



INDONESIA



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On the green path **FORWARD**





SUSILO BAMBANG YUDHOYONO, President of Indonesia

'We have a clear opportunity to introduce green growth as a global paradigm'

Former US vice-president Al Gore has praised Indonesia's vision, courage and leadership on climate change issues and says it has the potential to become "a superpower of geothermal electricity"

Two-thirds of Indonesia's population reside on the island of Java, the country's economic and political centre. Jakarta, the capital city, overflows with people and traffic and, with more than nine million people living there, is among the 10 largest cities in the world.

Yet Indonesia has more biological diversity than anywhere on earth and teems with a bewildering variety of wildlife and plants. Home to the world's third largest tropical rainforest, after Brazil and the Congo, it contains 10 per cent of global forest cover.

As the custodian of a resource of such national and global importance, the Indone-

sian Government bears a huge responsibility. Deforestation and changing land use not only damage the country's unique biodiversity, they also contribute to climate change; Indonesia has been the world's third largest producer of greenhouse gases.

Indonesia's President Susilo Bambang Yudhoyono argues that it is possible to achieve the country's Millennium Development Goals and improve the lives of Indonesians – 50 per cent of whom are aged 30 or under – while at the same time protecting the country's tropical forests. Indeed, Indonesia aims to be one of the world's top 10 economies in coming decades.

"We have a clear opportunity to reshape our economic systems and to introduce green growth as a global paradigm," says the President. His green economic programme is part of a sustainable development plan summed up as "pro-growth, pro-job, pro-poor and pro-environment".

Indonesia made the transition to democracy after more than three decades of dictatorship under President Suharto came to an end in 1998. It has had a directly elected president – Mr Yudhoyono, currently in his second five-year term – since 2004.

The country was badly affected by the 1997-98 Asian financial crisis and took

longer than other nations in the region to get back on track. But it proved resilient to the 2008-09 global financial crisis, suffering no more than a temporary economic setback thanks largely to its sizeable domestic market. The economy grew by 6 per cent in 2010 and is expected to expand similarly this year.

"I am convinced that President Yudhoyono has contributed a lot to the development of the country," says Cabinet Secretary Dipo Alam. "Looking forward, we have created our 2025 Master Plan with a projected \$300 billion (£183 billion) investment. We want to accelerate and enlarge our econom-



‘Our 2025 Master Plan, with a projected £183bn investment, is very pragmatic, accountable and achievable’

DIPO ALAM

Cabinet Secretary of the Republic of Indonesia



‘Indonesia is certain to become a world economic power. It is just a matter of time. All signs indicate we are on the right track’

SURYO SULISTO

Chairman of the Indonesian Chamber of Industry and Commerce (KADIN)



‘Our energy demand grows between 9 and 10 per cent per year. There is no other way; we have to use other types of energy’

GUSTI MUHAMMAD HATTA

Minister of Research and Technology in the Republic of Indonesia



‘The 7/26 growth strategy is 7 per cent economic growth from 2012 and 26 per cent fewer greenhouse gas emissions by 2020’

KUNTORO MANGKUSUBROTO

Head of the President’s Delivery Unit for Development Monitoring and Oversight

ic activities, while not forgetting the poor and the environment. I am very optimistic for my country and firmly believe we can achieve the targets. This is not a mantra. The 2025 Master Plan is very pragmatic, accountable and achievable.”

With its abundant natural resources, Indonesia’s main exports are oil and gas, plywood, textiles, rubber and palm oil. But the Government is promoting diversification away from commodities and low-cost production towards high value-added products, through greater industrialisation and the development of a knowledge-based economy.

Indonesia is already Southeast Asia’s largest economy, with its gross domestic product exceeding \$1 trillion after taking into account purchasing price parity. The country’s debt-to-GDP ratio is currently its lowest ever, at 26 per cent.

“We have a balanced budget, owing to prudent fiscal policy,” the President told the World Economic Forum on East Asia recently. “Our trade volume and foreign reserves are at a record high. Foreign investment is rising sharply.”

