

**Wednesday, Aug. 26<sup>th</sup>, 2020**

## GENERAL NEWS AND HEADLINES

---

### Contact tracing missing link in battle against COVID-19

*The Jakarta Post, p. 1*

Breaking the chain of transmission is key to containing the COVID-19 outbreak, but in Indonesia, contact tracing remains weak due to problems ranging from an insufficient number of tracers to people's reluctance to open up to these workers.

Six months into the epidemic, COVID-19 task force spokesperson Wiku Adisasmito said earlier this month that the country's contact-tracing ability was still poor. He said the government was working on tracing a minimum of 30 contacts per confirmed case.

The Jakarta Health Agency's head of disease control and prevention, Lies Dwi, said obstacles they were facing included an unwillingness of some COVID-19 patients to provide a contact history due to a lack of trust. Others told the health workers they had trouble recalling their activities over the preceding 14 days, especially given the high mobility of urbanites, Lies said.

Masdalina Pane of the Indonesian Epidemiologists Association (PAEI) said regional leaders had not paid much attention to community health centers (Puskesmas) and contact-tracing efforts, when massive tracing and isolation should have been the ultimate means of epidemic control.

With only around 30 percent of cases hospitalized and the remaining in self-imposed isolation, more resources should have been given to Puskesmas to contain sources of transmission.

The monitoring of people in self-imposed quarantine remained weak, she said, adding that, given people's mobility, especially in Greater Jakarta, tracing would necessitate cooperation across regions.

---

"One of the indicators of good contact tracing is when more than 80 percent of the cases have their sources known, who are then contained," she said.

---

## **Health minister suspected of hidden agenda**

*Koran Tempo*

The medical professional organization has criticized Health Minister Terawan Agus Putranto for pursuing a hidden agenda, as the 17 names he submitted to President Joko "Jokowi" Widodo for the Indonesian Doctors Council (KKI) were not the names initially proposed. The initial names proposed were in accordance with the law on medical practice, which stipulates that prospective KKI members can be named by medical professional organizations, community representatives, the Health Ministry and hospitals.

Ugan Gandar, spokesperson for seven medical professional organizations and associations, suspected Minister Terawan had ulterior motives. "It is suspected that there is a hidden agenda behind the appointment of the council members," he said on Wednesday.

According to Ugan, the seven medical associations had submitted the names of prospective KKI members to the Health Ministry in early 2019. However, then-health minister Nila F. Moeloek had asked the proposal to be reviewed as there were several candidates unwilling to resign from civil service.

Despite having reviewed the names and submitting a new proposal, the KKI members inaugurated by President Jokowi this month differed from the names submitted. For example, the Academy of Medicine of Indonesia (MKKI) had proposed two names, namely Ari Kusuma Junanto and Mahesa Paranadipa. However, the KKI member inaugurated from MKKI was Bachtiar Murtala, who was known for having promoted Terawan's dissertation.

---

## **E-recap system to be utilized as tool for public control**

*Media Indonesia, p. 3; Republika, p. 3; Kompas, p. 2*

Elections Supervisory Agency (Bawaslu) chairman Abhan expressed hope that the implementation of the electronic voting recapitulation (e-recap) system, developed by the General Elections Commission (KPU) and the Bandung Institute of Technology (ITB), could be used as a means of control to calculate the voting results at polling stations.

---

The e-recap system, however, cannot replace the manual recapitulation system. "Legally, recapitulation must still be done manually. My guess is that this [e-recap system] will be used as a control mechanism, so that the results of documentation is faster," said Abhan during a trial for the e-recap system at the KPU office on Tuesday.

According to Abhan, the KPU will likely face challenges in implementing the e-recap system. Firstly, a longer time will be needed to recapitulate votes at polling stations as working committee (KPPS) members will have to photograph the voting form and upload it to the e-recap system. Secondly, as seen from the 2019 elections, the extra task will be sure to exhaust KPPS members.

---

## **Antigraft body chairman urged to be removed if found violating ethics code**

*Kompas, p. 2; Republika, p. 2*

The Indonesian Anticorruption Community (MAKI) filed a report against Corruption Eradication Commission (KPK) chairman Firli Bahuri for using a private helicopter to take a personal trip from Palembang, North Sumatra, to his hometown of Baturaja in the same province in June.

