



SUMMARY REPORT
MILLENNIUM DEVELOPMENT GOALS
INDONESIA 2007



Summary Report
Millennium Development Goals, Indonesia
2007

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Introduction

The Millennium Development Goals (MDGs) are derived from the Millennium Declaration that was adopted by 189 nations and signed by 147 heads of states at the UN Millennium Summit in September 2000. The MDGs comprise of eight goals that are to be achieved by 2015. Thus, 2007 can be considered as the half-way stage in the period set for achieving the MDGs.

Over time the MDGs have become the basis for development frameworks in many developing countries. They have become a means to incorporate human development and accelerate development efforts in the country. The eight goals of MDGs are:

- Goal 1: Eradicate extreme poverty and hunger;
- Goal 2: Achieve universal primary education;
- Goal 3: Promote gender equality and empower women;
- Goal 4: Reduce child mortality;
- Goal 5: Improve maternal health;
- Goal 6: Combat HIV/AIDS, malaria and other diseases;
- Goal 7: Ensure environmental sustainability; and
- Goal 8: Develop a Global Partnership for Development.

Indonesia had adopted the underlying principles and targets of MDGs as its priorities long before the Millennium Declaration in 2000. Many of development programmes implemented in Indonesia conform to the MDGs framework. These programmes have been implemented by the government under the administration of President Soekarno, President Suharto, President Habibie, President Abdurrahman Wahid, President Megawati Sukarnoputri, and President Susilo Bambang Yudhoyono.

Overall, Indonesia is well on track in reaching the MDGs. However, there are targets where greater effort is needed by all the stakeholders to ensure that these important milestones are met. The 2007 MDGs Report outlines the current situation, trends, and provides an overview of challenges and efforts needed to achieve individual targets. Given that Indonesia is very diverse, this report also attempts to discuss the achievement of MDGs at the provincial level.

Current Situation, Trends, Challenges, and Future Efforts

In order to measure progress and status for each target, the report uses standard global indicators. The primary (global) indicators are used in conjunction with supplementary indicators. These indicators are intended to give a deeper insight into specific conditions prevalent in Indonesia. The choice of indicators also takes into consideration the availability, relevance and reliability of data sources used to monitor the achievement of the MDGs in the country.

The current situation and trends provide a general overview of progress. With the exception of Target 11 that focuses on improving the lives of those living in slum areas by 2020, the MDGs timeframe covers the period from 1990 to 2015. The current report gives a snapshot view of where Indonesia stands in 2007. Wherever available, data from 2007 has been used, otherwise data from preceding years closest to 2007 has been used. The data sets and indicators used in this assessment are expected to give the reader a sense whether Indonesia is on-track or off-track, particularly for the primary indicators. The report also outlines challenges and efforts needed to formulate future policies in support of MDGs in the country. Not all the eighteen targets of the MDGs have been discussed here, as some of them are not relevant at the country level. The targets that are discussed in the report include: Target 1, Target 2, Target 3, Target 4; Target 5; Target 6; Target 7; Target 8; Target 9; Target 10; Target 11; Target 12; Target 15; Target 16; and Target 18.

Target 1:

Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.

The milestones and indicators for Target 1 are explicit. The aim is to reduce by half the proportion of people living on less than a dollar a day from 1990 to 2015. In case of Indonesia, however, poverty is being measured by both the national poverty line and the threshold of US\$1 in Purchasing Power Parity (PPP) per capita per day. Using the latter threshold, in 1990, 20.6 percent of Indonesia population was poor. Based on the 1990 baseline, the target in 2015 is to reduce it to around 10 percent. If the US\$1 PPP threshold is used, Indonesia had already reached 9.90 percent in 2000, which further improved to 7.54 percent in 2006. Thus, Target 1 has been reached well before 2015.

However, according to the national poverty line, the percentage of population living below it stood at 15.1 percent or approximately 27 million people. In line with the MDGs, the target in 2015 is to reduce this by half to 7.55 percent. Using the national poverty line, 16.58 percent that roughly equals to 37 million people are poor. Bringing down this percentage from the current level to 7.55 percent in 2015 is a major challenge.

In order to achieve this target, Indonesia will need an average economic growth rate of 7-8 percent between 2007 and 2015. Achieving such a level of growth will require significant investment. For example, in 2004, with an investment of around Rp 524 trillion—approximately 21 percent of GDP—Indonesia's economy grew by 5.4 percent. If our economy is to grow by 7 percent, investment equivalent to 30 percent of the GDP or around Rp 700 trillion will be needed. Based on current trends, the Government can provide 16 percent of this investment while the remaining 84 percent will have to come from the private sector. Private sector participation is therefore important to stimulate economic growth. As the majority of the people are self-employed or working in micro, small and medium enterprises (SMEs), the development of enterprises will play a major role in creating employment, which in turn will improve social welfare.

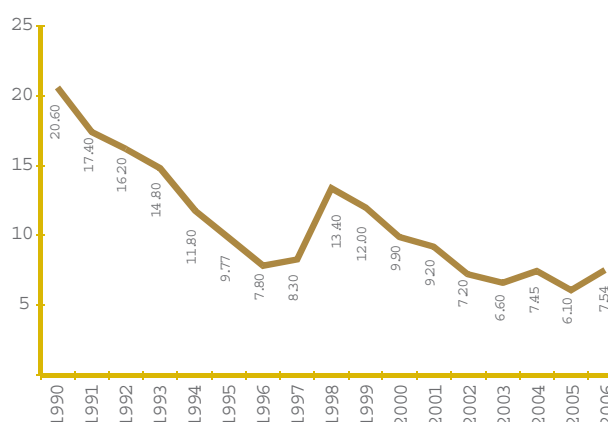


Figure 1. Trend of the proportion of population with an income of less than US\$1 per day.

Source: World Development Report, various years (World Bank).

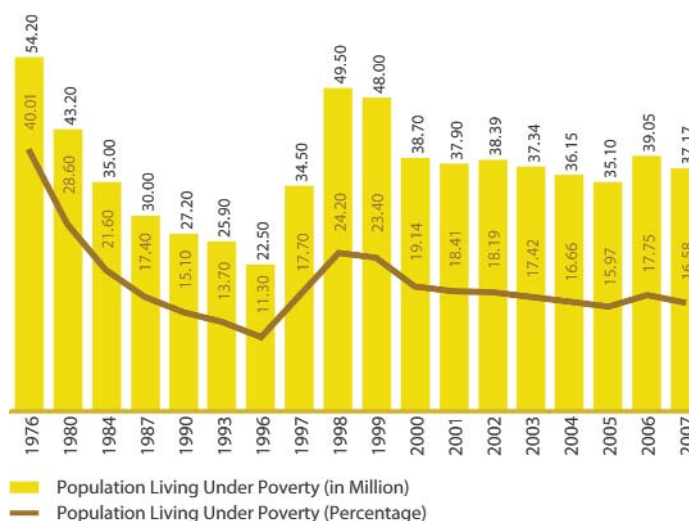


Figure 2. Trend of the number and percentage of poor population, 1976-2007.

Source: Indonesia Statistics (BPS-Statistics Indonesia, various years); Official Statistics News (BPS-Statistics Indonesia, 2007).

Target 2:

Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

This target aims to address hunger and food insecurity. Indonesia uses the prevalence of underweight children who are under-five as one of the indicators. The nutritional status of the population, represented by children under-five, shows improvement during 1989-2005. Under-five malnutrition rate—which covers both who are moderately and severely underweight—declined from 37.47 percent in 1989 to 26.36 percent in 1999. This indicator improved to 27.30 percent in 2002 but increased to 28.17 percent in 2005. If 1989 is used as the baseline to calculate target for 2015, Indonesia has to reach 8.74 percent.

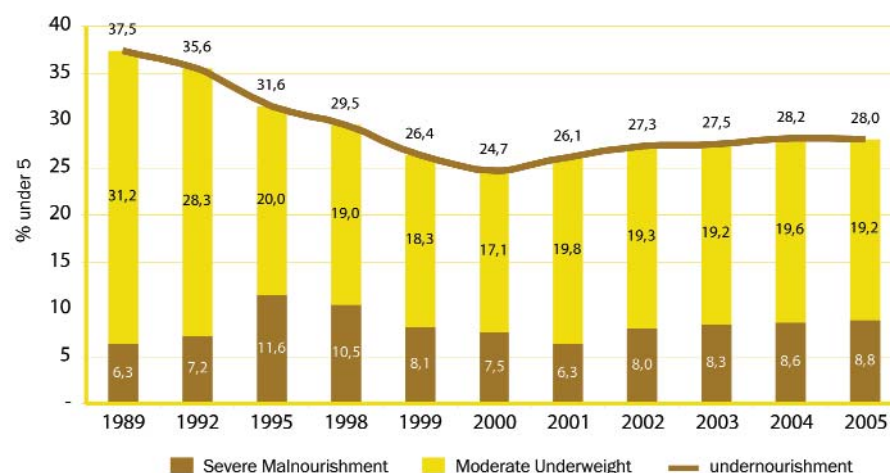


Figure 3. Trend of under-five malnutrition (moderate and severe underweight) rate, 1989-2005.

