



RAISING THE BAR:

**“The New Challenges of Indonesia’s Democratic
Development”**

**Partners for Democratic Change’s
Indonesian Assessment Team Report**

February 2007

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I. EXECUTIVE SUMMARY

Partners for Democratic Change [Partners] conducted from January 28 to February 10, 2007, a three-person assessment in Indonesia to ascertain local needs, priorities and resources in the field of conflict mediation and change management. Nearly 90 respondents from local and international NGOs, academic institutions and independent analysts, local and international press and media, Indonesian government, multilateral institutions, international donors and local and international private firms were interviewed.

Indonesia’s successful democratic transition has created new expectations and new challenges. *The Indonesian policy process provides the opportunity for a more inclusive engagement of a wider range of stakeholders, increased transparency that creates new mechanisms for negotiation and collaborative processes, and significantly higher expectations on the part of Indonesia’s citizens.* These new challenges center on change management: how to engage key stakeholders in a collaborative process that allows them to reach agreement on complex multi-party issues.

From the assessment, Partners’ believes that the time is propitious to develop a robust, diversified, in-country capacity to develop and implement professional change and conflict management services on a sustainable basis.

II. PARTNERS’ ASSESSMENT APPROACH AND SUMMARY FINDINGS

In January and February 2007, a three-person team of senior managers [Raymond Shonholtz, President, Michael Morfit, Senior Vice President, and Anne Devero, Director of Corporate Programs] from Partners visited Indonesia to assess local needs, priorities and resources in the field of conflict mediation and change management.

A. THE ASSESSMENT

Examining Four Key Questions:

- **General Need:** Can locally adapted and acculturated methods to manage political, economic and social change promote new forms of engagement between key sectors and more effectively overcome critical impediments to reform?
- **Specific Opportunities:** Where are there significant opportunities to manage change more effectively, specifically working at the intersection between government, civil society, and the private sector?
- **Existing Resources:** What organizations now exist that can serve as neutral third-party conveners and facilitators of multi-party issues or conflicts?

- **Potential Support:** Is there a diverse base of support among potential donors (domestic and international) for a professional, neutral third-party conflict and change management and civic engagement service?

Methodology

The Partners team used an elicitive interview process with potential practitioners and trainers, clients and users, donors and supporters. Nearly 90 respondents from local and international NGOs, academic institutions and independent analysts, local and international press and media, Indonesian government, multilateral institutions, international donors and local and international private firms were interviewed. Each respondent was interviewed in depth (some several times), with the average interview lasting 60 to 90 minutes.

Key Findings

Despite the wide diversity of informants, several common themes emerged from most of these interviews.

First, there was the widespread recognition that Indonesia is no longer an emerging democracy, but one that has established a credible and strong foundation, even as its democratic life continues to evolve. The apprehensions about political stability, the integrity of the state and the viability of the democratic process that characterized analyses of Indonesia during the post-Soeharto *era reformasi* have now faded. Indonesia is now more than two years into the administration of its first popularly elected president; it has successfully managed scores of local government elections and installed new popularly elected governors, district heads and local legislatures; it has successfully brought to an end decades of armed conflict and turbulence in Aceh, which recently installed its first popularly elected governor (a former leader for the armed separatist movement).

Second, within this increasingly confident democratic framework, civil society is robust and active in virtually all regions and at all levels. As Indonesia's radical decentralization program has dramatically shifted political authority to the district (*kabupaten*) level, there has been a correspondingly dramatic increase in the number of nonprofit organizations, community groups and civil associations at the local levels.

Nonetheless, there is a growing sense that new challenges are emerging that demand significantly different skills -- from government agencies, civil society organizations and the private sector alike. Indonesia's successful democratic transition has created new expectations and new challenges. These new challenges center on change management: how to engage key stakeholders in a collaborative process that allows them to reach agreement, develop an action plan, implementation, establish feed-back loops and continue to refine policies. Specific examples range from clarifying roles and responsibilities under the decentralization law to reaching agreement on how to implement the recent Basic Law on the Governance of Aceh, and more effective community engagement by oil and mining companies in different areas, especially in Papua.

