

# INVEST

Invest Indonesia NOW

Vol 2/2022



## THE DOWNSTREAMING'S EFFECT

▶ **inMoments**

Optimizing Marine  
Potentials

▶ **inPotentials**

Palm Oil For  
Better Future

▶ **inSpot**

Rising Star From  
The East

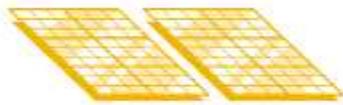
# LET'S INVEST IN INDONESIA



With abundant natural resources, Indonesia is the best spot to invest. Its improving investment climate and higher global profile added comparative values. Its economy expanded by 5.72 percent in quarter 3, 2022, even though consumer spending decreased in the second quarter of 2022. However, with 275 million population, we can expect a growing demand for consumer goods in the country.



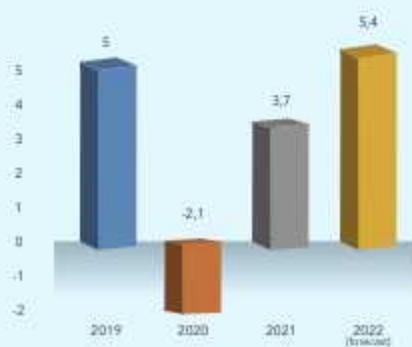
Among all the potential investment opportunities, the government of Indonesia is focusing on boosting the tourism industry since Indonesia made it to the list of the 50 most beautiful countries in the world. The development focuses on five destinations: Borobudur, Mandalika, Lake Toba, Labuan Bajo, and Likupang, to increase tourism's GDP contribution.



The plan to transition from fossil fuels to renewable energy to achieve Net Zero Emission (NZE) in 2060 is also opening investment opportunities. As part of the global movement, Indonesia aims to increase the proportion of renewable energy to 23% by 2025 and 31% by 2050. The government has been providing support for electric vehicles and plans to deploy 5,000 megawatts (MW) of solar power and stop the construction of new fossil fuel plants by 2030.

## ECONOMIC INDICATORS:

GDP Growth Rate (unit: percent)



Source: ADB.org

Inflation Data 2022 (unit: percent)



Source: bi.go.id

## Dear Investors,

Indonesia aspires to become a developed country by 2045. To make this dream come true, we implement downstream policies to achieve economic growth of an average of 5.7% per year from 2020-2045. As a start, we banned the export of nickel ores and processed the ores domestically in 2019.

Several countries disapprove our decision over the ban on nickel ore export. However, it would not stop us from processing more raw materials at home. We will expand the downstream from mineral to non-mineral sectors, such as fishery, forestry, agriculture, and plantation. We are also preparing the downstream investment roadmap to create an integrated industry that produces high-added-value materials.

To support the downstream industry, the Ministry of Investment/BKPM focuses on investment in technology-based downstream and labor-intensive sectors. The Ministry also encourages collaboration between downstream industry players and national entrepreneurs in the regions to advance the regional economy.

The Ministry of Investment/BKPM also released Bali Compendium as a commitment that each member of the G20 has the right to determine the direction of their respective countries' investment policies based on comparative advantage, including downstream. We believe no country should feel more entitled than other countries.

This year, Indonesia has reaped the benefits of downstream. Nickel experienced an increase in export value of 809% from 2017-2018. At the end of 2022, the export value is predicted to reach USD 27 - 30 billion, equivalent to IDR 418 - 465 trillion.

Therefore, the Ministry of Investment/BKPM is committed to supporting the downstream policies, creating a positive and attractive business climate for investors, and facilitating easy business licensing, so our grand vision to become a developed country in 2045 can be realized.

### Bahil Lahadalia

Minister of Investment/  
Chairman of BKPM



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## TEAM UP FOR LITHIUM SUPPLY CHAIN

Indonesia and Australia aim to unlock trade and investment potential in EV battery for both countries.

**TO SUPPORT** the downstream of mineral commodities to create the electric vehicle (EV) battery ecosystem in Indonesia, the Ministry of Investment/BKPM invited CEOs from Australian companies on November 13, 2022, in Nusa Dua, Bali, to discuss collaboration opportunities. "Indonesia and Australia have a strength in the mining sector. Both countries are the biggest producer of mineral commodities, such as nickel," said Minister of Investment/Chairman of BKPM, Bahlil Lahadalia, on November 16, 2022.

Indonesia has abundant critical raw materials for batteries, such as nickel, manganese, and cobalt-except lithium imported from China, Australia, and Chile. In contrast, Australia is the world's largest exporter of lithium. In 2020, around 46% of the world's lithium came from

Australia, according to the Australian Bureau of Statistics.

Furthermore, Indonesia also has a large market in the EV industry. In addition, many global players have already invested in Indonesia, such as LG, Foxconn, and CATL. "This is a great opportunity that can be explored between Indonesia and Australia with the concept of mutual benefit in improving the economies of both countries," said Bahlil.

The collaboration idea is welcomed by the Secretary of Parliament for the State of Western Australia Jessica Jane Shaw. She said that Indonesia could obtain lithium raw materials from Australia and both countries could

synergize in developing the EV ecosystem. "The Australian government also has an interest in downstream. So, there is an opportunity to collaborate and share knowledge between the two countries," said Jessica.

Bahlil welcomed the proposed partnership agreement, in which the ultimate goal is for the two countries to become the powerhouse of the EV battery supply chain ecosystem. ●



## PROMOTING INVESTMENT FOR SUSTAINABLE DEVELOPMENT

The Ministry of Investment/BKPM creates a framework that is easily accessible and usable as a foundation for investing in Indonesia.

**MINISTRY OF INVESTMENT/ BKPM** publishes Sustainable Investment Guidelines (SIG) to increase the realization value of a direct investment in Indonesia in line with the global trend toward sustainability. It also serves as starting point for innovation in response to business and consumer demands for more sustainable economic practices.

The SIG, launched at "The Introduction to G20 Bali Compendium & The Launch of Sustainable Investment Guidelines" event in Jimbaran, Bali, on November 14, 2022, can be used by micro, small, and medium enterprises (MSMEs), corporate entities, investors, and policymakers.

The guideline covers four primary topics: sustainable investment, the investment framework, sustainable indicators, and the procedures for implementing this sustainable investment guideline. It also consists of four main pillars- economic, environmental, social, and governance- subdivided into several indicators that must be followed gradually.

In the same event, the Minister of Investment/Chairman of BKPM Bahlil Lahadlia also launched the Bali Compendium, a document agreed upon in the Trade, Investment, and Industry Ministerial Meeting (TIIMM) event, which took place on September 19-23, 2022.

The compendium outlines key areas of investment policies to promote investment for sustainable development. It also will become a policy reference for each G20 country in designing and implementing strategies to attract sustainable investment.

The Bali Compendium is also a sign of an understanding between developed and developing countries regarding downstream. "Some developed countries want us to export raw materials, so the added value can go to their countries. Now we have agreed that developing countries are given space to carry out downstream," said Bahlil.

With the SIG and Bali Compendium, MSMEs business actors, investors, private sectors, and policymakers can create sustainable investment strategies. ●



# UNLOCKING INVESTMENT POTENTIALS IN NORTH MALUKU

The rapid economic growth in North Maluku indicates a positive investment climate in the area.



**NORTH MALUKU** has a long list of natural resources that local communities rely on as a source of income, such as fisheries, tourism, plantation, agriculture, and mining. The potential for capture fisheries in North Maluku reaches 1 million tonnes per year, but only 20% has been utilized. On the other hand, the cultivation potential reaches more than 100 thousand ha, and less than 10% is used.

To support potential development in North Maluku, the Ministry of Investment/BKPM held Sail Tidore 2022 Business

Forum, which took place on November 25, 2022, in Sultan Nuku Hall, Tidore Kepulauan, North Maluku. Hundreds of potential national and international investors participated in this event that focused on "Indonesia Investment Update In Eastern Indonesia".

Director of Investment Promotion for Southeast Asia, Australia, New Zealand, and Pacific Region (AASP) Ministry of Investment/BKPM Saribua Siahaan said that this investment forum is hoped to increase the economy and tourism in North Maluku.

The ministry also invited Edo Kondologit, a senior musician from Papua, to entertain all participants.

In the third quarter of 2022, Indonesia Statistics recorded North Maluku as the province with the highest economic growth in Indonesia at 24.85% (YoY). This achievement shows that the investment climate in North Maluku is outstanding, not only supported by the investment security and infrastructure, but also the ease of investment provided by the local government. ●

# OPTIMISTIC TO ACHIEVE INVESTMENT TARGET

Continuing the downstream policy and keeping investors' trust will be BKPM's strategy.

**THE GOVERNMENT** of Indonesia sets an investment realization of IDR1.400 trillion in 2023. The Minister of Investment/Chairman of BKPM optimists what the target can be reached using several strategies.

First, the Ministry of Investment/BKPM will continue supporting the downstream policy. "The central government's policy direction regarding downstream is the right step. All of Indonesia's One-Stop Investment Licensing Services (DPMPTSP) in Indonesia will continue to maintain downstream. Whoever intervenes, we must keep going," Bahlil told President Joko Widodo at the Investment National Coordination Meeting on November 30, 2022.

