

## GDP GROWTH

## 5.16% or 5.17% — does it really matter?

Marchio Irfan Gorbiano

THE JAKARTA POST

Robert Z. Lawrence, a professor of international trade and investment at Harvard University, once joked during an international seminar in Jakarta that being an economist tasked with forecasting Indonesia's economic growth was probably "the easiest job in the world".

Lawrence's joke was to highlight Indonesia's consistent growth of around 5 percent over the last couple of years, which he said was stable compared to other countries.

Statistics Indonesia (BPS) revealed that the last time Indonesia had recorded GDP growth below 5 percent was in 2015, when the economy expanded 4.79 percent year-on-year (yoy). In 2016 and 2017, GDP growth was recorded at 5.02 percent and 5.07 percent, respectively.

The 2014 data, however, marked but a blip in the long-run trend, as Indonesia posted on average 5.3 percent GDP growth between 2000 and 2017, according to data compiled by the National Development Planning Agency (Bappenas).

As if to prove Lawrence's point, the country's economists and government officials often come up with GDP growth projections that only differ in decimal fractions from one another.

Finance Minister Sri Mulyani Indrawati, for example, expected the country's economy to expand by 5.15 percent in 2018, which is slightly lower than 5.17 percent

projected by Coordinating Economic Minister Darmin Nasution. The ministers' projections were well below the 5.4 percent target stipulated in the 2018 state budget. The realized figure in 2018 was 5.17 percent as correctly predicted by Darmin.

Maybank Indonesia economist Myrdal Gunarto projected 2018 GDP growth to fall between the two minister's projection, at 5.16 percent.

But what is the significance between those decimal variations? *The Jakarta Post* asked several economists and a government official about the reason for it and its implications for macroeconomic indicators.

Why do GDP growth projections differ only slightly in Indonesia?

According to Pungky Sumadi, Bappenas deputy of population and manpower affairs, there is nothing extraordinary about people having different estimates, as they have their own subjective ways of looking at a set of data.

"[Different growth projections] are closely related to the individual judgments of [the economists]," Pungky said. "The differences in those judgments mean the [economic growth projections] differ only slightly [from one another]."

Do slight variations matter to the economy?

Pungky said a deviation of less than 1 percent between projected and realized GDP growth had a minimal impact on key indicators, such as the unemployment figure, poverty rate or Gini ratio. The degree of sensitivity of those

indicators to GDP growth changes constantly.

He said various factors could influence those socioeconomic indicators, and it was hard to pin down the direct correlation between GDP growth and, for example, a declining unemployment rate.

To illustrate Pungky's point, data compiled by Bappenas reveals that the elasticity between GDP growth and employment varies each year.

In 2017, every 1 percent of GDP expansion opened 520,000 new employment opportunities. Meanwhile, in 2018 it was projected that 1 percent growth in GDP, would produce 580,000 jobs.

However, lower-than-expected GDP growth could signal potential output loss in a country's economy, which would lead to concerns about a suboptimal performance, said Eric Sugandi, an economic observer of the Asian Development Bank Institute.

"Although [growth projections] only differ by tenths of hundredths, there will still be differences in terms of the output level. If it [realization] is below the target, that would mean the targets for [economic] output and job creation are not reached," said Eric.

What would be the impact of missing a GDP growth target?

Institute for Development of Economics and Finance economist Bhima Yudhistira Adhinegara argued that the government's credibility in the eyes of investors would be hurt if GDP growth did not reach the stated target.

Feb. 8. 2019

J. Post

## Investment board faces OSS challenges

JAKARTA: Investment Coordinating Board (BKPM) head Thomas Lembong has conceded the online single submission (OSS) system needs to overcome various challenges to accelerate licensing procedures for investors.

"There are still many challenges. We are encountering many difficulties," said Thomas in Jakarta on Wednesday, as quoted by *kompas.com*, adding that the software, for example, should be upgraded to meet the requirements.

The connectivity of the system and the government institutions involved should also be improved, Thomas added.

Launched in mid-2018, the OSS system was initially run by the Office of the Coordinating Economic Minister, because the BKPM was not ready to operate the system. Only on Jan. 2 did the BKPM take over the OSS system's operation.

Thomas said the OSS system would be overhauled soon. "The new phase of the OSS will be introduced in March," he said, adding that in this phase, the OSS system would facilitate license issuance for large projects in the regions, as it would coordinate licensing arrangements between central and regional administrations.

"The OSS system will become an interministerial and interinstitutional online coordination platform. On the platform [the institutions] can engage in joint efforts to face challenges to investment." — JP

# Govt pins hope on palm oil study

Riska Rahman

THE JAKARTA POST/JAKARTA

Research that calls into question claims that palm oil is environmentally damaging compared with other vegetable oils will boost the government's efforts to defend one of the country's major commodities from negative campaigning.

