

THE INDONESIAN CRISIS

A Human Development
Perspective

The **Institute of Southeast Asian Studies** (ISEAS) in Singapore was established as an autonomous organization in 1968. It is a regional research centre for scholars and other specialists concerned with modern Southeast Asia, particularly the many-faceted problems of stability and security, economic development, and political and social change.

The Institute's research programmes are Regional Economic Studies (RES, including ASEAN and APEC), Regional Strategic and Political Studies (RSPS), and Regional Social and Cultural Studies (RSCS).

The Institute is governed by a twenty-two-member Board of Trustees comprising nominees from the Singapore Government, the National University of Singapore, the various Chambers of Commerce, and professional and civic organizations. An Executive Committee oversees day-to-day operations; it is chaired by the Director, the Institute's chief academic and administrative officer.

THE INDONESIAN CRISIS

A Human Development
Perspective

edited by

ARIS ANANTA



INSTITUTE OF SOUTHEAST ASIAN STUDIES
Singapore

First published in Singapore in 2003 by
Institute of Southeast Asian Studies
30 Heng Mui Keng Terrace, Pasir Panjang
Singapore 119614

E-mail: publish@iseas.edu.sg

Website: www.iseas.edu.sg/pub.html

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the Institute of Southeast Asian Studies.

© 2003 Institute of Southeast Asian Studies, Singapore.

The responsibility for facts and opinions in this publication rests exclusively with the editor and contributors and their interpretations do not necessarily reflect the views or the policy of the Institute or its supporters.

ISEAS Library Cataloguing-in-Publication Data

The Indonesian crisis : a human development perspective / edited by Aris Ananta.

1. Financial crises—Economic aspects—Indonesia.
2. Financial crises—Social aspects—Indonesia.
3. Manpower policy—Indonesia.
4. Indonesia—Economic conditions—1997-

I. Ananta, Aris.

HB3815 I41

2003

sls2002034326

ISBN 981-230-171-2

Typeset by International Typesetters Pte. Ltd.
Printed in Singapore by Seng Lee Press Pte. Ltd

∞ Contents ∞

<i>Acknowledgements</i>	vii
<i>List of Contributors</i>	ix
Part I: Introduction	1
1. What Do We Learn from the Crisis? Insights on Human Development in Indonesia during 1997–99 <i>Aris Ananta</i>	3
2. Macroeconomic Recovery: Facts and Prospects <i>Adrian Panggabean</i>	29
3. Indonesia's Economic Transformation: Before and During the Economic Crisis <i>Muhammad Chatib Basri</i>	53
4. Modelling the Repercussions of Financial Shock on Socio-economic Indicators <i>Iwan J. Azis</i>	76
Part II: Human Capital	103
5. Freedom from Fear: Social Disruption and System of Violence in Indonesia <i>Muhadjir Darwin</i>	105
6. Health Status of Indonesians During the Economic Crisis <i>Budi Utomo</i>	159

7. The Indonesian Economic Crisis: Impacts on School Enrolment and Funding <i>Djoko Hartono and David Ehrmann</i>	182
8. Population Mobility and Social Conflict: The Aftermath of the Economic Crisis in Indonesia <i>Riwanto Tirtosudarmo</i>	213
Part III: Purchasing Power	245
9. Change in Consumer Price: Indonesian Cities, 1997–99 <i>Aris Ananta, Daksini Kartowibowo, and Nurhadi Wiyono</i>	247
10. Social Safety Net Programmes in Indonesia: Some Efforts to Survive <i>Sri Harijati Hatmadji and Tirta Nugraha Mursitama</i>	266
11. State-Created Socio-Cultural Poverty: Lessons from Some Micro Studies <i>Sukamdi and Setiadi</i>	296
12. The Labour Market in Indonesia during the Crisis <i>Tubagus Feridhanusetyawan</i>	313
Part IV. Emerging Issues	343
13. Political Economy of Business Relations between Indonesia and Singapore <i>Linda Low</i>	345
14. Drug Abuse in Indonesia: An Increasing Problem During the Economic Crisis <i>Joyce Djaelani Gordon and David Djaelani Gordon</i>	362
15. Managing the Elderly in a Crisis Situation <i>Santo Koesoebjono and Solita Sarwono</i>	382
16. The Indonesian Crisis in an Alternative Perspective: Views from Outer Indonesia <i>Maribeth Erb and Josep Jelahat</i>	417
<i>Index</i>	445

