

## Indonesia

**The Development Challenge:** Entering the fifth year of a comprehensive democratic transition and effort to recover from the Asian financial crisis, Indonesia is implementing a major transformation of its political and economic landscape while simultaneously addressing multiple crises - from terrorism and inter-ethnic, sectarian and separatist violence to endemic corruption and rising poverty. As the world's largest Muslim country, Indonesia plays an important role in U.S. Government foreign policy efforts to combat terrorism and maintain political and economic stability across Southeast Asia. Indonesia's importance also stems from its enormous natural resource base, rich biodiversity, and strategic location across key shipping lanes linking Europe, the Middle East, and Asia.

Indonesia is making important progress as the country begins to realize dividends from the stability brought about by the Megawati Government. A Constitutional amendment in 2002 revamped the electoral process allowing for direct election of the President and Vice President, provided for the removal of non-elected military appointees in Parliament, and created a new chamber for regional representatives. The Cessation of Hostilities Agreement in Aceh in December 2002 offers an opportunity to end decades of conflict, reduce threats to Indonesia's territorial integrity, and ease a threat to natural gas exports from the Arun facilities--all of which are major U.S. foreign policy goals.

In addition, an ambitious decentralization effort to transfer authorities and resources from the central to local governments has proceeded far more smoothly than anticipated. More than two million government workers have been transferred from central to local government rolls without a breakdown in government services. A vibrant civil society and media are pushing the reform process. Annual targets for bank and corporate debt restructuring have been met consistently and the reduction of massive energy subsidies is easing pressures on the national budget (although provoking considerable social and political reaction).

Still, Indonesia has tremendous work to do in the coming years to overcome the deeply entrenched legacy of 30 years of authoritarian military rule, to consolidate gains made in building democracy, and to complete reforms required for sustainable long-term economic growth. Corruption still permeates all levels of society, politics, and the economy, seriously undermining reform efforts; the lack of central cohesion after Suharto's fall in 1998 in some ways exacerbates the problem. Yet, the conviction of Tommy Suharto, the former president's son, marked a significant breakthrough for justice sector reform. Such progress, however, must be balanced against failures to move against other political and corporate criminals or to prosecute meaningfully those responsible for human rights abuses in East Timor, Papua, or Aceh.

Furthermore, major components of the political and economic reform agenda have bogged down in the National Parliament. Although the economy at the end of 2002 showed initial signs of improvement with a stronger rupiah and a bullish stock market, the final 2002 Gross Domestic Product will not exceed the 2001 growth rate of 3.5 percent due to the Bali bombings. The GDP will fall well below the 2002 forecasted five percent growth rate, the level necessary to reduce poverty and create sufficient jobs for new labor market entrants. Also, an unattractive legal and security climate has continued to discourage new investment and jeopardizes existing investments while major corporations reevaluate Indonesia's competitiveness. Rising unemployment to double digit levels has pushed many people below the poverty line. Not least, more than 1.3 million Indonesians remain displaced by ethnic, religious, and separatist violence. The national contraceptive prevalence rate has remained stable, yet declining government resources for health imperils many Indonesians. HIV/AIDS is spreading at an alarming rate among high-risk populations.

The terrorist bombing on Bali in October 2002 was a watershed event for Indonesia. The country, perceived as a reluctant partner in the global war on terrorism post-September 11, has begun to come to grips with the real threat that terrorism represents to its own future. The Government has shown an increased willingness, beginning with the issuance of a strong presidential decree on anti-terrorism, to confront the threat directly. The police have continued an aggressive investigation into the bombings on

Bali and in Makassar working closely with Australian and U.S. counterparts. Police have arrested a number of key figures with alleged links to terrorism.

The Government has intensified pressure on suspected terrorist groups, and shown a new willingness to cooperate with the international community on counter terrorism. It has increased attention to developing financial crimes countermeasures, particularly the terrorist financing components of the new anti-money laundering law. Muslim leadership in the country has moved from the sidelines to the front pages in calling for peace, tolerance and understanding as Indonesia grapples with the terrorism threat that is closer to home than previously acknowledged. The changes since October offer hope that the kind of partnership sought by the U.S. to achieve foreign policy objectives related to counter terrorism and regional stability can gradually be realized in Indonesia.

**The USAID Program:** The program focuses on 1) thwarting terrorist financing; 2) accelerating Indonesia's democratic transition; 3) promoting economic recovery and growth; 4) facilitating Indonesia's decentralization process; 5) reducing the threat of conflict in strategic areas of Indonesia; 6) strengthening natural resources management; and 7) improving the health of women and children. FY 2003 funding will be used to provide technical assistance and training to implement on-going programs addressing: terrorist financing; preparations for the 2004 national election; the peace process in Aceh; conflict prevention in Bali; civil society development and the rule of law; sound macroeconomic policy and reforms including energy; local government capacity to manage resources efficiently and deliver services to rural areas; conflict and the urgent needs of internally displaced persons and urban poor; community management of natural resources; and child survival, family planning, and HIV/AIDS. The Indonesia program includes four public-private alliances to work on illegal logging, cocoa production, clean air, and regional development in Papua.

**Other Program Elements:** USAID is implementing activities in Indonesia through global and regional programs in health (polio and tuberculosis), economic growth ("Encouraged Economic Growth" program) and environment (U.S.-Asia Environmental Partnership and East Asia and Pacific Environment Initiative). The USAID Association Liaison Office for University Cooperation in Development provides funding for partnerships between U.S. and Indonesian universities in the areas of civic education and integrated pest management. USAID's Food for Peace Office provides Title II food assistance and programs related to internally displaced persons (IDPs). Planned humanitarian assistance by USAID's Office of Foreign Disaster Assistance (OFDA) also supports return and resettlement of IDPs.

The State Department's East Asia and Pacific Women's Issues Fund continues to support anti-trafficking programs in Indonesia. USAID's democracy activities are closely integrated with State Department public diplomacy and police reform efforts.

**Other Donors:** The United States is the second largest bilateral donor in Indonesia behind Japan. Other major bilateral donors include the Netherlands, Australia, Germany, the United Kingdom, and Canada. Through flexible and responsive programming, USAID plays a leadership role among donors, most notably in thwarting terrorist financing, elections assistance, civil society development, decentralization, natural resources management, and health and humanitarian assistance. USAID works closely with the major multilateral donors: the World Bank, the Asian Development Bank (ADB), the International Monetary Fund (IMF), the European Union, and the United Nations (UN) agencies. The World Bank-chaired Consultative Group on Indonesia (CGI) coordinates donor assistance to Indonesia. The UN-led Partnership for Governance also coordinates donor interventions on civil society, corporate governance, anticorruption, decentralization, justice sector reform, and poverty reduction.

