

Webinar
ASIA COMPETITIVENESS INSTITUTE



Challenges of Indonesia's Economic Growth in 2020







2 February 2021
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MACRO ECONOMY & BUSINESS DURING PANDEMIC



GLOBAL GROWTH PROJECTION 2020 & 2021



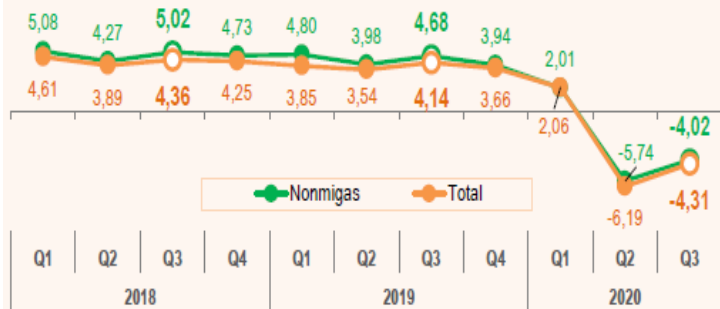
| Area | | 2019 | IMF | | World Bank* | | | | Bloomberg | | OECD | |
|-----------|---|------|-------|-------|-------------------|-------------------|-------------------|-------------------|-----------|-------|-------|-------|
| | | | 2020F | 2021F | 2020F Baseline | 2020F Low Case | 2021F Baseline | 2021F Low Case | 2020F | 2021F | 2020F | 2021F |
| World |  | 2.9 | -4.4 | 5.2 | -5.2 | - | 4.2 | - | -3.9 | 5.2 | -4.5 | 5.0 |
| US |  | 2.3 | -4.3 | 3.1 | -6.1 | - | 4.0 | - | -4.0 | 3.8 | -3.8 | 4.0 |
| Euro Area |  | 1.2 | -8.3 | 5.2 | -9.1 | - | 4.5 | - | -7.9 | 5.5 | -7.9 | 5.1 |
| Indonesia |  | 5.0 | -1.5 | 6.1 | -1.6 | -2.0 | 4.4 | 3.0 | -1.3 | 5.2 | -3.3 | 5.3 |
| Japan |  | 0.7 | -5.3 | 2.3 | -6.1 | - | 2.5 | - | -5.6 | 2.5 | -5.8 | 1.5 |
| China |  | 6.1 | 1.9 | 8.2 | 2.0 | 1.6 | 7.9 | 4.8 | 2.1 | 8.0 | 1.8 | 8.0 |
| India |  | 4.2 | -10.3 | 8.8 | -3.2 | - | 3.1 | - | - | 8.9 | -10.2 | 10.7 |
| Russia |  | 1.3 | -4.1 | 2.8 | -6.0 | - | 2.7 | - | -4.1 | 3.1 | -7.3 | 5.0 |
| Brazil |  | 1.1 | -5.8 | 2.8 | -8.0 | - | 2.2 | - | -5.2 | 3.5 | -6.5 | 3.6 |
| ASEAN-5 |  | 4.8 | -3.4 | 6.2 | -3.5 | -4.7 | 5.1 | 3.4 | - | - | - | - |

Source : IMF, World Bank, *World Economic Outlook* (October 2020), OECD, Bloomberg, *East Asia & Pacific Economic Update* (October 2020).

MANUFACTURING: Q3 2020 *Contraction 4,31% (yoy)*



Growth Rate of Manufacture (y-on-y)



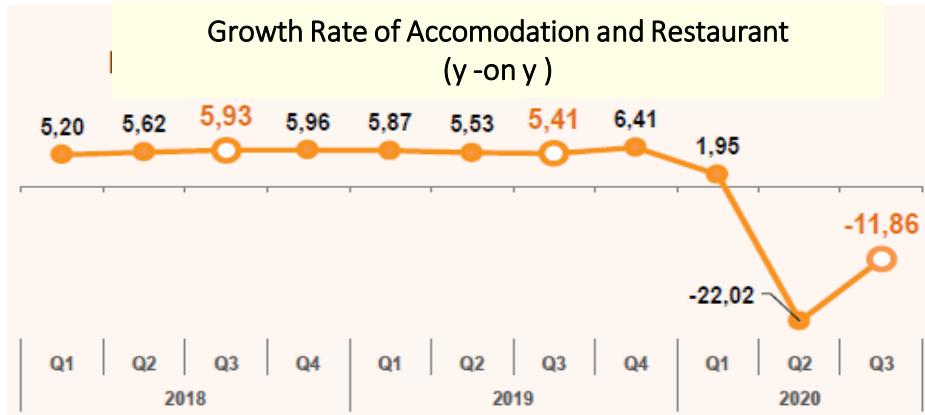
Sumber : BPS (2020).

- Automotive industry suffers contraction of growth 29,98% because of the decrease production of car and motorcycle because the domestic and overseas demand has not recovered yet
- Rubber Industry: contraction 9,61% because of low demand of tyre from transportation sector
- Textile and Garment: contraction 9,32% because of low domestic and global demand
- Meanwhile, Chemical, Pharmaceutical and Traditional Medicine grows 14,96% as the reflection of increase demands for medicine, multy-vitamin, supplement during covid

| Sectors | (y-on-y) | | | (q-to-q) | | | (c-to-c) | | |
|---|----------|--------|-------|----------|--------|-------|----------|--------|-------|
| | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 |
| | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Manufacturing | -4,31 | -6,19 | 4,14 | 5,25 | -6,49 | 3,18 | -2,86 | -2,10 | 3,85 |
| Coal, Oil & Gas | -7,17 | -10,31 | -0,80 | 0,95 | -9,10 | -2,48 | -5,05 | -3,99 | -1,79 |
| Non Oil & Gas | -4,02 | -5,74 | 4,68 | 5,69 | -6,21 | 3,80 | -2,63 | -1,90 | 4,48 |
| - Food & Beverages | 0,66 | 0,22 | 8,33 | 4,23 | 1,87 | 3,78 | 1,55 | 2,03 | 7,72 |
| - Tobacco | -5,19 | -10,84 | -3,83 | 4,25 | -17,59 | -1,96 | -4,06 | -3,51 | 3,87 |
| - Textile & Textile Products | -9,32 | -14,23 | 15,08 | 2,97 | -8,72 | -2,60 | -8,37 | -7,90 | 18,23 |
| - Chemical, Pharmacy & Traditional Medicine | 14,96 | 8,65 | 4,76 | 5,69 | 2,87 | -0,12 | 9,73 | 7,12 | 7,02 |
| - Rubber & Goods from Rubber & Plastic | -9,61 | -11,98 | -3,42 | 7,52 | -11,74 | 4,70 | -7,49 | -6,39 | -5,71 |
| - Metal | 5,19 | 2,76 | 4,62 | 10,73 | -7,85 | 8,18 | 4,01 | 3,39 | 5,53 |
| - Computer, Electronic & Otehr Electronic Goods | -6,86 | -9,29 | 2,21 | 8,11 | -6,29 | 5,28 | -6,56 | -6,40 | 0,04 |
| - MachineryTransportation | -10,76 | -13,42 | -6,69 | 0,21 | -12,22 | -2,78 | -11,12 | -11,29 | -3,08 |
| | -29,98 | -34,29 | -1,23 | 17,48 | -37,54 | 10,25 | -20,17 | -14,77 | -3,83 |



