



European Union Development Cooperation
in Indonesia: 2009

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Foreword



Julian Wilson
Ambassador / Head of Delegation
European Union



Ewa Polano
Ambassador of Sweden
EU Presidency

We are pleased to welcome you to the fourth edition of the European Union (EU) cooperation activities report in Indonesia. The objective of this report is to provide an overview, of the nature and extent of the EU's official development assistance (ODA) to Indonesia covering both the contributions of the individual Member States as well as that of the executive, the European Commission. It also provides general and updated information about the EU institutions and overall EU development policies. Sustainable development helps create a more stable and peaceful world and consequently the EU's priority target is poverty reduction. As a result the EU currently provides over 55 % of all official worldwide development assistance.

Furthermore, the EU as a major trading block supports strong pro-development multilateral commitments whereby global trade policies provide powerful avenues for development. Therefore, in addition to WTO commitments, the EU's generous preferential concessions for developing countries to access the European single market provide a very powerful development framework for stability, sustainable growth and poverty reduction.

In Indonesia, the overall EU cooperation objective is to support the Government of Indonesia's policies, as reflected in the Government's Medium Term Development Plans, within the

framework of the overall development policies of the EU as outlined in the 2006 EU Consensus on Development. And it can be seen from this report that EU development cooperation has historically been focused on Environment, Education and Health, Government and Civil Society and Post-Disaster Reconstruction. Over 2006 to 2008 reflecting the changing circumstances of Indonesia, increased emphasis has been given to Environment/Climate Change, Education, and Water and Sanitation.

With the Jakarta Commitment in January 2009, firm principles were established for future development cooperation between the EU and Indonesia. The Commitment builds upon the Paris Declaration on Aid Effectiveness, which will strengthen local ownership of development assistance through strengthened government systems and focussed capacity building. The Commitment also aims to extend the dialogue with EU partners to securing access to alternative financing for development and thereby moving Indonesia very clearly from being an aid recipient to being a full development partner.

Looking forward, the full potential of our relationship is yet to be fulfilled. The 2009 Partnership and Cooperation Agreement between the EU and Indonesia will provide a firmer framework for our relationship in terms of political profile and range of dialogue. The agreement seeks to address new challenges in an era of political and economic globalisation, providing a modern, forward-looking framework for a strong and sustainable partnership. We hope you find that this Blue Book provides you with an adequate overview of at least a part of our ever widening and deepening relationship with Indonesia



Julian Wilson

Ewa Polano

Acronyms

ADB	Asian Development Bank
AECI	Spanish Agency for International Cooperation
AECID	Spanish Agency for International Development Cooperation
AFD	Agence Française de Développement
AIDS	Acquired Immune Deficiency Syndrome
ASEAN	Association of South East Asian Nations
ASEA UNINET	ASEAN-European University Network
Ausaid	Australian Agency for International Development

BAPPENAS	National Development Planning Agency
BRA	Aceh Reintegration Board
BRR	Aceh and Nias Rehabilitation and Reconstruction Agency

CBO	Community-based Organisation
CCPL	Climate Change Programme Loan
CGI	Consultative Group on Indonesia
CSP	Country Strategy Paper

DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DCI	Development Cooperation Instrument
Depdagri	Ministry of Home Affairs
DEMOS	Centre for Democracy and Human Rights Studies
DFID	Department for International Development
DGIS	Dutch Ministry of Foreign Affairs
DIKNAS	Departemen Pendidikan Nasional / Ministry of National Education
DKK	Danish Kroner
DIKTI	Direktorat Jenderal Pendidikan Tinggi

EC	European Commission
ECF	Emerging Countries Facility
ECHO	European Commission's Humanitarian Aid Department
ECIFP	EC-Indonesia Forestry Programme
EDF	European Development Fund
EIDHR	European Instrument for Democracy and Human Rights
EMRP	Ex-Mega Rice Project
ESP	Environmental Support Programme
EU	European Union
EUR	euro

FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FLEGT	Forest Law Enforcement, Governance and Trade

GAM	Gerakan Aceh Merdeka/ Free Aceh Movement
GBP	British Poundsterling
GDP	Gross Domestic Product
GNI	Gross National Income
GoI	Government of Indonesia
GPGs	Global Public Goods (GPGs)
GPOBA	Global Partnership on Output-Based Aid
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit/ German Technical Cooperation



Acronyms

HIV	Human Immunodeficiency Virus
ICI	Institutional Cooperation Instrument
IDP	Internally Displaced Persons
IFCA	Indonesian Forest Climate Alliance
IMF	International Monetary Fund
IPF	Indonesian Partnership Fund
JCLEC	Jakarta Centre for Law Enforcement Cooperation
JICA	Japan International Cooperation Agency
JRF	Java Reconstruction Fund
KLH	State Ministry of Environment (KLH)
KPK	Corruption Eradication Commission
LBH	Legal Aid Institute
LoGA	Law of the Governing of Aceh
MDF	Multi Donor Fund for Aceh and Nias
MDG	Millennium Development Goal
MFA	Ministry of Foreign Affairs
MoHA	Ministry of Home Affairs
MoT	Ministry of Trade
MoU	Memorandum of Understanding
NCCC	National Council of Climate Change
NEEDS	National Economic, Environment, and Development Study
NGO	Non-Governmental Organisation
OBA	Output Based Aid
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PEPI	National Team for Enhancement of Export and Investment
PNPM	National Program for Community Empowerment
PRSP	Poverty Reduction Strategy Paper
RDE	Royal Danish Embassy
REDD	Reduce Emissions from Deforestation and Degradation
RISTEK	State Ministry of Research and Technology
RRI	Radio Republik Indonesia (state-owned radio station)
SIDA	Swedish International Development Agency
SME	Small- and Medium-scale Enterprise
STI	Sexually Transmitted Infections
SWAP	Sector Wide Approach



Acronyms

TAF	The Asia Foundation
TB	Tuberculosis
TII	Transparency International Indonesia
TSP	Trade Support Programme
TTN	National Technical Team

UK	United Kingdom
UN	United Nations
UNDP	UN Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	UN Children's Fund
US(A)	United States (of America)
USD	US Dollar

WB	World Bank
WES	Water, Environment and Sanitation
WFP	World Food Programme
WHO	World Health Organisation
WSP	Water and Sanitation Programme
WTO	World Trade Organisation



The EU in the World

chapter 1

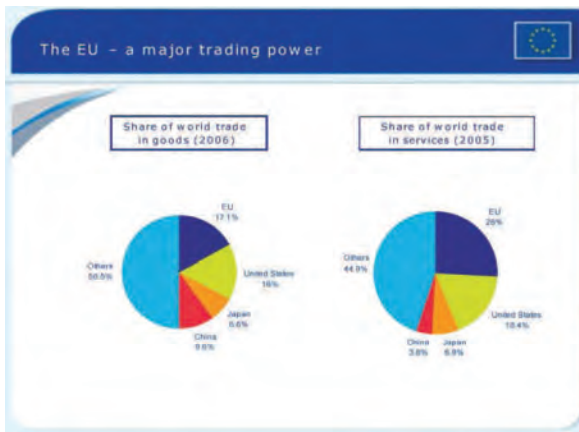


The EU and its Member States are the biggest international donor, providing almost 60% of global aid in 2008.





With nearly 500 million citizens, the collective population of the European Union (EU) is the third largest in the world after China and India. Its sheer size and impact in commercial, economic and financial terms make the EU an important global power. It accounts for the greatest share of world trade - nearly 20 % of global exports and imports - and generates one quarter of global income.



With size and economic power come responsibilities. The EU is the biggest provider of development and humanitarian assistance and has implemented the most generous system of trading benefits for developing countries in the world, including through duty-free and quota-free access to the EU for all products – aside from weapons – exported from least developed nations. Faced with today's complex and fragile world order, the EU is increasingly involved in conflict prevention, peacekeeping and anti-terrorism activities and has taken the lead in dealing with the global response to climate change. The EU is building a Common Foreign and Security Policy (CFSP), through which it speaks with one voice to the rest of the world, and has created a European Security and Defence policy, under which military or police forces can be sent to assist in crisis-hit areas.

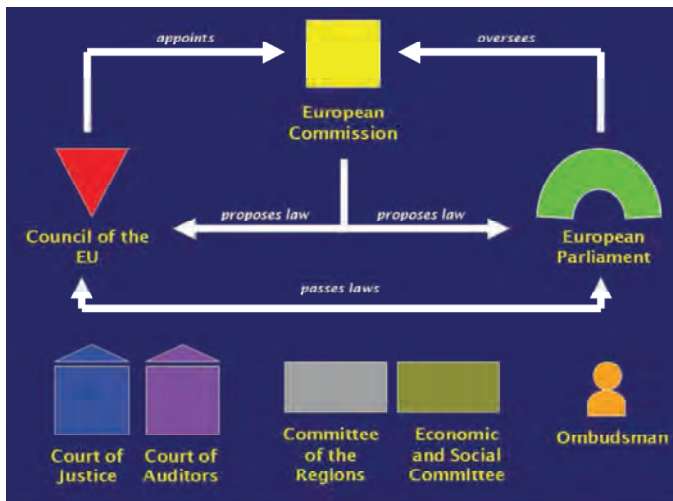
The entry into force of the Lisbon Treaty on 1st December 2009 is a landmark development for the EU, with far-reaching consequences for the way it does business at home and in the wider world. The treaty will make decision-making in the EU more efficient and democratic, with greater use of majority-voting on EU legislation and a bigger say on EU policy and law for the directly-elected European Parliament. On key cross-border issues of mutual concern to the EU and Indonesia – including trafficking of people, arms and drugs – the Lisbon Treaty vests the EU with more power to act collectively.

The highest policy-making body in the EU – the European Council – will now have a more permanent President, serving for a renewable term of 2½ years: the first appointee to this position has been confirmed as Belgium’s Prime Minister, Herman Van Rompuy. The EU will project a more coherent and sustained presence on the world stage with the creation of a powerful new High Representative for the EU’s Foreign and Security Policy – a post assumed by Baroness Catherine Ashton, who also serves as the Vice President of the European Commission in charge of External Relations. 137 Delegations of the EU accredited to Governments and international organisations around the world will support her work, including through the implementation of EU policy and funding programmes.


The EU Architecture: Pooling Resources and Building Common Institutions

Any democratic European country can apply to become member of the EU. In a little over 50 years, the EU has brought together 27 countries which have successfully pooled economic and political resources in the common interest. As such, it serves as a model for cooperation and integration between countries in other regions. The EU is neither a federal state nor an international organisation in the traditional sense, but somewhere between the two. The term ‘supranational organisation’ is used to describe it. The Member States remain independent sovereign nations, but pool their sovereignty, and thus gain much greater collective strength and influence.

There are 3 main EU institutions:



- **The European Commission (EC)** is the executive arm of the EU, representing and upholding the interests of Europe as a whole. It is independent from national governments and consists of a college of Commissioners, appointed every 5 years, with one from each Member



State. It manages the day-to-day business of implementing EU policies and spending EU funds, as well as ensuring that everyone abides by European treaties and laws.

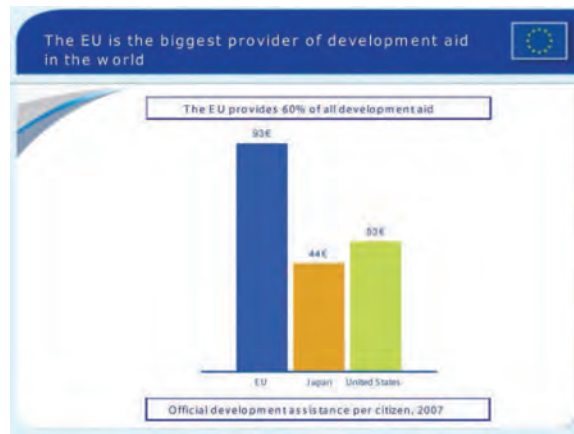
- **The Council of the EU** represents the individual Member States, and consists of Ministers from the national governments of the Member States meeting regularly. Each Member State has votes in the Council of the EU broadly reflecting its population size, but weighted in favour of smaller Member States. The Presidency rotates every 6 months. However, foreign, security and defence matters fall under the new High Representative, Baroness Ashton, who replaces the rotating Presidency in these areas. The Council bears the main responsibility for coordinating policies, concluding agreements and for the common foreign and security policy.
- **The European Parliament** represents the EU's citizens and is directly elected by them every 5 years. It has 736 representatives in total from the Member States. It has the power to dismiss the EC and shares with the Council of the EU responsibility for passing new laws and approving the EU's budget.

The EC drafts proposals for new European laws plus the EU budget, and presents them to the European Parliament and the Council of the EU, which approve or amend them.

Fostering Sustainable Development on a Global Scale

More than 1 billion people around the world live on a euro a day or less. EU development assistance is geared towards poverty reduction, in the recognition that a contribution to sustainable development helps create a more stable and peaceful world. The EU and its Member States currently provide over 55 % of all official worldwide development assistance delivered by the major industrialised countries. In 2006, the total value was € 47 billion, which translates to nearly € 100 per citizen. This compares to € 53 per citizen from the United States and € 69 from Japan. In 2006 European aid rose to 0.42 % of gross national income (GNI), still short of the UN target of 0.7 %. Four EU countries, Denmark, Luxembourg, the Netherlands and Sweden have achieved (and exceeded) the UN target.

The EU has set 2015 as the year for reaching the collective target of 0.7 %, with an interim target of 0.56 % set for 2010.



Climate Change – Collective Action to Tackle the Threat

The EU has taken the international lead in seeking to limit the effects of climate change, including through its support for the Kyoto protocol. It is committed to cutting its carbon emissions by 8% from their 1990 levels in 2008-12. Thereafter the EU intends to cut greenhouse gas emissions by another 20%. The EU has set three key targets to be met by 2020: a 20% reduction in energy consumption compared with projected trends; an increase to 20% in renewable energies' share of total energy consumption; and an increase to 10% in the share of petrol and diesel consumption from sustainably-produced biofuels.

Ten years of the euro: a currency with global reach

The euro was officially introduced in 1999, with notes and coins entering into circulation in January 2002. Sixteen of the 27 EU Member States have adopted the euro as their currency. The euro has become a world currency, second only to the dollar for use in commercial transactions and as a reserve currency for countries around the globe. The euro is also the official currency of three non-EU countries: Monaco, the Vatican City and San Marino. Andorra, Kosovo and Montenegro use it as their de facto currency. A number of countries use the euro as one of the reference currencies to determine their exchange rate policy. These include Botswana, Croatia, Israel, Jordan, Libya, Morocco, Russia, Serbia, Tunisia and the former Yugoslav Republic of Macedonia.

The euro has also made headway in the international bond market, with 46% of outstanding bonds in 2005 denominated in euro.

Use of the main currencies in the world

	1999	2005
US dollar	71.0	66.5
euro	17.9	24.4
yen	6.4	3.6
pound sterling	2.9	3.8
Swiss franc	0.2	0.1
Others	1.6	1.6

Percentage of main currencies in identified reserve holdings of all countries.
Source: IMF, 2006 Annual Report.



Schengen area: free movement of people

One of the most important moves to make life easier for travellers in the EU took place in 1985, when the governments of Belgium, France, Germany, Luxembourg and the Netherlands signed an agreement in a small Luxembourg border town called Schengen. They agreed to abolish all checks on people, regardless of nationality, at their shared borders, to harmonise controls at their borders with non-EU countries and to introduce a common policy on visas. They thus formed an area without internal frontiers known as the Schengen area.

The Schengen package and the secondary legislation derived from it have since become an integral part of the EU Treaties, and the Schengen Area has gradually expanded.

Today, 22 EU countries (Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden), plus Norway, Iceland and Switzerland fully apply the provisions of the Schengen acquis.

Bulgaria, Cyprus, and Romania are not yet fully-fledged members of the Schengen area, since the border controls between them and the Schengen area are maintained until the EU Council decides that the conditions for abolishing internal border controls have been met. However, since the date of accession they do apply parts of the Schengen acquis, in particular in the area of police and judicial cooperation and of external border control.

The United Kingdom and Ireland have chosen to maintain border controls with other EU countries and are therefore outside the Schengen area (although they have been authorised to apply some of the provisions on police and judicial co-operation in criminal matters).

More information:

http://europa.eu/abc/travel/doc/index_en.htm

<http://ec.europa.eu/youreurope/nav/en/citizens/travelling/schengen-area/index.html>





Courtesy of UNICEF



Courtesy of UNICEF



Courtesy of UNICEF



EU Cooperation
Policies

Chapter 2



chapter 2 | EU Cooperation Policies



The MDGs clearly define a set of targets to be achieved by 2015 and are an anchored basis for developing tangible action plans. 2008 marks the midway point in country and donor efforts, and provides an opportunity to assess achievements thus far, refine targets and plans, and reinvigorate commitment.



A Policy Framework for EU Development Assistance

The primary objective of European Union (EU) development cooperation is poverty eradication in the context of sustainable development, including the pursuit of the Millennium Development Goals (MDGs).

At the 2000 Millennium Summit the international community, including the EU, adopted 8 Millennium Development Goals (MDGs), with specific targets:

- Eradicating poverty and hunger in the world
- Achieving universal primary education
- Strengthening gender equality
- Reducing child mortality
- Improving maternal health
- Combating HIV/AIDS, malaria and other diseases
- Ensuring environmental sustainability
- Developing a global partnership for development.

The aim is to reduce extreme poverty in the world (people who live on \$ 1 a day or less) by 2015. In line with these goals, EU assistance aims to improve basic physical and social infrastructures and productive potential as well as to strengthen democratic state institutions. Achieving these can also help poor countries benefit from international trade opportunities and attract more inward investment to broaden their economic base.

The European Commission (EC) and the national parliaments of the EU Member States closely coordinate their activities in providing this support. National EU Member State Parliaments play an important role in shaping and overseeing EU development policy and funding, thus ensuring that activities of the EU and the Member States complement each other. Such coordination avoids duplication of effort and boosts efficiency and effectiveness.

The EC also works closely with other EU institutions concerned with development or international trade, as well as the Council of the EU, keeping an eye on policy areas which affect or are affected by development assistance.





On 20 December 2005 the Presidents of the Commission, Parliament and the Council signed the statement on EU development policy, the "[European Consensus](#)", which defines a framework of common principles. The EU and its Member States have agreed to implement their development policies in a spirit of complementarity, providing a joint development policy for the EU's Member States and a joint commitment to increase the amount of funding provided for assistance, to assist countries to achieve the MDGs. It consists of two key elements:

Element One: [The EU's vision of development](#)

The common principles of development cooperation activities are ownership, partnership, in-depth political dialogue, civil society participation, gender equity and ongoing commitments to prevent state fragility. National ownership, donor coordination and harmonisation, alignment with recipient-country systems, and results orientation are core principles for the assistance. The EU is equally committed to promoting better coordination, complementarity and consistency between donors, via joint multiannual programming.

Element Two: [Implementation of EU development policy](#)

EU policy and the policies of the Member States in this field complement each other. The type of assistance provided will be tailored to the needs and context of each individual country. The EU has developed a **Code of Conduct** to enhance complementarity and the **division of labour** amongst EU donors (EU and Member States) in recipient countries.

The Code of Conduct was adopted on 15 May 2007 by the General Affairs and External Relations Council and the representatives of the governments of the Member States meeting within the Council. It defines the operational principles of complementarity in development cooperation, so that each donor focuses assistance on areas where it can add most value, given what others are doing, and thus increases the effectiveness of assis-



The MDGs are a set of benchmarks that focus on reducing extreme poverty, reducing child and maternal mortality rates, fighting disease and epidemics, and building global development partnerships to improve social and economic conditions in poorer countries. The eight MDGs evolved from the United Nations Millennium Declaration adopted by world leaders in 2000 and represent both a consensus and commitment to more effective and sustainable development.





tance. It builds on the principles contained in the **Paris Declaration** concerning the effectiveness of development assistance (ownership, alignment, harmonisation, management by results and mutual responsibility) and concerning the complementary objectives and values stressed in the **European Consensus**. This has led donors to concentrate their actions on a smaller number of sectors for more effective focus.

It is agreed within the EU that aid and other forms of assistance are insufficient, on their own, to generate achievement of the MDGs. They need to be part of a coherent strategy for achieving the goals. Applying the principle of **Coherence**, therefore, aims to integrate sustainable development into all EU policies, based upon the principle that policies cannot be effective if developed in isolation. For more effective assistance, in line with the Paris Declaration, donor harmonisation and alignment with the partner countries' own strategies is therefore needed, in the interests of efficiency gains and lower transaction costs.

