

**Wednesday, May 6<sup>th</sup>, 2020**

**GENERAL NEWS AND HEADLINES**

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## **Indonesia targets local COVID-19 strain in Eijkman-led 2022 vaccine initiative**

*The Jakarta Post, p. 1*

Indonesia is looking to fast-track the local development of a COVID-19 vaccine, but concerns remain as to whether insufficient funding and facilities, as well as the country's reliance on imported materials, might hinder the initiative.

The government has appointed the Eijkman Institute for Molecular Biology to spearhead the vaccine development program through a consortium that includes the Health Ministry's Health Research and Development Agency (Balitbangkes), state-owned pharmaceutical holding company Bio Farma and several universities.

The institute has been given a time frame of just 12 months starting in April, Eijkman Institute director Amin Soebandrio told *The Jakarta Post* on Sunday.

The Eijkman Institute will send any prototype seed viruses it produces — the "seed stock" needed to manufacture vaccines, also called candidate vaccine virus (CVV) — to Bio Farma, the country's sole vaccine manufacturer, for accelerated clinical trials on human volunteers. According to the plan, Bio Farma aims to mass-produce the vaccine by 2022.

This was much faster than the typical five to 12 years needed for vaccine development, said Bio Farma R&D manager Neni Nurainy.

Amin said that the target was not impossible, but that the accelerated process would have its own share of challenges, particularly in terms of facilities and funding.

The Eijkman Institute has received Rp 5 billion (US\$329,989) for the exploratory stage of vaccine development. The sum is part of Rp 90 billion in total funding that the Research and Technology Ministry has budgeted for the consortium's COVID-19 studies.

## Regional elections' postponement deemed not long enough

*Media Indonesia, p. 4; Republika, p. 2*

President Joko "Jokowi" Widodo has issued Regulation in Lieu of Law (Perppu) No. 2/2020 on the postponement of the 2020 regional elections. The elections, which were originally scheduled for September, will be postponed to December.

Judicial watchdog KoDe Inisiatif expressed appreciation for the issuance of the Perppu as a legal basis has been provided for the General Elections Commission (KPU) to begin preparations. However, a number of provisions in the Perppu are still considered ambiguous.

"First of all, the elections were only postponed for three months. This reflects the government's lack of seriousness in guaranteeing the constitutional rights of the people amid the COVID-19 pandemic," KoDe Inisiatif researcher M. Ihsan Maulana said on Wednesday.

According to Ihsan, a three-month delay had no significant impact on the quality of the elections as it was still uncertain when the pandemic would come to an end. Moreover, the country's COVID-19 emergency status is set to last until the end of May, with the likelihood that the National Disaster Mitigation Agency (BNPB) may extend it again.

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## Jakarta tightens restrictions to avoid second COVID-19 wave

*Koran Tempo*

The Jakarta administration is drawing up regulations for people that have violated the Idul Fitri *mudik* (exodus) ban and left Jakarta to return to their hometowns. The new regulation will affect those who wish to return to live and work in the capital, in which permits will be needed to enter and exit the city, as confirmed by Jakarta Deputy Governor Ahmad Riza Patria.

Ahmad explained that the regulation would act as an extension of the already implemented large-scale social restrictions (PSBB) in the capital and the *mudik* ban. Though the Jakarta Police's Traffic Directorate was able to stop almost 11,000 vehicles from leaving the capital between April 24 and May 4, police said were travellers who had managed to leave the capital undetected.

According to Ahmad, the regulation would require people who wanted to enter the capital to present letters from neighborhood unit (RT) heads of their respective hometowns, detailing their reason for entering Jakarta. "If the reason is

only for work and the pandemic is still ongoing, we will ask [the travellers] to postpone their entry," said Ahmad.

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## **Disparity in regional capacity hinders formation of single database**

*Kompas, p. 2*

The government plans to create a single population-based identity database as Administrative and Bureaucratic Reform Ministry spokesperson Rini Widyantini explained that such a database was needed to develop electronic-based government systems. Thus, President Joko "Jokowi" Widodo issued Presidential Regulation (Perpres) No. 39/2019 on Satu Data Indonesia, in hopes that it will prevent data discrepancies from occurring between one agency and another.

However, two variables that impede this goal is internet infrastructure disparity and the lack of human resource capacity across regions in Indonesia. This has been shown in hampered reports on the reallocation of regional budgets (APBD) for COVID-19, where 380 regions were sanctioned for delaying the reallocation of their respective funds.

