An overview of Industrial Estates in Indonesia

The History, Development, Challenges, and Opportunities

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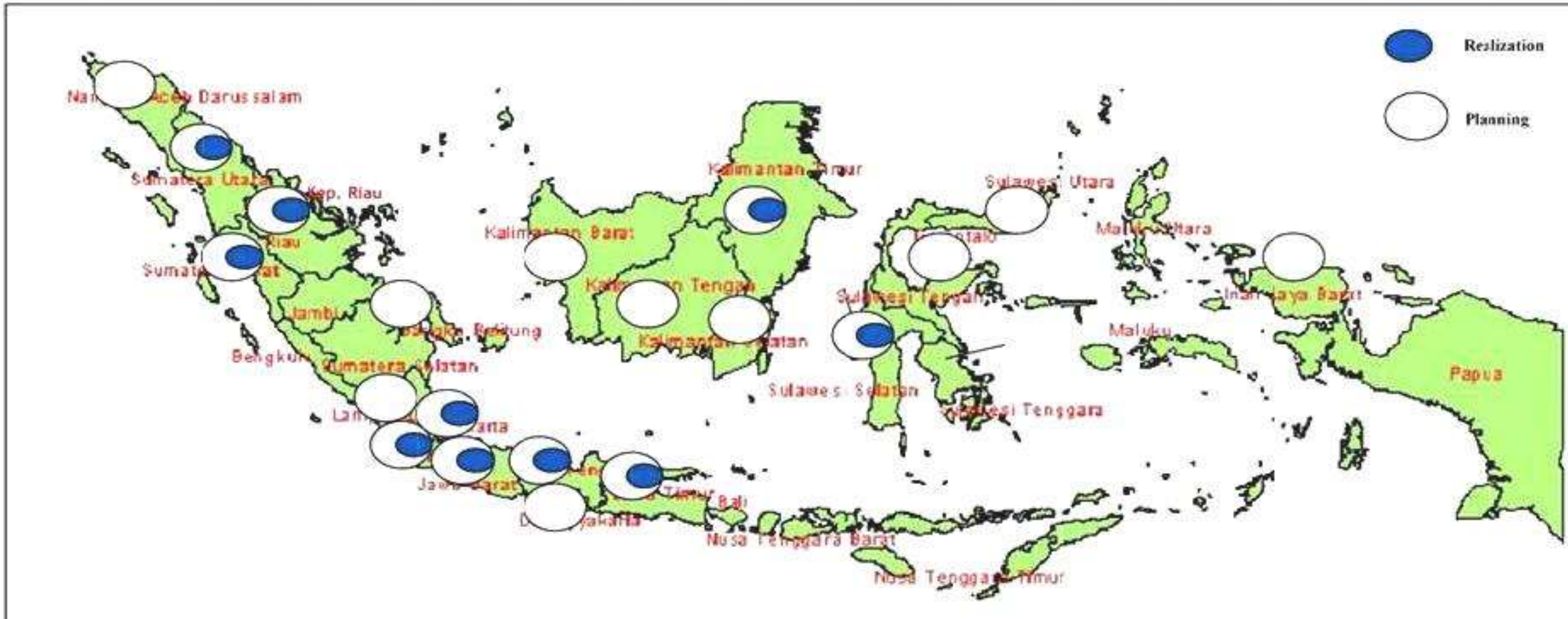

Table of Industrial Estate (KI) Distribution

No	Province Names	Number of KI (Companies)		Square (ha)	
		Planning	Realization	Planning	Realization
1	NAD	2	-	470,00	-
2	North Sumatera	11	3	2.578,00	1.289,00
3	West Sumatera	1	1	150,00	200,00
4	Riau	19	18	14.517,00	1.250,00
5	Lampung	1	-	300,24	-
6	Bangka Belitung	1	-	1.442,00	-
7	DKI Jakarta	4	3	1.149,30	1.106,30
8	West Java	66	19	25.453,70	10.356,50
9	Central Java	14	5	3.186,89	1.350,00
10	DI. Yogyakarta	1	-	50,00	-
11	East Java	33	4	7.044,62	1.664,92
12	Banten	37	8	8.450,64	2.526,00
13	West Kalimantan	1	-	117,00	-
14	Central Kalimantan	2	-	495,00	-
15	South Kalimantan	2	-	190,00	-
16	East Kalimantan	2	1	730,00	230,00
17	North Sulawesi	2	-	243,00	-
18	Central Sulawesi	1	-	100,00	-
19	South Sulawesi	1	1	703,00	703,00
20	Maluku	1	-	120,00	-
21	West Irian Jaya	1	-	200,00	-
	Total	203	63	67.390,15	21.175,72

