



Quality and Sustainable Investment in Indonesia

Director of Business Empowerment
Deputy for Investment Climate Development
Indonesia Investment Coordinating Board

Tunisia, May 14th, 2015

1

Indonesia Economy and Investment Overview



Why Indonesia

Country Snapshot: The Biggest Archipelago

GDP Size (nominal)	USD 916 Bi	Land Area	1,904,443 sq km
GDP percapita (nominal)	USD 3,562.6	Sea Area	3,116,163 sq km
GDP Growth, 2012	6.23 %	Total Area	5,020,606 sq km
		Coastal Line	81,000 km

Population 245.6 Million people (4th biggest population)

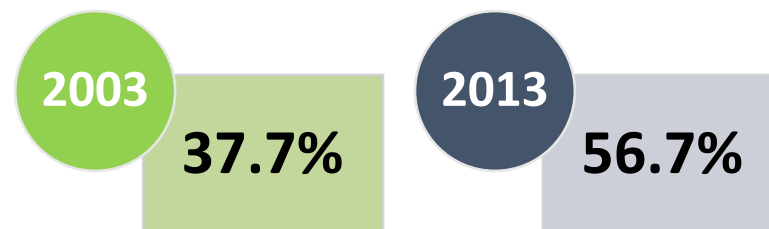
Main Towns	Population ('000)		GDP Share (%)	GDP/Capita (USD '000)
Jakarta (Capital)	9,608	Jakarta (Capital)	16.4	9.9
Surabaya	2,765	East Java	14.8	2.3
Bandung	2,394	West Java	14.6	1.9
Semarang	1,556	Central Java	8.5	1.5
Medan	2,097	North Sumatera	5.2	2.3
Samarinda	727	East Kalimantan	6.1	10
Makassar	1,339	South Sulawesi	2.3	1.6

Language Indonesian (Bahasa Indonesia)
As well as some 7500 other regional languages and dialects.

Source: various



The rising population share of Indonesia's **middle class**, those who spend USD2 - USD20 per day (% of population):

