

REGULATION OF THE MINISTER OF DEFENCE
OF THE REPUBLIC OF INDONESIA
NUMBER 6 OF 2024
ON
COUNTERTRADE, LOCAL CONTENT, AND OFFSET MECHANISMS
IN PROCUREMENT OF DEFENCE AND SECURITY EQUIPMENT
FROM ABROAD

BY THE BLESSINGS OF ALMIGHTY GOD

MINISTER OF DEFENCE OF THE REPUBLIC OF INDONESIA,

Considering : a. that in order to realize and improve the country's defence capabilities and the independence of domestic defence and security equipment as well as the development and improvement of human resources that have a strategic function, it is necessary to develop the country's defence capabilities in the context of building defence strength;

b. that in order to realize the development of national defence capabilities through the procurement of defence and security equipment as a defence investment, a countertrade, local content and offset mechanisms are needed in the procurement of defence and security equipment from abroad;

c. that the Regulation of the Minister of Defence Number 30 of 2015 on Countertrade, Local Content and Offset in the Procurement of Defence and Security Equipment from Abroad is no longer in accordance with the needs of organizational institutions and legal developments, so it needs to be replaced;

d. based on the considerations as referred to in point a, point b, and point c, it is necessary to issue Regulation of the Minister of Defence on Countertrade, Local Content and Offset Mechanisms in Procurement of Defence and Security Equipment from Abroad;

Observing : 1. Article 17 section (3) of the 1945 Constitution of the Republic of Indonesia;

2. Law Number 3 of 2002 on National Defence (State Gazette of the Republic of Indonesia of 2002 Number 3, Supplement to the State Gazette of the Republic of Indonesia Number 4169);

3. Law Number 39 of 2008 on State Ministries (State Gazette of the Republic of Indonesia of 2008 Number 166, Supplement to the State Gazette of the Republic of Indonesia Number 4916);
4. Government Regulation Number 76 of 2014 on Countertrade, Local Content, and Offset Mechanisms in Procurement of Defence and Security Equipment from Abroad (State Gazette of the Republic of Indonesia of 2014 Number 262, Supplement to the State Gazette of the Republic of Indonesia Number 5596);
5. Presidential Regulation Number 94 of 2022 on Ministry of Defence (State Gazette of the Republic of Indonesia of 2022 Number 145);
6. Regulation of the Minister of Defence Number 1 of 2024 on Organization and Work Procedures of the Ministry of Defence (State Bulletin of the Republic of Indonesia of 2024 Number 75);

HAS DECIDED:

To issue : REGULATION OF THE MINISTER OF DEFENCE ON COUNTERTRADE, LOCAL CONTENT, AND OFFSET MECHANISMS IN PROCUREMENT OF DEFENCE AND SECURITY EQUIPMENT FROM ABROAD.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Ministerial Regulation:

1. Countertrade means a reciprocal trade activity between Indonesia and foreign parties which is measured in the transaction value of contracts for the procurement of defence and security equipment.
2. Local Content means all domestic products owned by Indonesian individuals or legal entities.
3. Offset means an arrangement between the Government and foreign arms suppliers to return part of the contract value to the purchasing country, in this case the Republic of Indonesia, as one of the terms of the sale and purchase.
4. Defence and Security Equipment (*Alat Peralatan Pertahanan dan Keamanan*), hereinafter referred to as Alpalhankam, means all equipment to support national defence as well as Public security and order.
5. Defence Industry means a national industry consisting of state-owned enterprises and privately owned enterprises, either individually or in groups, which are determined by the government to produce some or all of the defence and security equipment and maintenance services to fulfill strategic interests in the defence and security sector located in the territory of the Unitary State of the Republic of Indonesia.
6. Alpalhankam Technology means a combination of research and development processes, design, technical production activities, testing, and/or operations that successfully produce Alpalhankam products and are used in an Alpalhankam system.

