

インドネシア国
投資政策改善調査
(海外開発計画調査費)
予備調査団
報告書

平成 17 年 8 月

独立行政法人 国際協力機構
経済開発部

序 文

日本国政府はインドネシア国政府の要請に基づき、投資促進に関わる政策・制度を改善するために必要な開発調査を行うことを決定し、独立行政法人国際協力機構（JICA）がこの事業を実施することとなりました。

JICA は 2005 年 7 月 24 日から 8 月 2 日まで予備調査団を派遣し、要請の背景を調査、協力の枠組につきインドネシア政府関係者と協議いたしました。その結果および効果的な調査に必要な情報をとりまとめたのが本報告書です。

予備調査にご協力、ご支援いただいた関係の皆様にご心から感謝いたします。

2005 年 8 月

独立行政法人国際協力機構
経済開発部長 佐々木 弘世

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1. 調査の目的

インドネシア向け直接投資はアジア危機以降大きく落ち込み、未だ回復の兆しが見えない。主な理由の一つとして投資環境上の問題が主に指摘されている。この改善のためには域内他国の当該分野における制度と比較しながらより優位性の高い環境を整備していくことが不可欠である。

我が国は投資促進専門家の派遣、現地 CG 投資ワーキンググループを主導する等、積極的に支援してきた経緯があり、特に昨年 11 月には小泉総理-ユドヨノ大統領首脳会談において「日・イ官民合同投資フォーラム」の設置が合意された。

かねてより同国の投資環境改善に係る当局自身の問題意識を高める必要が指摘されており、周辺競合国の投資促進政策・制度の現状の比較を踏まえて、インドネシア国の投資促進政策を提言するため、以下を内容とする開発調査実施につき要請があった。

近隣諸国、特に直接投資誘致面で競合していると考えられる諸国（ベトナム、フィリピン等）に関して各々の税制優遇措置を含む各種インセンティブ及び労働政策等投資関連政策、制度の現状及び税制、通関、各種許認可手続き等の実際の運用状況そして今後の政策方向を調査すること。

各国の投資関連政策、制度とその実際の運用、企業側の評価等を調査し、インドネシアの政策との比較対比を行い、それを踏まえた提言をまとめ、さらにワークショップ等の形で広く普及すること。

本予備調査団の目的は、その要請背景を調査し、協力の枠組みにつき合意形成を図ることである。

2. 団員構成

- | | |
|------------|-------------------------------|
| (1) 総括 | JICA 経済開発部調査役 杉原敏雄 |
| (2) 投資促進政策 | 経済産業省通商政策局アジア大洋州課アセアン二係長 横山博之 |
| (3) 投資促進 | (株)日本開発サービス調査部主席研究員 中川勉 |
| (4) 協力企画 | JICA 経済開発部貿易・投資・観光チーム職員 藤江顕 |

経済産業省貿易経済協力局技術協力課 和田恭課長補佐が自省予算にて参団。

現地では、JICA インドネシア事務所 本間企画調査員および BKPM に投資促進政策専門家として派遣されている梅田専門家が同行。

3. 日程

月 日		行 程
7月24日	日	移動（ジャカルタ着）
25日	月	JICA 事務所にて打合せ BKPM との協議、BKPM 長官表敬
26日	火	日本側関係機関からの聞き取り（日本大使館、ジャカルタ・ジャパン・クラブ（JJC）、JETRO ジャカルタ事務所）
27日	水	BKPM との協議 調査団打合せ
28日	木	ミニッツ作成、BKPM との確認
29日	金	ミニッツ署名 JICA 事務所報告 移動（ジャカルタ発）

但し、中川団員は7月30日～8月2日補足調査

4. 主な面会相手

BKPM Muhammad Lutfi, Chairman（長官）
 Yus'an, Deputy Chairman for Investment Climate
 Development
 Darmawan Djajusman, Director for Investment
 Deregulation

日本大使館 岸本参事官

ジャカルタ・ジャパン・クラブ(JJC) ... 藤井運営委員長他

JETRO ジャカルタ事務所 今清水所長他

5. 調査結果

(1) 調査方針に基づく本開発調査の妥当性、有効性の確認

以下の点により本要請案件を実施することは妥当かつ有効であると思料する。

- 1) インドネシア政府は中期国家開発計画（レペナス）において投資環境の改善を重視し、我が国「対インドネシア国別援助計画」においても投資環境の改善を含む「民間主導の持続的な成長実現のための支援」が三本柱の一つであることから、本調査は日伊双方の政策目標に合致していること。
- 2) 実施体制では、投資調整庁（BKPM）はインドネシア政府の外国投資の窓口であり、日本・インドネシア官民合同投資フォーラムが本年6月にとりまとめた「日本・イ

インドネシア戦略的投資行動計画（SIAP）」においても投資環境改善における投資調整の役割が指摘されていることから、BKPM をカウンターパートとして本調査を実施することが適当。

- 3) BKPM の政策実施責任者を中心メンバーとした近隣諸国比較調査の実施は、「イ」国より進んだ投資政策を既に実施している国を C/P 自ら見聞し、実感でき、本調査の最終的な目的である「イ」国に対する政策提言実現のための的確な手段を講じる動機づけになる。

(2) BKPM との協議結果

- 1) 要請内容の中心を占めていた近隣諸国比較調査の意義を認めた上で、それを政策提言、提言の実現に生かす必要について認識を共有した。
- 2) 案件名称についてはBKPM から当初の案である「投資促進政策(Investment Promotion Policy)」では最終的な提言の範囲が限定されるとの理由で、「投資政策改善」調査(Improvement of Investment Policy)とした。
- 3) 近隣諸国比較調査の対象国として、タイ、ベトナム、フィリピンおよび中国がBKPM から提案され、「イ」国の近隣国であり、ここ数年投資受入が急伸している国である等の理由が提示され、調査団側はこれを適当と認めた。また、実施時期としては、準備期間等を勘案し、第1回(先方要望:タイ、ベトナム)を平成18年2月、第2回(同:フィリピン、中国)を5月頃の2回に分けて実施することで合意した。現地調査はBKPM スタッフ4名と我が方コンサルタントとし、BKPM 側の参加者は可能な限り同じ人物とすることを申し合わせた。また、C/P の出張期間は一ヶ国につき4日間程度とすることとした。
- 4) 近隣諸国調査を実施するに際し、BKPM 側の旅費負担の要請があったが、調査団としては当該現地調査においてBKPM が主たるメンバーとして参加することは重要であることおよびBKPM の財政状況を考慮すると先方が負担し得ないという事情は理解できることから、我が方負担とする方向で検討することとした。
- 5) 近隣諸国比較調査におけるBKPM 派遣専門家の同行が有効であるとの認識で一致した。
- 6) 本調査において政策提言を実現するためにアドバイザー・コミッティーを設置することの重要性につき双方が確認した。構成メンバーについては両者により早急に検討することとした。

(3) 日本側関係機関からの聞き取り

JETRO および日本から進出している民間企業の声を取りまとめてきた実績を有する JJC からの聞き取りを行った結果、包括的な近隣諸国との比較調査は過去に行われておらずかつ有用であることから、ぜひ実施して欲しいとの要望があった。

なお、後日中川団員が面談した世銀担当者からも本調査に対する期待が表明された。

以上を踏まえ、協力の枠組みに関する調査団および BKPM 双方の認識がほぼ一致したと判断されたことから、議事録をとりまとめ署名交換した。

(4) 本格調査実施にあたっての所見

- 1) 投資環境整備の観点からは、複数の省庁に関連する事項を含んだ包括的な政策提言が「イ」政府に発出されることが肝要。本調査は BKPM を中心として実施されるが、経済担当調整大臣府 (EKUIN)、商業省等の「イ」政府関係省庁との連携を図ることが重要であり、その体制を早急に構築する必要がある。
- 2) 最終的なインドネシア政府に対する提言・報告については、JJC 等の関係者から充分要望・要請等を聴取し、それらに応えたものとするよう努力すべきである。
- 3) SIAP で言及されている「投資ルールブック」は、関係諸機関等からの要望も高いことから、本調査における基礎調査・パイロットプロジェクトの成果を積極的に活用して作成されることを期待。

6. 本格調査実施における留意点

(横山団員執筆)

(1) 予備調査

今回の予備調査の最大の目的はカウンターパートである BKPM(投資調整庁)との間で、今回事業(調査)の協力の枠組みを決定することであり、具体的には、文書(Minutes of Meeting)にてそれを確認することが必要であった。

JICA 現地事務所等関係者及び同機関に派遣された日本人専門家による BKPM サイドへの事前説明等の周到な準備の結果、協議自体に大きな論点はなく予定通り M/M の調印に至ったことで成功であったと言える。

(2) 協議中のポイント

BKPM サイドとの正式協議の他、今回派遣された予備調査団内(現地 JICA 事務所及び専門家を含む)でも度々、S/W 内容はもとより、本事業(調査)の目的に立ち返った議論がなされた。小職は経済産業省からの団員として、本事業(調査)を対インドネシア投資促進、環境整備の一環として位置付けて適宜コメントした。この観点からの小職のコメントは以下のとおり。

1) BKPM

BKPM 日本人専門家と現地 JICA 事務所との間の連携に問題なく、さらに調査団の派遣により現地サイドの本事業の目的に対する理解はさらに深まったものと言える。このこと

により、BKPM 内での本事業に対する認識の齟齬を心配する必要はないと思われるが、BKPM 自体がインドネシア政府内で力を持った官庁とは言えないため、諸省庁にわたる事項あるいは、他省庁の投資政策までを範囲としなければならない局面においての同機関の調整能力に一抹の不安が残る。

2) 官民合同投資フォーラム及び JJC との関係

本事業が「官民フォーラム」の SIAP の中での明確な位置付けが喧伝されていない。JJC への訪問時に本事業につき説明した際には投資環境整備の観点から大きな期待が寄せられており、また、多くの予算、人員を投入した事業であることから、機会を捉えて JJC 傘下の日本企業等に対して説明することが望ましい。また、「官民フォーラム」では本分野（投資促進）は JETRO が中心となって取り組んでいることから、効果的かつ効率的な本事業の実施にあたっては現地での両機関の協力体制作りを進めるべきであろう。

3) 事業内容

今後 1 年をかけて、本調査の目的に則して「近隣諸国調査」や「投資ルールブックの作成」等が実施される予定であり、特に前者についてはカウンターパートの強い要望もあり BKPM が同行することになっている。本調査予算でカウンターパートが同行することに異論もあるが、BKPM 自身が実際に、投資環境整備に注力している国及び大きな投資インセンティブを与えて外資導入に成功した国に赴き見聞することは有意義であると言えよう。ただし、この「調査」に当たっては、形式的な「表敬」や「視察」は最低限にとどめ、日本企業を中心とした成功事例の聴取及びその裏付けとなった法制度、インセンティブの確認や投資にかかるワンストップセンターの採用によって外資が増加したケースあるいは、投資法令整備による評価の聴取など、今後、同国及び日本企業にとって具体的な改善を念頭に置いた日程を組むことが肝要である。

(3) 本格調査へのコメント

予備調査段階で認識したこと、あるいは検討すべき必要な事項は上述のとおりであるが、最終的な目的はインドネシアの投資環境整備である。本事業の成否は、最も重要なことであり、また同時に難しいことではあるが、本事業の成果である「インドネシア政府への提言」が死蔵されることなくプレイアップされ、政府部内で受け入れられる環境を構築できるかにかかっている。少なくとも、そのためには、日本企業を中心とした外資系企業から、投資環境にかかる問題点や改善点の示唆を受け、「提言が重要であり、受け入れること（あるいは受け入れないこと）によりどのようなメリット（デメリット）があるか」といった事実関係を正確に把握し分析することが重要である。

7. 団長所感

(1) S/W（案）協議の主要点

予備調査団は、日本側で準備した S/W ドラフトに基づき協議を行った。BKPM 側からコメントがあった主要な点について協議の状況は以下のとおり。

- 1) 本開発調査のタイトルについて、当初案では「The Study on Investment Promotion Policy」としていたが、Promotion という語句を挿入すると狭い意味になってしまうので削除してほしいとの要望がなされ、協議の結果「The Study on the Improvement of Investment Policy」に変更した。海外比較調査の調査項目の一つとして記載していた「Promotion activities」の記載を含め、Promotion という単語の使用に関し強い反対があり、Promotion の語を全部削除し同様な趣旨を意味する別の表現とすることで合意した。

なおこれは、主たる協議相手であった YUS'AN 氏（Deputy Chairman for Investment Climate Development）としては、BKPM 内部組織の業務分掌の関係で Promotion という語の使用を避けたいとの意図があるためと思われた。

- 2) 近隣諸国比較調査の実施時期について当初案では 2006 年 5 月としていたが、BKPM 側から近々国会に上程される新投資法の制定予定との関係で、出来る限り早く各国比較調査を実施したいとの要望があった。新投資法が制定された場合に、その実施細則等の作成に際し比較調査の成果を活用したいとのことであった。協議の結果、特に 2005 年度に実施する比較調査については人数や期間等を変更しないとの条件の下、2005 年 2 月にタイとベトナム、5 月にフィリピンと中国を対象とすること、BKPM からはいずれの調査も 4 名が参加することとなった。なお、他省庁からの参加について、当方からは「参加させた方が良いのではないか」との意見を述べ BKPM の意見を求めたところ、EQUIN や商業省には適切な候補者がいないとの BKPM の意見により、インドネシア政府側からの参加者は BKPM の 4 名のみとすることとなった。

また、BKPM から参加する 4 名の旅費について、「BKPM の予算は極めて厳しい状況にあり支出が困難なため JICA 側での負担をお願いしたい」との要望が述べられた。

- 3) パイロットプロジェクトの実施に関し、具体的なイメージがなかったため当初パイロットプロジェクトの実施について S/W に記載することに反対意見が示された。当方から、例えば、来年度案件として現在日本側への要望を検討中の 9 件の項目中のいくつかはパイロットプロジェクトの候補となりうるのではないかと説明したところ、BKPM 側はパイロットプロジェクトの実施について合意した。

- 4) 本開発調査の最終成果品である Policy Recommendation の実行に当たっては他省庁の合意が得られないと実施できない項目が多いと考えられる。この観点から、他省庁の関係者から構成されるアドバイザリーコミティーを設置し調査の節目でこれを開催し意見交換することを S/W 案において提案した。これについては BKPM 側もその必要性に合意し、アドバイザリーコミティーのメンバーリストを提出することを約束したが、結果的にはどの組織から参加を依頼する予定であるかについて口頭で説明がなされるに留まった。このメンバー構成についてはもう少し時間をかけて慎重に検討する必要があると判断されたため、S/W の署名時期までに BKPM 派遣専門家や JICA インドネシア事務所とも相談し、決定するように依頼した。

(2) 所感（本格調査実施上の留意点を含む）

- 1) 本調査は、BKPM へのアドバイザーとして派遣されている BKPM 派遣専門家の業務との関係が極めて深く、調査の実施に当たっては同専門家との十分な協議、連携が不可欠である。
- 2) 本調査の主要な成果品となる Policy Recommendation のうち他省庁との協議マターとなる項目の実現化を図る観点から、各国比較調査の成果が他省庁に対する重要な説得材料となると考えられる。従って、調査項目等について事前の十分な検討が必要である。
また同様な観点から、調査の節目で実施することとなっているアドバイザリーコミティーの位置づけ、協議の方法、更に BKPM Lutfi 長官の政治力を期待するタイミング等についても BKPM 派遣専門家や JICA インドネシア事務所と前もって十分検討しておく必要があると思われる。
- 3) 本調査団が在ジャカルタの JETRO を訪問した際、上述の各国比較調査に関し、「JETRO も以前、国別投資環境調査を実施した経験があるが、調査者が国毎に異なったため統一的な視点で各国の比較を行うことができなかった。」との説明があった。同調査の実施に当たり留意すべき点であると思われる。
- 4) BKPM は現状では手続き機関となっている（JETRO 談）とのことであるが、投資促進の観点から本来どのような機能を持つ組織であるべきかについての調査は、各国比較調査においても重要な調査項目になると思われる。
- 5) パイロットプロジェクトの実施項目の一つとして、日本側としては SIAP（日本インドネシア戦略的投資行動計画）において計画されている Investment Rule Book の作成

を実施項目の一つとする予定であるが、BKPM 派遣専門家の説明によれば同 Rule Book の作成には相当な期間（2年程度）が必要であり、本調査において全てを作成することは困難とのことである。従って、本調査においてはどの部分をどのようなスケジュールで作成するかについて、事前に梅田専門家等と十分検討しておく必要がある。

- 6) 本調査団は、ジャカルタ ジャパン クラブや JETRO を訪問し意見交換を行ったが、両機関から本調査に対する強い期待が表明された。両機関は、本調査の目的としている事項に関し既に様々な経験を有しており、本調査の成果を有効なものとするためには、これらの機関の有する経験・知見を最大限活用することが必須と思われた。

関連資料

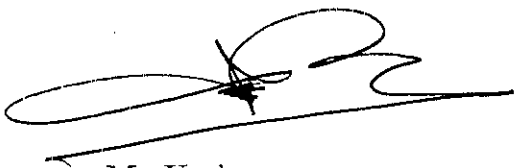
M/M.....	- 1 -
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Minutes of Meeting
Between
The Investment Coordinating Board
And
The Japan International Cooperation Agency Preparatory Team
On
The Study on the Improvement of Investment Policy
In
The Republic of Indonesia

The Japan International Cooperation Agency (hereinafter referred to as "JICA") sent a Preparatory Team (hereinafter referred to as "JICA team") headed by Mr. Toshio Sugihara from July 24 to August 2. The JICA team had a series of discussions with officials of the Investment Coordinating Board ("hereinafter referred to as BKPM") to discuss on a framework of a Development Study on the Improvement of Investment Policy.

As a result of the discussions, common understandings between the JICA team and the BKPM were made and therefore the both parties mutually agreed upon matters in a document attached after.

