



## **Welcoming Remarks: Invest in Remarkable Indonesia**

**Deputy Chairman for Investment Promotion**  
Visit of Italian Business Mission to Indonesia  
Jakarta, 7 May 2013



## Introduction

# BKPM The Indonesia Investment Coordinating Board



## Who we are

- As **the primary interface between business and government**, BKPM is mandated to boost domestic and foreign direct investment through creating a **conductive investment climate**.
- BKPM was restored to **Ministerial status** in 2009, and reporting directly to the President of the Republic of Indonesia.
- This investment promotion agency's goal is not only to seek **more domestic and foreign investment**, but also to seek **quality investments** that improve social inequality and reduce unemployment.
- The agency works as a **proactive advocate** for investments as well as a **matchmaker** for investors.



## Introduction

# BKPM The Indonesia Investment Coordinating Board

## Our services for investors

- Providing **guidance and information** on investment opportunities and potentials in Indonesia as well as values, standards and procedures for the implementation of investment activities and services.
- Enhancing investment business sectors, by increasing **partnership**, creating **fair business competition**, and disseminating information.
- Providing **licensing services** and **investment facilities**.
- Helping **contain various obstacles** and giving **consultation** on problems investors face in the conduct of investments.
- Providing **one-stop integrated services**.

### Note:

BKPM's services covers all business sectors **except**:

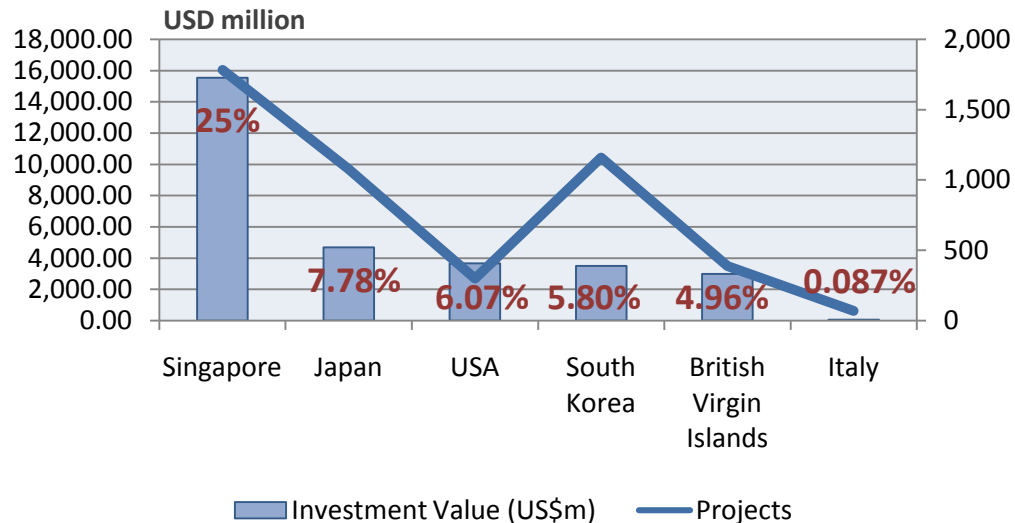
- Oil and gas (covered by Minister of Energy and Mineral Resources).
- Banking, non-bank financial institution and insurance (covered by Minister of Finance).
- Rent of commercial use and home industry (Covered by Minister of Industry).



