

Nov 5 - 2018
J. Post

Wage hike win-win, minister says

JAKARTA: Manpower Minister Hanif Dhakiri has described the adjusted minimum wage for 2019, an 8.03 percent increase from the current figure, as a fair balance between the needs of employers, employees and prospective employees.

The new minimum wage, he said, would be low enough so that employers would not need to fire workers, but high enough to help workers maintain a decent living.

"Workers do not need to hold protests [...] because there will be a guaranteed and significant wage adjustment," he said on Saturday as reported by *kompas.com*.

He added that the wage adjustment would also benefit prospective employees because, by not affecting business activities, it would not lessen their chances for employment.

The wage hike is a follow up of Government Regulation No. 78/2015, which offers a mandatory formula for provincial administrations to calculate a new annual minimum wage based on the predicted inflation and economic growth of the following year.

The government has adjusted the minimum wage by 8.03 percent based on a predicted inflation of 2.88 percent and economic growth of 5.15 percent next year.

Hanif added that as of November, all 34 provinces have announced next year's adjusted minimum wage, although eight had yet to formally report the increase to Manpower Ministry. — *Kompas*

Subdistrict funds for development, Jokowi says

Marchio Irfan Gorbiano
THE JAKARTA POST/JAKARTA

The government has said the allocation of the multi-trillion rupiah subdistrict funds, set to be disbursed next year following the recent approval of the 2019 state budget by the House of Representatives, was intended to boost development in the subdistricts in the same way as village funds.

President Joko "Jokowi" Widodo said the subdistrict funds were primarily for promoting development in those areas.

"The main objective of the village funds and the subdistrict funds is to accelerate the improvement of the people's welfare," said Jokowi during a limited cabinet meeting at the Bogor Palace, West Java, on Friday. "We want the poverty rate in villages and cities to decrease because of the funds, as well as income inequality between villages and cities."

Jokowi added that the idea to allocate the subdistrict funds, which are being disbursed as he is seeking reelection in April, was not new, and that the idea had already been floated "a few years ago" by the Association of Indonesian Municipalities (Apeksi).

Speaking after the meeting, Finance Minister Sri Mulyani Indrawati said Jokowi instructed that the subdistrict funds be directed toward improving infrastructure, particularly in subdistricts that needed such improvements.

She also said the disbursement of the subdistrict funds would not replace the funds allocated to the subdistricts from regional administration budgets.

"The subdistrict funds are not substituting the budget [allowance] for subdistricts allocated by regency or city administrations under the regulations," said Sri Mulyani.

According to Government Regulation No. 17/2018 on district regulation, cities that have no villages need to disburse at least 5 percent from their budget after deducting the special allocation funds (DAK).

The regulation also mandates that regencies with subdistricts and cities with villages allocate funds for the subdistricts at least equal to the smallest village fund disbursed in the respective area.

Sri Mulyani hinted that the subdistrict funds would be transferred to the respective subdistricts on a monthly basis, as the funds were allocated under the general allocation funds (DAU) scheme in the 2019 state budget.

However, she said the Finance Ministry and the Home Ministry would further discuss the disbursement mechanism.

The government has set aside

Critics call fund allocation political as Jokowi is seeking reelection

Govt has allocated Rp 3 trillion for over 8,000 subdistricts

Rp 3 trillion (US\$198.82 million) and Rp 70 trillion for the subdistrict funds and the village funds, respectively, in the 2019 state budget. The latter figure is an increase from Rp 60 trillion allocated in the 2018 state budget.

The subdistrict funds would be disbursed to 8,212 subdistricts in 410 regencies or cities according to the needs of the subdistricts, Sri Mulyani said, adding that the Finance Ministry had defined three categories of subdistricts based on their public services, namely good, medium and lagging.

Critics have said the allocation of subdistrict funds by the central government was political in nature as Jokowi was seeking a second term in the April presidential election.

"The [allocation of] subdistrict funds clearly has a political motive," said Institute for Development of Economics and Finance (Indef) economist Bhima Yudhistira Adhinegara, arguing that the move risked undermining the subdistricts' public service duty, as they would also have to focus on developing their infrastructure following the disbursement of the funds.

