

# OJK predicts 13 percent loan growth next year

**Winy Tang**

THE JAKARTA POST/ JAKARTA

The Financial Services Authority (OJK) has forecast an improvement in the growth of credit and third party funds in the banking sector next year, in line with a reduction in non-performing loans (NPL).

The regulator has based its predictions on satisfying banking performances toward the end of year, along with the expectation that the United States Federal Reserve will dial back plans for future rate hikes in 2019, amid a slowdown in the global economy.

As is often the case in December, many companies have taken out loans to pay taxes, pay salaries and bonuses for employees and other purposes, which is expected to drive up credit growth.

"Credit growth was quite high this year, it was 13.3 percent in Oc-

tober and 12.05 percent in November," Wimboh Santoso, OJK chairman, said recently, adding that toward year-end, loan growth may stand at around 13 percent.

Heru Kristiyana, of the OJK's banking supervisory division, said based on corporate business plans the banks have submitted to the OJK, many have displayed optimism about double-digit credit growth for 2019:

"Most banks project good credit growth, better than the previous year. I am still optimistic in the midst of existing challenges, that next year's credit growth will reach between 12 and 13 percent," he said.

Besides being optimistic about strong loan disbursement in the banking sector, the OJK has also forecast that third party funds could grow by at least 11 percent in 2019, despite the fact that this

year's funds growth had slowed down and bank liquidity had tightened.

As of November, the OJK recorded that banks' third party funds only grew by 7.19 percent, while loans increased significantly by around 12 percent.

The OJK said banks would work on optimizing their digital channels to ensure higher third party funds next year.

Aside from digitalization, banks will also benefit from the implementation of the government regulation that requires exporters to repatriate their export earnings and put them in domestic banks.

Furthermore, the OJK predicts that the gross NPL ratio in 2019 will decline to 2.2 percent from 2.6 percent in November this year, because some banks have undertaken loan restructuring

processes.

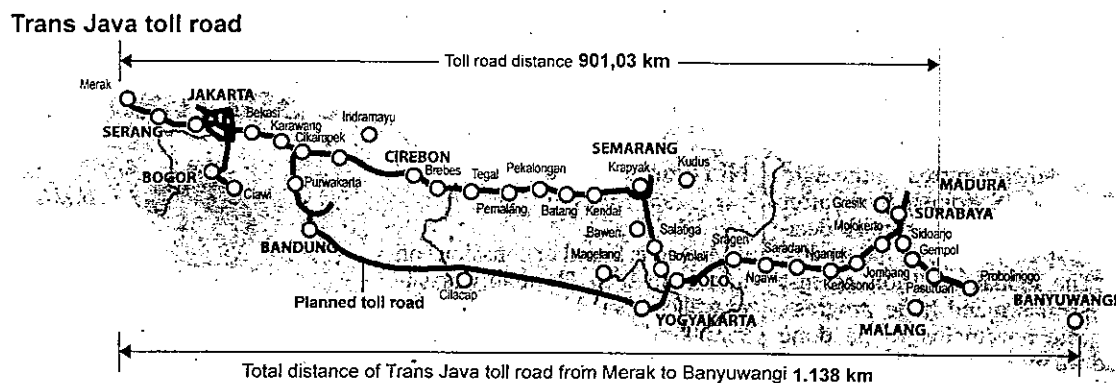
"Some banks have restructured their NPLs from 2014-2016, so their NPL ratios are relatively 'clean' now. Thus, next year the NPL ratios will decline compared with this year," Wimboh said.

The OJK also reiterated its call on banks to consolidate either by acquisitions, merger or other corporate actions, in order to make banks in Indonesia stronger, and also so that they can be more easily supervised by the authority.

On Wednesday, the regulator gave an assurance that the merger between Bank Tabungan Pensiunan Negara (BTPN) and Bank Sumitomo Mitsui Indonesia (SMBCI) will take place soon.

"The OJK has agreed [the merger, plan]. The process now is just waiting for the approval from the Financial Service Agency in Japan," Heru said.

# New highway unites Java



## Marguerite Afra Sapiie and Suherdjoko

THE JAKARTA POST/SEMARANG, CENTRAL JAVA

President Joko "Jokowi" Widodo inaugurated seven toll road sections on Thursday, which completed a highway network that now connects West and East Java, a project that has been four decades in the making.

With the inauguration, Merak Port in Cilegon, Banten, is now officially connected to Pasuruan, East Java, thus extending the road to 993 kilometers, connecting major cities from Jakarta to Surabaya.

Holidaymakers who are hitting the road for the Christmas and New Year holiday this weekend will have more options — to travel on regular or toll roads.

"This is a new history for Indonesian transportation," Jokowi said during the inauguration.

"Starting today [...] the toll road between Jakarta and Surabaya is already connected and can be used by the public."

He added that the toll roads would improve the movement of goods as the government was also aiming to integrate the toll roads with industrial areas, special economic zones and tourist sites in the surrounding areas.

The government has been trying to build the trans-Java toll

## Government connects Jakarta to Surabaya via toll road

Jokowi admits building large, long-delayed projects strategy to win voters' hearts

road since 1978.

