



## **Information for Investors about investment climate and project opportunities in various regions**

### *General Advice*

The investment climate in Indonesia still leaves much to be desired, although the government at central level is working to improving the regulatory framework and some local governments have drawn up detailed development plans for their regions.

The most pervasive problem, is lack of legal certainty. Investors can not count on contracts alone, because enforcement through the court system is extremely difficult. It is therefore important for foreign investors to build in other securities into the investment or the relationship with a domestic partner, such as access to key markets or technologies.

It is also very important to build up good personal relationships with not only the local partner, but also with key local administrators. Inviting them to important company or even family events is one of the possibilities.

It is very important to comply with all the regulations, even although they may seem bureaucratic. In many cases foreign investors have run into trouble because they did not comply with a regulation, and this situation was abused by a disgruntled local partner or employee. Working and managing without a proper work permit is one of the most frequently occurring sources of problems for expatriates and their companies.

Another source of irritation the seemingly continuous string of requests for money from local administrators and social groups, without much clear justification. This makes the cost of doing business somewhat unpredictable, although a good community relations management should help to prevent costs from becoming excessive. Investors should remember that in Indonesian culture, contracts and regulations are often put aside by what is perceived as being 'reasonable' and 'fair'.

With the regional autonomy, differences are now emerging in the investment climate in different regencies. Indonesia is divided in 33 provinces, which are again subdivided in a total of 440 kabupatens and cities (kotas). Kabupatens and kotas range in size from a few dozen to a few hundred square kilometers, and from a few hundred thousand to a few million inhabitants. It is the governments of the kabupatens and kotas that now have the strongest power in shaping the investment climate. Some are showing innovation, vision, and public accountability, while others are continuing old style bureaucracy, corruption, and collusion. Most regencies will state that they welcome foreign investors, but the supporting policies are still often far from conducive. However, progress is being made in a number of regions.



A lacking infrastructure is another important problem in the investment climate. Shortages in good road connections, the capacity and facilities at ports and airport, and most of all lack of available power, are all prevalent bottlenecks. Because of the scale in which these bottlenecks need to be addressed, local governments alone lack the means of solving these problems. They are dependent on national co-ordination and national policies.