

Policy Levers in Indonesia

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Executive Summary

Indonesia in 2004 continues its transition from an autocratic, military-backed centralised state to a democratic, decentralised one. Indonesia is now six years into democratic transition following the fall of the Soeharto in 1998. During this transition phase from authoritarian government, policy making relevant to inequality, security and ethnicity in 2004 has been affected by six main political themes: - local level conflict and insecurity due to the weak democratic system; the continued implementation and impact of decentralisation; the ongoing role of the military in civilian affairs; the impact of stalled legal reform and embedded corruption; the role of Islamic movements, including the influences of moderate Islamic parties and social movements, and the minority though influential extremist Islamic groups; and, finally, the problem of high levels of separatist and communal violence.

These critical themes will be addressed throughout the paper by examining the three main sectors of policy making in Indonesia. The main body of the paper (Section 2) considers the formal sector, covering government structures, the legal system, the decentralisation process and major political parties. The following section on the non-governmental sector (Section 3) briefly summarises the role of civil society groups, radical Islamic groups and ethnic organisations. The final part (Section 4) looks at the role of international organisations in terms of their influence on policy making.

Indonesia is a republic with a presidential system and three branches of government. The President is head of state and serves a five-year term for a maximum of two terms; the current President, Megawati Soekarnoputri, is the daughter of founding President Soekarno. The upper legislative body, known as the People's Consultative Assembly (*Majelis Permusyawarahan Rakyat*, or MPR), convenes once per year and has the power to change the Constitution. Legislation remains the responsibility of the 500 member House of Representatives (*Dewan Perwakilan Rakyat*, or DPR).

In 2001 "Big Bang" decentralisation devolved many government functions to the district level. This has probably been the biggest shift in Indonesian government policy since the fall of Soeharto and has had far reaching effects at the local level. All government

functions – aside from five key areas for national government – have been devolved to over 400 district governments. Indonesia's 33 provincial governments retained limited administrative and political power. Most public services are now coordinated at the district level, financed by fiscal transfers from the central government. Results so far are mixed, with increased political participation and voice at the local level, but concerns over rising levels of corruption in district government.

The true extent of central government reform following the exit of Soeharto in 1998 is, however, limited. Despite the major shift of administrative government from the centre to the regions, the institutions, officials, and methods of conducting business remain essentially the same. The courts and police are widely perceived as the two most corrupt institutions. There has been no serious or successful attempt to try those suspected in the main corruption and human rights abuse cases dating from the New Order era. Many of those under suspicion remain in power, or at the least, remain untried, including Soeharto and most of his family members. The legal and law enforcement systems remains unaccountable, expensive and inefficient. There are some important elements for reform in the Supreme Court, other internal reformers and many grassroots activists, but they lack the political teeth necessary to affect government policy in a substantial way. While political freedoms are now widespread, the general population has become increasingly disillusioned with the political elite, which is also seen as corrupt and unaccountable.

The military continue to play a powerful role in Indonesian politics, though this is now mainly an informal role conducted through business and political associations, rather than through holding power directly. While the military have officially withdrawn both from a role in governing civil affairs, and from holding official seats in the parliament, they have influence over many elements of natural resource management, internal security, social and political policy.

The two largest moderate Islamic mass organizations, Nahdlatul Ulama (NU) and Muhammadiyah, with a combined membership of around 62 million members, wield the greatest influence on policy outside the formal political system. On the whole, radical Islamic groups remain a tiny minority, but their role in politics should not be underestimated. There is growing concern, both inside and outside Indonesia, over the rise in radical Islamic groups in Indonesia, including *Jemaah Islamiyah* (JI), a pan-regional movement for Islamic states in Southeast Asia. Since 1998 JI have been particularly active in religious conflicts across the country, most notably in Maluku and Central Sulawesi, and they have also been linked to the terrorist bombs in Jakarta in 2003 and Bali in 2002.

Separatist movements are active in the Aceh and West Papua/Irian regions. The disappointing though predictable breakdown of the 2002 Cessation of Hostilities Agreement (COHA) between GAM (The Free Aceh Movement, or *Gerakan Aceh Merdeka*) and the Indonesian Government prompted the government to place the province under martial law in May 2003. This has been the biggest military operation since the 1975 invasion of East Timor and martial law continues in Aceh in 2004. Other forms of violent conflict at the communal level emerging since 1998 include religious and ethnic violence in seven separate incidents, two of which prompted government intervention in the form of military action and the implementation of the Malino I and II peace accords (for Central Sulawesi and Maluku respectively).

The media is certainly freer since the end of the Soeharto regime, and the press is openly critical of the government. However, money politics influences all but the most

vigilant of the media groups, as politicians and political parties buy influence from journalists and editors. Meanwhile, civil society groups have burgeoned since 1998 with an increased role vis a vis local government. While a lack of organisation and coordination limits the influence of civil society groups at the centre, there are strong indications of a growing civil society across the country.

The two government policies, which attract the greatest attention from the major bilateral donors, UN agencies and the World Bank, are the decentralisation and legal reform agendas. Fear of national disintegration and Islamic extremism keeps the US and Australians quietly behind the Indonesian government and criticism of the government's policy in Aceh is limited as a result.

1. Introduction

Indonesian independence was achieved from the Dutch in 1949 and the Republic of Indonesia was established as a unitary state in August 1950 under the leadership of President Soekarno. After a brief period of parliamentary democracy in the 1950s, President Soekarno announced martial law in March 1957, heralding authoritarianism in the guise of "Guided Democracy". Soekarno remained in power until the mid-1960s, when an attempted coup (blamed on the Indonesian Communist Party) was foiled by a counter-coup led by the army under General Soeharto. The period late 1965 to late 1966 was marked by massacres of hundreds of thousands of suspected communist party members and sympathizers across the country, now widely believed to have been coordinated by the military¹. Soeharto became acting president in March 1966 and full President in March 1968, from which position he dominated Indonesian politics until 1998.

During Soeharto's 'New Order' regime, political change was "glacial", to borrow Aspinall and Fealy's term, while the economy grew rapidly.² The New Order regime divides into three distinct phases. The first phase from 1966 until 1975 saw a military run state, whereby military officers held both military command and Government posts under an ideological doctrine known as *dwifungsi* ("dual function"). Under the second phase, from 1975 to 1988, political repression continued and economic development was pressed forward, with the resettlement of over one million "core" Indonesians from the central islands of Java, Bali and Lombok to the outer islands.³ The final stage from 1988 until 1998 saw the relaxation of the one-party state and the emergence of long-dormant political parties, such as the *Partai Demokrasi Indonesia* (PDI, or Indonesian Democratic Party) and groups such as the *Ikatan Cendekiawan Muslim Indonesia* (ICMI, the Association of Muslim Intellectuals). The elections of 1997 provoked considerable violence across the country, but Soeharto won and retained power.

