

## State Owned Enterprise (BUMN) as Catalysts for Research and Innovation

*The People's Representative Council of the Republic of Indonesia (DPR RI) ratified the Job Creation Omnibus Bill on 5 October 2020 and it was enacted by the President of the Republic of Indonesia as Law No. 11 of 2020 concerning Job Creation on 2 November 2020 (the "Job Creation Act" or the "Act"). Regardless of the view in many quarters which considers several articles in the Act controversial and its ratification in less than a year very swift, the Act will hopefully be able to simplify bureaucracy and make it more effective and support increased investment so as to create new employment opportunities while still protecting and facilitating Micro, Small, and Medium Enterprises (UMK-M) and Cooperatives, and enhance protection for workers and labour.*

The Act is divided into strategic policies: enhancing the investment and business ecosystem, labour affairs, facilities, protections, and empowerment of cooperatives and UMK-M, facilities for doing business, support for research and innovation, land procurement, economic zones, central government investment and acceleration of nationally strategic projects, implementation of government administration, and the imposition of sanctions.

One of the provisions in the Act which is rarely discussed but which has an extremely important role in a business's success and effectiveness is the support for research and innovation, even though regulations for the support of research and innovation are found in their own section of the Act in Chapter VII. The cluster of support for research and innovation amends two Laws: (i) the State Owned Enterprises Act Law No. 19 of 2003 (the "SOE Act"), and (ii) the National Science and Technology System Act Law No. 11 of 2019 ("Law No. 11/2019"). In essence, the central government can assign SOE to carry out their functions of public benefit, national research and innovation, and the formation of research and innovation institutions in the regions.

The Act amends the regulation in Article 66 of the SOE Act whereby the central government may specifically assign SOEs to carry out their function of public benefit, still subject to the purpose and objectives of the SOEs' activities and consideration of the SOEs' abilities. These special assignments were not previously indicated in the SOE Act. From the SOEs' viewpoint, research and innovation in the Act provides SOEs with legal certainty on such assignments from the central government.



On receiving a special assignment, an SOE will engage in programs supporting research and innovation which could assist UMK-M with the central government providing a special budget for financing strategic innovation. The Act provides that the plan for such assignments will be jointly reviewed by the SOE concerned and the central government and if the assignment is not financially feasible, the central government will compensate the SOE for the costs expended, including any expected margin at a reasonable rate for the assignment given. With regard to the stages in such assignments, the Act provides that the SOE's assignment by the government must first have the approval of a general meeting of shareholders (GMS) or the minister. Such research and innovation may be carried out independently by the SOE or in partnership with other institutions such as (i) private enterprise, (ii) regionally owned enterprises, (iii) cooperatives, (iv) SOE, (v) research and development institutions, (vi) study and application institutions; and/or (vii) higher education institutions.

Another Law connected with research and innovation which is also affected is Law No. 11/2019. The Job Creation Act provides that a national research and innovation research board to be governed by Presidential Regulations will be formed to undertake research, development, studies and application, and invention and innovation in an integrated fashion. What is more, regional governments will also form such research and innovation boards.

With these regulations, the Job Creation Act constitutes a fresh wind which may generate an optimistic attitude in the development of research and innovation in Indonesia,

which will serve as the basis for economic progress in general because research and innovation has been proven to be the strength of the leading nations in the global competition stakes. Thus, the Act should be appreciated, but with the proviso that the Act does not clearly provide for the inter-relatedness of research and innovation, the increase in employment opportunities, and the special assignments to SOE.

In this regard the support for research and innovation cluster does not specifically govern the scope of the type of research and development to be developed to achieve the objectives of the Act itself, particularly its impact on increasing competitiveness and employment opportunities and so the essential aim of the existence of this cluster in the Job Creation Act is not clearly visible.

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