



# Agribusiness Webinar

November 3<sup>rd</sup>, 2016

**Dr. Henry Loewendahl, CEO WAVTEQ**

**Mr. Scott Bryan, Executive Director Client Services, ROI**

[henry.loewendahl@wavteq.com](mailto:henry.loewendahl@wavteq.com)

[SBryan@researchoninvestment.com](mailto:SBryan@researchoninvestment.com)



# Contents

• Introduction	3
• Dairy & beef sector	9
• Fisheries sector	23
• Indonesia's competitiveness	31
• About BKPM	34
• Appendix 1: BKPM investor support	46
• Appendix 2: FDI regulations	53



# Introduction

You can download the full presentation  
at

[www.wavteq.com/publications/](http://www.wavteq.com/publications/)

Password: investindonesia2



# About Indonesia



Indonesia has the **4<sup>th</sup> largest population** in the world (261 million as of August 2016)



Indonesia's GDP will **increase by over 150%** to **\$2.2 trillion** by 2025 – close to Canada's



Indonesia is **one of the fastest growing economies in the world** (>5% p.a. 2012-16)

**asean**

Access to the **\$2.5 trillion** ASEAN market with a population of **620 million**



# Canadian investment in Indonesia



invested by  
Canadian firms  
in Indonesia



of Canadian investors  
in Indonesia are  
planning to  
re-invest in Indonesia

(WAVTEQ, June 2016 survey)



of Canadian investors  
in Indonesia would  
recommend other  
Canadian companies  
to invest in Indonesia

(WAVTEQ, June 2016 survey)



# Why invest in the agribusiness sector?



The food & beverage market in Indonesia will increase to **\$330 billion** by 2020

**Growth**

**10%**



average annual growth in food demand in Indonesia (2016-2020)



**Track record**

**\$18.7 billion**

Agribusiness FDI in Indonesia 2011-15

**Agricultural area**

**54 million ha**

agricultural area growing by nearly 12% (2001-2011)



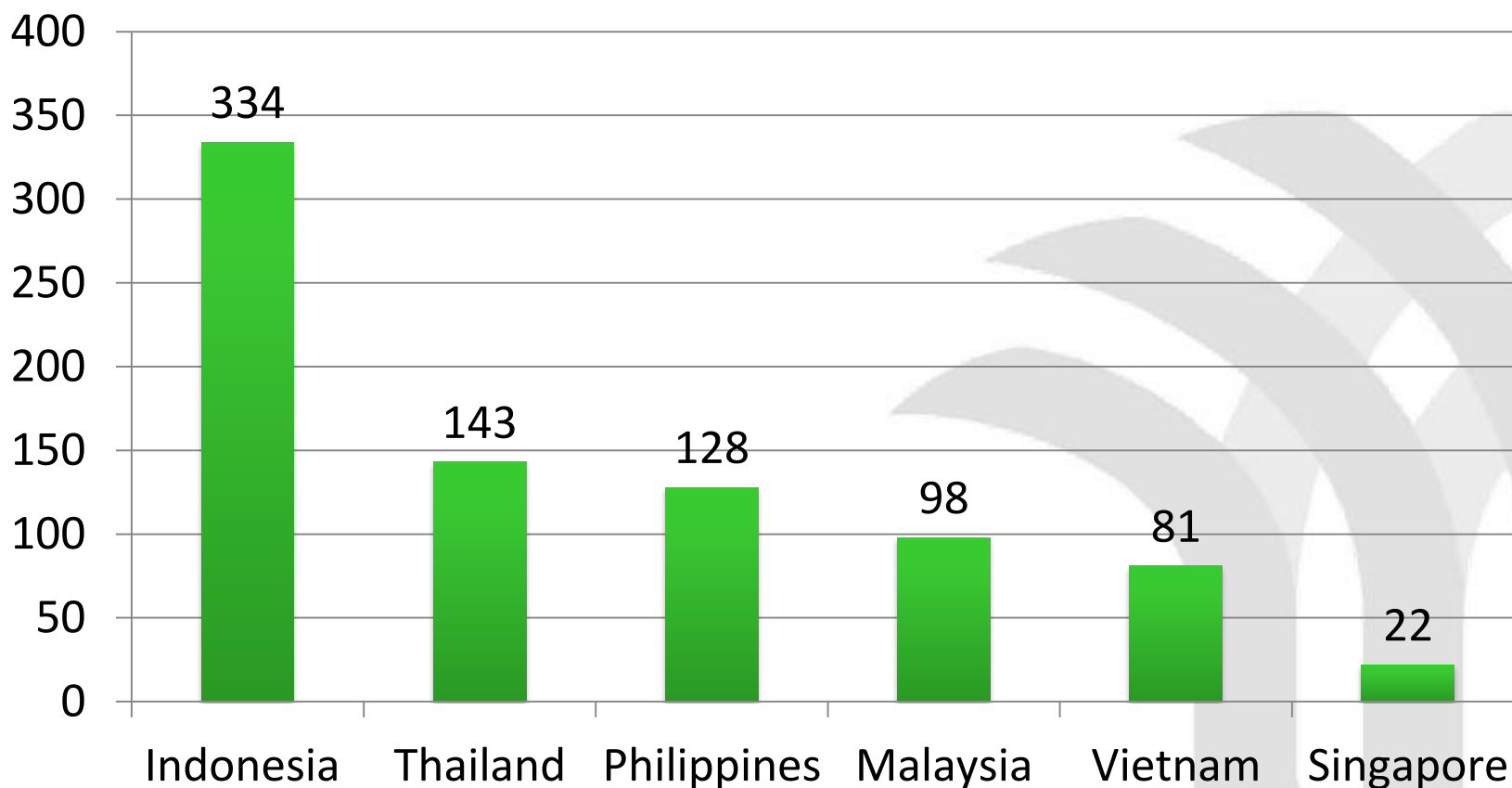




# Indonesia the largest market in ASEAN

Indonesia has the largest market in ASEAN, with total market demand forecast to grow from \$230 billion in 2016 to \$334 billion by 2020

## Food & Beverage: forecast market demand in 2020 (USD billion)\*



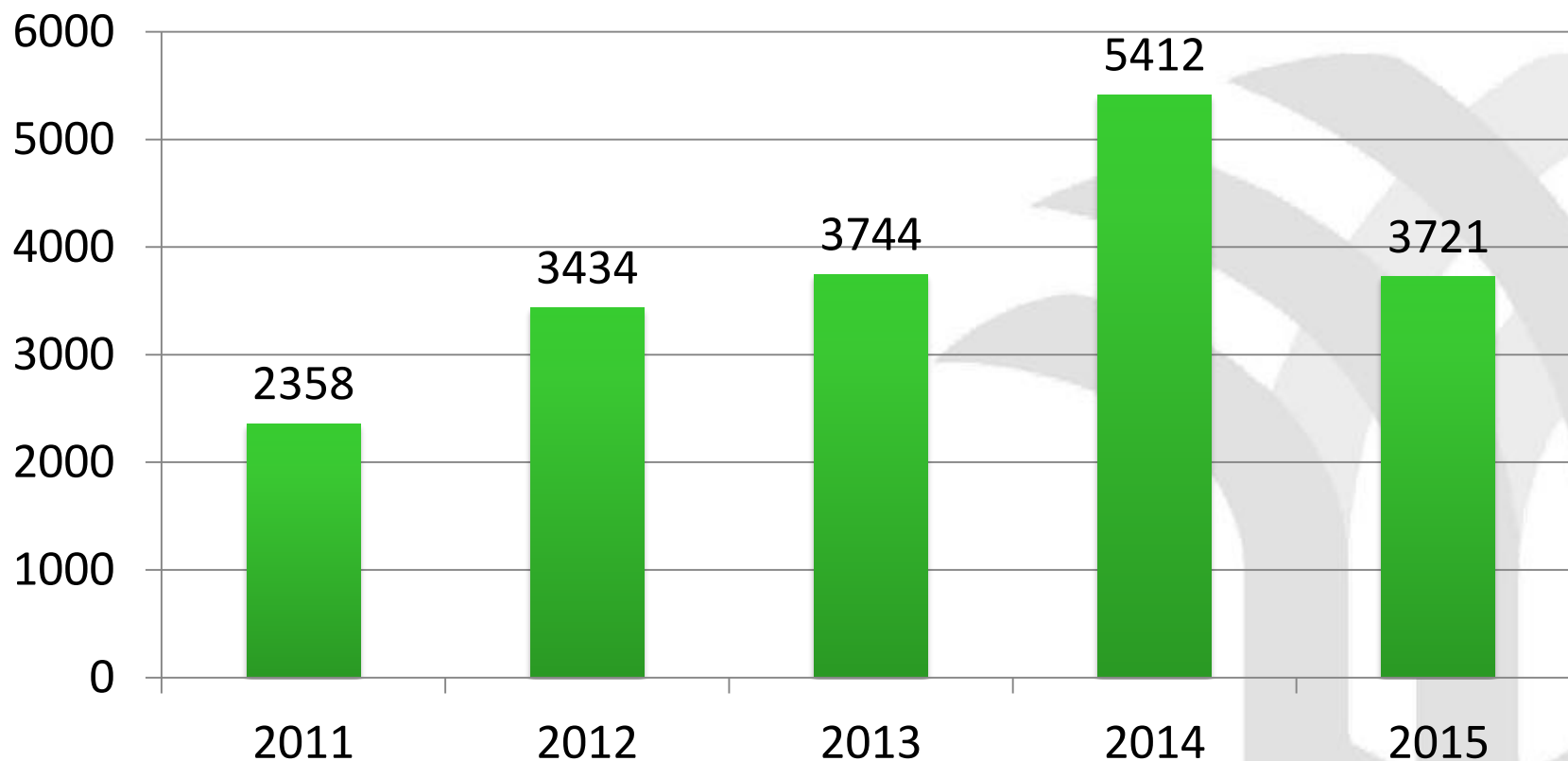
Source: WAVTEQ, based on EIU. \*Total market demand for meat, dairy, fish, fruit, vegetables, sugar, animal feed, animal and vegetable oils, processed food, alcoholic beverages, soft drinks and flavourings and tobacco products in nominal US\$



# Track record in attracting FDI

Indonesia had attracted \$18.7 billion of FDI in the agribusiness sector since 2011 with over \$9 billion of FDI in the last 2 years

## FDI flows into Indonesia in the agribusiness sector (2010-15), US\$ mn



Source: Based on BKPM data





# Dairy and beef sector in Indonesia



# Why invest in Indonesia's Dairy sector?

**\$1.8 billion**  
yearly average  
imports of milk  
products

**1.3 billion**  
Trade Balance **deficit**  
**of milk products** (US\$)

**+8% yearly domestic**  
**demand growth for**  
milk products

**750 million yearly**  
units of canned liquid  
milk (387gr)  
consumed

**325 million**  
yearly domestic  
demand (kg) of baby  
powder milk

**30**  
**Number of**  
**corporations in the**  
dairy industry



# Growth in Indonesia's Dairy sector?

## Milk consumption

64%



increase in  
Indonesia's per capita  
milk consumption  
(9.77 litres in 2008 to  
16 litres in 2016)

## Milk production

36%



increase in  
Indonesia's milk  
production (1.02m  
tons in 2008 to  
1.46m tons in 2016)

**Domestic milk production = only 36% of domestic demand**

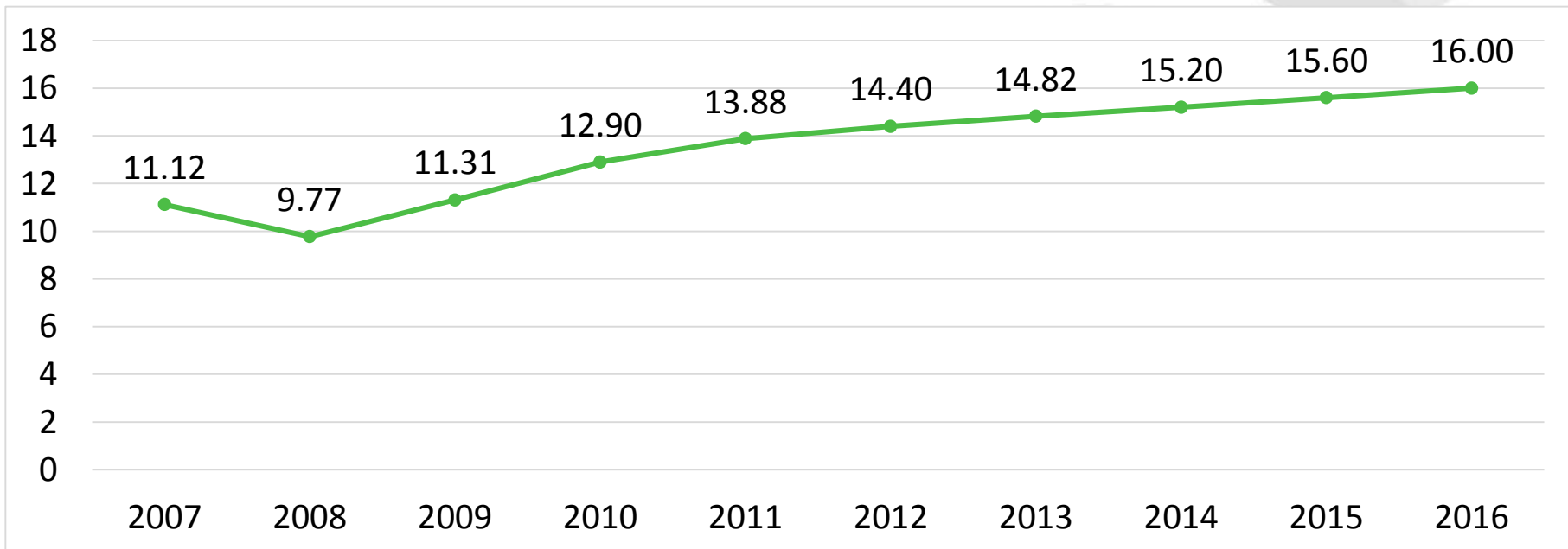


# Growth of dairy consumption in Indonesia



- Dairy consumption in Indonesia, as well as in other ASEAN countries, continues to outpace supply, opening the market to opportunities for FDI.
- The combination of urbanization, rising incomes, and the emergence of an educated, health savvy middle-class will continue to drive growth in dairy consumption

