

# Business News

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## ANALYSIS

## INFORMATION

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## DEFENDING STATE AND MENTAL EROSION

Prior to one year of the Jokowi-JK administration in power, mass media is busy to seek opinions from experts and evaluation from residents with regards to performance of the regime. Some give positive value but others grant red results with notes.

Several days before, national politics was preoccupied by discourse about defending state pioneered by the Ministry of Defense. Discussions about the issue run intensively with pros and cons. In relations to the issue, there is something escaping from public attention. Reportedly, last August, Indonesian Military Commander General Gatot Nurmantyo disclosed a judgment attractive to observe. He said that the state is encountering mental and ideology erosion or crisis. The mental erosion is reflected by the birth of deviating mentality and behavior, such as lazy, tricky, reluctant to work hard, corrupt and others, while the ideology erosion is in the form of the loss or reduction of trust to ideology adopted by this nation, namely Pancasila, said General Nurmantyo (sp. beritasatu.com, 12/8).

If most of the observers are rather interested in granting evaluation to the performance of the Jokowi-JK administration in one year from the economic, legal and political perspectives, here we try to reflect from the mentality side, namely national mentality seeming to gain low attention. The statement disclosed by General Nurmantyo is very important to observe because the mental issue is closely related to the vision of mental revolution pioneered by President Jokowi. If we try to seek the most contrast distinctive side between Jokowi-JK administration and the previous regimes, the answer resides in what is called as mental revolution.

History shows that mentality constitutes an element which is very decisive to the success of a na-

tion in building itself to become an advanced and dignified nation. Here, we talk about not only smartness and skill but the whole matters inherent in human as a key for the advancement of the nation and the whole civilization. Surely the statement of General Nurmantyo pointing to Indonesian people with deviating mentality such as lazy, tricky, corrupt and others is true. However, the statement is not caught as a form of defamation, but a reflection so that we want to introspect. Unfortunately, the mental revolution vision launched one year ago has not been fruitful. State finance irregularities have continued as a marker that tricky and corrupt behavior has not been settled. The two forms of deviation seem contribute to fog disaster in Sumatera and Kalimantan, which has cost lives.

On the other hand, the defending state program displayed by television stations is apparently a physical enhancement program. In this point, it is true if some suppose that the defending state idea is another name of military service. We want to assert that every resident is obliged to defend the state but the implementation method is heavily dependent the executing element. If the idea is rejected by parties, the rejection may come because it is executed by military institution. Here we want to assert that defending state is not merely a matter of physical exercise and self-defense skill. Defending state should be translated as a serious effort to implant national values and nationalism into the whole citizens. It means the substance of the state defending program covers the whole aspects, not only physical aspect and self-defense skill. It is very urgent to improve mentality of citizens so that they are not lazy, tricky and others.

Jakarta, October 22, 2015



## MINISTRY OF INDUSTRY: INVESTOR INTEREST IN THE TEXTILE INDUSTRY STILL HIGH

Jakarta, *Business News*

The Ministry of Industry reported that investment in textile and textile product (TPT) sector continues to grow amid slowing economic growth. Until the second quarter of 2015, investment in this sector nationally has reached IDR3,947.5 billion with a composition of 55.8% foreign investment and 44.2% domestic investment. "It means that investor interest in the TPT sector is still high," said Minister of Industry, Saleh Husin, in Jakarta, Wednesday (October 21).

The minister said that industry players remain optimistic about business and investment prospects in Indonesia. Saleh said that cumulative growth of manufacturing industries until the second quarter of 2015 could reach 5.26% above economic growth in 2014, which is 5.11%. These companies invested capital for building a plant worth USD 60 million.

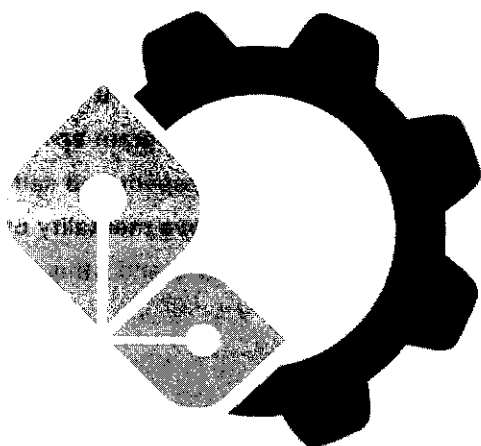
Ministry of Industry reported that this labor-intensive industry absorbs labor force at 10.6% of the total manufacturing workforce and contributes 1.22% to the GDP (Gross Domestic Product). The export value reached USD 12.7 billion per year and it is expected to continue to rise. According to Saleh, in-

vestment in TPT which is nearly IDR4 trillion strengthens the confidence of the national industry to grow continuously. Optimism of industry players is in line with government's efforts to maintain a conducive business climate.

The government also boosted performance of this industry to continue to improve, among others, by increasing efforts to control imports and domestic market observation through non-tariff policy, such as the implementation of Mandatory SNI, Increased Use of Domestic Products (P3DN), textile and footwear machinery restructuring, building national branding and logistic base for cotton in order to ensure the availability of cotton raw material.

According to the Minister of Industry, investment and industrial development will continue to advance along with the launching of economic policy packages. A decline in the price of gas, electricity and diesel fuel supports the strengthening of industrial competitiveness. It is said that they provide certainty to both parties at the same time, i.e. employers and workers.

Meanwhile, Head of Investment Coordinating Board (BKPM), Franky Sibarani, stated that six



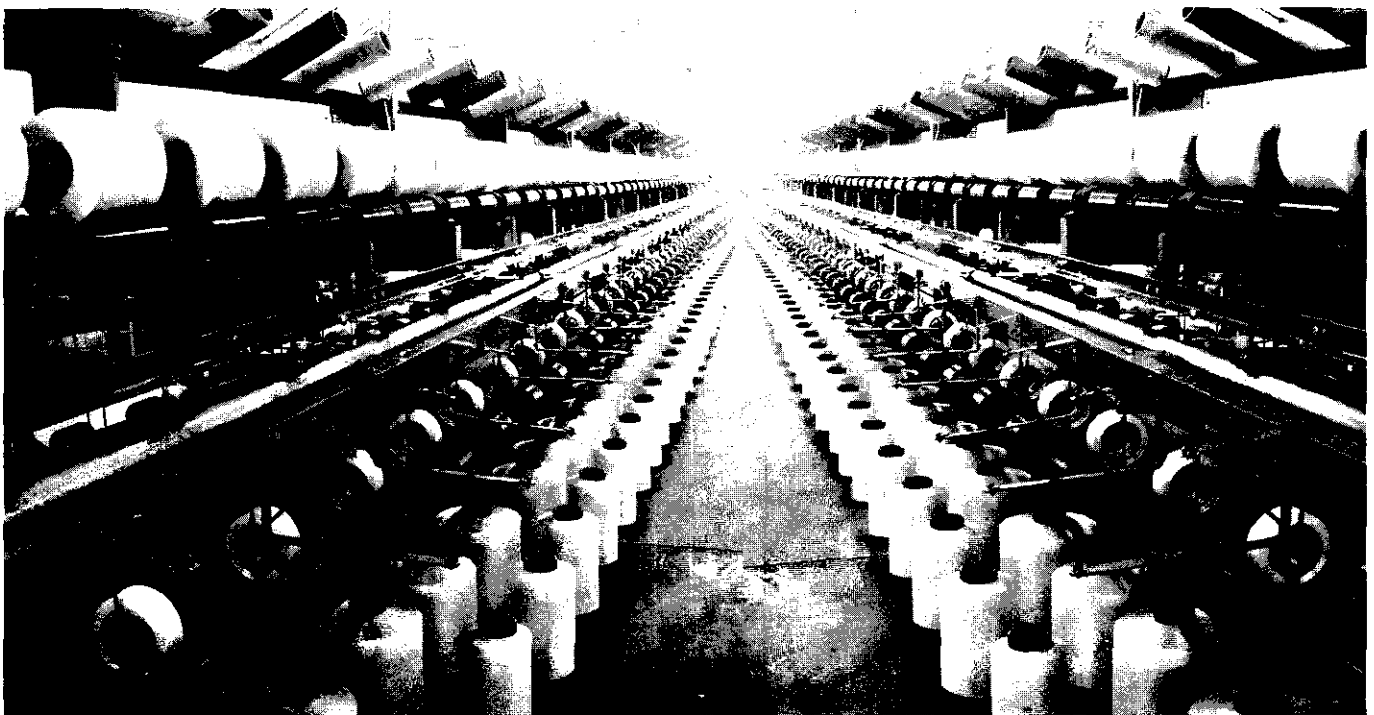
**Kementerian  
Perindustrian  
REPUBLIK INDONESIA**

upstream textile companies complained of the circulation of illegally imported products which have an impact on 945 workers who are threatened with layoffs. Six companies operating in Tangerang and several areas in West Java has reduced averagely 20% of its production volumes due to weaker demand as a result of being eroded by imported products and the flood of illegal imports, mostly from China and India.

Upstream textile companies that manufacture filament yarn and polyester fibers submit complaints via the Textile and Footwear Investment Special Desk, which has just been established by BKPM. Franky said that it would facilitate a meeting with the Director General of Customs with representatives of companies associated with complaints of unauthorized circulation of such products. According to him,

although the government has issued a policy package stimulus so that businesses can improve their competitiveness and maintain the companies' operations, there are still specific problems that need to be addressed in greater depth.

Based on the calculation of the companies' representatives, the difference between the price of legally imported products and their production reaches USD 0.2. If the difference in raw material price ranges from USD 0.5 to USD 0.1, domestic manufacturers are still able to compete. Franky said in a closed meeting on the eradication of illegal products, a sector which is highlighted is the textile industry which produces IDR5.6 billion trade surplus in 2014, of a total export value of IDR12.7 trillion. Meanwhile, export value grew by an average of 4% per year during 2010-2014. (ST)



## APBI PESSIMISTIC ABOUT DOWNSTREAMING OF COAL INDUSTRY

Jakarta, *Business News*

The Association of Indonesian Coal miners (APBI) was not too certain about pipelining if credit by the Government amidst world's economic slowdown including Indonesia. Some coal miners were also realistic not to be over astounded by downstreaming plan. It would be better to maintain the upstream sector to keep it economical. Meaning coal producers were not ambitious even to be totally bankable. "Today to run coal-based gasification project need enormous expense. Which bank would extend credit in the present adverse condition?" Herman Kasih of APBI told *Business News* (9/10).

The present condition was made worse by low world's oil price. Business was also more efficient with stipulated Coal Reference Price (HBA) which was not realistic because investment activities turned more costly time after time so coal miners tend to concentrate more on the upstream sector. "On mines, all we have to do is excavate and crush, then we sell coal for steam-powered generators."

APBI did not object Korean investors to build Coal-to-Liquid Processing Center (CTL) in East Kalimantan. Korean investors like KIDECO, LG etc had for long been operating mines in East Kalimantan. If they promised to build CTL plan it was only expansion project. "They already had coal mines. They have the technology, but the smelters they build was probably not in large scale, just adding some extra facilities to the existing plant."

