

GENERAL NEWS AND HEADLINES

Government urged to improve coordination (<i>Koran Tempo</i>, headline)	To distribute relief equally and effectively, a number of relevant sides have urged the government to improve its disaster management coordination following earthquakes that hit West Nusa Tenggara (NTB). As of Aug. 24, victims in a number of areas had reportedly not received any relief after three weeks of living in makeshift shelters. NTB Ombudsman chairman Adhar Hakim said coordination among government officials at the regional level was indeed inept, with inefficient task allocation resulting in some areas receiving bountiful relief while others had not received any. Furthermore, relief often piles up in shelters and cannot be distributed due to a lack of access. Many roads and bridges were destroyed following the quakes, making it particularly difficult to distribute relief to remote areas.
Emergency education to start soon (<i>Kompas</i>, headline)	Following a string of earthquakes in NTB, school activities have been suspended since the first quake hit the region on Aug. 5. Many school buildings were destroyed by the quakes and 1,778 classrooms were destroyed beyond repair. The Public Works and Housing Ministry has been assigned to rebuild these schools, yet it is estimated that the reconstruction will take at least one year to finish. Parents hope school activities can commence soon as they will help children recover from the trauma caused by the quakes. A student also said there had been no announcements as to when her school would reopen, and she worried that if suspended too long, she would lag behind in her studies. In addressing this matter, the Education and Culture Ministry has pitched 60 tents to convene emergency school activities, yet the number is deemed inadequate as 754 tents are actually needed to accommodate all students whose school buildings have been destroyed.
Nationwide vaccination program on shaky ground	Following widespread rejection against the measles-rubella (MR) vaccination in a number of regions, the government has yet to take a firm stance. The Home Ministry said regions that rejected the government's vaccination campaign would not be penalized on

(<i>The Jakarta Post</i>, p.1)	account of the absence of a rule. The immunization campaign, which is scheduled to run until Sept. 31 in 28 provinces outside Java, was disrupted earlier this month after several administrations in Riau Islands and Bangka Belitung, which are dominated by Muslims, refused to participate since the vaccines contained porcine gelatin, which is forbidden in Islam. Measles, one of the biggest contributors to infant deaths in Indonesia, is a contagious disease that is caused by the rubella virus, which spreads through coughing and sneezing as well as contact with an infected person's saliva or nasal secretions. Rubella, on the other hand, is caused by the rubella virus and may lead pregnant women to miscarriages or permanent deformities. There is no cure for the rubella virus, making the vaccine the only effective way to counter it.
Parade raises fears over radicalism (<i>The Jakarta Post</i>, p.2)	An Independence Day parade involving a kindergarten administered by the Indonesian Military (TNI) in Probolinggo, East Java, has raised concerns about whether radicalism has taken root within the TNI's ranks. These concerns arose following the spread of photos and videos of Kartika V-69 kindergartners wearing black robes and niqab while carrying cardboard replicas of rifles during a march on Aug. 18. The 0820 Probolinggo Military Command, which oversees the kindergarten along with the TNI's Kartika Jaya Foundation, quickly issued a clarification, yet skepticism remained as to whether the school was instilling radicalism in its students.
Candidates meet administrative requirements (<i>Media Indonesia</i>, p.3)	The General Elections Commission (KPU) announced that all presidential and vice presidential candidate had met every administrative requirement to compete in the upcoming presidential election. President Joko "Jokowi" Widodo – Ma'ruf Amin and Prabowo Subianto – Sandiaga Uno will be officially declared presidential election candidates on Sep. 20. After passing the administrative test, both pairs will now focus on establishing their campaign teams. Jokowi and Ma'ruf have reportedly devised the structure of their team but have yet to appoint a chairman. Meanwhile, Prabowo and Sandiaga have named former Indonesian Military (TNI) commander Djoko Santoso their team's chairman, but have yet to establish the structure of their team. The deadline for the submission of a document detailing the composition of their teams is one day

	before the presidential campaign period commences on Sep. 23.
PKS nominates two names <i>(Republika, p.3)</i>	Following the announcement of his vice presidential candidacy, Sandiaga Uno left his post of Jakarta deputy governor. The Prosperous Justice Party (PKS) has reportedly nominated two figures, namely Mardani Ali Sera and Nurmansjah Lubis, to take up the vacant post. The document stipulating the nomination of these figures was reportedly signed by the head of the Gerindra Party's Jakarta chapter, Muhammad Taufik, yet Taufik said the document was illegitimate as there had been no consensus among parties on Sandiaga's replacement. Taufik also confirmed that Gerindra would nominate him as the new Jakarta deputy governor. Regardless, until Gerindra and the PKS reach an agreement, the seat will remain empty.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

