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New mandatory playbook for streamlining Indonesian BUMNs and their subsidiaries

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Decree of the Head of the State-Owned Enterprises Regulatory Agency (BP BUMN) No. 409 of 2026 (Decree 409) introduces a mandatory framework for the evaluation and implementation of streamlining transactions involving state-owned enterprises (BUMNs), their subsidiaries, and subsidiaries of Danantara Asset Management (DAM).

I. At a glance

- Effective from 1 October 2026. Ongoing streamlining initiatives must be aligned with Decree 409, taking their current stage into account. Transactions completed before its issuance remain recognised.
- The framework comprises: step one, which tests the entity's establishment mandate; step two, which assesses the need for state ownership and financial effectiveness, including return on invested capital (ROIC) against the weighted average cost of capital (WACC); and step three, in which DAM maps cross-holding consolidation opportunities.
- The assessment is preliminary. The selected course of action still requires appropriate due diligence, valuation, corporate and regulatory approvals, transaction documents, implementation, monitoring, and reporting.
- A documented assessment may strengthen the defensibility of the Board of Directors' decision by demonstrating an informed process and due consideration of legal, financial, operational, tax, commercial, human resources (HR), and regulatory implications.

II. Key framework and implications

- **Scope and transition**. "Streamlining" is broadly defined. It remains unclear whether further guidance will distinguish streamlining from ordinary business-as-usual transactions, and how Decree 409 interacts with pre-existing DAM instructions.
- **Step one**: establishment mandate. An entity must satisfy at least one criterion: it is not dormant; it does not record losses from its core business; it performs a public service obligation; it operates in a strategic industry or supports technology transfer; or it carries out an essential-goods assignment. If none is met, further assessment for dissolution follows.
- **Step two**: existence and effectiveness. The necessity of state ownership and financial effectiveness are assessed, including through ROIC and WACC, to classify the entity for retention and growth, vertical or horizontal consolidation, divestment, or dissolution.
- **Step three**: DAM mapping. DAM assesses industry fragmentation and cross-holding consolidation opportunities. Possible actions include mergers, consolidations, spin-offs/demergers, business or asset transfers, non-cash capital injections, dividends in specie, asset swaps, capital reductions, divestments, and dissolution.

Method	Typical rationale	Key execution issues
Vertical consolidation	Align the value chain, remove duplicated functions, and strengthen parent control.	Asset/share structure, contracts, licences, employees, tax, and integration.
Horizontal consolidation	Combine related businesses to build scale, synergy, and market strength.	Surviving entity, minority protection, governance, brand, HR, and approvals.
Divestment	Exit non-core businesses or those with limited synergies where credible buyers exist and the transaction is expected to create value.	Valuation, buyer process, sector rules, warranties, disclosure, and employee transition.
Dissolution	Close inactive or non-viable entities where consolidation or sale is unsuitable.	Liabilities, employees, creditors, licences, tax, approvals, and liquidation steps.

a. Implementation, oversight, and reporting.
A streamlining exercise should generally cover: (i) a comprehensive business, legal, financial, tax, operational, HR, risk, and governance assessment; (ii) an implementation plan and supporting documents; (iii) valuation and due diligence where relevant; (iv) corporate and regulatory approvals; (v) execution; and (vi) registrations, reporting, and other follow-up actions. Other stages or methods may be used according to the transaction's characteristics and complexity, consistently with the business judgment rule.

b. **Assistance and oversight.**
Government institutions, law enforcement agencies, auditors, consultants, and *Tim Pengawalan Aspek Hukum Program Penataan* (Oversight Team) may provide targeted assistance, including in relation to competition, employment, impairment, write-offs, cut-loss decisions, and ongoing legal proceedings.

c. **Monitoring, evaluation, and reporting.**
BP BUMN, BPI Danantara, and DAM may monitor and evaluate implementation, jointly or separately, either during or after completion. Management must provide requested data and documents. The Board of Directors of the relevant BUMN, BUMN subsidiary, or DAM subsidiary must submit an implementation report to the competent authority, and the report forms part of the BUMN's annual report.

III. Key legal references

Key references include Law No. 19 of 2003 on State-Owned Enterprises, as most recently amended by Law No. 16 of 2025; Law No. 40 of 2007 on Limited Liability Companies, as amended; Government Regulation No. 38 of 2026; Presidential Instruction No. 7 of 2026; Presidential Regulation No. 68 of 2026; and Decree 409. Depending on the transaction, capital markets, Indonesia Competition Commission (*Komisi Pengawas Persaingan Usaha* or KPPU) merger control, sectoral, employment, tax, land, environmental, procurement, data protection, and creditor protection requirements may also apply.

IV. Conclusion

BUMN groups and DAM subsidiaries should: (i) screen ongoing and proposed initiatives under the three-step framework; (ii) compare available transaction structures and document why the selected course of action is appropriate; (iii) identify all corporate, regulatory, and third-party approvals; and (iv) maintain an auditable decision file covering assessments, valuation, due diligence, conflicts, approvals, implementation, and reporting. Early engagement with DAM, BP BUMN, BPI Danantara, and relevant sectoral authorities may be appropriate where the framework remains unclear.

Decree 409 creates an end-to-end governance framework for BUMN streamlining but does not replace transaction-specific legal requirements. The principal practical priority is therefore to align each initiative with the evaluation framework while preserving a defensible record of the decision, approvals, implementation, and outcomes.

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