It was not until the South East Asian financial crisis in mid 1997 that popular protest spiraled out of the Government's control. In late 1997 and early 1998 fuel prices rose by 70% and the Indonesian *rupiah* collapsed. By May 1998, Soeharto was politically isolated even within his own Golkar party and eventually resigned in favour of his protégé, B.J. Habibie. After the 1999 elections, the first free elections in Indonesia since 1955, the prominent moderate Muslim intellectual Abdurrahman Wahid replaced Habibie as president. His presidency, however, was marred by indecision and became

¹ Robinson (1996), p.119, 142.

² Aspinall and Fealy (2003), p.1.

³ UK Home Office (2002), p.3.

increasing erratic and autocratic. In July 2001, he was impeached and replaced by Megawati Soekarnoputri, daughter of Indonesia's first president. The three presidencies each brought in some major reforms while attempting to balance opposing forces and maintain central political control.⁴

Under the New Order regime, the military held a designated number of seats in the parliament at national and provincial levels. This formal power sharing agreement between civilian government and the military was abolished under the Megawati administration. Military representation in the parliament was phased out, with the April 2004 election marking its complete abolition. While elements of the former regime remain influential in the current structures and policies of government, there have been significant changes in the six years since President Soeharto's resignation. In this context, political institutions are evolving, and some of the powerful policy levers are changing. Civil society, political parties, regional movements, the academic community and a relatively free local media – long repressed under Soekarno and Soeharto's authoritarian regimes - are active in voicing their views. The role of Indonesia's parliament, once a rubber stamp for presidential and military orders, has increased significantly in the realm of policy setting and as a check on the executive branch of government. Democratic accountability should also improve with the first direct election of a President in 2004 and the phasing out of the military from Parliament. District centered devolution from 2001 means considerable authority over public expenditures and public service delivery has been handed over to over 400 local governments at the district level, with positive signs of increased participation in democratic decision making in some regions as a result.⁵

On the down side, several key challenges remain for the post-authoritarian government, ranging from rampant corruption to increased insecurity. The hope that the post-Soeharto *Reformasi* (reform) movement would end the stranglehold of vested interests and all pervasive *Korupsi, Kollusi dan Nepotism* (corruption, collusion and nepotism) has not been realised.⁶ For example, the high profile conviction of Akbar Tanjung, parliament speaker and Golkar party leader, for misappropriation of funds by the Central Jakarta District Court, was recently overturned by Indonesia's highest court. Critics of the Supreme Court's ruling argue this outcome further demonstrates the systemic corruption within the Indonesian Justice system and the predominance of 'money politics'.⁷ Donor agencies are grappling with the fact that actual government policies are for the most part determined by the degree to which policies will produce corrupt revenue for ministers and civil servants⁸.

On the economic front, while macroeconomic stability has been restored, the *rupiah* has stabilised, and poverty, although still widespread, has been reduced to near pre-financial crisis levels.⁹ In 2003, 53% of the population was living on the equivalent of less than US\$2 a day, and 6.7% of the population on below US\$1 a day. Eastern Indonesia remains the poorest region, but there are pockets of poverty within all regions, and due

⁴ Apsinall and Fealy, pp.1-3.

⁵ World Bank (2003.a), p1.

⁶ Syamsuddin Haris, a political observer from the Indonesian Institute of Sciences (LIPI), reporting on Donald K. Emmerson's book, *Indonesia Beyond Soeharto*, in *Young, Dying Reform*, Tempo, December 15, 2003.

⁷ Program on Humanitarian Policy and Conflict Research, *Indonesia Update: March 2004*, www.preventconflict.org, accessed 24/03/04.

⁸ Personal correspondence with former UN agency chief, Jakarta, February 2004.

⁹ World Bank (2003.a). p.7.

to the higher population densities on those islands, most of the poor live on Java and Sumatra.¹⁰

In terms of security, the division of roles between the military and police remains unclear, with the military playing an overlapping role in internal security matters in conflict areas such as Aceh, North and Central Maluku, Central Sulawesi and West Papua/Irian. The military continue to wield significant political influence and economic power through businesses operated by security forces and their proxies.¹¹ Since 1997 Indonesia has seen an eruption of ethnic, religious and separatist sentiment and conflict. Six major outbreaks of conflict have concentrated around communal violence between religious or ethnic groups (see Figure 1). Major incidents of ethnic and religious conflict appear to have waned since 2001, but the situation remains volatile in the main conflict regions.

Figure 1. Major incidents of ethnic and religious conflict in Indonesia (1997-2003)¹²

	Main location of conflict	Approximate Year(s) of conflict	Major conflicting groups (Primary actors)	Provisional type of conflict
1	Jakarta, Java, Sumatra	1997-1998	Ethnic Chinese and non-Chinese	Ethnic
2	West Kalimantan	1999	Ethnic Malay and ethnic Madurese	Ethnic
3	North Maluku	1999-2002	Ethnic Makian (Muslims) and ethnic Tao (Christian)	Religious/Ethnic
4	Maluku	1999-2002 (+)	Ambonese, Javanese and Buginese Muslims (Islamic extremist groups incl. <i>Laskar Jihad</i> and <i>Jemaah Islamiyah</i>) and Ambonese Christians	Religious/Ethnic
5	Central Kalimantan	2001	Ethnic Dayak and ethnic Madurese	Ethnic
6	Central Sulawesi	2000-2002 (+)	Muslims (incl. <i>Laskar Jihad</i> and <i>Jemaah Islamiyah</i>) and Christians (incl. <i>Black Bats</i> group)	Religious/Ethnic

¹⁰ World Bank (2003.a), p.1

¹¹ United States Government (2004), p.1.

¹² Data compiled from the following sources: - Harvard Program on Humanitarian Policy and Conflict Research, regional conflict backgrounders on Maluku, Kalimantan and Sulawesi (available at www.preventconflict.org); International Crisis Group reports on Central Sulawesi (*Indonesian Backgrounder: Jihad in Central Sulawesi*, Asia Report No. 74, 3 February 2004) and Central Kalimantan (*Communal Violence in Indonesia: Lessons from Kalimantan*, Asia Report No. 19, June 27, 2001), available at www.icg.org; Human Rights Watch reports, see on Jakarta riots against ethnic Chinese, *Indonesia: The Damaging Debate on Rapes of Ethnic Chinese Women*, September 1, 1998.

