

HIGHLIGHTS OF THE WEEK

POLITICS

How much power will VP-elect Ma'ruf have?

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Sandiaga at a crossroads

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Golkar in search for succession

Golkar Party is reportedly facing a war within. The party is torn between chairman Airlangga Hartarto and House of Representatives Speaker Bambang Soesatyo, who look set to contest the party's top post in a congress scheduled for December. Calls for an earlier date are mounting as pressures for succession increase.

KPK leadership posts pursued

The current leaders of the Corruption Eradication Commission (KPK) will end their term in December. President Joko "Jokowi" Widodo has formed a seven-member committee to select candidates for the KPK's leadership seats. Hopes abound that only the best will be elected as new leaders of the KPK, the vanguard of the anticorruption drive in the country.

BUSINESS & ECONOMY

Bulog struggles under new BNPT program

The State Logistics Agency (Bulog) is in trouble. Its 2.4 million tons of rice stocks is at risk of spoilage due to difficulties in distributing rice under the new non-cash food assistance program (BPNT) for the poor.

Politicians dominate BPK leadership selection

The Supreme Audit Agency (BPK) leadership selection process has sparked controversy because the candidates are mostly politicians who failed to secure enough votes in the 2019 legislative election.

SKK Migas takes cautious steps in Masela Project

The plan of development (PoD) for Abadi field in Masela block was reportedly signed last week following a review by the Corruption Eradication Commission (KPK), although the signing has yet to be publicly announced as it is still waiting for President Joko "Jokowi" Widodo's blessings.

Gov't worried about food inflation

Since 2015, Indonesia has had low and stable inflation that fluctuates around the level of 3.5 percent. Core inflation, which excludes volatile components like food prices as well as government-administered energy and transport prices, has also shown a similar trend, fluctuating stably around the level of 3 percent from 2016 onwards.

POLITICS

How much or how little power will VP-elect Ma'ruf have?

OVERVIEW

It's payback time! Now that President Joko "Jokowi" Widodo has been confirmed the winner of the April presidential race, he faces pressures from those who claim to have helped him secure his second term in office to give them concessions. Some are going after Cabinet seats and other key positions in the government, others for a chance to partake and influence the running of the government in 2019-2024.

The presidential inauguration is not due until October, but Nahdlatul Ulama (NU), Indonesia's largest Islamic mass organization, is among the groups that are pressing for their rewards. They may have a natural ally in vice president-elect Ma'ruf Amin, a politician-turned-cleric who grew up in the NU tradition. Pundits speculate that NU, Ma'ruf, along with other Islamic forces supporting Jokowi, will join hands in steering the President's policies closer toward their Islamist agenda.

Not so fast, Jose. No one should exaggerate the power of the vice president, however impressive their background and track record may be. The Constitution confers all executive powers on the elected president, and states that the vice president acts as his assistant. How much power the veep has depends on how much the president would delegate to him.

What type of vice president Ma'ruf will be is therefore something that Jokowi decides. Ma'ruf may have announced that he will be shedding his sarong, his daily attire since he became a cleric, for pants, but in this new partnership, there is no doubt that Jokowi will be the one wearing the pants.

WHAT'S MORE

When he is inaugurated in October, Ma'ruf will be Indonesia's 13th vice president, as against the seven presidents the country has had since independence in 1945. The VP list contains illustrious names that performed differently, ranging from those who were ceremonial and inconsequential to those that were powerful and effective.

Jokowi's current veep Jusuf Kalla has been a little bit of both. Initially, after their election in 2014, Kalla was virtually bypassed by Jokowi in many key decisions, including in three rounds of Cabinet reshuffles in the first two years. Their relationship was estranged and Kalla was not given any role other than representing Indonesia abroad from time to time, and performing ribbon-cutting ceremonies. Kalla was brought back into the inner circle in late 2016 when Jokowi faced pressures from conservative Muslims for supporting the reelection of his buddy Basuki "Ahok" Tjahaja Purnama, a Chinese-Christian and hence a double minority, as Jakarta governor. Ahok lost the election, but Jokowi survived the threat, thanks in no small measure to Kalla's help. Kalla was even more powerful and effective when he served as VP to Susilo Bambang Yudhoyono in 2004-2009. He compensated for some of the weaknesses of his boss and the pair were regarded as the "dynamic duo".

VP-elect Ma'ruf was not Jokowi's first choice for running mate but rather he was imposed on him by the political parties supporting his presidential bid, only for one simple reason: He is 76-years old and ailing and therefore unlikely to harbor any presidential ambitions for 2024, thus he would not use the VP position to his advantage. The Constitution does say however that Ma'ruf will step in in the event of Jokowi becoming incapacitated, but at 58, Jokowi is by far the fittest of the two.

Ma'ruf still brings something to the partnership, as a seasoned politician and a cleric with strong knowledge of the sharia economy. As chair of the Indonesian Ulema Council, the umbrella organization for all Musliming organizations, he has access to and some clout over the members, including conservative and radical groups. He would provide Jokowi with an effective buffer to keep the conservative Islamists at bay.

But it would be wrong to assume that NU would use Ma'ruf to further its own goals. For one, Ma'ruf came from the United Development Party (PPP), the smallest of the two Islamist parties in Jokowi's coalition government. NU has far better access through the Nation Awakening Party (PKB), to which most of its members gave their votes in the April legislative elections. More importantly, NU played such a big role in the last two years in defending Jokowi from conservative Muslim forces that it is likely to be able to claim its rewards by talking directly to Jokowi, rather than through Ma'ruf. The PKB says it has sent a list of 10 names to serve as ministers in Jokowi's next government.

No one should underestimate Jokowi's ability in taming the ambitions of people around him, not after seeing him perform in the last five years. There were concerns at the start of his presidency in 2014 that Kalla's huge stature, given his experience, political clout and political ambitions, would be so overwhelming that the VP would be dominant in the partnership. Even though Jokowi then had no national experience, the former Jakarta governor proved to be a fast learner and he was soon able to put Kalla in his proper place: As his assistant, whose help was solicited on a need basis.

In all likelihood, Ma'ruf will end up as nothing more than a spare tire as with all vice presidents this country has seen in the past.