Bhima also said there should be studies to measure the inequalities between subdistricts as well as the impact of the subdistrict funds on the economy and public services at a local level.

Regional Autonomy Watch executive director Robert Endi Jaweng said whether or not the decision to disburse the subdistrict funds was political in nature would be seen by the sustainability of the funds in the long run, arguing that sustainable disbursement of the funds over years would dispel such criticism.

He also said the concerns over disparities between funds received by the villages and the subdistricts were valid particularly in the eastern part of Indonesia, where the condition of subdistrict administrations often mirrored their village counterparts.

Robert also emphasized that the funds would give a leg up to subdistricts that needed improvement in their infrastructure and public services.

"Most importantly, the funds should be able to strengthen public services at the subdistrict level [...] and act as a stimulus to boost economic activity [in the subdistricts]," he said.

Content, permit rules curb German firms

Nov-3-20
J. B. S.

Rachmadea Aisyah

THE JAKARTA POST/JAKARTA

Indonesia and Germany, members of the G20 group of major economies, are seeking to improve their business activities through discussions and mutual understanding of ongoing issues and challenges.

The latest discussions between the two countries are taking place within the 16th Asia-Pacific Conference on German Business (APK), which brings together German business actors and policymakers and their counterparts from Asia Pacific countries through a three day-conference from Nov. 1 to 3.

German-Indonesian Chamber of Commerce and Industry (Ekonid) managing director Jan

German businesses concerned about govt regulations

Many German companies medium-sized, specialized operations

Rönnfeld said issues like foreign workers' permits and local content requirements were some of the concerns expressed by German businesses that wanted to branch out to Indonesia.

He said those issues were the most concerning as many German companies were medium-sized firms that specialized in production that required specific skills and materials.

"I understand very well that Indonesia has to increase its val-

ue-added industry so it needs industries that are part of the global supply chain," Rönnfeld told *The Jakarta Post* at the conference. "But there has to be an understanding that even with all the potential in Indonesia, it takes time to develop the market."

The government, therefore, could not expect the companies to produce machines in accordance only with the materials or human resources available in each country in which the companies were operating, he said.

"Indonesia is actually in a good place to attract a lot of these kinds of investments but it is more realistic for a company or production facility to develop a market before they say 'okay, this is the time to invest'," Rönnfeld added, adding that Ekonid was looking forward

to discussing the concerns with the authorities.

Given that this year's APK is taking place in Jakarta, Indonesian stakeholders can use it to showcase their business progress, said Ekonid chairman Prijono Sugiarto.

"As Indonesia happens to be the host for this year's APK, there are more opportunities for German business people to see how much progress Indonesia has made," Prijono told reporters on the sidelines of the event on Friday. "Some of the participants have been to Indonesia but they have not explored the opportunities more deeply."

The two countries recorded total trade worth US\$6 billion last year, Prijono said, which could hopefully be improved through

the conference by putting forward Indonesia's potential and attracting investment from Germany.

However, Indonesia has consistently recorded deficits in its trade balance with Germany since 2013 as a result of the former's high volume of machinery imports.

According to Trade Ministry data, Indonesia's trade deficit amounted to 18.43 percent with Germany between 2013 and 2017 as its total trade fell by almost 5 percent in the same period.

Between January and August this year, meanwhile, the total value of Indonesia and Germany's trade had increased by 16 percent year-on-year (yoy) to \$4.62 billion. However, Indonesia's deficit was strikingly higher, up by 126.5

percent yoy to \$1.04 billion.

Prijono, who is also the president director of diversified business group Astra International, said there were no investment projects from Germany in the pipeline for now, adding that German companies were mostly interested in developing high-tech machinery.

"I believe that instead of having ourselves import their goods, it would be better instead if they had manufacturing [plants] here as it would also help improve our foreign exchange [...] and increase technology transfers to us," he said.

According to the Coordinating Investment Board (BKPM), investment from Germany totaled \$153.3 million from January to September 2018. This was considerably lower than in the same period last year at \$196.2 billion.

Pertamina manages to sell \$1 billion bond offering

Wahyudi Soeriaatmadja
THE STRAITS TIMES/ANN/SINGAPORE

Indonesian state oil company Pertamina has managed to offload its US\$750 million bond offering a week after global market turmoil threatened to derail the sale although demand was far from robust.

