

## Highlights of the week



### 10 Reasons why Ahok will return to politics

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### Internal schism puts PKS at risk

The fate of the Prosperous Justice Party (PKS) continues to hang in the balance. A long-standing schism within the “semi-closed” party unfolded with the emergence of the Indonesian New Direction Movement (Garbi) last year. The fact that Garbi is expanding its presence further signifies the PKS’ steady political demise as the party’s members become more divided ahead of the 2019 presidential and legislative elections.



### Vying for control over Jakarta's transport planning

Following his speech on tackling Jakarta’s traffic jams on Jan. 8, President Joko “Jokowi” Widodo appointed Vice President Jusuf Kalla as coordinator of the integration of all transportation modes within Greater Jakarta. He then proposed a plan on Jan. 28 to establish a new authority that not only has the authority to integrate public transportation within Greater Jakarta but also authority over spatial planning and land use management in Greater Jakarta. Some, however, believe it may create tension between Jakarta Governor Anies Baswedan and the Greater Jakarta Transportation Agency (BPTJ).



### Issue update: Jiwasraya scandal, a financial crime?

On Oct. 10, 2018, Jiwasraya announced that the company needed to delay its interest payment as well as a principal payment to 711 policyholders. The delay was reportedly because of liquidity issues following a decline in Jiwasraya’s capital reserve due to falling stock prices Jiwasraya had invested in. Under Hendrisman Rahim’s management, the company recorded a nearly fourfold increase in revenue from Rp 6.7 trillion in 2012 to Rp 25.1 trillion in 2017. However, problems began to emerge after a disagreement between Jiwasraya management and public accounting office PricewaterhouseCoopers (PwC) about the company’s capital reserve.

# POLITICS

## 10 Reasons why Ahok will return to politics

**Former Jakarta governor Basuki “Ahok” Tjahaja Purnama, left prison in Jakarta on Jan. 24 after serving time for blasphemy.** His strong band of loyal supporters and detractors alike were anticipating his next political move upon his release, but no such announcement came. Instead, he seems to be sorting out his private life first: After his divorce while in prison, a marriage is apparently in the works. He plans to travel abroad therefore avoiding the current election commotion. He has talked about going into business and the speaking circuits. There were no hints whatsoever of going back to politics. No one can completely rule it out though. Ahok may be a controversial political figure — some say divisive — but many believe his rare leadership qualities are exactly what Indonesia needs.

### Takeaway:

- Despite his critics, it remains very likely that Ahok will return to politics. Reasons behind his possible comeback include the large number of his loyal followers, his good management skills and leadership, as well as his role as the symbol of pluralism in Indonesia.
- For his opponents, Ahok’s return may also provide a political opportunity. The 212 Movement, which played a major role in Ahok’s imprisonment, for instance, may retain its political relevance if Ahok returns to politics.

**Background:** Ahok suffered a double loss in 2017: His reelection bid as the incumbent Jakarta governor and the court case that got him two years in prison for blasphemy. A Christian of Chinese descent — which make him a double minority — he went into the election campaign with a massive lead over two other contenders. He had moved up from the job as deputy governor by default in 2014, when then- governor Joko “Jokowi” Widodo won the presidential election. The two had run as a pair and won in 2012. Ahok’s popularity was such that his reelection in 2017 looked certain until conservative Islamic groups found an opening: Accusing him of blasphemy in a speech. They organized two massive demonstrations in Jakarta in late 2016 that turned public opinion against Ahok. After winning the first round, he lost in the runoff to Muslim scholar Anies Baswedan in April 2017. The following month, a court, under massive public pressure, found him guilty of insulting Islam. Ahok did not challenge the verdict. He received remissions for good behavior and was released on Jan. 24. He said the time spent in prison had been a blessing for it had “humbled” him.

**Insight:** Will Ahok return to politics? Some say he is too controversial and others say he has been such a divisive figure that Indonesia is better off without him. To be fair, his detractors had used his religion and ethnicity against him to divide the nation. Still, losing an election and a court battle would be enough reason for many politicians not to return. But there are many reasons, and some indication that Ahok will make a political comeback. Here are 10 of them:

**10. Ahok has a huge band of loyal followers and supporters.** They believe in him and in his leadership. They showed support and encouragement, and many volunteered for him, first as he campaigned for his reelection, and later as he went through the ordeal of blasphemy allegations. The “Ahokers” have remained loyal to him throughout his time in prison.

**9. Ahok’s detractors want him back if only because he had provided them with the opportunity to steal the limelight.** The 212 Movement, mobilized by conservative clerics,

would not have been possible without Ahok. The movement, named after the Dec. 12, 2016 massive rally, has since grown into a political force that is trying to influence this year's general election. In December, it organized a "second anniversary reunion rally", but even Prabowo Subianto, the challenger of Jokowi in the April 17 presidential race, was careful not to fully embrace them. The 212 proponents need galvanizing to stay relevant in the upcoming elections. Ahok returning to politics would have done them a great favor.

**8. Ahok has a proven track record as a manager and administrator.** As Jakarta deputy governor in 2012-2014, he ran the municipality single-handedly, allowing his boss, governor Jokowi, to do his rounds of *blusukan* (impromptu visit). Thanks to his financial acumen, Ahok found the money for governor Jokowi to launch free healthcare services in Jakarta, two years before the central government did. As governor in 2014-2017, Ahok continued to run the administration, rather than leaving it to his deputy, Djarot Saiful Hidayat.

**7. Ahok's abrasive leadership style (some say arrogant) may not go down well among staffers, but he delivered, and that's what matters to the public.** He cleaned up, or minimized, corruption in the Jakarta administration. He uploaded YouTube videos of him scolding staffers during meetings. Typically, all bureaucrats resist changes, which is why many governors or Cabinet ministers found it hard to push for reform. Ahok found that publicly shaming them was one way of breaking down their resistance.