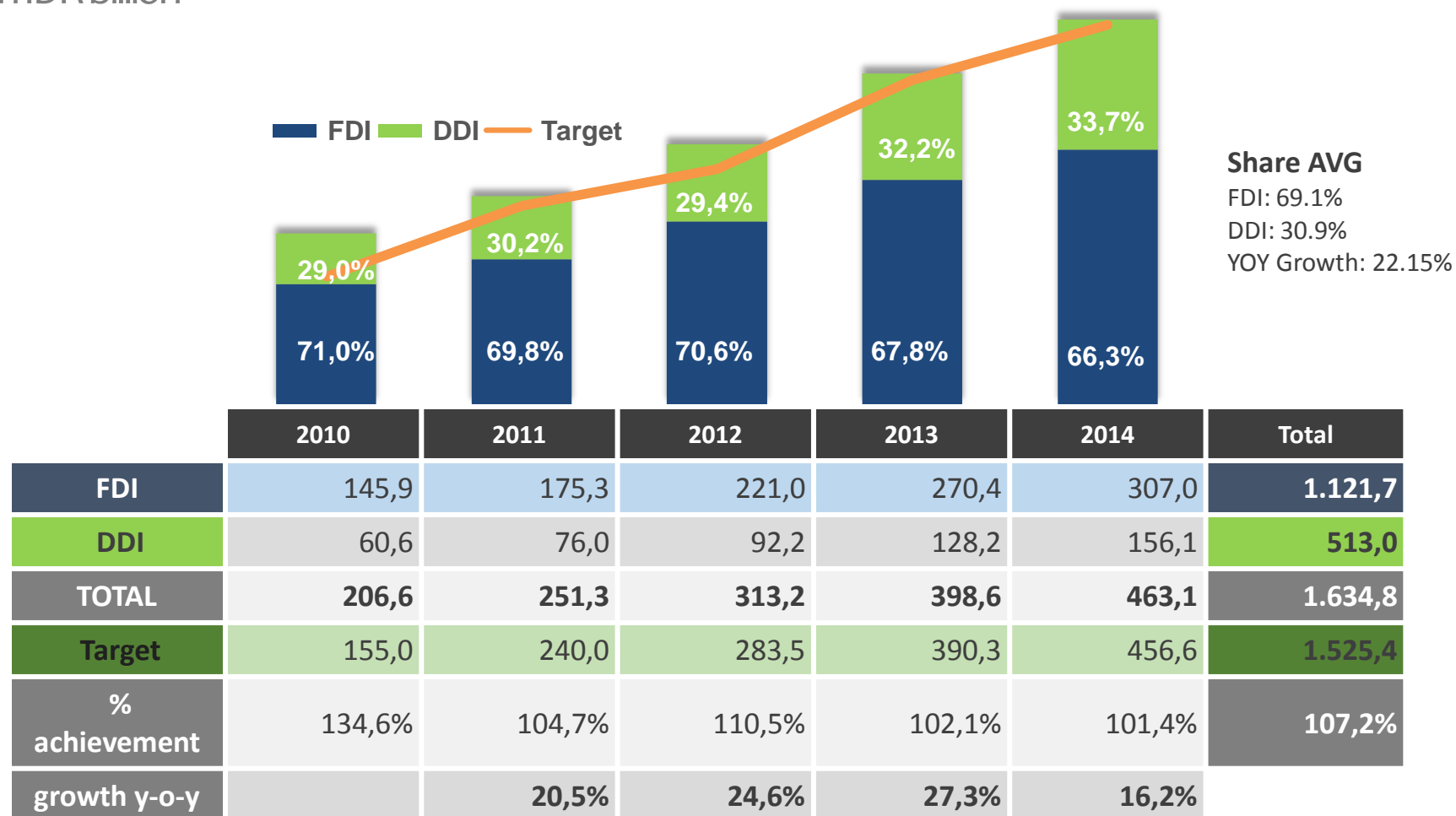


Source: World Bank



Investment in Indonesia : the last 5 years

In IDR billion



*Excluding Finance, Oil and Gas sectors

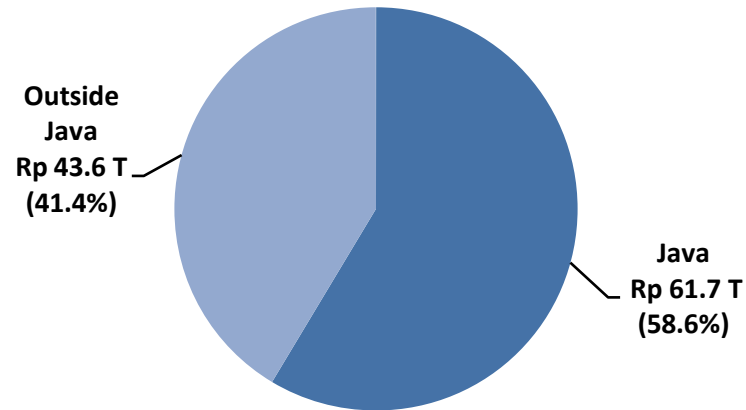
- 2005-2012, Nilai Tukar USD1 = Rp 9,000
- 2013 (Q I dan Q II), Nilai Tukar USD1 = Rp 9,300 (APBN 2013)
- 2013 (Q III dan Q IV), Nilai Tukar USD1 = Rp 9,600 (APBN 2013)
- 2014 (Q I-Q III) Nilai Tukar USD1 = Rp 10,500 (APBN 2014)
- 2014 (Q IV) Nilai Tukar USD1 = Rp 11,600 (APBN-P 2014)

Source: BKPM, 2015

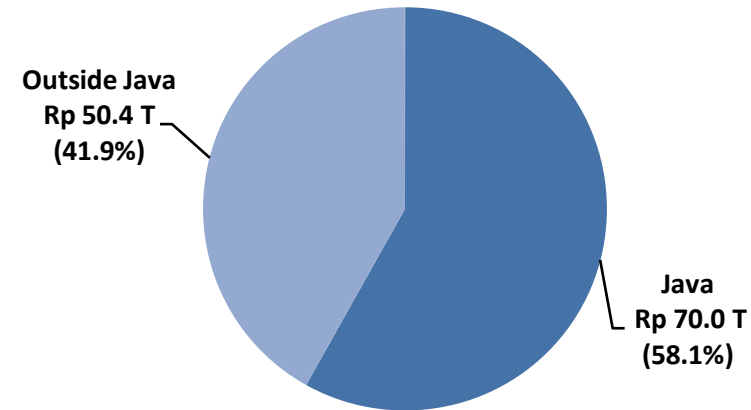
Investment Realization in Quarter IV and January - December 2014 Compared to The Same Period in 2013: *Java and Outside Java*

1. Quarter IV 2013 and Quarter IV 2014: Java and Outside Java

Quarter IV 2013

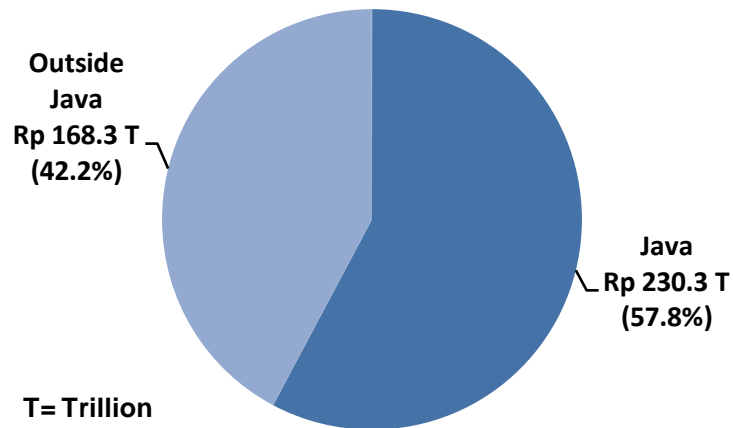


Quarter IV 2014

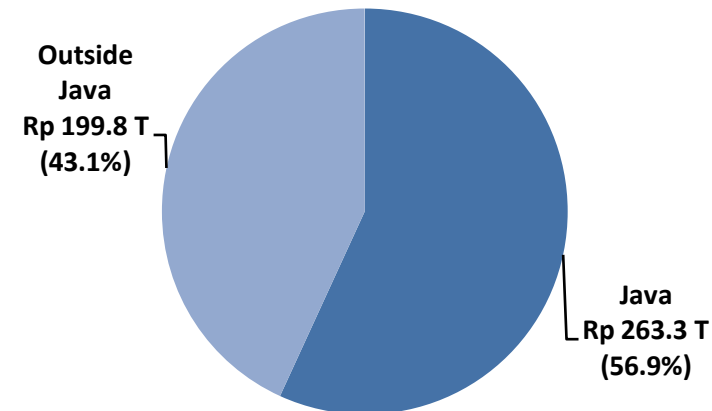


2. Jan-Dec 2013 and Jan-Dec 2014: Java and Outside Java

Jan-Dec 2013



Jan-Dec 2014



T= Trillion



Investment Realization in January - December 2014 : Based on

DDI				FDI			
Sector				Sector			
NO	SECTOR	INVESTMENT (Rp Billion)	PROJECT	NO	SECTOR	INVESTMENT (US\$ Million)	PROJECT
1	Electricity, Gas, and Water Supply	36,296.8	68	1	Mining	4,665.1	552
2	Food Industry	19,596.4	320	2	Food Industry	3,139.6	640
3	Transportation, Warehouse, and Telecommunication	15,715.0	46	3	Transportation, Warehouse, and Telecommunication	3,000.9	228
4	Chemical and Pharmaceutical Industry	13,313.6	105	4	Metal, Machinery, and Electronic Industry	2,471.9	690
5	Real Estate, Industrial Estate, and Office Building	13,111.8	45	5	Chemical and Pharmaceutical Industry	2,323.4	377
6	Food Crops and Plantation	12,707.2	200	6	Food Crops and Plantation	2,206.7	324
7	Construction	12,097.6	27	7	Transport Equipment and Other Transport Industry	2,061.3	295
8	Non Metal Mineral Industry	11,923.1	57	8	Construction	1,383.6	147
9	Metal, Machinery, and Electronic Industry	5,292.6	123	9	Electricity, Gas, and Water Supply	1,248.8	118
10	Paper and Printing Industry	4,093.7	57	10	Real Estate, Industrial Estate, and Office Building	1,168.4	255
11	Mining	3,140.7	50	11	Non Metal Mineral Industry	916.9	104
12	Rubber and Plastic Industry	2,117.5	132	12	Trade and Repair	866.8	2,339
13	Hotel and Restaurant	1,730.8	43	13	Paper and Printing Industry	706.5	87
14	Textile Industry	1,451.5	72	14	Rubber and Plastic Industry	543.9	255
15	Other Services	1,100.4	69	15	Hotel and Restaurant	513.1	407
16	Livestock	650.7	43	16	Textile Industry	422.5	285
17	Wood Industry	585.1	21	17	Other Services	337.5	1,339
18	Trade and Repair	518.4	99	18	Leather Goods and Footwear Industry	210.6	102
19	Transport Equipment and Other Transport Industry	490.1	28	19	Other Industry	151.8	168
20	Leather Goods and Footwear Industry	103.1	10	20	Wood Industry	63.7	61
21	Other Industry	68.1	16	21	Forestry	53.3	28
22	Fishery	21.7	11	22	Fishery	35.3	47
23	Forestry	0.3	9	23	Livestock	30.8	26
24	Medical Instrument, Precision, Optic, and Watch Industry	0.0	1	24	Medical Instrument, Precision, Optic, and Watch Industry	7.2	11
TOTAL		156,126.2	1,652	TOTAL		28,529.7	8,885

