



# Indonesia 2019: Democratic Hopes, Institutional Woes

**Presentation for Stanford APARC-CDDRL**

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**Kevin O'Rourke**  
**Reformasi Information Services**

**[contact@reformasi.info](mailto:contact@reformasi.info)**

A light brown silhouette map of Indonesia is centered on the page. The word "democratization" is overlaid on the map in a dark red, bold, sans-serif font.

**democratization**

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# democratization: extensive & routine



INSTITUTION:	ELECTIONS CONDUCTED BY YEAR:							
	1955	1956⇒98	1999	2004	2005-08	2009	2014	2019
Parliament	<input checked="" type="checkbox"/>	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Regional Assemblies (DPRDs)	-	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Regional Representatives (DPD)	-	-	-	<input checked="" type="checkbox"/>	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
President	-	-	-	<input checked="" type="checkbox"/>	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Regional Heads	-	-	-	-	some each yr 			

# democratization: well run, high turnout



Ballot station



Public vote counting at each ballot station



Costumes & decoration

voter participation

Year	Election	Turnout (%)
2018	regional heads	73
2017		74
2014	presidential	71
	legislative	75
2009	presidential	72
	legislative	71

A light brown silhouette of the Indonesian archipelago is centered on the page. The word "corruption" is overlaid on the map in a dark red, bold, sans-serif font.

**corruption**

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# political trends: systemic transition



- pre-modern land-based feudalism

- Majapahit
- Colonialism
- 32-yr Soeharto regime

money for  
loyalty

- 1998: *reformasi*

- freedoms, rights
- regional autonomy
- elections, 3 presidents

democratization

- 2004-14: Yudhoyono era

- 2014-?: Widodo era

competing systems

**'Ruler's Law' versus Rule of Law**

# political trends: democratization



Patronage-Style	Partial Change	Institutionalized Democracy
Judiciary	Parliament	Presidency
Civil service	Political parties	Press
Police	Listed state enterprises	<b>Anti-Corruption Commission (KPK)</b>
Resource sector ministries	Military	Finance Ministry
Unlisted state enterprises	<b>Regional governments</b>	Aceh Reconstruction Agency (BRR)

A light brown silhouette map of Indonesia is centered on the page. The word "Islamicization" is overlaid on the map in a dark red, bold, sans-serif font.

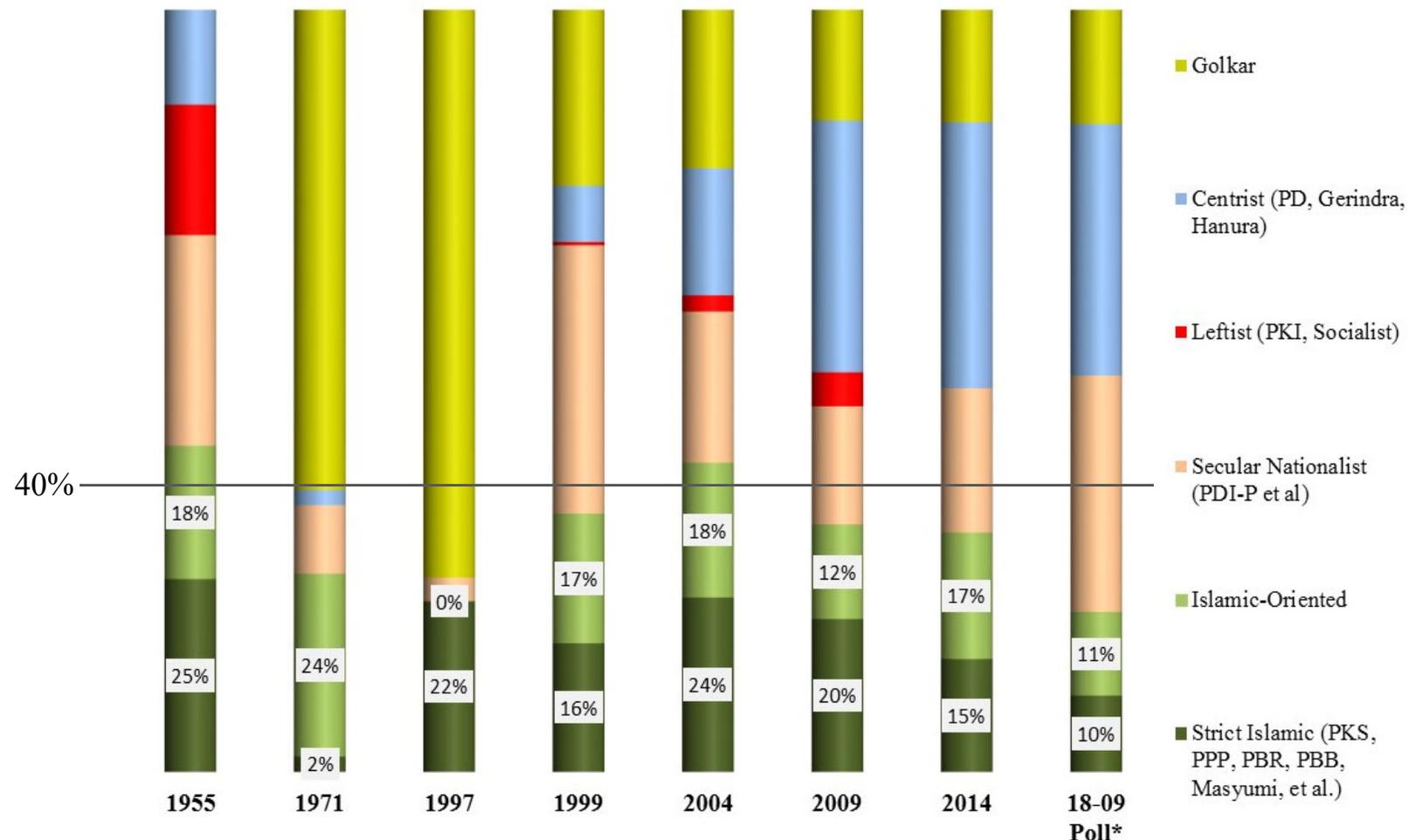
# Islamicization

# 'Islamicization': not boosting Islamic parties



## Parliamentary Elections, Shares of Votes Cast

*Islamic & Islamic-oriented parties won 25-45% consistently -- but 2018 polls suggest a new low*



\* Indikator Politik poll, percent of decided respondents, 2.9% error margin.

# 'Islamicization': not evident in regional-head races



- elections for governors & district heads, June 2018:
  - 171 regions
  - bulk of national electorate
  - five of seven largest provinces
  - virtually no sectarianism
- reasonably reformist governors elected:
  - Ridwan Kamil, West Java
  - Khofifah Indarparawansa, East Java
  - Nurdin Abdullah, South Sulawesi
  - Ganjar Pranowo, Central Java
- others in place:
  - Tri Rismaharini, Surabaya
  - Emil Dardak, vice gov, East Java
  - Azwar Anas, Banyuwangi
  - **Ramdan Pohan**, Makassar

# 'Islamicization': 1m turn out for rallies



Dec 2018 '212 Reunion' of hard-line Islamic groups, Jakarta





# 2019 election

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# 2019 election: tickets and backers



