

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 20 YEAR 2008
REGARDING
MICRO, SMALL, AND MEDIUM ENTERPRISES

BY THE GRACE OF THE ALMIGHTY GOD

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

- Considering:
- a. whereas just and prosperous society based on Pancasila and the 1945 Constitution of the State of the Republic of Indonesia must be materialized through the development of the national economy based on economic democracy;
 - b. whereas in accordance with the mandate of Decree of the People's Consultative Assembly of the Republic of Indonesia Number XVI/MPR-RI/1998 regarding Economic Policy in the Context of Economic Democracy; Micro, Small, and Medium Enterprises need to be empowered as the integral part of the people's economy that has a strategic status, role, and potential to materialize the national economic structure that has increasingly become more balanced, developed, and equitable;
 - c. whereas the empowerment of Micro, Small, and Medium Enterprises as intended in point b needs to be conducted in a comprehensive, optimum, and sustainable manner through the development of conducive climate, the granting of opportunities

for running a business, support, protection, development of business to the broadest possible extent, hence, capable of improving the status, role, and potential of Micro, Small, and Medium Enterprises in materializing economic growth, even distribution, and increasing people's earnings, creation of job opportunities, and poverty alleviation;

- d. whereas in connection with the development of economic environment that has increasingly become more dynamic and global, Law Number 9 Year 1995 regarding Small Enterprises that merely regulates Small Enterprises needs to be replaced so that Micro, Small, and Medium Enterprises in Indonesia may obtain warranty of certainty and business justice;
- e. whereas based on the considerations as intended in points a, b, c, and d, it is necessary to make a Law regarding Micro, Small, and Medium Enterprises.

In view of: Article 5 paragraph (1), Article 20, Article 27 paragraph (2), and Article 33 of the 1945 Constitution of the State of the Republic of Indonesia.

With a Joint Approval of

THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA

and

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To stipulate: LAW REGARDING MICRO, SMALL, AND MEDIUM ENTERPRISES.

CHAPTER I
GENERAL PROVISIONS

Article 1

Referred to herein as:

1. Micro Enterprises shall be productive businesses owned by individual persons and/or individual business entities that meet the criteria of Micro Enterprises as provided for herein.
2. Small Enterprises shall be productive economic businesses standing alone, done by individual persons or business entities not constituting subsidiaries or not constituting company branches owned, controlled, or becoming direct or indirect portions of Medium or Large Enterprises that meet the criteria of Small Enterprises as intended herein.
3. Medium Enterprises shall be productive economic businesses standing alone, done by individual persons or business entities not constituting subsidiaries or not constituting company branches owned, controlled, or becoming direct or indirect portions of Small or Large Enterprises with the amount of net assets or annual sales proceeds as provided for herein.
4. Large Enterprises shall be productive economic businesses done by business entities with the amount of net assets or annual sales proceeds larger than that of Medium Enterprises, including state owned

or privately owned national businesses, joint ventures, and foreign businesses that conduct economic activities in Indonesia.

5. The Business World shall be Micro, Small, Medium, and Large Enterprises that conduct economic activities in Indonesia and domiciled in Indonesia.
6. Central Government, hereinafter referred to as Government, shall be the President of the Republic of Indonesia who holds governance power of the State of the Republic of Indonesia as intended in the 1945 Constitution of the State of the Republic of Indonesia.
7. Regional Governments shall be Governors, Regents, or Mayors and regional government and officials as regional government administering elements.
8. Empowerment shall be efforts made by the Government, Regional Governments, the Business World, and the public in a synergized manner in the form of engendering business climate and development for Micro, Small, and Medium Enterprises, hence, capable of growing and developing to become strong and independent businesses.
9. Business Climate shall be condition striven for by the Government and Regional Governments in order to empower Micro, Small, and Medium Enterprises in a synergized manner through the stipulation of various laws and regulations as well as policies in various aspects of life of economy so that Micro, Small, and Medium Enterprises obtain favoring,

certainty, opportunity, protection, and support for running a business as broad as possible.

10. Development shall be efforts made by the Government, Regional Governments, the Business World, and the public to empower Micro, Small, and Medium Enterprises through the granting of facilities, guidance, facilitation, and strengthening assistance to engender and improve the capability and competitiveness of Micro, Small, and Medium Enterprises.
11. Financing shall be the provision of fund by the Government, Regional Governments, the Business World, and the public through banks, cooperatives, and non bank financial institutions, in order to develop and increase the capital of Micro, Small, and Medium Enterprises.
12. Underwriting shall be the granting of loan guarantee to Micro, Small, and Medium Enterprises by loan guarantee institution as a support for broadening opportunities to earn loans in the context of increasing their capital.
13. Partnership shall be cooperation in business linkage, both directly and indirectly, based on mutual need, trust, consolidation, and benefit principles engaging actors of Micro, Small, and Medium Enterprises as well as Large Enterprises.
14. Minister shall be the minister whose duty and responsibility are in the field of Micro, Small, and Medium Enterprises.

