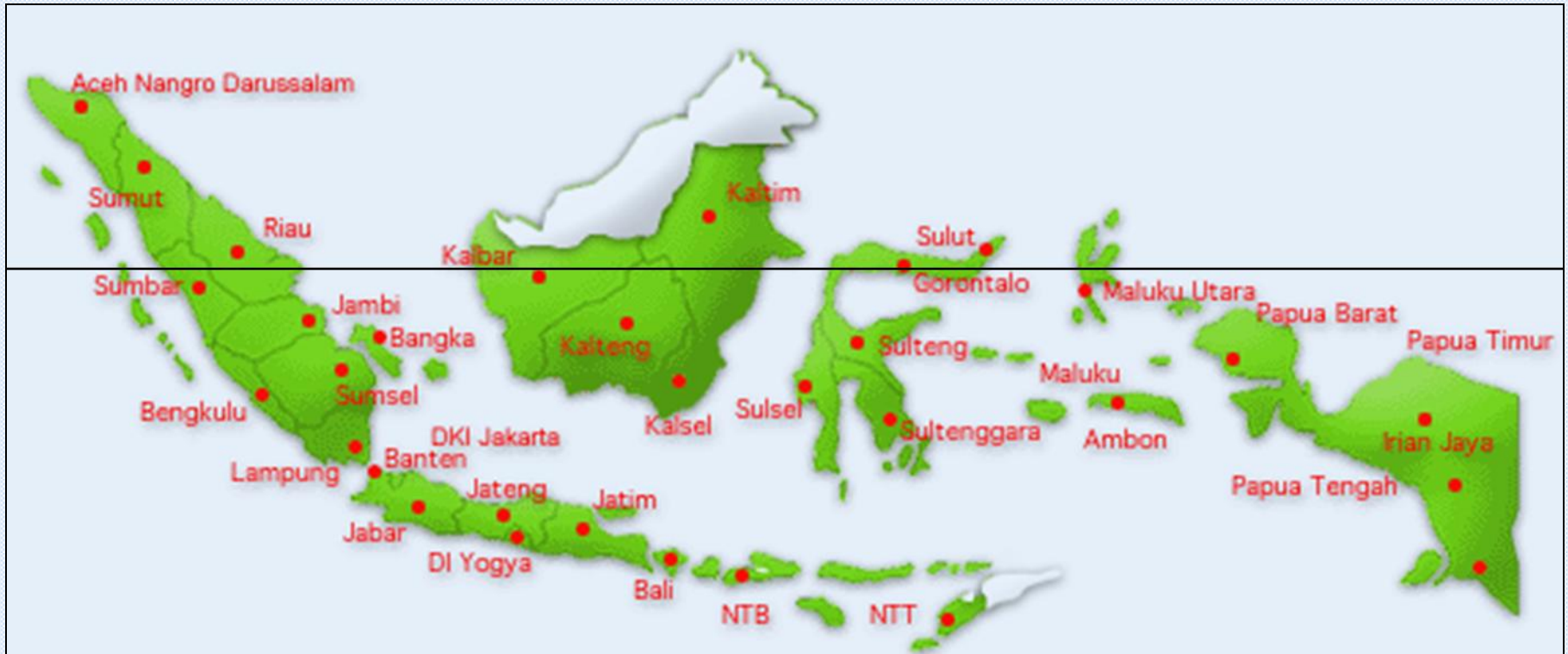


GOVERNANCE PRACTICES IN INDONESIA

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INDONESIA



- **A COUNTRY OF 240 MILLION (AS OF 2010),**
- **AN ARCHIPELAGO STRUNG 5000 KILOMETERS ALONG THE EQUATOR.**
- **MORE THAN 13,000 ISLANDS, 5,000 ARE INHABITED.**
- **MORE THAN 200 ETHNIC GROUPS AND 350 LANGUAGES AND DIALECTS.**
- **85 TO 90% ARE MUSLIMS.**

CULTURAL DIVERSITY

THE UNITY AND THE CULTURAL DIVERSITY OF INDONESIA ARE BOTH REFLECTED IN THE FIVE PRINCIPLES OF **PANCASILA**:

1. BELIEF IN THE ONE AND ONLY GOD;
2. A JUST AND CIVILIZED HUMANITY;
3. THE UNITY OF INDONESIA;
4. DEMOCRACY GUIDED BY THE WISDOM OF DELIBERATIONS AMONG REPRESENTATIVES;
AND
5. REALIZATION OF SOCIAL JUSTICE FOR ALL THE PEOPLE OF INDONESIA.

