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MACROECONOMY

Consistency, confidence keys to RI monetary defense

Rachmadea Aisyah

THE JAKARTA POST/JAKARTA

Bank Indonesia (BI) is emphasizing the importance of having consistent policies and showing confidence in tackling external factors to maintain domestic monetary stability.

The points were again underlined by BI Governor Agus Martowardojo over looming questions on current market volatility, as he spoke during the launch of a 2017 economic report by the central bank.

Agus said Indonesia could become a high-income country by 2040, but that it would only happen through sustainable and forward-looking policies as shown, for instance, by a stable inflation and exchange rate throughout last year.

Despite recent disruption mainly due to rate hikes by the United States' Federal Reserve and tariff tension between the US and its trading partners, the year 2018 still has opportunities to reap.

"World economic growth is reaching its peak after the past five years and so is the price of commodities, which leads to

more demand [...] this is the momentum we should keep and optimize," Agus said on Wednesday.

Nevertheless, he acknowledged that there were four main challenges to come this year. One would come from the possibility of continuing monetary normalization by developed economies, while the other three would be posed by Indonesia's own domestic financial entities.

"The second is about limited fiscal room, which hampers the government from providing stimulants to the economy," he said, pointing to BI's policy to lower the seven-day repo rate to 4.25 percent last September after it remained at 4.75 percent for over a year.

World Bank lead economist for Indonesia Frederico Gil Sander said on a separate occasion that while BI did not have much room to lower the rate further, it should pay attention to how the rate was reflected by related financial institutions.

BI has no plans to adjust the rate in the near future, however Agus concurred that the implementation of the rates remained limited to certain financial insti-

tutions even though the current rate had been applied for months.

"Some lenders still want to keep their net [profit] margin high so they are still reluctant to lower their rates in accordance to ours," said Agus, adding that the enforcement of such policy was up to the Financial Services Authority (OJK).

Such a condition would likely be exacerbated this year by weak credit demand, in addition to rising lending standards from banks, resulting in them contributing less to economic recovery.

Furthermore, some domestic corporations were consolidating their assets, causing them to focus more on internal improvements, with less desire to expand.

However, the banks' problems in moving the economy could be overcome through the growing stock market as companies would have a better chance to find capital there, said Agus.

Data, as told by Agus, show that in 2017, capital financing through the Indonesia Stock Exchange (IDX) increased 30 percent from the previous year. In the first two months of 2018, stock market financing bounced 80 percent

year-on-year.

"So, speaking about credit growth, we are heartened because despite slow [lender] credit, stock market financing has been great."

Speaking on the same occasion, former BI governor and former vice president Boediono echoed a similar sentiment, saying that in his view, Indonesia's macroeconomic policy had been moving toward a better state.

BI's improved crisis mitigation, he said, had also helped the country avert other consequences of global volatility, unlike the crises in the early 1980s and 1997-1998, which were also ignited by external factors.

"This is proven because in 2008 there was also a global-scale economic crisis much larger than the 1997 Asian financial crisis, but we managed to reverse the crisis quite nicely [...] Thank God we were able to learn from the past," said the esteemed economist.

Boediono also warned BI not to ignore new elements that may create different systemic risks from the previous crises, such as the rise of social media and online commerce.

Omnibus law to ease business licensing

Anton Hermansyah

THE JAKARTA POST/JAKARTA

The government will adopt a more flexible licensing process in order to speed up the issuance of business licenses in Indonesia. For that purpose, the government is drafting an omnibus law that would amend several laws seen as slowing the issuance of business licenses.

Coordinating Economic Minister Darmin Nasution said on Wednesday that currently, in order to get a particular business license, an applicant had to finish one license before moving to process another. Thus, it took a long time before investors could operate an office in Indonesia.

"For example, to apply for a building permit [IMB] investors need to have an environmental impact analysis [Amdal] and to get an Amdal they need to produce a detailed spatial plan [RDTL]," he

Govt to "freeze" bylaws deemed to slow business licensing

From April 1 investors can track progress of their business licensing

said during a meeting between central government officials and regents and mayors from across the country in Jakarta.

With the new approach, Darmin said, investors could begin construction of their office building with just the RDTL. However, they would need to sign a commitment letter stating that they would obtain the Amdal and IMB within one year.

