

Indonesia

Investment on the Agenda

Susilo Bambang Yudhoyono is the first Indonesian President since the fall of the Suharto regime in 1998 to be elected by the people. Many credit the President's success in maintaining political stability with the economic progress Indonesia is now enjoying. An archipelago of 17,500 islands containing the world's fourth largest population (an astonishing 242 million inhabitants), uniting the country has never been easy.

Elected to his second term in October of 2009, President Yudhoyono has concentrated on cementing the progress of his previous administration through continuing to promote economic growth. Indonesia's annual GDP growth came in at 6% last year, and is expected to grow at 6.3% this year. The President has also made the eradication of corruption and the fight against terrorism second term goals, as well as improvements in the synchronisation between the central government and local administrations, and the development of new infrastructure.

Now a member of the G20 (the only ASEAN country to join so far), Indonesia is at a critical point in its development. On track to become a \$1 trillion economy by 2014 (it is already Southeast Asia's largest), the country has the people, nearly half of whom are under the age of 30, the resources—abundant reserves of petroleum, gas, tin, nickel, copper, coal, gold, and silver (in addition to timber and fertile soil)—and the political and macroeconomic stability to become one of the economic powerhouses of the 21st century. Indeed, some analysts have wagered that the country's economy could be larger than that of the U.K. or Germany by 2050.

Its government is well aware of this. President Yudhoyono has put a top team in place and has created new government bodies to carry the country forward. One of these is the Presidential Office for Development Monitoring and Oversight, headed by Kuntoro Mangkosubroto, who garnered international acclaim for his handling of the 2005 tsunami reconstruction efforts, since then a model for post-disaster management. Heading the economic team is

Coordinating Minister for Economic Affairs, Hatta Rajasa, who is overseeing reforms set to smooth the path for new public-private partnerships in the country. The Ministry of National Development Planning, or Bappenas, has released a medium-term development plan targeting growth of 6.3% to 6.8% per year from now to 2014.

The country's improving growth and stable macroeconomic environment have led many to suggest Indonesia will soon become the newest member of the BRIC group of emerging economies. Minister for State-Owned Enterprises, Mustafa Abubakar, believes that soon the acronym will be BRICI. "I am very optimistic about Indonesia's future," he says, "and I believe it is due time for the BRIC acronym to add another 'I' for Indonesia. Our country has the necessary economic climate, democracy, national security, and government vision to become a major player in the coming years. We also have a very young, competitive, and productive workforce. Within the next 25 years, we have a golden chance to develop as a nation." ●

Investment Outlook

Last year, Indonesia saw a staggering 54.3% increase in its investment inflows over 2009. Of the more than \$24 billion dollars invested, 71% was foreign, mainly from Southeast Asia though U.S. investment is rising. For this year, the Indonesian Investment Coordinating Board (BKPM) is targeting \$30 billion in new investment.

With the country's investment rating recently upgraded to a notch below investment grade by Fitch, Indonesia is sending clear signals as a destination for investors. As Gita Wirjawan, the Harvard-educated, current Chairman of BKPM and former Goldman Sachs and JP Morgan investment banker, says— why not?

"Many Indonesians have taken ownership of the idea that we could be growing at a higher rate than 6%-7%. Many of us believe that the nation could boast a \$6-\$7 trillion economy by 2030, assuming linearity in growth," he comments.

Wirjawan says there is good reason to assume there will indeed be linearity in growth. "Indonesia has attained macroeconomic stability, it has a fiscal portrait with a sustainable debt-to-GDP ratio of 27%, and it has a system in place to ensure continued prudence from a fiscal standpoint. Additionally, the country boasts favorable demographics and a youthful population," says BKPM's chairman.

To make it happen, Wirjawan is intent on raising investment inflows to \$50 billion by 2015. BKPM has imple-



GITA WIRJAWAN,
Chairman of BKPM

mented a one-stop shop in TK for investors that can issue permits in just five hours, a model that Wirjawan is working towards establishing in all 33 provincial capitals as well as all 440 regional capitals.

