



Investing in **INDONESIA**

Thailand Overseas Investment Forum | Bangkok, Thailand, 1 August 2016

INDONESIA INVESTMENT COORDINATING BOARD



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Achievement & Performance

Why Indonesia?

PWC:
The 2nd
**investment
destinations**
in APEC region
after China.

AmCham &
USCC:
75%
US companies
plan to expand

The Economist:
2nd
**Investment
Priority**
in Asia

Indonesia

Reviews
**Indonesia's
Economic
Performance**

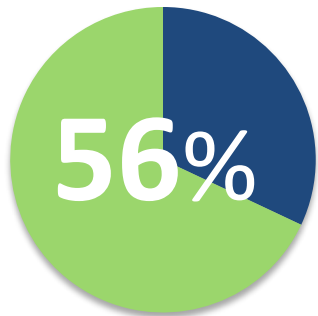
UNCTAD:
The **Highest
FDI Growth**
in Southeast
Asia, 2014

JBIC:
2nd Most
**Promising
Country**
for Overseas
Business (2015 &
2016)

World Bank:
**Ease of
doing
business**
improved 11
ranks



Trend of Investment in Southeast Asia 2016 (Jan-June)



Portion of FDI in Asia-Pacific flowed into Southeast Asia

(Note: Excl. financial & upstream oil & gas sectors)

Country	Portion 2016 (Jan-June)	Growth (Y-o-Y)
Indonesia	64%	48%
Malaysia	14%	-39%
Myanmar	9%	-13%
Singapore	6%	22%
Vietnam	5%	-62%
Thailand	1%	-84%
Cambodia	0%	1,614%
Philippines	0%	-89%
Laos	0%	-98%
Brunei	0%	n/a*
Total ASEAN	100%	-32%



Myanmar
9% portion, ↓13%

Thailand
1% portion, ↓84%



Cambodia
0% portion, ↑1,614%



Vietnam
5% portion, ↓62%



Philippines
0% portion, ↓89%



Singapore
6% portion, ↑22%



Malaysia
14% portion, ↓39%



Indonesia
64% portion, ↑48%

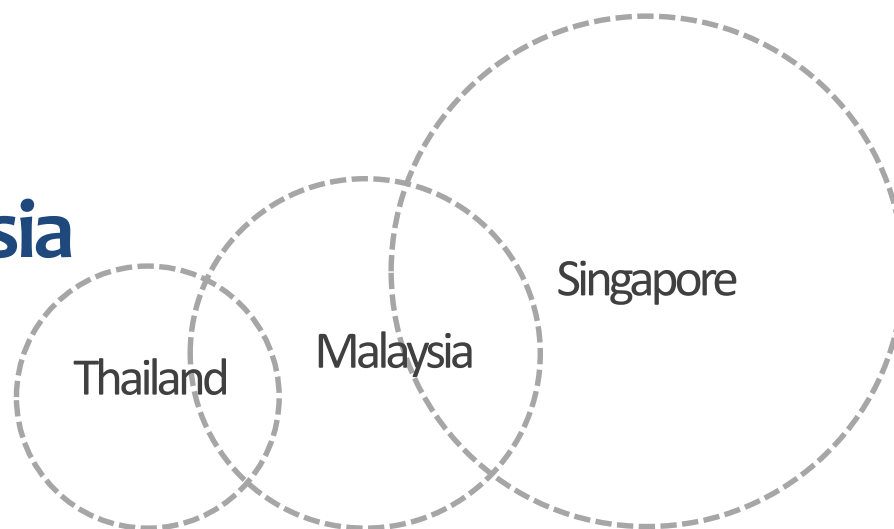
*in Q2 2016, Brunei has no inward FDI



Investment Performance

FDI Realization in Indonesia 2010-2015

In USD billion
(Excl. Upstream oil, gas, and financial sectors)



Rank	Country	2011	2012	2013	2014	2015	Q1 2016	Total
1	Singapore	5.123	4.856	4.671	5.832	5.901	2.863	34.812
2	Japan	1.516	2.457	4.713	2.705	2.877	1.590	16.571
3	United States	1.488	1.238	2.436	1.300	893	11	8.296
4	South Korea	1.219	1.950	2.205	1.127	1.213	189	8.231
5	Malaysia	618	530	711	1.776	3.077	102	7.286
6	Netherlands	1.354	967	928	1.726	1.308	267	7.158
7	British Virgin Islands	517	856	786	624	731	172	5.301
8	United Kingdom	419	934	1.076	1.588	503	55	4.851
9	P.R. China & Hong Kong	135	310	376	657	937	507	3.488
10	RRT	128	141	297	800	628	465	2.633
Total Top-10 Countries		12.518	14.238	18.199	18.135	18.069	6.219	98.627
	Thailand	87	68	107	318	174	173	972
	Philippines	2	6	6	12	0	0	75
	Cambodia	0,0	0,0	0,0	0,1	0,0	0,2	0,3
	Vietnam	0,0	0,0	0,0	0,0	0,1	0,0	0,1
Total (All Countries)		19.475	24.565	28.618	28.530	29.276	6.917	153.594