Creation of a green economy will require implementation of sustainable agriculture; sustainable forestry management; energy efficiency and renewable energy usage; clean technology support; waste management; and efficient and low carbon transportation management. Key components will be innovation, education and improved national infrastructure.

In May, in line with the commitment he made in Copenhagen, President Yudhoyono signed a moratorium on logging that will last for an initial two years, following a \$1 billion deal with Norway under a UN-based anti-logging campaign. Any new licensing for land use and land conversion in Indonesia’s primary or undisturbed forest and peat land areas has been suspended, effectively protecting 64 million hectares of the country’s 120 million hectares of forest.

“We will immediately start implementing the Government’s 7/26 growth strategy, with 7 per cent economic growth from

2012 and 26 per cent reduction of greenhouse gas emissions by 2020,” says Dr Kuntoro Mangkusubroto, head of the President’s Delivery Unit for Development Monitoring and Oversight. “The two-year suspension creates the pause that allows us to start with a clean sheet and develop a new land-use system that maximises the economic benefits from our natural resources and reduces Indonesia’s greenhouse gases in line with our international commitment.”

The Government is also committed to reforestation, targeting the planting of one billion trees a year. “Deforestation is significantly contributing to Indonesia’s greenhouse gas emissions,” says former Environment Minister Gusti Muhammad Hatta (now Minister of Research and Technology). “We have decided that 14 per cent of our emissions-reduction goal will be achieved by saving the forests.”

SMI a catalyst for infrastructure development in Indonesia
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Meanwhile, the Ministry of Energy and Mineral Resources has a new Directorate General for Renewable Energy that is spearheading a campaign for efficiency in energy use.

Indonesia has around 40 per cent of the world’s geothermal resources, the great majority of which is yet to be exploited. President Yudhoyono has said that for every 1,000 MW of electricity, at least 48 per cent should come from geothermal energy and 12 per cent from hydroelectric energy. The Government provides around 1 billion rupiahs (around £73,000) to companies that would like to invest in geothermal energy.

“As we increase the use of renewable substances, we want the use of oil to decline year by year,” says Mr Hatta. “Our energy demand currently grows between 9 per cent and 10 per cent per year. There is no other way; we have to use other types of energy. We call it the Energy Mix Programme. Indonesia has various sources of energy, such as coal, oil, geothermal or wind.”

Suryo B. Sulisto, chairman of the Indonesian Chamber of Industry and Commerce

(KADIN), says there is no reason why Indonesia cannot be self-sufficient in energy. “Indonesia is so rich in resources and energy, so we should develop renewable energies. Here we are exporting millions of tonnes of coal and feeding power plants all over the world, yet we do not have enough electricity back home. That is unacceptable.”

He believes Indonesia is certain to become a world economic power. “It is just a matter of time. All the signs indicate that we are on the right track with 6 per cent economic growth. I believe that we can do much better than that.”

He acknowledges that the challenges are daunting and adds: “We need to speed up projects such as new power plants, toll roads and ports.”

Chris Wren, executive director at the British Chamber of Commerce in Indonesia, reports that interest from British investors has skyrocketed. “Last year as a whole, we received the highest number of enquiries from the UK since we started records,” he says. “We are going to see a lot more activity with our major energy companies in relation to cleaner fuels, biofuels, renewables and so on.”

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Finance

Surging foreign investment and banking performance reflect increasing confidence

According to Indonesia's Investment Coordinating Board (BKPM), foreign direct investment (FDI) rose by 21 per cent in the second quarter of 2011 year on year. The 43.1 trillion rupiah (£3.15 billion) increase between April and June followed a £2.82 billion increase in the first quarter of the year, putting the country on course to achieving its target of a record FDI level of 156 trillion rupiah (£11.4 billion) this year.