For these kinds of issues, the capacities and modes of operation that were effective in the past do not guarantee success in a future. Public policy issues, public-private partnerships and engagement with local communities can no longer be handled through a New Order reliance on forcible repression and patronage.

Instead, the policy process is now more inclusive. It engages a wider range of stakeholders, increases transparency that creates new mechanisms for negotiation, and significantly raises expectations on the part of Indonesia's citizens.

The skills required to negotiate these complex negotiations are specialized and professional. In addition, they cannot be imported from generic international models but must be anchored in local knowledge and shaped by local traditions. The more complex, robust and advanced democratic development, the greater the needs for these kinds of skills. In more established democratic societies, these services are provided through a variety of organizations and channels, from labor mediation to contract arbitration, mechanisms for alternative dispute resolution and professional services to manage and facilitate complex negotiations.

Third, in Indonesia there is presently little or no in-country capacity to provide this kind of service. Many non-governmental organizations have some experience in working on participatory planning techniques or conflict management at the local level. [For example, the Multi-Stakeholder Forestry Program has successfully experimented with local stakeholder methods relating to forest restoration and local decision-making.] In addition, there are several promising academic initiatives in conflict analysis. However, none appear to have the capacity or experience to provide the ongoing leadership, mentoring, training, support and technical assistance required to meet the growing demand from key stakeholders (government, civil society and private sector) to address complex public policy negotiations and economic/social change issues.

B. SUMMARY AND NEXT STEPS

The time is propitious to develop an in-country capacity to provide professional, civic collaboration and change management services on a sustainable basis. The Assessment Team identified several different agencies that would support such an initiative and are potential collaborators. These include both international and local organizations, public institutions and private firms. A diverse base of support is critical for the neutrality and credibility of such an effort. In addition, a successful institutional development effort requires sufficient up-front commitments to ensure adequate support for start-up, training and development activities.

Over the next few weeks, Partners will:

- Develop a concept paper for launching such a Center in Indonesia
- Identify specific areas or issues where professional mediation and facilitation skills could help address current and significant problems
- Hold further rounds of discussions with potential donors and supporters with a view to clarifying or confirming their interest in supporting such an initiative

III. SECTOR ASSESSMENTS

Partners' Assessment Team focused on three inter-related Indonesian sectors: civil society, private and government.

A. CIVIL SOCIETY AND GOVERNANCE: ROBUST AND LEARNING

Traditions Disrupted:

Indonesia has a rich indigenous tradition of extensive consultation at local level (*musyawarah*), and mechanisms to reach inclusive compromise solutions (*mufakat*) to public problems. Although the New Order frequently invoked these traditions, the reality was that the Soeharto regime systematically disrupted and undermined the vitality of many of these indigenous systems. In their place, a combination of repression and selective use of state patronage to build networks of influence and clientism became the more common mode of managing change and resolving conflict. (As evidence of this change, one informant cited the decline of the once-vibrant *subak* in Bali as an effective and traditionally-established mechanism for consultation and resolution of disputes around the management of irrigation systems.)

The Continuing Democratic Evolution

Since the fall of Soeharto in 1998, Indonesia has successfully navigated a transition to a vibrant and increasingly confident democratic system. Over the past three years, one observer has remarked that Indonesian political processes successfully managed the first-ever popular election of its president and scores of local government officials. New political parties have appeared to compete for support in an open area. Free media and free expression are increasingly accepted as the norm, rather than a daring and still tentative challenge to the established order. At both the national and local level, nongovernmental organizations, civic associations and community groups have multiplied. The radical decentralization laws dramatically changed the balance of power between Jakarta and district level governments, opening new channels to shape government decision making.

Within this new democratic framework, Indonesia has seen the emergence of a large, active and growing civil society. In key sectors (such as economic policy reforms and legal reforms), Indonesian NGOs have played a key role in articulating a reform agenda that has served as a reference point for public policy debate. From the end of the New Order regime, when civil society was regarded with suspicion or even outright hostility, Indonesian civil society organizations are now recognized as legitimate players at both the local and national level.

