ASSESSMENT OF INVOLUNTARY RESETTLEMENT, INDIGENOUS PEOPLES, AND ENVIRONMENTAL IMPACTS OF THE POLICY ACTIONS

1. **Program scope.** The program’s impact will be strengthened economic resilience for quality growth and reduced disparities between regions in line with the Vision of Indonesia 2045 and RPJMN 2020–2024.¹ The program includes three subprograms that support reforms targeting: (i) creating an enabling environment for investments; (ii) easing barriers to trade; and (ii) growing and upscaling enterprises. Subprogram 1 was approved in October 2021 with policy actions completed by June 2021. Subprogram 2 builds on the achievements of subprogram 1 and includes ten policy actions, presented below.

2. **Reform area 1 (Creating an enabling environment for investments)** aims to improve the business climate. Policy actions under subprogram 2 consolidated the issuance of business licenses and the installation of the Online Single Submission risk-based approach (OSS-RBA) in subprogram 1. The government upgraded the OSS-RBA to support regulations of relevant ministries and local governments relating to the issuance of licenses and permits; and rolled out the OSS-RBA across all subnational administrations which significantly reduced the regulatory inconsistencies between national and local governments (PA 2.1). Subprogram 2 also promoted investments in energy efficiency and creating an enabling environment for more green investments and approved three foreign direct investments (FDIs) in manufacturing batteries for electric vehicles (PA 2.2). The government also issued a framework that provides guidelines for potential investors, businesses, and policymakers to promote green investment plans; and merged two separate processes for environmental assessments and spatial planning into one to further facilitate the approval of business licenses while ensuring environmental sustainability (PA 2.3).

3. Furthermore, the government operationalized a land bank (the Land Bank Agency or Badan Bank Tanah) to manage state land (PA 2.4). This covers planning, acquisition, procurement, management, utilization, and distribution of land. The requirements for foreign nationals in Indonesia to procure property were simplified to require only a visa, passport, or residence permit. The government also approved a regulation which requires local governments to comply with a mandatory provision and utilization of 20% of green open spaces in cities (PA 2.4) and provided clarity on land titling for above and below the ground to third parties (i.e., parties other than the title deed holders of the surface land). Finally, the government issued regulations to establish a health SEZ that, for the first time, permitted foreign healthcare service providers to operate in Indonesia; and introduced electronic smart cards to accelerate immigration checks for SEZ foreign workers to streamline their movement in and out of the country (PA 2.5).

4. **Reform area 2 (Easing barriers to trade)** will reduce impediments to trading, both domestic and cross-border. Under subprogram 2, the government implemented three new systems under the National Logistics Ecosystem Masterplan 2020–2024 to digitally connect the public and private sectors in the logistics chain. A single submission system was implemented for domestic and international sea and air transportation and for key ministries responsible for agriculture, trade, industry, health, and food and drugs (PA 2.6). This system connects and allows one submission for various ministries thereby reducing processing time and costs. The government also implemented a single operating system for port operators, including an

integrated container service and delivery logistics platform at five large ports in the country, and rolled out an online payment platform for logistics services with six banks (four state-owned and two private).

5. The government further expanded the features of the National Single Window (NSW) by integrating the value-added tax exemption system with the investment list of the Investment Coordinating Board (PA 2.7). The use of integrated e-sanitary and phytosanitary systems and e-certificates of origin were expanded to include trade with the Republic of Korea. The government also streamlined the procedures for licenses by incorporating single submissions for exports and goods export notification into the NSW. Furthermore, the NSW incorporated the Association of Southeast Asian Nations (ASEAN) customs declaration document allowing exchange of exports declaration information between ASEAN member states.

6. Under PA 2.8, the government adopted a roadmap to strengthen the competitiveness of its procurement framework and began implementation by raising awareness among National Public Procurement Agency officials. The government also implemented a program to encourage women-owned businesses (WOB) to participate in government procurement, including the development and testing of a dedicated gender-responsive procurement training module and monitoring the participation of WOB in government procurement.

7. **Reform area 3 (Growing and upscaling enterprises)** will help firms increase their productivity and upscale operations. Under subprogram 2, the government issued a presidential regulation introducing a national plan for enterprise development to serve as a single reference point on policies and programs by relevant agencies and stakeholders; and established an inter-ministerial committee, chaired by the Minister of Cooperatives and SMEs, to improve the delivery of government services to enterprises (PA 2.9). The government also launched an integrated MSME system, with sex-disaggregated data, which will be used to set a baseline for tracking, analyzing, and reporting on the performance of WOB (PA 2.10).

8. The program will contribute to the following operational priorities of ADB’s Strategy 2030: (i) addressing remaining poverty and reducing inequalities (OP1); accelerating progress in gender equality (OP2); (ii) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability (OP3); (iii) strengthening governance and institutional capacity (OP6); and (iv) fostering regional cooperation and integration (OP7).

9. **Implementation arrangements.** The Coordinating Ministry for Economic Affairs (CMEA) is the executing agency. The implementing agencies are CMEA, Ministry for Investment/Investment Coordinating Board, the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency, Ministry of Cooperatives and Small and Medium Enterprises, Ministry of Finance, Ministry of Trade, the National Research and Innovation Agency, and the National Public Procurement Agency. ADB has built a strong partnership with the executing agency in implementing large reform programs and engages in regular policy dialogue with the implementing agencies. The proceeds of the loan will be withdrawn following ADB’s Loan Disbursement Handbook (2017, as amended from time to time). The implementation period for Subprogram 2 will be from July 2021 to June 2023.

---

2 Tanjung Priok in Jakarta, Tanjung Emas in Semarang, Makassar Port in Makassar, Belawan in Medan and Tanjung Perak in Surabaya.

10. **Safeguards due diligence, categorization.** In accordance with the ADB Safeguard Policy Statement (SPS 2009), potential direct and indirect environmental and involuntary resettlement (IR) impacts or impacts on Indigenous Peoples (IP) associated with policy actions supported under subprogram 2 have been evaluated. The following impact matrix (Table 1) describes the potential social and environmental impacts of all policy actions under the three reform areas. The assessment concludes that subprogram 2 will not cause IR impacts, adversely affect the environment, or adversely impact on IP communities. Subprogram 2 is categorized as category C for environment, IR and IP as per the ADB SPS (2009) and ADB Operations Manual Section F1/OP (2013).

11. **Environmental implications of policy actions.** Subprogram 2 is anticipated to generate significant environmental and climate mitigation benefits. Updates and continuous enhancement of the OSS-RBA and its integration into other systems within the OSS-RBA system (AMDALNET, Gistaru, SIMBG systems) as well as with other external systems (NSW, Land Bank information system, etc.) will streamline business licensing processes, and will support a more effective environmental management and monitoring effort for all projects and activities with business licensing processed through the OSS-RBA. Specifically, PA 2.1 will contribute to enhancing the EIA process through the OSS RBA system. PA 2.2 will promote FDI in pioneering industries that focus on electric vehicles and decarbonization of the transport sector. The strategic environmental assessment process that is strengthened through PA 2.3 will promote more strategic upstream planning of green investment plans, ensuring that RE targets can be achieved without adversely affecting the country’s sensitive ecosystems. PA 2.4 will also enhance NRM through enhanced management of abandoned land and will enhance environmental quality and livability of urban areas by enforcing the mandatory provision of 20% of green open spaces in the cities. PA 2.9 will drive more MSMEs to register their business entities through the OSS-RBA system; as a result, these will be subject to better environmental and social screening, assessment, and management processes.