"If he violated the KPK code of ethics, he should be demoted to deputy chairman," MAKI coordinator Boyamin Saiman said during a hearing on the case Tuesday.

The KPK Supervisory Board (Dewas) has scheduled a follow-up hearing on the alleged ethics code violation on Aug. 31 on grounds that there are still six witnesses who have yet to give testimony.

"The trial for *Pak* Firli Bahuri will resume on Monday, August 31," said Dewas deputy chairman Syamsudin Haris. According to him, the case examination has not yet completed since out of the eight witnesses the Dewas summoned, only two were able to attend the first trial on Tuesday.

---

## **House, govt ready to discuss Constitutional Court Law**

*Media Indonesia, p. 3*

The government has officially submitted a problem inventory list (DIM) for the revision of Law No. 24/2003 on the Constitutional Court to House of Representatives Commission III, so that further discussions can be carried out by the House's working committee.

---

“The government has submitted 121 items for the DIM. Approximately 101 items will remain, whereas eight items are considered editorial, 10 items concern the revision’s content and two items concern the revision’s new content,” said House Commission III deputy chairman Adies Kadir in a meeting with the Law and Human Rights Ministry on Tuesday.

Adies said House Commission III would soon form a committee specifically tasked with drafting the Constitutional Court bill. That way, discussions surrounding the DIM can be carried out immediately. He said the House aimed for the bill to be completed during the first session of 2020-2021.

“We will ask the secretariat to send a letter today to the factions to send names [for the committee],” Adies said.

---

## BUSINESS AND ECONOMICS NEWS AND HEADLINES

---

### Govt to issue Perppu to strengthen financial system stability

*Kontan, headline*

President Joko “Jokowi” Widodo is going to revise several laws related to the financial system through a government regulation in lieu of law (Perppu) as a part of the government’s response to the COVID-19 pandemic.

The laws that are going to be affected include laws on Bank Indonesia (BI), the Deposit Insurance Corporation (LPS), Financial Services Authority (OJK), banking law, financial system crisis prevention and mitigation (PPKSK) law and state finances law.

The COVID-19 pandemic induced crisis has pushed the government to take extraordinary measures, including on laws. “The whole financial system must remain vigilant and needs to prepare for upcoming challenges. This cannot be solved with the current laws,” said Finance Minister Sri Mulyani Indrawati.

Lawmakers support this plan, saying that the executive order is necessary to mitigate the effects of the COVID-19 pandemic and accelerate national economic recovery (PEN) programs.

The President’s decision to carry out this reform is induced by institutions’ reluctance in managing financial system stability. No one dared to take extraordinary measures by hiding behind the current laws, including on managing troubled banks.

---

The revision is rumored to widen the scope of BI and the OJK's role in managing financial stability, as well as tweaking the role of the OJK in integrated monitoring. Besides, the contribution for the financial industry will be adjusted based on the company's risk profile and scale. Bigger banks, for example, will have to make smaller contributions.

---

## **Local administrations to contribute to economic recovery**

*Bisnis Indonesia, headline*

The COVID-19 pandemic challenges regional governments to rebuild their contracted economies and recover to positive growth.

West Java, Central Java and East Java have recorded around 5 percent contraction in the second quarter of 2020 on a year-on-year basis, while Jakarta reported an 8.22 percent contraction. National economic growth is impacted by this trend and recorded minus 5.32 percent growth in the same period.

Some strategies have been prepared for economic recovery, such as increasing infrastructure development, supporting the role of micro, small and medium enterprises (MSMEs), restarting large industries, and the manufacturing sector, as well as inviting investment.

"One of the plans is for the provincial government to buy manufacturing products or lead those being laid off from the manufacturing industry to remain in sectors with local economic absorption, such as food products or agriculture," said West Java Governor Ridwan Kamil.

Central Java Governor Ganjar Pranowo also emphasizes the importance of collaboration and synergy between regional administrations to secure investment. With a good strategy and maintained investment flow, it is hoped that the regional economy could take off once the vaccines are produced and the situation slowly returns to normal.

---

## **Banks improve performance as loans grow**

*Investor Daily, headline*

Since July 2020, the banking industry has shown an improvement with a growing trend in both third-party funds and loans, while non-performing loans (NPL) remain under control. Generally, banks are also still booking profits despite declines.

