


JICA BPNI-PBUMN

THE INVESTMENT OPPORTUNITY STUDY IN SOUTH SUMATERA

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 JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
THE BOARD OF INVESTMENT AND STATE-OWNED ENTERPRISES
(BPM - PBUMN)

**THE INVESTMENT OPPORTUNITY STUDY
IN
SOUTH SUMATERA**

MARCH 2000

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PT. MITRAPACIFIC CONSULINDO INTERNATIONAL

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PREFACE

This report has been prepared based on a study for investment opportunities in South Sumatra completed by the JICA Advisor Office in the Board of Investment and State-owned Enterprises (BPM-PBUMN), in cooperation with PT. Mitrapacific Consulindo International (Jakarta).

The main purpose of the study was to identify potential sectors or specific projects for investment and local entrepreneurs who may be looking for potential Japanese or other foreign investors.

The profiles of potential projects and local entrepreneurs are attached to the report as annexes and investors should have no difficulty accessing these from the home-page established by the JICA Advisor Office in BPM-PBUMN.

In addition to the potential sectors, projects and local entrepreneurs, the report also describes the geographic conditions, natural resources, location of infrastructure and other physical characteristics of the region. As such, the report should also be useful as a source of background information for government officers and professionals involved in development planning.

The study was financed by Japan International Corporation Agency (JICA), supported by the Board of Investment and State-owned Enterprises (BPM-PBUMN) and in cooperation with BKPM South Sumatra. We express our thanks to these institutions, without whose assistance we could not have completed the study or prepared the report.

JICA Advisor Office
The Board of Investment and State-owned Enterprises
(BPM-PBUMN)
March 2000

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SECTION 1
INTRODUCTION

SECTION 1

INTRODUCTION

1.1 BACKGROUND

JICA and BPM-BUMN (The Investment Coordinating Board), through the JICA Advisor office in BPM-BUMN, retained PT. Mitrapacific Consulindo International to prepare a comprehensive investment opportunity study to identify potential sectors and projects for Japanese or other foreign investors in the province of South Sumatra. The study is based on locally available existing information together with information gathered in the field and identifies market sectors and any specific projects which have an investment potential.

A summary of this study was presented during the seminar and further detailed information of project profiles and available potential local partners are included in this report for inclusion on the website.

1.2 METHODOLOGY

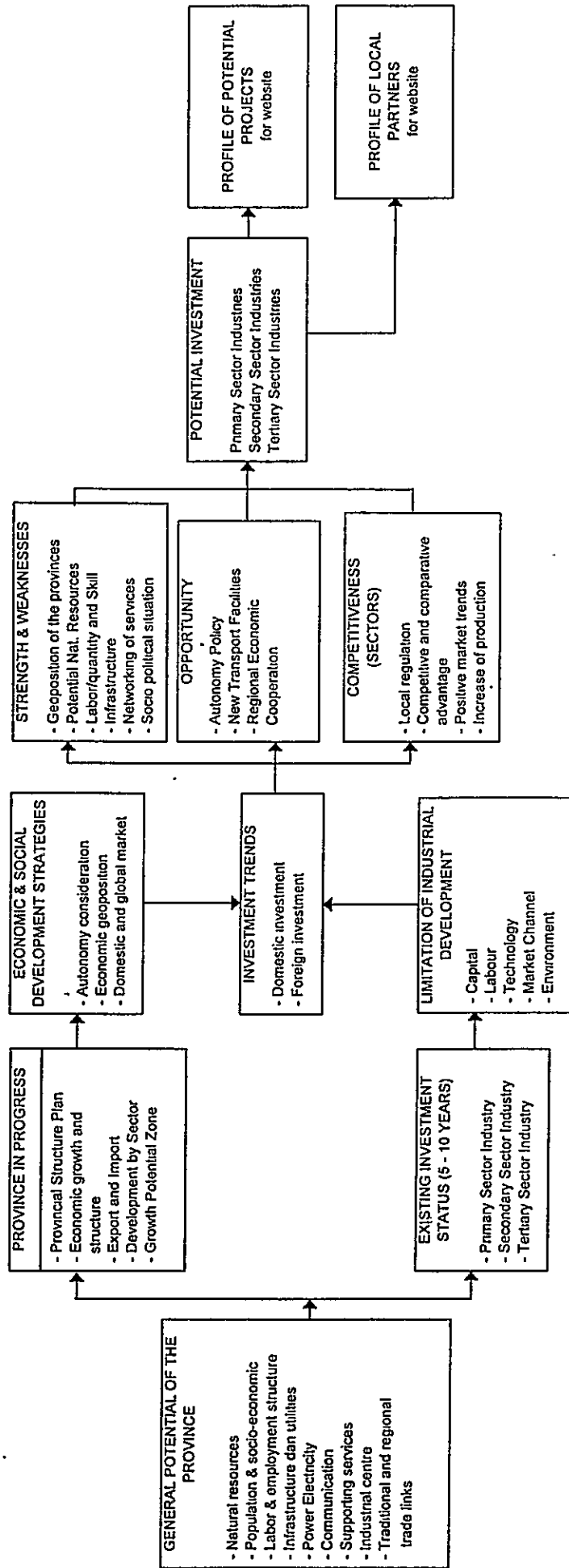
Comprehensive information was collected and analyzed including natural resources, population, manpower, infrastructure, economic structure and growth and the present areas of development in the province.

Future autonomy, including the possible role of the province relative to its economic geosition was also taken into consideration. At the same time, closer examination was made of previous domestic and foreign investment in the province taking into account the various indicators influencing the major trends of investment in the province.

Further strategic analyses and evaluations were completed for all sectors (primary, secondary and tertiary industry) of the provincial resources, including institution, regulation and market competitiveness, to determine the most appropriate sectors for Japanese (foreign) investment.

A diagram of the methodology adopted for this study is shown on Figure.

WORK PLAN & METHODOLOGY



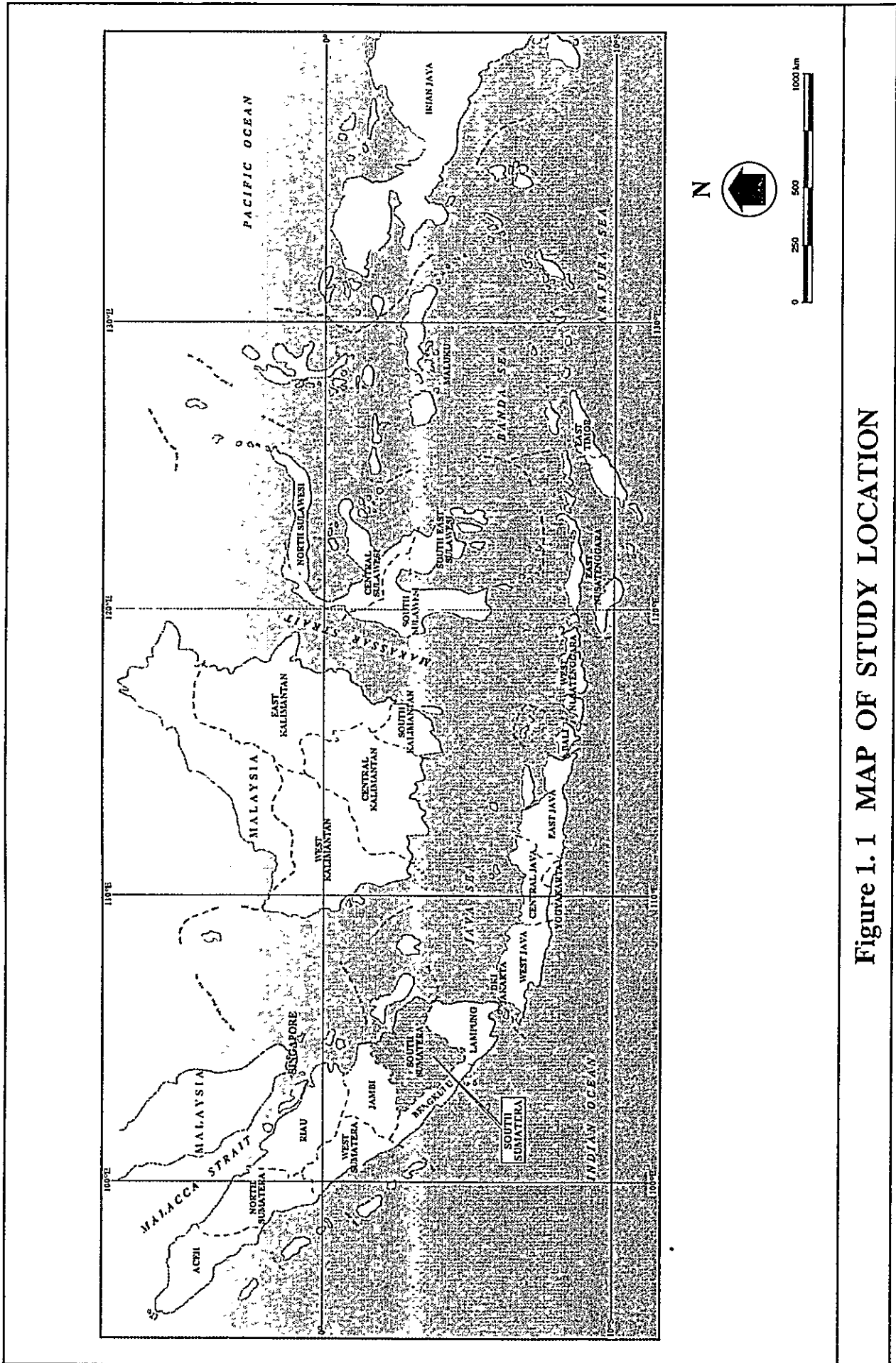


Figure 1.1 MAP OF STUDY LOCATION

SECTION 2
GENERAL CONDITIONS

SECTION 2

GENERAL CONDITIONS

2.1 PHYSICAL CHARACTERISTICS

2.1.1 Geographic Location and Administrative Boundary

The province of South Sumatra is geographically located on the eastern side of the island of Sumatra, between latitudes 1° to 4° south and longitudes 102° to 108° east. It covers an area of 113,339.07 km² which represents 22% of the total area of Sumatra and 5.1% of the area of Indonesia.

The province has the following boundaries:

- Northern boundary with the province of Jambi
- Southern boundary with the province of Lampung
- Western boundary with the province of Bengkulu
- Eastern boundary with the Karimata Strait and Java Sea.

Administratively, South Sumatra is divided into the following 10 regencies or municipalities (Pemerintah Daerah Tingkat II):

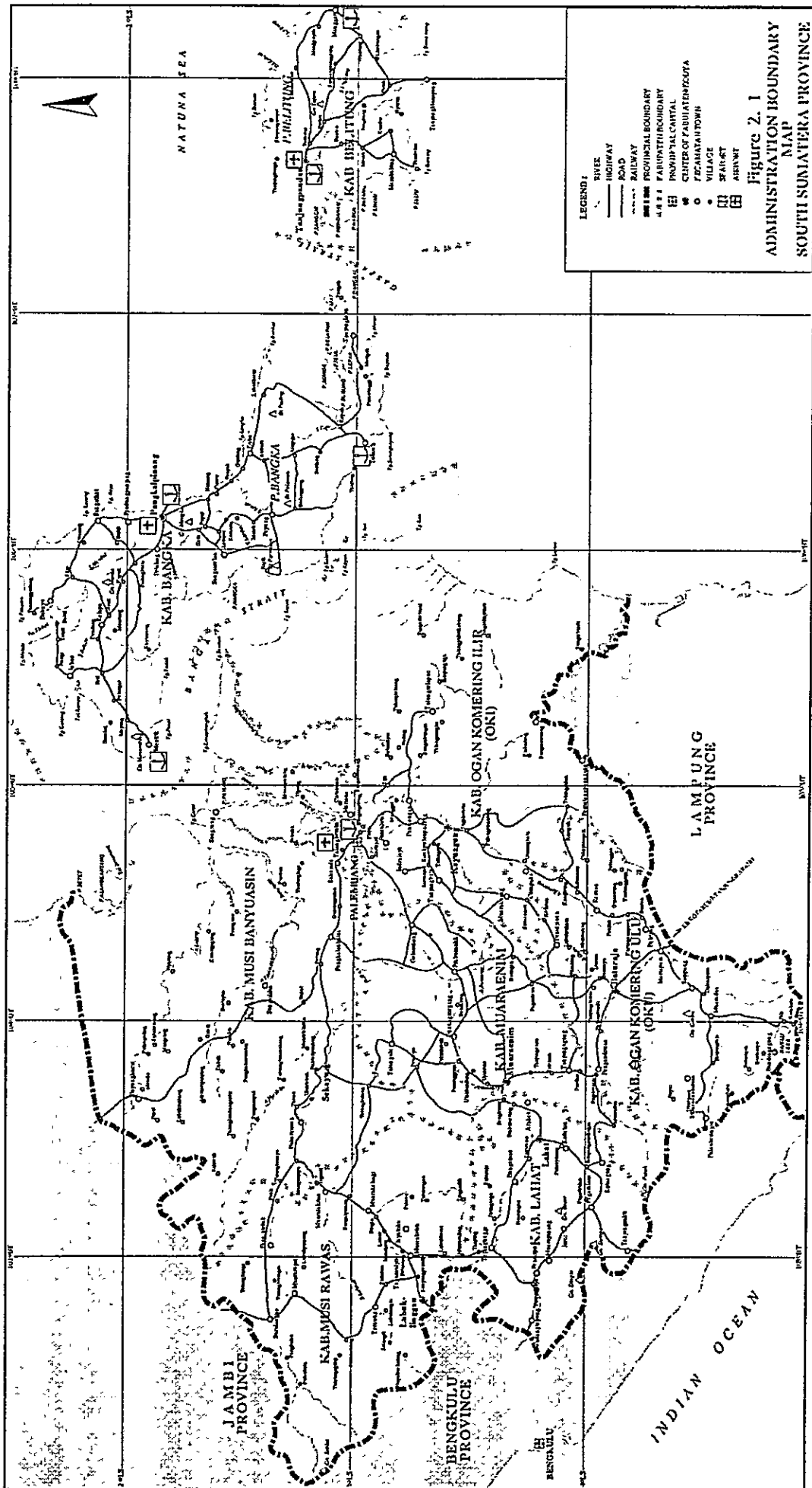
No.	Regency/Municipality	City	Area (Km ²)	No. of District
1.	Ogan Komering Ulu	Baturaja	14,679.11	14
2.	Ogan Komering Ilir	Kayu Agung	21,387.49	14
3.	Muara Enim	Tanjung Enim	9,575.33	11
4.	Lahat	Lahat	6,355.75	15
5.	Musi Rawas	Lubuk Linggau	18,650.38	12
6.	Musi Banyuasin	Sekayu	26,099.25	13
7.	Bangka	Sungai Liat	11,533.65	13
8.	Belitung	Muntok	4,547.70	6
9.	Palembang	Palembang	421.01	8
10.	Pangkal Pinang	Pangkal Pinang	89.40	4
	Total		11,3339.07	110

Source : Sumatera Selatan Dalam Angka Tahun 1998.

In the 4th five-year development plan, Indonesia was divided into five main development areas, South Sumatra was included in Primary Development Area B, headquartered in Jakarta and covering the provinces of Jambi, South Sumatra, Bengkulu, Lampung, DKI Jakarta, West Java, Central Java, DI Yogyakarta and South Kalimantan.

South Sumatra itself is divided into the following Development Areas:

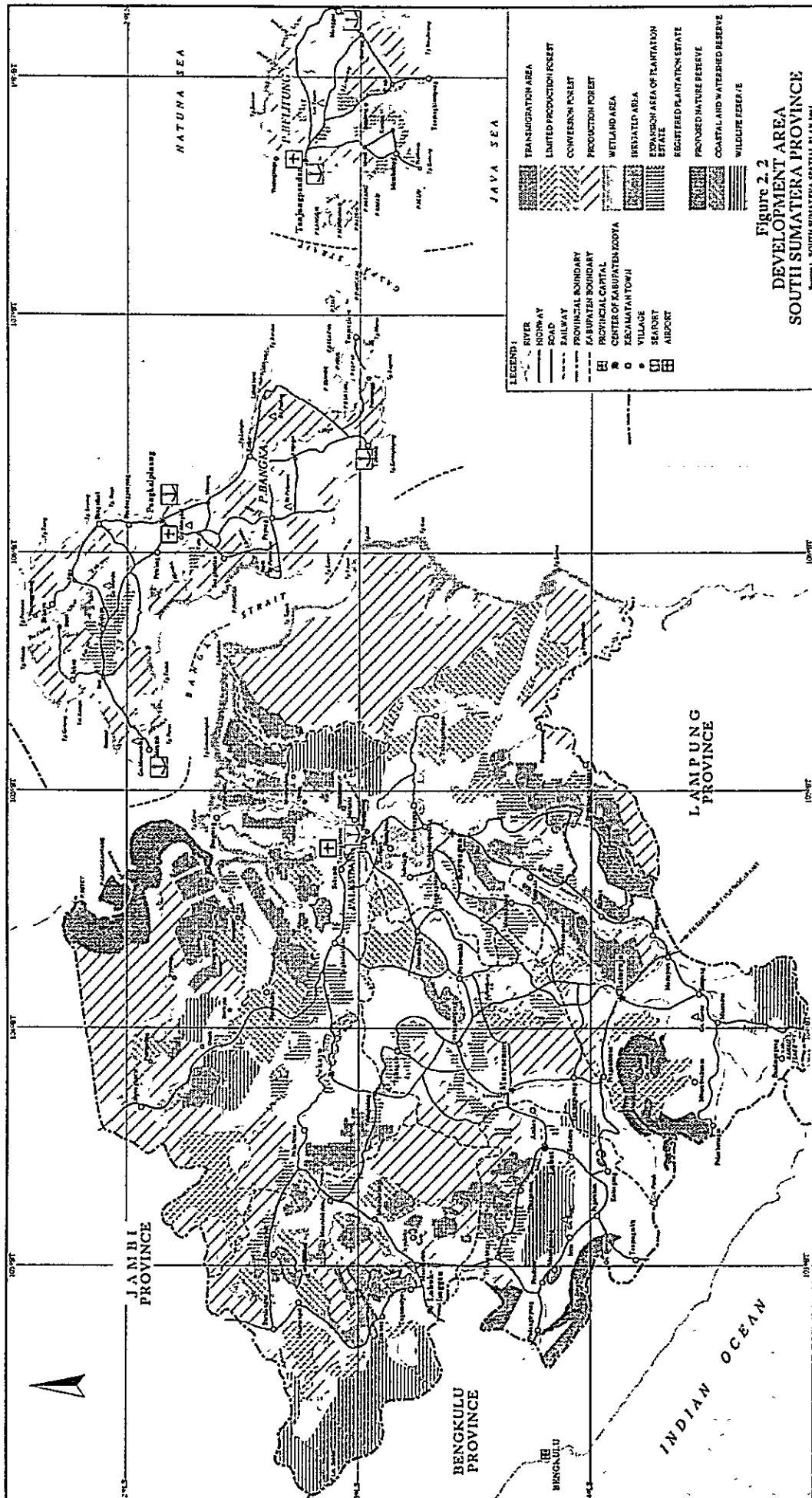
- Palembang Development Area
The main centre is the provincial capital of Palembang with secondary centres in Kayu Agung and Prabumulih.



LEGEND:

- RIVER
- HIGHWAY
- ROAD
- - - RAILWAY
- ▭ PROVINCIAL BOUNDARY
- ▭ DISTRICT BOUNDARY
- ⊠ CAPITAL
- CENTER OF DISTRICT
- VILLAGE
- ⊠ MARKET
- ⊠ AIRPORT

Figure 2. 1
ADMINISTRATION BOUNDARY
MAP
SOUTH SUMATERA PROVINCE

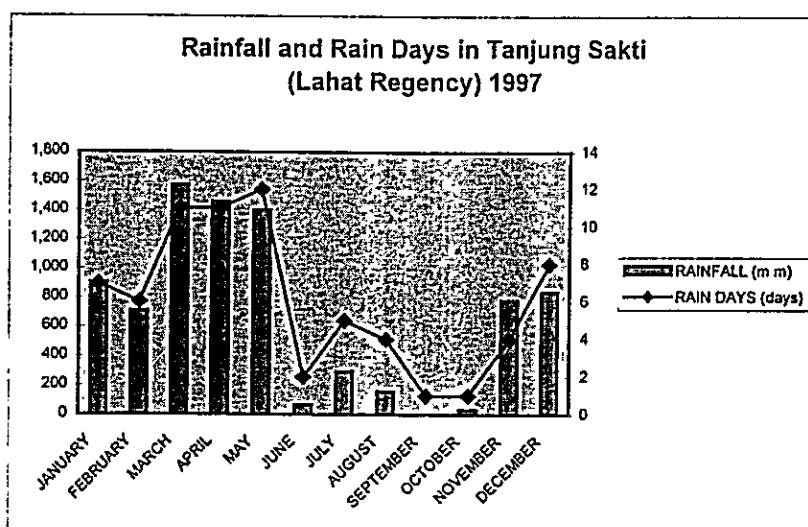


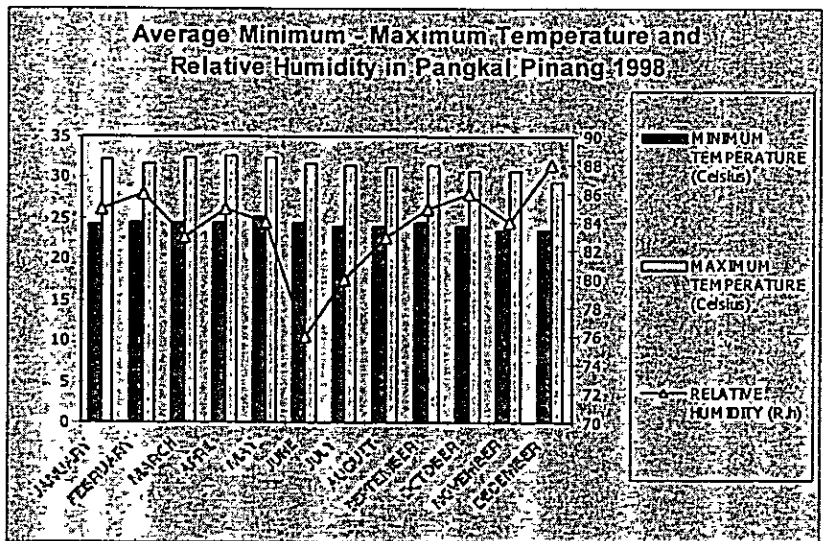
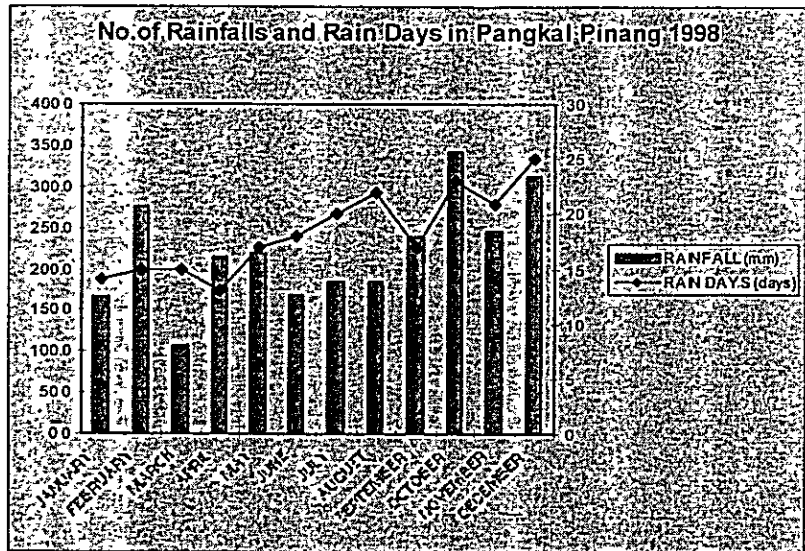
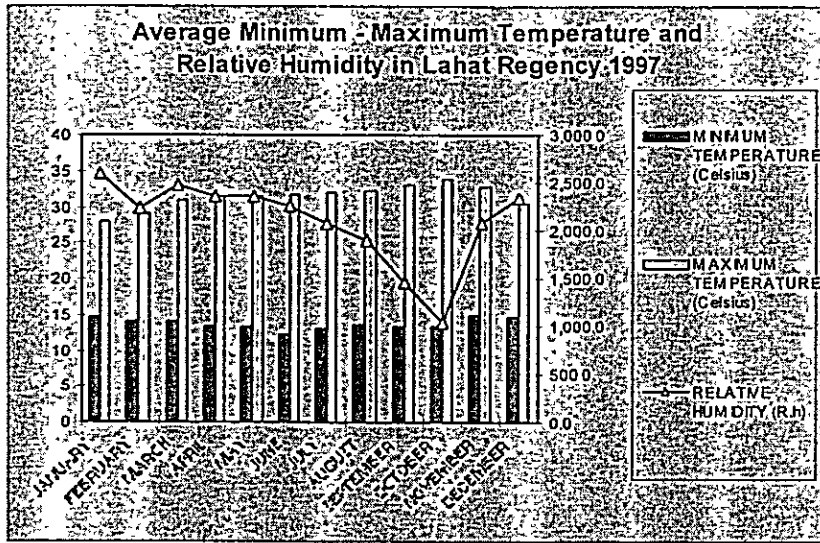
- Sekayu Development Area
The main centre is Palembang with secondary centres in Kayu Agung and Prabumulih.
- Lubuk Linggau Development Area
The main centre is Lubuk Linggau with secondary centres in Muara Lakitan, Bingin Teluk, Tugu Mulyo, Muara Kalingi and Muara Rupit.
- Lahat Development Area
The main centre is Lahat with secondary centres in pagar Alam, Muara Enim and Tebing Tinggi.
- Baturaja Development Area
The main centre is Baturaja with secondary centres in Martapura, Muara Dua and Belitang.
- Bangka and Belitung Development Centre
The main centres are Pangkal Pinang and Tanjung Pandang.

The division of the development areas is not based on the administrative areas, but on the dominant regional economic activities.

2.1.2 Climate

South Sumatra province has a wet humid tropical climate with rainfall varying between 114 mm and 391 mm per month. On average, there are 15 to 20 raindays per month. The highest rainfall occurs between November and April with an average of 288 mm per month and 19 raindays per month. The average maximum and minimum temperatures are 32.9°C and 23.7°C respectively and the relative humidity varies from 82 to 88.





2.1.3 Topography

South Sumatra is primarily a low lying area of flat alluvial deposits located within a network of rivers which flow in a north-easterly or easterly direction to estuaries on the Java Sea, and Karimata Strait. Typically, the topography is flat or undulating with slopes ranging from 8% to 15%. The lowlands also include a number of localized areas which are more undulating with 15 to 25% slopes.

To the west are the foothills of the Bukit Barisan mountain range. This area has slopes generally between 5%-25% and greater than 25% at higher elevations.

