Indonesia 2019: Democratic Hopes, Institutional Woes

Presentation for Stanford APARC-CDDRL
Jan 2019

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democratization
## Elections Conducted by Year:

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<tr>
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<tbody>
<tr>
<td>Parliament</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
<td>-</td>
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<tr>
<td>Regional Assemblies (DPRDs)</td>
<td>-</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
<td>-</td>
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<tr>
<td>Regional Representatives (DPD)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
<td>-</td>
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<tr>
<td>President</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>Regional Heads</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>some each yr</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**democratization: extensive & routine**
democratization: well run, high turnout

Ballot station

Public vote counting at each ballot station

Costumes & decoration

voter participation

<table>
<thead>
<tr>
<th>Year</th>
<th>Election</th>
<th>Turnout (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>regional heads</td>
<td>73</td>
</tr>
<tr>
<td>2017</td>
<td>presidential</td>
<td>74</td>
</tr>
<tr>
<td>2014</td>
<td>legislative</td>
<td>75</td>
</tr>
<tr>
<td>2009</td>
<td>presidential</td>
<td>72</td>
</tr>
<tr>
<td></td>
<td>legislative</td>
<td>71</td>
</tr>
</tbody>
</table>
political trends: systemic transition

• pre-modern land-based feudalism
  – Majapahit
  – Colonialism
  – 32-yr Soeharto regime

• 1998: reformasi
  – freedoms, rights
  – regional autonomy
  – elections, 3 presidents

• 2004-14: Yudhoyono era

• 2014-?: Widodo era

money for loyalty
democratization
competing systems

‘Ruler’s Law’ versus Rule of Law
### political trends: democratization

<table>
<thead>
<tr>
<th>Patronage-Style</th>
<th>Partial Change</th>
<th>Institutionalized Democracy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judiciary</td>
<td>Parliament</td>
<td>Presidency</td>
</tr>
<tr>
<td>Civil service</td>
<td>Political parties</td>
<td>Press</td>
</tr>
<tr>
<td>Police</td>
<td>Listed state enterprises</td>
<td>Anti-Corruption Commission (KPK)</td>
</tr>
<tr>
<td>Resource sector ministries</td>
<td>Military</td>
<td>Finance Ministry</td>
</tr>
<tr>
<td>Unlisted state enterprises</td>
<td>Regional governments</td>
<td>Aceh Reconstruction Agency (BRR)</td>
</tr>
</tbody>
</table>
Islamicization
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
### 2019 election: tickets and backers

<table>
<thead>
<tr>
<th></th>
<th>Joko Widodo – Ma’ruf Amin</th>
<th>Prabowo Subianto – Sandiaga Uno</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ballot Number:</strong></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Ticket Name:</strong></td>
<td>‘Jokowi-Ma’ruf’</td>
<td>‘Prabowo-Sandi’</td>
</tr>
<tr>
<td><strong>Alliance Name:</strong></td>
<td>Work (KIK)</td>
<td>Prosperous Justice (Kiam)</td>
</tr>
<tr>
<td><strong>Nominating Parties:</strong></td>
<td>PDI-P, Golkar, PKB, Nasdem, PPP, Hanura, PKPI</td>
<td>Gerindra, PKS, Pan, Demokrat</td>
</tr>
<tr>
<td><strong>Campaign Chair:</strong></td>
<td>Erick Thohir</td>
<td>Gen (ret) Djoko Santoso</td>
</tr>
</tbody>
</table>
2018 polls: Widodo maintaining lead

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

Percent of Respondents

Aug 2018  |  Sep 2018  |  Oct 2018  |  Nov 2018  |  Dec 2018
---       |  ---       |  ---       |  ---       |  ---
Widodo    |  Prabowo   |  Don't Know / No Answer
54%       |  31%       |  15%
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

- Concerned for public
- Honest, clean
- Decisive and dignified
- Able to solve problems
- Religious or devout

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
- Nationalist, 45%
- Islamic-Oriented, 15%
- Islamic-Oriented, 16%
- Nationalist, 24%

Pro-Forma 2019-24 Parliament
(Deduced from Dec-18 LSI Poll)
- Nationalist, 56%
- Islamic-Oriented, 15%
- Islamic-Oriented, 5%
- Nationalist, 24%
policy issues
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

