

Update on Investment Policies and Opportunities in **Indonesia**

ICIEC Outlook on Food Security, Green
Economy, Tourism and FDIs in Member
Countries

Jeddah, 12 May 2023

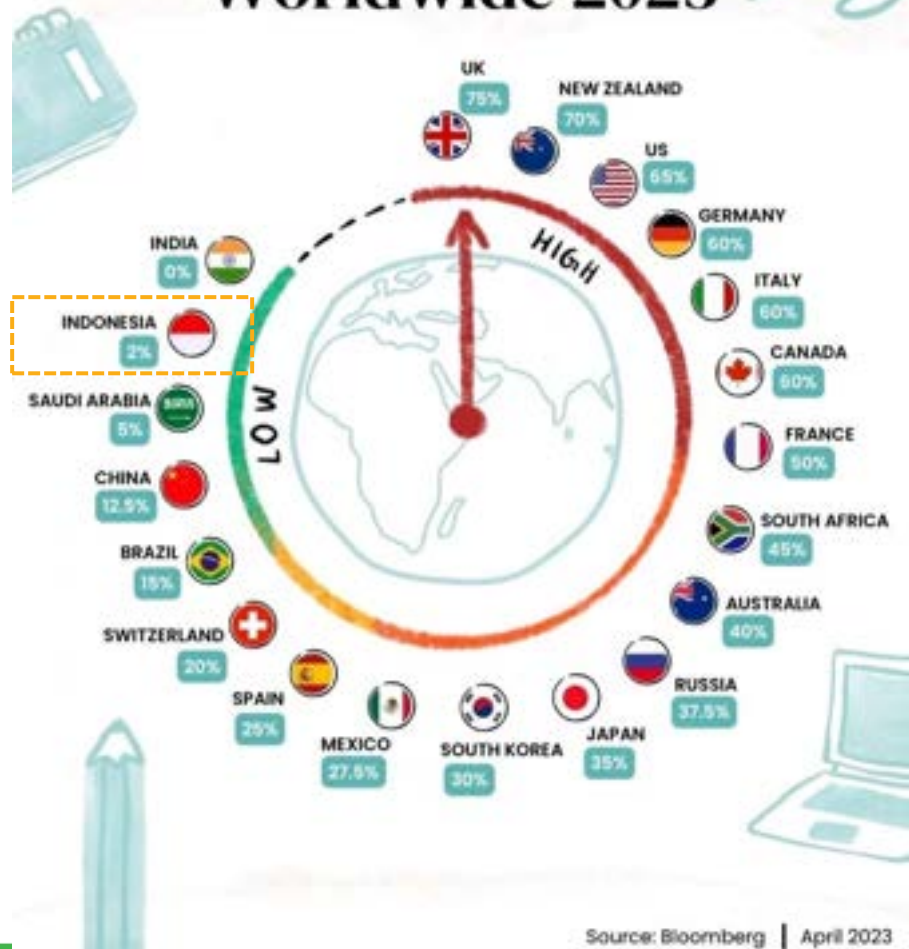
Nurul Ichwan

Deputi Minister for Investment Promotion
Ministry of Investment/BKPM

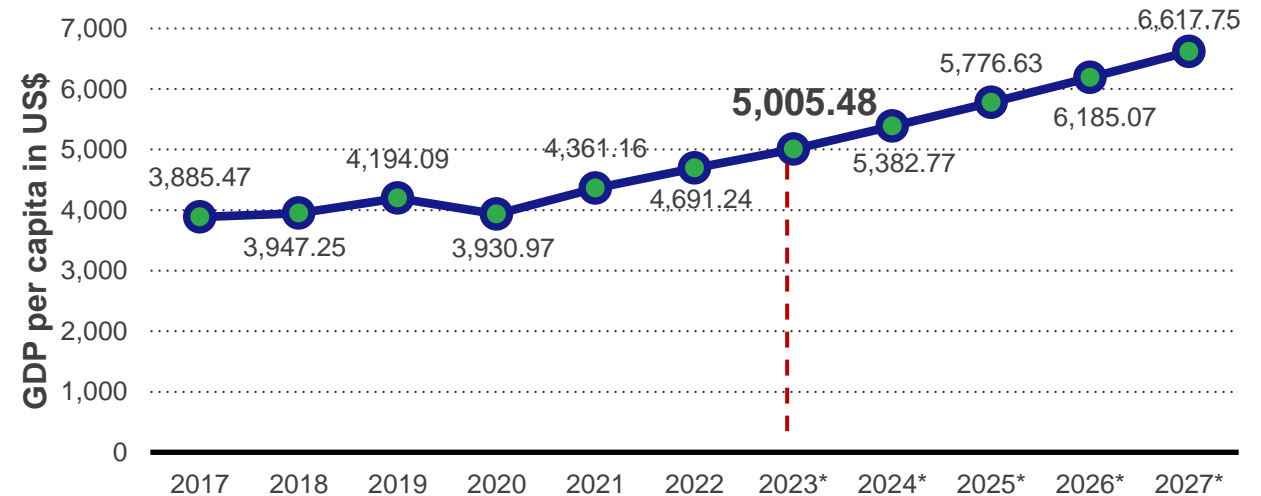
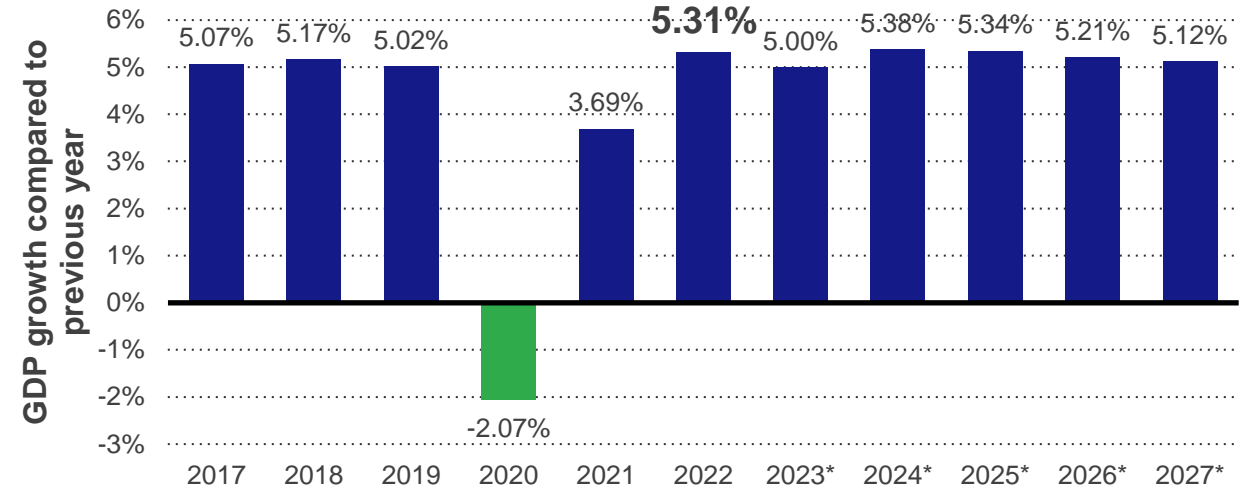


Indonesia: Member of G20 with resilient and growing economy

Recession Probabilities Worldwide 2023



Source: Bloomberg | April 2023



*) Estimated. Source: IMF and Statista, 2022.



The biggest market & gateway to Southeast Asia single market*

Collectively, ASEAN* offers 678 million of growing market and US\$3.9 trillion of economy.

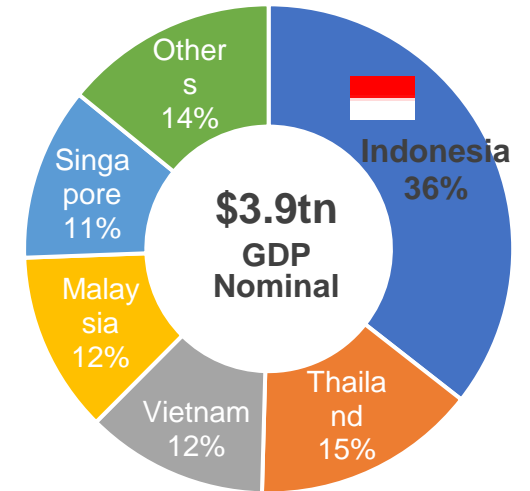
