

**DECREE OF THE MINISTER OF FORESTRY  
NO. 625/Kpts-11/1996; DATED SEPTEMBER 30, 1996**

**R E**

**OPERATIONAL COOPERATION IN FOREST ENTERPRISES BETWEEN  
STATE-OWNED AND PRIVATE COMPANIES**

THE MINISTER OF FORESTRY,

**Considering:**

- a. that the Minister of Forestry by virtue of his Decree No. 380/Kpts-11/1996 has Stipulated provisions on the guideline fear the establishment of joint-venture companies in forest enterprises on former areas of forest concessions;
- b. that the Decree of the Minister of Forestry as meant in point a stipulates among other things that as holders of forest concessions, state-owned companies may establish cooperation with private companies in the form of operational cooperation (KSO) in undertaking forest enterprises;
- c. that in connection with the above-mentioned matters, it is deemed necessary to stipulate provisions on operational cooperation (KSO) oil forest enterprises between state-owned and private companies in a Decree of the Minister of Forestry.

**Bearing in mind:**

1. Act No. 5 of 1967;
2. Act No. 4 of 1982;
3. Act No. 5 of 1990;
4. Government Regulation No. 21 of 1970 juncto Government regulation No. 18 of 1975;
5. Government Regulation No. 33 of 1970;
6. Government Regulation No. 3 of 1983;
7. Government Regulation No. 28 of 1985;
8. Presidential Decree No. 15 of 1984 juncto Presidential Decree No. 58 of 1993;
9. Presidential Decree No. 96/M/1993;
10. Decree of the Minister of Finance No. 740/KMK.00/1989;
11. Decree of the Minister of Finance No. 677/Kpts-II/1993;
12. Decree of the Minister of Forestry No. 380/Kpts-II/1996.

**HAS DECIDED**

**To stipulate:**

**THE DECREE OF THE MINISTER OF FORESTRY IN  
OPERATIONAL COOPERATION ON FOREST ENTERPRISES  
BETWEEN STATE-OWNED AND PRIVATE COMPANIES.**

**CHAPTER I  
GENERAL PROVISIONS**

**Article 1**

Referred to in this decree as:

1. Operational cooperation, abbreviated as KSO, shall be the cooperation between state-owned companies within the Ministry of Forestry and private companies and or other private companies try jointly undertake forest (exploitation) enterprises.
2. A state-owned company, abbreviated as BUMN, shall be a limited-liability company Perusahaan Perseroan Terbatas (Persero) within the Ministry of Forestry.
3. A private company shall be a limited liability company which has obtained a forest concession but whose concession has expired and is not reviewed.
4. Another private company shall be a limited liability company owning an upstream timber processing industry or owing shares in an upstream timber processing industry pursuant to the prevailing laws.
5. A forest enterprise shall be a forest enterprise in a forest area encompassing (the activities of free felling, forest rejuvenation and maintenance, and forest produce processing and marketing in accordance with the Forest Enterprise Working Plan (RKPH) pursuant to the prevailing stipulations and on the basis of the principle of forest sustainability and a corporate principle.

## Article 2

- (1) Pending the establishment of a joint venture company, the former areas of forest concession shall be handed over to BUMNs in order that they may be managed on the basis of a stipulation laid down by the Minister of Forestry.
- (2) In undertaking the forest management activities as meant in paragraph (1), a BUMN may cooperate with a private company or another private company in the form of operational Cooperation (KSO) for a maximum period of 2 (two) Years.
- (3) The priority of the working partners of a BUMN in the KSO as meant in paragraph (2) shall be given to private companies whose former areas of their forest concessions become the objects of KSO.
- (4) In the event of the private companies referred to in paragraph (3) being uninterested, a KSO may be established with other companies.

## CHAPTER II AIM, PURPOSE AND SCOPE

### Article 3

- (1) A KSO shall be established with a view to implementing forest enterprises on former areas of forest concessions the operation of which has been handed over by the Minister of Forestry to a BUMN until the establishment of a forest-concession joint venture company which shall undertake activities on the said forest areas pursuant to the prevailing laws.
- (2) A KSO shall be implemented as a joint venture between a BUMN and a private company or another private company on the basis of mutually beneficial cooperation without failing to observe the principle of sustainability and the corporate principle.

### Article 4

A KSO shall be implemented in order that there may not be stagnation in activities to manage the former areas of forest concessions which have already expired and in order that forests may be saved from damage and disturbances.

### Article 5

- (1) basically the scope of a KSO is confined to logging operations.
- (2) An approval from the Minister of Forestry shall be needed for the implementation of a KSO which deviates from the provisions, as meant in paragraph (1).

## CHAPTER III COOPERATION BASIS

### Article 6

- (1) A KSO shall be implemented for a maximum period of 2 (two) years.
- (2) A KSO for a period of:
  - a. not longer than 1 (one) year shall be implemented on the basis of an approval from the Board of Commissioners of a BUMN,
  - b. over 1 (one) year but not more than 2 (two) shall be implemented on the basis of the approval from the Minister of Forestry and the Minister of Finance.

