

Section 1



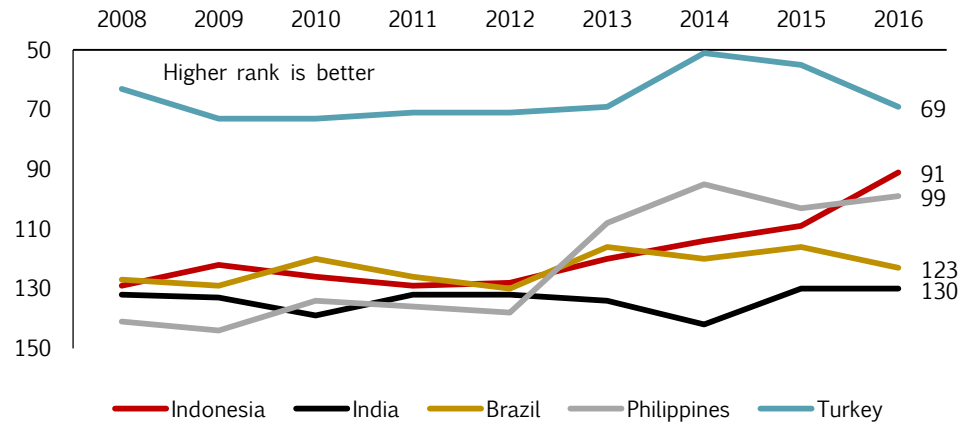
Institutional and Government Effectiveness: Accelerated Reforms Agenda with Institutional Improvement