The study was published in June by the International Union for Conservation of Nature (IUCN), a Switzerland-based global conservationist foundation. According to the research, oil palm is the world's most efficient oil-producing plant as it requires much less land than comparable plants.

"The study found that it [oil palm] only needs 0.26 hectares of land to produce 1 ton of palm oil," said Coordinating Economic Minister Darmin Nasution in a joint press briefing with the foundation in Jakarta recently.

"This land use is much lower than that required to produce rapeseed oil, sunflower oil or soybean oil."

In the study, the IUCN found that the production of 1 ton of rapeseed oil required 1.25 ha, while 1 ton of sunflower oil and 1 ton of soybean oil need 1.43 and 2 ha, respectively.

IUCN researcher Erik Meijaard, who led the study, said the evidence in his findings proved that oil palm would play a major role in fulfilling the increasing global demand for vegetable oil, which is projected to reach 310 million tons in 2050.

In the meantime, he said, current global vegetable oil production only amounted to 165 million tons.

Oil palm needs much less land than comparable plants

Oil palm plays major role in fulfilling global demand for vegetable oil

"I think countries around the world need to be careful in banning the use of palm oil because if we do, we will need more land in other areas to fulfill the increasing demand for oil in the future," Meijaard said.

He added that the increasing need for land would cause further harm to the world's ecosystem and biodiversity.

The study also argued that oil palm had helped Indonesia and other producer countries in achieving the United Nations' Sustainable Development Goals. The goals were ending poverty, providing clean water, creating economic activity, producing and consuming responsibly, as well as limiting climate change and promoting stable governance, he said.

Darmin said the study could become a scientific tool to counter black campaigns against palm oil.

Similarly, Indonesia Palm Oil Organization chairman Joko Supriyono said the study would hopefully create an understanding among those who denounced palm oil as the main source of deforestation in the world.

"With this scientific study, we hope that we can continue our efforts to negotiate with the EU [European Union] about this matter," he said.

In its revised Renewable Energy Directive (RED) II last year,

the European Parliament decided to phase out crude palm oil (CPO) from the sources of bio-fuels and bioliquids starting in 2021, saying that the crop played a major role in causing deforestation and threatening the world's biodiversity.

The directive caused uproar among the main palm oil producers, including Indonesia, as it was deemed "discriminatory" and could hurt CPO exports, given that the EU was one of the world's biggest palm oil consumers in 2016 according to the European Palm Oil Alliance.

Although the EU initially planned to start putting RED II into effect in every EU member country in February, it had yet to make it official for undisclosed reasons.

"There has been speculation that the postponed implementation of RED II is a result of new developments surrounding palm oil," said Mahendra Siregar, executive director of the Council of Palm Oil Producer Countries.

He, however, said that should the EU officially implement the directive, the council would challenge it at the World Trade Organization.

While his study favored palm oil, Meijaard said he did not deny the fact that the crop definitely played a role in deforestation as the EU had claimed. In order to lessen its impact on the ecosystem and biodiversity, he suggested that governments, including Indonesia, comprehensively map oil palm cultivation.

"Governments should also create a comprehensive map on what mix of crops should be planted to fulfill the increasing demand for vegetable oil," he said.

Feb 8, 2019  
J. Post

## INDUSTRY 4.0

# Education institutions told to develop human resources

The Jakarta Post

JAKARTA

In supporting the development of the fourth industrial revolution, also known as Industry 4.0, the government has urged education institutions to cooperate in improving the quality of Indonesia's human resources.

In a recent seminar focused on manpower in Industry 4.0 in Jakarta, Finance Minister Sri Mulyani Indrawati called for an upgrade in the current educational system.

She said schools should adjust their approach to teaching soft skills, training new teachers and simplifying their curriculum.

As part of these efforts, she said the government had allocated 20 percent — equal to Rp 495 trillion (US\$35.4 billion) — of its total state budget this year for education.

"With the allocation, we have to ensure that everyone, including the 9.8 percent of the total population who are still categorized as impoverished, has access to education," Sri Mulyani said.

She said the funds would be used to support scholarships, provide education allowances for the poor like Indonesia Smart Card (KIP), as well as to establish and operate more vocational schools.

"Improving education is a part of President Joko [Jokowi] Widodo's plan to invest in human resources," the minister said, suggesting that the country should

require an early start to education to prepare its human resources sooner as part of Industry 4.0.

