



“Indonesia 4.0: An Opportunity for Transformation”

Nurul Ichwan

Director of Investment Planning for Services and Zones

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Avoiding middle income trap through industry 4.0



Demographics

Abundant working-age population and increasingly educated and IT savvy young generation

Urbanization

68% of the population is projected to live in urban areas by 2025. Income rise also drives higher consumption.



Global commodity prices

challenges and opportunities for Indonesia in terms of the country's trade balance and enhancing the quality and diversity of investments in Indonesia.

Risk of growth slowdown and non-inclusive development

Food prices, health shocks and natural disasters can pose a threat to economic growth.

Strategies



1 Increase labor productivity

2 Closing infrastructure gap

3 Closing the skills gap



Industry 4.0

- Raise productivity and GDP growth** in Indonesia
- Harnessing the **digital revolution** to provide more **job opportunities** and reach more **inclusive economic development**
- Required skills** include **technological skills** as well as **creativity** and **advanced problem solving**.

Making Indonesia 4.0: Manufacturing Industry Revitalization



Making Indonesia 4.0

Indonesia as one of the global Ten Largest Economies.

10%
contribution
of net export
to GDP

Increase net export level to the same level as in 2000

2x rise in
cost
productivity

Boost production and its cost.

2% of PDB
allocated to
R&D

Develop local innovation skills

Targeted sectors:



Food & beverage

Textiles and apparel

Automotive

Chemical

Electronic

Targeted outcomes:

70% Manufacturing industry GDP

65% manufacturing industry export

60% manufacturing industry workforce

1. Improve raw materials supply chain;
2. Redesign industrial zones;
3. Meet sustainability standard;
4. Empower SMEs;
5. Develop national digital infrastructure;

10 National Priorities

6. Attract FDI;
7. Improve human capital quality;
8. Develop innovation ecosystem;
9. Incentives for technological investment;
10. Synchronize regulations and policies.



23 million

jobs could be displaced by automation

Between 27 million to 46 million

new jobs could be created in the same period

10 million

of these jobs will be the new types of occupations.

Many more jobs are predicted to be created by 2030 than are lost to the increasing automation

Industry 4.0 Key actors

- 1 Companies**
Seen as primary leaders in addressing the skills mismatch by more than 50% of executives.
- 2 Labor agencies**
Facilitate employee mobility in labor market, eg, through supporting retraining or making benefits more portable
- 3 Educational institutions**
Help companies fill their skills need, eg, by focusing courses on skills most relevant in the future
- 4 Industrial associations**
Enable employers to build better talent pipelines in particular sectors to find skills that match demand

Indonesia – Switzerland future collaboration

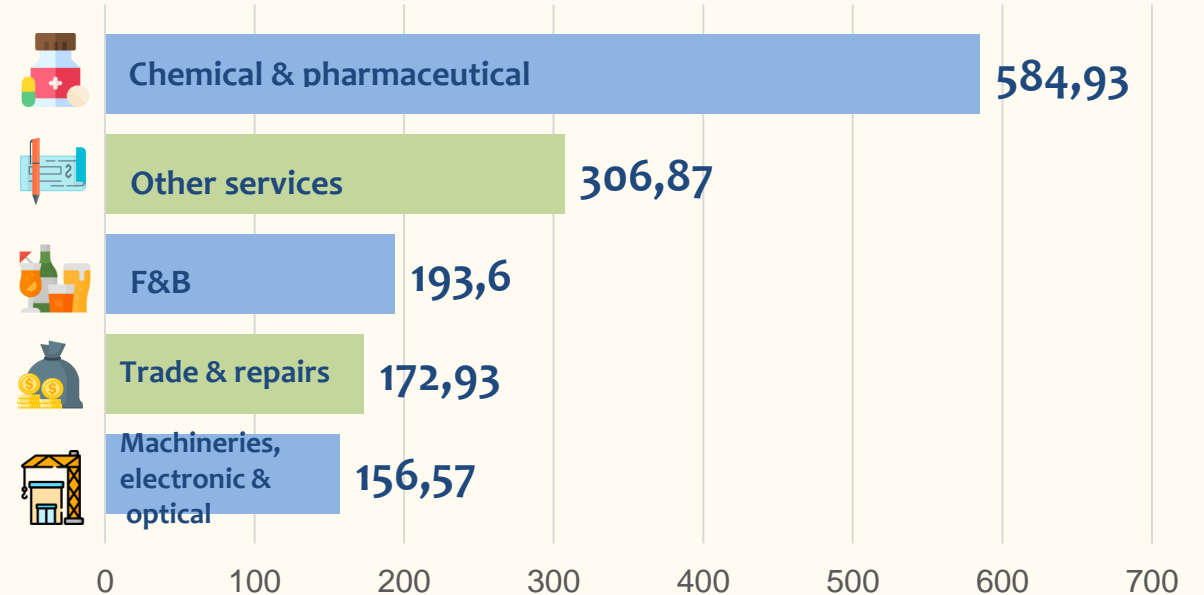


Healthcare, construction, manufacturing, and retail are the sectors that will likely benefit from increased labor demand.