15. Technical Minister shall be the minister technically responsible for developing Micro, Small, and Medium Enterprises in his/her activity sector.

CHAPTER II FOUNDATIONS AND OBJECTIVE

Article 2

Micro, Small, and Medium Enterprises shall be based on the following foundations:

- a. amicability;
- b. economic democracy;
- c. togetherness;
- d. equitable efficiency;
- e. sustainability;
- f. eco-friendliness;
- g. independence;
- h. balanced progress; and
- i. unity of the national economy.

Article 3

The objective of Micro, Small, and Medium Enterprises shall be engendering and developing their businesses in the context of building the national economy based on equitable economic democracy.

CHAPTER III

PRINCIPLES AND OBJECTIVES OF EMPOWERMENT

Part One

Empowerment Principles

Article 4

The principles of the empowerment of Micro, Small, and Medium Enterprises shall be:

- a. engendering independence, togetherness, and entrepreneurship of Micro, Small, and Medium Enterprises to work on their own initiative;
- b. materialization of transparent, accountable, and equitable public policy;
- c. development of local potential-based and market-oriented businesses in accordance with the competence of Micro, Small, and Medium Enterprises;
- d. enhancement of competitiveness of Micro, Small, and Medium Enterprises; and
- e. administration of planning, implementation, and control in an integrated manner.

Part Two
Objectives of Empowerment

Article 5

The objectives of the empowerment of Micro, Small, and Medium Enterprises shall be:

- a. materializing a balanced, developing, and equitable structure of the national economy;
- b. engendering and developing the capability of Micro, Small, and Medium Enterprises to become strong and independent businesses; and
- c. improving the role of Micro, Small, and Medium Enterprises in regional development, creating job opportunities, even distribution, economic growth, and alleviation of people from poverty.

CHAPTER IV

CRITERIA

Article 6

- (1) The criteria of Micro Enterprises shall be as follows:
 - a. having maximum net assets of Rp.50,000,000.00 (fifty million Rupiah), exclusive of land and building of their place of business;
or

- b. having maximum annual sales proceeds of Rp.300,000,000.00 (three hundred million Rupiah).

(2) The criteria of Small Enterprises shall be as follows:

- a. having net assets of more than Rp.50,000,000.00 (fifty million Rupiah) up to a maximum amount of Rp.500,000,000.00 (five hundred million Rupiah), exclusive of land and building of their place of business; or
- b. having annual sales proceeds of more than Rp.300,000,000.00 (three hundred million Rupiah) up to a maximum amount of Rp.2,500,000,000.00 (two billion and five hundred million Rupiah).

(3) The criteria of Medium Enterprises shall be as follows:

- a. having net assets of more than Rp.500,000,000.00 (five hundred million Rupiah) up to a maximum amount of Rp.10,000,000,000.00 (ten billion Rupiah), exclusive of land and building of their place of business; or
- b. having maximum annual sales proceeds of more than Rp.2,500,000,000.00 (two billion and five hundred million Rupiah) up to a maximum amount of Rp.50,000,000,000.00 (fifty billion Rupiah).

(4) The nominal value of the criteria as intended in paragraph (1) sub-paragraphs a and b and paragraph (2) sub-paragraphs a and b, as well as paragraph (3) sub-paragraphs a and b can be altered in the

accordance with economic development provided for in a Presidential Regulation.

CHAPTER V
BUSINESS CLIMATE ENGENDERING

Article 7

- (1) The Government and Regional Governments shall engender Business Climate by stipulating laws and regulations as well as policies that include the following aspects:
 - a. funding;
 - b. facilities and infrastructure;
 - c. business information;
 - d. partnership;
 - e. business licensing;
 - f. opportunities for running a business;
 - g. trade promotion; and
 - h. institutional support.

- (2) The Business World and the public shall actively participate in helping engender Business Climate as intended in paragraph (1).

Article 8

Funding aspect as intended in Article 7 paragraph (1) sub-paragraph a shall be aimed at:

- a. enhancing sources of funding and facilitating Micro, Small, and Medium Enterprises so as to be able to access loans from banks and non-bank financial institutions;
- b. increasing financing institutions and broadening their networks so as to be accessible to Micro, Small, and Medium Enterprises;
- c. providing facility in obtaining funding in a quick, correct, and nondiscriminatory manner in services in accordance with provisions of laws and regulations; and
- d. assisting actors of Micro and Small Enterprises to obtain financing and other financial services/products provided by banks and non-bank financial institutions, both those using conventional system and those using sharia system with guarantee provided by the Government.

