

FINANCEMENT OF ULTRA MICRO

(Regulation of Minister of Finance of R.I

Number 22/PMK.05/2017, dated February 23, 2017)

WITH THE BLESSING OF THE ONE AND ONLY GOD
MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA

Considering:

- a. whereas, based on Law Number 18 Year 2016, concerning State Revenue and Expenditure Budget, has allocated financment of investment to Central Government on Investment;
- b. whereas, based on Article 5 paragraph (1) of Government Regulation Number 1 Year 2008, concerning Government Investment, Administration Investment in the form of automatic investment covering infrastructure and other sectors.
- c. whereas, in exercising automatic investment in other sectors as referred to in ketter b, the Central Government on Investment intending to create investment in the form of financment of Ultra Micro business is still unaccomplished yet by banking financment.
- d. whereas, for the purpose that the financment referred to in ketter c may be accomplished under good management system, it is deemed necessary to govern provision on procedure for providing Financment of Ultra Micro;
- e. whereas, based on Article 5 paragraph (2) of Government Regulation Number 1 Year 2008, concerning Government automatic Investment for other sectors shall be stipulated by the Minister Finance;
- f. whereas, based on the consideration referred to in ketter a, ketter b, ketter c, ketter d, and letter e, it is necessary to stipulate Regulation of Minister of Finance on Financment of Ultra Micro;

In view of:

1. Law Number 18 Year 2016, concerning State Revenue and Expenditure Budget Year 2017 (Statute Book of the Republic of Indonesia Year 2016 Number 240, Supplement to Statute Book of the Republic of Indonesia Number 5948);
2. Government Regulation Number 1 Year 2008, concerning Government Investment (Statute Book of the Republic of Indonesia Year 2008 Number 14, Supplement to Statute Book of the Republic of Indonesia Number 4812) as amended by Government Regulation Number 49 Year 2011, concerning amendment to Government Regulation Number 1 Year 2008, concerning Government Investment (Statute Book of the Republic of Indonesia Year 2011 Number 124, Supplement to Statute Book of the Republic of Indonesia Number 5261);

D E C I D E S:

To stipulate:

REGULATION OF MINISTER FINANCE ON FINANCEMENT OF ULTRA MICRO.

CHAPTER I

GENERAL PROVISION

Article 1

What is meant in this Regulation of Minister by:

1. Financement of Ultra Micro shall be provision of fund originating from the Government or jointly with Regional Administration and/or other party to provide financement to Micro businesses.
2. Micro business shall be productive business belonging to individual person and/or individual business entity that complies with the criteria of Micro business as governed in the Law on Micro business, small and medium businesses.
3. Minister of Finance hereinafter referred to as Minister shall be Minister exercising Administration matter on State Finance.

4. Central Government Investment hereinafter referred to as PIP shall be Investment Operation Unit that applies Pattern of Financial Management of Public Service Body (PPKBLU) that is assigned the duty and responsibility to exercise Government Investment based on the policy stipulated by the Minister.
5. Director General shall be Director General of Treasury of Ministry of Finance.
6. Central Government hereinafter referred to as Government shall be the President of the Republic of Indonesia that holds the power over Administration of the Unitary State of the Republic of Indonesia as referred to in the 1945 Constitution of the Unitary State of the the Republic of Indonesia.
7. Regional Administration shall be Head of Region constituting operating element of Regional Administration leading the implementation of Administration affair constituting the authority of Autonomy Region.
8. Trustee shall be Bank exercising entrust and management of property belonging to party owning and entrusted his/her own property based on written agreement between the bank and settlor in the interest of the party receiving benefit.
9. Distributor shall be Institution appointed and obtains financement from PIP for distributing Financement of Ultra Micro.
10. Non-Bank Financial Institution hereinafter referred to as LKBB shall be non-bank business entity or non-insurance company, which business activities are directly or indirectly collecting fund from public by issuing commercial paper and distribute it to finance business.
11. Public Service Agency hereinafter referred to as BLU shall be agency within the Government duly established to provide services to public in the form goods and/or services sold without prioritizing profit making and and in exercising its activity is based on the principle of efficiency and productivity.

