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Opportunities for Foreign Direct Investment in Indonesia

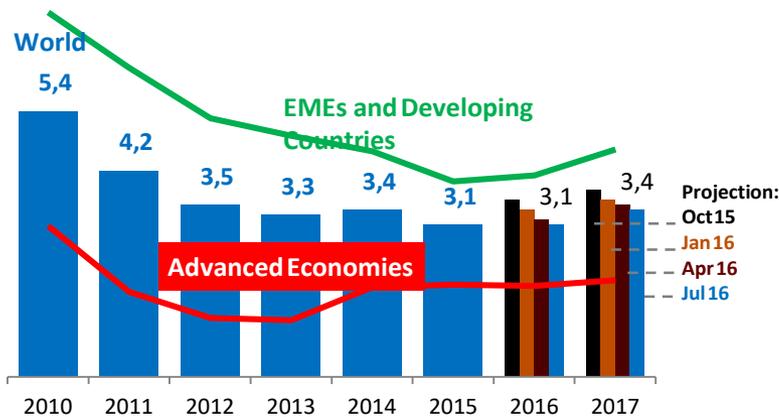
Natalia Ratna Kentjana

Director of Investment Promotion Development
Thailand Overseas Investment Forum 2017

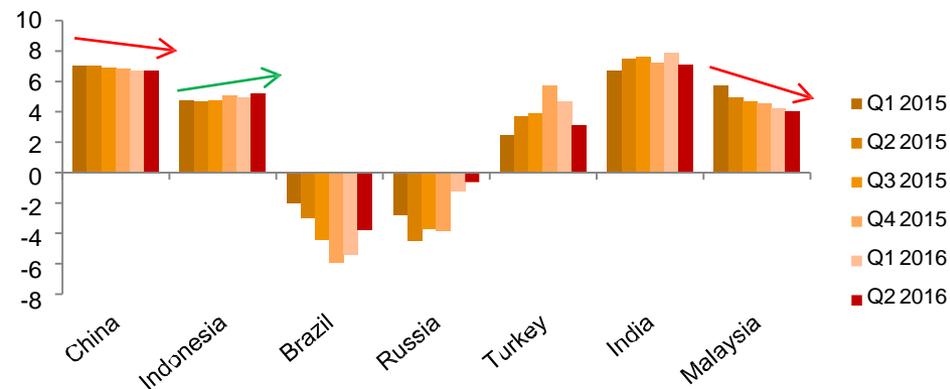
As the largest economy in ASEAN, Indonesia is the third fastest growing economy among G20, with a positive growth trend

Country	2014	2015	2016	2017	2018	2019	2015	2016	2017	2018
real GDP growth at market price in %			Est.	Projections			% point difference from June 2016 projections			
Cambodia	7.1	7.0	7.0	6.9	6.9	6.8	0.0	0.1	0.1	0.1
China	7.3	6.9	6.7	6.5	6.3	6.3	0.0	0.0	0.0	0.0
India	7.2	7.6	7.0	7.6	7.8	7.8	0.0	-0.6	-0.1	0.1
Indonesia	5.0	4.8	5.1	5.3	5.5	5.5	0.0	0.0	0.0	0.0
Lao PDR	7.5	7.4	7.0	7.0	6.8	7.2	0.4	0.0	0.0	0.0
Malaysia	6.0	5.0	4.2	4.3	4.5	4.5	0.0	-0.2	-0.2	-0.2
Myanmar	8.0	7.3	6.5	6.9	7.2	7.3	0.3	-1.3	-1.5	-1.1
Philippines	6.2	5.9	6.8	6.9	7.0	6.7	0.1	0.4	0.7	0.8
Thailand	0.8	2.8	3.1	3.2	3.3	3.4	0.0	0.6	0.5	0.3
Vietnam	6.0	6.7	6.0	6.3	6.3	6.2	0.0	-0.2	0.0	0.0

Global Economic Growth Projection



Economic Growth Developing Countries (% YoY)



ECONOMIC GROWTH:

(5.2 – 5.6%)

Expenditure Side

	HH Consumption	: 5.1 – 5.3%
	NPISH Consumption	: 5.8 – 6.1%
	Gov. Consumption	: 3.8 – 4.3%
	Investment (GFCF)	: 6.3 – 8.0%
	Export	: 5.1 – 6.1%
	Import	: 4.5 – 5.5%

Production Side

	Manufacture	: 4.9 – 5.7%
	Construction	: 6.7 – 7.6%
	Trade	: 5.5 – 6.2%
	ICT	: 10.5 – 11.9%
	Financial Service	: 10.1 – 11.0%
	Agriculture	: 3.6 – 4.0%
	Transportation	: 8.3 – 9.2%
	Mining	: 1.4 – 1.7%
	Electricity & Gas	: 5.4 – 6.3%



Investment will be the main driver of Indonesian Economic growth



Inflation: 2.5 – 4.5%

USD/IDR: 13,500 – 13,800

AUD/IDR: 9,700 – 10,300



Poverty Rate:

9.8% (9.0 – 10.0%)



Unemployment Rate:

5.2% (5.1 – 5.4%)



Gini Ratio:

0.38



HDI:

71.38

Investment as the back bone of national economy

GDP Components by Expenditures	2017 growth target
GDP	5.1
- Private consumption	5,01
- Non-Profit Institutions consumption (LNPRT)	10.17
- Government consump.	5.9
- Investment (GCFCF)	6,05
- Export	0.09
- Import	0.02

Indonesia's 2017 economic growth target set at 5.1%. In order to achieve that, we need to increase investment and spending.

**Economic growth target in 2017
5.1%**

**Consumption and Investment
must be drive the economic growth**

But government consumption will be limited due to narrow fiscal deficit and priority on capital expenditure allocation



Investment is needed to support a strong economic growth.



INDONESIA UNDER PRESIDENT JOKOWI'S ADMINISTRATIVE

Reforms in improving investment climate

“We keep rolling deregulation measures until we have a good investment climate.”

