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GENERAL NEWS AND HEADLINES

House passes virus response Perppu amid graft concerns

The Jakarta Post, p. 1; Media Indonesia, p. 3; Republika, p. 2

The House of Representatives has passed an executive order that will expand the government's authority to allocate emergency coronavirus spending despite mounting public pressure to drop the regulation due to concerns of budget misappropriation and embezzlement.

Regulation in Lieu of Law (Perppu) No. 1/2020 allows the government to extend the state budget deficit beyond the normal 3 percent of gross domestic product (GDP) limit and allocate extra spending to COVID-19 response while protecting officials from any legal charges as long as they act "in good faith and according to the law". Moreover, the central government is allowed to allocate more funds for coronavirus aid in this year's state budget through a presidential regulation (Perpres), which does not require House approval.

The government seeks to disburse Rp 405.1 trillion (US\$24.6 billion) for COVID-19 measures, most of which would be allocated to support economic recovery rather than health care.

The Perppu, however, has prompted a chorus of criticism from activists and civil society groups lambasting what they deem an absence of government oversight in the regulation that might lead to corruption. The objections revolve particularly around Article 27, which stipulates that the funds spent by the government to counter the economic impacts of the pandemic are considered to be "economic costs" rather than state losses.

The Constitutional Court is currently reviewing the controversial provisions in the Perppu under a petition filed by a group of anticorruption activists, who argued that Article 27 violated the 1945 Constitution and several prevailing laws, including the 2003 law on state finances and the 2006 law on the Supreme Audit Agency.

Law and Human Rights Minister Yasonna Laoly, however, asserted on Tuesday that the Perppu would not give officials impunity from graft charges if any of them were found to have committed corruption, saying that Article 27 only meant to ensure that the government could make swift decisions during the health crisis.

Control COVID-19 cases in Java: President Jokowi

Kompas, headline

President Joko “Jokowi” Widodo emphasized that COVID-19 cases across five provinces in Java Island must be controlled over the next two weeks as the government plans to relax the large-scale social restrictions (PSBB) policy. The number of COVID-19 cases in Java is reportedly the highest, making up almost 70 percent of the national count.

It is expected that slowing the spread of the coronavirus can only be done effectively with intensified testing and disciplined social restrictions.

On the other hand, the World Health Organization (WHO) has reminded countries that easing quarantine policies or social restrictions must be done carefully. Any supposed downward trends observed in the number of COVID-19 cases reported do not mean that the risk of infection has disappeared.

The five provinces with confirmed COVID-19 cases in Java are West Java, Banten, Central Java, Yogyakarta and East Java.

“I ask the COVID-19 task force to ensure that COVID-19 cases are effectively controlled in the five provinces of Java, especially over the next two weeks. It may be that our only chance [to control the virus] will be until Idul Fitri,” said President Jokowi.

Continue worshipping at home: MUI

Republika, headline

As the government discusses plans to ease the large-scale social restrictions (PSBB), which includes the reopening of places of worship, a number of Muslim organizations have urged the government not to act hastily before the COVID-19 pandemic has truly subsided.

The Indonesian Ulema Council (MUI), for one, has reminded Muslims across the country to continue to prioritize their health and safety by continuing worship at home.

MUI secretary-general Anwar Abas emphasized that the MUI fatwa on the appeal for worship during the pandemic still applies, especially when authorities are still unable to clarify the actual situation and condition of the outbreak in the country.

On Tuesday, President Joko “Jokowi” Widodo held a limited meeting regarding the plan to gradually relax the PSBB. “Regarding the desire to reopen places of worship in certain locations, Vice President Ma’ruf Amin warned that it entirely depends on the government’s evaluation of whether the virus still poses a threat or not,” said COVID-19 Task Force chief Doni Monardo.

Regions reject central govt’s plan to relax social restrictions

Koran Tempo

A number of regional administrations have rejected the central government’s plan to relax large-scale social restrictions (PSBB) on account that the plan is considered counterintuitive to the efforts regional governments have made to control the COVID-19 outbreak in their respective areas.

The Gunungkidul regency administration, for example, has objected to the plan. According to Gunungkidul Vice Regent Immawan Wahyudi, easing the PSBB now will only trigger an increase of new COVID-19 cases. Meanwhile, Gunungkidul is currently using all means to control the spread of the virus in the regency. “Our region’s handling of the virus has come to a relatively conducive state, we don’t need to be burdened by new problems,” Immawan told *Tempo* on Tuesday.

