



Indonesia Development Strategy to Address Growth, Inequality and Security Issues

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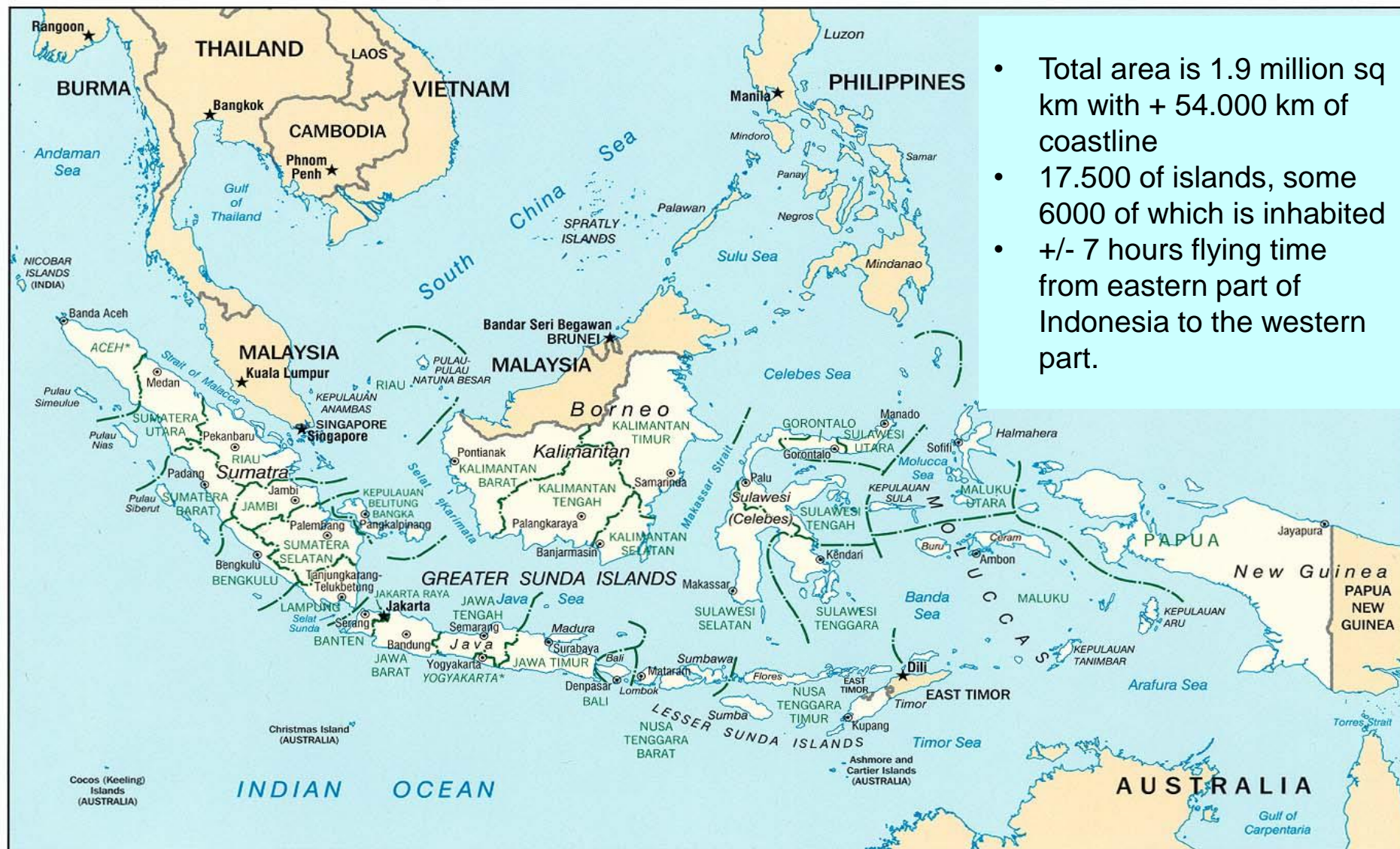
Tackling Key Issues on Security Matters

Republic of Indonesia: largest Archipelago Country in the World



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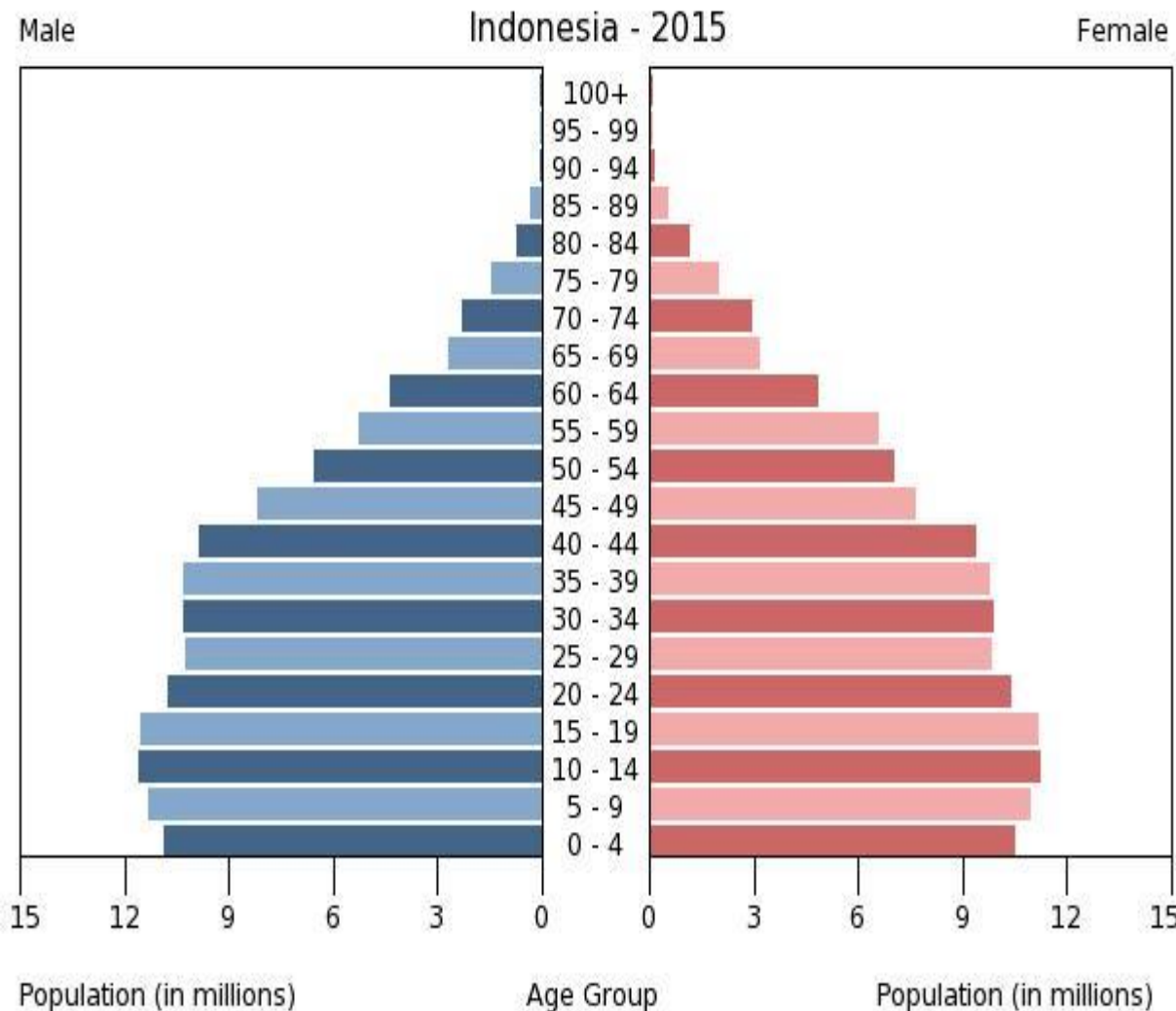
- Total area is 1.9 million sq km with + 54.000 km of coastline
- 17.500 of islands, some 6000 of which is inhabited
- +/- 7 hours flying time from eastern part of Indonesia to the western part.



4th Most Populous Country and 3rd Largest Democracies in The World



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- Total population in Indonesia is ~255 million people, 59% of which are in productive age (15-55 years).
- We are the 3rd largest democracies in the world, after India and United States
- Indonesia is the largest muslim countries with more than 220 million muslim population.
- We have more than 300 ethnic groups and +700 languages

Indonesia General Election 2014: Volunteer and Social Media



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1

~ 133 million people (70% of eligible voters) participated in the 2014 presidential election. **It was the largest since 2004.** More Indonesians voted for Jokowi compared to Americans who elected Barack Obama in 2008.

2

It was the most transparent process in our history. The general public had direct access to monitor the result form from each available ballot.

3

Volunteer groups play a much more significant role compared to previous elections, especially through social media and internet.

No	Tempat	Prabowo	Jokowi	#Valid	#Invalid
1	ACEH	595037 57.14%	446248 42.85%	1041179	30466
2	SUMATERA UTARA	1680088 42.09%	2310793 57.90%	3990895	20644
3	SUMATERA BARAT	1353347 77.76%	387053 22.23%	1740112	14582
4	RIAU	261063 49.25%	268914 50.74%	529937	4932
5	JAMBI	832308 48.78%	873870 51.21%	1706062	13700
6	SUMATERA SELATAN	873840 53.14%	770537 46.85%	1644046	14522
		431420 45.31%	520594 54.68%	951763	8219
		720340 47.62%	792044 52.37%	1512033	12455
		157336 33.74%	308962 66.25%	466268	4788
		115271 38.68%	182708 61.31%	297750	2546
		2272295 46.83%	2579113 53.16%	4848231	54613
		1379106 32.30%	2889413 67.69%	4267917	46564
		969037 44.13%	1219036 55.86%	2181444	33831
		1420623 46.0%	1603327 53.9%	3023950	115410



Joko Widodo Road to Presidency..



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Jokowi ran for the mayor's second term, and won **90%** of the votes.

2005

....

2010

....

2012

....

2014

- Joko Widodo (Jokowi) ran for the mayorship of the city of Solo, Central Java, and won by **~37%.**

SOLO

- Jokowi ran for the Governorship of Jakarta against the incumbent, Fauzi Bowo.
- Jokowi won with **~54%**, through 2 stage election.
- He was the 1st non-incumbent candidate who won since 2000.

JAKARTA

- Jokowi and Jusuf Kalla ran for the presidential election against Prabowo Subianto & Hatta Rajasa.
- Jokowi won with **53.15% vs 46.58%**

INDONESIA

Indonesia Economic Profile

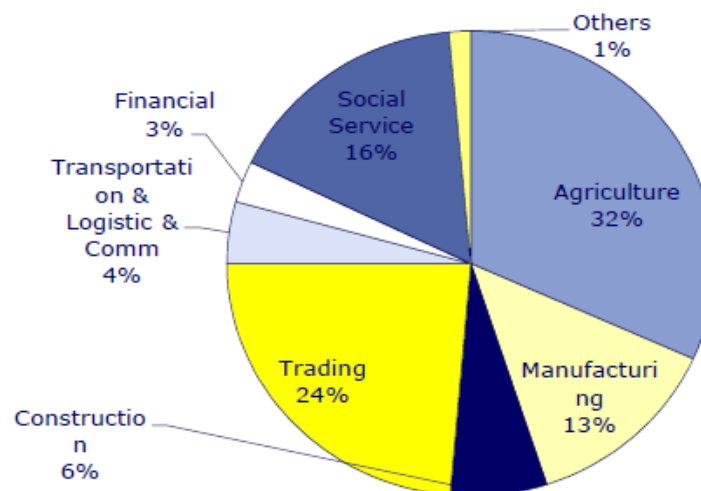


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Economic Profile:

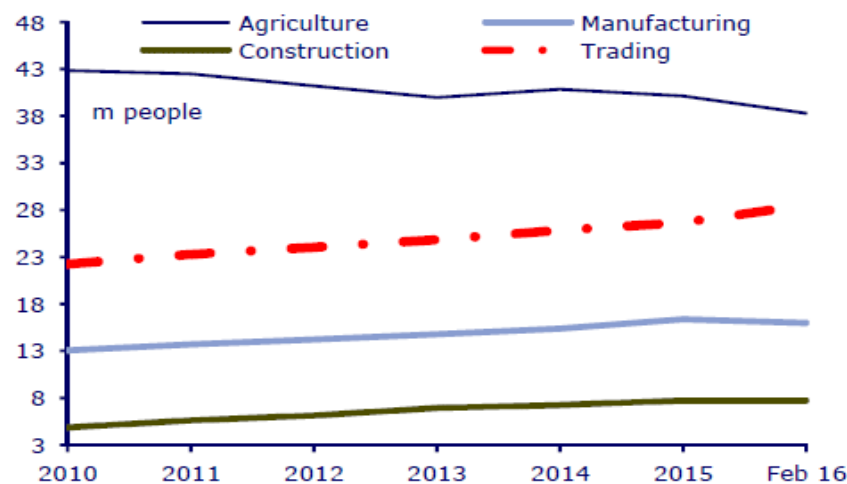
- GDP: ~US\$ 900 billion (16th largest in the world by 2016). It is the largest economy in Southeast Asia
- GDP growth: 5.18% in 2Q 2016
- Inflation: 2.79% yoy August 2016
- National Budget: US\$ 157 billion in 2016
- Unemployment rate: 5.5% in February 2016
- Public Debt : US\$ 240 billion or 27% to GDP as of 2015
- 32% or 38 million people are working in agricultural sector

