

## Highlights of the week



### Romy's arrest and the future of PPP

The recent arrest of M. "Romy" Romahurmuziy, former chairman of the United Development Party (PPP), a month before the 2019 general elections might be taken as a bad omen. His involvement in alleged bribery would not only undermine the loyalty of PPP supporters, but also threaten the party's unity. How would the scandal possibly affect the party's political stature, not only in the legislative elections but also in the presidential election?



### VP debate barely impacts electability

The General Elections Commission (KPU) organized an unprecedented debate between vice presidential candidates on March 17 as part of a series of five debates pitting the tickets contesting the April 17 presidential election against each other. Public expectations were high that the debate, broadcast live on all TV stations, would showcase contrasting ideas and views given the numerous differences between two candidates. But many, particularly those who are not affiliated to the two candidate pairs, were quick to express their disappointment with the performance of Ma'ruf and Sandiaga.



### Preemployment card has potential, yet controversial

Two months prior the general election, incumbent presidential candidate President Joko "Jokowi" Widodo and his running mate Ma'ruf Amin introduced three new social program cards, namely Kartu Indonesia Pintar untuk Perguruan Tinggi, Kartu Sembako Murah and Kartu Pra-Kerja to be implemented if they win the presidential election. The college card is an improved Smart Indonesia Card, the card for cheap food is to expand the existing Rice Social Assistance Program (Rastra), while the third card is entirely new and the most controversial as the government promises to provide a cash stipend for the holders. Many have doubted the program's feasibility over budgetary concerns and believe that it is Jokowi's last-minute populist attempt to sway voters.



### Online "Ojek" recognized as public transportation

The Transportation Ministry has issued a regulation on motorcycles used as public transportation, however Ministerial Regulation No. 12/2019 only details rules on safety, while the anticipated regulation on fares will be stipulated in a separate decree. The regulation indirectly differentiates against conventional motorcycle taxis as it only addresses app-based motorcycle taxis. Whilst it covers the commonly encountered issues, an amendment to the transportation law is needed to fully legalize motorcycles as public transportation.

## POLITICS

### Historic recurrence: Romy's arrest and the future of PPP

The recent arrest of M. “Romy” Romahurmuziy, former chairman of the United Development Party (PPP), a month before the 2019 general elections might be taken as a bad omen. His involvement in alleged bribery would not only undermine the loyalty of PPP supporters, but also threaten the party's unity. How would the scandal possibly affect the party's political stature, not only in the legislative elections but also in the presidential election? The recent arrest of M. “Romy” Romahurmuziy, former chairman of the United Development Party (PPP), a month before the 2019 general elections might be taken as a bad omen. His involvement in alleged bribery would not only undermine the loyalty of PPP supporters, but also threaten the party's unity. How would the scandal possibly affect the party's political stature, not only in the legislative elections but also in the presidential election?

#### Takeaways:

- Romy's arrest may undermine not only the PPP's position in the upcoming legislative elections, but also Jokowi and Ma'ruf's presidential bid.
- Comparing Romy's bribery scandal with Suryadharma Ali's, Romy's predecessor who was also arrested for bribes, it remains possible that the PPP's electability would plunge following Romy's arrest as it did after Suryadharma was arrested.
- With only a month left before the legislative elections, it is very likely that the PPP would mostly devote its efforts to secure legislative seats. Thus, its support for Jokowi and Ma'ruf's presidential bid may decrease as the PPP consolidates its members, especially those at the grassroots level, to prioritize preserving votes for the party.
- The bribery scandal may also potentially tarnish Jokowi's image as voters subconsciously associate the scandal that has hit the PPP with the President. While Jokowi and his campaign team have quickly attempted to isolate the scandal from the President's reelection bid, it remains possible that the opposition would continue bringing up the bribery scandal until election day, particularly as corruption is one of the most popular issues heatedly discussed among people.

**Background:** Much to the public's surprise, the Corruption Eradication Commission (KPK) arrested Romy on Feb. 14 in a sting operation in Surabaya, East Java, for alleged bribery.

Following the arrest, the KPK named Romy and five other individuals, including high-ranking officials from the Religious Affairs Ministry, suspects.<sup>1</sup> Romy is accused of accepting bribes from several officials in exchange for job promotions in the ministry.

From the party's perspective, Romy's arrest occurred at a very bad time. Having its leader named a bribery suspect would surely erode voters' faith in the party, especially because the PPP is known for its Islamic credentials and affiliation with Indonesia's largest Islamic organization Nahdlatul Ulama (NU).<sup>2</sup> Thus, not only may the PPP's political stature lower, its traditional legitimacy as the representation of Muslim voters in the country may also be at risk.

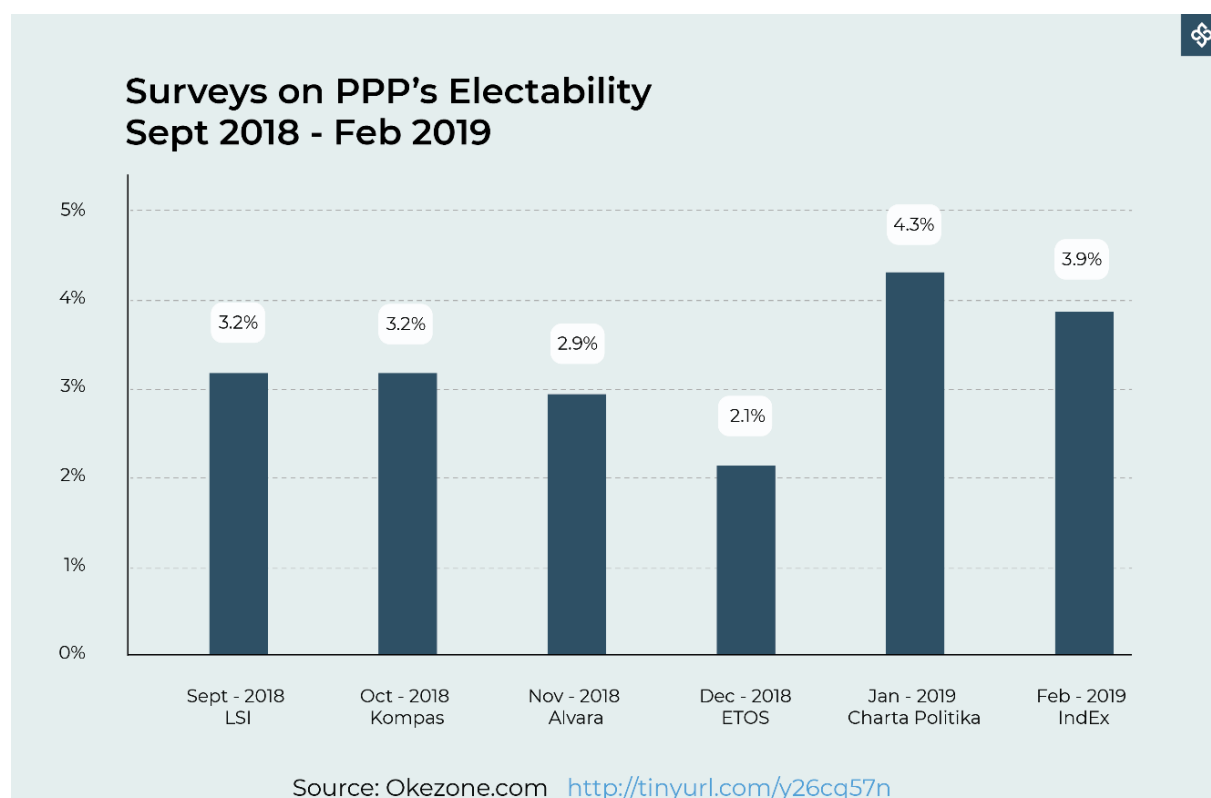
<sup>1</sup> Kompas.com, “KPK Tetapkan Ketum PPP Romahurmuziy Tersangka” 16 March 2019 <http://tinyurl.com/y5zxyjoe>