For the most part, these organizations primarily serve as advocacy organizations, articulating a particular point of view or trying to advance a specific agenda. That is, they are one of several stakeholders in the process, striving to create space and make specific voices heard. This is true whether they are working at the local level (for example, in promoting popular participation in project planning) or at the national level (for example, by articulating environmental concerns about regulations governing natural resource management). In some cases, these can place civil society organizations in an

adversarial position relative to government authorities as NGOs seek to expose malfeasance or hold government officials accountable for poor performance.

New Skills Needed

The next phase of Indonesia's democratic development requires a new set of skills. Although advocacy skills are important tools, the leaders of civil society organizations also need to be able to engage government and the private sector in a cooperative effort to resolve common problems, agree on plans of action, oversee implementation, establish monitoring mechanisms and create feed-back loops. It is one thing to be an active advocate for a particular interest or perspective. It is another to be an effective and respected partner in finding a workable solution, and then taking responsibility for continuing to oversee implementation, help identify emerging problems and make mid-course corrections on an ongoing basis.

While national government agencies seem increasingly aware of the value of civil society organizations and are open to engaging them, our interviews indicate that there is an inconsistent reciprocity from the civil society side. Many do not appear to be prepared to be in an on-going "negotiating dialogue" with government.

The Special Challenge of Decentralization

The need for new skills seems particularly acute at the local level, where all parties – government, civil society, and the private sector – are still adjusting to the consequences of the country's decentralization program. Local governments have limited understanding of or capacity to foster consultation with civil society organizations. Civil society organizations at this level are generally relatively new and guided by leaders with limited experience. Private sector firms are uncertain about the basic ground rules for engaging local government officials, and are often confused about which agency has authority for what sphere of activity; moreover, many corporations are uncertain or adverse to civil society organizations.

Common Needs At All Levels

At all levels, from national to provincial, district (*kabupaten*), subdistrict (*kecamatan*) and village (*desa*), there is a common need to build capacities and mechanisms for constructive engagement of civil society and government, especially at the local levels and platforms to work on policy and governance issues.

B. PRIVATE SECTOR: PARTNERSHIP, NOT PRIVILEGE

The End of the New Order

With the collapse of the Soeharto regime, there was a radical change in the climate of public opinion and perceptions regarding the acceptable relationship between the government and private sector. Crony capitalism and the protected networks of state-protected privilege and patronage were no longer the acceptable pattern for doing business. The reform era was characterized by the common theme of combating corruption, collusion and nepotism (KKN or *korupsi, kolusi dan nepotism*).

Nearly a decade since Soeharto's resignation, Indonesia has seen continued (if fitful) progress of economic reforms, with increasing openness in the legal and regulatory regime and increased competitive pressures. Politically-sanctioned privilege, patronage and protection are still to be found, of course, but they are under constant pressure.

Efforts to engage the government in shaping the reform process have been uneven. (For example, the famous KADIN roadmap for economic reform, articulated at the beginning of President Yudhoyono's administration, has all but disappeared from public view.) Nonetheless, it is a significant advance that private sector associations have begun to engage in debates about policy reform, rather than individual businesses seeking special deals.

Challenges Ahead

Analysts and private sector representatives identified specific challenges in the next phase of Indonesia's economic development. These include:

- Increased transparency in policy process, giving the private sector a meaningful opportunity to be consulted on pending policy decisions;
- Addressing uncertainties and ambiguities of legal and regulatory framework (especially resulting from decentralization) in key areas, such as land titling;
- Need for more consistent law enforcement; and
- Strengthening mechanisms for transparency, public information and education on legal and regulatory requirements, reducing opportunities for arbitrary decisions and rent-seeking.

Regardless of the details of a specific issue, each of these areas points to the need for systems, mechanisms, procedures and capacities for ongoing engagement and dialogue between the government and the private sector. These cannot be solved through isolated round tables or individual consultations. These challenges point to the need for new capacities on both sides for a robust multi stakeholder consultative process.

This is particularly true in areas of violent conflict. Private sector interests may not be in a position to take a leadership role, but their interests are directly affected. In these areas, private sector representatives are seeking local organizations with the professional capacity to convene stakeholders, facilitate agreements, monitor implementation, and resolve differences. This includes the skills need to conduct local assessments, identify key stakeholders, establish a credible (and safe) platform for dialogue, and build the trust that is essential to solving potential conflicts at an early stage.

