

## Indonesia Update 2013

### Aceh' s Economy – Prospects for Revival after Disaster and War

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## Why Aceh? Because ...

- Aceh is a long-standing problem
- Indonesia has problems at the periphery
- The case studies (response to disaster, and peace-keeping) are of international interest
- We need to learn how to tackle poverty in *daerah terpencil*

## Aim of discussion ...

- To consider the economic issues of the past decade (since 2000)
- Do a stock take of key issues today
- Outline economic priorities for the period ahead (RPJMN 2015-2019)

# Outline:

**(1) History, and the 2005 turning point**

(2) Economic stock take

(3) Policy for development

## Brief history ... the troubles of Aceh

- 1976 – Hasan di Tiro declared independence
- 1989 – Soeharto government declared DOM
- 1998 – DOM withdrawn
- 2001 – GAM declared a “separatist movement”
- 2003 – Megawati declares martial law in Aceh
- 2004 – (Dec) Tsunami
- 2005 – (Aug) Helsinki MOU
- 2007 – Irwandi Yusuf governor
- 2012 – Zaini Abdullah governor

2005 was (arguably) a turning point ...

- Two key events --
- The post-tsunami aid program
- The Helsinki peace accord

Q: How to judge the impact of (a) aid, and  
(b) the Helsinki peace accord??

## But one issue to consider ...

- Was 2005 really a “turning point”? Did the aid program, and the Helsinki peace accord, really make a difference? After all ...

(a) Abiding resentment in Aceh towards Jakarta is still strong

(b) GAM remains a strong influence in Aceh

(c) GAM figures (Irwandi Yusuf, Zaini Abdullah) are leaders in the province

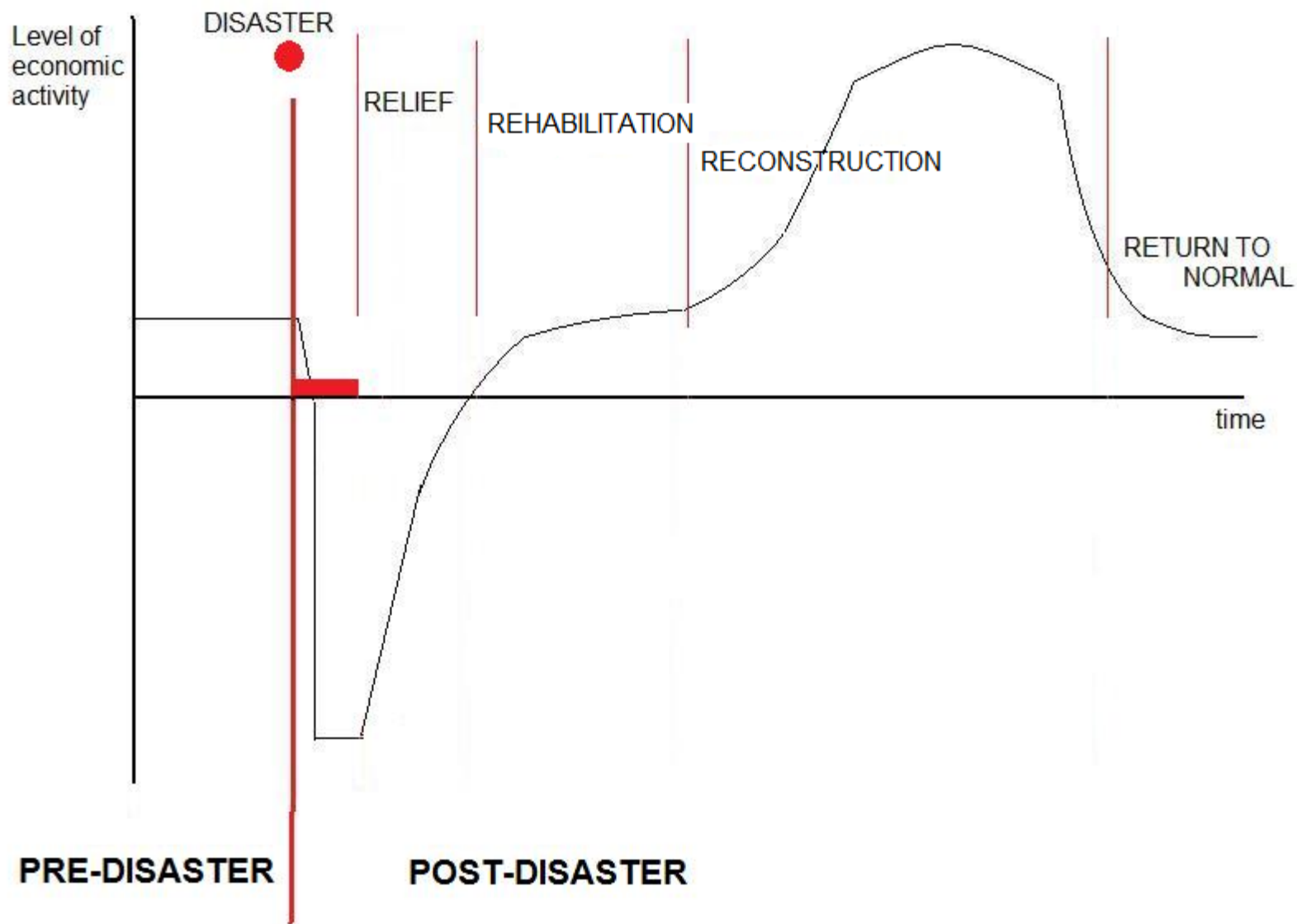
And the *pusat* needs to deal with this.