President Joko Widodo to CNBC, October 2015



**Deregulation
& Debureau-
cratization**



**Investment
Service**



**More Open
to FDI**



**Predictable
Wage System**



**Tax incentive for
labor intensive
industries**



**Dwelling time
optimization**



**New Negative List of
Investment that is
more open**



**Relaxation of entry
visa policy**



**Tax incentive
for transport
industries**



**Acceleration of
infrastructure &
power
development**



**3 Hour Licensing
Service in BKPM**



**Lower energy
costs for
industries**



**Tax incentive
on property**



**Acceleration of
land licensing**

EODB

**Ease of Doing
Business
Improvement**



**Affordable
housing for
the people**

**e-
commerce**

**Incentive for
investment in e-
commerce area**



**Efficiency on
National Logistic
Cost**

2015

2016

2017



26 Jan 2015:
One Stop Service (OSS)
at BKPM to simplify investment procedures.

1. 21 ministries & institutions integrated;
2. More than 9,600 Permits issued;
3. 61% Regional PTSP implement e-licensing.



26 Oct 2015:
3-Hrs Investment Licensing Services

The service is part of BKPM's OSS program, which will allow prospective investors with a minimum investment of IDR 100 billion (US\$7.33 million) and/or absorb a workforce of more than 1,000 people to have their preliminary permits



15 Dec 2015:
Green Lane Facility
Acceleration and certainty in custom clearance process



22 Feb 2016:
Direct construction Phase I
Investors can directly start their project construction before obtaining construction permits.



April 2016:
Negative Investment List Revision

1. More business fields open to 100% FDI
2. Less business fields open with condition, reduced from 664 to 515.
3. More business fields open to foreign majority share ownership (>50% FDI).
4. Less business fields reserved for domestic investment
5. Simpler investment procedures



30 Jan 2017:
3-Hrs Investment Licensing Services for Energy Sectors

This rapid licensing procedure is for nine types of operations (eight of which are for oil and gas sectors and one of them is for electricity procurement industry)



5 Feb 2017:
Direct construction Phase II
Extended number of industrial estates that are eligible to utilize direct construction facility



3 July 2017:
Digital Principal License
Starting from 3rd July, the principle license will be issued on digital document

What's Next

?

EoDB Improvement

Improving Investment Climate:

Introduce the 3-Hour investment licensing service to complement the One Stop Service (OSS)

Requirement for utilizing 3-hour Investment Licensing Service:

1. Minimum investment of IDR 100 billion (USD 8 million) and/or employing 1,000 local workers.
2. Application must be submitted directly by at least one candidate of the proposed company stakeholder



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



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.

No requirements for investment in infrastructure sectors

9 documents obtained

Certainty to Start 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

Implementation Status (Jan 2016-Jul 2017)

Jan-Dec 2016	Jan-Jul 2017
<ul style="list-style-type: none"> ▪ 251 companies ▪ 162,100 local workers ▪ Investment plan: IDR 818.76 trillion 	<ul style="list-style-type: none"> ▪ 112 companies ▪ 103,686 local workers ▪ Investment plan: IDR 460.68 trillion

Improving Investment Climate:

the newest service: 3-Hour Investment Licensing Service For Energy And Mineral Resources



RECEIVE
Requested licensing products

9 Type of Licensing
Issued by ESDM3J service

- Director **ARRIVES** at Central OSS.
- **SUBMIT** required documents.

REQUIREMENTS

ESDM3J service is given if the company has fulfilled the checklist of administrative and technical requirements as regulated on MEMR Ministerial Decree No. 15 of 2016.

NO	TYPE OF SERVICES	REGULAR SERVICE
1.	Temporary Business License for Electricity	20 Working Days
2.	Temporary Business License for Oil / Fuel / LPG Storage	32 Working Days
3.	Temporary Business License for Storage of Processed Products / CNG	32 Working Days for Processed Products ----- 40 Working days for CNG
4.	Temporary Business License for LNG Storage	32 Working Days
5.	Temporary Business License for Oil Refinery	32 Working Days
6.	Temporary Business License for Processing Oil Residue Industry	32 Working Days
7.	Temporary Business License for Natural Gas Processing	32 Working Days
8.	Temporary Business License for General Trade of Oil/Fuel	40 Working Days
9.	Temporary Business License for General Trade of Processed Products	40 Working Days

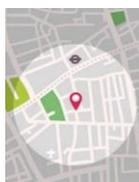
Status Implementation for ESDM Projects (Jan - Jul 2017)

- 8 companies
- 12 Licenses has been issued
- Investment plan: IDR 16.41 trillion

- OSS : One Stop Service (PTSP)
- MEMR : Minister of Energi and Mineral Resources

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 **32 selected industrial parks in 10 provinces.**
- 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.

Project that already utilized KLIK (Feb 2016 - Jul 2017): **91 Projects**, investment value IDR 124.83 Trillion, total area 1,271.52 ha, located in 14 Industrial Parks (KI).

Commercial Prod.

