



Client Alert

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INVESTMENT PARTNERSHIP BETWEEN LARGE ENTERPRISES AND MSMES

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PUBLISHED DATE

📅 19 MAY 2026

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There are certain business activities which requires large enterprises to have partnership with Micro, Small, and Medium Enterprises (“MSMEs”). Thus, the Indonesian Government continues to strengthen its regulatory framework to promote inclusive and regionally balanced partnership in the investment sector. The Minister of Investment and Downstream Industry/Head of the Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* – “BKPM”) has issued Regulation No. 3 of 2025 (“**RBKPM 3/2025**”), which amends BKPM Regulation No. 1 of 2022 concerning Procedures for Partnerships between Large Enterprises and MSMEs.

Below is a summary of the key changes introduced by RBKPM 3/2025:

1. Integration of Partnership Commitments through the Online Single Submission (“OSS”) system

The regulation strengthens the obligation for large enterprises to prepare a partnership commitment which includes the scope of work, contract value, and implementation timeframe. This commitment must be submitted in the form of a Commitment Statement through the OSS system, either as part of the business licensing process and/or the application for investment facility.

2. Priority for Local and Inclusive MSMEs

RBKPM 3/2025 adopts a localized and inclusive approach by requiring that:

- a. priority be given to MSMEs located within the same regency/municipality as the business operation. Should there be no suitable MSMEs available locally, the priority may be elevated to the provincial level; and
- b. priority must be given to MSMEs owned by, or employing, persons with disabilities.

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3. Increased Transparency in Partner Selection

BKPM will provide a list of prospective MSME partners through the OSS system, sourced from central and regional authorities, as well as from business associations. Large enterprises may still propose alternative partners, subject to certain requirements, including the absence of any affiliation between the parties.

4. Alternative Fulfilment through Corporate Social Responsibility (“CSR”) Programs

Under certain circumstances, where suitable MSMEs are unavailable in the relevant location or where reasonable efforts to conclude a partnership fail to result in mutual agreement, partnership obligations may be fulfilled through the implementation of CSR programs. Such CSR programs include, among others, the development of educational facilities, workforce training programs, and research and development activities. The implementation of CSR programs by large enterprises must be conducted in compliance with Government Regulation of the Republic of Indonesia No. 47 of 2012 on the Social and Environmental Responsibility of Limited Liability Companies. Further, large enterprises implementing CSR programs are required to submit periodic investment activity reports through the OSS system.


5. Ongoing Partnership Obligations

The partnerships between large enterprises and MSMEs must be maintained throughout the operational period of the large enterprise. In the event that an MSME partner evolves into a large enterprise, the company must substitute such partner with another MSME within one year to preserve the objectives of MSME empowerment.

Conclusion

Accordingly, RBKPM 3/2025 reinforces inclusive MSME partnership obligations and limits the use of CSR programs to specific, conditional circumstances as an alternative means of compliance.

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This Client Alert is intended to provide a brief overview of certain provisions and may not cover all provisions under the RBKPM 3/2025, thus, cannot be deemed as legal advice. Please do not hesitate to contact us if you need a more detailed discussion, advice, and/or have specific questions.

For further information regarding the above Client Alert and future updates, please contact our counselors at:

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