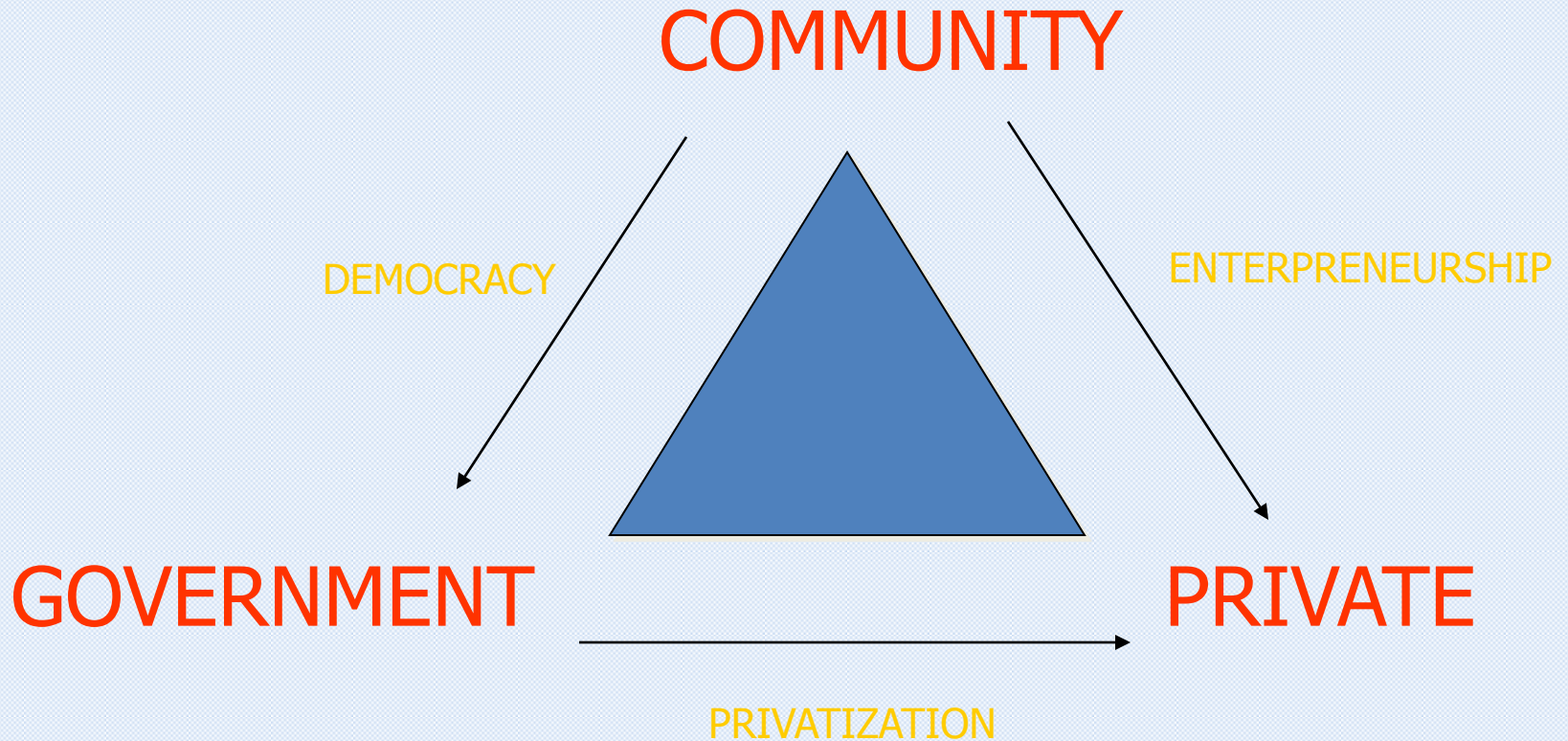
GOVERNANCE

- THE EXERCISE OF POLITICAL POWERS TO MANAGE A NATION'S AFFAIRS
(THE WORLD BANK)
- THE EXERCISE OF POLITICAL, ECONOMIC, AND ADMINISTRATIVE AUTHORITY TO MANAGE A NATIONS AFFAIR AT ALL LEVELS
(THE UNDP)
- THE MANNER IN WHICH POWER IS EXERCISED BY THE GOVERNMENTS IN THE MANAGEMENT OF A COUNTRY'S SOCIAL AND ECONOMIC RESOURCES
(CIDA)