Construction phase

Preparation phase

23

Projects

22

Projects

46

Projects

Invest. value IDR 4.13 Trn, total area 63.54 ha, located in 6 KI

Invest. value IDR 4.13 Trn, total area 256.54 ha, located in 11 KI

Invest. value IDR 113.51 Trn, area 951.44 ha, located in 12 KI

Available in
32
Industrial Estates in 10 provinces

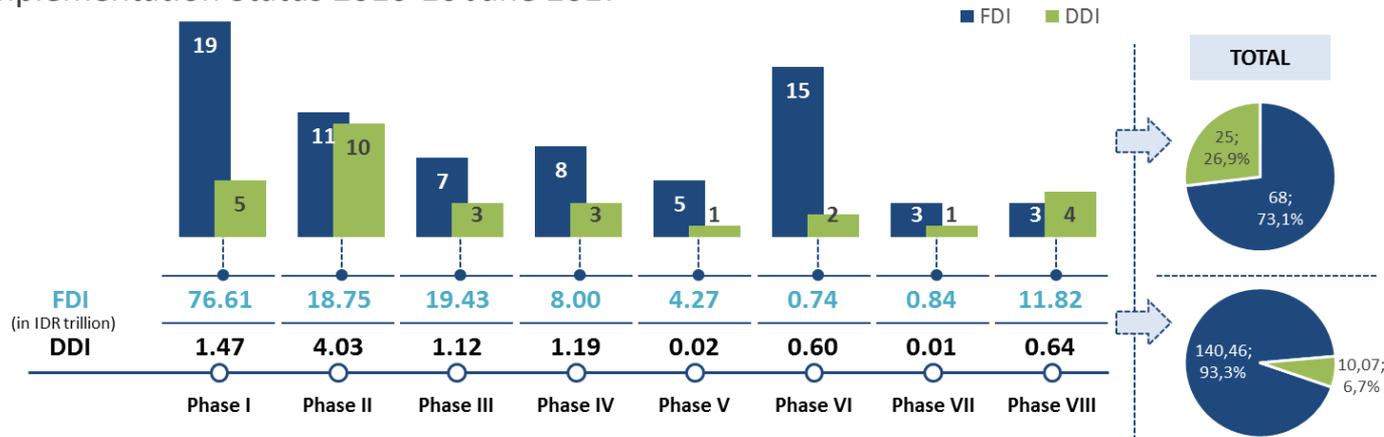
CUSTOMS CLEARANCE

Import Facility for Capital Goods

New Facility: Status upgrade
 From **RED** to **GREEN** line for new companies under construction

- Acceleration and certainty in custom clearance process**
- Faster & Certain**
- Capital goods **do not** require screening.
 - Cutting the processing time from 3-5 days to only **30 minutes**.
- Simple requirements**
- Projects under construction
 - Obligated in reporting quarterly investment activities (LKPM)
 - Recommendation from BKPM

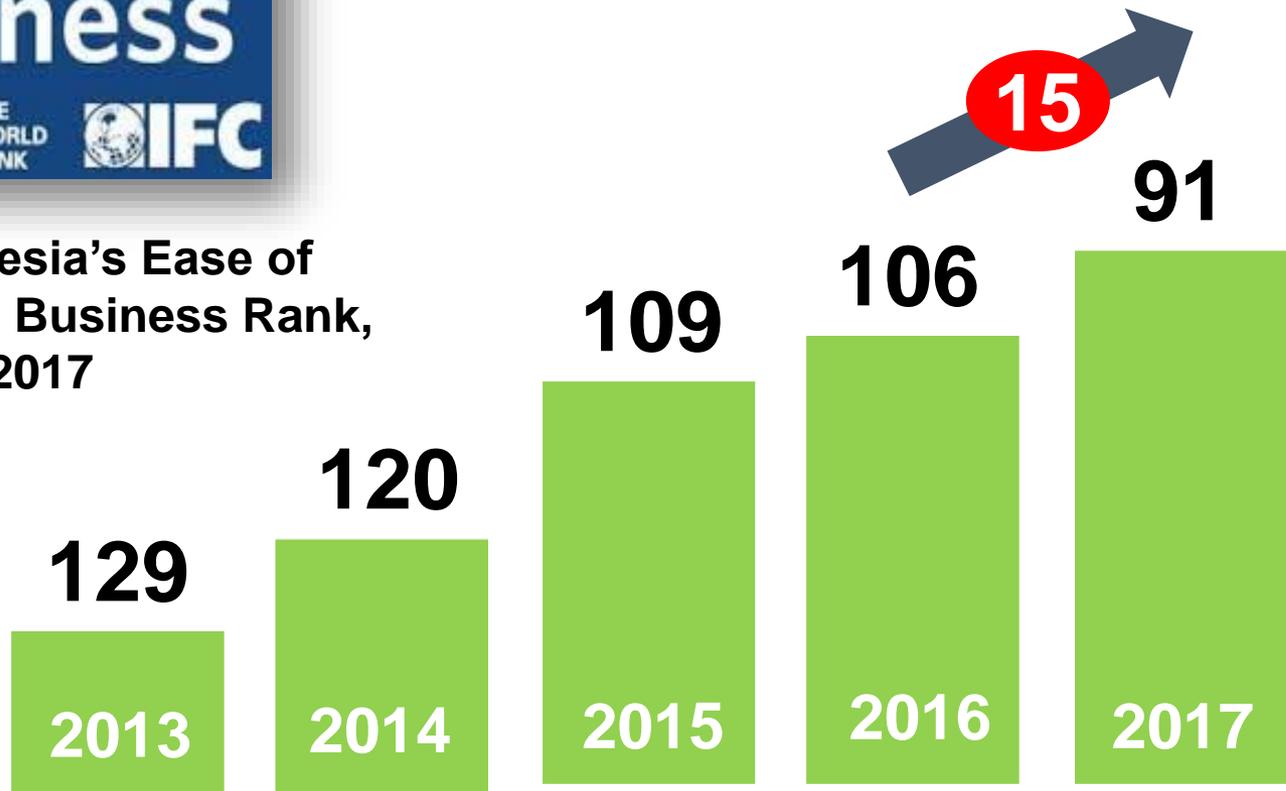
Implementation Status 2016-16 June 2017



Indonesia has shown progressive achievement in the past years

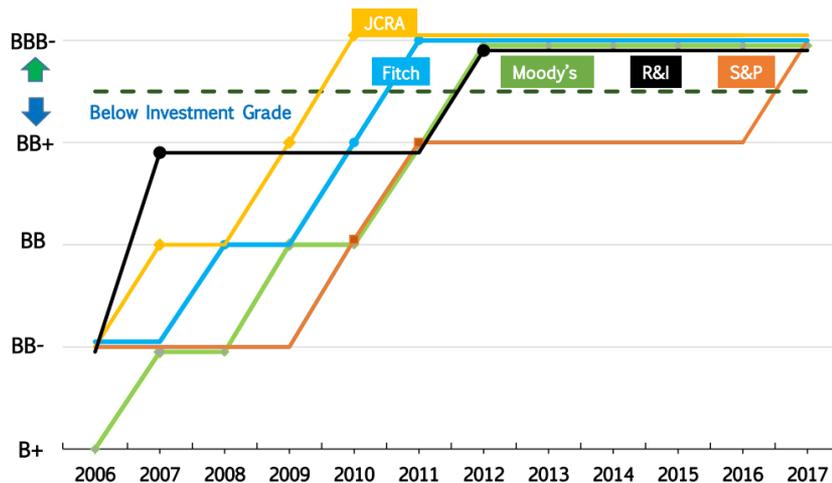


Indonesia's Ease of Doing Business Rank, 2013-2017



Policy Reform Has Shown Positive Response: Better Outlook & Higher Confidence & Trust