Through highlighting the country's natural resources—95 billion tons of coal reserves, 112 TCF of gas, 3.5 billion barrels of oil—it is one of the world's top three global producers of cocoa, gold, timber, tin, and copper, Wirjawan emphasizes the importance of adding value to the processing chain in Indonesia.

"Only 25% of the gold coming out of the ground in Indonesia gets smelted in Indonesia; 75% is sent to Spain, Japan, Korea, Australia, and America. The key is to contain the value creation within Indonesia. This is not a nationalistic move, but is a value-added move. Investors can still make a lot of money by investing in factories and smelters in Indonesia. Fortunately, a growing number are listening to our message," states Wirjawan.

Last year, Suryo Bambang Sulisto was elected as Chairman of the highly influential Indonesian Chamber of Commerce and Industry (Kadin) in a move set to change the face of the country's regional economies.

Currently also President Commissioner of one of Indonesia's largest coal mining companies, Bumi Resources, and founder of Satmarindo Group, Sulisto was also Ambassador-at-Large for the Habibie government at the end of the 1990s. ●

The Indonesian Chamber of Commerce (KADIN)

As Kadin Chairman, Sulisto has turned his attention to the country's regions, which he feels are essential for the development of the national economy.

"Every month we take investors to the regions to see firsthand what potential opportunities exist for them and work to present them in attractive ways," he says.

"Unless you promote economic opportunities in the regions, investors will come to Jakarta by default. In this light, we also need to build the appropriate infrastructure in the regions to support increased investment

and we will do this alongside the government. This in itself presents interesting investment opportunities in public-private partnerships in infrastructure development. In short, we want to create more business opportunities, increase connectivity, enable better movement of people and products, and optimize local potential."

Sulisto is also actively working to strengthen Kadin internally so that the association is more able to carry out this mission. Comprised of regional offices throughout the country and counting on the support of more than 300

Indonesian business associations, Kadin's membership includes both state-owned enterprises and many of the nation's small and medium-sized enterprises.

"By working together, we will build capacity, which is our priority. We want to be more useful for our members, not only at the central level, but also at the regional level. I have received various offers of help in capacity building from different countries with different programs. We want to actively address challenges and provide solutions, in partnership with these other organizations that have offered to help." ●

Permata Bank: A world-class local bank

Award-winning Permata Bank is one of the largest banks in Indonesia, renowned for its service excellence

Although Permata Bank has one of the best mobile banking offerings in the market, it considers its branch network to be one of its "key strengths," says David Fletcher, President Director of the bank.

"Human relationships matter in this market. A few years ago, people were saying that branch banking was dead, but I think

branches will continue to be important no matter what. Our mobile and internet banking complements our branch network."

Permata Bank is today one of Indonesia's largest banks, with a name for service excellence. In 2004, Standard Chartered Bank and Astra International became majority shareholders, each owning 44.5% today.

The two have undertaken a major transformation of the organiza-

tion that has highlighted both the local and international strengths of its main shareholders.

Today, Permata Bank offers international banking solutions at a local level through its network of 276 branches and 234 Sharia offices in 55 cities throughout the country.

"We offer two major things," says Fletcher, "a strong local network together with international class standards for our products and governance." ●

As Indonesia looks to fund the infrastructure development that will drive its economic growth, the country's banking sector must step in to fill the financing gap. Indonesia boasts a stable, competitive and well capitalized banking industry that is still somewhat hesitant

to loan, ever since the Asian financial crisis over a decade ago.

Still, the Indonesian banking sector today is solid. The sector generated \$6.4 billion in profit in 2010, up 26% over the previous year. Non-performing loan ratios are below 5% and credit grew 22.8% last year.

Out of 121 banks now operating in the country, the top 10 control roughly 65% of total assets, leaving a great deal of room for the sector's future consolidation. As credit demand accelerates and penetration grows, the country's banks are set to reap the benefits of the growing economy.



