

# Indonesia

## Tourism in the economy

Tourism has boomed in Indonesia in recent years and is one of the main sources of foreign currency earnings. In 2017, contribution of tourism to GDP amounted to IDR 536.8 trillion, 4.1% of Indonesia's total GDP. In the same year, tourism provided 12.7 million jobs, representing 10.5% of total employment. Tourism receipts totalled IDR 200 billion and the sector out-performed the general growth of the Indonesian economy.

In 2018, international arrivals reached 15.8 million, an increase of 12.6% compared to the previous year. China was the country's main international source market (16% of tourists), followed by Singapore (13.2%), Malaysia (10.6%) and Australia (9.7%). The average length of stay was 8.6 days.

In 2017, domestic tourism reached 270.8 million trips growing 2.4% over the previous year. In 2018, these numbers increased to 303.4 million trips, growing a significant 12%.

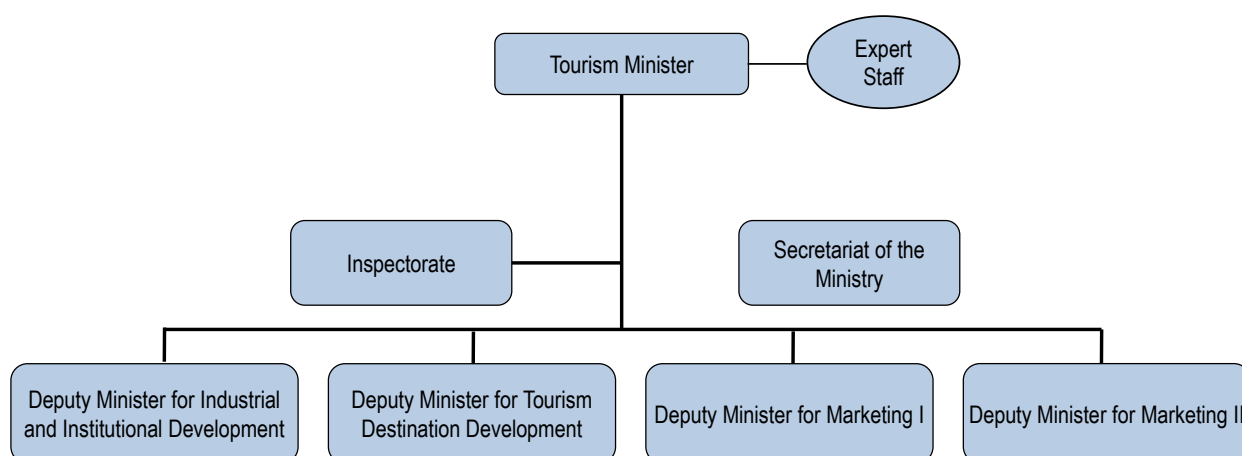
## Tourism governance and funding

The Ministry of Tourism takes the lead working within the Medium-term National Development Plan (2015-19) and using a visitor journey approach, based on the tourism value chain, to guide the way the industry is developed. Tourism legislation from 2009 determines the overall aims of the National Development Plan, including consumer protection for visitors, facilitating the business environment, protecting resources and controlling industry impacts. A hierarchy identifying the responsibilities of government is also specified in the National Development Plan, including planning, co-ordination, development and marketing roles at the national, provincial and municipal levels. In 2017, a Tourism Co-ordination Team was legally established with the principal role of preparing the Integrated Tourism Master Plan under the responsibility of the Minister of Tourism. In addition, the regulations charge the Co-ordination Team with:

- Co-ordination of policies, programmes and activities in support of tourism,
- Co-operating to ensure the harmonisation and integration of tourism regulations, policies and the effective management of programmes,
- Overcoming obstacles in the implementation of tourism,
- Planning, implementation, monitoring and evaluation of tourism masterplans.

The budget allocation for tourism in 2018 was IDR 3.7 billion, an increase of 4.7% from 2017. The tourism budget has seen overall growth of 63% over the last four years, but the 2018 budget is still lower than the country's largest ever tourism budget of IDR 5.4 billion in 2016.