Bahlil also conveyed that the Investment National Coordination Meeting's theme is aligned with President's grand vision regarding downstream to create economic transformation. According to Bahlil, downstream is carried out to benefit not only large entrepreneurs or investors, but also a collaboration with regional entrepreneurs and micro, small and medium

enterprises (MSMEs) in the regions so they can grow together.

Second, keeping investors' trust is crucial, especially when facing an energy crisis, food crisis, and financial crisis. During the event, President Joko Widodo also instructed his officials to ensure the best treatment of investors, so as not to jeopardize the trust that the country has earned in recent times. He also instructed that the country's one-single submission (OSS) investment platform must be improved so business licenses can be issued on time.

Third, the Minister of Investment/BKPM and DPMPTSP will continue consolidating to encourage investment realization. They also discussed giving the best

inputs or recommendations to the central government since regional officials work in the field and they know best about investment strategy implementation on the ground.

The meeting was attended by 1,500 participants, which included governors, regents, mayors, heads of DPMPTSP provincial and district/city, administrators of Special Economic Zones (KEK), Free Trade Zone and Free Port Concession Agency, as well as representatives from ministries/agencies.

With the cooperation of all parties to collaborate, continue the downstream policy, and maintain investor trust, the 2023 investment realization will be achieved. Furthermore, Indonesia will be in a solid position to face global crises. ●





## LAUNCHING OF OSS PARTNERSHIP FEATURES

The feature aims to make it easier for large businesses to partner with MSMEs in the regions.

**EVERY LARGE BUSINESS** must be partnered with micro, small and middle enterprises (MSMEs) when investing in Indonesia to make economic growth shared equally across regions. "I know that the contribution of large businesses has advanced the region's economy. But it would be nice for us to collaborate so that everyone can experience economic growth," Minister of Investment/Chairman of BKPM Bahlil Lahadalia said virtually during the launch of the partnership feature at Online Single Submission (OSS), a platform for business licensing, on December 7, 2022.

During the event, the Deputy for Investment Climate Development at the Ministry of Investment/BKPM Yuliot said this partnership feature is also helpful for MSME actors for partnership business opportunities in the OSS.

Yuliot also reported that large business actors have successfully entered into partnerships through the OSS. "As of December 2022, there was a commitment to a cooperation agreement between 235 large domestic businesses and 421 MSMEs in the regions with a work value of approximately

IDR4.46 trillion," Yuliot explained.

To make MSMEs ready to be paired with large businesses, the Ministry of Investment/BKPM issued Business Identification Numbers (NIB) to make MSMEs get business legality and increase their competitiveness. Until December 5, 2022, OSS has given more than 2.9 million NIB.

Both investors and MSMEs can use the feature facilitated by the Ministry of Investment/BKPM to see collaboration opportunities between both parties. ●

## BLUE ECONOMY IN WAKATOBI

Offering abundant marine and tourism potential, Wakatobi is open for investment.

**WAKATOBI** is famous for its great marine and tourism potential. "The potential of the Wakatobi sea includes tuna fishing in the Banda Sea and tourism in Tomia, one of the best tourist spots in the world. These potentials can improve the people's economy," said the Minister of Investment/Head of BKPM Bahlil Lahadalia in Jakarta on December 14, 2022.

Due to its potential, Wakatobi was chosen as the venue for the celebration of Nusantara Day, which took place on December 10-14, 2022. This commemoration was also momentum for the blue economy downstream development in Indonesia.

Bahlil said that the central government is currently

preparing a roadmap regarding downstream industries in the food and marine sector to encourage the Wakatobi's local government to maximize the region's potential.

Moreover, a collaboration between regions is also encouraged to build a seaweed processing industry. "Due to the entire Wakatobi area being a national park, we have to find other districts where investors can develop seaweed cultivation for export or fulfill national demand," said Deputy for Investment Promotion at the Ministry of Investment/BKPM Nurul Ichwan on "Strengthening Regional Investment Promotion Strategies: Downstream, Blue Economy, and Sustainable Investment Collaboration"

event in Wakatobi on December 11, 2022. This investment forum is part of the Nusantara Day series of events.

Besides seaweed, Wakatobi has other potential sectors open to investors. The sectors are capture fisheries, with a total production of 254,029 tons and a value of IDR 5.9 trillion in 2019; and freshwater, brackish water, and seawater cultivation. Wakatobi also has three fish processing centers, 13 cold storages and a fish flour factory. Meanwhile, the tourism potential includes nine turtle conservation areas, coral reefs, and marine fishery areas.

At the event, Wakatobi Regent Haliana explained several efforts had been made to make Wakatobi the best place for investment, such as creating an open, conducive and safe business investment climate. ●





## READY TO OFFER 22 SUSTAINABLE INVESTMENT PROJECTS

All projects are carefully assessed and analyzed to help investors decide their investment plan.

### THE MINISTRY OF INVESTMENT/BKPM

launched the Investment Opportunity Map (PPI), which includes 22 investment priority projects ready to offer to investors valued at IDR37.32 trillion. The project locations are spread across 13 provinces in Indonesia, including nine projects on Java Island and 13 outside of Java Island.

In the PPI, which was launched on December 16, 2022, in Bali, there are 11 investment projects in the natural resources sector, which include plantation, horticulture, food crops, livestock, fishery, and energy; and 11 industry-based projects, such as chemical

industry, diverse industry, metal industry, machinery industry, transportation and equipment industry, and electronics industry.

Minister of Investment/ Chairman of BKPM Bahlil Lahadalia explained that the PPI map was prepared based on details regarding investment potential in the regions and completed with pre-feasibility studies. By reading the PPI, investors will be aware of the details of the investment; starting from the value, the duration of the return on investment, the market potential, the licensing process, and others.

Deputy for Investment Planning at the Ministry of Investment/

BKPM Nurul Ichwan said that investors could access these projects on the website via <http://regionalinvestment.bkpm.go.id>.

The 22 sustainable projects are expected to contribute directly to the achievement of the Sustainable Development Goals (SDGs), especially ending poverty in all its forms everywhere (SDGs Number 1), decent work and economic growth (SDGs Number 8), and reducing inequality within and among countries (SDGs Number 10).

With prudent data and information in the PPI, investors can have better certainty in planning their investments in Indonesia. ●

## NIB AS KEY TO STRENGTHEN MSMES

Makassar was the last Business Identification Numbers (NIB) distribution point in 2022.

**IN 2022**, the Ministry of Investment/BKPM issued business identification numbers (NIB) to 14,000 micro, small and middle enterprises (MSMEs) in 20 locations. Makassar was chosen to be the last stop. "This is the last location, starting from East Jakarta and ending in Makassar. Thank God, we implemented it smoothly from point 1 to point 20 today," said Deputy for Investment Services of the Ministry of Investment/BKPM Achmad Idrus when giving a speech at the NIB distributing ceremony in Makassar on December 22, 2022.

NIB issuance is one of the Ministry of Investment/ BKPM's priority programs due to the benefit of NIB for MSMEs' growth. With the NIB, MSME business actors will have accessible access to the bank's capital loan and have business certainty. "NIB would be a single business permit that would give certainty and guarantee of legal protection, and it would become a legality standard for MSME business actors," said the South Sulawesi Governor's representative, South

Sulawesi Provincial Secretary Daily Executor Andi Aslam Patonangi, during the event.

After having the NIB, MSME in South Sulawesi showed an increase in the quality and quantity of the product. Exports of MSMEs products have also shown rapid development. Moreover, MSMEs in South Sulawesi also won 1st place in the 2022 Greatest Integrated Business Service Center (PLTU) Competition held by the Ministry of Cooperatives and SMEs.

In addition, the Minister of Investment/Chairman of BKPM Bahlil Lahadalia said that MSMEs' roles are vital to maintaining Indonesia's economy to face global economic recession. MSMEs can contribute to increasing the national economy by absorbing a large workforce. "MSMEs have created the most jobs, and it contributes 120 million out of 131 million jobs in Indonesia," said Bahlil.

With the NIB, MSMEs' roles will continue to grow to help the national economic growth, to face the global recession, and capable of facing competition in the national and global markets. ●





# ALL EYES ON DOWNSTREAMING

The Ministry of Investment's strategy to propel investment in the natural resources processing industry.

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Indonesia has a grand vision to become a developed country by 2045. The government is boosting the downstream industry to process raw materials and export finished goods with added value to achieve said target. The investment policy will also be directed to the downstream industry, since it will open high-quality jobs with higher wage rates and increase people's welfare.

This goal can only be realized if all parties collaborate to support the downstream industry, including the Ministry of Investment/BKPM. Besides providing easy business permits for investors in the downstream industry, the Ministry has a significant role in identifying main commodities that can become downstream investment opportunities, and creating a roadmap as a tool

for stakeholders to decide their investment strategy.

A talk with the Ministry of Investment's Deputy for Strategic Investment Downstreaming, Hedy Satrya Putera, will give comprehensive information regarding the Ministry's strategy to spur a high quality investment in the downstream industry.