## Milk consumption, Indonesia, liters per capita (2007-2016)



Source: Economist Intelligence Unit Market Indicators and Forecasts

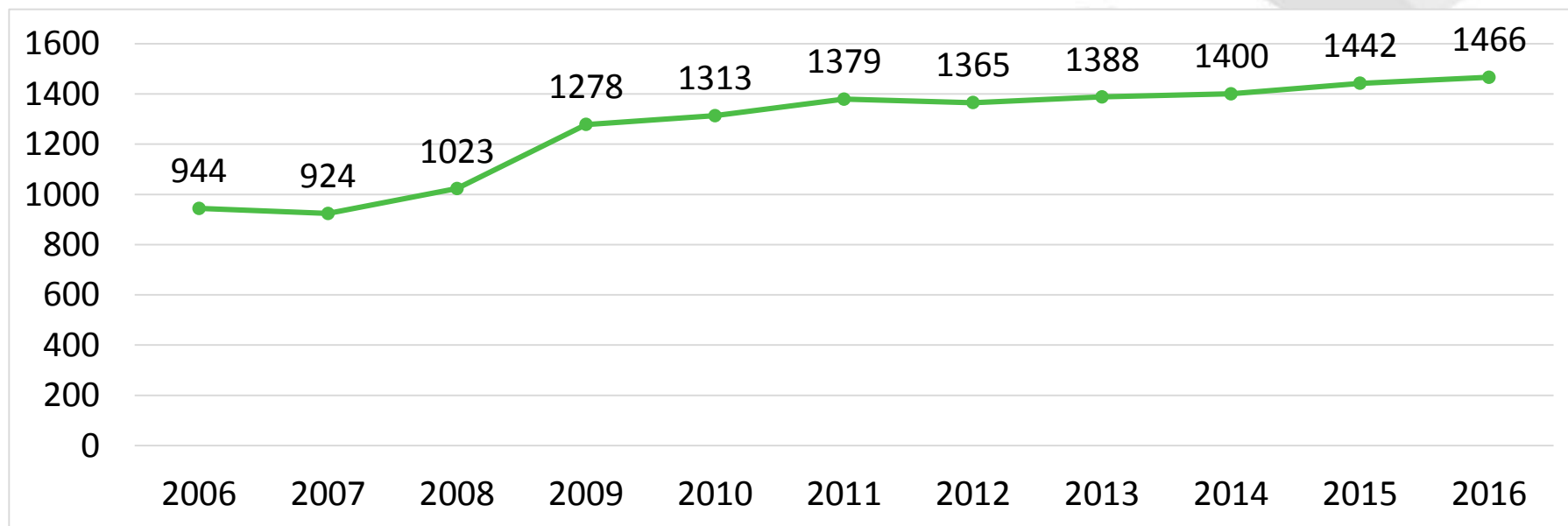


# Milk production in Indonesia



- Between 2008 and 2016, the total growth of milk production was 43%.
- The breakdown of the market is: Powdered milk (39%); Sweetened condensed milk (35%); and Fluid UHT milk (26% of market).

**Total milk production in Indonesia, thousand tonnes (2006-2016)**



Source: OECD, Food and Agriculture Organization of the United Nations (FAO) Agricultural Outlook, 2016

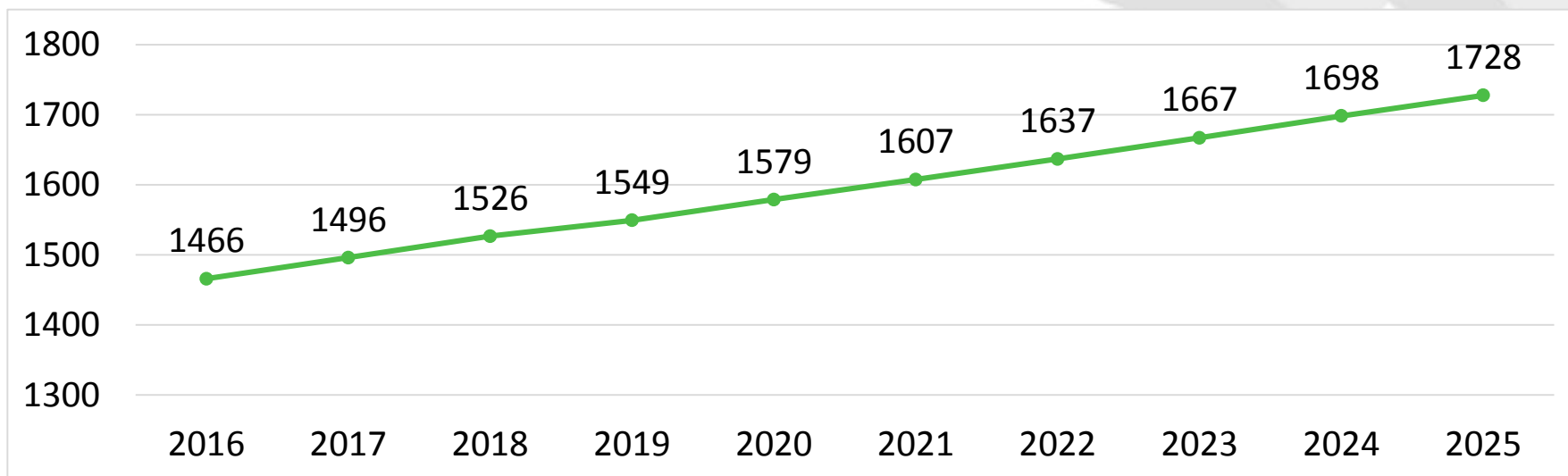


# Forecast milk production in Indonesia



- Domestic milk production is dominated by smallholders who usually own no more than five cows and are members of dairy cooperatives, who collect and sell the milk to processing companies.
- These small-scale processors of milk production can often have a low degree of efficiency and product quality. Production, at around 10 litres per day, is less than half of international norms (20-25 litres per day).
- Indonesian sweetened condensed milk manufacturers rely on imported whole milk powder to supplement protein content. There are major opportunities for foreign investors to invest in Indonesia to increase the efficiency and quality of dairy production and growing market demand.

## Forecast milk production in Indonesia, thousand tons (2016-2025)



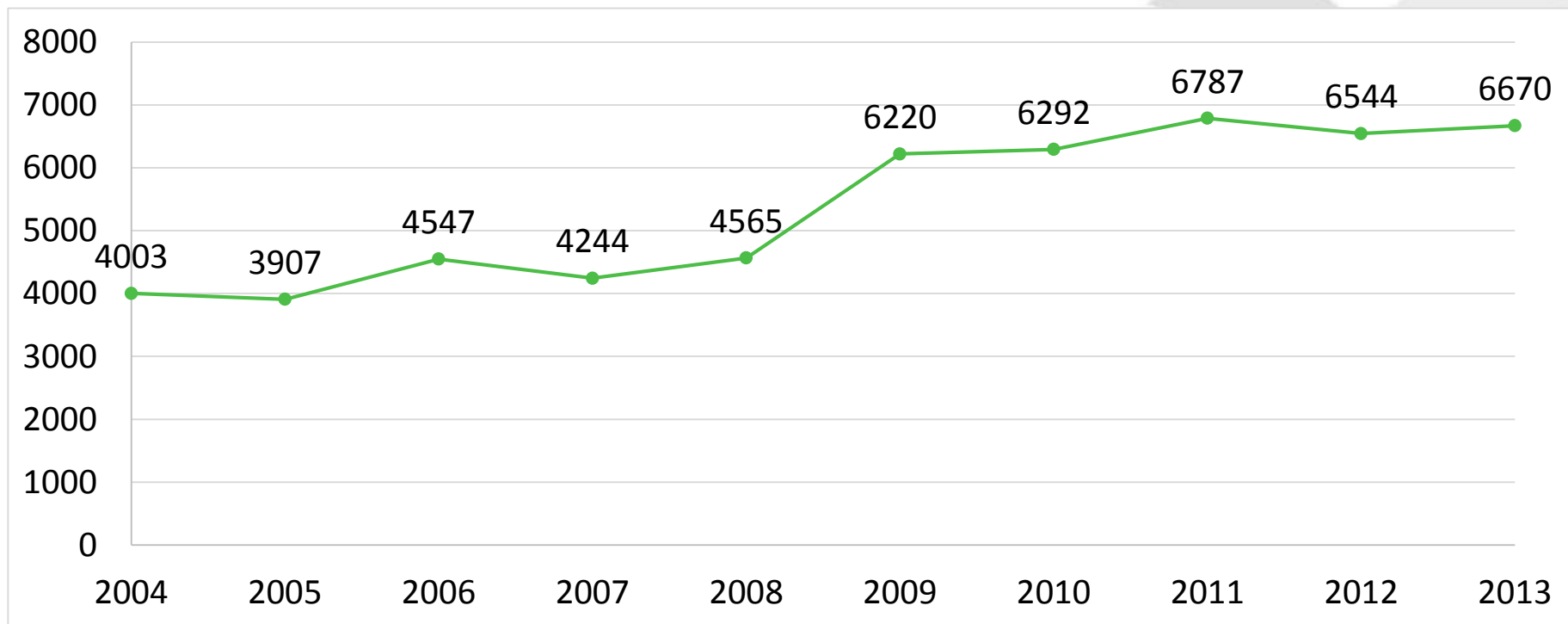
Source: OECO, Food and Agriculture Organization of the United Nations (FAO) Agricultural Outlook, 2016



# Yogurt production in Indonesia

- In terms of other dairy products, yogurt was the fastest growing market at 18% growth in 2013.
- The chart below shows that yogurt production in Indonesia grew by 67% from 2004-2013.

**Total yogurt production in Indonesia, tonnes (2004-2013)**



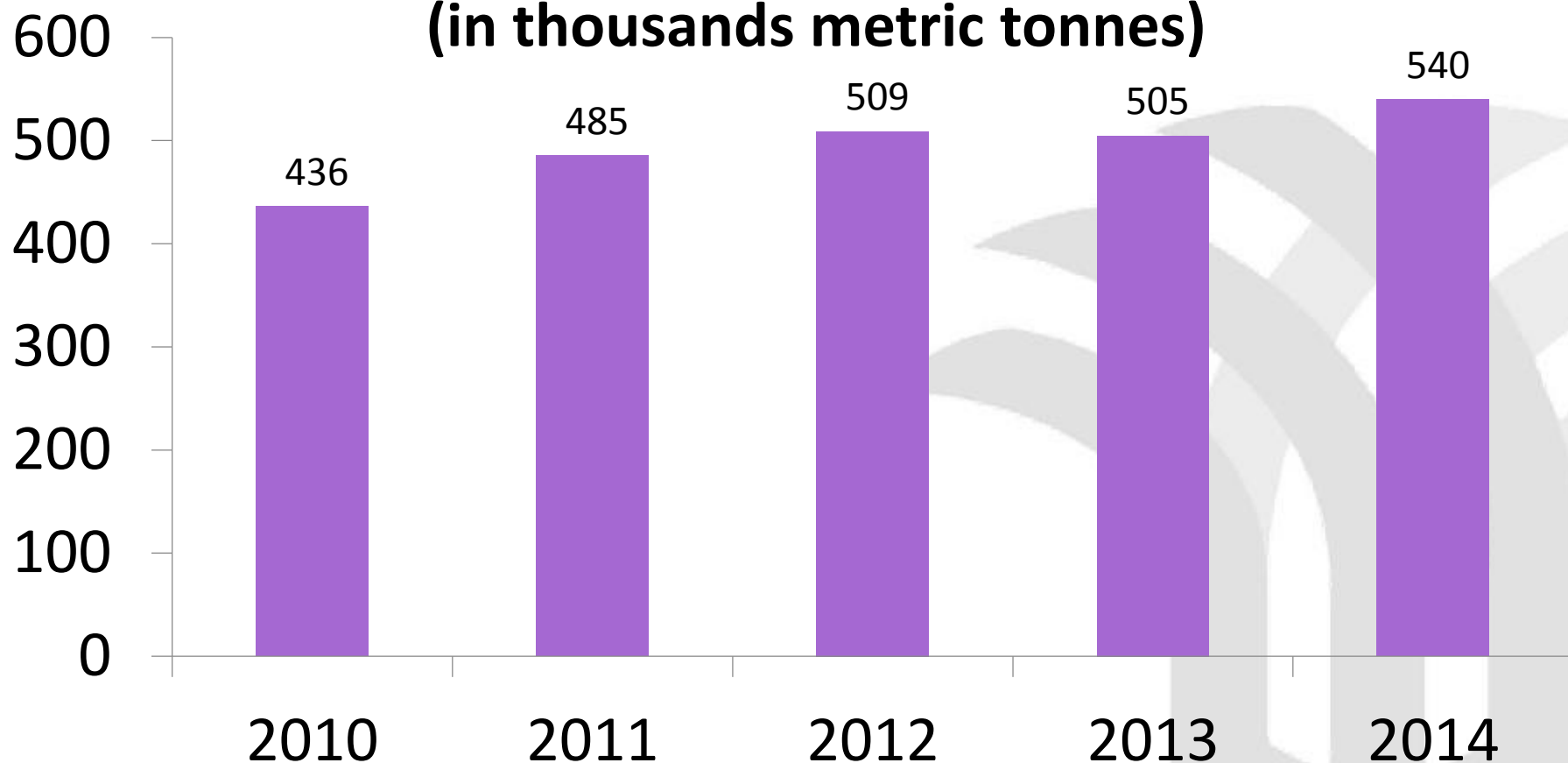
Source: Food and Agricultural Organization of the United Nations