The driving factors include:

- Increasing spending on healthcare for aging populations;
- Investment in infrastructure and buildings;
- Energy transition spending;
- Spending on technology development and deployment.

Switzerland investment in Indonesia 2014 - 2019
(USD mn)



Future collaboration



- 1 Fostering academic and industry collaboration**
 particularly in the sectors where Switzerland is very well-known of such as medical engineering and the related industries.
- 2 Best practice on how to embrace technological revolution**
 Switzerland's experience with highly reliable technology infrastructure in harnessing technological revolution such as artificial intelligence and cognitive computing systems
- 3 Knowledge transfer opportunities**
 Switzerland is among the world's leading countries in terms of filed patents per capita which implies high level of innovative thinking.

THANK YOU
LET'S INVEST IN INDONESIA



Indonesia Investment Coordinating Board
Badan Koordinasi Penanaman Modal (BKPM)

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

Tel: (+6221) 525 2008
Fax : (+6221) 525 4945
Contact Center : 0807 100 2576
E-mail : info@bkpm.go.id
www.bkpm.go.id

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Investment Realization and Projection 2015-2024

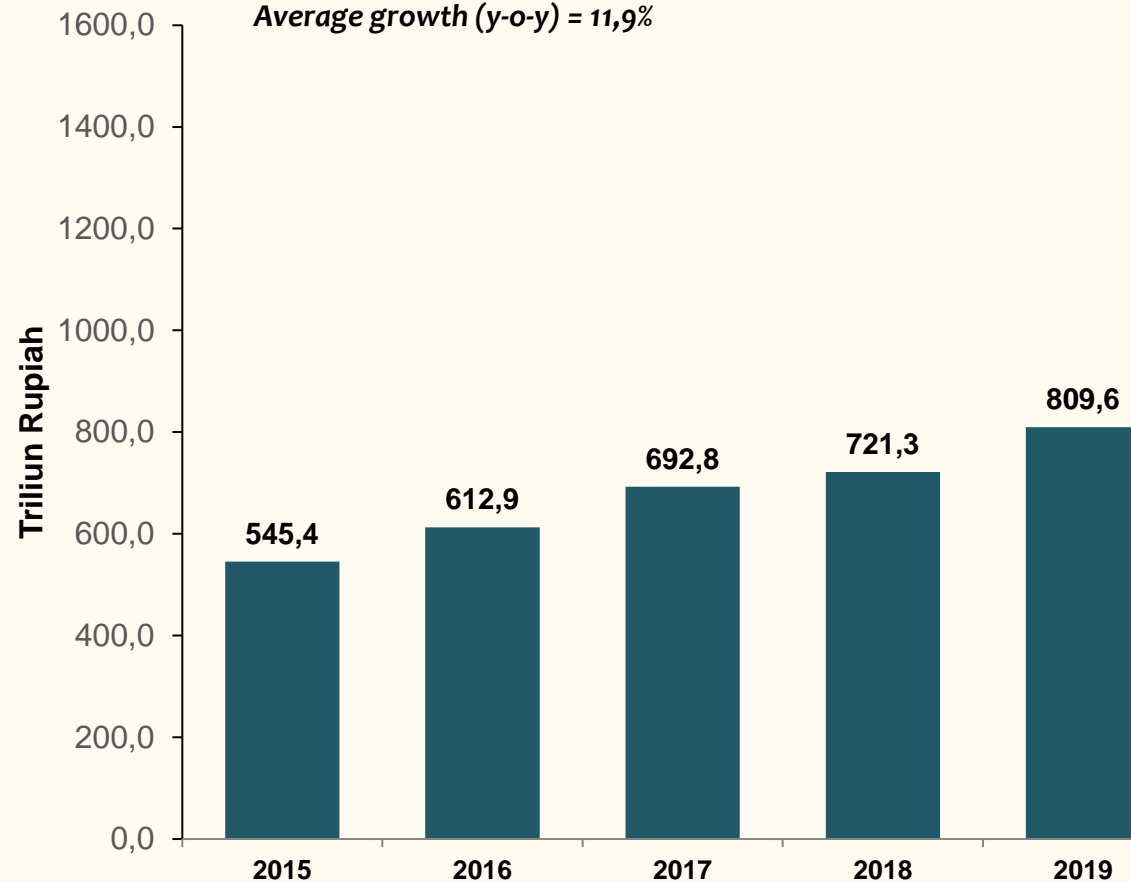


Kabinet Kerja 2015-2019

Total = **Rp 3.382,0T**

(206,9% of total 2010-2014)

