

**PRESIDENT
OF THE
REPUBLIC OF INDONESIA**

**LAW OF THE REPUBLIC OF INDONESIA
NUMBER 17 OF 2007
ON
LONG-TERM NATIONAL DEVELOPMENT PLAN
OF 2005-2025**

**Copied by the:
State Ministry of National Development Planning/
National Development Planning Agency (BAPPENAS)**

**LAW OF THE REPUBLIC OF INDONESIA
NUMBER 17 OF 2007
ON
LONG-TERM NATIONAL DEVELOPMENT PLAN
OF 2005-2025**

WITH THE GRACE OF ALMIGHTY GOD

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Has considered :

- a. that amendment of the 1945 Constitution has resulted in changes in the management of development, namely on account of the Broad State Policy Guidelines (*Garis-Garis Besar Haluan Negara/GBHN*) as the guidelines for formulating national development planning;
- b. that Indonesia needs a long-term national development plan as the overall direction and priority of development that will be carried out in stages in order to attain a just and prosperous society, as stipulated in the 1945 Constitution of the Republic of Indonesia;
- c. that Article 13 paragraph (1) of Law Number 25 of 2004 on the National Development Planning System stipulates that the Long-Term National Development Plan is issued by Law;
- d. that on the basis of the consideration as referred to in point a, point b, and point c, it is necessary to form the 2005-2025 Long-Term National Development Plan by Law.

Has taken into account:

1. Article 5 paragraph (1), Article 18 paragraph (1) and paragraph (2), Article 18A, Article 18B paragraph (2), Article 20 (paragraph (1) and paragraph (2), Article 33, of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 10 of 2004 on Formation of Laws (State Gazette of the Republic of Indonesia of 2004 Number 53, Addendum to the State Gazette of the Republic of Indonesia Number 4389);
3. Law Number 25 of 2004 on the National Development Planning System (State Gazette of the Republic of Indonesia of 2004 Number 104, Addendum to the State Gazette of the Republic of Indonesia Number 4421).

With the Joint Approval of the
PARLIAMENT OF THE REPUBLIC OF INDONESIA
and the
PRESIDENT OF THE REPUBLIC OF INDONESIA
HAS DECIDED :

To stipulate the :

LAW ON THE LONG-TERM NATIONAL DEVELOPMENT PLAN OF 2005-2025.

CHAPTER I GENERAL PROVISION

Article 1

In this Law, the following terms apply:

1. The 2005-2025 Long-Term National Development Plan, hereinafter to be referred to as the National RPJP is the national development planning document for a period of twenty (20) years from 2005 until 2025.
2. The 2005-2025 Long-Term Regional Development Plan, hereinafter to be referred to as the Regional RPJP is the regional development planning document for a period of twenty (20) years from 2005 until 2025.
3. The Medium-Term National Development Plan, that hereinafter to be referred to as the National RPJM is the national development planning document for a five (5) years period, namely the First National RPJM for 2005-2009, the Second National RPJM for 2010-2014, the Third National RPJM for 2015-2019, and the Fourth National RPJM for 2020-2024.
4. The Medium-Term Regional Development Plan, that hereinafter is to be referred to as the Regional RPJM, is the regional development plan document for a period of five (5) years, which is the specification of the vision, mission, and program of the regional head guided by the Regional RPJP and by taking into account the National RPJM.

CHAPTER II NATIONAL DEVELOPMENT PROGRAM

Article 2

- (1) The National Development Program for the period of 2005-2025 is implemented in accordance with the National RPJP.
- (2) The specification of the national development program as referred to in paragraph (1) is contained in the Appendix of this Law.

Article 3

The National RPJM is the specification of the goals for establishing the Government of Indonesia as contained in the Preamble of the 1945 Constitution of the Republic of Indonesia, namely to protect the entire people and whole nation of Indonesia, advancing public prosperity, enhancing the education of the people, and participating in the implementation of maintaining world order on the basis of freedom, lasting peace, and social justice, in the form of the formulation of the vision, mission and direction of National Development.

Article 4

- (1) The National RPJP, as referred to in the Appendix, is an integral part of this Law.
- (2) The National RPJP as referred to in paragraph (1) is the guideline for formulating the National RPJM which contains the Vision, Mission, and Program of the President.

Article 5

- (1) In the context of maintaining the continuity of development and for averting a vacuum of national development plan, the President who is in office in the last year of his/her term is required to formulate the Government Work Plan (RKP) for the first year of the term of office of the next President.
- (2) The RKP as referred to in paragraph (1) is used as guideline for compiling the National Budget for the first year of the term of office of the next President.

Article 6

- (1) The National RPJP as referred to in Article 4 paragraph (1) becomes the terms of reference in formulating the Regional RPJP which contains the vision, mission, and direction of the regional Long-Term Development.
- (2) The Regional RPJP as referred to in paragraph (1) becomes the guideline for formulating the Regional RPJM, which contains the Vision, Mission, and Program of the Regional Head.
- (3) The Regional RPJM as referred to in paragraph (2) is formulated by taking into account the National RPJM.

CHAPTER III SUPERVISION AND EVALUATION

Article 7

- (1) The Government supervises and evaluates the implementation of the National RPJP.
- (2) The Regional Government supervises and evaluates the implementation of the Regional RPJP.
- (3) The procedure for supervising and evaluating the implementation of the development plan will be further stipulated by Government Regulation.

CHAPTER IV TRANSITIONAL PROVISIONS

Article 8

- (1) Existing stipulations on the National RPJM are still effective since the issuance of this Law.
- (2) Existing Regional RPJPs are still effective and must be adjusted to the National RPJP by not later than one (1) year since its issuance.
- (3) Existing Regional RPJMs are still effective and must be adjusted to the Regional RPJPs that have already been adjusted to the National RPJP by not later than in six (6) months.

CHAPTER V
CLOSING PROVISIONS

Article 9

This Law is effective since the date of its issuance.

In order that it be known by everyone, it is instructed to promulgate this Law through its placement in the State Gazette of the Republic of Indonesia.

Issued in Jakarta,
on 5 February of 2007

PRESIDENT OF THE REPUBLIC OF INDONESIA,

DR. H. SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta,
on 5 February 2007

MINISTER OF LAWS AND BASIC HUMAN RIGHTS
REPUBLIC OF INDONESIA

signed
HAMID AWALUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2007 NUMBER 33

A copy in accordance with the original
STATE SECRETARIAT OF THE REPUBLIC OF INDONESIA
Head of the Bureau of Law Regulations
In the Field of Economic and Industrial Affairs,
signed

MOHAMMAD SAPTA MURTI

**ELUCIDATION TO
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 17 OF 2007
ON THE
LONG-TERM NATIONAL DEVELOPMENT PLAN
OF 2005-2025**

I. OVERVIEW

The Unitary State of the Republic of Indonesia (NKRI) comprises a total of around seventeen thousand islands, a diversity of ethnic and custom groups although with one goal and ideal of being a nation as contained in the Pancasila and in the 1945 Constitution of the Republic of Indonesia. In order to implement and realize such goal and ideal it is necessary to have a plan that can be formulated in a more concrete form regarding the attainment of such goal for forming a state.

The goals of establishing a state as contained in the Preamble of the 1945 Constitution of the Republic of Indonesia are for protecting the entire Indonesian people and the whole fatherland of Indonesia and for enhancing prosperity of the people at large, to enhance the education of the people and to participate in endeavours for maintaining world order based on freedom, lasting peace and social justice.

History has shown that the Indonesian people has filled its independence with various development activities in a comprehensive manner since it proclaimed its independence on 17 August 1945. Various valuable experience have been gained during the endeavours to fill the independence and have become a valuable lesson to move forwards towards a better future.

On the basis of Article 4 of Law Number 25 of 2004 on the National Development Planning System, the Long-Term National Development Plan is formulated as a further specification of the goals for establishing the Government of the Republic of Indonesia in 1945 into the vision, mission, and direction of national development. Thereby, this document is more visionary in nature and only contains basic matters, so as to provide ample leeway for the formulation of medium-term plans and their annual plans.

National development is a series of development endeavours that are continuous that encompass all aspects of social, national and state life, for implementing the tasks for realizing the national goal as has been formulated in the Preamble of the 1945 Constitution of the Republic of Indonesia. Such series of development endeavours contain development activities that proceed unceasingly, by enhancing the prosperity of the people at large from one generation to another generation. The implementation of such endeavors is in the context of meeting current needs without lessening the capacity of future generations in meeting their needs.

The 2005-2025 Long-Term National Development Plan is the continuation of the preceding development aimed at attaining the goal of development as stipulated in the

Preamble of the 1945 Constitution of the Republic of Indonesia. In this regard, in the next 20 years, it is essential and urgent for the people of Indonesia to reform various measures, among others in the field of managing natural resources, human resources, the natural environment and its institutions so that the people of Indonesia can endeavour to catch-up with more advanced nations and to gain a position that is equivalent and become competitive in the international community.

As there is no longer the Broad State Policy Guidelines (GBHN) as the guideline for formulating the national development plan and with the strengthening of regional autonomy and decentralization of government within the Unitary State of the Republic of Indonesia and for ensuring the continuity of development, it is thus essential to have a Long-Term National Development Plan. In line with Law Number 25 of 2004 on the System of National Development Planning (SPPN) which has stipulated that the National RPJP be formulated that adheres to a planning paradigm that is visionary, the National RPJP thereby only contains broad directions.

The period of the National RPJP is twenty (20) years. Implementation of the 2005-2025 National RPJP is divided into phases of development planning into medium-term, namely five-year, development plans, and are contained in respectively the 2005-2009 First National RPJM, the 2010-2014 Second National RPJM, the 2015-2019 Third National RPJM, and the 2020-2024 Fourth National RPJM.

The National RPJP is used as the guideline for formulating the National RPJM. The stages of the national development plan into the respective National RPJM periods is formulated in accordance with the vision, mission, and program of the President who has been directly elected by the people. The National RPJM contains the national development strategy, general policies, and ministerial/agency and cross-ministerial/agency, regional and cross-region programs, and the macro-economic framework that describes the overall economic condition including the direction of fiscal policies into the work plan in the form of an indicative regulatory and funding framework.

The RPJM as referred to above is further specified into the Government Work Plan (RKP) which is the national annual development plan, that contains the priorities of national development, the draft macro-economic framework, which encompasses the condition of the overall economy, including the fiscal policy direction, and the ministry/agency, cross-ministry/agency, cross-regional programs, in the form of an indicative regulatory and funding framework.

In the context of maintaining the continuity of development and for averting a vacuum in national development plan, the incumbent President in the last year of his/her term of office is required to formulate the Government Work Plan (RKP) and Draft National Budget (RAPBN) in the first year of office of the next President, namely in 2010, 2015, 2020, and 2025. Nevertheless, the President Elect of the following period still has a broad leeway for revising the RKP and APBN in the first year of coming into office namely in 2010, 2015, 2020, and 2025, through the mechanism for revising the APBN (APBN-P) as

stipulated in Law Number 17 of 2003 on the State Finance. With the authority to compile the RKP and RAPBN as referred to above, the whole period of the RPJPN is thus 2005-2025.

The period of the Regional RPJP, in accordance with the period of the National RPJP. Whereas the periods of the Regional RPJMs cannot be in accordance with the period of the National RPJM because the election of Regional Heads is not implemented in the same as stipulated in Law Number 32 of 2004 on Regional Government as has been amended by Law Number 8 of 2005. In addition, a regional Head must not later than three (3) months after being installed determine the Regional RPJM as stipulated in Law Number 25 of 2004 on the System of National Development Planning.

The objectives of issuing the 2005-2025 National RPJP are : (a) supporting coordination among development actors in the attainment of the national goal, (b) ensuring the created integration, synchronization and synergy among regions, among spatial units, between time, among functions of the Government as well as between the Central and Regional Governments, (c) ensuring linkage and consistency among planning, budgeting, implementation and supervision, (d) ensuring the realization of the efficient, effective, just and sustainable use of funding resources, and (e) optimising community participation.

The long-term national development plan is formed in the vision, mission and direction of national development, that reflect the collective ideals that will be attained by the Indonesian people and the strategy for realizing them. The vision is the further specification of the ideals of the nation as contained in the Preamble of the 1945 Constitution of the Republic of Indonesia, namely the creation of the people who are protected, prosperous, well educated and just. If the vision has already been formulated, then it is also necessary to explicitly state the mission, namely the ideal steps for attaining the vision. Such mission is further elaborated into the national long-term development policy directions and strategy.

The long-term plan tends towards intellectual exercise activities that are visionary in nature, so that its compilation will place greater emphasis on the participation of the community segment that has the visionary intellectual exercise capability, such as universities, strategic institutions, visionary intellectuals and state officials who have the competence of rational thinking by still taking into account the interest of the people at large as the subject as well as objective of development. Therefore, the national long-term development plan that is placed in the form of the vision, mission, and direction of national development is the product of all elements of the nation, society, government, state institutions, social organizations and political organizations.

The Regional RPJP must be formulated on the basis of the National RPJP by taking into account the regional characteristics and potentials. The Regional RPJP is then further specified into the Regional RPJM.

Considering that the National RPJP is the basis for compiling the Regional RPJP, the Head of the Bappeda (Regional Development Planning Agency) prepares the draft Regional RPJP which is compiled through the Regional Development Planning Consultation (Musrenbangda).

The Regional RPJP draft yielded by the Musrenbangda can be consulted and coordinated with the State Minister for National Development Planning/Chairman of the National Development Planning Agency (Bappenas). Such Regional RPJP is determined by Regional Regulation.

While the Regional RPJM is the vision and mission of the elected Regional Head. The Regional RPJM is determined by the Regulation of the Regional Head in congruent with the stipulations in Law Number 25 of 2004 on the System of National Development Planning.

In accordance with Article 34 of Law Number 25 of 2004 on the System of National Development Planning, the National RPJM and Regional RPJP can be formulated beforehand by setting aside the National RPJP as the guideline.

The 2004-2009 National RPJM has been issued beforehand by Presidential Regulation Number 7 of 2005 before this Law has been issued, in accordance with Article 34 of Law Number 25 of 2004.

Prior to the issuance of this Law, several regions have already issued their Regional RPJPs and Regional RPJMs. This Law still recognizes the existence of such Regional RPJPs and Regional RPJMs. Nevertheless, this Law provides a time limit to the Regional Governments for adjusting their Regional RPJPs and Regional RPJMs in accordance with the National RPJP as referred to in this Law.

The Law on the 2005-2025 National RPJP consists of 5 chapters and 9 articles that stipulate terms, substance of the National RPJP, monitoring and evaluation of the implementation of the National RPJP and Regional RPJP, and provides the leeway for adjusting the existing National RPJM and Regional RPJP to the effectuating of the Law on the 2005-2025 National RPJP and to the Appendix that is the integral part of this Law on the 2005-2025 National RPJP, which contains the Vision, Mission, and Direction of the 2005-2025 Long-Term Development.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Article 3

Sufficiently clear.

Article 4

Sufficiently clear.

Article 5

By the RKP and RAPBN of the first year are meant the RKP and RAPBN of 2010, 2015, 2020, and 2025.

The elected President of the following period still has a broad leeway to revise the RKP and APBN in his/her first year of office through the mechanism of revisiing the APBN (APBN-P).

Article 6

Paragraph (1)

The purpose of the Regional RPJP being based on the National RPJP is not for limiting the authority of the region, but to ensure that there is a clear reference base, synergy, and link of each development plan at the regional level on the basis of the its autonomous authority on the basis of the platform of the National RPJP. The Regional RPJP is further specified by the Regional Head on the basis of his/her vision and mission, that are formulated in the form of the Regional RPJM.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 7

Paragraph (1)

Government refers to the Central Government.

Controlling and evaluating the implementation of the National RPJP are carried out by the respective heads of the ministries/agencies. The State Minister for National Development Planning/Chairman of the National Development Planning Agency (Bappenas) collects and analyses results of monitoring implementation of National RPJP of the respective heads of the ministries/agencies.

Paragraph (2)

The Regional Government is the Provincial, Regency/City Government.

The control and evaluation of the implementation of the Regional RPJP are carried out by the Head of the Regional Government Work Unit.

Paragraph (3)

Sufficiently clear.

Article 8

Paragraph (1)

Sufficiently clear.

Paragraph (2)

In order to accommodate existing Regional RPJPs, and considering that the Regional RPJP must be based on the National RPJP, it is thus necessary that the substance as well as period of the Regional RPJP be adjusted to the National RPJP.

Paragraph (3)

In order to accommodate the existing Regional RPJM so as to become congruent with the Regional RPJP that has already been adjusted to the National RPJP, it is thus necessary that the substance of the Regional RPJM be adjusted to the Regional RPJP without having to adjust the period of the Regional RPJM to the Regional RPJP and to the National RPJM, This is because the time of implementing the election of regional heads differ among the regions.

Article 9

Sufficiently clear.

ADDENDUM TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 4700

**PRESIDENT
OF THE
REPUBLIC OF INDONESIA**

**APPENDIX
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 17 OF 2007
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C. CHAPTER V CLOSING PROVISION

CHAPTER I INTRODUCTION

1.1. Foreword

1. With the grace of Almighty God, the Indonesian people has filled its independence during the past 60 years since the Proclamation of Independence on 17 August 1945. In the first twenty years since independence (1945-1965), the Indonesian people has underwent various trying experiences. Indonesia has been able to maintain its independence and has upheld the sovereignty of the nation. The unity and integrity of the nation has also been successfully defended by mitigating various seeds of conflicts, covering armed as well as political conflicts among internal components of the nation. In that period, the leaders of the nation had been successful in formulating national development plans. On the other hand, the atmosphere that was full of tension and conflicts had led to such plans not being able to be effectively implemented.
2. Subsequently, in the 1969-1997 period, the Indonesian people has been able to formulate national development plans in a systematic manner through five years development plans. Such development were the specification of the GBHN (Broad State Policy Guidelines) which constituted the direction and guideline for national development in order to attain the ideals of the nation as stipulated in the preamble of the 1945 Constitution of the Republic of Indonesia. The stages of development laid down in that period has set the basis for a process of sustainable development and had succeeded in enhancing the prosperity of the people, as reflected in various economic and social indicators. The development process in that period had very much been output oriented. Whereas the process and especially the quality of implementing institutions that support it had not been developed and had even been politically suppressed thereby making them become vulnerable to abuse and had made it become unable to carry out their functions in a professional manner. The deficiency of development in terms of developing the political, legal, and social systems and institutions had resulted in the achievement of development to become unbalanced in terms of justice and had naturally threatened the sustainability of the development process itself.
3. In 1997, a monetary crisis occurred that had grown into a multi-dimensional crisis, that in turn led to reforms in all dimensions of national life. Such reforms had imbued a new political spirit and a new perception as reflected in the amendments of the 1945 Constitutions of the Republic of Indonesia. The substance changes of the 1945 Constitution of the Republic of Indonesia that are related to development planning are : a) The MPR (People's Consultative Assembly) has no longer been stipulated to issue the GBHN (Broad State Policy Guidelines); b) The President and Vice President are directly elected as a pair by the people; and c) Decentralization and strengthening of regional autonomy.
4. The absence of the GBHN will results in the no longer formed long-term development in coming period. The direct election has given the ability for the candidate President and candidate Vice President to submit their development

vision, mission, and programs during their campaigns. Such ability has the potential of creating discontinuity of development from the term of office of the President and Vice President to the term of office of the following President and Vice President. Decentralization and strengthening of regional autonomy have the potential of regional development plans not being congruent among the regions and between the development plan of a regions and the national development plan.

5. It is in that context that all elements of the nation have agreed to determine a system of development planning through Law Number 25 of 2004 on the System of National Development Planning, that contains stipulations on long-term (20 years), medium-term (5 years), and on annual planning.
6. On the basis of past experience and by taking into account the amendments of the 1945 Constitution of the Republic of Indonesia, it is necessary to have a long-term development plan for maintaining sustainable development in the context of attaining the goals and ideals of having a state as contained in the Preamble of the 1945 Constitution of the Republic of Indonesia, namely (1) to protect all elements of the people of Indonesia and the whole Indonesian nation; 2) to advance public prosperity ; 3) to enhance the education of the people; and to participate in maintaining world order on the basis of freedom, everlasting peace, and social justice. In the context of realizing such national development goals it is necessary to determine the long-term development vision, mission, and direction of Indonesia.
7. The past 60 years experience in filling independence constitutes a valuable asset for moving forward in order to carry out national development in a comprehensive, gradual, and sustainable manner in the context of the NKRI (Unitary State of the Republic of Indonesia) on the basis of the Pancasila and the 1945 Constitution of the Republic of Indonesia.

1.2. DEFINITION

The Long-Term National Development Plan (National RPJP) is the national development planning document, which is the further specification of the goal for establishing the Government of the Republic of Indonesia, as contained in the Preamble of the 1945 Constitution, in the form of the vision, mission, and direction of national development for a period of twenty (20) years ahead, encompassing the period from 2005 to 2025.

1.3. AIM AND PURPOSE

The 2005-2025 Long-Term National Development Plan, hereinafter to be referred to as the National RPJP, is the national development planning document for the period of twenty (20) years from 2005 through 2025, is determined with the aim of providing direction and also as reference basis for all elements of the nation (government, society and the business community), in realizing the national ideals and goal in accordance with the vision, mission, and direction of development that have been commonly agreed so that the entire endeavours carried out by the stakeholders in

development are synergic, coordinated, and mutually supporting in one pattern of perception and one pattern of behaviour.