2. The Role of the Formal Sector

This section provides a summary of the role of the official organs of the state the major political parties, the legal sector and the military in terms of policy making.

2.1 Overview of Government

Central government

The Indonesian political system combines elements of both a presidential and a parliamentary democracy. The 1945 constitution, which remains essentially unchanged, was regarded as 'presidential' in the context of authoritarian government, but can operate in a 'semi-parliamentary' fashion under a democratic order. This was shown by the dismissal of former President Wahid by the People's Consultative Assembly (MPR) in 2001, and the appointment of then Vice-President Megawati as President¹³. This move by the MPR would have been unthinkable under the Soeharto regime. From 2001-2002 the MPR has restored to the constitution a more 'presidential' character, with a series of laws passed involving the direct election of the presidential and vice-presidential positions.

Executive office

Since the handover of presidential office from Wahid was ordered by the MPR in 2001, Megawati, heading the leading nationalist-secular party PDI-P¹⁴, has held the presidency and Hamzah Haz, from the Muslim based party PPP, holds vice-presidential office.¹⁵ In all elections prior to the upcoming 2004 elections, the President and the Vice President have been elected by the MPR. In 2004, they will be directly elected for the first time, a process that is likely to cause some confusion and potential violence in localised areas.

Legislative office

The constitution provides for a national parliament (DPR, or *Dewan Perwakilan Rakyat*) and regional parliaments (DRPD, or *Dewan Perwakilan Rakyat Daerah*), elected simultaneously every five years. Military and police officers were formerly appointed to the DPR and DPRD, but no longer hold office in these legislative bodies¹⁶. In addition, there is a supreme constitutional body, the Peoples Consultative Council (MPR, or *Majelis Permusyawaratan Rakyat*), previously constituted by the members of the DPR together with appointed members, which represented the regions and "special groups". Under Soeharto, the specially appointed members made up more than half of the MPR, but they are now only 200 out of 700 members, and the provincial assemblies elect the regional members. Under the New Order regime, the MPR had two main functions: electing the president and vice-president, and laying down guidelines on government policy. With the introduction of direct elections for the presidential position in July 2004,

¹³ International Crisis Group (2003.b)

¹⁴ PDI-P's main base of support lies with Javanese Muslims. Non-Javanese Muslims with a secular political perspective and non-Muslim communities are also sources of support. ICG (2003.b), p.6

¹⁵ PPP was the product of a forced merger in 1973 of all Muslim parties, of which the traditionalist NU and the modernist Indonesian Muslim Party (*Partai Muslim in Indonesia: Parmusi*) were the most important members. In 2001, after Megawati replaced Wahid as president, she chose Hamzah as her VP. Her selection is believed to have been on the basis that he was not considered a potential threat, rather than because his party wielded great influence in the MPR. See ICG (2003.b), pp.9-10. See section A.2 for more details on the leading political parties.

¹⁶ See section A.3 on the role of the military.

MPR functions are now limited to amending the constitution and overseeing the executive office¹⁷. The DPR is now the more important legislative body.

The Ministries

The civil service contains small pockets of reformers, but is on the whole dominated by bureaucrats who worked under the New Order regime.¹⁸ The Ministries of Home Affairs and Foreign Affairs, two of the most important ministries, are traditionally headed by the military, and are therefore the least reform minded ministerial bodies. Some of the newer ministries, such as the Ministry of Justice, have reformed faster, and are known as being more open (although not necessarily less corrupt), as is the Ministry of Agriculture.¹⁹ Formerly powerful institutions such as BAPPENAS, the State Development Planning body, have now lost the power to decide on government development projects, but they maintain influences on new programmes that bring in donor money to Indonesia, including the new Task Force on Conflict.²⁰

Decentralised Government

Political context

The origins of Indonesian decentralisation lie in the dramatic collapse of the economy in 1997/98, which undermined the long-standing centralised formula of political management. The New Order regime had left great disillusionment in the regions outside Java towards the Javanese dominated central bureaucracy, especially over the extraction of natural resources by foreign and Jakarta based companies. The new openness of the reform era encouraged demands for greater regional autonomy and even secession from the Republic by the richer provinces.²¹ In response, the central elites decided major decentralization would be a means to avoid national disintegration, but it had to be done in such a way that it would pacify regional demands for greater autonomy without furthering regional separatist movements. President Habibie, while actively seeking the support of the regions, intended to eliminate the provinces as autonomous entities and keep them as “outposts of the central government”.²² In the regional unrests of the 1950’s the provinces had been key centres of resistance. The military therefore refused to support decentralization if it could lead to greater power at the provincial level: smaller regions at the local (district) level would be easier to control. As a result, rapid decentralisation empowered the district level of government.²³

¹⁷ The MPR now has the power to make the final decision on the impeachment of the president or vice president, to formally install the president and vice president after election, to select a new vice president if a mid-term vacancy occurs, and to select a new president and vice president if both “stop” at the same time. Law No. 22/2003, “*Susunan dan Kedudukan MPR, DPR, DPD & DPRD*”, Art. 11.

¹⁸ Interview with Thung Ju-Lan, LIPI, Jakarta (see end notes).

¹⁹ The current Minister for Justice and Human Rights, Yusril Ihza Mahendra, has openly criticized the Megawati administration for refusing to raise ministerial salaries, something he argues leads to corruption in the civil service. See Tempo, December 15, 2003. The Minister of Agriculture, Bungaran Sagi, comes from an activist background and maintains strong links to NGO networks. Source: Interview with Thung Ju-Lan, LIPI, Jakarta (see end notes).

²⁰ Both UNDP and the World Bank work with BAPPENAS on their conflict programmes. The capacity of BAPPENAS to manage the conflict strategy of the government is questioned by some observers: Interview with Thung Ju-Lan (see end notes).

²¹ Asia Research Centre (2001), p.19.

²² World Bank, (2003.b), p.4.

²³ Provincial autonomy was eventually enabled almost by accident, as parliamentary laws passed before the decentralization laws allowed for the election of provincial parliaments. The province was restored as an autonomous region, but the provincial Governor serves a dual function as a representative of the central government as well as being the head of autonomous provincial regions and the provinces are deliberately restricted in their functions. See World Bank (2003.c), p.iii, p.4.

