

Indonesia Investment Coordinating Board

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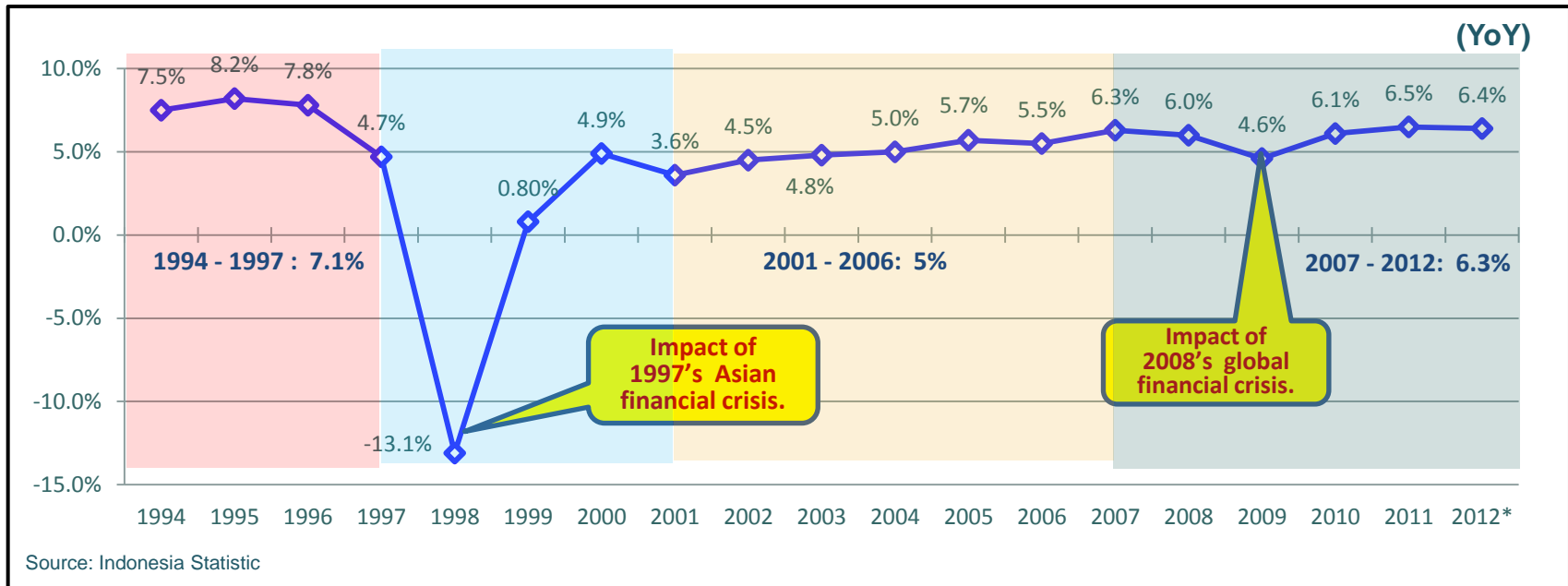
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I. GOOD MACRO ECONOMIC FUNDAMENTALS

