

Highlights of the week



Fake news permeating Indonesian politics

The circulation of allegations concerning an assault against activist Ratna Sarumpaet demonstrates the severity of fake news phenomenon in Indonesia and how it affects the political processes in the country. As the 2019 general elections are approaching, the spread of fake news might even influence the outcome of the elections.



Vying for the hot seat

Following Sandiaga Uno's vice-presidential candidacy, Gerindra and the Prosperous Justice Party (PKS) have been scrambling for the vacant Jakarta deputy gubernatorial seat. Several politicians from both parties have been touted to fill the position.



Banking sector steadfast against Fed's pressure

The US Federal Reserve's monetary policy resulted in widespread anxiety about rupiah stability and Indonesian financial sector in general. Nevertheless, data from Financial Services Authority (OJK) revealed that the national banking sector is more resilient than we all might think.



SOE's hostile treatment threatens private investor

The government's efforts to boost private sector participation in its national strategic infrastructure projects have faced a setback, following the North Jakarta District Court's controversial ruling on the litigation over the Marunda Port development project between PT Kawasan Berikat Nusantara (KBN) and PT Karya Citra Nusantara (KCN).

POLITICS

Fake news permeating Indonesian politics

Less than 24 hours after Prabowo Subianto, the only challenger in next year's presidential race, took over the case on Oct. 3 of the alleged beating of one of his key supporters, the police called the claim a hoax, providing uncontestable evidence to prove so. Fake news has never had worse publicity. But those who have campaigned against the proliferation of fake news and hate speech should refrain from celebrating. It is unlikely the episode will deter others from spreading hoaxes. They will get smarter and more vicious, especially in the run up to the April elections.

Takeaway: With the rise of the Internet technology, the spread of fake news and hate speech become increasingly uncontrollable. The misinformation about alleged assault against activist Ratna Sarumpaet illustrates how the issues surrounding fake news will persist in the country and hinder the political process, particularly now that the 2019 general elections are approaching.

Background: The rise of social media has facilitated the spread of all types of news, including fake news and hate speech. The conventional media, or however we want to call media outlets that practice journalism, no longer have a monopoly over the national agenda. In the last few years, fake news, with no regards for standard journalistic practices such as verification and fairness, often sets the national agenda, with devastating impacts, including in deciding the winners of elections. Some efforts have been effective in containing the damage, but has not stopped the proliferation of fake news.

Insight: When photos of the black and blue face of Ratna Sarumpaet, a has-been stage performer-turned- activist, were going viral without any explanation, speculation rose that she had been beaten up because of her political activism. The 69-year-old had been a vocal supporter of Prabowo, who is running against incumbent President Joko "Jokowi" Widodo in the April 17 race. She was also a key member of Prabowo's campaign team. Later that evening, a visibly angry Prabowo called a press conference after meeting Ratna to confirm that she had been attacked by an unknown group of people. For good measure, he related this attack to a few other incidents, including harassment of his supporters, essentially saying that his camp had been the victim of attacks and harassments, and that the police were not doing their job.

But within 24 hours, the claim of an attack crumbled. The police traced Ratna's movements using data from her mobile phone obtained from the network operator. The police said she had not been in Bandung on the day she claimed she was attacked. The police said on that day, she had checked into a beauty clinic in Jakarta that offered facial surgery. Later that afternoon, at a tearful press conference, Ratna admitted she had lied and that she had just had plastic surgery. She apologized, saying she had been overcome by the devil. She was arrested the next day on Oct. 5 on a plane as she was about to fly out, apparently to Chile. The police were forced to raise her status from witness to suspect in their criminal investigation, charging her with avoiding police questioning. The police say they also want to question Prabowo and a few others who helped make the fake claims go viral.

A happy end to a fake news saga? Maybe. But Ratna Sarumpaet's story took much of the nation's attention away from the ongoing massive operation to rescue and help victims of the

earthquake and tsunami in Central Sulawesi. As much as we commend the police for calling out the fake news, one could only imagine how much time and resources they had allocated to the case.

Not only that, cases of fake news have had some devastating impacts on the nation's political life.

In the 2014 presidential race, candidate Jokowi saw his insurmountable lead over Prabowo at the start of the campaign dramatically cut short by voting day. The Prabowo camp had deployed a fake news campaign to claim that Jokowi was a Christian (he's Muslim), of Chinese descent with a (fake) birth certificate to show (he's indigenous Javanese) and even a communist (he was only 4 years old when the military-backed Soeharto regime banned and banished the Indonesian Communist Party in 1966). Many voters believed or were starting to have doubts about Jokowi as these claims went viral. Jokowi almost lost the election, winning it by a 5 percent margin.

