

REGULATION OF THE REGENCY OF KARANGANYAR  
NUMBER 12 OF 2023  
ON  
IMPLEMENTATION OF LOCAL GOVERNMENT INVESTMENT  
BY THE BLEESINGS OF ALMIGHTY GOD

REGENT OF KARANGANYAR,

- Considering : a. that the administration of the local government conducted to the state objectives requires open and responsible governance;
- b. that to encourage the regional economic growth and development as well as to accelerate regional development in order to implement the realization of the responsible regional autonomy, Local Government may invest to obtain economic, social, and other benefit to increase and to add the source of the local own-source revenue;
- c. that in order to provide legal certainty in accordance with the provision of Article 41 of Law Number 1 of 2004 on State Treasury and Article 201 of Government Regulation Number 12 of 2019 on Regional Financial Management, it is necessary to issue a Regional Regulation;
- d. that according to the considerations as referred to in point a, point b, and point c, it is necessary to issue a Regional Regulation on Implementation of Local Government Investment;
- Observing : 1. Article 18 section (6) of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 13 of 1950 on Establishment of Regency Areas within the Province of Central Java (Gazette of the Republic of Indonesia Number 42 of 1950);
3. Law Number 23 of 2014 on Local Governments (State Gazette of the Republic of Indonesia of 2014 Number 244, Supplement to the State Gazette of the Republic of Indonesia Number 5587) as amended several times last by Law Number 6 of 2023 on Enactment of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation to Become Law (State Gazette of Republic of Indonesia of 2023 Number 41, Supplement to the State Gazette Number 6856);

4. Law Number 11 of 2023 on Central Java Province (State Gazette of the Republic of Indonesia of 2023 Number 58, Supplement to the State Gazette Number 6867);

With the Joint Approval of  
THE REGIONAL HOUSE OF REPRESENTATIVES OF  
THE REGENCY OF KARANGANYAR  
and  
THE REGENT OF KARANGANYAR

HAS DECIDED:

To issue : REGIONAL REGULATION ON IMPLEMENTATION OF LOCAL  
GOVERNMENT INVESTMENT

CHAPTER I  
GENERAL PROVISIONS

Part One  
Definition

Article 1

In this Regional Regulation:

1. Region means the Regency of Karanganyar.
2. Regent means the Regent of Karanganyar.
3. Local Government means the Regent as an element of the administrator of Local Government who leads the implementation of the government affairs which becomes the authority of the autonomous region.
4. Investment means the allocation of a number of funds and/or property in a long term for Investment in the buying of securities and direct investment that can return the principal values and economic, social, and/or other benefits within a certain period of time.
5. Local Government Investment means the allocation of Local Government funds and/or property by the Local Government in a long term for Investment in the buying of securities and direct Investment that can return the principal value and economic, social, and/or other benefits within a certain period of time.
6. Direct Investment means the equity participation and/or loan provision by Local Governments to finance business activities.
7. Securities mean shares and bonds.
8. Loan Provision means a form of Local Government Investment to business entity, government, other local government, Regional public services agency owned by other local governments and the public with the right to receive returns in the form of loan principal.
9. Local Government Investment Planning means an annual proposal of Investment plan by Local Government for implementing the Investment in the next fiscal year.
10. Investment Activity Plan means an annual planning document from the local budget consisted of Investment activities and budgets required for the next fiscal year.

11. Investment Advisor means a professional and independent personnel who advises Local Government on the implementation of Local Government Investments.
12. Divestment means the sale of Securities and/or Local Government ownership either partial or full to other party.
13. Investment Agreement means a written agreement in Securities and Direct Investment between Local Government and other Local Governments, business entities, and the public.
14. Local-Owned Enterprise (Badan Usaha Milik Daerah) hereinafter referred to as BUMD means a company established and owned by the Local Government.
15. Business Entities means private business enterprises in the forms of limited liability companies, state-owned enterprises, BUMD, and cooperatives.
16. Local-Owned Assets means all assets purchased or obtained from the local budget or other legal sources.
17. Local Budget (Anggaran Pendapatan dan Belanja Daerah) hereinafter referred to as APBD means a local government annual financial plan discussed and approved jointly by Local Government and Regional house of representatives as well as determined by Regional Regulations.

## PART TWO PURPOSE AND OBJECTIVE

### Article 2

- (1) The purpose of the Local Government Investment management is to obtain economic, social, and/or other benefits.
- (2) The objective of the Local Government Investment management is to:
  - a. increase the growth and development of the Local economy;
  - b. increase Local revenue; and
  - c. improve the public welfare.

