



Beyond the Pandemic: The Great Transformation in Indonesia

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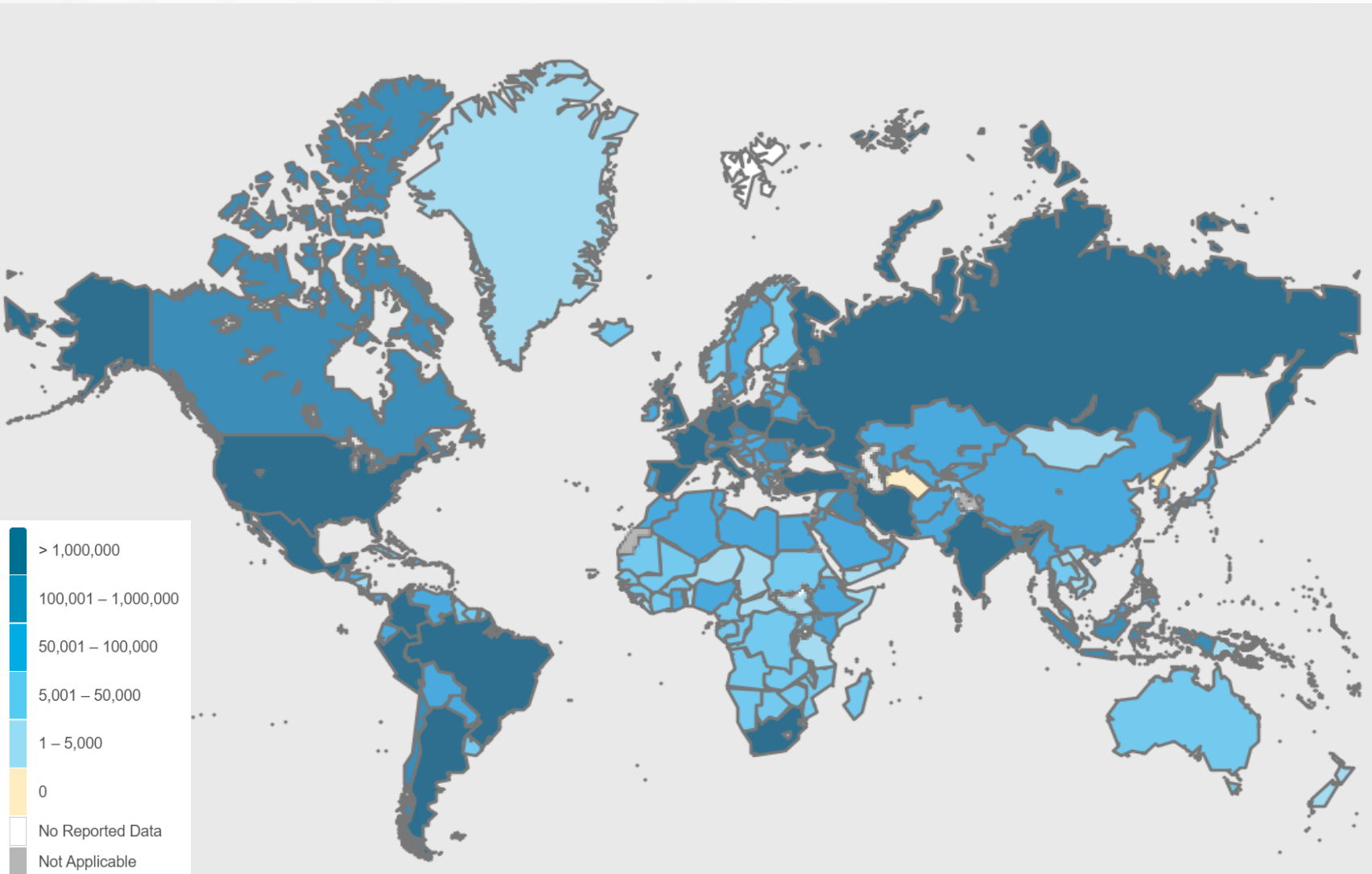
January 5, 2021



Background: The Pandemic and Its Effects



Then, COVID-19 Came and Infected More than 80 Million People in the World Until Now



Global

Case:

83,910,386

Fatality:

1,839,660

CFR:

2.19%

Indonesia

Case:

772,103

(1% of total)

Fatality:

22,911

(1% of total)

CFR:

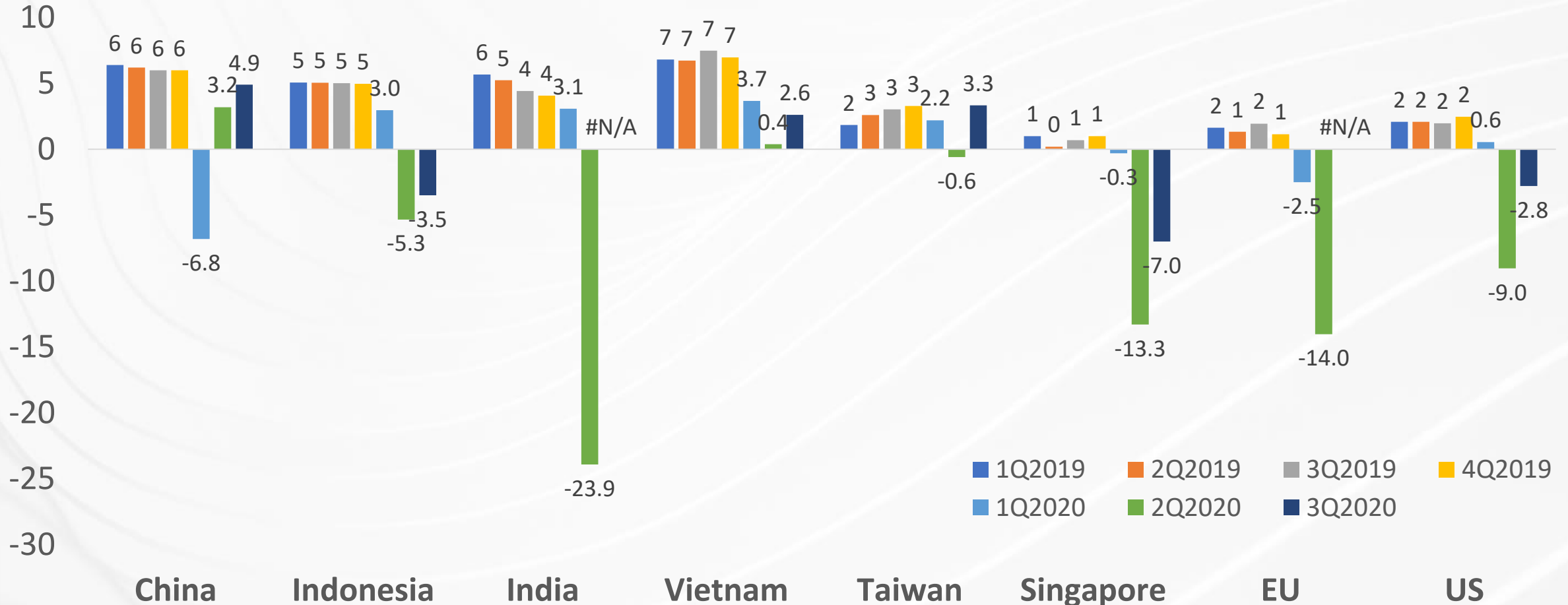
3%

Source: WHO, MoH



Resulting in Global Recession

Economic Growth (%YoY)



