



**BUPATI KARANGANYAR
PROVINSI JAWA TENGAH**

REGIONAL REGULATION OF KARANGANYAR REGENCY
NUMBER 12 OF 2023

ON

IMPLEMENTATION OF REGIONAL INVESTMENT
BY THE BLESSING OF THE ALMIGHTY GOD

REGENT OF KARANGANYAR,

- Considering:
- a. that the administration of the state government which conducted to the state goals 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, Regional Government may invest to obtain economic, social, and other benefit to increase and to add the source of the original regional revenue;
 - c. that in order to provide legal certainty in accordance with the provision of Article 41 of Law Number 1 of 2004 on the State Treasury and Article 201 of Government Regulation Number 12 of 2019 on Regional Financial Management, it is necessary to issue the Regional Regulation;
 - d. that according to the consideration as referred to in letter a, letter b, and letter c, it is necessary to issue the Regional Regulation on Regional Government Investment Implementation;

- Observing:
- 1. Article 18 paragraph (6) of The 1945 Constitution of the Republic of Indonesia;
 - 2. Law Number 13 of 1950 on The Establishment of Regency Areas within the Province of Central Java (Bulletin Gazette of the Republic of Indonesia No. 42 of 1950);
 - 3. Law Number 23 of 2014 on Regional Detention (State Gazette of the Republic of Indonesia Number 244 of 2014, Supplement to State Gazette of the Republic of Indonesia Number 5587) as amended several times recently by Law Number 6 of 2023 on The Stipulation of the Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation into Law (State Gazette of Republic of Indonesia Number 6856);
 - 4. Law Number 11 of 2023 on Central Java Province (State Gazette of Republic of Indonesia Number 6867);

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

HAS DECIDED:
to enact : REGIONAL REGULATION ON THE IMPLEMENTATION OF
REGIONAL GOVERNMENT INVESTMENT

CHAPTER I
PROVISION

Section One
Defintion

Article 1

In this Regional Regulation, what is meant by

1. Regional is the Regency of Karanganyar
2. Regent is the Regent of Karanganyar.
3. Regional Government is the Regent as an element of the Regional Government that leads the implementation of the government affairs which become the authority of the regional autonomy.
4. Investment is the allocation of a number of funds and/or property in a long term for Investment in the buying Securities and direct investment which is able to return the principal values and and economic, social, and/or other benefits within a certain period of time.
5. Regional Government Investment is the allocation of Regional Government funds and/or property by the Regional Government in a long term for Investment in buying securities and direct Investment which is able to return the principal value and economic, social, and/or other benefits within a certain period of time.
6. Direct Investment is the provision of capital and/or loans by Regional Governments to finance business activities.
7. Securities are shares and debt securities.
8. Loan Provision is a form of Regional Government Investment to business enterprise, government, other regional government, regional public services agency owned by other regional government and public with the right to receive returns in the form of loan principal.

9. Regional Government Investment Planning is an annual proposal of Investment plan by Regional Government for implementing the Investment in the next fiscal year.
10. Investment Activity Plan is an annual planning document from the regional revenue and expenditure budget consisted of Investment activities and budgets required for the next fiscal year.
11. Investment advisor is a professional and an independent personnel who advise Regional Government on the implementation of Regional Government Investments.
12. Divestment is the sale of Securities and/or Regional Government ownership either partial or full to other party.
13. Investment Agreement is a written agreement in Securities and Direct Investment between Regional Government and other Regional government, business enterprises, and public.
14. Regional-owned enterprises hereinafter referred to as BUMD are companies established and owned by the Regional Government.
15. Business enterprises are private business enterprises in the form of limited liability companies, state-owned enterprises, BUMD, and cooperatives.
16. Regional-Owned Property is all property purchased or obtained from regional revenue and expenditure budget or other legal sources.
17. The regional revenue and expenditure budget hereinafter referred to as APBD is a regional government annual financial plan with joint discussion and approval of Regional Government and Regional house of representative and stipulated by Regional Regulations.

SECTION TWO AIM AND PURPOSE

Article 2

- (1) The purpose of the Regional Government Investment management is to obtain economic, social, and/or other benefits.
- (2) The aim of the Regional Government Investment management is to:
 - a. increase the growth and development of the Regional economy;

- b. increase Regional revenue; and
- c. improve the public welfare.

