draft regional regulations to support Regional-Owned Enterprises, from the formation and participation of capital.

In the proposal seminar examination held on September 06, 2024, Prof.Dr.Kurniawan SH, M.Hum Professor of the Faculty of Law, University of Mataram, stated that

"PDAM Lombok Timur is said to be illegal because until now it has not changed its legal form into a legal entity in accordance with the provisions of the applicable legislation."

The statement highlighted the issue of PDAM Lombok Timur's legality which could have serious implications for operations and public services. According to him, this change in legal form is important to ensure accountability and transparency in the management of water resources. As such, his opinion provides a strong basis for analyzing the legal structure of PDAM Lombok Timur, as well as the urgency for reform in the management of the water company in the area.

If BUMDs that do not make adjustments to the enactment of Law Number 23 of 2014 concerning Regional Government and PP Number 54 of 2017 concerning Regional-Owned Enterprises, BUMDs that have not changed their legal form status to Perumda or Perseroda will experience legal consequences that BUMDs that have not changed their status to Perumda or Perseroda cannot obtain financial support and cannot obtain capital participation from the regional government.

This is regulated in Article 139 paragraph (1) of PP BUMD which mandates that "Regional companies that have taken the form of Perumda or Perseroda can be given

financial support by the Regional Government in the form of capital participation" (PP No. 54/2017).

As well as in Article 20 of PP BUMD states that "BUMD capital sourced from regional capital participation is the limit of regional liability for BUMD losses", (PP No. 54 of 2017) then BUMDs that have not changed their status to Perumda or Perseroda cannot obtain asset guarantees from the local government.

The legal form of PDAM East Lombok Regency is currently still in the legal form of a Regional Company, not yet adjusted to Government Regulation Number 54 of 2017 concerning Regional Owned Enterprises, namely Regional Public Companies (PERUMDA) until now PDAM East Lombok Regency has not changed its legal entity status to PERUMDA or PERSERODA, where this status change has exceeded the specified time limit, namely a maximum of 3 years from the enactment of Government Regulation Number 54 of 2017, where the proposed changes are still in the form of a Draft Regional Regulation (RAPERDA) which is being discussed with the East Lombok Regency DPRD.

By adjusting the status of the legal entity, it is expected that the PDAM can be more independent in its management. In addition, by changing the status of this legal entity, it is easier for the PDAM to seek capital or investors from parties outside the government. This is because if the status of the legal entity has been adjusted, the PDAM is entitled or allowed to seek third parties or investors in running the company.

Factors Causing Pdam East Lombok Regency Has Not Changed to Perumda or Perseroda in Accordance with Legislation.

1) Local Government Factors

The factor that causes the PDAM of East Lombok Regency has not yet been transformed into a perumda or perseroda because the local government has not maximally facilitated the PDAM East Lombok Regency to turn into a perumda or perseroda.

Another factor also causes the PDAM of East Lombok Regency not to change to perumda or perseroda because there is no clear separation of assets owned by the PDAM of East Lombok Regency with assets owned by the Regional Government, this was conveyed by the Head of the Economic Section of the East Lombok Regional Secretariat who also served as acting chairman of the Supervisory Board at the PDAM of East Lombok Regency Mr. Lalu Mustiarep, SE, MM.

"The process of separating the assets of PDAM East Lombok Regency is still not separated from the local government's asset data, this is necessary as a basis for changing the form of legal status to perumda, while this is still problematic with the status of the company's assets that are not clear to whom they belong and are managed by whom, the fundamental thing is that there is also no local regulation on capital participation owned by PDAM East Lombok Regency, if our assets are clear then the process will be carried out properly, bookkeeping is also underway but the relevant parts have not been able to carry out the tasks I have given optimally.

PDAM East Lombok Regency has the aims and objectives stated in Regional Regulation Number 11 and 12 of 2002 concerning Amendments to Regional Government Regulation of East Lombok Regency Level II Number 2 of 1990 concerning the Establishment of Regional Drinking Water Company of East Lombok Regency Level II, namely to carry out business activities in the field of management, supply, and distribution of drinking water and clean water according to quality standards to meet community needs and other businesses that can encourage the development of companies in the region and carry out social functions and public service functions in the field of drinking water and clean water and develop the fulfillment of drinking water needs for the community in the region in order to create a healthy and prosperous community.

