Jokowi-Kalla Administration:

Three Years of Moving Forward

These last few years have seen Indonesia experiencing diverse changes. Some of these changes are critical in paving the way for the development of the country in the years to come. As the World Bank recently reported the momentous increase of Indonesia's rank in ease of doing business (EODB 2018), which moved up to 72 from 106 in 2016.

Since sworn in on October 20, 2014, President Joko Widodo and Vice President Jusuf Kalla, assisted by the cabinet, have drawn up various measures aimed at improving multiple sectors. Now, with three years on the job, President Joko Widodo and VP Jusuf Kalla are seen as leading the country in the right direction. While challenges the country are facing remain varied, under the present government, the country is ready to take them on with strong support from its people, sound policy and strategy, and the grace of the Providence.

Fruit of Labor

In the three years under the current administration, the country has experienced some improvements. Various agencies have released reports that sing praise to the country’s economy. The World Bank, for instance, reported the country’s growth in the first two years (2014-2016) of the current administration at a healthy, albeit stalled, 5 percent1. While so far in 2017, the World Bank reported that Indonesia’s economy maintains its stable growth at 5 percent (yoy)2.

In the three years under the current administration, inflation rate dropped from 4.49 percent (yoy) recorded in September 2014 to 3.72 percent (yoy) in September 2017. The rate is well within the targeted 4 percent. The country is also seeing improvement in the external sectors. The current account deficit in 2Q17 reached 2 percent of GDP, compared to 2.3 percent in 2Q16. And related to foreign debts, the country’s foreign debt ratio against foreign exchange reserves stood at 46.8, improving from 53 in 2014, and still well within 60 percent of GDP as stipulated in Law 17/2003 on State Finances.

The Joko Widodo-Jusuf Kalla administration also has been working hard in reforming the country’s economy by improving policies and regulations “to increase the competitive edge of the national industry, exports, and investment in order to encourage significant economic growth.” This is done by introducing

a series of economy policy packages. As of today, the government has launched 16 economic policy packages, whose results can be described as follow: 9 regulations revoked to ease economic constraints; 31 regulations revised to amend/revoke several chapters deemed counterproductive with the economy; 49 new regulations introduced to accommodate new policies; 35 regulations merged to ease and simplify licensing and regulations; and, 89 regulations revoking the old ones to adjust old regulations deemed not relevant with the current condition.

All the measures taken have proven to be helpful as various indicators and reports show. Recently, aside from the newest EODB 2018 report, Indonesia’s Global Competitiveness Index (GCI) also improves from 41 in 2016 to 36 out of 137 countries in 2017. Moreover, based on UNCTAD’s Global Foreign Direct Investment report for 2016-208 released in June 2017, Indonesia now ranks number 4 after the US, China and India.

More good news abounds including positive sentiment Indonesia is getting from international rating agencies and the rise in investment. In February 2017, Moody’s Investors Service changed the country’s investment outlook from stable to positive. In March, it was Japan Credit Rating (JCR)’s turn to upgrade the country’s credit rating to positive, the same with Fitch rating in July. Meanwhile, Standard & Poor’s upgraded the country’s investment outlook to investment grade (BBB-). All these show how international investors are more and more confident with the country’s condition, and this bodes well for the growth of investment in the country. Related to this, by the third quarter of 2017, foreign investment reached USD23.8 billion, while domestic investment stood at Rp194.7 trillion.

**No Region Left Behind**

In 2017, the government has chosen five sectors of development to prioritize namely Food, Energy, Maritime, Tourism, and Industrial Estate and Special Economic Zone. The amount of investment in the country is highly affected by the policy and strategies set up and executed by the government of President Joko Widodo-VP Jusuf Kalla. The government has drawn up national strategic projects in various spots in the country.

The decision to make sure that the projects encompass as many areas in the country as possible is the realization of the NawaCita (“The Nine Agendas”). To note, in realizing NawaCita, the first year of the Joko Widodo-Jusuf Kalla government is seen as the year when the government laid out the foundation for the work to be done. The second year focused on the acceleration of development in many quarters throughout the country. The third year
represents the government’s determination to ensure that equitable development is realized. Joko Widodo-Jusuf Kalla government is committed to equitable development. There are, then, four important aspects related to this, namely, (i) Economic development and improvement of productivity, (ii) poverty eradication and affirmative policies, (iii) suppression of inequality in various regions, and (iv) political and security stability, justice and legal certainty, and the promotion of cultures.

Equitable development means the government is taking important steps to accelerate development in more regions in the country than before. Some of the actions the government has taken to ensure this is the one-price gasoline (BBM 1 Harga) policy, distribution of Jakarta Health Card (KIS) to as more regions throughout the archipelago, construction of more roads in various regions, and rising investment in regions outside Java, which in the third quarter of 2017 reached 45 percent of the national investment.

**Issues Being Addressed**

Nevertheless, there are still issues that the country needs to address so that more success can be achieved. President Joko Widodo has, on several occasions, talked about the importance to ease the licensing process for investment. Industries and manufacturing sector need to be fully supported as they absorb manpower in large numbers. In this day and age, there is no reason for industries to have to wait for their business permit to be issued. The government is at work in preparing the single submission system to ease the licensing process and significantly cut down the waiting time for the industries for the issuance of their permit.

Another challenge still making it hard for the country to achieve more is the overlapping regulations. Indonesian Investment Coordinating Board (BKPM) has been receiving reports and complaints related to the big number of regulations and how they easily change overnight, thus, hampering businesses to work optimally in the country. Work permit, notably for expatriates, is another permit-related problem that the government is sorting out. As Indonesia is enjoying the vast improvement in investment and in the growth of industrial estates and special economic zones throughout the archipelago, there is an urgent need for the country to ease the process of expatriates’ getting their work permit. The inflow of skilled expatriates is a necessity as they can assist the industries with their expertise and in the transfer of knowledge.

Infrastructure development project is another issue that the country needs to resolve. The massive infrastructure development projects that President Joko Widodo-VP Jusuf Kalla administration has launched to make the country even
more interconnected, distribute the development pie, accelerate the process of poverty alleviation program are lauded by many. The projects, however, needs to involve private sector more.

These and other achievements the country has been enjoying in the first three years of President Joko Widodo-VP Jusuf Kalla government has produced prove that Indonesia has vast potentials to improve, that Indonesian people have the quality required to move forward, and that strong and capable leadership with the full support of the whole nation will only lead to prosperity, equality, and security.