

Friday, May 15th, 2020

GENERAL NEWS AND HEADLINES

RI joins global COVID-19 prayers

The Jakarta Post, Headline

President Joko "Jokowi" Widodo called on all people of faith to pray for humanity as part of efforts to ease the struggle against COVID-19 and join a global spiritual movement.

Jokowi urged Indonesians, during a speech for nationwide interfaith prayers on Thursday, to stay optimistic and "pray endlessly", on top of other efforts to overcome the disease.

"Let's bow our heads together and humble ourselves as we ask the Almighty and the Most Merciful God to give us the patience to gracefully accept this disaster and be given strength so that we can all survive and pass [God's] trials," Jokowi said.

Six religious figures led the prayers: Kyai Haji Quraish Shihab representing Muslims, Cardinal Ignatius Suharyo Hardjoatmodjo representing Catholics, Reverend Ronny Mandang representing Protestants, Ida Pedanda Nabe Gede Bang Buruan Manuaba of the Hindu community, Banthe Sri Pannavaro Mahathera representing Buddhists and Budi S. Tanuwibowo on behalf of Confucians.

Vice President Ma'ruf Amin, House of Representatives Speaker Puan Maharani and Coordinating Maritime Affairs and Investment Minister Luhut Pandjaitan were also present during the event.

The Religious Affairs Ministry also raised money for donations at the end of the prayers to help citizens affected by COVID-19.

The plans to hold mass prayers followed calls from Pope Francis and the Grand Imam of Al Azhar Sheikh Ahmed Al Tayeb to pray on May 14 to ask God for salvation from the disease.

Regional elections feared to worsen COVID-19 transmissions

Kompas, p. 2

The simultaneous 2020 regional elections, which are planned to take place this December, could potentially exacerbate COVID-19 transmissions in the country as they require numerous face-to-face interactions.

Achmad Yurianto, the government's spokesperson for COVID-19-related matters, reported that the number of COVID-19 cases in Indonesia had remained high as COVID-19 patients continued to increase on a daily basis. Based on the upward trend of COVID-19 cases over the past days, Achmad fears that should the government insist on holding the 2020 regional elections this year, the spread of the virus in the country would be more difficult to control.

Previously, the General Elections Commission (KPU) reportedly sent a letter to the COVID-19 national task force and the National Disaster Mitigation Agency (BNPB) to request for their confirmation on when the COVID-19 pandemic would possibly end and whether it would be safe to immediately hold elections once the pandemic ended. Confirmation is required by the KPU to determine its next step in regard to the 2020 regional elections.

The KPU said they had yet to receive any confirmation from either the task force or the BNPB. Meanwhile, if the regional elections must be held this year, according the KPU, preliminary preparations for the elections must be carried out starting next month.

Mitigate risks of COVID-19 funds misuse: BPK

Republika, p.2

The Supreme Audit Agency (BPK) has urged the government to prepare a risk mitigation plan for the possible misappropriation of COVID-19 funds. BPK chairman Agung Firman Sampurna reported that the BPK would present the results of its evaluation on state funds management amid the COVID-19 pandemic.

"The content [of the evaluation report] includes possible risks [surrounding the management of COVID-19 funds] and how the risks can be mitigated," said Agung after submitting the second half 2019 auditing result summary (IHPS) of 2019 to President Joko "Jokowi" Widodo on Thursday.

Agung also affirmed that the BPK would not take part in the management of COVID-19 funds as its involvement would only be limited in providing the government information on potential risks and challenges that it might face in managing the funds.

To date, as part of its COVID-19 response, the government has increased the 2020 state budget by Rp 405 trillion, Rp 75 trillion of which is allocated to procure medical equipment, Rp 110 trillion to provide social assistance programs, Rp 70 trillion for tax incentives as well as stimulus packages and Rp 150 trillion to fund national economy recovery programs.

Govt to 'hunt' violators of PSBB policy

Media Indonesia, p. 6

The Jakarta administration has fined the management of the McDonald's restaurant in the Sarinah shopping center in Central Jakarta Rp 10 million (US\$670) for violating large-scale social restrictions (PSBB) by allowing a gathering of hundreds of people on the last day of its operation. The restaurant's management is obligated to pay the administrative sanction as referred to in Gubernatorial Regulation No. 41/2020 on sanctions for PSBB violators.