Running for a second term in office this year, Jokowi is promoting human capital development as a central theme of this year's state budget to improve essential services, such as education, health care and basic infrastructure.

Manpower Minister Hanif Dhakiri said last year that the government would focus on improving the competency of skilled workers by offering them certification programs. Its efforts include improving boosting access to and further developing the quality of vocational training and internship programs with the support of the state budget.

The government also plans to cooperate with the private sector to provide independent internship programs, Hanif said.

At the same event with Sri Mulyani, Vice President Jusuf Kalla urged every university graduate to be aware of the changes in the economic system and the fast development of technology.

Experts worldwide have also predicted that the rapid development of technology will continue to disrupt the job market as it set to replace humans in workplaces. According to a 2018 research by global consulting firm McKinsey, 800 million jobs will be lost to automation by 2030.

With the changes that come

with technological development, Kalla said the country should take advantage of Indonesia's demographic bonus in 2030 when the majority of the population would be of productive age.

He said awareness of rapid technological development would help workers secure a job amid surging economic growth.

"An economy that grows as quickly as the technology means a lot of jobs will vanish while new roles emerge," Kalla said, "These new fields are what educational institutions should focus on for their students."

One school that has joined the trend of improving its education system is Prasetiya Mulya University, which introduced an applied science, technology, engineering and mathematics (STEM) program in 2017 to prepare students for the challenges of Industry 4.0.

Prasetiya Mulya University rector Djisman Simandjuntak said last year that the school had prepared various facilities for students, including the Prasetiya Mulya laboratory building and a digital learning hub.

The university's School of Applied STEM now offers six undergraduate study programs, comprising business mathematics, computer system engineering, digital business technology, renewable energy engineering, food business technology and product design engineering.

Feb. 8. 2019

J. Post

## Coal price reference set at \$91.8 per ton

JAKARTA: The government has set Indonesia's coal price reference (HBA) for February at US\$91.8 per ton, 0.6 percent lower than the reference in January of \$92.41 per ton, in response to China and India's ongoing protection policies.

"Both countries will intensify the use of domestic coal," Energy and Mineral Resources Ministry's spokesperson Agung Pribadi said in a press statement on Wednesday.

Other factors include the price movement of the Indonesia Coal Index (ICI), the Newcastle Export Index (NEX), the Globalcoal Newcastle Index (GCNC) and January's Platts 5900.

February's HBA is stipulated under Energy and Mineral Resources Ministerial Decree No.18 K/30/MEM/2019 and will be used as the calculation basis for February's direct sales of coal.

The government has projected that this year's production target will not be much different from 2018's total coal production of 485 million tons — 25 percent of which is allocated for domestic market obligation. — *JP*

# Military restructuring plan 'to reverse reform efforts'

The Jakarta Post

JAKARTA

Rights watchdog Imparsial has urged the government to continue reforming the Indonesian Military (TNI), including imposing a permanent return to the barracks, amid a plan to allow senior officers to take up posts in various state institutions.

Imparsial has urged the government and the House of Representatives to reconsider the plan, which it has described as a major "setback" for democracy.

"We made efforts to reform our military during the reformation period. This plan will reverse those efforts," Imparsial executive director Al Araf told reporters on Tuesday, referring to the period from 1998 to 1999 when Indonesia decided to return the military to the barracks.

Previously, TNI commander Air Chief Marshal Hadi Tjahjanto said that hundreds of middle and higher-ranking officers had been idle. To overcome the problem, he said 60 new posts in state institutions such as the National Disaster Mitigation Agency (BNPB) would be provided for brigadiers, majors and lieutenant generals, with some colonels standing a chance of filling the posts through promotion. In ad-

Watchdog urges govt, House to reconsider plan, to involve military officers in state institutions

Early retirement proposed as alternative solution

dition, officers will have the opportunity to take up positions in the civil service.

Low-ranking soldiers, enlisted personnel and non-commissioned officers will have their service extended by five years to 58.

Al Araf said the TNI's plans must also include efforts to apply a "zero-growth policy" on personnel to maintain a balance between new recruits and retiring personnel.

Article 53 of the 2004 TNI Law sets the age of retirement for enlisted personnel and non-commissioned officers at 53, while middle to high-ranking officers are eligible for retirement at 58 years.

National Resilience Institute (Lemhannas) governor Agus Widjojo said that idleness indicated a lack of professionalism on the part of the TNI, despite previous reforms that envisioned the TNI as a professional institution. The TNI has asked the President for help because it needs a legitimate

solution to its problem.

"Once the President takes over, it is a matter of legitimacy, rather than right or wrong," the former TNI chief of territorial affairs told *The Jakarta Post*.