**Joko Widodo – Ma'ruf Amin**

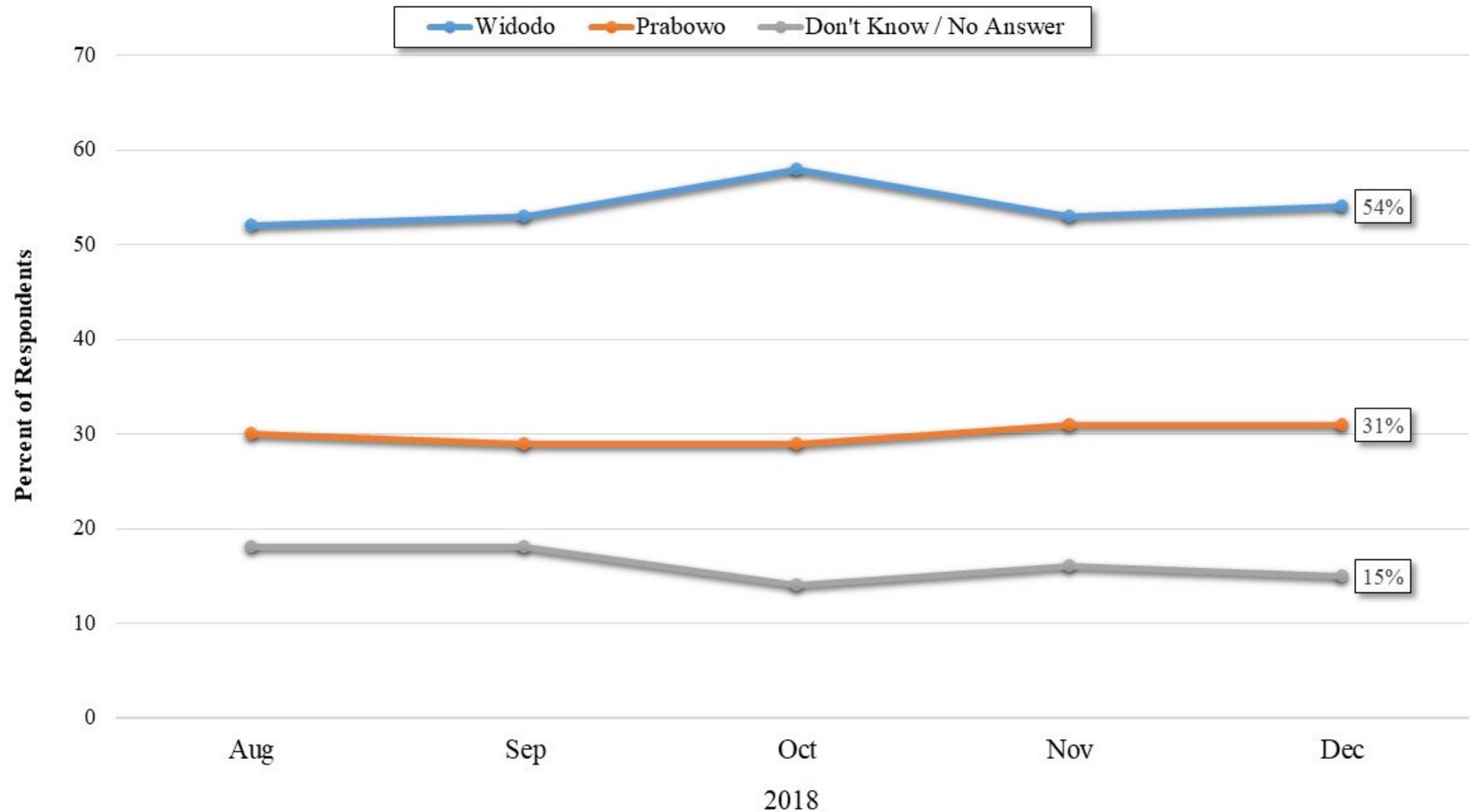
**Prabowo Subianto – Sandiaga Uno**

<b>Ballot Number:</b>	1	2
<b>Ticket Name:</b>	'Jokowi-Ma'ruf'	'Prabowo-Sandi'
<b>Alliance Name:</b>	Work (KIK)	Prosperous Justice (Kiam)
<b>Nominating Parties:</b>	PDI-P, Golkar, PKB, Nasdem, PPP, Hanura, PKPI	Gerindra, PKS, Pan, Demokrat
<b>Campaign Chair:</b>	Erick Thohir	Gen (ret) Djoko Santoso

# 2018 polls: Widodo maintaining lead



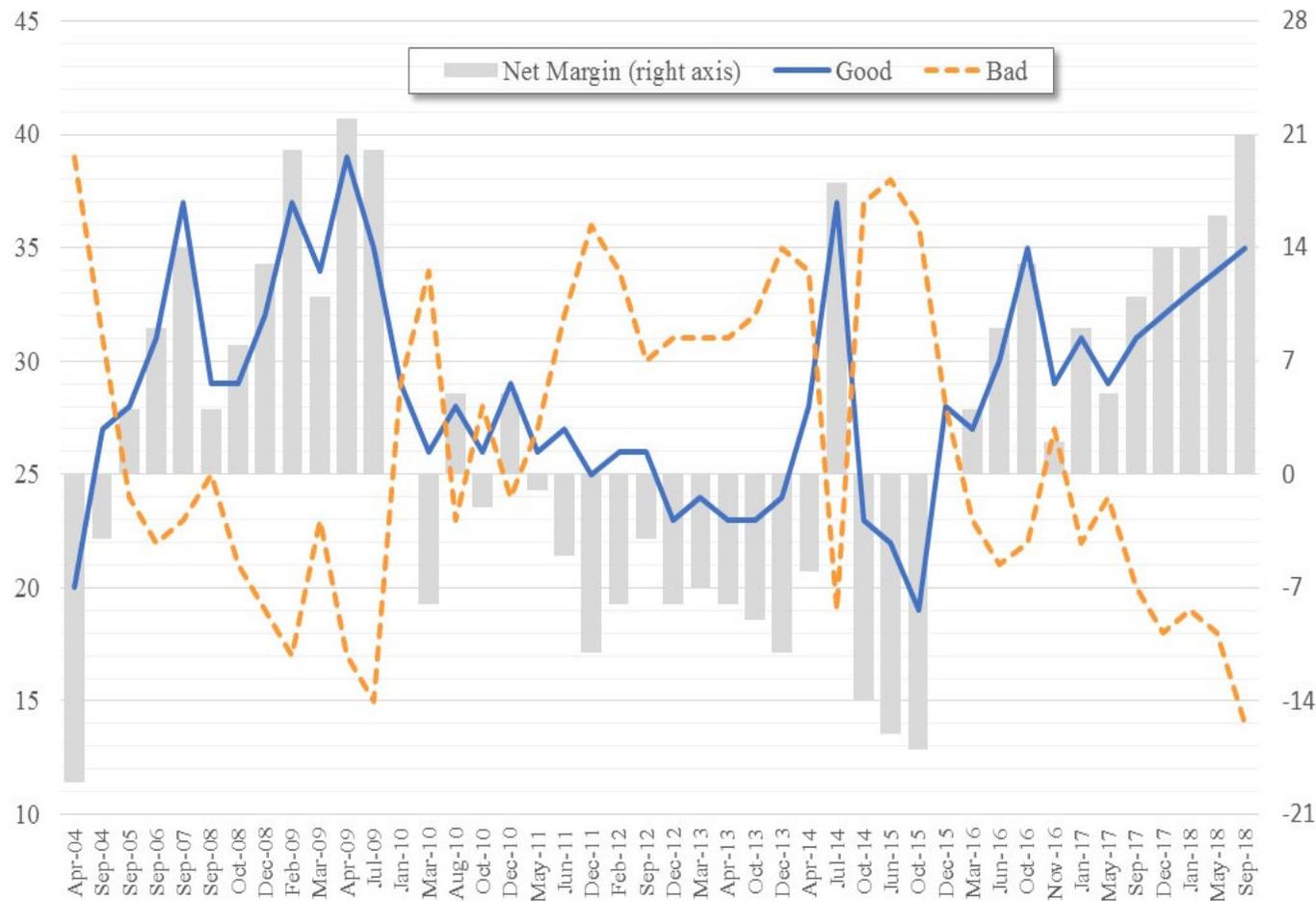
*2018 Polls by Survey Network (LSI): Still a Static Race*



# 2018 polls: positive perceptions of politics



*Poll respondents viewing political conditions as 'good' or 'bad'; figures in percent*