Jakarta, July 29, 2005



Mr. Yus'an
Deputy Chairman for Investment
Climate Development
Investment Coordinating Board
(BKPM)
The Republic of Indonesia



Mr. Toshio Sugihara
Team Leader
Preparatory Study Team
Japan International Cooperation
Agency (JICA)
Japan

1. Background of the Study

Since 1997/98 economic crisis in Asia, Indonesian economy has been growing at rather low level of around 4%, mainly shored up by consumer spending, that is not sufficient to accommodate new entrants in the labor market annually, thus leading to around 40 million unemployed and underemployed workers currently.

Investment policy is highly prioritized for boosting economic growth in the Government of Indonesia (hereinafter referred to as "GOI") headed by Dr. Susilo Bambang Yudhoyono, the President.

The GOI is now considering investment policies including enacting of new Investment Law, streamlining of investment licensing procedure and providing of additional fiscal incentives.

An improvement of investment environment needs to take global and regional competitions into account.

The Joint Announcement of the Japan-Indonesia Strategic Investment Action Plan (SIAP) indicates BKPM play a vital role in providing services to investors.

2. Development Study

The GOI officially requested a Development Study in the field of investment policy and the Government of Japan adopted the request in Japanese fiscal year 2005. A Scope of Work of the Study was jointly drafted by both sides and attached herewith.

Followings are supplementary comments to the draft Scope of Work.

- (1) Both sides agreed that a comparative study is indispensable in developing policy recommendations to improve investment environment.
- (2) The Indonesian side proposed Thailand, Vietnam, the Philippines and China as target countries of the comparative study.
- (3) Field studies may be consisted of 2 sessions. The first session may be undertaken around February, 2006 and the second one around May, 2006.
- (4) The Indonesian side requested that 4 BKPM staff members attend the field study. Both sides agreed that participation of a JICA advisor to BKPM is critical.
- (5) The Indonesian side requested travel expenses of BKPM participants covered by Japanese side.
- (6) An Advisory Committee plays an important role in realizing policy recommendations. Memberships of the Advisory Committee shall be determined upon mutual agreement.

3. Both sides take necessary actions for smooth commencement and implementation of the Study.

(Draft)
Scope of Work
For
The Study on the Improvement of Investment Policy
In
The Republic of Indonesia


Agreed upon between
Investment Coordinating Board (BKPM)
And
Japan International Cooperation Agency

Jakarta, xxx, 2005



Mr. Yus'an
Deputy Chairman for Investment
Climate Development
The Investment Coordinating Board
(BKPM)
The Republic of Indonesia

Mr. Keiichi Kato
Resident Representative
Indonesia Office
Japan International Cooperation
Agency (JICA)
Japan



I. Introduction

In response to the request of the Government of the Republic of Indonesia (hereinafter referred to as "GOI"), the Government of Japan (hereinafter referred to as "GOJ") has decided to conduct the Study on the Improvement of Investment Policy in Indonesia (hereinafter referred to as "the Study") in accordance with the relevant laws and regulations in force in Japan.

Accordingly, Japan International Cooperation Agency (hereinafter referred to as "JICA"), the official agency responsible for the implementation of the technical cooperation programs of GOJ, will undertake the Study in close cooperation with the relevant authorities concerned of GOI.

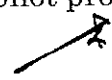
On behalf of GOI, the Investment Coordinating Board (hereinafter referred to as "BKPM") shall act as the counterpart agency to the Japanese Study Team (hereinafter referred to as "the Team") and also as the coordinating and responsible body for an Advisory Committee which is established for the smooth and effective implementation of the Study.

The present document sets forth the scope of work for the Study.

II. Objective of the Study

The objective of the Study is

- 1) To clarify investment policy, mechanism and procedure of the neighboring countries and to compare them with those of Indonesia, and
- 2) To make policy recommendations to the GOI and develop human resources through workshops, seminars and pilot project(s).



50

III. Study Area

Study activities shall be implemented in Indonesia and comparative study is undertaken in selected countries.

IV. Scope of the Study

1. Study on a current condition in Indonesia

1-1. Review the current situation of investment policy

2. Comparative study in neighboring countries

2-1. Identify countries to be studied

2-2. Identify study items. Possible study items are shown on Attachment 1.

2-3. Organize study team

2-4. Field Study

2-5. Analyze results

3. Development of policy recommendations

3-1. Formulating policy recommendations

3-2. Categorize recommended actions into 3 parts

Category A: Actions, which can be carried out within BKPM

Category B: Actions, which require coordination with other Ministries, agencies etc.

Category C: Others. For instance, items beyond under GOI's control.

3-3. Develop a time-frame of implementation

4. Holding workshop(s) and seminar(s)

4-1. Discuss and finalize the recommendations by holding workshops

4-2. Disseminate the output of the recommendations by holding seminars

5. Implementation of pilot project(s)

5-1. Select item(s), that is(are) carried out within the Study.

5-2. Implement selected item(s) of the recommendations

5-3. Review outcomes of the pilot project(s)

V. Work Schedule

The Study will be carried out in accordance with the attached tentative schedule.

VI. Reports

JICA shall prepare and submit the following reports to the GOI respectively.

- (1) Inception Report (at the beginning of the Study)
30 copies in English
- (2) Interim Report (at the intermediate stage of the Study)
30 copies in English and 30 copies in Indonesian language
- (3) Draft Final Report (at the final stage of the Study)
30 copies in English and 30 copies in Indonesian language
- (4) Final Report (after completion of the Study)
60 copies in English and 60 copies in Indonesian language

VII. Undertaking of the Government of INDONESIA

1. To facilitate smooth conduct of the Study, GOI shall take the necessary measures:

- (1) To secure the safety of the Japanese Study Team (hereinafter referred to as "the Team");
- (2) To permit the members of the Team to enter, leave and sojourn in Indonesia for the duration of their assignment therein, and exempt them from alien registration requirements and consular fees;
- (3) To exempt the members of the Team from taxes, duties, fees and any other charges on equipment, machinery and other materials brought into, and out of, Indonesia for the conduct of the Study;

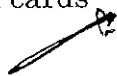
- (4) To exempt the members of the Team from income tax and charges of any kind imposed on, or in connection with, any emoluments or allowances paid to them for their services for the implementation of the Study;
- (5) To provide necessary facilities to the Team for remittance as well as utilization of the funds introduced into Indonesia from Japan for the implementation of the Study;
- (6) To secure permission for entry into all areas concerned for the implementation of the Study;
- (7) To secure permission for the Team to take all data and documents related to the Study out of Indonesia; and
- (8) To provide medical service as needed. Its expenses will be charged to the members of the Team.

2. GOI shall bear claims, if any arise, against the member of the Team resulting from, occurring in the course of, or otherwise connected with the discharge of their duties in the implementation of the Study, except when such claims arise from gross negligence or willful misconduct on the part of the members of the Team.

3. BKPM, in collaboration with relevant authorities, shall act as the counterpart agency to the Team and also as a coordinating body in relation with other governmental and non-governmental organizations concerned for the smooth implementation of the Study.

4. BKPM shall, at its own expenses, provide the Team with the followings, in cooperation with other relevant organizations.

- (1) Available data and information related to the Study
- (2) Counterpart personnel
- (3) Suitable office space with necessary equipment in Jakarta
- (4) Credentials or identification cards



VIII. Undertaking of JICA

For the implementation of the Study, JICA shall take the following measures:

- (1) To dispatch, at its own expense, the Team to Indonesia
- (2) To pursue technology transfer to the Indonesian counterpart personnel in the course of the Study

IX. Consultations

JICA and BKPM shall consult with each other in respect of any matter that may arise from, or in connection with, the Study.



Possible items to be surveyed

- 1) Investment related basic policies and legal framework
 - Strategic industrial development policy, Export policy.
 - Investment law and its related regulations.
- 2) Relevant institution
 - Status
 - Authority (sectoral wise and regional wise)
 - Licensing mechanism and procedure (one stop service etc).
 - Length of processing for licences.
- 3) Labor
 - Expatriate workers (Entry Visa, Working Permit etc).
 - Labor law (major points)
 - Wage rate (minimum, average by major sector).
- 4) Land
 - Ownership, duration, location permit, Building permit etc.
 - Environmental protection
 - Land dispute
- 5) Export/Import
 - Customs tariff
 - Clearance service (length of procedure)
 - Port charge/ handing charge etc.
 - Bond systems
 - Used equipment
- 6) Tax
 - Income tax (corporate, personal), VAT, WHT, Property tax etc.
 - Method of payment (Advance payment etc).
 - Refund of VAT
 - Terms of Depreciation/ Amortization
- 7) Infrastructure
 - Current situation and constraints
 - Policy on infrastructure development
 - Regulatory framework for Private sector participation in major sectors (Electricity, Road, Airport etc).



8) Incentives

- Tax incentives (Tax Holiday, Investment Allowance, Accelerated Depreciation etc).
- Case study for tax incentives by major sector
- Non tax incentive
(in comparison with those for domestic company)

9) Restrictions (in comparison with restrictions for domestic investors)

- Line of business (negative list etc.)
- Share ownership (J/V requirement etc)
- Divestment obligation
- Duration of business operation
- Minimum amount of investment/ equity capital
- Legal status (limited liability company etc)
- Repatriation of capital, profit, royalty etc.

10) Services for customers

- Institution (including "Help Desk", etc)
- Activities
- Source of information ("Investment Rule Book", etc.)



6

Tentative Work Schedule

Month	Nov. 2005	Dec.	Jan. 2006	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.
Work in Indonesia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comparative Study				<input type="checkbox"/>			<input type="checkbox"/>						
Work in Japan	<input type="checkbox"/>		<input type="checkbox"/>					<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>
Report	<input type="checkbox"/>							<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>

Ic/R: Inception Report

It/R: Interim Report

DF/R: Draft Final Report

F/R: Final Report

(draft)
Minutes of Meeting
For
The Study on the Improvement of Investment Policy
In
The Republic of Indonesia

Agreed upon between
The Investment Coordinating Board (BKPM)
And
Japan International Cooperation Agency

Jakarta, xxx, 2005

Mr. Yus'an
Deputy Chairman for Investment
Climate Development
The Investment Coordinating Board
(BKPM)
The Republic of Indonesia

Mr. Keiichi Kato
Resident Representative
Indonesia Office
Japan International Cooperation
Agency (JICA)
Japan



The Representatives of Japan International Cooperation Agency Indonesia Office (hereinafter referred to as "JICA") and the Representatives of the Investment Coordinating Board, the Republic of Indonesia (hereinafter referred to as "BKPM") had a series of discussions on the Study on the Improvement of Investment Policy (hereinafter referred to as "the Study"), and this document sets forth the main points agreed in the discussions.

1. Coordination by BKPM

JICA and BKPM agreed that, for the success of the Study, the coordination of related Ministries and Institutions by BKPM is essential. BKPM expressed the will for the coordination among related organizations and setting up the Advisory Committee for the Study. The tentative members of Advisory Committee are listed as attached hereto.

2. Reports

JICA and BKPM agreed that the reports and materials produced in the course of the Study shall be disclosed. However, the agreement between JICA and BKPM shall be necessary for utilizing raw non-published data in the reports and materials.



9

Attachment

TENTATIVE MEMBERS OF ADVISORY COMMITTEE

Chairman :

Vice Chairman :

Member : 1.
2.
3.

Secretary :

6

日本側関係機関との面談記録

訪問先	JICA 事務所
日 時	7月25日(月) 午前8時15分~12時
先方出席者	花里次長、本間企画調査員(担当) BKPM 派遣梅田専門家
先方発言要旨	<ul style="list-style-type: none"> ● 本件実施にあたって現地のイニシアティブが尊重されることを期待。 ● 同じような内容の調査の要望が BAPENAS からもあったが断った。 ● 経済担当調整大臣府、商業省との関係に留意。 ● 梅田専門家から新投資法の動き、BKPM 組織概要についてブリーフィング。 ● 対処方針案について再確認を行った。

訪問先	ジャカルタ・ジャパン・クラブ (JJC)
日 時	7月26日(火) 午前9時20分~10時50分
先方出席者	八木副理事長、藤井運営委員長、天谷事務局長
先方発言要旨	<ul style="list-style-type: none"> ● JJC では投資環境改善等につき「イ」政府に提言を行ってきた実績があるが、充分には耳を傾けてもらえていなかった。官民合同投資フォーラム設立により、日本側の官民とインドネシア側の官民が一緒に話す場が設定されたことを歓迎。先方のやる気は感じられる。 ● 近隣国との比較調査は重要であり、特に「イ」側の関係者が現場を見ることは具体的なインパクトが期待できる。 ● 日系企業の間では税務、労働、優遇措置への関心が高いところが多い。 ● 本格調査団が JJC の意見を吸収するのはありがたい。各ワーキンググループの担当者が対応できる。

訪問先	日本大使館
日 時	7月26日(火) 午前11時30分~12時20分
先方出席者	岸本参事官
先方発言要旨	<ul style="list-style-type: none"> ● BKPM が「サービス提供型」の組織へ移行していくにあたって、他国がどうやっているのかを知ることは大いに参考になる。 ● 開発調査の成果としては、報告書ができればよしとするのではなく、各投資家へのレスポンスが改善されるためのプラクティカルなシステ

	<p>ムが作られることが重要。</p> <ul style="list-style-type: none"> ● 改善が BKPM 自身の取り組みとして行われるよう配慮する必要がある。 ● ルトフィ BKPM 長官は合同投資フォーラムにおいて「3ヶ月で成果を見せる」と発言しており、長官自身も組織を変えたいと考えているように思われる。早めに改善提案を出していくことが効果的である。 ● アドバイザリーコミッティーの活用は重要で、その人選に留意する必要がある。学者を入れるとか、長官にも推薦してもらうといった方法が考えられる。
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訪問先	JETRO ジャカルタ事務所
日時	7月26日(火)午後2時~3時
先方出席者	今清水所長、寺西次長、桑山次長、本庄所員
先方発言要旨	<ul style="list-style-type: none"> ● JETRO は官民合同投資フォーラムの産業競争力ワーキンググループのとりまとめを行っている。 ● インドネシアの投資環境の課題は、制度というより、その執行にある。 ● BKPM の新機能を引き出していくことが必要だと思われるが、政府における地位がネックになっている部分はある。現在は後見大臣を持たなければならない。 ● JETRO でも国別投資ガイドブックを作成したが、各国の執筆者が異なるので、比較には使いにくい。4ヶ国を訪問するということが有効である。

インドネシア投資促進開発調査
予備調査（2005年7月24日-8月2日）コンサルタント報告

1. 海外業務：

添付スケジュールの通り、予備調査団員として活動した。他団員帰国後は世銀グループを訪問して投資促進へのドナーグループの取組みについて聴取した。（添付面談メモ参照）又、本格調査実施時の現地コンサルタント選定や投資ルールブック作成のヒントを得る目的で法律収集等実績のある Lawyer Firm を BKPM 梅田専門家に照会した。

2. 調査事項：

M/M 関連以外に以下の項目について資料収集とヒアリングを行った。帰国後添付の通りの報告書に纏めた。

報告書

- ① PROPENAS2000-2004 と比較調査の関連
- ② CGI 投資環境調査結果
- ③ 新投資法と比較調査
- ④ SIAP と比較調査の関係
- ⑤ 新国家開発5ヵ年計画 2004-2009
- ⑥ ドナー社会と投資環境改善提案
- ⑦ 比較調査対象国の納得性

収集資料

- ① PROPENAS 2000-2004
- ② Investment Climate Monitoring Activity: Preliminary Results-June 24, 2005
- ③ 日本インドネシア戦略的投資行動計画（SIAP）に関する共同発表
- ④ 戦略的投資行動計画（SIAP）
- ⑤ Progress of the New Investment Law June 24, 2005
- ⑥ 投資受入制度の見直し 2005年7月
- ⑦ 新国家開発計画 2004-2009 第17章
- ⑧ 新国家開発計画大統領令
- ⑨ Creating Jobs Through Investment: Suggestion from the Donor Community
- ⑩ IMD The World Competitiveness Scoreboard 2005
- ⑪ JBIC-2004年度海外直接投資アンケート調査結果（第16回）

以上

中川 勉 日本開発サービス 2005年8月6日

1. プロペナス

2000 年国家開発プログラム法第 25 条号で規定される、5 ヶ年国家開発プログラム 2000-2004 年 (PROPENAS) には次の 5 つの優先事項が含まれている。

1. インドネシア国民の統一維持と調和した民主的政治制度の構築
2. 法治至上主義とグッドガバナンスの実施
3. インドネシア全体を通じた持続可能な開発強化と開発拡大を伴う経済回復の促進
4. 社会福祉の向上、人間の質と倫理の向上、国の文化と遺産の保全
5. 地方および地域開発の促進

PROPENAS は国家の取り組み課題を網羅的に記述しているが、底辺には国民福祉と国民経済の発展をベースにした国家の発展の思想が流れている。貧富の差を縮小し、地域間の経済、福祉格差を是正し、国民経済全体の発展を強く意識した内容となっている。この為、民衆レベルでの経済、農業資源、水産資源の活用による国民福祉の促進などが繰り返し述べられている。全体の記述ボリュームからすると、海外投資促進や産業構造の高度化などは限定的である。インフラストラクチャーについても、地域間経済の促進などの視点が協調されていて全体的には外向きというより国内向きである。資源の乏しい我が日本経済が常に、貿易、海外投資を重点項目としてきたのとは視点が異なる。インドネシアが資源、人口大国であり、産業レベルも低い段階にあり、国家の目標が先進国とは異なることに留意しておく必要がある。今次調査のクライアントである BKPM は海外投資を職掌とする政府部門であるが、国家計画全体の構図の中での位置づけは、海外投資促進を常に意識している我々の比重の置き方とは異なる。

2. PROPENAS の構成

PROPENAS は以下 11 章からなるが、今回比較調査に直接関連する部分は第 4 章経済発展の部分である。

- 第1章 はじめに
- 第2章 優先国家開発事項
- 第3章 法の開発
- 第4章 経済開発
- 第5章 政治開発
- 第6章 宗教開発
- 第7章 社会・文化開発

第8章 地域開発

第9章 天然資源・環境開発

第10章 安全保障開発

第11章 おわりに

第4章経済開発では冒頭に、地域間、都市と田舎、東と西、グループ間などの格差があり、世界のグローバリゼーションの流れと、インドネシアの地方分権化を合わせた経済発展を行うことは大なる挑戦と記述されている。資源国家の特徴を生かして、このようなギャップを縮小しながら、世界経済の流れにも乗りたいという意識が観察される。

インドネシアの比較優位を生かして且つ国民経済発展につなげる意味で、水産業と農業が指摘され、次いで林業、鉱業、観光業、小企業、民芸品関連家内工業が記述されている。今回、予備調査の議論で BKPM がアドバイザー・メンバーとして水産、農業省を最初に推薦したのもこのような国家開発計画の趣旨を意識したものと推測する。

3. 「第4章経済発展」と比較調査

今回の比較調査に直接関連する部分は以下の通りである。

5.1項 内外投資の増強（概要）

投資手続きの簡素化、投資許可に関わる権限の分散（Decentralization）、ネガティブリストの見直し等を含む内外投資増強策を行って来たが不十分で弱点がある。インセンティブが統一されておらず内容が不透明。投資許可の付与が複雑でコスト高である。特に中小企業にとっては高コストになっている。

5.1.1項 内外投資促進プログラム（概要）

このプログラムは投資促進を狙ったもので、効率的で効果的な投資サービスと安定したビジネス環境を提供することを目的とする。主な活動項目は次の通りである。

関連法規・規定の整備。特にインセンティブ付与、投資許可権限の分散、投資法の改善。

ネガティブリストの見直し。

中央政府、地方政府機関の強化と専門性の改善。投資家への効果的サービス提供とモニタリング。投資阻害要因の排除と投資家の苦情理解力改善。

国内外の投資促進（Investment Promotion）活動の強化。

戦略的パートナーシップの強化。

PROPENAS 2000-2004 年
比較調査との関連
2005 年 8 月 3 日

相互交渉や協力の改善。

以上に加えて、外国投資家の意欲を改善する為に、賄賂、共謀、縁故主義を撲滅する。

以上

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CHAPTER IV
ECONOMIC DEVELOPMENT

A. GENERAL

Various policies and programs elaborated in this Chapter IV : Economic Development are in the framework of supporting the realization of one of the priorities specified in Chapter II : National Development Priorities, that is, speeding up the economic recovery and strengthening foundations for the sustainable and just economic development based on a populist economic system. The stipulation of priorities is based on problems and challenges facing the national economy as well as the direction of policies specified in the GBHN for the 1999-2004 period in the economic development both for the short and long terms.