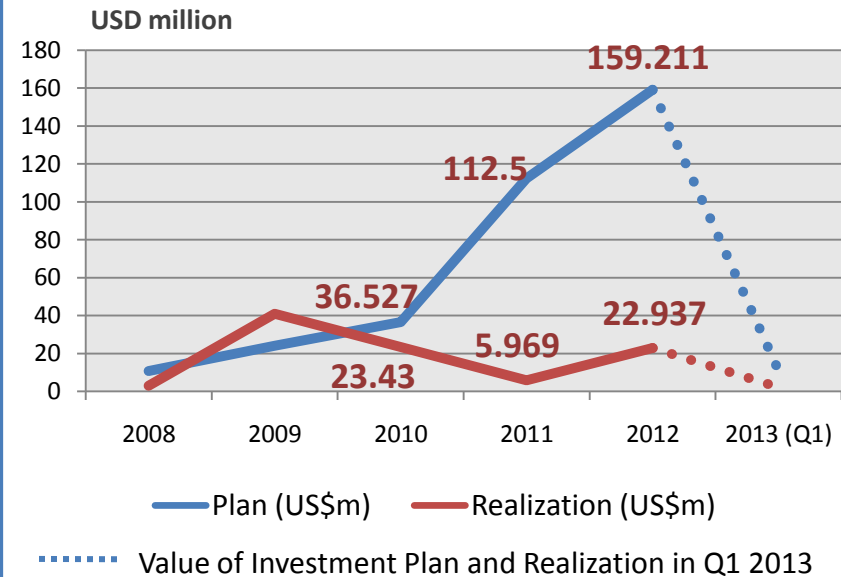


# Italy FDI into Indonesia

FDI from Italy compare to Indonesia's Biggest-5 Investors Countries, 2010-2012



FDI from Italy: Plan vs Realization

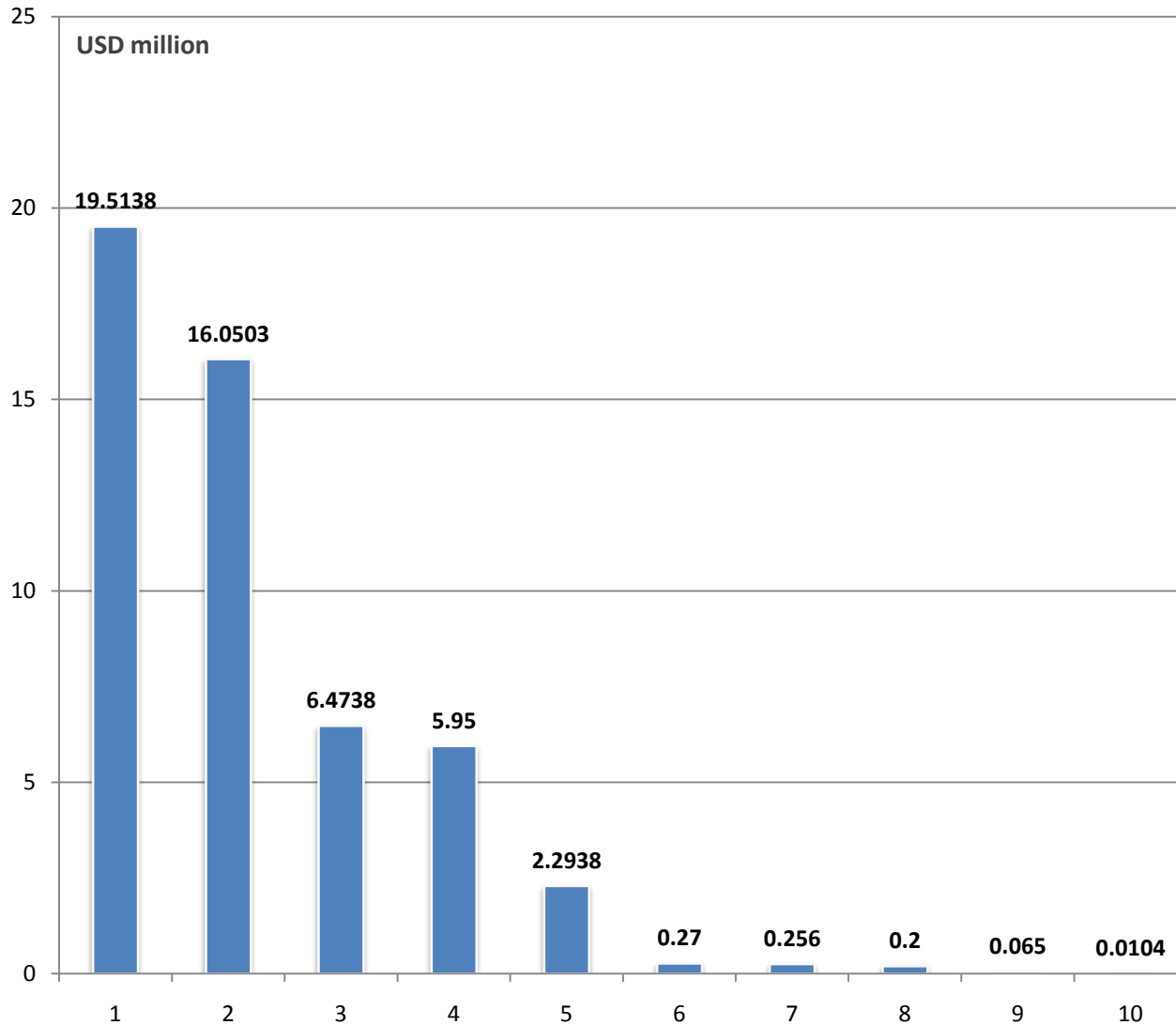


Rank	Country	Projects	Investment Value (US\$m)	% of Total Investment in Indonesia
1	Singapore	1,781	15,544.4	25
2	Japan	1,076	4,685.6	7.78
3	USA	299	3,656.9	6.07
4	South Korea	1,158	3,496.9	5.80
5	British Virgin Islands	388	2,989.0	4.96
<b>24</b>	<b>Italy</b>	<b>69</b>	<b>52.3</b>	<b>0.087</b>



# Italy FDI into Indonesia

## Top-10 Most Favourite Sectors, 2010-2012



1	Transportation, Warehouse, and Telecommunication
2	Mining
3	Food Industries
4	Basic Metal, Metal-Based Products, Machinery and Electronic
5	Hotel and Restaurant
6	Construction
7	Food Plantation
8	Real Estate, Industrial Area and Offices
9	Trade and Reparation
10	Non-metallic Minerals Industry

# Italian Companies in Indonesia

“ENI SpA aims to reach a production of 100,000 barrels of oil equivalent per day (boepd) of gas from Jangkrik field (located in Muara Bakau block, Makassar Strait) by 2016. In addition, managing director of ENI Indonesia Carlo Russo said the firm would invest **US\$400 million in the next four years** for its exploration in Indonesia. ENI will drill a deep-water basin at the Bulungan block in the Makassar Strait in September. In November, it will drill an exploration well at the Muara Bakau block, in the same area. “

[jsxonlinetrading.com](http://jsxonlinetrading.com), 12 April 2013

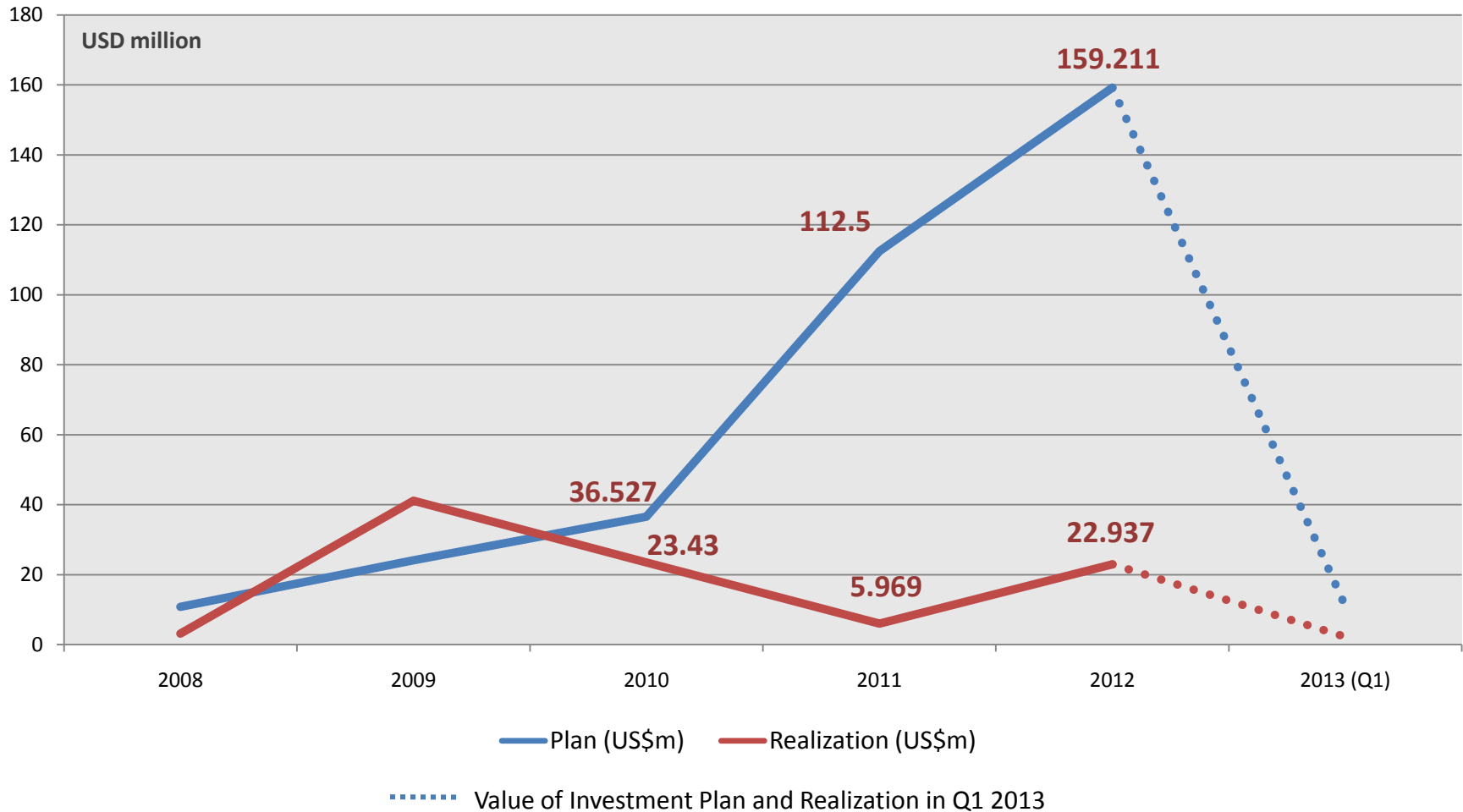


“Pirelli and PT Astra Otoparts Tbk establish a joint venture (60% Pirelli, 40% PT Astra Otoparts) to build new moto tyre factory in Indonesia. Jv’s estimated **2012-2014 total investment 120 million dollars**. Expected 2014 conventional moto tyre production 2 million pieces, growing to 7 million in 2016. At full operation the factory will account for **around 25% of Pirelli’s total worldwide moto production**”