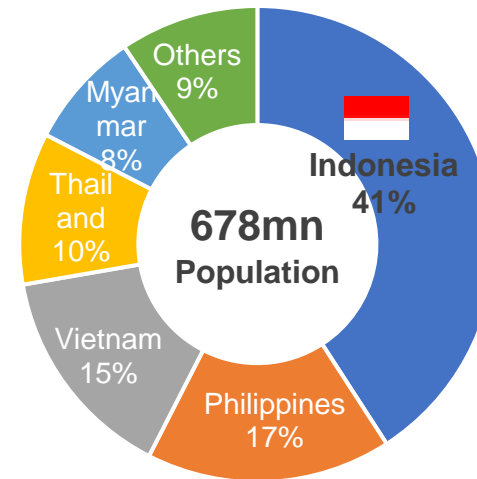


ASEAN* Member States



ASEAN* Population and GDP Nominal in 2022

At the heart of ASEAN, Indonesia represents **41% population** and **36% economy** of the region.



35
trade
agreements
concluded/
implemented

Beyond Southeast Asia, Indonesia is a production base for international market

Indonesia's FTAs include **RCEP** (with China, Japan, S. Korea, Australia, NZ) and **EFTA** (with Iceland, Liechtenstein, Norway, Switzerland). **Indonesia-EU CEPA** is targeted to be signed in 2024.

Image: ASEAN

*) ASEAN: Association of Southeast Asian Nation. The ASEAN Economic Community (AEC) envisions ASEAN as a single market and production base. Tariff rates for over 96% of traded products among the ASEAN countries are zero. Source: IMF and ASEAN, 2023.