Article 9

Facilities and infrastructure aspect as intended in Article 7 paragraph (1) sub-paragraph b shall be aimed at:

- a. procuring public infrastructure that may stimulate and develop the growth of Micro and Small Enterprises; and
- b. granting certain infrastructure tariff relief to Micro and Small Enterprises.

Article 10

Information aspect as intended in Article 7 paragraph (1) sub-paragraph c shall be aimed at:

- a. forming and facilitating the utilization of data bank and business information network;
- b. procuring and disseminating information about market, sources of financing, commodities, underwriting, design and technology, and quality; and
- c. granting transparency warranty and the same access to all actors of Micro, Small, and Medium Enterprises to all business information

Article 11

Partnership aspect as intended in Article 7 paragraph (1) sub-paragraph d shall be aimed at:

- a. materializing partnership among Micro, Small, and Medium Enterprises;
- b. materializing partnership among Micro, Small, Medium, and Large Enterprises;
- c. stimulating mutual benefit relationship in the implementation of business transactions among Micro, Small, and Medium Enterprises;
- d. stimulating mutual benefit relationship in the implementation of business transactions among Micro, Small, Medium, and Large Enterprises;

- e. developing cooperation to improve bargaining position of Micro, Small, and Medium Enterprises;
- f. stimulating the formation of market structure that guarantees the growth of fair business competition and protect consumers; and
- g. preventing the occurrence of market control and business concentration by individual persons or certain groups that harms Micro, Small, and Medium Enterprises.

Article 12

- (1) Business licensing aspect as intended in Article 7 paragraph (1) sub-paragraph e shall be aimed at:
 - a. streamlining procedures and types of business licensing under a one stop service system; and
 - b. exempting licensing cost for Micro Enterprises and granting licensing cost relief to Small Enterprises.
- (2) Further provisions regarding requirements and procedures for the application of business license shall be provided for in a Government Regulation.

Article 13

- (1) Aspect of opportunities for running a business as intended in Article 7 paragraph (1) sub-paragraph f shall be aimed at:
 - a. determining the allocation of place of business including the granting of location at the market, shopping center spaces,

location of center for industry, location of smallholder agriculture, location of smallholder mining, proper location for sidewalk vendors, as well as other locations;

- b. determining allocation of time for running a business for Micro and Small Enterprises in retail trade sub-sector;
- c. reserving lines and types of business that have process specialty, labor-intensive in nature, as well as having a special and hereditary cultural heritage;
- d. determining lines of business reserved for Micro, Small, and Medium Enterprises as well as lines of business that are open to Large Enterprise provided that the same must cooperate with Micro, Small, and Medium Enterprises;
- e. protecting certain strategic business for Micro, Small, and Medium Enterprises;
- f. prioritizing the use of products generated by Micro and Small, Enterprises through direct procurement;
- g. prioritizing the procurement of goods or services and the contracting of work of the Government and Regional Governments; and
- h. providing legal consulting and advocacy assistance.

- (2) The implementation of provisions as intended in paragraph (1) shall be supervised and controlled by the Government and Regional Governments.

Article 14

- (1) Trade promotion aspect as intended in Article 7 paragraph (1) subparagraph g shall be aimed at:
- a. enhancing the promotion of products of Micro, Small, and Medium Enterprises at home and abroad;
 - b. broadening sources of funding for the promotion of products of Micro, Small, and Medium Enterprises at home and abroad;
 - c. providing incentives and procedures for granting incentives to Micro, Small, and Medium Enterprises that are capable of providing funding independently in product promotion activities at home and abroad; and
 - d. facilitating the ownership of intellectual property rights to products and designs of Micro, Small, and Medium Enterprises in business activities domestically and for export.
- (2) The implementation of provisions as intended in paragraph (1) shall be supervised and controlled by the Government and Regional Governments.

Article 15

The aspect of institutional support as intended in Article 7 paragraph (1) subparagraph h shall be aimed at developing and improving the incubator function, business development service providers, bank partner financial consultant, and other similar professional institutions as supporting institutions for the development of Micro, Small, and Medium Enterprises.

CHAPTER VI

BUSINESS DEVELOPMENT

Article 16

- (1) The Government and Regional Governments shall facilitate the development of business in the following fields:
 - a. production and processing;
 - b. marketing;
 - c. human resources; and
 - d. design and technology.
- (2) The Business World and the public shall actively participate in conducting the development as intended in paragraph (1).
- (3) Further provisions regarding procedures for development, priority, intensity, and period of development shall be provided for in a Government Regulation.