Bukopin finds growth on SME's

Bank Bukopin, founded in 1970, is a leader in micro, small, medium, and cooperative lending. Bukopin collaborates with public cooperatives, providing start-up capital and training, and also provides loans to groups through the cooperative system.

Today, Bank Bukopin boasts 280 offices in 22 provinces in addition to its micro-banking network, Swamitra, which has an additional 543 outlets throughout the country. Bank Bukopin also offers a range of corporate products in both conventional and sharia-compliant banking through its two subsidiaries, Bukopin Finance and Bank Syariah Bukopin.

Bukopin's revenues grew by 36% last year. Looking forward, President Director Glen Glenardi says: "My vision is that Bukopin becomes one of the top 10 banks in Indonesia in terms of assets." ●

▶ The road to **development**

Infrastructure development is key to Indonesia's future prosperity. President Yudhoyono has said that the Indonesian economy will not exceed 6.5% growth without overheating if infrastructure is not improved.

Consequently, the government has implemented a five-year, \$150 billion program to invest in infrastructure through 2014. The program relies heavily on public-private partnerships (PPP's) for the construction of 20,000 kilometers of new roads, an additional 15,000 megawatts of electricity, 14 new airports, and 85 kilometers of new railway.

Last year, the government also launched a non-bank finance company, Indonesia Infrastructure Finance (IIF), specifically for financing the country's infrastructure projects. Through a unique combination of advisory and investment roles, IIF aims to accelerate private sector participation in the development process.

Land rights issues, which have delayed the roll-out of some large infrastructure projects, have also become a priority. "We want to strengthen cooperation between business and government at all levels," says Minister for State-Owned Enterprises Mustafa Abubakar. "About 50% of our projects deal with land acquisition, so once this bottleneck is removed, the rate of development will increase significantly."

BKPM Chairman Gita Wirjawan says the new land

rights law should go into effect soon, as well as the final framework for the PPP's. "Once we have the framework for PPP's and the land laws ready, I don't see how we will not be able to start building infrastructure at a faster rate." This, says Wirjawan, is essential for reaching the investment level targets of his agency.

To date, the government has unveiled 100 PPP's—worth a total of \$47.3 billion for the next three years—covering toll roads, water supply, railways, power generation, and air, land, and marine transportation.

"About 50% of our projects deal with land acquisition, so once this bottleneck is removed, the rate of development will increase significantly."

—Mustafa Abubakar

Suryo Sulisto, chairman of the Indonesian Chamber of Commerce and Industry (Kadin), says that his association is watching the PPP process with interest, and has been lobbying to ensure that the framework is transparent and fair. He states, "One issue that needs to be addressed is the tendering process. KADIN is working to make this process more transparent, with a more level playing field, so we can expect more foreign investors to come in." ●



ANGKASA PURA I

Moving Towards "World-Class Airport Company"

First established on February 1964 to manage Indonesia's commercial airports, state-owned PT Angkasa Pura I now manages thirteen airports located in various cities in the eastern region of the Indonesian archipelago and has never ceased to display earnest efforts to realize its vision of becoming a world-class airport. Since then, the nation's thriving economy has underpinned the company's steady growth in revenue and profit, but the company is yet to reach the targeted 4 of the Customer Satisfaction Index (CSI). After so many years, the company is still in difficulty to increase the non-aeronautical revenue which is essential to enhance airports' value in the long term.

Since their official appointment on July 23, 2010, PT Angkasa Pura I's new President & CEO, Tommy Soetomo, and his new management team are determined to meet stakeholders' expectations by launching a far-reaching transformation program to enhance human capital, service quality and profit.



Success in airport management is measured by the level of customer satisfaction and its economic contribution towards the stakeholders. The global aviation industry constantly changes and poses challenges and opportunities to be met. To be successful in the industry demands adjustments and a proactive attitude towards prevailing business trends, opportunities and expectations. In other words, changing our mindset and leaving behind the "business as usual" attitude. "By transforming the company into a service organization, we are providing benefits and added value to our stakeholders, including the surrounding communities," says Tommy Soetomo.