# Post tsunami aid program -- three issues

- (1) The effort came to dominate the formal sector  
2005 – 2010 ... (diagram of stages)
- (2) three parallel systems of administration  
-- official structure; BRR; international donors
- (3) policy-makers neglected the rest of Aceh



## Disaster -- economic impact at various stages



# Helsinki MOU – 15 August 2005

- A key development – brought peace to Aceh
- Some main aspects of the MOU:
  - (a) Fighting to stop; arms surrendered.
  - (b) Political opportunities for GAM
  - (c) New Law on the Governing of Aceh (LoGA)
- Arguably, post-2005 the MOU has been more important than the aid program
- But concerns about implementation remain.

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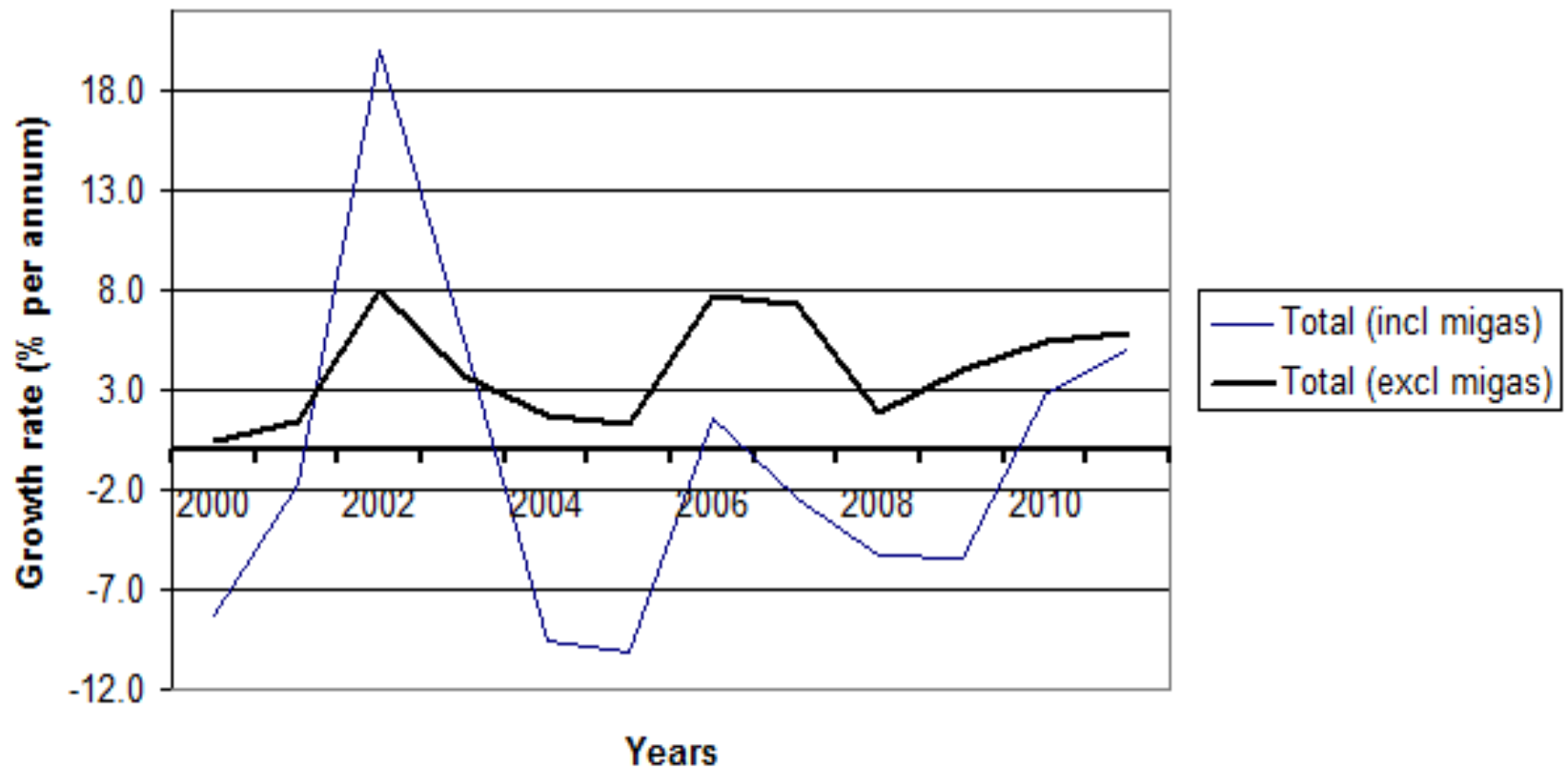
(3) Policy for development