## CHAPTER II AUTHORITY OF GOVERNMENT INVESTMENT MANAGEMENT

### Article 3

- (1) The Regent has the authority to manage the Local Government Investment.
- (2) The authority to manage the Local Government Investment as referred to in section (1) includes:
  - a. regulation;
  - b. operation; and
  - c. supervision.

### Article 4

- The regulatory authority of the Regent as referred to in Article 3 section (2) point a includes:
- a. establishing the policies of the Local Government Investment management;

- b. establishing the criteria for fulfilling the agreement on the Local Government Investment implementation; and
- c. establishing the payment procedures of the obligation arising from the project of providing Local Government Investment in a context of reimbursement of intellectual property rights, payment of subsidies, and failure to fulfill the Investment Agreement.

#### Article 5

The operational authority of the Regent as referred to in Article 3 section (2) point b includes:

- a. researching and approving or rejecting the requests of the Investment from government, other local government, Business Entity, and the public;
- b. proposing a funding plan for Local Government Investment sourced from the APBD;
- c. allocating funds and/or Local-Owned Assets for Local Government Investment according to legislation;
- d. conducting Investment Agreements related to the allocation of the funds and/or Local Government assets;
- e. controlling risks of the Local Government Investment implementation;
- f. representing and implementing the obligations as well as receiving the rights of the Local Government as regulated in the Investment Agreement;
- g. proposing changes in the Investment Agreement;
- h. acting for and on behalf of the Local Government if dispute or disagreement occurs in the implementation of an Investment Agreement; and
- i. implementing Local Government Investment and Divestment.

#### Article 6

The authority and the responsibility of supervision of the Regent as referred to in Article 2 section (2) point c include:

- a. monitoring the implementation of the Local Government Investment related to Local Government support;
- b. continuously evaluating the implementation of Local Government Investment within a certain period; and
- b. coordinating the implementation of Investment to related institution with Direct Investment.

### CHAPTER III INVESTMENT SOURCES

#### Article 7

Investment funding sources may come from:

- a. APBD;
- b. previous investment profits;
- c. funds/goods entrusted by other parties managed by the Local Government; and/or
- d. other authorized sources.

## CHAPTER IV FORM OF INVESTMENT

### Article 8

Forms of Local Government Investment include:

- a. Investment in Securities; and/or
- b. Direct Investment.

### Article 9

- (1) Forms of Investment in Securities as referred to in Article 8 point a include:
  - a. the buying of shares; and/or
  - b. the buying of debt securities.
- (2) Forms of Direct Investment as referred to in Article 8 point b include:
  - a. Local Government equity participation; and/or
  - b. Loan Provision.
- (3) Further provisions regarding the form of Local Government Investment as referred to in section (1) and section (2) are regulated in a Regent Regulation.

## CHAPTER V LOCAL GOVERNMENT INVESTMENT MANAGEMENT

### Part One General

### Article 10

The Local Government Investment management includes:

- a. planning;
- b. implementation;
- c. Divestment;
- d. budgeting, budget implementation, budget administration and accountability of Local Government Investment; and
- e. supervision.

### Article 11

Local Government Investment may be implemented in the following cases:

- a. APBD is estimated to have a surplus, the use of which is determined in the Regional Regulation on APBD; and
- b. there are Local-Owned Assets that are not used in the administration of Local government.

### Part Two Planning

### Article 12

- (1) Investment manager prepares Local Government Investment Planning as referred to in Article 10 point a completed with reasons and considerations.
- (2) Local Government Investment Planning as referred to in section (1) is outlined in the Local Government Investment Activity Plan.

- (3) The Local Government Investment Activity Plan as referred to in section (2) is submitted to the Regent for approval.

#### Article 13

- (1) Investment manager prepares Local Government Investment analysis by implementing risk management before making an Investment.
- (2) The preparation of the Local Government Investment analysis as referred to in section (1) may be conducted by an Investment Advisor.

### Part Three Implementation

#### Article 14

Investment in Securities by buying shares as referred to in Article 9 section (1) point a is implemented on the shares issued by the limited liability company.

#### Article 15

- (1) Securities Investment by buying bonds as referred to in Article 9 section (1) point b is implemented on bonds issued by the government and/or other local governments.
- (2) Buying the bonds may only be made if the issuer of the bonds provides an option to rebuy the debt securities.
- (3) The option to rebuy the bonds is a commitment of the bond issuer to rebuy the bonds if the Local Government sells the bonds before maturity.

#### Article 16

- (1) The amount of Local Government Investment in the form of Local Government equity participation as referred to in Article 9 section (2) point a is budgeted annually as paid-in capital to each BUMD, based on the financial capacity of the region as determined in APBD.
- (2) The Board of Directors and/or Management of a BUMD, in proposing Local Government equity participation, are obligated to prepare a business plan to ensure the certainty of business implementation in the form of a proposal.
- (3) The business plan document as referred to in section (2) contains at least:
  - a. business plan summary;
  - b. description of the product produced;
  - c. competitive analysis;
  - d. market analysis;
  - e. business strategy; and
  - f. financial analysis,as well as supporting documents, such as:
  - a. company profile and management;
  - b. audited financial statements;
  - c. profit/loss statement;
  - d. performance reports; and
  - e. credibility.