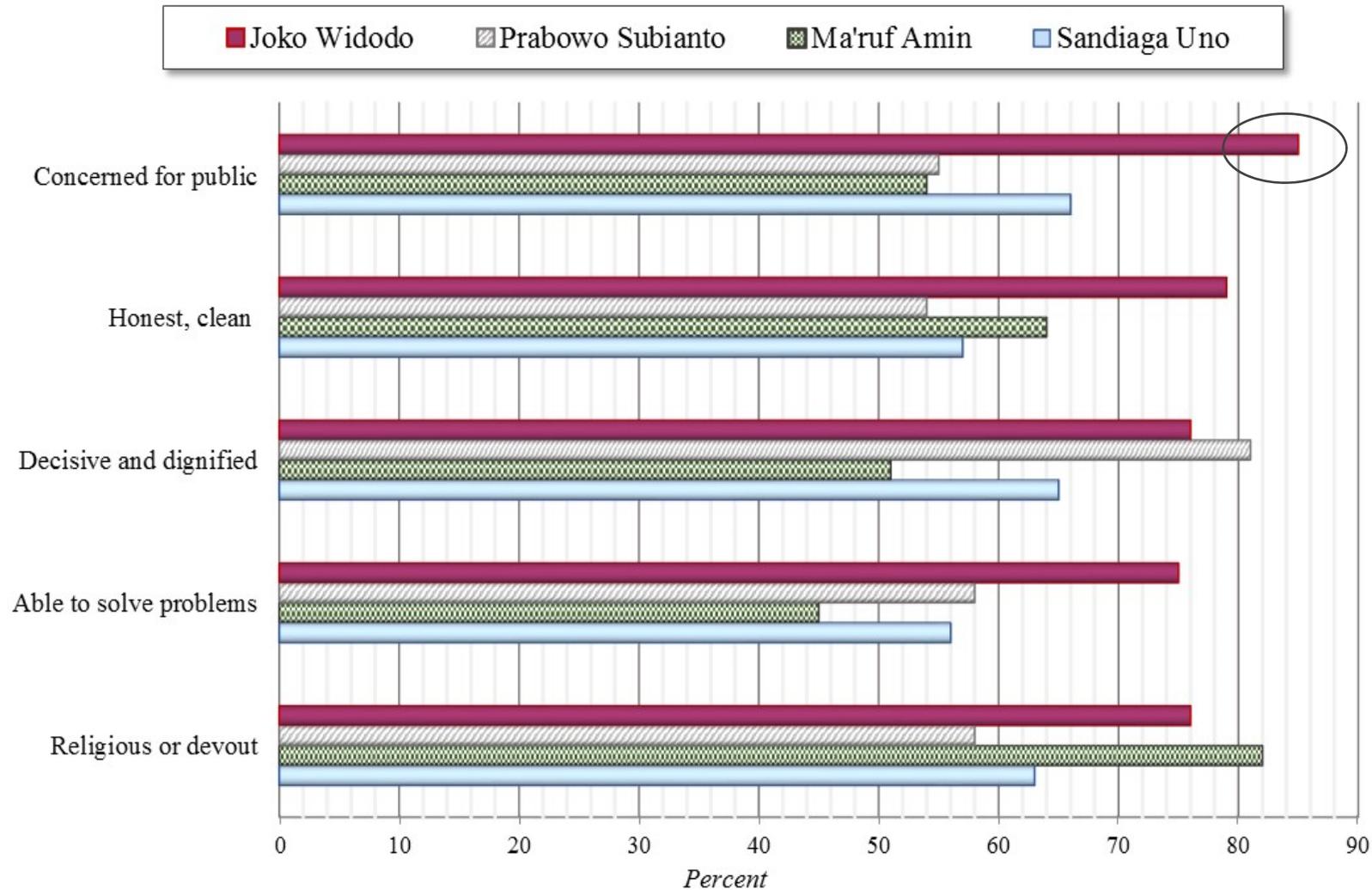


Source: Saiful Mujani Research & Consulting (SMRC), 1-6 September 2018, 1,220 respondents, 3.1% error margin

# 2018 polls: Widodo still trusted



## *How respondents rate candidates on key traits*



Nationwide poll by Indikator Politik, 1-6 Sept 2018, 1,220 respondents nationwide, 2.9% error margin.

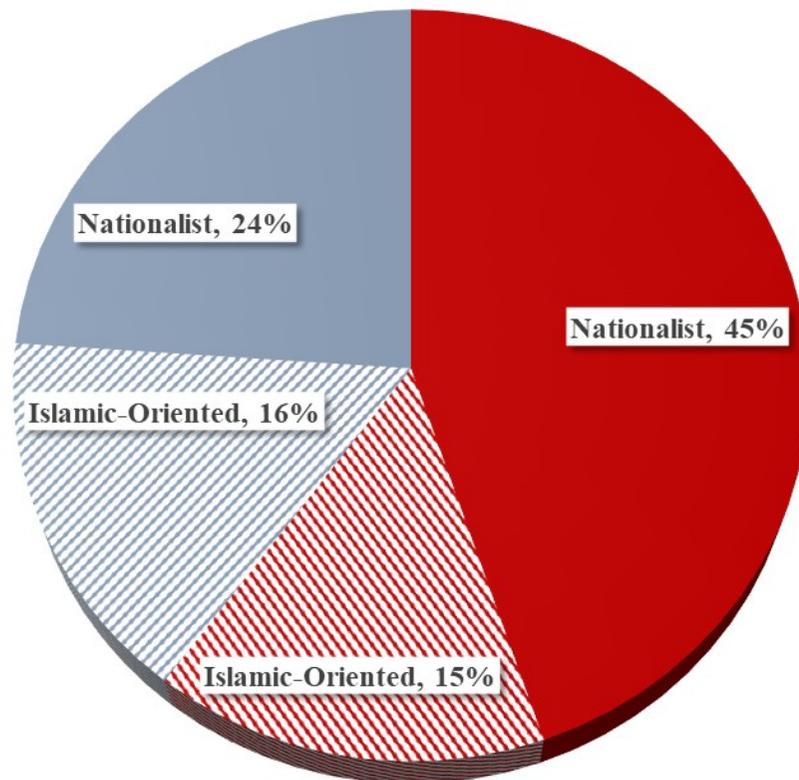
# next parliament: fewer Islamic-oriented seats



## Current vs Projected Parliament

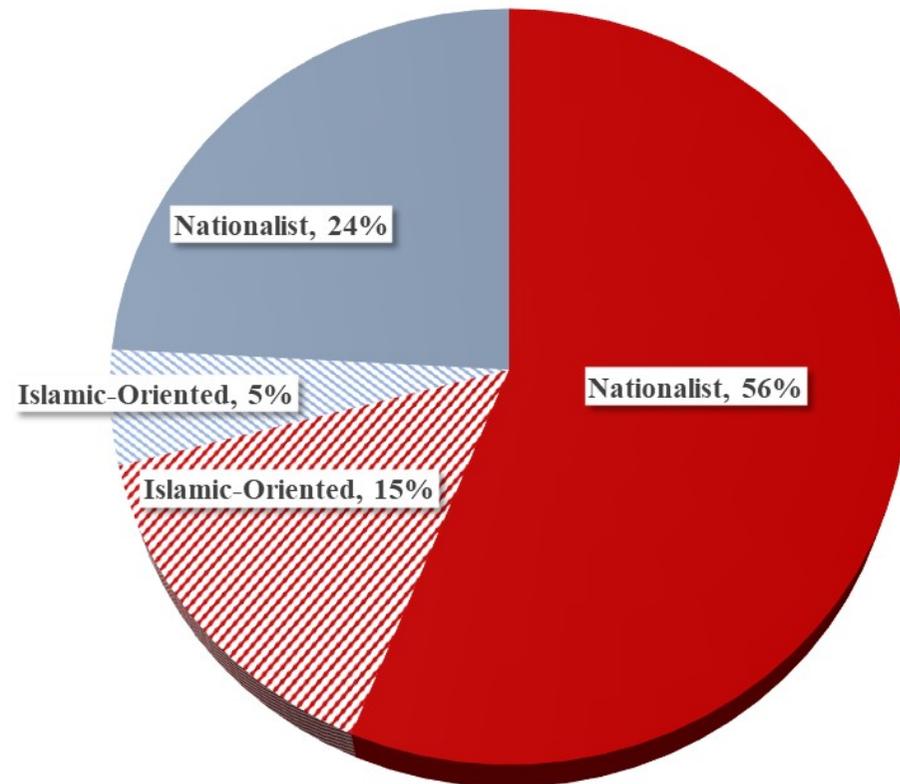
Red: Pro-Widodo GRAY: PRO-PRABOWO

2014-19 Parliament



Pro-Forma 2019-24 Parliament

(Deduced from Dec-18 LSI Poll)



A light brown silhouette map of Indonesia is centered on the page. The text 'policy issues' is overlaid on the map.

