

**Wednesday, June 17<sup>th</sup>, 2020**

**GENERAL NEWS AND HEADLINES**

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**Virus cases spike during transition to 'new normal'**

*The Jakarta Post, p. 1*

As Indonesia transitions into the “new normal”, the country continues to report high numbers of new COVID-19 cases, with three new daily records reported since the beginning of June as well as the highest daily death toll of 64 fatalities on Monday.

The government reported a record daily high of 993 new cases on June 6, exceeding the previous high of 973 cases on May 21, followed by 1,043 cases on June 9 and 1,240 cases the following day, with epicenters East Java and Jakarta contributing significantly to the tallies.

Government spokesperson for COVID-19 affairs Achmad Yurianto attributed the spikes to “aggressive contact tracing”.

COVID-19 task force expert staff chief Wiku Adisasmito said the spikes “should not be seen negatively”, as it was a sign of the country's increased polymerase chain reaction (PCR) and rapid molecular testing and improved tracing capacities, arguing that it did not necessarily indicate that the rate of infection had increased.

While acknowledging that testing capacity had been improved thanks to an increased number of labs processing COVID-19 tests, epidemiologist Pandu Riono argued that the testing rate was still far from ideal, as more tests should have led to a lower positivity rate.

“If infections have declined and we have tested more people, then the positivity rate should have declined,” he said.

## **Pancasila ideology guidelines bill deliberation postponed amid controversy**

*Kompas, p. 3; Republika, headline; Media Indonesia, p. 1*

The government has rejected a plan to deliberate a bill initiated by the House of Representatives on Pancasila Ideology Guidelines (HIP) amid outcry from members of the public questioning the bill's urgency and some of its contentious articles. This was affirmed by Coordinating Political, Legal and Security Affairs Minister Mahfud MD, who was summoned by President Joko "Jokowi" Widodo on Tuesday afternoon to convey the government's attitude and views regarding the bill.

"Postponement of the bill's deliberation is expected to give the House more time to hold dialogue with the public, so that they can also absorb more input from all walks of society," Mahfud said.

Another controversial aspect is the exclusion of the Temporary People's Consultative Assembly Decree (TAP MPR) No. 25/1966 on the banning of communism in Indonesia in the proposed bill. Meanwhile, as pointed out by President Jokowi, the decree is a binding and irrevocable product of the state.

Moreover, the President also explained that Pancasila's five key principles had been authenticated on Aug. 18, 1945 by the Indonesian Independence Preparatory Committee and is listed in the opening of the 1945 Constitution and was, therefore, not subject to change as the bill allegedly proposed.

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## **Govt fails to account for online learning facilities**

*Koran Tempo*

In a joint decision of the Education and Culture Ministry, the Religious Affairs Ministry, the Health Ministry and the Home Ministry, it was stated that schools located in "green zones" (free of COVID-19) would reopen ahead of the new school year, on the condition that strict health protocols were implemented. However, this figure is still small as only around 6 percent of all students, from elementary to upper secondary, will be able to attend school. Meanwhile, the rest must still study from home.

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Based on learning experiences over the last school year, many obstacles stand in the way of this learning model. Indonesian Child Protection Commission (KPAI) commissioner Retno Listyarti organized a questionnaire on her social media account, which was filled out by 9,643 student respondents. About 63.7 percent of the students said they wanted schools to reopen in July.

According to the survey, students had grown bored at home, whereas parents complained about the effectiveness of online learning. According to them, the lack of facilities and infrastructure had rendered the learning process from home to be non-optimal. Moreover, learning and working from home had spiked the cost of internet and electricity, and that many parents, at the same time, had lost their jobs.

Therefore, there is an urgent need for online learning subsidies for the cost of Internet and electricity, as well as the procurement of portable computers or tablets for students. If needed, the Education and Culture Ministry must change the guidelines for the use of school operational assistance funds to focus on supporting online learning programs.

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### **KPU relaxes campaign rules amid pandemic**

*Media Indonesia, p. 5*

The General Elections Commission (KPU) plans to relax a number of rules governing campaign tools for candidates participating in the 2020 simultaneous regional elections (Pilkada). The use of banners, billboards and media, which was previously regulated more rigidly by the KPU, will be relaxed for this year's elections.