Investment Realization in January - December 2014: Based on Country of



NO	COUNTRY OF ORIGIN	INVESTMENT (US\$ Million)	PROJECT
1	Singapore	5,832.1	1,302
2	Japan	2,705.1	1,010
3	Malaysia	1,776.3	448
4	Netherlands	1,726.3	181
5	United Kingdom	1,588.0	182
6	United States of America	1,299.5	179
7	South Korea	1,126.6	1,054
8	China	800.0	501
9	Hong Kong	657.3	197
10	Australia	647.3	226
11	British Virgin Islands	624.0	240
12	Mauritius	540.7	45
13	Thailand	317.7	55
14	France	200.2	115
15	Canada	164.2	34
16	Switzerland	150.8	56
17	Seychelles	118.8	15
18	Taiwan	114.7	150
19	Luxembourg	85.8	23
20	Turkey	64.1	25
21	Italy	63.0	51
22	Germany	50.2	115
23	Afghanistan	42.3	6
24	India	37.1	137
25	Cayman Islands	28.5	23
26	United Arab Emirates	25.4	22
27	New Zealand	17.5	15
28	Spain	15.7	25
29	West Samoa	15.3	13
30	Belgium	13.6	21
31	Philippines	11.5	10
32	Cyprus	7.6	2
33	Marshall Island	4.8	9
34	Poland	4.4	5
35	Finland	3.6	7
36	Russia	3.6	25
37	Bahamas	3.3	2
38	Jordan	3.1	3
39	Saudi Arabia	2.9	6
40	Pakistan	2.5	20
41	Sweden	1.7	12
42	Austria	1.6	13
43	Denmark	1.4	15
44	Lebanon	0.9	5

NO	COUNTRY OF ORIGIN	INVESTMENT (US\$ Million)	PROJECT
45	Brunei Darussalam	0.8	2
46	Iran	0.7	5
47	Kenya	0.7	2
48	Puerto Rico	0.6	1
49	Egypt	0.6	3
50	Hungary	0.5	3
51	South Afrika	0.5	1
52	Bangladesh	0.5	2
53	Nigeria	0.5	4
54	Congo	0.5	1
55	Guinea	0.5	3
56	Portugal	0.4	1
57	Iraq	0.4	2
58	Marocco	0.3	2
59	Mali	0.3	2
60	Tanzania	0.2	1
61	Czech	0.2	4
62	Burkina Faso	0.2	1
63	Somalia	0.2	1
64	Channel Islands	0.2	1
65	Estonia	0.2	2
66	Maldives	0.1	3
67	Norway	0.1	3
68	Cambodia	0.1	1
69	Vietnam	0.0	2
70	Nepal	0.0	1
71	Scotland	0.0	3
72	Tunisia	0.0	1
73	Panama	0.0	7
74	Argentina	0.0	1
75	Bulgaria	0.0	2
76	Gibraltar	0.0	1
77	Gambia	0.0	1
78	Belize	0.0	1
79	Mexico	0.0	1
80	Iceland	0.0	1
81	Slovenia	0.0	1
82	Brazil	0.0	2
83	Slovakia	0.0	2
84	Guatemala	0.0	2
85	Joint Countries	7,619.4	2,205
TOTAL		28,529.7	8,885

The Investment Coordinating Board of the Republic of Indonesia

2

Indonesia and Tunis



Balance of Trade for Indonesia – Tunisia 2010 – 2014 (US\$ million)

Tahun	Ekspor	Impor	Total	Surplus
2010	78,8	9,8	88,6	69
2011	97,7	9	106,7	88,7
2012	106,9	13,3	120,2	93,6
2013	98,4	16,8	115,2	81,6
2014	98,1	14,1	112,2	84

Source: Institut Statistik Nasional Tunisia (INS)



Balance of Trade for Indonesia – Tunisia 2009 – 2014 (US\$ thousand)

NERACA PERDAGANGAN INDONESIA - TUNISIA PERIODE 2009 - 2014 (Nilai dalam ribu US\$)									
URAIAN	2009	2010	2011	2012	2013	Trend (%) 2009-2013	Jan - Okt		Perub. (%) 2014/2013
							2013	2014	
TOTAL PERDAGANGAN	54.466,8	69.616,5	99.127,7	119.053,3	101.991,5	19,62	90.953,3	92.178,2	1,35
MIGAS	0,0	0,0	0,0	0,0	0,0	0,00	0,0	0,0	0,00
NON MIGAS	54.466,8	69.616,5	99.127,7	119.053,3	101.991,5	19,62	90.953,3	92.178,2	1,35
EKSPOR	42.530,1	54.184,5	84.770,4	95.575,7	75.893,7	18,84	66.679,9	72.691,8	9,02
MIGAS	0,0	0,0	0,0	0,0	0,0	0,00	0,0	0,0	0,00
NON MIGAS	42.530,1	54.184,5	84.770,4	95.575,7	75.893,7	18,84	66.679,9	72.691,8	9,02
IMPOR	11.936,7	15.432,0	14.357,2	23.477,5	26.097,8	21,95	24.273,4	19.486,4	-19,72
MIGAS	0,0	0,0	0,0	0,0	0,0	0,00	0,0	0,0	0,00
NON MIGAS	11.936,7	15.432,0	14.357,2	23.477,5	26.097,8	21,95	24.273,4	19.486,4	-19,72
NERACA PERDAGANGAN	30.593,4	38.752,5	70.413,2	72.098,2	49.795,9	17,29	42.406,6	53.205,5	25,47
MIGAS	0,0	0,0	0,0	0,0	0,0	0,00	0,0	0,0	0,00
NON MIGAS	30.593,4	38.752,5	70.413,2	72.098,2	49.795,9	17,29	42.406,6	53.205,5	25,47