Indonesia's GDP growth rate 1994 - 2012*

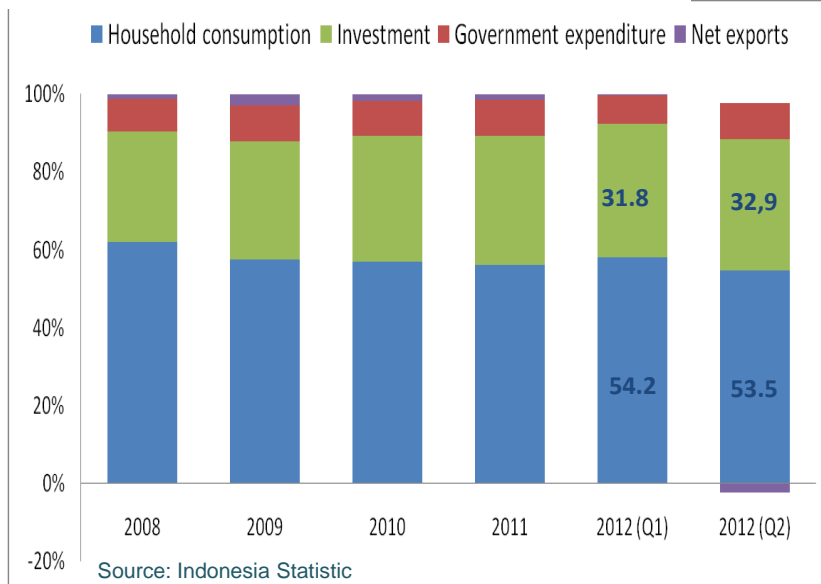
Relatively Robust



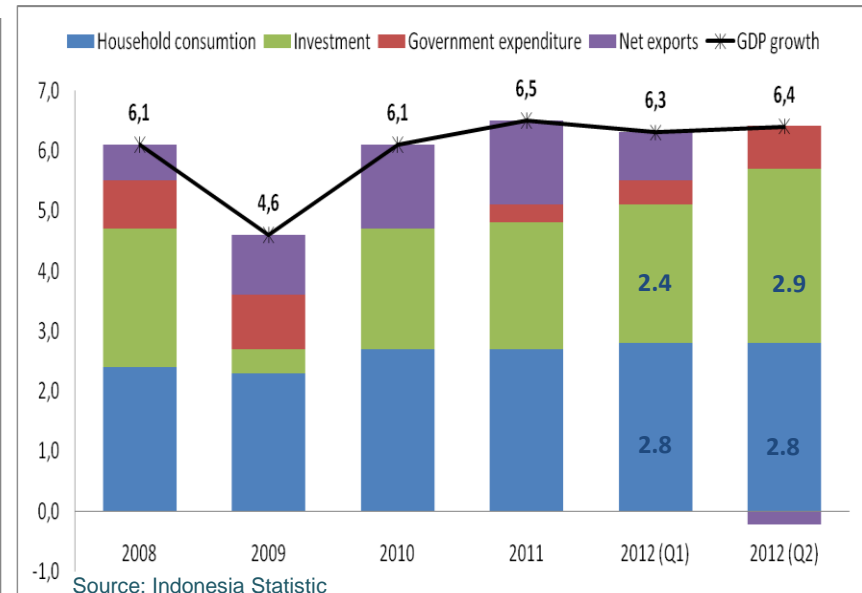
- **During pre-Asian crisis (1994-1997)**, the economy grew at an annual average rate of 7.1%, and was named an 'Asian Tiger' by the World Bank along with South Korea and Thailand.
- **After Asian Crisis (2001-2006)**, Indonesia's average annual GDP growth rate was 5%.
- **From 2007-2012**, Indonesia's average annual GDP growth rate was 6.3%. If this can be raised to 7% over the next 20 years, we believe Indonesia will be among the world's 12 biggest economies by 2025, and the 6 biggest economies by 2050.



Composition of GDP



Contributor to GDP Growth



- **During pre-Asian crisis (1994-1997)**, the economy grew at an annual average rate of 7.1%, and was named an 'Asian Tiger' by the World Bank along with South Korea and Thailand.
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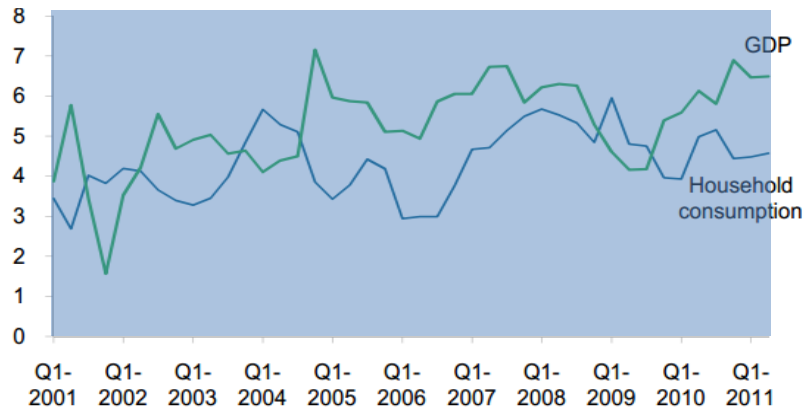
Composition of household consumption

Changed over the past decade



Household consumption growth (%)

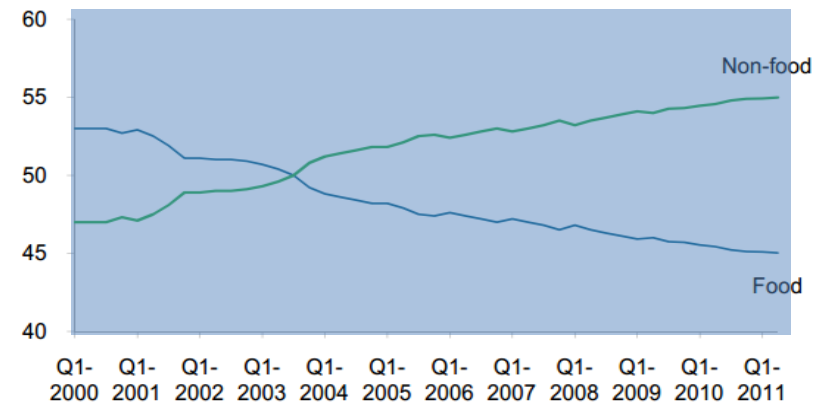
A shock absorber during economic slowdowns



Sources: National Statistics Agency, Standard Chartered Research

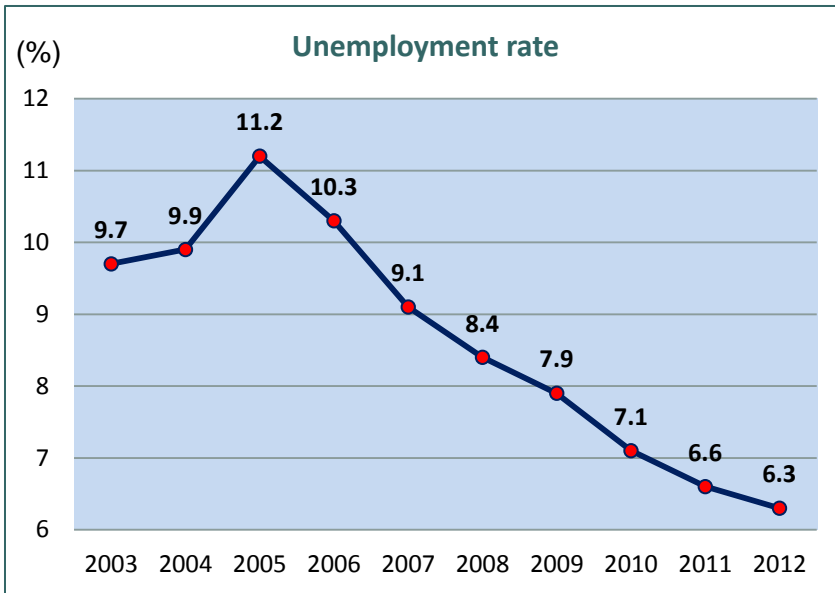
Food vs. non-food in household consumption (%)

