



Regulation of the Indonesian Ministry of Agriculture Number 40/2019 on Business Licensing Procedures in Agricultural Sector: Simplifying, Streaming, and Promoting Investments

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ABSTRACT

The Indonesian Minister of Agriculture issues the Regulation Number 40/2019 as one of initiative reforms concerning the licensing procedures in the agricultural sector of the country. It is implemented through simplifying and streamlining the procedures of agricultural business licenses toward promoting higher investment opportunities. The regulation comprises of business and commercial/operational licenses in line with requirement and commitment based-online single submission system. The type and scope of the licenses comprise of registration, recommendation, and certification for plantation, food crops, horticulture, and livestock sub-sectors. The implementation of this regulation can be viewed as a spirit to attract investors to develop the agricultural sector in Indonesia.

Keywords: business, licensing, procedure, investment, agricultural sector, Indonesia

INTRODUCTION

Indonesia is an agrarian country encompassing sustained various landscapes and fertile soils which produce diverse agricultural products. Agriculture has long been a potential sector and an important source of income for many local households and related stakeholders including investors. The agricultural sector not only contributes to household income of Indonesians, but also boosts the export revenue and overall economy of the country. Therefore, it is required to drive forward the initiative reform towards improving the potential agricultural sector of Indonesia particularly through investments.

As recent initiative reform, on 30 July 2019, the Indonesian Minister of Agriculture issued Regulation Number 40/2019 which was enacted on 31 July 2019 concerning the Business Licensing Procedures in the agricultural sector. This regulation considers that there is a need to optimize the framework of agricultural commodity business licensing services with Online Single Submission (OSS) as previously regulated in Regulation Number 5/2019.

Essentially, Regulation Number 40/2019 is one of initiative efforts to drive the ease of doing agricultural businesses in Indonesia. It is implemented through simplifying and streamlining of licensing procedures with the aim of promoting more investments in the agricultural sector of the country.

REGULATION SUBSTANCE AND PROVISIONS

Basically, there are some substances and provisions required in the Regulation Number 40/2019 (Table 1). These substances must be recognized by stakeholders, particularly those who would deal with agricultural businesses. The Regulation Number 40/2019 comprises 31 chapters. Apart from general requirement at initial chapter and fee and supervision titles as well as conclusion remark at final chapters, it entails 28 chapters that can essentially be

divided into two-classifications, namely: (1) business licenses; and (2) commercial or operational licenses. It covers agricultural sub-sectors of plantation, food crops, horticulture, and livestock of which it is generally in line with the scopes of registration, recommendation, and certification.

Table 1. Substances and Provisions of the Indonesian Minister of Agriculture Regulation Number 40/2019

Substances	Provisions
Business license	Registration given to a business actor to start and run a business and/or activity in the form of an agreement as outlined in letter/decision or fulfillment of requirements and/or commitments.
Online Single Submission (OSS)	Electronic single integrated business licensing system
Business actor	Individuals or non-individuals carrying out business and/or activities in certain activities
Registration	Accomplished by business actors through OSS
Commercial or operational license	Issued by OSS institution for business actors to conduct commercial or operational activities by fulfilling the requirements and/or commitments
Commitment	Statement of business actor to fulfill the requirements of business license and/or commercial/operational license
OSS institution	Non-ministerial government institution carrying out government affairs in line with investment coordination
Business Registration Number	Registered identity number issued by OSS institution
Taxpayer Identification Number	Number given to taxpayers as a means of tax administration that is used as taxpayer identity in line with taxation rights and obligations
Company Registration Certificate	Endorsement given by OSS institution
Identification Number of Importer	Identification number of importers
Identity Card Number	Registered resident number of Indonesian
Electronic document	Any electronic information created, forwarded, sent, received, or stored in the forms of analog, digital, electromagnetic, optical, etc. which can be seen, displayed and/or heard through computer or electronic system, including but not limited to recognized writing, sound, pictures, maps, designs, photographs, letters, signs, numbers, access codes, symbols or perforations, etc.
Electronic signature	Attached, associated, or related to other electronic information used as a verification and authentication purposes

Source: MoA, 2019

It is confirmed that business licensing in the Regulation Number 40/2019 is a registration given to business actors to start and run business activities in the form of approval as outlined in decision letters or fulfillment of requirements and/or commitments (statement of business actor). Business actors include individual businessman/woman, business entities, legal entities, government agencies, overseas customers, observers, social institutions, representative of foreign/international institutions, state or local-owned enterprises, farmer's group, cooperatives, and producers. Those are registered in OSS system and issued by the OSS institution towards simplifying and streamlining the licensing processes while encouraging investments.

Simplifying and streamlining the business licensing processes

Primarily, the process of business licensing is based on application requirements. The applications through OSS system are made by business actors who have Business Registration Number Identity issued by the OSS Institution. This identity is used to obtain business and commercial or operational licenses based on requirements.

The type and scope of commercial/operational licenses generally comprise of the following: (1) Business licenses; (2) Entry licenses; (3) Entry and exit licenses; (4) Recommendation licenses; (5) Certification licenses; and (6) Registration licenses. The summary of the type and scope of agricultural commercial/operational business licenses based on the Regulation Number 40/2019 can be seen in Table 2.