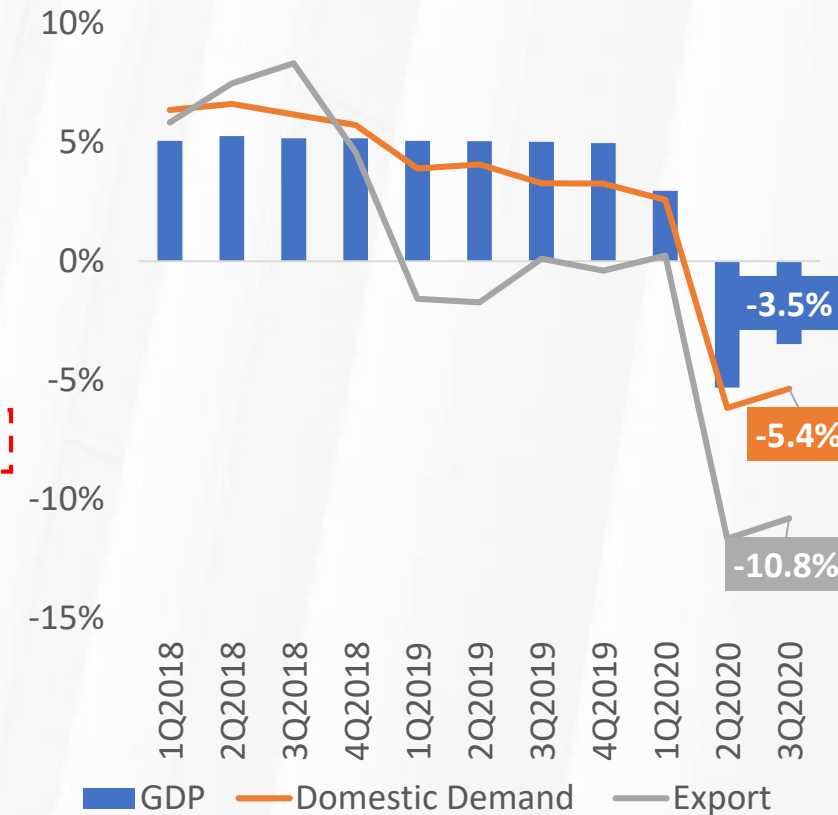


Indonesia Similarly Experiences Contractions

Growth YoY (%)

Based on Expense	2018					2019					2020		
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q
GDP	5.1	5.3	5.2	5.2	5.2	5.1	5.1	5.0	5.0	5.0	3.0	-5.3	-3.5
Domestic Demand	6.4	6.6	6.2	5.7	6.2	3.9	4.1	3.3	3.3	3.6	2.6	-6.2	-5.4
Consumption	4.8	5.2	5.2	5.1	5.1	5.3	5.7	4.6	4.2	4.9	2.7	-5.7	-2.4
<i>Private</i>	5.0	5.2	5.0	5.1	5.1	5.0	5.2	5.0	5.0	5.0	2.8	-5.5	-4.0
<i>Non Profit</i>	12.5	14.9	13.8	7.1	11.9	-7.5	-6.8	-8.3	-8.0	-7.7	-2.2	-17.0	-21.9
<i>Public</i>	2.7	5.2	6.3	4.6	4.8	5.2	8.2	1.0	0.5	3.2	3.7	-6.9	9.8
Gross Fixed Capital Formation	7.9	5.8	6.9	6.0	6.6	5.0	4.6	4.2	4.1	4.4	1.7	-8.6	-6.5
Inventory (inc. Discrepancy)	20.5	34.7	17.7	-14.4	32.3	-27.0	-19.2	-28.0	71.5	-35.6	9.2	6.6	-67.8
Net Export	-46.8	-55.9	-41.2	-87.1	-51.1	97.5	111.2	148.4	2329.3	167.8	19.3	40.0	61.2
Export	5.8	7.5	8.3	4.6	6.5	-1.6	-1.7	0.1	-0.4	-0.9	0.2	-11.7	-10.8
Import	12.5	14.9	13.8	7.1	11.9	-7.5	-6.8	-8.3	-8.0	-7.7	-2.2	-17.0	-21.9

Growth (%YoY)



In general, the economy contracted by -3.5% yoy in 3Q from -5.3% yoy in 2Q. From the domestic side, domestic demand contracted less at -5.4% yoy from -6.2% yoy with surge in government spending. From the external side, net exports increased as imports contracted far above exports.

