

INA STRATEGY FOR 2009 - 2013

Developments in the Business Environment

Even though Indonesia's economic fundamentals are good, the country will be affected by the world wide economic crisis. Indonesian exports are falling and international financing for investment is more limited. The crisis is expected to last well into 2010.

At the same time, more structural developments in international business are ongoing. Continuous advances in information technology are making information about companies and markets more easily accessible. Although Indonesia is still lagging behind in these developments, they are also progressing here.

The Indonesian investment climate still has a lot of problems that need to be improved. Improving governance and capacity building in government institutions as well as making regulations and procedures more investor friendly all remain important. Input from the international business community on all relevant issues remains very important.

The European Union is taking on a stronger role in market access negotiations in the ASEAN Countries. The European Chamber of Commerce (EuroCham) provides a platform to promote the joint interests of European companies in Indonesia, especially on trade issues. The International Business Chamber (IBC) is presenting the joint views of the international business community on important topics such as taxation, labour law and investment regulations.

There remains a strong need for information and advice on the many aspects of doing business in Indonesia. There is also still a strong need for company matchmaking, as finding the right company and product information remains complicated.

INA strategy 2009 - 2013

Against this background, INA will adjust and focus its strategy.

- 1) INA will continue to be a service center for its **members**, providing basic commercial and legal information and organizing regular informative activities.
- 2) INA will **lobby** for and **promote** the trade and investment interests of Indonesian and Dutch, Belgian and Luxembourg companies to the extent that the issues are bilateral. For the more general trade and investment interests (such as labour and social security law, investment law, regional autonomy, customs and trade law, taxation and market access for European products), INA will provide the policy input of its members through the International Business Chamber (IBC), EuroCham and Kadin.
- 3) INA will be a **contact point** for Dutch, Belgian and Luxembourg companies entering Indonesia, as well as a contact point for Indonesian companies seeking business contacts with the Netherlands, Belgium or Luxembourg;
- 4) INA will provide a wide range of **business development services**, such as market research, limited legal advice, company establishment and work permit services, success fee based job-, project- and subsidy mediation, administrative services and company retainer and secretariat services for organizations;
- 5) INA will carry out **regular technical co-operation programs**, aimed at increasing trade and investment between Indonesia and the Netherlands/Europe. The co-operation with EVD, CBI, SenterNovem, and the Netherlands Water Platform will be maintained and where possible further intensified. INA will focus the technical co-operation on a number of issues in which it can provide particular expertise, namely sustainability, energy, water and agriculture.

Strategy Implementation

In order to measure the performance of INA, a number of key performance indicators will be monitored. These are :

- 1) *Number of members and desk representations*
- 2) *Financial overall result*
- 3) *Number of business contacts established*
- 4) *Number of company representations established in Indonesia*

Other performance indicators are closely related to specific programs and are separately agreed on with the principal or donor. They are therefore more project based and not suitable as ongoing KPIs.

Budget

Revenues will be obtained from membership fees, services, and projects and services carried out in co-operation with the Netherlands, and possibly also the Belgian government. The layout of the budget will reflect the five key strategic activities of INA as set out above.

Activities

For its members, INA will continue to organize monthly lunch gathering in co-operation with the other European Chambers of Commerce on current topics, other topical meetings, networking cocktail gatherings, an annual golf tournament and events relating to visiting leaders and business missions from the Netherlands and Belgium. INA will also organize one or two business visits to regions, led by the Netherlands Ambassador.

Communication and Publications

INA Magazine and INA Newsbulletin will be the main regular communication tools with INA Members.

WORKING PROGRAM FOR 2009

INA's range of services will be continued, with targets to reach the same level as in 2008 in spite of the economic crisis.

INA will continue to work on a number of issues in the trade and investment climate, some of them directly, some of them as part of broader initiatives and in close co-operation with the Netherlands Government, the European Commission, the International Business Chamber and EuroCham.

INA will continue to work closely with a number of regions on improving the local investment climate. These regions will be the provinces of Banten, Nanggroe Aceh Darussalam, and West Papua, and the regencies of Balikpapan, Tomohon and Ambon. INA will, on request, also provide advice to other provinces and regencies in Indonesia. The investment climate improvement guidance to regional government, the research into vocational training, the promotion of sustainability, the Horticultural Partnership Support Program and the capacity building support to Apindo and Kadin, all under the Framework Agreement will be continued.

NOTES TO THE BUDGET 2009

General

The budget has been drawn up in accordance with INA's main functions : Members' Organization, Lobby, Contact Point for Indonesian and Benelux companies, Business Development Services and Technical Co-Operation Programmes.