Press Release Pirelli.com, 24 April 2012

# Italy FDI into Indonesia

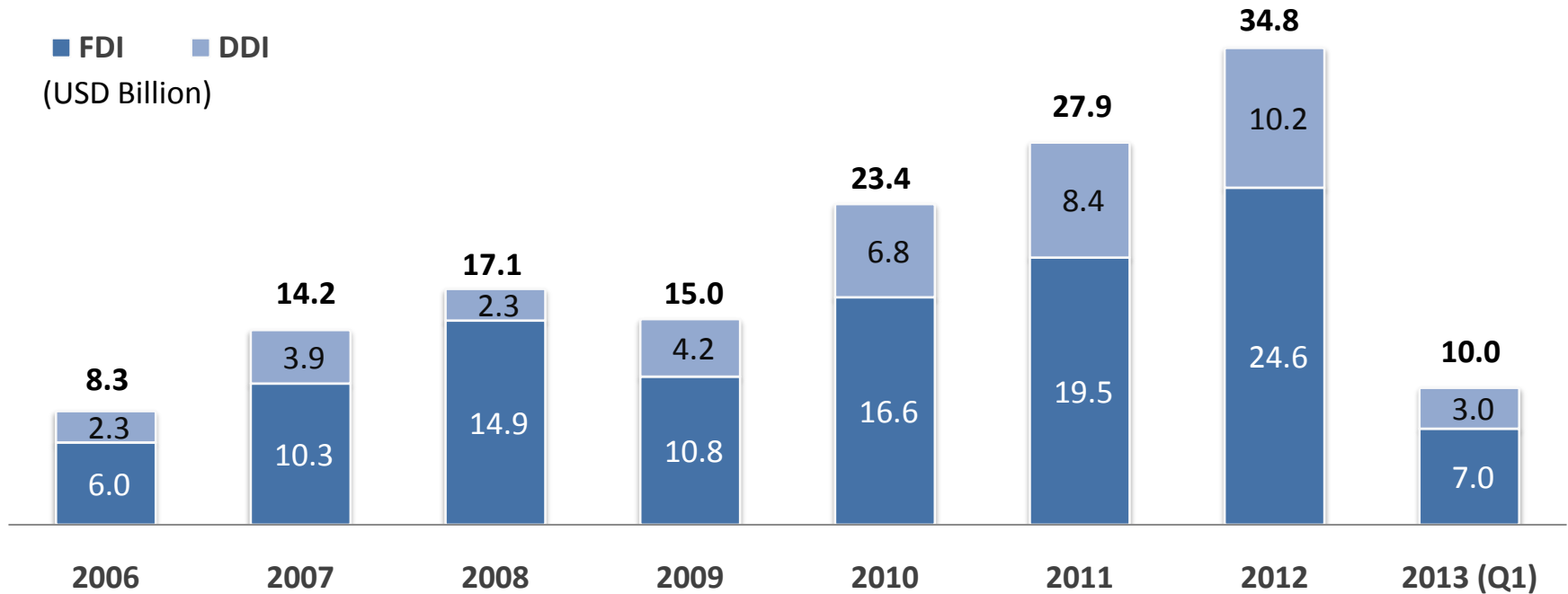
## FDI from Italy: Plan vs Realization





## Investment Performance

# Overall Investment Realization



### 2012 Compared to 2011

Total investment realization in 2012 was **USD 34.8 billion** or 10.5% above the 2012 target (USD 31.5 billion), a **24.6% increase** from 2011 (USD 27.9 billion).

### 2013 (Q1) Compared to 2012 (Q1)

Total investment realization in 2013 (Q1) was **USD 10.0 billion** or 23.8 % of 2013 target (USD 42.0 billion). It is a **27.2% increase** from 2012 (Q1) (USD 7.7 billion).





## Why Indonesia

# Country Snapshot: The Biggest Archipelago

<b>GDP Size (PPP)</b>	USD 1,2 T	<b>Land Area</b>	1,904,443 sq km
<b>GDP percapita (PPP)</b>	USD 5,280	<b>Sea Area</b>	3,116,163 sq km
		<b>Total Area</b>	5,020,606 sq km
		<b>Coastal Line</b>	81,000 km

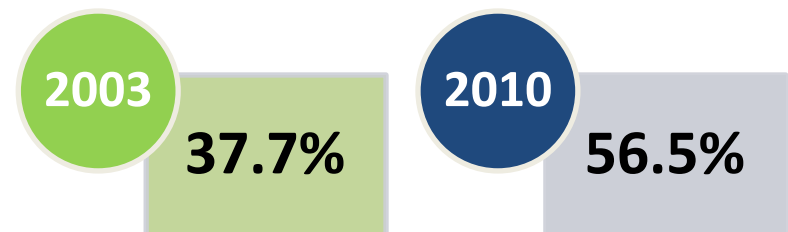
**Population** 245.6 Million people (4<sup>th</sup> biggest population)

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

Source: various



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



Source: World Bank



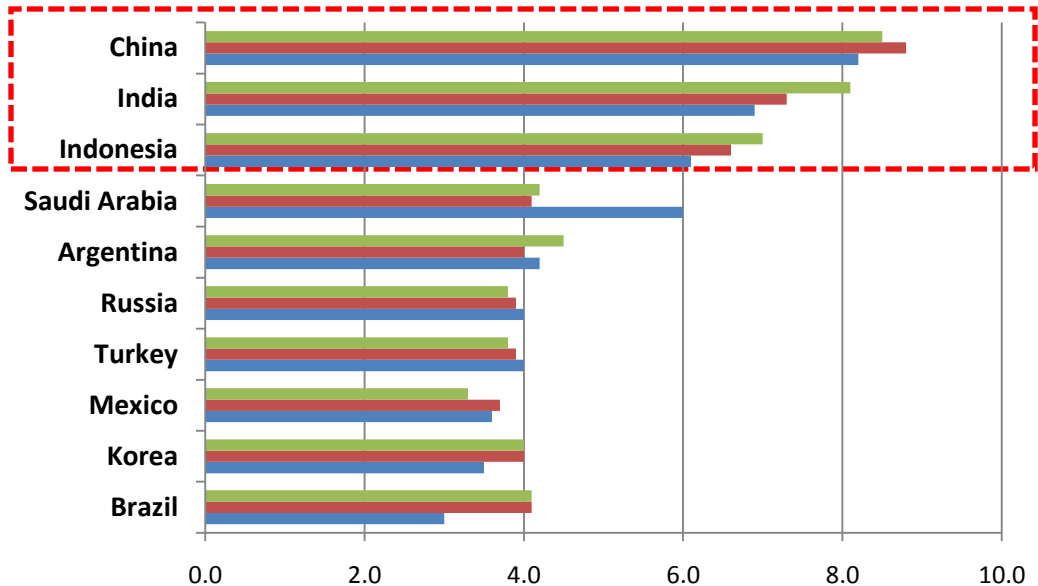
## Why Indonesia

# Better Economic Growth than IMF's Projection in 2012

Indonesia's 2012 growth hits 6.2%  
The Financial Times, 5 February 2013



### Nominal GDP Growth Projection



■ 2017    The IMF projects Indonesia will be at  
■ 2013    **the top 3 fastest economic**  
■ 2012    **growths** among G20 countries.

