

VAN ZORGE REPORT

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Behind the Headlines

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FROM THE EDITOR

A legacy worth leaving

President Susilo Bambang Yudhoyono deserves the congratulations flowing in from foreign leaders, domestic rivals, and news commentators for his decisive first-round reelection victory. At nearly every turn over the last three months, Yudhoyono outperformed his rivals.

Despite a few notable flaps by loose-lipped aides and a tendency to be goaded into petty spats, the campaign showed a remarkable degree of discipline, sophistication, and responsiveness. In the debates, Yudhoyono often came off as dull and a bit aloof. But while his performances did not exactly make for scintillating entertainment, his willingness to speak in concrete terms about solving issues facing the country compared favourably to the glibness of Jusuf Kalla, and the outright ignorance of Megawati Sukarnoputri.

More than the lack of a confidence-inspiring challenger, however, Yudhoyono owes his reelection to a host of popular policies that led voters to support his candidacy on the basis of their rational economic and political interests. Some commentators have derided programs such as the direct cash assistance to the poor and a well-publicised campaign to eliminate school fees as populism à la Thaksin Shinawatra, Thailand's exiled former premier. But if the school fee initiative is combined with real educational reform, and if the cash assistance helps justify further efforts to reduce wasteful and counterproductive subsidies for electricity and fuel products, then "populism" will be well worth its price.

Unfortunately, early signs from the *Istana* about the direction of Yudhoyono's second term are not terribly heartening. Many Indonesians hope that a second-term Yudhoyono government, emboldened by its overwhelming electoral mandate, will seek to shape a legacy of bureaucratic reform and infrastructure improvements. But the president's first post-election moves are more likely to assuage the fears of the entrenched elite than to please a new generation of reformers.

How possible is government action on much-needed bureaucratic reform if, as Yudhoyono has said will

once again be the case, half of the cabinet members are politicians loyal more to their political parties and private interests than to the public good? How possible is a successful effort to rebuild the country if top-flight reformers are sidelined for making waves?

The likely departure of both Finance Minister and Coordinating Economic Minister Sri Mulyani Indrawati and Tax Directorate chief Darmin Nasution to Bank Indonesia does not augur well for tilting the balance of power in the cabinet away from the Golkar dinosaurs and the Islamist party representatives.

More concerning than Sri Mulyani's likely move to the bank are the rumoured reasons behind the decision. Yudhoyono's notorious concern with his image may have driven him to reassign Sri Mulyani, rather than run the risk of her stealing the show. Next to Sri Mulyani and her outspoken, hard-driving style, Yudhoyono may have feared looking like only a reluctant reformer forced by his staff to curb cronyism in his cabinet.

The effort to clean up the bureaucracy, however, needs that hard-driving type of reform. Sri Mulyani will no doubt excel at the bank just as she has excelled at the Ministry of Finance, but her move to the bank is a signal that there are limits to how hard reformers will be allowed to push.

Most concerning of all are signs that the president is content to see the Corruption Eradication Commission (KPK) cowed until it's politically pliant. The Commission is the country's most credible public institution, but rather than laud it for taking on entrenched political interests, the president has stood by as rapacious lawmakers and officials try to strip it of vital investigatory powers and to allow the highly regarded Anti-Corruption Court to lapse. When he did speak, it was to issue a warning about the dangers of leaving the KPK's powers unchecked.

Yudhoyono championed the KPK before it targeted former Bank Indonesia Governor Aulia Pohan, the father of Yudhoyono's daughter-in-law. Now, the KPK finds itself in a high level stand-off with the National Police, and Yudhoyono appears to be sympathetic to

the police's apparent efforts to fight back against the KPK for having the gall to investigate the notoriously corrupt institution.

Without Yudhoyono's support, the Attorney General's Office and the police may intimidate the KPK into shying away from targeting suspects with political backing. Without active efforts by the president to use his now-bolstered sway with the legislature, the Commission may be stripped of key investigatory powers and left without a credible court system for its cases. And without Yudhoyono's acceptance of the fact that even his own political allies and relations

can be targeted, the perception that the legal system only serves the wealthy and well connected would strengthen. The consequences of allowing the KPK to wither would be devastating. Corrupt politicians would be emboldened. Public confidence and trust in government would suffer.

We hope these moves are not indicative of the president's true intentions for his second term. If they are, a withered KPK, marginalised reformers, and subservience to an oligarchic political elite may be the legacy Yudhoyono ends up leaving. □

INTELLIGENCE:**Names floated for Sri Mulyani's replacement**

A presidential palace insider tells the *Report* that Sri Mulyani Indrawati has submitted three professional, technocratic candidates to replace her as head of the Ministry of Finance. They are: Mahendra Siregar, deputy for international cooperation at the Coordinating Ministry for the Economy; Chatib Basri, special staff to the minister of finance; and Anggito Abimanyu, current head of fiscal policy at the Ministry of Finance.

President Susilo Bambang Yudhoyono has tapped Finance Minister Sri Mulyani as one of two candidates for the Bank Indonesia (BI) governorship recently vacated by now vice president-elect Boediono.

The new candidates submitted for the position reflect Sri Mulyani's efforts to reform the ministry. They are young, experienced professionals without clear political affiliations.

Anggito is widely viewed as Sri Mulyani's right-hand man, having represented her at key meetings. Recently, Anggito went to Japan to meet with Japanese officials and businessmen – an agenda that was originally planned for Sri Mulyani herself. Chatib, who is both an advisor to Sri Mulyani and a noted academic, has followed in her footsteps to head the University of Indonesia's Management and Economic Research Institute (LPEM UI) – a position she held until the late 1990's. Mahendra came to the Coordinating Ministry for the Economy from the Ministry of Foreign Affairs, where he served terms in Washington DC and London.

Yudhoyono had told *Tempo* magazine that Sri Mulyani would choose candidates to replace her at the ministry, and she's likely to have submitted candidates she believes will continue her work. Nevertheless, her potential departure from the government has raised concern that her replacement might not have the same skills and political cunning she has shown during her tenure.

Despite Anggito's close relationship with Sri Mulyani, questions remain over his role in a corruption case involving legislators seeking bribes in connection with the recent financial stimulus package. He was summoned by the Corruption Eradication Commission as a witness against legislator Abdul Hadi Djamal. And the likely departure of Darmin Nasution from the Ministry of Finance's Tax Directorate, where he was critical in rooting out corruption, further adds to concern. Darmin is one of two nominees to become senior BI deputy governor.

Sri Mulyani began her stint as finance minister in December 2005 after heading the National Development Planning Agency (*Bappenas*) for more than a year. As minister, she has earned plaudits from international financial institutions and publications as well as from likeminded domestic reformers for her sound economic and financial policies, reform agenda,

and courage in the face political pressure.