12. None of the policy actions under subprogram 2 are anticipated to result in significant adverse impacts on the environment through increased exploitation of natural resources, dismantling of environmental regulations, or reduced incentives for businesses to comply with environmental protection laws and regulations that may adversely affect the delivery of public services for environmental protection. All investments that may be required as a result of policy actions supported under subprogram 2 (including FDI in pioneering industries, its upstream and downstream associated facilities, as well as the growth of MSMEs), are subject to the Job Creation Law, Law No. 32/2009 on Environmental Protection and Management (amended in 2021); Government Regulation No. 22/2021 on the Implementation of Environmental Protection and Management; and Ministerial (MOEF) Regulation No. 4/2021 on List of Businesses and Activities Requiring AMDAL, UKL/UPL or SPPL.

13. **Social implications of policy actions.** None of the policy actions in subprogram 2 are anticipated to result in significant adverse impacts on the social, IR and IP aspects. Positive social impacts include better management of land acquisition through the OSS-RBA system and better management by the Land Bank Agency, creation of jobs opportunities, better labor conditions and potential increase in household income introduced by the Job Creation Law, and economic inclusivity of IPs as well as general community through better management of natural resources (e.g., through origin certification and social forestry). Most of the policy reforms will have indirect impacts leading to workforce development, better working environment, better business opportunities and potential increase in household income (through the development of MSMEs).
### Matrix of Social and Environmental Impacts of the Policy Actions

<table>
<thead>
<tr>
<th>Policy Action</th>
<th>IR/IP Safeguards</th>
<th>Environment Safeguards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Potential Impacts</td>
<td>Mitigation</td>
</tr>
<tr>
<td><strong>Reform Area 1: Creating an enabling environment for investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA 2.1: The government: (i) upgraded the OSS RBA to align with ongoing updates of regulations of relevant ministries and local governments and integrate their risk databases to the OSS RBA to expedite the evaluation, approval and issuance of licenses and permits; and (ii) rolled out the OSS-RBA across all subnational administrations (at the provincial level) which significantly reduced the regulatory inconsistencies between the national and local governments. (Ministry of Investment/BKPM)</td>
<td><strong>Positive:</strong> The OSS-RBA upgrade includes the full integration of the three basic approvals (spatial conformity, environmental approval, and building approval), and the PB UMKU requirements, which allows for more streamlined licensing and provides for a more effective screening and assessment towards determining the social risk categories of businesses or activities. The system now also ensures that businesses provide adequate planning and monitoring of social, IR and IP impacts. The upgraded OSS-RBA is now effective in all subnational governments (including in the 34, now 38, provinces) through their DPMPTSP. Subnational governments now have better access to the OSS-RBA system thus</td>
<td>None</td>
</tr>
</tbody>
</table>

---

4. *Perijinan Berusaha untuk Menunjang Kegiatan Usaha* (Business Permit to Support Business Activities, or PB UMKU) are permits required for business activities and/or product manufacturing during the implementation of operational and/or commercial stages. The types of PB UMKU vary widely, including in the form of Permits, Approvals, Determinations, Ratifications, Appointments, Registrations, Recommendations, Certificates, Certifications, Consultations, and Statements.

5. DPMPTSP, or *Dinas Penanaman Modal dan Pelayanan Terpadu Satu Atap*, is an office at sub-national (provincial and local government/municipality) level providing one-stop integrated services to the general public at the sub-national level. This office is also the “arm” of the Ministry of Investment (MOI) in services related to investment and business licenses through the OSS-RBA system.

6. The process is in line with GR No. 5 of 2021 concerning risk-based licensing and GR No. 22 of 2021 concerning environmental protection and management.
<table>
<thead>
<tr>
<th>Policy Action</th>
<th>IR/IP Safeguards</th>
<th>Environment Safeguards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Potential Impacts</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>can conduct better management and monitoring of social aspects through their DPMPTSP office and relevant sectoral offices. The upgraded system has particularly eased and simplified licensing processes for micro and small businesses with indirect implications in providing potential job opportunities and increase in household income. <strong>Negative:</strong> No adverse impacts on IP and no IR impacts are anticipated.</td>
<td><strong>Negative:</strong> No significant adverse environmental impact anticipated. Concerns during SP1 assessment of this PA have been addressed with the involvement of environmental worthiness teams assessing environmental approvals through the upgraded OSS-RBA system that has been integrated with the AMDALNET system. Better access by sub-national officials also has addressed the concern on capacity to manage environmental approvals at the sub-national level.</td>
</tr>
<tr>
<td>PA 2.2: The government, through the BKPM, entered into agreements for investment in energy efficiency pioneering industries which resulted in the approval of FDIs for five contracts worth approximately $28.1 billion in the manufacturing of batteries for electric vehicles. (Ministry of Investment/BKPM)</td>
<td><strong>Positive:</strong> This PA will have indirect positive impacts on IR and IP. The FDIs will generate projects that require Environmental and Social Impact Assessments (ESIA) through the OSS-RBA system which include IR and IP assessments and actions plans for all phases of construction, operations and closing, which will generate benefits to IPs (should IPs be identified) and Project Affected People (PAP) due to IR process and activities. <strong>At policy level, this PA also provides other positive indirect social impacts</strong></td>
<td>None</td>
</tr>
</tbody>
</table>

---

7 Government Regulation PP 22/2021 Article 32 makes provision for Involuntary Resettlement (IR), in particular, that community consultations should include directly affected communities such as: (a) vulnerable groups; (b) indigenous peoples; and/or (c) male and female groups in consideration of gender equality.
<table>
<thead>
<tr>
<th>Policy Action</th>
<th>IR/IP Safeguards</th>
<th>Environment Safeguards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Potential Impacts</td>
<td>Mitigation</td>
</tr>
<tr>
<td></td>
<td>with the creation of jobs and increase in income for workers during construction and operational stages of the pioneering industry FDI.</td>
<td></td>
</tr>
<tr>
<td>Policy Action</td>
<td>IR/IP Safeguards</td>
<td>Environment Safeguards</td>
</tr>
<tr>
<td>---------------</td>
<td>------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td><strong>PA 2.3:</strong> The government: (i) implemented a ministerial decree that serves as a framework for investors, businesses, and policy makers to promote green investment plans; and (ii) merged environmental assessments with spatial planning into one process using geographic information system technology, to accelerate the approval of licenses for sustainable businesses and promote low-carbon and climate resilient development planning. (BKPM and NLA)</td>
<td>Positive: This PA will not have adverse impacts on IPs and no IR impacts. This PA will have indirect positive impacts on other social aspects such as on livelihood through enhancement of sustainable businesses, multi-license business and social forestry. Spatial plans that are derived from sound Strategic Environmental Assessment will ensure sustainability of projects hence will assure sustainable economic benefits. Negative: No adverse impacts on IP and no IR impacts are anticipated. None</td>
<td>Positive: This PA will have a significant impact on strategies related to natural resource management, biodiversity, and on climate change mitigation efforts. Most importantly, the strategic environmental assessment process that is strengthened through PA 2.3 will promote more strategic upstream planning of green investment plans, ensuring that RE targets can be achieved without adversely affecting the country’s sensitive ecosystems. Negative: No adverse impact anticipated. All investments that may result from the green investment plan are subject to Law No. 32/2009 on Environmental Protection and Management (amended in 2021); Government Regulation No. 22/2021 on Implementation of Environmental Protection and Management; and Ministerial (MOEF) Regulation No. 4/2021 on List of Businesses and Activities Requiring AMDAL, UKL/UPL or SPPL; and to secure the necessary environmental permit as precondition for a business license. None</td>
</tr>
</tbody>
</table>