On the other hand a consultant agency and coal business contractor from China, Huang Dewei stated that mining business must be calculated rationally and carefully. Coal mining business did not always have to end up in bankruptcy. Every business line had its own risk but it was not always a process of gambling, but coal mining business was risky when it was run illegally. A geologist expert said that to find deposit after exploration, the odd was one to ten.

"If there were 10 explorations, nine failed but one succeeded, the one successful project could cover up losses of nine failed project. The size of profit depends on market price" Huang Dewei, minery



consultant from Zhong Jia Exploration China told Business News (19/10).

Some companies applied for credit from banks for making explorations. Experience to learn from coalmining in Kalimantan, a company applied for credit worth billions of Rupiah because they ran out of fund for explorations done in 9 projects. "Surprisingly they found plentiful deposit in the 10th project. They managed to cover up losses from the 9 failed projects and they even managed to pay their credit due to the bank. Incidentally at that time in 2008 – 2012 price of coal was booming."

Cost accounting in mining business was governed by the economic policy in each country.

For example in China the role of the Government through State Owned Companies (BUMN) was strong. Some BUMN like PT Antam, PT Timah made big profit. "In Australia, private companies had support from the Government."

Mining companies from Australia had been operating in Indonesia since the era of President Suharto. Australian and American miner companies were active investors in Indonesia. If an Australian company failed in Indonesia the Government of Australia would cover up their losses from successful companies in Indonesia. The Government also supported research activities."(SS)

## GOVERNMENT PROMOTE STRENGTHENING OF COMPETITIVENESS OF HEALTH EQUIPMENT INDUSTRY

Jakarta, *Business News*

The Indonesian Council for Science (LIPI) reported that only 2% of demand for health equipment product worth Rp 260 billion were supplied by domestic producers. Demand for health equipments in Indonesia increased in line with the National Health Guarantee Program managed by the BPJS Health Insurance company.

It showed that market opportunity for domestic health equipment products was still open for local products. High import of health equipments must be accompanied by standardization of quality, in terms of safety or function. Standardization was to be exercised by testing at accredited laboratories.

In view of the composition of import, the Ministry of Industry encouraged players of the health equipment industry to step up competitiveness. The

Minister of Industry Saleh Husin stated in Jakarta on Monday (9/10) that the strategic step to step up competitiveness for 2015 - 2019 was by drawing a roadmap for health equipment industry development.

Saleh stated that he was coordinating with the related institutions like the Ministry of Health, Ministry of Trade, BPPT, LIPI and academicians in drawing the roadmap. The roadmap was scheduled to be completed before year end accompanied by Presidential instruction with marketing target to sell domestic health equipment at Rp 120 trillion in 2035.

To quote data of the Ministry of Health today the total value of health equipment market was around Rp6 trillion to Rp7 trillion and the Government would strive to increase it to Rp120 trillion in 2035 by increasing investment in that sector.

The Ministry, Saleh said, would develop the related technology the integrated way including

provision of components, raw materials, and auxiliary items; to set up Center of Excellence encompassing R & D, and mass production to meet domestic demand. Furthermore to develop human resources as well as measurement and testing.

Saleh said that the Ministry had launched promotion for domestic health equipment through the Business Forum for Health Equipment Industry producers and consumers, including hospitals and health clinics could meet. In 2012 the Ministry had formed the Center for Health Equipment Technology Development (PPTI-Alkes) in collaboration with ITB.

Beside importing, Indonesia also exported

health equipments to some countries. The effort to jack up export was constantly run to meet target especially to explore the Middle East market. The Director General of National Export Development Nus Nuzilla Ishak stated that the effort to promote export to the Middle East had begun since 2006 by the initiative of ASPAKI Association.

Nus informed that UEA was a hub for export to the Middle East. Many countries in the Middle East needed health equipment products especially countries broken in conflicts. Indonesia's export to the Middle East in the past 5 years posted increase of 9.5%. (SS)



## RURAL DEVELOPMENT INDEX TO HELP LESS-DEVELOPED VILLAGES AND BUILD SELF-RELIANT VILLAGES

Jakarta, *Business News*

To reduce the number of under-developed villages and increase the number of self-reliant villages, the Ministry of under-developed villages and Transmigration (DPDTT) launched the Developing Village Index as initiative to assess the power of people in the development process.

The Rural Development Index (IDM) launched by the Minister of DPDTT Marwan Djafar in Jakarta on Monday (19/10) was expected to accelerate pursuit of National Middle Term (RPJMN) 2015 – 2019. "This IDM was more comprehensive compared to IPD because IDM rest on social, economic and ecological strength without ignoring the aspect of politics, culture, history and local wisdom," Marwan said.

If the index was used as reference in synergizing development, Marwan said, it was not impossible that the condition of a village which was prosperous, just and independent as desired could be realized. The IDM could serve as reference for the Government in reducing the number of under-developed villages.

According to Marwan, today there were 5,000 less developed villages. Hopefully by 2019 the number of independent villages could be increased and the number of less developed villages could be reduced to 2,000 villages.

Marwan said that empowerment of the people was the underlying force toward positive participation

in the process of advancement of the nation through acquirement of power and knowledge. An empowered community was national asset in implementing the Rural Law which had positioned the village as the subject of development. "Thereby the village will be a potential entity in creating prosperity and resilience of the nation in the eyes of the people or the world"

Poverty was still a prevalent issue in the villages. Data of the 1980's had it that 78% of the Indonesian people lived in the villages, but today the number of rural and urban people were balanced. Urban people constituted 49.8% while rural people constituted only 50.2%. If the trend were let to happen it was estimated that by 2025 65% of Indonesian people would live in the villages.

Imbalance of rural and urban people Marwan said, could be seen in the poverty index in the villages and in the cities. In 2014 the percentage of rural people living under poverty line was 13.8% while in the cities it was less, i.e. 8.2%.

To probe further poverty level in the villages was far deeper than that in the cities, this was proven by Index of Poverty degree in the cities which was 1.25% while in the villages it was 2.24. The higher the index the lower the expenditure level. Meanwhile Index of poverty severity in the cities was 0.31 while in the villages it was 0.56. "The higher the index, the wider the expenditure gap: Marwan said. (SS)



## TO BE SURE FOOTED AND AGGRESSIVE IN CPO DIPLOMATIC MANEUVERS

Jakarta, *Business News*

Today there was tendency of lessening of export of Indonesian CPO to France, Germany and England. This happened due to negative campaign launched by big corporations and supermarket networking like Ferrero, Jacket, Delhaize etc. Delima Hasril Azhari, Chairman of the Indonesian Palm Council told Business News.

Delima with other stakeholders had just attended the Indonesia Sustainable Palm Oil (ISPO) promotion in Den Haag, Holland and Brussel, Belgium. The negative campaign in EU had caused strong impact on Indonesia so it was necessary for Indonesia to launch a counter campaign.

"Indonesia must launch aggressive promotion campaign in branding Indonesian CPO for better brand

image, supported by reliable data and scientific argument" Delima said, Now that Indonesia and Malaysia were united in alliance the campaign could be jointly launched.

By any criteria Palm was still superior against vegetable oil produced by EU countries i.e. Soy oil, Corn oil and Rapeseed oil. CPO productivity was 9 times as much as other vegetable oils and the total area of land needed to plant 1 ton of CPO was much less than that of other vegetable oils.

Because of its plus points CPO had become target of negative campaign by EU. Among the negative points of CPO being exposed by EU was 1. Environmental issue CPO causing deforestation, destroying habitat of Orang Outan 2, Health issue that CPO contained cholesterol that caused heart disease 3. Socio economic disadvantage that CPO exploited



workers and robbed people's land.

Three of Indonesia's main export destinations were India, China and EU. China did not demand anything as long as the price was low but EU set a long list of prerequisites. EU required labeling of sustainable palm and the standardization adopted by them was RSPO which had been effective since 2003.

Members of RSPO were: producers, bankers, buyers and NGO, the strongest position being in buyer's hand and NGO. CPO products which were RSPO certified now numbered 12 million tons.

ISPO was so far not being well acknowledged by EU. Plenty of time was needed because requirement for ISPO was only issued in 2012.

Although UE had now developed biofuel they refused CPO as raw material since they accused Indonesia of making dumping. This was indeed groundless because subsidy for bio fuel was only valid at home.

So far consumption of CPO by Pertamina was still low because the price was more expensive than imported solar oil. With subsidy from BDPKS

Pertamina was beginning to consume CPO. Since export of bio fuel was not subsidized by the Government, market mechanism was in effect. Price of CPO Biofuel was cheaper compared to other fuel.

In regard to sustainability issue, today 5 leading companies: Sinar Mas and Golden Agri, Asian Agri, Wilmar, Musim Mas and Cargill had signed the IPOP commitment document that they would only trade sustainable oil. Among the agreement was not to buy CPO from forest areas, from peatlands and from forest being cleared by way of cutting primary forest. The company had made commitment with some buyer companies like Unilever, Cargil and ADM.

To the Government IPOP was just an inter-company agreement and was not binding. Now the Government had set ISPO and this was definitely binding. The agreement had affected farmers and some plantation companies because now the big buyers refused to buy CPO from plantations which were problematic. Now trading and export of CPO in Indonesia was only done by big groups. They sold CPO only to exporting companies. (SS)

## GOVERNMENT ENCOURAGE TOBACCO FARMERS TO INCREASE PRODUCTION TO MINIMIZE IMPORT

Jakarta, *Business News*

The Ministry of Agriculture encouraged tobacco farmers to increase production to minimize import of raw materials for Kretek cigarettes. Data of the Ministry of Agriculture had it that Indonesia's import of tobacco was posted at 150,000 tons per year. The Minister of Agriculture Amran Sulaiman stated in Jakarta on Tuesday (20/10) that if tobacco growers could increase production output import of tobacco could be reduced. Amran felt it necessary to motivate tobacco growers to increase production and expected growers to keep up with the highest production increase in the past 10 years amounting to 5.5 million tons of rice.

To increase production output, Amran said, the Government would extend aid for tobacco farmers to the amount of Rp 19 billion.

The aid consisted of water pump in time of water shortage, and 30 units of tractors. Amran said that the quality of Indonesian tobacco was not inferior to that of other countries. Except quality, production must be increased by quantity. The Government would extend aid to farmers without discrimination whether they were tobacco, corn or rice growers.

Amran admitted that Indonesia was still importing tobacco raw materials for producing Kretek cigarettes. To quote BPS data, in 2011 the amount of imported tobacco came to 64,000 tons or worth USD 376.3 million. The amount kept increasing in 2012 to 104,000 tons worth USD 503.2 million and in 2013 amounting to 133,000 tons worth USD 665.5 million. Lessened import was only in 2013 tons worth USD 627.3 million which was even re-

garded as still high.

In 2014 last year import of Indonesia's tobacco posted downturn to 91,518 tons worth USD 550.66 million. Upon entering 2015, BPS posted import of tobacco in January-April at 20.900 tons worth USD 130 million.

