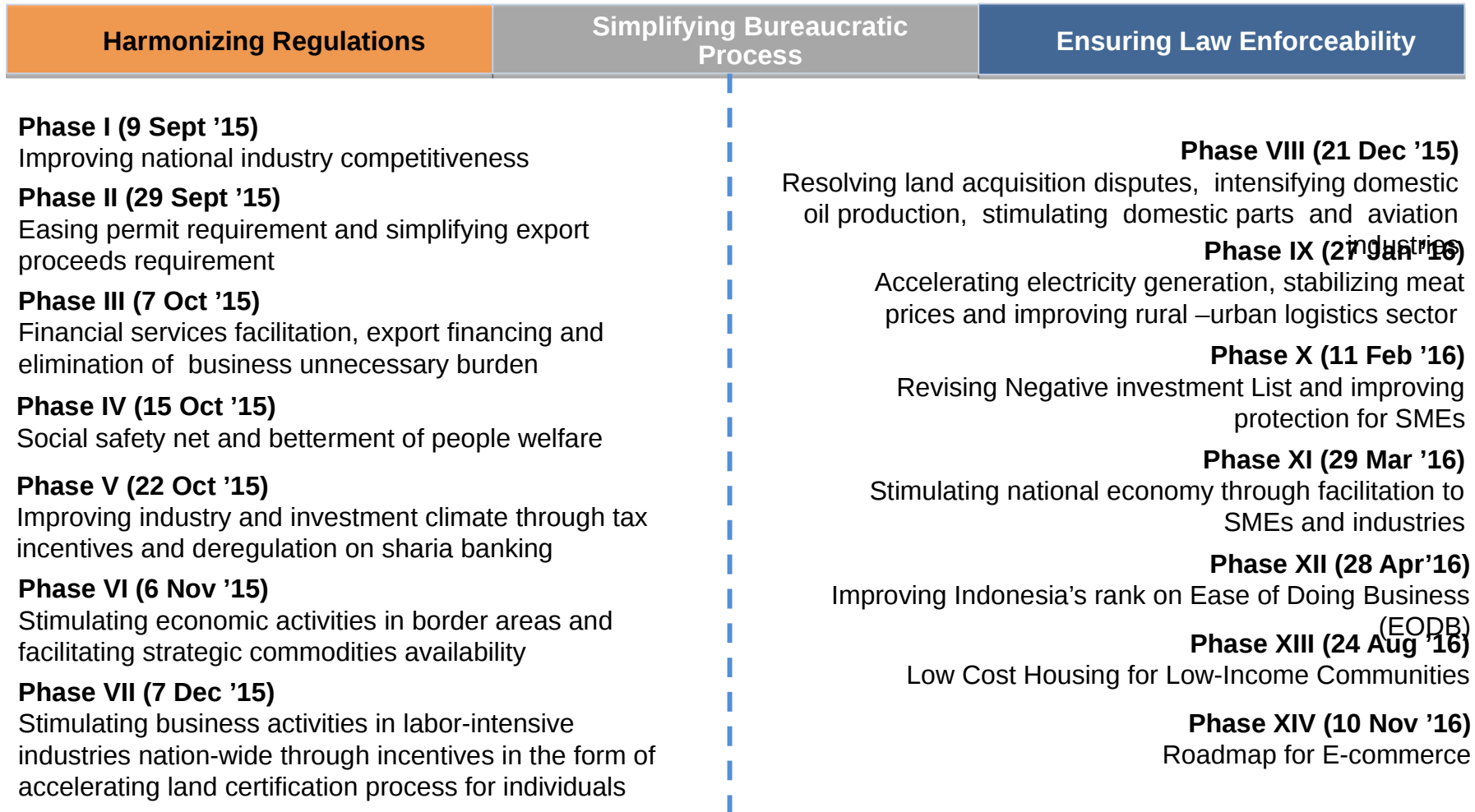




Institutional and Government Effectiveness: Accelerated Reforms Agenda with Institutional Improvement

The Economic Policy Packages

“To improve national industry competitiveness, export and investment to generate significant economic growth”



