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Final Report Partnership for Economic Growth (PEG) Project

By PEG Project TA Team



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Bappenas, Republic of Indonesia

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Submitted by:
Nathan/Checchi Joint Venture
Partnership for Economic Growth (PEG) Project*
Under USAID Contract #497-C-00-98-00045-00
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December 22, 2003

* PEG is a United States Agency for International Development (USAID)-funded Project with the Government of Indonesia. The views expressed in this report are those of the authors and not necessarily those of USAID, the U.S. Government or the Government of Indonesia.

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Partnership for Economic Growth

**Suite 1201, Menara Kebon Sirih
JI. Kebon Sirih 17-19
Jakarta 10340, Indonesia**

**Tel. : 391-1971 Fax: 391-1984
WEBSITE : WWW.PEGASUS.OR.ID**

December 22, 2003

PREFACE TO FINAL REPORT

Contractor: Nathan/Checchi Joint Venture

Contract No. 497-C-00-98-00045-00, Partnership for Economic Growth (PEG)

Reporting Period: October 7, 1998, through September 30, 2003

From: C. Stuart Callison, Chief of Party

1. Contract Final Objective: The Contract was designed to provide both technical and grant assistance to the Government of Indonesia (GOI) under an activity called the Partnership for Economic Growth (PEG). The goal of the technical assistance (PEG-TA) was to help Indonesia resume and sustain its economic growth by strengthening economic policies and practices associated with increased openness to international trade and investment and strengthened domestic economic competition. PEG-TA was to place and support long- and short-term technical advisors in a series of institutions that are critical to formulating and executing policies needed to improve the international trade regime and domestic economic competition. Other advisors were to provide information, intellectual capital, and analytical support to key policy-making officials in support of the economic growth strategic objective and/or crisis-related topics. The focus was to be on analysis and advice for policy review and formulation. Major institutional development work was not planned. However, strengthening of staff through transfer of intellectual capital and technical skills on key policy issues was expected. Therefore, the use of seminars and short-term training both in Indonesia and in the United States was an element of PEG-TA.

The overall goal of the grants program (PEG-G) was to sustain Indonesia's economic growth by strengthening economic policies and practices associated with increased openness to international trade and investment and strengthened domestic economic competition. It was designed to establish long-lasting relationships between America's premier public and private institutions with counterpart groups in Indonesia to assist in formulating and implementing these economic policies and practices. The PEG grants manager prepared separate annual reports for the PEG-G component, and only brief discussions of some of its activities are included in this report, except that the LOE and estimated costs associated with it are included in the following paragraph.

The PEG Contract is a cost-plus-fixed-fee (CPFF) term contract. It was signed on October 7, 1998. It called for an LOE of 472 person months (pm) during the first 2 years and an optional 3rd year, which was exercised by letter on April 26, 2000, at a total cost of \$17,628,802, which included plug figures of \$5,000,000 for grants and \$880,000 for training. Contract Modification No. 3 signed in January 2001 extended the estimated completion date from October 7, 2001, to October 7, 2002, although most of the TA was funded only through June 2001 (while the grants component was to continue through September 2002). In July 2001 Modification No. 5 authorized a 4th year extension, funding most of the TA through June 2002. It increased the Contract LOE to 621 pm and authorized total funding up to \$22,428,290. In July 2002 Modification No. 8 authorized a 5th year extension, funding TA, training and grants through June 30, 2003. It increased the Contract LOE to 753 pm and authorized total funding up to \$26,182,764. On June 30, 2003, Modification No. 10 was signed to extend the project for a final 3 months, due to delays in designing a follow-on activity caused by the 6-month ordered departure after the Bali bombing in October 2002. This final extension provided no additional LOE and no additional funds for grants or training activities, but increased total authorized funding to \$26,505,788 to cover additional expenses incurred during the evacuation and local costs required for the additional 3 months.

As of September 30, 2003, the Contract expiration date, 747.0 pm had been provided and 6.0 pm of authorized LOE remained unused. As of December 19, 2003, cumulative expenditures for services rendered prior to September 30 were \$25,826,916.12 and the remaining unexpended balance was \$678,871.88.

2. Expected Results: The PEG-TA was expected to support the achievement of USAID/Indonesia's strategic objective framework, in particular its strategy for economic growth and its special objective pertaining to the current economic crisis. This included the intermediate results related to international trade and domestic economic competition and the policy reform process initiated by the IMF to deal with the current economic crisis.

Under the USAID Mission's Strategic Objective 1 (SO-1), "Foundations set for rapid, sustainable and equitable economic growth," the following intermediate results were targeted:

- 1) Sound economic policy and institutions;
- 2) A conducive legal and regulatory framework;
- 3) Open access to economic opportunity; and
- 4) Knowledgeable public participation in economic decision-making.

Under the Mission's Special Objective 14 (SO-14), "Recovery of the Economic & Financial System," the PEG Contract targeted the following intermediate results:

- 5) Financial sector restructured and governance improved; and
- 6) Public sector policy and governance improved.

3.a. Core Activities: The PEG Contract and its key modifications specify the provision of a number of long-term economic advisors and provide brief scopes of work (SOWs) for their activities. Each advisor then works out an annual work plan, pursuant to this SOW, with his chief counterpart, which is also informally approved by the CTO. The contract SOWs and the specific work plan activities for 2003 were summarized in detail in the PEG 2002 Annual Report and are summarized by advisor in the matrices of Sections 3 and 4 of this report.

3.b. Current Buy-Ins: The PEG Project did not authorize or contemplate buy-ins, and there are no delivery orders thereunder outstanding or contemplated.

3.c. Subcontracting Activities During the Year: Nathan Associates Inc., as lead contractor of the Nathan-Checchi Joint Venture, subcontracted with the Boston Institute for Developing Economies (BIDE) and Innovative Resource Partners (IRP) to provide certain long-term and short-term technical assistance to the project.

4. Performance: The PEG Contract Final Report is organized into the following sections:

- 1) Narrative Summaries of Progress Toward PEG Contract Objectives
- 2) Matrices of Objectives, Deliverables and Final Status of Deliverables
- 3) Individual Annual Progress Reports, Narratives
- 4) Individual Annual Results Matrices
- 5) Training Summary
- 6) Small Grants Activity Reports
- 7) Inventory List

Sections 1) and 2) discuss the overall Contract Objectives and Deliverables, respectively, over the 5-year life of project (LOP), by advisor. Section 1) includes some comments from key GOI counterparts about the usefulness of PEG technical assistance in achieving the objectives. Sections 3) and 4) present the PEG Advisors' Individual Annual Progress Reports and Results Matrices for 2003. Sections 5) and 6) summarize PEG training and small grants activities over the LOP, and Section 7) lists the non-expendable inventory list for those items costing more than US\$500 per unit when purchased.

PEG TA Team – Section 1
Narrative Summaries of Progress Toward PEG Contract Objectives

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Narrative Summary of Progress Toward PEG Contract Objectives: Bappenas/MenKoEkon/MoF, 1999-2003 - Dr. William Wallace

Background

Generally speaking PEG consultants have approached the provision of assistance to the GOI by identifying three broad areas:

1. Identifying and working on specific medium and longer term policy issues,
2. Capacity building,
3. Crisis response (also called fire fighting).

Over time, and depending on circumstances, the percentage of consultant effort in each area has evolved.

Working with our counterparts we have identified a series of policy issues to inform and set the tone of the policy debate and of course impact the outcome. The PEG project did not have a strong explicit capacity building focus (probably reflecting the crisis atmosphere when it originated). Nevertheless we have attempted make our effort sustainable by addressing policy issues with an on-the-job training approach involving GOI staff in consultation and joint work whenever possible. Beyond this, and increasingly, GOI staff has taken leadership on many policy analysis tasks and our role has been to provide comments and input on their work. To the extent possible, given time constraints, we have attempted to work as closely as possible with staff on fire fighting.

Principle long-term contract objectives:

1. Achieving and maintaining fiscal sustainability (also called fiscal consolidation), which includes related work on macroeconomic and financial sector analysis.
2. Prioritization and coordination in the policy process (White Papers, Propenas, and Repeta's, the budget and the Exit Strategy).
3. Improved policy making through the identification and removal of constraints to potential growth, employment and poverty reduction. Substantial efforts have gone into investment, employment, tax, poverty issues and more recently something the GOI calls economic diplomacy¹.

It would take too long to go into detail of the work we have done over the last 4.5 years, but let me highlight some joint work in the first two areas (areas where all of us have worked including Kelly) and allow Kelly to go into more detail on some specific policy efforts.

Achieving and maintaining fiscal sustainability

The period from mid 1997 through December 1998 "Pre-PEG" was the height of the crisis, however by late 1998 early 1999 some normality was being restored, the worst of the exchange rate shock had passed; inflation was slowing and interest rates falling. With this "normality" key policy makers at Bappenas (including the Chairman Dr. Boediono, the Vice Chairman Dr. Djunaedi and the Deputy Chairman for Economic Affairs Dr. Soekarno)

¹ Economic diplomacy relates to the Indonesian government's organization of and presentation to the public (domestic and foreign and inclusive of foreign governments) of information and policy stance. There is a widespread sense that relatively poor representation has become part of an Indonesian perception problem. Understanding and confidence (about policy direction) are keys to creating credible expectations, and expectations drive behavior.

requested a longer-term vision or strategy. In mid-1999 these senior policy makers commissioned a study by the staff of the Economic Deputy at Bappenas on a medium-term recovery strategy for Indonesia. This was subsequently published as a White Book. A great deal of the macroeconomic framework and policy analysis in the White Book was incorporated into the draft Five Year Plan (Propenas) in 2000. These Propenas strategies/targets were revisited in Annual Action Plans (Repetas) of 2001, 2002 and 2003.

It is useful to revisit this 1999 White Book, “Looking to the Future of the Indonesian Economy” as it has provided the underpinning of the basic Indonesian macroeconomic strategy since that point. Four broad areas were identified:

- Operating under uncertainty
- Preventing a repetition of the Crisis: The Problem of Private Debt
- Fiscal and Public Debt Sustainability
- Policy Coordination

The first refers to the uncertainty introduced by a floating exchange rate. The Rupiah, post regime change i.e. float, in August 1997, could now be expected to reflect shocks to the economy (positive as well as negative, external and internal [policy]). The private sector and government would have to live with this uncertainty and take measures to compensate. Conversely a floating exchange rate would allow Bank Indonesia more control over inflation, at least to the extent that fiscal policy is on a stable footing. There is a recommitment to this policy.

The second bullet revisits the issue of private sector debt, especially debt in foreign currency. It points out that there are no magic policies that can prevent another crisis (which tend to be recurring in most countries), but does suggest that dependence on the banking sector be reduced with more reliance on Capital Markets and the Non-Bank Financial sector. With deeper and higher quality domestic capital markets better currency and maturity matches are achieved. Better information and monitoring are also suggested.

Under the third area the White Book focuses on the subsidies and foreign and domestic debt (and their associated interest costs) that are the legacy of the crisis. The central task is to get them back under control. Since the situation at that point was still quite unstable it indicates that it is important to renegotiate the arrangement with the Paris Club (and implicitly the IMF) to extend debt relief through 2002/03.

Several fiscal targets were suggested for 2004:²

1. Virtual elimination of the subsidies.
2. Budget in balance.
3. Debt to GDP ratio under 60%.
4. Non-oil taxes to increase by approximately 0.5% of GDP annually.

The fourth bullet points out that monetary policy had been carrying the burden of the policy response to that point. And that as recovery continues it is critical to tighten fiscal policy to ensure fiscal sustainability. The government debt was close to 100% of GDP, interest rates and subsidies were high and volatile. These create budget

² At this point fiscal years were April 1 to March 31 and subsidies were targeted at 0.3% of GDP by 2004/05, which is effectively next year.

sustainability concerns which directly affect expectations. Expectations directly affect the stability of the Rupiah and interest rates and inflation follow.³

The White Book also contains a policy reform agenda. There are too many areas to cover here, but some are interesting. It anticipates the Medium Term Expenditure Framework (MTEF) suggesting a multiple year rolling budget and strongly implying the need to consolidate the capital and routine budgets. It indicates that the GOI should provide quarterly budget outcomes according to GFS standards. It points out the need to continue to reduce tariffs and especially avoid other protection measures (NTBs), reduce obstacles to investment, especially the need to simplify registration procedures, maintain flexibility in labor markets, and deal with the rising problem of domestic trade barriers.

The White Book was written over 3 to 6 months in mid 1999 a period when the Indonesian economy seemed on the road to recovery. For example, in August 1999 the Rupiah was 7,565⁴, inflation was 3% and interest rates (SBI 1 month) just over 13%⁵ and GDP growth had turned positive in the 2nd quarter although was still around 2%. Thus this was a period of some optimism although concerns lingered.

“But recovery can not be taken for granted. The turnaround to date stems largely from improved confidence. Our experience since mid-1997 demonstrates that confidence is a fragile commodity that is easily affected by political or economic events.”⁶

By November the President and government changed and the MPR session mandated that there be a new five-year plan or Proopenas. Given the immediacy of the task and the preparation for the White Book it is not surprising that the Proopenas, at least the macroeconomic framework, adopted some of the general philosophy of the White Book and a number of the targets. In line with the political nature of the document economic targets are more optimistic. However, the fiscal philosophy and targets for subsidies, budget deficit and debt to GDP are similar. However, the tax to GDP ratio was raised to 16% by 2004 (against an estimate inclusive of taxes on oil & gas of 14.8% of GDP in the White Book). In addition the Parliament mandated a recovery rate for IBRA assets of 70% (the White Book estimate had been just under 30% in line with the types of assets and the experience of other countries). Finally the Parliament mandated that foreign debt or borrowing be minimized.⁷ There were numerous issues among other restoring health to the banking system, recovery ratios on IBRA assets and possible revenues from privatization that were done and provided to the GOI.

Under the government of President Gus Dur the budgets for 2000 and 2001⁸ continued to proceed on the basis of the Proopenas targets, at least with respect to budget

³ Given subsequent events it is even clearer now than then how critical this effort at fiscal consolidation has been to restoring macroeconomic stability.

⁴ Already up from 6,726 in June in anticipation of the political events in the upcoming MPR session.

⁵ SBI 1 month, down from over 20% in June.

⁶ Bappenas “Looking to the Future of the Indonesian Economy”, 1999, pg. 2.

⁷ The White Book had assumed post Paris Club foreign donors would ramp up foreign loan disbursements sufficient to leave relatively small amounts of net negative foreign transfers. This assumption was based the thought that the policy agenda included would be acceptable to both the domestic and foreign audience. Coupled with a zero budget deficit this would have precluded the need for domestic financing. The Proopenas assumption that taxes reach 16% of GDP and that 70% of IBRA assets could be recovered implied that not only no domestic financing was needed, but also no additional foreign financing was necessary.

⁸ Fiscal year 2000 was reduced to 9 months to make the fiscal and calendar year the same.

deficits and planned fuel price increases (to reduce the amounts of subsidies). Initially macroeconomic stability and economic recovery were only marginally affected by the change in government in November 1999, and through much of 2000 it appeared that recovery was taking a better hold with economic growth reaching the 5% range. However, in retrospect it is clear that policy commitment was beginning to unravel. Delays in raising fuel prices ensued and continuing friction with the donor/creditor community reduced foreign financing. This raised concerns over fiscal sustainability and in fact the budget for 2001 had to be revised substantially, early in the year,⁹ due to lack of movement on subsidy reductions. This raised warning flags including a depreciating Rupiah, rising interest rates and inflation that were precursors to falling growth by 2001. As the macroeconomic and political situation deteriorated pressure on the government continued to rise. This culminated in its replacement in July and August of 2001.

The Cabinet installed by President Megawati in August moved to restore relations with foreign donors and achieve the budget objectives (with respect to subsidies and deficits) first laid out in the White Paper but put into law in the Proopenas. The economic team also had to address the issue of domestic debt. This problem, although anticipated at the time of the White Paper, was probably not accorded sufficient analysis. However, the government, by re-profiling state bank debt, passing a sovereign debt law allowing the issuance of new debt and achieving an accord with the central bank, improved the maturity structure of domestic debt coming after 2002.¹⁰

However, 9/11, the bombing in Bali, a simultaneous economic downturn in a number of developed countries, and most recently the War in Iraq and SARS created shocks (of differing magnitudes) to economic growth and put back the goal of balancing the budget by approximately one year. Nevertheless, Indonesian macroeconomic policy has continued to be driven by the fiscal consolidation, and this policy has paid dividends in terms of macroeconomic stability. Still the loss of momentum in 2000/01, external shocks and policy inconsistencies/delays, especially in the trade and investment area, have continued to damage confidence and delay recovery. The result is that the economic growth trajectory (toward an assumed Indonesian sustainable growth in the 6%+ range) now appears to be a year or so behind the patterns assumed in 1999.¹¹

The budget proposed on August 15, 2003, is the final one under the scenario first laid out in the White Book/Proopenas, although the current economic team and presumably its strategy will be responsible for the budget for 2005 as well. Much has changed but next year's budget continues to focus on fiscal consolidation, targeting a budget deficit of 1.2% of GDP, continued reduction in subsidies (on a budget to budget basis) and a target government debt to GDP ratio of 60%. In fact the changes, especially the lack of foreign financing (net

⁹ There is a normal revision in August/September.

¹⁰ The consultant team at Bappenas and MoF/Menko worked closely with the staff and other consultants (USAID Treasury among others) on these issues.

¹¹ Macroeconomic stability was not really restored until May/June 2002 and not really believed by the private sector for another 6-8 months. This caused many to question the utility of fiscal prudence and a great deal of consultant support went to the GOI in support of holding to the policy until the results can be seen. Nevertheless this also began a period when the consultants began to focus more on obstacles to investment and trade, and initial studies in labor (John Harris) and investment (Lex Rieffel) were commissioned. Given the donor focus on poverty this was also a priority for long and short run consultants. At the request of the Ministry of Finance this period also saw more work on trade policy including the organization of Team Tariff, Trade Zones, and various tariff issues.

foreign financing is now quite negative) and the non-zero budget deficit imply substantial domestic financing needs.¹²

This account may put too much emphasis on the White Book, the Propenas and the Repeta for the period 1999-2003. However during crises and their difficult aftermaths and even during the give and take of normal political and economic debate it is important to have a clear strategy. The White Paper was a Bappenas document and the Propenas, subsequent Repetas and budgets were GOI (including Menko and Ministry of Finance) efforts. However PEG consultants and others have worked extensively with the GOI to support this agenda. In the process the strategy when followed has worked. The debt to GDP ratio, perhaps the most important signal of fiscal sustainability, is now expected to reach the target established in 1999 and has resulted in greatly increased macroeconomic stability. The GOI and our counterparts are to be commended for their effort.

Prioritizing and coordinating the policy process

A second major area of work has been in providing assistance to the GOI on the policy process, including background policy analysis, establishing priorities, coordination and communication with the donor community.

The original White Book and its role has already been described, but there were a number of subsequent White Books that have highlighted among other things legal reform, investment procedures, employment, decentralization as well as a continuing focus on macroeconomic stability issues and fiscal sustainability. These White Books were explicitly designed to provide policy input to the annual action plans or Repetas. The Repetas, beginning in 2001, have each year focused more clearly on a set of designated priorities and with increasing cabinet involvement have gained more ownership. This has culminated with the current IMF exit strategy taking this year's Repeta as a starting place. The Exit Strategy matrices with outputs/deliverables, time lines and responsibilities should advance the coordination and ownership of reform post-IMF. If, in the future, the choice of priorities and detail of the exit strategy were to be available in the Repeta in April/May, it would improve the policy process by allowing greater stakeholder input and analysis of concrete proposals.

Again, these are GOI documents, but PEG consultants, and many others, have worked closely with GOI counterparts to improve the policy analysis and the processes themselves. And again the GOI is to be commended for how far they have brought the policy generation process while sharpening priorities.

The consultant team has also assisted the GOI on relations with the foreign community, most especially the CGI. This has been achieved working with staff at Bappenas and Menko on responding to issues, discussing priorities and improving presentation. Recently this has been highlighted by the GOI in their request of assistance on Economic Diplomacy.

¹² This despite the measures previously mentioned designed to improve the maturity profile.

The Policy Challenges Ahead

GOI economic institutions have made excellent progress in establishing a sustainable fiscal situation and a stable macroeconomic climate. Despite a number of shocks, an election and the end of the IMF program, growth is expected to accelerate modestly next year. With the IMF Exit Program, there should be continued momentum for reform. Over the last couple of years the PEG team at Bappenas/Menko/MoF has been shifting its emphasis toward employment, investment and more recently trade and taxes. These are directions that should be followed more actively under GIAT as we work with our counterparts, the private sector and others to revitalize investment and trade. The focus on fiscal sustainability and macroeconomic stability has served Indonesia well for the last few years, but a new focus on raising growth and increasing employment is now needed.

However, before we declare victory, it is important to realize that we have been here before. Once again there is an election looming amidst a transition from the IMF/Paris Club. The pressures to backslide may be severe and a new economic team may take time to find its feet. The foundations in mid-2003 are far stronger than they were in mid-1999 but are far from impregnable. The Indonesian government has a history of running prudent fiscal policy; but it also has a history of problems in the financial sector and there may be unfunded (contingent) liabilities growing elsewhere. It is not time, yet, for Indonesia to run accommodative fiscal policy. Even when the time comes it is critical that expenditures are in areas of need. Support for budget and macroeconomic policy that extend stability especially during the IMF political transition year of 2004, should remain a priority.

However, under GIAT we should be able to press ahead more effectively on trade, investment and other issues that will allow Indonesia to achieve higher growth by 2006 and later. There is a broad agenda at our counterpart agencies, including developing effective strategies, implementing the policies selected through effective policy and budget, and making sure that coordination and communication work. For the next year or so policy concerns will be focused around meeting the commitments made with the exit strategy, which includes importantly the commitment to tax reform that improves competitiveness in Indonesia without eroding the tax base and jeopardizing a hard won fiscal position.

Finally, assuming all goes well, or more realistically reasonably well, the Indonesian public and private sector will be returning to international capital markets. This will put pressure on the government to improve the flow of information and communication. An effective way to do this is to build an investor relations program. These programs are designed to provide contact points for important and knowledgeable foreign and domestic capital market participants to ask questions, communicate concerns and receive information. With an international bond there will be even more scrutiny. An investor relations program, especially one integrated with high level policy makers, can provide an early warning system based on feedback from a wide range of market actors.

Still, for those of us and our counterparts involved in the White Book of 1999, it is well to keep in mind the quotation cited earlier, as it remains as true today as then.

“But recovery can not be taken for granted. The turnaround to date stems largely from improved confidence. Our experience since mid-1997 demonstrates that confidence is a fragile commodity that is easily affected by political or economic events.”

Narrative Summary of Progress Toward PEG Objectives: Bappenas, 1999-2003, Dr. Kelly Bird

The principle objective of the real sector economist is to develop improved decision making and institutional capacity at Bappenas in matters affecting the real sector, including international trade, investment, employment, domestic competition, corporate restructuring and the nature and direction of policy regarding these areas. Also, to focus on these issues in terms of medium and long-term planning for the Government of Indonesia (including the Repeta process).

The narrative by William Wallace provides a detailed summary of the PEG-Bappenas consultants' approach to the provision of assistance to the GOI by identifying three broad areas:

1. Identifying and working on specific medium and longer term policy issues,
2. Capacity building,
3. Crisis response.

As he noted, over time, and depending on economic circumstances, the percentage of consultant effort in each area and the issues involved in each area has changed over time. Our approach has been to work with our counterparts to identify a series of policy issues to inform and set the tone of the policy debate and of course impact the outcome. While much of this effort of addressing policy issues has been a joint effort with GOI counterparts, staff members at Bappenas have increasingly taken the leadership on many policy analysis tasks and our role has been to provide comments and input on their work.

Over the last four years our tasks have covered a broad range of policy issues relevant to both the macro economy and the real sector. For example, in the first couple of years of the PEG project a lot of attention was placed on macro-economy and crisis-related banking and financial sector policy issues including corporate debt restructuring. Attention was also focused on capacity building efforts in the area of macro-economic modeling and forecasting and providing comments and input into GOI economic documents such as the five year plan PROPENAS and annual development plan REPETA. As the economy proceeded on a modest recovery path and the macro-economy stabilized attention has been directed towards dealing with and anticipating emerging issues in micro-economic areas such as poverty, employment, trade policy, investment, taxation¹³ and impact of terrorist attacks on the economy. While a lot of this work has been fire fighting, the effort has also been focused on medium and long-term policy issues.

While it is not possible to cover all these issues in this summary, I would like to go into detail on two specific policy efforts that have medium term implications and how Bappenas has played an important role in prioritizing issues, advocacy and coordinating policy - labor and investment policies.

Emerging problems in labor policy and industrial relations

¹³ PEG consultant Steve Marks worked on tax issues (VAT, income tax and excise tax) at Bappenas for 12 months from July 2002.

This policy area is particularly interesting as it has traditionally been the prerogative of the Department of Manpower and Transmigration and labor policy itself has been seen as social policy and not an economic one. Bappenas' work in this area has successfully brought these issues to the attention of a wider range of stakeholders within government (such as the economic ministries), and has also directed attention to the economic and poverty implications of labor policies.

The industrial relations environment has dramatically changed since 1998. After three decades of labor union repression, political reforms and democratization beginning in 1998 have resulted in improved labor rights and freedoms for labor to organize and this has created a real opportunity for greater worker participation in the determination of their work conditions and standards. However, these changes have also created significant uncertainty in industrial relations, more open political conflict and more frequent labor disputes.

At the same time, the government has vigorously pursued a labor protection policy, in particular a minimum wage policy without fully considering the employment and macro-economic implications. The levels of regional minimum wages have increased very significantly within a very short period since the crisis. For example, in the Jabotabek area, minimum wages were increased by about 100 percent in real terms between 1999 and 2002. While the increases in 1999 and 2000 were designed to compensate workers for the high inflation in 1998, by 2002 real minimum wages in Jakarta were 39 percent higher than pre-crisis levels, at a time when per capita GDP is still below pre-crisis levels. The 30-40% increase in the minimum rate in the major industrial centers in January 2002 contributed to significant increases in the inflation rate in the first quarter.

The minimum wage setting process has been complicated in 2001 by regional autonomy where minimum wage setting has been transferred to local governments. This saw substantial increases in nominal minimum wages in recent years. This has been done against the backdrop of the labor market under stress. Three decades of rapid economic growth and modern employment creation came to a halt with the economic crisis in 1997 and 1998. There was a sharp decline in modern employment in 1998 followed by a slow recovery in employment during the post-crisis period of 1999 to 2001. In 2002 the employment situation sharply deteriorated with an estimated loss of 500,000 regular wage jobs in the urban areas. With about two million new job seekers each year, the deterioration in the employment situation has resulted in an expansion of the informal sector and rising unemployment, especially among young persons.¹⁴

Economists at Bappenas saw this as an important emerging issue for macro-economic management and social policy as early as 1999 and reference was made to this concern in its macro-economic white paper in 1999. They were concerned about the potential impact this *ad hoc, unsystematic* approach to labor policy would have on employment recovery and social stability in the long-term.

¹⁴ Historically youth (open) unemployment was predominantly a queuing phenomenon, as school graduates from middle-income families queued for their preferred job in the modern sector. Open unemployment among poor families was less common as they were forced to find work either in the formal or informal sector. Post-crisis period, an increased proportion of youth unemployment now comprise of young persons from poorer families.

In late 2000, Bappenas requested PEG assistance to develop an agenda for labor policy analysis and advocacy. Bappenas' priority was to achieve greater consistency between labor policy, traditionally the prerogative of the Ministry of Manpower and Transmigration, on the one hand, and employment policy initiatives in the economic and line ministries, on the other. To this effort Bappenas took an active role in building consensus over labor policy within government and with social partners. This consensus building effort involved three core activities. The first involved commissioning independent research on labor policies, the second involved encouraging government dialogue with key stakeholders and the third was public outreach activities.

PEG assistance included funding short-term foreign technical assistance in labor policy issues.¹⁵ In addition, with support from PEG, Bappenas commissioned an independent poverty research institute, SMERU, to undertake two important studies in 2001. The first was a comprehensive study on the impact minimum wage laws have on urban employment with a focus on estimating the employment effects on different demographic groups in the labor market - females, youths, and unskilled workers. This wage study also included a survey of over 200 workers in 50 enterprises in greater Jakarta to assess the extent of compliance with minimum wage legislation by worker and firm characteristics. In addition to the minimum wages study, the SMERU institute also undertook a survey of industrial relations laws and practice in private companies in major industrial areas in Java in 2001-2002.

Bappenas, and on occasions jointly with SMERU, organized a series of workshops in Jakarta and Bandung in 2002 with the aim of encouraging more informed public discussion on labor policy and industrial relations. This included advocating a more rational approach to minimum wage setting and moving towards a more decentralized industrial relations system. This work was conducted at a time of considerable flux in labor policy. Regional governments in the major industrial centers had just controversially raised minimum wages in the range of 30-40% in January 2002. New drafts of the Manpower Protection and Industrial Disputes Act had been prepared in 2001 and were being debated in parliament and among stakeholders in 2002.

Besides providing input on the draft labor laws, Bappenas also established dialogue with local governments over minimum wage policy.¹⁶ In September 2002, the month when parties to the regional wage councils begin to discuss minimum wage adjustments for 2003, there were concerns that the major regions were going to hike minimum wages by the same amounts as they did in January 2002. In anticipation of this Bappenas organized an *ad hoc minimum wage task force* to carry out a dialogue with local governments and stakeholders in the major industrial centers on minimum wage policy for 2003. Senior staff at the Coordinating Ministry of Economic Affairs and the Ministry of Manpower, together with representatives of the Ministry of Trade and Industry and the Central Bureau of Statistics, participated in a Bappenas dialogue with senior officials from local governments.¹⁷ This

¹⁵ These STTA included Dr. John Harris, Dr. Terrence Kelly, Dr. Chris Manning (long-term consultant) and Don Zimmerman on industrial relations.

¹⁶ While the new law provides a modest improvement to overall policy framework, the law was a big improvement over earlier drafts and basically was arrived through a consensus between major labor and employer groups.

¹⁷ DKI Jakarta was selected as it emerged in 2001/2 as the regional minimum wage leader.

dialogue successfully contributed to stakeholders reaching a consensus over minimum wage increases for 2003 - DKI Jakarta raised minimum wage rate by only 7%.¹⁸

Several successes have come out of this effort in the last 12 months. Besides a more rational adjustment to minimum wages in 2003 (including a new national wage council), it now appears that the Ministry of Manpower is considering moving towards a more decentralized approach to dispute resolution procedures, a position Bappenas and others have been advocating for some time. In addition, while the new labor laws contain provisions that may potentially reduce employment in the modern sector, it was still an improvement over earlier drafts and was reached through consensus between major unions and labor groups.

Nevertheless, employment issues will continue to dominate the GOI and the public concern over the medium term. In this context Bappenas will release its "Review of Labor Policy" in September 2003. One aim of the Review is to encourage an informed debate on labor policy and to establish a potential platform for labor and employment policy reforms in the future. While the Review is a Bappenas document, PEG consultants have worked extensively with the GOI to support its agenda.

Investment policy framework

Prior to the economic crisis in 1997 the GOI was considering the drafting of a new investment law with the view of merging the foreign investment and domestic investment laws into one. The economic crisis and ensuing political instability for the next three years put the investment issue low on the priority list, as GOI had to direct its attention to fiscal sustainability and stabilizing the macro-economy. Once the macro-economy was stabilized attention was directed to the investment climate. However, regional autonomy complicated this, as regional governments demanded more say in investment policy and FDI approvals. While the GOI saw the investment framework as crucially important for economic recovery, reaching a consensus on investment policy has not been easy, given the different competing sectoral interests within government and outside government and a Parliament now more actively involved in the process. The GOI saw a new investment law as the foundation stone for an improved investment climate, as this could be an effective investment promotional tool. Bappenas, as a member of the inter-departmental drafting team, took a more active role in this process in 2001. It was very active in the drafting process and one of its successes was the inclusion of the "national treatment" clause, whereby foreign and domestic investors would be given the same treatment under domestic law and government policy. Of course there remain outstanding issues that are still being debated within government, including defining the relationships between central and local government regarding investment registration or approvals, and whether or not to provide tax incentives to investors.

Besides work on the investment law, Bappenas efforts have also focused on other elements of the investment climate - infrastructure, judicial reform, trade facilitation. This role has been more to do with prioritizing and coordination among the other line ministries through various inter-departmental committees, the REPETA process, and most recently the GOI's white paper on the exit strategy, where Bappenas was coordinator of the investment, employment and export components. Again, these are GOI documents, but PEG consultants, and many others, have worked closely with GOI counterparts to improve policy analysis and the

¹⁸ On average minimum wages increased by 13% nationally in 2003 (inflation is expected to be 5%-6%), compared to more than 24% in 2001 and 2002.

processes themselves. And the GOI is to be commended for how far they have brought the policy generation process while sharpening priorities.

Policy challenges ahead

While there have been some successes on the overall investment policy framework, much more needs to be done in the area of judicial reform, infrastructure policies, and trade facilitation, all necessary for employment creation. Under GIAT we should be able to press ahead more effectively on trade, labor, investment, and other issues that will produce higher economic growth and employment creation. There is a broad agenda at our counterpart agencies, including developing effective strategies, implementing policies, and improving coordination.

Partnership for Economic Growth Wrap-Up Session
Dr. Soekarno
Deputy, Economic Affairs
National Development Planning Agency
September 2, 2003

I would like to thank the presenters for very concise reviews of the key policy challenges faced by the Indonesian government over the last five-years and how the government addressed them, and often under very turbulent times. The speakers also touched on the role PEG consultants have played in this process and the challenges that lie ahead for us. Therefore I would like to divide my remarks into two sections. First, I would like to make some comments on the macro policy challenges faced by the GOI, how the government responded to these challenges. Secondly, I would like to comment on the role of USAID-funded technical assistance programs during the past five years and given changes in priorities what we expect from technical assistance in the future.

Challenges faced by the government

First the challenges the Indonesian government has faced since the crisis. Two important themes came out of the three presentations. The first theme is that during the crisis much of our attention focused on fiscal sustainability and stabilizing the macro-economy and much of this work was to take the words of Dr. Wallace "fire fighting" rather than thinking about the medium and long term issues. As the macro economy stabilized and fiscal sustainability improved our attention has turned to micro-economic issues such as investment, trade, labor policies and employment. The post IMF policy strategy is one vehicle through which the government is focusing on these micro-economic issues. The second theme to that came out of these presentations was that our policy challenges occurred under turbulent periods.

Dr. Wallace provided a very nice and comprehensive overview of the policy challenges during the last five years and the government's thinking about these issues as described in the Bappenas white paper on the macro economy in 1999. Indeed, the recent turnaround in fiscal sustainability and the macro-economy is a remarkable story. It was only back in 2001 that fiscal sustainability was very much in doubt without the government introducing tough fiscal measures, without the Paris Club debt rescheduling facility and donor support. The government was running a structurally unsustainable fiscal deficit primarily driven by very large fuel subsidies and interest payments on domestic debt.

Recent fiscal sustainability and stable macro environment as described by Dr Wallace was achieved by making some very tough decisions of which many of these were originally outlined in the 1999 macro white paper such as reducing subsidies, improved tax collections and prioritizing expenditure. Of course on hindsight there were a number of policy issues and decisions that could have been done differently or improved. For example, in 1999 the white paper did talk about issues surrounding the bank bonds, but more analysis should have been done, such as reprofiling bonds, although we did address this issue in 2002.

Looking ahead, there continue to be major challenges that the government face post-IMF. The most immediate challenge is to maintain fiscal discipline. Indonesia will no longer have the Paris Club Debt Rescheduling facility. These changes, in addition to increased political pressure to increase expenditures in the lead up to next year's general election places pressure on fiscal sustainability and the challenge is to maintain fiscal discipline.

While the macro-economy is stable, it has not translated into higher growth necessarily to create sufficient jobs for new labor market entrants. Based on the 2002 national labor force survey (BPS), 500,000 regular wage jobs might have been lost in the urban centers and 1.5 million jobs nationally. Limited opportunities in the formal sector and crowding of workers into the lower paid informal sector means that more and more families are vulnerable to falling into poverty. Higher economic growth is needed to absorb workers. For sure there will be a lag between macro stability and growth, but to maximize the benefits of this stability we need to work on improving the investment climate. In this context the government is turning its attention to micro-economic areas such as improving the investment climate and labor policy and these issues will dominate over the medium term.

Role of USAID-Technical Assistance and Lessons for GIAT

I would like to turn to the role USAID technical assistance has played in supporting policy analysis and the policy-making process itself. The PEG project has played an important role in several respects. First, PEG consultants have worked with us to help identify policy issues to inform government and set the tone of the policy debate. One example was PEG consultants' assistance with the macro-economic white paper in 1999, continuous support for the annual development policy strategy for REPETA and the state budget. While much of the work has been crisis fire fighting it has also included work on medium and long term policy issues, for example, the Bappenas white papers on macro economy and most recently labor policy review. A second important role has been the transfer of skills and knowledge to GOI counterparts. While the PEG project did not have a strong explicit capacity building focus (probably reflecting the crisis atmosphere when it originated), nevertheless there has been important transfer of skills and knowledge through on-the-job training involving GOI staff in consultation and joint work whenever possible. Indeed, working closely together on the white papers helps improve the policy analysis and the processes themselves.