Labour per sector



Source: Gov't

Labour per sector trend



Source: CLSA and Badan Pusat Statistics

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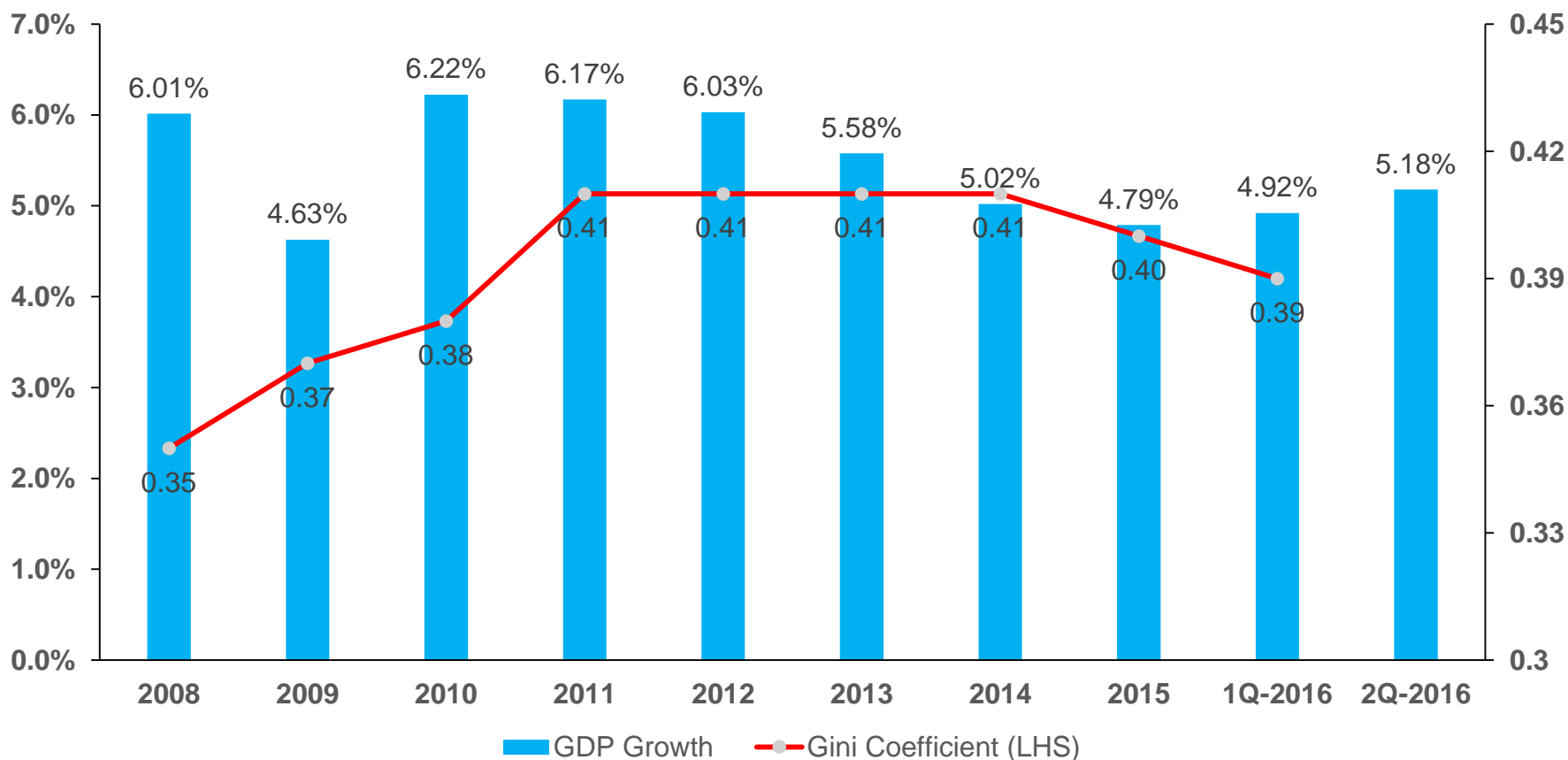
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High GDP Growth and Increased Inequality During 2008-2012 Due to Commodity Price



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During 2008-2012, Indonesia enjoyed high GDP growth due to increase in commodities price, however these also followed by increase in income inequality, since the main benefit of increased in commodity prices is enjoyed only by selected group of population

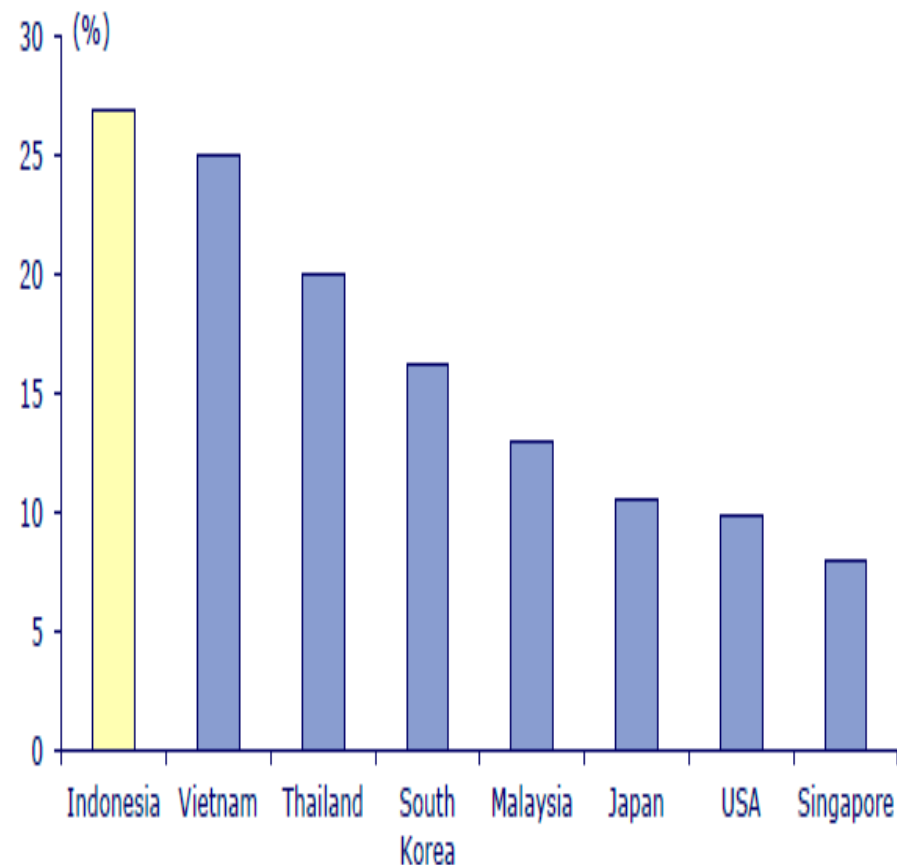


High Logistic Cost Lower Our Economic Competitiveness

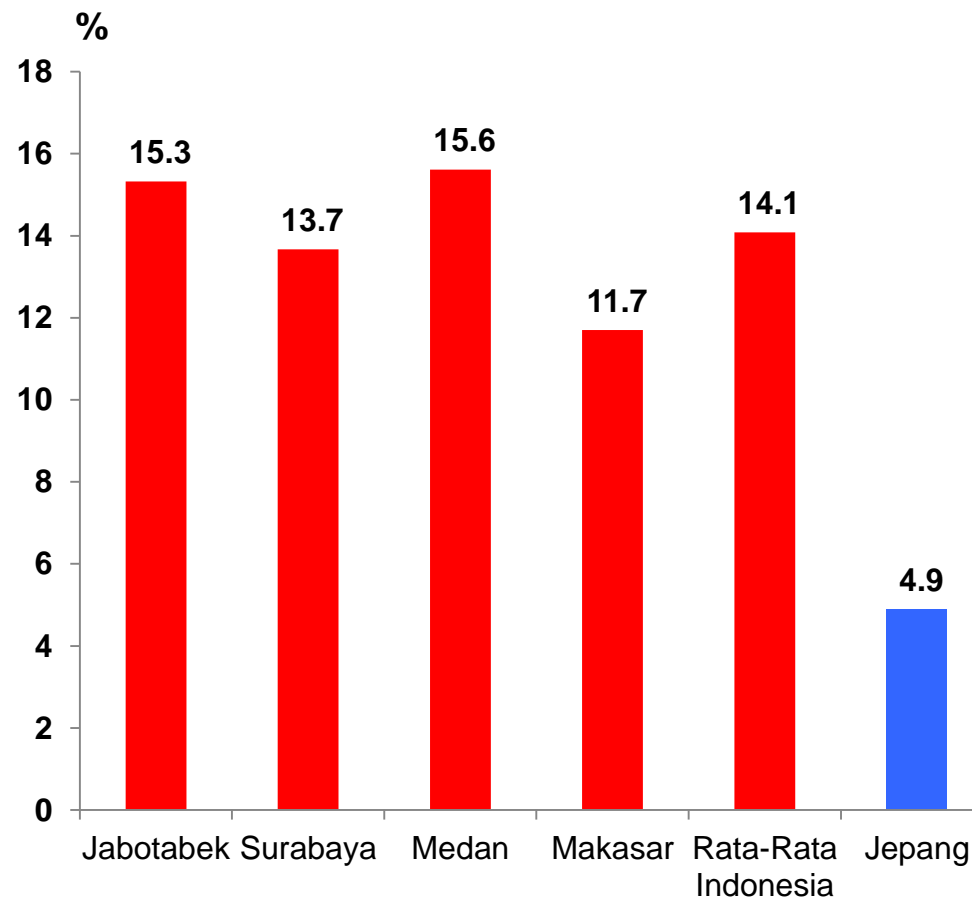


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Logistic Cost to GDP



Cost of Transportation as % to Total Cost



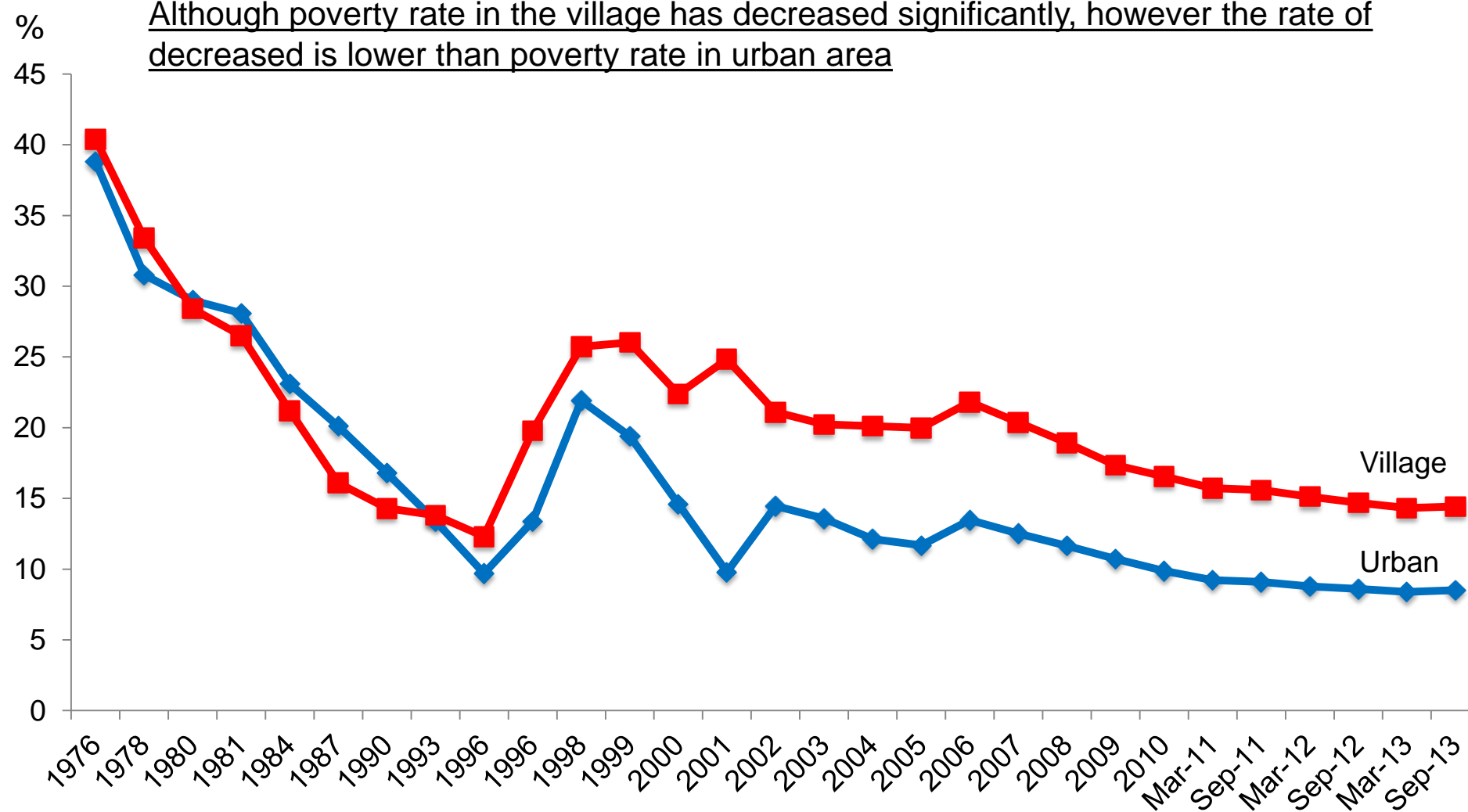
Sumber: CLSA and Ministry of Transportation

Wide Gap on Poverty Rate Between Population Living in The Village and Urban Area



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Although poverty rate in the village has decreased significantly, however the rate of decreased is lower than poverty rate in urban area

