

Incentives planned for investment products

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The government plans to launch a financial deepening program comprising tax incentives for several investment instruments to attract more long-term investors and increase activity in the country's capital market.

The incentives will be available for collective investment instruments, such as infrastructure funds (DINFRA), asset-backed securities (KIK-EBA) and limited participation mutual funds (RDPT).

The tax authority had completed talks on income tax incentives for long-term investors who invested or planned to invest in either of these instruments, said Finance Ministry Tax director general Robert Pakpahan in Jakarta recently.

Rofyanto Kurniawan, head of the Center of State Revenue Policy at the ministry's Fiscal Policy Agency (BKF), confirmed Robert's statement, saying that his agency and other related governmental bodies had finished discussing the plan.

"The regulation is being processed by the Law and Human Rights Ministry," he told *The Jakarta Post* via text message, adding that it would hopefully be issued in the first half of this year.

He, however, refused to go into detail on the regulation.

The tax incentive has been much anticipated among capital market industry players. The Indonesian Investment Manager Association (AMII), for example, has been waiting for good news but its chairman Edward Lubis said he had no knowledge of the regulation.

"We hope it can provide equal tax treatment for all collective investment instruments and can simplify the taxation scheme as we requested," he told the *Post* on Friday.

Edward said the request was based on the fact each instrument was regulated by different regulations and had different tax rates.

For example, DINFRA, the regulation for which was issued in 2017 by the Financial Services Authority (OJK), did not even have a dedicated tax regulation as the tax authority had already imposed a bond income tax on investors.

On the other hand, Edward said a limited participation fund was even charged double taxation. It was feared these different taxation schemes would discourage investors from investing in those instruments, he said.

Anil Kumar, a fixed income analyst at Ashmore Asset Management Indonesia, said that tax incentives might be a good way to attract long-term investors to the country, but that the govern-

Incentives planned for collective investment instruments: Tax authority

Capital market products still regulated by different regulations, tax rates

ment should also be wary of the consequences of increased use of these alternative investment instruments.

"The incentive might prompt investors to move their money to these collective instruments, but it could create an imbalance with other investment instruments," he said.

He said the imbalance could result in some instruments becoming less liquid and could impact the market. He advised the government to conduct a thorough assessment of the possible impacts of the incentive.

Other than devising a new rule on collective investment income tax, the government is also discussing a tax incentive scheme for bond investors to deepen Indonesia's bond market. Unfortunately, discussions seem to have moved at a snail's pace in the past few years.

BKF head Suahasil Nazara said the obstacle remained the technicalities of creating the scheme, as different tax rates were applied to different investors.

For example, he said, a zero percent income tax rate applied to pension funds, while a 5 percent rate was charged on asset managers. This had led the BKF to question what the best scheme would be for investors, he said.

"We still want to apply fair rates to every investor depending on their needs," he said.

Edward said the AMII would support the government's plan for an income tax incentive for bonds, as long as the rate was competitive and a lower rate was applied for asset managers, as this could encourage investment in mutual funds.

Another obstacle, Suahasil said, was whether the incentive would be applied to government bonds or corporate bonds.

"We still have to discuss this in detail because we don't want this incentive to trigger a shift of funds from time deposits to bonds, instead of deepening the financial market," he said.

Meanwhile, Anil suggested that authorities develop an electronic trading platform for the secondary bond market to create a transparent environment that would enable direct bond trading between asset managers.

"This could make the secondary market more active, which could also help deepen our financial market," the Ashmore analyst said.

Drug policy upsets pharma companies

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THE JAKARTA POST/JAKARTA

Pharmaceutical companies say they are disappointed by the government's decision to stop covering the costs of drugs used for colorectal cancer therapy by the national health insurance (JKN) scheme, saying that it will hurt their business and also sacrifice cancer patients.

The Health Ministry recently removed bevacizumab and cetuximab from coverage in the latest issuance of the national formulary, which lists drugs that can be procured and covered by the JKN, on the grounds that they had limited effectiveness for treating patients while they cost a lot of money.

Evie Yulin, the biopharma director of PT Merck, a subsidiary of the German pharmaceutical company Merck that produces cetuximab, said that although the company respected the government's decision, it regretted that the ministry did not involve the industry in the discussion before issuing such an important policy.

She said cetuximab's participation in JKN as part of the therapy for colon cancer contributed 50 percent of Merck's cancer drug business the country.