Average growth (y-o-y) = 11,9%

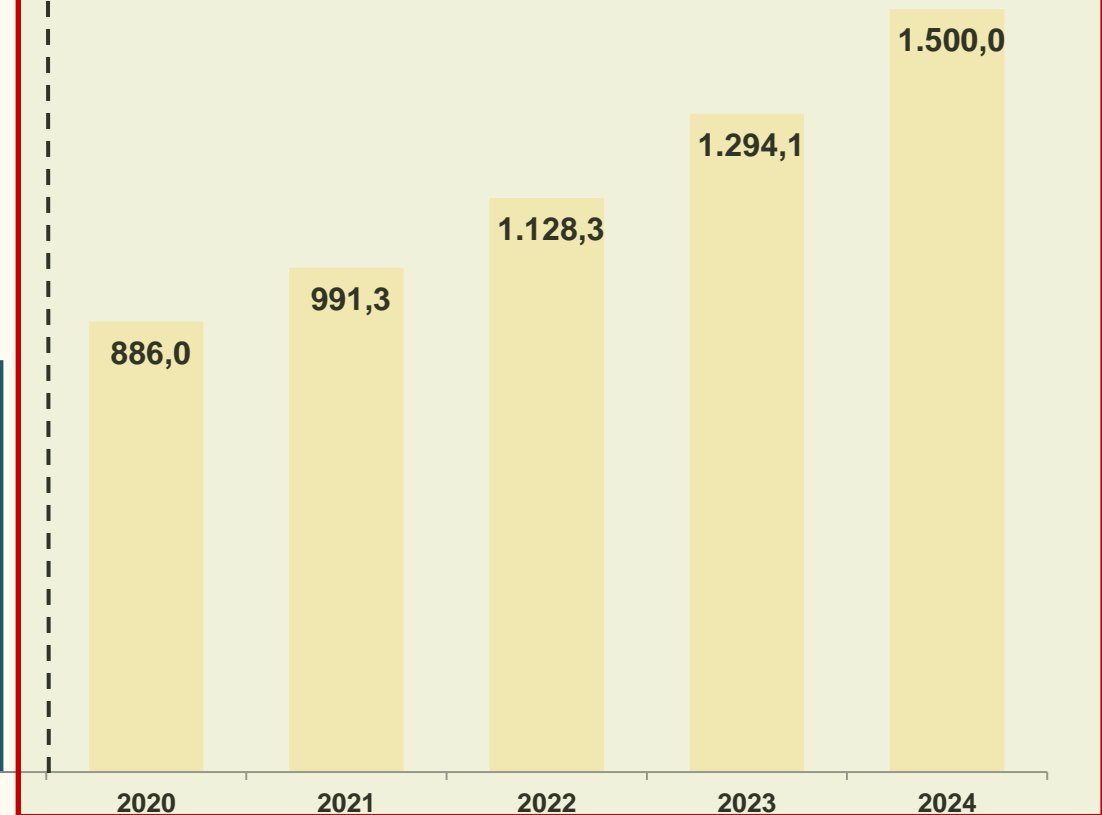


Investment realization projection 2020-2024

Total = **Rp 5.799,7 T ***

(171,4% of total 2015-2019)

Average growth (y-o-y) = 13,1%



*) Projection figures 2020-2024 refers to Presidential Regulation (Perpres) 18 /2020 on RPJMN 2020-2024