Since the emergence of the crisis triggered by the monetary crisis in mid 1997, the economic growth has been stagnant and inflation rate has increased, causing the life of people to worsen. The number of people living below the poverty line and jobless increased sharply. Efforts to recover and reform the economy in the framework of improving the national economy and welfare of the people during the period of 1997-1999 worked slowly.

The economic crisis has showed the weaknesses of the management of the national economy. Various distortions in the past has weakened the resilience of the national economy in facing crises, causing various forms of social gap and hampering the development of capability in overcoming the crises quickly. The uneven distribution of development has created the growth gap among regions, between urban and rural areas, among parts of Indonesian territory such as between the western and eastern parts of Indonesia, among groups of people so social upheavals were easy to erupt.

Meanwhile, in the future the national economic development will face two main challenges related to the process of globalization and decentralization. First, improving the competitiveness of the national industry through the improvement in efficiency and development of competitive edges which will in its turn strengthen the resilience and growth of the economy. Second, implementing the process of economic decentralization in stages so the potentials of regional economic resources can be encouraged to be realized soon and all together to economic activities spreading out and supported by the growing initiatives, the spirit of entrepreneurship and business capability of people in regions. The economic decentralization is taken carefully to prevent problems which can hamper the comprehensive achievement of national development objectives.

The development experience in the past and the emergence of the prolonged crisis can be used as a lesson that beside pursuing success in achieving the development objects, the process and way of realizing of the objectives of the economic development are not less important. Normatively, to develop strong, sound and just economy, the economic development must be carried out based on clear regulations, good ethics and morals as well as values upholding human rights as well as the emancipation of status, rights and obligations of citizens, including gender emancipation.

The development of Indonesian economy in the future must be different from the form of the Indonesian economy before the crisis. The form of the national economy to be developed must be much more just and even, reflecting the improvement in the role of regions and the empowerment of all people, having competitiveness on the basis of efficiency as well as ensuring the sustainability of the use of natural resources and environment.

First, the economic development is carried out based on the system of the people's economy to achieve the increasing, even and just welfare of the people.

Second, the economic development is carried out based on the development of regional autonomy and the active participation of the people in real and consistent manner.

Third, the economic development must apply the principles of efficiency supported by the improvement in the capability of human and technological resources to strengthen the bases for the sustainable development and improve the national competitiveness.

Fourth, the economic development is oriented on the development of the international economic globalization by keeping to put priority on the national interests.

Fifth, the development of macro economy must be managed carefully, in discipline and responsibility in the framework of facing intensifying uncertainty as the result of the globalization.

Sixth, the economic development is carried out based on policies formulated transparently and in responsibility, both in the management of the publics, government and the society. In relation to the matter, the government needs to be not in favor of and keep distance with companies and companies associations.

Seventh, the economic development must be based on the sustainability of the system of the natural resources, environment and society to improve the welfare of the people.

As the elaboration of 28 points of the direction of policies in the GBHN for the 1999-2004 period in the field of economy, this chapter will discuss in integration various

national development programs in the field of economy aimed at overcoming economic problems in the short and medium terms.

B. DIRECTION OF POLICIES

The directions of policies on the development in the field of economy specified in the GBHN for the 1999-2004 are as follows:

1. Developing the system of the people's economy based on the market mechanism working in justice and sound competition and taking into account economic growth, values of justice, social justice, the quality of the life of the people, environmental and sustainable development so as to ensure the same opportunity for the people to do businesses and work, the protection of the rights of the consumers and just treatment for all people.
2. Developing sound and just competition as well as preventing the economic structure which are monopolistic and spoiling the interest of the people
3. Optimizing the role of the government in correcting the weaknesses of the market mechanism by eliminating all barriers hampering the market mechanism through regulations, public services, subsidies and incentives made transparently and regulated by law.
4. Promoting the reasonable life for the people based on the humanity which is just for the people especially the poor, orphans and neglected children by developing the system of social assurance fund through government programs as well as developing businesses and creativity of the people, which are distributed by the effective and efficient bureaucracy and stipulated by law.
5. Developing the economy oriented globally in accordance with the progress of technology by improving national competitiveness based on comparative advantages of Indonesia as a maritime and agrarian country, in accordance with the main commodities of each region especially of agriculture in broad sense, forestry, maritime, mining, tourism as well as small-scale industries and home-made handicraft
6. Managing macro- and micro-economic policies in good coordination and synergy in order to set the reasonable interest rate, the stable and realistic exchange rate of the rupiah, to supply basic necessity especially housing and foods for the people, to provide adequate and affordable public facilities, as well as ensuring the transparent, simple, cheap and fast licensing of businesses.
7. Developing fiscal policies by taking into account the principles of transparency, discipline, justice, efficiency and effectiveness to increase state revenues and reduce dependence on foreign financial assistance.
8. Developing sound, transparent and efficient capital market and improving the implementation of laws and regulations in accordance with international standard and controlled by an independent institution.
9. Optimizing the use of foreign loans made by the government for productive economic activities carried out in transparency, efficiency and effectiveness. The mechanism and procedures for obtaining foreign loans must be approved by the House of Representatives (DPR) and regulated by law.

Developing ... (To be continued)

====(M)====

NATIONAL DEVELOPMENT PROGRAMS (PROPENAS) FOR THE 2000-2004 PERIOD

(Law No. 25/2000 dated November 20, 2000)

[Continued from Business News No. 6646 pages 26A - 29A]

- 10 Developing policies on industry, trade and investment in the framework of improving global competitiveness by opening the same access to job and business opportunities for all the people and all the regions through the promotion of comparative advantages especially those relying on natural resources and human resources by eliminating all types of discriminative treatment and obstacles.
- 11 Empowering small and medium scale enterprises and cooperatives so as to be more efficient, productive and competitive by creating conducive business climate. The assistance of facilities from the government are provided selectively especially in the form of protection from unfair competition, education and training, business and technological information, capital and business location.
- 12 Restructuring the state-owned enterprises in an efficient, transparent and professional manner especially those whose businesses are related to the public interests moving in the provision of public facilities, defense and security industry, the management of strategic assets, and other business activities not done by the private companies and cooperatives. The existence and management of the state-owned enterprises are stipulated by law.
- 13 Developing partnership relationship in the form of the mutually supportive and beneficial business inter-relationship between cooperatives, private companies and the state-owned enterprises, as well as between large, medium and small enterprises in the framework of strengthening the structure of the national economy.
- 14 Developing the system of food resilience, local institutions and cultures in the framework of ensuring the availability of foods and nutrition in the quantity and quality needed by the people at affordable prices by paying attention to the increasing of in the income of farmers and fishermen as well as the increasing of production stipulated by law.
- 15 Increasing the provision and use of energy and electricity sources relatively cheap, environmentally friendly and sustainable, whose management is stipulated by law.
- 16 Developing policies on land reform to improve the exploitation and use of land in a just, transparent and productive manner by putting priority on the rights of local people, including local and traditional rights, as well as on the basis of harmonious and balance space planning.
- 17 Improving the development and maintenance of public facilities and infrastructures, including transportation, telecommunication energy and electricity, and clean water in a bid to encourage even distribution of development, provide the need of the people at affordable prices, as well as opening the isolation of hinterland and remote regions.
- 18 Developing manpower comprehensively and in integration which is led to the improvement in the competence and independence of workers, improvement in wages, the assurance of welfare, vocational protection and freedom of union.
- 19 Improving the quantity and quality of the placement of workers abroad by paying attention to the competence, protection and advocacy of the workers managed in integration and preventing the exploitation of the workers.
- 20 Improving the mastery, development and use of science and technology including the national technology applied in businesses, especially small and medium-scale businesses and cooperatives in order to improve the competitiveness of products relying local resources.
- 21 Making various integrated efforts to help people to escape poverty and reduce jobless coming in presence as the impact of the economic crisis.
- 22 Speeding up the safety and recovery of the economy to revive the real sector especially for small and medium-scale businessmen and cooperatives through efforts to control inflation, stabilize the exchange rate of the rupiah at a realistic level and the banking interest at a reasonable rate supported by the liquidity in accordance with the need of the economy.
- 23 Making sound the State Budget for Revenues and Expenditures by cutting the budget deficit through the promotion of the budget disciplines, the reduction of subsidy and foreign loans in stages, the increasing of revenues from fair and honest progressive tax, as well as the tightening of expenditures.
- 24 Speeding up the recapitalization of banks and restructuring of debts of private companies transparently to make national banks and private companies healthy, reliable, just and efficient in serving the people and economic activities.
- 25 Restructuring state assets, especially assets acquired from the liquidation of banks and companies, in the framework of improving the efficiency and productivity transparently and the realization of the restructuring is consulted to the House of Representatives. The management of state assets is regulated by law.
- 26 Having negotiations and speeding up the restructuring of foreign debts together with the International Monetary Fund (IMF), World Bank, other international financial institutions and donor countries by paying attention to the capability of the nation and country. The negotiations and restructuring of the foreign debts are realized transparently and consulted to the House of Representatives (DPR).
- 27 Proactively having negotiations and bilateral and multi-lateral economic relations in the framework of increasing

the volume and value of the exports, especially from the sector of industry relying natural resources and inviting financial investment and direct foreign investment without inflicting losses to the national businessmen.

28. To make healthy the state-owned enterprises/regional enterprises especially those whose businesses are related to the public interests. The enterprises whose businesses are not related to the public interests are suggested for privatization through the capital market

C. DEVELOPMENT PROGRAMS

Facing the problems and challenges as well as using the direction of policies in the GBHN for the 1999-2004 period as the guideline and realizing the limited resources available, it is necessary to stipulate the priorities of the economic development programs. The priorities of the short term (1-2 years to come) are programs to speed up the economic recovery accompanied by efforts to overcome the problem of poverty and jobless sharply increasing in number during the crisis. Coinciding with efforts to recover the economy, economic development programs of the medium term (the period of 5 years) are carried out to put the bases for the sustainable development of the economy based on the system of the people's economy.

The very important lesson during the crisis is the importance of integrating the values of justice as part inseparable from the will to improve the welfare of the people. Therefore, the economic growth achieved must be able to be enjoyed by the people in justice. That is why, in the era of reforms, efforts must be made seriously to shift the paradigm of the economic development carried out to promote even distribution. In line with the matter, the GBHN for 1999-2004 period has mandated that the economy is developed based on the system of the people's economy in which the strength of the people's economy is developed as the backbone of the national economic development.

As an economic system, the main components of the system of the people's economy are human resources as consumers, workers and employers, as well as natural resources (environment, water, air, environment as the place for human resources do activities). The characteristics of the system of the people's economy are as follows:

1. The main characteristic of the system of the people's economy is the enforcement of the principles of economic justice and democracy accompanied with concerns over the people of low income. The system of the economy must make possible all potentials of the nation both as the consumers, workers and employees without discriminating ethnic, religion and gender to get opportunities protection and rights to develop their capabilities in the framework of improving the welfare of their life and their participation in various economic activities including in using and preserve natural resources and environment. In performing the activities, all parties must refer to the existing regulations

2. The second characteristic, in line with the first characteristic, is that all potentials of the nation especially the government must take a position in favor of the people of low income, empower and protect them in accordance with their capabilities. The government makes them come to a reality through steps friendly to market. The eradication of the poverty and the empowerment of businessmen of micro, small and medium scale and cooperatives including ordinary farmers and fishermen are the main priorities in the development of the system of the people's economy. For groups of people who has shortcomings due to their condition, efforts are made to improve their capabilities and to provide supports to enable them to make use the opening access. The basic supports given to the people living in poverty are among others the provision of education, training and medical services at affordable prices. Businessmen of micro, small and medium scale and cooperatives including small farmers and fishermen are given opportunities to develop their capabilities and businesses through various training and the improvement in access to capital, market information and effective technology. Efforts friendly to the market are provided selectively and transparently accompanied by effective supervision.
3. The creation of the climate of healthy business competition and market-friendly intervention. Efforts to promote even economic distribution are in line with the creation of competitive market to achieve optimal efficiency. Therefore, for example, the partnership relations between large-scale businessmen and the small and medium-scale businessmen as well as cooperatives must be on the basis of competition, not mercy. For the matter, priority is put on the elimination of economic practices and actions deviating from rule of the game considered common and fair by the people, such as monopoly; the development of the effective system of progressive tax and deregulations aimed at the elimination of the high-cost economy
4. The empowerment of the people's economy is much related to efforts to encourage the development of rural economy. Therefore, efforts to speed up the rural development including in remote regions, minus regions, critical regions, border regions and under-developed regions must be made as the priority by among others improving the development of rural infrastructures in supporting the development of inter-relation between cities and villages as the form of mutual-beneficial production and distribution networks.
5. The exploitation and use of land and other natural resources such as forests, seas, water, air and minerals are carried out in a just, transparent and productive manner by prioritizing the rights of local people including the traditional rights by keeping the conservation of the functions of the environment

do productive activities of the people's economy based on democratic and independent attitude. The target of the program is the provision of education and training on business skills, the development of the behavior of poor families oriented in productive businesses, and the realization of productive businesses profitable and sustainable for the poor families

The main activities to be done are (1) the development of education and training on business skills; (2) partnership through guidance and consultations; (3) the creation of the networks of cooperation and business partnership supported by the organizations of the local people, regional administrations, private sector and universities; (4) the provision of facilities on the access to resources; (5) the provision of business facilities and infrastructures for poor families; and (6) the provision of new transmigration housing for farmers and agricultural workers who do not have farming land

1.2. Development of Manpower

The development of manpower is aimed at providing working and business opportunities for every labor force so as to enable them to get jobs and living reasonable for humanity in accordance with Article 27, sub-article (2) of the State Constitution of 1945 and functioning as the characteristic of the system of the people's economy. Problems facing the development of manpower are among others the high rate of unemployment, the low level of the quality and productivity of manpower, and inadequate protection of manpower including labors working overseas

In relation to the matter, the GBHN for the 1999-2004 have directed policies mandating that the comprehensive and integrated development of manpower is directed to the improvement in the competency and independence of manpower, the improvement in wages, the assurance of welfare, protection of labors and freedom of union. Besides, the improvement in the quantity and quality of the placement of workers overseas by paying attention to their competency, labor protection and advocacy managed in integration and to prevent the exploitation of the workers.

Based on the policy direction, programs are implemented as follows:

1.2.1. Program of the Expansion of Development of Job Opportunities

The program is aimed at reducing the jobless through the increasing of working hours in various fields of businesses both in cities and villages and the increasing of foreign exchange revenues from the sending of Indonesian workers abroad.

The target of the program is to provide more job opportunities in various fields of businesses and to create independent manpower as well as ensuring the availability of the system of manpower information and planning

The main activities to be done are (1) improving training related to the introduction to applied technology, the development of entrepreneurship and other supporting skills so the workers are able to create job opportunities; (2) making inventory and studies on the potentials of job opportunities and the characteristics of job seekers in the framework of meeting job seekers and job providers. The activity includes the preparing and disseminating information on job market; (3) developing houses for new transmigrants and their supervision to provide more jobs especially for workers in the sector of agriculture. Besides, in the framework of providing more job opportunities and developing them, efforts will be made to speed up the process of technological innovation, intensification, expansion and diversification of agriculture in transmigration locations; (4) improving the mechanism of the sending, fostering, guiding and tighter selection of Indonesian workers abroad. Therefore, the quantity and quality of Indonesian workers sent abroad are improving

1.2.2. Program for Improving the Quality and Productivity of Manpower

This program is aimed at encouraging, socializing and improving job training activities and aspects affecting the improvement in the productivity of workers. The target of this program is the availability of qualified, productive and highly competitive workers in both domestic and international markets.