Last November, Sri Mulyani reportedly went so far as to submit her resignation in defence of a decision to lift a suspension in the trading of shares in Bumi Resources during the commodity price collapse in late 2008. The company is owned by the family of magnate, senior Golkar Party figure, and coordinating minister for the people's welfare, Aburizal Bakrie.

Sri Mulyani had argued that lifting the suspension in trading and allowing Bumi's share price to tumble was a necessary step to restore credibility of the country's financial markets – even if it meant dealing a big blow to the already troubled finances of Bakrie, a political ally and key fundraiser for President Yudhoyono.

Yudhoyono is believed to have approved the order for the suspension to be extended, prompting Sri Mulyani to threaten to resign. The president rejected her resignation, however, and the suspension was subsequently lifted.

The House has yet to set a schedule for the Bank Indonesia governor selection process, so it is not yet clear when a potential new finance minister would be named. In mid-June, members of the House's Commission XI for banking and financial affairs began conducting the fit-and-proper tests for Darmin and Gunarni Soeworo, the nominees for the position of BI senior deputy governor. Gunarni is an independent commissioner of state-owned Bank Mandiri.

Can I get a witness!

Those in the Kalla-Wiranto and Megawati-Prabowo camps alleging systemic election fraud are unlikely to come up with the smoking gun-quality evidence necessary to mount a serious protest of the election results. Insider sources tell the *Report* that, in contrast to President Yudhoyono's team, neither campaign was able to put together a credible group to serve as party witnesses at polling stations throughout the country.

In the legislative elections, many candidates themselves paid individuals in their electoral districts to serve as witnesses during the voting and vote count. In the presidential election, however, it was the parties that had to shell out cash for the witnesses at the 12,501 polling stations nationwide. At a minimum of Rp 100,000 (U.S. \$9.80) per witness, the costs quickly added up.

Surprisingly, even the Megawati-Prabowo team failed to come up with the cash. "Stop talking about paying the witnesses," a source from their campaign team told the *Report*. "Prabowo has not paid the advertising expenses as of today because he has run out of money."

That may seem difficult to believe since former vice presidential candidate Prabowo Subianto's personal wealth was reported to be a startling 1.7 trillion rupiah (U.S. \$167 million) – and that's to say nothing of his billionaire brother Hashim Djojohadikusumo's wealth. But campaign sources say that by election day, rifts and mismanagement of campaign funds left the team without access to cash (see below).

“Don't even talk about the vote counting process in the remote areas, as even here in Jakarta, the vote tally process is prone to possible violation,” said the campaign team source. “For instance, in the Menteng Pulo area (of Jakarta), there are about 26 ballot stations. None of the ballot stations could be monitored by us because we couldn't pay for the witness to be there.”

The Megawati-Prabowo team weren't the only ones unable to deploy witnesses nationwide, however. After much of its party apparatus at the local level jumped ship and joined the Democrats' efforts, Golkar too found itself unable to secure its own witnesses.

In previous elections, Golkar was believed to be the only party with the ability and organisation from village level to Jakarta to deploy witnesses to monitor the vote counting process. No longer, says the Megawati-Prabowo team source.

“For the time being, Golkar's political machine is no longer working well,” the source told the *Report*. “In the past, Golkar had village-level officials to monitor vote counting at poll stations. Today, however, those officials have been mobilized to support Yudhoyono's Democrat Party.”

A source close to Yudhoyono confirmed that many former local Golkar officials were now in the Yudhoyono camp. However, the main institutions charged with ensuring the integrity of the vote counting process weren't the party witnesses, the source said. Instead, the police and the military – which maintain networks down to the village level – were responsible for guaranteeing that no parties interfere in the vote counting process.

Campaign team rifts hamper Mega-Prabowo

While Megawati's nearly 30 percent showing in the election was more support than many analysts and pollsters had predicted she would achieve, rifts between members of the campaign team loyal to Megawati and those loyal to Prabowo handicapped efforts to mount a serious challenge to Yudhoyono's reelection bid, sources from the campaign teams tell the *Report*.

“From the very beginning,” said a campaign member loyal to Prabowo, “we have questioned why Megawati should assign Theo Syafei as head of her success team given that Theo failed to secure a victory for [Megawati]

in the 2004 election. Was she putting together a winning team or a losing team?”

Theo, a retired two-star general who spent most of his career in the Army's intelligence unit, is a former legislator and now a senior member of Megawati's Indonesian Democratic Party of Struggle (PDI-P).

Tensions also arose over the management of the campaign's finances. A source from another political party, who is familiar with dynamics inside PDI-P, claimed that Hashim Djojohadikusumo decided to stop disbursing cash from Gerindra to PDI-P upon learning that some PDI-P executives – specifically PDI-P secretary general Pramono Anung and legislator Tjahjo Kumolo – failed to distribute the funds to party operatives at the local level. Instead, claims the source, the PDI-P executives kept the money for themselves.

To make matters worse, campaign team members with military backgrounds and those from civilian backgrounds have also clashed, with the civilians accusing the former military members of profiting at the expense of the campaign.

“In the April legislative election, Prabowo assigned his ex-military friend, Muchdi Purwoprandjono, to coordinate party witnesses,” the source told the *Report*. “But as the money was disbursed, no witnesses for [Prabowo's] Gerindra Party were in the field.”

Muchdi is a retired two-star special forces general who has been a fixture in the news since going on trial for the murder of human rights activist Munir Said Thalib in 2004. Muchdi was acquitted on December 31, 2008. In mid-June, the Supreme Court threw out an appeal of the verdict, citing procedural reasons, but failed to make public the decision until July 10. The court has yet to explain why the announcement of the appeal's rejection was delayed.

IN BRIEF

A change to the House rules

Tucked away in the backlog of bills waiting to be passed in the House of Representatives is a piece of legislation that has the potential to alter the rules of the political game. *Susunan dan Pendudukan*, known as the susduk law, will regulate the structure and function of Indonesia's legislative institutions and their relations with executive government at the central and regional levels. It will define the arenas of power for President Susilo Bambang Yudhoyono, the Democrat Party, and other parties in the House for the next five years.

The susduk law currently exists as Law 22/2003, but a number of proposed amendments are being debated. The current law is one of many political laws that were to be redrafted in the lead up to the recent election, including laws on political parties, the presidential election system, and the legislative election system.

The latter laws had to be completed for the election to take place, so debate on the susduk was given lowest priority. Political parties were also reluctant to finalise the rules for the operation of the House until the election results revealed the relative power of each party. Only after the election could the parties know how to formulate the amendments to give themselves maximum advantage under the new law.

Now that the October inauguration of the new House and government is looming, the susduk bill cannot be put off any longer as it provides the legal basis for the rules of procedure for the House and regional legislative bodies. Without these rules, the legislatures cannot operate.

Many of the proposed amendments appear insignificant, but there are two proposals that may alter the balance of political power, both within the House and between the House and the executive in ways that could have a big effect on the efficiency of the government for the next five years.

