

Indonesia Investments

Online Single Submission System

- Indonesia Launched Its Upgraded Web-Based Business Licensing System (OSS System)
- OSS System Is Now Risk-Based, Implying that It Becomes Significantly Easier for 'Low-Risk' Business to Register
- And So, Particularly the Country's Micro, Small & Medium Entrepreneurs Should Benefit
- But Considering It Helps to Improve Indonesia's Rank in the Ease of Doing Business Index, It Can Improve the International Investor Community's Perceptions of Indonesia's Business Climate

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Van Der Schaar Investments B.V.
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Update – 18 August 2021

Indonesia Launched Upgraded Online Single Submission System



Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. The topics in these updates will be discussed in more detail (and in an updated form) in the forthcoming report.

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Indonesia Launches Risk-Based Online Single Submission (OSS) System to Smoothen Investment; Will It Improve the Ease of Doing Business Ranking?

On 9 August 2021, Indonesian President Joko Widodo witnessed the launch of the new Online Single Submission (OSS) system at the Investment Ministry (also known as the Investment Coordinating Board, abbreviated as BKPM).

Originally, the country's OSS system – which is based on (1) Presidential Regulation No. 91/2017 on the Acceleration of Business Implementation, and (2) Government Regulation No. 24/2018 on the Electronically Integrated Business Licensing Service – was launched in July 2018. In sum, it is a web-based business licensing system that aims at cutting heavy red tape that is involved when domestic and foreign investors try to obtain a range of business permits in Indonesia when starting an investment project or business.



By shifting to online procedures (in terms of business licenses), it was envisioned to make these procedures more efficient (by also synchronizing the internal systems of separate ministries through the OSS system), while making it impossible for civil servants, or officials, to request some 'under-the-table-money' in reward of certain business licenses or their assistance in the process.

This would indeed solve two key problems. Firstly, red tape is still considered to be one of the big obstacles in Indonesia's investment environment, causing a relatively high degree of uncertainty for the investor. And, it is not only the amount of permits necessary to start a business that is the problem but also weak cooperation between ministries or between the central and regional governments that make it a complex and uncertain undertaking. So, for example, when two ministries are involved in an investment project, then investors would often need to go back and forth between these two ministries before obtaining the necessary licenses (as Ministry A wants a document from Ministry B, first, before issuing a document for the investor, while Ministry B wants a document from Ministry A before issuing anything; causing the process to be stuck for an unknown period). Another problem we often encountered when dealing with the Indonesian government – either at the center or in the regions – is the lack of standardization, meaning that different documents are requested by authorities from the investor for the exact same procedure. This too gives rise to uncertainty over the project (some 'under-the-table money' could always help to smoothen such issues, thereby helping to speed up the process).

Secondly, corruption is a notorious issue in Indonesia. Numerous ministers, other government officials, politicians, and civil servants have been imprisoned for their role in corruption cases over the past two decades (usually for accepting bribes in the form of cash –or other assets– from business people). Considering Indonesia’s Corruption Eradication Commission (or KPK) has a good track-record in terms of unveiling corruption cases (albeit typically only the big public/private investment projects come on its radar), it is certainly also risky for the investor to participate in the rewarding of government officials.

[...]

The full article is available in our August 2021 report. This report can be ordered by sending an email to:

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Or message to:

[+62.882.9875.1125](tel:+6288298751125) (including WhatsApp)