

Thursday, Aug. 27th, 2020

GENERAL NEWS AND HEADLINES

RI, Singapore hold travel corridor discussions

The Jakarta Post, headline

Cross-strait neighbors Indonesia and Singapore have initiated talks on opening a "travel corridor" ahead of the annual leaders' retreat, the Indonesian Foreign Ministry said in a statement on Tuesday.

Foreign Minister Retno Marsudi arrived in the island city-state on Monday for a bilateral meeting the following day with her Singaporean counterpart, Vivian Balakrishnan.

During their bilateral meeting, the two foreign ministers discussed two key issues: preparations for the Indonesia-Singapore Annual Leaders Retreat and plans on the Travel Corridor Arrangement (TCA) for essential businesses.

The ministers "agreed to assign their respective teams to start negotiations at the first opportunity", the Foreign Ministry said in a press statement dated Aug. 25.

Indonesia already has similar arrangements with the United Arab Emirates, South Korea and China. The travel corridors relax the COVID-19 travel restrictions for urgent official trips and essential business while still maintaining strict health and safety protocols.

PDI-P leaves Surabaya mayoral candidate nomination up to Megawati

Koran Tempo

Due to the rigorous competition in nominating a candidate for the Surabaya mayoral race, the Indonesian Democratic Party of Struggle (PDI-P) has had difficulty reaching an agreement, leaving the decision up to the party's chairwoman, Megawati Soekarnoputri.

“The ball is now in the chairwoman’s court. We await her decision,” said PDI-P central board of elections chairman Bambang Wuryanto on Wednesday.

Currently, Bambang said, the PDI-P central executive board (DPP) has proposed four names and several alternative candidates for the Surabaya mayoral elections. Whisnu Sakti Buana and Eri Cahyadi have been proposed as a candidate pair, whereas Eri Cahyadi has also been paired with Armuji as an alternative.

Several PDI-P politicians said that Whisnu, who currently serves as Surabaya deputy mayor, was nominated by PDI-P secretary-general Hasto Kristiyanto. Meanwhile, Eri, who currently heads the Surabaya Development Planning Agency, was nominated by current Surabaya Mayor Tri Rismaharini.

Armuji, a member of the East Java Legislative Council (DPRD), emerged as an alternative candidate amid differences in support between Hasto and Risma.

Wage subsidy to be transferred weekly

Media Indonesia, p. 2

The government, through the Manpower Ministry, has confirmed that it will begin distributing wage subsidies for workers with salaries less than Rp 5 million per month at the end of August.

“According to the plan, we will begin making disbursements at the end of this month. In the future, the subsidies will be distributed to at least 2.5 million workers every week,” said Manpower Minister Ida Fauziyah in a meeting with House of Representatives Commission IX on Wednesday.

The Manpower Ministry is currently handling the administrative process for the first phase of subsidy distribution.

“BP Jamsostek [Workers Social Security Agency] has submitted the data on the recipients eligible for the wage subsidy,” Minister Ida said.

The government has prepared a budget of Rp 37.8 trillion for the wage subsidy program. The aid will be distributed to 15.7 million workers with monthly salaries of under Rp 5 million who are registered with BPJS Ketenagakerjaan as of June 2020.

Consistency needed in corruption eradication effort: Jokowi

Kompas, headline

Corruption remains a serious problem in Indonesia, as the country scored only 40 on the Corruption Perceptions Index (CPI) in 2019, ranking it 85th out of 180 countries assessed by Transparency International and marking an improvement of only 8 points since 2012.

At the opening ceremony of the National Corruption Prevention Act (ANPK) held at Bogor Palace on Wednesday, President Joko "Jokowi" Widodo emphasized the importance of preventing large-scale corruption.

Amid the COVID-19 pandemic, President Jokowi noted that quick and appropriate steps needed to be taken to overcome the crisis, without neglecting the importance of transparency and accountability. The President emphasized that these two things had to go hand-in-hand.

"We must formulate and take concrete, consistent steps from time to time," Jokowi said.

The ANPK was organized by the National Corruption Prevention Team and attended by the Corruption Eradication Commission (KPK), several ministers, the House of Representatives, institutional leaders, regional heads and civil society representatives.

KPU approves twist on campaign props amid pandemic

The Jakarta Post, p. 4

The General Elections Commission (KPU) will allow candidates to use personal protective equipment (PPE) and hand sanitizer as campaign props during the 2020 simultaneous regional elections in December.

KPU chairman Arief Budiman said candidates would be allowed to print their faces and names on hand sanitizer bottles, masks and face shields.

"Candidates usually use T-shirts or hats, but [this year] we'll allow the use of hand sanitizer and masks," Arief said on Wednesday as reported by *kompas.com*.

He said the suggestion to use PPEs as props had come from the Home Ministry and had been approved by members of House of Representatives Commission II overseeing home affairs on Monday.

During the meeting, Commission II members also asked the KPU to increase the number of participants allowed to attend campaign rallies to 100 from 50.

The Home Ministry's acting director general for regional administration development, Safrizal, expressed his hope that the decision to use PPEs as campaign props would help curb the spread of COVID-19 during the elections.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

BI to take over banking supervision, OJK to focus on capital market

Kontan, headline

President Joko "Jokowi" Widodo has signaled a reform of stock market supervision during a meeting with the Indonesian Issuers Association (AEI). The Financial Services Authority (OJK)'s future function is rumored to be focused on monitoring the stock market and protecting market participants, while oversight of financial services and banking would be handled by the central bank, Bank of Indonesia (BI).