Households are consuming more non-food items

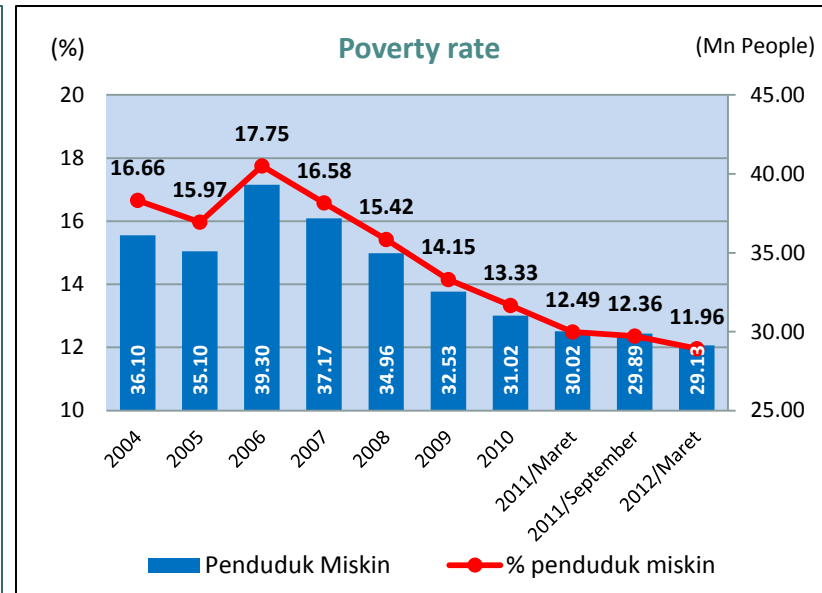


Sources: National Statistics Agency, Standard Chartered Research

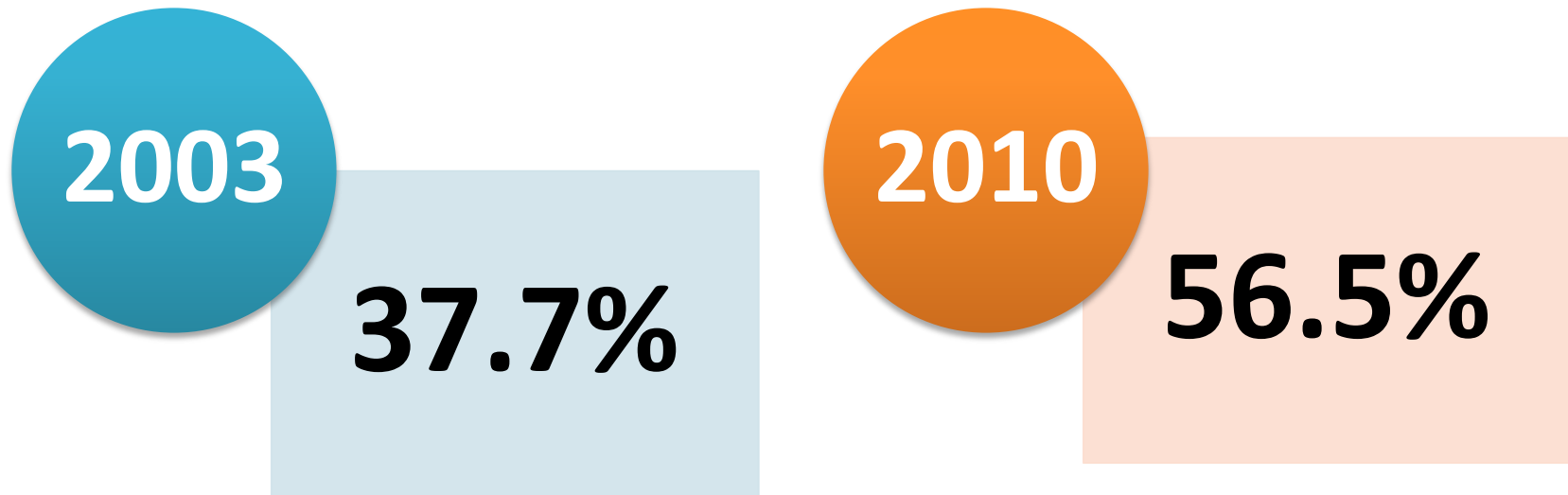
- The composition of household consumption has changed over the past decade:
 - ✓ Food consumption has declined
 - ✓ While, non-food consumption has increased significantly
- This implies that **Indonesia's domestic market is increasingly** absorbing higher-value-added goods (e.g. car, motorcycle, cellular phone). The role of the **increasing middle class** in generating economic growth is reflected in rapid growth in demand for these goods.



Source: Indonesia statistic



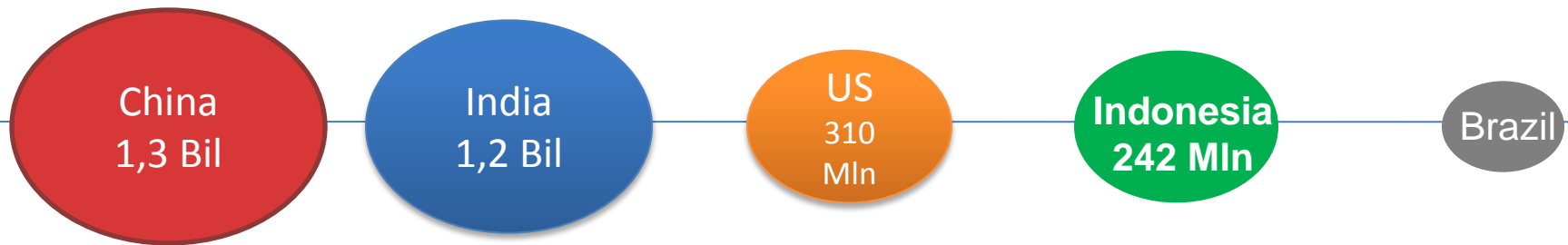
- Indonesia's robust average GDP growth of 6.3% over the past six years has reduced the **unemployment rate** to 6.3% of the total labour force in February 2012 from 11.2% in 2005.
- In March 2012 the **poverty rate** dropped significantly to 11.96% of the total population from 17.75% in 2006.