Overall, EU assistance aims to give disadvantaged people in the developing world control over their own development. The



EU policy milestones



EU similarly uses development cooperation as a way to promote human rights, gender equality, and prevent conflicts. Equally, trade is an important catalyst for growth and poverty reduction in developing countries, as can be seen in the recent successes for China, India and Indonesia. **Aid for Trade** has therefore developed into a very important factor in this context, geared to generating growth, employment and incomes.

The EU delivers its assistance in many ways — direct cooperation with governments, implementing individual projects (often through NGOs), humanitarian aid, crisis prevention assistance and support for civil society. An increasing share of the assistance is provided as general and sector budget to enhance local ownership and harmonisation. Assistance can be provided through grants or by concessional loans where they do not conflict with agreed fiscal policies, and there are a variety of channels available for the disbursement.

The assistance may be provided by the EU or by the Member States directly. Alternatively funds may also be provided through multilateral organisations (the World Bank or the Asian Development Bank, for example).



The EU has identified other priority areas where the challenge of coherence with development policy objectives is considered particularly relevant. They are Trade, Energy, Security, Agriculture, Fisheries, Migration, Research and Innovation, the Information Society, Transport and Social Dimensions of Globalisation, Promotion of Employment and Decent Work.





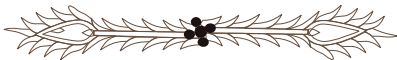


EU Cooperation
in Indonesia

chapter 3



The comprehensive EU-Indonesia Partnership and Cooperation Agreement (PCA), which was signed on 9 November 2009, is the first of its kind between the EU and ASEAN countries



Overview of EU Cooperation in Indonesia

The European Union (EU) is the world's foremost donor of development aid, accounting for almost 60% of the total. Overall EU Cooperation in Indonesia includes both significant programmes of assistance from individual Member States as well as an important contribution made by the EU. This assistance is designed to support the Government of Indonesia's (GoI) policies, as reflected in the Government's Medium Term Development Plans. It also follows the framework for overall development cooperation policies of the EU as outlined 2006 Declaration on the EU Consensus on Development.

The emergence of Indonesia as a Middle Income Country has brought about new relationships with development partners, as new forms of cooperation are built using a wider range of implementation modalities. Indonesia is now moving from measuring 'aid' effectiveness to 'development' effectiveness, targeting specific sectors with a view to better focus, concentration and sustainable impact.

Consequently, in order to make our partnerships more coherent and aligned with government policies, EU assistance is progressing from project-based forms of support to broader programme and sector-wide approaches by concentrating upon sectors where there is considerable room for performance improvement. EU Member State partners, such as Germany have narrowed the number of sectors to be supported, to enhance and increase effectiveness. The UK is focusing upon those MDGs which are presently off-track, to directly address mutually agreed areas of weakness. France and Spain are providing concessional loans to sectors such as Environment/ Climate Change and Industry & Trade respectively. The European Commission and the Netherlands are providing funds via multi-donor funding arrangements and in concert with other multilateral agencies. The movement away from an exclusively project approach to a more sector programme configuration is already well established.

It was necessary in the recent past, to put a heavy emphasis on Post-Disaster Reconstruction in Indonesia. And it is generally acknowledged that the relief and reconstruction support provided to Aceh, Nias and Yogyakarta have met their objectives and these affected regions have moved beyond the immediate post-disaster reconstruction stage. Consequently, over the period 2006-2008, EU contributions for Post-Disaster Reconstruction have been declining and will be complete by 2012. The table below shows the sectors which have been supported by the EU, including both grant and loans Programmes

Summary of Total EU Assistance to Indonesia - in euro

Sectors	2006	2007	2008	Total
Education	46,132,662	52,296,515	61,459,900	159,889,078
Health	47,652,932	49,289,532	35,465,118	132,407,582
Water Supply and Sanitation	13,359,681	23,170,473	26,670,791	63,200,946
Agriculture, Forestry and Fisheries	14,598,081	12,334,572	9,430,245	36,362,898
Environment / Climate Change	7,594,836	7,826,442	175,151,124	190,572,402
Government and Civil Society	45,276,117	42,507,559	49,755,228	137,538,904
Trade and Tourism	5,349,165	4,159,461	1,597,734	11,106,360
Private Sector and Economic Development	10,169,858	27,282,842	15,794,125	53,246,825
Transport	20,133,265	23,282,546	42,490,898	85,906,708
Conflict Prevention, Peace and Security	3,719,610	1,523,099	3,080,227	8,322,936
Post-Disaster Reconstruction	209,754,917	151,908,815	45,238,821	406,902,552
Emergency Assistance	31,269,809	9,187,046	9,754,990	50,211,844
Others	4,796,102	5,198,527	4,148,358	14,142,987
TOTAL	459,807,034	409,967,430	480,037,558	1,349,812,022

Two observations can be made:

- Most EU development cooperation (76%) has been focused in 4 domains Post-Disaster Reconstruction, Environment/Climate Change, Government and Civil Society, Education and Health. Other sectors have also received support from both the EU and its Member States in varying amounts.
- Over the period 2006-08, the nature of cooperation assistance has changed, reflecting the changed circumstances of Indonesia, with a noticeable growth in support to Environment/Climate Change, Water Supply and Sanitation, and Education. Similarly, the figures show a marked drop in financial support for Post-Disaster Reconstruction, Emergency Assistance and Health.

With the Jakarta Commitment in January 2009, firm principles have been established for future development cooperation between the EU and Indonesia. The Commitment builds upon the Paris Declaration on Aid Effectiveness in formulating a roadmap for future cooperation. The aim will be to strengthen local ownership of development assistance through strengthened government systems and focussed capacity building. The Commitment also aims to extend the dialogue with EU partners to securing access to alternative financing for development and thereby moving Indonesia very clearly from being an aid recipient to being a full development partner.





sectors

Education

Health

Environment/Climate Change

Water Supply & Sanitation

Trade & Economic Cooperation

Post-Disaster Reconstruction

Conflict Prevention, Peace & Security

Government & Civil Society



education



Picture courtesy of the Embassy of the Federal Republic of Germany



Picture courtesy of the Embassy of Austria

Education reform has been central to the Government of Indonesia's Medium Term Development Plan (MTDP) 2004-2009 as part of strategies to raise living standards and supply more market-responsive secondary school and higher education graduates. The outlook is that education will remain a priority in the MTDP 2010-2014.

Progress in implementing education reform policies and targets, set out in the education Renstra (Strategic Planning) 2005-2009 have been very encouraging. Access within all sub-sectors has expanded significantly, especially secondary education. Performance indicators for education quality and standards (e.g. exams scores, schools being accredited) have also shown an upward trend. The highest priority has been accorded to putting in place a comprehensive legislative/regulatory framework and organisational structures, including setting up boards of national education standards and school/higher education organisation accreditation over 2004/06, which are now fully operational.

High level political leadership, ownership and commitment to reforms have been evident throughout the period, alongside evidence of growing managerial and implementation capacity at various levels. Increased and more predictable resourcing of the sector has been a key feature, reflected in the Government's commitment that 20% of public expenditure will be devoted to education.

A number of challenges remain. One is reducing provincial/district disparities in access to high quality basic education, alongside



**Goal 2:
Achieve Universal
Primary Education**

Target 1:
Ensure that, by 2015,
children everywhere, boys
and girls alike, will be able
to complete a full course
of primary schooling

speeding up the supply of high quality senior secondary and higher education graduates. A second challenge is to sustain improvements in education quality/standards. A third challenge is to sustain improvements in planning and managerial capacity, especially at district and frontline service levels. A final challenge is to ensure equitable and effective education financing, setting out the respective roles of the Government, a significant private sector and communities/households.

An initial assessment¹ of the draft education Renstra 2010-2014 indicates that the revised policies and strategies go a considerable way to meeting these challenges. Primary and junior secondary school operational financing will be increased by around 50% to help reduce access cost barriers. Teacher upgrading and deployment strategies will be accelerated. Coverage of school, non-formal and higher education accreditation services will become nationwide and mandatory for issuing school leaving certificates. The expansion of senior secondary, technical vocational and higher education opportunities will be located within a more robust legislative, regulatory and financing framework for public/private partnership. Initial strategies are also articulated within Renstra 2010-2014 for implementing a sector wide governance and accountability framework. The 2009 education institutional autonomy law and regulations will go some way in informing implementation planning.

A further challenge will be to ensure that education Renstra 2010-2014 strategies and programmes are cost-effective and financially sustainable. The introduction of medium-term expenditure framework (MTEF), programme based budgeting (PBB) reforms and use of minimum service standards to identify strategy and spending priorities constitute an early opportunity to meet these challenges.

Assistance from the EU and its Member States is well aligned with these priorities. The EU-supported Basic Education Sector Capacity Support Programme (BE SCSP) and the Netherlands supported Basic Education Trust Fund (BETF) and the joint EU/Netherlands Basic Education Capacity Trust Fund (BECTF) are focusing on country capacity for sector policy/strategy dialogue, analysis of good practice for capacity assessment and development planning and advancing a sector wide approach.

¹Conducted as part of the EU Education Sector Policy Support Programme formulation mission, in EU partnership with AusAID, over February/May 2009



EU Support in the Education Sector (EUR)

EU + Member States	2006	2007	2008	Total
Austria (Higher Education)	369,937	365,358	455,286	1,190,581
Belgium	0	83,573	0	83,573
EU	6,569,560	2,539,277	5,667,186	14,776,024
France	1,500,000	1,500,000	1,500,000	4,500,000
Germany	22,284,649	12,237,204	8,597,565	43,119,418
Italy	188,000	163,000	161,000	512,000
Luxembourg	81,284	58,556	203,390	343,230
The Netherlands (Basic and Higher Education)	15,000,000	35,200,000	44,700,000	94,900,000
Portugal	2,250	2,250	25,473	29,973
Spain	136,982	147,297	150,000	434,279
TOTAL	46,132,662	52,296,515	61,459,900	159,889,078

The Netherlands has also been supporting decentralised management of basic education in under-served provinces/districts, youth skills development, capacity development for implementing the teacher upgrading programme and institutional linkages and twinning in higher education. The EU and its Member States such as Austria, Belgium, Czech Republic, France, Greece, Germany, Italy, the Netherlands, Portugal, Romania, Slovakia and the United Kingdom have been supporting overseas scholarships for key sectoral leaders and managers as well as academic cooperation and research initiatives.

A key characteristic of EU and Netherlands development cooperation has been to help advance aid effectiveness and harmonisation policies in the sector. The EU and its Member States are signatories of the Jakarta Commitment on Aid Effectiveness in early 2009. EU and the Netherlands development practice has been consistent with these aid effectiveness principles through delegated authority and contribution agreements on their assistance with multi-lateral agencies such as the World Bank, Asian Development Bank, ILO and UNICEF



EU sponsored teacher training in active learning techniques has also built confidence and motivation to use them, and has improved learning.



A key feature is that increasingly EU and Netherlands assistance is aligned with country planning and implementation systems. The anticipated EU basic education sector policy support programme (SPSP) will be fully aligned with country sector priorities, results monitoring systems and public financial management systems. As part of implementing the Jakarta Commitment, the EU SPSP is being jointly designed with AusAID, with the prospect of joint results monitoring process, joint annual performance reviews and a jointly-financed analytical/ capacity development partnership. It is anticipated that the analytical/ capacity development partnership will provide the opportunity for institutional twinning, study tours, consulting services and other forms of technical cooperation, sourced from national, regional and international sources, including EU Member States.



EU funding has helped to increase girls access to education



In the field of higher education, France has focussed its action in two areas, the first concerns developing academic and research cooperation aimed at setting double degree programmes and joint research projects, the second concerns cooperation with the Directorate General of Higher Education, Ministry of National Education (DIKTI) in capacity development at master level for their young lecturers.

INDICATOR	1990	PRESENT*	TARGET	REMARKS	STATUS	
GOAL 2. ACHIEVING UNIVERSAL BASIC EDUCATION						
Target 2A. Ensure that by 2015, boys and girls alike will be able to complete a full course of primary schooling						
2.1	Net enrolment rate in primary education (SD)	88.7%	94.7%	100%	Increasing	▶
2.1a	Net enrolment rate in junior high education level (SMP)	41.9%	66.5%	100%	Increasing slowly	▶
2.2	Proportion of pupils starting grade 1 who reach last grade of primary	75.6%	81.0%	100%	Increasing slowly	▶
2.2a	Proportion of pupils starting grade one who complete primary school	62.0%	74.7%	100%	Increasing slowly	▶
2.3	Literacy rate of the population aged 15 -24 years	96.6%	99.4%	100%	Increasing	▶

From *Let's Speak Out on the MDG's*, publisher: UN - Bappenas, October 2008

health



Indonesia's progress in health outcomes has owed much to the expansion of public health provision in the 1970s and 1980s, and programmes in family planning. Most Millennium Development Goals in Health are on track. However, new challenges have emerged as a result of social and economic changes. Disease patterns have become more complex. Indonesia is in the midst of an epidemiological transition in which non-communicable diseases (e.g. cardiovascular) are increasingly important, whilst infectious diseases (TB, malaria, respiratory infections, diarrhoea) remain a significant burden.

In many provinces, infant and child mortality rates compare unfavourably with some of the poorest countries in Asia, as do maternal mortality rates. The vaccination rate for measles is the lowest in the region. Approximately 19% of women of child-bearing age are anaemic. HIV/AIDS transmission is most intense in some urban areas, with rising prevalence amongst groups with high risk behaviour. Increasing numbers of cases of Avian Flu and other emerging epidemics pose challenges for the health system.



**MDG 6:
Combat HIV/AIDS,
Malaria And
Other Diseases**

Target 1:
Have halted by 2015
and begun to reverse
the spread of HIV/AIDS

Target 2:
Achieve, by 2010,
universal access to
treatment for HIV/AIDS for all
those who need it

Target 3:
Have halted by 2015 and
begun to reverse the incidence
of malaria and other major
diseases

Performance of public health services is declining. Health financing is low and inequitable, and is overwhelmingly private, with individuals providing most financing out of their pockets - at the time health services are received. Health expenditure has increased substantially since 2000, but is still below 1% of GDP, and with only 4.5% of total expenditure in the Health sector, Indonesia lags behind regional levels of expenditure. 70% of the government's health budget is provided through local governments, many of which are poorly equipped to cope.

The major European donors in the sector have been the EU and the UK. Poland, Austria and Hungary have provided assistance at localised project levels, through hospital construction, reconstruction and providing equipment. Spain has assisted in family planning, the fight against tropical and lethal diseases, and combating AIDS and Avian Flu. Most existing EU-funded projects have either recently finished, or are due to finish in 2009.

EU Support in the Health Sector (EUR)

EU + Member States	2006	2007	2008	Total
Austria	199,391	28,497	12,789	240,677
Belgium (social sectors)	0	184,247	0	184,247
EU	10,809,729	10,030,381	1,931,848	22,771,958
Germany	14,989,561	24,182,523	27,260,241	66,432,325
Poland	60,000	60,000	46,500	166,500
Spain	121,200	380,800	266,173	768,173
UK	21,473,051	14,423,084	5,947,567	41,843,702
				0
TOTAL	47,652,932	49,289,532	35,465,118	132,407,582



The EU Delegation's interventions from 2002-2006 emphasised support for basic health services as part of good governance. The project, 'Support to Community Health Services', started in 2003 and finished in 2008. Its overall objective was to improve population health and nutritional status, particularly for the poor, through community health systems.

The EU Delegation is the 1st major donor to focus upon human contagion in Avian Flu, with Indonesia being the country with the highest number of human infections, with 141 cases to date, and 115 deaths. The main focus of the project administered by the WHO is to support the Government of Indonesia to strengthen case management; strengthen human disease surveillance; promote healthy food markets and risk communications; and conduct epidemiological research. In addition, through the World Bank administered Avian and Human Influenza Facility, the EU supports the Government in improving chicken culling compensation, restructuring poultry industries and improving vaccination amongst poultry.

Other EU interventions in the Health Sector provide support for:

- Reducing HIV-related risk behaviour, establishing comprehensive prevention and care of 'Injecting drug use' related HIV, and improving local capacities;
- Improving access to quality primary health care services and integrating STI and HIV/AIDS care into the services in Papua;
- Providing an integrated response to high levels of Malaria Incidence in Timor islands.

The UK has collaborated with UNICEF and UNDP in the health sector, also on improved maternal health, as well as on increasing local capacities to address HIV/AIDS infections. Over the period and into 2009, the UK is funding 4 major programmes:

- Improved Maternal Health in Indonesia (£6 million: 2005-09). Implemented by UNICEF in 7 provinces of Indonesia, seeking to improve health services, systems and behaviours which influence pregnancy and birth outcomes;
- Safer Motherhood Project, Nusa Tenggara (£4.2 million: 2006-09). Nusa Tenggara is amongst the poorest provinces in Indonesia. Implemented with GTZ of Germany, it aims to increase access to maternal health care and improve maternal

MDG 4: Reduce Child Mortality

Target 1:

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

MDG 5: Improve Maternal Health

Target 1:

Reduce by three quarters the maternal mortality ratio

Target 2:

Achieve universal access to reproductive health

- health services and systems, including training, provision of transport and support for planning and budgeting;
- Tuberculosis Programme, with WHO (£2 million: 2005-09). This programme aims to support effective diagnosis and treatment for all patients with TB.
 - Indonesian Partnership Fund (£28 million: 2005-09) – An HIV/AIDS programme with UNDP, with the UK as the first donor to support the IPF. It aims to increase capacity to halt and start to reverse infection rates, and builds capacity in the provinces.

Germany, via grants and loans, has intervened in the sector, to provide support to:

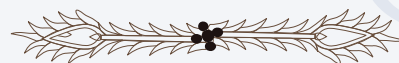
- Create quality standards and incentive systems for health personnel
- Develop a social health insurance system via installation of a Management Information System and improved administrative systems
- Improve the quality of equipment and health services in Nusa Tenggara (with the UK)
- Restore capacity in a hospital in Banda Aceh for adequate health services

The former focus upon project-based approaches is now giving way to more programmatic and sector-wide approaches. Whilst Germany will be refocusing its efforts on other sectors in the future, the UK will continue to provide funding for health at a sector-wide level, particularly in collaboration with other donors. The aim will be to target the off-track Millennium Development Goals in Health, such as for Maternal Mortality.



Indonesia ranks 3rd in the world in TB infection. In response the UK has provided £2 million to WHO from 2005-2008 to support monitoring of TB rates and TB deaths. This gives Indonesia invaluable data to measure incidences of TB and direct interventions to reduce TB 50% by 2015. In 2007 Indonesia met the global TB targets of 70% case detection and 85% successful treatment.

Source: DFID



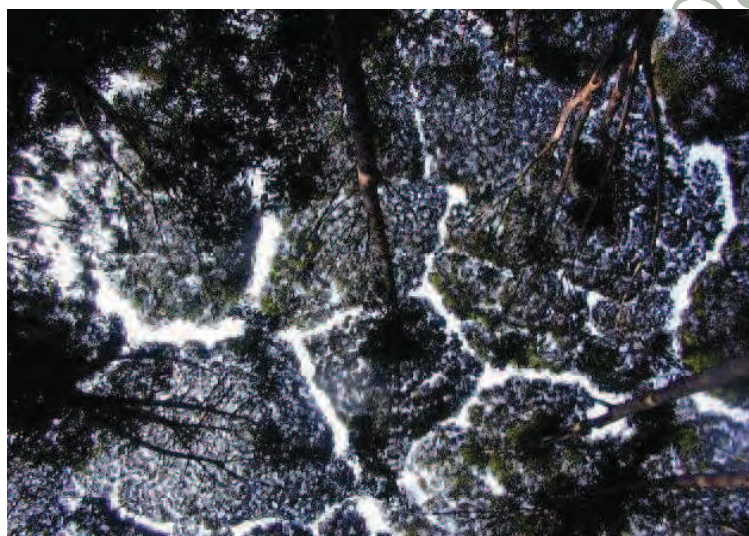
INDICATOR		1990	PRESENT*	TARGET	REMARKS	STATUS
GOAL 5. IMPROVED MATERNAL HEALTH						
Target 5A. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio						
5.1	Maternal mortality ratio (per 100,000 live births)	390	307	110	No updated data	▼
5.2	Proportion of births attended by skilled health personnel	40,7%	73,0%		Increasing	
Target 5B. Achieve, by 2015, universal access to reproductive health						
5.3	Contraceptive prevalence rate (married women aged 15 - 49)	50,5%	61,0%		Increasing	
5.4	Adolescent birth rate (per 1,000 women aged 15-19)					
5.5	Antenatal care coverage					
	at least one visit		93,3%			
	at least four visits					
5.6	Unmet need for family planning (% of married women aged 15-49)		9,1%			

From *Let's Speak Out on the MDG's*, publisher: UN - Bappenas, October 2008

environment/ climate change



Picture courtesy of the Embassy of Spain



Picture courtesy of the Embassy of the Federal Republic of Germany

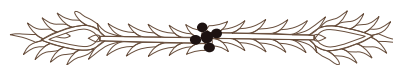
Indonesia is facing **major environmental challenges**, in a number of areas. Factors such as population growth, rapid urbanisation and the failure to enforce environmental legislation are critical issues. Urbanisation is leading to increased **air pollution** largely through vehicle exhaust emissions and the use of fossil fuels in power generation. The disposal of domestic waste generates widespread contamination of surface and ground water sources. The disposal of refuse through burning further reduces air quality. **Industrial pollution** and a lack of capacity for the recycling of hazardous waste are other causes of concern. Mining, and in particular open-caste mining, continues to cause environmental problems. Poor land use planning in urban and rural areas compounds many environmental problems. The continued **destruction of forests through illegal logging** continues at an alarming rate, although figures suggest this rate has decreased in recent years. The effect of this is progressive erosion of the environmental services provided by such areas, such as clean and reliable surface water flows, as well as impacting directly on livelihoods.

