

Wednesday, June 10th, 2020**GENERAL NEWS AND HEADLINES****Ministry overlooks regions' capacity to meet additional Pilkada budget***Kompas, p. 2; Media Indonesia, p. 4*

The Home Ministry has reportedly ignored the limitations of regional budgets (APBD) in meeting the additional budgetary requirements for holding the 2020 simultaneous regional heads elections (Pilkada) amid the COVID-19 pandemic. Regional administrations still have to meet the additional budget requirements requested by the election organizers.

Previously, the General Elections Commission (KPU) and the Elections Supervisory Agency (Bawaslu) proposed an additional budget to hold the elections, ranging from Rp 2.8 trillion to 5.9 trillion, depending on the level of stringency in implementing COVID-19 protocols. The additional budget is mainly needed for the procurement of personal protective equipment and other items needed for the implementation of health protocols.

During a ministerial-level special coordination meeting chaired by Coordinating Legal, Political and Security Affairs Minister Mahfud MD, Home Minister Tito Karnavian said the additional budget to hold the Pilkada would be taken from the APBD. For this reason, he has assigned the ministry's Regional Finance Development Directorate General to ensure that the 270 regional administrations participating in the Pilkada would have sufficient fiscal space to meet the needs of election organizers.

However, out of the 129 regional administrations that have reported to the Home Ministry, 72 of them have expressed difficulties in meeting the additional budget requirement. The remaining 57 administrations claimed they would be able to finance the budget. Meanwhile, 141 regional administrations have not yet reported to the ministry.

Police play central role in 'new normal' campaign

Koran Tempo, Main Report

The National Police's public relations division has become one of the main actors in campaigning for the "new normal" phase on social media. An analysis conducted by Drone Emprit showed that campaign clusters spearheaded by the division had dominated conversations concerning the new normal policies. "It seems that the police network was deployed and used to help the government," said Drone Emprit founder Ismail Pahmi in a virtual discussion on Tuesday.

In Drone Emprit's analysis, four clusters have been identified as actively talking about the new normal between May 16 and June 8. These clusters are namely the police network, the media, pro-opposition public spheres and pro-government public spheres. Out of these clusters, the police network cluster appeared to be the largest, dominating social media platforms with hashtags such as *#TataKehidupanBaru* (*#NewNormal*) and *#DisiplinPolaHidupBaru* (*#DisciplinedForTheNewNormal*).

In his findings, Pahmi said the police network's campaigning had exceeded campaigns led by other ministries or relevant institutions. The Health Ministry, as the leading authoritative body in COVID-19 handling, has not carried out effective campaigns, the study observed. "There aren't many clusters from the Health Ministry or even the other ministries. No clear clusters from the BNPB [National Disaster and Mitigation Agency] either," he said.

Political communications expert from Syarif Hidayatullah State Islamic University (UIN), Adi Prayitno, said it was natural for the police to be the most active in campaigning for the new normal as they had been at the frontlines in enforcing public discipline when the large-scale social restrictions (PSBB) were imposed. Not only were the police required to sanction policy violators but they were also tasked with educating the public on certain health protocols. "It is only natural that the police are aggressive and active because they are relied on when it comes to enforcing new policies in response to the coronavirus," Adi said.

New normal faces negative sentiments from netizens

Republika, p. 3

The Institute of Research, Education and Information of Social and Economic Affairs (LP3ES) has observed a high level of negative sentiment among social media users, specifically Twitter, over the government's plan to ease large-scale social restrictions (PSBB) and transition into the "new normal". In the study, the

LP3ES recorded online discourse across all social media platforms over two periods.

During the first period from May 15 to June 1, LP3ES researcher Ridwan said 69,835 conversations were recorded, with 70 percent of them occurring on social media platforms and the rest on online mass media. Of the total number of conversations observed, 49 percent reflected negative sentiments, 37 percent reflected positive sentiments and 14 percent were neutral.

“However, when the government threw in the issue of easing the PSBB and moving into the new normal, almost half of the public responses recorded from May 15 to June 1 reflected negative sentiments,” Ridwan explained in a virtual conference titled “LP3ES Big Data Results on the New Normal Policy” held on Tuesday.

Meanwhile, during the second period between June 1 and June 7, only 22,000 conversations were observed, with 85 percent of them taking place on social media. A spike in conversations occurred on June 4 when Jakarta Governor Anies Baswedan announced that the PSBB implementation in the capital city would move into a transitional phase, which differed from the central government’s new normal policy.