2.1.4 Landform and Soil

South Sumatra is divided into four areas according to landform and soil conditions which are described as follows:

- (a) The east coast consists of wetland and is influenced by the ocean tides. Vegetation in this area is primarily palmae and mangrove.
- (b) The Central area is a wide lowland area including Musi, Ogan Komering and Lematang river valleys.
- (c) The west side of the province is a highland area which forms part of the Bukit Barisan Mountains which extend from north to south. Elevations typically range from 900 to 1200 meters above sea level but the area also includes the higher mountain peaks of Mts. Dempo (3,159 m), Seminung (1,966 m), Patah (1,107 m) and Bungkuk (2,125 m). Coffee and tea plantations and vegetable farms are located in the valleys of the Bukit Barisan area.
- (d) The islands of Bangka and Belitung have moderately flat topography with occasional areas of hilly land.

No.	Type of Soil	Location
1.	Organosol	East Coast and low land area
2.	Litosol	Bukit Barisan Creek and Danau Ranau
3.	Alluvial	Musi, Lematang, Ogan, Komering river valleys and Bukit Barisan.
4.	Hidromorf	Flat aldn of Musi Rawas and Muara Enim
5.	Glei Humus	East coast and low land area
6.	Regosol	Around east coast, Danau Ranau and volcanic
7.	Andosol	Volcanoes and land more than 100 meters above sea level.
8.	Rendzina	In the vicinity of Baturaja
9.	Latosol	In the area where there is no dry season
10.	Lateritik	Low land around Martapura and Bangka
11.	Podzolik	Low land near the hills of Bukit Barisan

2.1.5 Hydrology

South Sumatra has many large rivers which all flow to the east coast of Sumatra. These rivers provide a water resource in the Bukit Barisan mountain area that is suitable for water supply, irrigation and hydro-electric power plants.

The province has eight major river plains, some of which also form part of an adjacent province and require a co-ordinated, interprovincial, management policy.

2.2 REGIONAL SETTING

South Sumatra is located on the eastern side of Sumatra and has direct access to the Malacca Straits and South China Sea. These seas are major international shipping lanes and, as such, there is every opportunity for the province to form trade links with Malaysia, Singapore, other Asean countries and Indo China. Palembang as the capital of South Sumatra is in the best position to access the SIJORI (Singapore, Johor, Riau) regional growth centre.

Development of the Trans-Sumatra Highway Central Axis has increased the province's potential for participating in the trade between Sumatra and Java. Development of the Trans-Sumatra Eastern Link has also provided stimulation for the growth of South Sumatra, Jambi and Riau, particularly in the agricultural sector.

Although, South Sumatra borders directly onto the provinces of Jambi, Bengkulu, and Lampung, its relationship with Lampung is much greater than with the others. This is because the development of both South Sumatra and Lampung is oriented more towards trading ties with Java by virtue of the Trans-Sumatra Highway and together they form a "production zone" of plantation and food crops.

Previously, Bengkulu was a part of South Sumatra before it became a province in its own right. Now the relationship is not as strong because of the physical barrier created by Bukit Barisan.

2.3 NATURAL RESOURCES

2.3.1 Land Use

The land along the east coast of South Sumatra, consists of swamps and brackish water which is subjected to the rise and fall of the tide. Vegetation is mainly mangrove and the nipah species of palm. Further west are wide alluvium lowlands such as Lembah Musi, Ogan Komering and Lembang Lematang which are somewhat marginal for food crops but particularly suitable for plantations. The west boundary is the highland formed by a part of the Bukit Barisan mountains.

South Sumatra has rivers which are wide enough to permit navigation and which flow into the sea on the east coast. These rivers originate in the Bukit Barisan Mountains, were they can provide a perennial source of water for irrigation and domestic supply.

Table 2.1
The Type of Landuse in South Sumatra is as follows :

Land Use / Type	Area (ha)	Percentage of Total (%)
Paddy field	541,161	4.77
Settlement	372,690	3.29
Upland cultivation	700,340	6.18
Grass land	85,803	0.76
Swamp	1,098,858	9.70
Dyke	14,540	0.13
Pond	26,456	0.23
Shifting cultivation	884,108	7.80
Privately Owned Forests	1,305,367	11.52
State-Owned Forests	1,380,939	12.18
Estate/Plantation	1,931,451	17.04
Others	2,992,494	26.40
Total	11,334,207	100.00

2.3.2 Food Crops and Horticulture

South Sumatra has a vast lowland which irrigated and cultivated for food crops, fruit and horticulture. Tidal wetlands at the river mouths are also developed as productive land for food crops and horticulture through water management technology. The total agricultural (food crops) area is 747134 ha (paddy, corn, soya bean, casava, peanut, green beans, sweet potatoes 1998) and the total horticultural area is 61,779 ha (vegetable and fruit: pineapple, duku, manggis, banana 1998). The main agricultural products are paddy, pineapple, dukus, and plantation products such as rubber, oil palm, cocoa and coffee.

Irrigated ricefields occupy large areas of the watersheds formed by the Komering, Tulangbawang and Rarem rivers and some irrigated areas within the Musi watershed, near Sekayu.

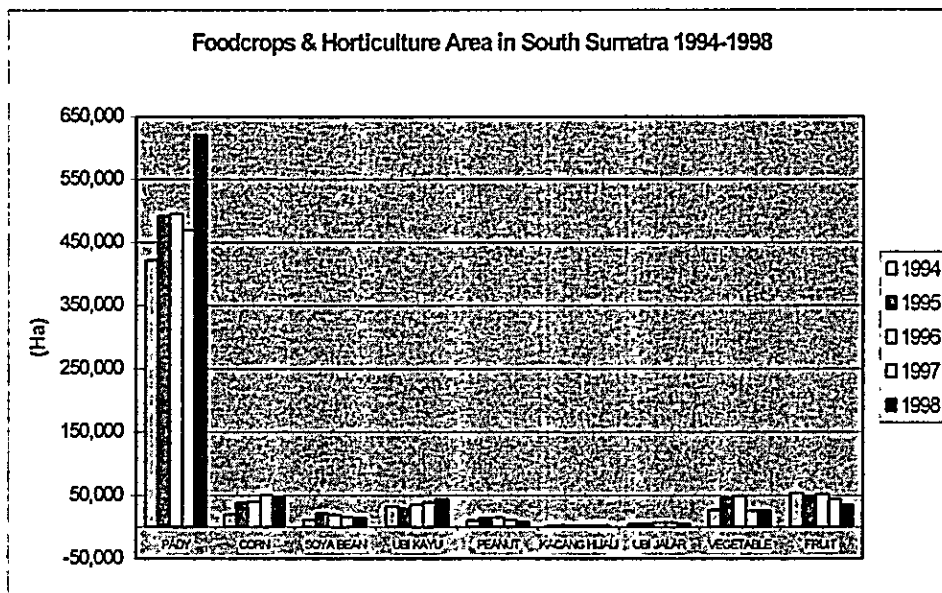
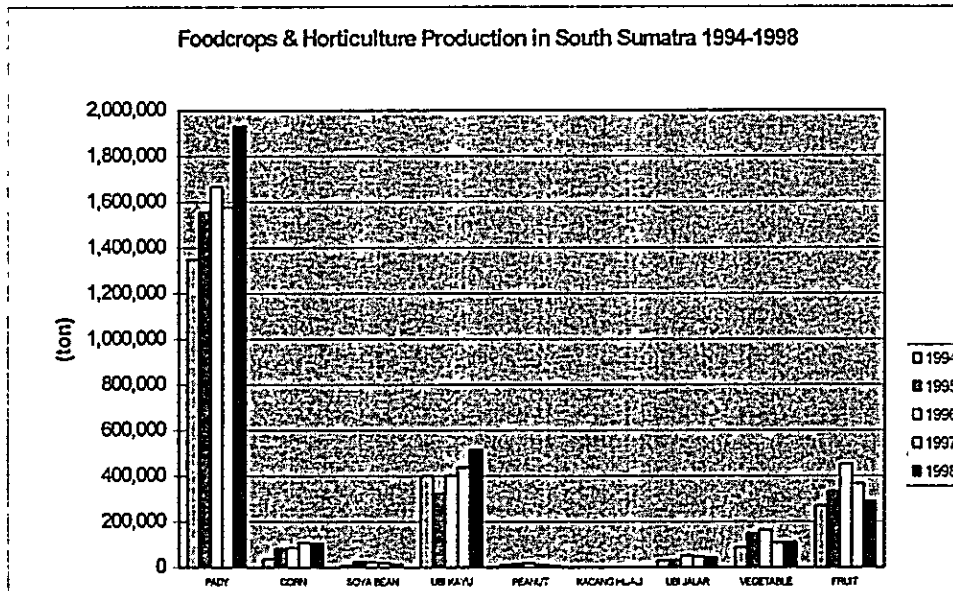
Wetland rice is grown in the tidal swamp development areas of the Upang Delta and the Tulangbawang River estuary. Cultivation of rainfed food crops is carried out in most transmigration areas; mainly for the domestic market.

Table 2.2
Foodcrops and Horticulture Production (Tonnes)

	1994	1995	1996	1997	1998	Growth (%)
Paddy	1,347,611	1,557,944	1,666,591	1,577,398	1,931,505	9.4
Corn	36,299	82,707	85,141	108,450	105,309	30.5
Soyabean	9,837	26,601	22,044	18,151	16,070	13.1
Ubi Kayu	401,780	325,499	403,064	436,904	516,946	6.5
Peanut	10,322	17,897	17,436	12,630	9,424	-2.2
Green Bean	2,226	3,024	2,356	2,564	2,874	6.6
Sweet Potato	29,636	34,615	52,100	47,245	43,252	9.9
Vegetable	87,687	150,626	164,160	108,550	111,332	6.2
Fruit (Pineapple, duku, manggis, banana)	271,482	334,757	451,374	365,863	290,362	1.7

Table 2.3
Foodcrops and Horticulture Area (Ha)

	1994	1995	1996	1997	1998	Growth (%)
Paddy	422,109	492,448	495,958	469,670	621,829	10.2
Corn	20,014	39,165	40,306	50,777	48,763	24.9
Soyabean	11,496	21,806	19,466	15,775	14,617	6.2
Ubi Kayu	32,896	29,313	35,506	38,965	44,432	7.8
Peanut	10,491	15,176	14,921	11,351	8,489	-5.2
Green Bean	2,512	3,294	2,575	2,794	3,150	5.8
Sweet Potato	4,765	5,308	7,070	7,095	5,854	5.3
Vegetable	27,288	46,575	49,458	25,687	26,150	-1.1
Fruit (Pineapple, duku, manggis, banana)	54,129	49,499	52,402	44,701	35,629	-9.9



2.3.3 Plantations

Plantations play an important role in agriculture because of their large contribution to the domestic income of the province.

To date, the major plantations in South Sumatra have been rubber in the lowlands and coffee in the higher elevations.

The recent extensive development of palm oil plantations has created a large volume of natural palm oil which requires processing to develop marketable products. A further increase in the number of palm oil plantations will require a larger processing industry.

In contrast, production from the older established rubber plantations has started to decline and in the future only the trunks will be available, as timber, for domestic consumption.

The present plantation areas can be classified according to their size and operation into:

- State owned plantations
- Smallholder plantations
- Private enterprise plantation.

The major plantations for export commodities occupy large lowland areas of the province and consist of:

- Rubber 856,627 ha
- Palm oil 422,803 ha
- Industrial Forest 2,648,408 ha (TGHK 1995)

Other important plantations which occupy the higher elevations, include: Coffee 259,176 ha (1998), and cacao 884 ha.

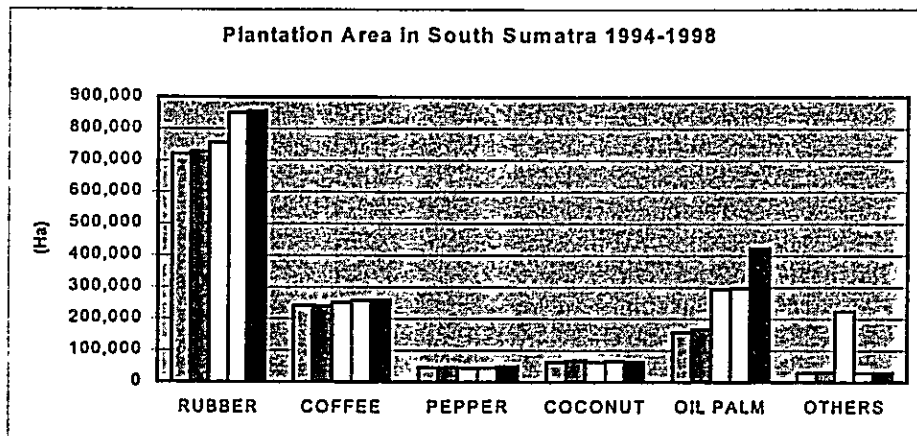
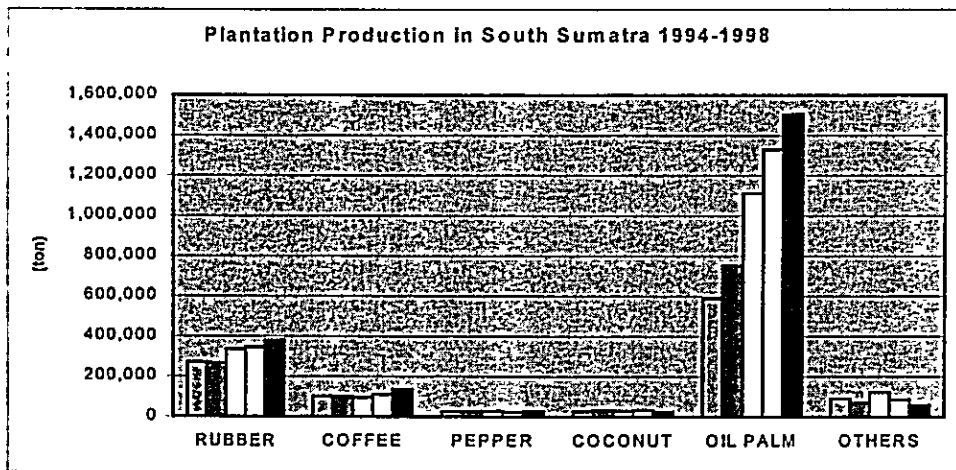
The total area of the existing plantations are made up as follows:

- State-owned and private plantation : 712,689 ha
- Smallholder plantation : 721,395 ha

**Table 2.4
Plantation Area and Production in South Sumatra 1994-1998**

NO.	COMMODITY	1994		1995		1996	
		AREA (HA)	PRODUCTION (TONNE)	AREA (HA)	PRODUCTION (TONNE)	AREA (HA)	PRODUCTION (TONNE)
1	RUBBER	719,768	272,086	727,542	266,562	755,595	332,799
2	COFFEE	241,956	100,990	241,032	100,164	250,195	94,577
3	PEPPER	45,064	27,270	46,412	28,533	43,753	26,552
4	COCONUT	64,162	26,777	67,519	34,775	61,086	29,808
5	OIL PALM	158,723	587,887	168,262	751,611	294,144	1,109,497
	OTHERS	30,052	89,044	32,694	69,494	223,730	120,192

NO.	COMMODITY	1997		1998		AVERAGE GROWTH 1994-1998	
		AREA (HA)	PRODUCTION (TONNE)	AREA (HA)	PRODUCTION (TONNE)	AREA (%)	PRODUCTION (%)
1	RUBBER	850,310	343,688	856,627	380,434	4.4	8.7
2	COFFEE	256,548	108,123	259,176	135,854	1.7	7.7
3	PEPPER	44,219	22,432	49,158	26,286	2.2	-0.9
4	COCONUT	65,377	35,045	63,352	24,429	-0.3	-2.3
5	OIL PALM	296,523	1,327,990	422,803	1,502,818	27.8	26.4
	OTHERS	29,714	85,964	30,186	57,447	0.1	-10.4



2.3.4 Livestock and Fisheries

A. Fisheries

South Sumatra has substantial fish resources and is particularly well equipped to support coastal aquaculture. Although the theoretical catch is significant, in practice the waters of the Malacca Straits and South China Sea have been polluted and over fished so that the quality of the catch has decreased.

Total Area and Production of Fisheries in South Sumatra, 1997.

Type of Fishery	Area (ha)	Production (tonne)
Marine Fishing	0.00	144,371.40
Marine aquaculture	0.25	64.90
Freshwater Fishing	0.00	43,755.20
Freshwater Aquaculture	14,107.70	14,786
Coastal Aquaculture	6,173.70	4,755.80
Total	20,281.65	207,733.90

Marine and Coastal Fisheries

The marine area off the South Sumatra coast is located on a major international shipping route and has suffered badly from pollution due to ship waste and oil exploration in the Java Sea. These conditions have had a negative impact on fishing.

In addition, the fishermen, often have poor saving habits and, therefore, have difficulty in accumulating sufficient funds to buy better boats and equipment. Because of this, their operations are restricted at present to within five miles of the shoreline, whereas for commercial fishing to be efficient, it is usual to operate within a ten mile offshore limit using larger vessels equipped with mini cold storage and global positioning / satellite navigation systems.

The maritime waters of South Sumatra cover an area of approximately 95,000 km² which, with annual unit stocks of 2 tonnes/km² and 3.4 tonnes/km² for demersal and pelagis fish respectively, provides an estimated resource of 190,000 tonnes/annum for demersal fish and 323,000 tonnes/annum for pelagis fish. In order to sustain this resource, the annual fishing quota should be limited to 50%, which would provide yields of 95,000 tonnes for demersal fish and 161,500 tonnes for pelagis fish. In addition, there is a potential annual production of 37,650 tonnes from aquaculture, so that the total available fish production from commercial exploitation is 294,150 tonnes/annum.

Annual exploitation to date is only 144,371 tonnes of commercial fishing and 65 tonnes of aquaculture, so there is an investment opportunity for a further 149,714 tonnes.

As with other tropical equatorial countries, Indonesia, including South Sumatra, has a large tonnage of fish, however, although this includes a wide variety of fish, not all species have a high commercial value.

Table 2.5
Demersal and Pelagis Fish Resources

No.	Description	Waters Area (km ²)	Annual Resource/km ²	Resource (Tonnes)	Potential Production (Tonnes)
1	Demersal	95,000	2	190,000	95,000
2	Pelagis	95,000	3.4	323,000	161,500
3	Total	95,000 *)	5.4	513,000	256,500

*) Prediction on the area of South Sumatra coastal waters is 95,000 km².

Source : Dinas Perikanan Prop. Sumatra Selatan

Table 2.6
Production from Aquaculture

No.	Description	Existing Area	Productivity Kg/Ha/Annum	Potential Production (tonnes/annum)
1	Fish	200	750	150
2	Sea grass	1,000	37,500	3,750
	Total	1,200	38,250	3,900

Source : Dinas Perikanan Prop. Sumatra Selatan

Species of marine fish include, but are not limited to, kakap, kerapu, kembung, tongkol, tenggiri, lemuru, bawal putih, udang windu, udang putih, udang dogol and sea grass.

Kabupatens which have a great potential for marine fishing are Kabupaten Bangka, Belitung, MUBA, OKI and Kotamadya Pangkal Pinang. In addition, the coastal areas of South Sumatra have a great potential for the development of fishpond cultivation.

The total available area which is suitable for prawn farming amounts to 157,000 ha and includes Kab. OKI 96,757 ha, Bangka 44,827 ha, Belitung 100 ha and Pangkal Ping 936 ha.

The types of shrimp which are cultivated are Udang Windu (*Penalus morrodon*) and Udang Putih (*Penalus Merguensis*).

Table 2.7
Marine Fish Production 1997

	Fish	Production (tonne)	Percentage (%)
Fish	Japuh	58,833.90	31.3%
	Lain-lain	21,820.80	11.6%
	Tembang	11,614.00	6.2%
	Lemuru	11,241.70	6.0%
	Manyung	9,264.30	4.9%
	Selar	8,756.90	4.7%
	Kembung	7,545.70	4.0%
	Tenggiri	6,201.10	3.3%
	Teri	5,993.70	3.2%
	Cucut	5,477.70	2.9%
	Parang-parang	4,374.90	2.3%
	Pari	4,259.20	2.3%
	Bambangan	4,056.40	2.2%
	Peperek	3,977.70	2.1%
	Tongkol	3,382.20	1.8%
	Bawal Hitam	2,604.80	1.4%
	Gerot-gerot	2,534.70	1.3%
	Kurisi	2,308.50	1.2%
	Kakap	2,301.90	1.2%
	Pisang-pisang	1,883.20	1.0%
	Belanak	1,667.30	0.9%
	Talang-talang	1,643.40	0.9%
	Kuro	1,051.80	0.6%
	Kuwe	1,016.70	0.5%
	Bawal Putih	996.20	0.5%
	Lencam	870.60	0.5%
	Tenggiri Papan	808.00	0.4%
	Julung-julung	476.50	0.3%
Kerapu	457.70	0.2%	
Telengkek	343.60	0.2%	
Sebelah	192.40	0.1%	
Gulamah	62.70	0.0%	
Crustacean	Udang Lainnya	2,800.50	
	Udang Putih	2,107.50	
	Udang Dogol	1,042.30	
	Rajungan	871.50	
Mollusc	Cumi-cumi	1,950.10	
	Sotong	173.30	
	Kerang Darah	154.00	

Freshwater Fisheries

South Sumatra has the opportunity to commercially exploit several types of freshwater and brackish water fish. The estimated potential yield is 86,190 tonnes/annum, including 75,150 tonnes from freshwater fishing and 11,040 tonnes from cultivation. In 1997, the production of freshwater fish was 58,542 tonnes, including 43,755 tonnes by net and 14,787 tonnes from cultivation, so that 27,648 tonnes/annum were still potentially available.

Freshwater aquaculture is carried out in ponds or within floating nets located in rivers or lakes and the main commercial species are Nila (catfish), Patin and Bandeng. Production is geared primarily for domestic demand and the national market.

2.3.5 Forestry

South Sumatra has significant natural forest resources covering a total area of 5,015,700 ha. made up as follows:

- Nature Reserve : 780,166 ha
- Wildlife Reserve : 893,172 ha
- Limited Production Forest : 338,561 ha
- Production Forest : 2,376,473 ha
- Conversion Forest : 627,328 ha

The pattern of exploitation must be changed on account of the reduced timber stock available in the production forests and losses from forest fires. The logging currently carried out for the export of raw logs should also be used for the secondary level production of value-added goods ie. wood products industry and furniture.

Table 2.8
Forest Production in South Sumatra 1998/1999

Non Wood	Production (tonnes)
Rotan	243,5
Damar	778,5
Kayu Bakar	20.0
Kemedangan	4.0
Sarang Burung	0.0
Arang	261.5
Getah Jelutung	71.0
Wood	Production (m3)
Kayu Indah	27,305.9
Meranti	66,170.1
Rimba Camp.	189,196.4

Source: Dinas Kehutanan Dt.I Sumatera Selatan

Table 2.9
Export of Forest Production from South Sumatra

Products	Production
Sawmill	929,795.00 m ³
Plywood	141,860.71 m ³
Moulding	92,962.89 m ³
Block / Fibre board	16,907.56 m ³
Others	897.97 ton

Source: Dinas Kehutanan Dt.I Sumatera Selatan

2.3.6 Mining

South Sumatra contains a wide variety of oil, gas and mineral deposits including petroleum, natural gas, coal, tin, gold, silver, quartz-sand and kaolin. The availability of these minerals, in January 1999, was as follows:

Tabel 2.10
Potential of Mining Resources

No.	Commodity	Production Unit	Deposit	Location
1.	Petroleum	Billion barrels	222,23	MUBA, Lahat Muara Enim, MURA, Lahat, OKA, OKI
2.	Material gas	Billion Feet Cubic	2,580.50	
3.	Coal	Billion Tons	20.07	
4.	Tin	Million tons	0.87	Bangka, Belitung
5.	Gold	Tons	7.05	Muara Rupert (MURA)
6.	Silver	Tons	110.45	
7.	Quartz sand	Million tons	57.71	Bangka, Belitung
8.	Kaolin	Million tons	182.28	Bangka, Belitung
9.	Bentonite	Million tons	67.2	Tanjung Enim
10.	Marble	Million m ³	87.85	Lahat

Source : MCI, processed from secondary data.

Coal :

The coal deposit is located in the Muara Enim formation (Miocene-Pleistocene age). The calorific value of the coal ranges between 6,158 and 7,560 kcal/kg; higher than the calorific value of coal from Kalimantan.

In addition to coal, there are significant peat deposits spread widely in the eastern part of the province. The Government of Indonesia has investigated the peat since 1974 because it could be produced as briquettes and used as a fuel. The peat resources are located at Air Saleh and Tulung Selapan, Kabupaten OKI and have a total estimated volume of 2,652 million m³, which is equivalent to 212 million tonnes of dry peat.

Kaolin

There are estimated kaolin deposits of at least 150 million tonnes in Mentok and Belinyu on Bangka Island and a further 32 million tonnes in Tanjung Pandang on Belitung.

The kaolin reserves are good quality ceramic and filler grades and have a potential export value.

Marble

The province has a commercial marble and onix deposit of 87,85 million m³ in Sukajadi, Kabupaten Lahat. It's colours are grey, black and white and it is suitable for interior and exterior use. Current production is primarily for the domestic market and only a very small amount is exported.

Bentonite

Reserves of Ca and Na-bentonite amounting to 67 million tonnes exist in Tanjung Enim, Na-bentonite is known commercially as Woning Bentonite and is used for deep drilling flushing mud, iron ore pellet (bindera), blinding material for sealing leaks in dams, pharmaceutical raw material and paint mixture. Ca-bentonite is used as labour bleaching material and moulding sand adhesive, and has a significant export value.

Sand Deposits

Silica sand resources of 35,35 million tonnes exist in T. Pengusuh and Tobaali, Kab. Bangka and in T. Bunga, T. Empang, Kp. Baru, Sijuk and there are a further 37.5 million tonnes in Tanjung Batu, Kab. Belitung. In general, the quality is reasonable with silica contents of 55-99.9% SiO₂ and a maximum iron content of 9.15%. It is used primarily as the raw material for glass (kaca) industry and in the cement industry for both the domestic and export markets.

SECTION 3
INFRASTRUCTURE

SECTION 3
INFRASTRUCTURE

3.1 TRANSPORTATION

3.1.1 Land Transportation

Road and rail are the main intercity and interprovincial transportation modes in South Sumatra and provide connections between the industrial areas, agricultural production centres and trade centres.

Highway

The total length of highway in 1998 was 15,001 km made up as follows:

- State Road : 1,007 km
- Provincial Road : 2,716 km
- Kabupaten Road : 11,278 km

The distances of the larger towns and cities from the provincial capital of Palembang are given in the following table.