Source: National Socio-Economic Survey (BPS-Statistics Indonesia, various years).

Improving the nutritional status of the population, especially the poor, is of the main priorities. There are many causes of the malnutrition: socio-economic status, level of education and knowledge, health status, and social behavior. Therefore, efforts to address nutritional problem must be in synchronized with interventions in other sectors such as agriculture, education and economic development. Among others, future support should ensure provision of protein and energy intake of pregnant mothers, infants and children under-five along with provision of nutritional supplements such as iron tablets, iodine capsules, vitamin A and other micronutrients; provision of breast milk substitutes and complementary foods to 6-24 months old babies and children; vitamin A to infants and children under-five as well as *postpartum* mothers; iron tablets to pregnant mothers; providing iodine capsules to reproductive-aged women living in malnutrition endemic areas, and improving nutritional surveillance in local health service posts (*posyandu*).

Target 3:

Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Indonesia uses the net enrollment rate (NER) in primary school (7-12 years old) and junior high school (13-15 years old) as the main indicator to measure the progress under Target 3. This indicator not only measures the participation rates in primary education, but also looks at the rates at the junior high school level. This is in line with the Government's policy of nine-years of compulsory schooling. The overall participation rate in primary school is calculated from formal primary schools and Islamic religious schools or *Madrasah Ibtidaiyah* (MI), while in junior high school it is calculated from formal junior high schools and *Madrasah Tsanawiyah* (MTs).

The national primary school/MI (SD/MI) and junior high school/MTs (SMP/MTs) NER during 1992-2006 shows a positive upward trend. In 1992, the SD/MI NER was 88.7 percent and by 2006 it had risen to 94.73 percent. The SMP/MTs NER in 1992 was 41.9 percent and increased to 66.5 percent in 2006. If these trends can be maintained, Indonesia can expect to successfully achieve the target by 2015. Furthermore, if the participation rate is viewed in terms of the gross enrollment rate (GER), the achievements for basic education at the SMP/MTs level are better. In 1992 the SMP/MTs GER stood at 55.6 percent, and by 2006 it had already reached 88.68 percent. This indicator suggests that various non-regular SD/MI and SMP/MTs programs have successfully supported students to complete their studies at SD/MI and SMP/MTs levels. However, the information also conveys a rather grim message. Many SD/MI students are unable to advance to higher levels of education.

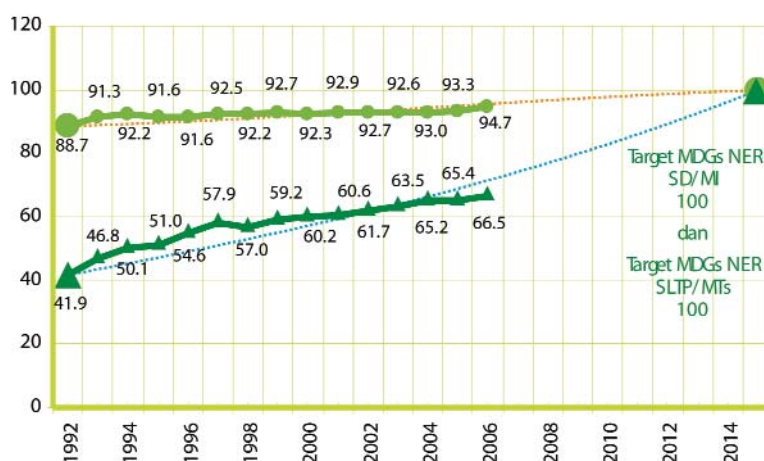


Figure 4. National trends of SD/MI NER (7-12 years old) and SMP/MTs NER, 1992-2006 (in percent).

Source: National Socio-Economic Survey (BPS-Statistics Indonesia, various years)

In order to address the above challenges, various policies have been enacted. These policies aim to improve access and opportunities to all school-aged boys and girls with a particular focus on poor and those living in remote and isolated areas; improve the quality and relevance of basic education; improve the use of resources and management in, as well as ensure that all basic educational institutions are able to carry out their functions optimally.

Target 4:

Eliminating gender imbalance in basic and secondary education by 2005 and in all levels of education by no later than 2015.

The NER for female against male students in basic, secondary and tertiary education is the primary indicator for Target 4. Over the last five years (2002-2006), the female to male (F/M) ratios for NER in general have improved, especially the ratio in senior high school and tertiary education. The number of female students participating at a given education level has grown relatively higher than their male counterparts at the same level of education. The F/M ratio of NER in senior high school during 1992-2002, on average, was 98.76 percent per year. From 2002 to 2006, this increased to 99.07 percent per year. The same trend is also seen in tertiary education. During 1992-2002 it

averaged 85.73 percent and increased to 97.24 percent per year during 2003-2006. At present the F/M NER ratio is 99.42, 100, 99.97, and 102.5 percent for elementary, junior secondary, high school and tertiary levels. This improvement has in turn provided an impetus for an increase in female participation in many fields and promoted gender equality.

Although female participation in education has grown, disparities are still apparent in women's role as income earners. Working women, aside from participating in smaller numbers as compared to men, also receive lower average wages. The biggest challenge therefore in achieving better results under Target 4 is to achieve gender equality across the board. Future efforts should include (1) increasing the involvement of women in politics and public offices; (2) improving education as well as access and quality of health services to promote overall quality of life and opportunities for women; (3) strengthening institutional arrangement, coordination and gender mainstreaming in planning, implementation, monitoring and evaluation of various development policies, programs and activities.

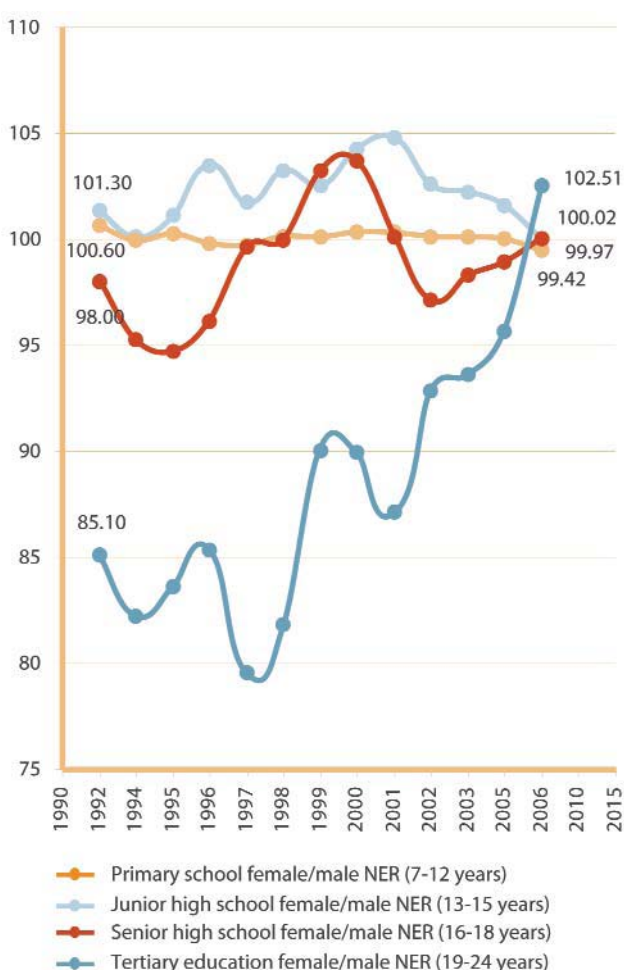


Figure 5. Ratio of female to male NER in primary education (SD/MI), junior high school (SMP/MTs), senior high school (SMA/MA), and tertiary education, 1992-2006 (in percent).