![GDP Growth Year-on-Year graph](image)
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
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

Current Account Deficit: Widening

Source: Bank Indonesia
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**

<table>
<thead>
<tr>
<th>strengths</th>
<th>weaknesses</th>
</tr>
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<tbody>
<tr>
<td>- high voter turnout</td>
<td>- weak campaign finance rules</td>
</tr>
<tr>
<td>- <strong>elections free &amp; fair</strong></td>
<td>- entry barriers for contestants</td>
</tr>
<tr>
<td>- free press &amp; speech</td>
<td>- <strong>parties lack internal democracy</strong></td>
</tr>
<tr>
<td>- military largely removed</td>
<td>- weak institutions → vast spoils</td>
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<table>
<thead>
<tr>
<th>opportunities</th>
<th>threats</th>
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<tbody>
<tr>
<td>- regional-head races producing talent</td>
<td>- mafia elements lurking</td>
</tr>
<tr>
<td>- voters favor reform</td>
<td>- elite Islamicization</td>
</tr>
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2019 election demographics: 41% millennials

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

Source: Reformasi research, www.populationpyramid.net

* Registered voters number 192.8 million due to Indonesians abroad & under-age voters married
2014 race: Prabowo nearly caught up

- April 2013: CSIS
- Nov 2013: CSIS
- Mar 2014: CSIS
- Apr 2014: SMRC
- Jun 2014: Indobarom
- Jul 2014: Official Result

Polling Firm and Date

<table>
<thead>
<tr>
<th>Percent of Respondents / Voters</th>
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<tbody>
<tr>
<td>Prabowo</td>
</tr>
<tr>
<td>Widodo</td>
</tr>
</tbody>
</table>

Contact: contact@reformasi.info
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.

Widodo

<table>
<thead>
<tr>
<th></th>
<th>May-17</th>
<th>Sep-17</th>
<th>Dec-17</th>
<th>May-18</th>
<th>Sep-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Votes</td>
<td>53.7</td>
<td>57.2</td>
<td>64.1</td>
<td>57.2</td>
<td>60.2</td>
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Prabowo

<table>
<thead>
<tr>
<th></th>
<th>May-17</th>
<th>Sep-17</th>
<th>Dec-17</th>
<th>May-18</th>
<th>Sep-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Votes</td>
<td>37.2</td>
<td>31.8</td>
<td>27.1</td>
<td>33.2</td>
<td>28.7</td>
</tr>
</tbody>
</table>

Don’t Know/ No Answer

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<thead>
<tr>
<th></th>
<th>May-17</th>
<th>Sep-17</th>
<th>Dec-17</th>
<th>May-18</th>
<th>Sep-18</th>
</tr>
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<tbody>
<tr>
<td>Votes</td>
<td>9.1</td>
<td>11.0</td>
<td>8.8</td>
<td>9.6</td>
<td>11.1</td>
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### Presidential Race: Comparison of Polling Data

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

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

- The 'people's economy' | 20%
- The difficulty of finding jobs | 9%
- Corruption | 8%
- High costs of basic needs | 6%
- Poverty | 4%
- Increased fanaticism in Islam | 4%
- Narcotics | 3%
- Weak law enforcement | 2%
- Poor road infrastructure | 2%
- Respect between religions | 2%
- Other issues (>2% ea.) | 16%
- Don't know / no answer | 24%

Source: Indobarometer survey, 15-22 April 2018, nationwide interviews with 1,200 respondents, 2.8 percent error margin
Assessment of Widodo:
“How is the president performing on these issues”?
Percent answering "Increasingly well"

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td>66</td>
</tr>
<tr>
<td>Health Care</td>
<td>61</td>
</tr>
<tr>
<td>Education</td>
<td>57</td>
</tr>
<tr>
<td>Corruption</td>
<td>49</td>
</tr>
<tr>
<td>Prices</td>
<td>36</td>
</tr>
<tr>
<td>Jobs</td>
<td>35</td>
</tr>
</tbody>
</table>

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

5-Year Rupiah/USD: Downward Trend Despite Recent Spike

Trendline: $y = -2.1x + 14554$

Source: Bank Indonesia
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