Target 2020



Rp 886 T
Investment realization
target in 2020

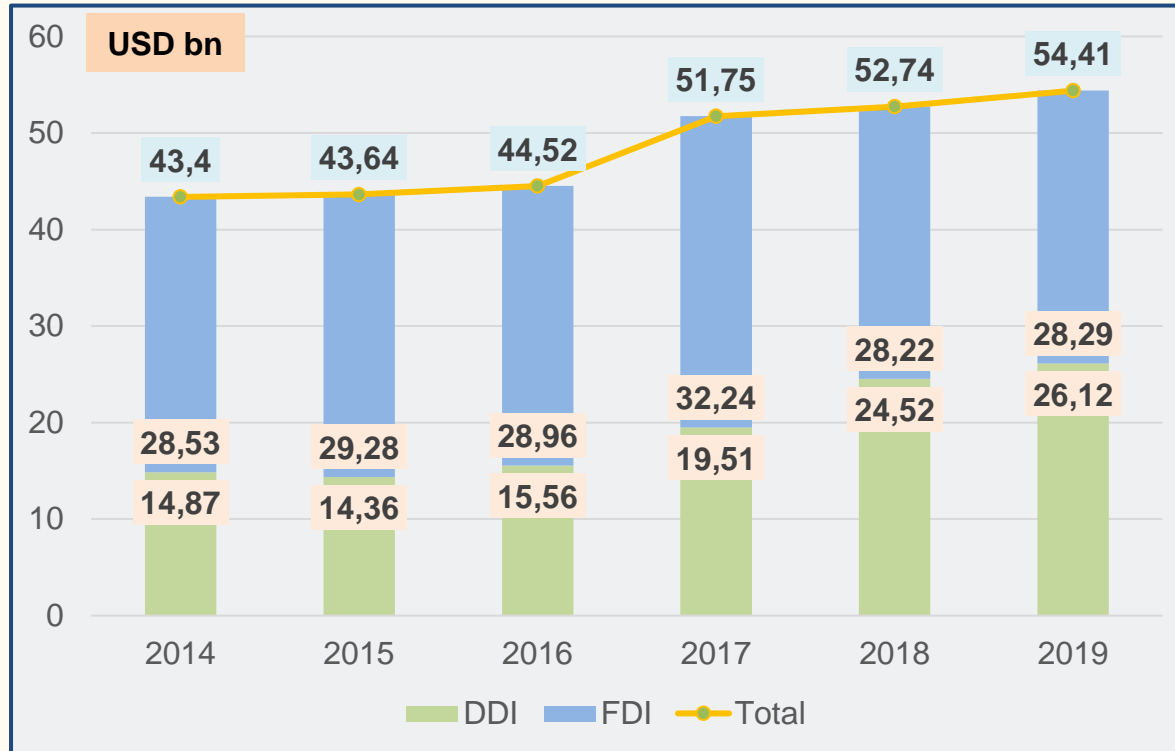
Rp 246.3 T
Target of investment
realization manufacturing
industry in 2020 including
downstream industry.

48.8%
Target share of investment
distribution outside Java

Investment Realization Performance



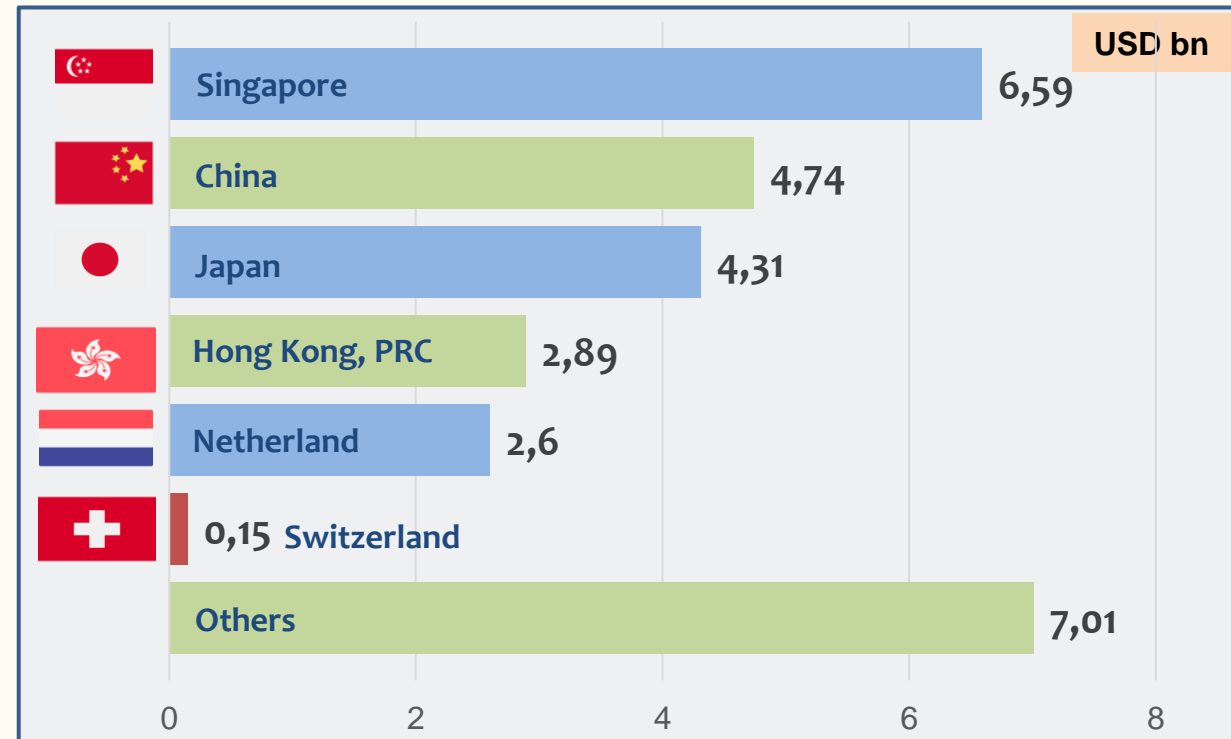
Trend 2014-2019



There is **relatively constant rise** in Indonesia's investment realization from 2014 to 2019.

