

The Indonesian Update

Monthly Review on Economic, Legal, Security, Political, and Social Affairs



Main Report : Aspiration Funds: Political Parties, People, or Government's Interest?

The Economics

- Do We Need Capital Control on Foreign Funds? ■
- The Meetings of the Finance Ministers and Central Bank Governors of the G-20 ■

Law & Politics

- Refusal to the Aspiration Fund ■
- Parliamentary Threshold and Simplification of Parliament ■

Social Issues

- A Look at the Bill on Domestic Workers ■
- A series of LPG cylinder Blasts ■

CONTENTS

1 FOREWORD

MAIN REPORT

2 Aspiration Funds: Political Parties,
People, or Government's Interest?

THE ECONOMICS

6 Do We Need Capital Control on Foreign Funds?

8 The Meetings of the Finance Ministers
and Central Bank Governors of the G-20

POLITICS

10 Refusal to the Aspiration Fund

13 Parliamentary Threshold and Simplification of Parliament

SOCIAL ISSUES

16 A Look at the Bill on Domestic Workers

19 A series of LPG cylinder Blasts

22 COMPANY PROFILE

23 RESEARCH AND TRAINING PROGRAMS

25 ADVERTORIAL INDONESIA 2009

Contributors :

Anies Baswedan (**Executive & Research Director**), Endang Srihadi (**Coordinator**),
Aly Yusuf, Antonius Wiwan Koban, Hanta Yuda AR, Nawa Thalo.

Editor : Awan Wibowo Laksono Poesoro

FOREWORD

According to the budgeting principle that is guaranteed by Law No. 33 on Financial Balance between the Central and Local Governments, there are two specific components of the fund transfer mechanism to the regions. The first one is the General Allocation Fund (DAU), and the second one is the Special Allocation Fund (DAK). The components are examined to eliminate all the probalities and the mechanisms to have new regional fund transfer mechanism. the regional transfer fund has always significantly increased year by year. In 2000, this fund stood at a level of Rp 31.2 trillion. The amount grows every year, and it is planned to amount to Rp 322.4 trillion in 2010.

The increase in the regional transfer fund does not stop the regions to demand for additional funds. Thus various ways have been applied to have the increase in the fund. One of the ways is political direction. A concrete example of political transaction is the proposal by Golkar to have aspiration funds in the amount of Rp 15 billion in each electoral region, or Rp 1 billion in each village. Responding to the proposal, there are two conflicting sides. One side consists of political parties that refuse the proposal , because they believe that the fund will be used by Golkar to garner voters in the 2014 elections. The other side comprises local leaders and government officials who support the proposal.

This edition of the Indonesian Update raises a main theme on the aspiration funds: political parties, the people, or the government's interest? This edition of the Indonesian Update also discusses several important themes from some fields. On the economy and finance, it talks about the restriction on foreign funds in SBI and the meetings of the finance ministers and central bank governore of the G-20. On Politics, it raises themes on the refusal to the aspiration funds and the *parlementary threshold* and the simplification of the parliament. On social affairs, it talks about the Bill on Domestic Workers and a series of LPG blasts.

The regular publication of the Indonesian Update with its actual themes is expected to help policy makers in the government and the business sector, academicians, and international think tanks get actual information and contextual analyses on economic, political, social, and cultural developments in Indonesia.

Happy reading!

Aspiration Funds: Political Parties, People, or Government's Interest?

According to the budgetting principle that is guaranteed by Law No 33 on Financial Balance between the Central and Local Governments, there are two specific components of the fund transfer mechanism to the regions.

The first one is the General Allocation Fund (DAU), which whose purpose is to be channelled to the region to reduce inequality through the formulation of local needs and their potencial.

The second one is the Special Allocation Fund (DAK), which aims to fund special programs that are in line with national priority standards, such as the development of infrastructures and local economic development acceleration.

The components are examined to eliminate all probalities and the mechanisms to have new regional fund transfer mechanism. The components are carefully examined to decrease the bad practices in the utilization of the funds, which would create inefficiency and corruption done by government officials.

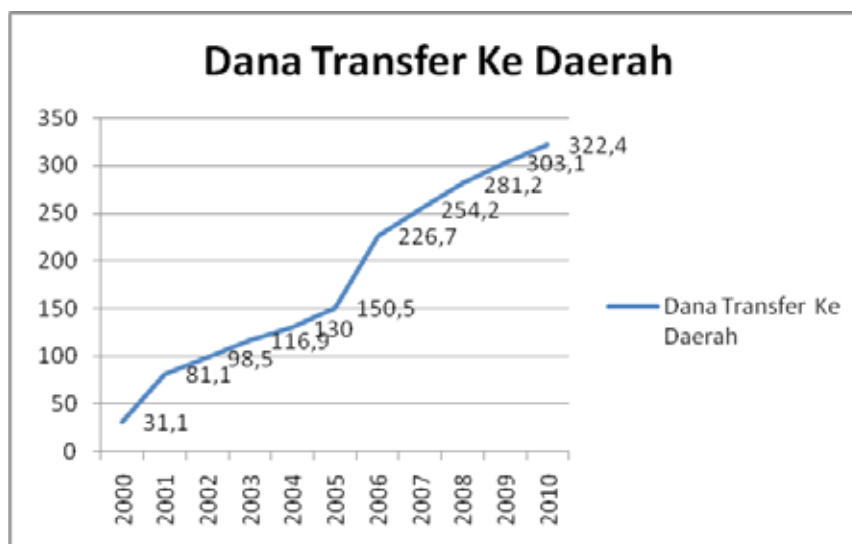
In reality, the implementation of the law has faced a lot of obstacles, such as insufficient amount of funds transferred to the regions, a difficult process of setting up legal regulations, and the imbalance between the regional development program acceleration and the available resources.