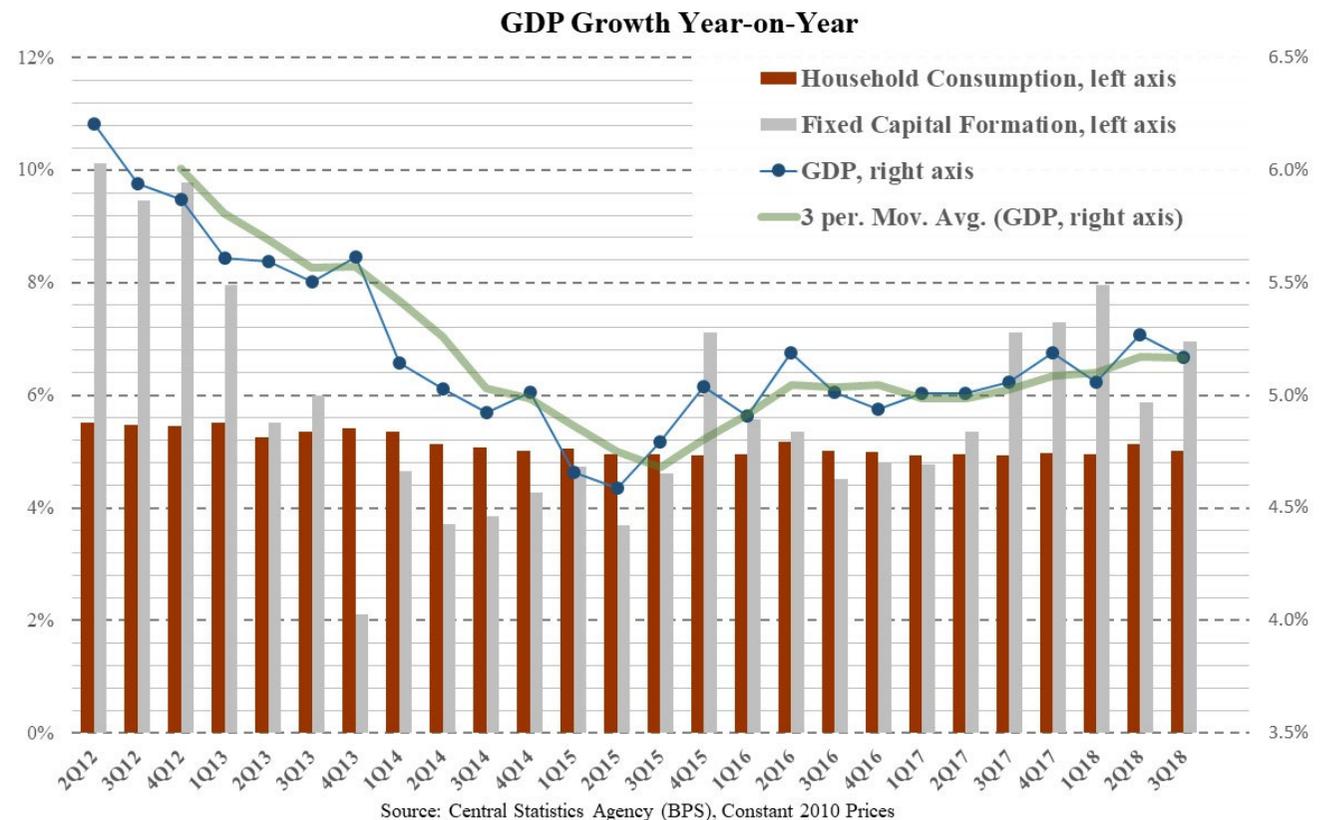
## policy issues

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# Widodo-nomics: a popular formula



- services spending
  - health care, education, poverty alleviation, community infrastructure
- infrastructure
  - land acquisition
  - **Trans Java tollroad**
  - mass rapid transit
- macro stability
  - moderate inflation
  - steady consumption



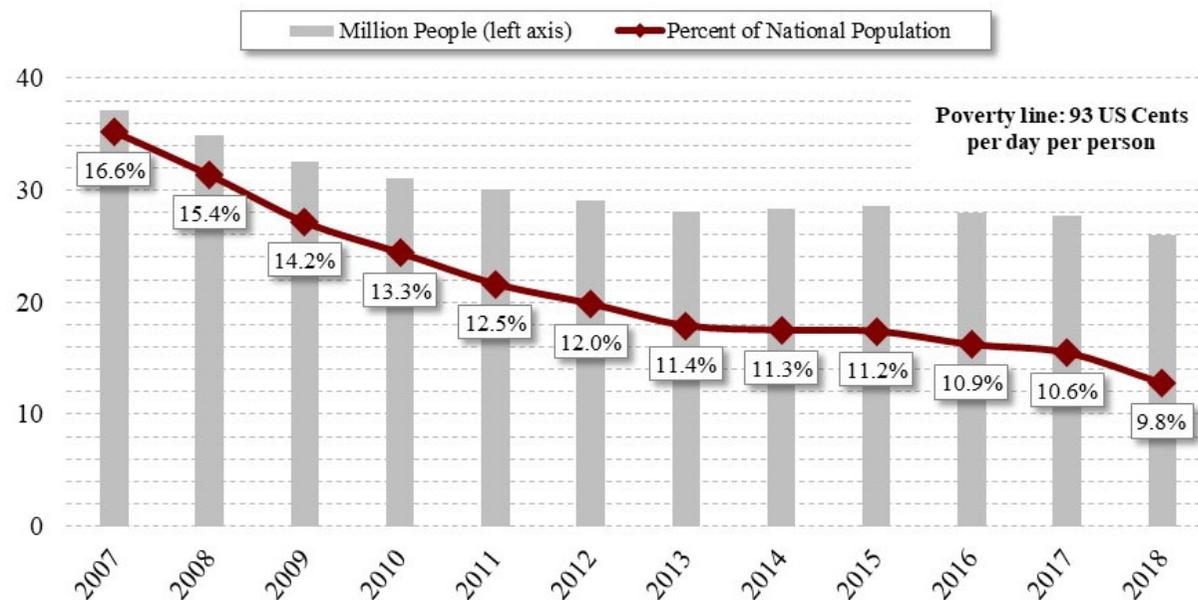
# Widodo-nomics: pro-poor?



- poverty declining
  - but at a slow pace, using low poverty line
- Impediments persist
  - **food** is over-priced
  - job-creation is weak

## Poverty Rate: Declining Consistently - But Slowly

Population in Poverty. Source: Central Statistics Agency (BPS)

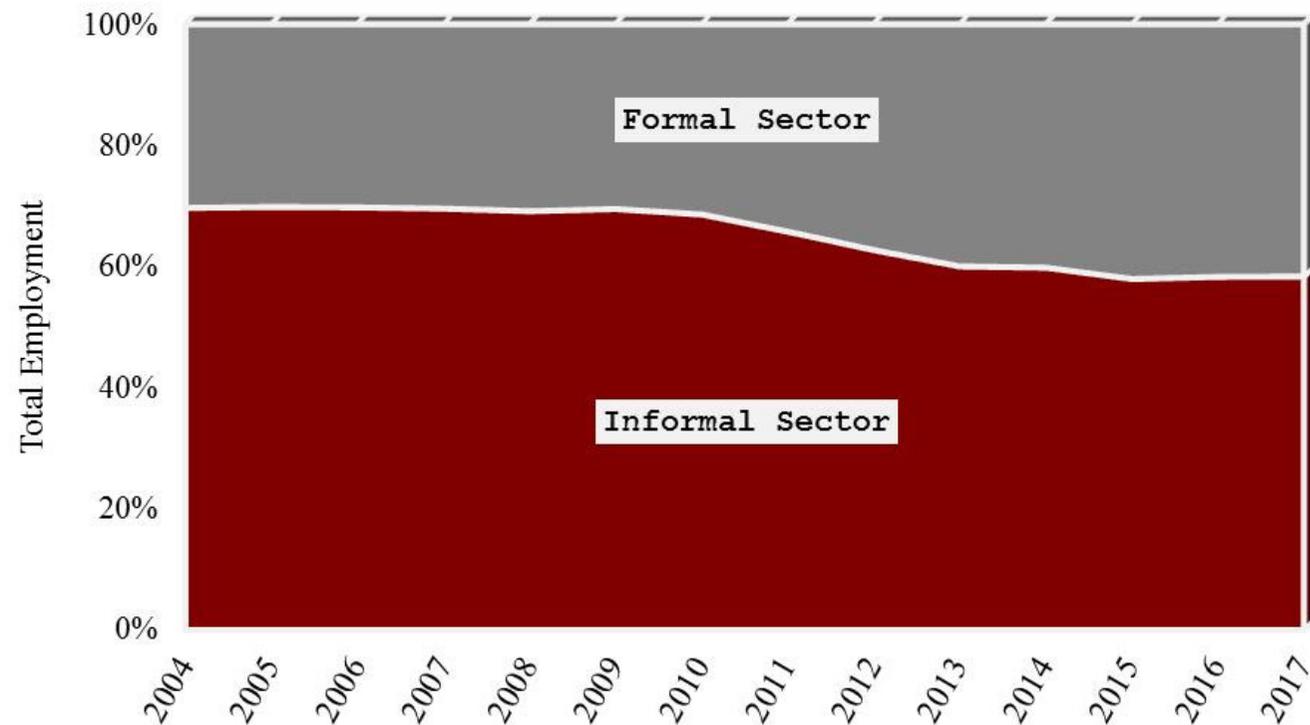


# policy issues: underemployment persists



- labor market

- layoffs are difficult & expensive
- **severance pay** among highest in world
- minimum wage growth exceeds inflation, productivity
- skills shortages