Source: National Socio-Economic Survey (BPS-Statistics Indonesia, various years)

Target 5:

Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

The infant mortality rate (IMR) and child mortality rate (CMR) for children under-five are the primary indicators used for Target 5. Over the years, the IMR has improved as a result of a number of health programs that have been implemented. In 1992 IMR was 68 deaths per 1,000 live births that declined to 57 deaths per 1,000 live births in 1994. The rate dropped again to 46 deaths per 1,000 live births in 1997, and between 2002 and 2003 the figure further declined to 35 deaths per 1,000 live births (Indonesian Health and Demographic Survey, 2002-2003). According to projections by National Bureau for Statistics (BPS-UNDP-Bappenas, 2005), the IMR would continue to decline to 33.9 deaths per 1,000 live births. With the current trends, it is estimated that the target will be reached by 2013.

The CMR for children under five has also showed an improvement. In 1992 the CMR stood at 97 deaths per 1,000 live births, but by 1994 this figure had declined to 81 deaths per 1,000 live births. Between 2002 and 2003 the figure dropped further to 46 and by 2005 had declined to 40 deaths per 1,000 live births. By 2000, therefore, Indonesia had already achieved and even exceeded the target agreed at the World Summit for Children (65 deaths per 1,000 live births).

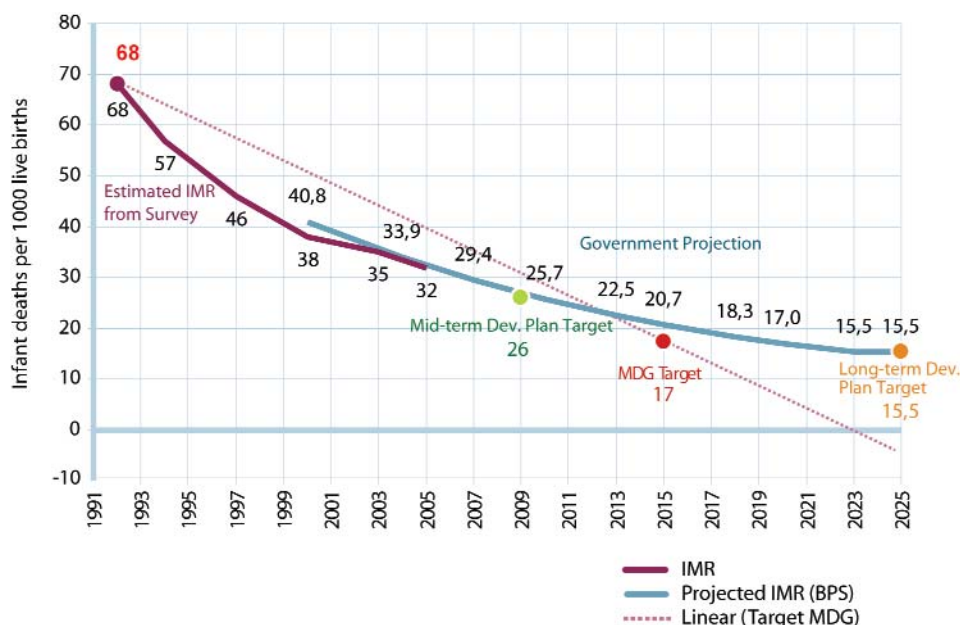


Figure 6. National trend of IMR, 1989-2005.

Source: Indonesian Health and Demographic Survey (2002/2003), National Socio-Economic Survey (BPS, 1995 and 2006).

There are three main causes of infant mortality that remain a serious challenge. They are acute respiratory infection, prenatal complications and diarrhea. A combination of these three accounts for a 75 percent share of infant deaths. The main causes of death among children under five are almost identical: respiratory disease, diarrhea, neurological diseases (including meningitis and encephalitis) and typhoid. Protecting and providing healthcare services to the poor and vulnerable groups in rural and remote areas, as well as in pockets of poverty in urban areas will be essential in reducing CMR. In addition to this, cooperation between the central and regional governments as well as cross-sectoral cooperation to improve the maternal and child health is also urgently needed.

Target 6:

Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

In the health sector, the biggest challenge for Indonesia is to reduce the maternal mortality rate (MMR). The MMR in Indonesia underwent a decline from 390 deaths per 100,000 live births in 1994 to 307 deaths per 100,000 live births in 2002-2003. Nonetheless, as a result of complications during childbirth or unattended childbirths, around 20,000 mothers still die every year. With the current trend, it will be difficult to achieve the MMR target. BPS projects that the MMR will drop only to 163 deaths per 100,000 live births by 2015, while the target is 102. The target can only be achieved if efforts in this area are further intensified.

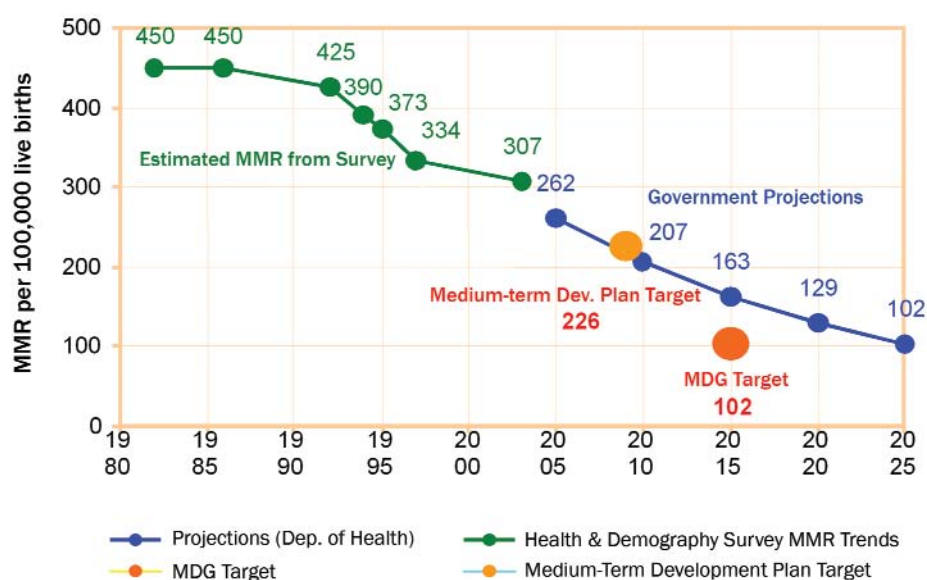


Figure 7. National MMR trends for 1982-2003 (per 100,000 live births) and national MMR projections for 2005-2025 (per 100,000 live births).

Source: Indonesian Health and Demography Survey (1982, 1994, 1997, 2002-2003), Household Health Survey (1986, 1992, 1995).

In fact a number of non-health factors will contribute in reducing the MMR. This is because human health is not just influenced by health care alone, but also by factors such as physical environment (infrastructure), socio-economic status as well as the cultural and political environment. Other factors include an individual's genetics, behavior and life style. Thus, the responses to address this challenge should be interlinked, systematic and focused.

Handling of complications during childbirth is one of the keys to reducing MMR. The three primary interventions that are recommended are improving antenatal services, attendance of healthcare workers during childbirth, and provision of basic as well as comprehensive services for obstetric emergencies. In case of antenatal services, aside from increasing the frequency of visits, improvements in the quality of services are also needed. The services should cover routine pregnancy examinations and the provision of iron tablets and vitamin A capsules to mothers during and after pregnancy.

Target 7:

Have halted by 2015 and begun to reverse the spread of HIV/AIDS.

The prevalence of HIV/AIDS in the population aged 15-29 is estimated to be below 0.1 percent. However, the prevalence rate among high-risk groups is already more than 5 percent. HIV/AIDS is already found among the general population (aged 15-49) in Papua, with the prevalence rate already as high as 2.4 percent. AIDS has spread to almost all the parts of Indonesia. In 2004 only 16 provinces reported AIDS cases, but by 2006 AIDS cases were reported in 32 provinces. The reported cumulative number of AIDS cases also surged from 2,682 cases in 2004 to 5,321 cases in 2005. In 2006 the cases further increased to 6,971, and as of March 2007 this number has reached 8,988.