Decentralisation framework

The Indonesian devolution process has come to be known as “Big Bang” decentralisation due to the rapid and radical transference of public service provision to over 400 local governments in under three years.²⁴ Two laws dealing were passed in May 1999 reflecting the two major concerns for regional governance reform: - first, the creation of regionally based governments to reflect local interests (Law 22/1999); second, the more equitable division of revenue between the centre and the regions (Law 25/1999).²⁵ Both laws came into effect in January 2001. The building block of the decentralization framework as outlined in Law 22/1999 is the district level of government.²⁶ All authorities of government, except those reserved for central and political control, are now devolved to the district level.²⁷ The 33 provinces retain a relatively minor role, and are assigned with coordinating local government. In practice, as provincial governors are also the representative of the Central Government, they maintain a supervisory role. The province and the centre are also responsible for setting service delivery standards. The centre retains power over five key national functions - defense, the judiciary, foreign relations and the monetary and fiscal system - and it maintains regionally based organizations to do so.²⁸

According to Law 22/1999, obligatory functions of local government include public works, primary and secondary education, public and basic health services, environmental management, planning and local economic development, land, manpower and infrastructure services.²⁹ Law No.25/1999, on intergovernmental financial reform at the regional level, reversed the New Order policy whereby central government spending accounted for over 80 percent of total government outlays by stipulating that a minimum of 25 percent of domestic revenues be transferred to local governments. The law gave districts the authority to make decisions on government spending, but no power to raise their own revenues. Most revenue comes from transfers from the centre made up of general allocation funds (*dana alokasi umum*, or DAU), special allocation funds (*dana alokasi khusus*, or DAK), sharing of resource-based revenues and taxes and borrowing.³⁰

Impact so far

In terms of local democratisation, there are positive signs that decentralization is improving levels of participation in government decision making in some regions at the district level³¹. Local government is accountable to local parliaments for the first time,

²⁴ World Bank (2003.a), p.1.

²⁵ Asia Research Centre (2001), p.20

²⁶ In Indonesian, districts are known as the *kabupaten* (in rural areas) and *kota* (in urban areas).

²⁷ In theory, the sub-district level of government retains only administrative but not political functions. However in many regions of Indonesia, especially the islands off Java, the district level remains very remote from most rural residents. In practice the sub-district level of government retains some *de-facto* power, mainly because it is more accessible to the village level.

²⁸ Several policy functions of the central government are no longer maintained through the presence of regional organizations, including state administration, human resource development and inter-governmental fiscal policies. This has led to some confusion over policy setting, which is discussed further on.

²⁹ Responsibility for key revenue generating areas - mining, coastal zone management and natural resource management – remain unclear. See ICG (2003.c), p.3.

³⁰ The DAU, or general grant, is the fixed minimum 25 percent net share of total domestic revenue granted to local government: 90 per cent of this goes to district government and 10 per cent to provincial government. The DAK is an earmarked grant for national priorities. Local shares of natural resource revenue have been increased by fixed percentages such that certain percentages are retained by the region of origin: - 80 percent of revenue from forestry, fishing and mining; 15 per cent from oil revenues; 30 per cent from gas. Source: ICG (2003.c), p.3; World Bank (2003.c), p.26.

³¹ *Ibid*, p.1.

and as the election process is being transformed in 2004 with the first ever direct elections of local parliaments, local parliament members should become increasingly accountable to citizens. At the village level significant changes have also taken place through the establishment of village parliaments, an often overlooked impact of Law 22/1999. These parliaments offer villagers local democracy for the first time, through the locally elected village parliaments, and the potential to counter more than 20 years of dominance at the grassroots level of government appointed village heads. While it is still too soon to determine the overall impact of village parliaments on local democracy, decentralisation has undoubtedly transformed the process of local governance in many areas with villagers expressing political demands without fear or reprisal for the first time since independence.

However, the speed of the transfer of power and a general lack of transparency at all levels of government means that a number of stumbling blocks limit the success of the decentralization process. Fiscal controls at the district level remain very weak, district run public service delivery is hindered by a confused role of the sectors at the central level, and decentralization is seen by some observers as an excuse for resource grabs by local officials. Law 22/1999 and subsequent implementation regulations do not clearly define the obligatory functions of local government, or the minimum standards of service delivery.³² The main problems revolve around contradictory regulations, the strong role of ‘money-politics’ in the regional parliaments (DPRD), and lack of supervision and accountability mechanisms³³. Surveys show that regional governments are still perceived as corrupt, even if slightly less corrupt than central functions such as the police and courts (which are seen as the most corrupt).³⁴

Prospects and risks relevant to CRISE

There remains great confusion over which level of government is ultimately responsible for which function, in both a legal and a practical sense. In Paragraph 7.2 of Law 22, matters restricted to central government are listed as:

Macro-level planning, fiscal equalization, fiscal administration, economic institutions, human resource development, natural resource utilization, strategic technologies, conservation, area standardization.

However, actual responsibility on these matters clearly crosses over between the district and central levels of government: – for example, on human resource development policy the central government is officially responsible, but yet public service delivery, which directly effects human resources via the availability and quality of education and health services, are the responsibility of district government. Further, issues relating to natural resources and conservation – both crucial to the livelihood and welfare of indigenous ethnic groups at a local (district) level – continue to be the responsibility of central government. Moreover, few sectoral laws have been adjusted to deal with regional autonomy over public service provision, meaning that standards and monitoring of service delivery are unclear. As the World Bank puts it, “The result is a multitude of conflicts between regions, between local and provincial governments, and between regions and the centre.”³⁵

A problem pertinent to issues of ethnicity, also raised by the decentralisation process, is the step taken by some regional governments to assert special interests. For instance many regions favour the employment of indigenous residents, or “local sons” (*putra*

³² World Bank (2003.c), p.33.

³³ GTZ clearly summarise the regional autonomy laws at www.gtzfdm.or.id.

³⁴ World Bank (2003.c), p.vii

³⁵ World Bank (2003.c), p.5

daerah), and have placed officials without relevant experience in key positions because of their ethnic identity.³⁶ Regional parliaments have also started to pass local laws enhancing the power of informal dispute resolution through traditional forums. While in theory this offers greater access of remote rural communities to the justice system, these forums tend to follow traditional laws that contradict national law on issues such as gender equity and the right of different ethnic groups to have residency in a region. The decentralization process has exaggerated the tension between the jurisdictions of local traditional laws and national law.³⁷

Another important risk posed by the decentralisation process is increased economic inequality between regions and increased inequality within regions. There are at least two reasons for this. First, the current structure of decentralization allows the shift of fund allocations from the centre to the resource rich outer islands. The weaker regions, with inadequate local resources of their own, may face increasing relative poverty levels. The DAU may prevent funding for these regions to sink in absolute terms through redistribution, but the richer regions are likely to leave them behind.³⁸ Second, it remains to be seen whether regional governments are able to tackle income distribution in their own regions.