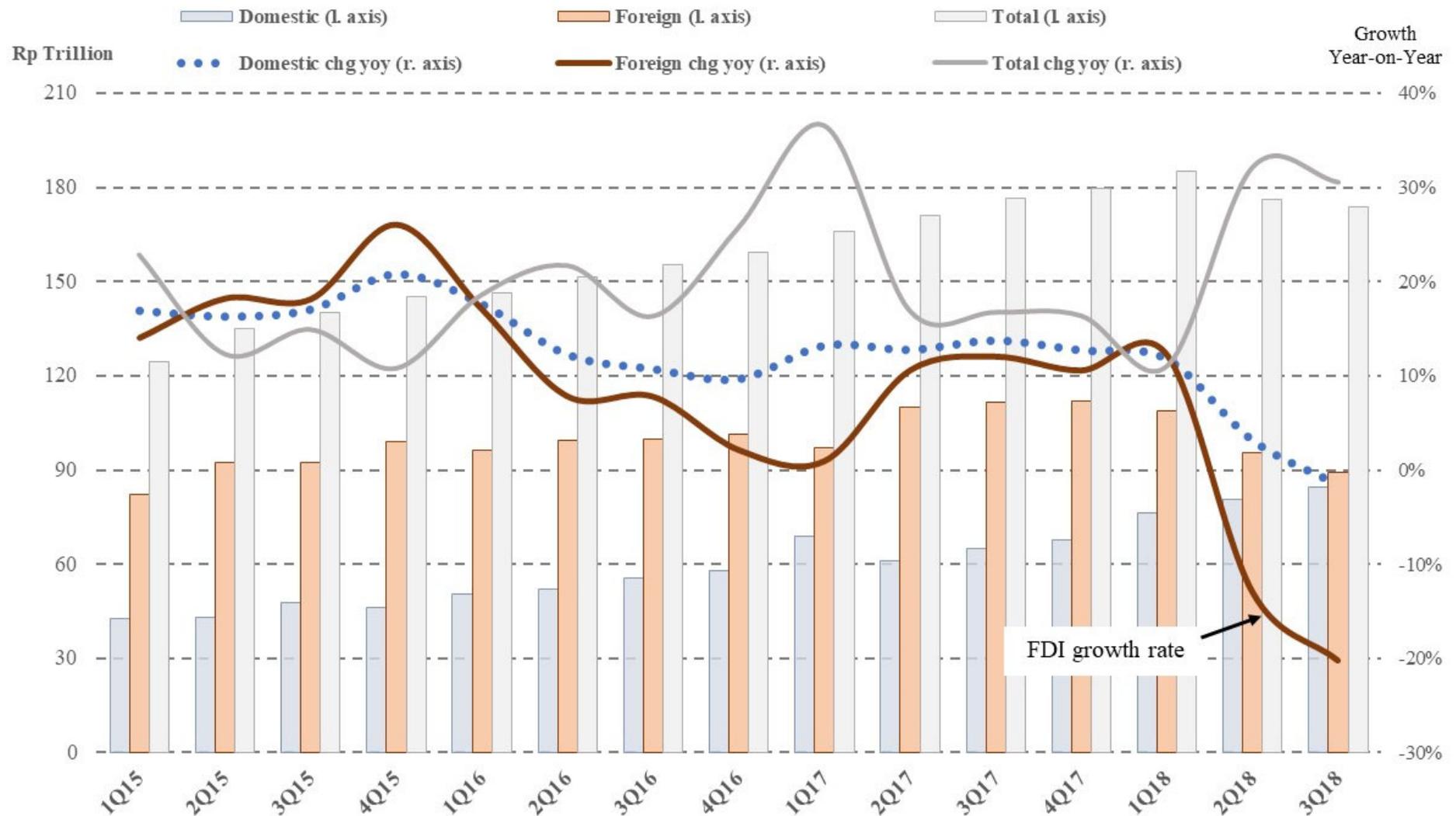


Source: Central Statistics Agency (BPS). Total workers in 2017: 121 million

# Widodo-nomics: FDI dropping



*Foreign & domestic investment growth diverging: FDI drop bodes ill*

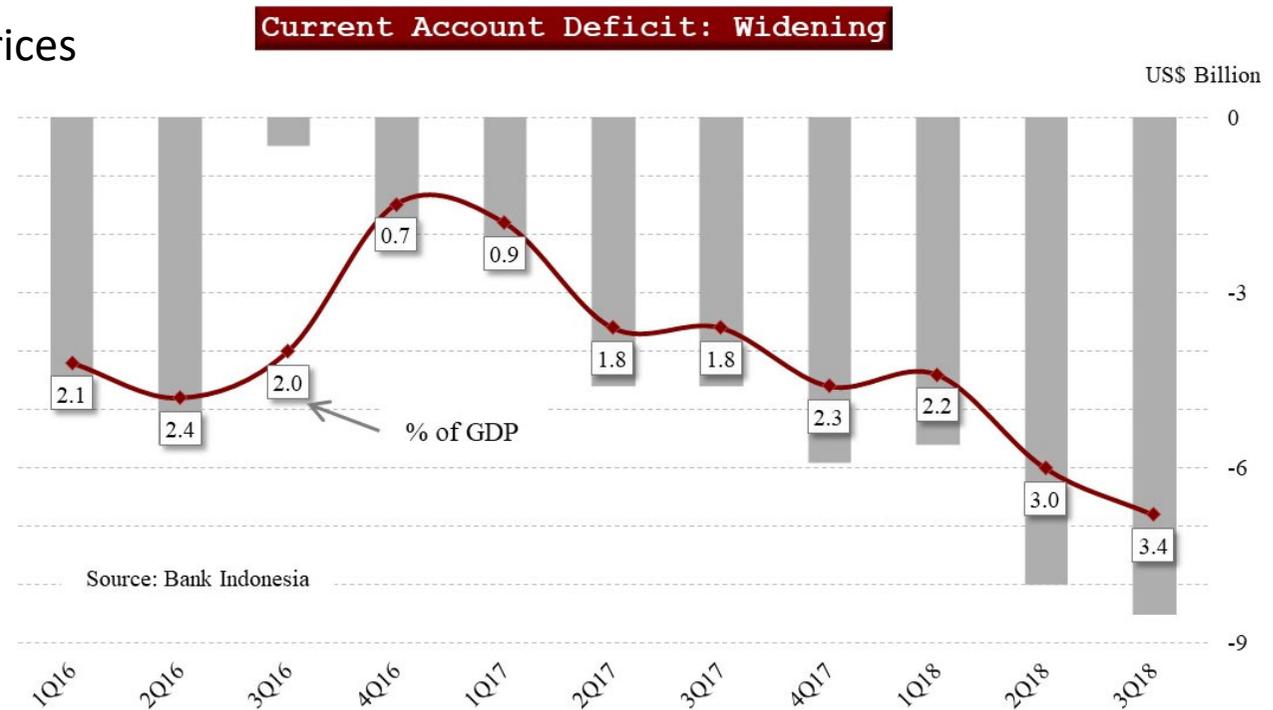


Source: Investment Coordinating Agency (BKPM)

# Widodo-nomics: CAD widening



- high imports
  - strong domestic demand
  - fuel subsidies encourage over-consumption
- weak exports
  - anemic manufacturing
  - low commodity prices
- **FDI decline**
- short-term outflows



# summary: missed opportunities persisting



## HIGHLIGHTS

- regional-head elections
- democratization →  
L-T stability, pro-people growth,  
**better future leaders**
- economic resiliency  
moderate debt, better  
infrastructure, steady consumption,  
somewhat decoupled

## CAVEATS

- global arena  
slowdown, trade war, competition
- investment climate  
resource nationalism, SOE-centric,  
reforms lacking, FDI faltering
- patronage norms  
frail institutions, **mafia elements**

## KEY ISSUES FOR 2019

- Widodo likely to win yet still stay ultra-cautious
- **performance of Islamic-oriented parties** will affect policymaking tone
- 2024 presidential race: promising governors (e.g., Kamil) provide hope



**thank you!**



**backup slides**

# democratization: still not consolidated



## *characteristics of elections*

### strengths

- high voter turnout
- **elections free & fair**
- free press & speech
- military largely removed

### weaknesses

- weak campaign finance rules
- entry barriers for contestants
- **parties lack internal democracy**
- weak institutions → vast spoils