**Why should investors invest in the downstream industry in Indonesia? What infrastructure has the government prepared to facilitate the investors? And what benefits do investors get?**

Indonesia has been promoting the downstream industry since the government put the natural resource downstream plan into the National Medium-Term Development Plan for 2020-2024 to boost a productive, independent, competitive economic structure. In the 77<sup>th</sup> Indonesian Independence Day celebration, President Joko Widodo also affirmed that the downstream and industrialization of natural resources is a part of the Five Big Agendas for Advanced Indonesia. Through the natural resources downstream, Indonesia will achieve an economic transformation and have an opportunity to come out from the middle-income trap.

To realize the downstream industry in the country, we encourage more investment in the downstream industry. We have prepared infrastructures to support downstream industries, such as electrical and gas supply, as well as road, airport and port access. We also have established industrial areas such as Krakatau Industrial Estate Cilegon and Batang Integrated Industrial Estate, as well as special economic zones (SEZs) such as Gresik SEZ and Arun Lhokseumawe SEZ.

We also maintain what investors expect: guaranteed certainty and availability of raw materials for each commodity in the country; sector policy settings for raw materials processed domestically; fast, easy, transparent and accountable investment licensing; local government support in developing downstream industries.

Investors also will get multiple returns by investing in the downstream industry in Indonesia. First, investors do not need to import raw materials because we have abundant natural resources at low prices. Second, after the raw materials are processed into semi-finished or finished goods, investors can export them at high prices.

**What is the Deputy for Strategic Investment Downstreaming's program to support the realization of downstream investment in Indonesia?**

This year, the Deputy for Strategic Investment Downstreaming has prepared a Roadmap for the Downstream Strategic Investment as a guidebook that give recommendations for relevant stakeholders. The roadmap covers eight sectors-oil, natural gas, minerals, coal, plantations, forestry, fisheries and maritime-and 21 commodities, which include coal, nickel, tin, copper, bauxite, steel, gold, silver, asphalt, crude oil, natural gas, coconut, rubber, biofuel, logs,

**We have prepared a Roadmap as a guidebook that give recommendations for relevant stakeholders.**

pine sap, shrimp, fish, crab, seaweed, and salt.

Alongside giving guidance for business actors investing in the eight downstream sectors, related technical ministries or institutions can also use the roadmap for further decision-making because this roadmap includes the downstream policy directions and strategies, strategic policy objectives and programs to attract investors in the downstream industry.

In 2023, the Deputy for Strategic Investment Downstreaming will follow up on the roadmap by preparing a national action plan that will produce a joint agreement to implement the policy programs in the roadmap-together with the technical ministries/agencies, regional governments, and other related business entities.

**What is the difference between the Roadmap for Downstream Strategic Investments and the Investment Opportunity Maps published by the Ministry of Investment/BKPM earlier?**



The Downstream Roadmap document includes seven aspects as the basic framework: Policy Aspects, Upstream Aspects, Industry Aspects, World Supply Chain Aspects, Risk Analysis, Infrastructure and Regional Aspects, and Policy Recommendations. The roadmap describes the current condition of all aspects and the projections of downstream industry development over the next 20 years.

Meanwhile, the Investment Opportunity Map or PPI document focuses more on compiling profiles of investment projects ready to be offered to investors by including aspects of investment calculation, location, availability of raw material supplies, and other technical aspects needed in building an industry. The PPI document is more oriented in the pre-feasibility study document than the downstream roadmap.

**This year, Indonesia have lost against World Trade**

**Organization (WTO) regarding the nickel-export ban. What does it mean to the government, and will it affect the future of the downstream industry in Indonesia?**

The Indonesian government, which is also a member of the WTO, respects this decision. However, as a sovereign country, Indonesia will not be affected by this decision. We will continue implementing the policy of banning nickel exports.

In the 2022 G20 Bali Leaders Declaration agreement, paragraphs 36, 37 and 38, it was decided that the G20 members agreed to support the strengthening of the WTO in a multilateral trade system that is rule-based, non-discriminatory, free, fair, open, inclusive, fair, sustainable, and transparent. The G20 members also agreed to support the strengthening investment that is inclusive and accessible, and maintain the availability for all parties.

The agreement assured Indonesia to continue implementing the downstream natural resources program policy. We will implement the program not only for nickel commodities, but also for other strategic commodities such as bauxite, tin, and copper, as well as for commodities in different sectors such as the oil and gas sector, plantations and fisheries.

**What is the downstream strategy amid a worsening global economic outlook?**

The condition of the trade war between the United States and China, as well as the conflict between Russia and Ukraine, which is still not resolved, can be an opportunity for Indonesia to encourage downstream investment in the country and to meet the global needs in food and energy. Indonesia will continue to carry out economic transformation through industrial downstream, as mandated by President Joko Widodo. ●

# REFINING MOMENT

Indonesia's plan to work on the world's 6<sup>th</sup> largest treasure: Bauxite.

In December 2022, the Indonesian government officially announced its plan to stop the export of bauxite ores starting in June 2023. Besides ores, the export prohibition also includes washed-bauxite products. "(There will be) a complete ban on raw bauxite, including those that are washed. All along, bauxite could be washed and then exported. Now, not even the washed ones will be allowed (to be exported); it will have to be processed in

Indonesia, which starts in June 2023," said the Coordinator Ministry of Economic Affairs Airlangga Hartarto on December 21, 2022.

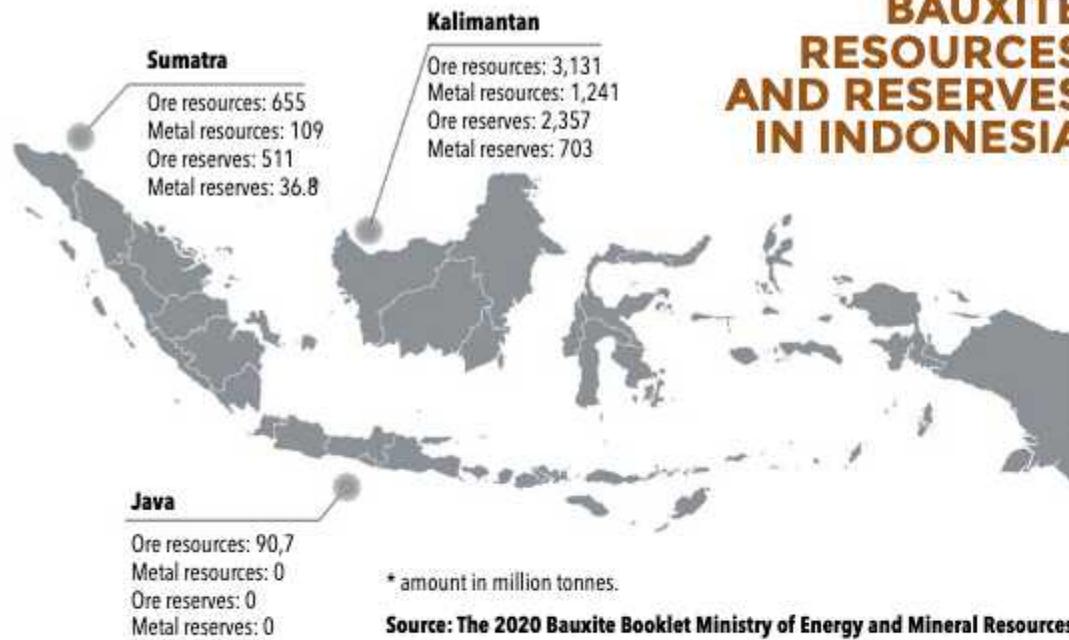
These decisions are made because Indonesia wants to create a multiplier effect from bauxite downstream into alumina, then aluminum or aluminum ingots, and after that, into bars. These processed products also would fill the high demand for aluminum products in

the transportation and construction industry.

## **Bauxite treasure in Indonesia**

Indonesia has become and will hold an essential role in supplying the world's raw bauxite material. According to the 2020 Bauxite Booklet Ministry of Energy and Mineral Resources (ESDM), Indonesia's total bauxite reserves reach 1.2 billion tons or 4% of the world's bauxite ore reserves of 30.39 billion tons.

## BAUXITE RESOURCES AND RESERVES IN INDONESIA



### Smelters ready for production

Four smelters have been operating in Indonesia to build the downstream industry: PT Well Harvest Winning Alumina Refinery in Ketapang, PT Indonesia Chemical Alumina in Tayan, PT Indonesia Asahan Aluminium in Kuala Tanjung, dan PT Bintan Alumina Indonesia (BAI) in Bintan. With those four smelters, Indonesia can produce smelter-grade alumina (SGA) at 4.3 million tonnes.

In the early year of 2022, PT BAI successfully carried out the initial export of 21,000 tons of SGA with a value of IDR105 billion to China. Afterward, PT BAI plans to produce one million SGA and develop its smelter to reach

a production capacity of 2 million tonnes of SGA.

