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Perry to step up BI's role

Marchio Irfan Gorbiano
THE JAKARTA POST/JAKARTA

Incoming Bank Indonesia (BI) governor Perry Warjiyo has his work cut out for him in striving to continue developing the financial market at a time when economic development requires more funding while the country needs to become less vulnerable to external risks.

The House of Representatives in a plenary session on Tuesday gave Perry its seal of approval as the next BI chief, replacing current governor Agus Martowardojo, who is set to retire in May.

The 59-year-old served as BI deputy governor before he was nominated by President Joko "Jokowi" Widodo as the sole candidate for a screening test at the House Commission XI overseeing financial affairs, which then voted unanimously to endorse him.

Speaking after the plenary session, Perry said he would continue pro-stability policies already in place under Agus' leadership in accordance with BI's mandate, while complementing them with efforts to support economic growth.

He suggested that BI should work with the government to create more financial instruments to attract investment.

Incoming BI governor left with task to support economic growth, maintain stability

BI, govt expected to work together in developing financial market

"The acceleration of financial market deepening is one of BI's priority policies to date, and we will continue [to prioritize it]," he told reporters on Tuesday.

Perry said BI, the Financial Services Authority (OJK) and the Finance Ministry, all of which are involved in the Financial Market Deepening Coordination Forum, were working on ways for financial market deepening to support infrastructure financing, in particular.

Dody Budi Waluyo, the new deputy governor replacing Perry, concurred with his predecessor, saying that the focus on financial market deepening was not only about adding more instruments and increasing transaction volumes, but also about getting the program to support infrastructure development.

"We will continue the current initiatives, and with a greater variety of instruments, such as project bonds, so domestic or overseas fund holders can have more

alternatives [for placing funds]," he said.

Compared to neighboring countries, Indonesia has a shallow financial market with a limited range of investment instruments, making it more vulnerable to sudden shocks that trigger capital outflows, constantly weakening the rupiah and putting pressure on foreign exchange reserves.

Mandatory hedging by companies was one of BI's successful efforts for financial market deepening, as the policy, which requires corporations to hedge their funds against currency risks, had helped keep the rupiah stable, said Lana Soelistianingsih, an economist with Samuel Aset Manajemen.

Going forward, Lana suggested that the government develop new capital market instruments with provisions requiring investors to hold the securities for a certain period of time to avoid volatility caused by sudden global developments.

New instruments with minimum holding periods, she said, could improve the supply of United States dollars, so that a sudden rise in demand for the foreign currency could be fulfilled and volatility reduced.

"There should be a new kind of instrument equipped with provisions for foreign investors to prohibit them from selling it for a certain period," she said, adding that the government could offer more attractive coupon rates.

Perry was a career banker at BI, having joined the central bank in 1984 and previously served as its director of monetary policy research, prior to his tenure as deputy governor. However, he left BI to become an executive director at the International Monetary Fund for a two-year stint from 2007 to 2009.

"Perry is a good person; he studied monetary policy, [so he is a good fit for BI]. He is also close to people at the bottom level of income, so we can hope that BI will place importance on people's interest," said Coordinating Economic Minister Darmin Nasution, who is also a former BI governor.

Dody Budi Waluyo, who is BI's monetary and economic policy executive director, beat two other candidates, namely BI monetary policy director Doddy Zulverdi and BI West Java representative office head Wiwiek Sisto Hidayat, to take the post Perry will leave.

Dody is set to assume his new position on April 15, while Perry is scheduled to succeed Agus on May 23.

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LIABILITY MANAGEMENT

Finance Ministry, BI hit back at critics over debt issue

**Karina Maharani
Tehusijarana**

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Officials from the Finance Ministry and Bank Indonesia (BI) responded on Tuesday to criticisms regarding a rising trend in government debts, saying that the current level remained reasonable and necessary to finance the country's development.

Sovereign debts soared by 52 percent to Rp 3.938 quadrillion (US\$285.9 billion) in 2017, from Rp 2.608 quadrillion seen three years ago, as the government set a higher expenditure while tax revenues grew in a relatively slow pace.

