Key Note Speech on:

Training Workshop on Investment Facilitation Negotiation

April 1, 2019, Le Meridien Hotel

Domestic Reforms for Investment Facilitation in Indonesia

Good morning Ladies and Gentlemen,

On this good occasion, let us give thanks to the presence of God Almighty who has given us health and opportunities to enable us to be in this place to attend the Training Workshop on Investment Facilitation Negotiation.

This Workshop is held by Directorate of Multilateral Negotiation, Ministry of Trade in cooperation with Canada – Indonesia Trade and Private Sector Assistance (TPSA) that aimed to improve stakeholders' understanding and knowledge of the development of negotiations, best practices and rule making processes related to investment facilitation. On this opportunity, I would like to thank the Ministry of Trade and TPSA for holding the Workshop and hope it would make a benefit for all of the participants.

Ladies and Gentlemen,

Investment facilitation is the set of policies and actions aimed at making it easier for investors to establish and expand their investments, as well as to conduct their day-to-day business in host countries. It focuses on alleviating ground-level obstacles to investment, for example through improvements in transparency and information available to investors, more efficient and effective administrative procedures for investors, or enhanced predictability and stability of the policy environment for investors.

For Indonesian experiences in handling investment facilitation and regarding to the topic "Domestic Reform for Investment Facilitation in Indonesia", let me start with:

What has been done so far?

Based on surveys and sampling of investment cases, in principal there are 3 main obstacles in the establishment of investment, which are licensing issue, land acquisition issue and regulatory/policy issue. To overcome such obtacles as well as to improve the investment facilitation, the Government in August 2017 launched its 16th economic policy package to facilitate business activity and attract further investments into the country. The package was also aimed at creating an integrated licensing system and supervising the transition from a manual licensing system to an online system (Online Single Submission/OSS). This would remove obstacles in the issuance of business permits while improving transparency and coordination between the central and regional authorities.

The Online Single Submission (OSS) licensing system that had been effective since June 21, 2018 is based on: 1). Presidential Regulation No. 91/2017 on the Acceleration of Business Implementation; 2) Government Regulation No. 24/2018 on the Electronically Integrated Business Licensing Service; and the implementing BKPM Regulations. The regulations brings in major changes to all the aspects of business regulation and supervision in Indonesia.

The OSS system, a web-based platform that integrates all business licensing, enables the simultaneous issuance of permits both at the central and regional government levels. It is expected to simplify the licensing process and make it paperless. Some principles of business license issuance through OSS are:

1. The OSS System is a processor which holds the principle of "self declaration" to the investors applying for a license. ***This means that the investor must provide valid information.***
2. OSS issues the business license upfront before the investor fulfils the requirements for the business license.
3. The Investor who has obtained a business license must then fulfil the commitment along with the requirements necessary.

4. If the investor fails to follow through with the commitment, then the business license will be null and void.
5. There will be a post audit by the local government officials who will monitor the progress of the investor's commitment.

The new system will help investors in obtaining several key permits, including the location, environment, and building permits, within one hour of submitting all the required data. Once these permits are obtained, the business and commercial/operational permits will be activated. This will enable investors to immediately start preparations to run their business in Indonesia while awaiting formal documents. It will also reduce processing time drastically for permits.

The Government policies have already seen Indonesia improve its rank in the World Bank's 'Ease of Doing Business' Index from 106th in 2016 to 72nd in 2018 according to the World Bank's latest report entitled "Doing Business 2018: Reforming to Create Jobs". Additional measures such as the launch of the OSS system can help further improve the country's ranking and attract more investments.

In 2019, Indonesia has made some reformations to promote its ease of doing business, by these following improvements:

a. **Starting a business easier** by combining different social security registrations (BPJS) and by reducing notarization fees. Different registrations were also combined at the one-stop shop (SIUP and TDP).
b. **Registering property easier** by reducing the time to solve land disputes at the First Instance Court (*Pengadilan Negeri*) and enhanced the transparency of the land registry.
c. **Improved access to credit information** by distributing data from retailers and utility companies.

Compared with the previous years, there are 6 ease of doing business indicators that have increased. There are rooms for improvement in every indicators, especially indicators that have declined compared to those in the previous year.

Ladies and Gentlemen,

What to expect in the future?

In order to reinvent Indonesia's investment facilitation strategy, there are several aspects that need to be encouraged and maintained, namely:

1) **Regulatory Reform,** which can be achieved through **deregulation**, a process of conducting a thorough and comprehensive analysis of national regulation and determining how to improve certainty and reducing administrative burden, as well as, **harmonization** between national regulation with Indonesia's commitment in international treaties.
2) **Improvement of Investment Climate,** by the engagement in international treaties that includes the element of facilitation, apart from protection, liberalization, and promotion. Some of the treaties involving Indonesia that include such element are ANZAFTA and ACIA.
3) **Synergy between State and Business,** through building constructive relationship between State and investor to understand and reflect investor's aspirations in the law making process. Such engagement will result in policies and regulations that accommodate investors' needs, thus promote Indonesia's investment climate.

Closing

Ladies and gentlemen, this is the end of my speech. Again, I hope this workshop will be beneficial for us all. Thank you for your attention and participation.