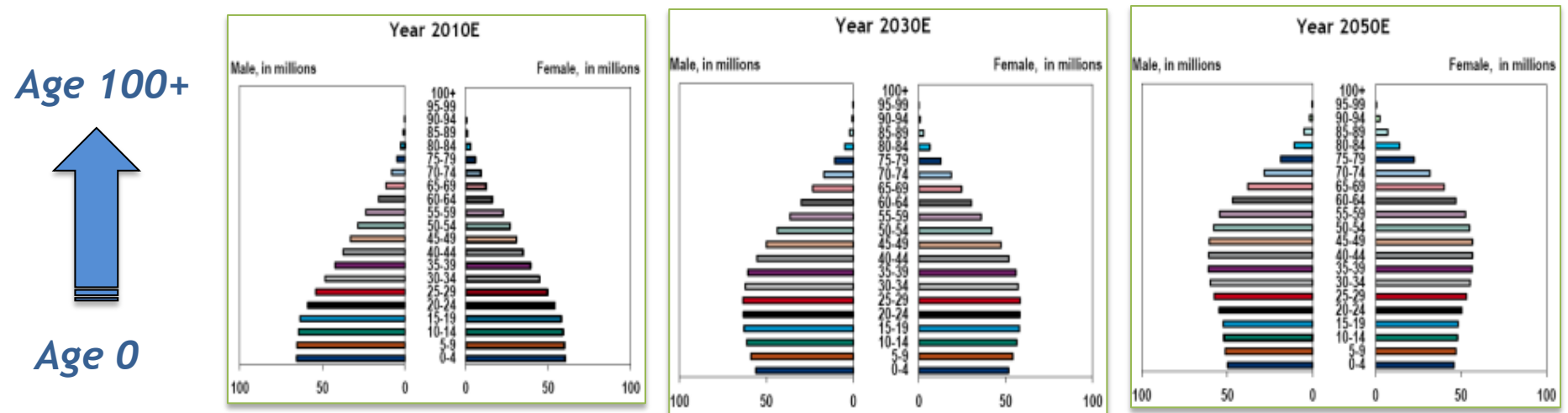
The rising population share of Indonesia's middle class those who spend US\$2 - US\$20 per day (% of population)

Source: World Bank

The Big 5 : *Indonesia is the 4th most populous nation in the world.*

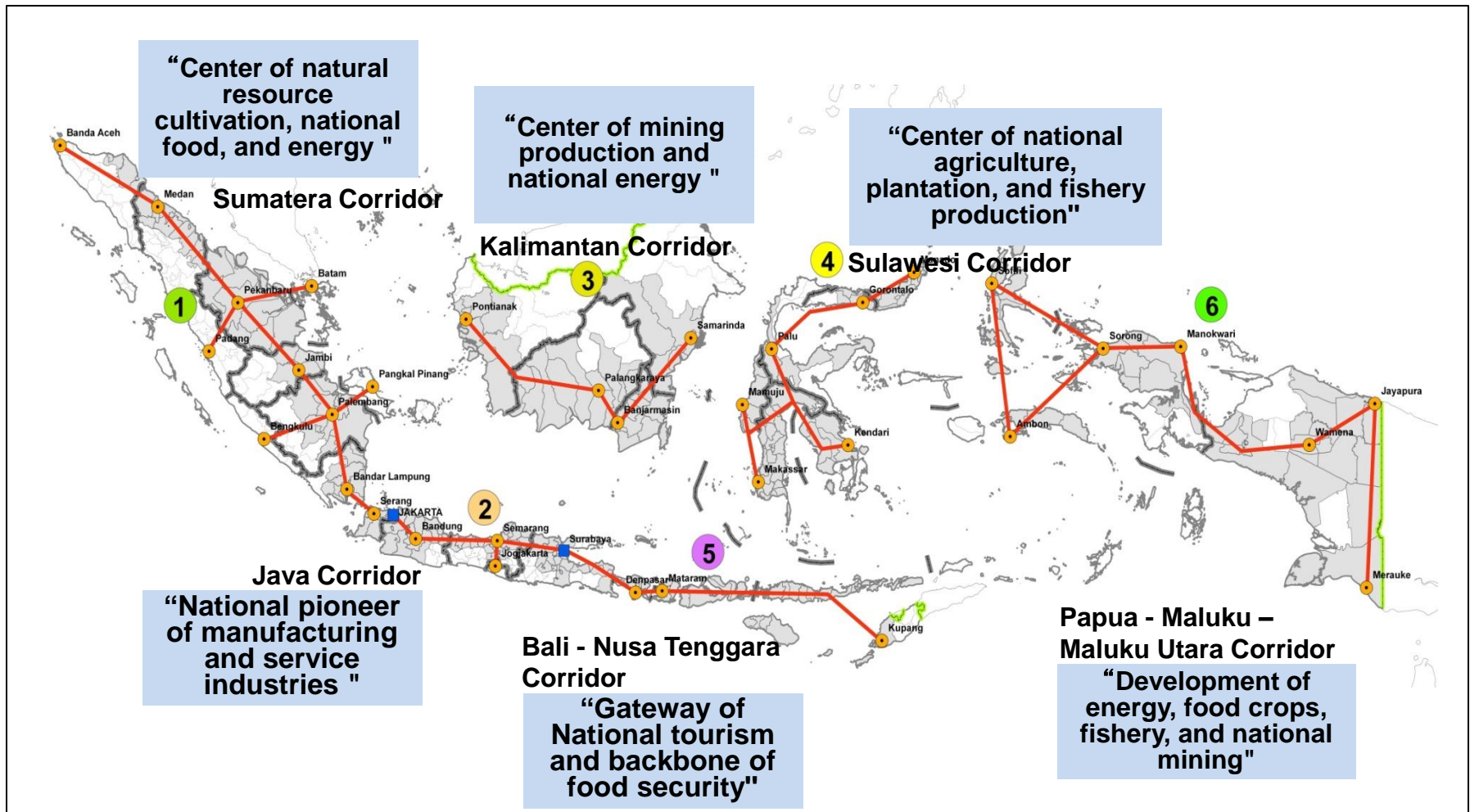


Of the 242 million people in Indonesia, over 60% of the population is under 39 years old, providing a dynamic workforce.