In this regard I would like to touch on what we expect under GIAT. We still expect that much of our work will continue to be fire fighting in both macro, fiscal and micro economic policy areas. However, with some measure of macro stability and fiscal sustainability we are directing more attention and resources to the micro-economic areas covering trade, investment, labor policy and tax reform through the GOI's Exit strategy and other policy vehicles (white papers, REPETA, PROPENAS etc) and with a more medium term focus and capacity building. This is what we would like to see from GIAT - an increase focus on medium term policy issues and capacity building. We believe the GIAT project will play an important function in this process. In particular, the establishment of a Policy Analysis Unit as envisaged under GIAT will be one important vehicle for capacity building at Bappenas as well as the other GOI counterpart agencies.

Narrative Summary of Progress Toward Contract Objectives Bappenas – Dr. Steve Marks

Trade and Industrial Policy

It is unclear how much the objective of furthering improved trade and industrial policy formulation was realized within Bappenas during 2002-03. Bappenas does not have a great deal of institutional leverage in trade and industrial policy, though as a sort of think tank within the government it can provide intellectual leadership.

During 2002, the Government was being advised on industrial policy by a United Nations team that reported through the Directorate for Industry, Trade, and Tourism at Bappenas. The PEG/Bappenas Real Sector Advisor tried to provide a counterweight to some of the more interventionist and arguably misdirected themes that were being emphasized by the UN team. In addition, the Directorate was involved in an interagency process of preparation for and involvement in trade policy workshops under the sponsorship of the WTO. PEG assisted in those preparations, but the ordered departure in October 2002 brought this participation to a halt.

The Ministry of Finance, with which the PEG/Bappenas Advisor also worked on selected issues such as wheat flour import policy, is more centrally involved in trade policy, particularly the enactment and administration of import and export duties. Technical assistance that would continue to bolster the current Minister in his efforts to resist the many distortive and largely futile restrictions on foreign trade that are constantly being proposed would be extremely valuable.

Fiscal and Tax Policy

The enhancement of the analytical capabilities at Bappenas vis-à-vis fiscal and tax analysis was another major objective of PEG technical assistance. The Directorate for Fiscal and Monetary Affairs at Bappenas is closely involved in the formulation of tax policy. Its institutional role is to provide a sort of second opinion in a budget process that is mostly dominated by the Ministry of Finance. This is an important function, particularly given the relatively strong analytical capabilities of the Bappenas staff, and ideally Bappenas would have greater formal responsibilities and authority in this area.

The Directorate also is significantly involved in managing Indonesia's transition from the tutelage of the IMF, and in charting the future course of economic policy more generally. In these roles it is engaged in raising and addressing broader questions of fiscal policy, in particular whether the financial burdens that the Government has assumed as a consequence of the banking crisis are manageable. This involves analysis of both the details of financing plans and the much broader macroeconomic picture.

The Directorate does well with many of these detailed analyses, with at most a modest level of outside assistance. However, the PEG Advisor's macroeconomic analysis of fiscal sustainability issues, done at the request of the Directorate, provided a theoretical and empirical framework that was readily incorporated into its own work. This represented a major improvement over its prior capabilities in this area, in which the Directorate had been working under great time pressure.

In the tax area, the Directorate is interested in analyses of the revenue potential of various taxes—notably the value-added tax, personal and corporate income taxes, and excise taxes. Work PEG did in each of these areas contributed to the analytical tool kit that the Directorate has at its disposal. Apart from the Director, there is essentially only one staff member in the Directorate who works actively on taxation and budgetary issues. If the institutional role for Bappenas in these areas could be expanded, then certainly additional staff resources would be extremely valuable. In the meantime, the capabilities of existing staff should continue to be developed.

Future Directions

Providing for technical assistance that could influence how the budgetary process is conducted in the future could be very constructive. The ultimate goal might be to restore a measure of institutional balance so that the impressive talents of the Bappenas staff could be better used. This could also contribute to the enhancement of governance more generally—in an area in which it is critically needed. A cross-national study of checks and balances in the budgetary processes of other countries could be a first step along these lines.

Future enhancement of the analytical capabilities of the Bappenas staff in the fiscal and tax areas would pay great dividends in any case. Continued close collaboration between technical advisors and relevant staff counterparts, especially in the application of new analytical techniques such as those introduced by PEG in the fiscal and tax policy areas, would be very fruitful.

The analysis of fiscal sustainability could be applied fruitfully to a conceptually similar question—whether the net international investment position for the economy overall is sustainable vis-à-vis the rest of the world. This is not an inconsequential issue, given the problematic nature of private-sector borrowing from foreign sources in recent years. Providing technical assistance to extend the fiscal sustainability framework into this area would be relatively straightforward and could be very useful.

The Directorate may participate in a major reassessment of personal income taxation in the near future. This would be valuable and would benefit greatly from further technical assistance. Much analysis remains to be done within the framework for analysis of personal income taxation that has been developed, including (1) assessment of revenue potential and distribution of burdens from alternative personal income tax structures and (2) identification of priority areas for improved tax administration.

Additional technical assistance with respect to the value-added tax would also be useful—in particular with respect to a host of practical problems such as whether treatment of the retail sector could be improved, and whether or to what extent investment goods should be exempt from value-added taxation.

Perhaps Bappenas tends to be institutionally more receptive to technical assistance from USAID than is the Ministry of Finance. However, there are certainly units within that Ministry that would benefit from continued support by USAID, notably the Fiscal Analysis Body. The PEG Advisor analyzed cigarette excise issues at the request of that group, gave a seminar to its staff on that issue, and found the staff to be knowledgeable and sympathetic to reform initiatives. Those inclinations should be supported.

**Narrative Summary of Progress Toward PEG Contract Objectives:
Bank Indonesia, 1999-2003 -- Dr. William “Ted” James**

The principal long-term contract objective of PEG Advisory Work in Bank Indonesia (the Central Bank of the Republic of Indonesia) was to assist Bank Indonesia officials in improving the operation of monetary policy in a manner consistent with the overriding objective of price stability.

This work has been conducted in a changing political economy context, with three different governments, and varying attitudes towards the independence of Bank Indonesia. In general, Bank Indonesia has striven to meet its official target for the annual rate of change of the consumer price index while seeking to promote the recovery and stability of the banking sector and the overall payments system during the crisis and its aftermath. Bank Indonesia deserves high marks for gradually bringing growth of base money into line with the target for inflation, with a long-term objective of reducing inflation from double digits to a range of 5-6 per cent by the end of the PEG Project; and this goal is within sight. At the same time that Bank Indonesia has managed to lower inflation, the health of the financial system, particularly the domestic banking sector, has also been improved.

The achievements with respect to inflation have been accompanied by necessary adjustments in monetary policy. During periods of high inflation such as during 1998, this entailed tightening of monetary policy with requisite increases in interest rates. Inflation subsequently fell in 1999, but ratcheted up again in 2000 and 2001. In part, this was related to relaxation of monetary policy, but it was not helped by wage demands and cost-push factors as well as a sharp depreciation of the Rupiah. However, beginning in early to mid-2002 base money growth was reduced. One reason for this was that interest rates, including those on time deposits in commercial banks, were allowed to adjust upwards towards the end of 2001. Inflation was very nearly brought into the target range by the end of 2002. In 2003 reduced volatility in the exchange rate and a gradual but steady reduction in the rate of increase of the CPI was the result of the tough policy decisions taken during 2002.

The strengthening of the Rupiah and the reduced inflation rate has subsequently been accompanied by an easing of interest rates on Bank Indonesia Certificates (Sertifikat Bank Indonesia—SBIs of one-month maturity) over the course of 2003. This is expected to ease the budgetary burden of the public debt, encourage moderation in wage demands, and allow commercial banks to reduce lending rates while maintaining a positive spread over deposit rates of interest. The benign macroeconomic environment that has resulted, and is reflected in a rise in the Jakarta Stock Exchange Index, has been accomplished by a combination of good monetary and fiscal policies.

To assist in improving the monetary policy framework, the PEG Advisors over the past five years have worked closely with counterparts in Bank Indonesia to develop research and policy tools aimed at enhancing understanding of the workings of monetary policy in the context of Indonesia's macroeconomic conditions and open economy. Assistance in the form of improved economic models useful for forecasting key macroeconomic variables, including changes in the consumer price index, have been provided by PEG. In addition, PEG researchers have assisted Bank Indonesia move towards an inflation targeting framework by conducting seminars, joint research and encouraging publications along these lines by Bank Indonesia researchers.

A Secondary Long-Term Contract Objective has been to improve the policy making environment by improving research oriented towards policy making covering issues such as the real exchange rate, productivity growth, foreign investment, and reducing output volatility in a manner consistent with inflation targets.

In this context, PEG has conducted a series of seminars, research projects and interactive policy discussions with Bank Indonesia counterparts over the course of the project. The accomplishments in this area have included putting in place economic models used in forecasting short-term and long-term macroeconomic variables, joint research work resulting in reports on inflation targeting, the real exchange rate and exchange rate policy and related topics such as avoiding a debt-trap and adjusting monetary and fiscal policies to meet the challenges of debt-servicing. This work has raised understanding within the government, the private sector and among the public at large. An on-going program of research at the central bank is a key to greater transparency and improved public awareness of the economic policy framework needed to attain the objectives of price stability and sustained economic growth.

In this context, PEG has worked with other donor agencies and with counterparts in Bank Indonesia and the government to create the right conditions so that Indonesia may move away from the current blanket guarantee. Substantial progress has been made towards this end through a series of public seminars on various topics related to establishment of a stable and secure financial system—the role of a deposit insurance system, the lender of last resort function of a central bank, and improved supervision and oversight of financial institutions. These meetings have involved parliamentarians, scholars, industry, government and the media and have helped lay the basis for the further development of a sound and secure financial system. Bank Indonesia and the Ministry of Finance have accomplished a good deal in moving forward on these issues.

Other Challenges Ahead

Over the course of the PEG Project, Bank Indonesia has faced several challenges in addition to the battle to bring greater stability to consumer prices. Exchange rate volatility, large public domestic and external debt and debt service charges, a threat to economic growth from terrorism, the necessity of taking strict measures to counter terrorist finance and money-laundering, and to avoid the possible threat of deflation that has engulfed East Asian economies such as Japan, Hong Kong, Taiwan and Singapore are among these. The ability of Bank Indonesia to navigate the economy through dangerous waters during recent years deserves praise.

This, however, is not to say that the above challenges have entirely receded. In fact they loom as major threats on the horizon. Bank Indonesia will have to work to strengthen its efforts to combat financing of terror—as the recent attack on J.W. Marriott Hotel in Jakarta underscores. Indeed, one of the most immediate issues to be faced is the possible imposition of counter-measures by the Financial Action Task Force (FATF) should Indonesia fail to meet a looming deadline for implementation of promised actions in October of 2003. This includes amending and strengthening the anti-money laundering law, establishing an effective mechanism for information sharing on suspicious transactions with FATF members, and having necessary Presidential Decrees establishing the Financial Intelligence Unit (PPATK in Indonesian).

The easing of interest rates and the improved stability of the Rupiah is timely, as large amounts of government securities are coming to maturity over the next few years and must be retired or refinanced. Monetary policy can make or break the prospects for continued economic recovery and, along with fiscal policy, will play a decisive role in how markets judge the outlook for the Indonesian economy. In this context, the present situation, while a decided improvement, leaves no room for complacency. Indeed, the financial system remains fragile and is vulnerable to unforeseen shocks. There is an urgent need to strengthen the domestic financial architecture to ensure that it can withstand failures of individual institutions. In the main this can be achieved through creation of a financial system safety net. The main elements in the financial system safety net remain to be put in place. Creation of a safety net will be essential to ensuring the country's financial stability in the future.

Our counterparts have established an improved macroeconomic environment over the past several years. The new situation, with relative monetary and fiscal stability, has yet to result in full recovery of private investment, in part because financial intermediation by the banking system has yet to recover, and in part because investor confidence in the economy has not been fully restored. Such a recovery is vital to providing employment to the expanding population and to meet the challenge of eradication of poverty. The underlying reasons for these problems and the means to address them include greater legal certainty and rule of law, political stability, on-going commitment to open trade and investment, macroeconomic stability, more efficient markets for labor and capital, improved supervision of financial markets and institutions, reduction of corrupt practices and improved capacity for good economic policy through institution-building and human resource development through improved education. These challenges lie ahead and will need to be addressed by not only the government and Bank Indonesia but by Indonesian society as a whole.



December 9, 2003

Dr. Stu Callison
Chief of Party

Re: Partnership for Economic Growth (PEG)

Technical assistance provided to Indonesia through the Partnership for Economic Growth (PEG) Project between 1998 and 2003 has proven to be effective and is highly appreciated in the government, academic community and among private business and professional groups throughout Indonesia. In particular, the economic advisory services provided by PEG advisors have been of very high quality and have provided critical input into our decision-making on economic policy issues over the course of the project. As the government has endeavored to work to stabilize the economy, PEG has continuously provided useful inputs on various aspects of macroeconomic policy including fiscal matters, monetary policy, debt management and the exchange rate as well as on microfinance, domestic and international trade and investment.

PEG has also stimulated discussion within the broader community as Indonesia has moved towards democratization and decentralization on critical issues in governance and reform. Many excellent conferences, seminars and workshops were made possible by PEG assistance and the PEG long-term advisors. Officials and parliamentarians have benefited from their participation in the many and varied PEG activities over the past 5-6 years.

In my capacity as Senior Deputy Governor at Bank Indonesia, I have valued PEG assistance in working to restore the stability of the financial markets and to work towards an inflation-targeting approach to monetary policy. I have enjoyed working closely with the PEG team and USAID on many issues over these years. I appreciated the efforts of PEG to work with my staff on various matters, including strengthening the capacity of the financial sector to provide funds to viable small and medium enterprises, to promote Sharia Banking, and to understand the regulatory framework needed to provide a healthy investment environment.

More recently, after the tragic events of 9-11, PEG was very helpful in assisting Bank Indonesia and the government in meeting the challenge of countering money laundering and in designing measures necessary to stop financial resources from being diverted to illegal uses.

We have come a long way back from the depths of the crisis in reaching a more stable macroeconomic condition. With reduced inflation, a stable rupiah, lower interest rates and a greatly reduced debt to GDP ratio, Indonesia has seen its credit rating steadily improve. The help provided by the USAID through PEG and its other programs, therefore, is valued very highly. I hope that further technical assistance from USAID can be forthcoming to help us meet the challenges of improving economic growth and the quality of life here in Indonesia.

Sincerely yours,



Dr. Anwar Nasution
Senior Deputy Governor
Bank Indonesia

Comments on PEG Project Technical Assistance to Bank Indonesia:

The USAID-funded Partnership for Economic Growth (PEG) Project of 1998-2003 provided advisory services and helped support research on monetary policy and an inflation-targeting approach to Bank Indonesia. As a research economist at Bank Indonesia I found the PEG assistance from Nathan Associates to be very useful in crafting models and advancing towards an inflation-targeting approach to monetary policy.

Charles Joseph
Deputy Manager
Macroeconomic Studies Division
Research Department
Bank Indonesia
November 13, 2003

**Narrative Summary of Progress Toward Project Objectives:
Ministry of Industry and Trade, Ministry of Communications
Stephen L. Magiera, International Trade Negotiations and Telecommunications
Advisor**

The Indonesia's Ministry of Industry and Trade has played a key role in integrating the Indonesian economy into the world economy. *With the rapid advances in new technologies and ever increasing global interdependence, economic integration is likely to be the major challenge faced by the Ministry in the future. This is the case whether the integration occurs through bilateral free trade agreements, ASEAN, or multilaterally in the WTO.* The Ministry has major policy responsibilities for international trade and coordinates Indonesia's participation in international trade negotiations.

Indonesia's Trade Situation, Trade Facilitation, and the Economic Crisis

The expansion of Indonesia exports is a major policy objective of the Ministry of Industry and Trade. Early in the Asian financial crises, it was hoped that the steep devaluation of the rupiah would cause a sharp expansion of exports which would then lead Indonesia out of the financial crisis. In fact, Indonesia's exports performed poorly during the first few years following the onslaught of the crisis.

As a result of the protracted crisis, the PEG project embarked on an extensive study to identify the causes of Indonesia's poor trade performance. This involved the reconstruction of Indonesian export data, which had been biased by a new export declaration form, and the construction of an export price index (now available from BPS). The study found that the two most important factors causing Indonesia's poor export performance were declining prices for Indonesia's commodity and manufacturing exports, and a shortage of trade finance. The shortage of trade finance was a general liquidity problem that affected all exporters and was caused by a meltdown of the banking sector. Trade finance depends on a well-functioning banking system that can issue letters of credit and take on risk of default by borrowers. Without a well-functioning banking system, all efforts to jump-start trade finance are likely to fail.

PEG also concluded that the institutional framework required for an efficient trade finance system does not exist in Indonesia. Our main recommendations include: 1) changes in the definition of collateral so that local banks can participate in trade finance activities using internationally accepted financial instruments; and 2) a new law on secured transactions which would allow companies to use international trade documents and warehouse receipts as proof of title to inventory and goods in transit.

International Trade Policy – Goods

Indonesia began to deregulate its economy in earnest during the 1990's when the Government began lowering tariffs, eliminated a substantial number of non-tariff barriers, and opened up much of the economy to foreign investment. Trade policy reforms were implemented through a series of deregulation packages that were issued at least once each year. The most important of the packages was issued in 1995. This package laid out a long-term schedule of

future tariffs which is based on low protection for all industries. As a result, Indonesia's average tariff declined from about 20 percent in 1990 to 7.2 percent today.

Implementation of Indonesia's package of reforms is the responsibility of Team Tariff in Indonesia's Ministry of Finance. Team Tariff meets regularly to draw up decrees implementing the tariff reduction package and also negotiates exceptions with relevant line ministries. The PEG project worked closely with Team Tariff during implementation of the decrees. PEG constructed a tariff and trade policy database that was used to conduct annual reviews for Team Tariff and for Indonesia's APEC Action Plan. These reviews were used to crosscheck the packages developed by Team Tariff and Indonesia's conformance with multilateral trade agreements. For example, PEG conducted a review of Indonesia's implementation of the Information Technology Agreement and found that Indonesia was fully in conformance with the Agreement despite complaints by the foreign business community.

The PEG Project also reviewed the Ministry's white paper on an Indonesian industrial policy and provided input for a follow-on report on trade policy. Our analysis argues that a key feature of Indonesia's trade policy reforms is that they were for the most part undertaken unilaterally. With few exceptions, Indonesia's international trade policy commitments, such as those with the WTO, ASEAN, and IMF, serve only to complement reforms that Indonesia had in any case decided to undertake unilaterally. The one exception is agriculture, which was very much influenced by Indonesia's LOIs with the IMF. We also found that for the period through 1999, there is little evidence that trade reform has led to a large influx of imports (sugar being one possible exception). That analysis could now be updated through 2002.

International Trade Policy – The Doha Services Negotiations

Services are as important as raw materials to globally competitive industries, and in some of the more technologically advanced industries, low-priced, high quality service inputs are even more important than raw materials. It is also the case that in some export industries, services are the single most important variable where companies can achieve cost reductions (e.g., international transport costs in the case of canned pineapples). Services include finance, transport, construction, telecommunications and a wide range of professional services. Services now account for 43 percent of Indonesian GDP and are critical to employment growth.

Negotiations on barriers to trade in services are relatively new in the WTO and have proven inherently more difficult than negotiations on goods. In the case of goods, negotiations typically cover easily identifiable numerical targets, i.e. tariff rates. By way of comparison, the targets for service negotiations are far less quantifiable, often referring to national laws and regulatory requirements affecting national treatment and market access. Because of their complexity, developing countries have been reluctant to participate in the services negotiations. Indonesia has not yet formulated its position on the services negotiations, but the negotiations do present an opportunity to take stock of Indonesian service industries and to develop strategies for their long-term development.

The PEG project has undertaken numerous activities to support Indonesia's participation in the service negotiations. This includes a training course involving around 140 people and seminars targeted at individual ministries (Law and Justice, Environment, Public Works, and

Telecommunications). PEG has also provided reviews of the negotiations, a summary of service requests to Indonesia, and produced a report outlining some of the sectors and markets where Indonesia might have some interest in liberalization abroad. However, our most extensive activity has been detailed regulatory reviews covering six services sectors.

Suggestions for Future. Given the importance of services to the Indonesian economy, it is critical that Indonesia examine each of its service sectors to determine whether regulatory reform is in its own best interest. For example, barriers to foreign providers of educational services cause Indonesians to seek degrees abroad. This leads to an outflow of foreign exchange and widens disparities in income. In another example, staff from the Ministry Perhubungan found several possible examples of regulations that were potentially detrimental to both foreign and domestic service providers.

The services reviews could involve the consolidation of PEG regulatory reports, discussions with government officials and the private sector on the major impact of services regulations, and an evaluation of sectors where Indonesia might wish to deregulate unilaterally. Priority sectors might be those sectors under the Ministry of Industry and Trade (professional business sectors and distribution), critical infrastructure services affecting Indonesia's competitiveness (telecommunications and transport), and a few sectors where Indonesia is under considerable pressure from abroad (express mail and audio visual). Final output from the reviews would be a series of briefing papers on each service sector.

Other issues are emergency safeguards, special treatment for LDCs, and credit for autonomous liberalization.

International Trade – The Doha Agricultural Negotiations.

The PEG project has produced two briefing papers on the Doha agricultural negotiations. Indonesia faces a number of key issues during the negotiations:

- 1) Since Indonesia did not submit an AMS commitment during the Uruguay Round, Indonesia comes under more severe AMS disciplines than countries such as the United States and EU.
- 2) Because Indonesia maintained state trading on several essential commodities, it is unable to use the special agricultural safeguard.
- 3) Indonesia's agricultural tariffs are well below bound rates. Thus, Indonesia could argue for substantial market opening measures in other countries with little or no impact on its own tariffs.
- 4) WTO rules for stockholding for food security purposes and price stabilization appear unclear. These are programs that Indonesia might wish to maintain in the future.

The Doha Agricultural negotiations have now entered a very critical and politically sensitive phase. Technical assistance could focus on identifying areas where Indonesia might stand to gain from the negotiations. Technical Assistance on particular negotiating issues might be more politically sensitive. For example, Indonesia needs to back up its position on sensitive

products by defining “sensitivity” with clear criteria. Indonesia also needs to be more precise about the policies it would like to maintain in the future.

Trade Remedies and WTO Rules

Trade remedies (anti-dumping and safeguards) are major issues for Indonesia. The USAID TIP Project was instrumental in ensuring that Indonesia’s anti-dumping regulations conform with WTO rules. TIP also participated in numerous socialization seminars throughout Indonesia. The PEG project followed up on this work by reevaluating Indonesia’s procedures and developing recommendations based on international best practices. PEG also instrumental in the introduction of Indonesian safeguard regulations that also conform with WTO rules.

Indonesia, as well as other developing countries, can ill afford the tremendous legal costs associated with trade remedies. Thus, the inclusion of WTO rules in the Doha Round of trade negotiations was a major success for developing countries. However, technical assistance in this area is politically sensitive.

- 1) Indonesia would like assistance on defending itself against dumping cases abroad. Normally, however, technical assistance on bilateral trade problems would not be approved by USAID.
- 2) Indonesia would also like assistance during the Doha Round on ways to change WTO rules in order to lessen the incidence of anti-dumping cases against its exporters. However, the US Government has its own negotiating position an anti-dumping. This makes technical assistance on rule changes difficult.
- 3) As in the past, USAID can provide assistance on ways to improve Indonesia’s application of the rules and ensure their conformance with WTO procedures. Examples might be assistance on injury or national interest calculations, perhaps in the context of Indonesia’s new trade law.

APEC

APEC continues to be an effective vehicle to bring about trade policy reforms and to increase transparency in international trade policy. For example, it was a non-binding consensus agreement in APEC that eventually led to the WTO Information Technology Agreement, and APEC maintains one of the more accessible databases on international trade policies.

Indonesia continues to be very active participant in APEC. Indonesia was one of the first countries to make its entire tariff code available on the APEC tariff base, and it is one of the few countries to lay out a formal schedule for reducing tariffs as agreed in the Bogor Declaration.

The PEG project has had two main activities with regard to APEC. First, PEG continues to provide annual updates of Indonesia’s tariff analysis tables. These tables are done every year just prior to the APEC meeting of trade ministers. Updating Indonesia’s tariff database is a labor intensive activity and although PEG has trained Ministry staff on some update programs, these staff have frequently been rotated. This activity could be moved to a permanent database team, perhaps in Team Tariff at the Ministry of Finance. This team

might also be responsible for ensuring that the WTO is properly notified of changes in tariff nomenclature and the resulting changes to Indonesia's schedule of commitments.

PEG has also provided extensive support for the APEC capacity building program. This includes training for Ministry staff as follows:

- IPR Training (United States)
- IPR (Korea)
- Non-Member Participation in OECD (Paris)
- APECTEL (Malaysia)
- WTO Agreement on Basic Telecommunications (Singapore).
- Competition Policy (Vietnam)
- Food Safety (workshop/symposium cosponsored by PEG in Bali)

The APEC training programs have proven to be extremely effective method of capacity building. APEC arranges the venue and instructors and pays around half the cost for each attendee. PEG provided the remainder. USAID participation in APEC capacity building could be expanded and made a formal part of the GIAT training activity. The program should be made available to staff throughout the Ministry of Industry and Trade.

Regional Trade Agreements

Although Indonesia is not a party to any free trade agreements other than ASEAN, the Ministry of Industry and Trade is very interested in such trade agreements. Indonesia also has the lead role in the ASEAN Trade and Investment Agreement with the United States. To date, PEG activities in this regard have focused on ASEAN. For example, PEG prepared the non-paper submitted by Indonesia at the last special meeting of ASEAN economic ministers. This paper examines ways to expand intra-ASEAN trade.

The expansion of intra-ASEAN trade is likely to be a major issue at the ASEAN Summit in Bali later this year, and it will be a continuing priority to the Ministry of Industry and Trade. Technical assistance might focus on ways to reduce the cost of intra-ASEAN trade through customs facilitation, lowering the cost of compliance with rules of origin, and improvements in key backbone services such as transport and communications services. To begin this process, the Government might consider a trade facilitation audit as suggested in PEG's ASEAN non-paper.

The Ministry of Industry and Trade and the Economic Coordinating Ministry have both requested that PEG conduct a workshop on the general aspects of free trade agreements. This workshop would describe the practical aspects of forming such agreements and the methods used to evaluate them. Technical assistance for a workshop on an FTA with the United States could also be arranged, but would probably require the approval of USTR.

Telecommunications

Indonesia's market for telecommunications is extremely underdeveloped with one of the lowest telephone densities in the world and a penetration rate of only 30 percent of Indonesian villages. Thus, telecommunications badly needs an infusion of capital if Indonesia is to keep pace with information technology developments elsewhere and if Indonesia's rural areas are to participate in those developments. As one step towards improving the investment climate, Indonesia became a signatory to the WTO Basic Agreement on Telecommunications and to the Pro-Competition Annex in 1997. The Annex requires transparent regulatory procedures, non-discriminatory licensing, and competitive safeguards for companies operating in Indonesian markets.

In 1999, Indonesia passed a new Telecommunications Law which would implement the WTO Agreement. In fact, this Law goes further than is required by the WTO since it explicitly forbids monopoly practices and unfair competition. It would also allow new telecommunications providers into Indonesian markets at dates much sooner than had been envisioned under previous laws or required by the WTO.

The PEG Project has had a major program of work to help the Government adopt international best practices in implementing the Telecommunications Law. This program included basic training in modern regulatory techniques, socialization seminars to explain Government regulatory decrees to the private sector, and technical assistance targeted at key regulatory issues. An important element of PEG assistance was that it was generally available to both the Government and the private sector. The private sector attended most PEG training seminars; and on several occasions, PEG worked with the private sector on developing and reviewing Government regulatory decrees.

Training on Modern Regulatory Techniques for Telecommunications

Telecommunications reform in Indonesia requires the development of new methods to manage the transition from monopoly to competition. Most officials from Indonesia's Ministry of Transport and Communications are engineers with limited training in modern regulatory techniques. Thus, training has been a major element of the PEG program.

Regulatory Lecture Series and Roundtables. Early in the program, PEG sponsored a series of one-to-two day training lectures on modern regulatory techniques. The lectures covered: an independent regulatory body, interconnection, universal service, modern licensing, spectrum allocation, and competition issues in telecommunications markets. The lectures were supplemented in later years by in-house roundtables and seminars which reviewed and developed recommendations on key regulatory issues.

Asian Telecommunications Workshop. PEG co-sponsored a three-day international workshop with USAID's ANE and Global Bureaus. The workshop covered international best practices for regulating telecommunications, and was attended by 55 delegates from Thailand, Sri Lanka, Vietnam, the Philippines, Mongolia and Indonesia.

Video Conferences. PEG participated in two videoconferences sponsored by the Foreign Commercial Service with the FCC in Washington -- "Regulating Telecommunications in the Convergence Era."

TECHNICAL ASSISTANCE

Interconnection. A non-discriminatory, cost-based interconnection regime is essential to competitive markets for telecommunications, to bringing new investment into the market, and to the diffusion of new technologies.

The PEG Project provided technical assistance to the Government and to the private sector on developing a Ministerial decree on interconnection. Initially, PEG worked directly with private sector consultants on benchmark interconnection rates using information from other countries. PEG also outlined procedures for developing a long-run cost model for determining rates in the future.

Following the release of the Government's draft decree, PEG worked closely with the Interconnection Task Force of the Indonesian Telecommunications Society (MASTEL) to review and provide recommendations on the decree. Key recommendations concerned: 1) the level of proposed interconnection rates; 2) clarified rules on the technical obligations of interconnection; 3) rate rebalancing and the use of access deficit charges; 4) procedures for settling disputes. This decree is critical to cellular and other telecommunications providers that need to connect to the fixed line network, but has not yet been issued pending a revision of the entire rate structure.

Universal Service. Indonesia has one of the lowest teledensities in Asia. Thus, policies to expand telephone service, particularly in remote rural areas, are of critical economic and political importance.

The PEG Project developed recommendations, and sponsored field trips, for a universal service program (USO) that relies on competitive bidding to expand the communications network. The program is called the "Competitive Access Model for Universal Service" and is similar to one developed by USAID for health care. The model relies heavily on the private sector, particularly in regards to choice of technologies and location of universal service projects. Funding would preferably come from the general government budget, but could also come from within the telecommunications sector as suggested by Indonesia's Telecommunications Law or from the donor community. Although investors in USO areas would only be required to provide basic telecommunications services, they would automatically be licensed to provide enhanced services if they so choose.¹⁹

Compensation Issues originating from the IPOs of PT Telkom and PT Indosat. During their IPOs in the mid-1990s, PT Telecom and PT Indosat were granted exclusive rights to the domestic and international markets for telecommunications in Indonesia. As noted earlier, Indonesia's new Telecommunications Law permits the Government to move forward the dates at which exclusivity would be terminated. During negotiations with Telkom and Indosat over early termination, the Ministry requested PEG assistance on an interim agreement (compromise) regarding the Government's obligations towards each company. The compromise successfully led to the licensing of Indosat in selected local markets, pending a final decision on compensation.

¹⁹ For example, enhanced services offered by telecenters would be licensed under the program, but would not receive direct subsidies. Exceptions might be made for certain education and health programs where subsidies can be justified for reasons other than universal service.

The Government also requested that PEG conduct an independent review and provide recommendations on a report by the Government's financial consultants regarding the compensation due to Telkom and Indosat for the early termination of exclusivity. PEG's report pinpointed a key assumption in the analysis and provided recommendations to the Government's negotiating team that could save the Government \$50-100 million.

Independent Regulatory Body. *The most important telecommunication issue facing Indonesia is the establishment of an independent body to regulate the sector. This has been identified as a priority by the private sector, Parliament, and senior officials in the Government.*

The PEG Project held a major conference with leaders of the Indonesian telecommunications community to help explain the concept of an independent regulatory body. PEG also provided a short paper on the meaning of "independence" and the functions of a regulatory body for telecommunications. This paper was adopted as a position paper for the Coordinating Minister. As a result, a consensus was developed between the private sector and much of Government on the desirability of an independent regulatory process for telecommunications.

In August 2003, The Government issued a decree that will lead to the establishment of a 5-member commission for regulating telecommunications. It is hoped that this will serve as a transitional device towards the establishment of a fully independent body. The Government now desires to lay the groundwork for such body sometime after the elections of 2004.

Broadband Internet Policies. Indonesia faces many regulatory challenges from rapidly advancing technologies, including Voice over Internet Protocol (VOIP). At the request of the Ministry, PEG provided assistance to Government consultants at Institut Teknologi Bandung on broadband telecommunications policies. A key recommendation is that policy for VOIP should be technologically neutral.

Frequency Management. At the request of the Ministry, PEG reviewed the database underlying Indonesia's automated frequency management system. PEG found serious flaws in the database and provided recommendations for revising the system. These recommendations would improve frequency allocation (less interference) and generate a large increase in Government revenues from licensing fees. In many countries, licensing fees allow regulatory bodies to be self-funded. The Government has also requested assistance on modern frequency management policies that rely on markets for allocating frequencies.

WTO Services Negotiations. Indonesia has received about ten requests to deepen its WTO commitments on basic telecommunications. The Government must now determine how to respond to those requests and whether it wishes to make requests of other countries. PEG facilitated in this process during two workshops that documented existing regulations and compared them with Indonesia's WTO commitments. The Government has recently requested assistance on a private sector survey to estimate the costs and benefits from deepening its WTO commitments on telecommunications services.

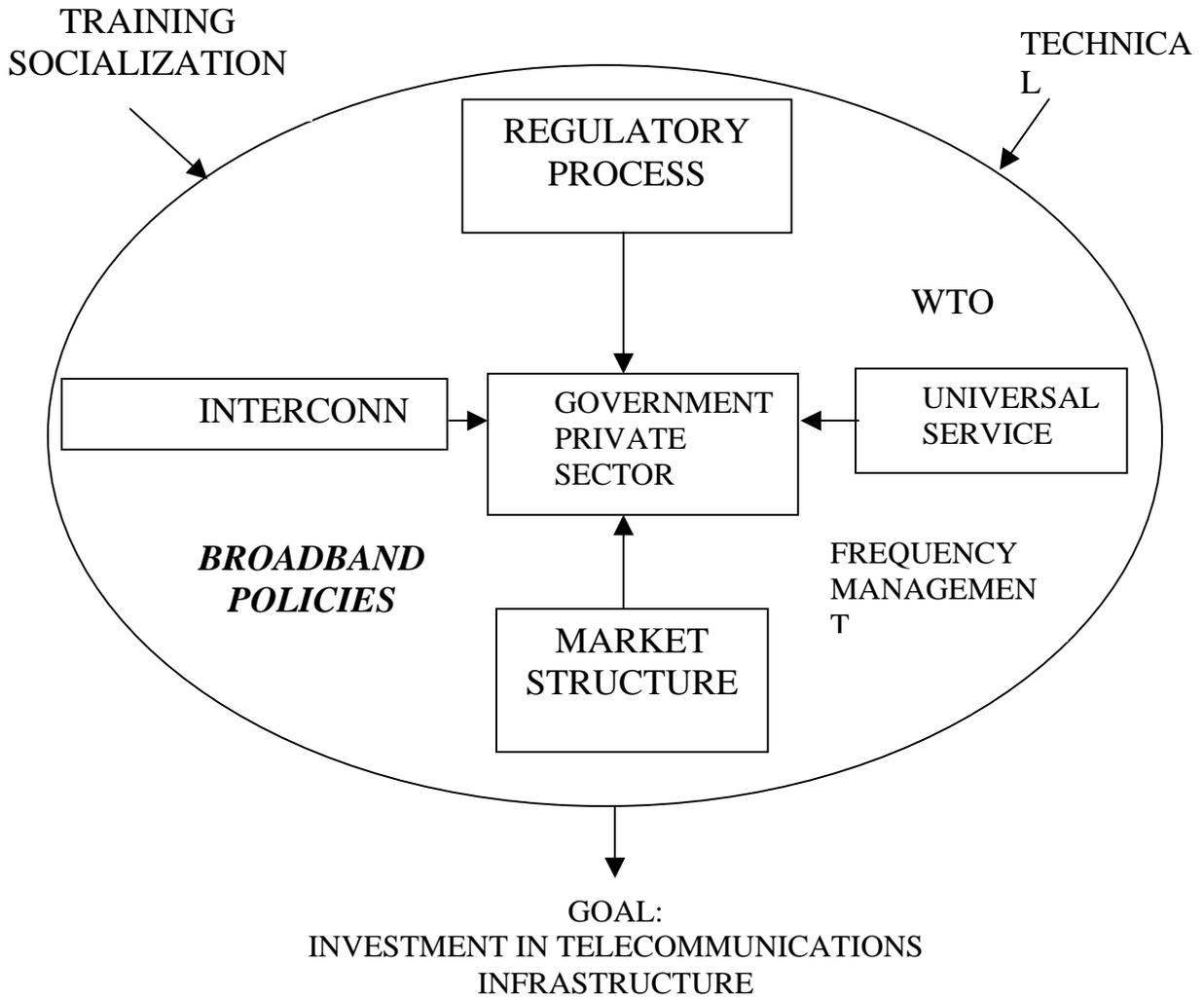
Short-Run Staff Requests. The Government and USAID occasionally requested that PEG provided short-run assistance on various issues involving investors, other donors, etc. PEG provided:

- Language that would require upstream providers of basic services to treat subsidiaries and competing providers of downstream services equally;
- Recommendations on the Government's response to a policy review prepared by a potential investor for the private placement of Indosat shares;
- Recommendations on Indonesia's draft Broadcasting Law as submitted to Parliament;
- Talking points on an independent regulator for a presentation by the Executive Director of the IDA from Singapore;
- Recommendations on public hearings as one element of making the regulatory process for telecommunications more transparent;
- A Ministerial (MOIT) briefing on the problems facing foreign investors under Indonesia's BOT scheme (KSOs) for telecommunications;
- Speech materials for the Minister of Communications on the digital divide;
- Coordination of PEG activities with the Infrastructure Division of the World Bank;
- USAID briefing materials for donor meetings on ICT development at the World Bank;
- ICT action plans for the Ministry of Transport and Communications and for the Ministry of Industry and Trade, which are based on the national action plan from Team Telematica.