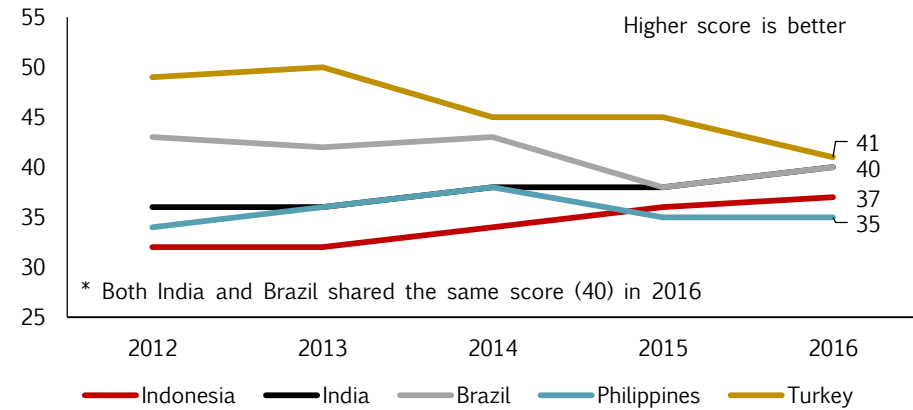
Positive Global Perception



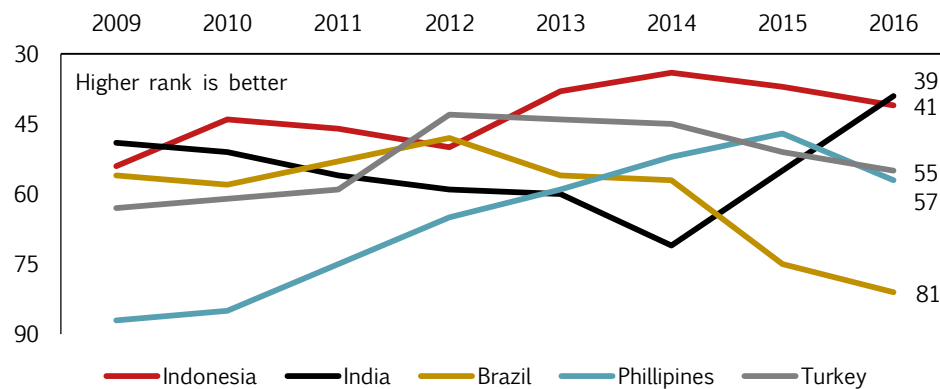
Ease of Doing Business¹



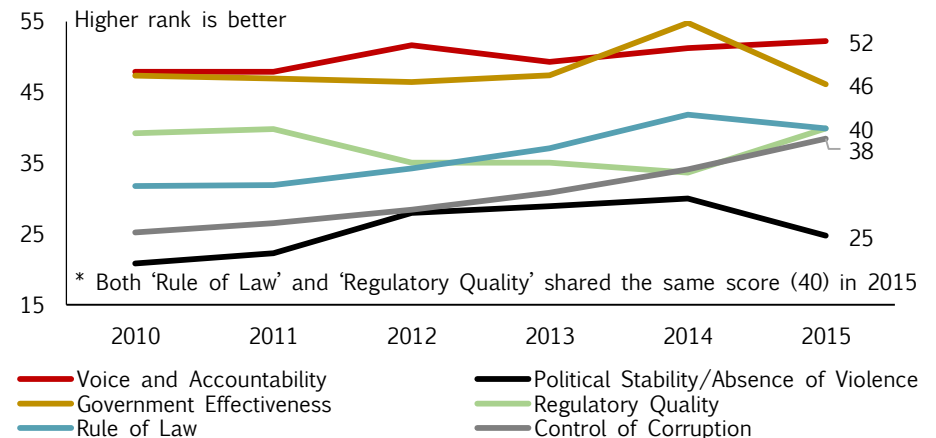
Corruption Perception Index²



Global Competitiveness Index³

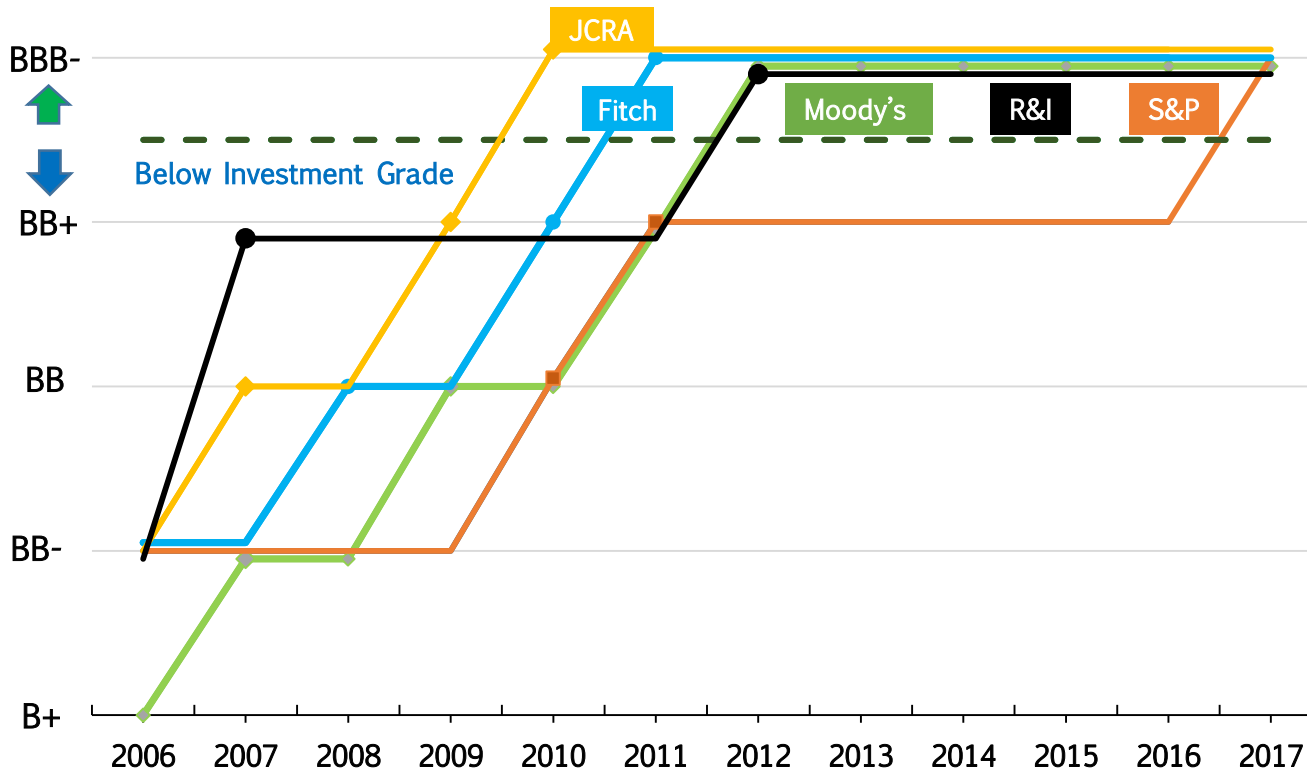


World Governance Indicators⁴



1. Source: World Bank - Doing Business 2017 Report;
2. Source: Transparency International - Corruption Perceptions Index 2016 Report;
3. Source: World Economic Forum -The Global Competitiveness Report 2016 - 2017
4. Source: World Bank

Investment Grade Status From Rating Agencies



Moody's

Baa3 / Positive

Feb 2017, Baa3, Outlook Revised to Positive

"We changed the outlook on Indonesia's sovereign rating to positive from stable to reflect emerging signs of a reduction in structural constraints, including its level of external vulnerability and the strength of its institutions."

FitchRatings

BBB- / Positive

Des 2016, BBB-, Outlook Revised to Positive

"Key drivers of the Positive Outlook are the build-up of a track record of macroeconomic stability in the past few years, and a strong structural reform drive since September 2015."

S&P Global Ratings

BBB- / Stable

May 2017, BBB-, Rating Upgraded

"We raising the long-term sovereign credit to BBB- as the Indonesian authorities have taken effective expenditure and revenue measures to stabilize the public finances despite the terms of trade shock."



BBB- / Positive

April 2017, BBB-, Outlook Revised to Positive

"Indonesia's macroeconomics stability has been maintained for several years. Its external position is also improving. fiscal deficits have been reined in and government debt is low. In light of such factors, coupled with improved policy management, R&I has changed the rating outlook to Positive."



BBB- / Positive

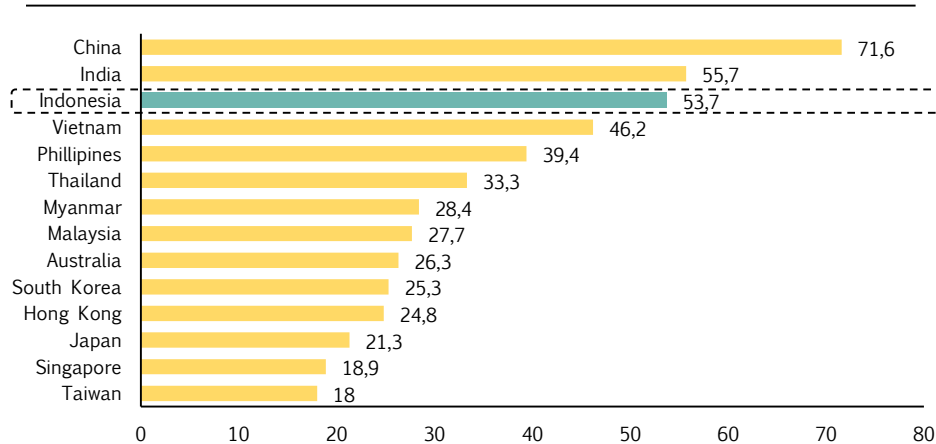
March 2017, BBB-, Outlook Revised to Positive

"JCR has changed the rating outlook from Stable to Positive, based on the recent improvement on the investment climate promoted by a series of Economic Policy Packages & the containment of private external debt brought by Bank Indonesia's prudential regulations on external borrowing."