The History

1970s

First development of industrial estates (Jakarta, Surabaya, Cilacap, Medan, Makassar, and Lampung), in cooperation with local and provincial governments.

1989

Presidential Decree 53/1989 opened the industrial estate business to private companies, and set the legal and technical standard requirements for development and operation of the estates.

1996

Presidential Decree 41/1996, sets the first guidelines for industrial estates in Indonesia.

Background

- The improvement of the investment climate in Indonesia
- Increasing demand for industrial land area
- Committed support from the government to continuously develop infrastructures and facilities for better access into the industrial areas.

Approaches to accelerate industrial development

<u>Combining the sectoral and regional approach</u>

Sectoral

Central government (Ministry of Industry)

National Team of Industrial Estate & HKI

Regional

Local government (province, district, municipal)

Research Centres (*balai*, *pusdiklat*, etc)

Development of industrial clusters (upstream to downstream approach)

Development of regional industrial growth centers

Implementation of Industrial Estate Development

- Government Regulation 24/2009 : "*The enforcement of the regulation should strengthen the development of industrial estates as a center for manufacturing industries supported by infrastructure, facilities, and services*".
- 3-phased development of Industrial Estate:
- 1st generation: Built and managed by the public sector
- 2nd generation: Built by the private sector and supervised by the government
- 3rd generation: modern and sustainable industrial estates focused on specific criteria

Three Generations of Industrial Estates

Characteristic	IE 1st generation (1970-1989)	IE 2nd generation (1989-now)	IE 3rd generation (in developing process)
Product	Diverse, not focused	Not specific	Core competency-based
Infrastructure	Not integrated with the support of other facilities	Lead to the integration of facilities and infrastructure of IE	Integrated with all the support facilities
Environment	Un-proper waste management	Environmentally-considered	Environmentally friendly
The direction of development	Encouraging the growth of IE	Attract investors and gradually leads to mutual support	Lead to the development of new area/city and modern IE
R&D	Un-availability of R&D centres	R&D carried out separately by each company	Every IE to have R&D centres
Regulation	Not integrated with other regulations	Integration between regulations (zoning, environmental, etc.)	Synergized and efficient regulation between industry sectors with other sectors

Current Situation

- Demand for industrial land is around 1000 ha per year, where 600 ha (60%) land demand is in West Java.
- Based on HKI (Industrial Estate Association) data as of June 2012, the total industrial land in Indonesia reached 27320.6 ha.
- Developers can build the industrial area up to 70% of the total available land (30% for infrastructure and green open spaces).

Source: Business Indonesia, 2012

Current Issues and Challenges – Legal Framework Perspective

- Lack of competence in central and local government
- Unclear and inconsistent implementation and monitoring roles among the ministries
- Unclear regulation implementation, complicated bureaucracy, and no reward & punishment system applied (reward system is in planned)
- No detailed Regional Spatial Planning for Industrial Estate Development (RDTR) available

Current Issues and Challenges – Industry Perspective

- Not having a master plan
- Improper locations
- Low capacity level of utilization for industrial estate area, especially outside Java.
- Most IE managements still consider Environment protection as costly and not profitable for business
- Improper infrastructures
- Environmental problems within and outside the estate/park
- No public acceptance of the park

Future Plan & Goal

- Development of Industrial Estates and Industrial growth centres outside Java island
- Increased number of industrial investment in the region through Industrial Estate development with a target of 10 % growth/year.
- Developed operational policies of industrial development through the development of the industry's core competence's approach
- Implementation of 3rd generation of industrial estates and moving towards the concept of sustainable industrial estate

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Thank You