Thematic Policy Issues on Deregulation

Six policy issues under Packages I-XIII:

improvement of



industry
competitiveness

improvement of



society's
purchasing power

widening of



investment

expansion of



export

efficiency of



logistics sector

improvement of



tourism sector

Next Phase of Policy Packages based on Sectoral and Thematic Issues

Education and
Vocational
Training

Logistics

Agrarian reform

Energy

Industry,
Manufacture,
Tourism, Fishery &
Service sector

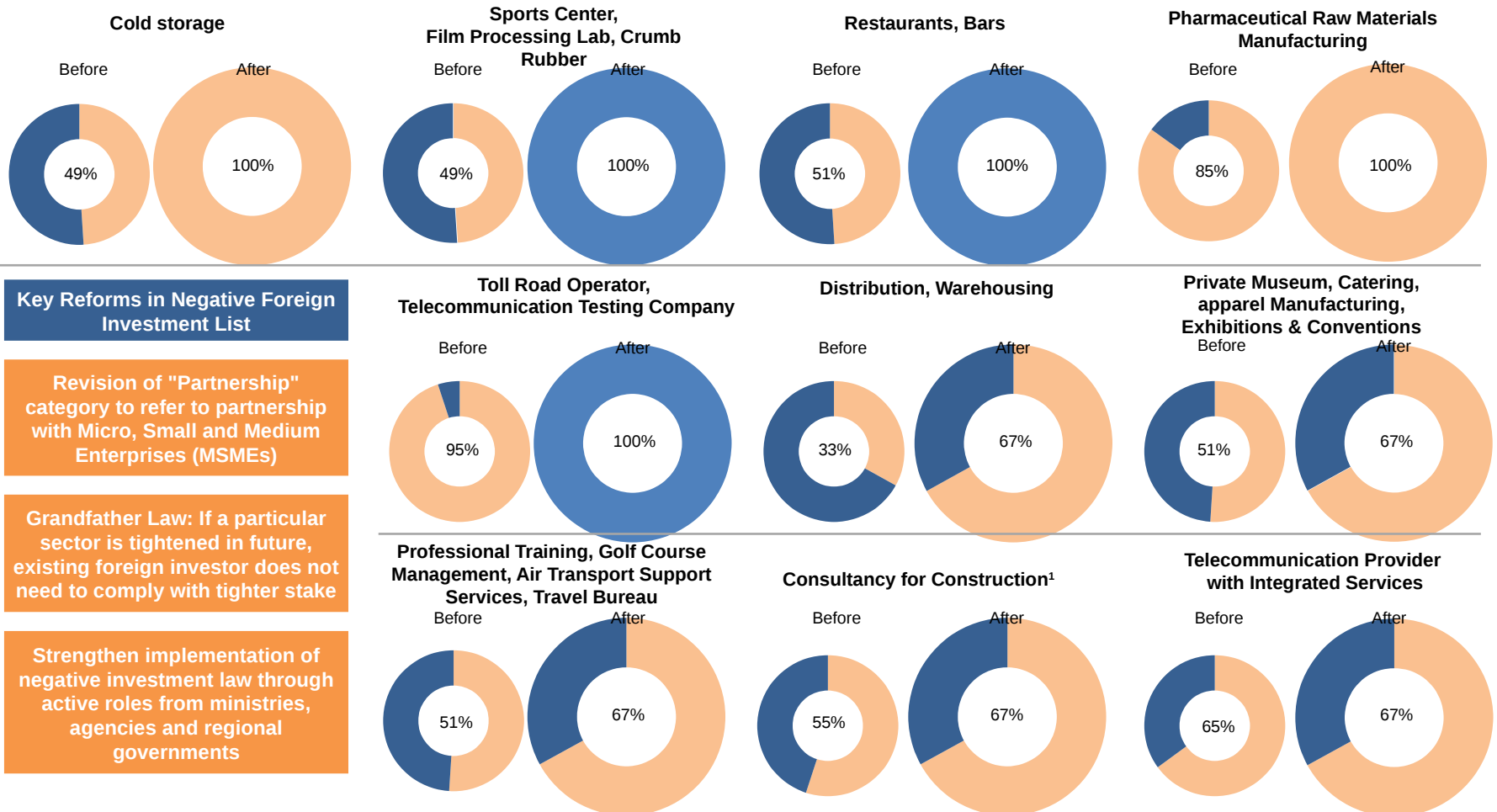
Food

Invention, Innovation
and Creative
Economy

‘The Big Bang’ Policy on Relaxation of Foreign Investment

...promoting competition and growth from investments

Introduction of New Foreign Ownership Regulation for Strategic Sectors



Key Reforms in Negative Foreign Investment List

Revision of "Partnership" category to refer to partnership with Micro, Small and Medium Enterprises (MSMEs)