PDAM or Regional Drinking Water Company is a business entity owned by the local government in the form of services to produce drinking water and clean water needs throughout the community so as to help the development of the business world and set tariffs tailored to the level of ability of the local community. Therefore, PDAM has a function, namely service to the community and increasing regional income.

Not only selling clean water, PDAM is also one of the sources of Regional Original Revenue or PAD which is expected to be able to generate or obtain profits so that it can contribute to PAD. The funds are then expected to be able to support development plans in the region so that the development can be enjoyed by the people in the area. For the realization of this, it is necessary to have good and correct management so that it can prosper all people in the region.

Law Number 23 Year 2014 concerning Regional Government divides BUMD into two forms, namely Regional Public Company and Regional Company, which is a strengthening of the regulation and recognition of BUMD to be more comprehensive. With the issuance of Government Regulation of the Republic of Indonesia Number 54 of 2017 concerning Regional-Owned Enterprises, this PP further regulates the implementation of the establishment of Regional-Owned Enterprises.

The establishment of Regional-Owned Enterprises as a business owned by the local government has a goal, namely as a source of local revenue, but still experiences obstacles such as there are still BUMDs that get more injections of funds from the local government than the profits obtained so that they become a burden on the regional revenue and expenditure budget or APBD.

PDAM or Regional Drinking Water Company is a business entity owned by the local government in the form of services to produce drinking water and clean water needs throughout the community so as to help the development of the business world and set tariffs tailored to the level of ability of the local community. Therefore, PDAM has a function, namely service to the community and increasing regional income.

PDAM as a BUMD can help meet the needs of the community and help economic development, development in the region because of the clean water produced by PDAM is an item of necessity that is needed by the community. Not only selling clean water, PDAM is also one of the sources of Regional Original Revenue or PAD which is expected to be able to generate or obtain profits so that it can contribute to PAD.

The funds are then expected to be able to support development plans in the region so that the development can be enjoyed by the people in the area. To realize this, it is necessary to have good and correct management so that it can prosper all people in the region.

PDAM Lombok Timur Regency also has the same function, namely as a provider of drinking water and clean water for the community and as a source of PAD. In meeting the needs of the community, PDAM Tirta Galaherang tries to increase production capacity by adding clean water facilities and infrastructure so that it tries to meet the needs of the community with good quality and quantity. In the establishment of PDAM as one of the regional companies, it aims to help implement government programs in the economic field (Dzaki Dwi Atma, 20, 2023).

The unchanged legal status of PDAM Lombok Timur is a complex issue that requires serious attention from various parties, especially the local government. One of the main factors influencing this condition is the lack of implementation of relevant laws. For example, although Law No. 8/1999 on Consumer Protection provides important rights for consumers, its implementation in PDAM Lombok Timur is still minimal (Aura Gazi, Aulia, 45, 2024). This suggests a gap between existing regulations and practices on the ground, where consumer rights are often ignored.

In addition, regulatory uncertainty is also a significant challenge. The appointment of an "Acting" Director of a PDAM without an official definition in the Minister of Home Affairs Regulation No. 2/2007 on Organs and Personnel of Regional Drinking Water Companies creates confusion in decision-making and organizational management (Ummat Repository, 78, 2019).

Transparency and accountability in the management of PDAM Lombok Timur is also a sensitive issue that cannot be ignored. The public does not have clear access to information on assets, as well as financial reports that include BUMD profits and losses. This lack of transparency has the potential to create public distrust of PDAM management.

In addition, local political factors and the interests of certain groups also influence the status quo. The frequent rotation of PDAM directors without a strong legal basis indicates that political practices dominate the decision-making process, hindering organizational progress.

Overall, the unchanged legal status of PDAM Lombok Timur from the perspective of the local government is influenced by several key factors, namely the lack of implementation of laws, regulatory uncertainty, lack of transparency and accountability, and local political dynamics. To improve the effectiveness of PDAM management and legal protection for consumers, structural reforms are needed as well as changes in organizational culture towards a more transparent and accountable direction.