<sup>2</sup> Tirto.id, “Sejarah Partai Persatuan Pembangunan: Penjinakan Islam ala Soeharto” 5 January 2019 <http://tinyurl.com/y6a3hzxr>

How would, then, the latest scandal possibly affect the PPP's electability for the upcoming legislative elections? Furthermore, being part of presidential candidate Joko "Jokowi" Widodo and running mate Ma'ruf Amin's coalition, would Romy's downfall influence the pair's electability as well?

**Insight:** History does repeat itself, at least in the case of the PPP. This is not the first time a bribery scandal has hit the party's chairman; Suryadharma Ali, Romy's predecessor and also a former religious affairs minister, was convicted of abusing his authority in government haj programs between 2010 and 2013, causing Rp 27.28 billion and 17.97 million Saudi riyals in state losses.<sup>3</sup>

One major difference between Suryadharma and Romy, however, is the timing of their arrest; Suryadharma was arrested after the 2014 legislative election, while Romy's arrest was just a month shy of the 2019 legislative elections. In Suryadharma's case, thus, his arrest did not considerably affect the PPP's political stature as the party had already passed the parliamentary threshold and secured seats in the House of Representatives by the time its boss was detained.

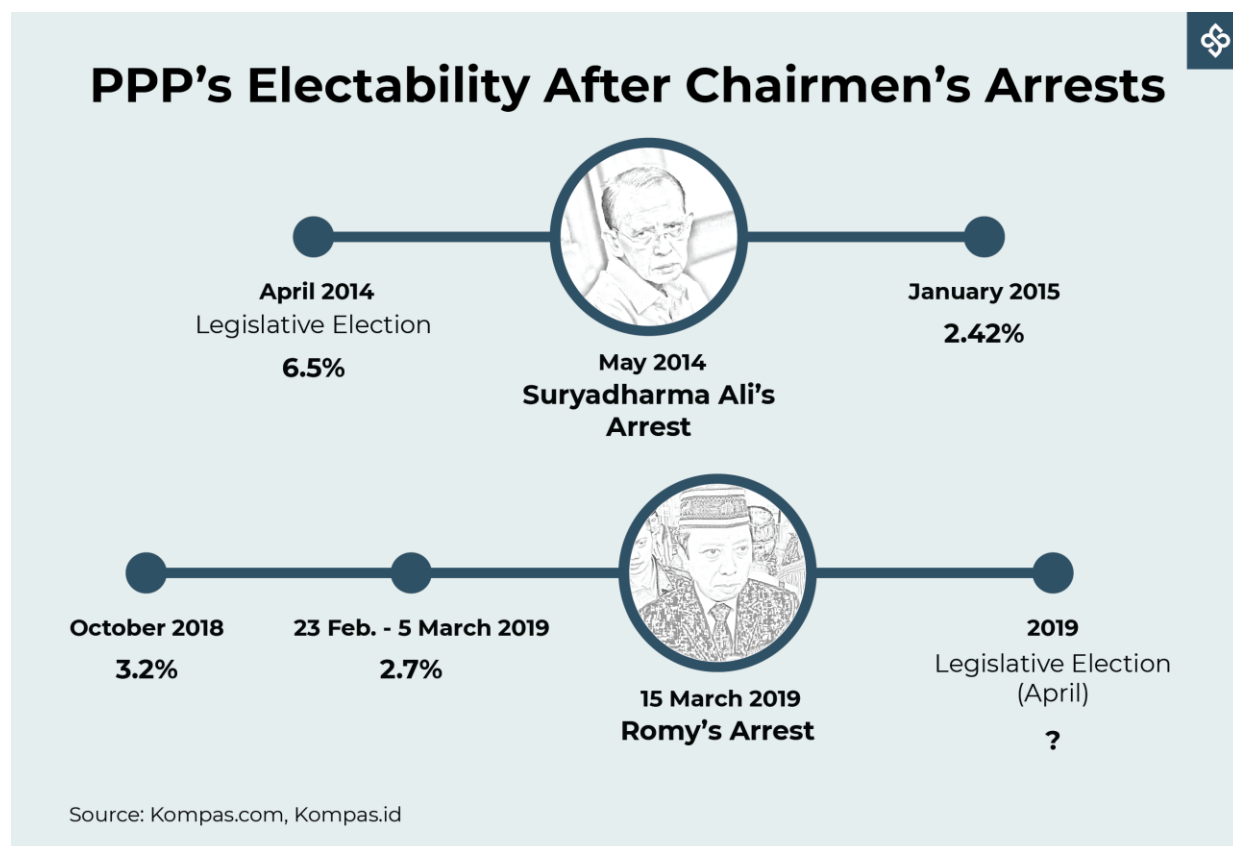


Meanwhile, Romy's arrest may jeopardize the party's future as a number of pre-election surveys found the PPP's electability rate hovered around 3 percent, well below the parliamentary threshold of 4 percent.<sup>4</sup> Now, the latest bribery scandal may show the Islam-based party the door after being in the House of Representatives since 1977.