The main activities to be done are (1) to develop the standardization and certification of the competence of the workers, carried out through the establishment of competence standardization and certification. This activity involves the active participation of professional institutions, companies associations, trade unions, related government institutions and experts in related fields; (2) to improve the relevance, quality and efficiency of job training through the development and empowerment of job training institutions established by both the government, private sector and the companies; and (3) to socialize productive values and culture, develop the system and method of the improvement in productivity and developing productivity cadres and experts.

1.2.3. The Protection and Development of Labor Institutions Program

This program is aimed at realizing the security in working and doing businesses so as to create the harmonized relationship between workers and employers, which will in its turn be able to improve the welfare of the workers and their families. Whereas, the target of this program is the improvement in the role of labor institutions within companies, the improvement in working condition, as well as health and safety assurance.

The main activities to be done are (1) developing the industrial relations and protection of workers covering the socialization, facilitating and developing of the freedom of union in Indonesia; as well as making efforts able to encourage the establishment of labor institutions within companies; (2) improving the supervision of the norms of working, working safety and health as well as social assurance for the improvement in the welfare so the workers can live in a reasonable condition; (3) improving the protection, supervision and law enforcement of regulations implemented for overseas and children workers as well as handicapped workers; (4) improving the development of working requirements and the enforcement of labor regulations, including working assurance, to prevent practices of discrimination against women and ensuring that women get their rights both direct economic rights including reasonable wages in accordance with their life need and career promotion, and indirect economic rights including leaves for menstruation, pregnancy, giving birth and breast feeding; and (5) following up various provisions and conventions of the International Labor Organization (ILO) already ratified on the protection of workers.

1.3 The Development of the System of Social Assurance Fund

The GBHN for the 1999-2004 mandates the need to develop the system of social assurance fund to the people especially the poor people and neglected children to earn reasonable living. The system is developed to gradually replace the Social Safety Network System implemented in urgent situation during the crisis. The development of the Social Safety Network System is aimed at provide protection for the future of the families and groups of the people who are poor, hit by disasters, suffering employment cut-off and in misery due to social and economic changes, accidents and criminal actions.

Based on the direction of policies, two programs are implemented, namely the program of the development of the system of social assurance and social insurance program. Beside the two programs, efforts are made to strengthen the system of social assurance already deve-

loping in the society informally, for example, assistance provided by relatives for the members of families in need. The implementation of the programs are as follows:

1.3.1 Program of the Development of the System of Social Assurance

This program is aimed at protecting families and groups of the people from emergency situation which can cause disturbance to the income and consumption, such as starvation, disasters, accidents and social riots. In relevance with the capability of the government, the coverage of the program can be improved not only limited to overcome the emergency situation, but also to meet basic necessity which are higher in nature such as health, education and children entrusting. The financial sources of the development of the system of social assurance are derived from social assurance fund mobilized under coordination of the central government and regional administrations. Groups targeted by the program are families and groups of people whose incomes are less than that set in a certain standard, especially prioritized for poor families, neglected children, senior citizens and handicapped people.

The target of this program is the improvement in the number of poor families and groups of certain people, neglected children, senior citizens and handicapped people who escape situations disturbing the level of their incomes and consumption. Other targets are to reduce the number of deaths caused by emergency situation, such as disasters, accidents and social riots.

The main activities to be done are (1) to establish and developing institutions in the development of the system of social assurance covering the formulation of laws, system, procedures and the development of human resources; (2) to prepare facilities and infrastructures needed in the preparation and implementation of the system of social assurance; (3) making inventory on the groups targeted by the program in sustainability; and monitoring targeted groups receiving fund in the realization of this programs.

Particularly for supporting the system of social assurance for groups of poor people informally already developing in the society, the main activities to be done are (1) the development of the effective system of social assurance in accordance with the culture of the people; (2) the strengthening the system of social assurance already developing in the society; and (3) the improvement in the capability of regional administrations in the management of the system of social assurance.

1.3.2. Social Insurance Program

The social insurance program is aimed at protecting the insurance participants and the members of their families from unexpected situations such as employment cut-off, working accidents, illness and death. The social insurance program is financed by the people and businessmen. The target of this program is the increasing number of people and families protected by social insurance. Gradually, the people of income surpassing certain limit will be obliged to participate in the social insurance program.

The main activities to be done are (1) to establish, develop and strengthen institutions related to the social insurance program by optimally using resources available in the society, covering the existing labor social insurances and health insurances; and (2) provide protection of the participants of the social insurance through comprehensive legal instruments, system and procedures.

1.4 Development of Agriculture, Foods and Irrigation

In this National Development Program, what is meant by agriculture is agriculture in broad sense covering food crops, horticulture, animal husbandry, fishery, plantation and forestry. Because the functions and characteristics of forestry are very important, beside being included in sub-chapters of the Development of Agriculture, Food and Irrigation, forestry is also featured specifically in a separate program in sub-chapter of the Sustainable Use of Natural Resources, namely the Program of the Development and Management of Forests and Land.

Concerning the meaning of food, in this National Development Program, food is not only food staples, but also protein sources (animal husbandry and fishery) and cooking oil sources (plantation). In further explanation, the meaning of food also covers food industry institutions covering production, distribution and consumption. Meanwhile, the meaning of irrigation according to Law No. 11/1974 is a field of the development of water, water sources including non-fauna resources kept in them both naturally and in cultivation by human being. Prioritized sectors in the field of economy is not only agriculture, food and irrigation but also maritime and forestry which need special attention. The two matters will be described separately in sub-chapter of the Sustainable Use of Natural Resources, and the Program of the Development and Management of Forests and Land.

The sustainable development of agriculture and food resilience ensures the continuation of national industry and economy. But as the core part of the system of the people's economy, so far the system of national agriculture and food, which involves many people's economic businesses of micro and small scales is still the weakest chain of the system of the national economy due to the weak inter-relationship between the development of national industry and agriculture as well as food as reflected by the low productivity of agriculture and agricultural community, the large number of the poor members of agricultural community, the small number of the added values of agriculture and food enjoyed by the agricultural community. In the future, the development of agriculture and food is oriented towards efforts to improve the income and welfare of the agricultural community. Therefore, the programs of the development of agriculture and food in the future is directed to improve the productivity of agriculture and the agriculture community especially small farmers, eradicate the poverty and improve the added values of agriculture and food for the agricultural community through the improvement in industrial relationship between agriculture, food and other related economic sectors.

The direction of the program of the development of agriculture and food is applied through development of agriculture and food in integration with the development of villages and regions, and the whole national development. For the matter, the development of agriculture and food will be fully related to the supporting economic sectors and activities, including irrigation, credit system, research on and development of technology and information, as well as the institutions of the agricultural community and food. Since various sectors and economic development activities has already embodied in the framework of agribusiness and food resilience program, the sector of irrigation has long given concrete contribution to the development of agriculture and food resilience, and the rural and urban stability will get special attention both as the inseparable part of the development of agriculture and food and as independent economic sector functioning in multisectors.

1.4.1. Agribusiness (To be continued)

(M)

NATIONAL DEVELOPMENT PROGRAMS (PROPENAS) FOR THE 2000-2004 PERIOD

(Law No. 25/2000 dated November 20, 2000)

[Continued from Business News No. 6649 pages 25A - 30A]

1.4.1. Agribusiness Development Program

This program is aimed at developing agribusinesses capable of making competitive primary agricultural and forestry products, improving the added values for the agricultural and fishery communities, especially small farmers and fishermen, providing more job and business opportunities in villages, developing regional economies and increasing the economic growth.

This program has five targets, namely (1) the improvement in productivity, quality and production of the main commodities of food crops, horticulture, animal husbandry, fishery, plantation and forestry; (2) the increase in the number of job and business opportunities in villages; (3) the improvement in the added values for the community of agriculture, fishery, plantation, animal husbandry and forestry; (4) the improvement in the participation of the people and private investment in the agricultural and rural development; and (5) the conservation of the system of natural resources and environment.

The main activities to be done are (1) the development of the main commodities competitive in domestic and international markets and centers for the development of the commodities; (2) the empowerment of farmers and fishermen in the application of technology and the use of information in agriculture; (3) the development of the industry of seedlings of food crops, horticulture, fishery, animal husbandry, plantation and forestry at production centers; (4) the development of the industry and application of agricultural and fishery equipment and machinery; (5) the extension of farming areas and agricultural business land, and the optimizing of the use of forestry and coastal areas; (6) the development of the map of agribusiness, the improvement in agribusiness efficiency and consolidation and the development of methods to do agricultural conservation businesses; (7) the provision of public facilities and infrastructures to support agribusiness in production centers, including the development of the irrigation network system, the rehabilitation of water sources, and local market; (8) the improvement in the access for the agricultural and fishery communities to capital sources, bank and non-bank financial institutions, technology, information and market; (9) the optimization in the use of land through the diversification of the production of food crops,

horticulture, fishery, plantation and forestry; (10) the implementation and expansion of control over insect, diseases and weeds in integration; (11) the development of the standardization of the quality and products of food crops, horticulture, fishery, animal husbandry, plantation and forestry, and the implementation of the standards and examination on conformity prevailing internationally; (12) the improvement in the efficiency of marketing and the development of the agribusiness information system; (13) the development of processing industry in a bid to improve the quality and added values of products of food crops, horticulture, fishery, animal husbandry, plantation and forestry; (14) the development rural financial institutions; (15) the improvement in the quality of the agricultural, fishery and forestry communities as well as the promotion of the development and use of science and technology to improve the productivity of food crops, horticulture, fishery, animal husbandry, plantation and forestry; (16) the improvement in the quality of public services in the field of agribusiness, including the development of institutions providing technology, information, guidance, investment and other services; (17) the creation of business climate supporting the development of agribusiness with added values enjoyed by the agricultural and fishery communities; (18) the development of facilities and infrastructures for agriculture, fishery and plantation including the provision of fertilizer, seeds and irrigation networks; (19) the improvement in the bargaining power of farmers/fishermen in agribusiness and silvobusiness activities through the empowerment of institutions working for the interests of farmers/fishermen; (20) the improvement in the competitiveness of products of agriculture and forestry; (21) the reduction of trade barriers against agricultural goods and services inter-regions and inter-border areas; (22) the making sound state-owned enterprises in the field of agriculture, fishery, plantation and forestry; (23) the development of business partnership in the field of agriculture, fishery, animal husbandry, plantation and forestry; (24) the improvement in the access for agricultural businessmen of micro, small and medium scales as well as cooperatives to financial sources, technology and information; (25) the development of people's plantation and industrial estates of the plantation community; (26) the development new agricultural areas through the

development

development of villages, regions and transmigration; (27) the improvement in maritime culture and the use of marginal land for aquaculture as well as the optimization of the use of fishing resources in accordance with the principles of conservation; (28) the improvement in the participation of the people and private sector in productive animal husbandry businesses including the provision of services such as consulting and guiding services, animal health and the provision of production facilities; (29) the development of animal husbandry agribusiness relying on local resources; (30) the development of the people's forests and the exploitation of forestry non-wood products related to processing industry; (31) the improvement in the quality of the intensification of food crops and horticulture.

1.4.2. Food Resilience Improvement Program

This program is aimed at (1) increasing the production diversity, the availability and consumption of food deriving from animal feed, fish, food crops, horticulture and garden as well as processing products; (2) developing food institutions ensuring the improvement in the production, availability and distribution, as well as consumption of food in more varieties; (3) developing competitive food businesses and avoiding monopoly in food businesses; (4) ensuring the availability of nutrition and food for the people.

The targets of this program are (1) the sustainable increase in the production and supply of rice and the rise in the production, supply and consumption of non-rice food being sources of carbohydrate and protein; (2) the hike in the diversity and quality of food consumed by the people and the decrease in per capita consumption of rice; (3) the increase in the score of the quality of Expectancy Food Pattern and the decrease in the number of families prone to malnutrition and food shortage; (4) the improvement in the use of technology in agricultural production and staple food processing; (5) the implementation of laws and the development of the capacity of participative food institutions; (6) the improvement of productivity and quality of food marketed; (7) the decrease in the import of staple food and the increase in supply of import-substitution staple food; (8) the development of food industry and business; (9) the improvement of public participation and private investments in the development of food business; and (10) the creation of the system of fishery busi-

ness promoting the inter-relationship between fishing and fish breeding in a bid to support food security.

The main activities to be done are (1) making inventory and evaluation of potential food resources available in the society, both in the local, regional and national levels; (2) the development of the production of food in the form of rice and non-rice supported by the improvement of the productivity of production factors and the productivity of the agricultural and fishery communities; (3) the optimal use, rehabilitation and development of facilities and infrastructures supporting the food security such as distribution, transport and logistics infrastructures as well as production facilities of fertilizer, seeds, capital and irrigation; (4) the extension of new farming land and the use of other neglected and less productive land by referring to the Regional and National Spatial Plans; (5) the improvement of access of farmers to capital, technology, seeds, market and information on food business; (6) the enhancement of efficiency of the production system, processing technology and distribution of food commodities; (7) the development of processing products of carbohydrate and protein food to improve the attractiveness of non-rice staple food; (8) the socialization of the pattern of the consumption of nutrition in balance (healthy) and further promoting the movement of loving Indonesian food; (9) the provision of the assistance of additional food in the short term for poor families who are prone to food shortage as part of special programs; (10) the implementation of market-oriented food policies; (11) the development of the capacity of food institutions ensuring the even distribution of food; (12) the development of food technology institutions and research activities; (13) the improvement in regulation on trade and distribution of food to improve the efficiency of inter-island/regional trade and the competitiveness of exports/imports; (14) the improvement in the effectiveness of the system of food resilience at every level; (15) the development of food stocks especially by the people, including the re-development of food stocking in villages (*lumbung desa*) and the development of food reserve forests as well as the development of fishery culture; (16) the development of the capacity of social organizations and working networks in the provision of facilities and infrastructures of production, processing, distribution, trading/marketing and information; (17)

the formulation of laws and regulations on permanent food agricultural land to prevent the reduction of agricultural land; (18) the enforcement of law especially in the use and conservation of biological resources as the genetic source for the development of food production; (19) the coordination of food resilience policies and programs; (20) the fostering of the application of conformity standards and evaluation including in the assurance of the quality of products and services as well as control over them; (21) the mapping of potentials of the development of food business integrated with the centers for production of food; (22) the development of food business partnership and institutions as well as the fostering of food business actors in accordance with the market demand; (23) the development of food processing industry of home/micro, small and medium scale; (24) the increasing of the stocks of food derived from bred animals in high quality and safe for the people and raw materials of food industry through the increasing of the population, productivity of breeding animals and the quality of the animal husbandry products; (25) the improvement in the consumption of food derived from breeding animals and fish by the people through the improvement in the knowledge and incomes of the people as well as the diversification of food derived from breeding animals and fish; (26) the provision of loans supporting the improvement in food resilience; (27) the development of the system of the processing of horticultural products in accordance with the potentials of the people and regions.

1.4.3. Water Resource Development and Management Program

This program is aimed at supporting the achievement of the increase in national food security and the development of agribusiness, flood control as the supply of water needed by residential areas, urban areas, industries and other non-agricultural activities by improving the effectivity and productivity of the management of water distribution networks as well as the increase in supply of water to residential areas, urban and rural areas. To achieve the objective, water distribution is managed by a social organization in charge of water management together with the administrations of provinces, regencies and municipalities in accordance with the principles of the participation and empowerment of the people as well as the

management of the government in transparency, ensuring water allocation through the enforcement of rights to use water in justice so as to create the reliable system of water management institutions.

The targets of this programs are (1) the redefinition of tasks and role of the central government and the administrations of provinces, regencies and municipalities in managing irrigation based on the delegation of authority to make decisions to a social organization in charge of water distribution management in the management of water distribution networks; (2) the improvement of the empowerment of a social organization in charge of water management by improving the organizational capabilities and capabilities of technical operation of water management to enable the organization to accept broader authority in irrigation management; (3) the improvement in the execution of delegating the authority in managing irrigation networks democratically to the social organization in charge of water management; (4) the realization of the restructuring of the cost for the management of irrigation networks (operation and maintenance, rehabilitation and improvement); (5) the developing activities in the agriculture, agribusiness and villages and the achievement of food resilience the improvement in the effectiveness and efficiency and rehabilitation as well as extension of irrigation networks, including the networks of reclamation of swamps to support the improvement in the incomes and welfare of farmers; (6) the realization of the protection of irrigation areas from land conversion through the enforcement of law and regulations including the implementation of space planning; (7) the increase in the capacity of the supplying of water for meeting the need of residential areas, urban areas, industries and non-agricultural purposes; (8) the improvement in the effectiveness and efficiency of the operation, maintenance and development of the infrastructures for controlling flood and abrasion of coastal areas; (9) the improvement in the maintenance, reparation and development of dams, lakes, lagoons, pools and other water accommodation constructions; (10) the improvement in the regulation and reparation of the stream of rivers so their functions remain maintained and their utilization can be improved; and (11) the improvement in the integration of the use of land and surface water as well as the integration of control over land and surface water pollution.

The main activities to be done are (1) the re-regulation of the tasks and authority of the central government, the administrations of provinces, regencies and municipalities in the framework of the creation of independence in the management of irrigation networks by the social organization in charge of the management of water resources; (2) the empowerment of the social organization in charge of the management of water resources through the improvement in the capabilities in organizing and techniques on the operation of the water management by giving widest authority to achieve the independence of the social organization in charge of the management of water resources democratically; (3) the democratic delegating of the authority in the management of water resources to the social organization in charge of the management of water resources; (4) to continue the financial reforming of the management of irrigation networks based on the aspirations and participation of the social organization in charge of the management of water resources together with the administrations of provinces, regencies and municipalities for the operation and maintenance, rehabilitation and the improvement in irrigation networks so their functions and uses can be maintained sustainably and the independent management can be achieved; (5) the improvement in the effectiveness and efficiency of irrigation networks/swamps to develop agriculture, agribusiness and villages in integration in bid to increase the incomes and welfare of farmers; (6) the development of new irrigation infrastructures in non-irrigation land and newly-opened land and the improvement in the swamp networks especially in areas outside Java to meet the demand by farmers, social organization in charge of the management of water resources and the administrations of provinces, regencies and municipalities; (7) the opening of new farm land to support the opening of new irrigation networks and the optimization of the use of irrigation networks in areas where irrigation networks have already been available; (8) the protection of the areas with irrigation from land use conversion through the enforcement of laws and regulations including the implementation of space planning; (9) the improvement in and development of the infrastructures of the provision of water needed in residential areas, urban areas, industries and for non-agricultural purposes based on the integration of the use of land and surface water as well as the implementa-

tion of water pollution control; (10) the development of the infrastructures for controlling flood and the abrasion of coastal areas as well as the improvement in the stream of rivers; (11) the improvement of and development of dams, lakes, lagoons, pools and other water accommodation constructions.