SOME KEY WORDS

1. POWER
2. AUTHORITY
3. EXERCISE
4. MANAGEMENT

“GOVERNANCE” INTERACTION



THE SUCCESSFUL TRANSFORMATION OF SOCIETY

1. RAISE THE GDP PER CAPITA
2. RAISE STANDARD OF HEALTH AND LITERACY
3. REDUCE POVERTY
4. SUSTAINING THE ENVIRONMENT

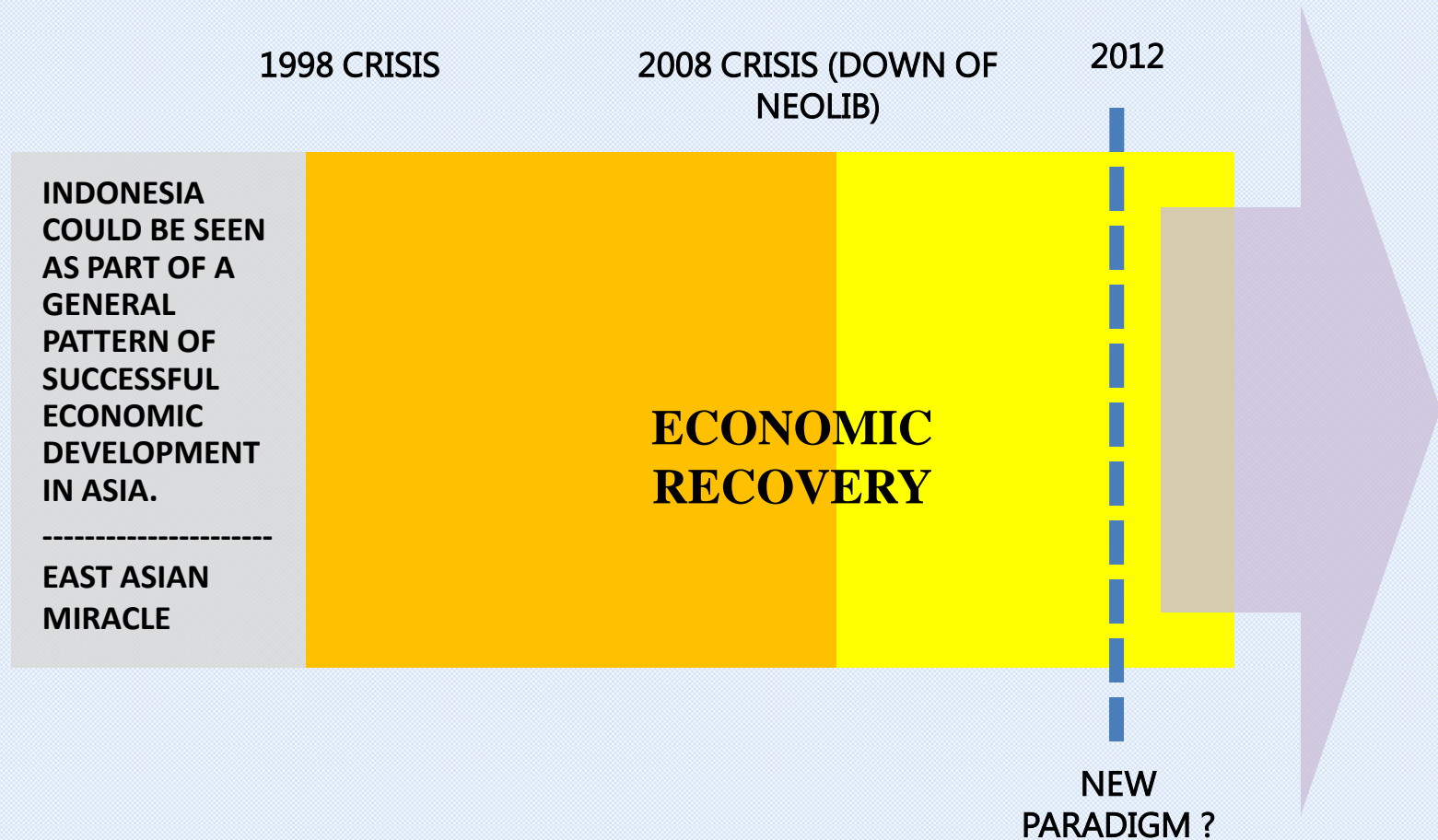
WIDESPREAD REFORM SINCE 1998

1. ELECTORAL REFORM
2. PARLIAMENTARY REFORM
3. BUDGET AND FINANCIAL REFORM
4. JUDICIAL REFORM AND THE RULE OF LAW
5. POLITICAL SPACE
6. MILITARY REFORM
7. INDEPENDENT OVERSIGHT INSTITUTIONS
8. STATE FUNCTIONS (PROVIDER -> REGULATOR)
9. DECENTRALIZATION AND LOCAL AUTONOMY DEVELOPMENT