"As long as investors pledge their commitment to getting an Amdal and an IMB within one year, they can start the construction with only the RDTL," Darmin said

The new concept, however, will require the government to amend some laws. The amendment requires approval from the House of Representatives.

Darmin added that at least 10 to 11 laws related to business license issuance had to be amended.

"We will issue an omnibus law — one law to amend those 10 to 11 laws," he said.

For technical rules lower than the laws, such as ministerial regulations and bylaws, the central government will issue an implementing regulation to "freeze" those rules. The implementing regulation will be issued within the next two weeks.

"After we 'freeze' the technical rules we will sort out which rules can be re-enacted," Darmin said.

Constitutional law expert Refly Harun told *The Jakarta Post* the decision to deliberate an omnibus law was an efficient way to amend many laws at once. Rather

than proposing 11 amendments in the National Legislation Program (Prolegnas), the government could go with only one proposal.

"The omnibus law does not violate our Constitution and it is very effective to amend several laws at once," he said.

However, he said that despite many laws being amended at once, it was not guaranteed that the discussions on the omnibus law would be short.

The government also planned to implement the online single submission system starting on April 1. With the system, investors could monitor the progress of their business license applications.

In addition, Minister Darmin said the online single submission system was created to handle the classic problem of Indonesian business licensing service — liaisonship.

"Both international and domestic investors state investment

service in Indonesia to be 'liaisonless'. No liaison is provided for investors who have to move from central governments to regional governments and back to process their licenses," he said.

He added sometimes the licenses were "lost in progress" and the Investment Coordinating Board (BKPM) was unable to track in which institution the bottleneck occurred due to a lack of coordination.

Darmin said that since five months ago, the central government had urged regional administrations to create an investment acceleration task force (satgas) at both the provincial level and the regency/municipal level. The task force was proposed to coordinate between regional administrations and central government for business licensing.

However, as of March 28, out of 33 provinces, only nine provinces had reached 100 percent comple-

tion or had established the task forces at the provincial level as well as all the regency/municipal levels under them. Those provinces were West Sumatra, Bengkulu, Riau, Jambi, Bangka and Belitung, South Sumatra, Yogyakarta, Gorontalo and Southeast Sulawesi.

The remaining provinces have established task forces at the provincial level but not yet at the regency/municipal level. Meanwhile, West Papua is the only province that had not establish the provincial level task force.

President Joko "Jokowi" Widodo also urged regents and mayors to establish the task force or the investors would later move to other countries that offer better service.

"For those still without an investment acceleration tax force please establish it soon. We do not want to lose out to other countries," he said.

Govt to roll out tax holiday

Marchio Irfan Gorbiano

THE JAKARTA POST/JAKARTA

The government is slated to introduce fiscal incentives aimed at attracting investment amid rising competition with neighbors.

The new schemes will mark President Joko "Jokowi" Widodo's administration's first attempt at revamping fiscal incentives before ending its five-year term in 2019.

Two forms of incentives, namely a tax holiday and tax allowance, are scheduled to be announced this week, said the Finance Ministry's fiscal policy head, Suahasil Nazara.

Under the tax-holiday scheme, investors with minimum investment of between Rp 500 billion (US\$36.3 million) and Rp 1 trillion will be exempt from paying corporate income taxes (PPh) for five years.

In the case that committed investment reaches above Rp 30 trillion, investors might enjoy a maximum 20 years of tax holiday, Suahasil said.

Tax holidays offered for certain investment amounts

Investors may apply for incentives via integrated online system

"In the new PMK [finance ministerial regulation], we explicitly state that certain investment amounts may be eligible for extended tax holidays. Previously, it was not like that," he said recently.

Suahasil said the ministry's Taxation Directorate General would assess whether realized investment matched that stated in tax holiday applications once projects were completed.

After the tax holiday duration ended, Suahasil said the ministry would evaluate whether investors were eligible for an additional 50 percent corporate income tax discount.

However, Suahasil said only investors in the upstream sec-

tor were allowed to apply for the tax-holiday scheme as companies at that level would be able to reduce their costs and, consequently, bring down the prices of their products to benefit industries in the downstream.

Even though the tax holiday duration was relatively long, Suahasil said potential losses in state revenue would be minimal as investors would continue to pay their workers' income tax and value-added tax, among other things.

As for a new rule on tax allowance, which will be stipulated in a government regulation (PP), the government will allow investors to apply for the scheme in parallel with a business license application.