---

8 Investment Ministerial decree no.223/2022 on the guidelines for sustainable investment aims at, among others, providing instruments to create positive impacts on the economy, environment, social welfare and governance, while the National Land Agency Ministerial regulation no. 5/2022 integrated the environmental assessment into spatial planning to ensure sustainable development.
<table>
<thead>
<tr>
<th>Policy Action</th>
<th>IR/IP Safeguards</th>
<th>Environment Safeguards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PA 2.4:</strong> The government: (i) operationalized a land bank to manage state and abandoned land, in a sustainable way and for public interest, covering planning, acquisition, procurement, management, utilization, and distribution of land; (ii) simplified procedures and clarified requirements for foreign land ownership; (iii) in July 2022 enacted and implemented a regulation on the provision and utilization of green open spaces, which requires local governments to comply with the mandatory provision of 20% of green open spaces in cities, providing social, environmental, climate and economic benefits to communities that attract investment; and (iv) clarified land titling for above and below the ground using a modern electronic land registration system. (MAASP/NLA)</td>
<td><strong>Positive:</strong> This PA has positive significant social implications and the economy of Indonesia. The operationalizing of the Land Bank Agency will support the certainty of land utilization and natural resources by the public, will create job opportunities for communities and increase household income which supports the local economy. Simplification of process for foreigners with only passports and visas required for property ownership will allow additional influx foreign funds to the local economy and support tourism and industry through creation of job opportunities.</td>
<td><strong>Positive:</strong> This PA will contribute to rationalized NRM through better regulation and management of abandoned land. The regulation on the provision and utilization of open spaces will enhance environmental quality and livability of urban areas by enforcing the mandatory provision of 20% of green open spaces in the cities.</td>
</tr>
<tr>
<td>Policy Action</td>
<td>IR/IP Safeguards</td>
<td>Environment Safeguards</td>
</tr>
<tr>
<td>---------------</td>
<td>------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td><strong>Positive</strong>: This PA will provide additional job opportunities for the local workforce which may include IPs, particularly in healthcare and tourism. <strong>Negative</strong>: No direct adverse impacts on IP and no IR anticipated for both health SEZ and the immigration smart cards. Land used for the Sanur Health and Tourism SEZ was originally the Sanur Golf Course with no reference found on IR issues related to land acquisition, IR or economic displacement. Cultural disruption is minimal as Bali culture is known to be resilient to outside influence and is open to the tourism industry. The specific location of Sanur beach has long been a tourist destination, therefore, is not expected to be subject to major cultural disruption.</td>
<td>None</td>
<td><strong>Positive</strong>: No significant environmental or climate change benefits anticipated. The Ministerial Regulations on Hospitals in SEZs states that all hospital business license approvals must go through the OSS-RBA system. This will ensure that all licenses are subject to the environmental approval process which is integrated into the OSS-RBA system. The approval of implementing regulations on the opening of the first health sector SEZ will be operationalized in Bali where international standard hospitals and clinics will be developed in collaboration with Mayo Clinic of the United States. This will ensure the application of good international industry practice for hospital design and operation. <strong>Negative</strong>: No adverse environmental impact anticipated. The SEZ is being established on a former golf course with no ecological value.</td>
</tr>
</tbody>
</table>

Reform Area 2: Easing barriers to trade

<p>| Positive: This PA will have no direct positive benefits on IPs and IR-related activities. However, it will indirectly enhance a good working environment, community health and safety, and public security practices across transport and logistical. | None | <strong>Positive</strong>: No significant environmental or climate change benefits anticipated. This PA supports effective environmental practices with the integration of environmental consideration in harbor site management. It also supports | None |</p>
<table>
<thead>
<tr>
<th>Policy Action</th>
<th>IR/IP Safeguards</th>
<th>Environment Safeguards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Potential Impacts</td>
<td>Mitigation</td>
</tr>
<tr>
<td>sea and air transportation and for key ministries responsible for agriculture, trade, industry, health, and food and drugs; (ii) a single operating system for port operators, including an integrated container service and delivery logistics platform at five large ports; and (iii) an online payment platform for logistics services. (CMEA)</td>
<td>infrastructure and systems. The digitalization and integration of the systems have reduced costs and time, benefiting businesses and workers alike. <strong>Negative</strong>: No adverse impact on IP and no IR impacts anticipated.</td>
<td>principles of green buildings and green logistics and has the potential to enhance traceability of goods and products. <strong>Negative</strong>: No adverse environmental impact anticipated.</td>
</tr>
<tr>
<td>PA 2.7: The government further enhanced and operationalized the features of the NSW by incorporating: (i) a value-added tax exemption system which was integrated with the investment list of the BKPM; (ii) e sanitary and phytosanitary systems; and (iii) single submission systems for exports and goods export notification; (iv) an expanded e-certificate of origin; and (v) ASEAN customs declaration document. (MOF)</td>
<td><strong>Positive</strong>: This PA has no direct benefits on IR, IPs and other social aspects as it is aimed mostly at tax and tariffs. This PA may indirectly positively impact the local workforce, economy and quality of life. <strong>Negative</strong>: No adverse impact on IP and no IR impacts anticipated.</td>
<td>None</td>
</tr>
<tr>
<td>PA 2.8: The government: (i) approved and commenced the</td>
<td><strong>Positive</strong>: This PA has no direct benefit to IR and IP, however, it will provide indirect benefits through</td>
<td>None</td>
</tr>
<tr>
<td>Policy Action</td>
<td>IR/IP Safeguards</td>
<td>Environment Safeguards</td>
</tr>
</tbody>
</table>
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------
<p>| implementation of a 25 year roadmap for the strengthening and competitiveness of government procurement under its trade agreements, which (a) guides foreign supplier participation in government procurement, and (b) prepares local suppliers for participation in international government procurement; (ii) raised awareness among NPPA officials on government procurement provisions in trade agreements; and (iii) implemented a program to promote WOB in government procurement, which includes (a) developing and testing a dedicated gender-responsive procurement training module and (b) undertaking annual reporting of the participation of WOB in government procurement and (c) identifying areas in government procurement to strengthen participation of WOB. (NPPA) | increased business opportunities from competitiveness and enhancement of human resource capacity in business and firms. This PA will support women-owned businesses (WOB) by enhancing their ability to participate in government procurement through testing of the dedicated gender-responsive procurement training module and monitoring of participation of WOB in government procurement. <strong>Negative:</strong> No adverse impact on IP and no IR impacts anticipated. | embrace international standards for delivery of goods and services. These include embracing technologies for low-carbon production, adoption of circular economy and access to green and sustainable funding sources. <strong>Negative:</strong> No adverse environmental impact anticipated. |</p>
<table>
<thead>
<tr>
<th>Policy Action</th>
<th>IR/IP Safeguards</th>
<th>Environment Safeguards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Potential Impacts</strong></td>
<td><strong>Mitigation</strong></td>
<td><strong>Potential Impacts</strong></td>
</tr>
<tr>
<td><strong>Reform Area 3: Growing and upscaling enterprises</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA 2.9: The government: (i) issued a presidential regulation for a new integrated national plan for enterprise development by synergizing government programs to support enterprises in becoming more export- and technology-oriented; and (ii) established and operationalized an inter-ministerial committee to improve the delivery of government services to enterprises. (MCSM)</td>
<td><strong>Positive:</strong> This PA will indirectly have positive impacts on the capacity of youth, women, vulnerable, village and IPs to establish and conduct businesses as part of targeted entrepreneur development, which usually include MSMEs. This PA supports MSMEs through technical assistance, capacity building and access to funding towards increasing household income and working opportunities and involving them in a more advanced value chain businesses. IPs who are interested in doing business, or identified IPs through IP and PAP identification will have the same opportunity to take part in development activities as members of the general community.</td>
<td>None</td>
</tr>
<tr>
<td>PA 2.10: The government developed an integrated MSME system with sex-disaggregated data, used to track, analyze and report on the performance of WOB. (MCSM)</td>
<td><strong>Positive:</strong> This PA has indirect benefits to IPs’ capacity, particularly IP WOBs in the management of business operations, which will lead to an increase in household income for IPs. With the availability of sex-disaggregated data and the ability for parties to track the performance of WOBs, WOBs, including IP WOBs, will have better access to funding sources, management practices, and</td>
<td>None</td>
</tr>
<tr>
<td>Policy Action</td>
<td>IR/IP Safeguards</td>
<td>Environment Safeguards</td>
</tr>
<tr>
<td>---------------</td>
<td>------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td></td>
<td>Potential Impacts</td>
<td>Mitigation</td>
</tr>
<tr>
<td>access to regulated government support programs.</td>
<td>Negative: No adverse impact on IP and no IR impacts anticipated.</td>
<td>Negative: No adverse environmental impact anticipated.</td>
</tr>
</tbody>
</table>