Grandfather Law: If a particular sector is tightened in future, existing foreign investor does not need to comply with tighter stake

Strengthen implementation of negative investment law through active roles from ministries, agencies and regional governments

¹ For total project value of IDR10bn and above

Improving Investment Climate:

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

Requirement for utilizing 3-hour Investment Licencing 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



No requirements for investment in infrastructure sector



- **Arrive** at OSS 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 the business

2 documents needed

Investor identity as the prospective shareholders

- ID Card
- And/or Deed of Establishment (Indonesian company) or Article of Association (Foreign company)

Flowchart of business activities workflow

- Containing workflow from raw material production to the finished products

9 documents obtained

Certainty to start a business

- Investment license
- Certificate of incorporation
- NPWP / Tax Registration Number
- 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

Until October 2016, more than 180 companies have utilized the “3 hours services”

Improving Investment Climate:

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

Priority Investment Service

Direct Construction

(KLIK)

Investors can directly start their project construction before obtaining construction permits. This service is supported by both **Central and Regional Governments** which become the first step to synergize between central and local licensing

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 OSS at national or regional level.

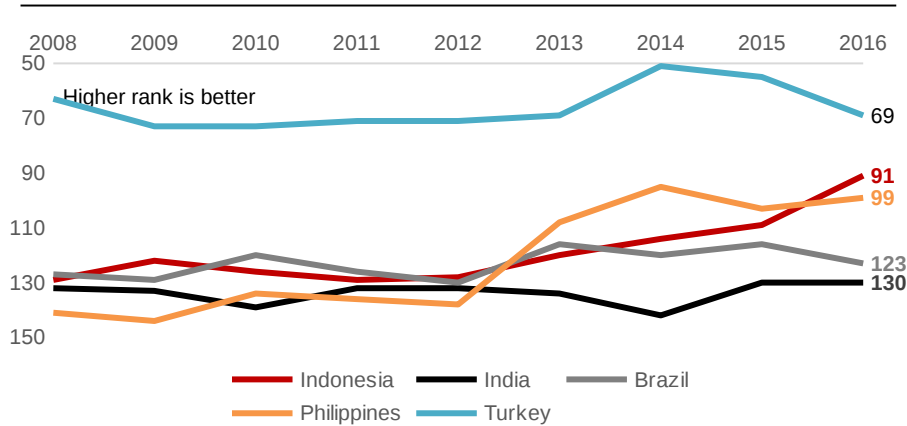
- **Survey** a land within selected industrial parks.
- **Acquire** the land for your industry.

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

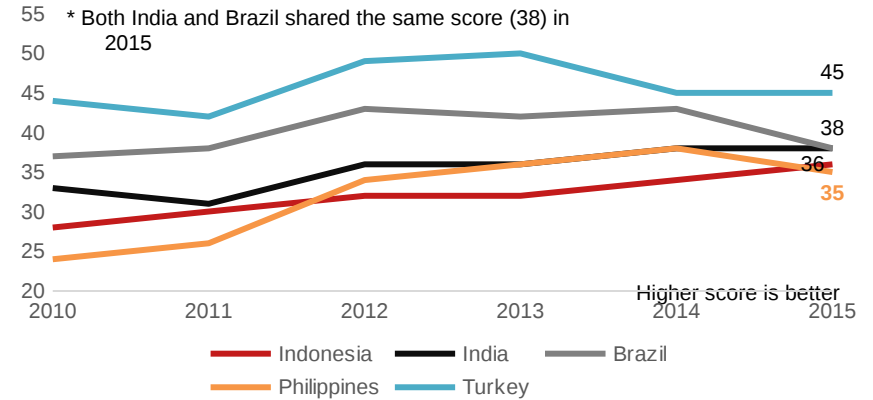
Until September 2016, 66 projects have utilized the “KLIK services”