The country booked its **highest investment realization in 2019 during the last 5 years**. DDI and FDI contribute **40% and 60% respectively** to the total investment realization **within the same period**.

By country of origin 2019



Total **FDI realization in 2019** is **USD 28.29 bn**.

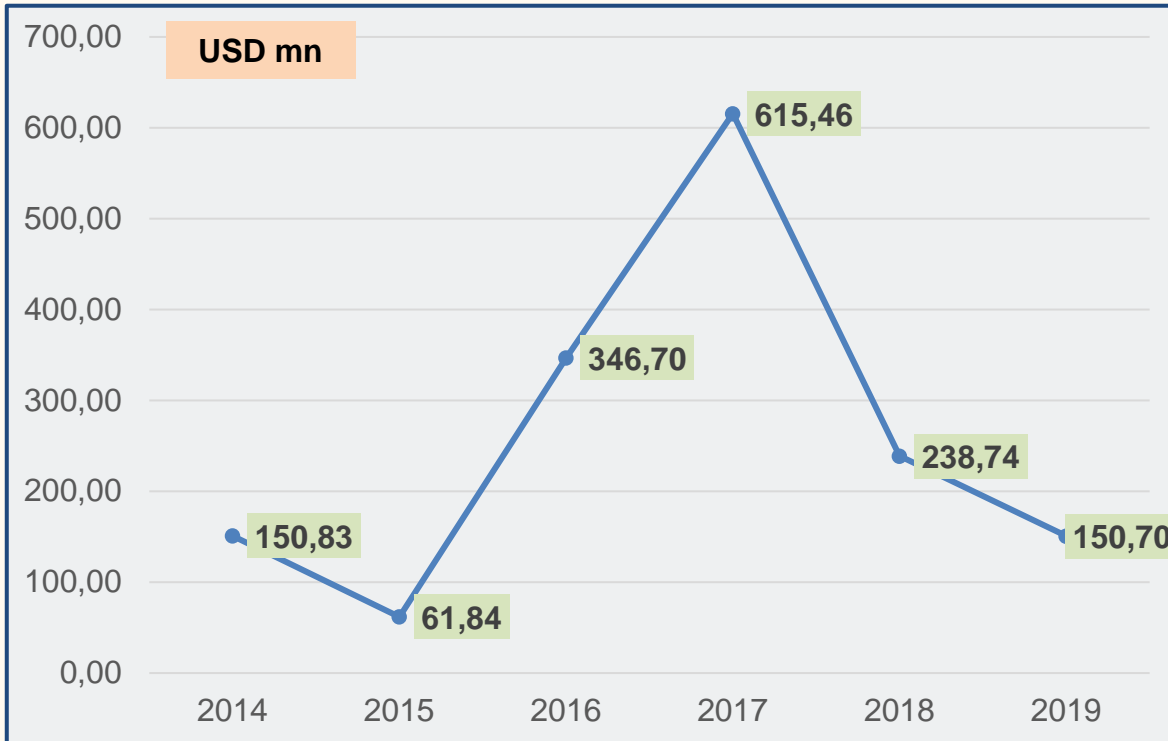
Singapore, China, Japan, Hong Kong and Netherland are the **top 5 investing countries** in Indonesia in 2019.

Switzerland is ranked **19th** with total investment value of **USD 0.15 bn**.