Most of the tobacco imported was of the Virginia type from China and India; the real origin was in fact Virginia in the USA. Other types of tobacco imported were from Brazil, Turkey and Zimbabwe.

Importing of Tobacco was driven by growing demand for non-kretek cigarettes which increased year after year. This was also the reason why Indonesian tobacco of the medium grade loose market share. Moreover there were regulations which limited Nicotine content in cigarettes and local tobacco were reputable for their high Nicotine content.

This Regulation was obeyed by all local cigarette producers which was why local cigarette producers depended highly on imported tobacco.

Meanwhile GAPPRI asked the Government to support development of local tobacco to meet national producers demand. Chairman of GAPPRI Ismanu Sumiran expected the Government to intensify land for growing Virginia cigarettes.

So far Virginia tobacco as raw material for SKM and SPM cigarettes were mostly imported because of low domestic supply. Data of the Ministry of Industry showed that demand for tobacco this year was 434,753.96 tons while demand for cloves was 144,377.16 tons in 2015. Meanwhile demand for Virginia and chopped tobacco was balanced. Import of Virginia cigarettes was posted at 120,270 tons. (SS)

# APINDO: BILATERAL COLLABORATION IS EFFECTIVE MEANS FOR JACKING UP EXPORT

Jakarta, *Business News*

Business circles welcomed commitment of the Government of RI to start bilateral collaboration in the form of Free Trade Area (FTA) with some countries. Chairman of APINDO Hariyadi Sukamdani stated in Jakarta on Tuesday (20/10) rated that the plan would jack up export. Hariyadi said that based on empiric data there was correlation between investments in Indonesia and the amount of export to the related county.

The correlation was because Free Trade would axe import-export expenses which usually post as burden to traders. It would be easier for domestic products to break into the export market. Some products would stand a chance for increasing export like among others Food an Beverages, textile and by- products, and commodities related to automotives like rubber and steel.

However, to keep FTA from becoming a boomerang to Indonesia it became imperative for the Government to step up competitiveness of the domestic industry. Hariyadi said that today the management of Indonesia's economy was still not professional so the added value was not competitive enough to compete against oth-

er countries. The Government, Hariyadi said, must strengthen competitive edge of domestic industry by reducing cost of energy, logistics, bank interst and increase worker's productivity and downstreaming of industry.

Meanwhile the Ministry of Industry stated they were calculating the advantages and disadvantages if Indonesia were engaged in Free Trade Agreement with Uni Europe. Achmad Sigit Dwiwahjono, Director General of Resilience and Development, the Ministry of Industry stated that scoping paper pro-

posed by Uni Europe with tax exemption of 95% for FTA might harm domestic industry.

He rated that to join FTA with Uni Europe might harm Indonesia's industry as a whole. The point was that the portion of domestic consumption was 55% while export which constituted 20% was dominated by CPO, rubber and footwear. Beside the size of tariff extention some prerequirements set by Uni

Europe was hard to fulfill by Indonesia. Uni Europe included intellectual property rights, Government procurement, animal welfare etc. in FTA requirements.

In this case he said, intensive inter-ministrial coordination was needed before pre-requiremets set by Uni Europe was met. Still the Minister of Industry



rated that 95% tax exemptions was too hard to comply with. Today some neighboring countries like Vietnam and Malaysia had signed Free Trade Agreement with Uni Europe in the form of Trans Pacific Partnership led by the USA. Vietnam for example freed 99% tariff posts in FTA with Uni Europe. Such had the potential to erode export value of domestic products, considering import tax for Indonesian products to Europe might come to 12%.

Achmad stated that Indonesia would follow

Malaysia and Vietnam to sign Free Trade Agreement with Uni Europe to protect the export market. Initial discussion in regard to Free Trade Agreement (FTA) between the Ministry of Trade of RI had been made. He said that export tax to Europe's market was on the average around 7%. If Malaysia and Vietnam had completed FTA with Uni Europe which made their import tax to be 0%, Indonesia would lose competition. Sigit stated that before signing the agreement Indonesia would still consider the advantages and disadvantages of such agreement for Indonesia.(SS)





## 3.7 MILLION POOR FARMER FAMILIES BECOME PALM GROWERS

Jakarta, *Business News*

Broadly speaking successful development of palm plantations in Indonesia had changed 3.7 poor families into palm growers. In case of Indonesia, not many (if not the only one) economic sectors could improve small farmers to become palm farmers in such great number and in such a short time. By becoming palm growers, welfare of palm farmers would be better guaranteed for at least 25 years assuming that life cycle of palm was 25 years. Continued replanting would secure life of farmers and their descendants sustainably.

Data of PASPI obtained on Tuesday (20/10) had it that the way to minimize poverty in Indonesia was by opening job opportunities which was rural by nature. One of the characteristic of rural life was to work by season in agriculture.

Educational level in the villages were generally low. To minimize poverty in the villages it was advisable to develop economic sectors which matched with the background of workers. Palm industry was an economic sector which was labor intensive by nature.

Accommodation of growers in palm plantations in Indonesia had been increasing year after year in line with plantation expansion. In year 2,000 the total number of farmers working in palm plantations numbered around 2 million people, increasing to 5.5 million in 2013. Apparently palm plantations was a pro-job industry.

By area, there were 6 provinces in Indonesia i.e. North Sumatra, Riau, South Sumatra, East Kalimantan, Central Kalimantan, West Kalimantan, and South Kalimantan. Development of palm plantations in Indonesia since 1990 had shown notable expansion platform. Initially plantations was only in North Sumatra, in phase two expanding to other parts of Sumatra and in phase three expanding to other islands, i.e. Kalimantan and soon in phase 4 to Sulawesi and Papua.

In 1990 total area of palm plantations in Indonesia was only 1.1 million ha, 40% of which was concentrated in North Sumatra. In 2000, total area of palm plantation in Indonesia multiplied by threefold to 3.7 million ha, while palm center had shifted to Riau and South Sumatra. Through 1990 – 2000 the total area of palm plantation in Sumatra doubled by more than 0.35 million ha while in Kalimantan increased remarkably from 84,878 ha to 836,186 ha – an increase of 10 times exceeding even the total area in North Sumatra.

In 2013 palm plantations developed simultaneously in Riau, South Sumatra and in Kalimantan. Against 2010, total area of palm plantation increased by half a million hectares; in Riau and South Sumatra increasing by 1.7 million ha and in Kalimantan increasing by 2 million ha. Meaning through 2010 to 2013 palm plantations in Indonesia had expanded fast from 5.35 million ha to 9 million ha. Fast expansion took place in Kalimantan, and today one third of Indonesia's total palm plantations was in Kalimantan, which was only 7% in 1990.(SS)

## THE ACHIVEMENT OF TSP II OF EUROPEAN UNION IN INDONESIA

Jakarta, *Business News*

In an effort to focus on improving the quality of export products according to world standards of quality to expand export access of Indonesian products, so that leading Indonesian products must be able to meet the standards and technical requirements which are accepted and recognized by all export destination countries, the Ministry of Trade participates and acts as a technical coordinator in the implementation of Trade Support Programme (TSP) II in Indonesia. TSP II is a European Union (EU) program aimed at accelerating the integration of Indonesia in international trade. The program worth around EUR 15 million has been started since the signing of the financial agreement by both parties on October 30, 2009 and will end on October 30, 2015.

"Just like TSP I, this program is also emphasized on the compliance of Indonesian export products with standards and other technical requirements, including product traceability applied by EU. We wanted Indonesian products to achieve world quality standards," said Director General of Standardization and Consumer Protection of the Ministry of Trade, Widodo, in the opening of the Achievements and Closure Exhibition of EU-Indonesia TSP II, in Jakarta, on Wednesday (October 7).

Based on studies conducted by TSP II in 2010, the program is focused on five Indonesia's potential sectors that have a relatively small share of imports in the EU. The sectors are agro food products, fisheries, electronics, furniture, and natural cosmetics. Widodo said that the main results that can be noted from TSP II is the creation of Export Quality Infrastructure (EQI)

Roadmap and Guidelines. This Roadmap is an export quality infrastructure development plan to be a world class EQI that must be realized jointly by the ministries and institutions, as well as other relevant stakeholders.

"By having a world class EQI, quality certificates issued by Indonesia's conformity assessment body will always be accepted and recognized by the notified bodies, and there is no refusal from export destination countries. Thus, access to Indonesian export products will be more easy and smooth," said Widodo.

Meanwhile, the Food and Drug Supervisory Agency (BPOM) laboratory is very competent in testing the safety of food products. BPOM is also committed to make efforts to increase exports of Indonesian products. "In line with the assessment results of TSP II expert team, several BPOM laboratories are believed to play a strategic and competent role in implementing food safety assessment, especially testing of aflatoxin contamination in nutmeg.

"BPOM is ready to facilitate food assessment, especially nutmeg, which is to be exported to the European Union," said Head of BPOM, Roy Sparringa. Besides, National Quality Assurance (NQA) as part of the implementation of EQI Roadmap must be followed up with the same commitment. Because it involves various sectors, the Coordinating Ministry for Economic Affairs will be the driving force, with BPOM and the Ministry of Trade as the technical coordinator, respectively for food and non-food affairs.

"I am optimistic that the implementation of NQA will improve the quality of Indonesian products, both for domestic and export markets," said Head of

BPOM. In a continued effort to improve the quality standards of export products, because consumers today have an awareness of quality products manufactured by considering health, safety, security, environment, and social, demands on producers and exporters in improving product quality is also higher.