1.4. BASIS

The ideal basis of the National RPJP is the Pancasila and the constitutional basis is the 1945 Constitution of the Republic of Indonesia, whereas the operational basis is all laws and regulations that are directly related to national development, namely :

1. Decree of the People Consultative Assembly of the Republic of Indonesia; Number VII/MPR/2001 On the Vision of Indonesia Ahead;
2. Law Number 17 of 2003 on State Finance;
3. Law Number 1 of 2004 on State Treasury;
4. Law Number 25 of 2004 on the System of National Development Planning;
5. Law Number 32 of 2004 on Regional Government;
6. Law Number 32 of 2004 on Financial Balance between the Central Government and Regional Government.

1.5. OUTLINE

The 2005-2025 Long-Term National Development Plan is formulated according to the following outline:

Chapter I	Introduction
Chapter II	Overall Condition
Chapter III	National Development Vision and Mission for 2005-2025
Chapter IV	Direction, Phases, and Priority of the 2005-2025 Long-Term Development
Chapter V	Closing Remarks

CHAPTER II OVERALL CONDITION

II.1 CURRENT CONDITION

The national development activities that have thus far been carried out have shown progress in various fields of life of society, encompassing social and cultural fields and religious life, in the economic field, in science and technology, in the fields of politics, defence and security, law and the state apparatus, regional development and in spatial development, in the development of the infrastructure and public facilities, and in the management of natural resources and the natural environment. In addition to the many achievements attained, there are also many challenges or problems that can not yet be fully resolved. In that respect, endeavours are still needed for resolving them in the national development of 20 years ahead.

A. Social and Cultural Aspects and Religious Life

1. Development in the social and cultural, and religious fields is closely related to the quality of life of the people and society of Indonesia. The life condition of the people can be reflected in the quantity and age structure of the population and in the quality of the population, such as shown in the state of education, health and of the environment.
2. With regard to the population, the efforts for controlling population growth need to be continuously endeavoured so that through time the growth rate of the population could be reduced.
3. The effort for enhancing the quality of man is still the important concern. Human resources are the subject as well as the object of development, encompassing the entire life cycle of man from being in the mother's womb until the end of his/her life. The quality of human resources has continuously improved as reflected by among others the increase in the Human Development Index of Indonesia to become 0.697 in 2003 (Human Development Report, 2005). This index is the composite of the life expectancy at birth of 66.8 years, the literacy rate of the population aged 15 years and older of 87.9 percent, the crude enrolment rate of basic education until higher education of 66 percent, and the gross domestic product per capita computed on the purchasing power parity basis of USD 3,361. The Human Development Index of Indonesia is placed in the 110 ranking among a total of 177 nations.
4. The health status of the Indonesian population is generally still low and left behind if compared with the health status of the population in other ASEAN nations. This is reflected among others in the still high maternal mortality rate, namely of 307 per 100 thousand life births (Demographic and Health Survey of Indonesia. 2002-2003), and in the still high infant mortality rate. In addition, malnutrition especially among infants is still a serious problem in the efforts for attaining a self-reliant and quality generation.
5. The education level of the Indonesian population has increased as measures among others by the increase in the literacy rate of the population aged 15 and

higher, the increasing total number of the population aged 15 and higher who have finished junior high (SMT/MTs) and higher education level, the increased average school attendance rate; and the increased school enrollment rate for all age groups. Nevertheless, such a condition is still inadequate to face the ever more tight global competition in the future. Such condition has been exacerbated by the high disparity of education levels among groups in society, especially between the rich and the poor, between urban and rural areas, among regions, and between different gender.

6. The empowerment of women and children has already shown increases as reflected in the enhanced quality of life of women and children, even though not yet in all fields of development. In addition, youth participation in development has also continuously improved in line with the widening acculturation of sports activities among the population. The standard of social life of the people has been quite adequate in line with the various endeavors of empowerment, provision of public services, rehabilitation, and the provision of social security for vulnerable groups in society, including to those inflicted by social problems and those afflicted by addiction to narcotics and prohibited drugs.
7. Development in the field of culture has already shown progress as indicated by the enhanced understanding to the diversity of culture, the importance of tolerance, and on the importance of socializing the resolution of conflicts without resort to violence, and the incipient growth of interaction among cultures. Nevertheless, the efforts for developing national identity, such as being able to appreciate cultural values and language, the value of social solidarity, sense of affinity, and love for the fatherland, are felt to be waning. This due to among others the not yet optimal efforts for forming the national character, the insufficient examples exhibited by leaders, the weak compliance with the law, the rapid absorption of negative global culture, and the inadequate capability to absorb global culture that is more suitable to the national character, and the inequitable social and economic condition in society.
8. In the field of religion, there is a diverse awareness among the people in practicing religious teachings. Among the majority of the population, religious life has not yet reflected the understanding and application of the values of the religion that they adhere to. Religious life in such communities still pertain to adhering to religious symbols and not yet to the substance of the value of religious teachings. On the other hand, among another segment of the population have already come close and in fact have already been congruent with their religious teachings. Thereby, a strong awareness has already emerged for building up social harmony and internal relations and relations among various religions that are consistent with security, peace and mutual respect. Nevertheless, the efforts for establishing internal harmony and harmony among religions have still not yet been fully effective, especial at the community level. Religious teachings on the work ethos, appreciation for achievement, and encouragement to strive for advancement, have not yet been able to be realized as the inspiration that can induce the people to develop. In addition, religious moral principles cannot yet fully be realized in daily life.

B. Economic Field

1. In the run-up to the economic crisis of 1997, economic development had actually been in the climate of high optimism in view of the achievements in the first long-term development period. On the other hand, various efforts for attaining development targets had virtually halted due to the crisis that had crippled the national economy. The fragile state of economies in the South East Asian region, including Indonesia, had not yet been able to withstand external shocks. The relatively high economic growth that had been maintained over a quite extended period had been more induced by the increased accumulation of capital, manpower and by the exploitation of natural resources rather than by the continuous increase in productivity of the economy. The crisis had revealed a basic weakness, namely that the progress thus far attained have not yet been accompanied by an increase in efficiency and in improvement in the management of economic institutions that had ultimately led to the erosion of confidence of domestic as well as foreign stakeholders. Consequently, such an economic structure is not only vulnerable to external disruptions but also to will experience difficulties in its growth if faced by more sharp competition, in the marketing of its products as well as in its efforts to increase investment in the era of an increasingly open global economy.
2. The 1997 crisis had dismantled the foundation of the economy. Within a period of less than one year the exchange rate had drastically depreciated to reach Rp 15,000.00 per 1 USD. As a result, government and private debt had ballooned leading to the continuing slump of domestic aggregate demand until the middle of 1998. As a result, the GDP contracted by 13 percent in that year. The large number of companies falling into bankruptcy had led to the sharp increase in the total number of the unemployed, namely by almost twofold, from around 28 million persons in 1996 to around 53 million persons in 1998. Up to 2004, the total number of poor population was still high (around 30 million persons) and the total number of the unemployed was still around 10 million persons.
3. Through various programs for overcoming the crisis that had been implemented during the political transition period, the economic condition started to improve since 2000. Such improvement was reflected in various indicators such as the following. The state deficit fell from 3.9 percent of GDP in 1999/2000 to 1.1 percent of GDP in 2004, the ratio of government debt stock to GDP was reduced to below 60 percent, and the foreign exchange reserves continued to increase in the last four years to USD 35.4 billion in 2004. The exchange rate was stabilized at Rp 9,000 per 1 USD and the inflation rate was reduced to around 6.0 percent in 2004. The stabilized exchange rate and inflation rate had provided room for manoeuvre for monetary policy to gradually reduce the Bank Indonesia Certificate (SBI) interest rate. Such decline in the SBI interest rate was followed by the significant fall in the interest rate of bank deposit rates, although not fully followed by bank lending rates. Even though not yet optimal, such fall in interest rates had been utilized by banks to carry out credit restructuring, especially the credits with short maturity. For the real sector, such stable condition had provided the opportunity to the business community to carry out internal financial restructuring.

4. The aforementioned performance had been able to improve the macro economic stability. Nevertheless, such performance had not yet been able to restore economic growth to the level as before the crisis. This is because the engine of growth still relied on consumption. The production sectors had not yet grown because of a number of problems related to the business climate not yet being conducive, that had adversely affected the interest to investment, encompassing the high-cost economy practices, including practices of corruption, collusion, and nepotism, and various regulations related to the implementation of regional autonomy. In addition, the difficulties encountered for reviving the investment and export sectors were also attributed to the weak national competitiveness, especially in the face of the increasingly tight international economic competition. Such weak competitiveness was also caused by the low productivity of human resources and the low mastery and application of technology in the production process. Another problem that had also strongly affected the situation is the limited capacity of the infrastructure in supporting the efforts for increasing efficiency in distribution activities. The protracted resolution of all of the problems faced by the real sector will hamper the performance and enhancement of the national economy's resiliency, that in turn could reduce self-reliance of the nation.
5. Even though it has gradually declined, the total number of poor population is still relatively high, in rural as well as urban areas, especially in the agricultural and marine sectors. Therefore, poverty will still need to be given serious attention in development over the next 20 years. The large extent and the diverse social and cultural condition of the population have resulted in the poverty problem in Indonesia becoming vary diverse with strong local characteristics and with different poverty experiences. The poverty problem involves multidimensional aspects, because it not only pertains to income but also to the vulnerability and susceptibility of the people or communities to becoming poor. In addition, poverty also involves failure in meeting basic rights and differences in the treatment of individuals or groups of people in having a respectful life.

C. Science and Technology

1. The capability to utilize, develop, and master science and technology has increased. Various products from research, development, and technological engineering, have been utilized by industry and society. The total number of scientific publications has continued to increase even though is still very low at the international level. This is an indication of increased research activities, scientific transparency, and activities in disseminating products from research and development.
2. Nevertheless, the national capacity in mastering and utilizing science and technology is still inadequate for increasing competitiveness. This indicated among others by the still low contribution of science and technology in production, the still not yet effective intermediation mechanism, the weak synergy of policy, the not yet developed science and technology culture in society, and the limited science and technology resources.

D. Facilities and Infrastructure

The current condition of public facilities and infrastructure in Indonesia is still characterized by the low ability to access, quality, as well as coverage of services. As a result, the existing public facilities and infrastructure cannot yet fully become the backbone of development for development of the real sector in the context of supporting food security policies in the regions, inducing the production sector, and supporting regional development.

1. The development of water containing facilities, such as dams, water ponds (*embung*), lakes, and water source, is not yet adequate, thereby not yet able to meet the needs for water, for agriculture, households, urban uses, as well as from industry, especially during the dry season, that has tended to become longer than usual in various regions, which then experience water crises. The support from irrigation facilities that have undergone damages cannot be relied upon thereby only around 10 percent of the irrigation network has relatively adequate water supply that originate from water containing structures, while the rest depends entirely on water supply from rivers. In addition, the rate of developing facilities and infrastructure for controlling the erosive effect of water, has not yet been able to keep up with the rate of environmental degradation making many regions still being threatened by floods. In line with the growth of regional economies, many regions have already experienced deficits in their surface water, while the conversion of agricultural lands has increased the change in the function of irrigation facilities, so that it is necessary to make adjustment and controlling steps. With respect to the development of the institution for managing water resources, the weak coordination among central government agencies and among the autonomous regional governments, have led to the inefficient management of water resources, and in fact not infrequently have contradict each other. On the other hand, the awareness and participation of the general public, as one of the prerequisites for ensuring the sustainability of a water management pattern, have not yet reached the desired level because of their still limited opportunity and capacity.
2. The economic crisis has led to the decline in the quality of public facilities and infrastructure, especially roads and railways, the condition of which have become very serious. By 2004, around 46.3 percent of the road length were in light and heavy damaged condition and 32.8 percent of existing rail-tracks were no longer operational. As an archipelago and maritime nation, there are still many inter-island transportation needs, encompassing sea as well as ferry transportation, that cannot yet be met. The role of the national fleet, for domestic as well as international transport, has declined so that by 2004 each only has a share of respectively 54 percent and 3.5 percent. Whereas according to the effective international convention, the national fleet has the right to 40 percent of the market share for export-import cargo and 100 percent for domestic transportation. With regard to air transportation, the application of the policy on multi-operator airline companies have been relatively able to provide services at a price that is affordable to the general public. In addition to the problem attributed to the economic crisis, the development of the transportation infrastructure has faced constraints related the limited availability of funds for construction, operation and maintenance of transportation facilities and infrastructure, and the low access to

transportation facilities and infrastructure in various remote regions and the not yet integrated development of transportation and regional development for the general public, resulting in the limited scope of transportation services. Likewise, on account of the continually deteriorating quality of public transportation, several cities are experiencing ever more serious traffic jams and pollution problems and the traffic accident rate has been increasing. On the other hand the role of the private sector has not yet grown due to the not yet conducive institutions and laws and regulations.

3. In the globalisation era, information has an economic value in inducing growth and in increasing the competitiveness of the nation. The main problem faced in the development of post and telematics is the limited capacity, affordability, and quality of post and telematics facilities and infrastructure that have led to the low ability of the people in accessing information. Such a condition has led to the ever widening digital gap, among regions in Indonesia as well as between Indonesia and other nations. From the supply side, namely from the side of providers of post and telematics services, such digital gap is attributed to (a) limited funding capability of operators leading to the limited maintenance of existing facilities and infrastructure and to the limited development of new post and telematics facilities and infrastructure; (b) the still absent healthy competition and the still high barrier to entry leading to the not yet optimal role and mobilization of private funding; (c) the not yet developed sources and mechanism for funding the development of post and telematics facilities and infrastructure, in such forms as through public-private partnership, public-community partnership, and private-community partnership; (d) the still low optimising utilization of existing facilities and infrastructure leading to some state assets lying idle; (e) the limited capability to adopt and adapt technology; (f) the limited use by the domestic industry leading to the still high dependence on components of industries abroad, and ; (g) the still limited applied and content industries that are developed by the providers of the facilities and infrastructure services. From the demand side, namely in terms of the capability of the general public to utilize the facility and infrastructure services, the digital gap is attributed to (a) the limited ability to pay of the general public for post and telematics services; (b) the still low capability of the general public in utilizing and in developing the information and communication technology, and (c) the limited capability of the general public in processing information into economic opportunities, namely in making something to have an economic value added.

4. With regard to the facilities and infrastructure of energy, including electricity, the main problems faced are among others the still large gap between the supply and demand of energy, including electricity, the condition of which has become ever more critical in various regions due to the still low capability to invest and to manage the supply of energy facilities and infrastructure; the still low effectiveness and efficiency in the utilization of already installed facilities and infrastructure in the last decade; the still high dependence of consumers on oil fuel; the still dominant equipment and supporting materials that must be imported; and the existence of inconsistent regulations. The uneven demand for energy coupled with the extensive area of Indonesia in the form of an archipelago with a highly variegated population density have made it quite difficult to optimally develop various types of energy facilities and infrastructure. This is also affected by the dispersed location of potential primary energy reserves, most of which are situated far from the burden centre; the limited

human resources, science and technology; the high annual growth of demand for various types of energy, and ; the still low purchasing power of the people.

5. The increased total number of population will increase the demand for housing up to 2020 and is estimated to reach over 30 million units, so that the annual need for houses is estimated to reach 1.2 million units. The data of 2004 shows that 4.3 million households do not yet have a house. The supply of clean water has also not yet attained significant progress. On the basis of the 2004 statistical data on housing and human settlement, the total number of population (urban and rural) that have access to piped clean water was still 18.3 percent, which is a slight increase from the situation ten years before of 14.7 percent. Likewise, the handling of waste in urban and rural areas has still reach 18.41 percent, namely 40 million persons, whereas the coverage of drainage services still reached 124 million persons.

E. Politics

1. The democratisation process since 1998 until the implementation of the 2004 General Election has provided the opportunity for ending the democratic transition period towards the process of consolidating democracy. The amendment to the 1945 Constitution of the Republic of Indonesia that was made four times has changed the basics for reaching consensus in the implementation of life as a nation and as a state, at the state institutional level as well as at the community level. The amendments to the 1945 Constitution of the Republic of Indonesia, that subsequently had opened the way for the issuance of various regulations and laws in the political field as the further specification of such amendments, have become an important part in the endeavour to formulate the new political format in the context of consolidating democracy. The amendments of the 1945 Constitution of the Republic of Indonesia have explicitly reformed the structure and powers of state institutions, including the addition of several institutions such as the Judicial Commission, the General Election Commission, and several other Commissions. Such reforms has provided the opportunity for realizing the checks and balances of political power. Such change in the political format has been formulated in Law Number 31 of 2002 on Political Parties, Law Number 12 of 2003 on General Election, Law Number 22 of 2003 on the Structure and Position of the MPR, DPR, DPD, and DPRD, and Law Number 23 of 2003 on General Election of the President and Vice President. As a nation that only in the last several years has entered the democratisation process, the process of forming institutions has not infrequently created conflicts of interests.
2. With regard to the General Election, the achievement attained is the successful implementation of the direct election of members of the DPR, DPD, and DPRD, and the direct election of the president and vice-president, that proceeded in a safe and democratic manner in 2004. In addition, the direct election of regional heads has also proceeded satisfactorily throughout Indonesia in 2005. This is a valuable starting asset for the further growth of democracy in subsequent periods.
3. The growth of democracy has thus far been also signified by the formulated new format of central-regional relations. On the other hand, it is still proceeded at the procedural level and not yet in terms of substance. The format that has already

been established is based on Law Number 32 of 2004 on Regional Government and on Law Number 33 of 2004 on Financial Balance between the Central Government and Regional Governments that have basically induced the self-reliance of regions in administering their own governmental affairs and have stipulated the relations of authority between the central government and the provincial, regency and city regional governments and among the regional governments. Currently, the implementation of decentralization and regional autonomy still encounters various problems, attributed to among others the lack of coordination between the central governments and regional governments and the inconsistency of various law products, comprising inter-regional government regulations as well as regulations between the central government and regional governments.

4. The growth of democracy has also been signified by the consensus reached on the new format of civilian-military relation that upholds the supremacy of civilians and relation between the Indonesian Armed Forces (TNI) and the Indonesian Police in terms of the authority in implementing the defence and security system through the promulgation of Law Number 34 of 2004 on the TNI, Law Number 3 of 2002 on State Defence, and Law Number 2 of 2002 on the Indonesian Police. Nevertheless, the newly attained format still encounters problems on its implementation that is still effective at the procedural level but not yet in terms of substance. In addition, another development in the growth of democracy is the ratification of Law Number 43 of 1999 on Amendment of Law Number 8 of 1974 on the Basic Provisions on Personnel Matters that represents a new national consensus on the neutrality of Civil Servants, members of the TNI and of Polri with regard to politics.
5. Progress towards greater democracy is also evident in the greater consciousness of civil rights in political life, that in the long run is hoped to be able to stimulate the people to be greater participate in taking initiatives in the management of public affairs. Such progress is not independent from the increased role of political parties, non-governmental organizations and of other organizations of civil society. Nevertheless, the development of the vision and mission of political parties has evidently not yet been fully in line with the growth of the consciousness and dynamics of social and political life of the people and with the demands for democratisation. In addition, the growth of freedom of the press has already been much advanced as signified by among others the active role of the press and media in voicing the aspirations of the people and by carrying out supervision to the implementation of governance. Nevertheless, the press has not yet been able to handle the impact of such freedom of the press as shown among others by the fact that it still favours the interest of industry rather than the public interest.
6. In implementing international relations and in the course of the implementation of foreign policy, Indonesia has carried out many steps and has achieved them satisfactorily. Nevertheless, there are still aspects that have not yet been optimally endeavoured on the basis of the existing potentials and resources. If not adequately managed, the strategic geopolitical position of Indonesia with its natural resources, population, and its increasingly improved democratic process as its comparative advantage in developing Indonesia's

leadership in the global area could in fact become a source of vulnerability for the interest of the Republic of Indonesia. The policy principles that are consistently developed are reflected in the efforts for enhancing Indonesia's image as a nation that is able to reconcile the aspirations of the Muslim community and the efforts to consolidate democracy; in the efforts to provide greater attention to national unity and coherence; in the efforts to enhance enforcement of the law and respect for basic human rights and that is not discriminative; and in the efforts for inducing a more sustainable recovery of the economy and by providing protection to the basic rights of citizens. All of such achievements are important assets for the implementation of foreign policy and in the conduct of international relations of Indonesia. In addition, Indonesia's position as an archipelago has a strategic geopolitical position with its natural resources, population, and its continually improved democratisation process, are the strengths and comparative advantages as the potential for building the leadership of Indonesia in the global sphere through the initiative and contribution of thoughts and commitment of Indonesia to the formation of an international relations that is more just, peaceful, and balanced, and to its rejection of unilateralism.

7. As a country which has just started to develop democracy, foreign policy options no longer concern the perspective of foreign affairs as such. The inter-linkage between international and domestic affairs has increasingly affected the process of determining foreign policy. Nevertheless, one principle that cannot be overlooked is that the whole process of foreign policy making is aimed at meeting a wide range of fields in the national interest of Indonesia. In the context of implementing foreign policy that is oriented to the national interest, Indonesia endeavours to strengthen regional institutions in the midst of the tendency of strengthening unilateralism.
8. With the rapid pace of globalisation, in the development of a democratic political life based on the rule of law, the development of global markets will significantly affect the dynamic relation between the state and society. Thereby, in the development of a democratic political life, it is necessary not to take account of only the state and society, but also the effect of global markets on the process.