Article 17

Development in the field of production and processing as intended in Article 16 paragraph (1) sub-paragraph a shall be conducted by way of the following:

- a. improving production and processing techniques as well as management capability for Micro, Small, and Medium Enterprises;
- b. providing facility in the procurement of facilities and infrastructure, production and processing, raw materials, auxiliary materials, packages for the products of Micro, Small, and Medium Enterprises;
- c. stimulating the application of standardization in production and processing process; and
- d. improving design and engineering capability for Medium Enterprises.

Article 18

Development in the field of marketing as intended in Article 16 paragraph (1) sub-paragraph b shall be conducted by way of the following:

- a. conducting marketing research and assessment;
- b. disseminating market information;
- c. improving management capability and marketing techniques;
- d. providing marketing facilities including the operation of test of market, marketing institution, provision of trading house, and promotion of Micro and Small Enterprises;

- e. providing product promotion support, marketing network, and distribution; and
- f. providing professional consulting staff in the field of marketing.

Article 19

Development in the field of human resources as intended in Article 16 paragraph (1) sub-paragraph c shall be conducted by way of the following:

- a. disseminating and culturally instilling entrepreneurship;
- b. improving technical and managerial skills; and
- c. forming and developing education and training institutions to conduct education, training, counseling, motivation and business creativity and creation of new entrepreneurs.

Article 20

Development in the field of design and technology as intended in Article 16 paragraph (1) sub-paragraph d shall be conducted by way of the following:

- a. improving capability in the field of design and technology as well as quality control;
- b. improving technology cooperation and transfer;
- c. improving the capability of Micro and Small Enterprises in the field of research to develop new design and technology;
- d. granting incentives to Micro, Small, and Medium Enterprises that develop technology and conserve environment; and

- e. stimulate Micro, Small, and Medium Enterprises to obtain certificate of intellectual property rights.

CHAPTER VII

FINANCING AND UNDERWRITING

Part One

Financing and Underwriting of Micro and Small Enterprises

Article 21

- (1) The Government and Regional Governments shall provide financing for Micro and Small Enterprises.
- (2) State Owned Enterprises may provide financing from the allocation of annual profits portion allocated to Micro and Small Enterprises in the form of the granting of loans, underwriting, grant, and other financing.
- (3) National and foreign Large Enterprises may provide financing allocated to Micro and Small Enterprises in the form of the granting of loans, underwriting, grant, and other financing.
- (4) The Government, Regional Governments, and the Business World may provide grants, make an effort to obtain foreign assistance, and endeavor other valid and non binding sources of financing for Micro and Small Enterprises.
- (5) The Government and Regional Governments may grant incentives in the form of licensing requirements facility, facilities and infrastructure

tariff relief, and other forms of incentive in accordance with provisions of laws and regulations for the business world that provides financing for Micro and Small Enterprises.

Article 22

In the context of increasing sources of financing for Micro and Small Enterprises, the Government may make the following efforts:

- a. development of sources of financing from loans obtained from banks and non bank financial institutions;
- b. development of venture capital institution;
- c. institutionalization of factoring transactions;
- d. improvement of cooperation among Micro and Small Enterprises through savings and loan cooperatives as well as conventional and sharia financial service cooperatives; and
- e. development of other sources of financing shall be in accordance with provisions of laws and regulations.

Article 23

(1) In order to enhance access of Micro and Small Enterprises to sources of financing as intended in Article 22, the Government and Regional Governments shall:

- a. engender, develop, and broaden non bank financial institution network;

- b. engender, develop, and broaden the range of loan underwriting institution; and
 - c. grant facility and facilitation in meeting the requirements to obtain financing.
- (2) The Business World and the public shall actively participate in improving the access of Micro and Small Enterprises to loans or credits as intended in paragraph (1) by way of the following:
- a. improving the capability to prepare business feasibility study;
 - b. improving knowledge of procedures for applying for credits or loans; and
 - c. improving technical and managerial understanding and skills about business.

Part Two

Financing and Underwriting of Medium Enterprises

Article 24

The Government and Regional Governments shall empower Medium Enterprises in the field of financing and underwriting by way of the following:

- a. facilitating and stimulating the increase of working capital financing and investment through the expansion of sources and patterns of financing, access to capital markets and other financing institutions; and

- b. developing loan underwriting institution and enhancing the function of export underwriting institution.