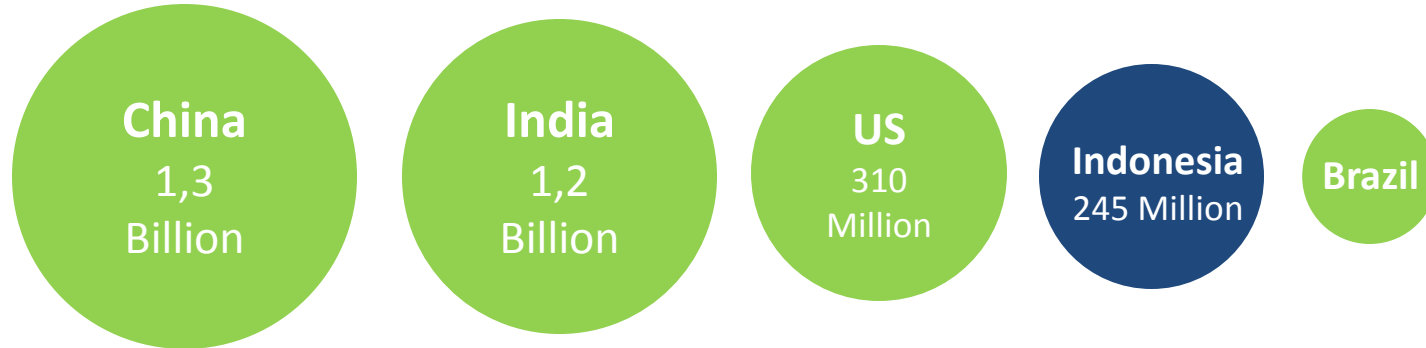
International Monetary Fund;  
*World Economic Outlook Database*,  
April 2012.



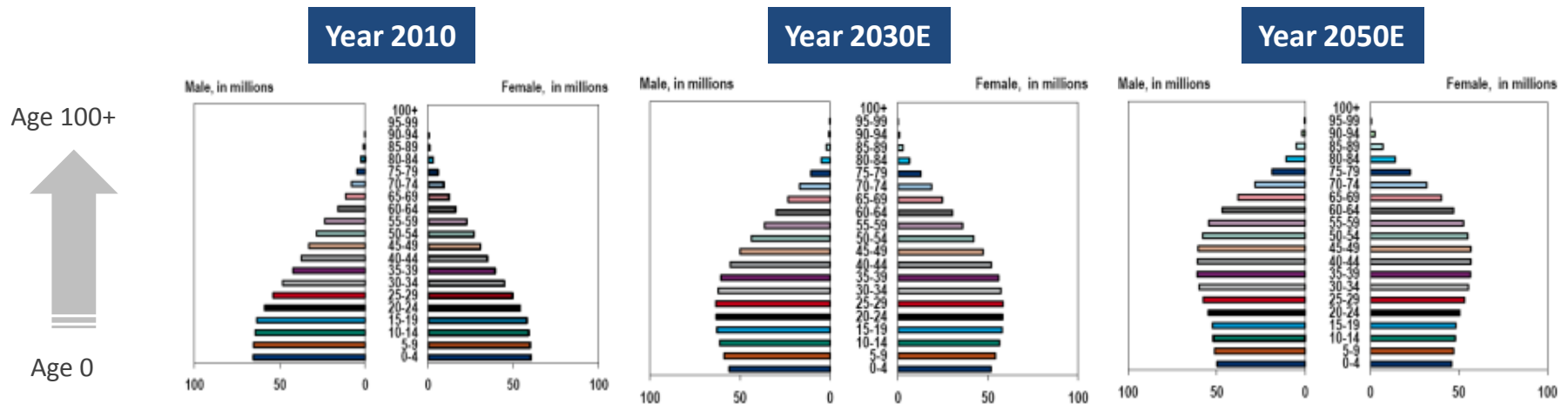
## Why Indonesia

# Demographic Dividend: Dynamic Demographic Base

**The Big 5** Indonesia is the 4th most populous nation in the world in 2012.

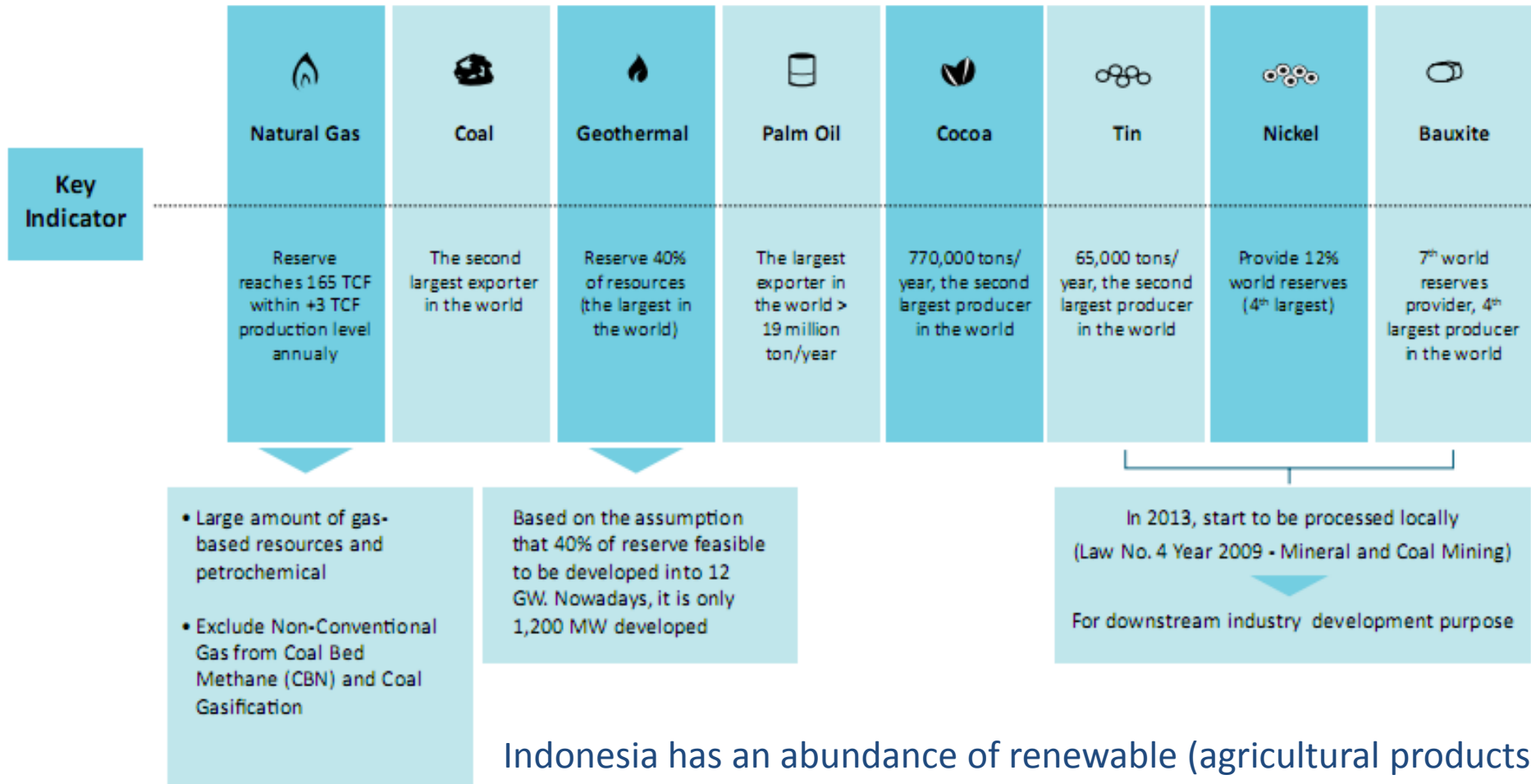


Of the 245 million people in Indonesia, **over 60%** of the population is under 39 years old, providing a dynamic workforce.