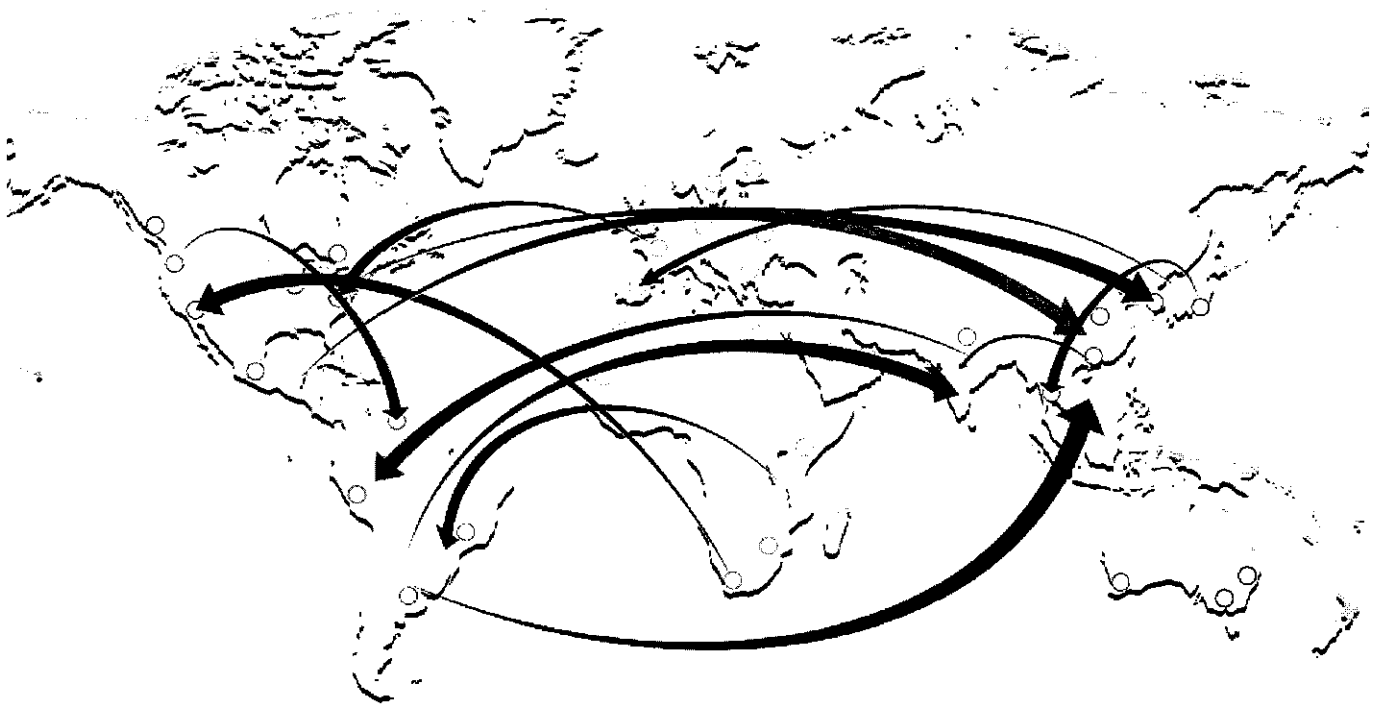
TSP II responded to this by establishing Indonesia Technical Requirement Information System (INATRIMS / [inatrim.kemendag.go.id](http://inatrim.kemendag.go.id)) containing information on standards and technical requirements of export destinations. The information is focused on 10 Indonesia's main export products, namely textiles, electronics, rubber and rubber products, palm oil, forest products, footwear, automotive, shrimp, cocoa, and coffee; and 10 potential export products, namely leather and leather products, medical equipment, medicines, medicinal plants, processed foods, essential oils, fish, crafts, jewelry, spices, and non-paper stationery products.

Currently, INATRIMS has covered information on the EU market, China, and South Korea, and will be followed by United Arab Emirates, United States

and other countries. TSP II is focused on seven relevant ministries / agencies, namely the Ministry of Trade, Ministry of Industry, Ministry of Maritime Affairs and Fisheries, Ministry of Agriculture, Food and Drug Supervisory Agency, the National Standardization Agency, the National Accreditation Committee, and Indonesian Institute of Sciences.

The Achievements and Closure Exhibition of EU-Indonesia TSP II held in October 6-7, 2015 was also filled with presentations of achievements of TSP II by beneficiaries. One of the achievements listed are the National Data Sharing System (DSS) which is managed by the Ministry of Maritime Affairs and Fisheries. DSS provides centralized, consistent, and transparent data to prevent and combat Unreported Illegal Unregulated (IUU) Fishing. This system is easily accessible by competent authorities, at both central and provincial government level.

Ambassador-designate of European Union to Indonesia and Brunei Darussalam, Vincent Guérénd, expressed his pride of the achievements of TSP II, especially on matters relating to EQI. Vincent is proud



that TSP II is able to support work priorities of the government to overcome some trade barriers between Indonesia and the European Union. For example in the fisheries sector, TSP II helps strengthen DSS for the implementation of capture fisheries certification in 32 ports, so as to balance the strictness of EU regulation on IUU.

The development of marine and fisheries sector is one of the main priorities of the government. "The success story can also be seen in nutmeg commodity of Siau, North Sulawesi, where TSP II not only supports the legal system and quality control of nutmeg, but also implements a pilot project at the stage of production and post-harvest handling," said Vincent. Other success stories of TSP II were also pre-

sented in the exhibition, which is about EQI Roadmap and Guidelines for Strategic Improvement of Indonesian Export; National Quality Assurance to Enhance Export Quality Products; Strengthened Policy Framework Ensures Compliance with EU Requirements; Best Practices Lead to more Effective and more Efficient Accreditation at KAN; Improving Export Access through INATRIMS; Improved Nutmeg Quality for Better Acceptance in EU Market; Improved Quality of Cocoa Beans and It's Derivatives Expands Access to EU Market; Strengthened Catch Certification System by Support of Data Sharing System; National Residue Monitoring Plan (NRMP) to Secure Access to EU Market for Fishery Products; and Improved KIM LIPI Capabilities Guarantees International Trust. (E)



# MINISTRY OF INDUSTRY ENCOURAGES GEOGRAPHIC INDICATIONS INDUSTRY IN HANDICRAFT, FOOD AND FASHION INDUSTRY

Jakarta, *Business News*

In order to promote more Indonesian products of known origin and tailored to their native region, the Ministry of Industry encourages Geographical Indications (GI) a broader Geographical Indications, not just for food products, but also for handicraft and fashion products. After accompanying the Minister of Industry Saleh Husin in inaugurating Cahaya Timur Indonesia Exhibition III at the Ministry of Industry, in Jakarta, Tuesday (October 20, Director General of Small and Medium Enterprises (SMEs) at the Ministry of Industry, Euis Saedah, stated that it is necessary to highlight the three sub-sectors of SMEs, to let the world know where the product originates and evolves in one of the regions in Indonesia.

"Do not let the Indonesian culture become a mere pride, but it must have a sale value economically. Thus, in addition to its being cultivated and becoming something worth selling, it should also make the craftsmen more prosperous than before. Because what has been happening is unfair trade in the region that has a culture, but the craftsmen remain poor.

In order to improve welfare, one village one product (OVOP) is the flagship of the region, making it a branding of the region. Thus, if it is sold, it will represent the region concerned.

Such as champagne from France, known worldwide from the city of Champagne. Therefore, a team from the Directorate General of SMEs of the Ministry of Industry will submit Grinsing Weaving of Bali to UNESCO (United Nations Education Scientific and Cultural Organizations) to designate Grinsing Weaving as a heritage of Bali. Therefore, there will be no one who can claim Grinsing weaving, other than Bali.

Talking about industry ownership by foreign party as happened in Bali, in which more than 90 percent of the existing culture is owned by foreigners. To prevent that from happening in other regions, according to Law No. 3/2014 on Industry, currently Draft Government Regulation on Culture-Based Industry is being prepared. Essentially, there are about 150 types of small and medium enterprises (SMEs) that will be closed to foreign investment, or goes to investment negative list. The regulation is expected to





be completed this year, because it must obtain a joint agreement between ministries.

The 150 types of industries are included in 12 industry groups which description is based on industrial raw materials, such as rock-based industry group and wood-based industry group. Industrial license for SMEs will be more selective with the aim of creating owner of culture, the industry players have become more prosperous," said Euis.

Minister of Industry Saleh Husin stated that the vast area of the eastern region stores natural resources and tourist charm. Cultural diversity is also attractive for the development of creative industries. "However, the creative industry did not stop at the existing ones. Innovation is also needed to process craft raw materials from nature and human resource

strengthening," said Saleh who believes that creativity of SME players in eastern Indonesia are able to create new modifications.

Eastern Indonesia has the potential for excellent products, such as weaving, accessories, silk, pearls, shells crafts, wood carving, as well as a wide range of processed fish products. Information technology, such as the internet, can also be used for design innovation and daring or online marketing.

“The exhibition, which was attended by 44 SMEs of leading craftsmen from various provinces in eastern Indonesia, is one of the efforts of the Ministry of Industry to facilitate, elevate, and promote typical superior products of the regions, especially products of SMEs in eastern Indonesia,” he explained. The exhibition took place from October 20 to 23, 2015. (E)



## SUBSIDY FUND IN RAPBN STATE BUDGET 2016 TO BE REDUCED BY 5,06%

Jakarta, *Business News*

The budget for Subsidy Management Program in RAPBN 2016 was projected to reach Rp 201,363.6 billion. The amount was reduced by Rp 10,740,8 billion (5,06%) from the ceiling of Subsidy Management Program in APBN-P 2015 amounting to Rp 212,104,4 billion. Most of the budget would be allocated for energy subsidy Rp 120,957.2 i.e. for oil subsidy, LPG gas 3 kg tube and LGV amounting to Rp 70,957,2 billion and electricity subsidy Rp 50,000.0 billion.

Meanwhile subsidy for energy was Rp 80,406 billion consisting of (1) subsidy for food Rp 20,993,4 billion, (2) subsidy for fertilizer Rp 30,063.1 billion (3) subsidy for seed Rp 1,023,8 billion (4) Subsidy for PSO Rp 3,752,5 billion (5) subsidy for credit interest Rp 16,474.,5 billion; (6) subsidy for tax paid by the Government Rp 8,099.1 billion. This was Financial Notice and RAPBN 2016 obtained on Tuesday (20.10).

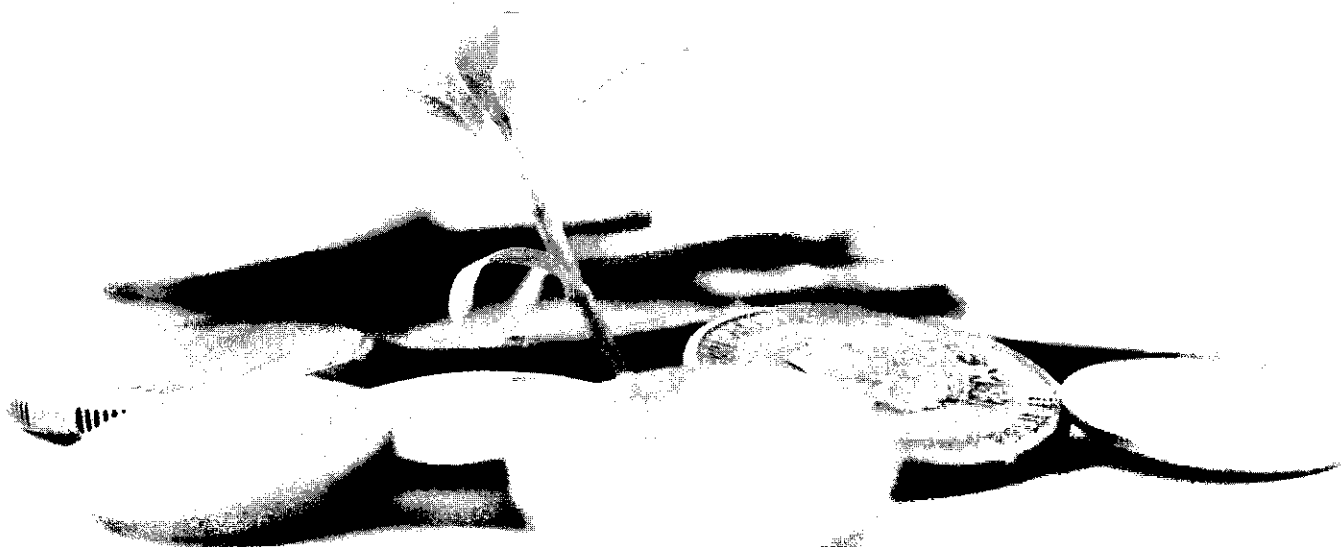
In the effort to enhance subsidy efficiency to-

ward high quality expenditure, the subsidy objectives of 2016 encompassed among others (1) to maintain price stabilization (2) to keep purchasing power of the poor people high (3) to increase productivity and maintain supply of products at affordable price (4) to strengthen product's competitive edge and facilitate access to credit for small business (UMKM)

### Energy Subsidy

The outline for subsidy for oil, LPG 3 kg tube and LGV in 2016 were among others (to) extend fixed subsidy for Solar oil and subsidy for Kerosene and LPG 3 kg, (2) to enhance efficiency and effectiveness of subsidy for 3 kg tube gas (3) to promote use of new and renewable energy for transportation and electricity (4) to build urban gas pipelining for household (5) to step up control of distribution of subsidized oil and 3 kg LPG tube gas by data and technology (6) to increase role of the provincial Government in controlling subsidized oil and 3 kg subsidized LPG gas.

