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PRESS RELEASE

A survey conducted by IFC shows significant improvements in the investment climate in Indonesia but it also puts the country in the worst ranking

Jakarta, 10 September 2008 – Today *International Financial Corporation* (IFC) has issued its annual survey report which ranked 181 countries based on easy access for companies to operate all over the world. The survey entitled *Doing Business 2009* reviews improvements in Indonesia based on 3 main indicators including numbers of procedures which every businessman must follow in order to start a business in Indonesia, numbers of days and the costs required in the process.

The survey states that total number of days to apply for a permit to set up a company in Indonesia has dropped from 105 days in 2007 to 76 days in 2008. While total number of processes to follow have reduced from 12 stages last year which must be conducted in subsequent manner, to 11 stages which can done in parallel. The costs spent on all procedures have reduced from 80% compared with national revenue per capita to 77.9%.

IFC's *Doing Business 2009* survey however, also shows discrepancy as the 3 main indicators did not have an effect on Indonesia's ranking, instead its position plunged from 127 to 129. The survey based that assessment only on one indicator, which is minimum amount of capital required to start a business has increased according to Law No. 40/2007 concerning Limited Company. The Law requires the company owner to deposit capital with a minimum amount of Rp50 million, an increase from Rp20 million. The survey does not take into account that the reason for this increase is to improve assurance in doing businesses in Indonesia by improving the qualification of the owner of the company.

Stages to simplify the process of starting a business

Efforts to improve the process of starting a business have been initiated by the Government by reducing the number of procedures and time to complete the documentations as well as reducing the costs. These efforts to simplify the process are represented in the regulations issued by both central and regional government, such as:

- a) Improvement of application for Trading License Number. Application for SIUP will now take **3 days** to process from 5 days previously and it is free of charge.
- b) Improvement of application for Company Registration Number, through Regulation of the Minister, which will now take **3 days** from 10 days previously and it is free of charge.
- c) Issuance of Regulation of the Minister of Law and Human Rights concerning Annulment of Regulation of the Minister of Law and Human Rights concerning Delegation of Authority of the Minister of Law and Human Rights in Approving Legal Entity of Limited Company to the Head of Regional Office of the Ministry of Law and Human Rights in Indonesia.
- d) Issuance of Regulation of the Minister of Law and Human Rights concerning Procedures of Applying for Validation of Legal Entity and Approval of Budget Amendments, Communicating Notification of Budget Amendments and Company Details Amendments. This regulation provides significant simplifications including:
 - Letter of domicile confirmation and tax registration number (NPWP) are no longer required in application for company registration

- The process of getting approval for a Limited Company takes maximum of **7 days**
 - Proof of Transfer of Company's Capital cannot only be in the form of bank's transfer slip but also can be in the form of a statement of transfer of company's capital which is signed by all members of directors, founders and commissaries.
- e) Issuance of Circulation Letter of Director of PT. Jamsostek concerning Procedures on Issuance of Certificates for Jamsostek Membership.
- f) Issuance of Regulation of the Governor of Greater Jakarta Province concerning Guidelines on Implementation of One Door Integrated Service on Capital Investment.

Through these policies and regulations, it is expected that the process to starting a business in Indonesia can be achieved in 20 working days as shown in below table. However, these improvements will require time to be implemented throughout Indonesia. As IFC survey which was conducted in the first semester this year indicates that improvements in the field have only managed to reduce processing time from 105 to 76 working days. However the Government is optimistic that the implementation will improve in the future.

PROCEDURES TO STARTING A BUSINESS

No.	Procedure	Time Frame (days)	Improvements	No.	Procedure	Time Frame (days)	Descriptions
9.	Published in the State Gazette	2		8.	Published in the State Gazette	2	
10.	SIUP (Trading License Number)	14		9.	SIUP (Trading License Number)	3	Maximum 3 days
11.	Registration of employees to Ministry of Manpower	7		11.	Registration of employees to Ministry of Manpower	7*	
12.	Clearance for company's name from Ministry of Law and Human Rights	7*		11.	Clearance for company's name from Ministry of Law and Human Rights	7*	
2.	Signing of Registration Act	105-125		2.	Signing of Registration Act	20	
3.	Domicile Statement	10			Domicile Statement	0	Omitted from requirements
4.	NPWP and NPPKP	14		3.	NPWP	1	Applied when applying for TDP
5.	Opening bank account and transfer of capital	4		4.	Opening bank account and transfer of capital	1	No need to open a bank account, to submit only statement from directors and commissaries
6.	PNBP Payment (Non-Tax State Revenue)	1		5.	PNBP Payment (Non-Tax State Revenue)	1	
7.	Legalization of Company Registration Act by Ministry of Law and Human Rights	30		6.	Legalization of Company Registration Act by Ministry of Law and Human Rights	7	
8.	TDP (Company Registration Number)	15		7.	TDP (Company Registration Number)	3	Maximum 3 days

*) applications for employees' related matters and jamsostek can be applied simultaneously with the SIUP

In addition to issuing policy on starting a business, the Government has also made an effort to simplify application for permits. Since permit applications are generally managed by regional government, the policy issued is intended for regional government to assist easier and cheaper permit applications. To facilitate the implementation both central and regional governments have issued the following regulations:

1. Letter of the Minister of Domestic Affairs addressed to all Governors and Regents/Mayors that Provincial Government, District/City Government are required to simplify service for all permit and non permit applications by establishing One Door Integrated System or *Pelayanan Terpadu Satu Pintu* (PTSP);
2. Regulation of Government of Greater Jakarta concerning One Door Integrated System on Capital Investment.
3. Regulation of the Governor of Greater Jakarta Province concerning Guidelines on Implementation of One Door Integrated System on Capital Investment.

