

The Study on
the Improvement of Investment Policy
in the Republic of Indonesia

Pilot Project Report

November 2006

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Investment Coordinating Board, Indonesia
Republic of Indonesia

**The Study on
the Improvement of Investment Policy
in the Republic of Indonesia**

Pilot Project Report

November 2006

JAPAN INTERNATIONAL COOPERATION AGENCY

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Welcome to Investment Gateway!

- This is a gateway to investing Indonesia
- We wish to provide you investor friendly information

Indonesia's Investment Coordinating Board

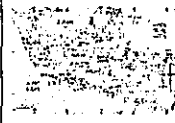


INVESTMENT GATEWAY

Welcome to Indonesia

- Home
- Advantage
- Success Story
- Investment Procedure
- Law and Regulation
- Search Law and Reg.

Welcome to Indonesia




We at the investment Coordinating Board (Badan Koordinasi Penanaman Modal or BKPM) recognize the significance of direct investment to sustain Indonesia's economic momentum. We are committed to continuously work with various stakeholders in Indonesia and abroad to enhance the investment climate in the country.

The Indonesian economy has demonstrated its resilience since the Asian financial crisis. The economy expanded by 5.3% during... (more)

Indonesian President on Japan Visit




November 27, 2006 (Tokyo)

Visiting Indonesian President Susilo Bambang Yudhoyono is set to sign off on the framework for a free trade pact with Japan. Under the expected deal, Indonesia will send workers, particularly nurses, to Japan, the world's second largest economy. In turn, Japan wants Indonesia's assistance in supplying natural gas, in pressuring North Korea to halt its nuclear programme, and also over Pyongyang's pact (more)



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Pilot Project Report

A pilot project will be implemented to identify how the policy recommendation for "the Study on the improvement of investment policy in Indonesia: the Project hereinafter" will work. However, at the initial stage of pilot project implementation, no definite work scope was settled due to the lack of basic information relating to the investment climate and the related difficulty.

In addition, the BKPM working group was reluctant to take part in the pilot project, since they consider it necessary to complete a fact-finding survey beforehand. However, both BKPM and the Study Team understand that it is necessary to commence at the earliest possible opportunity, given the time and budgetary conditions allowed for the project. In particular,, both parties were able to understand the need to conclude the pilot project concept before the end of the fiscal year. Finally, both parties concluded an agreement to enumerate a candidate pilot project under the following conditions:

- a) a project that can be completed only by joint efforts between the Study Team and BKPM working group,*
- b) a project that can be completed by the end of the Project,*
- c) a project which has an same equivalent to that of the Project.*

Directors of BKPM, the working group and the Study Team jointly evaluated the project idea and screened each eligible project. In addition to the above mentioned evaluation criteria, guidelines specified under the Japanese Official Assistance Program and the concept of SIAP were also fully exploited as important criteria.

Moreover, the Study Team engaged in due consultation with the BKPM directors and enumerated the following three projects:

- *To compile an investment success story to potential investors by providing new concept business opportunities; using the comparative advantages or business properties available in Indonesia and disseminating the same through the website.*
- *To facilitate potential investors' understanding of the investment procedures in Indonesia. In addition, sample applications will be provided as an indispensable attachment for each procedure.*
- *To develop a database relating to the laws and regulations for investment and disseminating the same to potential investors through the website.*

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1. Objective of the Project and the Scope to Select the Candidate Pilot Project

1. Objective of the Project and the Scope to Select the Candidate Pilot Project

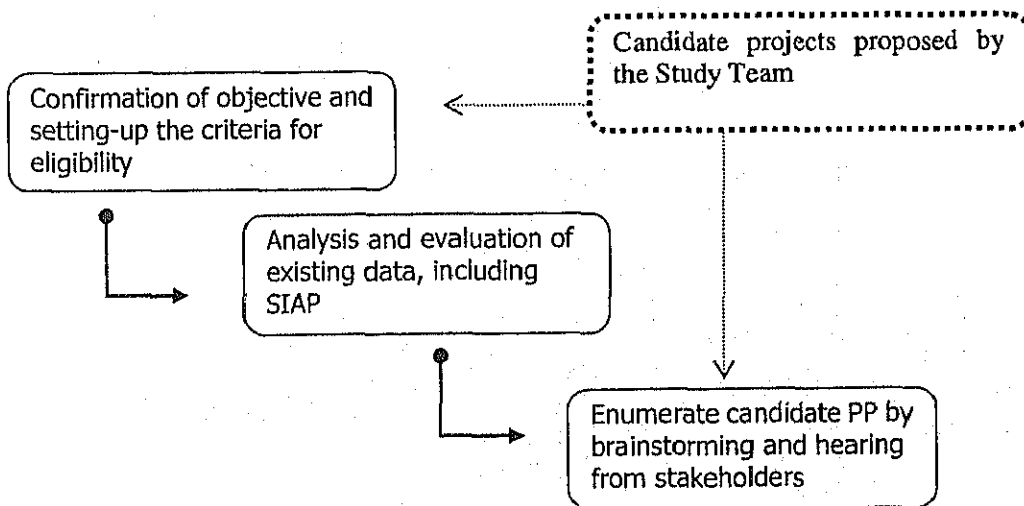
1.1 Procedure to select the candidate pilot projects

Right after the first field survey got underway at Jakarta, the Study Team held a discussion with the BKPM working group on the concept of the pilot project. The BKPM working group, however, hesitated to engage in such discussion, since the Project, Study on Improvement of the Investment Policy of Indonesia, had just started and they lacked any concrete image of the same. Moreover, the working group insisted on implementing the pilot project only after completion of a fact-finding study.

However, the Study Team, despite understanding the claims from the BKPM working group, persuaded them to start quickly with the budgetary and expiry (constraining) conditions of the Project in mind.

Initially, the Study Team explained the draft pilot project ideas prepared beforehand and continued discussion based on the following procedure shown below:

Procedure to list the candidate pilot project (PP) is as follows:



1.1.1 Criteria to enumerate pilot projects

The main objective to implement a pilot project is to ensure whether the action plan to be implemented as a test case is effective for the target of the Project. However, both the Study Team and BKPM working group consider there to be so many invisible factors to be identified before drafting the candidate pilot project, since no one can predict which one of the action plans will contribute to the target of the Project during the initial stage. Therefore, both parties considered that a pilot project without any visible output could still be a candidate project if it contributed to the target of the Project.

(1) Pre-conditions

- 1) In principle, the objective of the Project is to provide any effective and practical recommendations to improve the investment climate of the Republic. Therefore, the pilot project to be implemented within the framework of the Project should cover the same objective. Under such given conditions, both teams (the Study Team and the BKPM working group) enumerated candidate projects which could last within the due period.
- 2) Take JICA expert's opinion and advice for an efficient screening procedure. There is an in-house investment advisor assigned by JICA.
- 3) Projects requiring coordination with the other ministries concerned were eliminated because of the short allowable project duration.
- 4) BKPM, although they consider it natural to implement the pilot project upon completion of the fact finding stage, started to enumerate candidate projects and subject them to the following screening criteria:
 - a) a scale sufficient to ensure completion within the due period,
 - b) compliance with the BKPM mission and
 - c) a proper budgetary scale to handle.
- 5) Uncertain conditions will be compensated for within the given expiry and budget, while further improvement and expansion of the pilot project will be taken over by BKPM.

(2) Adequacy of the proposed project

The Study Team obtained a project list which BKPM proposed JICA to implement. These were then evaluated by the Team to ensure compliance with the criteria set up for the pilot project. The proposed projects are listed below. However, the majority do not comply with the criteria for the completion period, effectiveness, reality, objective and amount of budget for the pilot project, since they were prepared as part of BKPM's routine activity. Of

those listed, only the "investment rule book project" was able to meet the project scope.

The following table indicates the projects proposed by BKPM and their evaluation results.

Table 1-1 Evaluation of the proposed project by BKPM

| | Project | Evaluation |
|---|--|---|
| 1 | Implementation of comparative surveys of supporting industries in electronics and agricultural fields (China, South Korea, and Malaysia) | It is understandable that analysis of Indonesia's industrial competitiveness is required to formulate a basic strategy for attracting investment. However, while current status surveys of the target industries (electronics and agriculture) in the country should be the starting point, it is unsuitable for the pilot project, judged from the number of workable consultant members and the study duration. |
| 2 | Study and mapping of prior commodities in the secondary sector in Southeast Sulawesi, Central Sulawesi, West Sulawesi and Gorontalo on Southeast Sulawesi, Central Sulawesi, West Sulawesi and Gorontalo | As the competitiveness study and mapping of local industries has already commenced by an in-house consultant assigned by JICA, the proposal would constitute a clear duplication |
| 3 | Compilation of an investment rulebook | It is expected to be highly in demand by potential investors, together with a high potential effectiveness from the viewpoint of investment promotion. However, it will cover a broad range, which may necessitate a narrowing of the scope to be contained in the rulebook. |
| 4 | Invitation of JICA experts as resident consultants | As the assignment of experts does not comply with the study scheme, it is not suitable for implementation as a pilot project, although a fresh request may be submitted to JICA. |
| 5 | Investment promotion activities in Singapore and Japan | Investment promotion activities need to be designed on the basis of promotion strategy that should be formulated, based on analysis of |

| | Project | Evaluation |
|---|--|--|
| | | Indonesia's comparative advantages and priority industries. It is therefore not appropriate to take it up as a pilot project when the study has just started, while certain guidelines may be established following completion of the study. |
| 6 | Capacity buildup of BKPM staff <ul style="list-style-type: none"> ◆ SME entrepreneurship ◆ Capital goods and raw materials master list verification ◆ Strengthening of the internal management function | It is understandable that BKPM needs to improve the capability of human resources, but the internal management function should be considered upon completion of the present study. Thus, it is not feasible to propose <i>specific policy guidelines for the development of an effective internal management function during the study period.</i> |
| 7 | TOT: To provide participants from various Indonesian regions with the opportunity to update and upgrade the technical information and knowledge of the investment services trainer in handling investment services to investors and also providing basic knowledge to the regional investment officials) | As there are uncertainties regarding how investment procedures will change with the progress of decentralization and how BKPM will be involved in investment procedures, it is not presently viable to develop the curriculum. |