Declining tax shortfall <i>(Bisnis Indonesia, headline; also in Investor Daily, p.1)</i>	The year 2018 is expected to see a smaller tax shortfall at Rp 73.1 trillion (5 percent) as year-to-date realization has reached Rp 760.57 trillion or 53.41 percent of this year's target at Rp 1.42 quadrillion. The tax realization target in 2018 has been set 11 percent higher than last year's Rp 1.28 quadrillion. In 2017, the tax shortfall reached Rp 132.4 trillion, while Rp 1.15 quadrillion in taxes was collected. The improving trend, according to the Taxation Directorate General, is due to successful internal reform and increasing commodity prices, which resulted in a 15.49 percent general tax income increase year-on-year. The growing trend is also visible in value-added import tax (26.8 percent), institutions' income tax (22.24 percent), Article 21 income tax (15.57 percent) and domestic value-added tax (9.44 percent).
Tax refund request soars <i>(Kontan, headline)</i>	Finance Ministerial Regulation No. 39/2018 on tax restitution simplification was successful in attracting business communities as the number of tax restitution requests had increased. Based on Taxation Directorate General data in May and June 2018, tax restitution request surged by 284.5 percent to 1,542 requests year-on-year. At the same time, the value also rose by 124.4 percent to Rp 5.8 trillion from only Rp 2.6 trillion in 2017. Association of Young Indonesian Businesspeople (HIPMI) chairman Ajib

	Hamdani said the new regulation was very practical and useful to improve business cash flow, thus pulling in business interests.
Banking sector performance: big caps save the day <i>(Bisnis Indonesia, p.3)</i>	At a glimpse, first-half banking sector performance showed promising growth with a revenue increase of 12 percent from 2017. However, data from the Financial Services Authority (OJK) revealed that only state-owned banks and big capital banks (over Rp 30 trillion) booked big revenue increases: state-owned banks and private banks scored Rp 35.1 billion and Rp 23.2 billion first-half revenue from the total Rp 70.9 billion recorded revenue.
Syariah finance industry's promising potential <i>(Investor Daily, headline)</i>	Indonesia's sharia finance industry continues to book promising asset growth. Over the last three years, the industry scored 20.7 percent year-on-year growth in 2015, 29.8 percent in 2016, 27 percent in 2017 and 17 percent in the first half of 2018. Financial Services Authority (OJK) deputy commissioner for sharia bank management and permits, Deden Firman Hendarsyah, said the sharia financial industry's assets had reached Rp 1.20 quadrillion, 8.47 percent of the total finance industry's market share by June 2018. The deputy commissioner added that Indonesia's sharia finance industry had lots of potential, given the high number of Muslim residents. Based on Thomson Reuters' Islamic Finance Development 2017, Indonesia ranked seventh among the top 10 Islamic Finance Assets totaling US\$81.84 billion.
Construction sector to see non-performing loan <i>(Kontan, p.1)</i>	The banking sector should be alarmed about the Financial Services Authority's (OJK) data on the construction sector's non-performing loans (NPL), which continue to grow alongside total credit. By June 2018, the OJK recorded that the construction sector's NPL would rise to 4.35 percent from 3.92 percent in the same period last year. OJK banking supervision II deputy commissioner Boedi Armanto said the situation was converging with worsening mining and commodity sectors, which have been struck by various financial challenges, and the players in which are the end-users of construction products. The only chance for NPLs to decline was if there were improvements in the mining and commodity markets as such would result in increased incomes and purchasing power.

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.