F. Defence and Security

1. Endeavours in the field of state defence and security have made contributions to the formation of the NKRI (Unitary State of the Republic of Indonesia) and in the implementation of development in the context of attaining the goals of the nation, as contained in the Preamble of the 1945 Constitution of the Republic of Indonesia. In course of the nation's history and in the dynamics of the direction of state policy, the comprehensive civil defence system has proven itself to have been able to uphold the sovereignty of the NKRI and maintaining the territorial integrity and safety of the nation.
2. In the period when the Indonesian nation had endeavoured to fill its gained independence with development activities, the political system has made the dual-function of ABRI (Armed Forces of the Republic of Indonesia) as part of the

comprehensive civil defence system. At the beginning, such dual-function of ABRI had been able to create national stability, which is a prerequisite for development. Nevertheless, the implementation of such dual-function has unfavourable affects on the professionalism of TNI and Polri and had a counterproductive effect to the dynamics of society as a whole. The implementation of such social and political functions had been one of the factors that had resulted in the strategy, technology, and financing of defence and security not being directed at the formation of the minimum core force for upholding the sovereignty of the NKRI and in maintaining the territorial integrity and safety of the country. The capacity of the TNI in implementing its functions in the field of state defence is up to now still in a apprehensive state. This not only concerns the current condition of the main weaponry system that has become obsolete in terms of their age as well as technology, but also in terms of the human resources and their welfare. In addition, a portion of the procurement, maintenance, operation, and meeting of spare-parts for the main weaponry system of the TNI still depends on other nations.

3. The reform movement in the 90s demands total change in all fields of governance including the demand for the repositioning of TNI (Indonesian Armed Forces) and POLRI (Police of the Republic of Indonesia). The consolidation of the repositioning and role of TNI and POLRI was made through the issuance of the Decree of the People's Consultative Assembly (MPR) Number VI/MPR/2000 on the Separation of the Armed Forces of Indonesia (TNI) from the Police of the Republic of Indonesia (Polri) and Decree of the MPR Number VII/MPR/2000 on the Role of the TNI and the Role of Polri. These decrees were then strengthened by the issuance of Law Number 3 of 2002 on the State Defence, Law Number 2 of 2002 on the Police of the Republic of Indonesia, and Law Number 34 of 2004 on the Indonesian Armed Forces. Nevertheless, such reposition has also resulted in the lack of linkage in the handling of defence problems and the handling of domestic security problems, whereas these problems together with the handling of public security ought to become one integrated effort within the national security matters. Thereby, reform of defence and security does not only pertain to the issue of the separation of the TNI and Polri, but also on making subsequent institutional reforms in the relation between the two in the implementation of the tasks and authority of each.

G. Law and State Apparatus

1. In the reform era, the efforts for attaining a national law system have been continued, encompassing several aspects. First, the development of the law substance, covering written law as well as non-written law, already has a mechanism for forming an improved national law in accordance with the needs of development and aspiration of the people, namely based on Law Number 10 of 2004 on the Formation of Laws. With the issuance of this Law, the process of forming a law and regulations based on the law can be realized through a standardized method that is binding to all authorized agencies in the making of laws and regulations based on the law and for enhancing coordination and effectiveness in the process of forming a law and regulations based on the law. Second, efforts are continued for improving the law structure so as to become more effective. The fourth amendment to the 1945 Constitution of the Republic of

Indonesia has brought about a fundamental change to the Court Judge Powers through the establishment of the Constitutional Court, which has the right to carry out a judicial review to Laws in terms of their consistency with the 1945 Constitution of the Republic of Indonesia and the establishment of the Judicial Court which will carry out supervision to the actions and behaviour of court judges. The enhancement of the independence of court judges on the basis of Law Number 4 of 2004 on the Powers of Court Judges has made changes that will enable to carry out the process of checks and balances in the governance of the state with the shift of the administrative, organizational, and financial authority of the judicial institutions to the Supreme Court. The enhancement of independence does not mean the doing away of control and supervision. With the formation of the Judicial Commission, with its quite representative membership, the supervision and control to the independence of judicial institutions and to the formation of the national law system, can be made more effectively, so that the implementation of the state functions in the field of law can become more effective and efficient. Third, the involvement of all elements of society that have a high law consciousness for supporting the formation of the ideal national law system.

2. Up to now, the implementation of the development of the state apparatus has still faced various problems in the governance of the state. These problems are among others the practices of abuse of power in the form of corruption, collusion, and nepotism (KKN) and the not yet realized aspirations of the people for having a speedy, low cost, humane, and quality public services. Since efforts for eradicating KKN and for increasing the quality of public services have actually already been done quite extensively. Nevertheless, the results attained have not yet been satisfactory. Government agencies, at the central as well as at the regional levels, have evidently not yet been effective in assisting the implementation of tasks and the governmental management system has also not yet been efficient in producing and in using resources. The efforts for enhancing professionalism of the bureaucracy cannot yet be adequate in view of the limited government funding.

H. Regional and Spatial Aspects

1. The spatial aspect of Indonesia is currently in a state of crisis. The spatial arrangement crisis is attributed to the fact that development in an area has often ignored the spatial plan in that area, has not taken into account the sustainability and carrying capacity of the environment, and has not considered the vulnerability of the area to natural disasters. The desire for attaining short-term economic benefit has often created the desire to excessively exploit natural resources leading to the decline in the quality and quantity of natural resources and of the environment; it has also increased the risk of people becoming victims of natural disaster. In addition, often conflicts have occurred in the utilization of space among sectors, such as the conflict between forestry and mining. Some of the main problems for such conflicts are (a) the still not yet fully competence of human resources in the management of space, (b) the low quality of spatial planning, (c) the spatial arrangement law has not yet been used as the regulatory umbrella in policies for utilizing space by all sectors, and (d) the weak enforcement of the law in relation to spatial utilization.

2. Generally, the communities living in the left-behind areas still have limited access to social, economic and political services and are isolated from the regions around them. Therefore, the welfare of the communities living in left-behind areas need larger development attention and concern from the government. The problems faced in developing left-behind areas, including areas that are inhabited by isolated traditional communities, are among others, (1) the limited transportation access that connects the left-behind areas with the relatively more developed areas; (2) the relatively low density and dispersed population; (3) most of the areas are poor in resources, specifically natural resources and human resources; (4) the regional government has not yet placed the left-behind areas as a development priority as they are deemed as not directly yielding local revenues; and (5) the not yet optimal support from related sectors for the development of such areas.
3. Many areas outside Java have potential products and strategic locations but have not yet been optimally developed. This is due to among others: (1) the limited market information and technology for developing potential products; (2) the lack of a professional and entrepreneurial attitude among area construction developers in the regions; (3) the not yet optimal support of national and regional policies that are oriented to farmers and to private enterprises; (4) the not yet developed institutional infrastructure that is oriented to sustainable business management in the regions; (5) the still weak coordination, synergy, and cooperation among area developers among the government, private, non-governmental institutions and society, and among the central, provincial and regencies/city government, in the endeavours to increase the competitiveness of the potential products; (6) the still limited access of farmers and of small scale businesses to capital, production inputs, technological support, and to marketing networks, in the effort to promote business opportunities and investment cooperation; (7) the limited physical and economic infrastructure for supporting the development of areas and of potential products of regions; and (8) the not yet optimal utilization of inter-area cooperation frameworks for supporting the efforts for increasing the competitiveness of areas and potential products.
4. Many areas, including outermost small islands, have relatively large natural resources potential and are areas that are very strategic for state defence and security purposes. Nevertheless, development activities in various border areas have still been very left behind compared to the development carried out in the areas adjacent countries. The social and economic condition of the people living in those areas is generally very much lower than the social and economic condition of citizens in the bordering countries. The main cause of the left behind development of border areas is that the regional development policy has thus far been 'inward looking' oriented in which the border areas seems to have been treated only as the backyard of national development. As a result, border areas have been deemed not as a priority area of development by the central as well as by the regional governments. Meanwhile, the small islands in Indonesia have faced difficulties to develop mainly because their isolated and difficult to reach location, many of which are not inhabited or are sparsely populated and not yet touched by the public services of the government.

5. The growth of large and metropolitan cities has currently been very concentrated in Java and Bali, whereas the growth of medium and small cities outside Java has proceeded slowly and are left behind. Such an unbalanced growth of cities coupled with the development gap among regions have led to rampant urbanization. This is physically shown by (1) the expansion of urban areas due to the rapid growth and expansion of fringe-areas, especially in large and metropolitan cities; (2) the enhanced physical growth of sub-urban areas that have already integrated small cities around the core city and have formed an uncontrollable conurbation; (3) the increased number of rural-urban areas; and (4) the reclassification of rural areas to become urban areas, especially in Java. Such tendencies have a negative impact on the growth of the large and metropolitan cities themselves as well as to medium and small cities in other areas.

6. The negative impacts of large and metropolitan cities are among others: (1) the excessive exploitation of natural resources around the big and metropolitan cities for supporting and increasing economic growth; (2) the continued conversion of productive agricultural lands into areas for human settlement, trade and industry; (3) a decline in the quality of the physical environment of urban areas due to the degradation of the environment and to pollution; (4) the decline in the quality of life of communities in urban areas and due to social-economic problems, and the decline in the quality of basic public services in urban areas, and (5) the not self-reliant and effective development of new cities resulting in additional burden for the core city. Other negative impacts caused by cities in other areas, are : (1) the not evenly spread of urban population and the occurrence of concentration of population in cities in Sumatra, specifically in Jakarta, Bogor, Depok, Tangerang, and Bekasi (also referred to as the Jabodetabek area, where 20 percent of the total of urban population of Indonesia live here); (2) the not optimal economic functions of cities, especially medium and small scale cities in attracting investment and in creating employment opportunities; and (3) the not optimal role of cities in facilitating the development of areas.

7. The social economic condition of the people living in rural areas is generally much left behind compared with those living in urban areas. This is the consequence of the change in economic structure and by the process of industrialization, involving private as well as government investments, so that the infrastructure and institutions being developed have tended to be concentrated in urban areas. In addition, many of the economic activities in urban areas are still not yet synergic with economic activities in rural areas. As a result, the role of urban areas that was expected to induce the growth of rural areas has in fact provided an adverse effect on the growth of rural areas.

I. Natural Resources and the Natural Environment

1. Natural resources and the environment have a double function, namely as the asset of development and at the same time as the supporter of the life system. The services of the natural environment encompasses its bio-diversity, its absorption of carbon, its natural regulation of water, its natural beauty, and its clean air are its supporting elements of human life. Achievements of development of natural resources and the natural environment have been able to contribute 24.8 percent of

the gross domestic product (GDP), and 48 percent to the absorption of manpower. Nevertheless, the management of natural resources has not yet been sustainable and still neglects the conservation of functions of the natural environment, so that the carrying capacity of the environment and the availability of natural resources have been reduced. The decline in the carrying capacity of the natural environment and availability of natural resources have also occurred due to the low capability in science and technology, thereby leading to the inability to compensate population growth.

2. The condition of forest resources has currently reached an apprehensive stage due to the increased practices of illegal logging and timber smuggling, the widening area of forest and land fires, the increased and disproportional demands to forest lands and resources, the proliferation of illegal exploitation and conversion of natural forests, and increased legal as well as illegal mining activities. In 2004, forest and land degradation in Indonesia have reached 59.2 million hectares at the annual deforestation rate of 1.6-2.0 hectares.
3. Marine resources have not yet been optimally utilized. This is due to among others, (1) the not yet issued stipulation on maritime borders; (2) the conflict in marine spatial utilization; (3) the still non yet assured security and safety at sea; (4) the application of regional autonomy has resulted in the still lacking common perception on the management of marine resources; (5) the limited capability of human resources in the management of marine resources; and (6) the still absent support from research in science and technology on marine matters.
4. Pollution of water, air, and soil has also not yet been appropriately handled due to the ever more rapid growth of development activities, that have not adequately taken into account the conservation of environmental functions. The existence of traditional communities that significantly depend on natural resources and have a local wisdom in managing natural resources, also has not yet been recognized. Such local wisdom is very much needed for ensuring the availability of natural resources and in maintaining the conservation of functions of the natural environment.
5. Decentralization of development and regional autonomy also have resulted in the increase in conflicts among regions, between the central and regional government, among uses in the utilization and management of natural resources. In that respect, appropriate policies on the management of natural resources and the natural environment will encourage the behaviour of the population in applying the principles of sustainable development in the next 20 years so that Indonesia can avert a crisis in natural resources, particularly a water crisis, food crisis, and energy crisis.

II.2 CHALLENGES

A. Social cultural and religious life

1. In the next 20 years. Indonesia will face an increasing pressure from population growth. The total number of population that in 2005 had reached 219.9 million persons, is estimated to increase to around 274 million persons in 2025. At the same time, various parameters of the population are expected to show improvements, as shown by the decline of the birth rate, the increase in the life expectancy rate, and in the decline in the infant mortality rate. Nevertheless, it is important to control the quantity and growth rate of the population so as to ensure the well balanced population growth in the context of supporting the demographic bonus that is shown by the greater number of the productive age population than the non-productive age population. Such a condition needs to be utilized optimally for enhancing the quality of human resources, competitiveness, and welfare of the people. In addition, the population dispersion and mobility also need to be considered so that the discrepancy in the dispersion and density of the population between Java and outside-Java and between urban and rural areas can be reduced.
2. The low quality of human resources of Indonesia, as measured by the human development index (HDI), has resulted in the low productivity and competitiveness of the national economy. The development of health and education has an important role in enhancing the quality of human resources. With regard to health, the challenge faced is among others the need to reduce the gap of health status of the population and in the access to health services among regions, between social and economic levels, and between gender; to increase the total number and distribution of health personnel that thus far have been inadequate; to increase access to health facilities; and to reduce the double burden of diseases, namely that the diseases affecting the majority of the population are communicable infection diseases, while at the same time there has been an increase in non-communicable diseases and in the increase of abuse of narcotics and of prohibited drugs. The challenge faced in education development is the need to provide quality education services, for the purpose of increasing the proportion of the population that have completed primary education to a higher education level, lowering the total number of illiterate population, and reducing the relatively high discrepancies among groups in society, including between the rich and poor population, between the urban and rural population, between the developed and left-behind regions and between males and females. Another challenge in the development of education is the need for enhancing the quality and relevance of education, including the need to reduce the gap in quality education among regions, between sexes, and between the high income and poor population, so that the development of education can contribute in inducing national development as a whole, including in the enhancement of national pride, noble character, ability to live in a multicultural society, and in increasing competitiveness. Development of education is facing the challenge to provide a life-time education services in order to take advantage of the demographic bonus.
3. The quality of life and role of women and children in various development fields are still low. This is indicated by among others the low gender development index (GDI) and the high rate of violence, exploitation, and discrimination against women and children; and the low welfare, participation and protection of children. Thereby, the challenges in the development of women and children are the need to increase the quality and role of women in various development fields; reducing

violence, exploitation, and discrimination against women and children. The challenge with regard to the youth and sports development is the need to enhance culture and sports achievements. Other challenges are the need to mitigate the ever more complex and larger number of social welfare problems due to various social problems, such as the fading away of cultural and religious values; the need to reduce social excesses and phenomena resulting from the social and economic gaps prevailing in society and the occurrences of social and natural disasters; and the need to increase the fulfilment of basic social needs of the people.

4. The rapid rate of globalisation that has been induced by progress in communication and information technology is a challenge for the Indonesian people in defending its national identity and in utilizing it for encouraging tolerance with respect to cultural diversity and for enhancing competitiveness through the application of the Pancasila values and through the absorption of universal values.
5. Human development is essentially development of man as a whole. The challenge faced in the development of religion is the application of the teachings of religion in every day life, creating internal harmony within each religion and harmony among followers of different religions, and for providing a sense of security and protection against violent action.

B. Economic Field

1. Even though progress has been attained, economic development is thus far still been far from the desired aim of creating a resilient economy and increase the well-being of the entire Indonesian people. Therefore, the big challenge for the economic progress 20 years ahead is the need to have a relatively high and quality and sustainable economic growth for realizing the substantive increase in the welfare of the people and at the same time to enhance the ability to catch-up with other more advanced nations.
2. Externally, such challenge relates to the increasing competition among nations due to the rapid pace of globalisation. The economic base that still largely relies on low wage labour and on exports of raw materials and on the exploitation of non-renewable natural resources, needs in the coming period be transformed into an economy with products that rely on the skills of its human resources and relies on products that have high economic value-added and are globally competitive, so that the exports of raw materials can be reduced and eventually replaced by the exports of high value-added and globally competitive products. The rapid regional economic growth in the East Asia and South Asia with the growth of future global economic giants, such as China and India, is one of the main focuses that needs to be carefully taken into account in the development of the national economic structure and competitiveness. Thereby, the integration of the national economy into the global process can take the largest advantage and at the same time minimize the potential negative impacts.
3. Internally, such challenge faces the problem of the relatively high national population growth rate and the increasing proportion of the productive age group, that is expected to reach its peak (of 50 percent of the total population) in the

period of 2020-2030. In that period, the work force is estimated to increase by almost twofold from its current condition. If in 2004, 50 percent of the work force has an education equivalent to the elementary education level, then in the period 20 years ahead, the majority of the work force will have an education that is equivalent to the junior high to senior high level. Thereby, the capacity of the economy in the future must be able to grow and develop so as to become capable to provide necessary additional employment opportunities.

4. Another important internal challenge is the too agglomerated economic activities in Java, that have exceeded the optimal carrying capacity of the natural environment. In the coming periods the economy will also be required to grow in a more proportionally throughout the nation's territory by encouraging economic activities outside Java, in the context of creating greater equity in development and reduce interregional discrepancies. In addition being beneficial to the maintaining of environmental balance, especially in Java, it will also be beneficial for strengthening the domestic economy, that will become more diversified and will improve the available employment and business opportunities, so that in turn it will increase the equitable distribution of income at the national level.
5. Economic progress needs to be supported by the capability of the nation in developing its potential for becoming self-reliant. The main interest in such development is the maintenance of the economic sovereignty and reducing economic dependence from external influences, even though still maintaining the economic competitiveness. With such understanding, the main challenge for economic progress is to develop activities of the economy that are supported by the mastery and application of technology and by increasing the productivity of human resources, developing efficient economic institutions, and by applying the best practices and the principles of good governance, and by ensuring the availability of domestic basic needs.
6. The solution to the poverty problem needs to be based on the understanding of the aspirations of the poor and on the existence of respect, protection, and gradual fulfilment of the basic rights of the people, encompassing their social, cultural, economic, and political rights. The challenge faced are among others the inadequate understanding of the basic rights of the poor, the inadequate concern in the planning and budgeting, the weak synergy and coordination of policies of the central and regional governments in the various endeavours for reducing poverty, the low participation and low access of poor communities, especially women, in the decision making process in the family as well as in society, and the limited understanding for developing the potentials of regions with a poor population, even though empirical proof has shown that investments made in poor regions in rural areas and in slums of urban areas can yield results and develop the potentials into centres of economic activities.

C. Science and Technology

Increasing competition in coming periods demands enhancement in the capability of mastering and applying science and technology in the context of facing global

developments towards the knowledge based economy. In the context of increasing the national science and technology capacity, the challenge faced is to increase the contribution of science and technology in order to increase the capacity in meeting the needs of the nation; creating a sense of security; meeting the need for basic health, energy, and food; strengthening the synergy of science and technology policies and policies in other sectors; developing the science and technology culture in society; increasing commitment of the nation for developing science and technology; overcoming degradation of the environment; anticipating and overcoming natural disasters; and increasing the availability and quality of science and technology resources, in terms of human resources, infrastructure, as well as funding for science and technology.

D. Facilities and Infrastructure

1. The major challenge faced for meeting the demand for raw water in various sectors is the need to increase the supply of raw water by developing the water containing facilities that can be jointly managed by the community. In addition, development of facilities and infrastructure for controlling the destructive effects of water must be able to anticipate the growth of new human settlements and industrial areas. Such facilities and infrastructure intervention needs also to be developed for mitigating the rate of sedimentation in line with the conservation and reforestation measures, especially through the development of sediment controlling structures, that can be managed by the local community. The management of irrigation networks has not yet given priority to the role of the farming communities involving the full support of the government and users of irrigation water, Increasing the institutional capacity of the management of water resources facilities and infrastructure must ultimately be developed in accordance with the principles of integrated water resources management. Endeavours for maintaining the quality of existing water and for restoring the quality of water that has already been polluted are to be attained through the approach of management of the natural environment and technology application.
2. The challenge faced by the transportation sector in coming periods is how to develop the national transportation system that is efficient, effective, affordable, environment friendly, and that is sustainable. In that respect, it is necessary to enhance an integrated inter-mode and intra-mode transportation system that is congruent with regional development, to create transportation services that support economic, social, and cultural development and that supports the unity and territorial integrity of the NKRI and the manifestation of the archipelago nation. The main challenges in the context of increasing the capacity of human resources in order to be able to implement the development of national transportation are to enhance the capacity of institutions and regulations so as to become conducive, to enhance a healthy competition climate, to enhance the participation of the state, private sector and society in the provision of public transportation, to develop alternative financing and investment methods, and to develop the capacity of human resources and technology in transportation that are suitable, energy saving, and that are environment friendly.
3. Globalisation, technological progress and the increasing need of the general public for having access to information have required that reforms are made in the implementation of post and telematic development. Therefore, it is necessary to integrate the information education and technology and other strategic sectors. Even though much progress has been attained in the development of post and telematics, information is still deemed as a luxury good that can be

accessed and owned only by a small portion of society. Therefore, the main challenge faced in this sector is how to increase the dissemination and utilization of information and to increase the teledensity of post and telematics services to users of these services. Another challenge is the conversion of the information and communication technology that can eliminate dividers among telecommunication, information technology and broadcasting, education, and moral ethics.

