

The Indonesia Election Result and Joko Widodo's New Cabinet:

What it means to fossil fuel subsidy reform

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Joko Widodo Coalition			Opposition Coalition		
Political Parties	2019	2014	Political Parties	2019	2014
PDIP	128	109	Gerindra*	78	73
Golkar	85	91	PAN	44	49
NasDem	59	35	Demokrat	54	61
PKB	58	47	PKS	50	40
PPP	19	39	Partai Berkarya	0	0
Hanura	0	16			
PKPI	0	0			
PBB	0	0			
PSI	0	0			
Perindo	0	0			
Total Seats	349	337		226	223

Source: Indonesian Election Commission, 2019.

*Note: Two of the Gerindra Party's leaders later joined Widodo's cabinet.

On October 23, 2019, President of Indonesia Joko Widodo introduced his cabinet members to the public at the Presidential Palace. The line-up of Widodo's second-term cabinet shows depth and confidence, and the background of the ministers reflect broader political support than the previous term.

The leader of the rival coalition that contested Widodo in the 2019 presidential election, Prabowo Subianto from the Gerindra Party, accepted the offer to serve in Widodo's cabinet as Minister of Defense. The Gerindra Party's Vice Chairman of Finance and National Development, Edhy Prabowo, was also recruited into the cabinet as Minister of Maritime Affairs and Fishery. These appointments



will likely change the balance of power in Indonesia's legislative body, the People's Representative Council (*Dewan Perwakilan Rakyat Republik Indonesia [DPR RI]*), and potentially put Widodo in a position to control 427 of 575 seats (74 per cent) in the Parliament.

The cabinet features some familiar faces, such as Luhut Binsar Pandjaitan (Coordinating Minister of Maritime and Investment Affairs), Airlangga Hartarto (Coordinating Minister for Economic Affairs, previously Minister of Industry), Sri Mulyani (Minister of Finance), Retno Marsudi (Minister of Foreign Affairs), Tjahjo Kumolo (Minister for Empowerment of State Apparatus and Bureaucracy Reform, previously Minister of Home Affairs), Yasonna Laoly (Minister of Law and Human Rights), Bambang Brodjonegoro (Minister of Research and Technology, previously Minister/Head of National Development Planning) and Basuki Hadimuljono (Minister of Public Works and Housing).

The Indonesian multiparty political system has its weaknesses, in that it depends on how the various political interests that make up the ruling coalition can be accommodated. With this condition seemingly in mind, during his cabinet inauguration and in his first cabinet meeting, Widodo emphasized that the only agenda of his coalition is his own: "There is no vision nor mission of ministers; there are only the vision and mission of the President and Vice Presidents" (CNN Indonesia, 2019).

Widodo appointed the Chairman of the Golkar Party, Airlangga Hartarto (formerly Minister of Industry in Widodo's first term), who is the son of Hartarto Sastrosoenarto, a minister in President Soeharto's cabinet who served from 1983 until 1999, as the Coordinating Minister of Economic Affairs. The Golkar Party has been consistently a top vote-getter in Indonesian elections, coming second in parliamentary seats and third in popular votes. The Golkar Party's support has been crucial in constructing political dominance and passing policies that require the legislative process in Indonesia. Jusuf Kalla, Vice President in Widodo's and President Soesilo Bambang Yudhoyono's first terms, was also the leader of the Golkar Party.

The new Minister of Energy and Mineral Resources, replacing Ignasius Jonan, is Arifin Tasrif, a Bandung Institute of Technology graduate, former Ambassador to Japan and former CEO of both Pupuk Indonesia, the state-owned fertilizer company, and PT Petrokimia Gresik, a petrochemical company. Widodo stated that the key tasks of the Minister of Energy and Mineral Resources are to meet the renewable energy target and to reduce oil and gas imports. In addition, key tasks will likely be the similar to those of the previous administration: achieving the energy diversification target (which includes the push for renewable energy); universal coverage of electricity; the palm oil biodiesel project; the construction of power plants; settling some major energy project deals, such as the Masela gas bloc; and carrying out the downstreaming (*hilirisasi*) agenda in the mining sector.