**6. If prison time has humbled him, as he claims, this only strengthens Ahok's leadership qualities.** Humility is a rare quality among Indonesian political leaders. As soon as they entrench themselves in power, any semblance of humility usually goes out the window.

**5. Upon his release, Ahok asked people to stop referring him by his nickname, and asked instead to be referred to by his initials, BTP.** He cannot conceal his Chinese identity, and for years to come many people will still refer to him as Ahok. But his appeal shows he has recognized that his ethnic identity has become a big political liability in Indonesia's increasingly sectarian politics.

**4. If the rumors are true, Ahok is going to do study for a master's degree at Harvard University's Kennedy School of Government.** This is one of the world's leading institutions training people in politics and public administration, and has produced many world leaders, including presidents and prime ministers. Singapore Prime Minister Lee Hsien Loong and United Nations Secretary-General Ban Ki-Moon are among members of the school's hall of fame.

**3. Opportunity knocks.** Ahok's political career has seen him switching party allegiances to suit his ambitions. He joined the Golkar Party, a move that gave him the platform to contest the Belitung regency election and he won. He switched to the Gerindra Party to contest the Jakarta gubernatorial election with Jokowi in 2012. In 2016, he counted on the support of the Indonesian Democratic Party of Struggle (PDI-P) in his reelection bid. Critics accused him of opportunism. His wanting to serve the public trumps his loyalty to political parties. But if this is more for the public good than for personal gain, his loyal fans may endorse his every move.

**2. Ahok is the only leader who has taken on the Islam Defenders Front (FPI), a self-appointed vigilante group that has harassed and tormented people, for various purposes, in the name of Islam.** No other leader has been courageous enough to confront the FPI. In one such confrontation, as deputy governor, Ahok pushed for the inauguration of a Christian woman as a district head in South Jakarta, despite objections from the FPI, which had insisted that the

district be led by a Muslim. The woman had been selected through the meritocracy system, which Ahok had introduced. Ahok prevailed, but not before calling the FPI a “bunch of criminals”, asking the police to investigate it and urging the government to ban the FPI. Unfortunately, Ahok lost the battle with FPI, which mobilized public opinion to foil his reelection bid in 2017. No other leader, not even presidents Jokowi or Susilo Bambang Yudhoyono before him, had the courage to stop the FPI, which only made it even more menacing with time.

**1. For many Indonesians, Ahok is a symbol that pluralism is still alive in Indonesia, not only in politics but also in other walks of life, proving that people of any background – race, ethnicity, religion, culture, language, economic class, gender and sexual orientation – can make it in this country.** Given his double-minority status, he embodies the national motto *Bhinneka Tunggal Ika* (Unity in Diversity), which has been undermined in recent years with the rise of identity politics and sectarianism.

There are as many convincing arguments as to why Ahok should and would return to politics as there are reasons against such a move. Ultimately, it is his decision to make. At 53 years old, he may be deemed too young to quit politics. His fans and supporters, however, hope that he will be the comeback kid.

## Internal schism puts PKS at risk

**The fate of the Prosperous Justice Party (PKS) continues to hang in the balance.** A long-standing schism within the “semi closed” party unfolded with the emergence of the Indonesian New Direction Movement (Garbi) last year. The fact that Garbi is expanding its presence nationwide further signifies the PKS’ steady political demise as the party’s members become more divided ahead of the 2019 presidential and legislative elections.

### Takeaway:

- The collective resignation of PKS members might have been triggered by the party’s elites’ failure to consolidate the aspirations of the liberals and conservatives within the party.
- Internal discord will not only threaten the party’s existence, but also the Prabowo-Sandiaga presidential ticket. As a coalition party with the second-largest number of loyal members for Prabowo-Sandiaga, a divided PKS may erode the number of Prabowo-Sandiaga’s supporters as well.

**Background:** The fall of the New Order in 1998 marked the emergence of various Islamic groups and movements. One that has become a significant player in today’s politics is the PKS – previously the Justice Party (PK) – which brought forward a new force of political Islam. Initially established by the leaders of the Association of Indonesian Muslim University Students (KAMMI) in 1998, the PK gained prominence when it rebranded itself into the PKS and passed the electoral threshold in the 2004 legislative election, which saw the PKS as the only party whose electability rate increased significantly.<sup>1</sup>

<sup>1</sup> [https://en.wikipedia.org/wiki/2004\\_Indonesian\\_legislative\\_election](https://en.wikipedia.org/wiki/2004_Indonesian_legislative_election)

The PKS is not the only Islamic party in Indonesia, yet it is the only one that openly supports the implementation of sharia in Indonesia, although today its political stance is significantly tamer by conforming to the state ideology Pancasila. Inspired by the Muslim Brotherhood movement in Egypt, the PKS differs from other Islamic parties in the country because of its international character. While other Muslim-based Islamic parties such as the National Awakening Party (PKB) and United Development Party (PPP) ground their doctrines on domestic circumstances, the PKS has been known for its “Middle Eastern consciousness”.<sup>2</sup>

The PKS is known for the successful regeneration of party members because of the party’s strict mechanism on member recruitment, training and promotion, which results in militant members with unwavering loyalty to the party. Such an assumption, however, has been tested by reports of internal squabbling, with the establishment of Garbi by the PKS’ former chairman Anis Matta.

The presence of the PKS in Indonesia is a complex matter. Being an unprecedented political phenomenon in Indonesia, the PKS accommodates Indonesian Muslims from various walks of life, whose aspirations are not represented by older Islamic parties such as the PKB, PPP, the National Mandate Party (PAN) and the Crescent Star Party (PBB), as well as mainstream Islamic organizations like Nahdlatul Ulama (NU) and Muhammadiyah. If Garbi manages to divide the PKS, will it affect the country’s political landscape?

