

Measuring Policy Accountability National Economic Recovery for BUMN



Policy Brief

***Measuring Policy Accountability
National Economic Recovery for BUMN***



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List of Abbreviation

Covid-19	: Coronavirus Disease 2019
PEN	: National Economic Recovery
BUMN	: State-Owned Enterprises
Perppu	: Government Regulation in Lieu of Law
PP	: Government Regulation
PMN	: State Capital Participation
ICW	: Indonesia Corruption Watch
Fitra	: Indonesian Forum for Budget Transparency
INDEF	: Institute for Development of Economics and Finance
BPKP	: Financial and Development Supervisory Agency

Background

Indonesia is one of the countries with the highest Covid-19 cases in the world. Until April 5, 2021, there were 1,537,967 total positive cases of Covid-19 and 41,815 of them died. The high number of cases then has an impact on various aspects of life together. Apart from health and social aspects, the economy is one that is affected.

To support the economy so that it does not deteriorate further, the Government issued a National Economic Recovery (PEN) policy. This policy is regulated in article 11 of the Government Regulation in Lieu of Law (Perppu) No.1 of 2020 concerning State Financial Policy and Financial System Stability for Handling Pandemic Coronavirus Disease 2019 (Covid-19) and / or in the Context of Facing Threats Endanger the National Economy and / or Financial System Stability. The Perppu was issued on March 31, 2020, and passed into Law number 2 of 2020 on May 18, 2020.

Shortly thereafter a derivative regulation was issued, namely PP No. 23 of 2020 and revised with PP No. 42 of 2020. A series of other technical regulations were also issued by various agencies, especially the Indonesian Ministry of Finance. Through the PEN policy, the government can make

state capital participation (PMN), placement of funds, government investment, and guarantees. The focus of the PEN policy itself is to support State-Owned Enterprises (SOEs/BUMN), Micro Business actors, Small Businesses, Medium Enterprises, Large Enterprises, and Cooperatives. This Policy Brief document highlights PEN policies for SOEs. The Indonesia Corruption Watch (ICW) assessed that BUMN before the pandemic had faced many problems, including poor governance so that various practices of irregularities and corruption occurred. With the existence of the PEN policy for BUMN, the state-owned companies with poor performance can protect themselves from the impact of the pandemic so that they expect PEN support from the Government.

As an illustration, in the early days of the PEN policy being issued, the total funds budgeted specifically for BUMN (corporate cluster) was IDR 44.57 trillion from the total budget of IDR 589.65 trillion. This amount then increased to IDR 53.57 trillion, and again increased at the end of the year to IDR 62.2 trillion. However, it is not clear the decision to increase the budget and the reasons for the increase.

ICW conducts tracing of documents related to BUMN that are open, such as financial reports, annual reports, BPK audits, and others. We also ask for an expert's view in assessing the PEN policy for BUMN. Our investigation will be carried out from November 2020 - March 2021. There are 11 BUMNs that are our entry points in providing initial notes regarding the PEN policy. These BUMNs are listed as having received initial priority when the PEN policy was issued.

Various Threat Factors on the Effectiveness of BUMN PEN



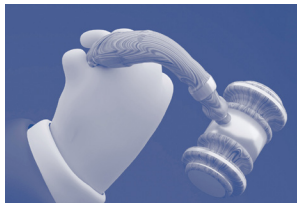
01.
Corruption of BUMN



02.
The performance of
BUMN is not optimal



03.
The PEN budget
is not transparent



04.
Impunity for
PEN policy makers



05.
PEN for BUMN has
minimal supervision

01.

Various Threat Factors
on the Effectiveness of BUMN PEN

Corruption of BUMN



Corruption within SOEs is no stranger.

ICW noted that **during 2010 - 2020** there were **160 cases** of corruption by BUMN.

An example of a corruption case that has caught the attention of the public is the case of PT Asuransi Jiwasraya, which is estimated to have caused losses to the state of up to IDR 37.4 trillion.¹

In addition, there was a bribery and money laundering scandal involving former President Director of PT Garuda Indonesia, Emirsyah Satar. He received bribes amounting to IDR 49.3 billion and money laundering amounting to IDR 87.464 billion.²

BUMN with the highest number of corruption cases 2010 - 2018

BUMN	Number of Cases
PT PLN	21
PT Pertamina	13
BRI	12
Perum Bulog	12
BNI	6

¹ <https://bisnis.tempo.co/read/1392941/kerugian-jiwasraya-ditaksir-capai-rp-374-triliun/full&view=ok>

² <https://kabar24.bisnis.com/read/20200506/16/1237420/didakwa-suap-dan-pencucian-uang-ini-pleidoi-emirsyah-satar->

02.