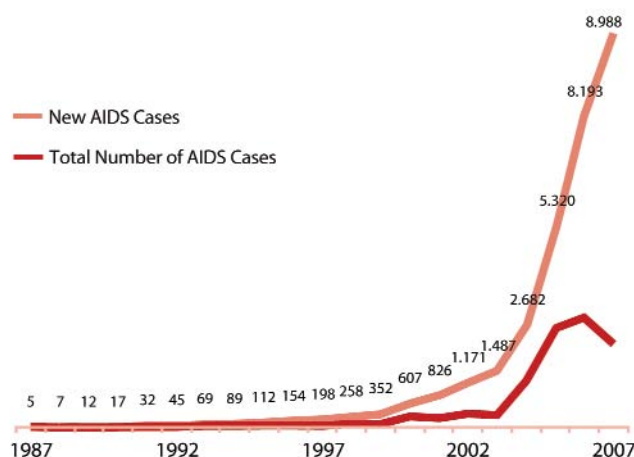


Figure 8. Total number of new and cumulative AIDS cases reported in Indonesia between 1987 and March 2007.

Source: National AIDS Commission (2007).

The potential threat of HIV/AIDS epidemic can be seen by the data on HIV infection rate which is steadily climbing, particularly among high-risk groups. It is estimated that there were 90,000-130,000 people with HIV/AIDS in 2003 and by 2010 there will be around 110,000 people suffering from or who have died because of AIDS. This is in addition to the 1-5 million people infected with the HIV virus. The data suggests that HIV/AIDS has already become a serious threat for Indonesia.

Combating HIV/AIDS in Indonesia requires preventive measures, including improving the quality and access to reproductive health care services and knowledge about reproductive rights; medication, support and treatment for people with HIV/AIDS, also monitoring and surveillance. Preventative efforts, in particular, should focus on high-risk groups such as commercial sex workers and their clients, people who have been infected by their partners, intravenous drug users, and health care workers who may be exposed to HIV/AIDS infection.

Target 8:

Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

The most important indicator for Target 8 is the control of malaria because the total number of cases in Indonesia is already very high. In 2001, the prevalence of malaria was estimated to be 850 cases per 100,000 people. The mortality rate from malaria is 11 deaths per 100,000 for males and 8 per 100,000 for females. More than 90 million people in Indonesia live in malaria endemic areas, and rural areas outside of Java and Bali are considered malaria risk areas. Malaria is also a re-emerging disease in several

parts of the country. Despite this, the number of malaria cases in Indonesia has shown a tendency to decline. In 1989 the malaria prevalence rate in Java and Bali (annual malaria incidence or AMI per 1,000 people) stood at 28. But by 1997 this figure had declined to 16. Since 1998, malaria prevalence rates began to increase peaking at 31 in 2000. Starting in 2001, the rate began to decline again and by 2005 had dropped to 18. This has also been the case in areas outside Java and Bali. In 1989 the annual malaria incidence outside Java and Bali stood at 0.21, but by 1997 had dropped to 0.12. Starting in 1998, the rate climbed to 0.81 in 2000 but then started to decline again, dropping to 0.15 in 2005.

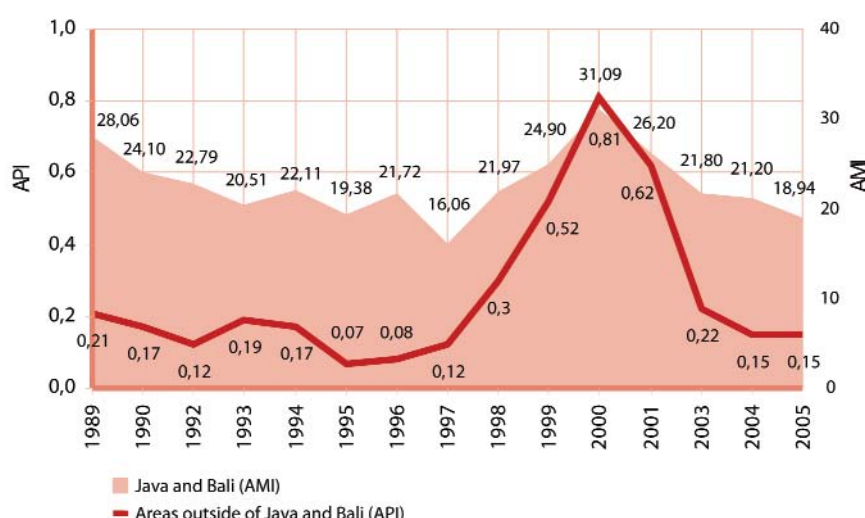


Figure 9. National malaria detection rate for 2005.

Note: API = Annual Parasite Incidence (per 1,000 people).

AMI = Annual Malaria Incidence (per 1,000 people).

Source: Indonesia Health Profile 2005, Ministry of Health.

The high incidence of malaria mirrors the financial and cultural obstacles in preventing and treating malaria in a timely and effective manner. Prevention efforts have focused on the use of bed nets and fumigation. Disasters and the high mobility of the population contribute to the worsening of malaria situation. Malaria prevention has been intensified through an approach called the Roll Back Malaria (RBM) Campaign, which has been operational since 2000 and is run by the Malaria Re-eradication Movement. These measures have included early detection and treatment, active participation of the public in malaria prevention, and improving the capacity of health care personnel. It is important to integrate the malaria eradication with other public health activities, for instance, the Sick Children Integrated Management program and the promotion of health care in general.

Target 9:

Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.

For Indonesia, Target 9 poses the biggest challenge aside from targets dealing with poverty and maternal health. An important indicator is the extent of forest areas already designated by the Government. In 2005 the total forest area in Indonesia was 126.98 million hectares, which included 23.69 million hectares of land and marine forest conservation areas, 31.78 million hectares of protected forest, 71.58 million hectares of production forests including limited production forest, permanent production forest and convertible production forest, and 7.27 million hectares of forest areas with special functions. The area designated for forests has continued to increase annually. In 2002 the designated forest areas covered 109.96 million hectares, increasing to 126.98 million hectares in 2005. The Consensus Forest Land Use Plan and forest management agreements stipulate forest areas coverage of 136.72 million hectares. Therefore, the area yet to be designated as forests by the Government remains fairly large.

The issue of deforestation gained more attention when data on forested land area showed a decline in the ratio of forested land to total land area during 1990-2002. The World Bank in its study *"Sustaining Economic Growth, Rural Livelihoods, and Environmental Benefits: Strategic Options for Forest Assistance in Indonesia"* (World Bank, 2006) reported that the rate of deforestation between 1990 and 2000 had reached 8.2 percent. However, serious conservation and restoration effort that were initiated in 2002 have succeeded in re-greening some of the forest areas.

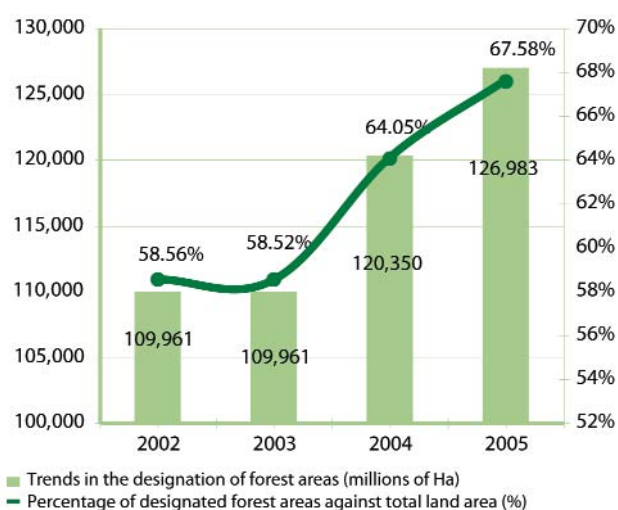


Figure 10. Trend in the designation of forest areas (in million hectares) and the percentage of forest designated areas against total land area (in percent).

Source: Ministry of Forestry (2006).

Many factors that have led to the decline of forest cover in Indonesia include, among others, forest fires, land clearing, illegal logging, forest conversion, and unsustainable forest management. Forest fires is the major problem and the primary cause of forest degradation in Indonesia at present. Forest rehabilitation, law enforcement and controlling the use of forests are important to reduce the rate of deforestation.

On its part, Indonesia is also trying to reduce the consumption of energy that can trigger the greenhouse effect. The energy consumption is represented by the level of carbon

dioxide (CO₂) emissions that a country produces. In Indonesia, the ratio of CO₂ emissions to total population (in percent) between 1990 and 2005 grew at an average rate of 5.72 percent per year. These emissions can be reduced by minimizing the use of fossil fuel and increasing the use of non-fossil based energy such as electricity.