If we notice the ongoing development process year by year, the regional transfer fund has always significantly increased. In 2000, this fund stood at a level of Rp 31.2 trillion, Rp 81.1 trillion in 2001, and Rp 98.5 trillion in 2002. In 2003, the amount increased through the components of the Profit Sharing Fund (DBH).

The General Allocation Fund (DAU) and Special Allocation Fund (DAK) reached a level of Rp 116.9 trillion and Rp 130 trillion respectively in 2004 (this fund was higher than the 2004 RAPBN that was estimated to reach a level of Rp 114.9 trillion).

The level increased to Rp 150.5 trillion in 2005. The regional transfer fund grew to a level of Rp 226.7 trillion in 2006 and Rp 254.2 trillion in 2007. In 2008, this fund increased to Rp 281.2 trillions. It grew to Rp 303.1 trillion in 2009. This fund is planned to amount to Rp 322.4 trillion in 2010.

Figure 1.



The increase in the regional transfer fund does not stop the regions to demand for additional funds. Thus various ways have been applied to have the increase in the fund.

One of the ways is political direction. This direction is carried out as a logical consequence of political contract amongst political parties during their election campaigns.

A concrete example of political transaction is the proposal by Golkar to have aspiration funds in the amount of Rp 15 billion in each electoral region, or Rp 1 billion in each village.

This proposal is considered by many sides as Golkar's political instrument to fulfill its political contract, as well as an instrument to improve local welfare conditions.

Furthermore, this proposal is also based on Section 67 and 70 of Law No 27/2009 on the Existence of MPR, DPR, DPD, and also DPRD that state that DPR members are obliged to fight for public aspirations.

Further, Golkar has stated that there is no overlap between this fund and the village development fund, inasmuch of their similar goals. This aspiration fund will be extended to create infrastructures based on the constituencies' aspirations of DPR members in their electoral regions, whereas the village development fund is aimed at reaching and managing local potential.

Responding to the proposal, there are two conflicting sides. One side consists of political parties that refuse the proposal, because they believe that the fund will be used by Golkar to garner voters in the 2014 elections. The other side comprises local leaders and government officials who support the proposal.

Golkar is consistently fighting for this pro-people fund mechanism in order to maintain influence over village heads (*Kepala Desa*), village representative bodies (BPD), and also the public. In Golkar's considerations, this fund would be better to use than being saved by the Ministry of Disadvantaged Regions (PDT).

According to the regional transfer fund of proposal, if each electoral region gets Rp 15 billion, then the APBN has to be added by Rp 8.4 trillion of the regional funds. If Golkar proposes to have about Rp 1 billion in each village, so APBN has to allocate Rp 73.9 trillion to provide the funds to 73.900 villages in Indonesia.

If we continuously examine the proportion of the fund transfer of Rp 15 billion in each electoral region, the transfer will be concentrated only on Java. Java will get Rp 4.59 trillion and the islands outside Java will receive only Rp 3.81 trillion, which will be divided amongst four islands. This is the direct consequence of the larger the number of DPR members from Java (306 persons).

If we deeply compare the regional transfer fund channelled through DAU, DAK and other routinely channels funds from APBN, it also proves Java's centralization of funding allocation, which is estimated at a level of Rp 69 trillion. In eastern Indonesia, Papua only gets Rp 16.5 trillion.

Accordingly, some people believe that the aspiration funds will more benefit Java, than others. The justification is the number of population and the strategic regions of Java.

If we consider the context of economics and infrastructures, the islands outside of Java must get bigger allocation of funds because their contribution of natural resources is higher. On these islands, their development programs are retarded.

After assessing the proposal, President SBY has stated that the development proposal or the allocation of funds is based on the people's aspirations and can be examined by DPR or DPD members through the fund mechanism and regulation.

There should be no controversy or polemics. This statement is conveyed in the opening ceremony of the cabinet meeting in the Presidential Office in order to assess the dispute.

This assessment is strengthened by an interpretation of Law No. 7/2005 on Government Finance, especially on Section 3 that states government finance must be managed based on discipline, efficiency, transparency, and responsibility.

Applying the aspiration funds to DPR members is not in line with transparency and responsibility principles, including strict control mechanisms.

— Aly Yusuf —

This assessment is strengthened by an interpretation of Law No. 7/2005 on Government Finance, especially on Section 3 that states government finance must be managed based on discipline, efficiency, transparency, and responsibility. Applying the aspiration funds to DPR members is not in line with transparency and responsibility principles, including strict control mechanisms.

Do We Need Capital Control on Foreign Funds?

The discourse on the restriction of foreign funds invested in domestic securities, known as “hot money”, has re-emerged recently. Bank Indonesia (BI) has led some economists in the discussion of this issue.

If we look closely, the issue of restrictions on foreign funds always appears every time a financial crisis occurs. Why is that so? Because everytime a crisis occurs, the rupiah’s value becomes unstable as a result of massive withdrawals by foreign investors.

Indonesia is not the only economy that is currently considering restricting foreign funds. The Asian Development Bank (ADB) has warned its member states to immediately take the necessary steps to curb the inflows and outflows of foreign funds back.