## Indonesia PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Child Survival and Health Programs Fund	19,580	35,568	32,568	29,250
Development Assistance	51,483	38,704	38,704	31,691
Economic Support Fund	49,890	50,000	60,000	60,000
PL 480 Title II	12,144	5,670	10,245	11,194
<b>Total Program Funds</b>	<b>133,097</b>	<b>129,942</b>	<b>141,517</b>	<b>132,135</b>

### STRATEGIC OBJECTIVE SUMMARY

497-007 Democracy Reform				
DA	8,180	8,000	9,000	7,000
ESF	18,080	15,000	28,000	27,500
497-008 Health, Population, and Nutrition				
CSH	19,580	35,568	32,568	29,250
DA	9,678	0	0	0
497-009 Crisis Mitigation				
DA	3,506	4,000	4,500	5,250
ESF	0	12,500	13,000	10,000
497-010 Strengthening Local Government				
DA	9,496	7,451	6,910	5,450
ESF	2,500	7,000	6,500	10,000
497-011 Promoting Economic Growth				
DA	5,623	5,123	6,494	4,850
ESF	11,827	14,000	11,000	11,000
497-012 Natural Resource Management				
DA	10,500	10,500	9,300	6,141
ESF	1,500	1,500	1,500	1,500
497-013 Energy Sector Reform				
DA	4,500	3,630	2,000	2,000
497-XXX State Department programs				
ESF	15,983	0	0	0
1/ 497-YYY ANE Regional US-AEP				
DA	0	0	500	1,000

1/ USAID plans to obligate \$500,000 in FY 2003 and \$1,000,000 in FY 2004 under the regional U.S.-Asia Environmental Partnership (498-009) for activities in Indonesia.

## US Financing in Thousands of Dollars

Indonesia

497-007 Democracy Reform	CSH	DA	ESF
<b>Through September 30, 2001</b>			
Obligations	2,601	84,862	31,686
Expenditures	2,601	76,737	12,811
Unliquidated	0	8,125	18,875
<b>Fiscal Year 2002</b>			
Obligations	0	8,773	14,696
Expenditures	0	10,498	15,484
<b>Through September 30, 2002</b>			
Obligations	2,601	93,635	46,382
Expenditures	2,601	87,235	28,295
Unliquidated	0	6,400	18,087
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2003 NOA</b>			
Obligations	0	9,000	28,000
<b>Total Planned Fiscal Year 2003</b>			
Obligations	0	9,000	28,000
<b>Proposed Fiscal Year 2004 NOA</b>			
Obligations	0	7,000	27,500
Future Obligations	0	0	0
Est. Total Cost	2,601	109,635	101,882

## Data Sheet

<b>USAID Mission:</b>	Indonesia
<b>Program Title:</b>	Democracy Reform
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	497-007
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$9,000,000 DA; \$28,000,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$7,000,000 DA; \$27,500,000 ESF
<b>Year of Initial Obligation:</b>	FY 2000
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** The USAID Democracy and Reform objective aims to further democratic reforms in the world's largest Muslim country by providing technical assistance, training, and grant support to: deepen competitive political processes for Indonesia's 2004 elections; strengthen civil society, including moderate Muslim and secular organizations, by increasing citizen participation and promoting religious tolerance, conflict prevention, respect for human rights, and the long-term sustainability of local NGOs; foster transparency and accountability in governance institutions implementing legislative and constitutional reforms at the national and local level; develop an independent media; and further justice sector reforms.

### Inputs, Outputs, Activities:

#### FY 2003 Program:

Support for 2004 Elections (\$18,000,000 ESF). USAID will expand assistance supporting preparations for elections in mid-2004, when Indonesians will vote directly for their President and Vice President for the first time. Technical support to Parliament will finalize the electoral legislative framework, including laws governing the elections process and political parties, and build the capacity of the National Elections Commission to supervise the election process and resolve post-election dispute adjudication. Support to strengthen Indonesia's multi-party system will be maintained, prioritizing issue-oriented and non-violent campaigning and party pollwatcher training. Civil society groups will receive support to monitor the electoral process and increase citizen knowledge through voter/civic education and public surveys. USAID will help the media play a responsible and objective role in covering the elections and disseminating information. (National Democratic Institute, International Republican Institute, The Asia Foundation, International Foundation for Electoral Systems, Internews, Center for Electoral Reform)

Increase Citizen Participation in Governance (\$6,250,000 DA; \$5,000,000 ESF). USAID supports an innovative program for moderate Muslim groups to advocate tolerance and human rights. In six focus regions including Papua and Aceh, USAID provides grants to 150 civil society organizations involved in national and local advocacy campaigns that address issues such as human rights, inter-faith dialogue, labor rights, conflict mitigation, anti-corruption, and local governance. The program builds capacity of local NGOs in management and financial self-reliance to ensure sustainability. (Chemonics, The Asia Foundation, and American Center for International Labor Solidarity)

Strengthen Key Governance Institutions (\$1,500,000 DA). USAID will promote more transparent budgeting, planning, and public outreach through work with the National Parliament secretariat, committees, and members. The program will also provide comparative analyses to assist legislators in finalizing major constitutional reforms. Legislative associations of municipal and district assemblies will receive support to build up their role as policy advocates for decentralization. USAID will support implementation of Special Autonomy laws in Papua and Aceh. Funds will also strengthen local parliaments in regions involved in British Petroleum's (BP) development of natural gas resources in Papua, part of USAID/Indonesia's broader public-private partnership with BP. (National Democratic Institute)

Promote Justice Sector Reform (\$1,250,000 DA; \$5,000,000 ESF). USAID will build the capacity of justice sector institutions, such as the National Ombudsman Commission, to carry out legal reforms. USAID will support civil society-led efforts to collaborate with institutions, such as the Supreme Court and National Law Commission, to meet common legal reform goals including stronger judicial independence and establishment of a Judicial Commission. Work with civil society will focus on increasing public access to laws and on promoting informed debate about reform. Grants to human rights groups in conflict areas will build their capacity as institutions and will finance programs on issues such as missing persons, violence against women, and trafficking in persons. (The Asia Foundation, American Center for International Labor Solidarity, International Catholic Migration Commission)

State Department Programs (Funding level to be determined, and will come from other ESF programs listed above). Funds will be transferred to the State Department to support public diplomacy and police reform activities.

**FY 2004 Program:**

Support for 2004 Elections (\$6,000,000 ESF). USAID plans to continue support leading up to the elections in mid-2004, and focus post-election assistance on finalizing institutional development programs with the National Elections Commission and political party reforms.

Increase Citizen Participation in Governance (\$5,000,000 DA; \$2,000,000 ESF). ESF resources will allow USAID to expand efforts that promote moderation, pluralism, and tolerance within Muslim communities and in conflict areas. USAID plans to launch a new civil society strengthening program that targets groups with proven advocacy records. Additional DA funding will allow USAID to undertake new programs to strengthen civic basic education.

Strengthen Key Governance Institutions (\$1,000,000 DA; \$2,000,000 ESF). USAID plans to expand institution building programs that advance Indonesia's democratic transition and political reform process in the post-elections environment. USAID plans to strengthen newly elected national and local parliaments (including the newly-established Upper House) and support legislative associations.