2.2 Political Parties

Prior to 1998 only three political parties were permitted to contest in elections. The dominant party was Golkar, a 'functional group' originally established in 1964 as a military-civilian liaison body, and which under Soeharto 'pretended not to be a political party', although it dominated every level of government from the village to the centre.³⁹ From 1972, the only other parties officially allowed were the PDI (Indonesian Democracy Party: *Partai Demokrasi Indonesia*), an enforced fusion of all the secular and non-Islamic parties; and the PPP, which was created out of the Islamic parties.

The results of the 2004 legislative election demonstrated a considerable and significant drop in support for the nationalist-secular PDI-P (Indonesian Democratic Party of Struggle, or *Partai Demokrasi Indonesia-Perjuangan*), which fell from first into second place, overtaken by Golkar, the party that kept Soeharto in power for three decades. However, even Golkar barely improved on their results in the 1999 general elections. . In general, the election results demonstrated a high-level of dissatisfaction with the current political context, with a number of small new parties from both the secular and Islamic camps performing well, and virtually all the established parties suffering a drop in support. The following section outlines the five major political parties. However, a number of smaller political parties, including the Democratic Party, headed by popular Presidential candidate and former minister, General (ret.) Susilo Bambang Yudhoyono, must also be considered as potentially influential players in the policy making process post-2004.

Major political parties

PDI-P

Megawati, the incumbent president and party leader, is again the PDI-P's presidential candidate in 2004. Her proposed vice-presidential running mate is Hasyim Muzadi, leader of the largest Islamic organisation, the NU. Historically, Megawati became a

³⁶ Asia Research Centre (2001), p.23.

³⁷ Stephens, (2003), p.215.

³⁸ Asia Research Centre (2001), p.29.

³⁹ M.C. Ricklefs (2001), pp.360-361.

symbol of resistance to Soeharto, when PDI-P broke away from the original PDI, although she was not herself active in his overthrow. The main electoral support for PDI-P comes from Muslim Javanese who identify themselves as Javanese rather than asserting a purely Islamic identity. However, a substantial section of non-Javanese Muslims and religious minorities also back the party, and although most of the party leadership is Muslim, there are also some Christian leaders. Lately PDI-P has been damaged by the perception of increased corruption under Megawati's leadership. In fact, Kwik Kian Gie, a senior party leader and cabinet minister, admitted, "the largest corruption is committed by my party".⁴⁰ Public-opinion surveys suggest that the president has lost much support among urban middle-class voters, frustrated with ongoing corruption, although rural voters maintain their support.⁴¹ Yet despite damaging corruption criticisms and widespread electoral disillusionment with the party, the huge nationwide political networks of PDI-P (as with Golkar) makes it a formidable political force. A recent policy paper commented on the two major parties:

Both parties are secular-nationalist and operate essentially as patronage networks. Their similarity is illustrated by the ease with which they envisage a coalition. It would be unrealistic to expect either to tackle ubiquitous corruption or overhaul the legal system.⁴²

Golkar

After losing ground following Soeharto's collapse, Golkar, the dominant party of the Soeharto government, now attracts popular attention as an alternative to Megawati's government for secular Muslims and non-Muslim PDI-P voters. Due to the party's nationalist-secular ideology and substantial, national, mobilising machine Golkar is best placed as the national competitor to PDI-P. Soeharto nostalgia, disappointment with Megawati and the desire for a 'strong' (code for *former military*) president has strengthened the former ruling party's position, with a presidential candidates who fits this bill: Gen. (ret.) Wiranto, formerly the Indonesian Armed Forces Commander, now populist politician. Some observers argue that since the Bali bombings the popular mood has become less Islamic oriented and more nationalistic, which further adds to Golkar's appeal. Finally, in the outer islands, the reform movement was much weaker and Golkar retains a credibility it has since lost on Java. Wiranto's running mate for the presidential election is Solahuddin Wahid, deputy chairman of the country's Commission on Human Rights, and younger brother of former President Wahid. .

PKB

The Nahdatul Ulama (NU), the "traditionalist" Islamic organisation rooted in rural Java but with branches across Indonesia, established the PKB in 1998.⁴³ The NU organisation claims more than 30 million members and is based on a network of thousands of mainly rural religious schools (*pesantren*) headed by religious scholars (*kiai*). Under former president Abdurrahman Wahid since the early 1980s, the NU's approach to religion has been pluralist and tolerant, rejecting the goal of establishing an Islamic state to implement *Shari' a* law. After the fall of Soeharto, NU leaders formed a new party, the PKB, open to non-NU members and non-Muslims. Under Wahid, NU members dominate the PKB, although Christians head several branches in predominantly Christian regions.⁴⁴ Divisions within PKP since Wahid's failed presidency have led to divides between those pro-Wahid

⁴⁰ *Jakarta Post*, 18 February 2003.

⁴¹ ICG (2003.b)

⁴² ICG (2003.b).

⁴³ In contrast to the "modernists", who rely on the original sources of Islam, traditionalist teachings are derived from the authoritative interpretations of successive generations of scholars.

⁴⁴ However not all NU members support the PKB: the current PPP vice president and general chairman, Hamzah Haz, belongs to NU, as do some from other parties such as Golkar and PDI-P. ICG (2003.b), p.9.

and those seeking a new party leadership. It is unlikely that PKB have a chance to win the presidency. However as Hasyim Muzadi, former President Wahid's successor as NU leader, has been proposed as vice-presidential candidate to Megawati, and Solahuddin Wahid, another influential figure in NU, is lined up as Golkar's vice presidential candidate, PKB continues to wield influence through their connections with the larger political parties.

PPP

The PPP, together with the PDI, was one of the two minor parties allowed to run in New Order elections against Golkar. Unlike the PDI, which was superseded by PDI-P post-1998, it has remained more or less intact. In December 1998 Hamzah Haz was elected as the first NU member to be its general chairman, and in 2001 he became Megawati's Vice President, bringing to her coalition a large proportion of the Islamic vote, but without threatening her position. Hamzah has a mixed reputation: while he is portrayed in the international media as an Islamic extremist, he has a long history as a party politician in the New Order era.⁴⁵ It is arguable that he makes appeals to the radical Islamic groups for political rather than ideological reasons, and to quieten factions with PPP, though his actions have at times undermined Megawati's credibility in the international press.