On the expenditures side, the project expenditures have been put on the same line as the projects to which they relate. The expenditures are the direct-out-of-pocket expenses such as hotel expenses, equipment rental costs etc, as well as the salary and office cost allocated to each budget line.

The budget for 2009 has been prepared based on the following exchange rates:

USD = Rp 10.500

€ = Rp. 13.000

REVENUES AND PROJECT EXPENDITURES

Members' Organization

Membership contributions

Membership contributions are expected to remain stable in spite of the economic downturn, based on a good individual service and efforts to proactively assist members. Membership fees have remained unchanged again in 2009.

Events

The income from luncheons, breakfasts and gatherings is budgeted at the same level as the realization of last year (sponsorship income is not budgeted). The same number of events is being planned for participation by INA members, including joint European luncheons. The Annual INA Golf tournament will be organized again. Attempts will be made to reach a balanced budget on this line, by seeking sponsorships.

Media

The income from advertisements is expected to decrease, as new advertisement as irregular advertisers are more difficult to renew their advertisement and new advertisers are more difficult to obtain. Expenditures (mainly printing costs) are budget to increase.

EVD Trade Inquiry

Based on agreement with EVD, INA will continue to handle the trade inquiries by Indonesian companies for Dutch companies and technology at a slightly higher volume than in 2008 and at the same rate as in 2008.

Services

Missions

Missions are budgeted at a lower level than last year's realization, as no major incoming missions are planned for this year.

Desk Representatives

The revenues from desk representatives are projected to decrease as some projects are reduced.

Legal Services & Permits

The volume of permit services and company establishments is expected to remain stable, with a possible decline in new company establishments compensated by the offering of the new corporate housekeeping service. The Government policy on work permits and investment procedures will not make it easier for companies to obtain these permits, and therefore INA's service remains in demand.

Survey, Information Services

Market research assignments are expected to be only slightly higher in 2009 compared to the 2008 realization, as companies are cautious under the current economic conditions but we have obtained some assignments from the Netherlands government.

Mediation / Broker Services

Efforts to generate income from mediation and broker services in jobs, projects and company sale are ongoing, but results are expected to remain modest.

Retainer Service

Retainer Service is budgeted to continue to increase in 2009 compared to the 2008 realization, because there is good interest in this service.

Others

Others include guest house, translations, photocopying and other office services.

Technical Co-Operation

Framework Agreement Projects

The Framework Agreement between Royal Netherlands Embassy (RNE) and INA has been extended until the end of 2009.

HPSP - HCC

The HPSP (Horticultural Partnership Support Program) originally expired in December 2008 but has been extended to August 2009, based on a contract extension with the funding organizations. Talks have begun about a possible new HPSP that may start in 2009.

The Netherlands Wageningen University has won a contract together with INA to establish a Horti Chain Center that will provide services to buyers and producers of horticultural products.

Corporate Governance and Sustainability

The activities related to corporate governance will be discontinued in the course of 2009. Activities related to sustainability, such as the National Centre for Sustainability Reporting (NCSR) will be continued.

Bank Interest

Bank interest income is expected to remain the same as last year's realization.

GENERAL AND ADMINISTRATION

Personnel

Total personnel costs will remain the same as in 2008 as annual adjustments for Indonesian staff have been compensated by a lower US\$ rate for the expatriate staff. The allocation to projects has however so far not been complete, and will be completed in the 2009 budget. This explain the lower amount under G & A Personnel.

Provision for Employee benefit

Provision for Employee benefits will be the same as the realization in 2008 as no major changes are expected to take place in staffing in 2009.

Professional Services

Professional Services (auditing and legal advice) are expected to increase, mainly due to changes in INA's legal status.

Building rental and maintenance

Total costs for building rental and maintenance are expected to increase, because of a 6% increase in rental rates as of April, but a higher absorption rate for projects means that we can further reduce the unallocated office space cost.

Representation & Donations

Costs for representation (mainly donations and sponsorships for social and cultural events) are expected to remain at the same level as in 2008.

Telephone

Telephone and fax charges are expected to increase in line with increasing usage and a lower absorption rate by projects.

Transport and Accommodation

Transport and accommodation rates are continuing to increase in line with higher fuel costs and increasing hotel rates, but we aim to further improve efficiency in order to reduce the cost.

Postages, Stationary, Subscriptions, Photocopies, Printing, and Bank Charges

Postages, Stationary, Subscriptions, Photocopies, Printing and Bank Charges are budgeted to continue to increase in line with inflation.

Other expenses

Other expenses are budgeted at a modest amount. They include tax provisions and non-categorizable items.

Depreciation

Depreciation will slightly increase, as some office furniture will need to be replaced.