Sandiaga at a crossroads

OVERVIEW

Ever since the General Elections Commission (KPU) announced the victory of Joko "Jokowi" Widodo and running mate Ma'ruf Amin in the 2019 presidential election, Sandiaga Uno, the losing vice-presidential candidate, has barely made a sound. It came as a surprise, thus, when reports circulated last week that he planned to join the National Mandate Party (PAN), member of the coalition that nominated the Prabowo Subianto-Sandiaga pair in the election.

Currently an independent, Sandiaga, a businessman, only turned to politics in 2015, when he joined Prabowo's party Gerindra. His political career was catapulted forward when Gerindra nominated him for Jakarta deputy governor in 2017. Sandiaga quit from Gerindra when Prabowo picked him as his running mate in the 2019 presidential race.

Speculation on Sandiaga joining PAN followed rumors of his possible return to Gerindra and the Jakarta deputy gubernatorial seat. Now it appears that Sandiaga's political career has not ended as PAN and Gerindra become feasible prospects for him.

Sandiaga's choice of PAN or Gerindra is related to the 2024 presidential election, which he plans to contest. Indeed, despite his relatively short political experience, Sandiaga's electability was proven in the 2019 race. He successfully reaped support from various groups of voters, including the millennials and emak-emak (housewives). This could potentially give a coattail effect to PAN or Gerindra if they nominate him in 2024.

Furthermore, contrary to popular belief, being a newcomer will give him advantage in the next presidential election, which will feature new faces. In this case, being a novice could portray Sandiaga as a harbinger of political rejuvenation, especially since the last two presidential elections were contested by Jokowi and Prabowo.

Before he could join PAN or Gerindra, however, Sandiaga must overcome one important obstacle: beating the influence of the parties' established strongmen. In this regard, the blessing from Amien Rais and Prabowo, PAN and Gerindra strongmen respectively, would boost Sandiaga's presidential ambition tremendously.

WHAT'S MORE

A union between Sandiaga and PAN will be mutually beneficial in nature. For one, having Sandiaga as a member will help PAN solve its regeneration problem. Indeed, PAN direly needs a strong figure to consolidate its internal affairs. The clout of its current patron, Amien, is reportedly declining; Amien failed to consolidate the party's support for Prabowo-Sandiaga in the recent election, as a portion of PAN members chose Jokowi-Ma'ruf.

Sandiaga thus might offer a solution to PAN. His image as a millennial politician, in particular, could renew PAN's brand image.

Moreover, the fact that Sandiaga is financially loaded does not hurt either. Sandiaga, who reportedly gave a "political dowry" amounting to Rp 500 billion to PAN and the Prosperous Justice Party (PKS) each¹, was the richest compared to other candidates in the 2019 presidential election, with Rp 5.09 trillion worth of assets.²

Sandiaga, on the other hand, equally needs PAN to bolster his political ambition. To begin with, PAN's close ties with Muhammadiyah, Indonesia's second largest Islamic organization, will provide Sandiaga a large base of supporters. Not only the substantial number of its members, Muhammadiyah's Islamic credentials could also reinforce Sandiaga's religious image, which he has employed since the 2017 Jakarta gubernatorial race when he fought the Christian incumbent, Basuki "Ahok" Tjahaja Purnama.

¹ Kontan.co.id, "Sandiaga Uno disebut bayar mahar ke PAN dan PKS Rp 500 miliar" 08 August 2018
<https://tinyurl.com/y5fba79x>

² Tempo.com "Maju Pilpres 2019, Sandiaga Uno Jadi Calon Terkaya" 12 April 2019
<https://tinyurl.com/y577d7nr>

Similarly, a collaboration between Sandiaga and Gerindra will benefit both as well. Having failed in the last two presidential elections, Prabowo may have to relinquish his throne sooner or later. The problem is that Gerindra's reliance on Prabowo is too high, even higher than PAN's on Amien. Since its foundation in 2008, Gerindra has been under Prabowo.

It remains questionable, however, whether Prabowo would give his backing for Sandiaga, especially since Prabowo himself is reportedly still eyeing the presidency in 2024. To date, Gerindra has only hinted that it would welcome Sandiaga's return to the party and help him regain the Jakarta deputy gubernatorial seat. If Sandiaga decides to join Gerindra, one possible scenario is his running in the 2024 presidential election as Prabowo's running mate again.

At the end of the day, any party that Sandiaga will enter will benefit considerably. His business portfolio, his young age and his pious image make him popular among at least three different target groups: business players, young voters and the conservatives. Sandiaga, however, still needs a platform to boost his political ambition. Whether it is going to be PAN or Gerindra, it will be answered in September or November this year, when PAN and Gerindra will hold their respective national congress.

WHAT WE'VE HEARD

Sandiaga is facing a dilemma whether to take the position as state-owned enterprises minister, which was offered by President Joko "Jokowi" Widodo, or to stay outside the government. Sandiaga, however, cannot be too critical at the present time due to several graft cases linked to him. The cases are reportedly under the police radar. "Some asked him to reject [Jokowi's offer]," said a business player close to Prabowo and Sandiaga.

Nevertheless, even if he decides to remain outside the government, Sandiaga still cannot criticize Jokowi as he pleases. "The old cases could be reopened. So far, however, he is safe as a lot of the police figures befriended him" said the source. "BG [Budi Gunawan] is also a friend of him [Sandiaga]," added the source.

The second dilemma for Sandiaga concerns his political stance. Following the presidential election, Prabowo and his brother Hashim Djojohadikusumo reportedly offered Sandi the Gerindra Party's top job. "But that's before BG offered him a ministerial post and other positions to Prabowo," said one source who is close to Sandiaga.

The option to take the offer as the National Mandate Party's (PAN) chairman, therefore, is back. PAN will hold its national meeting at the end of July to determine its political stance: to remain in opposition or join Jokowi-Ma'ruf's coalition. The national meeting will also decide the date for the party's congress, in which PAN will change its structure.