12. Public Service Agency of Region hereinafter referred to as BLUD shall be work unit of regional instrument or work unit at regional instrument work unit within Regional Administration duly established to provide service to public in the form of provision of goods and/or services sold without prioritizing profit making and in carrying out its activity is based on the principle of efficiency and productivity.
13. Cooperatives shall be Save and Lend Cooperatives (KSP) and/or Save and Lend for Syariah Financing (KSPPS).
14. Information System on Credit Program hereinafter referred to as SIKP shall be electronic information system used to administer and provide information on distribution of credit program.
15. Debtor shall be party receiving Financement of Ultra Micro and Distributor.
16. Linked Institution shall be agent exercising joint operation business with Distributor to distribute finance-ment to Debtor.
17. Fiduciary shall be assignment of right of ownership on any property based on trust with the provision that such property which right of ownership thereto has been assigned remains under the control of the owner of property.
18. Directorate General shall be Directorate General of Treasury of the Ministry of Finance.
19. Regional Office of the Directorate General of Treasury hereinafter referred to as Regional Office shall be vertical agency of the Directorate General of Treasury existing under and is responsible to the Director General.
20. Service Office of State Treasury hereinafter referred to as KPPN shall be vertical agency of the Directorate General of Treasury that is granted authority from the State General Treasurer to carry out the main duty and function as State General Treasurer.

CHAPTER II

OBJECTIVES

Article 2

- (1) The objectives of Financement of Ultra Micro are to:**
 - a. provide accessible and low cost facilities for payment to Micro business;**
 - b. add business facilitated entrepreneur by the Government including new private business; and**
 - c. increase economical value of Debtor.**
- (2) Economic value of Debtor referred to in paragraph (1) ketter c assessed from economic value of business and/or value of personal economy.**
- (3) Method of assessment and economic value of business and/or personal economic value as referred to in paragraph (2) shall be decided by the Director General.**

CHAPTER III

TARGET OF PROGRAM

Article 3

Target of Financement of Ultra Micro shall be Micro business with criteria as below:

- a. is not being financed by Financial Institution and/or Cooperatives;**
- b. is owned by Indonesian citizen as evidenced by Electronic Identification Number; and**
- c. possess Business License / Statement on Business issued by Government agency and/or Statement Letter on business from Distributor.**

CHAPTER IV

PROGRAM OPERATOR

Article 4

- (1) Financement of Ultra Micro is provided by PIP.**
- (2) In providing Financement of Ultra Micro, PIP shall run the function on data coordination.**

- (3) The Coordinator of fund referred to in paragraph (2) shall run activity on collecting fund and distribute it to productive business through Distributor.

Article 5

- (1) PIP provides Financement of Ultra Micro based on the target stipulated by the Minister.
- (2) In determining target of Financement of Ultra Micro, the Minister shall delegate the Director General.
- (3) The target referred to in paragraph (2) shall be compiled with due consideration of the objective of Financement of Ultra Micro.

Article 6

- (1) PIP shall specify the target Financement of Ultra Micro as referred to in Article 5 in Business Plan and Budget and Summary of Business Plan and Budget that have been approved and signed by the Minister.
- (2) In granting approval and signing Business Plan and Budget and Summary of Business Plan and Budget referred to in paragraph (1), the Minister shall delegate authority in the form of mandatory to the Director General.

Article 7

In providing Financement of Ultra Micro, PIP shall have duty to:

- a. collect fund;
- b. appoint and stipulate Distributor;
- c. distribute fund to Distributor based on the principles of proper management of fund;
- d. appoint and decide Trustee if collection of fund is conducted jointly with other party;
- e. take measures to ensure that the fund is distributed through Distributor may be obtained back;
- f. report performance of distribution of Financement of Micro business to the Minister c.q. Director General;
and
- g. conduct the duty that pertains to Financement of other Ultra Micro based on the policy of the Minister c.q. Director General.

CHAPTER V
FINANCEMENT

Article 8

- (1) Source of fund of Financement of Ultra Micro originates from:
- a. Government;
 - b. Regional Administration; and/or
 - c. other party.
- (2) Source of fund referred to in paragraph (1) shall refer to the statutory regulation on management of rolling on fund.

Article 9

- (1) In providing Financement of Ultra Micro, PIP shall enter into joint operation on financment with Regional Administration and/or other party.
- (2) The joint operation on financment as referred to in paragraph (1) shall constitute merger of fund with certain proportion exercised by PIP and Regional Administration and/or other party.
- (3) The cooperation in financment referred to in paragraph (1) shall be stipulated in agreement between PIP, Regional Administration and/or other party.

Article 10

- (1) In managing the merged fund as referred to in Article 9 paragraph (2), PIP may use the bank account of Trustee.
- (2) PIP shall appoint Trustee based on the principle of efficiency and economic based on solvent business practice.

CHAPTER VI

DISTRIBUTOR

Part One

Criteria

Article 11

(1) Distributor of Financement of Ultra Micro covers:

- a. LKBB;
- b. BLU Fund Management /BLUD Fund Management; and/or
- c. Cooperatives.

(2) The Distributor referred to in paragraph (1) runs its business activities conventionally and/or based on syariah principle.