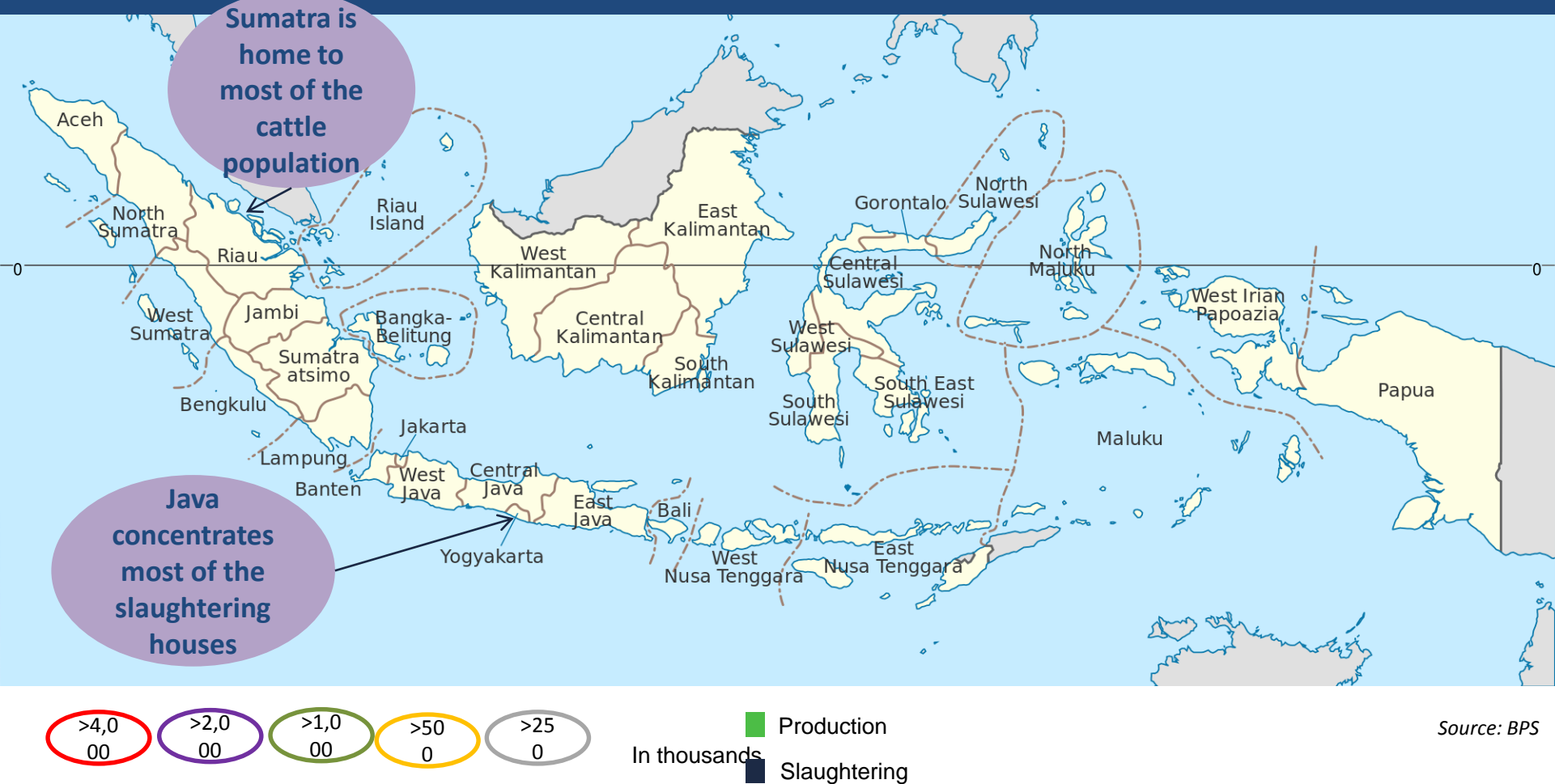
# Beef production

**Beef meat production  
(in thousands metric tonnes)**



# Indonesia's cattle industry concentration

## Cattle population concentration and production locations





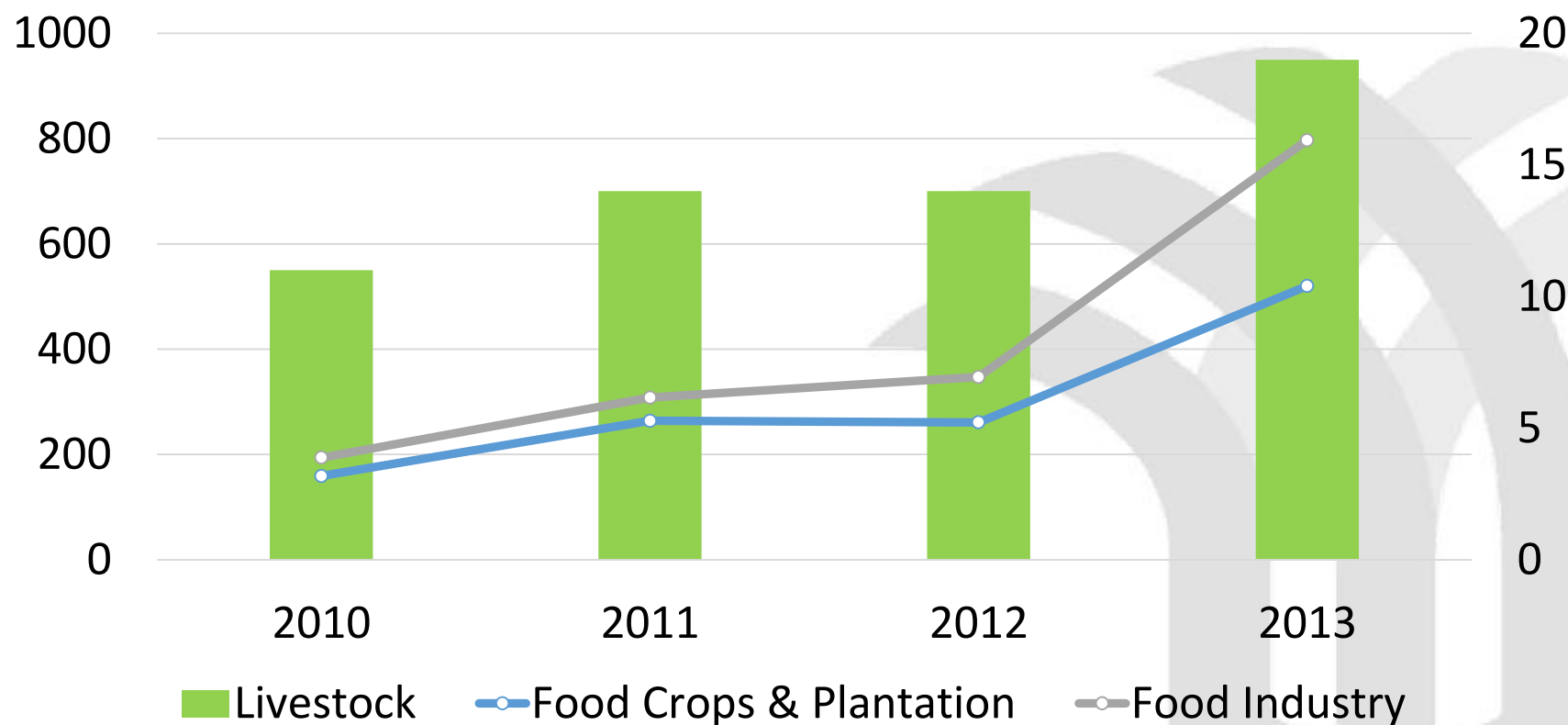
# Imports of livestock

2014	Import (tons)	Export (tons)	Balance (tons)	Balance (000 US\$)
<b>Live animals</b>				
<i>Cattle</i>	130,021	-	-130,021	-338,399
<b>Livestock Products</b>				
<i>Meet of bovine animals</i>	47,698	3 .3	-47,695	-222,215



# FDI Track Record – BKPM data

The number of FDI projects in the food manufacturing industry **soared by more than 400%** - from 194 projects in 2010 to 797 projects in 2013.





# FDI Track Record – case studies



- Frisian Flag Indonesia (FFI) is a Dutch manufacturer of dairy-based nutritional products for children in Indonesia under Frisian Flag brand.
- The company operate two state-of-the-arts production facilities in Pasar Rebo and Ciracas, both in East Jakarta, with a broad portfolio of products such as liquid milk, milk powder and sweetened condensed milk According to the annual report 2015 of Friesland Campina, Frisian Flag was in second position in the top 10 consumer brands in revenue



- Nestle began operations in Indonesia in 1971. Nestle Indonesia now employs more than 3,300 employees, operating four factories in Indonesia. One of them is located in East Java, which process dairy products.
- The factory located in Kejayan (East Java) expanded in 2010 and became one of Nestle's 10 largest plant in the world.
- Currently, the factory located in East Java absorbs 700,000 litters daily of fresh milk from 33,000 dairy farmers in East Java



# FDI Track Record



Together, beyond animal health



# What investors are saying

“Beside China, Indonesia is the country will are looking at the most. The next two to three years are looking very, very promising market and we are looking forward to work with our customers very closely.”

*Mr Niels Heyer,  
Managing Director in Indonesia, Big Dutchman*

“[Indonesia’s] 45 million middle class consumers will triple by 2030. With the largest Muslim population in the world and a per capita consumption rate for poultry that's low by developed nation standards, it offers among the best long term growth potential of any market.”

**Richard Wong**  
Executive Vice President, Keystone Foods (Marfrig Group)





# Fisheries sector in Indonesia





# Why invest in Indonesia's fisheries sector?

**Fisheries sector** \$

\$32 billion

potential size of Indonesia's fisheries sector (\$7.84 bn in 2014)

**Largest fishery producer**

#1 in world 

Indonesia is the world's largest fisheries producer

**Largest shrimp producer**

#1 in region 

Indonesia is the largest shrimp producer in South East Asia



# Fisheries investment opportunities



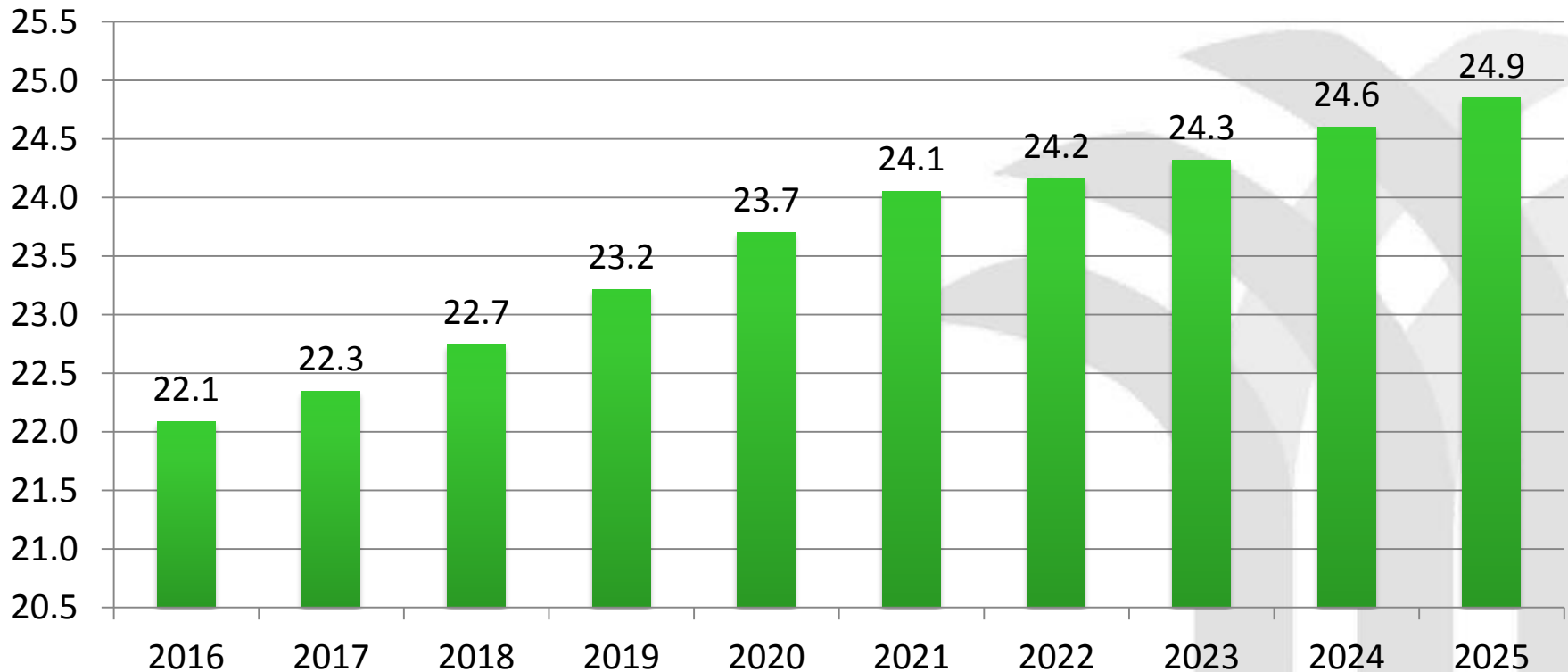
- As the largest archipelago country in the world, Indonesia has huge potential and abundant wealth in its territorial waters.
- 25% of global fisheries demand rely on this country's and the region's production
- The government is targeting \$9.5 billion in fisheries exports by 2019
- The key opportunities for Canadian investors are in:
  1. Fisheries processing plants
  2. Cold storage
  3. Technical services to improve productivity of operations
  4. Producing for the rapidly growing domestic market
  5. Producing for export markets (fish and shrimps)



# Fisheries production in Indonesia

- The government target is 7.2% annual growth of the fisheries sector
- Indonesia is the world's Top 7 global exporter of canned and processed tuna. Indonesia produces mainly skipjack and yellowfin tuna.