CHAPTER VIII

PARTNERSHIP

Article 25

- (1) The Government, Regional Governments, the Business World, and the public shall facilitate, support, and stimulate partnership activities that need, trust, consolidate, and benefit each other.
- (2) Partnership among Micro, Small, and Medium Enterprises and Partnership between Micro, Small, and Medium Enterprises and Large Enterprises shall include skill transfer process in the field of production and processing, marketing, capitals, human resources, and technology.
- (3) Minister and Technical Minister shall regulate the granting of incentives to Large Enterprises establishing partnership with Micro, Small, and Medium Enterprises through innovation and development of export-oriented products, absorption of manpower, use of appropriate and eco-friendly technology, as well as administering education and training.

Article 26

Partnership shall be conducted under the following systems:

- a. core-plasma;

- b. subcontract;
- c. franchise;
- d. general trade;
- e. distribution and agency; and
- f. other forms of partnership, such as: profit sharing, operational cooperation, joint venture, and outsourcing.

Article 27

The implementation of partnership under a core-plasma system as intended in Article 26 sub-article a, Large Enterprises as core shall foster and develop Micro, Small, and Medium Enterprises being their plasma in:

- a. the provision and preparation of land;
- b. the provision of production facilities;
- c. the granting of technical guidance about production and business management;
- d. the acquisition, control, and improvement of technology needed;
- e. financing;
- f. marketing;
- g. underwriting;
- h. the granting of information; and

- i. the granting of other assistance needed for the improvement of efficiency and productivity as well as business insight.

Article 28

The implementation of partnership under a subcontract system as intended in Article 26 sub-article b, in order to produce goods and/or services, Large Enterprises shall provide support in the form of:

- a. opportunity to work on a portion of the production and/or the components thereof;
- b. opportunity to obtain raw materials produced in a sustainable manner with a proper amount and price;
- c. guidance and technical capability for production and management;
- d. acquisition, control, and improvement of technology needed;
- e. financing and arrangement of payment system that does not harm one of the parties; and
- f. effort not to conduct termination of relationship unilaterally.

Article 29

- (1) Large Enterprises expanding their business by way of franchise as intended in Article 26 sub-article c shall give opportunity to and prioritize Micro, Small, and Medium Enterprises that have capability.
- (2) Franchisors and franchisees shall prioritize the use of goods and/or services constituting domestic products insofar as meeting the quality

standard of goods and services provided and/or sold under a franchise agreement.

- (3) Franchisors shall be obligated to provide guidance in the form of training, management operational guidance, marketing, research, and development for franchisees in a sustainable manner.

Article 30

- (1) The implementation of partnership under a general trade system as intended in Article 26 sub-article d can be conducted in the form of marketing cooperation, provision of business location, or acceptance of supply from Micro, Small, and Medium Enterprises by Large Enterprises conducted openly.
- (2) The fulfillment of needs for goods and services needed by Large Enterprises shall be conducted by prioritizing the procurement of products of Micro or Small Enterprises insofar as meeting the quality standard of goods and services needed.
- (3) The arrangement of payment system shall be conducted by not harming one of the parties.

Article 31

In the implementation of partnership under a distribution and agency system as intended in Article 26 sub-article e, Large Enterprises and/or Medium Enterprises shall grant a privilege to market goods and services to Micro Enterprises and/or Small Enterprises.

Article 32

In the event that Micro, Small, and Medium Enterprises run a business by using joint capital with foreign parties, provisions as provided for in laws and regulations shall apply.

Article 33

The implementation of successful partnership between Large Enterprises and Micro, Small, and Medium Enterprises can be followed up through opportunity for owning the shares of Large Enterprises by Micro, Small, and Medium Enterprises.

Article 34

- (1) Partnership agreement shall be set forth in a written agreement at least providing for business activities, rights and obligations of each party, form of development, period, and dispute settlement.
- (2) Partnership agreement as intended in paragraph (1) shall be reported to competent authorities in accordance with provisions of laws and regulations.
- (3) Partnership agreement as intended in paragraph (1) may not be contradictory to the basic principle of independence of Micro, Small, and Medium Enterprises and shall not create dependence of Micro, Small, and Medium Enterprises upon Large Enterprises.

- (4) In order to monitor the implementation of partnership as intended in paragraphs (1) and (2), Minister may establish national and regional business partnership coordination institutions.

Article 35

- (1) Large Enterprises shall be prohibited from owning and/or controlling Micro, Small, and/or Medium Enterprise as their business partners in the implementation of partnership relationship as intended in Article 26.
- (2) Medium Enterprises shall be prohibited from owning and/or controlling Micro and/or Small Enterprises being their business partners.

Article 36

- (1) In implementing partnership as intended in Article 36, the parties shall have equal legal standing and Indonesian law shall apply to them.
- (2) The implementation of partnership shall be supervised in an orderly and regular manner by an institution established and serving to supervise business competition as provided for in laws and regulations.