Investment Grade Rating: Indonesia's outlook was upgraded to **POSITIVE** from **STABLE** by S&P Global, Moody's, Fitch and Japan Credit Rating Agency (JCRA)



S&P Global
BBB- / Stable

R&I
BBB- / Positive

MOODY'S
Baa3 / Positive

JCR
日本格付研究所
BBB- / Positive

FitchRatings
BBB- / Positive

Consumer Confidence Index

Source: Nielsen, 2017

Indonesia is in the **4th Rank**

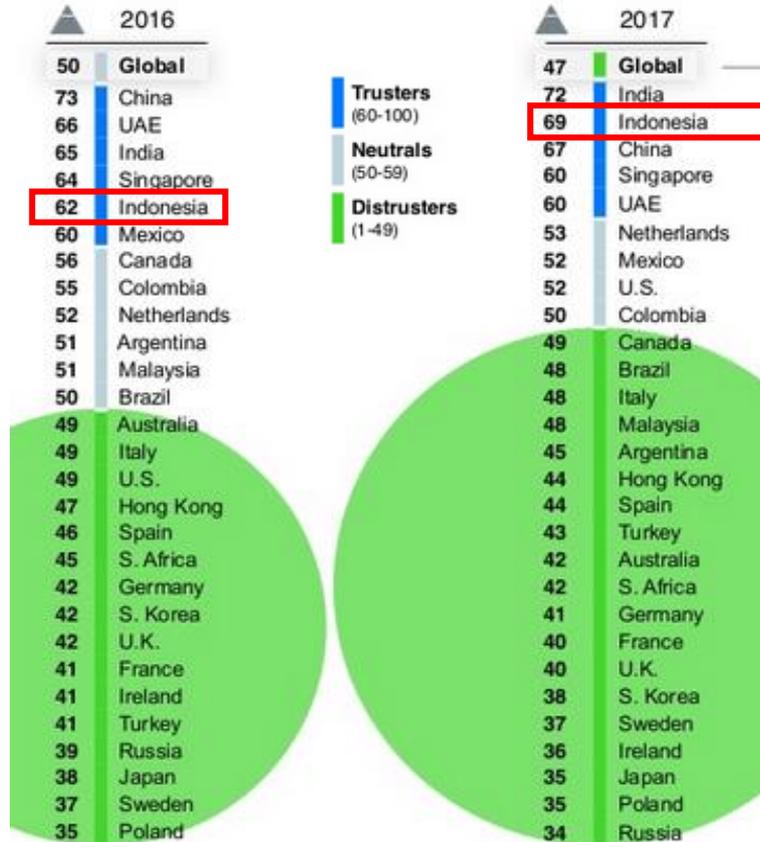
Rank	Country	Index*	Index Changes
1	India	136	+3
2	Philippines	132	-
3	United States	123	+17
4	Indonesia	120	-2
5	Vietnam	112	+5
6	Thailand	110	+2
7	United Arab Emirates	108	-
8	China	108	+2
9	Denmark	107	-
10	Pakistan	106	+5

* Indexes above 100 indicates optimism

Nielsen Global Survey of Consumer Confidence and Spending Intention shows Indonesia's consumer confidence index is **still in the Top 5 most optimistic countries in the world after** India (136), Philipina (132), and USA (123), and above Vietnam (112).

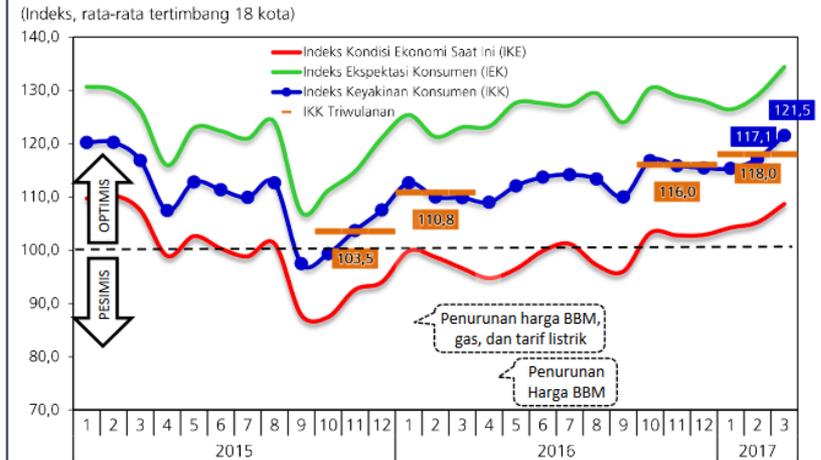
Policy Reform Has Shown Positive Response: Better Outlook & Higher Confidence & Trust

Global Trust Index Source: Edelman, 2017 Indonesia is in the 2nd rank as a country



According to research results Edelman Trust Barometer 2017, Indonesia experienced an increase in the overall Index of Trust in four institutions: government, business, media and NGOs. Indonesia rose as one of the three countries with the highest confidence index amid declining confidence levels of various countries in the world.

Consumer Confidence Index Source: Bank Indonesia, 2017



Bank Indonesia (BI) in the Consumer Survey said consumer optimism over domestic economic activity increased during March 2017 compared to February 2017.



UNCTAD's Global Investment Trends Monitor

The most attractive investment destinations 2016-2018

Rank	Country	% Respondent
1	United States	47
2	China	21
3	India	19
4	United Kingdom	15
5	Germany	13
6	Japan	13
7	Brazil	11
8	Mexico	11
9	Indonesia	8
10	Malaysia	5

By doing the reforms we would like to attract more investment on...