Workers, employers concerned about Tapera

The Jakarta Post, headline

The government aims to boost homeownership in Indonesia through its public housing savings program (Tapera), which requires employers and workers to contribute to a mortgage loan scheme similar to universal healthcare insurance. However, some employers and workers have said the program will be an added burden.

Public Works and Housing Ministry Infrastructure Financing Director General Eko Djoeli Heripoerwanto said recently that Tapera would help provide funds for first-time homebuyers and increase the homeownership rate. The government has laid out a goal to increase the homeownership rate to 70 percent, from the current 56.7 percent, in the 2020-2024 National Medium-Term Development Plan (RPJMN).

Indonesian Employers Association (Apindo) chairman Hariyadi Sukamdani said the government should instead utilize the existing social security program, the Workers Social Security Agency (BPJS Ketenagakerjaan), which already has a legal

basis for helping to fund homeownership.

Public policy expert from the University of Indonesia, Agus Pambagio, also weighed in on the issue, urging the government to focus on solving land ownership issues that had caused housing prices to jump. Furthermore, he said the government should also evaluate Tapera's preceding agency, the Housing Savings Advisory Board for Civil Servants (Bapertarum-PNS), before moving forward with Tapera as the former agency had been plagued with issues.

Govt allows discrimination to continue in Papua: Komnas HAM

Koran Tempo, National

The National Human Rights Commission (Komnas HAM) said the government had not been serious in addressing issues related to racism, discrimination and terror often faced by Papuans. In fact, the Komnas HAM said the government perpetuated discrimination through law enforcement as a response to racism.

Komnas HAM commissioner Beka Ulung Hapsara said Papua residents and activists still experienced discrimination and acts of terror when they actively expressed their opinions. "With the matter of law enforcement, I don't think that brings justice. For example, seven Papuan detainees in Balikpapan were charged 15 years in prison even though they acted peacefully," Beka told *Tempo* on Tuesday.

Moreover, the government, said Beka, had allowed the use of terror against activists that voice out antiracism campaigns in Papua as a lot of stigma is often attached to these activists who are deemed as supporters of treason. Unsurprisingly, hundreds of people over the last year had been arrested and tried for treason.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

Economic opening: Airlines to fly again

Bisnis Indonesia, headline

The Transportation Ministry issued a circular letter on Tuesday allowing airlines to operate flights with up to 70 percent capacity – up from 50 percent – in a bid to revive the economy affected by COVID-19.

When the operation of airlines is relaxed, it is expected that it would spur activities in the tourist sector, including hotels that have suffered from low or even no occupancy.

Air transportation director general Novie Riyanto said the relaxation was based on guidelines from the International Civil Aviation Organization (ICAO) and International Air Transport Association (IATA), which allows occupancy relaxation with health protocols.

Soon after the new regulation is issued, the Lion Air Group decided to revive its domestic routes starting June 10. AirAsia Indonesia also follows suit and plans to revive domestic flights starting June 19. Garuda Indonesia, which has revived its flights since May 7, said the relaxation would improve its finances.

“What’s more important now is reinstating trust in flying,” said Garuda Indonesia president director Irfan Setiাপutra.

Travel Agents Association (Asita) chairman Nunung Rusmiati said the relaxation for airlines would revive tourism, including travel agents. “We are optimistic that the domestic tourist sector will be revived in the second half,” she said.

Stimulus fund for anchor banks carries interest

Kontan, headline

Finance Minister Sri Mulyani Indrawati has issued a regulation governing the placement of government funds in anchor banks, stipulating that the funds be placed as six-month deposits or deposit certificates that carry certain interest rates.

According to Finance Ministerial Regulation No. 64/PMK/5/2020, banks that could receive the funds must be those that are among the 15 largest banks, healthy, 51 percent owned by local investors and those that have secured investment grade from at least two rating agencies.

The banks must also meet other requirements, that they have conducted debt restructuring for debtors affected by the COVID-19 pandemic, extended loans to rural banks and/or multi-finance companies that had already conducted debt restructuring for their customers affected by the pandemic.

The government funds that would be placed in the anchor banks come from the sales of government debt papers to Bank Indonesia, and the banks have to pay an

interest rate that is the same as that the government pays to the central bank. The funds amount to Rp 35 trillion.

The government set the maximum margin of 3 percent the anchor banks could charge for relending the funds to smaller banks.

Bank Mandiri deputy vice president Hery Gunardi said the bank would use a special purpose vehicle (SPV) company to manage the funds placed by the government. Meanwhile, Bank Central Asia president director Jahja Setiaatmadja said the margin the anchor banks would charge would depend on the risks of the borrowing banks.