In the 2017 Jakarta gubernatorial election, then-incumbent Basuki "Ahok" Tjahaja Purnama was the target of a vicious claim of blasphemy against Islam in a campaign waged through social media and the effective use of fake news. The campaign led to massive protests in Jakarta in November and December 2016. Ahok, a Chinese-Christian who had been leading in all surveys, lost the election by a 17 percent margin and got a two-year prison term for the trumped-up charges of blasphemy.

In August, a 43-year-old woman in North Sumatra, a Buddhist and of Chinese descent, was sentenced to jail for blasphemy. The claim of blasphemy gained traction through social media in which her complaint to a local mosque about the loud call to prayer (a complaint that many Muslims also made), was played out as an insult and hence blasphemous. The news of her complaint, in July 2016, went viral, with hundreds of protesters going to her house and nearly razing it. The mob also vandalized and razed seven Buddhist temples in the area.

Fake news has permeated so much into the nation's political life today and will likely continue to do so. There have been several efforts to stop or contain the proliferation of fake news, but the internet is not something that anyone can control.

The Information and Communications Ministry has blocked thousands of websites on various grounds, including pornography, terrorism and purveyance of fake news. Facebook, Google and Twitter – three popular social media platforms in Indonesia – have closed down accounts on grounds of fake news. The police have busted two networks that offer themselves as cyber army services, to help anyone willing to pay their high fees make any story they put out viral, using thousands of fake accounts they create. The Press Council has started a mandatory verification procedure for online media outlets.

These measures, while commendable, are hardly effective, as there are ways around them, courtesy of Internet technology. There are also questions that some of these measures may be trampling on free speech because inevitably some legitimate websites have been closed down. Heading to the April elections, expect more fake news sagas to consume the nation's attention, if not affecting the outcome of political processes.

Vying for the hot seat: The quest for Sandiaga's successor

Sandiaga Uno's decision to contest the 2019 presidential election as the running mate of Prabowo Subianto in early August has left the Jakarta deputy governor post vacant. As the parties that nominated Sandiaga and then-gubernatorial candidate Anies Baswedan in the Jakarta election, the Gerindra Party and the Prosperous Justice Party (PKS) hold the privilege of electing Sandiaga's replacement. Regardless, no agreement has been reached as the two parties refuse to take the middle ground.

Takeaway: Considering that the PKS has relinquished the vice-presidential position to Gerindra's politician Sandiaga Uno, it appears clear that the deputy-gubernatorial seat should go to the PKS. Nevertheless, as the leading authority in Gerindra-PKS coalition, giving the vacant post to the PKS may cause an internal rift among Gerindra members. Meanwhile, appointing the position to another Gerindra's politician may sever the affiliation between Gerindra and the PKS for good.

Background: Being long-time allies does not spare Gerindra and the PKS from internal conflict. After a protracted dispute over the vice-presidential candidate, the two parties now are facing an impasse in assigning the replacement of Sandiaga Uno, who gave up the Jakarta deputy governor post following the announcement of his vice-presidential candidacy.

The PKS perceives that the strategic post rightfully belongs to them after the Islam-based party dropped its quest for the vice presidential nomination to pave the way for Sandiaga, who was a member of Gerindra. The PKS previously asked Prabowo to choose one from the nine nominees that it had proposed. Hence, giving the Jakarta deputy gubernatorial post to another Gerindra politician, according to the PKS, is an excessively selfish act.

Meanwhile, Gerindra refuses to back down without a fight. As stated by the party's executive Riza Patria, although the party understands the PKS' standpoint, Gerindra will respect its members' wish to nominate a fellow Gerindra politician.

To date, no official announcement on Sandiaga's replacement has been made. Regardless, four names, two from Gerindra and two from the PKS, have been rumored as strong contenders for the job.

Insight: Despite the absence of a mutual agreement between Gerindra and the PKS, both parties have each touted two figures to fill the vacant deputy gubernatorial post left by Sandiaga. From Gerindra, the proposed figures are Jakarta City Council deputy speaker Muhammad Taufik and House of Representatives Commission VIII member Rahayu "Sara" Saraswati Djohohadikusumo. The PKS has nominated two names as well, namely losing West Java deputy governor candidate Ahmad Syaikhu and PKS Jakarta executive board secretary Agung Yulianto. All have their pluses and minuses.

In regard to Gerindra's Taufik, his political skills and proficiency in the Jakarta administration indeed have made him a laudable political veteran. Under his leadership, Gerindra's Jakarta chapter reportedly thrives; not only did Taufik play a pivotal role in securing the Jakarta gubernatorial seat for Joko "Jokowi" Widodo and Anies Baswedan in 2012 and 2017 respectively, Gerindra also beat major parties such as Golkar in the race for House seats in the 2014 legislative election.