## Resources: Home for Abundant Natural Resources



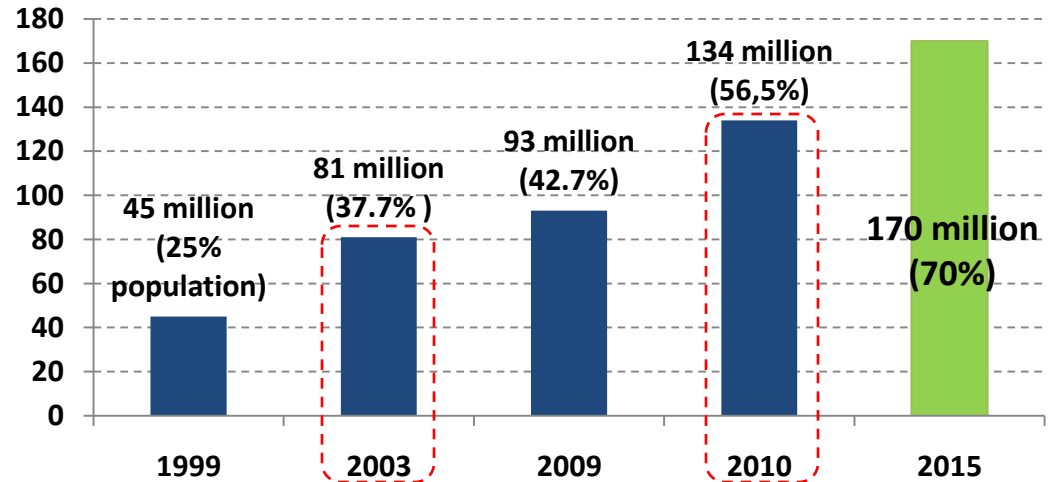


## Why Indonesia

# Growing Middle Class: Higher Demands for Better Services and Products

**Number of population**  
in middle income  
(per capita expenditure per day \$2-20)

Sources: Bank Indonesia & BPS-Statistics  
Indonesia, 2012 (projection)



**Proportion of the population based on**  
per capita expenditure per day

Class	Cut-off	2003		2010	
		2003	2010	2003	2010
Low	< \$1.25	21.9%	62.2%	14.0%	43.3%
	\$1.25 - \$2	40.3%		29.3%	
Middle	\$2 - \$4	32.1%		38.5%	
	\$4 - \$6	3.9%	37.7%	11.7%	56.5%
	\$6 - \$10	1.3%		5.0%	
	\$10 - \$20	0.3%	5.5%	1.3%	18.0%
High	> \$20	0.1%	0.1%	0.2%	0.2%

**18.0% = 40 million people =** more than the total population of Malaysia and Singapore combined.

Note: Per capita expenditure per day is adjusted to the 2005 purchasing power parity terms.

Source: SUSENAS and World Bank staff calculations.



## Why Indonesia

### On going reforms on investment climate...

No.	Sectors	More Open	More Restrictive
1.	Agriculture	-	2
2.	Forestry	1	-
3.	Maritime and Fishery	1	-
4.	Energy and Mineral Resources	1	-
5.	Industry	2	3
6.	Public Works	1	-
7.	Trade	1	-
8.	Culture and Tourism	17*	1
9.	Transportation	4*	1
10.	Communication and Information	2	2
11.	Manpower and Transmigration	2	-
12.	Health	8*	-
13.	Security	-	1
<b>Total</b>		<b>40</b>	<b>10</b>

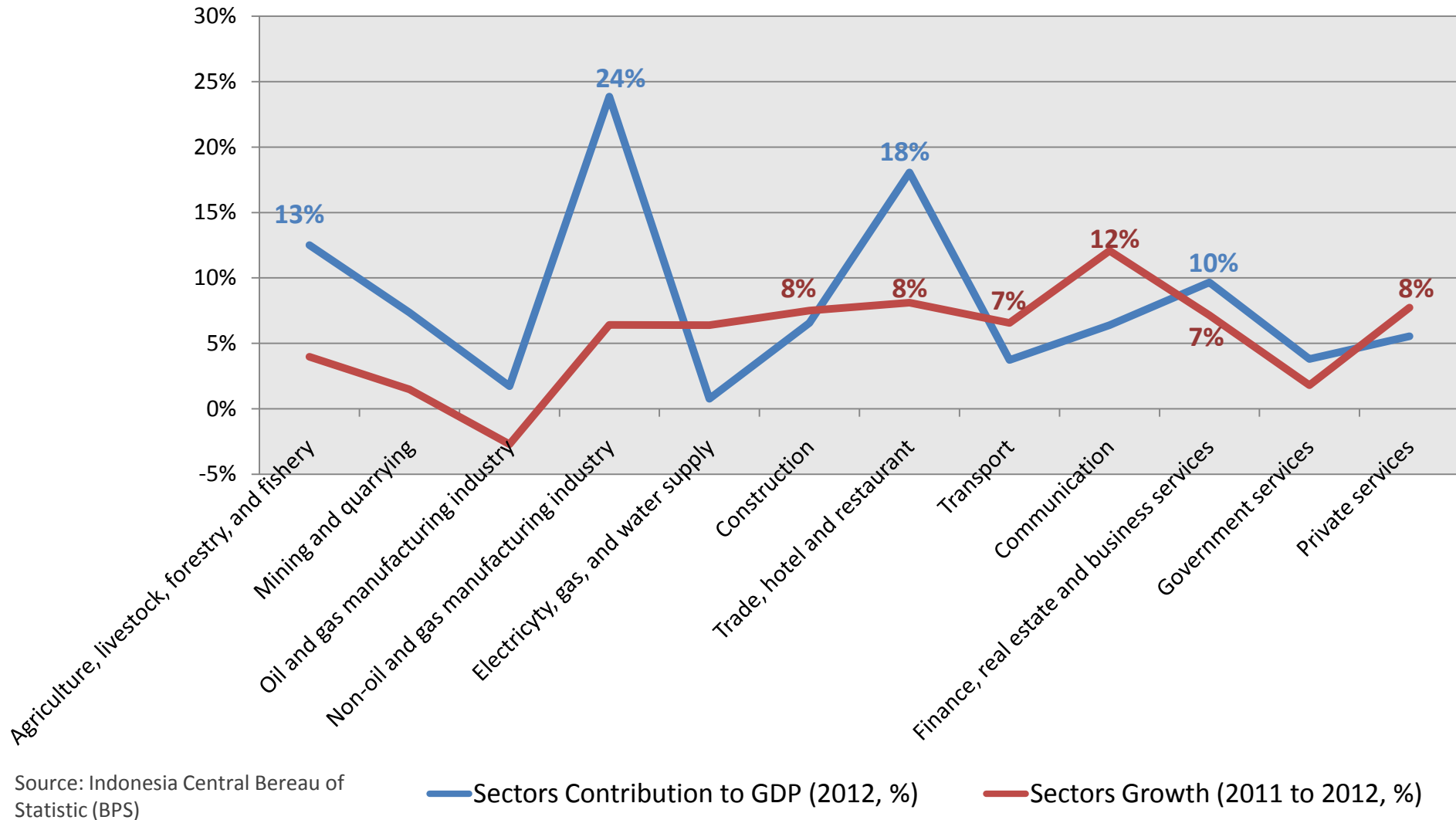
### Negative Investment List Presidential Regulation No.36 of 2010