The Investment Coordinating Board of the Republic of Indonesia

Source: BKPM, 2016



Top Investment Sectors

Excl. Upstream oil, gas, and financial sectors

World's Investment to ASEAN 2011-Q2 2016

No.	Sector	Share
1	Coal, Oil and Natural Gas	23%
2	Real Estate	18%
3	Metals	11%
4	Chemicals	8%
5	Electronic Components	4%
6	Automotive OEM	4%
7	Alternative/Renewable energy	3%
8	Communications	3%
9	Rubber	2%
10	Textiles	2%
Total 10 Sectors		79%

Source: Financial Times, 2016

Note:

Coal, Oil and Natural Gas including power plants generated by coal, oil and gas. Real estate including industrial parks.

World's Investment to Indonesia 2011-Q2 2016

No.	Sector	Share
1	Mining (Excl. Oil and gas)	16%
2	Transportation, Warehouse and Communication	11%
3	Metals, Machinery and Electronics Industry	10%
4	Chemicals and Pharmaceutical Industry	9%
5	Transport Equipment	8%
6	Food Industry	7%
7	Electricity, Gas and Water	7%
8	Crops and Plantation	6%
9	Paper and Printing	4%
10	Housing, Industrial Park, and Office	4%
Total 10 Sectors		83%

Source: BKPM, January 2016



Abundant Natural Resources

Commodity	World Rank	Production	Location
Crude Palm Oil	1 st	27 million metric tons (2013)	Sumatera, Kalimantan, Sulawesi, Papua.
Geothermal	1 st	Reserve 40% of world's resources	Sumatra, Java, Sulawesi, Maluku
Rubber	2 nd	3 million tons (2012)	Kalimantan
Tin	2 nd	83,000 metric tons (2012)	Sumatera
Nickel	2 nd	318,000 metric tons (2012)	Sulawesi, Sumatera, Maluku, Papua
Coal	2 nd	213 million tons (2014)	Sumatra, Kalimantan
Natural Gas	3 rd	79 trillion cubic meters (2012)	Sumatra, Java, Kalimantan
Cocoa	3 rd	410,000 tons (2012)	Sulawesi, Sumatera, Java, Kalimantan, Papua
Copper	5 th	832,000 metric tons (2012)	Papua, Maluku, Nusa Tenggara
Bauxite	6 th	29 million metric tons (2012)	Sumatra
Gold	7 th	58,800 kgs (2012)	Kalimantan, Sumatera, Maluku, Papua



A Growing Digital Economy



Digital in Indonesia	(in Million)	Growth
Active internet users	88.1	+15%
Active Socmed users	79.1	+10%
Mobile connections	326.3	+2%
Online shoppers	5.9	+28%
Facebook users	4 th largest in the world	
Twitter users	5 th largest in the world	

18

billion US dollars

*Online sales
in 2015,
up 40% (y/y)*

130

billion US dollars

*Online sales
in 2020
(projection)*

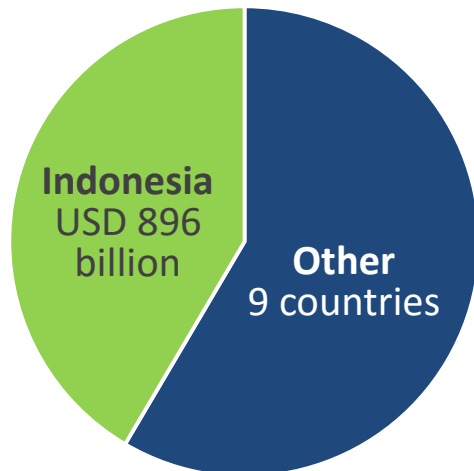


The Center of ASEAN*



*) The Association of Southeast Asian Nations consists of 10 countries: Brunei, Cambodia, Laos, Malaysia, Myanmar, Indonesia, Philippines, Singapore, Thailand & Vietnam.