Infrastructure

Energy, transportation, industrial estates, SEZs

Manufacturing Industry



Labor Intensive Industry

e.g: textile, garment, furniture, etc



Export Orientation Industry

e.g: automotive, electronic, machinery, etc



Import Substitution Industry

e.g: pharmaceutical raw material, petrochemical



Value added Industry

e.g: agro-industry, smelters, etc



Lifestyle Industry

e.g: creative industry, culinary, fashion



Maritime

Including fisheries and cold storage



Tourism

10 New Balis

Thai Investment in Indonesia 2012-Q2 2017

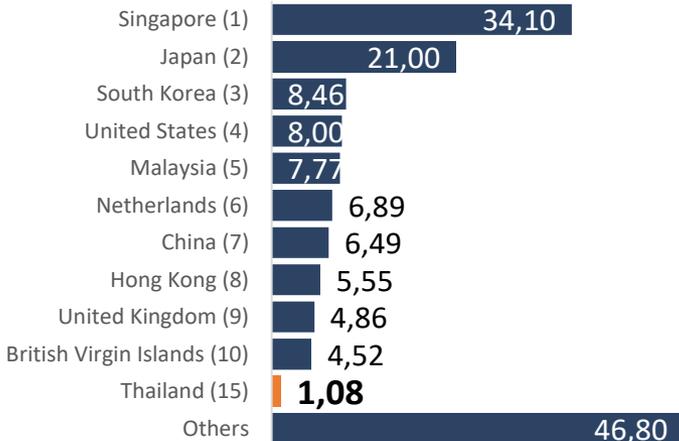
Thailand Investment to the World (in USD Mil)

Source: fDi Market, Aug 2017

Rank	Destination Country	Projects	Capex (USD mil.)	Avg Capex (USD mil.)
1	Myanmar	48	6,771.2	294.4
2	Vietnam	36	3,634.4	330.4
3	China	26	2,476.0	825.3
4	Japan	19	2,090.8	261.4
5	Australia	13	1,379.9	230.0
6	Russia	5	1,230.0	410.0
7	United States	14	606.9	86.7
8	Laos	13	474.6	158.2
9	Malaysia	12	422.9	84.6
10	Indonesia	35	289.4	36.2
	Total	337	19,943.7	197.5

FDI in Indonesia by Country of Origin (in USD Bil)

Source: BKPM, Aug 2017



Source: BKPM, 2017

3.4%

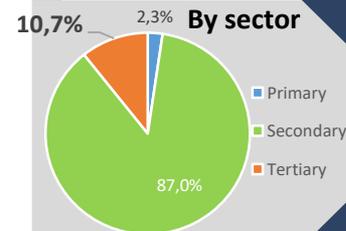
Investment realisation from Taiwanese investors in 2012-Q2 2017

1.08

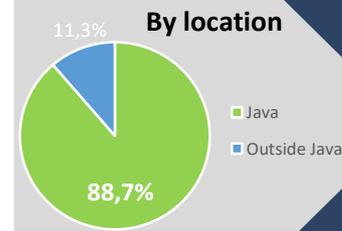
billion US dollars
FDI realization in 2012-Q2 2017

31.81

billion US dollars
FDI commitment in 2012-Q2 2017



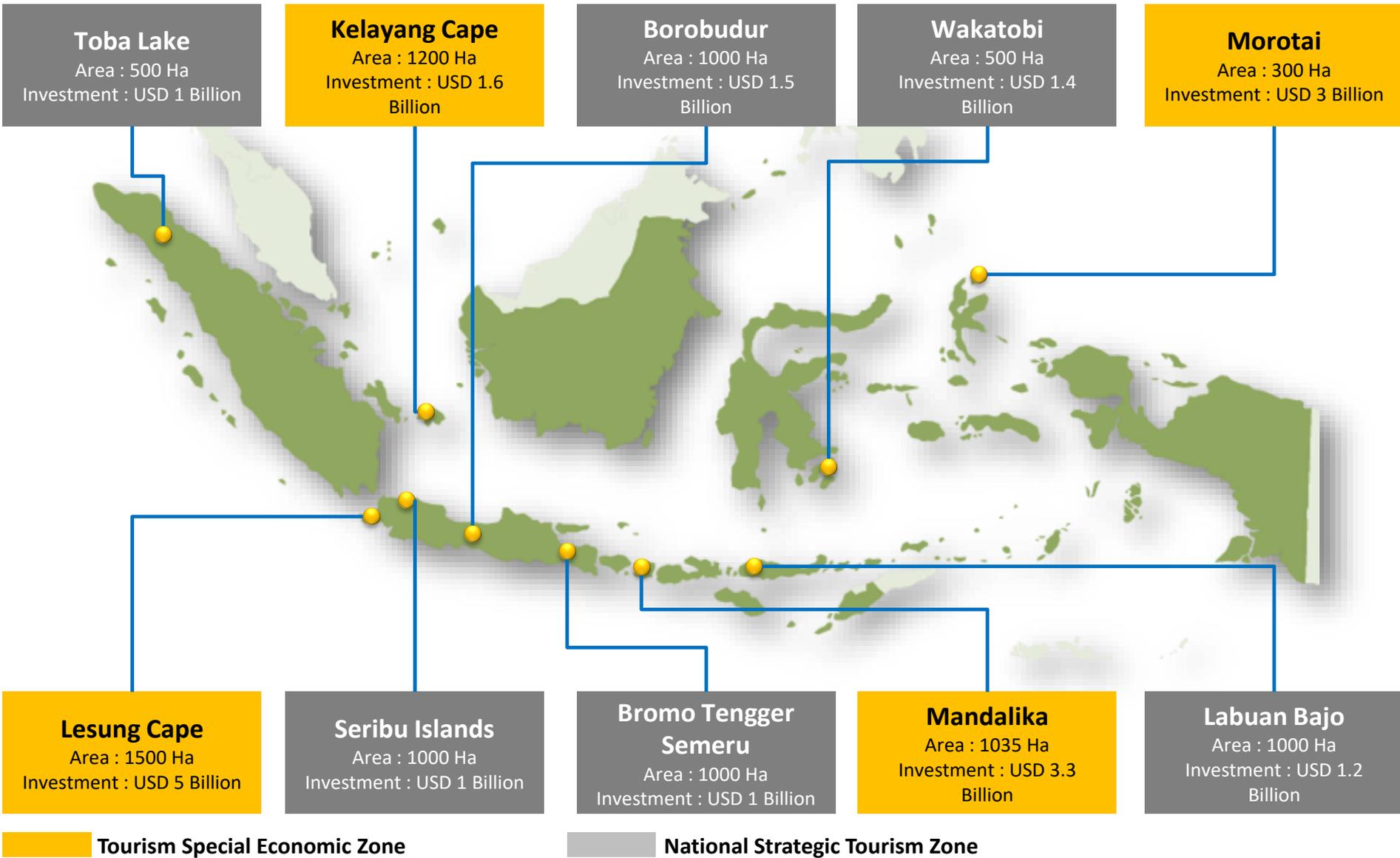
- Non-metallic minerals (48.1%)
- Chemical and Pharmaceutical (18.1%)
- Transportation equipment (9.4%)
- Trade and Repair (8.7%)
- Rubber and Plastics (5.4%)
- Others (10.2%)