Promote Justice Sector Reform (\$1,000,000 DA). USAID plans to provide technical assistance to continue rule of law initiatives that develop the capacity of justice sector institutions and encourage civil society advocacy.

State Department Programs (\$17,500,000 ESF). USAID anticipates a transfer of ESF resources to the State Department and other federal agencies to support public diplomacy, counter-terrorism, and police reform activities. The State Department and USAID are conducting a joint review of the Indonesia ESF portfolio. This review may ultimately entail changes in the level of funding of the programs and activities. Changes will be notified to Congress through established procedures.

**Performance and Results:** USAID assistance helped Indonesia improve its government accountability and responsiveness by amending the constitution to allow for direct election of presidential and vice presidential candidates, by creating a second chamber of the National Parliament, and by eliminating all non-elected members from the National Parliament. USAID expanded its program supporting moderate Muslim groups that promote religious tolerance. These groups carried out civic education programs on human rights, religious and ethnic pluralism, democratic processes, and women's rights; 1,000 different publications on the role of Islam in a democracy were disseminated; and 40,000 weekly pamphlets promoting the views of moderate Muslim thinkers were distributed after Friday prayers in 21 cities. Civil society's ability to engage government through advocacy and monitoring was enhanced, as evidenced by citizens providing input into over 50 national bills and government regulations. USAID trained more than 20,000 NGO members, labor activists, and community leaders in advocacy, financial management, fundraising, and conflict resolution. USAID's media partners mounted a successful advocacy campaign against the rebirth of the Ministry of Information, the main instrument used to control media under authoritarian rule. USAID's support enhanced journalistic standards, providing sustained training to 700 journalists across the country and shorter training to nearly 1,800 others.

## Data Sheet

<b>USAID Mission:</b>	Indonesia
<b>Program Title:</b>	Health, Population and Nutrition
<b>Pillar:</b>	Global Health
<b>Strategic Objective:</b>	497-008
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$32,568,000 CSH
<b>Prior Year Unobligated:</b>	\$995,000 CSH
<b>Proposed FY 2004 Obligation:</b>	\$29,250,000 CSH
<b>Year of Initial Obligation:</b>	FY 1999
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** USAID's health, population, and nutrition program focuses on strengthening public sector commitment for reproductive and child health; improving access, quality and sustainability of basic health services; and empowering women, families and communities to take responsibility for improving health. The program's major components include technical assistance and training to: reduce maternal and neonatal mortality; improve the quality and sustained use of family planning; reduce malnutrition among children under age five; prevent the transmission of sexually transmitted infections (STIs), HIV/AIDS, tuberculosis, and malaria; and protect the health of the poor during the transition to decentralization through local advocacy for resources and skills building for decision-makers who set health priorities.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Family Planning, Maternal and Child Health (\$17,768,000 CSH). CSH funding will provide technical assistance and training to improve reproductive and child health (including family planning, maternal, and newborn health) and nutrition, targeting Indonesia's poor women and children (including street children). Working closely with governmental and non-governmental institutions, USAID support will enhance the capacity of local government authorities to protect against possible increases in already high maternal, child, and infant mortality resulting from Indonesia's on-going decentralization of basic health services. With CSH resources for population programming, USAID will focus on strengthening long-term contraceptive security and logistics management; improving the quality of family planning and reproductive health services with renewed focus on midwives; and increasing advocacy for family planning and reproductive health policy reform at both the national and district level. USAID will continue to provide critical technical assistance on nutritional surveillance and Vitamin A supplementation. Prior year unobligated CSH funding will be used to support a new child blindness program. (Helen Keller International, JHPIEGO Corporation, Johns Hopkins University, Save the Children, and Program for Appropriate Technology in Health; Indonesian Midwives Association and the Society of Obstetricians and Gynecologists.)

Prevent the Spread of HIV/AIDS and Other Infectious Diseases (\$10,800,000 CSH). With CSH resources for HIV/AIDS, USAID technical assistance and training will support Government of Indonesia (GOI) and Indonesian civil society national and local efforts to curb the spread of AIDS, including increasing condom use, bolstering surveillance systems, and targeting results-oriented behavior change interventions within vulnerable populations. CSH infectious disease funding will support tuberculosis control activities and a newly launched malaria control activity that will rollout vector control activities in epidemic regions in Java. (The U.S. Naval Medical Research Unit, the Royal Netherlands Tuberculosis Association, and Family Health International)

Facilitate Decentralization of the Health Sector (\$4,000,000 CSH). USAID technical assistance in health sector decentralization aims to mitigate the potential negative impact of decentralization on the quality and use of health services. Working directly with national and local government institutions, through public-private partnerships, and with civil society organizations, USAID interventions will include

strengthening the Ministry of Health's nascent Decentralization Unit; helping define essential public health functions and basic services that districts nationwide must now implement; enhancing district-level skills and capacities for planning, programming, and delivering basic health care services; mobilizing community participation; and improving essential drug management and supply systems. The decentralization program will also focus support on meeting the health needs of very vulnerable populations residing in conflict areas (such as Aceh), including women, children, and internally displaced persons. (Management Science of Health, John Hopkins University, and Save the Children).

All family planning agreements will incorporate clauses that implement the President's directive reinstating the Mexico City Policy.

**FY 2004 Program:**

Family Planning, Maternal and Child Health (\$14,250,000 CSH). USAID intends to continue support for improving the quality and choice of reproductive health services, maintaining contraceptive security, and increasing focus on the reproductive health needs of Indonesia's youth. Newborn and child health, micronutrient supplementation, and maternal health are expected to remain key elements of USAID's maternal and child health programming.

Prevent the Spread of HIV/AIDS and Other Infectious Diseases (\$11,000,000 CSH). HIV/AIDS and infectious disease funding will allow USAID to continue the expansion of HIV/AIDS prevention, tuberculosis and malaria vector control activities.

Facilitate Decentralization of the Health Sector (\$4,000,000 CSH). USAID expects to continue to provide training and technical assistance at the national and local level to support decentralization of the health sector.

**Performance and Results:** USAID's investments in family planning and reproductive health are generating results at both the national and local level. Holding steady at 54.5 percent (Indonesia Family Life Survey, IFLS 2000, published in September 2002), use of modern family planning methods remains stable in comparison to pre-crisis levels. The same survey reports dramatic increases in the use of private sector midwives for provision of injectable contraceptives (28 percent in 1997 to 58.8 percent in 2000). In pilot sites for USAID's Maternal and Neonatal program, 100 percent have a community facilitator, 62 percent have a trained midwife, 43 percent have a blood donor system in place, and 51 percent have a revolving fund to pay for emergency complications.