Suahasil said investors could apply for the entire incentive package through the upcoming online single-submission system slated to be launched this month. The system will allow investors to submit all paperwork required for setting up a business at once to cut the current long and com-

plicated procedures.

The Jokowi administration has issued 16 economic packages over the last three years to boost investment realization, which is expected to reach Rp 765 trillion in 2018.

The investment realization target this year is 10.4 percent higher than the Rp 692.8 trillion recorded in 2017.

Gadjah Mada University economist Tony Prasetyantono welcomed the new incentives scheme, saying that the timing was appropriate.

"The timing is right because Jokowi's administration is aggressively searching for investment, which is hoped to serve as one of the country's drivers of economic growth," he said.

Tony said similar incentives were being offered by other emerging economies, including Indonesia's neighbors, indicating that competition to lure foreign investment was getting tighter.

However, the incentives might not be enough to attract the inter-

est of investors as corporate taxpayers were still suffering from the relatively complicated tax payment process in Indonesia, said Bhima Yudhistira Adhinegara, an economist with the Institute for Development of Economics and Finance (INDEF).

Bhima cited the World Bank's *Ease of Doing Business* 2018 report, which showed that businesses had spent a total of 207 hours a year to pay taxes in Indonesia. The duration was longer compared to 188 hours and 64 hours a year in Malaysia and Singapore, respectively.

"Fiscal incentives should be accompanied by bureaucratic reform to serve investors in taxation matters," he said.

Eric Sugandi, an economic observer at the Asian Development Bank (ADB) Institute, suggested that the government follow up the new incentives by maintaining people's purchasing power to boost domestic demand, which would eventually encourage investors to expand their businesses

Govt to speed up tax refund process

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and Viriya P. Singgih

THE JAKARTA POST/JAKARTA

Taxpayers, particularly business entities, are set to enjoy a speedier tax refund process as the government relaxes the procedures as part of its tax reforms.

Under the new arrangement, eligible taxpayers may receive tax refunds in one month at the maximum, from up to one year at present, as they are exempted from thorough examination by the tax authority.

This applies to compliant taxpayers, those with tax refunds totaling less than Rp 100 million (US\$7,000) and low-risk corporate taxpayers.

The latter covers not only publicly-listed companies and state-owned enterprises, but also exporters who have been key partners of the customs and excise office, and exporters who consistently show tax compliance, known as authorized economic operators.

Finance Ministry taxation director general Robert Pakpahan said the acceleration of the tax refund process was primarily intended to improve a company's liquidity.

The customs and excise authority will assess corporate taxpayers based on international standards to determine their eligibility to benefit from the fast-track process, he added.

"If the taxpayers pass the assessment, they reserve the right to get a faster tax refund without having to undergo an investigation from the authority," Robert said on Thursday.

With the new arrangement, the government also widens the scope of tax refunds. Individual taxpayers can claim a tax refund if they overpaid their taxes by up to Rp 100 million, much higher than Rp 10 million outlined in the previous regulation.

For institutional and corporate taxpayers, the threshold is set at Rp 1 billion.

The Finance Ministry is slated to issue a finance ministerial de-

Tax refund process cut to one month from one year

Facility to benefit certain types of exporters

ree that will serve as a legal basis for this new stipulation next week.

Robert said the surge in the number of taxpayers eligible for a quicker tax refund would not affect the ability of the tax office to collect state revenue from taxes as it estimated that there were only around 4,000 taxpayers with tax returns amounting to below Rp 1 billion this year.

Center for Indonesia Tax Analysis executive director Yustinus Prastowo applauded the relaxation, saying that it would greatly benefit taxpayers.

"This policy has been highly anticipated by taxpayers who usually have to go through an investigation prior to receiving their tax refunds," he said.

The expansion of taxpayers eligible to the simplified process of tax refunds would allow the tax authority to focus its resources on digging potential revenues instead of investigating the tax refunds, Yustinus added.

Apart from relaxing its rules on the tax refund, the Finance Ministry has also simplified the audit of upstream oil and gas activities under the cost recovery scheme, in which the government reimburses contractors for their costs.

The audit of exploration and exploitation activities under the scheme will soon be carried out by a task force comprising the ministry's tax office, the Development Finance Comptroller (BPKP) and the Upstream Oil and Gas Regulatory Special Task Force (SKKMigas).