Bogor Deputy Mayor Dedie Rachim also admitted that he was confused by the central government’s seesawing policies. Dedie said all regional heads would want the virus to be under control so that public activity could resume. “However, the central government’s policies are inconsistent. Until when will this drag on?” Dedie said.

The Jakarta administration has also been tightening social restrictions through the imposing of sanctions, as stipulated in Gubernatorial Regulation No. 41/2020 which stipulates that residents who do not wear masks outside of their homes can be fined up to a maximum of Rp 250,000. Violators are also made to wear special vests as a form of social punishment.

COVID-19 Task Force chief Doni Monardo has reassured that his party will coordinate with the central government to make sure that the easing of social restrictions is thoroughly discussed.

Perpres draft degrades role of BNPT

Kompas, p. 2

A Presidential Regulation (Perpres) draft on the duties of the Indonesian Military (TNI) in countering terrorist acts may potentially degrade the role of the National Counterterrorism Agency (BNPT) as the leading institution in combating terrorism. Furthermore, the role of the TNI may potentially collide with the role of the National Police as law enforcement officers.

House of Representatives Commission III member Arsul Sani said that criticisms of the Perpres draft must be carefully noted by the President.

First, according to Arsul, the Perpres degrades the position of the BNPT as a leading institution in the fight against terrorism. "Even if the TNI is to be involved in implementing preventive measures of terrorism, the TNI should be subordinated to the BNPT rather than placed at the same authoritative level. This is to avoid any confusion as to which institution will lead preventative activities," said Arsul.

Secondly, the TNI's authority stipulated in the Perpres draft raises several questions concerning the political motives of the regulation, as the Perpres stipulates that the TNI will only act on the president's instructions. It is not yet clear whether presidential instructions will be provided on a case by case basis of terrorist incidents or as a blanket instruction.

To date, no information has been received by House Commission I, which oversees intelligence, defense and foreign affairs, regarding consultations on the Perpres draft. House Commission I deputy chairman Teuku Riefky Harsya said that since the Perpres had not yet been received, the Commission could not yet discuss its contents.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

House approves controversial Minerba bill into law

Bisnis Indonesia, headline

The House of Representatives approved on Tuesday the controversial mineral and coal mining (Minerba) bill into law, paving the way for the government to extend expiring coal mining concessions of first-generation coal mining contract (PKP2B) holders, many of which are politically connected businesspeople.

Under the previous 2009 Minerba Law, all expiring mining concessions must be returned to the government, which would then open tender for the concessions, with priority given to state-owned, and local government-owned companies.

Indonesia Coal Mining Association (APBI) executive director Hendra Sinadia welcomed the new Minerba law, which he said would give legal certainty to seven first generation PKP2B holders so that they would be able to allocate more funds to invest into their mining concessions.

Adaro Energy president director Garibaldi Thohir – the brother of State-Owned Enterprises Minister Erick Thohir – said that subsidiary Adaro Indonesia would apply for an extension of its expiring concessions next year.

Energy and Mineral Resources Minister Arifin Tasrif said he felt relieved that the House had finally approved the Minerba bill, saying that the ministry would start resolving pending issues in the mining sector, including the obligation of foreign-owned mining companies to divest their share ownership by at least 51 percent.

Govt pumps more cash to save SOEs, banks

Kontan, headline

The government will pump a total of Rp 118. Trillion (US\$7.9 billion) to save financially problematic state-owned enterprises (SOEs) and Rp 69 trillion to the banking system through the national economic recovery (PEN) program, to help maintain bank liquidity amid the COVID-19 outbreak.

The funding for SOEs would be in the form of tax incentives totaling Rp 63 trillion, state capital injections (PMN) amounting to Rp 25.3 trillion and working capital support of Rp 32.7 trillion.

SOEs that would get PMN are state electricity company PLN with Rp 5 trillion, construction firm Hutama Karya Rp 11 trillion, insurance holding company Bahana Pembina Usaha Indonesia (BPUI) 6.27 trillion, financial service company Permodalan Nasional Madani (PNM) 2.5 trillion and Indonesian Tourism Development Corporation (ITDC) Rp 500 billion.