One area of potential change is the process of selecting the House leadership – the speaker and four deputy speakers. One proposal has the largest party in the House automatically taking the speaker's chair. The counter suggestion is that the leadership be a collective body, with representatives from the five largest parties each holding one leadership position.

Under the first proposal, the largest party would be guaranteed the speaker's position. Under the second, the position would be chosen through a process of backroom negotiations, and endorsed in a plenary session. In this scenario, the prized office may not necessarily go to the largest party. Such an instance would be similar to the aftermath of the 1999 election when the Indonesian Democratic Party of Struggle (PDI-P) held the largest number of seats in the House, but the speaker was a Golkar member.

IN BRIEF

Not surprisingly, since the April election, the Democrat Party has supported the proposal to automatically award the speaker's gavel to the party with the largest House delegation. All other parties have backed the proposal for a collectively elected leadership. There were media reports that the Democrats were backing down, but since Yudhoyono's sweeping victory in the presidential election, the party has reaffirmed its original position.

If they have their way, the Democrats will control the most powerful positions in both the executive and legislative branches of government. Since the party is still well short of a majority in the House, the speaker's influence could be critical to the president's efforts to pass legislation and to curb the House's tendency to mount critical inquiries into government actions.

The second potentially decisive amendment to the susduk law concerns those critical inquiries. Under this amendment, the president would be required to appear before the House if he were summoned to answer questions about his policies or actions, potentially altering the balance of power between the House and the president. Apart from the power to make laws and to review, amend or reject government legislation, any legislature's greatest power is its authority to call the executive branch to account.

It remains unclear under the proposed amendment whether, if the House decides to conduct an inquiry into a government action, a minister or other government official may appear on the president's behalf. This issue blew up repeatedly during Yudhoyono's first term in office, over issues such as the increase in oil prices, the import of foreign rice, and Indonesia's support of UN sanctions against Iran.

The Democrat Party unsurprisingly opposes the suggestion that the president be compelled to appear before a House committee. Most other parties, however, have supported the idea. They are likely to continue to do so even if they enter into a coalition with the Democrat Party that allows them to have party members in the cabinet. Parties want both cabinet positions and the authority for their lawmakers in the House to call on the president to appear.

The parties' "have your cake and eat it too" attitude reflects the continued challenges of compelling cabinet members to help secure support from their respective parties' House factions, a practice that is still foreign to Indonesian political culture in the post-Suharto era.

In fact, one of the main reasons Yudhoyono will again include non-Democrat party figures in his new cabinet is because, despite his landslide victory, he wants to reduce the parties' tendency to use their combined strength in the House as an instrument of political opposition.

IN BRIEF

The susduk law currently being finalised in the House will settle these two institutional rules which, despite their seemingly arcane nature, should be closely watched for their potential impact on the second Yudhoyono administration.

Public service law a step toward reform*

The new public service law adopted by the House of Representatives on June 23 after four years of deliberation is a laudable attempt by the current government to reform the country's bureaucracy. However, a comprehensive legal infrastructure that would allow an overhaul of Indonesia's entire government apparatus is still not in place, despite the reform rhetoric of the Yudhoyono administration over the past five years.

Several contentious articles were discussed until the very last moment, including those related to special services for groups such as pregnant women, elderly, and children, as well as articles on dispute settlement mechanisms and sanctions. Still, the bill passed with the support of all ten House factions.

The law aims to increase the accountability of the Indonesian government and covers public services in health, transportation, infrastructure, and several others sectors.

Key provisions of the law:

- The creation of public service standards as well as a public service announcement and information system.
- The establishment of clear regulations on the rights and obligations of public service providers, mechanism of supervision, and public participation, as well as reprimands for public service providers who provide poor quality service. For example:
 - Citizens are given the power to sue public service providers in cases of negligence;
 - The government can issue written warnings to high ranking public service officials who fail to provide service, and officials are then given three months to address the problems;
 - Public service institution officials who fail to deliver public service may have their salaries reduced;
 - Private institutions that provide public services must address complaints within six months, otherwise licenses can be revoked;
 - State-owned and private institutions must provide public services indiscriminately.

* The following two briefs were provided by Michael Buehler, Postdoctoral Fellow in Modern Southeast Asian Studies at Columbia University in New York. He can be reached at mb3120@columbia.edu

IN BRIEF

The actual scope of the new law remains unclear, especially in regard to the standard of service required. Several government regulations and a presidential regulation are expected to outline details of the law within the next six months.

New law part of broader reform efforts

The law is part of a larger effort of the Yudhoyono administration to gradually reform Indonesia's notorious civil service apparatus.

At least six other reform bills await approval (see box on following page). In addition to the newly adopted public service law, the passage of the governance administration bill and an amendment to the civil service law No 43/1999 would form the foundation necessary to implement fundamental bureaucratic reform.

Progress has been slow with regard to both laws, however. The governance administration bill, which aims to increase transparency and accountability as well as strengthen the role of citizens in the political process, has not been adopted despite being under deliberation since 2005.

Likewise, reform efforts under the civil service law have been stalled. The first civil service law of the post-New Order period, law no 43/1999, required the establishment of the National Civil Service Commission (*Komisi Kepegawaian Negara*) which would be responsible for human resource management within the bureaucracy. Such a commission has yet to be established despite the fact that the law was adopted 10 years ago. Furthermore, the capacity of the National Civil Service Agency (*BKN-Badan Kepegawaian Negara*), which is charged with managing government personnel, remains weak.

In addition, the recruitment system for most state institutions remains flawed and corrupt, requiring bribes to enter civil service positions and for promotions. A few ministries have introduced reforms in the payment system for bureaucrats, but this only accounts for around two percent of the countries more than four million bureaucrats. In other words, built-in performance criteria for salary systems remain absent in most government agencies.

Overcoming bureaucratic inertia

The reluctance of the House to adopt these bills in the past five years shows that Indonesia is still struggling to implement deep-reaching bureaucratic reform. There are a number of reasons for this.