Bank Indonesia, the nation's central bank, more conservatively predicts that FDI will surge by 42 per cent this year, passing the £8.6 billion mark. Portfolio investment, which remains dominant, is expected to fall, but the rise in FDI indicates a clear shift towards long-term investment. The international credit rating agency Fitch Ratings said recently that Indonesia has a "more than 50 per cent chance" of achieving an investment-grade credit rating before the end of next year, which would put it in the same league as India and Brazil. Fitch, which currently rates Indonesia BB+, one step below investment grade, raised the outlook on the rat-

ing from stable to positive in February.

Recently-appointed Minister of Trade Gita Wirjawan is a former Chairman of BKPM, who feels Indonesia, with its political and macroeconomic stability, deserves better recognition from international agencies. "We are talking about a country with proven fiscal sustainability. This is a country with a 26 per cent debt-to-GDP ratio (on decline) and an ability to manage inflationary pressures in an effective and efficient way."

A recent investment report from the United Nations Conference on Trade and Development (UNCTAD) depicts Indonesia as the ninth best destination for investment, and the country has risen from 54th to 44th in the Global Competitiveness Index (GCI).

Ronald Tauviek A. Kasim, president director of Indonesia's leading credit ratings agency PT Pemeringkat Efek Indonesia (Pefindo), an affiliate of Standard and Poor's, identifies certain criteria as being among the main challenges that Indonesia faces in attracting more FDI. "Having transparency, good corporate governance and good accounting standards is not an option," he

says. "We learned a lot of hard lessons from the 1997/98 Asian financial crisis; we can safely say that we are prepared for the next crisis. Furthermore, during the 2008/09 global financial crisis, we realised that there is a positive side to having modest exports. Our strong local consumption has helped the country weather the downturn."

Singapore is Indonesia's largest investor, with the UK in second place. While recent investment in the mining sector can be attributed to strong commodity prices, a recent report from DBS Group Research says that the increase in FDI in Indonesia since the global recovery took hold in 2009 has been broad based, spread across industries ranging from mining and manufacturing to services sectors such as wholesale and retail trade, transport and communication.

'Indonesian banking methods are still very traditional. Most banks in the Western world play with derivative products with high risks and high yields; we don't have those practices here'

External "push" factors favouring increased FDI in Indonesia include the expansion in the global business cycle and China's waning competitiveness owing to higher wage costs. Meanwhile internal "pull" factors include Indonesia's strong growth, low labour costs and improving economic stability. The size and youthfulness of its population also gives the country a solid competitive edge, providing investors with a huge domestic consumer market and an abundant supply of affordable labour; wages in Indonesia are among the lowest in Asia, averaging around one-third of those in China.

Parikesit Soeprapto, Deputy Minister of State-Owned Enterprises for Services, has praised the involvement of state banks in the development of the Indonesian economy. Guided by Government policies, they provide loans



GATOT SUWONDO
President Director of BNI



A future as bright as their smile

In the business where the ability to ensure value creation makes all the difference, Mandiri Sekuritas – the largest and best capitalised investment bank in Indonesia – shines bright as Indonesia's dynamic capital markets powerhouse, by providing a full range of investment banking and securities brokerage service. Mandiri Sekuritas, a force to be reckoned with.

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Indonesia's top securities house

Investment banking, like many other businesses, has experienced a hard time since the global recession erupted, but one bank that is facing adversity head on with innovative financing solutions from the capital markets is PT Mandiri Sekuritas.

A member of the Indonesia Stock Exchange, Mandiri Sekuritas is a one-stop investment banking service provider and offers a full range of integrated investment banking and securities brokerage services. Its services also include Sharia-compliant financing and corporate finance advisories for a wide range of corporate actions, from mergers and acquisitions to financial restructuring and debt refinancing.

In addition, the bank provides investment

and asset management services through its wholly owned subsidiary PT Mandiri Manajemen Investasi.

Mandiri Sekuritas was established on July 31, 2000, as part of the consolidation of the Bank Mandiri group of companies. It was significantly recapitalised in 2002 and 2003, and subsequently transformed itself from a marginal player in the Indonesian capital markets into a full-service investment bank.