2. Development of Micro-, Small- and Medium-Scale Businesses and Cooperatives

The existence of the small- and medium-scale businesses including micro-scale businesses and cooperatives is the form of life of most of Indonesian people. Such a position places the role of micro-, small- and medium-scale businesses as well as cooperatives as the main track in the development of a populist economic system. The development of the businesses and cooperatives are still lagged behind other economic actors, but they provided jobs for 64.7 million people and contributed 58.2% to Gross Domestic Product (GDP) in 1998.

The large number of micro, small and medium-scale businesses as well as cooperatives and workers who are in poor quality on the average are the basic obstacle to the development of the businesses. Besides, the businesses also face problems arising from policies, including excessive regulations, bureaucracy and levies so as to create heavier burden to the businessmen in making transactions and limited access of the businessmen to productive resources such as capital, technology, market and information. Meanwhile, the basic external challenges are the rapid development of economic globalization and trade liberalization in line with the rapid mobility of investment fund. Another problem is that the rapid technological progress accompanied by the fast changes in the taste of consumers shorten the life cycle of products. Based on their potentials, the businesses of small and medium scales are dynamic businesses possessing a great sense of responsiveness, flexibility and adaptation to the rapid changes in technology and market.

The development of the businessmen of small and medium scales in the dimension of the national development based on a populist economic system is aimed at not only reducing gaps of inter-income earner groups and inter-actors and providing more jobs. More than that, the development of the businessmen of small and medium scales is capable of broadening the economic bases and giving a significant contribution to efforts in speeding up the structural changes, that are, the improvement of regional economies and the resilience of the national economy. The development of businessmen of small and medium scales is the main priority and very vital.

In the framework of the development of businessmen of small and medium scales, the main programs to be realized are (1) the program of the creation of conducive business climate; (2) the program of the improvement in access to productive resources; (3) the program of the development of entrepreneurship and the businessmen of small and medium scale possessing competitive advantages. The programs are realized by paying attention to the aspects of the maximization of coverage, efficiency, effectiveness and sustainability.

2.1. Program for Creating A Conducive Business Climate

This program is aimed opening business opportunity as wide as possible and ensuring business certainty by paying attention to the economic efficiency norms as the main prerequisites for the development of the businessmen of small and medium scales. The targets to be achieved are the decrease in the cost of transaction and the improvement in the scale of businesses of the businessmen of small and medium scale in economic activities.

This program covers policies and steps as follows:

- (1) the improvement in laws and regulations, the simplification of licensing, bureaucracy, regional regulations and levies as well as the improvement in efforts in the enforcement of law and the protection of businesses from unfair business practices;
- (2) the development of policies of fiscal, taxation, sectoral including inter-regional and inter-countries trade and services, and investment in businesses of small and medium scales;
- (3) the granting of incentives and facilities in the development of the system and networks supporting the businessmen of small and medium scale up to in regions, such as people's/traditional financial institutions, credit underwriting institutions and institutions providing services on business development, training, technology, information, and advocacy. The incentives are given for the first stage together with efforts to strengthen the institutions; and
- (4) the improvement in the capabilities and involvement of the elements of stake holders in the development of businessmen of small and medium scales in the central and regional levels in planning, implementation and supervision of development policies and programs, including the development of the mechanism of their coordination, as well as the development of business ethics and culture.

2.2. Program for Increasing Access to Productive Resources

This program is aimed at improving the capabilities of businessmen of small and medium scale in using opened opportunities and potentials of resources especially the available local resources. The targets of this program is the availability of supporting institutions for improving the access to productive resources such as human resources, capital, market, technology and information.

The activities to be done are:

- (1) the improvement of quality of services provided public/traditional financial institutions and secondary financial institutions especially to support micro businesses in the local level through supports of: (a) protection of the business legal status, facilities in business licensing and the provision of incentives; (b) improvement of the management and fortification of capital supported by selective underwriting; and (c) establishment of the system of the networks of inter-public financial institutions and between businessmen of small and medium scales and banks so as to promote financial cooperation;
- (2) the extension of financial sources for businessmen of small and medium scales through among others the extension of credit underwriting, the extension of the role of venture capital, the support of incentives for foreign investors undertaking equity financing in venture capital business and the development of leasing industry as one of permanent capital financing institutions for businessmen of small and medium scales. Efforts to improve the financing access for the businessmen of small and medium scales are accompanied by the development of the system of the evaluation on credits and the information networks;
- (3) the improvement of capabilities of the institutions providing services on business development, technology, and information for businessmen of small and medium scales in the local level and the creation of the system of their networks through the supports of the strengthening of the management in participation and competition. The efforts are accompanied by the development of the system of the accreditation of institutions and certification of services on business development;
- (4) the development of the system of incentives and the strengthening of training institutions for businessmen of small and medium scales, management and members of cooperatives as well as the network of cooperation of inter-training institutions;

(5) the reorientation and restructuring of training and research and development centers or units owned by various government institutions to become the independent institutions developing businessmen of small and medium scales. The efforts are accompanied by the improvement in and reposition of guiding/accompanying personnel to become professional and independent consultants for businessmen of small and medium scales; and

(6) the strengthening of organizations and modernization of the management of cooperatives which become the forum for businessmen of small and medium scales to all together improve the scale of their businesses which are economical and efficient.

2.3. Program for Development of Competitively Advantageous Entrepreneurship and Small- and Medium-scale Businesses.

This program is aimed at developing entrepreneurship behaviors and improving the competitiveness of businessmen of small and medium scales. The targets to be achieved are the improvement in the knowledge and attitudes of entrepreneurs and the improvement in the productivity of businessmen of small and medium scales. The activities to be done are:

(1) the socialization of entrepreneurship and the development of a incentive system for new entrepreneurs (business start-ups);

(2) the development of business and technology incubators especially those managed by businessmen/the society to support the development of new businessmen of small and medium scales and entrepreneurs whose businesses are technological base. The efforts are accompanied by the development of venture capital and the provision of loans of long term;

(3) the provision of an incentive system and fostering for boosting the development of technology-based businessmen of small and medium scales to among others support the development and application of local innovation/technology, commercialization of the results of technology innovation, the development of business partnership between businessmen of small and medium scales and foreign businessmen transferring technology and modern management to the businessmen of small and medium scales as their partners, and the procurement of joint business facilities in the framework of the modernization or improvement in the business added values;

(4) the development of the networks of production and distribution through the use of information technology, the development of collective businesses and networks of businessmen of small and medium scales under the umbrella of cooperatives through vertical and horizontal business integrations, and the networks connecting businessmen of small and medium scales to large scale businessmen through business partnership; and

(5) the improvement of the quality of businessmen of small and medium scales including businesswomen of small and medium scales to become entrepreneurs possessing the spirit of cooperatives to enable them to use their potentials, skills and expertise to make innovation and create jobs.

3. Creation of Economic and Financial Stability

Economic and financial stability is one of the main prerequisites for developing and driving the wheel of the economy. Since 1999, macro economic indicators have showed improvement as reflected by decreasing inflation and interest rates and positive economic growth. But other indicators such as the exchange rate of the rupiah and the index of stock prices still showed steep fluctuation, affected by among others the political, social and security condition not yet fully recovered.

The sharp increase in the burdens of government debts, especially those coming from domestic debts made in the framework of the restructuring of banks creates a problem in the fiscal sustainability of State Budget for Revenues and Expenditures. Meanwhile, the progress made in efforts to make sound banks as the most dominant institutions is considered as still in a very slow pace. The intermediary function of banks has not worked fully. One of the reasons is the slow settlement of the restructuring of debts made by private companies.

All of the problems can make the national economy very prone to upheavals possibly happening and in its turn disturbing the process of the recovery of the economy.

In general, the main challenges facing efforts to create the economic and financial stability are:

(1) realizing consistent macro and micro economic policies both fiscal, monetary and real sector policies;

(2) reducing the elements of uncertainty as the result of the implementation of the system of free floating exchange rate since 1997 and the more integration of the Indonesian economy with the global market; and

(3)

- (3) improving the fiscal resilience for the realization of the fiscal sustainability

Whereas the policies required to be made are:

- (1) formulating macro policies in both fiscal and monetary fields carefully and in a good coordination;
- (2) maintaining the state financial equilibrium especially by restricting foreign loans;
- (3) reducing upheavals and risks of changes in the exchange rate after the implementation of the system of the floating exchange rate;
- (4) improving the capabilities in controlling monetary indicators, especially the inflation rate related to the independence of the central bank;
- (5) improving the availability of data and information on time and accurately in efforts to create improving information market;
- (6) developing sound financial institutions based on the international standards following the standard of transparency and accuracy;
- (7) realizing the smooth availability of goods especially for meeting the need of basic necessity and businesses of the people;
- (8) improving the coordination in the issuance of policies in both macro and micro levels

3.1 The Improvement of Coordination to Maintain Economic Stability

As specified above, efforts to create the economic stability cover various activities carried out by ministries/non-ministry institutions. Efforts to create the economic stability need to be supported by efforts such as among others: the improvement in the effectiveness of the state financial management, the development of financial institutions, the speeding up of the restructuring of banks and companies

For the integrated realization of the programs, the Program of the Improvement in the Coordination of the Maintaining of the Economic Stability needs to be developed. This program is considered as crucial since the policies implemented not in coordination will result in conflicting targets confusing the people and in its turn will cause the poor effectiveness of the implementation of policies. From the dimension of time, this program is also crucial to prevent the production of the conflicting targets especially in the short-term policies, for example between policies encouraging economic growth and price stability.

3.1.1 Program for Improving Coordination to Maintain Economic Stability

This program is aimed at realizing the better coordination between related parties in the framework of creating the economic stability. The target of this program is the achievement of the economic stability conducive for the sustainable growth as reflected by the inflation rate gradually approaching to the rate of the world inflation of 3-5 percent in 2004. With the low inflation growth, supported by the strengthening economic fundamentals including the stability of the security condition and the enforcement of legal certainty, the exchange rate of the rupiah is expected to get stable and the interest rate is expected to be conducive for business activities carried out by the people.

The program of the coordination of the creation of the economic stability covers various activities in the coordination of the issuance of policies in both macro and micro levels, covering fiscal, monetary and real sector policies and involving not only government institutions but also Bank Indonesia (the central bank) and related parties. In relation to the matter, efforts are needed to restructure and improve the performance of Bank Indonesia

3.2 The Enhancement of Effectiveness of State Financial Management

The main problems facing the state financial management are the huge deficit of the State Budget and the soaring government debts. The increasing foreign loans made especially for covering the ballooning deficit of the State Budget and to strengthen the foreign exchange reserves. At the same time, domestic loans in the form of government bonds used for financing the restructuring of banks sharply increase. To achieve the fiscal sustainability, policies are implemented to make sound the State Budget for Revenues and Expenditures, by improving the effectiveness of the state financial management in a order to increase state revenues, save state expenditures and reduce dependence on foreign fund

3.2.1. State Revenue Increasing Program

This program is aimed mainly at improving taxation and non-tax revenue sources. The target to be achieved through this program is to increase state revenues especially tax revenues.

The main activities to be carried out are:

- (1) to broaden the bases for taxation by simplifying tax administration, eliminating various tax exemptions and improving the enforcement of law for tax payers and tax officers violating tax laws and regulations;
- (2) to optimize the ownership of the government in state enterprises by reducing state payables and increasing the benefits from the ownership through the process of privatization;
- (3) to write off gradually the use of non-budget fund.

3.2.2. Program for Enhancing the Effectiveness of State Expenditures

This program is aimed at sharpening the priority of state expenditures. The target of this program is the fiscal sustainability of the State Budget for Revenues and Expenditures. State Expenditures must be adjusted to the capability of the government to mobilize fund, especially those coming from domestic sources.

The main activities to be carried out are:

- (1) to eliminate subsidies gradually. Various subsidies provided especially for reducing the impacts of the economic crisis need to be eliminated gradually, started by the elimination of subsidies which are general in nature and not directly earmarked for targeted groups such as the fuel oil subsidy. The fund saved can be used for state expenditures which result in direct benefits the people badly in need such as the eradication of poverty;
- (2) to reduce the cost of the restructuring of banks. This can be done by speeding up the settlement of the process of the restructuring of banks so the cost born by

the government can be reduced to a minimum level as possible and the sale of the assets restructured can achieve maximal result, including the divestment of government shares in banks participating in the recapitalization program and the companies of debtors submitted to the Indonesian Banking Restructuring Agency (IBRA);

- (3) to control the increasing of budget for the expenditures of civil servants. During the crisis, the real incomes of civil servants, which are well lower than the employees of private companies before the crisis, sharply decrease. But for limited state revenues, the improvement in the welfare of the civil servants must be accompanied by bureaucracy reforms through among others the restructuring of the incentive system and the reduction of the number of civil servants. Therefore, though the amount of the increase in the expenditures for the civil servants is restricted at the level in accordance with the efforts to maintain the fiscal sustainability, the real improvement in the incomes of the civil servant is significant; and

- (4) to sharpen the priority of the development budget. The development budget is directed to activities which must be carried by the government.

By improving the effectiveness of the management of state revenues and expenditures, the deficit of the State Budget can gradually decreased.

3.2.3. Government Debt Management Program

This program is aimed at realizing independent development financing. Meanwhile, the target of this program is the achievement of the optimal use of government loans coming from both domestic and foreign sources for development purposes and the decrease in the burden of foreign loans.

The main activities to be carried out are:

(1)

- (1) reducing gradually net foreign financing which is the difference between new loan disbursement and the repayment of the primary debts. In line with the increase in domestic state revenues, the level of foreign loans made by both the central government and regional administrations must be reduced annually;
- (2) to improve the mechanism of and procedures for the acquirement of foreign loans, including the planning, selection process, use of and control over the loans. The government's foreign loans must be managed transparently and always be consulted to the House of Representatives (DPR) and regulated by law. In relation to the matter, it is necessary to formulate laws and regulations providing the bases and umbrella for various foreign loans especially those related to the government loans made directly or with guarantee for both the central government and regional administrations;
- (3) to use the loans optimally in accordance with development priorities and realized transparently, effectively and efficiently;
- (4) to review comprehensively the capability of each project and sharpen the priorities of budget expenditures by tightening the systemic supervision especially for projects financed by foreign loans;
- (5) to improve the diplomatic and negotiation capability to get foreign loans with terms and conditions facilitating the process of disbursement and reducing the burden of repayment;
- (6) to restructure debts, including application for the reduction of debts and rescheduling of foreign debts delivered to donor parties transparently and with consultation with the House of Representatives (DPR). In efforts to restructure debts, projects already approved but finding

many obstacles in the preparation of the realization or the performance of their realization is in a very poor condition, will be canceled;

- (7) to issue government bonds for meeting the need of fund for development activities outside the recapitalization of banks. The bonds are issued gradually to maintain the macro economic stability and not to disturb the recovery of the private economic activities. Priorities are given to distribute bonds already issued for the purposes of the banking restructuring and develop market of bonds for the refinancing of the bonds if getting mature. In relation to the matter, it is necessary to strengthen the debt management unit undertaking the management of the issuance of government bonds; and
- (8) to reduce additional burden of domestic loans through the comprehensive settlement of the restructuring of banks and private debts. The comprehensive settlement of the restructuring of banks will reduce the cost of the recovery of the economy and improve asset recovery.

3.3. Development of Financial Institutions

The main problems facing the financial sector are the banking system not yet strong, high dependence on banking financial sources and the allocation of loans not yet even for both business actors and regions.

To face the problems, policies are taken to reduce the dependence on banking financial sources and improving the health of financial institutions, capital access for businesses of small and medium scales and the financing of economic activities in regions.

3.3.1. Financial Institution Development Program

This program is aimed at encouraging the establishment of healthy and strong financial institutions. The targets to be achieved in the Financial Institution Development Program are the maintaining of the health of banks, the increase in the number of non-bank financial institutions and the increasingly even distribution of fund.

The main activities to be carried out are:

(1)

- (1) to develop healthy institutions supporting the financial sector. The result of the restructuring of banks currently carried out shall be maintained by developing institutions supporting the financial sector. To maintain the safety of public fund kept in banks the guarantee program will be continued by the establishment of saving guarantee institutions. The supervision of banks and other financial institutions will be further improved by tightening procedures for supervision in stages to be adjusted to the international standards;
- (2) to improve the capability of non-bank financial institutions. To encourage the pace of the development of non-bank financial institutions such as insurance, pension fund, capital market and venture fund, efforts will be made to create conducive business climate and regulations. Besides, the development of human resources and expertise certification in the field financial services will become attention in the framework of facing globalization;
- (3) to improve capital access for businesses of small and medium scales. The effort is made by encouraging the development of independent and popular financial/financing institutions. The main steps are the elimination of all forms of barriers and the improvement in supports but still in the principles of market. In more detailed, the discussion on the businesses of small and medium scales is presented in the sub-chapter of Developing Businesses of Micro, Small and Medium Scales as well as Cooperatives;
- (4) in the case of gap between fund mobilized and channeled in a region, financial policies are directed to the improvement in the welfare of the people as both savers/capital owners and capital users. The policies hampering the flow of fund can increase administrative expense, which will in its turn decrease the incomes of the capital owners and increase the expense of capital users. For the matter, healthy and efficient financial institutions whose steps have been already specified above, are needed. The effort is in line with the step to realize regional autonomy concretely and the empowerment

of the people, which will encourage the growth of regional economies so as to further promote the equilibrium between the mobilization and channeling of fund in regions.