CHAPTER II THE AUTHORITY OF GOVERNMENT INVESTMENT MANAGEMENT

Article 3

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

Article 4

The regulatory authority of the Regent as referred to in Article 3 paragraph (2) letter a includes:

- a. stipulating the policies of the Regional Government Investment management;
- b. enacting the criteria for fulfilling the agreement on the Regional Government Investment implementation; and
- c. stipulating the payment procedures of the obligation arising from the project of providing Regional 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 paragraph (2) letter b includes:

- a. researching and approving or rejecting the requests of the Investment from government, other regional government, business enterprises, and the public;
- b. proposing a funding plan for Regional Government Investment sourced from the APBD;
- c. allocating funds and/or Regional-Owned Property for Regional Government Investment according to laws and regulations;
- d. conducting Investment Agreements related to the allocation of the funds and/or Regional Government property;

- e. controlling risks of the Regional Government Investment implementation;
- f. representing and implementing the obligations as well as receiving the rights of the Regional Government as stipulated in the Investment Agreement;
- g. proposing changes in the Investment Agreement;
- h. acting for and on behalf of the Regional Government if dispute or disagreement occurs in the implementation of an Investment Agreement; and
- i. implementing Regional Government Investment and Divestment.

Article 6

The authority and the responsibility of supervision of the Regent as referred to in Article 2 paragraph (2) letter c include

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

CHAPTER III INVESTMENT SOURCES

Article 7

Investment funding sources may come from:

- a. regional revenue and expenditure budget (APBD);
- b. previous investment profits;
- c. funds/goods entrusted by other parties managed by the Regional Government; and/or
- d. other authorized sources.

CHAPTER IV FORM OF INVESTMENT

Article 8

Forms of Regional 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 letter a include:
 - a. buying of shares; and/or
 - b. buying of debt securities.
- (2) Forms of Direct Investment as referred to in Article 8 letter b include:
 - a. Regional Government capital; and/or
 - b. Providing Loans.
- (3) Further provisions regarding the form of Regional Government Investment as referred to in paragraph (1) and paragraph (2) are regulated in the Regent Regulation.

CHAPTER V

THE REGIONAL GOVERNMENT INVESTMENT MANAGEMENT

Section One

General

Article 10

The Regional Government Investment management includes:

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

Article 11

Regional Government Investment may be implemented in the following cases:

- a. regional revenue and expenditure budget (APBD) is estimated to have a surplus, the use of which is determined in the Regional Regulation on APBD; and
- b. there are Regional-Owned Property that are not used in the administration of Regional government.

Section Two Planning

Article 12

- (1) Investment manager prepares Regional Government Investment Planning as referred to in Article 10 letter a completed with reasons and considerations.
- (2) Regional Government Investment Planning as referred to in paragraph (1) is outlined in the Regional Government Investment Activity Plan.
- (3) The Regional Government Investment Activity Plan as referred to in paragraph (2) is submitted to the Regent for approval.

Article 13

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

Section Three Implementation

Article 14

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

Article 15

- (1) Securities Investment by buying debt securities as referred to in Article 9 paragraph (1) letter b is implemented on debt securities issued by the government and/or other regional governments.
- (2) Buying the debt securities may only be made if the issuer of the debt securities provides an option to rebuying the debt securities.
- (3) The option to buy back the debt securities is a commitment of the debt securities issuer to buy back the debt securities if the Regional Government sells the debt securities before maturity.

Article 16

- (1) The amount of Regional Government Investment in the form of Regional Government capital as referred to in Article 9 paragraph (2) letter a is budgeted annually as paid-in capital to each regional-owned enterprise (BUMD), based on the financial capacity of the region as stipulated in the regional revenue and expenditure budget (APBD).
- (2) The Board of Directors and/or Management of a BUMD, in proposing Regional Government capital, are required 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 paragraph (2) must contain 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,and supporting documents, such as:
 - a. company profile and management;
 - b. audited financial statements;
 - c. profit/loss statement;
 - d. performance reports; and
 - c. credibility.

Article 17

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

Article 18

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

Section Four Divestment

Article 19

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

Article 20

- (1) The Divestment as refererred 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 paragraph (1) letter a include:
 - a. shares; and/or
 - b. debt securities.
- (3) Sale of Direct Investment ownership as referred to in paragraph (1) letter b as referred to in paragraph (1) letter b includes:
 - a. ownership of shares subscription of the Regional Government; and/or
 - b. ownership of the loan.

Article 21

- (1) The divestiture proceeds of all types of the Regional Government shares subscription shall be the net proceeds after all costs and expenses are deducted from the gross proceeds of divesture
- (2) The cost of divestiture is based on the principles of fairness, transparency, and accountability.
- (3) The proceeds of Divestment as referred to in paragraph (1) shall constitute Regional Government Revenue.