Erick Thohir was appointed Minister of State Owned Enterprises, replacing Rini Suwandi. He is an Indonesian business person (Forbes, 2012) who served as Widodo's Chief of Campaign Team in the 2019 presidential election. Thohir's family businesses excel in natural resources, property, media, hotels and restaurants, and sports. Thohir's older brother, Garibaldi, is the current President Director of PT Adaro, one of Indonesia's biggest coal mining companies (Forbes, 2018). His father was one of the founders of Astra International, Indonesia's biggest automotive company, which was established in 1957 (Cahyafitri, 2013).

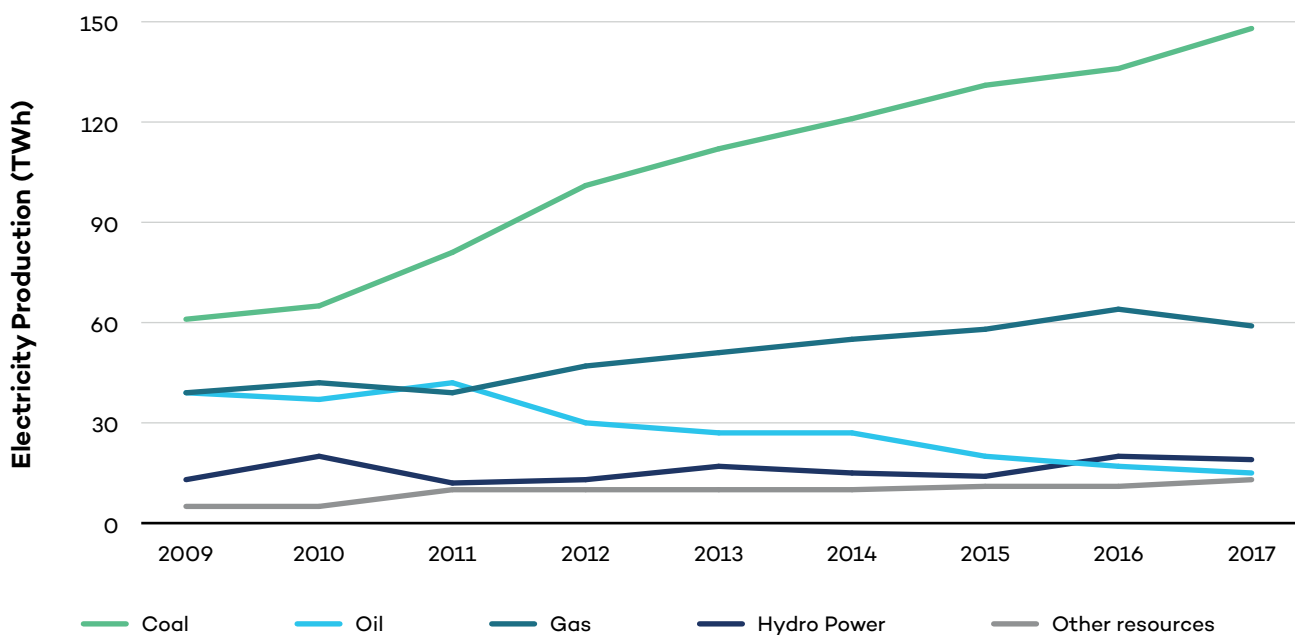
Widodo retained the former World Bank Managing Director, Sri Mulyani, as the Minister of Finance. Her steady-handed approach has been lauded as a crucial factor behind Indonesia's economic

stability in recent years. Widodo also retained the influential former army general Luhut Binsar Pandjaitan as Coordinating Minister of Maritime Affairs, “with [the] added responsibility to oversee investments in the country” (Soeriaatmadja, 2019).

The position of Minister of Health is filled by Terawan Agus Putranto, an army doctor with the rank of Major General, who served as presidential doctor to President Yudhoyono. Putranto’s unorthodox approach to medical cases (Faizal, 2019) should not be a surprise, since Widodo is known to take risks on officers who have strong managerial skills and a knack for solving problems. Widodo cited Putranto’s managerial experience at the army’s hospital as the key reason he appointed him. It will be interesting to see if Putranto’s approach to medical cases will be similar on the health administration side, which requires considerable innovation to tackle both the national healthcare insurance deficit and, in collaboration with the Ministry of Forestry and Environmental, the effects of increasing air pollution.