Indonesian Petroleum Association executive director Marjolijn Wajong appreciated the move, which she acknowledged would facilitate an easier audit process. "This is a positive thing because the collaboration between the different institutions will make the audit process simpler."

BPOM passes buck on food safety

The Jakarta Post

JAKARTA

The Food and Drug Monitoring Agency (BPOM) has called on food producers to ensure the safety of their products after ordering a mass recall of 27 foreign and local brands of tinned mackerel after some cans were found to contain parasitic worms.

The agency suspected that the contaminated products had been sold in supermarkets for months, but said there was no way it could detect the problem as it only examined food products on two occasions: during license application procedures and following a public report about a food product.

"We can't do routine checks because there are more than a million food brands and we don't have the capability," BPOM director for high risk food supervision Tetty Sihombing told *The Jakarta Post* on Friday.

The official said it was the first case of mass worm-contaminated mackerel products found in Indonesia, and it might have occurred because of a seasonal outbreak of parasitic worms in Chinese waters, from which most mackerel is imported from.

"Our latest examination on the case was that its raw materials [mackerel] came from the same location, which we suspect is China."

Of the 27 brands, 16 are believed to be imported from China, while the rest are local brands that might have imported raw material from the world's largest fish exporter.

Among the recalled brands are ABC, Ayam Brand, Pronas, Botan, King's Fisher and Gaga.

Tetty emphasized that all the 27 brands were authorized to be sold in Indonesia, saying her side had crosschecked its material in the lab with the list of ingredients reported by the brand.

The Maritime Affairs and Fisheries Ministry reported that it found indications of threadworm *Anisakis Sp* in mackerel from China late last year, according to *kompas.com*. It quoted a ministry official as saying that the Peruvian Embassy in Jakarta had informed the Foreign Ministry that mackerel from China contained dead *Anisakis Sp* worms.

In February, the ministry sent a letter to the Chinese company processing mackerel to stop exporting to Indonesia.

"But it was too late. What we have today was imported before February," Tetty told the *Post*.

The BPOM has argued that the supervision loophole should be fulfilled by the industry, which is obligated to comply with national standards for food products.

Responding to the statement, the Indonesian Food and Beverage Producers Association (GAPMMI), which has three of its members implicated in the scandal, agreed that the obligation to conduct daily inspections on the ma-

BPOM says onus on food producers to improve standards

Worm outbreak in China blamed for contaminated mackerel

terials rests with the producers.

"Any company should have strict standards for its materials, besides this is important for its brand image," GAPMMI chairman Adhi Lukman said.

Following the BPOM's findings, GAPMMI instructed its members to intensify their supervision of raw materials, especially fish. "I also urged the implicated brands to issue a clarification about the findings," he said, adding the public needs to know the full details from the companies immediately.

The case has sparked concerns of food safety in Indonesia, though some officials, including Health Minister Nila Moeloek, were less concerned.

"If you cook the fish, then the worm will die, so I think it will be sterilized," she said on Thursday. She added that consumers should not be worried as worms contained a lot of protein.

Inge Permadi, a nutritionist from Jakarta-based hospital Siloam, begged to differ, saying the minister was missing the point. "Even if it's not harmful, do you still want to eat food that contains worms? Of course not."

She argued that the presence of worms in food was an indication that it was not healthy and could be dangerous for people allergic to worm protein.

"It could be harmful for people who are allergic to an immense supply of protein. Breathing difficulty is one of the effects," she said.

The Indonesian Consumers Foundation (YLKI) called on the BPOM to do more than just recall the tainted products and carry out a full investigation on why it happened. "This has caused concern for consumers, who may now believe that all mackerel products are unsafe," YLKI chairman Tulus Abadi said in a statement.

The foundation said the BPOM certainly needed assistance but it should not have to wait for public reports to inspect food products.

"Regular inspection could and should be carried out by the BPOM in its regional labs to ensure a product's quality, especially if it's already on the market," Sularsi of YLKI told the *Post*.

The National Consumer Protection Agency (BPKN) said consumers were at risk even though the Health Ministry had not received reports about the health impact of the worm-infested products. "Whether it's harmful or not, it's already unhygienic for customers," BPKN deputy chairman Rolas Sinjitat said.

RIZAL HARAHAP AND APRIADI GUNAWAN
CONTRIBUTED TO THIS STORY FROM
PEKANBARU AND MEDAN.