The soaring debts triggered censure from economists and politicians from the opposition side, who questioned whether the debts were used effectively and voiced concerns that the government had put the country at the mercy of foreign creditors.

However, Scenaider Sahaan, the Finance Ministry's director

for strategy and financing portfolio, dismissed the concerns, saying that government debt had been allocated to areas that were key to Indonesia's economic development.

"Government debt never stands alone; it exists because there is a need for it," he said during a discussion on debt polemics at the University of Indonesia (UI) on Tuesday.

"Debts are needed for priority spending that cannot be delayed in order to improve human resources, and health and education facilities."

Scenaider stressed that delaying spending in those key areas would result in higher costs to correct the problem in the future, while the country would have missed a "golden opportunity".

BI statistics department head Yati Kurniati echoed Scenaider's opinion that the debt level was manageable, saying that Indonesia's debt-to-gross domestic product (GDP) ratio remained relatively low at 30 percent, with the

majority being long-term.

"Short-term foreign debts only make up about 15 percent of total government debts at \$54.3 billion, while the remaining \$303.3 billion are long-term," she said.

Scenaider said sovereign debts were necessary to maintain and speed up economic growth while benefiting the money market, as they could act as a benchmark for private and state-owned companies when issuing securities.

"If the economy is not working, that is a reflection on all of us as the general public, so we shouldn't be pointing fingers [at each other]," he said, expressing his confusion as to why the government was always criticized.

UI lecturer Faisal Basri, who released his research about Indonesia's debt productivity last month, said the government was rather "emotional" and "disproportionate" in reacting toward the criticism, as debts remained essential for the economy.

"I have nothing against government debt; [it] is an integral part of

fiscal policy and development. We would still have debts even if our economic growth was better," said Faisal, who is also an economist at the Institute for Development of Economics and Finance (INDEF).

However, Faisal said that the main problem concerning debts lay more in their composition and purpose rather than their amount, pointing out that almost 40 percent of Indonesian government bonds were held by foreigners, the highest among emerging markets.

"That's fine when everything is going well, but this means that we are at the mercy of market conditions," he said, adding that more and more debts were used for expenditures on materials and personnel as well as interest payments, rather than infrastructure.

Nevertheless, Scenaider claimed that increased personnel and other routine expenditures were funded by tax revenues, saying that there was little risk of capital outflow from foreign bond holders.

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INFRASTRUCTURE

Government hints at development of new Bali airport

Farida Susanty

THE JAKARTA POST/JAKARTA

Because of the increasing number of passengers entering Bali, Indonesia's tourism gate, the government has underlined the need to build a new airport on the island.

The Transportation Ministry's director general for air transportation, Agus Santoso, said the number of passengers departing from and arriving at I Gusti Ngurah Rai International Airport had been following an upward trend.

Last year, it welcomed 21 million passengers, up from around 20 million a year earlier.

"If the [passenger] number grows each year to 22 million and then to 35 million, certainly we have to manage it," Agus said on Tuesday.

With the current capacity of the airport's single runway and

terminal, its maximum capacity was around 35 million passengers, which could be achieved in the next five to 10 years in line with the surging number of passengers, he added.

Agus, however, underlined that the expansion of the existing runway would not be feasible because that would require land reclamation due its position on the seaward side of the island.

"That's why we are going to think about [building] the northern Bali airport," he said.

Earlier, private airport operator PT Bandara Internasional Bali Utara (BIBU), among others, revealed a plan to build a new airport in northern Bali with an investment of US\$2 billion.

It would have been supported by private investment, mostly from Middle East investors.

The airport was intended to add more aircraft traffic and bring

an extra 32 million passengers to Bali and help ease the congestion at Ngurah Rai.

However, the plan did not materialize due to the absence of a location permit from the ministry.

Agus said the development of the northern Bali airport might have to wait until passenger traffic in Bali reached its peak.

Currently, state-owned airport operator Angkasa Pura (AP) I is expanding Ngurah Rai's apron to welcome around 15,000 delegates who will convene for the International Monetary Fund (IMF)-World Bank (WB) Annual Meetings in October.