### opportunities

- **regional-head races producing talent**
- voters favor reform

### threats

- **mafia elements** lurking
- elite Islamicization

# 2019 election demographics: 41% millennials

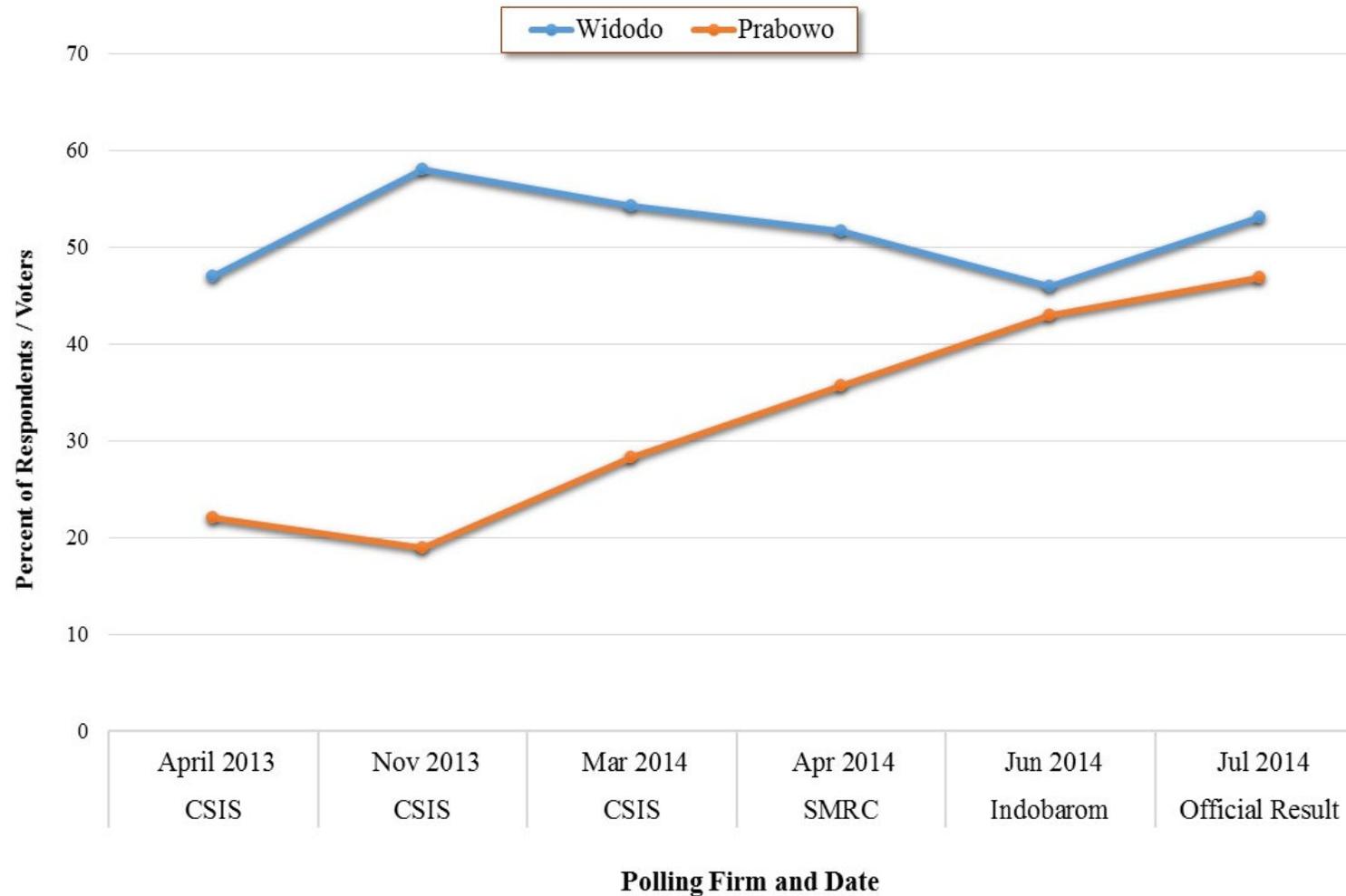


	2014	2019
Est. population (m):	254.4	269.1
Voting-age pop. (m):	174.26	188.44*
Under-25s (m):	34.46	36.44
Under-25s as % of voting age:	19.8%	19.3%
Under-35s (m):	75.96	76.84
<b>Under-35s as % of voting age:</b>	<b>43.6%</b>	<b>40.8%</b>

Source: Reformasi research, [www.populationpyramid.net](http://www.populationpyramid.net)

*\* Registered voters number 192.8 million due to Indonesians abroad & under-age voters married*

# 2014 race: Prabowo nearly caught up

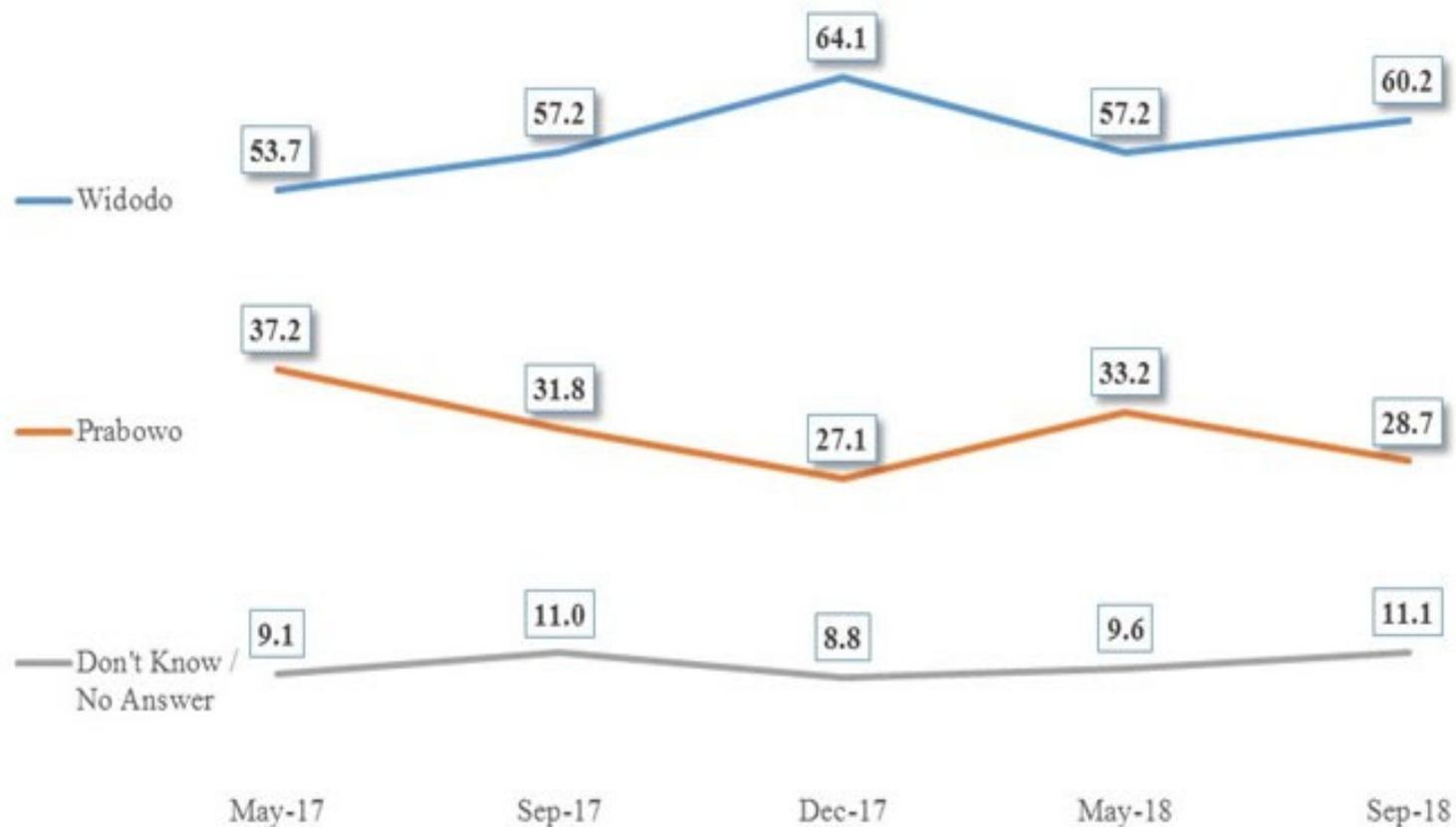


# 2018 polls: Widodo maintaining lead



*Head-to-head presidential race scenario. Figures denote percent of respondents.*

*Source: Saiful Mujani Research & Consulting (SMRC) nationwide polls. Latest poll of 1,220 respondents conducted 7-14 September, 3.1% error margin.*



# 2018 polls: others corroborate margin



## Presidential Race: Comparison of Polling Data

	<b>Indikator</b>	<b>LSI</b>	<b>Kompas</b>	<b>SMRC</b>	<b>Indikator</b>	<b>Alvara</b>	<b>Lipi</b>
Polling Period	<b>Dec</b>	Nov	Oct	Sept		Aug	May
	<b>16-26</b>	10-19	24 Sep – 5 Oct	6-14	1-6	12-18	19 Apr– 5 May
Sample Size	<b>1,220</b>	1,200	1,200	1,220	1,220	1,200	2,100
Error Margin (%)	<b>2.9</b>	3.1	2.8	3.1	2.9	2.9	2.1
<b>Pro-Widodo (%)</b>	<b>55</b>	<b>54</b>	<b>53</b>	<b>60</b>	<b>57</b>	<b>54</b>	<b>58</b>
Pro-Prabowo (%)	<b>35</b>	31	33	29	31	35	27
DK/NA (%)	<b>10</b>	15	15	11	12	11	14