Indonesia is vulnerable to **climate change**. Climate change may lead to an increase in extreme weather events, with sea levels rising, excessive flooding and increasing droughts, thus threatening food security and lives. The main source of greenhouse gas emissions, globally, is deforestation. Indonesia



Capacity building supported by the Germans and the introduction of new technologies has contributed to improved enforcement of environmental regulations.

Source: GTZ



is responsible for approximately 10% of global emissions from deforestation, which in vast areas also causes peat subsidence and long term fires to rage, thus significantly creating more emissions.

A national strategy to reduce emissions from deforestation and degradation (REDD) has been formulated by the Indonesian Forest Climate Alliance (IFCA), backed by the Ministry of Forestry, and was launched in December 2007. Government efforts to improve law enforcement in forestry are now visible and are thought to be having an effect on illegal logging, although sentences passed down for participating in illegal activities are weak. A National Council of Climate Change (NCCC) was established in mid-2008, chaired by Indonesia's President. It has a difficult mandate to coordinate and harmonise climate change related policies among the 17 Ministries and Government agencies identified to play a role in the national response. Indonesia's carbon emission rate is among the highest, globally, mostly as a result of land use changes and deforestation. The NCCC is currently conducting a National Economic, Environment, and Development Study (NEEDS) to develop a comprehensive plan on Climate Change mitigation, expected to be finalised by end of 2009.

EU Support in the Agriculture, Forestry and Fisheries Sectors (EUR)

EU + Member States	2006	2007	2008	Total
Austria	0	0	800	800
Belgium (Agriculture, forestry and fishery)	0	815,862	0	815,862
EU (Forestry)	5,585,618	3,952,940	2,265,695	11,804,252
Germany (Forestry)	616,324	808,881	786,631	2,211,836
Spain (Agriculture and Fishery)	0	300,000	1,299,556	1,599,556
Sweden (Fishery)	180,752	213,940	157,079	551,771
The Netherlands	1,550,000	1,575,000	2,405,000	5,530,000
UK (Forestry)	6,665,387	4,667,950	2,515,484	13,848,821
TOTAL	14,598,081	12,334,572	9,430,245	36,362,898

environment/climate change

EU Support in the Environment / Climate Change Sector (EUR)

EU + Member States	2006	2007	2008	Total
Austria	2,700	0	-692	2,008
Belgium	0	3,750	0	3,750
Denmark	2,505,000	3,050,000	4,093,000	9,648,000
EU	3,563,417	1,772,360	779,319	6,115,096
France (Climate change programme loan)	0	0	160,000,000	160,000,000
Germany	1,191,887	1,791,040	1,129,732	4,112,659
The Netherlands	50,000	1,000,000	8,300,000	9,350,000
Poland	0	0	127,800	127,800
Spain	44,000	0	389,000	433,000
Sweden	237,832	209,292	332,965	780,089
TOTAL	7,594,836	7,826,442	175,151,124	190,572,402

The EU Delegation is involved in numerous Environment/ Climate Change interventions, from coordination activities, through sector-wide approaches, regional programmes and thematic programmes, with a focus upon Forestry and Land Management.

The EU Delegation plays an active role in coordination efforts. An informal working group of timber consumer countries, hosted by the EU Delegation, has met regularly since 2008. In December 2008, an EU Working Group on climate change was also created to promote coordination and information sharing among EU Member States on climate change issues. The EU Delegation has had a substantial development co-operation programme with the Government in the forestry sector for many years, based on the recognised need to protect, conserve and sustainably manage Indonesia's forest resources whilst taking into account local population welfare, general development of the Indonesian economy and global concerns. EU support to the forest sector in Indonesia is continuing with the EU-Indonesia FLEGT (Forest Law Enforcement, Governance and Trade) Support Project to assist the Government in tackling illegal logging in the context of the EU FLEGT Action Plan adopted by the EU in

An Italian initiative to assist small and medium scale footwear enterprises in Sodoarjo has been delayed because mudflows have blocked access to the target group, and local facilities have been overwhelmed. Development is thus constrained by environmental instability.

May 2003 as a response to global illegal logging and trade in associated timber products. The EU also supports the sustainable development of the forestry sector in Indonesia through a number of smaller projects financed under the “Tropical Forest Budget Line” and the “Asia Pro Eco Budget Line”. The South Sumatra Forest Fire project, also funded by the EU, ended in December 2008, and a Water Resource Management Project is continuing.

Within the Forestry sector, the UK is supporting the Forest Governance and Trade Programme (£5 million: 2007-2010), to establish a timber trade agreement with the Government, to support new policies, regulations and programmes on forest land tenure, as well as developing a financing mechanism for reducing emissions from deforestation and growth in forest carbon trading.

In 2008, France (via the Agence Française de Développement, or AFD) disbursed US\$200 million in direct budgetary support to the Government of Indonesia as part of the Climate Change Program Loan (CCPL), co-financed with JICA. The purpose is to support Indonesian driven policy reform for dealing with climate change issues and to help the implementation of agreed policy targets/actions stated in a three-year “Policy Matrix” (reviewed annually). Targets in the “Policy Matrix” are divided into three sections: mitigation, adaptation and cross-sector issues. In addition, and on a grant basis, France will finance a forestry expert for the CCPL monitoring team and targeted technical assistance in favour of the Ministries of Industry (GHG emission reduction scheme in the cement sector) and Forestry.

One of the strategic objectives of the Netherlands’ assistance is an improved environment and climate policy and implementation, resulting in an increase of renewable energy, sustainable natural resources management, mitigation and adaptation. Key target areas are the vast lowlands of Indonesia. The Government of Indonesia is undertaking a 5-year programme for the rehabilitation and

MDG 7: Ensure Environmental Sustainability

Target 1:

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

Target 2:


Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss

Target 3:

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

Target 4:

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



revitalisation of the Central Kalimantan Ex-Mega Rice Project area – a heavily degraded peat area of 1.4 million hectares. The Netherlands Government supported both a community-based peat restoration demonstration project and the formulation of a Master Plan for the area, completed at the end of March 2009.

Follow-up programmes are being prepared. The Master Plan:

- collected, collated and analysed relevant data as a foundation for planning;
- assessed development and conservation potential for the EMRP area and analysed possible scenarios for the future; and
- provided strategic guidance for long-term management and development of interventions for rehabilitation and revitalisation of the area. The Master Plan rationalises plans and knowledge from pilot projects, including the Netherlands-funded Central Kalimantan Peatlands Project.

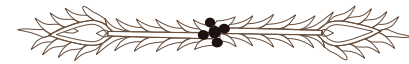
The Netherlands also recently started a community-based peat conservation project in the south-western districts of Papua. For supporting Adaptation strategies, the Netherlands has also started work with line agencies in the water sector.

To support Mitigation strategies, Denmark is working with the Ministry of Energy and Mineral Resources to support public sector institutions, energy efficiency in construction and use of large buildings, and decentralised natural resources management and renewable energy.

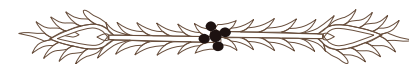
Duplicating a successful scheme being implemented in Central-America, Finland will start a new programme in cooperation with the Indonesian Ministry of Energy and Mineral Resources. The programme is expected to start during 2009. Finland is also planning to start bilateral cooperation and/or cooperation through multilateral organisations in forest sector development. Identification missions have been concluded and a project document is in preparation.



The FLEGT project is supporting Indonesian agencies enforce riverine environmental safeguards to protect water ways, water sources fisheries,



The Forest Law Enforcement, Governance and Trade Project (FLEGT) includes activities focusing on preventing illegal logging. Activities include addressing trade issues, training for managing forest resources and enforcing laws, plus visits, seminars and exhibitions. Community involvement is encouraged. The Forest Crime SMS Centre ensures quick action is taken.





The Czech Republic has a small land restoration project at Lake Tondano in North Sulawesi.

In collaboration with the National Land Agency, Sweden is implementing a land administration programme focusing on land valuation, land records and urban land reform and informal settlements. Sweden is also collaborating with the Ministry for Marine Affairs and Fisheries on sustainable fishery resources and coastal planning.

A Multi Donor Trust Fund called Indonesia Climate Change Trust Funds (ICCTF) led by the National Planning Agency (BAPPENAS) has been established to reinforce a more meaningful and coherent policy dialogue while strengthening alignment and harmonisation of donor intervention with Indonesian policies, developments and action plans.

Clearing water lilies from Tondano Lake is an essential part of the watershed rehabilitation undertaken by the Minahasa government with Czech assistance. A key source of drinking water for the Manado municipality, improving Tondano Lake's water quality and watershed function is critical but, also complex with many interrelated causes requiring a variety of interventions.

Picture courtesy of the Embassy of the Czech Republic



INDICATOR	1990	PRESENT*	TARGET	REMARKS	STATUS	
GOAL 7. ENSURE ENVIRONMENTAL SUSTAINABILITY						
Target 7A. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources						
Target 7B. Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss						
7.1	Proportion of land area covered by forest	60.0%	49.9%		Deforested	
7.2	Carbon dioxide emission (per capita)	2,536 kg	1.34 metric ton	Reduce	Increasing slowly	
	Energy use (kilograms of oil equivalent)	1.5	95.3 kg oil- eq/ 1,000 \$		Increasing	
	Proportion of population using solid fuels	70.2%	47.5%		Decreasing slowly	
7.3	Consumption of ozone-depleting chlorofluorocarbons (ODP tons)	7.815	6.544	Reduce	Decreasing slowly	
7.4	Proportion of fish stocks within safe biological limits					
7.5	Proportion of total water resources used					
7.6a	Proportion of terrestrial areas protected	26.4%	29.5%		Increasing	
7.6b	Proportion of marine areas protected		11%		Increasing	
7.7	Proportion of species threatened with extinction					
Target 7C. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation						
7.8	Proportion of population using an improved drinking water source	38.2%	57.2%	67%	Increasing	▶
7.8a	Coverage of Pipeline water - urban		30.8%	67.7%	Decreasing	▼
7.8b	Coverage of Pipeline water - rural		9.0%	52.8%	Progressing slowly	▼
7.8c	Protected water source - urban		87.6%	76.1%		●
7.8d	Protected water source - rural		52.1%	65.5%	Progressing	▶
7.9	Proportion of population using an improved sanitation facility, urban and rural	30.9%	69.3%	65.5%		●
7.9a	Urban		81.8%	78.8%	Lack of quality	●
7.9b	Rural		60.0%	59.6%	Lack of quality	●
Target 7D. By 2015 to have achieved a significant improvement in the lives of at least 100 million slum dwellers						
7.10	Proportion of urban population living in slums					
7.10a	Proportion of households with house owner or house rent status / access to secure tenure	87.7%	84.0%		Increasing slowly	▶

From Let's Speak Out on the MDG's, publisher: UN - Bappenas, October 2008

water supply & sanitation



Picture courtesy of the Embassy of Spain



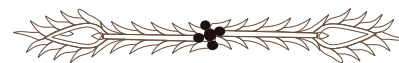
Picture courtesy of the Embassy of the Kingdom of the Netherlands

In 1975, 20% of Indonesians were urban-dwellers. By 2025 it will be over 60%. This changes the demand patterns for water and sanitation facilities. Water demand, overall, is rising at a projected rate of 6.7% per annum, placing a strain on the capacity of groundwater and surface water sources. Pollution, the over-exploitation of ground water, and the degradation of water catchments make it difficult to meet increasing demand.

Only 17% of households in Indonesia have access to piped water. Many families rely on wells, but the use of such sources is becoming increasingly unsustainable because of contamination of shallow groundwater sources and over-pumping of deep wells. Many poor households buy water from vendors and neighbours with piped-water supply, but this can cost them more than 20% of their income. A major problem is the growth of illegal housing, with connection therefore prevented. High connection charges can also create a barrier to entry for the poor, although many of the poor do find funds to pay for it, including via microcredit.



The drainage of Jakarta's network of canals has become obstructed over the years. Dutch aid funded pilot dredging of Jakarta's smaller canals reducing the annual flooding.



In rural areas, significant numbers do not have access to improved sanitation. Poor sanitation and hygiene cause at least 120 million disease episodes and 50,000 premature deaths annually¹. Poor sanitation contributes significantly to water pollution—adding to the cost of safe water for households, and reducing the production of fish in rivers and lakes. The associated polluted water creates environmental losses, including loss of productive land, and also creates losses in potential tourism income.

At 55% in 2004, sanitation coverage in Indonesia was below the regional average for Southeast Asian countries (67%). However, nationwide sanitation coverage has increased by 9% since 1990, representing significant progress towards the target of 73% set by the Millennium Development Goal (MDG) for water supply and sanitation. On current trends Indonesia will fall short of the MDG target by 10%, equivalent to coverage for 25 million people. Unimproved sanitation imposes large costs for the Indonesian economy, with financial losses amounting to an estimated US\$1,261 million, and economic losses estimated at US\$6,344 million, not only to individuals, but also to the public and commercial sectors.

European donors in this sector include the EU, the Netherlands, Sweden and Portugal, with grants, and France and Spain, with loans.

Assistance will be given to the National Sanitation Program 2010-2014 which will cover both urban and rural areas. In more than 160 cities, major activities to improve the sanitation environment should have started in 2014. Open defecation should become an exception by 2014 as most of the 230 million people should use their private or communal toilet facilities. Netherlands and Indonesian water utilities are working closely together to improve the service delivering and to expand these services.



Obtaining clean water was a challenge for the women in Alue Punti Village, Aceh. Water gathered from the river 3 km away was often dirty especially in the rainy season and although they knew it caused illness there was no other choice. With support from the Community Water Services and Health Project the villagers dug shallow wells that now reliably provides clean and safe water.

*Picture courtesy of
the Embassy of Austria*



¹Economic Impacts of Sanitation in Indonesia: A five-country study conducted in Cambodia, Indonesia, Lao PDR, the Philippines, and Vietnam under the Economics of Sanitation Initiative (ESI) – Water & Sanitation Program – World Bank, Jakarta – August 2008



The Netherlands is assisting with pilot dredging works for micro-drains in Jakarta (mechanically and manually) and associated awareness-raising in communities on the need for environmentally sound sanitation. A big challenge for many cities is the annual flooding caused by poor natural resources management in the upper river catchments, dumping of solid waste into the drains, and a poorly functioning urban drainage system, amongst other causes.

The Netherlands and Sweden support the UNICEF programme on Water and Environmental Sanitation in Eastern Indonesia and also the World Bank's Sustainable Sanitation in East Asia including bilateral programmes for the Philippines and Indonesia.

In line with the principles of the Paris Declaration, much of the grant assistance is programmed through multi-donor funding.

EU Support in the Water Supply and Sanitation Sector (EUR)

EU + Member States	2006	2007	2008	Total
EU	312,351	22,446	44,398	379,196
France	0	1,600,000	0	1,600,000
Germany	2,847,330	2,931,609	3,701,193	9,480,132
The Netherlands (Water Resource Management + Water Supply & Sanitation)	10,200,000	16,800,000	20,800,000	47,800,000
Poland	0	0	0	0
Spain	0	89,884	0	89,884
Sweden	0	1,726,534	2,125,200	3,851,734
TOTAL	13,359,681	23,170,473	26,670,791	63,200,946



The Global Partnership on Output-Based Aid (GPOBA) was established in 2003 initially as a multi-donor trust fund, to develop output-based aid (OBA) approaches across a variety of sectors. A GPOBA water project in Surabaya draws on funds from the UK's Department for International Development (DFID), the Directorate-General for International Cooperation of the Dutch Ministry of Foreign Affairs (DGIS), and the Swedish International Development Agency (SIDA), amongst other donors. Providing services through bulk supply, and enabling communities to manage their own distribution networks, metering, billing, and collection is a new approach to service delivery in Indonesia. Thanks to this project, the initial water connection fee for poor households in the target areas will also be subsidised at approx. €26 - much less than the usual price of €52-210 per person.



Harnessing Indonesia's abundant water resources the Mini Hydro Power Project has brought sustainable, clean, low cost electricity to remote areas. Access to electricity has improved communications, expanded livelihoods and accelerated development in communities that were once isolated.

Picture courtesy of the Kingdom of the Netherlands





trade & economic cooperation



Picture courtesy of the Embassy of Portugal



Picture courtesy of the Embassy of the Czech Republic

Manufacturing products remain the main Indonesian export, at 60% of the total. Commodities, particularly crude palm oil, have also been important for increasing exports. Investment, probably the weakest aspect of the Indonesian economy in previous years, increased in 2007 to record levels, although coming from a low base. This trend continued to October 2008.

Despite commitment from the Government, challenges remain in an area affecting a diversity of public agencies at central and local levels, as well as the private sector. The Government of Indonesia's priorities are:

- Stabilising macro economic conditions, and sound management of state finances;
- Developing export promotion and export supporting services, including finance, market research and marketing skills, design development, and futures markets for commodities;
- Developing training capacities for SMEs;
- Improving international trade diplomacy (negotiating skills, trade remedy mechanisms)
- Improving trade facilitation (single document concept) and related issues;
- Complying with technical/quality upgrading/standards requirements/SPS;
- Improving the investment climate.



Often the greatest challenge to environmental programs is overcoming detrimental local practices linked to livelihoods. The Tondano Lake Watershed Project in North Sulawesi funded by the Czech Ministry of the Environment capitalised on the project interventions to build local cut flower businesses. Cultivating flowers not only generated income but, contributed to watershed rehabilitation. Linking these strengthened the sustainability of watershed protection by demonstrating real benefits to communities.



EU Support in the Trade and Tourism Sectors (EUR)

EU + Member States	2006	2007	2008	Total
Belgium (trade and tourism)	0	56,743	0	56,743
EU	5,058,165	3,902,718	1,597,734	10,558,617
Spain (tourism)	291,000	200,000	0	491,000
TOTAL	5,349,165	4,159,461	1,597,734	11,106,360

EU Support in the Private Sector and Economic Development (EUR)

EU + Member States	2006	2007	2008	Total
EU	3,610,299	1,843,422	163,668	5,617,389
France	0	3,400,000	0	3,400,000
Germany	5,459,559	5,239,420	6,130,457	16,829,436
Italy	0	0	5,500,000	5,500,000
The Netherlands	1,000,000	1,800,000	4,000,000	6,800,000
Spain	100,000	15,000,000	0	15,100,000
TOTAL	10,169,858	27,282,842	15,794,125	53,246,825

The EU remains an important trade partner for Indonesia in non-oil and gas products, but its position has deteriorated mainly due to the emergence of Asian economies and the diversion of European business focus to other regions. Indonesia exports approximately €13 billion to the EU, while importing €6 billion from the EU, resulting in an approximate €7 billion trade surplus for Indonesia. EU total investment into the country has declined (€11.6 billion approvals in 1997; €1.9 billion in 2007), with a declining share of total FDI (34% of FDI in 1997 vs. 4.7% in 2005).

