

Thursday, Apr. 2nd, 2020

GENERAL NEWS AND HEADLINES

COVID-19 hospital on Galang Island to begin operations Monday

Investor Daily, p. 12; Media Indonesia, p. 1

President Joko "Jokowi" Widodo has affirmed that a designated COVID-19 hospital on Galang Island, Riau Islands, would start operations on April 6, having completed construction on Wednesday. Jokowi's affirmation was delivered alongside National Disaster Mitigation Agency (BNPB) chief Doni Monardo and Public Works and Housing Minister Basuki Hadimuljono.

The hospital was previously used as a camp for Vietnam war refugees.

Zone A will serve as a dormitory for medical workers and the management of the hospital and will be equipped with 158 beds, laundry facilities and sterilization facilities. Meanwhile, zone B will be used as a ward for patients and will consist of 20 beds in the isolation section and another 340 in the observation area.

The site also has access to clean water and electricity, while the island is located 50 kilometers from Hang Nadim International Airport.

BPTJ issues circular to restrict access into capital

Koran Tempo; Kompas, p. 1

Restricting access to the capital city and its surrounding regions cannot be enforced as Jakarta, Bogor, Depok, Tangerang and Bekasi have not yet imposed large-scale social restrictions in their areas.

"If large-scale social restrictions have not yet been imposed, we cannot implement transportation restrictions," said Office of the Coordinating Maritime Affairs and Investment Minister expert staff Jodi Mahardi. Jodi represented Luhut Pandjaitan, who is also serving as acting transportation minister as Budi Karya Sumadi is being treated for COVID-19.

On Wednesday, the Transportation Ministry's Greater Jakarta Transportation Agency (BPTJ) issued Circular No. 5/2020 concerning restrictions on the use of transportation to reduce the mobility of people in Greater Jakarta. This circular was intended as a reference for regional heads in suppressing the spread of COVID-19 transmissions in their respective regions.

The circular states that regional heads are allowed to ask public transportation operators to halt their operations and to close access to regional highways, arterial roads and toll roads.

Transportation Ministry spokesperson Andita Irawati affirmed the content of the circular but also clarified that the document was only applicable for regional heads who had declared the implementation of large-scale social restrictions.

Jakarta Transportation Agency head Syafrin Liputo said, however, that the circular was inapplicable to Jakarta as the administration had yet to implement large-scale social restrictions. "Only after that can the regional head [Governor Anies Baswedan] restrict transportation," Syafrin said.

Regional polls deferred after organizers catch COVID-19

The Jakarta Post, p. 3

Postponing this year's regional elections was the most viable option to avoid COVID-19 from further spreading to rural areas, Indonesia's elections authority has said, as reports emerged that election organizers have also caught the disease and stakeholders moved to delay the polls.

The General Elections Commission (KPU) made the decision after revealing it was also fighting to contain the virus within its ranks, which poses a serious risk to the agency's capacity to organize elections in 270 regions slated for September.

KPU commissioner Hasyim Asy'ari told *The Jakarta Post* that members of the institution both at the national and regional levels had been exposed to COVID-19, with some testing positive for the disease and others being treated as suspected patients or placed under surveillance.

Based on agency reports, the list of infected election organizers includes, among others, members of the KPU South Solok in West Sumatra and representatives in East Kalimantan's Jutai Kartanegara and Bontang regencies.

Government regulation disrupts ministry's efforts to release inmates

Kompas, p. 2; Republika, p. 2; Media Indonesia, p. 4

The Law and Human Rights Ministry has issued early releases for 13,430 incarcerated adults and juveniles, of the 30,000 to 35,000 to be released, as a measure taken to prevent the spread of the COVID-19 virus at penitentiaries and detention centers. However, efforts to release more inmates are constrained by Government Regulation (PP) No. 99/2012.

The regulation exempts drug, corruption and terror convicts from being given early release through social integration and parole. According to the regulation, these rights can only be obtained if the convicts are willing to work with law enforcement to dismantle the crime network.

Gadjah Mada University (UGM) corruption study center chairman Oce Madril said efforts to reduce overcrowding in the penitentiaries and detention centers could not be simplified by revoking PP No. 99/2012. "It must be understood that penitentiaries are overcrowded with drug convicts. If the government wants to reduce the density of penitentiaries and detention centers, drug convicts must first be categorized as dealers and users. From there, they can then choose which inmates to issue an early release for," Oce explained.