Child health and nutrition efforts are making important contributions to Indonesia's success in improving Vitamin A supplementation to prevent nutritional blindness and reduce the risk of severe morbidity and mortality. In 2002, 72 to 75 percent of children under age five received at least one dose. This cost-effective child survival intervention helped save the lives of an estimated 35,000 children each year. With USAID support, Indonesia conducted one of the world's largest National Immunization Days in 2002 to increase polio coverage rates among Indonesia's 20.5 million children under age five. USAID grant support to 32 local NGOs is now providing health and educational services to an estimated 6,100 street children (44 percent girls).

USAID significantly expanded its HIV/AIDS prevention programs in 2002, responding to rising infection rates among female prostitutes, injecting drug users, and other high-risk populations. A new surveillance system has been piloted in three sites, with plans to expand to ten sites in 2003. As a result, district-level AIDS commissions are using improved surveillance data to develop new locally initiated disease prevention responses. Three new community-based interventions with injecting drug users in Jakarta, developed through innovative partnerships with the GOI and World Health Organization, have emerged as the leading harm reduction models in Indonesia. A nationwide prevention marketing campaign was launched in June 2002 and has stimulated interest and dialogue on the importance of abstinence, faithfulness, and condom use.



## US Financing in Thousands of Dollars

Indonesia

497-008 Health, Population and Nutrition	CSH	DA	ESF
<b>Through September 30, 2001</b>			
Obligations	64,044	30,719	0
Expenditures	29,610	15,979	0
Unliquidated	34,434	14,740	0
<b>Fiscal Year 2002</b>			
Obligations	35,568	0	1,000
Expenditures	24,981	8,970	0
<b>Through September 30, 2002</b>			
Obligations	99,612	30,719	1,000
Expenditures	54,591	24,949	0
Unliquidated	45,021	5,770	1,000
<b>Prior Year Unobligated Funds</b>			
Obligations	995	0	0
<b>Planned Fiscal Year 2003 NOA</b>			
Obligations	32,568	0	0
<b>Total Planned Fiscal Year 2003</b>			
Obligations	33,563	0	0
<b>Proposed Fiscal Year 2004 NOA</b>			
Obligations	29,250	0	0
Future Obligations	0	0	0
Est. Total Cost	162,425	30,719	1,000

## Data Sheet

<b>USAID Mission:</b>	Indonesia
<b>Program Title:</b>	Crisis Mitigation
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	497-009
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$4,500,000 DA; \$13,000,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$5,250,000 DA; \$10,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 1998
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** This cross-cutting objective serves as USAID's primary mechanism for taking advantage of opportunities to stabilize conflict situations in strategic parts of Indonesia and for delivering P.L. 480 Title II food assistance to improve food security for urban and rural poor. The major components of the program include: food-for-work and food-for-training programs through U.S. NGOs to generate short-term employment and income; training interventions to raise basic health and nutritional awareness; and quick impact support for community-driven initiatives to prevent and resolve conflicts. This program will operate in Aceh to support implementation of the December 2002 Cessation of Hostilities Agreement; in Bali to promote social and economic recovery after the October 2002 terrorist bombing; and in other provinces experiencing conflict, food insecurity, or coping with internally displaced populations, such as Central and South Sulawesi, Ambon and North Maluku, Central Java, West Kalimantan, and West Timor.

### Inputs, Outputs, Activities:

#### FY 2003 Program:

Improving Food Security (\$4,500,000 DA). USAID's Transitional Activity Program (TAP) is a P.L. 480 Title II program helping to alleviate poverty by improving the food security and nutritional status of urban and rural poor hit hardest by the prolonged economic crisis in Indonesia. Childhood malnutrition rates are approaching 13 percent, indicating a chronic food emergency by world standards, in urban areas where TAP is implemented. USAID plans to distribute approximately 23,000 metric tons (MTs) of P.L. 480 Title II commodities to an estimated 300,000 urban and rural poor in FY 2003. USAID will support food-for-work projects to increase food security, improve nutritional and health status, and generate temporary employment and income through small-scale community rehabilitation projects such as rural water supply systems and sanitation in urban slums. Supplementary food-for-training projects in agriculture, health, and other vocational sectors will enhance skills and expand job opportunities. Capitalizing on effective partnership with the USAID/Indonesia health program (497-008), USAID nutritional surveillance programs will ensure that food aid is reaching the right people and having a measurable impact on their nutritional status. USAID will support basic health and nutrition training interventions to strengthen the linkages between food security and improved health and nutrition. (CARE, Catholic Relief Services, Church World Service, Mercy Corps International, World Vision, Helen Keller International)

USAID's P.L. 480 Title II food aid implementing partners serve as effective conduits for USAID's Office of Foreign Disaster Assistance (OFDA) emergency assistance. Their capacity to effectively manage food aid has also positioned TAP partners as effective implementers of World Food Program interventions and to program other donor assistance. The Title II program also coordinates closely with USDA-supported Title I and Section 416(b) programs.

Conflict Prevention and Response (\$13,000,000 ESF). Building on the successful work of USAID's Office of Transition Initiatives (OTI) in Indonesia, which phased out in FY 2002, USAID/Indonesia will direct quick impact support to help stabilize conflict situations in strategic areas of Indonesia, assist internally displaced persons (IDPs) in continued collaboration with OFDA, and build Indonesian capacity to analyze and implement conflict resolution and reconciliation interventions. In Aceh, USAID grant support will

generate tangible wins to demonstrate a peace dividend during the critical first year of the Cessation of Hostilities Agreement. USAID will respond to urgent humanitarian and social infrastructure needs such as shelter, health, education, and water/sanitation; foster economic revitalization; support media campaigns to promote public awareness and support for the peace agreement; help civil society organizations facilitate the process of dialogue and reconciliation; and strengthen institutions that will take the lead on advancing legal reforms, anti-corruption, good governance, and fiscal transparency in Aceh. In Bali, USAID will support community-driven initiatives that reduce the potential for outbreaks of religious or ethnic violence in the fragile post-bombing environment; promote professional and objective media reporting on sensitive social and religious issues; minimize the short-term economic impact from lost tourism; and help victims and families cope with the psycho-social impact of the bombing.

The presence of 1.3 million IDPs throughout Indonesia serves as a destabilizing force and contributes to protracted conflicts. Utilizing a strong network of international and local NGO partners, USAID will assist approximately 400,000 IDPs and address IDP-driven conflicts in hot spot regions such as the Malukus, Ambon, Sulawesi, and West Kalimantan. To encourage returns and resettlement, the program will complement OFDA humanitarian assistance by supporting livelihood enhancement activities such as income generation, agricultural inputs, efforts to restore economic ties between communities, and will foster dialogue in communities dealing with IDPs.

**FY 2004 Program:**

Improving Food Security (\$5,250,000 DA). DA resources will allow USAID to fund the final year of the P.L. 480 Title II TAP activity so that implementing partners can consolidate gains made to date, continue critical interventions benefiting vulnerable groups, especially children and mothers, and pursue innovative food assisted efforts focusing on not only food security but on recovery and peace building.

