

Quarter 3 – 2019 edition

A definitive guide on macroeconomic condition, data & information, key contacts, and potential investment projects in North Sumatra



NORTH SUMATRA INVESTMENT BOOK

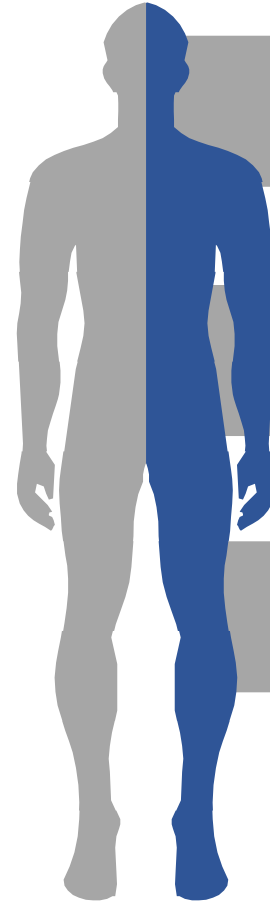
About Us



North Sumatra Invest (NSI) is a dedicated task force comprised of all North Sumatra's policy makers, including the Government of North Sumatra and Bank Indonesia, with full cooperation of Kamar Dagang dan Industri Indonesia (KADIN).

Our mission is to attract Foreign Direct Investment (FDI) in North Sumatra to foster economic growth.

Our Mission



Providing

Providing Investors with the necessary data and information



Promoting

Promoting the right investment opportunities and projects



Connecting

Connecting investors with the right business contacts

CONTENT

Main informations you will find



01

Indonesia's Strong Performance

Indonesia is one of the fastest growing economy in the world. Find how we perform relative to our peers.

02

Why North Sumatra?

North Sumatra isn't only a great market for your products, but also a perfect place for production base.

03

Potential Projects & Tourism Potential

Our handpicked potential projects for you, guaranteed by the government. In addition, We also specifically collect the potential tourism site in North Sumatra.

04

Licensing in Indonesia

A quick guide on getting business license in Indonesia. It's never been easier to do business here.

05

Key Contacts

Who to contact if you want to invest and grow your business in North Sumatra?

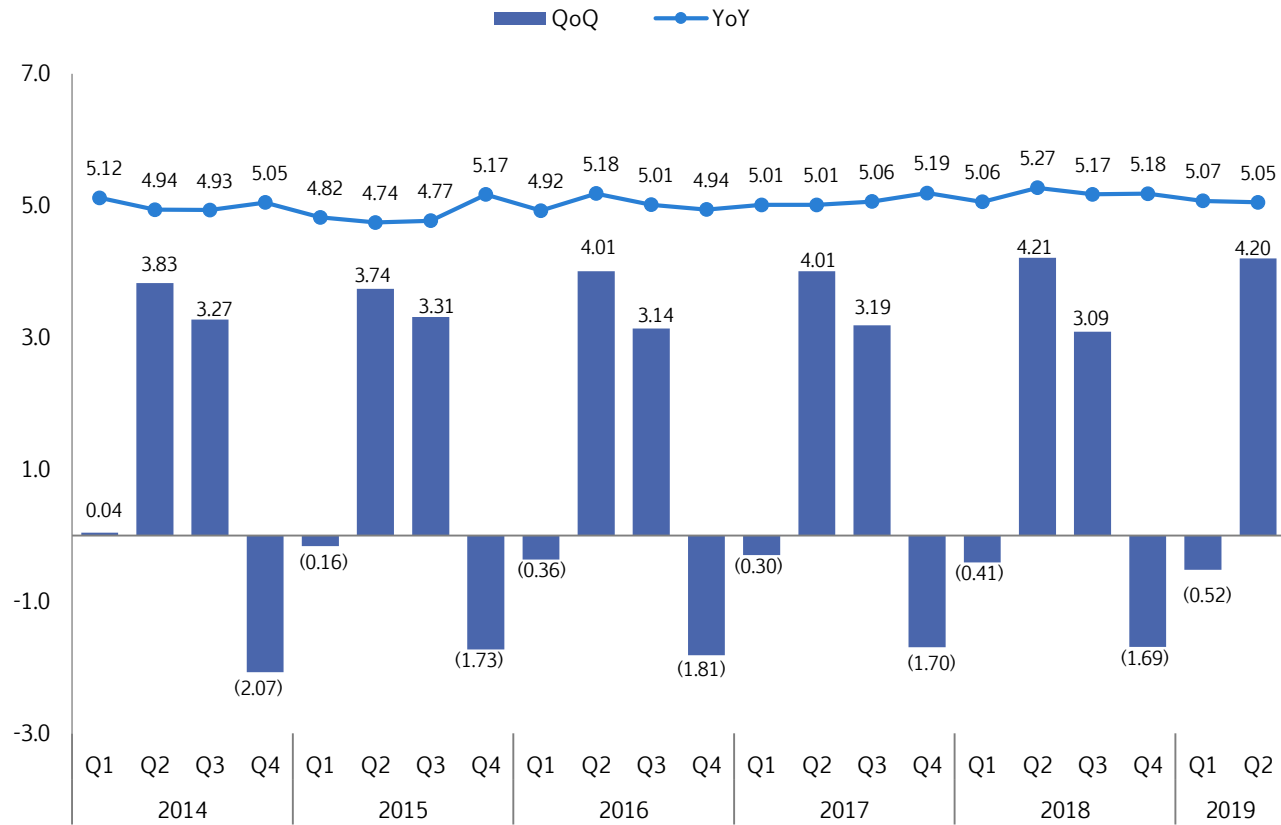


1

**INDONESIA'S STRONG
PERFORMANCE**

Indonesia's Strong GDP Growth

| % year-on year & % quarter-to-quarter



Solid national economic growth

The national economy expanded 5.05% (yoy) in the second quarter of 2019. The latest economic developments were influenced by increasing domestic demand against a declining external sector.

Institutions	2019 Growth (YoY)
2019 Budget	5.3
Bank Indonesia	5.0-5.4
IMF (WEO Oct 2019)	5.0
World Bank	5.2
ADB	5.2
Consensus Forecast (October 2019)	5.0