Article 17

Direct Investment in Providing Loans to the public is distributed through banks or non-bank financial institutions.

Article 18

- (1) The implementation of Local Government Investment is implemented by the Investment manager and may be delegated to Regional Public Service Agency.
- (2) The implementation of Local Government Investment as referred to in section (1) is stated in Investment Agreement between the Investment manager and the third party.
- (3) The Investment Agreement as referred to in section (2) is reported to the Regent.

Part Four  
Divestment

Article 19

- (1) Local Government may conduct the Divestment of Local Government Investment.
- (2) The Divestment as referred to in section (1) is conducted based on the analysis of Investment Advisor by implementing risk management.
- (3) The Local Government Divestment is conducted by Investment Manager based on the approval of the Regent.
- (4) Further provisions regarding the requirements and procedures of Divestment are implemented in accordance with the provisions of legislation.

Article 20

- (1) The Divestment as referred to in Article 19 includes:
  - a. sale of Securities; and/or
  - b. sale of direct investment ownership.
- (2) Sale of Securities as referred to in section (1) point a include:
  - a. shares; and/or
  - b. bonds.
- (3) Sale of Direct Investment ownership as referred to in section (1) point b as referred to in section (1) point b includes:
  - a. ownership of equity participation of the Local Government; and/or
  - b. ownership of the loan provision.

Article 21

- (1) The Divestment proceeds of all types of the Local Government Investment are the net proceeds after all costs and expenses are deducted from the gross proceeds of Divestment.
- (2) The cost of divestment is based on the principles of fairness, transparency, and accountability.
- (3) The Divestment proceeds as referred to in section (1) constitute Local Revenue.

#### Article 22

Sale of Securities in terms of the sale of shares and/or bonds securities as referred to in Article 20 section (2) is carried out by referring to the provisions on the sale of Securities.

#### Article 23

- (1) Sale of shares as referred to in Article 20 section (2) point a may be carried out if:
  - a. the share price rises significantly and/or profitably for Divestment;
  - b. other Investments are projected to be more profitable; or
  - c. there is a significant decrease in share price.
- (2) Sale of bonds as referred to in Article 20 section (2) point b may be carried out if:
  - a. the yield is projected to decrease;
  - b. other Investments are projected to be more profitable, or
  - c. there is a possibility of default.

#### Article 24

- (1) Ownership of the Local Government equity participation as referred to in Article 20 section (3) point a is in the form of capital and/or shares.
- (2) Ownership of Loan Provision as referred to in Article 20 section (3) point b is in the form of ownership of receivables or debt collection rights.

#### Article 25

- (1) Sale of ownership of the Local Government equity participation as referred to in Article 20 section (3) point a is carried out by selling ownership rights to other parties.
- (2) Sale of ownership of the Local Government equity participation as referred to in section (1) may be carried out after a feasibility analysis by an Investment Advisor.
- (3) The feasibility analysis by the Investment Advisor as referred to in section (2) is carried out if:
  - a. the company's activities are not profitable; or
  - b. the company's activities are not under the Local Government Investment strategy.

#### Article 26

- (1) Sale of ownership of the Loan Provision as referred to in Article 20 section (3) point b is in the form of ownership of receivables or debt collection rights.
- (2) Sale of ownership of the Loan Provision as referred to in section (1) is carried out by transferring receivable or debt collection rights to obtain the loan principal right, interest and/or other fees to other parties.
- (3) Further provisions regarding the sale of ownership of the Loan Provision as referred to in section (1) and section (2) are regulated in a Regent Regulation.

#### Part Five

Budgeting, Budget Implementation, Budget Administration and Accountability of the Local Government Investment



Article 27

Budgeting, Budget Implementation, Budget Administration, and accountability of the Local Government Investment are carried out in accordance with the provisions of legislation.

Part Six  
Supervision

Article 28

- (1) The Regent through the Regional apparatus supervises the Local Government Investment.
- (2) The supervision as referred to in section (1) includes monitoring and control.
- (3) The supervision as referred to in section (2) is reported to the Regent.