Improving Global Perception

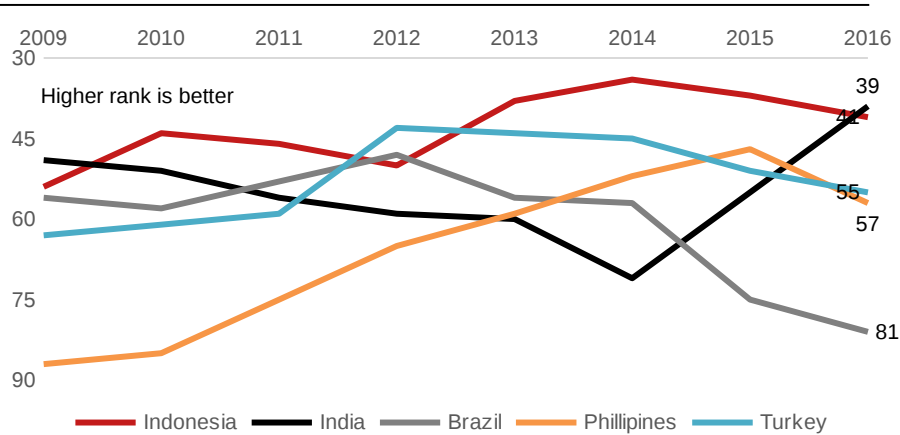
Ease of Doing Business¹



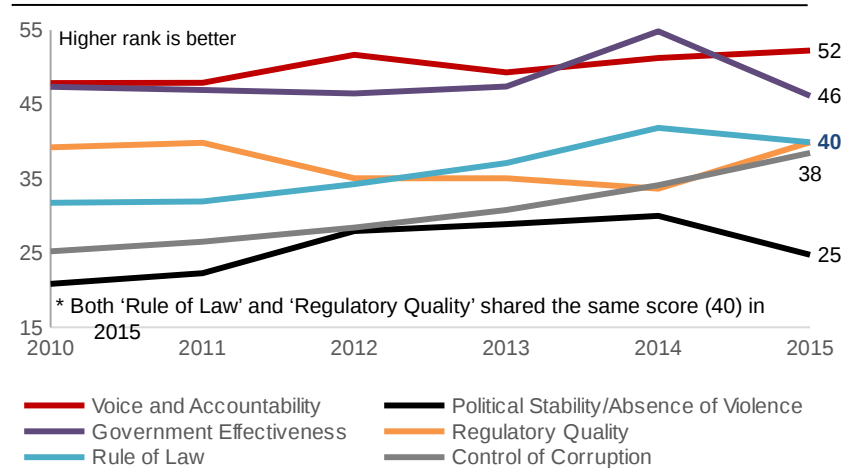
Corruption Perception Index²



Global Competitiveness Index³



World Governance Indicators¹



1. Source: World Bank;
2. Source: Transparency International;
3. Source: World Economic Forum

Strong Improvement in Ease of Doing Business Rank

	EODB 2017 Rank	EODB 2016 Rank	Change in Rank		EODB 2017 Points	EODB 2016 Points	Change in Points	
Overall	91	106	↑	15	61.52	58.51	↑	3.01
Starting a business	151	167	↑	16	76.43	67.51	↑	8.92
Dealing with Construction Permit	116	113	↓	3	65.73	65.26	↑	0.47
Getting Electricity	49	61	↑	12	80.92	77.60	↑	3.32
Registering Property	118	123	↑	5	55.72	53.24	↑	2.48
Getting Credit	62	70	↑	8	60.00	55.00	↑	5.00
Protecting Minority Investors	70	69	↓	1	56.67	56.67	=	0
Paying Taxes	104	115	↑	11	69.25	64.47	↑	4.78
Trading Across Borders	108	113		5	65.87	63.53	↑	2.34
Enforcing Contracts	166	171	↑	5	38.15	35.37	↑	2.78
Resolving Insolvency	76	74	↓	2	46.46	46.48	↓	0.02

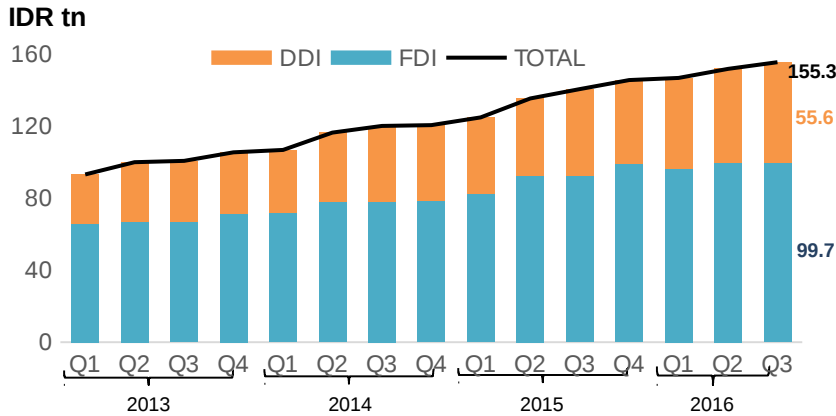
- Government efforts to boost business growth through deregulations and de-bureaucratization have been recognized by the improvement of EODB.