The government is keen to promote large-scale production of biofuel, as one of the renewable alternative sources of energy. The production of biofuel can turn into an economically viable industry, but it is important that the selection of commodity for biofuel development must be done selectively. There are certain commodities that are not feasible as a source for biofuel. The type, location, land area as well as production and distribution mechanisms for the utilization of biofuel should be determined and agreed immediately at the national level. Institutional obstacles, problems related to the division of authority and coordination between government agencies must be resolved so that biofuel can be utilized optimally in future.

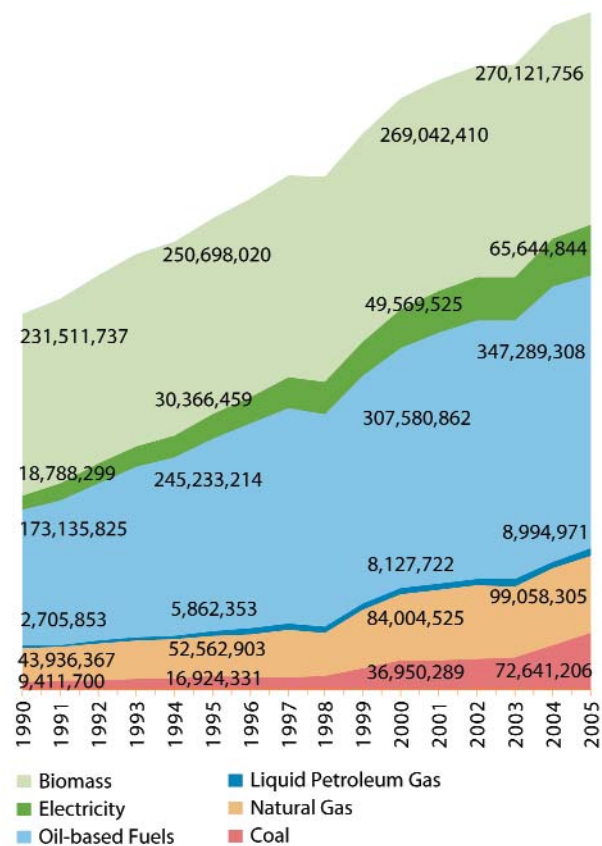


Figure 11. Total energy use of various types (in barrels of oil equivalent), 1990-2005.

Source: Ministry of Energy and Mineral Resources (2006).

Target 10:

Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

The primary indicator for measuring Target 10 is the proportion of households who have access to safe water. This has shown a steady improvement. In 1992, only 14.7 percent of households had access to piped drinking water, but by 2000 this had increased to 19.2 percent. In 2006, however, the number of households with access to piped drinking water declined again to 18.4 percent. Meanwhile, access to non-piped protected drinking water has increased steadily. The number of households with access to non-piped protected drinking water in 1994 was only around 38.2 percent that rose to 43.4 percent in 2000, and reached 57.2 percent in 2006.

Drinking water is a basic necessity of life, but demand is not matched by supply and available facilities. Given that progress in this area has remained stagnant, serious efforts need to be undertaken. These should focus on improving knowledge about drinking water, cooperation between stakeholders, developing local capacity to better conserve and manage water resources.

The other indicator for measuring progress for Target 10 is sanitation. In terms of proportion of households in rural and urban areas with access to adequate sanitation facilities, the trend suggests an improvement: 30.9 percent in 1992 to 69.3 percent in 2006. The target for 2015 is 65.5 percent, which has already been exceeded in 2006, but there is still room for improvement.

Access to adequate sanitation can be further improved by developing policy and institutional frameworks, promoting health seeking behavior, increasing capacities, building sanitation facilities in urban areas, and setting up a database and information system on basic sanitation.

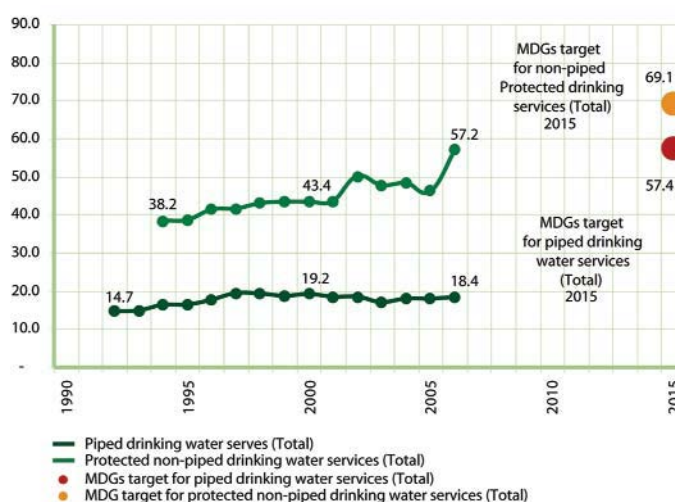


Figure 12. Piped drinking water and Non-piped protected drinking water services (total) for the years 1992-2006 (in percent).

Source: National Socio-Economic Survey (BPS, various years).

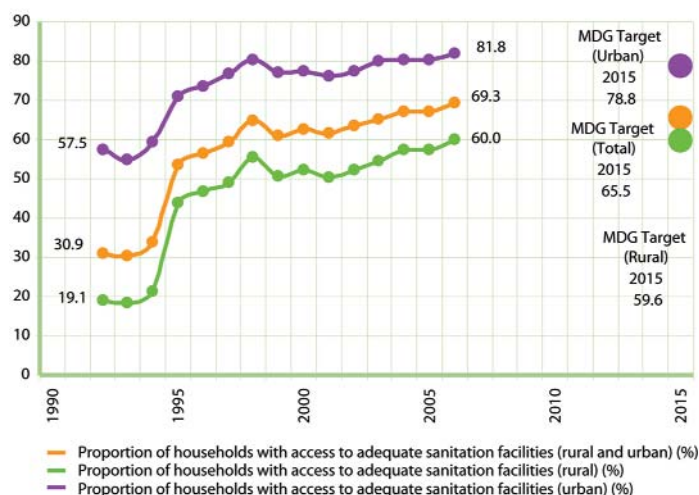


Figure 13. Populations access to adequate sanitation facilities according to rural, urban and total rural and urban areas for the year 2006 (in percent).

Source: National Socio-Economic Survey (BPS, year on year), processed.

Target 11:

By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

The key element in Target 11 is for people to have secure tenure, which is defined as households who own or lease a house as individuals or as a group. According to the BPS, in 2005 around 84 percent of households in Indonesia owned or leased their place of dwelling (82 percent with ownership rights and 3 percent leasing).

Based on Village Potential Statistics data for 2005 there are still some 6,190 villages (out of the 69,957 registered villages/administrative districts) with slums, which are spread across 15,739 locations and inhabited by 854,906 families. The proliferation of slums can be attributed to a number of factors such as: (1) the inability of middle- to lower-income groups in society to own homes that are decent; (2) environment degradation; (3) a decline in the quality of human resources and social cohesion in communities; (4) failure in the housing supply system that has been unable to meet the demand; and (5) shortcomings on the part of the central and regional governments to maintain funding allocations for the provision and maintenance of urban infrastructure and services.

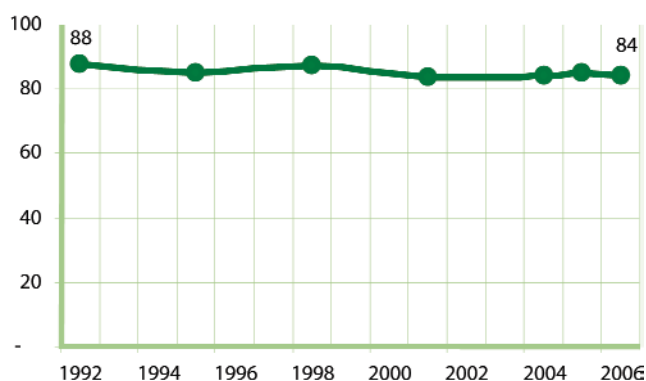


Figure 14. Proportion of households with access to secure tenure (in percent) for the years 1992-2006.

Clarification: The proportion of households means households that own or lease homes.

Source: National Socio-Economic Survey (BPS, year on year).

Making significant improvements in the lives of the poor living in slums is constrained by (1) imbalance in housing finance; (2) inefficiency in housing construction; and (3) limited housing finance and subsidy systems. Greater efforts are needed to meet the need for decent, safe and affordable housing for poor and low-income groups. For low-income groups in the society, the objective should be to establish subsidy systems that reaches intended beneficiaries, it does not distort the market, and subsidies are made in an accountable manner. The other area that needs to be explored is financing systems for construction of new homes and house improvements through community self-help.