Article 37

Further provisions regarding partnership system as intended in Article 26 shall be provided for in a Government Regulation.

CHAPTER IX

COORDINATION AND CONTROL OVER THE EMPOWERMENT OF MICRO, SMALL, AND MEDIUM ENTERPRISES

Article 38

- (1) Minister shall coordinate and control the empowerment of Micro, Small, and Medium Enterprises.
- (2) Coordination and control over the empowerment of Micro, Small, and Medium Enterprises as intended in paragraph (1) shall be implemented nationally and regionally, including the preparation and integration of policies and programs, implementation, monitoring, evaluation, as well as general control over the implementation of the empowerment of Micro, Small, and Medium Enterprises, comprising the administration of business partnership and financing of Micro, Small, and Medium Enterprises.
- (3) Further provisions regarding the administration of coordination and control over the empowerment of Micro, Small, and Medium Enterprises shall be provided for in a Government Regulation.

CHAPTER X

ADMINISTRATIVE SANCTIONS AND CRIMINAL PROVISIONS

Part One

Administrative Sanctions

Article 39

- (1) Large Enterprises violating provisions of Article 35 paragraph (1) shall be subject to an administrative sanction in the form of revocation of

business license and/or a maximum penalty of Rp.10,000,000,000.00 (ten billion Rupiah) by the competent agency.

- (2) Medium Enterprises violating provisions of Article 35 paragraph (2) shall be subject to an administrative sanction in the form of revocation of business license and/or a maximum penalty of Rp.5,000,000,000.00 (five billion Rupiah) by the competent agency.
- (3) Further provisions regarding procedures for the imposition of administrative sanctions as intended in paragraphs (1) and (2) shall be provided for in a Government Regulation.

Part Two

Criminal Provisions

Article 40

Any person benefiting one's self or other persons by admitting or using the name of Micro, Small, and Medium Enterprises, hence, obtaining facility to obtain fund, place of business, business line and activity, or the procurement of goods and services for government allotted to Micro, Small, and Medium Enterprises shall be sentenced to a maximum imprisonment of 5 (five) years and a maximum penalty of Rp.10,000,000,000.00 (ten billion Rupiah).

CHAPTER XI
CLOSING PROVISIONS

Article 41

Government Regulation as the implementation of this Law shall be stipulated by no later than 12 (twelve) months or 1 (one) year as of the promulgation of this Law.

Article 42

At the time this Law comes into effect, Law of the Republic of Indonesia Number 9 Year 1995 regarding Small Enterprises (State Gazette of the Republic of Indonesia Year 1995 Number 74, Supplement to the State Gazette Year 1995 Number 3611) shall be revoked and shall be declared invalid.

Article 43

At the time this Law comes into effect, all laws and regulations relating to Small and Medium Enterprises shall remain applicable, insofar as not contradictory to the provisions herein.

Article 44

This Law shall come into effect on its promulgation date.

For public cognizance, hereby ordering the promulgation of this Law by placing it in the State Gazette of the Republic of Indonesia.

Ratified in Jakarta

On July 4, 2008

THE PRESIDENT OF THE REPUBLIC OF
INDONESIA,

Sgd.

DR. H. SUSILO BAMBANG YODHOYONO

Promulgated in Jakarta

On July 4, 2008

THE MINISTER OF LAW AND HUMAN
RIGHTS OF THE REPUBLIC OF INDONESIA,

Sgd.

ANDI MATTALATTA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2008 NUMBER 93

Issued as a true copy

THE STATE SECRETARIAT OF THE
REPUBLIC OF INDONESIA

The Head of Laws and Regulations Bureau

For Economy and Industry,

Setio Sapto Nugroho

ELUCIDATION
ON
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 20 YEAR 2008
REGARDING
MICRO, SMALL, AND MEDIUM ENTERPRISES

I. GENERAL

The purpose of the national development is to materialize an evenly distributed just and prosperous society materially and spiritually based on Pancasila and the 1945 Constitution of the State of the Republic of Indonesia in an organization of the Unitary State of the Republic of Indonesia that is free, united, and having people's sovereignty within a secure, orderly, and dynamic national life atmosphere within a free, friendly, and peaceful environment.

National development including all aspects of the national life is carried out jointly by the public and the government. The public becomes main development actors and the government has the obligation to direct, guide, protect, as well as engender supporting atmosphere and climate.

Micro, Small, and Medium Enterprises constitute business activities capable of creating job opportunities and providing economic services widely for the public and may play a role in even distribution process and increasing public earnings, stimulating economic growth and playing a role in materializing the national stability. In addition to the above, Micro, Small, and Medium Enterprises are one of the main pillars of the national economy that must

obtain the main opportunity, support, protection, and development to the broadest possible extent as the materialization of the express siding with business groups of people's economy, without neglecting the role of Large Enterprises and State Owned Enterprises.