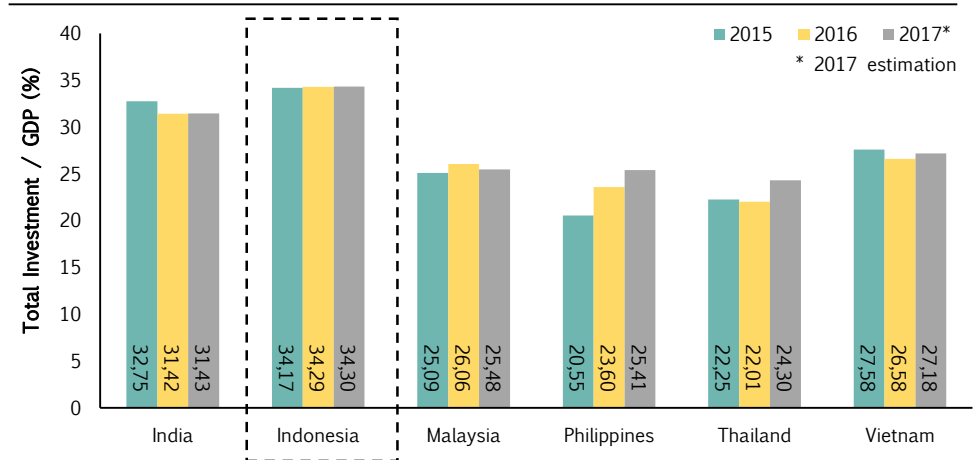
Indonesia Remains the Investment Destination of Choice



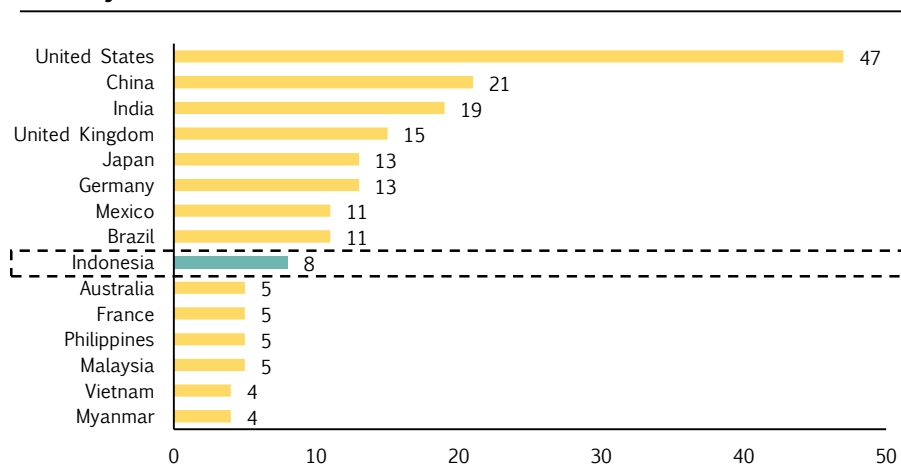
The Economist: Indonesia among the top 3 destination for attracting investors in Asia (January 2017)¹



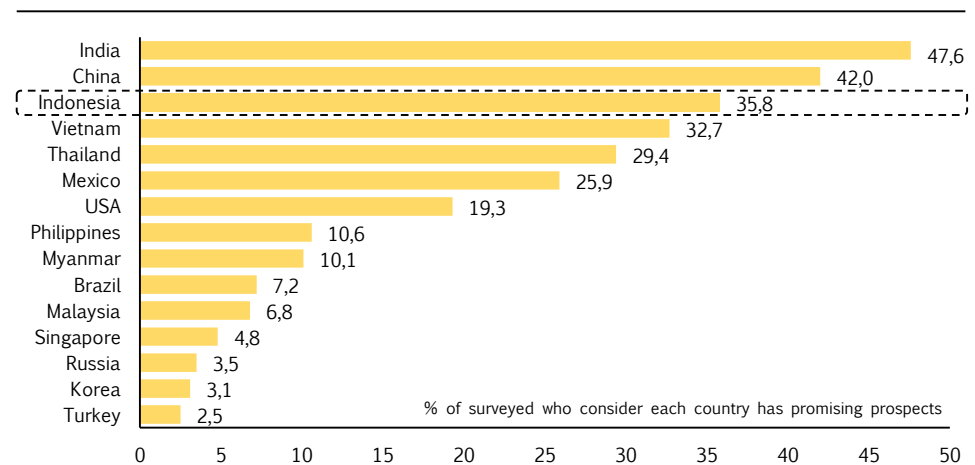
Indonesia Enjoys Large Investments Relative to Peers within the Region²



UNCTAD: Indonesia among the top 10 investment destination country (January 2017)³



JBIC: Amongst ASEAN countries, Indonesia is the most preferred place for business investment (December 2016)⁴



1. Source: The Economist – Asia Business Outlook Survey 2017

2. Source: IMF World Economic Outlook, Database April 2017

3. Source: United Nations Conference on Trade and Development (UNCTAD) – World Investment Report 2016

4. Source: JBIC – Outlook for Japanese Foreign Direct Investment (28th Annual Survey)

National Strategic Development Plan (Nawa Cita)



The 3 Dimensions on Economic Development

Human Development

Education

Health

Housing

Character

Priority Sector Development

Food Security

Energy & Electrical Security

Maritime & Marine

Tourism & Industry

Water Security, Basic
Infrastructure & Connectivity

Equitable Development

Inter- Income Group

Inter-Region:
(1) Rural Area,
(2) Periphery,
(3) Outside Java,
(4) Eastern Area.

Necessary Condition

Legal Certainty &
Law Enforcement

Security & Order

Politic & Democracy

Governance

The Economic Policy Packages



“To improve national industry competitiveness, export and investment to generate significant economic growth”

Harmonizing Regulations	Simplifying Bureaucratic Process	Ensuring Law Enforceability
<p>Phase I (9 Sept '15) Improving national industry competitiveness</p> <p>Phase II (29 Sept '15) Easing permit requirement and simplifying export proceeds requirement</p> <p>Phase III (7 Oct '15) Boosting investment, spurring exports, and maintaining people's purchasing power</p> <p>Phase IV (15 Oct '15) Simplifying wage formula and expanding loans for small business</p> <p>Phase V (22 Oct '15) Improving industry and investment climate through tax incentives and deregulation on sharia banking</p> <p>Phase VI (5 Nov '15) Stimulating economic activities in border areas and facilitating strategic commodities availability</p> <p>Phase VII (7 Dec '15) Stimulating business activities in labor-intensive industries nation-wide through incentives in the form of accelerating land certification process for individuals</p>		<p>Phase VIII (21 Dec '15) Resolving land acquisition disputes, intensifying domestic oil production, stimulating domestic parts and aviation industries</p> <p>Phase IX (27 Jan '16) Accelerating electricity generation, stabilizing meat prices and improving rural-urban logistics sector</p> <p>Phase X (11 Feb '16) Revising the Negative investment List and improving protection for SMEs</p> <p>Phase XI (29 Mar '16) Stimulating national economy through facilitation to SMEs and industries</p> <p>Phase XII (28 Apr'16) Improving Indonesia's rank on Ease of Doing Business (EODB)</p> <p>Phase XIII (24 Aug '16) Low Cost Housing for Low-Income Communities</p> <p>Phase XIV (10 Nov '16) Roadmap for E-commerce</p>