## CHAPTER IV PROCEDURE FOR THE FILING OF AND REQUIREMENTS FOR APPLICATIONS

### Article 7

- (1) A private company or another private company may file to the Board of Directors of the BUMN concerned an application for a KSO.
- (2) The Board of Directors of the BUMN concerned shall pass on the application as meant in paragraph (1) to:
  - a. the Board of Commissioners for business activities with a period of not longer than 1 (one) year;

- b. the Minister of Finance through the Director General of Forest Enterprises for business activities with a period of over 1 (one) Year but not longer than 2 (two) years.
- (3) The application as meant in paragraph (1) shall be completed with:
  - a. notarial deed on the establishment of the company of the prospective partner in the KSO, its taxpayer's code number and financial statements of the last 3 (three) years which have been audited by a public accountant.
  - b. a proposal.

**CHAPTER V**  
**PROCEDURE FOR APPLICATION SETTLEMENT**  
**Article 8**

- (1) A private company or another private company shall file an application for a KSO to the Board of Directors of the BUMN concerned along with attachments in fulfillment of the requirements as meant in Article 7 paragraph (3).
- (2) After receiving the application as meant in paragraph (1), the Board of Directors of the BUMN concerned shall make an evaluation within a period of 30 (thirty) working days as from the receipt of the application in complete order.

**Article 9**

- (1) The application and the result of the evaluation made by the Board of Directors of the BUMN as meant in Article 8 paragraph (2) with respect to a KSO with a period of not longer than 1 (one) year shall be submitted to the Board of Commissioners of the BUMN concerned within 10 (ten) working days as from the completion of the evaluation.
- (2) The Board of Commissioners of the BUMN shall, within a period of 10 (ten) working days as from the receipt of the application and the result of the evaluation as meant in paragraph (1), give its approval or rejection to the Board of Directors of the BUMN concerned.
- (3) The Board of Directors of the BUMN concerned shall, within a period of 10 (ten) working days as from the receipt of statement of approval or rejection from the Board of Commissioners, notify the applicant.

**Article 10**

- (1) The application and the result of the evaluation of the Board of Directors of the BUMN as meant in Article 8 paragraph (2) for a KSO with a period of over 1 (one) year but not longer than 2 (two) years shall be submitted to the Director General of Forest Enterprises within a period of 15 (fifteen) working days after the completion of the application.
- (2) The Director General of Forest Enterprises shall, within a period of 12 (twelve) working days as from the receipt of the application and the result of the evaluation from the Board of Directors of the BUMN as meant in paragraph (1), submit the said application to the Minister of Forestry along with proposals and considerations.
- (3) The Minister of Forestry shall, within a period of 20 (twenty) working days as from the receipt of the application and the proposals and considerations as meant in paragraph (2), give directive to the Secretary General on an approval or its rejection.
- (4) The Secretary General shall, within a period of 20 (twenty) working days after receiving the directive from the Minister of Forestry as meant in paragraph (3), prepare the draft for
  - a. letter of rejection; or
  - b. a letter of application to the Minister of Finance, and submit it to the Minister of Forestry.

**Article 11**

- The Minister of Forestry shall, within a period of 10 (ten) working days after receiving the draft letter as meant in Article 10 paragraph (4):
- a. hand over a letter of rejection to the Board of Directors of the BUMN concerned for further processing; or
  - b. hand over a letter of application along with considerations to the Minister of Finance.

## Article 12

The Minister of Finance shall give the Minister of Forestry and the BUMN a statement approving or rejecting the said application.

## CHAPTER VI OPERATIONAL COOPERATION AGREEMENTS

### Article 13

- (1) On the basis of the approval of the Board of Commissioners, in the case of a KSO with a period of not longer than 1 (one) year, or the approval of the Minister of Finance in the case of a KSO with a period of over 1 (one) year but not longer than 2 (two) years, the Board of Directors of the BUMN along with the private company or the other private company concerned shall draw up and sign a KSO agreement pursuant to the prevailing laws.
- (2) The KSO agreement as meant in paragraph (1) shall be drawn up on the basis of the agreement between both parties, based on the stipulations of the prevailing laws.

## CHAPTER VII OPERATIONAL COOPERATION IMPLEMENTATION

### Article 14

- (1) A KSO shall be implemented by the Board of Directors of the BUMN pursuant to the stipulations of the prevailing laws.
- (2) Violations in the implementation of forest enterprise activities occurring during the enforcement of the KSO shall be the responsibility of the two parties establishing the agreement.

## CHAPTER VIII FOSTERING, GUIDANCE, CONTROL AND REPORTING

### Article 15

- (1) The Director General of Forest Enterprises shall undertake fostering and guidance of and control over the implementation of a KSO.
- (2) The Board of Directors of the BUMN concerned shall periodically submit reports on the implementation of a KSO to the Minister of Forestry through the Director General of Forest Enterprises pursuant to the prevailing laws.

## CHAPTER IX TRANSITIONAL PROVISIONS

### Article 16

- (1) Applications for a KSO which at the time of the stipulation of this decree have not come to the approval/rejection stage shall be settled on the basis of this decree.
- (2) A KSO already implemented prior to the stipulation of this decree must be adjusted to the stipulations in this decree.

## CHAPTER X CLOSING PROVISION

### Article 17

A technical directive and a KSO shall be further regulated by the Director General of Forest Enterprises

### Article 18

This decree shall take effect as from the date of stipulation.

Stipulated at J A K A R T A  
On September 30, 1996  
THE MINISTER OF FORESTRY  
signed  
DJAMALUDIN SURYOHADIKUISUMO