Source: Ministry of Trade RI

Export – Import Relations between Tunisia and Indonesia

Indonesia to Tunisia

- **464 commodities**
- **Export priorities** : palm oil, kernel and copra; various chemicals; shoes; bags and bags of polyethylene and polypropylene materials; cotton and polyester; Synthetic fiber; karboliksik; mechanical and electrical equipment; convection products; and rubber

Tunisia to Indonesia

- **9 commodities**
- **Export priorities** : dates, unwrought aluminum and refined chopper, olive oil, electric capacitors, woven fabrics (synthetics, polyester and cotton), leather, polyphosphate, unwrought lead, shoe materials, and knitted accessories

3

Indonesia Competitiveness International perspectives

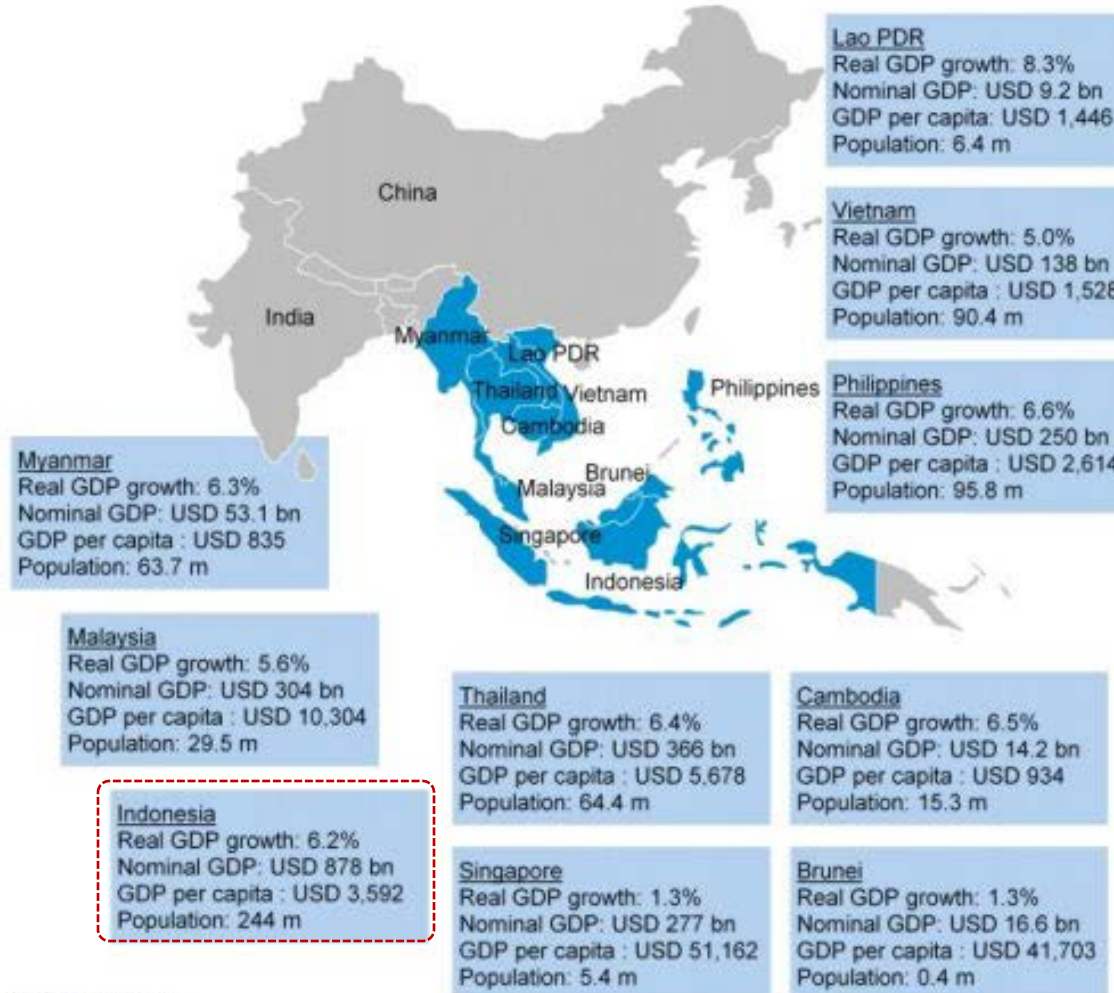




ASEAN-10
Real GDP growth: 5.4% (e)
Nominal GDP: USD 2.3 tr
GDP per capita USD 3,745
Population: 616 m

India
Real GDP growth: 4.0%
Nominal GDP: USD 1.8 tr
GDP per capita: USD 1,492
Population: 1,223 m

China
Real GDP growth: 7.8%
Nominal GDP: USD 8.3 tr
GDP per capita: USD 6,076
Population: 1,354 m



Sources: IMF, DB Research

Indonesia in ASEAN

ASEAN is the third largest market in Asia, after China & India.

Indonesia represents:
40% of ASEAN population
38% of ASEAN's economy

Source: IMF, 2014

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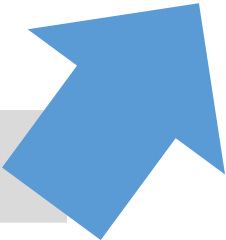
Invest in Indonesia

Investment Policies, Incentives and Opportunities



9 PRIORITY AGENDA

- 1 Returning the state to its task of protecting all citizens and providing a safe environment
- 2 Developing clean, effective, trusted and democratic governance
- 3 Developing Indonesia’s rural areas
- 4 Reforming law enforcement agencies
- 5 Improve quality of life
- 6 **Increasing productivity and competitiveness**
- 7 Promoting economic independence by developing domestic strategic sectors
- 8 Overhauling the character of the nation
- 9 Strengthening the spirit of “unity in diversity” and social reform



KEY PROGRAMS
<ul style="list-style-type: none">• Construct 2,000 kilometers of roads• Develop 10 new airports and 10 seaports• Construct 10 industrial estates• Build 5,000 traditional markets• Provide one-stop services for investments• Set up infrastructure development bank, farmer Bank, and Fisherman Bank• Build regional science and techno parks, academies and vocational schools



Priority Sectors for Investment

Infrastructure:

Power plant, toll road, seaport, airport, railway,
(integrated) industrial park

Maritime:

Fishery, shipyard

Manufacturing industries:

Processing of agriculture & mining products, export
oriented products, import substitution, labor intensive

Tourism:

Development of more tourism destinations

Infrastructure Development 2015-2019 Project Plan Transportation



Source: Indonesia Development Planning Agency, 2015.