4. The main challenge faced in the energy sector is the need to enhance the reliability of energy supply, infrastructure, and the production and distribution of energy for domestic need, in view of the still absent local tariff policy for meeting the demand for various types of energy and their infrastructure. In addition, the location of potential energy sources that are mostly outside Java has thus far only been developed for the distribution of conventional energy from the location of the energy sources to the centre of energy demand, whereas the infrastructure of other energy, especially renewable energy, has been very much left behind.
5. The challenge faced in meeting the need for houses of the people and to realize cities without slums are (a) to simultaneously carry out reforms, particularly those related to taxation, service fees for licensing in the regions, land and spatial matters, in the context of efforts to reduce the price of houses, thereby enabling the people to increase their purchasing power; (b) to reform housing subsidy so that it becomes effective, transparent, accountable, and consistent, particularly subsidy for low income communities; (c) to encourage the provision of tax incentives for the business community so that it can directly participate in the provision of houses; and (d) the strengthen the ability of people themselves in the construction of houses through the provision of housing micro credits, facilities foir empowering communities and the provision of technical assistance to communities that are engaged in housing construction through self-help activities. Thereby, the provision of housing can be implemented not only on the basis of the purchasing ability of the people, but also on the basis of the involvement of communities in the decision making process.
6. As the fund that can be mobilized by the government for meeting the need for developing the infrastructure has become increasingly limited, the government budget will become more focussed on the provision of infrastructure that is economically and socially beneficial but are financially not feasible. Infrastructure projects that financially are feasible will be developed by utilizing private funds and by opening up opportunities for cooperation with business entities, especially private companies. This is a challenge that demands various reforms in the rules, especially related to the structure oif the industry that develops the infrastructure and reforms in the financial sector, in order to facilitate the need for private long-term funds that are deposited at various financial institutions.

E. Politics

1. The biggest challenge faced in the development in the political field in the next 20 years is how to maintain the continual process of consolidating democracy. In maintaining such democratisation process the challenge that will be faced is how to implement reforms of the political structure, improve the political process, and develop a political culture that is more democratic, so that democracy can proceed in a sustainable manner and the objective of democracy in terms of its procedure and substance can be attained. Another challenge in maintaining the consolidation of democracy is the need for agreeing on the importance of having a more democratic constitution. The amendment of the constitution that had occurred four times still have left unresolved problems pertaining to the philosophy as well as substance of the constitution, mainly in relation to institutional aspects and to the broad application of democratic values.
2. Consolidation of democracy requires the support of all of the people of Indonesia that are united within the NKRI. The main challenge is how to reaffirm the importance of national unity that takes into account the diversity of the background and conditions. This encompasses the aspects of decentralization, social justice, and political sensitivities that have not yet been fully resolved, such as the issue on federalism, the issue on the adoption of the *syariat Islam*, and the issue of the relation between the state and religion. Another challenge in the efforts to consolidate democracy is the task to carry out national reconciliation in the context of settling problems that have not yet been fully resolved in the past, encompassing such problems as serious basic human rights violations and political crimes conducted on behalf of the state. As the new format on central and regional relations has already been formulated, the challenge ahead pertains to the need for creating a central and regional relation that is truly effective in reconciling interests in the context of strengthening the NKRI and still maintaining the growth of the democratic climate down to the local level, namely maintaining the dynamics in all the regions.
3. Another challenge in the efforts to maintain the consolidation of democracy is the need to reform the civilian bureaucracy and the TNI-Polri. The consolidation of democracy requires the implementation of reform oriented policies of the government and support of the bureaucracy that is professional, credible, competent, efficient, and effective. In addition, one of the biggest challenges to democracy is the not yet strong civil society in terms of their economic aspect as well as their education level. Thereby, in the period twenty years ahead, political education will become an instrument of social transformation towards democracy. The functioning of a strong civil society depends on the ability of the people to respond to and to understand the dynamics of the global and domestic markets and in the ability to

interact with other nations, among civil societies and among markets, in creating a democratic nation. Another challenge in maintaining the process of consolidating democracy is the need to develop political parties that are self-reliant and have the capacity to carry out political education of the people, to aggregate and to accommodate political aspirations of the people, and to select political leaders who can professionally manage the nation.

4. Consolidation of democracy will also face various challenges such as how to institutionalise freedom of the press/mass media. Access of the general public to information that is free and open, will in many respect be better controlled if meeting the public interest. The role of a free mass media will significantly the process of detecting, preventing, and publication of various forms of abuse of power and corruption. Another challenge is how to overcome various negative impacts of the press industry that tends to be biased to the interest of capitalists and not advocating the interest of the general public. All of such efforts are in the context of placing the role of the press as one of the pillars for establishing democracy of a nation.
5. In the period twenty years ahead, the challenge in developing foreign relations is how to accurately place Indonesia's position in dealing with global issues, by utilizing its strategic position in a maximal manner for the national interest and how to revitalize the concept of national identity in Indonesia's foreign policy. In addition, together with other developing nations, it is necessary that Indonesia's diplomacy also continually encourages the creation of a more just world economic order, the enhanced support and role of various players involved in international relations, and encouraging the implementation of Indonesia's foreign policy and diplomacy. The free and active foreign policy of Indonesia is also aimed at supporting efforts for strengthening the role of regional institutions, especially by striving for the interest of developing nations at the regional level. Another challenge is how to carry out the appropriate strategy in facing possible territorial conflicts with neighboring nations by taking follow-up actions to the United Nations Convention on Law of the Sea (UNCLOS) 1982, which is one of the strategic steps, in the context of strengthening protection to the territorial sovereignty from the standpoint of international law as well as for utilizing our economic resources because Indonesia is one the largest archipelagic nations in the world. In addition, future tendencies toward unilateralism could lead to the incapacitation of the United Nations as the main institution in multilateral diplomacy for upholding international peace and security. In order to avert such situation, the need for Indonesia to participate in voicing and striving for the important meaning of multilateralism at the global level by putting forwards the need to reform and democratise the United Nations, is a challenge that must be attained in a consistent and continuous manner.

F. Defence and Security

1. The change in international geopolitics as characterized by the fading away of the principles of multilateralism and the strengthening of the unilateral approach, that has led to the emergence of the pre-emptive strike defence doctrine will completely alter the system of international politics and can allow the trespassing of jurisdictional borders of a nation beyond the normal international law that applies today. In addition, the strengthened military capabilities of neighbouring nations that are much advanced than the defence capability of the Republic of Indonesia has weakened the bargaining position of Indonesia in international policy. Therefore, one of the main challenges in the development of Indonesia's defence and security capability that must be faced in the future is how to develop a defence capability that exceeds the minimal defence strength, so that it will be respected in the regional as well as international spheres.
2. The potential and threats of low intensity conflicts that are supported by high technology methods and equipment are expected to increase in coming periods. Such potential and threats comprise terrorism, communal conflicts, trans-national crimes, crime against assets of the nation, especially in Indonesian marine jurisdictional areas and in order areas, and the increasingly variegated conventional crimes. Another challenge in the development of defence and security is the need to increase the professionalism of Polri, in line with the effort to enhance the welfare of Polri members so that they become capable to protect and safeguard the general public, prevent crimes, fully resolve crime cases. Such challenge also pertain to the need to increase the professionalism of the TNI, in line with the effort to enhance the welfare of soldiers and to strengthen the capacity of the intelligence and counter-intelligence institutions, in the context of creating national security.
3. The threats and disruptions to the nation's sovereignty, safety, and to the nation's territorial integrity, are closely related to the very strategic geographic spread and position, its abundant natural resources, and to the fact that the development of its national character and identity, particularly its understanding of the issue of multiculturalism, which can lead to the emergence of separatist movements and horizontal conflicts, have not yet reached the desired state. Meanwhile, the current defence and security capability is facing the problem of inadequate and not yet ready main weaponry system, which if no steps are taken to accelerate its replacement, enhancement, and strengthening, will make it difficult to carry out the tasks of upholding the sovereignty of the nation, maintaining the safety of the nation, and safeguarding the territorial integrity of the nation in coming periods. Such a condition is aggravated by the systemic weakness in the reserves of components and supporting defence instruments, while the availability of such reserves is a precondition for the well functioning comprehensive defence system. Therefore, a challenge that must be

overcome in the development of the defence and security capability is the need to increase the amount and condition of the main weaponry system of the TNI in order to attain a force that exceeds the minimum defence force; to develop the main equipment of Polri; to enhance the intelligence and counter-intelligence institutions, in line with technological progress; and to enhance the readiness of reserves components and supporting instruments of defence, including steps for developing the national defence industry. Further steps for developing the national defence industry requires the support from various elements so that it can be self-reliant in the main weaponry system of the TNI and in the main equipment of Polri, that can be accompanied by instituting further reforms in the pattern of interaction between the TNI and Polri with regard to the implementation of their respective tasks and authority.

4. The efforts to gradually modernize the main weaponry system of the TNI have been hampered by the embargo imposed by various nations. Such a condition had been aggravated by the relatively low endeavour to utilize the national industry in meeting the need for defence and security equipment. The incongruence between the need for defence and security equipment and the technical and financial capacity of the national industry has also been one of the causes of having failed to catch-up and of being dependent on other nations. Thereby, for realizing self-reliance in the development of defence and security equipment, it is necessary to have a strong national defence and security industry.

G. Law and the State Apparatus

1. The challenge ahead for realizing a solid national law system is the need to create a national law system that can ensure the upholding of supremacy of the law and basic human rights, on the basis of justice and truth.
2. Currently, the bureaucracy has not yet undergone fundamental change. The problem has become more complex with the institution of decentralization, democratisation, globalisation, and with the information technology revolution. The democratisation process has made the people more conscious of their rights and responsibilities. In that respect, participation of the people in the conduct of governance, including in the supervision of the bureaucracy, needs to be developed in the context of building good governance. A low people participation will result in the state apparatus becoming unable to produce the appropriate development policies. The ability of the state apparatus in anticipating the democratisation process needs to be endeavoured, so that it can provide transparent, accountable, and excellent public services. Globalisation has also brought about basic changes to the system and mechanism of governance. The information and technology revolution will bring about changes in the implementation of state governance. The utilization of IT, in the form of e-

government, *e-procurement*, *e-business*, and in cyber-law, will not only result in public services becoming faster, better, and less costly, but will also enhance the application of the principles of good governance.

H. Region and Spatial Plan

1. Spatial planning in accordance with its designated use is a challenge in the coming periods that must be faced in order to overcome the current spatial planning crisis. In that respect, it is necessary to have a sound spatial planning, within a system that ensures consistency among the planning, utilization, and supervision of spatial plans. The sound spatial plan is needed for the purpose of : (a) knowing the direction on the location of activities; (b) knowing the limits on land capacity, that also takes into account the carrying capacity of the environment, and vulnerability to natural disasters; (c) efficiency and synchronization in the utilization of space in the implementation of various activities. A sound spatial plan must also be supported by spatial planning regulations that are consistent, in the sense that the do not create conflicts among sectors, while still taking into account the sustainability and carrying capacity of the environment, and the vulnerability of regions to natural disasters.
2. Reducing interregional development gaps is necessary not only for increasing the welfare of the people throughout Indonesia, but also for maintaining national stability and unity. The important and basic objective for reducing interregional gaps is not for attaining equity in physical development in each region but for reducing the gap in the quality of life and welfare of the people in the respective regions as well as among regions. In that respect, it is necessary to give attention to the utilization of the potentials and opportunities from the competitive advantages of marine resources that thus far have not yet been optimal under the integrated management of all natural resources in each region.
3. From the external side, global competition will definitely exert stronger influence to national development in coming periods. The national economy will become more open so that directly as well as indirectly it will have an effect on the growth and development of regions in Indonesia. Since 2003, AFTA has been made gradually effective among the ASEAN nations, and free trade will become fully effective throughout the Asia Pacific region starting from 2008. Moreover, from 2010 free trade will be effective throughout the Asia Pacific region. In that respect the challenge for the regions in Indonesia is how to prepare themselves in facing the global market in order to gain the maximum benefit and also to reduce losses from global competition by efficiently and effectively managing natural resources. Therefore, the challenge is how to utilize the potentials and opportunities of the competitive advantages of each region in the context of supporting the national competitiveness and minimizing the negative impacts of globalisation.

I. Natural Resources and the Natural Environment

1. In view of the current state of natural resources and of the natural environment, if there is no anticipation in the form of appropriate policies and measures, then the country will face three form of threats, namely the food crisis, water crisis, and the energy crisis. These three crises become the long-term national challenges that must be watched for so that they will not have the adverse effect on the life of people and nation, namely threatening the unity of the nation, increasing separatism, and reducing the health level of the people. The rapid growth of the population will result in the increasingly limited capability for producing food. This is caused by the increasing conversion of rice fields and other productive agricultural lands, the low productivity growth of agricultural products, and the declining condition of irrigation networks and infrastructure. In addition, the practices of conventional agriculture have threatened the preservation of natural resources and the sustainability of the agricultural production system. On the other hand the increased need for agricultural land and land for other uses have threatened forest areas and have disrupted the balance of the water system. The worsening condition of forests due to the rapidly increasing deforestation and the worsening closures of lands in the upstream areas of rivers, have resulted in the decline of water supply that has in turn led to the fall of water levels at dams and rivers during the dry season and in the reduction of water supply for agriculture and for the operation of hydro-electric power-stations. Meanwhile, the continuing scarcity on non-renewable energy has continued due to the energy consumption pattern that still depends on non-renewable energy. The main challenge in the supply of energy is how to increase the capacity to produce oil and natural gas that can simultaneously increase foreign exchange earnings, expand the energy infrastructure for facilitating distribution services to the general public, and to reduce the dependence on oil and to increase the contribution of gas, coal, and renewable energy, such as biogas, biomass, geothermal energy, solar energy, sea waves, and wind energy. In addition, there is the possibility for developing nuclear energy, which requires profound research on the safety of the technology used, the geographical location, and the possible risks faced.
2. Progress can be attained by utilizing (a) natural resources on land (such as forests, mines, and cultivated lands, the scope of which is limited by the state of territorial sovereignty, and (b) natural resources at sea, that are spread out in territorial sea waters, in the exclusive economic zone of up to 200 nautical miles and in the management rights of the offshore seas that can extend beyond the 200 nautical miles limit. Optimizing the use of marine resources for sea communication, fisheries, tourism, mining, maritime industry, sea structures, and marine services, is a challenge that needs to be prepared for so that these can become the basic assets for the future of the nation. The large contribution of marine resources to the national economy is in the

second position after services. In fact, there is a current tendency for the competitiveness of industries to be shifted to marine based industries. Development of marine resources in coming periods requires the political support and concrete concern of all stakeholders, that naturally become a challenge for all components of the nation.

3. The increased cases of environmental pollution that are attributed to the growth rate of the population that are concentrated in urban areas, the consumptive lifestyle, and the low consciousness of the people, need to be handles in a sustainable manner. Progress in transportation and industrialization, the pollution of rivers and soil by industry, agriculture, households, have a negative impact yielding an imbalance in the environmental system as whole in its function to support life of man. The sustainability of development also faces the challenge of climate change and global warming that have an impact on human activity and life. Meanwhile, the utilization of bio-diversity has not yet been properly developed. The development of value-added from bio-diversity resources can become alternative resources that can benefit current as well as future generations, so that it is necessary to carry out activities for their research, protection, and sustainable utilization, in addition to efforts for obtaining their patents (intellectual property right). Therefore, the safeguarding of the ecosystem, and the flora and fauna therein, becomes an integral part of the efforts for developing the competitiveness of the nation.

II.3. THE BASIC ASSETS

The basic assets of national development are the entire effective as well as potential national resources that are owned and utilized by the Indonesian nation in national development.

1. The territory of Indonesia, that was declared and accepted on 13 December 1957, has become part of the international law of the sea (UNCLOS, 1982), that has made Indonesia to become an archipelagic nation, with the most extensive sea territory, with the largest total number of islands, and with the longest coastline, in the world. Indonesia's geographical location, at the equator, between two continents and two oceans, is very strategic for relations among nations. Such importance of Indonesia's territory is a strength and at the same time a weakness, that provides opportunities as well as threats, that are the bases for development policies in various fields, namely in the social and cultural field, the economic field, the regional field, the environmental field, the field of defense and security, as well as in the fields of law and state apparatus.
2. Natural resources and bio-diversity that are found on land, sea, and in the air and outer space, are limited, so that it is necessary that these are used responsibly for the welfare of the people.
3. The large number of total population with a diverse culture is a potential and productive resource for natural development.

4. The political development that has undergone the first phase of reform has already yielded a fundamental change for the democratization process in the political and economic fields and for decentralization in the field of governance and in the management of development.

CHAPTER III

THE VISION AND MISSION OF NATIONAL DEVELOPMENT FOR 2005-2025

On the basis of the current condition of the Indonesian nation, the challenges faced in the twenty years ahead, and by taking into account the basic assets of the nation and the development task that is contained in the Preamble of the 1945 Constitution of the Republic of Indonesia, the vision and mission of national development for 2005-2025 are :

INDONESIA THAT IS SELF-RELIANT, ADVANCED, JUST, AND PROSPEROUS

The vision of national development for 2005-2025 is oriented to attaining the national goals, as are contained in the Preamble of the 1945 Constitution of the Republic of Indonesia. Such national development vision must be measurable so as to be able to gauge the level of self-reliance, advancement, justice, and prosperity that need to be attained.

Self-reliance is the essence of independence, namely the right of each nation in determining their own fate and in determining what is best for their respective nations. Therefore, development, as the endeavour for filling the attained independence, must also comprise endeavours for developing self-reliance. Self-reliance is not self-reliance in isolation. Self-reliance recognizes interdependence that is unavoidable in social life, within a state as well as within a nation. Such inter-nation dependence is the more so in the era of globalisation and free trade. Such a self-reliance pertains to a proactive and not reactive nor defensive concept. Self-reliance is a dynamic concept because it recognizes the continually changing state of interdependence in life, in terms of its constellation, its balance, as well as its values, upon which it is based and influenced.

A self-reliant nation, that is able to realize a life that is at equal level with other nations that are already more advanced, by relying on the nation's own capability and strength. Therefore, in order to develop self-reliance, it is imperative to develop economic progress. The ability to be competitive is the key for attaining advancement and at the same time to attain self-reliance.

The self-reliant state of a nation is reflected, among others, in the availability of quality human resources that are capable to meet the needs and progress of its development; self-reliance of the government apparatus and of the law enforcing apparatus in the carrying out of their tasks; the increasing reliance on domestic sources for the financing of development so that dependence on foreign sources continues to decline; and the capability to itself meet its basic needs. When due to its natural resources becoming no longer capable to provide, then this weakness is to be compensated by other competitive advantages so as not to create a dependence and vulnerability and having a high resilience to world developments and disruptions.

More basically, self-reliance is actually a reflection of the stance of a person or a nation on himself/itself, its community, and its spirit in facing challenges. As it is

related to stance, self-reliance is basically a cultural problem in the broadest sense of the word. The stance of being self-reliant must be reflected in each aspect of life, encompassing the law aspect, economic aspect, political aspect, social and cultural aspect, as well as the aspect on defence and security.

The level of advance of a nation is evaluated on the basis of various criteria. From the standpoint of social indicators, the progress of a nation is evaluated on the basis of the quality of its human resources. A nation is considered as being more advanced if its human resources have a national identity, sound morals, and have a high quality of education. The high level of the education level of the population is indicated by the declining lowest education level and the increasing enrolment rate and total number of expert and professional population that are produced by the education system.

Progress of a nation is also evaluated on the basis of its population indicators, namely in the close relation between the progress of the nation and its population growth rate, including the health level of such population. An advanced nation is characterized by a lower rate of population growth, a higher life expectancy rate, and by a better quality of its social services. As a whole, the improving quality of human resources will be reflected in the increasing level of productivity.

From the standpoint of economic growth, the progress of a nation is measured by its standard of living, as reflected in its level of income and the distribution thereof. The high per capita income level and the more equitable distribution of income make the relevant nation to be more prosperous and more advanced. An advanced nation is generally a nation with an advanced industrial sector and services sector. The contribution of the manufacturing industry as the prime mover of growth is continuously increasing, in terms of its national income as well as in terms of becoming the significant employer in the economy. In addition, in the production process, an inter-sector linkage has been developed, mainly among the industrial sector, the agricultural sector, and the services sector. Moreover, its natural resources that are found not only on land but also at sea must be utilized in a rational, efficient manner and that is environment friendly, considering the characteristic of Indonesia as an archipelago nation. Its economic institutions and regulatory framework have already been well established and are already functioning well, so that they facilitate the economy that is efficient and has a high productivity. An advanced nation generally is a nation that has a stable economy. Disruptions that originate from within the country as well as from external sources can be mitigated by its economy.

In addition to having better social and economic indicators, an advanced nation also has an established political system, established political institutions, including an established law system. The political and social institutions are already functioning on the basis of basic rules, namely on the constitution that has been determined by its people. An advanced nation is also characterized by by having the concrete and effective participation of the people in all aspects of life, encompassing economic, social, political aspects, as well as in defence and security matters. With regard to the political aspect, history has shown that there is close link between the level of prosperity of a nation and the political system it applies. An advanced nation generally applies the democratic system, that is in line with its culture and historical background. An advanced nation is a nation that respects the rights of its citizens,

assures their security and social stability. In addition to these elements, an advanced nation must also be supported by an advanced infrastructure.

The self-reliance and advancement of a nation are not solely reflected in its economic progress as they encompass a broader range of aspects. Self-reliance and advancement are also reflected in the totality of aspects in life, in its institutions, its set of rules, and values that form the basis of its political and social life.

The development of the Indonesian nation is not only the development of the nation that is self-reliant and advanced, but also as a nation that is just and prosperous. As the actors and movers of development and also as the object of development, the people has the right to participate in the planning and implementation of development, as well as in benefiting from the fruits of development. Development must be implemented from the people, by the people, and for the people. Therefore, the aspect of justice is also an important dimension of national development.