A BLUEPRINT FOR THE FUTURE

Indonesia's telecommunications market is at a critical junction. Several major policy issues remain unresolved and must be addressed simultaneously if regulatory reform is to move forward. With that in mind, Indonesia's Telecommunications Association (MASTEL) has formed a working group on a blueprint for the future of Indonesian telecommunications. The blueprint will lay out recommendations for the transition from the current duopoly to an open, competitive market and will hopefully recommend the regulatory framework needed to achieve that result.

USAID ASSISTANCE ON TELECOMMUNICATIONS



**A Proposal:
THE SINGLE ASEAN MARKET FOR INFORMATION
COMMUNICATIONS TECHNOLOGY (SAMICT)²⁰**

In view of the need to achieve global competitiveness, the countries of ASEAN agree that by year 2003, they will achieve the total economic integration of ASEAN Markets for Information Communications Technology.

This integration will involve the following:

For ICT manufacturing products:

Tariffs	≡	Zero
NTBs	≡	Eliminated
Product Standards	≡	Harmonized MRAs

For IT Services:

Investors	≡	National Treatment 100% Market Access
ICT Professionals	≡	No Restrictions on Trade
All services with ICT as Mode of delivery	≡	No Restrictions on Trade
IT Educational Programs	≡	No Restrictions on Trade MRA
Small Scale Enterprises	≡	To be determined??

For Basic Communications Services:

Investors	≡	National Treatment 100% Market Access
Other Modes of Supply	≡	No Restrictions on Trade
Telecom Regulatory Policy	≡	Harmonized (2010)
Universal Service Programs	≡	Equal Access for All Providers

²⁰ This is an expanded version of a proposal contained in a PEG non-paper that was tabled at the Special ASEAN Ministerial in Jakarta, July 2003.

**TECHNICAL ASSISTANCE NEEDS FOR THE DOHA ROUND
STATEMENT BY HIS EXCELLENCY GUSMARDI BUSTAMI
INDONESIAN AMBASSADOR TO THE WTO**

Technical assistance and capacity building were fundamental to the agreement by developing countries to proceed with the Doha Round of trade negotiations. This includes assistance on developing the negotiating capacity of developing countries for the Doha Development Agenda and aid in build institutions to better understand and implement WTO rules and Agreements.

The Doha Round of negotiations are to conclude in a little over one year on 1 January 2005. I would like to highlight the critical importance of continued technical assistance during the period leading up to this date. This has already been agreed to as an integral part of the Doha Round.

Market Access for Non-Agriculture. During the Uruguay Round of Trade negotiations, Indonesia achieved one of the highest percentages of bound rates of any developing country in the world. Since then, Indonesia has also unilaterally cut tariffs substantially.

During the Doha Round, countries have tabled numerous proposals to reduce tariffs according to a variety of formula approaches. Indonesia needs assistance in evaluating the implications of these approaches. More importantly, these evaluations should occur in the context of Indonesia's overall trade policy. That policy now needs to be reviewed in the light of the reforms taken so far and in the context of Indonesia's new political situation. We also need to evaluate proposals for zero tariffs in selected sectors. As one approach, we should evaluate the impact of the Information Technology Agreement (ITA) under which we have already cut tariffs to zero on ITA items.

Services. Developing countries have questioned the benefits of multilateral negotiations on services during the Doha Round. The negotiations are exceedingly complex and comprise sectors where we have little comparative advantage. Because of this, it has been agreed that developing countries are to be provided assistance in carrying out assessments of the negotiations. To date, however, little has been achieved in this regard.

Indonesia now needs to develop negotiating positions on each of the major services sectors, and needs technical assistance to evaluate each service sector. This could be done through a series of workshops which summarize existing regulations affecting the sector, Indonesia's existing international commitments where relevant, the potential advantages or disadvantages of unilateral deregulation, and possibilities for improving Indonesia's commitments during the negotiations.

Agriculture. In the case of agriculture, we have a continuing need for ad hoc assistance on negotiating modalities as they are proposed. More fundamentally, however, we need to lay out our own development strategy for agriculture and to define the policy instruments needed to achieve the goals of that strategy. Once this has been done, we may need assistance on the negotiating modalities that will permit us to pursue these instruments. Examples might be

tariff quotas, the special safeguard, domestic support measures that allow stockholding for food security, criteria for sensitive products, and direct payments for agricultural development.

Rules. The inclusion of trade remedies and other rules in the Doha Round was a major victory for developing countries. Assistance in this area may also be sensitive politically, especially for the United States, which has proposed to focus negotiations to a very limited area. In the case of the Doha Round, there are ways in which assistance might be provided in ways that are not overly sensitive politically.

1. In the case of anti-dumping and subsidies, Indonesia needs assistance to better understand the implications of the proposals that have been put forward during the Doha Round.
2. In the case of safeguards, we need assistance on developing proposals for special safeguards for the agricultural and services agreements.
3. In the case of free trade agreements, Indonesia needs to develop a clearer understanding of the implications of proliferating FTAs on our own economy, and assistance on strategies for responding to suggestions for FTAs from abroad, such as the one suggested by the United States.

New Issues: In addition to the core negotiating issues mentioned above, Indonesia also needs assistance on the so-called new issues, including investment, competition policy, transparency in government procurement, trade and the environment, and trade facilitation. These issues are likely to become increasingly important as the Doha negotiations proceed. Unlike the core issues, assistance on new issues can be effectively provided through ad hoc training courses and workshops.

USAID Assistance Through the PEG Project. In the past, much of the assistance to developing countries was provided via single seminars and workshops. Developing countries complain that such assistance is too ad hoc and therefore of limited value. On behalf of my office, therefore, I would like to thank USAID for the continuity of the assistance it has provided to Indonesia over the years. By interacting closely with officials in the Ministry of Industry and Trade and other ministries, the PEG Project, and its predecessors, have contributed to building our capabilities and have been more responsive to our needs than otherwise would have been the case.

**Narrative Summary of Progress Toward Contract Objectives:
David Ray, PEG Domestic Trade Advisor
Ministry of Industry and Trade**

Preliminary Notes

- There is considerable overlap and duplication in the contract objectives for the Domestic Trade Advisor position. For simplicity the objectives have been aggregated into three broad categories:
 - a) Domestic trade and distribution under decentralization
 - b) Decentralization, competition and regulatory reform
 - c) Competitiveness and deregulation
- Due to the Domestic Trade position's broad range of activities, as well as the frequent reshuffles within the Ministry of Industry and Trade (thereafter MoIT), PEG has worked with a large number of MoIT counterparts, including the R&D Agency, the Secretariat General and the Directorate General (DG) for Domestic Trade, among others. The primary counterpart for PEG Domestic Trade activities was the R&D Agency in 2000, moving to the DG Domestic Trade in 2001, and back to R&D in 2002/03.
- PEG has also worked with other elements of government that have responsibility and authority in areas of significant relevance to domestic trade. Important examples include the Ministry of Communications and Transport (MCT) on inter-island shipping and ports, the Ministry of Finance on local taxes and charges, and various local governments and civil society groups on decentralization matters.

Summary

MoIT continues to play an important role in promoting internal trade, through working toward ensuring free movement of goods and services across sub-national boundaries. Greater efficiencies in the internal market help generate better and fairer outcomes for all players, from the smallest agricultural producer to the largest urban-based manufacturer. At the national level this feeds through to improved competitiveness in both export and import markets. Perhaps more importantly, greater and freer flows of domestic trade help promote national economic integrity, a critical principle to be upheld as Indonesia moves to a more decentralized system of government.

However, ensuring efficient domestic markets is a difficult and challenging task. The uncoordinated and poorly disciplined use of local taxes and charges is a particularly worrying development under decentralization. As discussed in the sections below, MoIT has been working at two levels to address this problem. The first is to develop much-needed legislation at the national level to ensure free internal flows of goods and services. The second, based on the important adage that 'prevention is better than cure,' has seen PEG-MoIT working together with local governments to socialize the principles of good regulatory practice.

1. Domestic Trade and Distribution under Decentralization

Early in the tenure of the Domestic Trade Advisor, it was clear that a major new threat to internal trade, and more generally the efficiency of domestic markets, was the many and varied efforts by local governments to raise own-source revenues (PAD). Formal and informal exactions (pungutan) of course represent nothing new. However decentralization

both emboldens and empowers local governments to raise PAD aggressively, often through distorting taxes and charges.

The MoIT was quick to identify the potential danger this poses for domestic trade. A number of joint PEG-MoIT field studies were carried out to investigate and monitor trade- and competition-distorting local regulations. These were complemented by a series of regional studies by PEG, working with research groups such as SMERU, KPPOD, etc.

These activities culminated in a major joint PEG-MoIT conference titled ‘Domestic Trade, Decentralization and Globalization’ in April 2001. Well attended by over 250 participants, this conference highlighted many such problems in domestic trade and how they should best be addressed. An important conclusion drawn from this conference, and from the work preceding it, was the need for a stronger legal basis to ensure free internal trade in Indonesia

Following the conference, the Directorate General for Domestic Trade commissioned the Law Faculty at the University of Indonesia to write the academic text and the initial draft of a new law on domestic trade, titled ‘*RUU Lalu Lintas Barang dan Jasa*’ – Proposed Law on the Internal Flows of Goods and Services). This law is designed primarily to eradicate all forms of tariff and non-tariff barriers to internal trade. Through the use of a new commission on domestic trade (*Komisi Pengawas Lalu Lintas Barang dan Jasa*) the law also seeks to develop better supervisory arrangements for trade-distorting local regulations. The proposed legislation will be submitted to a ‘priority list’ of planned laws at the Ministry of Justice in 2004. At all stages of the development of this proposed law - from initial idea through to wording of the final text—PEG played a key support role for MoIT counterparts. Key elements of this proposed law have also been included in the planned umbrella law on trade (*RUU Perdagangan*), which is expected to be submitted to Parliament before the internal trade law.

While the development of the above-mentioned internal trade law represents the most important outcome of the PEG-MoIT relationship in this category of accomplishments, numerous other important outputs should also be mentioned. These include

- Technical assistance in determining the impact of fuel price rises upon food prices,
- Studies on competition problems in the food distribution sector,
- Policy assistance on implementing the consumer protection law,
- Assistance on developing appropriate regulatory arrangements for modern retailing
- Assistance and capacity building in using MoIT commodity price data to monitor distribution efficiency, and
- Numerous capacity building and training activities on domestic trade, competition and decentralization issues

Outside of MoIT, PEG worked with the MCT on improving inter-island shipping through port sector reform. Many of the recommendations in these reports were incorporated in various trade strategy papers prepared by the MoIT R&D Agency.

2. Decentralization, competition and regulatory reform

The MoIT’s R&D Agency has played an important pioneering role in developing models for better regulatory review processes at the local level, with some assistance from PEG and other donors. This agency has been running a series of regional workshops for public officials with PEG support. Using material drawn from OECD regulatory review manuals (in

particular that from Australia) and the ADB, the MoIT is now socializing key principles of good regulatory practice in the regions – emphasizing important aspects such as simple cost-benefit analysis, regulatory alternatives, problem identification, etc. – as a means to prevent (or at least restrain) the proliferation of competition- and trade-inhibiting regulations.

Material from these workshops is being compiled to produce a simple regulatory review handbook specifically for local government. This manual pulls together the work by PEG on the principles of good local regulations, as well as the regulatory review work developed earlier by MoIT counterparts with assistance from the ADB. This is the frontline effort of the MoIT in combating the many competition- and trade-distorting regulations and practices that are continuing to emerge at the local level. By working with local administrations MoIT hopes that preventative measures such as these will diminish the need for more stringent measures from the center.

More importantly MoIT is now using this review methodology to better assess the regulatory impact of a number of MoIT regulations and instructions.

Outside of MoIT, analysis by PEG and PEG-funded studies on local regulations has led directly to the cancellation by the central government of 21 problematic local regulations, and recommendations made for the revision of another 41. Moreover, following a major MoIT-PEG conference titled ‘Decentralization, Regulatory Reform and the Business Climate’ (held in August 2003), there has been considerable debate regarding present supervisory arrangements governing local regulations²¹. Moreover, the Ministry of Finance has adopted key recommendations from a PEG policy paper regarding the use of economic incentives/sanctions to ensure local government compliance with central government rulings regarding local taxes and charges.

3. Competitiveness and Deregulation

This category of accomplishments captures a number of other activities centered on and around the general theme of promoting competitiveness through market-based reforms. These activities include technical assistance in the form of policy papers, reports and memoranda providing input to and sparking policy debate and discussion within MoIT, as well as a number of capacity building activities. The former includes a number of sectoral studies (most recently a major one on the many supply and demand constraints confronting the textile and garment sector), studies on trade policies for key agricultural products, analysis on export performance, various studies on the interface between trade and ports (most recently a paper on the possibility of Sabang becoming a free-trade port), as well as input to MoIT’s industry and trade policy effort.

The Challenges Ahead

The greatest challenge confronting MoIT in promoting more open, efficient and competitive markets is that in a number of important areas of direct relevance to domestic trade MoIT has little or no authority.

²¹ The MoF for example, put forward its position that it favors a more aggressive approach in dealing with regional governments that implement problematic taxes and charges, than that of other agencies (i.e. Ministry of Home Affairs)

The supervision of local regulations is one obvious example. Almost all problematic regulations hitherto cancelled by the central government distort domestic trade and competition. MoIT has an obvious stake as well as important regulatory review capacity, but lacks the formal authority to review regulations and make recommendations for revision/rescission. Under present arrangements, a MoF based inter-ministerial team is charged with the responsibility to review and make recommendations to the Minister for Home Affairs regarding local taxes and charges, who has the final authority to rescind local regulations. This team however has no authority on regulations that do not involve taxes and charges. As a result a number of local regulations imposing non-tariff barriers in internal trade (trade/investment bans, price controls, quotas, forced monopsonies) are continuing to be implemented without effective review from the center²².

Clearly MoIT needs to position itself formally in the review of all trade- and competition-distorting local regulations. This may require new legislation and the establishment of new formal arrangements with the Ministry of Home Affairs. Under the follow-on USAID - GIAT program a Policy Analysis Unit could be established at MoIT (perhaps the R&D Agency in cooperation with the Directorate General for Domestic Trade) charged with the responsibility of:

- ❑ developing regulatory review teams that travel to the regions and collect information on and research the impact of local regulations (i.e. those that impact upon trade and competition);
- ❑ produce comprehensive regulatory impact statements; and then
- ❑ make formal recommendations for the Minister of Home Affairs.

These regulatory review teams could also play an important role in assessing the regulatory impact of MoIT policies, e.g, non-tariff barriers for agricultural products.

Another important area where MoIT has an important stake, but no authority, is in transport infrastructure. Ports are a major concern as their poor performance restricts domestic trade and seriously undermines overall export competitiveness. MoIT could play a very constructive role in promoting port sector development, through research (perhaps involving the above-mentioned regulatory review teams) as well as dialogue with other elements of government, both national and local.

²² One example is the effective local government ban on investment by outsiders in pharmacies in North Sulawesi.



MINISTRY OF INDUSTRY AND TRADE
AGENCY FOR RESEARCH AND DEVELOPMENT INDUSTRY AND TRADE

Jalan M.I. Ridwan Rais No. 5 Jakarta 10110 Kotak Pos 229
Telepon : 3841961, 3857580 Fax. 3452393

Our Ref.: 1103 /BPPIP/XII/2003

24 December, 2003

Mr. **STU ALISON**
Chief Party, PEG-USAID
BIMANTARA BUILDING, 6th Floor

JAKARTA

Re: Result of BPPIP-MOIT with PEG Project Cooperation

Dear Mr. Stu,

With regards to the result of discussion between MOIT's R&D Agency with PEG-USAID on August 29, 2003 on the event of PEG-Project closing-out, first of all please allow me, on behalf of MOIT and myself, extend the appreciation to Dr. David Ray and Dr. Stephen L. Magiera who had provided contributions during their tenure both in cooperation on the implementation of certain activities as well as contribution on ideas that are very important to help the smooth flow of MOIT duties in general and R&D Agency as well as the Directorate General for International Industry and Trade Cooperation (KIPI) in particular.

Concerning of starting the new project of GIAT-USAID which is a follow-up of PEG-Project, we still expect cooperation in the frame of this new project activity. For this purpose we propose cooperation between MOIT (R&D Agency and Directorate General for KIPI) with GIAT-USAID that could be possible such as:

1. Continue the assistance of developing models for better regulatory review process at the local level.
2. Assignment of Advisor(s) from GIAT-USAID at MOIT as provided within PEG-Project.
3. Development of Human Resources, in the form of in-house as well as overseas training in policy-formulation, management and technology.
4. English Course to improve and facilitate communication capability
5. Continue cooperation in Human Resources Development capability related with GATT/WTO activities, particularly in Services that has been carried out between DG. for KIPI with Dr. Stephen L. Magiera.

We hope our proposal on the above cooperation could be realized as a very efficient cooperation as has always been and wait for further comments from your side on this proposal.

We thank you for your kind attention and cooperation.



- Cc: 1. Minister of Industry and Trade (as report)
2. Secretary General, MOIT
3. DG. for KIPI, MOIT
4. File

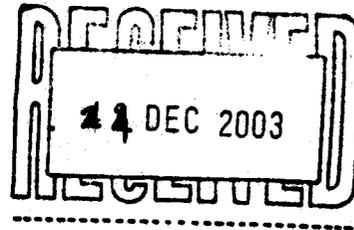


DEPARTEMEN PERINDUSTRIAN DAN PERDAGANGAN
BADAN PENELITIAN DAN PENGEMBANGAN INDUSTRI DAN PERDAGANGAN

Jalan M.I. Ridwan Rais No. 5 Jakarta 10110 Kotak Pos 229
Telp. 3841961

Jakarta 24 Desember 2003
No. 1100 /BPPIP-4/XII/2003

Kepada Yth.
Mr. Stu Alison
Chief Party, PEG-USAID
Di Jakarta



Re : Hasil Kerjasama BPPIP-Depperindag dengan PEG Project

Berkenaan dengan hasil diskusi antara BPPIP-Depperindag dengan PEG-USAID pada tanggal 29 Agustus 2003 yang lalu dalam acara closing-out PEG-Project, pertama-tama perkenankan kami atas nama Depperindag dan pribadi menyampaikan penghargaan kepada DR. David Ray dan DR. Steve L. Magiera yang selama masa tugasnya telah memberikan sumbangannya baik dalam kerjasama pelaksanaan kegiatan-kegiatan tertentu maupun sumbangan pemikiran yang sangat berguna demi membantu kelancaran tugas-tugas Depperindag pada umumnya dan BPPIP serta Ditjen KIPI pada khususnya.

Sehubungan dengan telah dimulainya proyek baru (GIAT-USAID) yang merupakan kelanjutan dari PEG-Project, kami masih mengharapkan adanya kerjasama dalam kerangka kegiatan proyek baru GIAT-USAID tersebut. Untuk itu kami mengusulkan kerjasama antara Depperindag (BPPIP dan Ditjen KIPI) dengan GIAT-USAID yang sekiranya dapat dilakukan seperti :

1. Penempatan Advisor(s) di Depperindag sebagaimana yang dilakukan pada PEG-Project.
2. Melanjutkan kerjasama kegiatan sosialisasi mengenai pengembangan regulatory-review ke beberapa daerah.
3. Peningkatan SDM, dalam bentuk pemberian pelatihan-pelatihan di bidang Policy Assistant, manajemen dan teknologi, baik di dalam maupun di luar negeri.
4. English-Course untuk meningkatkan dan mempermudah kemampuan komunikasi.
5. Melanjutkan kerjasama dalam meningkatkan kemampuan SDM yang terkait dengan kegiatan GATT/WTO, khususnya di bidang Services, yang selama ini telah dilakukan antara Ditjen KIPI dengan DR. Steve L. Magiera.

Kami berharap agar usulan kerjasama tersebut di atas dapat diwujudkan sebagaimana kerjasama yang sangat baik yang telah terjalin selama ini dan selanjutnya menunggu apabila kami dapat memperoleh komentar mengenai usulan dimaksud.

Demikian, atas perhatian dan kerjasamanya kami sampaikan terima kasih.

Kepala Badan Penelitian dan Pengembangan
Industri dan Perdagangan,



Sudarmasto

Tembusan:

1. Menteri Perindustrian (sebagai laporan)
2. Sekretaris Jenderal Depperindag
3. Dirjen KIPI, Depperindag
4. Peninggal

**Narrative Summary of Progress Toward PEG Contract Objectives:
Trade and Industrial Investment Advisor, Ministry of Industry & Trade, 1999-2001
Dr. James Mudge and Dr. William James**

One principal long-term contract objective of PEG Advisory Work in MoIT was to assist senior officials in understanding the relationship between investment and international trade and their contributions to the growth and development of the Indonesian economy thus contributing to the improvement of trade and investment policies.

The trade and industrial investment advisor assigned to MoIT worked closely with counterparts on several studies, memoranda and training courses highlighting the benefits of open trade and investment policies in terms of enhanced growth and employment opportunities for Indonesia. Over the course of the project this enhanced understanding among senior officials helped them push forward with reductions in barriers to trade and investment and develop a market-friendly policy environment. This contributed to maintaining momentum in the face of difficult conditions in the aftermath of the financial crisis of 1997-98 to keep open trade and investment policies. For example, a decree restricting investment in the Indonesian information and communications technology (ICT) industry was rescinded after policy input from MoIT (assisted by PEG) suggested the restriction would be counterproductive. MoIT also provided input on various facets of trade facilitation and institutional reform that have subsequently been acted upon as in the areas of customs reform.

A second major long-term contract objective of PEG Advisory Work in MoIT was to contribute to enhanced understanding of export and import behavior and changes in behavior in response to changes in incentives and the implications of development of domestic markets for long-term competitiveness of Indonesian industries.

To this end the trade and investment advisor assigned to MoIT conducted a number of sectoral studies and held a series of seminars and workshops on topics related to Indonesian industrial structure and competitiveness. The key sectors covered include textiles and apparel, and wood industries. In addition, comprehensive studies of competitiveness of Indonesian leading export products in its two largest markets (the U.S. and Japan) were conducted at the request of the Minister. These studies and seminars have helped lay the groundwork for understanding of the relationship between domestic market expansion and competitiveness and the desirability of maintaining open trade and investment policies in order to enhance incomes and employment.

**Narrative Summary of Progress Toward Contract Objectives:
Bank Indonesia - Dr. Thomas A. Timberg, Small Scale Finance Advisor**

The focus of the advisory role of Drs. Timberg and Rice over the 4-5 years of the Partnership for Economic Growth contract was to assist the key actors, especially government ones, to make the transition from the old paradigm of SME promotion (directed and subsidized credit and business development services, regulation and control of protected SME) to a new paradigm (going with the market to assist it to provide needed financial and business development services for SME, deregulation and competition to secure a level playing field for SME). This is a process to which all our partners are committed and enormous strides were made – not only in terms of specific policy changes but in institutionally strengthening themselves to undertake their new role. The new role requires intensive dialogue with SME and empirical research on markets to identify what promotional efforts are most cost effective.

Bank Indonesia, as supervisor and promoter of the banking system:

1. Abolished quotas for SME lending.
2. Developed a regular process of dialogue, in the form of meetings throughout the country and the use of its website, with SME and bankers on the problems they faced in dealing with each other.
3. Strengthened banks, including BPR, through tighter prudential supervision, leading to higher efficiency.

This resulted in increased SME lending and expansion of SME-focused institutions. The Bank also helped to promote non-bank microfinance institutions, but the primary responsibility for this is elsewhere.

PEG Advisers played a role in all three of these changes – though special mention should be made of their involvement along with GTZ in the development of new operational systems and rules for the BPR.

The State Ministry for Cooperatives and Small Enterprise, which has the focal role for SME promotion [the Ministry of Trade and Industry also has a SME wing, generally serving somewhat larger enterprises:

1. As supervisor of the Cooperative Credit System, including a number of incompletely integrated elements, it developed plans for supervising and promoting these MFI more or less similar to those of Bank Indonesia for banks and in cooperation with local governments which now have the key role.
2. As a large scale provider of business development systems, it attempted to develop a market-oriented system on the model of SwissContact.
3. As a key participant and often coordinator of policy dialogue – it provided input to discussions on regulation, promotion, financing and other policy areas.

PEG Advisers were involved in all of these matters, including proposals for new SME legislation – basic laws, laws for cooperative finance, regulations on debt forgiveness, etc.

Many NGOs and donor representatives were involved in the complex processes involved in developing the new public policy framework for SME.

Narrative Report on Progress by Government of Indonesia towards those of its Objectives supported by PEG, the Contribution of PEG Technical Assistance, and Next Steps towards those Objectives

Idris F. Sulaiman

Reporting Period: July 1, 2001 – September 30, 2003

*Information Communication Technology (ICT) Advisor and Economist,
Indonesian ICT (inter-ministerial) Coordinating Team (IICT – TKTI),
under the State Ministry of Communications & Information (MoCI – Meneg Kominfo)*

Progress Report: Government of Indonesia - Min. of Communication and Information

Under the previous Wahid Administration, the ICT Coordinating Team (TKTI) was given the mandate to coordinate and implement ICT-related policies across 16 key ministries. Under the Megawati Administration since February 2003, TKTI was absorbed into MoCI. Kominfo/TKTI mandate was based on the Presidential Executive Order (Kepres) No.4, April 2001 which includes the “National Five-Year ICT Action Plan”. This Plan covers a list of 74 programs for ICT development in four areas (policies, infrastructure, HRD and applications). These programs included programs that are part of PEG's Contract Objectives (COs) such as ICT use in Small Medium Enterprise (SME) development (including business service/telecenter development issues), promotion of private sector opportunities in ICT activities relating to cybersecurity and government procurement issues (the underlined are PEG's Contract Objectives). MoCI was advised by World Bank (Booz Allen Hamilton) on prioritizing the ICT Action Plan programs and 22 proposed ICT projects are now considered as a basis to attract further investment and/or donor funding in the ICT sectors. The PEG-COs are included in this list.

In January 2003, the Megawati Administration provided MoCI with a fresh mandate in the form of a new Presidential Decree (Kepres) No.9, January 2003. This new Kepres outlines a new structure for IICT with a reduced number of ministries from 16 to 6 key ministries covering Finance, Industry and Trade, Internal Affairs, Justice and Human Rights, Research and Technology, Transportation and Communications and the State Secretary. All significant ICT activities in these ministries are to be given guidance and coordinated by MoCI. Under this new structure, MoCI appears to have made significant progress as the scope of coordination seems more manageable and the e-government awareness raising activities that MoCI conducts have been well received by national as well as regional/district agencies. MoCI received assistance from the World Bank to strengthen TKTI and fine-tune its functions. Also that under the Decree No. 9, cybersecurity issues are to be tackled by the Infrastructure Working Group (one of the six Working Groups) and that the Deputy Minister on Network Infrastructure Development has been assigned to coordinate activities with the law enforcement and private sector.

In line with the above Kepres, the Presidential Instruction (Inpres) No. 3, June 2003, was released. It states that MoCI is to coordinate e-Government activities. This includes providing greater role for the private sector to participate in government procurement opportunities as well as providing ICT educational and policy training to MoCI and other relevant agencies. Since the first quarter of 2002, MoCI worked on e-Government awareness-raising coordinated by its E-Government Task Force not only by holding events in Jakarta (such e-Government Awards for all levels of government and non-ministerial agencies) and but also in various capitals of outlying provinces. This has generated much demand in equipment, software and human resources required for e-government build-out throughout the country.

MoCI has also been internationally engaged on e-government issues by attending Microsoft e-government conference in Seattle (May 2002), "Implementing E-Government" Conference in Washington (Nov. 2002) and others.

In 2003, MoCI began in earnest work on cybersecurity issues as part of its drive to create a better investment climate in ICT industries as well as the modern sector that intensively deploy ICTs such banking, telecommunications and transport. Various activities such as organizing various public-private sector discussions, sending representatives to international and regional events (such as APEC Telecommunications and IT Working Group), the preparation of a cybersecurity policy at the MoCI, including an MoU with Indonesian National Police, the establishment of the (inter-agency) ICT Security Task Force and the organization of an international conference in February 2004. MoCI is also preparing a white paper tentatively entitled "Terms of Reference for the Indonesian ICT Security Task Force and the Formulation of the Standard Operating Procedures for the relationship between Government, Law Enforcement Agencies and Society (SOP-HTCK)" to be the basis for in the above-mentioned MoU. In addition, toward institutional capacity building in cybersecurity, MoCI has sent staff members to APEC's Cybercrime Legislative and Enforcement Capacity Building Workshop (July 21-25, Bangkok) and co-sponsored the Debriefing Seminar with US Department of Justice officials (July 30, 2003, Jakarta).

In relation to the creation of private sector opportunities in accessing markets, capital and technology particularly through the greater ICT use by SMEs (through the development of ICT public access/telecenters), MoCI continues to support concrete beneficial programs for SMEs such as the post-bombing training of 200 (selected from 400) handicraft SMEs to engage in e-commerce (through Rajacraft.com) in Bali since January 2003. This successful program with an initial investment of \$90,000 has generated over \$160,000 in actual revenue and over \$ 1 million in the pipeline.

In addition, MoCI has co-sponsored a two-day event with the PEG Project and several private sector partner in organizing the "New Ways to Empower Indonesia through Internet and ICTs" in August 2003. The first day seminar was promoted by MoCI as the National ICT Month which was supported by the Indonesian President (note that ICT Advisor was appointed a Committee Member of ICT Month). The event featured several technologies such as WorldSpace satellite radio and inexpensive Simputer hand-held computer, new approaches to cyberethics, cybersecurity and regional infrastructure development which can benefit SMEs. At the event, a new resource material for Internet Kiosk/Telecenters entitled "Secure and Sustainable Community Telecenters CD-Handbook" was launched by the Director General of the Ministry of Communications and Transport (DGPT).

The second day was the Jakarta-Washington video-conference featured high ranking officials from USAID-EGAT, World Bank-infoDev and the US National Telecommunications Cooperatives Association (NTCA) as well as several outstanding Indonesian ICT content developer as well as the result of the (first ever) Indonesian Internet Kiosk Survey (by the independent ICT Watch Foundation) commissioned by PEG Project.

Some of the follow-on developments from the 2-day events are the WorldSpace TeleKiosk Project discussions, Simputer Indonesia on-going promotional campaign, the TV program screening a 3-hour highlights of the seminar-videoconference by the educational TV Q-Channel/JDI Team, World Bank and JDI discussion on JDI's Multimedia Education Network (MEN), the distribution of 4000 copies of the Telecenter CD-Handbook in 25 regional cities,

the hosting and continued development of the CD-Handbook by the website of Indonesia's first ICT security forum, Secure-Indonesia-FIRST.or.id and Indonesia ISP Association (APJII).

Contribution of the ICT Technical Advisor

In February 2002, the Advisor was formally appointed as USAID Technical Advisor to MoCI. In 2001, he carried out work toward implementing the National ICT Action Plan and Kepres 4/2001. In 2003, much of his work related to the stated MoCI activities above continuing the implementation of ICT program objectives in the Kepres 4/2001, Kepres No. 9/2003 and Inpres No. 3/2003. These in particular relates to the promotion of private sector opportunities in ICT activities particularly in cybersecurity, government reform and procurement issues as well as the greater ICT use in SME Development (including ICT business service/telecenter development issues).

The Kepres 4/2001 included a program that deals with the improvements in cybersecurity and readiness to counter cybercrime. In this regard, the ICT Advisor assisted the private sector in the establishment of a new Indonesian cybersecurity forum "Secure-Indonesia-FIRST" and its day-to-day coordination taskforce for Computer Emergency Response Teams (CERTs) and Security Incident Reporting Teams (SIRTs) called "ID-FIRST" Task Force. He advised on the structure of the Forum and its working agenda, assisted with the organization for its launch and related seminar, gave several cybersecurity presentations prior, during and after the seminar, contributed significantly to recruitment of international speakers and sponsors. The event of IT and Network Security Seminar, Showcase, and Workshop (March 19-21, 2003), which was jointly sponsored by MoCI and PEG Project, was, by all accounts, a success with near full attendance and received good press coverage.

In a related cybersecurity work, the ICT Advisor provided assistance to train MoCI and private organization representatives (from the ICT Association, MASTEL). They were part of the Indonesian delegation to the CERT Workshop and other sessions at the 27th APEC Telecommunications and Information Working Group (APECTEL 27, March 22-28, Kuala Lumpur, Malaysia). Similarly, he coordinated MoCI's representative at the APEC's Cybercrime Legislative and Enforcement Capacity Building Workshop (July 21-25, Bangkok) and organized the follow-up joint MoCI-PEG Debriefing Seminar with US Department of Justice officials (July 30, Jakarta). He also coordinated the DoJ officials meetings in Jakarta with important stakeholders including key MoCI officials who are preparing Indonesia's substantive and procedural legal framework to deal with cybercrime. The MoCI has completed its coordination of the inter-departmental team that has been working on the new "cyberlaw" draft (Information and e-Transactions Bill, RUU-ITE), which is about to be submitted to the Indonesian Parliament.

Kepres 4/2001 include one program that calls for the improvement of ICT public access through Internet Kiosks which in 2003 commands around 64% access of Indonesia's total Internet access. The ICT Advisor organized and presented a paper at the "New Ways to Empower Indonesia with Internet & ICTs" Seminar, which included the launch of the "Telecenters CD-Handbook " (of which he was the main editor). He organized several international and local speakers and ensured that the event was well attended by key stakeholders and had good media coverage. The "Jakarta-Washington Video Conference on Public ICT Access and Global Telecenters Development" which was attended by the

Permanent Secretary and other key MoCI officials as well as many key ICT figures from the public and private sector.

On the implementation of Inpres 4/2001, Kepres 9/2003 and Inpres 3/2003, the ICT Advisor continued to provide his support to promote private sector opportunity in ICT activities through MoCI's E-Government Task Force and through the Indonesia Internet (now Infocism) Business Council. He also made written and oral contributions to the project at MoCI (sponsored by the World Bank) entitled "Strengthening the Secretariat to function as Effective Secretariat to ICT/Telematika Coordinating Team (TKTI)". He assisted with MoCI representation at various conference and training programs abroad including MoCI Minister's visit to the US (Microsoft conference, May 2002), key officials at Singapore-Harvard University's E-Government Workshop (July 2002), the US State Department's E-Government conference (Nov 2002), various APECTEL Conferences (Aug 2002, Moscow and Mar 2003, Kuala Lumpur) and workshop on cybersecurity (Bangkok, July 2003).

As part of his contribution, the ICT Advisor produced several publications on Community Telecenters, USAID/Indonesia ICT Activities in FY2002-3, Indonesia's ICT market potential and ICT Competition in advent of the new CDMA technology (all PEG Project publications).

Next Steps – Kominfo's future concerns and the usefulness of additional ICT Technical Assistance (TA), if forthcoming

For the near future, ICT TA could continue to work with the private sector bodies and academia in developing Indonesia's cybersecurity policy. Such a policy could guide the process of strengthening cybercrime legislation, enforcement capacity building as well as the private sectors' organizational capacity and readiness to deal with cybercrime.

The newly established inter-agency ICT Security Task Force (ICT-TF) under MoCI is now chaired by the Deputy Minister on Network Infrastructure Development, MoCI faces monumental challenges in designing and implementing an effective cybersecurity policy. Challenges to improve cybersecurity policy coordination by MoCI to secure critical ICT infrastructure of several agencies that are under MoCI's coordination under Inpres 3/2003. The planned MoU to outline "Standard Operating Procedures for the relationship between Government, Law Enforcement Agencies and Society (SOP-HTCK)" can be the initial basis toward concrete steps to improve cybersecurity in Indonesia. However, the MoU must be followed by appropriate substantive, procedural legal development and international cooperation measures as well as enforcement capacity building measures to make it more effective.