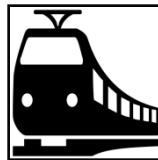
- ▶ Road: **2,650 Km**
- ▶ Toll road: **1,000 Km**
- ▶ Road maintenance: **46,770 Km**



- ▶ Airport : **15 locations**
- ▶ Air plane for pioneer service: **20 units**
- ▶ Airport development for cargo: **6 locations**



- ▶ Seaport: **24 locations**
- ▶ Ship for pioneer good transportation: **26 ships**
- ▶ Ship for cattle transportation: **2 ships**
- ▶ Ship for pioneer services: **500 units**



- ▶ Railway track (Java, Sumatera, Sulawesi and Kalimantan): **3,258 km**
 - Intercity railway track: **2,159 km**
 - City railway track: **1,099 km**



- ▶ Port for crossing line: **65 locations**
- ▶ Ship for pioneer crossing line: **50 units**



- ▶ BRT development: **29 cities**
- ▶ Urban mass rapid transit development: **6 in metropolitan areas and 17 in big cities**

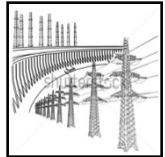
Project Plan



Source: Indonesia Development Planning Agency, 2015.



- ▶ Dam: **49 dams and 33 PLTA**
- ▶ Building/improving irrigation network: **1 million Ha**
- ▶ Rehabilitation of irrigation network: **3 million Ha**



- ▶ Oil refinery: **2 units (2x300,000 barrel)**
- ▶ Floating storage regasification unit (FSRU): **5 locations (West Java, Jakarta, Central Java, East Java, North and Lampung)**
- ▶ Urban household gas network: **90 thousand household network**
- ▶ Natural gas fueling station: **75 units**
- ▶ Electrification ratio: **96.6%**
- ▶ Electricity generation: **35,000 MW**
- ▶ Natural gas: **600,000 of fishermen**



- ▶ Broadband coverage: **100% urban/rural**
- ▶ E-government index: **3.4 (scale 4,0)**
- ▶ E-procurement, e-health, e-education and e-logistics cs development



- ▶ Social rented housing: **5,257 twin blocks (515,711 households)**
- ▶ Subsidy of social housing: **5.5 million households**
- ▶ Alleviation of slum areas: **37,407 Ha**
- ▶ Credit facility for low income household: **2.5 million households**



- ▶ Development of urban clean water coverage: **21.4 million households (268,680 litre/second)**
- ▶ Development of rural clean water coverage: **11.1 million household (22,647 rurals)**



- ▶ Development community-based waste water treatment: **227 urban/rural**
- ▶ Development centered-based waste water treatment: **430 urban/rural**
- ▶ Development sanitary landfill for solid waste disposal facilities: **341 urban/rural**
- ▶ Development 3R facilities: **294 urban/rural**
- ▶ Reduction of watershed in urban areas: **22,500 Ha**

Infrastructure Development 2015-2019

35,000MW Electricity Generation

IDR 435trillion investment from private companies (IPP) is needed to support the generation of electricity.

NATIONAL ELECTRICITY AGENCY (PT PLN)

16,800 MW electricity generated
50,000 kms transmission
150,000 kms distribution channel
IDR 545trillion investment provided

PRIVATE COMPANIES (IPP)

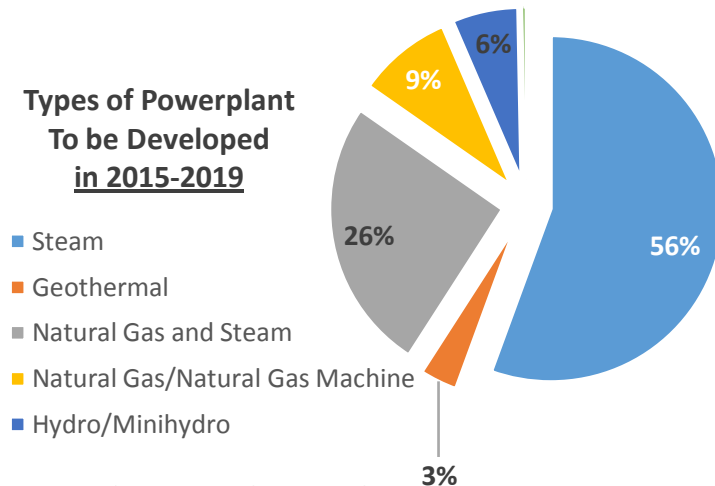
18,200 MW electricity generated
360 kms transmission
IDR 435trillion investment needed

STRATEGIC PROJECTS

To overcome the (potential) scarcity of electricity

- ▶ **Accelerate the completion of 2,191 MW unfinished powerplant projects** (PLTU Adipala, PLTU Tanjung Awar-awar, PLTU Pangkalan Susu, PLTU Tenayan, PLTU Bangka Baru, PLTU Belitung, PLTU Parit Baru, PLTU Bengkayang, PLTU Pulang Pisang, PLTU Teluk Balikpapan, PLTU Anggrek Gorontalo, PLTU Bima, PLTU Lombok, PLTU Ende, PLTU Kupang, PLTU Tidore, PLTU Ambon, and PLTU Jayapura)
- ▶ **Develop PLTU Combyne/Close Cycle PLTGU** Muara Karang, Muara Tawar, Tanjung Priok, and PLTGU Grati Pasuruan, whose capacity about 2000 MW
- ▶ Accelerate the development of **big-scale PLTU** in West Java (Bojonegoro), Central Java, and East Java (including Cilacap)
- ▶ Accelerate the development of **PLTU Mulut Tambang 8, 9, 10 (including Java-Sumatera transmission 500kV), PLTU Indramayu 1000 MW, and PLTU Batang Jateng 2x1000 MW**
- ▶ Accelerate the development of several **extention PLTU in Cirebon (1000 MW) and Suralaya (1000 MW)**
- ▶ Accelerate the development of **other planned powerplant (hydroelectric powerplant, steam powerplant, etc)**

Types of Powerplant To be Developed in 2015-2019



Source: Indonesia Development Planning Agency, 2014.

Indonesian Investment Coordinating Board

Notes:

PLTU = Steam Powerplant

PLTGU = Natural Gas and Steam Powerplant

IPP = Independent Power Producer

Infrastructure Development 2015-2019

16 Industrial Parks (14 are located outside Java)

IDR 47.7 trillion (USD 3.9 billion) of investment is needed for supporting infrastructures.