- West Java (59.2%)
- Banten (26.0%)
- South Sumatera (9.4%)
- Jakarta (1.9%)
- East Java (1.4%)
- Others (2.1%)

THE NEW BIG DEALS (NEWLY EMERGING INDUSTRIES)

Investment Opportunities : Developing “10 New Bali”





REGIONAL INVESTMENT FORUM (RIF) PADANG

15-17 October 2017

Grand Inna Padang Hotel
Padang, West Sumatera - Indonesia



SHOWCASING INVESTMENT OPPORTUNITIES IN THE INDONESIAN TOURISM INDUSTRY:

Featuring Mandeh, Gunung Padang, Lake Toba, Tanjung Kelayang, Tanjung Lesung, Kepulauan Seribu, Borobudur and Bromo-Tengger-Semeru

Why You Should Attend this Forum?

Regional Investment Forum (RIF) is the annual event of Indonesia Investment Coordinating Board (BKPM) in multiple cities nationwide. The investment forum provides 300+ investors and business people from Indonesia and around the world an opportunity to network with each other.

Participants will obtain first-hand investment project opportunities and receive reliable information presented by key speakers from the central and regional government authorities.

What's more, there will be an opportunity to meet directly and discuss your investment needs with key government authorities through the prearranged one-on-one business meeting sessions – An introduction and match making with potential Indonesian business partners.

The forum in Padang, West Sumatra, specifically aims to promote and showcase 8 National Tourism Destinations:

1. Mandeh Integrated Maritime Tourism Area
2. Gunung Padang Integrated Tourism Area
3. Lake Toba
4. Tanjung Kelayang
5. Tanjung Lesung
6. Kepulauan Seribu
7. Borobudur
8. Bromo - Tengger – Semeru

As part of the 3-day event in Padang, West Sumatra, participants will be invited to join various site visits, including **Gunung Padang Integrated Tourism Area** and **Mandeh Beach**.

Investment Opportunities : Renewable energy development plan (2017 -2016)

Total Plan : 21.5 GW

Sumatera Region

Plan	Potential
PLTP : 3,305 MW	PLTA : 1,193 MW
PLTA : 4,284 MW	PLTMH : 752 MW
PLTMH : 983 MW	PLTS : 59 MW
PLTS : 5 MWp	PLTB : 200 MW
PLTSa / Biomass : 274 MW	PLTSa / Biomass : 135 MW
PLTBg : 411 thousand kiloliter	

Kalimantan Region

Plan	Potential
PLTA : 1,056 MW	PLTA : 1,804 MW
PLTMH : 10 MW	PLTS : 12 MW
PLTB : 150 MW	PLTSa / Biomass : 30 MW
PLTSa / Biomass : 41 MW	

Maluku & Papua Region

Plan	Potential
PLTP : 75 MW	PLTA : 20 MW
PLTA : 118 MW	PLTS : 6 MW
PLTMH : 43 MW	
PLTSa / Biomass : 55 MW	
PLTBg : 469 thousand kiloliter	



Total
Plan: 21.5 GW
Potential: 9.3 GW

Java-Bali Region

Plan	Potential
PLTP : 2,510 MW	PLTS : 200 MW
PLTA : 4,562 MW	PLTMH : 823 MW
PLTMH : 437 MW	PLTSa / Biomass : 30 MW
PLTB : 250 MW	
PLTSa / Biomass : 206 MW	
PLTBg : 439 thousand kiloliter	

Sulawesi & Nusa Tenggara Region

Plan	Potential
PLTP : 400 MW	PLTA : 3,852 MW
PLTA : 2,323 MW	PLTS : 38 MW
PLTMH : 221 MW	PLTB : 5 MW
PLTS : 52 MWp	PLTSa / Biomass : 10 MW
PLTB : 170 MW	PLT Ocean : 250 MW
PLTSa / Biomass : 21 MW	
PLTBg : 4,423 thousand kiloliter	

- PLTS: Pembangkit Listrik Tenaga Surya (Solar Power Plant)
- PLTB: Pembangkit Listrik Tenaga Bayu (Wind Power Plant)
- PLTBm: Pembangkit Listrik Tenaga Biomassa (Biomass Power Plant)
- PLTA: Pembangkit Listrik Tenaga Air (Hydro Power Plant)
- PLTBg: Pembangkit Listrik Tenaga Biogas (Biogas Power Plant)
- PLTSa: Pembangkit Listrik Tenaga Sampah (Waste to Energy Power Plant)
- PLTP: Pembangkit Listrik Tenaga Panas Bumi (Geothermal Power Plant)

Source: RUPTL 2017-2026, pln.co.id

Investment Opportunities : Special Economic Zones

Fiscal incentives in SEZ are regulated under **Minister of Finance Regulation No. 104/PMK.010/2016**):