Vying for the Hot Seat

Sandiaga Uno's possible successors



Cred: kompas.com/Jessi Carina

Muhammad Taufik
Gerindra



Cred: Tempo/Aditia Noviansyah

Rahayu "Sara" Saraswati
Djojohadikusumo
Gerindra



Cred: kompas.com/Anggita Muslimah

Ahmad Syaikh
PKS



Cred: kompas.com/Jessi Carina

Agung Yulianto
PKS

Current: Jakarta City Council deputy speaker

Prior experiences:

- Head of DKI Jakarta General Elections Commission (KPUD)
- Secretary General of Indonesian Maritime Workers Federation (SPMI)

Sentenced to 18 months of imprisonment in 2004 for a corruption case pertaining to logistical procurements in 2004 General Election

Current: Member of House of Representatives (DPR) Commission VII

Prior experience:

- Member of Tunas Indonesia Raya (Tidar) and Christian Indonesian Movement (Gekira), two of Gerindra's wing organizations

Daughter of Hashim Djojohadikusumo, Prabowo Subianto's youngest brother

Current: Member of PKS

Prior experiences:

- Bekasi Deputy Mayor
- Member of West Java Legislative Council (DPRD)
- Member of Bekasi Legislative Council (DPRD)

Earlier this year, ran for West Java deputy gubernatorial seat with gubernatorial candidate Sudrajat, but lost to Ridwan Kamil - Uu Razhanul Ulum

Current: Secretary of PKS Jakarta branch executive board (DPW) and Director of PT Herba Penawar Alwahida Indonesia

Prior experience:

- Auditor of the Development Finance Comptroller (BPKP)

Nevertheless, appointing Taufik may harm Gerindra's integrity and electability because of his checkered past, which includes his conviction in a corruption case. Although the law allows former graft convicts to contest public posts, public resistance against them remains high as evident in the recent debate over the General Elections Commission move to ban corruption convicts from the 2019 race. Parties that nominate former graft convicts, including Gerindra, came under harsh public criticism.

Sara may pose less of a risk to the party's credibility. Being a female politician from a Christian background, she would represent minority groups and earn Gerindra credit in the eyes of progressive voters. Nevertheless, her upbringing can serve as a double-edged sword, as her nomination would result in a backlash from Jakarta's conservative Muslims who helped topple Anies' Christian predecessor, Basuki "Ahok" Tjahaja Purnama. Moreover, being a niece of Prabowo, Sara's candidacy may be perceived as Gerindra's condoning of the practice of political dynasty and nepotism. Furthermore, when compared to Taufik, Sara lacks political credentials. Initially having a thespian career, Sara turned to politics only in 2014. This may paint the young novice as unconvincing, particularly in holding such a central position as deputy governor.

When it comes to the PKS' candidates, Ahmad Syaikhu was the first nominee. His experience as a deputy mayor of Bekasi, West Java, coupled with his success in reaping a considerable number of votes in the 2018 West Java gubernatorial election, proves his competence and popularity. Indeed, in contrast to Gerindra's Sara, Syaikhu's strong conservative stance and Muslim background may enable him to win the support of conservative Muslims.

Agung Yulianto is also a good choice. Considering Sandiaga's impressive trajectory in business and the private sector, Agung's recognized qualification in business is perceived as particularly useful. A businessman himself, Agung's resemblance to Sandiaga convinces the PKS that the figure can work seamlessly with Anies like Sandiaga did. Indeed, it appears that the PKS is aware of the advantages of Agung's considerable business background. Reports on Anies' inaptitude in the business realm have been circulated, stating that the governor is in dire need of an aide who can secure and preserve Jakarta's investment climate.

At the end of the day, Gerindra and the PKS have yet to reach an agreement in choosing one of the above mentioned candidates. Reportedly, the two parties must conclude an agreement fast as working solo has overwhelmed Anies and prevented the governor from working effectively. What makes the appointment of the new Jakarta deputy governor so cumbersome, then? The procedure of selecting Sandiaga's successor is regulated by Law No. 10/2016 Article 176 on regional head appointment, which stipulates that if a deputy governor, deputy regent or deputy mayor resigns from their position, the procedure of appointing their replacement will be conducted through the Regional Legislative Council's (DPRD) mechanism based on the recommendation of the party or parties supporting the resigning deputy. In the case of Sandiaga's replacement, it is clear that the ball is in Gerindra's and PKS' court.