Table 3.1
Distance of Cities from Palembang

City	Distance km
Baturaja (OKU)	284
Kayuagung (OKI)	66
Muara Enim	183
Lahat	226
Lubuk Linggau (MURA)	380
Sekayu (MURA0)	124
Sungai Liat (Bangka)	36
Tanjung Pandan (Belitung)	458
Pangkal Pinang (Bangka)	402

Railway

The railway network on the island of Sumatra is divided into three separate systems namely the North Sumatra, West Sumatra and South Sumatra railway systems. The South Sumatra system serves the provinces of South Sumatra and Lampung and has two main lines, namely Kertapati to Lubuk Linggau and Kertapati to Tanjung Karang. Further details are presented on the following table:

Table 3.2
Existing Railway System in South Sumatra

No.	Section of Track	Length	Use
1.	Kertapati – Prabumulih	78	Goods, passengers
2.	Prabumulih – Baturaja	96	Goods, passengers
3.	Baturaja – Martapura	32	Goods, passengers, coal
4.	Martapura – Kotabumi	98	Goods, passengers, coal
5.	Kotabumi – Tanjung Karang	86	Goods, passengers, coal
6.	Prabumulih – Muara Enim	74	Goods, passengers, coal
7.	Muara Enim – Lahat	38	Goods, passengers
8.	Lahat – Tebing Tinggi	66	Goods, passengers
9.	Tebing Tinggi – Lubuk Linggau	49	Goods, passengers

An expansion of the railway system is planned from Kertapati to Tj. Api-api. Construction will be carried out in two phases - Phase I will cover 45 km and Phase II a further 47 km.

3.1.2 Sea and River Transportation

River transportation is very important because it is the main form of transportation for local and collector traffic. The Port of Boom Baru in Palembang is around 100 km from the sea and the biggest port in South Sumatra. It can be reached from the sea in approximately 5 hours using the Musi River navigation lane.

The Musi River is also used as the main form of transportation for goods including primary products (rubber, coal, logs and timber etc.) from upstream and remote areas of the province. At present, a large number of industries in Palembang are located around the Musi River and many have a special pier for boats to carry their products to larger ships in Boom Baru Port.

There are eight ports on the Musi navigation channel, seven of which are privately owned by industries including Pelabuhan (Port) PT. PUSTRI, Pertamina Plaju, Pertamina Sei Gerong, Dermaga PPL S. Lais, Plywood, Transmigration and Kertapati.

Erosion, which is continuously taking place within the Musi catchment area from upstream to the downstream navigation channel, is caused by land clearing for plantations and industry and has caused extensive sedimentation. Between Boom Baru and the sea, sedimentation has been identified in eleven areas.

Sedimentation together with the rise and fall of the tides provides a problem in Boom Baru, where larger ships have to wait for high tide to reach the port and the winding channel, caused by the sedimentation process, necessitates the services of a pilot boat.

Boom Baru port is now considered to be inadequate to meet the future requirements of the province and, the provincial administration has planned a new port at Tanjung Api-api. In an effort to implement this project, the province, amongst other initiatives, is creating road access from Palembang to Tj. Api-api. At present, it has constructed approximately 30% of this road.

In addition to Tanjung Api-api, two further seaports are to be developed at Tanjung/Belitung, which is in the study phase, and at Sungsang/MUBA which already under construction.

General information on all ports in South Sumatra is presented on the following table.

Table 3.3
General Information on Ports

	Description	Boom Baru	Pk. Balam	Muntok	Tj. Pandan	Manggar	Toboali / sadaai	/ S. Lumpur
1	Location (Kodya / Kabupaten)	Palembang	Pk. Balam	Bangka	Belitung	Belitung	Bangka	OKI
2	Class	111	V	V				
3	Area:							
	- Waters			5 mile rad	10.500 m2	-	5 Ha	3 Ha
	- Inland	24 Ha	12 Ha	1 Ha	3455m2	10 Ha	0.5 Ha	-
4	Pond:							
	- Area	-	-	-	18.500m2	250 m2	-	-
	- Depth	2.5-8.2m	3 m	-	-	2.5 m	-	-
5	High tide	3 m	3 m	3 m	3 m	4 m	-	-
6	Dock:							
	a. Length	740 m	180 m	210 m	220 m			
	b. Construction	Concrete	concrete	concrete	concrete	Concrete	Concrete	Wood
	c. Capacity	3 ton/m2	1,5ton/m2	1,5ton/m2	1,5ton/m2			
7	Warehouse:							
	a. Area	8.972m2	1.275m2	-	400m2			
	b. Construction	permanent	permanent	permanent	permanent			
		2 ton/m2	1,5ton/m2	1,5ton/m2	1,5ton/m2			
8	Container yard:							
	a. Area	44.173m2	1.275m2	-	3 455m2			
	b. Construction	concrete	concrete	concrete	concrete			
		3ton/m2	1,5ton/m2	1,5ton/m2	1,5ton/m2			
9	Passenger Terminal	ada	ada	ada	Ada			
10	Equipment							
	a. Forklift	8 unit	-	-	-	-	-	-
	b. Mobil crane	4 unit	-	-	-	-	-	-
	c. top loader	1 unit	-	-	-	-	-	-
	d. bed truck	1 unit	-	-	-	-	-	-
	e. spreader	-	-	-	-	-	-	-
	f. chassis trailer	3 unit	-	-	-	-	-	-
11	Galangan / doc kapal	-	-	-	-	1 unit	1 unit	1 unit
12	Road condition							
	- in port area	Asphalt-good	Asphalt-good	Asphalt-good	Asphalt-good	Asphalt-good	Asphalt-good	Asphalt-good
	- access to port area	Asphalt-good	Asphalt-good	Asphalt-good	Asphalt-good	Asphalt-good	Asphalt-good	Asphalt-good

Passenger capacity and shipping routes in South Sumatra are summarized on Table 3.4.

Table 3.4
Passenger Capacity and Shipping Routes in South Sumatra:

No.	Port	Destination	Name of Ship	Capacity
1	Palembang	Muntok	Ekspress Bahan 1	64
			Ekspress Bahan 2	81
		Batam	Ekspress Bahan 5	217
			Sumber Bangka 2	192
			KM. Surya Gemilang	438
KM. Kenangan Fitri	171			
2	Muntok	Palembang	Ekspress Bahari 1	64
			Ekspress Bahari 2	81
		Jakarta	Ekspress Bahari 5	217
			Sumber Bangka 2	192
			KM. Sirimau	927
KM. Unsini	1729			
3	Pangkal Balam	Tanjung Pandan	MV. Lina	125
			KM. Samudera Jaya	350
		Jakarta	KM. Sumber Bangka 3	132
			KM. Sriwijaya Victori	300
			MV. Telaga Ekspress	300
4	Tanjung Pandan	Pangkal Balam	MV. Lina	125
			KM. Samudera Jaya 1	350
		Jakarta	KM. Sumber Bangka 3	132
			KM. Sriwijaya Victori	300
			KM. Lawit	1000
			KM. Telaga Ekspress	300
KM. Tilong Kabila	1000			

3.1.3 Air Transportation

Air transportation is served by three main airports, namely:

- Sultan Mahmud Badarudin II in Palembang
- Pangkal Pinang in Kodya Pangkal Pinang
- Buluh Tumbang in Belitung

and two small airports at Ranay Banding Agung and Lubuk Linggau. General information on these airports is as follows:

Table 3.5
General Information on Airports in South Sumatra

Name of Airport	S.M. Badarudin II	Depati Amir	H AS. Hanandjoeddin
Town	Palembang	Bangka	Belitung
Class of the airport	I	II	II
Classification of operation	Precision	Non precision	Non precision
Operating capacity	B-737	F-28 full capacity	F-28 full capacity
Fuel pump	Available	Available	Not available
Meteorological service	Available	Available	Available
Distance to town	12 km	7 km	15 km
Runway facilities			
- runway	2200 m x 45 m	1.800 m x 30 m	1.850 m x 30 m
- taxiway	A. 28 m x 23 m	150 m x 20 m	75 m x 20 m
	B. 160 m x 23 m	137.5 m x 20 m	
	C. 144 m x 18 m		
- apron	A. 17.651 m ²	16.860 m ²	151.6 m x 87.5 m
	B. 10.125 m ²		
- overrun	60 m x 45 m	60 m x 30 m	60 m x 30 m x 2
	60 m x 45 m	55 m x 30 m	
- shoulder	2320 m x (2 x 52.2 m)	1915 m x 60 m x 2	2030 m x 150 m x 2
- turning area	2312 m ²	1500 m ²	150 m x 150 m x 2
	1600 m ²		

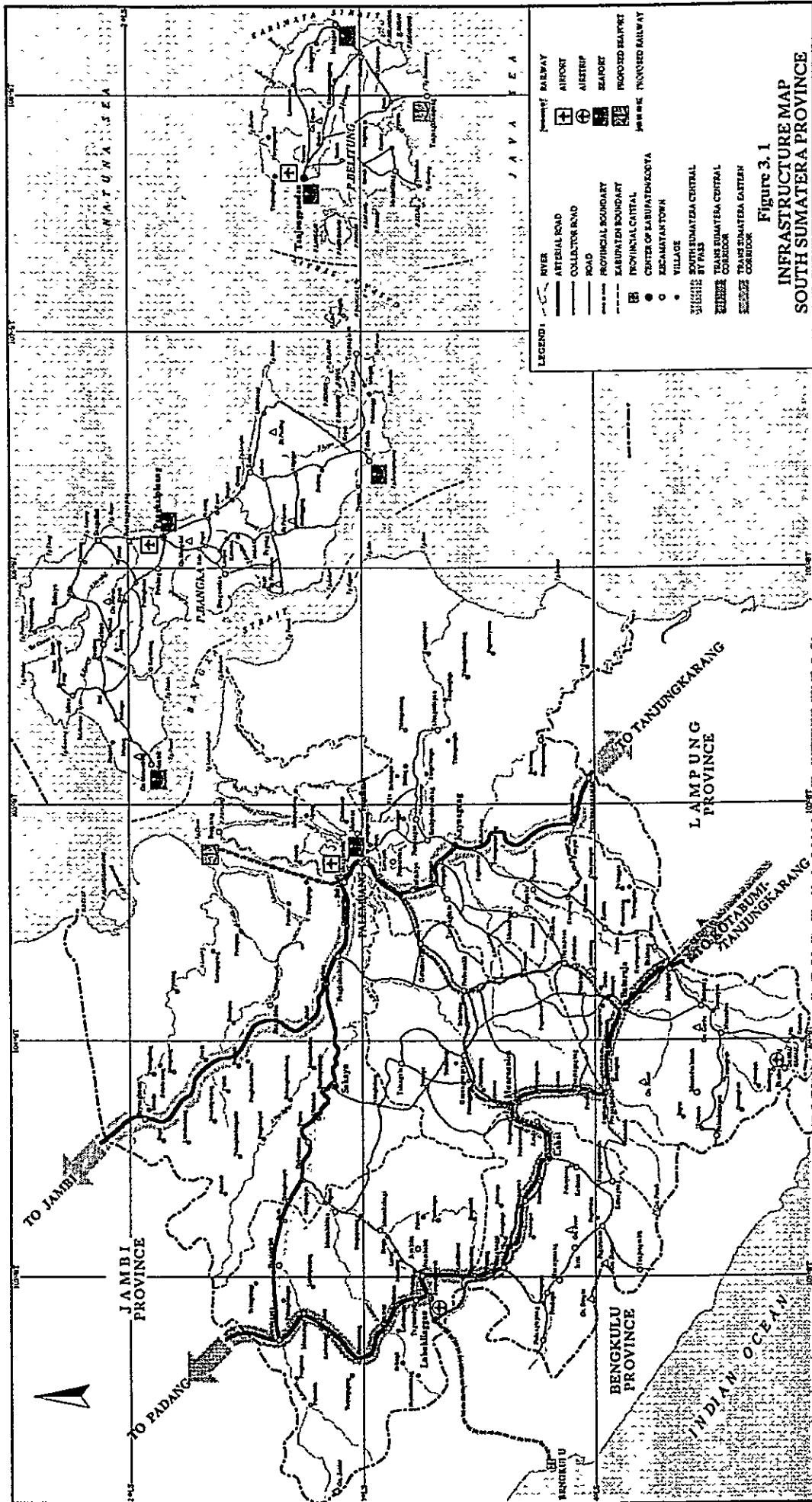


Figure 3. 2 BOOM BARU PORT AREA, PALEMBANG

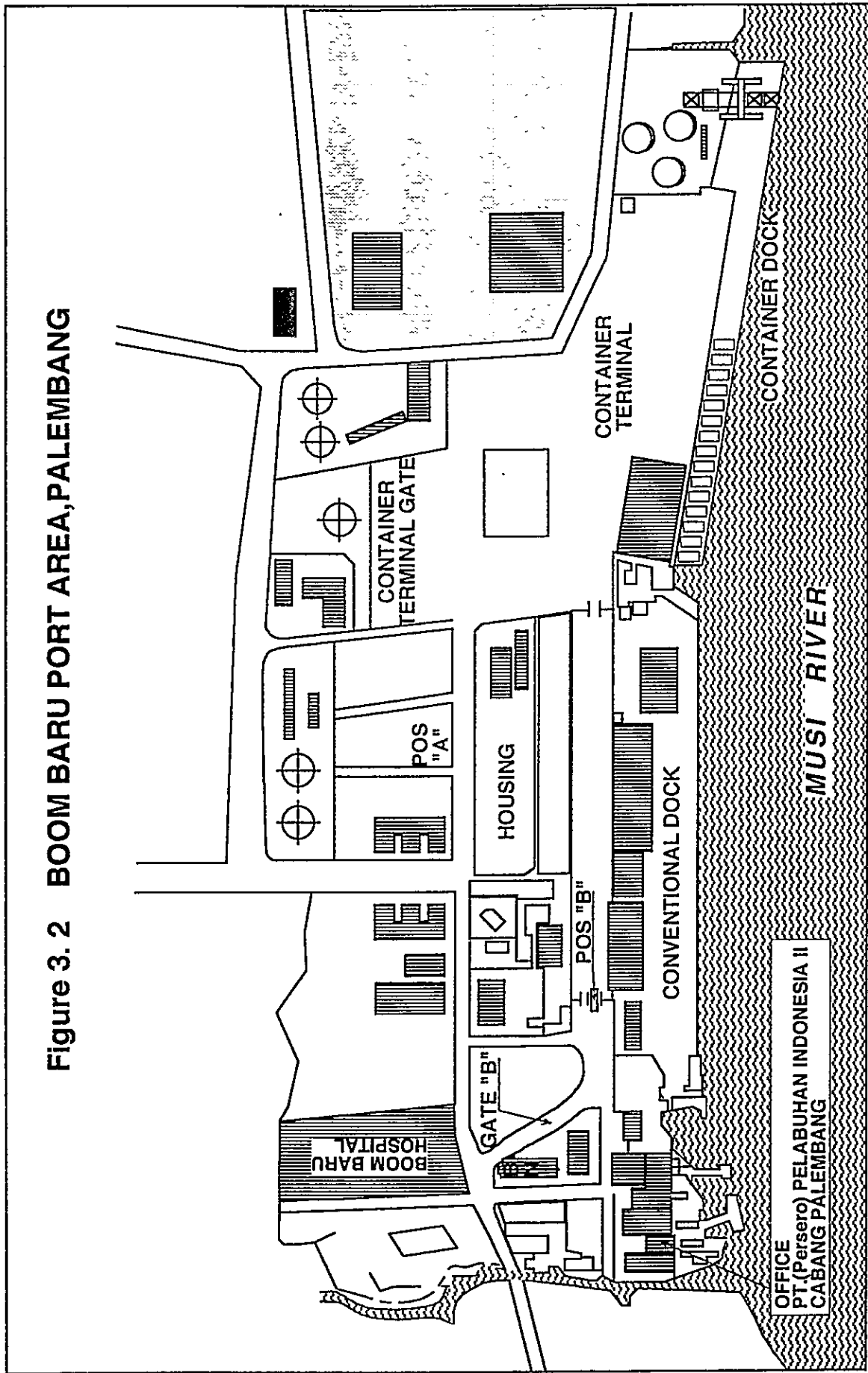


Figure 3.3 SHIPPING LINE MUSI RIVER

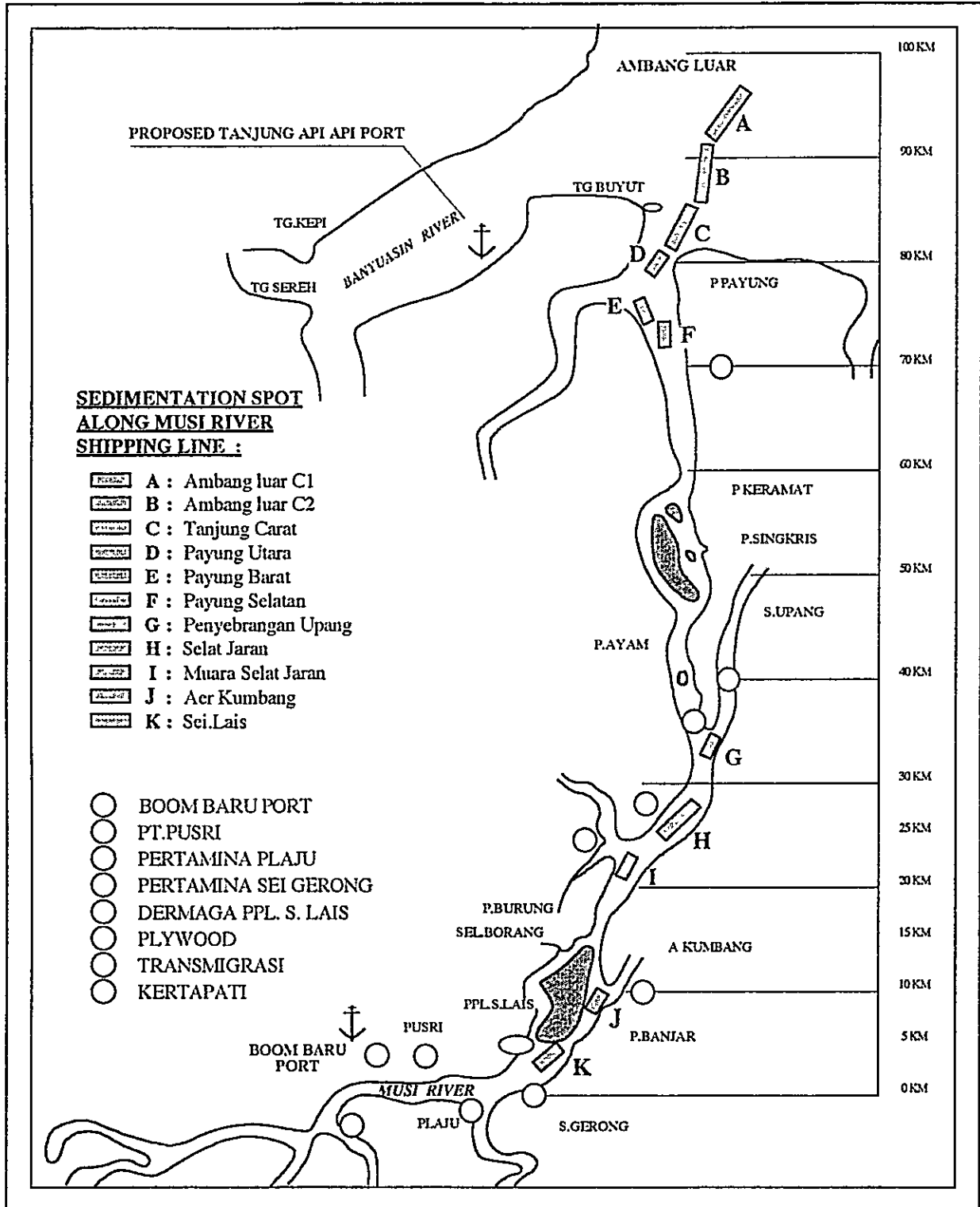
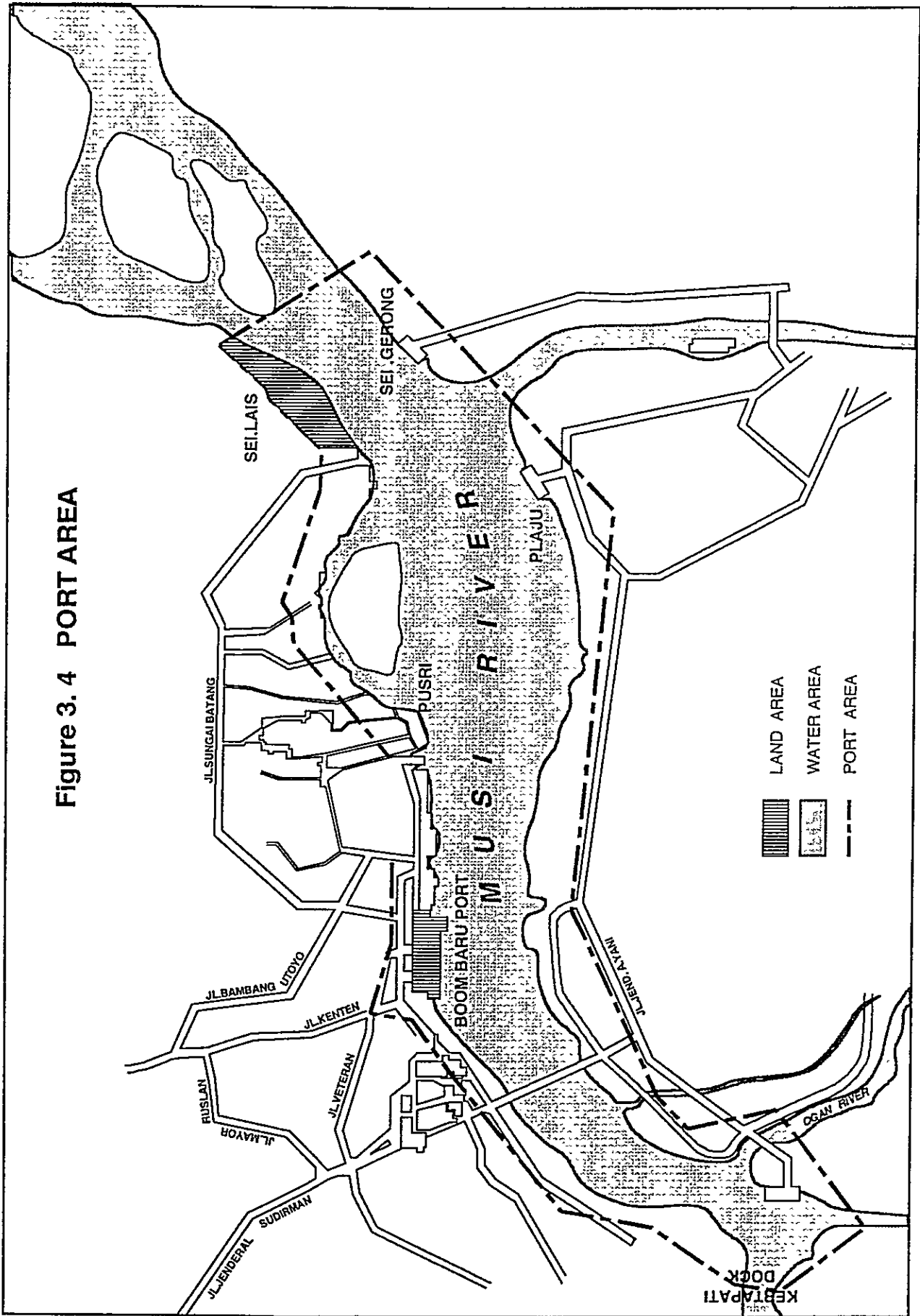


Figure 3.4 PORT AREA



3.2 UTILITIES AND OTHER INFRASTRUCTURE

3.2.1 Power supply

Electricity supply in South Sumatra is provided by PT PLN (Persero) Wilayah IV which also services the provinces of Lampung, Jambi and Bengkulu.

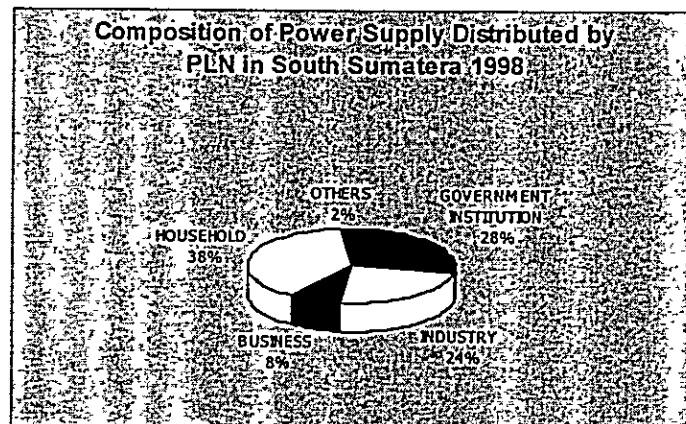
Between 1996 and 1997, electricity production increased rapidly achieving an average growth of 25.70% per annum. In 1998, production declined by 38.61% from the previous year to 1,386,692,161 kwh.

Approximately, 25% of the installed capacity is from diesel generating plants. Details of the power supply in 1998 according to Kabupaten/Kodya are as follows:

Table 3.6
Capacity of Electric Power Plants in South Sumatra in 1998.