## Forecast fish products production in Indonesia, thousand tons (2016-2025)



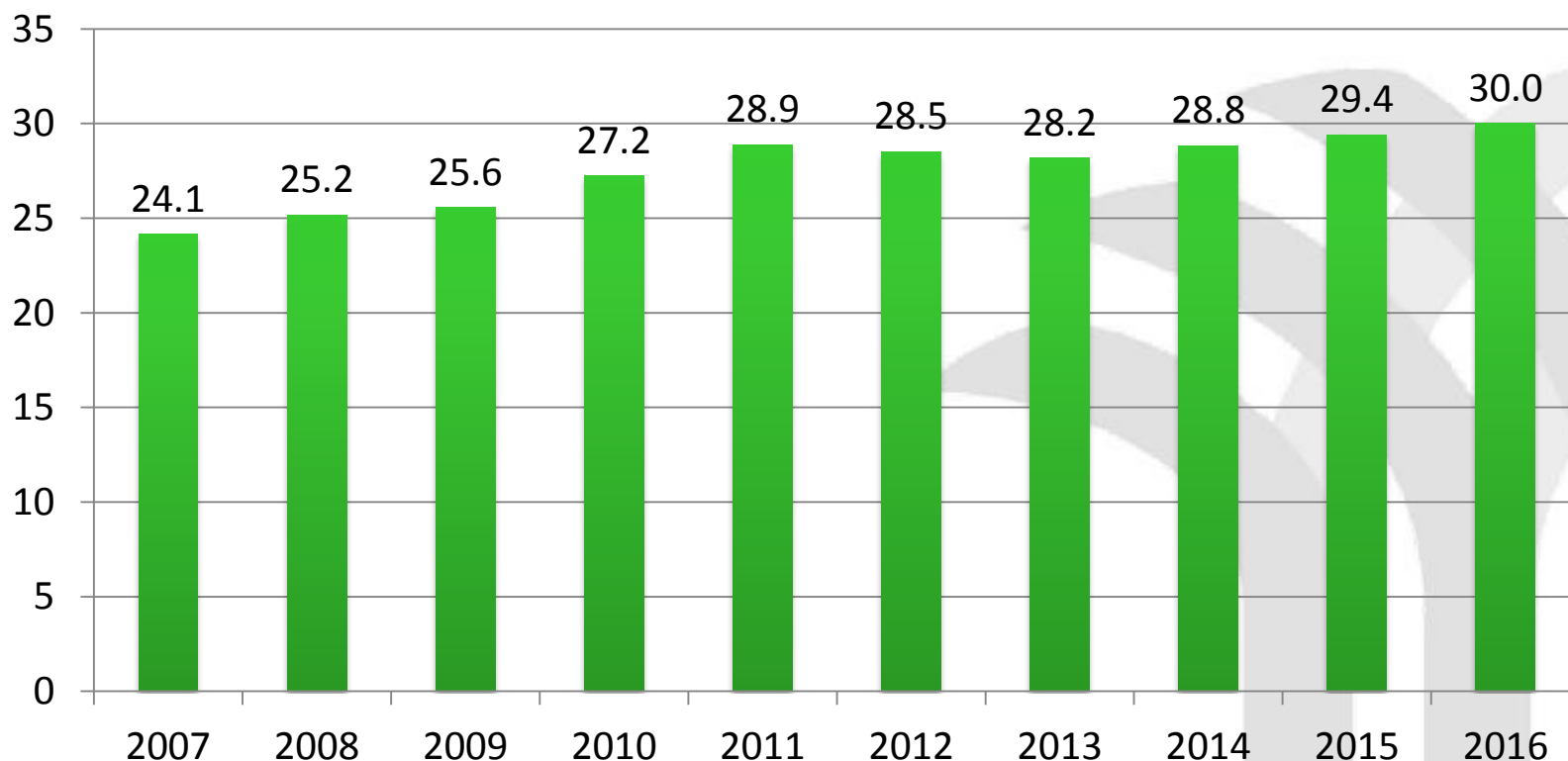
Source: OECD, Food and Agriculture Organization of the United Nations (FAO) Agricultural Outlook, 2016



# Growth of fish consumption

- Fish consumption is growing every year in Indonesia
- With a population over 260 million this creates a large & growing market

## Fish consumption, Indonesia, kilos per capita (2007-2016)



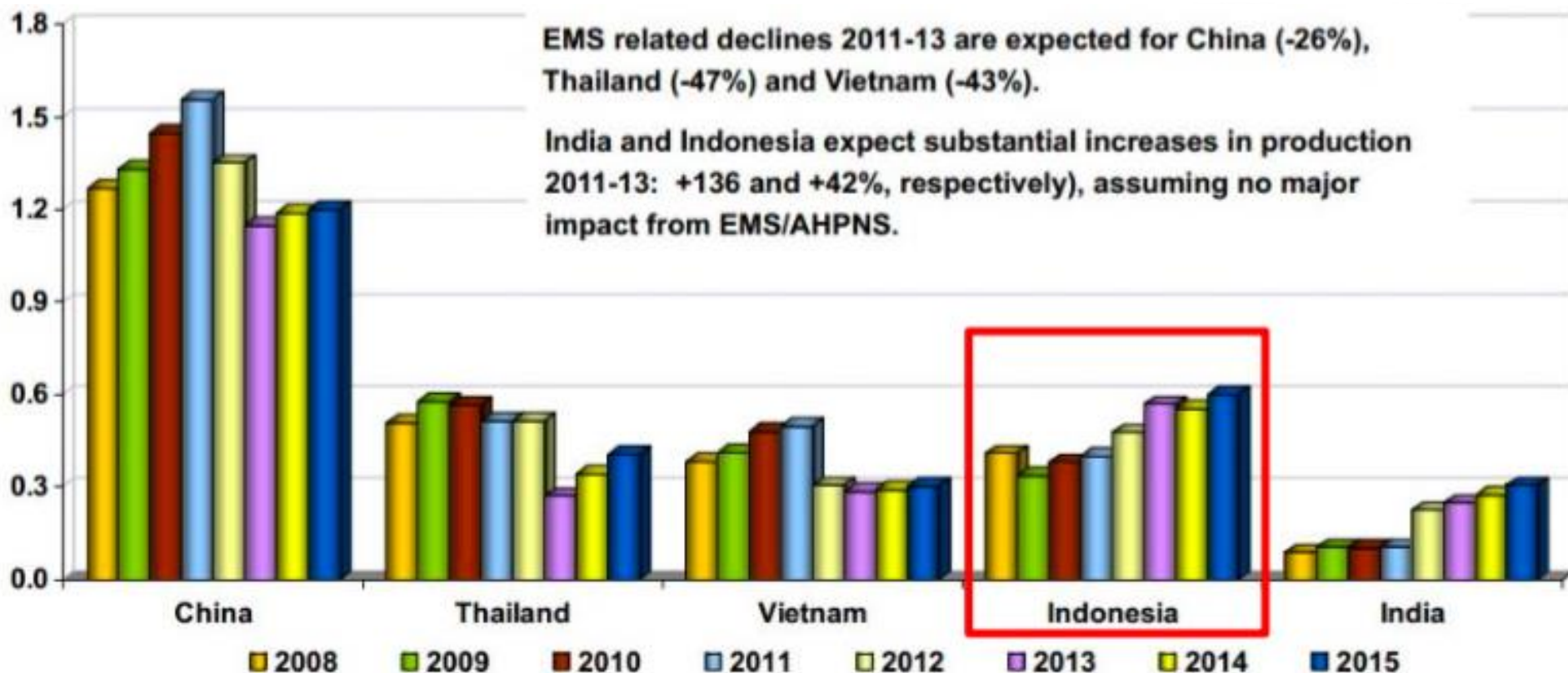
Source: Economist Intelligence Unit Market Indicators and Forecasts



# Shrimp investment opportunities

- Global annual demand for Indonesian shrimps is 560,000-570,000 tons (estimate)
- In 2013, 65% of total fisheries exported to the US was shrimp (\$900 million)
- Most Indonesian shrimp are exported in frozen form or with heads and shells removed

## Shrimp aquaculture in Asia: 2008-2015, major producing countries (million metric tons)



Source: KKP (2014)



# FDI Track Record – case studies



## **PT. Aquafarm Nusantara**

Originating from Switzerland, PT. Aquafarm Nusantara is a foreign investor which initially established in 1988 in Central Java. Ten years into its investment, the company built a hatchery of 30 hectares in North Sumatra. Aquafarm has employed more than 4000 staff. The end product is a frozen tilapia fillet. The product is packed with a retail brand 'Regal Spring Tilapia'. Only 10% of its tilapia products are consumed domestically. 83% is exported through the port of Belawan, with 55% of exports to Canada and the US.



## **PT Contained Energy Indonesia**

PT Contained Energy Indonesia has developed and successfully deployed stand-alone, off-grid, 100% solar-powered cold storage facilities, designed for use in remote communities. The project took place between 2013 and 2014.





## Related opportunities

Plastics packaging products

Agrochemicals

Agribusiness equipment



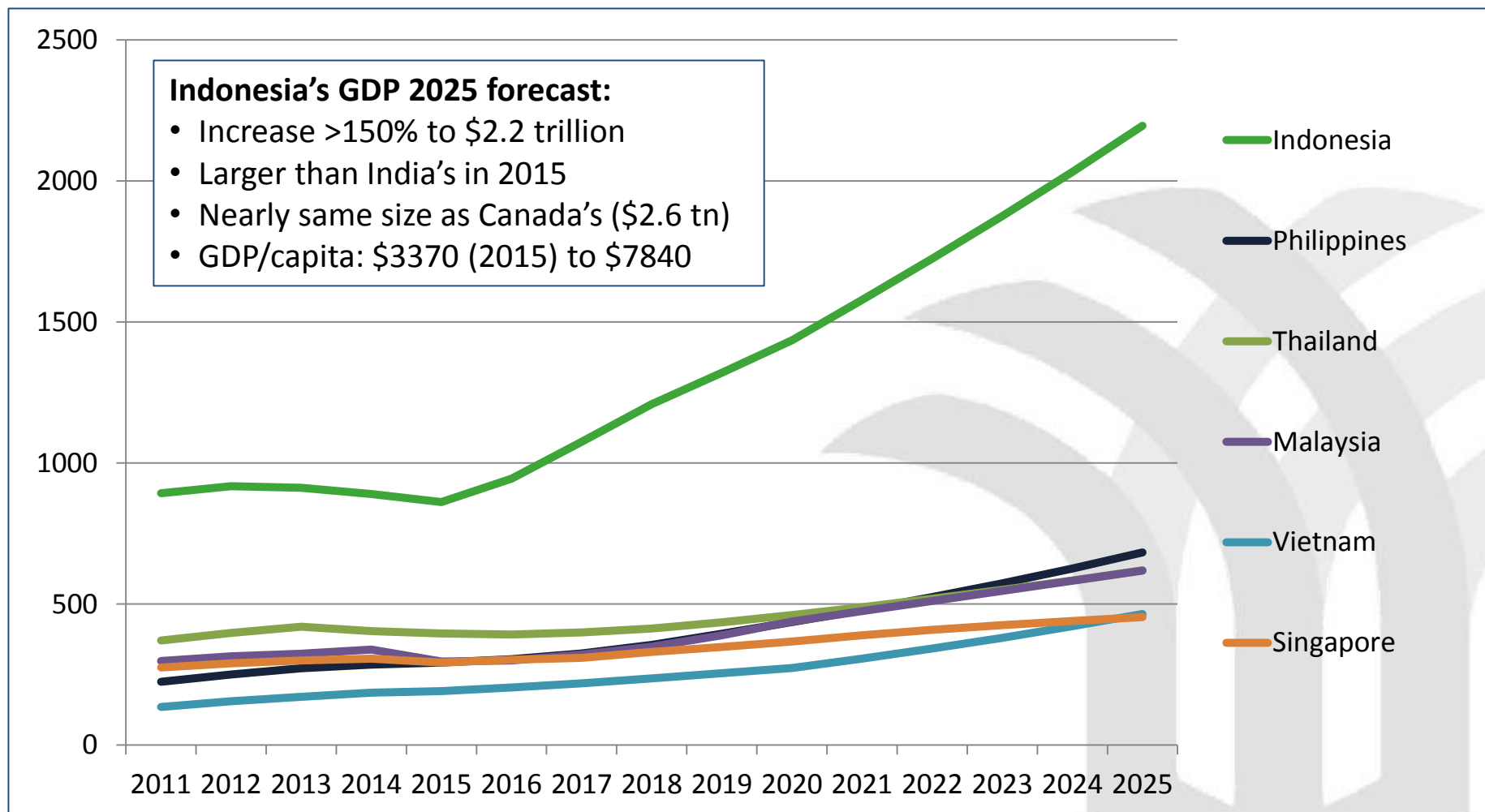
# Indonesia's competitive position



# Size of market

Indonesia's middle-income is nearly 70 million households (41% of ASEAN). High-income households = 25% p.a. growth