On the other hand, Gerindra will hold its congress in November. Sandiaga, however, cannot give his response to the offer from PAN after he, hypothetically, was rejected by Gerindra. "It is ethically bad in politics to pursue two different positions," Sandiaga said. Thus, he is now contemplating which job he will pursue as a platform for his political ambitions in 2024.

Golkar in search for succession

OVERVIEW

Now that the fierce election battle is over, the Golkar Party, which helped President Joko “Jokowi” Widodo win reelection and finished second in the legislative election, is facing a war within. The party is torn between chairman Airlangga Hartarto and House of Representatives Speaker Bambang Soesatyo, who look set to contest the party’s top post in a congress scheduled for December. Calls for an earlier date are mounting as pressures for succession increase.

Airlangga, who took over from graft convict Setya Novanto in 2017, has met stiff opposition from party members after he announced his bid to contest the race last Sunday. His detractors deem he has performed poorly, as evident in Golkar’s failure to increase its number of legislative seats in the recent election.

Golkar came second after the Indonesian Democratic Party of Struggle (PDI-P), Jokowi’s party. Golkar senior politician Yorrys Raweyai, one of Airlangga’s adversaries, blamed the reigning chairman for the party’s deterioration. According to Yorrys, not only has Airlangga violated the party’s statute, he unilaterally selected Golkar’s legislative candidates.³

Yorrys and other disappointed Golkar cadres have demanded the replacement of Airlangga, with the majority choosing Bambang. While Bambang has yet to officially announce his bid, support for his candidacy is looming. His supporters claim to have secured endorsement from 400 vote holders.⁴ Billboards displaying support for Bambang have dotted Jakarta, which Bambang said came from his supporters all across the country. Airlangga displays no fear of Bambang’s challenge. Following the announcement of support for Bambang, Airlangga claimed his reelection bid received support from 400 Golkar vote holders too.⁵

The struggle for majority support pitting the two figures has led to speculation that Golkar’s next chairman would be decided by acclamation, as happened in previous elections of the Golkar leader. With about 550 members holding the right to vote in the race for Golkar chairmanship, 400 is a solid number. To win the two-horse race, however, President Jokowi’s blessing is key. The vote holders will wait for signals of Jokowi’s preference for either Airlangga or Bambang.

WHAT’S MORE

While acquiring the support from members at the grassroots level is undoubtedly important, the backing of the President is imperative. Indeed, since the fall of the New Order in 1998, Golkar has always leaned toward the ruling government.

In an apparent attempt to show that he has support from Golkar’s grassroots, Airlangga led several members of Golkar’s regional chapters (DPD) to a meeting with President Jokowi.

³ Rmolsumsel.com, “Yorrys Beberkan Dosa-dosa Airlangga Hartarto” 10 July 2019 <https://tinyurl.com/yxcc6e85>

⁴ Thejakartapost.com, “Golkar leadership race begins early” 09 July 2019 <https://tinyurl.com/yyemt6po>

⁵ Ibid.

Such a move not only suggests Airlangga's recognition of members at the grassroots level, but also Airlangga's admission of Jokowi's importance in Golkar's chairmanship.

Airlangga's leverage also has to do with his alleged cahoots with Jokowi. Currently a minister in Jokowi's cabinet, Airlangga is the first figure to hold concurrent positions as party chairman and minister in the Jokowi administration, contradicting the President's earlier promise to order politicians who join his cabinet to leave their posts in their respective parties.⁶ It is speculated that Jokowi's preferential treatment of Airlangga was related to the latter's unswerving support for Jokowi's reelection bid.

However, while Airlangga might seem to have the upper hand, his reelection is not as certain as some might predict. For one, Airlangga's popularity at the grassroots level has reportedly dwindled following Golkar's disappointing feat in the legislative election. Allegations about Airlangga dismissing regional leaders for supporting Bambang has further tarnished his reputation.⁷

Another barrier for Airlangga is his implication in corruption cases, most recently the scandal surrounding a coal-fired power plant (PLTU) project in Riau that has sent Golkar politicians Idrus Marham and Eni Maulani Saragih to jail.⁸ In this regard, Airlangga's future might be determined when President Jokowi reshuffles his cabinet, reportedly soon. The reshuffle is said to clean the Cabinet from ministers entangled in corruption cases.

Although unlikely, it remains possible for Jokowi to discharge Airlangga, especially now that he has won reelection and his coalition controls the House. Moreover, Bambang too has declared his commitment to preserving Golkar's support for Jokowi until the end of his second term.⁹

Until its national congress commences, Golkar polarization will stay. This is not the first time, however, for Golkar's division. In 2014, for instance, Golkar was torn between Aburizal Bakrie and Agung Laksono, who squabbled over the party's leadership.¹⁰ Eventually, the division prevented the party from addressing many important issues, including in deciding its choice of presidential candidate. The crack reportedly prevailed until the 2019 presidential election, in which a number of Golkar leaders were reluctant to fight for Jokowi despite the party's official support for him.

If history repeats itself, Golkar, which narrowly survived its past internal discords, might face another hardship in the near future. Whether the party still has any strength left to overcome another hurdle is yet to be known. Regardless, one important aspect that Golkar's members should consider is that having too many conflicts will eventually make the party an unattractive ally to anyone due to its constant unstable predicament.

⁶ Kompas.com, "Pertahankan Airlangga, Ada Deal Politik Antara Jokowi dan Golkar?" 21 January 2018 <https://tinyurl.com/y5ny8fmf>

⁷ Tempo.co, "Bambang Soesatyo: Pengurus DPD Pendukungnya Kerap Dicotot" 05 July 2019 <https://tinyurl.com/y3sgswex>

⁸ Tirto.id, "Nama Airlangga Hartarto Terseret dalam Sidang Dugaan Suap PLTU Riau" 11 October 2018 <https://tinyurl.com/y5p9wyxh>

⁹ Detik.com, "Bamsoet: Hubungan Golkar dengan Jokowi Harus Dijaga hingga 2024" 08 July 2019 <https://tinyurl.com/yynkp45b>

¹⁰ Rappler.com, "LINI MASA: Kisruh dualisme pemimpin partai beringin" 13 May 2016 <https://tinyurl.com/y48ox3rn>

WHAT WE'VE HEARD

Bambang emerged as a strong contender for the Golkar chairmanship following support, albeit unofficial, from a number of regions. “They also want to know who will get Jokowi’s approval,” said a Golkar senior politician who is respected by both Bambang and Airlangga.

