



THE COORDINATING MINISTRY FOR ECONOMIC AFFAIRS  
REPUBLIC OF INDONESIA

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## PRESS RELEASE

### **CGI Supports Indonesia's Medium Term Development and Reconstruction of Disaster Areas**

**Jakarta, 14 June 2006**

The 15th Meeting of the Consultative Group on Indonesia (CGI) took place this year in the shadow of the devastating May 27 earthquake that caused enormous loss of life and property leaving thousands injured and displaced in Yogyakarta and Central Java. The full extent of the damage is only now coming to light. Thirty nine representatives from donor countries and multilateral agencies including the World Bank, the ADB and Japan, today expressed condolences and assistance for the victims of the quake, reaffirmed their commitment to the Government of Indonesia both in carrying out its medium term development program and the recovery and reconstruction efforts in Yogyakarta and Central Java, as well as continuing efforts in Tsunami's affected areas in Aceh and Nias.

A technical assessment of the impact of the quake in Yogyakarta was tabled at the CGI today, revealing the damage and loss to be much greater than earlier expected. It is now estimated that over 150,000 houses will need to be fully rebuilt, and many infrastructure facilities, social properties, and productive assets need to be rehabilitated that total damages estimated to be around \$3.1 billion.

Bringing relief to thousands who are living in tents and still recovering from the loss of their loved ones and homes in Yogyakarta and Central Java is a priority said the **Vice President Mr Yusuf Kalla**. He extended the Government's and his gratitude to the donors for international support in the relief efforts in Jogjakarta and Central Java. Although the natural disaster is not as severe as the tsunami, its' impact to local communities is significant.

**Chairman for the BRR, Mr. Kuntoro Mangkusubroto** reported that managing future challenges of rehabilitation program need to optimize the usage of current available funds, ensuring sustainability of current pledges, accessing new funding sources, and enhancing

flexibility to correct miss-match. Quick procurement to minimize the effect of changing circumstances, and minimizing overhead are also underlined.

This year's CGI, is the second to be chaired by the Government of Indonesia (GOI) and was a one day event indicating the Government's growing confidence in managing its reduced borrowing program – now down to pre crisis levels for the first time – and its changing relationship with donors. Praising the Government for its handling of the economy which has posted a growth rate of 5.6% despite natural disasters and high oil prices, The World Bank **Country Director, Andrew Steer**, noted that this spirit of collaboration for Indonesia's growth and recovery has been evident in the joint effort between donors and Government in preparing the comprehensive damage and loss assessment for Yogyakarta, the ongoing reconstruction program in Aceh and the recovery of Yogyakarta and Central Java. Donors however, urged for better collaboration both in disaster recovery programs as well as ongoing national development programs. The Government's track record on fighting corruption and decentralization was also endorsed, with many donors promising continued support for capacity building at local and regional government levels.

Presenting the Government's annual progress to the CGI, **Coordinating Minister for Economic Affairs** stated that the Government wants to move to even higher growth in the medium term especially to create jobs and reduce poverty. This will require changing investment sentiments and briefly introduced reform packages including time bound, concrete measures in investment, and infrastructure designed to do this. There will be another package on the financial sector due by the end of June and additional measures designed to improve the performance of SME's and on going efforts to improve the rural and agriculture sector.

On the efforts to address poverty and social sector development, Minister Boediono reiterated that these have become the main focus of government planning at this point. Indonesia has a strong historical record as a country with pro-poor growth. But growth in recent years has not reduced poverty at the rate it did in the past. Thus we need more efforts, and more targeted efforts to not just raise growth, but to directly attack poverty.

**Minister of Finance** stated that figures for this year's budget suggest the government needs to secure financial support from creditors to help finance the deficit. The Government also drew donors' attention to the continuing program of fiscal and economic reforms. The commitment to fiscal sustainability will bring the budget deficit to an estimated 1.3 to 1.5 percent for 2006 due to a more stimulating, prudent fiscal policy. In fact, Indonesia's debt to GDP ratio has been steadily reduced from close to 100% in 2001 to 48% in 2005, and is expected to decline further to 42% this year.

**The Governor of the Bank of Indonesia** said that while growth of 5.6% had been highest since the crisis years, the rate of poverty decline remained slower with 16% of the population still below the poverty level. "We need quality growth that reaches the poor. People's welfare is about education, health and money." The harnessing of the potential of agricultural sector and rural investment is the key to creating jobs." Meanwhile Indonesia's sovereign ratings have been raised reaching the level of B1 and B+, respectively by Moody's and S&P.

**The Coordinating Minister for Political, Law, and Security Affairs** explained the Government's seriousness to combat terrorism, and about some recent successes. Indonesia has been the victim of a number of terrorist incidents that have hurt our citizens and the economy as a whole and the Government intends to continue placing a great priority on this matter. The Coordinating Minister also pledged to crack down on piracy and illegal logging, including a greater engagement with the working group in this area.

Speaking on Indonesia's economic and financing needs, **Minister of National Planning/Chairman of BAPPENAS** stated that what the Government meant by self-reliance was not closing off cooperation with other countries, but self-reliance in deciding one's own destiny, of deciding which path Indonesia must take in reaching that destiny, and of pursuing this chosen path with determination in executing development.

At the end of the session, the CGI members stated their commitment to support Indonesia as the following:

<b>CGI Assistance Pledge for 2006 (US\$ Billion)</b>	<b>FY2006</b>
<b>Through Central Government Budget</b>	<b>3.9</b>
o/w loans	3.7
o/w grants	0.2
<b>Outside central government channel</b>	<b>1.6</b>
<b>Total Pledge</b>	<b>5.4</b>

The Government of Indonesia thanked all participants for joining the 15<sup>th</sup> meeting of the Consultative Group on Indonesia.

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