Source: JICA Study Team

6) Pilot project selection criteria

Based on the evaluation of adequacy, it was decided to add "preparation of the investment rulebook" as a candidate pilot project. With this in mind, project proposals made by the study team were added to form a shortlist and a meeting was held to select the final candidates on the basis of the following criteria:

- (1) The pilot project must make a substantial contribution toward the improvement of the country's investment climate (necessity and urgency).
- (2) It must produce results by the end of the year (to allow evaluation during the study period).
- (3) It can be immediately started (feasibility).
- (4) It must be manageable in terms of size by the study team and BKPM (reality).
- (5) It can be managed on a sustainable basis by BKPM (potential for sustainable development).

(3) Candidate-pilot projects

The candidate pilot projects winnowed to the short list and their evaluation results are summarized below.

- 1) Investment rulebook (collection of legal and administrative rules to be complied with by investors intending to invest in Indonesia)
- 2) Pamphlet "Invitation to Direct Investment in Indonesia" to be distributed to potential investors
- 3) Investment promotion guide
- 4) Investment promotion manual
- 5) Industrial park information/data book
- 6) Improvement of one roof service (the organization responsible for the project cannot be identified as the implementation body in charge of the permit and license application procedures may be changed in the near future)
- 7) Questionnaire survey confirming possible improvements in the customs clearance service
- 8) Questionnaire survey confirming possible improvements in the customs EDI system
- 9) Seminar discussing improvement in the customs clearance service
- 10) Workshop on the capacity development of personnel in charge of the one-stop counter service

Table 1-2 Evaluation of Candidate Pilot Projects

| Candidate project | Content confirmed | Evaluation results |
|--|---|--|
| <p>1) Investment rulebook (collection of laws and legal rules to be compiled with by investors intending to invest in Indonesia)</p> | <p>With regard to the preparation of the investment rulebook, the related parties reached consensus through resident JICA experts prior to the start of the present study. Data collection and database development relating to the basic elements of the rulebook – namely basic, common, and sector-based laws and regulations – are likely to have been completed by the yearend.</p> <ul style="list-style-type: none"> ◆ The project is expected to be highly effective in terms of improving the investment climate. ◆ The project is clearly delineated in terms of scope and can therefore start immediately. ◆ Completion and evaluation within the year is feasible if the target is clearly defined. ◆ The project has a size manageable for the study team and BKPM. ◆ Its sustainable development by BKPM can be secured. | <ul style="list-style-type: none"> ◆ The pilot project should cover data collection, translation (into English), and database development for the following elements of the proposed investment rulebook: (1) basic rules; (2) common rules; and (3) sector-based rules. ◆ Publication of the database and relevant information over the Internet is expected to significantly serve the interest of investors. ◆ Publication on BKPM's Website will raise the status of BKPM as the frontline of information promotion. Also, it will allow BKPM to maintain and update the database on a continuous basis. ◆ The level of urgency is high as this type of service is not provided by any organization. |
| <p>2) Pamphlet "Invitation to Direct Investment in Indonesia" that targets potential investors</p> | <ul style="list-style-type: none"> ◆ The pamphlet for Japanese investors is available at BKPM's office in Japan. ◆ Mere translation of the present pamphlet into different languages is unsuitable for the pilot project. ◆ It is important to provide information on Indonesia's investment climate, as expected by potential investors from target countries. For this purpose, it is imperative | <ul style="list-style-type: none"> ◆ By creating a Website publishing the database under the pilot project, it can be developed into an information service and promoted at targeted specific investors and parties. As there is an apparent lack of focus on the promotional concept (target countries and information to be provided), it is premature to make the pamphlet under the pilot |

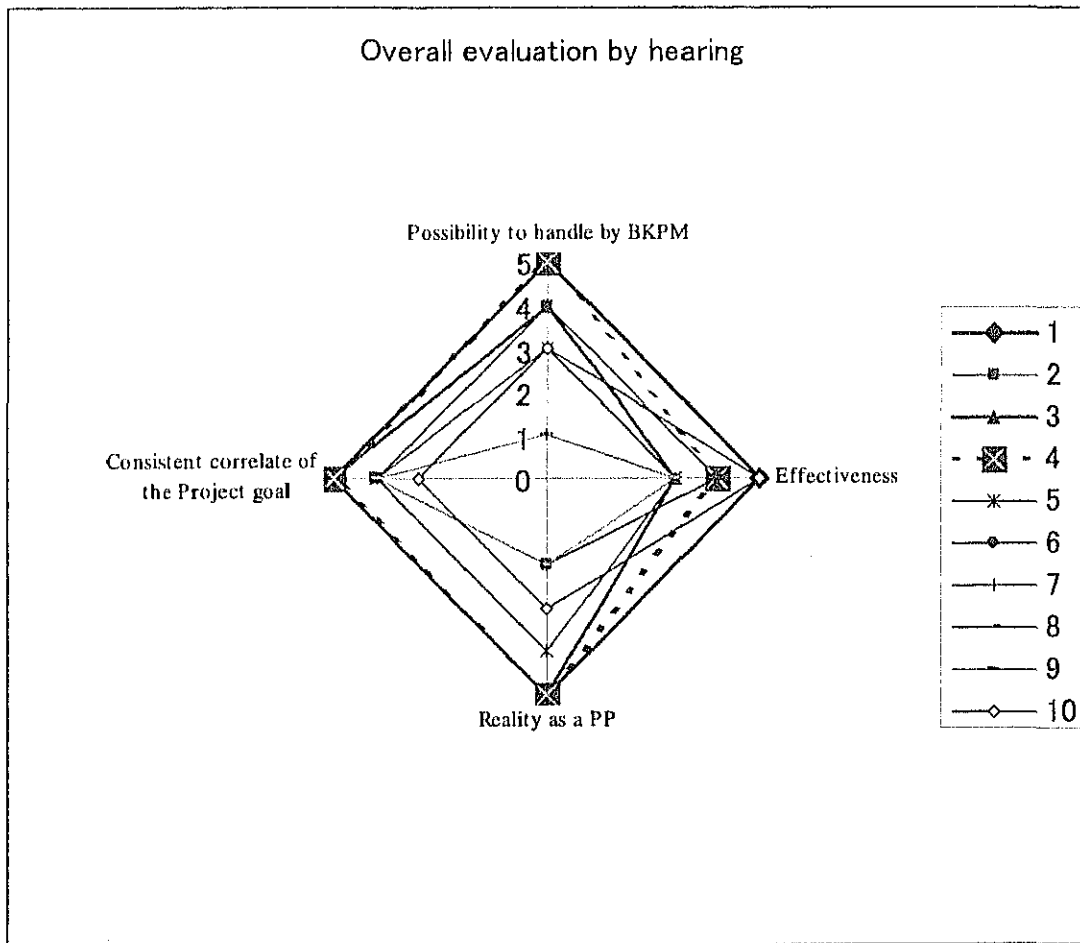
| Candidate project | Content confirmed | Evaluation results |
|--------------------------------|--|--|
| | <p>to select target countries and select and collect information relevant to each target country.</p> <ul style="list-style-type: none"> ◆ Also, it is important to establish priority in terms of industry types desirable for Indonesia to promote investment, but this can only be done upon completion of the present study, meaning it is unsuitable for the pilot project | <p>project.</p> <ul style="list-style-type: none"> ◆ Also, as BKPM lacks a research and analysis function, it cannot meet the demand by potential investors in the target country. |
| 3) Investment promotion guide | <ul style="list-style-type: none"> ◆ BKPM considers investment promotion to be its key organizational activity. How can the promotional effect be maximized in addition to the present pamphlet? | <ul style="list-style-type: none"> ◆ A variety of promotion guides are made, not only by BKPM but also the ASEAN Center, JETRO, and other foreign organizations, including Japanese private organizations. It is doubtful as to whether the project can produce a highly effective investment promotion guide by differentiating itself from others. ◆ Instead, periodical presentation of "success stories" <ul style="list-style-type: none"> - investment cases that have successfully raised business performance by using Indonesia's comparative advantage - seems to conform to the BKPM's mission and ensure sustainability, thus being effective over the guide and the pamphlet. |
| 4) Investment promotion manual | <ul style="list-style-type: none"> ◆ Procedures until the obtaining of SP are shown on BKPM's Website. However, a variety of permits and licenses are required until the actual start of commercial | <ul style="list-style-type: none"> ◆ For investors at SME level, a step-by-step introduction to investment procedures can serve as a useful service. It may also represent an effective |