HOTEL & RESTAURANT in Q3 2020 *Contraction 11,86% (yoy)*



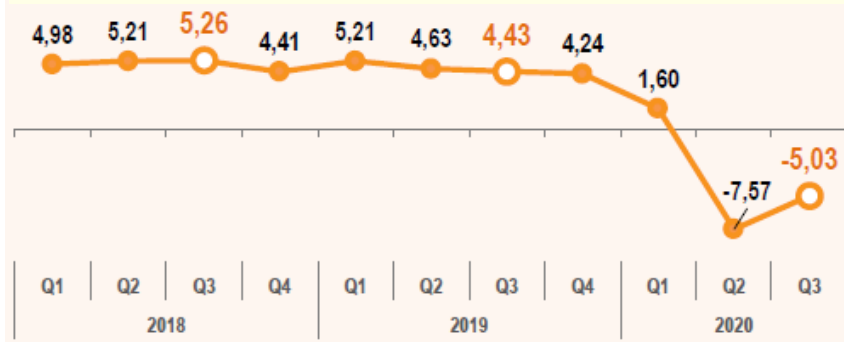
Source: BPS (2020)

- Tourist visit is recovering but it is still far below the condition before the pandemic
- MICE dropped very significantly, virtual online meeting replaces the offline meeting

| Sectors | | (y-on-y) | | | (q-to-q) | | | (c-to-c) | | |
|---|------------------|------------|--------|-------|------------|--------|-------|------------|--------|-------|
| | | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 |
| (1) | | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Accommodation - Food & Beverages Supply | | -11,86 | -22,02 | 5,41 | 14,79 | -22,31 | 1,56 | -10,71 | -10,13 | 5,60 |
| 1.1 | Accommodation | -28,03 | -44,23 | 0,68 | 31,91 | -42,25 | 2,21 | -25,54 | -24,28 | 1,40 |
| 2.1 | Food & Beverages | -8,05 | -16,81 | 6,59 | 12,10 | -17,86 | 1,41 | -7,19 | -6,76 | 6,65 |

TRADE in Q3 2020 *Contraction 5,03% (yoy)*

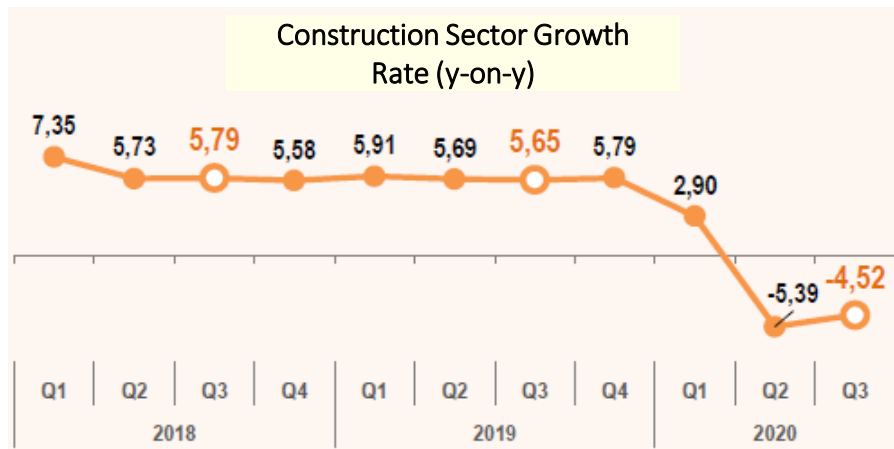
Growth Rate of Large and Retail Trade Sectors;
Car and Motorcycle Repair (y-on-y)



- The PSBB – large scale social restriction policy makes trade dropped significantly
- The interest of people to visit shopping centre have been recovering slowly

| Sectors | (y-on-y) | | | (q-to-q) | | | (c-to-c) | | |
|--|----------|--------|-------|----------|--------|-------|----------|--------|-------|
| | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Wholesale and Retail Trade; Car and Motorcycle Repair | -5,03 | -7,57 | 4,43 | 5,68 | -6,71 | 2,85 | -3,72 | -3,04 | 4,75 |
| 1. Car, Motorcycle Trading and Reparation | -18,06 | -29,77 | 4,15 | 21,77 | -30,60 | 4,36 | -15,60 | -14,31 | 3,68 |
| 2. Wholesale and Retail Trade; Not Cars and Motorbikes | -2,01 | -2,51 | 4,49 | 3,03 | -1,13 | 2,51 | -0,97 | -0,43 | 5,00 |

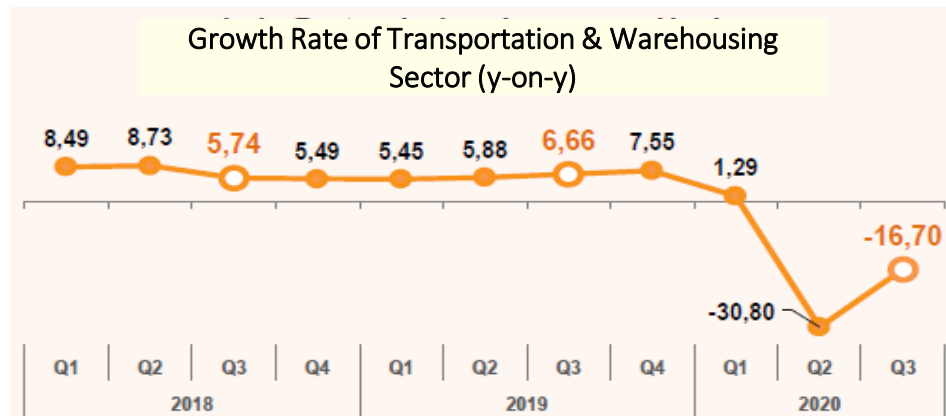
CONSTRUCTION in Q3 2020 *Contraction 4,52% (yoy)*



- The utilization of cement dropped significantly as the consequence of few construction projects
- The import of building materials such as iron & steel, glass and others also decrease

| Sectors | (y-on-y) | | | (q-to-q) | | | (c-to-c) | | |
|--------------|------------|-------|-------|------------|-------|-------|------------|-------|-------|
| | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Construction | -4,52 | -5,39 | 5,65 | 5,72 | -7,37 | 4,76 | -2,39 | -1,26 | 5,75 |