- The regulation come into force as of May 2010
- The Negative Investment List is reviewed every 3 years
- **40 business sectors** are **more open** for investors

\*) Including business field open with condition for ASEAN Investors



# Sectors Growth and Its Contribution to GDP, 2012 At Constant Market Prices of 2000



Source: Indonesia Central Bureau of Statistic (BPS)

— Sectors Contribution to GDP (2012, %)

— Sectors Growth (2011 to 2012, %)



16th-largest economy in the world

45 million members of the consuming class

53% of the population in cities producing 74% of GDP

55 million skilled workers in the Indonesian economy

\$0.5 trillion market opportunity in consumer services, agriculture and fisheries, resources, and education



McKinsey Global Institute:  
*The Archipelago Economy:  
 Unleashing Indonesia's  
 Economic Potential*  
 September 2012

## Why Indonesia Indonesia Today...

### Indonesia has performed impressively over the past decade

Overview of OECD and BRIC<sup>1</sup> plus South Africa

Rank	GDP 2011, current prices \$ trillion	Real GDP growth, 2000-10 %	GDP growth standard deviation, annualised, 2000-10 %	Share of debt to GDP, 2009 %	Inflation rate, 2011 %; GDP deflator
1	United States 15.1	China 11.5	<b>Indonesia 0.86</b>	Russia 8.7	Japan -2.0
2	China 7.3	India 7.7	Australia 0.95	Estonia 9.0	Czech Republic -0.7
3	Japan 5.9	<b>Indonesia 5.2</b>	Portugal 1.48	Luxembourg 12.8	Ireland -0.4
4	Germany 3.6	Russia 4.9	Norway 1.56	China 16.5	Germany 0.7
5	France 2.8	Slovakia 4.9	France 1.59	Australia 24.1	Switzerland 0.7
6	Brazil 2.5	South Korea 4.2	New Zealand 1.70	<b>Indonesia<sup>2</sup> 25.0</b>	Slovenia 0.8
7	United Kingdom 2.4	Turkey 4.0	Belgium 1.74	Czech Republic 32.0	Denmark 0.9
8	Italy 2.2	Poland 3.9	Switzerland 1.78	Norway 35.4	Sweden 0.9
9	Russia 1.9	Estonia 3.8	Canada 1.82	Slovakia 38.2	Portugal 1.0
10	Canada 1.7	Chile 3.7	India 1.85	Denmark 40.8	Italy 1.3
11	India 1.7	Brazil 3.6	South Korea 1.98	Sweden 44.2	Netherlands 1.4
12	Spain 1.5	South Africa 3.5	Poland 2.00	Spain 46.4	Spain 1.4
13	Australia 1.5	Czech Republic 3.4	China 2.02	Germany 47.6	France 1.6
14	Mexico 1.2	Israel 3.1	Netherlands 2.09	Poland 48.1	Greece 1.6
15	South Korea 1.1	Australia 3.1	United States 2.10	Turkey 51.4	Slovak Republic 1.6
16	<b>Indonesia 0.8</b>	Slovenia 2.8	South Africa 2.14	Canada 53.1	(36) S. Africa 7.8
17	Netherlands 0.8	Luxembourg 2.8	Austria 2.14	India 53.7	<b>(38) Indonesia 8.4</b>
18	Turkey 0.8	New Zealand 2.6	Italy 2.17	Netherlands 58.2	(39) Turkey 9.0

<sup>1</sup> Organisation for Economic Co-operation and Development; Brazil, Russia, India, and China.

<sup>2</sup> Based on 2011 debt level.

SOURCE: Conference Board Total Economy Database; IMF; World Bank; McKinsey Global Institute analysis





## Why Indonesia

# Indonesia Today... and Indonesia in 2030

16th-largest economy in the world

45 million members of the consuming class

53% of the population in cities producing 74% of GDP

55 million skilled workers in the Indonesian economy

\$0.5 trillion market opportunity in consumer services, agriculture and fisheries, resources, and education

7th-largest economy in the world

135 million members of the consuming class

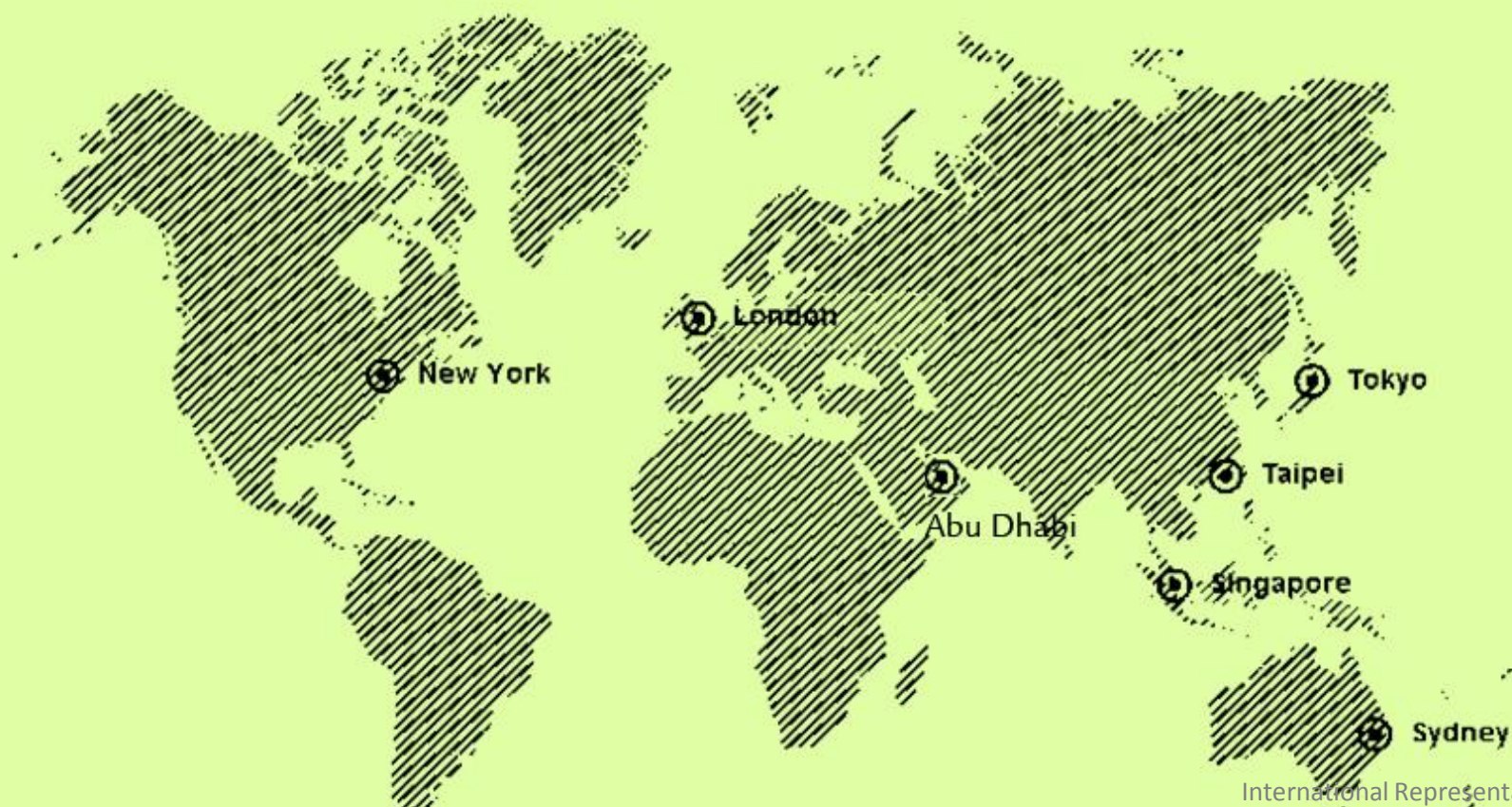
71% of the population in cities producing 86% of GDP