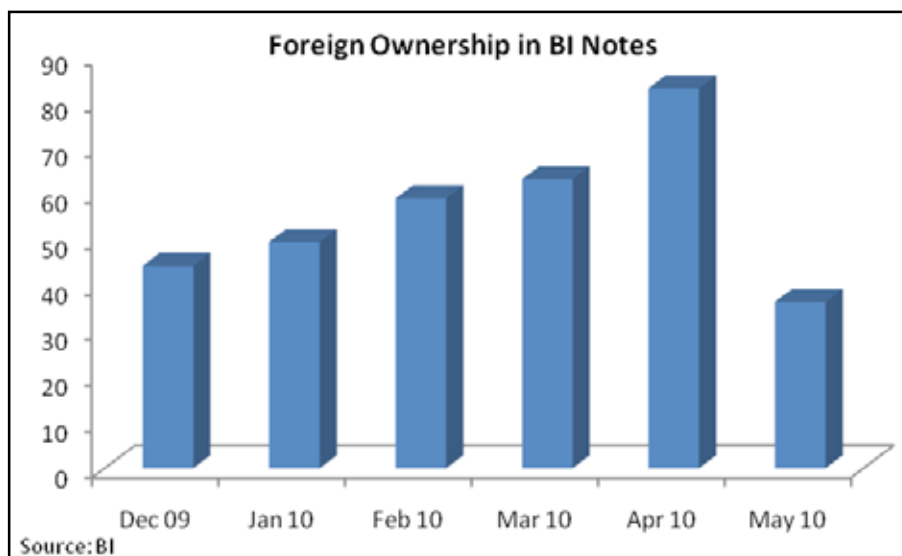
The Rupiah plunged

Broadly speaking, there are three types of financial instruments that are most favored by foreign investors so far: *first*, equities; *secondly*, treasury bonds; and *third*, BI Notes (SBI).

If foreigners invest their funds in stocks, this will increase the stock prices. As a result, the country will have a more vibrant capital market, so companies in this country are driven to sell their shares to the public. On the other hand, if the funds are invested in government bonds, funds that are received from foreign parties would be useful to fund development.

In the case of the funds are invested in SBI, as the SBI is a controlling instrument of monetary policy, SBI is not an investment instrument. Funds that are received from the foreigners will be only parked in the BI, therefore they will be totally unproductive. On the other hand, the central bank must pay interests to the holders of the certificates.

Furthermore, when there is turbulence in the global financial markets, the stability of rupiah will be threatened. This had happened in late May. As shown in the chart, the foreign ownership in SBI constantly increased. Unfortunately, the Greek crisis made foreign investors nervous and withdraw their funds. Only within one month, the foreign ownership in SBI tumbled nearly 60 percent.



This directly affected the exchange rate of rupiah per U.S. dollar. During the month of April 2010, the value of rupiah vis-a-vis US dolar was 9,000. But, toward the end of successive month, the rupiah plunged to the level of around 9300. In other words, in less than one month, the rupiah slid about 300 points. This would make the monetary authorities nervous.

Two challenges

Apart from a variety of losses incurred, most policy makers are now faced with two challenges to restrict the flow of foreign funds. *First*, restrictions on foreign funds are actually contrary to the Law No. 24/1999, which states that Indonesia adopts free the foreign exchange regime.

Second, even if restrictions are implemented, the biggest possibility is that foreign investors would transfer their funds to invest in the SUN. This certainly will make the management of government debts become heavier.

Apart from a variety of losses incurred, most policy makers are now faced with two challenges to restrict the flow of foreign funds. First, restrictions on foreign funds are actually contrary to the Law No. 24/1999, which states that Indonesia adopts free the foreign exchange regime. Second, even if restrictions are implemented, the biggest possibility is that foreign investors would transfer their funds to invest in the SUN. This certainly will make the management of government debts become heavier.

— Nawa Thalo —

The Meetings of the Finance Ministers and Central Bank Governors of the G-20

The European crisis had certainly attracted a special attention in the meetings of Finance Ministers and Central Bank Governors of the countries who are members of the Group of 20 (G-20) that was held in Busan, South Korea on June 3-5, 2010.

As we all know, the European Union countries are currently struggling to overcome a crisis that was caused by the default of the Greek sovereign bonds. This incident had spread to the two largest economies in the region, namely, Germany and France, considering the high exposure of financial institutions in both countries to the financial system in Greece.

Now, countries in the region are facing the challenge to reduce their fiscal deficits. This is certainly not easy for the center-left-leaning countries, such as France. Fiscal consolidation is absolutely necessary to restore the market confidence so that the flows of funds return to the area.

Results

From these meetings, the G-20 agreed to improve the balance sheet and to strengthen financial sector governance. To improve the quality of supervision, the forum also voiced the importance of global accounting standards. Last but not least, the forum also pointed out the importance of the acceleration of reform at the International Monetary Fund (IMF).

In his paper titled “Reform of the International Financial Architecture (IFA): How Can Asia have a greater impact in the G20?”, Pradumna Rana (2010) argued that the IMF is perceived lack of adequate resources compared to the cross-border capital flows.

In addition, various policy recommendations given by the IMF are felt inappropriate. The IMF must realize that the global financial system has been deeply intertwined that the current international financial architecture is outdated.

Different views

The meetings also marked the differences in opinions between the US and most Eurozone countries- which is actually a classic problem among them. The U.S. expects to have some additional regulations on the capitalisation aspect of the banking sector. This aims to make the banking sector more resilient to shocks in the future. The U.S. proposal has not been approved by most European countries.

Such a policy will further reduce the ability of the banking sector in carrying out their intermediary function, namely, channeling funds for the business sector.

It is noteworthy that the US and the UK have different sources of funding with those of European. The U.S. is a financial market-based economy, where financial markets play a more dominant role in financing private economic activities.

On the other hand, most European countries rely on their banking sector. Like in Indonesia and Japan, in these countries, the banking sector has a far greater role in channeling funds to finance the economy. That is why European nations have objected to the U.S. proposal to add the weight to the banking sector through a variety of new regulations.

From these meetings, the G-20 agreed to improve the balance sheet and to strengthen financial sector governance.