EU-Indonesia trade and investment flows are affected by barriers which are typical in a relationship between a developed country and an emerging economy. Indonesian products and services have difficulty complying with the product standards required by the EU. On their part, EU companies claim to face difficulties with Indonesian mandatory national standards, a restrictive list of sectors open to foreign investment, cumbersome customs procedures and delays in tax refunds.



Donor support in this area is fragmented. The Investment Climate Working Group of the Consultative Group of Indonesia was dismantled at the end of 2006, and donor coordination has occurred for specific topics (tax administration, capacity building for the Ministry of Trade, amongst others), under the leadership of the Government. The newly established Multi-Donor Facility for Trade and Investment Climate could strengthen this coordination.

EU cooperation is focused on trade policy issues and improvement of infrastructure for Indonesian exports, where needs have been identified. The EU has supported strengthening of Indonesian business associations and chambers of commerce. Future co-operation will also focus on export quality infrastructure issues and supporting improvement in regulatory issues affecting the trade and investment climate.

The European Business Chamber of Commerce was created in May 2004 with the support of the EU Delegation, and works in close collaboration with EU Member States' bilateral chambers to jointly represent EU business interests.

Through participation in the Public Finance Management Trust Fund, the EU and the Netherlands are important bilateral players supporting the improvement of public finance management as a key element for fiscal stability and tackling poverty. Donor activities in support of the Ministry of Trade (MoT) have stepped up in the last 2 years, particularly for capacity building in international trade policy issues. The EU-Indonesia Trade Support Programme II will give continuity to previous programmes in support of trade development in Indonesia, and will focus particularly upon improvement of Indonesia's export quality infrastructure, covering important topics such as technical standardisation, improvement and accreditation of export quality control processes and compliance to sanitary standards. The Partnership for Good Governance, including the EU, DFID



Improving post harvest processing increases agricultural products' value, increases farmers' profit and broadens marketing potential.

Picture courtesy of the Embassy of the Czech Republic



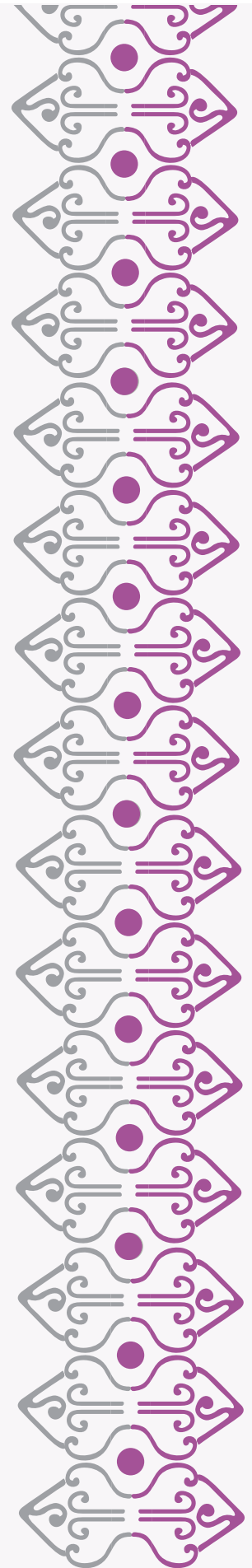
Developing livelihoods has been a vital intervention in helping communities rebuild after disasters such as the Yogyakarta earthquake

Picture courtesy of Java Reconstruction Fund (JRF)



(UK), DANIDA (Denmark) and SIDA (Sweden) as donors, is working with the Ministry of Trade in the definition of a strategic vision. The Netherlands, through its Ministry of Agriculture, provides assistance to the Ministry of Marine Affairs and Fisheries to improve sanitary conditions for fisheries exports, an area which will also be covered by the EU-Indonesia Trade Support Programme II. Support for SME development, including improving export skills, is covered by multilateral and bilateral donors, including Germany.

The Netherlands, through a Trust Fund with the World Bank, has also been the main EU player in investment climate improvement. The areas of focus of the fund are: domestic and international trade policy, human resources management at the Ministry of Trade, rationalisation of business licensing processes, support to one-stop shop regulation and implementation, capacity building for the investment policy unit PEPI, and introduction of the National Single Window.





post-disaster reconstruction



Picture courtesy of the Embassy of Italy



Picture courtesy of Asia Pro Eco Project

Following two major disasters (the Tsunami in Aceh and Nias, plus the Yogyakarta and Central Java earthquake), reconstruction work has been intense. Both are now in a transitional stage, as the majority of rehabilitation and reconstruction work has been completed, or is nearing, completion.

The 2004 Tsunami in Aceh was the worst natural disaster in decades. 167,000 people died and damages and losses were equivalent to 80% of the region's economic activity. Reconstruction presented one of the most challenging recovery efforts, due to the scale of the damage, the unprecedented amount of assistance and the large number of players. It is clear that Aceh Reconstruction has been a success story driven by effective government leadership and international partner alignment and harmonisation. Following the disaster, the Government made the following key decisions:

- Calling for national and international support for emergency relief;
- Undertaking prompt damage and loss assessment;
- Developing a Master Plan to guide the rehabilitation and reconstruction efforts;
- Establishing the Agency for Rehabilitation and Reconstruction for Aceh and Nias (BRR) to coordinate hundreds of organisations;
- Requesting development partners to mobilise a Multi-Donor Fund.

By the end of 2007, US\$6.4 billion had been earmarked, with 93% allocated. Employment creation is now a major challenge, with low private investment. Unemployment is at 9% and the number of



The tsunami and earthquakes in Aceh and Nias devastated the healthcare services in both facility and human terms. Austria has helped to rebuild health centers providing essential services to newly re-established communities



German sponsored school disaster preparedness training builds awareness about risks, identifies actions to reduce them and create a safer school. First-aid training builds valuable skills that can save lives. Simulated emergency drills teach children how to protect themselves and builds confidence that helps to prevent panic should an earthquake or other disaster strike.

Source: GTZ



people in work has declined with the ending of much of the reconstruction work. Growth in Aceh slowed in the first half of 2008, with sectors linked to reconstruction showing low or negative growth. The transitional phasing out of reconstruction and recovery is currently mirrored in the reallocation of responsibilities from BRR, created specifically to deal with the emergency reconstruction work, back to line ministries and local governments. Chaired by the EU since early 2008, the Local Governance Working Group has been meeting monthly in Banda Aceh since 2007.

The 2006 earthquake in Yogyakarta and Central Java also brought about enormous loss of life and damage, particularly in housing. More than 290,000 houses were reconstructed in 2 years and 99.3% of the people resettled. However, economic recovery to the end of 2007 relied on the building sector. The processing sector has declined.

The Multi Donor Fund (MDF) and the Java Reconstruction Fund (JRF) were created, in line with the Paris Declaration, and fostered local ownership, alignment with country priorities, donor harmonisation and management for results.

The Multi Donor Fund (MDF)

The MDF was established to ensure efficient and coordinated delivery of financial support and as a partnership between the Indonesian and relevant provincial governments, the international community, and civil society to support recovery. It provides grants for quality investments based on good practices, stakeholder participation, and coordination. After more than three years, the MDF has pledged of US\$ 703.00 million from 15 donors, making it the largest donor in the Aceh reconstruction. Over 75% of the pledges come from three donors: The EU, the Netherlands and the United Kingdom, with major donations from other Member States of the EU. The EU Delegation is co-chair of the MDF. Activities will be financed until 31 December 2012. MDF interventions cover the following key strategic investment areas:

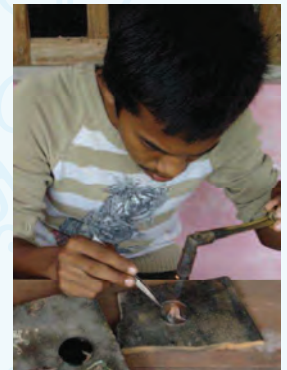
- Recovery of Communities (circa €140.78 million);
- Reconstruction of Larger Infrastructure (circa €113.50 million);
- Rebuilding Governance (circa €55.02 million);
- Sustaining the Environment (circa €26.96 million); and
- Economic Development and Livelihoods (circa €48.23 million).

The Java Reconstruction Fund (JRF)

The Java Reconstruction Fund (JRF) received a total of €72 million in pledges from 7 donors. JRF represents about 12.5% of the overall allocations to Yogyakarta and Central Java Reconstruction. The Government's National Technical Team (TTN), which coordinated the earthquake response, organised monthly technical coordination meetings and conducted monitoring and evaluation activities until its closure (mid 2008). The implementation of the reconstruction process is now transferred to the two provincial governments. With even greater ownership at the local level, coordination with local government will be further intensified.



Picture courtesy of
Multi Donor Trust Fund for Aceh and Nias
(MDF)



Picture courtesy of
Java Reconstruction Fund (JRF)



EU Support in Post Disaster Reconstruction (EUR)

EU + Member States	2006	2007	2008	Total
Austria	1,157,589	410,714	20,000	1,588,303
Belgium	0	4,014,856	0	4,014,856
EU	58,941,912	56,040,000	11,960,000	126,941,912
France	1,530,000	38,330,000	0	39,860,000
Germany	40,722,362	30,801,263	9,155,470	80,679,095
Italy	25,151,042	0	0	25,151,042
Luxembourg (Reconstruction and Humanitarian Aid)	896,992	420,000	0	1,316,992
The Netherlands	43,200,000	4,500,000	1,900,000	49,600,000
Portugal	1,791,000	0	0	1,791,000
Spain	1,930,641	1,144,349	216,059	3,291,049
Sweden	6,659,309	0	0	6,659,309
UK	27,774,070	16,247,633	21,987,292	66,008,995
TOTAL	209,754,917	151,908,815	45,238,821	406,902,552

EU Support in Emergency Assistance (EUR)

EU + Member States	2006	2007	2008	Total
Austria (Humanitarian Aid, incl. Disaster Preparedness)	104,715	40,000	0	144,715
EU (Humanitarian Aid, incl. Disaster Preparedness)	12,931,761	4,929,729	6,647,309	24,508,799
Italy (Humanitarian Aid, incl. Disaster Preparedness)	10,000,000	1,000,000	0	11,000,000
Poland (Humanitarian Aid, incl. Disaster Preparedness)	286,000	0	0	286,000
Spain (Food Aid)	0	250,000	567,459	817,459
Sweden	380,531	713,497	618,364	1,712,392
UK (Humanitarian Aid, incl. Disaster Preparedness)	7,566,802	2,253,820	1,921,858	11,742,480
TOTAL	31,269,809	9,187,046	9,754,990	50,211,844

The EU Delegation provided a total of €210 million in Post-Tsunami Rehabilitation and Reconstruction, and €60 million for Emergency Assistance in Aceh and Nias. Responding to the earthquake in Java, the EU Delegation provided €35.4 million for reconstruction and €9.5 million for emergency assistance.

The UK has 5 major interventions dealing with natural disasters and emergencies:

- £38.5 million provided to the MDF for Aceh and Nias (2005-12). The UK is the 3rd largest contributor to the MDF, providing funding for building or repair of housing, roads, bridges and transportation of reconstruction materials.
- £4.5 million for Safer Communities through Disaster Risk Reduction (2007-10) to provide support through education, prevention, early warning, mitigation and emergency response.
- £6 million for Support for Poor and Disadvantaged Areas (2007-09), to support post-conflict reintegration and strengthening capacities of local government in Aceh.
- £4 million for the Community Water Services and Health Project, in collaboration with ADB (2005-09) to improve sustained access to safe drinking water and sanitation, plus better hygiene behaviour in Aceh and Nias.
- Almost £1 million via Transparency International (2006-10) to strengthen participation of the people of Aceh with government, through community level training and monitoring.

Other EU Member States providing funds for reconstruction included Italy, from whom a bilateral emergency contribution of around €10 million was initially received and in May 2005 the “Emergency Programme for Aceh” started its activities in health, education, support to vulnerable groups, agriculture, fisheries, housing and infrastructure. The Programme concluded its activities in February 2007. In 2006, Italy provided post-disaster reconstruction funding of a further €25 million. Italy, in 2007, also approved a programme of €1 million to help Klaten District (Yogyakarta) in the post-earthquake reconstruction process, and is now completed. In total, Italy has provided over €36 million. Germany, another significant contributor, provided nearly €44 million in post-disaster reconstruction assistance. France, through the channel of AFD, granted a €36.8 million highly subsidized and long term loan to Government of Indonesia to finance a rehabilitation project of the drainage system of Banda Aceh; the financing agreement was signed in September 2008 and the project is now in the implementation phase. Sweden provided in total €9.5 million to the MDF, and has contributed to emergency response in Indonesia via global emergency funds such as OCHA, ICRC, UNDP-CAP and UNICEF ERP. Spain has provided €4 million, whilst France, Portugal and Luxembourg have also made contributions of more than €1 million.



The EU-funded Asia Pro Eco Project in Aceh and Nias reconstructed homes and community buildings in Post-Tsunami areas. It developed local capacity to build sustainable and earthquake-resistant buildings.



Picture courtesy of Multi Donor Trust Fund for Aceh and Nias (MDF)



Picture courtesy of Java Reconstruction Fund (JRF)



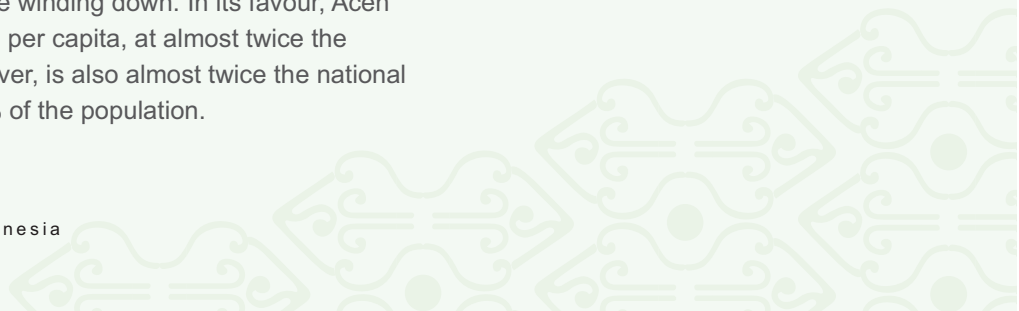
conflict prevention, peace & security



A number of social and ethnic conflicts erupted in Indonesia between 1998 and 2000 and led to the displacement of approximately 1.3 million people. The provinces which were affected included Maluku and North Maluku, Central Sulawesi, West and Central Kalimantan, West Timor and Aceh. For the last 6 to 8 years there has been relative calm.

In Aceh, large scale violence ended with the Helsinki Memorandum of Understanding (MoU). The consolidation of peace will depend on a number of key factors. In the short term, the effects of the general election in 2009 will be important. In the longer-term, the success of the peace process will depend upon the province's economic development and how well local government manages its budgets to improve public services, infrastructure and prosperity for the people.

The Government of Indonesia largely regards the Aceh peace process as a success. For Aceh, policy aims at providing capacity building for infrastructure, poverty reduction and education, to ensure provincial and district governments can take on responsibilities for rehabilitation, reconstruction and reintegration. While the push to normalise the situation is positive, donor peace process support programmes are winding down. In its favour, Aceh is rich in terms of public revenue per capita, at almost twice the national average. Poverty, however, is also almost twice the national average and estimated at 26.5% of the population.



Although statistics are still disputed, in June 2007 the Aceh Reintegration Board (BRA) noted that some 33,000 people had been killed over three decades of conflict. Other serious human rights abuses, such as rape, were widely attested during the conflict, but remain significantly under-reported.

Improved political stability and the support provided by international agencies since 2005 have created the preconditions for economic growth.

Access to justice is a necessary pre-condition for peace and development. Grievances include but are not limited to economic grievances (including lost or destroyed property, land claims, inheritance disputes, unequal aid distribution, and lack of assistance for orphans and widows), violence against women, conflict-related human rights violations and displacement. Adat jurisdiction (customary law) is often the main means for resolving conflicts at a local level. It is important to guarantee that support for these procedures is not inimical to strengthening human rights and equal access to justice for women and men.

Investment in community policing has already produced results. The EU Delegation and the Netherlands support police training, and the police have become more focused on community needs and problems. Communities more frequently report crime and alert the police, now, if they witness suspicious activities.



EU Support in Conflict Prevention, Peace and Security

EU + Member States	2006	2007	2008	Total
Austria	22,540	15,444	0	37,984
EU	3,697,070	1,507,655	3,080,227	8,284,952
TOTAL	3,719,610	1,523,099	3,080,227	8,322,936

The EU programme on Aid to Uprooted People (AUP) is part of its Asia Regional Strategy, covering the period 2007-2013. Cooperation is intended to assist refugees, internally displaced persons and returnees, as well as demobilised soldiers and other combatants, including child soldiers, to return to and settle in their own country of origin or in a third country. The objective is to reintegrate uprooted people into the socio-economic fabric of the relevant country, to allow them to find durable solutions, and to provide support to local host communities and resettlement areas.



The AUP 2009-2010 strategy for Indonesia builds on the achievements of past and ongoing AUP projects in the country, and links the programme to existing national and local mechanisms, complementing government development programmes by promoting better targeting and providing information on uprooted people's vulnerabilities. It supports relocation of the remaining families out of camps and other unsustainable settlements, in line with Government policy. It also takes advantage of the recent expansion of democracy at local levels, plus the many community empowerment programmes to assist them, to support the consolidation of peace in these areas. The EU expects to launch a Call for Proposals to fund projects under this programme in 2010.

Austria's contribution to this sector consists of scholarships awarded to Indonesian participants for the post-graduate study course "Peace and Development Studies".

The main new initiative expected in 2009 comes from the Governments of the Netherlands and Australia who are proposing a joint initiative in support of peace and development. A main focus will be supporting the Government of Aceh in formulating strategies, policies and programmes for the efficient and effective investment of its own resources in a way that contributes to peace and development.

The Aceh Local Governance Working Group meets on a regular basis, chaired by the EU Delegation (Europe House), and plays an essential role in bringing all the local government stakeholders together. A decision was reached at the end of 2008 to prolong the mandate of Europe House and to maintain a presence in Aceh until August 2011.



EC ACEH PEACE PROCESS SUPPORT - Overview 2005-2009

Projects	Amount (€)
Aceh Peace Process Negotiations	269,000
Facilitating Aceh Peace Agreement Dispute Settlement	115,000
Demobilisation & Reintegration of former Combatants and Detainees in Aceh	4,000,000
Support to Conflict Affected Communities receiving former Political Prisoners and Combatants	1,460,000
Support to the Aceh Reintegration Agency (BRA) and Peace Building in Aceh	3,000,000
Support to the organisation of local elections in Aceh	750,000
Capacity building to support local police reorganisation, with particular emphasis on respect for human rights	6,000,000
Support to the civil judicial system and access to justice with particular regard to respect for human rights	4,400,000
Enhancement of local public administration	7,400,000
European Union Election Observation Mission	2,400,000
Total	29,794,000





government & civil society



Picture courtesy of the Embassy of Spain



Picture courtesy of the Embassy of the Federal Republic of Germany

Indonesia has made substantial progress towards restoring democracy, transparency and the rule of law. Previous Parliamentary and Presidential elections in 2004 took place in a peaceful and transparent manner. Having completed historic elections in 1998 and 2004, Indonesia continues to manage one of modern history's most effective transitions from autocratic rule to democracy. This is all the more remarkable when seen against the background of Indonesia's high degree of cultural, ethnic, linguistic and religious diversity. Since 2001, decentralisation has devolved considerable authority to governors and district heads.

The human rights situation has improved substantially with Indonesia's democratic transition, notably in the areas of freedom of expression and of the press. Progress, however, has been slow on past human rights abuses. Judiciary and law enforcement agencies' institutional weaknesses have limited such progress. Pervasive corruption presents the most important obstacle in the way of advancing pro-poor economic policies. The prosecution of corruption cases, driven by the Attorney General and a special Anti-Corruption Commission (KPK) is making steady progress.

The first priority of the Government's Medium Term Development Strategy (2005-09) has been to promote security and peace by solving separatist conflicts in Aceh and Papua, and fighting transnational crime, in particular terrorism. The second priority is to improve justice and democracy by improving governance and improving public administration, law enforcement and decentralised public services.

EU policy is to contribute to developing and consolidating democracy and the rule of law plus, encouraging respect for human rights and fundamental freedoms.