Although Micro, Small, and Medium Enterprises have shown their role in the national economy, however, they are still facing various barriers and obstacles, both internally and externally, in terms of production and processing, marketing, human resources, design and technology, capital, as well as business climate.

In order to improve opportunity, capability, and protection of Micro, Small, and Medium Enterprises, various policies on business allocation, funding, and the development thereof, have been stipulated, but they are not optimum yet. This is because such policies have yet to be able to grant protection, certainty to running a business, and adequate facilities for the empowerment of Micro, Small, and Medium Enterprises.

In connection with the above-mentioned matters, Micro, Small, and Medium Enterprises need to be empowered by way of the following:

- a. engendering of business climate that supports the development of Micro, Small, and Medium Enterprises; and
- b. development and fostering of Micro, Small, and Medium Enterprises.

In an effort to improve the capability and role as well as institutions of Micro, Small, and Medium Enterprises in the national economy, such empowerment needs to be conducted by the Government, Regional Governments, the

Business World, and the public in a comprehensive, synergic, and sustainable manner.

In empowering Micro, Small, and Medium Enterprises, all laws and regulations relating to Micro, Small, and Medium Enterprises constitute a unit mutually complementing this Law.

This Law has been prepared with a purpose of empowering Micro, Small, and Medium Enterprises. In general, the structure and material of this Law contain general provisions, foundations, principles, and objectives of the empowerment, criteria, engendering of business climate, business development, financing and underwriting, partnership, and coordination of empowerment, administrative sanctions and criminal provisions.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Sub-article a

Referred to as “amicability foundation” shall be the principle used as the basis of effort for the empowerment of Micro, Small, and Medium Enterprises as part of the national economy carried out based on economic democracy under the principles of togetherness, equitable efficiency, sustainability, eco-friendliness, independence, balanced progress, and unity of the

national economy for the sake of the welfare of the entire Indonesian people.

Sub-article b

Referred to as “economic democracy foundation” shall be the empowerment of Micro, Small, and Medium Enterprises is conducted as a unit of the development of the national economy to materialize people’s prosperity.

Sub-article c

Referred to as “togetherness foundation” shall be the principle that stimulates the role of all Micro, Small, and Medium Enterprises and the Business World to jointly materialize people’s welfare in their activities.

Sub-article d

Referred to as “equitable efficiency foundation” shall be the principle used as the basis for the implementation of empowerment of Micro, Small, and Medium Enterprises by prioritizing equitable efficiency in an effort to materialize just, conducive, and competitive business climate.

Sub-article e

Referred to as “sustainability foundation” shall be the principle in a planned manner endeavoring to the running of development process through the empowerment of Micro, Small, and Medium

Enterprises conducted in a sustainable manner so as to establish a strong and independent economy.

Sub-article f

Referred to as “eco-friendliness foundation” shall be the principle of the empowerment of Micro, Small, and Medium Enterprises conducted with due observance of and prioritizing the protection and conservation of the environment.

Sub-article g

Referred to as “independence foundation” shall be the principle of the empowerment of Micro, Small, and Medium Enterprises conducted with due observance of and prioritizing potentials, capability, and independence of Micro, Small, and Medium Enterprises.

Sub-article h

Referred to as “balanced progress foundation” shall be the principle of the empowerment of Micro, Small, and Medium Enterprises endeavoring to keep the balances of regional economic progress in the unity of the national economy.

Sub-paragraph i

Referred to as “unity of the national economy foundation” shall be the principle of the empowerment of Micro, Small, and

Medium Enterprises constituting part of the development of the unity of the national economy.

Article 3

Self-explanatory.

Article 4

Self-explanatory.

Article 5

Self-explanatory.

Article 6

Paragraph (1)

Sub-paragraph a

Referred to as “net assets” shall be the result of the subtraction of the total value of assets by the total value of obligations, not including land and building as place of business.

Sub-paragraph b

Referred to as “annual sales proceeds” shall be the net sales proceeds originating from the sales of goods and services of their business within one accounting year.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 7

Self-explanatory.

Article 8

Self-explanatory.

Article 9

Sub-article a

Self-explanatory.

Sub-article b

Referred to as “granting certain infrastructure tariff relief” shall be differentiation of treatment of tariff based on the stipulation of the Government and Regional Governments both directly and indirectly by giving a relief.

Article 10

Sub-article a

Referred to as “data bank and business information network” shall be various centers for business data and business information system owned by the government and the private sector.