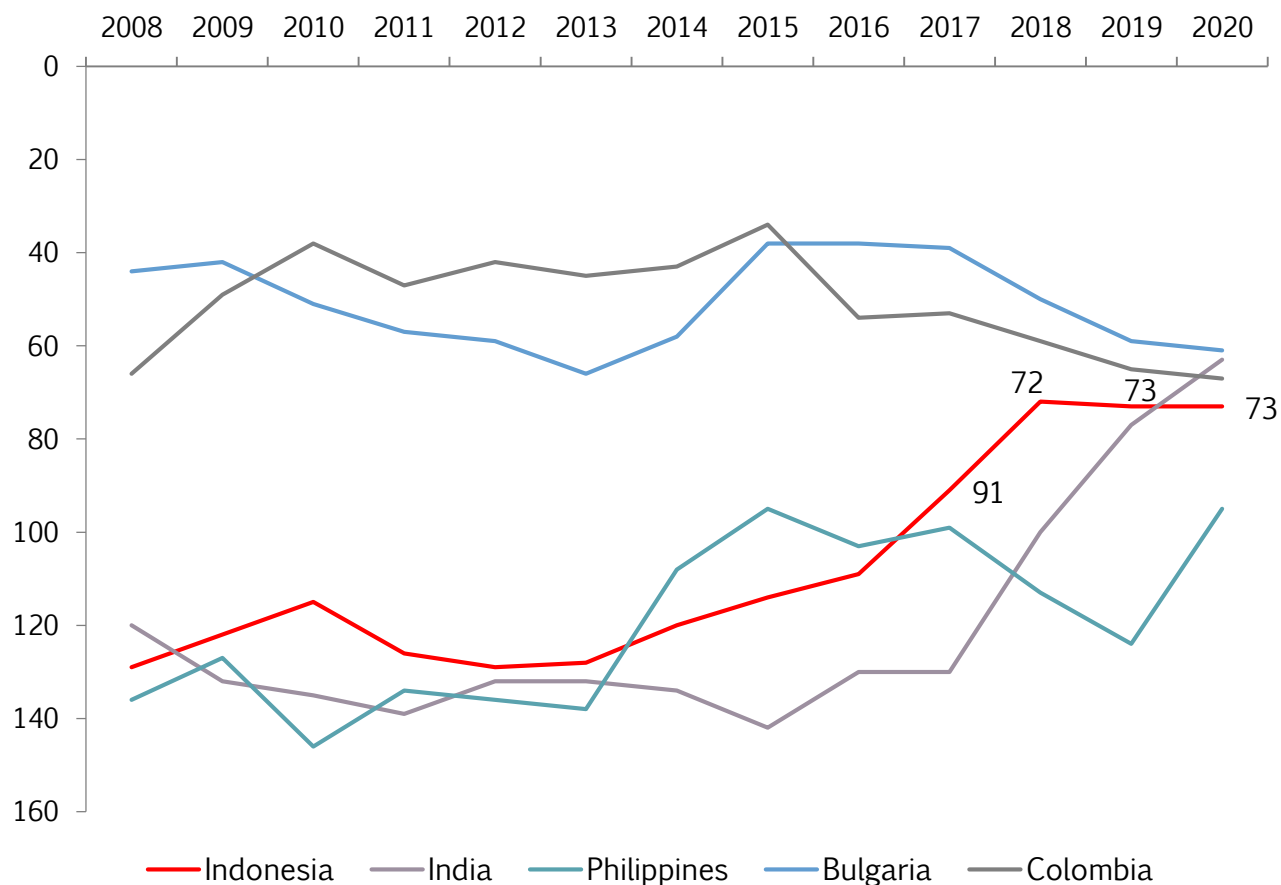
Our concern to Business

Business has never been easier in Indonesia. In recent years, our government has put significant effort to boost business climate and we're happy to tell you that our ease of doing business rank has improved significantly.

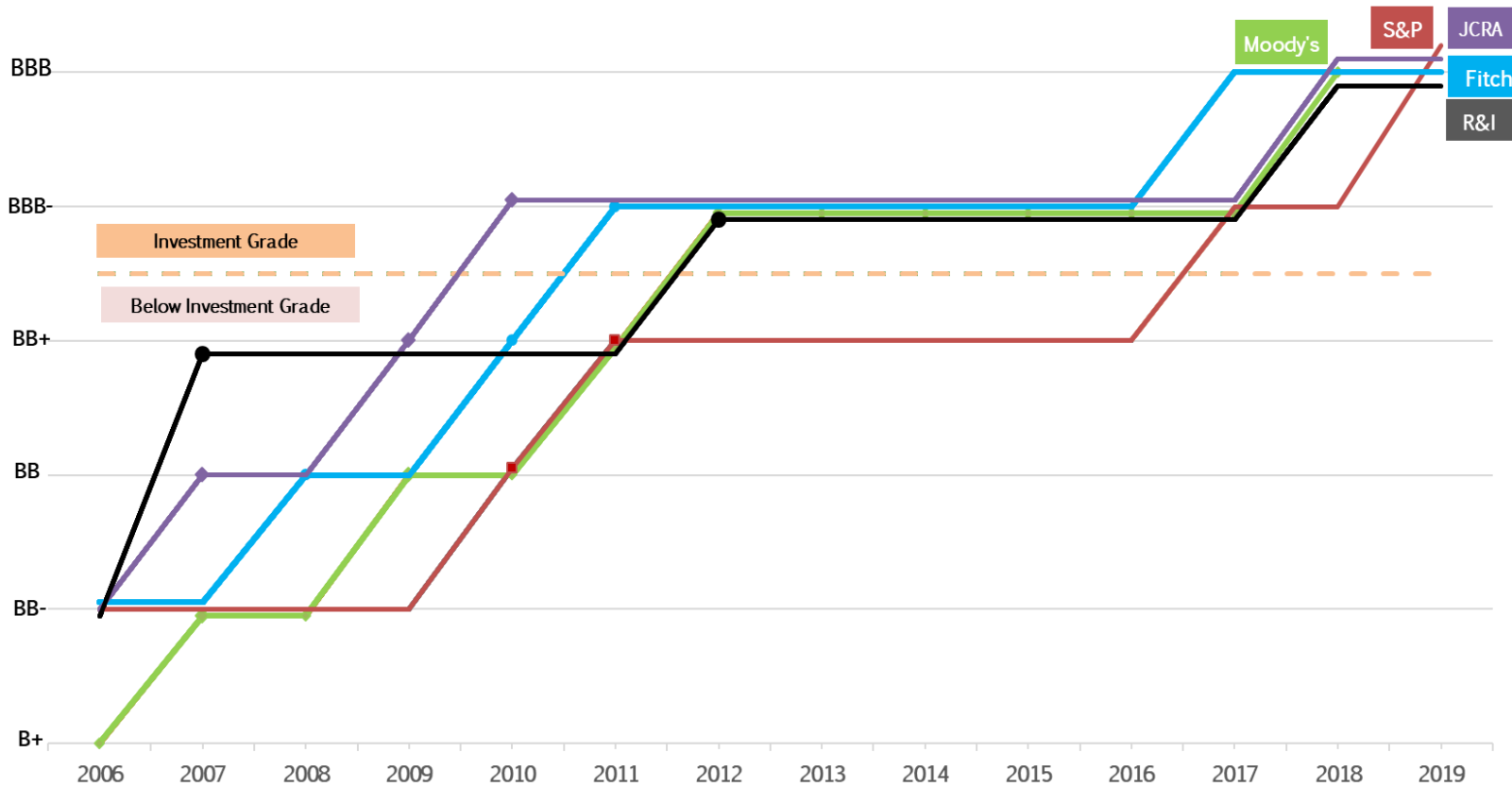
Our efforts to cut licenses gave an impact to the business player. And we plan to make it even easier. **There is no better time than now to invest in Indonesia.**

Ease of Doing Business

| Index, **The Higher The Better**



Investment grade approved!



FitchRatings

BBB / Stable

March 2019, Rating Affirmed at BBB/Stable

The decision was supported by favorable GDP growth outlook on the back of resilient domestic demand and a small government debt burden compared with its peers. Indonesia's sovereign credit fundamentals should be resilient to substantial exchange rate volatility.

S&P Global Ratings

BBB / Stable

May 2019, Rating Upgraded at BBB/Stable

"We raised the ratings to reflect Indonesia's strong economic growth prospects and supportive policy dynamics, which we expect to remain following the re-election of President Joko Widodo recently."

MOODY'S

Baa2 / Stable

Apr 2018, Baa2, Rating Upgraded

"The upgrade to Baa2 is underpinned by an increasingly credible and effective policy framework conducive to macroeconomic stability. Together with a build-up of financial buffers, prudent fiscal and monetary policy strengthens Moody's confidence that the sovereign's resilience and capacity to respond to shocks has improved."



BBB / Stable

April 2019, Rating Affirmed at BBB/Stable

"Indonesia's economy is growing at a solid pace. The fiscal deficit to GDP ratio narrowed from a year earlier, and the government debt to GDP ratio remains low. While the CAD somewhat widened, foreign reserves are ample relative to short-term external debts. Its economic resilience to external shocks is maintained, supported by the government and central bank's policies emphasizing macroeconomic stability."