Given the rising credit-card fraud and cybercrime activity in Indonesia and the mounting evidence that cybercriminal activities emanating from Indonesia are affecting citizens from the US and other countries, Indonesian-based credit cards and Internet access from Indonesia have been blocked by many international merchants and financial institutions. As a consequence, many Indonesian SMEs, civil society organizations and individuals cannot fully take advantage of e-commerce payment systems. Therefore, a concerted effort by the Government of Indonesia coordinated by MoCI to combat cybercrime, address institutional issues and actively foster international cooperation in investigating and prosecuting cybercrime.

MoCI should be able to work towards developing Indonesia's own strategic objectives. An example of such objectives might be to:

- Prevent cyber attacks and incidents against Indonesia's critical infrastructures (CI);
- Reduce national vulnerability to cyber attacks (from outside and within CI organizations); and
- Minimize damage and recovery time from cyber attacks that do occur.

On going existing cybersecurity efforts are important to success in this area. Continued donor and government support to the inter-agency ICT Security Task Force and the ICT (private sector) security forum, Secure-Indonesia-FIRST and its ICT incident expert team, ID-FIRST. Additional TA could perform useful coordination work between the private and public sectors. It can also help with the much needed liaison work with Asia-Pacific based activities such as those offered by APECTEL above particularly through its Electronic-Security Task Group. APECTEL 6-monthly events have provided very practical and useful information not only on cybersecurity issues, but also on ICT use in SME development, private sector opportunities in ICT activities as well as training on various aspects of counter cybercrime capacity building.

Future TA in ICT could also work with the business community, elected and appointed officials and the community who deal with the incidence and response to cybercrime. In order to increase the private sector's support for counter-cybercrime activities, a business case for greater cybersecurity investments must be made. A survey work of the cybersecurity issues and the impact of cybercrime on economic, financial and business environment which can be benchmarked with other APEC members can be proposed and executed through the APECTEL framework. Combined with activities to inculcate "culture of security" across all participants in the new information society and improvement in counter cybercrime capability building in Indonesia with assistance from similar private sector organizations in the US and global CERT/ICT-security community (such as the US Partnership for Critical Infrastructure Security-PCIS, Information Sharing & Analysis Center, ISAC), Indonesia will stand a chance to improve its cybersecurity record.

The government and businesses who are increasingly depend on ICTs are facing greater risks of debilitating disruptions on their information system due to external and internal intrusions. Maintenance of cybersecurity is, therefore, directly related Indonesia's business environment and investment climate. However, since much of the source cybercrime in Indonesia comes from public ICT access points such as Cyber cafes and Internet Kiosks (which recently command 64% of the total Internet access), work on cybersecurity must be intertwined with efforts to expand or even maintain public access. The implementation of MoCI's first Memorandum of Understanding on Cybersecurity with the Economic/IT Crime Unit of the Indonesian National Police can also be supported by work with the Internet Kiosks (Warnet) such as the dissemination of the Warnet Code of Conduct and to implement more systematic reporting of cybercrime incidents.

Hence, some work on national cybersecurity can and must be combined with ICT Public Access and SME development work. The "Secure and Sustainable Community Telecenters CD-Handbook" is planned to be a "living documentary resource" by the ISP Association (APJII) for Warnets, ISPs and others. Worthwhile additions to the CD-Handbook include new useful content (local medicine, food, planting and others), new case studies of successful telecenters as well as other relevant material on ICT security and SME sustainability issues from Indonesia and around the world.

The CD- Handbook above also contain material which outlines complex technological, legal and economic issues in the adoption of new ICTs, step-by-step action plans, check lists for those interested in establishing secure and sustainable Telecenters. New conceptual insights on ICT use that can give SMEs ideas to gain significant competitive advantage are also included. All of this information will require frequent revisions and Indonesian translations so as to ensure that readership and implementation by SMEs. Experience of various existing ICT use for SME development initiatives in Indonesia can be better documented and coordinated so as to ensure that fruitful cooperation between them can occur through MoCI initiatives.

As Indonesia has to deal with the emergence of a global and digital economy that conducts business through e-commerce, its SME must be able to operate in this environment. Some of the basic challenges include extending basic telephony access as more than 60% of the total villages outside the main cities do not have access to fixed or public phones. While GoI has started to improve ICT by rolling out a large scale Universal Services Obligation (USO) program, many in the industry believe that effective "last mile" expansion of basic telecommunications and other value-added services can only occur if there is a more competitive "level playing" policy environment with an independent regulatory body and modern licensing procedures. Nevertheless, the USO program's current target is still falling far short from fully improving ICT access to the 60% of total villages above. There is a need for new innovative approaches involving new technologies such as the Internet Telephony (VoIP) and satellite technologies as well as the deployment of innovative concepts such as mobile TeleKiosks for schools, regional telecommunications cooperatives and others to deal with the last mile problem.

Future activities of MoCI and the private sector in deploying ICTs and in awareness raising should include key topics on how to fully enable the Internet, ICTs and E-Commerce for economic development. As the Internet has an entirely distinct personal and business culture, there is no turnkey system that can be bought off the shelf, or proven formula to guarantee success. It requires a full understanding of the new market forces, genuine commitment to a customer focus, and full recognition of the role of technology in the creation of value. Indonesia can take maximum advantage of ICTs if it can look into the future from the proper perspective—a winning and ICT-aware mindset.

SUMMARY OF EVALUATION COMMENTS BY OFFICIALS OF MINISTRY OF COMMUNICATIONS AND INFORMATION (MCI) ON THE PERFORMANCE OF USAID ICT ADVISOR TO MCI FOR PEG-USAID PROJECT

BY DEPUTY FOR ICT NETWORK INFRASTRUCTURE, MCI, MR. DRS. AKMAM AMIR

Summary of Close-out (Wrap-Up) Session Meeting attended by Professor J.B. Kristiadi, Permanent Secretary, MCI, Mr. Drs. Akman Amir, Deputy for ICT Network Infrastructure, MCI and Mr. Ir. Hadwi Soendjoyo, Ass. Deputy, New Media Affairs, Dr. C. Stu Callison, Chief of Party, PEG-GIAT Project and Dr. Idris F. Sulaiman (USAID ICT Advisor to MCI for PEG)

Location: Conference Room, MCI, September 26, 2003

We understand that the **Partnership for Economic Growth (PEG) Project** activity works only with a selected number of GOI ministries and agencies. We welcome the fact that PEG Project has chosen to become involved with Ministry of Communications and Information (MCI) and its activities from the time when MCI was first established to promote Information Communications and Technology (ICT) for economic development. Since MCI was only effectively established in January 2002, it is still very much at a beginning stage of

Min. T.2

- (3) MCI work resulted in **Presidential Decree No. 9/2003 concerning the ICT/Telematics Coordinating Team (TKTI)**. PEG Project participated in various formal discussions and made significant written and oral contributions to the work by the World Bank Consultant, Intelligence International Australia that worked on the project on strengthening the TKTI.
- (4) MCI work resulted in **Presidential Instruction No. 3/2003 concerning National Policy on E-Government Development**. PEG Project coordinated the training of several MCI official abroad on e-government best practice (in Singapore in collaboration with Ministry of Finance, Singapore, Harvard University and National University of Singapore) and at E-Government-related and Cybersecurity meetings of the APEC Telecommunications and IT Working Group (APECTEL 26th and 27th Meetings in August 2002 and March 2003).
- (5) On **Freedom for Public Access to Information (FPAI) Draft Bill**, MCI worked together with several civil society and professional organizations and is currently drafting the Bill with the Parliament. PEG Project provided the ICT Advisor who acted as a moderator for the Seminar on FPAI organized by Infocom (Mastel) Society and also provided contacts to ELIPS (USAID) Projects. The Permanent Secretary of MCI strongly recommended further work on FPAI.
- (6) On **Information and Electronic Transaction Draft Bill (Cyberlaws or “RUU-ITE”)**, MCI has provided the lead by coordinating the Inter Government Agency, Academic and Stakeholder Committee that put together the Draft Bill. PEG Project has funded the training of MCI Advisor to attend an international Legal Workshop on Cybercrime (at the APECTEL 26, Moscow, August 2002). As a result, the MCI Advisor in association with the University of Indonesia has produced a new academic Draft of the Information Technology Crimes Act of which some provisions were included into the Draft Cyberlaws. PEG Project has also assisted ELIPS (USAID funded) Project in the organization of the Seminar on Electronic Evidence Issues, one of the central issues in the Draft Cyberlaws.
- (7) Prior to the establishment of MCI, TKTI led the public discussion on **expanding public ICT access through Community Telecenters (CTCs) and the need for the development of ICT access in Remote and Regional areas**. In June 2002, TKTI organized a National Dialog on CTCs and ICT public access issues. In September 2001, PEG project organized the first Jakarta-Washington video-conference on these issues. In 2003, in line with a greater GoI interest in expanding telecommunications **Universal Services Obligation (USO) Program and ICT Public Services Obligation (PSO) Program**, PEG Project organized the Seminar on ICT Empowerment and the second Jakarta-Washington video-conference on CTCs during the National ICT Month promotion in August 2003. PEG Advisor has also written two academic papers entitled “Globalization and the Indonesian Economy: Unrealized Potential” and “Impeding Growth of Indonesia’s ICT and its Regulatory Constraints”.
- (8) GoI recently announced a **USO program** that will build telecommunication public access points in 870 sub-districts and 40,022 remote villages in Indonesia by 2005. PEG Project has produced the “Survey of Indonesia Internet Kiosks in 5 Principal Cities” study and the “Secure and Sustainable Telecenter CD-

Handbook” — both of which can provide policy and practical guide on the development CTCs for **PSO programs** to be developed by the regional and national governments. For example, such CTC resource could be useful for 2 pilot projects that MCI currently promote in Mimika, Papua Province and in Entekong Sub-District, West Kalimantan Province.

- (9) On **Internet promotion**, MCI launched the GoI website www.indonesia.go.id in April 2002 and since then MCI has coordinated several national ICT promotional campaigns in Jakarta and various regional capitals with IT industry and community organizations. The most recent promotion was the National ICT Month in August 2003 where national awards were given by the President, MCI and several private sector donors. There is now a much greater use of Internet by various central and regional (including Provincial and District) government agencies. Most of the electronic and print media outlets have now established their Website facilities. Some media establishments now broadcast their daily programs through the Internet. For example, the national “Radio Republik Indonesia” Internet broadcasts can now be accessed from anywhere around the world. PEG Project’s Advisor has provided his support for the ICT promotion campaigns by organizing the events in (8) above (and previous annual ICT national promotions since 2001) jointly supported by MCI, community and private sector organizations.
- (10) On **Cybersecurity and Counter-Cybercrime measures**, MCI established the ICT Security Task Force (ICT-TF) chaired by the Deputy Minister on Network Infrastructure Development, MCI. He is tasked to coordinate the formulation and implementation of MCI's first Memorandum of Understanding (**MoU on Cybersecurity with the Economic, Special and IT Crime Division of the Indonesian National Police (POLRI)**). PEG Project’s Advisor also provided his support in this area by actively participating in the ICT-TF and in the process of MoU drafting. Early this year, he coordinated the Seminar on IT and Network Security to improve the awareness and response mechanisms of cybercrime incidents. This event was jointly sponsored by MCI, the Federation of IT Industry Associations (FTII) and its cybersecurity policy forum (called SECURE-INDONESIA-FIRST.OR.ID).

In conclusion, the PEG ICT Advisor has been actively involved in finding solutions to critical issues faced by MCI in deploying ICT for economic development and public welfare. His analytical capacity to contribute to discussions, his hands-on approach to work in cordial manner with senior Deputy Ministers and his training work with mid-level staff to improve their analytical ability at international events and in training sessions have been commendable. We hope that USAID ICT work can continue to support MCI through such active involvement on a host of key policy issues faced by MCI. Given that the coming year is an election year, Professor Kristiadi underlined the responsibility borne by MCI to provide the policy coordination and framework for short, mid- and long-term ICT capacity building. We hope that future USAID ICT activities can continue to support our efforts such as those illustrated above as well as some new initiatives. ICT Advisors can play a critical role in providing a steady stream of activities and policy initiatives to support MCI and GoI to dissemination of ICTs for national development as well as enriching Indonesia’s educational, social and cultural life. We acknowledge and are most appreciative of all USAID-PEG support and hope to continue to work together in the future.

PEG TA Team – Section 2

Matrices of PEG Project Objectives, Deliverables and Final Status of Deliverables

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PEG Project Objectives and Deliverables Matrix

Achievements Against PEG Contract Objectives and Deliverables, Life of Project

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
<p>William Wallace, Macroeconomic Policy Advisor, Bappenas, 1999-2003</p>	<p>1999-2001: Technical assistance re: macroeconomic aspects relevant to budgeting and planning assumptions of: a) the <u>balance of payments</u>, and the impact of the exchange rate on it b) <u>fiscal policy</u>, evaluate and estimate i) key relationships between economic variables and their consequences for budgetary issues such as revenues and fiscal deficits, and ii) key expenditure relationships underlying the budget and other fiscal policy matters c) <u>monetary policy</u>, evaluate and estimate the central economic relationships in the monetary sector, such as those among inflation, monetary demand, exchange rate management and their relationship to the real sector d) <u>debt issues</u>, including the relationships among money, public debt (including public enterprise debt) and private debt</p>	<p>1999-2001 Not defined.</p>	<p>Modification of model to accommodate new multi-year planning and budgeting format (<i>Repeta</i>) completed.</p> <p>Repeta completed—in theory should reflect Cabinet position but still largely Bappenas. Good focus on fiscal sustainability – picked up by IMF for LOI.</p> <p>Training and support for annual macroeconomic forecasts completed.</p> <p>Monthly Indicators published and being presented to the Cabinet. Reasonably well established Quarterly, although two done, still not institutionally established.</p> <p>Consolidated regional accounts, still incomplete, although trial with limited data done.</p> <p>Numerous memos, presentations, inputs to Bappenas and GOI policy stance completed.</p>
	<p>2001-02: The principle objective of this component of the PEG Technical Assistance is to develop improved decision-making and institutional capacity at Bappenas with respect to (the topics described above for 1999-2001). In particular the TA is designed to assist Bappenas staff in better understanding macroeconomic dynamics (in the wake of the crisis) and the impact of regional decentralization on national forecasting, budgeting and planning.</p>	<p>2001-02 The technical assistance will focus on a three-part strategy: 1) With a core macro model focusing on fiscal sustainability in place, critical efforts through June 2002 will be on building in a set of regional consolidated accounts and upgrading the treatment and reporting on employment in the model.</p>	<p>1) Incomplete: A memo on regional budgets and development expenditures completed, assistance to Bappenas on revenue issues between the regions and center; but a reduction in consultant LOE and a lack of critical information prevented the main study from being completed.</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
	<p>In addition, this TA will attempt to improve coordination between fiscal and monetary policy in an environment of extensive public (including public enterprise) and private debt.</p> <p>Poverty has been defined as an overarching objective, and the government has established a goal of requiring a poverty impact assessment in every policy and budget area. Therefore this will remain an important consideration in all work at Bappenas.</p>	<p>2) For institutional development, the technical advisor will continue assist counterparts to improve macro and modeling capability and policy analysis, including the writing and presentation of memos to senior management. The main areas of concentration are the budget, monetary, trade, debt and capital markets policy.</p> <p>3) The third part is to respond to requests from Bappenas and will include writing memos, speeches, white papers, etc.</p>	<p>2) Monthly reports continue. The White Paper in January 2002 was cited by the Coordinating Minister as an example for other policy groups in the government. The Repeta was a breakthrough in terms of government and parliament agreement on priorities.</p> <p>Budget assistance was input to budget strategy for post-2003.</p> <p>Trade policy assistance contributed to reestablishment of Team Tariff, work on trade promotion, customs reform, tariffs for wheat flour and rice.</p> <p>Input to the organization of economic diplomacy is on-going.</p> <p>3) Complete: Numerous memos, presentations, inputs to GOI policy stance. Of special note: input to USAID/GOI Bali recovery strategy.</p>
	<p>2002-03: This position combines two previous long-term consultancies: the macroeconomic and financial advisor in the Coordinating Ministry for the Economy/Ministry of Finance and the macro-economic advisor for Bappenas. The main functions of the combined macroeconomic advisor position will be:</p> <ul style="list-style-type: none"> • Macroeconomic and analysis support to the Coordinating Minister for the Economy and the Minister of Finance • Organization of trade support as requested by the Minister of Finance • Agenda setting at Bappenas (integrated with staff work plans) <ul style="list-style-type: none"> o Assistance for Annual Action Plan Repeta 2003 o Assistance for the next year's White Paper o The annual action plan - Repeta 2004 o Assistance for Long -Term Issues with 	<p>2002-03:</p> <p>1) A study on budget issues on the overlap between regional and central government budgets in major sectors or an equivalent study, with recommendations on how to improve this problem in time for the budget in FY 2004 (i.e. the Repeta next year).</p> <p>2) Assist Bappenas to complete another White Paper at the end of 2002, and continue assistance to the Repeta process (the near-term focus will be on Repeta 2003, with a later change to background and issues for Repeta 2004) to tighten national priorities and action plans to</p>	<p>1) Budget issues – due to the elimination of one long term position and the reduction of LOE person months in final PEG (5th year) Contract negotiations, this study was not completely accomplished, although some elements were. A memo on regional budgets that examines the totality of regional development spending (budgeted) was completed and analysis done in December 2002. The Bappenas Monetary Fiscal Directorate completed a study on regional decentralization issues in November with input from the PEG team. This study concentrated on intergovernmental fiscal relations, generally on the revenue side, however there is relatively little on central government development budget priorities and regional overlaps.</p> <p>2) Continued to work on tax policy reform for 2004 and beyond, to advance understanding of the issues involved in the medium term budget and policy, and to assist the Ministry of Finance, the Coordinating Ministry and the Planning Ministry on medium term fiscal and policy issues, including financing options and policy</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
	<p>background studies</p> <p>Coordinating and raising the awareness in policy circles of the increasing importance of the poverty/trade/investment/labor/banking issues, integrated with institutional development goals that include assisting the Planning Ministry to improve their analysis, agenda setting and coordination role in these areas. Improve the understanding, communication, and reporting of the staff and Minister of the Coordinating Ministry for the Economy on macroeconomic policy issues. In addition consultant will help improve the implementation and understanding of trade policies especially as they impact on elements of the Ministry of Finance. Coordination on trade matters is required with other consultants and donors.</p> <p>Support the planning ministry staff with strategy, guidance and support. At the Finance Ministry continue the concentration on trade issues. Identify and provide policy recommendations and responses regarding the likely magnitude of smuggling, and the role of bonded zones, especially their foregone tax consequences. At the Coordinating Ministry the consultant will assist on more specifically macroeconomic tasks, including memos, speeches, etc.</p>	<p>achieve them,</p> <p>3) The consultant will provide leadership to the organization of the PEG team response on trade issues for the Minister of Finance.</p>	<p>priorities. This is now critical in the context of the end of the IMF EFF arrangement (end 2003). In particular this led to a better understanding of IMF options post exit, and the possibility of foreign private financing (to be followed up through the year). Based, in part, on PEG work the appropriate mix of fiscal and monetary policy, inflation predictions and the tax treatment of mutual funds were all signaled as important current issues.</p> <p>3) Continued to assist other PEG and non-PEG consultants, and the R&D group at the Ministry of Finance address issues in trade and food policy, money-laundering and the financial sector architecture. Assisted ELIPS and other PEG consultants on advancing the Anti-money laundering agenda.</p> <p>Worked to improve the Coordinating Ministry and the Finance Ministry organization, presentation and focus in particular around meetings with International groups. In the absence of short-term technical assistance this was done with the assistance of the economic counselors at the Embassy. This also involved extensive assistance to the GOI on the organization and policy issues with regard to ASEM.</p>

PEG Project Objectives and Deliverables Matrix

Achievements Against PEG Contract Objectives and Deliverables, Life of Project

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
<p>Tim Buehrer, Macroeconomic Policy Advisor, Coordinating Ministry for Economic Affairs, March 2000-July 2002</p>	<p>The technical advisor will address a wide range of issues relating to macro-economic stability, poverty reduction, investment and export promotion, and corporate and bank restructuring. The focus of this technical assistance will be to identify and analyze key macro and micro economic policies affecting the recovery of the Indonesian economy and the impact of the recovery on the poor.</p> <p>Tasks will include studies of the appropriate role of monetary policy in supporting the rupiah and lowering inflation, the impact of economic policies on poverty, appropriate policies to promote rapid export growth, opportunities for increasing foreign and domestic investment, and ways to improve the sustainability of the government's debt, among others.</p>	<p>1) Assisting the government in the preparation of its poverty reduction program, assisting the Office of the Coordinating Minister assess the impact of government policies on the incidence of poverty.</p> <p>2) Helping to analyze the factors supporting the recovery of the economy, understanding the sources of export growth, understanding of the role that investment must play in the recovery, and helping the staff to develop policies that will promote both domestic and foreign investment, including issues relating to corporate and bank restructuring.</p> <p>3) Analyzing fiscal and monetary policy issues and proposing pro-growth policies to support fiscal sustainability, including a review of revenue and expenditure policies and how they affect the recovery of the economy, evaluating the sustainability of Indonesia's debt and devising ways in which the debt service burden can be managed.</p> <p>4) Improve the capability of the Office of the Coordinating Minister to monitor the</p>	<p>1) Completed. A report on the impact of rice prices on poverty done. We worked to improve the ability of government staff to consider the impact of all policies on poverty. The strategy that we helped prepare for the Gus Dur government was adopted, with some modifications by the Megawati government. The work on poverty was transferred to the Coordinating Minister for People's Welfare (Kesra) in 2002.</p> <p>2) Various memoranda in support of the Office of the Coordinating Minister for Economic Affairs were prepared on a wide range of topics from foreign trade policy development and implementation to a post mortem on the effectiveness of the early IMF programs during the crisis. This work also included assisting the Ministry of Finance in its efforts to educate the DPR on issues relating to debt management and the revisions to the law on Bank Indonesia. Support on trade issues for the Ministry of Finance has involved a range of PEG consultants on issues such as Batam Island, effectiveness of EPZs, tariff policy, pre-shipment inspection, and anti-dumping.</p> <p>3) Provided support to the Coordinating Ministry and the Ministry of Finance on debt management, particularly on the BLBI issue and on efforts to exit the Paris Club at the end of 2003. Work in 2002 focused on tax and customs revenue issues and expanded fiscal policy support in the context of the government's effort to develop a medium term fiscal framework. A significant amount of time was spent on issues relating to the freezing of terrorist assets and promoting the development and passage of anti-money laundering legislation, which resulted in a positive GOI response to the world-wide effort to curtail terrorist financing.</p> <p>4) Efforts to improve capability focused on issues relating to monetary policy, the lessons from the collapse of Argentina, and</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
		<p>performance of the Indonesian economy, anticipate policy issues and analyze trends, particularly as they relate to monetary policy, international trade, and inflation. The core objective of this work will be to improve the capability of the staff in thinking through the implications of reported data for the future of the economy.</p> <p>5) The preparation of a monthly macroeconomic report. It is expected that the technology to prepare and carry out this report will be transferred to staff of the Coordinating Ministry.</p>	<p>government policy toward debt swaps. The government finally became more active in the area of debt swaps and sought to qualify for a swap under the US Tropic Forest Conservation Act. Assistance was provided the government in its relationships with the IMF and other multilateral agencies and in making presentations to international audiences. Databases on trade, inflation, monetary issues, exchange rate were developed and maintained. Also provided assistance to Sekretariat Negara in reorganizing its operations along the lines of the organization of the US Executive Office of the President.</p> <p>5) Monthly flash report on the macro-economy for the Coordinating Ministry was well received and utilized. We were not successful in transferring this function to the Ministry, as the staff at the Coordinating Minister's Office do not have the time to produce such a report on a regular basis. However, the report has served a good tool for improving the ability of the staff to analyze macroeconomic issues.</p>

PEG Project Objectives and Deliverables Matrix

Achievements Against PEG Contract Objectives and Deliverables, Life of Project

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
<p>Peter McCawley, Lloyd Kenward, Lex Rieffel, Finance/Banking Advisors, Coordinating Ministry for the Economy, Sept. '02-June '03</p> <p>Note: This position was initially designed as one long-term consultancy, but timing issues and LOE restrictions necessitated responding to the deliverables with a series of short-term consultancies.</p>	<p>The consultant at the Coordinating Ministry for the Economy will focus on three areas:</p> <ol style="list-style-type: none"> 1) Finance and Bank Restructuring. This will involve reviewing the progress in two or more of the following: <ol style="list-style-type: none"> a) Further recapitalization of banks and adjustments to the recap bonds b) The regulatory environment - including the new multi-agency supervisory agency c) The evolution of financial markets (including the exit from the blanket guarantee) d) Micro level issues (especially state banks) 2) Donor support - Assist the GOI to understand and prepare for meetings with the donor community. The goal is to achieve a better GOI outcome and greater GOI ownership of donor community conclusions and recommendations. 3) Private sector capital flows - Assess and evaluate simple, limited effort strategies to help Indonesians devise ways to improve macroeconomic stability by improving private sector capital flows and a strengthening rupiah or an equivalent analytic effort. To accomplish this, the GOI will need to devise improved strategies that encourage these capital flows as public sector flows dwindle. <p>The policy agenda includes improved understanding and policy in the banking and broader financial sector. This work needs careful coordination with other USAID and World Bank funded activities. The institution building is related to this, but more directly focused around an initial assessment of the possibility of improving the Indonesian government understanding of private sector capital flows and the policies and information required to maintain stability in such flow and to increase them.</p>	<ol style="list-style-type: none"> 1) One initial significant study (or more) of the banking system or an equivalent activity as judged by the CTO. 2) An assessment of how to organize better information between the Indonesian government and the foreign private sector or an equivalent activity as judged by the CTO. Consultant will prepare a report, make recommendations, and follow up. 3) A coherent assessment of a Paris Club exit strategy that addresses Indonesia's perceived needs in the context of the international financial community's views or an equivalent activity as judged by the CTO. 4) Other policy issues and support as they arise through requests from the GOI and as evaluated by the advisor. 	<ol style="list-style-type: none"> 1) Study/presentation by Lloyd Kenward, "Ke Mana Indonesia's Financial Sector" completed, a good overview of the issues across the sector, valuable input to GOI policy makers on the issues and options. 2) Study/presentation by Peter McCawley, "Indonesia's International Economic Diplomacy," completed. Input to changing procedures and institutional structures at the Ministry of Finance, its recommendations are under review. 3) There were two issues identified 1st financing post Paris-Club and 2nd policy credibility. Lex Rieffel addressed external financing issues in his consultancies in a Study/presentation by Lex Rieffel, "External Financing for Indonesia Post 2003," in Oct. '02. Its recommendations were used by GOI in assessing financing for 2004. <p>Rieffel also wrote, "Foreign Commercial Borrowing by the Indonesian Government-Issues and Institutions" in April '03. Lex Rieffel's studies include a broad sounding of the international community during both of his consultancies. Given the lack of short-term consultancies during the evacuation Dr. Wallace worked with George Giannaris on the domestic financing side. Lex Rieffel also contributed to assisting the GOI understand the policy credibility aspects which was followed up by William Wallace again due to consultant limitations.</p> <ol style="list-style-type: none"> 4) Lloyd Kenward completed three analytical papers in June 2003: "Managing Capital Inflows: Assessing Indonesia's Current Constellation of Interest Rates, Exchange Rate and Inflation," "Some Implications of the Recent Burst in Mutual Funds in Indonesia," and "Interest Rates and Domestic Government Debt: The Outlook."

PEG Project Objectives and Deliverables Matrix

Achievements Against PEG Contract Objectives and Deliverables, Life of Project

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<p>Kelly Bird, Real Sector Advisor, Bappenas, 1999-2003</p>	<p>1999-2001: Help Bappenas decision-makers analyze macroeconomic matters affecting the real sector, including: international trade and investment, domestic competition, and the nature and direction of policy regarding small business</p>	<p>1999-2001 Focus on: a) long-term planning for GOI (the Repeta process), b) budgeting, and c) the coordination of donor assistance d) capacity building</p>	<p>a & b) The Proopenas (National Development Plan) that was passed into law in the last quarter of 2000, depended heavily on the modeling framework the consultant assisted Bappenas to create, building on the "Looking to the Future" white paper done in 1999 that lays out a number of policy issues across a broad spectrum that incorporates PEG and other consultants' advice. This Proopenas represents a major breakthrough from previous ones, focusing on issues rather than budget sectors and separating central from regional government obligations and budget priorities. It was widely discussed before passage by Parliament and was more concerned with economic efficiency, the limits of government, and fiscal sustainability. With the publication of "The Indonesian Economy in the Year 2001: Prospects and Policies" the consultant continued to work with Bappenas staff and other consultants to provide input on key policy issues.</p> <p>c) Assisted Bappenas staff and chairman on policy statements in preparation for meetings with donors (CGI and others).</p> <p>d) Important capacity building contributions were made in:</p> <ul style="list-style-type: none"> • Assisting Bappenas develop and produce a monthly macroeconomic indicator report to the Cabinet, as step toward quarterly modeling and forecasts. Provided additional assistance to staff on Annual Macroeconomic Projections published early January 2001. • Providing extensive staff training on model development and use, especially in the monetary and real sectors. • Worked with staff to improve inflation forecasting capacity and developed and transferred a real exchange rate forecasting model to Bappenas staff. The parameters of the real exchange rate are to be linked with the external trade module of Bappenas' macro-economic framework. This improves model consistency and balance of payments analysis. • Worked with staff to develop a corporate debt model including both the domestic and external sectors. This model had earlier incorporated the

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
		e) other activities	<p>INDRA scheme, which has now been closed.</p> <ul style="list-style-type: none"> • Worked with staff to assist them in preparation of memos to senior officials and parliamentarians and of presentations to outside audiences. • Feedback from senior officials and others is that target staff under the Deputy for Macro Economics continue to make strong contributions to progress on a wide range of economic issues in Indonesia. <p>e) Prepared numerous memos on real sector, corporate debt restructuring and monetary issues, for example:</p> <ul style="list-style-type: none"> • Support for macroeconomic policy and projections (inflation, exchange rate, trade flows; capital flows) • Inflation forecasting including assisting Bappenas staff in their preparations for discussions on inflation and monetary policy with IMF technical team • Issues in corporate debt restructuring, including memos to members of FSPC secretariat on ways to dispose of SME loans held by IBRA , • Legal issues in alternative corporate debt resolution mechanisms (with Gary Goodpaster) • Analysis and monitoring of real sector developments
	<p>2001-02: The principle objective of this component is to develop improved decision making and institutional capacity at Bappenas in matters affecting the real sector, including international trade, investment, employment, domestic competition, corporate restructuring and the nature and direction of policy regarding these areas. Assist Bappenas staff in evaluating and estimating the economic relationships in the real sector, balance of payments and the monetary sector. Focus on these issues in terms of</p>	<p>2001-02 Focus on: a) Longer-term objective(s) built around restructuring but including other broad issues such as investment, trade, and domestic competition, etc., with special efforts on retail trade and a proposed investment law b) Institutional development: to improve macro and modeling capability and policy analysis. The main areas of concentration are the monetary and exchange rate analysis, international trade, private debt and the capital</p>	<p>a) Completed several memos and reviews of the various drafts of the investment law, some implementing decrees and the negative investment list. Completed report on minimum wages and initiated research by SMERU on effects of minimum wages on modern and informal sector employment.</p> <p>b) Assisted in directing policy research efforts (macro with Bill Wallace; employment with Chris Manning), continued work on monthly and annual white papers and monetary reports to cabinet; assisted staff in macro forecasting as part of the budgetary and Repeta processes.</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
	<p>medium and long-term planning for the Government of Indonesia (including the Repeta process).</p> <p>Work closely with the staff on improving quality and how information is conveyed, especially in the areas of real sector analysis and macro-economic policy.</p>	<p>account.</p> <p>c) Respond to requests from BAPPENAS, this will include writing memos, speeches, white papers, etc.</p>	<p>c) Completed numerous memos, presentations, and other inputs into Bappenas and GOI policy deliberations</p>
	<p>2002-03:</p> <p>The macroeconomic advisor will continue to carry out analysis, draft suggestions for improvements, and work closely with counterparts, the expatriate investor community, and other donors to improve the Investment Law and clarify and make its implication benign as this law moves forward.</p> <p>He will assist the labor advisor to complete a coherent detailed Labor White-Paper, addressing economic and labor relations issues</p> <p>He will take the lead on preparing a coherent report addressing analytic issues, recommendations, and potential outcomes regarding that links the previous minimum wage work to poverty outcomes</p> <p>Integrate the work on labor policy with the macro-economic framework, for example, the link between minimum wage policy, inflation and monetary policy, and</p> <p>Continue to assist staff with their macro monthly reporting/surveys.</p> <p>The policy focus of this work will be the support for the investment law and the</p>	<p>2002-03:</p> <p>a) Work with Bappenas (memos, training, estimation, model building) to improve monetary, macro and budgetary projections for Repeta 2004, including improved staff capability</p> <p>b) Memos and briefings on developments in the investment law,</p> <p>c) Assistance to the white paper on labor issues,</p> <p>d) A study on the relation of minimum wage (MW) increases and poverty or an equivalent study as judged by the CTO.</p>	<p>a) Several memos on macro-economic policy analysis completed. Assisted the Planning Ministry prepare White Paper overview of the macro situation and policy reforms, which was completed in Dec. 2002 and distributed at the CGI in Jan. 2003. Produced macro projections for 2004 Repeta. Assisted the Planning Ministry in preparing policy strategy in Repeta.</p> <p>b) Several memos completed for the Planning Agency, the Coordinating Ministry and Ministry of Finance as input into trade and investment policies. Areas covered included the draft law on the Batam Free Trade Zone, export policies luxury taxes, and the draft investment law, which now includes the advisor's recommendations regarding national treatment for FDI, proposals for eliminating the 30 year limit on foreign investment and remaining divestment rules; shift towards registration of foreign investment.</p> <p>c) The consultant assisted Bappenas use the analysis of the labor markets advisor for its white paper on labor issues, which was finalized and distributed in September 2003. The review was discussed at workshops with employer and union groups in Jakarta and Surabaya.</p> <p>d) Together with labor markets advisor Chris Manning, supervised a major survey/study by SMERU on labor relations, and a study by UNPAR on governance in the MW process. PEG/Bappenas work on minimum wage rates led to significant MW restraint in 2003, in contrast to the last few years. The minimum wage-poverty analysis completed.</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
	integration of minimum wage and other policies with macro-economic policy.		
	The institutional development will be focused around developing Bappenas capability in macroeconomic modeling, especially monetary and budgetary.	Work with Bappenas (memos, training, estimation, model building) to improve monetary, macro and budgetary projections for Repeta 2004, including improved staff capability	Assisted in the direction of macroeconomic policy research efforts. Continued work on monthly and annual white papers, monetary reports to cabinet; assisted staff in macro forecasting as part of the budgetary and Repeta processes. The 2003 Macro white paper was completed. The monthly monetary reports are well established. Forecasting is ongoing work.
	Policy analysis for crisis support	Policy memos and presentations on specific crisis topics as requested.	Numerous memos, presentations, inputs to Bappenas and GOI policy completed. Assisted the GOI in its economic and social response to the terrorist attack in Bali, providing GOI with input on establishing a Bali response team under the Coordinating Ministry for the Economy. Worked with Bappenas, the Bali response team, and the Bali local government to identify institutions and social safety net programs for Bali.