Justice and prosperity must be reflected in all aspects of life. All of the people must have equal opportunity in enhancing their standard of living; in obtaining employment; in obtaining social, education, and health services; in expressing opinion; in exercising their political rights; in safeguarding and defending the state; and obtaining protection and equal treatment before the law. Thereby, a just nation implies that there is no discrimination of any form, in terms of discrimination among individuals, among gender, as well as in terms of discrimination among the regions. A prosperous nation is a nation that can already meet all its needs for life, so that it can provide a significant contribution to other nations in the world.

In realizing such vision of national development, eight (8) national development missions are pursued, that are as follows:

1. Realizing a society that has high morals, ethics, culture, and civilization, on the basis of the Pancasila, which is strengthening the national identity and character, through education that is aimed at forming individuals that steadfastly belief in Almighty God, that comply with the law, maintain internal harmony and harmony among different religious adherents, that practice inter-culture interaction, that develop the social asset, apply the noble cultural values of the nation, and possesses national pride as Indonesians in the context of consolidating the spiritual, moral, and ethical foundations of national development.
2. Realizing a nation that is competitive, which is placing a high importance to the development of a quality and competitive human resources; increasing the mastery and utilization of science and technology through research, development, and application towards sustainable innovation; developing an advanced infrastructure and reforming the law and state apparatus; and strengthening the domestic economy based on the competitive advantages of each region by developing the inter-linkages among the systems of production, distribution, and services provision, including the domestic services provision.
3. Realizing a democratic society based on the rule of law, which is the consolidation of stronger democratic institutions; strengthening the role of the civil society; strengthening the quality of decentralization and regional

autonomy; assuring the growth of the media and freedom of the media in the communication of the public interest; and reforming the structure of the law and enhancing the law culture and enforcing the law in a just, consistent and non discriminative manner, and by being pro-people especially the less to do.

4. Realizing an Indonesia that is secure, peaceful, and united, which is developing the strength of the TNI (Armed Forces of Indonesia) so that the TNI can build its strength beyond the minimum core force and that is respected at the regional as well as international spheres; consolidating the capability and increasing the professionalism of Polri (Police Force of Indonesia) so that it is capable to protect the people; prevent crimes, and fully resolve criminal cases; developing the capability of state intelligence and counter-intelligence in the creation of national security; and increasing the preparedness of the reserve components; defence supporting components and contribution of the national defence industry in the overall defence system.
5. Realizing development that is equitable and just, which is increasing regional development; reducing overall social gaps, being pro people at large, and pro groups and regions/areas that are still weak; drastically reducing poverty and unemployment; providing equal access for the general public to various public services and economic facilities and infrastructure; and eliminating discrimination in various aspects including in gender.
6. Realizing an Indonesia that is balanced and sustainable, which is improving the management of development that can maintain the balance among the utilization, sustainability, availability, and uses of the natural resources and environment, while still preserving the functions, carrying capacity, and comforts of life of today and in the future, through the utilization of space that is harmonious among the use for human settlement, for social economic activities, and for conservation purposes; increasing the economic uses of natural resources and the environment in a sustainable manner; improving the management of natural resources and the environment for supporting the quality of life; providing beauty and comfort of life, and increasing the the preservation and utilization of the bio-diversity as the basic asset of national development.
7. Realizing an Indonesia as an archipelago nation that is self-reliant, advanced, strong, and that is based on the national interest, which is enhancing a marine oriented perception of society and the government so that the development of Indonesia can become oriented to the development of marine aspects of the nation, through the development of marine science and technology; managing the national sea territory for defending the sovereignty and wealth of the nation; and developing the marine economy in an integrated manner by optimising the utilization of marine resources in a sustainable manner.
8. Realizing an Indonesia that has an important role in the international community, which is consolidating Indonesia's diplomacy in the strive for the national interest of Indonesia; continuing Indonesia's commitment in the establishment of its identity and in consolidating international and regional

integration; and encouraging international, regional, and bilateral cooperation among nations, among groups, and among institutions in various fields.

CHAPTER IV
DIRECTION, STAGES, AND PRIORITY OF THE LONG-TERM
DEVELOPMENT
2005-2025

The aim of the 2005-2025 long-term development is to realize a nation that is advanced, self-reliant, and just, as the basis for the subsequent development phase, towards a just and prosperous nation within the Unitary State of the Republic of Indonesia, on the basis of the Pancasila and the 1945 Constitution of the Republic of Indonesia.

As the gauge for attaining an Indonesia that is advanced, self-reliant, and just, national development in the twenty (20) years ahead, is directed at the attainment of the following basic targets.

A. The realized society of Indonesia that has a noble morals, ethics, that is cultured, and civilized, as indicated by the following traits :

1. The realized national character that is resilient, competitive, having high morals, based on the Pancasila philosophy, characterized by a disposition and behavior of the people of Indonesia that is diverse, faithful to Almighty God, having noble character, tolerant, having the spirit of mutual help, having a patriotic spirit, that is growing dynamically, and oriented to science and technology.
2. The increasingly consolidated culture of the nation that is reflected in the increased civilization, self-respect of the Indonesian man, and in the strengthened national identity and character.

B. The realized nation that is competitive for attaining a society that is more prosperous and affluent, as indicated by the following traits :

1. The realized economic growth that has the intended quality and is sustainable so that the income per capita in 2025 will reach a level that is equivalent to that middle-income nations, with the open unemployment rate of not greater than 5 percent and the poverty rate not greater than 5 percent.
2. The increased quality of human resources, including the increased role of women in development. Generally, the increased quality of Indonesia's human resources is characterized by the increased human development index (HDI) and the increased gender development index (GDI), and the attained stable population growth.
3. The attained economic structure that is resilient based on competitive advantage in various regions of Indonesia. The agriculture sector, in the widest sense of the word, and the mining sector, that are efficiently managed thereby able to yield quality commodities, become the basis of economic activities. The manufacturing industrial sector, that has a global competitiveness, becomes the engine of

- economic growth. The services sector, yielding higher quality and more competitive services. Has an increasing share in the economy.
4. The developed communication infrastructure network that is reliable and integrated between one mode and the other. The met electricity power supply demand, that is reliable and efficient, in accordance with the need, including the almost fully electrification of households and the electrification of rural areas. The efficient and modern post and telematics services availability for the creation of an information society of Indonesia. The realized conservation of water resources that can maintain the sustainability of the water source functions.
 5. The enhanced professionalism of the state apparatus at the central as well as regional governments for realizing good governance, a clean, credible, and accountable, and professional government, that can facilitate national development.

C. The realized Indonesia that is democratic based on the rule of law and on justice, as shown by the following traits :

1. The created supremacy of the law and the upholding of basic human rights based on the Pancasila and on the 1945 Constitution of the Republic of Indonesia and the attained national law system that reflects the truth and justice, and that is accommodative to aspirations. The created law enforcement that is impartial to position and standing of a person in the name of supremacy of the law and the created respect for basic human rights.
 2. The creation of the constitutional basis for strengthening democratic institutions.
 3. Strengthening the role of civil society and political parties in political life.
 4. Consolidating the institutionalization of democratic values that place the emphasis on the principles of tolerance, non-discrimination, and partnership.
 5. The realized consolidation of democracy in various aspects of political life that can be measured by the running government that is based on the rule of law, a bureaucracy that is professional and neutral, a civil society, a self-reliant political society and economic society, and the existence of national self-reliance.
- D. The realized sense of security and peace for the whole people and the maintained territorial integrity of the Unitary State of the Republic of Indonesia and the maintained sovereignty of the state from domestic as well as foreign threats, that are shown by the following traits:
1. The realized national security that ensures human self-respect, safety of citizens, and the nation's territorial integrity from foreign as well as domestic defense and security threats and disruptions.
 2. The TNI that is professional, the strong reserve components and defense supporting instruments especially civil defense that are supported by a reliable national defense industry.
 3. Polri that is professional, the strong participation of the people in the fields of security, intelligence and counter intelligence, and the established coordination among the defense and security institutions.

E. The realized development that is equitable and just, as shown by the following traits :

1. The increasing equity in all regions of development as realized by the increased quality of life and affluence of the people, including the reduced gaps among regions in the context of the Unitary State of the Republic of Indonesia.
2. Self-reliance in food can be maintained at a safe level and with adequate nutrition quality and the availability of food security instruments at the household level.
3. The met human settlement that is equipped with the supporting facilities and infrastructure for all of the people that are supported by a sustainable, efficient, and accountable long-term housing financing system, for realizing cities without slums.
4. The realized urban and rural environment that is in accordance with the sound, sustainable life, and is capable to provide value-added for the community.

F. The realized Indonesia that is balanced and sustainable, that is shown by the following traits :

1. The improving management and utilization of natural resources and of the preservation of the functions of the natural environment as reflected in the maintained functions, carrying capacity, and the ability to restore it in facilitating the quality of social and economic life in a harmonious, balanced and sustainable manner.
2. The maintained diversity of species and uniqueness of natural resources for realizing value-added, national competitiveness, and assets of national development.
3. The increased awareness, attitude, and behavior of the people in the management of natural resources and in the conservation of the functions of the natural environment for maintaining the comforts and quality of life.

G. The realized Indonesia as an archipelago nation that is self-reliant, advanced, strong, and based on the national interest, as shown by the following traits :

1. The developed network of facilities and infrastructure as the means for keeping together all islands and island groups of Indonesia.
2. The increased and strengthened human resources in the marine field that is supported by the development of science and technology.
3. Determining the territory of the Unitary State of the Republic of Indonesia, its assets, and matters that are related to the state's defense.
4. Developing the marine economy in an integrated manner by optimizing the utilization of marine resources in a sustainable manner.
5. Reducing the impact of coastal disasters and of sea pollution.

H. The realized role of Indonesia that has an enhanced in the international community, as shown by the following traits :

1. To strengthen and promote the national identity as a democratic nation in the international community system.

2. To restore the important position of Indonesia as a big democratic nation. that is signified by its successful diplomacy in international for a in the endeavors to maintain national security, territorial integrity, and in safeguarding the national natural resources wealth.
3. The increased leadership and contribution of Indonesia in various international cooperation in the context of realizing a world order that is more just and peaceful.
4. The realized national self-reliance in the global constellation.
5. The increased investment of Indonesian companies abroad.

In order to attain the desired level of advancement, self-reliance, and justice, the direction of long-term development in the period twenty years ahead, is as follows.

IV. 1. DIRECTION OF THE 2005-2025 LONG-TERM DEVELOPMENT

IV.1.1. REALIZING A SOCIETY THAT HAS A NOBLE CHARACTER, SOUND MORAL AND ETHICAL VALUES, AND THAT IS CULTURED AND CIVILIZED

The created condition of a society that has a noble character and sound moral and ethical values, is very important for attaining an atmosphere of social life that is full of tolerance, mutual understanding, and in harmony. In addition, the awareness of having a culture provides a direction for the realization of the national identity that is in accordance with the noble ancestral values of the nation and creates a conducive and harmonious climate so that the values of local wisdom will be able to respond to modernization in a positive and productive manner, in line with the national values.

1. The development of religion is directed at consolidating the functions and role of religion as the moral and ethical base of development, nurturing a noble character, encouraging the work ethos, appreciating achievement, and becoming a stimulus for attaining progress in development. In addition, the development of religion is also directed at increasing harmony among different religions by enhancing the sense of mutual trust and increasing harmony among different social groups so as to create an atmosphere of society that is full of tolerance, mutual trust, and harmony.
2. The development and consolidation of national identity are aimed at realizing a national character and social system that are rooted, unique, modern, and laudable. Such national identity is a combination among the noble ancestral values of the nation, such as being religious, having a sense of solidarity and unity, and modern and universal values that encompass the work ethos and the principle of good governance. Such development of the national identity is carried out through the transformation, revitalization, and reactualization of the national cultural value system that have a laudable potential and by applying constructive modern values. For the strengthening of national identity and pride, the development of sports is directed at enhancing the sports culture and achievements.
3. The innovative culture that is oriented at science and technology is to be continuously developed so that the Indonesian people can master science and technology and is able to win in the era of global competition. Such development of science and technology culture is carried out by enhancing the appreciation of the general public for science and technology through the encouragement of the culture of reading and writing, the studying society, the intelligent, judicious and creative society in the context of building the science and technology tradition by directing society from a consumptive culture to a productive culture. The forms for expressing creativity such as through the arts, are still encouraged for realizing a balance among material, spiritual, and emotional aspects. The development of science and technology and the arts is placed in the context of enhancing the self-respect, honour, and civilization of man.

IV.1.2. REALIZING A NATION THAT IS COMPETITIVE

The ability of the nation to have a high competitiveness is the key for attaining progress and prosperity of the nation. A high competitiveness will make Indonesia to become ready for facing the challenges of globalisation and to become able to take advantage of available opportunities. In order in to strengthen the nation's competitiveness, the long-term national development is directed at (a) placing priority to the development of quality and competitive human resources; (b) strengthening the domestic economy based on the comparative advantages of each region towards the competitive advantages of such regions by developing the linkages in the system of domestic production, distribution, and services; (c) increasing the mastery, utilization, and creation of knowledge; and (d) developing an advanced infrastructure; and (e) reforming the laws and the state apparatus.

A. Developing Quality Human Resources

1. The development of human resources has a very important role in realizing the Indonesian man who is advanced and self-reliant so as to become capable to be competitive in the globalisation era. In that respect, the development of human resources is directed at enhancing the quality of the human resources of Indonesia, as characterized by among others increase in the human development index (HDI) and in the Gender Development Index (GDI), and in the attainment of a stable population growth as reflected in the net reproduction rate (NRR) becoming equal to one, or in the total fertility rate (TFR) becoming equal to 2.1.
2. The control of the total number and in te growth rate of the population is directed at increasing the family planning services and in the reproductive health services so that they become affordable, having good quality and are effective towards the formation of the small and quality family. In addition, improving the dispersion and mobility of the population is directed at reaching a population dispersion that is more balanced in accordance with the carrying capacity and accommodating capacity of the environment through the more equitable geographical distribution of economic and regional development by taking into account the aspect of ethnical and cultural diversity and the need for maintaining sustainable development. It is also important to have a population administration system for supporting the planning and implementation of development at the central as well as regional levels and for accommodating population rights and the need for having social security.
3. Development of education and health is an investment for enhancing the quality of human resources, so that its role is important for increasing economic growth and reducing poverty and unemployment. The development of education is directed at increasing the quality of human resources for supporting the realization of a society that has self-respect, has noble character, and respects the diversity thereby

becoming able to compete in the global era by still being based on the norms of life of the Indonesian society and without discrimination. The commitment of the government to education must be reflected in the quality of human resources, in the increased quality of science and technology, and budget policy and the attained integration of the entire service education into the university. The education services, encompassing all types and levels of education. Therefore, it is also necessary to provide quality and affordable primary education that include the lifting of education fees. The education services are adjusted to the social and economic needs of development in the future, including for inducing sustainable economic growth through the more intensive mastery of technology. The development of education is also directed at inducing national pride, a noble character, and the capability of students to live together in a diverse society based on respect for basic human rights. The lifetime education services in accordance with the growth of science and technology need to be continuously encouraged for enhancing the quality of life and productivity of the population of Indonesia including for providing the knowledge and skills for the productive age population, the proportion of which is increasing.

4. Development of health is directed at enhancing the awareness, willingness, and ability to live in a healthy manner of each person so that the health standards of the people can be increased as high as possible. The development of health is carried out on the basis of humanitarian considerations, and considerations on empowerment and self-reliance, justice and equity, and the placing of priority and benefit by giving special attention to the vulnerable population, such as mothers, babies, children, the elderly, and poor households. The development of health is implemented through increasing health services, health financing, health personnel, medicines and health instruments accompanied by increasing supervision, community empowerment, and health management. Such activities are implemented by taking into account the dynamics of the population, disease epidemiology, ecological and environmental changes, progress in science and technology, and globalisation and democratisation under the spirit of partnership and cooperation among sectors. The emphasis is placed on enhancing the behaviour and self-reliance of the people and on promotion and prevention efforts. National development must have a health orientation, namely each public policy must invariably take into account its impact on health. The development and improvement of nutritional levels are implemented on an inter-sectoral basis, encompassing the production, processing, distribution up to the consumption of food at households with a nutritional content that is adequate, balanced, and with ensured security in the context of attaining a satisfactory nutritional status.
5. Developing the empowerment of women and children is directed at increasing the quality of life and the role of women, and the welfare and protection of children in various fields of development; reducing

the total number of cases of violence, exploitation, and discrimination against women and children; and strengthening the institutions and network of gender and children mainstreaming at the national and regional levels, including the availability of gender data and statistics.

6. Development of the youth is directed at increasing the quality of human resources, developing the character of the nation (nation building) and participation of the youth in various fields of development, especially in the economic, social, cultural, science and technology, and political fields, and having a national concern and having the ethics of the Indonesian nation. In addition, the development of sports is directed at enhancing the sports culture and sports achievements among the people.

B. Strengthening the Domestic Economy with a Global Orientation and Competitiveness

7. The economy is developed by strengthening the domestic economy and that has a global orientation and competitiveness. In that respect, a gradual transformation is made to the economy based on the comparative advantage of natural resources to become an economy with a competitive advantage. Inter-regional interaction is induced by building up strong linkages among the systems of production, distribution, and inter-regional services. Such efforts are carried out under the following basic principles: managing the increase of national productivity through innovation, mastery, research, development and application of science and technology towards a knowledge based economy and that takes into account the self-reliance and resiliency of the nation in a sustainable manner; managing economic institutions that carry out best practices and good governance in a sustainable manner, and managing natural resources in a sustainable manner.
8. The economy is developed on the basis of the economic democracy principles, that take into account the national interest so that business and employment opportunities for all of the people are assured and that stimulates the the reduction of poverty. The management of economic policies needs to carefully take into account the dynamics of globalisation, the national commitment in various for a of international economic agreements, and the national interest by emphasizing groups in society that are still weak, and maintaining the self-reliance and sovereignty of the nation.
9. Economic institutions are developed in line with economic progress under the principles of good governance in the efficient, effective, and non-discriminative formulation of the regulatory framework and licenses; maintaining, developing, and implementing a healthy competition climate and that protects consumers; stimulating the development of the standardization of goods and services for increasing competitiveness; formulating the strategy and policies for technological progress in accordance with the development of the national economy; and increasing the competitiveness of small and medium scale enterprises in various regions of Indonesia so that these become

an integral part of the entirety of economic activities and strengthening the domestic economic base.

10. The effective and optimal role of the government is realized as facilitator, regulator, and also as the catalyst of development at various levels for the efficiency and effectiveness of public services, the attained business climate that is conducive and competitive, and the maintained continuity of the market mechanism.
11. The economic structure is strengthened by placing the industrial sector as the engine of growth that is supported by activities in agriculture in the broadest sense, marine sector, and mining sector that produce products in an efficient, modern, and sustainable manner and the services sector that is effective, that apply best practices and good governance so as to realize a solid economic resiliency.
12. The development of science and technology is directed at increasing quality and utilizing the national science and technology in the context of supporting competitiveness in a global manner. This is carried out through the increase, mastery, and application of science and technology throughout the economy in the system of the production of goods and services, the development of scientific and technological centres of excellence, the development of reliable research institutions, the realization of the system for recognition of discoveries and intellectual property rights, the development and application of quality standards, the increase in the quality and quantity of human resources in science and technology, the increase in quantity and quality of the infrastructure in science and technology. Such steps are carried out for supporting the development of the knowledge-based economy, and the development of institutions as an inter-linked and functional system of innovation in the effort to stimulate the development of business activities.
13. Policies on manpower are directed at encouraging the largest possible total number of formal employment and enhancing the welfare of informal workers. The flexible labour market, a harmonious industrial relations with the proper protection, adequate work safety, and the realization of the process of industrial settlements that can satisfy all parties, are the characteristics of the desired labour market. In addition, workers are expected to have a high productivity so that they can compete and yield high value-added through the management of training and by providing training programs that are strategic for the effectiveness and efficiency of efforts for increasing the quality of manpower as an integral part of investment in human resources. Most of the workers, including Indonesian workers that are employed abroad, will be provided with the recognition of competence in accordance with the dynamics of industrial need and with the dynamics of global competition.
14. Investment is directed at supporting the realization of a high, sustainable, and quality economic growth, by realizing an attractive investment climate; encouraging foreign investment for increasing the competitiveness of the national economy; and increasing the capacity of the physical and supporting infrastructure. Investments, that are promoted in the context of implementing

the economic democracy, are used maximally for the greatest prosperity of the people.