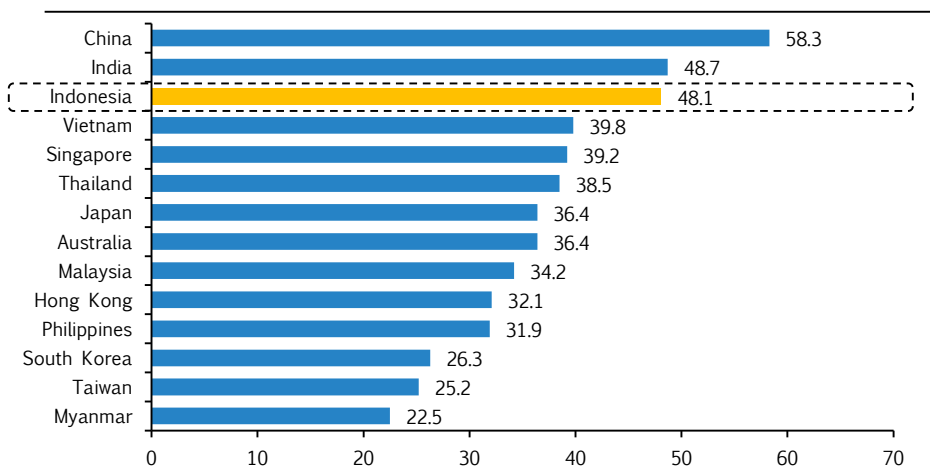
BBB / Positive

April 2019, Rating Affirmed at BBB, Outlook Revised to Positive

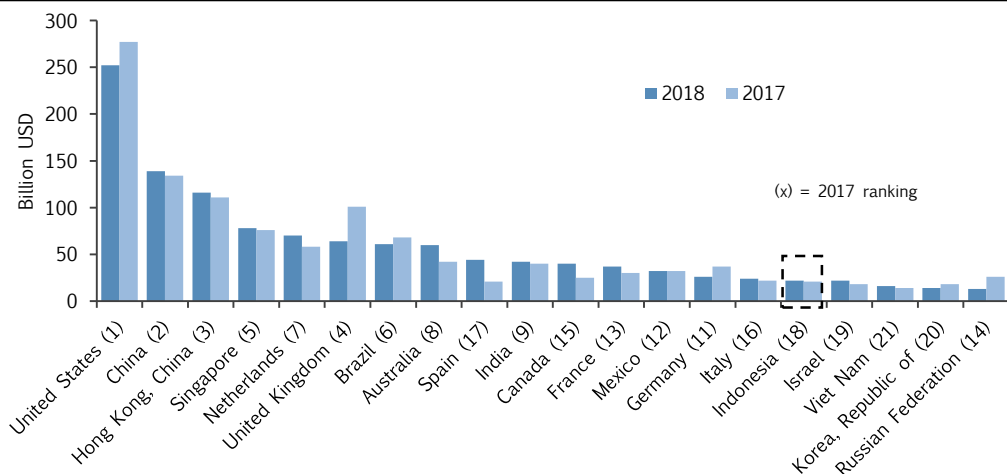
"The ratings mainly reflect Indonesia's solid economic growth underpinned by domestic consumption, restrained level of budget deficit and public debt, and resilience to external shocks stemming from flexible exchange rate policies and accumulation of foreign exchange reserves. The administration led by President Joko Widodo has formulated a large-scale infrastructure development plan and is vigorously promoting it to eliminate the infrastructure shortage. In addition, it has succeeded in expanding infrastructure expenditures and expenditures on human capital, and has been curbing the budget deficit by reducing fuel subsidies."

Investors are flocking to Indonesia

The Economist: Indonesia rounds out the top five of Asian economies that can look forward to increased investment spending. (January 2019)¹

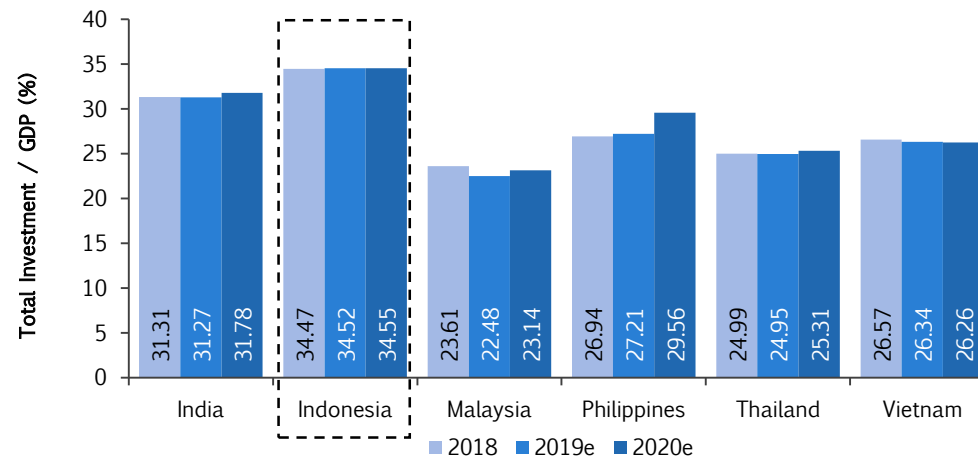


UNCTAD: Indonesia is listed in the top 20 host economies based on FDI inflows, 2017 and 2018 (June 2019)³

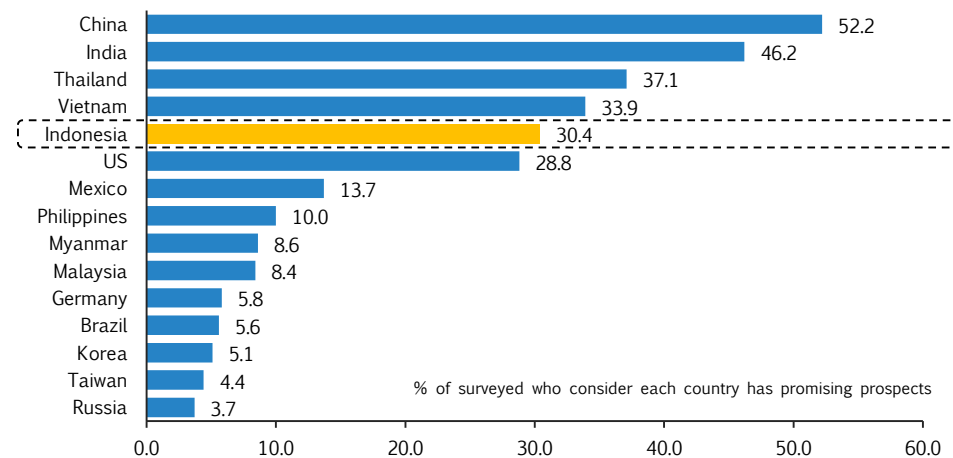


1. Source: The Economist – Asia Business Outlook Survey 2018
2. Source: IMF World Economic Outlook, Database April 2019

Indonesia Enjoys Large Investments Relative to Peers within the Region²



JBIC: Among ASEAN countries, Indonesia is the most preferred place for business investment (November 2018)⁴



3. Source: United Nations Conference on Trade and Development (UNCTAD) – World Investment Report 2019
4. Source: JBIC – Outlook for Japanese Foreign Direct Investment (30th Annual Survey)



2 WHY
NORTH SUMATRA?

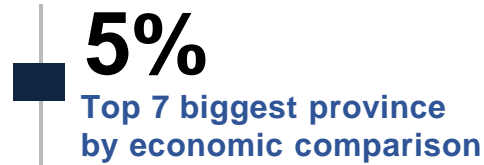


Governor : Edy Rahmayadi
Vice Governor : Musa Rajeksah
Capital City : Medan City
Regencies/Cities : 25 Regencies and 8 Cities



GRDP

2018 %share to national



HDI

2018



EXPORT

%share to national



POPULATION

2018



INFLATION

%yoy



North Sumatra Province is geographically positioned between 1° - 4° North and 98° - 100° East.

Geographic Advantages

Located in the vast and prosperous area of Sumatra island, with total area of 73.000 km²

It is strategically positioned along the Malacca Strait and has long been a major trade center in west Indonesia.

A MILLENIAL PROVINCE

Half of North Sumatra population is under 25 years old.

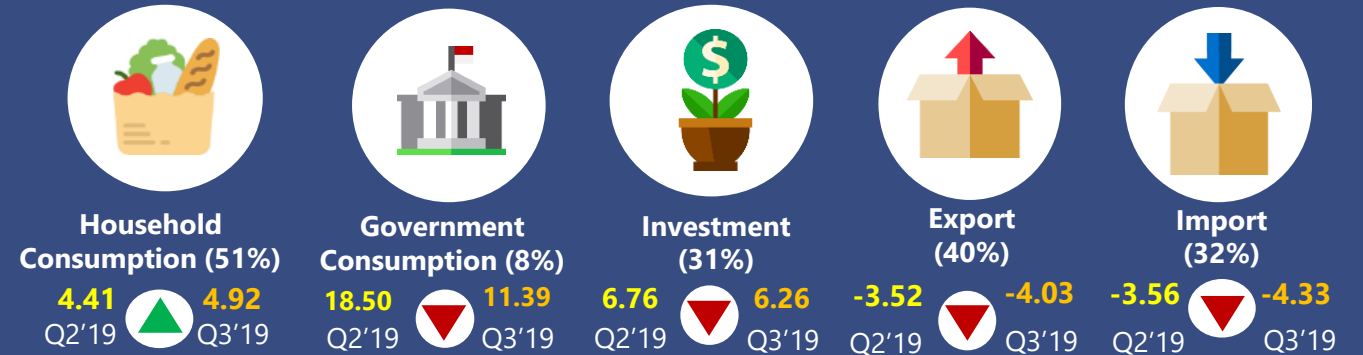
ROOM FOR NEW BUSINESS

With 71% employment rate, North Sumatra will support new business with adequate human resources