TRANSPORTATION in Q3 2020 *Contraction 16,70% (yoy)*

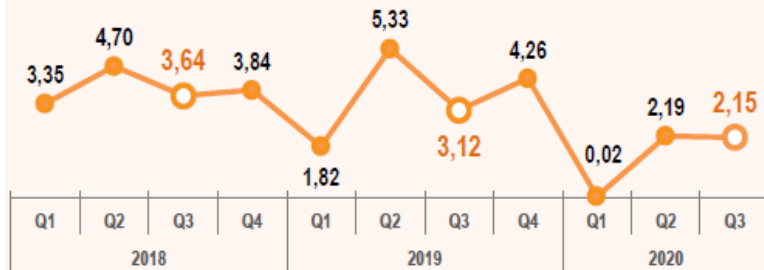


- The growth Q 3 is better than Q2 because of relaxation of PSBB – large scale social restriction

| Sectors | (y-on-y) | | | (q-to-q) | | | (c-to-c) | | |
|--|----------|--------|--------|----------|--------|-------|----------|--------|--------|
| | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Transportation & Warehousing | -16,70 | -30,80 | 6,66 | 24,28 | -29,18 | 3,24 | -15,61 | -15,05 | 6,01 |
| 1. Rail Transportation | -51,11 | -63,75 | 2,87 | 37,97 | -59,11 | 2,31 | -41,22 | -36,03 | 5,60 |
| 2. Land Transportation | -5,03 | -17,65 | 10,43 | 17,09 | -18,76 | 1,53 | -5,97 | -6,46 | 9,98 |
| 3. Sea Freight / Transportation | -5,27 | -17,28 | 13,93 | 19,33 | -17,38 | 4,21 | -5,75 | -6,02 | 9,92 |
| 4. Transportation of Rivers, Lakes & Crossings | -13,51 | -26,66 | 5,78 | 17,45 | -23,67 | -0,41 | -13,24 | -13,11 | 5,55 |
| 5. Air Freight / Transportation | -63,88 | -80,25 | -11,45 | 97,05 | -77,26 | 7,74 | -52,72 | -46,72 | -11,43 |
| 6. Warehousing and Transportation Support Services; Post and Courier | -17,57 | -38,53 | 11,29 | 41,31 | -34,70 | 5,38 | -19,22 | -20,12 | 10,00 |

AGRICULTURE in Q3 *Growth 2,15% (yoy)*

Growth Rate of Agriculture, Forestry and Fisheries Business Fields (y-on-y)



- Food Agriculture grows as a result of big harvest of rice
- Horticulture grows because of the increase demand of fruits and vegetables
- Plantation grows because of the increase of export demand for cacao, rubber, tobacco and clove
- Contraction of Animal Husbandry because of decreased demand from Restaurant and Idul Adha

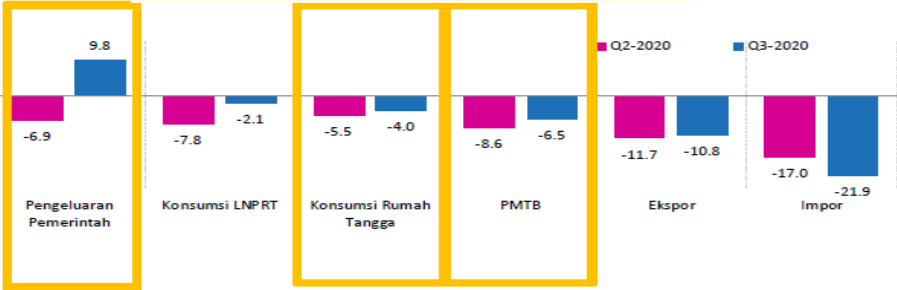
| Sectors | (y-on-y) | | | (q-to-q) | | | (c-to-c) | | |
|---|----------|-------|-------|----------|-------|--------|----------|-------|-------|
| | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 | Q3/20 | Q2/20 | Q3/19 |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Agriculture, Forestry & Fisheries | 2,15 | 2,19 | 3,12 | 1,01 | 16,24 | 1,05 | 1,52 | 1,18 | 3,47 |
| 1. Agriculture, Animal Husbandry, Hunting and Agricultural Services | 3,06 | 2,80 | 2,51 | 0,85 | 22,13 | 0,60 | 1,71 | 0,97 | 3,09 |
| a. Crops | 7,14 | 9,23 | -4,61 | -12,91 | 34,77 | -11,20 | 2,24 | -0,04 | -1,80 |
| b. Horticultural Plants | 5,60 | 0,86 | 4,98 | 4,61 | 21,75 | -0,09 | 3,04 | 1,62 | 5,71 |
| c. Plantation Crops | 0,67 | 0,17 | 4,96 | 10,97 | 23,46 | 10,41 | 1,39 | 1,84 | 4,36 |
| d. Animal Husbandry | -0,16 | -1,83 | 7,72 | 2,15 | -0,55 | 0,44 | 0,25 | 0,46 | 7,82 |
| e. Agriculture and Hunting Services | 2,65 | 2,36 | 1,91 | 2,55 | 11,23 | 2,26 | 1,28 | 0,55 | 3,05 |
| 2. Forestry & Logging | -1,62 | 2,23 | 3,63 | 1,80 | 8,35 | 5,79 | 1,79 | 3,69 | 0,58 |
| 3. Fisheries | -1,03 | -0,63 | 5,87 | 1,52 | -4,11 | 1,93 | 0,61 | 1,45 | 5,92 |

RECOVERY: CONSUMPTION SIDE

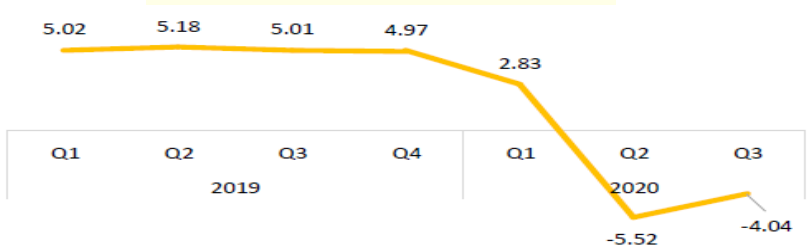


Houesehold consumption as the main driver of Indonesia economic growth in line with the government programs to maintain purchasing power of people through a number of social assistance programs: wage subsidy, social security, tax, MSME, essential commodities, etc.