The idea is supported by the AEI as it would strengthen the coordination and monitoring of financial services in Indonesia. In the past, the AEI had hoped that the government would strengthen the mandate of the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK), but instead of that, the government had created the OJK and given it the authority to monitor banking, said AEI head of analysis Gunawan Tjokro. Ideally, the market monitoring agency should be a bridge between issuers and the government, he added.

Besides, the OJK fees also increase the costs for issuers, as there is no tax benefit for companies that go public. This is an obstacle for market growth, and it is seen as the reason for the low number of initial public offerings (IPO). The number of companies going public, unless for strategic reasons, is low, as there are few benefits to becoming an issuer.

Both investors and traders support the idea of OJK repurposing. They believe the government needs a dedicated monitoring agency for the stock market.

Mutual funds industry slowly recovers

Bisnis Indonesia, headline

The mutual fund industry has shown signs of recovery after being hit by negative sentiment and a looming recession. According to the Financial Services Authority (OJK), the net asset value (NAV) of mutual funds in July 2020 saw an increase of Rp 20.71 trillion to Rp 503,26 trillion from Rp 482,55 trillion in June 2020.

The monthly growth broke this year's record, as mutual fund's NAV had remained below Rp 500 trillion since the beginning of the COVID-19 pandemic in March. The prospects of recovery also reflect in the growth of each mutual fund's index in the past month. Some mutual fund products even managed to score more than 20 percent return on a month-to-month (mtm) basis.

Although the growth in mutual fund performance has yet to compensate for the fall in the second quarter, it brings an air of optimism for investment managers. Increasing the number of mutual fund products is one of the strategies to boost recovery, especially as there is growing interest from both institutional and retail investors. Vaccine research and economic recovery are also projected to boost investor confidence.

Kalbe prepares Rp 1 trillion for COVID-19 vaccine production

Investor Daily, headline

Publicly listed pharmaceutical company PT Kalbe Farma Tbk (KLBF) has prepared three scenarios for producing the COVID-19 vaccine in cooperation with South Korean pharmaceutical company Genexine Inc. One of the scenarios is to prepare between Rp 500 billion (US\$34.15 million) and Rp 1 trillion in funds to build a factory that can produce 25 million to 50 million dosages of the vaccine per annum.

Kalbe Farma president director Vidjongtius explained that Kalbe and Genexine had undertaken the first phase of a clinical trial in South Korea, and the second phase would begin in October or November and last six months.

The clinical trial is conducted under the Food and Drug Monitoring Agency's (BPOM) coordination, and according to the plan, the vaccine will be available in mid-2021.

Vidjongtius said there were three scenarios for the early production of vaccines, namely a small production facility to produce 1 million to 3 million dosages per annum with less investment, a medium-scale facility for 10 million dosages, or as many as 25 million dosages with at least Rp 500 billion of investment. Kalbe would take the large-scale production option and projected that the cost could increase to Rp 1 trillion, because it has to import all the capital goods.

The government has issued incentive schemes, such as a super deduction tax to support companies that develop the COVID-19 vaccine. However, as Vidjontius said, the regulation for research incentive had not been followed up with technical regulations yet.

INSA, economist slam unfair competition in flagship Tol Laut program

The Jakarta Post, headline

The Indonesian National Shipowners Association (INSA) and an industry expert have called on the government to reevaluate the subsidized "Tol Laut" (maritime highway) program to avoid market disruption and unfair business practices.

The maritime highway, launched in 2015, is a subsidized shipping program for distributing basic and major consumer goods as well as steel and cement to remote regions of the archipelago.

Transportation Minister Budi Karya Sumadi said that the maritime highway program aimed to reduce price disparities across the country, especially in eastern Indonesia, generally due to shipping and logistics costs.

"We are planning to transform Seba Port in Kupang into the logistics hub for [East Nusa Tenggara]," Budi said on Aug. 24 during a webinar the ministry held in collaboration with *detik.com*.

Despite the minister's optimism, INSA chair Carmelita Hartoto criticized the program during the webinar, saying it undermined fair competition for private shipping companies.

"Private shipping lines are currently experiencing unfair competition, because the Tol Laut program is being used to ship nonessential goods [at much lower prices]," she said.

Echoing Carmelita, maritime economist Raja Oloan Saut Gurning of the 10 November Institute of Technology said the government should use the subsidy program only for establishing new shipping lanes. Once the new lane was economically viable, it should exit the program.

Trans-Sumatra toll road development on track

Koran Tempo, Economy and Business page

After launching operations on the 13.5-kilometer Banda Aceh-Sigli toll road section this week, state-owned developer PT Hutama Karya will open the 17-km Medan-Bijai section in December. The two sections are part of the trans-Sumatra toll road network.

So far, Hutama Karya has completed the construction of 470 km of the trans-Sumatra toll road, that will span 3,000 km from Lampung to Aceh. They include the 325-km toll road from Bakauheni in Lampung to Palembang in South Sumatra.

Hutama Karya has received Rp 16.1 trillion in state capital injections (PMN) to build the trans-Sumatra toll road so far. This year, the company will get another Rp 11 trillion in PMN. In addition, the company has also raised Rp 56.5 trillion from the market since 2015.

Hutama Karya president director Budi Harto said the company was looking for alternative financing, such as asset recycling and multilateral financing, for the trans-Sumatra toll road.

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