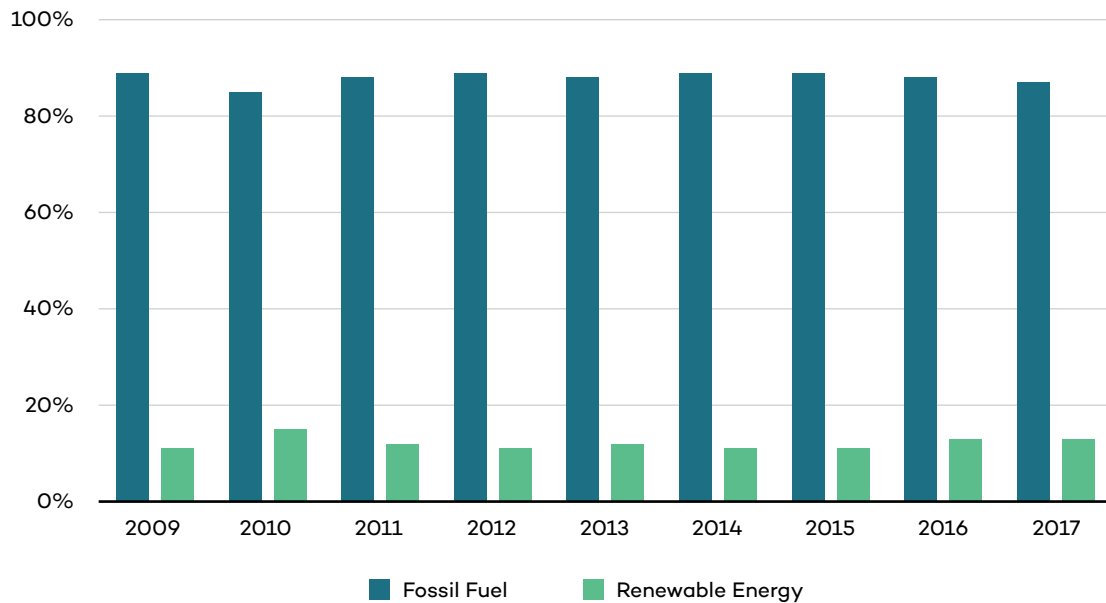
Political strength and stability are key factors in carrying out the agenda for fossil fuel subsidy reform. Widodo’s second-term cabinet is filled with figures with strong managerial backgrounds and pragmatic attitudes, which sends the impression that this cabinet has been assembled to score outcomes. His coalition also looks stronger than before, with the inclusion of the biggest opposition party in his cabinet. However, the key to Widodo’s stance on energy reform will be the position of the reform agenda in his development priorities.

Figure 1. Electricity production in Indonesia (2009–2017)



Source: Ministry of Energy and Mineral Resources, 2018.

Figure 2. Share of energy input to power generation in Indonesia (2009–2017)



Source: Ministry of Energy and Mineral Resources, 2018.

In Widodo’s first term, the development of renewable energy in Indonesia was overshadowed by the expansion of coal power plants (in the electricity sector) and the decision to go with the palm oil biodiesel project rather than improving the fuel pricing mechanism (in the transportation sector), as seen in figures 1 and 2. The energy reform agenda in Widodo’s first term was undoubtedly designed for tighter fiscal security. However, the outcome of the policy did not result in an improved share of clean and sustainable energy in Indonesia, even though he actually had enormous support to launch a campaign for a greener Indonesia.

Under the leadership of the National Development Agency (Bappenas), Indonesia’s bold Low Carbon Development Initiative (LCDI) was launched in August 2019. The LCDI is expected to be absorbed into Indonesia’s National Mid-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional [RPJMN]*) (2020–2024) (Jakarta Post, 2019) in an attempt to integrate the country’s economic priorities with its sustainability agenda. The LCDI projects that Indonesia should be able to meet its climate target of a 43 per cent reduction in greenhouse gas emissions by 2030 while maintaining a 6 per cent growth in GDP per year if the country pursues a rigorous path to reducing greenhouse gas emissions in all sectors. The benefits will also come from improved living conditions, such as the avoidance of 40,000 premature deaths due to improved air quality and the preservation of nearly 16 million hectares of forestland (Bappenas, 2019). In the energy sector, this government’s planning document requires a shift from a fossil fuel-dependent energy system to cleaner energy, which means transitioning from coal to renewable energy. That combination will enable Indonesia to reach its economic ambition while maintaining, if not advancing, its social and environmental goals.



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