It has set aside Rp 1.7 billion (\$123,590) for the project.

AP I corporate secretary Israwadi said the company would consider the idea of building another airport in Bali in the wake of a passenger surge.

"We are looking at the option of building an airport apart from Ngurah Rai [airport]. It has a limited capacity expansion."

Israwadi said because the Bali government already had such a plan, the company might take part in it.

"If the number of passengers exceeds 40 million, it will be impossible [to expand the airport] on the existing land," he added.

AP I may enlarge the runway to approximately 250 meters to welcome bigger aircraft, such as an Airbus A380, a move that could jack up the number of passengers to 37 million.

Last year, it handled 89 million arriving and departing passengers at 13 of the airports under its management.

The figure is expected to climb to 99 million this year and further jump to 130 million in the next five years.

Coal miners brace for revenue loss

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Viriya P. Singgih

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Dozens of coal miners are at risk of losing hundreds of millions of US dollars in potential revenue as a result of the government's decision to require mining companies to sell coal at discounted prices to state electricity firm PLN under the domestic market obligation (DMO).

The Energy and Mineral Resources Ministry announced on March 9 its decision to cap the country's coal reference price (HBA), which is used to calculate a company's coal selling prices, for domestic power generation at a maximum level of US\$70 per ton until 2019.

In comparison, the actual HBA is \$94.75 per ton in April.

With the government's man-

Ministry caps coal price for domestic power plants at \$70 per ton

Actual coal price \$94.75 per ton in April

KPC to lose Rp 2.5 trillion in potential revenue

date to maintain current electricity prices until 2019 and with coal accounting for more than half of PLN's electricity supply cost, the policy is expected to ease the company's burdens.

However, coal miners are likely to suffer from it. For instance, PT Kaltim Prima Coal (KPC), Indonesia's largest coal miner by production volume, calculated that it would lose Rp 2.5 trillion (\$181.75 million) in potential

revenue as it would have to supply 12.7 million tons of coal to PLN in 2018 under the new price formula.

"We will still comply with the new DMO policy, though there will certainly be an impact because of the price discrepancy," KPC director Eddie J. Soebari said during a hearing with the House of Representatives Commission VII overseeing energy and mining on Tuesday.

KPC, a subsidiary of publicly listed coal miner PT Bumi Resources, is aiming to jack up its coal production by 15.5 percent to 67 million tons in 2018.

Meanwhile, another Bumi coal-mining subsidiary, PT Arutmin Indonesia, estimated it would lose \$67.8 million in potential revenue in 2018 based on a calculation using the actual HBA

level of \$94.75 per ton in April.

In 2018, Arutmin plans to produce 28 million tons of coal, 7.4 million tons of which will be supplied to PLN.

Furthermore, PT Adaro Indonesia, the biggest coal mining subsidiary of publicly listed PT Adaro Energy, said it would conduct various efficiency measures to cope with and support the government's new coal-pricing policy.

In total, Adaro Energy is planning to jack up its annual coal production by 4.2 to 8.1 percent to around 54 to 56 million tons in 2018, of which at least 9.46 million tons must be set aside for the domestic market.

Moreover, coal miners PT Kideco Jaya Agung and PT Berau Coal calculated potential revenue losses of Rp 1.1 trillion (\$79.9 million) and \$70 million, respec-

tively, in 2018.

Berau Coal legal director Edy Santoso said the government could have allowed for more flexibility when setting the policy.

"For example, when the global prices stand at around \$100 per ton, the HBA price will be set at \$70 per ton. But the government could increase or lower the HBA level when the global prices fluctuate," Edy said.

PT Trubaindo Coal Mining, meanwhile, said it would lose potential revenue of around \$22 million this year following its obligation to supply 1.1 million tons of coal for domestic power generation from its total production of 4.4 million tons.

"We will not see losses in our operations, but our revenue will certainly fall," Trubaindo Coal Mining director Stephanus

Demo Wawin said.

