

Tracking 100 days of APINDO's Economy Roadmap 2014-19



FINDINGS FROM THE BUSINESS SENTIMENT SURVEY¹

April 2015

- ❖ Of the enterprises surveyed, 61% felt the new Government's actions during its first 100 days had been highly effective or average compared with 28% who felt it had not acted boldly enough and only 10% who felt its term so far had been negative.
- ❖ Enterprises felt the new Government could have performed better in reducing bureaucracy, accelerating infrastructure development, and simplifying business laws and regulations.
- ❖ Nevertheless, 53% of the enterprises surveyed felt the new Government was receptive to their needs and 66% felt it had provided more space for consultation.
- ❖ Only 30% of the enterprises surveyed felt the new Government's policies had already made a positive impact on them while 44% felt they did not (25% did not know).
- ❖ Regarding the most critical ongoing constraints they felt, enterprises primarily identified those around corruption, complex regulations, bureaucracy, and infrastructure development.
- ❖ Looking ahead to the end of 2015, 83% of the enterprises surveyed forecast their own business performance would remain the same or improve.
- ❖ Looking ahead to 2019, 61% of the enterprises surveyed forecast the Indonesian economy would continue to grow while only 8% thought it would shrink.

Background

The Employers' Association of Indonesia (APINDO) published its *Economy Roadmap : The creation of three million good jobs per year, APINDO's Contribution to the 2014-2019 National Leadership* in September 2014. In particular, it makes key recommendations in ten areas :

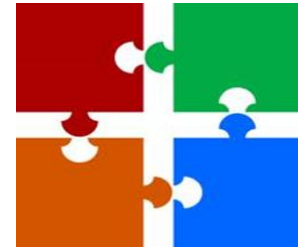
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| ▪ Macro-stability and fiscal space creation | ▪ Services |
| ▪ Social protection | ▪ Small and medium-sized enterprises |
| ▪ Infrastructure and energy completion | ▪ Legal certainty |
| ▪ Food and agriculture | ▪ Regional autonomy |
| ▪ The processing industry | ▪ International transparency policy |

On 20 October 2014, His Excellency, President Joko Widodo, became the seventh president of Indonesia. APINDO, then, took the initiative to present the Economy Roadmap to the President, Vice President and other key Government officials. The President said the new Government would explore ways to improve the limited fiscal space it has, that investors' concerns around land permits and acquisition might be resolved through simpler bureaucracy and better coordination among Government Ministries, and that further efforts would be made to remove legal uncertainty and simplify overly complicated business regulations.

In order to monitor the new Government's success in the areas outlined by the Economy Roadmap, APINDO has produced a *Business Sentiment Survey* to highlight current achievements and ongoing concerns. The Survey offers a unique insight into the private sector's main areas of ongoing concern and the key areas new solutions might best focus on.

Survey design and approach

The short Business Sentiment Survey was designed to help understand businesses' perceptions on the first 100 days of the new Government's term and to monitor the success of APINDO's Economy Roadmap (also in its first 100 days). The Survey was carried out online over a three-week period during February 2015. It targeted APINDO's enterprise members and consisted of ten questions.



The Survey was collected from a sample of 111 enterprise leaders. Of these, around 51% worked in manufacturing and other industrial sectors, 37% in services, and 12% in agriculture, forestry, or fishing. In terms of their size, 80% of the enterprises in the sample had 250 workers or more, 9% had 100-250, and 11% had fewer than 100. In terms of their location, 52% of the enterprises surveyed were based in Jakarta.

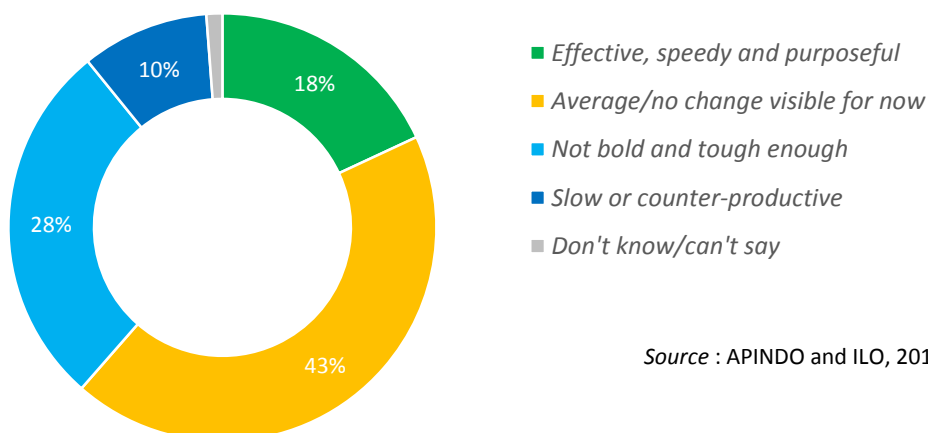
Findings : The first 100 days of Indonesia's new Government

The Business Sentiment Survey included several questions to gather enterprises' perceptions on how well the new Government has done so far, during its first 100 days in office.