— **Nawa Thalo** —

Refusal to the Aspiration Fund

Polemics over the idea of getting the aspiration funds launched by Golkar Party politicians have created another stigma for the Parliament. Golkar has been accused to have killed political ideology as it focuses only on political transactions and pragmatism and to have damaged the state structure related the executive and legislative authorities.

The proposal in the 2011 State Budget to have an allocation for the regional development acceleration program (*dapil*) in the amount of 15 billion rupiah for each member of the House (totaling Rp 8.4 trillion) is considered to be politically biased because members of parliament will be involved in implementing public policies amid public mistrust in their performance.

The proposal of members of parliament from the Golkar Party reminds us of a phenomenon that occurred in the United States of America (US) a long time ago. During the period of slavery, the white masters often gave barrels that contained pork to the slaves as an expression of thanks.

The practice was used in the reign of Abraham Lincoln in order to achieve reconciliation at the time of the raging civil war. So, the practice of given pork barrels is a transactional form between the government / officials / authorities / people of representatives and the people.

In the case of aspiration funds, it may be said that it is another manifestation of political transactions that will be done by members of the House if this proposal is approved. It means that members of parliament expect some kickbacks from giving assistance to the community in their electoral regions.

This is consistent with the views of Thibaut JW and HH Kelley in the book titled *The Social Psychology of Groups* (1959), which state that social exchange (social exchange) is a commercial transaction or affect each other (reciprocal), so the exchange will produce a benefit (reward), and there is also an element of sacrifice (cost) and profit (Ari Pradhanawati, "Quo vadis Aspirations Fund", *Kompas*, June 7, 2010).

In this case, with the transactional form of budgetary support to the electoral regions, the relevant members of the House of Representatives expect to get elected more easily in the upcoming election. In other words, members of parliament who propose this policy are trying to maintain political interests by buying and maintaining the support of their constituency through the facilities of the state budget.

As a matter of fact, every political party has to get the state budget funds through the Government Regulation No. 5 / 2009 according to the number of valid votes obtained in the 2009 general elections.

First, if the proposal is approved and executed, the welfare gap between Java and outside Java will be even greater. On the island of Java, there are 39 electoral regions out of the total of 77 electoral regions in Indonesia with a total of 306 elected members of parliament.

This means that the aspiration funds in the amount of Rp 4.590 trillion, or about 54.64 percent of the funds, will be mainly channeled on Java. However, the level of poverty outside Java is much higher than that of in Java, so distribution of development outside of Java will not be achieved.

Secondly, the parliament has no constitutional right except its budgetary function as regulated in Article 20A Paragraph (1) of the 1945 Constitution, which states that the parliament has the legislative function, budgetary function, and control functions. However, in its budgetary function, the House only has the right to discuss and approve the Draft Budget, not to execute the implementation.

Third, like the analysis of the Indonesian Forum for Budget Transparency (*Fitra*), the aspiration funds will disrupt the budgeting and planning system of the financial balance.

The budgeting planning system starts with the governments of district / city and goes up to those at provincial and central level, while the aspiration funds are not recognized in the system of government. Statistical data such as poverty, economic growth, and unemployment are included in determining the allocation of balance funds of the government approach.

Fourth, the funds will be prone to being diverted. Members of parliament will become easy targets for budget brokers who compete to lobby members of Parliament to raise the amount of the funds. We can learn from the experience of the West Sumatra Provincial Council in the period of 1999 to 2004.

As the representatives of the people, members of parliament should optimize the function of representation and not only promote personal interests and the interests of political parties through pure transactional Politics.

Each Member of Parliament received Rp 200 million of regional aspiration fund for his or her electoral region. In the implementation, the management of funds had been proved difficult to control. A great number of false proposals had been made in order to disburse these funds to benefit political parties themselves.

Indeed, there are many other reasons to reject the existence of these aspiration funds, primarily as there is budgeting and financial balance between the local and central governments. However, the reason above is enough to reject the proposal.

As the representatives of the people, members of parliament should optimize the function of representation and not only promote personal interests and the interests of political parties through pure transactional Politics.

— **Benni Inayatullah** —

Parliamentary Threshold and Simplification of Parliament

The 2014 Elections are still four years away. However, the political parties in the House of Representatives (DPR) have begun discussing the substance of regulations of the Democratic Party that is held every five years. The discourse on the parliamentary threshold - the minimum threshold requirement to gain seats in parliament - as an ideal solution for the settlement of Indonesia's future political institutions has become a warm discussion. The Democratic Party and the Golkar Party, for example, are very keen to discuss the need to increase the parliamentary threshold to five percent. The argument to increase the parliamentary threshold is to simplify the party system and to strengthen the presidential system in Indonesia, purifying the system. The purification of the system will be done in conjunction with the fragmented party system.

In fact, on the other hand, a multiparty system is a difficult thing to avoid. Its existence is necessary for political reality and diversity of the Indonesian society. Because Indonesia's societies have a level of social plurality and diversity, Indonesia's political system is very complex. The necessity to have a multi-party system is supported by the proportional electoral system. In essence, the multiparty system is a political character of Indonesia that is difficult to avoid. This condition raises important questions. *First*, how does the fragmented multiparty system influence the political stability and the work of the presidential system in Indonesia? *Then*, is there any compromise that still allows the establishment of parties and that ensures that the government runs effective and stable?

Multiparty system vulnerability

Juan Linz and Arturo Velenzuela build an interesting thesis that the presidential system that is applied over a multiparty political structure tends to result in a conflict between presidential and parliamentary institutions and will present an unstable democracy. This view is also strengthened by Scott Mainwaring and Matthew Soberg Shugart, who believe that this combination will give birth

to a minority president and a divided government, a condition in which the president is very difficult to get a political support in the parliament.