**Insight:** Backed by a number of prominent figures, Garbi’s presence in the country is getting stronger. Its establishment, however, was not a smooth one, with some labelling the movement as an attempted coup<sup>3</sup> or even an intelligence operation against the PKS. Reportedly, Garbi has managed to woo a large number of PKS members just a few months before the legislative election.

According to Anis, Garbi was inspired by his idea of new a direction for Indonesia (ABI) which he introduced back in 2014 when he chaired the PKS. The new group received support initially from several PKS figureheads such as former general secretary Mahfudz Siddiq, House of Representatives Deputy Speaker Fahri Hamzah, leader of the PKS faction at the House Jazuli Juwaini, lawmaker Sukamta and chief treasurer Mahfudz Abdurrahman.<sup>4</sup>

Since its inception, the ABI, then Garbi, has encountered open hostility from the PKS’ elite, particularly from the party’s chairman Sohibul Iman and members of its powerful sharia council. The PKS’ decision to dismiss Anis and its members who were proven to sympathize with the ABI, as well as the issuance of a circular obliging all members to toe to the party line, led to the formation of Garbi. Sohibul’s maneuver turned out to be counterproductive, however, as many PKS members have switched sides to Garbi ever since, strengthening its presence in the country. More than 60 members in the East Java regency of Mojokerto, for instance, left the party for Garbi.<sup>5</sup> Ahmad Hasan Bashori, a former PKS member who turned to Garbi, stated that in each chapter, an average of 20 to 30 percent of PKS’ members switched their allegiance to Garbi.<sup>6</sup>

<sup>2</sup> Fealy, Greg, “The Rise of Jemaah Tarbiyah and the Prosperous Justice Party (PKS)”, 2008. Article available at <https://www.jstor.org/stable/j.ctt24hddh.3>

<sup>3</sup> Tempo.co, “Lika-Liku Garbi: Dari Ditolak Hingga Dianggap Gerakan Kudeta PKS” 17 October 2018, <https://tinyurl.com/yapa3cdo>

<sup>4</sup> Tempo.co, “Diinisasi Anis Matta, Begini Profil Ormas Garbi” 17 October 2018, <https://tinyurl.com/y8g5xvt8>

<sup>5</sup> Detik.com, “Ramai-ramai Mengundurkan Diri, Kader PKS Mojokerto Hijrah ke GARBI” 26 October 2018, <https://tinyurl.com/yatnl9kh>

<sup>6</sup> See note 5

In defending the new group's existence, its founders have stated that Garbi is not a political group, but a mass organization designed for intellectual discussion and exchange. Learning from the experience of the NasDem Party, which was founded as a mass organization, Garbi may gradually transform into a political party in the future. Surya Paloh formed NasDem in 2009 after his defeat to Aburizal Bakrie in the race for Golkar Party chief post.<sup>7</sup> Another example is the United Indonesia Party (Perindo), which initially started as a mass organization. Perindo's founder, media mogul Hary Tanoesoedibjo, resigned from the NasDem Party in 2011 after Paloh cemented his grip on the new party.

It remains an obvious possibility, thus, for Garbi to become a political party, especially considering its presence in at least 23 provinces to date. The number of provincial chapters is expected to reach 30 provinces by the end of February 2019, when it will hold its first national meeting.

Garbi will surely put the PKS in jeopardy. First, Garbi may disrupt the PKS' regeneration process by offering the party's members a new political vehicle. Losing members will potentially lead to a decline in the PKS' membership, especially since the party is known for its exclusivity. As explained by Center for Election of Political Party (CEPP) researcher Imerinda Alamasari, the PKS' exclusivity is illustrated by its programs such as *pengajian* (Islamic learning forum), which are solely intended for particular groups.<sup>8</sup> Reportedly, the PKS' seclusion was one of the main reasons behind Anis' decision to form Garbi, which aims at accommodating inclusive PKS members.<sup>9</sup>

Second, the rise of Garbi also threatens the PKS' performance in the legislative election and the coalition that nominates Prabowo Subianto-Sandiaga Uno in the presidential election. An exodus of PKS' members to Garbi will confirm disunity, sparking questions about the party's political influence. In fact, several surveys have found a steady decline in the PKS' electability rate.

The infighting will in turn undermine the PKS' role in the coalition as well. With a large number of its members gone, how can the PKS ensure its undivided support for Prabowo-Sandiaga's presidential bid? After all, the party could not even keep its own members' loyalty intact.

The PKS' threatened stature will jeopardize Prabowo-Sandiaga's future as well. A survey by Median found 68 percent of the PKS's members firmly support Prabowo-Sandiaga, the most loyal party to Prabowo-Sandiaga after Prabowo's Gerindra Party, while 21.2 percent chose to support Jokowi-Ma'ruf and the remaining 10.8 percent were still undecided.<sup>10</sup> A survey by *Indikator* also disclosed similar findings; 73.7 percent of PKS members support Prabowo-Sandiaga, while 21.1 percent support Jokowi-Ma'ruf.<sup>11</sup>

<sup>7</sup> Tempo.co, "Empat Partai Pecahan Golkar yang Masih Eksis" 2 December 2014, <https://tinyurl.com/ycozofy3>

<sup>8</sup> Kompas.com, "Peneliti UI: PKS Belum Siap Jadi Partai Terbuka" 7 January 2014, <https://tinyurl.com/yc3whcd8>