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Achievements Against PEG Contract Objectives and Deliverables, Life of Project

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<p>Chris Manning, Labor Policy Advisor, Bappenas, 2001-2003</p>	<p>2001-02: The technical advisor will address policy concerns in order to help Bappenas assess the various options available to guarantee worker protection and security, while at the same time safeguarding labor market flexibility and employment growth. He will provide expert analysis on current and proposed laws/regulations on key labor protection issues (e.g., employment contracts, minimum wages, entry and exit regulations). He will also assist in improving the monitoring process in the Labor Bureau, including on employment, wages, industrial actions, etc.</p> <p>The technical advisor will be required to assist Bappenas in completing their white paper on Labor issues.</p> <p>In cooperation with PEG grantee IRIS, work directly with regional universities and local governments (perhaps Bappenas) build advisory capacity to analyze fiscal decentralization and regional development policies.</p> <p>Provide support for the technical secretariat of the national parliament as they move to address the labor-related laws and regulations and other economic issues of interest. This involves raising the economic policy capacity of the parliament in a broad range of areas. It will involve technical support (again in cooperation with PEG grantee IRIS) to build up the analytical and advisory capacity at the parliamentary secretariat. The advisor will assist with policy papers and training activities on topics relating to economic and financial issues.</p>	<p>2001-02</p> <p>1) Overall leadership of the Bappenas White Paper effort on labor, including coordination with other efforts,</p> <p>2) A report that reviews the current employment relations and dispute resolution laws,</p> <p>3) Assistance to the PEG subcontractor SMERU in developing materials to assist district governments in thinking about labor policy, and</p> <p>4) Improvements to the labor monitoring database and monthly reports at Bappenas.</p> <p>5) Deliverables might include a handbook on personnel and human resource management practices associated with decentralization, a workshop bringing together selected university/government personnel from these regions and a chapter in the planned IRIS-LPEM book on decentralizations.</p> <p>6) For the secretariat of the parliament, a series of short policy papers, contributions to training activities and other specific policy issues and written comments on other policy papers as the need arises.</p>	<p>1) Draft and final reports (approximately 40,000 words, tables and figures) for preparation of the Bappenas White Paper on labor policy completed.</p> <p>2) Participated in discussions and completion of a series of memos on employment strategy and poverty alleviation for high level policy makers. Provided supervision of the report on a major survey by SMERU, and a short-term consultant's report, on industrial relations policy in Indonesia. Presented the main findings of these studies in the consultant's own report on labor policy submitted to Bappenas.</p> <p>3) Developed a simple manual on minimum wage setting, designed in comic-book format, for provincial and district governments.</p> <p>4) Provided technical support to the staff of the Directorate of Manpower on several indicators of quarterly and annual change.</p> <p>5) Planned and executed four workshops in Makassar, Malang, Medan and Palembang on regional development and fiscal policy for February- July 2002. Provided technical advice on regional university programs.</p> <p>6) Participated in discussions of labor policy at the national parliament (DPR).</p>

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	<p>2002-03, as a short-term advisor: On national labor policy, the advisor will encourage concrete government policies on minimum wages, improved regulation (possibly laws) regarding the labor market and industrial relations. There are two priorities:</p> <p>1) Provide a framework for substantive central government input that takes into account the threat to employment from anticipated minimum wage increases.</p> <p>2) Provide a focus for policy reform in the area of labor more generally, taking into account important developments in labor regulation, legislation and industrial relations over the past three years. This work is to be designed to help provide direction, a set of priorities and an agenda for action in government reform and policy over the next three to five years. These activities will be organized around a forthcoming Bappenas white paper on labor issues that will be discussed at a major workshop. Consideration will be given to improved system of tripartiate regulation of the Indonesian labor market by workers, employers, and government.</p> <p>The advisor will also address the analysis of regional issues in the public sector labor market. One pressing need is a more clearly defined set of regional government policies on the recruitment, deployment and wage policy in the civil service, which accounts for a overwhelming share of total regional budget expenditure. Flexibility on compensation would allow the regions (with lower than average costs of living) more possibilities to smooth adjustments and free up funds for pressing social and economic expenditure needs. It would also align incentives and potentially raise awareness on the potentially damaging impact of minimum wages on private</p>	<p>2002-03:</p> <p>1) Complete a major policy paper that will be a key input into the Bappenas White Paper on labor policy.</p> <p>2) Hold a workshop on labor policy inviting major stakeholders, policy makers, the press and politicians, and disseminate the discussions of workshop widely.</p> <p>3) Carry out and report upon as relevant an exploratory initial examination of issues on regional recruitment and deployment of labor, and civil service wages or two similar activities as judged by the CTO.</p>	<p>1) Major policy paper, "Labor Policy and Employment Creation: An Emerging Crisis?" was completed in June 2003, disseminated to interested parties, and placed on the PEG website. Earlier chapter drafts provided timely input into the Bappenas White Paper on labor policy.</p> <p>2) PEG sponsored a two-day seminar on Labor Relations at the Borobudur Hotel on March 27-28, 2002. A major conference on the same subject, long postponed due to the ordered departure Oct. 2002-April 2003, was finally held in September 2003.</p>

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	<p>sector employment. It will require quantitative analysis of civil service wages and qualitative work on the issues and strategy needed to change policy. Consultant will carry out at least three analyses and prepare inputs and at least two relevant reports, as appropriate.</p> <p>Another, related, set of issues has to do with discrimination in employment against outsiders from other regions and employment of less qualified locals in key positions of government. Consultant will investigate to gain understanding of the importance of these issues for efficiency and equity at provincial and district level, and its potential impact on social cohesion.</p> <p>Consultant will actively seek to coordinate his activities as appropriate with other US government-funded activities directed to serving the Indonesian labor market.</p>		

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Steve Marks, Real Sector Advisor, Bappenas, July '02-July '03	To provide substantial analysis, input, and policy recommendations to a white paper on trade and industry policy issues facing Indonesia. The goal is to help the GOI provide itself with a clear coherent position on trade and industrial policy that would help clarify, possibly reduce, or assist the government in refusing, continuing demands for protection across many sectors.	The highest priority for consultant work is support for improved trade/industrial analysis including memos and up to a Bappenas white paper on trade/industry policy for use on upcoming Indonesian government planning documents; or an equivalent activity as judged by the CTO.	<ul style="list-style-type: none"> • International tax revenue comparisons study completed • Fiscal sustainability study completed. • VAT Revenue and Effective Rate Analysis completed. • Susenas-based income tax study completed. • Study of cigarette excise taxation completed. • Detailed commentary on UN recommendations on industrial policy completed. • In lieu of the white paper on trade and industrial policy issues, the higher priority studies of income tax and excise tax were done, as requested by the Director for Fiscal and Monetary Affairs at Bappenas and the Director of the Fiscal Analysis Bureau at the Ministry of Finance, respectively.
	The second area of assistance from the Real Sector advisor is to assist the Macroeconomic advisor and Bappenas staff on upgrading macroeconomic projections models.	Revisions and possible extensions are to be made for three major changes to the existing macroeconomic model.	<ul style="list-style-type: none"> • In lieu of this activity, the higher-priority tax comparisons study, fiscal sustainability study, and VAT analysis were done, all at the request of the Director for Fiscal and Monetary Affairs at Bappenas.
	Institutional capacity building		<ul style="list-style-type: none"> • Assistance to KPPU on day-old-chicks industry investigation completed. • Analysis of announced energy price increases using IO table completed.
	Policy analysis for crisis support		<ul style="list-style-type: none"> • Series of memos on wheat flour import policy completed. • Series of memos on relations with the IMF completed. • A number of speeches and talking points for senior officials and shorter studies of use to the Ministry were done.

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<p>William Tyler (1999) & Peter Rosner, (2000-01), Monetary & Exchange Rate Advisors, Bank Indonesia, 1999-2001</p>	<p>1999-2001: 1) Help provide BI policy-makers with additional economic tools to better understand, assess, and forecast the behavior of Indonesian monetary and exchange rate variables in the context of Indonesia's changing economic growth and inflation circumstances in an open economy, to improve the process of monetary and exchange rate policy-making by BI. 2) Provide analytical support and policy advice in an interactive process with senior BI management. Additional tools for support of the monetary and exchange rate processes will be identified, developed, tested, calculated on a regular basis, and put analytically into practice by BI staff.</p>	<p>1999-2001: Not defined.</p>	<p>1) 1999: Joint paper with Reza Anglingkusumo, presented in June 1999, was entitled "Moving towards Inflation Targeting in the Pursuit of Monetary Policy." The purpose of this paper was to outline some of the issues and difficulties faced by BI in adopting inflation targeting as the framework for monetary policy. It also proposed a program of work to be undertaken by BI and exercised some influence, especially in the earlier stages.</p> <p>1999: Another joint paper, with Charles Joseph, was entitled "The Options in the Choice of an Exchange Rate Regime for Indonesia."</p> <p>2000-01: An analysis of the possible impact of a global economic slowdown on Indonesian non-oil exports was completed. The research department is currently using a short-term quarterly macroeconomic model developed with PEG assistance.</p> <p>2) 1999: Several memos and notes to BI staff and management were prepared on various issues. Assistance was provided BI staff in preparing and reviewing reports on Indonesia's current economic situation and prospects for BI Board members and other senior officials to present at meetings and conferences. Assistance was provided to BI colleagues in drafting various documents, speeches and reports, a number of training activities were organized for BI staff, and several papers were prepared for seminars in Jakarta and elsewhere.</p> <p>2000-01: Several memos and short working papers on the following topics were delivered during the first half of 2001: a) Inflation scenarios for 2001, b) analysis of BI's annual inflation target, and c) analysis of the source of growth of base money in 2000.</p> <p>2000-01: A three-way analysis of the real exchange rate in terms of tradables, non-tradables and administered prices was completed and incorporated into the research department's monthly report to the board of</p>

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			<p>governors, including the role of interest rates.</p> <p>2000-01: Short notes on a range of topics, direct support to staff, meetings with key individuals in the research department, and editorial assistance were completed. Assisted BI research and analysis staff deliver numerous memos during the first half of 2001 on a broad range of macroeconomic issues.</p>
<p>Monetary & Exchange Rate Advisor, Bank Indonesia, 2001-2002</p>	<p>2001-02: The objective of the technical assistance to Bank Indonesia in the field of monetary economics is to help provide Bank Indonesia policy-makers with additional economic tools to better understand, assess, and forecast the behavior of Indonesian monetary and exchange rate variables in the context of Indonesia's changing economic growth and inflation circumstances in an open economy, in order to improve the process of short-term monetary and exchange rate policy decision-making.</p>	<p>2001-02: (This position was not filled after Peter Rosner left the project on June 30, 2001, until Ted James was reassigned from MOIT to BI in 2002. See his SOW below.)</p>	

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<p>William E. James, Monetary & Exchange Rate Advisor, Bank Indonesia, 2002-2003</p>	<p>2002-03:</p> <p>1. Research and Analysis and Education on Inflation and Monetary Policy. Research analysis, and education will seek to illuminate the processes through which monetary policy and exchange rate policy are transmitted and the effects these processes have on the level and rate of change of prices.</p> <p>2. Research, Analysis and Education on Productivity in the Real Economy, Capital Formation and Inflation. The resident advisor will work closely with BI counterparts to establish a working group on productivity and will seek to enhance measurement of productivity and productivity growth in the Indonesian economy. Enhanced awareness of the relationship between productivity, productivity growth and remuneration is essential for achieving price stability in Indonesia. This activity will seek to adopt research methodologies presently used by other Central Banks in monitoring productivity and productivity change, including the Federal Reserve.</p> <p>3. Coordination of Short-term Technical Assistance and Development of a Regular Research Seminar Program. The resident advisor will work closely with other donors, the academic and business community to bring a variety of high-quality economic research to the attention</p>	<p>2002-03:</p> <p>1. Recurring regular analyses and training provided informally to Bank Indonesia staff.</p> <p>1 & 2. Three technical reports will be prepared in relationship to Objectives One and Two.</p>	<p>1. Technical reports were prepared comparing Indonesian performance in maintaining price stability and expansion of international trade. The reports were used as background material for regular quarterly meetings of the Board of Governors of BI and were useful in setting parameters for annual inflation targets and growth.</p> <p>Recurring regular analyses and training was provided informally to Bank Indonesia staff. On a regular basis the advisor worked with counterparts to upgrade and improve reports, the BI website on investment, and with the Financial Stability Team to improve the <i>Blueprint for Financial System Stability</i> (under Pak Muliaman Hadad and Pak Anwar Nasution). In addition, he assisted the Senior Deputy Governor in preparing research and technical reports on monetary policy and the Deputy Governor on reform of the international financial architecture.</p> <p>1 & 2. This deliverable was satisfied with the following:</p> <p>a) "The Debt Trap and Monetary-Fiscal Policy in Indonesia: The Gathering Storm?", a Technical Report prepared jointly with Anwar Nasution and presented at the 8th Convention of the East Asian Economic Association in Kuala Lumpur, November 4-5, 2002. A shorter version was published by the Indonesian Institute of Sciences, <i>Jurnal Ekonomi dan Pembangunan</i>, Vol. X, (1), 2002:1-22.</p> <p>b) "Inflation and Deflation Watch in the East Asian Region: Report for the Third Quarter of 2002," technical report prepared for the Directorate on Economic and Monetary Policy Research (DKM), December 2002. "Inflation and Deflation Watch in the East Asian Region: Report for the Fourth Quarter of 2002," technical report prepared for DKM, April 2003. "Inflation and Deflation Watch in the East Asian Region: Report for the Second Quarter of 2003," technical report prepared for DKM, July 2003.</p> <p>c) "The Turnaround in East Asian Trade: Evidence from the Third Quarter of 2002," technical report prepared for the regular quarterly meeting of the Board of Governors of BI, December 2002. A second report was prepared for the 4th Quarter of 2002.</p> <p>d) "Indonesia's Textile and Apparel Industry: Meeting the Challenges of a</p>

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	<p>of counterparts in Bank Indonesia and, collaboratively, to help improve the research environment in Bank Indonesia. The objective will be to establish a regular, on-going research seminar program with voluntary attendance and participation by BI researchers.</p> <p>4. Assist Bank Indonesia Publications Programs. The Resident Advisor will assist counterparts in Bank Indonesia in improving their English Publications on economic and monetary policy affairs. He will assist in editing work on BI's annual report and related publications as requested.</p>	<p>3. Seminar notes will be collected for dissemination as part of Objective Three.</p> <p>4. Not defined.</p>	<p>Changing International Trade Environment," Technical Report prepared with David Ray and Pete Minor of PEG/MOIT. A revised version of this technical report appeared in the April 2003 issue of <i>The Bulletin of Indonesian Economic Studies</i>.</p> <p>3. A successful seminar was held on the issue of deposit insurance following preparation of a memo on this topic for the Senior Deputy Governor. The advisor worked with BI, MOF and IBRA and helped to coordinate donor activity in the development of a financial system safety net.</p> <p>This part of the Scope of Work was modified to reflect work demands on financial system stability, counter-terrorist finance, and anti-money laundering in collaboration with Bearing Point, PEG/MOF, IMF, ADB, World Bank, FSVC and AusAid. A seminar series was launched, and two seminars were held on the topics of the blanket guarantee, deposit insurance and financial stability. Notes prepared by the speakers were disseminated. The revised and improved <i>Blueprint for Financial System Stability</i> has been completed and is in use by interested parties.</p> <p>4. The Advisor assisted in the editing of Annual Reports of Bank Indonesia for 2001 and 2002 (English versions). The Advisor assisted senior management and staff of BI in preparing English documents, technical reports, conference papers and various seminar programs.</p>
	<p><u>Additional objective outside the contract:</u> Work with BI officials, ELIPS, MOF and US embassy staff on issues involved in freeze of assets of groups involved in terrorism and money laundering issues.</p>	<p>Establishment of Financial Intelligence Unit (PPATK) work to coordinate donor and GOI efforts to combat money-laundering and terrorist-related finance.</p>	<p>Following a series of meetings and discussions among the concerned parties the PPATK was established and has been active in working to combat money-laundering and terrorist finance.</p>

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<p>Steve Magiera, International Trade Advisor, Ministry of Industry & Trade, 1999-2003</p>	<p>1999-2001: <u>The contractor is to assist the GOI to:</u> 1) Meet the technical requirements of tariff reduction obligations under APEC, ASEAN and the WTO 2) Examine the economic value of reforms in trade in services 3) Create a more transparent decision-making process in trade and services 4) Explore the implications to international trade negotiations of environmental conditions, worker rights, and safety and health conditions 5) The above may include trade-related issues in competition policies, intellectual property rights, trade and industry economic analyses and studies 6) Find efficient solutions to legitimate concerns with potentially adverse consequences of trade liberalization</p> <p>Note: in early 2001, USAID agreed to provide assistance to the Ministry of Communications as explained below in the contract objectives for 2001-2002</p>	<p>1999-2000 Note: Subsequent to contract signing, USAID adjusted the workplan for this position to reflect new priorities on economic crisis-related issues, with less priority on non-trade concerns of international negotiations. The new plan of work consisted of: 1) the analysis of crisis-related economic issues, including implementation of Indonesia's Memorandum of Understanding with the IMF, 2) servicing requests for analysis of trade policy issues, 3) support for international trade negotiations, and 4) human resource development.</p> <p>Major outputs were to consist of briefing memos in support of Government policy decisions, longer term studies, seminars, and database development.</p> <p>2000-2001 5) In early 2001, the work program on legal and on services issues was redirected so to focus on telecommunications.</p>	<p>1) Completed a major study on Indonesia's export performance during the economic crisis and on the impact of the crisis on trade finance. Several trade policy memoranda were completed, as requested. This involved major revisions to Indonesia's trade data and the development of an export price index, information on imported input content and company exports. Provided recommendations on ways to overcome the collapse of the trade finance system in Indonesia.</p> <p>Completed a trade policy review to evaluate changes required under the IMF LOI. Completed a variety of policy memorandum covering economic and legal reforms, including anti-dumping, various aspects of trade policy (e.g. tariffs, secured transaction law, ag policy, etc), decentralization, and policies to promote exports. Completed two semi-annual updates and several briefing memos for the Minister on export prices and Indonesia's trade performance. Coordinated meetings between USAID competitiveness team and ministry officials. Prepared briefing notes and speeches on trade and competition policy issues and commercial legal reforms in Indonesia. Outlined a course on trade and competition policy for the new Competition Commission (KPPU).</p> <p>2) Provided recommendations in 5 briefing memos to Team Tariff and the Minister of Industry and Trade on the design of sugar and rice tariff policy. In both cases, non-tariff import barriers were eliminated and replaced with tariffs. Analyzed Indonesia's tariff structure for Indonesia's APEC Action Plan and the Shanghai Leaders' Meeting. Completed recommendations for revising Indonesia's anti-dumping procedures and the establishment of an independent trade injury and remedy commission.</p>

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			<p>3) Completed reports which reviewed the status of the agricultural and services negotiations. Held a major training course for the WTO services negotiations. The program included overview training for over 100 government officials and researchers, plus workshops tailored to individual ministries (Law and Justice, Public Works, Environment).</p> <p>4) In addition to the training seminars on the services negotiations, sponsored training of Indonesian officials on IPR at the US Patent and Trademark Office, on IPR at the APEC Symposium in South Korea, and on basic telecommunications at the APEC WTO Training Program in Singapore.</p> <p>5) Organized and participated in a series of training seminars on modern regulatory techniques for telecommunications. Provided policy recommendations on key aspects of Indonesia's telecommunications Law, including interconnection, modern and transparent licensing procedures, spectrum allocation, universal service obligations, broadcasting, and the establishment of an independent regulatory body. One sector study on internet service providers was initiated and is still underway. Provided a review/ and recommendations on a new broadcasting law.</p>
	<p>2001-02: 1) The Ministry of Industry and Trade has requested assistance in the formulation of its trade and investment strategies. The Indonesian Government will require continued assistance on the technical aspects of existing WTO agreements and on new issues as they are tabled during the negotiations. Other possible requests include assistance on Indonesia's APEC action plan, WTO notifications, and new WTO issues such as trade and the environment.</p> <p>2) The Ministry of Industry and Trade has also</p>	<p>2001-02 Not defined.</p>	<p>1) Provided briefings on Indonesia's trade policies, their impact on trade, and policies to expand exports. Prepared a report on Indonesia's trade policies as input for the Minister's trade policy strategy report and as background for the WTO Ministerial and the APEC Trade Minister's Meeting.</p> <p>Updated a survey of rice policy prices in Asia for recommendations on Indonesia's rice policy. Evaluated the legal status of Indonesia's commitments under the WTO Information Technology Agreement and whether Indonesia's staging process for implementation is in conformance with those commitments. Analyzed Indonesia's tariff structure for Indonesia's APEC Action Plan and the Shanghai Leaders' Meeting. Provided</p>

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	<p>requested assistance on developing measures to increase the competitiveness of the Indonesian export sector.</p> <p>3) Several issues require monitoring and analysis. Of immediate concern is the impact on domestic income and employment of the current global economic slowdown.</p> <p>4) The Ministry of Communications has requested, and USAID has agreed, that an advisor be placed half time in the Ministry. The Ministry has also requested short-term technical assistance including the establishment of an independent regulatory body and has requested assistance on developing an implementation plan for establishing the body. Other major issues include the restructuring of the market for basic telecommunication services, interconnection rates, rebalancing the telecommunications tariff structure, spectrum management, universal service obligations, a new broadcasting bill, and information technology development by small-scale industries.</p>		<p>recommendations on international best practices for Indonesia's draft safeguard regulations for a Presidential Decree</p> <p>2) Prepared reports on the agriculture/services negotiations. Prepared reports on barriers to trade and investment in education and professional business services for Indonesia's service negotiation schedule. A study on Internet service providers was completed under the CSIS grant.</p> <p>3) Completed regular updates and expanded the trade policy database to include automobile reforms, AFTA and the Information Technology Agreement. Prepared remarks and speeches for the Columbo Plan, the Shanghai Leader's meeting, and the G15 Ministerial.</p> <p>4) Organized several training workshops on telecom regulatory issues, including a USAID-sponsored workshop for the Asian region. Provided recommendations on a private sector mechanism for meeting universal service obligations, technology neutral policies for voice over Internet, Indonesia's Broadcasting Law, a coordinated approach to pricing issues, and a Ministerial briefing on problems facing foreign investors participating in KSOs.</p>
	<p>2002-03: 1) Trade Policy Reform. Since May 1995, tariffs have been reduced by over 50 percent and many non-tariff import barriers have been eliminated. Nevertheless, there continue to be requests for increased protection, and the Government often needs to analyze its trade policy structure for international negotiations and for specific policy issues. The focus of this work is to be in MOIT and in Team Tariff in the Ministry of Finance.</p>	<p>2002-03: 1) Update the project's trade policy database and provide policy memoranda on trade policy issues as requested. 2) Provide technical assistance and training on multilateral trade agreements, including the WTO built-in agenda on agriculture and services.</p>	<p>1) Provided briefings on Indonesia's trade policies, and recommended improvements in the interagency trade policy process.</p> <p>2) Facilitated Indonesia's participation in the services negotiations by providing a reports on the status of the negotiations, a summary of services requests to Indonesia, and a summary of existing regulations and requests for selected services sectors (hospital and education). Completed reports on barriers to trade and investment in environmental and</p>

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	<p>2) Support for Indonesia's Participation in Multilateral Trade Agreements. The implementation and enforcement of international trade agreements and the negotiation of new agreements will continue to be major issues faced by the Government in the coming years. Negotiations on services and agriculture are now on-going in the WTO and they will soon include other issues as well. Responsible institutions would be in the MOIT plus other institutions where relevant (e.g., the Ministry of Agriculture in the case of agricultural negotiations, and the Ministry of Finance in the case of service negotiations, etc.)</p> <p>3) APEC Action Plans. APEC continues to play a major role in facilitating transparency in international trade policy and in setting the agenda for trade negotiations in other forums. APEC economies must submit annual action plans on their trade policy measures. In addition, Indonesia is an active participant in other APEC activities, including the APEC capacity building-program.</p> <p>4) Anti-Dumping and Safeguards. Indonesia has introduced its own regulations on the use of antidumping actions against other countries. Regulations on the use of safeguards are also now being developed. These regulations are in conformance with WTO rules, but do not always reflect international best practices, tending to favor the parochial interests of industries seeking protection.</p> <p>5) Telecommunications Regulatory Reform. Indonesia has passed a new telecommunication Law and is undertaking steps to reform its telecommunications sector. Major goals are the</p>	<p>3) Provide input on Indonesia's APEC action plan. Support the Government's participation in other APEC activities as requested.</p> <p>4) Develop recommendations for administrative procedures reflecting international best practices in the use of anti-dumping and safeguard measures or two similar activities as judged by the CTO.</p> <p>5) Provide assistance on international best practices for the implementation of Indonesia's new telecommunications Law, the development of a modern regulatory system for telecommunications, and the establishment of an independent regulatory authority.</p> <p>6) Provide an in-depth analysis of the factors impacting Indonesia's trade performance.</p> <p>7) Respond to short-run staff requests and prepare speech materials, as requested.</p>	<p>communication. Prepared a report on the possible benefits of a multilateral agreement on selected services in markets of interest to developing countries. Briefed negotiators on Indonesia's agricultural obligations in the WTO. Provided in-depth information on agricultural negotiating strategies for developing countries.</p> <p>3) Completed the tariff analysis tables for Indonesia's 2003 APEC action plan. Supported a successful MOIT bid for an APEC capacity building project on food safety standards. Sponsored a Workshop and Symposium on the Harmonization of Food Safety Standards in Bali. The workshop and symposium were highly successful and attracted 80 attendees from developing countries throughout the APEC region. Sponsored two officials from Indonesia's Ministry of Industry and Trade at the APEC workshop on Competition Policy in Vietnam.</p> <p>Prepared a paper for the Minister that was successfully tabled at the ASEAN Ministerial on ways to deepen ASEAN economic integration. The paper provides recommendations on ASEAN rules of origin, customs, transport, ICT, and dispute settlement.</p> <p>4) Recommended an independent trade remedies authority and changes to Indonesian anti-dumping/safeguard regulations based on best practices for national interest, the lesser duty rule, and transparency.</p> <p>5) Organized a workshop and developed recommendations that led to a consensus between the private sector and government on a cost-based interconnection decree. Developed a new approach for meeting universal service obligations that could lead to greater private sector involvement in the build-out of Indonesia's telecommunications network. Provided recommendations for an interim agreement on compensation for lost exclusivity that averted a legal crisis for the Government.</p>

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	<p>development of new telecommunications infrastructure, the development of competitive markets for enhanced and basic telecom services, and the development of new business opportunities for small and medium size enterprises. The Government is now in the process of developing decrees to implement the Law, including decrees on licensing, the number of telecommunications providers, interconnection; pricing, universal service, and other issues. The lead responsible institution is the Ministry of Communications.</p> <p>6) Export Performance and Related Policies. The Indonesian export sector has had to make major adjustments as a result of the economic crisis, and there are concerns about Indonesia's anemic economic performance and whether it can lead the economic recovery. For informed policy making, Government officials need current information on the export sector and factors influencing exports.</p> <p>7) Respond to short-run staff requests and prepare speech materials, as requested.</p>		<p>Conducted a detailed review and provided recommendations on compensation for lost exclusivity that could lead to Government savings of \$100 million. Successfully introduced new language into telecom licenses that could ensure that downstream subsidiaries and competitors are treated equally. Helped develop a consensus between the government and private sector on the establishment of an independent regulator for telecommunications. Was the featured speaker at AMCHAM luncheons and prepared a formal AMCHAM briefing on regulatory issues for the Coordinating Minister. Reviewed policy options for broadband communications services and provided recommendations on policies for VOIP.</p> <p>6) Completed a study on the negative impact of decentralization on the quality of higher educational services. Designed a survey for Indonesia's Business Solutions Center on "Supply/Demand Constraints to Indonesia's Industrial Competitiveness." Held a seminar on the competitiveness of Indonesia's basic telecommunications and ways to improve Indonesia's offer for basic telecommunications.</p> <p>Responded to general requests for information on trade policy and telecommunications regulatory reform. While on evacuation, held discussions and coordinated work program with Washington think tanks, World Bank, and US government agencies. Reviewed the Indonesian government positions on various negotiating issues, including TRIPS, services, and the U.S. Vietnam Trade Agreement, and provided information to Indonesia's WTO Ambassador on claims that Indonesia has lost from trade liberalization.</p>

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<p>Stephen Marks & David Ray, Domestic Trade Advisors, Ministry of Industry & Trade, 1999-2003</p>	<p>1999-2001:</p> <p>1) Assist the MOIT in adopting appropriate means of monitoring and enforcing the new, more open policies related to domestic economic competition brought about by the GOI/IMF reform package</p> <p>2) Assist in the creation of rules and legislation which will help ensure fair-trade for all parties in the new deregulated environment is a priority</p> <p>3) Address a number of issues, not specifically noted in the GOI/IMF package, such as: reduced concentration within major sectors of the Indonesian economy, reduced distribution costs, and reduced government approval processes to start up a new business.</p> <p>4) Attempt to ensure that the decentralization process does not undermine the GOI/IMF reform package.</p>	<p>1999-2001 Not defined.</p>	<p>1) Completed numerous papers and memos on industrial policy for the Minister and Head of the R&D Agency. Assistance provided to the coordinator of the USAID Asian Competitiveness study.</p> <p>2) Numerous memos and papers in support of legislation and institutions to ensure fair trade & competition drafted and distributed throughout MOIT. Training workshops on competition & trade evolved into policy forums/seminars to improve advocacy effort, which were carried out every 2-3 months.</p> <p>3) Fieldwork study on red onions carried out in Brebes and Kramatjati wholesale market, Jakarta. Other fieldwork carried out in Yogyakarta (plus field report). Using material supplied by CESS produced various memos on distribution systems for SMEs.</p> <p>4) Fieldwork and reports completed for the following provinces: South Sulawesi, Nusa Tenggara Barat, Lampung and Aceh. Numerous memos on trade barriers at the regional level drafted and distributed. Using the primary research from above, produced 2 major papers (one jointly with Gary Goodpaster) and numerous memos on the impact of decentralization on the domestic market.</p>
	<p>2001-02:</p> <p>1) Assist the MOIT in adopting appropriate means of monitoring and enforcing the new, more open policies related to domestic economic competition brought about by the GOI/IMF reform package</p>	<p>2001-02 Not defined.</p>	<p>1) Numerous papers and memos on industrial policy for the Minister and Head of the R&D Agency. Major study on competitiveness in the electronics industry completed and distributed. Organized the JAAustin USAID/Washington-funded program on competitiveness in Bandung, West Java.</p>

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	<p>2) Assist in the creation of rules and legislation which will help ensure fair-trade for all parties in the new deregulated environment is a priority</p> <p>3) Address a number of issues, not specifically noted in the GOI/IMF package, such as: reduced concentration within major sectors of the Indonesian economy, reduced distribution costs, and reduced government approval processes to start up a new business.</p> <p>4) Attempt to ensure that the decentralization process does not undermine the GOI/IMF reform package.</p>		<p>2) Numerous memos and papers about fair trade and competition regulations drafted and distributed throughout MoIT. Various policy papers were produced and later developed into the Domestic Trade component of the MoIT's trade policy strategy statement. Eight half-day training workshops held for MoIT on key aspects in domestic and international trade (with Ted James).</p> <p>3) Major study completed on competition problems in the distribution system. Review of MoIT distribution monitoring capabilities – various memos drafted and produced. Training conducted to raise MoIT's technical skills in monitoring food distribution (i.e. processing and manipulating commodity data).</p> <p>Major study completed on the reforming the shipping and ports sector. Report widely distributed in English and Indonesian. Results of this study were socialized in various forums at the Ministry of Communications and the Ministry of Industry and Trade (including a briefing session for the Minister of Industry and Trade).</p> <p>4) Fieldwork and regional studies on trade barriers at the regional level completed for the following provinces: North Sulawesi, North Sumatra, Central Java, amongst others. Numerous memos on this topic drafted and distributed. Various socialization seminars held in Jakarta and the regions. Organized a major national conference on the issue of Domestic Trade in the Decentralizing Era. Assistance provided to MoIT in the form of memo/policy papers and briefing sessions on the development of appropriate legislation and institutions to ensure free internal trade in the decentralizing era.</p>
	<p>2002-03: 1) Competition Policy and Deregulation- Assist with the development of legislation and supporting institutions at the national level that</p>	<p>2002-03: 1a) Policy memoranda, papers as requested; 1b) training seminars/ workshops</p>	<p>1a) Major paper completed on developing new regulatory framework to promote competition. 1b) Several training sessions conducted and presentations made in Jakarta on regulatory reform.</p>

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	<p>will help ensure fair trade and competition for all parties in an increasingly deregulated economic environment.</p> <p>2) Distribution Systems - Identification and analysis of issues and problems affecting the distribution sector in general, and/or the distribution system for specific commodities</p> <p>3) Port Sector Reform - Analysis and policy assistance with regards to improving the performance of Indonesian ports through greater private sector participation and also in developing appropriate legislation and institutions governing port sector affairs in the decentralizing era <i>or an equivalent activity as judged by the CTO.</i></p> <p>4) Decentralization and Domestic Trade - Monitoring the impact of regional autonomy upon domestic trade and the business climate at the local level. At the national level, development of appropriate legislation and institutions to ensure free internal trade in the decentralizing era.</p> <p>5) Conducive Local Regulations - Assistance directed at the local level to socialize policies that promote trade and other economic activities; and to institutionalize more effective regulatory review mechanisms as a means to prevent unnecessary and trade distorting local regulations.</p> <p>6) Industrial Competitiveness - Research and analysis of key issues affecting Indonesia's</p>	<p>2a) One policy study or equivalent, policy memos and training to assist in the analysis of domestic price data. 2b) Analysis and short memos on the impact of key events upon food prices</p> <p>3a) One policy study on improving private sector participation (PSP) in the port sector 3b) One policy study on laws and institutions governing ports in the decentralizing era 3c) National workshop on port sector development</p> <p>4a) One or more regional studies on the impact of decentralization upon the business climate. 4b) Frequent updates on problem local regulations (perda ermasalah) 4c) Assistance for MOIT in developing a new national law on free internal trade</p> <p>5) Work with local universities, on such factors as various socialization and training workshops</p> <p>6a) Provide input, in the form of papers and memos, to the development of a new industry policy vision at the MOIT</p>	<p>2a) Used domestic price data to monitor distribution efficiency. Was also able to highlight problems with data collection/storage and processing. 2b) Analysis and memo completed on the impact of fuel price increases on food and general prices.</p> <p>3a) Major study on options for increasing PSP in ports completed. 3b) Study on the need to liberalize private sector ports under decentralization completed. 3c) The planned national workshop on port reform was first delayed and then canceled due to the ordered departure and consequent lack of funds and LOE.</p> <p>4a) Completed a study by SMERU on the business climate in West Java, a case study in Bekasi and Tasikmalaya by BIGS on formulating market friendly local regulations, a study by SAWALA on user charge regulations in West Java, and a survey by REDI on the impact of decentralization on the business climate. 4b) Completed KPPOD desk study of 700 local regulations, and wrote several reports and memos on problem regulations for MoIT counterparts. 4c) Assisted MoIT by providing memos, policy papers and briefing sessions on developing the draft for the free domestic trade law .</p> <p>5) Participated in university training workshops in Makassar, Palembang, Medan and Jayapura. Regulatory review workshops with MoIT counterparts in Lampung, Bali and Manado. Developed regulatory review manual for local governments.</p> <p>6a) Several papers and memos completed on industrial policy for the Minister and Head of the R&D Agency.</p>

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	<p>industrial competitiveness.</p> <p><i>7) Ad hoc requests</i> - Respond to short run MOIT and USAID/PEG requests and prepare speech materials as requested.</p>	<p>6b) At least two sector studies.</p> <p>7a) Memos, papers and speeches as requested</p> <p>7b) Attendance and participation at meetings/committees as requested</p>	<p>b) Two sector studies completed: i) Textiles and Garments and ii) Petrochemicals and Plastics.</p> <p>7a) As described above</p> <p>7b) Active participation in the PEG small grant program including reviews of applications, mentoring various programs, attending, opening and presenting at a number of socialization seminars.</p>

PEG Project Objectives and Deliverables Matrix

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<p>James Mudge, Trade & Industrial Investment Advisor, Ministry of Industry & Trade, 1999-2000</p>	<p>1999-2000: The objective of the technical assistance in this area is to provide senior officials of the Ministry of Industry and Trade with key technical and economic policy advice on Indonesian macroeconomic matters as they relate to the relationships among international trade, investment in Indonesia and the growth and development of the domestic sectors of the Indonesian economy.</p> <p>The contractor will monitor the export and import behavior of various key sectors of the Indonesian economy and report on the current and expected changes in the behavior of the various sectors. This analysis will cover how the changing state of Indonesia's economic circumstances impact on the magnitude and sophistication of Indonesia's domestic markets.</p>	<p>1999-2000: The contractor shall:</p> <p>1) Evaluate Indonesia's trade and investment policies in the context of similar policies being carried out by nations in Southeast and East Asia who are Indonesia's competitors.</p> <p>2) Clarify the current and likely behavior of Indonesian key export markets, such as the U.S., the EU and Japan.</p> <p>3) Analyze the overall incentive/disincentive structure of Indonesia's macroeconomic policies with respect to the current and expected pace of foreign and domestic investment in Indonesia.</p>	<p>1) Delivered eight hours of lectures to 28 Indonesian commercial attaché candidates on "gains from trade and trade protection," and "globalization and implications for Indonesia."</p> <p><i>Bilateral trade relations.</i> At request of Chief of International Trade Center (in BPPIP) advised on approaches to increasing bilateral trade between Indonesia and Pakistan.</p> <p>2) <i>Impact of and adjustment to the end of the Multifiber Agreement.</i> Based on discussions with board members of the Indonesian Textile Association (ITA) and firm owners, drafted and delivered a paper, "The Future of Indonesian Textile and Apparel Exports in a Global Economy." The discussions and the paper helped the ITA frame the policy issues and organize their approach to formulating a survival strategy.</p> <p>Delivered a paper titled "Indonesian Non-Oil/Gas Export Performance in 1998" at the USAID-LPEM-PEG Conference on "Economic Issues Facing the New Indonesian Government," August 18-19, 1999. Distributed final paper to the Minister of Department of Industry and Trade (MoIT) and to several Director Generals in the MoIT. Also completed a paper analyzing effects of policies on furniture and woodworking exports.</p> <p>3) Wrote and delivered various briefing and policy papers to the MoIT and to USAID, including one policy paper to the Minister of Industry and Trade opposing a decree that prohibited foreign direct investment in the Indonesian information communications technology (ICT) industry. The decree was subsequently rescinded.</p> <p>Completed an analytic paper and some training on use of input-output (I-O) for policy analysis. Conducted a workshop on using I-O analysis techniques to measure the total employment generation effects of exports, which gave MoIT technical staff the means to quantify the contribution of exports to growth and</p>