Various Threat Factors
on the Effectiveness of BUMN PEN

The performance of BUMN is not optimal

Not all of the eleven BUMNs that received an injection of funds at the start of the PEN funding policy had a good performance. **Almost all of these BUMNs have consistently experienced an increase in debt during 2015 - 2019.**

A number of BUMNs also experienced losses during the same period.

Brief Overview of the Performance of 11 BUMNs that Receive PEN Funds

BUMN	Debts Increased	Information
PT PLN	2016 – 2019	Loss on gross profit (2016 - 2019)
PT Hutama Karya	2015 – 2019	
PT Garuda Indonesia (GIAA)	2015 – 2019	Loss on net income (2017 – 2018)
PT Kereta Api Indonesia	2015 – 2019	
PT Perkebunan Nusantara (PTPN)	2015 – 2019	Loss on net income (2017 -2018)
PT BPUI	Unknown	
PT Permodalan Nasional Madani (PNM)	2015 – 2016 (further data is unknown)	
PT Krakatau Steel	2015 - 2019	Loss on business income (2015 – 2019)
PERUMNAS	2015 - 2019	
PT Pertamina	2015 – 2019	
PT Pengembangan Pariwisata Indonesia (Persero) (ITDC)	2015 - 2019	
PLT Hybrid (Hybrid PP)		0,01%

PLTMG (Gas Engine PP)	3,63%
PLTBm (Micro Hydro PP)	2,71%
PLTP (Geothermal PP)	3,00%
PLTS (Solar PP)	0,09%
PLTSa (Garbage Power Plant)	0,02%

Secretary General of the Indonesian Forum for Budget Transparency (Fitra) Misbah Hasan said, out of 113 BUMN, only 10 BUMNs consistently contributed profits to state revenues. Of the ten BUMNs, continued Misbah, only four contributed significantly to state revenues, namely Pertamina, Telkom, Bank BRI and Bank Mandiri. Contribution in the last 10 years has reached IDR 209.43 trillion or 72 percent of the total BUMN contribution of IDR 290.46 trillion.

Director of the Institute for Development of Economics and Finance (INDEF) Enny Sri Hartati said that until the end of 2020 the performance of most BUMNs was still not optimal. Even many BUMNs are still having problems. Of the 107 state-owned companies, only about 18 state-owned companies routinely pay dividends to the state and drive the people's economy.

The description of BUMN performance above can be used to highlight the following matters. First, how the Government determines the criteria for BUMN that deserve support and which are not disbursed at the beginning. Second, the clarity from the Government to ensure the disbursement of funds to 11 BUMNs will have a positive impact on state revenues. Reflecting on the problems of corruption and bad governance that have made various SOEs lose money, it is feared that the PEN funds they receive will only be used to pay off debts of the recipient SOEs that will be due. Third, clarity from the government to ensure that other SOEs that receive PEN funds can have a positive impact on state revenues.

03.

Various Threat Factors
on the Effectiveness of BUMN PEN

The PEN budget is not transparent

The plan for the use and realization of PEN funds is not transparent. The government did not convey the realization of the BUMN PEN funds properly. The realization of each PEN fund cluster was indeed submitted at the end of the year, but there was no more detailed explanation of the realization of these funds, including those disbursed to BUMN.

Quarter three money, not all SOEs announce the plan to use the PEN budget. Even if there is a BUMN that announces a plan to use the budget, it will not be conveyed in detail. The respective BUMNs also did not convey the realization.

Changes to the PEN budget for BUMN in 2020 have also been carried out many times. At the start of the PEN policy, the total budget for BUMN (corporate cluster) was IDR 44.57 trillion. That amount had increased to IDR 53.57 trillion, and again increased to IDR 62.2 trillion.

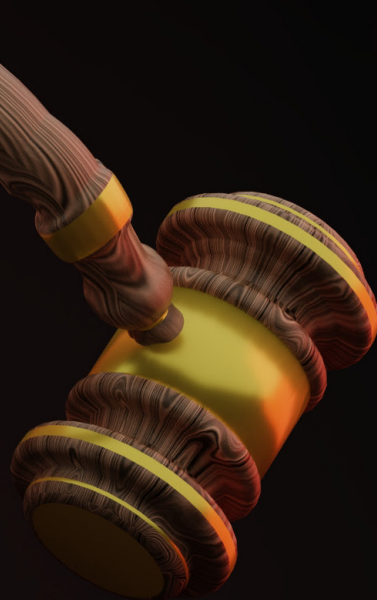
However, a complete explanation of the reasons for the increase in the budget could not be found. On several occasions, the government even mentioned different budgets. The amount of the budget for BUMN is stated at IDR 62.2 trillion, but on another occasion the amount is stated at IDR 61.2 trillion.