- Structural reforms will continue including in the budget and real sectors

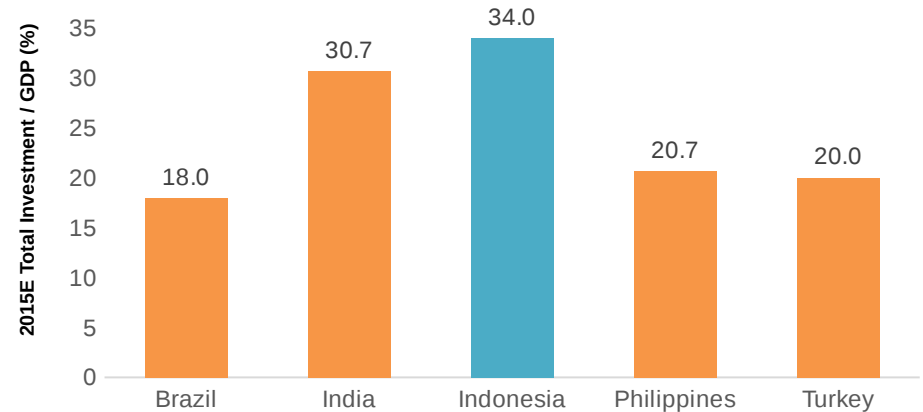
Source: World Bank

Indonesia Remains the Investment Destination of Choice

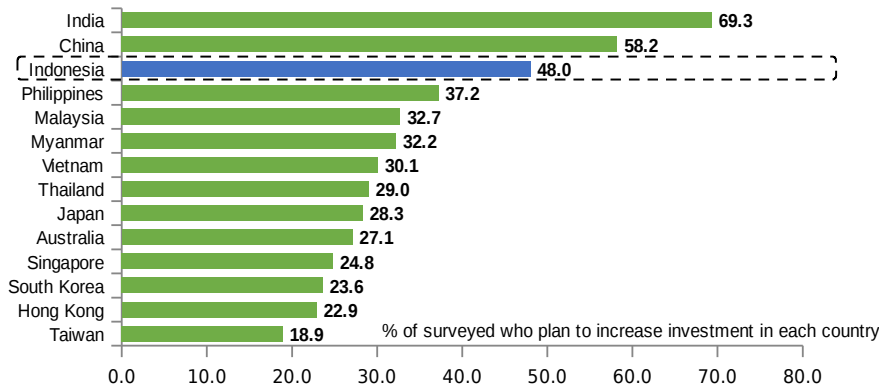
Rising Direct Investments¹



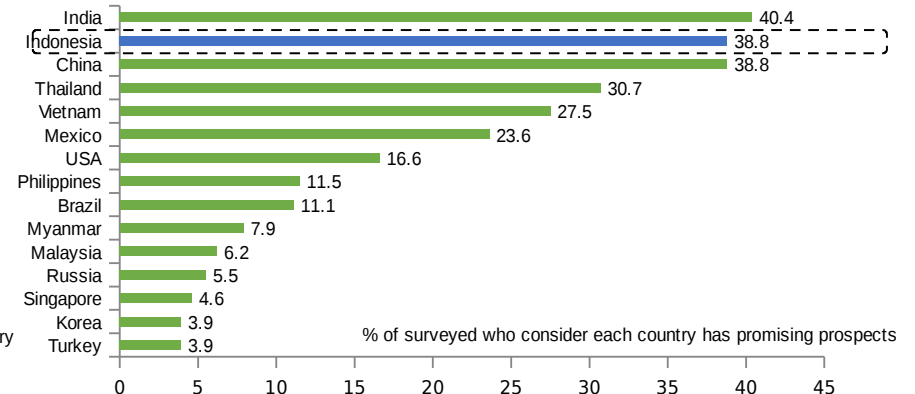
Indonesia Enjoys Large Investments Relative to Peers²



The Economist: Indonesia among the top 3 destination for attracting investors in Asia (January 2016)³