Looking at past experiences, the PPP's electability plummeted by almost 3 percent following Suryadharma's arrest.

<sup>3</sup> Thejakartapost.com, "Suryadharma Ali proclaims his innocence" 22 December 2015 <http://tinyurl.com/y3ddswss>

<sup>4</sup> Okezone.com, "Survei Pemilu 2019: Ketatnya Elektabilitas Partai Menengah" 17 March 2019 <http://tinyurl.com/y26cq57n>



Romy's fall from grace would also potentially affect the presidential election's outcome. First, now that the PPP's political stature is on the line, it is very likely that the party would now prefer fighting it out to meet the parliamentary threshold over helping Jokowi win reelection.

While such action is understandable in this dog-eat-dog world, this may imperil the Jokowi-Ma'ruf presidential bid as one of the main reasons behind their decreasing electability is coalition parties' divided priorities over the legislative and presidential elections.

*Kompas'* latest survey shows that parties' loyalty is still relatively divided; party members are "politically flexible" in supporting a presidential candidate regardless of their party's official stance.<sup>5</sup> One of the main reasons behind such flexibility is reportedly the lack of a coattail effect coalition parties could enjoy from presidential candidates; hence, parties have to independently employ political strategies to win votes.<sup>6</sup>

In the case of the PPP, the party's deputy secretary-general, Achmad Baidowi, said his party had never believed in a coattail effect and used to be self-reliant in securing votes.<sup>7</sup> According to *Kompas'* survey, 66.7 percent of PPP members support Jokowi and Ma'ruf, while 27.8 percent of them support Prabowo and Sandiaga; the remaining 5.5 percent are still undecided.<sup>8</sup> While the number of PPP members supporting Jokowi and Ma'ruf is considerable, the same survey, however, also found that only 55 percent of PPP members are firm voters, while the remaining 45 percent are still open for change.

<sup>5</sup> Kompas.id, "Partai Bisa Lebih Sederhana" 21 March 2019 <http://tinyurl.com/y2dvmyyb>

<sup>6</sup> Ibid.

<sup>7</sup> Kompas.id "Memantapkan Pilihan Parpol" 21 March 2019 <http://tinyurl.com/y4eahs8x>

<sup>8</sup> See note 5

To make matters worse, the phenomenon does not exclusively belong to the PPP; among the Jokowi-Ma'ruf coalition parties, only the Indonesian Democratic Party of Struggle (PDI-P) has more than 70 percent of its members loyal to Jokowi and Ma'ruf.<sup>9</sup>

This potentially leads to divided support for Jokowi and Ma'ruf among the parties' members, especially at the grassroots level where members are far from Jakarta's reach and have to work exceptionally hard to win votes. The Jokowi-Ma'ruf camp itself has admitted that one of its disadvantages is the lack of militancy among its supporters compared to the supporters of the opposition.<sup>10</sup>

Second, being part of the Jokowi-Ma'ruf coalition, voters may subconsciously associate the corruption scandal that has hit the PPP with the pair. This is important as the latest survey shows Jokowi and Ma'ruf's electability has decreased considerably a month before the presidential election.<sup>11</sup> This might be why the Jokowi-Ma'ruf camp was quick to defend itself, claiming that Romy's arrest was his personal matter and unrelated to the presidential election.<sup>12</sup> Furthermore, Jokowi also swiftly expressed his support for the KPK's investigation into Romy.<sup>13</sup> This may have been done to prevent further association of corruption with Jokowi, especially since the President has been portrayed as discouraging the KPK's investigations as exemplified by his failure to solve the acid attack on KPK investigator Novel Baswedan.<sup>14</sup>

Indeed, the issue of corruption is particularly resonant in developing countries where inequality is high. Inequality and corruption often create a vicious cycle, where one phenomenon prompts the latter, which in turn exacerbates the former. The two issues have often been discussed by presidential candidates during their campaign activities and presidential debates.<sup>15</sup> The popularity of the two issues might be a consequence of their populist tendencies and great relevance to the wider public, especially the lower-middle class. It appears that Prabowo Subianto and Sandiaga Uno, Jokowi and Ma'ruf's challengers, are exceptionally aware of these two issues' use, indicated by their frequent claims over the issues.<sup>16</sup>

In the next month, Jokowi and Ma'ruf must contain issues that may alter voters' behavior, particularly those that affect the lower-middle class, which makes up the majority of Jokowi and Ma'ruf's supporters.<sup>17</sup> This is particularly crucial as *Kompas*' latest survey found how the number of lower-middle class voters supporting Jokowi and Ma'ruf had decreased considerably (approximately 5 percent for lower income voters and 4 percent for middle class voters); many

<sup>9</sup> See note 5

<sup>10</sup> Kompas.id, "Peluang Jokowi Masih Dominan" 20 March 2019 <http://tinyurl.com/y6medw7j>

<sup>11</sup> Kompas.id, "Rapat Umum Menentukan" 20 March 2019 <http://tinyurl.com/y2u47rrg>

<sup>12</sup> VOAIndonesia.com, "TKN Jokowi-Ma'ruf Anggap Penangkapan Romy 'Urusan Pribadi'" 18 March 2019 <http://tinyurl.com/y4uym2wm>

<sup>13</sup> CNNIndonesia.com, "Jokowi Beri Kewenangan Penuh KPK Usut Kasus Romy" 20 March 2019 <http://tinyurl.com/y2gg8yry>

<sup>14</sup> Katadata.id, "Kasus Novel Tak Kunjung Terungkap, Jokowi Didesak Bentuk TGPF" 12 March 2019 <http://tinyurl.com/y3t7jv2m>

<sup>15</sup> Matamatapolitik.com, "Debat Pilpres Pertama: Jokowi-Prabowo Adu Mulut Soal Korupsi dan Hukum" 18 January 2019 <http://tinyurl.com/y53b8bzb>

<sup>16</sup> Kompas.com, "Di Singapura, Prabowo Sebut Korupsi di Indonesia Stadium Empat" 28 November 2018 <http://tinyurl.com/y424qnbb>

<sup>17</sup> Bisnis.com, "Survei Pilpres 2019 Charta Politika: Prabowo-Sandi Unggul di Kelompok Masyarakat Dengan Pengeluaran Bulanan di Bawah Rp 200 Ribu" 16 January 2019 <http://tinyurl.com/y3dybnjb>

lower-middle class voters who supported Jokowi and Ma'ruf in October 2018 became undecided in March 2019.<sup>18</sup>

**What we've heard:** It has been approximately a year since Corruption Eradication Commission (KPK) investigators received a tip-off about Romy's alleged fraudulent act. However, the KPK only started to closely monitor Romy a few months ago.