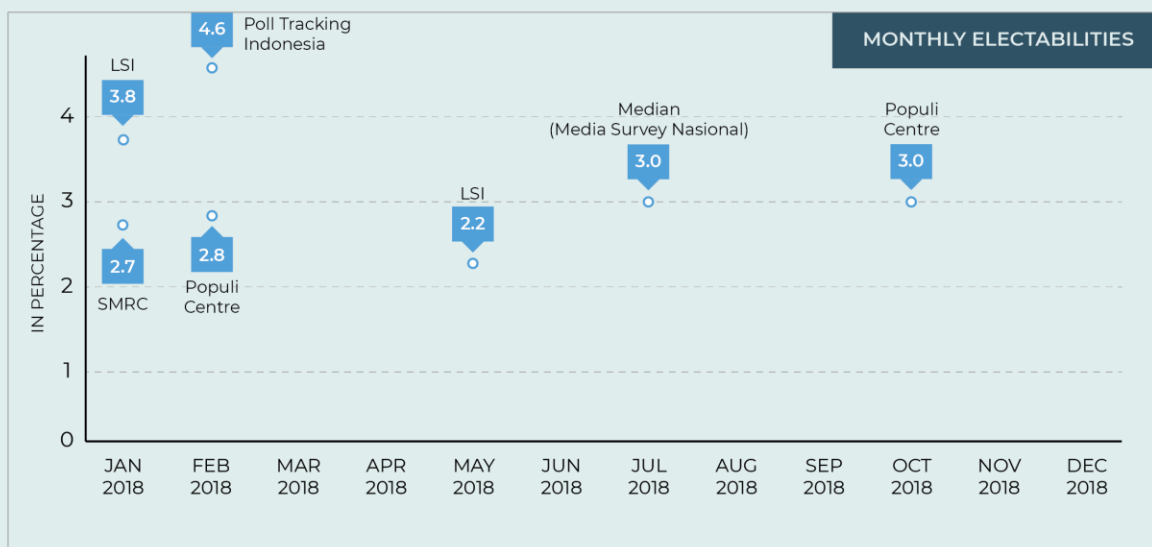
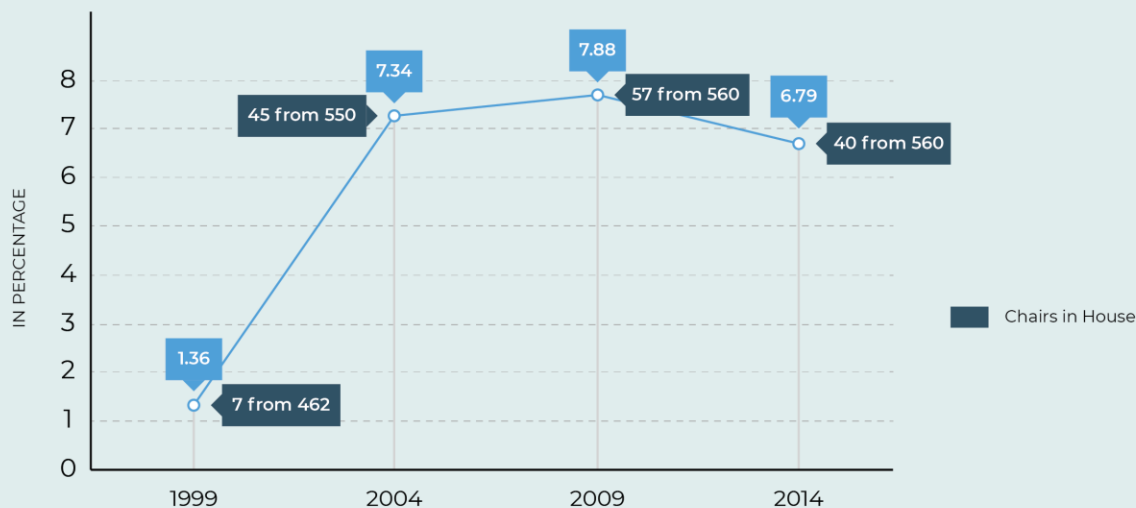
<sup>9</sup> Tirto.id, "Konflik Internal PKS: Membuka Kembali Faksi Keadilan dan Faksi Sejahtera" 18 July 2018, <https://tinyurl.com/ycr3u2my>

<sup>10</sup> Kumparan.com, "Median: 31% Kader Golkar Dukung Prabowo, 21,2% Massa PKS ke Jokowi" 21 January 2019, <https://tinyurl.com/yagtnluw>

<sup>11</sup> Idntimes.com, "Survei Indikator: Partai Koalisi Prabowo-Sandiaga tidak solid" 26 January 2019, <https://tinyurl.com/y9ktvtn>



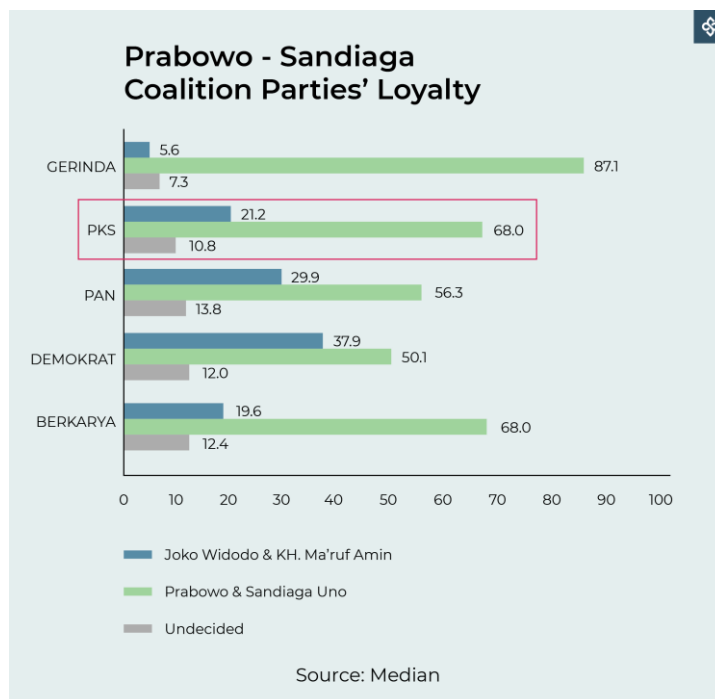
## PKS' ELECTABILITY RATE FROM TIME TO TIME



However, other than partition, the divided loyalty may be because of the growing trend of split-ticket voting among voters, a phenomenon in which a voter chooses candidates from different parties when multiple offices are decided. In this regard, a voter who supports Prabowo-Sandiaga in the presidential election may not necessarily vote for a party that is one of the pair's coalition parties for the legislative election. The absence of any guarantee, thus, may encourage

some PKS members to resort to pragmatic maneuvers instead, namely supporting Jokowi-Ma'ruf if it benefits them. Such pragmatism, however, may clash with PKS members whose loyalty to Prabowo-Sandiaga is absolute.