The size of oil subsidy, 3 kg tube LPG gas in



RAPBN 2016 depended on the following parameter: ICP, Rupiah exchange rate against USD ; consumption of subsidized oil posted at 17,9 million kilolitre and consumption of 3 kg tube LPG/LGV in RAPBN 2016 projected at Rp 70,957,2 billion – an increase of Rp6,282,4 billion against allocated Rp 64,674.8 billion.

The subsidy consisted of: subsidy for certain type of oil (JBT) current year Rp 20,325 billion; pricing subsidy for 3kg LPG Rp 27,000.4 and subsidy of LGV Rp 6,4 billion. The higher allocated subsidy was due to high allocation for subsidy for oil 3 kg LPG and LGV the year before.

The fiscal subsidy for electricity 2016 was broken down as follows: (1) to step up electrification ratio especially through Rural electrification Program, free electricity installation for the poor people

(2) to enhance efficiency electrification (3) to extend subsidy for poor family subscribers 450 VA and 900 VA (4) to develop new and renewable energy especially in borderline islands and isolated islands (5) to step up control for investment activities in electricity infra structure building,

Based on the various policies, allocated electricity subsidy in RAPBN state budget 2016 was planned at Rp50,000 billion or down by Rp 23, 149,2 billion against subsidy for electricity in APBN-P 2015 at Rp 73,149,2 billion.

The said subsidy for current year amounting to Rp40,000.0 billion and outstanding of the year before at Rp10,000 billion. The downturn was due to reformation in the mechanism of electricity subsidy provision for poor families or poor-prone families in 2016 the better targeted way. (SS)

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# FOREIGN EXCHANGE RATES

Jakarta, *Business News*

## EXCHANGE RATES ON TRANSACTION

CURRENCY	VALUE	OCTOBER 22, 2015			OCTOBER 21, 2015		
		BUYING	MIDDLE RATE	SELLING	BUYING	MIDDLE RATE	SELLING
AUD (Australia)	1,-	9,816.63	9,868.56	9,920.48	9,904.83	9,957.01	10,009.18
BND (Brunei)	1,-	9,746.50	9,798.52	9,850.53	9,801.50	9,852.19	9,902.87
CAD (Canada)	1,-	10,346.88	10,401.11	10,455.34	10,500.04	10,554.89	10,609.73
CHF (Switzerland)	1,-	14,136.03	14,214.30	14,292.57	14,267.17	14,339.87	14,412.57
CNY (China Yuan)	1,-	2,137.42	2,148.13	2,158.84	2,147.05	2,157.77	2,168.48
DKK (Denmark)	1,-	2,063.24	2,073.87	2,084.49	2,075.13	2,085.65	2,096.16
GBP (United Kingdom)	1,-	20,944.31	21,053.36	21,162.41	21,041.63	21,148.00	21,254.37
HKD (Hong Kong)	1,-	1,751.11	1,759.93	1,768.75	1,758.32	1,767.21	1,776.09
JPY (Japan)	100,-	11,318.49	11,376.15	11,433.81	11,364.24	11,422.86	11,481.48
KRW (Korean )	1,-	11.95	12.01	12.07	12.06	12.12	12.18
KWD (Kuwaiti Dinar)	1,-	44,955.28	45,210.64	45,466.00	45,125.83	45,381.22	45,636.60
MYR (Malaysia)	1,-	3,163.64	3,183.22	3,202.80	3,170.04	3,189.22	3,208.39
NOK (Norway)	1,-	1,659.80	1,668.66	1,677.52	1,677.21	1,686.00	1,694.78
NZD (New Zealand)	1,-	9,176.03	9,224.75	9,273.46	9,196.17	9,246.19	9,296.21
PGK (Papua New Guinea)	1,-	4,590.05	4,714.49	4,838.92	4,608.99	4,733.84	4,858.69
PHP (The Philippines)	1,-	291.90	293.43	294.95	293.90	295.43	296.96
SAR (Saudi Arabian Riyal)	1,-	3,618.14	3,637.00	3,655.86	3,633.07	3,651.93	3,670.79
SEK (Sweden)	1,-	1,630.49	1,639.10	1,647.71	1,641.10	1,649.59	1,658.07
SGD (Singapore)	1,-	9,746.50	9,798.52	9,850.53	9,801.50	9,852.19	9,902.87
THB (Thailand)	1,-	381.34	383.36	385.38	385.08	387.22	389.36
USD (United States)	1,-	13,572.00	13,640.00	13,708.00	13,628.00	13,696.00	13,764.00
EUR (Europe)	1,-	15,392.01	15,471.87	15,551.73	15,478.68	15,556.61	15,634.53

NOTE : The middle rate is based on Business News calculation

**EXCHANGE RATES BASIS FOR THE PAYMENT OF  
IMPORT DUTY, VALUE ADDED TAX ON GOODS  
AND SERVICES AND SALES TAX ON  
LUXURY GOODS, EXPORT TAX AND  
INCOME TAX FOR THE PERIOD OF  
OCTOBER 21, 2015 TO OCTOBER 27, 2015  
(Decree of the Minister of Finance KMK 46/KM.10/2015  
dated October 20, 2015)**

THE MINISTER OF FINANCE,

Considering :

- a. as payment of import duty, value added tax on goods and services and sales tax on luxury goods, export tax and income tax, on goods imports, tax debts connected with value added tax on goods and service and sales tax on luxury goods, export tax, and income received or earned in the form of foreign currencies, must first be valued in the rupiah;
- b. that it is therefore necessary to stipulate a decree concerning the exchange rates as the basis for the payment of import duty, value added tax on goods and services and sales tax on luxury goods, export tax and income tax for the period of October 21, 2015 To October 27, 2015.

In view of :

1. Law No. 7/1983 (BN No. 4009 pages 1A-3A and so on) on income tax (Statute Book of 1983 No. 50, Supplement to Statute Book No. 3263) as already amended the latest by the No. 10/1994 on the amendment of Law No. 17/2000 (BN No. 6513 pages 15A-18A and so on) (Statute Book of 2000

No. 127, Supplement to Statute Book No. 3985);

2. Law No. 8/1983 (BN No. 4013 pages 1A-3A and so on) on value added tax on goods and services and sales tax on luxury goods (Statute Book of 1983 No. 51, Supplement to Statute Book No. 3264) as already amended by Law No.42/2009 (Statute Book of 2009 No. 150);
3. Law No. 10/1995 (BN No. 5812 pages 19A-20A and so on) on customs affairs (Statute Book of 1995 No. 75, Supplement to statute Book No. 3612) as already amended by Law No.17/2006 (Statute Book of 2006 No. 93, Supplement to Statute Book No. 4661) ;
4. Law No. 11/1995 (BN No. 5813 pages 6A-10A and so on) on Excise (Statute Book of 1995 No. 76, Supplement to Statute Book No. 3613) as already amended by Law No. 39/2007 (Statute Book of 2007 No.105, Supplement to Statute Book No. 4755);
5. Presidential Decree No. No. 84/P Year 2009;
6. Decree of the Minister of Finance No.347/KMK.01/2008 on Delegation of Authority to First-Echelon Officials within the Ministry of Finance to Sign Letters andor Decrees of the Minister of Finance on behalf and for the Minister of Finance;



## DECIDES :

To stipulate:

THE DECREE OF THE MINISTER OF FINANCE CONCERNING EXCHANGE RATES AS THE BASIS FOR THE PAYMENT OF IMPORT DUTY, VALUE ADDED TAX ON GOODS AND SERVICES AND SALES TAX ON LUXURY GOODS, EXPORT TAX AND INCOME TAX FOR THE PERIOD OF OCTOBER 21,

1	Rp.	13,549.00	per (USD)	1,-
2	Rp.	9,862.44	per (AUD)	1,-
3	Rp.	10,472.91	per (CAD)	1,-
4	Rp.	2,068.78	per (DKK)	1,-
5	Rp.	1,748.24	per (HKD)	1,-
6	Rp.	3,241.14	per (MYR)	1,-
7	Rp.	9,182.29	per (NZD)	1,-
8	Rp.	1,670.73	per (NOK)	1,-
9	Rp.	20,880.33	per (GBP)	1,-
10	Rp.	9,776.46	per (SGD)	1,-
11	Rp.	1,653.83	per (SEK)	1,-
12	Rp.	14,216.10	per (CHF)	1,-
13	Rp.	11,361.49	per (JPY)	100,-

## Article 2

In the case of the absence of other foreign currencies in Article 1, the exchange rates used as the basis of payment shall be the daily spot exchange rates of the foreign currencies concerned on the international market against the United States dollar effective on the previous day's closing and multiplied by the rupiah exchange rate against the United States dollar as stipulated in this decree of the Minister of Finance.

## Article 3

This decree shall come into force as from October 21, 2015 To October 27, 2015.

2015 TO OCTOBER 27, 2015

## Article 1

The exchange rates as the basis for the payment of import duty, value added on goods and services and sales tax on luxury goods, export tax and income tax, from October 21, 2015 To October 27, 2015 shall be as listed :

14	Rp.	10.53	per (MMK)	1,-
15	Rp.	208.55	per (INR)	1,-
16	Rp.	44,892.56	per (KWD)	1,-
17	Rp.	129.79	per (PKR)	1,-
18	Rp.	294.57	per (PHP)	1,-
19	Rp.	3,612.87	per (SAR)	1,-
20	Rp.	96.22	per (LKR)	1,-
21	Rp.	383.2	per (THB)	1,-
22	Rp.	9,776.32	per (BND)	1,-
23	Rp.	15,435.06	per (EUR)	1,-
24	Rp.	2,133.53	per (CNY)	1,-
25	Rp.	11.92	per (KRW)	1,-

For public cognizance, this decree of the Minister of Finance shall be announced by publishing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

On October 20, 2015

On Behalf Of THE MINISTER OF FINANCE

Caretaker Head Of Fiscal Policy

sgd.