| Candidate project | Content confirmed | Evaluation results |
|---|--|---|
| | <p>operation, e.g. corporate registration and business license. If those items required from local governments are to be included, a wide range of information will be required. Moreover, it is critical to determine the scope of coverage, including the extent and type of information involved.</p> | <p>promotion tool by demonstrating Indonesia's investor-friendly attitude.</p> |
| <p>5) Industrial park information data book</p> | <ul style="list-style-type: none"> ◆ Industrial park development does not constitute a core element of the country's strategic plan. ◆ Searching and the introduction of privately developed industrial parks by BKPM deviate from public service. | <ul style="list-style-type: none"> ◆ The provision of information on existing industrial parks as part of the information service for potential investors is considered significant. ◆ However, as most industrial parks are operated by the private sector, BKPM cannot take leadership in the maintenance of information. |
| <p>6) Improvement of the one roof service</p> | <ul style="list-style-type: none"> ◆ The organization responsible for the project cannot be identified as the implementation body in charge of permit and license application procedures may be changed in the near future. ◆ Collaboration between BKPMD and local government is difficult to achieve at present. ◆ Cooperation and agreement from ministries related to investment is indispensable. <p>At present, BKPM is attempting to establish an organization solely responsible for investment promotion. However, as the delegation from related ministries has not progressed, documents approved by</p> | <ul style="list-style-type: none"> ◆ The initiative cannot be implemented unless it is established as a joint project with a related ministry through the advisory committee or other institutional setup, meaning it is only feasible to reach consensus on the joint project by the end of the project. |

| Candidate project | Content confirmed | Evaluation results |
|---|---|---|
| | BKMP are sometimes rejected by the ministries having original jurisdiction. | |
| 7) A questionnaire survey confirming possible improvements in the customs clearance service | <ul style="list-style-type: none"> ◆ As for customs clearance service, a JICA project that is separate from an investment promotion project is scheduled to start or has already started. | <ul style="list-style-type: none"> ◆ As a customs clearance service is outside BKPM's jurisdiction, it cannot be covered under the project. |
| 8) A questionnaire survey conforming possible improvements in the customs EDI system | <ul style="list-style-type: none"> ◆ As for customs clearance service, a JICA project that is separate from an investment promotion project is scheduled to start or has already started. | <ul style="list-style-type: none"> ◆ As the customs clearance service is outside BKPM's jurisdiction and no agreement has been reached with the Ministry of Finance, it is impossible to initiate it as a pilot project and it will also trigger confusion with related projects already underway. |
| 9) A seminar discussing improvement in the customs clearance service | <ul style="list-style-type: none"> ◆ As for a customs clearance service, a JICA project that is separate from an investment promotion project is scheduled to start or has already started. | <ul style="list-style-type: none"> ◆ Ditto |
| 10) A workshop on capacity development of personnel in charge of front desk service | <ul style="list-style-type: none"> ◆ The content and quality of front desk service depends on information provided by BKPM, meaning BKPM's ability to provide useful information is more important than its personnel and ability. | <ul style="list-style-type: none"> ◆ As the collection and compilation of information provided by BKPM, including requests from front desk users, is required, it is doubtful whether a workshop can be held to provide the necessary information during the pilot project period. |

Source: JICA Study Team

Fig. 1-1 Summary of Evaluation on Pilot Project Candidates



Source: JICA Source: Study Team

Note: The numbers in the legend (1 – 10) correspond to those assigned to the candidate projects shown on the previous page.

As mentioned earlier, the evaluation results shown in Fig. 1-1 are compiled based on the results of interviews with directors and other related BKPM personnel. However, they are not based on population data that reinforce the statistically sound data, meaning they are presented as reference only and simply represent certain opinions of related parties.

At the same time, it should be noted that the following three initiatives are highly evaluated as candidate pilot projects (1, 3 and 4 above).

- Preparation of “investment success stories” that are intended to promote a new business concept from Indonesia to potential investors, together with their publication over the Internet

- Preparation of the “investment procedure manual” that provides investment information on Indonesia, including samples of applications for necessary permits and licenses, together with their publication over the Internet
- Preparation of an “investment rulebook” that compiles investment-related laws and regulations into a database, together with their publication over the Internet

2. General Outline of Pilot Projects to be Implemented

2. General Outline of Pilot Projects to be Implemented

The pilot project contemplated under the present study is designed to promote the improvement of service provided by BPKM, which will spearhead the attraction of foreign investment in Indonesia, and reform the investment-related legal system to improve transparency, together with its publication.

Specifically, the pilot project involves projects (services) being linked with the BKPM's Website and classified into three categories. The Website will consist of the following project contents (see Fig. 2-1) and its portal design generally follows the conceptual design presented in Fig. 2-2. Note that the Website will be called "INVESTMENT GATEWAY" as agreed with BKPM.

Fig.2-1 Contents of the Pilot Project

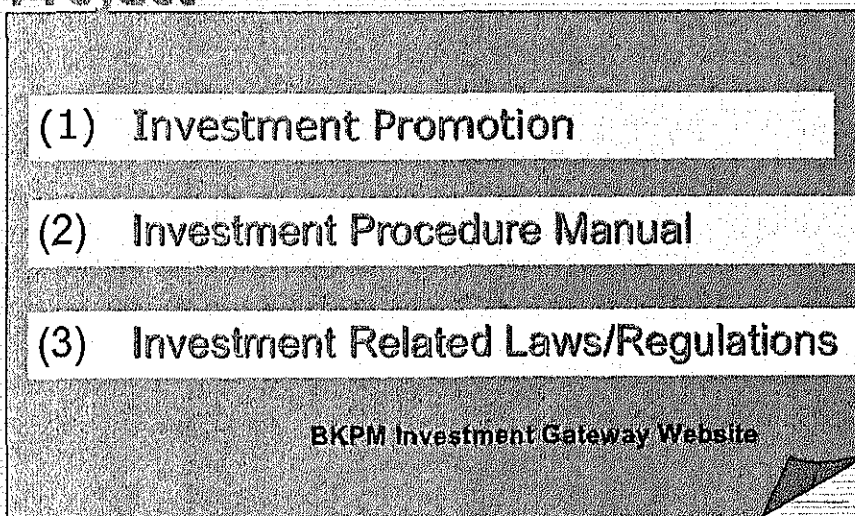


Fig. 2-1(1) Details of each content

| | |
|---------------------------------------|--|
| BKPM Investment Gateway System | |
| Program Design Document | |

Table of Content

| Category | No. | Item | Page |
|-----------------------|-----|--------------------------------------|------|
| Part I | 1.1 | Home | 1 |
| | 1.2 | Advantage | 3 |
| | 1.3 | Investment Success Story | 5 |
| | 1.4 | Links Screen | 7 |
| Part II | 2.1 | List of Investment Procedure | 9 |
| | 2.2 | Investment Procedure | 11 |
| Part III | 3.1 | Laws and Regulation Browse | 12 |
| | 3.2 | Laws and Regulation Search | 14 |
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| | 4.2 | Advantage Maintenance | 24 |
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The promotion site of (1) introduces investment success stories in Indonesia. A success story aims to encourage potential investors by introducing successful business performance with special property available in Indonesia. Simultaneously, it also aims to eliminate Indonesia's negative image as regards investment climate. In some cases, it may also contribute to bridging a cultural gap between an investor's country and Indonesia through information on the new website.

Box 1

(The current situation concerning BKPM web-promotion)

BKPM has been providing an investment guide for potential investors through its official website for years. However, the information provided by the site does not meet investors' requirements. For example, the investment climate information provided in the BKPM's website, while encouraging investment in Indonesia, fails to transmit the fascination of the country. In addition, the content in the business matching service site provides only a company name and type of business but will not provide any indexical data to evaluate whether the company could be a respective local partner. It would be much more helpful to potential investors if BKPM could provide more detailed information from an investor perspective on aspects such as human resources, utility cost and supply capacity, information on industrial parks and their contact channels, and so on etc.

The investment procedure manual in (2) is designed to present the precise sequence of activities required for foreign investment in Indonesia, together with the sample application forms used in relevant procedures. In future, the manual will be extended to publication of a negative list as well as the master list.

The manual will be published on BKPM's Website, following which sample application forms for relevant permits and licenses will be added. In future, the publication of a negative list (industries unsuitable for investment) will also be required. At present, where foreign investors are permitted to invest in any industry not included on the negative list, there is confusion as the list often conflicts with the unpublished guidelines of various ministries.

This type of information will serve the best interest of potential investors, while BKPM can also expect to expand its service through its Internet presence. Current problems include the lack of coordination between the information services provided by different ministries, and insufficient information available from present sources.

The database on investment-relate laws and regulations in (3) will be the first service of this kind available in Indonesia. In fact, no service has existed to publish investment laws and regulations, which are under the jurisdiction of various ministries, in English and in an

organized manner (including a hierarchical structure). This will also be the first experience for BKPM to take a leadership role in structuring investment-related laws and regulations, and BKPM's service quality is expected to improve significantly.