Target 12:

Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system.

Target 12 is one of many milestones to review progress on Goal 8. The primary indicator used at the country level for this target is the ratio between exports and imports against GDP, which indicates the openness of a country's economy. Higher this ratio, higher is the level of economic openness in the country. In 2000, this ratio in Indonesia reached 57.8 percent, declining to 39.9 percent in 2003 and then rose again to 50 percent in 2005. In 2006 the ratio dipped to 44.4 percent. Another indicator used here to show the health of the financial sector is the intermediary function played by banks, which is reflected by the loan to deposit ratio (LDR). In 2006 the LDR ratio was 61.6 percent.

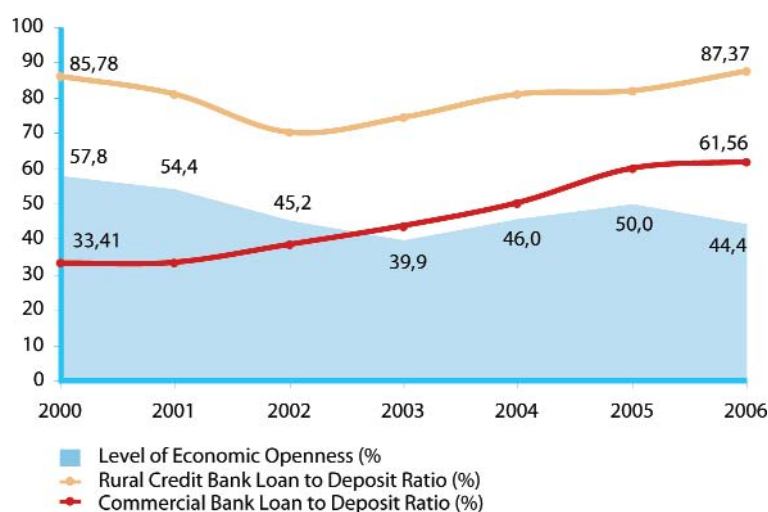


Figure 15. Level of economic openness, commercial banking (Bank Umum) and microbanking (BPR) LDR (in percent).

Source: Indonesian Banking Statistics (Bank Indonesia, year on year).

The international trade regimes, practices, and debates have been marked by controversy over protection of the agricultural sector. Indonesia, like many other countries including USA, EU, and Japan has tried to safeguard the interest of its farmers by protecting key agricultural products. In Indonesia this protection has been provided by raising tariff on key commodities such as rice. On the other hand, developed countries such USA and EU provide large subsidies to their farmers thereby making it difficult for farmers from poorer countries to access these markets and putting them at a great disadvantage. Unless there is a breakthrough in the current round of trade negotiations (Doha) at World Trade Organization (WTO) which has been suspended for the time being there is little that can be expected to enhance trade as an important means to improve economic prosperity for the poorer countries and to ensure fairer cooperation between the North and the South.

Target 15:

Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.

The primary indicator for Target 15 is the ratio of foreign debt against GDP. In 1966, total government foreign debt stood at US\$2,015 million and by 1997 it rose to US\$53,865 million. The economic crisis that hit Indonesia in 1997/1998 resulted in steep increase in the ratio of foreign debt against GDP. This was also the case in terms of the proportion of foreign loans against exports, which rose significantly from US\$254.64 million in 1997 to US\$304.32 million in 1999. The ratio of external debt against exports also rose significantly because of the rise in total government borrowings and a decline in exports.

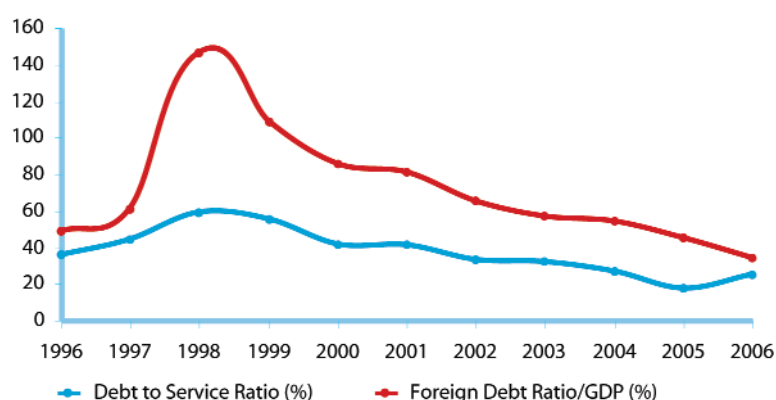


Figure 16. Debt to service ratio and ratio of foreign loans against GDP for the years 1990-2006.

Source: Bank Indonesia (year on year).

The management of the foreign debt on a macro-scale cannot be treated in isolation. It is intricately linked to the utilization and absorption of loans at the micro-level through development projects. Currently, the implementation of projects funded by foreign loans still face obstacles because of low absorption rates. This is caused by delays in the implementation of project resulting from problems such as the procurement of goods and services, coordination, and the provision of counterpart or matching funds.

Although government is no longer borrowing as much as it did in the past, debt servicing is still one of the major expenditures of the national budget, amounting to almost 26%. Due to improvement in its debt burden, Indonesia is no longer able to take advantage of rescheduling facilities that were available to it through the Paris Club. It is important though for the future that debt servicing does not undermine allocation of development resources.

Target 16:

In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.

The primary indicator for Target 16 is youth (15-24 years) unemployment rate. The open unemployment rate in Indonesia, especially youth unemployment, has been steadily climbing since the 1997 economic crisis. In February 2007, youth unemployment had reached 29.53 percent for females and 22.86 percent for males. Youth unemployment rates across provinces also show striking variation. Moreover, many young people work in the informal sector which is marred by low levels of productivity, low incomes and poor working conditions.

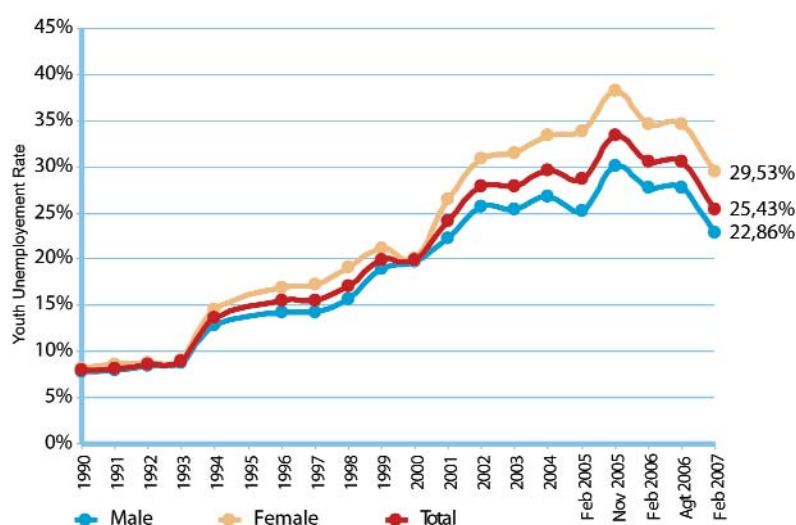


Figure 17. National youth unemployment rate (15-24 years) according to sex for the years 1990-2007 (in percent).

Source: National Workforce Survey (BPS, year on year).

Many unemployed or partially employed young people do not have an opportunity to improve their potential and thus it further diminishes their prospects of obtaining a decent job. As a whole, the large number of unemployed youth results in losses in productivity. Among others, the high youth unemployment rate is a consequence of economic growth patterns that does not create enough employment opportunities. Limited job opportunities and lack of skills makes it difficult for young people to find jobs and in the end they become trapped in a vicious cycle of unemployment and poverty—one that is extremely difficult to break out of. Furthermore, although the participation of young women in the workforce has increased, the majority of young women are only able to obtain work in the informal sector such as domestic workers, which is uncertain and the wages are low. For future, Indonesia needs to invest more in its human resources to better prepare job seekers at the national as well as international level.

Target 18:

In cooperation with the private sector, make available the benefits of new technologies, especially information and communication.