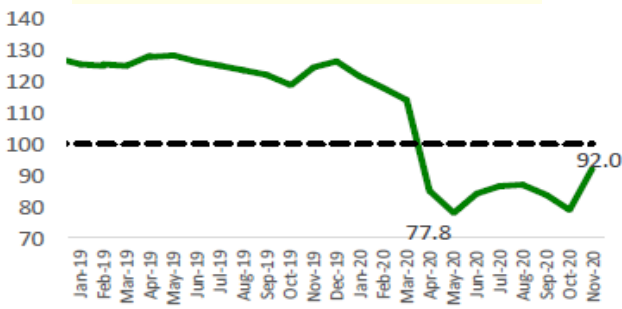
GDP based on Expenditure (% y on y)



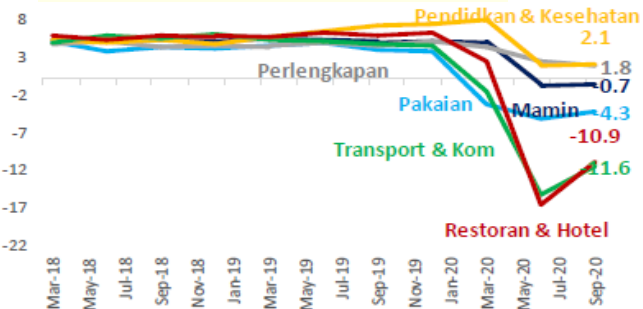
Household Consumption



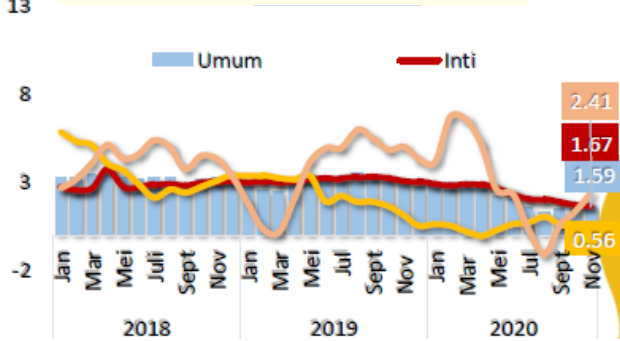
Customer Confidence Index



Growth of Consumption (% y on y)

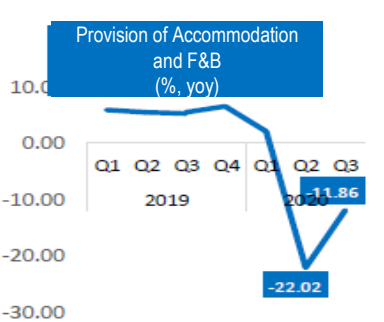
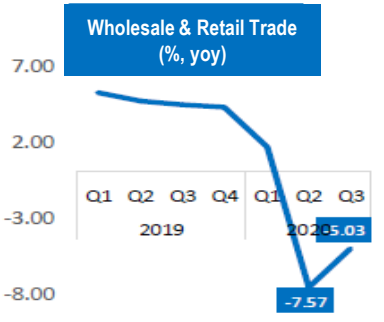
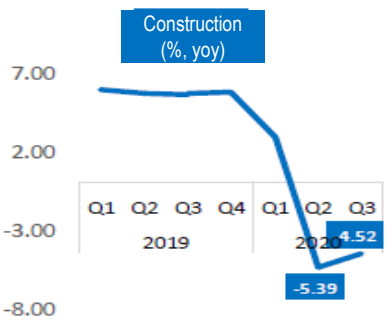
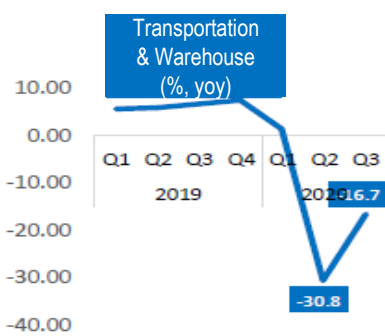
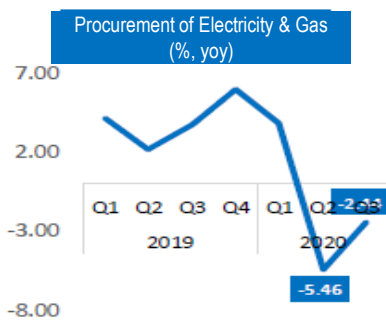
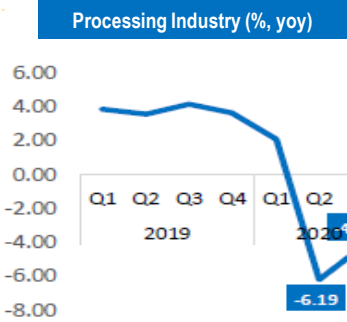


Inflation (% y on y)



Manufacturing, Construction & Trade recover slightly

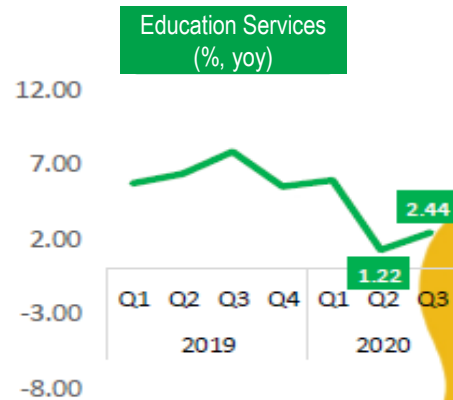
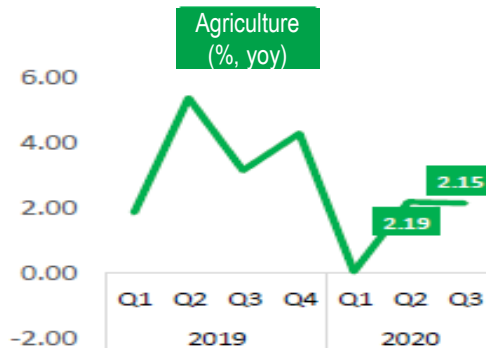
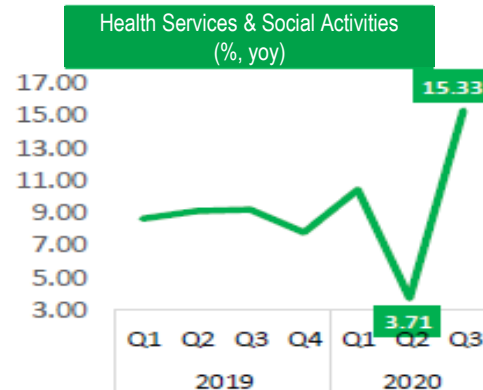
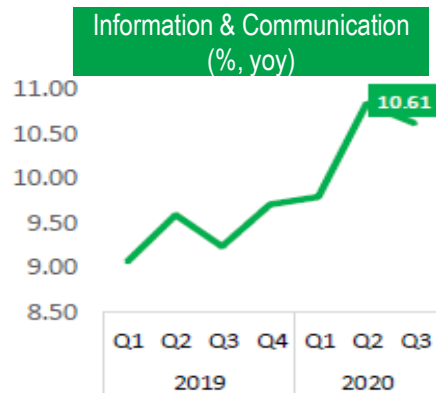
MAIN
SECTORS
THAT
RECOVER



Source : BPS, 2020.