**Contribution to Strategy 2030 Operational Priorities:** Operational priority indicators to which this operation will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2).

ADDITIONAL INFORMATION AND ASSESSMENT RELATED TO SPECIFIC POLICY ACTIONS

1. This section presents a more detailed assessment of potential social and environmental implications of some of the policy actions supported under subprogram 2, including Policy Action (PA) 2.1 relating to OSS-RBA system upgrade; PA 2.2 relating to FDI approvals; PA 2.3 relating to the promotion of green investment and strategic environmental assessments in spatial planning; PA 2.4 on the established Land Bank; PA2.5 on the establishment of the Sanur Hospital and Tourism SEZ; PA 2.6 on the 2020–2024 NLE Masterplan; PA 2.9 on the presidential regulation for a new integrated national plan for enterprise development; and PA 2.10 on the integrated MSME system.

PA2.1: The government: (i) upgraded the OSS RBA to align with ongoing updates of regulations of relevant ministries and local governments and integrate their risk databases to the OSS RBA to expedite the evaluation, approval and issuance of licenses and permits; and (ii) rolled out the OSS-RBA across all subnational administrations (at the provincial level) which significantly reduced the regulatory inconsistencies between the national and local governments. (Ministry of Investment/BKPM)

2. The OSS-RBA and its updated system integrates 16 licensing sectors and systems from 19 different ministries/agencies. This includes the three basic approvals for issuance of the business license, i.e., (i) suitability of spatial utilization activities (KKPR), (ii) environmental approval,¹ and (iii) building approval.² The simplification and integration of certifications and own statements for halal products as part of the businesses license system is one of the highlights in the Job Creation PERPUU (2022).³ The OSS-RBA business licensing system also integrates with the food and drug authority (BPOM) for certain certifications for MSMEs producing food, herbal, and/or simple medications. These basic approval processes sufficiently cover the principles of environmental and social safeguards, and even though the PA and the upgrade and roll-out (in all provinces) of the OSS-RBA system in itself do not have direct environmental, social, IR and IP implications, the OSS-RBA system does impact on how downstream environmental and social safeguards are assessed and managed.

3. Several ministries, government agencies and sub-national offices are involved in the updating and operations of the OSS-RBA system through the process of (i) harmonization and synchronization of sectoral implementation regulations derived from the Omnibus Law; (ii) updating standards associated with the standardization of norms, standards, procedures and criteria based on the Indonesian Standard Business Categorization (KBLIs); and (iii) the development and system integration in several agencies with the OSS-RBA system. Even though

¹ The Environmental Approval covers both environmental and social aspects. The term "environment" in Indonesia is associated with the term "Lingkungan Hidup" (living environment), which also includes social, economy, culture and cultural heritage aspects. IP is included in the analysis of socio-economic aspects, while IR is an overlap between the location approval and the social-economy aspect of an environmental impact assessment.
² The AMDALNET system for environmental approvals (managed by MOEF), and the SIMBG system for building approvals (managed by MPWPH) have been fully integrated into the upgraded OSS-RBA system on February 7, 2023 and February 10, 2023 respectively. The GISTARU system for spatial plan management and KkPR is not fully integrated as there are still many sub-national governments without digitized detailed spatial plans (Rencana Detail Tata Ruang Daerah, RTDRD) integrated into the system. Currently, there only 108 digitized spatial plans from the 514 existing local governments/municipalities.
³ Law No. 11 of 2020 on Job Creation (the Job Creation Law) has been replaced by PERPUU (Government Regulation in Replacement of Law) No. 2 of 2022 on Job Creation. The PERPUU on Job Creation is effective and has been approved by Indonesian Parliament into Law on 21 March 2023 and is awaiting final enactment process into the new and amended Job Creation Law.
the upgraded version of the OSS-RBA system is up and running, the system is continuously experiencing updates in various areas (continuous improvements).

4. Some Provincial DPMPTSP offices encountered various technical problems in providing services to new businesses at the provincial or local government level, due to limitation in verification processes, such as between various levels of environmental verifications and approvals. Businesses at sub-national level also had difficulties in uploading documents to the OSS-RBA system. Provincial DPMPTSP offices often have difficulties in addressing these and other issues in providing services to businesses. This is likely a result of challenging coordination between national and sub-national government agencies, as some verification or approval processes have been taken by the national level, and the lack of human resources at provincial or local government level to conduct thorough and responsive verification and approval processes. This also indicates that there also needs to be some upgrades to the customer service or help desk system withing the OSS-RBA, which can be regarded as a system in lieu of a full grievance redress mechanism that most projects may need to have.

5. The system may go through another round of upgrades now that the amended Job Creation PERPUU is effective and the Government Regulation (GR) No. 5 of 2021 on the Implementation of Business License is in the process of amendment. The amendment of GR No. 5 will enhance system integration and operations of the OSS-RBA system.