Thematic Policy Issues on Deregulation



Six policy issues under Packages I-XIV:

improvement of



industry
competitiveness

widening of



investment

efficiency of



logistics sector

improvement of



tourism sector

expansion of



export

improvement of



society's
purchasing power

Next Phase of Policy Packages based on Sectoral and Thematic Issues

Education and
Vocational Training

Logistics

Agrarian reform

Energy

Industry, Manufacture,
Tourism, Fishery & Service
sector

Food

Invention, Innovation and
Creative Economy

Progress of the Economic Policy Packages*



TOTAL INITIAL REGULATIONS	215	I–XIV
REVOKED REGULATIONS	11	I–XIV
TOTAL REGULATIONS	204	I–XIV
SET	203	99%
50 TOTAL	PRESIDENTIAL LEVEL 49 FINISHED	99%
154 TOTAL	MINISTRIAL/INSTITUTIONAL LEVEL 154 FINISHED	100%
ON GOING DISCUSSION	1	1%

Initially, there are 215 regulations which need to be deregulated

Based on the further assessment, 11 regulations has been revoked from deregulation process

Total regulation subject to be deregulated: 204 regulations

As of February 6nd, 2017, deregulation of 203 regulations are finished (99%), comprising 49 regulations at Presidential level and 154 regulations at Ministrial/Institutional level

Unfinished regulations: Proposed Policy on E-commerce Roadmap

*as of February, 2017

Other Progress on Economic Policy Packages



Fair, Simplified & Projectable Wage System

14 Provinces have set 2016 Minimum Wage System in accordance to the Government Regulation (GR) No. 78/2015 (Kepulauan Riau, Kalimantan Barat, Nusa Tenggara Barat, Sumatera Barat, Jambi, Aceh, Kalimantan Selatan, Banten, Gorontalo, Nusa Tenggara Timur, Jawa Barat, Bali, Sumatera Utara, and Bangka Belitung)



Development of Special Economic Zone (SEZ)

- Total value of facilities and incentives for SEZs amounted IDR 33.8 trillion (as of September 2016)
- 18 companies benefitted from the simplification of fiscal incentive process with average processing time of 13.4 days (previously 2 years)



Export-Oriented Business Credit (KURBE)

State-owned train manufacturer PT Industri Kereta Api (INKA) in Madiun, East Java, has begun its first passenger train exports by shipping 15 train wagon to Bangladesh.



Deregulation on Logistics Sector

North Sulawesi has successfully exported coconut product through SOEs' joint program

Improving Investment Climate

...implement 3-hour investment licensing service to complement the One Stop Service (OSS)



Requirement for utilizing 3-hour Investment Licensing Service:

1. Minimum investment of IDR 100 billion (USD 8 million) and/or employing 1,000 local workers.
2. Application must be submitted directly by at least one candidate of the proposed company stakeholder



- **Arrive** at OSS 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 the business

2 documents needed

Investor identity as the prospective shareholders

- ID Card
- And/or Deed of Establishment (Indonesian company) or Article of Association (Foreign company)

Flowchart of business activities workflow

- Containing workflow from raw material production to the finished products



9 documents obtained

Certainty to start a business

- Investment license
- Certificate of incorporation
- NPWP/Tax Registration Number
- TDP/Company Registration

Certainty to Import capital goods

- APIP/Import identification
- NIK/Customs registration

Certainty to work

- RPTKA/Employment plan
- IMTA/Working permit

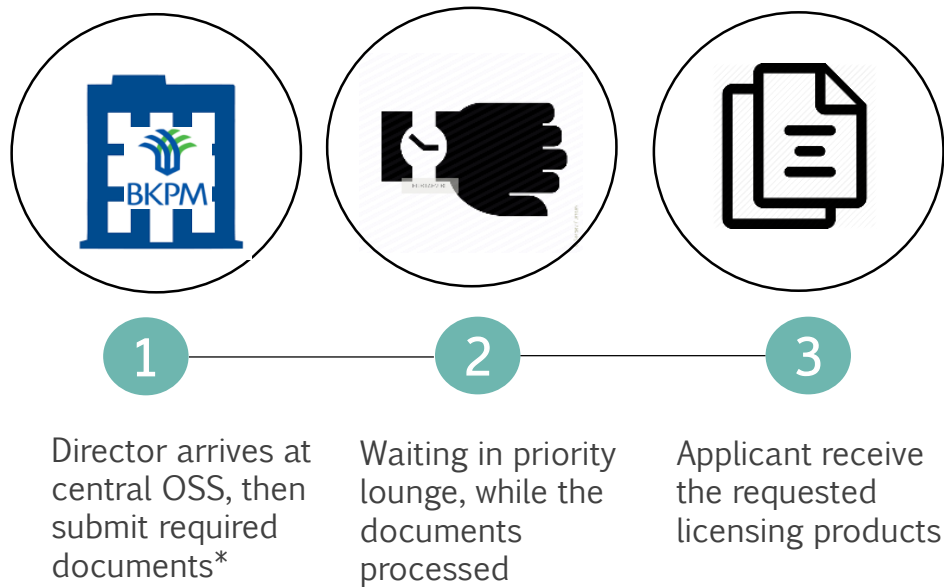
Accurate land information

- Letter of land availability

Until March 2017, 313 projects* have utilized the “3 hours services”

Improving Investment Climate

...implement 3-hour investment licensing service for Energy and Mineral Resources Sector



Note *: ESDM3J service is given if the company has fulfilled the checklist of administrative & technical requirements as regulated on MEMR Ministerial Decree No.15 of 2016