PAN

PAN's origins are in the Muhammadiyah, the "modernist" Islamic rival to the NU. Amien Rais became the chairman of the Muhammadiyah in the 1990s. Amien was one of the main players in the anti-New Order movement, and a professor of political science from Gajah Mada University in Yogyakarta, who had previously largely restricted himself to Islamic circles, but he won the admiration of many liberal reformers, who began to see him as an alternative national leader. With his large Muhammadiyah base, Amien had the opportunity to take over the PBB or PPP, but he sought co-operation with nationalist political forces, believing that a purely Islamic party would be doomed to permanent opposition.⁴⁶ PAN was therefore formed as an "open" party with a modernist Islamic base. Unlike other Muslim leaders, such as Hamzah, Amien does not pursue the vice presidency and seeks a more official alliance from a candidate within the nationalist military, though he has so far been unsuccessful.

2.3 Legal Sector

Access to justice is one of the key issues for long-term economic stability, human security and the mitigation of ethnic conflict in Indonesia. This section outlines the major formal actors engaged in legal reform in Indonesia.⁴⁷ The Indonesian legal system is a complex mix of traditional, Dutch and Islamic law with post-independence influences. The Indonesian government consistently cites justice as one the top priorities for reform, as do the major donors and the legal advocate organizations active in pressuring governance reform. Despite the widespread agreement that the legal system must modernize and reform, legal reform remains very slow at the national level. National level reformers within the government are few, and their influence is offset by the patronage networks that maintain an interest in preserving a weak legal system, easily exploited by business cronies connected to senior politicians and the military. However,

⁴⁵ Hamzah has met with the leaders of the three most prominent radical Islamic organisation - the Laskar Jihad, the Islamic Defenders Front and Jemaah Islamiyah (JI), including a visit to the Laskar Jihad leader in prison. JI are the organization most closely linked to the Bali bombings and, alongside the now disbanded Laskar Jihad, were active in the Maluku and Central Sulawesi conflicts.

⁴⁶ ICG (2003.b), p.11.

⁴⁷ On the role of non-governmental legal reform organizations, see Section B.2.

non-governmental legal organizations play an important role in both lobbying the centre and assisting local level access to the legal system.⁴⁸

Formal legal system

There are three main arms to the Indonesian legal system: the courts, prosecutors and the police. The Indonesian judiciary consists of roughly 650 courts with approximately 4500 judges handling over 60,000 cases per year.⁴⁹ All appeals against decisions taken by the lower courts are submitted to a central Supreme Court (or *Mahkamah Agung*).⁵⁰ The Supreme Court is also responsible for technical supervision of courts and judges. The combination of such a massive judicial apparatus and a very poor system of communication, both between different organs of the judicial system, and between the judicial system and the general population, means the quality of the judicial system is very low. The judicial system is both overstuffed and under-resourced.⁵¹ One observer writes,

The public perceives the system as incompetent, unaccountable and lacking in independence. The courts are slow, expensive and inefficient and many judges lack sufficient knowledge of the law. Consequently, the legal system lacks direct relevance to the general community.⁵²

Despite huge challenges, the Supreme Court is surprisingly forward looking in its reform agenda, unlike the prosecution and police system, which remain predominantly corrupt and inefficient. The Supreme Court aims to carry out massive internal reform of the court system.⁵³ One recent proposal by the Supreme Court has been to consider devolution of the judicial system to the sub-district level, to facilitate greater access to justice. Most villagers in Indonesia are too far from district capitals to travel to and gain access to the formal legal system; it is also too expensive to use the courts.⁵⁴ Devolving part of the justice system to lower levels would potentially enable poorer and more rural communities to access the courts.

National legal organisations

The National Law Commission (*Komisi Hukum Nasional*), established in December 1999, was tasked with legal reform and was initially an influential forum for legal reform. The Commission's two main roles are to advise the President on legal issues and to coordinate reform, but it was also aimed at addressing the lack of coordination in the legislative drafting process. The Commission has since been sidelined by the Megawati administration, and has no political teeth with which to influence government policy. Despite continued funding from the government, Commission members no longer receive automatic audiences with the government.

⁴⁸ See World Bank (2003.b) on the role of non-governmental local level legal organizations in bottom-up pressures for reform.

⁴⁹ Evers (2003).

⁵⁰ Lower court system consists of 'First instance courts' (*pengadilan negeri*), situated at the district level, and 'appeal courts' (*pengadilan tinggi*), found in the provincial capitals.

⁵¹ Interview with A. Woodhouse, World Bank Office Jakarta (see end notes).

⁵² Stephens (2002).

⁵³ One of the major influences on the Supreme Court has been the LEIP organization, (Institute for Independence of the Judiciary), run by the Assegaf brothers. They have recently written an influential blueprint for the Supreme Court, released in 2003.

⁵⁴ It is too expensive for the average Indonesian due to the combination of formal and informal costs, such as bribes to court officials (usually necessary to get a case heard).

2.4 The Role of the Military

While the military is no longer the most powerful institution in Indonesia, it still wields tremendous power over political, economic and social life at the national and regional level. The National Police began a process of reform when it separated from military command in 2001. The territorial command structure has also been greatly reduced – under Soeharto the army had reached down to the sub-district level, matching the civil administration at every level of government down to the village. While the army still has offices at the sub-district level, the military is now officially confined to the barracks and cannot act in incidents of conflict unless requested by the central police.⁵⁵

The military maintains power, however, by continuing to hold strong connections in the management of ‘disturbed’ areas, indirect control of human rights trials, and finance.⁵⁶ Less than one-third of the military and police budget comes from national budgetary funds and as a result the military have a particular interest in sustaining their role in managing the resource rich and separatist ridden provinces of Nanggroe Aceh Darussalam (known commonly as Aceh), and Irian /West Papua (the region formerly collectively known as Irian Jaya).⁵⁷ The military has in some cases reportedly triggered conflicts in order to maintain its position in areas rich in natural resources.⁵⁸ Following the coup in 1965, many companies were seized by the military, and retired and current military members continue to hold large shares in private companies that were formerly national assets.⁵⁹ The list of cabinet members who are retired military leaders is also striking, and retired officers are prominent in the main parties.⁶⁰ The role of the military, while no longer an official political player, must therefore not be underestimated in considering influences on social and economic policy.

3. The Role of the Non-formal Sector

This section provides a summary of the role of the most popular mass religious organisations, legal reform activists, separatist movements, radical religious groups and ethnic organisations, the media, and regional civil society organisations.

3.1 Popular Religious Organisations

The overwhelming majorities of members of Islamic religious organisations are moderate and reject the imposition of Islamic law through the state, a key issue for inter-ethnic tolerance and peace. Out of over 14,000 Islamic boarding schools in Indonesia, one of the main sources of membership to Islamic organisations, only four or five are thought to have explicit links to radical Islamic groups.⁶¹ Some observers argue there has been a significant rise in fundamentalist movements, but they remain a tiny majority compared to the moderate groups.⁶²

There are two main moderate Islamic organizations in Indonesia: Muhammadiyah and Nahdlatul Ulama (NU), both of which have links with political parties and prominent

⁵⁵ The exception to this rule is in Aceh, which has been under martial law since May 2003.