The role of the Regional Head as the owner of the company in making decisions to improve services at the East Lombok Regency Drinking Water Regional Company has been implemented through policies for customer service and hopefully continues to grow in the future, is a form of BUMD which is basically formed for the service sector of providing clean water to the community, with development and management that should be carried out by the regional head, directors, The development and management should be carried out by the regional head, board of directors, supervisory board and all elements within the company to improve aspects within the company so that the value of public trust also increases, so that it is in accordance with the purpose of establishing Regional Drinking Water Companies, namely to provide benefits for the development of the Regional economy in general, organizing public benefits in the form of drinking water supply, waste management and / or quality services for the fulfillment of people's lives according to the conditions, characteristics and potential of the Region (Dzaki Dwi Atma, 7, 2023).

2) Regional People's Representative Council (DPRD) factors

The management of BUMDs, both in the form of Perumda and Perseroda, in accordance with the provisions of Article 343 of Law Number 23 Year 2014 concerning Regional Government, must contain at least fourteen elements, among others:

- a. procedures for capital participation,
- b. organs and staffing,
- c. evaluation procedures,
- d. good corporate governance,
- e. planning, reporting, coaching,
- f. supervision, cooperation,
- g. use of profit,
- h. Regional Government assignments,
- i. loans,
- j. internal control unit, audit committee, and other committees,
- k. health level assessment,
- l. restructuring,
- m. privatization,
- n. change of legal form, bankruptcy, and merger, consolidation, and acquisition.

Changes in legal form must go through the mechanism of Regional Regulations proposed by the Executive or the legislature. What if the BUMD has pushed for a change of form through the Local Government and DPRD, but it is not considered urgent to immediately discuss and ratify the Regional Regulation, or what if the Government and DPRD have begun to discuss the urgency of the change but are still worried about being weak in its implementation? Given that not all BUMDs that will be adjusted are in a healthy condition financially and managerially.

Even though BUMD has changed its form to Perseroda, which in fact is a pure Private Legal Entity Company and is subject to Law No. 40/2007 on Limited Liability Companies, it is difficult for BUMD to escape the political influence and conditions of regional politicization. Given that the Board of Directors is still appointed by the GMS, and the GMS is the regional head as the majority shareholder.

Changes in the legal form of regional companies into perseroda and perumda are the responsibility and obligation of the local government or legislature as policy makers through regional regulations. So that the change in legal form that is most suitable to be held accountable is the Regional Head and also the DPRD. The Regional Head, both at the Provincial and Regency / City levels and the DPRD are given the mandate to draft regional regulations to support Regional-Owned Enterprises, from the formation and capital participation.

The drafting of the Regional Regulation has been carried out since 2021. There were several obstacles in its ratification, especially differences in views and the lack of building communication between the Executive and Legislative Parties.

Changes in the legal form of regional companies into perseroda and perumda are the responsibility and obligation of the local government or legislature as policy makers through regional regulations. So that the change in legal form that is most suitable to be held accountable is the Regional Head and also the DPRD. The Regional Head, both at the Provincial and Regency / City levels and the DPRD are given the mandate to draft regional regulations to support Regional-Owned Enterprises, from the formation and capital participation.

If you look at the procedures for preparing regional regulations as stipulated in Law Number 12 of 2012 concerning the Formation of Legislation as follows:

a. Planning;

In the planning stage, the proposal for a local regulation product must be included in the regional legislation program, later it will be identified in the prolegda book year, which local regulations will be sorted out, which local regulations are executive initiatives and which local regulations are legislative initiatives. It could be a Regional Company / BUMD that has the initiative to draft a local regulation which then submits it through the executive or legislative coupled with an analysis / study of the urgency of changing the status of a legal entity as a form of pro-activity so that the local regulation on its adjustment is included as a priority program.

b. Drafting;

In the drafting stage of local regulations, an academic paper is needed as the basis for juridical and sociological studies related to the importance of local regulations being made, the academic paper is used as a reference in the preparation of local regulation sub-sections that will be outlined in article by article. An academic paper is a manuscript of research results or legal studies and other research results on a particular problem that can be scientifically accounted for regarding the regulation of the problem in a Draft Law, Draft Provincial Regional Regulation, Draft Regency / City Regional Regulation, as a solution to problems and legal needs of the community. Academic manuscripts and drafts of local regulations can be

prepared/created by the relevant Local Government Work Unit (SKPD) by involving experts, researchers and legislative designers.