PROGRESS UP TO 2011

UNDP GG CHARACTERISTICS	PROGRESS
I. - PARTICIPATION - CONSENSUS ORIENTED	- THE 3 RD LARGEST DEMOCRACY - MAJORITARIAN?
II. STRATEGIC VISION	PRESIDENTIAL/LOCAL HEAD CANDIDATES IS ELECTED THROUGH EVALUATING HIS/HER VISION IN ACCORDANCE TO CONSTITUTION
III. - RESPONSIVENESS - CREDIBILITY	- DEVELOPED PERFORMANCE BASED BUDGETING SINCE 2004 - DEVELOPED CEDIBLE PROCURREMENT PROCESS (GOODS, SERIVES, CIVIL SERVANT, ARMY, POLICE)
IV. - ACCOUNTABILITY - TRANSPARENCY	- DEVELOPED PERFORMANCE ASSESMENT SYSTEM - ENACTED LAWS ON PUBLIC INFORMATION OPENNESS
V. - EQUITY - RULE OF LAW	- DEVELOP POOR ERADICATION PROGRAMS - REVISION OF LAWS, DEVELOP THE ANTI CORRUPTION COMISSION

MILESTONES



NATIONAL PROBLEMS

- GOVERNMENT FINANCE
- INFRASTRUCTURES DEVELOPMENT AND MAINTENANCE
- LAW AND ORDERS
- REGULATIONS AND PERMITS
- ENERGY
- FOOD RESILIENCE
- SPATIAL PLANING, CADASTRAL AND ENVIRONMENTAL
- HOUSING AND HUMAN SETTLEMENTS
- MASS TRANSPORTATION AND CIRCULATION SYSTEM
- POVERTY ALLEVIATION AND SOCIAL SECURITY SYSTEM