Moreover, several House Commission III members deemed the Law and Human Rights Ministry's ministerial decree to release inmates as discriminatory. "This is because the decree excludes corruption convicts," said Prosperous Justice Party (PKS) member Nasir Djamil.

PKS, PAN support omnibus bill postponement

Media Indonesia, p. 3

Various organizations have urged the House of Representatives, which began a new sitting period on Monday following a month-long recess, to halt its deliberations on several bills. It is expected that the House will prioritize the deliberations on strategies to tackle the COVID-19 outbreak.

National Awakening Party (PAN) deputy chairman Saleh Partaonan Daulay, in particular, has expressed support for the postponement of the omnibus bill on job creation deliberation, claiming that it is a difficult time to facilitate a discussion that requires the involvement of several parties.

“For the job creation omnibus bill, labor unions have complained. Not only are they protesting on the streets but they are also entitled to attend hearings at the House,” Saleh said. Though virtual meetings can be conducted, Saleh deemed it as ineffective as it would also limit input from other parties involved.

Similarly, Prosperous Justice Party (PKS) deputy chairman Sukamta also stated that omnibus law deliberations could proceed more optimally after the virus outbreak subsided.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

Indonesia has enough liquidity

Investor Daily, headline

Indonesia has enough liquidity despite the COVID-19 outbreak, following the government’s move to inject more liquidity into the people’s pockets by issuing Rp 405.1 trillion (US\$27 billion) in various incentives to fight the disease. In addition, Bank Indonesia also plans to inject the market with a Rp 300 billion monetary and financial stimulus package.

The Financial Services Authority (OJK) and the Deposit Insurance Corporation (LPS) are doing their part to help the government and Bank Indonesia (BI) prevent the possibility of negative economic growth, further depreciation of the rupiah, and institutional collapse as a result of the weakening economy.

Finance Minister Sri Mulyani Indrawati, who also chairs the Financial System Stability Committee (KKSK), said that the COVID-19 pandemic had created an extraordinary situation that required extraordinary policy actions. She said that the KKSK was closely monitoring the financial industry, which now faces market volatilities with falling stock prices, the depreciating rupiah, liquidity drying up and business insolvency that would likely cause an increase in non-performing loans.

Thus, Government Regulation in Lieu of Law (Perppu) No. 1/2020 on state finance and financial system stability was issued, which would allow the government to increase the budget deficit cap beyond 3 percent of gross domestic product (GDP).

Sri Mulyani added that the new policy of channeling Rp 405.1 trillion in additional funds this year aimed to prevent the economy from sliding further and to inject liquidity into the market.

Meanwhile, BI Governor Perry Warjiyo said that the central bank would inject an additional Rp 300 trillion into the market through various monetary policies. BI had so far spent Rp 166 trillion to buy government debt papers, Perry added.

In addition, the central bank lowered the primary reserve requirement (GWM) on foreign exchange from 8 percent to 4 percent, which would inject \$3.2 billion in liquidity into the market. BI also cut the rupiah-denominated GWM by 50 basis points (bps) to inject an additional Rp 22 trillion in liquidity into the market.

Govt triggers financial crisis protocols

The Jakarta Post, headline

Indonesia is bracing for a recession as policymakers roll out crisis protocols for worst-case scenarios in gross domestic product (GDP) and the rupiah exchange rate as COVID-19 hits businesses and households hard.

A regulation in lieu of law, Perppu No. 1/2020, issued on Tuesday covers a range of crisis protocols that includes allowing Bank Indonesia (BI) to throw a lifeline to the state budget through direct government bond purchases and to banks via short-term liquidity support.

Indonesia's economy is expected to grow 2.3 percent this year – the lowest rate since 1999 – under the baseline scenario, or contract 0.4 percent in the worst-case scenario, according to Finance Minister Sri Mulyani Indrawati. The rupiah may hover between 17,500 and 20,000 per US dollar under the worst-case scenario, a historic low even when compared to the post-1998 rate.

President Joko "Jokowi" Widodo has announced plans to spend Rp 405.1 trillion (US\$24.63 billion) on health care, social safety nets and business recovery programs. Perppu No. 1/2020 allows the government to raise the budget deficit cap beyond 3 percent of GDP.

"No actions, including decisions made based in this Perppu, may be subject to lawsuits [...] at the state administrative court," reads the Perppu on state finance and financial system stability to contain the COVID-19 outbreak in Indonesia.