c. Discussion

The draft local regulation text that has been prepared by the drafting team will be entered and discussed by the DPRD through a commission meeting with the Regional Legislation Body and related stakeholders, discussing the overall substance of the articles in the local regulation. The discussion will be conducted at the commission level, followed by a public test with stakeholders and representatives of community elements directly related to the object of the local regulation.

d. Determination/Approval;

Drafts of local regulations that have been discussed at the whims of commissions, factions and public tests to the public will then be submitted to the DPRD plenary meeting, later the plenary will agree to ratify or not the local regulations before being submitted to the Regional Head for approval of joint endorsement.

Furthermore, draft local regulations that have been discussed and passed by the DPRD, before being signed by the Regional Head, are then submitted to the Minister of Home Affairs to be given a registration number and draft local regulations that have been given a registration number are submitted by the Minister of Home Affairs to the governor and for district / city regulations, the governor is submitted to the regent / mayor for stipulation and promulgation.

e. Invitation

Promulgation is the placement of laws and regulations in the State Gazette of the Republic of Indonesia, Supplement to the State Gazette of the Republic of Indonesia, State Gazette of the Republic of Indonesia, and Supplement to the State Gazette of the Republic of Indonesia. The intention is that so that everyone can know the laws and regulations, the government is obliged to disseminate laws and regulations that have been promulgated in the State Gazette.

Returning to the issue of changing the urgency of changing the legal form of BUMD into Perseroda or Perumda, this is a necessity and mandate of Law 23 of 2014 concerning Regional Government and PP 54 of 2017, the Holders of Authority to change the legal form are in the Authority of DPRD and Regional Heads. Authority or authority in terms is often equated with the Dutch term "*bevoegdheid*" which means authority or power.

Of all the attitudes that influence governance, the main one is that of loyalty to the authority of political power. Authority is fully legitimate if the citizens support the regime and abide by the basic political law, i.e. the law that what the ruler says must be obeyed as a condition for the survival of the regime.

If the people refuse to support a regime but submit to its laws, then the regime is coercive. If a regime loses both support and obedience from its citizens, its power will face resistance (Mohtar Mas'oe'd, 2016). According to Philipus M. Hadjon, authority (*bevoegdheid*) is described as legal power (*rechtsmacht*). So in the concept of public law, authority is related to power (Philipus M. Hadjon, 1977).

Since 2021, several PDAM discussion meetings have always not found a bright spot until the legal status of the PDAM has not been adjusted to the mandate of Government Regulation Number 54 of 2017 concerning Regional Owned Enterprises. This is due to the lack of building communication and political interests between the East Lombok Regency PDAM, the East Lombok Regency Government and the East Lombok Regency DPRD, as well as academic papers and data from the PDAM and the Regional Government are still not ready and incomplete to be given to the DPRD during the PDAM discussion meeting, resulting in a quorum that resulted in the approval of the Regional Regulation being delayed.

This is not the only obstacle in the process of change but also because the PDAM is still not convincing the DPRD to account for the PDAM with all the data that has been provided and the data is also still lacking to be presented during the meeting process.

This is in accordance with the results of the author's interview with Mr. Ir. H. Marhaban as the President Director of the PDAM Lombok Timur office said that:

"We have submitted the process of changing the form of legal entity to the Economic Section of the East Lombok Regional Secretariat but the implementation process did not run smoothly during the discussion meeting at the DPRD, currently there has been no follow-up on this matter from the Economic Section as the BUMD Supervisor in East Lombok"

This is also in accordance with the results of the author's interview with the Head of the Economic Subdivision of the East Lombok Regional Secretariat Mrs. Diana, SE.MM explained that

"During the meeting with the DPRD, they asked for the reasons to change the legal form of PDAM Lombok Timur, they were not satisfied with the reason for complying with the mandate of Law Number 23 of 2014, they wanted to be given detailed data and other concrete reasons for the urgency of changing PDAM to Perumda."

However, until now in November 2024 there has not been a bright spot to reach an agreement between the executive and the legislative parties to ratify the Draft Regional Regulation on the East Lombok Regency Drinking Water Regional Company. Currently the process of ratifying the RAPERDA has not yet been carried out.