113 million skilled workers needed

\$1.8 trillion market opportunity in consumer services, agriculture and fisheries, resources, and education



McKinsey Global Institute  
September 2012



International Representatives Office

**THANK YOU**

## **Badan Koordinasi Penanaman Modal (BKPM)**

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invest in  
**remarkable  
indonesia**

*The Investment Coordinating Board of the Republic of Indonesia*

# Maintaining Indonesia Investment Attractiveness

## PPP Book: The Guidance for Infrastructure Development



### I Potential Project

- Conformity with the national/regional mid-term development and the infrastructure sectors strategic plan
- Conformity of the projects location with the Regional Spatial Planning
- Linkage between the infrastructure sectors and the regional areas
- Cost recovery potential
- Preliminary study

### II Priority Project

- Included in PPP Potential Project Plan or proposed by contracting as unsolicited project
- Based on Pre-Feasibility, the project is feasible from legal, technical, and financial aspect
- Risk identification and allocation has been identified
- PPP mode has been defined
- Government support has been identified (for marginal projects)

### III Ready for Offer Project

- Bidding document has been completed
- PPP procurement team has been established and ready to operate
- Procurement schedule has been defined
- Government support has been approved (if required)

Potential  
Project

Priority  
Project

Ready for  
Offer  
Project



# Maintaining Indonesia Investment Attractiveness

## MP3EI: The Guidance for 15 years Economic Development



### MASTERPLAN

#### ACCELERATION AND EXPANSION OF INDONESIA ECONOMIC DEVELOPMENT 2011-2025



REPUBLIC OF INDONESIA

#### Basically MP3EI is based on these strategic initiatives:

1. Encourage a large scale investment realization in 22 main economic activities
2. Synchronization of national action plan to revitalize the real sector performance
3. The development of center of excellence in 6 (six) economic corridors

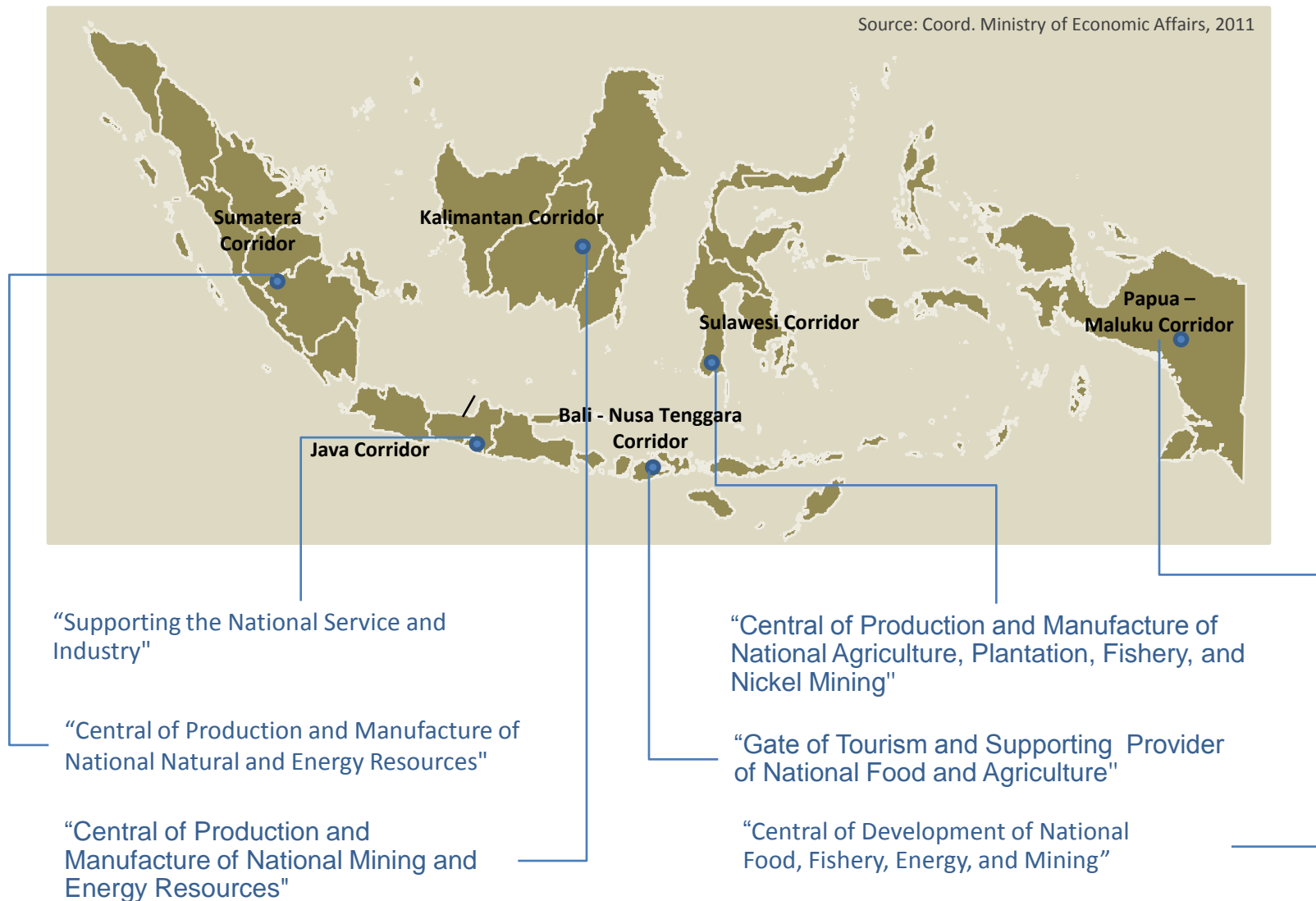
#### Main strategy of MP3EI:

1. Economic potential development through economic corridor
2. Strengthening the national connectivity
3. Strengthening national human resources capability and science and technology



## Overcome the Challenges: Knowing Our Potential

Source: Coord. Ministry of Economic Affairs, 2011





# 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).
- Rolling-out of **Electronic Information Services** and Investment Licensing (SPIPISE) in **105 PTSP**.
- Launching of the **National Single Windows** for Investment.
- Establishing an **Investor Relation Unit** at BKPM for information facilitation and queries handling from existing and potential investors.
- Implementing a **regional champion** program to help select local governments accelerate investments in their respective regions.
- Launching of **investment tracking system**.