Meanwhile ICT, Health related Business, Agriculture and Education grow quite well

**SECTOR
THAT
GROW
SIGNIFICANTLY**



MAPPING OF 17 SECTORS



1st Quadrant :

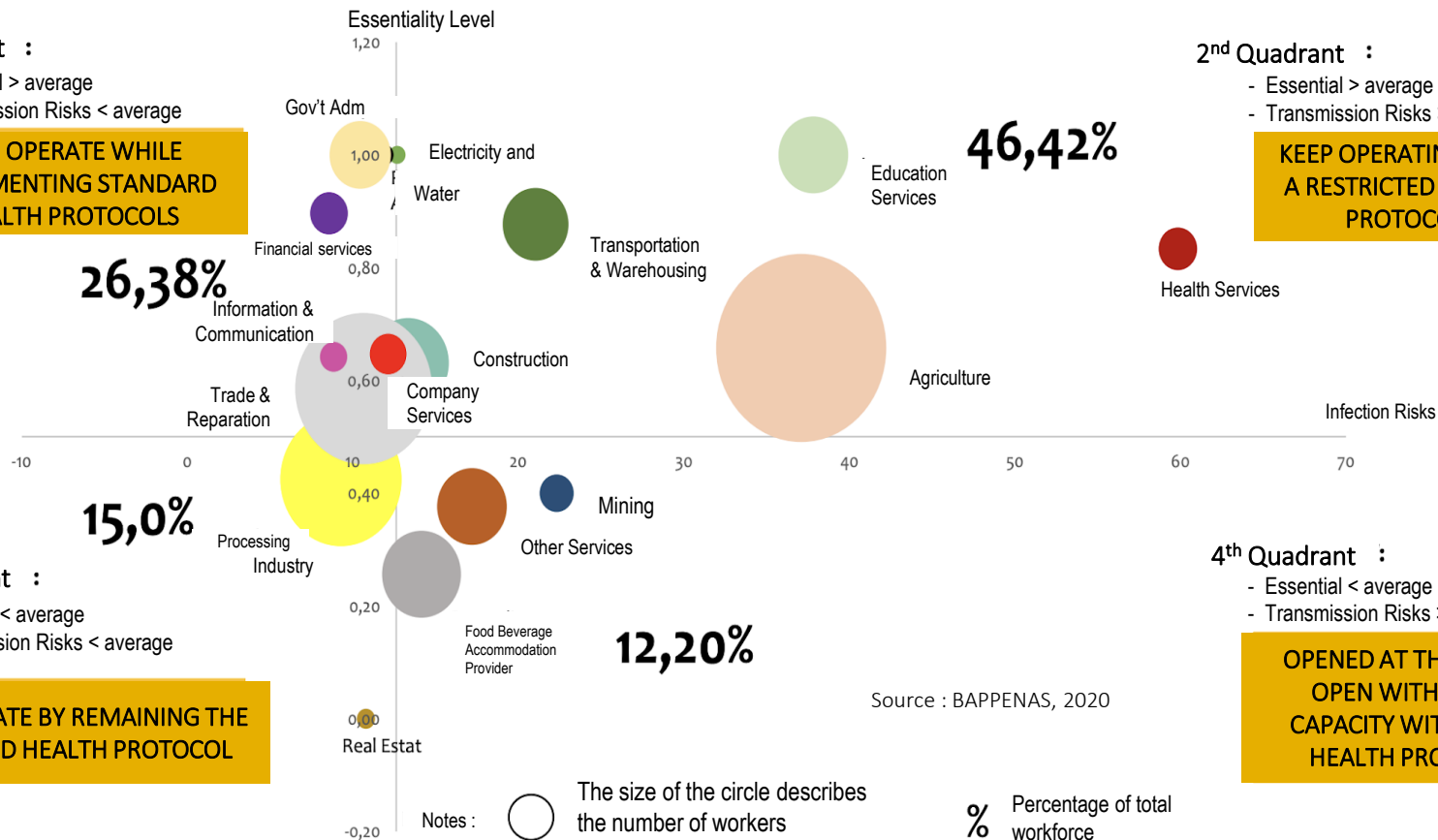
- Essential > average
- Transmission Risks < average

**CAN OPERATE WHILE
IMPLEMENTING STANDARD
HEALTH PROTOCOLS**

2nd Quadrant :

- Essential > average
- Transmission Risks > average

**KEEP OPERATING WITH
A RESTRICTED HEALTH
PROTOCOL**



3rd Quadrant :

- Essential < average
- Transmission Risks < average

**CAN OPERATE BY REMAINING THE
STANDARD HEALTH PROTOCOL**

4th Quadrant :

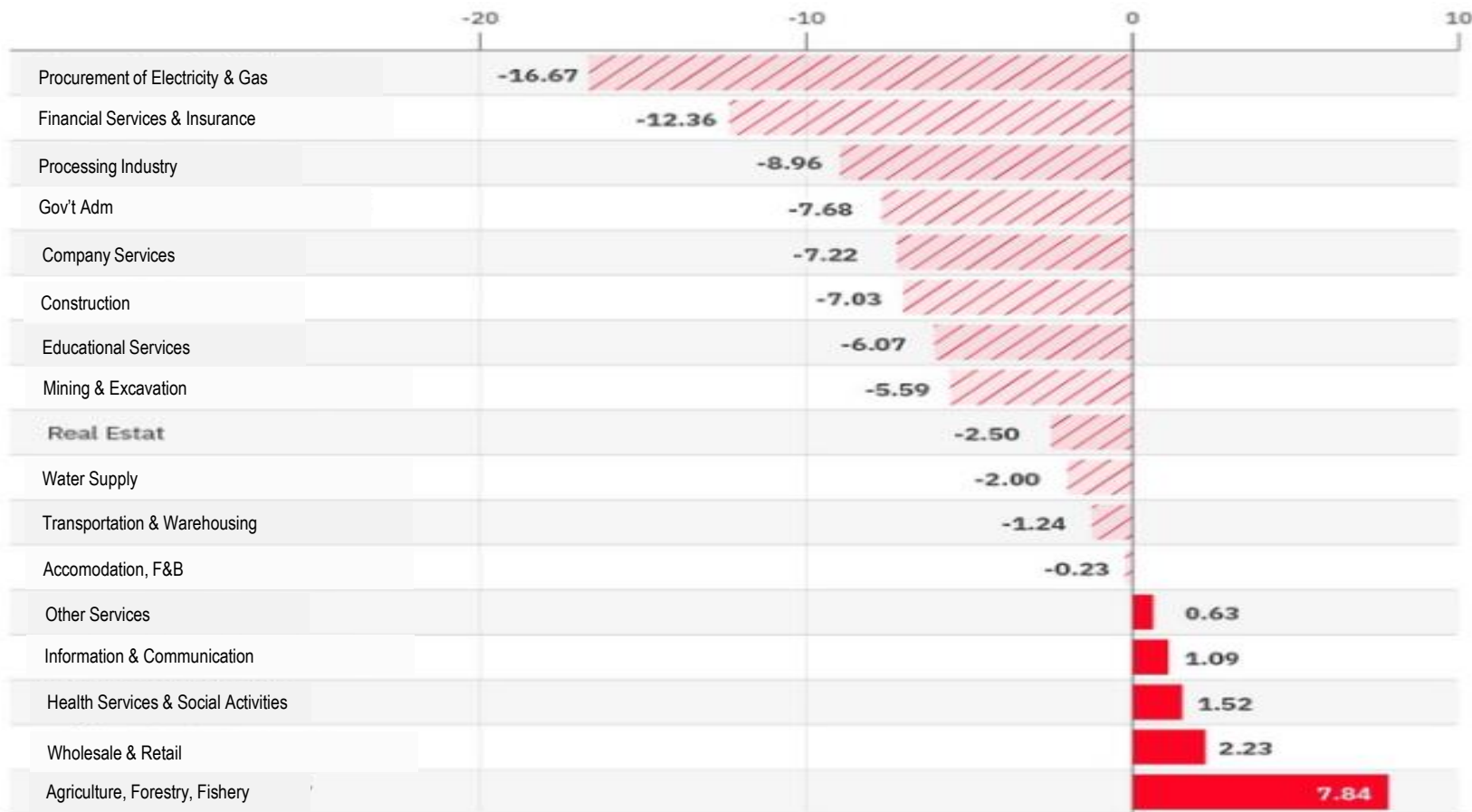
- Essential < average
- Transmission Risks > average