During Idul Fitri last month, Airlangga and Bambang held separate open houses, with those coming to Airlangga’s residence outnumbering well-wishers who flocked to Bambang’s house nearby. “You can compare the situation here and across the road,” said a senior House member at Airlangga’s house.

The lawmaker, who is also close to Vice President Jusuf Kalla, was also present at Bambang’s open house in the afternoon. “So far, Jokowi is leaning toward Airlangga” said the source. Unsurprisingly, many ambassadors turned up for Airlangga’s open house, including the Singaporean, Japanese and the US envoys. The top diplomat from Russia was there too. Golkar’s provincial leaders and state-owned enterprise bosses who are close to Golkar’s elite were also present.

Nevertheless, the lawmaker said changes could happen in September or December when Golkar’s extraordinary congress will be held. “If the congress is held now, the answer would be yes [for Airlangga’s reelection],” said the source. The source believes that Bambang is a flexible figure who can spring a surprise in the final minutes.

An Indonesian Democratic Party of Struggle (PDI-P) politician says Bambang is skillful in lobbying his adversaries. “The missus [Megawati] and Puan do not mind [Bambang]”. Another source from the PDI-P said ever since he led House Commission III overseeing law and human rights, Bambang had been close to State Intelligence Agency (BIN) chief Budi Gunawan. “He is close to BG [Budi Gunawan].” Budi is now reportedly a key player in politics, besides his close ties with top businesspeople.

Golkar senior figures have begun to lose faith in Airlangga after the party’s votes dropped to 12 percent in the April election from 14 percent five years ago. Bambang, according to some Golkar officials, receives support, albeit silently, from Kalla and the party’s deputy chief of disciplinary board Akbar Tandjung. The two veterans have solid followers behind them, and so does Bambang.

“The decision of the voters will now depend on who will pay more,” a Golkar politician said.

According to a senior figure close to Megawati’s family and all factions within Golkar, Airlangga would win reelection if he could bargain with Jokowi for ministerial seats allocated for Golkar in the new Cabinet. As for Bambang, securing the People’s Consultative Assembly speaker post will boost his chance of clinching the Golkar top job.

KPK leadership posts pursued

OVERVIEW

The current leaders of the Corruption Eradication Commission (KPK) will end their term in December. President Joko “Jokowi” Widodo has formed a seven-member committee to select candidates for the KPK’s leadership seats. Hopes abound that only the best will be elected as new leaders of the KPK, the vanguard of the anticorruption drive in the country.

To date, the committee has finished the administrative screening of 384 candidates. Those who pass will have to undergo a competency test, psychological test, profile assessment, public test, interview and lastly a medical check. The whole process is slated to be concluded by September, allowing the President to present the candidates to the House of Representatives for final interview.

The candidates are mostly academics (65) and lawyers (60).¹¹ Other candidates include corporate employees (32), prosecutors or judges (18), current employees of the KPK (16) and police officers (12).¹²

While the varied professional backgrounds of the candidates can prove the inclusive nature of the selection process, some still suspect the committee favors certain candidates over the other. Indonesia Corruption Watch (ICW) deputy coordinator Agus Sunaryanto, for instance, claimed to find indications that candidates from the police force and Attorney General’s Office enjoy the favoritism.¹³

Agus’ statement is not far from the apparent division within the KPK, which pits the police faction against the group led by KPK senior investigator Novel Baswedan. There has been suspicion, too, that a certain number of KPK leadership seats have been allocated for the police force, thus confirming the allegation that the KPK is turning into a political tool of the law enforcers, especially since the Indonesian Air Force (TNI AU) decided to join the selection through one of its air vice marshals.

As the power struggle within the KPK becomes more obvious, two popular narratives surrounding the antigraft body have surfaced. The first narrative opposes the allegedly increasing presence of the police within the KPK, claiming that it is nothing but a concerted effort to “tame” the body. The second narrative attacks Novel and his faction by suggesting the rise of Islamic radicalism in the KPK simply because of Novel’s pious appearance.

Nevertheless, the selection of the KPK’s new leaders puts Jokowi’s anticorruption commitment on the line. The nation will not let its darling KPK succumb to conflicts of interest or the wishes of the powerful.

¹¹ Kompas.id, “KPK Perlu Dipimpin Sosok Paripurna” 05 July 2019 <https://tinyurl.com/yxww26f2>

¹² Ibid.

¹³ CNNIndonesia.com, “ICW Endus Aroma Penjataan di Seleksi Capim KPK” 05 July 2019 <https://tinyurl.com/y6bbm3zz>

WHAT'S MORE

Rumors about internal KPK conflict have circulated for a while. Allegations about a number of actors or groups attempting to politicize the KPK by creating blocs among leaders and investigators are rampant. The division is often referred to as a fight between the Taliban and Indian police.

Labelling Novel and his inner circle as the Taliban is related to an emerging narrative claiming the rise of radicalism in KPK. Novel's appearance, his beard and penchant for wearing traditional Muslim garb has been affiliated with religious conservatism, leading to allegations about Novel's cult-like group whose investigations are founded upon conservative ideas.¹⁴

The insinuation against Novel surfaced amid widespread protests against the government's failure to carry out a thorough investigation on an acid attack two years ago that blinded one of his eyes. Bowing to public pressure, National Police chief Gen. Tito Karnavian finally established an independent fact-finding team to probe the attack. The team has completed its six-month mandate and submitted the results of the investigation to Tito.

A split between KPK investigators was further reinforced by a leaked letter to President Jokowi signed by dozens of KPK investigators coming from the National Police. In the letter, the investigators objected to the promotion within the KPK, which enables particular investigators to win promotion without following the established mechanism.¹⁵ The police investigators claimed that the irregular promotions were part of attempts to undermine the presence of the police investigators within the antigraft body.¹⁶

The internal schism within the KPK has torn the body asunder. Many argue that the discord was largely due to the elites' attempts to use the body as a battleground to champion their respective interests. Indeed, it is hinted that the Jokowi camp's alleged close ties with the police and his rival Prabowo Subianto's support for Novel plays a considerable role in the KPK's current state.