This is also in line with the results of the author's interview with Plt. General Director of PDAM Lombok Timur Mr. Bambang Suprayitno, SH stated that:

"We have compiled the Draft Regional Regulation with the help of the legal section and the economic section of the East Lombok regional setda, in the discussion meeting at the East Lombok DPRD office I had to leave the room because it did not find a bright spot in this discussion, there were too many elements of political sentiment rather than discussing the process of changing the PDAM, the PDAM of East Lombok Regency has proposed a change process to be from 2021 but until now there has been no change."

The change in the status of the legal entity form from Perusda to Perumda at PDAM East Lombok Regency is still not fully implemented because it still has the status of a legal entity in the form of Perusda. However, the process of changing the form of legal entity status has been carried out since 2021 with several processes and obstacles experienced so that at this time the PDAM of East Lombok Regency together with the Regional Government is still waiting for the results or ratification of the Draft Regional Regulation on changing the form of legal entity status.

3) Internal Factors of PDAM Lombok Timur District

PDAM or Regional Drinking Water Company is a business entity owned by the local government in the form of services to produce drinking water and clean water needs throughout the community so as to help the development of the business world and set tariffs tailored to the level of ability of the local community. Therefore, PDAM has a function, namely service to the community and increasing regional income.

In the establishment of PDAM as one of the regional companies aims to help the implementation of government programs in the economic field. PDAM is formed by the local or city government, apart from being a public service company, PDAM is a company whose capital comes from separated state assets, but PDAM is not only a profit-oriented company but as a company that carries out public services.

As a regional company, PDAM aims to carry out regional and economic development towards a prosperous, just and prosperous society.

In running the PDAM, East Lombok Regency has experienced several difficulties and obstacles so that the PDAM of East Lombok Regency has experienced a decline in revenue which has an impact on dividends to the Regional Government.

The main factors that cause the PDAM to experience losses are:

- a) Low water tariff
- b) The existing distribution network does not yet cover the entire PDAM service area
- c) There is a damaged distribution pipe so that the water distribution process is limited
- d) Low number of customers
- e) There is a leak in the distribution pipe so that the amount of water released is greater than the amount of water distributed
- f) Lack of human resources quality/untrained
- g) Poor financial condition and financial processing
- h) The status of the Legal Entity Form has not been adjusted to PP No.54 of 2017 concerning Regional-Owned Enterprises.

The legal form of PDAM East Lombok Regency is currently still in the legal form of a Regional Company, not yet adjusted to Government Regulation Number 54 of 2017 concerning Regional Owned Enterprises, namely Regional Public Companies (PERUMDA) until now the PDAM has not changed its legal entity status to PERUMDA or PERSERODA, where this status change has exceeded the specified time limit, namely a maximum of 3 years from the enactment of Government Regulation Number 54 of 2017, where the proposed changes are still in the form of a Draft Regional Regulation (RAPERDA) which is being discussed with the East Lombok Regency DPRD.

By adjusting the status of the legal entity, it is expected that the PDAM can be more independent in its management. In addition, by changing the status of this legal entity, it is easier for the PDAM to seek capital or investors from parties outside the government. This is because if the status of the legal entity has been adjusted, the PDAM is entitled or allowed to seek third parties or investors in running the company.

The transformation of the Regional Drinking Water Company (PDAM) of Lombok Timur Regency into PERUMDA or PERSERODA requires careful preparation from various aspects, including:

- a) Management Readiness

In terms of management, the current organizational structure already exists, but needs to be further evaluated to determine its efficiency and effectiveness. According to the Financial and Development Supervisory Agency (BPKP), an efficient organization should be able to adapt to environmental changes and community needs.

PDAM leaders and section heads should also have adequate managerial competencies. Some section heads and section heads have attended leadership and management training, but there is still a need for capacity building through further training programs that are more focused and relevant.

This is in line with Wibowo's opinion that continuous training is essential for managerial development in public organizations (Wibowo, A., 22, 2018).

The readiness of PDAM East Lombok Regency management in facing the transformation into a Regional-Owned Enterprise (BUMD) in the form of a Regional Public Company (PERUMDA) or Regional Company (PERSERODA) is very important in ensuring the successful implementation of these changes.