Source: BPS, calculated



There Are Signs of Second Wave which Could Hinder the Current Uptrend Update

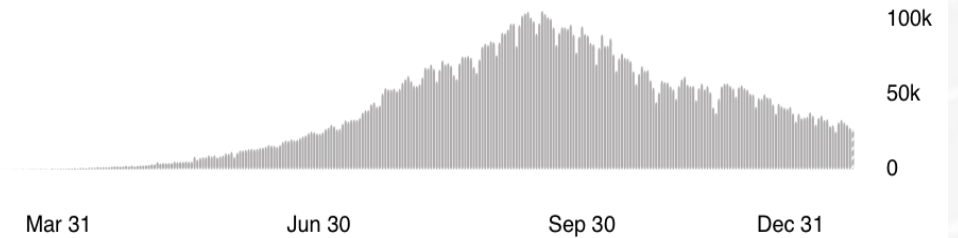
Americas

36,674,670
confirmed cases



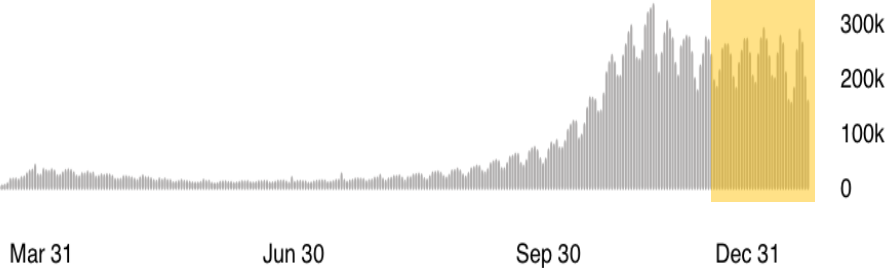
South Asia, South East Asia

12,077,882
confirmed cases

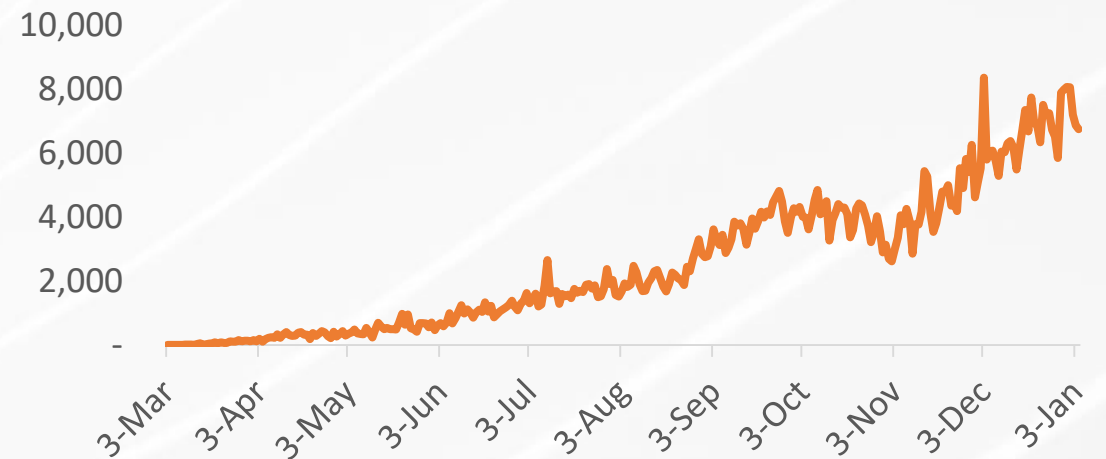


Europe

26,881,446
confirmed cases



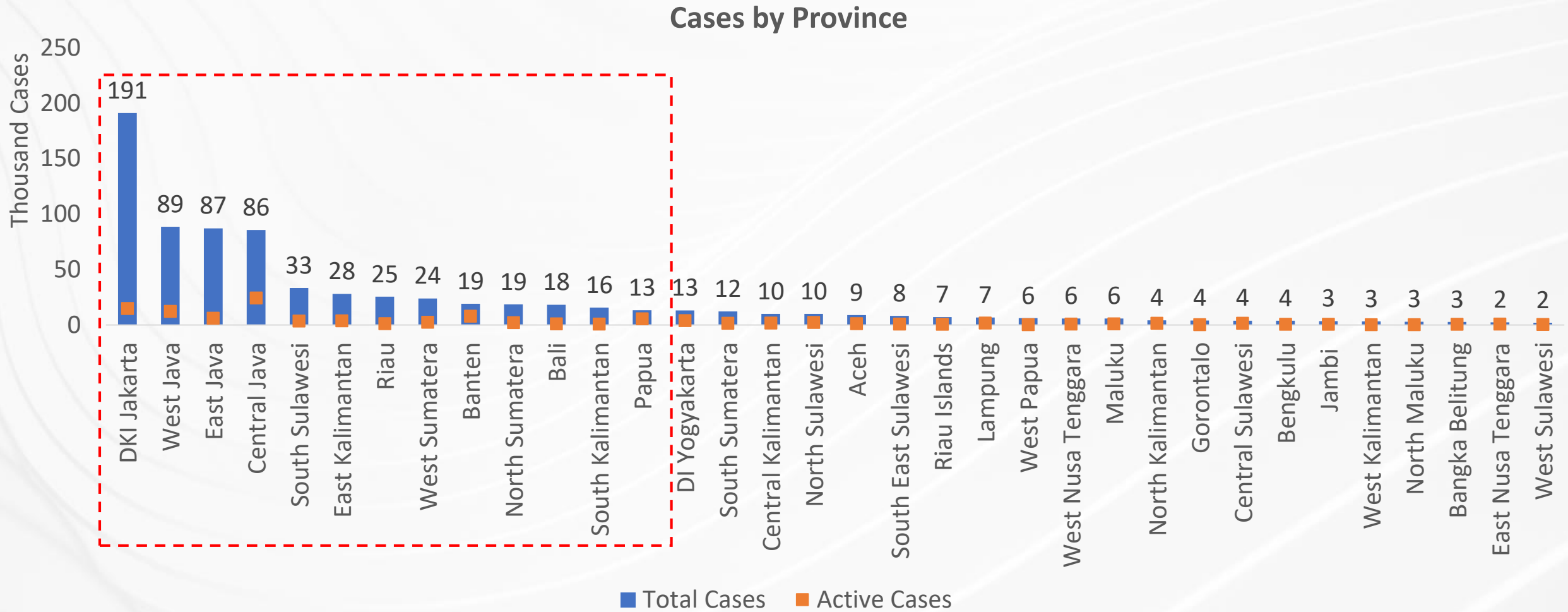
Indonesia (772,103 Cases)



Source: WHO, MoH



84% of Cases are from 13 Most Impacted Provinces



Therefore, COVID-19 Response is Focused for Most Affected Provinces



Upstream Target : Reduction in Daily New Cases

Downstream Target : Increase in Recovery Rate and Reduction in Mortality Rate

8 Provinces: DKI Jakarta, West Java, Central Java, East Java, South Kalimantan, South Sulawesi, North Sumatra, and Bali.
Additions: Riau and Aceh

Strategy #1: Behavior Change and Early Detection of Covid-19 transmission

1. Encouraging people's compliance to health protocols through:
 - a. Massive and systematic campaign for health protocols in the community engaging various stakeholders.
 - b. Disciplinary operations (*operasi yustisia*) to enforce people's compliance to health protocols.
2. Improving targeted testing and tracing.

Strategy #2: Makeshift Centralized Isolation Facilities

1. Centralized isolation facilities are provided for asymptomatic and mild patients to reduce hospital occupancy and prevent household transmission.
2. Every city that has a high number of confirmed cases should provide centralized isolation facilities, equipped with adequate health support for handling asymptomatic and mild patients.

Strategy #3: Standardizing Clinical Management of COVID-19

1. Improving clinical management of Covid-19 patients, through standardizing treatment guideline, written by the MoH, 5 professional organizations, and BUMN hospital team.
2. Ensuring each hospital handling Covid-19 patients has adequate bed capacity, medical supplies and equipment to carry out the clinical guidelines.