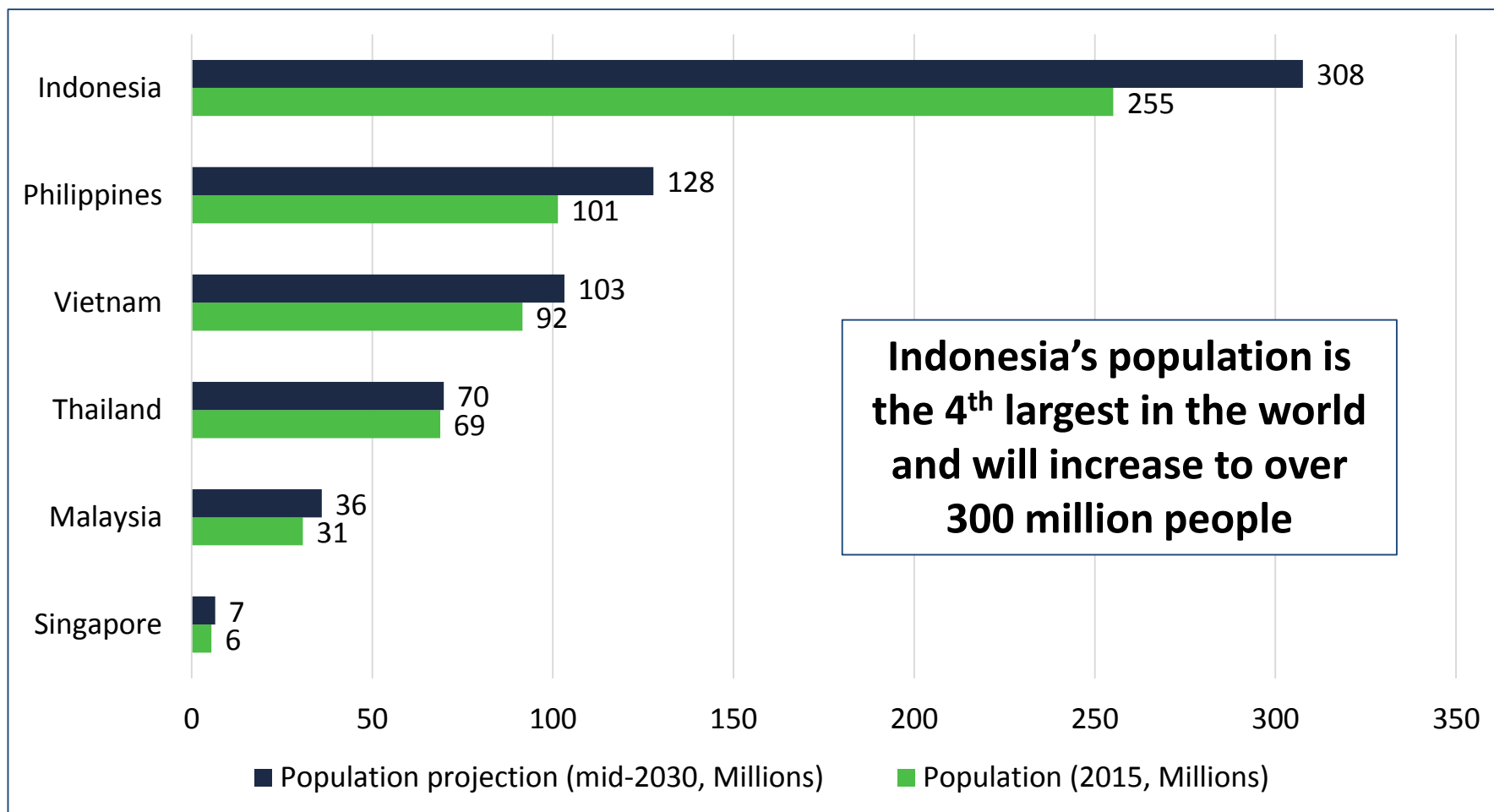
## GDP 2011-2025, US\$ billion (EIU forecasts)





# Size of population

## Population by country, 2015-2030

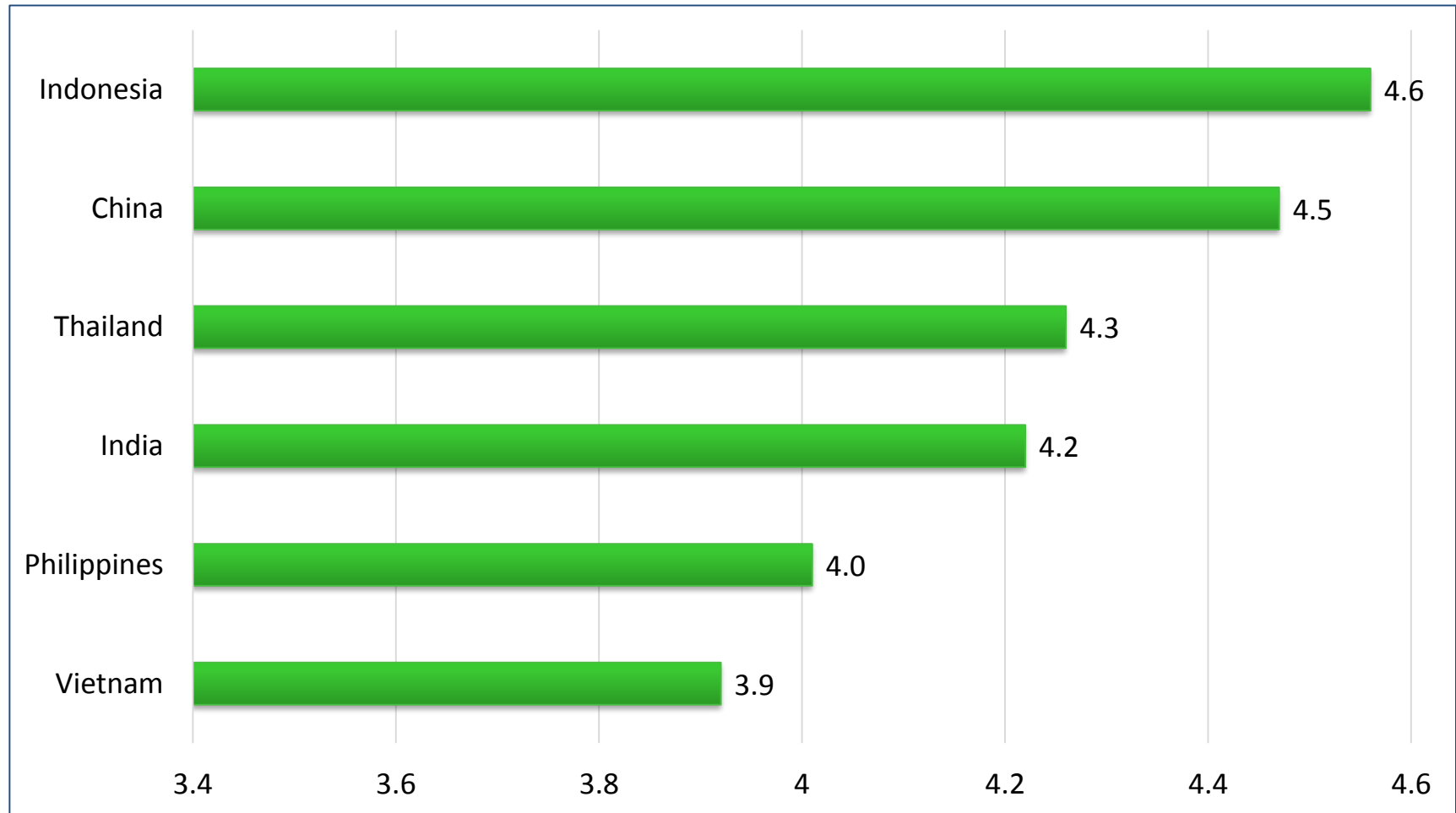


Source: fDi Benchmark (IMF and Population Reference Bureau World Population Data Sheet)



# Skilled workforce

## Availability of Scientists and Engineers – out of 7 (2015)



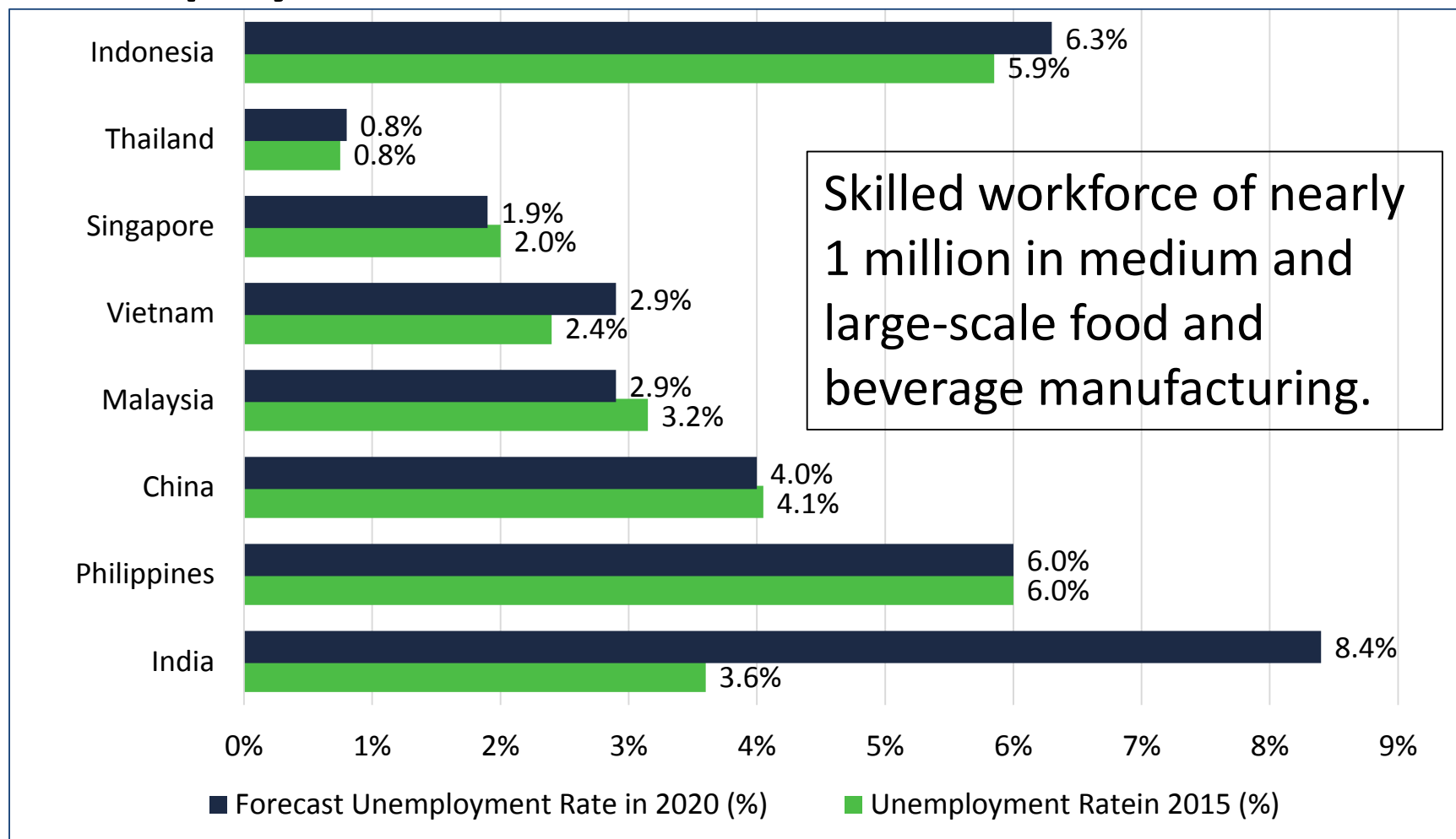
Source: fDi Benchmark (Global Competitiveness Report, World Economic Forum, Switzerland, 2015-16 )



# Available workforce

## Unemployment rate, 2015-2020

Indonesia's has the least tight labour force in ASEAN

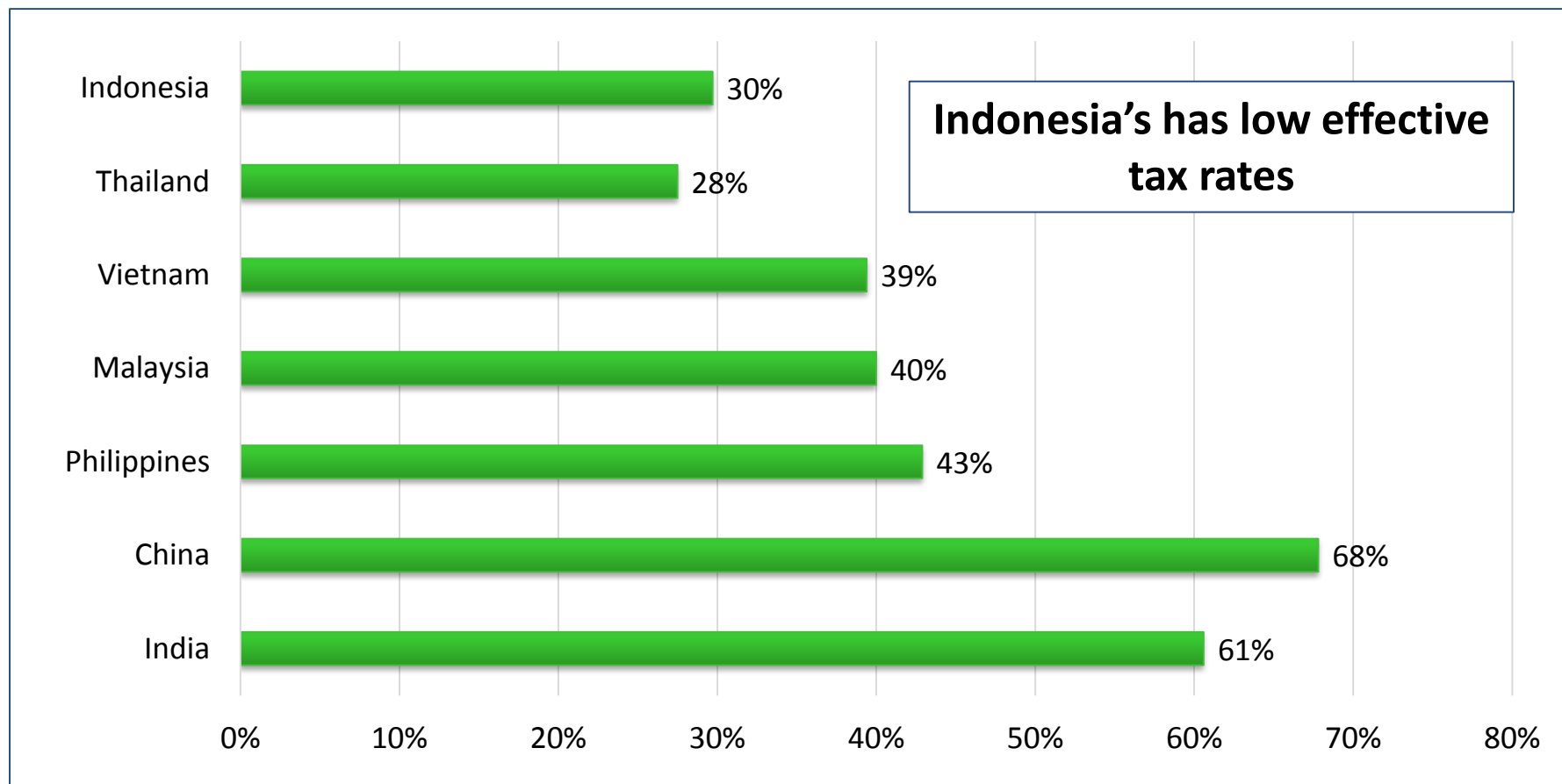


Source: fDi Benchmark (Economist Intelligence Unit March 2016 & International Monetary Fund 2016)