The postponement of the appointment, to a certain extent, might be caused by the fact that the ongoing saga of Sandiaga's replacement has put Prabowo in a difficult predicament. Looking at Prabowo's tumultuous path in picking his vice-presidential candidate for next year's presidential election, it is assumed that the PKS relinquished the candidacy to Gerindra in exchange for the deputy gubernatorial seat. Thus, despite Gerindra's relatively more powerful position in the coalition vis-à-vis the PKS, appointing another Gerindra member to fill the vacant deputy gubernatorial seat may break the camel's back, something that cannot be risked by Prabowo with the presidential election approaching.

What we've heard: To complicate matter even more, Gerindra is divided in regard to Taufik's candidacy. A faction inside Gerindra that strongly endorses Taufik as Sandiaga's replacement reportedly exists despite Prabowo's commitment to giving the Jakarta deputy gubernatorial post to the PKS, as part of a deal Gerindra and the PKS reached to join forces in the 2019 presidential election. Likewise, Sandiaga also allegedly supports Taufik's candidacy, which is reportedly because of Taufik's and Sandiaga's similar dislike for Anies.

Nevertheless, there is another faction as well inside the party which opposes Taufik's candidacy. Those who opposes Taufik's candidacy fears that it may severe Gerindra's relationship with the PKS. Allowing the PKS to secure the job, however, may lead Taufik and his supporters to rebel against Prabowo and create an internal chasm in Gerindra, at a time when Prabowo has to make sure the party machinery works to help him win the presidency.

A source who follows the debate said Prabowo has learned that Anies personally prefers Agung because of his business credentials, making him the perfect replacement for Sandiaga. Anies needs a deputy like Agung in order to perform and keep his bid for a second term in 2022, as well as the presidency in 2024, alive. Anies' preference must be taken into consideration by the Gerindra elite, and particularly by Taufik, who was among those who resisted Prabowo's choice of Anies as his running mate in the 2019 presidential election before the party chief finally picked Sandiaga.

BUSINESS & ECONOMIC POLICY

Indonesian banking sector stable amid pressure from Fed tapering

In an interview with Bloomberg at the 2018 World Bank-International Monetary Fund annual meetings in Bali, Finance Minister Sri Mulyani Indrawati reminded the Federal Reserve and other developed economies' central banks to be mindful of the adverse effects of their monetary policies on emerging economies.¹

Takeaway: The Fed's monetary policy has created great anxiety over the stability of the rupiah and the Indonesian financial sector. Despite the anxiety, Indonesia's banking sector can still manage the adverse effect of Fed tapering.

Background: The Fed has been pursuing monetary policy normalization since September 2014.² Since that time, the rupiah has experienced two episodes of depreciation. One was between September 2014 and September 2015, in which the rupiah slumped from 11,710 to 14,728 to the US dollar.

The second episode is ongoing. Since the beginning of the year, the rupiah has depreciated 12.5 percent, to 15,233 per US dollar on Oct. 9. The current rupiah depreciation has created anxiety over the state of the economy. An analyst from Julius Baer Group Ltd., for example, told Bloomberg that the rupiah may fall further to 15,500 per US dollar in the fourth quarter of this year.³

Bank Indonesia has spent more than Rp 17 billion on stabilizing the rupiah, causing a drop in foreign reserves to a two-year record low at Rp 114.84 billion, but the effect of Bank Indonesia's intervention is likely to be limited.

Insight: With Indonesia being one of the hardest hit economies in Asia, Sri Mulyani worries that the Fed's monetary policy could destabilize the Indonesian economy further through rapid capital outflow. Rapid capital outflow is dangerous not only for the rupiah but also for Indonesia's financial system. The danger of rapid capital outflow on Indonesia's financial system was indicated in a study by Willem Thorbecke from the Research Institute of Economy, Trade and Industry (RIETI) in 2016.⁴