Considerable influence of bureaucracy in drafting of laws. There are many opportunities for bureaucrats to influence the content of reform laws. The deliberation of a law usually requires legislators to consult with bureaucrats in the State Secretariat, the Justice and Human Rights Ministry, as well

IN BRIEF

IMPORTANT REFORM BILLS UNDER DELIBERATION

1. Public Service Law

Status: passed 23 June 2009

2. Governance administration bill

- Establishes standard administration procedure for all government agencies
- Sets rules that ensure government administrations allow the public input during the policy-making process
- Facilitates public access to administrative documents

Status: under deliberation

3. Amendment to civil service law No. 43/1999

- Establishes a National Civil Service Commission
- Aims to improve civil servants' efficiency and performance
- Secures the neutrality and improved welfare of civil servants

Status: under deliberation

4. Ethics in state governance bill

- Outlines code of ethics for state administrators
- Defines minimum standards for newly hired state administrators

Status: under deliberation

5. Authority between central and local governments bill

- Defines role of governors
- Specifies decentralisation tasks

Status: under deliberation

6. Public service institution and non-profit organisation bill

- Revises Civil Society Organisation Law No 8/1985
- Outlines registration procedures for non-profit organisations with the government
- Establishes rules on foreign funding of non-profit organisations to prevent money laundering and the financing of terrorist groups through nongovernmental organisations

Status: under deliberation

7. National supervision system bill

- Provides working guidelines for supervisory institutions
- Gives reporting mechanisms of audit results from supervisory institutions
- Sets out mechanisms and guarantees for audit report deliveries to investigation bodies
- Manages the implementation of audit reports, handling audit report follow-up, and relations among supervisory institutions

Status: under deliberation

IN BRIEF

as the Civil Service Agency. These bureaucrats are supposed to assist in the drafting of regulations that may potentially be used against them. Hence, elements within the government apparatus water down bills with the potential for reform early in the policy cycle.

Stymied implementation. Once adopted, laws require regulations on implementation as well as presidential and ministerial decrees in order to be effective. This offers the bureaucracy another opportunity to block civil service reforms.

Reforms tough to sustain. Bureaucrats remain well-protected under the current civil service law. Firing them is nearly impossible, regardless of their violations, making it very hard for reform-minded politicians to anchor changes within the bureaucracy. In the past decade, bureaucrats would wait out reform-minded politicians, who must stand for reelection after five years. Once progressive politicians were replaced, it was back to business as usual for the civil servants.

New investigations show KPK can still bite

In June 2009, the Corruption Eradication Commission (KPK) showed it remains committed to tackling corruption by declaring several former and current legislators as suspects in a long-neglected but high-profile bribery scandal. By pursuing active lawmakers on whose vote the extension of the Anti-Corruption Court depends, the KPK has shown that it has not softened its approach towards combating graft and taking on state officials linked to crime.

The suspects in the bribery scandal – identified as Hamka Yandhu, a former Golkar Party legislator, Udju Djuhaeri, a member of the Indonesian Military faction in the 2000-2004 national parliament, Endin EJ Soefihara, a current United Development Party (PPP) legislator and Dudhie Makmun Murod of the Indonesian Democratic Party of Struggle (PDI-P) – stand accused of receiving payments in exchange for their votes to elect Bank Indonesia deputy governor Miranda Goeltom in 2004 (see box).

In mid-June, KPK spokesman Johan Budi said the Commission had not yet decided when to begin investigating the four suspects. Meanwhile, Miranda Goeltom has neither been declared a suspect nor been questioned by the KPK.

Accusations of leniency amid increasing political pressure

The KPK's naming former and current lawmakers suspects in a scandal involving legislators accepting money in exchange for supporting the selection of Miranda Goeltom as a Bank Indonesia deputy governor in June 2004 follows months of accusations that, after making little progress

IN BRIEF

The Condro bribery case

May 2004

Megawati Sukarnoputri, then president, nominates Miranda Goeltom to replace Anwar Nasution, now chairman of the Supreme Audit Agency (BPK), as senior deputy governor at Bank of Indonesia.

The national parliament voted Miranda Goeltom into office soon thereafter.

December 2008

Miranda's appointment becomes mired in controversy when former parliamentarian Agus Condro Prayitno informs the Corruption Eradication Commission (KPK) that he had received Rp 500 million (U.S. \$49,000) in travellers cheques a few days after Miranda won approval from the parliament's commission IX on finance and banking affairs.

Agus Condro names a total of 41 parliamentarians who had received bribes to vote for Miranda's appointment.

June 2009

The KPK declares four parliamentarians as suspects in the Condro case.

on several major cases, the Commission was excessively lenient.

One such case concerned payments of Bank Indonesia money to prosecutors at the Attorney General's Office as part of an attempt to free former bank officials involved in the embezzlement of Bank Indonesia Liquidity Assistance (BLBI) funds in 1998. Another halted investigation involved senior prosecutors in an Rp 6 billion (U.S. \$588,000) scheme to stop the prosecution of banking tycoon Syamsul Nursalim.

Several corruption cases have been halted or stalled altogether after politicians and bureaucrats returned embezzled money to the government via the KPK. A bribery case involving several legislators was stalled in 2007 after the lawmakers returned money to the Indonesian government after admitting they had received the funds from Bank Indonesia's Banking Development Foundation (YPPI) in 2003. Likewise, Indonesia's former health minister Ahmad Sujudi and his former secretary general Daddy Aryadireja were let off the hook after they returned to the KPK Rp 700 million each – money they had stolen from a Ministry of Health project. Such decisions were in direct violation of Article 4 of the 1999 corruption law, which stipulates that individuals cannot absolve themselves of crimes simply by returning money linked to corrupt practices.

At the same time that doubts about the KPK's political will to fight corruption in higher places have lingered, the commission has come under mounting political pressure. First, its ability to bring cases before the Anti-Corruption Court is based on the aforementioned anti-corruption law. The House of Representatives has until December 2009 to pass a new law for the court. If it fails to do so, there is the possibility of a presidential regulation-in-lieu-of-law to extend the court, but that would still require ratification by the legislature within six months.

Meanwhile, the current House term ends in October, and incumbent lawmakers have shown little initiative to pass the bill. In addition, soon after the arrest of KPK chief Antasari Azhar in April 2009, investigators at the commission were summoned before the House and told that the anti-graft body was no longer legally valid. House members argued that the anti-corruption law adopted in 2002 and on which the commission's work is based, stipulated that the KPK had to be run by five executives. Antasari's suspension, they contended, violated this provision.

KPK initiates proactive strategies

On June 9, the KPK presented new strategies in its fight against the abuse of public office for private gain. Officials at the commission voiced their intention to weed out illegal fees in the bureaucracy by conducting unannounced inspections on a regular basis followed by close monitoring of public service offices. Furthermore, the KPK announced plans to conduct inspections of regional budget reports, a first in Indonesian politics.

IN BRIEF

The KPK showed its determination to follow through with its plans by inspecting Jakarta's five integrated service offices in early June, in addition to unveiling plans to convey the results of its inspections to mayors and district government heads so that they could improve public services. In the future, regular meetings may be held between the KPK and members of the executive branch of government to provide technical guidance and opportunities to share knowledge about good governance. □

FEATURE:

A One Horse Race

On July 8, voters confirmed what many polls and surveys have indicated for months: The race for the presidency wasn't even close. Programs targeted at the poor and politically marginalised successfully brought millions of voters into incumbent President Susilo Bambang Yudhoyono's camp, while sensible economic policies have endeared him to the international and local business community.

So what does Yudhoyono's decisive repeat victory mean for the country? Will he take it as a mandate for more aggressive reform? What does it mean for the major political parties? And finally, could lingering questions over the legitimacy of the electoral process possibly undermine the president's authority?