**OPENED AT THE LATEST.
OPEN WITH <100%
CAPACITY WITH STRICT
HEALTH PROTOCOL**

MANPOWER CONDITION



THE CHANGE OF MANPOWER PERIOD AUG 2019-AUG 2020 (BY SECTOR)

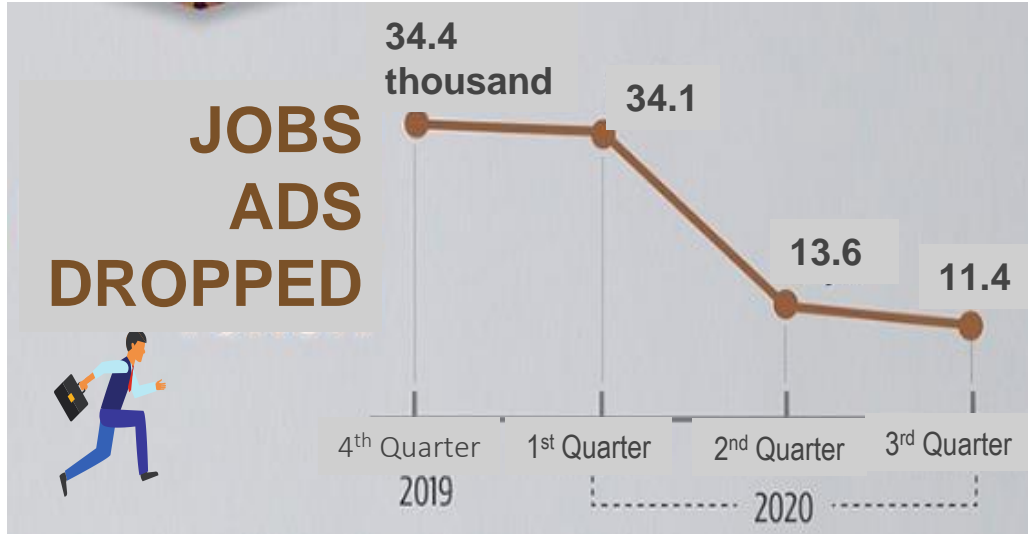


WORKERS AFFECTED BY COVID-19

(mln)



CHALLENGES TO GET JOB DURING PANDEMIC

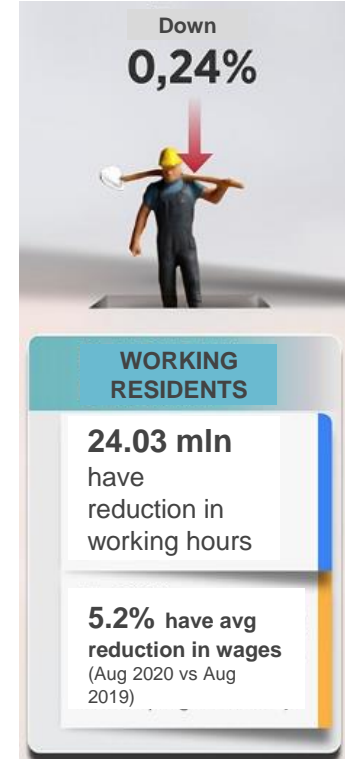


The recession because of pandemic holds the companies to expand their business hence the job vacancies decrease sharply

Source : Central Bureau of Statistics (BPS), katadata.co.id, 2020.



WORKFORCE UP,
LABOR FORCE DECREASE
(Aug 2020 vs Aug 2019)



UNEMPLOYMENT DURING PANDEMIC



Unemployment on August 2020 is the highest since February 2015 (in million)



Unemployment increases during pandemic. BPS reported 9,77 million people unemployed in BPS August 2020 publication



29 million people suffer the impact of pandemic



2,56 mln
loss jobs



1,77 mln
temporarily
not working



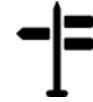
0,76 mln
stop working *



24,03 mln
reduction in
working hours

*) not the workforce

Source : Central Bureau of Statistics (BPS), katadata.co.id, 2020.



Unemployment increases at all level of education

ELEMENTARY SCHOOL OR LOWER

2,4% 2019 3,6% 2020

JUNIOR HIGH SCHOOL

4,7% 2019 6,5% 2020

SENIOR HIGH SCHOOL

7,9% 2019 9,9% 2020

VOCATIONAL SCHOOL

10,4% 2019 13,6% 2020

DIPLOMA

6,0% 2019 8,1% 2020

UNIVERSITY

5,6% 2019 7,4% 2020



GOVERNMENT STIMULUS

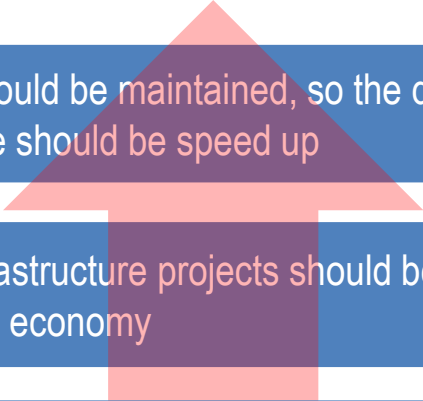
SPEED UP STIMULUS REALIZATION



REALISATION of Stimulus PEN 2020

| Types of Exp | Ceiling IDR trln | Nov IDR trln | Nov (%) |
|-------------------------------|---------------------|-----------------|-------------|
| Health | 97.26 | 34.07 | 35 |
| Social Protection | 234.3 | 181.1 | 77,3 |
| Ministries / Institutions | 65.97 | 32,47 | 49.2 |
| Total Public Goods | 397.5 | 247.64 | 62.3 |
| SMEs | 114.8 | 95.25 | 83 |
| Corporate Funding | 62.22 | 2 | 3.2 |
| Total Non Public Goods | 177.0 | 97.25 | 54.9 |
| Business Incentives | 120.6 | 38.1 | 31.6 |
| Total Others | 120.6 | 38.1 | 31.6 |
| Total | 695.2 | 383 | 55.1 |


Source : MoF Republic of Indonesia, 2020.



