

# INDONESIA: WHAT'S NEW?

## **Indonesia launches its third economic stimulus package designed to boost investment**

Following the first two economic stimulus packages introduced by the Indonesian President Joko Widodo's administration in September 2015, in October this year the government launched the much anticipated third phase of the stimulus package. These measures are intended to bolster the weakening Rupiah (IDR) and boost investment in the industrial sector.

The first and second stimulus packages were introduced to counter the global economic slowdown by, among others, creating a conducive macroeconomic environment, enhancing Indonesia's industrial competitiveness through deregulation and simplifying the authorisation process for strategic projects, and improving the management of foreign exchange flows.

This third package is designed to support the previous stimulus packages by focusing on the development of small and large scale industries.

The effect of the latest stimulus package will be to lower fuel and gas prices, by streamlining the distribution system whilst reducing the Non-Tax State Revenue (Penerimaan Negara Bukan Pajak/PNBP) take.

The government will also significantly cut the tariffs on electricity for large scale industries. The stimulus package further provides for additional discounts and extensions for payments to companies in financial difficulty, provided they agree not to lay off employees.

Small and medium businesses will also have easier access to loans as the government will expand the loan distribution channels (include rural bank, cooperatives and plasma) and the target sector.



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As part of the government's efforts to cut through red tape, the Ministry of Agrarian and the National Land Agency Regulation No. 2 Year 2015 will be amended in order to simplify the procedures for obtaining land permits for investment activities. These amendments will curtail the unnecessary time and procedures in processing investment permits for industrial estates.

### **Two new free trade/bonded logistic zones**

The Indonesian government is also preparing two free trade/bonded logistic zones, one of which is expected to be one of the biggest bonded logistic zones in South East Asia.

The zones will be located in Cikarang, West Java and Merak, Banten. The new zones are expected to serve as hubs for capital goods, intermediary goods and raw materials.

The bonded logistic zone in Cikarang, near Jakarta is set to serve logistic-related manufacturing industries, while the bonded zone in Merak is designed to function as a storage facility for fuel.

Present details on the projects are limited. In the likely event that the Indonesian government decides to move forward with its plans, more details on the proposed bonded logistic zones and the regulations governing them will likely be released in the upcoming months. Given the potential for more attractive and efficient industrial facilities in the region, investors are well advised to keep an eye out for further developments.



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