SUAHAZIL NAZARA

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# PROCEDURE OF UTILIZING STATE-OWNED GOODS

## (Regulation of the Finance Minister of the Republic of Indonesia No. 78/PMK.06/2014, dated April 30, 2014)

BY THE GRACE OF GOD ALMIGHTY  
THE FINANCE MINISTER OF  
THE REPUBLIC OF INDONESIA,

Considering :

That to anticipate the developments in the condition and practice of good governance, improve investment climate and implement provisions in Article 41 of Government Regulation No. 27/2014 on the Management of State-/Regional Government-Owned Goods, it is necessary to stipulate Regulation of the Finance Minister on the Procedure of Utilizing State-Owned Goods;

In view of :

1. Law No. 1/2004 on State Treasury (Statute Book of 2004 No. 5, Supplement to Statute Book No. 4355);
2. Government Regulation No. 27/2014 on the Management of State-/Regional Government-Owned Goods (Statute Book of 2014 No. 92, Supplement to Statute Book No. 5533);
3. Presidential Regulation No. 24/ 2010 on the Position, task and Function of State Ministry and the Organizational Structure, task and Function

of Echelon I Officials of State Ministry as already several times amended the latest by Presidential Regulation No. 14/2014 (Statute Book of 2014 No. 25);

D E C I D E S :

To stipulate :

REGULATION OF THE FINANCE MINISTER ON THE  
PROCEDURE OF UTILIZING STATE-OWNED GOODS.

### CHAPTER I

#### GENERAL PROVISIONS

##### Part One

##### Definition

##### Article 1

Hereinafter referred to as :

1. State-owned goods, hereinafter abbreviated into BMN, is all goods bought or acquired at the burden of the State Budget or originating from other legal acquisition.
2. Goods manager is the official who has the authority and responsibility to set policies and guidelines for and conduct the management of BMN.

3. Goods user is the official who holds the authority to use BMN.
4. Proxy of goods user is the head of working unit or official appointed by goods user to use properly goods under his/her control.
5. State ministry, hereinafter called the ministry, is government apparatus overseeing certain affairs in the government.
6. Institution is a non-state ministry organization and other agency as budget user set up to carry out certain duties based on the 1945 Constitution of the Republic of Indonesia or other law and regulation.
7. Minister/institution head is the official who is responsible for the use of BMN at the relevant ministry/institution.
8. Director General is the director general at the Finance Ministry whose tasks and responsibilities cover the management of BMN.
9. Utilization is the empowerment of BMN which is not used to carry out the task and function of the ministry/institution and/or optimize BMN without changing ownership status.
10. Rent is the utilization of BMN by other party within a certain period of time by receiving cash as recompense.
11. Borrow-to-use is the act of transferring the use of goods from the central government to regional government within a certain period of time without receiving recompense and after the period of time has passed it is transferred to goods manager/goods user.
12. Utilization cooperation, hereinafter abbreviated into KSP, is the efficient use of BMN by other party within a certain period of time to increase non-tax state revenues and other financing sources.
13. Build, operate and transfer, hereinafter abbreviated into BGS, is the utilization of BMN in the form of land by other party by constructing a building and/or its facilities, later used efficiently by the other party within a certain period of time already agreed upon, and later land and/or its facilities are transferred after the certain period of time has passed.
14. Build, transfer and operate, hereinafter abbreviated into BSG, is the utilization of BMN in the form of land by other party by constructing a building and/or its facilities, and later after the construction is finished it is transferred to be used efficiently by the other party within a certain period of time agreed upon.
15. Infrastructure supplying cooperation, hereinafter abbreviated into KSPI, is cooperation between the government and corporate body to supply infrastructure according to the law and regulation. .

16. Tender for the utilization of BMN, hereinafter called tender, is the selection of partner to allocate BMN utilization rights through written bidding to obtain the highest bid.
17. Appraiser is a party that conducts appraisal independently based on his/her competence.
18. Appraisal is the process of activity to give an opinion to an object of appraisal in the form of BNM in a certain time.
19. Other parties are those other than ministry/institution and regional government.

## Part Two

### Purpose and Aim

#### Article 2

- (1) The purpose of issuing this Ministerial Regulation is to give guidance to goods managers and goods users/ proxies of goods users in utilizing BMN.
- (2) The aim of issuing this Ministerial Regulation is to ensure the orderly, well-guided, just and accountable utilization of BMN to achieve efficient, effective and optimum management of BMN.

## Part Three

### Scope

#### Article 3

- (1) The scope of this Ministerial Regulation covers the procedure of utilizing BMN at goods managers and goods users.
- (2) The procedure of utilizing BMN as referred to in paragraph (1) covers:
  - a. executor of utilization;
  - b. object of utilization;
  - c. period of utilization;
  - d. state revenues from proceeds of utilization;
  - e. procedure of realizing rent, borrow-to-use, , KSP, BGS/BSG, and KSPI;
  - f. safeguard and maintenance of the object of utilization;
  - g. administration of utilization; and
  - h. sanctions.

## Part Four

### General Principles

#### Article 4

- (1) The utilization of BMN can be done as long as it does not disrupt the tasks and functions of state administration.
- (2) The utilization of BMN shall consider state interests and public interests.
- (3) The utilization of BMN shall not change the status of BMN ownership.
- (4) The usage status of BMN serving as the object of utilization is set by goods manager/goods user.
- (5) The cost of safeguarding and maintaining BMN and operating cost related to the utilization of BMN are borne by utilization partner.
- (6) State revenue from the utilization of BMN is state revenue that must be entirely paid to the account of the State General Treasury.
- (7) BMN serving as the object of utilization shall not be used as collateral.

## Part Five

### Models of Utilization

#### Article 5

The models of the utilization of BMN cover:

- a. lease;
- b. borrow-to-use;
- c. KSP;
- d. BGS/BSG; and
- e. KSPI.

## CHAPTER II

### AUTHORITY AND RESPONSIBILITY

#### Part One

#### Goods Manager

#### Article 6

- (1) The Finance Minister in the capacity as goods manager has the authority and responsibility to :
  - a. decide the utilization of BMN and extend the period of the utilization of BMN at the goods manager;



- b. approve proposals for the utilization of BMN or the extended period of the utilization of BMN in the form of :
    1. lease;
    2. borrow-to-use;
    3. KSP; and
    4. KSPI,the goods manager;
  - c. set the tariff of rent for BMN at the goods manager;
  - d. set formula for the rent tariffs of BMN;
  - e. set the amount of fixed contributions and the distribution of profit from KSP BMN at goods manager;
  - f. approve the amount of fixed contributions and the distribution of profit from KSP BMN at goods user;
  - g. set the amount of fixed contributions and the distribution of profit for KSP BMN supplying infrastructure at goods manager by regional government-owned company;
  - h. receive BMN which will undergo BGS/BSG from goods user;
  - i. set the amount of annual contributions from BGS/BSG and part of the object of BGS/BSG used for the tasks and functions of goods manager/goods user;
  - j. set formula and/or the amount of divided profit surplus from KSPI;
  - k. sign agreements on the utilization of BMN at goods manager;
  - l. develop, supervise and control the utilization of BMN;
  - m. administer BMN used for the utilization of BMN;
  - n. administer the result of the utilization of BMN;
  - o. keep and maintain documents of the utilization of BMN;
  - p. set sanctions and fines arising from the utilization of BMN in the form of land and/or buildings at goods manager; and
  - q. other authority and responsibility according to the law and regulation.
- (2) The authority and responsibility of the Finance Minister in the capacity as goods manager as referred to in paragraph (1) are functionally realized by the Director General.
- (3) The Director General on behalf of the Finance Minister can appoint a structural official at the Directorate General of State Wealth to realize the authority and responsibility as referred to in paragraph (2).

Part Two

Goods User

Article 7

- (1) Ministers/Institution Heads in the capacity as goods user has the authority and responsibility to: :
- a. propose approval of the utilization of BMN in the form of :
    - 1. lease;
    - 2. borrow-to-use;
    - 3. KSP;
    - 4. BGS/BSG; or
    - 5. KSPI,under their control to goods manager.
  - b. utilize BMN, after securing approval from goods manager;
  - c. issue a decree on the implementation of and sign an agreement on rent, borrow-to-use, KSP, or KSPI BMN at goods user after securing approval from goods manager;
  - d. develop, supervise and control the utilization of BMN under their control;
  - e. administer utilized BMN under their control;
  - f. administer the result of the utilization of BMN;
  - g. hand over BMN which will undergo BGS/BSG to goods user;
  - h. keep and maintain documents of the utilization of BMN under their control; and
  - i. set sanctions and fines arising from the utilization of BMN under their control.
- (2) Minister/Institution Heads in the capacity as goods user can appoint a structural/functional official at their ministry/institution to realize part of the authority and responsibility of goods user as referred to in paragraph (1).

Part Three

Utilization Partners

Article 8

- (1) Utilization partners include:
- a. lessee, for the utilization of BMN in the form of lease;
  - b. borrower-to-use, for the utilization of BMN in the form of borrow-to-use;
  - c. KSP partner, for the utilization of BMN in the form of KSP;

- d. BGS/BSG partner, for the utilization of BMN in the form of BGS/BSG; and
- e. KSPI partner, for the utilization of BMN in the form of KSPI.

(2) The utilization partners as referred to in paragraph (1) are responsible for :

- a. paying rents, fixed contributions and distribution of profit of KSP, annual contributions from BGS/BSG, or portion of the government over the distribution of profit surplus according to the agreement on the utilization of BMN and the law and regulation;
- b. give goods manager/goods user:
  - 1. portion of fixed contributions and contribution from the distribution of profit from KSP in the form of buildings and their facilities; or
  - 2. the result of the realization of BGS/BSG used directly to carry out the tasks and functions of the government;
- c. safeguard and maintain utilized BMN and the result of the utilization of BMN;
- d. return utilized BMN to goods manager/goods user according to the conditions agreed upon; and
- e. meet other obligations set forth in the agreement on the utilization of BMN.

### CHAPTER III

#### EXECUTOR AND OBJECT OF THE UTILIZATION OF OF BMN

##### Part One

##### Executor of the Utilization of BMN

##### Article 9

Parties that can utilize BMN:

- a. goods manager, for BMN at goods manager;
- b. goods user, with approval from goods manager, for BMN at goods user.

##### Part Two

##### Objects of the Utilization of BMN

##### Article 10

(1) The objects of the utilization of BMN cover:

- a. land and/or buildings; and
- b. those other than land and/or buildings, at goods manager/goods user.

- (2) The objects of the utilization of BMN in the form of land and/or buildings as referred to in paragraph (1) letter a, can be done partly or entirely.
- (3) If the objects of the utilization of BMN in the form of part of land and/or building as referred to in paragraph (2), the area of land and/or building serving as the objects of the utilization of BMN is the same as the area of part of land and/or building utilized.