Now, it is hoped that the new KPK leaders could answer the mounting pressure to eradicate conflicts of interest within the body. In this regard, involving the general public in assessing candidates' background and track records might help restore public trust toward the body. However, if indeed there is preferential treatment toward a particular professional group in the selection process as some have claimed, the future of the antigraft body may remain bleak.

WHAT WE'VE HEARD

"The KPK has now turned into a political body," said a former KPK leader. What was meant by the former leader was that currently the KPK selectively chooses cases to investigate. Cases that might jeopardize political patrons of the leaders or deputies of the KPK or threaten a particular clique within the body might be overlooked.

¹⁴ Thejakartapost.com, "Jihad against corruption" 19 June 2019 <https://tinyurl.com/y4nnon3l>

¹⁵ CNNIndonesia.com, "Surat Internal Ungkap Konflik Panas Penyidik KPK" 01 May 2019 <https://tinyurl.com/yvvpqhpm>

¹⁶ Ibid.

Reportedly, former and current leaders of the KPK are now members of one WhatsApp group. Other than the KPK's leaders, KPK former deputies are also reportedly grouped together in another WhatsApp group.

Information about the KPK division has circulated. One group represents the KPK workers' union, while the other represents the police and prosecutors. The former group comprises independent investigators, namely those from outside the National Police and the Attorney General's Office (AGO) as well as auditors from the Supreme Audit Agency (BPK) and the Development Finance Comptroller (BPKP).

Several internal clashes within the KPK have led to a number of consequences that affect many groups or actors, including the ruling parties and business players who are also reportedly political donors.

Hence, when there was an opening for new KPK leaders, several party elites attempted to nominate their confidantes as candidates. "Including those from the National Police," said a figure who is also a strong candidate for the KPK's leadership posts. According to the source, the police are more enthusiastic due to their loyalty to Jokowi and his coalition. "The KPK can easily detain anyone as it pleases, right?" said a senior politician. "Now, those inside the KPK are begging for mercy because the Taliban are out of control. They're [the independents] not even afraid of acting against strongmen in the intelligence agency," said the source.

Thus, currently, after penetrating the KPK's leadership, the next task is to revise the KPK Law and its internal rules so as to give KPK leaders the authority to interfere with an investigation, including sting operations. "Nowadays, a sting operation can be conducted without the knowledge of KPK leaders. When out of the blue a chairman of Jokowi's coalition party got detained, everyone was surprised," said the source.

Reportedly, there is a stiff battle between three political players, who are not in the structure yet affiliated with two particular parties and one nonpartisan movement. This movement was initiated by one of the KPK's pioneers and well-connected with an antigraft body that first emerged in Hong Kong.

The three actors are eyeing five of seven KPK leadership posts. "I heard prosecutors from the AGO are not interested. It seems [candidates from the AGO] will not pass the test," said a source.

Meanwhile, it is reported that two out of nine candidates from the National Police will pass the test and be nominated to the House of Representatives. "The House will then pick one of the two candidates. It could be arranged [which candidate to pick] as they both come from the same institution," added the source.

BUSINESS & ECONOMIC POLICY

Bulog struggles under new BNPT program

OVERVIEW

The State Logistics Agency (Bulog) is in trouble. Its 2.4 million tons of rice stocks is at risk of spoilage due to difficulties in distributing rice under the new non-cash food assistance program (BPNT) for the poor.

The BPNT is a new program to replace the staple food assistance program (Rastra) in 2019.¹⁷ Unlike Rastra which provided 10 kilograms of rice directly to recipients each month, the BPNT allows recipients to spend electronic money they receive in an electronic card released by the State-Owned Lenders Association (Himbara) on various staple foods such as eggs. To make the implementation of the BPNT effective, the government has integrated the BPNT card with the Electronic Warung Gotong Royong (E-Warung) program.¹⁸ Merchants that appointed as E-Warung distributor are free to procure rice and eggs from any suppliers, not necessarily from Bulog. Because of intense market competition, Bulog's share in BPNT rice distribution falls to 49 percent in June.¹⁹ (See What's More)

Irritated by the agency's struggle under the BPNT program, Bulog president director Budi Waseso threatened the government to resign from his post, if the Social Affairs Ministry failed to give Bulog a more significant role in the program.²⁰ As a protégé of Budi Gunawan, who has a very close relationship with Indonesian Democratic Party of Struggle (PDI-P) chairwoman Megawati Soekarnoputri, Waseso has the political capital to back up his threat.

In hopes of laying the conflict to rest, Social Affairs Minister Agus Gumiwang Kartasasmita acceded to Waseso's demand by appointing Bulog as the supply manager of the BPNT program, which is expected to channel 1.5 million tons of the agency's rice.²¹

WHAT'S MORE

Regardless of Waseso's threat, Bulog is a major player in Indonesia's rice distribution. Every year, Bulog distributes more than 3.5 million tons of rice, of which around 88 percent is distributed for Rastra program, and procures more than 3.3 million tons of rice from either domestic rice farmers or imports. The government's decision to introduce market-oriented rice distribution system in the new BPNT program hurts Bulog's stock management system,

¹⁷ Republika.co.id, "Tahun ini, pemerintah ganti Rastra dengan BPNT." 20 February 2019 <https://tinyurl.com/y4pjepjf>

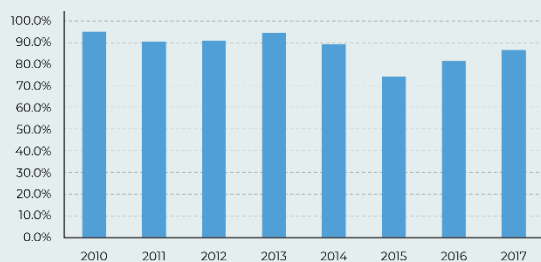
¹⁸ OJK.go.id, "Mengenal Bantuan Pangan Non-Tunai (BPNT)." <https://tinyurl.com/yya6s543>