The *Report* looks at those questions and more.

One and done

Winning the three-way race with an astonishing near-60 percent of the vote ostensibly strengthens the president's hand to push forward with a reform agenda. Whether he uses this popular mandate to take on entrenched political interests is an open question, however, and early indications suggest he will remain cautious.

Some signs of caution are already evident in the president's moves to assemble a new cabinet. Early talk from the president's camp concerning cabinet selection and legislation has disappointed those calling for a more active approach to reform. Sources within the Yudhoyono camp and other political parties say that the president plans to dole out half of the cabinet seats to politicians representing key political parties and constituencies, including the military and the political parties in the Democrat Party's coalition.

Similarly, the president has thus far remained aloof in regard to the legislation waiting in the House. Rather than use his popularity to demand action from legislators, and rather than urging the bureaucracy to provide support and input during the bill-drafting process, he has allowed deliberations over key bills to drag on for years. Moreover, Yudhoyono has seemed suspiciously reluctant to defend the Corruption Eradication Commission and the Anti-Corruption Court from attacks by politicians eager to see those bodies' powers eroded.

Having been directly elected in successive elections, and with approval ratings at unheard of levels for a sitting president, one might think Yudhoyono would feel emancipated from the political interests and system of patronage and favours that have long held the political establishment together.

His unwillingness to break free from this system is due probably to some combination of his preference for operating by consensus, rather than taking the lead and hoping others fall into line, and his political formation during the Suharto and early reform era years. He is notorious for his unwillingness to stick his neck out on potentially controversial issues, even at the expense of his own agenda. In addition, sources tell the *Report* that Yudhoyono remains convinced that he needs Golkar's political machinery behind him.

Sunny Tanuwidjaja from the Centre for Strategic and International Studies told the *Report* that the retired army general also remains fearful that he could meet the same fate as former president Abdurrahman "Gus Dur" Wahid, who was impeached after only 20 months in office. "That is his personal fear – what happened in 2001," Sunny says of Yudhoyono's concern that taking on the political establishment too forcefully will result in his demise.

Focus on legacy

Political analysts agree that the president is very much looking to make a lasting mark on the country's political development and in redefining Indonesia's image and place in the world.

His selection of Boediono as his vice presidential candidate suggested that Yudhoyono sees part of his potential legacy as returning Indonesia to more solid economic footing and restoring its status as a high-growth economic success story, so damaged by the prolonged economic and political crisis that struck in the late 1990s. Achieving that goal, however, will require more than a professional economist as his number two, and a proven reformer in Sri Mulyani Indrawati at Bank Indonesia, where she appears to be heading.

Professionals with the skills – but no less importantly, the willpower and courage – to push through reforms are needed in a whole host of positions traditionally handed out political parties. Those include not just the finance minister, the coordinating ministry for the economy, and the trade minister, but also the minister for state-owned enterprises and industry, as well as the chiefs at the Investment Coordinating Board, and the State Ministry of National Planning and Development among others.

In addition to bringing in the right people, Yudhoyono will have to move quickly if he wants to make fundamental changes. "If he's planning on being dynamic, he's got half a term to do it," says Jeffrey Winters, a professor of political science at Northwestern University in Illinois and a long-time Indonesia watcher. Indonesia, he explains, has no experience with lame-duck second-term presidents, and the president may find as his term passes its midpoint that it is increasingly difficult to influence a political establishment with its sights set on the 2014 elections.

Keep an eye out for:

Pramono Anung and Puan making moves to replace Megawati as PDI-P chairwoman

Attempts by Golkar executives to move up a key party meeting in an effort to replace Jusuf Kalla as party chairman

Golkar's return to the coalition supporting Yudhoyono

Moves by the president to further cut fuel and electricity subsidies to make other politically costly but necessary economic reforms

Whether the president appoints politicians or technocrats to key secondary economic posts such as the minister for state-owned enterprises and the development planning agency top job

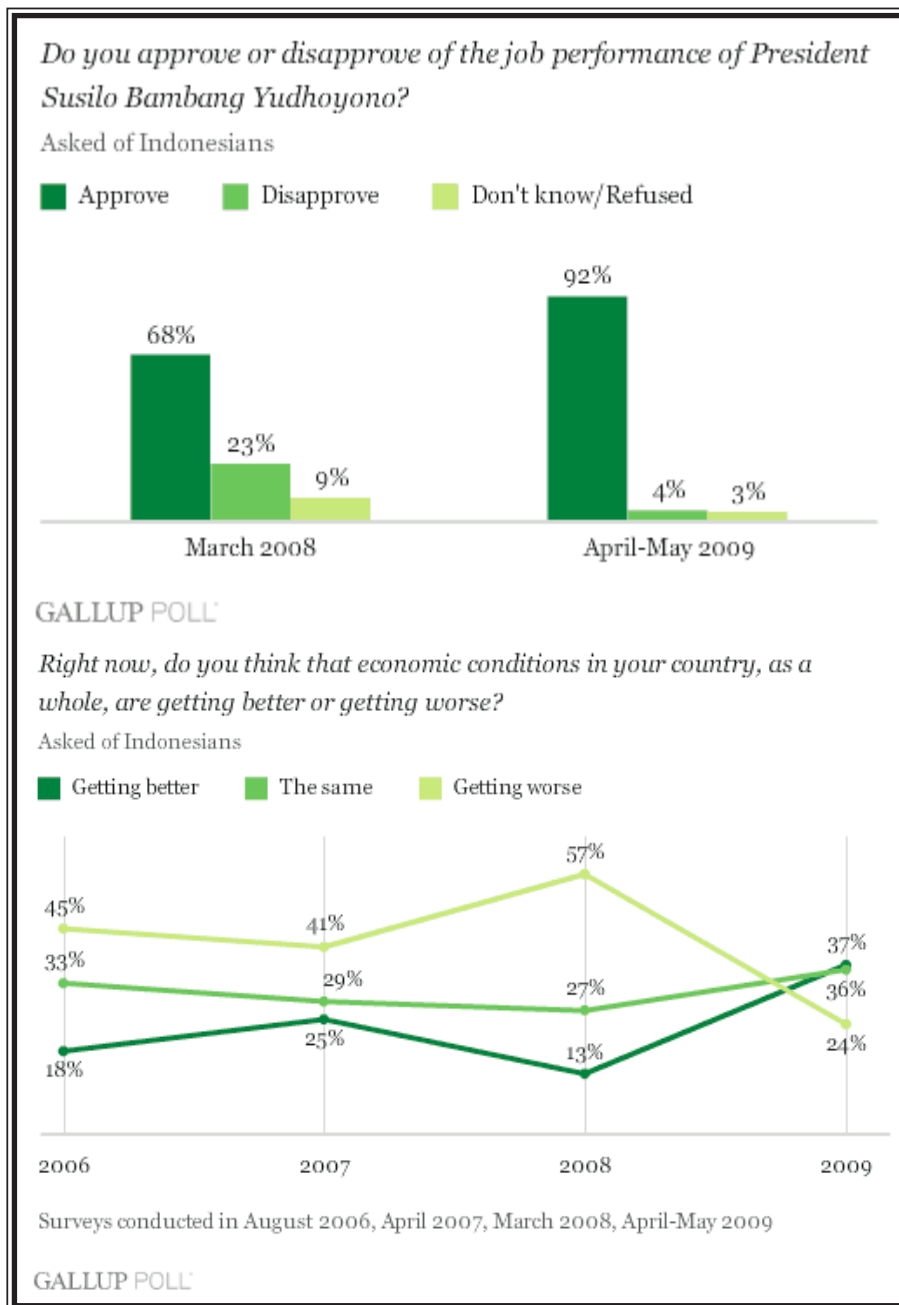
Moreover, he has no clear successor within his party or his family. No up-and-coming Democrat Party politician has anything near Yudhoyono's cache, and his children have thus far steered clear of the spotlight. His elder son, Agus Harimurti Yudhoyono is in the military. And while his younger son, Edhie Baskoro Yudhoyono, has entered the political fray and was often seen at his father's side during the campaign, he does not appear ready to take the reigns of the party.

