



**Minister of State for National Development Planning /
Chairman of National Development Planning Agency**

**OVERVIEW OF THE INDONESIA'S MEDIUM-TERM
DEVELOPMENT PLAN 2004 – 2009 ^{*)}**

BY

SRI MULYANI INDRAWATI ^{)}**

Ladies and Gentlemen,
Distinguished Guests,

This morning I spoke about the catastrophe in Aceh and provided a first assessment of the damages and losses and proposed an outline of the strategy to rebuild the lives and livelihoods of the Acehenese. There is no doubt that re-building Aceh will be one of the government's top priorities for the foreseeable future. However, at the same time the government fully recognizes that we must also remain focused on addressing all the other urgent priorities that we face in our national development. Therefore I would like to talk about our future reform agenda as sketched out in the government's medium-term development strategy. The executive summary of this document has been made available to participants at this meeting today and I do hope everyone has a copy.

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^{**)} Minister of State for National Development Planning/Chairperson of National Development Planning Agency (Bappenas)

The strategy outlines the key policy priorities and direction of the new government under three agendas consistent with the President's vision of an Indonesia that is safe, just and prosperous. But before I touch on the details of the three agendas, I would like to explain why our new strategy constitutes a departure from previous five year plans. The strategy is formulated after the first ever direct presidential elections. It is fashioned, more so than any previous document of its kind on the vision of the elected President and thus the strategy implements promises openly made during the presidential election. It is in this context that the document is an example of a more democratic, open and transparent system of government.

This agenda is also a new departure in the formulation of development policy. The strategy has a substantial focus on policy and re-building institutions compared to previous plans, which had earlier focused on physical targets. It is more balanced in that the social sector and the political agenda become just as important as the economic agenda. In the past economic growth and development were given the highest priority and institutional capacity building in the political, social and economic arenas were neglected. Such neglect of the non-economic aspects of development led to creation of structural weaknesses and rigidities in our institutions, which were unable to effectively respond to the "twin" economic and political crises in 1998, and contributed to the slow economic recovery.

The third difference is that the strategy aims to shift the boundaries of government-society relations to reflect increasing demands from the

community for consolidation of political and economic reforms. Throughout the document there are several common threads that bind the three agendas together. Most importantly, the strategy aims to enhance the role of civil society in the political, policy making process and economy through institutional change and greater individual rights and responsibilities. For example, civil society in partnership with government will have to play a more active role in conflict resolutions. Another important cross-cutting theme in the strategy is mainstreaming poverty and gender through a rights-based approach. This also means that implementation and monitoring progress will have to be a shared responsibility between the government and the community including, among others, regional parliaments, civil society groups, businesses, unions, and the media.

Let me now turn briefly to the future policy agenda and issues that we, the government, and the donor community are facing. As I mentioned earlier, the medium-term development strategy includes three broad agendas and these are articulated in detail in the publication before you. The first agenda focuses on creating an Indonesia that is safe and peaceful. The second agenda focuses on establishing justice and democracy for all citizens. The third agenda is on improving welfare of all citizens and deals with economic and social sector policies and programs.

I would like to touch on each of these three agendas. Turning first to the agenda on creating a safe and peaceful Indonesia. As everyone here today is well aware, continuously increasing crime rates, including trans-national crimes, sectarian and regional conflicts and

terrorism have all increased the community's feelings of insecurity and vulnerability. They also hurt the economic and social fabric of the inflicted communities. At the same time the community demands from us improved safety and security from crime and conflicts. Therefore, this agenda priorities and policy direction will focus on resolving these problems through a multi-sectoral approach including improving capabilities of security apparatus to effectively protect the community against crime and terrorism. However, improved security will not be effective unless we also deal with the root causes of crime and conflicts. In this regard, a common theme in the strategy is to coordinate with the social and economic sectors to address the causes of crime and other social problems.

Our efforts to resolve regional and sectoral conflicts will be done through a comprehensive conflict resolution strategy including civil society. The strategy will combine civil society initiatives, a national reconciliation process, and implement mechanisms to identify and prevent potential conflict areas. The strategy will also coordinate programs designed to improve community's awareness and respect for civil society, and protection of human rights and minority groups.