Highly Impacted Provinces Contribution to National Number Update



As Per 4 Jan 2020

Other Provinces

5 Provinces (Riau, Aceh, Sumbar, Kaltim, Papua)

8 Provinces (DKI Jakarta, Jabar, Jatim, Jateng, Sulsel, Sumut, Bali, Kalsel)

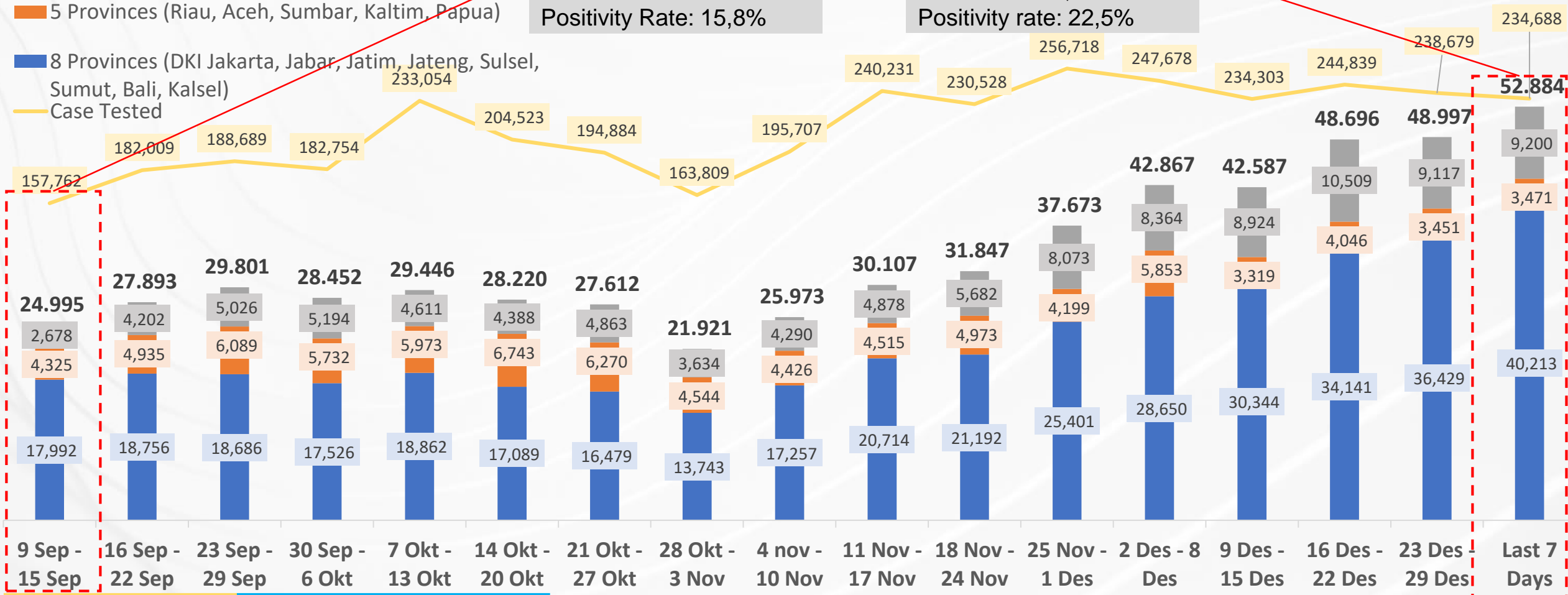
Case Tested

National Contribution

8 Provinces: 72.0%
5 Provinces: 17.3%
Positivity Rate: 15,8%

National Contribution

8 Provinces: 76.0%
5 Provinces: 6,6%
Positivity rate: 22,5%



Mortality and Recovery Rate Update



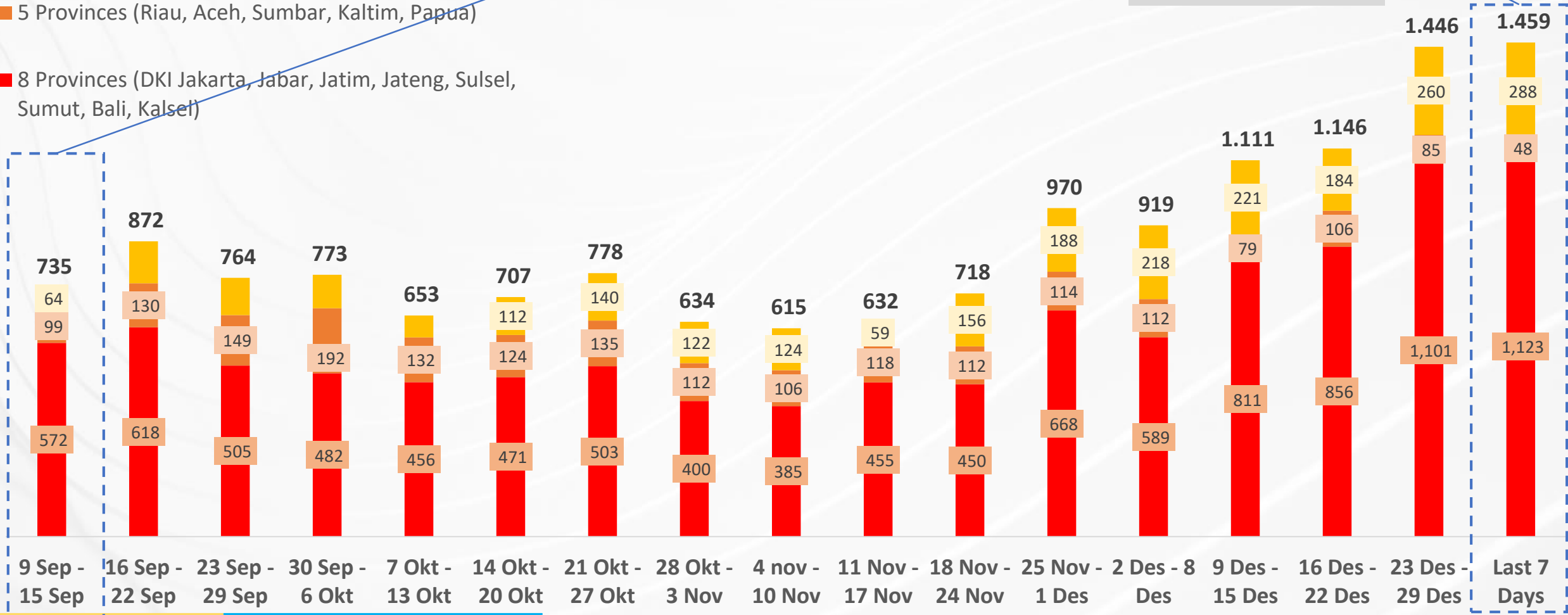
As Per 4 Jan 2020

- Other Provinces
- 5 Provinces (Riau, Aceh, Sumbar, Kaltim, Papua)
- 8 Provinces (DKI Jakarta, Jabar, Jatim, Jateng, Sulsel, Sumut, Bali, Kalsel)

National Contributions
 8 Provinces: 77.8%
 5 Provinces: 13.4%



National Contributions
 8 Provinces: 77.0%
 5 Provinces: 3.3%





**Omnibus Law, Business Licensing and Creation of
Sovereign Wealth Fund**



Indonesia Needs Strategy to Boost Investment and Industrialization



Background

1. COVID-19 Pandemic

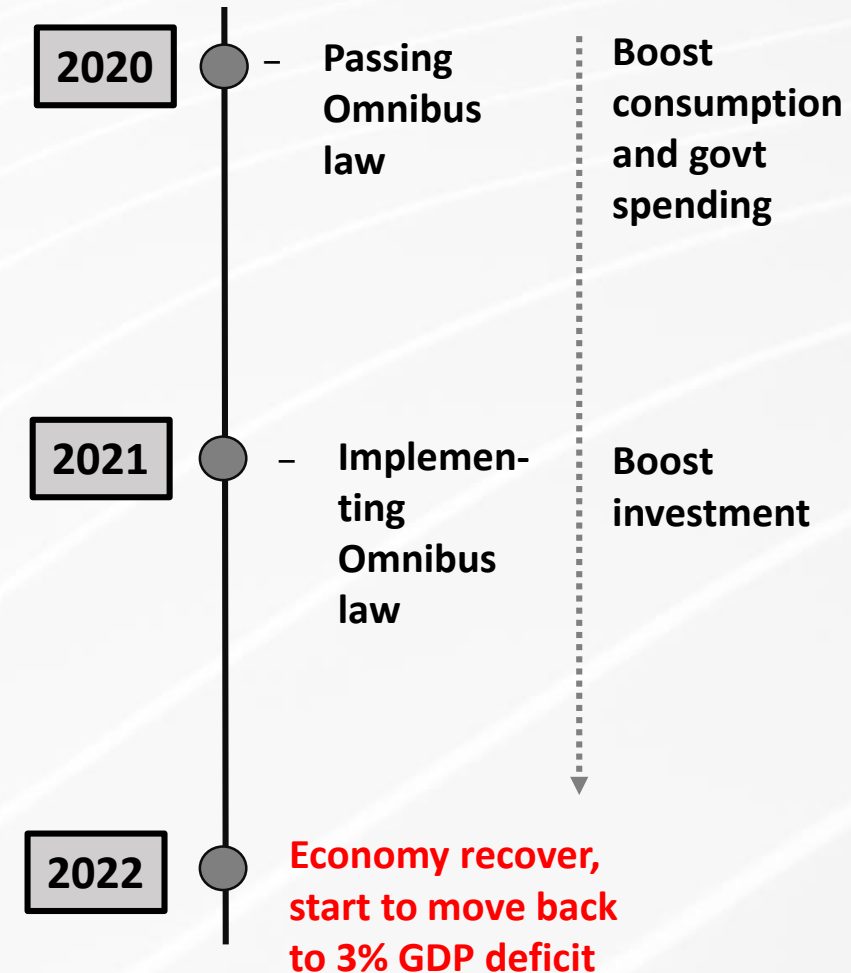
- Impact to health: mortality rate & increasing hospital burden
- Impact to economy: halted activities

2. Previous deindustrialization trend

Strategy

1. **Timely and targeted stimulus:**
 - **Social Safety Net** for vulnerable people
 - **Aid for SME**
 - Help for **larger corporation**
2. Support for **export-oriented investment:**
 - Omnibus Law
 - Creating downstream industrialization policies
 - Investing in key areas such as healthcare and green economy

General Timeline





Implementation of the Omnibus Law will Simplify Overlapping Regulations

The Omnibus method simplifies the process and increases productivity in drafting regulations



Benefits of Application of the Omnibus Law

Omnibus Law as a strategy for regulatory reform so that the arrangement is carried out simultaneously on many laws and regulations

1. Eliminate overlaps between PUUs;
2. Change process efficiency / revocation of PUU;
3. Eliminating sectoral egos.

There are 8,451 central government regulations and 15,965 regional regulations that describe the complexity of regulations in Indonesia.