Nevertheless, what the PKS can learn from the whole Garbi fiasco is its failure in moderating the message of openness to its members. As a portion of its members becomes increasingly enthusiastic to change the PKS into a party that is more open, transparent, accountable and modern, the party elite failed to effectively and systematically disseminate such enthusiasm, which was espoused in the ABI, to the rest of the party's members. To make matters worse, some of the party's elite also downright rejected the reform idea, upholding the notion of *kembali ke asholah* (return to original teachings) instead. The failure to moderate and compromise among the party's members, thus, eventually led to a major split within the party. If such an uncompromising stance prevails, it is possible for the PKS to experience further internal discord.



**What we've heard:** A source says the PKS' infighting pits two opposing factions that represent the "conservatives" and the "liberals". The crack has been visible since 2008 when Anis Matta and his sympathizers suggested that the party adopt modern characteristics such as accountability and transparency. The recommendation, however, was rejected by the party's sharia council, which is the de facto power holder. The party elite's resistance to openness has resulted in an oligarchy centering on long-time sharia council chief Hilmi Aminuddin, advisory council chief Suharna Surapranata and senior figure Suropto. Hilmi's power was so overarching that whoever aspired for the party chief post needed his approval. This explains why Anis could not assume the top executive post until the party plunged into a debilitating crisis following the arrest of party chairman Luthfi Hasan Ishaq for corruption in January 2013. Hilmi had no other option but to name Anis the party chairman. The choice of Anis proved right as under his leadership the PKS managed to win three governor seats and beat the parliamentary threshold in the 2014 election.

Pressure then mounted on Hilmi to relinquish his post in the 2015 congress. He bowed to the demand and let Salim Segaf al-Jufri take over from him, but maintained the power to determine the party chairman. Such compromise resulted in the appointment of Shohibul Iman, not Anis, for the chief post. Hilmi originally preferred Suharna, but the latter was deemed too quiet and old. Shohibul was chosen as he was Suharna's trusted protégé. Anis went on to foster Garbi as the PKS elite cut his political aspirations, the latest being his bid to contest the 2019 presidential election as running mate for Gerindra chairman Prabowo Subianto. The PKS finally nominated Salim after a series of maneuvers to modify the selection mechanism, which the source said angered Prabowo and prompted him to annul his promise to give the VP nomination to the PKS. According to the source, Garbi may support Jokowi-Ma'ruf if the majority of its members say so at its national congress sometime in March. At the very least, Garbi will let its individual members choose the presidential ticket they deem the best.

# BUSINESS & ECONOMIC POLICY

## Vying for leadership in Greater Jakarta's public transportation integration plan

Vice President Jusuf Kalla proposed a plan on Jan. 28 to establish a new authority that not only has the authority to integrate public transportation within Greater Jakarta but also authority over spatial planning and land use management in Greater Jakarta.<sup>12</sup>

### Takeaway:

- Vice President Jusuf Kalla's plan to establish a new transportation authority to manage the integration of public transportation in Greater Jakarta will create tension between Jakarta Governor Anies Baswedan and the BPTJ, supported by the Transportation Ministry.
- The competition will intensify in the coming weeks, with Governor Anies having the upper hand

**Background:** Following his speech on tackling Jakarta's traffic jams on Jan. 8, President Joko "Jokowi" Widodo appointed Vice President Jusuf Kalla as coordinator of the integration of all transportation modes within Greater Jakarta. The Vice President's main task will be integrating new public transportation projects, the MRT and light rail transit (LRT), with existing public transportation, such as Transjakarta buses, the airport train and commuter Line.<sup>13</sup> The integration includes physical infrastructure, routes, payment and policy integration.

More importantly, President Jokowi wants the integration to be done under the transit oriented development (TOD) framework. Unfortunately, the implementation of the TOD has been delayed owing to coordination problems. For example, the development of a Bogor train station apartment under the TOD framework has stalled because the Bogor government refused to issue a license for the project.<sup>14</sup> Likewise, the plan to develop TOD apartment complexes at Juanda and Pasar Senen stations has been delayed on account of licensing problems with the Jakarta administration.<sup>15</sup>

**Insight:** There is conflicting information about the Vice President's plan to establish a new authority to oversee the integration of public transportation in Greater Jakarta. According to BPTJ head Bambang Prihartono, such an option was on the table and his agency supported the plan, citing the role of similar agencies in Singapore (Singapore Land and Transport Authority) and the United States (New York Transit Authority).<sup>16</sup>

<sup>12</sup> Tempo.co, "JK usul pembentukan otorita pengelola transportasi Jabodetabek." 28 January 2018 <https://tinyurl.com/y9293uzq>

<sup>13</sup> Tempo.co, "Jokowi tunjuk JK coordinator integrasi transportasi Jabodetabek." 8 January 2019 <https://tinyurl.com/y9t2s3z8>

<sup>14</sup> MediaIndonesia.com, "Proyek TOD Stasiun Bogor terhambat masalah perizinan." 18 August 2018 <https://tinyurl.com/yadtt2ew>