GDP Nominal 2015



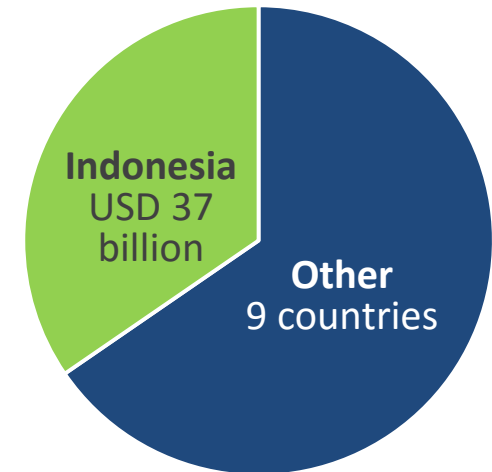
ASEAN
USD 2,158 billion

GDP per Capita 2015



ASEAN
USD 3,911

FDI Inflows 2015



ASEAN
USD 107 billion



Indonesia

In the Heart of Global Market Concentration

Population
ASEAN*, 618 million

Indonesia
255 million

Other
9 countries

Indonesia
124 million

Other
9 countries

Workforce
ASEAN, 285 million

Middle-Income Class
ASEAN, 190 million

Indonesia
64 million

Other
9 countries

Jakarta

Southeast Asia
(10 ASEAN countries)

Global Market Concentration
Half of world's population are in this area

THE WORLD
MERCATOR PROJECTION

0 miles 1000 2000 3000 miles

scale at the Equator

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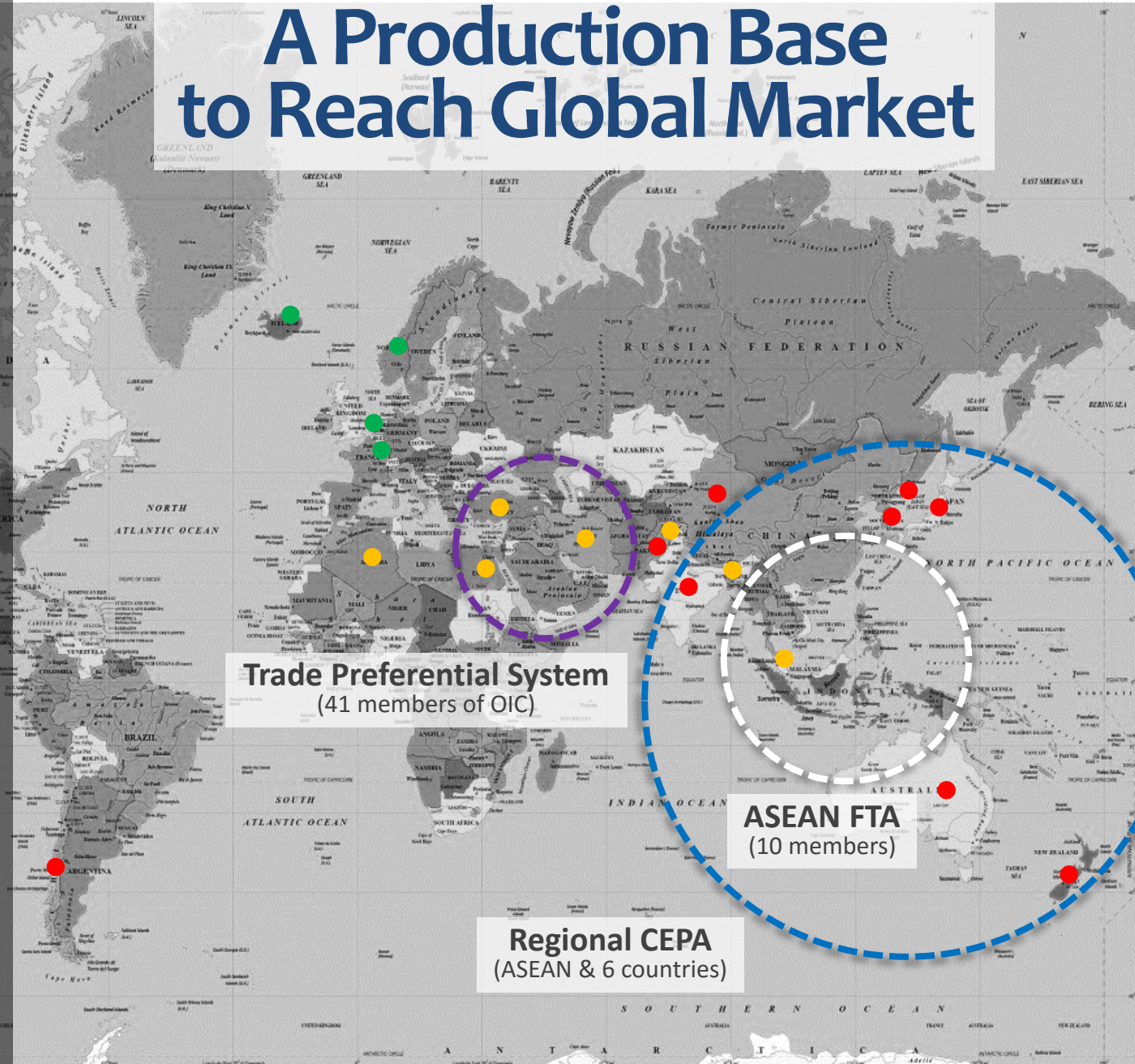
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* Association of Southeast Asian Nations. Source: OECD, BCG & FT, ASEAN, IMF 2015.