Switzerland Investment Performance 2014-2019



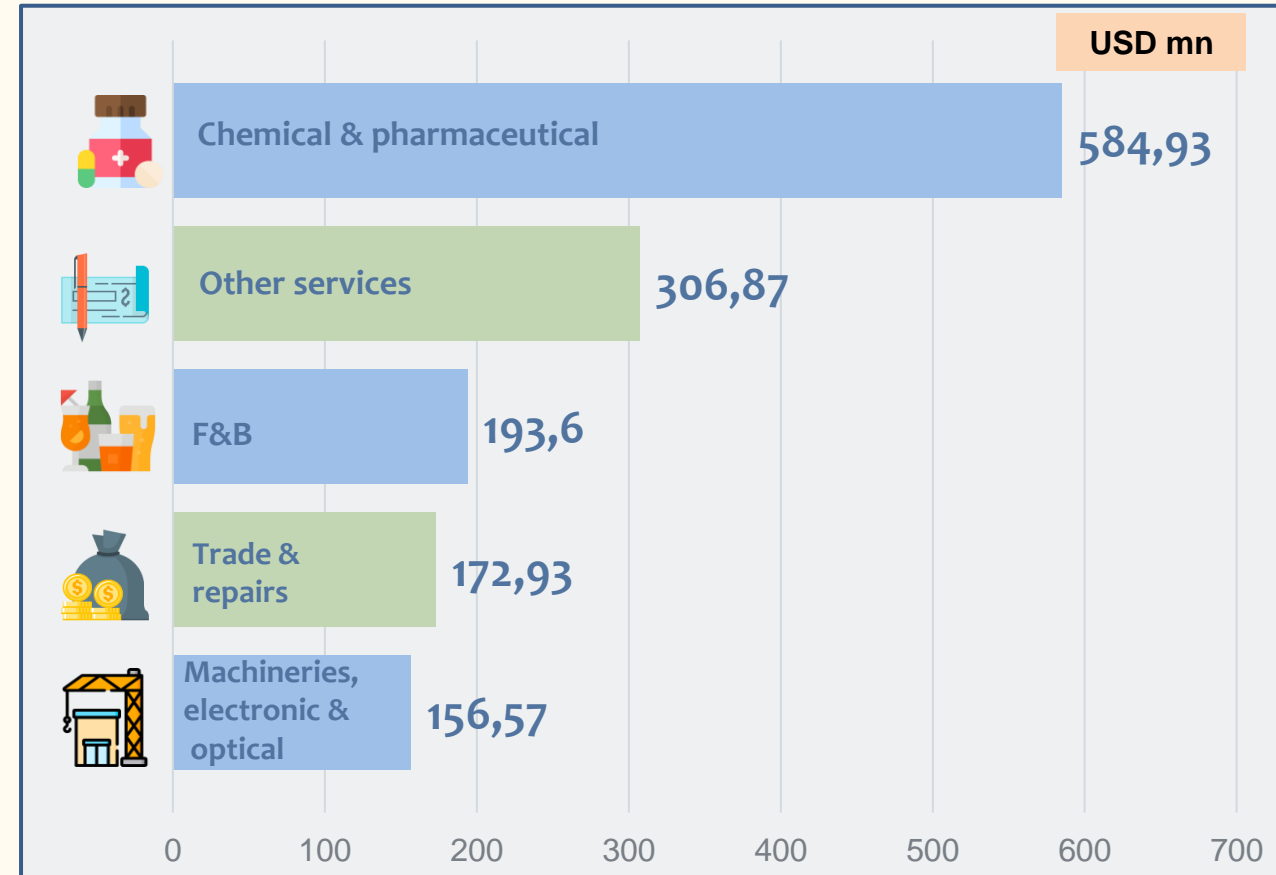
Investment trend



There is **fluctuation** in Switzerland's investment in Indonesia in 2014-2019.

