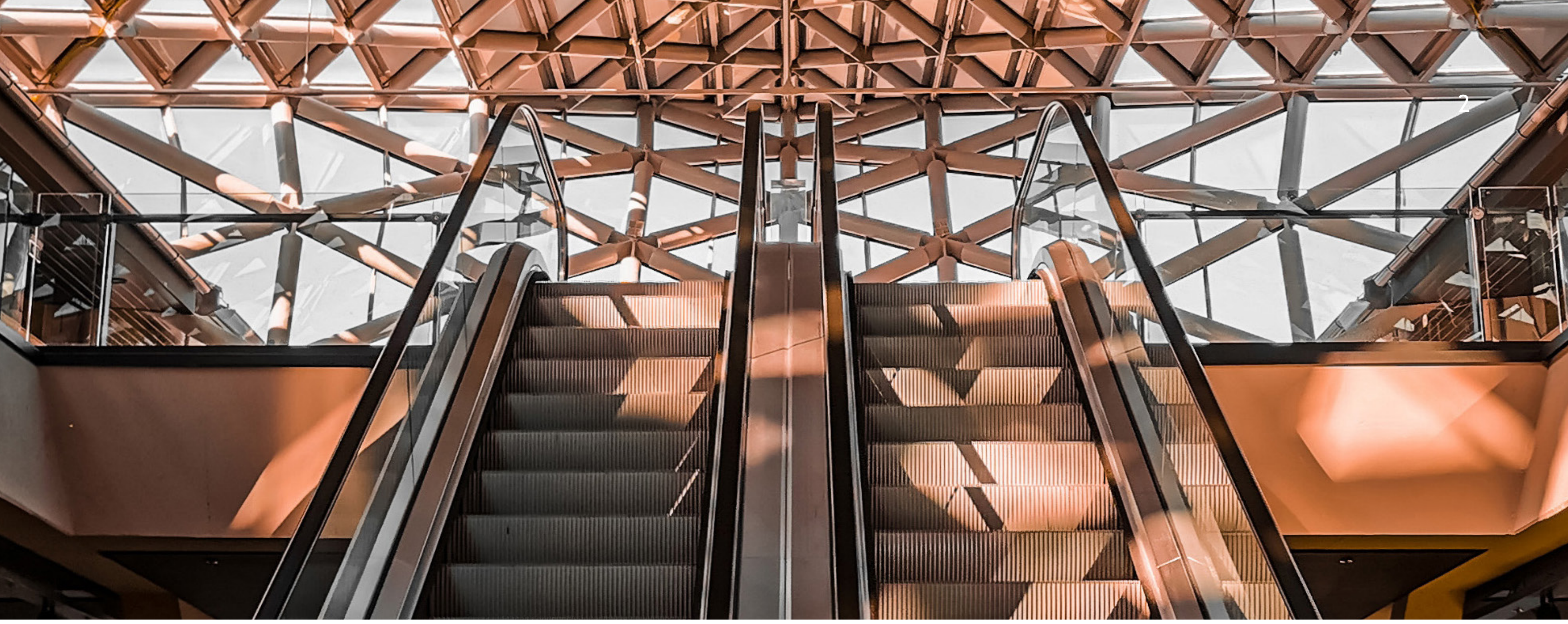
Legal Insights

The Evolution of Indonesia's Risk-Based Business Licensing Framework:

A Comparative Analysis of Government Regulation No. 5 of 2021 and Government Regulation No. 28 of 2025

Introduction

Indonesia advanced its regulatory reform with Government Regulation (GR) No. 5 of 2021, establishing the Online Single Submission Risk-Based Approach (OSS-RBA). While foundational, the system faced challenges with legal gaps and weak supervision. In response, GR No. 28 of 2025 was issued to refine the framework. This journal comparatively analyzes the fundamental differences between these regulations, highlighting the evolution of Indonesia's business licensing ecosystem toward greater certainty and efficiency.



Expansion of Scope and Clearer Licensing Tiers

A primary difference is the expansion of regulated sectors. GR 28/2025 adds six new sectors, including Creative Economy and Geospatial Information, filling gaps left by its predecessor. It also formally introduces the Business License to Support Business Activities (PB UMKU), providing legal certainty for supporting operational activities like product standardization. This clarifies the licensing structure beyond the core Business License (PB), integrating all tiers into the OSS System for streamlined management.

Refinement of Business Stages and Technical Requirements

GR 28/2025 brings clarity by structuring the licensing process into two distinct phases: “starting a business” and “running a business.” This division simplifies the journey for entrepreneurs. Furthermore, it addresses legal ambiguities concerning Building Approvals (PBG) and Certificates of Worthiness (SLF). The new regulation establishes PBG as an essential requirement for construction and SLF as a mandatory certificate for building utilization, with both processes managed through the OSS System to ensure functional legality and safety.

Process Optimization and Strengthened Supervision

To improve efficiency, GR 28/2025 streamlines the risk analysis process from five stages to four, simplifying procedures while retaining the core precautionary principle. The supervisory framework is also made more systematic, clearly distinguishing between routine supervision (via reports and inspections) and incidental supervision (triggered by complaints). Coordination between central, regional, and special economic zone authorities is enhanced, with the OSS System serving as the central hub for all supervisory data and reporting.

Sharpening Administrative Sanction Instruments

Law enforcement is significantly bolstered in GR 28/2025. The regulation expands the range of administrative sanctions beyond warnings and fines. It introduces more stringent instruments, such as “police coercive force,” suspension of government services, and an explicit prohibition on transferring PB UMKU.

Sanctions can be applied sequentially or directly, depending on the violation’s severity, giving authorities greater flexibility. The entire process is mandated through the OSS System, ensuring transparency and accountability.

Conclusion

Government Regulation No. 28 of 2025 is a mature evolution of its predecessor. By expanding sectoral coverage, detailing licensing requirements, optimizing risk analysis, and strengthening supervision and sanctions, it perfects the foundation laid by GR 5/2021. This updated framework demonstrates a commitment to creating a business licensing ecosystem that is not only efficient but also transparent, accountable, and adaptive, fostering a more competitive and certain investment climate for Indonesia.

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