A Production Base to Reach Global Market

- **China**
 - ASEAN-China FTA
- **Japan**
 - Japan-Indonesia EPA
 - ASEAN-Japan CEPA
- **Korea**
 - Korea-Indonesia FTA
 - ASEAN-Korea CEPA
- **Pakistan**
 - Pakistan-Indonesia FTA
- **Hong Kong**
 - ASEAN-HK, China FTA
- **Australia**
 - Australia-Indonesia CEPA
 - ASEAN-Australia & NZ CEPA
- **New Zealand**
 - ASEAN-Australia & NZ CEPA
- **Chile**
 - Chile-Indonesia FTA
- **ASEAN FTA**
 - 10 members
- **Indonesia-EFTA**
 - Indonesia, Iceland, Norway, Lichtenstein, Switzerland
- **Regional CEPA**
 - ASEAN, Australia, China, India, Japan, Korea, NZ
- **Trade Preferential System**
 - 41 OIC members
- **Preferential Tariff Agr.**
 - 8 developing countries





Improvement on Investment Service & Climate

What have been done?



One-Stop Services

One place

22 ministries integrated

3-hour Service

One-Stop Service (PTSP) at BKPM

Direct Construction

91%

Regional PTSP formed. 61% regional PTSP implement e-licensing.

All sectors

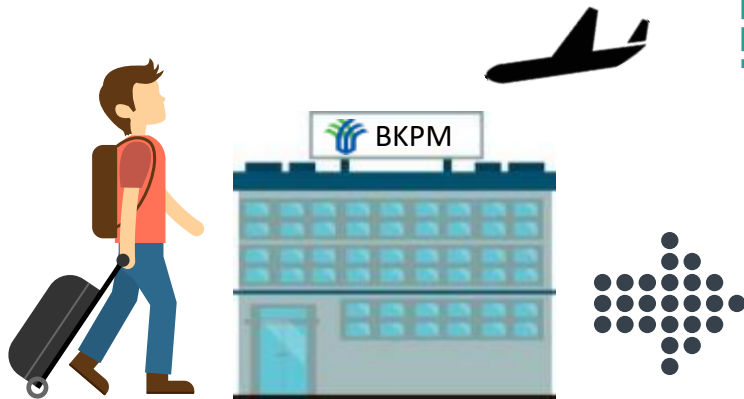
167 permits are delegated to BKPM

Industry, power, oil & gas, tourism
at one place



3-hour Service

Available for investors with minimum investment of **IDR 100 billion** (USD 8 million) and/or employing **1,000 local workers**.



- **Arrive** at One-stop Service at BKPM directly from the airport.
- **Consult** with Director of Investment Service.
- **Submit** the required documents & data.

8 documents obtained

Certainty to start a business

- Investment license
- Certificate of incorporation
- NPWP / Tax registration
- TDP / Company registration

Certainty to work

- RPTKA / Employment plan
- IMTA / Working permit

Certainty to import capital goods

- APIP / Import identification
- NIK / Customs registration

Accurate land Information

- Letter of land availability



Wait at the lounge while documents are processed by BKPM, in-house notary, ministries, & other government institutions.



Obtain eight documents & letter of land availability within three hours to start your business.

Direct Construction

Investors can directly start their project construction before obtaining construction permits. This service is supported by both **Central and Regional Governments**.

No Requirements

- No minimum investments or workers is required.
- Available for **14 selected industrial parks**.
- Construction permits can be obtained in parallel with construction process.