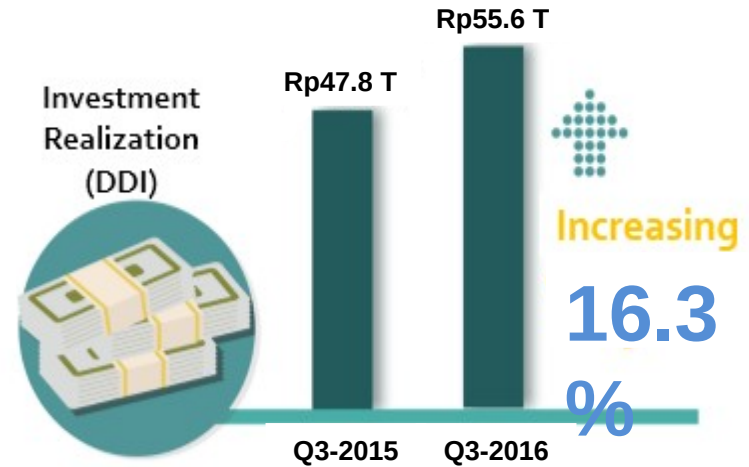
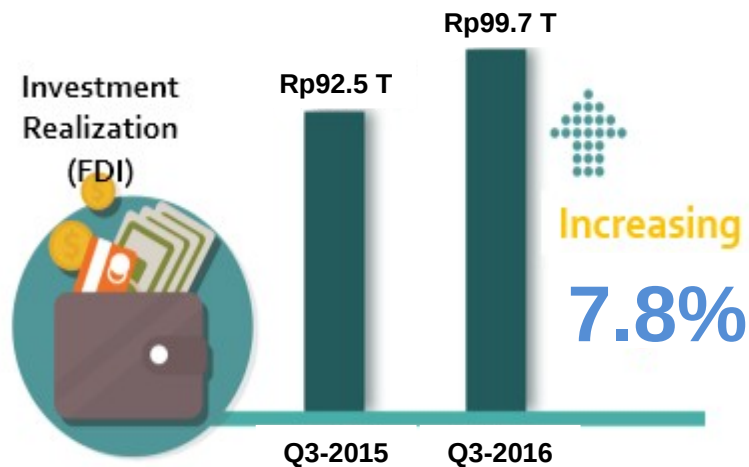
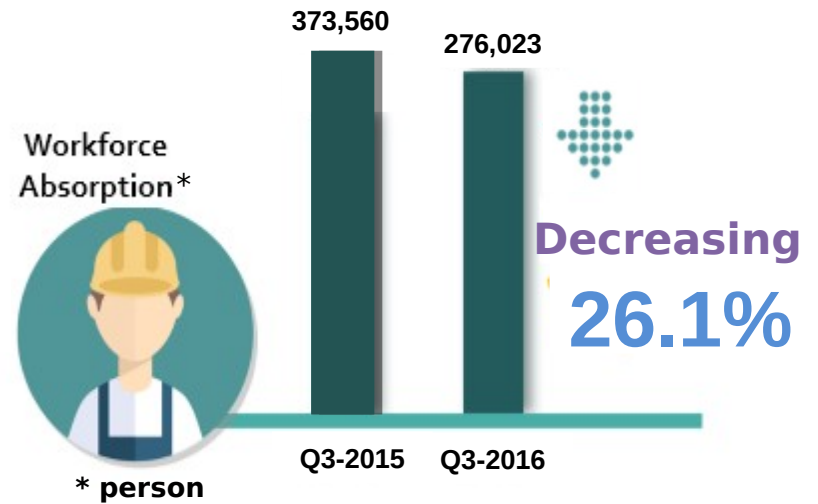
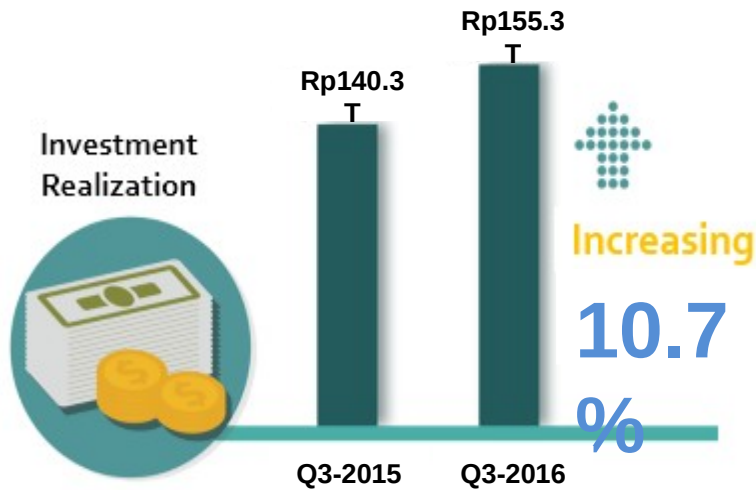
JBIC: Amongst ASEAN countries, Indonesia is the most preferred place for business investment (December 2015)⁴