Enterprises were asked how successful they felt the new Government had been so far to enact the policies they saw as being favourable to enterprises' development and economic and employment growth in Indonesia. In this, 61% of the respondents felt positively about the new Government that its performance has been effective, speedy and purposeful or otherwise average for the time being. Conversely, 28% of the respondents felt the Government might have acted more boldly or strongly during its first 100 days. Only 10% thought its actions had been negative (Figure 1).

When asked in more detail what the new Government might have done better during its first 100 days, the enterprises surveyed highlighted a range of different points. At the most critical end, 76% of the respondents thought the Government might have done more to reduce bureaucracy and 70% felt it could have accelerated infrastructure development more. Slightly more than half also thought the Government might have done more to simplify business laws and regulations. At the lower end of priority, only 35% of enterprises thought the Government could have done more to help secure land rights and only 23% felt it could have created more fiscal space in this time.

Figure 1. Business sentiments on the new Government's achievement so far to enact economic policies favourable for enterprise development and employment and economic growth in Indonesia



Source : APINDO and ILO, 2015, APINDO Business Sentiment Survey.

When asked whether or not they felt the new Government was more receptive to their needs, 53% of the enterprises surveyed answered that they thought it was while 47% said it was less so. Furthermore, 66% of those surveyed felt the new Government provided more space for consultation with enterprises than before while only 34% felt it provided less.



Finally, when asked whether they thought any of the new Government’s reforms so far had made a positive impact on their own business, some 44% of enterprises said they had not, compared with around 30% who felt they did and some 25% who did not know. Of those that did feel the new Government’s reforms have had a positive impact, most attributed this to its bureaucracy reforms and changes to business registration and licencing regulations while relatively fewer highlighted positive changes in terms of fiscal reforms, real sector reforms, labour market reforms, and reforms in support of the agricultural sector.

Findings : Future business constraints and opportunities

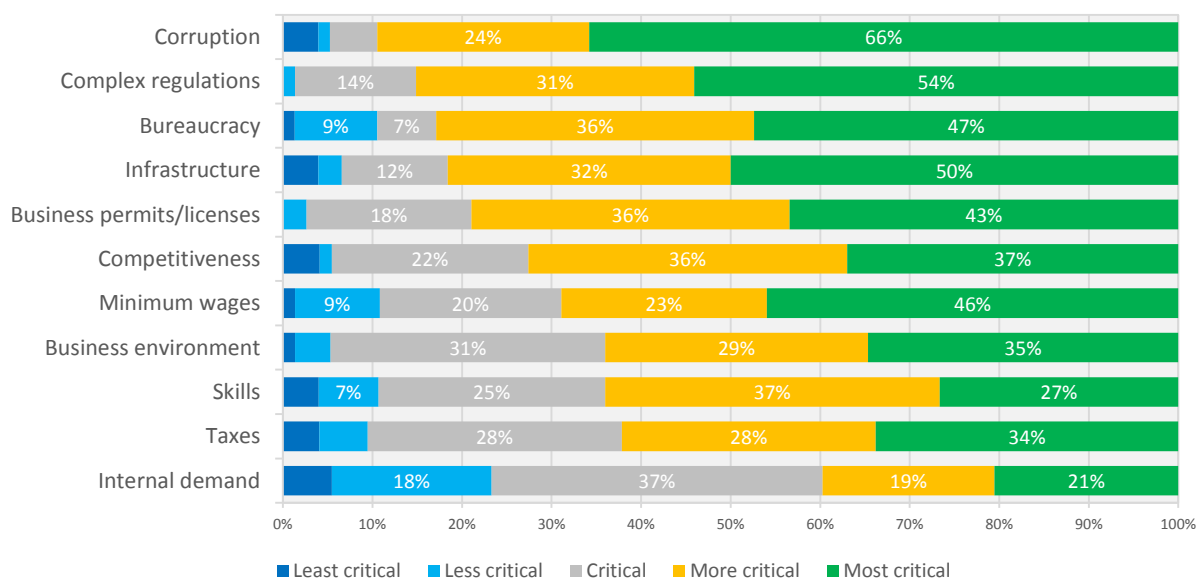
The Business Sentiment Survey included several questions exploring enterprises’ views on the most critical ongoing constraints likely to face the new Government by 2019 and their current outlook on the future for their own business performance as well as the Indonesian economy as a whole.

Enterprises were asked how critical the ongoing constrains they face might be in a variety of different areas based on a five-point scale from the ‘least-’ to the ‘most critical’. Here, the most important areas – with 80% or more of the enterprises surveyed answering ‘more-’ or ‘most critical’ – were around corruption, complex regulations, bureaucracy, and infrastructure development. Other critical constraints were felt to do with business permits and licences, competitiveness, and minimum wages policies. Conversely, relatively the least critical constraints were reported around internal demand, taxes, skills, and the overall business environment as a whole (Figure 2).