No.	Kabupaten/ Kodya	Diesel Power (KW)	Steam Power (KW)	Gas Turbine (KW)	Total Installed Capacity (KW)	Production Capacity (KW)
1.	OKU	4,821	-	-	4,812	3,850
2.	OKI	2,450	-	-	2,450	17,960
3.	Muara Enim	750	-	-	750	600
4.	Lahat	2,872	-	-	2,872	2,298
5.	MURA	11,595	-	-	11,595	9,276
6.	MUBA	6,081	-	-	6,081	4,865
7.	Bangka	28,571	-	-	28,571	22,857
8.	Belitung	23,568	-	-	23,568	18,854
9.	Palembang	420	25,600	64,908	90,928	336
10.	Pangkal Pinang	-	-	-	-	-
	TOTAL	81,119	25,600	64,908	171,672	80,896
	Total 1997	123,854	285,000	64,908	473,762	514,005
	Total 1996	139,112	324,908	25,600	489,620	190,503
	Total 1995	123,367	285,600	64,908	473,875	190,503
	Total 1994	122,955	220,600	64,908	408,463	171,753

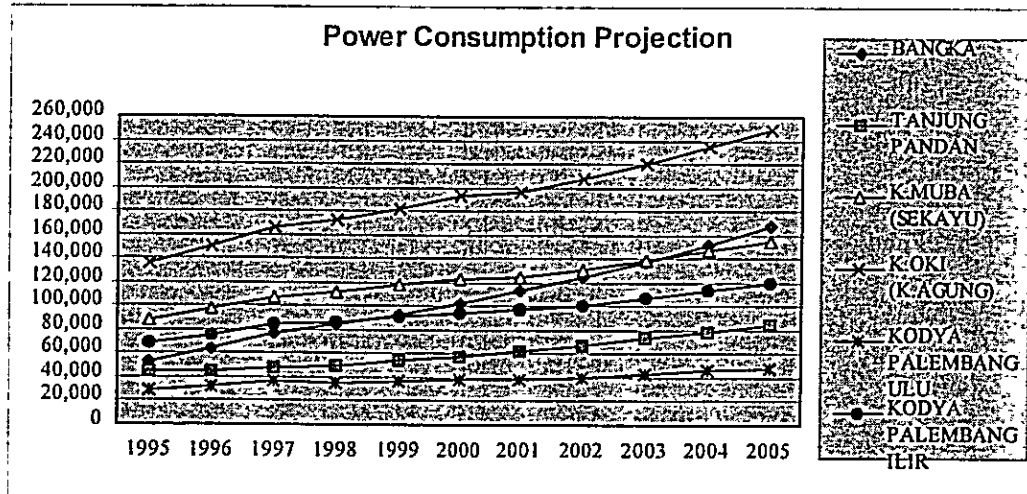
In 1998, the highest consumption of electricity was for residential use which represented 38% of the total demand. The next largest consumer groups were the industrial and business sectors who used 23.88% and 8.08% respectively. The actual composition of the power supply distributed by PLN is shown graphically as follows:



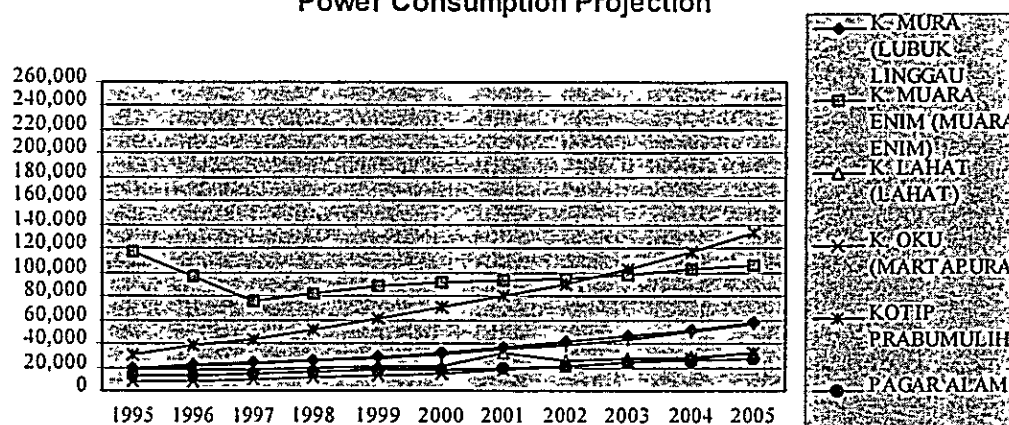
It is estimated that the electrical consumption in South Sumatra will increase continuously so that new power plants must be developed. Consumption between 2000 and 2005 is estimated to increase by 43%. A complete forecast for power consumption over this period is presented on the following table:

Table 3.7
Projection of Power Consumption in 2000-2005 by Kabupaten

LOCATION	2000	2001	2002	2003	2004	2005
BANGKA	102,293	112,785	124,461	137,462	151,944	168,087
TANJUNG PANDAN	57,847	62,489	67,514	72,959	78,864	85,274
K MUBA (SEKAYU)	122,734	125,093	131,022	138,563	146,477	154,768
K.OKI (K AGUNG)	192,342	195,477	206,870	220,530	234,749	249,562
KODYA. PALEMBANG ULU	38,035	38,767	40,652	43,044	45,549	48,173
KODYA PALEMBANG ILIR	94,658	96,506	101,115	106,963	113,086	119,500
K. MURA (LUBUK LINGGAU)	32,814	36,687	41,102	46,146	51,921	58,549
K. MUARA ENIM (MUARA ENIM)	91,520	92,693	93,930	97,954	102,167	106,578
K. LAHAT (LAHAT)	21,663	32,279	25,050	26,993	29,113	31,426
K OKU (MARTAPURA)	15,188	17,590	20,401	23,695	27,560	32,103
KOTIP PRABUMULIH	70,921	79,661	89,924	102,002	116,489	133,925
PAGAR ALAM	18,369	19,917	21,619	23,494	25,559	27,837
KOTIP BATURAJA	31,093	34,789	38,984	43,753	49,183	55,378



Power Consumption Projection



In order to meet the future demands, PT. PLN Wilayah IV plans to develop the following new power plants:

- PLTA Batu Tegi (Lampung) 2 x 14.88 MW May 2001
- PLTA Besai (Lampung) 2 x 45 MW July 2000
- PLTA Musi (Bengkulu) 3 x 70 MW 2004
- PLTD Merawang (Bangka) 2 x 5 MW March 2000
- PLTU Tarakan (Lampung) 2 x 100 MW 2004

3.2.2 Water Supply

A potable water supply is provided in each Kabupaten/Kotamadya by Perusahaan Daerah Air Minum (PDAM). Except for Kabupaten Musi Rawas, where water is obtained from a spring, all water supply facilities use rivers as their source of water and provide a complete purification process. Aluminium sulphate is used in the process and hypochlorite calcium is the disinfectant.

Table 3.8
Water Supply by Regency

NO.	REGENCY/MUNICIPALITY	POPULATION (PERSON)	PRODUCTION CAPACITY (LT/SEC)	POPULATION SERVED (%)	LEAKING LEVEL (%)
1	KAB. OGAN KOMERING ULU	1,788,000	160	5.39	38
2	KAB. OGAN KOMERING ILIR	487,900	140	12.09	43
3	KAB. MUARA ENIM	447,800	200	18.49	21
4	KAB. LAHAT	1,299,100	180	6.21	31
5	KAB. MUSI RAWAS	264,100	150	26.28	20
6	KAB. MUSI BANYUASIN	210,100	90	19.23	30
7	KAB. BANGKA	346,000	150	23.03	28
8	KAB. BELITUNG	363,800	80	10.53	31
9	KODYA PALEMBANG	2,380,800	1740	31.59	42
10	KODYA PANGKAL PINANG	243,900	110	25.05	24

In Kotamadya Palembang, which has a population of more than 2.3 million, the production capacity is 1740 liters/seconds and can only serve about 31% of the population. This capacity is still far below requirements and, as a result, an increase in the potable water supply and further development of the water purification facilities will be required in the future.

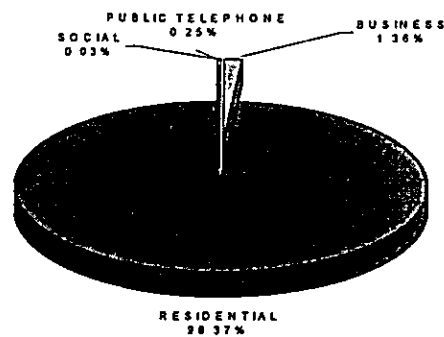
3.2.3 Telecommunications

Telecommunications are provided by PT. Telekomunikasi Indonesia Tbk. Kandatel Sumatra Selatan. In December 1999, there were 77,541 connection lines served by 14 automatic telephone exchanges in Kabupaten Ogan Komering Ilir, Musik Banyuasin, Kodya Palembang and Kabupaten. The total number of lines was made up of 75,875 private lines and 1,666 public telephone lines.

The number and capacity of the telephone network in South Sumatra is summarized in the following table:

Table 3.9
Number and Capacity of Telephone Lines in South Sumatra

No.	Location of Automatic Telephone Exchange	Regency/District	Regency/District	Central Capacity	Business	Residential	Social	Public Telephone
1.	Centrum 1-2	Ilir Timur (Palembang)	37,026	5,934	21,709	86	834	28,563
2.	T1. Kelapa	Sukarame (MUBA)	11,352	553	8,441	17	184	9,195
3.	Bk. Siguntang	Ilir Barat 1-2 (Palembang)	7,400	166	4,152	6	70	4,394
4.	Sungai Buah	Ilir Timur -2 (Palembang)	11,200	1,007	7,234	23	144	8,408
5.	Kenten Ujung	Sakokenten (Palembang)	12,288	367	11,047	19	131	11564
6.	Seberang Ulu	Seb. Ulu -1 (Palembang)	10,806	587	6,111	15	106	
7.	Plaju	Seb. Ulu -2 (Palembang)	2,742	253	2,365	0	39	
8.	Indralaya	OKI	1,420	25	1,091	13	36	1,165
9.	Tanjung Raja	OKI	880	38	554	3	14	609
10.	Sekayu	(MUBA)	3,960	96	1,662	2	34	1,794
11.	Sekayu	MUBA	2,170	104	1,196	3	32	1,335
12.	Pangkalan Balai	MUBA	480	10	407	0	8	425
13.	Betung	MUBA	512	38	425	0	27	490
14.	Sungsang	MUBA	268	2	114	0	7	123
			102,504	9,180	66,508	187	1,666	77,541



SECTION 4
DEVELOPMENT IN THE PROVINCE

SECTION 4

DEVELOPMENT IN THE PROVINCE

4.1 DEVELOPMENT POLICY AND STRATEGY

4.1.1 National Physical Development (Spatial) Plan

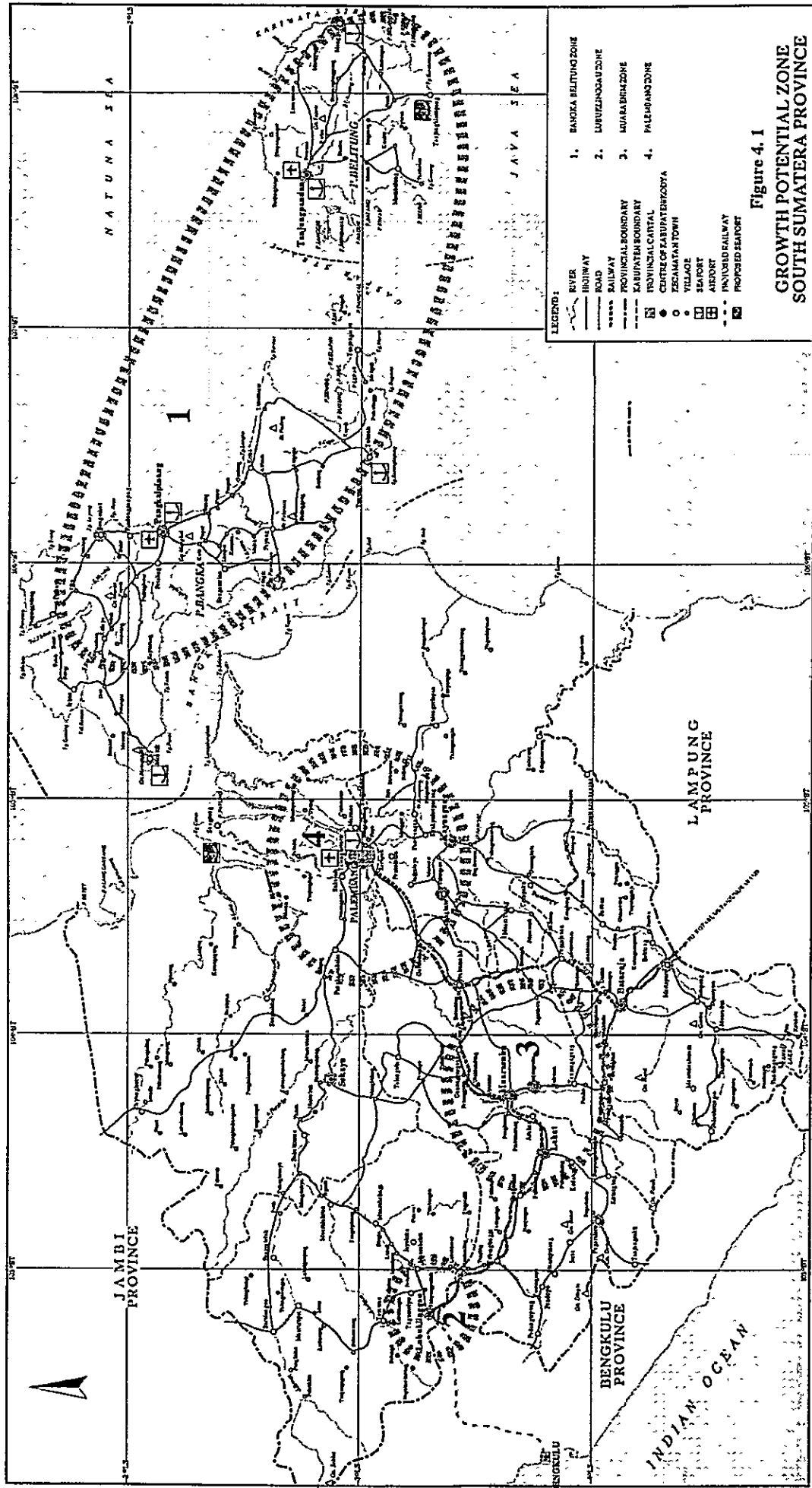
RTRWN (Rencana Tata Ruang Wilayah Nasional) has determined areas in each province which have the potential to develop rapidly compared with other areas. For South Sumatra the following areas have been identified:

- (1) Palembang and vicinity – this area is located in the eastern part of Sumatra and consists of Kodya Palembang (the provincial capital), Kayu Agung (the capital of Kab. OKI), Tanjung Batu and Sekayu (the capital of Kab. MURA).
- (2) Muara Enim and vicinity – this area is located in the southern part of South Sumatra and consists of Muara Enim, Tanjung Enim (the capital of Kab. Muara Enim), Lahat (Kab. Lahat), Baturaja, Martapura (Kab. OKU), Pagaralam and Prabumulih (Kotif. Prabumulih).
- (3) Lubuk Linggau and vicinity – this area is located at the West part of South Sumatra Province and includes the town of Linggu, the capital of Kab. Musi Rawas.
- (4) Bangka and Belitung – this area consists of two large islands, namely P. Bangka and P. Belitung. Towns include Pangkal Pinang (Kodya Pangkal Pinang), Sungai Liat, Muntok (Kab. Bangka) and Tanjung Pandan and Manggar (Kab. Belitung). Bangka and Belitung are important because they are situated between two oceans on international shipping lanes and close to the SIJORI growth triangle.

4.1.2 Physical Development (Spatial) Plan for Sumatra

Direktorat Jenderal Cipta Karya Dep. PU, has established a spatial plan (RTRWP) for the island of Sumatra which describes the proposed development in greater detail within the overall context of the national plan. The plan is summarized as follows:

- (1) To establish an economic gateway for international free trade equivalent to those provided by the large cities of Java.
- (2) To play an important role, together with Java, in shaping national development and distributing the resultant economic benefits equally between Sumatra and other areas of Indonesia with a view to strengthening economic relations between the provinces.
- (3) To develop export trade, especially in agricultural commodities consistent with its proximity to the growth triangle and neighboring countries.
- (4) To protect its natural environment as a national asset by supporting a firm policy of sustainable development.



LEGENDA

- RIVER
- HIGHWAY
- ROAD
- RAILWAY
- PROVINCIAL BOUNDARY
- KABUPATEN BOUNDARY
- PROVINCIAL CAPITAL
- ZONA MATAKOTA
- VILLAGE
- SEAPORT
- AIRPORT
- INTERNATIONAL RAILWAY
- PROPOSED SEAPORT

1. BANGKA BELITUNG ZONE
 2. LURUP ZONE
 3. MUAR ZONE
 4. PALEMBANG ZONE

Figure 4.1
GROWTH POTENTIAL ZONE
SOUTH SUMATERA PROVINCE

It is envisaged that the spatial development plan for Sumatra will rely on:

- (1) Agricultural based activities which have already been established, so that the island of Sumatra will become the main supplier of produce to Java and elsewhere.
- (2) Industrial based activities geared to the export market so that Sumatra will compete with neighboring countries as a processor of raw materials and value-added products for export.
- (3) Industrial based activities related to agricultural development within Sumatra ie. economy linked to agriculture industry.

An economy linked to the agricultural based industry creates an appropriate basis for the physical development of Sumatra. Therefore, the basic spatial development concept is to link primary and secondary activities as one physical entity.

In general, the infrastructure development pattern in Sumatra is designed to:

- (a) serve the needs of the eastern area in a more integrated manner
- (b) stimulate economic growth in the western part of the island.

The development pattern for highway transport in Sumatra consists of five sections of Trans-Sumatra Highway, namely the West Axis serving plantations and fisheries, the Middle Axis, East Axis, West-East and Batam-Rempang-Galang. South Sumatra is crossed by the Central Axis and East Axis.

The Central Axis passes through the cities of Bandar Lampung-Kotabumi-Lubuk Linggau-Muara Bulian-Padang-Sibolga-Medan. It serves industrial, agricultural, and mining areas which are spread throughout the southern part of Sumatra, and satisfies regional requirements.

The East Axis passes through the cities of Bandar Lampung-Kotabumi-Palembang – Jambi – Pekanbaru – Dumai – Rantauprapat – Medan – Langsa – Lhoksemawe - Banda Aceh. This highway serves large-scale plantation areas, industry and transportation services. It is used particularly for national and international services.

4.1.3 Physical Development (Spatial) Plan for South Sumatra

The physical development of South Sumatra up to 2005 is governed by Regional Regulation of Propinsi DT. I Sumatra Selatan, Number 05/1994. It includes establishing protected areas and the development of cultivated areas, infrastructure in settlement centres, priority areas, and transportation systems.

Protected Areas

The main protected areas include those highland areas in the Bukit Barisan Mountains which have an elevation greater than 1000 m and slopes greater than 40%, the East Coast, and around the rivers. They are summarized as follows:

**Table 4.1
Protected Areas in South Sumatra**

Protected Area	Kabupaten
<ul style="list-style-type: none"> - Forest area in Beringin, Banding Agung Islands (at the eastern part of Danau Ranau), & near Muara Dua. - Wildlife Reserve in the southern part of Danau Ranau, Gunung Raya area of 39,500 ha. 	Ogan Komering Ilir
<ul style="list-style-type: none"> - The east coast alignment which passes through mangrove forest area and peat land. 	Ogan Komering Ilir
<ul style="list-style-type: none"> - Taman Baru Berrakat, which consists of 30000 ha on the boundary with Kab. Muba and Mura. - Wildlife Reserve Isau-isau Pasemah on the boundary of Kab. Lahat with an area of 12.144 ha. 	Muara Enim
<ul style="list-style-type: none"> - Suaka Marga Satwa Rawas Ulu Lakitan - Hutan Suaka Alam in the northern part of the province near the boundary with Jambi, Muara Rupit and Muara Lakitan. 	Musi Rawas
<ul style="list-style-type: none"> - Suaka Margasatwa Guma Pasemah consisting of 45883 ha. - Part of Suaka Margasatwa Isau-isau Pasemah. - Cagar Alam at the boundary of Bengkulu, such as Bukit Balam, Bukit Dinging and Gunung Patah Berpagut. 	Lahat
<ul style="list-style-type: none"> - Mangrove forests along the north coast and on both sides of rivers. - Wildlife reserves at Bentayan, Padang Sugihan and Dangku, - Cagar Alam Sungai Sembilang. 	Musi Banyuasin
<ul style="list-style-type: none"> - Mangrove forests along the coast of the islands, except Sungai Liat to Pangkal Pinang. 	Bangka
<ul style="list-style-type: none"> - Nature reserves on both sides of the road between Tanjung Pandan and Manggar, near Membalong. 	

Development of Cultivated Areas

Production Forests

The development areas for timber, include Kabupaten MUBA, OKI, MURA, OKU and Bangka. Further expansion of private initiatives through the HPH area is not possible and there is now a program to reduce the HPH area by 2% per annum. The development of industrial timber estates and plantations (HTI) is given priority.

Agricultural Areas

Food crops are grown at the following locations:

Crop	Location
Padi	OKU, OKI, Lahat, MURA, Muara Enim, MUBA
Secondary	MUBA, MUBA, OKU, Bangka
Horticulture	MURA, Lahat, Pagar Alam, OKU

Plantation crops are found at the following locations:

Plantation	Location
Rubber	MUBA, MURA, Muara Enim, OKI, OKU, Lahat
Coffee	Lahat, OKU, Muara Enim
Pepper	Bangka, Belitung, Lahat, OKU
Cloves	Bangka, Lahat, Belitung
Coconut	Belitung, MUBA, OKI

Fisheries are established as follows:

Fishery	Location
Land	Muara Enim, OKU, Lahat, MUBA
Sea	OKI, Bangka, Belitung

Mining Areas

Mineral deposits have been located and are currently being extracted at the following locations:

Mineral Deposit	Location
Natural gas and Petroleum	Muara Enim, MUBA
Coal	Muara Enim, Lahat, MUBA, MURA, OKI
Quartz sand	Bangka, OKI, Belitung
Kaolin	Bangka, Lahat
Granite	OKI, OKU
Lime-stone	OKU, Lahat
Clay	OKU, OKI, Belitung, Lahat, MURA, MUBA
White sand and coral	Lahat, OKI, OKU
Marble	Lahat
Pumice	OKI, Lahat

Exploration for natural gas and petroleum is required in OKI, MURA, Lahat.

Industrial Estates

Heavy industrial estates are proposed at Tanjung Api-api and Mariana in order to reduce industrial development in town centres, especially in Palembang. These developments are compatible with construction of the proposed new seaport at Tanjung Api-api.

Development of the agro-industry and an increase in coal mining and oil exploration are taking place in Muara Enim.

Small-scale industrial development and an increase in sugar production are taking place at OKI.

Rubber processing, oil palm and pulp industries are all being developed at MUBA.

An increase in cement production, and small-scale industries are scheduled for OKU.

Industrial development with an emphasis on the agro-industry and processing of mining products is carried out at MURA.

4.2 POPULATION AND LABOUR FORCE

4.2.1 Population

According to the National Census (Susenas) in 1998, the population of South Sumatra was 7,497,400. The annual population growth rate increased to 4.77%, between 1995 and 1998; this is very high compared with the national rate of just 1.05% of per annum during the same period.

The total population of South Sumatra is spread across 10 Kabupatens; 19% are in Palembang, 15.7% in Kabupaten Musi Banyuasin, 14.7% in Kabupaten Ogan Komering Ulu and 12.2% in Ogan Komering Ilir. The smallest populations exists in Kabupaten Belitung and Pangkal Pinang with approximately 2.7% and 1.7% respectively.

The average density was 69 persons/km² in 1998 and the total estimated population of 7,775,800 consisted of 3,905,700 males and 3,870,100 females. Based on these figures, the gender ratio, female to male, was 0.98.

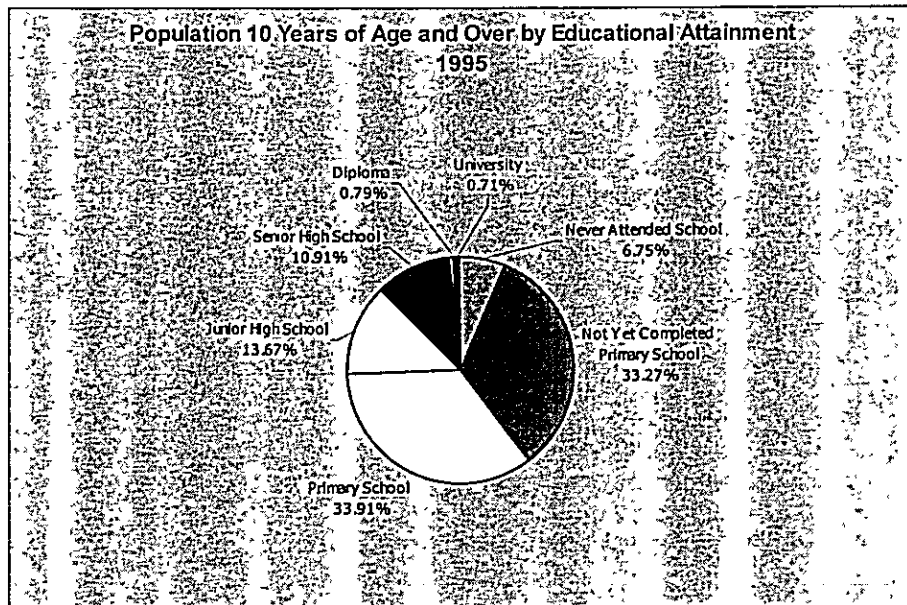
53% of the population, or 4,149,300 people, are under 24 years of age. This is an undesirable situation as it puts a significant economic burden on the province.

Table 4.2
Population based on Gender 1998 *

Regency / Municipality	Male x 10 ³	Female x 10 ³	Total x 10 ³	Distribution %
Ogan Komering Ulu	589.7	555	1,144.8	14.7
Ogan Komering Ilir	480.0	468	948.6	12.2
Muara Enim	364.5	355	720.3	9.3
Lahat	344.5	334	678.7	8.7
Musi Rawas	326.8	316	643.6	8.3
Musi Banyuasin	588.4	631	1,219.6	15.7
Bangka	305.9	294	600.6	7.7
Belitung	107.6	102	210.3	2.7
Palembang	733.2	746	1,479.5	19.0
Pangkal Pinang	65.1	64	129.8	1.7
Total	3,905.7	3,870	7,775.8	100

Source : Central Board Statistics of South Sumatra Province
* Projection.

Education is a big issue in South Sumatra. According to data from Government Statistics in 1998, 14% of the total population had completed Primary School (Sekolah Dasar (SD)), 6% had completed Sekolah Menengah (SLTP & SMU) and less than 1% had graduated from the university.



In 1998, the labour force, based on the population over 10 years of age considered to have working status, was 3,322,723. Children under 10 years of age were not included in the labor force even if they worked for their living or assisted with their family income.

The percentage of the population, Tingkat Partisipasi Angkatan Kerja (TPAK), included in the labour force "Angkutan Kerja" between 1993 and 1997 was 57%, on average. However, the labor force increased during the following 3 years as shown below:

Year	Labor Force	Increase in Labor Force (%)
1996	3,029,281	
1997	3,146,233	3.9
1998	3,332,723	5.61

In 1998, the "working opportunity", which is a comparison between the working population and the available labour force, was 93.3%. This reasonably high rate of unemployment was a result of the economic crisis which occurred in mid 1997. Most companies were forced to reduce their labour for efficiency and many closed down.

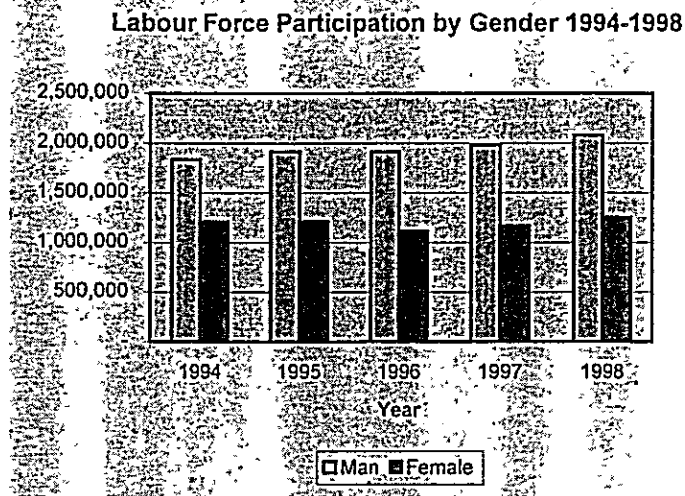
In contrast, the economic crisis also forced some people who previously did not work to look for a job in order to assist their families. This was one of the reasons for an increase in the labour force during 1998.