# Economic stock take – issues are ...

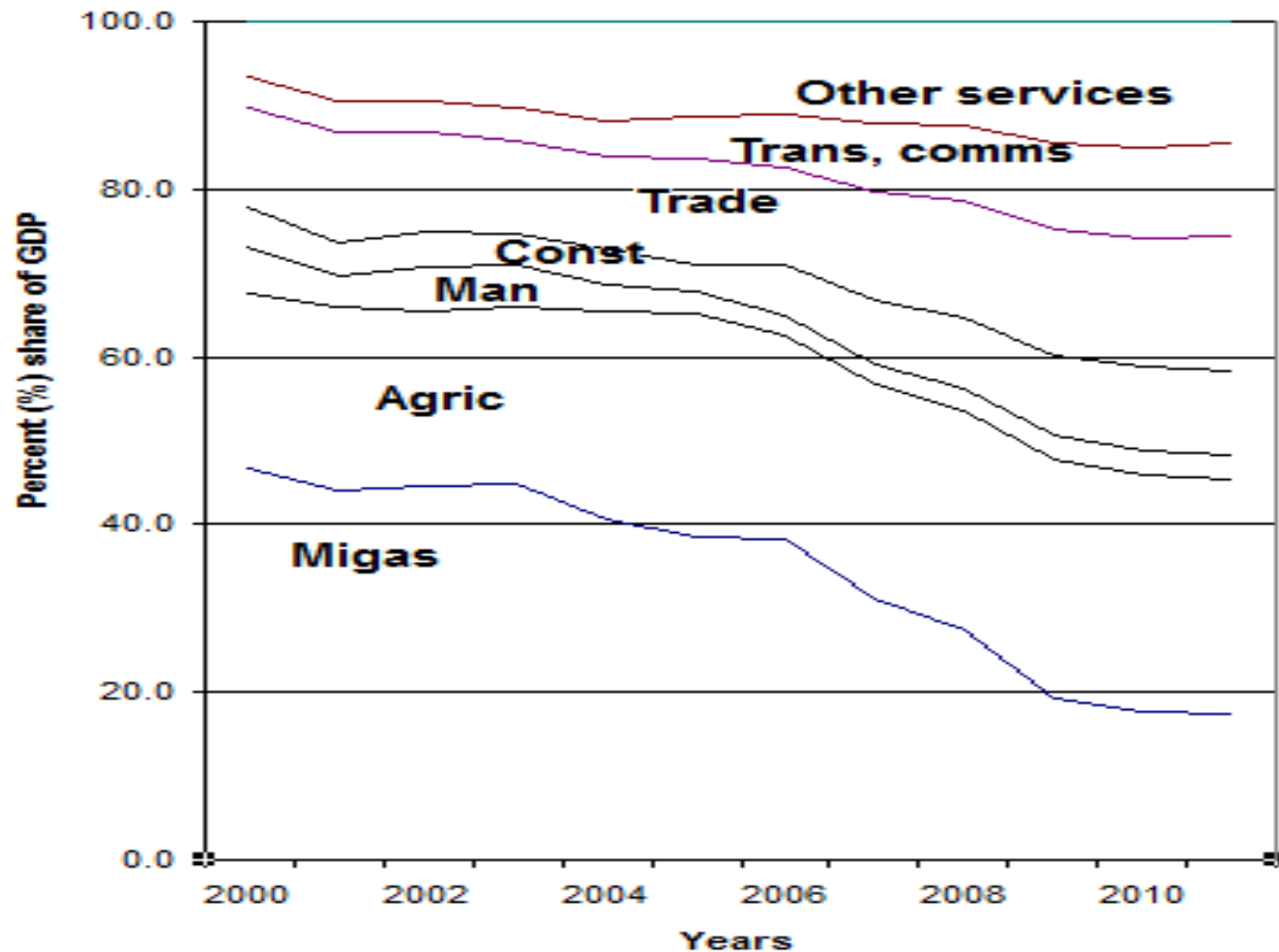
- Dualism and growth
- Structural change
- Issues of size
- Strategic issues for development

# Dualism and growth: Sharp dualism in Aceh

(Diagram ... Real economic growth 2000 - 2011)



# Aceh -- rapid structural change since 2000



## Size – smallness is notable

- Total GDP is small – growth is badly needed
- Nearly all non-migas firms are tiny – a myriad of micro enterprises ... this poses special policy challenges
- Government resources are very limited ...  
Q: How to run a government with such limited resources?

# Strategic issues for development policy

- Widespread poverty
- Rural policy
- Role of provincial (and sub-provincial) government?
- *Pemekaran*



# Picture of poverty – (Aceh March 2012)

		Number of Poor 000		% of total population		Monthly poverty line Rp 000      \$ US
<b>Aceh</b>						
	Rural poor	737		22		308      31
	Urban poor	172		13		350      35
	Total poor	909		19		...      ...
	Total population	4,600				
<b>Indonesia</b>						
	Rural poor	18,400		15		229      23
	Urban poor	10,650		9		267      27
	Total poor	29,230		12		...      ...
	Total population	241,180				

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# Policy for development? (RPJMN 20015-19)

- Promote economic growth
  - Lift investment
  - Pro-job growth
  - Small-scale, rural growth
- Improve supply of simple pro-poor public goods
  - Mobilise migas and other financial resources
  - Focus on small-scale pro-poor infrastructure – roads, water supply, electricity, health, schools

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