This is achieved via:

- Supporting Indonesia's efforts to tackle corruption in line with the National Plan for the Eradication of Corruption.
- Addressing the specific needs of law enforcement and judicial authorities in support of ongoing reform including the Judiciary, the Public Prosecution service and the National Police.
- Responding to the judicial needs of business and investor communities by strengthening the Commercial Courts, in particular at regional level;
- Supporting the implementation of the National Human Rights Plan of Action 2004-2009 and in particular the ratification of international human rights instruments.
- Parallel to, and complementary with, cooperation with Government, strengthening the roles of civil society as cooperating partners.

EU Support in Government and Civil Society (EUR)

EU + Member States	2006	2007	2008	Total
Austria	0	23,400	-2,901	20,499
Belgium	0	26,011	0	26,011
Denmark	1,239,000	1,100,000	1,196,000	3,535,000
EU	6,968,686	6,314,560	4,050,654	17,333,900
Germany	4,490,316	5,062,767	5,248,710	14,801,793
France	170,000	70,000	130,000	370,000
The Netherlands	17,500,000	16,500,000	21,500,000	55,500,000
Spain	500,000	1,000,000	2,062,000	3,562,000
Sweden	1,426,994	3,255,926	2,612,019	7,294,939
UK	12,981,121	9,154,895	12,958,746	35,094,762
TOTAL	45,276,117	42,507,559	49,755,228	137,538,904



EU Delegation activities in the sectors include:

- *Strengthening the Rule of Law and Security in Indonesia (2008-2012)*: Support for the implementation of the National Human Rights Strategy, the National Anticorruption Strategy, and support to tackle trans-national crimes through support for the Jakarta Centre for Law Enforcement Cooperation (JCLEC).
- *Support for National Police Reform in Aceh (2006-2009)*: Training of the Aceh police force in methods of policing including community policing with a focus on Human Rights and gender issues.
- *Support for good governance in the Indonesian Judiciary (2004-2007)*: To strengthen the independence of the judiciary and make it more professional, transparent and responsible.
- *Support to Justice for Peace and development in Aceh (2006-2009)*: To provide support to the civil judicial system and to improve access to justice with particular focus on training for the judiciary on human rights issues, and support for the establishment of a Human Rights court in Aceh.

The Netherlands has an extensive governance programme in Indonesia, focusing on 4 priority areas of cooperation:

- Support in the field of **Participatory Democracy** consisting amongst others of support for the election process, stimulating debate between political parties, and encouraging civil society engagement through the community driven poverty reduction program PNPM.
- **Regional Development** Programmes in Aceh, Papua and the Moluccas to support peace and reconciliation, capacity building of local governments and regional economic development.
- On **Human Security**, support for community policing, anti-terrorism, and implementation of international human rights conventions.
- Cooperation on **Rule of Law** with key institutions in the field of justice and anti-corruption is aimed at capacity building, strengthening of accountability and the reform process.

For the UK, the reinforcement of good governance and the rule of law are major objectives for co-operation with Indonesia. The UK has provided models for community policing. The specific objective is to support the development of stronger and more accountable institutions. This has been provided via 3 major initiatives:

- *The Decentralisation Support Facility* (£25 million, 2006-09) created a multi-donor office, putting the Government of Indonesia in the lead in setting a strategic framework for a responsive, accountable enabling environment for decentralised governance.
- *The Initiative for Local Governance Reform* (£6.2 million, 2005-09) strengthens district governments' capacities in public financial reform, public services and public participation.
- *The PNPM Support Facility* (£4 million, 2008-10) delivers community driven poverty reduction, and is the largest social protection programme in the world, providing support for civil society engagement and financial support to the Government.

Germany's support includes:

- Establishing an information and documentation centre ("Anti-Corruption Clearing House") in KPK and 7 government institutions;
- Developing a 'whistle-blower' system; and
- Conducting a series of anti-corruption campaigns.

Sweden supports democratisation, and good governance via UNDP and Indonesian NGOs focusing on grass root community empowerment, participatory democratisation and access to justice. The Sida financed Wallenberg Institute implements capacity building programmes in the human rights field via support to the National Human Rights Action Plan and capacity strengthening in Indonesian prisons. In addition Sweden supports public administration transparency in the areas of public service media and tax reform.

Denmark focuses upon Conflicts of Interest in Indonesia, with general anti-corruption campaigns and campaigns targeted at young people.

AECID of Spain has also financed support for Government and Civil Society (€3.56 million).



INDICATOR		1990	PRESENT*	TARGET	REMARKS	STATUS
GOAL 1. ERADICATE EXTREME POVERTY AND HUNGER						
Target 1A. Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day						
1.1	Population below \$ 1 a day	20.6%	7.5%	10%	Standard too low	●
1.1a	Poverty head count ratio (population below national poverty line)	15.1%	15.4%	7.5%	High but coming down	▼
1.1b	Population below \$ 2 a day (%)		49.0%		High	
1.2	Poverty gap ratio (incidence x depth of poverty)	2.7%	2.77%		Stagnant	
1.2a	Poverty Depth Index		0.76		Stagnant	
1.3	Share of poorest quintile in national consumption	9.3%	9.7%		Stagnant	
Target 1B. Achieve full and productive employment and decent work for all, including women and young people						
1.4	Growth rate of GDP per person employed		4.3%			
1.5	Employment-to-population ratio		67.3%			
1.6	Proportion of employed people living below \$1 (PPP) per day		8.2%			
1.7	Proportion of own-account and contributing family workers in total employment		62%			
Target 1C. Halve, between 1990 and 2015, the proportion of people who suffer from hunger						
1.8	Prevalence of underweight/undernourished children (under 5 years)	35.5%	28.7%	18%	Increasing	
1.9	Proportion of population below minimum level of dietary energy consumption	9.0%	6.0%	5%	Decreasing slowly	▼

GOAL 3. PROMOTE GENDER EQUALITY AND EMPOWER WOMEN						
Target 3A. Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015						
3.1a	Ratio of girls to boys primary school	100.6%	100.0%	100%	Increasing	●
3.1b	Ratio of girls to boys secondary school	101.3%	99.4%	100%	Increasing	▶
3.1c	Ratio of girls to boys tertiary school	98.0%	100.0%	100%	Increasing	●
3.1d	Ratio of girls to boys higher education	85.1%	102.5%	100%	Increasing rapidly	●
3.1e	Ratio of literate women to men 15 to 24 years old	97.9%	99.9%	100%	Increasing	▶
3.2	Share of women in wage employment in the non-agricultural sector	29.2%	33%	50%	Stagnant	
3.3	Proportion of seats held by women in national parliament	12.5%	11.3%		Decreasing	

From Let's Speak Out on the MDG's, publisher: UN - Bappenas, October 2008

INDICATOR		1990	PRESENT*	TARGET	REMARKS	STATUS
GOAL 8. DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT						
Target 8.A. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system - Includes a commitment to good governance, development and poverty reduction – both nationally and internationally						
Target 8B. Deal comprehensively with debt problems of developing countries through international and national measures in order to make debt sustainable						
8.1a	Ratio of Export - Import and PDB		44.4%			
8.1b	Ratio of Loan and Saving - in commercial bank		61.6%			
8.1c	Ratio of Loan and Saving - Rural Banks		87.4%			
8.12	Ratio of International Debt to GDP		44.9%		Decreasing	
8.12	Ratio of debt to National Budget		26.0%		Decreasing	
Target 8F. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications						
8.14	Proportion of households with telephone lines		11.2%		Increasing slowly	
8.15	Proportion of households with cellular phones		24.6%		Increasing slowly	
8.16a	Proportion of households with personal computers		4.4%		Increasing slowly	
8.16b	Proportion of households with access to internet		4.2%		Increasing slowly	

From *Let's Speak Out on the MDG's*, publisher: UN - Bappenas, October 2008

* : As per the latest available data

● : Already Achieved, ► : Likely to achieve, ▼ : Lagging Behind (Needs improvement)

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

annex 1

European Union Bilateral Cooperation in Indonesia

education

Austria
Belgium
EU
France
Germany
Italy
Luxembourg
The Netherlands
Portugal
Spain
Slovakia
Spain

water supply & sanitation

EU
France
Germany
The Netherlands
Poland
Spain
Sweden

health

Austria
Belgium
EU
Germany
Poland
Spain
UK

conflict prevention / peace & security

Austria
EU

infrastructure / transport

Belgium
Czech Republic
France
Germany
Sweden

environment/ climate change

Austria
Belgium
Denmark
EU (Forestry)
France (Loan)
Germany
The Netherlands
Poland
Spain
Sweden

agriculture, forestry & fisheries

Austria
Belgium (*agriculture, forestry & fisheries*)
EU (*forestry*)
Germany (*forestry*)
The Netherlands
Spain (*agriculture & fisheries*)
Sweden
UK (*forestry*)

Lexamen

government & civil society

Austria
Belgium
Denmark
EU
France
Germany
The Netherlands
Spain
Sweden
UK

emergency assistance

Austria (*humanitarian aid, incl. disaster preparedness*)
EU (*humanitarian aid, incl. disaster preparedness*)
Italy (*humanitarian aid, incl. disaster preparedness*)
Poland (*humanitarian aid, incl. disaster preparedness*)
Spain (*food aid*)
Sweden
UK (*humanitarian aid, incl. disaster preparedness*)

private sector & economic development

EU
France
Germany
Italy
The Netherlands
Spain

trade & tourism

Belgium (*trade & tourism*)
EU
Spain (*tourism*)

post-disaster reconstruction

Austria	The Netherlands
Belgium	Portugal
EU	Spain
France	Sweden
Germany	UK
Italy	
Luxembourg (<i>Reconstruction and Humanitarian</i>)	



EUROPEAN UNION (EU)

Development Cooperation Overall Policies

On 20 December 2005 the European Union (EU) adopted a new development policy called **“European Consensus on Development”**, whereby EU Member States, the Council, the European Parliament and the Commission agreed to a common EU vision of development. The Consensus identifies shared values, goals, principles and commitments which the European Commission (EC) and EU Member States will implement in their development policies, including reducing poverty, development based on Europe’s democratic values and on partner government’s national strategies and a commitment to increase its official development assistance to 0.56% of its gross national income by 2010 (on the way to achieving the UN target of 0.7% by 2015).

With the realisation that making development policy in isolation will not bring sufficient results, the EU seeks to build synergies between policies other than development cooperation that have a strong impact on developing countries. This approach of **“Policy Coherence for Development”** is being taken by both the European Commission and EU national governments. In 2005, the EU agreed to apply the Policy Coherence for Development approach in 12 policy areas that could accelerate progress towards the UN’s millennium development goals including trade, environment and climate change, security, social policies (employment), migration, research, information technologies, transport and energy.

Programming cycle and types of Cooperation Instruments

The funding of the EU is in the form of grants. For the period 2007-2013, the EU has simplified its own funding toolkit so that there are now much fewer instruments through which it implements its external assistance. The Development Cooperation Instrument (DCI) is the main instrument for EU operations in Asia. The DCI global budget for the period 2007-2013 is €17 billion. Through the DCI the EU finances: 1) bilateral cooperation, under the Country Strategy Papers (CSP), and regional cooperation (€10 billion); 2) five thematic programmes (€6 billion), for which funding is allocated annually on a competitive basis through Calls for Proposals: Investing in People,



Environment, Non-State Actors/Local Authorities, Food Security, Migration / Asylum. Other relevant instruments include: the European Instrument for Democracy and Human Rights - EIDHR (€1 billion for the period 2007-2013); the Instrument for Stability (€2 billion over seven years); and Humanitarian Aid (on average €750 million per year).

Furthermore, for the period the 2007-2013, the European Investment Bank is authorised to lend up to €3.8 billion for operations supporting EU cooperation strategies and programmes in Asia.

Overview of Cooperation in Indonesia (ongoing and medium term prospects)

EU cooperation in Indonesia is designed to support the Government of Indonesia's (GoI) policies, as reflected in the Government's Medium Term Development Plans. A limited number of focal sectors have jointly been agreed in the EU-Indonesia Country Strategy Paper 2007-2013: 1) Education; 2) Trade and Investment; 3) Law Enforcement and Justice. An indicative allocation of €498 million has been earmarked for the period 2007-2013 which places Indonesia as the second largest recipient of EC development assistance in Asia after Afghanistan. On 23 November 2007 the GoI and the EC signed, in the presence of the President of Indonesia and the President of the European Commission, a Memorandum of Understanding to formalise the first financial envelope of €248 million covering the period 2007-2010: education (€198 million), trade and investment (€30 million), law enforcement and judicial reform (€20 million). A second envelope and a new sector allocation for the period 2011-2013 will be determined in 2009 following a Mid Term Review.

In addition to the bilateral cooperation framed in the CSP, Indonesia can benefit from regional cooperation (ongoing portfolio of €53 million) and from thematic programmes (ongoing portfolio of €38 million). The EU also provides prompt and substantial responses to emergencies and funds disaster preparedness and mitigation projects through the EC's Humanitarian Aid Department-ECHO (2008 Country Decision €2 million) and supports Reconstruction following the tsunami/earthquake in Aceh-Nias and Yogyakarta (€246 million) as well as the Aceh Peace Process (€19 million).





**Financial Overview of Assistance to Indonesia (Bilateral + Thematic + Humanitarian)
Flow of Funds of EU Assistance per Sector (in EUR) – Annual Disbursements**

Sectors	2006	2007	2008	Total
Education	6,569,560	2,539,277	5,667,186	14,776,024
Health	10,809,729	10,030,381	1,931,848	22,771,958
Water Resources	312,351	22,446	44,398	379,196
Forestry	5,585,618	3,952,940	2,265,695	11,804,252
Environment	3,563,417	1,772,360	779,319	6,115,096
Government Administration	3,355,187	159,769	169,949	3,684,905
Legal and Judicial	1,552,482	4,612,045	2,892,002	9,056,529
Human Rights	1,644,035	1,133,867	459,354	3,237,255
General Support to NGOs	416,983	408,879	529,349	1,355,211
Sub-total Government & Civil Society	6,968,686	6,314,560	4,050,654	17,333,900
Private Sector & Economic Development	3,610,299	1,843,422	163,668	5,617,389
Trade	5,058,165	3,902,718	1,597,734	10,558,617
Reconstruction	58,941,912	56,040,000	11,960,000	126,941,912
Support to Aceh & Nias	3,697,070	1,507,655	3,080,227	8,284,952
Humanitarian Aid & Disaster Preparedness	10,578,911	1,600,000	3,900,000	16,078,911
Aid to IDPs	2,352,850	3,329,729	2,747,309	8,429,888
Sub-total Emergency Assistance	12,931,761	4,929,729	6,647,309	24,508,799
Total	118,048,567	92,855,488	38,188,038	249,092,093





AUSTRIA

The major goals of Austrian Development Cooperation are:

- Reducing Global Poverty
- Safeguarding Peace and Human Security
- Preserving the Environment

The two policy pillars of bilateral and multilateral development cooperation are the Millennium Development Goals and the Paris Declaration.

Flow of Funds of Austria Assistance per Sector (in EUR) – Annual Disbursements

Sectors	2006	2007	2008	Total
Education (Higher Education)	369,937	365,358	455,286	1,190,581
Health	199,391	28,497	12,789	240,677
Agriculture	0	0	800	800
Environment	2,700	0	-692	2,008
Government & Civil Society	0	23,400	-2,901	20,499
Conflict Prevention & Resolution	22,540	15,444	0	37,984
Post-Disaster Reconstruction	1,157,589	410,714	20,000	1,588,303
Humanitarian Aid (Incl. Disaster Preparedness)	104,715	40,000	0	144,715
Action Related to Debt	246,791	327,281	254,526	828,598
Social Infrastructure & Services	0	35,600	28,750	64,350
Sub-total Others	246,791	362,881	283,276	892,948
TOTAL	2,103,663	1,246,294	767,758	4,118,515

Note: 2008 final figures as reported to OECD/DACADA/STAT/HR/7.9.2008/SB-234b

Austria's Official Development Assistance (ODA) is predominantly given on a grant basis. Disbursements are based on the above-mentioned priorities. Globally, Austria's ODA amounted to €1,193.8 million (0.47% of GNI) in 2006 and €1,321.08 million (0.50% of GNI) in 2007. In view of the international commitments that Austria has undertaken (particularly the EU's phased plan for achieving 0.7 per cent ODA by 2015) a further increase in Austrian ODA is expected in the next few years.





Activities in South East Asia are part of the ADC's global programmes, with capacity building at the centre. Austria's assistance is provided by means of established instruments such as postgraduate scholarships, as well as contributions to relevant research projects in the area of academic cooperation both within the region and in Austria. Examples are the North-South Scholarship Programme and the ASEAN-European University Network (ASEA UNINET). In addition, assistance to NGOs for co-financed projects as well as humanitarian assistance has been provided to Indonesia. Alongside many other donors in Indonesia, Austria signed the "Jakarta Commitment: Aid for Development Effectiveness" on 12 January 2009 in line with international commitments towards enhancing development effectiveness. In total, ODA in 2006 amounted to about €2,104,000 and to €1,246,000 in 2007. The data for 2008 is not yet available.

The principal Austrian scholarship programmes for Indonesian students/researchers are given in the framework of the ASEA-Uninet university cooperation network, which awards Southeast Asian Technology doctorate scholarships as well as ASEA-UNINET one month post-doctorate trainings. In addition, grants for on-place scholarships for doctorate studies at Indonesian Universities are awarded in the framework of this programme.



BELGIUM

Sectors	2006	2007	2008	Total
Education	0	83,573	0	83,573
Health (social sectors)	0	184,247	0	184,247
Agriculture, Forestry & Fisheries	0	815,862	0	815,862
Environment / Climate Change	0	3,750	0	3,750
Government & Civil Society	0	26,011	0	26,011
Trade & Tourism	0	56,743	0	56,743
Transport	0	312,989	0	312,989
Post-Disaster Reconstruction	0	4,014,856	0	4,014,856
TOTAL	0	5,498,031	0	5,498,031





BULGARIA

With the recently adopted Concept Paper on the Policy of the Republic of Bulgaria for Participation in International Development Co-operation, Bulgaria has clearly stated its political will to become an active participant in assisting less developed countries.

With its accession to the EU on 1 January 2007, Bulgaria has undertaken a new commitment to provide official development assistance (ODA) to developing countries and countries in transition. Bulgaria is undergoing a process of transition from being an ODA recipient country to being a donor country. Bulgaria's commitment is laid down in the Concept Paper - to strive to achieve the ODA targets for new EU Member-States of 0.17% of GNI by 2010 and 0.33% of GNI by 2015.

Bulgaria's development assistance will be targeted at poverty eradication and tackling economic underdevelopment in partner countries as well as assistance on good governance and combating major social problems. Eradicating poverty and improving the quality of life are not achievable without promoting sustainable development.





CZECH REPUBLIC

The Czech Republic identifies with the multidimensional approach to the reduction of poverty, which should not be understood only in the economic terms of low per capita income but also in the context of other social and environmental relationships. The Czech Republic fully supports the **Millennium Development Goals (MDG)** with the central goal being to reduce the number of people living in absolute poverty by half by 2015. The Czech Republic's Overseas Development Assistance (ODA) is based on the **Principles of partnership** (it must always respond to the demand on the part of the beneficiary, not to the offer on the part of the donor), **efficiency and transparency**.

The priority areas of the Czech Republic's ODA in Indonesia are programmes of technical assistance in environment protection and regional transport infrastructure. Two regional infrastructure projects were launched in Yogyakarta Province in 2007 and one project in environmental protection was launched in North Sulawesi Province in 2008.

Flow of Funds of Czech Republic's ODA in Indonesia (in EUR) – Annual Disbursements

Sectors	2006	2007	2008	Total
Transport	0	87,885	101,162	189,046
TOTAL	0	87,885	101,162	189,046





DENMARK

The Royal Danish Embassy (RDE) has two main development programmes in Indonesia, focusing on good governance and environment issues. Under the first sector, RDE supports the 2 year programme for “Deepening Democracy and Good Governance in Indonesia”, which has 2 overarching objectives:

- To strengthen democratic values and processes and improved community security;
- To curb corruption through enhanced prevention.

The environment programme is based on the Danish Environmental Strategy for Environmental Assistance to Developing Countries 2004-2008. The Environmental Support Programme is currently in phase 2 (ESP 2) within a 5 year period which started January 2008, its overall objective being sustainable environmental management in support of livelihoods in Indonesia.