"The KPU are relaxing campaign tools such as banner size, billboards and the slots and frequencies of advertisements online. This was done as compensation for face-to-face campaigns that have been limited due to the COVID-19 pandemic," explained KPU commissioner Pramono Ubaid in a discussion titled "Realizing a Quality Pilkada amid the COVID-19 Pandemic", held online by The Habibie Center on Tuesday.

The KPU, Pramono further explained, has been limiting certain aspects of campaigns amid the pandemic, such as limiting the number of people attending face-to-face campaigns, in efforts to stem the transmission of COVID-19. According to Pramono, the KPU has regulated that indoor campaigns can only allow the attendance of half the expected capacity.

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## **Papua provincial administration plans to open RI-Papua New Guinea borders**

*Republika, p. 2*

The Papua provincial administrations plans to open the border between Indonesia and Papua New Guinea in order to kickstart economic activities between the two countries amid the COVID-19 pandemic.

Papua Border and Overseas Cooperation Agency (BPKLN) head Suzana Wanggai said to initiate the opening stages, Papua must first hold a joint meeting with the Papua New Guinean government to discuss and reach an agreement on mechanisms to open the borders.

"Before meeting with the Papua New Guinean government, we must first meet with relevant agencies to discuss future scenarios," Suzana said on Tuesday.

According to Suzana, as the border does not only belong to either Indonesia or Papua New Guinea, its opening must be agreed upon by both parties. "Moreover, amid the COVID-19 pandemic, we need to establish appropriate restrictions," she said.

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## **BUSINESS AND ECONOMICS NEWS AND HEADLINES**

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## **Govt confident about economy this year**

*Bisnis Indonesia*

Finance Minister Sri Mulyani Indrawati believes gross domestic product (GDP) will recover in the third quarter at zero percent growth and end the year with 0 to 1 percent growth after the largest GDP correction in May caused by the COVID-19 pandemic.

Although second quarter economic growth contracted 3.1 percent year-on-year (yoy) based on a Bloomberg Economic survey, the country performed better than other Asian countries such as Singapore, which contracted by - 6.8 percent, Malaysia - 8 percent, and India - 12.4 percent.

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Minister Sri Mulyani also said the economy would contract by - 3.1 percent in the second quarter mainly due to the implementation of large-scale social restrictions (PSBB) in the primary economic supporting regions since March.

However, she is optimistic that the loosening of PSBB measures in COVID-19 “green zones” could aid economic recovery in the third and fourth quarters. Nevertheless, she admits it would be difficult to achieve the maximum growth rate stipulated in Government Regulation No. 54/2020, which predicts Indonesian economic growth will be between -0.4 and 2.3 percent.

Bank BNI chief economist Ryan Kiryanto hopes the second quarter will be the lowest point for the economy but warns that economic recovery will be slow. This sentiment is echoed by Indonesian Employers Association (Apindo) chairman Hariyadi B. Sukamdani, who said the government’s handling of the pandemic had not been optimal, as seen in the continued rise in COVID-19 cases, and this could hamper economic recovery.

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## **Fiscal stimulus disbursement slow**

*Investor Daily, headline*

Finance Minister Sri Mulyani Indrawati said the disbursement of funds from the national economic recovery (PEN) program had been slow due to complicated verification and bureaucratic problems, information technology obstacles and lack of understanding among potential recipients.

The highest disbursement level was recorded with the social safety nets, reaching 28.63 percent or Rp 58.37 trillion (US\$4.2 billion) of the Rp 203.9 trillion budget. Disbursement for other incentives had been very low, many still below 5 percent and zero percent for corporate incentives.

Disbursement of tax incentives for businesses reached 6.8 percent or Rp 8.20 trillion of the Rp 120.6 trillion budget. This happened because many eligible taxpayers had not applied for the incentives because they might have not known that they were qualified.

The government disbursed Rp 3.87 trillion for local governments or 3.65 percent of Rp 106.11 trillion. This was due to lack of supporting regulations at the local level. Meanwhile, disbursement for health care incentives was only 1.54 percent or Rp 1.34 trillion of the Rp 87.55 budget due to rigorous administrative and verification processes at the hospital level.

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Disbursement of incentives for the micro, small and medium enterprises was one of the lowest at 0.06 percent of the total budget Rp 123.46 trillion. The main reason was due to inadequate data and supporting information technology.