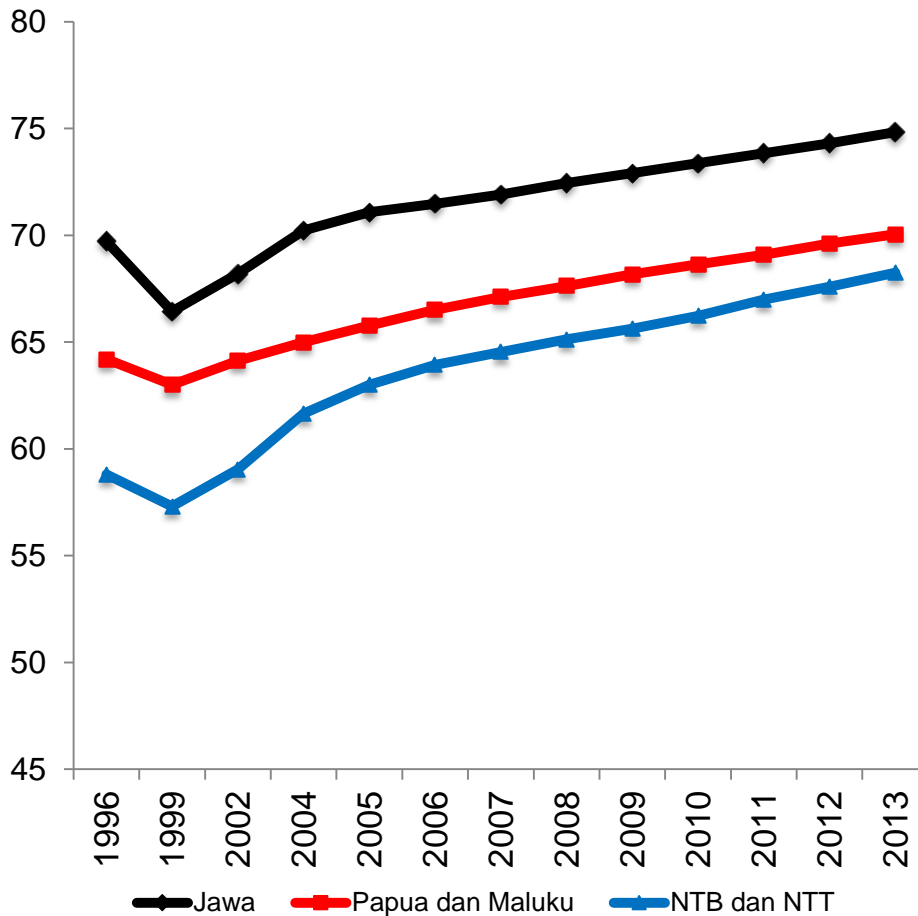


Low Dependency Ratio, But Diverse Human Development Index (HDI)

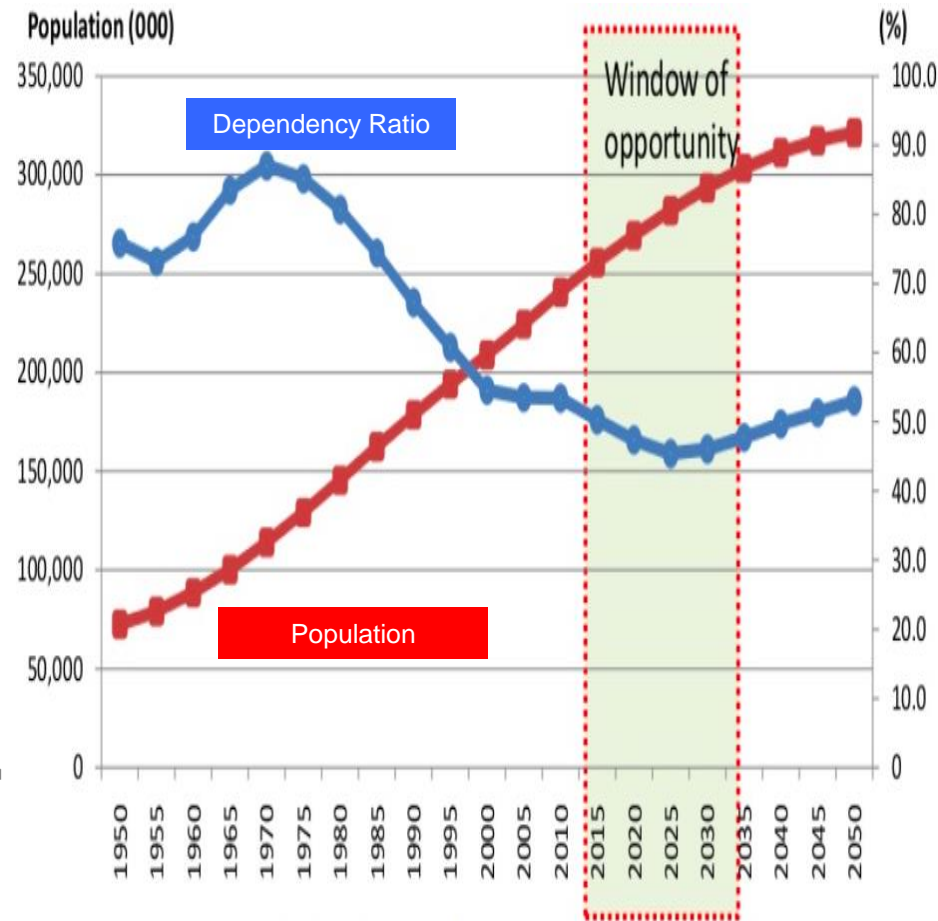


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Gap of HDI between population in Java and East Indonesia (Papua, Maluku, NTB, and NTT) is still wide



...Those gap may change our demographic bonus into a demographic disaster if we don't fix the problem

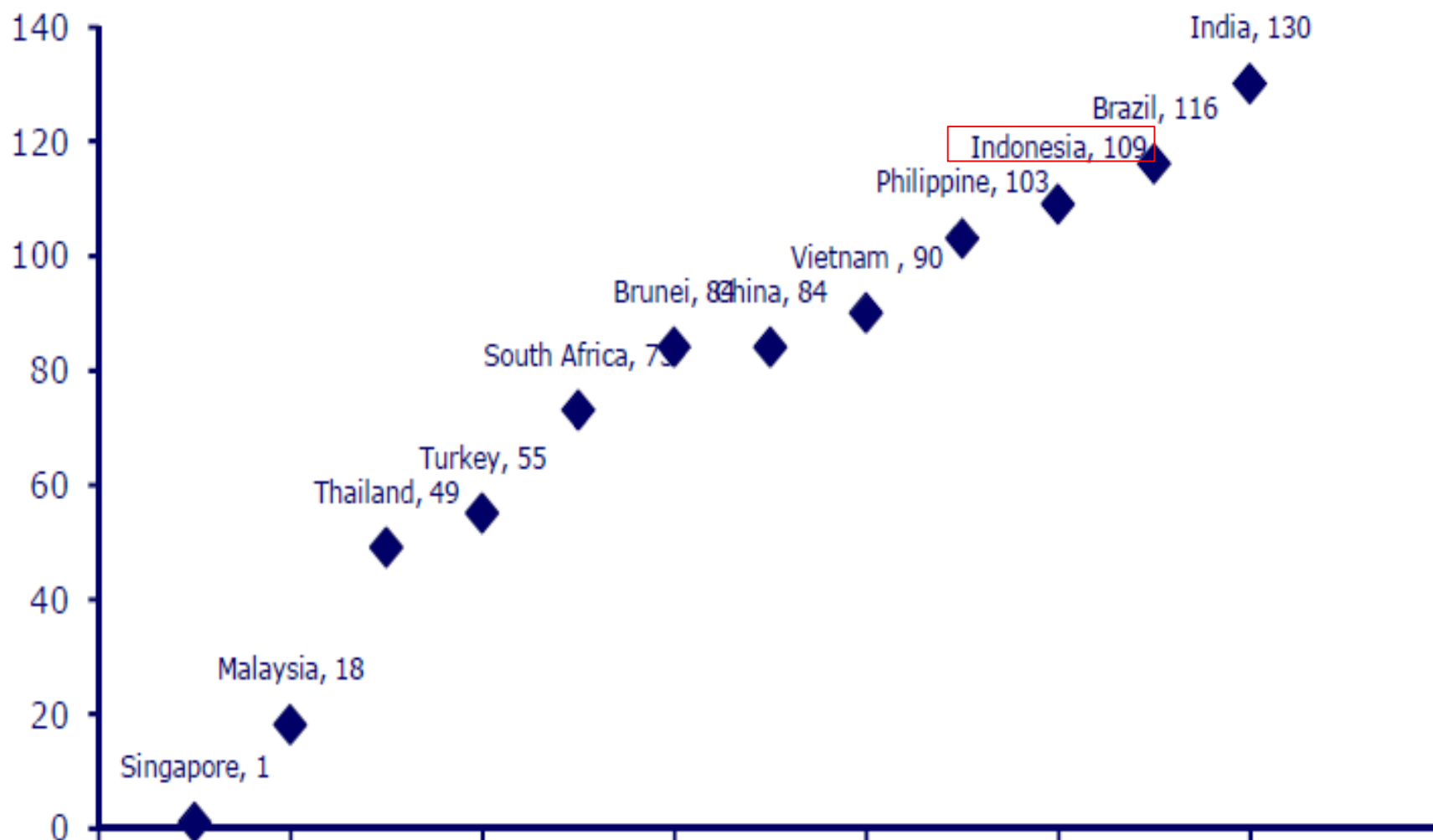


Reform is Needed to Improve Investment and Business Climate



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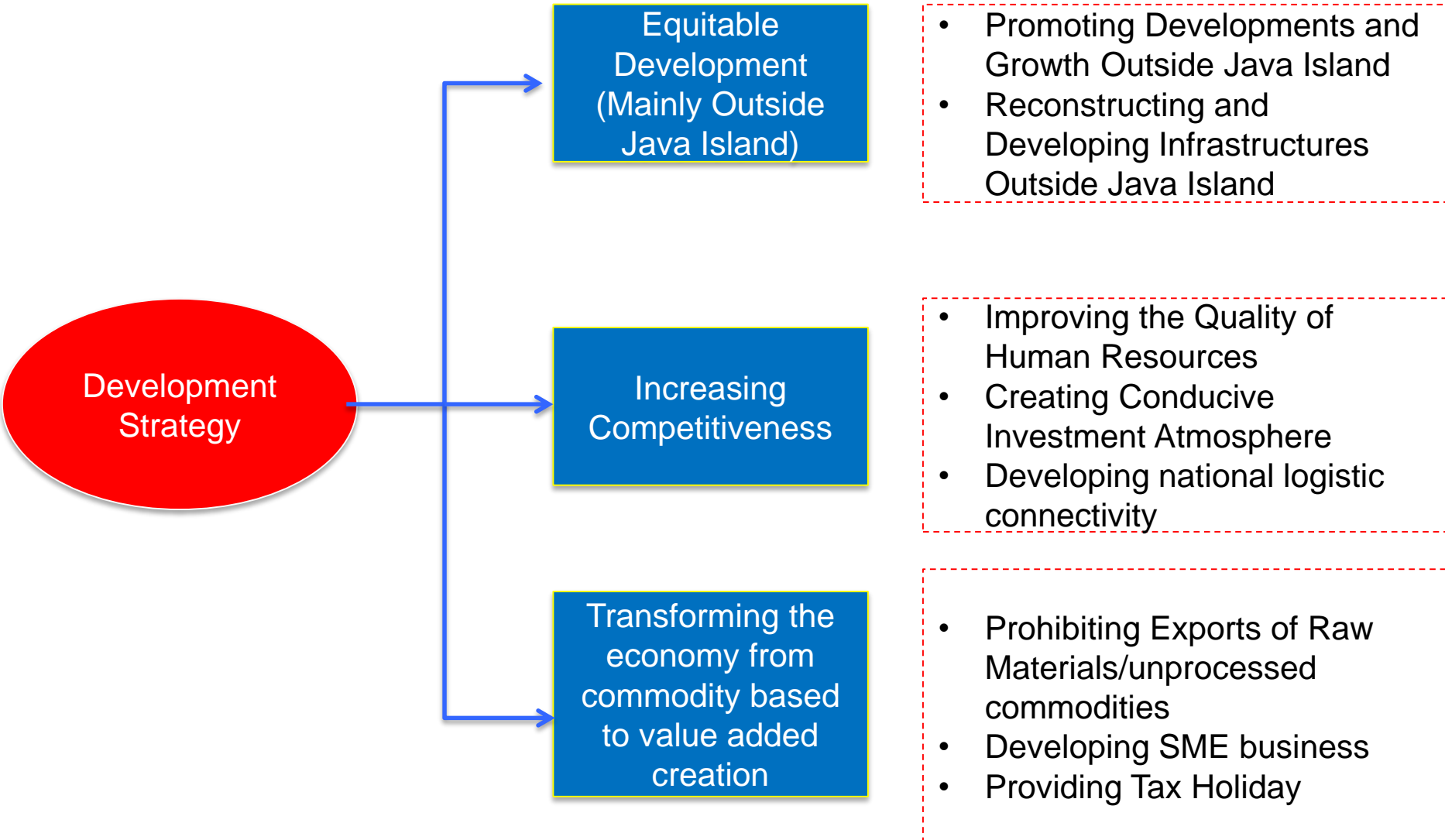
2016 World Bank Ease of Doing Business