PLN calculated that the annual coal demand for nationwide power generation would gradually increase from 82.2 million tons last year to 92 million tons in 2018 and 145 million tons in 2026.

The utility firm estimated that, through the new coal price formula, it would be able to save around Rp 18 trillion if it used 85 million tons of coal this year and about Rp 20 trillion if it utilized 89 million tons of coal.

"The required DMO is just 25 percent of the national coal production. Coal miners are still able to sell 75 percent of their coal production in line with market prices. So it's not a big deal," Energy and Mineral Resources Ministry spokesperson Agung Pribadi said.

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Jokowi woos clerics at State Palace

Marguerite Afra Sapiie

THE JAKARTA POST / JAKARTA

In what could be seen as an attempt to boost his Islamic credentials and to dispel rumors that he is anti-Islam, President Joko "Jokowi" Widodo invited scores of Muslim clerics from across the country to the State Palace for a talk about the perils of fake news.

On Tuesday, Jokowi received nearly 100 Muslim clerics from West Java for a gathering at the palace.

They came from various Islamic organizations, including Nahdlatul Ulama (NU) and Muhammadiyah.

This is the fifth time that the President has welcomed a group of Muslim clerics to his office since late February.

The head of the Indonesian Ulema Council's West Java chapter, Rahmat Syafei, said the clerics and Jokowi talked about the economy and *pesantren* (Islamic boarding schools).

The President also expressed his concerns about the rampant spread of hoaxes, Rahmat said, adding that the clerics agreed that everyone should combat fake news and misinformation.

"The clerics have the responsibility to remind [the public] that fake news is misleading [...] The media should be selective in producing articles and they need to be based on facts or else it will be fallacious," Rahmat added.

Nearly four years into office, Jokowi is still facing political attacks similar to the days leading up to the 2014 presidential election, when he faced allegations that he was anti-Islam, was affiliated to the now-defunct Indonesian Communist Party (PKI) or that he allowed the influx of millions Chinese workers into the country.

Jokowi was perceived to be targeted when Muslim protesters held a massive rally on Dec. 2, 2016, to call for the prosecution of Jokowi's ally, then-Jakarta governor Basuki "Ahok" Tjahaja Purnama, for blasphemy.

The President was forced to join the sectarian rally along with some of his Cabinet members in order to calm the protesters.

Jokowi has held five meetings with clerics since February

President seeks to boost ties with Muslim leaders: Analyst

Political observer Arya Fernandes of the Centre for Strategic and International Studies (CSIS) said the meetings showed Jokowi's efforts to reaffirm his commitment in supporting the Islamic agenda of the Muslim community.

"Jokowi appears to use the occasion also to clarify the issues that were used to attack him, such as hoaxes and perceptions that he doesn't maintain good ties with Muslim clerics [...] If not clarified, those issues can hurt his credibility," Arya told *The Jakarta Post*.

He added that the President seemed to have learned from the 2016 rally that key figures in Muslim organizations held significant roles in influencing Muslim voters.

"Of course, Jokowi needs an effort to strengthen ties with figures in the Islamic community, particularly because he realizes that in his first two years in office, he did not establish a serious approach with regards to religious figures," Arya said.

Jokowi's aides, including Cabinet Secretary Pramono Anung and spokesperson Johan Budi, however, have brushed aside speculations that Jokowi's meeting with the clerics were political, saying the President had also received visits from Muslim clerics and other figures from diverse religions in the past.

When asked whether Jokowi would continue to invite Muslim clerics from all over the country, they said the State Palace was open to those who wanted to give input and suggestions for the sake of the government.

"If the clerics and the *umara* [political leaders] are in harmony, *Insha Allah* [God willing] this country will remain safe and in peace," Jokowi said.

"It's the most important thing."

ELECTION

PPP sets high target for 2019 election

Nurul Fitri Ramadhani
THE JAKARTA POST/JAKARTA

The United Development Party (PPP), the country's oldest Muslim-based political party, learned a tough lesson in the 2009 legislative election when it was only able to secure 38 parliamentary seats — the lowest number of seats the party had ever won since its establishment in 1973.