<sup>15</sup> Kontan.co.id, "Menteri BUMN akui pembangunan TOD stasiun Juanda dan Pasar Senen masih terhambat." 10 December 2018 <https://tinyurl.com/ycfbr5ha>

<sup>16</sup> Bisnis.com, "Kepala BPTJ setuju pembentukan badan otoritas Jabodetabek." 28 January 2019 <https://tinyurl.com/yccu9m84>

Transportation Minister Budi Karya Sumadi has also thrown support behind the plan to establish a new transportation authority for Greater Jakarta. He has suggested a six-month timeframe to implement the plan. The new authority should have control over spatial planning and land use management, as well as fiscal power to provide incentives to the local governments in Greater Jakarta.<sup>17</sup> Following the minister's suggestion, transportation expert Djoko Setijowarno has suggested that the new authority be under the direct supervision of the President.<sup>18</sup>

On the other hand, Jakarta Governor Anies Baswedan has denied the plan for the establishment of such an authority. Also, the governor said the idea of giving control over spatial planning and land use management to the proposed transportation authority had contravened Law No. 26/2007 on land development. Rather than establishing a new ministerial level authority, development of a Greater Jakarta public transportation system should be done under the leadership of the Jakarta provincial government. The development would be financed by both the central and Jakarta provincial governments. Also, any transportation infrastructure development should follow Jakarta's master spatial plan (RTRW).<sup>19</sup>

If Jusuf Kalla agrees to Anies' proposal, then the central government, specifically the BPTJ and the Transportation Ministry, will only have limited authority over the integration of Greater Jakarta's public transportation system. Their policy initiatives would not be implemented if they were not in line with the provincial government's policy such as in the case of Jakarta's electronic road pricing (ERP) system. In this case, policy disagreements between the Jakarta provincial government and the BPTJ, as well as the Transportation Ministry, has derailed the implementation of the ERP.<sup>20</sup>

### **Can BPTJ's tramway project be implemented in Jakarta?**

The BPTJ announced a plan on Oct. 20, 2018 to substitute Transjakarta buses with trams to anticipate a rapid increase in the number of public transportation passengers.<sup>21</sup> This plan has been regulated in the 2019-2029 Greater Jakarta Transportation System Blueprint (RITJ), enacted under Presidential Decree (Perpres) No. 55/2018.

First introduced under Sutiyoso's administration in 2004, Transjakarta has improved traffic and become the backbone of Jakarta's public transportation system. Starting with a limited armada and strict supervision by the Jakarta Transportation Agency, Transjakarta serves more than 600,000 passengers a day, along its 13 corridors and feeder routes.<sup>22</sup>

Now, the BPTJ wants to, at least partially, substitute Transjakarta buses with tramways following a projection that shows the collapse of the busway system in 2029. According to the

<sup>17</sup> Kompas.com, "Menhub usul pembentukan badan otorita transportasi Jabodetabek selesai dalam 6 bulan." 28 January 2019 <https://tinyurl.com/ybhrk44e>

<sup>18</sup> Republika.co.id, "Badan khusus integrasi harus di bawah Presiden." 31 January 2019 <https://tinyurl.com/yapmmp5k>

<sup>19</sup> Bisnis.com, "Anies: Tidak ada rencana pembentukan badan otoritas transportasi Jabodetabek." 28 January 2019 <https://tinyurl.com/ybrsfu8a>

<sup>20</sup> Liputan6.com, "Anies: Bangun transportasi umum lebih penting daripada ERP." 11 January 2019 <https://tinyurl.com/y7jysama>

<sup>21</sup> TheJakartaPost.com, "BPTJ plans to develop tram system in Jakarta." 19 October 2018 <https://tinyurl.com/y86z2ofo>

<sup>22</sup> TheJakartaPost.com, "Transjakarta CEO: Transportation, not competition." 15 January 2019 <https://tinyurl.com/y6vmqm9d>

BPTJ's projection, Jakarta's busway will suffer from overcapacity. Its capacity today already exceeds its carrying limit at 400,000 passengers a day.<sup>23</sup>

**Tram Routes Based on RITJ**

| Route name                                                                                          | Routes                                                                   |
|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Intra industrial areas                                                                              | MM2100 – Jababeka – Lippo Cikarang – Deltamas                            |
| Corridor 1 (integrating BRT and Commuter line)                                                      | Depok Terminal – Sawangan – Parung                                       |
| Corridor 2(integrated with Cibubur-Pondok Cina LRT route)                                           | Depok Terminal – Margonda – University of Indonesia – Cimanggis – Juanda |
| Corridor 3 (integrating BRT, Cibubur – Pondok Cina LRT Route and Cibubur-Pondok Cina Commuter line) | Jatijajar Terminal – Margonda – Juanda – Raya Bogor                      |
| Special line 1                                                                                      | Cibubur – Pondok Cina via Cijago Toll Road                               |
| Special line 2                                                                                      | Pondok Cina – Cinere via Cijago Toll Road and Desari Toll Road           |
| Special line 3                                                                                      | Pondok Cina – Citayam via Cijago Toll Road and Desari Toll Road          |
| Soekarno-Hatta International Airport                                                                | Terminal 1 – Terminal 2 – Terminal 3 – Kemayoran                         |

Source: Perpres No. 55/2018.

If the BPTJ's projection is true, then the question raised is how much will this project cost? According to the Institute for Transportation and Development Policy's estimate, the capital cost per kilometer of a tram or streetcar is US\$2-18.75 million. In terms of cost, the busway only needs half that amount. More importantly, the implementation of this project will cause heavy traffic congestion similar to what has happened with the various on-going public transportation projects in Jakarta.