¹⁹ TheJakartaPost.com, "Bulog rice stocks at the risk of spoilage." 5 July 2019 <https://tinyurl.com/yxkmbv5w>

²⁰ Liputan6.com, "Bos bulog ancam mundur jika jaminan sosial diambil alih mensos." 2 July 2019 <https://tinyurl.com/y4yfgg8t>

²¹ Tempo.co, "Kemensos tunjuk Bulog jadi manajer suplai untuk BPNT." 4 July 2019 <https://tinyurl.com/y2po56de>

Share of Rastra Distribution to Total Bulog's Rice Distribution, 2010 - 2017

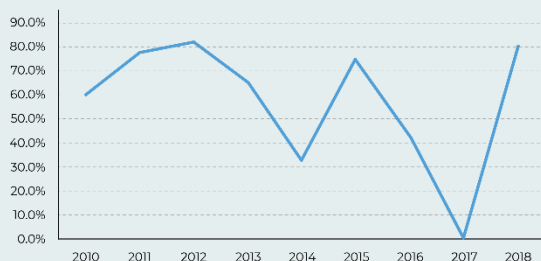


Source: Bulog's Annual Report various years.

Share of Bulog Rice Procurement for PSO to Total, Domestic and Imported, 2010 - 2018

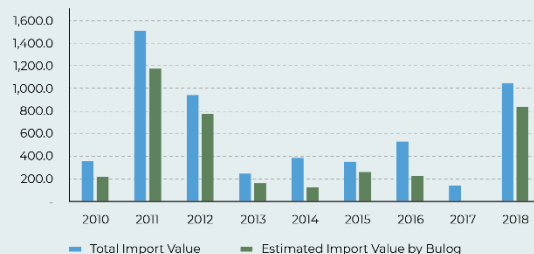


Share of Bulog Rice Import to Total Rice Import, Based on Volume, 2010 - 2018



Sources: BPS and Bulog's Annual Report various years.

Bulog's VS Total Rice Import Value, in million US\$, 2010 - 2018



especially after Bulog was mandated by the government to import 1.8 million ton of rice in 2018 to increase its buffer stock.²²

Bulog also has tight control over rice imports. A comparison between total rice import data from Statistics Indonesia (BPS) and Bulog's procurement through imports shows that more than 60 percent of Indonesian rice imports are imported by Bulog, except in 2014 and 2017.

High absorption and distribution capabilities, strong control over rice imports, combined with politically well-connected Budi Waseso as president director make Bulog too big to be ignored by the government.

Politicians dominate BPK leadership selection

OVERVIEW

The Supreme Audit Agency (BPK) leadership selection process has sparked controversy because the candidates are mostly politicians who failed to secure enough votes in the 2019 legislative election. (see **What We've Heard**)

Activists from various NGOs, such as Institute for Development of Economics and Finance (Indef) executive director Enny Sri Hartati and Gadjah Mada University's Anticorruption Study Center (Pukat) advocacy director, Oce Madril, are concerned about the BPK's leadership selection process and have called for a revision of Law No. 15/2006

²² CNNIndonesia.com, "Stok beras melimpah, buah karut marut impor 2018." 3 July 2019 <https://tinyurl.com/y4kmqekf>

on BPK.²³ Once the politicians are selected as BPK commissioners, there is strong potential for conflict of interest and abuse of power, as shown in a corruption case in the water sector that implicated BPK commissioner Rizal Djalil.²⁴ House of Representatives deputy speaker and Prosperous Justice Party (PKS) politician Fahri Hamzah supports the call to revise the BPK Law.²⁵

Concerned by this development, Finance Minister Sri Mulyani Indrawati met with House Speaker Bambang Soesatyo. The meeting has drawn ire from House Commission XI chairman Melchias Markus Mekeng. He reminded Sri Mulyani that the BPK leadership selection process was the prerogative of the House.²⁶

WHAT WE'VE HEARD

A senior Indonesia Stock Exchange (IDX) official said that its former president director, Tito Sulistio, had been widely mentioned as a candidate for the Supreme Audit Agency (BPK) leadership in the past two months, before registration for BPK leadership selection opened. Tito's plan to run as one of the country's lead auditors has also been discussed by bankers and Bank Indonesia officials.

Tito's candidacy is supported by Golkar Party politician and House of Representatives Commission IX chairman Melchias Markus Mekeng. To support Tito's candidacy, Mekeng has lobbied a number of faction leaders in the House, particularly from the Indonesian Democratic Party of Struggle (PDI-P), the National Awakening Party (PKB) and the National Democratic Party (NasDem), which supported Rusdi Kirana's candidacy, the founder of Lion Air Group and the current Indonesian ambassador to Malaysia.

To derail Rusdi's candidacy, Mekeng and Tito brought up an issue regarding legal flaw in the opponent's candidacy. According to BPK Law, candidates for BPK leadership must not hold any positions that have power over the use of a budget in the past two years. As an ambassador, Rusdi has held such power and is clearly ineligible for BPK leadership. Mekeng has invoked this issue repeatedly in his lobbying efforts at the House, while Tito has raised it with the media. Because of their relentless efforts, Rusdi has withdrawn his candidacy.

Nevertheless, Rusdi pulling out does not mean that Tito's candidacy for BPK leadership is guaranteed. Despite his status as a Golkar Central Organization for Indonesian Employees (SOKSI) member – one of the oldest Golkar-affiliated organizations, he still needs to compete with Golkar politician Ahmad Noor Supit, as told by two sources from Golkar.

Supit's recommendation from Golkar, however, is still uncertain. His status as Bambang Susatyo's protégé might be a liability, because Bambang has locked horns with Golkar chairman Airlangga Hartarto in the race to become's Golkar chairman this year. Our sources from Golkar predict that the recommendation will be given to Harry Azhar Aziz, who is known to be close with Airlangga.