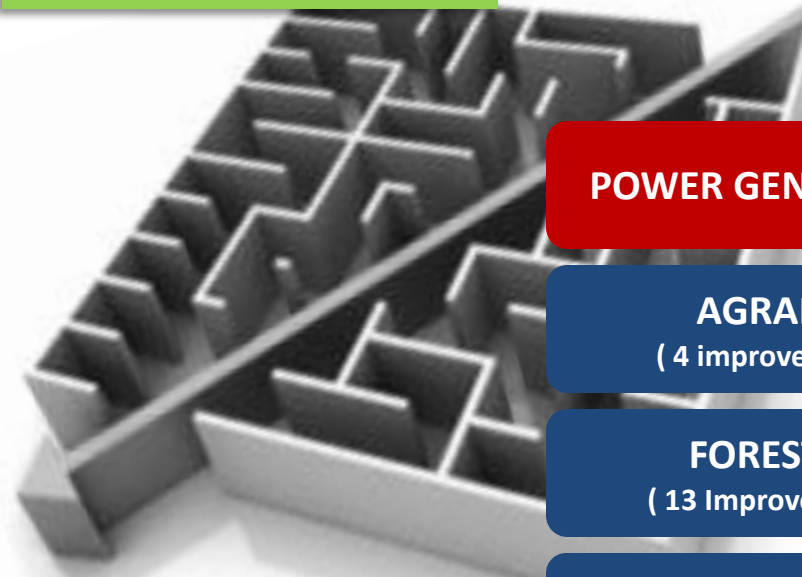
Obtain investment licence at One-stop Service (PTSP) at national or regional level.

- **Survey** a land within selected industrial parks.
- **Acquire** the land for your industry.

- **Start the construction** of your project. No other permits are required.
- **Apply** for building construction permit & environmental permit, in parallel with construction process.



Simplification of Licensing



POWER GENERATION

AGRARIA (4 improvements)

FORESTRY (13 Improvements)

TRANSPORTS (4 improvements)

AGRICULTURE (9 improvements)

INDUSTRY (8 improvements)

TOURISM AREA (6 improvements)

TAX ALLOWANCE APPLICATION

49 permits
923 days

Land use permit
(HGU) 3,000-6,000 ha
123 days

Forest land use permit
111 days

Special terminal
permit, 30 days

Plantation permit
751 days

Industrial business
permit, 672 days

Tourism area permit
(TDK), 661 days

Not specified, unclear



25 permits
256 days

90 days

47 days

5 days

182 days

152 days

188 days

28 days



TAX HOLIDAY

(MoF Regulation No.159/PMK.010/2015)

5-15 years tax exemption
With potential 20 years exemption for project that considered strategic for Indonesia economy.

Up to **25** years tax exemption
For Special Economic Zones

9 eligible pioneer industries:

1. Basic metal industries;
2. Oil refinery industries
3. Basic organic chemicals from natural oil and gas;
4. Machinery industries;
5. Communication devices industries.
6. Agricultural processing
7. Marine transportation
8. Manufacturing industry in SEZ
9. Economic infrastructures other than PPP

IDR **1** trillion
Minimum **investment** plan
(USD 80 million).

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



Pro Investment Policy

TAX ALLOWANCE

(Government Regulation No.9/2016)

Agriculture

- Cattle breeding & farming
- Corn plantation
- Soya plantation
- Rice farming
- Tropical fruits

Power Generation

- Geothermal
- Alternative/renewable energy

Oil & gas industry

- Oil refinery
- Liquefied Natural & Petroleum Gas
- Lubricant

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

145 business fields
Eligible for tax allowance, expanded from 143 segments in the previous regulation with additional segment: **clothing industry**.

Under **certain requirements** among others: investment value or export orientation, manpower absorption, local content, and project location (especially outside Java island).

Manufacturing Industry

- Iron & steel
- Clothing
- Semi conductors
- Electronic components
- Computer
- Communication devices
- Television
- Tires
- Pharmaceutical
- Cosmetics
- Fish & shrimp processing
- Etc.



Bonded Logistics Centers

Easing export & import

Companies can store their export/import products and obtain customs, tax, and other facilities

Improving logistics distribution

- *For domestic & regional market*
- *Cheaper storage, freight and port handling costs*
- *Bring the products closer to consumers*

11 locations

In Java, Bali & Kalimantan

**WHERE
ON EARTH**



**Java, Bali &
Kalimantan are three
of main islands.**



Investment Incentives

What's new?



New Economic Policy Packages



**Predictable
Wage System**



**Tax incentive for
labor intensive
industries**



**Dwelling time
optimization**



**Relaxation of
entry visa policy**



**Tax incentive
for transport
industries**



**Acceleration of
infrastructure
& power
development**



**Lower energy
costs for
industries**



**Tax incentive
on property**



**Acceleration of
land licensing**



Total of 10 indicators of the World Bank's Ease of Doing Business 2016

49

procedures

*From previously
94 procedures*

132

days*

*From previously
1,566 days*

6

licences

*From previously
9 licences*

15,860

US dollars**

*For starting business,
construction permit &
getting electricity.
Previously USD18,290.*

Pro Investment Policy

Easier to do business

**) Days and cost of settlement in Resolving Insolvency Indicator has not calculated yet since there is no example for the implementation of recent regulation on the field.*

****) Assumption USD 1 = IDR 13,500.*

More and **more** business fields are **open** for FDI

(Presidential Regulation No.44 /2016)

OPEN

23 business fields **opened** for FDI in 2016 revision.