Tax holiday to fire up Pertamina's projects

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

State-owned energy giant Pertamina is set to speed up the development of its six refinery projects worth around US\$46 billion following the government's move to simplify procedures for investors to obtain extended tax holiday incentives.

The Finance Ministry revealed its plan to revise its tax holiday policy this week, through which it will set a number of specific layers for investors in certain sectors, including oil refinery investors, to obtain tax holiday incentives.

Under the new policy, investors will get a tax holiday over a period of five years in return for their commitment to invest around Rp 500 billion (\$36.45 million) to Rp 1 trillion in Indonesia, seven years for investment of between Rp 1 trillion and Rp 5 trillion, 10 years for investment of between Rp 5 trillion and Rp 15 trillion, 15 years for investment of between Rp 15 trillion and Rp 30 trillion and 20 years for investment of more than Rp 30 trillion.

With the new scheme, Pertamina's six refinery projects will be allowed to directly get a tax holiday for at least 20 years because their investment value is more than Rp 30 trillion.

Pertamina petrochemical and processing megaproject director Ardhy N. Mokobombang welcomed the new policy, which he said had long been craved by the company's partners in its various refinery projects, such as Saudi Arabian oil giant Saudi Aramco and Russian oil firm Rosneft.

"This is what we've been waiting for. Once the regulation has been issued, we will inform our partners and try to speed up the

Pertamina set to get 20-year tax holiday for six refineries

Company aims to speed up projects

development of our refinery projects," Ardhy told *The Jakarta Post* on Thursday evening, while adding that the new incentive policy would improve the country's investment climate.

At present, prevailing regulations basically allow investors to get a tax holiday for a period of five to 15 years, depending on the recommendation from the Investment Coordinating Board (BKPM) and the assessment of the ministry's verification committee. Under certain circumstances, the ministry is able to give the incentive for a maximum 20 years.

"Under the new scheme, there will be a guarantee for investors to get tax holiday incentives from the start, while prevailing regulations require investors to undergo a kind of assessment process," said Djoko Siswanto, the Energy and Mineral Resources Ministry's oil and gas director general.

"Subsequently, all of Pertamina's refinery projects will directly obtain a tax holiday [for 20 years]."

Pertamina has teamed up with Saudi Aramco to upgrade the Cilacap refinery in Central Java with investment of around \$5.8 billion. Pertamina is also upgrading the Balikpapan refinery in East Kalimantan, the Dumai refinery in the Riau Islands, and the Balongan refinery in West Java, each with an investment of at least \$5 billion.

Furthermore, Pertamina has teamed up with Rosneft to build

the new Tuban refinery worth \$15 billion in East Java and has joined forces with a consortium consisting of Omani energy firm Overseas Oil and Gas (OOG) and Singapore-based Cosmo Oil International to develop the new Bontang refinery worth \$10 billion in East Kalimantan.

The completion of these six refinery projects is expected to boost the country's refining capacity to 2.07 million barrels of oil per day (bopd) by 2025 from only 1.05 million bopd at present.

Deputy Energy and Mineral Resources Minister Arcandra Tahar previously said Indonesia was only able to utilize about 80 percent of its original refining capacity at present. Therefore, the country had been forced to import about 900,000 bopd to meet the current domestic demand of 1.7 million bopd.

Then, he said the government could save around \$3 billion a day or about \$1 billion a year if it was able to meet the national demand through the country's own refined oil production.

"Hence, refinery development is actually about building our own energy sovereignty," Arcandra said.

However, Fitch Group think tank BMI Research has stated that Indonesia's oil refinery projects are prone to delays and cancellations owing to a number of reasons, including funding issues, regulatory uncertainty and bureaucratic headwinds.

"Indonesia's regulatory and bureaucratic landscape remains among the most complex in the region and we believe it will continue to stand in the way of meaningful project progress in the coming years," BMI Research said in a report published in late February.

House OKs new BI boss

Marchio Irfan Gorbiano

THE JAKARTA POST/JAKARTA

Sole Bank Indonesia (BI) governor candidate Perry Warjiyo looks set to assume the top position at the central bank after passing a screening at the House of Representatives with flying colors.

Members from all 10 factions of House Commission XI, which oversees financial affairs, agreed unanimously on Wednesday to endorse Perry, who was nominated by President Joko "Jokowi" Widodo to replace current BI Governor Agus Martowardojo.