Conflict Prevention and Response (\$10,000,000 ESF). ESF resources will allow USAID to expand assistance for IDPs and to support strategic areas of Indonesia experiencing conflict. USAID anticipates phasing out conflict prevention activities on Bali.

**Performance and Results:** USAID has had a significant impact on the health status, productivity, and social stability of vulnerable populations by providing a stable food supply, income-generation opportunities, and community improvement. In 2002, TAP assistance directly benefited 320,000 people. In rural areas of Central Java, East Kalimantan, and East Nusa Tenggara, children participating in TAP programs suffered less wasting. Half of TAP beneficiaries in urban areas have family incomes of less than \$30 per month, childhood anemia is over 60 percent, and 40 percent of the children are underweight. Fortunately, the nutritional status of children is improving in TAP target areas. For example in Surabaya, anemia prevalence in children benefiting from the TAP (46 percent) is less than in non-benefiting groups (54 percent). TAP supplemental feeding programs not only directly impact child malnutrition, but can also be credited with encouraging higher participation in Government-sponsored health initiatives, such as vitamin A distribution, polio eradication, and measles inoculations.

Food assistance is an entry point to foster community cooperation. Inter-faith groups have worked jointly to build community infrastructure to promote community spirit and solidarity while countering the threat of social conflict. A food-for-work program in Ngraji village, Central Java built a new irrigation channel that eased communal tensions caused by the diversion of scarce water resources to farmers downstream. The villagers succeeded in not only eliminating a source of conflict in the community, but in the process increased their own sense of community solidarity. The urban poor are susceptible to recruitment attempts by radical and fundamentalist elements that use cash payments to entice participation in street protests. The TAP program helps combat such attempts by providing job opportunities and fostering greater community morale to the urban poor through food-for-work projects.

## US Financing in Thousands of Dollars

Indonesia

497-009 Crisis Mitigation	CSH	DA	ESF
<b>Through September 30, 2001</b>			
Obligations	2,500	9,308	2,500
Expenditures	2,255	5,673	0
Unliquidated	245	3,635	2,500
<b>Fiscal Year 2002</b>			
Obligations	0	4,400	6,983
Expenditures	245	4,445	2,500
<b>Through September 30, 2002</b>			
Obligations	2,500	13,708	9,483
Expenditures	2,500	10,118	2,500
Unliquidated	0	3,590	6,983
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2003 NOA</b>			
Obligations	0	4,500	13,000
<b>Total Planned Fiscal Year 2003</b>			
Obligations	0	4,500	13,000
<b>Proposed Fiscal Year 2004 NOA</b>			
Obligations	0	5,250	10,000
Future Obligations	0	0	0
Est. Total Cost	2,500	23,458	32,483

## Data Sheet

<b>USAID Mission:</b>	Indonesia
<b>Program Title:</b>	Strengthening Local Government
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	497-010
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$6,910,000 DA; \$6,500,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$5,450,000 DA; \$10,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 2000
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** This program plays a critical role in strengthening the capacity of local governments to respond to the challenges posed by the deep and broad devolution of management and fiscal authority initiated by the central government in January 2001. The development of responsive and accountable local government is essential to re-building Indonesia as a democratic nation. USAID technical and training assistance aims to: (1) improve and monitor the effectiveness of decentralization policies, working at the national level in key ministries; (2) build local government capacity in participatory planning and transparent, accountable budgeting and financial management; (3) strengthen local government capacity to manage and deliver key services such as quality water and education; and (4) support independent local government organizations to be effective advocates and promote better ideas for improving local government management practices and policies.

### Inputs, Outputs, Activities:

#### FY 2003 Program:

National Decentralization Policy (\$500,000 DA; \$900,000 ESF). Technical assistance to the Ministry of Home Affairs and Ministry of Finance will improve fiscal and administrative decentralization policy and focus these ministries on facilitating local capacity-building rather than re-asserting central control. Support for the Indonesian Rapid Decentralization Appraisal (IRDA) will continue to provide the only source of information and analysis for national and local decision-makers on decentralization progress. USAID will support the establishment a local government credit market. (Research Triangle Institute, The Asia Foundation.)

Building Capacity in Participatory Planning and Budgeting (\$3,410,000 DA; \$4,100,000 ESF). USAID will provide assistance to more than 60 local governments to improve participatory planning, budgeting and financial management; and encourage the sharing and replication of innovative models and practices. The Resource Cities Program (RCP) will continue to foster linkages between U.S. and Indonesian local governments with resulting changes in the way local governments operate. (Research Triangle Institute, International City/County Management Association.)

Local Government Service Delivery: Water and Education (\$1,750,000 DA). USAID support will restructure local government water authorities into profit-making enterprises through direct assistance and dissemination of successful management models. USAID will expand a pilot effort launched in 2002 to strengthen local government capacity to manage and deliver quality basic education services, making public schools a more viable alternative to private religious educational institutions. (Urban Institute (prime), Chemonics (sub), Research Triangle Institute.)

Supporting Independent Local Government Organizations (\$1,250,000 DA; \$1,500,000 ESF). USAID will support associations of local government to ensure that views of local government and the public are channeled to decision-makers in Parliament and Government of Indonesia ministries. The Center for Local Government Innovation (CLGI) will receive support to establish itself as a promoter of improved

local government management practices and coordinate donor decentralization support. (International City/County Management Association, Urban Institute.)

**FY 2004 Program:**

National Decentralization Policy (\$1,000,000 DA; \$700,000 ESF). USAID intends to continue support to central government ministries engaged in decentralization policy and extend the Indonesian Rapid Decentralization Appraisal. DA resources will strengthen the impact of decentralization policy and better coordinate donor policy inputs.

Building Capacity in Participatory Planning and Budgeting (\$1,700,000 DA; \$5,400,000 ESF). USAID intends to expand assistance through a national "roll-out" of a participatory development planning model and performance budgeting tools to more than 100 additional local governments through the provision of workshops and limited advisory services. USAID will initiate a broader program to reduce corruption and increase efficiency through improved management and planning.

Local Government Service Delivery (\$1,500,000 DA; \$2,650,000 ESF). DA and ESF resources would allow USAID to expand its basic education program and provide technical assistance to local governments to improve other basic services such as solid waste and sanitation.

Supporting Independent Local Government Organizations (\$1,250,000 DA; \$1,250,000 ESF). USAID intends to intensify assistance to the Center for Local Government Innovation on taking steps towards self-sustainability.

**Performance and Results:** USAID is recognized as a leading donor supporting decentralization and the development of effective local government. A donor team, led by USAID, promoted improvements in administrative decentralization that clarified local government functions and established minimum service standards. USAID assistance to the Ministry of Home Affairs resulted in favorable regulations governing local government budgeting and financial management. The GOI and the international community regard USAID's IRDA as the only source of quality information and analysis on how decentralization is actually being implemented in the regions.