Development Strategy



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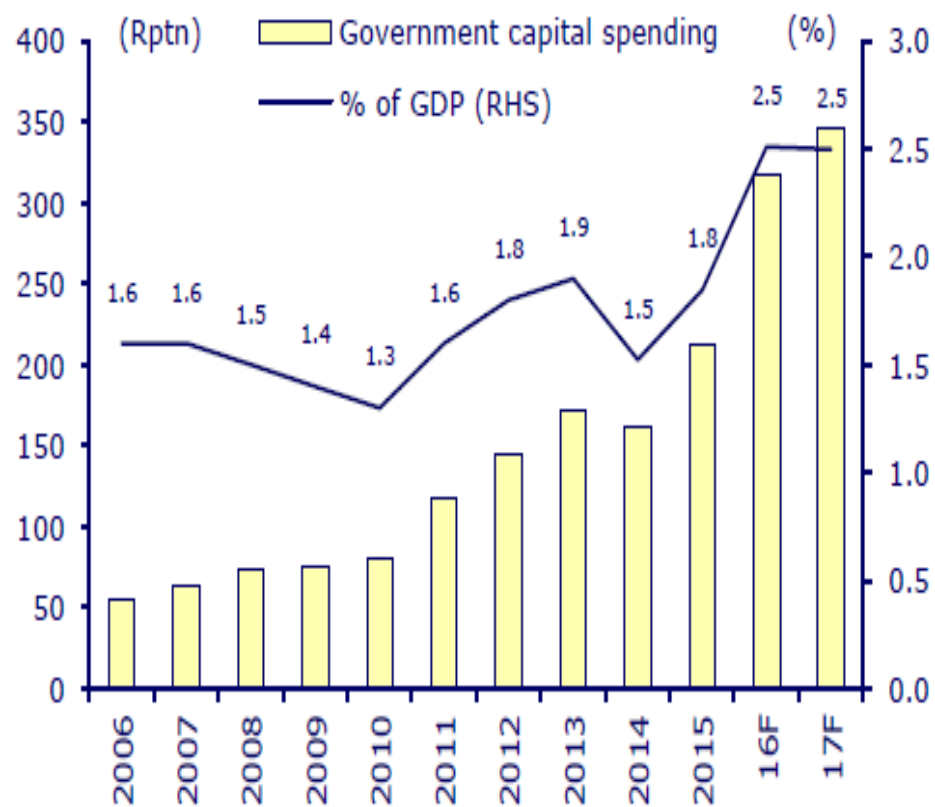
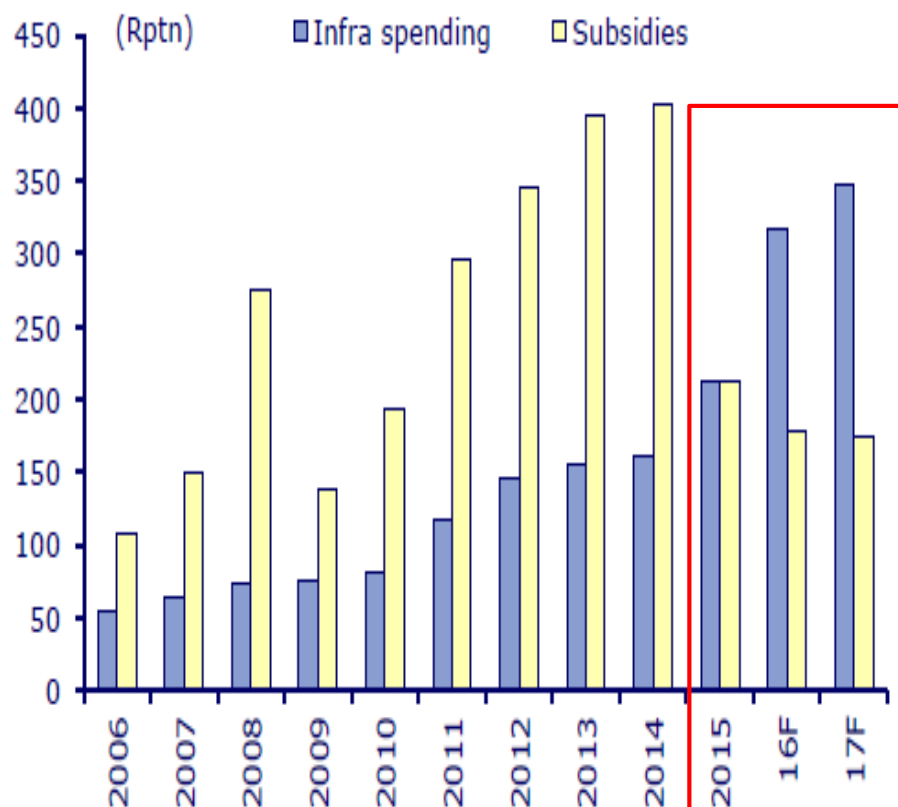


Government Commit to Build Infrastructure and Reduce Subsidies



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Since President Joko Widodo is inaugurated in Oct 2014, He took out the fuel subsidy (although it is unpopular policy) and re-allocate the budget to build infrastructure

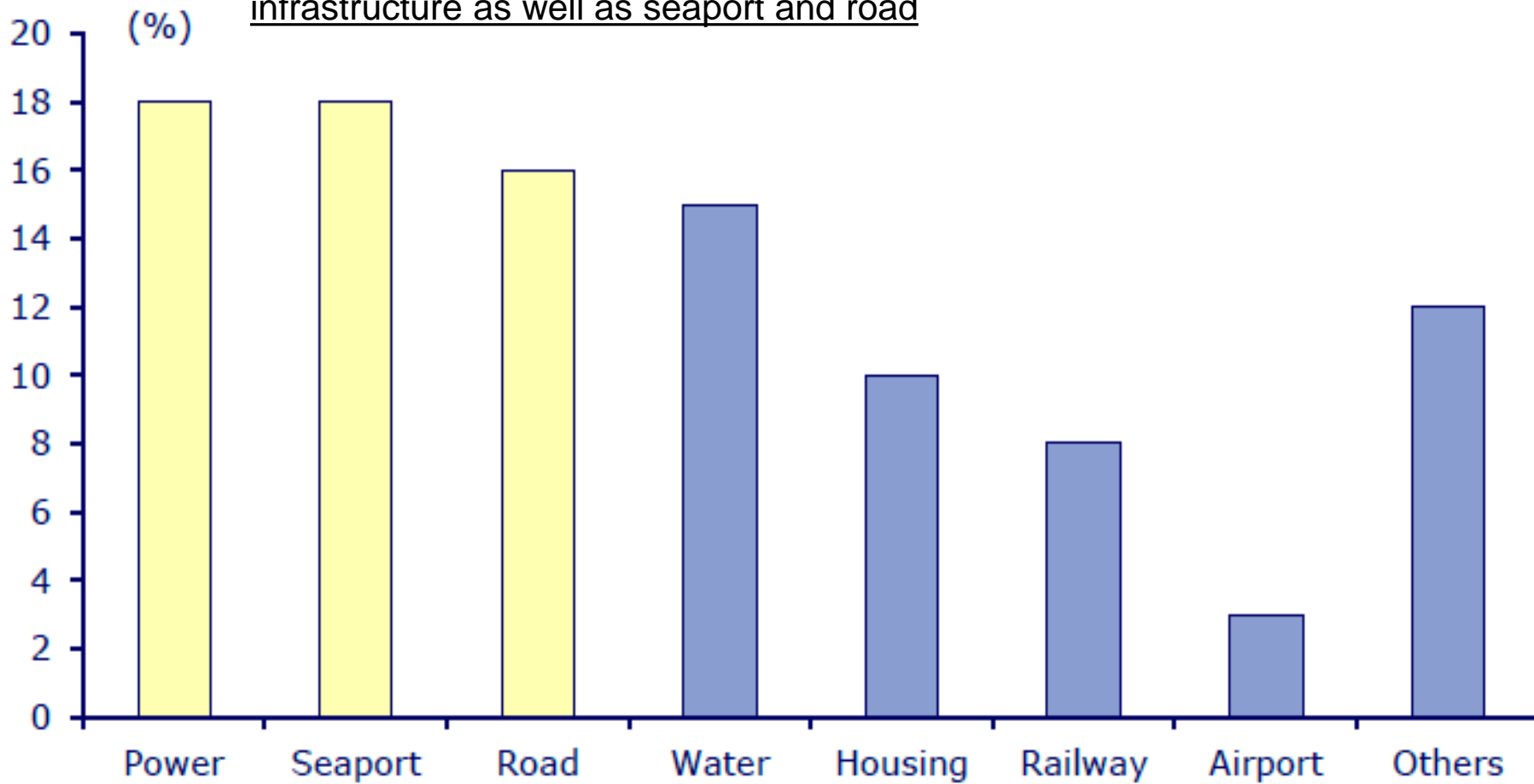


US\$ 450 Billion to Fund Infrastructure Roll-Out Until 2019



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More than 50% of the fund will be allocated to build power/electricity infrastructure as well as seaport and road

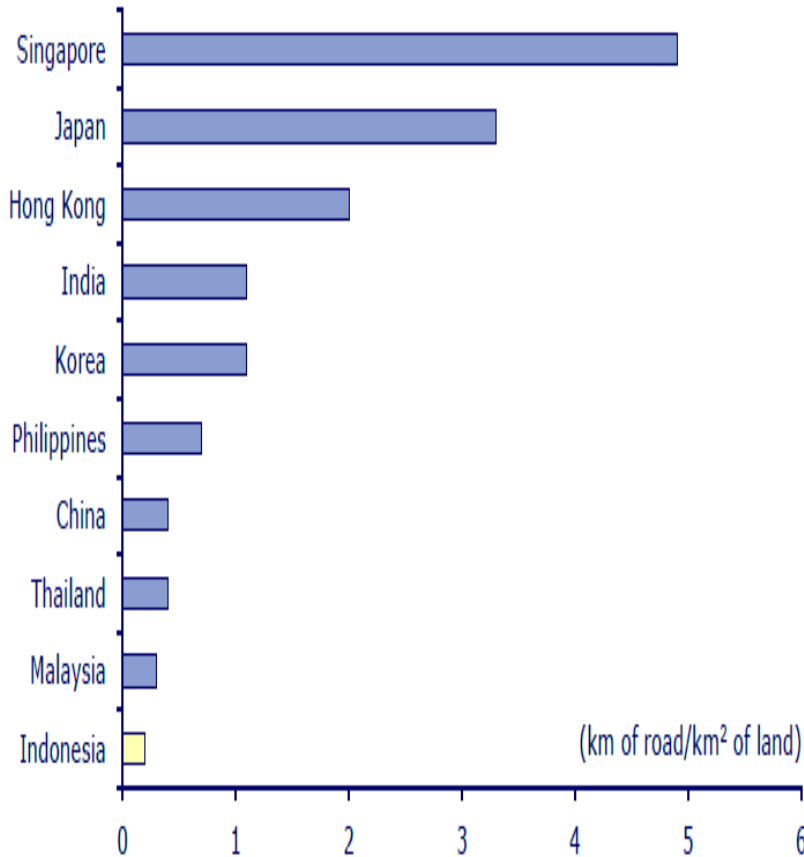


Extensive Toll Road Construction from 2015-2020

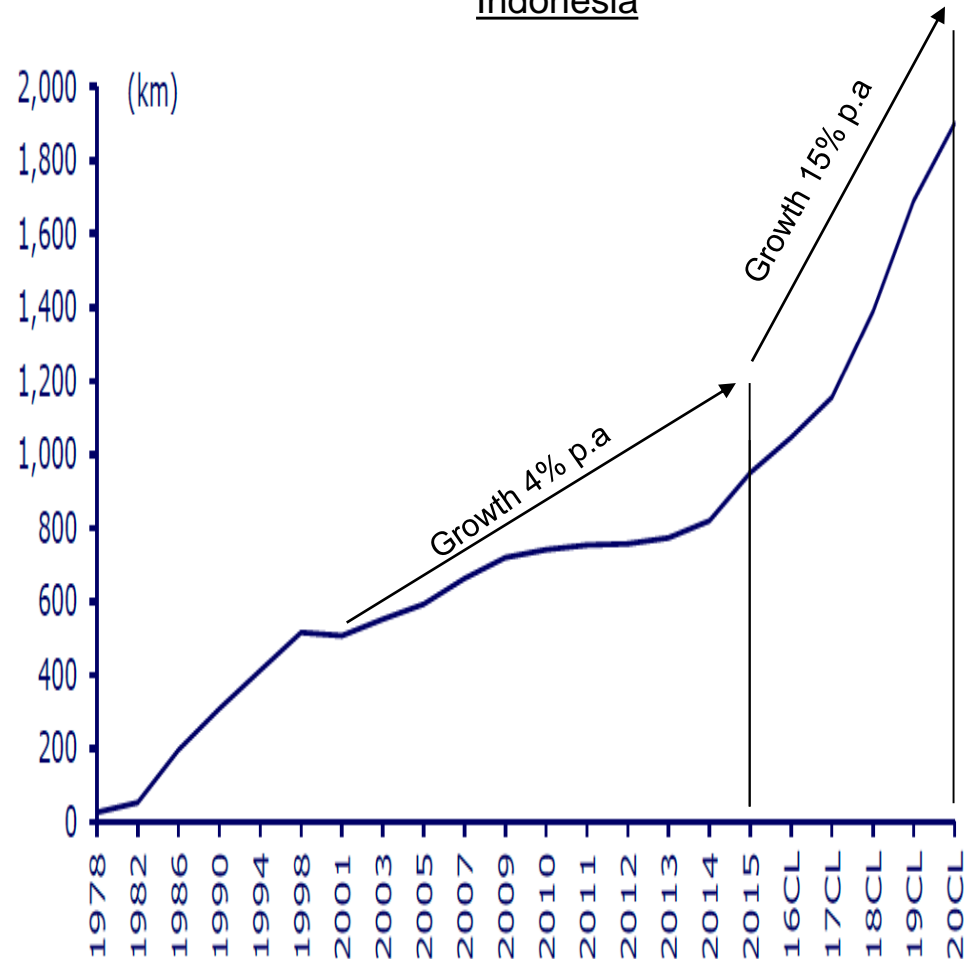


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Road Density in Indonesia is The Lowest
Among its peers