SOES that would get working capital support are state logistics agency Bulog with 13 trillion, Garuda Indonesia Rp 8.5 trillion, railway company PT KAI Rp 3.5 trillion, plantation companies PTPN Rp 4 trillion, Krakatau Steel Rp 3 trillion and housing company Perumnas Rp 650 billion.

The PEN funding would also include Rp 35 trillion in government funds that would be placed in anchor banks to encourage debt restructuring for small and medium enterprises (SMEs), as well as corporate debts.

In addition, the PEN funding would also include Rp 34 trillion in interest subsidies to debts belonging to SMEs in the banking system, and therefore, the money would also be injected through the banking system.

Transparency essential in SOE rescue plan

The Jakarta Post, headline

Experts are calling on the government to ensure transparency and tight supervision as it prepares a national economic recovery program that will see large funding disbursed to rescue state-owned enterprises (SOEs).

The government issued on Monday Government Regulation (PP) No. 23/2020 on the national economic recovery program, which stipulates efforts to support the recovery of the virus-battered economy through state capital injections (PMNs), fund placements in certain banks, government investment and state guarantees.

“The state capital injection is aimed at strengthening the capital structure of the companies or their subsidiaries affected by the outbreak and to increase the SOEs and their subsidiaries’ capacity to carry out economic recovery programs mandated by the government,” the PP reads. The capital injection will be issued in accordance with prevailing laws.

Just like privately owned business, several SOEs are struggling to keep their businesses afloat amid disruptions brought about by the coronavirus outbreak. The government has allocated Rp 318.09 trillion (US\$21.28 billion) for the program. Of this sum, more than Rp 152 trillion is allocated for SOEs. This

includes Rp 25.27 trillion for PMNs for wholly owned SOEs like electricity company PLN and construction company PT Hutama Karya, as well as Rp 94.23 trillion in the form of accelerated compensation payments to PLN and energy giant PT Pertamina.

The funds will also be channelled as working capital for state-owned firms, including national flag carrier PT Garuda Indonesia, which will receive government investment for working capital worth Rp 8.5 trillion, steelmaker PT Krakatau Steel (Rp 3 trillion) and State Logistics Agency (Bulog), which will get Rp 13 trillion in working capital.

Garuda Indonesia has been struggling to pay its sukuk, due in June, and to maintain its cash flow as the outbreak has hit air travel demand. Krakatau Steel, meanwhile, had been struggling to pay its debts even before the COVID-19 outbreak hit the economy.

Insurance industry gives optimal service amid pandemic

Investor Daily, headline

Although COVID-19 patient health treatment costs are borne by the government, the insurance industry is attempting to give optimal services in serving their customers, despite having their business having been affected by the pandemic.

According to the Financial Services Authority's (OJK) insurance supervision deputy director, Kristianto Andi Handoko, the insurance industry's investment portfolio had fallen around 7 percent in the first quarter of this year.

However, although there is a decline in premium and claim growth, Kristianto said risk-based capital remained safe, 297 percent on average for general insurance and 600 percent for life insurance in March, above the 120 percent limit set by the authority.

PT Prudential Life Assurance president director Jens Reich said although the pandemic presented a challenging situation, he believed it increased people's needs for health and insurance services. Therefore, the company tries to reach out to their customers by giving information and services online.

In addition, PT Asuransi Allianz Utama Indonesia president director Peter Van Zyl said the company allowed customers to claim their insurance online. Peter said the company was also carrying out philanthropic programs.

Mortgage restructuring increases

Kompas, economic headline

As more sectors are affected by the COVID-19 pandemic, banks are seeing increases in mortgage restructuring, especially for customers who work in the tourist sector, such as hotel, travel, transportation and restaurants.

According to state-owned Bank Mandiri consumer loan executive vice president Ignatius Susatyo, mortgage restructuring could potentially reach Rp 10 trillion (US\$698.18 million). Susatyo said the bank had processed 100 mortgage restructuring applications from thousands received.

Similarly, state-owned mortgage-focused Bank Tabungan Negara (BTN) is also experiencing a rise in restructured mortgage. Per April 24, the bank has relaxed loans from 24,730 customers with total credit worth Rp 4.64 trillion. Around 65 to 75 percent of the bank's customers are in the subsidized mortgage segment.

Financial Services Authority (OJK) chairman Wimboh Santoso said banks have restructured debts from 3.88 million lenders worth Rp 337 trillion as of May 10. Therefore, the gross non-performing loan (NPL) risk had increased from 2.53 percent to 2.77 percent.

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