The work force and unemployment figures in South Sumatra for the period 1991-1998 are shown below.

Table 4.3
Labor Force and Unemployment in South Sumatra in 1991-1998

Year	Working	Change %	Looking for Working	Change %	Total Work Force	Change %	Unemployment Rate
1991	2,533,532		80,656		2,614,188		3.09%
1992	2,876,882	13.6%	71,468	-11.4%	2,948,350	12.8%	2.42%
1993	2,877,706	0.0%	164,723	130.5%	3,042,429	3.2%	5.41%
1994	2,897,705	0.7%	148,761	-9.7%	3,046,466	0.1%	4.88%
1995	2,952,594	1.9%	176,947	18.9%	3,129,541	2.7%	5.65%
1996	2,868,594	-2.8%	160,582	-9.2%	3,029,176	-3.2%	5.30%
1997	2,987,339	4.1%	158,894	-1.1%	3,146,233	3.9%	5.05%
1998	3,110,101	4.1%	222,622	40.1%	3,332,723	5.9%	6.68%

Source . Central Board Statistics of South Sumatra Province



4.2.2 Labour

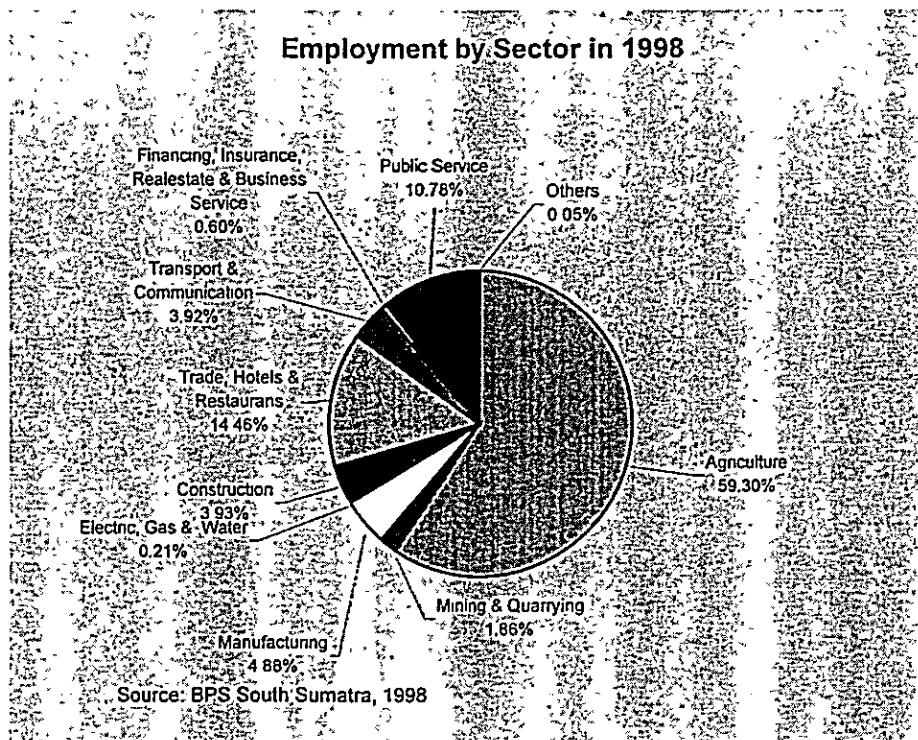
A large part of South Sumatra consists of agricultural land and, as such, 59.3% of the work force, in 1997, were employed in the primary/agriculture sector. The tertiary sector was the next largest employer with 14.5% in the trade, hotel and restaurant sectors and 10.8% in the public service sector. The secondary sector (processing industry) had the lowest absorption with 4.9%.

The population, aged 10 years or more, who had worked during the previous week was classified according to the industry of employment, as follows:

Table 4.4
Employment Classification for Population > 10 Years of Age

Main Industry	No. of Employees	Percentage (%)
Agriculture	1,844,377	59.3
Mining & Quarrying	57,988	1.9
Manufacturing Industry	151,687	4.9
Electricity, Gas and Water	6,530	0.2
Construction	122,149	3.9
Trade, Hotels & Restaurants	449,869	14.5
Transport & Communication	122,059	3.9
Financing, Insurance, Real Estate & Business Service	18,719	0.6
Public Service	335,292	10.8
Others	1,431	0.0
Total	3,110,101	100.0

Source : Central Board Statistics of South Sumatra Province



The main problem with the labor force in Indonesia, as a whole, is the low level of education. Similarly in South Sumatra, where in 1997 out of the entire working population, 73% had a very low education (\leq SD), and 4.4% had never attended school. This situation is reflected in the low quality of the majority of the work force.

4.2.3 Transmigration

Most transmigration to South Sumatra, come from Java and Bali. In 1998/1999, transmigration amounted to 582 HH or 2,323 people, this represents a significant decrease from the previous year which totalled 1,923 HH or 7,434 people.

4.3 ECONOMIC GROWTH AND STRUCTURE IN SOUTH SUMATRA

In mid 1997, the Indonesian economy was in a crisis condition, caused by a combination of exchange rate and a liquidity problems. The economic crisis had a long lasting impact so that, in 1998 and 1999, the whole of Indonesia including South Sumatra experienced crisis conditions.

4.3.1 Economic Growth

The economic growth of the province during the period 1993 to 1998 increased on average by 4.0% per annum (constant price 1993). On average this was higher than the national CDP growth.

The monetary crisis weakened the economic growth in 1997 to 4.8%, as a result of low production and productivity caused by tight money policy, high interest rates (35-45% by the end of 1997) and a low exchange rate of the rupiah against the US dollar. In addition, the situation was compounded by a long drought, accompanied by forest fire and smoke.

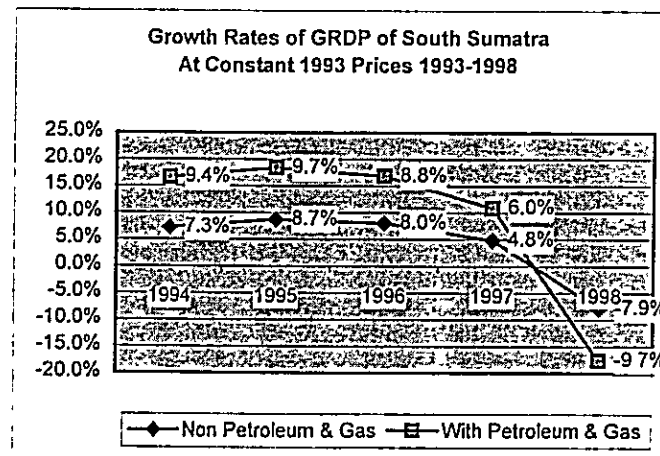
In 1998, the economic growth fell to -7.9% due to minimal business investment, high interest rates, increasing prices and economic uncertainty. In addition, total private expenditure decreased because of lower employment income.

The growth pattern of 1997 and 1998 was drastically different to the growth pattern of the previous years which had typically grown between 7-8% per annum.

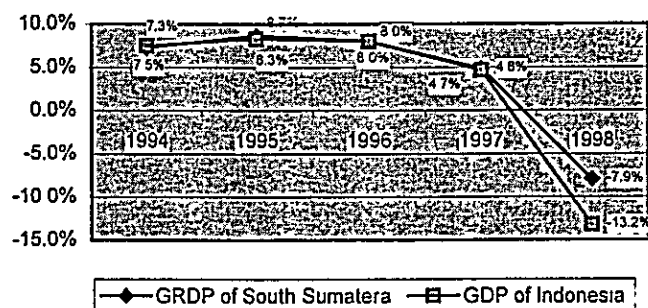
Table 4.5
Economic Growth, 1994-1998 (Constant Prices 1993)

Year	With Petroleum & Natural Gas		Non Petroleum & Natural Gas		GDP of Indonesia
	Million Rp.	%	Million Rp.	%	
1993	10,736,165		8,855,242		
1994	11,515,288	7.3%	9,687,884	9.4%	7.5%
1995	12,515,761	8.7%	10,631,751	9.7%	8.3%
1996	13,521,163	8.0%	11,070,276	8.8%	8.0%
1997	14,176,629	4.8%	12,261,031	6.0%	4.7%
1998	13,053,689	-7.9%	11,070,276	-9.7%	-13.2%
Annual Average Growth 1993-1998		4.0%		4.6%	2.7%

Source : BPS, South Sumatra Province, processed



**Growth Rates of GRDP of South Sumatra and GDP of Indonesia
1993-1998**



Economic Growth by Sector

In 1997, there was poor growth in all production sectors, and particularly in agriculture, mining and quarrying. This was a reflection of the seasonal factor and a less profitable external environment. Electricity, gas and potable water supply services and the service sector in general slowed less, reflecting a fairly constant domestic demand.

In 1998, economic growth contracted significantly in most sectors and most particularly in the construction, finance and industrial sectors. Only the agricultural and electricity gas and drinking water sectors maintained positive growth.

**Table 4.6
Real Growth of Economic Sector in 1993-1998 (Constant Prices 1993)**

Sector	1994	1995	1996	1997	1998
1. Agriculture	9.4	10.7	5.4	2.0	4.2
2. Mining & Quarrying	-1.3	6.1	9.5	4.4	-3.2
3. Industry	8.2	11.0	9.8	5.1	-10.4
4. Electric, Gas & Water	12.8	12.2	13.3	12.5	4.8
5. Construction	13.1	11.3	10.5	6.2	-34.4
6. Trade, Hotel & Restaurant	9.1	9.6	9.4	7.9	-10.2
7. Transportation	11.0	9.7	9.4	4.8	-9.4
8. Finance	9.7	4.3	3.9	3.2	-16.8
9. Services	2.8	2.5	2.8	2.5	-0.4
GRDP	7.1	8.8	8.0	4.8	-9.7

Source: BPS South Sumatra Province

4.3.2 Economic Structure

Including Petroleum and Gas

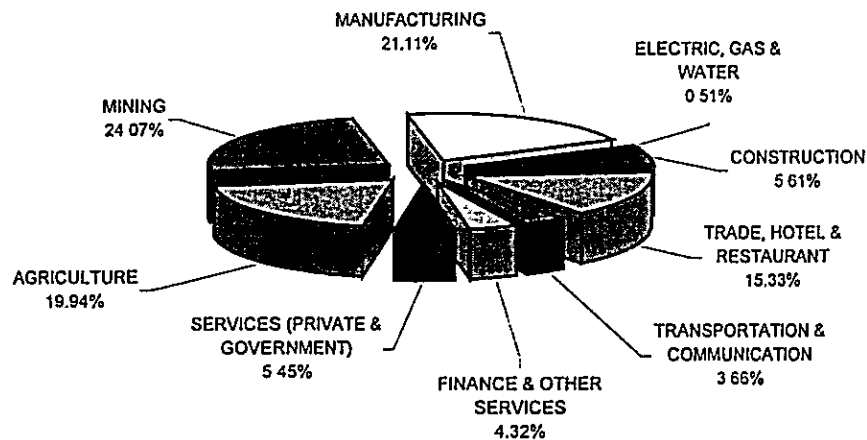
In 1998, for the economic structure including petroleum and gas, the three largest contributions were from the industrial, mining and quarrying, and agriculture sectors respectively. During the period 1993-1998, the industrial sector consistently increased from 19.96% to 21.1%. The greatest contribution to the growth pattern in the industrial sector was by the non-petroleum and non-gas processing industries. In contrast the petroleum and gas processing industries were gradually decreasing.

Table 4.7
Economic Structure, 1993-1998 including Petroleum and Gas

Sector	1993	1994	1995	1996	1997	1998
1. Agriculture	18.8	20.3	20.7	20.2	19.2	19.9
2. Mining and Quarrying	17.8	14.7	14.1	15.0	16.4	24.1
3. Industry	20.0	20.5	21.4	21.8	21.8	21.1
4. Electric, Gas & Drinking Water	0.6	0.6	0.6	0.7	0.7	0.5
5. Construction	7.2	7.6	7.7	7.8	7.3	5.6
6. Trade, Hotel & Restaurant	17.3	17.8	17.8	17.9	18.7	15.3
7. Transportation and Communication	4.8	5.0	4.7	4.8	4.6	3.7
8. Finance	5.5	5.8	5.4	5.0	4.8	4.3
9. Services	8.1	7.6	7.1	6.8	6.5	5.4
PDRB	100	100	100	100	100	100

Source : BPS Prop. Sumatra Selatan

Distribution of GRDP of South Sumatera, 1998
(including Petroleum & Natural Gas)



Excluding Petroleum and Gas

The economic structure excluding petroleum and gas was dominated continuously by the agricultural sector between 1993 and 1998. The contribution of the agricultural sector to the provincial economy was consistently good, ranging from 22.8% in 1993 to 24.4% in 1998. These results were largely due to the plantation sub sector whose production was geared to the export market.

The contribution from the industrial sector was also significant and increased from 16.7% in 1993 to be 20.0% in 1998. The main contributors to the success of this sector were 5.9% from the food, drink and tobacco sub-sectors and 4.2% from fertilizer, chemicals and rubber goods sub-sectors. Wood and forest products provided 2.7% and metal based industries, including iron and steel, 2.1%.

The trade, hotel and restaurant sector provided the third greatest contribution, with 18.8%, derived mainly from the trade sub-sector.

Apart from the three main sectors, a significant contribution was made by mining and quarrying. The contribution from this sector fluctuated but overall it increased from 7.8 percent in 1993 to 12.8 percent in 1998.

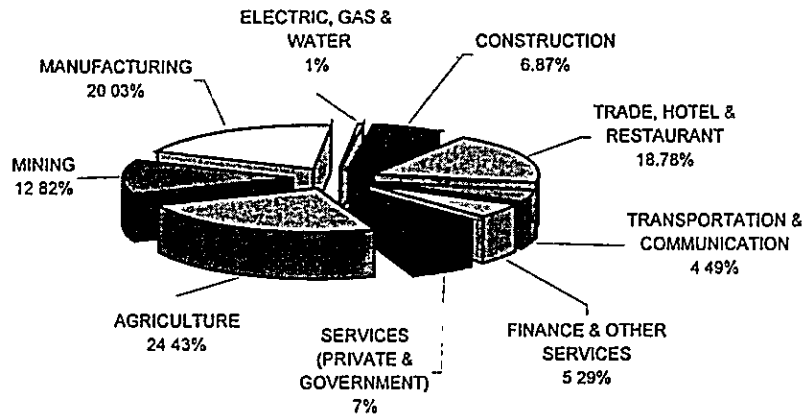
The contribution from other sectors was smaller and included the transportation and communications sectors and construction sector whose contributions in 1998 were 4.5% and 6.9% respectively. Both of these sectors showed a decline over the period 1993-1998.

Table 4.8
Economic Sector of South Sumatra from 1993-1998 (based on Current Price) Excluding Petroleum and Gas

Sector	1993	1994	1995	1996	1997	1998
1. Agriculture	22.8	23.7	24.2	23.5	22.3	24.4
2. Mining and Quarrying	7.8	7.1	6.9	7.4	8.7	12.8
3. Industry	16.7	17.2	18.3	18.8	19.5	20.0
4. electric, Gas & Drinking Water	0.8	0.8	0.8	0.8	0.8	0.6
5. Construction	8.7	8.9	9.0	9.1	8.5	6.9
6. Trade, Hotel & Restaurant	20.9	20.8	20.7	20.9	21.8	18.8
7. Transportation and Communication	5.8	5.9	5.5	5.6	5.3	4.5
8. Finance	6.7	6.8	6.3	5.9	5.6	5.3
9. Services	9.8	8.9	8.3	8.0	7.6	6.7
PDRB	100	100	100	100	100	100

Source: BPS South Sumatra Province

Distribution of GRDP of South Sumatra, 1998
(exclude Petroleum & Gas)



4.3.3 GRDP by Expenditure

Economic growth in 1997 was slower than in previous years but was supported by investment and export capacity.

Based on current prices the expenditure from household consumption in 1998 declined to -1.7%, compared with 4% in 1997 and 7% in 1996. Government expenditure decreased to -6.7% and fixed capital decreased to 29.0 percent, whilst the export of goods and services increased to 12.6 percent.

Tabel 4.9
GRDP Growth of South Sumatra by Use (Constant 1993)

Description	1996	1997	1998
Household consumption	7.7%	4.2%	-1.7%
Consumption by Non-profit Private Institution	1.0%	2.1%	-0.6%
Government consumption	4.4%	6.4%	-6.7%
Pembentukan Modal Tetap Domestik Bruto (PMTDB)	9.5%	5.3%	-29.0%
Export	11.4%	13.3%	12.6%
Import	12.0%	16.3%	-12.2%

Source : BPS

In 1998, the contributions to the GRDP at current prices were as follows:

Description	Contribution to GRDP (%)
Household Consumption	64.5
Fixed Capital	25.5
Net Export	8.9
Others	1.1

4.3.4 Sectoral Inflation Rate

The inflation rate of South Sumatra tended to increase from 1994 to 1998, particularly during the last two years. The four sectors with the highest inflation rate were:

Sector	Inflation Rate (%)
Mining and quarrying	143.6
Construction	88.9
Finance	74.7
Industrial processing	73.6

In all these cases the affect of fluctuating exchange rates on production costs and the price of finished products contributed to the high inflation rate.

The three sectors with the lowest inflation rate were :

Sector	Inflation Rate (%)
Electric, gas and drinking water	18.5
Service	35.1
Transportation	43.6

The electricity, gas and potable water and transportation sectors were able to adjust their prices and minimize inflation by virtue of government decree.

Table 4.10
Rate of Inflation by Economic Sector (%)

Sector	1994	1995	1996	1997	1998
1 Agriculture	10.8	10.9	8.0	10.9	60.8
2 Mining & Quarrying	-6.5	12.2	11.2	24.8	143.6
3 Industry	6.8	12.9	8.4	13.8	73.6
4 Electric, Gas & Water	1.2	6.7	4.6	6.4	18.5
5 Construction	4.8	10.2	7.2	4.4	88.9
6 Trade, Hotel & Restaurant	5.9	10.1	7.9	14.3	48.0
7 Transportation	5.5	3.2	7.7	8.1	43.6
8 Finance	7.9	7.5	4.6	8.1	74.7
9 Services	3.0	9.6	9.4	11.0	35.1
GRDP	4.8	10.7	8.3	13.4	75.2

Source: BPS Prop. Sumatra Selatan

4.4 INTERNATIONAL TRADE (EXPORT – IMPORT)

4.4.1 General

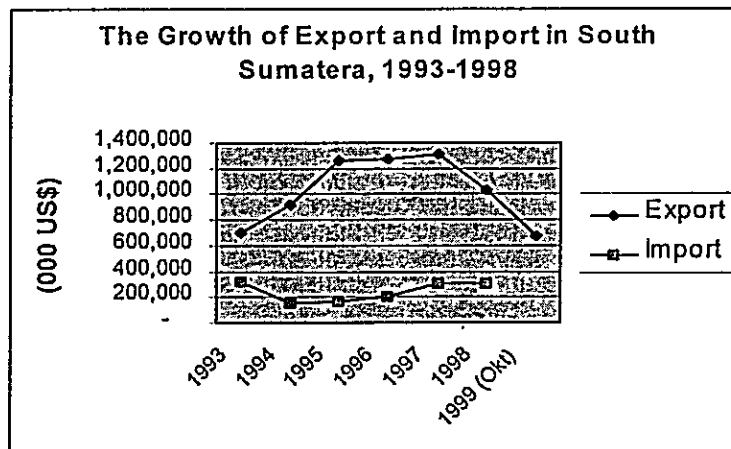
During the period 1993 to 1998, South Sumatra had a surplus revenue from international trade. However, in 1998 the trade surplus declined by –27.6% from 1997. This decline was caused by a decrease in export value of –21.2% caused by the monetary crisis and the fact that import values remained unchanged from the previous year.

Table 4.11
Export – Import of South Sumatra Province, 1993-1998

Year	Export		Import		Balance of Trade Region	
	Value (000 US\$)	Change %	Value (000 US\$)	Change %	Value (000 US\$)	Change %
1993	703.188		323.144		380.043	
1994	917.300	30.4	155.619	-51.8	761.681	100.4
1995	1.258.937	37.2	168.815	8.5	1.090.122	43.1
1996	1.274.700	1.3	206.937	22.6	1.067.763	-2.1
1997	1.312.831	3.0	310.274	49.9	1.002.557	-6.1
1998	1.036.449	-21.1	310.393	0.04	726.056	-27.6
Annual average growth 1993-1998		8.1		-0.8		13.8

Sumber : Kanwil Depperindag Sumatra Selatan, diolah

Graph : The Growth of Total Export and Import of South Sumatra, 1993-1998



4.4.2 Exports

The growth of Sector and Export Commodities

The average growth in export value during the period 1993 to 1998 was 8.1% per annum. This growth was largely attributed to an increase of export commodities such as rubber, pepper, tin, plywood.

Amongst the primary commodities, products from the agriculture sector including rubber, pepper, coffee and shrimp made a significant contribution to the non migas (petroleum and gas) export value in 1998. In the mining sector, the primary commodity was coal which made a 1.4% contribution.

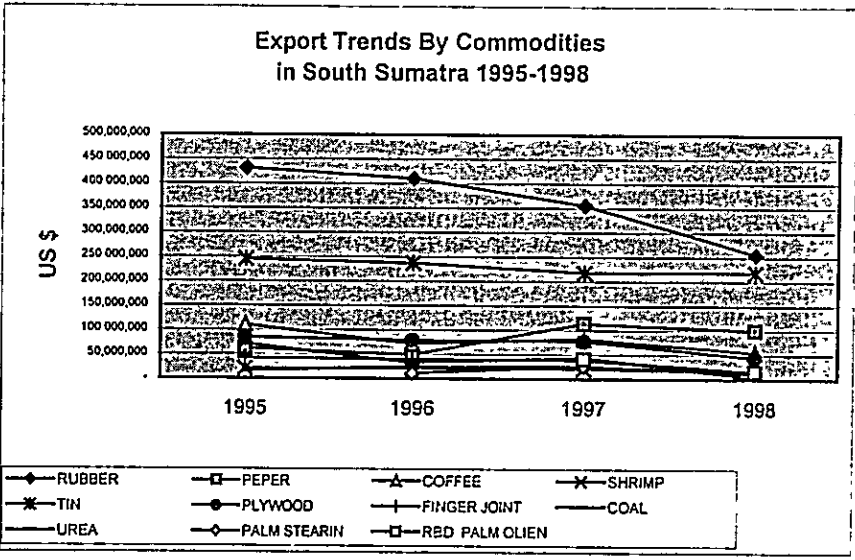
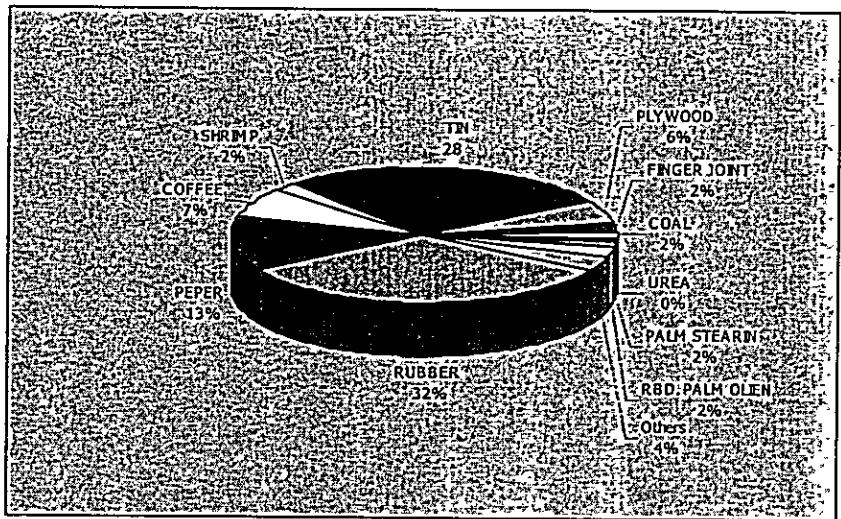
Secondary commodities, which contributed substantially were tin plywood, RBB palm oil and crude palm oil.

The contribution of primary commodities to the export of non petroleum and non gas goods was 88.5 percent of the total export in 1998.

Table 4.12
Main Commodity of Export Non Migas
(Petroleum and Gas) of South Sumatra, 1998

No.	Commodity	Value	SHARE (%)
1	RUBBER	255,354,031	24.6
2	PEPER	100,018,914	9.7
3	COFFEE	55,169,559	5.3
4	SHRIMP	15,734,567	1.5
5	TIN	218,279,868	21.1
6	PLYWOOD	44,189,462	4.3
7	FINGER JOINT	15,931,802	1.5
8	COAL	11,897,065	1.1
9	UREA	2,682,828	0.3
10	PALM STEARIN	12,872,938	1.2
11	RBD. PALM OLIEN	15,173,855	1.5
12	Others	28,944,111	27.9
	Total Export	1,036,449,000	100.0

Source: Kanwil Departemen Perdagangan dan Industri Propinsi Sumatra Selatan 1998



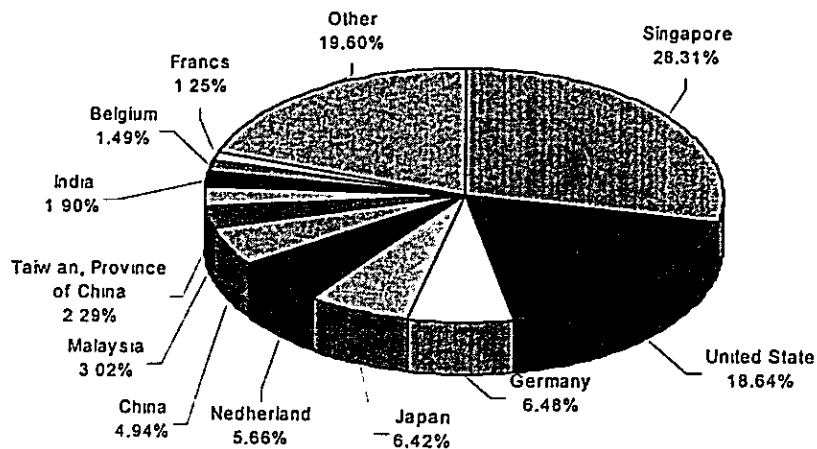
Exports by Country of Destination

The main countries of destination for exports in 1998 were Singapore, United States, Japan, European Union (Germany, Netherlands and Belgium) and China.