"Mandiri Sekuritas essentially consists of three securities houses owned by Bank Mandiri. These have merged into one – Mandiri Sekuritas," says president director Harry M Supoyo. "We hired professionals from outside the firm; we can say that 85 to

‘Our banking industry is full of potential and there are immense opportunities still untapped. Penetration is about 26 per cent... This speaks volumes about the abundance of opportunities here’

at favourable interest rates to spur development and change. The Deputy Minister is highly confident about the future for Indonesia’s publicly owned banking and financial institutions. “We have bigger assets than those of private banks and in general we have better ratios,” says Mr Parikesit, who also points out that the numerous burdensome regulations state-run banks have to comply with are currently being addressed to help their growth.

Confidence in the Indonesian economy and finance sector is far from the sole domain of the Government. A recent World Bank and IMF assessment of Indonesia’s financial system concluded that it is generally healthy. In the private sector, aspirations for the country’s banking industry are high. “I am very optimistic about Indonesia’s economic future,” says Gatot Suwondo, president director of Bank Negara Indonesia (BNI).

BNI was established in 1946 and was the first bank formed and owned by the Indonesian Government. Its legal status was upgraded in 1992 to that of a state-owned limited corporation under the name of PT Bank Negara Indonesia (Persero) and it now employs more than 19,000 people. “Even though the financial and banking industry was mildly shaken during 2007 and 2008, as you can see today Indonesia’s banks are solid and highly liquid,” says Mr Suwondo. “Indonesia’s banking industry is strong mainly because we have been able to overcome and learn the lessons from the Asian crisis of 1998.

“Also, Indonesian banking methods are still very traditional. Most banks in the Western world play with derivative products with high risks and high yields; we don’t have those types of practices here in Indonesia.”

The nation’s fourth-largest bank by assets, BNI’s capital adequacy ratio (CAR) – the standard measure of the core or permanent capital a bank holds as a percentage of its risk-

weighted assets – stood at 17.2 per cent at the end of June this year, higher than the required minimum 8 per cent ratio set by the central bank.

BNI’s profits surged 41 per cent in the first half of 2011. Net income at the bank rose to Rp 2.73 trillion (£200 million) from January to June, up from Rp 1.93 trillion (£141 million) over the same period last year. Total outstanding loans at BNI also increased to Rp 152.9 trillion (£11.2 billion) for the first six months of 2011, up 21 per cent on last year’s first-half figure of Rp 126.2 trillion (£9.2 billion) in the same period last year.

“When I became CEO (in 2008) I focused on strengthening the foundations of the bank. Then in 2010, once the bank was back on track, we returned to our original mission (as the circulation and central bank),” says Mr Suwondo. “For instance, one of Indonesia’s main priorities is to fix the infrastructure – transportation, telecommunication and energy being the main focus. BNI has committed about \$43 billion (£26.2 billion) for infrastructure projects.”

Indonesian banks are constantly looking for ways to increase the number of bank users. “In terms of market share, I prefer to grow steadily and moderately,” says Mr Suwondo. “I consider myself a moderate CEO, neither aggressive nor conservative. On the other hand, we are very focused to grow in the segments we want to serve. I believe that this kind of strategy will give BNI sustainable and long-term growth.”

Consumer loans are giving an extra boost to the bank’s performance this year. BNI is targeting the mortgage market, particularly first-time buyers as rising numbers of Indonesia’s young population look to set up home. BNI sees a lot of potential in the sector, especially with continued improvements in incomes and standards of living. Home borrowing, at Rp 14.79 trillion (£1.08 billion), accounted for 54 per cent of total consumer loans in the first six months of 2011. Mortgage loan growth for the second half of this year is expected to be at the same pace as in the first half, at 49 per cent.

“Our banking industry is full of potential and there are immense opportunities still untapped,” Mr Suwondo adds. “Indonesia’s penetration is about 26 per cent while in Singapore it almost constitutes 100 per cent. This speaks volumes about the abundance of opportunities you can find in Indonesia.”

