

COMPETITION, ANTITRUST, CONSUMER & TRADE

LKPP Regulation No. 3 of 2026: Beneficial Ownership, Anti-Collusion Safeguards and Market Access in Government Procurement



Key Takeaways

LKPP Regulation No. 3 of 2026 on the Preparation and Implementation of Government Procurement Through Providers took effect on 22 September 2026. It changes the government's procurement framework, affecting access to procurement opportunities and how businesses should prepare for and perform government contracts. In particular:

- **Beneficial ownership becomes part of bidder evaluation.** This requirement is introduced in stages, with evaluation starting for procurements announced or invited from 1 November 2026. A bidder will be disqualified if the required information is unavailable, while different bidders with the same beneficial owner in the same procurement package must also be disqualified.
- **Collusion and fronting are addressed more specifically.** The regulation prohibits lending a company's name for participation in procurement and lists indicators of possible collusion, including common beneficial ownership, overlapping management, and similarities between bid documents. Collusion and fronting may also raise concerns under Indonesian competition law.
- **Certain contract amendments cannot be approved.** Although amendments remain permissible, government institutions may not approve changes that would have affected competition during provider selection, including those affecting payment arrangements, delay penalties, contract type, and advance payments.
- **Construction market segmentation and repeat orders may create new business opportunities.** The regulation introduces more detailed construction market segmentation, including specific package-value categories and local prioritisation, while expanding repeat orders through direct appointment to goods, construction work and other services, subject to the applicable requirements and performance ratings.

Approximate reading time: 8 minutes

LKPP Regulation No. 3 of 2026 ("**New Regulation**") was enacted on 21 September 2026 by Indonesia's National Public Procurement Agency (*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah* or "**LKPP**") and took effect on 22 September 2026. It updates the regulatory framework for government procurement through providers to align with the reforms introduced under Presidential Regulation No. 46 of 2025. It revokes and replaces in its entirety LKPP Regulation No. 12 of 2021, as amended by LKPP Regulation No. 4 of 2024 ("**Previous Regulation**"). The New Regulation also provides for a transition period. Ongoing provider selection processes will generally continue under the Previous Regulation, and existing contracts will remain valid until their expiry. Meanwhile, electronic procurement and supporting systems must be brought into line with the New Regulation within one year of its promulgation.

The New Regulation applies to the procurement of goods, other services, non-construction consultancy services, construction works, construction consultancy services, and integrated design-and-build construction works. It governs the procurement lifecycle, from procurement preparation and provider selection through contract implementation and work handover to provider performance assessment.

The client update sets out the changes that are most relevant to businesses that supply government institutions, including beneficial ownership in bidder evaluation, safeguards against collusion and fronting arrangements, and limits on contract amendments.

Beneficial Ownership in Bidder Evaluation

The New Regulation introduces beneficial ownership information into the evaluation of bidders, in stages:

Pronouncements announced or invited	Treatment of beneficial ownership information
Up to 31 October 2026	Not evaluated
1 November to 31 December 2026	Evaluated based on information available in the existing electronic procurement system and its supporting systems. Where beneficial ownership information is not yet available in those systems, bidders will be permitted to upload the relevant information.
From 1 January 2027	Evaluated solely on information available in the electronic procurement system and its supporting systems

Once evaluation applies under these stages, a bidder will be disqualified if the required beneficial ownership information is unavailable. The government procurement committee must also disqualify different bidders that participate in the same procurement package if, based on their reported beneficial ownership information, they are found to have the same beneficial owner.

Therefore, beneficial ownership information directly affects a business' eligibility to participate in government procurement. Businesses should check that their beneficial ownership information is accurate, up to date, and consistent across the relevant systems before participating in a procurement process. Corporate groups with several entities under common beneficial ownership should review their ownership structures and disclosures, and which of those entities may participate in the same procurement package. Common beneficial ownership is also one of the collusion indicators discussed below.

Anti-Collusion and Fronting Safeguards

The New Regulation expressly prohibits bidders from lending their name to, or using another company's name for, participation in government procurement. This practice, commonly referred to in Indonesia as *pinjam bendera*, is a form of fronting. The New Regulation also prohibits a provider from transferring the entire scope of work and contractual responsibility to another party. Partial subcontracting remains permissible where allowed under the applicable procurement rules and the relevant contract.