The combination of the vulnerable presidential system and the multiparty system had been proven strong enough in the five years of the administration of Susilo Bambang Yudhoyono (SBY) - Jusuf Kalla, as well as in the one-year of the era of the SBY-Boediono administration. At least, there are three political facts that portrait the instability and vulnerability of the government. *First*, the control of parliament over the government is so strong, so the policies of the president are very difficult to gain a political support in the parliament. The questionnaire rights and the threat of withdrawing support for example have always been tools for the parties in the DPR to negotiate with the President.

The *second* fact, in the process of forming and reshuffling the cabinet, the political parties - especially the parties in the DPR - have cut the prerogative right the President to intervene. The *third* fact, the support of the government coalition of political parties is not effective. Although quantitatively the percentage of a coalition of parties supporting the government is very high - 75 percent of the seats in the DPR - but it is very fragile and easily cracked. The Century case becomes a clearest portrait of the fragility. This combination of the presidential and the multiparty system has been problematic as the characters of parties in the coalition are not disciplined, very opportunistic, and pragmatic. As a result, a coalition that is built up is always fragile and fluid, because the coalition is built on a foundation of pragmatic interests of power rather than on ideological closeness or equal platform. This political reality is a proof of the vulnerability of the combination of presidential and multiparty systems and a proof of the half-hearted implementation of the presidential system.

Institutional engineering

The extreme multiparty (the number of parties is very high), as it is now, needs to be pushed into a simple multi-party. The number of parties in the parliament should be reduced. Therefore, what needs to be simplified is the configuration and political composition in the parliament, not the number of the parties participating in the elections.

At least, there is a five-tiered strategy of simplifying the parliament through institutional engineering: to apply the district electoral

system (plurality/majority system) or mixed systems (mixed proportional); to minimize the number of electoral districts (district magnitude); to apply the threshold of seats in the parliament (parliamentary threshold); to simplify the number of factions in the parliament through the tightening of requirements for the formation of a faction (factional threshold), as well as making regulations to be directed to the formation of two political blocs (supporters and opposition).

The implementation of the electoral system -- the First Past The Post system (FPTP), in which one representative is elected from each electoral district - based on proven experience of some countries will limit the number of parties. An alternative solution if the district system still experiences resistance is to combine the district system and the proportional to become the mixed system. The German experience provides some lessons that are interesting enough for Indonesia.

Strategies to reduce the scope of electoral districts and the application of the district election system will also be a catalyst toward the simplification of political parties. Because the smaller the scale of electoral districts and the less number of seats contested, the smaller also the opportunity for small parties to gain seats. The increase of the parliamentary threshold in the 2014 Elections will also simplify the parliament. If the parliamentary threshold is consistently applied, the number of political parties will continue to decrease until the ideal number, approximately five to seven political parties in the parliament. Therefore, the spirit to raise the parliamentary threshold in the 2014 Elections 2014 will be relevant and rational in order to strengthen the presidential system and to streamline government.

After that, the need to simplify the number of factions through the tightening of requirements for the formation of factions. Ideally, there only about three or four factions in the DPR so that government can run more effectively. The next stage, the factions in the DPR need to be engineered institutionally into the "biparty" system in the parliament, that is the two blocs of permanent coalitions in the parliament, the coalition government and opposition supporters. The main objective is to simplify the polarization of political forces in the parliament to make the political process more efficient and stable.

The political configuration in the DPR would need to be engineered institutionally (Institutional engineering) into the "biparty" system that is the two blocs of permanent coalitions in the parliament, the coalition government and opposition supporters. The main objective is to simplify the polarization of political forces in the parliament to make the political process more efficient and stable.

— Hanta Yuda AR —

A Look at the Bill on Domestic Workers

The long road of advocacy for domestic workers still has not succeeded in pushing the Government to issue the regulation on the protection of domestic workers. The Commission IX of the House of Representatives on June 3, 2010 decided to postpone discussion of Domestic Workers Bill (PRT Bill). The discourse on domestic workers bill has been proposed by the people who are concerned with the issue of domestic workers since 2006.

Postponement

At least 300 labors and domestic workers conducted a demonstration as a reaction to the House of Representative's decision. However, the Commission IX of the House of Representatives asserted that the House of Representatives did not reject the proposed domestic workers bill, but the bill has just been delayed for the inclusion in National Legislation Program (*Prolegnas*) for the Year 2010.

The Commission IX of the House of Representatives' consideration is that the proposed bill still needs further study. Many things still need to be discussed because articles are still debatable and have multiple interpretations. According to the Commission IX of the House of Representatives, if the bill is included in the Legislation Year of 2010, the time will not sufficient for its discussions. Therefore, the Commission IX of the House of Representatives has decided to postpone the discussions of the bill, and they might discuss the bill in the Legislation Year of 2011.

The discourse of domestic workers bill has been there since 2006. The background of this bill is that there is escalation in the adverse conditions of the housemaid workers. The absence of legal protection for domestic workers has allegedly resulted in the occurrence of various forms of exploitation, discrimination, and violations of human rights.

It seems not easy to rush the process to pass the Act to protect the domestic workers. Indonesian Women's Coalition (KPI) is still urging that the bill should be a priority in *Prolegnas*. However, by one point of the statement, KPI also recognizes and recommends the need for widely public consultation to various parties, considering that this bill will have an impact on people across Indonesia. KPI has asked the House of Representatives not to ignore the domestic workers bill due to the reasons of limited time and limited funds to conduct public consultations.

Polemics

Outside the parliament, even among academic communities, social activists, and nongovernmental organizations, the discourse of domestic workers bill still creates polemics. JALA PRT (the Domestic Worker Defenders Network) has noted that the Domestic Workers Protection Act is a necessity that must be endorsed with clauses that regulate specific and detailed information regarding the protection of domestic workers, which include an employment relationship between domestic workers and employers, as well as the rights of domestic helpers as workers. In the articles of the Bill, one of the provisions is the prohibition to hire domestic worker under the age of 18 years, which is liable to 2-5 years imprisonment and a fine of Rp 200-500 million. That is to protect the children from the exploitation as domestic workers.