# Low taxes

## Total Tax Rate (% profit) in 2015



Source: fDi Benchmark (World Bank Doing Business 2016)

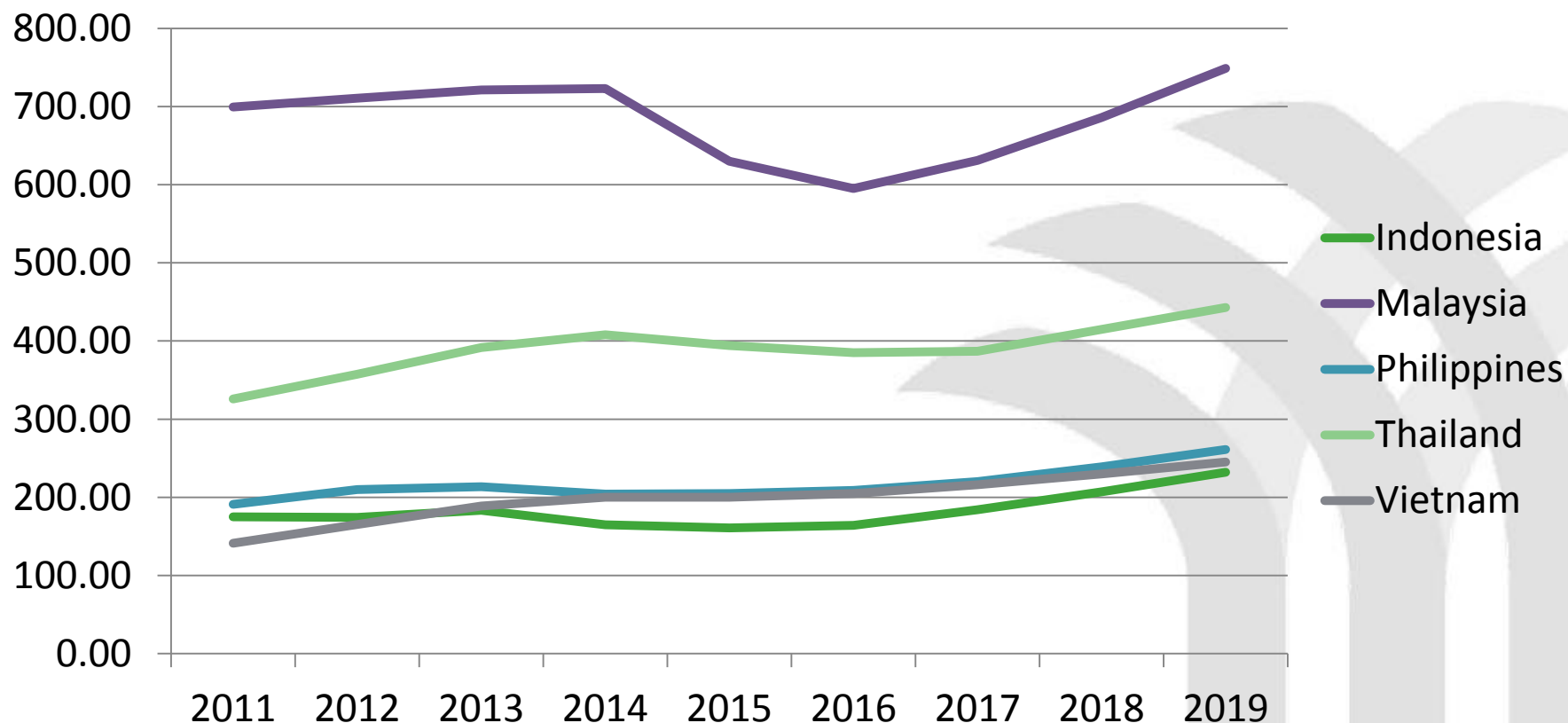




# Average monthly wages

Indonesia is very cost effective - the average monthly wage is **\$161** and is forecast to be the lowest in ASEAN