Article 12

(1) Distributor as referred to in Article 11 shall comply with criteria:

- a. has experience in financing UMKM for at least two (2) years;
- b. capable to provide routine assistance and training;
- c. is health and has good performance;
- d. possess online system with SIKP; and
- e. other criteria stipulated by PIP.

(2) Criteria on health and has good performance as referred to in paragraph (1) letter c includes performance in distributing finacement in the past in the case that Distributor has once received Finacement of Ultra Micro.

Part Two

Mechanism for Appointing Distributor

Article 13

(1) In the implementation of Finacement of Ultra Micro, PIP shall appoint Distributor.

- (2) In the appointment of Distributor as referred to in paragraph (1) PIP shall first evaluate feasibility of Distributor.
- (3) The evaluation referred to in paragraph (2) shall be exercised by referring to the criteria referred to in Article 12.
- (4) In exercising evaluation referred to in paragraph (3) PIP shall utilize professional manpower and/or consideration of Institution authorized to manage such Distributor.
- (5) The professional manpower referred to in paragraph (4) consists of:
 - a. Independent Consultant;
 - b. practitioner; and/or
 - c. academic.

Part Three

Pattern of Distribution

Article 14

- (1) Financement of Ultra Micro is distributed using the pattern:
 - a. direct distribution; and/or
 - b. linked distribution
- (2) Direct distribution referred to in paragraph (1) letter 'a' shall be exercised by Distributor directly to the Debtor.
- (3) This linked distribution as referred to in paragraph (1) letter 'b' shall be exercised by Distributor to Debtor through Linked Institution.

Article 15

Linked Institution as referred to in Article 14 paragraph (3) covers:

- a. Micro Financement Institution;

- b. Credit Institution which existence is recognized based on customary law; and
- c. Cooperatives.

CHAPTER VII

REQUIREMENTS FOR FINANCEMENT DISTRIBUTOR

Part One

Distribution from PIP to Distributor

Article 16

- (1) Distribution of Financement of Ultra Micro from PIP to Distributor shall be conducted through conventional financing or syariah financing.. .
- (2) Distribution of Financement of Ultra Micro referred to in paragraph (1) shall be exercised based on the terms and conditions below:
 - a. Distributor commits to distribute Financement of Ultra Micro with the target as stipulated by PIP;
 - b. term of financing shall be maximum five (5) years including waiting period;
 - c. PIP shall charge interest rate / margin on the Distributor;
 - d. if PIP charges interest / margin, such interest / margin shall be paid by Distributor monthly after withdrawing the fund.
 - e. The fund shall be withdrawn in phases based on the provisions below:
 - 1) first phase shall be maximum 50% (fifty percent) of the Financing ceiling; and
 - 2) further phases shall be made with due consideration of realization of previous withdrawal.
 - f. Distributor shall guarantee smooth flow of accounts receivable with Fiduciary that at least equivalent to planned withdrawal each phase.
 - g. Distributor shall be obliged to renew accounts receivable placed as guarantee if accounts receivable placed in guarantee encounters default or is due; and
 - h. other requirements stipulated by PIP.

Article 17

If Distributor is incapable to exercise distribution according to target as stipulated by PIP as referred to

in Article 16 paragraph (2) letter a, PIP shall withdraw back the financment not distributed.

Part Two

Distribution by Distributor/Institution Linked to Debtor

Article 18

- (1) Distribution of Financement of Ultra Micro from Distributor / Institution Linked to Debtor shall be conducted through conventional financment or syariah financment.**
- (2) Distribution of Financement of Ultra Micro from Distributor / Institution Linked to Debitur as referred to in paragraph (1) shall be conducted based on the terms and conditions below:**
 - a. is for financment of productive business;**
 - b. is not obliged to place additional collateral;**
 - c. is granted to individual Debtor and/or business entity;**
 - d. Distribution to individual Debtor shall be made individually and/or through group of Debtors;**
 - e. if granted to individual Debtor through group of Debtors, Dstributor / Linked Institution shall be obliged to:**
 - 1) provide assistancy by the group of Debtors;**
 - 2) apply mechanism of joint responsibility; and**
 - 3) is prohibited from requesting additional collateral;**
 - f. financment ceiling shall be maximum Rp.10.000.000,00 (ten million) Rupiahs for one time Finance-ment Agreement;**
 - g. accumulated term of financment for each Debtor shall be maximum 48 (forty-eight) months;**
 - h. interest/ margin shall be specified in Financement Agreement between Distributor / Linked Institution and Debtor with due consideration of:**
 - 1) intererst / margin of PIP to Distributor or Distributor to Linked Institution;**
 - 2) operational cost;**
 - 3) profit margin; and**
 - 4) risks premium.**

CHAPTER VIII

FINANCEMENT AGREEMENT

Article 19

- (1) Distribution of Financement of Ultra Micro from PIP to Distributor shall be set forth in Financement Agreement.
- (2) Financement Agreement referred to in paragraph (1) shall at least cover:
 - a. all parties;
 - b. objectives;
 - c. total amount of financement;
 - d. requirements;
 - e. target of distribution;
 - f. rights and obligations;
 - g. monitoring and evaluating; and
 - h. penalty.
- (3) The requirements referred to in paragraph (2) letter d shall refer to the terms and conditions as referred to in Article 16 paragraph (2).