USAID technical assistance and training is directly benefitting nearly 80 local governments throughout the archipelago, building capacity to provide more effective services that are planned, budgeted, financed, and implemented with increasing levels of effectiveness, citizen participation, and transparency. Local governments that introduced performance budgeting in one or two sectors are now rapidly expanding the concepts and practices to all sectors of the municipal budget, relying on USAID models and training. USAID's efforts in the water sector enabled five failing water enterprises to become profitable for the first time, while adding 600,000 new consumers. The program has partnered Indonesian local governments with nine counterparts in Oregon, California, Texas, and Georgia. A series of exchanges between Bekasi, a Jakarta suburb of several million people, and Gresham, Oregon resulted in innovative solutions to Bekasi's traffic congestion. Less tangible but nevertheless important, Indonesian officials and their American counterparts are gaining a deeper understanding of cultural differences and ways of doing business. Each Resource Cities exchange generates substantial media and press coverage in both Indonesia and the United States. Enhanced understanding and respect contributes to better relations between the two countries.

USAID helped the three leading local government associations demonstrate greater awareness of their role in decentralization and increased their ability to serve as advocates. They put forward position statements and successfully petitioned to halt efforts to re-centralize government authority in 2002. The USAID-sponsored CLGI has begun to play a key role in helping local governments improve their management practices and in supporting local government associations in policy analysis and planning.

## US Financing in Thousands of Dollars

Indonesia

	DA	ESF
497-010 Strengthening Local Government		
<b>Through September 30, 2001</b>		
Obligations	57,615	2,500
Expenditures	43,355	0
Unliquidated	14,260	2,500
<b>Fiscal Year 2002</b>		
Obligations	8,296	6,000
Expenditures	12,913	1,560
<b>Through September 30, 2002</b>		
Obligations	65,911	8,500
Expenditures	56,268	1,560
Unliquidated	9,643	6,940
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2003 NOA</b>		
Obligations	6,910	6,500
<b>Total Planned Fiscal Year 2003</b>		
Obligations	6,910	6,500
<b>Proposed Fiscal Year 2004 NOA</b>		
Obligations	5,450	10,000
Future Obligations	0	0
Est. Total Cost	78,271	25,000

## Data Sheet

<b>USAID Mission:</b>	Indonesia
<b>Program Title:</b>	Promoting Economic Growth
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	497-011
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$6,494,000 DA; \$11,000,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$4,850,000 DA; \$11,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 1999
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** USAID's economic growth program is helping accelerate Indonesia's economic recovery and strengthen the capacity of key institutions and policy-makers to undertake economic reforms necessary for long-term equitable growth by funding technical assistance, training, and grant assistance to: strengthen key economic and financial institutions and encourage sound policies; create a market-oriented legal and regulatory environment that also reflects new counter terrorism priorities; foster small and medium enterprises (SMEs) and microenterprises through credit, supportive policies, and business services; and reform and assist parliaments, local governments, professional associations, media, and the public to participate in decision making.

### Inputs, Outputs, Activities:

#### FY 2003 Program:

Sound Economic Policy and Institutions (\$1,747,000 DA; \$6,000,000 ESF). USAID technical advisors will help the Indonesian Bank Restructuring Agency (IBRA) and the Jakarta Initiative Task Force (JITF) finalize critical asset recovery and corporate debt restructuring transactions. Direct technical assistance and training to key economic ministries and financial institutions will advance policy reforms affecting trade and investment, privatization, competition, debt management, labor and industry, and fiscal policy. USAID will promote pro-poor policies in food and agriculture. (Nathan Associates (prime), Development Alternatives, Inc. (prime), Barents Group (prime), U.S. Department of Treasury; Financial Services Volunteer Corps, Deloitte Touche Tohmatsu).

Conducive Legal and Regulatory Framework (\$700,000 DA; \$5,000,000 ESF). USAID will expand its program to help Indonesia put into place a legal and regulatory framework that is transparent, effective and enforced by a strong commercial court system and independent regulatory commissions. Issues surrounding financial crimes and counter terrorism will remain critical priorities with focus placed on helping Indonesia implement key laws addressing money laundering and terrorism, and supporting the Financial Transaction and Report Analysis Center. USAID will fund technical assistance and training to strengthen national and local legal institutions such as the independent Competition Commission. USAID-supported Legislative Drafting Centers at five regional universities will train 100 local government officials, parliamentarians, and civil society representatives. (Nathan Associates (prime), Management Sciences International (sub), Rural Development Institute (prime), University of Indonesia (sub), University of San Francisco, Georgetown University).

Micro and Small Business Development (\$2,500,000 DA). Policy activities will improve the regulatory environment for micro, small, and medium enterprises to increase the capacity of business development services in selected industry sectors, and expand access to robust financial service institutions that use international best practices. USAID will also support a limited expansion of financial services into post-conflict regions of Indonesia. (The Asia Foundation (prime), CARE, Opportunity International, Bank Rakyat Indonesia).



Knowledgeable Public Participation in Economic Decision Making (\$1,547,000 DA). As a program supporting capacity building with the secretariat of the National Parliament comes to a close this year, USAID will design and launch a follow-up technical assistance and training program to continue work with the National Parliament on capacity building and public outreach. USAID will work with communities on Java to promote more active participation in local economic discussions and decisions. With a longer-term perspective in mind, USAID will build the foundations for enhanced capacity in law and economics in the eastern islands of Indonesia by sending a select group of up and coming local officials and university professionals to the United States for master's degree programs. Innovative programs using video-conferencing and e-learning mechanisms will continue at regional universities. (Nathan Associates (prime), and University of South Carolina (prime)).

**FY 2004 Program:**

Sound Economic Policy and Institutions (\$1,850,000 DA; \$5,500,000 ESF). USAID plans to close out asset sales and corporate debt restructuring programs as the mandates of the Indonesian Bank Restructuring Agency (IBRA) and the Jakarta Initiative Task Force (JITF) come to an end. USAID anticipates adjusting policy and institutional assistance programs to focus on a smaller set of those key reforms that Indonesia must implement in order to see longer-term economic growth. USAID may support programs that will facilitate implementation of new economic policies at the sub-national level.

Conducive Legal and Regulatory Framework (\$1,000,000 DA; \$5,500,000 ESF). FY 2004 funding will allow USAID to continue programs to improve Indonesia's economic laws, regulations, and institutions, particularly those related to financial crimes and counterterrorism.

Micro and Small Business Development (\$1,000,000 DA). USAID plans to expand financial services work to promote economic recovery in post-conflict regions of Indonesia. USAID may expand activities to stimulate private sector development through new programs on agricultural policy and technology and trade and investment.

Knowledgeable Public Participation in Economic Decision Making (\$1,000,000 DA). USAID anticipates designing and launching a comprehensive program to strengthen Indonesia's regional universities, combining in-country capacity building and U.S.-based higher education training.