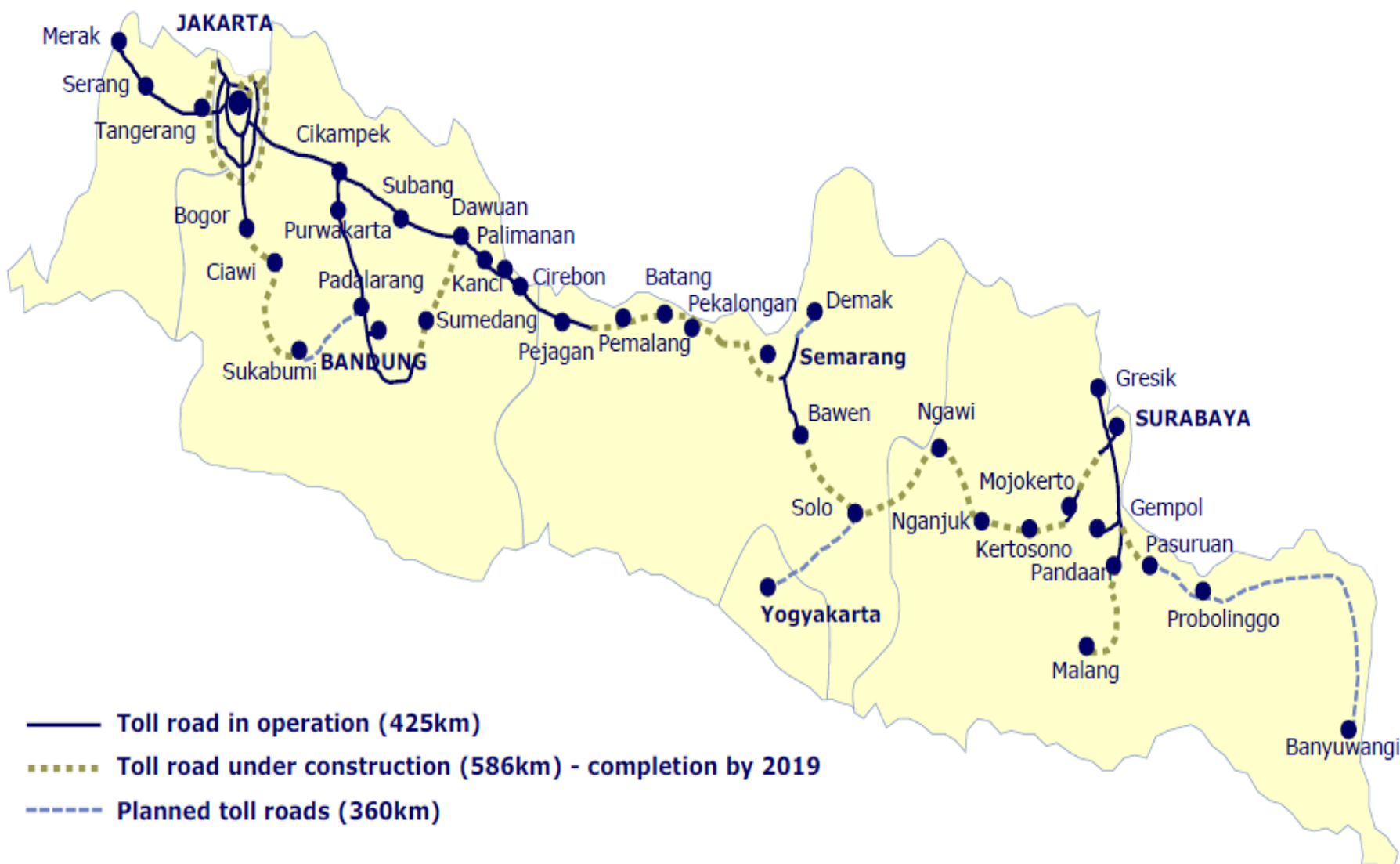
Toll Road Network in
Indonesia



Construction of Trans Java Toll Road



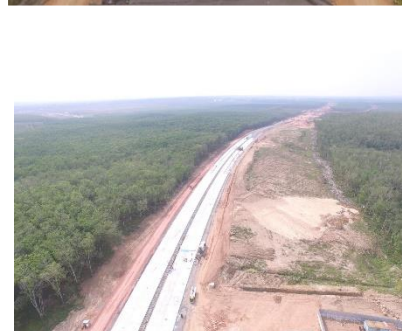
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Construction of Trans Sumatra Toll Road



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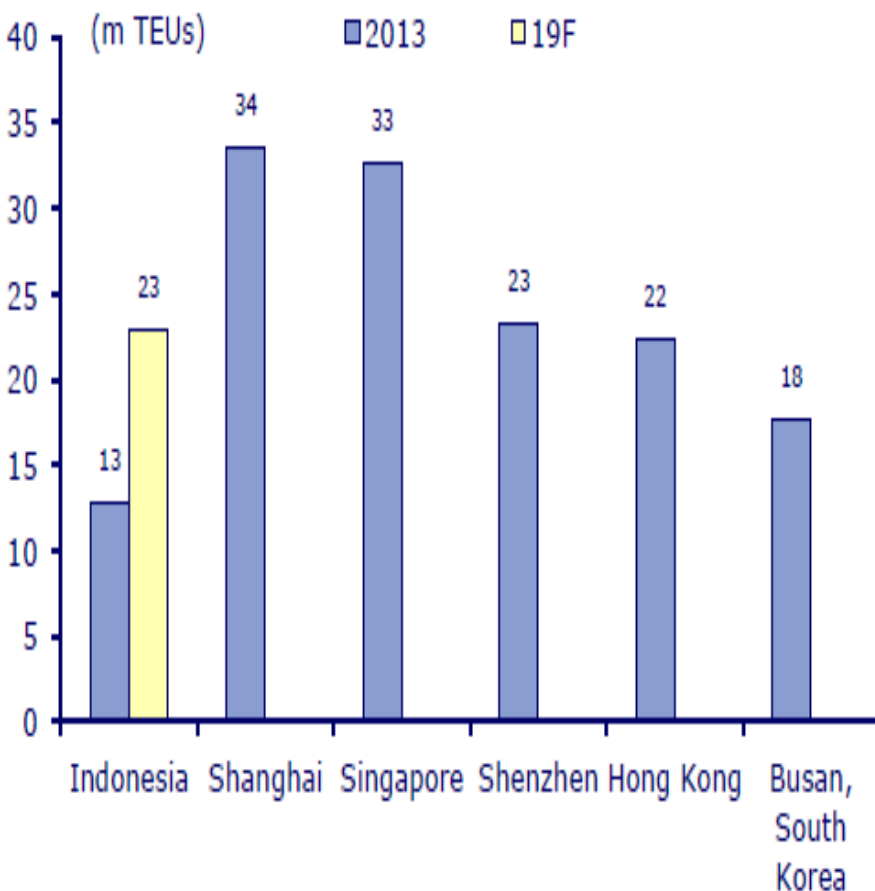


Increasing Port Capacity is Imperative to Support Higher Economic Growth

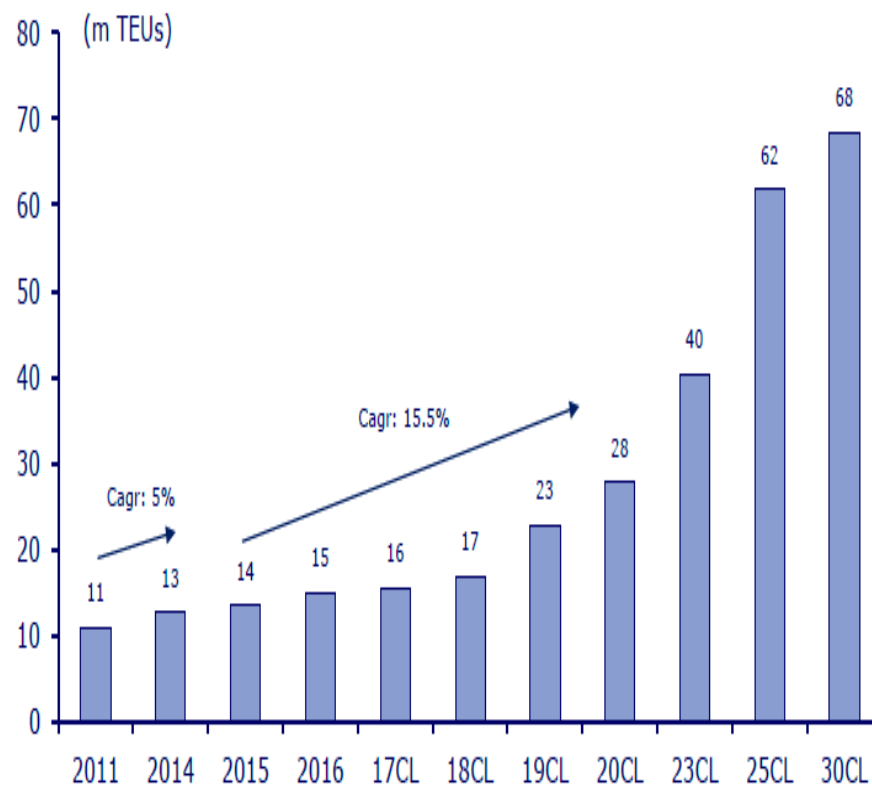


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Port Capacity Comparison Between Indonesia and Surrounding Countries



Indonesia Port Capacity Expansion Plan Until 2030

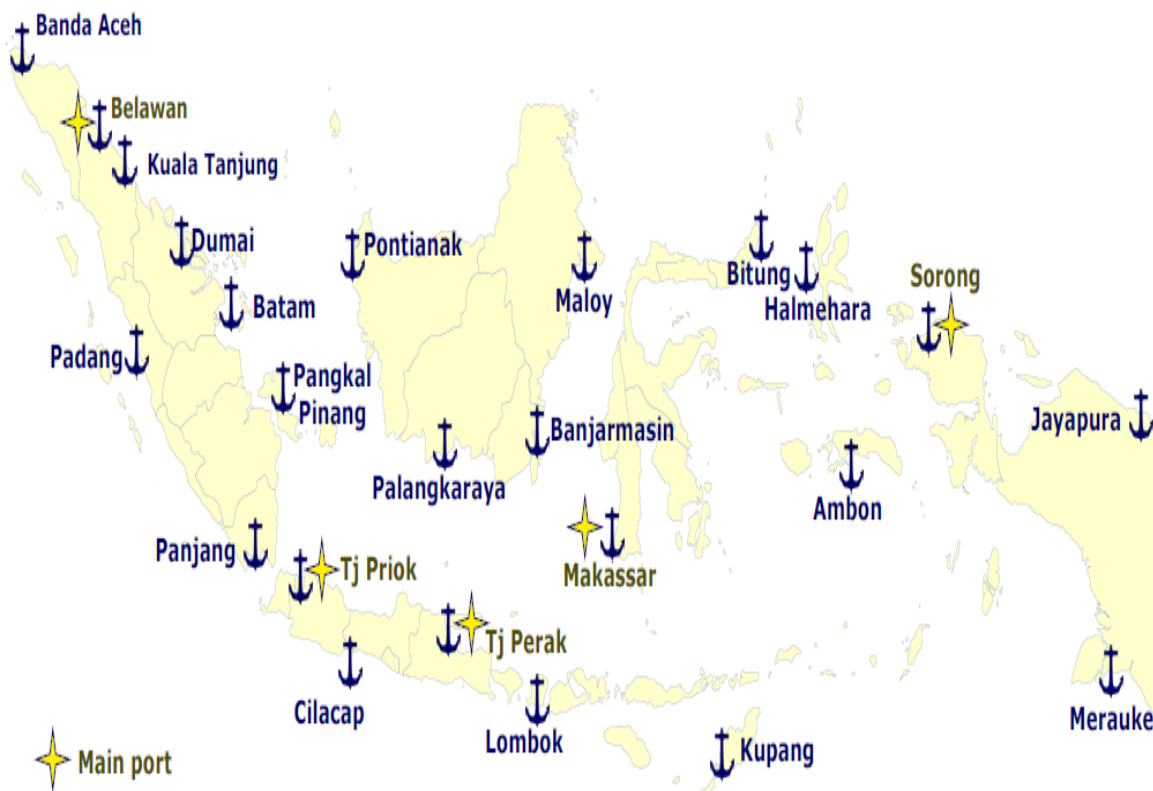


Port Expansion in Tanjung Priok

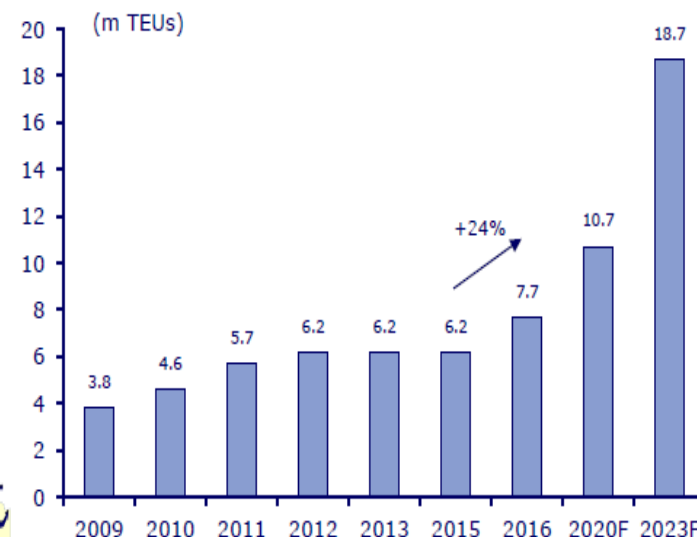


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Main and Feeder/Supporting Seaports in Indonesia



Tj Priok Capacity Expansion Plan



New Tj Priok Container Terminal



One Stop Services (OSS) to Simplify and Speed Up Business and Investment License



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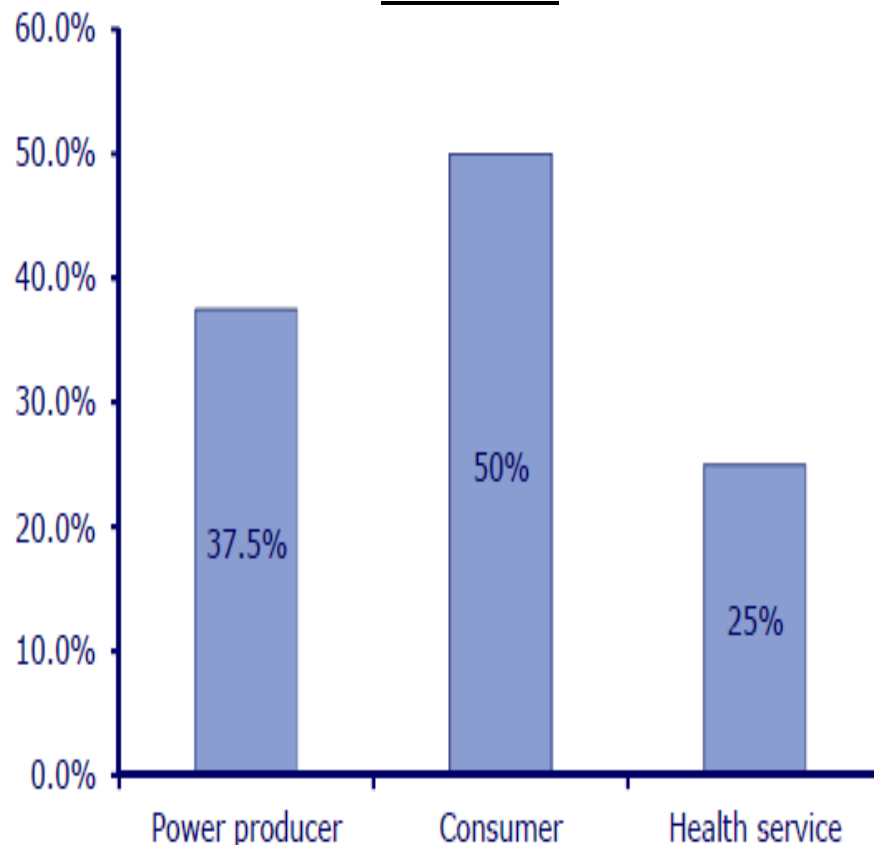
Sectors	Before OSS		After OSS
Power Plant	49 Licenses 923 days	→	25 Licenses 256 days
Land (4 simplifications)	Building Use licenses 3k-5k ha-123 days	→	90 days
Forestry (13 simplifications)	Land Use Licenses 111 days	→	47 days
Transport (4 simplifications)	Special Terminal Licenses-30 days	→	5 days
Agriculture (9 simplifications)	Plantation Licenses 751 days	→	182 days
Industry (8 simplifications)	Industrial Business Licenses-672 days	→	152 days
Tourism Area (6 simplifications)	Tourism Area Licenses 661 days	→	188 days
Tax Allowance Applications	Not Specified	→	28 days