## CHAPTER IV

### THE SELECTION AND NAMING OF BMN UTILIZATION PARTNERS

#### Part One

#### Principle for the Selection of Partners

#### Article 11

The selection of partners is based on the principles of :

- a. being done transparently;
- b. being participated in by at least 3 (three) participants;
- c. giving optimum benefit to the state;
- d. being realized by a selection committee that has high integrity, reliability and competency;
- e. good administration; and
- f. good reporting.

#### Part Two

#### Selection

#### Article 12

- (1) The executors of the selection of utilization partners in the form of KSP at goods manager or BGS/BSG cover:
  - a. goods manager; and
  - b. selection committee, formed by goods manager.
- (2) The executors of the selection of utilization partners in the form of KSP at goods user cover:
  - a. goods user; and
  - b. selection committee, formed by goods user.
- (3) Goods manager/goods user can form a supporting team needed to select utilization partners.

Part Three

Mechanism of Selection

Article 13

- (1) The selection of partners is done through a tender.
- (2) Exception to provisions as referred to in paragraph (1), is the object of utilization in the form of KSP which constitutes special BMN so that the selection of partners can be done through direct appointment.
- (3) The special BMN as referred to in paragraph (2) cover:
  - a. BMN which has certain specification according to the law and regulation;
  - b. goods with special complexity, such as airport, seaport, refinery, electricity installations, and dam/reservoir;
  - c. goods put to investment cooperation based on an agreement, bilateral relations among countries; or
  - d. other BMN stipulated by goods manager.
- (4) The direct appointment of KSP partners for special BMN as referred to in paragraph (3) is done by goods user for BMN at the goods user for state-owned companies/regional government-owned companies having certain fields and/or working areas according to the law and regulation;
- (5) The direct appointment of KSP partners for special BMN as referred to in paragraph (3) is done by goods manager for BMN at the goods manager or state-owned companies/regional government-owned companies having certain fields and/or working areas according to the law and regulation;

Part Four

Tasks and Authority of  
Goods Manager/Goods User

Article 14

- (1) In selecting KSP or BGS/BSG utilization partners, goods manager/goods user has the task and authority as follows:
  - a. deciding a general plan for selection, including but not limited to the qualifications of would-be partners and a working procedure of selection committee;
  - b. deciding a plan for the selection covering :
    1. financial capability;
    2. technical specification; and

- 3. draft agreement;
  - c. endorsing selection committee;
  - d. approving schedule for selecting partners based on a proposal from the selection committee;
  - e. settling disputes between would-be partners and the selection committee in case of difference of opinion;
  - f. cancelling tender, if :
    - 1. the selection does not match or deviates from selection document;
    - 2. public complaint about alleged collusion, corruption and nepotism involving the selection committee turns out to be true;
  - g. naming partners; and
  - h. supervising the keeping and maintenance of documents of partner selection.
- (2) Besides the task and authority as referred to in paragraph (1), if needed, goods manager/goods user can :
- a. endorse supporting team; and/or
  - b. carry out other task and authority in his/her position as goods manager/goods user according to the law and regulation in the management of BMN.

## Part Five

### Selection Committee

#### Paragraph 1

#### Membership

#### Article 15

- (1) The selection committee shall be made up of at least chairman, secretary and members.
- (2) The membership of the selection committee shall be in odds number according to the need, at least 5 (five) people consisting of :
  - a. element from goods manager and element from other competent working unit/agency, for the selection of partners for the utilization of KSP BMN at goods manager;
  - b. element from goods user and element from other competent working unit/agency, for the selection of partners for the utilization of KSP BMN at goods user;
  - c. element from goods manager and goods user, and element from other competent working unit/agency, for the selection of partners for BGS/BSG.
- (3) Selection committee is chaired by :

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- a. element from goods manager, for the selection of partners for the utilization of KSP BMN at goods manager or BGS/BSG;
  - b. element from goods user, for the selection of partners for the utilization of KSP BMN at goods user.
- (4) Government internal supervisory apparatuses shall not be appointed in the membership of selection committee.

### **Paragraph 2**

#### **Qualifications**

##### **Article 16**

- (1) Selection committee shall meet the following qualifications:
- a. having integrity;
  - b. having responsibility and technical knowledge to perform duties;
  - c. having a sufficient knowledge of the management of BMN;
  - d. being able to make decisions and take firm measures; and
  - e. not holding the post of financial manager.
- (2) The qualifications as referred to in paragraph (1) letter b shall at least cover:
- a. having status as civil servant/member of the National Defense Forces/National Police with the rank of at least II/b or its equivalent;
  - b. not serving disciplinary punishment; and
  - c. having collective capability to carry out each of their duties/jobs.

### **Paragraph 3**

#### **Tasks and Authority**

##### **Article 17**

- (1) The tasks and authority of selection committee cover:
- a. drafting schedule for the selection of partners and submitting it to goods manager/goods user for approval;
  - b. approving selection documents;
  - c. announcing the selection of partners on the national mass media and on the website of each of the ministries/institutions;
  - d. checking the qualifications of would-be partners;

- e. conducting administrative and technical evaluation of incoming bids;
  - f. declaring tender failed;
  - g. conducting:
    - 1. tender participated in by qualified would-be partners;
    - 2. negotiations with would-be partners if tender fails or selecting partners without tender;
  - h. proposing would-be partners based on the result of tender/direct selection/direct appointment to goods manager/goods user;
  - i. keeping the original document of selection; and
  - j. making an accountability report on the process and result of selection to goods manager/goods user.
- (2) In addition to the tasks and authority as referred to in paragraph (1), if needed, the selection committee can propose :
- a. a change in technical specifications; and/or
  - b. a change in the substance of contract, to goods manager/goods user.

## Part Six

### Would-be Partners

#### Article 18

- (1) In selecting partners through a tender, would-be partners for the utilization of KSP and/or BGS/BSG shall meet the following qualifications:
- a. administrative qualifications covering at least :
    - 1. in the form of legal entity;
    - 2. having taxpayer code number (NPWP) and obtaining a certificate of tax clearance from the local Tax Service Office; and
    - 3. submitting bid document and its supporting documents.
  - b. technical qualifications covering at least :
    - 1. being smart according to the law;
    - 2. not being blacklisted for the procurement of government goods/services;
    - 3. having permanent domicile and clear address;
    - 4. having expertise, experience, and technical and managerial capability; and
    - 5. having human resources, capital, equipment and other facilities needed to carry out jobs.
- (2) Officials/employees of ministries/institutions or parties having family relationship, either with goods man-



ager/goods user, utilization team, or selection team, until the third degree, are banned from nominating for partners.

Part Seven

Expenses

Article 19

- (1) Goods manager/goods user provides fund to make preparations for and to realize the selection of partners financed by the state budget covering :
- a. honorariums for personnel organizing the selection of partners;
  - b. announcement cost, including cost for repeat announcement;
  - c. cost for duplicating documents; and
  - d. other costs needed to support the selection of partners.
- (2) The honorariums for personnel organizing the selection of partners as referred to in paragraph (1) letter a are based on the law and regulation in the field of budgeting.

Part Eight

Tender

Paragraph 1

General

Article 20

Tender is held to allocate the rights to utilize BMN to proper partners in order to create efficient, effective and optimum utilization of BMN.

Paragraph 2

Phase

Article 21

The phase of tender covers:

- a. announcement;
- b. gathering selection documents;
- c. submitting bid documents;
- d. opening bid documents;

- e. assessing qualifications;
- f. inviting would-be partners;
- g. realizing tender; and
- h. proposing would-be partners.

### Paragraph 3

#### Announcement

#### Article 22

- (1) The selection committee shall announce a plan for the realization of tender on national mass media at least national daily and on the website of the ministry/institution.
- (2) The announcement on national mass media shall be made at least twice.
- (3) The announcement shall at least contain:
  - a. name and address of goods manager/goods user;
  - b. identity of BMN used as the object of utilization;
  - c. model of utilization;
  - d. appropriation of the object of utilization; and
  - e. schedule and location for gathering selection documents.

### Paragraph 4

#### Gathering Selection Documents

#### Article 23

- (1) Would-be partners can gather selection documents directly from the selection committee and/or by downloading them from the website according to the time and place specified in the announcement.
- (2) The selection committee makes a list of would-be partners gathering selection documents.

### Paragraph 5

#### Submitting Bid Documents

#### Article 24

- (1) Would-be partners shall submit bid documents within a period of time and according to the qualifications specified in the selection document.

- (2) Further provisions on bid documents including the types of documents needed are set forth by goods manager/goods user.

**Paragraph 6**

**Opening Bid Documents**

**Article 25**

- (1) Bid documents shall be opened transparently before would-be partners at time and in place specified in the selection document.
- (2) The opening of bid documents shall be put in an official report signed by the selection committee and 2 (two) witnesses from would-be partners who are present.

**Paragraph 7**

**Assessing Qualifications**

**Article 26**

- (1) The selection committee shall assess the qualifications of would-be partners who have submitted complete, correct and timely bid documents to find partners who meet qualifications and conditions to participate in a tender for utilization of BMN.
- (2) The result of assessment of qualifications is put in an official report signed by the selection committee.

**Paragraph 8**

**Inviting Would-be Partners**

**Article 27**

The selection committee shall invite would-be partners who have been declared as being qualified to participate in a tender through a written letter and/or electronic letter (e-mail).

**Paragraph 9**

**Realizing Tender**

**Article 28**

- (1) Tender is held to allocate the rights to the utilization of BMN based on technical specifications set by goods manager/goods user to proper partners and would-be partners passing the qualification process as referred to in Article 26 paragraph (1).

- (2) The tender as referred to in paragraph (1) will be held if there are at least 3 (three) would-be partners submitting bids.
- (3) The result of tender is put in an official report signed by the selection committee and would-be partner in the capacity as tender winner.

#### Paragraph 10

#### Proposing and Naming Utilization Partners

#### Article 29

- (1) The selection committee proposes a tender winner as would-be partner of utilization in writing to goods manager/goods user based on an official report of the result of tender.
- (2) The proposal as referred to in paragraph (1) shall be accompanied by selection documents.

#### Article 30

Goods manager/goods user names a tender winner as utilization partner based on a proposal from the selection committee as referred to in Article 29 paragraph (1) by virtue of decision.

#### Part Nine

#### Failed Tender and Repeat Tender

#### Paragraph 1

#### Failed Tender

#### Article 31

- (1) The selection committee shall declare a tender as being failed if :
  - a. no would-be partner passes qualification process;
  - b. evidence/indication of unsound competition is found;
  - c. selection documents do not accord with this Ministerial Regulation; or
  - d. would-be partner quits.
- (2) In case of failed tender, no compensation is given to would-be partners.

Paragraph 2

Repeat Tender

Article 32

- (1) The selection committee shall declare repeat tender if :
  - a. tender is declared as being failed as referred to in Article 31 paragraph (1); or
  - b. the number of would-be partners taking part in the tender is less than 3 (three).
- (2) If the selection committee declares a tender as a repeat tender, the selection committee shall make repeat announcement on the national mass media and the website of the ministry/institution.
- (3) If the repeat tender as referred to in paragraph (2) contains at least 3 (three) would-be partners, the tender process shall be continued through tender mechanism.