## Indonesia: Organisational chart of tourism bodies



Source: OECD adapted from Ministry of Tourism and Creative Economy, 2020.

## Tourism policies and programmes

The Government of Indonesia aims for tourism development to provide a range of economic, social and environmental benefits, specifically to reduce unemployment, eradicate poverty, protect the environment and improve the image of Indonesia.

Every year, the Ministry of Tourism runs a major National Co-ordination Conference involving a wide range of tourism stakeholders including academics, businesses, communities, government and media. While the conference theme changes annually, the Conference is underpinned by the policies and strategies set out in three Tourism Development Master Plans, which are agreed separately at national, provincial and municipal levels. The National Master Plan was agreed in 2010 and runs until 2025 and each year a strategic action plan is published that sets out the related activity to achieve the aims of the National Master Plan.

The vision of the National Master Plan is to ensure that Indonesia becomes a competitive and sustainable tourism destination, which stimulates widespread regional development and improves the welfare of all Indonesians.

The National Master Plan has four main aims:

- Develop safe, comfortable, attractive, accessible, environmentally-friendly destinations, that will grow the economy at national, regional and community levels,
- Co-ordinate high quality and trustworthy marketing to encourage visits from both domestic and overseas markets,
- Create a competitive and professional tourism business sector and stimulate partnerships that can play their part in addressing the environmental and social impacts of tourism,
- Encourage progress towards sustainable tourism development through the active involvement of public agencies, regional government, the private sector and communities, ensuring that both the regulatory environment and policy measures are effective and efficient.

These strategic aims were translated into a range of priorities, all of which are underway:

- Accelerate infrastructure development,
- Develop attractions to encourage cross-border tourism by neighbours,

- Improve the quality of facilities in destinations by ensuring the availability of tourist amenities such as ATMs, foreign exchange businesses and payment systems,
- Optimise promotional channels using digital techniques,
- Encourage investment and finance for destination development,
- Establish standard procedures relating to the handling of tourism related crises and establish a Regional Tourism Crisis Management forum.

Despite the aims and policies in place, a range of challenges remains. These relate to governance, destination development, marketing and the co-ordination of the tourism sector. Regarding governance: there is currently a lack of suitable higher education institutions to provide a well-trained workforce for the tourism sector; some regional and local organisations are in need of improvement; and, there is evidence of fragmented or unco-ordinated activity in some regions as well as the sector more broadly. Destination development is challenging because of the physical nature of the country, the effects of climate change, natural weather-related phenomena, difficulties with connectivity and basic infrastructure, and the need for greater investment. Marketing issues include a poor image of Indonesia in some international markets and the need for more effective co-ordination of promotional activity using marketing partnerships. The industry itself is relatively young and so the quality and competitiveness of tourism products can be variable, connection between business sectors needs to be strengthened and, in general, individual businesses need to take more responsibility for their environmental impact.

The National Master Plan sets out a number of programmes to deal with these challenges:

- The development of a network of new higher education colleges relating specifically to tourism and related industries, with curricula that draw on global standards and are international in outlook. The aim is for these colleges to become centres of excellence in different specialist areas.
- Destination development will be supported by drawing on the power of digital technologies to differentiate new and existing locations with creative products and packaging suitable for modern travellers. For example, the '10 new Bali's' initiative is intended to develop and realise 10 priority destinations across the country. The development of priority destinations is carried out through the design process of an Integration Tourism Master Plan (ITMP), investment, construction and capacity building through promotion and marketing, and structuring of destinations (accessibility, amenities, attractions).
- Significant investment in branding and marketing is also planned using a range of innovative techniques such as using demand pricing to manage tourism flows and combining machine learning and big data techniques to identify key target markets and ensure the precise targeting of promotional messages. A focus on neighbouring markets will unlock new growth particularly through the development of Low-Cost Terminals - regional hub airports that connect to a number of new short-haul routes to increase traffic.

The National Master Plan sets yearly targets based on a series of performance indicators at macro and micro levels. The targets relating to tourism receipts, domestic arrivals and the competitiveness index have all been consistently met or exceeded since 2015. Targets for other indicators - employment, and international arrivals - show a mixed picture, though they have grown in general. Percentage contribution to GDP has met some annual targets but overall has decreased over the period since 2015.