II. SIX ECONOMIC DEVELOPMENT CORRIDORS



Distribution of Main Economic Activities in Each Economic Corridor



Main Economic Activity	Sumatera	Java	Kalimantan	Sulawesi	Bali – Nusa Tenggara	Papua – Maluku Islands
Steel	√		√			
Food and Beverages		√				
Textile		√				
Transportation Equipment		√				
Shipping	√	√				
Nickel				√		√
Cooper						√
Bauxite			√			
Palm oil	√		√			
Rubber	√					
Food agriculture				√		√
Tourism					√	
ICT		√				
Coal	√		√			
Oil and Gas			√	√		√
Jabodetabek Area		√				
Sunda Straits National Strategic Area	√					
Defence Equipment		√				
Animal Husbandry					√	
Timber			√			
Cocoa				√		
Fishery				√	√	√

Natural Resources :

Need more value added and Cooperation



Coal	<ul style="list-style-type: none">■ Indonesia is a major player in the global coal market■ The world's second largest thermal coal exporting country, third largest exporter of steaming coal■ Production of around 275 million tons by the end of 2010
Natural Gas	<ul style="list-style-type: none">■ Around 108.4 trillion cubic feet of proven natural gas as in the beginning of 2010 and is the single largest holder of proven natural gas reserves in the Asia Pacific region
Oil	<ul style="list-style-type: none">■ 4.23 million stock tank barrels of proven oil reserves at the end of 2010
Renewable Energy	<ul style="list-style-type: none">■ Holds 40% of the world's geothermal resources, equivalent to 28.1GW of power generation potential
Others	<ul style="list-style-type: none">■ Palm oil, cocoa, and other minerals