More open business fields

- Creative industry (upstream and downstream of film industry, e-commerce, marketplace);
- Tourism;
- Pharmaceutical industry (raw material for pharmacy);
- Logistic;
- Provision of port facility;
- Terminals construction.

OPEN

with condition:
reserved for and
partnership with
SMEs and
Cooperative

95 business fields **reserved** for SMEs and Cooperatives in 2016 revision.

50 business fields **open with partnership** with SMEs and Cooperatives in 2016 revision.

OPEN

with conditions

350 business fields **opened** for FDI in 2016 revision.

Certain business fields may conduct investment activities **under certain requirements**, such as:

- Capital ownership,
- Location,
- Special permits,
- Foreign capital ownership requirement for investor from ASEAN countries.

CLOSED

20 business fields **closed** for FDI in 2016 revision.

Any investment activities are closed for **certain business fields** producing goods/services that:

- Prohibited by Indonesian law,
- Dangerous,
- Polluting,
- Strategic for national security and/or heritage.



More open to foreign investments

100% FDI
Distributor
affiliated with
production

*67% FDI for
distributor not
affiliated with
production*

100% FDI
Raw material for
Pharmacy

*From previously
open to 85% FDI*

100% FDI
E-Commerce
in partnership
with SMEs

*From previously
closed to FDI*

100% FDI
Marketplace

*For min. Investment
of IDR 100 billion
(USD 8 million).
Open 49% FDI for
investment
< IDR 100 billion*

100% FDI
Film
Industry

*Production, post-
production,
distribution,
projection*

67% FDI
Transport
infrastructure &
support services

*Including cargo
handling, air
transport, renting &
leasing*

100% FDI
Tourism

*Sports center,
restaurant,
bar, cafe*



More Open & More Competitive

One-stop Shop for Investment



<p>MO Marketing Officers</p>	<p>OSS One-Stop Service</p>	<p>3-hour Service</p>	<p>IRO Investors Relation Officers</p>
<p>Dedicated to each country/region. Consultation & facilitation services.</p>	<p>22 ministries & agencies. Licencing at one place: industry, power, oil & gas, tourism, etc.</p>	<p>Permits to start business, to work & to import capital goods. Land-booking letter.</p>	<p>Dedicated to each region in Indonesia. Monitoring & facilitation to realize investment.</p>



Investment Opportunities

What & Where to Invest



Investment Opportunities

Priority Sectors for Investment

Manufacturing Industry

Export-oriented Industry, Labor-intensive Industry, Metals, Chemicals, Electronics, Machinery

Infrastructure

35 GW Power Generation, 24 Ports, 15 Airports

Agriculture

Food Estates & Cattle Production

Maritime Industry

Shipyards, Fishing Industry & Cold Storage. Until 2019, Indonesia will build 1,574 ships (USD 13.4 billion) to support marine toll.

Tourism, SEZs & Industrial Estates





35 GW new power generation development until 2019

9.6 GW under construction,
3.8 GW in commercial operation date & testing

Source: PLN, May 2016.



100 MW gas power plant in Gorontalo, South Sulawesi (in picture) starts operating in February 2016. It is the first finished project of the 35 GW program.



150 new seaports
have been built since 2015

100 vessels developed,
86 pioneer sea lanes served since 2015

Source: Ministry of Transportation RI, May 2016.