²³ Kompas.com, "Saat caleg gagal ramai-ramai daftar jadi anggota BPK..." 4 July 2019 <https://tinyurl.com/yy6dslqg>

²⁴ Tempo.co, "Jika auditor main kotor." 25 June 2019 <https://tinyurl.com/yytfju8j>

²⁵ Tempo.co, "Fahri Hamzah sepakat perlu ada revisi UU BPK." 10 July 2019 <https://tinyurl.com/y5ttjcrw>

²⁶ Katadata.co.id, "Ketua Komisi IX DPR tolak intervensi Sri Mulyani dalam seleksi BPK." 7 July 2019 <https://tinyurl.com/y2ujtefc>

Another source said that there is one more strong candidate from Golkar, Izhari Mawardi Aritonang. Izhari is the son of Baharuddin Aritonang, a former BPK official and House member, as well as Akbar Tandjung's son-in-law. He is supported by the Islamic Student Association (HMI) network within Golkar.

Issue update: SKK Migas takes cautious steps in Masela project

OVERVIEW

The plan of development (PoD) for Abadi field in Masela block was reportedly signed last week following a review by the Corruption Eradication Commission (KPK), although the signing has yet to be publicly announced as it is still waiting for President Joko "Jokowi" Widodo's blessings. Coordinating Maritime Affairs and Fisheries Minister Luhut Pandjaitan said the KPK's involvement was necessary to prevent corruption in the US\$20 billion Masela project, but he reminded that KPK involvement should not become an obstacle for the signing of Masela's PoD.²⁷

KPK deputy for prevention Pahala Nainggolan refuses to take the blame, saying that the signing of the PoD is a purely business-to-business relationship, like the approval of the Tangguh liquified natural gas (LNG) train 3 expansion project in 2016,²⁸ in which SKK Migas gave its approval for the project, despite a letter of objection from the KPK²⁹. On another occasion, Pahala said the KPK's involvement in the Masela project was brought upon by request from SKK Migas. (See What We've Heard)

Inpex Corporation submitted the PoD proposal after the two parties signed heads of agreement on the sidelines of the G20 energy and environment ministers summit in Karuizawa, northeast of Tokyo, on June 16.³⁰ Once the project is completed, Masela will commence operation in the second quarter of 2027 with expected production capacity of 9.5 million tons per annum of LNG and 150 standard cubic feet per day (mmscfd) of gas.

WHAT WE'VE HEARD

A senior official at the Corruption Eradication Commission (KPK) said Upstream Oil and Gas Regulatory Special Task Force (SKK Migas) chief Dwi Soetjipto visited the KPK's office a few days after Inpex Corp. submitted the revised PoD for Masela block. Dwi met with Pahala and KPK chairman Agus Rahardjo.

In the meeting, Dwi requested KPK assistance to review the PoD process, particularly the price submitted by Inpex and Shell. He wanted approval from the KPK before the signing and went as far as asking the commission to assign one of its investigators to the task force to supervise the project. Agus denied Dwi's request, saying that the KPK had limited human resources but agreed to assist him in reviewing the PoD.

²⁷ Bisnis.com, "Luhut harap masuknya KPK tak perlambat persetujuan blok Masela." 2 July 2019 <https://tinyurl.com/y2ngyl5l>

²⁸ Bisnis.com, "Pembahasan PoD blok Masela, KPK: silakan dilanjutkan." 5 July 2019 <https://tinyurl.com/y5wt5gfi>

²⁹ Kontan.co.id, "Kilang blok Tangguh terganjal KPK." 3 June 2014 <https://tinyurl.com/y5jd6j8j>

³⁰ Viva.co.id, "SKK Migas-Inpex Corporation tandatangani HOA pengembangan blok Masela." 16 June 2019 <https://tinyurl.com/y699sak7>

Macro update: Gov't worried about food inflation

OVERVIEW

Since 2015, Indonesia has had low and stable inflation that fluctuates around the level of 3.5 percent. Core inflation, which excludes volatile components like food prices as well as government-administered energy and transport prices, has also shown a similar trend, fluctuating stably around the level of 3 percent from 2016 onwards.

Initially, the government expected this trend to continue this year. But a sudden surge in monthly food inflation in the past three months has alarmed the government. Because of the sudden surge, the 2019 January–June accumulative food inflation was 4.97 percent, the highest in six years. Coordinating Economic Minister Darmin Nasution is concerned by this development and has called on the administration to make food price stabilization a priority. If food inflation is left unmanaged, he fears that this year inflation might end up higher than the inflation target ceiling of 4 percent.³¹

WHAT'S MORE

President Joko “Jokowi” Widodo’s administration has been struggling to maintain stable food prices. For example, the Agriculture Ministry’s policies to cull 6 million chickens in 2016³² and limit the production of day-old chicks (DOC) in 2017³³ as responses to a sharp fall in chicken price at the producer level in 2015 caused sharp fluctuation in broiler and egg prices.

The Trade Ministry’s decision to cancel the State Logistic Agency’s (Bulog) license to import 100,000 tons of garlic from China in early April caused the national garlic price to spike to Rp 61,450 per kg in the first week of May, from Rp 35,900 in the first week of April.³⁴ Later, the Trade Ministry reversed its decision by giving garlic import licenses to various importers,³⁵ which triggered an investigation by the Business Competition Supervisory Commission (KPPU) on the possibility of cartel practices³⁶.

Furthermore, severe drought caused by a prolonged dry season this year have sent the national chili price to skyrocket.³⁷ The Trade Ministry’s domestic trade director general Tjahya Widayanti said the ministry expected the chili price not to go down until the next harvest season in August or September.³⁸

³¹ Bisnis.com, “Kendalikan inflasi 2019, Darmin sebut harga pangan perlu dijaga.” 1 July 2019 <https://tinyurl.com/y3c8e9nk>

³² Republika.co.id, “Kementan sebut afkir dini unggas solusi selamatkan peternak.” 7 March 2016 <https://tinyurl.com/yvr3zrdw>

³³ TheJakartaPost.com, “Ministry issues regulation to address chicken oversupply.” 31 March 2017 <https://tinyurl.com/yxd97syv>

³⁴ Kompas.com, “Kemendag bakal tolak impor bawang dari China.” 8 April 2019 <https://tinyurl.com/yvbk66z7>