(Source: MoLHR, 23 Jan 2020)

The consequences of implementing the Omnibus Law:

1. The existing law is still valid, except for some articles (legal material) that have been replaced or declared invalid.
2. The existing law is no longer enforced, if the article (legal material) that is replaced or declared invalid is the core of the law



Business Licensing is One of Key Changes in Omnibus Law



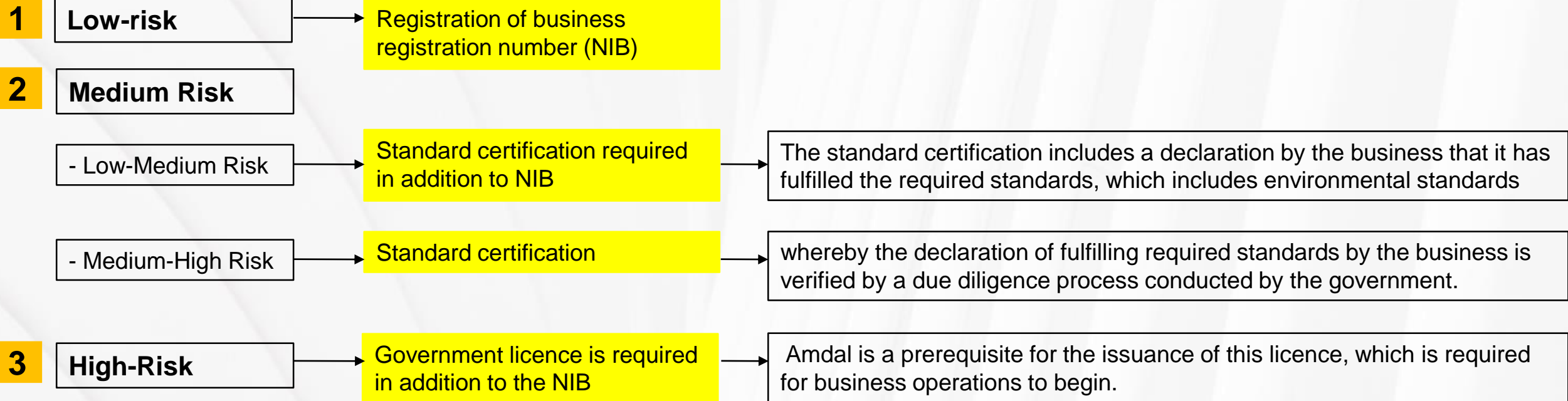
Omnibus Law would amend 79 Laws
1,244 Articles

1	<u>Simplification of doing Business</u> Consist of ESG, building and location permit, IMB & SLF, etc	52 Laws (770 Articles)
2	<u>Investment Requirement</u> Limited business (Kegiatan Usaha Tertutup); Priority List	13 Laws (24 Articles)
3	<u>Manpower</u> Labor, severance pay, foreign workers, outsource, expatriates, etc	3 Laws (55 Articles)
4	<u>Ease, Protection and Empowerment of Micro, SMEs</u> Collaboration, processing partnership, incentive, etc	3 Laws (6 Articles)
5	<u>Ease of doing business</u> Immigration, patent, village-owned enterprises, monopoly, etc	9 Laws (23 Articles)
6	<u>Supports for Research and Innovation</u> Development of Export, special assignment for SOEs/Private companies	2 Laws (2 Articles)
7	<u>Government Administration to Support Job Creation</u> Discretion, NSPK (standard), system and electronic docs	2 Laws (14 Articles)
8	<u>Sanctions</u> Administrative sanctions, warning, suspension	49 Laws (295 Articles)
9	<u>Land Procurement</u> Land procurement, Forestry	2 Laws (11 Articles)
10	<u>Central Government Investment and Ease for National Strategic Project</u> Establishment of Indonesia SWF, permit simplification	2 Laws (3 Articles)
11	<u>Economic Zone</u> SEZ: one stop service, Industrial Area, Special facility for SEZ	5 Laws (38 Articles)

Simplification of Licensing through Risk-Based Method



Risk-based licensing (Articles 9, 10, 11 of Omnibus Law)

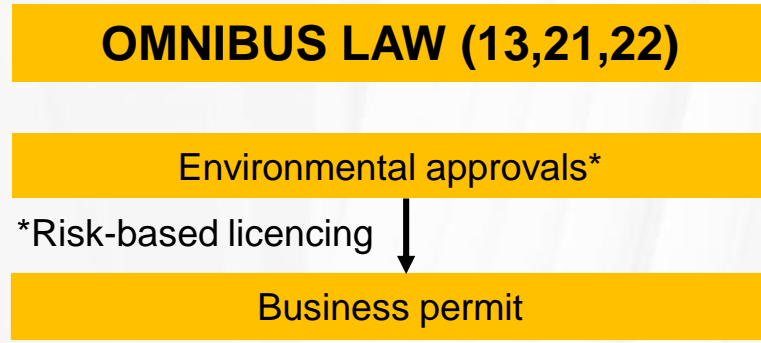
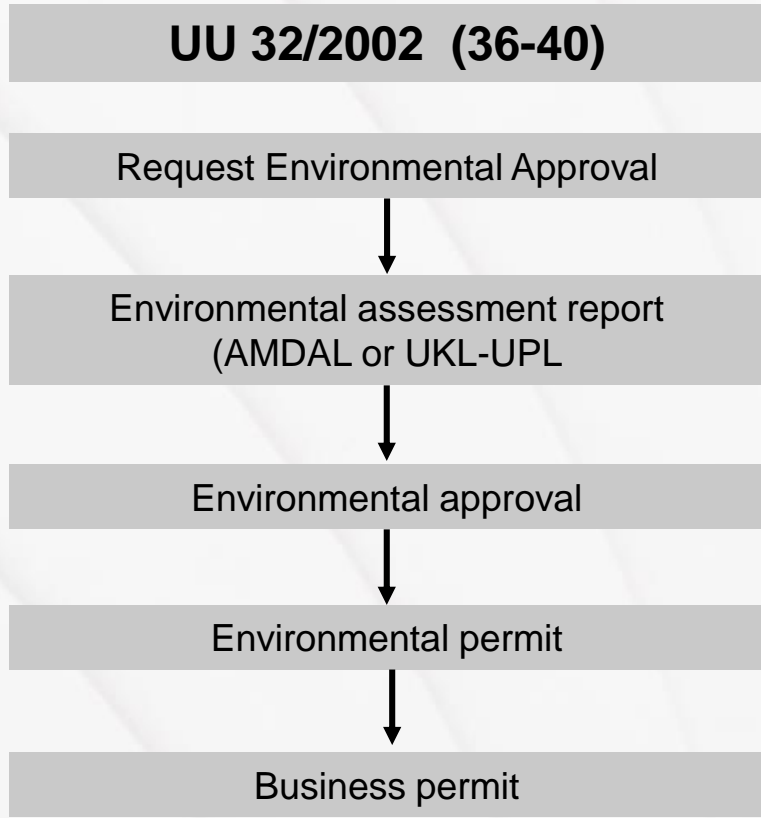


With risk-based licensing, business licensing in low to low-medium industries would be freer from regulatory hindrance

Environmental Approvals will Still Be Needed Especially for High Risk Businesses



Business Permit Process



By integrating the environmental approval into business permit, the Omnibus Law stipulates the **revocation of the business permit** and **halting of operations** in the event of a breach of environmental commitment/regulation such as :

- Providing incorrect data AMDAL /UKL-UPL
- Failure to commit to the requirements stated in AMDAL/UKL-UPL



Omnibus Law and the Establishment of Indonesia Sovereign Wealth Fund



Theme and Mandate

- Established by Indonesian law as a sui generis Indonesian legal entity
- Mandate:
 - Asset optimization (e.g., shares in SOEs, fixed assets, operating assets) through corporate actions
 - Attract investments by co-investing with both overseas and local partners
 - Play active role in Improving Indonesian investment climate



Governance

- Management of the entity in majority **professional**
- Management of the Institution's asset is fully conducted by the management of the Institution based on the principle of good, and accountable governance.
- Audit of the management and financial accountability by public accounting firm



Investment Activities

- **Asset management** activity (transfer asset, dissolution of asset)
- Cooperation with the third party by establishing **fund and sub fund**
- **Independency** of asset management (investment decision)



Investment Universe And Strategies

- Public and private **equity, project financing, debt instruments**
- **Key sectors of Indonesian economy** (selection of priority socio-economic investments)
- Investment horizon: **medium-to-long term**
- Geography: **domestic in its inception with the possibility to go overseas**
- **Obtain board-level positions** to oversee operations and significant value-add for the economy

