

Overview of the Indonesia's Medium Term Development Plan 2004 - 2009

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.

1. The first agenda focuses on creating an Indonesia that is safe and peaceful.

Turning first to the agenda on creating a safe and peaceful Indonesia. As we aware, continuously increasing crime rates, including trans-national crimes, sectarian and regional conflict and terrorism have all increased the community's feelings of insecurity and vulnerability. 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.

The 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 mechanism 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.

2. The second agenda focuses on establishing justice and democracy for all citizens.

Turning to second agenda on consolidation of political and legal reforms, the focus is on rebuilding modern institutions and good governance. 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 law is selective and non-transparent and this undermines community trust in government. Thus, a key priority will be establish mechanism 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. 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.

3. The third agenda is on improving welfare of all citizens and deals with economic and social sector policies and programs.

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 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.

The new strategy constitutes a departure from previous five year plans. The strategy formulated after the first ever direct presidential elections. It is fashioned, more so than any previous document of its kind on 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 balance 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 company 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 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. Another important cross-cutting theme in the strategy is mainstreaming poverty and gender through a right-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, business, union and the media.

In the medium term development strategy there is a set of policies and programs in the 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.

An important focus will be 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.

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 such as:

1. Maintaining macro economic stability through stable prices, fiscal sustainability and financial sector reform.
2. Accelerating investment, export and tourism through reforms to create a healthy business climate and flexible markets.

3. Improving human resources through our social sector programs to better prepare persons for the labor market and for greater participation in the economy.
4. Development of infrastructure. Due to the financial constraints on development spending, the key objective here is to improve the efficiency of existing infrastructure and utilities as well as 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.