The lack of information regarding PEN funds needs to be taken into account considering the large amount of budget disbursed. If the principle of transparency is not implemented properly, the potential for fraud will be more open.

04.

Various Threat Factors
on the Effectiveness of BUMN PEN

Impunity for PEN policy makers



There are provisions in the policy for handling the Covid pandemic that provide legal immunity for policy makers. This provision is regulated in article 27 paragraph (1) of Law 2 of 2020 which reads:

'Costs that have been incurred by the Government and / or KSSK member institutions in the context of implementing the state revenue policy including policies in the field of taxation, state expenditure policies including policies in the regional finance sector, financing policies, financial system stability policies, and national economic recovery programs of the economic costs of saving the economy from the crisis and not of a loss to the state.

This article confirms that everything related to the PEN policy cannot be classified as a state loss. UI academic, Qurrata Ayuni, said that with this provision, it was possible for SOEs not to manage financial support accountably, especially because they felt free from accusations of state losses. This immunity, continued Qurrata, could then set a bad precedent regarding the management of state finances and the accountability of state-owned enterprises in crisis conditions. In the end, it will be counterproductive with the main objective of saving BUMN. In addition, policies with salvage arguments such as in the BLBI corruption case can also emerge.

05.

Various Threat Factors
on the Effectiveness of BUMN PEN

**PEN for BUMN has
minimal supervision**

PEN policy has not received proper supervision. Provisions regarding new supervision are attached to the Financial and Development Supervisory Agency (BPKP) as the internal supervisor. However, the role of other institutions such as BPK RI, law enforcement officers (KPK, Police, and Attorney General), and DPR RI is not clearly known.

Qurrata Ayuni said that there was no clarity regarding the indicators of success in overseeing PEN policy. Supervision is therefore more focused on administrative aspects. The absence of supervisory indicators and administrative sanctions indicates a loose policy in PEN (loose policy), even though this concession should not have been made during a pandemic emergency.

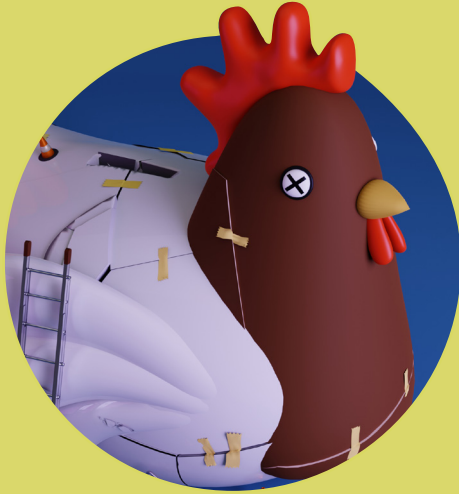
Recommendations

1. The government and each BUMN receiving PEN will immediately announce the plan and realization of the use of BUMN PEN funds widely, openly, and periodically. The delivery is carried out in detail and can be easily consumed by the public.

The government provides prerequisites for SOEs to implement the principle of transparency in the management of PEN funds. BUMN is given the obligation to periodically announce the plan and use of PEN funds to the public. If these prerequisites are not met, the disbursement of funds for BUMN can be cancelled.

The government and BUMN can be guided by Law No. 14 of 2008 concerning Openness of Public Information along with other supporting regulations. The government and BUMN can innovate by forming a special portal on PEN that can be accessed by the wider public. The portal can include budget planning, budget use, and periodic updating of information on PEN policies.

2. The PEN policy is subject to tighter and wider scrutiny. There needs to be a clearer oversight mechanism, including clarity and assignment of the authorized institutions and tasks to supervise PEN funds. Law enforcement officials also need to be collaborated, especially in prevention or prosecution. In addition, it is necessary to ensure that the public can participate in overseeing the PEN policy.
3. Disbursement of PEN funds is carried out in stages by evaluating in each stage. The evaluation considers the capability and effectiveness of the SOEs receiving support in utilizing and managing PEN funds. In addition, the evaluation needs to include aspects of transparency and accountability in the management of PEN funds.
4. Comprehensive evaluation and audit of PEN funds and SOEs that received PEN funds. This step needs to be done considering that PEN aims to save BUMN. There needs to be proof that the trillions of rupiah in funds that have been disbursed have succeeded in achieving this goal. Apart from that, it is also important to see the accountability of the use of funds by BUMN, the feasibility of SOEs to receive PEN funds again, and to measure the impact of providing support for state revenues.



INDONESIA CORRUPTION WATCH

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