Indonesian President's 5 Main Agenda for Indonesia's Future Economic Transformation



1. Downstreaming and industrialization of natural resources
2. Optimization of clean energy sources and green economy
3. Legal, social, political and economic protection for the people
4. MSMEs Upgrading and Empowerment
5. Construction of Indonesia's New Capital

Economic Transformation from Primary Sector Industries to Value-Added Industries

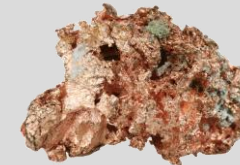
Export Ban of Unprocessed Minerals



Nickel (2020)



Bauxite (2023)



Copper (2023)



Tin (2023)



Natural Resources Based (primary) Economy

Focus on Natural Resources, such as nickel



Value-Added Based Economy

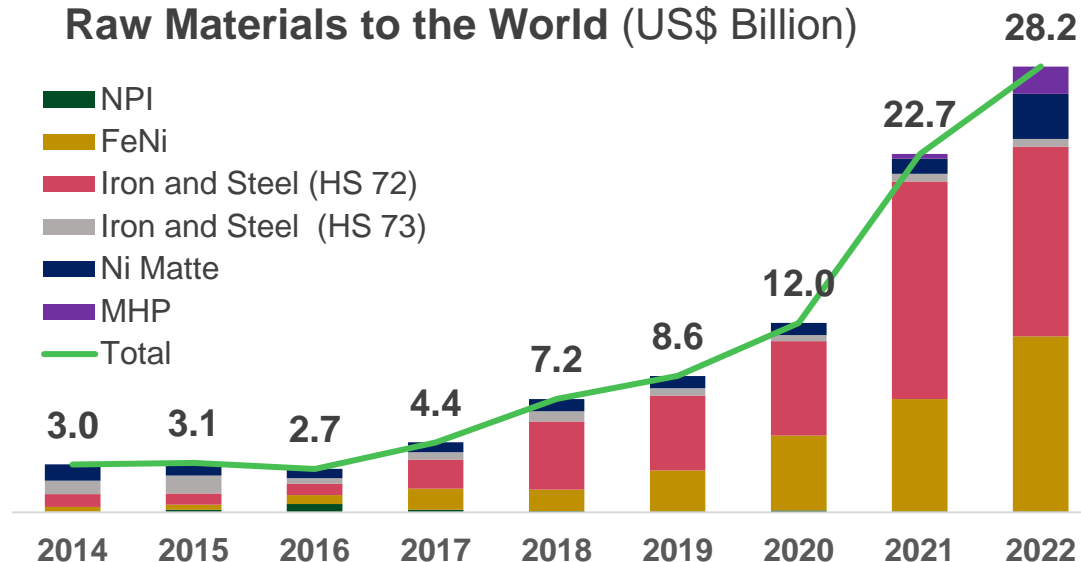


Focus on Downstream Industries

Economic Transformation from Primary Sector Industry to Value Added Based Industry (Downstream)

Mineral	Reserves		Production	
	Rank	Share*	Rank	Share*
Nickel 	1	22%	1	36%
Bauxite 	6	4%	6	4%
Copper 	10	3%	9	4%
Gold 	6	4%	10	3%
Tin 	2	17%	2	23%

Indonesian Exports of Steel and Battery Raw Materials to the World (US\$ Billion)



Sumber: United States Geological Survey, Trademap, CEIC, 2022. *) Share to Global

Nickel Downstream

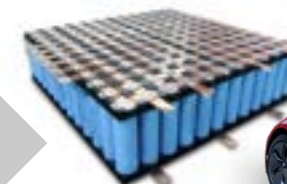
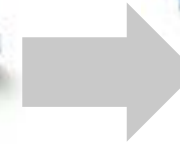
Raw material export ban 2023: Bauxite, Copper, Tin



Initial Ban
Raw Nickel Export



Current
Export of Iron & Steel



Future
Export of Battery & EV



Natural Resource Downstreaming towards Higher Value Added Products

Processing of Nickel to make electric vehicle batteries

Investment Collaboration
with State-Owned
Enterprise and National
Private Sector in the
precursor, cathode, and
electric batteries industries

Location:

Central Sulawesi, North
Maluku, Central Java

Commodity:



Nickel

Gasification of Coal into Dimethyl Ether (DME)

Investment plan in
collaboration with State-
owned And National
Private Sector in Coal
gasification industry and its
derivatives

Location:

Tanjung Enim, South
Sumatera

Commodity :



Coal

Processing natural gas into methanol and Fertilizer

State-owned and National
Private Sector investment
in the natural gas
processing industry into
Methanol and Fertilizer in
Fakfak, West Papua and
Bojonegoro, East Java

Location:

West Papua and
East Java

Commodity :



Natural gas

Industrialization and Downstreaming for Food Sector

The food sector is able to
create many new jobs and
also create new economic
growth areas.