Many people in Indonesia do not have access to information technology and communication (ICT), so they are not able to fully benefit from advances in technology. If this digital divide is not eliminated, only developed countries and a small segment of people in the developing countries who primarily live in urban areas will enjoy the positive impacts of globalization. The indicators used to measure Target 18 are: (1) the percentage of households with fixed-line and cellular telephones; and (2) the percentage of households who own personal computers and have access to the Internet;

Based on data from the 2006 National Socio-Economic Survey only 11.2 percent of households have access to a public switched telephone network and only 2 percent have Internet access. However, the growth in cellular phones has been quite significant and currently 25 percent of Indonesian households have a cellular phone. The growth in access to internet is now showing a gradual increase. The Association of Indonesian Internet Service Operators estimates that the percentage of the population with Internet access has reached 9 percent. If compared with the situation in 2001 when less than 1 percent of the population had Internet access, the current situation obviously suggests a positive trend in the Internet use. In spite of this, the growth rate is still below the average for the Asia Pacific region, which grew by as much as 8.6 percent in 2004 alone.

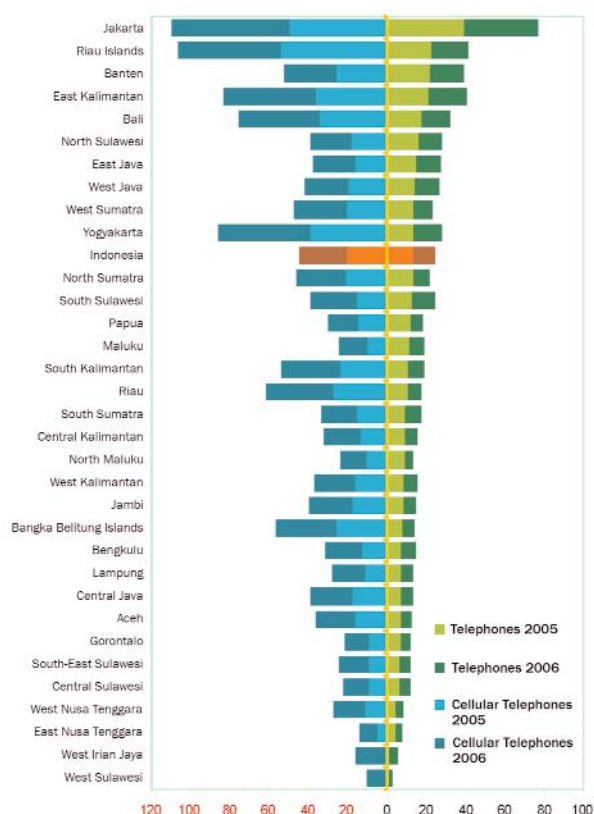


Figure 18. Percentage of households owning a fixed-line telephone and cellular phone by province for the years 2005 and 2006.

Source: National Socio-Economic Survey (BPS, 2006), processed.

MDG Target Achievements in a Regional Perspective

In order to get a better insight into progress across the country, this section looks at the status of MDG at the provincial level. Improvements at the national level on the whole may not necessarily reflect the situation in individual provinces. Considering the diversity across geographical regions and differences in capacity, regional perspective adds another dimension in the overall MDG analysis in Indonesia. As is the case at the national level, issue of poverty, undernourishment, gender inequality, maternal mortality rates, the spread of HIV/AIDS and malaria, access to drinking water, sanitation and decent housing feature as the major challenges for many of the provinces.

The MDG Achievement Index which is a composite of various targets for an individual province is used to compare the status of MDGs across provinces. The MDG Achievement Index for each province is presented in Figure 17. Overall, the index for all the provinces shows a steady improvement. A number of provinces in the eastern part of Indonesia are trailing behind when compared with the provinces in the western part of the country. However, if one looks at the period from 1993 to 2000 there are provinces where progress is encouraging such as Papua. Gorontalo also recorded the most impressive achievements for 2006.

Proper identification of constraints and challenges faced by provinces need to be followed by formulating strategic frameworks that reflect local needs and conditions. Although in broad terms the trend at the national level has improved, the situation will get even better if those provinces that are lagging behind will further accelerate and improve their standing and achievement of the MDGs.

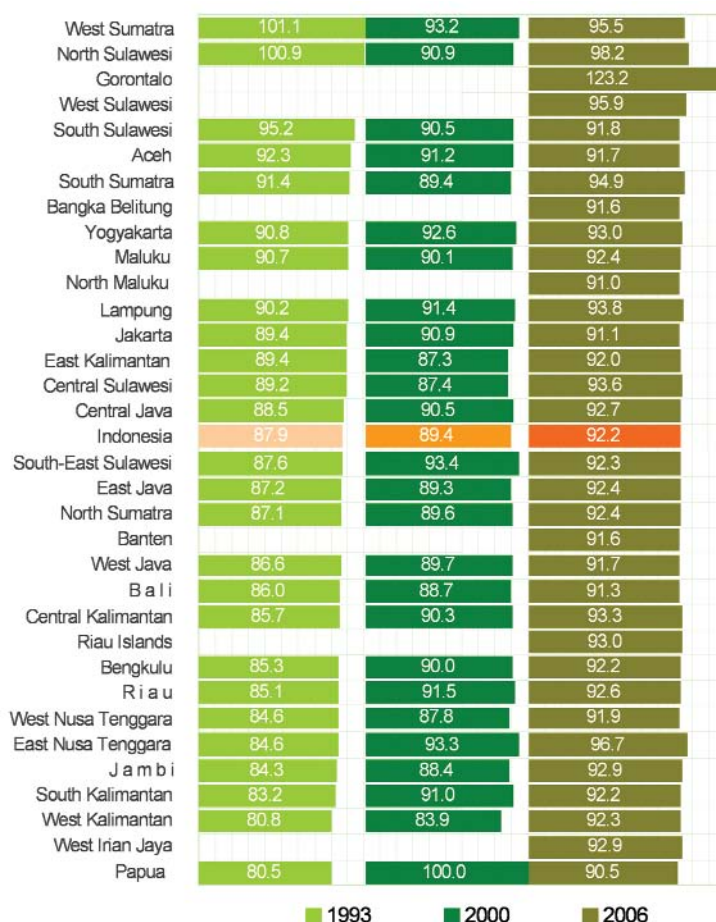


Figure 19. MDG Achievement Index for each province between the years 1993-2006.

Source: Various sources, processed (year on year).

Conclusion

On the whole Indonesia's progress on MDGs in the last 15 years has been quite satisfactory. The target for reducing the poverty rate based on US\$1 PPP indicator has already been reached well before 2015. However if poverty is measured in terms of the national poverty line, there is still a lot that needs to be done to ensure that the target is met by 2015. Moreover, reducing the proportion of the population suffering from hunger, using severe malnutrition rates in the country, also needs improvement. The rate of undernourishment, on the other hand, has declined and the overall trend seems to be positive.

In terms of basic education, net enrollment rates for primary school/MI and junior high school/MTs will also be met. However, it is important to maintain these gains. Indonesia has done very well in reducing gender disparities. In terms of female net enrollment ratio for primary school through tertiary education the targets have already been met.

Child mortality based on the infant mortality rate has shown a great deal of progress and is likely to be achieved. Similar improvements have also been made in the terms of reducing mortality rates for children under five. Maternal mortality rate based on the percentage of maternal deaths per live births however shows a less than encouraging trend. Indonesia will have to put in a lot of effort to achieve this target.

Indonesia is one of the countries with potentially large number of people living with HIV/AIDS. Efforts are needed to reduce the spread of the disease and control the incidence of new cases. There have been improvements to bring under control rates of malaria and other infectious diseases. But more needs to be done to reduce cases of malaria as well as tuberculosis.

Based on two primary indicators-grouped as green and brown indicator groups-Indonesia is one of the countries that has shown an improvement in protecting its environment. This is reflected by a growth in the designation of protected forest areas, and Indonesia's commitment to switch to alternative sources of energy to reduce greenhouse effect. The target for the proportion of the population with access to non-piped protected drinking water has already been reached, although it is important to maintain momentum to build on these gains. Likewise, the target for the proportion of households with access to adequate sanitation has also been achieved. The target for improvement in housing will most likely to be achieved, although it needs to be consolidated in future. It is important that together with efforts to conserve its environment, Indonesia needs to promote global cooperation in dealing with climate change.

The targets that make up Goal 8 have shown steady improvements. Indonesia's ratio of exports and imports against GDP is showing encouraging gains with consistent improvements in the level of economic openness. Country's debt burden as measured by the ratio of Debt against GDP shows a steady reduction thus suggesting less dependence on external debt.

Lastly, the Team who drafted this report underlines two main areas that require attention for preparation of future progress reports on MDGs.