1. Source: Indonesia Investment Coordinating Board (BKPM);
2. Source: IMF World Economic Outlook, Database April 2016;

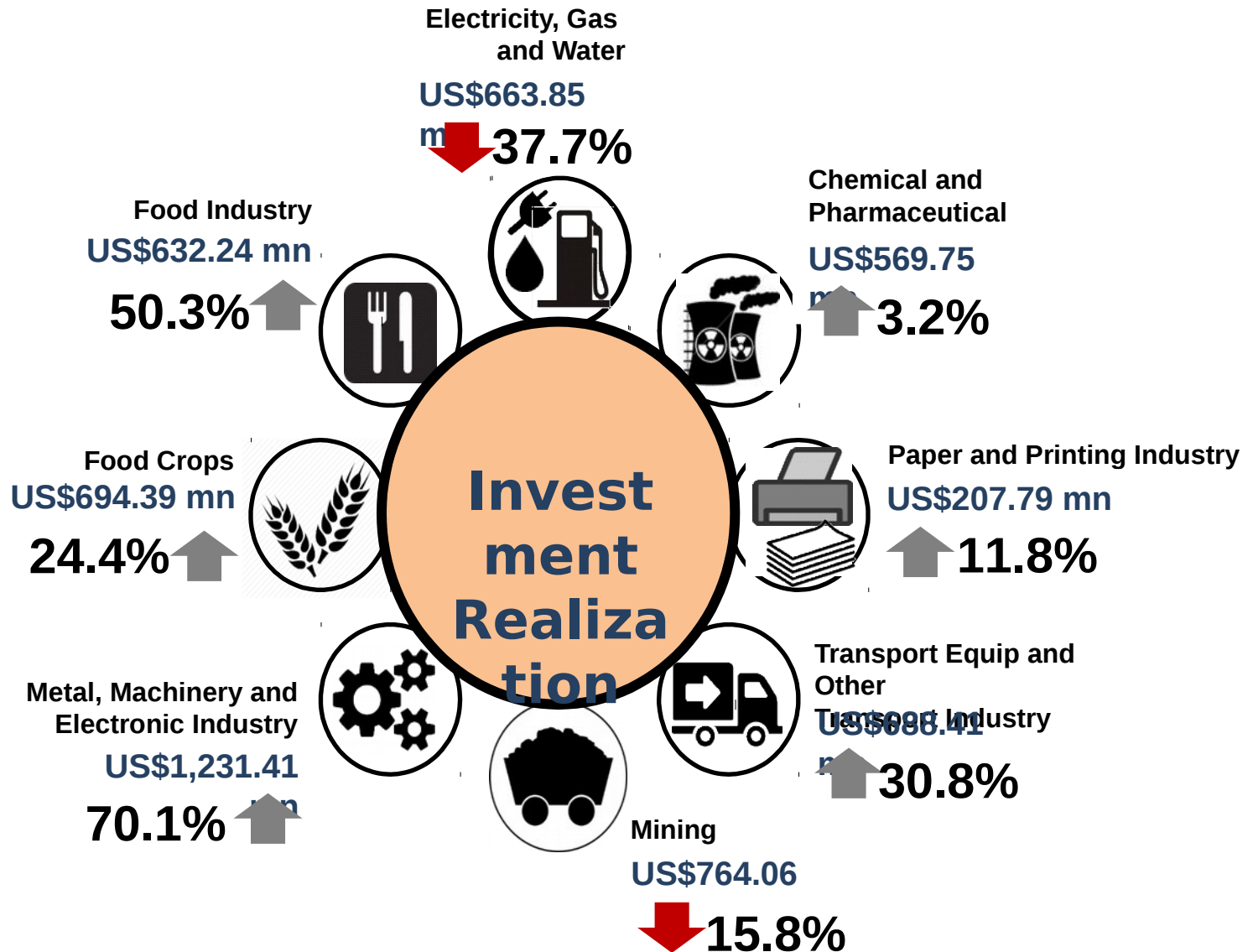
3. The Economist – Asia Business Outlook Survey 2016;
4. Source: JBIC – Outlook for Japanese Foreign Direct Investment (27th Annual Survey);