7. Defence Industry Policy Committee (*Komite Kebijakan Industri Pertahanan*), hereinafter abbreviated as KKIP, means a committee that represents the government to coordinate national policies in planning, formulating, implementing, controlling, synchronizing and evaluating the Defence Industry.
8. Local Content and Offset Providers mean foreign industries that carry out Alpalhankam procurement contracts.
9. Local Content Value means the result of multiplying the Local Content component item value by the Local Content component multiplier factor.
10. Multiplier Factor means a multiplier figure determined by the KKIP and given to Offset providers to carry out types of activities that support national goals.
11. *Aanwijzing* means the process of providing an Auction explanation.
12. Minister means the minister administering government affairs in the field of defence.
13. Defence Force of Indonesia (*Tentara Nasional Indonesia*), hereinafter abbreviated as TNI, means the main component ready to be used to carry out national defence duties.

CHAPTER II IMPLEMENTATION OF COUNTERTRADE, LOCAL CONTENT, AND/OR OFFSET

Article 2

- (1) Procurement of Alpalhankam from abroad includes:
 - a. Purchase;
 - b. repair; and
 - c. Maintenance.
- (2) Procurement of Alpalhankam from abroad as referred to in section (1) is carried out through the Countertrade, Local Content and Offset mechanisms.
- (3) The amount of the Countertrade, Local Content and/or Offset obligation as referred to in section (1) is at least 85% (eighty-five percent) of the contract value.
- (4) The amount of the Local Content and/or Offset obligation as referred to in section (1) is at least 35% (thirty-five percent) of the contract value with an increase of 10% (ten percent) every 5 (five) years.

Article 3

- (1) Offset implementation can be carried out in the following form:
 - a. activities directly related to the purchased Alpalhankam; and/or
 - b. activities that are not directly related to the purchased Alpalhankam.
- (2) The direct Offset and indirect Offset as referred to in section (1) must be able to return part of the procurement contract value into added value and access to control of defence technology through the implementation of the Offset for national interests.

Article 4

- (1) Local Content components that can be obtained by implementers of Local Content and Offset from foreign Alpalhankam providers include:
 - a. design;
 - b. engineering;
 - c. intellectual property rights;
 - d. raw materials;
 - e. costs of facilities and infrastructure;
 - f. education and training;
 - g. labor costs; and/or
 - h. after-sales service
- (2) The Offset components that can be obtained by Local Content and Offset implementers from foreign Alpalhankam providers include:
 - a. care and maintenance;
 - b. overhaul, refurbishment, and modification;
 - c. retrofit and upgrade;
 - d. production under license;
 - e. joint stock;
 - f. buy back;
 - g. joint production;
 - h. subcontract;
 - i. development of competence in research and development;
 - j. joint development;
 - k. technology transfer;
 - l. transfer of competence through research and education;
 - m. development of marketing of Defence Industry products; and/or
 - n. investment for manufacturing industry.
- (3) Components as referred to in section (1) and section (2) are determined after receiving the determination from KKIP.

Article 5

The amount of Local Content and Offset Value offered by Local Content and Offset Providers is included in the evaluation for determining the selection of foreign Alpalhankam providers.

Article 6

- (1) Offset cannot be replaced by cash payment.
- (2) In the event that the foreign Alpalhankam provider does not have the capability to prepare the infrastructure and supporting facilities/infrastructure in implementing the required Offset, the foreign Alpalhankam provider will cooperate with the Indonesian side in carrying out the activities of preparing the infrastructure and supporting facilities/infrastructure with full support from the foreign Alpalhankam provider.

CHAPTER III CONTRACT

Article 7

The Local Content and Offset Contracts are separate contracts that are part of the master contract for procurement of Alpalhankam from abroad.

Article 8

- (1) In the event of a delay in the implementation of Local Content and Offset activities, penalties will be imposed on Local Content and Offset Providers.
- (2) The penalty as referred to in section (1) is in the form of imposing sanctions on Local Content and Offset providers in accordance with the provisions of the Offset Agreement.

CHAPTER IV COUNTERTRADE MECHANISM

Article 9

- (1) Countertrade in the procurement of Alpalhankam from abroad is carried out through barter and/or counter purchase.
- (2) Implementation of countertrade includes:
 - a. determination of product type;
 - b. determination of components; and
 - c. determination of implementation priorities.