CHAPTER VI  
RISK MANAGEMENT AND INTERNAL CONTROL

Article 29

- (1) The Investment Implementation must implement risk management and internal control over the management of Local Government Investments effectively and efficiently.
- (2) The application of risk management as referred to in section (1) includes, at least:
  - a. identification, assessment/estimation, and risk control;
  - b. a reporting system that can monitor and manage risks in a relevant manner; and
  - c. risk tolerance and investment strategy.
- (3) Internal control as referred to in section (1), is carried out on, at least:
  - a. controlling environment;
  - b. risk assessment;
  - c. controlling activities; and
  - d. information and communication.
- (4) Further provisions regarding the implementation of risk management and internal control as referred to in section (2) and section (3) are further regulated in a Regent Regulation.

Article 30

- (1) In implementing risk management as referred to in Article 29 section (2), the Regent can form a Local Government Investment Advisor.
- (2) The Investment Advisor as referred to in section (1) is in charge of analyzing Local Government Investments as the basis for making Investment and Divestment decisions by implementing risk management.
- (3) The Investment Advisor as referred to in section (1) is determined by a Regent Decision.
- (4) Further provisions regarding the Local Government Investment Advisor as referred to in section (1) are regulated in a Regent Regulation.

## CHAPTER VII TRANSITIONAL PROVISIONS

### Article 31

When this Regional Regulation comes into force:

- a. ongoing Regional Government Investments are continually implemented to the extent not contrary to this regional Regulation; and
- b. regulations, decisions, and agreements related to existing Local Government Investments remain effective to the extent not contrary to this Regional Regulation.

## CHAPTER VIII CLOSING PROVISIONS

### Article 32

- (1) Implementing regulations of this Regional Regulation are determined at the latest 1 (one) year after the promulgation of this Regional Regulation.
- (2) This Regional Regulation comes into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this Regional Regulation by its placement in the Regional Gazette of the Regency of Karanganyar.

Issued in Karanganyar  
on 30 October 2023  
REGENT OF KARANGANYAR,

signed

JULIYATMONO

Promulgated in Karanganyar  
on 30 October 2023  
REGIONAL SECRETARY OF THE REGENCY OF KARANGANYAR,

signed

TIMOTIUS SURYADI

REGIONAL GAZETTE OF THE REGENCY OF KARANGANYAR OF 2023  
NUMBER 12

Jakarta, 1 September 2025  
Has been translated as an Official Translation  
on behalf of the Minister of Law  
of the Republic of Indonesia  
DIRECTOR GENERAL OF LEGISLATION,



DHAFIANA PUTRA

ELUCIDATION  
OF  
REGULATION OF THE REGENCY OF KARANGANYAR  
NUMBER 12 OF 2023  
ON  
IMPLEMENTATION OF LOCAL GOVERNMENT INVESTMENT

I. GENERAL

Investment is advance public welfare as stated in the 1945 Constitution of the Republic of Indonesia. Law Number 1 of 2004 on State Treasury and Government Regulation Number 12 of 2019 on Regional Financial Management also mandate the Local Government to make Investments to provide economic, social, and other benefits.

For Local Government Investments to be carried out in accordance with the provisions of legislation as well as to ensure the implementation of orderly administration and good investment management mitigated well from the aspect of feasibility, it is necessary to prepare arrangements related to the Implementation of Local Government Investments.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Article 3

Sufficiently clear.

Article 4

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Sufficiently clear.

Article 7

Sufficiently clear.

Article 8

Sufficiently clear.

Article 9  
Sufficiently clear.

Article 10  
Sufficiently clear.

Article 11  
Sufficiently clear.

Article 12  
Sufficiently clear.

Article 13  
Sufficiently clear.

Article 14  
Sufficiently clear.

Article 15  
Sufficiently clear.

Article 16  
Sufficiently clear.

Article 17  
The term “non-bank financial institutions” means non-bank financial institutions or organizations that provide services in the financial sector but it is not allowed to accept deposits from the public, in the form of current accounts, savings deposits, and bank deposits.

Article 18  
Section (1)  
The term “regional public service agency” means a system applied by a technical implementation unit of a regional institution or agency in providing services to the public that has flexibility in financial management patterns as an exception to the regional management provisions in general.

Section (2)  
Sufficiently clear.

Section (3)  
Sufficiently clear.

Article 19  
Sufficiently clear.

Article 20  
Sufficiently clear

Article 21  
Sufficiently clear.

Article 22  
Sufficiently clear.

Article 23  
Sufficiently clear.

Article 24  
Sufficiently clear.

Article 25  
Sufficiently clear

Article 26  
Sufficiently clear.

Article 27  
Sufficiently clear.

Article 28  
Sufficiently clear.

Article 29  
Sufficiently clear.

Article 30  
Sufficiently clear.

Article 31  
Sufficiently clear.

Article 32  
Sufficiently clear.

SUPPLEMENT TO THE REGIONAL GAZETTE OF THE REGENCY OF  
KARANGANYAR NUMBER 157