SUMATERA

Kuala Tanjung – Sumut
Seimangke – Sumut
Tanggamus - Lampung

KALIMANTAN

Batulicin – Kalsel
Ketapang - Kalbar
Landak – Kalbar
Jorong- Kalsel;

SULAWESI

Palu – Sulteng
Morowali - Sulteng
Bantaeng - Sulsel
Bitung – Sulut
Konawe – Sultra

MALUKU

Buli - Maluku

PAPUA

Teluk Bintuni - Papua Barat

JAWA

Sayung – Jateng
JIPE – Jatim



STRATEGIC PROJECTS

- ▶ **Port:** Development of Ports in Kualatanjung, Pontianak, Bitung, Makassar, Banjarmasin, Kupang and Halmahera
- ▶ **Toll Road:** Development of Manado-Bitung Toll Road
- ▶ **Road:** Development of Ring Roads in Batulicin, Palu-Parigi, Lingkar Kupang, and Susumuk-Bintuni Road
- ▶ **Railway:** Development of Railways in Manado – Bitung, Sei Mangke – Bandar Tinggi - Kuala Tanjung, Pasoso – Tanjung Priok, and DDT
- ▶ **Electricity:** PLTU Kualatanjung, Asahan 3, Pangkalan Susu, PLTU Palu, PLTA Poso, PLTMG Morowali, PLTU NTT-2 Kupang, PLTU Ketapang (FTP2), PLTG/MG Pontianak Peaker, PLTU Bengkayang, Parit Baru, Pulau Pisau, PLTA Konawe, PLTA/MH Morowali, Bantaeng dan PLTGU Tangguh.
- ▶ **Airport:** Development of Mutiara Airport, Palu; Eltari Airport, Kupang; Expansion of Mutiara Airport, Palu; Halu Oleo Airport, Kendari; Sam Ratulangi Airport, Manado; and Syamsuddin Noor Airport, Banjarmasin
- ▶ **Water Resources:** Development of Raknamo Dam, Kupang

Source: Indonesia Development Planning Agency, 2015.



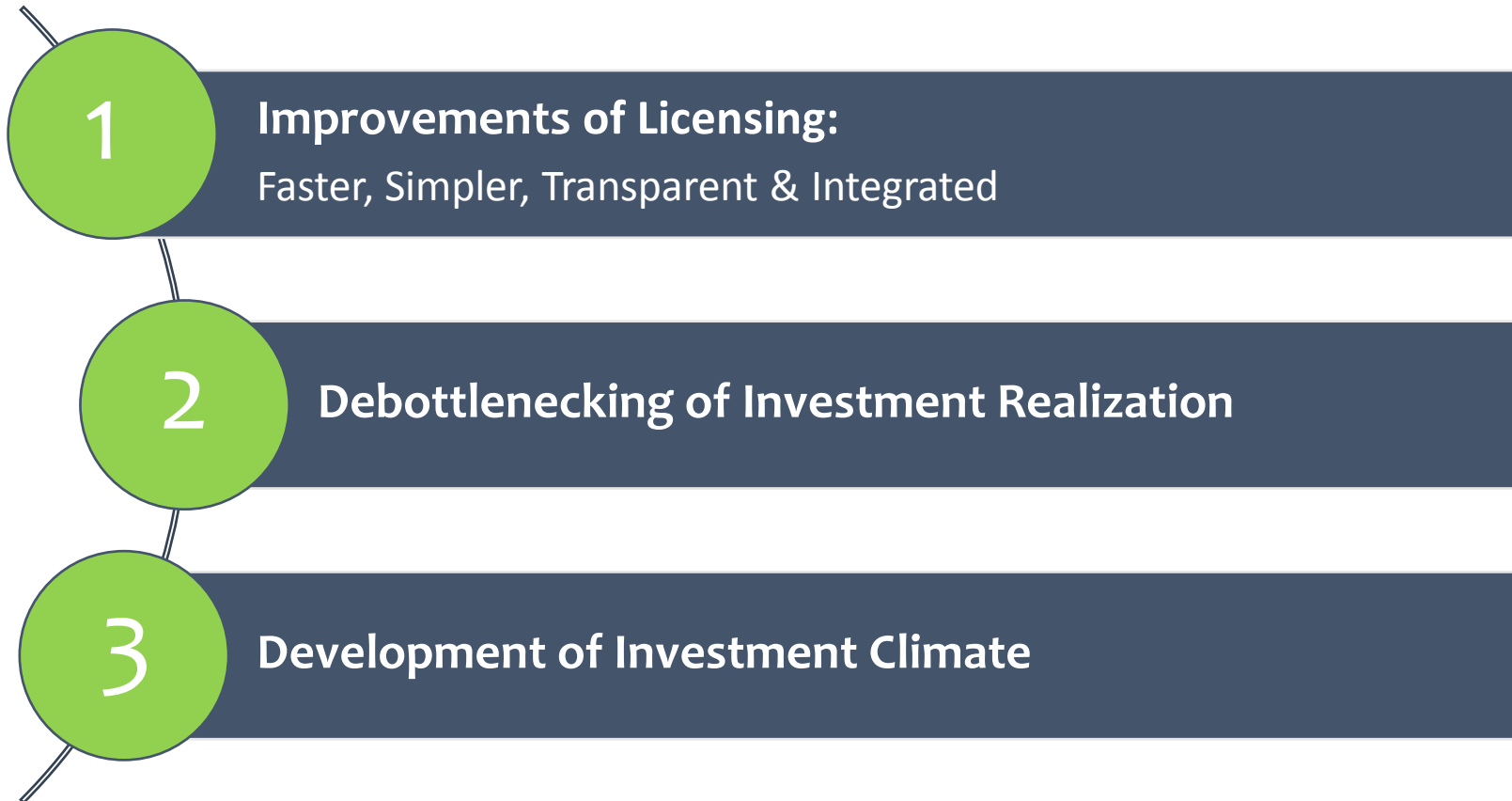
BKPM's Role In The New Administration Era



Doing Business in the New Administration Era

Three BKPM's Priorities

Assigned by the President of RI.



Doing Business in the New Administration Era

Priority 1: Improvement of Licensing

Investors submit and obtain licensing documents only to and from BKPM.