6. **Environment implications.** The upgraded OSS-RBA system allows clearer environmental management generated automatically by the OSS-RBA for small and medium enterprises. The upgraded system also provides enhanced system integration between the OSS-RBA system with the AMDAL.Net system (EIA system under MOEF), GISTARU (spatial planning information system under MAASP), and the SIMBG system (building licensing system under MPWH). This allows streamlining of business licensing, and better environmental management planning and supervision of proposed investment projects and businesses.

7. **Social safeguards implications.** In general, the upgraded OSS-RBA enables a streamlined and more effective screening, assessment, planning and monitoring of social, IR and IP safeguards through the system’s three basic approval processes, as stated above. The OSS-RBA system is easily accessible online or through the provincial or local government DPMPTSP offices. The OSS-RBA has succeeded in easing issuance of business licenses for micro and small (informal and/or household small) businesses, as well as for medium enterprises with clear KBLI standards, generating automatic approvals needed for the quick issuance of business licenses. These now legally administered business entities are exposed to better business opportunities that can provide jobs for the community and household income increase.

8. While no negative social safeguards implications are expected, the OSS-RBA system is not yet fully supported by a sub-national Detailed Spatial Plan digitized for integration into the OSS-RBA system. This is challenging particularly for medium and large businesses applying for new business licenses or updating their businesses, to which in the absence of an integrated digitized detailed spatial plan, will require manual verification and validation process from relevant national, and/or sub-national level offices (depending on type of process and sector). This may lead to indirect potential risk with regard to approval time (potential for customer unrest and grievances), and potential land conflicts due to inadequate manual verification/validation.

---

4 The process is in line with GR No. 5 of 2021 concerning risk-based licensing and GR No. 22 of 2021 concerning environmental protection and management.
9. In addition, GOI needs to ensure operational synchronization between the OSS-RBA system with subnational regulations, coordination between level of governments, full integration of systems, better resources for manual verification and/or approval processes, all to avoid potential indirect impacts in the form of social unrest, land ownership and spatial use conflicts. MOI needs to strengthen its effort together with MOHA, MAASP and local governments/municipalities to accelerate the provision of the digitized RDTRD for integration into the OSS-RBA system. The current move to revise GR No. 5 of 2021 on the Implementation of Business License may be the opportunity to address the above.

| PA2.2: The government, through the BKPM, entered into agreements for investment in energy efficiency pioneering industries which resulted in the approval of FDIs for five contracts worth approximately $28.1 billion in the manufacturing of batteries for electric vehicles. (Ministry of Investment/BKPM) |

10. The PA was achieved. Three FDIs were approved, i.e., Hyundai, LG and CATL investing $1.55 billion, LG $9.8 billion and $6 billion respectively in manufacturing batteries for electric vehicles. The GOI has banned the export of raw nickel ore and is promoting the down-streaming of the nickel industry. Hyundai and LG are building an EV battery cell plant in Karawang International Industry City (KIIC), near the Indonesian capital Jakarta. The factory is expected to begin production in 2024 with an annual capacity of 10 GWh worth of battery cells. Hyundai and LG will invest USD 1.1 billion in the plant and each to own a 50% stake in the joint venture. The battery cell JV will help Hyundai and KIA secure a stable supply of EV batteries at a competitive price. Karawang International Industrial City (KIIC) is an industrial estate at Karawang Regency, West Java, which is located about 30 km south of Jakarta. It is a joint venture between Sinar Mas Land and ITOCHU Corporation of Japan. CATL is investing $6 billion in a new industrial park – FHT Industrial Park in Halmahera Timur regency in North Maluku. According to CATL, project construction is expected to complete in 2026. The investment will primarily fund battery manufacturing but also support several sub-projects to support CATL, including battery recycling.

11. **Environment implications.** The PA will support the government’s effort to achieve its Net Zero Target by 2060. The shift to EV production and adoption will help Indonesia to lower its overall emissions. A strong push to create an end-to-end EV ecosystem will create numerous business opportunities as the country moves up in the global supply chain, while at the same time helping Indonesia achieves its climate cause and contributing to the global decarbonization of the transport sector.\(^5\)

12. Battery manufacturing has many implications in relation to environmental safeguards. The upstream mining or smelting facilities must adequately meet safeguards standards, as well as any downstream battery or EV manufacturing facilities. This is less of a challenge for new businesses in the above fields as each new business entity is required to go through the environmental approval process in the OSS-RBA system prior to being issued a business license, subject to Law No. 32/2009 on Environmental Protection and Management (amended in 2021); Government Regulation No. 22/2021 on the Implementation of Environmental Protection and Management; and Ministerial (MOEF) and Regulation No. 4/2021 on List of Businesses and Activities Requiring AMDAL, UKL/UPL or SPPL. Allowing FDI in the sector is expected to promote introduction of, and adherence to, good international industry practice (GIIP) in battery production, including enhancing the pressure along the supply chain (most importantly the upstream nickel

---

\(^5\) PT Feni Haltim. [https://www.fht-antam.com](https://www.fht-antam.com).

\(^6\) Electric vehicle adoption rate worldwide is expected to rise to 27 percent in 2025 from just 8 percent in 2021. The number is expected to climb further to 53 percent in 2030 and 73 percent in 2035.
ore mining industry) to transition towards adherence to GIIP. All investments that may be and to secure the necessary environmental permit as precondition for a business license.

13. The PA will not directly induce increased nickel mining but promote value-added processing of battery metals and battery production within Indonesia’s borders. KIIC (where the Hyundai and LC battery manufacturing facility is being established) holds and maintains several ISO accreditations, including but not limited to ISO 14001:2004 for Quality & Environmental Management System; and OHSAS 18002:2007 for Health & Safety Management Systems. KIIC is connected to PLN’s power supply network. Furthermore, KIIC is one of the pilot eco-industrial parks, where UNIDO’s Resource Efficient and Cleaner Production approach was piloted and industrial synergies to improve environmental, social and economic performance beyond compliance were explored.\(^7\)

14. **Social safeguards implications.** This PA will not have any direct adverse impacts on IPs and no IR impacts as all three new EV projects are still subject to all risk assessment and mitigation process related to IP and IR through the OSS-RBA (refer to PA 2.1).

| PA2.3: The government: (i) implemented a ministerial decree that serves as a framework for investors, businesses, and policy makers to promote green investment plans; and (ii) merged environmental assessments with spatial planning into one process using geographic information system technology, to accelerate the approval of licenses for sustainable businesses and promote low-carbon and climate resilient development planning. (BKPM and NLA) |

15. Through PA 2.3, the government of Indonesia applied low carbon development into its long- and short-term efforts as part of Indonesia strategic effort to lowering emissions in the country’s development work and decarbonizing its industries. Part of this strategy is to increase green economy and green investment that includes the strengthening of the consideration of environmental carrying capacity into strategic planning, utilizing strategic environmental assessment (SEA, or Kajian Lingkungan Hidup Strategis, KLHS). While SEA has always been a pre-requisite for developing spatial plans in Indonesia, this is now also highlighted in the Job Creation PERPUU. This PA will contribute towards the GoI’s ambitious pledge to attain carbon neutrality by 2060 as committed at the COP26 summit in November 2021. It will also support Indonesia in reaching its NDC targets, and a more recent target towards FOLU Net Sink by 2030.\(^8\)

16. CMEA and MOI/BKPM have already made efforts in integrating green investment into Indonesian laws and regulations but have yet to fully grasped the wide spectrum of green investment and green economy in its development and investment strategies and its effect on businesses and overall investment. CMEA, MOI/BKPM and MOF needs to further understand of incentives and facilities related to investment climate and its relations to GOI’s negative list. The Government of Indonesia is promoting the optimization of economic development through the re-introduction and strengthening of multi-license business and social forestry in the Job Creation Law, and the enhancement of sustainable business investment through MOI/BKPM.\(^9\)

---


\(^8\) Minister of Environment and Forestry Decree No. 168 of 2022 on FOLU Net Sink.