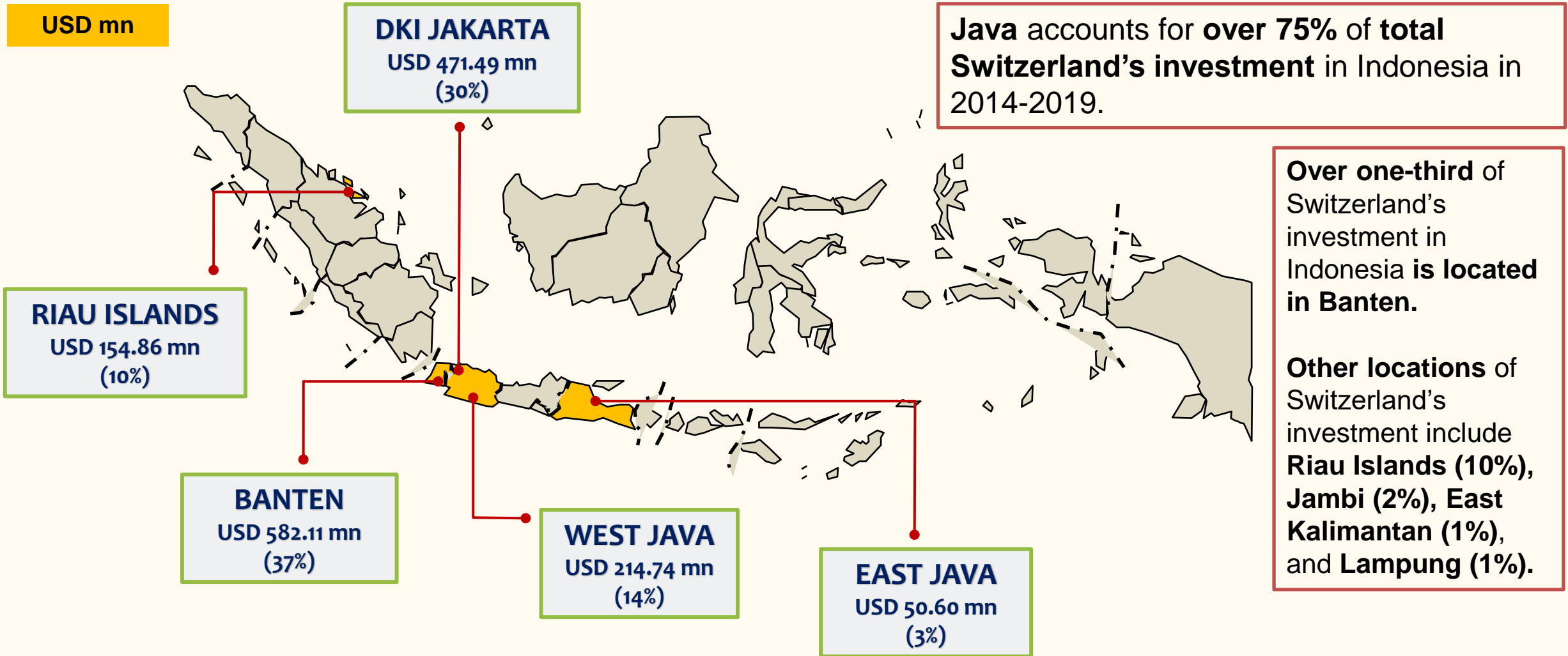
2015 was the year when **Switzerland's investment** hit the **lowest point at USD 61.84 mn** and **2017** was the time when it **reached its peak at USD 615.46 mn**. However, there is **decreasing trend from 2017 onwards**.

Based on sectors (USD mn)



Chemical and pharmaceutical industry accounts for 37% of total Switzerland's investment in Indonesia. Other top performer industries include **other services (20%)**, **F&B (12%)**, **trade and repairs (11%)**, and **machineries, electronic & optical (10%)**.

Switzerland Investment 2014-2019 (based on location)





6

Key Performance Indicators of BKPM



Improvement of Doing Business Ranking (EoDB)



Acceleration of large investment realization



Encouraging partnership between large investment project and local SMEs



The distribution of quality investment throughout Indonesia



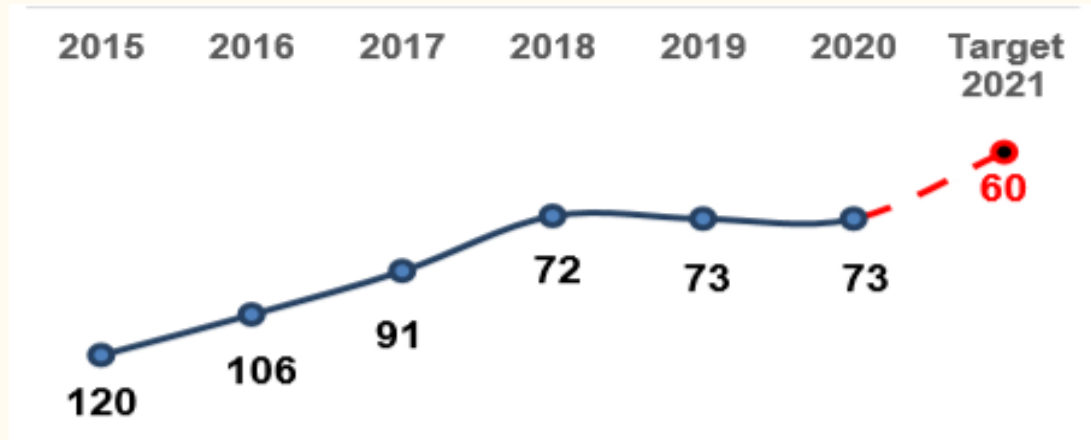
Focusing investment promotion on the targeted sectors and countries



Increasing domestic direct investment (DDI), particularly SMEs



Indonesia's EoDB ranking 2015-2020 and 2021 target:



Out of 190 countries surveyed by EoDB 2020, 115 countries have improved

EoDB 2021 target:

1. Establish **commitment among ministries** based on Presidential Instruction (**Inpres**) No. 7/2019 to undergo **structural reform on 11 indicators**;
2. **Structural Reform**
 - Formulate **action plan on improving EoDB** through **interministries coordination**;
 - Issue **17 regulations** consisting of **15 ministerial regulations (Permen)** and **circular letter (surat edaran)** to support structural reform.
3. **Implementation monitoring referring to regulations** issued in relations to 11 indicators;
4. **Information dissemination** regarding the related regulations and policies on EoDB improvement to ministries and regional administration.