KPK investigators initially planned to arrest Romy in early 2019. At the same time, KPK leaders asked the investigators not to act before they collected solid evidence.

While Romy was coming under scrutiny, two KPK commissioners informed the inner circle of President Jokowi about the investigation. KPK leaders also alerted the elites in the ruling coalition about the investigation. "We were told to be careful. Someone is being watched. Any wrong move could result in our arrest," a party's high-ranking officer who is close to the President said. "But we did not know for sure who was being watched." Nevertheless, Romy's arrest reportedly shocked Jokowi despite the prior warning.

On the evening of March 13, a number of KPK investigators were said to have traveled to East Java after having monitored a member of the House of Representatives. Romy had been mentioned since Wednesday evening, on the eve of his arrest.

A senior investigator said his colleague once asked him how [the KPK would proceed] if members of the President's inner circle or senior governmental officials were suspected of committing graft. "If there is solid evidence, why should be afraid? We can rely on the evidence, right?" the senior investigator said. The question came after he felt KPK leaders had intervened with the investigation into senior politicians around Jokowi, by requesting that investigators not arraign them ahead of the 2019 general election. It was feared that the graft charges might disrupt their focus on the impending elections. In a way, this is why KPK investigators used to make arrests following stings or catching the suspects in the act. "The senior leaders ask for evidence. This [sting] is the evidence," said a source from KPK.

<sup>18</sup> Kompas.com, "Elektabilitas Prabowo-Sandiaga Naik, Ini Tiga Penyebabnya Menurut Litbang "Kompas"" 20 March 2019 <http://tinyurl.com/y5ehvfla>

## Election update: VP debate barely impacts electability

**Background:** The General Elections Commission (KPU) organized an unprecedented debate between vice presidential candidates on March 17 as part of a series of five debates pitting the tickets contesting the April 17 presidential election against each other.

Public expectations were high that the debate, broadcast live on all TV stations, would showcase contrasting ideas and views given the numerous differences between Ma'ruf Amin, the running mate of the incumbent President Joko "Jokowi" Widodo, and Sandiaga Uno, who seconds the contender, Prabowo Subianto. The former is a senior, 76-year-old conservative Muslim cleric and the latter is a young American-educated entrepreneur-cum-politician. But many, particularly those who are not affiliated to the two candidate pairs, were quick to express their disappointment with the performance of Ma'ruf and Sandiaga. The debate lacked actual debating, they said.

The KPU picked five topics to address in the debate: education, health, employment, social affairs and culture. Like in the previous two debates, the vice presidential debate comprised a number of segments that allowed Ma'ruf and Sandiaga to unveil their visions and mission statements and to respond and question each other's arguments, apart from answering questions raised by panelists.

What happened during the televised event was both Ma'ruf and Sandiaga seemed to prefer demonstrating to the audience their public speaking skills to exchanging views and offering real solutions to the myriad problems facing the nation related to the five issues. When they claimed they had come up with breakthroughs, they fell short of explaining how.

The public hardly found anything new from the two candidates except political rhetoric, which makes no difference for the campaign promises to win the hearts and minds of the masses. The way the vice presidential candidates performed failed to live up to their prospective status as the second most powerful leaders in the country, if elected.

In explaining why the vice presidential debate counted, KPU chairman Arief Budiman said the vice president was not a "reserve" for the president as many perceived. The Constitution clearly stipulates that the vice president assists the president and shall be ready to take over from the head of state if the latter is unable to perform his or her job.

In the post-reform era there has been a division of labor between the president and vice president, although not officially. During the administration of Susilo Bambang Yudhoyono, the president entrusted his vice president with economic matters, while his successor Jokowi gives his vice president, Jusuf Kalla, responsibility for people's welfare, in particular poverty eradication, education and health issues. Specifically in the national policy against stunting, the office of the vice president coordinates 23 ministries and government institutions.

It is very likely that Ma'ruf, if elected, would have to take over Kalla's responsibilities, but from his presentation in the vice presidential debate, Ma'ruf may need time to learn the ropes. Similarly, Sandiaga, who has spent much of his career running his businesses, would find difficulties in understanding the complexity of the national problems despite his one-year stint as the Jakarta deputy governor.

Nevertheless, the question now is whether the debate would impact on the electability of the two candidate pairs.

Either camp can claim a victory in the debate, but many doubt the vice presidential debate, as well as the other four debates, would contribute to a rise or fall of the candidates' electability rates. Political scientist Burhanuddin Muhtadi of the Indikator Politik polling agency said the debates would be meaningless for the two pairs because most voters have already made up their minds. The debates only provide justification for the voters' political choices, he said.

**What we've heard:** The March 17 debate was chosen to forge a middle path for both vice presidential candidates, whose objectives were different. Ma'ruf indeed wanted to debate, which is why for more than a month he enhanced his debating skills under the tutelage of several individuals, including a television show host.

Ma'ruf's weakness is his habit of discussing an issue extensively. Meanwhile, the debate limited each candidate to only speak for four minutes at a time at the most. Reportedly, the pace and speed of his speech had been adjusted to the KPU time rule enforced in the debate. When giving sermons, Ma'ruf can speak for hours without interruption. "So [Ma'ruf] must notice that debate is different from preaching," said one prominent figure from the Jokowi-Ma'ruf campaign team.

A governmental institution staff member who helped Ma'ruf prepare for the debate said the cleric mastered many social issues. Furthermore, Ma'ruf is a prominent figure from Nahdlatul Ulama and the Indonesian Ulema Council (MUI) who mingles with politicians and public figures every day.

Meanwhile, Sandi intended to benefit from the debate as a platform to restate his dreams to develop Indonesia. However, as his knowledge about several issues was mostly assessed through political and business perspectives, Sandi was trained to discuss issues more from the social perspective. Unlike Ma'ruf, Sandi is a man of few words. "He, however, can systematically elaborate on an issue," said a member of Sandiaga's team who prepared the debate materials.

The team aimed to present Sandiaga as an individual who is concerned about social welfare. "Sandiaga is no longer [portrayed] as a businessman." This is why Sandiaga could answer all questions raised during the debate well. However, Sandiaga did not actually want to debate, but rather to present himself as a polite and insightful individual. Hence, he persistently refrained from attacking Ma'ruf.