3.4 The Acceleration of Banking and Business Restructuring

The restoration of the banking system together with the settlement of debts of companies are related one to another and very vital for reviving the wheel of the economy. The restoration of the banking system will be hampered if the settlement of private debts works slowly or vice versa. The comprehensive settlement of the restructuring of banks is needed so that the financial sources for economic activities can be recovered. The fund provided for businesses is still in a very limited amount.

Meanwhile, efforts to speed up the restructuring of companies has three advantages namely to encourage the real sector to grow, to encourage the channeling of fund from banks so as to create the mutual synergy between banks and companies, and to speed up the restructuring of the debts of companies, especially those restructured through the Indonesian Banking Restructuring Agency (IBRA), will increase the amount of government fund which can be saved.

The main problem facing the restructuring program is the slow banking restructuring mainly due to the slow restructuring of the debts of companies. The restructuring of the debts of companies is not easy because it involves hundreds of national companies and creditors of many countries. To overcome the problem, the Program of the Restructuring of Banks and Settlement and Supervision of Private Debts.

3.4.1. Banking Restructuring Program

This program is aimed at making sound banks. The target to be achieved is the realization of the restructuring of banks and the debts of companies in a selective manner.

The main activities to be carried out are:

- (1) to comprehensively realize the program of banking recapitalization financed by the government in 2000 and professionally supervise and develop banks being recapitalized. To prevent moral hazard from being practiced by banks, the recapitalization of banks financed by the government is carried out only once;

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- (2) to develop the establishment of the sound and competitive banking structure through the process of merger and acquisition certainty in regulation on the capital of banks in accordance with the condition of the people and regulation on the presence of foreign banks protecting the national interests is needed;
- (3) to speed up the restructuring of banks through steps on the enforcement of law for debtors and owners of banks who will meet their obligations. Each owner of a bank economic actors violating law must be faced in accordance with the existing laws and regulations. This step is aimed at preventing moral hazard from in practice and at once meeting the feeling of justice by showing that the banking recapitalization is aimed at saving public fund and bank owners or debtors who do not commit careless actions. The other advantage is to reduce the burden of the State Budget;
- (4) assets under the supervision of the government will be divested in accordance with the need and objective of maximizing the selling value of the assets, and openly by prioritizing the national interests. This step will reduce the burden of the state finance;
- (5) the cost of the restructuring of banks will be determined annually through the mechanism of the discussion of the Draft State Budget for Revenues and Expenditures. The projection of the cost of the restructuring, which is described in macro framework (Part D, Table 4) is indicative and not binding in nature;
- (6) for the restructuring of banks, the State Finance must be managed carefully by reducing foreign debts from year to year by keeping to make efforts to make surplus in the predicted Balance of Payment;
- (7) for the risk of planned tax revenues amounting to 16% of the Gross Domestic Products (GDP) and obligations of the government to repay bonds getting mature, the Indonesian Banking Restructuring Agency (BPPN) must be able to improve its performance at the recovery rate being made as maximally as possible to have reached 70% by 2004.

3.4.2. The Program of the Settlement of and Control over the Debts of Companies

This program is aimed at recovering the credibility of private companies in the eyes of domestic and foreign creditors, investors and consumers, and reducing the systemic potentials and risks of private debts which are out of control. the target of this program is the quick achievement of the settlement of

the debts of private companies through the process of the restructuring of the companies; the achievement of the government asset recovery at the Indonesian banking Restructuring Agency (BPPN) which is made as maximally as possible to reach 70% by 2004; as well as the creation of the reliable of system of the reporting of private debts.

The main activities to be done in the framework of speeding up the restructuring of the debts of private companies are:

- (1) to prevent efforts made in the framework of taking over the debts of private companies in the framework of minimizing the cost of the recovery of the economy and avoid moral hazard committed by the companies;
- (2) to realize the restructuring of the debts of private companies transparently and strictly based on market and non-discriminative messianism. The restructuring of the debts are carried out especially for companies possessing good prospect in the future;
- (3) to strengthen the institutionalization of the Indonesian Banking Restructuring Agency and the Jakarta Initiatives including the mechanism of supervision in the framework of optimizing the performance of the Jakarta Initiatives and the Indonesian Banking Restructuring Agency (BPPN);
- (4) to develop the stick, transparent and accountable incentive and sanction systems. The debtors violating law must be processed under law and the process of the settlement of their debts must be carried out in accordance with the existing provision. Cooperative debtors can be given incentives, while uncooperative debtors are given penalties/sanctions in accordance with the existing provision;
- (5) Especially related to the settlement of the Master Settlement and Acquisition Agreement (MSAA), the steps to be taken are as follows: first, the mechanism of incentives need to be developed for dealing with debtors not yet signing the MSAA and to sign it; second, the MSAA will be improved and/or sanctions are imposed for debtors not signing the MSAA or signing it but not be able to meet the agreement; and third, legal certainty guarantee are given to debtors already signing the MSAA and already meeting the agreement;
- (6) to make efforts to create the process of bankruptcy taking place quickly, in accordance with the existing laws and regulations and meeting the principles of justice, especially by strengthening and improving the functions of trade courts;
- (7) to use outsourcing services, for example, national banks for dealing with loans in small amount but in a large number. Therefore, the Indonesian

Banking Restructuring Agency (BPPN) can effectively focus its attention on the settlement of the debts of large companies as well as companies of small and medium scales; and

- (8) to speed up the restructuring of the debts of companies of small and medium scales through the provision of adequate incentives. Because of their shortcomings, the companies of small and medium scales get assistance for preparing the debt restructuring and also realize the plan of the restructuring already approved.

Then, efforts to prevent the repetition of the economic crisis must get attention in view of the wide and serious negative impacts of the crisis. For the matter, the main activities to be carried out are:

- (1) to improve the structure and quality of capital market and other financial institutions in order to among others reduce the great dependence on foreign financial sources. National businesses should secure better access to financing in rupiah through the mechanism of both bonds and shares;
- (2) to improve the monitoring of and control over private debts to be able to know whenever the amount, requirements for, maturity period and use of foreign loans. Besides, coordination between an institution and another in monitoring the foreign loans should be improved. Then, it is necessary to formulate Laws on Foreign Loans also covering the private foreign loans;
- (3) to control private foreign loans directly and indirectly related to the guarantee of both the central government and regional administrations by setting the ceiling amount of the loans.

3.5. The Implementation of Economic Decentralization

The decentralization of economy provide opportunities for the improvement in the welfare of the people in a more even distribution. The challenge facing it is the realization of the balance between the broader authority gained by each region and the financial sources in the region, which is also in line with policies made to make sound the State Budget for Revenues and Expenditures (APBN). Other important challenge is efforts to encourage regional economic activities through among others the improvement in investment cooperation among regions and parts of the country.

To support the realization of the fiscal decentralization, a national development program, namely the Program of the Implantation of the Equilibrium between the Finance of the Central Government and Regional Administrations, have been formulated. Meanwhile, efforts to improve regional economic activities are made through the Program to Strengthen Market Institutions, the Program to Increase Foreign and Domestic Investment, the Export Development Program, policies on the development of industrial clusters discussed in detail in the Program of the Restructuring and Strengthening of the Bases for the Production and Distribution as well as programs in the framework of Developing Businesses of Micro, Small and Medium Scales as well as Cooperatives and programs in the framework of the development of facilities and infrastructures.

3.5.1. The Program of the Implementation of the Equilibrium between the Finance of the Central Government and Regional Administrations

This program is aimed at encouraging the implementation of financial decentralization making possible regions to be able to perform their authority by keeping to guarantee the macro economic stability. The target is the realization of the budget of regional administrations capable of supporting the performing of the tasks of decentralization, especially those related the provision of services in the people's basic necessity, which is in line with efforts to decrease the deficit of the State Budget for Revenues and Expenditures.

The main activities to be carried out are:

- (1) to complete the elaboration of laws related to the economic decentralization namely: (a) provisions on the transfer of personnel, assets and financing, (b) provisions on loans made by regional administrations, (c) provisions on the accountability of the regional administrations and financial management regulating the process of budgeting, (d) to make uniform the system of regional accounting to support the implementation of the auditing of the finance of regional administrations;
- (2) In the framework of reducing the macro economic risk of the implementation of financial decentralization, steps will be taken as follows: (a) the provision of contingency fund, (b) the formulation of regulations especially on regional loans from banks, (c) the formulation of provisions on ensuring the transfer of financing to the regions executed in line with the transfer of the tasks;
- (3) to encourage activities in the coordination among institutions related to the implementation of the economic decentralization, such as the activities of working groups in the Secretariat of the Advisory Council of Regional Autonomy.

4. Boosting the Improvement in Competitiveness

One of key efforts to overcome the crisis and strengthen the bases for the sustainable economic development is the comprehensive improvement in the global competitiveness of the national economy. In relation to the matter, efforts to be made cover the framework of the settlement of problems of a short-and medium-term dimensions. In the short term, efforts are focussed on activities supporting the driving of the national economy including those encouraging the utilization of idle production capacity. In the medium term, efforts are concentrated on the strengthening of the structure of the competitive and globally oriented economy as mandated by the GBHN for the 1999-2004 period.

For the matter, in the framework of boosting the improvement in the global competitiveness of the national economy, five strategies are formulated as follows:

- (1) the development of exports;
- (2) the development of industries with competitive advantages;
- (3) the strengthening of market institutions;

4) the

- (4) the development of tourism; and
- (5) the improvement in capabilities in science and technology.

4.1. The Development of Exports

The development of exports especially of non-oil/gas exports, both goods and services, is basically the relied program in the short term for the recovery of the economy and in the medium term for continuing to improve the national economy as well as increasing foreign exchange reserves. The continuously increasing exports are also the important indicator of the improving competitiveness of the national economy. With the weakening position of the rupiah due to the crisis, the export opportunities are actually widely opened because the competitiveness of Indonesian products sharply improves when the rupiah is in the weak position. But, the opportunities have not been optimally realized due to decreasing demand by foreign importers feared of the continuation of the supply of Indonesian export products and limited fund for working capital and for financing activities of exports and imports. Because of the economic crisis and the collapse of the banking sector, the problem of the optimization of the utilization of the production capacity of export-oriented companies at present reaching only 60% needs to get special attention.

Besides, efforts to develop exports also face administrative and procedural problems resulting in high cost due to the slow settlement of the documents of custom and excises for export and import transactions, the inefficient settlement of problems in ports and the continuing collection of illegal levies.

To overcome the problems above, the Export Development Program is developed. The program is basically directed to:

- (1) increase services for businessmen and the society to enable them to enter the global economic system;
- (2) develop the forms of responsive and effective facilities and institutions of the development of national exports for all elements of business actors, especially those of small and medium scales; and
- (3) improve the participation and institutions of business actors in improving and maintaining their participation in the global economy.

4.1. Export Development Program

This program is aimed at supporting efforts in the improvement in the global competitiveness of Indonesian products and improving the role of exports in boosting the growth of the national economy. In the short-term, the targets of this program are the decrease in the number of procedural barriers and liquidity problems and the expansion of export markets in the framework of encouraging exports. The main activities to be carried out are (1) the improvement in the utilization of installed production capacity through among others the expansion of non-quota foreign market (such as markets in developing countries in Asia, Africa and Middle East); and (2) the simplification of the procedures of custom and excises and various forms of the existing facilities for exports and imports to make effective the flow of working capital loans from banks.

In the medium and long terms, the target is the improvement in the quality of infrastructures and facilities

of export development to support production and distribution activities in efforts to follow the system of international free trade. To achieve the target, the main activities to be done are:

- (1) the improvement in the frequency and optimization of efforts in trade diplomacy, both bilateral and multilateral;
- (2) the restructuring of institutions and system of international trade facilities;
- (3) the restructuring of the system of international trade and improvement in the distribution of information on the results of international trade cooperation/commitments;
- (4) the improvement in the reliability of the system of the penetration of international market;
- (5) the improvement in the participation of businessmen in penetrating international market;
- (6) the improvement in the access for businessmen of small and medium scales to international trade information and system; and
- (7) the gradual reduction of international trade barriers in accordance with international commitments by keeping to pay attention to the national interests, including the tariff protection.

4.2. The Development of Industries with Competitive Advantages

The industry expected to function as the prime mover of the economic development proves not yet showing its best performance in the structure of the national economy. This is marked by the lack of the pattern of the strong inter-relationship between activities both in and outside the sector of industry and all networks of the production and distribution sectors to enable the industry to encounter the increasingly tight competition. One of the reasons is the lack of the synergy of policies encouraging the production activities to be carried out systematically. For example, agricultural activities previously expected to support the synergy of production activities in supplying the main raw materials for processing industries are found to be trapped in activities in the provision of food staple in domestic market. As the result, a number of prime processing industries which are not based on agriculture. Such industries are then depended on imported raw materials. Such a condition is also facing in the provision of skilled and trained workers. The curriculum of the national education pay less attention to the development of curriculum of vocational education. In fact, the vocational educational curriculum is good to be developed to bridge the transfer of technology in industrial activities. Meanwhile, the target of the development of industrial infrastructures and locations tends to concentrate in the west part of Indonesia especially in Java so it supports less the diversification of industrialization in broad sense.

In relation to the matter, the GBHN for 1999-2004 period mandates that the development of policies on industry, trade and investment can improve the global competitiveness of the national economy through the improvement in competitive advantages especially those relying on the comparative advantages in the form of natural resources and human resources by eliminating all forms of barriers and

discriminative treatment. Besides, as the backbone of the people's economy, the development of industries of small and medium scales basing on local resources is further improved.

The development of industries with competitive advantages is very important to be carried out in a bid to face the tight competition in both domestic and export markets in the era of the globalization and liberalization of international trade. Indonesia has agreed on international treaties on free trade in the scope of among others the ASEAN Free Trade Area (AFTA), the Asia Pacific Economic Cooperation (APEC) and the World Trade Organization (WTO). In relation to efforts to strengthening the competitiveness of national products in international market, it is necessary to improve the assurance of the quality and services of national products through the improvement in productivity and the development of related business networks to support the process leading to the specialization of activities.

In this description, the development of industry is not meant only for the development of the processing industries but also to cover the development of all chains of production and distribution activities starting from the sector of the provision of raw materials, processing up to the sector of services (primary, secondary and tertiary) to realize the strong and sustainable structure of production and distribution. For the matter, all bases for production and distribution need to be restructured in integration and developed in synergy by making use optimally comparative advantages.

In the framework of consolidating the primary, secondary and tertiary sectors, including the equilibrium of the distribution of development of the sectors, an industrial cluster approach is applied. Through this approach, the pattern of inter-relationship among activities both in the sector of industry (horizontal inter-relationship) and between the sector of industry and all related production and distribution networks (vertical inter-relationship) will be able to respond the challenge of the increasingly tight global competition.

The industrial cluster approach is elected to be applied based on idea that various policies in the past are partial in nature and provide preference for certain industrial activities tending to pay less attention to horizontal and vertical inter-relationships so as to cause high-cost economy and in its turn even weaken the national competitiveness.

The development of industrial clusters needs the formulation of strategies on national industrialization which involves the elements of the government, including regional administration, together with all business actors. The national strategies consist of directives for the development of each industrial cluster specifically considering the potentials of local resources. Through this approach, regions (regional administrations and related business actors) have more opportunities in creating conducive local business environment. Essentially, industrial clusters are the form of industrial organization most relevant with efforts in responding the challenge of globalization and demand for decentralization as well as encouraging the establishment of the networks of production and distribution activities and the development of businessmen of small and medium scales and cooperatives to improve their competitive advantages.

The programs of the development of industries with competitive advantages are as follows:

4.2.1. The Program of the Restructuring and Strengthening of the Bases for Production and Distribution

This program is aimed at developing the strong and globally competitive structure of the national industry, supported by all bases for production and distribution.

In the framework of the realization of the program, the process of the restructuring of production and distribution activities is directed to:

- (1) improve the productivity and development of business specialization;
- (2) improve competitive capability and business inter-relationship between production and distribution activities to support the strengthening of the competitiveness and structure of national industry;
- (3) broaden the bases for production and distribution activities which have competitiveness up to in potential areas;
- (4) sharpen the target of the business development in accordance with the potentials of local resources and environmental supporting resources and the limitation of management capability; and
- (5) encourage the speeding up of the even distribution of the incomes of the people.

In line with the matter, the development of industry needs to carry out restructuring in two contexts. First, the restructuring of businesses, especially industry, by encouraging businesses of large scale to rationalize the size of their businesses accompanied by the empowerment of businesses of small and medium scales and cooperatives in the framework of the development of the national competitiveness. This is meant to enable large-scale businesses to have focused business lines and enable businesses of small and medium scales to be more responsive, flexible and easy to adapt to changes in technology and market.

Second, the restructuring from the aspect of the improvement in the added values and productivity stemming from:

- (1) the shifting of the use of imported raw materials to local raw materials especially in agribusinesses as the transformation of the structure of economy from agriculture to industry relying on agribusinesses/agroindustry;
- (2) the improvement in the capability of workers from being unskilled to skilled;
- (3) changes towards the growing and strengthening of attitude/spirit, working ethos and industrial culture; and
- (4) the need of changes supporting the improvement in the capacity, capability, efficiency and effectiveness of how the economic system, networks and institutions work.

- (9) the reduction of the tariff of imports and non-tariff barriers in accordance with national interests and international commitments; and
- (10) the improvement in facilities for investment, exports, taxation and the effectiveness of the use of the facilities especially for businesses of small and medium scales.

4.3 The Strengthening of Market Institutions

Market in this case is specified as an economic institution entity which is the economic interaction between market players, market institutions and regulating instruments working a market mechanism. The market mechanism in justice is marked by the full participation of the people and the availability of the same opportunities for the access to economic sources. The two principles are expected to be able to go towards the efficient and transparent of resources and the good relationship among business actors. For the matter, legal certainty is needed to ensure business certainty so developed business actors can play better role without causing the concentration of economic power only in a number of parties which hurts the interest of the people. In efforts to support the market mechanism to work in justice, the flexible and controlled market mechanism is needed to enable the market mechanism to anticipate the imperfectness and inefficiency of the performance of market institutions

The realization of development during the period of the last 30 years of the realization of development paid less adequate attention to market institutions, causing the market not to work perfectly. The imperfectness of the market is generally marked by the gap of capability opportunities among business actors and the concentration of economic power in certain parties in controlling production factors and business networks through both vertical and horizontal integration.