The projects have long been delayed due to land acquisition problems, bureaucracy and ever-changing developers.

The Jokowi administration completed the construction of a 616-km section of the road between 2015 and 2018, which added to the 242 km built between 1978 and 2004, as well as the 75 km constructed between 2005 and 2014.

The government is aiming to complete the remaining 217-km toll road connecting Pasuruan to Banyuwangi, the eastern regency of East Java that lies across from Bali, by 2021.

On Thursday, Jokowi and his entourage also rode a bus from Surabaya to Kendal, Central Java, on the 349-km toll road.

The President made two stops to inaugurate the new road sections, which comprise four in East Java and three in Central Java.

The four in East Java comprise Wilangan-Kertosono, Pasuruan-Grati, Porong-Gempol Reloca-

tion and Bandar-Kertosono toll roads, totaling 59 km, while the three in Central Java are Pematang-Batang, Batang-Semarang and Salatiga-Kartasura toll roads, which total 142 km.

"We will continue to push for investment in the industrial areas, both for existing and new industries, which we hope will create more employment opportunities," Jokowi said.

Public Works and Housing Minister Basuki Hadimuljono said the seven new toll road sections would be fully operational for the Christmas and New Year holiday.

"The fees are still pinned at zero rupiah until January," he added.

Infrastructure development has been a key issue in Jokowi's presidential campaign ahead of the election on April 17 and his

administration's achievements have been heavily promoted by his supporters.

Jokowi himself admitted that the large road projects, along with the construction of airports and seaports, that he had been pushing for was part of his strategy to realize campaign pledges and win the hearts of voters.

Aside from realizing the trans-Java project, he has also pushed for the completion of the MRT, which has been on the drawing board for more than two decades, in Jakarta by next year.

Central Java is regarded as the stronghold of the Indonesian Democratic Party of Struggle (PDI-P), which backed Jokowi's presidency and reelection bid.

East Java, meanwhile, is widely considered the traditional base of Islamic mass organization

Nahdlatul Ulama (NU), of which Jokowi's running mate, Ma'ruf Amin, is a senior figure.

Central Java Governor Ganjar Pranowo said the Semarang-Surakarta toll road would ease the commute for residents, cutting traveling time to only 90 minutes compared to three hours on regular roads.

He added that he would make sure fuel supplies would be available to travelers who use the toll road during the holidays.

Transportation Minister Budi Karya Sumadi said the government would review toll fees, adding that the current fees were not expensive when taking into account that a car usually comprised up to four travelers.

"We will look into whether the fees can still support our situation," he said.

# Bleak 2019 for renewable energy, experts say

**Stefanno Reinard Sulaiman**

THE JAKARTA POST/JAKARTA

A year without any meaningful accommodative policies, coupled with uncertainty in the investment climate during the presidential election will only put Indonesia's renewable energy development in a bleaker situation next year, a local energy think tank has warned.

The Institute for Essential Services Reform (IESR) in its report titled *Indonesia Clean Energy Outlook: Reviewing 2018, Out-looking 2019* noted that the year of politics would only put renewable energy on the backburner.

"The [presidential] election is coming and energy prices are a

central campaign issue, thus it's very likely that the government will attempt to keep electricity prices low [...] This means renewable energy [purchase] rates will be set lower to subsidize [state-owned electricity company] PLN's existing generation costs," the IESR noted in its report.

Indonesian Private Electricity Plants Association (APLSI) spokesperson Rizal Calvary concurred with the IESR, saying that the election year would put investors in wait-and-see mode.

"All investors, not just in the energy sector, will opt for a wait-and-see stance during the year of politics. However it shouldn't be a concern if the existing regulations

are accommodative, especially on electricity rates [for renewable energy]," he told *The Jakarta Post* on Wednesday.

The IESR further stated that foreign investors will halt investment in renewable energy until the outcome of the election and the subsequent policy direction of the new cabinet is established in October 2019. Thus, most investments would only be made by state-owned enterprises.

Data from the Energy and Mineral Resources Ministry shows that as of September, investment in renewable energy stood at US\$1.16 billion, or 57.7 percent of its full-year target of \$2.01 billion.

The IESR noted there were six

key barriers that will continue to hamper renewable energy development in Indonesia, namely the quality of the regulatory framework, consistency of policy implementation, PLN's internal procurement processes, access to cheap finance, grid capacity and lack of bankable projects.

"It has worsened in the past two years because existing policies and regulations are in favor of PLN's interests and therefore fail to mobilize private investment. Hence investment in renewable energy has seen a steady decline since 2015," IESR executive director Fabby Tumiwa said.

The report also claimed that Energy and Mineral Resources Min-

isterial Regulation No. 50/2017 on the use of renewable energy sources had a tendency to "keep the [procurement] process internal and non-transparent to the public or relevant stakeholders".

One of the articles in the regulation seen by private electricity producers as an obstacle is the build-own-operate-transfer scheme, in which assets will become state assets after a sales and purchase contract ends.

Rida Mulyana, the ministry's director general for renewable energy, acknowledged that the regulation had been one of the reasons why investment grew at a snail's pace in the renewable sector.