Demand side should be maintained, so the disbursement of social assistance should be speed up

Government infrastructure projects should be executed soon to drive the economy

Tax cut for domestic products to encourage people spend their money

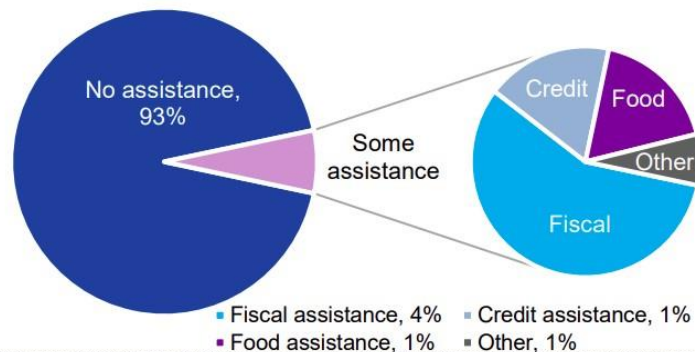


Bank is expected not to run their business as usual by implementing a number of fiscal relaxation through debt restructure

MAJORITY OF INDONESIA COMPANIES DO NOT RECEIVE INCENTIVE

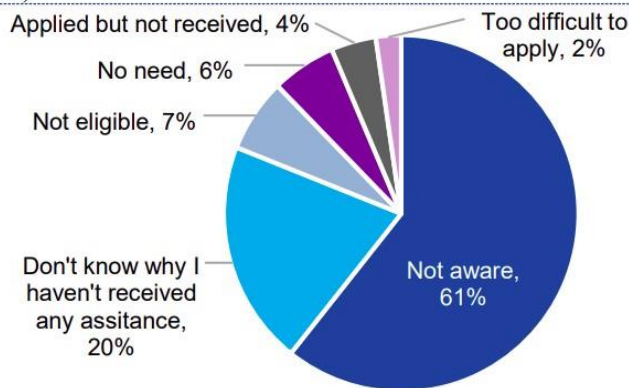
(SURVEY WORLD BANK)

Figure B.7: Only 7 percent of firms have received assistance from the government
(share of firms that received assistance in May or June 2020, percent)



Source: World Bank Business Pulse Survey, World Bank Staff calculations

Figure B.8: Firms are largely not aware that assistance may be available
(share of firms by reason for not yet receiving assistance, May-June 2020, percent)



Source: World Bank Business Pulse Survey, World Bank Staff calculations

- World Bank Survey to 850 Companies: only 7% get the incentives from the government while 93% do not receive any support.
- 53% of 93% companies that do not get the incentive say because they do not know the program, 21% do not know how to get the program, 5% are not eligible, 4% do not need it, 6% applied the program but rejected, and 4% find difficulties to register the program
- Business said the socialization of the program is weak



CHALLENGES DURING AND POST COVID

Future of Work Trends During and Post-COVID-19

- Increase in remote working and flexible work arrangement during Covid -19.
- WFH will be the new norm post Covid 19
- Expanded use of ICT and digitization of businesses

Encourage employees to develop critical skills that potentially open up multiple opportunities for their career development, rather than preparing for a specific next role.

Emergence of new top-tier organizations. Balance the decisions made today to resolve immediate concerns during the pandemic with the long-term impact on the employment brand.







- Increase in organization complexity. many companies more mergers and integration.

Increasing the use of contingent workers to maintain more flexibility in workforce management during and post-COVID-19.

- Self Employed take own social security insurance.

HOPE FOR THE VACCINE



-  Business expects the government to guarantee the quality of vaccine and fairness of vaccination to the people
-  Priority for the vulnerable people because of profession (doctor, nurse, medical staff, teacher, etc) and vulnerable people because of age (old age, children) to get the vaccination
-  However the other group of society including factory labor should not be neglected
-  The cost of vaccine and vaccination should be shouldered by the government
-  For those who have the ability to pay should have the access to the vaccine at their own cost
-  Transparency of the vaccine and vaccination should be guaranteed

TREND INVESTMENT & LABOR ABSORPTION



| Year | Investment (IDR Trln) | Total Manpower (person) | Absorption/Trillion (person) |
|---------|--------------------------|----------------------------|---------------------------------|
| 2013 | 398.3 | 1,829,950 | 4,594 |
| 2014 | 463 | 1,430,846 | 3,090 |
| 2015 | 545.4 | 1,435,711 | 2,632 |
| 2016 | 613 | 1,392,398 | 2,271 |
| 2017 | 692.8 | 1,176,353 | 1,698 |
| 2018 | 721.3 | 960,052 | 1,331 |
| 2019 | 809.6 | 1,033,835 | 1,277 |
| 2020-Q1 | 210.7 | 303,085 | 1,438 |
| 2020-Q2 | 191.9 | 263,109 | 1,371 |

Source : Capital Investment Coordinating Board (BKPM) & BAPPENAS, 2020.

Inclusiveness of economy

The absorption of workforce decreases quite significantly during the last 7 years

Labor Intensive Industry and MSME

Need special support to labor intensive industry and MSME to create a lot of job

JOB CREATION LAW

Job Creation Law to create a competitive business environment in order to address the ongoing challenges and the future of job

RESPOND OF BUSINESS TO THE JOB CREATION LAW



POSITIVE IMPLICATION OF JOB CREATION LAW

Ease of doing business will support the MSME to operate formally hence increase their access to finance, market, and government programs

Improve the compliance to the laws and regulations because the cost of compliance is more affordable

Business believes that the competitive investment climate will create the investment that creates jobs for people

Improve the ability to pay and comply to various regulations for labor intensive industry

In general the law is perceived to increase the competitiveness by addressing the challenges regarding among others: business licensing, access to land, special economic zones, etc

WHY INDONESIA NEEDS THE LAW?