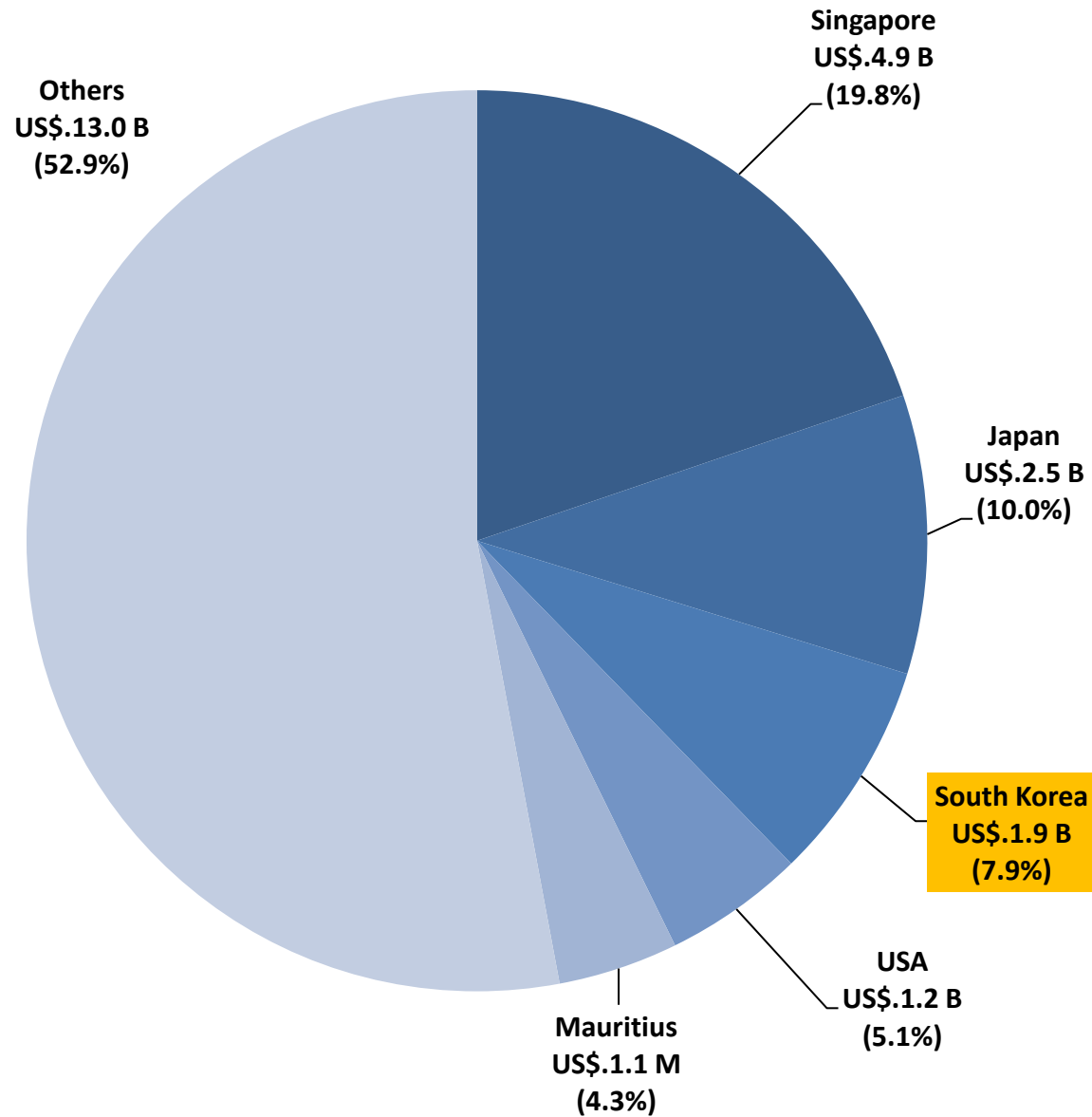
III. INVESTMENT REALIZATION

Investment Realization of January – December 2012 : Country of Origin



NO	COUNTRY OF ORIGIN	INVESTMENT (US\$. Million)	PROJECT	NO	COUNTRY OF ORIGIN	INVESTMENT (US\$. Million)	PROJECT
1	Singapore	4,856.35	805	37	Iran	1.45	3
2	Japan	2,456.94	405	38	Nepal	1.15	3
3	South Korea	1,949.70	421	39	Egypt	0.70	3
4	USA	1,238.27	97	40	Afghanistan	0.57	1
5	Mauritius	1,058.79	23	41	Guatemala	0.52	1
6	Netherlands	966.54	131	42	Cyprus	0.44	1
7	United Kingdom	934.38	100	43	Iraq	0.40	1
8	British Virgin Islands	855.90	168	44	Russia	0.35	3
9	Australia	743.59	137	45	Marshall Islands	0.33	1
10	Taiwan	646.95	85	46	Pakistan	0.17	4
11	Malaysia	529.58	237	47	Yemen Arab Republic	0.11	1
12	Hong Kong	309.61	105	48	Denmark	0.10	3
13	Switzerland	255.14	37	49	Slovakia	0.01	2
14	France	158.70	52	50	Lebanon	0.01	1
15	People's Republic of China	140.97	190	51	Liberia	0.01	1
16	Seychelles	136.21	11	52	Morocco	0.00	2
17	Luxembourg	97.97	17	53	Brunei Darussalam	0.00	3
18	India	78.14	58	54	Ukraine	0.00	1
19	Germany	75.78	71	55	Slovenia	0.00	2
20	Thailand	68.03	17	56	Sri Lanka	0.00	1
21	Uni Emirates Arab	32.35	12	57	Saudi Arabia	0.00	2
22	Cayman Islands	29.31	57	58	Qatar	0.00	1
23	Belgium	23.95	16	59	Mauritania	0.00	1
24	Italy	22.94	25	60	Nigeria	0.00	1
25	Jordan	19.87	1	61	New Zealand	0.00	3
26	Canada	8.54	14	62	Mexico	0.00	1
27	Norway	7.77	5	63	Panama	0.00	2
28	Bulgaria	7.44	2	64	Brazil	0.00	1
29	Turkey	7.26	13	65	Bahamas	0.00	2
30	Austria	6.76	13	66	Isle of Man	0.00	1
31	Phillipines	6.06	7	67	Croatia	0.00	1
32	Sweden	5.21	11	68	Hungaria	0.00	2
33	Puerto Rico	4.57	1	69	Finland	0.00	1
34	Spain	3.15	10	70	Joint Countries	6,811.77	1,164
35	Belize	2.38	1		TOTAL	24,564.67	4,579
36	West Samoa	1.50	3				