Rizal also pointed out another

obstacle in the regulation, namely the price cap on electricity from renewable resources at a maximum of 85 percent of the electricity supply cost, which has caused a number of power purchase agreements (PPAs) to fail in attracting funding.

There were 70 PPAs for renewable energy projects that the government inked last year in which PLN would purchase from once the projects start generating electricity, said the APLSI spokesperson.

However as of November, only 33 projects had passed financial close. The remaining faced difficulties in obtaining funding while one has been terminated, according to data from PLN.

# Jakarta takes first steps to clean up garbage

The Jakarta Post

JAKARTA

Waste disposal is one of the biggest problems faced by Jakarta. Having been fully reliant on neighboring satellite city Bekasi in West Java to dump waste, Jakarta is now taking a step toward independently managing its own piles of garbage.

Jakarta Governor Anies Baswedan broke the ground on the city's first, but long delayed Rp 3.6 trillion (US\$250 million) incinerator project, the Intermediate Treatment Facility (ITF), on a city-owned site in Sunter, North Jakarta, on Thursday.

Helmed by a joint venture between city-owned developer PT Jakarta Propertindo (Jakpro) and Finnish energy company Fortum, the facility is expected to turn 2,200 tons of waste into 35 megawatts of electricity per hour by means of waste-to-energy (W2E) technology.

The technology — claimed to be environmentally friendly and in line with the European Union's industrial emissions directive — will turn 80 to 90 percent of the waste into energy. The energy will be sold to state electricity company PLN.

"As for the funding of the project, we have received loans from the World Bank through the International Finance Corporation [IFC], which we signed during the World Bank conference in Bali," Jakpro president director Dwi Wahyu Darwoto said while confirming that only a small portion of the project's funding was allocated from the city budget.

The decision on whether tipping fees paid by people disposing



JPI/Ardila Syakriah

**Trash talk:** Jakarta-owned developer PT Jakarta Propertindo president director Dwi Wahyu Darwoto (*second right*) points at the design of the waste-to-energy technology used in the city's first incinerator project Intermediate Treatment Facility (ITF), as Jakarta Governor Anies Baswedan (*right*) looks on during the groundbreaking ceremony in Jakarta on Thursday.

Jakarta administration breaks ground on waste-to-energy plant in Sunter

Governor hopes facility will lead to Jakarta independently managing waste

of their garbage will be charged by the facility is still under discussion and will eventually be added to the 2019 draft bylaws. With fees, the city administration will not have to rely solely on the city budget to cover the loans.

The construction of the facility will commence once the building permit is issued. It is expected to be completed in three years, Dwi said.

However, Anies expressed the hope that the construction could be completed in two and a half

years. "I have asked for the construction to be accelerated, as we have set 2021 as the deadline."

The facility will manage around a quarter of the city's waste as the sprawling capital produces nearly 8,000 tons per day.

The administration is up against time as the Bantar Gebang dump in Bekasi — where the city has been disposing of its waste since the 1980s — is expected to have reached its maximum capacity of 49 million tons of garbage by 2021.

Jakarta's decades-long dependence on Bekasi has often led to disputes between the two administrations, with the latest being a disagreement in October over a grant that the former would provide to the latter to accommodate its waste at the Bantar Gebang dump site.

Bekasi had initially proposed a hefty grant of Rp 2.09 trillion from Jakarta to fund the con-

struction of two overpasses to accommodate garbage trucks coming in from the capital to the dump. The proposal was rejected by Jakarta, leading to prolonged talks between the administrations. The dispute ended with Bekasi revising down its grant proposal to Rp 545 billion.

Anies emphasized that the ITF would function to reduce Jakarta's dependence on its neighbor for waste management. The facility in Sunter is among the four waste-based power plants the Jakarta administration has planned to build since 2011, which include three other locations in the city — Marunda in North Jakarta, Cakung in East Jakarta and Duri Kosambi in West Jakarta.

Regarding the construction of the three other facilities, Anies declined to elaborate further saying they were still being discussed.

"Hopefully by processing all the waste produced in the city, we will no longer need to dispose of it outside [the city]. We need to process the waste into energy or other products, instead of just hoarding it until it piles up," he said.

Bandung Institute of Technology waste management expert Enri Damanhuri urged the city to expedite the building the three other facilities to help with the chronic waste issues, although he acknowledged that a lack of available land could hinder the project's progress.

"Aside from building these facilities, the administration should also focus on promoting a green lifestyle among its citizens to reduce the city's massive amount of waste," he concluded. (ars)

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## Hyundai to invest \$880m in Indonesia

JAKARTA: Hyundai Motor Co. has committed to invest around US\$880 million in Indonesia and will open a car plant in the country, Industry Ministry's director general, Harjanto, said on Thursday.

The motor plant will have a capacity of around 250,000 units and would in part be used to build electric vehicles, Harjanto told Reuters, adding Hyundai was currently searching for an appropriate location.

He noted the plant would be focused at 53 percent for exports and 47 percent for the domestic market, mostly for Southeast Asian countries and Australia. — *Reuters*