## TAX REFORMS

- An acceleration of the **VAT refund** system for exporters
- Establishment of a complaint management system and a code of conduct for tax officials



## Investment Policy and Facility

### VAT FACILITIES

- **Government Regulation No. 12 of 2001 jo No. 31 of 2007**
- Exemption of value added tax of imported capital goods, machinery, or equipment (except spare parts) which cannot be produced domestically
- Submit tax-free letter to the Director General of Taxes

### LAND ACQUISITION BILL

- In December 2011, parliament passed a **new land acquisition bill** (stipulated as Law No 2/2012) which provides certainties in land pricing and timing of land acquisition process.
- This **will accelerate the construction** of desperately needed roads, ports and airports to better connect an archipelago of 17,500 islands spanning some 5,000 kilometers.

### TAX ALLOWANCE

- **Government Regulation No.52 year 2011,**
- 30% **reduction of corporate net income** based on investment value for six years, 5% each year.
- The imposition of **income tax on dividends** paid to foreign tax subject amounting to **10%**, or a lower rate according to Tax Treaty Agreement.
- Tax facilities that could be granted to investors under certain conditions has been issued. By this regulation, the **tax allowance** will be **eligible for 129 business segments**, expanded from 38 segments in the previous regulation.



## Investment Policy and Facility

- **MoF Regulation No.176/PMK.011/2009** granted import duty facilities to selected industries which produce goods or services.
- Exemption from import duty on the import of machines for a period of 2 (two) years.
- Exemption from import duty on the imports of goods and materials for production for a maximum period of 2 (two) years.
- Exemption from import duty on the imports of goods and materials for production for a period of 4 (four) years, is granted to a company which is using the locally-produced machines at least 30% of the total value of machines for its production.
  - Service industry which is eligible for the facility:
    1. Tourism and culture
    2. Transportation (for public transportation services)
    3. Public health services
    4. Mining
    5. Construction
    6. Telecommunication
    7. Port
- Exemption from import duty may be granted to the extent that **the machines, goods and materials:**
  - are **not produced in Indonesia**;
  - are produced in Indonesia but the they **do not meet the required specifications**;
  - are produced in Indonesia but the quantity is **not sufficient** for the need of the industry, pursuant to the list of machines, goods and materials as determined by the minister who is in charge of industry.

### IMPORT DUTY FACILITIES



# Fiscal Incentives: Tax Holiday (Minister of Finance Regulation No. 130 Year 2011)



## TAX HOLIDAY

- There is now a legal umbrella for Tax Holiday in Government Regulation No.94/2010 on Taxable Income Calculation and Payment of Income Tax in Current Year (Tax Holiday that is mentioned in Chapter VIII: Facilities Exemption or Reduction of Income Tax in the Framework of Investment).
- Tax Holiday incentive mechanism was regulated by Minister of Finance Regulation No. 130/PMK.011/2011.
  1. Tax exemption for a period 5 to 10 years after a company or project begins commercial production (100% realization and have the permanent license/IUT).
  2. Tax holiday may be granted for a maximum period of 10 (ten) of the Fiscal Year and at least 5 (five) Fiscal Year, commencing from the commencement of commercial production of the Fiscal Year. Following this period, investors could be offered an additional 50% corporate income tax reduction for 2 years after the tax holiday period (12.5 % of income tax for 2 years).
  3. Tax holiday is offered for following pioneer industries

No.	Industry*
1	Manufacture of basic metal
2	Petroleum refining industry and / or organic basic chemicals derived from petroleum and natural gas
3	Machinery
4	Industry of renewable resources
5	Manufacture of communication equipment

4. The requirements are: minimum investment of Rp 1 trillion; having been legalized at least 12 months before the Regulation on Tax Holiday been issued (Maximum or less than 12 months); and must deposit at least 10% of the proposed investment in an Indonesian Bank.



## Non - Fiscal Incentives

### INTEGRATED ONE STOP SERVICES IN INVESTMENT SECTOR (PTSP)

#### Regulations :

- Presidential instruction No. 1/2010 concerning Acceleration of Implementation National Development Priority
- Presidential Decree No. 27/2009 concerning Integrated One Stop Services in Investment Sector

#### The aims :

- To cut bureaucratic procedures;
- Allow investors to process business license faster;
- Accelerate and simplify the procedures of investment; and
- Reduce administration fees

### ELECTRONIC INVESTMENT LICENSING AND INFORMATION SERVICE SYSTEM (SPIPISE)

#### Regulations :

- Chairman of Investment Coordinating Board Decree No. 14/2009 concerning
- Electronic Investment Licensing and Information Service System (SPIPISE)

#### The aims :

- Ease of licensing process tracking,
- Single submission of data & information
- Single and synchronous processing of data and information
- Single Decision-making for investment information & licensing process

## IMPLEMENTATION OF ONE STOP SERVICE (OSS)





# BKPM Initiatives to Boost Investment (1)

### Enhancement of One-Stop-Service (PTSP)

- Improvement of front office and back office services (simplicity, efficiency, pro-business).
- Launching of investment tracking system.
- Synchronization of services in central and local one-stop-service (PTSP).
- Rolling-out of Electronic Information Services and Investment Licensing (SPIPISE) in 105 PTSP.
- Interconnection between SPIPISE and National Single Window (NSW).
- “Regional champion” program.

### Improvement of Role of BKPM as Clearing House

- Improving the roles of Investor Relations Unit (IRU) and help desk.
- Facilitation of major investment projects.

### Enhancement of Investment Promotion

- Market Intelligence in non-traditional markets.
- Branding “invest in remarkable Indonesia” in international media.
- Targeted promotion for strategic investors, opinion makers, and think tanks.
- Integrated promotion (TTI) to support Indonesian economic diplomacy.
- Facilitation of promotion of local regions.
- Market sounding of PPP infrastructure projects.



## **BKPM Initiatives to Boost Investment (2)**

### **Enhancement of Investment Cooperation**

- Completing negotiations with ASEAN and partner countries, MoU with government institutions, and business institutions.
- Improving coordination with line ministries on bilateral, regional, and multilateral issues to facilitate investment-friendly regulations.
- Enhancing the socialization of bilateral, regional, and multilateral agreements to stakeholders.

### **Enhancement of BKPM's Role in Deregulating and Debottlenecking Investment-Related Regulations**

- Launching of investment incentive regulations.
- Improvement of negative investment list (DNI).
- Facilitation of sectoral regulations (divestment in mining industry, renegotiation of contract of work).
- Improvement of regulations on PPP in infrastructure.
- Synchronization of local and national regulations.
- Improvement of role of Export and Investment Improvement team (PEPI)