4.3.1. Market Strengthening Program

This program is aimed at creating conducive climate for competitive business activities so as to improving efficiency-based national competitiveness. The target of this program is to strengthening institutions capable of encouraging the market mechanism to work in justice, reducing various business barriers and providing protection for consumers.

The main activities to be carried out are:

- (1) the strengthening of the independent business competition advisory institution, consumers protection institution at national level and the independency of judicature institutions in the framework of the implementation of Law No. 5/1999 on Bans on the Practice of Monopoly and Unfair Business Competition and Law No. 8/1999 on Consumers Protection;

- (2) the strengthening of future trading supervisory institutions;
- (3) the development of the network and institutions of information on the market of goods and services in national and regional levels;
- (4) the enforcement of laws and regulations to ensure business climate and the availability of early warning system to reduce market distortions;
- (5) the rationalization of policies already issued and to be issued to improve the access for the people to information on the demand for and supply of goods and services, sources of raw and supporting materials, technology and distribution lines in the same level for business actors;
- (6) the gradual development of the network of information on the market of goods and services in the framework of improving the access for the people to the need of goods and services; and
- (7) the reduction of domestic trade barriers in purchase, sales and flow of trade on goods and services to smoothen trade in boundary areas and between regencies/cities. Efforts made by regions to increase regional original incomes need to be supported, but not by stipulating various levies which can hamper the free trade among regions. The free trade among regions will increase economic activities in regions directly or indirectly, which will in its turn increase regional original incomes.

4.4 The Development of Tourism

In line with the mandate of the GBHN for the 1999-2004, the development of tourism covers two dimensions namely economic and socio-cultural. From the economic dimension, the development of tourism is part of efforts in improving competitiveness and also increase foreign exchange reserves. The number of foreign tourists at present decreases mainly due to national political and security conditions. Therefore, in the short term, the development of tourism puts priority on efforts to restore the image of Indonesian as tourist region safe and comfortable to be visited. In the medium term, the development of tourism put the strong bases for the development of national tourism through the development of tourism products and the development of tourism marketing.

In relation to the matter, more detailed description on the tourism development program from the two dimensions above will be described in Chapter VIII : Social and Cultural Development in the sub-chapter of Culture, Arts and Tourism.

4.5. The Improvement ... (To be continued)

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NATIONAL DEVELOPMENT PROGRAMS (PROPENAS) FOR THE 2000-2004 PERIOD

(Law No. 25/2000 dated November 20, 2000)

[Continued from Business News No. 6652-6653 pages 24A - 30A]

4.5. The Improvement in the Scientific and Technological Capabilities

Rapid changes as the impact of globalization requires the Indonesian nation to further speed up the equalization of the position of the Indonesian nation with other nations. The science and technology need to play greater role to improve the national competitiveness. In relation to the matter, the GBHN for the 1999-2004 period mandates the improvement in the mastery, development and use of science and technology including the national technology by businesses, including businesses of small and medium scales and cooperatives, in order to improve the competitiveness of goods and services relying on local resources.

So far, the development and application of science and technology has not been able to be fully utilized yet in economic activities. Many businessmen have not felt the benefit of the use of various researches and development ever conducted compared to the amount of capital invested. On the other side, the increasingly-tight competition market encourages the increasingly-tight competition among business actors. Businesses need support from adequate and reliable science and technology in facing the condition. Therefore, the quality and type of technological services must be further improved. The formulation of policies on researches and development must consider more the need and capacity of the incomes of the user. And the utilization of technology friendly to environment must be further extensified. On the other side, innovation developed by businesses is still very limited due to among others limited fund, the huge fund for innovation, the high risk of the return on investment and inconducive business climate.

To make science and technology playing greater role in the improvement in the national competitiveness, programs related to the mastery and utilization of science and technology are implemented. The programs related to the mastery of science and technology are discussed in Chapter VII : Development of Education. Meanwhile, programs related to the improvement in the utilization of science and technology by businessmen are as follows:

4.5.1 The Program of the Improvement in Science and Technology for Businesses

This program is aimed at improving the role and development of science and technology in encouraging business activities and make clear the rule of the game for science and technology development actors including businesses. The targets of this program are:

- (1) the availability of various regulations aimed at improving the role of science and technology which can be used by businesses;

- (2) the increasing number of companies having researches and development units;

- (3) the increasing contribution of businesses in financing researches and development activities;

- (4) the increasing of the number of entrepreneurs as the result of the spin-off and the number of entrepreneurs using technological services, especially businesses of small and medium scales and cooperatives and/or those relying local resources.

The main activities to be carried out are:

- (1) to improve the types and quality of technological services;

- (2) to develop various legal, tax and financial incentives for supporting the role of science and technology in and by businesses;

- (3) to increase and improve static data as the source of information in the planning of business operational activities and in the development of science and technology

4.5.2. Technological Information Dissemination Program

This program is aimed at improving the flow of science and technology to encourage the interaction between the providers of information on science and technology and the users of science and technology. The target to be achieved in this program is the availability of the support of information on business opportunities and the improvement in the added value of technology for local resource-based industry in regions.

The main activities to be carried out are (1) to provide information on business opportunities, the network of the technological information system and improve the added values of technology for various industries in accordance with the characteristics of local resources and businesses of small and medium scales and cooperatives in regions; (2) to provide assistance in the form of information as the compliment to various business loan schemes (especially for businesses of small and medium scales); and (3) to increase the number of research cooperation with businesses.

5. Increasing Investment

During the current crisis, investment decreases sharply, compared to that before the crisis. The decrease in the investment directly causes the low level of economic growth. From the side of the capital flow, outflow private capital is completely larger than the inflow one. The investment

decreases

decreases due to some matters mainly political and security factors. The security situation not yet improving has hampered the intention of domestic and foreign investors to immediately invest their capital in Indonesia. For the matter, the restoration of security and orderliness becomes prerequisite for increasing investment activities.

At the first stage of the recovery, the economic growth is driven by the increasing consumption by the people. But, the high consumption will not be able to be maintained for a long time and its role in the economic growth needs to be replaced by investment. The investment decreasing since 1997 started to show promising changes in 1999. In years to come, the growth of investment will continued to be boosted to support the recovery and sustainable growth of the national economy. The priority is put on equity-based investment, such as foreign investment and investment through capital market, not on loan-based investment. Besides, the investment priority is also directed to the development of infrastructures supporting the economic growth, in the sector of both transportation, energy and electricity, and telecommunications.

5.1 The Increase in Foreign and Domestic Investment

Various efforts have been made to encourage both domestic and foreign investment through among others the simplification of investment procedures, the decentralization of a number of authorities in investment and the periodical review of the negative investment list. However, several weaknesses are still found. First, the granting of incentives is still less consistent and transparent. Second, the granting of business licenses is still complicated, causing the high-cost economy especially for the companies of small and medium scales.

5.1.1 The Program for increasing of Foreign and Domestic Investment

This program is aimed at increasing the number and value of investment significantly. The target is the creation of the efficient and effective investment services and the creation of certainty in conducive business climate.

In relation to the matters, the main activities to be carried out are as follows: (1) to improve legal instruments more conducive for the increasing of investment such as investment regulations including the improvement in the granting of incentives, the decentralization of authority in investment licensing and the improvement in Investment Law; (2) to review the negative investment list periodically in accordance with the development of the condition; (3) to strengthen the institutions and improve the professionalism of investment apparatuses in both the central government and regional administrations to ensure efficient services for investors, including the establishment of the monitoring system to identify practices hampering investment and the improve-

ment in sensitiveness to various complaints by the people; (4) to increase investment promotion in the country and overseas; (5) to increase strategic alliances with various economic partners in mutual benefits; and (6) to improve bilateral and multilateral negotiations and cooperation.

Besides, the activities need to be supported by steps to improve the confidence of foreign investors so they are prepared to invest their capital in Indonesia and to reduce the high-cost economy including the eradication of the practices of corruption, collusion and nepotism to attract investment to Indonesia.

5.2. Development of Capital Market

The role and functions of capital market institutions as a means of providing cheap capital source alternative have not been optimized. As the result, the capital market is less attractive as a financing source for economic actors. Therefore, in the framework of increasing equity-based investment fund sources, the development of capital market, through the strengthening of capital market institutions, becomes the main priority. Besides various financing source alternatives, the development of capital market is also directed to protect the people involved in capital market activities. For the matter, this policy is directed to promote the transparency of the operation of capital market and to develop the professional and independent mechanism.

5.2.1 Restructuring Program for Capital Market Institution

This program is aimed at improving the role of capital market in the financing of investment activities of companies, including state enterprises and businesses of small and medium scales and cooperatives. The target is to improve the performance of capital market institutions so they are capable of improving the capital market as one of financing source alternatives and protecting the people.

The main activities to be carried out are as follows: (1) to strengthen the procedures for and implementation of the independent supervision of capital market and the enforcement of legal certainty to create a fair, regular and efficient capital market meeting international standards; (2) to improve the supervising human resources; (3) to improve the capacity of the management information system including the broadening of the coverage of the dissemination of information on capital market to the people; (4) to propose Draft Capital Law to improve Law No 8/1995; and (5) to improve the realization of good corporate governance and its socialization, including to encourage the transparency of capital market actors.

5.3. The Speeding Up of the Restructuring of State Enterprises

The performance of many state enterprises is considered as not significantly promising as reflected by the low profits compared to the capital invested. Even in 1997 and 1998, a number of state enterprises could not pay their debts or could not give significant profits.

The less optimal performance of the state enterprises is at present related directly to the efficiency, professionalism, transparency and accountability of the management of state enterprises (corporate governance) covering state enterprises and regional enterprises both in the form of public utility, institutional company and limited liability company. The internal problems facing the state enterprises is the difficulty of uniting the tasks and functions of the enterprises. On one side, the state enterprises play their role as institutions capable of providing services for the people, but on the other side, as companies obliged to maximize profits. Besides, the state enterprises also face external problems as indicated by uncertainty in facing the implementation of the principles of free trade and regional autonomy. With such a condition, the restructuring of the state enterprises must be carried out. However, in accordance with Article 33 of the State Constitution of 1945, the privatization of state enterprises is carried out not for interests in the short term by sacrificing greater public interests in the long term.

The realization of the policy on the restructuring program is directed to improve the business efficiency and competitiveness of the state enterprises in the form of public utility, institutional company and limited liability company whose businesses are related to public interests, providing public facilities, defense and security industry and other business activities not being performed by private companies and cooperatives. The restructuring program is carried out by observing and keeping to guarantee: (1) the level of services to be met; (2) the capability of the people to get the services provided by the state enterprises; and (3) not causing the high-cost economy.

This strategy is directed to efforts to: (1) realize the restructuring of the state enterprises by developing the professional, efficient and corporate cultured organization and management of the enterprises and focusing their activities on the scope of their main businesses; (2) privatize the state enterprises for business activities no longer related to strategic public interests based on the principles of simplicity, transparency, high accountability by divestment and distribution of the ownership of state enterprises, mainly to the public; both through capital market or the issuance of trust units; and (3) to liquidate state enterprises moving in the field not related to public interests or not vital and always in loss.

The privatization has added values, especially if made in the sectors attractive in the eyes of investors including telecommunication, transportation, plantation, hotel and tourism, infrastructures, oil and gas.

In the framework of supporting the realization of the privatization of state enterprises with added values, programs are implemented as follows:

5.3.1 State Enterprise Restructuring Program

This program is aimed at increasing profits and improving the corporate soundness and the quality of services provided by state enterprises. The targets of this program are the improvement in the efficiency and competitiveness of the state enterprises and the realization of strong partnership between state enterprises and other businesses.

To achieve the objective and targets, the main policies and activities to be carried out in the state enterprise restructuring program are (1) making sound the state enterprises financially; (2) improving the management and supervision of state enterprises; (3) developing opportunities for operational cooperation in the framework of revitalizing strategic state enterprises which are not in a sound condition; (4) gradually eliminating preference and protection given to privatized state enterprises and restricting subsidized budgets and the addition of new capital; (5) encouraging partnership cooperation between state enterprises and other businesses based on competency through among others the realization of sub-contracts, the provision of working capital and the provision of training and working practices; and (6) encouraging the establishment of trust units to increase the public ownership of the shares of state enterprises in the capital market.

6. The Provision of the Supporting Facilities and Infrastructures of the Economic Development

The economic crisis has weakened the capability of the provision of services in facilities and infrastructures, mainly due to the weakening capability in financing activities to operate and maintain the existing physical facilities and infrastructures. Efforts to maintain and improve the provision of services on facilities and infrastructures are facing three dimensions of problems. First, the development facilities and infrastructures is not easy to be carried out due to the need of a large amount of fund; the long period of return on investment, the consumption of very wide areas, the use of high technology, and the long-time planning and implementation of efforts to achieve the certain economy of scale. On the other side, the financing capability of the national economy in the form of fund earned from both the government and private sector is at present very limited. Second, the development of facilities and infrastructures is pre-condition for the development of new opportunities in various fields. The increase in the number of population requires the need of the provision of additional services on the use of facilities and infrastructures. Third, in facing global competition and meeting the public demand for reliable, qualified and affordable

facilities and infrastructures, the development of facilities and infrastructures needs the restructuring and establishment of businesses in the provision of services on the use of facilities and infrastructures

To speed up the recovery of the Indonesian economy, the development of facilities and infrastructures and the provision of services on the use of them is carried out by considering criteria as follows: (1) directly or indirectly creating many jobs for the people; (2) supporting the development of regional economies; (3) creating maximal economic benefits for the people living around the location of the development of facilities and infrastructures; and (4) being economically and financially feasible so as it attracts both foreign and domestic investors. The development of physical facilities and infrastructures and services on the use of them covers transportation, energy and electricity, water resources (irrigation, clean water and environmental sanitation) as well as post, telecommunication and information

The main programs needed to be realized to meet the need of facilities and infrastructures are as follows. The programs for the development of facilities and infrastructures of energy and electricity, water resources, post, telecommunication and information are: first, the program of maintaining the level of the provision of services on the use of facilities and infrastructures; second, the program of restructuring and reforming the sector of facilities and infrastructures; and third, the program of improving the accessibility of the people to the provision of services on the use of facilities and infrastructures. Particular for the development of transportation facilities and infrastructures, the program of developing transportation facilities and infrastructures. The main four programs are the reference for the provision of services on the use of facilities and infrastructures nationally. The implementation of the programs in each region will consider the condition and capability of the region.

6.1. Program for Maintaining the Level of the Provision of Services on the Use of Facilities and Infrastructures

This program is aimed at maintaining and improving the condition of facilities and infrastructures already or currently developed so they can maintain and increase the level of the provision of services in a reasonable quality and can be operated and used as maximally as possible in the framework of supporting productive sectors. For the matter, for the facilities and infrastructures already or currently developed, the priority is put on efforts to maintain them so the economic values of the facilities and infrastructures do not decrease. Meanwhile, efforts in the improvement in and development of facilities and infrastructures are directed to support the growth of the demand for services on the use of bottleneck facilities and infrastructures and to support exports.

The targets of this program are: (1) the availability of services on the use of facility and infrastructures capable of meeting the minimum need for the recovery of the economy; (2) the maintained condition of the con-

struction and equipment of facilities and infrastructures whose the development of their constructions has not been completed or operated perfectly; (3) the realized review of the design or planning of the construction of physical facilities and infrastructures; and (4) the availability of facilities and infrastructures related to data and information for strengthening the basis for the sustainable economic development.

Efforts to achieve the targets are made through the planning of rehabilitation, maintenance and completion of the development of facilities and infrastructures by considering cost effectiveness and time obstacles as well as other factors such as capital, technology and consumers to be served. Besides, other considerations include the relevance with the existing laws and regulations such as those on the implementation of regional autonomy and the equilibrium of between the finance of the central government and regional administrations.

In the restoring of the provision of services on the use of facilities and infrastructures to a condition as that before the crisis, actions will be taken to rehabilitate and improve the existing facilities and infrastructures based on economic considerations. These actions provide opportunities on the maximal and efficient use of the existing facilities and infrastructures for a longer period of time and for the maintaining of the quality and continuation of the optimal provision of services on the use of the facilities and infrastructures.

The main priority will be directed to steps in providing services on the use of facilities and infrastructures supporting production activities, the improvement in exports as well as the creation of more jobs and business opportunities, especially for the people of low income in villages, through among others the improvement in irrigation networks, the provision of clean water and environmental sanitation in villages as well as the provision of energy. The provision of rural electricity including alternative renewed energy in villages is the prioritized activity. Technical assistance for the provision of infrastructures in the framework of improving the capability of the people's economy must also be carried out concretely.

6.2 The program for Continuing the Restructuring and Reforms in the field of Facilities and Infrastructures

The realization of the restructuring and reforming of the institutions and companies in the field of facilities and infrastructures are aimed at creating conducive climate for investment and businesses in the field of facilities and infrastructures and making sound and improving the performance of companies running businesses in the provision of services on the use of facilities and infrastructures. The targets of the restructuring and reforming program are: first, the recovery of the financial feasibility; second, the creation of competition and regulation in the development of facilities and infrastructures;

third, the improvement in the efficiency of the use of facilities and infrastructures and the increase in the availability of new funding sources in line with the improvement in the role of the private sector; and fourth, the improvement in the transparency and efficiency of the government in the management of facilities and infrastructures in line with the decreasing role of the government.