It faced disappointment again in 2014 after clinching only one additional spot at the House of Representatives and essentially failing to strengthen its position.

That year, the PPP was at the bottom two out of 10 political parties sitting at the House.

Nevertheless, the party is remaining upbeat about its political future as it sets a high target for the 2019 legislative election.

"We are aiming to secure 63 seats and rise to the top three largest parties at the House," PPP chairman Muhammad Romahurmuziy said during a visit to *The Jakarta Post* office in West Jakarta on Tuesday.

But it might not be easy for the 45-year-old party, as it has just legally settled an internal conflict that divided its members into two camps: the Djan Faridz-led leadership formed in 2014 at a national meeting in Jakarta and a splinter faction led by Romahurmuziy, who was elected in 2014 during a meeting in Surabaya, East Java.

It took three years for the party to end the internal strife, when the Supreme Court rejected in December a cassation appeal filed by Djan and ruled that the party's legal management board was that of Romahurmuziy's leadership.

"That was our worst [internal] dispute in history. I can assure [that the consolidation process] has reached 75 percent," Romahurmuziy said.

The party has competed in nine legislative races, the first one being the 1977 elections, when it secured 29.99 percent of the popular vote, or 99 parliamentary seats, its biggest win thus far. It has seen declining votes in five different elections: in 1982, 1987,



JP/Jerry Adiguna

High hopes: United Development Party (PPP) chairman Romahurmuziy (*center*) is accompanied by PPP general secretary Arsul Sani (*right*) and deputy chairwoman Fernita Darwis as he explains the party's target for the 2019 election during a media visit at *The Jakarta Post* on Tuesday.

1999 2004 and 2009, mainly due to the emergence of newcomers.

To achieve its 2019 target, the party will focus on maintaining existing support while trying to reclaim lost votes, particularly from its Muslim basis, and reaching out to young voters.

Realizing that Indonesian constituencies refer to popular figures when determining which political party they will support, the PPP, like most political parties, has also resorted to boosting its chairman's popularity.

Billboards displaying the image of Romahurmuziy with the PPP's Ka'bah logo in the background have emerged across the country.

Many have suggested that the billboards aim at introducing Romahurmuziy as a potential running mate for President Joko "Jokowi" Widodo in 2019. Several PPP elites claimed that Jokowi had offered the candidacy to him.

The party might have a reason for its confidence, as not only does it have the traditional support of the country's largest Muslim orga-

nization, Nahdlatul Ulama (NU), it has also consistently backed Jokowi despite the anti-Islam, pro-Communism label often put forward by the President's rivals.

In 2014, the PPP backed Gerindra Party patron Prabowo Subianto, Jokowi's only rival, but then switched sides right after Jokowi was elected President.

"Because the Sunni tradition does not acknowledge the notion of 'opposition'," Romahurmuziy explained.

The PPP then became the second party to declare support for Jokowi's reelection bid, following the Golkar Party, and was believed to be able to bring in Muslim votes for the President. Other Muslim-based political parties in the government coalition, the National Awakening Party (PKB) and the National Mandate Party (PAN), have yet to decide whether they will endorse Jokowi in 2019.

Romahurmuziy, however, claimed that he had no interest in the vice presidency, but nonetheless proposed five criteria expect-

ed from a vice presidential hopeful, including a *santri* (Islamic education) background.

"[He or she] must be able to unite both nationalist and religious camps," he said, adding that the candidate should also be young enough to appeal to the millennial voters, but mature enough to play a role in politics.

Political analyst Arya Fernandes from the Centre for Strategic and International Studies (CSIS) said it would not be easy for the PPP to meet its high expectations in 2019.

"Competition among parties is getting tighter, and [the party's] track record shows that it has never seen a significant increase in votes. The PPP found it difficult to compete against Gerindra, Golkar and the Democratic Party," Arya told the *Post*.

However, a vice presidential candidacy will likely boost the party's electability, he added.

"Because [...] a candidacy can attract voters' attention to the party," Arya said.