Structural Impediments

1. Urgency to create job

Full & Partial Unemployment = 15.2 millions; Part-time workers = 28.4 millions; New entrants = 2.5-3.0 millions. Around 70 million working in informal sector.

2. The Obesity in Regulation

8,486 Regulations at the Central Government; 14,815 Ministerial Regulations; 15,966 Local Government Regulation and Other 4,337 **(total=43,604)**

3. Low Competitiveness/ Constraining Eco-system

Key challenges: 1. Corruption; 2. Inefficient Bureaucracy; 3. Access to finance; 4. Infrastructure; 5. Policy Uncertainties; 6. High cost of labours; etc.

4. Global Environment

The rise of trade protectionist policies; Corona Virus; and Global Economic Uncertainties

Aspirations

Growth rate above 6% to achieve **the developed economic status by 2045** (with GDP per capital >USD20,000)

Creating new jobs through increased investment, while **increasing protection for workers or laborers.**

Supports for MSMEs and cooperatives to bring more into the formal sectors ---over 55% of the labor force is in the informal sector

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11 CLUSTER FOCUS ON FOUR KEY AREAS



11 Clusters focus on Four key areas:

1. **Ease of Doing Business**
2. **Simplification of Investment Requirements**
3. **Strengthening Competitiveness**
4. **Boosting the Micro, Small & Medium Sectors**

1) Business Licence Simplification

2) Investment Requirement

3) Manpower/Labor

4) Ease and Protection for MSME

5) Ease of Doing Business

6) Research and Innovation

7) Land Acquisition

8) Economic Zone

9) Investment of Government and National Strategic

Acceleration of Government Administration

11) Sanction Enforcement

It impacted to 81 Laws and over 1,245 Articles.

In general, the main objective of the Job Creation Law is to create a middle-ground flexibility.

CLUSTER OF MANPOWER



The major reforms of this cluster are as follows:

1. **Foreign Workers:** no need IMPTA (permit to employ foreign worker) anymore, however RPTKA (planning to employ foreign worker) is still required except for: shareholders, technology based start-up, vocational, emergency situation, business visit and short-time research.
2. **Non-permanent Worker:** for specific job but is not limited for 5 (five) job title anymore that was regulated in the previous labor law
3. **Outsourcing:** that is not related with manpower is not regulated in this job creation law, outsourcing company should comply with labor regulation
4. **Minimum Wage (MW):** is compulsory at provincial level, MW at City/Regency level is not compulsory anymore but can be enacted by Governor whenever needed based on a number of requirements, the increase of MW is determined by either inflation or growth – previously growth and inflation.
5. **Minimum Wage for SME:** unlike the previous law where the MW for SME and large size company is not different, the new law allows lower minimum wage than the one for big size company as long as it meets a number of requirements; it would be further arranged in the government regulation.
6. **Severance Payment:** is reduced significantly from the highest 32x based on law 13/2003 to be 19x monthly salary (9x severance pay + 10x working compensation right).
7. **Unemployment Insurance:** is introduced as a new social security program in addition to the existing manpower social security programs (Death, Accident, Old Age, Pension). The benefit: cash money for the laid-off person, training and access to job information. The source of fund: government initial fund (IDR 6T), recomposition of the fund from the existing social security scheme that would be further regulated on Government Regulation (most likely would be taken partially from the Death, Accident and Old Age Programs but for sure not from Pension Program), and operational fund of BPJS (Institution that manages social security programs).
8. **Working hours:** in addition to the existing regulation, overtime is allowed longer
9. **Sanction:** civil instead of criminal sanction for any administrative violation.

CLUSTER OF INVESTMENT ECOSYSTEM & BUSINESS ACTIVITIES



The major reforms of this cluster are as follows:

- **Changing the licensing approach from license-based to risk-based:**
High Risk-requires NIB (Business Identification Number) and Permit; Medium Risk-Standard Certificate and NIB; Low Risk-NIB is sufficient.
- **Ease of Investment and Requirements by simplification of business licensing per Sector.** There are 15 sectors: Maritime Affairs and Fisheries, Agriculture; Forestry; Energy and Mineral Resources; Nuclear Power; Industry; Trade, Guarantee of Halal Products, Public Works and Public Housing; Transportation; Health; Medicine and Food; Education and Culture; Tourism; Religious; Telecommunication and Broadcasting Post; Defense and Security.
- **Standardization of business licensing through the NSPK and Service Level Agreement (SLA):**
The central government and regional governments will exercise licensing authority based on Norms, Standards, Procedures and Criteria (NSPK); Simplification of licensing services and licensing services carried out electronically in accordance with the NSPK; The application for a license is approved when the time limit mentioned in the Service Level Agreement (SLA) has passed.
- **The simplification of the Negative Investment List from 20 to 6, with a presidential regulation on a Prioritized Investment List to follow.**
There are prohibited sectors for investment: gambling & casino centers; cannabis business, chemical weapons industry; trade of certain species of fish; coral exploration; ozone layer destroyers industry

CLUSTER OF MSME



The major reforms of this cluster are as follows:

- Exemption of micro business license fee
- Small business licensing fee relief
- SME financing from state-owned enterprises, Large and Foreign Companies in the form of loans, guarantees, grants, and others
- Incentives from the central government and regional governments in the form of permits, tariffs for facilities and infrastructure, and others
- The Need for Goods and Services for Large Companies prioritizing MSMEs production as long as they meet quality standards
- Integrated management of SMEs by Local Government and Other Stakeholders
- Stimulation of Partnerships for Large, Medium, Small and Micro Enterprises
- Ease of tax administration
- 40% procurement of goods and services from the central government and local governments from MSMEs
- Promotion for MSMEs at toll road rest areas

CLUSTER OF LAND ACQUISITION



The major reforms of this cluster are as follows:

1. **The amendment of Law No. 2/2012 regarding Land Procurement for Public Utilities Construction**
 - Acceleration of the land acquisition process for development in the public interest
 - The validity period of the Determination of Location (Penetapan Lokasi / Penlok) is given for 3 (three) years and can be extended without starting the process from the beginning.
 - Ownership of shares and / or land replacement as compensation for land acquisition for public purposes.
 - Acceleration of releasing land owned by the Government for development in the public interest.
 - Acquisition of land in forest areas through a mechanism of designation change or release of forest areas for National Strategic Projects (PSN).
2. **The amendment of Law No. 41/2009 regarding the protection of sustainable food agricultural land:**
 - Ensure the availability of sustainable agricultural food land
3. **Establishment of a Land Bank**
4. **Strengthening Land Management Rights:**
 - Strengthening the implementation of Land Management Rights (HPL) and granting HGB above HPL can be extended and renewed after operation / operation worthy.
5. **Ownership of Apartments by Foreigners**
 - Foreign natural persons residing in Indonesia and holding a residential permit can buy apartments on HGB Land.
6. **Regulating the use of upper and underground space rights to ensure space certainty for the public interest**



THANK YOU

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