GOVERNMENT PARADIGM SHIFT

- CENTRALISTIC
- PHYSICAL DEVELOPMENT
- PROBLEM SOLVING
- GOVERNMENT
- PEOPLE MOBILIZATION
- PSEUDO DEMOCRACY



- DECENTRALISTIC
- SERVICE DELIVERY
- VISIONARY
- PARTICIPATION
- PEOPLE EMPOWERMENT
- DEMOCRACY

GOVERNMENT WEAKNESSES

1. POLICY DIMENSION

- a. PLANING PROCESS
- b. PUBLIC POLICY PROCESS

2. INSTITUTION DIMENSION

3. HUMAN RESOURCES DIMENSION

4. MANAGEMENT DIMENSION

5. ACCOUNTABILITY DIMENSION

6. CONTROLLING DIMENSION

PARLIAMENT ROLES

1. LEGISLATION
2. BUDGETING
3. CONTROLLING

COMMUNITY ROLES

NGOS, MEDIA, PROFESIONAL

1. CONTROLING
2. PARTICIPATION
3. INITIATIVE

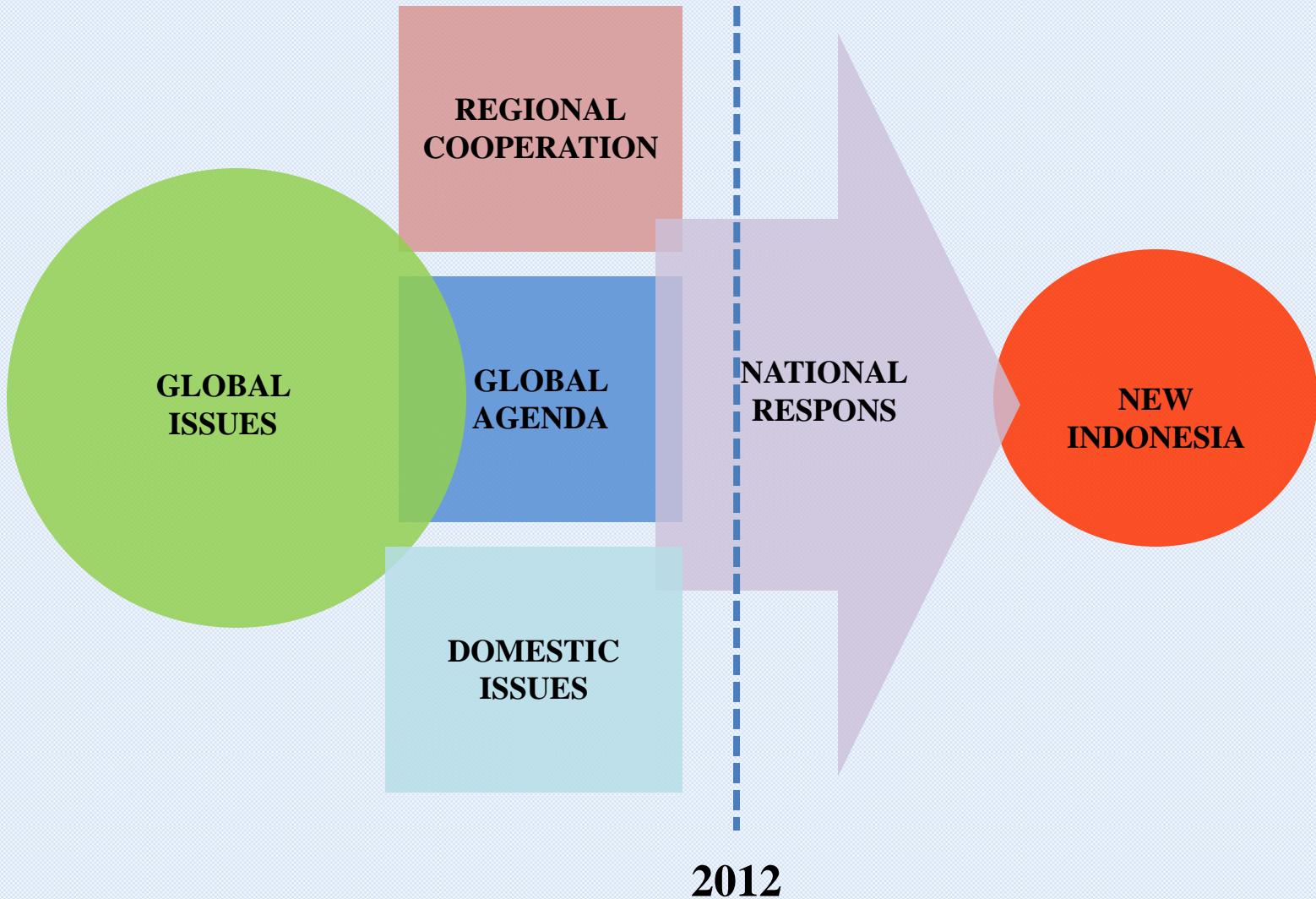
PRECONDITION FOR PRIVATE SECTOR

- GOOD PERMITS PROCESS
- RETRIBUTIONS AND TAXES SYSTEM
- CADASTRAL
- SPATIAL PLAN AND ZONING
- URBAN UTILITIES AND INFRASTRUCTURES
- ENERGY
- INFORMATICS DAN TELECOMMUNICATION FACILITIES
- RESOURCES INFORMATION (NATURAL, HUMAN, MAN MADE)

STRATEGIC STEPS FOR GOVERNMENT

- STRENGTHS AND WEAKNESSES IDENTIFICATION OF INSTITUTION AND MANAGEMENT
- PEOPLE EMPOWERMENT
- INCREASING STAKEHOLDERS PARTICIPATION
- TRANSPARENCY AND ACCOUNTABILITY
- LOCAL MANAGEMENT PROFESSIONALISM
- PUBLIC SERVICE
- LAW ENFORCEMENT