Table 4.13
Export by Country of Destination, 1998

No.	Country	Value (US\$)
1.	Singapore	313,748,762
2.	United State	206,540,261
3.	Germany	71,816,114
4.	Japan	71,151,324
5.	Netherlands	62,762,436
6.	China	54,792,741
7.	Malaysia	33,442,102
8.	Taiwan, Province of China	25,371,376
9.	India	21,031,827
10.	Belgium	16,561,588
11.	France	13,806,055
12.	Other	217,240,172
TOTAL		1,108,264,758

Source: *Kanwil Departemen Perdagangan dan Industri Propinsi Sumatra Selatan 1998*



Graph of Exports by Destination (Executive Summary)

4.4.3 Imports

The composition of imports during 1998 consisted primarily of materials for industry and capital goods such as machinery, vehicle and consumer goods.

The main countries of origin for South Sumatra's imports in 1998 were Germany (51.4%), United States (5.9%), Singapore (10.1%), Japan (4.6%) and Kuwait (3.8%).

Table 4.14
Import by Country Origin, 1998

NO	Country	Value (million US \$)	%
1	Germany, Fed Ref. of	159.522.786	51,4
2	Singapore	31.267.315	10,1
3	United State	18.191.713	5,9
4	Japan	14.205.519	4,6
5	Kuwait	11.822.120	3,8
6	Vietnam Rep. Soc.	11.353.874	3,7
7	Thailand	11.009.770	3,5
8	Canada	10.039.031	3,2
9	Malaysia	8.384.958	2,7
10	Finland	5.303.474	1,7
11	China	3.524.435	1,1
12	Other countries	25.767.613	8,3
	Total	310.392.608	100,0

Source: Kanwil Deperindag South Sumatra

4.5 INDUSTRIAL SECTOR DEVELOPMENT

The development of the industrial sector, relative to the Gross Regional Domestic Product (GRDP) of South Sumatra during the period, 1993 to 1998, is reviewed in the following paragraphs.

4.5.1 Primary Sector

The primary sector is derived from two industrial sectors, namely agriculture and mining and quarrying. Development between 1993 and 1998, was rapid with a real average growth of 4.8% per annum (constant price 1993).

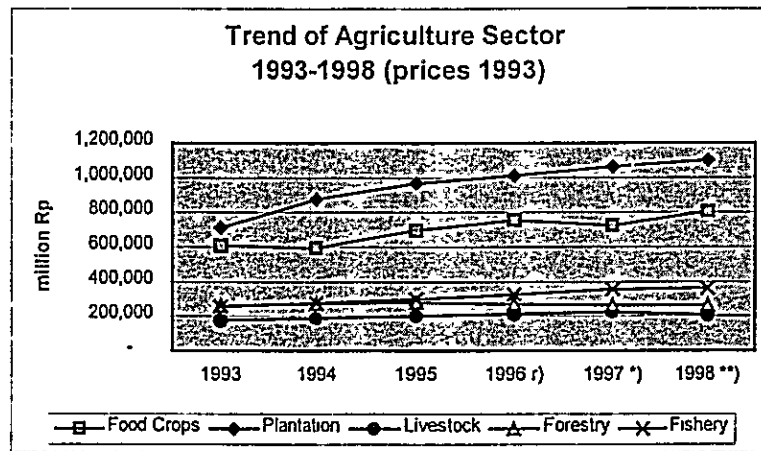
Agriculture Sector

During the economic crisis, the agriculture sector continued to increase even-though growth slowed in 1997 because of the affect of a long drought, forest fires followed by thick smoke which disturbed agricultural activities.

The source of growth in the agriculture sector in 1998 was based primarily on the following sub sector contributions:

No.	Sub-Sector	Contribution to Growth %
1.	Food Crops (paddy, secondary crops, Horticulture)	10.8
2.	Plantation (rubber, oil palm, coffee, Pepper)	3.4
3.	Fish	2.1
4.	Forestry	1.1

The animal husbandry sub-sector experienced a negative growth of -7.5% .



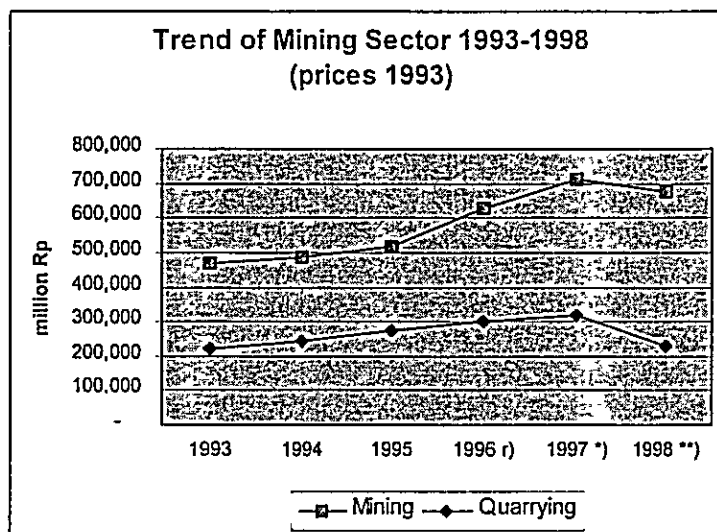
In 1998, the contribution made by the agriculture sector to PDRB Non Migas amount to 24.4%. The largest contributions were from horticulture and food crops which accounted for 10.6% and 6.1% respectively.

Mining and Quarrying Non Petroleum and Sector Gas

This sector contributed 12.8% to the South Sumatra PDRB in 1998, derived mainly from non migas mining, especially coal and tin.

The development of the non migas mining sector during the period 1993 to 1998 increased on average by 7.5% per annum, whilst quarrying increased only slightly, by 0.6%.

The impact of the economic crisis caused negative growth in this sector during 1998.



4.5.2 Secondary Sector

The secondary sector contains two large groups; the petroleum and gas (Migas) processing industry and the non migas processing industry.

Between 1993 and 1998 the secondary sector had an average growth of 4.4% per annum (constant price 1993). However in 1998, it decreased by -10.4% sector due to the economic crisis.

Migas (Petroleum & Gas) Industry

Petroleum refineries include LPG products produced by natural gas refineries. This is a national-scale industry and the processed products are marketed throughout South Sumatra.

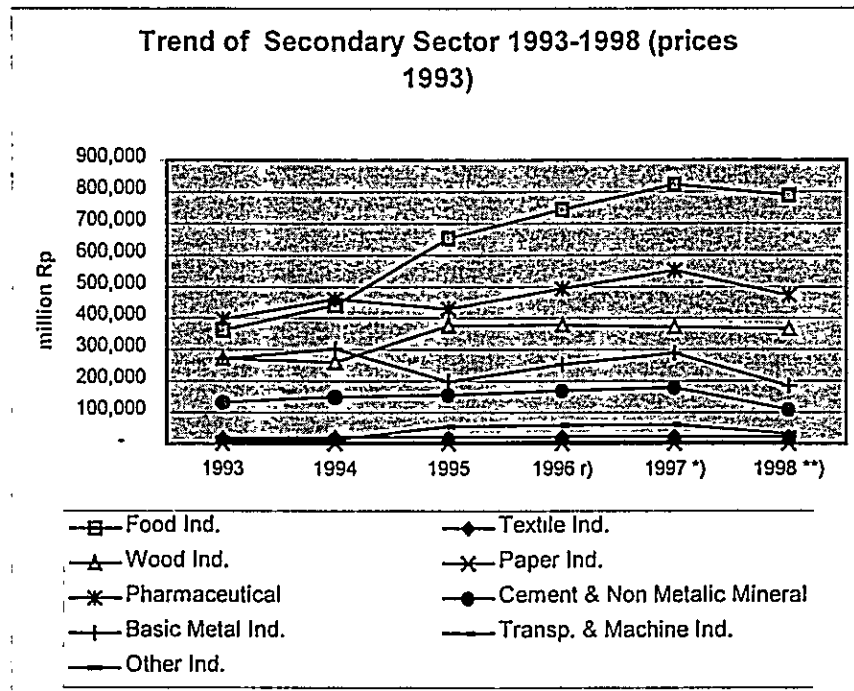
The decline of the growth rate in other sectors, especially the production sectors, had a negative impact on the growth rate of petroleum refineries, so that in 1997 growth was -5.1% compared with 3.2% in the previous year. In 1998, growth in this industry increased again to 2.2%.

Non Petroleum and Non Gas (Non Migas) Industry

In 1998, the growth of the non migas industry decreased by -14% from the previous year. However, the non petroleum and non gas industry always makes a large contribution to the economy of South Sumatra and in 1998 this still amounted to 20%.

The non migas sector consists largely of three primary industries-food, timber and chemicals. The food and chemical industries were a source of growth, but the timber industry experienced difficulties. Other industries which contributed included cement, mineral and base metal (largely tin) and iron and steel. Based

on the relatively high fluctuation of the growth rates, all these industries still appeared to be somewhat unstable. The contribution of other industries such as textile, paper, transportation, machinery and equipment was negligible because of their small-scale.



4.5.3 Tertiary Sector

Based on South Sumatra GRDP, the tertiary sector, which is essentially a service sector, consisted of the following main groups:

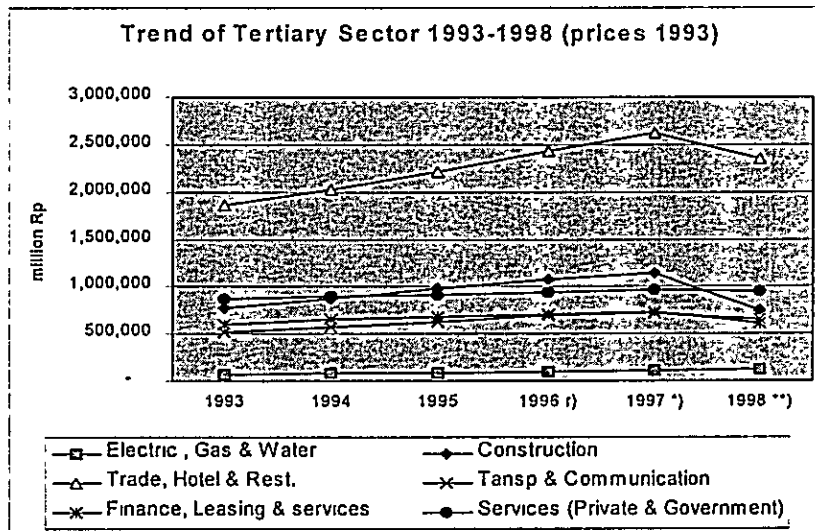
1. Electric, gas and potable water
2. Construction
3. Trade, hotel and restaurant
4. Transportation and Communications
5. Finance
6. Services (public and private administration).

The contribution from the tertiary sector towards GRDP, in 1998, was 42% which was made up as follows:

No.	Sub-Sector	Contribution to Tertiary Sector
1.	Trade, hotel and restaurant (especially large-scale trade sector and retail)	75.3%
2.	Construction sector	5.6%
3.	Finance	5.3%
4.	Other services	6.7%

From 1993 to 1998, the tertiary sector had a real average growth of 3.1% per annum (constant price 1993). However, in 1998 this trend reversed to -13.5% due to the economic crisis.

Nevertheless, some sectors achieved positive growth that year, including the electricity, gas and water, transportation (including railway, river, lake and ferry transport services) and communication sectors. Other service sectors had a negative growth, especially construction, caused by increased prices and lack of bank financing facilities.



4.6 GENERAL POLICY FOR FOREIGN INVESTMENT

In May 1998, the Government of Republic of Indonesia introduced a new set of policies for private investment, known as the New Reformation Policies. These include the following policies:

- (1) The delegation of authority from the President of the Republic of Indonesia to the Minister of Investment/ Chairman of the Investment Coordinating Board (BKPM) to issue foreign investment approval up to US\$ 100.0 million.
- (2) The delegation of authority from the Minister to Provincial Governor/ Chairman of Regional Investment Coordinating Board (BKPM) to issue domestic investment approvals.
- (3) Re-instating of 'one roof services' in the office of Ministry of Investment/ Investment Coordinating Board (BKPM). With the reformation policy, investors should not go to various government institutions, the approval or licensing either at preparation or implementation stage will be issued by the office of Ministry of Investment/Investment Coordinating Board (BKPM).

- (4) Re-instating of the 'one roof services' at the Second Level Region/Regency to issue local permits such as building, nuisance and location permits. The service is provided under the coordination of Bupati (Head of Second Region Government), where each Technical Department/Institution is stationed in the building.
- (5) The deletion of the Principle Approval which is normally issued by the Governor of Provinces before the investor commenced implementation or construction of the project.
- (6) The deletion of all types of recommendation letters from the Technical Department/Directorate General Offices to the Investment Coordinating Board before project applications can be processed.
- (7) The transferring of Environmental Impact Analysis' appraisal (AMDAL) from AMDAL Commission in Jakarta (Central Government) to the Regional AMDAL Commission.
- (8) In order to make the tax incentive policy, based on the Government Regulation No. 45/1996, clear and transparent to the public, the domestic and foreign investors, the criteria for such tax incentives will be established under Presidential Decree. The criteria will include investment priority sectors, strategic role in economic development, market orientation, location, applied technology, investment risk etc.
- (9) Regarding the choice of project location, foreign investors may choose whether to locate their project on an industrial estate or in an industrial zone. In order to locate the project in an industrial zone, the foreign investor must use the regional spatial development plan as guidance.
- (10) In order to widen opportunities to foreign investors and improve competitiveness among ASEAN countries, Indonesia has opened retail and wholesaler trading and palm oil sectors to foreign investment.
- (11) The investment licensing/approval services in the Office of Investment Coordinating Board are also being streamlined. The time-frame to issue foreign investment approvals has been reduced from 42 days to only 10 working days. Other implementation permits will be finalized between 4 to 10 working days.

4.7 TREND OF INVESTMENTS

Since mid 1997, the monetary crisis has had a direct impact on investment in Indonesia, including South Sumatra. Total development from investment approvals decreased very dramatically, especially in 1998 and 1999. In 1998, tight liquidity, government project scheduling, total foreign debts which were much higher, and interest rates above 25% all discouraged investment and caused a loss of investment interest from both domestic and overseas investments.

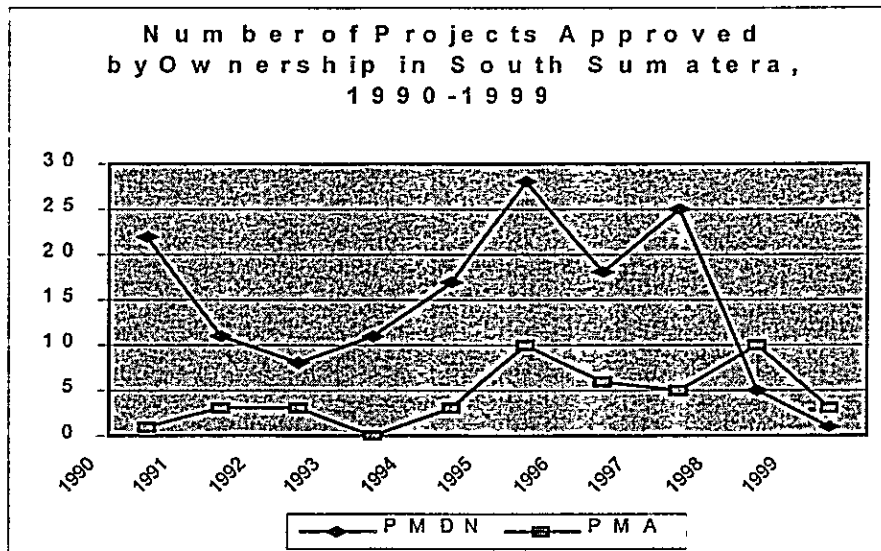
Between 1990 and 1999, 146 projects with a value of Rp.19,952 were approved from domestic investment (PMDN) and 44 projects with a value of US\$ 3,659 million from PMA (foreign capital investment).

Table 4.15
Investment Approvals in South Sumatra, 1990-1999

Year	PMDN		PMA	
	Number of Projects	Rp Millions	Number of Projects	Rp Millions
1990	22	1.781,6	1	44,4
1991	11	554,9	3	23,2
1992	9	519,6	3	5,6
1993	11	854,0	0	0
1994	17	360,5	3	83,0
1995	28	3.628,2	10	1.968,3
1996	18	5.024,1	6	1.292,3
1997	25	5.391,4	5	73,2
1998	5	882,7	10	129,3
1999	1	146,6	3	39,7

Note : - PMA = Foreign Investment
 - PMDN = Domestic Investment
 - Total Project = New Proj. + Change of Status Proj.
 Source : The Investment Coordinating Board (BKPM)

No. of Projects Approved by Ownership in South Sumatra 1990-1999



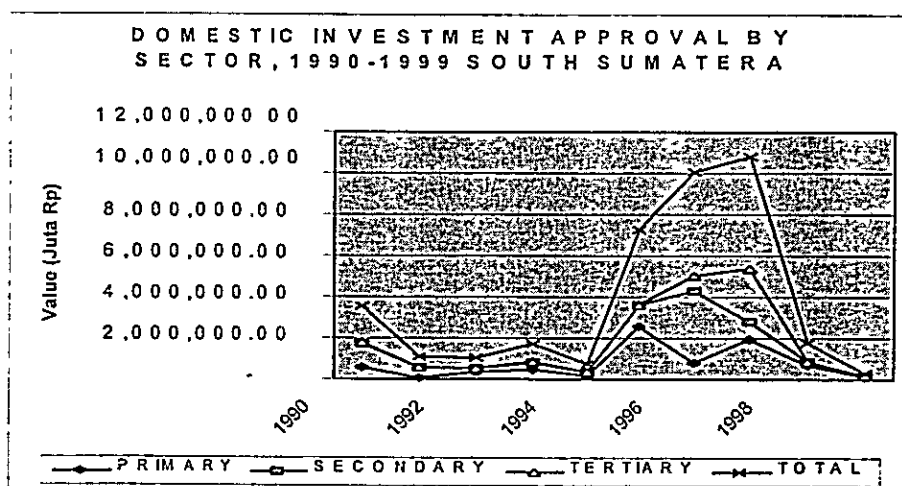
4.7.1 Domestic Investment (PMDN)

PMDN Growth

The growth of domestic investment in South Sumatra in 1998 and 1999 decreased very sharply reaching -80% in the primary, secondary and tertiary sectors. This weakening of the investment climate was caused by a drop in purchasing power because the price of imported goods used for production processes became more expensive.

The PMDN rate of investment was governed by macro conditions and economic growth rate, change of domestic demand and the interest rates. Economic trends which implemented tight money policies had a major impact on domestic capital investment.

Domestic Approvals by Sector 1990-1999

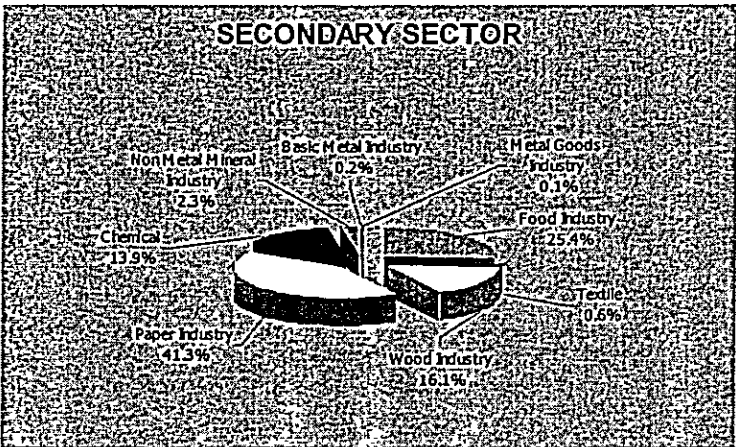
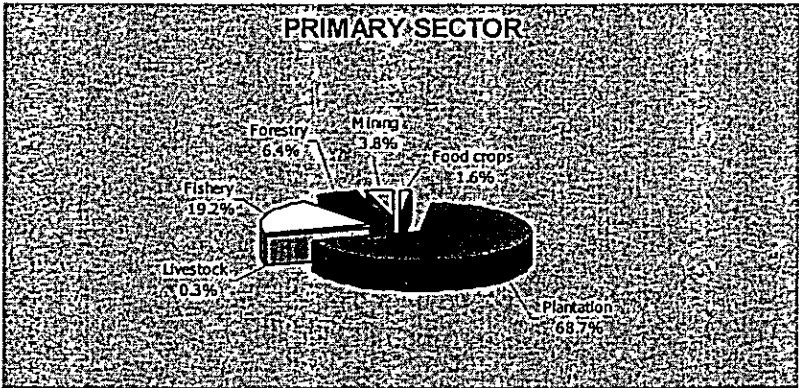
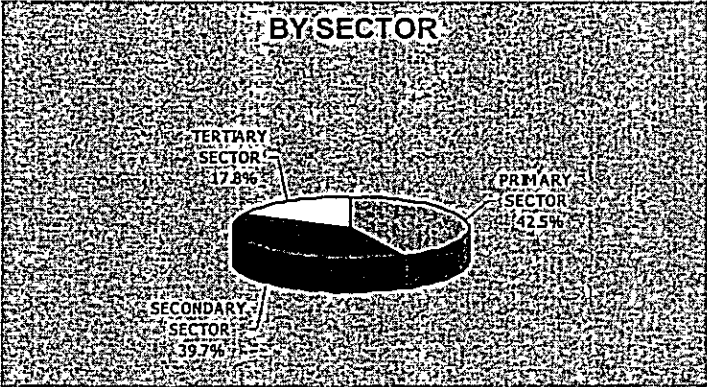


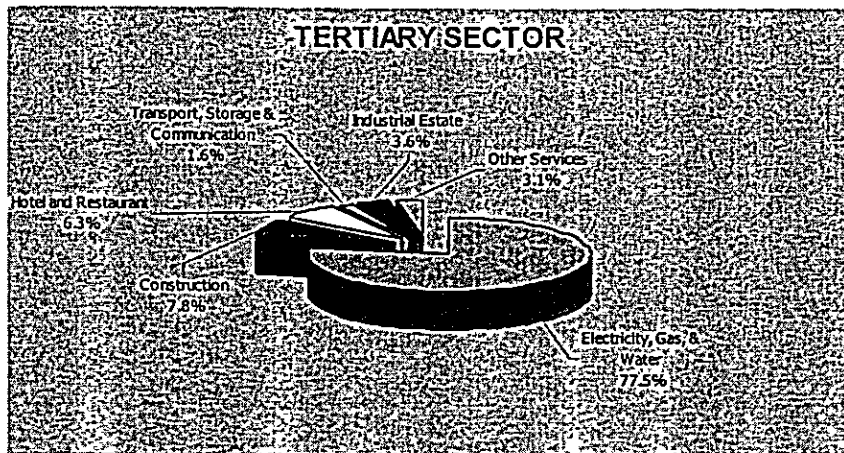
PMDN Distribution by Sector

The value of PMDN approvals by economic sector, during the period from 1990 to 1999, was dominated by plantation, fisheries and forestry in the primary sector and the food, timber and chemical processing industries in the secondary sector.

With the exception of 1996, the number of new investment approvals was significant, particularly in the paper industry which is a labor intensive industry but still uses a higher level of technology than many other industries.

In the tertiary sector, new investment projects were primarily in the electricity, gas and drinking water sub-sectors.





4.7.2 Foreign Investment (PMA)

PMA Development

PMA development investment approved by the government generally decreased continuously and the project value approved in the last three years was very low.

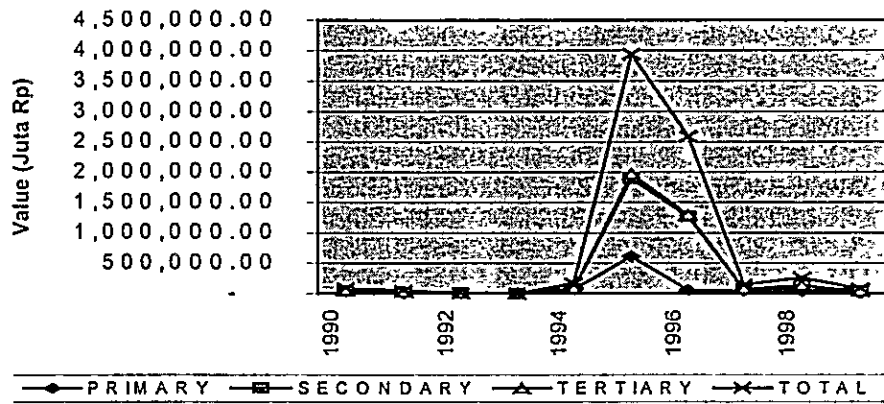
In 1998, investment approvals consisted of 10 projects worth US\$129.3 million and in 1999 there were only 3 projects, worth US\$ 39.7 million. The economic conditions, social political stability and domestic security in Indonesia had a direct impact on foreign investment in South Sumatra.

PMA Distribution by Sector

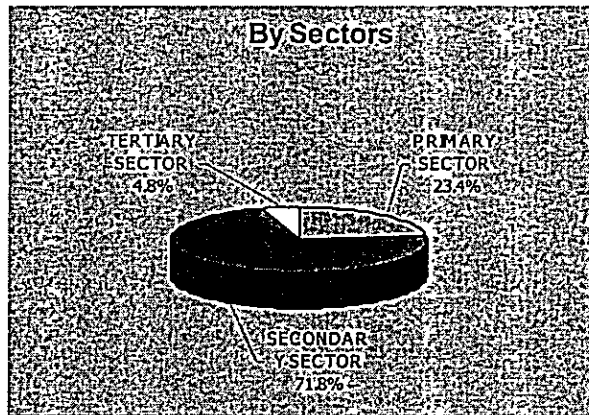
PMA approval values from 1990 to 1999 were governed by the primary and secondary sectors. The plantation industry was prominent in the primary sector and the paper, food, chemical and timber industries were at the forefront of the secondary sector.