≈ Acknowledgements ≈

This book emanated from a workshop on “Socio-economic Conditions during the Indonesian Crisis” organized by the Department of Economics and Centre for Advanced Studies, National University of Singapore, in 2000. The workshop was made possible with a grant from the Faculty of Arts and Social Sciences, National University of Singapore. Nine out of the sixteen chapters in this book are revised versions of the papers presented at the workshop. The remaining chapters were solicited for publication in this volume.

The editor would like to acknowledge the Department of Economics, National University of Singapore, for having provided a conducive environment to conduct the workshop and to begin the editing of the book.

The editor owes a special debt to the Institute of Southeast Asian Studies, Singapore, for its encouragement and for providing facilities to carry out the major part of the editing and completion of this volume. Special appreciation goes to all the authors for their contributions. The authors would also like to acknowledge the comments from anonymous referees on the draft of this book. Finally, Mrs. Roselie Ang deserves a special mention for her dedicated efforts in improving the readability of this book.

≈ List of Contributors ≈

Adrian Panggabean is a Lecturer at the University of Indonesia. At the time his chapter was written, he was Vice-President of Equity Research and Southeast Asian Economist at Nomura Singapore Limited. His research covers public finance, institutional economics, and macroeconomics.

Aris Ananta is a Senior Research Fellow at the Institute of Southeast Asian Studies, Singapore. His current works cover labour mobility in Southeast Asia and human development in Indonesia. He is also Professor in the University of Indonesia.

Budi Utomo is the Country Director of the Population Council in Indonesia. He is also a Lecturer in the School of Public Health, University of Indonesia. His interests and research works cover broad topics of reproductive health issues, including child health and nutrition. He is also working on issues related to HIV risk behaviour and capacity building in a decentralized health programme.

Daksini Kartowibowo is a Junior Researcher at the Demographic Institute, University of Indonesia. She has been working mainly on the welfare of population, including those related to labour, gender, and population mobility. Her research has mostly involved directly observing the society.

David Djaelani Gordon is the Programme Director of Yayasan Harapan Permata Hati Kita, a drug addiction and treatment recovery community and foundation, based in Ciawi, Bogor, Indonesia. He has been closely associated with drug users and the addict community since 1957. His knowledge about addicts, his training as a transpersonal psychologist, and his intensive and cumulative experience with various recovery centres in the United States and other countries has served him well in working with addicts, in both the practical and theoretical senses.

David Ehrmann is Consultant to the Central Independent Monitoring Unit (CIMU) of the Indonesian Scholarship and Grants Programme (SGP) in Jakarta. The SGP is one component of the Indonesia Social Safety Net programme.

Djoko Hartono is Consultant to the Central Independent Monitoring Unit (CIMU) of the Indonesian Scholarship and Grants Programme (SGP) in Jakarta.

Iwan J. Azis is Professor at Cornell University and the University of Indonesia. He has published on various subjects. The recent ones include modelling counterfactual policies during the crisis (MIT Press) and contrasting the IMF's perspectives and alternative policies on the crisis.

Josep Jelihat is Assistant Lecturer at the Nusa Cendana University in Kupang, the capital of East Nusa Tenggara in eastern Indonesia. He has been extensively involved in various government-sponsored research projects throughout the province of East Nusa Tenggara.