Moreover, PT BAI will downstream the bauxite into an aluminum ingot in 2025 with a production capacity of 400,000 per year. "The production of SGA and aluminum ingots in the future will accelerate the

downstream of bauxite to aluminum ingots, which can supplement the domestic industry to create various types of products, such as plates, billets, scrap, and profile shapes that are needed in many industries from aircraft, ships, automotive, to construction," said Airlangga on January 25, 2022.



Eight bauxite smelters are currently in the construction phase, and the Minister of Energy and Mineral Sources Arifin Tasrif is targeting the smelters can be completed and operated soon. Suppose the eight bauxite smelters are completed, there will be a total of 12 bauxite smelters operating. In that case, the total bauxite ore absorbed in domestic smelters can reach 40 million tonnes annually.

### Incentives and pre-feasibility studies

To encourage bauxite's downstreaming industry, the Indonesian government provides incentives for investors who carry out downstream domestically. According to the Ministry of Finance Sri Mulyani, incentives will probably be

the same as in the previous nickel processing industry. "If it (downstream) is a national priority industry and is indeed going to be developed, investors can be eligible for a tax holiday and tax allowance. The benefits are the same as what was implemented at Morowali (nickel smelter)," said Sri, on December 12, 2022.

In addition, the government also provides non-fiscal incentives as stipulated in Presidential Regulation Number 10 of 2021 regarding the ease of business licenses and guaranteed availability of raw materials. The government also ensures certainty of domestic demand by using the state budget to purchase domestic goods and services. Furthermore, the Ministry

of Investment/BKPM will provide planning documents, such as pre-feasibility studies regarding the investment project, for investors to consider investing in Indonesia. "Investors don't need to calculate it themselves because they have been given the pre-feasibility studies," said Deputy for Investment Planning at the Ministry of Investment/BKPM Nurul Ichwan, December 9, 2021.

With domestic bauxite processing policies, the availability of bauxite smelters, and the government's fiscal and non-fiscal incentives, Indonesia will become a global supplier of aluminum ingots for transportation and construction. ●

# PALM OIL FOR BETTER FUTURE

How downstream programs of the palm oil industry can make nutritious cooking oil and create new renewable energy.

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The Indonesian government expands the downstream plan not only in the mineral sector but also in the plantation sector. The palm oil processing industry is one of the government's primary focuses because of its

important role in growing the national economy, absorbing the results of smallholder farmers' production, improving the welfare of independent oil palm farmers, and increasing foreign exchange earnings for the country.

**Vast oil palm plantation** Indonesia's large oil palm plantations, concentrated on the island of Sumatra and Kalimantan, makes the palm oil sector promising for investment. In fact, palm oil is one of the leading export commodities of Indonesia

due to its high demand. According to Indonesia Statistic, Indonesia exported 27,043 thousand tons of palm oil to India, Kenya, Italy, the Netherlands, and Spain in 2021.

**Healthy and affordable cooking oil**

The government continues encouraging the downstream of palm oil processing industry to produce various quality and competitive derivative products. The Cooperatives and Small and Medium Enterprises (SMEs) is developing the processing of palm oil program by creating red palm oil (RPO, a less-refined, thus healthier version of palm oil) for small industries such as cooperatives. "It's time for oil palm smallholders to participate in the development of downstream palm oil

industries, by establishing their cooperatives that will process the vitamin-A rich crude palm oil (CPO) into RPO to meet the local need for cooking oil," said the Cooperative and SMEs Minister Teten Masduki during his meeting with representatives of the Indonesian forum of sustainable oil palm smallholders.

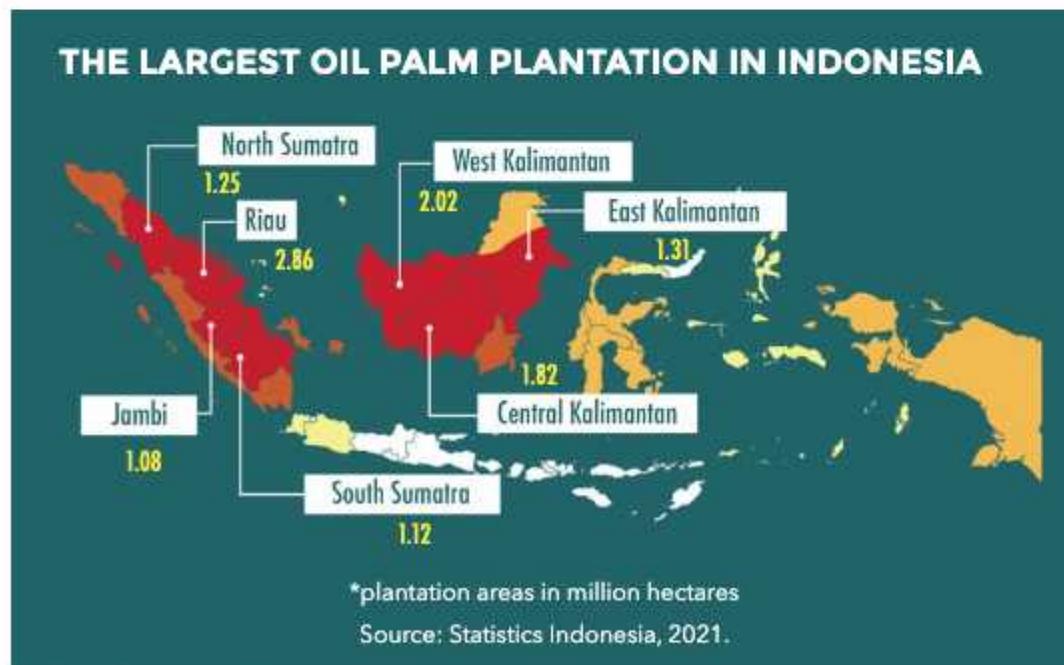
Although the program is newly established, there is an existing demand for RPO. "From the restaurant chain alone, there is already a demand for 200 tons," said Teten on Agustus 15, 2022. To fulfill the said demand, Teten stated that his ministry would develop four factories to produce RPO in four provinces: North Sumatra, Riau, Jambi, and Central Kalimantan. The palm oil research center in Medan also

supports government's effort by developing a technology to produce RPO with a relatively small investment. "With only an investment of IDR7 billion, a factory can produce 500 kg per hour," said Teten on May 26, 2022.

Moreover, the Ministry of Cooperatives and SMEs will also develop an ecosystem for the production of RPO and continue the corporatization program of oil palm smallholders that will be linked to the market, funding, and modern processing technology.

**Palm-based renewable energy**

Besides providing highly nutritious cooking oil, palm oil can be processed into new renewable energy (NRE). Since 2020, Indonesia has been developing biodiesel as



an alternative to fuel oil. "Oil palm is one of the potential commodities that can support the NRE program through biodiesel, especially after the government launched the mandatory 30% biodiesel (B30) program in January 2020 and targeted 100% biodiesel [B100] production in 2021," said the Minister of Investment/BKPM Bahlil Lahadiah on June 14, 2021.

Another investment opportunity to reduce carbon emissions is the production of high-energy density biomass in the palm shell processing industry. In Indonesia, the potential for palm shell

production reaches 11 million tons per year, with exports reaching 3.5 million tons or 30% per year in the form of semi-finished commodities. With this huge potential, Indonesia can export biomass products to Japan due to great demand by the Japanese market as a primary energy source that is environmentally friendly and sustainable.

**Ease of doing business**

To encourage the downstream of palm oil commodities, a number of incentives are provided to investors, namely import duty facilities, tax holidays and tax allowances. Moreover, all investors in

the palm oil industry will be facilitated with an easy licensing process through the Online Single Submission (OSS) system, a web-based, integrated business licensing system at the Ministry of Investment/BKPM. The OSS system links businesspeople and investors with ministries, agencies, local governments and administrators of special economic zones, free ports and free trade zones.

Indonesia aims to become a center for producers and consumers of palm oil derivative products worldwide in 2045. To achieve this, the government encourages small and large industries to grab the investment opportunities in RPO and palm-based renewable energy that is fully supported by a large potential of palm oil production, vast national and global market, as well as business certainty. ●

**Indonesia has become a leading supplier of cooking oil to countries around the world.**

# Essential Oil is on the Rise

The R&D in the essential oil industry can produce many qualified products to meet European consumers' demands.

Indonesia has favorable ecological conditions for the development of aromatic plants and the production of quality essential oils. As many as 40 aromatic plants from 99 worldwide are available in Indonesia. To maximize this potential, the Indonesian government includes the essential oil sector as one of the national priorities to encourage the downstream agroindustry by developing patchouli oil, citronella oil, clove oil, and nutmeg oil.

## The integrated essential oil industry

During the pandemic in 2020, aromatherapy products were gaining popularity in France, Poland, Ireland, Belgium, Spain, and the Netherlands. The reason is that European consumers are looking for more natural and green avenues to improve and maintain their health, as well as indirectly protect them from COVID-19. Hence, Europeans are a great prospect for essential oil investors in Indonesia.

Indonesia has an integrated essential oil industry from upstream to downstream to meet the export demand. In the upstream, hundreds of thousands of essential oil farmers are suppliers of industrial raw materials. Meanwhile, major global players have operated essential oil processing factories in the downstream sector.