Sandiaga chose the strategy as his team had told him that the presidential debates would not actually affect voters' preferences. Loyal voters, in particular, would not be swayed by presidential debates. On the other hand, Sandiaga actually aimed for swing voters, which is why he, as well as Prabowo, tries to build an image of himself as a figure who is polite and cares about welfare issues.

## BUSINESS & ECONOMIC POLICY

### Preemployment card has potential, yet is controversial

Two months prior the general election, incumbent presidential candidate President Joko “Jokowi” Widodo and his running mate Ma’ruf Amin introduced three new social program cards, namely Kartu Indonesia Pintar untuk Perguruan Tinggi (college card), Kartu Sembako Murah (cheap food card) and Kartu Pra-Kerja (preemployment card) to be implemented if they win the presidential election. The college card is an improved Smart Indonesia Card, the card for cheap food is to expand the existing Rice Social Assistance Program (Rastra), while the preemployment card is entirely new and the most controversial as the government promises to provide a cash stipend for the holders. Many have doubted the program’s feasibility over budgetary concerns and believe that it is Jokowi’s last-minute populist attempt to sway voters.

#### Takeaways:

- The preemployment card is to involve the private sector to provide trainings and internships by offering double tax incentives.
- The program could potentially improve the worker absorption rate by improving workers’ skills to match those required by the job market.
- The program should also target those working in the informal sector, especially underemployed people, to improve their skills and productivity.
- The promised stipend for the cardholders could become a drawback of the program as it could potentially burden the state budget.

**Background:** Jokowi introduced the three new cards on Feb. 24 in Sentul, West Java, to complement the existing social programs: Kartu Indonesia Pintar (Smart Indonesia Card), Kartu Indonesia Sehat (Indonesian Health Card) and Program Keluarga Harapan (Family Hope Program). The many social cards represent Jokowi’s new focus on human capital development – Jokowi’s main agenda for his reelection bid — after focusing on infrastructure in his current term.

Jokowi’s running mate vice-presidential candidate Ma’ruf Amin highlighted the three cards during the vice-presidential debate on March 17, calling on young people – particularly those from poor families – “not to be afraid of dreaming big”.<sup>19</sup> Speaking on the preemployment card, Ma’ruf said the card would target fresh graduates, unemployed people, active job-seekers and those who had been dismissed from jobs but were looking for new opportunities. The cards will allow the holders to access vocational trainings and job-hunting services, including internships, which could help them enter or re-enter the labor market as skilled workers.

Furthermore, the card will give interim job-seekers a certain monthly stipend, which Jokowi and his campaign team described as an incentive for them to obtain a job.<sup>20</sup> Although the amount of the stipend is yet to be confirmed, reports have suggested the number could vary between Rp 700,000 to Rp 1 million per month for a period of six months to one year. Finance Minister Sri Mulyani Indrawati said the program had already been included as one of the main points of

<sup>19</sup> *The Jakarta Post*, “VP candidates play it safe,” Mar. 18, 2019. P.1

<sup>20</sup> *KompasTV*, “Jokowi janjikan 3 program baru untuk rakyat,” Feb. 25, 2019. <https://tinyurl.com/y5w3uezb>

consideration for the 2020 state budget, which has been included in the National Medium-Term Development Plan (RPJMN).<sup>21</sup>

Unlike the other two new cards, the preemployment card has received severe criticism. Providing a monthly stipend, for example, has attracted disapproval and doubts even from Jokowi's close aides.<sup>22</sup> Many have questioned how it would be funded as well as its potential to burden the state budget.

| Manpower statistics in Indonesia (in absolute number) |       |       |       |
|-------------------------------------------------------|-------|-------|-------|
| million people                                        | 2016  | 2017  | 2018  |
| Active workforce                                      | 127.8 | 128.1 | 131.0 |
| Employed                                              | 120.8 | 121.0 | 124.0 |
| Unemployed                                            | 7.0   | 7.0   | 7.0   |
| Working age population, not in the labor force        | 63.7  | 64.0  | 63.77 |
| In school                                             | 15.9  | 16.5  | 16.53 |
| Housewife                                             | 39.3  | 39.9  | 39.65 |
| Others                                                | 8.4   | 7.6   | 7.59  |

Source: Statistics Indonesia

**Insight:** The preemployment card could potentially be a solution to Indonesia's chronic problem of unemployment and underemployment. If implemented well, the program could potentially improve the worker absorption rate and thus reduce unemployment, and at the same time increase the skills of underemployed people in the informal sector, allowing them to earn a better income or even join the formal sector.

| Formal and informal workers in Indonesia |       |       |       |
|------------------------------------------|-------|-------|-------|
| million people                           | 2016  | 2017  | 2018  |
| Formal                                   | 50.21 | 52    | 53.32 |
| Informal                                 | 68.20 | 69.02 | 70.49 |

Source: Statistics Indonesia

Indonesia's unemployment, according to Statistics Indonesia (BPS), was relatively low at 5.34 percent of the total workforce of 131 million in 2018, with vocational school graduates contributing the most to the unemployment figure, accounting for 11.2 percent, followed by high school graduates with 7.9 percent, diploma holders with 6 percent and university graduates with 5.9 percent.<sup>23</sup>