Before 2015

- Investors had to go to several ministries to get business permits
- The business permits processing time were varied and could not be monitored by online
- One-step-at-a-time procedures, can not be proceed simultaneously

Since 2015

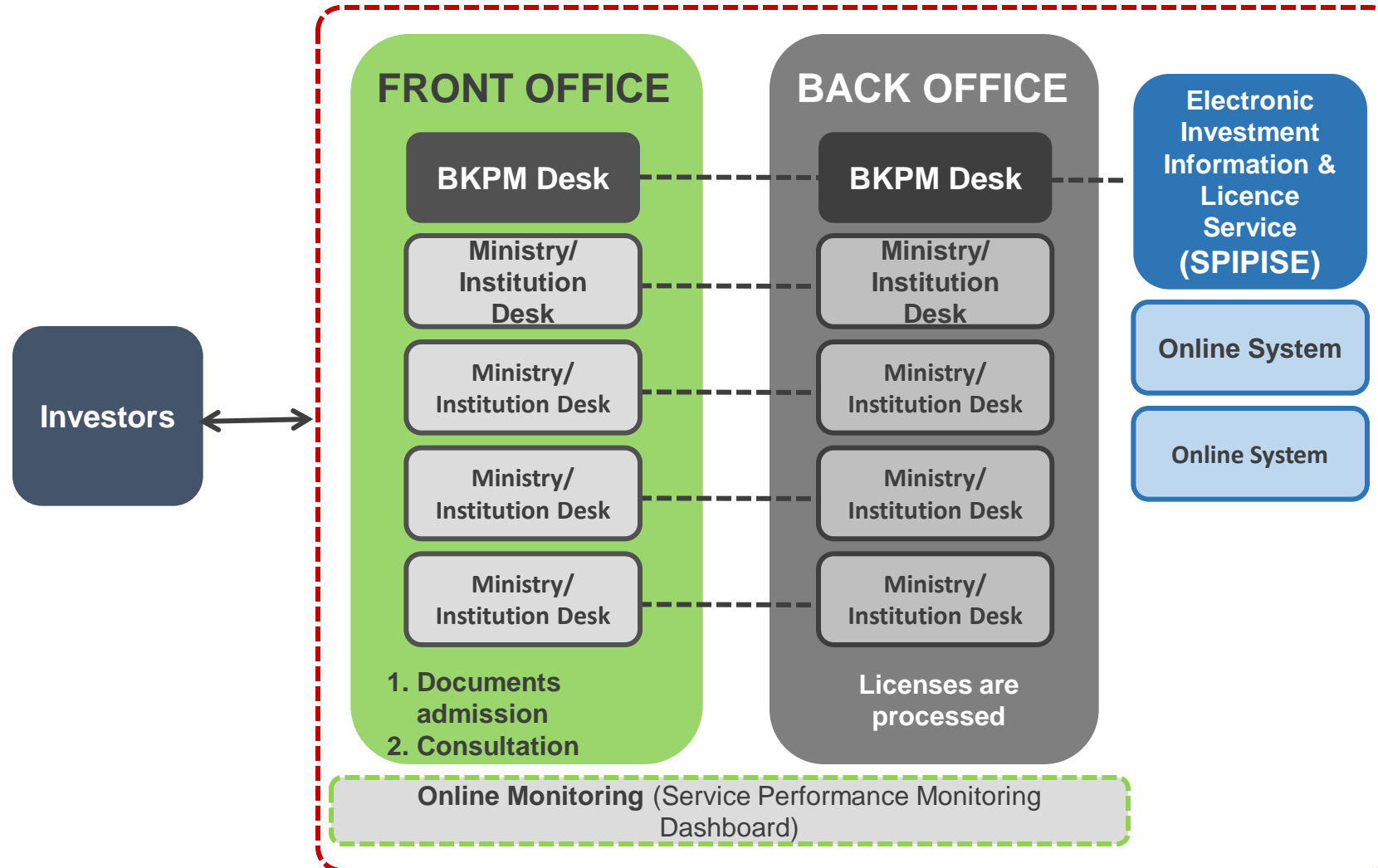
- Investors **only come to BKPM** as the central one-stop-service for investment licensing, they **do not need** to come to other ministries or institutions
- Investors can **monitor** the licensing process by **online** and get **certainty** for **licensing time**
- Investors can process many types of business permits **simultaneously**



The **central one-stop-service** was launched by President Jokowi on 26th January 2015.

Faster, Simpler, Transparent, and Integrated Licensing Process

Investors submit and obtain licensing documents only to and from BKPM.



22 Ministries/institutions integrated in the investment one-stop service at BKPM



Ministry of Energy & Mineral Resources
10 licenses related to power & geothermal



Ministry of Environment & Forestry
35 business licenses



Ministry of Industry
6 business licenses



Ministry of Agrarian and Spatial/National Land Agency
Centralization of issuing land rights licenses for foreign direct investment



Ministry of Defense
Stationed Liaison Officer for consultation



Ministry of Trade
5 licenses



Ministry of Agriculture
5 business licenses



Ministry of Finance
Import duty facility for machineries, goods, materials for production



Ministry of Transportation
7 business licenses



Ministry of Law & Human Rights
1 business licenses



Ministry of Health
9 licenses related pharmaceutical production, medical equipment production



Ministry of Tourism
9 licenses related tourism and economy creative sectors



Ministry of Communications and Information Technology
5 licenses related post management, telecommunication and broadcasting



Ministry of Manpower
3 business licenses and principal licenses



Ministry of Public Works & Public Housing
7 business licenses



Ministry of Maritime & Fishery
2 business licenses



Ministry of Education & Culture
2 business licenses



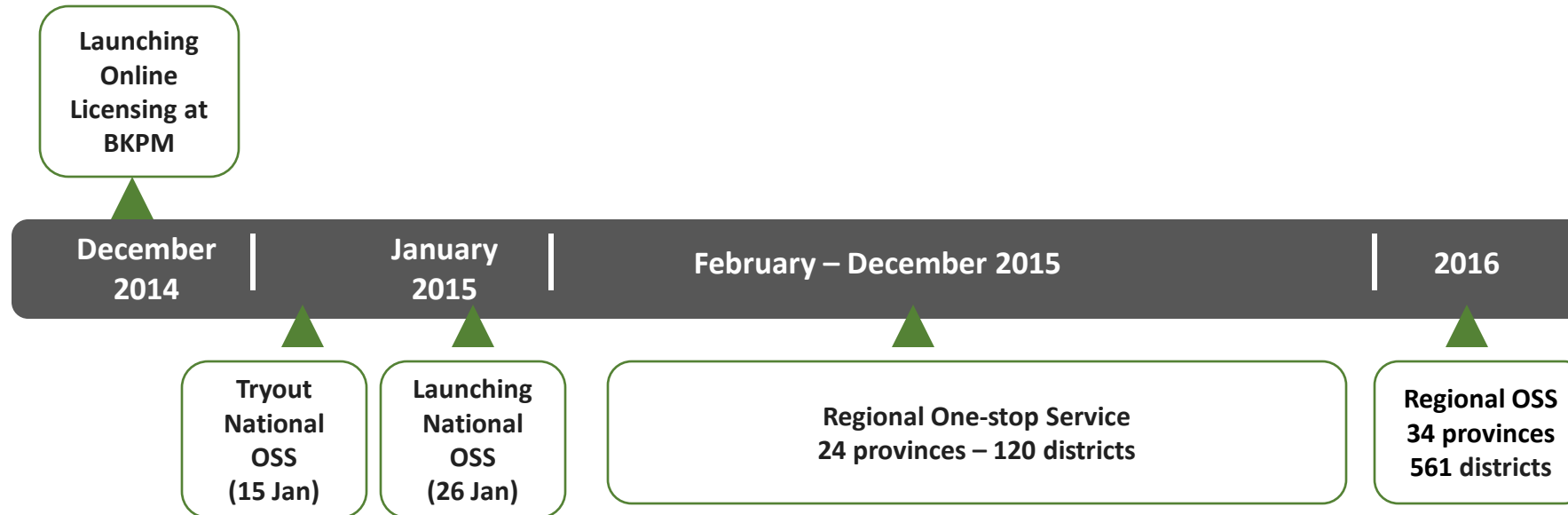
Indonesian National Police
6 business license in safeguarding business