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			<p>employment. The participants were the same people who routinely provide analysis to the Cabinet. This effort resulted in a manual on Input-Output Analysis that was distributed to MOIT staff.</p> <p><i>Analyzed policy influences on furniture and woodworking exports</i>, organized into 10 sections, four of which were completed in the form of highly condensed reports designed to be read by senior MoIT officials. The paper titles were: (1) "Why Times Have Changed and it is Time for the Wood Manufacturing Industry to Change;" (2) "Integration of Policy for the Wood Manufacturing and Forestry Industries;" and (3) "Who Benefits and Who Loses in the Current Forestry-Industrial System;" and (4) "A Critique of the Industrial Wood Market: A Closed Administrative System for Wood-Intensive Exporters and a Gray Market for High Value-Added Wood Exporters," The papers were delivered to 13 senior MoIT officials including the Minister and the Secretary General.</p> <p>Memo on rice import policy delivered to the Minister. Two seminars conducted with high-level Indonesian Government officials. Sources for obtaining international commodity price data delivered. Several conceptual papers delivered.</p>
<p>William E. James, Trade & Industrial Investment Advisor, Ministry of Industry & Trade, 2001-2002</p>	<p>2001-2002: The objective of the technical assistance in this area is to provide senior officials of the Ministry of Industry and Trade with key technical and economic policy advice on Indonesian macroeconomic matters as they relate to the relationships among international trade, investment in Indonesia and the growth and development of the domestic sectors of the Indonesian economy.</p>	<p>2001-2002: The contractor shall: 1) Evaluate Indonesia's trade and investment policies in the context of similar policies being carried out by nations in Southeast and East Asia who are Indonesia's competitors. 2) Clarify the current and likely behavior of Indonesian key export markets, such as the U.S., the EU and Japan.</p>	<p>1) Prepared a technical report analyzing the potential impact of new PTAs on Indonesia's trade. Technical Report on the New Regionalism in East Asia was completed and distributed to the Minister and key staff at MOIT</p> <p>2) Analyzed the impact of the global economic slowdown on Indonesian non-oil export performance. The minister expressed her appreciation for the report and requested follow-up activity to evaluate performance in major markets of key Indonesian products.</p> <p>Analyzed Indonesia's competitiveness in the 50 largest non-oil export products in the two largest markets, Japan and USA, using import data through 2001. The staff of MoIT expressed appreciation for the report and requested follow-up activity to evaluate performance in major markets of key Indonesian products, particularly</p>

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	<p>The contractor will monitor the export and import behavior of key sectors of the Indonesian economy and report on the current and expected changes in the behavior of the various sectors. This analysis will cover how Indonesia's economic factors impact Indonesia's domestic markets.</p>	<p>3) Analyze the overall incentive/disincentive structure of Indonesia's macroeconomic economic policies with respect to the current and expected pace of foreign and domestic investment in Indonesia.</p>	<p>textiles and apparel. A Report on Textiles and Apparel was subsequently prepared (with David Ray and Pete Minor).</p> <p>3) Organized and conducted training workshops on Key Policy Issues in Domestic and International Trade and Investment (with David Ray). Eight sessions were held altogether with 20-30 participants from MOIT. Provided 4 lectures and sets of lecture notes on 4 key issues in international trade.</p> <p>Completed a technical report/memo on pre-shipment inspection services for the Minister. Follow-up was requested by the Minister of Finance.</p> <p>Several reports and memos were prepared on customs reform and pre-shipment inspection of imports. Reinstitution of a form of Pre-shipment Inspection is under active consideration by the GOI until comprehensive customs reform can be undertaken.</p>

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<p>Tom Timberg, Small Scale Finance Advisor, Bank Indonesia, 1999-2003</p>	<p>1999-2001: 1) Help BI review policies related to provision of credit for SMEs and plan improvements or alternatives to the current policy framework</p> <p>2) Help BI and private banks develop an effective intermediation mechanism between the larger banks and smaller, local financial institutions</p>	<p>1999-2001 None listed.</p>	<p>1) The following activities pursued the first objective:</p> <ul style="list-style-type: none"> • Policy memos completed in response to crisis related requests for policy analysis on SMEs and alternative financial institutions, including review of credit policies towards SMEs and recommended changes. • Surveys conducted of financial institutions and SMEs to verify and correct available data, and subsequent analysis of survey findings vis-à-vis other donors and agencies. • Analysis of issues surrounding resumption of small scale lending in the absence of regulatory requirements from BI. Three seminars for decision-making bankers on SME lending and New Market-Friendly Role of BI in SME Promotion. Survey of commercial banks on their SME lending. • Survey of 49 BPR (rural banks) conducted to improve knowledge about Systems and Procedures, especially in relation to accounting. Results presented at National Seminar in Jogya. • Limited training needs assessment conducted for DBPR and related personnel within BI. • Workshops and research studies to assess potential for guarantee and linked deposit schemes. • Support and training for the design of Lembaga Keuangan Perbankan as part of revised BPR supervision structure • Training for senior employees plus regional study tour to enhance the technical capacity of staff of the DKr credit bureau of BI. • Training for DBPR staff, through CGAP and Economics Institute, to improve technical capacity of BI staff involved in rural banking (BPR). <p>2) Memos reviewing networking between commercial banks and alternative financial institutions (AFIs), proposed SME initiatives including Islamic Banking, etc. Two major papers produced on Islamic Banking and presented at International USAID sponsored conference June 2003 in Washington DC -- and posted to PEG website.</p>

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	<p>2001-02: The Small Business Finance Adviser is concerned with public policy toward Small, Medium, and Micro Enterprise (SME) finance, one of the key elements of which is how it relates to SMEs themselves and their various spokesmen. In Indonesia, this public policy is partly controlled by the Government and partly by the Central Bank, which has interim responsibility for supervising the banking system.</p> <p>The Small Business Finance Adviser must also assume responsibility for handling a number of collaborative, non-financial sector programs that were initiated by the Small Business Adviser in the State Ministry for Small Enterprise and Cooperatives, who departed in February 2001.</p> <p>The adviser has three main clients – the section of the Central Bank which regulates the small, “rural,” banks (the Rural Banking Directorate of Bank Indonesia), the section of the Central Bank concerned with credit policy (the Credit Bureau of Bank Indonesia), various institutions within and associated</p>	<p>2001-02</p> <p>1) To respond to short-term BI crisis related requests for policy analysis in the areas of small and medium enterprises (SME) and alternative financial institutions (AFI), to include reviewing Indonesia’s credit policies toward SMEs and suggesting policy improvements and alternatives that will promote broad-based economic growth in Indonesia.</p> <p>2) To conduct surveys of financial institutions and SMEs to verify (and correct where necessary), the available data, to include:</p> <p>a) Undertake surveys of financial institutions and small and medium enterprises, including secular and Islamic cooperatives, commercial banks, BPR (Rural Banks), as well as client SME enterprises and other SMEs.</p> <p>b) Correlating and integrating survey findings with those of actors, e.g. USAID, other Indonesian government agencies, the ADB, and examine various microfinance plans.</p>	<p>1) Policy Memos completed on Non Bank Microfinance Institutions (MFI), external finance for MFI, small banks, loan and deposit guarantees, and Credit Reference Bureau. Studies and seminars were completed on Improvement of Systems and Procedures, Information Systems, and Turnaround Management for BPR (Rural Banks), and policy changes were appropriately made.</p> <p>2) Surveys and accompanying reports and memos including on Regional Small Credit Profiles completed. Three goals were pursued with the Credit Bureau: (1) encouraging the focus on research and policy, (2) promoting the involvement with the SME community and the banks, and (3) helping with the phasing out of SME lending quotas. These goals were pursued by cooperating on a study of SME lending by commercial banks, focusing on the actual constraints to SME lending. They were also pursued through a continuing series of Socialization Seminars in which the Deputy Governor of Bank Indonesia traveled to the regions to meet bankers, government official, and the private sector to explain Bank Indonesia’s new role in support of market-based SME lending. A Study with the Credit Bureau on “Commercial Banks Systems and Procedures for Retail Loans and How They Influence the Volume of Such Loans” was completed. A survey of the actual system and procedures of commercial banks in making SME and retail loans was completed. Final Report done with Credit Bureau on SME Lending Quotas and served as basis for new regulation abolishing them.</p> <p>The goals for the Rural Banking Directorate were to assist with reforms underway, particularly in areas where GTZ (The German Government Technical Assistance Agency) is not active, and orient the Directorate toward international standards for microfinance with which USAID has been identified. This was done by supporting several targeted research projects by Institut Bankir Indonesia (IBI) on critical issues, supporting workshops at which major policies were developed, and promoting the Directorate’s participation in international activities on microfinance regulation. Included were studies of rural bank handling and reporting of financial data and the documentation of teaching case studies of successful experience in working out small loans by rural banks and also a study on best practices for rural banks.</p>

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	with the Ministry for Small Enterprise and Cooperatives.	<p>3) To assist in developing networks between commercial banks and alternative financial institutions by analyzing the current condition of AFI and SME in Indonesia, to include:</p> <p>a) Examining issues relating to the networking of various financial institutions; special attention must be given to Dabenas and Barperindo, as proposed bases for networking the pooling of funds, and other linkage possibilities between AFI and mainstream financial institutions, such as the USAID proposed Microlinks project;</p> <p>b) Discussing proposed and potential SME initiatives, with particular attention to Islamic banking institutions and their potential in Indonesia;</p> <p>c) Discussing and negotiating results of these analyses with other actors to encourage a consensus on action, with additional follow-through activity as necessary.</p> <p>4) To provide technical assistance and training in assessing alternative ways to handle SME functions, given different assumptions about organizational structure to BI.</p>	<p>a study on best practices for rural banks.</p> <p>3a) Memos written reviewing networking between commercial banks and AFIs and proposing SME initiatives including Islamic Banking, etc. Pilot Credit Ratings and Seminar completed -- work being followed through by Asia Foundation and Bank Indonesia by Working Group for Credit Rating Agency for BPR.</p> <p>3b) Conducted a seminar on Standards for New Bank Licensing. Supported a study on developing a supervision policy for Savings and Loan Cooperatives. Conducted a Training Needs Assessment (TNA) for Local Level (former) MennegKop Offices and held a seminar on the topic. Did a study on policy formulation regarding Business Development Services (BDS), resulting in Pilot Project for Regulation and Promotion of S & L Coops in Jember now under implementation.</p> <p>3c) Worked with All Government Working Group and participants to establish consensus position on approach to SME development and finance, including guarantees and Credit Bureau. Study on revisions needed in the SME Law done and National Seminar conducted. Facilitated Legislative Drafting Training by ELIPS.</p> <p>4) Participated in various working groups and task forces regarding new regulatory framework for MFI. Organized training for senior employees and two courses on SME Finance Research. Sent high level Mennegkop staff for training in the U.S.</p>
	2002-03: The work program of the Adviser is directed to three government clients who determine much of the framework for SMME in	2002-03: A. In the case of BKr training and research are designed to assist the transition to the new paradigm as follows:	

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	<p>Indonesia:</p> <p>A. Credit Bureau (BKr) of Bank Indonesia (BI)</p> <p>B. Rural Banking Directorate (DBPR) of BI and the</p> <p>C. State Ministry for Cooperatives and Small Enterprise (MennegKop).</p>	<p>1. In House Courses on SME Finance Research Methodology, Rural Finance, and SME Policy.</p> <p>2. Socialization Seminars with regional banks and publics to promote SMME lending.</p> <p>3. Research on the factors influencing Commercial Bank Lending.</p> <p>B. In the case of DBPR, ongoing and new activities include:</p> <p>1. Research on Best Practices for Bank Perkreditan Rakyat (BPR), rural banks.</p> <p>2. Research, advice, and support for dialogue on regulation of non-bank microfinance institutions, the licensing and promotion of new BPR, improved BPR information systems, improved external audit of BPR, and linkage of BPR with more general financial markets (especially through the creation of a rating bureau).</p> <p>3. Research on regional patterns in SMME finance which should serve as raw material for regional approaches to SMME finance.</p> <p>4. Joint work with USAID funded entities such as Asia Foundation on specific regional microfinance initiatives.</p> <p>C. The activities with MennegKop are more tentative because they depend on several decisions by USAID/Jakarta but include as follows:</p> <p>1. Research on the regulation and promotion of savings and loan cooperatives and the impact on them of regional autonomy.</p> <p>2. Research on subcontracting/partnership</p>	<p>A.1. At request of client this was changed to a course in Australia which was conducted at Monash University. Also held seminar on Palm Oil Finance.</p> <p>A.2. These have been done in Eastern Indonesia with funding entirely from Bank Indonesia.</p> <p>A.3. A research study on Factors Influencing SMME Lending was completed.</p> <p>B.1. The BPR Best Practices study was completed and is posted on the PEG website.</p> <p>B.2. Continuing dialogue. Pilot rating completed and plans underway for national rating agency. New BPR licensing proceeding.</p> <p>B.3. Studies completed for 8 provinces.</p> <p>B.4. Coordination on development of present programs with TAF, ACDI/VOCA, Mercy Corps etc.</p> <p>C.1. Research completed on the regulation and promotion of savings and loan cooperatives and the impact on them of regional autonomy and pilot implementation underway.</p> <p>C.2. Research on completed subcontracting/partnership between SMME</p>

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		<p>between SMME and large industry as a means for their promotion.</p> <p>3. Other potential work includes that on small debt resolution, revision of SMME legislation, and the impact of government activity on SMME.</p> <p>D. Other work will be with other sections of BI as follows:</p> <ol style="list-style-type: none"> 1. Coordination of the Short Term Advisory work on HRD/Training for bank supervision. 2. Assistance to the Directorate for Licensing and Information on the proposed credit bureau and other issues. 3. Assistance to the Transition Team on the development of BI's regional offices. 4. Assistance to the Shariah Banking Bureau. <p>Other deliverables:</p> <ol style="list-style-type: none"> 1) Incumbent will provide a final report addressing the research results, the analysis underlying the research, the recommendations that result and the rationale for those recommendations. 2) The research, analysis, and assistance activities will also be reported to government officials through a national seminar that the incumbent will organize to consider findings & generate support for policy follow through. 3) Policy advice is typically documented in policy memoranda to decision makers, as well frequently by participation and presentations to national or regional seminars for which there is always final documentation. Incumbent is committed to completing 	<p>and large industry as a means for their promotion and a national workshop was held on May 29, 2003.</p> <p>C.3. Seminar on SMME Legislation. Paper posted on PEG website.</p> <p>D.1. Study on HRD/training needs of BI for bank supervision done, recommendations partly implemented. Australians are ready to fund our consultant in a follow-on project.</p> <p>D.2. Task Force organized under BI is going at full tilt with IFC support.</p> <p>D.3. Continuing dialogue</p> <p>D.4. Scheduled visit by Prof Richard Meyer of Ohio State University was canceled due to ordered evacuation and could not be rescheduled before end of contract. A National Seminar on Comparative Bank Supervision was held.</p> <p>1) The Advisor's final report, "What I Learned in Indonesia: Nine Salient Points on The Indonesian Financial System and Small and Micro Credit," was completed and presented at a national seminar on June 17, 2003. It is posted on the PEG website.</p> <p>2) A national seminar to present and discuss the Advisor's final report was held on June 17, 2003.</p> <p>3a) The following 7 policy memoranda were completed:</p> <ol style="list-style-type: none"> i) "Appropriate Macropolicy for SME," Spring 2002. ii) Comments on Speech by Rudjito to USAID Retreat, Spring 2002 iii) Memo to Ms. Yunus Sari on Debt Restructuring iv) Expanding SME Credit In Indonesia v) Memo on the Millennium Challenge Account

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		<p>Incumbent is committed to completing</p> <ul style="list-style-type: none"> a) three policy memoranda and b) five presentations to national or regional seminars. <p>4) Finally, much of the collaborative work is culminated in seminars/workshops/meetings and which participants resolve next steps and again are documented both in published proceedings (though these are occasionally not available to the general public if the authorities restrict their dissemination) and in a written Notulen (or summary report). Incumbent will draft or assist in the drafting of at least five Notulen.</p>	<ul style="list-style-type: none"> vi) "Disclosure Standards for Financial Reporting by Microfinance Institutions," CGAP Draft. Memo prepared. vii) "The Issues in Connection with the BPR Credit Rating Agency" <p>3b) The Advisor made the following 6 seminar presentations:</p> <ul style="list-style-type: none"> i) National Seminar on Savings and Loan Cooperatives. The advisor's presentation is posted on the PEG website. ii) Seminar on SME Finance by Jakarta Branch of the Ikatan Sarjana Ekonomi Indonesia. The presentation is posted on the PEG website. iii) Seminar at Nathan Associates in Washington on Islamic Banking. iv) Paper on Islamic Banking, at Conference on the Pathway Forward for Rural Finance, Washington, DC, June 2-4, 2003, paper on Conference Website. v) REDI Seminar on "Models for Lending to Support SME," Surabaya, May 22, 2003. Supported by a PEG small grant. vi) AKM Seminar on "Strengthening the Network of Microfinance Institutions and Alleviating Poverty," Jakarta, May 2003. Supported by a PEG small grant. <p>4) The Advisor participated in the following 11 seminars and completed notulens or papers on 7 of them:</p> <ul style="list-style-type: none"> i) Microfinance workshop, World Bank, Jakarta, February 11-12, 2002. Notulen in file ii) The 5th Network Meeting Ukabima, Bandung, February 18-21, 2002. No notulen in file iii) BMT Supervision Jakarta, March 13, 2002. Notulen in file iv) Saving and Loan Supervision, Jakarta, March 18, 2002. Notulen in file. v) Potential Investor for BPR, Makassar, August 30, 2002. Notulen not in file vi) Saving and Loan Supervision II, Jakarta, September 30, 2002. Notulen in file vii) Seminars on S&L Cooperatives in region (Lampung & Manado). No Notulen viii) Credit Bureau Seminar on SME Lending. No Notulen in file ix) National Seminar on Development of Promotion of Profit Sharing

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		<p>5) Incumbent is to persist to seek enactment or promulgation of three pieces of legislation or (more typically) regulation on the administrative or provincial level) or formal institutional initiatives (documented in the government case by administrative legislation, and in private cases by contracts, memoranda of understanding, or similar documents.)</p>	<p>Finance for SME and the System for their Supervision, Jakarta, June 27, 2003. End of Project Notulen with Biro Shariah, Bank Indonesia. x) Final Seminar, June 17, 2003, Jakarta. Paper on Web. xi) "Hasil Rapat Koordinasi Tindak Lanjut Pelaksanaan Seminar Nasional," May 19, 2003, Jember, Notulen in file.</p> <p>5) The Advisor worked on the following pieces of legislation: i) Draft Microfinance Institutions law ii) Draft Ministerial Decree on Credit Information bureau iii) Regulations on new BPR licensing. iv) Forthcoming PERDA on Cooperative Regulation in Jember.</p>

PEG Project Objectives and Deliverables Matrix

Achievements Against PEG Contract Objectives and Deliverables, Life of Project

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
<p>Robert Rice, Economic Competition Advisor, Ministry of Cooperatives and Small Business, 1999-2001</p>	<p>1) Assist the Ministry address constraints on the flexibility of small businesses and to propose and implement policy solutions to these concerns</p> <p>2) Provide the analytical basis for establishing a rule-based approach to supervising competition in domestic markets, with a particular orientation to small and micro-businesses</p>	<p>Not defined.</p>	<p>Working papers completed and presented on:</p> <p>a) "Factors Affecting the Competitiveness of Small and Medium Enterprises" (August 1999);</p> <p>b) "Product Reservation and Other Policies to Increase Demand for the Products of Small Enterprises", (30 August 1999) which was published in <u>Media INFOKOP</u>, No. 19, Tahun XVI, 1999/2000;</p> <p>c) "Small Enterprises as an Essential Part of the Indonesian Development Strategy" (10 September 1999); and</p> <p>d) "A Comparison of the Development of Small and Medium/Large Indonesian Manufacturing Enterprises from 1986 to 1996 by Sector"</p> <p>Analyzed 1986 and 1996 Economic Census and <i>Statistik Industri</i> data. This was done at the two, three, and four digit industrial classification levels to estimate the rates of growth of value-added in real terms, employment and the number of enterprises comparing small manufacturing enterprises with MLEs.</p> <p>Wrote various memoranda to Dr Noer Soetrisno and other MENNKOP colleagues including on 1) reservation schemes and restrictions on production; 2) possible agricultural sector to be researched; 3) networking and contracting, 4) possible types of contents of individual sections in the report on competitiveness of enterprises; and 5) suggestions for the content of the competitiveness research questionnaire.</p> <p>Wrote "Some Comments about the 'National Workshop of SME Development' held December 8 and 9, 1999, and Sponsored by the ADB, ILO, World Bank and BAPPENAS," December 30, 1999. This paper was given to several State Ministry of Cooperatives and SMEs colleagues who could not attend the whole conference.</p> <p>Wrote "Some Comments about 'Ringkasan Eksekutif: Sebuah Tinjauan Tentang Definisi Usaha Mikro, Kecil, dan Menengah di Indonesia dan Usulan Penyempurnaanya'" and "Operational Conditions of Micro, Small and Medium Enterprises" presented by AKATIGA-Bandung' (29 November). This was given to Dr Noer Soetrisno and I Wayan Dipta.</p> <p>Provided substantial assistance to the National Task Force for the Development of SMEs and Cooperatives which resulted in improvements in their drafts of "Daftar Issue UKM Sub Pokja Pengembangan Iklim Usaha Kecil & Menengah Matrix" (List of SME Issues of the Sub Task Force for Development of the Climate for Small and Medium Enterprises Matrix), which forms the basis of their draft Action Plan for SMEs and Cooperatives.</p>

		<p>Presented a written list of "Possible ADB SME Technical Assistance Fund Uses" to a high level Mennekkop meeting, which assisted them in preparing for a meeting with other Government Departments on this matter.</p> <p>Assisted Mennekkop staff in analyzing the possible adverse effects of the Law No. 8, 1999, on Consumer Protection, for small and medium enterprises.</p> <p>Presented two papers on the possible benefits and costs of credit guarantee schemes, possible roles for the private sector, and some experiences from other countries at a one day seminar and provided input into seminars and meetings on policies for fostering SMEs, intellectual property rights, revising the cooperatives law, and on the difficulties faced by an electricity cooperative on Lombok island.</p> <p>Prepared a paper "Recommendations for Actions to Improve Small and Medium Enterprise Policies as a Follow-up to the National Workshop of SE Development," which was particularly useful for some senior Mennekkop officials.</p> <p>Assisted Mennekkop senior staff prepare several presentations and assisted with their preparations for a SME Donor Coordination meeting held on June 22nd.</p> <p>After visiting Lombok island with Mennekkop colleagues, prepared reports for Mennekkop on especially the financial condition of Koperasi Listrik Pedesaan "Sinar Rinjani" ("Sinar Rinjani" Village Electrical Cooperative), Lombok Timur, and on the levels of welfare in the area served by Koperasi Listrik Pedesaan "Sinar Rinjani".</p> <p>Prepared materials for two Seminar-Workshops, held in Semarang and Surabaya with the title "Semiloka Peningkatan Sumber Daya Manusia Pembina Koperasi dan PKM Menuju Era Globalisasi Ekonomi" (Seminar-Workshop to Increase Human Resources Guiding Cooperatives and SMEs into the Era of Economic Globalization).</p> <p>Completed a paper dated March 24, 2001, "A Review of Recommendations Made about Subcontracting in Indonesian Manufacturing Industries from 1997 to 2000".</p> <p>Organized short-term assistance by Eduardo Canala to SMECDA to help facilitate the development of business services and provide advice on ways that SMECDA can best fulfill its mission.</p> <p>Delivered paper "Masalah-masalah Yang Dihadapi Oleh UKMK dan Pemecahannya" (Problems faced by SMEs and Cooperatives and solving them) at two Seminars/Workshops "Peningkatan Sumber Daya Manusia Pembina Koperasi dan PKM dalam Rangka Menyongsong Globalisasi Ekonomi da Otonomi Daerah" (Seminar/Workshop to increase human resources guiding cooperatives and SMEs into the era of economic globalization) in Padang on January 29th and Medan on February 12th; and prepared a detailed report on the seminar/workshop in Padang.</p>
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PEG Project Objectives and Deliverables Matrix

Achievements Against PEG Contract Objectives and Deliverables, Life of Project

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
<p>Idris Sulaiman, ICT Advisor, Ministry of Communications & Information, 2001-2003</p>	<p>2001-2002: (Dr. Sulaiman's SOW was not included in the 2001-02 PEG Contract. He was hired as a long-term advisor with short-term LOE, at the request of USAID/ECG. His workplan objectives and deliverables are reported here.)</p> <p>Assist USAID/PEG with policy/event coordination, research, and publicity work as part of the follow up work from the USAID report entitled "Indonesia: ICT Assessment 2001." He is to serve as Advisor to the Indonesian ICT (<i>Telematika</i>) Coordinating Team (TKTI).</p>	<p>2001-2002:</p> <p>1) Coordinate ICT-related Events: To coordinate, organize and arrange workshops, conferences or other special events on behalf of USAID and implemented by PEG.</p> <p>2) Development of USAID Indonesia Strategy for ICT Development: Advise and assist the USAID ICT Working Group.</p> <p>3) Development of Indonesian ICT National Strategy (Guidelines and Action Plan): Advise and assist the Indonesian ICT (Telematika) Coordinating Team (TKTI) and the newly created Ministry of Communications and Information in fulfilling their responsibilities as the GOI's advisory and monitoring bodies for the development and implementation of the ICT Action Plan.</p> <p>4) Development of Wartels, Warnets and Telecenters in Indonesia: Advise and assist the TKTI and the private sector in the development of Wartels, Warnets and Telecenters.</p>	<p>1) Completed: a) Provided lectures and talks on ICT policy to government and industry representatives. b) Arranged the funding application, assisted planning and execution of two seminars (on VoIP and on wireless solutions) by the ISP association as part of the ICT industry efforts to bridge the digital divide.</p> <p>2) Completed: a) Briefing memorandums b) Presented papers that review USAID ICT Program and the Indonesian ICT Action Plan in seminars in Jakarta, Singapore, and Tokyo.</p> <p>3) Completed: a) National policy strategy statement – ICT National Guidelines and National ICT Action Plan – both of which have been adopted as part of the Presidential Instructions (<i>Inpres</i>) No. 6/ April 2001 b) Several reports, presentation papers and policy notes were produced which document policy issues and events.</p> <p>4) Completed: a) A major briefing paper on telecenter issues b) Organized the First National Video-Conference on Telecenters with World Bank/USAID, Washington DC in collaboration with World Bank, Jakarta c) Major report on the video-conference on sustainable models for telecenters development and the role of the Indonesian private sector and edited a number of papers that were presented at (b) above d) A memo as a discussant on the Thai-Canadian Telecenter Project seminar sponsored by CIDA</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
		<p>5) Development of TKTI's FDI policy in ICT: Advise and assist the TKTI in the development of FDI in ICT and coordinate with ICT-related US companies on FDI issues.</p>	<p>e) Provided papers and briefing sessions on the development of telecenters to MCI staff and other IICT members as well as USAID-ECG "West Java" and "Open Access" Focus Groups f) Several memos for "Open Access" Focus Group meetings, facilitated TAF/CastleAsia SME seminar g) Briefing notes for joint-meetings with the ADB SME TA Management group (Ministry of Cooperatives and SMEs) and with SME team Swiss Contact</p> <p>Developed and maintained a section of the PEG website <www.pegasus.or.id> which provides information on the development of telecenters as well as ICT developments in Indonesia</p> <p>5) Completed: a) Provided a policy note on the attractiveness of Indonesian IT for FDI, which reviews opportunities and challenges facing the Indonesian IT industries. b) Provided papers and briefing sessions on the development of appropriate legislation and institutions (in particular an independent regulatory board on communications, i.e. telecommunication and broadcasting) c) Attended several AmCham meetings d) Disseminated information from international conferences on countering cybercrime, ICT security/CERT issues and strategic CIP policy formulation to business leaders, MoCI and other agency officials. e) Led and organized the establishment of the first (private-sector driven) Indonesian cybersecurity taskforce and forum f) Made the case for a greater focus on cybercrime issues at MoCI, for the establishment of the Indonesian national critical infrastructure protection coordinating team and for the development of the Indonesia's Cybersecurity Strategy (or "Roadmap"). g) Organized significant input (Cybercrime Provisions) to the</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
		<p>6) Development of MOIT's Policy on Industrial Development through Cluster Efficiency Improvements in Indonesia: Advise and assist with the privatization policy and with institutions for leveraging inter-firm linkages in specific core industry clusters.</p> <p>7) Ad hoc requests: Respond to USAID/PEG, TKTi, MenKomInfo, and other GOI agency requests (preparing speech and other material) as requested.</p>	<p>Draft Law on Information, Communications and Electronic Transactions (RUU-IKTE) which will be passed through Parliament in 2003.</p> <p>h) Conducted liaison activities and provided translations of the request list for cybercrime forensic equipment made by IT and Cyber Crime Unit of National Police to the Department of Justice representative at the US Embassy.</p> <p>6) Completed:</p> <p>a) Co-organized JA Austin program on competitiveness in Bandung West Java with a particular emphasis on the ICT electronics industries</p> <p>b) Short memorandum on the study of technology diffusion in the Indonesian electronics industry</p> <p>c) Coordinated meetings with CyberCity Indonesia, Bandung HighTech Valley and Balicamp groups.</p> <p>7) a) Planned and organized the ICT Bali Recovery Program (with PT Rajacraft.com as e-comm portal developer) for SMEs in Arts and Handicrafts.</p> <p>b) Provided names for invitation lists and attend to speak at workshops, conferences or other special events (eGovernment, Sisfonas, eASEAN and cybersecurity) as requested by MoCI.</p> <p>c) As part of the MTC handbook launch, organized the sponsorship of a researcher to attend the Pacific Telecommunications Council (PTC) Conference in Honolulu, Hawaii, January 2003.</p> <p>d) Provided information, interviewed candidates and led initial discussions toward proposals for PEG's In-Kind Grants for a seminar, product showcase, workshop on IT and network security organized by the Association of ISPs (APJII), a seminar on legal workshop on cybercrime, telecenter development seminar and workshop and a seminar on accounting standards for telephone/cellular companies for the</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
			Assoc for Cell Telephone Operators (ATSI).
	<p>2002-2003: Small Medium Enterprise (SMEs) Development Assist Comm-Info and USAID SME development efforts with policy formulation and coordination on the use of ICTs by SMEs to improve efficiency, productivity, access to market, technology, capital and business services assistance in Indonesia by the development of applications and linkages with local and foreign partners and in coordination with the government and private sector associations, including</p> <p>a) consensus-building on priorities and strategy on use of ICTs by SMEs with other USAID partners; and b) identification of specific technical assistance to national and regional industry associations, for example within West Java/Bandung region.</p> <p>Private Sector Opportunities in ICT Activities Assist the newly established the State Ministry of Communications and Information in facilitating the implementation of the ICT Action Plan, with particular emphasis on those activities that provide increased private sector participation in ICT activities. Conduct two studies of on the best techniques for carrying out improved strategies for private sector leadership in ICT Action Plan implementation..</p> <p>Ad-Hoc Coordination and Policy Work (1) Take a leadership role as appropriate in efforts to encourage private sector leadership</p>	<p>2002-2003:</p> <p>1) Participate on the USAID ICT Mission team and ICT Working group.</p> <p>2) Design and prepare a strategy for follow up for the ICT action plan in accordance with USAID ICT Mission team priorities, and seek opportunities to encourage the GOI to implement that strategy.</p>	<p>1) Provided briefing sessions and information about the Indonesian ICT and macroeconomic conditions to US companies and other organizations through, for example, the US Commercial Office, Rotary Club and AmCham meetings as well as through PEG website as its webmaster</p> <p>2) Completed:</p> <p>a) Performed the role as discussion group leader and made a presentation of the strategy to the retreat participants on "Access to Information Content Development & to Information Infrastructure Provision as key tools to bridge the Digital Divide in Indonesia" at the USAID-ECG Retreat.</p> <p>b) Provided input to the development of ICT policy through USAID ICT Working Group led by Economic Growth Team Leader. Supported his work with the World Bank Private Sector Coordinator, Mr. Bernard Drum, who has played a critical role as coordinator of joint activities with other donor agencies in the Donor ICT Group on Indonesia</p> <p>c) As requested by the Deputy Leader of the Economic Growth Team, Dr. Sulaiman worked on ICT/cyber-security and cybercrime issues as part of business and investment facilitation in implementing the ICT Action Plan.</p> <p>d) Attended USAID Asia & Near East Bureau Regional ICT Coordinators Workshop, Jordan, and relayed key recommendations from the Workshop to USAID/Indonesia and its ICT Working Group</p> <p>e) Based on material from the USAID-ECG Retreat and input from USAID Jordan conferences, organized the meeting of the Donor ICT Group on Indonesia on the ICT Action Plan and maintain the discussions of the ICT Action Plan in e-government programs and other discussions at the MoCI and other agencies, with the representatives of industry organizations and other donors.</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
	<p>of ICT activities in Indonesia.</p> <p>(2) Coordinate, organize and arrange workshops, conferences or other special events on behalf of the State Ministry and USAID as requested; help coordinate the Donor to Indonesia Group on ICT, ICT Mission Team and ICT Working Group,</p> <p>(3) Respond to ad hoc ICT-related requests from the Ministry as requested in fulfilling its responsibilities as the GOI's executive body for the development and implementation of ICT in Indonesia,</p> <p>(4) Respond to ad hoc ICT-related requests from the Indonesian Telematics (ICT) Coordinating Team (<i>Team Koordinasi Telematika Indonesia</i>) as requested in fulfilling its responsibilities as the GOI's advisory (and monitoring) body for the development and implementation of the ICT Action Plan,</p> <p>(5) Assist with the development of surveys/studies supporting policy analysis leading to recommendations and institution-building for the State Ministry as required.</p>	<p>3) Design and prepare a consensus strategy for USAID ICT usage by SMEs. Seek acceptance in implementing this strategy from the GOI in collaboration with other USAID SME activities, both inside and outside the Nathan-Checchi consortium.</p> <p>4) Design and prepare a consensus strategy for ICT development in West Java consistent with the USAID West Java working group.</p>	<p>f) Organized and provided presentations at events on "Voice over Internet Protocol (VoIP)" and "Wireless Solutions" which are essential applications for CTCs/MTCs.</p> <p>g) Disseminated information from international and national conferences on 'best practice' MTC development models.</p> <p>h) Completed the translation of the US National Telephone Cooperative Association (NTCA) publication on the "Lessons for the Private Sector's Participation in MTC development."</p> <p>3) Completed:</p> <p>a) Disseminated information from international conferences on ICT use in SMEs as part of the national competitive advantage issues and strategic national policy formulation.</p> <p>b) Provided idea input to UNDP ICT for Development Program and encouraged ties with Global Trade Network (USAID-IESC supported program).</p> <p>4) a) Participated in the USAID-ECG "Open Access/SME" focus group with the other USAID partners and supported several major events on "ICT use for SME Business Development" organized by Asia Foundation in several regional cities particularly in West Java. USAID-ECG Retreat ICT Strategy has been presented to the USAID West Java working group.</p> <p>b) Continued attending and provided information support to the USAID-ECG 'West Java' focus group meetings as requested.</p>

PEG Project Objectives and Deliverables Matrix

Achievements Against PEG Contract Objectives and Deliverables, Life of Project

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
<p>Paul Brietzke, Commercial Law Advisor, Coordinating Ministry for the Economy and Finance, 1999-2000</p>	<p>1) Identify opportunities to create laws and regulations designed to establish a facilitating environment for business and organize drafting services to assure that carefully crafted legislative and regulatory proposals are made available (Areas of particular concern include bankruptcy, secured transactions, arbitration, and the need for fair-trade legislation. Other areas that can be addressed concern intellectual property law and the foreign investment code)</p> <p>2) Further develop the implementation and enforcement process for such laws and regulations</p> <p>3) Provide the necessary economic and technical arguments needed to develop support for enactment of these laws and regulations</p>	<p>Not defined.</p>	<p>1) Contributed to the drafting of new laws on bankruptcy, Fidusia (secured transactions), competition (anti-trust), copyright and trademarks (intellectual property), anti-corruption, and money laundering. Also worked on a revision of the Company Law. The PEG COP contributed to the drafting of a new arbitration law and wrote a book on the subject.</p> <p>2) Helped set up the Fidusia Registry and supported the establishment of the Competition Commission (KPPU). Worked with the Competition Policy Institute to help them understand this new legal field and on corporate governance issues.</p> <p>3) Provided legal and economic arguments to explain and justify all the above-mentioned laws and their implementation, particularly the Fidusia Law and the Competition Law.</p>