90 per cent of the company right now is not our original team. But the beauty of this is that we merged old and new teams well. Human capital plays a very important role for us. Not only did we bring in professionalism, we now grow together as a family.”

In 2003, shareholders injected IDR 638.50 billion (£46.6 million) of capital, which currently makes Mandiri Sekuritas the biggest securities house in Indonesia in terms of equity capital. “Our key mission is to develop the Indonesian capital markets and become the biggest player in every segment of the markets,” says Mr Supoyo.

In the business where an aptitude for value creation distinguishes the best from the rest, Mandiri Sekuritas shines bright as the capital markets’ dynamic powerhouse with its top-of-the-range services in capital raising and project financing.



HARRY M SUPOYO
President Director of Mandiri Sekuritas



Indonesia’s National Anchor Bank

Bank Negara Indonesia is the country’s bank of choice, providing optimal performance, customer service and value-added solutions. In addition to offering a broad spectrum of banking operations throughout the country, BNI is active in the world’s leading financial centres, with operations in New York, Singapore, Hong Kong, London and Tokyo.

BNI is proud to be a responsible corporate citizen supporting sustainable economic growth by means of a synergy that generates improvements to the overall standards of life within the community and contributes to the growth and development of the nation. BNI supports green living and was recently shortlisted by the Financial Times for its Asia-Pacific Sustainable Bank of the Year award.

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Serving the Country, the Pride of the Nation

SUWHONO, President Director of Pegadaian

‘We are the leaders in the microfinancing industry’

While the worldwide banking system endures a tough period and struggles to recover from the recessionary storm, there are various success stories that outline how many financial institutions are working flat-out to overcome these challenging times.

Perum Pegadaian, established in 1901, is the leading Indonesian pawnbroker and an alternative financial service provider. The state-owned company carries the motto “Mengatasi Masalah Tanpa Masalah” (to overcome problems without problems) and now employs 18,300 people.

Since its inception, Pegadaian has striven to assist the Government’s programme to improve people’s welfare by providing the best financial solutions through the distribution of loans to micro and small-scale businesses. Suwhono, the president director of Pegadaian, here discusses the present and future plans of the company.

What are some of the milestones of Pegadaian?

Perum Pegadaian is one of the oldest state-owned companies in Indonesia. It is now 110 years old, having been established on April 1, 1901. We are the leaders within the microfinancing industry in Indonesia.

Within the last five years, from 2006 to 2011, Pegadaian grew an average of 35 per cent per year. Its

profit grew by about 38 per cent at that time, with about 21 million customers by December 2010. We have around 4,920 outlets throughout the country, present in all places, from village to city.

Did the recent global financial crisis affect your business?
No, it did not affect our business. Our customers are, for the most part, in the mid to lower classes; this is a very cash-run society.

Furthermore, we have issued many bonds – this year alone 2 trillion were covered. Pegadaian is testing the market in this respect.

How sustainable is your business?
There is a lot of potential in Indonesia. We got involved in microfinancing and now we contribute to the improvement of local businesses.

We are interested in helping anyone who wants to use our wide network and financial programmes to grow their business.

Is an initial public offering (IPO) possible?
This year we changed our regulation. We will very soon become PT and after that the next step will be TBK, meaning listed. We are just in the process of closing the books. The company is really ready for an IPO. It depends on Parliament now.



Do you have any examples of success to share?
There are many success stories here. A lot of students owe much of their education to the support of their parents using Pegadaian’s services.

We are also engaged in corporate social responsibility for example; we are participating in the one million trees programme, planting trees in collaboration with the Ministry of Forestry, from which we get the seeds.