One of the key factors is the organizational structure that must be evaluated and adjusted in order to operate efficiently and effectively. The right organizational structure will facilitate quick decision-making and provide room for better inter-unit coordination, so that the PDAM can adapt to new regulations. leadership competence also greatly affects management readiness in this change.

PDAM leaders are expected to be able to clearly convey the vision of change and mobilize all elements of the organization to support these goals. Effective leaders must have the ability to manage risk, motivate employees, and ensure smooth operations amidst the dynamics of change.

Managerial quality should be improved through ongoing training programs, especially in the areas of water management, finance and public services. Competent managers will be better prepared to face operational challenges and be able to optimally utilize existing resources.

b) Readiness of Human Resources (HR)

The readiness of Human Resources is an important element in ensuring the successful transformation of PDAM Lombok Timur Regency into a Regional Public Company (PERUMDA) or Regional Company (PERSERODA).

Effective human resource management should focus on improving competence, strengthening professional character, and adjusting to the demands of new regulations. Competency development is not only limited to technical training, but also to mastering managerial and administrative skills that support operational efficiency.

As stated by Rivai, good human resource management will have a significant effect on the performance of public organizations, especially in meeting public demands and maintaining service quality (Rivai, V., 112, 2019).

Therefore, strategic steps are needed to improve HR competencies so that the transformation of PDAM Lombok Timur can run in accordance with expectations and applicable legal provisions.

According to Surya, human resource capacity building through training that focuses on practical skills is urgently needed to support organizational transformation (Surya, M., 50, 2021).

Regarding the unchanged legal status of PDAM Lombok Timur to become a Regional Public Company (Perumda) or Regional Company (Perseroda) from an internal perspective includes several important aspects, human resources, infrastructure, and internal regulations.

Human resources play a crucial role. Many employees feel that they do not receive adequate training to face the new challenges posed by changing regulations. This was expressed by the Acting Chairman of the Supervisory Board who also serves as Head of the Economy Section of the Lotim Regional Secretariat revealed,

"I have ordered the related department to separate the assets of the LG and PDAM assets in the report but until now it has not been resolved, is it lack of understanding or what

This shows that the ability of employees has a direct effect on the quality of service provided to consumers.

The same thing was also conveyed by Mr. Abussyakur, SE, Head of General and Personnel explained

"We have proposed a change in the legal status of PDAM Lombok Timur by coordinating with the economic department but at that time there were several obstacles that had not been discussed again by the Board of Directors, for the continuation there has been no follow-up because we also do not understand the process "

Inadequate infrastructure is another internal factor that hinders the change process. Despite the abundance of potential raw water sources, the water distribution system still needs to be improved to ensure a stable and equitable supply.

Overall, internal factors such as ineffective management, limited human resources, inadequate infrastructure, and regulatory uncertainty contribute to the unchanged legal status of PDAM Lombok Timur. Achieving this change will require strategic steps

involving managerial improvements, increased training for staff, investment in infrastructure, and regulatory clarification from the local government. Such efforts will be critical to ensure that PDAM Lombok Timur can function better and meet community expectations following the change in legal status.

CONCLUSION

The legal consequences for drinking water regional companies that have not adjusted their legal form in accordance with statutory regulations are BUMDs that do not make adjustments to the enactment of Law Number 23 of 2014 concerning Regional Government and PP Number 54 of 2017 concerning Regional Owned Enterprises, BUMDs that have not changed their legal form status to Perumda or Perseroda will experience legal consequences that they cannot obtain financial support and cannot obtain capital participation from the local government and have an impact on the legal standing of Regional Owned Enterprises (BUMDs) that have not changed their form to Perumda or Perseroda cannot perform legal acts that should be carried out by a legal entity.

The factors that cause the PDAM of East Lombok Regency not to change into a regional company according to the laws and regulations are local government factors, the local government has not maximally facilitated the PDAM of East Lombok Regency to change into a regional company, this is due to the absence of a clear separation of assets owned by the PDAM of East Lombok Regency with assets owned by the Regional Government, the regional people's representative council factor, due to the lack of building communication and political interests between the PDAM of East Lombok Regency, the East Lombok Regency Government and the East Lombok Regency DPRD, internal factors include several important aspects, human resources, infrastructure, and internal regulations.

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