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Achievements Against PEG Contract Objectives and Deliverables, Life of Project

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
<p>Jeff Povolny, Grants Manager/ PEG Project Administrator, PEG Project, 1999-2003</p>	<p>1999-2001: The objective of the grants is to contribute to Indonesia's economic growth by strengthening economic policies and practices associated with increased openness to international trade and investment and strengthened domestic economic competition. The grants themselves are designed to promote sustainable linkages between U.S. and Indonesian institutions whose work is focused on economic policy issues. These partnerships are expected to be a source of research and analysis which will contribute to the demand for a continuous process of economic reform and development.</p>	<p>1999-2001 Principle Tasks: <u>a) Solicit New Grants.</u> The Contractor shall undertake the solicitation of new grants each year (FY99 thru 01), compile information on suitable research organizations, universities, government departments, public and private think tanks, both Indonesian and American, which may be interested in the PEG program, and inform such organizations about the PEG program. <u>b) Process New Grant Applications</u> The Contractor will accept and perform an initial technical and financial evaluation and rank order all proposals received in response to each grant solicitation in accordance with criteria established by USAID and the Government of Indonesia and submit recommended successful applications for review and approval by the joint USAID/GOI Technical Committee. <u>c) Negotiate and Execute New Approved Grants.</u> Based on the recommendations of the Technical Committee, as confirmed in writing by the COTR, the Contractor will negotiate and execute grants with the selected applicants, assuring that they are in full agreement with all relevant USAID rules and regulations. <u>d) Manage Grants.</u> The Contractor shall review workplans, monitor progress toward results, and administer all grants which it has awarded. <u>e) Audits.</u> The Contractor shall implement the</p>	<p>a) All deliverables were accomplished. Numbers of various kinds of organizations may be obtained from the files, the lists of organizations and people who were sent the RFPs for the PEG grants and for the USAID cooperative agreements. Tiara kept excellent records of all RFP recipients.</p> <p>b) Again, Tiara kept excellent records of all applications received, numbers and source. For the PEG grants and the USAID cooperative agreements. Deliverables as described were achieved. Recommendations were submitted to the joint Technical Committee for approval.</p> <p>c)The Grant Manager drafted, negotiated and submitted to the Contract Officer for review the grant and cooperative agreements. For the PEG grants, the grants agreements were signed by the grants manager, the cooperative agreements were signed by the agreement officer. In each case all executed grants/agreements were in full compliance with all relevant USAID rules and regulations.</p> <p>d) For the PEG project, grant/agreement recipients submitted life of grant and year 1 work plan prior to award. Year 2 and 3 work plans were submitted and reviewed. Progress was monitored quarterly and at other opportune times.</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
		audit requirements for the grants awarded under this contract.	e) All recipients grants were audited as part of the grantees' annual institutional audits and therefore special audits that specifically address the individual PEG Grants are not required.
	<p>2001-02: <u>A. Partnership Grants</u> The objective of the grants is to contribute to Indonesia's economic growth by strengthening economic policies and practices. The Contractor is to provide support to this process by providing administrative and technical support to the grant application and approval process. The grants themselves are normally designed to promote sustainable linkages between U.S. and Indonesian institutions whose work is focused on economic policy issues. These partnerships are expected to be a source of research and analysis that will contribute to the demand for a continuous process of economic reform and development.</p> <p><u>B. Small, In-kind Grants</u> Provide small grants (less than US\$20,000 each, unless exceptions are approved by the CTO) directly to Indonesian NGO's, civil society groups and research institutions to help them conduct activities and programs to advance USAID's economic growth team objectives. Activities funded by the small grants should promote sound economic policies and institutions, especially at the local level, help construct a legal and regulatory framework that is conducive to</p>	<p>2001-02: <u>Principal Tasks:</u> <u>A. Partnership Grants:</u> 1) Help USAID Manage the Solicitation of New Grants or Extension of Existing Grants. 2) Process New Grant Applications or Extensions of Existing Grant Applications 3) Negotiate and Execute New Approved Grants and Extensions of Existing Grants. 4) Management of Grants. The Contractor shall review workplans, monitor progress toward results, and administer all grants that it has awarded or that USAID requests that it manage in this fashion after USAID award.</p> <p>5) Audits. The Contractor shall implement the audit requirements for the grants awarded or extended directly under this contract or that USAID has requested that it manage.</p>	<p>A. During the period October 1, 2001 – September 30 2002 PEG supported directly five grants: IRIS/LPEM (finished August 31, 2002), Georgetown-PBC (finished January 15, 2003), University of Bandung/University of Southern California (finished March 31, 2002), CSIS/Columbia University (finished April 30, 2002). A sixth grant to the Asia Foundation was completed August 31, 2001. Reports from individual grantees are available in the PEG Project quarterly reports.</p> <p>In general, the PEG Grants program was highly successful with all grantees fulfilling their grant objectives. It is also clear that the Indonesian partners have been strengthened, their profiles as providers of competent analysis used for economic decision making has been enhanced and they are recognized for their competence. The relationships have been built and sustained and provide an excellent base from which to promote the growth of Indonesia's economy based on open trade, investment and domestic economic competition.</p> <p>PEG prepared the award documentation for and administered four grants for USAID that were awarded in early 2002: Opportunity International, RAND, CARE Indonesia, Rural Development Institute (RDI), and four other cooperative agreements: the Asia Foundation, Siaga/ UGM, IRIS and U. San Francisco/CCLE. These cooperative agreements were awarded directly by USAID. PEG has ensured that the performance reports have been received and has provided support and recommendations as required. The reports from individual grantees are available in the PEG Project quarterly reports.</p> <p>A.5) This activity affects only PEG Grantees. All PEG Grantees' grants are audited as part of the grantees' annual institutional audits and therefore special audits that specifically address the individual PEG Grants are not required.</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
	<p>economic growth particularly by small and medium businesses, help provide open access to economic opportunity for all Indonesians, and support knowledgeable public participation in economic policy decision making.</p> <p><u>C. Research Grants.</u> Administer a program to provide individual research grants to support Ph.D. thesis-level economic and legal research for Indonesian and U.S. Ph.D. candidates whose topic areas cover Indonesia's economic development and financial and legal reform and which are consistent with PEG goals and USAID/ECG strategy. Post-doctoral work for selected candidates may also be supported under this activity.</p>	<p><u>B. Small, In-kind Grants</u> Small Grant awards will be administered directly by the PEG Grants Manager and support staff. Management includes the direct purchasing of goods, services or intellectual products from individuals or companies on behalf of the award recipient.</p> <p><u>C. Research Grants.</u> Research grants will be administered directly by the PEG Grants Manager and support staff. Management includes the direct purchasing of goods, services or intellectual products from individuals or companies on behalf of the award recipient.</p>	<p>B. This program has been highly successful, with 24 small grants awarded and completed during the fourth year of the project, 2001-02, bringing the total since the beginning of PEG to 44. A major emphasis of the small grants program has been the West Java Development Strategy that has leveraged the various programs and activities of the Mission, as well as those of other donors and stakeholders with an interest in West Java. Such leveraging was already implemented in the small grants program and has been continued under the West Java focus program. During the year direct payment awards have seen an increase of cost share born by the grantee rise from 25% (usually in-kind) to 45 - 50%, and includes the participation of private, NGO and other aid agency partners. For example, this was the case for the APJII (Association of Indonesian Internet Providers) seminars on ICT issues VOIP (voice over Internet protocol), Wireless IT Network Development and the Warung Informasi Teknologi (WARINTEK) Program held by the Ministry of State for Research and Technology –Deputy Minister For Utilization and Socialization Science and Technology (KRT).</p> <p>C. The research grants program enjoyed limited success due to the relatively few numbers of U.S. Ph.D. candidates whose topic areas include economic development, financial and legal reform in Indonesia. For Indonesian candidates success was limited due to the scarcity of Indonesian students in Indonesia who were fluent enough in English, and for the same reason of topic area for Indonesian post graduate students in the U.S. Two research grants were awarded, one to an Indonesian student at University of Southern Illinois, a second to an Indonesian student at Bandung Institute of Technology.</p>
	<p>2002-03: The Nathan-Checchi consortium grants activity is designed to contribute to</p>	<p>2002-03: <u>A. Manage Partnership Grants:</u> 1) For PEG Grants: Quarterly performance</p>	<p>A. 1) During the period January 1, 2003 – March 31, 2003 only one PEG grant was active for a brief period of time. The grant to Georgetown University partnered with the Partnership for</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
	<p>Indonesia's economic growth by strengthening economic policies and practices associated with increased openness to international trade and investment and strengthened domestic economic competition.</p> <p>The grants promote sustainable linkages between U.S. and Indonesian institutions whose work is focused on economic policy issues.</p> <p>The principal tasks of the Grants Advisor/Project Administrator are as follows:</p> <p><u>Manage Partnership Grants:</u> The Contractor shall review work plans, monitor progress toward results, and administer all grants it has awarded or made recommendations for award to USAID. The Contractor shall determine if all such grants it has awarded are performing and meeting goals and benchmarks as agreed.</p> <p><u>Audits:</u> The contractor shall implement the audit requirement for the grants awarded under this contract.</p> <p><u>In Kind Support for NGOs, Civil Society Organizations, and Research Institutions:</u> Provide direct in kind payment for goods and services to suppliers as appropriate to support or assist Indonesian NGO's, civil society groups and research institutions to help them conduct activities and programs that further work of the long term advisers,</p>	<p>monitoring and financial reports are submitted and reviewed. Requests for advance/ reimbursements are reviewed and processed. Grantee requests for assistance are addressed in a timely manner. Grantee activities are monitored for adherence to annual plans.</p> <p>2) For USAID/ECG Grants: Make recommendations to ECG for funding grant applications. Review work plans. Prepare award documentation. Quarterly performance monitoring reports are submitted and reviewed.</p> <p><u>B. Audits:</u> PEG grantees have respected the audit requirements of their grants.</p> <p><u>C. In Kind Support for NGOs, Civil Society Organizations, and Research Institutions:</u> 1) Support will be provided to at least 20 small in kind activities. All existing grants, both as issued by the Nathan-Checchi consortium and by the USAID ECG team, administered consistently with USAID standards. For the latter grants, grants manager will provide needed quality control. In addition, the Grants Manager shall provide similar support to the in kind payments program.</p> <p>Concentrating the PEG Direct Payments Program (DPP) on the West Java Development Strategy is intended to provide assistance to at least two of the three target communities, Bekasi, Tasikmalaya, and Garut</p>	<p>business competition ended on January 15, 2003. Reports from individual grantees are available in the PEG Project quarterly and annual reports.</p> <p>A. 2) PEG prepared the award documentation and administered four grants for USAID that were awarded in early 2002: Opportunity International, RAND, CARE Indonesia, Rural Development Institute (RDI), and four other cooperative agreements: the Asia Foundation, Siaga/ UGM, IRIS and U.San Francisco/CCLE. These cooperative agreements were awarded directly by USAID. PEG has ensured that the performance reports have been received and has provided support and recommendations as required. The reports from individual grantees are available in the PEG Project quarterly reports.</p> <p>B. This activity affects only PEG Grantees. All PEG Grantees' grants are audited as part of the grantees' annual institutional audits and therefore special audits that specifically address the individual PEG Grants are not required.</p> <p>C.1) This program has been highly successful, with 21 small grants awarded during the fifth year of PEG, despite the 6-month ordered departure, bringing the grand total to 65. A major emphasis of the small grants program has been the West Java Development Strategy that has leveraged the various programs and activities of the Mission, as well as those of other donors and stakeholders with an interest in West Java. Such leveraging was already implemented in the small grants program and has been continued under the West Java focus program. Direct payment awards have maintained the cost share born by the grantee of rise from between 25% (usually in-kind) to 45 - 50%, and includes the participation of private, NGO and other aid agency partners.</p> <p>All other deliverables for the current PEG contract regarding</p>

ADVISOR & COUNTERPART	CONTRACT OBJECTIVES	CONTRACT DELIVERABLES	FINAL STATUS OF DELIVERABLES
	<p>assist implementation of a development strategy for parts of West Java, or to advance the agenda for setting foundations for rapid, sustainable and equitable economic growth. Activities funded by the direct payments should promote sound economic policies and institutions, especially at the local level, help construct a legal and regulatory framework that is conducive to economic growth particularly by small and medium businesses, help provide open access to economic opportunity for all Indonesians, and support knowledgeable public participation in economic policy decision making. For West Java, the support will be concentrated on major themes of 1) investment opportunities, 2) employment opportunities and 3) interregional trade in selected areas.</p> <p>Other Administrative Tasks. The grants advisor/project administrator is to carry out other supportive/administrative tasks as assigned by the COP. This activity will include taking the lead for PEG on organizing and carrying out general conferences/workshops and related activities.</p>	<p>to expand their development objectives more towards regional development. In order to do this, the goals of the DPP/West Java Program are as follows:</p> <p>2) At least two of the three selected kabupatens in West Java will have successfully used the support to address the issues of providing more productive employment opportunities by resolving constraints to economic development that are addressed by the ECG's 4 Intermediate Results.</p> <p>3) At least two of the three kabupatens will have identified appropriate partners and stake holders who can provide services and advice. The partners and stakeholders will be local, regional and national. The partners' participation will constitute significant leveraging of SGP resources.</p> <p>4) At least two of the three kabupatens will each implement up to 5 support activities under the ECG IRs.</p> <p>5) Organize at least three major workshops and or conferences for the PEG component of the overall ECG team.</p>	<p>this Activity have also been achieved. They include:</p> <p>2) awarding Small Grants in two of three West Java kabupatens: all three target kabupatens have received more than one small grant;</p> <p>3) small grants have paired stakeholders with appropriate partners who are providing services and professional advice; small grants resources continue to be well leveraged; and</p> <p>4) all small grants have addressed the issues--addressed in USAID/ECG IRs--of providing more productive employment opportunities and resolving constraints to economic development.</p> <p>5) A major conference and workshop on the Economics of Terrorism was held on May 7 and 8, 2002, at the Shangri-La Hotel in Jakarta. Proceedings are available on the Development Experience Clearinghouse website: www.dec.org. The organization of more major conferences and workshops by the PEG Grants Manager/Project Administrator was prevented by the Ordered Departure, although 26 smaller conferences and workshops have been held as part of the Small Grants Program, in collaboration with PEG TA, and 20 other seminars, workshops and conferences, several of them "major," were organized by other PEG advisors during the project's final year.</p>

PEG TA Team – Section 3
Individual Annual Progress Reports, Narratives

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Partnership For Economic Growth (PEG)

Individual Annual Progress Report

Dr. William Wallace,

Reporting Period: 2003

Macro/Policy Advisor at Coordinating Ministry/Finance/Bappenas

COORDINATING MINISTRY/FINANCE (AUGUST 2002-SEPTEMBER 2003)

In the second half of 2002 the consultant transferred to the PEG position at the Coordinating Ministry/Ministry of Finance. However, the consultant was to remain involved in and work with staff and consultants at the Planning Ministry. With some modifications Dr. Wallace picked up and extended Tim Buehrer's Coordinating Ministry/MoF SOW which focused on three areas:

1. *Identify and analyze key economic policies affecting the recovery of the Indonesian Economy*
2. *Improve the capability of the office of the Coordinating Minister to track the performance of the Indonesian economy and anticipate policy issues.*
3. *Respond to requests from the Office of the Coordinating Minister for Economic Affairs and the Ministry of Finance as required.*

A number of key economic policies and trends were analyzed by the consultant in 2003 (many involve continuations of activities begun under the SOW done in 2002);

Key economic policies

- Monetary policy and financial sector reform
 - i. Current monetary policy including Inflation estimates from BI, the tax free treatment of interest on government bonds and the potential impact on interest rates of increased domestic borrowing were assessed by Lloyd Kenward, with the assistance of the consultant (see below under deliverables)
- Budget/Financing
 - i. External finance for 2004 and beyond was identified and the consultant again worked with Lex Rieffel on this and policy credibility issues (see below under deliverables)
 - ii. The consultant continued to work on domestic financing with George Gianaris the USAID/Treasury consultant at Finance.
- Tax reform and fiscal policy (with Stephen Marks Peg/Bappenas, and Doug Todd, Fiscal Policy/Finance)
 - i. The investment climate, in particular the impact of the reduction/elimination of luxury taxes in electronics (with Kelly Bird, Peg/Bappenas)
 - ii. This activity continued in 2003, with Stephen Marks assessing excise taxes on cigarettes for the MoF, the VAT, personal income tax, and fiscal sustainability for Bappenas.
 - iii. Commissioned a small study on corporate tax comparison.
- Trade policy (see below)
- Significant areas of coordination and joint work not otherwise listed continued– with other PEG members, other USAID consultants and other donors in the following areas (some of these were only begun in 2002, and are more significant in 2003):

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- i. Minimum wages and Labor laws (with Chris Manning and Kelly Bird from PEG/Bappenas)
- ii. The financing of terrorism and the establishment of the FATF (with Ted James, PEG/BI, and James Agee, ELIPS)
- iii. Deposit insurance (with Bob Dodge, IBRA, Ted James, PEG/BI, and others)
- iv. Reform of the Inspector General's office at the Ministry of Finance (with FSVC)
- v. Interim Poverty Reduction Strategy (with PEG consultant Gus Papanek and the World Bank).

Capability at the Coordinating Ministry

- This has not advanced rapidly due to time constraints and limits on short-term consultancies.
 - i. The Economic Section of the Embassy presented a seminar on the organization of the US State Department around a) visits with foreign representatives and b) creating policy memos.

Respond to demands from the Coordinating Ministry and Finance

- Two sorts of demands are usually involved, assistance on policy issues (identified either by the consultant or by the counterpart), and assistance on economic diplomacy
 - i. The first of these is covered under the economic policy discussion above
 - ii. The second continues to involve assistance to staff on presentation and speeches, but now there is a second component aimed at improving the capability of the Indonesian government in this area. This follow-on is largely built around Peter McCawley's consultancy, followed up from the Embassy Econ Section (see below).

Explicit deliverables identified for the consultant in the extension SOW for Bappenas were as follows:

- *A study on budget issues on the overlap between regional and central government budgets in major sectors or an equivalent study, with recommendations on how to improve this problem in time for the budget in FY 2004 (i.e. the Repeta next year).*
- *Assist Bappenas to complete another White Paper at the end of 2002, and continue assistance to the Repeta process (the near-term focus will be on Repeta 2003, with a later change to background and issues for Repeta 2004) to tighten national priorities and the action plans to achieve them,*
- *Under the guidance of the COP, consultant will provide leadership to the organization of the PEG team response on trade issues for the Minister of Finance.*

These deliverables were written when USAID/ECG believed there would be another full time consultant at the Coordinating Ministry/Finance for the remainder of 2002 and through June 30, 2003. It also did not reflect the ordered evacuation and subsequent shortfall in short-term consultancies. Thus it assumed more person months than have been available.

- Budgeting – this study has not been accomplished. However, some elements were completed. A memo on regional budgets that examines the totality of regional

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development spending (budgeted) was completed and analysis done in December 2002. The Bappenas Monetary Fiscal Directorate completed a study on regional decentralization issues in November with input from the PEG team. This study concentrated on intergovernmental fiscal relations, generally on the revenue side, however there was relatively little on central government development budget priorities and regional overlaps. Given the press of demands and the lack of time remaining in the PEG project, this deliverable was not achieved in its entirety.

- Process reforms at Bappenas – these have been achieved.
 - The third straight Planning Ministry White Paper overviewing the macro situation and the policy reforms was completed in December and distributed at the CGI in January 2003 (distributed at the CGI). Given the change in assignment to the Coordinating Ministry/Finance and increased demands the major part of the assistance provided was done by Kelly Bird at PEG/Bappenas.
 - The Repeta 2004 (done in 2003) was completed and maintained the focus on priorities and the cabinet involvement first achieved in 2002. Unfortunately it did not achieve the specificity of deliverables, target dates and responsible parties envisioned.
 - However, the IMF Exit Strategy Program in August built on the Repeta and added these features. Hopefully the template from the Exit Strategy will be used next year in the Repeta, allowing a much more detailed policy agenda earlier, which in turn should allow more time for input from stakeholders and a better policy outcome.
- Trade and excise policy remained an important element in the consultant's work plan and this has been achieved.
 - Input to the reduction/elimination of luxury taxes
 - Assistance on resisting trade- and production-distorting proposals especially in wheat and rice, paper, etc.
 - Assistance to MoF teams on rice policy and textiles and textile products.

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Finance/Banking Advisor at the Coordinating Ministry for the Economy/Ministry of Finance (Various Short-term)

To support the work here USAID/ECG agreed to provide a second key position at the Coordinating Ministry/Ministry of Finance office. The SOW for this position (through June 30, 2003) indicated that this consultancy would be focused on:

1. Financial sector architecture,
2. Donor support,
3. Private sector capital flows

The following deliverables were identified:

- *An initial significant study (or more) of the banking system or an equivalent activity as judged by the CTO.*
- *An assessment of how to organize better information between the Indonesian government and the foreign private sector or an equivalent activity as judged by the CTO. Consultant will prepare a report, make recommendations, and follow up.*
- *A coherent assessment of a Paris Club exit strategy that addresses Indonesia's perceived needs in the context of the international financial community's views or an equivalent activity as judged by the CTO.*
- *Other policy issues and support as they arise through requests from the GOI and as evaluated by the advisor.*

The PEG project had identified a consultant for the final year of the project to fill this position but did not reach agreement with USAID/ECG. Another consultant was found and agreed on, but he was available for less than the final year of the PEG project, and USAID also reduced the total LOE in the Contract due to budget reductions. The compromise agreed on as part of the extension was for PEG to fulfill the SOW deliverables with short-term consultancies. In October 2002 after the bombing in Bali USAID further restricted the amount of short-term consultancy LOE available. It was therefore not possible to achieve these deliverables completely.

- Nevertheless, on the financial sector deliverable – Lloyd Kenward issued a report on the banking system and capital markets “Kemana Indonesia's Financial Sector”, July 2002. Issues identified are being followed up under USAID's project at IBRA, the Asian Development Bank and the IMF, among others. This consultancy was followed up by Dr. Kenward in a second consultancy in May/June 2003 that focused on three specific issues, the appropriate stance of monetary policy, especially with respect to rapidly increasing capital inflows, the tax status of government recap bonds, and the interest rate consequences of domestic debt in 2004 and beyond.
- International Economic Diplomacy – In a discussion of our work plan with the Minister of Finance the second deliverable was adjusted to focus specifically on economic diplomacy and a report was issued on this by Peter McCawley and William Wallace “Indonesia's International Economic Diplomacy”, December 2002. This effort has subsequently been followed up with the assistance of the Economic Section of the US embassy. Three sessions were presented—two to the Ministry of Finance International Affairs group, one by

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the Economic Counselor at the Embassy on the structure of the U.S. State Department and preparations for trips abroad and a second by a visiting U.S. Treasury official on the organization of the Treasury Department, preparation of policy memos, and career development. A third presentation was given to the Coordinating Ministry on some of the same material. Material and briefing books for Colin Powell's trip to South Africa and Undersecretary Taylor's trip to Africa were given to the International Relations group to illustrate the types of presentations that are done.

- Paris Club exit strategy and private financing – Lex Rieffel's report, "External Financing for Indonesia Post 2003," in October follows up on this deliverable. This was presented to a technical team and senior officials at the Coordinating Ministry, Ministry of Finance, Bappenas, and Bank Indonesia. These individuals are now part of the "Graduation Strategy Team". A second consultancy was done in May with Mr. Rieffel returning to review whether the budget financing situation post Bali was still conducive and the advisability of and approach to foreign financing for some part. Mr. Rieffel also assisted with some presentations on key issues in process and content related to policy credibility post IMF, and on the various IMF programs possible.
- The additional deliverable suggested for 2003, the fiscal panels, ended up being financed through other sources and were not held under PEG auspices.

Key Accomplishments

Despite the limits imposed by the change in plan and the evacuation, all of the SOW areas have advanced reasonably successfully. Either the PEG project or others continue major efforts in each of these areas. For example, the Financial Sector work is being followed up by William James, the PEG consultant at Bank Indonesia, and other donors. However, each of these consultancies (now more than one) has made an effective contribution to improving policy making in its own right.

- Lloyd Kenward's overview piece on the Financial sector has been very useful for those working to establish the new Financial Sector Architecture, Deposit Insurance and the Financial Sector Authority among other things. His subsequent review of inflation, interest rates and the exchange rate and his presentation on these issues to the MoF and BI were well received and opened a useful policy debate. The issue of the tax deductibility of government recap bonds is still in debate, but the impact of this policy on macro policy and capital inflows has been advanced by Dr. Kenward's analysis.
- Lex Rieffel's contribution on the issues on the Paris Club, multilateral financing and foreign commercial financing was a key input to the graduation strategy, and he was invited back to deepen our understanding. In his second consultancy he helped to clarify the debate on options post-IMF, the financing situation post-Bali bomb, the possibility of foreign financing, and issues in policy credibility.
- Peter McCawley's consultancy was presented to the Minister and the Secretary General of the Ministry of Finance. The minister indicated that it should be used as input to those responsible for the Ministry of Finance reorganization. Subsequent presentations were very well received by the staff.

Partnership For Economic Growth (PEG)

Individual Annual Progress Report

*Dr. Kelly Bird,
Macro/Policy Advisor at Bappenas*

Reporting Period: 2003

Since January 1999 the consultant's primary task at Bappenas was to improve micro-economic analysis of the real sector and provide suggestions for accelerating recovery in the real sector for use in the National Development Plan (Propenas) and the annual policy action plans (Repeta). The priorities and action plans developed are necessarily extensive and the advisor assisted Bappenas staff in assessing and analyzing policy across a broad set of areas including investment, trade, competition, labor and corporate debt restructuring (under the Financial Sector Policy Committee). This has involved working with and coordinating Bappenas staff research and model development, short-term and long-term consultants under PEG/Bappenas, and other multilateral and bilateral consultant efforts. In addition, the consultant assisted staff at Bappenas improve analysis and modeling/projections of macro-economic variables—inflation, exchange rate and monetary policy—for the annual budget.

Dr. Bird's tasks for 2003 included four broad areas:

- (1) Provide support for Bappenas efforts to improve macroeconomic analysis, projections and reporting, especially around the Repeta/Budget process and IMF exit strategy.*
- (2) The advisor will review issues in the banking sector, capital markets and investment as requested by the Minister, and as needed to improve Indonesian understanding of the recovery path for the economy*
- (3) Integrate real sector issues necessary for effective macro-economic management, including marrying investment, tax, trade and labor policies with macro policy. This will require the consultant to work with the real sector advisor (Dr. Steve Marks, long term consultant from July 2002 to July 2003) at the planning agency and Dr. William Wallace at Ministry of Finance.*
- (4) Continue to assist staff with their macro monthly reporting/surveys and policy whitepapers, including the GOI's post IMF policy strategy for investment, employment, and exports.*

The consultant analyzed a number of key economic policies and trends in 2003.

Key economic policies included:

Minimum wages and labor policies were an important element of the consultant's work plan in 2003.

- (i) Assisted Bappenas in a review of the new Labor protection law (enacted on March 25, 2003) and its potential impact on employment and workers' welfare (as part of Bappenas's ongoing work on labor market analysis and policies). Prepared materials for Bappenas's submission to the national parliament on the draft industrial disputes bill, which is expected to be passed by Parliament in the last quarter of 2003.
- (ii) The consultant assisted Bappenas with the completion of their Review of Labor Policies (initially called the white paper). This report assesses recent changes in labor policies and lays out a platform for future labor market reforms. The report was released at a joint Bappenas-PEG workshop on labor policies in Jakarta and Surabaya in September 2003.

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- (iii) In May 2003, the consultant worked with the short-term labor policy adviser Dr. Chris Manning on an employment and poverty framework to be used as input into the Bappenas labor policy review and coordinating ministry's employment strategy. This included examining the role of the national wage council (as mandated under the new labor protection law) and proposing a supporting technical wage committee.
- (iv) In September the consultant, with the short-term labor policy adviser (Dr Manning), assisted Bappenas coordinate an inter-departmental team of officials to carry out a dialogue with the Jakarta local government over minimum wage policy for 2003 (DKI Jakarta was chosen as it emerged as the regional minimum wage setting leader).
- (v) The consultant completed the results of the study on the impact of recent increases in minimum wages on poverty in Indonesia. This will be used as material by Bappenas's ongoing labor market analysis (this will be ongoing work under GIAT).
- (vi) There have been increasing requests from other donors (IMF and World Bank) for input from PEG/Bappenas into their briefing papers on labor and employment issues
- (vii) In 2002, Parliament/MPR mandated that the government establish a social security system for Indonesia. A task force was established to design a comprehensive social security system. The nature of the system remains unclear, although a draft of the social health insurance bill has been circulated to a small number of stakeholders. In response, Bappenas requested the consultant assess the feasibility of the draft proposal. William Wallace at MoF helped coordinate a presentation of the findings to officials at the MoF (this should be ongoing work under GIAT)
- (viii) The consultant prepared materials for Bappenas's comments on the objectives and alternative structures of a productivity council, which is required to be established under the new labor protection law.

Continued work on trade policy:

- I. The consultant continued to work on trade policy issues in 2003. Dr. Wallace, PEG/Coordinating Ministry/Finance, coordinated much of this work on trade policy and customs. Policy areas examined in 2003 included comments on subsequent drafts of the Batam Free Trade Zone bill (as requested by Bappenas) and export policies.

Continued work on the investment climate:

- (i) The consultant continued to provide Bappenas with materials and input for strengthening key provisions of the draft investment law in view of improving investor confidence on the investment policy regime.
- (ii) The consultant provided materials and comments on the investment component of the GOI's post-IMF policy strategy. This component (which is one of three components) comprises of GOI policy actions on investment, employment and exports to be implemented in 2004 and beyond. Bappenas was assigned as coordinator of the GOI inter-departmental team on the investment component.
- (iii) In September 2003, the consultant, working with William Wallace at MoF, began an assessment of the January 2003 luxury tax reforms on production and domestic sales of electronics goods. This work is expected to continue under GIAT.

Bali bombing tragedy: The consultant continued work in the 1st quarter of 2003 assessing the impact of the terrorist attack on Bali social and economic conditions.

- (i) Continued to update on Bali economic and social conditions for Bappenas and the Bali Recovery Team. This work led to a series of memos to Bappenas, the

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- Coordinating Ministry for the Economy, and the Coordinating Ministry for Social Welfare, which is the lead Central government ministry for Bali recovery.
- (ii) Continued working with Bappenas, the response team, and Bappeda Bali to identify institutions and social safety net programs for Bali in anticipation that the recovery would not improve by mid-2003 and the economic impacts in Bali would worsen. This work led to a series of meetings between Bappeda Bali, Bappenas and the Coordinating Minister for Social Welfare on social safety net programs and funding needs.
 - (iii) Presented a paper on the impact of terrorism on the tourist sector and economy at a seminar on Debt Restructuring in Bali organized by the Jakarta Initiative task Force.
 - (iv) This involved working with a number of other people from USAID-funded projects, in particular Laurie Pierce (conflict prevention), Raymond Lee (JITF) and Bill Wallace (PEG-MoF), and also with others from other donors (World bank and UNDP).

Macro reports:

- (i) Continued to assist Bappenas with its monthly monetary surveys and macro-economic projections on inflation and the exchange rate for the 2004 budget. The monthly reports are circulated at Cabinet meetings. This involved working with staff at Bappenas to improve their macro-economic analytical and modeling capacity.
- (ii) Assisted Bappenas staff prepare the Indonesian government's macro-economic review for the annual Consultative Group for Indonesia (CGI) meeting in Bali in January.
- (iii) Assisted Bappenas on the REPETA 2004, the annual policy plan attached to the State Budget.
- (iv) In late 2002 the head of the Fiscal Analysis Agency (BAF) at the Ministry of Finance requested assistance from William Wallace, this consultant and USAID/ECG for an assessment of fiscal policy. As a consequence, PEG advisors William Wallace, Kelly Bird and Doug Todd attended several meetings with MoF officials to discuss fiscal issues in 2003. Several Indonesian private sector economists attended these meetings. Issues surrounding tax forecasts for 2004, VAT and tax administration were discussed in the first three meetings.
- (v) Senior officials at Bappenas are part of an inter-departmental tax policy reform team established by MoF. As a consequence, the consultant provided materials on tax policy reform issues in Indonesia covering VAT, luxury taxes and income taxes for this process. This work complemented and drew on the work of PEG-Bappenas consultant Steve Marks on excise taxes and VAT.

Explicit deliverables identified the extension SOW were as follows:

- (i) *Work with Bappenas (memos, training, estimation, model building) to improve monetary, macro and budgetary projections for Repeta 2004, including improved staff capability, (this has an externality for the Ministry of Finance and Bank Indonesia as these three institutions share their forecasts)*
- (ii) *Memos and briefings on developments in the investment law and climate,*
- (iii) *Assistance to the Bappenas Review on labor issues (initially referred to as a white paper),*
- (iv) *A study on the relation of minimum wage increases and poverty or an equivalent study as judged by the CTO.*

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Deliverables in 2003 included:

Macro policy and analysis

- (i) Several memos and training activities were undertaken as part of the consultant's tasks in macro-economic modeling and forecasting. Projections on inflation, exchange rate are used as input into the government's 2004 budget. Work on improving modeling of monetary sector continues with staff at Bappenas. Dr. Steve Marks picked up work on the budget and taxes.
- (ii) Assisted Bappenas produce the Repeta for 2004.

Trade, labor and investment policies:

- (i) Several memos were sent to the Planning Agency and the Coordinating Ministry for the economy regarding investment climate, the draft investment law, and draft law on the Batam Free Trade Zone, judicial reform, and sector specific investment and regulatory issues (e.g., insurance industry).
- (ii) Assisted Bappenas produce the Review of Labor Policies in September 2003. Wrote several memos sent to Bappenas and the Coordinating Ministry on the new labor protection law and the proposed industrial disputes law, the proposed productivity council, and the proposed national wage council.
- (iii) Completed the analysis for the study on the link between recent minimum wage increases and poverty.
- (iv) Completed assessment of the feasibility of the draft social (universal) health insurance law.
- (v) Several memos prepared on post-IMF strategy review policy issues in insurance, export policy, and investment policy

Key accomplishments in 2003

- (i) Input to the GOI's post-IMF policy strategy for investment, employment and export, in addition to other key GOI documents such as Repeta 2004.
- (ii) Input into the draft industrial disputes law, which has led to indications that there will be greater reliance on bipartite resolution procedures rather than industrial courts.
- (iii) Input into GOI's assistance to Bali in response to the terrorist attack in October 2002.

Partnership For Economic Growth (PEG)

Individual Annual Progress Report

*Dr. Stephen Marks,
Real Sector Adviser, Bappenas*

Reporting Period: July 2002 – June 2003

Introduction

At the time the consultant joined the project last year, it appeared that industrial policy would be one of his major focuses. However, particularly since the last quarter of 2002, at the request the Director of Fiscal and Monetary Affairs in Bappenas and the Director of the Fiscal Analysis Bureau in the Ministry of Finance, the consultant has worked almost exclusively on fiscal and tax policy modeling issues. These efforts have taken the consultant well away from his original work plan, but will provide lasting benefits to Bappenas and the Ministry of Finance in terms of enhancement of their formal modeling capabilities.

Work Plan Activity 1: Policy Agenda Development

The main contribution was to provide practical new methodologies and substantive analyses to GOI officials, at their request, in a variety of areas of fiscal and tax policy analysis, which included:

- A policy paper and related spreadsheet on fiscal sustainability analysis, an important input into determination of whether exit from the IMF program is feasible and an important methodological tool for fiscal policy going forward. Recent studies done by Bappenas and Bank Indonesia had been based on questionable methodology inherited from an earlier World Bank study, which was clarified and corrected in this study.
- A theoretical paper and spreadsheet that provided a new framework for analysis of the value added tax (VAT) system in Indonesia, in particular the impact of sectoral exemptions on total revenues and on effective rates of taxation by sector. This approach used the 66-sector input-output table for 1995 and found a shortfall in revenue of 45 percent relative to potential.
- Analysis of personal income tax revenue potential based on the 2002 Susenas cross-sectional datasets on households throughout Indonesia, at the request of the Directory for Fiscal and Monetary Affairs at Bappenas. Use of this approach may yield fruit substantively in 2005, at which time a major overhaul of the personal income tax system is contemplated. The study finds actual personal income tax revenues at less than half their potential, based on the current rate structure and reported income. This framework may be useful in investigating the revenue impact of alternative income tax rate structures and other policies, and may provide input on where enhancements in tax administration would yield the greatest payoff.
- Analysis of the cigarette excise tax system, at the request of the Directory of the Fiscal Analysis Body at the Ministry of Finance. A major review of this system will be done by the Government of Indonesia in 2004. This study is organized around identification of the tax rates that will maximize cigarette excise revenues, based on market data from

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recent years as well as prior econometric studies. It finds that higher tax rates will be required if revenues are to be maximized, especially for hand-rolled kretek *cigarettes*, which have been given tax preferences in the interest of employment preservation. It conducts sensitivity analysis of the estimates, and provides related in-depth analyses of other important policy objectives: preservation of employment, promotion of small and medium enterprises, avoidance of tax regressivity, improvement of public health, and enhancement of transparency in governance. It provides a clear discussion of methodological issues so that GOI officials can undertake such analyses independently in the future.