The ministry has a four-pillar programme to encourage sustainable tourism development and to create a competitive industry that drives economic development, creates social progress and protects the resources on which tourism depends. The four pillars are: i) tourism destination development by prioritisation of a number of tourism destinations; ii) tourism marketing to strengthen customer-orientated marketing; iii) increasing the number and competitiveness of tourism enterprises; and, iv) improving national tourism institutions and related requirements such as the higher education system.

## Statistical Profile

### Indonesia: Domestic, inbound and outbound tourism

|  | 2014    | 2015    | 2016    | 2017    | 2018    |
|--|---------|---------|---------|---------|---------|
| <b>TOURISM FLOWS, THOUSAND</b>                       |         |         |         |         |         |
| <b>Domestic tourism</b>                              |         |         |         |         |         |
| Total domestic trips                                 | ..      | ..      | ..      | ..      | ..      |
| Overnight visitors (tourists)                        | 251 237 | 256 419 | 264 338 | 270 822 | 303 404 |
| Same-day visitors (excursionists)                    | ..      | ..      | ..      | ..      | ..      |
| Nights in all types of accommodation                 | ..      | ..      | ..      | ..      | ..      |
| Hotels and similar establishments                    | ..      | ..      | ..      | ..      | ..      |
| Other collective establishments                      | ..      | ..      | ..      | ..      | ..      |
| Private accommodation                                | ..      | ..      | ..      | ..      | ..      |
| <b>Inbound tourism</b>                               |         |         |         |         |         |
| Total international arrivals                         | 9 435   | 10 231  | 11 519  | 14 040  | 15 810  |
| Overnight visitors (tourists)                        | ..      | 9 963   | 11 072  | 12 948  | 13 396  |
| Same-day visitors (excursionists)                    | ..      | 267     | 447     | 1 092   | 2 414   |
| Top markets  |         |         |         |         |         |
| China  | 1 053   | 1 249   | 1 557   | 2 093   | 2 139   |
| Singapore  | 1 559   | 1 594   | 1 516   | 1 554   | 1 769   |
| Malaysia   | 1 418   | 1 432   | 1 443   | 1 393   | 1 421   |
| Australia  | 1 146   | 1 090   | 1 300   | 1 257   | 1 301   |
| India  | 267     | 307     | 422     | 537     | 595     |
| Nights in all types of accommodation                 | ..      | ..      | ..      | ..      | ..      |
| Hotels and similar establishments                    | ..      | ..      | ..      | ..      | ..      |
| Other collective establishments                      | ..      | ..      | ..      | ..      | ..      |
| Private accommodation                                | ..      | ..      | ..      | ..      | ..      |
| <b>Outbound tourism</b>                              |         |         |         |         |         |
| Total international departures                       | 8 074   | 8 176   | 8 340   | 8 856   | 9 468   |
| Overnight visitors (tourists)                        | ..      | ..      | ..      | ..      | ..      |
| Same-day visitors (excursionists)                    | ..      | ..      | ..      | ..      | ..      |
| Top destinations                                     |         |         |         |         |         |
| ..   | ..      | ..      | ..      | ..      | ..      |
| ..   | ..      | ..      | ..      | ..      | ..      |
| ..   | ..      | ..      | ..      | ..      | ..      |
| ..   | ..      | ..      | ..      | ..      | ..      |
| ..   | ..      | ..      | ..      | ..      | ..      |
| <b>TOURISM RECEIPTS AND EXPENDITURE, MILLION USD</b> |         |         |         |         |         |
| <b>Inbound tourism</b>                               |         |         |         |         |         |
| Total international receipts                         | 11 567  | 12 054  | 12 565  | 14 691  | 15 596  |
| International travel receipts                        | 10 261  | 10 761  | 11 206  | 13 139  | 14 110  |
| International passenger transport receipts           | 1 306   | 1 293   | 1 360   | 1 552   | 1 486   |
| <b>Outbound tourism</b>                              |         |         |         |         |         |
| Total international expenditure                      | 10 263  | 9 800   | 9 932   | 10 945  | 11 629  |
| International travel expenditure                     | 7 682   | 7 292   | 7 566   | 8 289   | 8 772   |
| International passenger transport expenditure        | 2 581   | 2 508   | 2 366   | 2 656   | 2 857   |

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Source: OECD Tourism Statistics (Database).

