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## INDONESIA 1997-1999

### *Post Crisis and the need for intervention*

Paper by Prof Johan Silas

#### **the rational**

##### **i. street hawkers & slums**

If a person can sell on a sidewalk or built a house in a marginal area, to them this ensured that food or shelter be available to the family members. To them this is a **solution**, an honorable act that does not rely or expect assistance or subsidy from anybody. No law prohibits such an act.

Not so to the government that regards the existence of street hawkers or slums is sign of failure and disgrace; a **big problem**. The other way round applies, meaning that if street hawking or slums are not permitted, it is a **disaster** to the respective families.

The problem is never focussed to the good act of the people, but the place where that the act is performed. Being poor is the reason for a person not able to provide a proper place to do the act of looking after the family. Hence the existence of street hawkers and slum is not the willing mistake of the poor but the failure of local governments to perform the mandate given by the people.

##### **ii. people's politic**

The past election in Indonesia taught us important lessons. It proved that the people are ready and matured to implement a real democratic way of life. The political elite and experts showed that they cannot match the example given by the people. Now they are again given a test to reform the constitution and elect a President that can bring the people and the country into a new and better live.

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#### **the context**

When the economic and financial crisis hit Indonesia in mid August 1997, international community came to assist to deal with the crisis. According to the scenario proposed by IMF, Indonesia will deal with the problem in four stages, rescue, recovery, reconstruction and growth of the economy. The experience

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in South Korea and Thailand, showed that if political stability can be achieved soon, both the first stages can be passed rather early, such as the case of South Korea and Thailand. In the same time frame Indonesia should also pass the first two stages in the first part of this year. However, due to a weak government, Indonesia has to deal many problems one after the other. The last was the Bank Bali corruption issue and the killing in East Timor. It is only after a free and fair presidential election (now under way) will a stable political atmosphere be achieved and economic recovery passes.

The crisis itself is not new to Indonesia nor the world. The world recession in the late twenties is only one of the many crises that happened before or afterwards. In fact the crisis in Latin America culminating in Mexico in the eighties and the burst of the Japanese economic bubble early nineties was never taken as a serious lesson to the dramatic yet unrealistic economic growth in this region. It was only taken into account after it was too late and the crisis has very hard. Indonesia has experienced the worst impact of the crisis.

The economic and financial crisis in Indonesia can essentially be distinguished in three interlocking stages. The panic stage is when everybody loses confidence to the government and tried to buy and hoard almost every things, especially those that have unlimited ability to dispose a large sum of money. To deal with this situation government introduced the rescue package by providing cheap essential goods to the people. The second was the adjustment stage that should happened very short, can be far less than expected. Just before the last June election, the crisis entered into the present accommodation stage, indicated by people getting ready to restart the economic to grow on their term again. These last two situations have been overcome by recovery actions, by regulating the stock of essential goods. Although the urban scene does not show any indication of the crisis as in the first two stages, yet the economy has not moved ahead as expected. Food centres are crowded at weekdays as well as weekends. Surprisingly, ordinary people can afford to buy music disks for karaoke singing or VCDs that daily crowd the many hawker stands selling pirated (by Taiwan) CD/VCD at not cheap price, beyond the expensive equipment needed to play them.

There are urbanization and social lessons to be learned from the economic growth and the crisis that followed. The dilemma condition created cities after high economic growth and development with weak base, have been conducive to the extra hardship created by the crisis. Social contradiction can be seen in the **exclusiveness** among the upper class in increasing numbers, to the cohesiveness of the lower class that is still significant. The second lesson is the contrast of **fragmentation** between the **egocentric** of the upper class to the communally grouping of the lower class creates social tension that can explode for little reasons. The other lesson deals with the great increase in individual capacity, though not in an egalitarian manner. In essence the contrast is between a dynamic and independent middle class to the less mobile communal groups that in certain cases have to resort to the primordial approach. It should also be noted that the formation of partnership among public and private stakeholders is interesting phenomenon.

## **local autonomy**

Prior to the election, the parliament has passed two important laws, on local government (no.22/1999) and balanced distribution of national income (no.25/1999). In principle, the political authority and resources will now be mainly concentrated at local level. Until now, two thirds of the money in Indonesia is controlled and circulated in Jakarta; hence Jakarta received the worst impact of the financial crisis. Starting the fiscal year 2000 (April), Jakarta will only handle one third of the national income, most to service loan taken so far, including to overcome the crisis. It is however important to deal in more detail on the substance of the local government law. In brief the main articles of the law are as follows:

**Article 4 (2)** *local government is basically independent and does not have hierarchical relation among each other. In this respect, local government consist of the provincial government, regency (with rural area) and cities (urban only).*

**Article 7 (1)** *the authority of local government consist of all governmental power except authority in foreign affairs, security and defense, judiciary, monetary and fiscal, religion and other area.*

(2) *Authority in other area consist of **policy** in macro national planning and development control, financial balance fund (to support area with little local resources), state administration system and economic institutions, human resource development, utilisation of natural resources and strategic hi-tech, conservation, and national standard.*