In addition, the draft bill also proposes that the employers must ensure the right of day off at least one day a week for domestic workers, and that for domestic workers who works for six days a week, then the maximum working hours is seven hours a day, and for them who work five days a week then the maximum working hours is eight hours a day, as in the provisions that apply to workers in the formal sector.

Other provisions that are proposed to ensure the protection of domestic workers are that domestic workers are also entitled to sabbatical leave, annual leave, maternity leave, menstruation leave, paternal leave, bereavement leave, and leave to get married. The entitlement to payment of overtime wages is also proposed in the case of working time exceeded domestic work.

Some academics and other NGO activists have different opinions. Some share a notion that Domestic Workers Protection Law does not need to be made, because we just can optimize the other protection clauses in the some existing Acts. For example, about

the rights and obligations of domestic workers; and employer-labor relations, we can use the Law No. 13 Year 2003 concerning Manpower. As noted by Sonny Harry, head of the Demographic Department of the University of Indonesia, in the future time, all fields of work might ask to have their laws too, including laws about the driver, and so forth.

Other opinion highlights the age limit of at least 18 years for domestic workers is not realistic, as in rural areas in Indonesia it is common that women under the age of 18 years work for a living as the backbones of the family, as noted by sociologist Thamrin Tamagola. The 18-year age limit is also seen as inconsistent with the ratification of ILO convention that states that the minimum age is 15 years. While the Jakatya Legal Aid Institute (LBH) does not agree with criminal sanctions for employers who employ domestic workers under the age of 18 years. LBH Jakarta believes that the more appropriate sanction is an administrative sanction in the form of a fine in an amount of money. Related to age limitation of 18 years, LBH Jakarta prefers to suggest the optimization of the Child Protection Act.

The defenders of domestic workers protection hope that the domestic helpers should be placed in a proper employment corridor. If it is accepted that the domestic helpers have been already regulated in the Labor Law, then the articles of the Labor Law should really reflect in a concrete set of certain rights and obligations between the employers and domestic workers. The question that still remains is whether housemaids and other domestic helpers are workers or not? That is why the advocacy is more likely to name them as Domestic Workers than Domestic Helpers or Housemaids.

Clarity

The polemics over whether we need a new Act might be caused by a lack of clarity and multi-interpretation of the provisions. The PRT bill raises a long discussion because of ambiguity in the position of housemaids and other domestic helpers in the Indonesian labor system. Moreover, in the socio-cultural context, the role of domestic workers in many places still takes form of a traditional relationship, where the employer-servant relationship is taken as a family relationship such as in the *ngenger* culture in Javanese families.

The defenders of domestic workers protection hope that the domestic helpers should be placed in a proper employment corridor. If it is accepted that the domestic helpers have been already regulated in the Labor Law, then the articles of the Labor Law should really reflect in a concrete set of certain rights and obligations between the employers and domestic workers. The question that still remains is whether housemaids and other domestic helpers are workers or not? That is why the advocacy is more likely to name them as Domestic Workers than Domestic Helpers or Housemaids.

— **Antonius Wiwan Koban** —

A series of LPG cylinder Blasts

The implementation of the conversion program from kerosene to liquid petroleum gas (LPG) since 2007 has cumulatively saved the subsidy in the amount of Rp 16.45 trillion. Until the end of April 2010, the Pertamina has distributed 44.15 million packages of the three kilogram LPGs, stoves, hoses, and regulators. In the 2010 Budget, the government is targeting the distribution of 9.3 million packages.

However, the implementation of the program is still tainted by a series of accidents or explosions caused by the use of LPG. The alleged causes of the accidents are the leaks on the gas tubes, not using LPG according to the procedures, the damages on the hose, and the flawed regulator system.

In the last two months (April-June 2010), there have been at least 16 cases of LPG explosions that occurred in Jakarta, Depok, Bekasi and Banten. The numbers of fatalities have reached as many as 11 people. In addition, there have been dozens of people suffered severe and minor burns. There have also been property losses caused by a series of these explosions.

Causes of accidents

The information on how to use gas safely, hazard prevention, and control procedures for the gas leaks are not known by the majority of LPG consumers. These problems cannot be blamed on the consumers. The problems have occurred because of the low information dissemination to the LPG consumers conducted by the government since the conversion program was launched.

For decades, consumers have been accustomed to using kerosene. Suddenly, they are forced to change the habit, even though these two types of fuels have very different characteristics.

LPG is explosive if it is exposed to sparks. Because the gravity is heavier than air, if it comes out of the LPG regulator or the hose, it

will gravitate to the floor. LPG also needs a space with very adequate ventilation for air circulation in case of a leak.

The price disparity between the subsidized and non-subsidized gas has provoked criminal acts and helped trigger the gas cylinder explosion cases. In early June 2010, the police managed to uncover illegal practices of injecting the gas cylinders in Bantargebang, Bekasi. Gas canisters were purchased from authorized agents, and then it is transferred from the subsidized gas cylinders (three kilograms) to the non-subsidized (12 kilograms).

These illegal activities are estimated to have generated a profit of \$ 4 billion per month. The advantage is obtained from the difference in price between the prices of subsidized and non-subsidized gas sold to consumers. In addition, the advantage is gained by reducing the gas content in the non-subsidized gas cylinders, i.e., one tube of 12 kilograms is only injected with the content of the three kilogram tube.