STRATEGIC FRAMEWORK



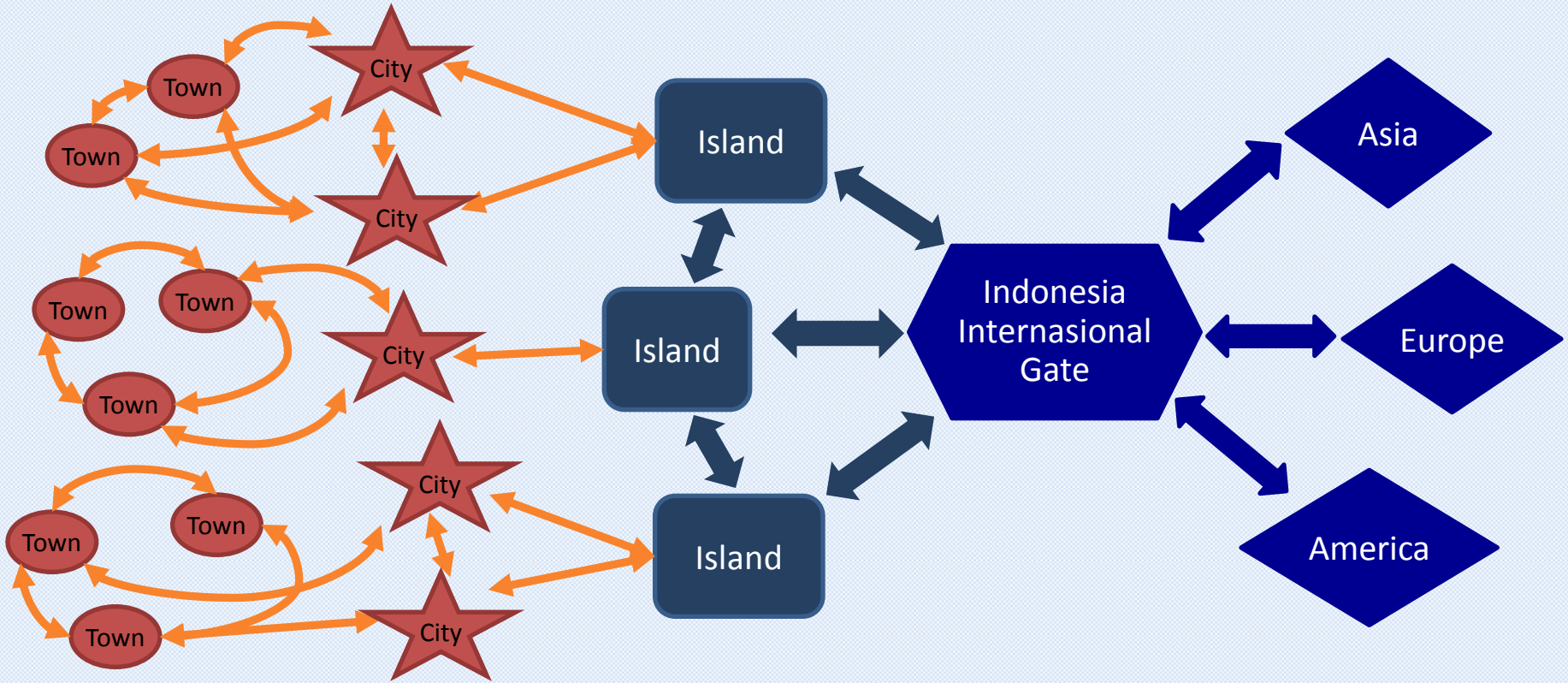
FINANCIAL SECTOR SCENARIO

2012-2015	2015-2020	2020-2025
<ol style="list-style-type: none"> 1. Identifying and piloting potential local communities' financial units to become a more sustainable financial institution. 2. Financial literacy program. 3. Establishing the Sharia Financial Architecture. 	<ol style="list-style-type: none"> 1. 10% of Indonesia's 6,700 districts receive proper training. 2. Conducting Financial Literacy program in 10% of Indonesia's 77,000 villages. 3. Sharia financial system are applied by: <ol style="list-style-type: none"> 1. 10% of banking sector. 2. 10% of insurance sector. 3. 10% of cooperative sector. 4. 5% of companies in the stock market. 	<ol style="list-style-type: none"> 1. 30% of Indonesia's 6,700 districts receive proper training. 2. Conducting Financial Literacy program in 50% of Indonesia's 77,000 villages. 3. Sharia financial system are applied by: <ol style="list-style-type: none"> 1. 40% of banking sector. 2. 40% of insurance sector. 3. 50% of cooperative sector. 4. 20% of companies in the stock market.