Jakarta Public Order Agency (Satpol PP) head Arifin said his party would fine not only McDonald's but also other violators of the PSBB in the capital city. Individuals who gather in crowds and do not wear face masks during the PSBB, for instance, will receive a fine of Rp 250,000.

Plan to give TNI antiterrorism role raises red flag again

The Jakarta Post, p. 1

The government has proposed a new regulation to allow greater military involvement in curbing terrorism but which lacks clear accountability, much to the concern of analysts who view it as a move that may lead to a repressive approach by the Indonesian Military (TNI).

The presidential regulation (Perpres) to specify such a role is mandated by the 2018 Terrorism Law, which already allows the TNI to combat terrorism through military operations other than war — but not in detail.

The draft Perpres, a copy of which has been obtained by *The Jakarta Post*, stipulates the TNI's three main roles, namely the prevention of terrorism,

enforcement measures that allow the use of force and deradicalization efforts. It also grants the TNI the authority to conduct intelligence and territorial operations as part of the prevention measures.

It outlines several terrorism scenarios that allow for the TNI's direct involvement and the use of force, including when there are attacks against a sitting president, vice president or their families; former presidents or vice presidents; and high-ranking visiting state guests. It also allows for the TNI's direct involvement in highly escalated terror attacks that endanger the state ideology, sovereignty or territorial integrity. The use of force by the military, however, is only allowed by order of the President, according to the draft regulation.

The Perpres is therefore seen by critics as pivotal in determining whether Indonesia will stick with the criminal justice framework to deal with terrorism, an approach that has won praise from the international community, or tilt toward a more coercive approach.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

Govt debt papers gain momentum

Bisnis Indonesia, headline

The stability of the rupiah exchange rate and the stimulus to deal with the COVID-19 pandemic are factors pushing the decline in 5-year, 10-year, 15-year and 20-year government bond (SUN) yields, reflecting an increase in bond prices. The yield for 10-year SUNs was at 7.83 percent on May 14, down from 8.05 percent on May 11 based on Bloomberg data.

Penilai Harga Efek Indonesia (PHEI) head of research and market information Roby Rushandie assessed that the bond yield decline was caused by Bank Indonesia's (BI) stabilization in the government debt papers (SBN) market, with net transactions at almost Rp 50 trillion, along with its obligation to buy Rp 100 trillion worth of SBNs. Roby predicted that the domination of net buying by BI and banks would keep bond yields fluctuating.

Anugerah Sekuritas Indonesia fixed income associate director Ramdhan Ario Maruto said that the increase in bond prices was aided by the strengthening of

the rupiah exchange rate, the increasing demand in the bond market and the market's positive response to the government's and BI's stimulus packages. However, demand from local investors is still the main driver of the bond market's performance with foreign investors choosing to wait and see amidst current global conditions.

PT Bank Central Asia chief economist David Sumual stated that with foreign investors' caution, domestic investors had an opportunity to increase their influence in Indonesia's SBN market. He said the declining bond yield was a chance for corporations with good prospects to issue bonds and for the government to issue more debt papers.

Preemployment card program shall continue

Investor Daily, headline

Despite criticism against it, the government's preemployment card program is on track to continue amid calls for an increase of the program's budget to cover more people affected by COVID-19.

Raden Pardede, assistant to the coordinating economic minister, explained that COVID-19 had forced the preemployment card program to cover not only new graduates of high schools, vocational schools and universities but also the newly unemployed and entrepreneurs of small and medium enterprises.

The benefits of the program have also been adjusted to the pandemic. Initially, the value of benefits per participant ranged from Rp 3 million to Rp 7 million. Now, it is fixed at Rp 3.5 million per participant so that more people can join the program. This year, each participant would get Rp 1 million for training, Rp 150 for participating in a survey and Rp 2.4 million in cash assistant for four months. The total budget for the preemployment card is Rp 20 trillion for 5.6 million participants.

Legislator Emanuel Melkiades Laka Lena, deputy chairman of the House of Representatives Commission IX on public health and manpower, suggested that the government increase the budget for the program, especially to accommodate unemployed people.

Public policy analyst Agus Pambagio urged the government to address various issues surrounding the preemployment cards to prevent corruption and abuses of the budget. One of the critiques of the program is the selection of online training providers, which is conducted without a tender.