The decision came in parallel with the unanimous decision to endorse Dody Budi Waluyo, BI's monetary and economic policy executive director as deputy governor, taking the spot Perry had left.

Dody, who was also endorsed by Jokowi, beat two other candidates, namely Duddy Zulverdi and Wiwiek Sisto Hidayat, who are respectively BI's monetary policy director and BI's West Java representative office head.

Both Perry and Dody were considered as having a "highly-respected track record" and experienced in monetary affairs, said Commission XI chairman Melchias Markus Mekeng after the House meeting.

"We hope [that Perry and Dody] deliver an innovative breakthrough to maintain the rupiah's [stability], given that whenever external pressures increase, the rupiah depreciates," he said, hinting at the lingering vulnerabilities in the country's economic stability. "This contradicts the government's argument that our economy is healthy."

Mekeng said the decision would be read in the House plenary session scheduled on April 3, which will be the final step for the candidates to be approved by lawmakers.

During his presentation before Commission XI members on Wednesday, Perry acknowledged the need for BI to be "pro-growth", aside from maintaining the stability of the rupiah and inflation, which are the central bank's responsibility as mandated by the 1999 Central Bank Law.

In an effort to realize his mission to revitalize BI's core mandate, Perry said he had prepared a draft revision to the Central Bank Law, saying he is "ready to discuss it [with lawmakers] in the future."

In the draft revision, Perry said BI would have a mission to not only manage the rupiah and financial stability in supporting the national economy, but also consider ideas in which financial instruments could increasingly vary to deepen the financial market.

By introducing more instruments, the domestic financial market would be less vulnerable to external shocks, which could trigger capital outflows and damage the economy, he said.

"[There are more] instruments other than the existing

House Commission XI unanimously agrees to endorse Perry

Hints at introducing more financial instruments to shield market from external shocks

ones. There will be macroprudential [measures], among other things. Of course we are open to discuss this matter when the time comes," Perry said.

Perry said his mission to venture beyond BI's mandate as outlined in the 1999 law was motivated by his experience as an executive director at the International Monetary Fund (IMF) between 2007 and 2009, during which he experienced the 2008 global financial crisis that left a sizable impact on developing countries.

"Regulators' policies are essential to create or correct market mechanisms when they fail. It [his experience at the IMF] prompted me to create a policy mix in which monetary policy remains a core pillar, but macroprudential policies, financial market deepening, among others, were also part of it," he said.

Prior to his appointment as BI's deputy governor in 2013, Perry, who is 59, served as an assistant for the central bank's governor for the formulation of monetary, macroprudential and international policy, spending almost all of his career as a central banker.

Welcoming Commission XI's decision, Bank Central Asia chief economist David Sumual expected that BI would strengthen its coordination with the government and other stakeholders as oftentimes challenges emerged from fiscal considerations, aside from monetary ones.

"BI needs to communicate with the government and other stakeholders to avoid any misunderstandings," he said.

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Pretrial motion off table for suspects

JAKARTA: The Institute for Criminal Justice Reform (ICJR), a legal think tank, has lauded the Supreme Court's move to issue a new regulation prohibiting criminal suspects on the police's most wanted list from filing a pretrial motion challenging their suspect naming.

The rule, signed by Supreme Court chief justice Hatta Ali on Mar. 23, bars wanted suspects from challenging their legal status in a pretrial motion. It also stipulates that judges are not to accept similar motions filed by relatives or lawyers of wanted suspects.

The ICJR welcomed the decree issuance, saying it improved the flawed regulations on pretrial motions in the Criminal Law Procedures Code (KUHAP).

"Despite the new decree, we urgently call for the establishment of a pretrial procedure code as there are a number of legal vacuums in the current version of the code. This is important as the pretrial motion is a tool guaranteeing suspects' rights in the criminal court system," the ICJR said in a written statement on Sunday.

As of today, pretrial motions are regulated under Article 1, chapter 10 of the KUHAP, which details whether the court has the authority to investigate, arrest or detain a suspect and determines whether a suspect's request is legal. — *JP*

KPK rejects Setya's justice collaborator request

Marguerite Afra Sapiie

THE JAKARTA POST / JAKARTA

Graft defendant Setya Novanto has failed to convince the Corruption Eradication Commission (KPK) that he deserves justice collaborator status despite his attempt to expose others allegedly involved in the e-ID graft case.