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Infrastructure

The nuts and bolts of accelerating socioeconomic development with new infrastructure

Well-developed infrastructure is one of the key factors behind any country achieving high and sustainable economic growth, as well as being able to compete on a national and international scale. Indonesia is no exception to this rule. "The need for infrastructure all over Indonesia is immense. The sheer physicality of the country is a challenge," says Prof Dr Armida S. Alisjahbana, Minister for National Development Planning and chairman of the National Development Planning Agency (Bappenas). "The lack of new infrastructure investment against the country's continuous growth has made the backlog more evident than ever. But we feel we are now in a good position to take on this challenge."

Trade Minister Gita Wirjawan, former Chairman of the Indonesia Investment Coordinating Board (BKPM), says: "The easiest way of convincing an investor to go to any country is by virtue of the existing infrastructure. We need to build roads and ports in a quick and efficient manner. The success of this depends greatly on certain institutional reforms, which we are aiming to get off the ground this year – the first of which is the Land Law. If we can quickly set up the right infrastructure, people will subscribe to Indonesian investment a lot better. It has been pretty good so far, but I think we can do more. The sky is the limit in terms of where we can be in three to four years' time."

Progress is under way. With the help of PT Pembangunan Perumahan (Persero) Tbk, known widely as PP, both the company and the country are making massive inroads into the development and sustenance of Indonesia's infrastructure.

State-owned PP was established in 1953 and has since become a major player in the national construction industry. Its main area of business is contractor services, including high-rise buildings and civil work, such as irrigation, harbours, airports, roads, bridges, dams and hydropower installations.

Besides the construction field, PP also takes on the role as developer, especially in managing, renting and selling high-rise buildings. PP has plans to expand by investing in – as well as constructing – various infrastructure and energy projects. The former president director of PP Mr Musyanif provides some insight into the ongoing infrastructural plans for Indonesia: "When the Land Law is completed, PP will be called on by the President for a meeting to build the Trans-Java Highway. Since going public in February 2010, PP has decided on a growth strategy as an investor as well as contractor.

"We started as investors, especially in the infrastructure sector, to support the Government's infrastructure development programme. We have been awarded two power plant projects in Cilegon as an EPC (engineer, procure, construct) contractor and also – as an investment company – awarded the PLTG 60MW power plant project at Talang Duku, Palembang, in South Sumatra."

Mr Musyanif believes

'We need to build roads and ports in a quick and efficient manner. If we can quickly set up the right infrastructure, people will subscribe to Indonesian investment a lot better'

GITA WIRJAWAN
Minister of Trade

Indonesia is huge, with some 17,000 islands and over 50 per cent of its 245 million people are under 29 years old. It is also the third largest democracy in the world

that once the Trans-Java Highway is completed it will show the world how Indonesia is moving forward with its large-scale development plans.

"For example, since President Soeharto's regime in the 1980s until now there were only 370 miles of toll roads built. After the new regulations have been implemented, there shall be 150 miles within two years. That is proof of the ongoing improvement in infrastructure," he says.

The company is collaborating with Indonesian toll-road operator Jasa Marga on the Serpong-Cinere toll-road project. "We also plan to take over one by Thiess Indonesia, and a second one at Aloha, Tanjung Perak, Surabaya," says Mr Musyanif.

Another toll road under construction as part of the Trans-Java Highway is a collab-

oration between Jasa Marga and Wijaya Karya at Mojokerto in East Java. "However there is a joint venture between PP and Jasa Marga to create a new city there," adds Mr Musyanif. "We will be developing 1,500 hectares for homes and shops, designed by the well-known architects Townland."

The Minister of Public Works, Djoko Kirmanto, also reinforces the need for up-to-date infrastructure. "In order to accelerate and expand our economic development we must improve our infrastructure," he says. "We need sufficient electricity, roads, water supply, airports and seaports. At the Ministry of Public Works we are developing roads, as well as raw and drinking water."

As a huge archipelago, inter-island connectivity is vital. "We have completed a bridge connecting Java and Madura. Now we are planning an 18-mile bridge to connect Sumatra and Java," says Mr Kirmanto. "PP initially noticed investment opportunities in the energy and port sectors. It has joined with Pelindo II as operators, and total investment was approximately 22 trillion rupiahs (£1.58 billion) in six years. There are currently very few ports, so we wish to build more."