INA Netherlands

No more budget is allocated to INA Netherlands because the agreement with INA Netherlands has changed.

Membership EuroCham

Membership of EuroCham is budgeted at the same amount as in 2008.

Allowance for doubtful accounts

Allowance for doubtful accounts and debt write-off is expected to remain low, because of active collection procedures.

Reservation / provision

Altogether, a balanced budget is expected for this year.

All staff directly involved in the provision of services, will receive target-related bonuses and receive monthly progress reports. This is serving as an incentive to increase efficiency and quality in providing services to existing and new clients.

INA BUDGET - YEAR 2009

	REVENUES	BUDGET	REALIZATION	BUDGET	EXPENDITURES	BUDGET	REALIZATION	BUDGET
		2008	2008	2009		2008	2008	2009
Members' Organization					PROJECT EXPENDITURES			
	Membership contributions	750,000,000	766,020,786	750,000,000	Membership contributions	400,000,000	413,073,691	338,300,000
	Events (luncheons,gatherings and golf tour.)	150,000,000	314,445,000	150,000,000	Events (luncheons,gatherings and golf tour.)	160,000,000	366,110,110	180,000,000
	Media	200,000,000	111,552,749	120,000,000	Media	80,000,000	93,616,181	120,000,000
Trade Inquiry/ EVD								
	EVD Trade Inquiry	480,000,000	590,702,306	520,000,000	EVD Trade inquiry	300,000,000	564,830,391	480,000,000
Services	Missions	450,000,000	512,513,736	450,000,000	Missions	250,000,000	510,003,165	370,000,000
	Desk Representatives	350,000,000	589,173,028	650,000,000	Desk Representatives	170,000,000	563,183,961	583,000,000
	Legal Services & Permits	480,000,000	405,592,386	480,000,000	Legal Services & Permits	270,000,000	326,726,261	385,000,000
	Survey, Information services	200,000,000	279,038,586	180,000,000	Survey, Information services	130,000,000	152,626,967	98,700,000
	Mediation / Broker Service	50,000,000	52,100,000	50,000,000	Mediation / Broker Service	1,000,000	44,647,112	50,000,000
	Retainer Service	350,000,000	364,848,181	450,000,000	Retainer Service	180,000,000	274,460,411	370,000,000
	Others	60,000,000	28,685,000	60,000,000	Others	13,000,000	22,219,907	22,000,000
Technical Cooperation	Framework Agreement Projects	620,000,000	495,555,152	570,000,000	Framework Agreement Projects	360,000,000	414,346,436	440,000,000
	HPSP- HCC	340,000,000	479,639,277	525,000,000	HPSP- HCC	280,000,000	408,769,532	435,000,000
	Corporate Governance/Sustainability	250,000,000	-	50,000,000	Corporate Governance/Sustainability	120,000,000	84,052,471	80,000,000
	Bank Interest	60,000,000	43,968,707	40,000,000	GENERAL AND ADMINISTRATION			
				Personnel	1,020,000,000	439,960,995	450,000,000	
				Provision for employee benefit	100,000,000	130,538,000	130,000,000	
				Building rental & maintenance	150,000,000	79,581,538	90,000,000	
				Professional services	150,000,000	13,529,771	40,000,000	
				Representation & Donation	40,000,000	58,972,372	60,000,000	
				Telephone	30,000,000	6,782,261	8,000,000	
				Transport and Accommodation	65,000,000	93,797,964	77,000,000	
				Postages	55,000,000	4,876,744	6,000,000	
				Stationary	50,000,000	2,880,159	4,000,000	
				Subscriptions	13,000,000	14,515,000	16,000,000	
				Photocopies	30,000,000	2,633,549	3,500,000	
				Printing	60,000,000	24,554,609	26,000,000	
				Bank charges	22,000,000	28,174,689	30,000,000	
				Other Expenses	30,000,000	4,875,507	6,000,000	
				Depreciation	90,000,000	65,638,428	67,000,000	
				INA Netherlands	50,000,000	-	-	
				Membership Euro Cham	10,000,000	15,577,120	13,000,000	
				Allow. for doubtful accounts	50,000,000	(132,370,941)	60,000,000	
				Forex	-	(280,476,087)	-	
				Reservation/Provision	61,000,000	221,126,619	6,500,000	
	TOTAL	4,790,000,000	5,033,834,894	5,045,000,000	TOTAL	4,790,000,000	5,033,834,894	5,045,000,000

Exchange rate : Average BI Rate 2008 EUR/IDR 14,339 USD/IDR 9,753
Average BI Rate 2009 EUR/IDR 13,000 USD/IDR 10,500