CHAPTER IX

INFORMATION SYSTEM ON CREDIT PROGRAM

Article 20

- (1) Distributor shall administer distribution of Financement of Ultra Micro through connected inter-system with SIKP in accordance with the provisions in the statutory regulation on Information System on Credit Program.
- (2) If Distributor is still incapable to connect directly inter-system with SIKP, data exchange between Distributor and SIKP shall be conducted manually.

CHAPTER X

REPORTING**Article 21**

- (1) In exercising Financement of Ultra Micro, Distributor shall be obliged to submit:
- document of distribution; and
 - Annual Report.
- (2) The document of distribution referred to in paragraph (1) letter a shall at least cover:
- Credit Agreement between Distributor / Linked Institution and Debtor;
 - business license / information issued by Government institution and/or Statement Letter on Business and issued by Distributor; and
 - photocopy of Resident Identity Card.
- (3) Document for distribution as referred to in paragraph (1) letter a shall be submitted to KPPN which work area covers the work location of the Debtor covering the location of the Debtor concerned transmit:
- by electronic mail in the form of soft copy of the result of scanned document for distribution; and
 - within six (6) working days at the latest as of the date of Credit Agreement of the Debtor.
- (4) The Annual Report referred to in paragraph (1) letter b covers:
- audited Report on Finance;
 - work plan on State Revenue and Expenditure Budget specifying activity on Financement of Ultra Micro; and
 - Report on Realization of Company Performance.
- (5) The Annual Report referred to in paragraph (1) letter b shall be submitted to PIP within 15 (fifteen) working days as the date such document is approved.

Article 22

- (1) Pertaining to Financement of Ultra Micro, PIP shall be obliged to submit report on distribution performance to the Minister c.q. Director General.

- (2) The report referred to in paragraph (1) shall be submitted each semester within ten (1) working days as of expiry of each semester.

CHAPTER XI

MONITORING DAN EVALUASI

Article 23

- (1) In the context of monitoring and evaluating, KPPN shall re-compile the document for distribution as referred to in Article 21 paragraph (1) letter a based on SIKP data.
- (2) In conducting the compilation as referred to in paragraph (1), KPPN shall notify the Distributor.
- (3) KPPN shall submit the result of recompilation to the Office of Region..
- (4) Based on the result of recompilation referred to in paragraph (3), the Office of Region shall:
- recapitulate the result of recompilation; and
 - analyze distribution of Financement of Ultra Micro within the work area thereof.
- (5) the Office of Area shall submit recapitulation on the result of reconciliation and analysis on distribution of Financement of Ultra Micro to the Directorate General .

Article 24

The Directorate General shall exercise monitoring and evaluation and shall confirm it directly to the Supplier and Debtor.

CHAPTER XII

PENALTYI

Article 25

- (1) If distribution and administration of financement of micro business deviates from the provisions stipulated in this Regulation of Minister, PIP shall terminate distribution conducted by Distributor.

(2) Failure of Distributor to submit document on distribution and annual report as referred to in Article 21, Distributor shall be charged penalty.

(3) Provision on amount of penalty and procedure for imposing penalty as referred to in paragraph (2) shall be further governed in Financement Agreement between PIP and Distributor.

CHAPTER XIII

TRANSITIONAL PROVISION

Article 26

(1) For application of effective Financement of Ultra Micro, first of all trial test of Financement of Ultra Micro shall be conducted.

(2) The Director General shall decide the term and area to be trial tested as referred to in paragraph (1).

CHAPTER XIV

CLOSING PROVISION

Article 27

This Regulation of Minister takes effect on the date it is enacted.

For public recognition, this Regulation of Minister shall be announced by placing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

Dated February 23, 2017

MINISTER FINANCE OF THE REPUBLIC OF INDONESIA,
SIA,
sgd.

SRI MULYANI INDRAWATI

Enacted in Jakarta

Dated February 24, 2017

DIRECTOR GENERAL OF STATUTORY REGULATION
MINISTRY OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA,
sgd.

WIDODO EKATJAHJANA

(BN)