Location:

Eastern Indonesia and
Kalimantann

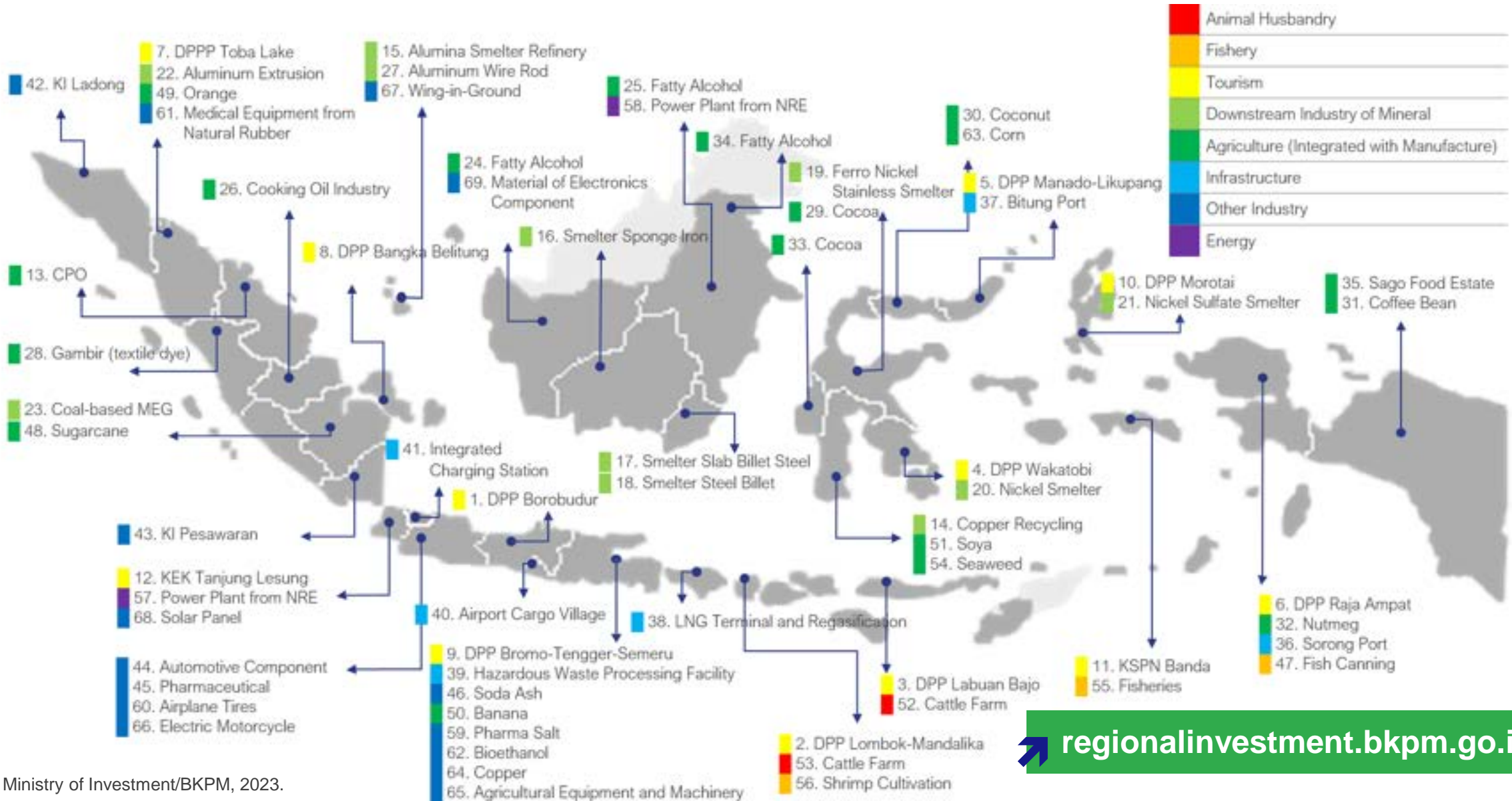
Commodity :