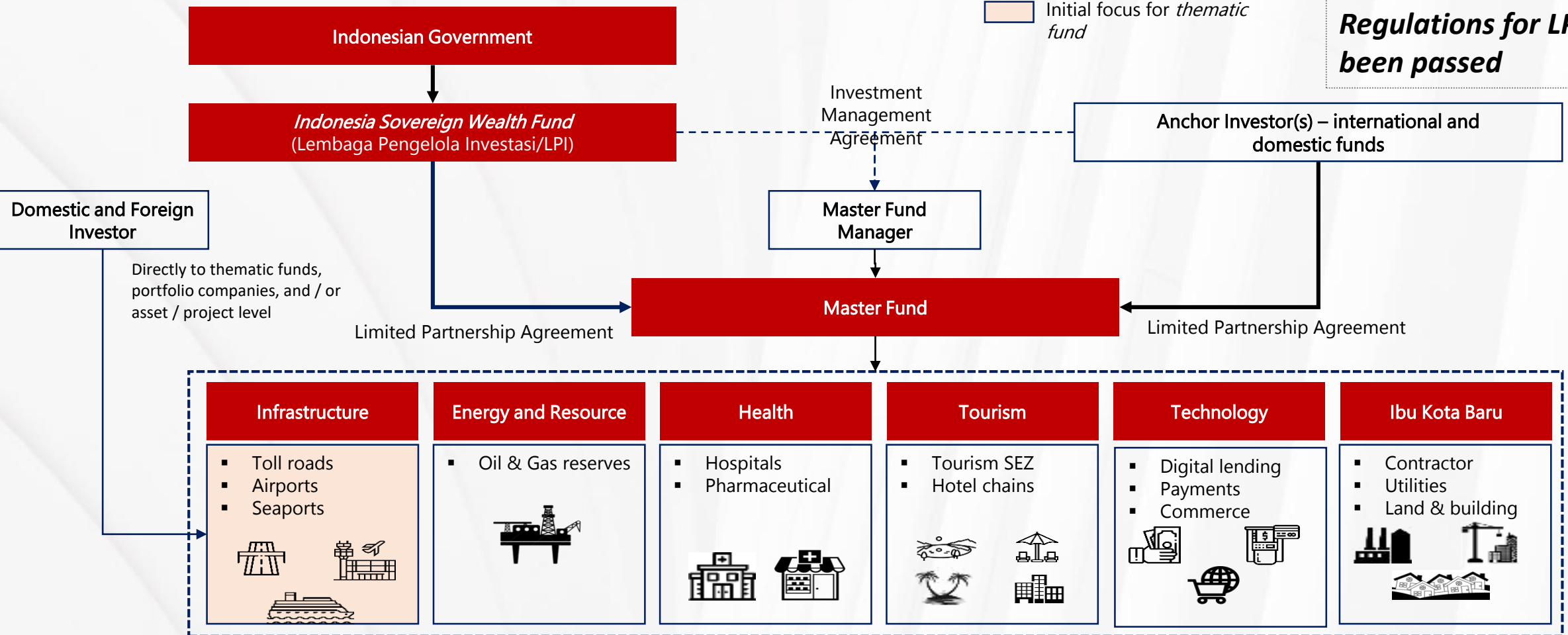
Investments in Indonesia Will Be Made Through Indonesia Investment Authority



The Fund seeks to raise an initial capital of **USD 5 Bn** for early development

2 Government Regulations for LPI has been passed

Initial focus for *thematic fund*



Investment Focus to Generate Big Bang for the Buck



Health Sector

Increasing autonomy in the health sector, to prevent shortage of medicine and other medical essential supply



Downstream of Natural Resource

To improve Indonesia economic complexity and reduce dependency on volatile natural resource prices



EV Battery Development

Development using nickel and cobalt, two of main EV battery cathode components



Green Economy

New and renewable energy, EV, REDD+ projects, etc



Downstream Mineral Policy and EV Battery Development



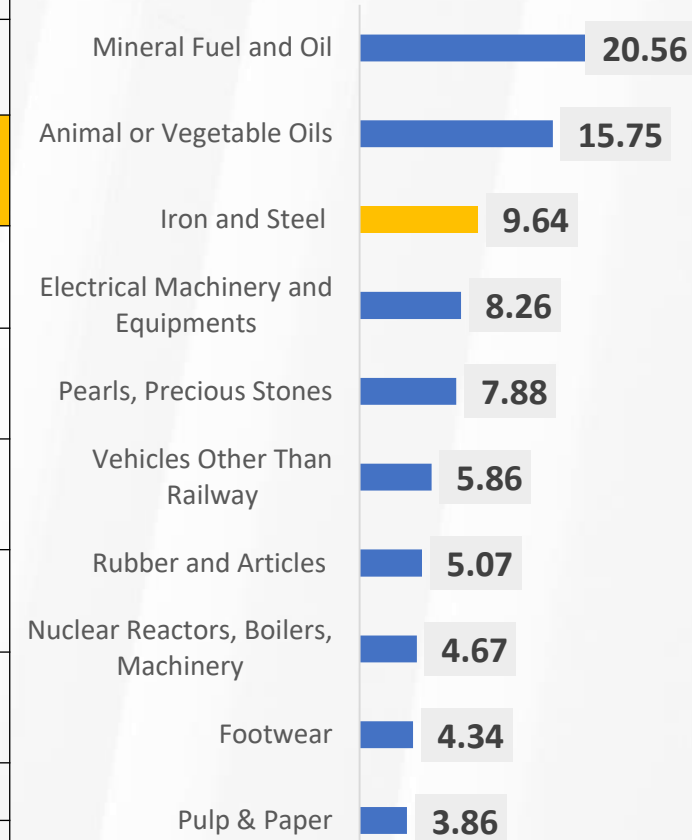
Nickel-Focused Downstream Policy Has Born Fruit; Jump in Iron and Steel Export



Indonesia Export Rank

	10M2018	10M2019	2019	10M2020
1	Mineral Fuel and Oil	Mineral Fuel and Oil	Mineral Fuel and Oil	Mineral Fuel and Oil
2	Animal or Vegetable Oils	Animal or Vegetable Oils	Animal or Vegetable Oils	Animal or Vegetable Oils
3	Electrical Machinery and Equipments	Electrical Machinery and Equipments	Electrical Machinery and Equipments	Iron and Steel
4	Vehicles Other Than Railway	Vehicles Other Than Railway	Vehicles Other Than Railway	Electrical Machinery and Equipments
5	Rubber and Articles	Iron and Steel	Iron and Steel	Pearls, Precious Stones
6	Pearls, Precious Stones	Pearls, Precious Stones	Pearls, Precious Stones	Vehicles Other Than Railway
7	Nuclear Reactors, Boilers, Machinery	Rubber and Articles	Rubber and Articles	Rubber and Articles
8	Iron and Steel	Nuclear Reactors, Boilers, Machinery	Nuclear Reactors, Boilers, Machinery	Nuclear Reactors, Boilers, Machinery
9	Ores, Slag, and Ash	Clothing (Not Knitted)	Clothing (Not Knitted)	Footwear
10	Miscellaneous Chemical Products	Pulp and Paper	Footwear	Pulp and Paper

Top Export in 10M2020 (USD Bn)