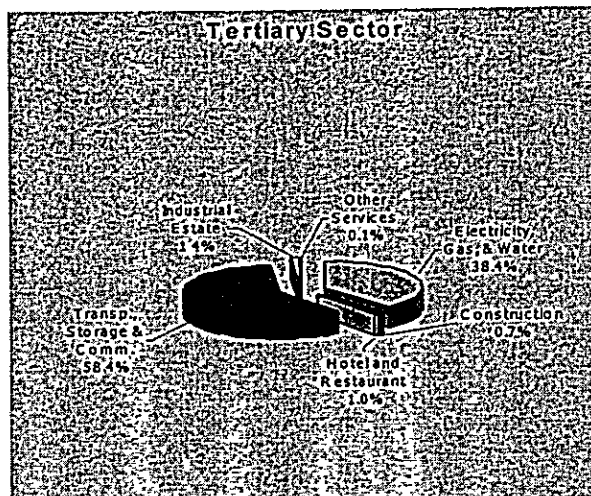
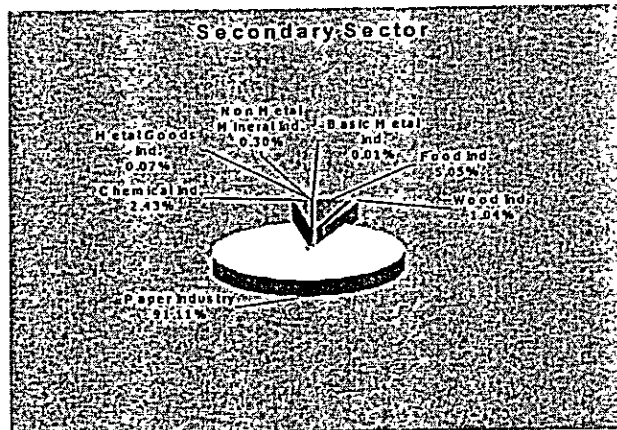
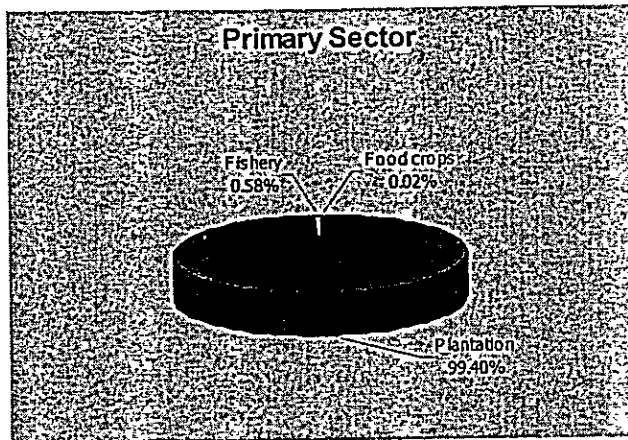
In 1998, the tertiary sector contributed significantly to the number of PMA approvals particularly from the hotel and restaurant, and electricity, gas and water sectors.

**FOREIGN INVESTMENT APPROVAL BY
SECTOR, 1990-1999 SOUTH SUMATRA**



Foreign Investment Approvals by Sector 1990-1999





SECTION 5
POTENTIAL INVESTMENT IN THE
PROVINCE

SECTION 5 POTENTIAL INVESTMENT IN THE PROVINCE

5.1 POTENTIAL ANALYSIS

5.1.1 Prospects for Local Enterprise and Foreign Investment

The regional economic crisis has had a severe impact on the private sector in Indonesia, particularly for large enterprises whose production is largely dependant on imported raw material and foreign currency investment. This condition is more acute if the production is solely for the domestic market. On the other hand small and medium export oriented resource-based industries, particularly agriculture, fisheries and forestry, have benefited significantly from high foreign currency rates. Based on past growth and survival and the challenge to increase capacity and enter the competitive market, the following types of local enterprises are considered:

1. Smaller enterprises registered with PMDN which are largely engaged in primary resource industries (agriculture, forestry, fisheries and handicraft), employing a limited number of workers and oriented primarily to the export market. Technological input is primarily required by these business units to improve their product and quality.
2. Medium sized enterprises registered with PMDN from various sectors of manufacturing and services, employing a larger number of workers and aiming their products to both the export and domestic markets. These business units may require both capital and technology to expand their production and improve quality.
3. Large enterprises registered with PMDN which are involved with the primary resources industry, manufacturing industry or services and employ large numbers of workers and produce for the export market. These business units may require capital investment, technology to support their research and development, and a worldwide marketing network. Foreign investment is particularly important to increase the ability of local enterprise to compete in both the global and regional markets. Therefore, integrated investment programs are required which include capital, technology and market components.

The following clauses describe the most favourable circumstances for joint investment between local and foreign (Japanese) companies:

1. Investment in small or medium sized operations who need technology input to develop and process their primary industry (eg. agriculture, forestry, fisheries) into value-added products or secondary industry (eg. food).
2. Investment should support local enterprise with their export drive of commodities (to Japan or other countries); this can also have a ripple effect and generate other economic activities.

For example, collecting forest products (kemiri, gambir, pinang, cassiavera) may not be attractive for foreign investment unless there is a value-added component to produce secondary industrial products (cosmetics, essential oil etc) because the supply of primary forest products are always sensitive to the fluctuation of market price.

3. Investment in larger plantations is attractive, since the input of technology and capital can facilitate development of a secondary industry involving the manufacture of value-added products such as olefin, margarine, rubber goods, and tyres.
4. In this study, we have not promoted investor participation in large government companies which are floated on the international stock exchange exist for foreign investment in these companies particularly in the tertiary sector of industry (eg. infrastructure).

5.1.2 Natural Resources

South Sumatra has the following natural resources:

- (1) Wide flat areas and a diversity of land, with soil and other conditions suitable for agricultural and plantation development. Rubber, palm oil and industrial forests are the main plantations currently occupying large areas of the lowland.
- (2) Significant marine and freshwater resources. The coastal area of South Sumatra including the islands of Bangka and Belitung can provide opportunities for marine aquaculture and marine fisheries. Although the South China Sea, Malacca Straits and Java Sea were considered as an over-fished area, the estimated potential fish resource is still high compared to the present production using traditional fishing methods. With freshwater available from rivers, the coastal area of the province has enormous potential for coastal aquaculture.
- (3) Freshwater catchment areas have the potential for irrigation and inland fisheries. The raw water can be utilised for water supply and power. Musi River, as the largest river in Sumatra, is an important transportation system linking the upstream area (Lahat, Sekayu) to Palembang for the transfer of goods (agriculture and mining products) and passengers.
- (4) South Sumatra has significant reserves of mineral resources including petroleum, natural gas, coal, tin, kaolin and sand.

Petroleum and coal mining has been in production since before World War II by the Dutch Oil Company.

- (5) With the decline of tin mining, Bangka and Belitung provide a competitive attraction for marine tourism. The islands have white beaches and huge boulders along their shores which, together with relatively calm waters, should attract international tourism.
- (6) Wetlands and swamp predominate along the coastal plain which, with appropriate technological input, has the potential to be developed for food crops, agriculture and aquaculture.

- (7) Only 10.2% of the total area of South Sumatra is left as production forest and forest reserve which means, using present logging practice, there will be a continuing decline in the volume of timber stock.

5.1.3 Labor Force

- (1) South Sumatra had an estimated growth in the labour force of 5% per year between 1995 and 1997; if this trend continues it can provide a significant source of manpower.
- (2) There are large areas of flat arable upland and tidal swamp schemes which have been allocated for transmigration settlement since 1979. These transmigration settlers have provided more labor for agriculture in South Sumatra than in any other province on Sumatra.

5.1.4 Infrastructure

Land transportation facilities are provided by road and railway. The network provide connections throughout South Sumatra and with other provinces and is used for the transportation of goods and passengers.

River transportation facilities can also be used between the different regions of the province. Marine transportation facilities are available at the main port of Boom Baru in Palembang. This port lies on the Musi River about 85 km from the coast and has not been used very extensively for international trade because of sedimentation problems.

A new port suitable for global shipping is to be developed on the coast at Tanjung Api-api which has direct access to the South China Sea and Malacca Strait. Tanjung Api-api will be equipped with all the facilities for global transshipment.

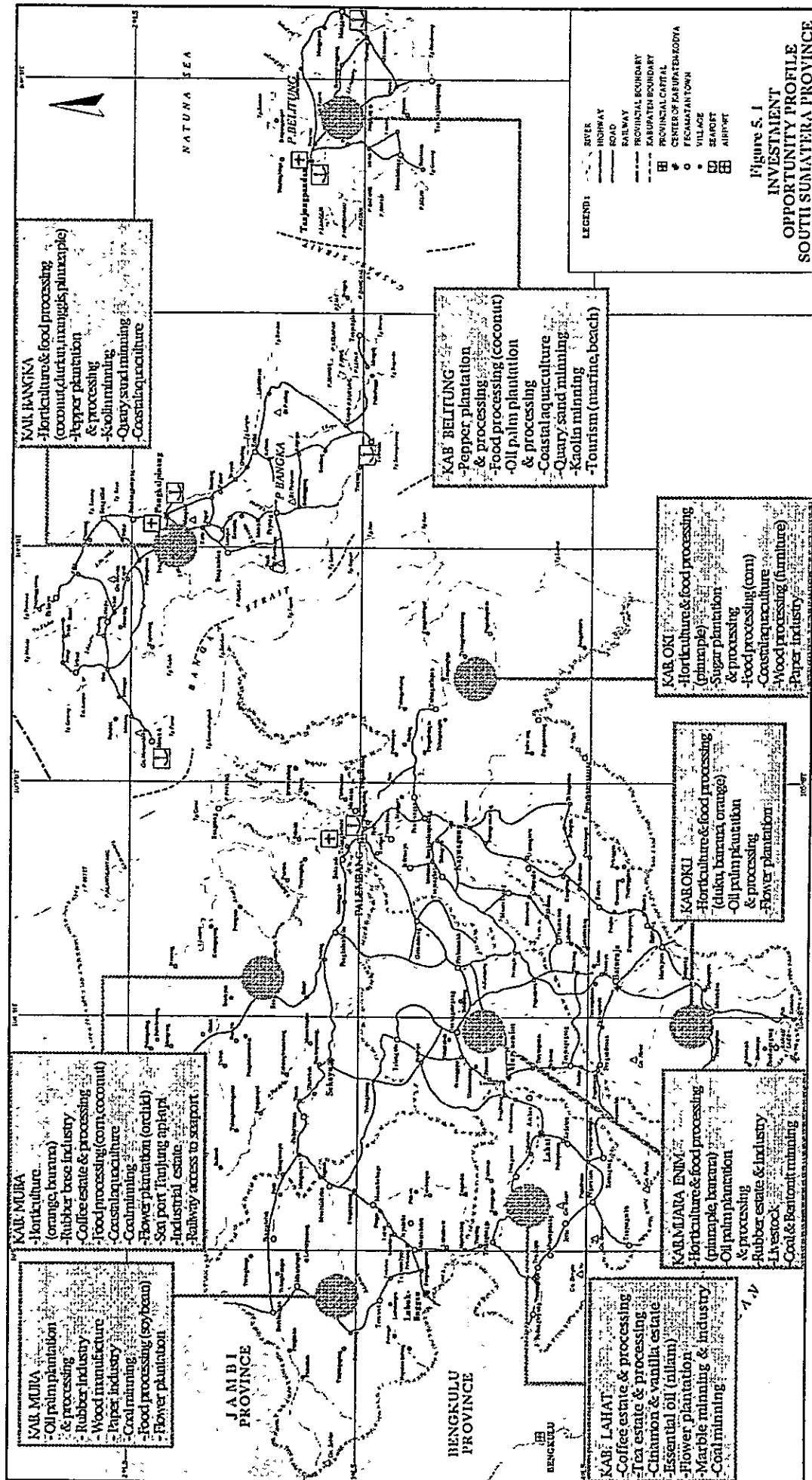
Air transportation is available using the main airports at Palembang, Pangkal Pinang (Bangka) and Tanjung Pandang (Belitung) and two small air strips in Ranau Banding Agung and Lubuk Linggau. Palembang Airport provides services for domestic and international flights.

Electricity, potable water, post and telecommunication services have been developed and are being improved concurrently with regional economic growth.

5.1.5 Position in International Trade and Support Facilities

Palembang, the provincial capital, is located in a strategic position, with access to the regional growth center of Singapore, Johor and Riau (SIJORI). Its location on the primary international shipping route of the South China sea and Malacca Strait can provide many opportunities for trade with Malaysia, Singapore and other Asian countries.

With the spread of manufacturing centers in South Sumatra producing commodities from mining, excavation, plantation, forestry and such like there has been a corresponding growth in the service industry. This includes trading, supplying, transportation and a range of other services to support business.



Generally, regional cooperation will be implemented effectively if there is frequent interaction between the regions. The SIJORI growth triangle is making progress due to the close relationship which has been established and projects have been implemented which are complementary rather than competitive between the regions.

5.2 POTENTIAL SECTOR AND INVESTMENT OPPORTUNITIES

Described below are those industrial sectors which provide the best potential for investment opportunities and are the most competitive compared with other provinces and surrounding countries.

5.2.1 Primary Sector Industry

The agriculture sector has the best prospects. This sector makes a significant contribution to the economy of South Sumatra; 24.4% of non migas GRDP in 1998, with real average growth of 6.4% per annum between 1993 and 1998. It is a labour intensive industry and absorbs 59.3% of the total labour force in South Sumatra.

Some primary industrial sectors which can be developed by investment to produce domestic and export commodities, include:

- Food crops and horticulture
- Plantation crops
- Forestry
- Fisheries

Food Crops and Horticulture

This sub sector exports some commodities such as corn, potato, sweet potato, pineapples, banana and vegetables but its contribution to the total export value of the province is small.

Investment between 1990 and 1999 included 4 approved projects, 3 PMDN projects and 1 PMA project. This gave a total PMDN investment of Rp.30,169.07 million in 1994 and 1995 and a PMA investment of US\$ 179,250 in 1998.

Advantages for growth in this area are:

1. Much of the land is lowland with fertile soil and adequate water resources from many rivers. Although the soil is not as fertile as that of Java, it is still marginally suitable for production.
2. The availability of relatively cheap labour; which is primarily a result of transmigration.
3. The availability of a navigable river system for transporting agricultural products.
4. Relatively near to regional and international market centres in (Singapore) and the national market in Jakarta.

Based on these observations and taking the following points into consideration, there are investment opportunities in food crops and horticulture:

1. Available and suitable irrigated land can make South Sumatra a centre for food crop production in the long-term.
2. There is still an international market demand, particularly for horticultural products including fruit.
3. Greater participation in the global economy can provide good opportunities if the province can export products competitively. Bananas and pineapples are among the commodities which are potentially suitable for the international market.

Potential in Food Crops and Horticulture (Primary and Secondary Sectors)

1. Foodcrops and processing

Location	:	- Kabupaten Ogan Komering Ilir (OKI) - Kabupaten Musi Banyuasin (MUBA) - Kabupaten Musi Rawas (MURA)
Product	:	- Corn (OKI and MURA) - Soybean (MUBA)
Market	:	Domestic and export
Potential Project & Local Partner	:	Not available
Scale of Company	:	Medium enterprise

2. Flower plantation

Location	:	- Kabupaten Ogan Komering Ulu (OKU) - Kabupaten Musi Banyuasin - Kabupaten Musi Rawas - Lahat
Product	:	Flowers and orchids
Market	:	Domestic and Export
Potential Project & Local Partner	:	Not Available
Scale of Company	:	Small to medium enterprise

3. Horticulture and food processing (Banana, coconut, pineapple, orange, durian, and manggis)

Location	:	- Kabupaten Ogan Komering Ilir - Kabupaten Musi Banyuasin - Kabupaten Muara Enim - Kabupaten Ogan Komering Ulu - Bangka
Product	:	Fresh vegetable and food industry

Market	: Domestic and export
Potential Project & Local Partner	: Not available
Scale of Company	: Small to medium enterprise

Special Considerations for Investment

Consideration should be given to the following points to facilitate the success of food crops and horticulture:

1. Concentrate on developing downstream industries (eg. food industry) or processing which have an increased value compared with primary agricultural products.
2. Pest control must be strictly enforced to avoid damage and destruction of crops.
3. The possibility of natural disasters which are difficult to predict, such as long droughts or floods.
4. Lack of infrastructure in the remote highland regions, where large areas have been allocated and are available for food crops or horticulture.

Plantation Crops

The plantation crop sub-sector is the most significant primary sub sector in the agriculture sector, and makes a 10.6% contribution to the provincial economy. It includes all types of plantation crops managed by individuals, private enterprise and state owned companies. The crops include rubber, oil-palm, coffee, pepper, coconut, cloves and ginger and production is almost entirely dependent on area rather than on improving the yield per unit area, particularly with oil-palm, rubber and coffee.

The contribution of this sub sector to the foreign exchange of South Sumatra export of amounts to more than US\$ 412 million or almost a half the total export value in 1998. This is derived particularly from rubber commodities (30%), pepper (12%) and coffee (7%) which are superior export commodities. There has not been any export of palm oil since 1998 as it has all been absorbed for domestic consumption. (Ref. Export development in Section 4.4).

There were 79 approved investment projects from the plantation sub sector between 1990 and 1999. These included 64 PMDN projects with a total investment value of 5,858,688.72 million Rupiah and 15 PMA with a total investment value of US\$ 852,299,430.

The plantation sub sector absorbs the most labor in South Sumatra and in 1998 accounted for 33% of the total labour.

Potential Opportunities

Advantage can be taken of the following characteristics to develop the plantation sub sector:

1. Flat or gently undulating land is still available for plantations and the soil is suitable for perennial crops.
2. Availability of labour which is relatively cheap compared with other provinces in Sumatra.
3. Available infrastructure and especially a port for international trade.
4. Available navigable river system as an alternative means of transportation, particularly for bulk cargoes of plantation products.
5. Relatively near to the regional and international market centre of Singapore and the national market centre of Jakarta.

Based on the potential of South Sumatra, the following investment opportunities exist for plantation crops:

1. Land development for medium size (1000 ha) plantation is still possible, so there is an ideal opportunity to develop new areas, particularly for oil-palm and rubber. Plantations can be developed by smallholders or private enterprise. There are many areas already planted with rubber or palm oil but with limited processing facilities. New investment for developing value-added products will involve both planting and development areas and processing factories.
2. Market demand for domestic use and export is continuously increasing and there are good prospects in world trade, particularly for palm oil.
3. There is a wide open investment opportunity for a downstream industry of value-added products from rubber, oil palm, coffee, pepper and coconut because there is a large domestic demand and supplementary industries such as distribution, supply and trading are well established.
4. An example of finished goods which could be exported in the future includes a range of products, such as margarine and soap, which can be manufactured from crude palm oil.
5. Some commodities such as nilam, pinang, gambir, kayu manis and kemiri may have good prospects in the export market and foreign investment should be used for upgrading these raw products into value-added products such as cosmetics, medicine and essential oil.

Potential for Plantations (primary and secondary sector.

1. Rubber estate and processing
 - Location : - Kabupaten Muara Enim
- Kabupaten Musi Rawas
 - Product : - Rubber
 - Market : Domestic and export

Project Profile : Not available
Scale of Company : Medium to large enterprise

2. Oil Palm plantation and processing and food industry (cooking oil)

Location : - Kabupaten Ogan Komering Ulu
- Kabupaten Muara Enim
- Kabupaten Musi Rawas
- Kabupaten Musi Banyuasin
- Kabupaten Belitung
Product : Crude Palm Oil from plantation
factory Margarine and cooking oil
Market : Domestic and export
Project Profile : Not available
Scale of Company : Medium to large enterprise

3. Coffee estate and processing

Location : - Kabupaten Muara Enim
- Kabupaten Lahat
- Kabupaten Musi Banyuasin
Product : Coffed seed, coffee powder and food
industry
Market : Domestic and export
Project Profile : Not available
Scale of Company : Medium enterprise

4. Pepper estate

Location : - Kabupaten Ogan Komering Ulu
- Kabupaten Bangka
- Kabupaten Belitung
- Kabupaten Lahat
Product : Pepper
Market : Domestic and export
Project Profile : Not available
Scale of Company : Small to Medium enterprise

5. Coconut estate and food processing

Location : - Kabupaten Bangka
- Kabupaten Belitung
- Kabupaten Musi Banyuasin
Product : Coconut industry
Market : Domestic and export
Project Profile : Not available
Scale of Company : Medium enterprise

6. Vanilla estate

Location	: Kabupaten Lahat
Product	: Cinnamon and vanilla estate
Market	: Domestic and export
Project Profile	: Not available
Scale of Company	: Medium enterprise

7. Tea estate and Processing:

Location	: Kabupaten Lahat
Product	: Green tea and Instant Tea
Market	: Domestic and export
Project Profile	: Not available
Scale of Company	: Medium enterprise

Special Considerations for Investment

1. It is preferable to concentrate on processing raw materials to create value-added products. There are large areas of 3 to 6 year old palm oil plantations which will require factory processing facilities.
2. There is a good possibility of involving transmigration labour in the development of plantations, particularly in the prototype or initial start up phases.
3. Plantation commodities are extremely dependent on world demand and fluctuation in the international market price.
4. Control of pests and diseases is essential. For example, serious damage can result from roat fungi growth on rubber and arabica coffee and by attacks on pepper beds, including damage by grasshoppers.
5. Natural disasters which are difficult to predict, such as a long droughts or floods - there are many areas in the lowlands which are subject to flooding.

Fisheries

Sea fisheries account for 69.5% of the total fisheries and consist of fishing (approx. 69.5%) and aquaculture (0.03%). Freshwater fisheries, which make up the remaining 30.5%, consist of fishing (21.1%) and aquaculture (9.4%).

Fish production is carried out at the following locations:

Location	Fish Production (%)
Kabupaten Bangka	34.2
Belitung	31.4
Musi Banyuasin	25.1
OKI	5.2
Pangkal Pinang	4.1

Exported fish products from the sea, freshwater and fish farms include fresh processed and frozen shrimp, squids, crab, frog's thigh, tropical fish, ikan betutu, freshwater turtle, turtle and ikan kerapu. The shrimp, particularly, are largely cultivated.

Potential export markets are Japan, Europe, Hongkong, Canada, Arab Saudi and Singapore.

From 1990 to 1999 there were 4 approved investment projects, consisting of 3 PMDN projects (1 was a change in status and 2 were new projects), worth 818.6 billion Rupiah, in 1995 and 1 PMA project, worth US\$ 5 million in 1998.

Potential in Fisheries

1. The broad expanse of the South Sumatra coastline is supported by rivers supplying perennial fresh water. These conditions are suitable for brackish water aquaculture including shrimp, prawn, mullet. The coastal areas of Belitung and Bangka are protected from ocean waves which make them suitable for marine aquaculture.
2. South Sumatra has infrastructure facilities related to fishery activities, including Golongan Kapal (Dockyard), a coastal fishing port, fish landing terminal, irrigation for brackish aquaculture and transportation (land, sea/river and air) links.
3. It is located near the Malacca Straits, which as an international trading route, facilitates the transportation and trading of sea fish.
4. The province has the following fisheries support facilities:
 - 26 ice plants
 - 5 coal rooms
 - 10 cold storage
 - 5 fish food factories

Opportunities

1. There are great investment opportunities in marine fisheries, in the 10 mile zone and in the Exclusive Economic Zone. At present, the traditional fishermen cannot operate beyond 5 miles due to their low capacity facilities. Involving them in smallholder fishery schemes should be considered as a part of any new investment.
2. Great opportunities also exist for marine aquaculture particularly for those fish species which have a high competitive value on the international market such as Grouper, Snapper, Baramundi, and Chinese herring.
3. The Regional Administration is planning construction of a seaport at Tanjung Api-api which can also be used for supporting fishery activities.

Potential in Fishing (Primary and Secondary Sectors)

1. Coastal Aquaculture and processing

Location	:	- Kabupaten Bangka - Kabupaten Belitung
Product	:	Food industry Kakap (Lates calcarifer), Kerapu (Epinephelus spp), Udang Windu (Panaeus monodon), Rumput laut etc.
Market	:	Domestic and export
Project Profile	:	Not available
Scale of Company	:	Medium enterprise

Special Considerations for Investment

1. The seas on the east coast of South Sumatra have all been polluted, so that the quantity and quality of fish cannot be maximised to meet market requirements. As a result, fish production should be transferred to aquaculture.
2. Indonesia with its tropical equatorial marine resources can provide a large potential tonnage of fish in a wide variety of species but some of these may have no commercial value.
3. Foreign ships operate illegally in Indonesian coastal waters and interfere with the capacity of traditional fishermen.

4. Mining (Non Petroleum and Gas)

A discussion on oil mining and processing, is not included in this study because it is managed by Pertamina, a government owned company, and has special regulations.

The non migas mining sector is one of the primary sectors of South Sumatra and, in 1998, made a contribution of 12.8% to the provincial economy. This industrial sector is capital intensive and has a low labour absorption, which in 1998 amounted to just 1.9% of the total working labour in South Sumatra.

Coal production reached 10,106,517 tonnes in 1999, representing 18.1% of the total national production. Tin production from Bangka and Belitung accounted for the entire national production.

Mining commodities which are exported include coal, kaolin, sand for construction, granite and tin. Export destinations for coal are Malaysia, Singapore, Philippines, Japan, Thailand and India, and for tin are the United Kingdom, Japan, Malaysia, Singapore and European countries.

From 1990 to 1999 there were 10 PMDN projects approved in the mining sector with a total investment value of 865,455 million Rupiah. The number and value of PMA projects was not available.

Potential Opportunities

The mining (non migas) potential of South Sumatra is summarized as follows:

1. South Sumatra has significant reserves of coal, kaolin, and quartz sand in reliable sources with reasonable access.
2. Infrastructure is sufficient, especially rail and water transportation. A new harbour is to be built at Tg. Api-api.
3. Land use has already been dedicated for mining by the provincial authorities in areas where sufficiently large mineral deposits have been identified.
4. World market is positive.

Potential in Mining (Primary Sector and Secondary Sector)

1. Coal

Location	:	- Kabupaten Muara Enim - Kabupaten Musi Banyuasin dan - Kabupaten Musi Rawas - Kabupaten Lahat
Product	:	Coal
Market	:	Domestic and export
Project Profile	:	Not available
Scale of Company	:	Medium to large enterprise

2. Kaolin

Location	:	- Kabupaten Bangka - Kabupaten Belitung
Product	:	Ceramic Grade and Filler grade
Market	:	Domestic and export
Project Profile	:	Not available
Scale of Company	:	Medium to large enterprise

3. Quarry Sand

Location	:	- Kabupaten Bangka - Kabupaten Belitung
Product	:	Basic material for glass and cement
Market	:	Domestic and export
Project Profile	:	Not available
Scale of Company	:	Medium to large enterprise

4. Tin product industry (secondary industry)

Location	:	Kabupaten Bangka
Product	:	Decorative goods from Tin and Pewter
Market	:	Domestic and export

Project Profile : Not available
 Scale of Company : Medium to large enterprise

Special Considerations for Investment

- A part from coal, kaolin and quartz, the potential for other types of mining is limited
- The existing roads are inadequate for the transportation of very heavy loads.
- One of the potential locations for mining is in the highlands, where access becomes more difficult.
- Environmental aspects must be considered during planning and exploration
- Selling price fluctuates because it is heavily dependent on international prices and the global economy and demand.
- Competition and thin reserves prevail in the tin mining industry. At present, the Republic of China is the largest tin producer, there is further competition from Latin America, and Myanmar, Vietnam, India and other countries also have the potential to be strong competitors.
- A production test should be made for granite, to determine of the quality and textures are suitable for the international market.