The Government also has commitment to facilitate application of land registration by issuing Regulation of the Head of National Land Registry (BPN) concerning Simplification and Acceleration of Standard Operational Procedures of Land Management and Service for Specific Land Service Type. Various facilities in application of land and building are expected to be implemented effectively soon so that the results will show in the survey next year.

Doing Business IFC 2009 survey illustrates that there is a positive reformation in relation with easy access in getting credit. Public Registry Coverage, based on the percentage of total number of adults shows an increase from 20,5% to 26,1 %. This indicates easy access to get a loan for the community and business community. Easy access occurs mainly on information access of candidates of debtors to facilitate credit approval.

Investment realization has increased

The improvement in climate and policy has resulted in the increase of investment value which shows in the significant investment growth in the first semester of 2008. Foreign direct investment has increased to 153% compared with the same period in 2007 which shows in the data provided by Indonesia Investment Coordinating Board (BKPM) as follows:

<i>Foreign Direct Investment Realization</i>	<i>1 Jan – 30 June 2007</i>		<i>1 Jan 1 – 30 June 2008</i>		<i>Growth (%)</i>	
	P	I	P	I	P	I
<i>Investment Realization (Permanent Licenses)</i>	495	4.102,3	544	10.380,6	10	153
<i>Realization of Manpower Absorption</i>	89.485 <i>persons</i>		133.299 <i>Persons</i>		49	

Source: BKPM

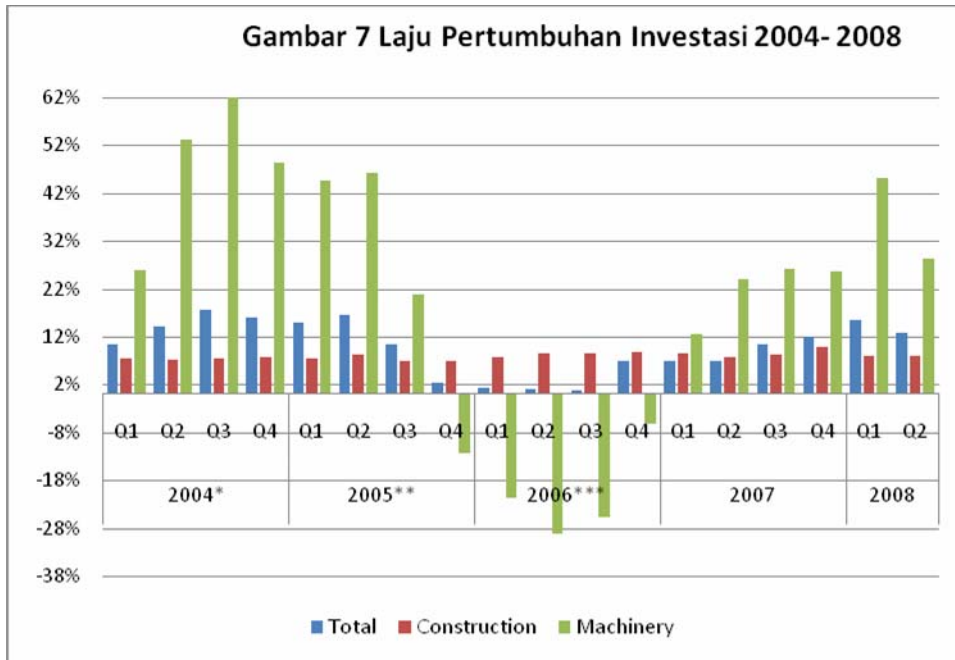
Notes :

1. P = Total of Issued Permanent Licenses
I = Investment Realization Value in Million US\$
2. Excluding of investment in Oil and Gas, Banking, Non Bank Financial Institution, Insurance, Leasing, Mining in Terms of Contracts of Work, Coal Mining in Terms of Agreement of Work, investment which licenses issued by technical/sectoral agency, Porto folio as well as household investment.

Improvement of investment climate in Indonesia has been acknowledged by *World Economic Forum* (WEF) recently in its publication which placed Indonesia in the 54th position out of 131 countries in the

world. This shows that Indonesia is a competitive place for investment. This position placed Indonesia in a better position than some countries such as Russia, Greek, Bangladesh and Nigeria.

Recent statistic published by Centre of Statistics Indonesia (BPS) also indicates an increase in the investment sector. Investment rate grows at 15.4% and 12.8% in the first quarter and second quarter of 2008 which resulted in the increase of investment ration against GNP by 23.3 % in the first semester of 2008.



Investment Growth 2004 – 2008

It is promising that investment growth occurs in every component, particularly investment in machinery. Investment growth in machinery has a strong correlation against GNP increase and export expansion in the future.

This information conveys overall picture on factual conditions of the improvements of investment climate and investment value in Indonesia.

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