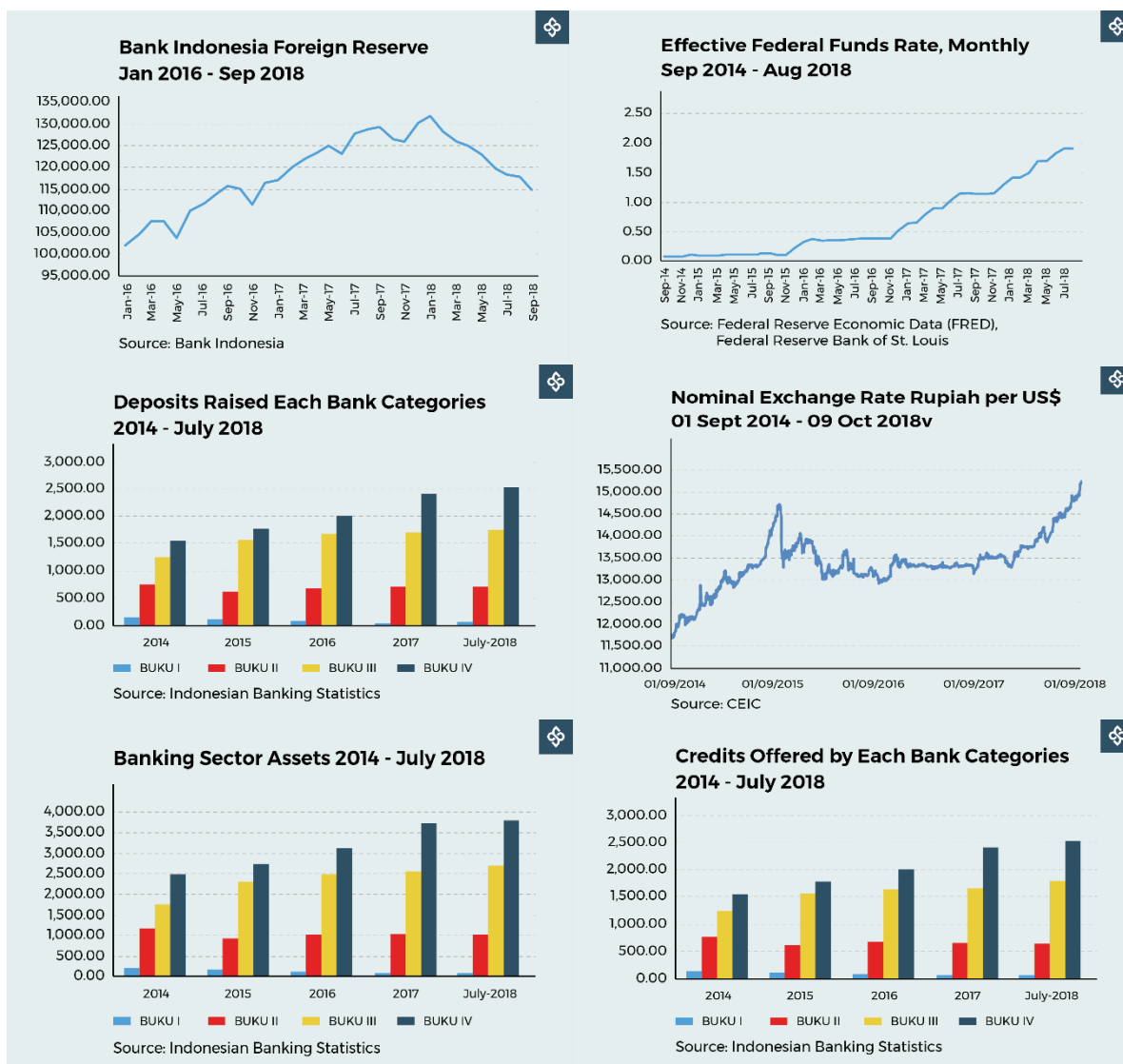
However, the extent of the impact on Indonesia's financial system was not discussed in the study. To understand the impact of Fed tapering, we should look at the Financial Services Authority's (OJK) banking statistics after September 2014.

¹ Bloomberg.com, "Indonesia tells Fed's Powell to be more aware of EM impact." 10 October 2018 <https://tinyurl.com/yayetpcw>

² FederalReserve.gov, "FOMC Communications related to Policy Normalization." <https://tinyurl.com/yd7c3rfe>

³ Bloomberg.com, "Brace for more rupiah pain, top forecaster says." 11 October 2018 <https://tinyurl.com/y8oabfxn>

⁴ Thorbecke, Willem. 2016. "Investigating the Effect of U.S. Monetary Policy Normalization on the ASEAN-4 Economies." RIETI Discussion Paper Series 16-E-070. <https://tinyurl.com/y9kjb9my>



According to the statistics, the number of commercial banks shrank from 119 in 2014 to 105 banks as of July 2018, with most of the losses coming from banks in the BUKU I category – or banks with core capital of less than Rp 1 trillion. Although the number of banks has decreased, the total amount of banking sector assets has grown from Rp 5.6 to Rp 7.6 quadrillion, driven by the growing number of banks in the BUKU III category (with Rp 5 trillion to Rp 29.9 trillion in core capital) from 17 to 26 banks and the remarkable ability of BUKU IV banks (core capital of at least Rp 30 trillion) to generate Rp 1.3 quadrillion in assets.