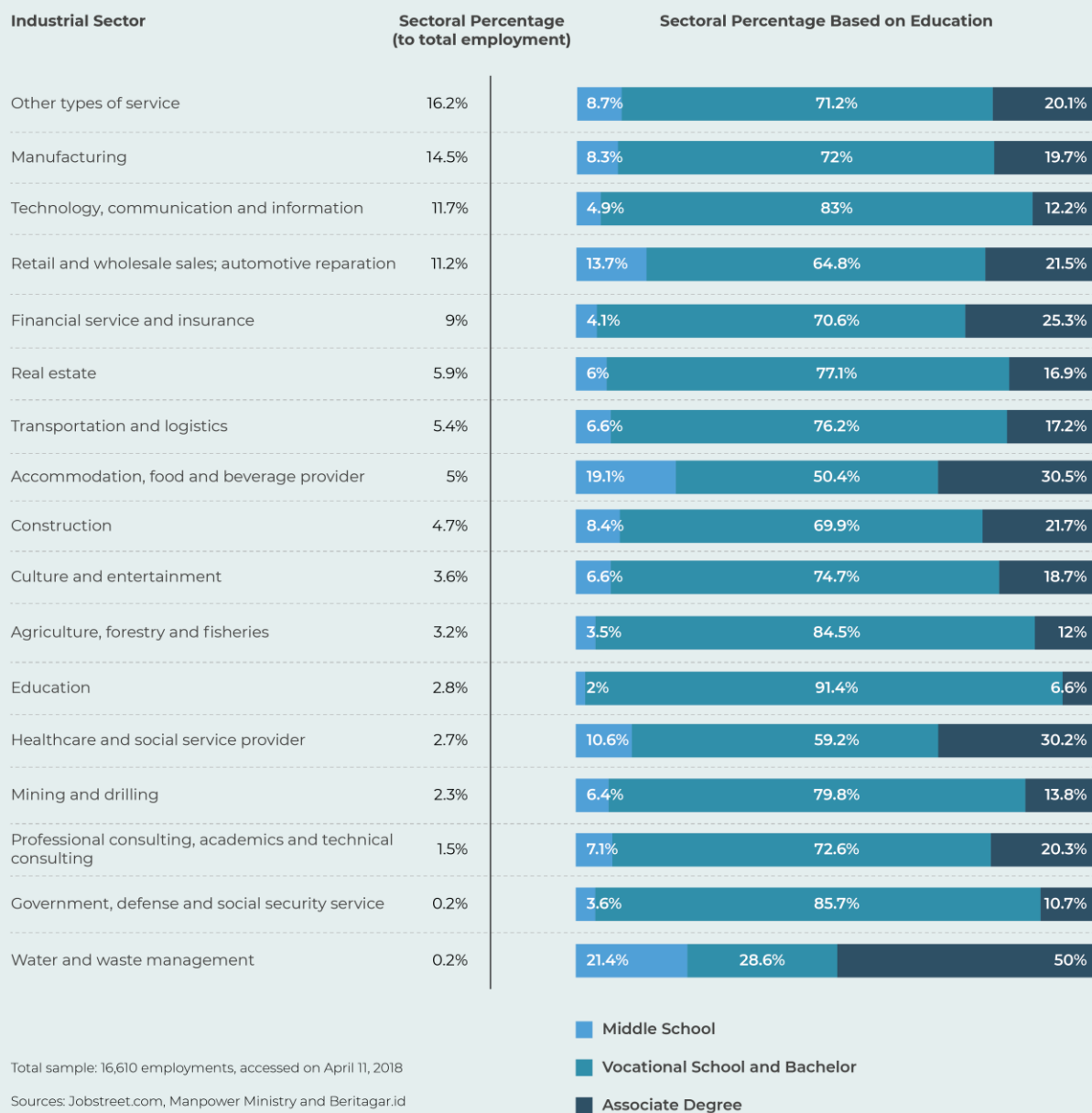
Another problem with Indonesia's unemployment is that many vocational school and university graduates are not ready to work. There have been miss-matches between what they have learned at schools and university and what the job market is looking for. Therefore, giving these graduates access to additional trainings that match the job market would do a great service for these job seekers.

<sup>21</sup> Kompas.com, "Sri Mulyani sebut kartu pra kerja masih dibertimbangkan di RAPBN 2020," March 6, 2019. <https://tinyurl.com/y5oxe9ys>

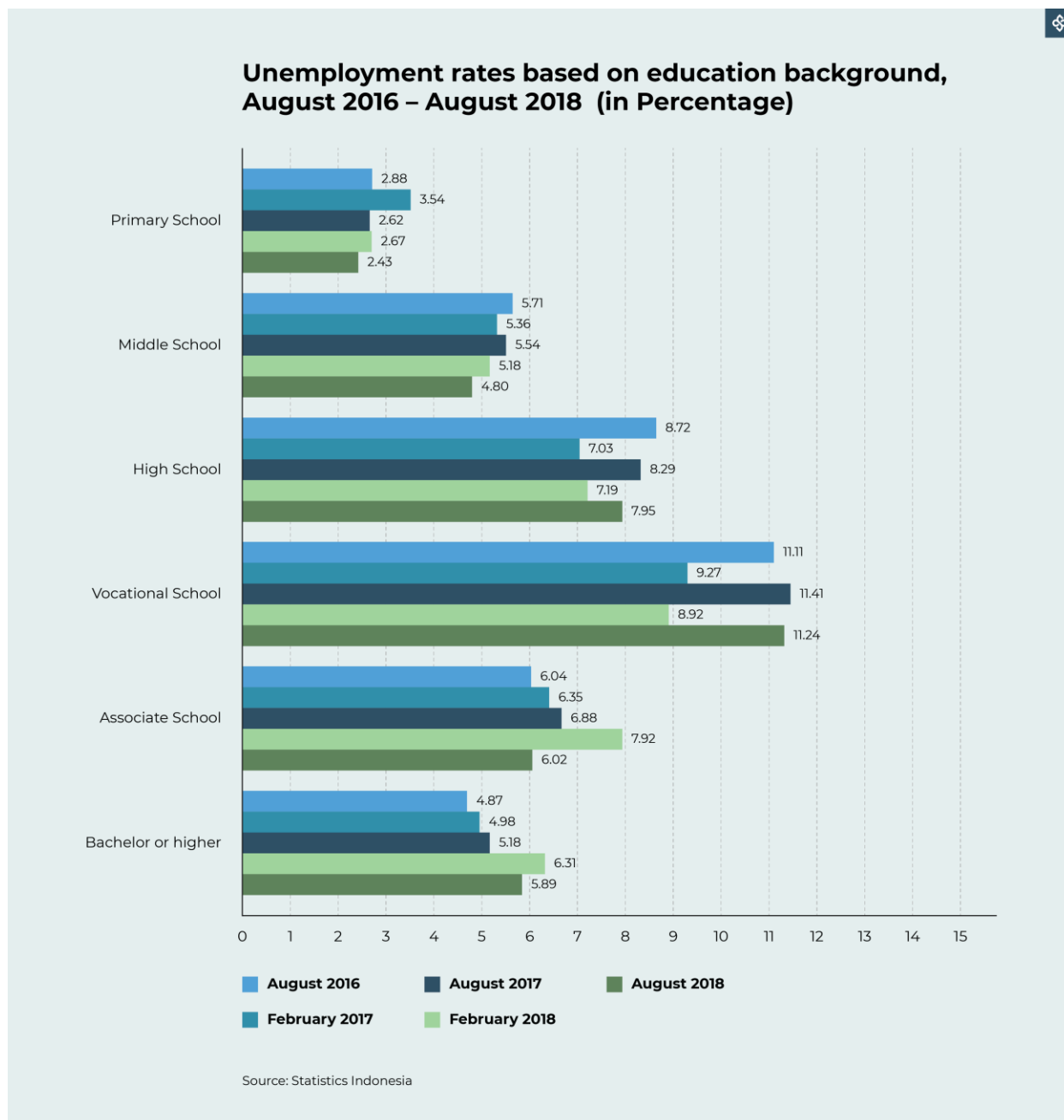
<sup>22</sup> Radar Bogor, "Kartu prakerja Jokowi bebani APBN, Moeldoko bilang hanya sementara," Mar. 6, 2019. <https://tinyurl.com/y2jqbe36>