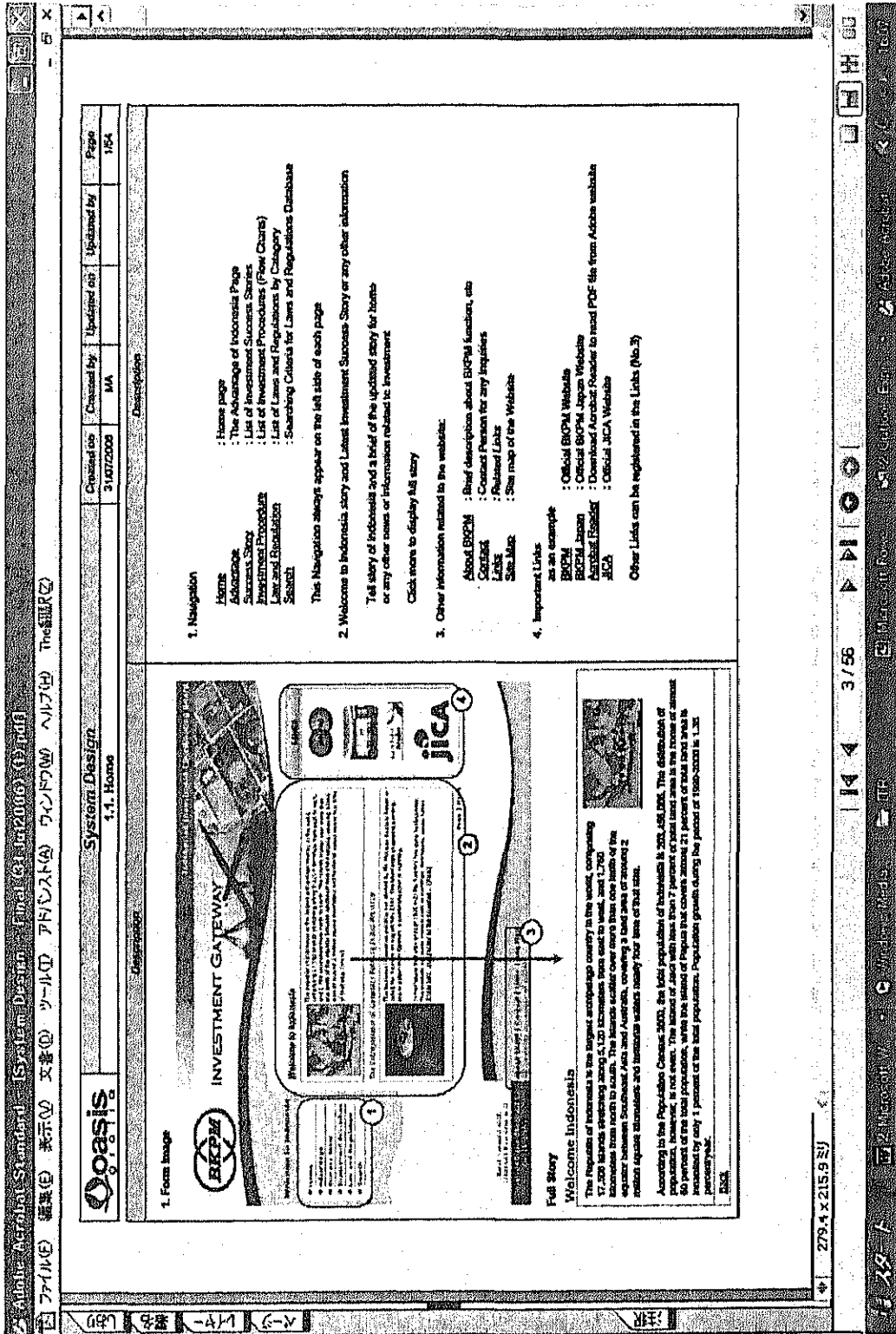
Fig. 2-2 shows a conceptual view of "Investment Gateway" that serves as a portal to various Websites providing services listed from (1) and (3). To avoid confusion, Investment Gateway will be resident on the server that accommodates BKPM's existing Website, as part of a structure that ensures complete linkage to the BKPM site.

Fig. 2-3 illustrates a Website publishing success stories to reinforce investment promotion activities. It will be established to present Indonesian business models that are attractive to potential investors.

Fig. 2-5 presents a basic configuration of the investment law and regulation database and a screen design serving as a database portal. The database primarily consists of three elements: (1) basic laws and regulations; (2) common laws and regulations; and (3) sector-based laws and regulations. Fig. 2-6 shows a Website for direct search.

Subsequently, the Website design is shown below. This screen represents a portal to each pilot project. On the left side of the screen, "success stories" are presented to promote the performance of investors in Indonesia to potential investors.

Fig. 2-2 Outline of the Website



2.1 Implementation Method

2.1.1 Investment Promotion Project

2.1.1.1 Integrity with currently published information

As the content relating to investment promotion is introduced as the first pilot project, this section discusses the method used to deploy investment promotion over the Internet.

BKPM's primary mission includes investment promotion and the information service forms an integral part of its promotion activity. The major outputs of BKPM's information service are shown as follows:

- a) The introduction of Indonesia's investment climate via BKPM's official Website
- b) Publication of investment procedures and related laws and regulations on the same Website
- c) Publication of information on local companies
- d) Production and distribution of pamphlets containing investment information in various states of Indonesia
- e) Government investment-related publicity
- f) Front desk service (consulting and information services provided by BKPM's personnel)

Judging from the content, BKPM seems to strive continuously to provide an effective information service for potential investors. The major issue is whether the information provided by BKPM meets the needs of the latter. In fact, the information provided by BKPM is insufficient from an investor perspective, as discussed in more detail in this report. The fact that BKPM, which spearheads investment promotion activities for Indonesia, fails to provide information satisfactory to potential investors, creates the impression that the country may not be enthusiastic about attracting foreign direct investment.

The pilot project aims to strengthen BKPM's information service, which may be conducive to effectively improving the country's investment climate. The metrics for BKPM's information service and its quality are the ability to provide the information needed by potential investors. Furthermore, "success stories" are added to explore new investors by proposing investment opportunities in Indonesia, which are not found in ordinary information sources.

Box 2

Concept of Success Story

Indonesia is endowed with diverse natural resources, including petroleum, natural gas, metals, and minerals. Also, the tropical forecast climate fosters rich forest resources as well as wildlife. At the same time, the country has the fourth largest population in the world, representing an abundant labor force and a large market.

In Indonesia that boasts the above comparative advantages, many foreign companies are operating. Among them, some companies are achieving an excellent business performance by taking an innovative approach that best exploits the unique business environment that differentiates Indonesia from elsewhere. Their success stories are expected to boost new attractive opportunities for potential investors who are seeking a new location that promises successful business operation.

2.1.1.2 Project Implementation Method

Companies that perform well in their Indonesian operation will be surveyed according to the concept presented in 2.1.1.1 and the results will be published in the form of online success stories. As the primary purpose of these success stories is to attract the attention of potential investors, they do not need to be fully detailed. Rather, they should shed light on key success factors and introduce them as workable business models for investment in Indonesia.

If BKPM can secure the project budget on a continuous basis, it can evolve into a Website that is increasingly appealing to potential investors by outsourcing Web design, including the creation of effective catch lines, to professionals.

Project activities needed in relation to the collection and compilation of success stories are summarized as follows:

- (1) To specify what kind of business performance is used;
- (2) To emphasize the creation of catch lines that promotes a specific business model;
- (3) To insert photos to give viewers to obtain a clear image of business success;
- (4) To write corporate profiles as simply as possible, excluding the history and other detailed information;
- (5) To ensure a compact screen design and keep the text brief, limiting each success story to one page including photo(s).

- (6) To select companies and exclude those that do not meet the objective (to present success stories), rather than attempting to introduce all of them;
- (7) To refine the English text through proper proofreading; and
- (8) To ensure that the approval is obtained from each company for which a success story is published on the Website.

The success story shown in Fig. 1-3 is presented as a sample and features a company that produces a high-grade sub material from natural resources available in the country's pollution-free natural environment. The sub material is regularly supplied to foreign manufacturers of premium garment products.

2.1.1.3 Expected Results

The project is expected to inform potential investors, with a high publicity effect, of new opportunities and techniques to improve their business performance by using Indonesia's resources and comparative advantage.

Unlike ordinary promotional Websites, including the web-logs, the project presents a variety of success stories that can stimulate the interest of potential investors by relating Indonesia's comparative advantage to the improvement of business performance.

By introducing to potential investors a variety of approaches that lead to business success on the basis of new ideas concerning the utilization of Indonesia's resources and comparative advantages, the project can inspire potential investors to find ways to explore and exploit new opportunities available in the country.

The exploration and introduction of new business models allows BKPM to create new strategies for its investment promotion activities. To date, BKPM has been taking a rather stereotyped approach to investment promotion by simply providing country information for potential investors. The exploration of new business models can lead to promotional activities that propose attractive and workable business opportunities to leverage the country's comparative advantage.

A conceptual view of investment success story presentation (Fig. 2-3) and sample stories are presented below.