\(^9\) The Ministry of Investment issued the MOI Ministerial Decree No. 223 of 2022 on Sustainable Investment Guidelines as reference for businesses, investors and the government to increase sustainable and green investments in Indonesia. The government also launched the Sustainable Investment Guidelines document during the G20 Summit in November 2022.
17. **Environment implications.** The framework introduced through PA2.3 will help promote green investments. Such investments could pose risks to natural resources and biodiversity if not planned responsibly. For example, poorly sited renewable energy (RE) facilities can have considerable detrimental impacts on natural habitats and wildlife. In general, solar and wind projects require large areas for utility-scale electricity generation, thus impacts on natural ecosystems and biodiversity are of particular concern. Inappropriately sited RE developments can adversely affect important wildlife habitats, with birds especially at risk (collision risk, displacement from key flight paths and migration routes). Fortunately, wind and solar radiation are widespread resources in Indonesia, and there is considerable scope to choose locations for development where the impact on birds and other wildlife will be minimal. The strategic environmental assessment process that is strengthened through PA2.3 will promote more strategic upstream planning of green investment plans, ensuring that RE targets can be achieved without adversely affecting the country’s sensitive ecosystems. Furthermore, all investments that may result from the roadmap are subject to Law No. 32/2009 on Environmental Protection and Management (amended in 2021); Government Regulation No. 22/2021 on the Implementation of Environmental Protection and Management; and Ministerial (MOEF) Regulation No. 4/2021 on List of Businesses and Activities Requiring AMDAL, UKL/UPL or SPPL; and to secure the necessary environmental permit as precondition for a business license.

18. **Social safeguards implications.** New projects in the RE industry will benefit the society through creation of new employment and business opportunities since the companies bring new “green” technologies and also create other benefits for the communities surrounding their business and/or project development locations to take part through employment or entrepreneurship, including for IP communities.

PA2.4: The government: (i) operationalized a land bank to manage state and abandoned land, in a sustainable way and for public interest, covering planning, acquisition, procurement, management, utilization, and distribution of land; (ii) simplified procedures and clarified requirements for foreign land ownership; (iii) in July 2022 enacted and implemented a regulation on the provision and utilization of green open spaces, which requires local governments to comply with the mandatory provision of 20% of green open spaces in cities, providing social, environmental, climate and economic benefits to communities that attract investment; and (iv) clarified land titling for above and below the ground using a modern electronic land registration system. (MAASP/NLA)

19. The Government of Indonesia established the Land Bank Agency (Land Bank) on 2 January 2022 as part of the implementation of the Job Creation Law, strengthened by two implementing regulations, one in the form of a government regulation and the other a presidential regulation\(^\text{10}\) with the task to provide land for the purposes of economic fairness, for public use, social use, for the purpose of national development, for the purpose of even economic distribution, for land consolidation and for agrarian reform. The main function of the Land Bank is to conduct: (i) planning, (ii) land acquisition, (iii) procurement of land, (iv) management of land, (v) utilization of land, and (vi) distribution of land for the above-mentioned purposes. The sections on Land Bank in the Job Creation Law are regarded as a new regulation and did not replace or amend any previous laws on land and agrarian affairs.

\(^\text{10}\) The operational of the Land Bank is based on Government Regulation (GR) No. 64 of 2021 on the Land Bank Agency, and the Presidential Regulation (PR) No. 113 of 2021 on the Implementation Structure of the Land Bank Agency. Other regulation relevant to the Land Agency include GR No. 18 of 2021 on Management Rights, Land Rights, Multistory Housing Units, and Land Registration.
20. **Operationalization of the Land Bank Agency.** The government is currently tasking the Land Bank Agency to focus on idle (unutilized or abandoned) state land having government concessions or permits. The Job Creation Law, however, mentions that the Land Bank may acquire land from abandoned land or conduct land or area consolidation for the purpose of development projects. These may have indirect implementation risks if not handled properly through good land acquisition and IR mitigation practices as these management aspects of the Land Bank may include private land or state land under the control of the community or by third parties. The Land Bank Agency Standard Operating Procedure (SOP) for land acquisition appears to have been developed, but the SOP was not available for review against ADB environmental and social standards, or other international good practices.

21. There are, however, indications of civil unrest based on news of public protest and a legal suit against GR No. 64 of 2021 to the constitutional court citing that the GR conflicts with the 1960 Agrarian Law. Based on media interviews with experts, there is no basis for this claim as the Land Bank is still subject to and is aligned with the 1960 Agrarian Law, and that the sections on the establishment of the Land Bank Agency in the Job Creation Law does not replace or amend the Agrarian Law. In addition, there is also concern that the Land Bank will have great impact on customary land, which have been countered by Ministry of Agrarian Affairs and Spatial Planning during a socialization FGD, stating that the Land Bank does not have any concerns on customary land and will not affect IP and will focus on idle and abandoned land.

22. **Simplification of strata tile ownership of residence and apartment units by foreigners.** The GOI has simplified the procedures for ownership of housing residence and occupancy units in the form of landed house or apartment units built on state land with rights to use or right to build. The main objective of this policy is to push improvement in tourism and industry and create job opportunities for the communities. Previously, this only applied for foreigners with limited stay permits (KITAS), to which now foreigner with valid passports and visa may also apply for housing ownership. Certain limitations apply as there is a minimum area of

---

1. GR No. 20 of 2021 concerning the Management of Abandoned Areas and Land, Article 1 states that (1) abandoned areas are non-forest areas that have not been attached to Land Rights that already have Concession Permits and/or Business Permits, which are deliberately not cultivated, not used, and/or not utilized; and (2) abandoned land is private land, land with management rights, and land obtained under the basis of land tenure, which is deliberately not cultivated, not used, not utilized, and/or not maintained. Article 7 further states that private land becomes the object of control over abandoned land if it is deliberately not used, utilized, and/or maintained so that: (a) controlled by the community and become a village area; (b) continuously controlled by another party for 20 (twenty) years without any legal relationship with the right holder; or (c) the social function of land rights is not fulfilled, whether the right holders are still there or not. Final determination of abandoned land will be by the Minister of Agrarian and Spatial Planning/Head of BPN.