15. The efficiency, modernization, and increased value-added of agriculture, in the broadest sense, marine activities, and mining, are increased in order to become able to compete in the local and international markets and for strengthening the national production base. These are strategic factors as they relate to the development of rural areas, to the reduction of poverty and backwardness, and to the strengthening of food security. All these must be carried out in a planned and meticulous manner in order to ensure the realization of the transformation of all elements of the national economy so as to become more advanced and solid in the era of globalisation.
16. Increasing the efficiency, modernization, and value-added of agriculture, in the broadest sense, and of marine activities is carried out in order to increase the welfare of farmers and fishermen by developing a dynamic and efficient agri-business, that involves the active participation of farmers and fishermen. Such increase is implemented through the revitalisation of institutions at the operational level, the optimising of resources, and through the development of human resources as the business units so that they become capable to increase their competitiveness by increasing their productivity and to respond to market demand and to take advantage of business opportunities. In addition to becoming beneficial for increasing the income of the rural population in general, such efforts can create a diversification of the rural economy, that in turn will increase its contribution to the growth of the national economy. Attention needs to be given to efforts for developing the capacity of the population, for reducing poverty in an effective manner, and for protecting the trading system against unfair competition.
17. The development of industry is directed at realizing an industry that is competitive, in the local as well as international markets, and related to the development of small and medium scale industries, with an industrial structure that is sound and just and to inducing economic activities outside Java. In terms of the business control, the industrial structure will be reformed by eliminating monopolistic practices and various market distortions by enforcing healthy business competition and principles of good corporate governance. In terms of the scale of business enterprises, the industrial structure will be strengthened by making small and medium scale industries as the basis of a healthy national industry, so that it can grow and be integrated in a value-added chain-link with the downstream industries and large scale industries.
18. In the context of strengthening the global competitiveness of the economy, it is necessary that the industrial sector be developed in order to create a micro (local) business environment that can induce the growth of healthy and strong industrial clusters through (1) the development of the value-added chain-link through product diversification (downstream growth), deepening of the upstream industry, or by a comprehensive development (upstream-downstream); (2) strengthening inter-industry relations that are horizontally linked, including the supporting and complementary industries, and including

with the network of the related multinational companies, and by strengthening the links with activities of the related primary and services industries, and (3) providing various infrastructure for increasing the collective capacity that encompasses the physical infrastructure (transportation, communications, energy, and technological facilities and infrastructure, measuring infrastructure, standardization, testing facilities, and quality control facilities, and facilities and infrastructure for education and training of industrial manpower.

19. Services and financial infrastructure are developed in line with the policy for developing the national economy that can effectively support the increase of production and global competitiveness by applying the standards of international best practices, that can induce the increase of resilience and value-added of the national economy and that can support the strategic interest in developing domestic human resources, encompassing enhancing their specific professions, their mastery and utilization of the national technology, and enhancing the national interest in the efforts to fully resolve the poverty problem and developing the economic activities of rural areas.
20. Developing an international trade that is more favorable and that support the national economy so that it can maximize the benefits and also minimize the negative effects from the process of integration with the dynamics of globalization. Such effort is implemented through the (a) strengthening the national position in various international trade cooperation for a (at the global, regional, bilateral, and multilateral scales) for increasing the national competitiveness export market and at the same time for safeguarding the strategic national interest in the context of reducing poverty, reducing unemployment, developing rural areas, and protecting the national economy from unhealthy international trade practices, and (b) developing the image, product standards of the national goods and services that are of international quality, and international trade facilities that are competitive.
21. Domestic trade is directed at strengthening the national distribution system so as to become efficient and effective that can ensure a conducive business climate for realizing (a) the growth of trade institutions that are effective in protecting consumers and in maintaining a healthy business climate, (b) the integrated national economic activities and the developed awareness for using domestic products, (c) the increased inter-regional trade, and (d) the assured availability of basic needs and other strategic goods at affordable prices.
22. Tourism is developed so as to become capable to stimulate economic activities and enhance the image of Indonesia, increase the welfare of the local communities, and expand employment opportunities. The development of tourism utilizes the diversity of tourist attractions from the beauty of nature and the national potential as the largest marine tourist attraction area in the world, in a wise and sustainable manner, and by encouraging economic activities that are related to the development of the culture of the nation.
23. Development of small and medium scale enterprises (SMEs) is directed at making them become economic units that are increasingly based on science

and technology and that are competitive with imported products, specifically in the provision of goods and services that are needed by the people so that they can make significant contributions to the structural transformation and strengthening of the domestic economy. For this purpose, the development of SMEs is carried out by increasing their entrepreneurial capability and by increasing their productivity as supported by their adaptation to market demand, the utilization of technological innovation and application within a healthy business climate. The development of SMEs will be concretely carried out in an integrated manner with the modernization of agribusiness and agro-industry, including activities that support food security, and the strengthening of the production base and competitiveness of industry through the development of industrial clusters, application of technological transfer, and through increasing the quality of human resources.

24. The financial sector is developed so that it invariably has the capability in maintaining economic stability and finance quality economic growth and capable of having the resiliency against possible disruptions from crises through the implementation of the financial sector safety net system, increasing the contribution of bank as well as non-bank financial institutions in the funding of development especially in increasing access to funding of poor households, in rural as well as in urban areas, and increasing the quality of growth of the national banking system. Thereby, any type of investment, be they short-term as well as long-term, will obtain funding sources that are in line with the characteristics of the financial services. In addition, the increasingly diversified financial institutions will provide greater alternative funding for all levels in society.
25. Improvements in the management of public finance is based on a budget system that is transparent, accountable, and that can ensure the effectiveness of fund utilization. In the context of increasing self-reliance, the role of foreign loans will be maintained at a safe level. Meanwhile, the effectiveness of main source of domestic funding that originate from taxes will be continued. The main objective of government funding is the creation of development financing that can ensure the capability for enhancing public services for basic public services, physical and economic infrastructure and facilities, as well as for supporting the efforts for increasing the competitiveness of the economy.

C. Mastery, Development, and Utilization of Science and Technology

26. Development of science and technology is directed at the creation and mastery of science, in terms of basic science as well as applied science, and the development of social sciences and the humanities for yielding technology and for utilizing technology yielded by research activities, the development, and engineering for the welfare of the people, self-reliance, and competitiveness of the nation by increasing the capacity in science and technology that is invariably guided by religious values, cultural values, ethical values, local wisdom, and that takes into account the resources and preservation of the functions of the natural environment.

27. Development of science and technology is directed at supporting food and energy security; the creation and utilization of information and communication technology; the provision of transportation technology, defence technology, and health technology; the development of advanced material technology; and increasing the total number of inventions and their utilization in the production sector. Such support is carried out by developing human resources in science and technology, increasing budget allocation for research, developing cross-sector synergy in science and technology policies, formulating a research agenda that is congruent with market demand, increasing facilities and infrastructure in science and technology, and by enhancing the mechanism for science and technology intermediation. Such support is meant for strengthening the innovation system in the context of inducing the growth of the knowledge based economy. In addition, efforts are made for increasing cooperation among domestic and international research among research and development institutions, universities, and the business community and encouraging the growth of new industries that are based on research and development products with the support of venture capital.

D. Adequate and Advanced Facilities and Infrastructure

28. The role of the government will be more focussed on the formulation of policies for the development of facilities and infrastructure, whereas the role of the private sector in the provision of facilities and infrastructure will continually be increased especially with regard to commercial projects. Cooperation with private enterprises in the development of facilities and infrastructure is directed at (a) providing transportation facilities and infrastructure for providing services for the distribution of trade and industrial commodities and for carrying passengers and cargo, at the national as well as international level; (b) eliminating the gap between supply and demand and increasing the effectiveness and efficiency of electric power; (c) increasing the telendesity of telematibs services to society as users of such services; and (d) meeting the needs for housing for the people and realizing cities without slums.
29. Development of water resources infrastructure is directed at realizing the function of water in a balanced manner in terms of its use as a social good and as an economic good, through an integrated, efficient, effective, just, and sustainable management, so that it can ensure the availability of basic needs of the people and can increase the welfare of the people. The balance between supply and demand is realized through the demand management approach that is aimed at increasing the effectiveness and efficiency of use and consumption of water, and through the supply management approach that is aimed at increasing the capacity and reliability of water supply. The management of water resources infrastructure is aimed at realizing the reliability of water services through building partnership with the private sector without burdening society, strengthening private institutions, and taking into account the preservation of the functions of the natural environment. In addition, the upstream-downstream relation will continually be developed so that the pattern of management that is more just can be attained. The development and application of the conjunctive use system between surface water and ground water will be encouraged especially for creating a synergy and maintaining the sustainability of ground water supply. The control of the destructive effect of water resources places the priority on the non-construction approach through the conservation of water resources and through the integrated regional management of rivers. Efforts must be continued to encourage community participation and partnership among stakeholders not only during natural disasters, but also the stage of prevention and in the post-disaster stage of rehabilitation.
30. Development of transportation is directed at supporting economic, social, and cultural, and natural environment activities and is carried out through the regional development approach so as to attain balance and equity in development among regions; establishing and consolidating national unity for strengthening national defence and security; and forming spatial structure in the context of realizing the targets of national development. In that respect, the development of transportation is implemented by promoting an inter-mode and inter-mode transportation services network; ensuring consistency

of laws and regulations that are related to the implementation of transportation that creates a conducive business climate; encouraging all stakeholders to participate in the provision of transportation services; increasing the healthy competition climate so as to be able to increase efficiency and to provide alternatives for users of transportation services while still maintaining the role of government as the regulator of public services that are affordable to the general public; providing mass public transportation services in urban areas that are supported by feeder services that are safe, comfortable, orderly, affordable, and environment friendly, and that are in line with policies on spatial planning; and enhancing the culture of orderly and disciplined use of traffic. For transportation services in order, remote, and rural areas, the community based and region based pioneer transportation system is developed. In order to support the competitiveness and efficiency of passenger and cargo transportation its development is directed at realizing policies that unite the perception and steps of all providers of transportation services in the context of providing global services; accelerating and expediting the mobility of passengers and cargo through the improvement of inter-mode transportation management; increasing the development of freeways at strategic corridors; increasing the share of cargo transportation by railway, inter-island cargo transportation, through the Ro-Ro system as well as through conventional sea transportation, that are supported by increasing the role of the national fleet and by air transport of fresh and high value goods; developing a reliable and high capacity national transportation system that is based on the safety, integrated inter-mode, cross-sectoral, inter-regional, and social cultural, and human resources professional aspects of transportation, and that applies and develops the appropriate, energy saving, and environment friendly transportation technology.

31. Development of post and telecommunications is directed at encouraging the creation of a knowledge-based society through the establishment of a long-term competition base in the provision of post and telematics services among multi-operators; anticipating the implications of the convergence of telecommunications, information technology, and broadcasting, with regard to their institutional as well as regulatory aspects that are related to the issue of security, confidentiality, privacy, and integrity of information; the application of intellectual property right; increasing the legality aspects that onward can effect the convergence of markets and industries; optimising the development and utilization of post and telematics infrastructure and non-telecommunications infrastructure in the provision of telematics services; applying the concept of the neutral technology that is responsive to market and industrial needs while still maintaining the integrity of the existing system; increasing the synergy and integration of the networking infrastructure towards the next generation network; increasing the knowledge and understanding of the people on the potentials of utilizing telematics and utilization and development of the information technology and communications based application; developing the domestic industry, including the content industry as the effort for creating value-added from information.

32. Development of energy and electricity facilities and infrastructure is directed at the development of energy facilities and infrastructure through (1) development of the capacity to adequately and reliably meet the national need for electricity, by rehabilitating and re-powering of existing electric power stations and by building new power stations; (2) development of an electricity power system that has a structured institutional system, that is functioning efficiently, productively, and professionally, by optimising the system and process of electricity provision, so as to be able to provide greater opportunities for carrying out private investment that is distinct from its social mission and is capable to induce broad participation of regional governments, particularly for non-commercial areas; (3) promoting energy diversification for electricity power stations, especially for coal fired and in a limited manner gas based power stations, so as to become able to in the medium-term replace oil fuels and in the long-term will place the priority on the use of renewable energy, particularly bio-energy, geothermal energy, hydropower, wind-power, solar energy, in fact also nuclear power that takes into account tight safety factors; (4) promoting the national electricity supporting industry that places priority to increasing local content, developing the effectiveness of science and technology, by involving the private sector, education sector, the government, and society, in an integrated manner and that is strategic in nature, based on knowledge transfer, including the promotion of product standardization and certification of national electricity activities; (5) developing an electricity system that takes into account environmental concerns; (6) developing the oil fuel pipeline network, oil fuel depots, and transit terminals; (7) developing an integrated gas pipeline network; (8) developing coal transportation facilities and infrastructure extending from the mining sites to the ports and their distribution facilities and infrastructure; and (9) developing facilities and infrastructure for geothermal power stations and for renewable alternative energy, especially micro-hydro and solar energy.
33. Development of drinking water and sanitation facilities is directed at realizing the basic needs of the people and the needs of other related sectors, such as industry, trade, transportation, tourism, and services as efforts for stimulating economic growth. The meeting of such needs is carried out through a demand responsive approach and through an integrated approach with the sectors of natural resources and natural environment, water resources, and the health sector.

E. Reform of the Law and Bureaucracy

34. Development of the law is directed at supporting the realization of sustainable economic growth, handling the regulatory aspects of economic problems, especially of the business community and industry; and creating consistency in the laws and regulations for inducing investments, especially with regard to the enforcement of and protection by the law. Development of the law is also directed at eliminating possible acts of corruption and at creating the capability of handling and fully resolve problems related to the acts of collusion, corruption, and nepotism (KKN). Development of the law is implemented by reform of the substance of the law that still takes into

account the pluralistic nature of the existing laws and the influence of globalisation, in the context of enhancing the consistent enforcement and protection of the law, enforcement of the law and basic human rights, law awareness, and the provision of law services that emphasises justice and the truth, order and welfare in the context of the increasingly orderly and effective implementation of state governance that is also globally competitive.

35. Development of the state apparatus is carried out through reform of the bureaucracy in order to enhance the professionalism of the state apparatus and for realizing good governance, at the central as well as regional governments, so as to become capable to support attaining the targets of development in other development fields.

IV.1.3. Realizing an Indonesia that is Democratic Based on the Rule of Law

Democracy based on the rule of law is an important foundation for realizing the development of Indonesia that is advanced, self-reliant, and just. Democracy can enhance community participation in various development activities, and can maximize the potentials of society, and increase the accountability and transparency in the implementation of state governance. The law is basically aimed at ascertaining the emergence of positive aspects and averting human born negative aspects and for ascertaining the implementation of justice for all citizens that does not discriminate by social class, race, ethnical origin, religion, nor by gender. The law that is complied with will create order and ensure the maximal upholding of the basic rights of all citizens.

In order to realize and Indonesia that is democratic and just the democratic institutions are consolidated so as to become more resilient; strengthening the role of civil society so that the participatory development process that is more bottom-up can proceed; nurturing a responsive community that can stimulate the spirit of voluntarism that is in line with the meaning of mutual-help; strengthening the quality of decentralization and regional autonomy; ensuring the growth and freedom of the media in communicating the public interest; reforming the law structure and enhancing the law culture and law enforcement in a just, consistent, non-discriminatory manner and that is pro the disadvantaged general public.

1. Reforming the political structure that places the emphasis on the process of democratic institutionalisation through : (a) promoting and socializing the importance of having a strong constitution and that has a high credibility as the main guideline for the sustainable process of democratisation; (b) improving the relations among political institutions and defence and security institutions in national life; (c) enhancing the performance of state institutions in the carrying out of the tasks and functions that are bestowed by the constitution and laws and regulations; (d) consolidating the implementation of decentralization and regional autonomy and preventing the territorial disintegration of the nation; (e) fully implementing the national reconciliation process; and (f) further creating democratic institutions for supporting the continuous consolidation of democracy.

2. Reforming the role of the government and society by emphasizing the formation of self-reliance and maturity of society and establishing a strong civil society in the economic and education fields. In addition, the reform of the government and society is also directed at reforming the positive functions of social institutions, traditional institutions, and political parties in order to build up self-reliance of society in the management of potential social conflicts that can destroy as well as empower various positive potentials of society for development. The efforts for encouraging the realization of a strong civil society must also take into account the effects of the market in the national social and political life so as to avert negative excesses and social discrepancies that can adversely effect society.
3. Reforming the political process that places the emphasis on the distribution/representation of power is realized by : (a) continually increasing the quality of the process and quality of public selection so that it becomes more transparent for political and public officials, and (b) realizing the explicit political commitment to the importance of freedom of the mass media and of the freedom forming unions, affiliations, and of expressing opinion of each citizen on the basis of their respective political aspirations.
4. Developing the political culture that places the emphasis on the planting of democratic values is endeavoured by : (a) creating the cultural awareness and planting of values of political democracy, especially the respect for basic human rights values, values on equity, anti-violence, and values on tolerance, though various discussion forums and media, and (b) endeavouring the realization of various dialogue forums for enhancing awareness on the importance of maintaining the unity of the nation.
5. Increasing the role of communications and information that emphasizes the importance of political education of the people is carried out by (a) realizing a stronger, more institutionalised press freedom that can ensure the right of the public at large to have a freedom of expression and to exercise social control to the state governance, in an intelligent and democratic manner; (b) realizing the more equitable access to information by encouraging the emergence of an independent mass media in the regions; (c) realizing more deregulations in the field of broadcasting so as to be able to have a more equitable dissemination of information nationwide and to prevent a monopoly of information; (d) creating an information network that is interactive between the community and political decision makers so as to yield policies that are more easily understood by the general public; (e) creating a network of information and communication technology that is capable of connecting all of the existing information links throughout the archipelago, as an integral unit that can bind and extend national integrity; (f) effectively utilizing the network of information and communications technology so as to become capable to provide more comprehensive information to the international community thereby can avert misunderstanding that could place Indonesia in a difficult political position, and: (g) enhancing the role of independent communication and information institutions so that they can better support the process of enhancing the education level of the people in political life, and for realizing a more improved freedom of the press.

6. Development of the law system is directed at increasingly realizing the national law system that is well established on the basis of the Pancasila and the 1945 Constitution of the Republic of Indonesia, encompassing development of the law substance, law structure, including the law apparatus, law facilities and infrastructure; realizing a society that has a high consciousness and culture of the law in the context realizing based on the rule of law; and creating a society that is just and democratic. Development of the law system is implemented through the reform of the law by still taking into account the plurality of the existing law system and the influence of globalisation as an effort for enhancing the consistent enforcement and protection of the law, enforcement of basic human rights, law consciousness, law services provision, based on justice and truth, order, and welfare in the context of state governance that is increasingly orderly, so that the implementation of national development will become increasingly effective.
7. Development of the law substance is directed at continuing the reforms of law products for replacing laws and regulations that were inherited from the colonial period, so that they can reflect the social values and interests of the Indonesian people and capable of inducing the growth of creativity and community empowerment for supporting the implementation of state governance and national development that are based on the Pancasila and the 1945 Constitution of the Republic of Indonesia, encompassing the planning of the law, the formation of the law, research and development of the law. On the other hand, the law laws must also be able to fill the vacuum of law as the direction provider of the dynamics of the strategic environment that is very rapidly changing. Planning of the law as part of the development of the law substance must be implemented by taking into account various aspects that affects the society itself as well as relations with the international community that is implemented in an integrated manner and encompassing all fields of development so that the produced laws can meet the needs of society, the nation, and the state and can anticipate the demands of changing times. Formation of the laws is carried out through an integrated and democratic process, based on the Pancasila and the 1945 Constitution of the Republic of Indonesia, so as to yield law products and law implementation regulations that can effectively be applied by being supported by research and development of the laws based on the aspirations and needs of the people. The research and development of the laws are directed at all aspects of life so that the national law can invariably be in line with the growth and dynamics of development and is in line with the aspirations of the people, in terms of current as well as future needs. In order to enhance the quality of law research and development it is necessary to have cooperation with various related components, in the country as well as abroad.
8. Development of the law structure is directed at consolidating and effectuating various law organizations and institutions, legal professions, and court of law entities, so that the law apparatus becomes capable of implementing their tasks and obligations in a professional manner. The quality and capability of the law apparatus is enhanced by increasing its quality and professionalism through the education and training system with an accommodative curriculum to each

development changes and by developing the stance of the law apparatus that highly upholds honesty, the truth, openness and justice, free from corruption, collusion and nepotism, and is accountable in the form of a exemplary behaviour. In the implementation of its tasks and obligations in a professional manner, the law apparatus needs to be supported by adequate facilities and infrastructure and its welfare needs to be improved in order that the state apparatus in the implementation of its tasks and obligations can do them in a satisfactory manner and can avoid the influences and interventions of parties in the form of corruption, collusion, and nepotism.

9. The effectuation and enforcement of the law and basic human rights, are carried out in a firm, consistent, professional manner and that is non-discriminatory by invariably being based on respect for basic human rights, justice and truth, especially in the process of examination, investigation, and court proceeding that must be transparent and open in the context of realizing social order and social discipline, so as to be able to support development and consolidate a dynamic national stability. Enforcement of the law and basic human rights is carried out to all forms of criminal acts, especially those that directly affect the public at large, such as the acts of corruption, acts of degrading the natural environment, and the acts of drugs abuse. In the context of maintaining the territorial integrity of the Unitary State of the Republic of Indonesia, it is necessary to continually increase enforcement of the laws at sea in accordance with the authority as stipulated in the national and international laws. In the context of consolidating the court institution, as an implication of the one-roof with the Supreme Court stipulation, it is necessary to continuously develop the court institutions; enhance the quality and professionalism of court judges at all levels of the courts; providing support of and improving the facilities and infrastructure at all levels of the courts, so as to be able to restore public trust and improve the image of the courts as the ultimate defence line of those seeking justice.
10. Increasing the realization of a society that has a high consciousness of the law is necessary by providing access to all forms of information that are needed by society, and providing access to society to being involved in the decision making processes in the implementation of national development so that each citizen is aware and understands his rights and obligations as a citizen. This will form a behaviour if Indonesian citizens that has a sense of ownership and compliance with the law. Enhancing the realization of a society that has a high consciousness of the law it is necessary to have the support of legal services and assistance that are provided at affordable cost, the support of uncomplicated processes, and legal decisions that reflect the sense of justice.
11. The efforts to fully handle the abuse of authority by the state apparatus are attained by applying the principles of good governance at all levels, lines and activities of governance; imposing the most severe sanctions to those guilty of abuse of authority, in accordance with the effective laws; enhancing the intensity and effectiveness of supervision of the state apparatus through internal control, functional control, and social control; and by enhancing the ethics of the bureaucracy and the work culture and knowledge and

understanding of all actors in state governance on the principles of good governance.