Result from The Implementation of OSS is Favorable

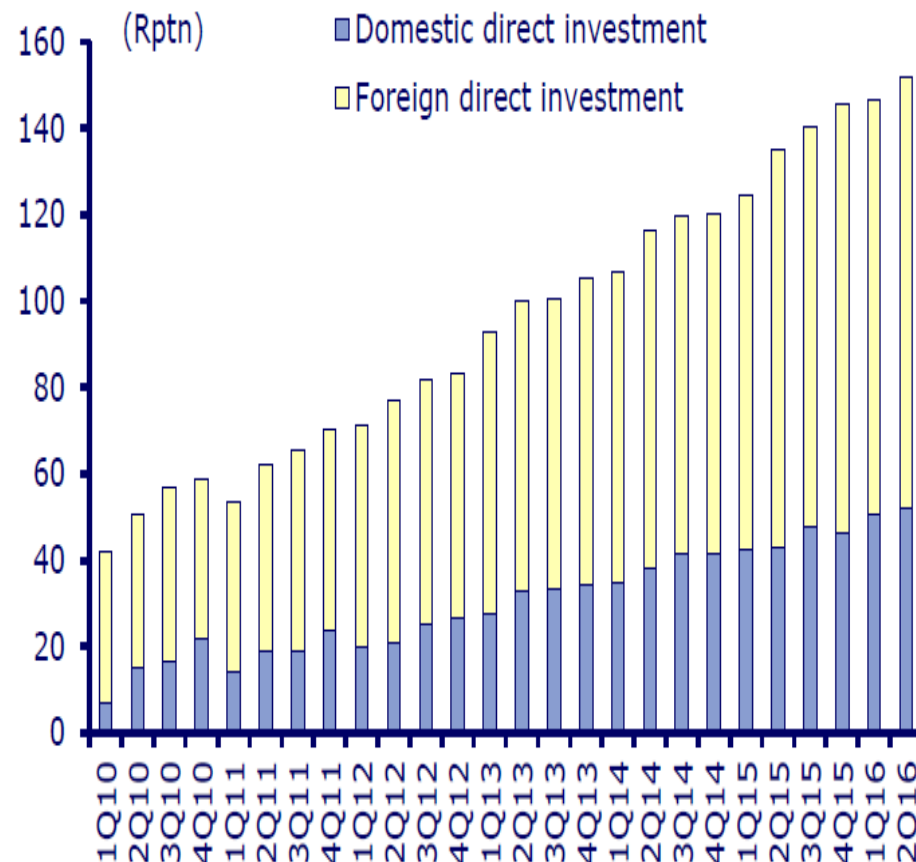


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Time Saving in Processing License After Implementation of OSS Based on Research to End User



Realization of Domestic and Foreign Direct Investment Continue to Increase



Government Revenue From Tax Amnesty Program

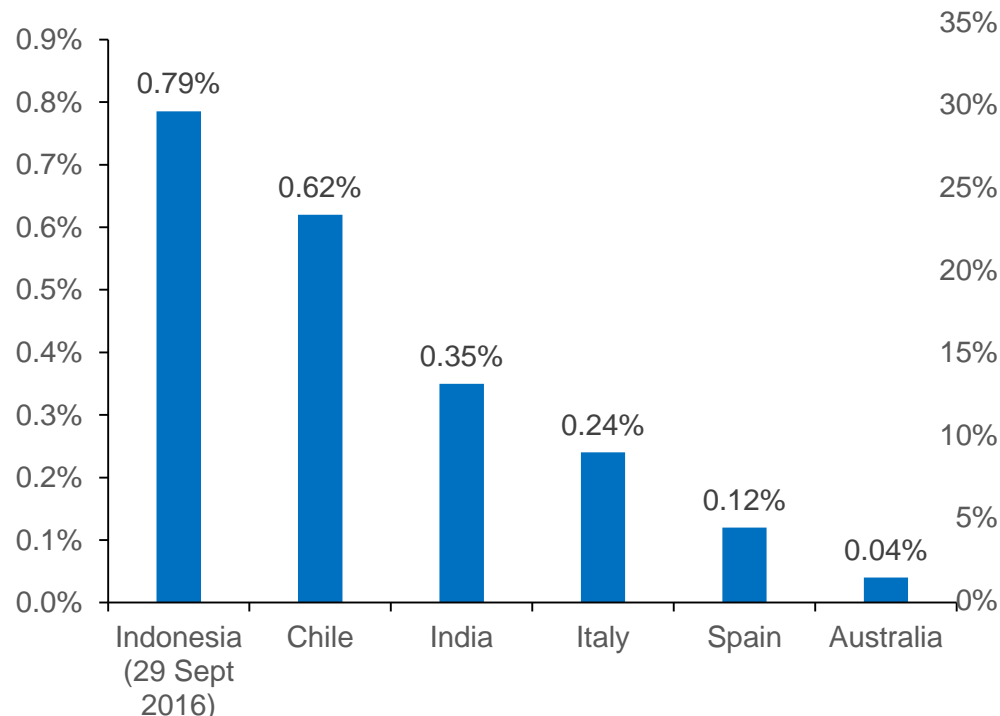


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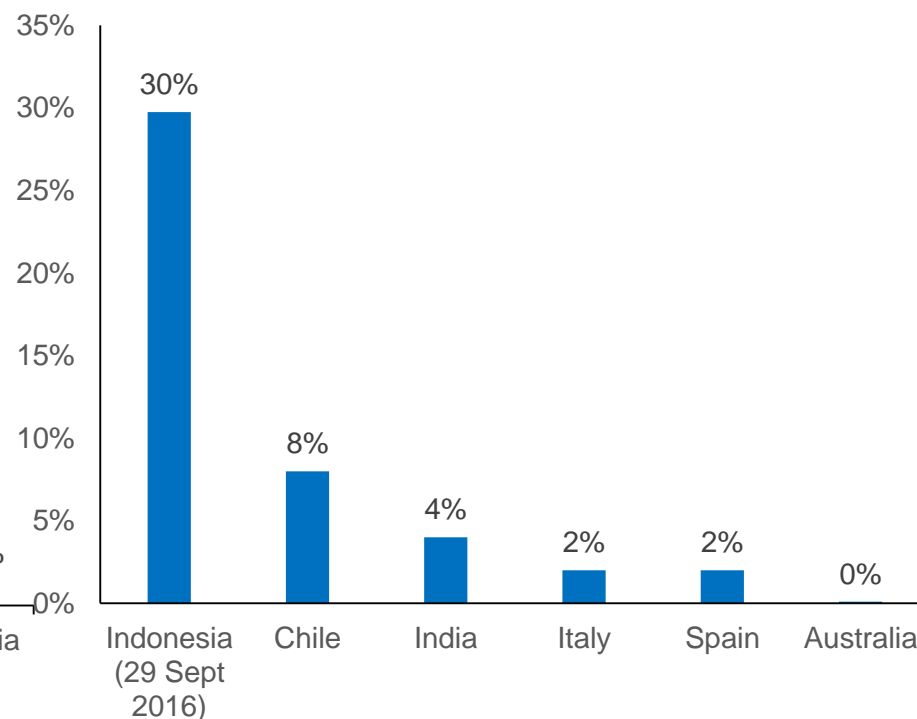
Government revenue from tax amnesty program as of 29 Sept 2016 is US\$ 7.3 billion. This is collected less than 3 months out of 9 months period for the tax amnesty

Comparing with similar program in other countries, our program could be considered as one of the most succesfull tax amnesty program in term of revenue

Tax Amnesty Revenue % GDP



Asset Declared to GDP Ratio (US\$ 275 billion)



Revitalization of Agricultural Infrastructure



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Govt projects	2015F	2016F	2017F	2018F	2019F	Total
Dams						
Addition (unit)	13	8	9	11	8	49
Budget (Rp tn)	8.0	4.9	5.2	6.2	7.7	32.0
Rehabilitation (unit)	5	10	10	10	10	45
Budget (Rp tn)	0.0	0.1	0.1	0.3	0.2	0.7
Irrigation						
Addition (m ha)	0.12	0.22	0.22	0.22	0.22	1.00
Budget (Rp tn)	2.8	13.0	13.0	13.0	13.0	54.9
Rehabilitation (m ha)	0.25	0.68	0.68	0.68	0.68	2.97
Budget (Rp tn)	1.7	3.8	3.8	3.8	3.8	16.9
Total budget for agri infrastructure (Rp tn)	12.6	21.8	22.1	23.3	24.7	104.5

Dam Jatigede West Java (90.000 ha irrigation)



Dam Bajulmati Jatim (1.800 ha irrigation)



Involvement of The Army in The Revitalization of Government Aid



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Village Fund Programme to Empower Local Economy in the Villages



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Village Funds Priorities

Fulfillment of Basic Needs

Development & Maintenance:

1. Clean water
2. Sanitation
3. New and sustainable energy

Development of Village Infrastructure

Construction & Maintenance:

1. Village roads
2. Retention basins

Development of Local Economic Potentials

Development & Maintenance:

1. Tertiary irrigation
2. Fishery
3. Village production facilities

Natural Resources and Environment Utilisation

Commodity Development

1. Mining
2. Seaweeds
3. Village-owned forests
4. Waste management



Estimates of Village Funds 2015-2019

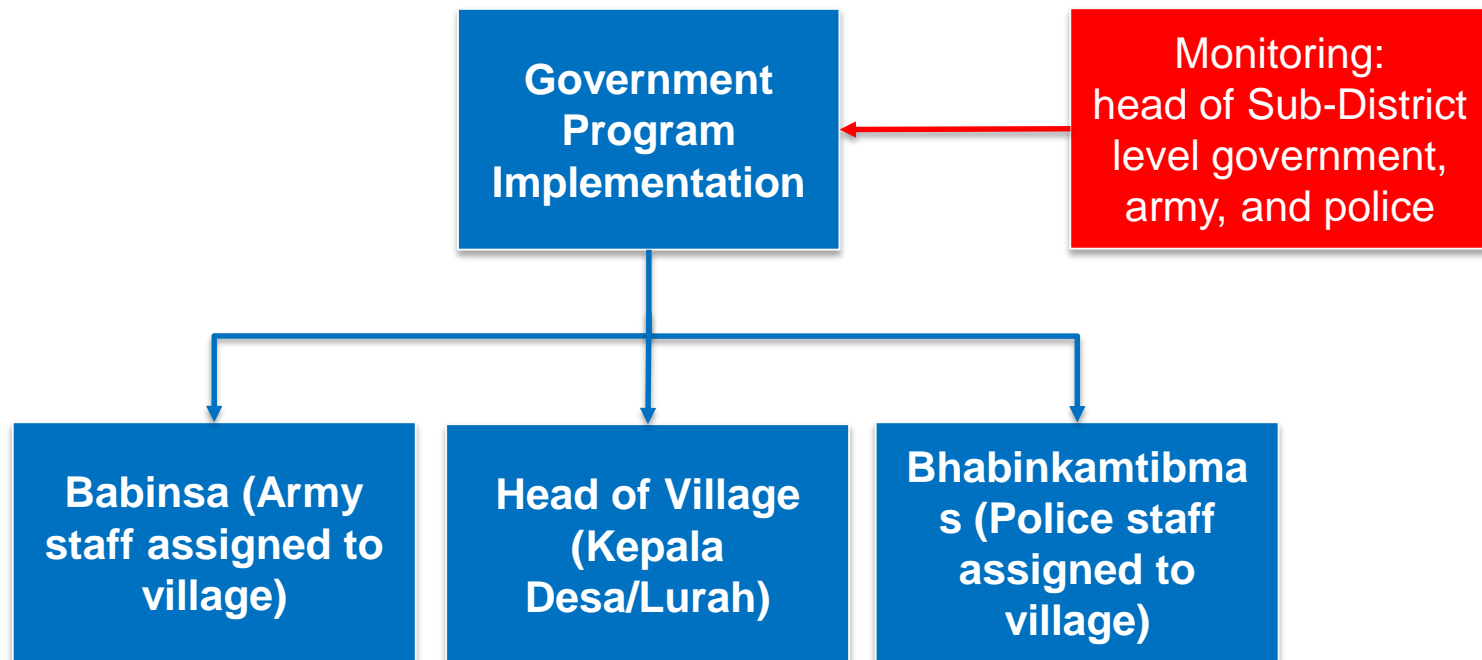
*In USD million

Source of Village Fund	2015	2016	2017	2018	2019
Central Government	1,538	3,614	6,245	8,603	7,984
Local Government	2,420	2,890	3,253	4,637	4,303
Tax and Retribution Sharing	155	186	210	260	235
Total	4,113	6,689	9,708	13,500	12,522
# of Village	74,093	74,754	74,754	74,754	74,754
Average/Village	0.06	0.09	0.13	0.18	0.17

Monitoring and Evaluation Involving Army and Police



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Agriculture Program:

1. Construction and maintenance of irrigation systems
2. Subsidised fertilizers distribution
3. Distribution of agricultural tools from government

Fund for Village Program:

1. Planning of village development
2. Use of Village funds
3. Monitoring of village funds

Promotion of peace and stability situation:

1. Promote potential conflict settlement peacefully
2. Monitoring of radical movements and drugs abuses
3. Briefing and socialisation of law and regulation

Survey on The Confidence to Public and Government Institutions



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CSIS Survey on The Confidence to Public and Government Institutions, August 2016

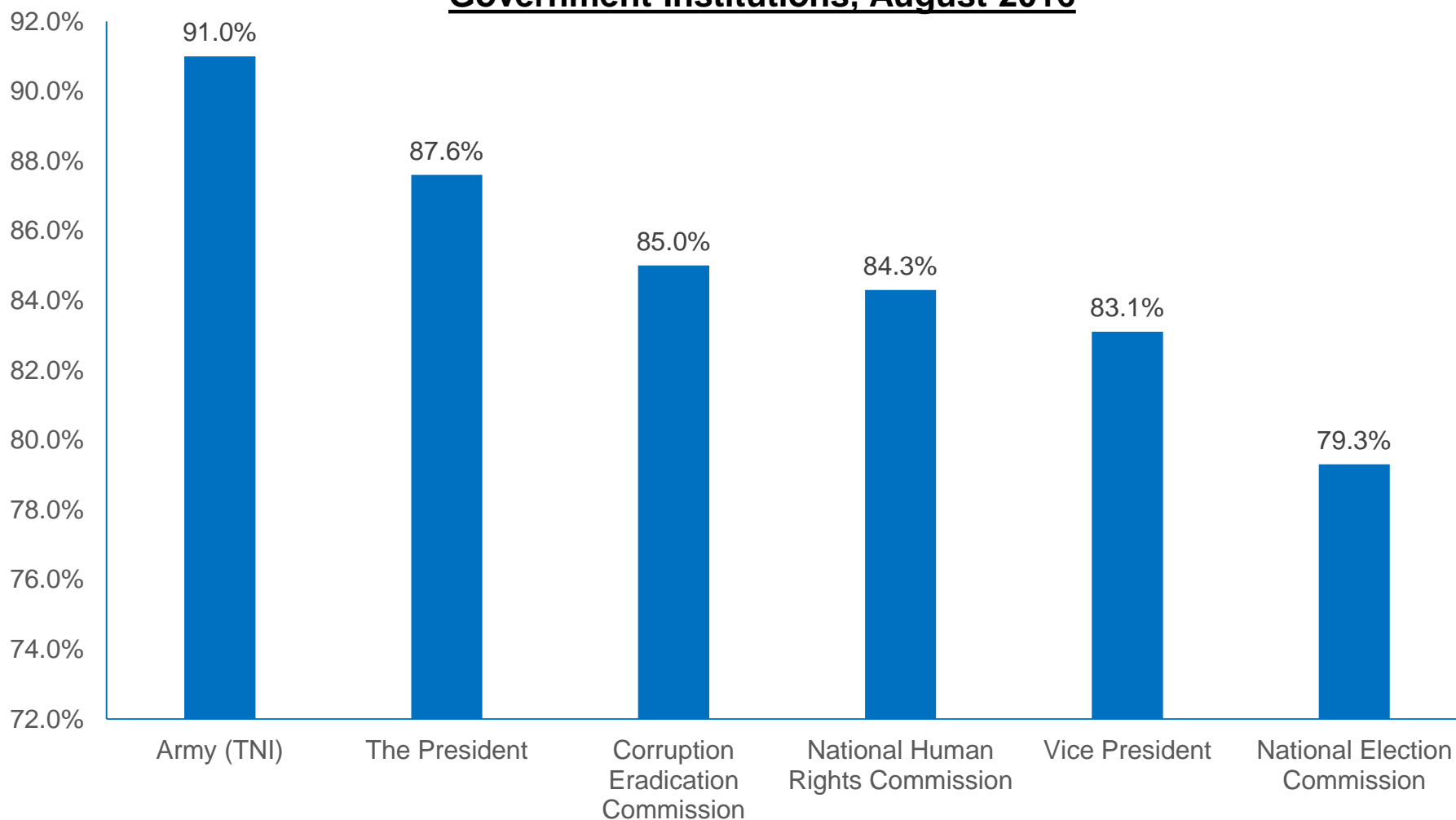


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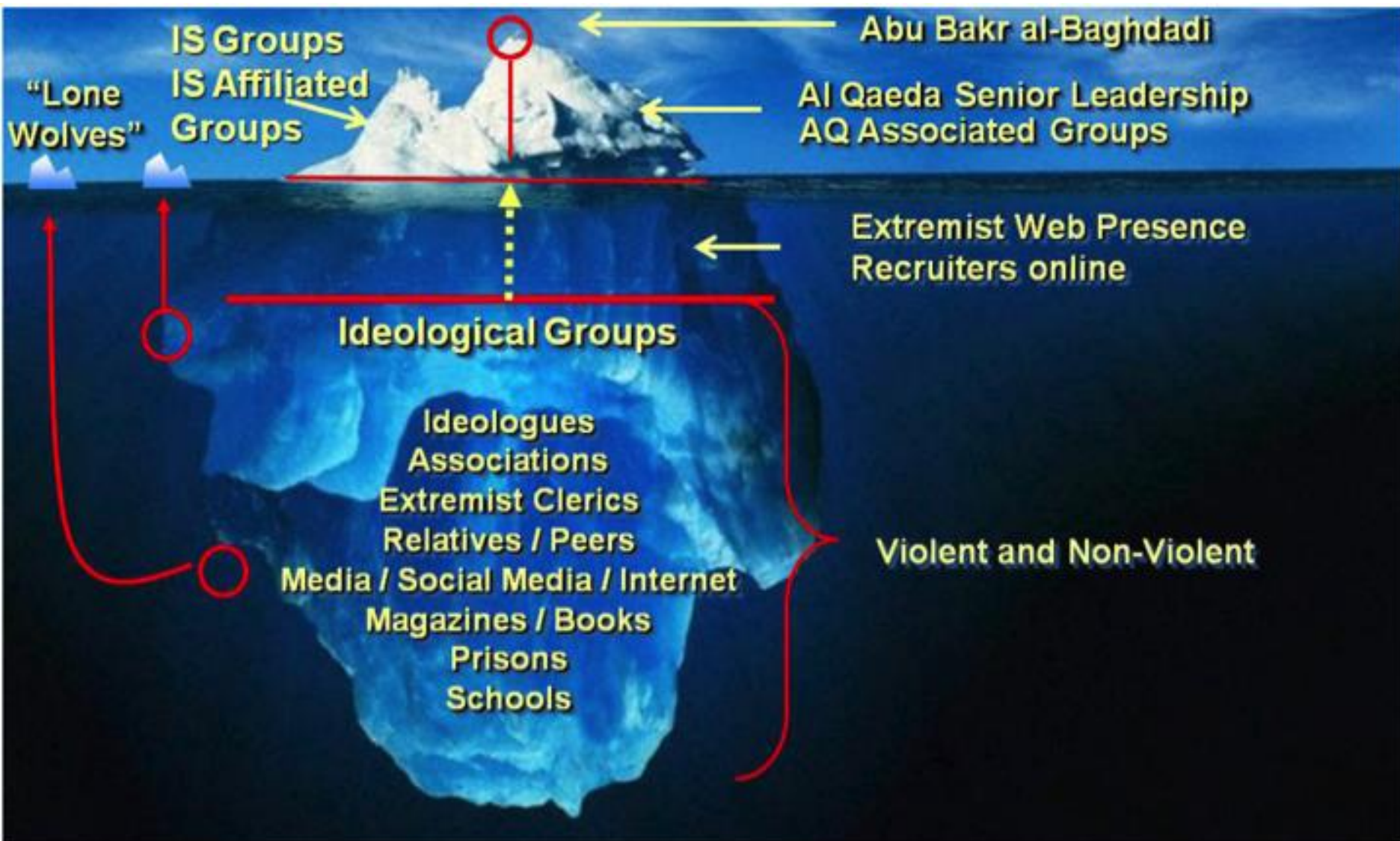
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Tackling Key Issues on Security Matters

Violent Extremism: Tip of The Iceberg Phenomena



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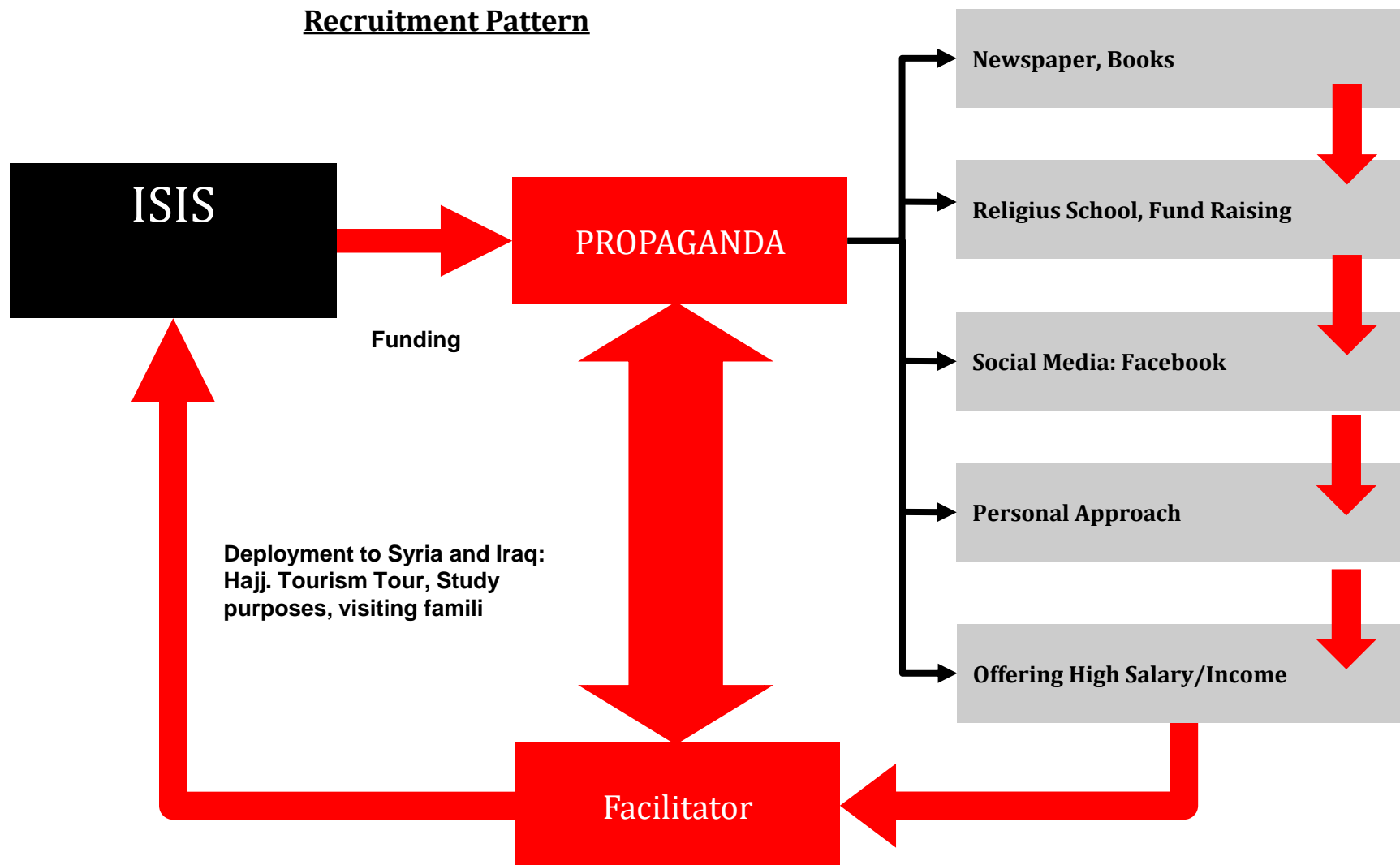


ISIS Recruitment Pattern in Indonesia



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Recruitment Pattern



Key Characteristics Comparison on Terrorists Profile Between Al Qaeda and Indonesia



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Al Qaeda (400 inmates)

75%

- **75%** are professionals with variety high-skilled jobs i.e. engineers, architects.

63%

- **63%** had tertiary education (universities/collage degrees)

Aceh military Training & Book-Bombing (195 inmates)

64%

- **64%** are working in informal sectors as small trader, farmers, or entrepreneurs. The rest working as teachers or low level employees

63%

- **63%** of inmates only had senior high or elementary education

We Need to Classify Convicted Terrorists into Different Categories for Different Treatment



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Ideologues

- The people who teach radical or extreme doctrines. Usually are not directly involved in the terrorist attack.
- Many of them, although in prisons, are able to radicalize other convicted inmates. Hence, it is dangerous to put them together with other convicted inmates. It is difficult to perform de-radicalization program to ideologues.
- Examples include: Abu Bakar Ba'asyir and Aman Abdulrahman.