Fig. 2-3(1) Portal and concept of the success story

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System Design
1.2. Advantages

1. Form Image


Ever Story [Click More to Read Full Story](#) Full Story

Indonesian Advantage

Indonesian Advantage You Can Pride

High Quality and Abundant Man Power

1. Huge domestic market
2. Rich natural resources
3. Various and well-developed industrial Estate
4. Strategic geographical features combines via various transportation route
5. Free foreign exchange dealings
6. The open market economy (market)



Friendly to Japanese


1. Quite liberal condition
2. Rich ethnic culture, food culture
3. Merit of the special incentives to Japanese investors
4. Outline of the special incentives
5. Procurement of raw materials and availability
6. Contact channel and consultation (course)

Exact/Next

[Click Back to Return to List of Advantages](#)

High Quality and Abundant Man Power

1. Huge domestic market
2. Rich natural resources
3. Various and well-developed industrial Estate
4. Strategic geographical features combines via various transportation route
5. Free foreign exchange dealings
6. The open market economy



Huge Domestic Market

According to the Population Census 2000, the total population of Indonesia is 203,456,005. The distribution of population, however, is not even. The island of Java has less than 7 percent of total land area is the home of almost 60 percent of the total population, while the island of Papua that covers almost 21 percent of total land area is inhabited by only 1 percent of the total population. Population growth during the period of 1990-2000 is 1.35 percent/year.

Back

279.4 x 215.9 3U 4 / 56

Microsoft Word Microsoft Excel Microsoft PowerPoint Microsoft Access Microsoft Outlook Microsoft Internet Explorer Microsoft Office Word 2003 Microsoft Office Excel 2003 Microsoft Office PowerPoint 2003 Microsoft Office Access 2003 Microsoft Office Outlook 2003

Fig. 2-3(2) Sample of Success Story

Indonesian pearl shell goes to world fashion market

PT. Daiwa Agung International, Makassar, South Sulawesi

"We are looking at world fashion market" says Mr. Fumimura, President Director of PT. Daiwa Agung International (DAI).

DAI was established in December, 1991 at Makassar Industrial Estate (KIMA) as a subsidiary of Daiwa Shell Co., Ltd. Osaka, Japan to produce every kind of shell buttons for shirts and blouses.

Their beautiful shell buttons are produced from Indonesian pearl shells, which are mostly originated in the eastern part of Indonesia, Maluku islands and Irian Jaya.

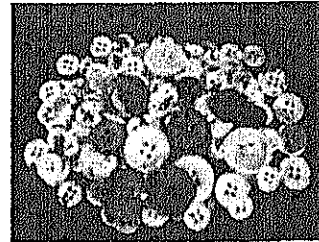
Mr. Fumimura, President Director of DAI, expresses that production of shell button requires many production steps, such as cutting by the diamond grinder, polishing and laser printing, which are carried out for piece by piece.

However, thanks to good quality of Indonesian pearl shells and skilled work of Indonesian workers, DAI's products are considered to have the best quality in the world. In particular, they boast a very low defective ratio, less than 1%, which is remarkable in light of the fact that shell buttons are damaged easily in the course of transportation and delivery to end users.

As a result, DAI's shell buttons has gained wide reputation and popularity and are now exported to many countries, mostly to China through Hong Kong, as key accessories of high-grade shirts and blouses, and then re-export to the United States, Europe and other countries throughout the world.

Thus, Indonesia's lovely pearl shells, by the aid of DAI's technology and workers, are transformed to precious products with which many men and women adorn themselves.

This is a good example how Indonesian products successfully penetrate the world market.



PT. DAIWA AGUNG INTERNATIONAL

Kawasan Industri Makassar, Jl. Kima XIII/L9A, Makassar, South Sulawesi

Tel: +62-411-510 172 Fax: +62-411-510 188

2.1.2 Investment Procedure Manual

2.1.2.1 Objective

This project aims to promote a better understanding of the investment procedures in Indonesia by potential investors. At present, BKPM publishes information on investment procedures on its own Website, but it does not cover all investment procedures, making it difficult for potential investors to understand the process flow in detail. Thus, the project intends to develop an investment manual that explains procedures in a comprehensive and visual manner.

2.1.2.2 Project Outline

To accomplish the above objective, the project includes preparation of a flowchart for investment procedures and a collection of sample applications used in relevant procedures.

- Presentation of a flowchart showing investment procedures
- Explanation on the flowchart
- Documents required for investment procedures
- Sample applications and documents

(1) Flowchart

Three types of flowcharts have been prepared for each stage of investment procedures, namely an outline flowchart, a procedure flowchart, and a detailed flowchart. The flowcharts cover all procedures required for investment in the country, while the outline flowchart presents a simple illustration of procedures at each stage. The procedure flowchart shows further details. Subsequently, the detailed flowchart covers a detailed process flow for each procedure. Note that the detailed flowchart has been prepared for selected procedures.

Fig. 2-4 presents outline and procedure flowcharts at the investment approval stage, and Table 2-1 shows the details at each stage. Indonesia's investment procedures can be roughly divided into three stages: investment approval, expatriate work and stay permits, and licensing at the implementation stage.

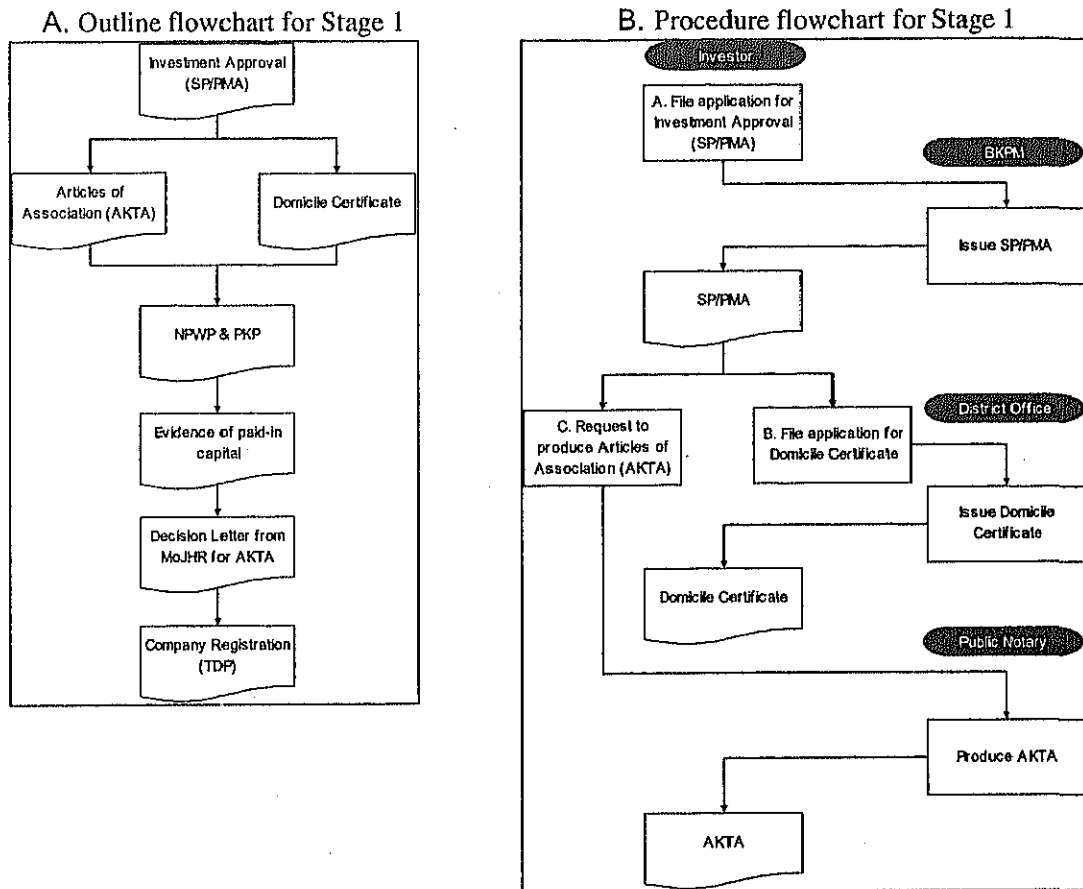
Table 2-1 Hierarchy of the Investment Procedure

| Stage | Procedure | Detailed Procedure |
|--|--|--------------------|
| Stage 1: Investment Approval Stage | Investment approval from BKPM (SP/PMA) | Available |
| | Domicile Certificate | - |
| | Articles of Association | - |
| | Taxpayer Registration Number (NPWP) and Taxable Entrepreneur Confirmation Number (NPPKP) | - |
| | Open bank account and deposit initial issued capital | - |
| | Approval of the Articles of Association | Available |
| | Company Registration Certificate (TDP) | Available |
| Stage 2: Expatriate Work and Stay Permit | Company Manpower Compulsory Report | - |
| | Plan for Employment of Foreign Personnel (RPTKA) | - |
| | TA-01 Recommendation | - |
| | Limited Stay VISA (VITAS) | - |
| | Expatriate Employment Permit (IMTA) | - |
| | Limited Stay Permit (KITAS) | - |
| | Other permit | - |
| Stage 3: Licensing Procedure in Implementation Stage | Approval of customs facilities (Master List) | - |
| | Limited Importer's Identification Number (APIT) | - |
| | Permanent Business License (IUT) | - |

Note: "Available" means that the detailed procedure was drawn up during the project.

"-" means that which was not drawn up in the project.