1 Encouraging partnership between large investment project and local SMEs



Minimum investment value requirement

reducing current requirement for minimum investment value for FDI from **Rp 10 billion excluding land and building (existing)** to **Rp 2.5 billion** if foreign investor **partners with local SMEs** in its production supply chain, particularly in developing application/ *software* (recommendation)



Facilities for companies that partner with SMEs

Recommendation to be granted tax allowance for large company which **partners with SMEs**. List of SMEs that are ready to partner with large companies **will be provided**.



Facilitation of Business Management and Financing for SMEs

- Improve production quality and quantity referring to the large companies' standard.
- Facilitation of financing for SMEs in regard to partnership with financial institution and stock selling at a stock exchange.
- Large company can partner with SMEs through joint participation in the large company supply chain.

2

Distribution of quality investment



Increase investment to boost job creation and regional added value



Downstreaming the processing of natural resources and export oriented investment.



Promote investment in capital goods/raw materials with regard to meeting domestic demands (import substitution)



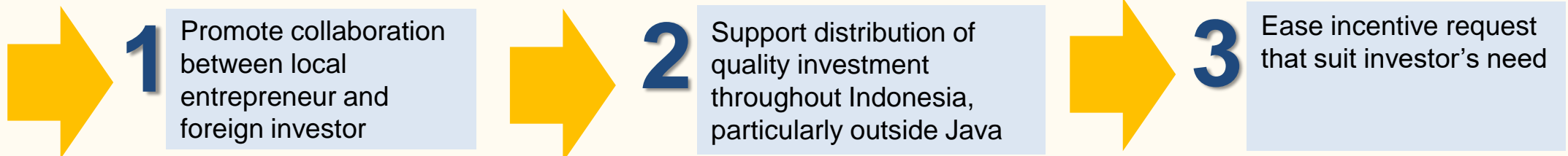
Distribution of quality investment to outside Java, particularly infrastructure as well as improving investment and other economy.



3 Focusing investment promotion on targeted sectors and countries

	Sector	Targeted country
	Downstreaming of natural resources processing	East Asia, Middle East, Europe
	Export oriented industry	East Asia, Europe, America
	Infrastructure	Europe, East Asia, Middle East
	Human capital development(e.g.: Vocational education cluster)	Australia, Europe, America
	Import substitution industry	East Asia, Europe, America
	Tourism (e.g.: tourism operator, developer and supporting tourism service)	Australia, America, Europe, East Asia
	Labor-intensive industry (e.g.: furniture, textile, and electronic industry)	East Asia

Strategies





Increase DDI, particularly SMEs

SMEs' contribution to national economy:



60.3%
to GDP (2017)

SMEs' contribution to job creation:



96.8%
of total workforce
(2017)

SMEs' contribution to investment:



58,2%
of total
investment (2017)

Source: BPS, Kemenkop UKM (2017)

Strategies



Assistance of business management (legal issues, capital, technology, marketing, production, and operation)

Increase partnership between DDI and FDI and SMEs

Facilitation of access towards opportunity and investment potentials, particularly at the regional level



200%

Super deduction untuk pengembangan SDM dan program vokasi

Pengurangan penghasilan bruto paling tinggi 200% dari jumlah biaya yang dikeluarkan, untuk WP Badan yang menyelenggarakan kegiatan praktik kerja, pemagangan, dan/atau pembelajaran dalam rangka pembinaan dan pengembangan sumber daya manusia berbasis kompetensi tertentu



300%

Super deduction untuk mendorong aktivitas R&D

Pengurangan penghasilan bruto paling tinggi 300% dari jumlah biaya yang dikeluarkan, untuk WP Badan yang melakukan kegiatan penelitian dan pengembangan tertentu di Indonesia



60%

Insentif investment allowance untuk industri padat karya

Fasilitas PPh berupa pengurangan penghasilan neto sebesar 60% dari jumlah investasi berupa aktiva tetap berwujud, untuk WP Badan yang melakukan investasi baru atau perluasan usaha pada bidang yang merupakan industri padat karya, atau tidak mendapat fasilitas sebagaimana dimaksud Pasal 31A UU Pajak Penghasilan atau fasilitas sebagaimana dimaksud dalam Pasal 29 ayat (1)