



REPUBLIC OF INDONESIA
HOUSE OF REGIONAL REPRESENTATIVES

HOW TO INVEST IN INDONESIA'S PROVINCES

Keynote Address
Indonesian Regional Investment Forum 2006

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Distinguished Participants, Ladies and gentlemen,

It gives me great pleasure to welcome you to the second day of this unique and important event, the **Indonesian Regional Investment Forum 2006**.

This forum is initiated and organized by the House of Regional Representatives, in cooperation with various ministries and government agencies as well as local governments. The House of Regional Representatives, which I am the Chairman of, is the second legislative chamber established only two years ago by an amendment to our Constitution.

Since the amendment, Indonesia adheres to a bicameral system of elected representation, the House of Regional Representatives being the equivalent of the "upper house" or the "senate" in some of your countries.

The change to a bicameral legislature was brought about by the realization that a unicameral system of parliament could not adequately represent the multiple societal interests of this nation. For decades Indonesia has been suffering from various conflicts in the regions, taking various forms: separatist, ethnic or religious, but all shared one distinct characteristic: the feeling of injustice and inequity. The gap between regions had been growing substantially with economic development and growth. One of the really important reasons for most of the regional conflicts in

Indonesia's history was that the centralized power and process of decision making had always been in favor of Java and its vastly more populous provinces. With the reform movement, triggered by the economic crisis in 1997/1998 there was a demand for more decentralization and regional autonomy accompanied by a call to reform the way that the regions are represented. Hence the restructuring of the legislative system giving birth to the House of Regional Representatives, which equally represents the regions regardless of the size of their population. The House of Representatives (DPR) reflects the population dimension and the House of Regional Representatives (DPD) reflects the territorial dimension of our parliamentary system.

In our deliberation in the DPD it was recognized that to close the gap between regions and provinces, especially between those in Java and the other islands, we need to accelerate the development of the regions, many of which are rich in resources but lagging in economic development. For the sake of the national economy it is also imperative that for economic development to be sustainable in the long run, it needs to be spreadout to the regions because environmentally the support capacity of Java has been severely stretched. The density of population and depleting resources such as land and water make Java less hospitable to the kind of investment that needs space and natural resources, whilst in the outer regions these are abundantly available.

We will show you through this investment forum that investing in the regions is a profitable venture and will show you the opportunity the regions have to offer.

Ladies and Gentlemen,

The day before yesterday we had another big event: the Infrastructure Summit where a wealth of information was made available and intensive discussions were held on Indonesia's infrastructure development plan and investment opportunities. Yesterday, we had listened to various sector ministers and leading figures of industries on the most current policies and implementation strategies and relevant issues concerning investment in Indonesia.

I would like just to reiterate and emphasize some points for the benefit of our discussion this morning.

First, we have demonstrated our desire and commitment to improved investment by clarifying the role of the private and public sectors. We are aware that private investors will always look for clarity and certainty as they constantly strive to manage risk in their investments.

By clearly articulating a vision for each sector that identifies the role expected from the private sector and by demonstrating our support for the sector with our own resources, we hope the investors' confidence in Indonesia's economy and its investment opportunities will increase.

Second, through the dialogues we have informed participants how sector laws will be applied in practice - implementing rules and regulations - and clarified how each of the laws will be applied to investors to create the certainty needed for investing in this country.

Third, we understand that there is a need to develop a clear and practical risk-management framework for private investments. The framework should address the shortcomings of various policies and specify the types of risks that are acceptable. We understand that we must do our best to reduce the risks encountered by private investors when they consider investing in our country. The balance between risk and return must be attractive to them so that they can say: "Yes! Let's invest in Indonesia!"

Fourth, we understand the wish of investors that economic and investment policies be rationalized and de-politicized. Pricing should rely on competition wherever possible and should be regulated for all monopolistic segments of the economy. I am confident that major steps can be taken in developing a comprehensive plan to improve efficiency in providing public services that will be reflected in costs and pricing.

Fifth, we are aware that the private sector stresses the establishment of credible and effective regulatory bodies, and in the regions, the governors play a very important role. We are aware also of your concern about corrupt practices that damage our investment climate. Rest assured that we are taking the matter very seriously, and are embarking on a strong and deliberate campaign against corruption including and most importantly in the regions.

Finally, we are aware of the need to ensure that a level playing field exists for all investors. We must take a hard look at legislative processes, dispute resolution and ensure fair treatment for investors to remove the barriers to investment that have plagued us to date. The provincial governments hold the responsibility to ensure that in their respective regions all those and other problems are being addressed. They need to show that they really are in charge and will exercise the necessary leadership, authority and power to ensure that investment in their regions is welcome, appreciated, and protected.

Ladies and gentlemen,

We have invited governors from certain provinces to present to you the opportunities available for investors in their regions. This does not mean that other provinces are not attractive to investors, but due to the constraints of time and space available in this conference we have limited the number of representatives of the provinces participating in this morning's panel to those are who present among us today. They are:

1. The Governor of the Special Capital Region of Jakarta: Mr. Sutiyoso, who is also the Chairman of Indonesian Governors Association.
2. Mr. Rusli Zainal, the Governor of Riau Province.
3. Mr. Teras Narang, the Governor of Central Kalimantan Province.
4. Mr. Fadel Muhammad, the Governor of Gorontalo Province.
5. Mr. Sinyo Sarundayang, the Governor of North Sulawesi Province.
6. Mr. Alex Nurdin, the Head of the Regency of Musi Banyuasin, who is the Chairman of the Association of Oil and Gas Producing Regions.

If yesterday we heard the opening address of the President, the keynote lecture of Prof. Prahalad, and presentations from various ministers, today we will hear from the governors their stories.

Yesterday we had a dialogue with ministers; today you have the opportunity to have a dialogue with the governors; they are the leaders, and managers of public affairs and development in the respective regions. For your information, the reform movement has also brought a change in the way governors are elected. In the past they were elected by the provincial legislatures, but now they are directly elected by the people in their representative provinces. Therefore they are now elected politicians as well as public administrators.

The Governors will make their individual presentations in about eight minutes each, and at the end of their presentations we will have a question and answer session.

To have these governors together, and have an open dialogue with them is a rare opportunity, so I urge the audience to make the best of the opportunity.

Distinguished Participants, Ladies and Gentlemen,

In closing, I believe investment in large, medium, and small enterprises offers the great potential of our regions as an opportunity for investment. I expect that this meeting will help entrepreneurs, especially those from the small and medium enterprises to have a better understanding of our investment policies and opportunities. I do hope that you will find the meeting interesting and informative, and for those who are already here it will strengthen your confidence in this country and its economy, and to those who are new to Indonesia and are looking for an opportunity to invest, we say: "You have come to right place." We are ready to provide any assistance you need to facilitate your investment in any provinces in Indonesia.

Finally, I hope you will find this Indonesian Regional Investment Forum a useful and fruitful event.

Thank you.