**Capital Cost per km for various modes of public transportation**

|                                             | Busway                       | Trackless Tram             | Traditional Tram                | Subway (MRT)                  | Light rail transit (LRT)     |
|---------------------------------------------|------------------------------|----------------------------|---------------------------------|-------------------------------|------------------------------|
| <b>Estimated cost of development per km</b> | \$ 1 million to \$10 million | \$6 million to \$8 million | \$2 million to \$ 18.75 million | \$36 million to \$125 million | \$24 million to \$75 million |

Source: Institute for Transportation and Development Policy, Tenggara Strategics Research Team

A more viable alternative would be the Chinese autonomous rail rapid transit (trackless tram). Compared to other rail-based transportation, the cost of developing a trackless train is lower, and it still can retain the same transporting capacity, with a maximum 300 passengers per trip.

<sup>23</sup> Tribun.com, "Kepala BPTJ prediksi 80 persen warga Jabodetabek beralih ke angkutan umum masal tahun 2029." 15 October 2018 <https://tinyurl.com/y8lfmkrq>

Nevertheless, the more important question is whether the BPTJ's tramway project will be approved by the Jakarta provincial government. Without Governor Anies' approval, the BPTJ's tramway project will be nothing more than a plan like in the case of the ERP.

**What we've heard:** According to one source, even though the transportation blueprint gives operational guidelines for 2018-2029, the BPTJ is powerless to execute its programs. As an extension of the Transportation Ministry, the agency does not have any authority over public transportation operations. For example, the agency cannot control rail crossings in Greater Jakarta because they belong to PT Kereta Api Indonesia. The agency did not play a role in the planning of the LRT as everything was handled by PT Adikarya. The same happened in the planning of the second phase of the MRT. The agency was reportedly irked when it was not consulted in the selection of MRT station locations as the Jakarta administration controlled the entire project.

The same source said the agency could only give recommendations to the Jakarta governor. No public transportation project in Jakarta covered by the RITJ can be realized unless a permit is issued by Jakarta Governor Anies Baswedan. Permits are also required for Tangerang, Bogor and Bekasi. The source explained that BPTJ's role was limited to coordination. This is the reason why many people consider BPTJ to be ineffective.

It is also the reason that some Jakarta administration officials do not take BPTJ's plan to develop a tram network as an alternative to the busway seriously. A development permit needs to be approved by the Jakarta governor, otherwise a project is automatically canceled.

From Jakarta administration's perspective, the RITJ is simply a list of unviable projects without clear design or detailed implementation plans. Some officials consider the RITJ, which was made by the BPTJ, futile. Another source said Jakarta administration officials consider the BPTJ irrelevant in accelerating public transportation integration within Greater Jakarta.

Following a limited Cabinet meeting on Jan. 8, Widodo declared that Governor Anies was to play a greater role in managing and leading the integration between different public transportation modes in Jakarta. State-Owned Enterprises (SOEs) Minister Rini Soemarno and Coordinating Maritime Affairs Minister Luhut Panjaitan attended the meeting. Since then, the Jakarta administration has been preparing an integration concept that it hopes to implement before the presidential election on April 17. The administration wants a presidential regulation amendment or a new regulation to assert its role.

Besides managing the Jakarta MRT, LRT and busway, Anies wants to control the commuter line (KRL) and the Greater Jakarta LRT. One source said that in an under-developed concept, Anies wanted the local administration to own shares in the commuter line and the LRT. Moreover, he wants KAI's assets, such as train stations and railway crossings, to be managed by his administration.

Anies has not stopped there. He wants his administration to pay off the debt of PT KCI, the operator of the KRL. To realize his plan, the administration would establish a transportation holding company. However, Anies' plan has angered Minister Rini. Moreover, his plan to manage the LRT is likely to fail because the Jakarta administration lacks the funds to settle PT KCI's Rp 19 trillion debt.

Meanwhile, the BPTJ has requested a meeting with Vice President Jusuf Kalla to illustrate what is needed to fix Jakarta's public transportation system. The BPTJ has also devised a public

transportation integration plan to replace that of the Jakarta administration, which has reportedly angered local officials. Adding fuel to the fire, the BPTJ has suggested that a new authority be formed to manage public transportation in Jakarta that would fall under the direct supervision of the President. According to a Jakarta administration source, the plan to establish a new authority came from the National Development Planning Agency (Bappenas) and had Luhut's approval.

## **Issue Update: Financial crime behind Jiwasraya scandal?**

**On Oct. 10, 2018, Jiwasraya announced that the company needed to delay its interest payment worth Rp 96.58 billion (US\$6.356 million) as well as a principal payment worth Rp 802 billion to 711 policyholders.** The delay reportedly because of liquidity issues following a decline in Jiwasraya's capital reserve due to falling stock prices Jiwasraya had invested in.

**Update:** Under Hendrisman Rahim's management, Jiwasraya recorded a nearly fourfold increase in revenue from Rp 6.7 trillion in 2012 to Rp 25.1 trillion in 2017. However, problems began to emerge after a disagreement between Jiwasraya management and public accounting office PricewaterhouseCoopers (PwC) about the company's capital reserve. Eventually, the State-Owned Enterprises (SOE) Ministry replaced Jiwasraya's management and appointed Asmawi Syam, former state-owned Bank Rakyat Indonesia (BRI) president director, as the new Jiwasraya president director.