The first objective of the good governance programme combines democratic governance and community security. It is being implemented by The Asia Foundation (TAF), Jakarta Centre for Law Enforcement Cooperation (JCLEC), and The Partnership for Governance Reform (The Partnership). The second objective focuses on preventing corruption, and RDE supports the Corruption Eradication Commission (KPK) and Transparency International Indonesia (TII). The ESP 2 is implemented through collaboration between RDE and the Government of Indonesia (GoI), via the Ministry of Environment (KLH), Ministry of Energy and Mineral Resources (ESDM), Ministry of Home Affairs (Depdagri) and the Agency for National Development Planning (Bappenas). The objective of ESP 2 will be achieved through three components:

- Support to public sector institutions;
- Energy efficiency in construction and use of large buildings; and
- Support to decentralised natural resources management and renewable energy.

The funding of RDE is through grants. The first phase of the good governance programme covers the period 2008-2009, for which RDE’s commitment amounted to Danish Kroner (DKK) 32.5 millions, and comprises DKK 13.3 millions to TAF, DKK 4 millions to JCLEC, DKK 4.8 millions to The Partnership, DKK 7.2 millions to KPK and DKK 2 millions to TII.





The grant available for ESP 2 is DKK 220 millions over a 5 year period. The programme is in line with the Government of Indonesia policy to approach environmental management as an important element in securing sustainable economic development and poverty alleviation. It is implemented through the existing Gol structures at national level and includes activities at provincial, district and community levels. ESP 2 supports activities based on the strategic plans of Bappenas, KLH, Depdagri (MOHA) and ESDM.

Development Cooperation Activities in Indonesia (ongoing and medium term prospects)

RDE cooperation in Indonesia is designed to support Gol policies in those 2 sectors. In general Indonesia has made impressive gains in the areas of democratisation and combating terrorism, but significant vulnerabilities and challenges remain. The increasing pressure over Indonesia's natural resources, due to economic activities and a growing population, pose a distinct challenge for its effort in alleviating poverty without compromising its biodiversity. These two sectors have drawn support from RDE for providing continued funding and technical assistance support either to public sector institutions under the Gol structures, or to partner institutions (NGOs).

The general election in 2009, efforts to curb corruption by KPK and TII, as well as countering extremism and terrorism through involvement of the evolving role of Islam have been a critical consideration in maintaining and improving RDE support to Indonesia. Preserving Indonesia's natural resources, with their rich biodiversity, is another top priority for RDE, to contribute to preventing global warming. RDE support will ensure that Indonesia's Poverty Reduction Strategy Paper (PRSP), linking poverty with the availability of sustainable natural and environmental resources, and the management of natural resources and the environment is applicable to achieve the goal of increasing the level of the community's welfare.

Flow of Funds of Denmark Assistance per Sector (in EUR) – Annual Disbursements

Sectors	2006	2007	2008	Total
Environment	2,505,000	3,050,000	4,093,000	9,648,000
Government & Civil Society	1,239,000	1,100,000	1,196,000	3,535,000
TOTAL	3,744,000	4,150,000	5,289,000	13,183,000





FINLAND

Development policy forms an integral part of Finland's foreign and security policy contributing to the global effort to eradicate poverty through economically, socially and ecologically sustainable development. The main goal of development policy is to eradicate poverty and to promote sustainable development in accordance with the UN Millennium Development Goals which were set in 2000. Finland places particular emphasis on the importance of issues relating to climate and the environment. At the same time, crisis prevention and support for peace processes as important elements of the promotion of socially sustainable development are stressed.

It is implemented as country- and region-specific cooperation, cooperation with NGOs, multilateral cooperation, as humanitarian aid or as economic cooperation. Finland's Official Development Assistance in 2008 amounted to about €800 million which is about 0.42 % of the GDP. The Government is committed to reach the 0.51 % minimum figure set by the European Council in 2005 for the EU-15 by 2010, and to reach 0.7% by 2015.

With the reconstruction activities that started after the 2004 tsunami Finland is gradually increasing its activities in Indonesia, and during 2009 several new forms of cooperation are emerging.

Local cooperation fund - The Finnish Fund for Local Cooperation supports initiatives of local Non-Governmental Organisations (NGOs), Community-based Organisations (CBOs), and other Institutions in Indonesia. It distributes funds to 5-15 projects per year. The total disbursement is about €300,000 per year. The objective of the fund is to complement other Finnish development efforts in the field of human rights, democracy and good governance, and strengthen the civil society in particular. In addition the fund provides support to cultural and social development activities at a small-scale level. The approach is to establish long-term partnerships with a limited number of organisations.





Multilateral cooperation - In Indonesia, Finland has recently implemented larger projects in cooperation with the FAO and the Asian Development Bank (ADB). Another form of multilateral cooperation is the reconstruction work being done through the Multi-Donor Fund for Aceh and Nias (MDF) and the Java Reconstruction Fund.

The Institutional Cooperation Instrument (ICI) - enables Finnish government agencies to take part in development cooperation. The objective is to strengthen the skills and know-how of government actors, such as ministries or universities in the developing countries. The action resembles twinning: a developing country actor cooperates with a Finnish government agency. This is a new development instrument that has been very popular. Four projects are in the pipeline and one has already been approved. The amounts vary but can be as high as €500.000 per project.

Finland has currently two programmes in development for Indonesia. **Energy and Environment Partnership with Indonesia.** Duplicating a successful scheme being implemented in Central- America, Finland is looking to start a new programme in cooperation with the Indonesian Ministry of Energy and Mineral Resources. The Project document is being prepared at the moment and the programme is expected to start during the year 2009.

Finnish Support to Forest Sector Development in Indonesia

Traditionally Finland has supported forest sector development in Indonesia through NGO-projects and Indonesian partner institutes. Finland is planning to start bilateral cooperation and/or cooperation through multilateral organisations in forest sector development. Identification missions have been concluded and a project document as a first step towards joint project/programme for forest sector development in Indonesia is in preparation. Activities are expected to start during 2009.

Concessional Credits - Concessional credits are a financial instrument, in which the funding of exports directed to developing countries is supported by subsidising the export credit with interest paid from the Finnish Government's development cooperation funds. The credit is interest-free for the borrower. Indonesia is a recipient country and two large scale projects are at the moment in preparation.





FRANCE

During 2006-2008, France has built a development policy based on the priorities of the Government of Indonesia, namely the promotion of democratic values, sustainable development, infrastructure development, Global Public Goods (GPGs) as well as higher education and science.

In line with these priorities, the French Embassy has implemented a series of technical assistance projects in the field of urban planning, transportation systems, civil aviation, water distribution. The French Embassy has also been involved in technical cooperation aimed at capacity building for civil servants of different ministries and regional authorities (East and West Java, DKI Jakarta, BAPPENAS).

At the request of the French Government, the Agence Française de Développement (AFD) started activities in 2007 (opening a resident mission) focused on better management of GPGs, i.e. combating climate change, preserving biodiversity and fighting emerging and transmissible diseases.

Grants and scholarships:

Some 80 scholarships (15 are full scholarships; the rest are co-financed) are awarded every year to Indonesian students and civil servants to study for a degree in a French University, either at Master's level or PhD level, and the French Embassy maintains a network of alumni in different Indonesian ministries. Besides this commitment, the French Government also works in the framework of a regional and multilateral approach, especially with the European Commission.

The French Embassy provides grants to finance technical assistance for project preparation (feasibility studies, preliminary design, detailed design, etc). These grants are primarily dedicated to the preparation of infrastructure projects (water, sanitation, solid waste, environment, transport, energy). During 2006-2008, such grants were provided to the Indonesian authorities to undertake feasibility studies of projects in water distribution and transportation systems.

Loans and technical assistance:

The French government manages an intergovernmental soft loan facility called ECF (Emerging Countries Facility). ECF loans finance infrastructure projects in-line with the development priorities of Indonesia. The main sectors concerned are environment (water, sanitation, solid waste,





Clean Development Mechanism projects) and transportation (mass network transit systems). During 2006-2008, France undertook a civil aviation sector intervention on such a loan basis. France will finance other projects in railway transportation shortly.

In 2008, the AFD disbursed US\$200 million in direct budgetary support to the Government as part of the Climate Change Programme Loan (CCPL), co-financed with JICA. The purpose of the CCPL is to support Indonesian driven policy reform for dealing with climate change issues and to help the implementation of agreed policy targets/actions stated in a three-year “Policy Matrix” (revisable every year). Targets in the “Policy Matrix” are divided into three sections: mitigation, adaptation and cross-sector issues.

In addition, and on a grant basis, AFD will finance a forestry expert of the CCPL monitoring team and targeted technical assistance in favour of the Ministries of Industry (energy efficiency) and Forestry.

The ongoing and medium term prospects for France in Indonesia are:

- To focus on climate change issues (energy efficiency, renewable energy, alternative energy, etc.) through the action of AFD;
- To deepen further its cooperation in the infrastructure sector;
- To reinforce its action in capacity building with different ministries (BAPPENAS, Ministry of Transport, Ministry of Public Works, etc.); and
- To strengthen its cooperation in higher education and science in partnership with DIKNAS, DIKTI and RISTEK.

Besides this intergovernmental cooperation, France will intensify its development cooperation with the French private sector and Indonesian private foundations, which take part of the promotion of the development of Indonesia through co-financing grants for students and civil servants.

Flow of funds of France Assistance per Sector (in EUR) – Annual disbursements

Sectors	2006	2007	2008	Total
Education (higher education & research)	1,500,000	1,500,000	1,500,000	4,500,000
Water Resources	0	1,600,000	0	1,600,000
Environment (Climate Change Programme Loan)	0	0	160,000,000	160,000,000
Government & Civil Society	170,000	70,000	130,000	370,000
Transport	1,000,000	0	0	1,000,000
Private Sector & Economic Development	0	3,400,000	0	3,400,000
Reconstruction	1,530,000	38,330,000	0	39,860,000
TOTAL	4,200,000	44,900,000	161,630,000	210,730,000
Reconstruction	1,530,000	1,530,000		3,060,000
TOTAL	4,200,000	8,100,000	161,630,000	173,930,000





GERMANY

Germany is the second largest donor among Member States of the Organisation for Economic Cooperation and Development (OECD). In 2007, Germany's net ODA amounted to US\$12.29 billion. The largest portion of that amount was allocated to Asia (48%). As development assistance must be considered against the background of a globalising world, more than 30% of German ODA has been channelled through international institutions, such as the World Bank Group, the Asia Development Bank (ADB) and the United Nations system, to complement its bilateral development efforts. About one quarter of the EU's funding for development assistance is contributed by Germany.

German cooperation with Indonesia is aligned to the national development priorities of Indonesia. In 2007, Indonesia and Germany agreed to sharpen the focus and profile of their bilateral development cooperation programme. The main aim is to concentrate future activities on three priority areas covering national sector strategies and fostering the international division of labour amongst donors. Given the political urgency to address the global challenge of climate change, both countries agreed to launch a new priority programme in this area. The two other priority areas are "Private Sector Development" and "Good Governance / Decentralisation". The design of each priority area will be guided by Indonesia's regional economic and political role, with account also being taken of the country's significance in terms of the protection of global public goods. Germany together with other donors signed the "Jakarta Commitments" which forms Indonesia's aid effectiveness agenda for the future.

The Indonesian and German government held biannual negotiations in 2007 and agreed a volume of assistance for 2007/2008 at €86 million. The next negotiations will be beginning of 2010.





Flow of Funds of Germany Assistance per Sector (in EUR) – Annual Disbursements

Sectors	2006	2007	2008	Total
Education	22,284,649	12,237,204	8,597,565	43,119,418
Health	14,989,561	24,182,523	27,260,241	66,432,325
Water Resources	2,847,330	2,931,609	3,701,193	9,480,132
Forestry	616,324	808,881	786,631	2,211,836
Environment	1,191,887	1,791,040	1,129,732	4,112,659
Government & Civil Society	4,490,316	5,062,767	5,248,710	14,801,793
Private Sector & Economic Development	5,459,559	5,239,420	6,130,457	16,829,436
Transport & Communication	19,133,265	22,784,637	42,292,608	84,210,510
Support to Aceh & Nias	40,722,362	30,801,263	9,155,470	80,679,095
Others	174,369	849,415	700,493	1,724,277
TOTAL	111,909,622	106,688,759	105,003,100	323,601,481

Tsunami Response

Soon after the Tsunami disaster, the German Government pledged a total funding of €500 million for humanitarian relief, emergency aid and rehabilitation/reconstruction efforts. Funds are available until the end of 2009. More than half the committed funds have been disbursed. To date, Germany has committed about €186 million for the reconstruction of Aceh and Nias Islands.





GREECE

Greece takes an active part in the international alliance against poverty and, since 2000 has grown into a bilateral donor country. The Ministry of Foreign Affairs, through the exercise of policy in international development cooperation and assistance, undertakes initiatives and actions that serve the Millennium Development Goals and are fully compatible with DAC and EU priorities as well as national policy. Greece allocates 0.17% of the Gross National Income (GNI) to Official Development Assistance (ODA) to developing countries, aiming at the 2010 EU target of 0.51%. Hellenic Aid provides scholarships for students from least developed countries and countries facing increased problems due to climate change (including Indonesia).



ITALY

Italian 'Diplomacy for Development' pursues the ideals of solidarity among peoples, respect for human rights, good governance and debt sustainability in developing countries. The guidelines for activities are set within the framework of the International Development Goals expressed in the Millennium Declaration of the United Nations. Since 2003, Italian Development Cooperation is also committed to implementation of the principles of aid effectiveness, internationally agreed in the frameworks of the "Rome Declaration on Harmonisation", the 2005 "Paris Declaration on Aid Effectiveness" and the 2008 "Accra Agenda for Action". While poverty alleviation is the main priority of the Italian aid programme, priorities include providing basic social services, safeguarding human life, encouraging food self-sufficiency, enhancing the quality of human resources, providing environmental conservation, promoting self-reliant economies, social and cultural development and improvement of women's living conditions.

On the purely bilateral field, after the tsunami, an emergency contribution of around €10 million was promptly approved and in May 2005 the "Emergency Programme for Aceh" started its activities in the health, education, support to vulnerable groups, agriculture, fisheries, housing and infrastructure sectors. The Programme concluded its activities in February 2007.





At the same time, as demonstrated by the emergency actions undertaken in the aftermath of the Yogyakarta earthquake of May 2006, Italy, in 2007, approved an aid programme of around €1 million to help the Klaten District (Yogyakarta) in the post-earthquake reconstruction process (besides consolidating the results achieved in the district of Bireuen in Aceh), which is now completed.

Furthermore, with the objective of contributing to fiscal consolidation and to the support of economic recovery in Indonesia, Italy committed herself to the reduction of foreign debt resulting from prior soft loans. A debt swap agreement for development was signed in 2005 making available an amount of US\$24,200,546 and €5,752,584. The agreement is currently under implementation.

Italy reaffirms, among its cooperation priorities in Indonesia, its commitment to assisting the country's private sector and especially SMEs. The establishment of a Training and Service Center in Sidoarjo (Surabaya), supporting SMEs operating in leather footwear production, remains the milestone of this commitment. To this end, a soft loan of €5.5 million was granted to the Indonesian Authorities, in 2002, to supply goods and services for the operation of the centre. However, the MoU has not been signed, since the disruptive impact of the Sidoarjo's mudflow is currently under evaluation.

Education

A specific Cultural Cooperation Agreement links Italy and Indonesia since 1997. On that basis, Italy provides contributions to several Indonesian Universities (Universitas Gadjah Mada in Yogyakarta, Universitas Nasional in Jakarta, Institut Teknologi in Bandung, Akademi Pariwisata Indonesia in Jakarta, Universitas Trisakti in Jakarta) for the teaching of Italian language and culture. A lecturer from the Italian Government supports the teaching of Italian language at Universitas Indonesia in Jakarta. In academic year 2007-2008, 22 Indonesian Nationals were selected to study the Italian language and culture and also for post-graduate specialisation studies indicated as a priority by the Indonesian Authorities.



In addition, various Italian Universities provide, each year, their scholarships in favour of Indonesian students. In 2007-2008, 20 Indonesian Nationals were selected for post-graduate specialisation studies in Italy. These scholarships were provided also on the basis of specific cooperation agreements those Italian Universities have established in specific fields with Indonesian University counterparts.

Flow of Funds of Italy Assistance per Sector (in EUR) – Annual Disbursements

Sectors	2006	2007	2008	Total
Education	188,000	163,000	161,000	512,000
Private Sector & Economic Development			5,500,000	5,500,000
Reconstruction (see conversion below)	25,151,042			25,151,042
Humanitarian Aid & Disaster Preparedness	10,000,000	1,000,000		11,000,000
TOTAL	35,339,042	1,163,000	5,661,000	42,163,042

Note: It was not indicated when the amount EUR 5,500,000 for Private Sector and Economic Development was disbursed. For the moment it is recorded under 2008.



LUXEMBOURG

Luxembourg's development cooperation is strongly committed to poverty eradication, particularly in least developed countries. This cooperation is aimed at the implementation, by 2015, of the Millennium Development Goals. Since 2000, Luxembourg has been one of five countries contributing more than 0.7% of its gross national income (GNI) to official development assistance (ODA). For 2008, Luxembourg ODA reached 0.92% of GNI. As in the past, this ODA was implemented through bilateral cooperation, multilateral cooperation, and cooperation through development NGOs. The main sectors for cooperation cover social development: health; education, including vocational training and access to labour markets; and integrated rural development with a strong emphasis on water and sanitation. Relevant initiatives in the field of microfinance are encouraged and supported, both at the conceptual and operational level.

Contributions to Indonesia for humanitarian assistance following the tsunami of 26 December 2004 and the earthquake of 27 May 2006 in Yogyakarta, as well as development activities financed through Luxembourg's NGOs, amount to €3,246,873 at the end of 2008.





Activities funded in 2005 included support to the immunisation programme (cold chain) through WHO and Indonesian Red Cross, and rehabilitation of irrigation systems and reconstruction of housing on Nias Island. In 2006, the rehabilitation of Nagan Raya hospital and the reconstruction of 1,500 houses in Aceh Barat have been funded through Caritas. Emergency aid after the earthquake has been channelled through UNICEF (€400,000), Caritas (€50,000) and the Red Cross (€100,000). An additional €50,000 was allocated to WFP following inundations in Northern Sumatra.

In 2007, Luxembourg contributed €100,000 towards the reconstruction of a school and community centre in Lambada Lhok (SOS Children's Villages) and €170,000 for the reconstruction of family housing in Yogyakarta (Caritas). After the inundations in Jakarta in January 2007, Luxembourg contributed €50,000 as Humanitarian Aid through Caritas. In the context of avian influenza, €100,000 was donated to UNICEF for refrigeration and storage facilities for animal vaccines.

From 2006 to 2008, Luxembourg has contributed a further €343,230 to the Unity Foundation (Luxembourg) for their development activities in the education sector in Indonesia.

Finally, in the wake of the tsunami, Luxembourg donated an additional €3 million to regional programmes of WFP, UNHCR, WHO and UNICEF, of which a major part was spent in Indonesia.

Flow of Funds of Luxembourg Assistance per Sector (in EUR) – Annual Disbursements

Sectors	2006	2007	2008	Total
Education	81,284	58,556	203,390	343,230
Reconstruction & Humanitarian	896,992	420,000	0	1,316,992
TOTAL	978,276	478,556	203,390	1,660,222





THE NETHERLANDS

The Netherlands development assistance contributes almost €5 billion each year to poverty reduction world-wide and is one of the few countries that has committed 0.8% of its GDP to development cooperation. Almost all ODA is provided in the form of untied grants. The principle objective is sustainable poverty reduction. Contributing to the Millennium Development Goals (MDGs) is considered the best way to achieve this. Sustainable poverty reduction is considered only possible if the wide-ranging yet interlinked causes of poverty are tackled simultaneously and are a matter of 'common concern'. In October 2007 the Minister for Development Cooperation, Mr. Bert Koenders presented the policy letter "Our common concern, investing in development in a changing world", to present the choices the Netherlands Government has made in its effort to contribute to achievement of the Millennium Development Goals:

- Security and development
- Growth and equity
- Equal rights and opportunities for women and sexual and reproductive health and rights
- Sustainability, climate and energy

The embassy in Jakarta has developed a Multi-Annual Strategic Plan, which presents its strategy at country level for the period 2008-2011. The overall objective is to strengthen and extend the varied bilateral relations between The Netherlands and Indonesia. This process has started with the policy letter Indonesia of 13 June 2006 and the agreement in principle reached on a 'Comprehensive Partnership' by Minister Verhagen (MoFA Netherlands) and Minister Wirajuda (MoFA Indonesia) on 14 January 2009.