BUKU IV banks' remarkable ability to generate assets was closely tied to the ability to increase deposits from the public. From 2014 to July 2018, BUKU IV banks raised Rp 1.49 quadrillion in deposits. Holding a large amount of cash, BUKU IV banks were successful in generating Rp 981 trillion in credit in less than four years.

Meanwhile, the number of banks in the BUKU I category decreased from 42 in 2014 to 18 as of July 2018. However, the remaining BUKU I banks maintained average assets of Rp 4.8 trillion, average deposits of Rp 3.7 trillion and Rp 3 trillion to Rp 3.2 trillion worth of loans.

These facts suggest that the effect of Fed tapering on the banking system is still manageable.

Number of Banks, 2014-July 2018

	2014	2015	2016	2017	July 2018
BUKU I	42	34	25	18	18
BUKU II	44	46	50	53	43
BUKU III	17	22	24	26	26
BUKU IV	4	4	4	5	5
Sharia BUKU I	6	5	3	3	3
Sharia BUKU II	6	6	9	9	9
Sharia BUKU III	-	1	1	1	1
Total Banks	119	118	116	115	105

Source: OJK

BUKU I Banks' Average Balance Sheet Positions, 2014-July 2018 (Rp trillion)

	2014	2015	2016	2017	July 2018
Average Assets	4.80	4.55	4.64	4.55	4.82
Average Deposits Raised	3.71	3.47	3.32	3.40	3.78
Average Loans Offered	3.26	3.07	3.16	3.01	3.14

Source: OJK

KBN's hostile 'buyout' puts Marunda Port project in limbo

The government's efforts to boost private sector participation in its national strategic infrastructure projects have faced a setback due to the North Jakarta District Court's controversial ruling on the litigation over the Marunda Port development project between PT Kawasan Berikat Nusantara (KBN) and PT Karya Citra Nusantara (KCN).

Takeaway: The KBN-KCN dispute goes beyond the litigation. Rather, it is a hostile plan to buy out KTU's majority ownership, engineered by the current KBN president director, Sattar Taba. The key question is whether Sattar will be able to obtain the necessary support from KBN's key shareholders: the SOEs Ministry and the Jakarta provincial administration. He had obtained Sandiaga Uno's support prior to his resignation as Jakarta deputy governor; it is likely that he will try his luck with Sandiaga's successor.

Background: The dispute between KBN and KCN over the Marunda Port development project (Marunda C01) has entered a new stage after the North Jakarta District Court ruled in favor of plaintiff KBN in August. In February, KBN filed suit against KCN – KBN's joint venture with PT Karya Teknik Utama (KTU) – as well as KTU for unilaterally annexing part of a zone under KBN administration along the Marunda coastline in North Jakarta.

KBN has demanded that all parties named in its suit, including the Marunda Port Authority (Class V), to pay Rp 1.5 trillion in damages.⁵ The Jakarta administration⁶, as one of KBN's shareholders, has backed the lawsuit.



Hendra Gunawan of KBN's legal team stated that the concession contract – and all derivative licenses and permits – that the Transportation Ministry issued to KCN in 2016 was illegal because it violated Presidential Decree No. 11/1992. He added that the violation would incur Rp 55.8 trillion in state losses.⁷ Former secretary to the State-Owned Enterprises (SOEs) Minister, Muhammad Said Didu, supported Hendra's claim.⁸

Insight: KBN and KTU established KCN in 2005 as the operator and developer of Marunda Port, which is to provide supporting services to the highly congested main port, Tanjung Priok Port, under Transportation Ministry Regulation No. 42/2011. The SOEs Ministry, KBN's majority shareholder, agreed to grant 85 percent of KCN's shares to KTU on the condition that KTU would manage all financing for developing Marunda C01, which comprises three piers (I, II and III) and a loading dock (see the image on next page) along the KBN-administered coastal zone bordering the Cakung Drain to the west and the Titram River (formerly Blencong River) to the east.

On paper, the cooperation appeared to present a win-win business deal for both sides. For the government, the Marunda Port project represented progress in bureaucratic reform, specifically in encouraging private financing for national strategic infrastructure projects. For the private sector, it was a good business opportunity to invest in a public infrastructure project with promising returns and low costs.