The restructuring plan is based on a 2016 presidential regulation (Perpres) on the organizational structure of the TNI, a revision to the 2010 version that increased the number of personnel in certain positions and created new posts for high-ranking officers in the three branches of the armed service.

Al Araf said the military budget should be dedicated to improving the TNI's weapons capabilities and personnel welfare rather than recruitment.

"Warfare has changed. Developed countries have focused their budgets on improving their personnel's capabilities including in cyber security," he said.

According to the 2016 regulation, for instance, the number of the TNI commanders' expert staff members will be increased to 10 two-star officers and 17 one-star officers, from the previous 10 and 13, respectively. One of the 10 two-star officers will function as a coordinator of the expert staff.

New positions will also be made in the Navy and Air Force for planning the defense programs of each

service. Both posts, assistants to the Navy and Air Force chiefs of staff, will also have deputies.

Agus said the President's plan should not be seen as a setback for TNI reforms because there was no justification in the country's legislation for reviving the TNI's New Order-era dual function.

During the Soeharto regime, the military was involved in almost all aspects of civil society, holding positions in the legislature, state companies and other government institutions.

"The TNI's loyalty to civilian rule remains intact," he said.

The President's plan, he said, was an unusual solution because the problem had been ignored for so long.

"However, revising the TNI Law to allow active military officers to hold civilian positions and extending the retirement age of low ranking officers will not heal the boil, it will eventually pop open anyway," Agus said.

He suggested that policymakers must be creative and innovative to develop a long term and sustainable solution.

"One of the fair solutions is early retirement, but it will require incentives to convince active officers to end their military careers," Agus said. (das)

## ELECTION

# Bawaslu in spotlight after sanction from ethics council

Karina M. Tehusjarana

THE JAKARTA POST/JAKARTA

The role of the Elections Supervisory Body (Bawaslu) is in the spotlight once again after the Election Organization Ethics Council (DKPP) issued a warning to the agency for its handling of an accusation against vice presidential candidate Sandiaga Uno.

"[We] have officially given a warning to Abhan as chairman and to Fritz Edward Siregar and Rahmad Bagja as members of Bawaslu," the DKPP wrote in a decision dated Jan. 16.

The warning was issued after the non-governmental organization United Indonesia Federation (Fiber) reported the Bawaslu to the council in September 2018 after the agency closed an inquiry into allegations that Sandiaga had paid off the National Awakening Party (PAN) and the Prosperous Justice Party (PKS) to accept him as Prabowo Subianto's running mate.

Democratic Party deputy secretary-general Andi Arief first voiced the allegation on Twitter last August and has since maintained are true despite the Democrats' eventual decision to back the Prabowo-Sandiaga ticket.

Gerindra, PAN and the PKS all

denied the accusation and the Bawaslu closed the case citing "insufficient evidence" despite never interviewing Andi because he had refused the agency's summons.

However, Andi said he had been willing to be interviewed remotely from his hometown in Lampung but the Bawaslu refused his offer.

The Indonesian Solidarity Party (PSI), a member of the coalition supporting President Joko "Jokowi" Widodo's reelection bid, said on Wednesday that the DKPP's ruling reflected the Bawaslu's "laziness".

"The perception of the Bawaslu as lazy and slow to act is apparent in its [handling] of the Andi Arief case," said PSI executive Rian Ernest, adding that the agency looked particularly bad in comparison to fellow elections organizer the General Elections Commission (KPU).

"The KPU, on the other hand, is very progressive, for example by announcing the names of legislative candidates who are former graft convicts."

The Bawaslu has said it accepted the DKPP's sanction but did not immediately respond to requests for further comment.

This is not the first time the Bawaslu has come under fire during

this election season.

Previously, the agency allowed former convicts to register as legislative candidates even after the KPU issued a regulation forbidding it, claiming that the regulation overstepped the 2017 General Elections Law.

More recently, the Bawaslu has also ruled in favor of Hanura Party chairman Oesman Sapta Odang's Regional Representatives Council (DPD) candidacy despite the KPU's insistence that Oesman must resign his party position before running, in accordance with a 2018 Constitutional Court decision.

The Bawaslu said that Oesman only had to resign his chairmanship if he was elected to the DPD.

The Bawaslu's seeming cross-purposes with the KPU has led several observers and activists to question its usefulness entirely. Indonesian Institute of Sciences (LIPI) senior political researcher Syamsuddin Haris has long called for the disbandment of the Bawaslu, saying that it only served to protect political parties' interests.

"The Bawaslu is not useful. Even though it has been strengthened and made more permanent, everything about it is half-baked," he said recently. "It makes more

sense to create an ad-hoc election court with judges who are experts in election law, which would be more effective in handling election disputes and violations."