IV.1.4 REALIZING INDONESIA THAT IS SECURE, PEACEFUL, AND UNITED

Facing serious potential threats and varied social, economic, and cultural conditions, the Indonesian nation requires a strong state defence capability for ensuring the ability to maintain the sovereignty of the Unitary State of the Republic of Indonesia. Existing security disturbances in the form of crimes and potential horizontal conflicts will disrupt and will result in the vanishing of the sense of security of the people. The assured security and the existence of a sense of security for society is a prerequisite for the unhampered implementation of development in various fields.

1. National security is realized through the integrated development of defence, domestic security, and development of social security that are carried out on the basis of the geographical, demographic, social, and cultural conditions and that is based on the fact that Indonesia is an archipelago nation.
2. Development of defence, that encompasses the defence system and strategy, the defence posture and structure, professionalism of the TNI, the development of defence technology in facilitating the supply of the main weaponry system (*alutsista*), reserve components, and supporting defence components, is directed at the continuing endeavours for realizing the defence capability that is greater than the minimum defence force requirement so as to become capable to uphold the sovereignty of the nation and maintain national security and the territorial integrity of the Unitary State of the Republic of Indonesia, which encompasses the land area that is dispersed and varied , including the outermost islands, the marine jurisdictional area, up to the Exclusive Economic Zone (EEZ) of Indonesia and the continental shelf, and the national air space. Furthermore, such defence capability must continually be increased so as to have a striking effect that is respected and for supporting Indonesia's bargaining position in the diplomacy area.
3. The national defence system and strategy need to be continually improved for realizing the comprehensive defence system on the basis of the defence capability so that it can simultaneously overcome threats and having a striking effect. In such a comprehensive defence system, the national defence will be designed so that it has the capability to deter threats in the outermost area of Indonesia and the capability to defend land areas and oversee and protect the marine jurisdictional area and the national air space of Indonesia.
4. The defence posture and structure are directed at the ability to answer various possible challenges, actual problems, and the development of long-term capability, that are in accordance with the relevant geographic condition and community dynamics. The defence posture and structure of the army are directed at enhancing its ability to overcome the varied field and topographic conditions, to carry out rapid deployment among regions and among islands and to overcome threats in an efficient manner. The posture and structure of other forces are directed at building the capability for handling the extensive area coverage of the nation's seas on the surface and underneath the seas and providing support and ensuring compatibility to movements of the army and

air force. The posture and structure of the air-force are directed at enhancing the ability to oversee the national air space and a portion of the regional air space, starting to utilize outer space, and at providing operational joint support among the forces.

5. Increasing the professionalism of the TNI is carried out by still maintaining the political neutrality of the TNI and concentrating the TNI to defence tasks, in the form of combat military operations as well as non-combat military operations by focussing on the development of human resources and development of the main weaponry system (*alutsista*). As its main defence component, human resources of the TNI are prepared for meeting the need for adequate personnel of each force that is realized in a well-trained condition at all times; that have a high mastery of the field condition; that master the operation and maintenance of modern war equipment; that have a solid understanding of military doctrines and organization; that have a satisfactory personal management ability; that have the ability to implement humanitarian tasks; and that are responsive to technological progress and to social developments in society; and that have the competence in the post retirement period. Such increase in the professionalism of the TNI human resources is accompanied by the efforts to increase the welfare of TNI personnel, through ensuring adequate salary level, providing housing facilities, health security, enhanced education, and preparing the insurance scheme during active duty.
6. Increasing the condition and amount of the main weaponry system (*alutsista*) of each force is implemented in accordance with the validation of the defence posture and structure in order to be able to exceed the minimum defence force needs. The need for the main weaponry system (*alutsista*) is met gradually in line with the public finance capability on the basis of technological progress, the principle of self-reliance, ease of inter-operation and maintenance, and in line with the strategic alliances. Development of the main weaponry system is based on the strategic acquisition of sophisticated technology with a deterrence effect and meeting the basic operational needs in an effective and efficient manner by utilizing and developing the domestic potentials, including the national defence industry based on the sustainability principle.
7. Consolidating the reserve component and supporting elements of state defence in the context of developing the technological base and financing needs to be continually enhanced through continuous as well as through breakthrough efforts. Increasing the defence support components encompasses the mastery of the ability to utilize natural and man-made resources, the synchronization of efforts to develop the national facilities and infrastructure and the defence needs, empowerment of civil society in the formulation of defence policies, civil defence component, mutual support of the national defence industry in a direct manner as well as through the capacity of industrial conversion, and efforts for ensuring the sustainability of financing through financial engineering.
8. Protection of the marine jurisdictional area of Indonesia is increased in the efforts for protecting marine resources for the greatest benefit of the people. Protection of the marine jurisdictional territory of Indonesia is carried out by

increasing the defence force and capability in the tasks of supervising and enforcing international law and in increasing the capability to detect and deter at sea. Protection of the air jurisdictional territory of Indonesia is enhanced as efforts for safeguarding national sovereignty as a whole by developing the national monitoring and detecting system in the air space and by increasing the capability to deter illegal flights over the national air space.

9. Development of security is directed at enhancing the professionalism of *Polri* (Indonesian Police) and of the institutions that are related to the security aspect and increasing the role of the people in the context of realizing the ensured public security and order, law enforcement, and the well implemented protection, and service provision to the general public.
10. Increasing the professionalism of *Polri* is attained by developing its core service competence, improving the ratio of total number of the police force to the population, enhancing its human resources, meeting its needs for its main equipment, and increasing its control and supervision mechanism as a police institution. The development of the organization and functions of the police force is adjusted to changes in the strategic environment of the main controlling factors, namely the anticipation to changes in the regional characteristics and demographic factors. The professionalism of human resources of the police force is enhanced through reforms in the selection system, improvements in the education and training process, and through the development of the esprit de corps. Such increase in professionalism is followed by the efforts for gradually increasing the welfare of the police personnel by increasing their income level, providing their housing facilities, health security, and post-duty allowances. Community empowerment in the creation of civil security will be built through the mechanism of trusting the policing duties to the local communities. Trusting the policing duties to the local communities means allowing the local communities to also become responsible and to actively participate in the creation of public security and order in the form of cooperation and partnership with the police.
11. Increasing the professionalism of the intelligence and counter-intelligence institution in detecting, protecting, and in carrying out measures for preventing and overcoming various threats, challenges, obstructions, and disturbances that can affect national security.

IV.1.5 REALIZING DEVELOPMENT THAT IS MORE EQUITABLE AND JUST

An equitable and just development can benefit all components of the nation throughout Indonesia that will enhance the active participation of the people in development, reduce disturbances to security, and eradicate potential social conflict in attaining an Indonesia that is advanced, self-reliant and just.

1. Regional development is carried out by taking into account the potentials and opportunities the comparative advantages of land and/or marine resources in each region, and taking into account the principles of sustainable development and the carrying capacity of the natural environment. The main objective of

regional development is the increased quality of life and welfare of the people and their more equitable distribution. Such regional development is implemented through planning and integrated with all sectoral development plans. The development plan is elaborated into and synchronized with spatial planning, in terms of their substance as well as their periods.

2. The acceleration of development and growth of strategic and fast growing regions is stimulated so as to be able to develop the left-behind regions and their vicinities in a synergic economic regional development system, without regard to the administrative borders but placing greater emphasis on the linkages in the industrial and distribution processes. These efforts can be carried out by developing the products that have competitive advantages in the regions, and by encouraging the realization of coordination, synchronization, integration and cooperation among sectors, among regional governments, business community, and the general public in supporting business and investment opportunities in the regions.
3. The government active role is increased for developing left-behind and remote regions so that these regions can grow faster and their gaps with other regions can be reduced. In addition to the approach of directly empowering communities through the scheme of granting special allocation funding, including the provision of public and pioneer security services, the development approach also needs to be carried out through the strengthening of the linkages of economic activities with fast growing and strategic areas within the 'economic development areas system'.
4. Border areas are developed by changing the policy direction of development that thus far had been inward looking to become outward looking so that they can become the gateways of economic and trade activities with neighbouring nations. The development approach is not only the security approach but also the welfare approach. Special attention is given to the development of small islands at border areas that thus far have escaped attention.
5. The growth rates of large metropolitan, medium, and small cities are made more in balance with each other based on the national urban development system. Such efforts is necessary for averting urban sprawl and conurbation, such as have occurred in the northern coastline of Java island, and for controlling the migration from rural areas into large and metropolitan urban areas, by creating employment opportunities, including business opportunities, in medium and small scale cities, especially outside Java island. Therefore, it is necessary to increase from the beginning the inter-linkages among economic activities.
6. The growth of large and metropolitan cities is managed within a system of compact, comfortable, and efficient regional development, and that takes into account the sustainable development principle, through (1) application of the urban areas management that encompasses optimising and controlling spatial utilization and the safeguarding of the buffer zone in the vicinity of the core cities through the strict and just law enforcement, and by increasing the role and function of medium and small cities around the core cities so that such

cities do not only function as a dormitory town but also as self-reliant cities; (2) developing urban economic activities that are environment friendly, such as financial services industry, banking, insurance, and the telematics industry and by increasing the financial capacity of urban regions; and (3) revitalizing urban zones encompassing the restoration of the zone functions through the redevelopment of the zones; enhancing the quality of the physical, social, and cultural environment; and by reforming public services facilities, especially the development of the mass transportation system that is integrated among modes.

7. The acceleration of the development of small and medium cities is enhanced, especially outside Java, so that they can perform their role as the engine of development for the areas around them as well as in meeting the needs of their urban citizens. The development approach that needs to be adopted is among others the method for meeting the public services of urban areas in line with the typology of the respective towns.
8. The linkages between economic activities in urban areas and economic activities in rural areas is encouraged (production activities of rural areas are backward linkages of the economic activities in urban areas) in a 'system of economic growth areas'. Increasing such linkages requires the expansion and diversification of economic activities including trade (non-agricultural) activities in rural areas that are related to the markets in urban areas.
9. The development of rural areas is encouraged through the development of the labour intensive agro industry activities, especially for agriculture and marine based areas; increasing the capacity of human resources in rural areas, especially in the management and utilization of economic resources; development of the infrastructure network that supports production activities in rural areas and in small cities in the vicinity, in the efforts for creating physical, social, and economic linkages that are mutually complementary and mutually beneficial; increasing the access to information and markets, financial institutions, employment opportunities, and technology; developing social capital and human capital the potentials of which have not yet been utilized so that the rural areas will no longer become merely the source for natural resources; carrying out price intervention and trade policies that are oriented to promoting agricultural products, especially with regard to product prices and wages.
10. Spatial plans are used as reference of spatial policies in the development of each sector, cross-sectors, as well as in the development of regions so that spatial utilization can become synergic, harmonious, and sustainable. The regional Spatial Plan is formulated in a hierarchical manner. In the context of optimising spatial plans it is necessary to enhance (a) the competence of human resources and institutions in the field of spatial planning, (b) the quality of spatial plans, and (c) the effectiveness of applying and enforcing the law in the planning, utilization, as well as in the supervision of space.
11. The system of efficient, effective land management is applied also through law enforcement of rights on land by applying the principles of justice,

transparency, and democracy. In addition, it is necessary to improve the control over, ownership, and use of land through the formulation of various implementing regulations on land reform and to create tax incentives/disincentives that are in accordance with the area extent, location, and use of land, so that the disadvantaged communities can have better access to land rights. In addition, it is necessary to improve the law system and law products regarding land by taking inventory and improving law products on land by taking into account traditional community norms, and by enhancing the efforts for settling land disputes through the administrative authority channels, courts, as well as through alternative dispute resolutions. Moreover, efforts will also be made to improve institutions on land matters in accordance with the spirit of regional autonomy and in the context of the Unitary State of the Republic of Indonesia, especially in relation to the efforts for increasing human resources on land matters in the regions.

12. The capacity of regional governments is continually increased by increasing the capacity of the apparatus of regional government, the institutional capacity of regional governments, the financial capacity of regional governments, and the institutional capacity of regional parliaments. In addition, community empowerment efforts will be continued by increasing their knowledge and skills; increasing their access to business capital and to natural resources; providing broad opportunities for conveying their aspirations on policies and regulations that affect their livelihood; and increasing their opportunities and capacity for managing productive economic activities that yield prosperity and reduce poverty.
13. Increasing cooperation among regions will continued in the context of utilizing the comparative as well as competitive advantages of each region; eliminating the excessive ego of regional governments; and averting inefficiencies in the implementation of public services. The promotion of inter-regional cooperation through the system on inter-regional networking will be very beneficial as the means for sharing experience, sharing benefits from cooperation, as well as for the proportional sharing of funding, in the construction and in the maintenance of infrastructure as well as in other development activities.
14. The food security system is directed at maintaining the national food security and self-reliance by developing the domestic production capacity that is supported by the food security institutions that is capable to ensure that adequate food is available at the household level, in terms of quantity, quality, safety, as well as in terms of affordable prices, that is supported by the diversified food resources in accordance with local diversity.
15. The widespread growth of cooperatives is encouraged in line with the needs in becoming the effective forum for enhancing the bargaining position and collective efficiency of their members, in terms of producers as well as consumers in various sectors of economic activities, so that they can become an economic movement that has an effective role in enhancing the social and economic welfare of the people. Meanwhile, the empowerment of micro enterprises is a strategic option for enhancing the income level of low income

communities in the context of reducing the income gaps and poverty through the increase of business capacity and skills in the management of enterprises and also for increasing business certainty, protection, and guidance.

16. In the context of implementing the just development, the development of social welfare is also carried out by giving greater attention to disadvantaged groups, including poor communities and communities that are living in remote, left-behind areas and those living in disaster areas.
17. The development of social welfare in the context of providing protection to disadvantaged groups is improved by strengthening the social security institutions that are supported by the laws and regulations, its funding, and the system population code number. The issuing of social security is carried out by taking into account the culture and institutions that are already rooted in the communities.
18. The social security system is set up, organized, and developed for ascertaining and consolidating the meeting of rights of the people for obtaining basic social services. The national social security system (SJSN), that has already been improved together with the national social protection system (SPSN), that is supported by the laws and regulations and funding, and by the population code numbering system (NIK), can gradually provide full protection to the general public. Thereby, the development of the SJSN and the SPSN is implemented by taking into account the existing cultures and systems that are already rooted among the general public.
19. Meeting the need for housing and its supporting facilities and infrastructure is directed at (1) implementing the development of housing that is sustainable, appropriate, and affordable for the general public and supported by the facilities and infrastructure that are adequate and of good quality, that is managed in a professional, credible, self-reliant, and efficient manner; (2) the self-reliant development of housing and its supporting facilities and infrastructure that is capable to mobilize the potential funding that originates from the general public and from the capital market, create employment opportunities, and enhance equity and widely dispersed development activities; and (3) the development of housing and its supporting facilities and infrastructure that takes into account the functions and balance of the natural environment.
20. Meeting the basic needs of the people in the form of drinking water and sanitation is directed at (1) increasing the quality of asset management in the provision of drinking water and sanitation services; (2) meeting the minimum need for drinking water and sanitation services for the people; (3) implementing a credible and professional drinking water and sanitation service provision; and (4) providing low-cost financing sources in the provision of drinking water and sanitation services for poor communities.
21. The efforts for reducing poverty are directed at respecting, protecting, and meeting the basic rights of the people in a gradual manner by emphasizing the principles of equitability and non-discrimination principles. In line with the

process of democratisation, the meeting of the basic rights of the people is directed at enhancing the understanding on the importance of realizing the basic rights of the people. Policies for reducing poverty are also directed at increasing the quality in the implementation of regional autonomy as part of the endeavours for meeting the basic rights of poor communities.

IV.1.6 REALIZING INDONESIA THAT IS BEAUTIFUL AND CONSERVED

Natural resources and the natural environment are the assets of national development and also as the supporter of the life system. Conserved natural resources will ensure the sustainable availability of resources for development. A beautiful natural environment will enhance man's quality of life. Thereby, for realizing Indonesia that is advanced, self-reliant, and just, it is necessary that natural resources and the natural environment be managed in a balanced manner so as to ensure the sustainability of national development. The application of the principles of sustainable development in all sector and regions is a prerequisite for the implementation of various development activities.

1. *Utilizing Renewable Natural Resources.* Renewable natural resources on land as well as at sea, must be managed and utilized in a rational, optimal, efficient, and responsible manner by utilizing all of the functions and benefits in a balanced manner. The management of renewable natural resources that are already in a critical condition is directed at efforts for the rehabilitation and restoration of their carrying capacity that then is directed at the utilization of the environmental services so that their degradation can be stopped and their capacity as assets of sustainable development is not lost. Income that originates from the utilization of renewable natural resources is reinvested for increasing efforts in their restoration, rehabilitation, and reserving for the present as well as future generations. In addition, the utilization of renewable natural resources will be directed at meeting the need for domestic energy by utilizing marine based resources and agricultural produce as alternative energy.
2. *Managing Non-Renewable Natural Resources.* The management of non renewable natural resources, such as mining materials, minerals, and energy resources is directed at their direct consumption and by instead treating such resources as inputs, as raw materials as well as fuel material, in the production process that can yield optimal value added in the country. In addition, it is essential that non-renewable natural resources be utilized in the most efficient manner and by pursuing the strategy for expanding reserves and is directed at supporting the domestic production process. The utilization of non-renewable energy resources, such as oil and natural gas, is especially directed at meeting the need for energy that is affordable for the general public in the country and for supporting the and for supporting the hydrocarbon based industries, such as the petrochemical industry, fertilizer industry, in supporting the domestic agricultural sector. The outputs are directed at making them becoming accumulated capital. The income generated by this group of natural resources is directed at the acceleration of economic growth by investing such income into other productive sectors, also in reclamation and conservation activities, and for the strengthening of funding for exploring alternative energy sources that become the bridge from fossil fuels to renewable energy, such as energy that utilizes nuclear and geothermal power and/or renewable substitute materials such as biomass, biogas, micro-hydro, solar energy, geothermal energy, and wind power that are environment friendly. Development of alternative energy is adjusted to the condition of the local communities while

still taking into account the conservation of the environment. In addition, the development of energy must also take into account the price of energy that takes into account production costs, the internalisation of environmental costs, and by taking into consideration the economic ability of the population. Thereby, the development of energy must be directed at energy diversification and energy conservation by taking into account the conservation of the functions of the natural environment. Development of energy is also implemented by taking into account the optimal diversification among each type of energy.

3. *Maintaining the Security of Energy Supply.* Maintaining security of energy supply is directed at supplying energy for a measured period of time between the level of supply of energy resources and the level of public demand.
4. *Maintaining and Conserving Water Resources.* The management of water resources is for ensuring the sustainability of their carrying capacity by preserving the functions of water catchment areas and the availability of ground water; realizing the balance between supply and demand through the demand management approach that is aimed at enhancing the effectiveness and efficiency of using and consuming water and through the supply management approach that is aimed at increasing the capacity and reliability of water supply; and by strengthening the institutions of water resources for enhancing the level of integration and quality of water services to the general public.
5. *Developing the Potential of Marine Resources.* The direction of development forward must take into account the utilization and supervision of the very extensive marine areas. Given the very extensive coverage and prospects of marine resources, it is necessary that their utilization be directed through the multi-sector, integrated, and comprehensive approaches so as to be able to minimize conflicts and still maintaining their conservation. In view of the complexity of problems in the management of marine, coastal, and small islands resources, the integrated approach in policies and planning is the basic prerequisite for ensuring the sustainability of the economic, social, and environmental process. In addition, marine development policies and management must comprise the integration of the sea and land sectors and must be integrated in the national development strategy, so that the strengths of the sea and land can be utilized in an optimal manner for the prosperity of the nation.
6. *Increasing the Value Added to the Utilization of Unique Tropical Natural Resources.* The diversification of products and the innovation of the processing of natural resources produces are to be continually developed so to be able to yield goods and services that have a high value added, including for the development of the quality and price that are competitive in global markets. This direction must become the basis for the development of the existing natural resources based industries while also emphasizing the need for conserving the existing natural resources and at the same time to enhance their quality and quantity. Special attention is given to local communities so that they can have better access and can benefit from the utilization of natural

resources in their regions. Thereby, future development will not only be based on increasing economic growth but also on concern for social and environmental aspects.

7. Taking into Account and Managing the Diversity of Natural Resources Species Found in Each Region. Policies for the development of natural resources that are unique in each region are implemented for enhancing the welfare of the local community, developing the strategic and fast growing areas, and strengthening regional capacity and commitment for supporting sustainable development. Increasing community empowerment in the utilization of natural resources and the natural environment is carried out by the central as well as regional governments among others by the empowerment of social and economic institutions at the local level, and the recognition of traditional rights to natural resources. The management of natural resources outside Java island, especially in left-behind regions, is given special attention so that they can develop their potentials for accelerating their regions development while also emphasizing sustainability aspects for future generations. For that purpose, sound regional spatial plans that are accompanied by consistent enforcement become the guideline for the optimal and continual utilization of natural resources.
8. Mitigating Natural Disasters In Accordance with the Geologic Conditions of Indonesia. Indonesia is geographically situated at the junction of three tectonic plates. The environment based development policies opens up room for developing the capacity and application of the early detection system and the early socialization and dissemination of information on the threat of natural disasters to local communities. In that respect, it is necessary to increase the identification and mapping of disaster vulnerable areas so as to be able to have an early anticipation thereto. That will be significantly beneficial for local communities and will provide protection for human life s and property as it will involve area plans that are concerned with and sensitive to natural disasters.
9. Controlling Pollution and Degradation of the Natural Environment. In the effort to enhance the quality of the natural environment it is necessary to consistently apply sustainable development principles in all development fields. Economic development is directed at the utilization of environmental services that are environment friendly, so as not to accelerate the degradation and pollution of the environment. The restoration and rehabilitation of the condition of the environment place priority on efforts for enhancing the carrying capacity of the environment in supporting sustainable development.
10. Increasing the Capacity for Managing Natural Resources and the Natural Environment. Policies for managing natural resources need to be supported enhancing the institutions that manage natural resources and the natural environment; enhancing the just and affirmative law enforcement on the environment and enhancing the credible political system for controlling conflicts; expanding the application of environmental ethics; and developing the more consolidated social and cultural assimilation so that the environment can provide the sense of comfort and beauty in life. Furthermore, the

promotion of the attitude to the natural environment that is based on environmental ethics needs to be induced through its internalisation in the production and consumption activities, by planting environment values and ethics in daily life, including the social education and formal education at all levels.