<sup>23</sup> Statistics Indonesia, "Keadaan ketenagakerjaan Indonesia Agustus 2018," November 2018. <https://tinyurl.com/y37nme48>

## Job employments based on industrial sector and education background



With the preemployment card, the Jokowi-Ma'rif campaign team promises to produce a more marketable and ready-to-work labor force that meets the current industry and market needs by incorporating private companies to provide training services to cardholders in addition to those provided by the government training centers. In addition, the private companies would also be encouraged to have internship programs for cardholders who have gone through training programs.



To encourage the participation of private companies, the government – through the Finance Ministry – is said to provide a double tax incentive for companies that provide trainings or internships to cardholders. The double tax incentive refers to a mechanism where a company's cost of training (job training expense) is doubled in order to reduce the company's taxable income.

The preemployment card, however, should not only target new graduates or those who have lost their formal employment. It should also target people working in the informal sector, especially underemployed people.

According to Statistics Indonesia, 70.5 million people or 56.8 percent of Indonesia's total workforce work in the informal sector. Worse, 40 percent of those working in the informal sector – or 28 million people – are underemployed, working less than 35 hours a week. These people deserve the government's attention, and they should be able to access the preemployment card so that they can improve their skills and thus productivity.

However, the concerns about financing this preemployment card, especially when the government promises a stipend for the holders, is equally valid. The Prabowo Subianto-Sandiaga Uno campaign team, for example, warned that this pre-employment card would put an additional financial burden of Rp 7 trillion on the state budget.<sup>24</sup> Aside from the budget, this preemployment card is a potentially good program to address the chronic problem of employment and underemployment.



Source: geotimes.co.id

But we cannot dismiss the fact that this program was announced just two months before the elections. Indonesia's millennials voters are among the growing population and workforce, so the program could be a selling point for the Jokowi-Ma'ruf ticket. However, whether the program would entice unemployed and underemployed voters remains to be seen.

#### 7 highlights of the preemployment card

1. The card will provide vocational training (skilling, upskilling and reskilling) and work competency certificates for job seekers, fresh graduates (with minimum age of 15 years old) or those who have been dismissed from work and looking for better opportunities. These trainings prepare jobseekers to immediately enter the labor market either as an employee or an entrepreneur.
2. The training will include link and match processes directly connected to industry players in order to produce more absorbable workforce.
3. The length of the vocational training is two months, where participants will also receive a work competency certificate.
4. Jobseekers who hold the preemployment card will be given incentive\* until they obtain a job or maximum 12 months long.
5. Jobseekers who have completed their trainings will receive monthly financial incentive (stipend) up to three months after the training completion.
6. Workers who join the training will receive financial incentives during the training process as a substitute to their monthly income.
7. The card aims to produce 2 million ready-to-work workers by 2020.

\*Types of incentive to be confirmed

Source: *Tempo.co*

<sup>24</sup> *Tempo.co*, "Kartu Pra Kerja disebut bebabni keuangan negara, ini kta Jokowi," March 11, 2019.

<https://tinyurl.com/y5lks7x>

## Policy update: Ministerial regulation recognizes app-based motorcycles as public transportation

The Transportation Ministry has issued a regulation on motorcycles used as public transportation, however Ministerial Regulation No. 12/2019 only details rules on safety, while the anticipated regulation on fares will be stipulated in a separate decree.

### Takeaways:

- The transportation ministerial regulation details rules on safety pertaining mostly to ride-hailing motorcycles as public transportation.
- The regulation indirectly differentiates against conventional motorcycle taxis as it only addresses app-based motorcycle taxis.
- The fare calculation is one step backward from the traditional supply and demand fare setting, which benefits both customers and drivers.
- An amendment to the transportation law is needed to legalize motorcycles as public transportation.

The regulation practically recognizes the operation of motorcycles as public transportation, going against the prevailing law on transportation. The regulation will come into effect in the middle of the year as the ministry familiarizes stakeholders with the regulation, which covers four components in the app-based ride-hailing business: safety, partnership, suspension of partnership and fare limitations.<sup>25</sup>

Land Road Director General Budi Setiyadi was quoted by *The Jakarta Post* as saying that a regulation on fares would be issued separately in the form of a ministerial decree, which could be revised every three months, adding that the ministry continued to face difficulties determining the fares because of differing aspirations among drivers and ride-hailing app providers.<sup>26</sup>

Transportation Minister Budi Karya Sumadi said the government's main task was to facilitate the different demands in relation to minimum fares. Driver representative groups want the base fares to be calculated based on the first 3 kilometers, while applicators want fares to be calculated from the first 5 km.

Drivers have demanded the base fare be increased to Rp 3,000 (21 US cents) per kilometer, while providers have insisted on maintaining it at Rp 1,600 per km. The providers also offered an alternative scheme for minimum fares of between Rp 9,000 and Rp 10,000. Meanwhile, Minister Budi Karya Sumadi offered a compromise of Rp 2,400 per km, but no agreement has been reached between the two parties.

| Components of direct costs                                                                                                                                                                 | Component of indirect costs         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Partner's profit, Vehicle depreciation cost, Personal driver's cost, Capital interest fee, Fuel cost, Maintenance and repair cost, Internet and telephone bill, Vehicle tax, Insurance fee | Fees for paying application service |

<sup>25</sup> *CNBC Indonesia*, "Resmi dirilis, ini aturan ojek online terbaru," March 19, 2019. <https://tinyurl.com/y5py67qb>

<sup>26</sup> *The Jakarta Post*, "'Ministry issues ride-hailing app regulation, but delays decision on fares", March 19, 2019. <https://tinyurl.com/y2xr4dr8>

**Insight:** The newly enacted transportation ministerial regulation does not recognize motorcycles as a public transportation mode but rather only recognizes the “informal” use of motorcycles as public transportation by using the term: motorcycle usage for public needs.

The ministerial regulation fundamentally replicates some points of the Public Transportation Law, namely safety, comfort and regularity aspects. The only aspect not covered by the ministerial regulation is the quota and obligation to register motorcycles being used as public transportation.