The Multi-Annual Strategic Plan contributes to the following four strategic objectives:

- Improved democracy, stability, human rights and governance, resulting in an equitable and secure society;
- Improved economic governance, resulting in sustainable economic growth and a just distribution of growth to the society, to be able to reduce poverty rapidly;
- Improved environment and climate policy and implementation, resulting in an increase of renewable energy, sustainable management of natural resources, mitigation & adaptation;





- Broad-based bilateral relations through the 'Comprehensive Partnership Framework'.

To contribute to these objectives the Embassy supports programmes in the field of good governance, investment climate, education, water management, water supply & sanitation, renewable energy and environment (focus on peat lands). Gender issues are incorporated in the programmes. The programme is nation-wide with regional focus (Kalimantan, Aceh, Maluku, and Papua).

The majority of Dutch funds are being allocated to programmes executed by the Indonesian Government. These funds are channelled through multilateral agencies, which are responsible for supervision, monitoring and co-ordination. Dutch funds are not being used to finance stand-alone projects, but are mainstreamed in Indonesian sector policies and in multilateral financing. This is done so that Dutch interventions are more effective and their impact more sustainable.

**Flow of Funds of Netherland Development Assistance
per Sector / theme (in EUR) – Annual Disbursements**

Sectors	2006	2007	2008	Total
Basic Education	9,700,000	29,600,000	37,500,000	76,800,000
Higher Education	5,300,000	5,600,000	7,200,000	18,100,000
Sub-total Education	15,000,000	35,200,000	44,700,000	94,900,000
Water Resources & Management	10,200,000	13,500,000	13,300,000	37,000,000
Water Supply & Sanitation	0	3,300,000	7,500,000	10,800,000
Sub-total Water Supply & Sanitation	10,200,000	16,800,000	20,800,000	47,800,000
Agriculture, Forestry & Fisheries	1,550,000	1,575,000	2,405,000	5,530,000
Government & Civil Society	17,500,000	16,500,000	21,500,000	55,500,000
Private Sector & Economic Development	1,000,000	1,800,000	4,000,000	6,800,000
Environment/Climate Change	50,000	1,000,000	8,300,000	9,350,000
Reconstruction	43,200,000	4,500,000	1,900,000	49,600,000
Cross-cutting Sector (others)	4,300,000	3,900,000	3,100,000	11,300,000
TOTAL	92,800,000	81,275,000	106,705,000	280,780,000





POLAND

Poland's ODA in 2007 amounted to US\$362.83 million, the equivalent of 0.09% of GDP. In 2007, the amount of Poland's ODA rose by 9% in comparison with the previous year. Polish Aid is provided directly to recipient countries or distributed via specialised international organisations and funds receiving Poland's contributions. In 2007, US\$207.08 million was allotted to multilateral aid, and US\$155.74 million to bilateral aid. The EU is the most important international forum where Poland's multilateral development assistance activities are visible. In 2007, the lion's share of funds qualified as multilateral aid – US\$198.30 million was allotted to the EU external assistance budget. The remaining part of Poland's multilateral aid is represented by voluntary payments to the World Bank, institutions of the United Nations System of Organizations and other funds and programmes.

The biggest subventions granted to projects implemented within the Small Grants Fund in Asia in 2006 were received for Indonesia, Cambodia and Laos. Funds allocated for the Small Grants projects in 2007 were received by Bangladesh and Indonesia.

Flow of Funds of Poland Assistance to Indonesia per Sector (in EUR) – Annual Disbursements

Sectors	2006	2007	2008	Total
Health	60,000	60,000	46,500	166,500
Environment			127,800	127,800
Humanitarian Aid & Disaster Preparedness	286,000			286,000
TOTAL	346,000	60,000	174,300	580,300





PORTUGAL

Portuguese Development Cooperation fully respects the principle of concentration in specific countries such as in the Portuguese-speaking countries; and in sectors such as Education, Health, Training and Institutional building (from a perspective of Sustainable Development), and the Fight against Poverty as ways to achieve the MDGs. Development Cooperation Priorities are based on the following principles: Respect for Human Rights, Good Governance, Environmental Sustainability, Cultural Diversity, Gender Equality and Fight against Poverty. Regarding multilateral cooperation, Portugal mainly contributes to the EU (EU Budget and European Development Fund [EDF]). Portugal also contributes to UN agencies and to Development Banks (World Bank and Regional Development Banks, such as the Asian Development Bank).

Official Development Assistance (ODA) channelled to Indonesia was €1.8 million, from 2006 to 2008. The bulk of that amount – €1,791,000 - was spent in a Reconstruction Assistance Project following the 2004 Tsunami (€291,000) and in the Rehabilitation of a clinic, the construction of a school and a school compound in Lamno (€1,500,000). The remaining amount (€37,133) was channelled to projects linked to the promotion of the Portuguese language.

**Portuguese Official Development Assistance to Indonesia
per Sector (in EUR) – Annual Disbursements**

Sectors	2006	2007	2008	Total
Education	2,250	2,250	25,473	29,973
Reconstruction	1,791,000			1,791,000
Others	4,320	1,781	1,059	7,160
TOTAL	1,797,570	4,031	26,532	1,828,133





SLOVAKIA

The Ministry of Foreign Affairs of the Slovak Republic established the Agency for International Development Cooperation – Slovak Aid – on 1 January 2007. Creation of the Agency was a part of government plan to institutionalise Slovak official development assistance. The Agency was established to improve the effectiveness of assistance provided and to support implementation of the Slovak Republic's international commitments on official development assistance. The new system enhances efficiency and flexibility via cooperation with NGOs, the academic sector, entrepreneurs, and state and local authorities. The Act on Official Development Assistance (ODA) entered into force on 1st February 2008. More than 200 projects of Slovak Aid were approved in the period 2003–2007. The planning instruments for official development assistance were the Medium-Term Strategy for ODA: 2003–2008 and an annually approved national programme of official development assistance. The total amount of money provided by the Slovak Republic in 2007 through its Official Development Assistance was approx. €55 million, equal to 0.093% of Slovak GDP. The aim for 2010 is to provide €106.22 million (0.17% of GDP) and the amount for 2015 is €259 million (0.33% of GDP).

Regarding cooperation with Indonesia in the field of education, the Government of the Slovak Republic, wishing to strengthen mutual cooperation, has offered scholarships for Indonesian students. For 2007-2008, 2008-2009 and 2009-2010 academic years, the Government of the Slovak Republic is offering 1 (one) scholarship for Indonesian students for bachelor's and master's studies at public universities in Slovakia.

Under the National Scholarship Programme of the Slovak Republic for the Support of Mobility, citizens from Indonesia can also apply for scholarships as students, PhD students, university teachers and researchers.





SPAIN

Spanish official aid is defined according to a Master Plan, and the basis and ultimate goal of Spanish Cooperation is the fight against hunger. As far as the Asia and Pacific Region is concerned, Spanish Cooperation focuses mainly on promoting, in accordance with the Millennium Development Goals defined by United Nations, the following lines:

- Fight against poverty, better education, gender equality, water and sanitation supply, population empowerment.
- Sustainable productive systems: rural development, fisheries, tourism, support to small and medium enterprises.
- Health: family planning, fight against tropical and lethal diseases, AIDS, Avian Flu.
- Democracy, the rule of law, institution building.
- Peace processes, dialogue between parties in conflict, support for local populations.
- Environmental awareness.

Regarding non refundable funds, the Spanish Cooperation response to the Tsunami has included an initial emergency stage (2005) and a reconstruction and rehabilitation phase from 2006. Geographic and sectorial priorities in Indonesia have been based on the Special Action Plan for Indonesia 2006-2008. This Plan has been aligned with the Master Plan for Spanish Co-operation 2005-2008 and the Mid Term Development Plan 2004-2009 of the Government of Indonesia. Aceh, Nias, and West Timor have been the priority areas. Social sectors and reconstruction were sectorial priorities for Spain in Indonesia, and included the reconstruction of Nias, basic education, rural development, fishing, tourism, infrastructure, democratic governance and mainstreaming issues (human rights, cultural diversity and gender).

During 2006-2008, bilateral cooperation in Indonesia has focused on health, humanitarian aid for displaced people, tourism, economic/community development, housing, water and sanitation and social services (€3.50 million). Through multilateral funds, Spanish Cooperation has supported



fishing, tourism and environmental projects (€1.41 million). In addition, AECID has financed government and civil society (€3.56 million). During this period, different emergency projects have been supported, including food aid/security, support to displaced population, disaster response to earthquakes and droughts (€3.29 million). In 2007 and after a feasibility study took place in Indonesia, a micro finance programme was set up to support small enterprise development (€15 million). Moreover, Spanish Autonomous Communities have contributed with humanitarian and reconstruction projects with an amount of around €4.2 million.

The new Master Plan for Spanish Co-operation 2009-2012 does not include Indonesia as a priority country. From 2009 onwards an exit strategy will be developed in order to conclude the cooperation programme that has been carried out between 2005-2008.

Regarding refundable aid, in April of 2004 a Financial Programme between Spain and Indonesia was signed, with 7 projects to the value of €100 million. This amount was increased by an additional €110 million during the meeting of the CGI (Consultative Group of Indonesia) in 2005, increasing the available funds to €210 million total. These funds are designed to finance projects selected in 2004 and other projects proposed by Indonesia. The Financial Programme is managed through the Ministry of Industry, Trade and Tourism in Spain and in Cooperation with Bappenas and MOF in Indonesia.

At present Spain is financing projects in different areas such as information technologies, energy, fisheries training, telecommunications and other basic infrastructures.

In the near future Spain could participate in projects in areas in which the country has a high profile, such as environment (including water treatment and renewable energies) and other new areas such as transportation.

Also managed by the Ministry of Industry, Trade and Tourism in Spain there was a special loan facility to finance infrastructure links to Tsunami-affected areas, including one feasibility study and also a hospital project costing approx. €10 million.

Spain can also finance feasibility or sectoral studies through grants (as technical assistance link to infrastructure) upon the request of line Ministries.





Flow of Funds of Spain Assistance per Sector (in EUR) – Annual disbursements

Sectors	2006	2007	2008	TOTAL
Education	136,982	147,297	150,000	434,279
Health	121,200	380,800	266,173	768,173
Water Resources	0	89,884	0	89,884
Agriculture	0	0	607,901	607,901
Fishery	0	300,000	691,655	991,655
Sub-total Agriculture, Forestry & Fishery	0	300,000	1,299,556	1,599,556
Environment	44,000	0	389,000	433,000
Government & Civil Society	500,000	1,000,000	2,062,000	3,562,000
Industry	100,000	0	0	100,000
Private Sector & Economic Development	0	15,000,000	0	15,000,000
Sub-total Private Sector & Ec Dev	100,000	15,000,000	0	15,100,000
Tourism	291,000	200,000	0	491,000
Food aid	0	250,000	567,459	817,459
Humanitarian & Reconstruction	1,930,641	1,144,349	216,059	3,291,049
Dissemination	9,000	0	0	9,000
Administrative	61,622	84,450	63,530	209,602
Sub-total Others	70,622	84,450	63,530	218,602
TOTAL	3,194,445	18,596,780	5,013,777	26,805,002





SWEDEN

Swedish development cooperation is an integral part of the Swedish Policy for Global Development, the objective of which is to contribute to an equitable and sustainable global development. The overall objective of development cooperation is to contribute to making it possible for poor people to improve their living conditions.

In 2009 a bilateral strategy for so called selective cooperation during the period 2009-2013 for Indonesia was approved by the Swedish government. The overall objective of selective cooperation with Indonesia is enhanced democratic governance and increased respect for human rights, an environmentally sustainable development and economic growth benefitting larger groups in society. Selective cooperation is implemented by means of partner driven cooperation and targeted interventions in strategic areas.

Partner Driven Cooperation shall strengthen and stimulate the emergence of self sustained relations of mutual interest between Swedish and Indonesian actors, with the purpose of contributing to the objective of international development cooperation. At the end of the strategy period the main part of the cooperation shall consist of partner driven cooperation.

Cooperation with Indonesia has up to date consisted of funding via multilateral organisations, Indonesian NGOs and Swedish government agencies. Support to UNDP, UNICEF and the World Bank in the areas of environment and good governance will gradually be finalised during the first part of the strategy period. Cooperation with Indonesian NGOs in the good governance field is also being finalised. Collaboration between Swedish and Indonesian government agencies in the areas of fishery resources and coastal planning, land administration, air transport, tax reform and public service media will be subject to exploration as to the possibilities to continue cooperation with slightly altered prerequisites in line with the criteria for partner driven cooperation with more responsibilities, in terms of financing in particular, on the partners. Continued support to the Swedish Wallenberg Institute in Jakarta for human rights programs will continue during the strategy period.





The main efforts will be targeted at establishing partner driven cooperation. Environmental and climate change cooperation, will be a top priority and cooperation on integrated water resources management, strategic environmental assessment and municipality twinning focusing on environment/energy is being planned. In the field of international trade and private sector development, Corporate Social Responsibility, customs issues international standards and anti corruption are feasible cooperation areas.

Flow of Funds of Sweden Assistance per Sector (in EUR) – Annual Disbursements

Sectors	2006	2007	2008	Total
Water Supply & Sanitation	0	1,726,534	2,125,200	3,851,734
Fishery	180,752	213,940	157,079	551,771
Environment/Climate Change	237,832	209,292	332,965	780,089
Government & Civil Society	1,426,994	3,255,926	2,612,019	7,294,939
Transport	0	97,035	97,128	194,163
Post Disaster Reconstruction	6,659,309	0	0	6,659,309
Emergency Assistance	380,531	713,497	618,364	1,712,392
TOTAL	8,885,418	6,216,224	5,942,755	21,044,397



UNITED KINGDOM

The Department for International Development (DFID) is the United Kingdom (UK) Government department responsible for promoting sustainable development and reducing poverty. The central focus of the UK Government's policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015. DFID's assistance is concentrated in the poorest countries of Sub-Saharan Africa and Asia, but also contributes to poverty reduction and sustainable development in middle-income countries, including those in Latin America and Eastern Europe. The untied UK aid policy commenced since April 2001 means better value for money and has a greater impact on poverty reduction. DFID works in partnership with governments committed to the Millennium Development Goals, Civil Society, private sector and the research community. DFID also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.



From 2008 to 2011 there will be three main objectives for the DFID Indonesia country programme:

- To support the development of stronger and more accountable institutions;
- To deliver poverty reduction, focussing on achievement of off-track MDGs; and
- To enable Indonesia to deliver a range of global public goods, particularly climate change and work to help prevent radicalisation.

DFID has committed £75 million for Indonesia from 2008-2011.

DFID's recent support in Indonesia has focused on:

- Pro-poor policy formulation;
- Governance reform, including conflict prevention and reduction;
- Promoting forest management reforms to benefit poor people who depend upon forest resources; and
- Under-performing MDGs, including HIV and AIDS, TB and maternal mortality.

In addition the UK is providing substantial post disaster reconstruction assistance to Aceh, Nias, Yogyakarta and Central Java, and funding a major national disaster risk reduction programme.

Flow of Funds of UK Assistance per Sector (in EUR) – Annual disbursements

Sectors	2006	2007	2008	Total
Health	21,473,051	14,423,084	5,947,567	41,843,702
Forestry	6,665,387	4,667,950	2,515,484	13,848,821
Government & Civil Society	12,963,506	9,091,012	12,958,746	35,013,263
General Support to NGOs	17,615	63,883	0	81,498
Sub-total Government & Civil Society	12,981,121	9,154,895	12,958,746	35,094,762
Reconstruction	27,774,070	16,247,633	21,987,292	66,008,995
Humanitarian Aid & Disaster Preparedness	7,566,802	2,253,820	1,921,858	11,742,480
TOTAL	76,460,432	46,747,382	45,330,946	168,538,760





* in GBP

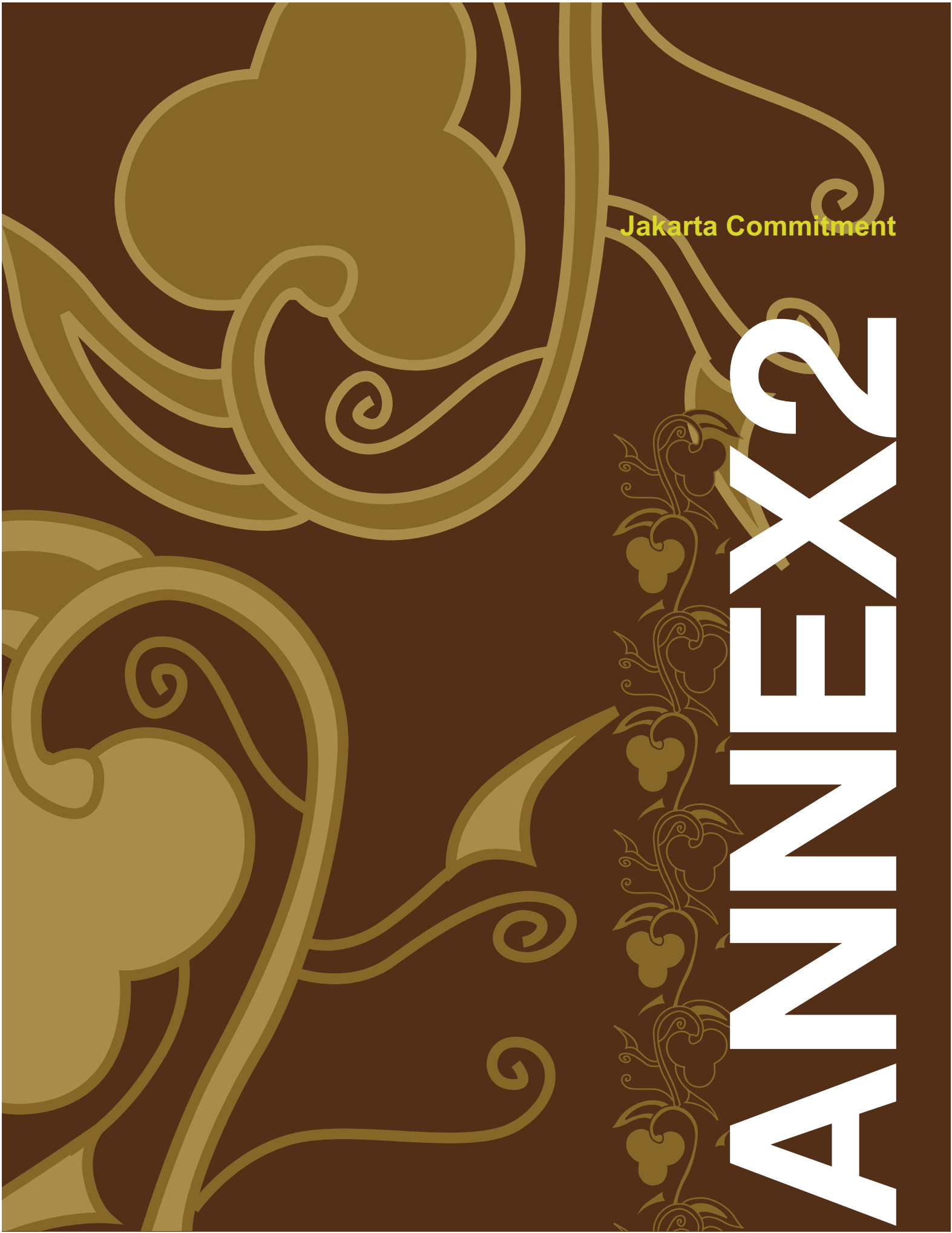
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* in Euro



Jakarta Commitment

ANNEX 2



annex 2 | Jakarta Commitment



On 12 January 2009, 22 donor countries and multilateral agencies, including the European Union, signed an agreement with the Government of Indonesia to increase development cooperation effectiveness. The “Jakarta Commitment” has been created as a roadmap to implement the principles of effectiveness at a national level. As Indonesia has become a middle-income country, its relationships with donors have shifted from an aid model to a development partnership. The “Jakarta Commitment” is an official recognition of this changing relationship.

By agreeing to this commitment, donors and creditors pledge to better align to government programmes and increasingly use Indonesia’s public financial management and procurement systems. Programme-based approaches will be given higher priority in development cooperation, and whilst the importance of multi-donor trust funds targeting specific sectors or needs is acknowledged, development partners have committed to strengthening their alignment with government systems.

In return, the Indonesian government will initiate a regular dialogue to discuss the development agenda with its partners, including civil society organisations and the private sector, and a strengthened Government framework for measuring and monitoring results should reduce the need for parallel donor monitoring efforts.

