PRESS RELEASE
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BKPM: Manufacturing, Downstream Industry, and Medical Devices Sectors become Current Priorities

Jakarta, 14 May 2020 - Chairman of the Indonesia Investment Coordinating Board (BKPM) Bahlil Lahadalia acted as a speaker in a virtual discussion themed "Investing in the Pandemic" which was organized by the Alumni Corps of the Islamic Student Association (KAHMI) on Wednesday night (13/5). The discussion highlighted the impact of the COVID-19 pandemic on investment in Indonesia.

Bahlil said that the outbreak will cause a systemic, massive, and structured impact on investment in Indonesia, therefore investment realization in the second quarter will decrease accordingly. "We cannot predict it yet, but it will definitely go down. Meanwhile, we need a lot of investment to create jobs," Bahlil said.

Several sectors that currently become investment priorities are manufacturing, downstream industry, and medical devices. For the medical devices sector, BKPM has held meetings with the Association of Medical Devices and Laboratory Equipment (GAKESLAB) and the Indonesian Private Hospital Association (ARSSI). "In the next 4-5 months, we will focus on bringing in special investments in the health sector. Prospective investors are there already," said Bahlil.

Facing the Covid-19 pandemic, BKPM has a 3 + 1 strategy, which is optimizing the realization of existing investments, completing stalled investments, conducting investment promotions, and building inward consolidations to prepare for post-COVID-19 conditions.

"Don't just pursue investments from the outside only but forget about those which are already inside. We will meet them and discuss business expansion as well as the kind of incentives they need to be facilitated. The winning nation in the year 2021 is the one that can consolidate inward, of which involves 3 parties: communities, government, and entrepreneurs," Bahlil added.

According to the first quarter of 2020 investment data released by BKPM, investment realization in Indonesia reached Rp210.7 trillion of the total investment target of Rp886.1 trillion. Of this figure, Foreign Direct Investment (PMA) contributed Rp98 trillion (46.5%) while Domestic Direct Investment (PMDN) generated Rp112.7 trillion (53.5%).

"This is the first time domestic investment is greater than foreign investment. BKPM will continue to boost the domestic investment to be maximized. As for foreign investment, there is no doubt a rescheduling will occur for the implementation of investment realization due to the COVID-19 outbreak," Bahlil said.

On the same occasion, senior journalist Arief Budisusilo said that BKPM could rely more on optimizing the digital economy sector and encouraging the information technology infrastructure sector. This is in line with the current implementation of the Large-Scale Social Restrictions (PSBB) policy which pushes most people to work from home and school from home. "In this case, internet network is
obviously important, it cannot be slow as it will hamper the community in working and schooling," Arief said.

Arief believes that job creation will not occur without investment. Therefore, BKPM can focus more on executing stalled projects to reinforce investment realization. Also, the government is expected to provide stimulus to encourage the medical devices sector, so that it will no longer rely on imports.

Research Director of The Institute for Development of Economics and Finance (INDEF) Berly Martawardaya explained the need for the government to encourage the manufacturing sector at this time. This is because the job creation generated from the service sector will not be very high. In addition, BKPM needs to change its investment strategy and target amid the COVID-19 pandemic, where many companies have already left China, which is a potential for Indonesia to seize these opportunities, compete with Malaysia and Vietnam.

"The most important thing, our homework is not only in BKPM but also in the regions. Such as managing construction permits, building infrastructure, upgrading worker skills, legal certainty, and handling corruption. We must get through this difficult time, so that later in 2021-2022 can be much better. We turn this into an opportunity for Indonesia," explained Berly. (*)

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