Article 10

- (1) The types of products, components and implementing priorities as referred to in Article 9 section (2) prioritize Defence Industry goods and/or services.
- (2) Determination of product types, components and implementing priorities as referred to in section (1) is determined based on the following variables:
 - a. direction of independence and competitiveness of the Defence Industry;
 - b. capability of the Defence Industry;
 - c. needs of Alpalhankam;
 - d. capability of technology, design and engineering;
 - e. capability of Human Resources;
 - f. availability of facilities and infrastructure;
 - g. marketing development; and/or
 - h. impact on the national economy.

Article 11

The Countertrade Mechanism in the procurement of Alpalhankam from abroad is implemented in accordance with the provisions of legislation.

CHAPTER V
LOCAL CONTENT AND OFFSET MECHANISMS

Part One
General

Article 12

- (1) The determination or stipulation of Local Content and Offset as referred to in Article 9 includes:
 - a. the concept of Alpalhankam Technology to be acquired;
 - b. the proposed appointment of the implementer of Local Content and Offset;
 - c. the draft structure and components of Local Content and Offset;
 - d. the weighting of the Multiplier Factor variable that can be assigned to each component of Local Content and Offset; and/or
 - e. the weighting of the Local Content and Offset Value variable in each procurement of Alpalhankam from abroad.
- (2) The proposal for the appointment of implementers of Local Content and Offset as referred to in section (1) point b consists of:
 - a. main equipment industry;
 - b. main and/or supporting component industry;
 - c. component industry;
 - d. raw material industry;
 - e. other industries outside the Defence Industry;
 - f. National Research and Innovation Agency; and
 - g. higher education institutions.
- (3) In addition to the proposal for the appointment of implementers of Local Content and Offset as referred to in section (2), secondary education institutions can be proposed.

Article 13

The determination of the proposed appointment of implementers of Local Content and Offset as referred to in Article 12 section (1) point b is carried out by involving:

- a. KKIP;
- b. Ministry of Defence;
- c. The Headquarters of TNI/ Armed Services;
- d. The Defence Industry; and/or
- e. Other parties deemed necessary.

Part Two
Mechanism

Article 14

The Local Content and Offset mechanism in the procurement of Alpalhankam from abroad for national defence is administered by the Minister.

Article 15

- (1) The implementation of Local Content and Offset within the Ministry of Defence is carried out using the following mechanisms:
 - a. The Directorate General of Defence Planning of the Ministry of Defence prepares the budget plan for the procurement of Alpalhankam from abroad within the Ministry of Defence/TNI;
 - b. The Directorate General of Defence Potential of the Ministry of Defence prepares Local Content and Offset activities in accordance with the budget plan for the procurement of Alpalhankam from abroad within the Ministry of Defence/TNI and the IDKLO (Countertrade, Local Content and Offset, *Imbal Dagang, Kandungan Lokal dan Ofset*) Technical Guidelines issued by the KKIP, and establishes a Local Content and Offset Team;
 - c. The Defence Facilities Agency of the Ministry of Defence or the Headquarters of the TNI/Armed Services coordinates with the Directorate General of Defence Potential of the Ministry of Defence to prepare a Local Content and Offset scheme;
 - d. the Local Content and Offset Team as referred to in point b prepares a draft structure for Local Content and Offset in accordance with the budget plan for the procurement of Alpalhankam from abroad within the Ministry of Defence/TNI and the IDKLO Technical Guidelines issued by the KKIP;
 - e. the Local Content and Offset Team involves the Defence Facilities Agency of the Ministry of Defence and the Ad Hoc Team of the Headquarters of the TNI/Armed Forces to jointly conduct an Aanwijzing with foreign Alpalhankam providers regarding the requirements and guidelines for Local Content and Offset, in order to produce a Local Content and Offset proposal;
 - f. the Local Content and Offset Team involves the Defence Facilities Agency of the Ministry of Defence and the Ad Hoc Team of the Headquarters of the TNI/Armed Forces to evaluate the Local Content and Offset proposals as referred to in point e;
 - g. the results of the evaluation of the Local Content and Offset proposals as referred to in point f are submitted by the Local Content and Offset Team to the Directorate General of Defence Potential of the Ministry of Defence; and
 - h. the Directorate General of Defence Potential of the Ministry of Defence submits the results of the evaluation of the Local Content and Offset proposals to the KKIP.
- (2) The Local Content and Offset documents received from the KKIP are followed up by the Directorate General of Defence Potential of the Ministry of Defence by preparing an Offset Agreement, with the following attachments:
 - a. the Local Content and Offset structure;