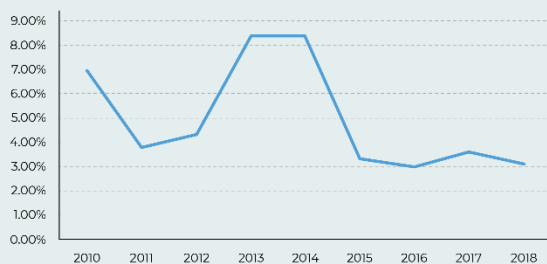
³⁵ Detik.com, “Kemendag minta importir segera impor bawang putih.” 25 April 2019 <https://tinyurl.com/y6x7q765>

³⁶ Detik.com, “Harga melejit, KPPU dalam dugaan kecurangan importir bawang putih.” 15 May 2019 <https://tinyurl.com/yxjl4f4q>

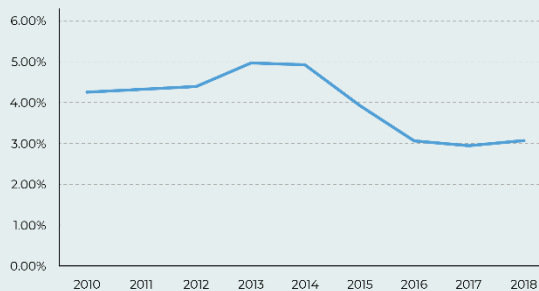
³⁷ Republika.co.id, “Harga cabai melonjak akibat kekeringan.” 4 July 2019 <https://tinyurl.com/y6old5vl>

³⁸ Detik.com, “Harga cabai baru stabil pada Agustus atau September.” 10 July 2019 <https://tinyurl.com/yvjhse82>

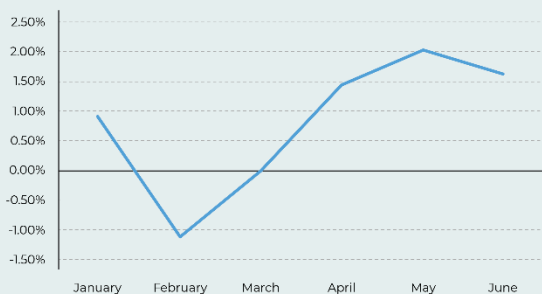
Indonesia Annual Inflation Rate, 2010 - 2018



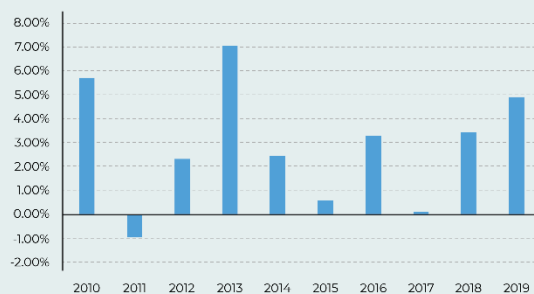
Indonesia Annual Core Inflation, 2010 - 2018



Monthly Food Inflation, January - June 2019

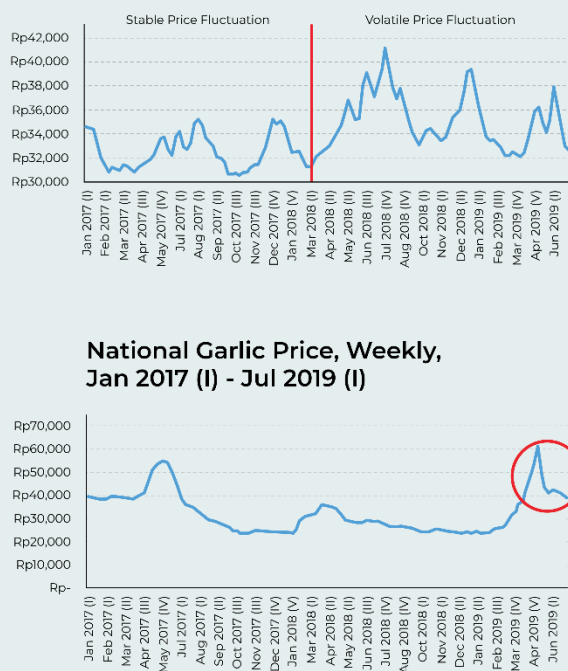


Accumulative Food Inflation, Jan - Jun 2010 - 2019

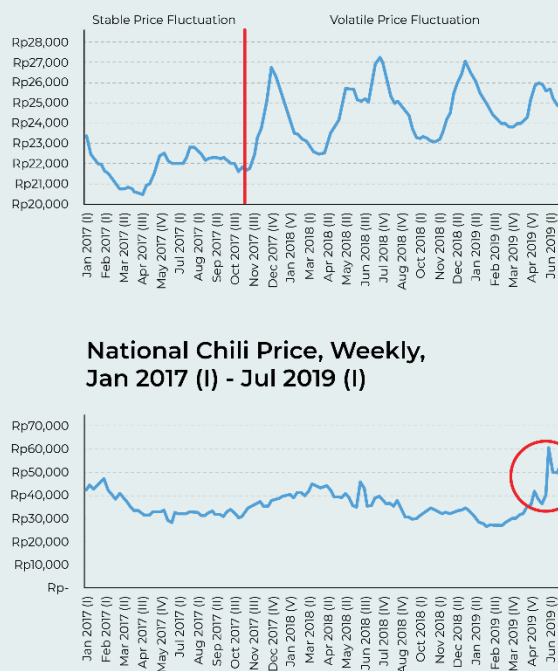


Source: Statistics Indonesia (BPS)

National Broiler Price, Weekly, Jan 2017 (I) - Jul 2019 (I)



National Egg Price, Weekly, Jan 2017 (I) - Jul 2019 (I)



National Garlic Price, Weekly, Jan 2017 (I) - Jul 2019 (I)



National Chili Price, Weekly, Jan 2017 (I) - Jul 2019 (I)



Source: Information Center for Strategic Food Prices (PIHPS)

Tenggara Strategics is a business and investment research and advisory institute established by the Centre for Strategic and International Studies (CSIS), The Jakarta Post and Prasetya Mulya University. Combining the capabilities of the three organizations, we aim to provide the business community with the most reliable and comprehensive business intelligence related to areas that will help business leaders make strategic decisions.



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