Table 2. Type and scope of agricultural commercial/operational business licenses based on Indonesian Minister of Agriculture regulation number 40/2019

Type	Scope
Business license	Plantation, food crops, horticulture, livestock, and veterinary medicines
Entry license	Biological agents
Entry and exit licenses	Plant seeds, genetic resources, feed ingredients of animal and plant origins, feeds, veterinary medicines, and pets
Recommendation of entry and exit licenses	Animal breeds, animal products, ruminants, and pigs
Recommendation of import license	Horticultural products and tobacco
Recommendation of export and import licenses	Certain rice
Certification license	Veterinary medicine manufacturing
Registration license	Fresh food of plant origin, agricultural tools and machinery, feeds, veterinary medicines, plant varieties, pesticides, and fertilizers

Source: MoA, 2019

This article generally discusses the business licenses of plantation, food crops, horticulture, and livestock sub-sectors. The range of business license of each sub-sector is as follows: (1) Plantation (cultivation, processing, integrated cultivation-processing product industries, and seed provisions); (2) Food crops (crop production processes, postharvest handling, integrated production processes-postharvest handling, and seed provisions); (3) Horticulture (cultivation and seed provisions); and (4) livestock (farming and breeding).

Basically, there are two important aspects that must be considered in business licenses, namely: (1) application submission through OSS system; and (2) commitment statement based-requirements. Both aspects are the basis of simplifying the business license procedures. The implementation of the regulation is streamlined based on commitment. In other words, business licenses are issued concerning the statement of business actor to fulfill the requirements of business license and/or commercial/operational license.

Business actor is compulsory to submit the fulfillment of commitment through OSS system no later than two-month since initial business license issued. It is evaluated within one-month by representative central and local governments. The evaluation results would be notified in OSS system as a starting point for carrying out business based-commitment effectively.

Above all, the licensing processes within the regulation are simplified and streamlined based on three criteria. They are: (1) transparent and accountable; (2) simple, easy, and fast processes oriented; and (3) clean and free of illegal levy, corruption, collusion, and nepotism.

Promoting the investments

It is necessary to encourage the investments in agricultural sector namely through recognizing the arrangement procedures of business licenses. Those are basically based on certain requirements and commitments in line with types of business associated with the existing agricultural sub-sectors.

Plantation

Plantation business license includes cultivation, processing, integrated cultivation-processing product industries, and seed provisions. Commitments for cultivation and integrated cultivation-processing product industries contain the ability to submit: (1) location permit; (2) environmental permit; (3) permit for the release of forest area, if the requested area originates from forest area; (4) statements regarding work plan for nucleus estate development, yield processing, possessions of human resource-facility-infrastructure-plant disturbing organism control systems; (5) statement of customary law community agreement for customary land used; and (6) information of beneficial ownership.

Application for business licenses of plantation product processing industries covers eight commitments. Those are related to the ability to submit: (1) location permit; (2) environmental permit; (3) document of owned manage raw material supply at least 20 percent of the total required raw material; (4) document of raw material supply based-partnership; (5) work plan of processing industry development; (6) work plan of plantation development; (7) statement of customary law community agreement for customary land used; and (8) information of beneficial ownership.

Commitments for plantation seed provisions entails statements and recommendation. It relates to the ability to deliver: (1) statement of owning and/or controlling the seed sources; (2) statements of owned seed producing unit with adequate infrastructure-based plant types; (3) statement of having skilled personnel in seed

provisions; and (4) recommendation as seed producers issued by unit of technical implementation, supervision, and certification institution.

Food Crops

Food crops business license is applied by business actor on a certain scale of business. It covers business licenses of: (1) Crop production processes; (2) Postharvest handling; (3) Integrated production processes-postharvest handling; and (4) Seed provisions. Commitments in applying business licenses for crop production processes, post-harvest handling, and integrated production processes-postharvest handling are similar. It includes: (1) Permitted location map with a scale of 1: 100,000 or 1: 50,000; (2) Work plan; (3) Results of environmental impact analysis and environmental management/monitoring assessment; (4) statement of implementing quality assurance system of food crop products; (5) statement of willingness to implement partnership; and (6) biological safety recommendations for genetic engineering products from the Biosafety Commission when using genetically modified plants.

Application for business licenses of seed provisions consists of five commitments. They are: (1) Results of environmental impact analysis and environmental management/monitoring assessment; (2) Land tenure certificate; (3) Approval eligibility seed producer from supervision and certification institutions; (4) type and number of seeds to be produced; and (5) Owned facility and capacities of processing and storage.

Horticulture

Horticulture business license includes cultivation and seed provision applied by medium-large scale company and individual or business entity, respectively. Commitments for horticulture cultivation activities comprise: (1) feasibility study and work plan of businesses; (2) environmental impact analysis and environmental management/monitoring assessment-based statutory regulation; and (3) letter of cultivation rights.

Livestock

Application for livestock business license is carried out by medium-large scale livestock companies. It comprises commitments of: (1) location map permit from local government; (2) work plan of livestock farming business unit development; (3) statement of implementing good breeding practices, good farming practices, and partnership.

CONCLUSION

Investment is the prime mover of economy. It serves the country to develop its economic growth. The more accomplishments in investments, the more job opportunities available and income gained. This includes investments in the agricultural sector in which it is one of important factors in supporting agricultural development.

The implementation of the Indonesian Ministry of Agriculture Regulation Number 40/2019 concerning Business Licensing Procedure in Agriculture Sector can be viewed as a spirit to attract investors to develop the agricultural sector in the country. It is strategically implemented through simplifying and streamlining the licensing procedures based on commitment platform.

If the regulation is implemented properly, it is expected to boost higher investment and growth in agriculture, increase employment and income of farmers and other actors. However, with limited natural resources, this policy will have undesirable impacts to the environments.

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