Vigorous Economic Growth

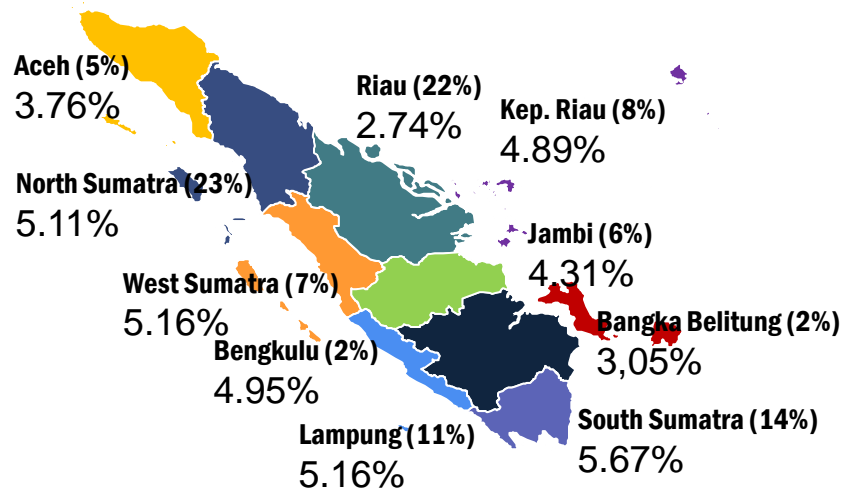
In third Quarter of 2019, North Sumatra economic growth slightly declined to 5.11 % (yoy). However North Sumatra economic growth was still stronger than Sumatra and Indonesia. North Sumatra growth was supported by strong household consumption.

EXPENDITURE

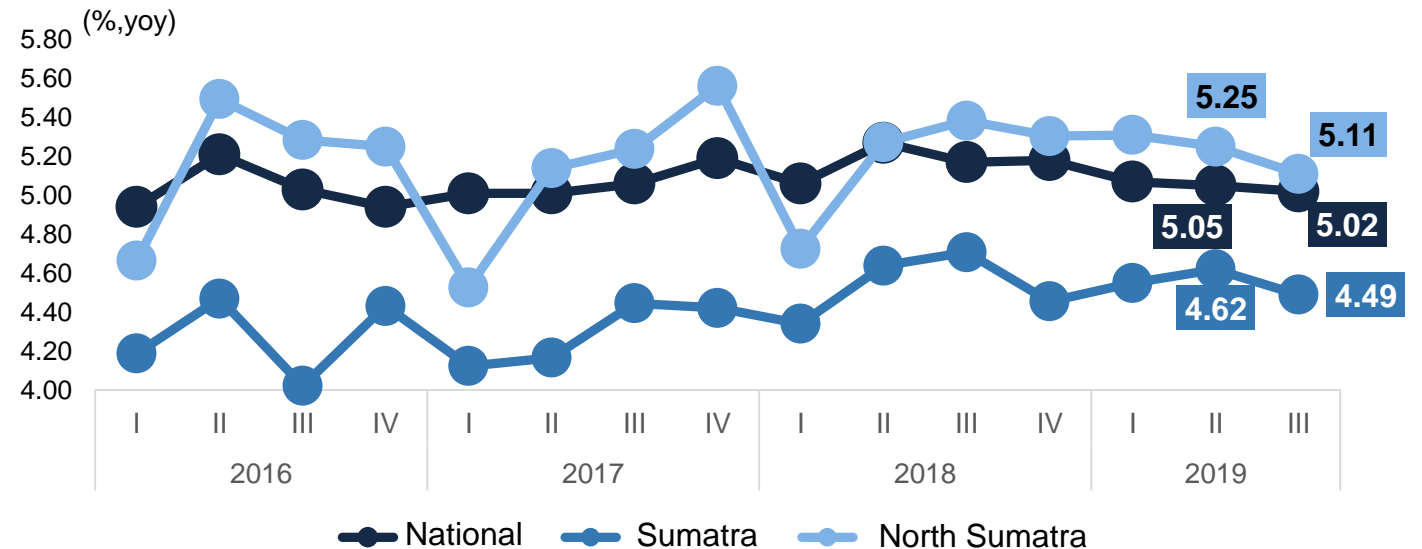


Note : amounts in parentheses indicate sectors distributions of GRDP at constant market price in the third quarter of 2019

Economic Growth of All Provinces in Sumatra



National, Sumatra, and North Sumatra Economic Growth



Growing Investment Realization

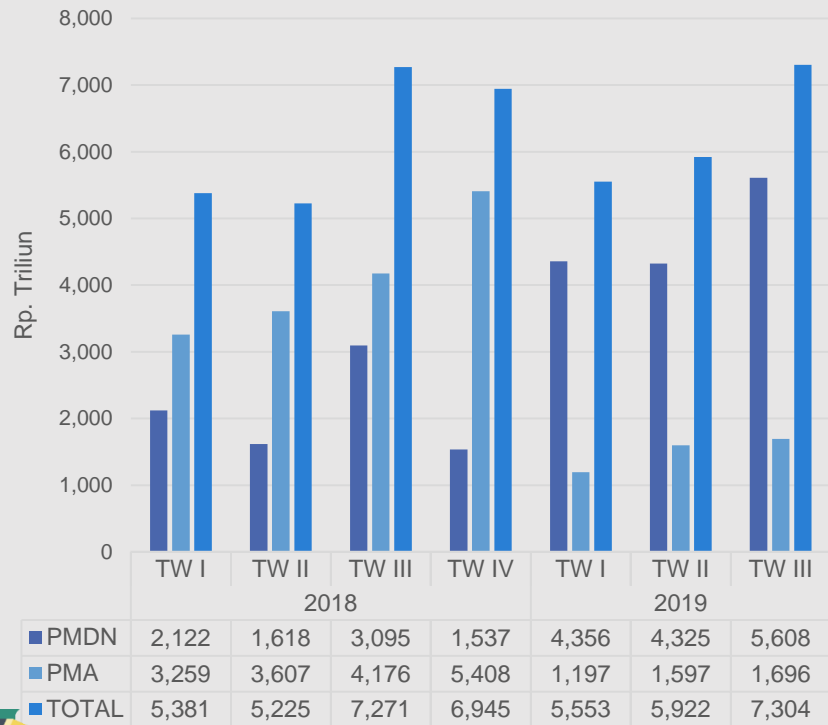
2019 TARGET

FDI/DDI :
Rp. 33,91 T

INVESTMENT REALIZATION (JAN - SEP 2019)

FDI/DDI :
Rp. 18,78 T

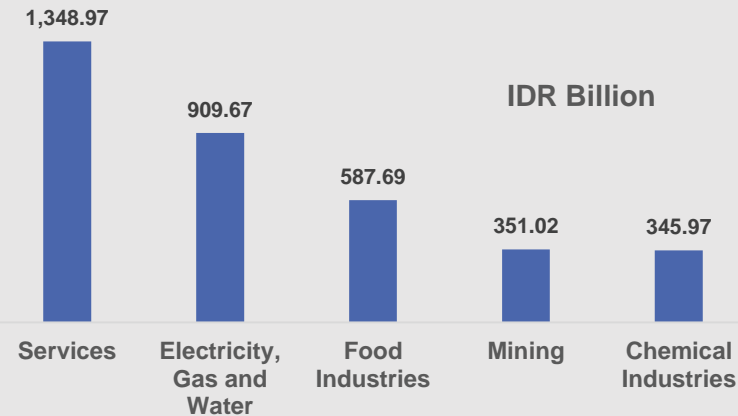
DEVELOPMENT OF INVESTMENT REALIZATION



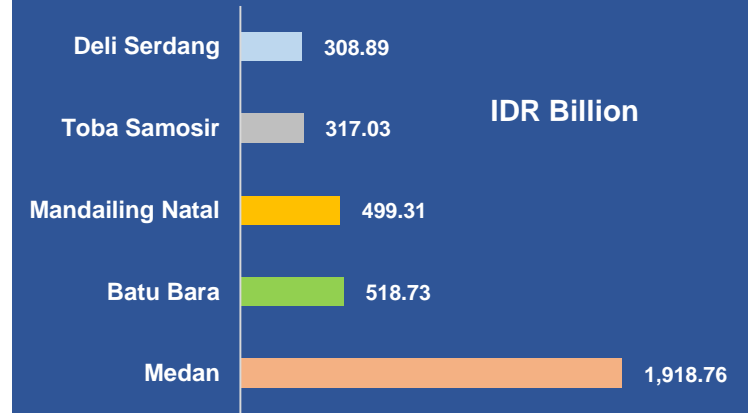
INVESTMENT REALIZATION BY LOCATION AND SECTOR

(JAN - SEP 2019)