To achieve the targets of the financial feasibility, competency, transparency and private participation, basic changes are needed. Some changes have been started in the speed which will be increased and the scope which will be broadened. In the framework of achieving the objectives and targets, the realization of the restructuring program in full capacity will take six steps of activities as follows: (1) the restructuring of industry and the settlement (unbundling system); (2) the development of commercial relationship and introduction of competency; (3) the implementation of new approaches in stipulating the tariff based on market and subsidy mechanism; (4) the rationalization and expansion of the role of the private sector; (5) making more clear the role of the government; and (6) strengthening the regulatory functions; developing new legal framework. In details, the steps are explained as follows:

Dividing the field of facilities and infrastructures into different components is the first stage of the introduction of competency of each field. The following stage is that level playing field for all stockholders must also be created to be used as the basis for the promotion of fair competition. Crossing subsidy traditionally burdening commercial consumers and weakening the capability of competition in grabbing captive market will be eliminated, and regulation on competition will be carefully implemented.

The unbundling of activities consists of two kinds: geographical and functional bundling. The geographical bundling is based on the variety of Indonesian territory. The functional bundling is based on the reality that the business on the provision of services on the use of infrastructures consists of two sub-businesses. The bundling of activities will clarify the accountability and provide the base for competition.

Then, the improvement in competition is needed to ensure efficiency. Competition can decrease the cost as low as possible through efficiency so as to make possible the division of profits from the efficiency for producers and consumers, encourage the division of risks and reduce the burden born by the government in planning and regulating. The improvement in efficiency is made by developing full competitive market directly or gradually.

Meanwhile, to promote transparency, the provision of facilities and infrastructures can be carried out based on the commercial principles by private sector. At the same time, social missions including strategic missions remain to be handled by the government through the transparent provision of subsidies (public service obligation - PSO) and other incentives. In relation to the matter, the government will comprehensively implement the program of rationalizing tariff. In stages, the tariff will be increased to achieve full-cost recovery, except for even distribution of development and protection of the people of low income. They will still be given subsidy. However, the subsidy will be given explicitly and transparently. The mechanism of increasing the tariff will be implemented so as to become incentive for achieving efficiency and to prevent the soaring subsidy. In the future, as well as to supporting the development of the new structure of industry

The participation of the people is improved as part of the process of the comprehensive restructuring. The improvement of the participation may not rule out financial and economic feasibilities and must be accompanied by the improvement in competition and transparency. In relation to the matter, the privatization remains taking into account and ensure (i) level of service maintained to be met; (ii) the affordability of the people in getting services on the use of infrastructures; and (iii) no impact on the high cost economy.

Then, the role and functions of the government as the owner, policy maker, regulator and operator of infrastructures so far still overlapping will be made clear gradually to encourage the promotion of clarity and transparency in putting the facilities and infrastructure on the sound basis. In the future, the role of the government will be directed and strengthened as policy maker, regulator and facilitating agency.

In line with the above steps, steps are taken to strengthen the legal framework in the development of infrastructures. The steps are aimed at encouraging the creation of competitive market and the availability of the basic principles in stipulating tariff and providing subsidy. The legal framework will be realized in the form of laws and regulations including new Draft Law (among others Infrastructure Law and Cyber Law and the existing laws including Law on Roads) to accommodate partially competitive transitional market and full competitive market which become the objective of the restructuring and reforming programs

6.3. The Program (To be continued)

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NATIONAL DEVELOPMENT PROGRAMS (PROPENAS) FOR THE 2000-2004 PERIOD

(Law No. 25/2000 dated November 20, 2000)

[Continued from Business News No. 6655-6656 pages 26A - 30A]

6.3. The Program for Improving Accessibility of People to Services on the Use of Facilities and Infrastructures

The objective of improving the accessibility of the people to services on the use of facilities and infrastructures is to broaden the coverage of services on the use of facilities and infrastructures up to remote, inland and border areas. The broadening of the coverage of facilities and infrastructures is prioritized to provide facilities and infrastructures needed in meeting the basic necessity of the people including telecommunication, electricity and irrigation.

The main activities to be carried out are (1) to establish pioneer businesses in isolated and remote as well as under-developed areas; (2) to broaden the coverage of the provision of services on the use of infrastructures up to all layers of the society; and (3) to strengthen and improve laws and regulations.

To support the provision of services on the use of facilities and infrastructures in isolated, remote and under-developed areas, the government makes intervention through pioneer efforts. Pioneer efforts are made based on not solely economic feasibility consideration, but also on the government intention to open the isolation of areas and encourage economic growth in the areas.

In its implementation, the government will provide facilities and infrastructures whose operation will be supported by policies on subsidy from the government. Then, in line with the improving economic capability of the people, subsidy will be eliminated gradually and systematically so services on the use of facilities and infrastructures can be provided by state enterprises, regional enterprises, private companies, cooperatives and the people at commercial tariff.

To enable the people to afford the services, activities are carried out to promote efficiency in developing and operating the provision of services on the use of facilities and infrastructures. The efficiency is improved as from the state of planning including the standardization of facilities and infrastructures up to the stage of operation by considering the condition of the people in bear the cost of the services. To ensure the realization of the activity, it is necessary to improve and strengthen laws and regulations by taking into account the tariff mechanism adjusted to the buying power of the people.

6.4. The Program for Developing Transportation Facilities and Infrastructures

The development of transportation is a very important part of the national development. Transportation facilities and infrastructures play their roles in supporting economic activities and function to provide services for the flow of the movement of the people and goods especially in the distribution of goods and services from their sources of raw materials to production places and marketing locations both in the level of local, national and international. The services on the use of transportation facilities and infrastructures are needed to support social activities of the people including efforts in eradicating poverty.

The objective of the development of transportation facilities and infrastructures is to improve the provision of efficient, reliable, qualified, secured and affordable transportation services and to create the national transportation system in intermode and integration with the development of regions and to become the part of the distribution system capable of providing services and benefits for the people, including the improvement in adequate rural-urban networks.

The targets of the program of the development of transportation facilities and infrastructures are:

First, related to the target to maintain and improve services on the use of transportation facilities and infrastructures, the target covers (1) the fulfillment of the minimal need of transportation services as well as supporting efforts in recovering the national economy; (2) the maintenance of the physical condition of transportation facilities and infrastructures so as to enable them to provide services until the technical age already planned; (3) the improvement of the transportation management system; and (4) the improvement of the provision of services on the use of facilities and infrastructures through technical standards in accordance with the need developing in an efficient, economical, humanity and more safe manner.

Second, related to the target to continue the restructuring and reforming of transportation, the target covers (1) the creation of various alternatives on services on the use of transportation facilities and infrastructures in accordance with the buying power of the people; (2) the creation of the operation of the more competitive transportation system through the restructuring of regulations and institutions so services on the use of transportation facilities and infrastructures can be provided efficiently and more responsive to the need of the consumers; (3) the opening of business opportunities in the provision of transportation services in a fair, opened and transparent manner for business community so as to reduce the possibility of monopoly in the provision of services on the use of transportation facilities and infrastructures, which hurting the interests of the people; and (4) the realization of the active participation of the government, state enterprises and private companies in providing transportation services in which the government is directed to become the regulator and facilitator, while state enterprises and private companies are directed to become the operator and owner/organizer of transportation.

Third, related to the target to improve the accessibility of the people to services on the use of transportation facilities and infrastructures, the target covers: (1) the provision of services on the use of transportation facilities and infrastructures for people in remote areas and the people in common especially those of low income at the affordable tariff; and (2) the integration of the national transportation network system in intermode with the regional transportation network system, especially for supporting the development of regions and preventing inefficiency in the provision of services on the use of transportation facilities and infrastructures.

The main activities to be carried out are: (1) the rehabilitation and maintenance of transportation facilities and infrastructures, especially the rehabilitation of road transportation infrastructures, railway transportation infrastructures, ferry transportation infrastructures, ports and airports; (2) the enhancement of efficiency through the transportation management system to be able to optimize the use of the existing infrastructures

and facilities, for example through the transportation demand management system, transportation/traffic engineering and regulations, the improvement of regulations and the enforcement of regulations (including regulation on overloading regulation on road user tax, the improvement of the system of traffic safety and navigation equipment; (3) the increase in the capacity of the provision of transportation services at bottleneck routes especially to support the smooth distribution of basic necessity or activities supporting exports through both the improvement of the capacity or the development of new facilities and infrastructures efficiently and economically; and (4) the improvement of the system of the provision of services through the improvement of the data and information system, the system of the technical standards of transportation infrastructures and facilities supported by the technical and economical professionalism capabilities in transportation, design and construction services as well as the maintenance and management of transportation infrastructures and facilities.

The targets of this program are: (1) the reforming and restructuring of the transportation sector in the field of both transportation institutionalization or regulation including the improvement in transportation laws and regulations in accordance with the existing challenges and development (the implementation of regional autonomy and globalization); the restructuring of tariff policies and the possible establishment of an independent regulatory institution, the restructuring of the more efficient and effective system of the financing of transportation infrastructures including the implementation of the railway infrastructure financing scheme of Public Service Operation (PSO), Infrastructure Maintenance Obligation (IMO) and Track Access Charge (TAC) and the improvement in the system of other transportation infrastructure user charges in transparency and efficiency; the reforming of the system of licensing and regulation to tighten service competition paying attention to consumer rights in fairness including unbundling monopoly (review on exclusive rights); and (2) the reforming and restructuring of state enterprises in the field of transportation through both the incorporating and restructuring of the state enterprises, unbundling commercial activities which can be entrusted to private sector such as the seeking of strategic partners; the development of operational/management cooperation, profit sharing pattern, and so on as well as the privatizing of well-prepared state enterprises in stages and without inflicting losses to the country for both short and long terms.

Then, to achieve the targets, the main activities to be carried out are: (1) to develop the provision of services on the use of pioneer transportation facilities and infrastructures through both the development and improvement of pioneer transportation facilities and infrastructures in remote and bordering areas through among others the development of axis roads, pioneer sea ports, pioneer ferry ports and pioneer airports; (2) to effectively and efficiently conduct studies on pioneer land, seas and air transportation to remain capable of

providing transportation services in sustainability and integration with plans to speed up the development of the regions where facilities and infrastructures are being developed; (3) to improve the role of and good cooperation with regional administrations, society and business entities including cooperatives in the development of the system of pioneer and rural transportation through the issuance of simple regulations and easy licensing as well as the creation of more conducive investment climate; (4) to improve the planning and developing of the national intermode transportation network system in integration with the regional transportation network system to support the development of regions; (5) to improve the accessibility of urban people especially those of low income to the provision services on the use of transportation facilities and infrastructures through the improvement in the system of the mass transportation which is in order, secured, efficient, environmentally friendly and affordable for people from all layers of the society as the user of transportation

7. Using Natural Resources in a sustainable manner

The sustainability of economic and social systems is determined by the sustainability of the system of natural resources functioning as the main source for supporting the system of the life of the people. Therefore, every effort in the use of national natural resources will be put in the framework of the sustainable development of natural resources

7.1. Maritime Development Program

This program is aimed at (1) developing and empowering the people in islands and coastal areas; (2) improving efforts in the rehabilitation and conservation of inhabitants of coastal areas such as mangrove trees, coral reef, tundra and estuary involving the people in the framework of the conservation of germ plasm, the supplying of raw materials, the protection of environment and tourism services; (3) improving the protection and supervision of the use of maritime and coastal resources, including fishery resources; (4) structuring water areas, coastal and maritime resources; (5) improving the development of and use of coastal resources, oceans and small islands; and (6) improving the efficiency and productivity of fishery, coastal and maritime resources through the integration of the management of the use of resources in justice, balance and sustainability in the framework of increasing regional incomes and people's welfare

The targets of this program are: (1) the increase in the incomes of the people and fishermen in coastal areas and remote islands; (2) the improvement in the real value of resources in coastal areas, small islands, fishery and the improvement in the role of maritime products and services; (3) the strengthening of the status of coastal areas and small islands; (4) the improvement in the society-based management of the rehabilitation and conservation of coastal inhabitants such as coral reef, tundra, estuary and so on; (5) the improvement in the people's

awareness and understanding on the management of sustainable use of coastal and maritime resources; (7) the increase in investment and business opportunities in the field of maritime; (8) the realization of the decentralization encouraging efficient and sustainable management of coastal and maritime resources; (9) the integration of the maritime, coastal and mainland development in the unity of the development of regions and the realization of the use of spaces and resources in harmony; (10) the improvement in the optimal and sustainable use of remote islands, coral rocks and fishery resources for the people; and (11) the improvement of supervision over and the use of fishery, coastal and maritime resources.

The main activities to be carried out are: (1) the formulation of plans on the development of coastal and maritime areas in integration; (2) the strengthening of the coastal and maritime areas, and the development of the system of information on and mapping of potentials in coastal areas, seas, small islands as fishery resources; (3) the improvement of the supervision of and control over the use of fishery, coastal and maritime resources as well as small islands; (4) the making out of the inventory of and the improvement of maritime products and services as well as other potentials including hidden treasure; (5) the restructuring of strengthening of institutions of local people in the use of fishery, maritime, coastal resources and resources in small islands; (6) the improvement in the conservation of maritime products and services through the application of science and technology friendly to environment, the balancing of the use of the resources supported by the environment and the consistent law enforcement; (7) the improvement in the rehabilitation of coastal inhabitants functioning as the germ plasm sources such as coral reef, mangrove forests, tundra, estuary and other damaged resources; (8) the improvement in the protection of the inhabitants of and other resources in mangrove forests, coral rocks, tundra, estuary and so on; (9) the improvement in the security and protection of coastal and maritime areas through the patrolling of waters prone to stealing and violations, the promotion of regional cooperation with neighboring countries in controlling activities resulting in damages to coastal and maritime resources; (10) the exploration and making inventory of bio-diversity potentials and potentials of ecotourism/maritime services; (11) the improvement in the management of coastal areas and beaches as well as fishery resources by traditional community; (12) the improvement in the providing of guidance and education as efforts to improve the role and participation of the people in the management of coastal areas, beaches and small islands; (13) the strengthening and developing of the institution in the society and coastal areas in harmony with the decentralization in the framework of the development of professionalism and the empowerment of apparatuses; (14) the improvement in the system of the providing of services through the development of facilities and infrastructures in coastal

areas in efforts to optimize the use of maritime products and services; and (15) the development of partnership businesses in the management of coastal areas, seas and small islands as well as the use of fishery resources.

7.2 The Program for the Development and Exploitation of Forests and Land

This program is aimed at (1) improving the quality and productivity of forests through the efficient, just and sustainable exploitation of forests so as to increase the contribution of forests to the national and regional development and improve the welfare of the people; (2) improving the efficiency and productivity of space resources through the integration of the use of the resources for various purposes in justice, balance and sustainability so as to sooner increase the incomes of regions and the people.

The targets of this programs are: (1) the improvement of the exploitation of less productive forests and the development of people's forests and the people-based exploitation of forests; (2) the increase in the real value of forestry produces and the improvement in the role of forestry products and services; (3) the improvement of the role of protected forests and conservation forests in the economy of the people; (4) the decrease in the number of the forest stealing, clearing and firing; (5) the improvement in the strengthening of the status of people recognition-based forest areas; (6) the realization of the restructuring of the forest management system; (7) the improvement in the efficiency of logging and forestry industry; (8) the realization of the decentralization encouraging the efficient and sustainable forest management; (9) the increase in investment and business opportunities in the field of forestry; (10) the increase in the number of jobs provided in the use of forests and in the incomes of the people; (11) the improvement of the equilibrium between the use and conservation of land and forests; (12) the maintained functions of areas of conservation, protection and bio-diversity in the use of land and forests; (13) the decrease in the width of agricultural and forestry land in critical condition; (14) the improvement of legal certainty on the land concessionaire rights; (15) the decrease in the number of conflicts on land; and (16) the development of social institutions capable of managing land in integration.

In the framework of achieving the targets of this programs, the main activities to be carried out are: (1) the formulation of plans and mechanism of the system of the planning of the development of agriculture and forestry; (2) the strengthening of the status of people's recognition-based agriculture forestry areas and the development of the forestry information and mapping system; (3) the prevention of the conversion of agricultural and forestry areas for non-agricultural and forestry activities; (4) the making inventory of and improvement in the use of forestry resources, forestry products and environmental services; (5) the development of the structuring of forestry resource institutions by strengthening institutions

of local people; (6) the improvement in the efficiency of the logging and processing of forestry produces and the improvement in the effectiveness of through the application of science and technology friendly to environment, forestry industrial restructuring, the use of non-wood forest produces, the use of woods from plantation areas and the consistent law enforcement; (7) the speeding up of the improvement in the reforestation, re-greening and rehabilitation of forests and critical land; (8) the development of industrial forests, people's forests and various forestry businesses; (9) the protection of forests from stealing, firing, clearing and pest attacks; (10) the exploration and making inventory of bio-diversity potentials and potentials of ecotourism/environmental services; (11) the development of business partnership in the management of forests and forest industry; (12) the fostering of the management of traditional forests and the socialization of multi-functions of forests in the framework of synchronization to minimize social conflicts in areas surrounding the forests; (13) the provision of guiding, education and assisting services to encourage the improvement in the role and participation of the people in the forestry development; (14) the development of forestry institutions in both national and regional levels in line with the decentralization, accompanied by the development of professionalism and the empowerment of apparatuses; (15) the conducting of studies on and the improvement in the issuance of regulations and policies in the field of forestry; and (16) the integration of the development and exploitation of forestry areas through efforts to develop agriculture in the form of agroforestry; and (17) the development of the forest and land supervision and controlling system.

7.3 The Program for the Development and Exploitation of Water Sources

This program is aimed at improving the use and productivity of water sources by realizing the integration of the exploitation ensuring renewable capabilities and the re-regulating of institutions, laws and regulations.

The targets of this program are: (1) the realization of the re-regulating of various institutions and regulations on the development and exploitation of water sources enforcing the exercise of the rights to use water in justice; and (2) the improvement of the use and productivity of water sources through the improvement in efficiency, effectiveness and independent of the operation, maintenance and conservation of infrastructures accommodating water and natural water sources.

In the framework of achieving the targets of this program, the main activities to be carried out are: (1) the re-regulating the role and authority of the central government, the administrations of provinces/regencies and municipalities, private sector and the society in the exploitation and conservation of water sources; (2) the establishment of a coordinating forum at national and provincial levels to integrate policies in the field of the development of water sources; (3) the improvement of