2. Land consolidation is a land policy regarding realignment of land tenure and use as well as land acquisition efforts for development purposes. The purpose of land consolidation is to achieve optimal land use by increasing the efficiency and productivity of land use. The participants of land consolidations are holders of rights to land. Land consolidation include realignment of land parcels including land rights and or land use, which will then be complemented by road infrastructure, irrigation, environmental facilities and other necessary supporting facilities, by involving landowners or cultivators.

3. Regulation of the Minister of Agrarian Affairs and Spatial Planning/Head of BPN RI No. 18 of 2021 concerning Procedures for Determining Management Rights and Land Rights Regulations, dated 27 October 2021, Chapter VIII Procedures for Granting and Limitation on Ownership of Residents or Occupancy Units by Foreigners. Article 185, Foreigners who have immigration documents issued by agencies that authorized person may own a residence or dwelling in the form of: (a) landed house on land: 1. Right to Use on State Land; or 2. Usage rights above: (i) Property rights, which are controlled based on an agreement to grant usage rights on top of ownership rights with the deed of the Land Deed Making Officer; or (ii) Management Rights, based on land utilization agreements with the holders of...
2,000 square meters allowed for each foreign individual/family at a determined minimum price set for each province as regulated by MAASP.\textsuperscript{14}

23. **Land Titling for below and above ground.** The Job Creation Law introduced changes to titling and rights for space below and above ground, which was further elongated in Government Regulation No. 18 on of 2021 on Right to Manage, Right over Land, Strata Titles and Land Registration, which was issued on 2 February 2021 and now fully implemented. Changes in the two regulations help clarify the legal relationship between right-owner of land and rights owner of space below and above land. Rights are given to parties for specific management and activities of such space below and above land.

24. **Environment implications.** Through the PA, the management of idle or unutilized land, both in relations to land acquisition and NRM, will be conducted through one body (i.e., the Land Bank Agency), hence should create a more strategic, transparent, scientific and accountable land management system. This will reduce the risk of unsustainable NRM and enhance the capacity of the government to identify and protect critical ecosystems that may be present within idle and unutilized land. The regulation on the provision and utilization of green open spaces will enhance environmental quality and livability of urban areas by enforcing the mandatory provision of 20\% of green open spaces in the cities. Management of or activities done on residences owned by foreigners, or on land with right ownership of space below and above ground should not cause adverse environmental impacts as all will be subject to the routine environmental assessment process and approvals regulated by GOI.

25. **Social safeguards implications.** There is no direct implication on IR during procurement processes conducted by the Land Bank Agency is also to Government Regulation No. 19 of 2021 the Implementation of Land Procurement for Public Interest Development, regulates compensation in land acquisition plan documents; project disclosure and stakeholder engagement processes; and addresses the need for grievance redress mechanisms.\textsuperscript{15} The government need to ensure that the Land Bank Agency develops and implements sound guidelines/Operations Manuals for land acquisition and distribution mechanism, to include IR (physical and economical displacement), and IP as well as for environmental good practices, which should also include good public disclosure mechanisms. This is to ensure good safeguard practices are applied at the earliest possible stage, and that land assets transferred to investors/users will carry forward good social, IR and IP and environmental management practices. The GOI should increase efforts on socialization of the Land Bank Agency, involving more local governments with more exposure to the community and to civil society organizations.

26. To ensure sustainable development of the area/region affected by the utilization of the land asset, the Land Bank agency should also ensure that any spatial planning document referred to takes into account the strategic environmental assessment (if any) of the region, particularly on sections related to land-use and the carrying capacity of the biological and physical condition of the area/region.

---

\textsuperscript{14} Decree of the Minister of ATR/Head of BPN No. 1241/SK-HK.02/IX/2022 concerning Acquisition and Price of Residential/Residential Houses for Foreigners, dated 12 September 2022.

\textsuperscript{15} Government Regulation No. 19 of 2021 states that a land acquisition plan document is prepared based on specific feasibility studies to include, among other things, community culture studies, political and security studies, or religious studies, and should also contain compensation preferences based on public consultation.
PA2.5: The government: (i) established a health SEZ that for the first time permitted foreign healthcare service providers to operate in Indonesia; and (ii) began implementing the electronic smart cards process to accelerate immigration checks for foreign workers. (CMEA)

27. The Government of Indonesia through the SEZ National Council approved the Sanur SEZ on July 22, 2022. Sanur SEZ will be the first ever healthcare SEZ in Indonesia and is located in Sanur, City of Denpasar, Bali Province. This healthcare SEZ, as is the aim of the Job Creation Law, is intended to create job opportunities in the healthcare industry, particularly in the Denpasar area, and to provide international standard healthcare facilities and service as an alternative option for Indonesians traditionally seeking healthcare services abroad. A Government Regulation (GR) on the Sanur Healthcare SEZ was issued on November 1, 2022. This was further strengthened by Health Minister regulation on the implementation of hospitals in SEZs. One of the areas regulated is the allowing of foreign medical staff or Indonesian graduates from overseas education (also known as Indonesian Diaspora), as long as their qualifications meet Indonesian National Qualification Framework and meet technical competency requirements, as well as meeting Indonesian manpower requirements. Business licenses for the hospitals within the SEZ are processed and registered through the OSS-RBA system. Reporting of imported or exported goods will be integrated into the INSW system.

28. Further to foreign workers working in SEZs, GOI issued two ministerial regulations relating to the issuance of immigration smart cards/electronic cards under the name Electronic Information System for Immigration Card (EIS-I). The EIS-I card contains personal information of travelers and their travel history as well as other relevant information, which eases entry or exit to and from Indonesia for frequent travelers.

29. Environment implications. The PA is not anticipated to generate adverse environmental impacts. Any hospital planning to establish in the SEZ will require a full EIA as part of the licensing application process. All EIAs will be processed through the OSS-RBA system. All investments will be subject to Law No. 32/2009 on Environmental Protection and Management (amended in 2021); Government Regulation No. 22/2021 on the Implementation of Environmental Protection and Management; and Ministerial (MOEF) Regulation No. 4/2021 on List of Businesses and Activities Requiring AMDAL, UKL/UPL or SPPL. Hospitals in the SEZ will be required to meet international standards and will require to partner with international hospitals, including but not limited to Mayo Clinic of United States. As a result, these hospitals will adhere to international good international industry practice to healthcare facilities with regard to pollution prevention and control, waste management, occupational health and safety, and resource efficiency, among others.

30. Social safeguards implications. This PA will not have adverse impact on Indigenous Peoples (IP) and no Involuntary Resettlement (IR) impacts are to be anticipated. Land used for the development of the Sanur SEZ was formerly a golf course managed by a state-owned company, hence no land acquisition implication to the community and IP were identified. The Sanur area has long been a tourist destination with rows of hotels, restaurants and other tourism

---

16 Government Regulations No. 2022 on Sanur Special Economic Zone. The Sanur SEZ is intended for both healthcare and tourism industries. Healthcare will include the pharmaceutical, medical equipment, and health-related research and development industries, and will be staffed by accredited human resources in it respective fields.