The Metro Jaya Regional Police since 2008 has handled 28 cases of illegal LPG injection that endangered the public. The transfer process did not use the appropriate tools, causing explosions that had cost lives and properties. This illegal injection, according to Head of the Police Forensic Laboratory Brigjen (Pol) Budiono, has caused gas cylinders to leak, which will cause explosion if it is exposed to fire.

This is evident in the case of a large explosion in one place of business of LPG filling in Surabaya, East Java on June 2, 2010, which killed four workers and destroyed dozens of houses within a radius of 500 meters. At the time of the explosion, there were 700 LPG cylinders (500 units of the 12 kilogram size and 200 units of three kilogram size. The place of the business indeed has a business license. However, the process of transferring the content of gas cylinders is considered illegal.

The widespread circulation of the three kilogram illegal gas cylinders will also potentially cause harm to the consumers of LPG. In early May 2010, the Jakarta Regional uncovered illegal tube production activities run by PT TMM in Tangerang Banten. The company has produced about 200,000 units of the three kilogram gas cylinders distributed in the areas of Jakarta, Bogor, Depok, Tangerang, and Bekasi.

Inspection results showed that the tubes do not meet the national standard requirements of Indonesia (SNI). The company also does

not have a production license. The gas cylinder tubes produced by PT TMM have a thickness of 2.25 millimeters, or less than the requirement of 2.5 millimeter. In the endurance test tube, these illegal gas cylinders have a lower resistance to accept the pressure. Normally, the gas cylinders will not be damaged beyond 145 pressures, but when the pressure gets up to 110-125, the illegal tubes began to crack.

Recommendations:

The Directorate General of Oil and Natural Gas should disseminate information on the use of gas; on the procedures for prevention; and on the control of hazards due to leakage of gas to the public.

The governments should tighten the supervision of the trading of LPG, particularly the completeness and quality of gas cylinders. After running the conversion program for four years, the sales of stoves, hoses, regulatory systems and gas cylinders are very easy to find. Ironically, government control is still very minimal. The gas explosions in a great number of places provide evidence that the supervision is weak.

The Pertamina and the Ministry of Trade should examine carefully all gas cylinders, whether the old or the new ones. Both institutions must ensure that all gas cylinders are safe to be uses by the consumers. In addition to the security check tubes, Pertamina and the Ministry of Trade should also give a direction to the community so that they can check gas leaks, hoses, and its regulatory system.

The Government shall fix the trading of gas, mainly the subsidized LPG, so the cylinders will not be easily distorted by the parties aimed to find profit. Pertamina also needs to tighten the requirements for the production of gas cylinders and to improve the supervision of the LPG distribution and sales agents.

To consider the establishment of an integrated team of gas that is charged with overseeing the production and the circulation of gas cylinders and the apparatus involved. In addition to Pertamina, the team should also involve the Ministry of Trade and related parties such as the police. The existence of an integrated team is expected to minimize accidents caused by explosions of the LPG.

Information on how to use gas safely, on hazard prevention, and on the control procedures for the gas leak is not known by the majority of the LPG consumers. This problem cannot be blamed on the consumers. The problems have occurred because of the low information dissemination and empowerment of LPG consumers conducted by the government since the conversion program was launched.

— **Endang Srihadi** —

 THE NDONESIAN INSTITUTE
CENTER FOR PUBLIC POLICY RESEARCH

The Indonesian Institute (TII) is a Center for Public Policy Research that was established on 21 October 2004 by a group of young, dynamic activists and intellectuals through the initiative of Jeffrie Geovanie. Its current Executive and Research Director is Anies Baswedan, and the Program Director is Adinda Tenriangke Muchtar.

TII is an independent, non-partisan, non-profit institution, whose main funding stems from grants and contributions from foundations, companies, and individuals.

TII has the aim of becoming a main research centre in Indonesia for public policy matters and has committed to giving contribution to the debates over public policies and to improving the quality of the planning and results of public policy in the new era of democracy in Indonesia.

TII's missions are to conduct reliable research that is independent and non-partisan and to channel the research to the policy-makers, the private sector, and academia in order to improve the quality of Indonesian policy-makers.

TII also assumes the role to disseminate ideas to the society so that they are well informed about the policies that will have a good impact on the people's lives. In other words, TII has a position to support the democratization process and the public policy reform, as it will be involved in the process.

The scope of the research and review on public policies undertaken by TII includes economic, social, and political factors. The main activities have been conducted in order to achieve vision and mission based on research, surveys, training, public discussions, policy brief, and weekly analysis.

Contact details:

Jl. K.H. Wahid Hasyim No. 194
Central Jakarta 10250 Indonesia
Phone. 021 390 5558 Fax. 021 3190 7814
www.theindonesianinstitute.com

Research on the Business and Economy

Business Analysis

The business sector needs a comprehensive analysis in order to minimize the potential risks, while at the same time increasing the value of its business. Business analysis is a solution in corporate strategic planning to make reliable decisions. The TII Business Policy Research Division is present to provide company leaders with practical recommendations on the decision-making process.

Research that TII offers are: **(1) Company Financial Analysis**, which encompasses financial analysis and financial risk analysis. **(2) Corporate Planning Consultancy**, which includes economic and industrial research, business valuation, and brand valuation. **(3) Strategic Marketing Analysis**, which encompasses strategic marketing and *Corporate Social Responsibility* (CSR) program design.

Research on the Economy

The economy tends to be used as an indicator of the success of the government as a policy-maker. Limited resources have often caused the government to face obstacles in implementing economic policies that will optimally benefit the people. The increase in the quality of the people's critical thinking has forced the government to conduct comprehensive studies in every decision-making process. In fact, the studies will not be stopped when the policy is already in place. Studies will be continued until the policy evaluation process.