**Performance and Results:** USAID's economic growth program achieved a number of key results this year, helping Indonesia to: 1) meet 2002 targets for asset recovery and corporate debt restructuring; 2) put into place critical laws, policies, and decrees on money laundering, asset freezing, and terrorism; 3) take an important step towards getting the country off the Financial Action Task Force blacklist by getting the new anti-money laundering agency, the Financial Transaction Report and Analysis Center established; 4) replace the blanket guarantee scheme with a limited coverage deposit insurance program; 5) re-institute "Team Tariff," an inter-ministerial coordinating body critical to preventing resurgent protectionism; 6) decide not to raise food prices which would have negatively impacted farmers; 7) set up a fair and transparent consignment system between micro, small, and medium business suppliers and retailers with large supermarkets to improve the system of payments; and 8) extend micro-lending services to more than 3,000 women in poor communities in Java through a new branch credit system.

## US Financing in Thousands of Dollars

Indonesia

	DA	ESF
497-011 Promoting Economic Growth		
<b>Through September 30, 2001</b>		
Obligations	60,519	22,625
Expenditures	45,191	6,259
Unliquidated	15,328	16,366
<b>Fiscal Year 2002</b>		
Obligations	5,623	11,500
Expenditures	13,259	13,048
<b>Through September 30, 2002</b>		
Obligations	66,142	34,125
Expenditures	58,450	19,307
Unliquidated	7,692	14,818
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2003 NOA</b>		
Obligations	6,494	11,000
<b>Total Planned Fiscal Year 2003</b>		
Obligations	6,494	11,000
<b>Proposed Fiscal Year 2004 NOA</b>		
Obligations	4,850	11,000
Future Obligations	0	0
Est. Total Cost	77,486	56,125

## Data Sheet

<b>USAID Mission:</b>	Indonesia
<b>Program Title:</b>	Natural Resource Management
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	497-012
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$9,300,000 DA; \$1,500,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$6,141,000 DA; \$1,500,000 ESF
<b>Year of Initial Obligation:</b>	FY 1998
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** This program strengthens local management of Indonesia's forests, protected areas, coastal zones, and mineral resources. While Indonesia ranks first in the world in plant and marine biodiversity and second in the area of tropical forests, these natural resources are under relentless pressure. Decentralization has devolved authority over natural resource management to local governments that are often ill-prepared to assume these new responsibilities. With control of vast areas of wealth at stake, natural resource management can be a contributing factor to conflict in strategic areas of Indonesia. Improving local capacity to manage natural resources in a transparent and equitable manner is an essential step to realizing more sustainable resource use, the maintenance of ecosystem functions, and the conservation of biological diversity. USAID's program provides technical assistance and training at the national and local level to: improve protected forest management and agro-forestry practices; establish effective community-based coastal management; promote orangutan habitat protection; and improve mining regulation and coal seam fire suppression.

### Inputs, Outputs, Activities:

#### FY 2003 Program:

Forest and Coastal Resource Management (\$7,750,000 DA). USAID's programs will build local capacity to manage significant forest, coastal, and mineral resources in East Kalimantan, North Sulawesi, Papua, Sumatra, and West Java. USAID technical advisors will help the central government set policies that facilitate the decentralized natural resource management process, and encourage the formation of pluralistic local and regional natural resource management advisory boards and site-management plans for protected areas, vital watersheds, and coastal areas, while linking these management models to the creation and implementation of national policies that encourage replication of these models throughout Indonesia. (International Resource Group (prime), University of Rhode Island (prime), Conservation International (sub), Winrock International (sub), and Academy of Educational Development (prime)).

Agro-forestry (\$1,000,000 DA). USAID will promote good local stewardship and better management of key habitats and natural resources through the expansion of activities promoting alternative rural income generation in areas adjacent to lands with high conservation value. Activities will include training "slash and burn" subsistence farmers in alternative techniques, improving market linkages, and developing more diversified income generation opportunities. USAID will provide technical assistance and training in conflict prevention and crisis resolution techniques to local governments and NGOs to address ethnic violence originating from conflicts over natural resource use rights. (International Centre for Research in Agro-forestry (prime), Indonesian NGO Consortium on Environment - Kemala Foundation (prime)).

Orangutan Habitat Conservation (\$1,500,000 ESF). USAID will expand its program in North Sumatra to include an anti-poaching and orangutan trafficking public awareness campaign. In Borneo, USAID will expand its program at Tanjung Puting National Park to address underlying local rural income generation issues leading to threats to the survival of orangutans in the wild. (Conservation International (prime), The Nature Conservancy (prime), World Education (prime), World Wildlife Fund (prime), and Orangutan Foundation International (sub)).

Mining regulation and coal seam fire suppression (\$550,000 DA). USAID will provide technical assistance to help coal mines increase profitability through pollution prevention, and provide training for regional government mine inspectors, for local governments in coal-seam fire suppression (a leading cause of forest fires in Indonesia), and for Ministry of Environment staff on developing mining discharge regulations and permits. USAID will provide technical assistance to the Ministry of Forestry to develop its capacity to conduct assessments and regulate mines in forested areas under their jurisdiction. (U.S. Department of Interior, Office of Surface Mining).

**FY 2004 Program:**

Forest and Coastal Resource Management (\$4,000,000 DA). USAID may expand this program to include a campaign against non-sustainable coastal and fishery practices.

Agro-forestry (\$1,641,000 DA). USAID intends to fund this program at a higher level, following its expansion in 2003.

Orangutan Habitat Conservation (\$1,500,000 ESF). Additional ESF resources will allow USAID to expand orangutan habitat protection activities on Indonesian Borneo and in North Sumatra.

Mining regulation and coal seam fire suppression (\$500,000 DA). USAID anticipates continuing this program.

**Performance and Results:** USAID-supported site management plans are being replicated rapidly as other regions learn of the benefits of participatory and transparent management of natural resources. About 950,000 hectares of forest and coastline were better managed and protected in 2002, and the Government made 180 policy decisions in a participatory and transparent manner with local communities.

The Bunaken National Marine Park now generates sufficient revenue, through visitor fees, to fully fund the daily operational costs of patrolling and managing the park. As a result, there has been a virtual cessation of blast and cyanide fishing. Coral reefs inside the marine park increased by an average of 10 percent in 2002. Bunaken is being used by the national government as its model for drafting policy guidance authorizing local co-management of all national parks. The number of North Sulawesi villages participating in USAID-sponsored community-based coastal zone management plans rose in 2002 from 5 to 30, contributing to improved fish diversity, fish abundance, and coral reef growth. More than 60 percent of monitored sites experienced a 10 to 20 percent increase in hard coral from 1997 to 2002.

In East Kalimantan, the USAID-sponsored West Kutai Regional Forestry Planning Group received \$100,000 from the local government and has mobilized nearly \$550,000 from the private sector and other donors. Six other districts in East Kalimantan are now replicating this management model. In the Berau Peninsula, USAID's orangutan program documented the existence of a viable population of nearly 2,000 orangutans. As a result of USAID's support timber companies operating in the area voluntarily set aside key habitat areas for conservation and designated other areas for selective, low-impact cutting to reduce pressure on the population of orangutans. Office of Surface Mines (OSM) efforts to reduce coal dust pollution discharges to the Mahakam River Basin helped the five coal companies in the area recover 15 percent to 27 percent of their product lost due to poor processing.