Joyce Djaelani Gordon is a Psychologist, and founder of the Yayasan Harapan Permata Hati Kita (Yayasan KITA), a drug addiction and treatment recovery community based in Ciawi, Bogor, Indonesia. She has been actively involved in various health NGOs since 1984, including the Indonesian Planned Parenthood Association and Friends of Youth in Jakarta, as well as international NGOs such as Program for Appropriate Technology in Health (PATH), Project Concern International (PCI), CARE, WHO, and John Snow. She also teaches Social Intervention at Atmajaya University in Jakarta.

Linda Low is an Associate Professor in the Department of Business Policy, National University of Singapore. Her research interests and

publications cover the political economy aspects in the Asia Pacific and ASEAN, on the subjects of trade, services, regionalism, human resource development, public sector economics, privatization, social security, and comparative economic development.

Maribeth Erb is an Associate Professor in the Department of Sociology, National University of Singapore. She has been doing research in western Flores since the early 1980s, and has been recently interested in the development of tourism there.

Muhadjir Darwin is the Director of the Master's Programme in Public Administration at Gadjah Mada University, Indonesia, and also a senior researcher at the Centre for Population and Policy Studies in the same university. His research interest focuses on violence against women and institutional improvement of local government.

Muhammad Chatib Basri is Associate Director for Research at the Institute of Economic and Social Research, Faculty of Economics, University of Indonesia. He is also a Lecturer in the Faculty of Economics, University of Indonesia. He has research interests in the area of international trade, macroeconomics, and political economy.

Nur Hadi Wiyono is Junior Researcher at the Demographic Institute, Faculty of Economics, University of Indonesia. He is also the managing editor of *Warta Demografi*, a bi-monthly magazine on population and development in Indonesia. His research interests include population mobility, child labour, and gender.

Riwanto Tirtosudarmo is Senior Research Fellow at the Centre for Social and Cultural Studies, Indonesian Institute of Sciences, Jakarta. He has published in both scientific and popular journals on the politics of population mobility in Indonesia. The latest publication is *The Geographic Mobility and the Emergence of Ethnic Politics in Indonesia* (forthcoming). He is currently conducting research on the political demography of ethnicity in Indonesia, and preparing a book *From Colonization to Nation State: The Political Demography of Indonesia*.

Santo Koesoebjono is a Research Fellow at the Netherlands Interdisciplinary Demographic Institute (NIDI). He is currently conducting research on international migration (Erasmus University/ University of Amsterdam). He also has research interests on ageing and the labour force.

Setiadi is a Lecturer at the Faculty of Cultural Science and Faculty of Geography, Gadjah Mada University, Indonesia. He is also a researcher at the Centre for Population and Policy Studies in the same university. His recent research interests include issues such as governance and decentralization, international migration, policy of internally displaced persons, and the impact of the economic crisis on rural people.

Solita Sarwono is currently assigned as a consultant in Indonesia in a World Bank project on health. Her main interests include gender training, women empowerment, education, reproductive health, and ageing.

Sri Harijati Hatmadji is Executive Secretary of the Ministry of Women Empowerment. She is also a Lecturer in the Faculty of Economics, University of Indonesia, and Senior Researcher at the Demographic Institute, Faculty of Economics, University of Indonesia. Her research interest is on gender and development.

Sukamdi is the Associate Director of the Centre for Population and Policy Studies at Gadjah Mada University, Indonesia, and has been very active in some professional organizations. His research interests cover issues such as governance and decentralization, informal sectors, population quality, and international migration.

Tirta Nugraha Mursitama is pursuing his Master's degree at the Graduate School of Management, Gakushin University in Tokyo, with specialization in Technology Management of Japanese Multinational Corporations. Before studying in Japan, he worked with the Tim Pengendali JPS [Team of Social Safety Net Monitoring] during the period 1997-2001.

Tubagus Feridhanusetyawan is a Senior Economist and Head of the Department of Economics at the Centre for Strategic and International Studies, Indonesia, and a Lecturer in the Post-Graduate Programme, University of Indonesia, as well as a Research Associate in the Division of Economics, Research School of Pacific and Asian Studies, Australian National University. His interests cover international economics, labour economics, and applied macroeconomics.