Food



69 ready-to-offer projects with pre-FS



regionalinvestment.bkpm.go.id

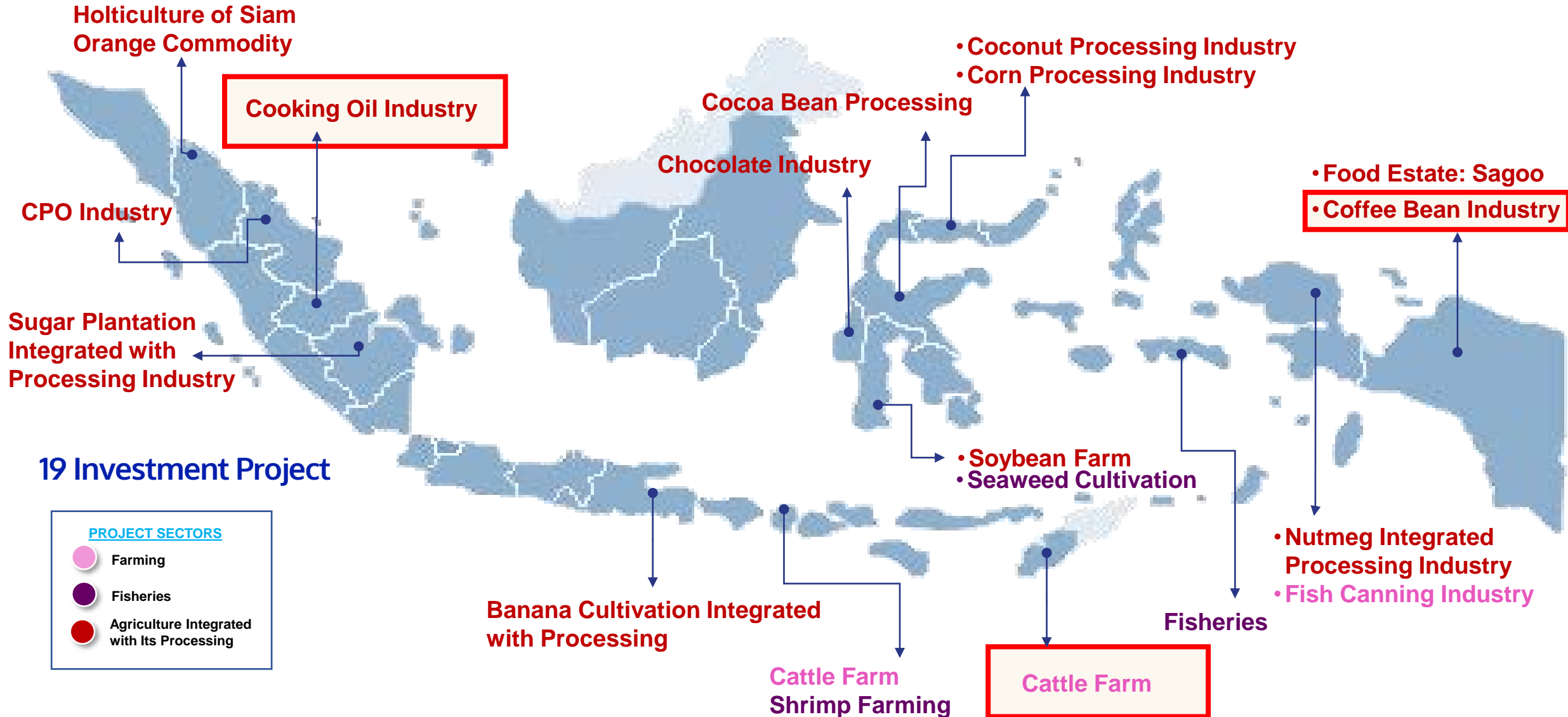
Source: Ministry of Investment/BKPM, 2023.



Regionalinvestment.bkpm.go.id



Farming, Agriculture and Fisheries Sustainable Investment Project





Agribusiness of Integrated Beef Cattle Farm

East Nusa Tenggara Province

Project Location

Central Amfoang District, Kupang Regency, East Nusa Tenggara Province



Land Area



Land Area
3.058 Ha

The estimated **rental** price of Land is USD 306.61/Ha/year

Land Area
10 Ha

The estimated **purchased** price of Land is USD 4,021.5/Ha

Land Status

The land owned by community and custom

Accessibility



KBLI

(Business Classification Registry)

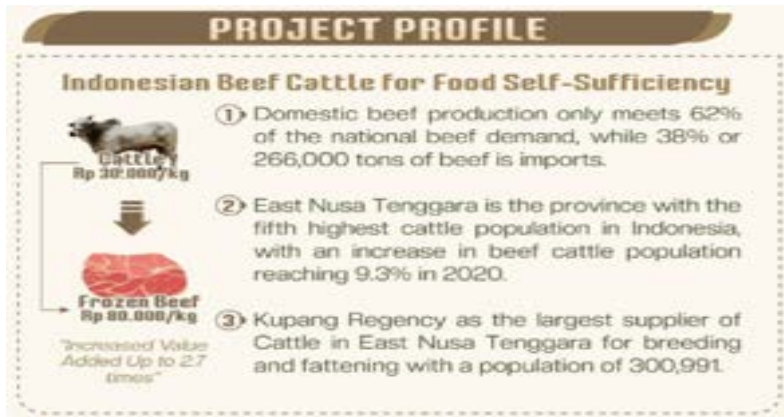
01191

01411

10110

10131

1080



Investment Value:

USD 45,63 Million*

10,05 percent

WACC
Weighted Average Cost of Capital

19,26 percent

IRR
Internal Rate of Return

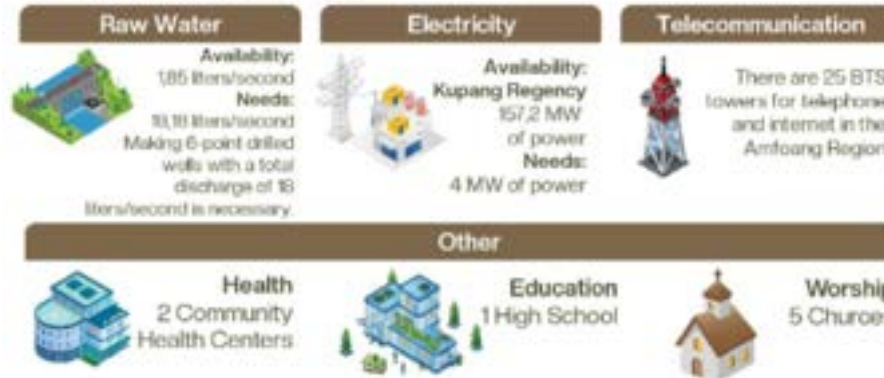
USD 2,62* million

NPV
Net Present Value

6 years
9 month

PP
Payback Period

Infrastructure



*USD 1 : Rp 14574,8

Wamena Arabica Speciality Roasted Coffee Bean & Cenderawasih Papua Ground Coffee

Jayapura Regency, Papua Province

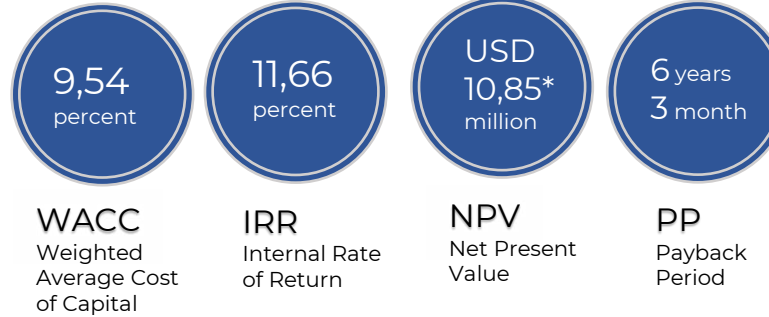
Project Profile

Arabica coffee in Papua Mountains has sweeter aroma than arabica coffee from other regions in Indonesia. This potential makes Papuan arabica coffee, especially from Wamena, expected domestic and foreign coffee fans to be the superior type of Papuan specialty coffee. Papuan arabica coffee is no less unique and needs to be better known throughout Indonesia as one of the variations of coffee with a distinctive taste.

*USD 1 : Rp 14574,8

Investment Value:

USD 24,08 Million*



Project Location
Boggrang Industrial Estate
 In Kemtuk District, (±98,8 Ha)

KBLI
10761

Industrial Estate
 Land for Rent **5 Ha**
 Factory Area **2,7 Ha**

Infrastructure



Tourism Sustainable Investment Project



Priority Tourism Destination Labuan Bajo

East Nusa Tenggara Province

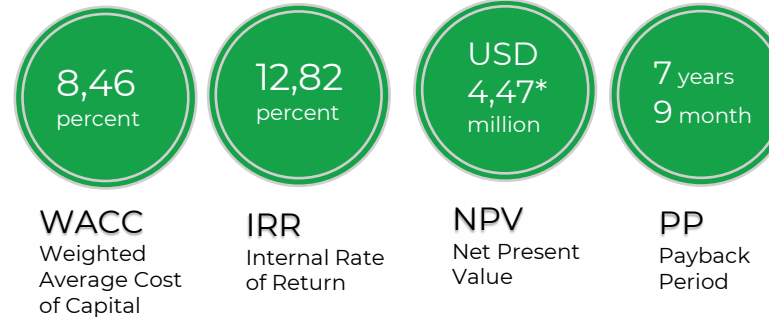
THE KELOR'S GATEWAY HOTELS AND VILLAS



The development of tourist area is carried out on dry land by building 5-star hotels, 4-star hotels, vilas, plazas, and culinary and shopping centers. The distance form Labuan bajo city is 14.4 km, with a travel time 36 minutes,