Until March 2017, 12 projects have utilized the 3 hours services for EMR Sector

9 Types of licensing issued by ESDM3J service

No.	Type of Licensing	Duration for regular service (work days)
1	Temporary Business License for Electricity	20
2	Temporary Business License for Oil/Fuel/LPG storage	32
3	Temporary Business License for Storage of Processed Products/CNG	32/40
4	Temporary Business License for LNG Storage	32
5	Temporary Business License for Oil Refinery	32
6	Temporary Business License for Processing Oil Residue Industry	32
7	Temporary Business License for Natural Gas Processing	32
8	Temporary Business License for General Trade of Oil/Fuel	40
9	Temporary Business License for General Trade of Processed Product	40

Improving Investment Climate

...implement Direct Construction Permit to attract investment in Industrial Estates



Priority Investment Service

Direct Construction (KLIK)

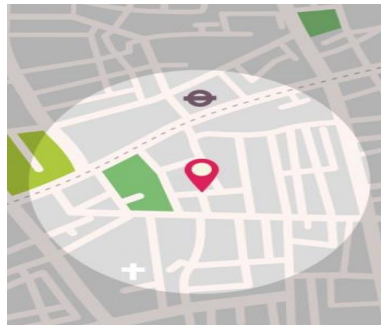
Investors can directly start their project construction before obtaining construction permits. This service is supported by both **Central and Regional Governments** which become the first step to synergize between central and local licensing

No Requirements

- No minimum investments or workers is required.
- Available for **32 selected industrial estates**.
- Construction permits can be obtained in parallel with construction process.



Obtain investment licence at OSS at national or regional level.



- **Survey** a land within selected industrial estates.
- **Acquire** the land for your industry.

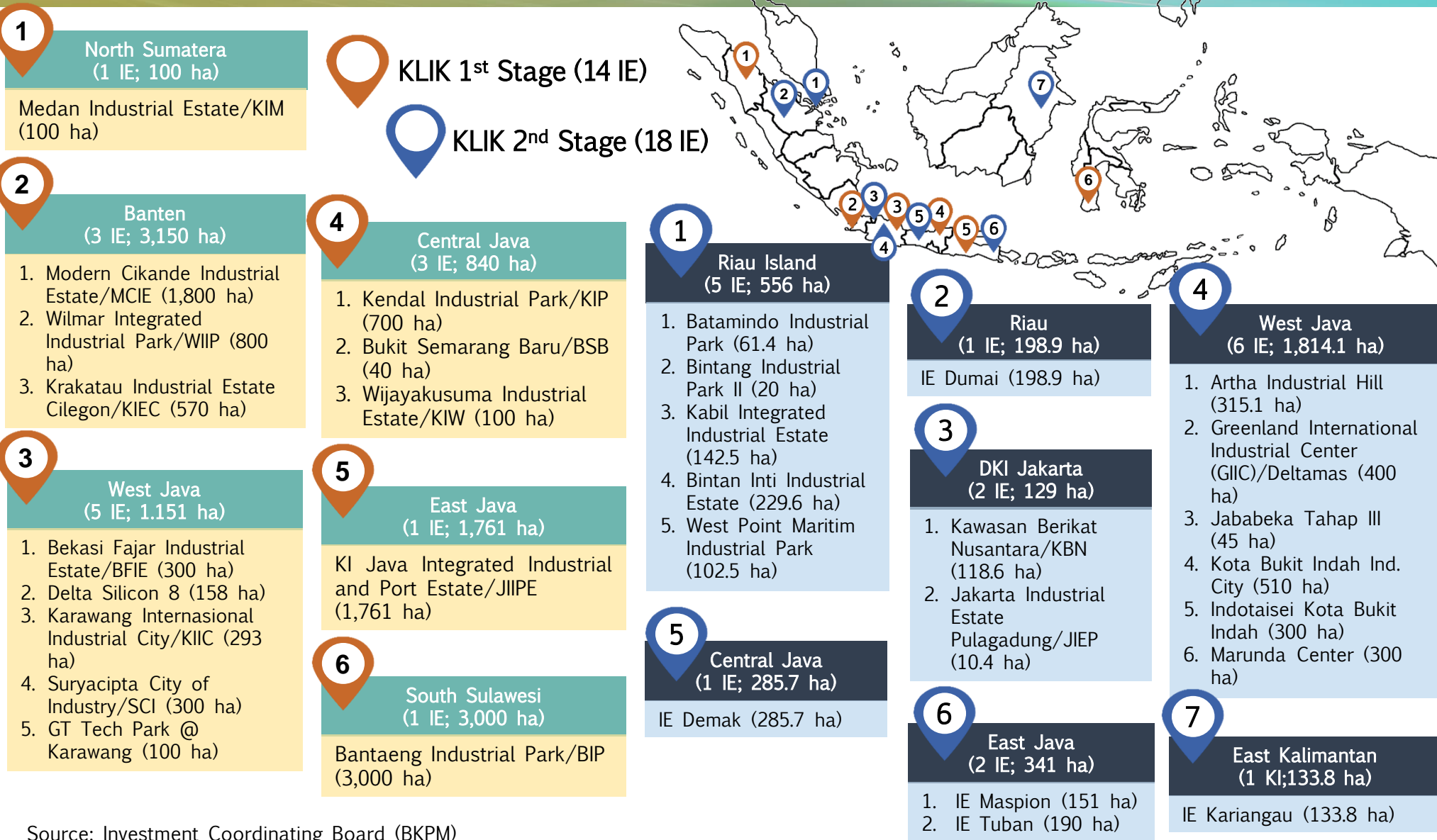


- **Start the construction** of your project. No other permits are required.
- **Apply** for building construction permit & environmental permit, in parallel with construction process.