**WHERE
ON EARTH**



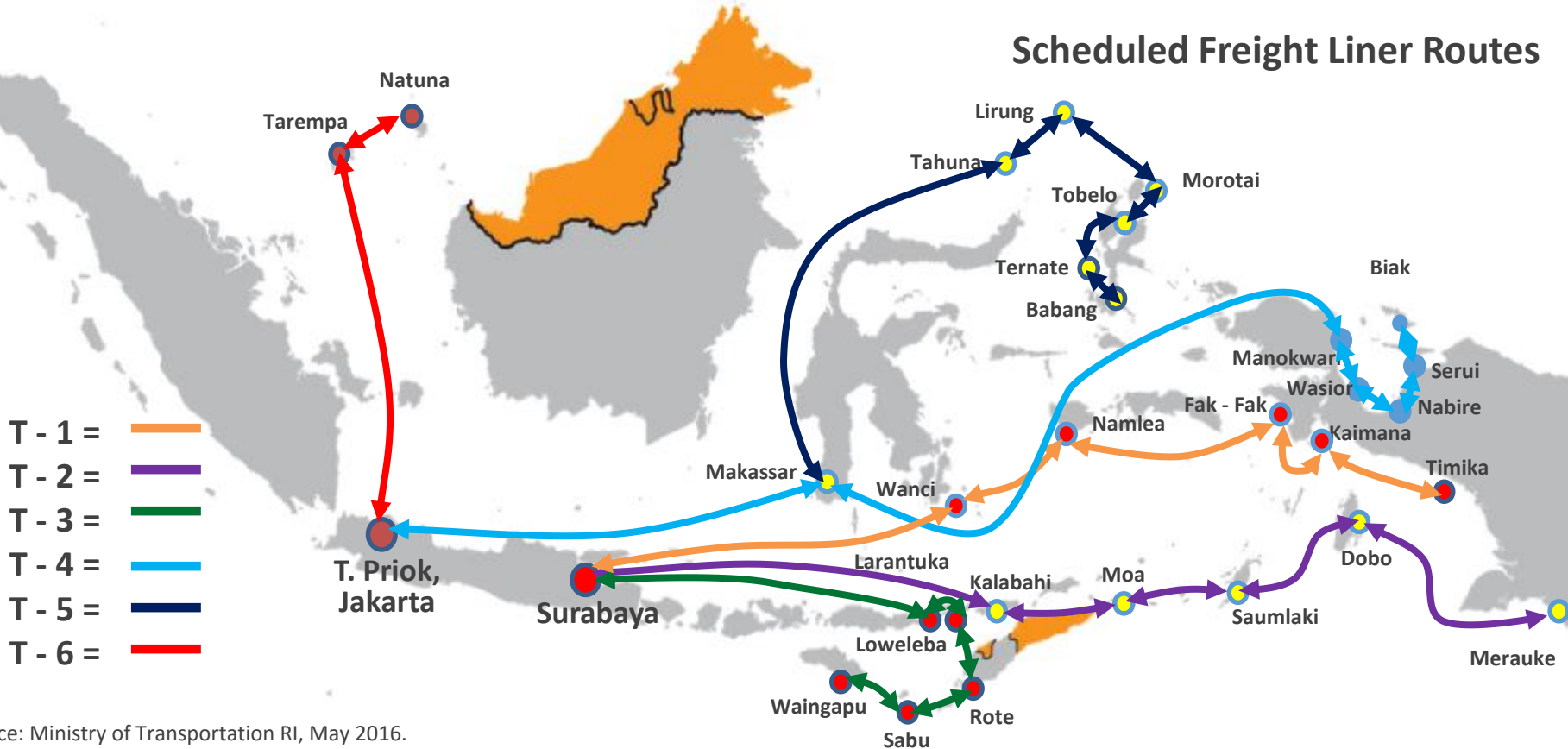
**Wasior,
West Papua**

New Seaport in Wasior, West Papua Province (in picture) was finished in April 2016. It is one of 150 seaports built since 2015.

Marine toll operates



Scheduled Freight Liner Routes



Source: Ministry of Transportation RI, May 2016.



19 new airports
have been built since 2015

132 airports rehabilitated,
27 airports expanded since 2015

Source: Ministry of Transportation RI, May 2016.



**WHERE
ON EARTH**



**Merauke,
Papua**

New Mopah Airport in Merauke, Papua Province (in picture) is finished in 2015. Merauke is the easternmost city in Indonesia.



1,000 km of new toll-roads to be finished by 2019

2,650 km of new roads development
46,770 km of existing roads rehabilitation

Source: Bank of Indonesia, May 2016.



Progress of Trans Sumatra toll road (in picture). Until 2019, 191.6 km of toll-roads will be built in Sumatra, Indonesia's second most populous island.



**WHERE
ON EARTH**



**Sulawesi, the
third most
populous island**

Infrastructure Development

2,159 km of inter-urban railways
to be finished by 2019

187 km of railways developed since 2015

Source: Ministry of Transportation RI, May 2016.

**Progress of Trans Sulawesi railway (in picture) Phase I, between Makassar and Pare-pare (145 km).
The first railway project in Sulawesi will be finished in 2016.**

1,099 km of urban railways
to be finished by 2019

Tramway under construction in Surabaya,
2 airport railways under construction in Jakarta & Padang

Source: Ministry of Transportation RI, May 2016.



Jakarta MRT (21.5 km, North-South Corridor) will be finished in 2017 (in picture).
Progress 38% per January 2016.



49 new dams
to be finished by 2019

1 million ha of irrigation system expansion,
30 hydropower plants development

Source: Bank of Indonesia, May 2016.