Fig. 2-4 Flowcharts for investment Procedures



(2) Explanation

Explanation of the flowcharts provides the following information on investment procedures:

- Objective
- Required duration
- Fee

(3) Required documents

Information on the documents required to be submitted at the time of application is provided for each step of the procedure.

(4) Sample applications

Sample applications and documents are distributed at BKPM's Website in the form of PDF files or downloadable link form.

2.1.2.3 Implementation Method

The project was implemented via the following steps:

(1) Preparation of a draft manual

The process started by listing investment procedures based on available information, including a relevant legal system. Based on the procedures identified, a draft manual covering all procedures was prepared.

(2) On-site verification

Subsequently, the accuracy of the draft manual was checked. To ensure that the manual covers all procedures, the study team visited almost all organizations, verified their actual involvement and collected information, such as the duration required for each procedure and an application fee, together with application forms that would be used as sample documents. Organizations visited by the study team are as follows:

- BKPM
- The Directorate General of Taxation
- The Ministry of Justice and Human Rights
- The Directorate General of Immigration to verify
- The Department of Industry and Trade of local government
- The Department of Labor of local government
- Regional immigration office
- District office

(3) Finalization with BKPM

The investment procedure manual was finalized in consultation with BKPM. The study team submitted the draft manual to BKPM's Directorate of Media Promotion for verification and confirmation. Note that the project is intended to promote BKPM's understanding of the process of developing the investment procedure manual.

2.1.2.4 Expected Results and Future Expandability

(1) Expected results

The project is expected to achieve the following results:

- Potential investors improve their understanding of investment procedures in Indonesia.

- Potential investors obtain support in the preparation of necessary documents.
- Accurate information on the application fees and duration required for individual procedures is made available.

(2) Future expandability

The investment procedure manual can be expanded by adding the following information:

- Negative list
- Sample applications in English
- Laws and regulations relating to investment procedures

In addition, the manual should be revised and updated based on amendments to related laws and regulations.

2.2 Investment Promotion Manual

Fig. 2-5 shows a conceptual view of the investment promotion manual.

Fig. 2-5 Investment Promotion Manual

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System Design
2.2. Investment Procedure

1. Form Image

2. Investment Procedure

Approval of the activities of Associates of a Limited Liability Company

1. Submit documents to the Board of Directors

2. Approval of the Board of Directors

3. Approval of the Board of Directors

4. Approval of the Board of Directors

5. Approval of the Board of Directors

2. Operation

2.1. Click Links to move to another Flowchart or to Download Documents related.
 If the Link related to the document the following Confirmation Screen will be shown.

2.1.1. Click Open to open file (refer to SD_DownloadFunction)

2.1.2. Click Download to download file (refer to SD_DownloadFunction)

Note: The Flow Chart is provided by BOPM based on MS-Office Document.
 Developer will capture the Pictures to upload into the System.

2.2. Click Up Arrow Button (new)
 Click Up Arrow Button to display previous flowchart.
 The button will not be displayed if there is no previous flowchart.

2.3. Click Down Arrow Button (next)
 Click Down Arrow Button to display next flowchart.
 The button will not be displayed if there is no next flowchart.

2.4. Click FAQ link
 Click FAQ to display FAQ page for investment procedure.

4 | 279.4 x 215.9 [ij] | 9/56 | Microsoft Word | Windows Media Center | Microsoft Edge | Adobe Acrobat

2.3 Investment Related Laws and Regulations Database

Figures 2-6 and 2-7 show conceptual views of the portal site that serve as a gateway to the investment laws and regulations database.

7

Fig. 2-6(1) Investment Relating Laws and Regulations Database

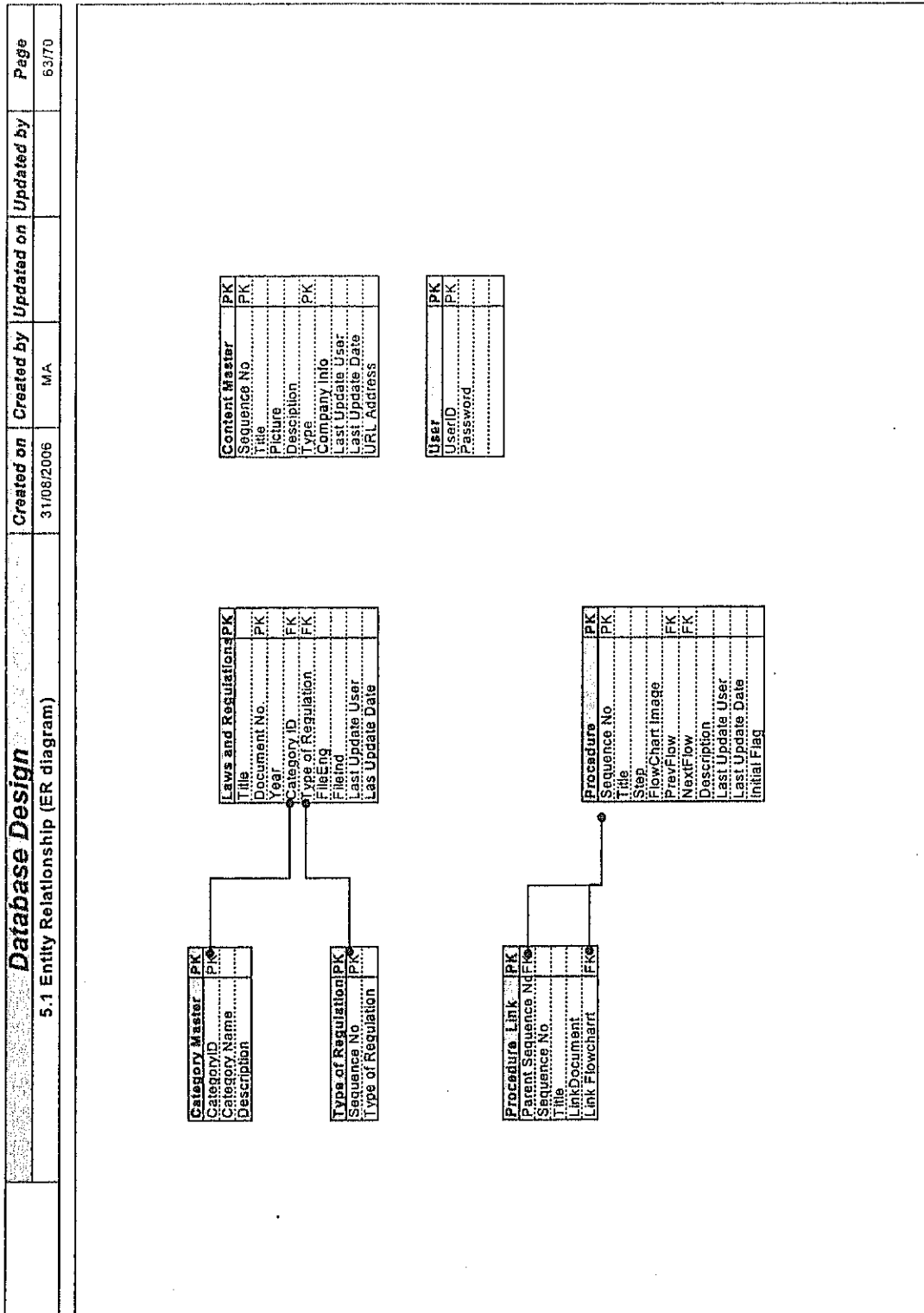


Fig. 2-6(2) Investment Relating Laws and Regulations Database

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1. Form Image

Basic Law
This category contains investment basic laws and regulations.

Creation Law
This category contains investment corporate laws and regulations.

Sections Law
This category contains investment account laws and regulations.

Basic Law
The regulations for foreign direct investment in Indonesia

Investment Procedure
The regulation on investing in Indonesia

Basic Law
Investment Law

VAT and or Deceive Goods VAT in Sukara Subahdral Bawabul Zoon
Document No. 88-12/POL/1998
Title of Regulation: Circular Letter of Directorate
Year: 1998

Exempted from obligation To Pay Individual Income Tax Who Depart for Overseas within the Sum Regional Territory of Economy Cooperatives
Indonesia-USAFTA, except Bali, and Foreign Individual who works in Indonesia for the interest of Foreign Company Representative Office

Document No. 446-1/1998
Title of Regulation: Circular Letter of Directorate General
Year: 2000

Back

Note: English Document is the translation of its original document in Bahasa Indonesia

2. Operation

The law and regulation Main Page will display the main part of law and regulation.

2.1. Click Detail
Click Detail to open detail law of each category.
The Law and Regulation Detail will display all categories and documents inside the category.
The category will be displayed at upper side and documents will be displayed at lower side.
The Law and Regulation Detail Page will display categories inside the selected main part of law and regulation

2.2. Click Category Title
Click Category Title will open new window with all categories and all documents inside the selected category category.

2.3. English PDF
Click English PDF will display Download form to open or download law and regulation document in English

2.4. Indonesian PDF
Click Indonesian PDF will display Download form to open or download law and regulation document in Indonesian

2.5. Back Hypertext
Click Back will return to Previous Page.

The Note "Note: English Document is the translation of its original document in Bahasa Indonesia" only appear when document is shown.