"We hope that we get the opportunity to provide insight to the government and relevant parties regarding the provision of alternative

Merck said cancer drug removal from JKN coverage would affect business

Roche said cancer drug would never be cost effective even if provided free of charge

methods of financing and the selection of target patients so that cancer patients can have their right to get affordable treatment," Evie told *The Jakarta Post* on Wednesday.

The company received a permit to distribute cetuximab from the Food and Drug Monitoring Agency (BPOM) in 2007 and it has since been used for targeted therapy in colorectal cancer treatment.

The ministry and the Health Care and Social Security Agency (BPJS Kesehatan) have started to cut back drug coverage and treatments in the past year in their efforts to cut the perpetual deficit experienced by the state insurance, which was estimated to surpass Rp 10 trillion (US\$710.8 million) in 2018.

The state insurer reported that it had to pay almost Rp 3 trillion only for claims related to cancer drug treatments last year, which was the second largest amount after that for treatments for cardiovascular treatments, which was Rp 9.4 trillion.

Last year, the state insurer had tried to remove coverage for trastuzumab, a breast cancer drug, but the ministry ordered the agency to resume it after a patient filed a lawsuit.

The latest decision to delist another two cancer drugs, which is to be effective on March 1, was based on the ministry's Health Technology Assessment (HTA) that found the drugs to be less cost effective. The BPJS Kesehatan has suggested patients use alternatives of the drugs available in the national formulary.

Ait-Allah Mejri, the president director of PT Roche Indonesia, a subsidiary of a Swiss pharmaceutical company, Roche, which produces trastuzumab and bevacizumab, said the company was "very disappointed" with the decision that had failed "to safeguard the interests of patients".

He also questioned the HTA results that concluded they failed to meet the needs of cancer patients.

"Even if bevacizumab was provided free of charge, chemotherapy treatment alone would not achieve the cost-effectiveness threshold that is currently in place. [...] While we understand the pressure around budgets, it is ultimately patients who suffer. We remain firmly committed to work together with all parties to make bevacizumab available in Indonesia," Mejri said.

Roche attained a permit to distribute bevacizumab in 2006 and the drug had been covered by the now defunct state-owned health insurance firm PT Askes in 2008 and later by the JKN.

The head of a health insurance policy working group at the National Team for the Acceleration of Poverty Alleviation, Prastuti Soewondo, said it was normal for the companies to resist the new regulation as it makes them lose their markets.

However, Prastuti said he believed that the nation was currently fixing the health care system and removing or adding medicine to the national formulary to achieve the rational use of medicine.

"The mistake we made from the beginning was we had these benefit packages that were too comprehensive and beyond our ability to cover with the relatively small premium contributions. We also did not consider cost effectiveness and fiscal reliability when compiling the drug items in the national formulary, but we are fixing it now," she said.

Prastuti also said that the ministry had carried out the HTA carefully before issuing the national formulary.

"I have to make it clear that these two medicines, bevacizumab and cetuximab, are not cost effective, so the issue here is not about the budget," she said.

Mining accident tip of iceberg

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THE JAKARTA POST/JAKARTA

A mining accident that has killed seven miners and trapped at least 33 others at an unauthorized gold mine in Bolaang Mongondow regency, North Sulawesi, is merely the tip of the iceberg of rampant unlicensed mining practices across the country.

On Tuesday evening, a landslide occurred in Bakan village, located around five hours' drive from the provincial capital of Manado, when the mine's supporting beams and planks collapsed as a result of unstable soil. The incident initially trapped around 60 workers.

The Energy and Mineral Resources Ministry was the first to confirm the status of the mining site, calling the mine "illegal". This was later echoed by gold mining company PT J Resources Asia Pasifik, which also confirmed that the accident had occurred on a land plot within their concession area.

"The unauthorized mining site is located outside our company operations site, and the land is still owned by individuals," company director Edi Permadi said in a statement on Wednesday, adding that the company had learned about the unlicensed mining operation and had reported it to the government and law enforcers in 2016.

The ministry claimed to have alerted local authorities in the area months ago about the existence of illegal mines.

Unlicensed artisanal mining is rampant in the country. The Mining Advocacy Network (Jatam) records at least 850 unauthorized small-scale mining sites across the archipelago as of 2018.

"Some of the mines have been operating for dozens of years with turnovers reaching up to hundreds of millions of rupiah," Jatam national coordinator Merah Johansyah said.

Such mining operations had also approximately cost the nation up to 120 tons of gold every year, according to an estimate by the Energy and Mineral Resources Ministry in 2014.