Arun Lhoksemawe

Petrochemical, Logistics,
Oil & Gas
Food & Paper
Manufacture

Sei Mangkei

Palm Oil & Rubber
Industry, Fertilizer,
Logistics, Tourism

Bitung

Fishery, Coconut Oil &
Herbal Pharmacies
Industries, Various
Industry, Logistics

Morotai

Tourism, Fishery
Industry, Business & Logistics

Sorong

Shipyard, Fishery &
Tourism

Maloy Batuta

Palm Oil, Logging
Industries

Palu

Manufacture, Agro
(Rubber, Cacao, Seaweed,
& Rattan) Nickel & Ore
Industry, Logistics

Tanjung Api-api

Palm Oil, Rubber,
Petrochemical Industries

Kelayang

Tourism

Tanjung Lesung

Tourism

Mandalika

Tourism

■ Incentives:

Import duty, VAT, Import Income Tax (Article 22), Luxury-goods Sales Tax, and Excise for all goods are exempted plus Tax Holiday (if company's line of business inline with SEZs core activity) or Tax Allowance (other line of business).

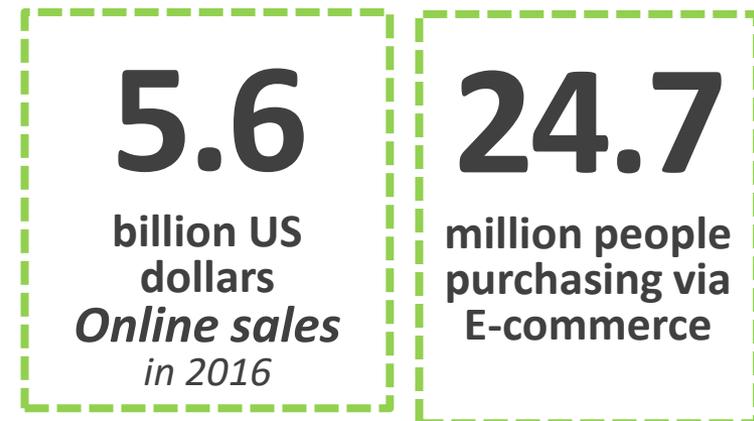
Investment Opportunities : A growing of internet user in Indonesia 2017

Digital in ASEAN	(in Million)	Growth
Active internet users	339.2	+31%
Active Socmed users	305.9	+31%
Mobile connections	854	+8%
Mobile Social Users	272.6	+36%
Population	644.1	

Digital in Indonesia	(in Million)	Growth
Active internet users	132.7	+51%
Active Socmed users	106	+34%
Mobile connections	371.4	+14%
Mobile Social Users	92	+39%

Government support to enhance digital financial inclusion

GSMA Mobile Connectivity Index of Indonesia





E-commerce Presence in Indonesia



24.74 million people purchasing via e-commerce in 2016



9 % E-Commerce Penetration in 2016



\$5.6 billion value of E-Commerce Markets in 2016

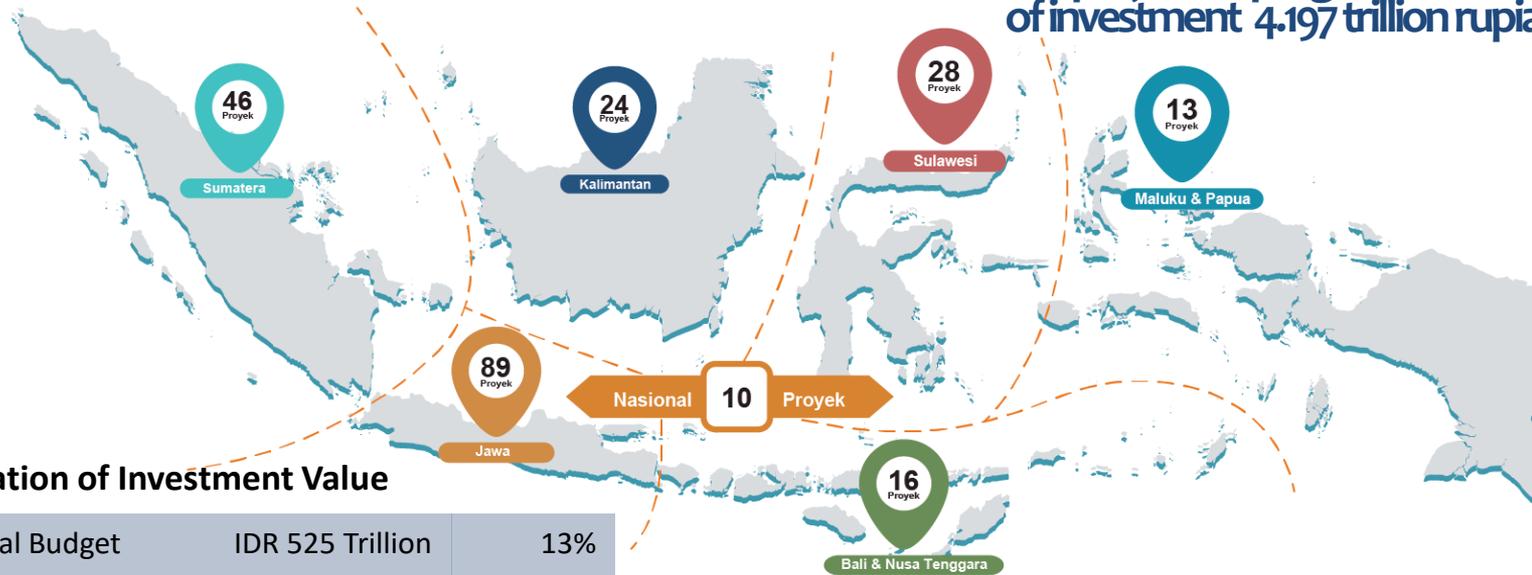


\$228 average annual e-commerce revenue per user in 2016

Investment Opportunities: Infrastructure Development

Source: Presidential Regulation No. 3 Year 2016 j.o. Presidential Regulation No.58 Year 2017

245 project + 2 program with total of investment 4.197 trillion rupiah



Estimation of Investment Value

National Budget	IDR 525 Trillion	13%
State/Regional Owned Company	IDR 1.258 Trillion	30%
Private	IDR 2.414 Trillion	58%

Top 5 Sector



Energy
12 Project
IDR 1.242 Trillion



Electricity
1 Program
IDR 1.035 Trillion



Road
74 Project
IDR 684 Trillion



Train
23 Project
613 Trillion



Economic Zones
30 Project
IDR 290 Trillion

19
new airports
built since
2015

132 airports
rehabilitated,

27 airports
expanded since 2015

2,159km

inter-urban railways
to be finished
by 2019

187km railways
developed since 2015

1,099km

urban railways
to be finished by 2019

Source: Ministry of Transportation RI, May 2016.