Part Ten

Direct Selection

Article 33

- (1) If after the repeat announcement as referred to in Article 32 paragraph (2) has been made the number of would-be partners taking part in a tender is 2 (two), the selection committee shall declare the repeat tender failed and later conduct direct selection.
- (2) The direct selection is conducted by involving the 2 (two) would-be partners taking part in the repeat tender as referred to in paragraph (1).
- (3) The phases of direct selection consist of :
  - a. opening bid documents;
  - b. negotiation;
  - c. proposing a would-be partner to the goods manager/goods user.
- (4) The process in the phases of direct selection is done in the same way as the tender process as referred to in Article 21.

Article 34

- (1) Negotiation is done to the technical implementation of utilization and the material concept of agreement.
- (2) In addition to the matters as referred to in paragraph (1), to utilize BGS/BSG, negotiation is also done to the government's portion of the object of BGS/BSG utilized.
- (3) General provisions on the implementation of KSP or BGS/BSG, including a change leading to a decline in

fixed contributions and profit sharing for the utilization of KSP or annual contributions for the utilization of BGS/BSG shall not be negotiated.

- (4) Anything discussed at a negotiation forum and the outcome of the negotiation shall be put in an official report of negotiation signed by the selection committee and would-be partners.

#### Article 35

- (1) The selection committee shall check the official report of negotiation by comparing the results of negotiation conducted by each would-be partner.
- (2) The selection committee conveys a proposal from the would-be partner with the best result of negotiation to the goods manager/goods user to name the would-be partner as a partner.
- (3) The proposal as referred to in paragraph (2) shall be accompanied by the basis for consideration and selection documents.

#### Part Eleven

#### Direct Appointment

#### Article 36

- (1) If after the repeat announcement as referred to in Article 32 paragraph (2) has been made the number of would-be partners making bids is only 1 (one), the selection committee shall declared the repeat tender failed and later conduct direct appointment.
- (2) The direct appointment is done to 1 (one) would-be partner taking part in the repeat tender as referred to in paragraph (1).
- (3) The phases of direct appointment consist of:
  - a. negotiation;
  - b. proposing a would-be partner to the goods manager/goods user.
- (4) The process in the phases of direct appointment is done in the same way as the process of direct selection as referred to in Article 33.

#### Article 37

Provisions on direct appointment as referred to in Article 36 paragraphs (3) and (4) shall *mutatis mutandis* apply to the direct appointment of KSP for specific BMN as referred to in Article 13 paragraphs (2), (3), (4) and (5).

CHAPTER V

LEASE

Part One

General Principles

Article 38

(1) The lease of BMN is intended to :

- a. optimize the utilization of BMN which have not been/are not used in carrying out the tasks and functions of running state administration;
- b. obtain facilities needed to support the tasks and functions of the agencies using goods; and/or
- c. prevent other parties from using BMN illegally.

(2) The lease of BMN is allowed, provided it neither harms the state nor disrupts the tasks and functions of running state administration.

Part Two

Lessors

Article 39

(1) Parties that can lease BMN are:

- a. goods manager, for BMN at the goods manager;
- b. goods user, with approval from goods manager, for BMN at the goods user.

(2) Parties that can hire BMN include:

- a. state-owned companies;
- b. regional government-owned companies;
- c. private companies;
- d. units supporting the running of state administration; and
- e. other legal entities.

(3) Regional government can be treated as a lessee, provided the hired BMN is used to not carry out the tasks and functions of the regional government.

Part Three

Objects of Lease

## Article 40

- (1) The objects of lease cover BMN in the form of:
  - a. land and/or buildings; and
  - b. objects other than land and/or buildings, at goods manager/goods user.
- (2) The objects of lease of BMN in the form of land and/or buildings as referred to in paragraph (1) letter a can be leased partly or entirely.

## Part Four

## Period of Lease

## Article 41

- (1) The period of time for leasing BMN is a maximum of 5 (five) years since the signing of agreement and can be extended with approval from the goods manager.
- (2) The period of time for leasing BMN as referred to in paragraph (1) can exceed 5 (five) years and can be extended for :
  - a. infrastructure cooperation;
  - b. activities with the characteristics of business requiring a lease period of more than 5 (five) years; or
  - c. otherwise stipulated by the law.
- (3) The period of lease can be calculated based on the periodicity of lease.

## Part Five

## Lease Rate

## Article 42

- (1) The formula of lease tariff/rate is set by :
  - a. goods manager, for BMN in the form of land and/or buildings; or
  - b. goods user, with approval from goods manager, for BMN other than land and/or buildings.
- (2) The lease tariff of BMN for infrastructure cooperation as referred to in Article 41 paragraph (2) letter a or for activities with the characteristics of business requiring a lease period of more than 5 (five) years as referred to in Article 41 paragraph (2) letter b can consider the economic value of each type of infrastructure.



Part Six

Lease Contract

Article 43

The lease of BMN shall be put in a contract signed by the lessee and :

- a. goods manager, for BMN at the goods manager;
- b. goods user, with approval from goods user, for BMN at the goods user.

Part Seven

Payment of Rents

Article 44

- (1) The payment of rents is made all at once no later than 2 (two) working days before the signing of a contract.
- (2) The payment of rents as referred to in paragraph (1) is made by paying it to the account of the State General Treasury.
- (3) Exception to provisions as referred to in paragraphs (1) and (2), if lease is realized abroad with the payment of rents made abroad, the payment of rents is made all at once no later than 1 (one) day before the signing of a contract, by paying it to the account of receiving treasurer abroad.
- (4) If the lease of BMN is made with lease periodicity per day and per hour for each lessee, the payment of rents shall be made all at once no later than the signing of a contract.
- (5) The payment of rents as referred to in paragraph (4), can be made by :
  - a. paying cash to the official managing BMN or paying it to the cash account of receiving treasurer at the goods manager/goods user/proxy of goods user; or
  - b. paying it to the cash account of receiving treasurer abroad, for the lease of BMN abroad.
- (6) Exception to provisions as referred to in paragraph (1), the payment of rents on BMN for infrastructure cooperation can be made in stage with approval from goods manager.
- (7) The payment of rents as referred to in paragraphs (1), (3), and (5) is proven by showing evidence of payment as one of documents in the attachment which is an integral part of the lease contract.

Part Eight

Lease Periodicity

## Article 45

Lease periodicity is classified into :

- a. per year;
- b. per month;
- c. per day; and
- d. per hour.

## Part Nine

## Procedure of Realizing Lease

## Article 46

Further provisions on the procedure of realizing lease follow the law and regulation regarding the lease of BMN.

## CHAPTER VI

## BORROW-TO-USE

## Part One

## General Principles

## Article 47

Borrow-to-use is realized by considering to:

- a. optimize BMN which have not or are not used to carry out the tasks and functions of goods manager/goods user; and
- b. support the running of regional government.

## Article 48

Lessee is banned from utilizing the object of borrow-to-use.

## Part Two

## Lessor

## Article 49

(1) Parties that can lease BMN:

- a. goods manager, for BMN at the goods manager;

- b. goods user, with approval from goods manager, for BMN at the goods user.

(2) Parties that can hire BMN are regional governments.

### Part Three

#### Objects of Borrow-to-Use

##### Article 50

(1) The objects of borrow-to-use cover BMN in the form of :

- a. land and/or buildings; and
- b. objects other than land and/or buildings,  
at goods manager/goods user.

(2) The objects of borrow-to-use BMN in the form of land and/or buildings as referred to in paragraph (1) letter a can be in part or in whole.

### Part Four

#### Period of Borrow-to-Use

##### Article 51

(1) The period of borrow-to-use is a maximum of 5 (five) years and can be extended 1 (one) occasion. .

(2) The extension as referred to in paragraph (1) is done through the consideration as referred to in Article 47.

(3) If the period of borrow-to-use is to be extended, the application for extended period of borrow-to-use shall be received by goods manager no later than 2 (two) months before the period of borrow-to-use ends.

(4) If an application for extended period of borrow-to-use is filed to goods manager after the period of time as referred to in paragraph (3), the process of issuing a borrow-to-use permit is made by observing the procedure of applying for a new borrow-to-use permit.

### Part Five

#### Change in the Objects of Borrow-to-Use

##### Article 52

(1) During the period of borrow-to-use, lessee can change BMN, provided the change does not alter the function of and/or reduce the value of BMN.

(2) The change in BMN as referred to in paragraph (1):

- a. is not accompanied by a change in the basic shape and/or construction of BMN; or

- b. is accompanied by a change in the basic shape and/or construction of BMN.
- (3) The change in BMN as referred to in paragraph (2) letter a, is made on condition the lessee report to :
  - a. goods manager, for BMN at the goods manager;
  - b. goods user, for BMN at the goods user.
- (4) The change in BMN as referred to in paragraph (2) letter b, is made on condition it has received approval from :
  - a. goods manager, for BMN at the goods manager;
  - b. from goods user, for BMN at the goods user.
- (5) If a change in BMN as referred to in paragraph (4) letter b is made to BMN in the form of land and/or buildings, goods user shall report the change to goods manager.

#### Part Six

#### Borrow-to-Use Contract

#### Article 53

- (1) The realization of borrow-to-use shall be put in a contract carrying sufficient duty stamp and signed by the lessee and :
  - a. goods manager, for BMN at the goods manager;
  - b. goods user, for BMN at the goods user.
- (2) The contract as referred to in paragraph (1) shall contain at least :
  - a. basis for the signing of contract;
  - b. identities of parties related to the contract;
  - c. type, size, or quantity of goods lent;
  - d. period of borrow-to-use;
  - e. responsibility of the borrower for operating and maintenance costs during the period of borrow-to-use;
  - and
  - f. rights and obligations of parties.
- (3) A copy of borrow-to-use contract as referred to in paragraph 1) letter b shall be conveyed to goods manager.

#### Part Seven

#### Procedure of Realizing Borrow-to-Use BMN at Goods Manager

Paragraph 1

Application

Article 54

- (1) Would-be lessee files an application for approval of borrow-to-use to goods manager.
- (2) The application for approval of borrow-to-use shall at least contain:
  - a. consideration underlying the application for borrow-to-use;
  - b. identity of lessee;
  - c. aim of using the object of borrow-to-use;
  - d. detailed data of the object of borrow-to-use; and
  - e. period of borrow-to-use.
- (3) If the object of borrow-to-use comes in the form of land and/or buildings or part of land and/or buildings, detailed data of the object of borrow-to-use as referred to in paragraph (2) letter d shall cover the area and location of land and/or buildings.

Paragraph 2

Check

Article 55

- (1) Goods manager shall check the application for approval of borrow-to-use from would-be lessee. .
- (2) The check as referred to in paragraph (1) covers:
  - a. certainty that there has not been or there is not the use of BMN;
  - b. the objective of using the object of borrow-to-use; and
  - c. a period of borrow-to-use.
- (3) The check as referred to in paragraph (2) serves as the basis for the approval/rejection of application for approval of borrow-to-use from goods manager.

Paragraph 3

to be continued

(S)