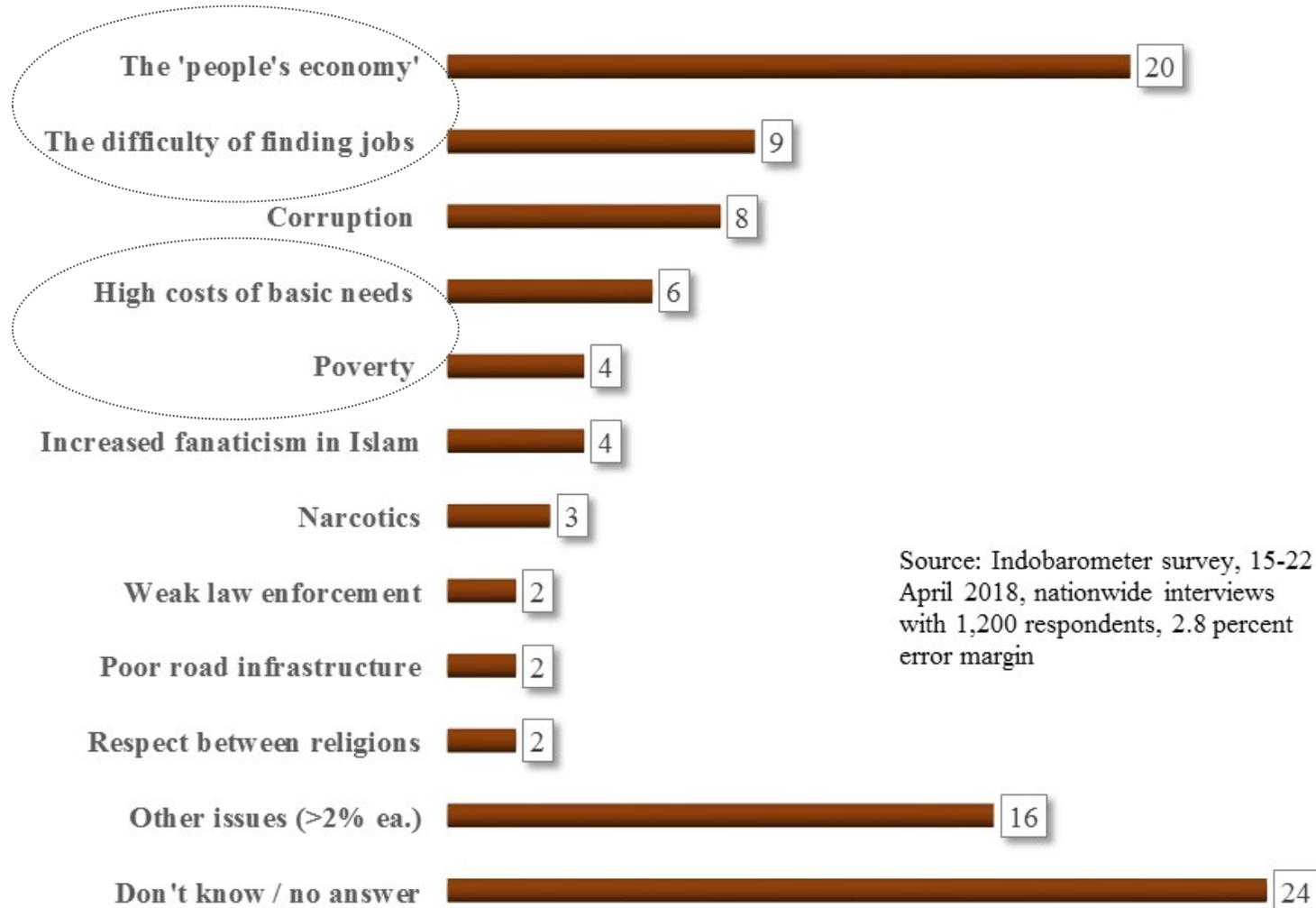
Note: SMRC = Saiful Mujani Research and Consulting, LSI = Survey Network (*Lingkaran Survei*), Lipi = Institute of Sciences, Indo-B = Indobarometer, DK/NA = Don't Know or No Answer.

# 2018 polls: economy tops list of voter concerns



## *Top problems facing the country*

April 2018 Indobarometer Survey: issues cited by respondents, figures in percent



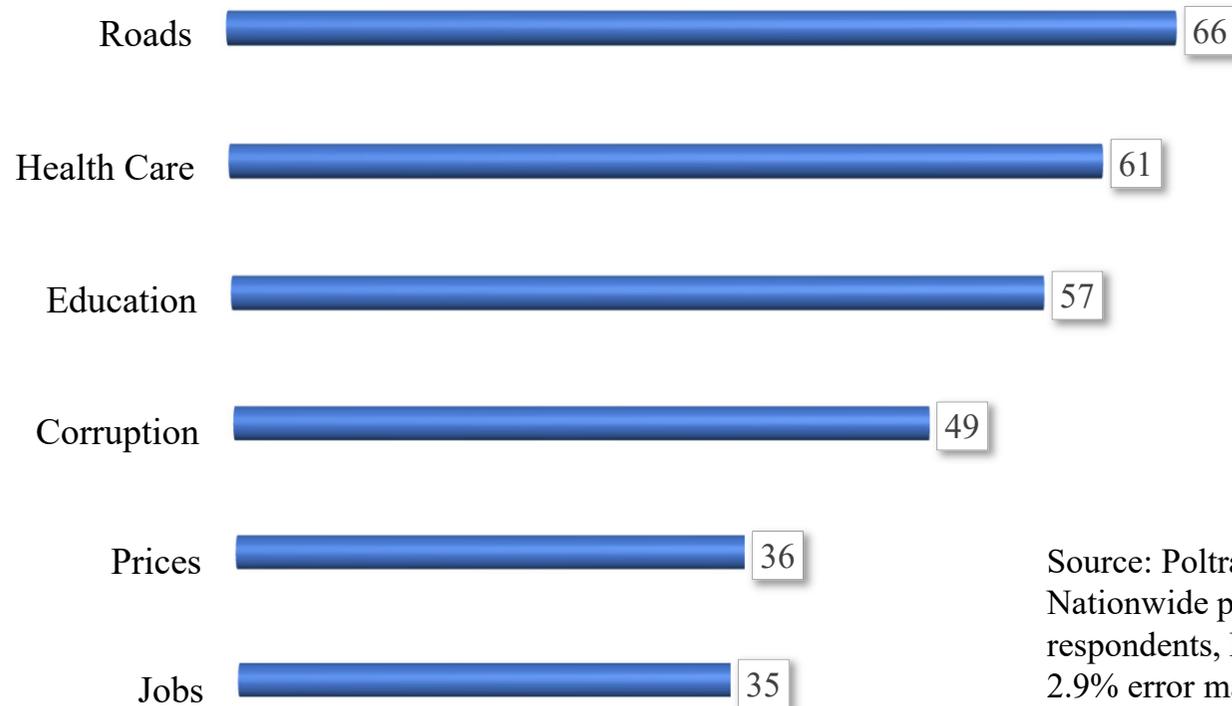
Source: Indobarometer survey, 15-22 April 2018, nationwide interviews with 1,200 respondents, 2.8 percent error margin

# 2018 polls: infrastructure, services rated highest



## Assessment of Widodo:

“How is the president performing on these issues?”  
Percent answering "Increasingly well"

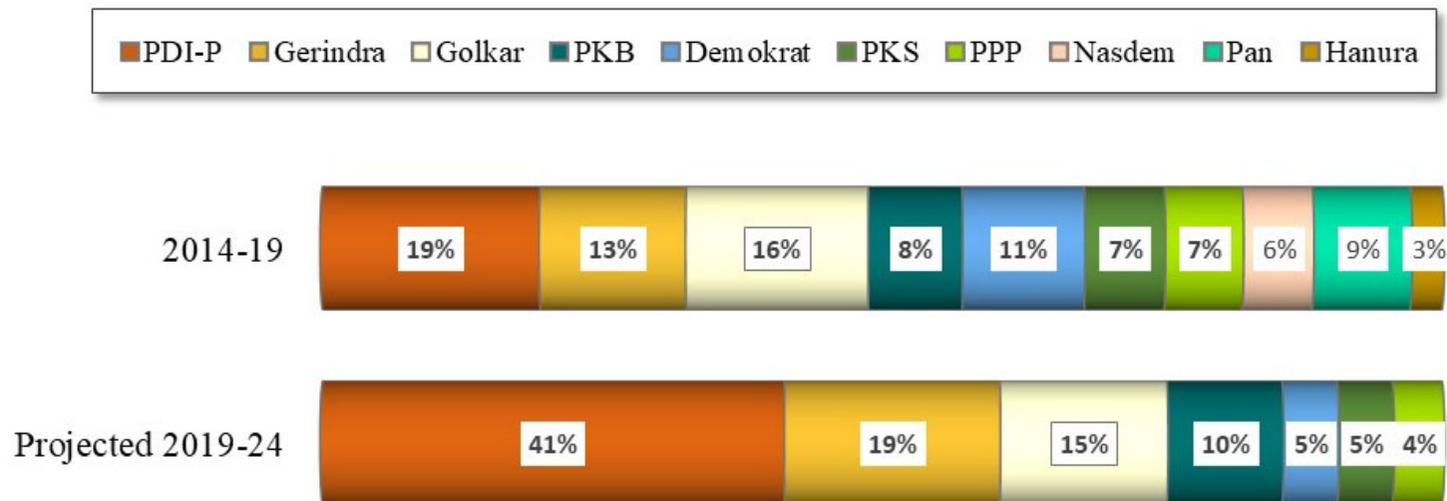


Source: Poltracking,  
Nationwide poll of 1,220  
respondents, Feb 2018,  
2.9% error margin.