The TII Economic Research Division is present for those who are interested in the conditions of the economy. The results of the research are intended to assist policy-makers, regulators, and donor agencies in making decisions. The research that TII offers: **(1) Economic Policy Analysis; (2) Regional and Sectoral Prospects; and (3) Program Evaluation.**

Research on the Social Affairs

Social Research

Social development needs policy foundations that come from independent and accurate research. Social analysis is a need for the government, the businesspeople, academia, professionals, NGOs, and civil society to improve social development. The Social Research Division is present to offer recommendations to produce efficient and effective policies, steps, and programs on education, health, population, environment, women and children.

Social research that TII offers: **(1) Social Policy Analysis; (2) Explorative Research; (3) Mapping & Positioning Research; (4) Need Assessment Research; (5) Program Evaluation Research; and (5) Indicator Survey.**

Political Survey and Training

Direct General Election Survey

One of the activities that TII offers is the pre-direct election surveys. There are sundry reasons why these surveys are important (1) Regional direct elections are democratic processes that can be measured, calculated, and predicted. (2) Surveys are used to measure, calculate, and predict the processes and results of elections and the chances of candidates. (3) It is time to win the elections using strategies based on empirical data.

As one of the important aspects in the strategies to win the elections, surveys can be used to prepare political mapping. Therefore, campaign teams need to conduct surveys: (1) to map the popularity of candidates in the society (2) to map the voters' demands (3) to determine the most effective political machinery that will act as a vote getter; and (4) to find out about the most effective media to do the campaign.

Local Council Training

The roles and functions of local councils in monitoring local governments are very important. They need to make sure that participative and democratic policies will be espoused. Members of provincial and regent local councils are required to have strong capacity to understand democratization matters, regional autonomy, legislative techniques, budgeting, local Politics, and political marketing. Thus, it is important to empower members of local councils.

In order for local councils to be able to response every problem that will come out as a result of any policy implemented by the central government or local governments, the Indonesian Institute invites the leaderships and members of local councils to undergo training to improve their capacity.

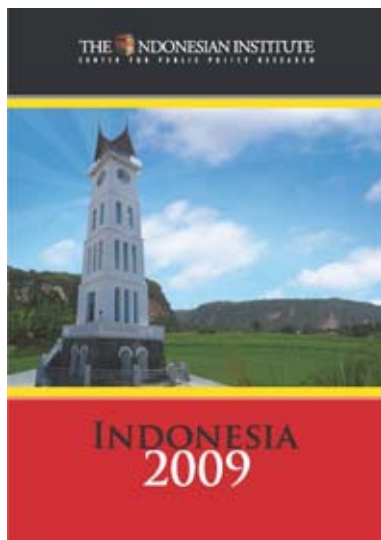
Available now!

The 2009 INDONESIA REPORT

The Indonesian Institute, Center for Public Policy Research (TII) has again published its annual publication, **Indonesia 2009**, after previously producing the report in the years 2005, 2006, 2007, and 2008.

The publication is aimed at presenting clear pictures of economic, legal, social, and political developments and of policies espoused by the Indonesian government. The 2009 Indonesia is published so as to give complete data on Indonesia in 2009. This annual publication is expected to become a basis for predicting Indonesia's short-term and long-term trends.

The publication of a report on Indonesia is also expected to assist policy-makers in the government, the private sector, academia, national and international think tanks in getting actual information and contextual analyses on economic, political, security, and social developments in Indonesia.



Topics that are raised in the 2009 Indonesia:

1. The Year of Economic Recovery
2. Progress of Infrastructure Development
3. Disputes of Three Law Enforcement Institutions
4. The Recycle of Regional Autonomy
5. Indonesian Politics 2009: Political Parties, Elections, Government Coalition and the Prospect of Democracy
6. Portrait and Representation Performance of the New Parliament (2009-2014)
7. Protection of Indonesian Migrant Workers Abroad
8. Gloomy Portrait of Child Protection

The Indonesian Institute Team:

Adinda Tenriangke Muchtar
 Aly Yusuf
 Antonius Wiwan Koban
 Benni Inayatullah
 Endang Srihadi
 Hanta Yuda AR
 Nawa Poerwana Thalo

Supervision: Anies Baswedan (Executive and Research Director)

For further information, please contact:

Mrs. Meilya Rahmi / Mr. Hadi Joko at 021 3905558

or email to: contact@theindonesianinstitute.com

or theindonesianinstitute@yahoo.com

Executive & Research Director

Anies Baswedan

Program Director

Adinda Tenriangke Muchtar

Board of Advisors

Rizal Sukma

Jeffrie Geovanie

Jaleswari Pramodawardhani

Hamid Basyaib

Ninasapti Triaswati

M. Ichsan Loulembah

Debra Yatim

Irman G. Lanti

Indra J. Piliang

Abd. Rohim Ghazali

Saiful Mujani

Jeannette Sudjunadi

Rizal Mallarangeng

Sugeng Suparwoto

Effendi Ghazali

Clara Joewono

Researchers of Economic Affairs

Awan Wibowo Laksono Poesoro,
Nawa Thalo.

Researchers of Political Affairs

Aly Yusuf, Benni Inayatullah,
Hanta Yuda AR.

Researchers of Social Affairs

Antonius Wiwan Koban,
Endang Srihadi.

Program and Supporting Staff

Edy Kuscahyanto, Hadi Joko S.,
Suci Mayang.

Administration Officers

Diana Paramita, Meilya Rahmi.

Secretary: Lily Fachry

Finance Officers: Rahmanita

IT Staff: Usman Effendy

Design and Layout

Harhar, Benang Komunikasi

Jl. Wahid Hasyim No. 194 Tanah Abang, Jakarta 10250

Phone (021) 390-5558 Facsimile (021) 3190-7814

www.theindonesianinstitute.com

e-mail: update@theindonesianinstitute.com