*USD 1 : Rp 14574,8

Investment Value: USD 74,95 Million*



 **Project Location**
Macang Tanggar Village,
Komodo District

 **KBLI Star Hotel**
55110

 **Land Offered**
Area of **28,308 m2**

Area Development Concept



POTENTIAL TOURIST ATTRACTIONS

-  NATURAL PANORAMA
-  TRAVEL ACTIVITIES
-  CULINARY
-  CULTURE
-  FISHER VILLAGE



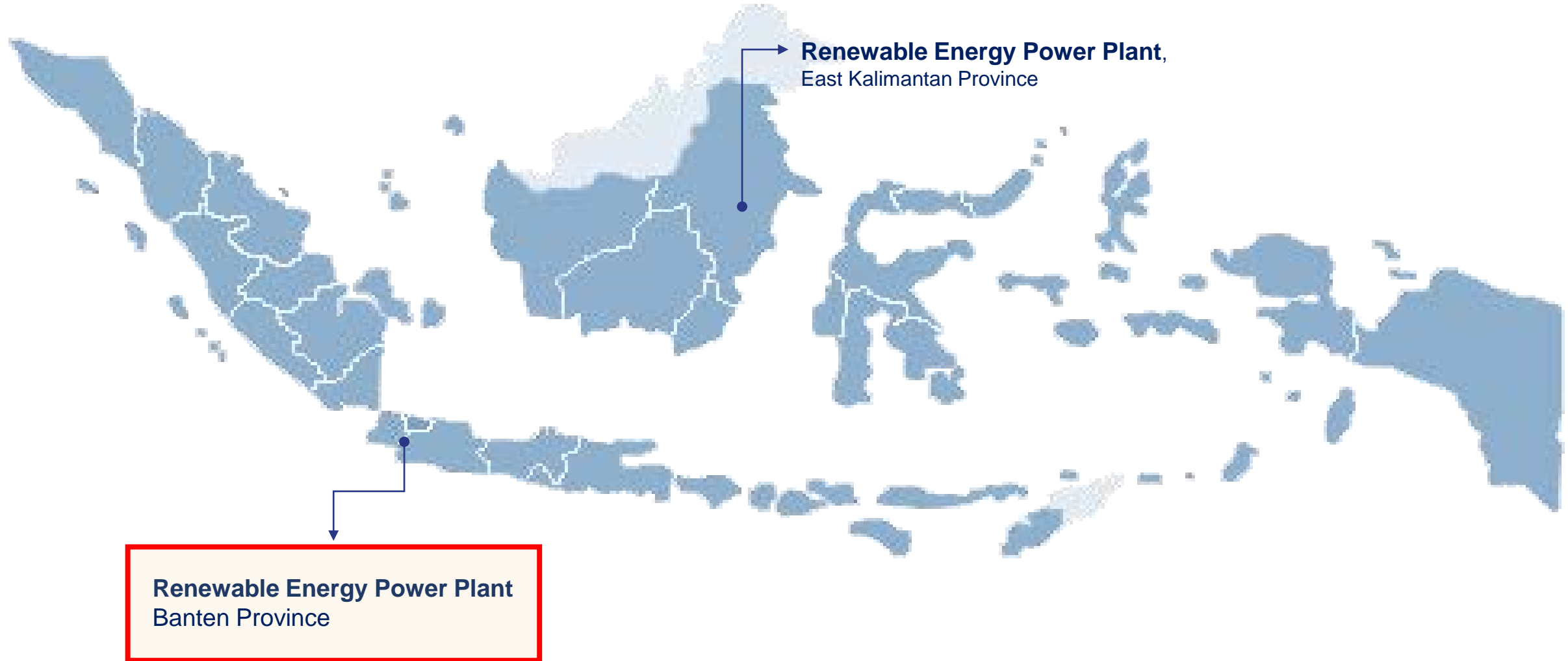
PROPOSED FACILITIES :

1. 5-Star Hotel (1 unit), Total Capacity of 250 rooms
2. 4-Star Hotel (1 unit), Total Capacity of 150 rooms
3. Villa (1 unit), Total Capacity of 40 rooms
4. Management Office
5. PMK
6. Plaza & Culinary and Shopping Center
7. Street and Parking Lot

ANALYSIS OF PROJECT LOCATION SELECTION WITH SUPPORTING INFRASTRUCTURE

-  Availability of a dock in the planning area
-  The access road to Labuan Bajo is in a good condition and it only takes 37 minutes
-  There is a Landfill of Waloka with a large enough storage capacity
-  Already connected to PLN for a power source
-  It takes 37 minutes to the nerarest hospital

Renewable Energy Sustainable Investment Project





SOLAR POWER PLANT

Banten Province

PROJECT PROFILE

Towards Indonesia Zero Emissions

- 1) Banten Province has a PLTS quota of 435 MW until 2030 (RUPTL 2021-2030).
- 2) PLTS Banten 50 MWp will support energy needs in the Integrated South Coast Region of Banten Province.
- 3) The electricity infrastructure in southern part of Banten will be stronger with the connection of the Malimping Substation and the Bayah Substation with the transmission network of 150 kV in 2024.
- 4) Annual electricity demand growth in Banten is projected at 3.33% (moderate scenario, RUPTL 2021-2030).
- 5) Electricity is channeled through the Java-Madura-Bali electricity infrastructure (Grid Connected, without battery).

Project Location

Cihara District, Lebak Regency, Banten Province

*USD 1 : Rp 14574,8

Investment Value : USD 27,5 million



WACC
Weighted Average Cost of Capital



IRR
Internal Rate of Return



NPV
Net Present Value



PP
Payback Period



Land Area

Production (no longer productive) managed by Perhutani (SoE), can be utilized for PLTS.
Estimated rent price Rp 30,975/M2 during the project (20 years)



Infrastructures

Electricity	
	150kV Electric Transmission 5km
Substation	Airport
Malingping 17,5 km Bayah 17 km	Soekarno Hatta ±184 km
Other	
Health 1 Community Health Center	Education 7 Senior High Schools/Islamic High School/Vocational School



KBLI
315111
Electric Power Generation

SUSTAINABLE DEVELOPMENT GOALS



Competitive investment incentives and facilities

More benefits are provided in 19 special economic zones (SEZs) throughout Indonesia.