KPK prosecutors demanded on Thursday that the disgraced former House of Representatives speaker be sentenced to 16 years in prison and ordered to pay Rp 1 billion (US\$72,900) in fines for his alleged roles in the case.

The KPK argued that Setya had not done enough to qualify as a justice collaborator.

KPK prosecutor Abdul Basir said a justice collaborator must provide significant testimony on the crimes they were suspected of committing and reveal the names of other big players implicated in the case, as well as return all assets gained from the crimes.

"Based on the parameters and comparing them to [Setya's] testimonies during the hearings, the prosecutors concluded that [Setya] had yet to meet the qualifications to be named a justice collaborator," Abdul said.

Setya, once a powerful politician with many allies who now finds himself alone in a legal quagmire, filed a request to be granted

Prosecutors demand judges to sentence Setya Novanto to 16 years in prison

Lawyer says Setya still has chance to be granted justice collaborator status

justice collaborator status with the KPK in January.

The KPK has the authority to grant justice collaborator status to any defendant deemed cooperative in uncovering a graft case. With such a status, the defendant can be rewarded with several benefits, including a lighter sentence and sentence remissions, as mandated in a governmental regulation.

The antigraft body granted justice collaborator status last year to former Home Ministry officials Irman and Sugiharto, who were sentenced to seven and five years in prison, respectively, for their roles in the e-ID case.

Setya made headlines last week when he accused Coordinating Human Development and Culture Minister Puan Maharani and Cabinet Secretary Pramono Anung, two senior ministers in President Joko "Jokowi" Widodo's Cabinet, of each accepting US\$500,000 embezzled from the e-ID project while serving as lawmakers at the House.

He claimed to have heard about the information from businessmen Made Oka Masagung and Andi "Narogong" Agustinus, who reportedly told him that the cash had been delivered to a number of lawmakers, including Puan and Pramono, both senior officials in the Indonesian Democratic Party of Struggle (PDI-P).

Setya, however, did not give details about Puan and Pramono's alleged roles in the case. Both ministers have denied the allegations and Made, through his lawyer, subsequently denied Setya's claims.

The prosecutors argued that Setya had been proven to have violated Article 3 of the 2001 Corruption Law for abusing his power as a lawmaker and Golkar Party faction chairman at the House between 2009 and 2014, to rig the Rp 5.9 trillion e-ID project, resulting in Rp 2.3 trillion in state losses.

Setya has been accused of accepting kickbacks amounting to US\$7.3 million and a US\$135,000 watch as compensation for ensuring the project's approval at the House. According to the indictment, Setya reportedly received the sums of money through his nephew Irvanto Hendra Pambudi and Made, who allegedly channeled the money through his two companies. Both Irvanto and Made have been named suspects

in the case.

The KPK demanded that Setya return the \$74 million he allegedly swindled or else his assets would be seized to cover the demanded amount. He could face an additional three years' imprisonment if the auction of his assets failed to collect US\$74 million.

KPK prosecutors have also demanded that Setya be banned from serving in public office for five years after he finished serving his prison term.

Firman Wijaya, one of Setya's lawyer, argued that there was still a chance for his client to be granted justice collaborator status since prosecutors did not explicitly reject the request. The prosecutors, he said, had only stated that the requirements had not been fulfilled.

When asked whether another justice collaborator request would be filed, Firman said there was no law or regulation that limited the number of times a defendant could file such a request.

"As the process goes on, we can [file another request] besides, [Setya] is also still a witness for other e-ID graft defendants, such as Irvanto and Made," he told *The Jakarta Post* on Friday.

"We figure that [Setya's] indictment has the potential to expose others and we also want to encourage that too," he added.

POLITICS

Sandiaga spearheads team for Prabowo's presidential run

Callistasia Anggun Wijaya
THE JAKARTA POST/JAKARTA

Jakarta Deputy Governor Sandiaga Uno has been appointed the head of a Gerindra Party team formed to prepare the candidacy of Prabowo Subianto in the 2019 presidential election, a duty that will require him to court other political parties to build a coalition for the election.

Even though Prabowo has yet to declare himself a presidential candidate, Gerindra deputy chairman Ferry Juliantono is certain Prabowo will run for the nation's top post because party members have expressed their wish for him to do so.