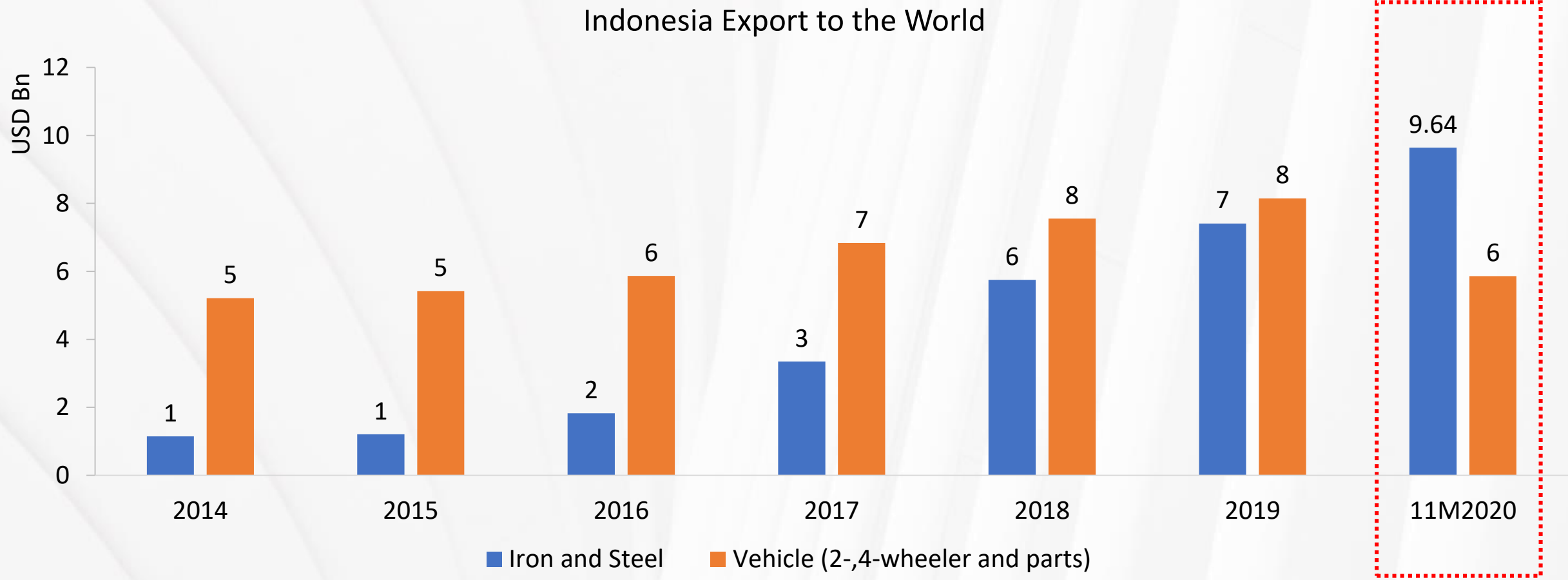


Source: BPS via CEIC

Iron and Steel Export Surpassed Vehicle Export in 11M2020

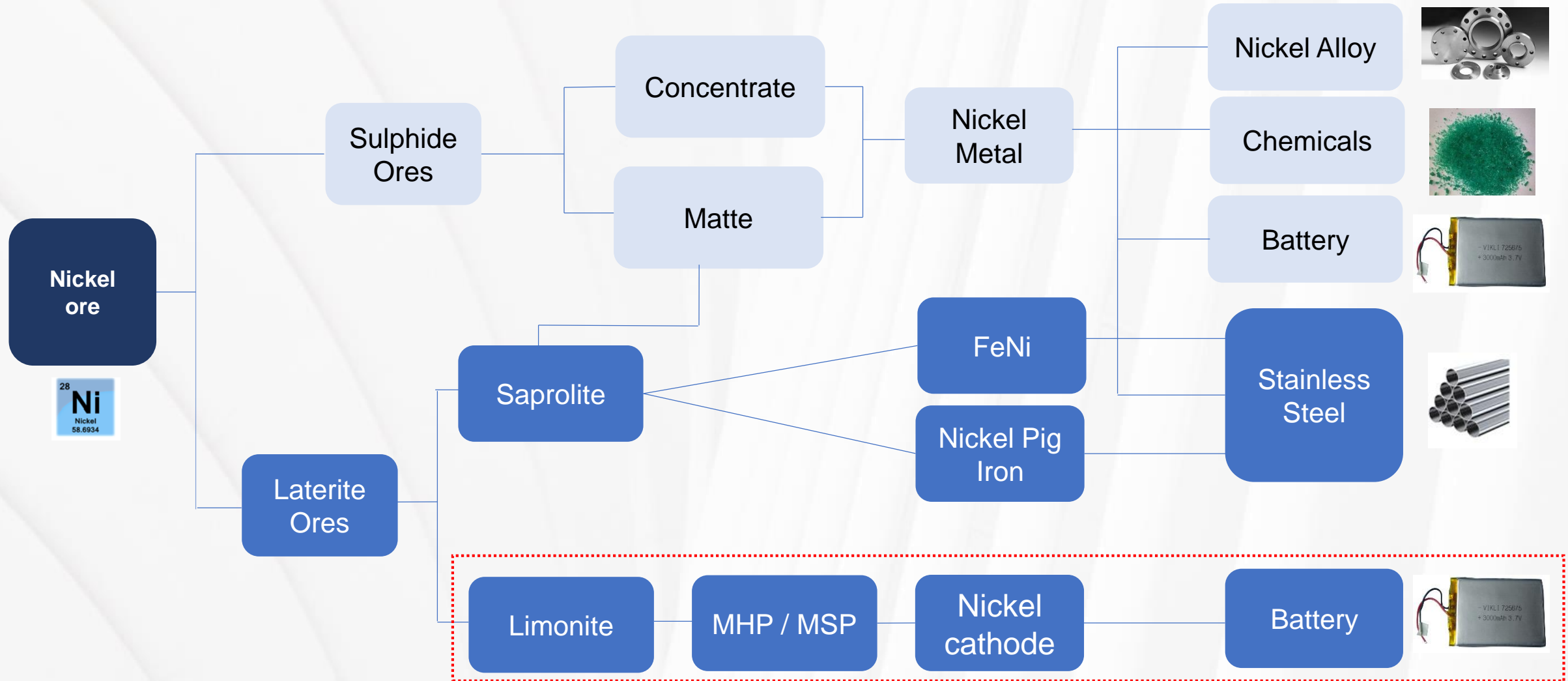


With the current trajectory, iron and steel export in 2020 could reach around USD 10 Bn.





After Focusing on Nickel Processing to Stainless Steel, Indonesia Has Opportunities to Process Nickel to Lithium Battery Component