- b. the Local Content and Offset certificate format;
- c. the Local Content and Offset implementation schedule; and
- d. other attachments deemed necessary by both parties.

(3) The Offset Agreement as referred to in section (2) is signed by the Directorate General of Defence Potential of the Ministry of Defence and the foreign Alpalhankam providers.

Article 16

The provisions regarding the implementation of Local Content and Offset within the Ministry of Defence as referred to in Article 15 apply mutatis mutandis to the implementation of Local Content and Offset within the TNI and the Armed Forces Headquarters.

Part Three Institutional

Article 17

- (1) The Minister is responsible for organizing Local Content and Offset activities in the procurement of Defence and Security Main Equipment from abroad for national defence.
- (2) In organizing Local Content and Offset as referred to in section (1), the Minister is assisted by:
 - a. the Commander of the TNI;
 - b. the Chiefs of Staff of the Armed Forces;
 - c. the Secretary General of the Ministry of Defence;
 - d. the Director General of Defence Planning of the Ministry of Defence;
 - e. the Director General of Defence Potential of the Ministry of Defence;
 - f. the Director General of Defence Forces of the Ministry of Defence;
 - g. the Inspector General of the Ministry of Defence;
 - h. the Head of the Defence Facilities Agency of the Ministry of Defence; and
 - i. the Head of the Defence Policy and Technology Development Agency of the Ministry of Defence.
- (3) The officials as referred to in section (2), in organizing Local Content and Offset, report to the Minister.

Article 18

- (1) The Commander of the TNI as referred to in Article 17 section (2) point a is responsible for assisting in the implementation of Local Content and Offset within the TNI Headquarter.
- (2) The Chiefs of Staff of the Armed Forces as referred to in Article 17 section (2) point b are responsible for assisting in the implementation of Local Content and Offset within the Armed Forces.
- (3) The provisions regarding the implementation of Local Content and Offset within the Ministry of Defence as referred to in Article 16 apply mutatis mutandis to the

implementation of Local Content and Offset within the TNI and the Armed Forces Headquarters.

Article 19

The Secretary General of the Ministry of Defence as referred to in Article 17 section (2) point c is responsible for coordinating Local Content and Offset activities.

Article 20

The Director General of Planning of the Ministry of Defence as referred to in Article 17 section (2) point d has duties as regulated in the Local Content and Offset mechanism.

Article 21

The Director General of Defence Potential of the Ministry of Defence as referred to in Article 17 section (2) point e has duties as regulated in the Local Content and Offset mechanism.

Article 22

The Director General of Defence Forces of the Ministry of Defence as referred to in Article 17 section (2) point f has the task of providing information regarding policies for the development, construction and advancement of state defence forces.

Article 23

The Inspector General of the Ministry of Defence as referred to in Article 17 section (2) point g has the duties to:

- a. supervise Local Content and Offset activities; and
- b. prepare a report on the results of monitoring Local Content and Offset.

Article 24

The Head of the Defence Facilities Agency of the Ministry of Defence as referred to in Article 17 section (2) point h has duties as regulated in the Local Content and Offset mechanism.