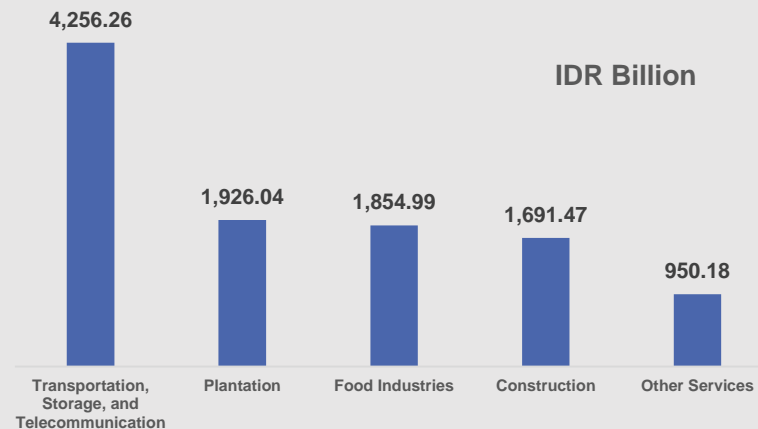
TOP 5 SECTORS BASED ON FDI VALUE



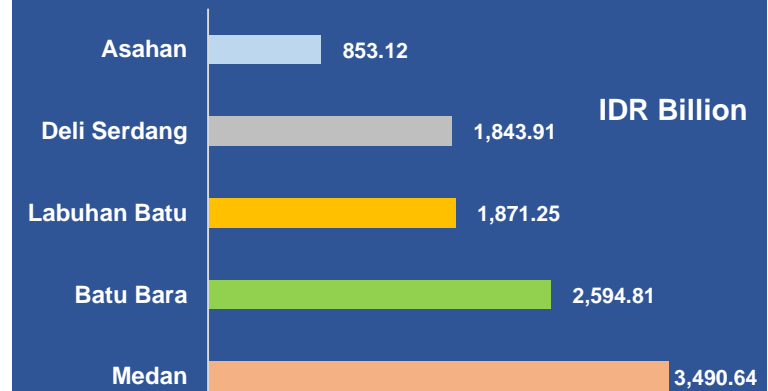
TOP 5 LOCATIONS BASED ON FDI VALUE



TOP 5 SECTORS BASED ON DDI VALUE



TOP 5 LOCATIONS BASED ON DDI VALUE



Supplying the world's biggest markets

Biggest export products | % share to total export in 2018

Palm Oil (34%)

North Sumatra is 2nd biggest palm oil producer in the country. Products ranging from crude oil to finished products like soap and cooking oil.

Natural Rubber (8%)

While price's declining then suppress the production, rubber is still one of the greatest. Most of the export is in the form of rubber sheet,

Arabica Coffee (4%)

Our Arabica coffee (ie. Sidikalang) is among the most highly priced and sought coffee product in the global market.



Biggest market for export | % share to total export in 2018

China (15%)

The single biggest export market for North Sumatra's products, including palm oil products, chemical and rubber

United States (12%)

United States is the biggest importer for food and animals products. Other products include palm oil and rubber glove.

India (9%)

India is one of the biggest importer of palm oil products from North Sumatera, mostly in the form of CPO.

Progressively Equipped Infrastructures



Ports

- Port of Belawan - Medan
- Port of Kuala Tanjung – Batu Bara
- Port of Tanjung Balai Asahan – Tanjung Balai
- Port of Pangkalan Susu - Langkat
- Port of Sibolga - Sibolga
- Port of Gunung Sitoli – Gunung Sitoli (Nias Island)

Airports



- Lasondre Airport – Batu Islands
- Binaka International Airport – Gunung Sitoli
- Kualanamu International Airport – Deli Serdang
- Soewondo Air Force Base – Medan
- Aek Godang Airport – Padang Sidempuan
- Ferdinand Lumban Tobing Airport – Sibolga
- Sibisa Airport – Simalungun
- Siangit International Airport – Siborong-Borong



Train

- Sribilah (Medan ↔ Rantau Prapat)
- Putri Deli (Medan ↔ Tanjung Balai)
- Siantar Ekspres (Medan ↔ Pematang Siantar)
- Airport Railink (Medan ↔ Kualanamu)
- Sri Lelawangsa (Medan ↔ Binjai)

Existing and Planned Toll Roads in North Sumatra



Trans Sumatra Highway

A grand scale project to bring fluid connectivity among provinces in Sumatra island.

Everything will be more connected, not less.



An aerial photograph of a large industrial port facility. The facility includes numerous storage tanks, processing units, and a long pier extending into the sea. Several large cargo ships are docked at the pier, and others are visible in the water. The sky is blue with a few birds flying. A large, semi-transparent white box with rounded corners is overlaid on the right side of the image, containing a large blue number '3' and the text 'POTENTIAL PROJECTS AND TOURISM POTENTIAL' in blue capital letters.

3 POTENTIAL PROJECTS
AND
TOURISM POTENTIAL

NORTH SUMATRA

INVESTMENT PROJECT

SPECIAL ECONOMIC ZONE SEI MANGKEI



Location	Simalungun
Investment Value	Infrastructure : Rp. 5,1 Trilyun Investor/Tenant : Rp. 129 Trilyun
Total Area / Land Status	1933,80 Ha/Rights to Manage and Build (HPL)
Mode of Offer	Financing and Investment
Project Owner	PTPN III
Main Activities	Palm Oil & Downstream Industries Rubber & Downstream Industries Various Industry
Project Status	<ol style="list-style-type: none"> 1) Infrastructure availability. 2) Government provisions and support. 3) Land used : 283 Ha / 14.63 % from total area (updated January, 2019). 4) Investment realization : Rp. 3 Trilyun (updated January, 2019). 5) Foreign companies are entitled to construct and own buildings or other structures on the land (max. 30 years and extendable for another 20 years).

Project Description

- Sei Mangkei is an industrial area located in the center of raw materials based on agro that are not owned by other industrial area in Indonesia.
- SEZ Sei Mangkei is divided to 3 zones :
- ✓ Industrial Zone : Palm Oil Downstream Industry Zone (oleochemical, refinery, biodiesel), Rubber Downstream Industry Zone, Production Supporting Facilities, Various Industry Zone (electronic, electricity), Small & Medium Industries.
- ✓ Logistic Zone : Dry Port, Tank Farm, Warehousing, Packaging.
- ✓ Tourism Zone : Hotel, Golf Course, Commercial Area, MICE (Meeting, Incentives, Convention & Exhibition).

PROJECT'S OWNER PROFILE:

PT Perkebunan Nusantara III (Persero) makes oil and palm kernel as the main commodities that make a major contribution to the company's revenue. The oil and palm kernel products produced by the oompany are well known in the local and international markets such as Crude Palm Oil (CPO), Palm Kernel Oil (PKO), Palm Kernel (PK) and Palm Kernel Meal (PKM).

PT. PERKEBUNAN NUSANTARA III is in charge to develop and manage SEZ Sei Mangkei .

Contact Person:

Yenni Fransiska Simangunsong (Marketing Officer)
 Mobile: +6281264992088 Email: pnp@email.ptpn3.co.id
Widoyoko (Operational Manager)
 Mobile: +628126227061 Email: widoyoko.tk@gmail.com



NORTH SUMATRA

INVESTMENT PROJECT

KUALA TANJUNG INDUSTRIAL AREA



Location	Batubara
Investment Value	Rp. 28.87 Trilyun
Total Area / Land Status	±3458.85 Ha
Mode of Offer	Financing and Investment
Project Owner	PT Pelindo I
Main Activities	Processing Industries
Project Status	1) Land Acquisition is on progress 2) Existing Industries : Inalum (Aluminium & Derivative Industry), PT Wilmar (CPO), PT Bakrie (CPO).

Project Description

- Kuala Tanjung Industrial Zone is intended for processing industries such as :
 - ✓ Petroleum
 - ✓ Liquefied Natural Gas
 - ✓ Automotive
 - ✓ Electricity
 - ✓ Palm Oil
 - ✓ Aluminium
 - ✓ Rubber
 - ✓ Cement

PROJECT'S OWNER PROFILE:

PT Pelindo I is a leading port service provider in Sumatera. It operates 24 ports and has a strong footprint in Aceh, North Sumatera, Riau and Riau Islands.