Even though the disbursement has been slow, the government has decided to increase the PEN stimulus budget by Rp 18 trillion to Rp 695.2 trillion. The increase will be directed mainly to regional governments and businesses.

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## **Kookmin Bank aims for 67% stake in Bank Bukopin**

*Kontan, headlines*

Kookmin Bank of South Korea, which controls 22 percent of Bank Bukopin (BBKP), has said that it stands ready to solve BBKP liquidity problems provided that it becomes the majority shareholder of the bank.

In a letter dated June 11, Kookmin Bank CEO Yin Hur requested approval from current controlling shareholder Bosowa and also BBKP for Kookmin to own 67 percent of BBKP shares. Kookmin Bank also asked BBKP for approval to purchase shares for Rp 180, which requires written support from the Financial Services Authority (OJK).

Yin Hur also asked the OJK to help smoothen the process and to disregard a regulation on mergers and acquisitions of banks. He further asked that the transaction be executed before Aug 7. If the requests are approved, Kookmin Bank would transfer US\$200 million into an escrow account as a commitment to save BBKP.

OJK deputy commissioner for public relations Anto Prabowo refused to confirm the letter and said Kookmin Bank had transferred the \$200 million commitment fund into the escrow account on June 11.

Samuel Securities head of research Suria Dharma said what Kookmin Bank had demanded was legitimate. However, he said BBKP rights share prices could reach Rp 320 per share provided that the number of shares would not exceed 4.66 billion, to raise Rp 1.5 trillion.

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## **Indonesia defends digital tax despite scrutiny**

*The Jakarta Post, headlines*

The government will press ahead with collecting digital tax despite a recent

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announcement by the United States Trade Representatives (USTR) to investigate such a policy, which the US said was aimed squarely at its technology giants.

Finance Minister Sri Mulyani Indrawati said Tuesday the government was only requiring internet companies to pay value-added tax (VAT) on sales of digital products and services starting July 1, adding that the companies would only have to act as “tax collector” as consumers would have to pay for the taxes.

“Indonesia can collect the VAT because there is no dispute about this,” Sri Mulyani told reporters in a livestreamed news conference. “The USTR is only investigating the income tax policy as we have yet to settle on how to charge the companies income tax.”

The government has been struggling to collect more revenues to fund its cash-strapped budget as the COVID-19 pandemic hits almost all business sectors. Ministry data show that state revenue reached Rp 664.3 trillion (US\$47.41 billion) as of May, down 9 percent year-on-year (yoy), as tax income dropped 10.8 percent yoy to Rp 444.6 trillion.

Law No. 2/2020 stipulates that the government is able to charge VAT on taxable intangible goods and/or services sold through e-commerce platforms and charge income tax or electronic transaction tax on e-commerce operated by foreign individuals or digital companies that have a significant economic presence. The significant economic presence will be determined through the companies’ gross circulated product, sales and/or active users in Indonesia.

The new Finance Ministerial Regulation No. 48/2020 states that the tax authority will impose 10 percent VAT on digital products, including streaming services and digital games, sold by non-resident internet companies with a “significant economic presence” in Indonesia starting July 1.

The finance minister previously said services provided by streaming platforms such as Spotify and Netflix, as well as video conference platform Zoom, would be among those subject to the tax.

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## **PLN to install 79 million smart meters**

*Koran Tempo, Headlines page*

PLN plans to replace all 79 million analogue meters with smart digital meters so that disputes with customers would not recur. Because of the huge number of customers, the process would take seven years.

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PLN vice president for public relations Arsyadany Ghana Akmalaputri explained that with smart meters, PLN would not need to send workers to manually record electricity usage from the analogue meters. Customers would be aware of their electricity usage in real time. Also, for prepaid customers, they did not need to enter their customer numbers every time they wanted to refill electricity credits.

PLN decided to replace the analogue meters after it received many complaints over electricity bills rose during the imposition of large-scale social restrictions in April and May. State-Owned Enterprises Minister Erick Thohir told PLN to revert to smart meters.

Institute for Essential Services Reform executive director Fabby Tumiwa said the government must intervene by providing capital support for PLN so that it would not take seven years to install the new meters.

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