New Methodologies for Cooperation

Some parts of the private sector, especially within Indonesian companies and international partners, are open to exploring how to ameliorate potential local tensions and build new platforms of social engagement. Trust levels are low between the corporate community and civil society actors. Some corporations see civil society organizations as "self-appointed" advocates, lacking real constituencies. Other companies recognize that many civil society organizations provide a "voice" to disparate units of local society and are able to channel issues and complaints, synthesize local concerns and often provide unique areas of expertise and knowledge.

For many corporations seeking to address local concerns the question becomes: how? While direct negotiations have been a standard model, the complexity of issues, the participation of multi-parties and NGOs, often competing for different reasons, place substantial communication and negotiation burdens on companies prepared to engage. During the interviews, Partners' Assessment Team found receptivity on the part of corporations to the use of third parties and new methodologies, including: cooperative advocacy, cooperative planning, and facilitation of processes leading to multi-stakeholder agreements. Of particular interest was the engagement of local experts trained in these methodologies, who know the cultural nuances and conditions.

C. GOVERNMENT: THE CHALLENGE OF MANAGING CHANGE

New Challenges and New Opportunities

As Indonesia's democratic systems evolve, we believe that the critical new challenges for the next generation will be focused less on overt and violent conflict (as in Maluku or Poso, although these are still important), but on the problems of managing change. Examples include significant policy issues around decentralization and natural resource management. In these areas, government, civil society organizations and the private sector will be challenged to create the systems, mechanisms and capacities for change management and engagement in public policy, rather than just advocacy.

Political developments in Indonesia over the past decade have also created significant opportunities to meet these new challenges. The government is increasingly transparent and accessible in its policy processes. There are significant new channels for civil society and the private sector to engage the government in policy analysis and formulation. There is increased experience with public-private partnerships, both for policy development and service delivery.

At the same time, this is a much more complex environment. Along with greater openness and transparency, there are also more stakeholders at different levels of governance, more channels to communicate interests and exert influence, and growing demands for accountability.

This means that there is a growing need for institutions to work at the interface and to bridge gaps between key stakeholders. These stakeholders include government at national and local levels, private sector, NGOs and civic associations. At present, there are few tested, credible and trusted mechanisms to bring stakeholders together to reach agreement, oversee implementation, monitor achievements and incorporate feedback on performance into new rounds of policy deliberations.

One indicator of the lack of capacity to promote, facilitate and sustain this kind of stakeholder engagement is a growing sense that reforms are not gaining sufficient traction in key areas. Examples include anti-corruption and legal reform, labor reform and environmental protection. In each of these areas, the problem may be less 'political will' or 'leadership' than mechanisms to engage key stakeholders to build political will and sustain leadership on complex and controversial issues.

Meeting the Challenge:

Our assessment underscores the need for local institutions providing skilled, professional, experienced and trusted expertise to support multi-party engagement on tough policy issues. This is not a sign of the weakness of Indonesia's democratic system but of its recent achievements. Strong and evolving democracies, with growing economies, generate complex problems with multiple stakeholders. For each of these problems, there is no ultimate solution. The process of addressing them is inevitably iterative, ongoing and constantly subject to revision. For this to work effectively, trusted and skilled mediators and facilitators are required in a wide range of technical areas to support the increasingly complicated and demanding policy process.

This analysis means that the next phase of civil society development in Indonesia will need to support the emergence of networks with the common mission of promoting long-term change, not just creating short term projects. To sustain their internal cohesion and learning, and to effectively engage business and government sectors, these networks will need continued support beyond any one grant.

Similarly, the next phase of private sector engagement needs to look beyond corporate philanthropy or corporate social responsibility. Short-term projects designed only to offset local corporate impact are generally counter-productive. The most effective (and profitable) businesses are not hit-and-run firms. They are in for the long haul. What they need are the capacities and mechanisms to engage local government and local communities on an ongoing basis to identify, assess and resolve common problems even where interests diverge sharply.