The 2009 Mining Law actually allows small-scale miners to operate legally by submitting a request to obtain a community mining permit. Individuals can request such permits to operate in a certain area,

More than 850 unauthorized artisanal mining sites across nation as of 2018, data shows

Govt should provide artisanal miners with financial, technical assistance: Expert

called a people's mining area, which fulfils several characteristics, including being outside an existing concession and having been excavated for at least 15 years.

The establishment of such areas is decided by the regional administration after consultation with the regional legislative council.

The regulation, however, is not backed up by a strong political will from regional administrations and councils, which are supposed to issue a regional bylaw to support small-scale miners, natural resources law expert from Tarumanagara University, Ahmad Redi, said.

"Such reluctance might be caused by the high cost of mining hole reclamation and post-mining activities [that should be] carried out by the local administration; thus placing an additional burden on the local budget," Ahmad said.

Requiring small-scale miners to cover the costs of exploration and rehabilitation activities might not be an option, as "such costs are likely to be greater than the revenues," said Budi Santoso, director of the Centre for Indonesian Resources Strategic Studies (Cirrus).

Indonesian Mining Institute chairman Irwandy Arif, also a mining professor at the Bandung Institute of Technology, said the solution should come through a collaboration involving the central government, regional administrations and law enforcers.

"For unlicensed artisanal mines owned by citizens, the government should provide financial and technical assistance, so these citizens could develop a mining site into one that complies with safety principles," he said.

As of 6 p.m. local time on Thursday, the joint rescue team had recovered seven dead bodies and rescued 19 workers who were previously trapped in the mine, National Disaster Mitigation Agency spokesman Sutopo Purwo Nugroho said.

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POLITICS

Agus to guide Democratic Party through 2019 election

Nurul Fitri Ramadhani

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Democratic Party chairman and former president Susilo Bambang Yudhoyono has mandated his eldest son, Agus Harimurti Yudhoyono, to take care of the party as it heads into the 2019 general elections — a decision many believe brings him a step closer to the party's top seat.

In a decree signed by Yudhoyono and the party's secretary-general, Hinca Pandjaitan, on Wednesday, Yudhoyono wrote that the decision was made because of his inability to be involved in campaign activities until the election on April 17.

Yudhoyono is currently staying by the side of his wife, Ani Yudhoyono, who is undergoing treatment for leukemia at the National University Hospital (NUH) in Singapore.

To carry out his task, Agus will use his capacity as head of the party's joint command for the elections (Kogasma).

"Agus is responsible for and in charge of leading all campaign matters nationwide to make sure the party can win the legislative election," Hinca told a press conference on Thursday.

He added that Agus could temporarily replace Yudhoyono as the party's icon and expressed his expectation for the 40-year-old former military officer to energize all cadres and boost the party's electability while Yudhoyono was away.

Yudhoyono's decision, Hinca said, put an end to any specula-

tion of Yudhoyono immediately appointing Agus as the party chairman and came in response to demands from some of the party's regional boards to appoint Agus as acting chairman during Yudhoyono's absence.

A Democratic Party executive who requested anonymity told *The Jakarta Post* that Agus' current duties were akin to those of a chairman, as he would formally have the power to give instructions to all party cadres across the country and would automatically take over Yudhoyono's activities in the field, while the secretary-general and other executives would handle administrative matters.

Yudhoyono, the source said, was not in a hurry and tended to be careful before deciding to grant Agus the party's chairmanship in a bid to avoid any internal split. "Besides, many cadres in the regions and constituents still rely on the figure of Yudhoyono rather than Agus. Agus is quite popular but still not as influential as his father just yet," he said.

Agus has been a rising star in the party since his political debut in 2016, when he ran for the Jakarta gubernatorial election but lost to Anies Baswedan.

At the time, many believed Yudhoyono was grooming his son as his successor, although he was still a greenhorn in politics, even when compared to his younger brother Edhie Baskoro Yudhoyono.

A number of pollsters placed Agus among the top potential candidates for the 2019 presidential election.

However, Agus failed to secure

the presidential ticket as Jokowi picked prominent ulema Ma'ruf Amin as his running mate, while Prabowo chose businessman-turned-politician Sandiaga Uno to be his vice-presidential candidate. The Democrat, then, threw his support behind the Prabowo-Sandiaga pair.

Democrat deputy secretary-general Renanda Bachtar clarified that a new party chairman would not be determined until 2020, when Yudhoyono's tenure would end.

"Yudhoyono will still be the party chairman until 2020," he said.