Turning to our second agenda on consolidation of political and legal reforms, the focus is on rebuilding modern institutions and good governance. Today I would like to focus on three key elements of this agenda – legal sector reform, improving delivery of public services and resolving implementation weaknesses with decentralization.

The government will continue with the legal reform agenda. In particular, there are numerous regulations and laws that are contrary to the ideals of justice, legal certainty and nondiscrimination. Moreover, the community correctly feels that enforcement of laws is selective and non-transparent and this undermines community trust in government. Thus, a key priority will be to establish mechanisms for review and reform of these laws, regulations and implement programs to improve transparency in legal enforcement.

A second priority is to improve delivery of public services ranging from delivery of education and health to the issuance of business licenses and permits. As we know, numerous reports show clearly that weakness in administrative capacity, poor civil service incentives, and endemic corruption in the bureaucracy are the primary causes of poor service delivery. Thus, our medium strategy will focus on civil service reforms as the best way to address these causes of poor service delivery. These will include programs to improve transparency, openness and accountability of the civil service. To do this we intend to strengthen the internal and external audit agencies, introduce a code of public servants ethics and to increase our efforts to eradicate corruption in government.

Finally, the regional autonomy agenda will focus on strengthening government and legislative institutions in the regions as well as further clarifying roles between the center and regions in the areas of budgetary expenditures, management of infrastructure assets, economic and social policy implementation and administrative capacity of local governments. Priorities also include enhancing public

participation in the political process such as introducing free elections of local official heads, enhancing capacity for mobilizing financial resources in the regions, and ensuring free internal trade between regions.

I would like to turn to our final agenda on improving welfare of Indonesians. As I mentioned earlier, while the economic agenda is key to welfare improvements, the social agenda matters as well. In the medium-term development strategy there is a set of policies and programs in the social sector that focus on improving access, equity, and the quality of basic social services including education, health and family planning and community services for the poor and vulnerable. Other areas touched in the strategy include improving access of the poor to resources, regional and village development programs, youth policies, and activities directed at empowerment and protection of vulnerable groups. We believe this approach is consistent with our commitment to achieving the Millennium Development Goals and the programs in the poverty reduction strategy.

An important focus will be to improve the rate of economic growth and its quality in the sense of creating more and better jobs, sustainable reduction in poverty and vulnerability to poverty. Our growth rate has not created the number of good jobs we would expect from a 4-5% growth rate nor significantly reduced Indonesian's vulnerability to falling into poverty or addressed other dimensions of poverty. In other words, we need quality growth that creates good jobs for the almost

two million new job seekers each year, let alone the millions of workers crowded into the more insecure informal sector.

We believe that combined with our social sector program a growth rate averaging 6-7% per annum over the medium term would support our employment and poverty reduction targets. The government has identified five key priority areas to achieve this growth and these priorities will be familiar to every one here today. The first is maintaining macro-economic stability through stable prices, fiscal sustainability and financial sector reforms. The second priority area is accelerating investment, exports, and tourism through reforms to create a healthy business climate and flexible markets. The third priority area is to improve human resources through our social sector programs to better prepare persons for the labor market and for greater participation in the economy.

The fourth priority area is infrastructure development. Due to our financial constraints on development spending, the key objective here is to improve the efficiency of existing infrastructure and utilities and open up sectors to greater private sector participation. These include rehabilitating rail transportation, increasing national road networks across the country and investment in rural roads. In telecommunications the government will proceed with regulatory reform to encourage private investment. In water resources, the priority will be water resource conservation, improving efficiency of existing water resources and increasing access of the poor to quality drinking water. In the energy sector the medium-term priorities will be

to improve the regulatory environment to encourage investment in the energy sector with private sector involvement.

Conclusion

In closing, let me thank you for your support and cooperation as development partners. I trust that the CGI and the working groups will continue to identify challenges and advance the reform agenda.

Thank you. ■