Last year the UK was the second-largest investor in Indonesia, after Singapore. Other overseas countries are also getting involved, with Japan contributing to the archipelago's economic corridor and China contributing towards roads and power. "We do not differentiate between investment countries, whether they are European or Asian, because we need our projects done," says Mr Kirmanto. "Any country in the world can come and bid on our projects."

PT Sarana Multi Infrastruktur (Persero), or PT SMI, forges relationships with private investors and multinational institutions to create public-private partnerships that boost the country's infrastructure. "We act as a facilitator between the project owner and the investor. We can be a window for an infrastructure project. As a catalyst, we would like to make things easier for the investor," says CEO Emma Sri Martini, who highlights energy and transportation (for regional or domestic connectivity) as the main sectors ripe for investment.

Building for a better future

Developing the basic infrastructure of Indonesia is no easy task, but PT Sarana Multi Infrastruktur (Persero) (PT SMI) makes this its main goal. "I would like PT SMI to be seen as an organisation that facilitates the acceleration of infrastructure growth in the country," says Emma Sri Martini, CEO of PT SMI. Since 2009, PT SMI has provided some financing for infrastructure projects in

Indonesia. Acting as a catalyst and facilitator in the acceleration of infrastructure development in Indonesia, PT SMI has established strong partnerships with the private sectors and multilateral and bilateral institutions in order to increase the capacity of infrastructure funding. "However, those looking to participate in the area of infrastructure can utilise PT SMI as a window for investing," says Ms Martini.



Social Security

From employment and retirement to housing and health, social security is widening its scope

The Indonesian social security programme is constantly being overhauled to make the existing system work better for the beneficiaries and to extend social security coverage to more workers, both in the formal and informal sector.

The current social security system is run by PT Jamsostek (Persero), which was founded in 1977 and is based in Jakarta. It provides protection across four main areas, which include the Employment Accident Insurance Programme (JKK), Death Benefit (JK), Old Age Security (JHT) and Health Care (JPK) for the entire workforce and their families.

Hotbonar Sinaga, the president director of PT Jamsostek, took the helm in February 2007 and has taken a proactive approach. "Firstly we had to improve benefits for the workers and members by improving the service quality of the organisation," explains Mr Sinaga. "Also with respect to our financial benefit programme, we worked on increasing returns for our members on profits and funds known as 'old-age benefits'.

"Furthermore, we provide our members with additional benefits, such as housing, and we build cheap apartments very close to the industrial complexes that are aimed at our members who work in those areas. Our members can

rent these apartments and only have to pay 120,000 rupiah (about £8.75) per month and can walk to work."

According to Dr Armida S. Alisjahbana, the Minister for National Development Planning and chairman of the National Development Planning Agency: "Right now, we have direct programmes targeting the poor, particularly in terms of health, education, food, and so on. We offer health care assistance for those who cannot afford medical treatment. For education, we offer scholarships to children of people from lower income households," says Dr Alisjahbana. "And with regard to food, we offer rice subsidies for the poor."

During his tenure, Mr Sinaga also set about creating Jamsostek Investment Company (JIC), a subsidiary of Jamsostek.

"One of the main purposes of the creation of JIC is to participate in equity investment in projects, for example in infrastructure or agriculture. JIC will only invest in equity; it will not be able to give loans for those projects," says Mr Sinaga. "Once this company grows, JIC will be ready for an initial public offering; selling shares to the public will be our exit strategy. We also want to invite other investors and shareholders from the Middle East in addition to Indonesians to participate in the development of JIC."



'We have direct programmes targeting the poor, particularly in terms of health, education and food'


HOTBONAR SINAGA,
President Director of
PT Jamsostek



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citizen welfare comes first**

PT Jamsostek is working side by side with the people of Indonesia to improve their lives, to spur development and to create a stable and prosperous society.

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