⁵⁶ See Crouch (2003), p.20.

⁵⁷ Crouch (2003), p.21

⁵⁸ See International Crisis Group (2001) p.10

⁵⁹ Interview with Thung Ju-Lan, Jakarta (see end notes).

⁶⁰ International Crisis Group (2003), p.16.

⁶¹ Interview with A Woodhouse, Jakarta (see end notes).

⁶² Michael Vatikiotis, *Islam's New Struggle: The Battle For Tolerance In Asia*, Far Eastern Economic Review, December 11, 2003.

political leaders in Indonesia. Muhammadiyah's 28 million members are mostly urban, middle class Muslims, and the organisation is closely linked to PAN, whose leader, Amien Rais, became the chairman of the Muhammadiyah in the 1990s.

The Nahdlatul Ulama (NU) is comprised mainly of rural Muslims and the *pesantren* network of Islamic boarding schools based in rural Java, but with networks in other parts of Indonesia, and has over 30 million members. The NU established a political wing, PKB, in 1998 – since led by former President Abdurrahman Wahid. Like PAN, PKB does not wish to be known as a religious party. The NU's approach to religion has so far been pluralist and tolerant, rejecting the goal of establishing an Islamic state to implement *Shari'* a law.⁶³

3.2 Legal Reform Activists

The grassroots level legal reform movement has been in existence since the 1970s in Indonesia. The movement arose from a wave of political activism among the legal community to reinstate the rule of law, which had been effectively removed by Soekarno in 1959 in the era of "Guided Democracy". The first Legal Aid organization, LBH, was formed both to provide legal services to the poor, and to reinstate the central tenets of the rule of law. There were nearly a hundred organisations involved in some sort of legal aid to the poor in by the early 1980s. The *Yayasan Lembaga Bantuan Hukum Indonesia* (YLBHI, or the Legal Aid Institute) is the largest and most prominent legal aid organisation with 13 regional offices. The original YLBHI now faces financial difficulties; internal problems linked to decentralisation; rebellion from its regional branches; and disagreements over its policy directions within its leadership.⁶⁴ Local legal aid offices have varying capacity; with some offering much needed support to the poor, but without real influence over provincial and regional government policy.

3.3 Separatist Movements

The most influential separatist movements are active in the Aceh and West Papua/Irian regions. There are also smaller separatist movements in Riau, Central and Southeast Maluku, and parts of Kalimantan. These separatist movements are not coordinated, and remain relatively restricted within the individual regions. Both the major movements are essentially claims against the colonisation of the regions by the central (Javanese) government and the control over the extraction of natural resources from the provinces, although many important local dynamics are also at play in the conflicts. Various special regional autonomy packages offered by the central government to the regions have so far failed to pacify the movements. In Aceh, relative ethnic and religious homogeneity of both the province and the movement has aided its cohesion; in contrast, in West Papua, the multiplicity of ethnicities and the geographic diversity in the region remains a serious obstacle to the creation of a unified political movement.

Only the Aceh movement has a properly developed military wing. The breakdown of the 2002 ceasefire agreement between GAM (The Free Aceh Movement, or *Gerakan Aceh Merdeka*) and the government prompted the government to place the province under martial law in May 2003. Martial law expired in May 2004, but military occupation continues. The 2003-2004 operation in Aceh has been the biggest military operation in Indonesia since the 1975 invasion of East Timor, with over 55,000 troops stationed in

⁶³ See International Crisis Group (2003.b), p.9.

⁶⁴ *Village Justice in Indonesia*, ibid, p.24.

the province.⁶⁵ There are mixed reports on the success of the military repression. Some report that security has improved since martial law was imposed; others claim that the security situation and human rights abuses have worsened.⁶⁶ As few journalists are allowed into the region, and those that are must confine themselves to the provincial capital, it is hard to verify either claim independently.

3.4 Ethnic and Radical Religious Groups

In many of the outer islands, the influence of local ethnic and regional identity groups has increased since reform and decentralisation opened up political space for them. The role of these organisations tends to be regionally concentrated and their influence on policy making is therefore strongest at the level of local government, and not at the central level.

There are several tiny radical groups which have been active in communal religious violence, including the notorious *Jemaah Islamiah* (linked to the Bali bombings on October 12, 2002), the Islamic Defenders Front (*Front Pembela Islam*), the *Majelis Mujahadin*, and the now defunct *Laskar Jihad*. These groups are committed to upholding Islamic *Shari'a* and a literal interpretation of the Quran. While the groups themselves are small in number and membership, and the majority of Indonesians reject their ideology, the question remains as to whether radical ideas are gaining ground among conservative Muslims.⁶⁷ Some Indonesian analysts see a clear link between the failures of the political system, high levels of corruption and frustration, with the spread of radical Islam.⁶⁸

3.5 The Role of the Media

The media is certainly freer since the transition from authoritarian rule, but serious restrictions on reporters remain, particularly in the sensitive conflict regions, especially Aceh. New newspapers, new TV stations and increased access to regional and international television have all emerged, and the press is openly critical of government policy. However, while there is no official restriction on the media, there are a few signs of indirect control of editorial and journalistic freedoms. One recent example of indirect control of the media from powerful political families was the *Tempo*-Tommy Winata case. Serious corruption by Winata, a businessman closely linked to Soeharto, was revealed in *Tempo*, one of the biggest weekly news magazines. All the editors of *Tempo* now face legal battles with the businessman and the editor has been physically threatened. The most respected Indonesian newspaper, *Kompas*, has a reputation for being clean and applies a strict rule against corruption amongst its staff, but "money politics" dominates much of the rest of the press. Compared to the Soeharto era press freedom has improved, but political parties and politicians still openly attempt to buy off journalists and editors to support their political agenda.

3.6 Regional Civil Society Organisations

Strong civil society is still taking root in Indonesia following decades of authoritarian government, which stifled non-governmental activities from the city to the village levels. Civil society organizations are still learning to organise effectively as "organising

⁶⁵ U.S. department of State (2003), p.1

⁶⁶ Interview with K. Schulze, Jakarta (see end notes).

⁶⁷ Far Eastern Economic Review, *Ibid*.