StatLink  <http://dx.doi.org/10.1787/888934078509>

## Indonesia: Enterprises and employment in tourism

|   | Number of establishments | Number of persons employed <sup>1</sup> |         |         |           |         |
|---|--------------------------|---|---------|---------|-----------|---------|
|   | 2018                     | 2014                                    | 2015    | 2016    | 2017      | 2018    |
| <b>Total</b>  | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| <b>Tourism industries</b>                                     | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Accommodation services for visitors                           | ..                       | ..                                      | ..      | ..      | 1 043 448 | ..      |
| Hotels and similar establishments                             | 28 230                   | 326 126                                 | 333 069 | 340 392 | ..        | 408 565 |
| Food and beverage serving industry                            | ..                       | ..                                      | ..      | ..      | 8 129 143 | ..      |
| Passenger transport   | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Air passenger transport                                       | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Railways passenger transport                                  | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Road passenger transport                                      | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Water passenger transport                                     | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Passenger transport supporting services                       | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Transport equipment rental                                    | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Travel agencies and other reservation services industry       | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Cultural industry   | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Sports and recreation industry                                | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Retail trade of country-specific tourism characteristic goods | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| Other country-specific tourism industries                     | ..                       | ..                                      | ..      | ..      | ..        | ..      |
| <b>Other industries</b>                                       | ..                       | ..                                      | ..      | ..      | ..        | ..      |

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1. Data refer to number of employees.

Source: OECD Tourism Statistics (Database).

StatLink  <http://dx.doi.org/10.1787/888934078528>

## Indonesia: Internal tourism consumption

Million IDR

|   | 2017                         |                             |                              |
|---|------------------------------|-----------------------------|------------------------------|
|   | Domestic tourism expenditure | Inbound tourism expenditure | Internal tourism consumption |
| <b>Total</b>  | ..                           | ..                          | ..                           |
| <b>Consumption products</b>                             | <b>261 494 383</b>           | <b>198 891 647</b>          | <b>460 386 030</b>           |
| Tourism characteristic products                         | 200 078 124                  | 183 393 505                 | 383 471 629                  |
| Accommodation services for visitors                     | 16 392 824                   | 79 827 390                  | 96 220 214                   |
| Food and beverage serving services                      | 77 684 226                   | 36 084 962                  | 113 769 188                  |
| Passenger transport services                            | 63 216 135                   | 35 485 099                  | 98 701 234                   |
| Air passenger transport services                        | 36 716 842                   | 17 343 198                  | 54 060 040                   |
| Railways passenger transport services                   | 2 486 862                    | 1 134 035                   | 3 620 897                    |
| Road passenger transport services                       | 17 539 470                   | 14 578 888                  | 32 118 358                   |
| Water passenger transport services                      | 6 472 961                    | 2 428 978                   | 8 901 939                    |
| Passenger transport supporting services                 | ..                           | ..                          | ..                           |
| Transport equipment rental services                     | 11 393 277                   | 323 975                     | 11 717 252                   |
| Travel agencies and other reservation services industry | 3 638 460                    | 3 318 982                   | 6 957 442                    |
| Cultural services                                       | 901 692                      | 1 031 220                   | 1 932 912                    |
| Sports and recreation services                          | 6 331 489                    | 9 280 984                   | 15 612 473                   |
| Country-specific tourism characteristic goods           | 11 844 491                   | 12 457 605                  | 24 302 096                   |
| Country-specific tourism characteristic services        | 8 675 530                    | 5 583 288                   | 14 258 818                   |
| Other consumption products                              | 61 416 259                   | 15 498 142                  | 76 914 401                   |
| Tourism connected products                              | ..                           | ..                          | ..                           |
| Non-tourism related consumption products                | ..                           | ..                          | ..                           |
| <b>Non-consumption products</b>                         | ..                           | ..                          | ..                           |

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Source: OECD Tourism Statistics (Database).

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