According to Ferry, Sandiaga will be in charge of Gerindra activities ahead of the election, including Prabowo's official presidential candidate declaration.

He may also travel to other regions to prepare for the election.

He previously flew to Central and West Java on his days off to meet with other party members, Ferry said.

"Sandiaga has been appointed team leader because he is deputy chairman of Gerindra's advisory board. The team, which is ad hoc

in nature, will work until the party forms a campaign team with other political parties in the coalition," Ferry told *The Jakarta Post* on Sunday.

Jakarta Council deputy speaker M. Taufik echoed the statement, adding that Sandiaga would be in charge of communicating with other political parties to form a coalition.

Without a coalition, Gerindra, which controls only 13 percent of seats in the legislature, would not be able to field its own presidential candidate, Taufik said.

He was referring to a regulation requiring candidates to gain the support of a party or coalition of parties that together control at least 20 percent of seats in the House of Representatives.

Despite Sandiaga's tight schedule as a public official, Ferry believed Sandiaga's new duties would not disrupt his main job as deputy governor, as he would be assisted by other team members.

Other senior party figures such as Fadli Zon, a House deputy speaker, and Ahmad Muzani, a People's Consultative Assembly (MPR) deputy speaker, have also been appointed members of the team.

Taufik added that Sandiaga

would not travel to other regions frequently because most of the activities — including lobbying other political parties — would be carried out in Jakarta.

Sandiaga has claimed that the duties will not distract him as a public official, promising that he will only take on tasks of the new job on the weekends. "I have told Pak Prabowo that if the duty disrupts my job, I will not be able to do it," he said.

Home Ministry Regional Autonomy Director General Sumarsono said regional leaders were allowed to take part in activities held by their political parties.

However, if they intended to campaign on working days, they were required to submit a letter to the ministry stating that they would be taking leave to take part in such activities, Sumarsono said.

They also had to register as a campaign team member at the General Elections Commission (KPU), he added. "Sandiaga has reported to us that he will take leave to take part in campaign activities for the regional elections this year," Sumarsono said.

He went on to say that regional leaders fulfilling political party duties should keep in mind that they

had to focus on implementing the programs stated in the mid-term regional development plan.

State Islamic University (UIN) political expert Adi Prayitno said preparing for presidential candidacy was not an easy task.

"Sandiaga's focus as a deputy governor will be divided as he has to prepare for the presidential election. He actually may join the team, but not as a leader, which requires a lot of focus and time," Adi said.

He added that Gerindra had chosen Sandiaga as leader of the team because he was a successful and popular member. With his business background, Sandiaga would also be able to attract businesspeople to help the campaign, he added.

Arya Fernandes, a political analyst with the Centre for Strategic and International Studies (CSIS), said it was common for political parties to ask regional leaders to contribute their time to election preparations.

"In this case, Sandiaga has just been appointed leader of the team. We should monitor his works several months from now to see whether the duty has affected his job as a public official," he said.

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Bumi unlikely to repeat 2017 success

JAKARTA: PT Bumi Resources, Indonesia's largest thermal coal miner, says its huge success in 2017 was only a one-off event and it is unlikely the company will repeat it again this year.

"The year 2017 was a landmark year and we expect 2018 to be a more representative year for Bumi without the one-offs [that occurred last year]," Bumi corporate secretary Dileep Srivastava told *The Jakarta Post* recently.

Bumi, affiliated with politician and tycoon Aburizal Bakrie, saw its revenues fall by 25.7 percent year-on-year (yoy) to US\$17.36 million in 2017. However, its net income from associates and joint ventures soared by 145.23 percent to \$206.6 million.

Moreover, after increasing its ownership of PT Arutmin Indonesia from 70 to 90 percent last year, Bumi revaluated Arutmin's assets, resulting in a significant jump in the assets' value from only \$262 million to \$1.35 billion. Subsequently, Bumi included \$740.38 million in its other income posted as a gain on an increase in share investment value.

Then, after taking into account other variables, including asset impairment worth \$486.4 million and taxes of \$66.97 million, Bumi was able to record a net profit of \$373.25 million, a staggering 451.39 percent jump compared to its 2016 achievement.

Furthermore, Bumi's debt-restructuring efforts last year eventually led to a 42.07 percent reduction in its total liabilities to \$3.41 billion.

In 2018, Bumi expects to boost its coal production by 10 percent from the 83.7 million tons it recorded last year. —JP