5.2.2 Secondary Sector Industry

Non Migas Processing Industry (Manufacturing)

After agriculture, the non-migas processing industry makes the second largest contribution to the provincial economy. In 1998, this contribution amounted to 20.3% of the non-migas PDRB made up as follows:

Industry	% Contribution
Food	8.1
Chemical	4.8
Timber	3.7
Base metal	1.9
Fertilizer, chemical and rubber goods	0.9
Total	20.3

A large number of the companies in this sector are from the following industries:

Industry	No. of Companies
Timber	90
Non metal	71
Food	66
Chemical	42

Labor absorption for medium and large-scale companies in the manufacturing sector is relatively low and, in 1998, was only 151,687 persons or 4.9% of the total labour in South Sumatra making this sector capital intensive. A large

amount of labour was absorbed by the timber (44.9%), chemical (25.2%) and food (17.4%) industries.

Export from the manufacturing industry in 1998 was derived primarily as follows:

Industry	Export %
Base metal commodities	57.4
Timber	25.0
Chemical	5.9

Between 1990 and 1999, domestic investment (PMDN) was made in 45 approved projects, worth 7,925.4 billion Rupiah. This value was derived from the paper (41.3%), food (25.4%), timber *(16.41%) and chemical (13.9%) industries.

The foreign investment (PMA) was made up of 23 projects, worth US\$ 2,625.5 million. This was derived from the paper (91.1%), food (5.05%) and pharmaceutical (2.4%) industries.

Advantages

Advantages for South Sumatra in the manufacturing industry include:

- Available raw material (agro business, forest product, fishery and mining products)
- Land, air and sea transportation facilities and a planned new sea port.
- Relatively near to regional and international market centres in Singapore and the national market in Jakarta.
- River transportation can provide a cheap alternative for moving raw forest materials and plantation products to the processing areas.
- A readily available labour force.

Opportunities

Based on these advantages the following opportunities exist in the manufacturing industry.

- Good opportunity for downstream industry from the primary sector (upstream), because of the availability of raw material, especially from the agriculture, plantation, forestry and fishery sectors.
- Continuing demand from international and competitive domestic markets.
- The policy of autonomous regions which supports regional development
- Globalization of the market place (direct trading).

Based on the potential for investment opportunities in South Sumatra, the following manufacturing industries can be developed:

1. Food and Beverage Processing Industries

With the available raw material and upstream industry in the agriculture sector, there are industrial opportunities which can be developed in fish processing, palm oil processing, and horticultural products.

The export contribution from this industry is small and, in 1998, was only 0.3% of the total export from South Sumatra. A large number of the processing plants were located in Palembang, Pangkal Pinang, Musi Banyuasin and Ogan Komering Ilir (OKI).

The disadvantages of this industry are:

- Global competition which demands international standards of quality. The existing level of technology is unable to compete in the global market.
- Inadequate distribution infrastructure which exists in the domestic market.
- The main obstacles involve production and marketing.

2. Timber Industry and other Forest products

Some timber industries can still be developed, especially, given the limited supply of raw material, those which can use other parts of the tree as well as logs.

Exports from the timber industry have been one of the most reliable commodities of South Sumatra and, in 1998, amounted to US\$ 94.9 million. This export contribution represented 11.3% of the total provincial export and was made up as follows:

Product	Export (%)
Plywood	46.6
Finger point	16.8
Moulding	11.1
Building materials	9.7
Furniture	7.05

Export was mainly to USA, Japan, Hongkong, Taiwan, and Singapore.

Disadvantages of the wood product industries are:

- Low quality design standards for world market
- Too much interest in expanding primary products rather than concentrating on higher value products and sustaining resources.
- Significant obstacles with production, market and quality control.

3. Paper Industry

The reduction of natural forest in South Sumatra resulted in development of a substitute raw material on the form of Hutan Tanaman Industry (HTI), HTI can provide raw material for the pulp and paper industries.

Based on current data, export from the paper industry was US\$ 35,200 in 1996, and consisted of paper medium.

4. Chemical Industry

The export value from the chemical industry was US\$ 22.3 million in 1998 and the primary sources of commodities were melamine powder, palm fatty acid, ammonia and urea.

The largest concentrations of chemical industries included 24 in Palembang, 7 in Musi Banyuasin and 4 in Bangka.

5. Base Metal Industry

Exports from the base metal industry, in 1998, contributed 29% towards the total provincial export. The primary source of export was from tin commodities (100%).

6. Other Processing Industries

Processing industries which could be developed include a variety of commodities from oil-palm, clay and furniture.

1. Rubber Industry

Location	: - Palembang - Kabupaten Musi Banyuasin - Kabupaten Musi Rawas - Kabupaten Muara Enim
Product	: Tire Factory or Rubber Based Product
Market	: Domestic and export
Project Profile	: Not available
Scale of Company	: Medium to large enterprise

2. Wood Industry

Location	: - Kabupaten Ogan Komering Ilir - Kabupaten Musi Banyuasin - Kabupaten Musi Rawas - Kabupaten Bangka
Product	: Processed timber industry and wooden furniture
Market	: Domestic and export
Project Profile	: Not available
Scale of Company	: Medium to large enterprise

3. Paper Industry

Location	: Kabupaten Musi Rawas
Product	: Paper and packaging
Market	: Domestic and export
Project Profile	: Not available
Scale of Company	: Medium to large enterprise

4. Chemical industry

Location	: Kabupaten Musi Banyuasin
Product	: Melamine Powder, Palm Fatty Acid, Ammoniac, Urea

Market	: Domestic and export
Project Profile	: Not available
Scale of Company	: Medium to large enterprise

5. Shipbuilding industry

Location	: Kabupaten Bangka (Munthok)
Product	: Repair and Shipbuilding
Market	: Domestic and International
Project Profile	: Not available
Scale of Company	: Medium to large enterprise

5.2.3 Tertiary Sector Industry (Services)

The tertiary sector provides more than 40% of the economy of South Sumatra. This includes 17.4% from the trade sector, 6.9% from construction and 3.8% from leasing.

Domestic investment (PMDN) from 1990 to 1999 was in the electricity, construction, hotel and restaurant and industrial estate sectors. Foreign investment (PMA), was in the electricity and hotel and restaurant sectors.

There are some opportunities for investment in the tertiary sector, especially in support of the primary and secondary industries; These include:

1. Power generation, including hydro electricity
2. Construction, including toll roads and industrial estates
3. Hotel and restaurant (tourism)
4. Marine industry (rehabilitation and fabrication of ships)

Potential for Power Generation

South Sumatra needs a grid system with other provinces in order to provide a minimum 150 Kv high voltage. In addition, it also requires potable water facilities for urban communities.

Potential for Construction Services

- Industrial Estates
Locating a new sea port at Tanjung Api-api has accelerated the need for an industrial estate to support the growth of primary and secondary industrial activities.
- Toll Roads
Road development is required to provide access to the proposed harbour at Tanjung Api-api.
- Supporting services for transportation.
- Dock yard industry (rehabilitation and fabrication)
- New sea port Tanjung Api-api
- Storage.

Potential for Tourism

The islands of Bangka and Belitung have development potential because they have a natural beauty, marine parks, clean coastlines and beautiful view. In addition, their broad white sands and pristine beaches with large boulders, make them an attractive place for beach recreation.

With such attractive conditions, Bangka and Belitung could be competitive in the international tourism market. Some opportunities related to tourism include: golf courses, hotel infrastructure, construction of beach developments.

Up to now, there is no international standard hotel in Palembang or elsewhere in the province. Possible tourist development in this city could therefore include a hotel and restaurant located on the bank of the Musi River coupled with river boat cruises.

Potential Tertiary Sector

1. Industrial and commercial estate

Location	:	Kabupaten Musi Banyuasin (close to New Port Tanjung Api-Api)
Product	:	High-tech of higher value industrial product Commerce estate to support international trade Storage
Market	:	Domestic and international
Project Profile	:	Not available
Scale of Company	:	Large enterprise

2. Tanjung Api-Api Seaport:

Location	:	Tanjung Api-Api, Kabupaten Musi Banyuasin
Product	:	Seaport (container port, storage, container yard 5ha)
Market	:	Domestic and international service
Project Profile	:	PT. Pelabuhan Indonesia II (Persero)
Scale of Company	:	Large enterprise

3. Palembang - Tanjung Api-Api Highway (toll road)

Location	:	Palembang - Tanjung Api-Api, Kab. Musi Banyuasin
Product	:	Toll road
Market	:	Domestic transportation
Project Profile	:	Not available
Scale of Company	:	Large enterprise

4. Resort Hotel and Recreation on Belitung Island

Location	:	Tanjung Kelayang Beach, Kab. Belitung
Product	:	Marine tourism
Market	:	Domestic and international
Project Profile	:	PT. Aerowisata
Scale of Company	:	Medium to large enterprise

5. Resort Hotel and Tourism on Bangka Island

Location	:	Tanjung Penusuk Beach, Kab Bangka
Product	:	Marine Tourism
Market	:	Domestic and international
Project Profile	:	Not available
Scale of Company	:	Medium to Large enterprise

ATTACHMENT

ATTACHMENT - A
A SHEET POTENTIAL PROJECT &
A PROFILE OF LOCAL PARTNER

ATTACHMENT - A

A Sheet Of Potential Project

(Ref. No.)

A	Project No.	16-001
B	Sector	Chemical Industry (Secondary Sector)
C	Area / Region	South Sumatra
D	Project Site	Palembang
E	Project Outline	Crumb Rubber Industry
F	Local Partner	(A Profile is attached)
G	Type of Expected Cooperation from Japanese Companies	Joint Venture
H	Counterpart Agency	-
I	Total Cost of Investment	5 million US \$
J	Remarks	

(Date:)

A Profile Of Local Partner

(Project No.)

A	Name of Company & Address	PT. SUMBERASIH TATAMAKMUR Jl. Rustam Effendi No.29E. 18-Illir Palembang Phone: 62 – 711 – 360015 Fax : 62 – 711 – 13479 / 360015
B	Business Activities	Crumb Rubber Industry
C	Establish in (year)	1990
D	President / Owner	Chandra Gunawan
E	Structure of shareholding	Domestic Investment
F	Production • Capacity / Year • Capacity Utilization	24.000 ton/year
G	Annual Amount	
H	Workforce (Number and Classifications)	200
I	Production Facilities (Land, Building, Machinery and Equipment)	Land = 3.2592 ha Building = 15.000 m ²
J	Raw Materials	
K	Market Orientation	Domestic and Export
L	Remarks	

(Date:)

A Sheet Of Potential Project

(Ref. No.)

A	Project No.	16-002
B	Sector	Wood Industry (Secondary Sector)
C	Area / Region	South Sumatra
D	Project Site	Palembang
E	Project Outline	Wood Processing
F	Local Partner	(A Profile is attached)
G	Type of Expected Cooperation from Japanese Companies	Joint Venture (Capital, global market & finishing technology)
H	Counterpart Agency	
I	Total Cost of Investment	US \$ 500,000
J	Remarks	

(Date:)

A PROFILE OF LOCAL PARTNER

(Project No.)

A	Name of Company & Address	PT. SUNTERMAS HIJAU Jl. Veteran No. 548 - Palembang Phone: 62 – 711 – 353812 / 356712 Fax :
B	Business Activities	Wood Processing
C	Establish in (year)	1987
D	President / Owner	Lukman Sundono
E	Structure of shareholding	Domestic Investment
F	Production • Capacity / Year • Capacity Utilization	1500 m ³ /year 4000 m ³
G	Annual Amount	US\$ 600,000
H	Workforce (Number and Classifications)	189
I	Production Facilities (Land, Building, Machinery and Equipment)	Land : 6 ha Building : 10,000 m ² As attached Equipment for black leaf tea = 1 unit
J	Raw Materials	Leaf Tea Form
K	Market Orientation	Export to : Afghanistan, Pakistan, Netherlands, Germany,
L	Remarks	

(Date:)

A Sheet Of Potential Project

(Ref. No.)

A	Project No.	16-003
B	Sector	Mining (Primary Sector)
C	Area / Region	South Sumatra
D	Project Site	Tanjung Enim
E	Project Outline	-
F	Local Partner	(A Profile is attached)
G	Type of Expected Cooperation from Japanese Companies	-
H	Counterpart Agency	-
I	Total Cost of Investment	-
J	Remarks	-

(Date:)

A PROFILE OF LOCAL PARTNER

(Project No.)

A	Name of Company & Address	PT. BATUBARA BUKIT KENDI Jl. Jurang Parigi Dalam No. 5 Tanjung Enim 31716, Sumsel Phone: 62 – 734 – 53034 / 53035 / 53036 / 53037 / 53038 Fax : 62 – 734 – 53039
B	Business Activities	Coal Mining
C	Establish in (year)	1996
D	President / Owner	Yusril Ibadi BE, MBA
E	Structure of shareholding	Domestic Investment
F	Production • Capacity / Year • Capacity Utilization	700.000 ton 1.000.000 ton
G	Annual Amount	Rp. 70.000.000.000
H	Workforce (Number and Classifications)	150
I	Production Facilities (Land, Building, Machinery and Equipment)	Building : 2500 m2 Land : 881 ha
J	Remarks	Domestic Market

(Date:)

A Sheet Of Potential Project

(Ref. No.)

A	Project No.	16-004
B	Sector	Chemical Industry (Secondary Sector)
C	Area / Region	South Sumatra
D	Project Site	Palembang
E	Project Outline	-
F	Local Partner	(A Profile is attached)
G	Type of Expected Cooperation from Japanese Companies	-
H	Counterpart Agency	-
I	Total Cost of Investment	-
J	Remarks	-

(Date:)

A Profile Of Local Partner

(Project No.)

A	Name of Company & Address	PT. HOK TONG Jl. Depaten Baru No. 47 Palembang 30142, Sumatera Selatan Phone: 62 – 711 – 317692 Fax : 62 – 711 – 367214
B	Business Activities	Rubber Processing (Standar Indonesia Rubber)
C	Establish in (year)	1932
D	President / Owner	Amin Tanur Djaja
E	Structure of shareholding	Foreign Investment
F	Production • Capacity / Year • Capacity Utilization	33.000 ton 48.000 ton
G	Annual Amount	34.000.000 US\$
H	Workforce (Number and Classifications)	280
I	Production Facilities (Land, Building, Machinery and Equipment)	Land : 10 ha Building : 20.000 m2
J	Remarks	Global Market to USA, Europe, Japan

(Date:)

A Sheet Of Potential Project

(Ref. No.)

A	Project No.	16-005
B	Sector	Transportation (Tertiary Sector)
C	Area / Region	South Sumatra
D	Project Site	Tanjung Api-api
E	Project Outline	Sea Port
F	Local Partner	(A Profile is attached)
G	Type of Expected Cooperation from Japanese Companies	-
H	Counterpart Agency	-
I	Total Cost of Investment	-
J	Remarks	-

(Date:)

A PROFILE OF LOCAL PARTNER

(Project No.)

A	Name of Company & Address	PT. (PERSERO) PELABUHAN INDONESIA II Jl. Belinyu No. 1, Palembang 30115 Phone: 62 – 711 – 710611 Fax : 62 – 711 – 711758
B	Business Activities	Port Services
C	Establish in (year)	1991
D	President / Owner	Ir. A. Basir Sumirat, Dipl. HE (Palembang Branut, GM)
E	Structure of shareholding	Public Enterprise
F	Production • Capacity / Year • Capacity Utilization	TPK : 150.000 Teus/year Conventional : 1,4 million ton/year
G	Annual Amount	(1999) Rp. 15.943,457,538
H	Workforce (Number and Classifications)	251 (1999)
I	Production Facilities (Land, Building, Machinery and Equipment)	Land 224 ha Building Equipment
J	Remarks	

(Date:)

ATTACHMENT - B
CAPITAL INVESTMENT PROCEDURE

ATTACHMENT – B

CAPITAL INVESTMENT PROCEDURE

I. The following capital investment procedures consist of:

1. New Capital Investment

a. Domestic Capital Investment

The applicant is handwritten enclosed with Model I/PMDN addressed to the Head of BKPM (The Capital Investment Cooperation Bureau) and some enclosures which then sent to BKPMD together with :

1. A photocopy of the holding company's certificate
2. A legalized photocopy of the cooperative organization. An identify card for individual
3. A lawyer's authority/right of that application is not signed by the applicant
4. A photocopy of the applicant's tax registration number code
5. Description of the production process enclosed with flowchart process and/industrial process assistant
6. Description of the company's business activities in services.

The head BKPM will issue a proving letter, which can also function as a proving principle for the time of the application of this proving letter which is determined within no more than 17 working days, starting from the time the application fully admitted.

This proving letter is only valid for 3 years counted from the date of the letter issued, except there are other requirements by Head of BKPM for several capital investments.

b. Foreign Capital Investment

The application is written together with the enclosure of Model I/PMDN (Domestic Capital Investment) addressed to Head of BKPM together with other enclosures sent to BKPMD completed with :

1. For domestic/local participants
 - A photocopy of Holding Company's certificate
 - A photocopy of the statutes of the Cooperative Group that has been legalized
 - A photocopy of a personal identify card
 - A photocopy of Tax Registration Number Code
2. For foreign participants
 1. A photocopy of the certificate of the Holding Company translated in English and Indonesia.
 2. Description of the production process completed with flowchart process and type of raw material/supporting material in the industry processing.
 3. Description of company's business activities for services
 4. Concept of Joint Venture Agreement in English or in Indonesia signed by all the members of joint venture

5. Authority/Right of a lawyer when the signing is not by the applicant.

Based on the evaluation on capital investment application, Head of BKPM proposed a letter of request to the President completed with some consideration for confirming the proving.

If the request is approved by the President, head of BKPM will issue an announcement of proving by the President which will be forwarded to the applicant together with enclosure for the institution addressed.

The period of the processing of the announcement stating the proving by the President is no longer than 41 working days, starting from the time the request is fully accepted.

The period of the processing of the announcement starting the proving by the President is valid for 3 years starting from the date it is issued unless there are some other requirements by Head of BKPM for particular capital investment.

2. Application/Request for Capital Investment Extension

The application for the extension of capital investment is an applicant for the increase of capital investment with other facilities with the purpose of increasing the capacity and/or the type of goods products completed by a company that has got an approval in domestic or foreign capital investment.

The requirements for the extension of both capital investment are as follow:

- a. The application for the extension intended for capital investment company which has permanent legal business permit.
- b. The application is handwritten completed with Model I/PMMDN or Model II/MA addressed to Minister of Capital Investment/Head of BKPM with a carbon-copy sent to Head of BKPM enclosed with :
 - A photocopy of permanent business permit
 - Description of the extension of production process/business activities for the cooperation land which is not of the same type of the business mentioned in the permanent business permit.
- c. The proving of capital investment extension of both investments (domestic and foreign) is issued by Head of BKPM in the form of a proving letter.
- d. The time limit of the proving letter of extension is 2 years starting from the date the letter was issued, unless there are some other requirements by Head of BKPM for particular capital investments.

II. Facilities

Facilities, which can be given to domestic/foreign companies, are as follows:

1. Delay of total payment and tax and total payment and important tax in importing certain goods or services does not include replacement for damaged goods as long as the main goods are used as needed and they are not transferred.

2. Request for delay of total payment and tax and total payment and import tax should be made writing attached with a form of added tax and addressed to the Head of Capital Investment Coordinating Board (CICB) attached with the following items:
 - a. A photocopy of confirmation letter of enterprise tax capability legalized by a local tax office.
 - b. A letter contract of certain main goods purchase from buyer or supplier or merchandise list/invoice.
 - c. A letter of clarification of technical relation between machine/goods used and production process.

III. Stockholders and Foreign Investment Company

Law No. 1 year 1967 in relation to Government Regulation No. 20 year 1999 states that a domestic/foreign investment company should resemble an incorporation in accordance with the laws prevailed in Indonesia and it should be based in Indonesia and should follow the following regulations:

1. Join Venture or all the capital owned by foreign citizen/institution
2. Total capital of foreign investment is unlimited
3. Foreign Investment Company is given business license letter valid for 30 year starting from the time the company runs its business commercially
4. Company activities are specially located in contract areas or industrial areas
5. Foreign Investment Company in the form of Join Venture can run its business in port land, production, transmission and distribution of electric power for public, telecommunications, shipping, flight, drinking water, trains, atom power and mass media.

IV. Type of License Letter for Domestic/Foreign Investment Company

The President Decree No. 97 year 1993 states that Domestic/Foreign Investment Company should obtain the following proof letters of investment issued by:

1. Capital Investment Coordinating Board :

- a. Certificate of limited Importer, the decree of facility/dispensation of import tax and other import activities.
- b. Proof of expatriate employment planning which will be used as a base for the Head Regional Capital Investment Coordinating Board (RCIB) in issuing a working license for the expatriate.
- c. Permanent business license on behalf of minister who is in charge of business land based on Regional Planning. This license is effective as long as the company is carrying out its production.

2. Local Authority :

- a. Regional license issued by Head of Regional Agrarian Office in the Regency/ Municipality related to Regional Planning.
- b. Building concession, concession of long-term lease and yield tap bay Head of Land Affairs in the regency/municipality.

- c. As stated in the law/Head of National Land Affairs No. 2 year 1993, the Length of building concession it no more than 30 years and the length of long-term lease is 35 years and it is renewable at the last date of concession.
- d. Building license is issued by Head of Employment Office in the local Regency/Municipality or tax power on behalf of the regent/major.
- e. License of UUG/HO issued by II Regional Secretary on behalf of the regent/mayor.

- This license is not obligatory for industrial company which posses Environmental Impact Analysis or is located in Industrial Area or Contract Area.
- Working license of expatriate issued by RCICB. In general, the process of obtaining the license is classified into two categories:

- ❖ Process in the Central Government:

Request for a proof of expatriate employment planning is addressed in writing to the Minister of Investment/Head of CICB to obtain the proof. Proof of expatriate employment planning is issued by Minister of Investment employment planning regulation.

- Those expatriate working for domestic/foreign company must posses temporary visa issued by Indonesian Embassy.
- Request for obtaining visa should be made in writing attached with Ppt 2 form and addressed to the Minister of Investment/Head of CICB.
- Head of CICB issues a recommendation in the form of TA 02 and it is submitted to Directorate General of Immigration.
- Based on recommendation of TA 01, the DG of Immigration will inform the embassy to issue temporary visa for expatriate.

- ❖ Process in Regional Government:
New working license for expatriate:

- ❖ On the arrival of expatriate with temporary visa, the company should make a request for temporary entrance permit card from local immigration office.

- ❖ Request for working license for expatriate should be addressed in writing to Head of RCICB by attaching the following requirements:

- A passport photo sized 4 x 6 cm
- A photocopy of passport
- A photocopy of temporary entrance permit card
- Name and education and the training program which involve Indonesian employees that will replace the position of expatriate
- A photocopy of expatriate employment planning letter
- Proof of working license issued by head of RCICB-NS in the form of working license letter attached with the appendices given to the requester and to be local Employment Department Office.
- The working license for expatriate which is expired can be renewed.

❖ **Renewal of Expatriate working license:**
Request for the renewal of expatriate working license in writing is addressed to Head of RCICB-NS within 30 days before the expired date by attaching the following documents:

- Legitimation Book of expatriate working license
- Proof of expatriate tax payment
- Proof of compulsory contribution for education and training if their regulation has been effective
- Report of realization of education and training program guidance or the Indonesian of manpower.
- A photocopy of valid expatriate employment planning letter
- Two passport photo size 4 x 6.

Based on the proof of request for renewing expatriate working license, Head of RCICB issues a recommendation for the renewal of temporary entrance permit to DG of immigration.

While waiting for the license to be released, Head of RCICB is able to issue a temporary working license for expatriate which is valid for 2 months.

After obtaining the proof of renewal, the company should submit the photocopy to the head of RCICB so that the renewal of expatriate working license regulation can be released.

Renewal of expatriate working license. The regulation issued by RCICB on behalf of Minister of Investment/Head BIBC state that the expatriates who work continuously for 3 years in Indonesia can renew their working license. When they are out of Indonesian territory with exit permit status.

The expatriates who are promoted to be directors and arrange meetings of all stock holders without being notarized do not need to obtain exit permit since they are still needed to occupy several positions.

ATTACHMENT - C
CONTACT POINT

ATTACHMENT - C

CONTACT POINTS

There are many contact points with which Indonesian entrepreneurs could contact to look for Japanese potential investors as follows :

A. INDONESIA

- (1) JETRO = Japan External Trade Organization
Jakarta Office
Summitmas I, 6th Fl.
Jl. Jend. Sudirman Kav. 61 – 62
Jakarta 12160, INDONESIA
Phone : 62 – 21 – 5200264 (Hunting)
Fax. : 62 – 21 – 5200261/5251360
Home Page : www.jetro.go.jp
- (3) Japanese Companies (Indonesia)
Please refer to “Directory of Japanese Companies & Representative Offices in Indonesia (JETRO)”
- (4) UNIDO = United Nations Industrial Development Organization
Jln. Thamrin No. 14
Jakarta
Phone : 62 - 21 - 3141308
Fax : 62 - 21 - 3907126
- (5) Japanese Investment Advisor
JICA Advisor Office, 5th Fl.
Jakarta 12190, INDONESIA
Phone : 62 – 21 – 5202052/5202053
Fax. : 62 – 21 – 5274854
E- mail : [ojabkpm @ ibm.net](mailto:ojabkpm@ibm.net)

B. JAPAN

- (1) Embassy of the Republic of Indonesia
5 – 2 – 9 Higashi Gotanda, Shinagawa – ku
Tokyo 141-0022, JAPAN
Phone : 81 – 3 – 3441 – 4201
Fax. : 81 – 3 – 3447 – 1697
Telex : J – 22920
- (2) Consulate General of the Republic of Indonesia
6th Floor Daiwa Bank Semba Bldg
4 – 4 – 21 Minami Semba, Chuo-ku,
Osaka 542-0081, JAPAN
Phone : 81 – 6252 – 9824/25
Fax. : 81 – 6252 – 9872
E-mail : [kjrioska @ osk. 3web.ne.jp](mailto:kjrioska@osk.3web.ne.jp)

- (3) United Nations Industrial Development Organization (UNIDO)
Investment and Technology Promotion Office (ITPO), Tokyo
Shin-Aoyama Bldg. W-16F
1-1-1- Minami-Aoyama, Minato-ku, Tokyo 107-0062, JAPAN
Phone : 81 - 3 - 3402-9341
Fax. : 81 - 3 - 3402-9384
E-mail : matsushi @ magical 2.egg.or.jp
- (4) ASEAN Centre
Central Building ,
4 - 10 - 3 Ginza, Chuo - ku
Tokyo, JAPAN
Phone : 81 - 3 - 3546 - 1221
Fax : 81 - 3 - 3546 - 9050
- (5) Japan Small Business Corporation (JSBC)
Overseas Investment Advisor (in charge of Indonesia)
Toranomom No. 37 Mori Bldg
4 - 5 - 1 Toranomom 3 - chome, Minato - ku,
Tokyo 105, JAPAN
Phone : 81 - 3 - 5470 - 1522
Fax : 81 - 3 - 5470 - 1527