⁶⁸ Interview with A. Woodhouse, citing Syafie Anwar, a progressive activist, Jakarta (See end notes).

capacity” has been limited to small groups.⁶⁹ However, since decentralisation, civil society organisations do have a much greater role vis a vis local government. Aside from district and provincial political parties, students, academics, businessmen, environmental groups and cultural organisations have all increased their activities at the regional level.⁷⁰ In every region there is also a plethora of community based organisations supporting anti-corruption campaigns (including Corruption Watch and *Bupati Watch*), business development (including associations of street traders and the unemployed), labor organisations and community development (particularly focused on education and health).

3.7 Trade Unions

As with other areas of civil society, trade union organisation was highly restricted under Soeharto, and is only now beginning to emerge from its shadow. Formerly, all unions had been forced under the banner of one federation, which was politically controlled. The Habibie presidency saw a liberalisation of this policy, which resulted in a proliferation of trade union organisations.⁷¹ The sector remains relatively undeveloped, however. The PBSO, a political party linked to prominent labour activists, performed poorly in the 2004 legislative elections, and unionisation remains low. Given this, trade unions represent a poor policy lever.

4. The Role of International Institutions

This section considers the role of the major international organisations, including the multi-lateral financial institutions (World Bank and IMF), the UN organisations and bilateral donors in terms of policy setting.

4.1 Financial Institutions

The World Bank and IMF continue to have influence over economic policy, to a large extent because of the influence of their pronouncements on overseas financial institutions and investors. Their influence is somewhat less than it was pre-crisis due to a massive reduction in lending. The Indonesian economy, particularly the banking sector and fiscal state of the country, was underpinned by the International Monetary Fund until 2003, when the Government of Indonesia decided not to extend the IMF lending programme. The World Bank continues to support the Government, although lending was reduced dramatically from an average of \$1.3 billion a year before the crisis, to about \$450 million annually between 2000 and 2003. While the IMF will retain a presence in Indonesia through post-program monitoring, it will no longer hold the influence it has done over five years following the financial crisis in 1997. The World Bank recently released their *Country Assistance Strategy for Indonesia for 2004-2007*, where it lays out a focus on governance reform and reduction in corruption, which it sees as lying at the root of the dual problems of low investment and weak service provision, the major constraints to poverty reduction⁷².

As with the other major donors, the Bank is actively in supporting the reform of local government and intends to steer 40% of its lending to what it calls the “Local Services Platform” in support of the decentralisation process. This is a significant policy shift for

⁶⁹ Bebbington et al (2002).

⁷⁰ Asia Research Centre (2001), p.25.

⁷¹ Michele Ford (2000) ‘Indonesian trade union developments since the fall of Suharto,’ *Labor and Management in Development*, 1:3: < <http://labour-management.anu.edu.au/prt/1-3-ford.pdf>>.

⁷² World Bank (2003.a).

the Bank in Indonesia, and as the largest bilateral donor, the Bank therefore continues to play a major role in terms of influencing social and economic policy. The Bank is also considering moving into further support for social and economic recovery from the impact of conflict through increasing lending for community development programs in post-conflict areas. This programme will most likely be led by the Ministry of Home Affairs and is anticipated to begin in sometime in late 2004.⁷³

4.2. UN Organisations⁷⁴

The policy areas affected the most by the UN agencies at the central level are social welfare, followed by legal reform, having the least impact on economic policy and national security. One source of influence over the government comes through the interactions of the Ministry of Foreign Affairs with the UN at their headquarters in New York and Geneva. This process brings to the attention of the Indonesian cabinet what other countries are doing in terms of adherence to international treaties and may act as a source of policy influence over the central government. The UN also has an affect on policy through interpersonal contact with reformers and senior decision makers within the government, who it can encourage to promote policy change through cooperation on joint projects. As the UN is divided up according to sector, it follows that WHO wields the influence in terms of health policy, FAO in terms of agriculture, UNICEF with regard to education and primary health care, and so on. UNDP plays a role in social and economic recovery programmes in conflict areas, as well as national legal and electoral reform, but does not appear to wield political influence at the centre.

4.3 Bilateral Donors

The US and Australia wield the most bilateral influence through holding the largest donor budgets. Some observers would argue that they quietly support the government out of fear of potential Indonesian national disintegration, and, more recently, the dangers of extremist Islamic organisations. Some of the major donors on issues related to alleviating the impacts of conflict include the Australians (through AusAID) and the British (through DFID).

The main donors collectively form the Consultative Group on Indonesia (CGI). This group views legal reform as one of the essential elements in Indonesia's political and economic transition. The Donor Statement on Justice Sector Reform, prepared by donors for the January 2003 meeting of the Consultative Group on Indonesia meeting, states,

“Legal and judicial sector reforms remain essential for the strengthening of democracy in Indonesia, for long term political and social stability, for the protection and enforcement of human rights, and for economic recovery and associated policy reform... Indonesian justice sector reforms are essential for attracting investment, both domestic and foreign, which is a key factor in medium term economic recovery.”⁷⁵

⁷³ Personal correspondence with Senior Social Scientist, Environmental and Social Sector, World Bank Office Jakarta, March 2004.

⁷⁴ The information in this section was largely provided through an interview with a former UN chief, personal correspondence, February 2004.

⁷⁵ World Bank (2003.b)

The major donors active in the area of legal reform are the E.U., the World Bank, the Dutch, the Australians and the British.⁷⁶ All donors concentrate their efforts on the national level, a strategy that inherently limits the possibility of real reform. The need to support bottom-up legal reform was recently addressed in a World Bank paper on local level legal reform.⁷⁷ In the area of decentralisation, the German organization GTZ has led the donor community on policy making. A recent survey indicates that the World Bank and ADB support the majority of funds, although there are also 13 bilateral donor activities with funding of over \$384 million allocated to supporting decentralisation activities.⁷⁸

5. Conclusion

To conclude briefly, six key elements set the context for policy-making relevant to inequality, ethnicity and human security in Indonesia. Tackling human security, economic inequality and ethnic inclusion in social and economic policy must be conducted with this socio-political context and these agents for policy change in mind.

1. The potential for violence in the 'normal' political sphere remains high but there are limited prospects for substantial political change at the central level.
2. The ongoing impact of and complications produced by the decentralisation process, both in terms of local level government reform and public service delivery.
3. The continued, though informal, role of the military in social and political affairs, combined with the weakness and corruption within the other state agencies for security.
4. The ongoing challenges of legal reform and pervasive corruption, but with potential policy leverage through non-governmental legal reformists and internal reformers.
5. The strength of the moderate Islamic movement in providing a moderate political influence, with credible concerns about the role of Islamic extremist groups in vulnerable tourist and conflict-ridden areas.
6. The continued pressures and impacts of separatist, ethnic and religious conflicts, with reductions in human security in many regions as a result.

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⁷⁸ Asia Research Centre (2001), p.26.

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