The lack of capacity we are facing now is one of the major hurdles we must overcome, hence developing our airports to create more space and capacity is a top priority. This year PT Angkasa Pura I will commence development of several airports, namely in Bali, Surabaya, Balikpapan, Yogyakarta, Banjarmasin and Semarang. Being aware of the limitation we have in resources, partnership is adopted as our overall strategy to enhance customer satisfaction and stimulate the growth of non-aeronautical revenues.

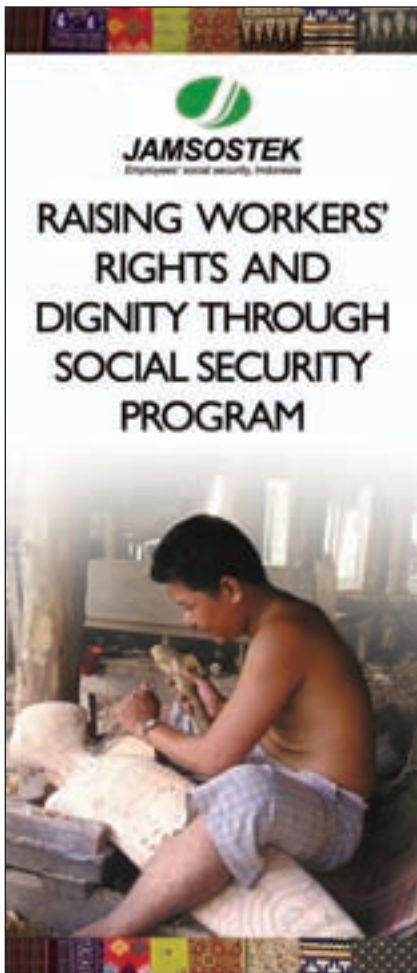
In line with the company's ongoing transformation program, the business repositioning and restructuring concept recently adopted by the management calls for the company to establish strategic co-operations with a number of local and international partners, including Incheon International Airport Corporation – South Korea (IIAC) and Grama Vikas Kendra - India (GVK). Drawing valuable expertise from the "best in class", we believe these strategic partnerships will boost PT Angkasa Pura I's efforts in realizing its vision of becoming a world-class company, because we believe in being **TOGETHER STRONGER**.



Indonesia's insurance

The sector is currently experiencing a great deal of activity. As the country's main source of domestic institutional investment, the sector is under the radar of the central bank, which is enforcing tighter capital adequacy requirements leading up to 2014. By then firms will need to have a minimum paid-up capital of \$11 million. This should have the double benefit of consolidating the sector, which currently has some 100 companies, and enabling insurers to take on greater risk.

The sector registered significant growth in 2009, following a slump the previous year. Total revenue from life insurance increased a staggering 540% (generating profit growth of 300%), while non-life grew by nearly 16%. ●



STATE INSURER LOOKS TO NEW GROWTH

The largest of Indonesia's four state pension funds, PT Jaminan Sosial Tenaga Kerja, better known as Jamsostek, boasts approximately \$11 billion in assets, 121 branches throughout the country, and 3,100 employees. Jamsostek is a force to be reckoned with in Indonesia's growing insurance industry.

"We aim to be the best social security provider in Indonesia. Compared to the other three—health insurance, the civil service pension, and the military and police pension—we are number one," says President Director Hotbonar Sinaga.

Targeting new growth this year, Sinaga says that penetration is still low, averaging 30%, which he hopes to double within the next three years. Another goal is to increase member benefits. Although Jamsostek's returns normally exceed official deposit rates (the fund has offered 10% returns for the last three years, some 3% higher than normal long-term deposit rates), Sinaga would like to see this rise through higher direct investment.

DEMOGRAPHICS LEND WEIGHT TO CONSUMER GOODS

Manufacturing and the production of consumer goods are sectors with a great deal of potential within the Indonesian economy. The domestic market is huge—some 240 million people with rising incomes.

The sector is set to benefit from upcoming development that could see it posting huge growth in the future. Indonesia has already produced a few global giants in consumer goods such as Maspion, featured here, one of the world's largest producers of housewares.