Mapping for Mineral Downstreaming in EV Development



Tin Solder



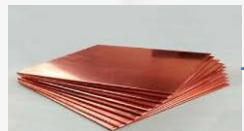
Iron Ore



Nickel Cathode



Aluminium Sheet



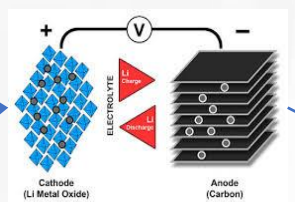
Copper Cathode



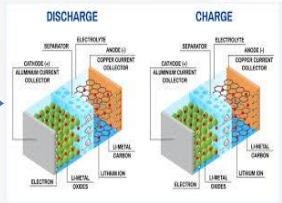
Carbon Steel and Alloy Materials



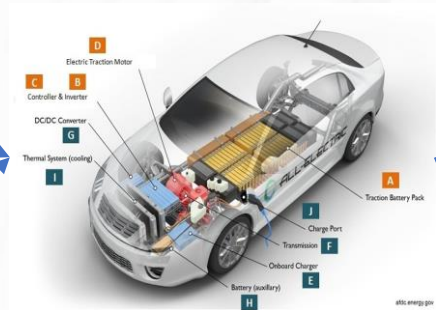
Stainless Steel



Lithium-ion battery cathode



Current Collector



Automotive parts



Lithium-ion Battery

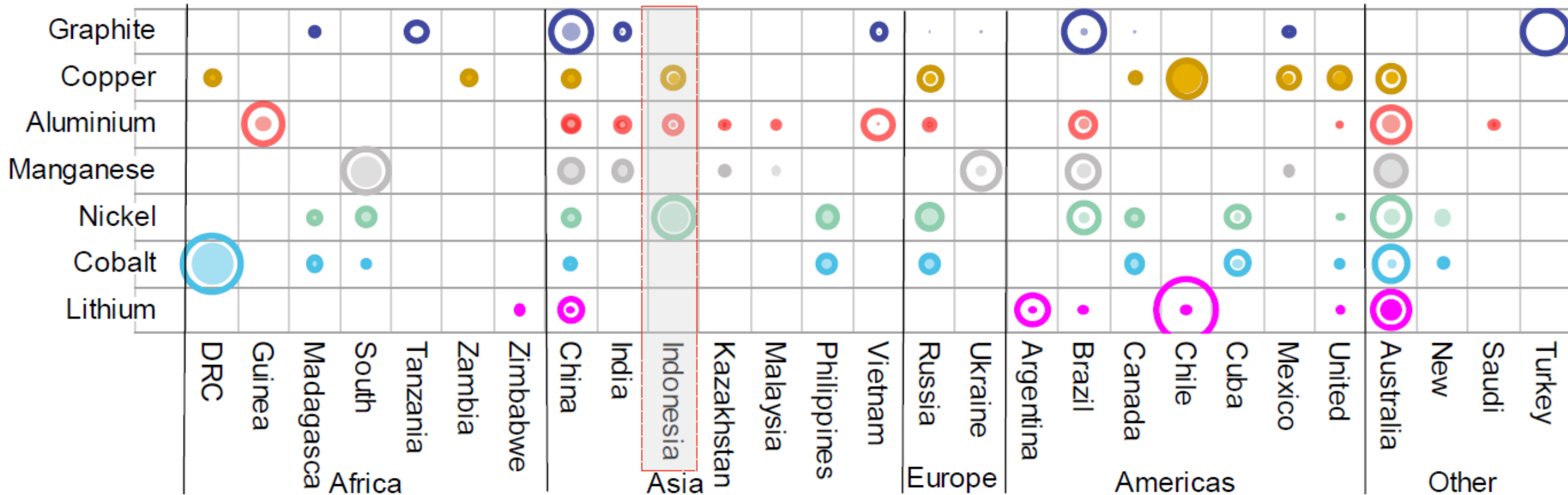


Electric Vehicle

Indonesia Has Enough Reserves to Become A Key Player in EV Battery Industry



Global battery metal reserves and production



Source: US Geological Survey 2019, BloombergNEF. Note: The solid spheres represent production, the outer circle represents the total reserves. Size of spheres and circles denote proportionality of the resource between countries.

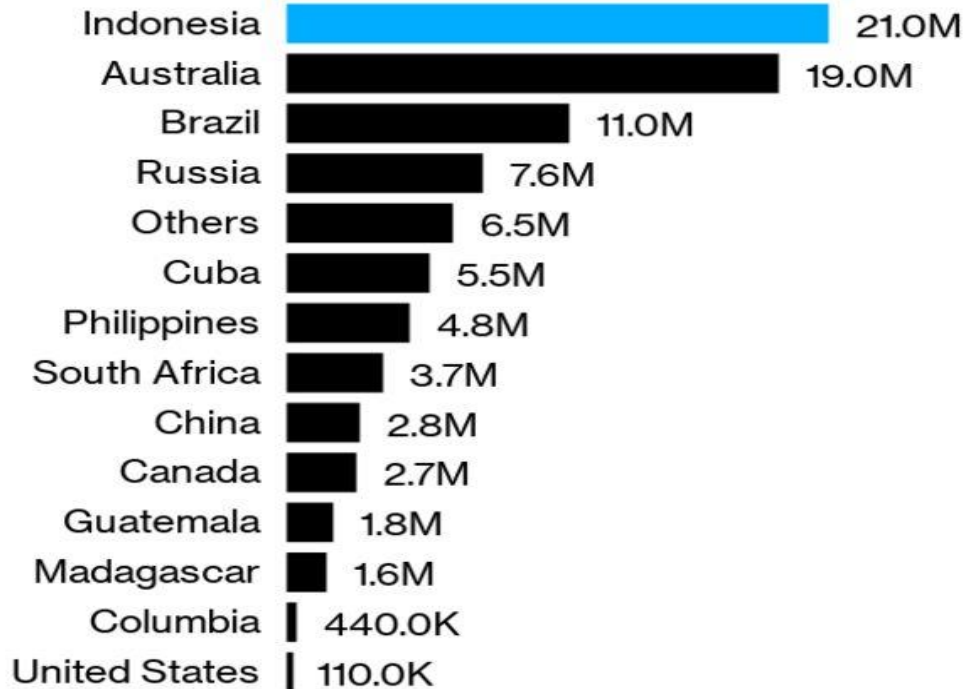


EV Battery Increasingly Need Nickel

Global Advantage

Indonesia's nickel reserves could fuel its electric vehicle ambitions

■ Nickel reserves (tons)



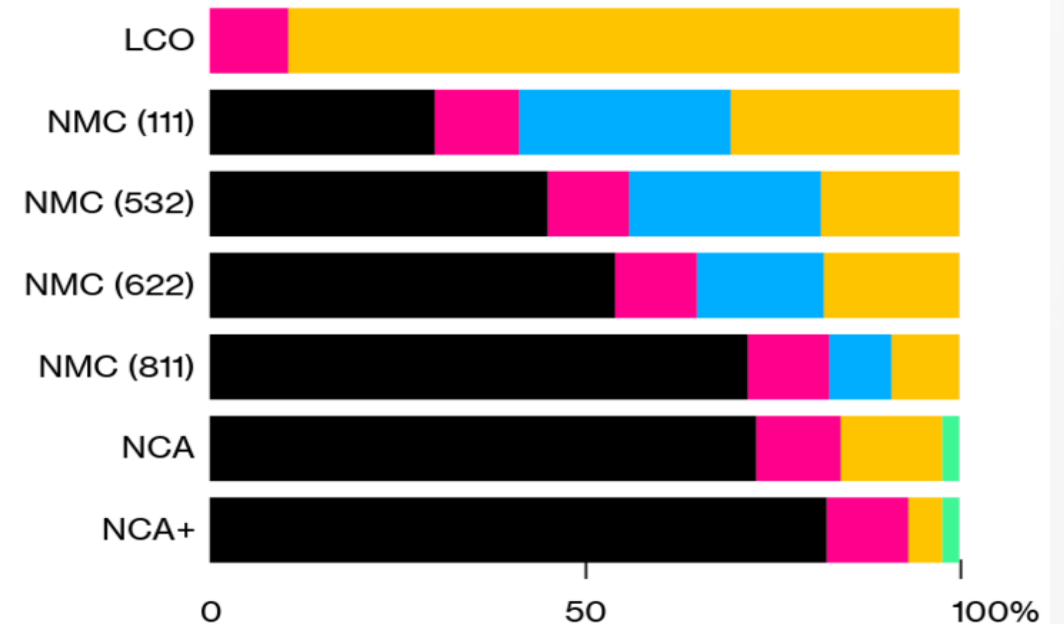
Source: U.S. Geological Survey

Bloomberg

Need For Nickel

The EV industry is moving to use more nickel in battery cathodes

■ Nickel ■ Lithium ■ Manganese ■ Cobalt ■ Aluminum



Source: BloombergNEF

Data shows metal content in battery cathode chemistry types. LCO (lithium cobalt oxide), NMC (lithium nickel manganese cobalt oxide), NCA (lithium nickel cobalt aluminum oxide).

Bloomberg

Prospective Partners in EV Battery Ecosystem Development



Proposal Coverage

Full end to end – in line with gov't

Full end to end – in line with gov't

Project Scale and Schedule

Mostly aligned with gov't, need more discussion on charging station and recycling, off taker guarantee

Mostly aligned with gov't, need more discussion on charging station and ESS, off taker guarantee

Financial and Investment

Solid financial condition, need clarification on cell to pack, recycling, charging station and ESS

Need more study, no detailed calculation yet

Incentive

Extensive incentives needed, in discussion stage with related ministries

Most required incentives covered by existing regulations

Risk Identification

Most risks have been identified, need more study in charging station and ESS

Most risks have been identified, need more study in charging station and ESS

Illustration of full end to end ecosystem





Thank You