Precarious popularity

Ironically, Yudhoyono may owe his victory, in part, to the global financial crisis. Just a year ago, thousands of protesters took to the streets after skyrocketing international oil prices forced the administration to backtrack on promises not to hike the price of subsidised fuel products, and former president Megawati Sukarnoputri's popularity briefly eclipsed that of Yudhoyono.

A drop in the price of oil as a result of the financial crisis allowed Yudhoyono to reduce the prices of subsidised fuel products without unduly straining the state budget. The subsequent drop in the price of basic goods correlates closely with a rebound in Yudhoyono's ratings and those of his government.

In March 2008, when the Gallup organisation asked Indonesians about conditions in the country, oil hovered around U.S. \$100 per barrel. It was to pass \$130 per barrel by the time the government finally relented and raised the price of subsidised fuel products. By April and May of this year when Gallup asked again, it had settled back down to between \$40 and \$60, and subsidised fuel prices had again been cut. That may help explain the more favourable feelings Indonesians held about the trajectory of conditions in the country and Yudhoyono's performance. And as an incumbent running on what essentially amounted to a "more of the same" message, Yudhoyono is likely to have benefited substantially from the fall in prices.



Source: *Most Indonesians Approve of Incumbent Ahead of Election*, Gallup Poll, July 3
<http://www.gallup.com/poll/121388/Indonesians-Approve-Incumbent-Ahead-Election.aspx>

The spike in oil prices may also have been an important motivating factor in Yudhoyono's decision to provide greater assistance to the poor. A whole slate of measures – most notably the direct cash assistance to the poor to make up for the fuel price hikes – have done a great deal to win the president new supporters and to retain old ones.

The lessons are clear for him. Despite his meteoric approval ratings and the apparent ease with which he and his party have coasted to victory, Yudhoyono may be wise to jealously guard his popularity.

Perilous parties

The defeat of Kalla and Megawati in the presidential election is likely to prompt critical changes within their respective parties that will influence their behaviour and character in the coming years. Both parties look like they're imploding, but both also have more sophisticated party apparatuses on which to stake their hopes for the future than does the Democrat Party.

Golkar Party

Jusuf Kalla's days as Golkar chairman are numbered. It's no secret that multiple factions within Golkar were disappointed by Kalla's decision to split from Yudhoyono and mount his own presidential bid. Now, with Kalla having barely received 10 percent of the vote, those factions are poised to oust him as party chairman.

The key showdown is between Aburizal Bakrie and Surya Paloh, both of whom aspire to lead the party. Paloh, however, is inclined to take Golkar into an opposition coalition with Megawati's Indonesian Democratic Party of Struggle (PDI-P), while Bakrie would like to bring the party back into a pro-Yudhoyono coalition with the Democrat Party.

Some in Golkar even believe that the Golkar faction headed by Bakrie was a factor in Yudhoyono's victory, says political analyst Wimar Witoelar. According to the theory, what Wimar calls the "pre-Kalla" Golkar Party – particularly Bakrie, Agung Laksono, and Akbar Tandjung – delivered Golkar votes to Yudhoyono, helping account for his landslide victory.

That theory may seem like another instance of Golkar failing to recognise that its heyday has passed, but Yudhoyono may very well welcome Golkar back into the fold in the hopes of having a jumbo coalition to support his efforts in the legislature.

PDI-P

Former president Megawati Sukarnoputri's tenure as party chairman is also as good as over. She has now failed in successive presidential bids, and has done little to build the party in between.

Indeed, Megawati's run for president almost did not happen at all. According to Jeffrey Winters, it was only Prabowo Subianto's desire to be a central player in this election that allowed Megawati to remain relevant even as her authority and popularity has declined. "The only reason she's not politically flat-lined is because Prabowo has her on life support," says Winters. "She couldn't even make a presidential ticket, and they rolled her in on a gurney, Prabowo gave her electric shock and she was revived."

Now the drive to replace Megawati as PDI-P chairwoman can begin in

earnest. Her daughter Puan Maharani, newly elected to the legislature, has become a party fixture through the course of the campaign. But while she would represent an effort to keep leadership of the party within the Sukarno bloodline, she is not without competition – and she may not even be her mother’s chosen successor.

At a recent speech in front of foreign journalists, Megawati remarked that Puan is far from the heir apparent. “It could be her, she is a strong candidate,” Megawati said of her daughter. “But it could also be [PDI-P Secretary General] *Pak* Pramono [Anung], *Pak* Budiman Sudjatmiko and other cadres from PDI-P who are capable.”

Puan’s political ascent, says Winters, is more the project of Megawati’s husband Taufik Kiemas than of Megawati. In an exclusive interview with the *Report* last year, Kiemas said that it was Puan’s “destiny” to enter politics. Of the relationship between Megawati and Puan, Winters says, “I think there is some mother-daughter rivalry there.”

Jumbo coalition

Golkar’s potential return to the coalition with the Democrat Party would have significant implications for checks and balances in the political system. Parties loyal to Yudhoyono would control upwards of 80 percent of the House. Even though party discipline in the next legislature is likely to be less than it is in the current one as a result of new electoral rules, Yudhoyono would be able to push through legislation far more easily than he currently can.

That may be a good thing for the passage of key reform bills that have long languished in the legislature. It may also prove detrimental to the long-term development of the legislature’s capacity to deliberate and serve as a forum for debate, as well as a check on the executive.

DPT issues

As with April’s legislative election, the presidential election was marred by the uncertainty surrounding the integrity and planning of the election process. An eleventh hour change to the key regulations on who could cast a ballot likely made the election more fair. The tacit admission, however, that the presidential electoral system – and by extension, the legislative electoral system – had significant flaws, has emboldened the president’s political opponents and portends more problems for the local elections in coming years.