Broadband internet business needs stimulus

Investor Daily, headline

The Covid-19 pandemic has affected most fixed broadband businesses, with them requesting that the government give stimulus and relax regulations so that they can keep investing and increasing internet penetration in the country.

Indonesian Internet Providers Association (APJII) chairman Jamalul izza confirms that although residential internet (retail) traffic has increased due to the work from home (WFH) and the large-scale social restriction (PSBB) policies, this cannot compensate for the significant corporate internet usage drop, which is their main source of income.

Telecommunication Network Providers Association (Apjatel) chairman M. Arif Angga through the Apjatel survey explains that the Covid-19 pandemic has affected 86 percent of telecommunication network providers, while the remaining 12 percent had not really been affected, while only 2 percent had not been affected at all. However, 62 percent of telecommunication providers have decided to hold their investment amid the Covid-19 pandemic.

PT Link Net president director and CEO Marlo Budiman called for the government to relax some regulations to allow more investment, especially in broadband, to increase broadband internet penetration. Indonesia's broadband internet penetration accounts for 12.8 percent of the population, or around 30 million office and residential subscribers, among the lowest in Southeast Asia, compared to Vietnam with 53.8 percent, Malaysia 42.2 percent and Thailand 34 percent.

"If there are no policy changes, broadband internet penetration can only increase to 15.9 percent in 2023 with no Covid-19 assumption," he said.

Indonesia's internet penetration reaches 175 million people, mainly through mobile phones. To increase further internet penetration, both Jamalul Izza and Arif Anggra agree that investment should be made to cover the blank spot areas, which mostly are located in rural areas. But it needs government support.

Marlo suggested that government support could be in the form of eliminating permit bottlenecks, especially at the local level. He added that the government's infrastructure support in rural areas was also important to bring internet penetration to the blank spots.

State capital injection for SOEs to finance strategic projects

Koran Tempo, Economic and Business page

State-Owned Enterprises (SOE) Minister Erick Thohir said some of the state capital injection for four SOEs would be used to finance strategic projects, including toll roads in Sumatra and the Mandalika tourism resort in Lombok, West Nusa Tenggara.

Through its national economic recovery (PEN) program, the government has allocated Rp 15.5 trillion in PMN to PT Hutama Karya with Rp 7.5 trillion, Indonesia Tourism Development Corporation (ITDC) with Rp 500 billion, PT Permodalan Nasional Madani (PNM) with Rp 1.5 trillion, and PT Bahana Pembinaan Usaha Indonesia with Rp 6 trillion.

Hutama Karya has been tasked to complete the development of trans-Sumatra toll roads, while ITDC is responsible for developing the Mandalika tourism center.

Erick said the capital injection for PNM was to save its 6.6 million customers. Erick, however, did not specify the Rp 6 trillion funding for Bahana. The SOE Ministry has made Bahana the holding company for all state insurers, including corruption-ridden PT Asuransi Jiwasraya. The Attorney General's Office said corruption in Jiwasraya had caused Rp 16.8 trillion in state losses.

Erick said if the government funding was not enough for the four SOEs, they must borrow to the market. He cited Hutama Karya's global bond sales earlier in May that raised US\$600 million. The money would be used to finance toll roads in Sumatra.

Indonesia's foreign exchange reserves soar to \$130.5b in May

The Jakarta Post, Business page

Indonesia's foreign exchange (forex) reserves rose to US\$130.5 billion in May thanks to the government's new debt issuance and increased forex levels stored by banks at the central bank, Bank Indonesia (BI) announced Monday.

The current reserves level, an increase of \$2.6 billion from April's level, is estimated to be sufficient to support eight months of imports and payment for the government's short-term debts, according to the central bank.

It is also deemed to be above the international adequacy standard of about three months' worth of imports and the highest reserves level since January before the coronavirus pandemic upended the country's economy and the rupiah exchange rate.

"Bank Indonesia considers the reserve assets position able to support the external sector resilience and maintain macroeconomic and financial system stability," the central bank said.

The central bank reported Rp 18.67 trillion (\$1.33 billion) in net inflows, mainly in sovereign debt papers, from the second week of May to the first week of June. From April 1 to May 14, BI recorded \$4.1 billion in net inflows.

A foreign-induced recovery in the financial market has buoyed the country's currency as the rupiah rebounded almost 17 percent since the end of March to reach Rp 13,877 per US dollar on Monday, Bloomberg data show, erasing most of the losses it recorded in the first three months of the year amid fears of the outbreak.

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