Militants/Operatives

- They have already accepted radical doctrines.
- They usually have received military or bomb-making training or have experiences in conflict areas (such as Afghanistan, Mindanao, or Poso)
- Extensive de-radicalization not only in the prison but also outside the prison.
- Examples: Iwan Rois

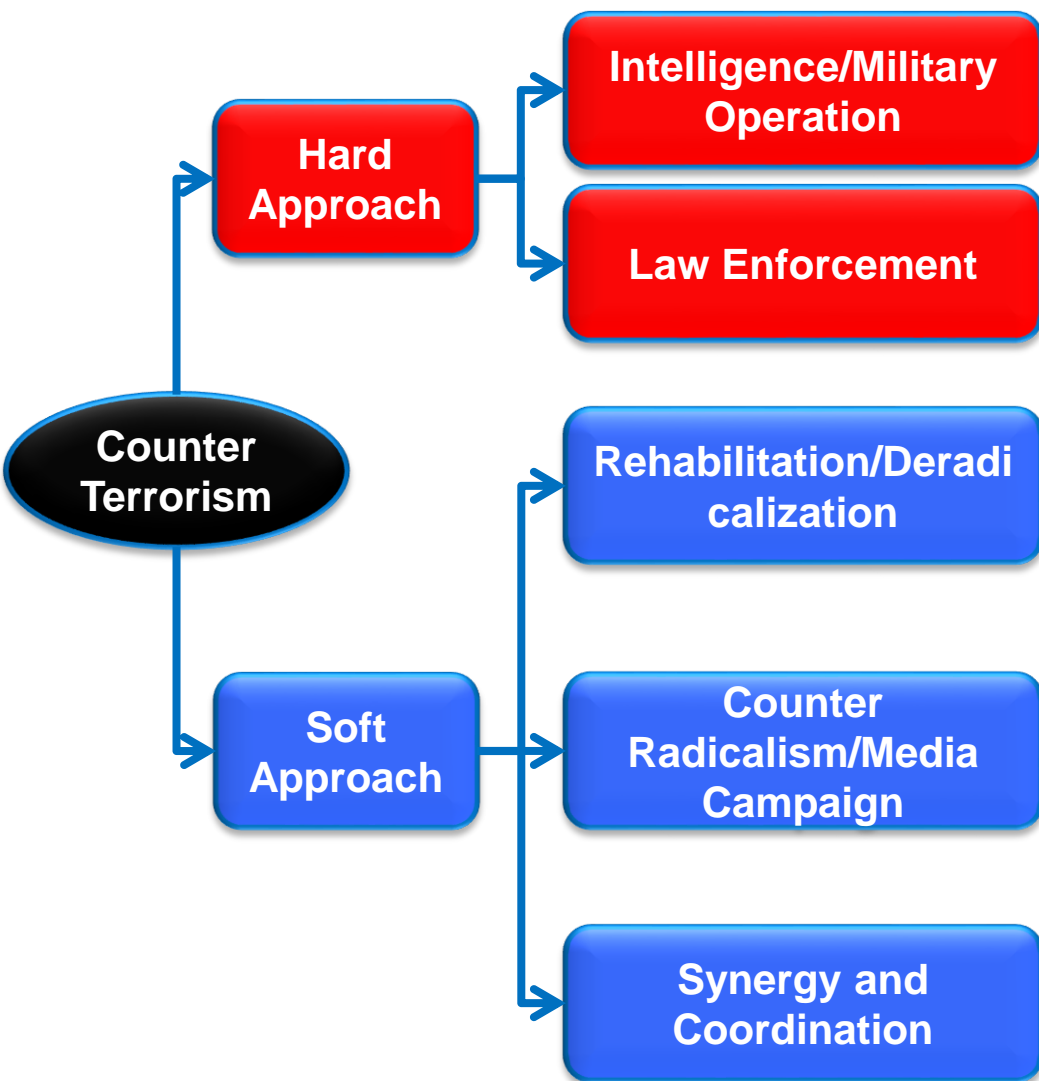
Supporters/Sympathizers

- They usually provide logistic supports for the militants or the operatives in carrying out terror attacks.
- It is also extremely dangerous to put supporters/sympathizers together with the ideologues or the militants in prisons, as they can radicalize the supporters.

Comprehensive and Systematic Action to Counter Terrorism and Radicalism



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1. Intelligence cooperation and exchange information between Southeast Asia countries and their neighbours/counterparts are important to counter ISIS movement.
2. Media campaign and de-radicalization involving moderate muslim organizations such as Nahdlatul Ulama and Muhammadiyah in Indonesia.
3. Synergy and good coordination between institutions such as police, army, and intelligence body in the form of information exchange and joint operation.

Drugs Cases Increase by 13.5% from 2014 to 2015



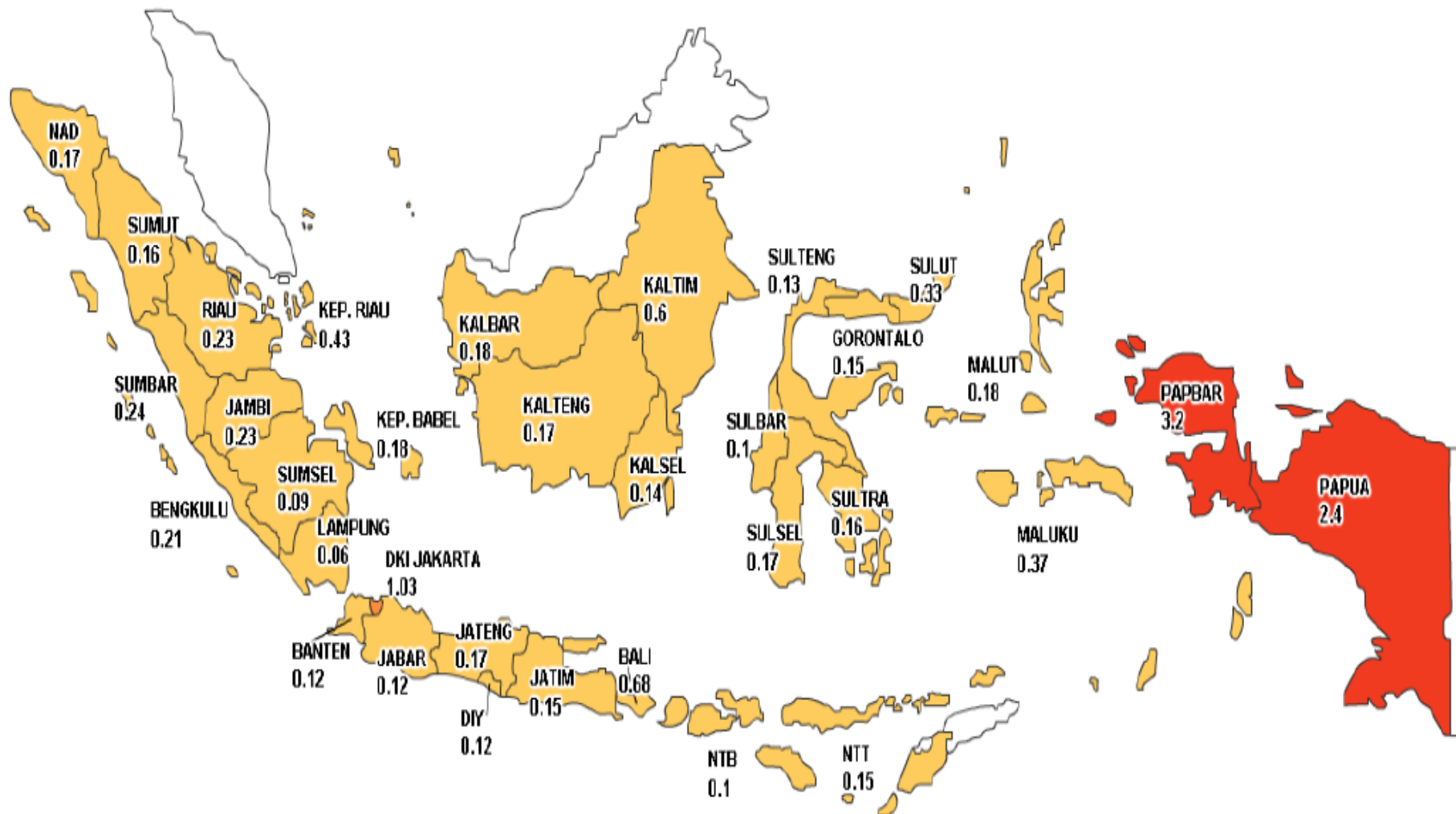
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NO	TAHUN	KASUS					JUMLAH	TREND %
		NARKOTIKA	PSIKOTROPIKA	BAYA	PSIKOAKTIF BARU	OBAT-OBATAN		
1	2010	17.834	1.181	7.599	-	-	26.614	
2	2011	19.045	1.601	9.067	-	-	29.713	↑ 11,64 %
3	2012	18.977	1.729	7.917	-	-	28.623	↓ 3,67 %
4	2013	21.119	1.612	12.705	-	-	35.436	↑ 8,86 %
5	2014	22.750	835	10.891	4	989	35.469	↑ 0,09 %
6	2015	27.950	885	9.837	2	1.579	40.253	↑ 13,49 %

HIV Prevalence Rate is High in Papua and West Papua Region



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Drugs and Narcotics Abuses



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Indonesia is One of the Main Markets in Asia

- Currently Indonesia is one of the main drug markets in Asia.
- We estimate that there are around 5.1 to 5.6 million drug users in Indonesia, increased sharply from around 4.2 million in 2011.

Rehabilitation for Drug Users

- We separate drug users (victims) from drug dealers.
- Rehabilitation, both medical and social, is compulsory for drug users who are not involved in the selling of drugs.

Severe Punishments for Drug Dealers

- 75% drug dealers in custody are still controlling their drugs businesses from inside the prisons.
- Isolated/confined/remote prisons for drug dealers to be constructed.
- Death penalty for drug dealers.

Resolution for South China Sea Dispute



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China Reclamation in Subi&Mischief Reef – Sept 2015



- In our view, there is potential conflict in South China Sea. Indonesia has a duty to participate in resolving this potential conflict by initiating Code of Conduct (CoC).
- As to China “nine-dash line”, **Indonesia considers such claim as lacks of international legal basis.**
- Therefore, Indonesia urges all countries involving in South China Sea dispute should restrain from any provocative action that may disturb stability in that region. **We refuse any power projection from any country in that region.**
- Resolution on this dispute should be based in a good faith and peaceful dialog/negotiation, and the unity of ASEAN is important to resolve this potential conflict.

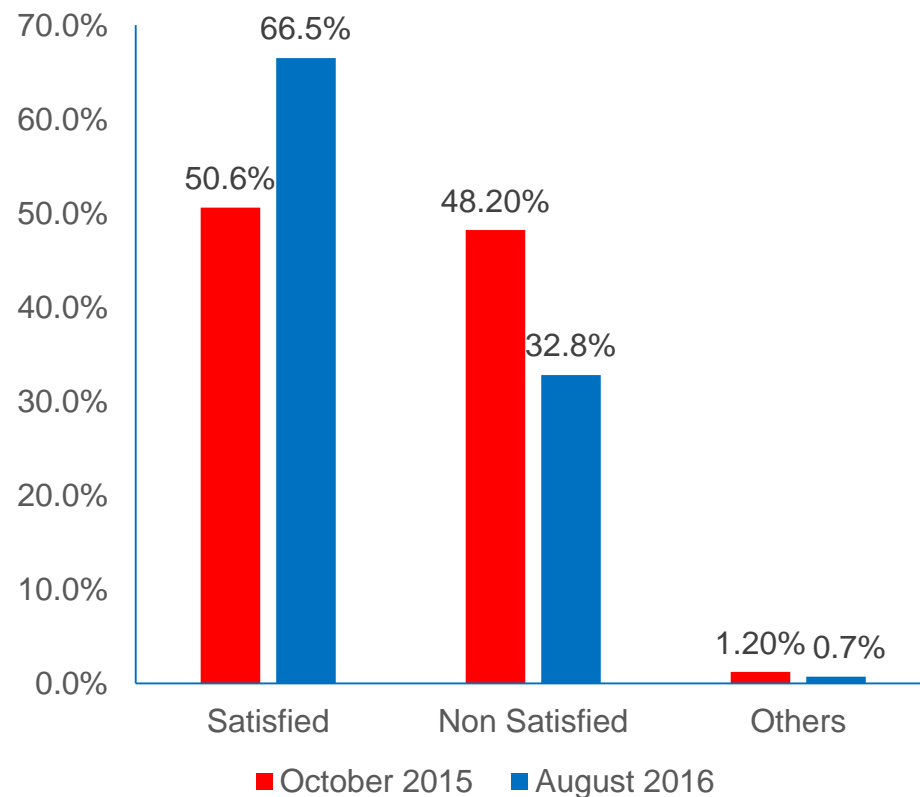
Source: UNCLOS, CIA, RSIS

Public Satisfaction to Government Performance is Increasing

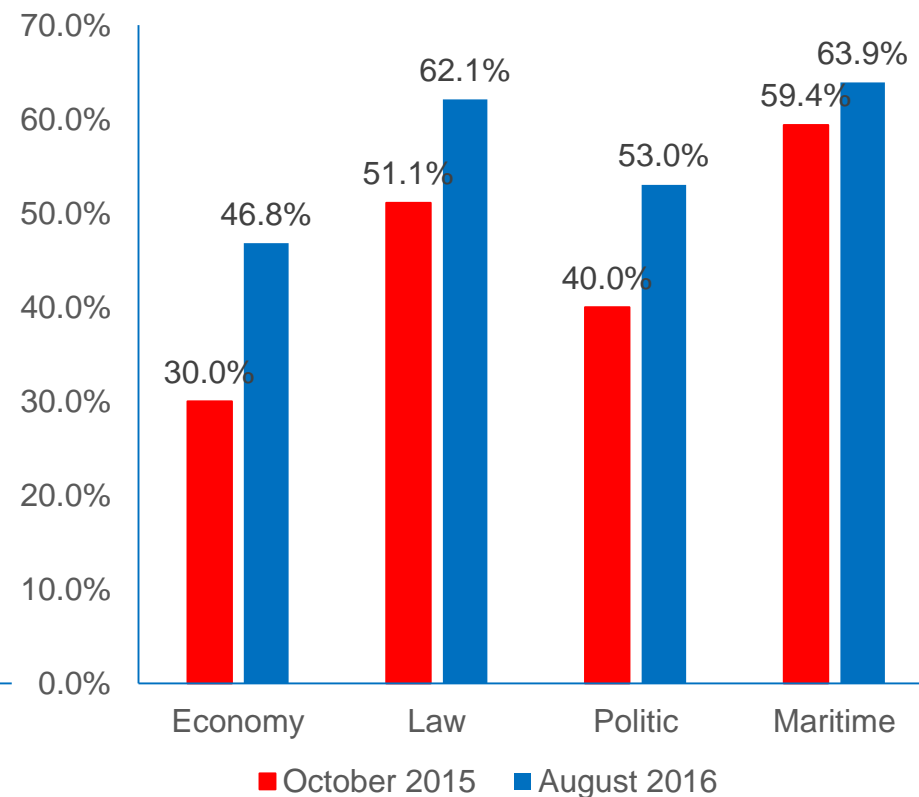


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Overall Satisfaction to Government is Increasing
in August 2016 compare to October 2015



Public Satisfaction to Government Based on 4
Key Issues





Thank You

Gen. Army (Ret) Luhut B. Panjaitan
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Acting Minister of Energy and Mineral Resources