Sub-article b

Self-explanatory.

Sub-article c

Self-explanatory.

Article 11

Sub-article a

Self-explanatory.

Sub-article b

Self-explanatory.

Sub-article c

Self-explanatory.

Sub-article d

Self-explanatory.

Sub-article e

The purpose of bargaining position in these provisions shall be so that in conducting business cooperation with other parties, Micro, Small, and Medium Enterprises have an equal and mutually beneficial position.

Sub-article f

Self-explanatory.

Sub-article g

Market control and business concentration must be prevented so as not to harm Micro, Small, and Medium Enterprises.

Article 12

Paragraph (1)

Sub-paragraph a

Referred to as “streamlining procedures and types of business licensing” shall be the granting of facility of requirements and procedures for licensing as well as information to the broadest possible extent.

Referred to as “one stop service system” shall be business licensing management process started from the application stage up to the stage of the issuance of documents shall be conducted in one place based on the following service principles:

- a. simplicity in the process;
- b. clarity in the services;
- c. certainty of completion time;
- d. certainty of costs;
- e. security of places of service;
- f. responsibility of service officers;
- g. completeness of service facilities and infrastructure;
- h. easy access to services; and
- i. discipline, civility, and friendliness of services.

Sub-paragraph b

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 13

Paragraph (1)

Sub-paragraph a

Self-explanatory.

Sub-paragraph b

Self-explanatory.

Sub-paragraph c

Self-explanatory.

Sub-paragraph d

Self-explanatory.

Sub-paragraph e

Self-explanatory.

Sub-paragraph f

Self-explanatory.

Sub-paragraph g

Referred to as “prioritizing” shall be in order to empower Small and Medium Enterprises in accordance with provisions of laws and regulations.

Sub-paragraph h

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 14

Self-explanatory.

Article 15

Referred to as “incubator” shall be an institution that provides services in the form of the engendering of new entrepreneurs and strengthening of access to business progress resources for Micro, Small, and Medium Enterprises as their business partners. The incubator developed shall include: technology and business incubator as well as other incubators in accordance with the local potentials and economic resources.

Referred to as “business development service providers” shall be institutions that provide consulting and facilitation services to develop Micro, Small, and Medium Enterprises.

Referred to as “bank partner financial consultant” shall be consultants at business development institutions the duty of which is to do consultation and facilitation to Micro, Small, and Medium Enterprises so as to be able to access banking loans and/or financing from non bank financial institutions.

Article 16

Self-explanatory.

Article 17

Sub-article a

Self-explanatory.

Sub-article b

Self-explanatory.

Sub-article c

The purpose of these provisions shall be in order there is consistency in keeping the quality of products.

Sub-article d

Referred to as “design capability” shall be the capability to design a business activity.

Referred to as “engineering capability” shall be the capability to change a process, or method for making products and/or services.

Article 18

Sub-article a

Marketing research and assessment conducted by the Government and Regional Governments shall include activities for mapping the potentials and strengths of Micro, Small, and Medium Enterprises aimed at determining policies of the Government and Regional Governments for the purpose of business development and expansion as well as opening of new businesses.

Sub-article b

Self-explanatory.

Sub-article c

Self-explanatory.

Sub-article d

Self-explanatory.

Sub-article e

Self-explanatory.

Sub-article f

Self-explanatory.

Article 19

Self-explanatory.

Article 20

Self-explanatory.

Article 21

Self-explanatory.

Article 22

Sub-article a

Self-explanatory.

Sub-article b

Self-explanatory.

Sub-article c

Self-explanatory.

Sub-article d

Self-explanatory.

Sub-article e

Financial institution for Micro Enterprises in accordance with laws and regulation can be developed in the context of the implementation of financing activities for Micro Enterprises hereunder.

Article 23

Self-explanatory.

Article 24

Self-explanatory.

Article 25

Self-explanatory.

Article 26

Self-explanatory.

Article 27

Self-explanatory.

Article 28

Self-explanatory.

Article 29

Self-explanatory.

Article 30

Self-explanatory.

Article 31

Self-explanatory.

Article 32

Self-explanatory.

Article 33

Referred to as “opportunity for share ownership” shall be that Micro, Small, and Medium Enterprises shall obtain the priority for owning the shares of go public Large Enterprises.

Article 34

Self-explanatory.

Article 35

Self-explanatory.

Article 36

Self-explanatory.

Article 37

Self-explanatory.

Article 38

Self-explanatory.

Article 39

Self-explanatory.

Article 40

Self-explanatory.

Article 41

Self-explanatory.

Article 42

Self-explanatory.

Article 43

Self-explanatory.

Article 44

Self-explanatory.