The Financial Services Authority (OJK) has recorded 2.27 percent year-on-year (yoy) growth in banking loans as of July 23, higher than the 1.49 percent recorded in June. Meanwhile, the banking capital adequacy ratio (CAR) remained relatively high at 22.5 percent as of June 2020.

---

OJK deputy commissioner for banking supervision Il Bambang Widjanarko, however, reported an increasing trend in the NPL, although it was still under control. The NPL rose from 2.77 percent as of March to 3.11 percent as of June. "With this NPL trend, the banking profits have dropped and their solvency has also been affected," Bambang said.

Bambang said the OJK had issued several policies to anticipate the risks of rising NPLs due to the COVID-19 pandemic, such as OJK Regulation No.11/2020, which relaxes the classification of NPLs and therefore lessens the requirement for banks to provide reserve funds for the NPLs.

National Banking Association (Perbanas) research and development head Aviliani reminded that the relaxation under the regulation had a time frame. If banks were not prepared, their NPLs would increase again once the relaxation expired. Therefore, Aviliani advised that banks start to stockpile the capital to prepare for when the regulation expired.

---

## **RI economic recovery 'fragile', warns Sri Mulyani** *The Jakarta Post, headline*

Indonesia's economic recovery is "fragile" as state revenue weakened in July after an improvement recorded in the previous month, Finance Minister Sri Mulyani Indrawati said on Tuesday, warning that the country may enter recession in the third quarter.

State revenue collection improved in June compared with May following the government's decision to ease large scale social restrictions (PSBB), which had been implemented to curb the spread of COVID-19, but tax income from several business sectors fell again in July, she said.

"Indonesia's economic recovery is not solid and remains very fragile," she told a livestreamed press briefing on the 2020 state budget realization. "The COVID-19 pandemic is the main factor that determined economic activity and recovery. We saw that recovery continued in July but there are signs the economy is still fragile."

The government expects the economy to further shrink by 2 percent at worst or record zero percent growth at best in the third quarter, she went on to say, adding that the key to recovery would be stronger consumer spending and investment.

Indonesia's economy shrank 5.32 percent in the second quarter, the first decline since 1999, as all components of the economy but net exports fell significantly due to the coronavirus-induced restrictions. A further contraction in the third quarter would put Indonesia into a recession, which is defined by economic contraction in two consecutive quarters.

---

## Govt collects lower taxes this year

*Koran Tempo, business page; The Jakarta Post, headline*

The government collected Rp 601.9 trillion (US\$62.79 billion) in state revenue as of July – down 14.7 percent year-on-year (yoy) and about 50.2 percent from this year's, Finance Ministry data show.

Income tax from the oil and gas sector dropped 41 percent yoy to Rp 19.8 trillion as of July from Rp 33.5 trillion in the same period of last year. Tax income from the oil and gas industry also fell significantly because of a drop in commodity prices.

Several business sectors, including trade, construction and real estate, as well as mining fell at a faster rate in July compared with June, signaling slowing economic recovery, Finance Minister Sri Mulyani Indrawati said.

Income tax from non-oil and gas sectors dropped by 13 percent yoy to Rp 582 trillion as of July this year. Value added tax also dropped by 12 percent yoy to Rp 246 trillion.

Meanwhile, state expenditure rose by 1.3 percent yoy to Rp 1.25 quadrillion as of July, about 45.7 percent of this year's target, as the government increased social aid and stimulus spending. The government has spent only 25.1 percent of the Rp 695.2 trillion COVID-19 stimulus in the five months since the start of the outbreak.

---

### **Disclaimer:**

Tenggara Strategics always aims to use reliable sources in providing our best analysis to our clients, and is not responsible for any errors, inaccuracies and/or viewpoints in the original source material upon which we have based our analysis. The analysis contained in this document is intended exclusively for our clients who have subscribed to this service, and is not for public consumption or dissemination.

Nothing contained herein shall to any extent substitute for the independent investigations and the sound technical and business judgment of the reader. In no event will Tenggara Strategics, including its employees, be liable for any decisions made or actions taken in reference to the information contained in these documents, or for any incidental, consequential, indirect, special or exemplary damages, including damages from loss of profits or opportunities, even if advised of the possibility of such damages.