PT. Indesso Aroma is an essential oil producer in Indonesia that is considered



"It aims Ogawa can expand and downstream the essential oil in Karawang facility," said the Minister of Industry Agus Gumiwang Kartasasmita on June 29, 2022. In Karawang, Ogawa facility has a total production capacity of 3,440 tons per year.

Ogawa will also collaborate with universities to research and develop the raw materials of flavors and fragrances. "From 2022 to 2027, Ogawa will gradually invest USD7 million to increase capacity, optimize technology and implement Industry 4.0. This

**Indonesia has exported essential oils products globally with an average export value of more than USD 185 million each year.**

investment will make PT Ogawa Indonesia a hub in Asia for producing flavors and fragrances," Agus explained.

In addition to Ogawa, the Indonesian government also collaborates with PT Takasago. Their factories are located in Cikarang to produce flavors and fragrances, and they also have a plantation and first processing of essential oil in Purwokerto.

**Essential oils, essential supports**

To attract investment in the essential oil downstream industry, the Indonesian

government offers tax allowance as regulated in Government Regulation Number 78 of 2019. The Ministry of Industry also includes the essential oil downstream industry as a pioneer sector that can get a super tax deduction.

a global player. This company has three operational factories: Purwokerto, Central Java, for the first processing of essential oil; Cileungsi, West Java, and Ungaran, Central Java, for the second and further processing. PT. Indesso Aroma has become a market leader in Southeast Asia in the flavor & fragrance (F&F), and food and wellness solutions industries, which has a 60% market share and has exported to more than 50 countries. PT. Indesso Aroma has also become a market leader in Southeast Asia in the flavor & fragrance (F&F), and food and wellness solutions industries, which has a 60% market share and have exported to more than 50 countries.

Indonesia also has an essential oil research center, Atsiri Research Center (ARC), in Aceh Province. This institution researches the

downstream of patchouli oil to perfume, body lotion, hand sanitizer, and medication oil. In fact, on December 5, 2022, Syiah Kuala University, through ARC, successfully exported 2,2 tons of patchouli oil and 800 kgs of nutmeg oil to France with a value of IDR2.5 billion. Supported by Nat Green, a France company, Syiah Kuala University is expected to meet the demand for 30 tons of patchouli oil in France annually.

**Optimizing R&D processes**

Even though a research center is already established, more is still needed for research in the downstream essential oil industry, such as technological innovation. To produce a range of qualified products, the Indonesian government and Ogawa International are creating an essential oil research center in upstream and downstream Indonesia.



The Indonesian government also enforces the Indonesian National Standard (SNI) for essential products and the National Essential Industry Work Competency Standards. "We also actively participate in exhibitions of the essential industry sector both on a domestic and foreign scale to promote investment and develop the industry's image," said Airlangga.

Moreover, the Ministry of Investment/BKPM facilitates easy business licensing for investors. Investors can apply for business permits through an integrated system, the Online Single Submission.

With foreign market demands, the Indonesian government and investors can meet the demand through joint research and developing the essential oil downstream industry to make highly valued and varied products. ●





# WHAT'S NEXT?

After earning a large amount of foreign exchange from nickel downstream, Indonesia plans to develop more smelters to create higher-quality nickel.

“Indonesia has been focusing on developing the downstream nickel industry since 2019,” The Ministry of Investment/Chairman of BKPM Bahlil Lahadalia said at B-20 Indonesia Net Zero Summit 2022: Decarbonization at All Cost event, November 14, 2022. The downstream program is stipulated in the Regulation of the Minister of Energy and Mineral Resources Number 11 of 2019, in which one of the policies requires all nickel entrepreneurs to

process nickel ore domestically before exporting it.

After three years of consistently applying the regulation, Indonesia is reaping the rewards. Bahlil noted that the export value of nickel increased drastically to around 809% compared to the nickel export value in 2017 - 2018, which only reached USD3.3 billion.

It does not stop there. The Indonesian government will continue pushing the downstream nickel industry

by developing more nickel smelters to create a multiplier effect and produce high-quality finished goods, such as medical equipment, kitchen utensils, as well as aerospace and electric vehicle (EV) components.

**World's largest nickel**  
Indonesia is home to 22% of the world's known nickel reserves, with 21 million tonnes. Based on data from the Ministry of Energy and Mineral Resources, the reserve age of limonite nickel ore is considered sufficient for the

next 73 years, and 27 years for saprolite nickel.

About 90% of nickel reserves are spread in Central Sulawesi, South Sulawesi, North Sulawesi, and North Maluku. Several areas of Sulawesi have developed into nickel mining locations: Kolaka in Southeast Sulawesi Province, Morowali in Central Sulawesi Province and the world's largest nickel-producing district, East Luwu, in South Sulawesi Province. Moreover, the nickel mining location is also in Halmahera in North Maluku Province, Ternate Island and Gag Island in Southwest Papua Province.

**Adding more smelters**

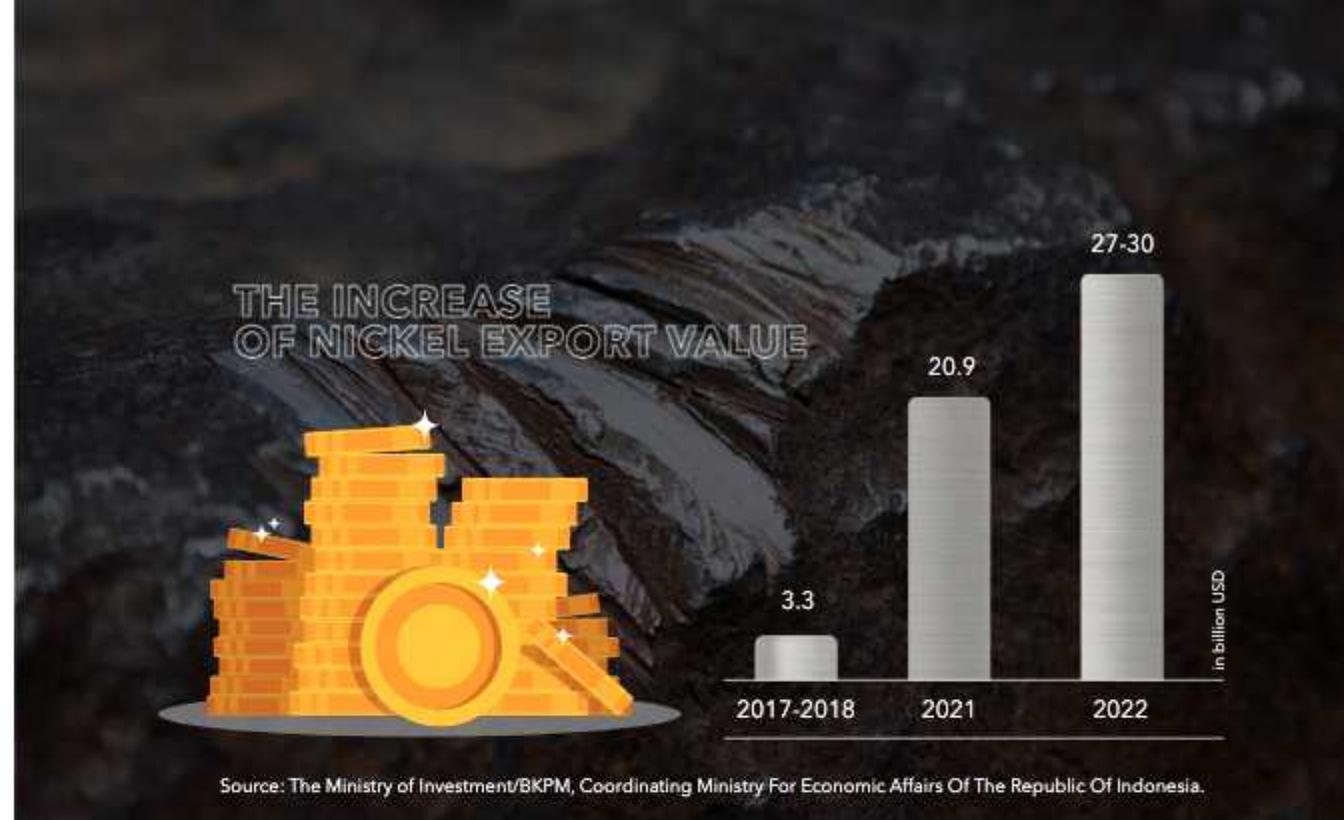
The success of downstream nickel is proven by the

number of nickel processing factories that have sprung up. In November 2022, the Ministry of Energy and Mineral Resources stated that Indonesia has 15 nickel smelters, some of which have a large capacity. For instance, there is a nickel smelter in Halmahera with a capacity of 20,000 tons and 30,000 tons in Morowali. Most recently, PT Vale Indonesia started constructing the Pomalaa Block nickel smelter in Kolaka Regency, Southeast Sulawesi Province, with 120,000 tons of nickel capacity. It will be the largest High-Pressure Acid Leaching plant in the world.