After Asmawi assumed office, he became suspicious of the Jiwasraya 2017 financial report. The report recorded a Rp 2.4 trillion net profit, a 37.64 percent increase from the previous year. Net premium went up by 21.52 percent to Rp 21.8 trillion and investment rose by 21.09 percent to Rp 3.86 trillion. Asmawi later requested PwC to re-audit the report, and it found that Jiwasraya's 2017 net profit was only Rp 360 billion, instead of Rp 2.4 trillion.<sup>24</sup>

An investigation by Tirto found a possibility of financial fraud under Hendrisman's management. Hary Prasetyo, the finance director at that time, sold Jiwasraya's government bond holding (SUN), rumored to be around billions of rupiah, with Hendrisman approval in 2008 to buy stocks, reportedly junk stocks or small-cap stocks. The SUN sold by Jiwasraya was said to have a 15 percent annual coupon rate. On the other hand, the stocks bought by Jiwasraya were highly volatile.<sup>25</sup>

For example, Jiwasraya invested in PT Trada Alam Minera Tbk (TRAM) stocks worth Rp 760 billion on May 29, 2013, at the price of Rp 1,300 per share. On Nov. 28, 2014, TRAM's stock price fell to Rp 319.8 per share, which implied that Jiwasraya lost more than Rp 550 billion. Up to this day, the price is below Rp 500 per share.

Besides TRAM, Jiwasraya is also troubled by its investment in other junk stocks, such as PT Inti Agri Resources (IIKP), PT Capital Investment Tbk. (MTFN), in PT Mahaka Media Tbk. (ABBA), PT SMR Utama Tbk. (SMRU), PT PP Properti Tbk. (PPRO), and PT Semen Baturaja (Persero) Tbk. (SMBR). Because of its status as a state-owned enterprise, Jiwasraya could not cut its losses. Such an attempt would trigger a criminal investigation from the Attorney

<sup>24</sup> Katadata.co.id, "Salah investasi Jiwasraya yang berujung gagal bayar." 23 October 2018  
<https://tinyurl.com/ycbztb79>

<sup>25</sup> Tirto.id, "Manajemen lama menggerogoti Jiwasraya lewat dana investasi." 28 January 2019  
<https://tinyurl.com/y7uqauo2>

General's Office.<sup>26</sup> To overcome this problem, Mandiri Sekuritas was chosen as Jiwasraya's financial consultant. Currently, they are exploring the possibility of helping Jiwasraya through an equity injection.<sup>27</sup>

**What we've heard:** According to high-ranking officials at a state-owned enterprise, the problem surrounding Jiwasraya was once discussed by Joko "Jokowi" Widodo and Ma'aruf Amin's national campaign team (TKN). Erick Tohir, the campaign team chairman, was worried that Jiwasraya's failure to pay the maturity claims could adversely affect Jokowi's reelection bid. The Jokowi-Ma'aruf campaign team's concern is not without its reasons.

According to a source, a number of policyholders who bought Jiwasraya's Bancassurance product were participants of the tax amnesty – a program campaigned vigorously by Jokowi's administration. Lured by the promise of high investment returns, they put a large amount of repatriated funds in Jiwasraya in 2016. The Bancassurance gained more popularity among customers as settlement banks aggressively promoted wealth management products to boost their profit.

A source in the Finance Ministry's taxation supervisory committee confirmed that the repatriated funds went into Jiwasraya. Another source said one of the victims was Susilo Wonowidjojo, Gudang Garam owner and president director, also one of the richest people in Indonesia according to a 2018 *Forbes* magazine ranking.

Following Jiwasraya's failure to pay its maturity claims, customers who joined the Communication Forum of Jiwasraya's Bancassurance Policyholders lobbied the government hard by sending a letter to Jokowi and the House of Representatives. Initially, the House planned to hold a hearing with Jiwasraya management in January, but the plan was cancelled.

According to one policyholders, politicians from Jokowi-Ma'aruf's coalition parties asked them to tone down their lobbying. One of the politicians even promised them that Jiwasraya's failure will be solved by the SOE Ministry. Not long after the promise made, the SOEs Ministry announced that Indonesian SOEs would work together to save PT Asuransi Jiwasraya.

A former Jiwasraya employee said Bancassurance had been flawed from the beginning; it was like a ticking time bomb inside Jiwasraya. Even though Jiwasraya required all policyholders to pay a full premium upfront, many customers only kept their investment for one to two years. After that, they withdrew their investment, obtaining a return of 7 percent per annum as well as a five-year insurance coverage. Nevertheless, the actual cost of the Bancassurance product, after counting for commissions, bonuses and administration fees, as well as banks and agents, was estimated to be around the level of 13 percent – a financial burden for Jiwasraya.

The former insider also mentioned the possibility of a financial crime conducted during president director Hendrisman Rahim's and finance director Harry Prasetyo's era. Both sold the government bonds (SUN) held by Jiwasraya and invested the money in junk stocks, such as in PT Inti Agri Resources (IIKP). IIKP chairman Heru Hidayat has a close relationship with Harry Prasetyo. He is also a close friend of Benny Tjokosaputro.

A source from the Indonesian Stocks Exchange (IDX) said Benny Tjokro was well-known for

<sup>26</sup> Kontan.co.id, "Pengamat: Dihadapkan pada kondisi sulit, alternatif terbaik bagi Jiwasraya terbatas" 25 October 2018 <https://tinyurl.com/ya7s35pi>

<sup>27</sup> Kontan.co.id, "Mandiri Sekuritas menjadi penasihat Jiwasraya." 15 January 2019 <https://tinyurl.com/y8reblyf>

his stock lending and borrowing, mainly to help pension funds and insurance companies improve their portfolio during the audit period. Hendrisman had engulfed Jiwasraya in this practice through stock repurchase agreements to mask Jiwasraya's financial report. When Asmawi Syam assumed the president director position in August 2018, he found that the stocks used under the repurchase agreement were junk.

The former Jiwasraya insider also stated that Jiwasraya's investment committee had rejected the previous president director's idea to switch the SUN with small-cap stocks. Even, the previous chairman was suspicious about Jiwasraya investment strategy in the stock market. However, they failed to act until this practice surfaced in October 2018, following Jiwasraya's failure to pay Bancassurance's maturity claims.

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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