Inadata Consulting president Elwin Tobing said that all planning and public policy-making must be data-oriented, starting from the national level to the village level. Nonetheless, this still proves to be an issue as regional leaders, legislators and bureaucrats still lack the understanding of the essential role data plays in the development and evaluation of policies.

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## **Jokowi considers moving Idul Fitri leave to July**

*The Jakarta Post, p. 3*

President Joko "Jokowi" Widodo is considering moving the country's Idul Fitri collective leave to July after previously deciding to push it back to December because of concerns about the COVID-19 outbreak.

COVID-19 task force head Doni Monardo said Presidential Chief of Staff Moeldoko had floated the suggestion to the President and other state officials during a meeting on Thursday.

"The President wants us to consider which one is better, whether to combine [the collective leave] with Idul Adha in late July or to push it back to the end of this year," Doni said as quoted by [kompas.com](https://www.kompas.com), "There are still options [to change the

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dates].”

The government announced on April 10 that it would move the four-day Idul Fitri collective leave to Dec. 28-31, alongside other year-end holidays, from the initial dates of May 26 to 29 to discourage people from taking part in the Idul Fitri tradition of mudik (exodus) amid concerns about wider transmission of the virus.

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## BUSINESS AND ECONOMICS NEWS AND HEADLINES

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### **Worst may be yet to come as growth hits 19-year low**

*The Jakarta Post, headline*

Indonesia’s economy is heading into turbulence as the COVID-19 pandemic is expected to further batter growth, after the country recorded the weakest economic expansion since 2001 in the first quarter of the year, economists have warned.

The country’s gross domestic product (GDP) grew 2.97 percent year-on-year (yoy) in the first three months of 2020 as household spending and investment growth slowed amid the coronavirus outbreak, Statistics Indonesia (BPS) announced on Tuesday. The growth is weaker than the government’s, the central bank’s and economists’ projections of around 4 percent.

“The sudden stop in economic activity during the first quarter marks the beginning of weak GDP growth caused by the pandemic,” University of Indonesia economist Fithra Faisal told *The Jakarta Post* on Tuesday. “We are heading into the weakest growth since the 1998-1999 Asian financial crisis.”

He expected the economy to contract 0.8 percent if the pandemic continued into the third quarter, adding that the economy would grow at a range of between 1.2 and 2 percent if the health crisis subsided by June.

“It is crucial to immediately end the [health] crisis through containment measures,” Fithra said.

The Jakarta Composite Index (JCI) erased some of its gains on Tuesday after the announcement but closed trading up 0.53 percent to 4,630.13 while the rupiah

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appreciated by 0.13 percent to 15,080 per US dollar on the day.

Household spending, which accounts for more than half of GDP, grew sluggishly by 2.84 percent in the first quarter — far lower than the 5.01 percent recorded over the same period in 2019, while investment, the second-largest contributor, grew 1.7 percent versus the 5.03 percent recorded in January-March last year.

“The second quarter GDP growth is expected to be significantly lower than that of the first quarter as the prolonged pandemic limits people’s travel and activities,” Bank Mandiri economist Andry Asmoro said. “Furthermore, high uncertainty about when the COVID-19 pandemic will completely end could drag down the full-year figure to below 2 percent.”

The government has forecast the country’s economy to expand by 2.3 percent this year in the baseline scenario or contract by 0.4 percent in the worst-case scenario.

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## **Anticipate for worse growth in next quarters**

*Bisnis Indonesia, headline*

Room to boost gross domestic product (GDP) in the quarters ahead is becoming narrower as major sources of economic growths have slowed down. After Indonesia’s economy slumped to 2.97 percent year on year (yoy) in the first quarter of this year, the lowest since 2001, the economy is expected to slump further in the second quarter.

Nevertheless, Coordinating Economic Minister Airlangga Hartarto expressed his optimism, saying that 2.97 percent growth in the first quarter was good compared to that of many other countries that booked negative growth in the first quarter, such as China with minus 6.8 percent, Singapore minus 2.2 percent, the European Union minus 2.7 percent and Hong Kong minus 8.9 percent.

“As predicted, the growth will slump, especially from the demand side, as a result of COVID-19 and in the second quarter, when the government implemented large-scale social distancing [PSBB] policy,” Airlangga said.

He remained optimistic that Indonesia’s economy will still grow at a positive rate this year, by 2.3 percent.