When asked to anticipate their own business performance by the end of 2015, 83% felt positively that it would either improve or remain stable while only 17% thought it might decline. None at all, however, had anticipated that their business would have to shut down by the end of 2015 (Figure 3, Panel A).

Evaluating the overall performance of Indonesia’s economy by 2019, 61% of those surveyed forecast that it would continue to grow, compared with 19% who felt it would remain the same and only 8% who predicted it would recede (Figure 3, Panel B).

Figure 2. Business sentiments on the most critical constraints and barriers faced by Indonesian enterprises

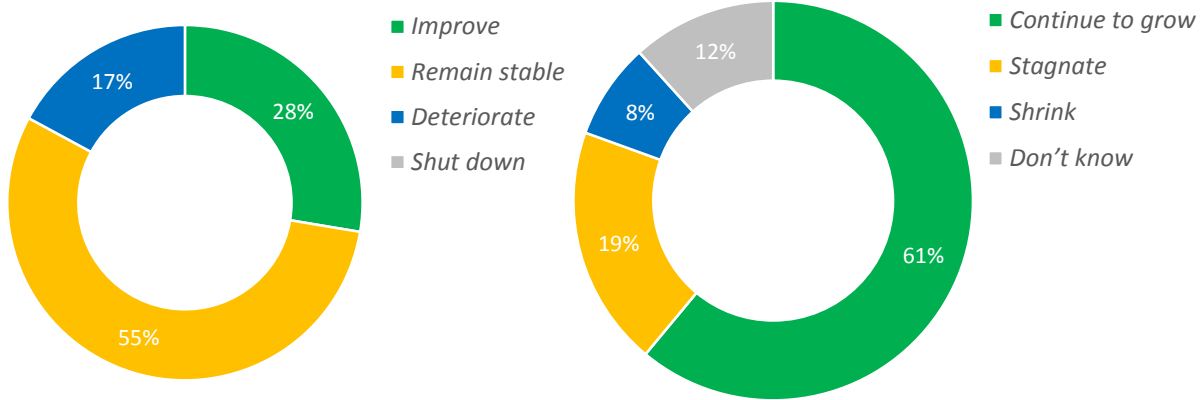


Source : APINDO and ILO, 2015, APINDO Business Sentiment Survey.

Figure 3. Business sentiments on the current outlook for their enterprise and the Indonesian economy

Panel A. By the end of 2015, enterprises anticipate their own business will...

Panel B. By 2019, enterprises anticipate the Indonesian economy will...



Source : APINDO and ILO, 2015, APINDO Business Sentiment Survey.

Summary and Conclusions

In February 2015, APINDO implemented a Business Sentiment Survey to monitor its Members’ perceptions on the first 100 days of Indonesia’s new Government and review its performance on the key recommendations made in APINDO’s Economy Roadmap for 2014-19. While the Survey reports rather positively on the new Government’s performance during its first 100 days and predominantly voices confidence in its ongoing activities and reforms, there still remains much to be done. The key priorities for ongoing action are highlighted as : implementing bureaucracy reform, accelerating infrastructure development, and combating corruption.



More than half of the enterprises surveyed felt the new Government was aware of their needs and two thirds felt it provided more space for consultation. While some 61% of the respondents felt the new Government had acted positively or averagely in the private sector’s interests during its first 100 days, 28% felt it might have been bolder and only 10% at this early stage had felt it acted negatively.

Looking ahead, a full 83% of the enterprises surveyed forecast they would perform the same or better during 2015 and 61% felt confident the Indonesian economy would continue to grow by 2019. Looking further still, the most critical ongoing constraints were voiced around corruption, complex business regulations and bureaucracy, and infrastructure development.

Of the critical areas the new Government should focus on in the coming weeks and months, the Survey highlighted – once more – reducing bureaucracy, simplifying business regulations, and accelerating infrastructure development. Regarding the first two of these, the Economy Roadmap encourages better coordination, fewer administrative steps and costs to administer, and introducing more one-stop services to simplify and speed up processing business licences. Regarding infrastructure development, the Economy Roadmap recommends strengthening public-private partnerships and incentives for relevant investments to be made (given the limited fiscal space the Government has available) as well as improving accountability at the national and sub-national Government levels on granting the necessary permissions and safeguarding the funds. Above all else, the Government is thus advised to prioritise tackling these cross-cutting issues – as well as corruption, as highlighted above – to help address the private sector’s most pressing current needs and help boost employment and economic in terms of going forward.

ⁱ Source: APINDO and ILO, 2015, *APINDO Business Sentiment Survey* was being conducted by **APINDO** with assistance of **International Labour Organization (ILO)**. For more information, please contact : **APINDO, Permata Kuningan Building, 10th Fl, Jl. Kuningan Mulia Kav. 9C, Guntur-Setiabudi, Jakarta Selatan 12980**. Tel.: +6221 – 8378 0824 / Fax: +6221 – 8378 0823, 8378 0746 / E-mail: sekretariat@apindo.or.id