Improving Investment Realization (Q3-2016)

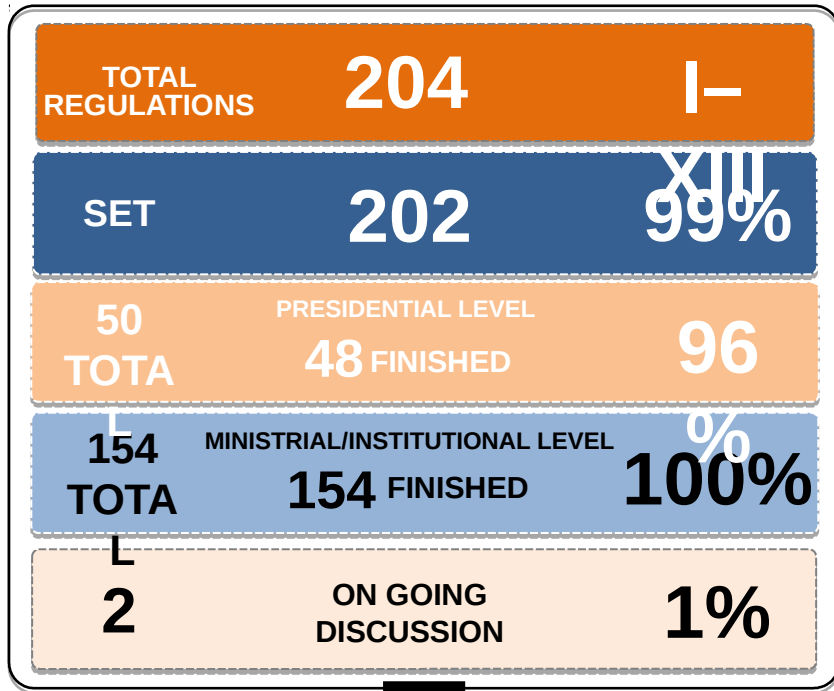



Source: Investment Coordinating Board (BKPM), compared to Q3-2015 period

FDI Realization by Sectors (Q3-2016)



Progress of the Economic Policy Packages



204 regulation has been deregulated 

As of 21 September 2016, deregulation of 202 regulations are finished (99%), comprising 48 regulations at Presidential level and 154 regulations at Ministrial/Institutional level

Unfinished regulation, (a) Proposed Presidential Regulation concerning Gas Buffer Enterprises (Agregator); and (b) Proposed Presidential Regulation concerning Acceleration on Housing Construction Lisencing for Low-Income Communities

TECHNICAL REGULATIONS

As of 21 September 2016, from total 26 technical regulations, **24 regulations are deregulated**, which left **2 regulation** in process of deregulation

Early Outputs: Positive Influence on Investment

1

Bonded Logistics Center (Pusat Logistik Berikat/ PLB)

Total 28 BLC has been launched, including airplane maintenance industry and oil

2

Investment Permit - 3 Hours

Granted for 130 companies with investment value of Rp. 291 T (as of October 2016) and 77.000 additional workforce

3

Industrial Zones (IZ)

- The Province of Central Java proposed 3 IZ's: Kendal, Demak, and Ungaran
- Pharmaceutical IZ in Bitung (North Sulawesi) in 2017

4

Wage Systems

14 Provinces have set 2016 Minimum Wage System in accordance to the Government Regulation (GR) No. 78/2015 (Kepri, Kalbar, NTB, Sumbar, Jambi, NAD, Kalsel, Banten, Gorontalo, NTT, Jabar, Bali, Sumut, and Babel).

5

Facilities and Incentives for SEZ

Total value of Rp 33.8 T (as of September 2016)

6

Export Financing/KURBE

Export of Train Wagon to Bangladesh

7

EoDB for SMEs

Streamline/Simplify permits and procedures which shorten lead time and costs in 10 indicators

8

Simplification of Fiscal Incentive Process

Used by 18 companies with average processing time of 13.4 days (previously 2 years)

9

SME's	Export	Product
Aggregator/Consolidator	Launched with maiden export from North Sulawesi through SOEs' Synergism Program	Launched with

10

Revision to Negative List (PP No. 44/2016)

Implemented since 24 June 2016 with participation of 527 companies with planned investment of USD 12.926 bn