Article 25

- (1) The Head of the Defence Policy and Technology Development Agency of the Ministry of Defence as referred to in Article 17 section (2) point i has the duties to:
 - a. provide data on the results of defence research and development that has been carried out;
 - b. provide data on Defence Industry products that can be used as Local Content;
 - c. conduct research and development activities that are relevant to the future needs of Alpalhankam through Local Content and Offset activities; and/or
 - d. carry out coordination with the Defence Industry, TNI, and/or Echelon I within the Ministry of Defence regarding the development of Military Force.
- (2) The duties of the Head of the Defence Policy and Technology Development Agency of the Ministry of Defence as referred to in section (1) may be carried out after the provisions of legislation regarding the organization and

work procedures of the Ministry of Defence come into effect.

Part Four Local Content and Offset Team

Article 26

- (1) The formation of the Local Content and Offset Team as referred to in Article 15 section (1) point b has a membership structure consisting of:
 - a. Director;
 - b. Person in Charge;
 - c. Chairperson;
 - d. Deputy Chairperson;
 - e. Secretary; and
 - f. Members.
- (2) If deemed necessary, the Local Content and Offset Team as referred to in section (1) may involve resource persons as needed.
- (3) The formation of the Local Content and Offset Team as referred to in section (1) is determined by the Director General of Defence Potential, Ministry of Defence.
- (4) The formation of the Team as referred to in section (1) is valid for a maximum of 1 (one) year and can be changed/replaced.

Article 27

The Local Content and Offset Team as referred to in Article 26 has the duties to:

- a. implement technical guidelines for the implementation of Local Content and Offset;
- b. prepare a draft of the Local Content and Offset structure in accordance with the budget planning for procurement of Alpalhankam from abroad within the Ministry of Defence/TNI and the IDKLO Technical Guidelines published by KKIP;
- c. provide assistance in Aanwijzing to foreign Alpalhankam providers regarding Local Content and Offset requirements and guidelines;
- d. provide input on Alpalhankam Technology required by Local Content and Offset implementers;
- e. conduct negotiations and evaluation of proposals for offering Local Content and Offset from foreign Alpalhankam providers;
- f. monitor the implementation of Local Content and Offset activities and provide evaluation of the implementation status based on monitoring and reports from activity implementers;
- g. carry out administrative activities in order to support the implementation of Local Content and Offset; and
- h. report the results of monitoring and evaluation of Local Content and Offset activities to the Directorate General of Defence Potential, Ministry of Defence and the Defence Facilities Agency, Ministry of Defence.

Part Five
Monitoring and Evaluation

Article 28

- (1) Providers of Countertrade, Local Content and Offset report on Countertrade, Local Content and Offset activities periodically to the Directorate General of Defence Potential, Ministry of Defence and the Defence Facilities Agency, Ministry of Defence.
- (2) The Directorate General of Defence Potential, Ministry of Defence and the Defence Facilities Agency, Ministry of Defence report the results of the evaluation to the Minister.
- (3) The Minister submits an evaluation of activities to KKIP.

Article 29

The results of the evaluation of the implementation of Countertrade, Local Content and Offset as a basis for assessing the achievements and performance of the implementers of Local Content and Offset.

CHAPTER VI
CLOSING PROVISIONS

Article 30

At the time this Ministerial Regulation comes into force, the Regulation of the Minister of Defence Number 30 of 2015 on Countertrade, Local Content, and Offset in Procurement of Defence and Security Equipment from Abroad (State Bulletin of the Republic of Indonesia of 2015 Number 2086), is repealed and declared ineffective.

Article 31

This Ministerial Regulation comes into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this Ministerial Regulation by its placement in the State Bulletin of the Republic of Indonesia.

Issued in Jakarta
on 11 July 2024

MINISTER OF DEFENCE
OF THE REPUBLIC OF INDONESIA,

signed

PRABOWO SUBIANTO

Promulgated in Jakarta
on 6 August 2024

DIRECTOR GENERAL OF LEGISLATION
OF THE MINISTRY OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA,

signed

ASEP N. MULYANA

STATE BULLETIN OF THE REPUBLIC OF INDONESIA OF 2024 NUMBER 165

Jakarta, 24 November 2025
Has been translated as an Official Translation
on behalf of the Minister of Law
of the Republic of Indonesia

DIRECTOR GENERAL OF LEGISLATION,