NATIONAL CONNECTIVITY PROGRAM: INTRA-ISLAND CONNECTIVITY, INTER-ISLAND CONNECTIVITY AND INTERNATIONAL CONNECTIVITY

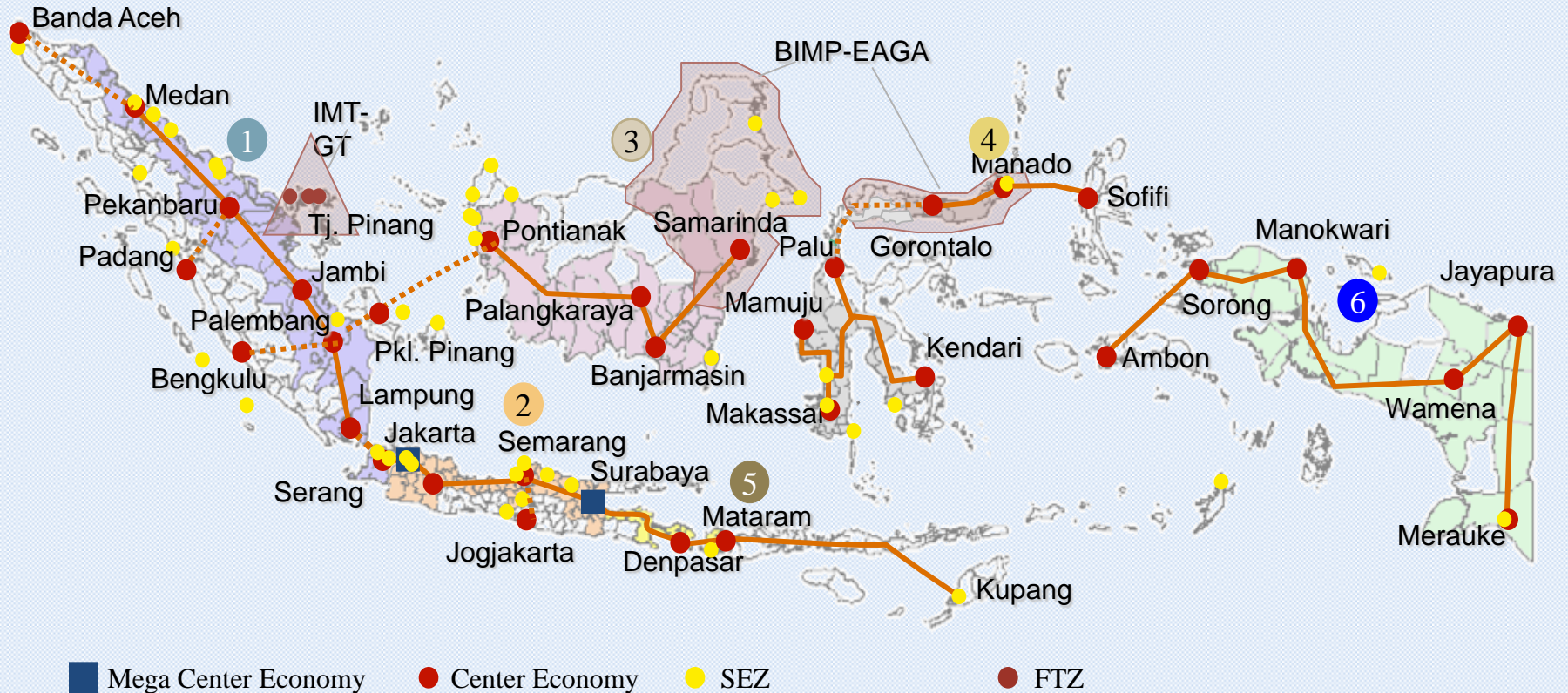
Vision

Locally integrated, Globally connected



6 ECONOMIC CORRIDOR

Cover all center of economic activity throughout Indonesia



1 EC Sumatera

3 EC Kalimantan

5 EC Bali – Nusa Tenggara

2 EC Jawa

4 EC Sulawesi – Maluku Utara

6 EC Papua – Maluku

FOUR CLUSTERS PRO-PEOPLE PROGRAM

MACRO-ECONOMIC POLICY

1ST CLUSTER

1. RICE SUBSIDY,
2. CASH TRANSFERS,
3. HEALTH INSURANCE,
4. SCHOLARSHIPS

2nd CLUSTER

1. Block grants for 6,408 sub-districts (rural, urban, disadvantaged regions, regional & village infrastructures)
2. PNPM Mandiri

3rd CLUSTER

1. Micro credits provision (< Rp 5 million) through banks,
2. Other types of financial assistance

4th CLUSTER

1. VERY CHEAP HOUSE PROGRAM
2. CHEAP PUBLIC TRANSPORT VEHICLE PROGRAM
3. CLEAN WATER PROGRAM FOR PEOPLE
4. CHEAP & SAVE ELECTRICITY PROGRAM
5. Fishermen's Life Improvement Program*)
6. Urban Poor Community Life Improvement Program*)

- Improved Welfare
- Expansion and Increasing Employment Opportunities



Poverty Reduction

*) Fishermen's Life Improvement Program and Urban Poor Community Life Improvement Program are targeted for 60% poorest