## Average monthly wages, USD, 2011-2020

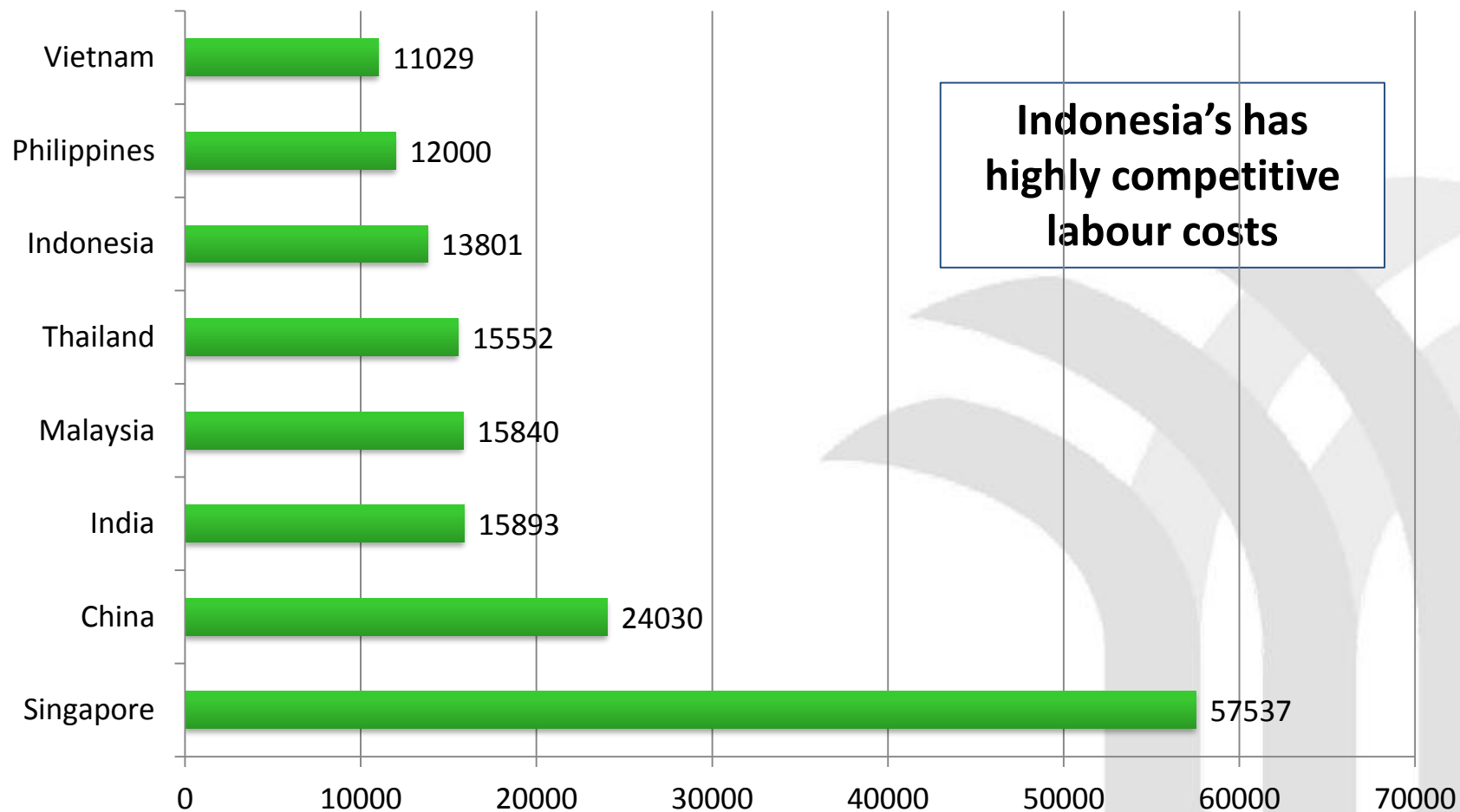


Source: EIU



# Labour costs for engineering positions

Labour costs by country for an engineer, USD, 2015\*

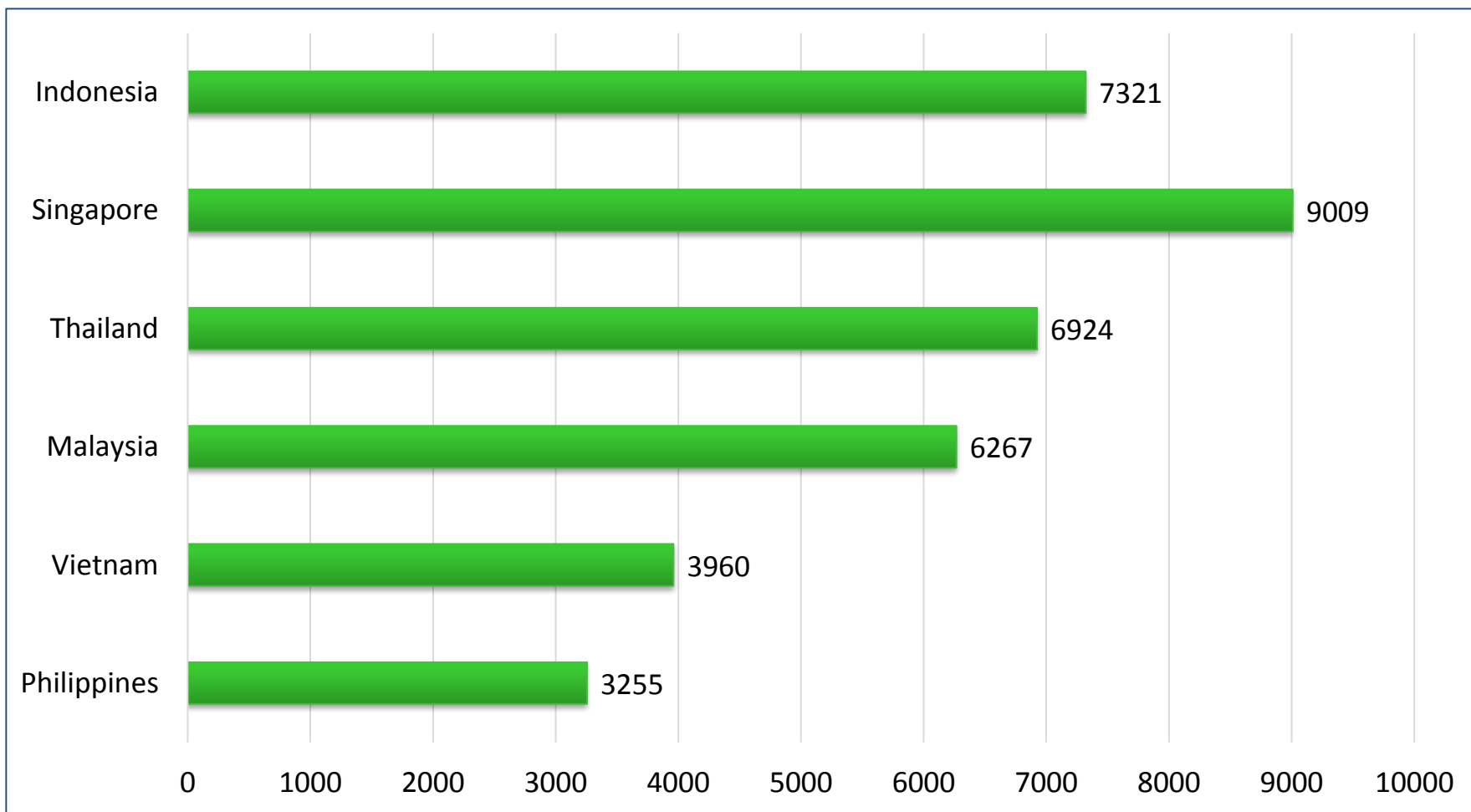


Source: fDi Benchmark



# Innovation

## Total of Patent applications, non-residents (foreign investors) (2014)

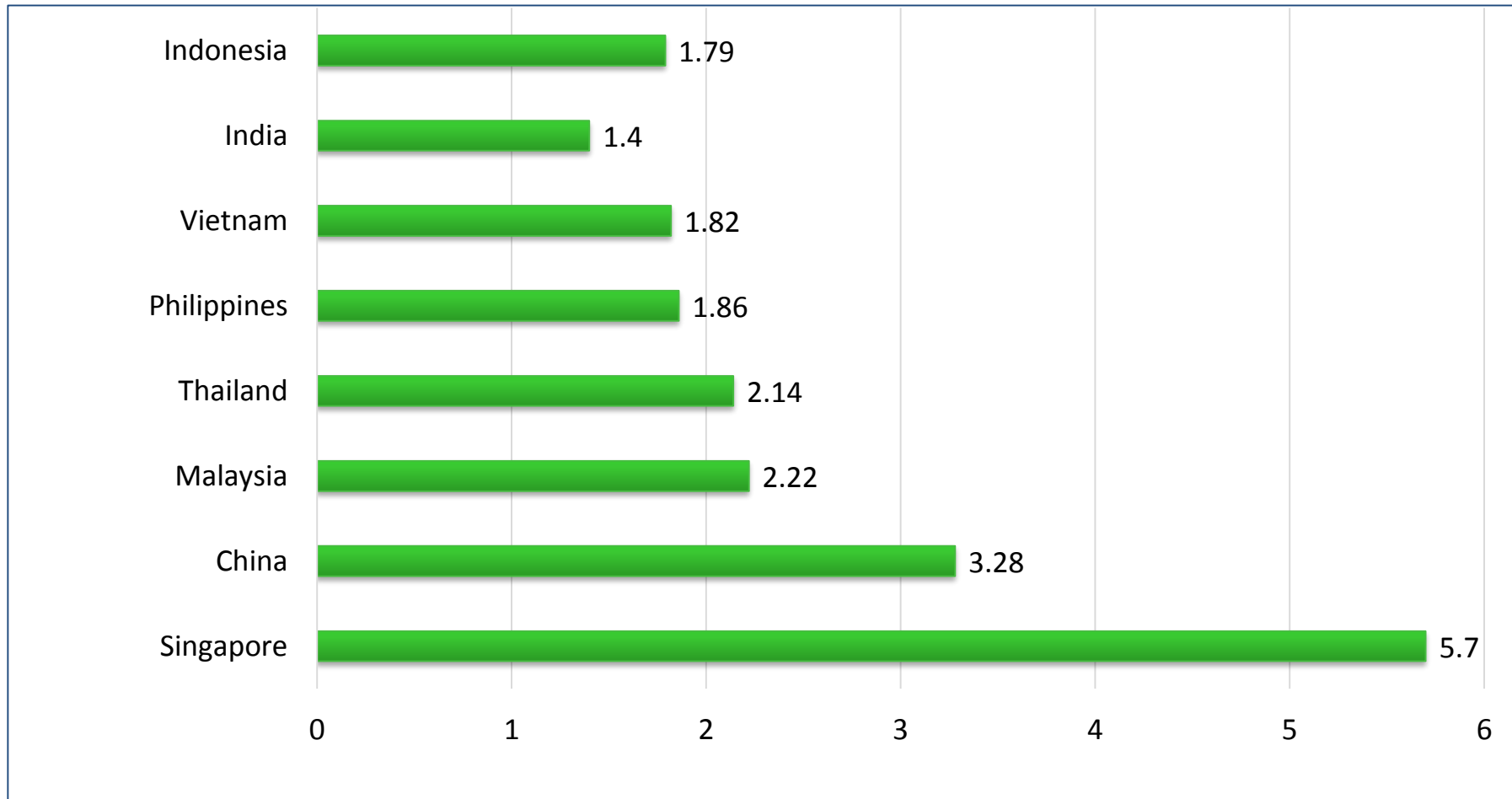


Source: fDi Benchmark (World Bank World Development Indicators)



# Low cost of living

## Cost of Living Index, 2015\*



Source: fDi Benchmark \*Rating 0-10 (0=lowest cost of living; 10=highest cost of living) (2014)



# About BKPM and support services for investors

# BKPM The Indonesia Investment Coordinating Board



## Who we are

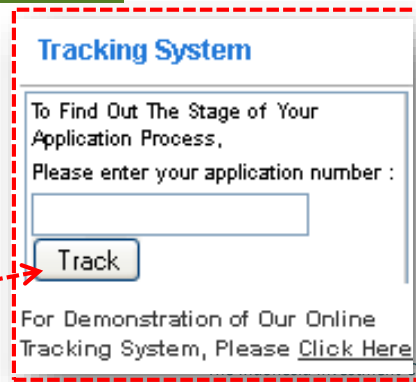
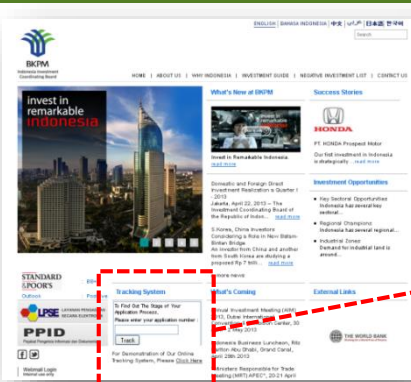
- As **the primary interface between business and government**, BKPM is mandated to boost domestic and foreign direct investment through creating a **conducive investment climate**.
- BKPM was restored to **Ministerial status** in 2009, and reporting directly to the President of the Republic of Indonesia.
- This investment promotion agency's goal is not only to seek **more domestic and foreign investment**, but also to seek **quality investments** that improve social inequality and reduce unemployment.
- The agency works as a **proactive advocate** for investments as well as a **matchmaker** for investors.

# What We Offer to Investors?



## Our services for investors

- Simplification of business start up and licensing procedures, including the **“one-stop shop”** (PTSP) licensing provision at BKPM, **60% reduction** of application forms (from 38 to 15 forms).
- Establishing an **Investor Relation Unit** at BKPM for information, facilitation and queries handling from existing and potential investors.
- Rolling-out of **Electronic Information Services** and Investment Licensing (SPIPISE) in **105 PTSP** throughout Indonesia.
- Helping **contain various obstacles** and giving **consultation** on problems investors face in the conduct of investments.
- Facilitating **foreign workers permit**.
- Launching of **investment tracking system** and followed by its implementation in **other Ministries and Regional Governments**.



# Improvement of Investment Service



**One-Stop  
Integrated  
Services**



# Thank You



Indonesia Investment Promotion Centre (IIPC)

## Badan Koordinasi Penanaman Modal (BKPM)

Indonesia Investment  
Coordinating Board

Jl. Jenderal Gatot Subroto No. 44  
Jakarta 12190 - Indonesia

t . +62 21 525 2008

f . +62 21 525 4945

e . [info@bkpm.go.id](mailto:info@bkpm.go.id)

[www.bkpm.go.id](http://www.bkpm.go.id)





# **Appendix 1: BKPM support services for foreign investors (detailed)**



## 3-hour Service (I23J)

Available for investors with minimum (new or expansion project) investment of IDR 100 billion (USD 8 million) and/or employing 1,000 local workers.

Or supplier of the existing manufacturing company with minimum investment of IDR 100 billion (USD 8 million) and/or employing 1,000 local workers.

**No requirements for investment in infrastructure sector.**



- **Arrive** at One-stop Integrated Service at BKPM directly from the airport.
- **Consult** with Director of Investment Service.
- **Submit** the required documents & data.



**Wait** at the lounge while documents are processed by BKPM, in-house notary, ministries, & other government institutions.



**Obtain** eight documents & letter of land availability within three hours to start your business.

**8** permits obtained + **1**

### Certainty to start a business

- Investment license
- Certificate of incorporation
- NPWP / Tax registration
- TDP / Company registration

### Certainty to work

- RPTKA / Employment plan
- IMTA / Working permit

### Certainty to import capital goods

- APIP / Import identification
- NIK / Customs registration

### Accurate land Information

- Letter of land availability

**Source:** Chairman BKPM Reg. No. 6/2015 on Principle License

The Indonesia Investment Coordinating Board (BKPM)

# Investment Priority Service

## 3-hour Investment Licensing Service for Infrastructure

No Minimum investment or workers requirement



Currently there are **three sectors** is eligible and **one documents** can be obtained with three-hour service.



Ministry of Energy and Mineral Resources (MEMR) Regulation No. 15 of 2016 regarding three-hour license service in Energy and Mineral Resources. Sectors/license that is available:

- Geothermal sector (IPB),
- Electricity producer (IUPTL-S),
- Electricity transmission sector (IUPTL-S),
- Temporary downstream oil and gas business licenses.

## Direct Construction (KLIK)

Investors can directly start their project construction before obtaining construction permits. This service is supported by both **Central and Regional Governments**.

### No Requirements

- No minimum investments or workers is required.
- Available for **selected industrial parks**.
- Construction permits can be obtained in parallel with construction process.



**Obtain** investment licence at One-stop Integrated Service (PTSP) at national or regional level.

- **Survey** a land within selected 14 industrial parks (in North Sumatera, Banten, West Java, Central Java, East Java and South Sulawesi).
- **Acquire** the land for your industry.

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



# Industrial Estates (IEs) for KLIK in the 1<sup>st</sup> Phase



## 1 North Sumatera Prov. (1 IE, Total Area 100 ha)

Medan Industrial Estate/KIM  
(Available Land: 100 ha)

## 3 West Java Prov. (3 IE, Total Area 3.170 ha)

1. Bekasi Fajar Industrial Estate/BFIE (Available Land, 300 ha)
2. Delta Silicon 8 (Available Land, 158 ha)
3. Karawang Internasional Industrial City/KIIC (Available Land, 293 ha)
4. Suryacipta City of Industry/SCI (Available Land, 300 ha)
5. GT Tech Park @ Karawang (Available Land, 100 ha)

## 2 Banten Prov. (3 IE, Total Area 3.170 ha)

1. Modern Cikande Industrial Estate/MCIE (Available Land 1.800 ha)
2. Wilmar Integrated Industrial Park/WIIP (Available Land 800 ha)
3. Krakatau Industrial Estate Cilegon/KIEC (Available Land 570 ha)

## 5 East Java Prov. (1 IE, Total Area 1.761 ha)

KI Java Integrated Industrial and Port Estate/JIPE (Available Land, 1.761 ha)

## 4 Center Java Prov. (3 IE, Total Area 840 ha)

1. KendalIndustrial Park/KIP (Available Land, 700 ha)
2. Bukit Semarang Baru/BSB (Available Land, 40 ha)
3. WijayakusumaIndustrial Estate/KIW (Available Land, 100 ha)

## 6 South Sulawesi Prov. (1 IE, Total Area 3.000 ha)

Bantaeng Industrial Park (BIP)  
(Available Land:3.000 ha)

### Note:

- KLIK is a Fast – Track Project Construction investment facility. By KLIK, a company deserves the ease to carry out direct construction while processing technical licensing (Construction Permit, Environmental Permit, and others) in parallel, and must be met before a company is ready for commercial production.
- 14 IEs for KLIK are located in 6 provinces and 9 districts/municipalities with total area 10.022 ha.

# Industrial Estate with KLIK Facilities (data may change anytime, exclude 10% VAT)



No	Industrial Estate	Sell Price USD/M <sup>2</sup>	Lease Price USD/M <sup>2</sup>	Total Area (ha)	Available Area (ha)
1	Java Integrated Industrial and Port Estate	150	7.5/year	2,993.27	1,761.4
2	Kendal Industrial Park	110	3.5/month	2,700	860
3	Bukit Semarang Baru Industrial Estate	193	-	115	40
4	Wijayakusuma Industrial Estate	115	2.4 – 3.1/month	250	100
5	Karawang Industrial City (KIIC)	Negotiable	Negotiable	1,470	293
6	Bekasi Fajar Industrial Estate	269	5.76/month	1.500	300
7	Delta Silicon 8 Industrial Park	223	-	230	158
8	GT Tech Park at Karawang Industrial Park	170 – 220	-	400	100
9	Suryacipta City of Industry	170	7.25/month	1.400	100
10	Krakatau Industrial Estate Cilegon	150 - 200	3.5 – 4/month	1,152	563
11	Modern Cikande Industrial Estate	152	-	3,175	1,975
12	Wilmar Integrated Industrial Park	150-175	15-20 /year	1.748	800
13	Medan Industrial Estate	144	2.4/month	780	100
14	Bantaeng Industrial Park	4-15	-	3.000	3.000

## CUSTOMS CLEARANCE

Four customs checking status:

- **Red lane** is for new companies.  
Physical & document checks before transported from ports.

- **Yellow lane**  
Document check before goods transported from ports.

- **Green lane**  
Document check after goods transported from ports.

- **Main Partner**  
New Facility:  
**Priority Status upgrade**  
with proven track record. No checking required.  
from red to green lane for new companies under construction

## Import Facility for Capital Goods

**Acceleration and certainty in custom clearance process**

**Faster & Certain**

- Capital goods **do not** require screening.
- Cutting the processing time from 3-5 days to only **30 minutes**.

**Simple requirements**

- Projects under construction
- Obligated in reporting quarterly investment activities (LKPM)
- Recommendation from BKPM







# **Appendix 2:**

# **Foreign**

# **investment**

# **regulations**



# GENERAL INVESTMENT POLICIES

**Equal treatment for both FDI and DDI**

**FDI must refer to Negative Investment List**

**Minimum investment of Rp 10 Billion**

- (Approx. USD 1 Million) with minimum paid-up capital of Rp 2.5 Billion (approx. USD 250,000.00)

**Obtain Investment Licenses from National and Regional One-Stop-Services**

**Must be established in the form of Limited Liability Company (PT)**

**Allowed to employ expatriate(s)**

**Guarantee of no expropriation**

**Guarantee to freely transfer and repatriate**

- capital, profit, dividend, interest & royalty

**Must consider Corporate Social Responsibility (CSR), respect local culture and preserve environment**

Law No25/2007 on Investment  
Presidential Reg. No. 39/2014 on Negative Investment List  
Chairman BKPM Reg. No.14 & 15/2015 on Investment Licensings



# TAXATION

## Value Added Tax (VAT): 10%

## Corporate Income Tax: 25%

- Reduced to 20%, if at least 40% of the company's shares are traded in the Jakarta Stock Exchange.
- Reduced to 12.5%, if the gross turnover reaches at least Rp50 Trillion annually.

## Personal Income Tax

- Progressive from 5%, 15%, 25% and 30%.

# DUTIES

## Import

- Import of raw material from ASEAN countries is levied with lowest import duty ranging from 10%, 5% or 0%, and to be exempted by 2015 (from ASEAN countries only).

## Export

- Exported goods are exempted from export duty, except for certain commodities such as: leather products, timber products, cocoa nuts, CPO & its derivatives and mineral ores.