The government continues encouraging the construction of smelters. In 2024, 30 nickel

smelters will be developed with an investment of USD8 billion. By adding more smelters, Indonesia aims to provide added value to natural resources, create jobs, and increase state revenue.

One of the smelters contributing to the state revenue income is PT Gunbuster Nickel Industry (GNI), a nickel smelter in North Morowali Regency, Central Sulawesi Province. PT GNI exported 13,650 tons of nickel pig iron (NPI) worth USD23 million to China on January 20, 2022. PT GNI, which has a 24-line smelter with Rotary Kiln Electric Furnace (RKEF) technology and three smelter furnaces, can process 21.6 million ton nickel ores to



ferronickel or NPI with a nickel content of 10-12%. Moreover, PT GNI hires about 11,000 Indonesian workers and 1,300 Chinese nationals.



Although the Indonesian government is open to smelter development, there are limitations on new smelter construction that have been set to maintain the nickel ore reserve. First, only smelters oriented towards green energy are allowed to be built. Second, the government prioritizes smelters that create products with high added value, which is 80% to 100%, including input for batteries for EVs.

**Positive business climate**

The Indonesian government works with all parties to create a conducive business climate and ensure that Indonesia is safe for investment based on applicable regulations. Therefore, to support the development of nickel

smelters, the government is preparing regulations for smelters that play an essential role in the downstream industry. Its regulation content includes incentives, rights and obligations.

The government also facilitates easy business licensing through a platform issued by the Ministry of Investment/BKPM, the Online Single Submission Risk-Based Approach (OSS-RBA). With the implementation of OSS-RBA,

business permits will be given to business actors to start and run a business based on the level of potential injury or loss from a hazard.

As the Indonesian government plans to develop the downstream nickel industry further, smelter companies can take part in this grand plan by ensuring that their business is powered by green energy and produces high-value materials. ●



# RISING STAR FROM THE EAST

Gresik SEZ boasts the first integrated industrial area in Indonesia.

Java Integrated Industrial and Port Estate, or Gresik Special Economic Zone (SEZ), has officially operated based on the Decree of the Chairman of the KEK National Council Number 1 of 2022 on November 8, 2022, and is projected to become a new economic center in East Java. The metal industry (smelter), electronics industry, chemical

industry, energy industry and logistics are the main sectors in Gresik SEZ.

Deputy Governor of East Java Emil Elestianto Dardak said Gresik SEZ is ready to welcome investors. "Hopefully, the results of today's meeting will immediately spur investment and job creation as well as economic growth

in East Java," Emil said on October 11, 2022, at the East Java Province SEZ Regional Council Meeting with the SEZ National Council.

**Modern and integrated facilities**

Gresik SEZ is located in a strategic area, connected to sea lanes, the Krian-Legundi-Bunder-Manyar toll road

and railroads, which provide convenience in exporting and importing products in East Java. It also faces Madura Island as a natural breakwater, which makes the SEZ free of tsunamis.

Other supporting utilities are available in Gresik SEZ, such as clean water treatment and waste water treatment, gas-fired power plant, gas supplies, multiple modes of transportation. A fiber optic telecommunication is also available to make businesses run more productively and efficiently.

**World's largest copper smelter**

President Joko Widodo recently inaugurated the Manyar Smelter, owned by PT Freeport Indonesia (PTFI), on October 12, 2022, in Gresik SEZ. The smelter, which covered an area of 103 hectares and was built with an investment of IDR42 trillion, aims to accelerate the downstream of minerals in the country.

Manyar Smelter is targeted to complete the construction in December 2023. Then it will be continued with pre-commissioning and commissioning activities so that Manyar Smelter will start in May 2024. "The operational ramp-up will continue and is expected to reach full commercial operation in December 2024," said Head of Corporate Communication PTFI Riza Pratama on December 5, 2022.

The PTFI's commitment to immediately finish the development of Manyar Smelter is appreciated by the Ministry of Investment/Chairman of BKPM Bahlil Lahadalia. "We must appreciate PT Freeport's consistent compliance with laws to build a smelter in Gresik," said Bahlil, on October 4, 2022.

Manyar Smelter can process 2 million tons of copper concentrate annually, making this smelter the largest copper smelter in the world. The processing output of the Manyar Smelter will be added to PT Smelting which has a processing capacity of 1 million tonnes of copper concentrate annually. Thus, after the Manyar Smelter

**PT Freeport Indonesia established copper concentrate refining and processing facility project, namely the Manyar Smelter.**



operates, PTFI can process 3 million tons of copper concentrate annually.

Furthermore, together with Telkom Group, PTFI builds 5G mining to maintain operational security and improve connectivity integration of hyper connect network. "The plan is to have advanced autonomous large trucks. We will maximize this preparation between Freeport and Telkom," said the Minister of SOEs Erick Thohir during the groundbreaking event.

**Centralized and fast licensing**  
The government has prepared fiscal facilities to attract investors. For instance, a tenant that invests a minimum of IDR100 billion is entitled to 10 years of zero corporate income tax (CIT), and a tenant that invests a minimum of IDR1 trillion will receive zero

CIT. For non-fiscal incentives, property holders and senior foreigners can gain permanent resident status.

When it comes to getting a building permit or environmental impact assessment (AMDAL) permit and operational permit, Gresik SEZ makes it fast and easy as the management handles all of the business licensing under one roof. As long as they have approval from the Ministry of Investment/BKPM, investors do not need to bother themselves with going from one office to another.

The SEZ status and complete and cutting-edge facilities in Gresik will meet investors' needs and allow new or existing investors in the copper derivative industry and other industries to do business comfortably. ●

# HOME FOR BAUXITE SMELTER & REFINERY

Galang Batang SEZ is a major production center for aluminum and its downstream products.



Following nickel's success, the Indonesian government released regulations to stop the export of bauxite ores in 2023 so that Indonesia could process it into alumina, then into an aluminum ingot. To support the downstream bauxite industry, the government established Galang Batang Special Economic Zone (SEZ) in 2018. The SEZ is also expected to increase economic activity in the region by employing over 23,200 workers.

#### Strategic location & facilities

Galang Batang SEZ is located on Bintan Island, Riau Islands Province, and strategically situated in the Malacca Strait chokepoint central. The SEZ is accessible to Batam Free Trade Zone and Philip Strait and has direct access to the

South China Sea—one of the main arteries of the global economy and trade.

Galang Batang SEZ is a place for refinery and smelter processes, primarily the bauxite industry and its derivatives. Besides that,

various potential industries, namely garment, automotive, manufacturing, and light industry will be developed in Galang Batang SEZ. Coordinating Minister for Economic Affairs Airlangga Hartanto said that the government would build a



textile industry to absorb workers who are the wives or families of PT Bintan Alumina Indonesia's (PT BAI) workers.

During its operation, Galang Batang uses raw materials, such as bauxite from Kalimantan Islands and coal for a steam power plant from Tanjung Enim, South Sumatra, and transports it to Galang Batang SEZ's high-capacity port. "The Galang Batang SEZ already has a port with a loading and unloading capacity of 20 million tons per year. It can be said that Galang Batang port is the most modern in Riau Islands. With conveyor facilities, transportation efficiency can be increased," explained Senior Advisor PT BAI Robert Sianipar, on January 25, 2022.

**The existing industry**

The bauxite smelter and refinery in Galang Batang SEZ is PT Bintan Alumina

Indonesia (BAI). The company processed the bauxite ores from Bintang Island, Lingga Island and Karimun Island. In January 2022, PT BAI successfully exported 550,000 tons of smelter-grade alumina (SGA) to Malaysia with a total value of USD212 million. PT BAI finished the construction of an alumina refinery with a capacity of 1 million tons per year and has already completed its commissioning period in September 2022. The products will be marketed for domestic and overseas, such as in Southeast Asia, East Asia, Africa, and Europe.

To support the downstream bauxite industry in Galang Batang SEZ, Indonesian state-owned company PT PLN will provide electrical power of 1.300 megawatts (MW) for PT BAI until 2050. The supply will be carried out gradually, 300 MW in 2026, 500 MW in 2027 and 1.300 MW in 2029-2050.



**The fiscal & non-fiscal incentives**

A favorable business climate is essential for attracting foreign direct investment (FDI). The Indonesian government facilitated easy business licensing in Galang Batang SEZ through Online Single Submission (OSS)—as an integrated platform for business permits, issued by The Ministry of Investment/BKPM.

Investors in SEZs in Indonesia also will be given a tax holiday for 10, 15 or 20 years—depending on the investment amount; tax allowance; and 0% of customs exemption for products with a minimum

**Galang Batang Special Economic Zone (SEZ) exported 21,000 tons of smelter-grade alumina with a value of IDR 105 billion.**

local content of 40%, which applies to all industries. The government will apply special immigration procedures for foreign workers and accelerated procedures for issuing land certificates, the Right to Use and the Right to Build for up to 80 years.