CORRUPTION PREVENTION & ERADICATION

TARGET	2012-2014	2015-2019	2019-2024	2025
CPI	5	6,5	7,9	8
% of compliance Ratification UNCAC	80%	100%	100%	100%
National Integrity System Index	5%	Index Increase 15%	Index Increase 15%	Index Increase 5%
Prevention Corruption Index	-	Index Increase 15%	Index Increase 15%	Index Increase 15%
Corruption Law Enforcement Index	-	Index Increase 20%	Index Increase 20%	Index Increase 5%
% Completion of UNCAC's Recommendation	80%	100%	100%	100%
% Return of Corruption Asset	80%	90%	95%	96%
Anti Corruption Behavior Index	3,25 from scale of 5	4 from scale of 5	4,5 from scale of 5	4,6 from scale of 5
Stakeholders satisfaction to PPK Reporting	3,25 from scale of 5	4 from scale of 5	4,5 from scale of 5	4,6 from scale of 5

BUREAUCRATIC REFORM TARGET AND INDICATOR

Objectives	Indicator		Base line (2009)	2010	2011	Target (2014)
Clean and Non Corruptive, Colutive and Nepotism Government	CPI*)		2.8	2.8	3.0	5.0
	Supreme Auditor Opinion	Central	42,17%	63%		100%
		Local	2.73%	22%		60%
Public Service Quality Improvement	Public Service Integrity	Central	6,64	6,16		8,0
		Local	6,46	5,07		8,0
	Easeness Doing Business		122	121	121	75
Improvement of capacity and accountability	Governance Effectiveness Index**)		- 0,29	-0.19		0,5
	Accountable Governance	Central	47,37%	63,29%	82,93%	80%
		Prov	3,70%	31,03%	63,33%	
		Dist/City	1.16%	4,26%	12,78%	

Notes: *) scale 0 – 10 **) scale – 2.5 s/d 2.5

BR AREA OF CHANGES

1. ORGANIZATION
2. SYSTEM AND PROCEDURES
3. LAWS AND REGULATIONS
4. HUMAN RESOURCES
5. OVERSIGHT SYSTEM
6. ACCOUNTABILITY
7. PUBLIC SERVICE
8. MIND SET AND ULTURAL SET

DEMOCRACY CONSOLIDATION

REVISION ON POLITICAL LAWS OF:

1. POLITICAL PARTY SYSTEM
2. PARLIAMENTARY, SENATE, AND LOCAL PARLIAMENT MEMBER ELECTION
3. PRESIDENTIAL ELECTION
4. PEOPLE ASSEMBLY, HOUSE OF REPRESENTATIVE, REGIONAL REPRESENTATIVE AND LOCAL PARLIAMENT

DECENTRALIZATION REARRANGEMENT

REVISION ON DECENTRALIZATION LAWS:

1. LOCAL GOVERNANCE
2. CENTRAL AND LOCAL PUBLIC FINANCE SYSTEM
3. RURAL GOVERNANCE
4. LOCAL ELECTION SYSTEM

REGIONAL COOPERATION DEVELOPMENTS

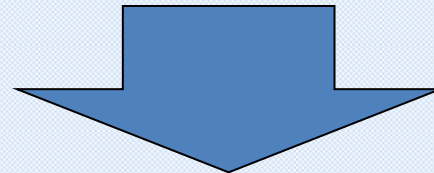
Developments	Short terms	Medium terms	Long terms
ASEAN SECURITY POLITICAL COMMUNITY	Maintaining national stability and security	Strengthening and modernizing national military forces	Engaging China and other ASEAN members into dialogue on security concerns
ASEAN ECONOMIC COMMUNITY	Encouraging Indonesian to use or to consume national products	Strengthening national small and medium enterprises	Engaging China, India and other economic developed countries in to dialogue with ASEAN members on trade concerns
ASEAN SOCIAL CULTURE COMMUNITY	Encouraging people to people contact, for example, contact between religious leaders, businessmen, etc	Cooperation in promoting welfare, capacity building, disaster relief management , environment	Maintaining dialogue on social cultural issues.

MONNET PREPOSITION

EROEPEAN COMMUNITY

EFFORTS BY THE VARIOUS COUNTRIES, IN THE PRESENT NATIONAL FRAMEWORKS, WILL NOT IN MY VIEW BE ENOUGH.

FURTHERMORE, THE IDEA THAT SIXTEEN SOVEREIGN NATIONS WILL COOPERATE EFFECTIVELY IS AN “ILLUSION“



EROEPEAN UNION

CONCLUDING REMARKS

- PARADIGM SHIFT AND GLOBALIZATION TREND HAVE TO BE ANTICIPATED BY GOVERNMENT
- GOVERNANCE IS THE KEY FACTOR IN DEVELOPMENT PROGRAM IN ORDER TO INCREASE THE NATIONAL COMPETITIVENESS AND PEOPLE WELFARE

THANK YOU