# FRAMEWORK FOR INVESTMENT FISCAL INCENTIVES

## TAX HOLIDAY

Law No. 25/2007, GR No. 94/2010  
MoF Reg No. 159/PMK.010/2015

**5-15** Year  
**~20** Amenities tax deductions,  
commencing from  
commercial production

**10-**  
**100%** Reduction of corporate  
income tax from the  
amount of corporate  
income tax payable

### Pioneers Industry:

1. Metal Industry Upstream
2. Petroleum Refining Industry
3. Basic Organic Chemical Industry sourced from Petroleum and Natural Gas
4. Machinery Industry that produces industrial machinery
5. **Manufacturing is based on Agriculture, Forestry, and Fisheries**
6. Telecommunications Information and Communication Industry
7. Marine Transportation Industry
8. Manufacturing Are the Primary Industry in Special Economic Zones
9. Infrastructure Economic Cooperation Scheme Using other than the Government and Enterprises (KPBU)

IDR **1** Trillion  
Minimum Investment Plan

## TAX ALLOWANCE

GR No. 9/2016

**30 %** Of the investment value  
Reduction of corporate tax  
from net profit for 6 years  
(5% per year)

**143** The business sectors are  
eligible for a tax allowance (14  
segments increased from the  
previous regulations)

- An additional period of 1-2 years may be granted under certain requirements, among others: the business is done in an industrial area and / or the bonded area, using local raw materials component min.70%, absorbing Indonesian workers 500/1000 of people, the cost of R and D min.5%, business expansion was financed from profits after tax, min.30% of total export sales.

## IMPORT DUTY FACILITY

MoF Reg No. 76/PMK.011/2012

Machinery, goods, materials for the production of 2-year or 4-year tax exemption for companies that use a machine with a local component (min.30%)

### Industry

Producing goods and / or services, including:

1. Tourism and culture
2. Public transport
3. Community health services
4. Mining
5. Construction
6. Telecommunication
7. Port
8. Assembly industry of motor vehicles (including motor vehicle parts industry)

## REGIONAL INCENTIVES

GR No. 45/2008

Local Government can provide local incentives, as follows:

Providing incentives can take the form:

1. Reductions, waivers, or local tax exemption
2. Reduction, relief or exemption levies
3. Funding stimulant
4. The provision of capital

Provision of facilities can be:

1. Provision of data and information on investment opportunities
2. Providing facilities and infrastructure
3. The provision of land or location
4. Providing technical assistance
5. Acceleration in licensing

# TAX ALLOWANCE FOR FISHERY SECTOR

## INDONESIAN GOVERNMENT REGULATION NUMBER 9 OF 2016 CONCERNING THE AMENDMENT TO GOVERNMENT REGULATION NUMBER 18 OF 2015 REGARDING INCOME TAX FACILITIES FOR INVESTMENT IN CERTAIN BUSINESS FIELDS AND / OR IN CERTAIN REGIONS

Business Field	ISIC	Product Coverage	Regional / Provincial	Requirements
<b>FISHERY</b>				
Catching Pisces / Finned Fish in the Sea	03111	All kinds of fish (Pisces) except sharks.	Aceh, North Sumatra, Riau, West Sumatra, Jambi, Lampung, Bangka Belitung, West Java, Central Java, East Java, Bali, West Nusa Tenggara, East Nusa Tenggara, Maluku, Papua, West Papua, West Kalimantan, East Kalimantan, North Kalimantan, North Sulawesi, Gorontalo, South Sulawesi, Southeast Sulawesi, North Maluku.	Domestic and foreign investments that carry out pattern integrated capture fishery business with a minimum of 1 KBLI between KBLI follows: 10 211, 10 212, 10 213, 10214, 10219, 10221.
Catching Crustacean in the Sea	03112	All types of crustaceans.	Aceh, North Sumatra, West Sumatra, Bengkulu, Lampung, Banten, West Java, Central Java, the Special Region of Yogyakarta, East Java, Bali, West Nusa Tenggara, East Nusa Tenggara, Maluku, Papua, West Papua.	Domestic and foreign investments that carry out pattern integrated capture fishery business with minimal 1 KBLI between KBLI below: 10221, 10293, 10 299.
Catching Mollusca in the Sea	03113	All types of molluscs.	Aceh, North Sumatra, West Sumatra, Bengkulu, Lampung, Banten, West Java, Central Java, the Special Region of Yogyakarta, East Java, Bali, West Nusa Tenggara, East Nusa Tenggara, Maluku, Papua, West Papua, Southeast Sulawesi.	Domestic and foreign investments that carry out pattern integrated capture fishery business with minimal 1 KBLI between KBLI below: 10221, 10293, 10299.
Sea fish fattening	03211	<ul style="list-style-type: none"> <li>- Grouper</li> <li>- White snapper</li> <li>- Bawal Bintang.</li> </ul>	Aceh, North Sumatra, Riau Islands, Bangka Belitung, Lampung, Banten, Jakarta, West Java, Central Java, East Java, West Kalimantan, East Kalimantan, North Kalimantan, Bali, West Nusa Tenggara, East Nusa Tenggara, Gorontalo, North Sulawesi, Central Sulawesi, Southeast Sulawesi, West Sulawesi, South Sulawesi, Maluku, North Maluku, Papua, West Papua.	
Fattening fresh water fish in keramba cage	03222	<ul style="list-style-type: none"> <li>- Nila</li> <li>- Patin</li> </ul>	North Sumatra, West Sumatra, South Sumatra, Jambi, Lampung, West Java, Central Java, East Java, South Kalimantan, Central Kalimantan.	



# LAND TITLE REGISTRATION

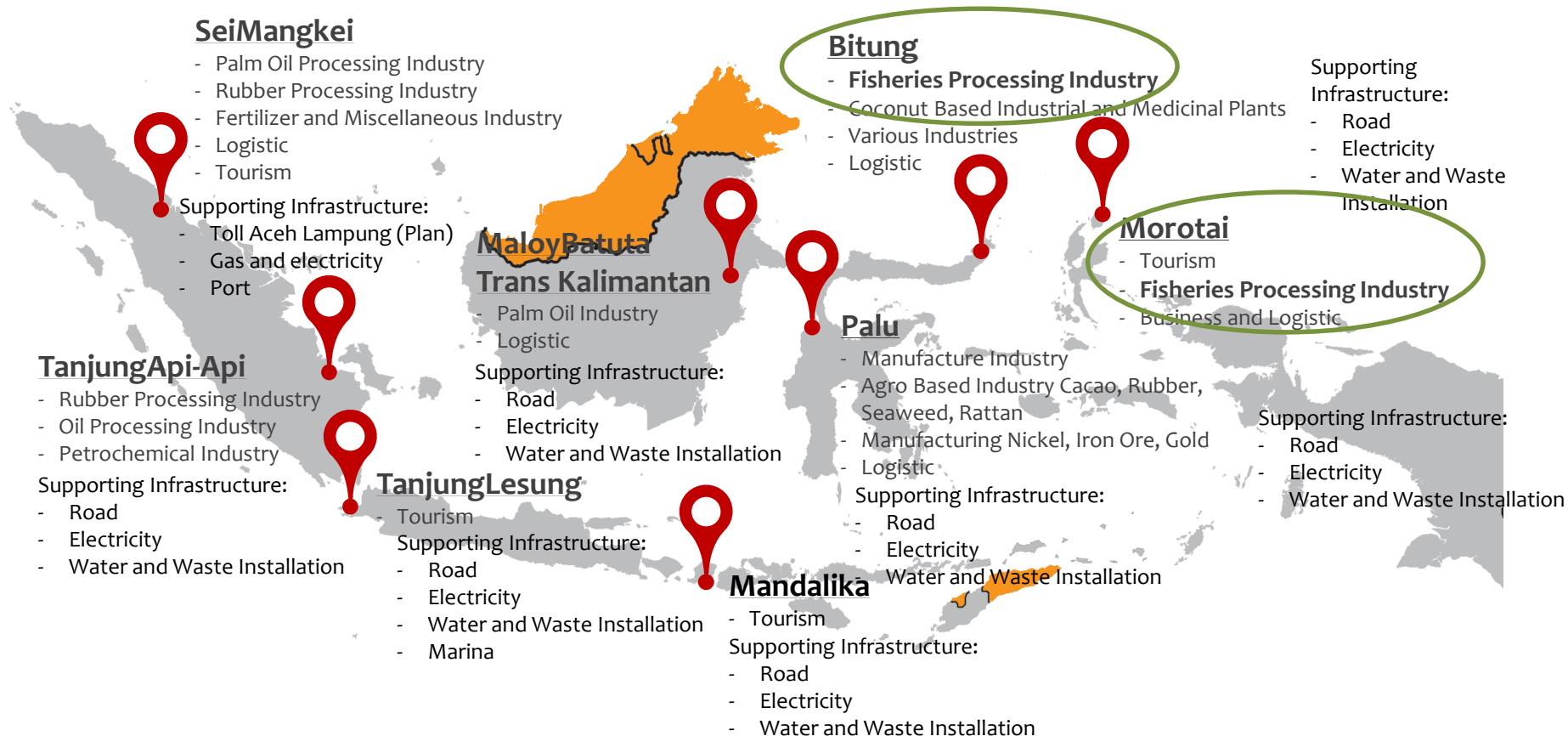
1. **Right of Ownership (“Hak Milik”) Certificate;** freehold, only applied for Indonesian individuals.
2. **Right to Manage (Hak Pengelolaan or “HPL”) Certificate;** leasehold, only applied for Indonesian state-owned or regional government-owned enterprises.
3. **Right to Cultivate (Hak Guna Usaha or “HGU”) Certificate;** leasehold
  - Entitled for Indonesian Limited Liability Company (local, foreign, JV) to cultivate, harvest and own agribusiness products on the purchased land.
    - Granted for the period of 35 years, can be extended to another 25 years, and renewable to 35 years.
4. **Right to Build (Hak Guna Bangunan or “HGB”) Certificate;** leasehold
  - Entitled for Indonesian Limited Liability Company (local, foreign, JV) to build and own all buildings and facilities on the purchased land.
  - Granted for the period of 30 years, can be extended to another 20 years, and renewable to 30 years.
5. **Right to Use (“Hak Pakai”) Certificate;** leasehold
  - Entitled for any Indonesian Limited Liability Company (local, foreign, JV), foreign individuals, foreign representative to use land and own all buildings and facilities on the purchased land for office or house.
  - Granted for the period of 25 years, can be extended to another 20 years, and renewable to 25 years.

\* The land titles are registered at the Regional Land Office (subordinate of the National Land Office, *Badan Pertanahan Nasional* or “BPN”).

\*\* Land transaction must be processed by a Land Deed Official (*Pejabat Pembuat Akta Tanah* or “PPAT”). Most notaries are PPAT officials but PPAT officials need not be notaries. In rural areas, PPAT officials are often local government officials, such as the “camat” (a district head) or the head of the Regional Land Office, who has jurisdiction in the district in which the property is situated.

(Agrarian Law No. 5 1960)

# EXISTING SPECIAL ECONOMIC ZONE (SEZ)



Source: Bappenas, 2015



# NEW SPECIAL ECONOMIC ZONE (SEZ)



Source: Bappenas, 2015



# NEGATIVE INVESTMENT LIST (PRESIDENTIAL REGULATION NO. 44/2016)

## Marine and Fisheries Business Field with the **Partnership** Terms for Investment

No.	Business Field	ISIC
1	Marine Fish Hatchery	03212
2	Brackish Water Fish Hatchery	03525
3	Freshwater Fish Hatchery	03226
4	Sea Fish Fattening	03211
5	Brackish Water Fish Fattening	03251
6	Freshwater Fish Fattening	03221
7	Fishery Products Processing Enterprises (UPI): Drying Fish Salting Industry and Other Aquatic Biota	10211
8	Fishery Products Processing Enterprises (UPI): Fish Fumigation Industry and Other Aquatic Biota	10212
9	Fishery Products Processing Enterprises (UPI): industrial fermentation / Fermentation Products Cooking Fish and Other (for effort extraction and jelly fish)	10215 10779
10	Fishery Products Processing Enterprises (UPI): Meat-based industries pulverized and Surimi	10216
11	Marketing, Distribution, Wholesale and Export of Fishery Products	46206

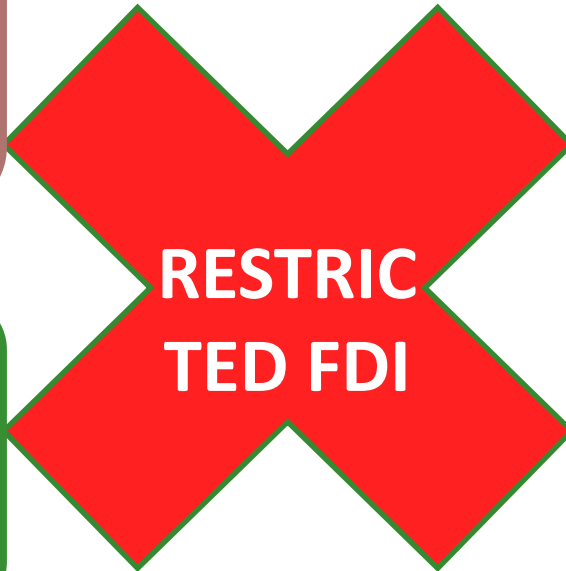
No.	Business Field	ISIC	
1	Fishing by using fishing ship in Indonesian territory and seas	03111	100% domestic capital and special permits from the Ministry of Maritime Affairs and Fisheries regarding the allocation of fish resources and the coordinates of fishing areas

# Areas restricted or closed for foreign direct investment

Certain types of activities are closed or restricted to FDI. Key areas relevant to the livestock sector are detailed below. BKPM can provide further details and answer your questions

1. Operations growing certain crops on a scale > 25 hectares (ha.) limited to 49% foreign ownership, including:
  - Rice
  - Corn
  - Soybeans and green beans

2. Agriculture genetic resources and R&D – maximum 49% foreign ownership and subject to recommendation from the Minister of Agriculture



3. Pig Breeding and Farming – foreign ownership only allowed where livestock quantity is greater than 125, and subject to local regulations

4. Construction of warehouses and industrial buildings limited to 67% foreign ownership

5. Ownership of warehousing and cold storage facilities limited to 33% foreign ownership