Tax Holiday (PP 12 /2020, PMK 130/PMK.010/2020, PerBKPM 7/2020)

100% **Corporate income tax reduction** by 100% for investment valued at IDR500 billion or more for period of **5-20 years**. 50% additional reduction of CIT for 2 years. Eligible for **pioneer industries** or meeting pioneer industry criteria.

50% **Mini Tax Holiday: CIT reduction** by 50% for investment valued at IDR100 billion or more for period of **5 years**. 25% additional reduction of CIT for 2 years.

Tax Allowance (PP 78/2019, PMK 96/PMK.010/2020, PerMenperin 47/2019)

30% **Reduction of gross income subject to income tax** by 30% of initial fixed asset (5% per year for 6 years) for certain business fields and/or in certain regions.

Accelerated depreciation and amortization on tangible assets or intangible assets.

Income tax on dividend at 10% or applicable lower tax treaty rate.

Extension of loss carry forward period for 5-10 years.

Import Duty Exemption



Import duty exemption for imports of machinery, goods, and materials for industry and service industries.

- **2 years** import duty exemption or
- **4 years** for companies using locally-produced machines (minimum 30%).

(PMK 176/PMK.011/2009 & 188/PMK.010/2015)

Super Tax Deduction (PP 45/2019)

200% **Reduction of gross income subject to income tax** up to 200% of the cost of educational activities.

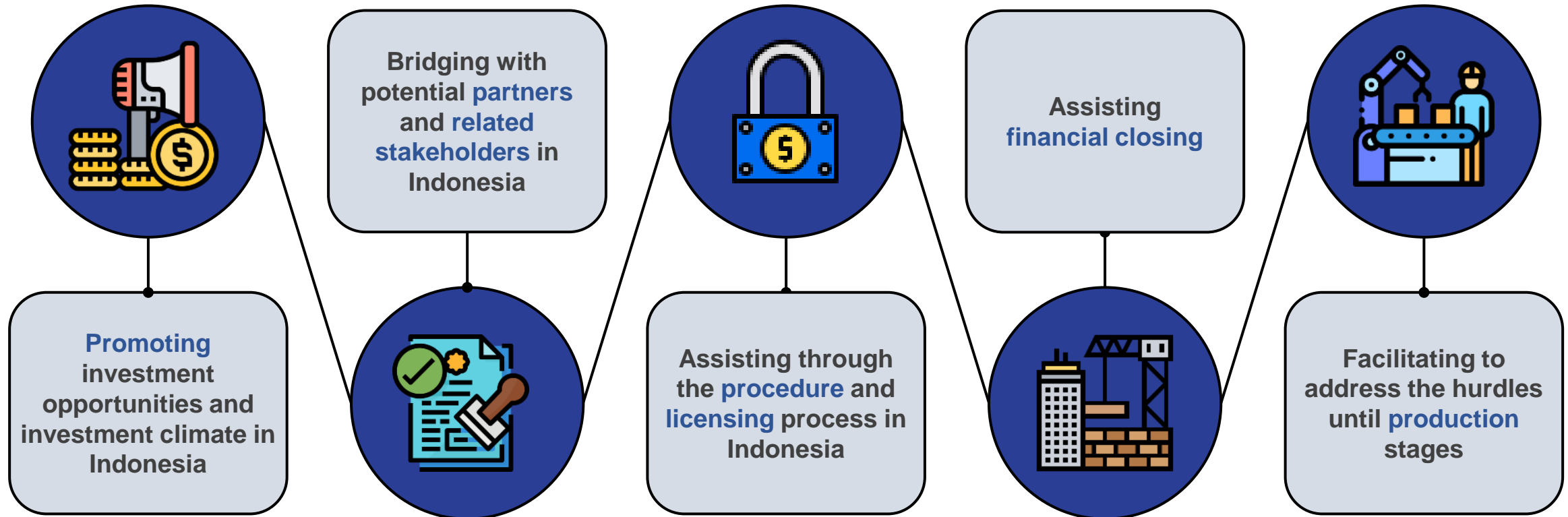
60% **Reduction of net income tax** by 60% of total investment (new business or expansion) in fixed assets for labor-intensive industries.

300% **Reduction of gross income subject to income tax** up to 300% of the cost of R&D activities.



Ministry of Investment/BKPM provides end-to-end services for investors

Started in investors' home country provided by Embassy/Consulate and IIPC*.



*) IIPC is Indonesia Investment Promotion Center, representative offices of Ministry of Investment/BKPM in 9 major cities. IIPCs works closely and under coordination of Indonesian Embassies/Consulate Generals.



Terima Kasih

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