An unexpected conflict emerged between KBN and KTU in 2012 following Sattar Taba's appointment as KBN president director. The conflict started with KTU's rejection of KBN's

⁵ Beritasatu.com, "Gugatan konsensi dermaga Marunda digelar PN Jakut." 25 April 2018

<https://tinyurl.com/ybmq89d2>

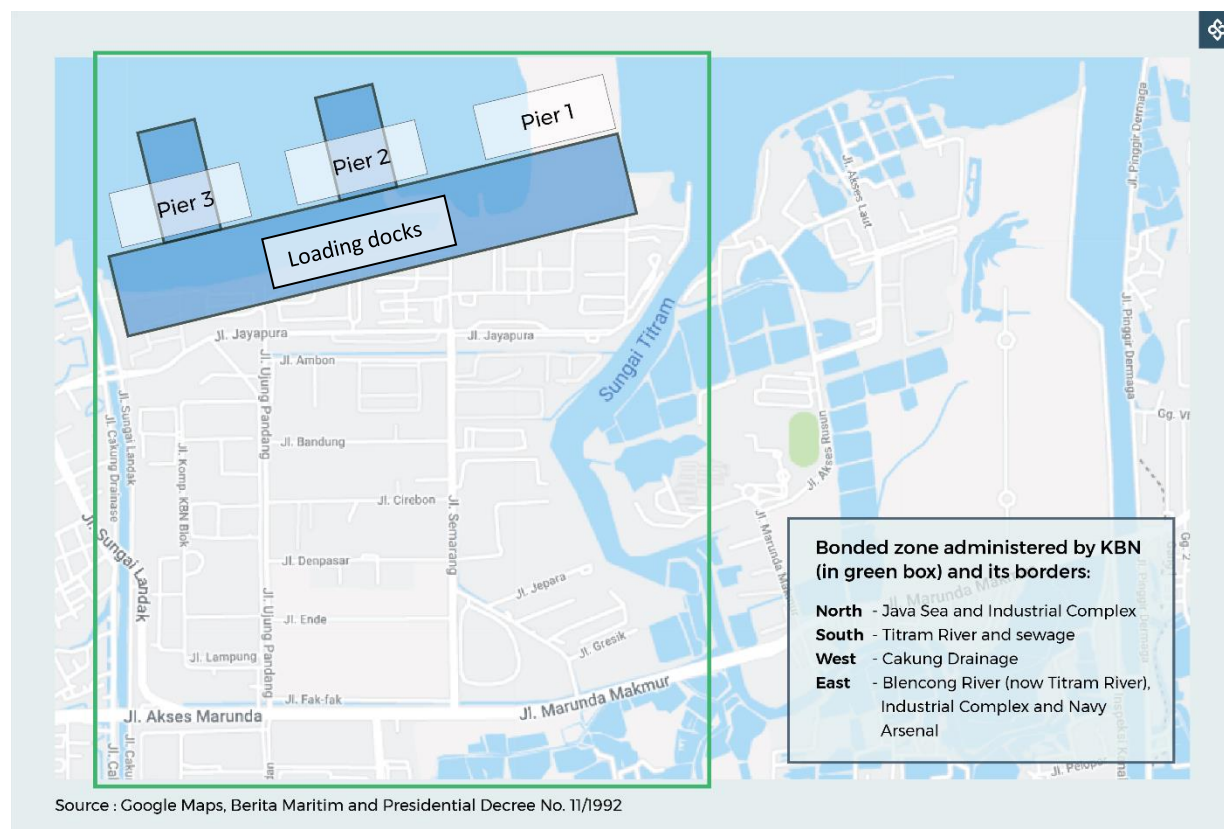
⁶ Kumparan.com, "Sandi sebut asset KBN diserobot pihak ketiga." 5 January 2018 <https://tinyurl.com/y7zuhpdd>

⁷ Indopos.co.id, "Potensi kerugian negara Rp 55.8 triliun." 16 April 2018 <https://tinyurl.com/ycvslznm>

⁸ KBN.co.id, "Said Didu: Karya Citra Nusantara merampok aset negara." 20 July 2018

<https://tinyurl.com/yc6h8j7m>

request to alter the ownership composition of KCN. Under KBN's proposed changes to purchase 50.5 percent of KCN shares, KTU would lose its majority ownership in KCN. KBN responded to KTU's rejection by launching a series of campaigns to disrupt KCN's development projects, including blocking the entrance to the Marunda Port construction site with fire trucks.⁹



Eventually, KTU gave in to Sattar's hardline tactics. In December 2014, KCN held an extraordinary general shareholders meeting (RUPSLB), where KTU agreed to a 50-50 ownership composition under the condition that KBN injected Rp 4 billion in capital advance and Rp 200 billion subsequently.¹⁰

In January 2015, KBN made a second payment of Rp 47 billion.¹¹ All subsequent payments, however, were halted because KBN could not secure approval from the SOEs Ministry and the Jakarta provincial administration to fund the buyout.¹²

Sattar was able to obtain then-Jakarta deputy governor Sandiaga Uno's support for the planned buyout.¹³ However, Sandiaga's decision to resign as deputy governor to run in the 2019 presidential election has derailed Sattar's buyout plans, unless he can obtain the support of Jakarta Governor Anies Baswedan or Sandiaga's successor.