Galang Batang SEZ is open not only in the mineral industry but also in other industries. In October 2022, a Chinese company invested in integrated recycling technology with a value of USD2 billion or equivalent to IDR30 trillion. "[The company is running in] the electronics goods recycling sector. It's still in the same area as PT BAI but a different company," said the Governor of Riau Islands Ansar Ahmad, October 1, 2022.

As the government continuously boosts bauxite ores to be processed domestically by creating regulations and establishing SEZs with competitive facilities, Galang Batang SEZ becomes a promising investment destination. ●

**Area**  
2,333 HECTARES

**Investment target**  
IDR36.25 TRILLION

**Workforce absorption**  
23.200 WORKFORCES

**Infrastructures**  
Steam power plant (6x25 MW)  
Port (20 million tons capacity)

Source:  
Republic of Indonesia National Council  
for Special Economic Zone

# RUBBERIZED ASPHALT

South Sumatra kicks off the downstream rubber industry by building a latex rubber asphalt factory.

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**R**ubber commodity has an important role in the national economy. According to the Ministry of Industry, the national rubber industry in upstream and downstream has significantly contributed to foreign exchange earnings with a value of USD7.1 billion or equivalent to IDR11.69 trillion in 2021 and absorbed 440,403 workforces. However, this value still needs to be optimized since the downstream of rubber only reached 20%. To unlock its full potential, the government must accelerate the rubber processing industry in one of the regions with immense rubber potential: South Sumatra.

**International standard infrastructure**

South Sumatra is situated on Sumatra Island. The province, which hosted the SEA Games 2011, is considered to have an international standard infrastructure that can be attractive for investment, such as S.M. Badaruddin II Airport in Palembang—the capital city of South Sumatra and Palembang Port. South Sumatra is also completed with supporting infrastructure: Tanjung Enim Airport in Muara Enim Regency, Banding Agung Airport in Ogan Komering Ulu Selatan Regency, Palembang Port, and a special port in Muara Enim Regency.

South Sumatra is the largest rubber producer in Indonesia.

In 2020, South Sumatra produced 1,1 million tons of rubber. Nevertheless, the total rubber production decreased to 900,000 tons in 2021 because many trees need rejuvenated. Also, the farmers are starting to lose interest in rubber due to its low price.

**Latex rubber asphalt**

Since 2016, the Indonesian government has used rubber asphalt for national and regional roads to encourage the downstream rubber industry. In 2020, the government of the Musi Banyuasin (Muba) Regency started building a latex rubber asphalt factory to strengthen the downstream rubber industry. The factory can absorb almost 20,000 tons of

concentrated latex produced by Muba's rubber farmers. "As a rubber center in South Sumatra, Muba can produce rubber asphalt independently. It will be used for the construction of roads in the regency, also providing added value for rubber farmers," said Muba Regent Dodi Reza Alex during the inauguration of a rubber asphalt processing plant in Keluang Village, Sekayu District, Muba Regency, on October 26, 2020.

To strengthen the infrastructure of the rubber latex asphalt industry, the government of Muba Regency also built latex centrifuge factories in three districts, namely Keluang, Sekayu, and Babat Toman.



Latex asphalt is considered more durable than hot mix asphalt. "Rubber asphalt has a higher level of flexibility, especially for roads on swampland like in South Sumatra," Dodi said. In the first phase, the government of Muba regency used latex rubber asphalt for 1.45 kilometers in Muara Teladan Village, Sekayu District.

**Government's initiatives**  
The government uses Demand Promotion Scheme

to optimize the use of rubber domestically. For instance, 70% or 25.76 kilometers of the Jakarta-Cikampek II Overpass use latex rubber asphalt. The Ministry of Public Works and Public Housing (PUPR) also plans to use 2,542.2 tons of rubber latex asphalt for 65.8 kilometers of the national road.

To jack up the price of rubber in the country, Indonesia collaborated with Thailand and Malaysia to implement

an agreement to curtail their rubber exports through the Agreed Export Tonnage Scheme (AETS) to boost international prices.

Moreover, the government provides incentives to accelerate investment in the downstream rubber industry by giving tax allowances, tax holidays, and exemption from import duty on importing machinery and goods needed for production purposes. Investors also will be facilitated with easy business licensing through the Online Single Submission platform.

Blessed with abundant rubber, prospects to enhance the latex rubber asphalt industry, and government incentives, Indonesia offers investors access to the resource, opportunities and facilities. This combination should eventually bring forth a prosperous rubber industry. ●



## RUBBER PLANTATION IN SOUTH SUMATRA

**Total area: 1,311,727 hectares**

- Immature plantation land (TBM/Planting): **299,656 hectares**
- Planting land that has produced (TM/Harvest): **865,862 hectares**
- Old but producing and damaged plants (TTR/TR): **149,298 hectares**

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**TOP 5 RUBBER PLANTATIONS & PRODUCERS, BASED ON REGENCIES IN SOUTH SUMATRA**

<p><b>1 MUSI BANYUASIN REGENCY</b> Area: <b>208,212 hectares</b> Total production: <b>208,212 tons</b></p> <p><b>2 MUSI RAWAS UTARA REGENCY</b> Area: <b>172,413 hectares</b> Total production: <b>141,105 tons</b></p> <p><b>3 OGAN KOMERING ILIR REGENCY</b> Area: <b>158,572 hectares</b> Total production: <b>143,429 tons</b></p>	<p><b>4 MUSI RAWAS REGENCY</b> Area: <b>129,566 hectares</b> Total production: <b>126,202 tons</b></p> <p><b>5 BANYUASIN REGENCY</b> Area: <b>101,661 hectares</b> Total production: <b>101,661 tons</b></p>
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Source: South Sumatra Plantation Service

# PUSHING FORWARD THE DOWNSTREAM INDUSTRY

Indonesia publishes coal and mineral law and incentive scheme to create business certainty.

The coal and mineral downstream industry is constantly being leveraged by the Indonesian government to increase the national economy. With downstream industry, Indonesia can process these raw materials into advanced products with higher added value.

To ensure the coal and mineral downstream industry plan is on track and give a positive investment climate for all investors, the government released Law Number 3 of 2020 on Amendment to Law Number 4 of 2009 on Mineral and Coal Mining (Mining Law)

which has been implemented since June 10, 2020.

Aside from establishing regulations, the government continues to stimulate downstream industry preparedness by increasing smelter development and adding new industrial parks or special economic zones.

#### Mineral and coal regulation

The Indonesian government sets a Mining Law to establish a national policy of prioritizing minerals and/or coal for domestic purposes. In the Mining Law, the government has the authority to determine the amount of production,

as well as sales and price of certain types of metal minerals, non-metallic minerals or coal.

The Mining Law also regulates that companies, with a Mining Business License (IUP) or Exploration Special Mining Business Licence (IUPK) at the stage of production operations activities, are mandatory to increase the added value of minerals through the following actions: 1) processing and refining for metal minerals; 2) processing for non-metallic minerals; and 3) processing for rock quarry. The increase

in added value must meet the minimum limit for processing and/or refining by considering the increase in economic value and/or market needs.

The Minister of Energy and Mineral Resources Regulation No. 17 of 2020 also emphasizes the minimum limit for the processing and/or refining coal minerals for export. In article 46, it is explained that IUP holders are given a permit to export bauxite with a content of 42% by 10 June 2023.

**The incentives**

The Ministry of Industry, The Ministry of Finance and The Ministry of Investment/BKPM publishes a regulation to province incentives for investors that invest in coal and mineral downstream industry. The incentives are include tax holiday, mini tax holiday, investment allowance, and import duty exemption. (see Table 1)

**Ease of submitting a business permit**

Since the issuance of the Job Creation Law, the investment climate in Indonesia has gotten better. The law improves the ease of doing business, including improving the investment climate and legal certainty; harmonizing

central-regional policies; simplifying regulations; preventing corruption; encouraging the creation of broad employment opportunities; providing protection and facilities for MSMEs and cooperatives.

Based on the Job Creation Law, the government has changed the business licensing procedure to become a Risk-Based Licensing Approach carried out through an electronically integrated platform, a one-stop system of Online Single Submission (OSS). Investors also can apply for investment incentives on the OSS-RBA system.

With the collaboration and regulations made by the Ministry of Energy and Mineral Resources, the Ministry of Industry, the Ministry of

Finance, and the Ministry of Investment/BKPM, investors can confidently invest in the downstream industry in Indonesia. With the various incentives for investors who process raw materials into value-added goods in the country, Indonesia is an excellent place to invest. ●



Table 1: Incentives for Investment in Downstream Industry in Indonesia

Incentives	Amount	Period (years)	Taxpayers	Regulations
Tax allowance	30% discount on corporate income tax (PPH)	6	166 business fields and 17 certain business fields in certain locations	<ul style="list-style-type: none"> <li>● Government Regulation Number 78 of 2019</li> <li>● Minister of Finance Regulation (PMK) Number 96/PMK.010/2020</li> <li>● Minister of Industry Regulation Number 47 of 2019.</li> </ul>
Tax holiday	Corporate Income Tax (CIT) reduction of 100% with an investment value of at least IDR 500	5-20	Business fields included in 18 pioneer industrial groups with 185 scope of products	<ul style="list-style-type: none"> <li>● Government Regulation Number 21 of 2020</li> <li>● Minister of Finance Regulation (PMK) Number 130/PMK.010/2020</li> <li>● BKPM Regulation No. 7 of 2020</li> </ul>
	After the end of the tax holiday, the companies will receive a 50% CIT reduction	2		
Mini tax holiday	CIT reduction of 50% with an investment value of IDR100 billion - less than IDR500 billion	5		
	After the end of the tax holiday, the companies will receive 25% CIT reduction	2		
Investment allowance	Net Income reduction of 60% of the total investment value, which is charged at 10 percent per year	6		Minister of Finance Regulation (PMK) Number 16/PMK.010/2020
Import duty exemption	Exemption from import duty on machinery and raw materials for production purposes	2		
	Exemption from import duty on Domestic Component Level (TKDN) ≥ 30%	4		

# WELCOME ABOARD!

New deputy and expert staffs are ready to develop qualified and competitive investments in Indonesia.