Until March 2017, 85 projects have utilized the “KLIK services”

Improving Investment Climate

...Direct Construction Permit is expanded to 32 Industrial Estates (IE) throughout Indonesia



Improving Investment Climate

...Bonded Logistic Center to Improve Indonesia's Competitiveness

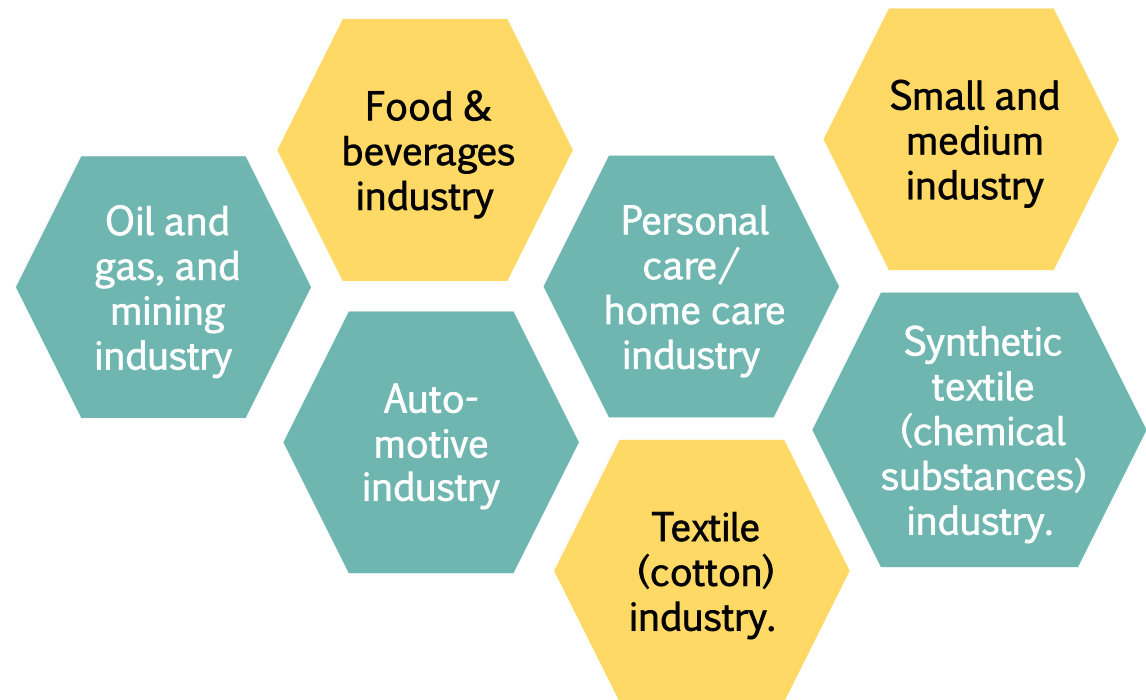


Bonded Logistic Center

(Pusat Logistik Berikat/PLB) is a facility provided by Ministry of Finance as part of the implementation of the 2nd Economic Policy Package.

PLB facility aims to improve efficiency and reduce the cost of transportation and logistics in Indonesia; support the growth of the domestic industry, including small and medium industries; increase investment; and to make Indonesia to become a logistics hub in Asia Pacific.

To date, 30 Bonded Logistic Center has been launched to support various industries.