**Article 18** *the right and responsibility of local parliament among other are :*

- *Electing head of local government and his/her deputy,*
- *Enacting local bylaws*
- *Formulating local budget, etc.*

**Article 46** *If the accountability of the annual development policy and budget is rejected and given thirty days to improve and still rejected, then the local parliament can dismiss the head of the local government*

Since the enactment of the local government law, government officials can only be appointed from civil servant corps. This eliminates the possibility of military personnel to take civil function or duty. Cities will have civic forums to deal with the aspiration of the civic society. A governor has also very limited authority that of resolving problems that deal with the interest among regencies and/or cities. It can temporarily take over functions that have not been undertaken by the regency or city. A governor is also representing the interest of the central government based on devolvement of power. It is true that in the constitution Indonesia is a unitary country. However, the new local government law in practice makes Indonesia more federalists than a federal state as seen in the power of the President and the Governor. If this proves to be working, a new model for strengthening local democracy need to be introduced.

Another important feature of the local government law is THE provision of nineteen articles on village authority. Villagers (only in Regency area) according to this law have the power to elect their chief and council, but also enact the budget, collect tax and uphold the customary or traditional law. This strengthened the existence of traditional villages that still exist in many parts of Indonesia, including in Bali. These acts also provide the legal opportunity for villagers to reclaim their right to land and forest that is an integral part of the livelihood. In most previous law, especially the basic law of the forest (no.5/1968) their right have been revoke and create problem of hardship to the people. However, in urban area village is not recognised. Therefore in the government regulation that deal with the organisation of city government, a provision is made to establish development forum for urban population to deal and decide on their affair and priority in development. UNDP showed interest to support the scheme of strengthening urban stakeholders to deal with the issue. Our group in Indonesia have been very instrumental in the setting up of the urban forum model (to include Peter Swan).

### **after the crisis**

Three important situations have happened after the crisis. First the openness and free expression of opinion and freeing the press from government (plus military) control. The second is the screening between the real and fake ones in development; the professionals and non-professionals actors in many respects; and corrupt and the honest ones in public office. The door is now wider open to reach a clean and professional government within the good governance idea. It is now up to the people as the stakeholders to use of the new opportunity and to make sure that it does not

reverse to pass practice. However, the road to a new Indonesia is far from easy and smooth. The need for resources to achieve is another constraint that is need wider support. The greatest problem faced by this nation is the habit created by the pass government of being guided and assisted from above; and the heavily centralized government. This is now up to a few stakeholders in the society those have the concern, willingness and ability to make the change possible and sustain. To some extent *ACHR* can be instrumental in achieving this goal if it can be made into a regional movement as support, implemented and adapted to respective local condition in other parts of ASIA.

Another feature of the crisis is the implementation of various social safety net schemes. From creating work opportunity, to saving the health and education aspects of live. In the panic stage, SSN (locally known as *Jaring Penyelemat Sosial-JPS*) was haphazardly implemented creating huge waste of fund and opportunity. It was accused of being used as money politics by certain political parties. However, the election result showed that ordinary people cannot be fooled anymore with such kind of moves. The parties involved in the money politic received very little political support by the people at the last election. Now a new concept have been introduced where the people first organised themselves in order to be able to set the priority for the project element and responsible for its implementation. External involvement is reduced to the minimum supervised by local NGOs and student from the universities.

Along with the SSN programme, KIP for the last two years have been improved to become **Comprehensive KIP** that stress the community development aspect over the physical improvements before. Local people in the kampungs now organized themselves in order to make their own decision how and what to do with KIP. General guideline was given assisted by local NGO. The programme (assisted by IBRD) provide about three packages of project each about Rp 200 million (US \$30,000) for physical improvement, home based economy and home improvement. The SSN scheme under the Directorate General of Human Settlements for housing will be implemented in line to the Comprehensive KIP model; meaning that the project need the approval and will be managed by local community. Laboratory of Housing and Human Settlements of ITS has been assigned to implement training for the implementing team of SSN programme among public officers, consultants and local community. This is another important step ahead made possible by the crisis.

### **new directions**

An interesting finding have been reached by the people in the kampungs due to the crisis. Only during the panic period do people in the kampungs suffered. They then were able not only to adjust to the new situation, but they see new opportunity to fill the economic gap left by the inability to import certain goods, such as steel moldings, wood and leather work, etc. The Home Based Enterprises studies carried out by the Laboratory for Housing and Human Settlements of ITS showed that HBE has flourished by the crisis in term of quantity and quality as well as income.

The new direction of urban development and urbanization in Indonesia obviously will follows in three main direction, namely a people power in urban affairs, people's based development and the introduction of new ideas through globalization networking. A close collaboration between NGOs, the academe and the

professionals need to be strengthened to become an effective partner in urban development to the local government and people's representatives. To achieve this end, there need to be developed an urban scale forum for horizontal and vertical deliberations among stakeholders and kampung development broad and *grassroots* level in the kampungs. Here again the scheme need not to adopt a reinventing the wheel approach. It is important that organization such as ACHR played a more proactive and innovative role.

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