Investment Realization of January – December 2012 : Based on Country of Origin



Investment Realization of January – December 2012 : Based on Sectors

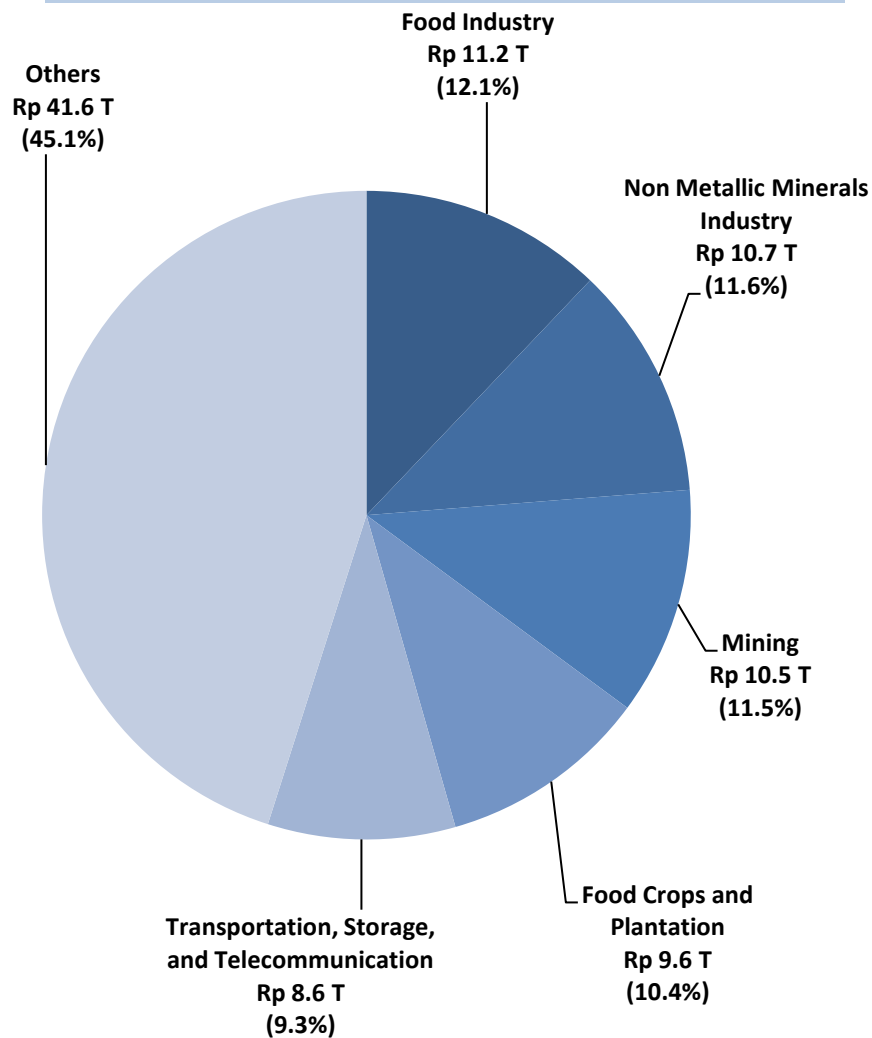


Domestic Direct Investment			
NO	SECTOR	INVESTMENT (Rp Billion)	PROJECT
1	Food Industry	11,166.69	222
2	Non Metallic Minerals Industry	10,730.66	37
3	Mining	10,480.90	39
4	Food Crops and Plantation	9,631.48	180
5	Transportation, Storage, and Telecommunication	8,612.04	33
6	Paper and Printing Industry	7,561.04	64
7	Metal, Machinery and Electronic Industry	7,225.67	81
8	Chemical and Pharmaceutical Industry	5,069.45	94
9	Construction	4,586.62	17
10	Textile Industry	4,450.91	51
11	Electricity, Gas and Water Supply	3,796.78	42
12	Rubber and Plastic Industry	2,855.01	110
13	Other Services	2,825.05	63
14	Trade and Repair	1,030.44	35
15	Hotel and Restaurant	1,015.03	34
16	Transport Equipment and Other Transport Industry	664.42	21
17	Forestry	144.54	9
18	Livestock	97.44	31
19	Leather Goods and Footwear Industry	76.68	9
20	Housing, Industrial Estate and Office	58.00	6
21	Wood Industry	56.97	15
22	Other Industries	31.45	10
23	Fishery	14.73	7
TOTAL		92,182.01	1,210

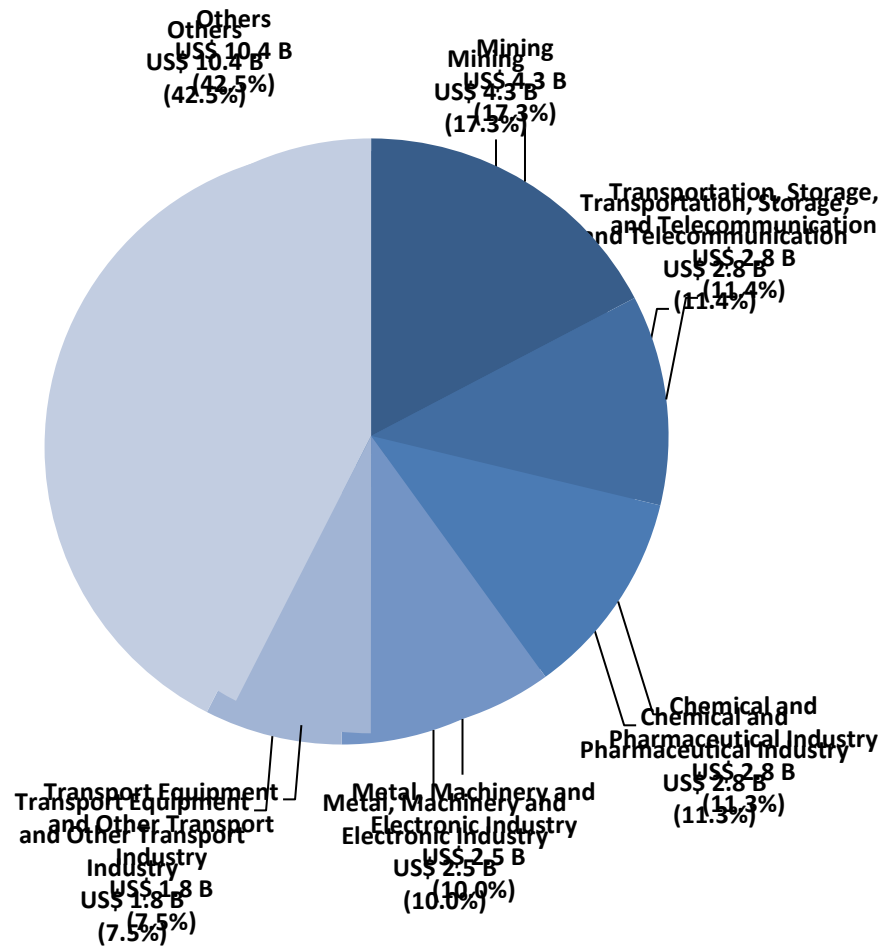
Foreign Direct Investment			
NO	SECTOR	INVESTMENT (US\$ Million)	PROJECT
1	Mining	4,255.45	412
2	Transportation, Storage, and Telecommunication	2,808.23	93
3	Chemical and Pharmaceutical Industry	2,769.79	230
4	Metal, Machinery and Electronic Industry	2,452.62	364
5	Transport Equipment and Other Transport Industry	1,840.05	163
6	Food Industry	1,782.95	347
7	Food Crops and Plantation	1,601.87	261
8	Electricity, Gas and Water	1,514.57	65
9	Paper and Printing Industry	1,306.61	57
10	Hotel and Restaurant	768.16	223
11	Rubber and Plastic Industry	660.30	147
12	Other Services	645.77	559
13	Trade and Repair	483.58	983
14	Textile Industry	473.12	149
15	Housing, Industrial Estate and Office	401.78	131
16	Construction	239.57	77
17	Leather Goods and Footwear Industry	158.88	73
18	Non Metallic Minerals Industry	145.76	48
19	Other Industries	100.19	94
20	Wood Industry	76.29	38
21	Fishery	28.99	31
22	Forestry	26.94	16
23	Livestock	19.82	14
24	Medical Instrument, Precision, Optical and Watches Industry	3.40	4
TOTAL		24,564.67	4,579