Bidders offered to buy more than 1.2 times the amount on offer, according to a banker familiar with the transaction.

The sale comes amid an emerging-markets rout and growing trade tensions between the United States and China that are unnerving global investors.

Pertamina finance director Pahala Mansury said that the bond is on a 6.5 percent coupon rate.

"We are only issuing single tranche, 30-year bonds. The size is \$750 million," he told *The Straits Times* on Nov. 1. Bankers initially had expected Pertamina would sell \$2 billion of bonds by the end of the year.

The banker who spoke on condition of anonymity said the bond

Dollar bond issued amid emerging-markets rout, trade tensions

Funds used for matured debts, capital spending, daily operations

was sold under par, which would consequently give investors an effective yield of more than 6.5 percent.

He added that Pertamina could have sold \$1 billion if it wanted to pay higher borrowing costs.

The Indonesian government's 30-year bonds have a yield of 5.5 percent.

Last week, Pertamina failed to generate enough demand for the bonds due to market volatility in the US.

There were major falls on Wall Street amid concerns about higher interest rates and weaker corporate earnings.

A Pertamina spokesman earlier told *The Straits Times*: "We are waiting for the market to improve."

Pertamina's not-so-smooth bond sale process highlights the challenges faced by Indonesia and other emerging markets in raising funds overseas. Trying to raise debt domestically would likely see limited investor demand.

The banker noted that "demand was there" but when investors are more wary of the risks, "any deal may not be priced".

He added that markets had gradually recovered since then.

Pertamina's bonds have been rated Baa2, or one notch above investment grade, by the Moody's ratings agency. The proceeds will be used to refinance maturing debts, fund capital spending and support daily operations.

The Baa2 rating reflects the "very high likelihood of extraordinary support from the government of Indonesia and very high inter-dependence between the two", Moody's said in a statement recently.

Pertamina is partly shouldering the fuel subsidy burden of the Indonesian government, which wants to keep petrol affordable

ahead of next April's general election, even though crude oil prices are rising.

The cheapest 88 octane fuel in Indonesia sells for Rp 6,550 (40 US cents) a liter, or about half of the costs incurred by the government.

President Joko "Jokowi" Widodo, who is seeking reelection for his second and final term in office has not raised fuel prices at home since 2016.

Meanwhile, Indonesian state mining holding company Inalum is meeting investors in the US this week and London next week to market its \$4 billion bond offering.

It delayed these meetings by a week, again due to uncertain markets. It is raising funds to finance the acquisition of a majority stake in an American company that runs one of the world's largest gold and copper mines in Indonesia's Papua province.

Indonesia's Finance Ministry also plans to offer \$3 billion in bonds to global investors later this year to plug budget deficits as the country boosts infrastructure spending.

Nov 5, 2015
J. Post

Two names emerge to replace Taufik

JAKARTA: The National Mandate Party (PAN) has narrowed down its list of candidates to replace graft suspect Taufik Kurniawan as House of Representative deputy speaker to two party members, according to PAN politician Dradjad Wibowo.

"We haven't [formally] discussed Taufik's position at the House. But Mulfachri Harahap and Hanafi Rais have been mentioned [as his replacement] in informal conversations," Dradjad said recently as quoted by *kompas.com*.

Dradjad was referring to Mulfachri, PAN's faction leader at the House, and Hanafi, the deputy chairman of the House's Commission I overseeing defense, who is also the son of PAN chief patron Amien Rais.

Both Mulfachri and Hanafi are PAN's deputy chairmen, like Taufik, who was detained by the Corruption Eradication Commission (KPK) on Friday after being named a suspect in a bribery case linked to special allocation funds (DAK) for Central Java's Kebumen regency in the revised 2016 state budget.

PAN secretary-general Eddy Soeparno said the party had yet to decide on a replacement for Taufik and it continued to search for the right person fit for the job.

"Of course [we need] those who have experience and [a good] track record [...]; who are well known by House members and have demonstrated a commitment to the party and the coalition," Eddy said on Sunday.