USAID established three public-private alliances in 2002 to improve natural resource management. An alliance with British Petroleum (BP) in Papua will build local government and civil society capacity to effectively manage the significant revenues to be generated through BP's development of natural gas resources. An alliance with The Nature Conservancy, World Wildlife Fund, and corporations such as Home Depot is combating illegal logging by encouraging demand for certified and legal wood products in major importing countries. An alliance with ACDI/VOCA and corporations such as Masterfoods is promoting sustainable cocoa growth by improving the quantity and quality of smallholder-grown cocoa.

## US Financing in Thousands of Dollars

Indonesia

	DA	ESF
497-012 Natural Resource Management		
<b>Through September 30, 2001</b>		
Obligations	66,970	1,800
Expenditures	58,148	16
Unliquidated	8,822	1,784
<b>Fiscal Year 2002</b>		
Obligations	10,087	0
Expenditures	6,832	917
<b>Through September 30, 2002</b>		
Obligations	77,057	1,800
Expenditures	64,980	933
Unliquidated	12,077	867
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2003 NOA</b>		
Obligations	9,300	1,500
<b>Total Planned Fiscal Year 2003</b>		
Obligations	9,300	1,500
<b>Proposed Fiscal Year 2004 NOA</b>		
Obligations	6,141	1,500
Future Obligations	0	0
Est. Total Cost	92,498	4,800

## Data Sheet

<b>USAID Mission:</b>	Indonesia
<b>Program Title:</b>	Energy Sector Reform
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	497-013
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$2,000,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$2,000,000 DA
<b>Year of Initial Obligation:</b>	FY 2000
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** The energy sector is a major component of the Indonesian economy, generating nearly 30 percent of total Government of Indonesia (GOI) revenues and significant foreign exchange. However, the sector is plagued by corruption, weak policies, monopolistic and inefficient production and distribution, and wasteful consumption. Energy subsidies are being phased out, but continue to burden the state budget. USAID's program to improve the efficiency and transparency of the energy sector includes technical assistance and training to: accelerate implementation of legal and regulatory reforms governing the oil and gas and electricity sectors; strengthen GOI capacity to analyze and set energy policy; broaden public participation in energy sector reforms; eliminate subsidies to rationalize energy prices; and increase investment in environmentally friendly energy production and use.

### Inputs, Outputs, Activities:

#### FY 2003 Program:

Accelerate implementation of key energy sector policy and legal reforms (\$1,500,000 DA). USAID will fund technical assistance and training to assist the GOI in developing regulations and guidelines to implement the new Oil and Gas Law and the Electricity Law (both laws were drafted with USAID assistance), and assist in the establishment and initial operation of the independent Regulatory Board for downstream oil and gas operation. USAID advisors will work with government and non-governmental institutions to help Indonesia achieve its planned 50 percent reduction of energy subsidies in 2003, including efforts to help the public understand why prices will rise. Technical assistance will support efforts to develop alternative fuels for kerosene and assist in the drafting and passage of a new law governing Indonesia's geothermal energy resources. (Advanced Engineering Associates International (prime), and Institute for International Education (prime)).

Increase investment in environmentally friendly energy production and use (\$500,000 DA). USAID will expand the renewable energy development program to increase the efficiency and performance of existing electricity generating facilities and reduce greenhouse gases. (Albany Research Center, U.S. Department of Energy (prime), Winrock International (prime), International Council for Local Environmental Initiative (sub) and the Indonesian Foundation of Environment Management (sub)).

A public-private alliance initiated with funding from the USAID Asia and Near East Bureau will focus on reducing air pollution through efficiency improvements within the public bus system, reduced reliance on private cars, and the introduction of cleaner public buses. (The Institute of Transportation and Development Policy, Pelangi Indonesia (Indonesia Rainbow), the Transportation Research and Injury Prevention Program, the Jakarta City Government, the Infrastructure Development Finance Company, and the Clean Air Initiative for Asian cities).

#### FY 2004 Program:

Accelerate implementation of key energy sector policy and legal reforms (\$1,000,000 DA). USAID plans to initiate new technical assistance and training activities to help establish an independent Electricity Market Supervisory Board and implement open downstream oil and gas operations.

Broaden and increase knowledgeable public participation in energy reforms (\$500,000 DA). USAID may expand technical assistance and training to improve the capacity of regional universities and local governments in three energy-rich provinces to help them better understand their role in managing the energy sector under regional autonomy. Specific efforts may include developing regional energy policies, strengthening energy economics and policy analysis, and fostering grass-roots support for energy reform.

Increase investment in environmentally friendly energy production and use (\$500,000 DA). USAID may expand the promotion of renewable energy development to improve and coordinate both supply and demand side management, and reduce greenhouse gasses and air pollution from transportation.

**Performance and Results:** USAID helped Indonesia take another major step in 2002 towards the reduction of energy subsidies. A 57 percent cut in petroleum subsidies saved the state budget approximately \$2.5 billion. USAID technical assistance led directly to the enactment of a new electricity law in September 2002. The new law mandates the restructuring of the industry, introduces competition (initially in generation and eventually in the retail market for electricity), abolishes the uniform tariff system, and calls for the establishment of a new independent Electricity Market Supervisory Board. USAID provided training on electricity regulations, consumer advocacy, utility management, and integrated resource management for 150 people from local governments, NGOs, the State Electricity Company (PLN), and the Ministry of Energy and Mineral Resources who will play key roles in implementing the new law. Local governments are improving their capacity to manage energy resources under Indonesia's comprehensive decentralization program. In collaboration with the State Electricity Company and regional universities, USAID helped set up regional energy forums in the resource-rich provinces of Riau and East Kalimantan, and trained more than 100 local government officials and regional university lecturers on the electricity business and tariff setting.

## US Financing in Thousands of Dollars

Indonesia

497-013 Energy Sector Reform	DA
<b>Through September 30, 2001</b>	
Obligations	5,823
Expenditures	382
Unliquidated	5,441
<b>Fiscal Year 2002</b>	
Obligations	1,500
Expenditures	1,095
<b>Through September 30, 2002</b>	
Obligations	7,323
Expenditures	1,477
Unliquidated	5,846
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2003 NOA</b>	
Obligations	2,000
<b>Total Planned Fiscal Year 2003</b>	
Obligations	2,000
<b>Proposed Fiscal Year 2004 NOA</b>	
Obligations	2,000
Future Obligations	0
Est. Total Cost	11,323



**Data Sheet**

**497-XXX: No Summary and/or Pillar information entered for this SO.**

**Data Sheet**

**497-YYY: No Summary and/or Pillar information entered for this SO.**