Supporting Institutions: Nat'l Food & Drugs Control Agency, Nat'l Crypto Agency, Nat'l Standardization Agency, Electricity Company



Timeline of Investment One-stop Service

Covering all national-level licenses by 2015(Q2) & integrating all regions by January 2017.



Objective

A faster, simpler, transparent, and integrated licensing process.



Doing Business in the New Administration Era

Priority 2: Debottlenecking of Investment Realization

Currently, BKPM is intensively working on almost 100 cases of investment facing problems in implementing their investment plan in the priority sectors.

BKPM as a <i>Clearing House</i>			
Coordinating with related governmental institution authorized in licensing process and mediation between companies and related stakeholders			
Investment Obstacle:	Investment Location:		Investment Sectors:
22 cases of land issues 26 cases of licensing at any levels 2 cases of forests land use permit 3 cases of tax holiday facilities 17 cases of regulation at technical ministries 9 cases of regional government response 6 cases of raw materials issues 7 cases of electricity issues 5 cases of PPP scheme 1 case of copyright issue	14 West Java 5 Central Java 4 East Kalimantan 9 Banten 2 East Java 3 North Sumatera 5 South Kalimantan 1 Jambi 10 Jakarta 3 Central Kalimantan 1 South Sumatera 1 Lampung 2 Bali	3 North Sulawesi 7 West Papua 3 North Maluku 3 Papua 2 West Kalimantan 1 West Nusa Tenggara 2 Riau Islands 1 Central Sulawesi 2 Yogyakarta 3 South Sulawesi 3 Riau 1 Southeast Sulawesi 7 unlocated	8 Fishery 4 Plantation 1 Furniture industry 3 Sugar industry 13 Chemical and pharmaceutical 12 Electricity, gas and water supply 11 Infrastructure 7 Transportation & telecommunication 2 Textile industry 2 Metal, machinery & electronic industry 6 Trade and repair 4 Food industry 4 Tourism 17 Mining 2 Real estate, industrial area and offices 2 Other industries



Doing Business in the New Administration Era

Priority 3: Development of Investment Climate

**BKPM as Aspiration
House**

- Creating more attractive **investment incentives**.
Types of incentive
- Reviewing **laws and regulations** on investment.
- Policy **coordination**.



Investment Policy and Facility

INVESTMENT LAW (UU No.25 Year 2007)

- Mandate **equal treatment** for foreign and domestic investors
- No minimum capital requirement, **freedom** to repatriate capital.
- All business sectors or business types shall be **open to investment activities**, except for business sectors or business types that are declared to be closed and open with requirements.

INVESTMENT FACILITIES

-
- Simplification of business start up and licensing procedures, including the “**one-stop shop**” (PTSP) licensing provision at the Investment Coordinating Board (BKPM).
 - Assessing Integrated Investment Services in Indonesia.
 - Online application process for principal license using National Single Windows on Investment.
 - Investment Tracking System
 - Investor Relation Unit for information facilitation and queries handling from existing and potential investors.
-



TAX ALLOWANCE

(Government Regulation No.52/2011)

30% of investment value
Reduction of corporate
net income tax for 6 years,
5% each year.

129 business segments
Eligible for tax
allowance, expanded
from 38 segments in
the previous regulation.

Under **certain requirements**
among others: minimum amount of
investment value and **workforce**,
and certain project **location**
(especially outside Java island).

TAX HOLIDAY

(MoF Regulation No.130/PMK.011/2011)

5-10 years
Tax relief facility, starting
from the commencement
of commercial production.

50% for a further 2 years
Reduction of income tax
after the expiration of the
tax holiday and can be
extended by MoF.

Pioneer industry

1. Basic metal industries;
2. Oil refinery industries and/or basic organic chemicals;
3. Machinery industries;
4. Industries of renewable resources;
5. Communication devices industries.

IDR **1** trillion
Minimum **investment** plan.

IMPORT DUTY FACILITY

(MoF Regulation No.176/PMK.011/2009)

Machines, goods,
materials for production

2 years import duty
exemption or **4 years** for
companies using locally-
produced machines (min.30%).

Industries

Which produces **goods** and/or
services, including:

1. Tourism and culture
2. Public transportation
3. Public health services
4. Mining
5. Construction
6. Telecommunication
7. Port



CONCLUSION

Conclusion

Some risks may remain...

- **Infrastructure and logistics** (progress)
(Too) high expectation → Need to be tempered
- **Regulation/policy issues**
Consistency, coordination, public consultation
- **Implementation issues at local level**
Land acquisition and status (clean & clear), local permits, labor (availability, skill, wages), spatial plan

Conclusion

... yet, there are more strong reasons to be **optimistic**.

- Increasing trend of investment realization
- Large amount of pipeline projects
- Strong leadership → Better coordination → Better investment climate
 - Investment one-stop service at BKPM & regional governments:
faster, simpler, transparent, integrated
 - Debottlenecking: BKPM as a clearing house
 - Regulatory review & revision

Thank You

Terima Kasih



Indonesia Investment Promotion Centre (IIPC)

**Badan Koordinasi
Penanaman Modal
(BKPM)**

Indonesia Investment
Coordinating Board

Jln. Jend. Gatot Subroto No.
44

Jakarta 12190 - Indonesia

t . +62 21 525 2008

f . +62 21 525 4945

e . info@bkpm.go.id

www.bkpm.go.id