In carrying out his party duties, Agus will be helped by the chairman of the Democrats' East Java branch, Soekarwo, for the eastern region and Jakarta branch chairman Nachrowi Ramli for the western region.

Since its establishment in 2001, the Democratic Party has had four leaders. Subur Budhisantoso, an anthropology professor at the University of Indonesia, became the first chairman, while Yudhoyono was the party's chief patron and advisory board chairman. Hadi Utomo, Yudhoyono's brother-in-law, took the helm of the party in 2005. The next chairman was Anas Urbaningrum, who secured the top seat in 2010 after winning the party's chairmanship election.

In 2014, however, Anas was named a suspect of graft related to the Hambalang project, marking Yudhoyono's first full control over the party after he finished his two terms as the country's president.

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ENERGY

Distribution issues persist for low-cost 3 kg gas canisters

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Problems surrounding the distribution of subsidized 3-kilogram liquefied petroleum gas (LPG) canisters appear to be never-ending, with the authorities unable to come up with solutions.

House of Representatives members and government officials discussed the matter recently.

Three kg green gas canisters were supposed to be produced for low-income families at Rp 12,750 (91 US cent) each. But, in reality, the canisters were sold at a much higher price.

During the hearing, NasDem Party lawmaker M. Nasir also questioned the government as to why the gas canisters had been priced that high.

"Based on a regulation, the [3-kg] gas canister is only for poor people. So [after years of cases of higher prices in the market] I think it shows failure and the issue should be resolved as soon as possible," Nasir said.

The maximum price of a subsidized LPG canister is Rp 12,750, as stipulated in Energy and Mineral Resources Ministerial Regulation No. 28/2008.

The regulation also stipulates that eligible buyers are only household and small enterprises.

The problem is that end-users pay more than the maximum price owing to the presence of middlemen.

According to state energy holding company Pertamina, which is the sole distributor of the gas canisters, the supply of subsidized gas starts from Pertamina and goes to a LPG bulk filling and transportation station (SPPBE), which can be run by a private entity.

The SPPBE is tasked with filling the canisters and distributing them to agents, which may also be private entities. The agents then distribute the subsidized gas products to LPG terminals.

The LPG terminals distribute the subsidized gas canisters to end-customers, said Pertamina president director Nicke Widyawati, recently.

"Currently we have 535 SPPBE. For the LPG terminals, we have around 154,000 across Indonesia," she said during a hearing last week.

The problem is that regulations on subsidized LPG canisters only stipulate the maximum price at Rp 12,750 per canister — which could be higher, depending on regional administrations' maximum prices — for LPG agents.

Djoko Siswanto, director general at the Energy and Mineral

Resources Ministry, acknowledged the situation, saying the government was not able to supervise agents because the government's control over maximum prices ended at LPG terminals.

"I noticed recently many subsidized gas canister retailers on the streets. That's why the prices for end-customers could be different. What we can't control is the price from the agents to terminals, [the supervision of] which is in the hands of regional administrations," he said. Subsidized gas canisters sold legally online are also easy to obtain, making it hard for the government to track whether the products are distributed to the eligible recipients.

Nasir said another problem that might lead to the uncontrolled price of subsidized gas canisters was the existence of the Association of Fuel Station Owners (Hiswana Migas), the members of which allegedly accepted bribes in exchange for LPG terminal establishment approval.

"There was a report that in North Sumatra of payment of Rp 160 million in relation to a LPG terminal business and the money was transferred to the chairman of the local chapter of Hiswana Migas," the lawmaker claimed.

"In Riau, many LPG terminals asked for money, which they said

was for the cost of the canisters. But, it was too much."

However, Nicke of Pertamina stated that the company had never given such authority to Hiswana Migas and that there was regulation to justify the latter's action.

Hiswana Migas chairman Eri Purnomohadi could not be reached for comment over the allegations.

In response to the situation, Energy and Mineral Resources Minister Ignasius Jonan said the government was finding a long-term solution for the issue.

"We're still discussing [the possibility of gas canisters being distributed in the form of e-money to the eligible recipients]," he said, adding that a possible short-term solution was to shut down illegal LPG terminals with the help of the National Police.

ReforMiner Institute researcher Pri Agung Rakhman told *The Jakarta Post* that Jonan's idea was not likely to be implemented smoothly as further clarity was needed in regard to those eligible for the subsidy.

"Another option is to provide unsubsidized 5-6 kg LPG canisters [for customers ineligible for the subsidized canisters] and to not increase the burdening volume of 3 kg LPG canisters" he said.