REAL ESTATE GROWTH REFLECTS RISING INVESTMENT RATES

Fueled by rising investment, Indonesia's real estate sector is expected to grow between 10 to 20% this year, according to industry leaders, who say that demand is on the rise for both commercial space and residential apartments.

The growth trend has defied increases in inflation and interest rates, as well as laws forbidding full foreign property ownership. A new law allowing foreigners to own property for up to 90 years is expected to soon go into effect.

JIWASRAYA SYNONYMOUS WITH LIFE INSURANCE IN INDONESIA

State-owned Jiwasraya is Indonesia's oldest and largest local life insurer. Originally established in 1859, the company's long presence and subsequent widespread brand recognition has made the Jiwasraya name almost synonymous with life insurance in Indonesia. Indeed, the company was awarded Superbrand status for the years 2010-2011. Current President Director Hendrisman Rahim has managed to place the company as the 5th largest insurer in the country in just three years, "We are aiming to become one of the top three," he says. ●



www.jiwasraya.co.id

Asia's time to shine

"The 21st and 22nd centuries will be Asia's time to shine. Our people are hard working and are ready to take on this challenge," predicts Alim Markus, President Director and CEO of Indonesia's Maspion Group, one of the world's largest consumer durable goods producers.

"We are proud to say that Maspion Group's products are truly Indonesian," he adds.

Markus says the ability to make quick, yet smart, decisions has been key in the group's growth.

"So far in my career, my greatest asset has been the ability to evaluate and manage risk while also analyzing potentially successful investments with great returns on investment," says the CEO and self-taught business guru.

"The key to past success does not always guarantee a winning formula

for tomorrow. We must always be proactive in anticipating changes to capitalize on the challenges and opportunities that lie ahead."

Founded by Markus' father Alim Husin in 1960, Maspion has grown into an immense conglomerate with a number of companies involved in the manufacture of products ranging from aluminum and steel cooking ware, to steel and plastic building materials, banking, and a mall estate.

Maspion is today one of the most well-known Original Equipment Manufacturers in the world, supplying retailers and wholesalers in the United States and other major countries with global brands such as Tivoli, Maxim, Panda, and Uchida.

Markus concludes, "I am very optimistic about the future of Mas-



ALIM MARKUS,
PRESIDENT DIRECTOR AND CEO
OF INDONESIA'S MASPION GROUP

pion. I see great future demand for our products from both America and China. One of our targets is to make the Fortune Global 500 list, which I believe will be a possibility in the near future because we have a solid system in place." ●



Cintailah Produk-Produk Indonesia





MASPION GROUP

Electric Home Appliances





ALUMINIUM HOT-ROLLING MILL

Metal Kitchenware



Plastic & Glassware



Other Products



www.maspion.com

Procon ready to retake property market

A pioneer in property consultancy in Indonesia, Procon is celebrating its 30th anniversary this year. The company is back on track as the industry leader that was awarded Euromoney's Best Advisory Company for Valuation in Indonesia, Best Advisory Company for Agency/Letting in Indonesia, and Best Advisory Company for Transaction Execution in Indonesia in 2008 for its integrated service solutions. The timing is right—the sector is set to register unprecedented growth this year.

"Success," says Procon's CEO, Lucy Rumantir, "cannot be judged by figures alone. One mustn't think of dollar signs alone. Every single aspect along the way should consolidate the objective which is not only to make the company profitable but also the people prosperous," she comments.

Procon currently employs more than 220 full-time staff, making it the single largest employer within the industry and also the property company with the widest geographic coverage. Through Procon's four key service groups—

"Indonesia has some of the lowest property prices in the region. Furthermore, the returns here are very attractive."

—LUCY RUMANTIR, CEO OF PROCON

strategic advisory, occupier services, markets, and property management services—the company is able to offer landlords, developers, owners, and occupiers comprehensive solutions ranging from master plans to feasibility studies and portfolio valuations, to tackling non-performing loans.