PT. PELINDO I is in charge to develop and manage Kuala Tanjung Industrial Zone.

Contact Person:

Asih Kurnia

(Stakeholder Manager)

Mobile: +6281585671500 Email: akurnia@pelindo1.co.id



NORTH SUMATRA

INVESTMENT PROJECT

KUALA TANJUNG PORT



Location	Batubara
Investment Value	Rp.18.4 Trilyun
Total Area / Land Status	±3000 ha
Mode of Offer	Financing and Investment
Project Owner	PT Pelindo I
Main Activities	Self Generating Cargo Port
Project Status	Scopes and Stages of Development : - Kuala Tanjung Multipurpose Terminal (2015-2017) - Kuala Tanjung Industrial Area (2015-2017) - Container Terminal (2017-2019) - Integrated Urban Area (2018-2020)

Project Description

- **Supporting:** highway and train railway Multipurpose Terminal.
- **Program Benefits:** The addition of the container capacity of 400 thousand TEUs and 3.5 million tonnes of liquid bulk.

PROJECT'S OWNER PROFILE:

PT Pelindo I is a leading port service provider in Sumatera. It operates 24 ports and has a strong footprint in Aceh, North Sumatera, Riau and Riau Islands.

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Contact Person:

Asih Kurnia
(Stakeholder Manager)
Mobile: +6281585671500 Email: akurnia@pelindo1.co.id



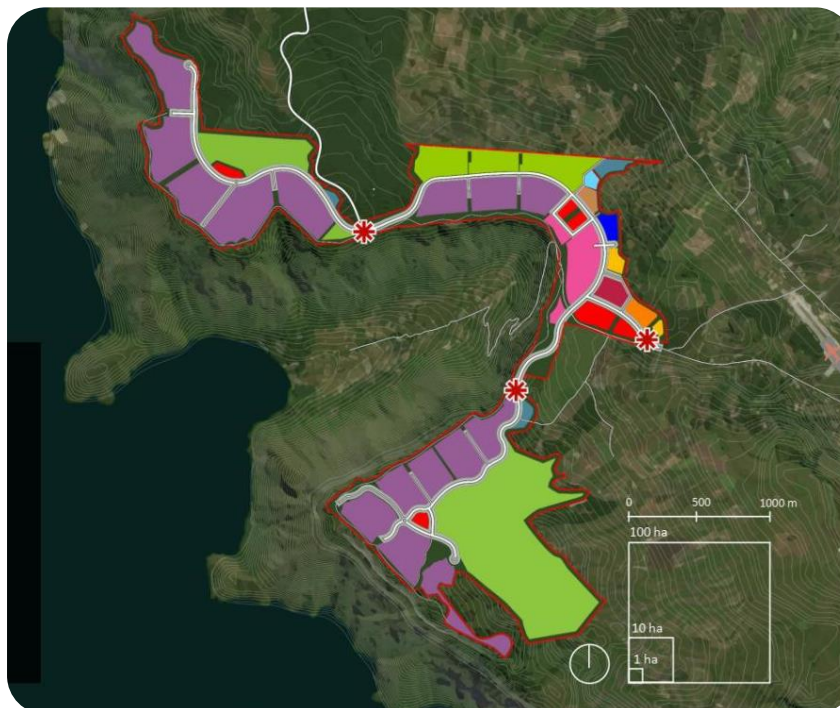
NORTH SUMATRA

SIBISA INTEGRATED RESORT – LAKE TOBA

OPPORTUNITIES

Legenda

- Hospitality
- MICE
- Commercial
- UMKM Centre
- Geo Cultural Park
- Culture Centre
- Supporting Facilities
- Healthcare
- Botanical Garden
- Agro Farm
- Golf Area
- Back of House
- Green Space
- ✳ District Gateway



Project Description

• **Business Overview & Objectives :**

5-Star International Hotel and Resort, Leisure and Entertainment, Commercial and Fine Dining, Luxury Residential Villa, Golf Course and Facilities.

Resort Concept that incorporate nature, culture, and technology into an Integrated Eco Resort.

• **Competitive Advantage**

- ✓ World's largest volcanic lake and stunning landscape in nature (formed by 3 major volcanic eruptions)
- ✓ Accessibility (Air Connectivity) : Kualanamu Airport, Silangit Airport and Sibisa Airport.

Location	Ajibata District, Toba Samosir Regency, North Sumatera
Land	386.72 Ha
Sectors	Tourism
Utilities & Infrastructure	<ol style="list-style-type: none"> 1. Hospitality 121.67 Ha 2. MICE 2.72 Ha 3. Commercial 8.36 Ha 4. Small and Medium Enterprise Center 0.9 Ha 5. Geo Cultural Park 9.78 Ha 6. Cultural Center 1.35 Ha 7. Supporting Facilities 2.06 Ha 8. Healthcare 1.66 Ha 9. Botanical Garden 14.54 Ha 10. Agro Farm 21.47 Ha 11. Sustainable Golf 71.53 Ha 12. Green Space 127.43 Ha
Investment Value	Total Infrastructure; Landscape Feature; Office and Supporting Building; Public Facility Rp 1,8 Trillion (Excluding PPN)
Business's Scheme	<ul style="list-style-type: none"> • Long lease Agreement (30 to 80 years) • Other Agreeable Cooperation Form
Project Status	Managed by Lake Toba Tourism Authority

Contact Person



Name : M. Rommy Fauzi
Occupation : Director
Mobile : +62 818 0868 6886
Email : rommy.fauzi@kemenpar.go.id / investment@bopdt.id

NORTH SUMATRA

OPPORTUNITIES

LRT & BRT



Project Description

As one of the biggest cities in Indonesia, Medan’s limited public transport and huge growth of private car ownership are predicted to lead to gridlocks in major roads in Medan by 2022.

The integrated Light Rail Transit (LRT) and Bus Rapid Transit (BRT) scheme is the government’s solution to it and will become an important infrastructure to the city.

Location	Medan City
Apx. Distance	20 km (LRT) & 14 km (BRT)
Sectors	Transportation
Government Support	<ul style="list-style-type: none"> • Fiscal / non-fiscal support from Regional and Central Government • LRT System Infrastructure Construction Support from the Central Government • Government Guarantee
Utilities & Infrastructure	-
Estimated Capex	IDR 12.5 tn (LRT) IDR 1 tn (BRT)
Business’s Scheme	Public Private Partnership
Project Status	Managed by Mayor of Medan City

NORTH SUMATRA

dr PIRNGADI HOSPITAL

OPPORTUNITIES



Project Description

The Project is expected to improve the quality of medical services to the people of Medan City and its surrounding areas as well as to become the Medan City Oncology Center

Location	Medan City
Land	± 38.300 m2
Sectors	Health Care
Government Support	<ul style="list-style-type: none">• Government Supports from Ministry of Health, Ministry of Finance, and Ministry of Public Works and Public Housing*• Government Guarantee
Utilities & Infrastructure	-
Estimated Capex	IDR 650 bn to IDR 750 bn (including VAT) *
Business's Scheme	Public Private Partnership
Project Status	Managed by Mayor of Medan City

* Still indicative. Further details can refer to the tender document at the next stage.