According to the Public Transportation Law, a public transportation mode is a transportation service with a minimum and maximum price for its operation. Thus, when the Transportation Ministry goes ahead with its plan to set the minimum and maximum fare in a separate decree, it could potentially contravene the Public Transportation Law, which does not recognize motorcycles as a form of public transportation.

Another interesting point of the ministerial regulation is that the regulation does not intentionally differentiate between app-based motorcycle taxis and conventional motorcycle taxis, however the content basically governs the app-based motorcycle taxis. The regulation, for example, governs that motorcycle taxi drivers must wear jackets with reflectors, shoes, gloves and prepare rain jackets – which are generally used by app-based drivers. The regulation also clearly regulates the operation of ride-hailing companies vis-a-vis ride-hailing motorcycle drivers, such as their partnerships and the suspension of their partnerships.

The regulation also sets criteria for a flat fare calculation formula based on direct and indirect costs. This regulation could potentially disadvantage both for drivers and customers. The concept will remove the basic supply and demand concept, currently used by online applicators to determine fares, thus, eliminating the potential for drivers to obtain higher incomes during high demand or the chance for customers to get lower prices than normal during low demand.

Regardless of the good intention of the ministerial regulations to ensure safety for customers, the regulation will not change the status of motorcycle as a non-public transportation mode. To accommodate motorcycles as public transportation, the government should pursue an amendment to the prevailing Public Transportation Law, which does not recognize motorcycles as a public transportation mode.

## Issue update: Mining regulatory revision met with internal objections

**Background:** The government is working on a sixth revision of Government Regulation (PP) No. 23/2010 on the required change of mining contracts of work (PKP2B) into special mining permits (IUPK) to allow the first generation of coal miners to extend their expiring licenses five years before their expiry date, instead of two years as stipulated in the PKP2B.

The change of permits for coal and mineral companies was mandated by Law No. 4/2009 on mining, which requires all coal and mineral companies seeking to continue their operations in the country to convert their contract of work (CoW) into an IUPK. PP no. 23/2010 is the regulation on this.

The six revision follows the fifth revision of PP No. 23/2010 last year, when the government issued PP No. 1/2017 to facilitate the divestment of coal mining company PT Freeport Indonesia by changing its CoW into an IUPK.

The Indonesian Coal Mining Association (APBI) said the unfinished sixth revision of the PP has led coal companies to take a wait and see stance.<sup>27</sup> APBI chairman Pandu Sjahrir argued that the revision should provide stronger business certainty, citing that many companies with permits set to expire had chosen to wait to submit their permit renewals to until after everything was clear on the government's side.<sup>28</sup>

**What we've heard:** According to some sources in the government, Coordinating Economic Minister Darmin Nasution and Energy and Mineral Resources Minister Ignasius Jonan have given their approval to the latest draft revision of the government regulation, however State-Owned Enterprises (SOEs) Minister Rini Soemarno expressed reservations.

An official at the SOEs Ministry said Rini did not want the first generation of coal miners holding PKP2Bs to be able to immediately receive a contract renewal once their permits ended. Rini insisted that the concessions under the first generation PKP2B must be put under the State Reserve Area (WPN) scheme, rather than given back to the existing concession holder.

Under prevailing regulations, concessions under the WPN must first be offered to state-owned companies or companies owned by regional administrations. If no state-owned companies or regional companies take up the concessions, they should be offered to the public through a tender.

The source said Rini had instructed several state-owned mining companies, one of them being coal producer Bukit Asam, to take over coal mining concessions under PKP2B that would expire soon. Bukit Asam has expressed its interest in acquiring the concessions.

Coal mining concessions under first generation PKP2B include those belonging to PT Arutmin Indonesia (that expires in 2020), PT Kaltim Prima Coal (2021) and PT Adaro Energi (2022). They are the firms that are reportedly persistent in lobbying the Energy and Mineral Resources Ministry to obtain a permit renewal.

<sup>27</sup> *Kontan*, "Perusahaan PKP2B yang habis kontrak tunggu aturan perpanjangan beres," Dec. 16, 2018. <https://tinyurl.com/yynphbzz>

<sup>28</sup> *CNBC Indonesia*, "PKP2B Jadi izin, Asosiasi: Produksi batu bara flat di 2019," Dec. 18, 2018. <https://tinyurl.com/yy3l986y>

According to another source, coal producer PT Harum Energy, the CoW of which expired in January 2019, has already obtained a permit renewal albeit the government regulation revision on coal and mineral had not been signed by President Joko “Jokowi” Widodo.

State Secretary Pratikno organized a meeting on March 13 with relevant ministers to discuss the draft government regulation. Darmin and Rini attended the meeting, but Jonan was absent as he was still on an official visit to Japan. Rini then asked Pratikno to halt the revision. An executive at an SOE claimed Rini had made a number of special notes to the draft revision so that President Jokowi would not sign the draft regulation.

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 Prasetiya 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.



**PT Trisaka Wahana Tenggara**

The Jakarta Post Building  
Jl. Palmerah Barat 142-143  
Jakarta 10270

+62 21 5300476/8 ext. 2009

[info@tenggara.id](mailto:info@tenggara.id)

[www.tenggara.id](http://www.tenggara.id)

**Board of Commissioners:**

Jusuf Wanandi, Djisman S. Simandjuntak, Endy M. Bayuni

**Board of Directors:**

Riyadi Suparno, Phillips J. Vermonte,  
Deddi Tedjakumara

**Guarantor:** Riyadi Suparno

**Researchers & Writers:**

Astria Zahra Nabila, Adinova Fauri, Benni Yusriza, Dwi Atmanta, Frans Surdiasis, Stella Kusumawardhani, Lionel Priyadi, Vincent Lingga, Yesaya Christianto, Yessy Rizky

**Disclaimer:**

Tenggara Strategics always aims to use reliable sources in providing our best analysis to our clients, and is not responsible for any errors, inaccuracies and/or viewpoints in the original source material upon which we have based our analysis. The analysis contained in this document is intended exclusively for our clients who have subscribed to this service, and is not for public consumption or dissemination.

Nothing contained herein shall to any extent substitute for the independent investigations and the sound technical and business judgment of the reader. In no event will Tenggara Strategics, including its employees, be liable for any decisions made or actions taken in reference to the information contained in these documents, or for any incidental, consequential, indirect, special or exemplary damages, including damages from loss of profits or opportunities, even if advised of the possibility of such damages.