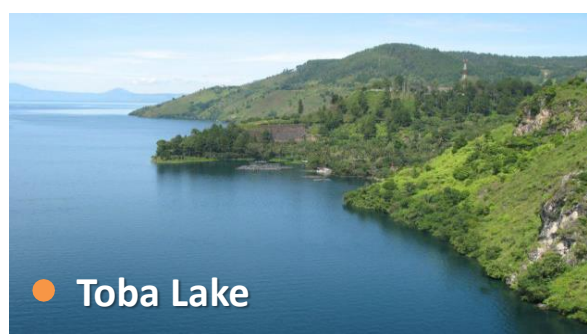
Jatigede Dams which irrigates 90,000 farmlands in West Java is finished in 2016
(in picture).

**WHERE
ON EARTH**



**West Java, one of
concentrations of
farmlands**

10 National Strategic Tourism Areas



● Toba Lake



● A. SEZ Tanjung Lesung



● Tanjung Kelayang



● Bromo Tengger Semeru



● B. SEZ Mandalika



● Kepulauan Seribu



● Komodo



● C. SEZ Morotai



● Borobudur

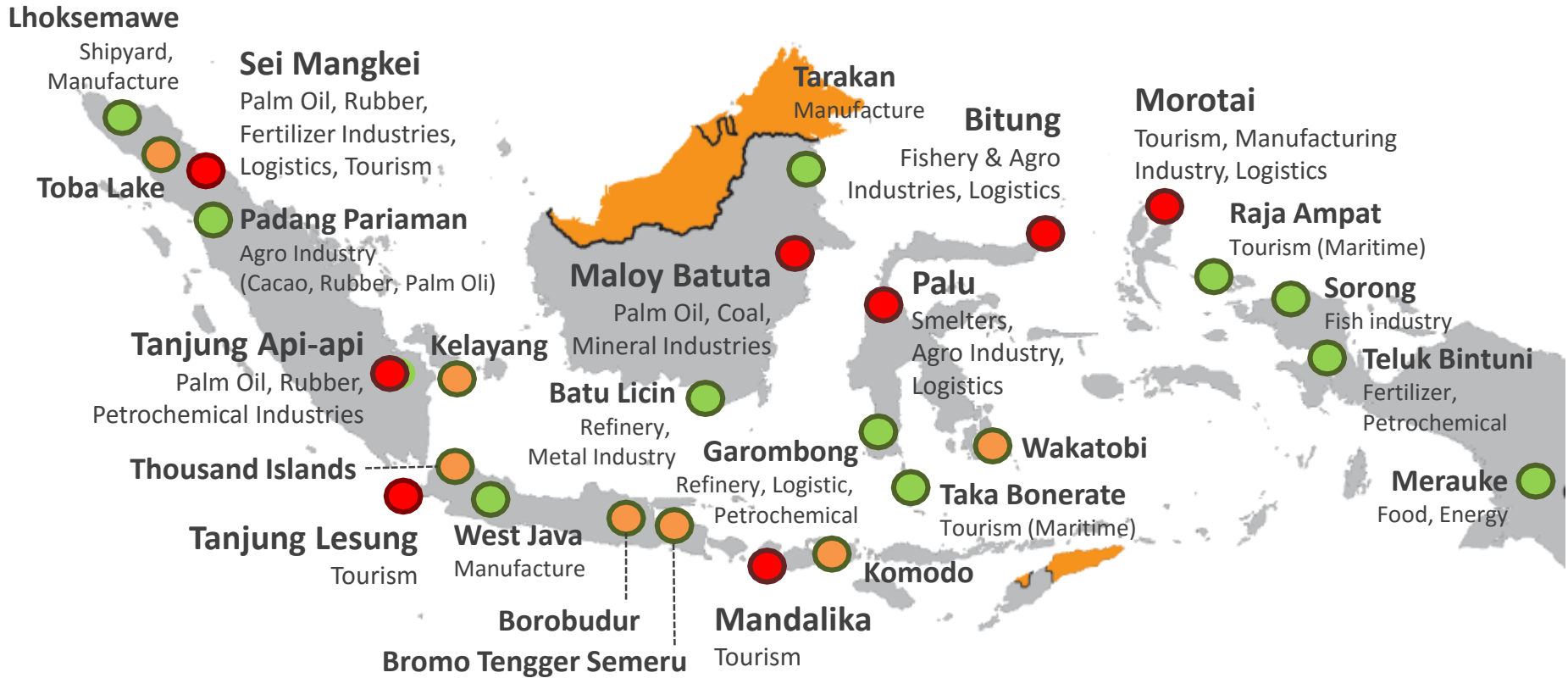


● Wakatobi



Special Economic Zones & Strategic Tourism Areas

- Existing SEZs
- Planned SEZs
- Strategic Tourism Areas





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Thank You

Terima Kasih

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