Source: Ministry of Transportation RI, May 2016.

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

2,650km
new roads development,

46,770km
existing roads
rehabilitation

235km new toll roads will be
ready in 2017

Source: Bank Indonesia, May 2016.



Invest in Remarkable Indonesia

Thank You

Terima Kasih

Badan Koordinasi Penanaman Modal (BKPM)

Indonesia Investment
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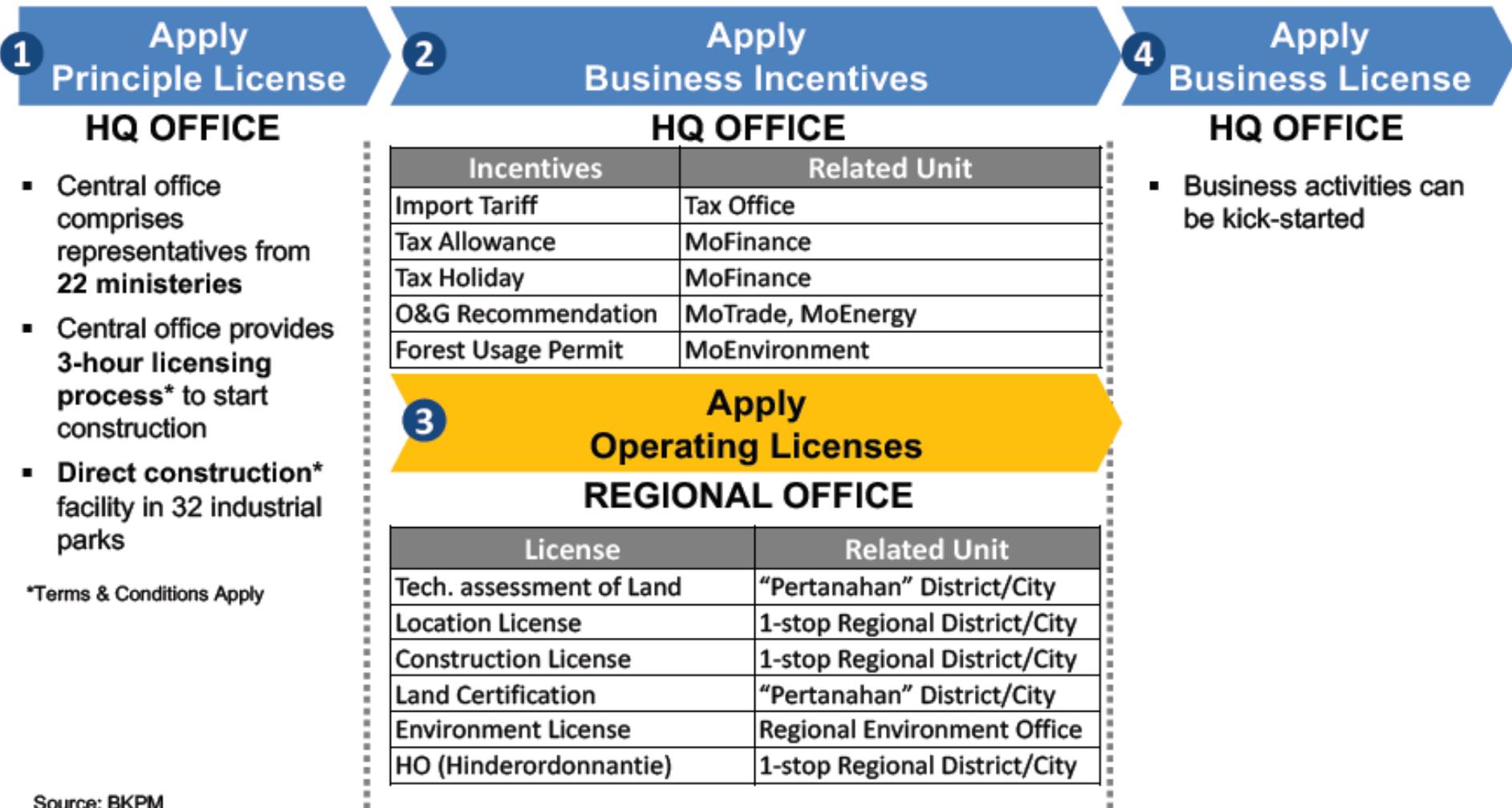
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Licensing process for Foreign, Across Provinces, and Strategic investments:



Source: BKPM

INVESTMENT INCENTIVE

TAX ALLOWANCE

(Government Regulation No.9/2016)

30% from 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).

TAX HOLIDAY

(MoF Regulation No. 103/PMK.010/2016)

5-15 Years
Tax Exemption, With potential 20 years exemption for project that considered strategic for Indonesia economy.

8 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. Economic infrastructures other than PPP

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

IMPORT DUTY FACILITY

(MoF Regulation No.176/PMK.011/2009 juncto. No. 188/PMK.010/2015)

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

Global and internal challenges on investment

Global Challenges



Global Economic Slowdown



Decline in Commodity Prices



Political Risk & Increasing Protectionism

Internal Challenges



The overlapping of Investment Licensing and Non Licensing



Labor and productivity issues



Provision of gas raw materials for industry and power plant



LAND issues



Spatial Plans (RTRW)



Incentives & Tax Issues



Infrastructure Condition



Electricity Supply



Financing