11. Increasing Community Awareness for Loving the Natural Environment. This policy is especially aimed at the young generation so that quality human resources are created that are concerned with natural resources and natural environment issues. Thereby, they can in the future be able to have a role in applying the concept of sustainable development in their daily life.

IV.1.7 REALIZING AN INDONESIA AS A SELF-RELIANT, ADVANCED, STRONG ARCHIPELAGO NATION ON THE BASIS OF THE NATIONAL INTEREST

Development of the marine sector in the future is directed at the sustainable development pattern on the basis of the ecosystem based management of marine resources, encompassing human resources, institutional, political, economic, natural environmental, social-cultural, defence and security, and technological aspects.

1. Promoting the marine orientation and culture, through among others (a) community education and awareness raising on marine matters that can be realized through all channels, types, and levels of education; (b) preserving the marine cultural values and outlook and revitalizing custom law and local wisdom in marine matters; and (c) protecting and socializing cultural heritage under the waters through their preservation, restoration, and conservation.
2. Increasing and strengthening the role of human resources in the marine sector that is realized through among others (a) encouraging quality education and training services in the marine sector for activities that have comparative advantage that is accompanied by the availability of employment opportunities, and (b) developing the standards on human resources competence in marine matters. In addition, it is also necessary to increase and strengthen the role of science and technology, research and development in the marine information system.
3. Ascertaining the territory of the Unitary State of the Republic of Indonesia, its assets, and the related matters therein, including the obligations that have been stipulated in the United Nations Convention on the Law of the Sea (UNCLOS) of 1982. Indonesia has ratified UNCLOS in 1986, so that it has the obligation to among others : (a) resolve its rights and obligations in managing marine resources on the basis of the 1982 UNCLOS stipulations; (b) resolve the determination of maritime borders (offshore waters, territorial sea, supplementary zone, exclusive economic zone, and the continental shelf; (c) resolve the continental shelf borders beyond the 200 nautical miles area; (d)_ submitting the report on data of the geographical names of marine resources to the United Nations. On the other hand, Indonesia also needs the national management system and institutions on marine matters,

encompassing (a) development of the law system and governance that support the realization of an Indonesia as an archipelago nation, and (b) development of the system for coordination, planning, monitoring and evaluation.

4. Taking measures to safeguard the sovereign jurisdictional territory and assets of the Unitary State of the Republic of Indonesia, encompassing (a) integrated endeavours to increase the defence and security performance in border areas; (b) development of the monitoring, controlling, and surveillance (MCS) system as the instrument for safeguarding the marine resources, environment and areas; (c) optimising the implementation for safeguarding border areas and small frontier islands; and (d) increasing coordination in the safeguarding and handling of sea violations.
5. Promoting the marine industry in a synergic, optimal, and sustainable manner, encompassing (a) sea transportation; (b) maritime industry; (c) fisheries; (d) marine tourism; (e) energy and mineral resources; (f) sea structures; and (g) marine services.
6. Reducing the impact of coastal disasters and marine pollution by (a) developing the disaster mitigating system; (b) developing the early warning system; (c) developing the emergency response national plan against oil spills at sea; (d) development of the system for controlling of sea pests, introduction of foreign species, and controlling sea organism that are attached to the body of ships; and (e) controlling the impact of structure remnants and waste from sea activities
7. Increasing the welfare of poor families in coastal areas by developing small scale productive economic activities that can provide greater employment opportunities for poor families.

IV.1.8 REALIZING AN INDONESIA THAT HAS AN ACTIVE ROLE IN INTERNATIONAL RELATIONS

being involved in the maintenance of world order based on freedom, lasting peace, and social justice is the stipulation contained in the constitution that must be strived for in a consistent manner. As a big country in terms of its geography and total number of population, Indonesia actually has the opportunity and potential for affecting and for forming international opinion in the context of striving for the national interest. In the context of realizing an Indonesia that is advanced, self-reliant, just, and prosperous, Indonesia is very important for having an active role in foreign relations and in other cooperation at the regional as well as international levels, considering the continuing and rapidly changing political constellation and other international relations.

1. The role of international relations must be enhanced by emphasizing the process of empowering Indonesia's position as a state, including the effort for increasing the national capacity and territorial integrity through involvement in various international organizations, that are carried out by optimising the utilization of diplomacy and international relations by taking advantage of

various opportunities that are in the national interest that emerge from the new perspectives in a dynamic international relations.

2. Strengthening the capacity and credibility of foreign relations in the context of participating in the creation of world peace, justice in the system of international relations, and participating in the endeavours for averting the emergence of too sharp conflicts among nations with different ideologies, political systems, and interests, so that such conflicts will not threaten international security and also to avert the emergence of hegemonic-unilateralistic powers in the world.
3. Enhancing the quality of diplomacy in international forums in the endeavours to maintain national security, territorial integrity, and safeguarding natural resources, on land as well as at sea, and anticipating the emergence of various new issues in international relations that will be handled with its main parameter being the attainment of the national interest in an optimal manner.
4. Increasing the effectiveness and expanding the functions of the existing cooperation network for the revitalization of the solidarity of the Association of South East Asian Nations (ASEAN) in the political, economic, cultural, and security fields towards the establishment of a more solid ASEAN community.
5. Maintaining world peace is endeavoured through increasing political and cultural mutual understanding, among nations as well among communities of the world, and increasing international cooperation in the building up of a more balanced order in international economic cooperation and relations.
6. Strengthening a productive cooperation and relations network among nation actors and non-nation actors that are engaged in international relations.

IV.2 STAGES AND SCALE OF PRIORITIES

In order to attain the main targets as referred to above it is necessary for the long-term development to have stages and development priorities that will become the agenda of the medium-term development plans. The determined stages and development priorities reflect the urgency of problems that need to be resolved, by still taking other problems into account. Thereby, the emphasis of the scale of priorities in each stage differs, even though all must have a continual relationship from one period to the following period in the context of realizing the main targets of the long-term development.

The priority of each main target in the eight missions of the long-term development can be determined in the respective stages. The priority of the respective priorities can be further reduced into main targets. The main target describes the strategic meaning and urgency of the problem. On that basis, the stages and scale of priorities are determined to be as follows.

IV.2.1 FIRST MEDIUM-TERM DEVELOPMENT PLAN (2005-2009)

The Indonesia that is secure and peaceful is indicated by the increased sense of security and peace and the maintained Unitary State of the Republic of Indonesia on the basis of the *Pancasila*, the 1945 Constitution of the Republic of Indonesia, and the *Bhinneka Tunggal Ika* (Unity in Diversity) through having resolved various vulnerable issues and having attained the basis for developing the national defence and security, and the enhanced domestic security including its social security so that the role of Indonesia in creating world peace is continually increasing. Such a condition is supported by the growth of new positive and productive values in each aspect of life in the context of consolidating the national culture, including the marine orientation and culture; the strengthened and expanded understanding of the national identity as a democratic nation in the order of the international community; and the increased conservation and the growth of cultural assets for strengthening the sovereignty of the Unitary State of the Republic of Indonesia on the basis of the *Pancasila* philosophy.

An Indonesia that is just and democratic is indicated by the increased justice and law enforcement; the established legal framework for strengthening democratic institutions; the increased gender equality in various fields of development; the created basis for efforts in establishing the rule of law and enforcement of basic human rights based on the *Pancasila* and the 1945 Constitution of the Republic of Indonesia; and the well established national law system. At the same time, public services are becoming increasingly better together with the improved implementation of decentralization and regional autonomy as reflected in the assured consistency of all central and regional regulations and that these regulations do not contradict higher regulations and laws; and the well established institutions of the bureaucracy in supporting the acceleration of realizing good governance.

The increased welfare of the Indonesian people is indicated by the decline of the total number of unemployment and poor people in line with the quality economic growth;

the reduced inter-regional gaps, including the improved management of small frontier island; the increased quality of human resources, including human resources in the marine sector that is supported by the development of science and technology; and the improved management of natural resources and quality of the natural environment. Such condition is achieved by inducing economic growth by creating a more conducive business climate, including the improved infrastructure. The accelerated development of the infrastructure is more stimulated by the increased role of the private sector by the established basic policy and regulatory framework and through institutional reform and restructuring, including for the transportation, energy and electricity, and post and telematics sector. In addition, centres of growth that have strategic locations, among others the special economic zones (KEK) and zones with special competitive advantages, are institutionally revitalized. Increasing the quality of human resources is indicated by among others the increased human development index (HDI) and gender development index (GDI) that is directed for developing the nation that has an intellectual, just and civilized character, with a national identity, resilient, competitive, high morals, and based on the Pancasila philosophy, that is signified by the character and behavioural pattern of the Indonesian man and society that are religious, strongly upholds faith to Almighty God, having noble character, and is tolerant to diversity, having a patriotic sense of mutual help, and is oriented to science and technology; increasing the quality and access of society to education and health services; increasing the welfare and protection of women and children; and controlling the total number and growth rate of the population.

In addition, efforts are increased for mitigating natural disasters, in accordance with the geologic conditions of Indonesia. Efforts for controlling the pollution and degradation of the environment are supported by the increased awareness of the general public for loving the natural environment and for being aware of areas that are prone to disasters thereby making the people to become more concerned and anticipative. This is supported by endeavours for institutional development and for increasing the capacity at each government level in the context of overcoming disasters and by basing on the spatial plan hierarchically of the national, island, provincial, up to the regency/city levels as the umbrella of the spatial plan in each sector in the context of preventing the impact of environmental degradation and for minimizing the impact of natural disasters.

IV.2.2 SECOND MEDIUM-TERM DEVELOPMENT PLAN (2010-2014)

On the basis of the implementation, achievements, and as the continuation of the First Medium-Term Development Plan, the Second Medium-Term Development Plan is aimed at the greater consolidation of reforming Indonesia in all fields by emphasizing the efforts for enhancing the quality of human resources including the development of the capability in science and technology and strengthening the competitiveness of the economy.

The secure and peaceful condition in various regions has continued to improve with the increased basic capability of state defence and security as indicated by the enhanced posture and structure of state defence and the increased capacity of the state security institutions.

Such a condition is in line with the increased awareness and enforcement of the law, the sustained consolidation of upholding the rule of law and the enforcement of basic human rights, and the continued efforts to reform the national law system. In that respect, national life that is increasingly democratic will be increasingly realized as indicated by the improved implementation of decentralization and regional autonomy and the strengthened role of civil society and political parties in national life. The important position of Indonesia as a great democratic nation is increasing with the successful diplomacy in international forums in the efforts of maintaining national security, territorial integrity, and safeguarding the wealth of natural resources of the nation. Furthermore, the continually improved public services that are less costly, faster, more transparent and accountable is indicated by the meeting of the minimum standard services at all government levels.

The welfare of the people continues to increase as shown by improvements of various indicators on human resources development, such as the increased income per capita; the decline of the poverty rate and unemployment rate in line with the quality economic growth accompanied by the development of social security institutions; the increased education level of the people that is supported by the well established implementation of national education; the enhanced gender equality; the increased; the optimal growth of the welfare and protection of children; the controlled growth rate and total number of population; the declined gap of welfare among individuals, among social groups, and among regions; the accelerated growth of potential growth centres outside Java; and the increasingly consolidated new values that are positive and productive in the context of consolidating the nation's culture and character.

The competitiveness of the nation is increasing through strengthening the manufacturing industry in line with the strengthening of agricultural development and the increasing the development of marine resources and other natural resources in accordance with the regional potentials in an integrated manner and the increased development of science and technology; the accelerated development of infrastructure by further enhancing cooperation between the government and the business community; the increased quality and relevance of education; and reforming economic institutions that induce private initiative in economic activities. Such a condition is supported by development of the transportation network, and post and telematics; development in the utilization of renewable energy, particularly bio-energy, geothermal energy, hydropower, wind energy, and solar energy for electricity; and development of water resources and development of housing and human settlements. In addition, the marine industry, that encompasses sea communications, the maritime industry, fishery, marine tourism, and activities on energy and mineral resources are developed in a synergic, optimal, and sustainable manner.

In the context of attaining the sustainable development, the management of natural resources and the conservation of the functions of the natural environment are continually enhanced by institutional strengthening and increasing public awareness as indicated by the growth of the process for the rehabilitation and conservation of natural resources and the natural environment that are accompanied by the strengthened active participation of the people; the maintained biodiversity and uniqueness of other tropical natural resources that are utilized for realizing value-added, and competitiveness of the nation, and for increasing the national development assets in coming periods; the consolidated institutions and capacity at all government

levels for anticipating and overcoming disasters; and the implemented marine development as the movement that is supported by all sectors. Such a condition is supported by the increased quality of spatial planning, increased consistency in spatial utilization by its integration into the related development plan document, and the enhanced enforcement of regulations in the context of controlling spatial utilization.

IV.2.3 THIRD MEDIUM-TERM DEVELOPMENT PLAN (2015-2019)

On the basis of implementation, achievements, and as the continuation of the Second Medium-Term Development Plan, the Third Medium-Term Development Plan is aimed at the further consolidation of development in a comprehensive manner in various fields by placing the emphasis on attaining the competitiveness of the economy on the basis of the comparative advantages of natural resources and quality human resources and on the basis of the continually increasing capability in science and technology.

In line with the increased secure and peaceful condition throughout Indonesia, the capacity of the national defence and domestic security is continuously strengthened as indicated by the developed professionalism of the state defence and security institutions and the increased welfare of soldiers and availability of the main weaponry system of the TNI and of the main equipment of Polri through the empowerment of the national defence industry. The democratic practices of the people becomes increasingly rooted in national life in line with the increasingly consolidated institutionalisation of democratic values that emphasize the principles of tolerance, non-discrimination and partnership and the increasingly consolidated implementation of decentralization and regional autonomy. Such condition stimulates the attainment of strengthened leadership and contribution of Indonesia in various international cooperation in the context of realizing a world order that is more just and peaceful in various aspects of life. Moreover, the law awareness and enforcement in various aspects of life are continuously enhanced and the professionalism of the central and regional state apparatus is continuously increased for facilitating national development.

The welfare of the people continues to improve to the level equivalent to the welfare of middle-income nations, and is equitably distributed that is induced by the increased quality economic growth that is accompanied by the realized social security institution. The quality of human resources continues to improve as indicated by the increased quality and relevance of education, including those based on local comparative advantages and supported by the efficient and effective education management; the increased health quality and nutritional condition of the people; the increased gender equality; the optimal growth of the welfare and protection of children; the stable growth rate of the population; and the consolidated culture and character of the nation.

The continuously improved implementation of sustainable development is reflected in the preserved carrying capacity of the environment and in the capability its rehabilitation in order to support the quality of social and economic life in harmonious, balanced, and conserved manner; the continued improvement of the management and utilization of natural resources that is in line with the efforts for

preserving the functions of the natural environment and supported by the enhanced awareness, attitude, and behavioural pattern of the population; and the continued improvements in the institutions and capacity of spatial planning throughout Indonesia.

The continuing improvement of the competitiveness of the Indonesian economy with the increased integration of the manufacturing industry and agriculture, marine sector, and other natural resources in a sustainable manner; the availability of the infrastructure that is supported by the established cooperation of the government and the business community; the increased congruence between the development of education, science and technology and industry and the implemented reform of economic institutions for stimulating the increased efficiency, productivity, and mastery and application of technology by society in economic activities.

The availability of the infrastructure that is in line with the spatial plan is characterized by the developed transportation network; the fulfilled supply of electric power that is reliable and efficient in accordance with the need so that the electrification of households and the electrification of rural areas can be attained, and the utilization of nuclear power for the electricity power generating station is initiated by taking into account the tight safety requirements; the efficient and modern provision of post and telematics services for creating the information society of Indonesia; the realized conservation of water resources that can maintain the sustainability of the functions of water resources and the development of water resources and the adequate supply of drinking water for meeting the basic needs of the people. In addition, development of the rural infrastructure will continually be increased, particularly for supporting agricultural development. Accordingly, the supply of housing that is supplemented by the supporting infrastructure and facilities for the whole population has continually increased due to being supported by the long-term, sustainable, efficient, and accountable housing financing system. Such a condition stimulates the realization of cities without slums.

IV.2.4 FOURTH MEDIUM-TERM DEVELOPMENT PLAN (2020-2024)

On the basis of the implementation, achievements, and as the continuation of the Third Five Year Development Plan, the Fourth Five Year Development Plan is aimed at realizing the Indonesian nation that is self-reliant, advanced, just, and prosperous through the acceleration of development in various fields by emphasizing the establishment of an economic structure that is solid on the basis of its competitive advantages in various regions that is supported by quality and competitive human resources.

The political and law institutions have already been established as signified by the consolidated democracy in various aspects of political life and the established rule of law and enforcement of basic human rights; the realized sense of security and peace for the whole people; the maintained territorial integrity of the Unitary State of the Republic of Indonesia and the maintained sovereignty of the nation from domestic as well as foreign threats. Such a condition is supported by the established capability in state defence and security as signified by the realization of the TNI that is professional with strong reserve and supporting components; the realized synergy in the operations of POLRI and the empowered communities in the field of security, intelligence and

counter-intelligence, that is accompanied by the reliable capacity of the defence industry; the realized national law system that is solid and that is based on the Pancasila and the 1945 Constitution of the Republic of Indonesia, in the endeavour to solidify the rule of law; the realized good governance and clean and credible government on the basis of the law, and on a bureaucracy that is professional and neutral; the realized civil society, political society, and economic society that are self-reliant, and the realized national self-reliance in the global constellation.

The continuing increase in the welfare of the people is signified by the continually increasing and more equitable distribution of income of the people including the greater coverage of the social security institutions; the more solid quality and competitiveness of human resources, as indicated by among others the increased and more equitable access, quality level, and relevance of education in line with the increased efficiency and effectiveness of education management and the increased capability in science and technology; the increased health level and nutritional status of the people; the more optimal increase in the welfare and protection of children; and the realized gender equality; the maintained condition and stable growth rate of the population. In line with the level of progress of the nation, it is expected that the human resources of Indonesia are of sound character, high intelligence, resilient, competitive, having noble morals based on the Pancasila philosophy and as characterized by the mentality and behavioural pattern of the Indonesian man and society that are religious, upholds faith in Almighty God, have noble moral fibre, tolerant in religious matters, having the spirit of mutual help, are patriotic, dynamic, and who have an orientation to science and technology. The awareness, mental attitude, and behavioural pattern of society become more sound with respect to the need for managing natural resources and conserving the functions of the natural environment for maintaining a pleasant and quality life so that society becomes capable to have an active role in promoting the concept of sustainable development in daily life.

The increasingly advanced and solid economic structure is signified by the enhanced competitiveness of the economy and the enhanced complementarities among industry, agriculture, marine activities, utilization of natural resources, and the services sector. The economic institutions have been well established and are functioning effectively. Such a condition is supported by the improved inter-linkages in the provision of education services, and the more advanced capacity of science and technology, as to induce greater progress of the economy that is efficient and has a high productivity; and the growth of business activities and investments of Indonesian enterprises abroad, including in the exclusive economic zone and on the high seas, in the context of increasing the national economy. Consequently, an economic growth that is of increasing quality and sustainable can be attained so that income per capita by 2025 can reach the standard of living that is equivalent to that in middle income nations with the continued reduction in the open unemployment and poverty rates. The advanced and prosperous condition is increasingly materialized with the realization of the transportation and post and telematics network services that have become increasingly reliable for the whole population and that can reach the whole territory of the Unitary State of the Republic of Indonesia; the realized electrification of rural areas and the electrification of households; and the met needs for housing supplemented with the supporting facilities and infrastructure for the entire population

that is facilitated by the system of long-term housing financing that is sustainable, efficient, and accountable, so as to realize cities without housing slums.

In the context of consolidating sustainable development, the bio-diversity and uniqueness of natural resources is continually maintained and utilized for continually maintaining the value-added and competitiveness of the nation and for increasing the assets of national development in coming periods.

CHAPTER V CLOSING PROVISIONS

The 2005-2025 Long-Term National Development Plan (RPJPN) which contains the vision, mission, and direction of national development is a guideline for the government and the people for implementing national development 20 years ahead.

The RPJPN is also the basis for formulating the Regional Long-Term Development Plans (RPJPDs) and will become the guideline for candidate Presidents and candidate Vice Presidents in formulating their respective visions, missions, and priority programs, which will become the basis for formulating the five years Medium-Term Development Plans (RPJMs) and of the Annual Government Work Plans (RKPs). The effectiveness of national development in realizing an Indonesia that is self-reliant, advanced, just, and prosperous, needs to be supported by the (1) commitment from the strong and democratic national leadership; (2) consistency of government policies; (3) orientation to the people; and (4) the active participation of the people and the business community.

PRESIDENT OF THE REPUBLIC OF INDONESIA
signed
DR. H. SUSILO BAMBANG YUDHOYONO

A copy which is in accordance with its original

STATE SECRETARIAT OF THE REPUBLIC OF INDONESIA
Head of the Bureau of Laws and Regulations
in Economic and industrial Affairs
signed
MUHAMMAD SAPTA MURTI