17 Health Minister Regulation No. 1 of 2023 on Implementation of Hospital Businesses in Special Economic Zones.

18 Minister of Law and Human Right of Republic of Indonesia Regulation Number 28 of 2021 concerning Facility and Ease on Immigration in the Special Economic Zone and Minister of Law and Human Right of Republic of Indonesia Regulation Number 13 of 2022 concerning Electronic Information System for Immigration Card Facility at Immigration Checkpoints.
attractions and centers of activities. The Sanur customary community is open and supportive of tourism and is expected to be very open to the development of the Sanur health and tourism SEZ.

31. This PA and the physical development and operation of the Sanur SEZ will have no direct and indirect negative implications on the other social aspect. Some hospital facilities are already under construction and have provided work opportunities for the local construction workforce. The creation of SEZ in all its stages will provide new job opportunities and increase household income and provide new markets and business opportunities for the tourism industry in the Sanur area and in Bali in general.

32. The new policy on approval of implementing regulations on the opening of first health sector SEZ and issuance of regulation to facilitate immigration checks of foreign workers will allow Indonesians to benefit from good quality medical services domestically at much reduced costs. Data show that Indonesia is a major contributor to medical tourism in the region, with more than 2 million Indonesians travelling abroad in 2019 to obtain health services worth $6 billion.

---

**PA2.6: Under the National Logistics Ecosystem Masterplan, 2020–2024, the government implemented:** (i) a single submission system for domestic and international sea and air transportation and for key ministries responsible for agriculture, trade, industry, health, and food and drugs; (ii) a single operating system for port operators, including an integrated container service and delivery logistics platform at five large ports; and (iii) an online payment platform for logistics services. (CMEA)

33. The Government of Indonesia initiated the strengthening of the management of the National Logistics Ecosystem in 2020 through the 2020 – 2024 NLE Master Plan and the implementation of the Indonesia National Single Window (INSW). Most of the action plans related to the NLE have been completed particularly on aspects of business process simplification, collaboration in logistical platform, and the ease in payment. Site planning and zonation of harbor/air terminal areas and distribution system is still in progress. Achievements include lowering of dwelling time at harbors and efficiency in time and cost for logistics operations at harbors, including transparency in costs. Public disclosure and socialization of the above action plans and integration of systems were conducted and involved various government and private sector players for all sea, land and air logistics and transportation.

34. Further to the above, GOI also streamlined and integrated systems for pre-customs clearance that include for (i) implementation of the electronic certificate of origin (2-COO), (ii) simplification of permits (e.g., single submission for permitting), (iii) clarity of fiscal facilities, and (iv) implementation of a single submission system for transporter, for custom clearance stage that include joint inspections for quarantine and customs; and for post-custom clearance that include (i) implementation of an online delivery order system, and (ii) online system for release of freights. All of the above mostly resulted in the ability to process more documents and permits, and efficiency in costs.

35. **Environment implications.** The PA has no adverse environmental implications since it relates to the simplification of documentation and permit processing, as well as setting up integrated IT platforms and systems. The PA did not (and does not) contribute to or promote the construction of new harbors but enhanced their management.

---

19 Presidential Instruction No 5 of 2020 on Management of the National Logistics Ecosystem.
36. **Social safeguards implications.** The implementation of this PA has potential for indirect positive impact on efficiency in work force use, health and safety of workers, and economic increase. However, the documents provided for review at this time do not have the information to support this.

| PA2.9: The government: (i) issued a presidential regulation for a new integrated national plan for enterprise development by synergizing government programs to support enterprises in becoming more export- and technology-oriented; and (ii) established and operationalized an inter-ministerial committee to improve the delivery of government services to enterprises. (MCSM) |

37. The issuances of the presidential regulations for entrepreneur devolvement\(^{21}\) aims to accelerate growth and ratios of entrepreneurial through entrepreneurial development to improve the quality of economic growth, business climate, and competitiveness and expand employment opportunities. This includes the development of innovative and sustainable businesses. The Government develops a National Entrepreneurship Ecosystem that matches the characteristic of entrepreneurship in Indonesia.

38. The above-mentioned presidential regulations also provide the basis for the establishment of the Inter-Ministerial Committee to improve the delivery of government services to enterprises, which include technical assistance, capacity building and better access to funding. The Inter-Ministerial Committee consist of a Steering Committee (SC) and Executive Committee (EC), with a combined task to strengthen the implementation of National Entrepreneurship through policies and resource support, and to formulate strategic policy recommendations for the President. The Executive Committee is chaired by the Minister of Cooperatives, Small and Medium Enterprises (MCSM) with members that include the Minister of Environment and Forestry, and the Minster of Women Empowerment and Child Protection.

39. Target entrepreneurs are divided into thematic groups consisting of (1) social entrepreneurs, (2) technology entrepreneurs, (3) youth entrepreneurs, (4) women entrepreneurs, and (5) village entrepreneurs. The youth entrepreneur group includes youth under women-youths, vulnerable youths, youth with disabilities and village youths interesting in doing business. Under all the above groups, MSMEs in various forms will be targeted through partnerships and capacity building activities. It is common that village groups will also consider IPs as their inclusive target beneficiaries.

40. **Environment implications.** This PA may generate indirect environmental benefits. Increasing the capacity of MSMEs and involving them in more advanced value chain businesses will expose them to state-of-the-art environmental standards. Better access to funding will also include access to green, sustainable and innovative funding, which typically require adherence to international good industry practice. New businesses, including MSMEs, are required to register their businesses through the OSS-RBA system, which ensures that each business is assessed against the standardized environmental criteria and practices.

41. **Social safeguards implications.** This PA will have indirect positive implication on human resource development and better business opportunities for MSMEs, which may include providing opportunities to IPs to start and conduct business, which may lead to increased employment opportunities and economic development for communities and IPs. This PA will have indirect

---

\(^{21}\) Presidential Regulations (PR) No 2 of 2022 on National Entrepreneurship Development (2021-2024) with its tow attachments.
positive impacts on IP as it is inclusive and covers IP as well as vulnerable people allowing IP and vulnerable communities to process and market their local/traditional products though the establishment of proper MSME business. This PA does not have direct or indirect adverse impacts on IR and IP.

**PA2.10: The government developed an integrated MSME system with sex disaggregated data, used to track, analyze and report on the performance of WOB. (MCSM)**

42. The introduction of an integrated MSME system with sex disaggregated data will allow MSMEs, particularly women owned business (WOBs), to synergize their businesses operations with GOI’s national strategies and priority programs and allow the businesses to take part in government driven programs. The ability to track, analyze and report on the performance of WOBs will also make it clear for the government and/or financial institutions to channel funding to specifically support Women-owned Businesses, and to allow them to participate further in industry supply and value chains, and access to FDIs.

43. **Environment implications.** There is potential for some positive environmental implications. The ability to track MSMEs performance by their sex-disaggregated data and ownership will allow better management of business operations, produce better reports (particularly sustainability reports) that will open further access to environmental good practices and to green investments.

44. **Social safeguards implications.** With clearer sex desegregation data and the ability to track performance of WOBs, this PA will allow access to investments, better management practices, and to regulated government support programs, thus resulting in the potential for indirect positive benefits on Women-owned business, worker’s benefits and economic increase, which will include that of targeted IPs, affected IPs and project-affected people from IR risk-mitigation activities. This PA does not have direct or indirect adverse negative impacts on IPs and no IR impacts.