Sri Mulyani said the stipulation was necessary so that authorities were legally protected in taking “extraordinary measures to protect the economy”. The Perppu was issued following the President declaring a public health emergency that allowed the imposition of large-scale social restrictions.

“We are very aware that we must be very careful to avoid moral hazard,” said Sri Mulyani, who was among the decision-makers in a controversial 2008 bailout for the failed Bank Century. “We will formulate a safeguard so that policymakers that are taking measures to improve public health and the economy cannot be criminalized by the actions of others.”

The COVID-19 crisis playbook bears an eerie resemblance to the 1998 Asian financial crisis. BI provided massive liquidity support for commercial banks to survive the crisis, but most of the money was eventually embezzled.

Demanding transparency in COVID-19 emergency policy package

Bisnis Indonesia, headline

The implementation of the COVID-19 emergency policy package must be monitored by various sides to ensure transparency. The policy package aims to minimize the impact of large-scale social restriction and thus increase public confidence in the government’s pandemic mitigation policy.

Government Regulation in Lieu of Law No. 1/2020 allows the government to reallocate budgeted funds or to earmark non-budgeted funds to manage the public health crisis, such as its recent issuance of Rp 405.1 trillion in liquidity injection. The regulation is to be implemented by Bank Indonesia (BI), the Financial Services Authority (OJK), and the Deposit Insurance Corporation (LPS) under their respective policies.

Supervisory bodies and experts have warned the government that the implementation of the COVID-19 policies must be transparent and managed under good governance principles. Otherwise, they would not achieve the desired outcomes.

Supreme Audit Agency (BPK) commissioner Achsanul Qosasi said that the government must pay special attention to the disbursement of such a huge fund. KPK acting spokesperson Ali Fikri stated that misuse of the budget intended for managing the COVID-19 outbreak could face capital punishment.

Insurance expert Hotbonar Sinaga suggested that a clear rule on implementing the emergency package could prevent moral hazard. "The government has to produce clear-cut regulations on implementation if necessary, with heavy penalties for abuse."

Bank Mandiri economist Andry Asmoro approved of the stimulus package and its regulatory backing. "The stimulus is OK, as expected by the market. Good move," he said, but stressed the need for transparency because of the large amount of money involved.

Where will the Rp 405 trillion fund come from?

Koran Tempo, headline report

The government has vowed to inject an additional Rp 405.1 trillion to combat the COVID-19 outbreak, but the public is still in the dark as to where the government will get the money.

Finance Minister Sri Mulyani Indrawati explained that most of the additional funding came from the current budget through reallocating some budget items. She said that she was able to cut ministerial and institutional budgets by Rp 95 trillion for reallocating to the COVID-19 fund.

In addition, the government cut regional funding by Rp 94 trillion, she said, and it already had Rp 54.6 trillion in the disaster mitigation budget. All in all, the government was able to reallocate Rp 244.5 trillion to the emergency fund, while the remaining Rp 155.6 trillion would be sourced by revising the budget.

The finance minister said that the government would propose an additional Rp 255.1 trillion in state spending to the House of Representatives. However, Sri Mulyani did not provide details on where the fund would be sourced.

Banks still immune to COVID-19 impacts

Kontan, headline

The newly issued Government Regulation in Lieu of Law (Perppu) No. 1/2020 on state finance and financial system stability provides Bank Indonesia (BI) with the leeway to extend credit to problematic banks to stave off bankruptcy. The new rule, however, only applies as a preventive measure during the current public health emergency.

Treasury and international director Darmawan Junaidi of state-owned Bank Mandiri said that local banks were strong enough to withstand the impacts of the outbreak in Indonesia. The capital adequacy ratio (CAR) – the main gauge of the banking industry's health – of commercial banks remained at a 22.42 average as of February, a slight dip from 23.4 percent at the end of 2019.

Bank Mandiri's CAR was 21.39 percent at the end of last year, with its loan-to-deposit ratio (LDR) stable at 96.37 percent. Meanwhile, the Indonesian banking industry recorded 94.43 percent LDR at end 2019, above the ideal level of 92 percent.

Bank BCA president director Jahja Setiaatmadja said that the bank had more liquidity at present, as investors had put more money in banks in the current situation, while the bank's ability to extend credit had narrowed. As a result, the bank's LDR now stood at 78 percent.

Smaller banks, however, may face tougher challenges. OCBC NISP Bank executive director Johannes Husin warned that small banks could face tighter liquidity ahead as the business sector faced difficulties during the emergency, which could potentially affect their bank loan payments.

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