# next parliament: less fragmented



*Projected 2019-24 parliament, inferred from December 2018 poll by Survey Network (LSI)*



*Projected 2019-24 DPR estimated from Survey Network (LSI) poll, Dec 2018, 1,200 respondents, 2.9% error margin.*

Data adjusted to:

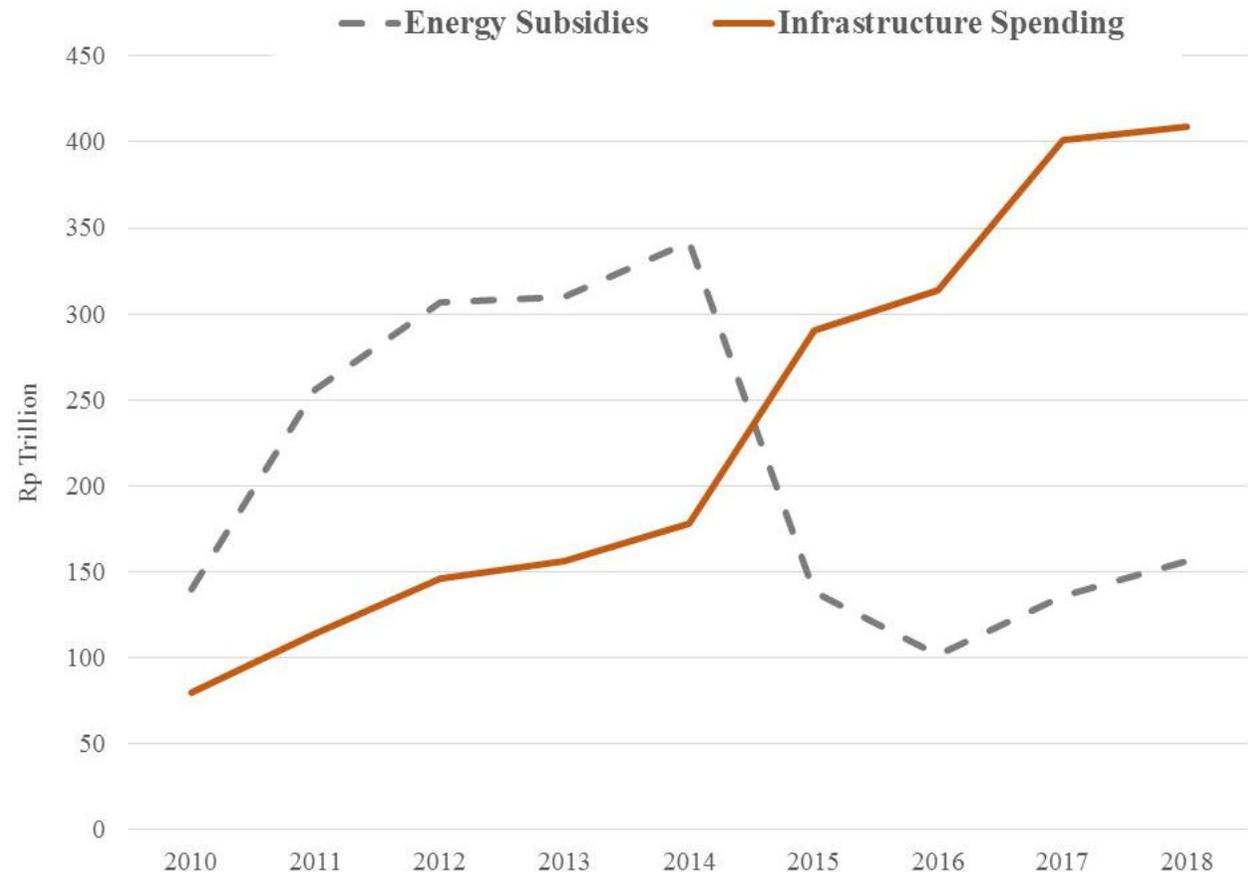
- first, exclude undecided respondents; and
- second, exclude parties under 4% (the 'parliamentary threshold' required to occupy seats).

# policy issues: subsidies vs infrastructure



- fuel subsidies

- repealed in 2014
- restored for duration of election campaign
- **loss of credibility** in market-indexed mechanism

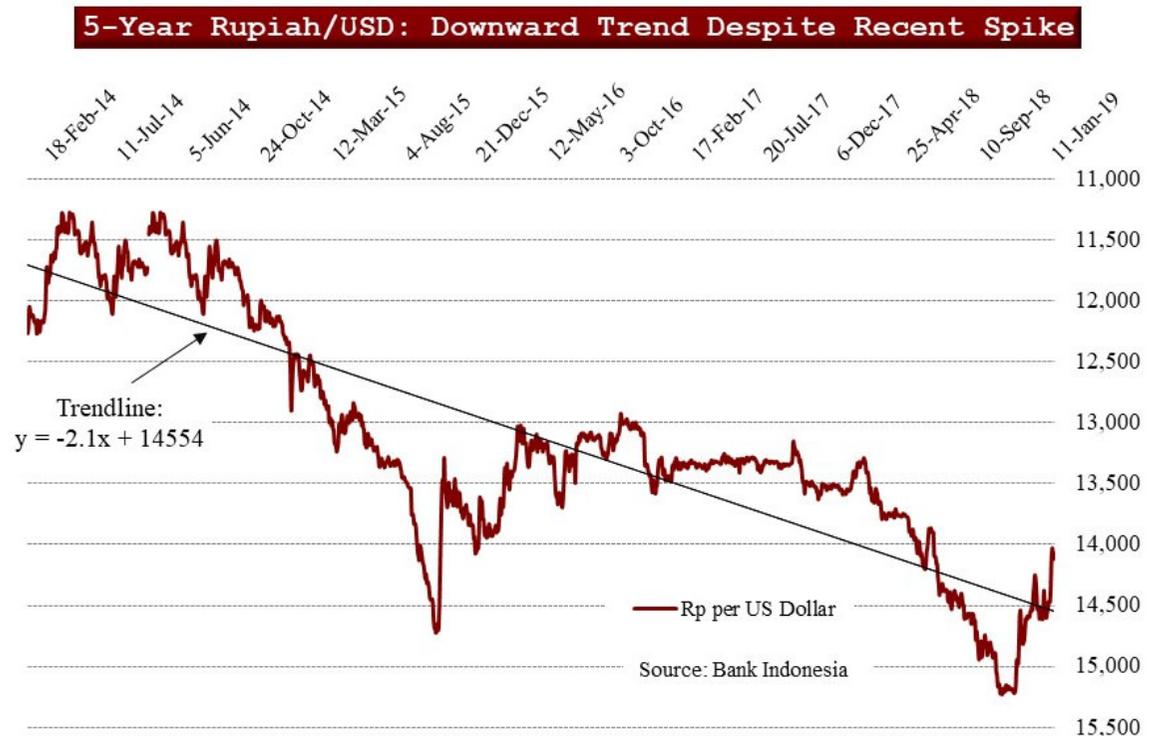


\* Estimate. Source: *Ref Wkly* research, *Bisnis Indonesia*

# policy issues: over-regulation



- resource nationalism
  - oil & gas in disarray, inadequate incentives, **Total & Chevron blocks** → Pertamina
  - mining virtually closed
    - permitting, divestment (Freeport), downstream processing req't
- state-led development
  - foreign ownership limitations
  - **state firms** dominate
- operating impediments
  - unfavorable taxation of foreigners
  - work permit restrictions



# business obstacles: institutional dysfunctions



## civil service

- closed recruiting, high job security
- promotion by connections rather than merit
- conflicts of interest: numerous income sources; dual-postings
- risk aversion

## judiciary

- poor transparency
- commercialization of verdicts
- limited oversight or accountability
- poorly regulated lawyers