The New Regulation also identifies indicators that may point to collusion among bidders. These include common control based on beneficial ownership, overlapping management, and similarities in the content, errors, structure, or formatting of bid documents. For construction procurement, sequential bid bond numbers issued by the same guarantor may also be an indicator of collusion. Separately, the New Regulation identifies circumstances that may indicate fronting, including the establishment of a branch office specifically for, or shortly before, a tender.

Collusive tendering and fronting arrangements may also raise concerns under the Indonesian competition law (Law No. 5 of 1999). A tender arrangement that raises concerns under the procurement framework may therefore also carry competition law exposure.

For businesses, this means that tender preparation should no longer be viewed solely as a procurement compliance exercise. Particular care should be taken where external consultants, agents, or other third parties are involved in preparing tender documents. Businesses should assess whether those third parties are also assisting other bidders in the same procurement, and put safeguards in place to maintain the independence and confidentiality of their bids.

Limits on Contract Amendments

The New Regulation continues to permit amendments by agreement of the parties, including changes to the scope of work, contract price, work schedule, personnel, or administrative matters. Additional work is generally capped at 10% of the initial contract value, although this cap may be exceeded in emergency situations with the explicit approval of the Budget User (*Pengguna Anggaran* or PA).

Notably, government institutions may not approve amendments that would have affected competition in the provider selection process. The New Regulation identifies several examples:

- changing a lump-sum payment into instalments;
- modifying the basis for calculating delay penalties;
- changing the contract type between lump-sum and unit price; and
- introducing an advance payment where the tender documents did not provide for one.

While the restriction applies to the institution granting the approval, a business that proposes an amendment is nonetheless directly affected by it. Before proposing or agreeing to a material amendment, a business should check whether the change falls within these examples or could otherwise have affected how bids were evaluated.

Construction Market Segmentation and Local Prioritisation

The New Regulation provides for market segmentation in construction procurement based on business classification and package value:

Package value	Enterprises
Up to IDR50 billion	Small enterprises (classification K1, K2, and K3) and medium enterprises are eligible
Above IDR50 billion and up to IDR100 billion	Reserved for large non-state-owned enterprises
Above IDR100 billion	Open to large enterprises

For certain construction packages, the New Regulation gives priority to providers domiciled in the regency, city, or province where the works are located. The priority depends on provider availability and on the applicable thresholds under the New Regulation.

Businesses should check their classification, ownership status, and domicile against the value of the packages they intend to pursue, to see which packages they may bid on and where local priority may apply.

Repeat Orders by Direct Appointment

To implement the changes introduced under Presidential Regulation No. 46 of 2025, the New Regulation provides criteria and procedures for repeat orders through direct appointment (*penunjukan langsung*) for the procurement of goods, construction work, and other services. Under the Previous Regulation, repeat orders were available only for the direct appointment of consultants with a high-performance rating in the procurement of consultancy services.

In general, a repeat order may be awarded to the same provider up to two times within three years from the minutes of final handover of the initial contract. The provider must meet the applicable performance requirements, including a "very good" performance rating for the initial contract on which the repeat order is based. A second repeat order may only be awarded if the provider has also completed the first repeat order with a "very good" performance rating.

Repeat orders are not automatic and are available only to incumbent providers that meet these requirements. Therefore, businesses seeking to benefit from this mechanism should place greater emphasis on maintaining strong contract performance.

Points that Businesses Should Review

1. Beneficial ownership

Check that beneficial ownership information is accurate and consistent in the relevant procurement systems before the evaluation starts on 1 November 2026. Groups with several entities under common beneficial ownership should review which of those entities may participate in the same procurement package.

2. Tender preparation

Review how bids are prepared, including whether consultants, agents or other third parties also assist other bidders in the same procurement.

3. Contract amendments

Before proposing or agreeing to a material amendment to a government contract, check the amendments against the examples provided in the New Regulation.

4. Construction segmentation

Check business classification, ownership status, and domicile against the value of the packages being pursued.

5. Repeat orders

Track the performance ratings on existing government contracts, since the rating determines eligibility for a repeat order.

If you have any queries on the above, please reach out to our team set out on this page.

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