Hutama Karya could be dragged down by Jiwasraya case

Kontan, headline

State-owned construction company Hutama Karya, which is expected to get Rp 11 trillion in state capital injection (PNM) this year, is likely to be dragged down into the mega corruption scandal surrounding state-owned insurer Asuransi Jiwasraya.

Hutama Karya's involvement in the scandal happened at the end of last year, when the company entered into an agreement to buy 600 hectares of land in Maja, Lebak regency, Banten, with the land belonging to a subsidiary of PT Hanson International, a company owned by Benny Tjokrosaputro – one of the main suspects in the Jiwasraya scandal.

The value of the transaction is Rp 1.8 trillion. Of the total value, Hutama Karya had paid PT Harvest Time, Hanson's subsidiary, Rp 50 billion and got 25.5 hectares. Hanson had demanded that Hutama Karya abide by the agreement and continue with the transaction.

However, Hanson's land in Lebak had been confiscated by the Attorney General's Office. If Hutama Karya continued with the transaction, it would violate the law.

Legislator Herman Khaeron of the Democratic Party from Commission VI at the House of Representatives said that the commission would monitor the transaction, especially as Hutama Karya would get a PNM of Rp 11 trillion this year to build toll roads in Sumatra. The money for the toll roads may not be used for other purposes.

SOEs scramble to pay debts on time

The Jakarta Post, p. 1

The government is preparing measures to bail out state-owned enterprises (SOEs) that are having trouble paying their debts amid operational and cashflow disruptions during the COVID-19 pandemic.

Housing firm Perum Perumnas was the first to default on its medium-term note (MTN) principal worth Rp 200 billion (US\$13.5 million) due on April 28. Securities paper and bill printing company Perum Peruri also failed to pay the interest payments for its MTN listed on the Indonesia Stock Exchange (IDX) on May 11.

Additionally, flag carrier Garuda Indonesia is finding ways to restructure \$500 million worth of global sharia-compliant bonds (*sukuk*) due in June, while utility

firm PLN has informed banks about its problems meeting some loan repayment obligations due this year.

“With or without government assistance, SOEs are severely struggling at present. In the past, the government pushed SOEs — especially those in the infrastructure sector — to seek funding even though their ratings are not very good,” said Ramdhan Ario Maruto, a fixed income analyst at Anugerah Sekuritas.

The government has issued a new regulation that will allow the state to issue debts to finance business rescue packages, including for SOEs, as the pandemic is expected to hit the economy hard. The government has projected a worst-case scenario of seeing a 0.4 percent contraction this year, the lowest in two decades.

The government may allocate around Rp 152 trillion for SOEs, nearly half of the Rp 318 trillion budget for its economic recovery program, according to a Finance Ministry document recently presented to lawmakers, a copy of which was obtained by *The Jakarta Post*.

Investment for working capital has been budgeted at Rp 32.6 trillion for Garuda Indonesia, Perumnas and Krakatau Steel, among others, according to the document. State capital injections may amount to Rp 25.3 trillion for the likes of PLN and builder Hutama Karya.

Institute for Development of Economics and Finance (Indef) economist Eko Listiyanto said funding and capital injections for SOEs were necessary as they played an integral role in the country’s economy.

BPK draft risk mitigation for COVID-19 budget

Kompas, Economic & Business page

The Supreme Audit Agency (BPK) is conducting a risk mitigation study to minimize corruption involving the government’s huge budget of Rp 803.5 trillion.

In a meeting with President Joko “Jokowi” Widodo, BPK chairman Agung Firman Saputro said the results of the BPK study would support the government in implementing government programs to fight the spread of COVID-19, as well as to contain the impacts of the pandemic on the people.

The study would map risks related to the implementation of the government’s various COVID-19-related programs, especially those with big budgets such as the social safety net program with a budget of Rp 482 trillion and the national

economic recovery (PEN) program with a budget of Rp 318 trillion, of which Rp 152 trillion will be given to state-owned enterprises (SOEs).

Institute for Development of Economic and Finance (Indef) analyst Andry Satrio warned that the huge funding allocated for SOEs would not have multiplier effects on the economy as most of the money would be used to pay debts. SOEs under President Jokowi are marked with big assets with low profitability, indicating that they are highly leveraged.

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