Finally, the next phase of developing government capacities (especially at the local level) needs to focus on building the skills that allow government to engage the energy, expertise and support of civil society and the private sector at an early stage. Effective government leadership in democratic societies is less a matter of command and control, and more a matter of the ability to inspire and engage.

IV. RAISING THE BAR: AN OPPORTUNITY FOR CROSS-SECTOR ENGAGEMENT

Partners' discussions with interviewees identified several specific areas where an Indonesian capacity to facilitate, mediate and help manage complex negotiations would make a critical contribution to significant challenges. While there are pockets of successful third-party efforts taking place in Indonesia, there is no central place for the broad, cross-sectoral dissemination of skills or a venue that can consistently provide professional third-party and professionally managed platforms for multi-stakeholder dialogues and agreements. Moreover, lacking is the integration of an assessment, research and academic component that can steadily inform and improve upon training and practice.

These needs inform the initial agenda of an Indonesian Center, should one be established. As important, these examples underscore the extent to which there is an immediate

market for the professional services that such a Center could provide. That is, they constitute a building block for a business plan that is essential if any Center is to move successfully from an initial phase of start-up assistance and become financially self-sufficient.

The diversity of interviews provided Partners with a rich spectrum of issues where neutral third-party conveners and facilitators of multi-stakeholder were cited as valued, including:

- Decentralization – refining the rules of the game and creating greater capacities at the provincial and lower local levels to engage stakeholders.
- Anti-corruption – moving beyond an emphasis on the enforcement of sanctions to build the public support and political will that will be necessary to sustain anti-corruption programs over the long term.
- Natural disasters and social crises – supporting the ongoing multi-stakeholder dialogue on developing a new legal framework defining government authorities and responsibilities for natural disasters and social crises.
- Aceh – helping the newly elected leadership in Aceh and relevant Jakarta agencies address and refine key aspects of the recent Basic Law (UUPA) work
- Private sector investments Papua – facilitating ongoing efforts between local government, local communities and private firms for more effective community engagement in a more complex environment.
- Land rights and title – establishing a mechanism to bring key stakeholders together to identify and resolve impediments to a more efficient, transparent and authoritative process for determining land rights and title.
- Budget transparency — working with local governments, communities and the private sector to establish mechanisms for increased transparency, inclusion and participation in budget formulation and execution.
- Environment cohesion – planning between ministries, local governments, and communities engaged in environmental integrity and improvement warrant the use of enhanced multi-stakeholder methodologies and training of local leaders as effective advocates in this process.
- Security – Examining the potential to clarify and coordinate the differing roles required of private security, local police, and military in local settings.

There are tremendous advantages to building a national Center dedicated to disseminating, training, and applying methods of civic engagement, cooperative planning, and consensus-building agreements. A cohesive, informed, profession cadre of mediators will mature and acculturate the methodologies relevant to the changing democratic environment of Indonesia. With assessment and programmatic capacity linked to major universities teaching mediating theory, it is readily apparent that a well managed Center in a short period of time can exercise a major impact on present and potentially contentious issues.

V. MOVING FORWARD --- NEXT STEPS:

The Partners Team is circulating this Report to all individuals they met with during their time in Indonesia, asking for feed-back, comments and suggestions. If this Report accurately captures a common perception of both key challenges and opportunities, then we propose the following next steps:

- 1] Partners will develop a concept paper for launching a Center in Indonesia that would provide professional change and conflict management skills and methodologies, ultimately on a cost-recovery basis.
- 2] Partners will continue to develop and refine the specific areas or issues where professional mediating modalities and skills are relevant to addressing current and significant problems.
- 3] Partners team will travel to Indonesia to hold further discussions with potential donors and supporters with a view to clarifying or confirming their interest in supporting such an initiative.

If the results of these previous steps are positive, Partners will create a national Indonesian Center. We believe that this could be done by mid-2007 with the Center beginning operations before the end of the calendar year.

Building a Center is not a project. It is an institution building effort. Managing change and conflict is a function of democracy. The goal in a democratic society is to transform conflict into mechanisms of dispute resolution, supported by public policies, an implementing institution and a trained cadre of professionals who, by their performance and success, will generate respect for a new profession of Indonesian negotiators, mediators and consensus facilitators.