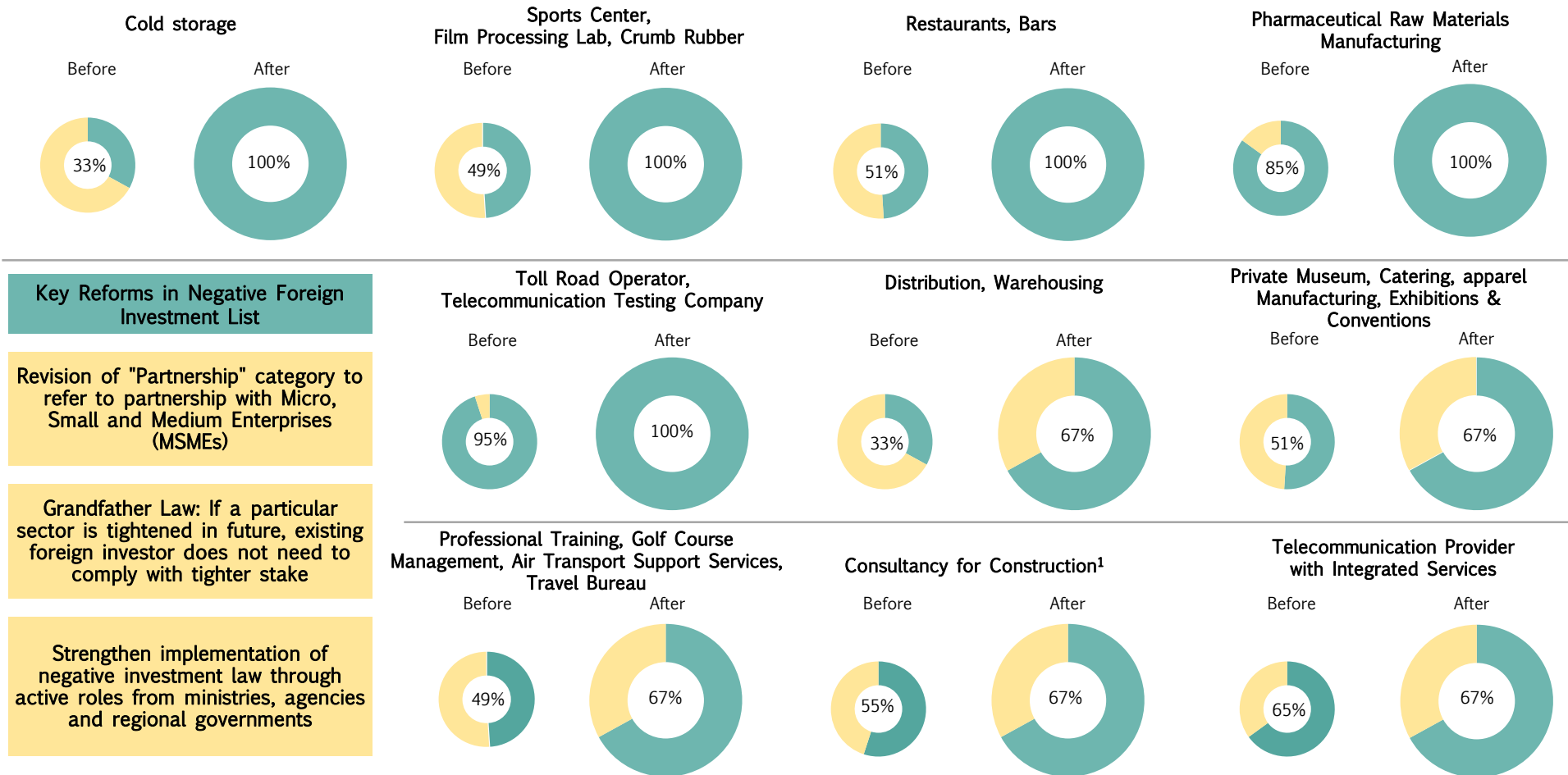


Improving Investment Climate

...revising the Negative Investment List



Introduction of New Foreign Ownership Regulation for Strategic Sectors



¹ For total project value of IDR10bn and above

Improving Investment Climate

...improving Indonesia's Rank on Ease of Doing Business (EODB)*



	EODB 2017 Rank	EODB 2016 Rank	Change in Rank		EODB 2017 Points	EODB 2016 Points	Change in Points	
Overall	91	106	↑	15	61.52	58.51	↑	3.01
Starting a business	151	167	↑	16	76.43	67.51	↑	8.92
Dealing with Construction Permit	116	113	↓	3	65.73	65.26	↑	0.47
Getting Electricity	49	61	↑	12	80.92	77.60	↑	3.32
Registering Property	118	123	↑	5	55.72	53.24	↑	2.48
Getting Credit	62	70	↑	8	60.00	55.00	↑	5.00
Protecting Minority Investors	70	69	↓	1	56.67	56.67	=	0
Paying Taxes	104	115	↑	11	69.25	64.47	↑	4.78
Trading Across Borders	108	113	↑	5	65.87	63.53	↑	2.34
Enforcing Contracts	166	171	↑	5	38.15	35.37	↑	2.78
Resolving Insolvency	76	74	↓	2	46.46	46.48	↓	0.02

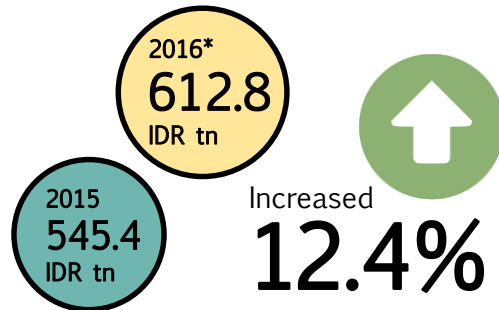
* Higher rank is better, EoDB 2017 was published in October 2016

- Government efforts to boost business growth through deregulations and de-bureaucratization have been recognized by the improvement of EODB
- Structural reforms will continue including in the budget and real sectors

Investment Achievement in 2016: Summary



Investment Growth

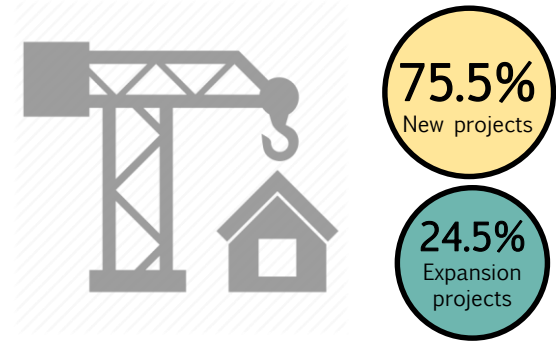


* 2016 investment target was IDR 594.8 tn

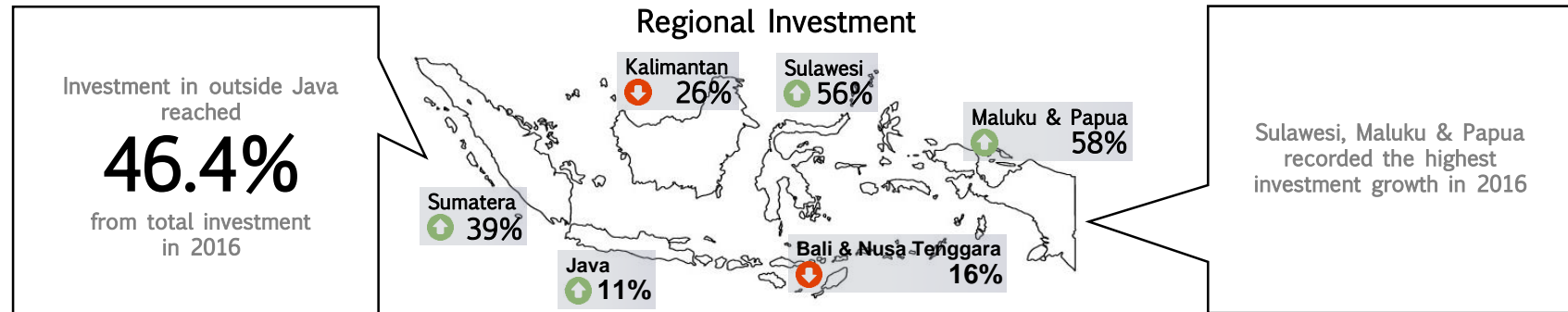
Workforce Absorption



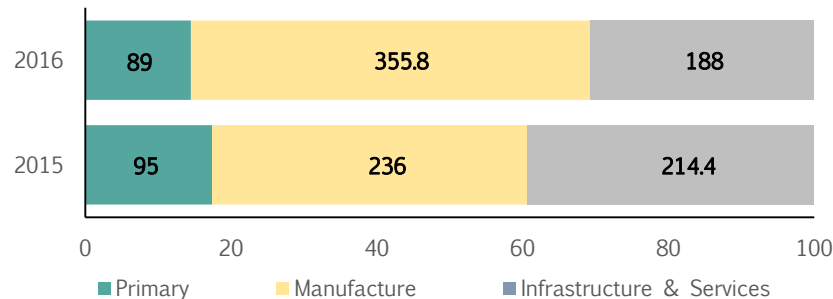
Investment in New Projects



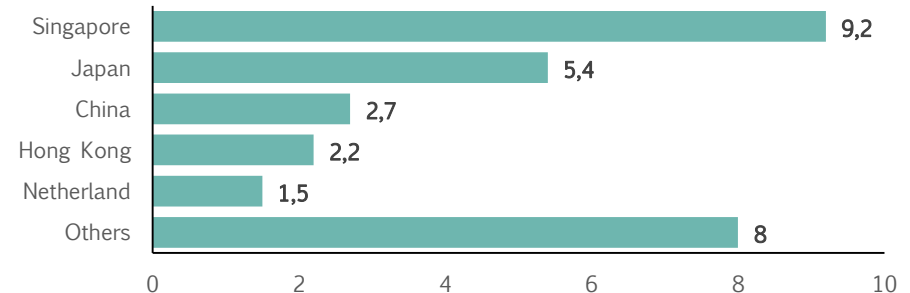
Regional Investment



Sectoral Contribution (IDR tn)



