

## IN BRIEF: POLITICAL

from the Army's Strategic Reserves Command (Kostrad). He said that they will be equipped with 34 armoured vehicles.

The government says that it is continuing to try and evacuate its citizens from the battle zones. Government figures show at least 300 Indonesia workers are attempting to leave the conflict area. The Indonesian government, however, has never identified Lebanon or neighbouring Syria as safe destinations for Indonesian migrant workers.

Indonesian Muslims have urged the UN and the US to prevent the conflict from escalating further. In a show of solidarity toward Lebanon, thousands of followers in recent weeks from the Islamic-based Prosperous and Justice Party (PKS) attended rallies in Jakarta, the Central Java town of Surakarta, and in Bandung, West Java. The protesters called for a boycott against all Israeli and US goods imported to Indonesia while burning flags from both countries. Similar protests also took place in Gorontalo in North Sulawesi and in the Central Kalimantan town of Palangkaraya.

The local condemnation toward Israel and the US comes on the heels of a June 25-29 visit to Israel by officials from the Indonesian Chamber of Commerce (Kadin). Religious leaders from Indonesia's largest Muslim organisation, the Nadhlatul Ulama, also accompanied the delegation. While government officials here sought to downplay the significance of the visit, others viewed it as a definitive move to improve ties between the two countries. But any positive steps forward from the trip have likely been neutralised following the continued fighting.

### Shedding light on the blackouts

In recent months the issue of electricity shortages has moved to centre stage as enforced power cuts saw blackouts occur in several areas of greater Jakarta, Banten, and West Java. That comes on the heels of presidential entreaties made late last year to private television stations to cut TV programmes aired after midnight in a bid to conserve power.

However, Indonesian anti-corruption watchdog Indonesian Corruption Watch (ICW) maintains that the capacity of electricity stations currently in operation is more than enough to cover electricity consumption, even at peak demand. ICW research shows that power plants across Java and Bali are able to supply 19,043 MW of power whereas peak demand for both industrial and household consumption stands at around 14,450 MW. "There is no problem with the power supply," ICW researcher Ibrahim Zuhdhi Fahmy Badoh told the *Report*. So then why the power cuts?

The management's position at state-owned electricity company PLN is that the problem is one of rising production costs due to the dependence of many power plants on oil to produce electricity. The government concurs, with President Yudhoyono issuing a decree on July 5 requiring PLN to develop at least 24 new coal-fired steam power plants with a total capacity of up to 10,000 MW to be finished by 2009.

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PLN is indeed in a difficult position. With the price of oil sky-rocketing and the government's decision last year to maintain subsidies on electricity tariffs following pressure by the business community, something has to give. However, according to ICW, a large part of why the production costs of electricity at PLN are so high is because of the long-standing problem of internal inefficiency and corruption.

An independent auditor's report recently stated that corruption inside PLN has caused losses to the state of Rp 5.52 trillion each year, with Rp 4.4 trillion due to "inefficiency" in investment projects, and the remaining Rp 1.12 trillion due to "inefficiency" in operational costs.

PLN is still suffering the fallout from the structure of the contracts drawn up with the first round of private investors in the electricity sector in the early 1990s. At the time most of the investors were Soeharto cronies which enabled extremely favourable terms on the price that PLN had to pay for the electricity the private plants produced. Following the downfall of Soeharto, PLN and the Indonesian government tried to re-negotiate the contracts but were hampered by pressure from the foreign partners of the domestic private investors. In the end, while some of the original contracts were revised to be more favourable for PLN, the state-owned electricity company was left with a massive debt as many of the foreign investors took PLN to international tribunals for breach of contract.

Ibrahim of ICW suggests that the government would be wiser to handle existing inefficiencies and corruption within PLN rather than push ahead with new projects, especially given the suspicion that the new projects will only pave the way to more corruption. "Inside players and business people who are close to the government's inner circle have now turned their attention to investment in these strategic projects," he added.

ICW's latest report details dozens of state-owned companies which are still prone to the intervention of various political interests, PLN is among them. "These days, there is a changing mechanism of corruption. If in recent years we saw that those in power allegedly manipulated the disbursement of the regional state budget, now we can see that state-owned companies have once again become the target of such corrupt practices," ICW states in its report. □