System Design | 3.1. Law and Regulation Browsing

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Fig. 2-7 Search for target laws and regulations

File Edit View Help | Application Standard [System Design] Firm (3/10/2006) (1) (pdf) | 279.4 x 215.9 (1) | 15 / 55 | Microsoft Word | Windows Media | Microsoft Edge | Acrobat Reader

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|------------|------------|------------|------------|-------|
| 3/10/2006 | AR | | | 13/54 |

System Design
3.2. Law and Regulation Search

1. Form Image

2. Operation

2.1. Searching Entry

Fit preferred criteria to search.

Keyword: Input keyword to search Law and Regulation

Title: Input title of Law and Regulation

Document No: Input Number of Document

Year: Input range of year of issuing document

Category: Select category from Combo Box
The left Combo Box lists all level 1 categories, and the right Combo Box lists all level 2 categories under the selected level 1 category.

Type of Regulation: Select Type of Regulation from Combo Box

2.2. Click Search

Click Search to search the law and regulation from database using criteria inputted

2.3. Click Cancel

Click Clear to clear the entry to default

2.4. Close the Form

Click Close to go back to the previous page

3. Laws and Regulations

3. Laws and Regulations

3.1 Objective

The objective of this project is to disseminate the investment-related laws and regulations to investors. To achieve this objective, the project aims to compile the maximum possible number of laws and regulations related to investment and translate the same into English.

3.2 Processes

3.2.1 Outline of the project

The Study Team categorized the compiled laws and regulations into three groups, namely basic, common and sector, and then further broke down each group into several sub-categories, as shown in Table 3-1. Each group covers the following laws and regulations:

- Basic: laws and regulations related to some or all sectors
- Common: laws and regulations related to some or all sectors
- Sector: laws and regulations specific to the sectors concerned

All the data are stored in PDF format.

Table 3-1 Categories of Laws and Regulations

| | | | |
|-----------|------------------------------|-----------|-----------------------------------|
| 1. Basic | Investment law | 3. Sector | Agriculture and Forestry |
| | Investment Procedure | | Construction |
| | Negative list | | Electricity, Gas and Water Supply |
| 2. Common | Tax | | Fishing |
| | Custom | | Manufacturing |
| | Labor | | Mining |
| | Immigration | | Other Services |
| | Land/construction | | Tourism |
| | Environment | | Transportation and Communication |
| | Business Practice | | Wholesale and Retail Trade |
| | Other Public Administration | | |
| | Industrial Zone | | |
| | Private Entity | | |
| | Intellectual Property Rights | | |
| | Other Common | | |

Users can retrieve data in either of two ways. One involves selecting a group or categories, and clicking one of the laws or regulations from the list that appears. Another is to use a search function. The user can search a law and regulation by title, document number, year enacted, category, type of regulation or free keyword.

3.2.2 Implementation

The project was implemented via the following steps:

(1) Collection of laws and regulations

The first step involved determining the laws and regulations to be compiled for translation. For this purpose, the Study Team, in cooperation with the Bureau for Law and Public Relations of BKPM, listed all the laws and regulations stored in BKPM and selected objects for translation. The Study Team also consulted with the JICA expert regarding the selection.

(2) Classification of the laws and regulations

The second step was to classify those laws and regulations and sort them into hierarchical order such as:

- Law;
- Government Regulation;
- Presidential Decree;
- Presidential Instruction;
- Presidential Regulations;
- Decree of Minister;
- Regulation of Minister;
- Letter of Minister;
- Decision of Director General; and
- BKPM.

Moreover, the amended version of any law or regulation was placed next to the original.

(3) Translation of the laws and regulations

The final step was to translate the laws and regulations. The translation work was carried out by external translators, while the Study Team verified the quality of the work, focusing on consistency of wording and possible missing parts.

3.3 Expected effects and future development

3.3.1 Expected effects

The expected effects of the project are:

- To facilitate investors' understandings of the regulatory framework of the investment climate in Indonesia.

3.3.2 Future development

The laws and regulations should be further developed in future by incorporating the following information:

- expansion of the coverage; and
- regular update of the laws and regulations; adding new ones or amendments and erasing abolished ones.

3.4 Entire Structure of the Website

Entire Structure of the Website (Fig. 3-1).

Fig. 3-1 Development of the New Website & Investment Law Database in BKPM

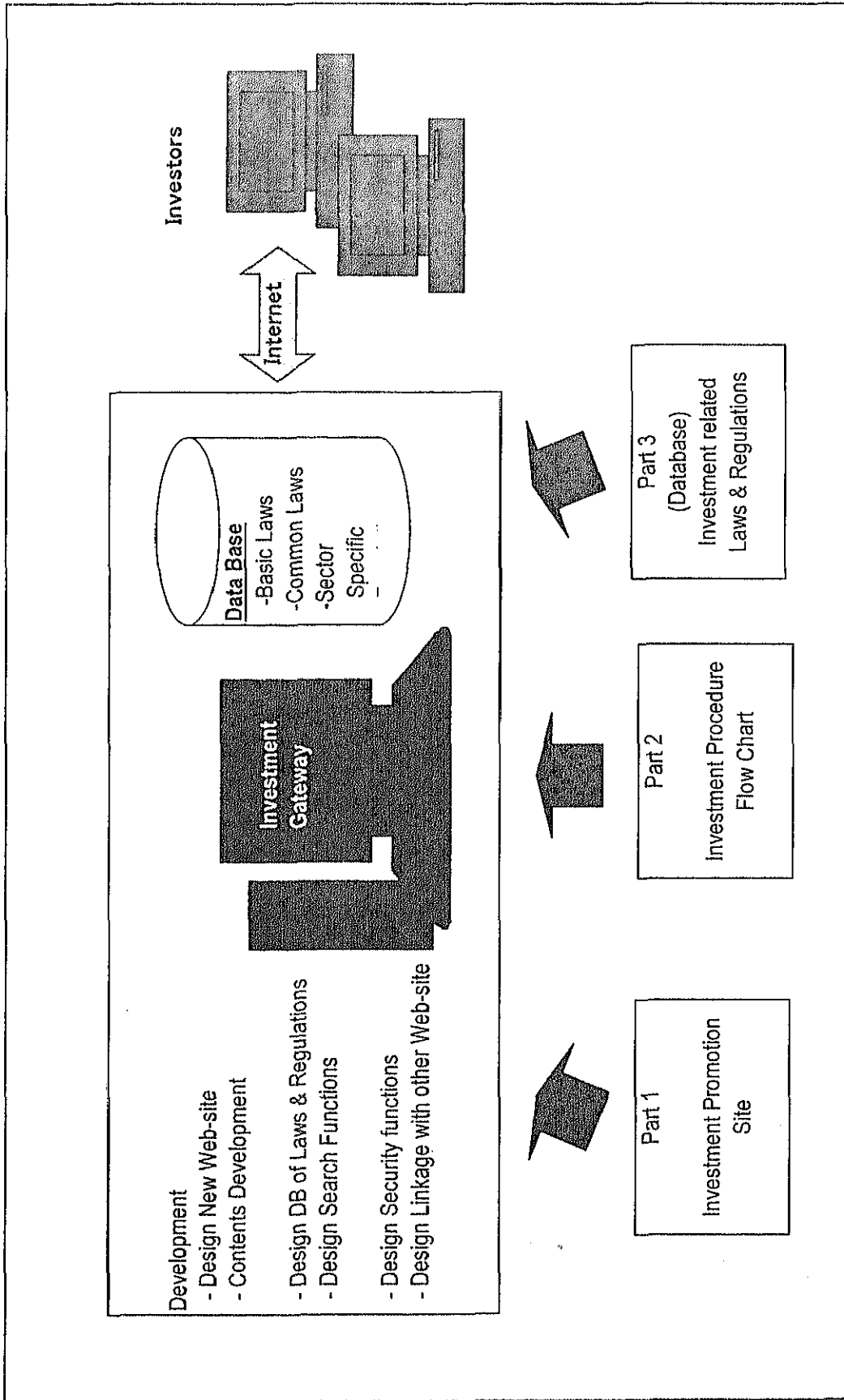


Fig. 3-1 presents a system concept as to how the results of the pilot project are published on the Web. The content for each project, which consists of Parts 1, 2 and 3, is stored on the same server that houses BKPM's Website and constitutes a single Web page.

On BKPM's home page, a portal titled "Investment Gateway" is established and provides links to the services provided by each pilot project.

Maintaining the portal within BKPM's home page facilitates maintenance of an "Investment Gateway" by its administrator.

3.4.1 Future Maintenance System

To ensure that the "Investment Gateway (Web-IG)" achieves its original development purpose, its maintenance plan is established as follows:

(1) Establishment of a maintenance organization

1) Maintenance of content

The Web-IG content consists of "Success Stories (SS)," "Investment Procedure (IP)" and "Laws and Regulations (L&W)."

Maintaining content validity for SS, IP, and L&W is the responsibility of the deputy in charge of each field. On the other hand, other maintenance tasks – such as loading, updating and deleting the content in Web-IG - are left to the BKPM-Web Group, which is currently under the Media-Promotion Division. Thus, the group serves as an integrated, first contact on Web-IG content management, while also being responsible for management of BKPM's Website.