On July 6, two days before the vote, the Constitutional Court ruled that eligible voters could use their state-issued identification cards to vote – regardless of whether their names were on the flawed final voters list. The ruling came in response to a request filed by two Centre for Electoral

Reform (CETRO) researchers, Refly Harun and Maheswara Prabandono, for a judicial review of two articles of the Law on Presidential Elections.

The immediate impact of the ruling on the election was not clear, since there was no clear record of who had initially been left off the list. Most analysts had concluded that the flaws afflicting the voter list were geographically dispersed. And while much of the suspicion about the list was cast on the president's Democrat Party, there was no concrete evidence that its members were disproportionately represented on the voter list.

The problems with the voter list, however, remain a blot on Yudhoyono's record. While allowing voters not on the list to cast their ballots using their identification cards was a reasonable short-term remedy for the voter list problems, the lack of seriousness and commitment the president has shown to addressing the problems has deepened the suspicion of his critics. Jeffrey Winters helped bring to light the extent of the evidence suggesting electoral fraud in the East Java gubernatorial race. According to him, Yudhoyono's image stands to suffer from the re-emergence of the issue just prior to the election.

"The bottom line is this," Winters told the *Report*. "So far SBY looks Teflon on this. But the problem is that this is his KPU [General Elections Commission]. He had roughly 60 percent support in the legislature to make it his KPU, so the quality of this KPU represents his choices."

The issue failed to make a larger splash ahead of the legislative election, Winters says, because legislative candidates had run out of campaign funds and were thus unwilling to push for a delay in the vote to rectify the list. Moreover, party elites were focussed on the larger prize of capturing the presidency, rather than spending their precious political capital over what would likely result in only minor changes in the composition of the legislature.

In the days leading to the presidential election, however, no such constraints existed. Moreover, the hapless KPU's failure to provide copies of the voter list to the presidential campaign teams allowed the Kalla-Wiranto and Megawati-Prabowo teams to capitalise on the issue. "What provoked this was the KPU failure to provide the list," says Winters of the flurry of meetings, press conferences, and media statements by the campaigns warning of electoral fraud and calling for action by the KPU or Constitutional Court.

Restoring credibility to the broader election regime will be important, as the East Java case represents. While the large margin of Yudhoyono's victory is likely to prevent protests and a protracted dispute over the election result, the same KPU that oversaw shambolic preparations for the legislative and presidential elections will remain responsible for administering local elections that could be decided by closer margins. □

PRESENTATION:

Paramadina University Rector Anies Baswedan

As a top political analyst and the moderator of the first presidential debate, Anies Baswedan witnessed this presidential election from the front row. On July 9, Anies – himself rumoured as a potential future presidential candidate – participated in a panel hosted by the Jakarta Foreign Correspondents Club analysing President Susilo Bambang Yudhoyono's reelection. Baswedan's wide-ranging remarks have been edited for brevity and clarity, and should not be regarded as a complete transcript.



On the tradition of voting in Indonesia

In the elections yesterday, we did not see many surprises. It was, as predicted, one round and SBY [Susilo Bambang Yudhoyono] was the winner in a landslide.

There are a few issues that I would like to discuss. Number one is with regard to voters, who were generally quite peaceful and willing to accept the result – I think this is one sign of confidence in our democracy. The general public is used to going to elections, casting their vote, going back home, and waiting for the result and then moving on. That has been done at the village level for years and years with the elections of local leaders.

During Suharto's time, despite it not being democracy, an electoral process was there. So people would come and vote and they knew some of the results did not reflect their votes because of the Golkar and military political machinery that cooked the numbers. However, they'd come to vote, go home, and move on. And that was done for more than thirty years. This provides a solid foundation for democratization for Indonesia. So, despite the problems of voter registration in April, we did not see a major problem right after the elections, and we see the same thing today.

I think we need to give credit to the people of Indonesia for going to vote, coming back, and moving on. This means that candidates who lose will have to accept the

result because people generally accept the result, so you do not have enough of a support base to challenge the election result once the election is over. A similar case was in the *Pilkada* [local elections]. Of the more than 500, about 120 went to court. They were settled, and as soon as the court decided, people moved on – except for a few areas, like North Sulawesi and then in East Java, but those are quite minor in terms of numbers.

On the role of Islamic organisations in politics

Number two, a note on this interesting camp of support for Jusuf Kalla (JK). All the Islamic organisations who were in the camp of JK – Nahdlatul Ulama, Muhammadiyah, Persis, you name it, it's a long list of Islamic organizations – officially endorsed JK.

And nothing was there in the elections. It is a moment of truth, perhaps, that many of these Islamic organizations were actually unable to, one, influence those they claim as their members or what

they claim as their mass. And two, perhaps there is a detachment between those who belong to the organisations and the leadership of the organisations.

I think this was a historic moment in Indonesia politics, in which Islam has always been seen as a major factor, and yesterday we saw that this was not the case. If NU was endorsing JK, we should have seen East Java and Central Java delivering their vote for JK. But that was not the case. Muhammadiyah, NU similar thing.

We need to take that into account as we assess the future role of these Islamic organisations. I think they have

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challengers internally from their own members, from the leadership who are not in favour of making open endorsements in the way it was done, and externally from the elected members of government who were not endorsed during the elections. Perhaps for a few months, there'll be a period of [detachment between the religious leaders and the government] and then they will be able to connect with each other again. And this is one thing that we must take into account.

On protesting results

For the losing parties, to actually continue discussing [allegations of electoral fraud] may not be a good idea – especially if they're thinking about 2014. If you're thinking 2014, accept it, salute the president and move on, and people will respect you. Nowhere in the world are there elections with zero [vote] discrepancies. For example, in the 1960s in the election between Nixon and Kennedy, Nixon was going to challenge the result and he decided not to do it. Instead he waited eight more years for the presidency. Some people do not want to wait that long, but we'll have to see about that.

On the SBY landslide

With regard to public support for SBY, we have seen in the polls that the public is generally happy. One of the reasons for that is the early campaign by SBY and the Democratic Party. Why was there an early campaign? We must credit the price of oil, which reached its peak in June last year. The government had to increase the price of petrol and because of that, the popularity of the president dropped to its lowest level in the history of this administration. That was a wake up call for the president and the party.

At that time, Golkar and PDI-P [Indonesian Democratic Party of Struggle] were still enjoying very strong support of around 18 to 19 percent in the polls and the Democrats were only at 7 percent, one of their lowest levels. The president was around 48 or 47 percent. This was a really important milestone and is necessary for understanding what is happening

today. Right after that, the strategic campaign [by the Democratic Party] was launched while other political parties did not start their campaigns. New candidates, new political parties started that early too. The established political parties were not that quick in trying to engage with the voters.