Ms. Rumantir is a firm believer in the potential of the Indonesian real estate market today, and recommends that investors consider it over other more established regional counterparts.

"Indonesia has some of the lowest property prices in the region. Furthermore, the returns here are very attractive. In Singapore if you buy property the return is only about 3%, whereas here in Indonesia returns can be up to 5% or 6%," she concludes. ●

Procon celebrates *30 years* of contribution in the development of Indonesia's property industry

Established in 1980 as Procon Indah, we pioneered Indonesia's property consultancy industry. Today, after over 30 years of a remarkable evolution we became prominently recognized as Procon.

Still the fore-front runner in the property industry, committed in providing only the best and unrivaled strategic advice and property solutions.

Kindly allow us to express our gratitude to our clients who have continuously supported us. Our promise is to always give our best and serve you with the highest standard of service.

and the journey continues...



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Wonderful Indonesia

Indonesia received nearly 7 million visitors last year, continuing an annual growth trend in the country's tourism sector of 10%. This year, industry experts expect that figure to top 7.7 million, and the sector is targeting 8.8 million by the end of 2015.

Minister of Culture and Tourism, Jero Wacik, is hoping to generate some \$8.3 billion in tourism revenues this year with the launch of the campaign entitled Wonderful Indonesia. Half of these revenues are expected to come from the country's active meetings, incentives, conferences, and exhibitions (MICE) sector, with more than 600 events already scheduled for the year ahead.



Eco-travel, which Wacik also intends to promote further in 2011, is another promising sector. Half of the country's territory is blanketed by rainforest, and Indonesia with its thousands of islands naturally boasts one of the longest coastlines in the world. Indonesia also boasts many natural parks, six of which are UNESCO world heritage sites. One of these, Komodo National Park on the Lesser Sunda Islands, has been selected by the Minister of Culture and Tourism for special promotion as a destination this year. The park was founded in 1980 to protect the Komodo dragon, the world's largest lizard, and was declared a World Heritage Site in 1991.

VILLA KUBU - Private Luxury



Australian Dee Mytton, owner of Villa Kubu, ended up in Bali purely by accident. Her unexpected change of life direction has proven to be a blessing for the rest of us.

Villa Kubu's 15 lavish villas and spa are surrounded by lush gardens which blend Bali's natural beauty with traditional architecture and design concepts. Visitors encounter an environment meant to heal the frazzled nerves of modern life, with an emphasis on privacy, serenity and natural elements, "I feel that there aren't many places on the planet where you have time and the right environment to find yourself. Happiness is a discipline and so is creating your own paradise," says Mytton.

Villa Kubu last year was the recipient of the Gold Tri Hita Karana award for honoring Balinese design concepts of creating harmony between man, nature, and the heavens by using natural local building materials. ●

TOZY SENTOSA



"We run a profitable business, but we care about our employees, our community, and the environment in which we work," says Suzy Hutomo, driving force behind Tozy Bintang Sentosa Group, explaining that she and her husband made the decision to establish a different kind of business back in the early 1990s.

The Hutomos' decision has distinguished the Group's path since then. A strong interest in environmental issues helped them land the Body Shop Indonesia franchise. From there, the Hutomos went on to open the Centro Lifestyle Department Store chain, also marked from the beginning by its involvement with environmental causes.

"Back in 1992, we were one of the very few businesses in Indonesia to have a strong CSR policy and a staff solely dedicated to CSR. We are very aware of Indonesia as a place that needs initiatives. The country's environmental concerns are very complex, and we are doing our part to help solve them," Says Ms. Hutomo.

The Hutomos have successfully managed to combine profitability with sustainability: Tozy Sentosa currently has 65 Body Shop stores located throughout the country, and is aiming to have 100 within three years. Sales, unscathed by the crisis, have continued to register average growth of up to 13% per year.

"We see profit as a source of strength. If we are not profitable then we can't really do very much for the environment and we can't give back to the community," Ms. Hutomo concludes. "Now that we have a strong, established business, we can really make a strong statement and have a strong impact." ●