2) System maintenance

The Media-Promotion Division will be responsible for maintenance of applications running on the Web-IG system after delivery, under the assistance of the IT Division, which will assign IT engineers familiar with Internet and network technologies to perform Web-IG maintenance tasks relating to system technology. They will also be responsible for the development of specifications in the case of correction of a major defect or the enhancement or addition of new features, which will be entrusted to a third party contractor.

The appendix to the report describes the logic for BKPM to perform self-sustained maintenance in future.

3) Establishment of a maintenance organization

Ideally, the Web-IG system and its content should be operated and maintained with BKPM's Website in an integrated manner. (At present, no maintenance is made for the Website.) It is therefore proposed to establish a formal maintenance organization (Website Maintenance Team), as shown in Fig. 3-2, to clarify where the responsibility lies.

The team members will be appointed from staff members of the Media-Promotion Division, consisting of 1-3 persons for each piece of content and 1-2 persons in charge of IT.

Note: This proposal has been made on the basis of a conclusion reached at a meeting that was held with the participation of the BKPM Working Group, the study team, and a contractor engaged in system development.

(2) Operation and maintenance planning schedule

The Website Maintenance Team will be responsible for testing and acceptance of the Web-IG system upon completion and will receive system manuals and other documentation. In addition, maintenance training will be provided for the team members. The maintenance planning schedule is shown in Fig. 3-3.

The division of responsibilities should be established as follows:

1) BKPM and the study team

- ◆ Content development
- ◆ Preparation for the establishment of a Web server (verification of the current version at the present co-location and upgrading as required)
- ◆ Participation in a user acceptance test
- ◆ Acceptance
- ◆ Content uploading
- ◆ Participation in maintenance training
- ◆ Production run and maintenance

2) System development contractor

- ◆ System design and programming
- ◆ Unit testing and reporting
- ◆ Implementation of a user acceptance test and reporting

- Production and delivery of system manuals
- Training of operation and maintenance staff

(3) Configuration of the Web server environment

The web software used for the Web-IG system includes open source Apache, MySQL, and PHP. The present Web environment and that after implementation of the Web-IG system are shown in Fig. 3-4.

(4) Maintenance principle and system

Fig.3-2 Investment Gateway Maintenance Team Plan

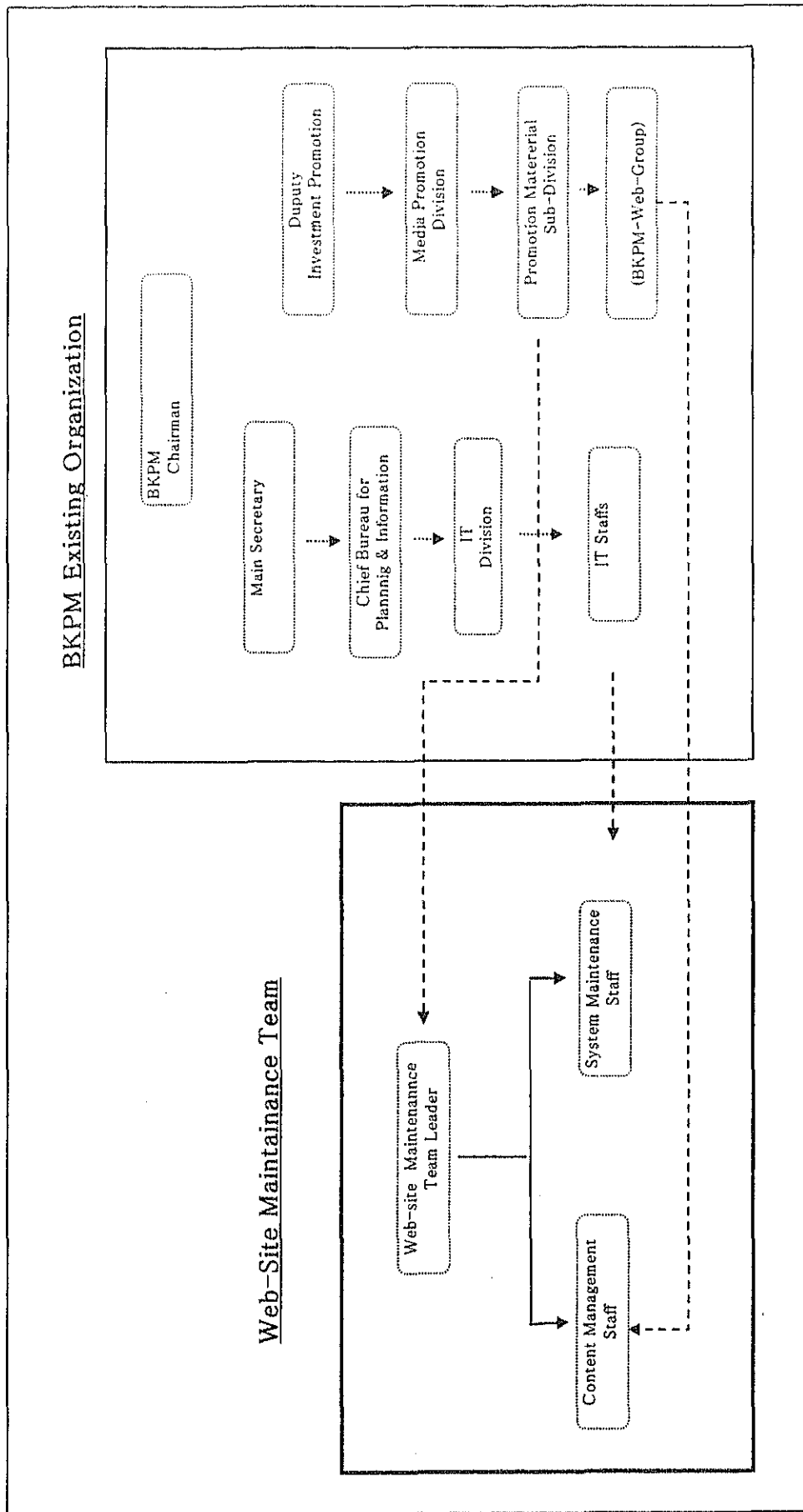


Fig.3-3 Investment Gateway Maintenance Schedule

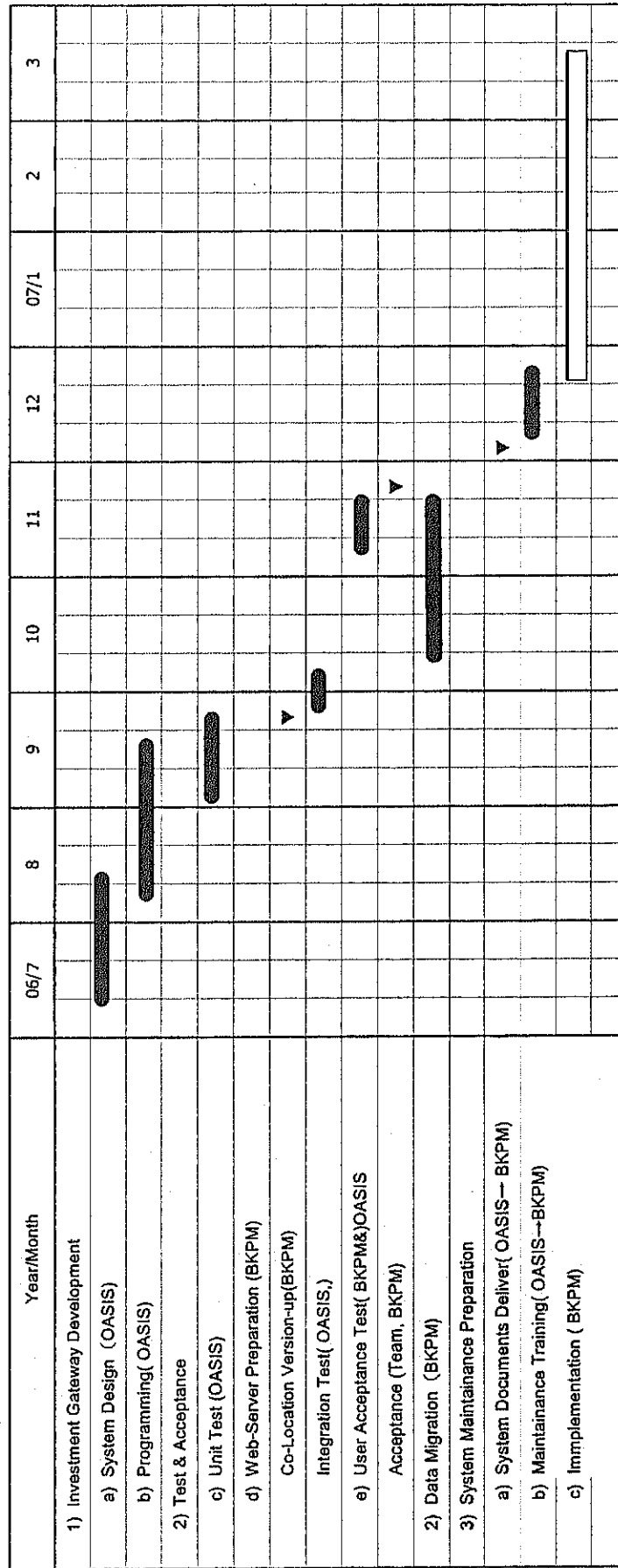


Fig.3-4 Web-Environment: Now and Future