Firstly, accurate data that is objectively tested, and mechanisms for sharing data need to be institutionalized. Quality data and information will greatly assist the government in evaluating achievements and formulating policies needed in meeting specific targets. Put simply, accurate data and information produces good policies. On the other hand, the public also needs to have access to accurate data in order to evaluate the government's performance.

Secondly, capacity development will be vital in the achievement of MDGs. Improving the capacity to monitor and evaluate progress against targets and formulation of systematic and measurable work plans are essential in this direction.

Status MDG Indicators in Indonesia					
Indicator	1990	Present	Target	Remarks	Status
Goal 1. Eradicate extreme poverty and hunger					
<i>Target 1. Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day</i>					
1 Population below \$ 1 a day	20.6%	7.5%	10%	Standard is too low	Already achieved
1a Poverty head count ratio (population below national poverty line)	15.1%	16.6%	7.5%	High but coming down	Needs improvement
1b Population below \$ 2 a day (%)		49%		High	
2 Poverty gap ratio (incidence x depth of poverty)	2.7%	2.99%		Stagnant	
2a Poverty Depth Index		0.84		Stagnant	
3 Share of poorest quintile in national consumption	9.3%	9.7%		Stagnant	
<i>Target 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger</i>					
4a Prevalence of severe underweight children (under 5 years)	6.3%	8.8%	3.3%	Increasing	Needs improvement
4b Prevalence of underweight/undernourished children (under 5 years)	35.5%	28.0%	18%	Increasing	Needs improvement
5 Proportion of population below minimum level of dietary energy consumption	9.0%	6.0%	5%	Decreasing slowly	Likely to achieve
Goal 2. Achieving Universal Basic Education					
<i>Target 3. Ensure that by 2015, boys and girls alike will be able to complete a full course of primary education</i>					
6 Net enrolment rate in primary education (SD)	88.7%	94.7%	100%	Increasing	Likely to achieve
6a Net enrolment rate in junior high education level (SMP)	41.9%	66.5%	100%	Increasing slowly	Likely to achieve
7a Proportion of pupils starting grade 1 who reach grade 5	75.6%	81.0%	100%	Increasing slowly	Likely to achieve
7b Proportion of pupils starting grade one who complete primary school	62.0%	75.0%	100%	Increasing slowly	Likely to achieve
8 Literacy rate of the population aged 15 - 24 years	96.6%	99.4%	100%	Increasing	Likely to achieve
Goal 3. Promote gender equality and empower women					
<i>Target 4. Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015</i>					
9a Ratio of girls to boys primary school	100.6%	100.0%	100%	Increasing	Already achieved
9b Ratio of girls to boys secondary school	101.3%	99.4%	100%	Increasing	Likely to achieve
9c Ratio of girls to boys tertiary school	98.0%	100.0%	100%	Increasing	Already achieved
9d Ratio of girls to boys higher education	85.1%	102.5%	100%	Increasing rapidly	Already achieved
10 Ratio of literate women to men ages 15 to 24	97.9%	99.9%	100%	Increasing	Likely to achieve
10a Participation rate of women's labor		49.5%		Increasing slowly	
10b Unemployment rate of women		11.8%		Increasing slowly	
11 Share of women in wage employment in the non-agricultural sector	29.2%	33%	50%	Stagnant	Needs improvement
11a Purchasing power of women (USD)		2.257		Stagnant	
11b Wage Gap		74.8%		Increasing slowly	
12 Proportion of seats held by women in national parliament	12.5%	11.3%		Decreasing	
Goal 4. Reduce child mortality					
<i>Target 5. Reduce by two thirds, between 1990 and 2015, the under-five mortality rate</i>					
13 Under-five mortality rate (per 1,000 live births)	97	40	32	Decreasing	Likely to achieve
14 Infant mortality rate (per 1,000 live births)	57	32	19	Decreasing	Likely to achieve
15 Proportion of one-year-old children immunized against measles a	44.5%	72%		Increasing slowly	
15a Proportion of children aged 12-23 months who have been immunized against measles	57.5%	82%		Increasing slowly	
Goal 5. Improved maternal health					
<i>Target 06. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio</i>					
16 Maternal mortality ratio (per 100,000 live births)	390	307	110	No updated data	Needs improvement
17 Proportion of births attended by skilled health personnel	40.7%	72.4%		Increasing	
17a Contraceptive use among married women aged 15 - 49	50.5%	57.9%		No updated data	

Goal 6. Combat HIV / AIDS, malaria, and other diseases						
Target 07. Have halted by 2015 and begun to reverse the spread of HIV / AIDS						
18	HIV/ AIDS prevalence			0.1%	Reverse	Needs improvement
19	Condom use rate of contraceptive prevalence rate among women aged 15 - 49	1.3%		0.9%	No updated data	
19a	Condom use in high risk sex groups			59.7%		
19b	Percentage of 15 to 24 years old with comprehensive correct knowledge of HIV / AIDS					
	Male			79.4%	No updated data	
	Female			65.8%	No updated data	
Target 08. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases						
21	Prevalence of malaria (per 1,000)	8.5			Decreasing, slowly	
21a	Java and Bali (per 1,000)	28.06		18.9	Decreasing, slowly	
21b	Outside Java and Bali (per 1,000)	0.21		0.15	Decreasing, slowly	
23	Prevalence of tuberculosis per 100,000	786		262	Needs hard work	
23a	Proportion of tuberculosis cases detected under DOTS			76.0%	No updated data	
24	Proportion of tuberculosis cases cured under DOTS	90.0%		91.0%		
Goal 7. Ensure environmental sustainability						
Target 09. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources						
25	Proportion of land area covered by forest	60.0%		49.9%	Deforestation increased	
26	Ratio of area protected to maintain biological diversity to surface area	26.4%		29.5%	Increasing	
26a	Ratio of aquatic area protected to total aquatic area			11%		
27	Energy use (kilograms of oil equivalent)	1.5		96.3 kg oil-eq/ 1,000 \$	Increasing	
28a	Carbon dioxide emission (per capita)	2.536 kg		1.34 metric ton	Increasing slowly	
28b	Consumption of ozone-depleting chlorofluorocarbons (ODP tons)	7.815		2.736	Decreasing slowly	
29	Proportion of population using solid fuels	70.2%		47.5%	Decreasing slowly	
Target 10. Halve by 2015 the proportion of people without sustainable access to safe drinking water						
30	Proportion of population with sustainable access to an improved water source, urban and rural	38.2%		52.1%	Increasing	Likely to achieve
30a	Coverage of Pipeline water - urban			30.8%	Decreasing	Needs improvement
30b	Coverage of Pipeline water - rural			9.0%	Progressing slowly	Needs improvement
30c	Protected water source - urban			87.6%	76.1%	Already Achieved
30d	Protected water source - rural			52.1%	65.5%	Likely to achieve
31	Proportion of population with sustainable access to an improved water source, urban and rural	30.9%		68.0%	65.5%	Already Achieved
31a	Urban			81.8%	78.8%	Already Achieved
31b	Rural			60.0%	59.6%	Already Achieved
Target 11. By 2015 to have achieved a significant improvement in the lives of at least 100 million slum dwellers						
32	Proportion of households with house owner or house rent status / access to secure tenure	87.7%		84.0%	Increasing slowly	Likely to achieve
Goal 8. Develop a global partnership for development						
Target 12. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.						
33	Ratio of Export - Import and PDB			44.4%		
34a	Ratio of Loan and Saving - In commercial bank			61.6%		
34b	Ratio of Loan and Saving - Rural Banks			87.4%		
Target 15. Deal comprehensively with debt problems of developing countries through international and national measures in order to make debt sustainable						
44	Ratio of International Debt to GDP			44.9%	Decreasing	
44b	Ratio of debt to National Budget			26.0%	Decreasing	
Target 16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth						
45	Unemployment rate young people aged 15-24 years			25.4%	Rising	
Target 18. In cooperation with private sector, make available the benefits of new technologies, especially information and telecommunication						
47a	Proportion of households with telephone lines			11.2%	Increasing slowly	
47b	Proportion of households with cellular phones			24.6%	Increasing slowly	
48a	Proportion of households with personal computers			4.4%	Increasing slowly	
48b	Proportion of households with access to internet			4.2%	Increasing slowly	

Note:

1. Status given for only those indicators that have quantifiable future targets
2. Additional indicators (highlighted) that are being used in Indonesia
3. If unavailable from 1990, data closest to this year has been used
4. Indicator numbers reflect the standard global indicator numbering