Article 22

Sale of Securities in terms of the sale of shares and/or debt securities as referred to in Article 20 paragraph (2) shall be 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) letter a may be carried out in terms:
 - a. the share price rises significantly and/or is being favorable for Divestment;
 - b. other Investments are projected to be more profitable, or
 - c. there is a significant decrease in share price.
- (2) Sale of debt securities as referred to in Article 20 paragraph (2) letter 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 Regional Government equity participation as referred to in Article 20 paragraph (3) letter a is in the form of capital and/or shares.
- (2) Ownership of Loans as referred to in Article 20 paragraph (3) letter b is in the form of ownership of accounts receivables or debt collection rights.

Article 25

- (1) Sale of ownership of the Regional Government equity participation as referred to in Article 20 paragraph (3) letter a shall be carried out by selling ownership rights to other parties.
- (2) Sale of ownership of the Regional 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 paragraph (2) shall be carried out if:
 - a. the company's activities are not profitable; or
 - b. the company's activities are not under the Regional Government Investment strategy.

Article 26

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

Section Five

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

Article 27

Budgeting, Budget Implementation, Budget Administration, and Investment accountability of the Regional Government shall be carried out under the provisions of laws and regulations.

Section Six Supervision

Article 28

- (1) The Regent through the Regional apparatus supervises the Regional Government Investment.
- (2) The supervision as referred to in paragraph (1) includes monitoring and control.
- (3) The supervision as referred to in paragraph (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 Regional Government Investments effectively and efficiently.
- (2) The application of risk management as referred to in paragraph (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 paragraph (1), 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 paragraph (2) and paragraph (3) shall be further regulated in a Regent Regulation.

Article 30

- (1) In implementing risk management as referred to in Article 29 paragraph (2), the Regent can set up a Regional Government Investment Advisor.
- (2) The Investment Advisor as referred to in paragraph (1) shall be in charge of analyzing Regional Government Investments as the basis for making Investment and Divestment decisions by implementing risk management.
- (3) The Investment Advisor as referred to in paragraph (1) shall be stipulated by a Regent Decree.
- (4) Further provisions regarding the Regional Government Investment Advisor as referred to in paragraph (1) shall be regulated in a Regent Regulation.

CHAPTER VII TRANSITIONAL PROVISIONS

Article 31

When this Regional Regulation comes into force:

- a. Ongoing Regional Government Investments shall be continually implemented as long as they are not in conflict with this Regional Regulation; and
- b. regulations, decrees, and agreements related to existing Regional Government Investments remain in effect as long as they do not conflict with this Regional Regulation.

CHAPTER VIII
CLOSING PROVISIONS

Article 32

- (1) Implementing regulations of this Regional Regulation shall be stipulated at the latest 1 (one) year after the promulgation of this Regional Regulation.
- (2) This Regional Regulation shall come into force on the date of the promulgation.

This Regional Regulation shall enter into force on the date of its promulgation. To make every individual aware of it, it is hereby ordered that this Regional Regulation be placed in the Regional Gazette of the Karanganyar Regency.

Enacted in Karanganyar
on October 30, 2023
REGENT OF KARANGANYAR,

signed

JULIYATMONO

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

signed

TIMOTIUS SURYADI
REGIONAL GAZETTE OF KARANGANYAR REGENCY YEAR 2023 NUMBER 12
NOREG REGIONAL REGULATION OF KARANGANYAR REGENCY,
CENTRAL JAVA PROVINCE: (12-279/2023)

Copy under the original
REGIONAL SECRETARIAT
KARANGANYAR REGENCY
Head, Legal Section,

signed

Metty Ferriska R.
NIP 197604171999032007

ELUCIDATION
ON
REGIONAL REGULATION OF KARANGANYAR REGENCY
NUMBER 12 YEAR 2023
CONCERNING
IMPLEMENTATION OF LOCAL GOVERNMENT INVESTMENT

I. GENERAL

Investment is the manifestation of the government and local governments to advance public welfare as stated in the 1945 Constitution of the Republic of Indonesia. Law Number 1 of 2004 concerning State Treasury and Government Regulation Number 12 of 2019 concerning Regional Financial Management also mandates the Regional Government to make investments to provide economic, social, and other benefits.

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

II. ARTICLES

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

A "non-bank financial institution" is a non-bank financial institution or organization that provides services in the financial sector but it has inability to accept deposits from the public, in the form of current accounts, savings deposits, and bank deposits.

Article 18

Paragraph (1)

A "regional public service agency" is 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.

Paragraph (2)

Sufficiently clear.

Paragraph (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.

ADDITIONAL REGIONAL SHEET OF KARANGANYAR REGENCY NUMBER 157