NORTH SUMATRA

INVESTMENT POTENTIAL

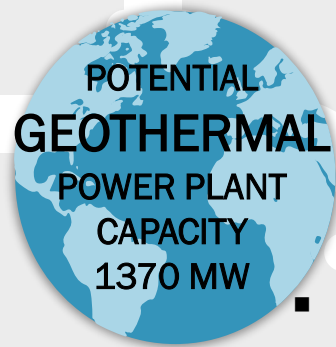
MEDAN CITY ZOO



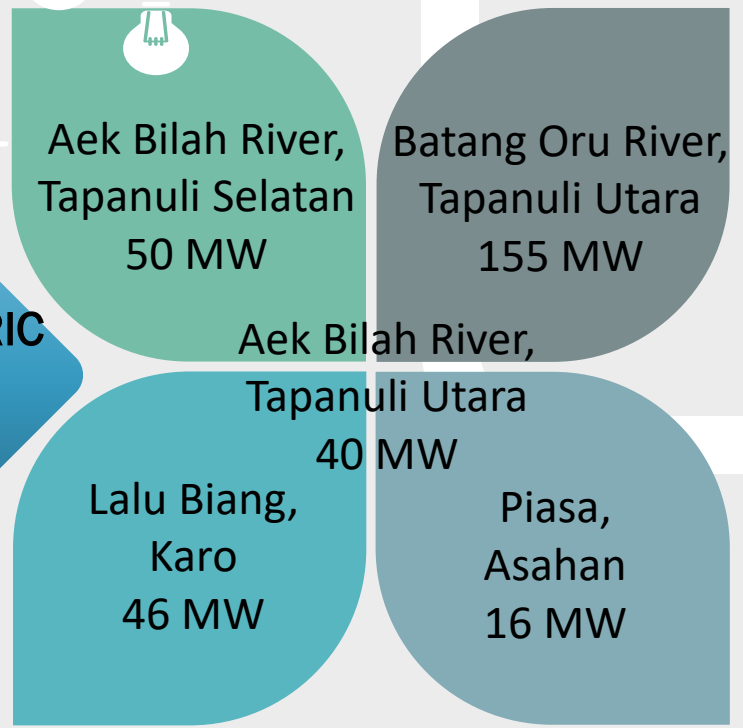
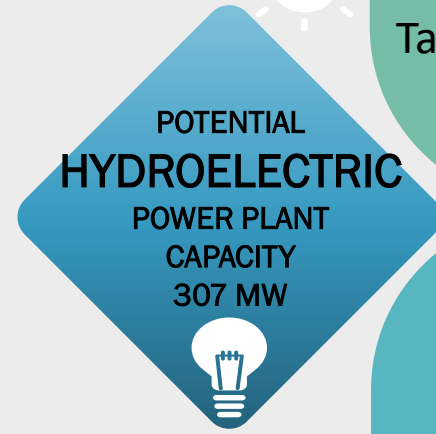
Project Description

As the capital of North Sumatra, Medan city develops economically. Its 2,2 million people need various of entertainment. One of them is Medan Zoo, which has become attraction for visitors.

Location	Medan City
Land	± 300.000 m2
Sectors	Tourism
Utilities & Infrastructure	-
Inv. Opportunity	IDR 250 bn
Concept	<ul style="list-style-type: none">• Modern Zoo : Revamping the zoo by increasing the variety of the animal.• Theme Park• Botanical Garden :Adding a touch of botanical garden to further increase the attractiveness



Location	Current Condition	Capacity
<ul style="list-style-type: none"> Sarulla & Sibual buali 	Existing/Expansion	660
<ul style="list-style-type: none"> Sibayak/Lau Debuk-debuk 	Existing/Expansion	160
<ul style="list-style-type: none"> Sorik Marapi 	High Possibility	500
<ul style="list-style-type: none"> Sipoholon 	Low Possibility	50



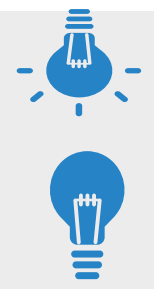
Current electricity supply in Pangkalan Susu, 2300 MW.

Future need in 2025, 5800 MW

Energy investment potential:

- Asahan Hydro Power Plant III
- Sumbagut Power Plant II (250 MW)
- Batang Toru Hydro Power Plant (510 MW)
- Biomass Power Plant
- Solar Power Plant

Potential Investment in renewable energy



Subsidy and incentives for SEZ

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Income Tax

- Tax holiday for investment >Rp 500bn
 - Tax allowance of 30% from NI
 - Faster depreciation allowed

VAT

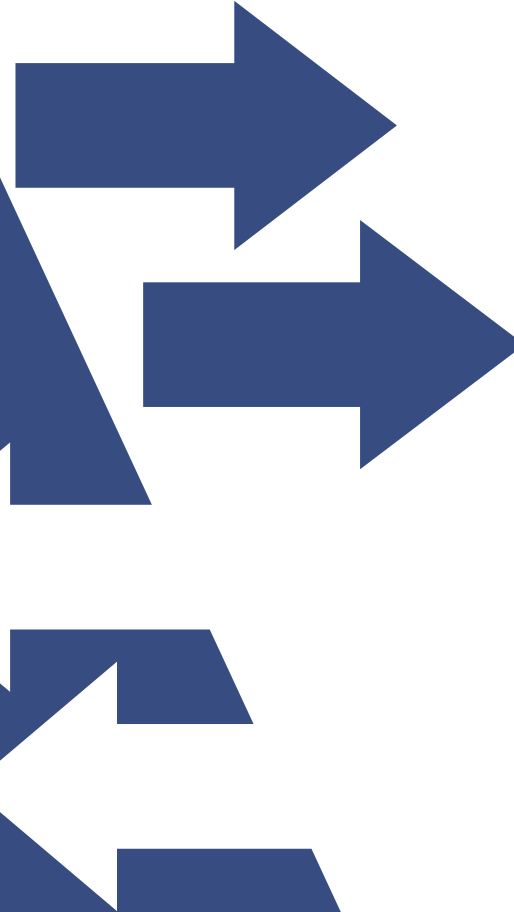
- No VAT for import
- No VAT for transactions with tenant in Sei Mangkei

Foreigner Property Right

- Foreigners can own property
- Owner of property can get living permit

Tourism Sector

Deduction between 50-100% for construction and entertainment tax



Labor

- Dedicated wage council
- One Labor Union allowed
- Better regulation for expat workers

Immigration

- Visa on arrival for 5 visits
- Multiple visa for 1 year
- Living permit to owners of property

Land Regulation

- Rights to build permit
- Easier process for land permit

Licensing

- 3 hours licensing
- All licensing can be done through SEZ administrator

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1



Pantai Muara Opu
South Tapanuli Regency

2



Orang Utan Batang Toru
South Tapanuli Regency

3



Mursala Island
Central Tapanuli Regency

4



Poncan Island
Sibolga City

5



Silahi Sabungan
Dairi Regency

5



Tangkahan
Langkat Regency

6

6

Mulan

Pematang Siantar

SUMATERA UTARA

Sibolga

Padang Sidempuan

Dumai

Pekanbaru

RIAU

Kuala Lumpur

E26

NEGERI SEMBILAN

AH2

AH18

PAHANG

Pekan

Potential Tourism Site

The Home of Turtles

Muara Opu Beach

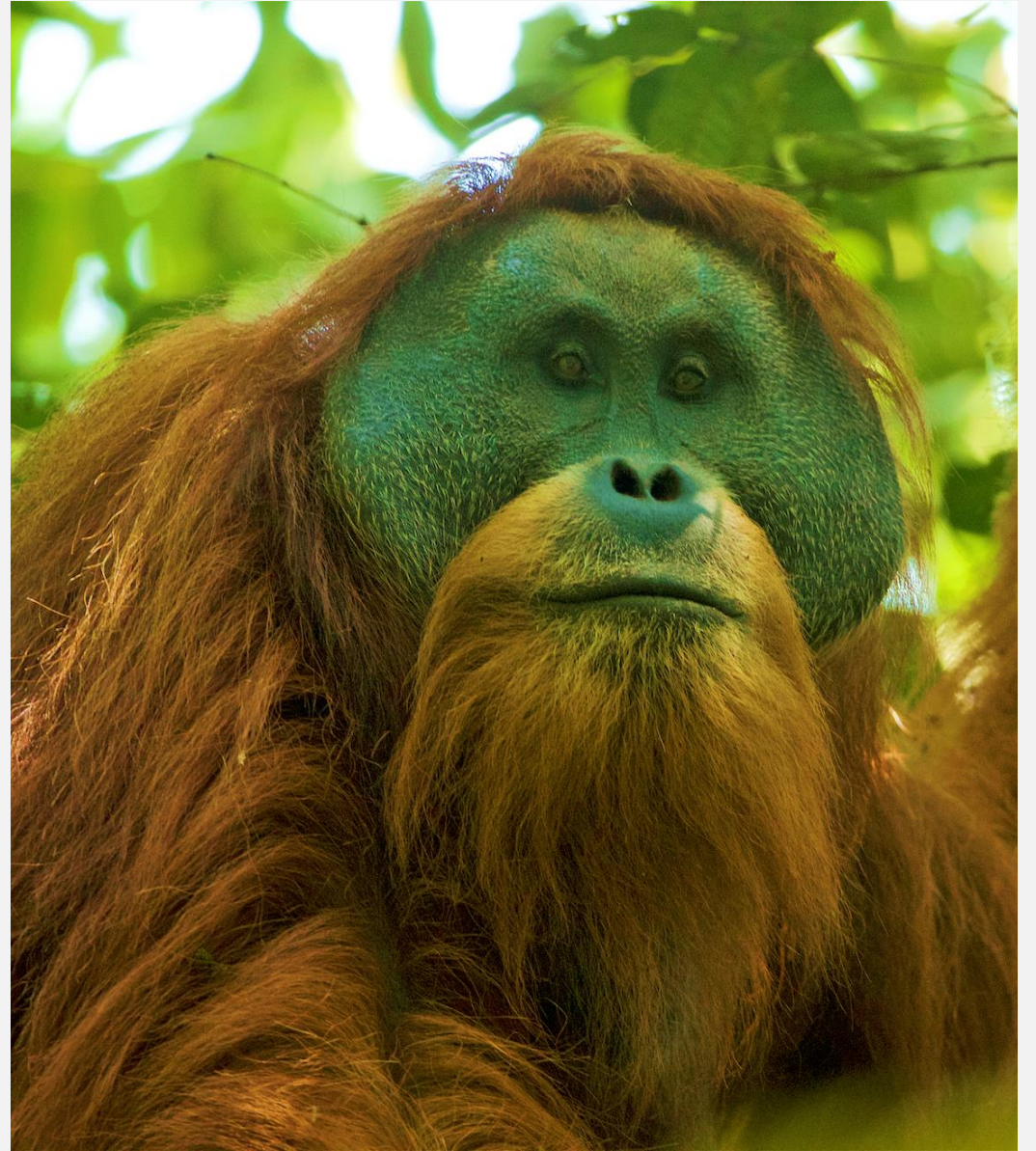
With 14 km shore length, Muara Opu beach is home for thousands of turtles to breed once a year. And at that majestic moment, the experience is breath taking.