The Indonesian government continuously encourages promising investment to attract investors by creating qualified investment opportunities. One of the efforts is to rearrange the organization

and working procedure at the Ministry of Investment/BKPM, as mandated in the BKPM Regulation Number 6 of 2021.

The Ministry of Investment/BKPM has recently established Deputy for Investment Downstreaming to develop a qualified downstream investment. The new position is led by Hedy Satria

Putera, which was just newly inaugurated by the Minister of Investment/Chairman of BKPM Bahlil Lahadlia in Jakarta on December 8, 2022.

Hedy is responsible for coordinating, formulating, and implementing policies in the downstream strategic investment. In addition, he is also responsible for developing potential and opportunities in strategic investment; and performing



monitoring, analysis, evaluation, and reporting in the field.

Moreover, Hedy will lead three directorates under Deputy for Investment Downstreaming: Directorate of Downstream; Directorate of Plantation, Maritime, Fisheries and Forestry; Directorate of Oil and Gas Downstreaming; Directorate of Mineral and Coal Downstreaming.

On the same day, Bahlil assigned Iwan Suryana as the Expert Staff for

Macroeconomics of the Ministry of Investment/BKPM, and Mohammad Musa'ad as the Expert Staff for Increasing Investment Competitiveness of the Ministry of Investment/BKPM.

Iwan will recommend strategic issues to ministers or heads of agencies regarding macroeconomics. Meanwhile, Mohammad will be liable to suggest how to increase investment competitiveness.

At the inauguration event, Bahlil hoped these new

officials could collaborate well with other stakeholders and dismiss any personal interests when serving the country.

Furthermore, it is hoped that these officials will be able to assist the Ministry of Investment/BKPM in carrying out its duties, such as helping the President in running the government affairs in the investment sector, and coordinating the implementation of policies and services in the investment sector based on statutory provisions. ●

NOV

## Processed Food Legality Certification

To increase the competitiveness of processed food products, the Ministry of Investment/BKPM conducted a socialization on the legality of processed food. This event took place in Bogor, on November 15, 2022, and was attended by micro and small enterprise (MSE) actors. Health Administrator at the Bogor City Health Office Ika Karmila shared that all food products circulating in Indonesia must have a distribution permit to ensure the products meet the requirements, quality and safety standards. She also explained the procedure for filing a Home Industry Food Production Certificate (SPP-IRT).

NOV

## Improving Micro and Small Businesses in the Digital Age

To maximize the potential of MSEs in contributing to Indonesia's economic growth, the Ministry of Investment/BKPM collaborated with PT Grab Indonesia (Grab) to organize the "Socialization to Improve Micro and Small Businesses in the Digital Age", which took place in Pesawaran on November 30, 2022. Acquisition Leader PT Grab Indonesia (Grab) Benidiktus Alsep Barus shared tips for MSE actors to compete in the digital age, by using user-friendly apps and uploading a good quality of product descriptions and photos.

NOV

## Halal Certification for MSE Actors

The food and beverage (F&B) producers in Indonesia must ensure their products are halal certified. In the "The Ease of Obtaining Halal Certificates for Micro and Small Enterprise (MSE) Actors" seminar, which took place in Pesawaran on November 30, 2022, Halal Product Assurance Organizing Agency (BPJPH) analyst Nurgina Arsyad shared to F&B producers how to submit halal requests via Sihalal website.

DEC

## Health Service in Wakatobi

The Ministry of Investment/BKPM organized health services in Wakatobi on December 11, 2022. Partnering with health personnel from Dr. Ramelan Navy Hospital, 100 children underwent mass circumcisions; 1,000 patients received general and specialist health services, including pediatric, eye, gynecology, and internal medicine; 100 patients received dental and oral health services, family planning (KB) services, and cataract surgery.



### UPCOMING EVENT

## WORLD ECONOMIC FORUM DAVOS 2023



**THE MINISTRY OF INVESTMENT/BKPM** and the Chamber of Commerce and Industry (KADIN) plan to arrange Indonesia Pavilion at the 2023 World Economic Forum (WEF) in Davos, Switzerland. The event will be held on January 16-20, 2023, and Indonesia Pavilion focuses on "Sustainable Economic

Transformation through Downstream Industry and Inclusive Partnership" as the central theme.

During the five days of the event, all ministries and private sectors from Indonesia and other countries will gather, interact, and discuss in panel discussions with the following agendas:

### WEF AGENDAS

- 1) Sharing session by Indonesian ministers with the following topics: Indonesia Economic Outlook 2023, Business Opportunities in Indonesia's New Capital City and Indonesia's Economic Development through Downstream Industries;
- 2) Workshop/talk show by ministries and private sectors. In this session, Indonesia's international events in 2023, including Indonesia's ASEAN Chairmanship 2023, Indonesia's Tourism Resilience: Explore the Opportunities in Super Priority Destination and Green Economy as Part of the Economic Transformation Strategy, will be promoted;
- 3) Exhibition and a showcase of Indonesia's prime export products and technology innovation; and
- 4) Indonesia Night, where the Indonesian government will present Indonesia's culture, cuisine and entertainment. This session also will be a networking opportunity for Indonesian delegates to create investment and business opportunities in Indonesia.

### ABOUT WEF

The WEF is an international organization that focuses on the cooperation of businesses and governments worldwide—founded in 1971 with headquarters in Geneva, Switzerland. As a high-level world forum specifically for WEF members, WEF invites around 2,500 top business leaders, international political leaders, chief executive officers, journalists, politicians, non-governmental organizations (NGOs), religious leaders, and other invitees.

WEF's focus includes the following areas: The Great Transformation (2012);

Shaping New Models (2013), Resilient Dynamism (2014); The Reshaping of the World: Consequences for Society, Politics and Business (2015); New global context (2016); Mastering the Fourth Industrial Revolution, Responsive and Responsible Leadership (2017); Creating A Shared Future In A Fractured World (2018); Industry 4.0 Revolution (2019); History at a Turning Point: Government Policies and Business Strategies (2022). In 2023, the agenda the organizers will carry out is "Cooperation in a Fragmented World".

## GETTING ON TRACK TO ACHIEVE FULL-YEAR TARGET

The growth of investment realization in the Q3 compared to the Q2 brings optimism to achieve the investment realization target in 2022.

Total Investment Realization  
Third Quarter 2022

# IDR307.8 T

Total growth: YoY  **42.1%**      QoQ  **1.9%**



### BASED ON SOURCE OF INVESTMENT

Foreign Direct Investment  
**IDR168.9 T (54.9%)**

Domestic Direct Investment  
**IDR138.9 T (45.1%)**

### BASED ON LOCATIONS

Java  
**IDR141.5 T (35.8%)**

Outside Java  
**IDR166.3 T (47.9%)**

### INVESTMENT REALIZATION SECTORS THIRD QUARTER 2022

<b>1</b>	Basic Metals, Metal Products, and Non-Machinery and Non-Machinery Equipment <b>IDR44.0 T (14.3%)</b>	<b>2</b>	Transportation, Warehouse and Telecommunications <b>IDR32.5 T (10.6%)</b>	<b>3</b>	Housing, Industrial Estate, and Office Building <b>IDR28.9 T (9.4%)</b>
		<b>4</b>	Mining <b>IDR28.3 T (9.2%)</b>	<b>5</b>	Electricity, Gas, and Water Supply <b>IDR27.3 T (8.8%)</b>

**"There's an improved distribution of investment flows, thanks to the government's efforts to boost infrastructure across all parts of the country."**

The Minister of Investment/Chairman of BKPM Bahlil Lahadlia

## New! Online Single Submission Website

<https://oss.go.id/>

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As risk-based business licensing was introduced in the Omnibus Job Creation Law, the online single submission (OSS) website has been improved to better serve business licensing in Indonesia. In the OSS website, you can find all of the information to apply for your business license. The website has information about the OSS risk-based licensing process, Indonesia Standard Industrial Classification (KBLI) 2020, investment business activities, as well as investment locations and facilities.

**Start your investment here!**



MINISTRY OF INVESTMENT/  
INDONESIA INVESTMENT COORDINATING BOARD

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