However, a number of analysts have painted a bleaker picture. Institute for Development of Economics and Finance (Indef) director Tauhid Ahmad said Indonesia’s economy would slump further in the second quarter and possibly also

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in the third quarter.

“The second and third quarters of 2020 could be worse than what we achieved [in the first quarter]. We have to anticipate a worst-case [scenario].”

Bank Danamon Indonesia chief economist Wisnu Wardhana also projected that Indonesia’s economy would slump further in the second quarter, and that should give enough reasons for Bank Indonesia to cut further its reference interest rates.

Bank Permata economist Josua Pardede shared the concerns that Indonesia’s economic growth would be lower in the second and third quarter and predicted that the economy would grow by below 1 percent this year.

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## **74 banks restructure debts worth Rp 207.2 trillion**

*Investor Daily, headline*

The Financial Services Authority (OJK) announced that 101 banks had stated their readiness to join the OJK’s call to restructure their debtors’ debts. Out of the total, 74 banks have conducted debt restructuring worth Rp 207.2 trillion (US\$13.3 billion), affecting 1.02 million debtors.

OJK bank supervisory division head Heru Kristiyana said that of the total restructured debts, Rp 99.36 trillion belonged to 819,925 small and medium enterprises (SMEs) and Rp 107.86 trillion to 199,411 corporate debtors.

Heru explained that based on OJK data as of April 24, total debts that potentially needed restructuring reached Rp 1.1 quadrillion, of which Rp 405.32 trillion belonged to 5.9 million SMEs and Rp 707.3 trillion to 1.8 million corporate debtors.

Under OJK Regulation No. 11/2020, commercial banks should restructure their debtors’ loans for one year or up to March 2021 if the debtors are affected by COVID-19 and OJK frees the banks from the requirement of loan loss provisions (CKPN) for restructured loans.

“Through OJK regulation No. 11, we want to see debtors continue to operate healthily and banks not severely affected. Banks are free to create their own [debt restructuring] schemes because each bank is different, and each debtor is also different,” Heru said.

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## **Banks have limits to shoulder debt restructuring**

*Kontan, p. 1*

Banks are now shouldering the burden of a government policy to restructure debts belonging to small and medium enterprises (SMEs) and the Financial Services Authority's (OJK) call for banks to restructure debts of companies affected by the COVID-19 pandemic.

The banks' burden got heavier when the government decided recently to provide relaxations to mortgages and car ownership debts. Not only that, a number of big state-owned companies are now in line to ask for debt restructuring.

Therefore, banks' interest margin will dwindle as a result of the various government incentives for debtors. This will eventually reduce the banks' capital and liquidity, according to state-owned lender Bank Mandiri deputy president director Hery Gunardi.

Bank Mandiri's capital adequacy ratio (CAR), for example, is expected to decrease to between 16.9 percent and 17.5 percent by the end of this year, down from 21.39 percent at the end of last year.

Bank BCA president director Jahja Setiaatmadja said it was difficult to make a projection right now.

"There are changes every week. Now our situation is still under control. It is important for us to maintain our liquidity and reduce costs."

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## **BRG looks for peatland for agriculture land**

*Koran Tempo, Economic page*

Peatland Restoration Agency (BRG) chairman Nazir Foad said his agency was looking for degraded peatland that could be converted into agriculture land, following calls from President Joko "Jokowi" Widodo to create new rice fields to anticipate a food crisis this year due to a long dry season.

Nazir conceded that the BRG decided to look for degraded peatlands after being instructed directly by Coordinating Maritime Affairs and Investment Minister Luhut Binsar Panjaitan. But Nazir ensured that the agency would use degraded peatland, including those destroyed by forest fires.

In the last three weeks, Nazir said, the BRG had surveyed degraded peatland in



Jambi, South Sumatra, West Kalimantan, Central Kalimantan, South Kalimantan and Papua.

Nazir said the BRG had a pilot project in South Kalimantan, where 86 hectares of degraded peatland was converted into a rice field. However, the productivity of the rice field was only 3 tons of unhusked rice per hectare, below the required 4 tons of rice per ha. The BRG's pilot projects involving horticulture and fishery are successful than those for rice fields.

Nazir said the conversion of degraded peatland into agriculture lands must be financed by the government and involve local people to manage the agriculture land.

Earlier, Agriculture Minister Syahrul Yasin Limpo said his ministry had made a budget request to the Finance Ministry to create rice fields on 400,000 ha of peatland and 200,000 ha of dry land. The converted fields will grow several crops, including rice.

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