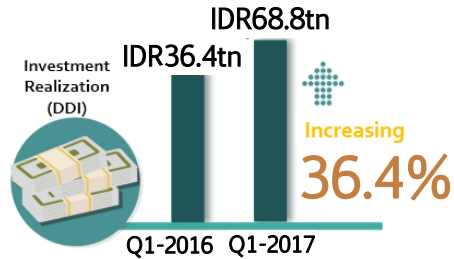
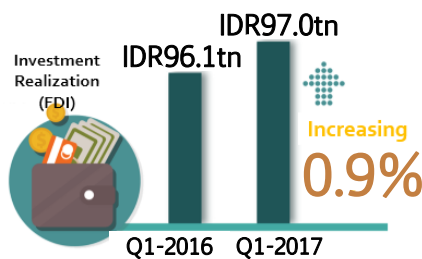
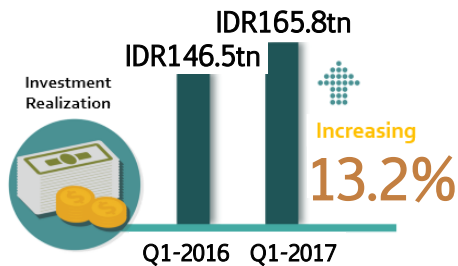
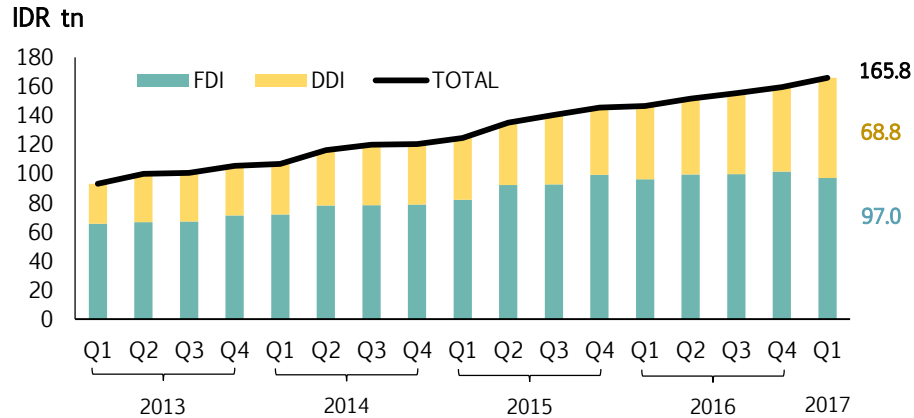
Investment Source (USD mn)



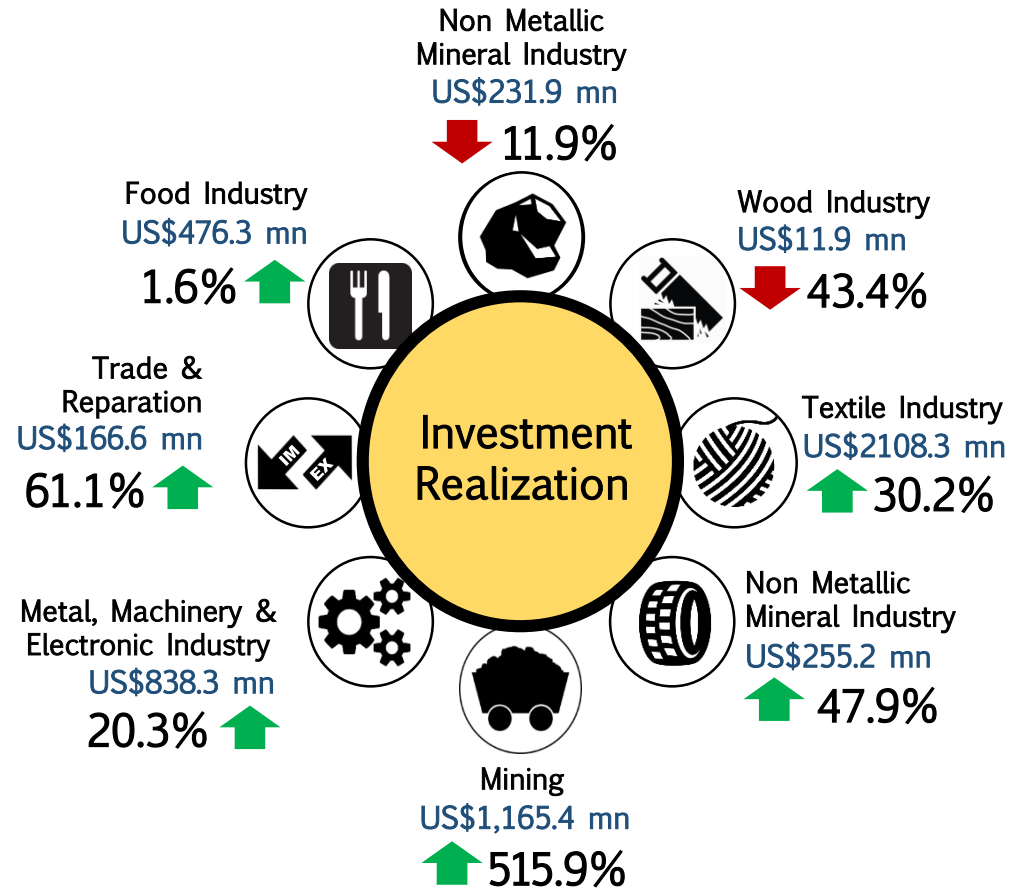
Improving Investment Realization (Q1-2017)



Rising Direct Investments¹



FDI Realization by Sectors



Source: Investment Coordinating Board (BKPM), compared to Q1-2016 period