The principles expressed in the Jakarta Commitment provide a clear roadmap for future donor engagement with Indonesia. It provides the basis for partnerships in which future support can reflect the priorities of both the Government of Indonesia and the international community.

Linking the principles of both the Paris Declaration and the Jakarta Commitment plus, programme and sector-wide approaches responsive to Government priorities, will increasingly become the norm for EU donors in Indonesia. EU Member States with limited development assistance funds will move their funding to Low Income countries. Some will feed more of their funds for Indonesia through multilateral agencies, such as the World Bank for greater impact and sustainability. Others, in collaboration with the Government, will channel funds through other multi-donor funds operating at sectoral levels. Direct Budget Support, such as France’s annual soft loan linked to Climate Change, will be another modality.

There is clear and unambiguous concern over Indonesia's contribution to climate change, a Global Public Good. Most carbon emissions are directly related to rapid deforestation, so the Forestry sector will continue to be a major recipient of assistance from the EU and its Member States. When their responsibilities are reinstated, local governments will need continued support. Support for Governance and Decentralisation will therefore also continue to be a major feature of future EU partnership with the Government of Indonesia.

The major support from the EU and its Member States such as Germany, Netherlands, UK and the Scandinavian countries, will continue to be in the form of grant-based technical assistance for capacity building in priority sectors. This is directly in line with the Jakarta Commitment. Some EU Member States, such as Spain and France, will provide support through sector-wide loans. As Indonesia has sustainable debt levels, soft loans will be available, linked to development, and in line with both the Paris Declaration and the Jakarta Commitment. The differing options available provide flexibility and responsiveness to Indonesia's needs.

One Member State, the UK, intends to target those Millennium Development Goals which are off-track, presently, using goal performance as indicators of need. Another, Germany, is reducing the scope of its support to three major sectors, to increase the effectiveness and focus for its funds. The Commission also has a limited range of focal areas until 2013, as identified in the Country Strategy Paper for 2007-2013. Others, such as the Netherlands, will make increasing use of multi-donor funds as cost-effective management options.

The Paris Declaration articulated the principles for partnerships between donors and their partner countries and identified ways of making cooperation more responsive to and consistent with development priorities. This has been further articulated in the Jakarta Commitment as a roadmap for Indonesia to ensure development effectiveness. EU donors to Indonesia are evidently responding to better identified and focused needs.

**JAKARTA COMMITMENT:
AID FOR DEVELOPMENT EFFECTIVENESS
INDONESIA'S ROAD MAP TO 2014**

*Government of Indonesia
and its
Development Partners*

Indonesia and the international aid architecture

As a middle-income country with a population of around 230 million, Indonesia faces a distinctive set of challenges relating to aid, and more broadly to development effectiveness. The Government of Indonesia's relationship with international aid agencies is changing; the financing mechanisms at its disposal are taking new forms; and its development cooperation with other low and middle income countries is being further articulated. Given the country's development successes and its position as a large Middle Income Country, Indonesia has a strong contribution to make to efforts aimed at improving the international aid architecture for all recipients including both Low Income Countries (LICs) and Middle Income Countries (MICs).

Indonesia is a signatory to the Paris Declaration on Aid Effectiveness, and has committed to the aid effectiveness principles and commitments contained in the Declaration. Indonesia has been an active participant in the regional preparations for the Third High Level Forum on Aid Effectiveness, including through engaging with global mechanisms and through dialogue with other countries in the Asia region. The Government is committed to take forward the Accra Agenda for Action as well as the Monterrey Consensus, and the 2008 Doha Declaration on Financing for Development.

Indonesia's development challenge

Notwithstanding the progress made so far, Indonesia continues to face significant development challenges, especially in the areas of poverty reduction, service delivery and decentralisation. Poverty rates have fallen to 15.4% in 2008, yet large numbers of Indonesians remain poor (around 35 million). Regional disparities is a key feature of poverty in the country, given the vast size and varying conditions in different parts of the country, and pockets of endemic poverty still remain. Further effort is still needed for Indonesia to meet all the MDGs targets. The implementation of decentralisation remains complex and continues to pose challenges. Improving public financial management and strengthening the accountability of local governments will be essential in order to increase the impact of public spending.

The main constraint facing Indonesia in addressing the challenges and achieving its planned development outcomes is not merely the lack of financial resources but rather the utilization of the resources. Further, by taking into account the global financial crises, Indonesia and development partners have no option but utilizing all resources more effectively. Hence, there is a need as well as a challenge to translate the existing resources into better development outcomes. Indonesia's overarching concern is to maximise the effectiveness of all its resources committed to development, including external assistance. It is in this context

that the aid effectiveness agenda becomes particularly relevant. External assistance is not simply a financial supplement to domestic resources, but complementary to these resources—playing a catalytic role in allowing Indonesia to access international knowledge and best practices, to enhance institutional capacity, and bring about strategic systems improvements.

The Indonesia Roadmap to strengthen aid for development effectiveness

We have therefore prepared a roadmap to strengthen our aid effectiveness agenda – moving towards improved development effectiveness. The roadmap will respond to the above challenges, and support Indonesia's efforts to **maximise the effectiveness of its aid in supporting development**.

This roadmap defines the policy direction towards development effectiveness up to 2014 and beyond, which includes priority actions that will be taken in the short term, by 2010, to move forward on the implementation of the Paris Declaration based on the results of the Paris Declaration Monitoring Survey, 2008. The principle of ownership implies that the policy direction will be in line with the national development strategies. We also recognize the importance of addressing gender issues in our development activities and aid effectiveness process.

This roadmap sets out the strategic vision that we, along with our development partners, wish to commit, to based on the key pillars of our development effectiveness agenda. The agenda is based on the Paris Declaration principles and the Accra Agenda for Action commitments and develops a model for delivering development effectiveness in a Middle Income context.

I. Strengthening Country Ownership over Development

a) Strengthening capacities and using stronger government systems

The need to develop effective capacity is at the heart of Indonesia's development challenges, whether it be at the institutional, organizational or at the individual levels. The Government and development partners are all deeply engaged with this agenda, but results have so far been uneven. Indonesia looks to its development partners for continued capacity development support. Development partners share the view that all their interventions have some elements of capacity development embedded within them. In order to enhance capacity, the **Government will articulate, and development partners will support the achievement of, capacity development objectives and targets within sector plans and thematic strategies**, including skills and human resources development, organisational level capacity development as well as the creation of an enabling environment. We also propose to make capacity development a results area within different sectors to ensure adequate attention and follow-up.

Development partners will align themselves more fully with the Government programmes and systems. Development partners will align their programming cycles with those of government, use the government format for reporting their assistance, and increasingly use the Government's financial management and procurement systems. Where they do not make use of systems, **development partners will transparently state their rationale for not using government systems and indicate how they will work with the Government (including through capacity development) to align in the future.** In the spirit of partnership, we will also encourage development partners to fully, sincerely and transparently untie their aid.

The Government will establish a mechanism at country level to determine, and to review, how effectively the Government and development partners can and do contribute to capacity development. This mechanism will be transparent and evidence-based, involving country level stakeholders, and covering the range of capacity development partners. The Government and development partners will make use of this mechanism to monitor, measure and potentially correct the effectiveness of their support to capacity development.

- b) *Improving the international governance of aid and strengthening south-south cooperation*
Using its experience and its active participation in the governance of international aid organizations, global foundations and funds, as well as its strong network of relationships with other countries in the region and globally, the **Government commits to work to strengthen the international aid architecture** in ways that enhance its responsiveness to Indonesia's needs as well as to those of other developing countries. **Development partners will support the Government in this endeavour.**

As an emerging middle-income country with considerable development success, Indonesia has much to share with other countries in the region, and beyond, as well as opportunities to learn. Already involved in numerous elements of South-South cooperation for capacity development, **the Government of Indonesia and development partners commit to further strengthening regional processes and institutions facilitating South-South cooperation.** Efforts at South-South Cooperation will through time expand to include possibilities for financial assistance as well technical support from the Government of Indonesia.

II. Building More Effective and Inclusive Partnerships for Development

a) *Developing a new partnership paradigm*

Indonesia places a high value on the development resources that its partners contribute to the development of the country. Today, the importance of external assistance for Indonesia is not only a function of its volume, but rather of its quality and effectiveness – **development partners will continue to seek to find creative solutions to Indonesia's development challenges, making new knowledge and international best practices accessible.** Development partners will align their strategies for providing development assistance to Indonesia within this new paradigm. **Development partners commit to providing all their development assistance to Indonesia based on country demands.** Development partners will review their implementation modalities and the mix of skills that they can make available at the country level in relation to these objectives of knowledge transfer as well as financial transfer.

b) *Strengthening existing aid instruments and shaping new ones*

Multi-donor trust funds have emerged as an important vehicle for development partners to support Indonesia's development—ranging from large multi-donor trust funds established to implement reconstruction programmes, capacity building activities and targeted development interventions such as the Multi-Donor Fund for Aceh and Nias, the Decentralization Support Facility and the Indonesian Partnership Fund for HIV/AIDS, to quite small and ad hoc trust funds to support very specific activities. These trust funds have enabled development partners to respond flexibly and rapidly to Indonesia's priority needs including providing assistance at the sub national level, supporting policy and institutional reforms, effectively responding to unanticipated needs such as post-disaster

reconstruction and recovery efforts, and research and analysis. They have in some respects supported a programme based approach to aid delivery.

While the Government supports the multi-donor support modality in principle, it recognizes that in some cases it may not necessarily contribute to convergence of ideas on critical development issues, nor even support the alignment and harmonisation agenda and the government's own interventions. This is especially so if the activities are executed by the development partners and the funding is not incorporated in the government's budget. In using the multi-donor support modality, the **Government and development partners will put higher priority on programme based approach**, supporting government programs and linking the priorities of Bappenas, Ministry of Finance, and concerned line ministries.

Within existing multi-donor support such MDTFs, the Government and development partners will work together to strengthen alignment with government systems, including as an immediate first step aligning with the Government reporting systems. **The Government and development partners commit to reducing the number of ad hoc freestanding trust funds. The Government will also issue clear-cut guidelines for the mobilisation and management of multi-donor funds**, and for the mainstreaming of multi-donor support program into government programming processes.

Given the scale of Indonesia's development challenge its requirements for external assistance, and particularly technical assistance, are likely to continue over the medium term. The government will also seek to supplement the resources available for development and **Government will diversify its development resources to include alternative sources of financing for development**—including public-private partnerships, corporate social responsibility, global and domestic foundations, and trade and foreign investment.

c) *Expanding dialogue to include new actors*

As Indonesia continues to progress and consolidate its position as a Middle Income Country it will be working closely with its development partners, including private sector and civil society, to support its development efforts and to sustain and further consolidate its position. Partners such as those involved in public private partnerships, corporate social responsibility programming and Global Funds and Foundations, as well as traditional development partners, are expected to participate in a regular dialogue led by the Government to discuss progress.

To this end, the **Government will propose a regular dialogue mechanism to provide a platform for discussing the development agenda in line with the Jakarta Commitment**. A spirit of genuine partnership, engagement and joint responsibility will guide the Government when inviting participants from civil society, private sector and traditional development partners to participate in this dialogue. The proposed dialogue mechanism will be an opportunity to meet and discuss progress towards the achievement of the Paris Declaration indicators by 2010 and further to discuss the full implementation of the Jakarta Commitments by 2014. It is expected that regular meetings will take place to take stock of the overall progress and challenges faced, but also that ad-hoc meetings can be organized as necessary if particular challenges are faced requiring joint high-level discussion.

Indonesia's need for external assistance will continue to decline through sustained and inclusive growth, the development of robust institutions, and the achievement of the Millennium Development Goals and other indicators of social and economic progress. In this context Indonesia will continue to have a strong relationship with its development partners. The need for dialogue and partnership will continue in order to effectively and jointly address the challenges relating to global public goods, climate change, the environment, and strategic global security issues.

III. Delivering and Accounting For Development Results

a) Strengthening a focus on, and capacity to manage by, development results

As Indonesia moves forward with the preparation of its new Medium Term Development Plan (RPJM), a focus on outcomes and results will be further strengthened. **The Government will further develop, and development partners will further support, strong frameworks for measuring and monitoring results within the RPJM and linked sector plans**, as well establishing social accountability mechanisms that solicit, monitor and ensure implementation of feedback on the government's performance. Results will be linked to performance measurement and organizational effectiveness. Effective monitoring and evaluation are key elements of managing for results. We will strengthen our efforts to improve monitoring and evaluation (M and E), including basic data collection. **The Government will further clarify the institutional framework for M and E and development partners will reduce parallel efforts at monitoring national development targets.** A higher internal demand for M and E will be generated by involving national stakeholders in the review of implementation of the RPJM from a results perspective. Results-based M and E will be a powerful tool for ensuring the effectiveness of Indonesia's development policies and the delivery of tangible results by the government.

b) Working together to review progress across development partnerships

The Government will seek supports from development partners based on their comparative advantages in providing needed support, in the specific areas where the Government sees a critical need for that support, and establishing a clear correlation of the inputs with the expected results. To this end, development partners will also integrate results frameworks into their cooperation strategies and programs, shifting their internal incentives to focus on sustainable results (going beyond the project level) and developing results based reporting systems.

The Government and development partners will jointly carry out regular reviews on progress in implementing the commitments on aid for development effectiveness and improved development outcomes through an objective country level mechanism. To support the review of progress in the Jakarta Commitment and progress towards associated targets, the Government will establish an integrated Aid Information and Management System.

The Jakarta Commitment

The Government invites development partners to join this commitment towards development effectiveness, to adopt the principles of aid effectiveness as articulated in the Paris Declaration as adapted to Indonesia's country context, and to adopt the Jakarta Commitment moving forward with the implementation of this roadmap. We will establish an Aid for Development Effectiveness Secretariat in BAPPENAS using our own resources and those of our development partners—particularly tapping their technical support to help us move forward together on this important agenda of enhancing development effectiveness in Indonesia.

The Jakarta Commitment is to be based on the spirit of mutual respect, support and accountability. It represents a shared recognition between the Government and development partners to enhance the effectiveness of external financing in Indonesia. It enjoins upon the Government and development partners to make available appropriate resources, knowledge and capacity to implement the Jakarta Commitment. Whilst not legally binding, by adopting the Jakarta Commitment, all below development partners aspire to achieve the strong aspirations herein.

Jakarta, 12 January 2009

for the Government of Indonesia



Mr. Mahendra Siregar
Deputy Minister
for International Economic
and Financial Cooperation,
Coordinating Ministry
for Economic Affairs



Dr. Lukita Dinarsyah Tevo
Deputy Minister/Chairman
for Development Funding
Bappenas



Dr. Rahmat Waluyanto
Director General
of Debt Management
Ministry of Finance

List of Development Partners Adopting the Jakarta Commitment

1. **Asian Development Bank (adopted on 12 January 2009)**
2. **Government of Australia (adopted on 12 January 2009)**
3. **Government of Japan (adopted on 12 January 2009)**
4. **The Netherlands Government (adopted on 12 January 2009)**
5. **Government of the Republic of Poland (adopted on 12 January 2009)**
6. **World Bank (adopted on 12 January 2009)**
7. **Austrian Embassy (adopted on 12 January 2009)**
8. **Agence Française de Développement (adopted on 12 January 2009)**
9. **Canadian International Development Agency (adopted on 12 January 2009)**
10. **Department for International Development of the United Kingdom (adopted on 12 January 2009)**
11. **Delegation of the European Commission (adopted on 12 January 2009)**
12. **Embassy of Finland (adopted on 12 January 2009)**
13. **French Embassy (adopted on 12 January 2009)**
14. **Embassy of the Federal Republic of Germany (adopted on 12 January 2009)**
15. **Embassy of Italy (adopted on 12 January 2009)**
16. **Japan International Cooperation Agency (adopted on 12 January 2009)**
17. **Korea International Cooperation Agency (adopted on 12 January 2009)**
18. **Royal Norwegian Embassy (adopted on 12 January 2009)**
19. **New Zealand Agency for International Development (adopted on 12 January 2009)**
20. **Embassy of Sweden (adopted on 12 January 2009)**
21. **United States Agency for International Development/Indonesia (adopted on 12 January 2009)**
22. **United Nations System in Indonesia (adopted on 12 January 2009)**



Trade &
Investment



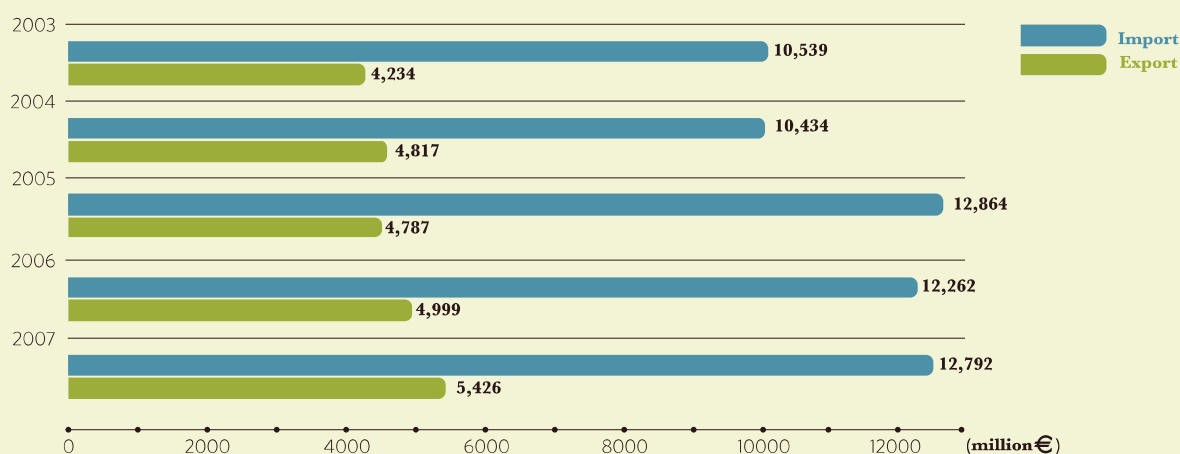
ANNEX 3

annex 3 | Trade and Investment

The EU remains an important trade partner for Indonesian in non-oil and gas products, with a 12.6 % share of total imports and exports, but this position has been deteriorating due to the emergence of the Asian economies and the diversion of European business focus to other regions. Other important trade partners are Japan, China, the US and Singapore, China having increased its exports to Indonesia substantially during 2007 and 1st half of 2008. Combined together, ASEAN countries are nevertheless the largest partner, accounting for approximately 25% of Indonesia's trade exchanges.

There is an asymmetry in the trade flows between EU and Indonesia, with Indonesia exporting in the order of €12 billion to the EU, while importing only €5 billion, resulting thus in an approximate €7 billion trade surplus.

2003-2007 EU Trade with Indonesia



Source: Eurostat (Comtext, Statistical Regime 4)

When it comes to investment, the figures available show a decline in total EU investment into the country (€ 11.6 billion in approvals in 1997 compared to € 1.9 billion in 2007) and an important reduction in share of total FDI (34% of total FDI into Indonesia in 1997 vs. 4.7 % in 2005). These figures show that the EU is losing its predominant position as investor in the country to regional economic players such as Japan, ASEAN and China. A disproportionate investment exposure to Indonesia by EU companies at the time of the 1997 crisis, together with shifts in strategic focus to other emerging countries may be specific factors explaining this decline.

Statistic on Foreign Direct Investment Realised

Countries	INVESTMENT in million US \$				
	2005	2006	2007	2008	Jan 2009
TOTAL	2,249,9	821.2	1,871.6	1,018.7	
Austria	0.3	1.0	0.1	0.2	
Belgium	6.8	1.4	3.7	23.2	
Czech	0.2	-	-	-	
Denmark	-	0.5	0.3	1.1	
Finland	0.2	0.6	1.3	-	
France	10.3	104.4	9.4	164.0	
Germany	18.8	15.0	18.5	198.3	
Greece	1.0	0.1	0.1	-	
Hungary	-	-	0.4	-	
Italy	0.6	1.7	3.4	5.9	
Luxemburg	7.6	-	0.8	22.1	
Netherlands	920.7	35.2	147.2	89.9	
Poland	-	-	0.1	-	
Slovakia	0.1	0.3	-	-	
Spain	7.7	-	0.3	0.5	
Sweden	1.4	-	0.2	-	
UK	1,274	660.5	1,685.2	513.4	

Source: BKMP



Contacts

ANNEXA





annex 4 | Contacts

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