Investment Realization of January – December 2012 : Based on Sectors

Domestic Direct Investment



Foreign Direct Investment





IV. INVESTMENT POLICY



Law No. 25 of 2007 on Investment

Characteristics, among others :

1. Equal treatment
2. Free to repatriate investment and profit, such as capital, profits, bank interest, dividends, funds for investment, financing, royalties, compensation for damages, etc.
3. Legal certainty
4. Dispute settlement
5. Foreign investment must be in the form of PT (limited liability company)

Investment Protection

1. Law No. 25/2007 gives legal certainty to foreign investor that their shall be protected and they shall received equal treatment
2. Investment guarantee agreement through bilateral investment treaties and ACIA
3. Intellectual Property Rights (IPR) :
 - Law No 14 of 2001 on Patents
 - Law No 19 of 2002 on Copyrights
 - Law No 15 of 2001 on Trademarks
4. Dispute settlement: Law No 25 of 2007

Presidential Regulation No. 36 Year 2010: Negative List for Investment



40 business sectors are opened for investment, 10 business sectors are more restrictive.

NO	SECTOR	More Liberalized	More Restrictive
1.	Agriculture	-	2
2.	Forestry	1	-
3.	Maritime & Fishery	1	-
4.	Energy and natural resources	1	-
5.	Manufacturing	2	3
6.	Public works	1	-
7.	Trade	1	-
8.	Tourism and culture	17	1
9.	Transportation	4	1
10.	Communication & informatics	2	2
11.	Labor and Transmigration	2	-
12.	Health	8	-
13.	Security	-	1
	Total	40	10



V. INVESTMENT INCENTIVES



Taxes

Tax Allowance:

based on Government Regulation No. 1 Year 2007 jo. No. 62 Year 2008:

- ✓ Reduction of net income for 30% from total amount of investment, charged in 6 year with each 5% per year.
- ✓ Depreciation and amortization accelerated to fixed intangible assets (building and non-building)
- ✓ Income Tax on dividends paid to foreign tax subject to 10% or a lower rate according to double taxation avoidance agreement
- ✓ Compensation for losses of more than 5 years but not more than 10 years.

Tariff reduction on Income Tax:

based on Government Regulation No. 81 Year 2007:

- ✓ Reduction in income tax rates 5% of the highest level (from 25% → 20%) if at least 40% of the total paid-up shares are traded on Indonesia's stock exchanges or paid-up shares publicly owned for at least 300 party.

Tax Holiday:

based on Ministry of Finance Regulation, PMK No. 130/PMK.011/2011 on August 15th, 2011:

- ✓ Tax exemption for a period 5 to 10 years after a company or project begins commercial production (100% realization and have the permanent licence/IUT). Following this period, could offer an additional 50% corporate income tax reduction for 2 years after the tax holiday period (12.5 % of income tax for 2 years).
- ✓ Five priority business sectors: basic metals, petroleum refineries and/or basic organic chemicals derived from petroleum and natural gas, machinery industry, renewable resources industry, and telecommunications equipment industry.
- ✓ The requirements are: minimum investment Rp. 1 trillion; having been legalized at least 12 months before the Regulation on Tax Holiday been issued; and must deposit at least 10% of the proposed investment in an Indonesian Bank.



Land Rights

Land Rights may be granted, extended and renewed:

- a. Right to Cultivate (HGU) is granted 35 years, can be extended 25 years, and renewed 35 years;
- b. Right to Build (HGB) is granted 30 years, can be extended 20 years, and renewed 30 years;
- c. Right to Use (Hak Pakai) is granted 25 years, can be extended 20 years, and renewed 25 years.



No	Lisence	SOP
1	Investment Registration	1 day
2	Principal License	3 days
3	Representative Office	5 days
4	Permanent License	7 days
5	Producer Importer Identity Number	4 days
6	Import Duty Exemption Approval	7 days
	<ul style="list-style-type: none">- Capital Goods- Raw Materials for 2 years operation (+ 2 year extension)	



VI. INFRASTRUCTURE DEVELOPMENT PROJECTS



Public Private Partnership (PPP) Projects

- Indonesian Government has identified 79 infrastructure projects which are worth US\$ 53,4 billion for the scheme of Public Private Partnership (PPP) projects
- The projects are consist of sectors such as : transportation, telecommunication, electricity, oil & gas, toll road & bridges, irrigation, waste management, water supply and others.
- From 79 projects, 13 projects are ready to offer and now 5 showcase infrastructure projects are in the process of tender and one of them has been succesfully implemented which is Coal Power Plant 2 x 1.000 MW in Central Java Provinces, the wining bidder has been announced.



Providing Investment Guarantee:

Bilateral Investment Treaties (BITs), Regional Investment Treaties (ASEAN

- ACIA (ASEAN Comprehensive Investment Agreement)
- BITs → 67 partner countries
- MIGA membership



Challenges for Development

- Needs to improve competitiveness by becoming a part of the global production network → get more benefit from global economic recovery
- Needs to increase skilled labor and productivity
- Enhancing source of finance → exploring capital market financing, bank consortium, etc.
- Accelerating on government's incentive implementation to promote priorities industry, particularly in strategic industries → would increase a financing access as risk premium decline
- Improve classical problems → accelerating infrastructure, streamlining bureaucracy and overlapping regulation (central vs local government)



Opportunities:among others....

- Higher value product manufacturing
- Higher value mine & mining materials
- Higher value agricultural products
- Higher value added forestry products
- Supporting industry for tourism sector → handicrafts, souvenirs etc.
- Telecommunication products & services, etc
- Spareparts & equipment of automotives manufacturing, etc.



International Representatives Office

THANK YOU

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