⁹ Berita Maritim, "Aksi sepihak PT KBN terhadap PT KCN." 13 September 2018 <https://tinyurl.com/ya73nxvh>

¹⁰ KBN.co.id, "KCN selenggarakan rapat umum pemegang saham luar biasa." 20 December 2014 <https://tinyurl.com/ybrenkvt>

¹¹ KBN Annual Report 2015 <https://tinyurl.com/y8d54513>

¹² Oceanweek.co.id, "Kemelut KBN-KCN, kegiatan di Marunda masih normal." <https://tinyurl.com/y8boye9o>

¹³ KBN.co.id, "Sandiaga datang ke kementerian BUMN bahas perusahaan patungan." 5 January 2018 <https://tinyurl.com/ycqhwjpo>

Date	Actions
Feb. 11, 2013	- KBN blocked entrance to Marunda Port construction site with fire trucks, halting port development for 4 months - KBN legal reps, Situmeang and Partners, sent letter to KCN ordering a halt to all construction
Feb. 12, 2013	- KBN urged North Jakarta Prosecutor's Office to audit the KTU-SOEs Ministry agreement on KCN ownership; the office found no violations
Apr. 3, 2017	- Minority shareholder KBN sent cessation of operations letter to KCN - KBN urged North Jakarta Prosecutor's Office to reexamine the Transportation Ministry's 70-year concession contract of 2016 (through Marunda Port Authority) to KCN; the office found no violations
Jan. 9, 2018	- KBN prevented 57 cement mixer trucks from entering Marunda C01 area
Jan. 18, 2018	- KBN sent first summonses to KCN
Jan. 23, 2018	- KBN sent second summonses to KCN
Feb. 9, 2018	- KBN requested Corruption Eradication Commission (KPK) to investigate the Transportation Ministry's concession contract to KCN

Source: Videographic, Berita Maritim (<https://tinyurl.com/ya73nxvh>)

What we've heard: PT Karya Teknik Utama's (KTU) board of directors has lobbied several senior officials, ranging from ministers to staff of the presidential office, to help resolve its dispute with partner PT Kawasan Berikat Nusantara over the Marunda Port development. As the winner of the tender to build Marunda Port's three piers, KTU has spent almost Rp 1 trillion to build the 800-meter Pier 1, but claims that KBN has prevented it from completing the project

The Marunda Port development is one of the government's national strategic projects funded by non-state budget financing. The three piers will measure a combined 5,350 meters in length. Prior to the dispute, the project was scheduled for completion in 2020.

KTU sources claim that KBN is hindering the project by forbidding trucks carrying building materials from entering the port compound. KBN has reported KTU to the Corruption Eradication Commission (KPK) for alleged corruption in the concession contract negotiations with the Transportation Ministry.

The problem started after a change of management at KBN. The new management demanded a bigger share in their joint venture company, PT Karya Cipta Nusantara (KCN), which manages Marunda Port. KTU owns 85 percent of KCN and KBN the remaining 15 percent.

KTU paid Rp 445.9 billion for its 85 percent share in KCN, while KBN paid Rp 61.62 billion and Rp 80.02 billion- in-kind in the form of 1,700 meters of coastline.

KBN wanted to increase its ownership in KCN to 50 percent, to which KTU agreed. However, KBN failed to pay the required amount on time, despite the payment deadline being postponed four times. The agreement on the new shareholding was eventually canceled and the shareholding of KCN remained the same: 85 percent owned by KTU and 15 percent by KBN

KBN then requested 50 percent control of the second pier percent and full control of the third pier. KTU rejected the request and reported the case to Coordinating Political, Legal and Security Affairs Minister Wiranto, who issued a written recommendation on Nov. 3, 2017 that KCN control all three piers and continue with the project.

However, Wiranto's recommendation did not change the situation, and KTU failed to continue the development of the piers. KTU then sent two letters to President Joko "Jokowi" Widodo. In the latest letter to Jokowi dated March 6, KTU president director Wardono Asnin demanded an investment guarantee from the President. A month later, KTU sent a letter to Vice President Jusuf Kalla, again asking for an investment guarantee.

KTU went even further by reporting its dispute with KBN to Coordinating Maritime Affairs and Mineral Resources Minister Luhut Pandjaitan, Law and Human Rights Minister Yasonna Laoly and National Police deputy chief Syarifuddin in May.

The dispute has delayed Marunda Port development indefinitely, including a groundbreaking ceremony that President Jokowi was to attend.

1 MONTH
Rp 5 mio / US\$ 350

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TENGGA RA BACKGROUNDER

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