The Oldest Orang Utan

Batang Toru Forest

Batang Toru forest is home to one of the oldest orang utan, the Pongo Tapanuliensis, which currently only 800 still exist



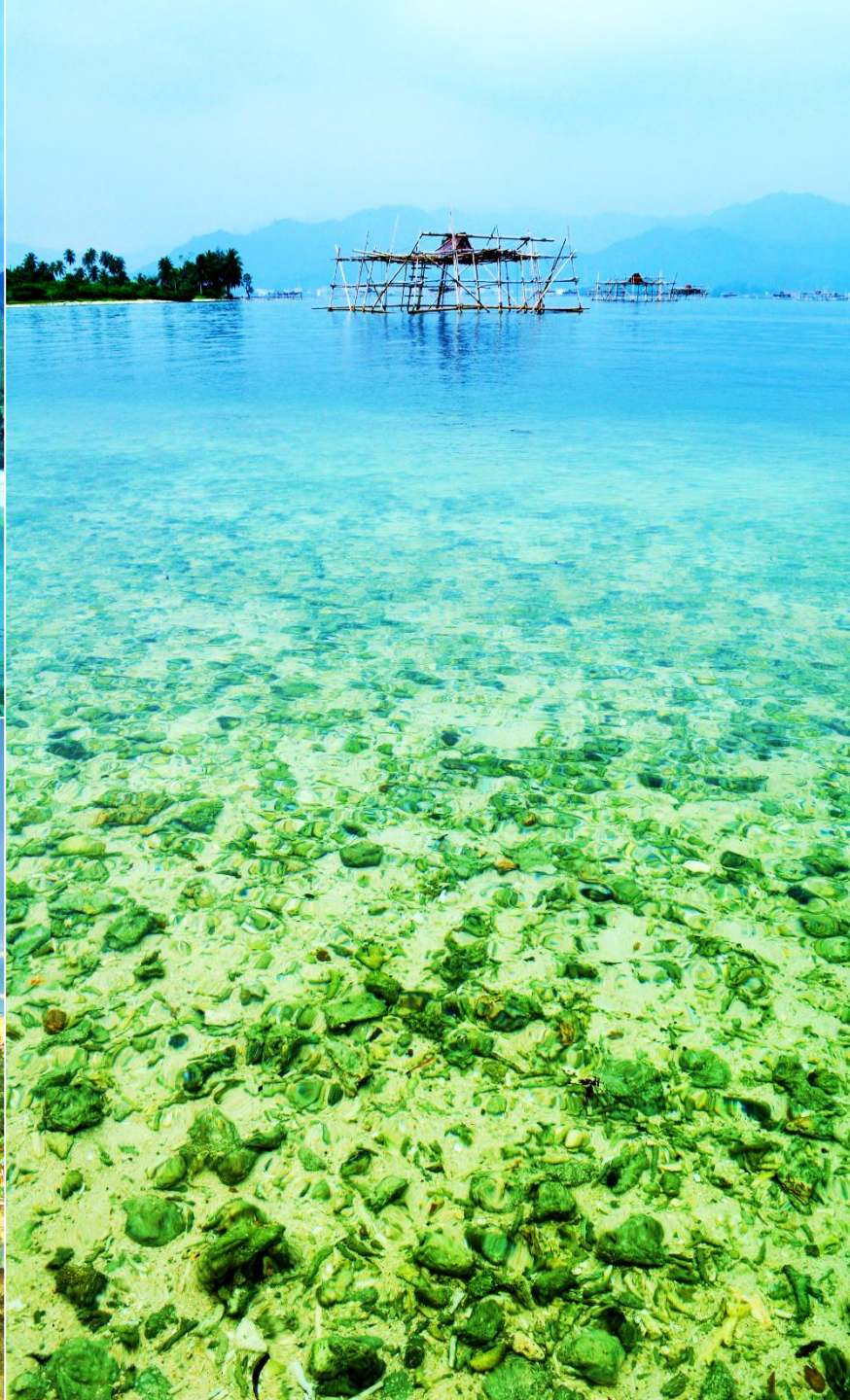


The King Kong Island

Mursala Island

Due to its awesome scenery and authentic wilderness, Mursala Island is famous as the place for the shooting of King Kong movie (2005)





“The Island”

Poncan Island

Imagine an island with a beautiful landscape, and a blue ocean. Where the water so clear you can see everything underneath. That's exactly what Poncan Island offers you.



Blending In *Silahi Sabungan*

Natural beauty, cultural experience and religious pilgrimage, Silahi Sabungan is a place like no other to find inner peace





The Hidden Paradise

Tangkahan

Some calls it “the hidden paradise”, Tangkahan is a nature wonder where you can play and have fun with the friendly elephant



4

**LICENSING IN
INDONESIA**

LICENSING

Enhanced business licensing through OSS

Policy Goals

Improve efficient, streamlined, & integrated business license service standards



Accelerate the business licensing process

Provide business licensing process assurance in terms of the costs and lead times



Increase coordination & synergy between central & regional government



Overcome the barriers to doing business in Indonesia



Implement integrated licensing process (single submission)



Main Policy

1st Phase



Forming a Task Force to identify & overcome the end-to-end licensing barriers



Implementing a licensing checklist for Special Economic Zones (KEK), Free Trade Zones (FTZ), Industrial Zones & Tourist Zones



Utilizing data sharing

2nd Phase



Business license regulatory reforms



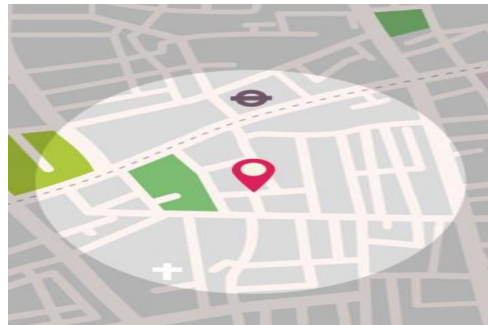
Implementation of the Single Submission system

Note: 1st and 2nd Phase are implemented in parallel

Priority Investment Service

Direct Construction (KLIK)

Investors can directly start their project construction before obtaining construction permits. This service is supported by both **Central and Regional Governments** which become the first step to synergize between central and local licensing



No Requirements

- No minimum investments or workers is required.
- Available for **32 selected industrial estates**.
- Construction permits can be obtained in parallel with construction process.

Obtain investment licence at OSS at national or regional level.

- **Survey** a land within selected industrial estates.
- **Acquire** the land for your industry.

- **Start the construction** of your project. No other permits are required.
- **Apply** for building construction permit & environmental permit, in parallel with construction process.



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KEY CONTACTS

OUR TEAM

We are fully committed to help your investment



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