Hadar Navis Gumay, a former KPU commissioner and cofounder of election watchdog Netgrit, said the agency's role should be reviewed.

"We should ask ourselves whether [the Bawaslu] brings any benefits, because we have seen several situations where [the Bawaslu and KPU] seem to clash," he told *The Jakarta Post* on Thursday. "We should evaluate the organization but only after the upcoming elections, so we do not disturb the ongoing process."

Association for Elections and Democracy (Perludem) executive director Titi Anggraeni echoed Hadar's sentiments.

"There seems to be a tendency for the Bawaslu to be very aggressive when it comes to fellow election organizers such as the KPU but very cautious when handling potential violations committed by election participants," she told the *Post*. "Many groups still doubt the necessity of the Bawaslu's existence and if its performance remains the same, it is possible that policymakers will decide that it is not needed."

# Pertamina still faces theft, illegal drilling

Stefanno Reinard Sulaiman  
THE JAKARTA POST/JAKARTA

State energy holding company Pertamina is facing the daunting task of overcoming theft in its oil and gas operation areas as well as practices of illicit refining and marketing, which cost the company billions of rupiah.

Data from the Energy and Mineral Resources Ministry show reports of illegal drilling and tapping in at least 10 oil and gas working areas, which are mainly under the management of Pertamina.

Pertamina EP (PEP), one of Pertamina's upstream subsidiaries, is the biggest victim as its five working areas from Sumatra to East Java were impacted by the criminal activities.

Pertamina president director Nicke Widyawati said her company had located eight illegal drilling sites in PEP's Pangkalan Susu Field in Langkat, North Sumatra, with at least 56 active illicit wells.

"It isn't enough to crack down on the illegal drilling activities while failing to eradicate the illicit refining and marketing activities also, because that won't deter the violators," Nicke said recently.

While it did not have the exact

Pertamina identifies eight illegal drilling sites in Langkat

Illegal tapping costs Pertamina Rp 280 billion

data of potential losses caused by the criminal acts, PEP revealed that its 260-kilometer Tempino-Plaju pipeline in Jambi and South Sumatra had suffered Rp 280 billion (US\$20 million) in losses as a result of illegal tapping.

"At that time, our oil losses reached 2,000 barrels per day. But now I think there is no more big oil theft, with losses of fewer than 15 barrels per day," said PEP president director Nanang Abdul Manaf, adding that his company was concerned about the impact that oil spills from the illegal activities could have on the surrounding environment.

Upstream Oil and Gas Regulatory Task Force (SKKMigas) head Dwi Soetjipto indicated that the financial loss from oil theft was quite big. He said his office was doing the calculation to determine the exact amount of financial loss.

In 2013, crude oil theft at Per-

tamina's Asset 2 oil field in Prabumulih, South Sumatra, was estimated to cause losses of 1,000 to 1,500 barrels of oil per day, or equal to Rp 1.5 billion per day.

The Energy Ministry's oil and gas director general, Djoko Siswanto, said weak supervision was one of the reasons for the recurring criminal activities.

He pointed to the fact that there was insufficient funding for the existing inter-organizational task force under the Office of the Coordinating Political, Legal and Security Affairs Minister to crack down on theft.

"It [the task force] has been working since February 2017 and we believe it is the best solution so far. However, its daily operational budget is insufficient," Djoko said during a recent hearing with the House of Representatives in Jakarta.

Lawmakers have called on Pertamina to take firm action against theft in its oil and gas operation as revealed in reports they have received.

"There are still cases of illegal tapping in which oil and gas pipelines are deliberately hacked into, and then the oil is refined into fuel and sold illegally," said the com-

mission deputy chairman Ridwan Hisjam during the meeting.

Lawmakers said intensive coordination and better mitigation should be conducted by all stakeholders involved in the task force, including the Environment and Forestry Ministry, the Attorney General's Office and the National Police.

Meanwhile, Nicke of Pertamina said teaming up with regional administrations to manage old and relatively small oil wells had proven effective in cutting down the illegal activity.

Pertamina has teamed up with 12 regional business units, including regional-owned enterprises, with a total oil output of 1,444 barrels of oil per day.

Djoko of the ministry likewise said cooperation between regional administrations and Pertamina was the safest way to manage the operation of older and smaller wells as the company had the experience as an operator and oil offtaker.

Jakarta-based research group Reforminer Institute's researcher Pri Agung Rakhmanto said Pertamina's decision to partner with regional business entities was one of the perfect solutions to end oil theft as it would close the economic gap between Pertamina and the locals.