PAN was a member of the ruling coalition but decided to defect shortly before the registration deadline of the 2019 presidential election by announcing its support for President Joko "Jokowi" Widodo's rival Prabowo Subianto. — *JP*

Logistics players face rising demand for faster deliveries

Riza Roidila Mufti

THE JAKARTA POST/JAKARTA

As competition tightens, logistics companies and digital app-based companies are facing a new challenge with consumers demanding faster delivery times.

As a frequent online shopper, 26-year-old South Jakarta resident Kinara Imananda Putri gives preference to companies that provide the fastest delivery services. In this case, she favors services that are able to provide same-day delivery, or at least, within two days.

"I am an impatient buyer who wants to use the items I buy online as soon as possible because I only buy when I need them," she told *The Jakarta Post* recently, adding that she did not mind paying more as long as the goods she bought arrived promptly.

For same-day delivery services within Greater Jakarta, Kinara chooses Go-Send and GrabExpress, delivery features provided by ride-hailing app companies Go-Jek and Grab, respectively. For outside Jakarta, Kinara chooses logistics firm JNE Express for same-day delivery, or J&T for delivery within two days.

Kinara is just one of the growing number of Indonesian consumers demanding faster logistics services, as reflected in the latest consumer insight report from global consulting firm PricewaterhouseCoopers (PwC).

The report shows that the ma-

51 percent of online shoppers in Indonesia choose same-day delivery services, PwC survey finds

Conventional logistics firms face tough competition from rise of ride-hailing app companies

majority of online shoppers, 51 percent, choose same-day delivery services. It also found that 74 percent of respondents were willing to pay more for same-day delivery, outranking other delivery service features, such as delivery tracking and free return shipping.

"In Indonesia, same-day delivery is very important for retailers to offer. In terms of same-day delivery, people do not care whether their package arrives within an hour, two hours, or longer, as long as it is on the same day," said PwC's advisory partner Sharly Rungkat recently.

Sharly said that, with the high demand for faster delivery services, online retailers and parcel service providers faced the challenge of increasing their delivery speeds.

The existence of new online and app-based courier companies, which offer same-day and instant delivery services, such as Go-Send and GrabExpress, posed a considerable threat to existing

logistic players, Sharly said.

"Although the existing players are growing very healthy as a result of the rise of e-commerce, they also still face tough challenges because of emerging delivery startups. Thus, conventional company players also need to invest in new technology to keep pace with emerging market trends and demand," she said.

According to PwC, Indonesia's delivery service revenue grew by 40 percent from 2015 to 2016. PwC data show that e-commerce contributes up to 25 percent of total revenue in the delivery sector.

Joseph, chief financial officer of courier service and logistics company PT Tiki Jalur Nugraha Ekakurir (JNE), said that the same-day delivery model was not originally designed for an express company like JNE. However, he acknowledged that the company was eyeing the market.

"As the market evolves, same-day delivery has become more important especially for intra-city deliveries," he said. "E-commerce is offering a lot of perishable products like food that have to be delivered on the same day, so I think the challenge we are facing is not to change the model itself but how we can do direct delivery."

Unlike Go-send and Grab Express, which have point-to-point models, JNE has a hub-and-spoke model where the couriers deliver from multiple points to multiple destinations.

To provide a faster delivery service and, if possible, a direct delivery service, JNE is currently establishing an automated mega hub, also called the automatic sorting center, to increase JNE's capacity to sort packages. With faster sorting, the company could, therefore, deliver packages faster.

"If we can apply a new technology whereby the hub will eliminate the sorting activities in each smaller hub then we can do faster delivery," said Joseph.

Currently, JNE serves approximately 20 million package deliveries every month. Parcel deliveries from purchases made through e-commerce platforms contribute around 60 percent of JNE's total package deliveries.

Meanwhile, Go-Jek's head of logistics Junaidi said that, at the moment, there were more than 55 e-commerce firms in Indonesia that had partnered with Go-Jek for Gosend, with the most transported goods being food, clothes and documents.

Go-Jek has two types of delivery service — instant and same-day — with the former allowing for four-hour delivery time, while same-day requires eight hours.

"Through the partnership with e-commerce partners, there are more than 203,000 merchants who use Go-Send to transport their products [...] From the overall goods transported using Go-Send, 35 percent are contributed by e-commerce," he said.