It is not only about the government doing a good job. Generally people see it as doing a good job – but it is the fact that you [the voter] are being reminded that the conditions you are experiencing today are very positive. I'll give you an example. Today, we take it for granted that the air conditioning is working fine. We don't talk about it. What if I started to talk about it, saying, "Look at the temperature, every time you come here, it is cool." If [I] do that on a regular basis, you start to appreciate the work of the managers. You start thinking, "The managers are actually doing a very good job."

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That was done [by the SBY campaign] in a period from around September to March. Around that time people started to remember the [social programs]. The BLT [direct cash assistance] was there since 2005. PNPM [national program for community empowerment]

had been there for some time. There was nothing new about them. The subsidies for schools are nothing new. But as soon as you are reminded of them, you suddenly start to appreciate them. That's an important aspect [of the campaign] that we must take into account.

Another thing with regard to level of satisfaction. People often ask why the level of satisfaction of education and social services was that high – this is in the polls. We must understand that for people in many areas, they are basically moving from no service into service. So it is not about a level of expectation that is low or high. Instead it's when you did not receive money and suddenly you receive money. That's different. I think [it's effective] if you campaign by asking these questions, "Is this the first financial crisis you are experiencing?" The answer is "no." "Is this the first government that has come to you with money?"

The answer is “yes.” When that is being repeated over and over, it sticks in people’s minds and that explains the LSI survey.

The LSI-conducted survey of satisfaction towards many services, like education and social services, generally shows flat or falling levels of satisfaction. But in the second semester of last year, it started to move up a little bit and continued to do so. By early 2009, the level of satisfaction was quite high. We didn’t see a change in curriculum or salary of the teachers, so why was the level of satisfaction of education so high? I think an effective campaign was the big factor there. In that campaign, JK was not in the picture; it was always SBY and that is one of the reasons [for Yudhoyono’s success].

On Jusuf Kalla’s performance

JK was not only campaigning against SBY, but also against time. He had only two months, and campaigning for 170 million people in two months is extremely difficult. With the incumbent candidate generally seen as successful, the entry point for the campaign was rather tough. Still he moved from two percent to 12 percent – which is not just a 10 percent change, it’s a six-fold increase.

Those were the numbers he was seeing, which is quite significant. If the elections were not held yesterday, we might expect something different. He may not have beaten SBY, but I think time was one of the reasons [for his loss]. The elections design somewhat favours the incumbent, generally speaking. Candidacies are announced after the general election, and then the presidential election campaigns are only two months long. So if the incumbent is doing fine, he is most likely reelected. If there are problems, then it is easier for challengers to actually challenge because of the time frame.

On the Megawati-Prabowo ticket

Yesterday, there was a rather large discrepancy between

the exit polls and the quick count results for Megawati. The exit poll was much lower than the quick count. And that’s interesting because people did actually vote for Megawati, but when they left and were surveyed, they did not actually admit to voting for Megawati. That’s the reality. There must be some psychological pressure, or they don’t feel comfortable showing that they voted for Mega because people may ask why.

Also, Prabowo’s contributions [to the ticket’s result] were quite significant. If you look at surveys, Mega was at around 16 to 19 percent. Now she’s at 28 to 29 percent. That additional support, the way I look at it, is a contribution from Prabowo. Wiranto really doesn’t contribute that much to JK.

On Yudhoyono’s second term

So what’s next? The election is over, SBY is elected, and I think now we need to look at how he is going to govern for the next five years. A good reference for how he will govern is looking at how he selected his running mate. How he selected Boediono

may reflect how he is going to select his cabinet.

This was an historic decision that SBY made. He selected someone from the same area – they come from same district, basically. Yudhoyono and Boediono are from the same regency. This is against the conventional wisdom that you must include a candidate from outside Java, you must also consider political parties, and you have to take into account Muslim voters. Those [considerations] were basically bypassed. He elected someone not based on his background, but based on what he could do, what he could deliver. This is very different than the past. In 2004, the cabinet reflected the political equilibrium at that time. Political parties were accommodated to ensure that the cabinet reflected the equilibrium of politics.

When he decided to have Boediono, it showed he was looking forward. There were lots of stories about the process – rather long and with a lot of politics – but that’s normal. What matters at the end of the day is he

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decided to go with someone [of Boediono's quality]. This is important to note when we are talking about the cabinet. Although professionals and people of political parties are now split 50-50, we may see more professionals.

Two, he may be thinking about a positive legacy for this country. We're talking about legacy as something tangible, and therefore I would not be surprised if he focuses on infrastructure. ... The infrastructure that we have today is all a legacy of Suharto. The highways, the roads – we put more asphalt on top of them, but we don't actually build new ones. Everything is the legacy of Suharto. So now that this is [Yudhoyono's] second term, he may want to think about a positive legacy especially in something that is tangible.

Three, we must also see him as a relatively young figure. He will be [64] in 2014 and he is elected as president in one of the largest countries, a democracy, in one of the largest Muslim populations, and in Asia. If he is successful domestically, [his accomplishments] will be beyond [those of] Lee Kuan Yew and Mahathir Mohamad, who were not democratically elected leaders. He could emerge as a global leader, and he might have that in mind.

Therefore the second term is very much about being able to deliver on policy and economy for a good track record. I think this may be what we are seeing and that is good sign. I think by now, SBY is a more experienced leader than in 2004. In 2004, he was like a newcomer to politics but he is now the single most powerful political leader and he will really capitalize on that power. So in general, it will be a more positive second term.

Fourth, a lot of reform agendas are rather difficult to undertake in a first term for any president. ... Things to empower the executive office or the government are

rather difficult to do. In the second term, the president would have the capacity to send the message, "This is not for me. This is for the country because I'm done after this term." He could not deliver that message in the first term. In the second term it will be easier to say that, and so we may see more reform – especially, I'm hoping, electoral reform, because that's needed.

On the future of democracy in Indonesia

Finally let me end with discussion of democracy itself. This is the third term of democratic government. The first was 1999-2004, which was a rather dynamic period, and then 2004-2009 and now 2009-2014. This

is the time in the process of democratisation when people must feel that democracy is better than non-democracy. So the challenge that SBY and the new DPR (House of Representatives) face are not only about day-to-day politics. It is also the long-term presence of democracy in this third term. This is a time when people begin to contemplate [the merits of democracy].

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On that, I must note that we are lucky that local elections were already complete by the end of 2008. Why? Because that is the backbone of a democracy. People elected locally must deliver at the local level and this ensures that the general public is receiving what they expect from the political process. If local elections were not there yet, I think this third term would be more difficult for the central government to undertake.

With that note, I think this is the challenge for the third term. We'll see how the president and the DPR will handle it, but we are lucky to have had the local elections. I am optimistic that this will create a good foundation for long-term democracy in Indonesia. □

Van Zorge Report | The Executive Network

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