- A short study comparing the overall tax structure of Indonesia with those of other countries in the region and around the world. This study indicated areas in which there might be further potential for revenue enhancement, as inferred from experiences in other countries.

The consultant also completed for Bappenas officials a detailed review of the draft industrial strategy recommendations from the United Nations Support for Indonesian Recovery team and outlined an alternative vision for industrial policy based on greater market orientation and improved governance.

There were some deliverables that the consultant was to have completed but did not do: (1) a white paper on industrial policy for Indonesia and (2) three revisions or extensions to the Bappenas macro model. These both became lower priorities relative to the fiscal and tax analyses that were requested by our senior counterparts. The attached matrix provides details. However, the consultant did provide short memos to push reform of industrial and trade policy, such as a critique of a proposed coffee export retention scheme (which fortunately never was implemented), and the series of memos on wheat flour discussed below.

Work Plan Activity 2: Capacity Building

In addition to the contributions noted above and below, many of which involved major capacity-building efforts, the consultant provided:

- Detailed oral and written assistance to an investigation of the day-old chicks market to a commissioner and staff of the Business Competition Oversight Commission (KPPU).
- A short methodological paper using the 1995 input-output tables to evaluate the impact of the proposed increases in prices of energy products at the start of this year on relative prices throughout the Indonesian economy, for the Director of Fiscal and Monetary Affairs at Bappenas and his staff.

Work Plan Activity 3: Crisis Support/Catch All

Two areas were particularly eventful in this respect:

- A series of memos to the Director for Manpower and Economic Analysis at Bappenas on Indonesia's relations with the IMF. A particular effort was to provide a framework for

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evaluating whether monetary policy had been too tight under the IMF program, and for understanding possible effects of excessively tight monetary policy during the post-crisis period.

- A series of memos on wheat-flour import policy, at the request of the Director of the Fiscal Analysis Agency and the Head of Team Tariff, both in the Ministry of Finance. The consultant evaluated econometrically a proposal to impose a five percent across-the-board wheat flour import tariff in lieu of anti-dumping duties on selected countries, and later argued that imposition of a five percent tariff would be a reasonable policy option, if recent non-tariff barriers to flour importation were removed in return.

Finally, the consultant drafted speeches and talking points for the Minister and other senior officials at Bappenas for a variety of domestic and international forums, and provided calculations of the impact of changes in the terms of trade on net exports for a speech by the Coordinating Minister for Economic Affairs. The consultant also prepared a short briefing paper on tax amnesty issues, at the request of the Director for Fiscal and Monetary Affairs.

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Individual Annual Progress Report

William E. James
Senior Economic Advisor, BI

Reporting Period: January 1-September 30, 2003

NOTE: The progress report for 2003 is based upon the work plan developed for the period January-June 2003. This progress report, however, also reflects the extension of PEG for the period of July-September 2003.

Workplan Activity 1: Research on Inflation and Monetary Policy: *develop a research program aimed at enhanced understanding of the process of inflation and methods for bringing the inflation rate, as measured by the Consumer Price Index (CPI), down to medium term target levels.*

Accomplishments:

- Completed *Inflation and Deflation Watch in the East Asian Region: Report for the Fourth Quarter of 2002*. The report provides a regional overview of developments in CPI inflation/deflation in 9 major East Asian economies, including Indonesia.
- Participation in internal meetings of the Directorate for Research on Economics and Monetary Policy on inflation targeting and instruments to be used. Held discussions with Senior Management of BI on related topics and provided materials on monetary transmission, inflation targeting and related issues. Urged Senior Management to revise downward the forecast for CPI inflation during CY 2003 to reflect the strong progress towards lowering inflation to the long-term target range of 5-6 per cent per annum.
- Completed *Inflation and Deflation Watch in the East Asian Region: Report for the First Semester of 2003*. This report covers the first two quarters of the year, during which annualized inflation rate fell to 7 per cent.
- Summary version of joint paper with Senior Deputy Governor titled, *The Debt Trap and Monetary-Fiscal Policy in Indonesia: The Gathering Storm?* was published by Indonesia's National Science Foundation (LIPI) in their economics journal. The full version is being published by the International Centre for the Study of East Asian Development in *East Asian Economic Perspectives*, September 2003.
- Prepared 10 memoranda for Senior Deputy Governor and Senior Management covering various topics in monetary policy, financial stability and commercial bank behavior.

Workplan Activity 2: Research on Productivity in the Real Economy, Capital Formation and Inflation: *establish a working group on*

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productivity and seek to enhance measurement of productivity and productivity growth in the Indonesian economy.

Accomplishments:

- Prepared a technical report titled *East Asian Trade Continues to Grow on China's Coattails: Evidence from the 4th Quarter of 2002*.
- "Indonesia's Textiles and Apparel: the Challenges Ahead" was published in the *Bulletin of Indonesian Economic Studies* 39 (1), April, 2003:93-104. (with David Ray and Pete Minor). Met with counterparts in API (the Indonesian Textile Association) to discuss findings.
- Prepared technical report titled *East Asian Trade in the First Semester of 2003*. This report covers the first two quarters of 2003 and considers possible negative effects of the SARS epidemic on Indonesia's international trade.

Workplan Activity 3: Coordination of Short-term Technical Assistance and Development of a Regular Research Seminar Program on Financial System Safety and Stability: *improve the research environment in Bank Indonesia. The objective will be to establish a regular, on-going research seminar program with voluntary attendance and participation by BI researchers.*

Accomplishments:

- A seminar series on the issues surrounding the development of the components of a financial sector safety net was initiated in collaboration with counterparts at Bank Indonesia, Ministry of Finance, and IBRA and involved participants from the Indonesian Parliament (Commission IX), state and private industry representatives and academics. The seminar series covers the major components of the financial safety net: A first seminar meeting organized with the IMF and Bearing Point was held at Bank Indonesia on January 16, with Goran Lind of Sweden's Riksbank as the speaker giving an overview of central bank responses to financial problems and crises, including lender of last resort (LOLR) functions. A second seminar on deposit insurance was held on January 30 with Stan Silverberg and David Cook as the main speakers (organized in cooperation with USAID's Bearing Point IBRA Project and with FSVC) and Mike Taylor of the IMF as discussant. A third seminar involved Tomasso Padoa-Schioppa of the European Central Bank and covered other central bank best practices. A fourth seminar featuring Goran Lind, Reza Siregar (U. of Adelaide), Steve Axlerod (former Federal Reserve officer) and Glenn Hoggarth (Bank of England) covered the issue of Lender of Last Resort and included a presentation by the Ministry of Finance. The seminar series has the full and active cooperation of the Senior Deputy Governor. Muliaman Haddad, head of Banking Research at BI, has coordinated invitations to the seminar series with BI, IBRA and MOF officials and with representatives of Parliament, resulting in excellent attendance and participation.

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- Updated a report summarizing work undertaken on counter-terrorist finance and anti-money laundering in coordination with James Agee, COP of the ELIPS project. The newly established Financial Intelligent Unit (PPATK) headed by Yunus Hussein, head of the legal department of BI, is now up and running. The Financial Intelligence Unit (FIU) has looked into numerous suspicious transactions and has detected at least 3 cases of terrorist-related financial transactions. Bill Wallace of PEG has helped to coordinate this work with counterparts at MOF.
- A major task was to substantially revise and improve the English translation of *A Blueprint For Financial System Stability*. This revision was completed and discussed with key BI counterparts, Dr. Anwar Nasution and Dr. Muliaman Haddad.
- Organized a seminar at BI on June 25 with Dr. Neil McMullen as the main speaker. Dr. McMullen presented a series of IRIS Project briefing notes on financial sector regulatory and reform issues that he has prepared for the Parliament.
- Organized a seminar at BI on “Implications of Mandatory Credit Allocation to Small-Scale Enterprises,” with Dr. Reza Y. Siregar as the main speaker on August 4.

Workplan Activity 4: Assist Bank Indonesia Publications Programs: *assist counterparts in Bank Indonesia improve their English publications (including electronic media) on economic and monetary policy affairs.*

Accomplishments:

- Assisted counterparts with editing the English version of Bank Indonesia’s Annual Report for 2002.
- Assisted counterparts in preparing material to be posted on a website dedicated to foreign investors providing information on the Indonesian economy. Also assisted in periodic updates of the information on the website.

Summary of Main Deliverables and Policy Impact Assessment of BI Advisor’s Work During Calendar Year 2003

- **Work Plan Deliverables** included 3 technical reports relating to research collaboration with counterparts and research relating to policy objectives of lower inflation and a stable exchange rate, improved international competitiveness supported by reform efforts, improved debt position, and more rapid productivity growth. The work plan goals were exceeded in terms of deliverables (deliverables here are substantive reports or publications and exclude short policy

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memos and routine quarterly reports such as those on external trade performance and inflation):

1. *The Debt Trap and Monetary-Fiscal Policy in Indonesia: The Gathering Storm?* published in: **Jurnal Ekonomi dan Pembangunan**, Vol. X (1) 2002, The Indonesian Institute of Sciences (P2E-LIPI): 1-22. (co-authored by Anwar Nasution). The complete version is being published in **East Asian Economic Perspectives**, September 2003 (Kitakyushu, Japan).
 2. *Indonesia's Textiles and Apparel: Meeting the Challenges Ahead* in **Bulletin of Indonesian Economic Studies** 39 (1), April 2003-95-104. (co-authored by David J. Ray and Peter J. Minor).
 3. *A Blueprint for Financial Stability*. This report was translated into English and revised for purposes of promoting institutional development of a Financial System Safety Net in collaboration with Bank Indonesia and other donor agencies and projects.
 4. *Rules of Origin and Rules of Preference and the World Trade Organization: the Challenge to Global Trade Liberalization*, **Kluwer Handbook on the World Trade Organization**, *forthcoming*. This report examines comprehensively issues surrounding the use of rules of origin in international trade and, in particular, in preferential trade relations and provided the basis for preparation of briefing notes for the ASEAN trade ministers.
- **Policy Impacts of deliverables and policy reform achievements (trade policy accomplishments resulting from trade-related work are summarized in progress reports of MOIT advisors, herein the focus is on BI/MOF related accomplishments):**
 1. *Progress towards financial stability:* in addition to success in reducing inflation through monetary stability and exchange rate stability, a series of memos on issues concerning the financial system safety net (deposit insurance, central bank transparency and independence, etc.) led to solid progress in the pursuit of overall financial system stability and allowed USAID to provide technical assistance that is vital to restoration of investment and economic growth. Among the key wins is the decision to move gradually away from the blanket guarantee towards a limited coverage deposit insurance system (the BI advisor coordinated this work with other key donors, particularly the IMF). IRIS and the Bearing Point Project collaborated effectively with PEG in this effort.
 2. *Progress in the fight against terrorist-related finance and money-laundering:* This work resulted in significant achievements in terms of formation of a financial intelligence unit (PPATK) and in serious efforts to combat money-laundering and terror-related finance in Indonesia. The BI advisor coordinated this work with the ELIPS Project, USAID and US Embassy and other major donors.

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Individual Annual Progress Report

*Stephen L. Magiera,
International Trade and Telecommunications Specialist*

Reporting Period: 2003

Focuses on deregulating the real economy, including the elimination of barriers to foreign trade in goods and the elimination of regulations affecting foreign access to the Indonesian market for services, and the development of a modern regulatory system for telecommunications.

Workplan Activity 1: Trade Policy Reform: *Update the Project trade policy database and provide policy memoranda on trade policy issues as requested.*

Accomplishments:

- Designed and began implementation of a project to introduce a national interest clause into Indonesia's trade regulations. The project involves the drafting of new trade regulations and capacity building for Indonesia's Team Tariff to develop an operational manual and implement the clause. The University of Indonesia tentatively agreed to prepare case studies for the capacity building.
- Reviewed an anti-dumping petition by Indonesian paper manufacturers. In order to maintain the independence of Indonesia's anti-dumping authority, recommended that the Minister of Finance not become involved with the case at the present time.

Workplan Activity 2: WTO Built-In Agenda and Multilateral Trade Negotiations: *Provide technical assistance and training on multilateral trade agreements, including the WTO built-in agenda on agriculture and services.*

Accomplishments:

- A major success for the year was the preparation of a paper for Minister Rini on ways to deepen ASEAN economic integration. The paper provides recommendations on ASEAN rules of origin, customs, transport, ICT, and dispute settlement. The paper was tabled at the Special Meeting of ASEAN Economic Ministers on July 10-12 and was used in preparation for the ASEAN Summit later in the year. Also prepared speeches for the Minister at the meeting.
- With Nathan consultant Richard Self, facilitated Indonesia's participation in the services negotiations by providing a brief report on the current status of the negotiations on services and a summary report on services requests to Indonesia. Summarized existing regulations and requests for selected services sectors (hospitals and education).
- For Indonesia's Ambassador to the WTO, provided a report on Indonesia's technical assistance needs for the Doha Round of trade negotiations, a brief note on the US-EU Agricultural Agreement that will be submitted at the Cancun Ministerial, and an explanation of comments by trade officials on Indonesia's losses from trade reforms.

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- Finalized and distributed a report by Nathan consultant Andrew Sriro on “Restrictions Affecting Foreign Providers of Communication Services.” The report examines Indonesia’s legal/regulatory restrictions affecting foreign providers of fixed line telephone services, cellular and other radio services, Internet and VOIP, and enhanced/multimedia services.
- Reviewed the Indonesian government positions on various negotiating issues, including:
 - 1) The Doha Declaration on TRIPS and Public Health, as it pertains to intellectual property protection for pharmaceuticals used to treat infectious diseases.
 - 2) A statement by the Minister at the informal meeting of Ministers in Tokyo regarding the WTO negotiations on services.
 - 3) The US-Vietnam Trade Agreement. The review argues that the Agreement is not a Free Trade Agreement (FTA) in the WTO sense, but merely sets the stage for Vietnam’s entry into the WTO. Thus, the Agreement does not serve as a model for an Indonesian-US FTA.
- Prepared a services data project for the USAID TESS Project. Briefed the new DG in MOIT on PEG services activities, and coordinated with the World Bank, CSIS, and LPEM to prepare Indonesia’s services position for an intra-ministerial meeting on preparation for the Cancun Ministerial.

Training

- With APEC and MOIT, PEG co-sponsored a Workshop and Symposium on the Harmonization of Food Safety Standards in Bali on June 23-27. The workshop and symposium were highly successful and attracted 80 attendees from developing countries throughout the APEC region.
- Sponsored two officials from Indonesia’s Ministry of Industry and Trade at the APEC workshop on Competition Policy in Vietnam.

Workplan Activity 3: Telecommunications: *Provide assistance on international best practices for the implementation of Indonesia’s Telecommunications Law, the development of a modern regulatory system for telecommunications, and the establishment of an independent regulatory body.*

Accomplishments:

Continued with a major program to help implement Indonesia’s Telecommunications Law. The program includes technical assistance on international best regulatory practices and roundtable discussions and training seminars for the Ministry of Communications and Transport, the Indonesian Telecommunication Society, and the private sector.

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Briefing papers, recommendations, and informal roundtable discussions:

- Finalized and distributed a report by Nathaniel Clarke on “Internet Telephony in Indonesia.” The report examines policy options for broadband communications and was used by the Indonesian government as part of its review of licensing procedures for voice over the Internet.
- Finalized work done while on evacuation the previous quarter on the compensation due PT Telkom and PT Indosat for lost exclusivity in the markets for local, long distance, and international telecommunications services. This has been a major success for PEG. As a result of PEG recommendations, the Government adopted a strong negotiating stance against the requests of PT Telkom for significant compensation. The potential savings to the Government are in the order of \$50-100 million.
- Appointed as a member of the Indonesian Infocom Society (MASTEL) Working Group on a Blueprint for restructuring the telecommunications market in Indonesia. Submitted a vision statement on SAMICT -- a Single ASEAN Market for ICT.
- Designed a short-term frequency management project to provide technical advice on updating Indonesia’s automated frequency management database. Finalized a report by consultant Richard Nassar on frequency management in Indonesia. Key findings are that Indonesia does not yet apply modern frequency management methods, which rely on secondary markets for the allocation of frequency in response to rapidly changing technology. In addition, the database underlying Indonesia’s automated frequency management system (e.g. for allocating broadcasting licenses) is seriously flawed. Meanwhile, the Government is planning a tender for a new hardware/software system which will cost many millions of dollars and which relies on the flawed database.

Conferences, workshops, and other formal presentations on telecommunications regulatory issues:

- The PEG project sponsored the attendance of Nies Purwati, Secretary General of MASTEL, to attend APECTEL27 on March 22-28 in Kuala Lumpur.

Workplan Activity 4: Enhancing Industry Competitiveness: *Conduct sector studies on regulatory reforms and competitiveness issues, especially in the services sector.*

Accomplishments:

- At the request of Indonesia’s business solutions center, designed a survey for Indonesian trade/industry associations on “Supply/Demand Constraints to Indonesia’s Industrial Competitiveness.” The Survey was distributed to trade associations by the Center.
- Held a seminar at the Ministry of Communications on the competitiveness of Indonesia’s basic telecommunications and ways to improve Indonesia’s offer for basic telecommunications.

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Workplan Activity 5: Ad Hoc Requests/Meetings:

Accomplishments:

- 1) Organized a briefing at the Ministry of Industry and Trade for the international consulting firm – APCO;
- 2) Attended a World Bank seminar on the WTO trade negotiations;
- 3) Organized a meeting for the new Chairman of Indonesia's Telecommunications Society and the World Bank to discuss future technical assistance activities;
- 4) Regularly attended meetings of the AMCHAM Telecommunications Committee and participated in an AMCHAM meeting with CSIS and World Bank on the WTO services negotiations;
- 5) Coordinated with consultants of a World Bank Team on agriculture and services. The Team is providing technical assistance on Indonesia's participation in the WTO negotiations;
- 6) Briefed JICA officials from Tokyo on PEG's capacity building program for the WTO and attended the wrap-up session of the Japanese WTO capacity building project;
- 7) Participated in a workshop sponsored by APCO on the WTO trade negotiations;
- 8) Attended several meetings of Indonesia's Business Solutions Center. Collected background information on problems with VAT rebates for exporters;
- 9) Attended an AMCHAM luncheon with the Secretary General of ASEAN.

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Individual Annual Progress Report

*Dr. David Ray,
Domestic Trade Advisor, Ministry of Industry & Trade*

Reporting Period: 2003

Introduction

In 2003 the Domestic Trade position continued to focus on broad microeconomic and regulatory reform issues, with the Research and Development Agency at the Ministry of Industry and Trade. This work also included important analyses on a number of international trade policy issues. New counterpart relationships were also forged in 2003 at the Ministry of Finance, specifically with the Directorate for Regional Revenues, where the inter-ministerial team that reviews all local taxes and charges is based.

***Competition Policy and Deregulation-* Assist with the development of legislation and supporting institutions at the national level that will help ensure fair trade and competition for all parties in an increasingly deregulated economic environment.**

Deliverables:

1. Policy memoranda, papers as requested

At the request of counterparts in the MoF, prepared and delivered a paper in Indonesian at the Directorate General for Fiscal Balance on developing better supervisory arrangements for local regulations.

The paper was later expanded and developed and presented at the conference (described below) “Decentralization, Regulatory Reform and the Business Climate.” The paper was distributed in Indonesian to key counterparts in MoIT and MoF. Key recommendations include returning the burden of proof (in determining the legality of local regulations) to the regions, establishing a supervisory role for provinces and the use of economic sanctions/incentives. The final point (regarding sanctions/incentives) has been adopted by MoF counterparts in internal recommendations regarding revisions to decentralization laws.

Mentored a PEG small grant study by the JNPUKM and PUPUK (2 national support networks for small business) on developing appropriate models for regulatory supervision at the local level. Socialization seminar held at the Aryaduta Hotel, Jakarta. The model developed will be used by JNPUKM/PUPUK’s many regional chapters to lobby for improvements in the regulatory climate at the local level.

Other Deliverables:

- Wrote a speech for the Chairman of MoIT’s R&D agency that was later delivered at an ADB seminar on promoting better regulatory practices in the decentralizing era (March 3rd 2003).

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2. Training seminars/workshops

Major conference:

Organized a major PEG conference on August 12, 2003, on “Decentralization, Regulatory Reform and the Business Climate.” The conference was designed to pull together the many PEG studies on decentralization and the business climate and involved numerous activities. These activities took up much of July and the first two weeks of August and included planning meetings, producing TORs, organizing speakers/moderators, designing invitations/folders, compiling the invitation list, reviewing and editing papers, writing welcoming remarks, as well as compiling and re-formatting papers for publication in a conference book that was later distributed amongst counterparts in government, NGOs, business associations and academia. Preparation also included a 30 page summary paper (translated into Indonesian) pulling together all the key themes and issues to be discussed. The conference was opened by the Chairman of MoIT’s R&D Agency and the leader of USAID’s Economic Growth Team and was attended by over 155 participants. It was well covered in the media, including full page coverage in the respected *Kompas* daily. Perhaps most importantly the conference has sparked some public debate among relevant ministries about the present supervisory arrangements governing local regulations.

Other training/workshops:

- ❑ Socialization workshop for the JNPUKM/PUPUK described above. Hotel Aryaduta Jakarta.
- ❑ A workshop on developing better supervisory arrangements for local regulations, based on the Australian model for regulatory reform, was delivered at the Ministry of Finance, Directorate General for Fiscal Balance. The seminar, well attended by approximately 50 staff, was opened and chaired by Pak Machfud Sidik, the Director General for Fiscal Balance. To ensure greater impact, a 20-page paper written in Indonesian was distributed beforehand.
- ❑ Prepared and delivered a lecture for the Masters Program in Economics at the University of Indonesia on the topic of regulatory reform.

Decentralization and Domestic Trade - Monitoring the impact of regional autonomy upon domestic trade and the business climate at the local level. At the national level, development of appropriate legislation and institutions to ensure free internal trade in the decentralizing era.

By bringing government ‘closer to the people’ decentralization brings with it the opportunity for more efficient and accountable government. However, decentralization also brings with it the threat of uncoordinated setting of taxes, and the use of discriminatory measures such non-tariff barriers to favor locals over outsiders. In the current fiscal climate, taxes on trade are particularly worrisome as they work to undermine national economic integrity and typically drive a wedge between farmgate and wholesales prices, thereby depressing agricultural incomes.

Deliverables:

1. *One or more regional studies on the impact of decentralization upon the business climate.*

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The survey by REDI of 1000 businesses to determine the impact of decentralization upon the business climate was completed 2003¹. This survey, initiated by PEG, was a joint PEG - Asia Foundation project. A number of press conferences were held in Jakarta and the regions to socialize the results of the survey. The results were also widely reported in the media. Using data from the survey, the PEG Advisor prepared paper summarizing key results. This paper has been widely circulated throughout MoIT. There has been considerable interest in the results from the World Bank and other donors. The paper was also circulated and discussed at a major conference on decentralization in UGM, Yogyakarta (in my absence). The survey has also been used for World Bank MONEV (monitoring and evaluation) activities.

Mentored a PEG small grant study by SAWALA on the effectiveness and appropriateness of nine user-charge (*retribusi*) regulations in Garut and Tasikmalaya in West Java. Socialization workshops were held in both locations and in the provincial capital Bandung. The study identifies various common problems such as the poor pricing, lack of service delivery, inconsistency with existing laws and regulations, double taxation and poor problem identification. More generally it appears that these local governments, like most others in Indonesia, have little understanding of the appropriate use of user-charges (*retribusi*). Final results were presented in both locations, and also in Bandung.

Other deliverables:

- A study analyzing the impact of infrastructure on agricultural productivity in Garut and Tasikmalaya (mentored by the Domestic Trade Advisor and funded by a PEG small grant) continued this quarter.
- Prepared and delivered a 3-hour lecture on inter-regional trade at the post-graduate program at UI's Faculty of Economics.

2. *Frequent updates on problem local regulations (perda bermasalah)*

Following fieldtrips to West Nusa Tenggara and Bandung in West Java, provided the MoF (specifically the Director of Regional Revenues / Chair of inter-ministerial team that reviews all local regulations relating to taxes and charges) with a copy and short analysis of a number of local regulations that have yet to be reviewed by the team, but should nevertheless be rescinded due to their distorting nature. Correspondence received in June suggests that the team will be recommending the cancellation of a number of local regulations based upon PEG research/analysis.

Other accomplishments

- Presentation at a seminar on domestic trade held by the Centre for Economic and Social Studies in cooperation with The Asia Foundation.

Conducive Local Regulations - Assistance directed at the local level to socialize policies that promote trade and other economic activities; and to institutionalize more effective regulatory review mechanisms as a means to prevent unnecessary and trade distorting local regulations.

¹ REDI – Regional Economic Development Institute in Surabaya

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An important means to prevent or minimize barriers in domestic trade is to socialize how both good and bad regulations respectively impact upon the local business environment. An important missing ingredient in the process of developing regulations at the local level is the institutionalization of an effective regulatory review system. Such a process requires the completion of regulatory impact assessments to ensure that the costs of regulation do not exceed the benefits and that the problem to be solved actually requires explicit regulation.

Deliverables:

1. With a team from the MoIT R&D agency ran a series of regional workshops on regulatory review for public officials (Palembang, Lombok etc). Using material drawn from OECD regulatory review manuals (in particular that from Australia), the MoIT is now socializing key principles of good (local) regulations in the regions—emphasizing important aspects such as simple cost-benefit analysis, regulatory alternatives, problem identification, etc. —as a means to prevent (or at least restrain) the proliferation of competition- and trade-inhibiting regulations. My presentations focused on the appropriate use of *retribusi* (user-benefit charges), as most problem local regulations tend to be in the form of *retribusi*. Material from these workshops is being compiled to produce a regulatory review handbook specifically for local government. This manual pulls together the work by the PEG Domestic Trade Advisor on the principles of good local regulations, as well as the regulatory review work by MoIT counterparts. This is the frontline effort of the MoIT in combating the many competition- and trade-distorting regulations and practices that are continuing to emerge at the local level. We hope to formally publish the manual in coming months, and to distribute it widely among regional governments and central government agencies.

Socialization seminar by BIGS (Bandung Institute of Government Studies) of their report titled ‘Merumuskan Kebijakan Perijinan yang Pro-Pasar dan Sensitif Kepentingan Publik: Studi Kasus di Kota Tasikmalaya dan Kota Bekasi’ (Formulating Local Regulations that are market friendly and sensitive to the public interest: Case Studies from Tasikmalaya and Bekasi). Aryaduta Hotel, 15 April 2003. Prepared a two-page summary of results for counterparts. The summary was later published in the GTZ Decentralization Newsletter. There has been considerable interest in this study from the donor community.

2. *Other Accomplishments*

- ❑ Attended and made a presentation at a PEG small grant workshop on regulatory reform under decentralization in Batu, Malang, on principles of good local regulations
- ❑ Wrote and presented a paper “Regulatory Problems in Local Government” for the IRSA (Indonesian Regional Sciences Association) in Bandung in July 2003. Also moderated a session on SMEs and local governance issues.
- ❑ Participated in a World Bank- GTZ led meeting on decentralization-related monitoring and evaluation activities. The above-mentioned PEF-TAF survey of business perceptions under decentralization was included in the list of MONEV activities discussed.
- ❑ Provided written comments on a World Bank report synthesizing the results of a number of studies on local regulations, including studies by PEG.

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Distribution Systems - Identification and analysis of issues and problems affecting the distribution sector in general, and/or the distribution system for specific commodities.

A well functioning distribution system improves the competitiveness of Indonesian producers by allowing products to reach the market quickly at low delivery cost. An efficient distribution system is also important in that it serves consumers by expanding their choices and by providing better services and products at ever-lower prices. There has been much progress in recent years in improving the Indonesian distribution system. However, many problems still remain (such as infrastructure bottlenecks, information asymmetries and locally imposed trade barriers). An important recent focus for the Domestic Trade Directorate General has been to use domestic commodity price data to measure distribution efficiency. MoIT has also requested assistance in monitoring the impact of certain events (such fuel price rises, Lebaran) upon domestic food (and other) prices.

Deliverables:

1. *One policy study or equivalent, policy memos and training to assist in the analysis of domestic price data.*

Memo to Domestic Trade counterparts analyzing commodity price movements in the 2 weeks prior to and after the January 1, 2003, price rises for a sample of cities on/off Java. The memo also summarizes earlier econometric work on the relationship between fuel and food prices. Following this, at the request of a key Domestic Trade counterpart (SES), prepared a memo and presentation material outlining the many problems and possibilities for the MoIT's commodity price dataset.

2. *Analysis and short memos on the impact of key events upon food prices*

As above.

Other Accomplishments:

At the request of the Chairman of the R&D prepared a series of Trade policy briefs analyzing a number of non-tariff barriers and other policy distortions recently imposed upon agricultural commodities, including sugar, white pepper, cocoa, cloves, wood and soybeans. Activities included numerous interviews with producers, traders, associations and government officials, accessing secondary data, as well as managing local consultants.

A study on licensing and regulation of modern retailing in the decentralizing era was completed. This PEG small grant study was designed as input to MoIT efforts to introduce new regulations governing the activities of modern retailing. To ensure that the study was relevant for MoIT's immediate policy needs, a series of coordinating meetings were held with MoIT counterparts. Results were socialized at a seminar at the Santika Hotel, Bandung, 23 April 2003. The MoIT has shown considerable interest in the study and intends to use the results as input to current efforts to revise/consolidate the existing regulatory framework. A number of MoIT staff traveled to Bandung to participate in the seminar, including one of the panelists. The study essentially looks at the impact of modern retailing in three areas: Bekasi, Karawang and Bandung. Key conclusions are that modern retailers (particularly mini-markets) do have an impact upon small traditional retailers (i.e. lower turnover), however this

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impact tends to be over-stated and often exaggerated. In addition, modern retailing generates an overall net-positive benefit for the general community (consumers, etc.) and therefore new regulatory restrictions are not required. The seminar and study was a PEG small grant activity, mentored by David Ray.

Prepared and delivered a short presentation/comments delivered at the above-mentioned retailing seminar. Comments focused on the range of non-price benefits accruing to the community from the presence of modern retailing. Later at the Domestic Trade Directorate General, MoIT, a presentation was made by AKADEMIKA of the results of their PEG study on the impact of modern retailers on small, traditional retailers. The results of this study were widely reported in the media (e.g., *Kompas*, 10 June 2003).

Port Sector Reform - Analysis and policy assistance with regards to improving the performance of Indonesian ports through greater private sector participation and also in developing appropriate legislation and institutions governing port sector affairs in the decentralizing era or an equivalent activity as judged by the CTO.

In an archipelago and essentially agrarian nation such as Indonesia the development of efficient distribution and trade systems (both domestic and external) is very dependent upon the transport infrastructure, in particular the port sector. The Indonesian port sector lacks modernization and remains largely inefficient. This is due to a general lack of competition and private sector participation in the sector. The Ministry of Communication has requested assistance in developing strategies for promoting private sector investment in the sector and in developing a new decentralization consistent national law on ports.

Deliverables for the port activity (comparable deliverables as judged by the CTO if the study area is changed):

1. One policy study on improving private sector participation in the port sector

At the request of the Chairman of MoIT's R&D Agency, wrote a memo discussing the viability of Sabang as a free trade zone and trans-shipment report. The memo strongly dismisses the likelihood that Sabang could emulate Batam as a free trade zone, or develop as a shipping hub. The memo was well received by the Minister. Along with a summary prepared by the Chairman of the R&D Agency, and an accompanying note from the Minister, the memo was distributed to all MoIT Director Generals and the Secretary General.

In response to an MoIT report on port problems, researched and wrote memo on the terminal handling charge (THC) controversy at the port of Tanjung Priok. The memo is designed to provide a more balanced picture regarding problems at the port, in comparison to the MoIT report. The THC memo was widely distributed around the shipping line community as well as relevant government ministries. Most of the text of memo was later used by the Overseas Shipping Representatives Association (OSRA) in their lobbying paper regarding the terminal handling charge issue.

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2. One policy study on laws and institutions governing ports in the decentralizing era

Completed a major policy paper on reforming Indonesia's ports. The paper pulls together and draws upon the work on port sector reform by long and short-term PEG consultants over the 2001-02 period. Key recommendations include the need to develop an effective model for marrying private and public interests (in particular that of the local government and the port corporations), as well as the deregulation of private ports such that they can compete with public ports run by the port corporations. The paper can be downloaded at <http://www.pegasus.or.id/public.html>.

Coordinated, managed and provided input on a study presented at the above-mentioned regulatory reform conference on port sector reform in the decentralization era – a case study on the dispute between the local government of Cilegon and the central government.

Prepared a note on recent developments regarding port sector performance up to June 2003.

Industrial Competitiveness - Research and analysis of key issues affecting Indonesia's industrial competitiveness.

Deliverables:

1) Provide input, in the form of papers and memos, to the development of a new industry policy vision at the MOIT

Prepared memo for the Minister on international comparisons of labor costs in the manufacturing sector.

Following a series of meetings with the Indonesian Textile Association regarding recent developments, updated and revised a paper on textiles and garments (with Ted James and Peter Minor). The paper was published in the Bulletin of Indonesian Economic Studies, April 2003.

Prepared and distributed a note for MoIT counterparts on Indonesia's export performance through to June 2003.

Prepared a memo for counterparts in the MoIT R&D Agency on Indonesia's export performance through December 2002.

2) At least two sectoral studies.

Mentored a PEG small grant study by HUKUI (Indonesia Small Business Exporters Consortium) on export constraints confronting 9 sectors in Bekasi, including furniture, electronics, garments, etc. Results were socialized at a seminar on 29 May 2003 at Hotel Horison, Bekasi.

Prepared and distributed a note for MoIT counterparts on the continuing demise of labor-intensive export manufacturing.

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Ad hoc requests - Respond to short-run MOIT and USAID/PEG requests and prepare speech materials as requested

Deliverables:

1) Attendance and participation at meetings/committees as requested

Active participation in the PEG small grant program including

- Reviews of applications
- Mentoring various programs
- Attending, opening and presenting at a number of socialization seminars

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Individual Annual Progress Report

*Dr. Thomas A. Timberg,
Small Scale Credit Adviser, Bank of Indonesia*

Reporting Period: 2002-2003

The Adviser was in Washington D.C. from November to April on ordered departure, which resulted in some changes in planned activities and outputs.

Since the activities of the Adviser were directed toward four categories of clients with somewhat different objectives in each case, they will be discussed separately below, as follows, for:

The Credit Directorate of Bank Indonesia (DKr), now the Credit Bureau, concerned now with overall credit policy and promoting lending to priority social sectors.

The Rural Banking Directorate of Bank Indonesia (DBPR), which regulates and supervises the Rural Banks (BPR).

The State Ministry for Cooperatives and Small Scale Enterprise (Mennegkop), responsible for Small and Medium Enterprise (SME).

A miscellaneous group – at present involving Jakarta Initiative, the Working Group on SME policy, various parts of Bank Indonesia, and USAID itself.

In distinction to previous annual reports this one uses with a new format as follows:

A summary of activities in terms of USAID objectives is followed by a quick reference to the four points of the present Work Plan and how the activities respond to those points. There is also some explicit attention to the mandated project deliverables. The relevant USAID objective is the increase in volume of SME credit (one of the program indicators) as part of the achievement of Broad Based Economic Growth through Increased Access to Economic Opportunity.

The development of small and microfinance in Indonesia proceeds on two tracks as follows:

1. The development and expansion of SME-oriented financial institutions of various sorts -- BPR, Credit Reference Bureaus, commercial banks, savings and loan cooperatives, etc. The government's role is to develop a conducive regulatory structure, but because of inherent market failures in the regulated financial sector it frequently has to undertake a promotional role.

Thus the adviser was involved in various efforts to strengthen categories of financial institutions and financial sector supervision.

CREDIT REFERENCE BUREAU – The creation of a credit reference bureau like Dun and Bradstreet in the United States is expected to be a useful tool for facilitating bank, especially large bank, lending to SME. Efforts have been ongoing for more than a year to put such a bureau in place, either based on or in addition to the present Debtor Information System of

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Bank Indonesia. The PEG Advisor was involved along with designated Asian Development Bank advisors in meetings to accelerate the formation of this Bureau.

RATING AGENCY FOR BPR – to permit BPR to borrow more easily on financial markets. The Advisor helped arrange a pilot rating which was the core of a national seminar to launch such an agency in April. A further seminar was conducted in July and a working group is moving forward to create the Agency.

SUPERVISION AND DEVELOPMENT OF SAVINGS AND LOAN COOPERATIVES – After a collaborative study presented at a national seminar, the Regency of Jember in East Java volunteered itself as the site of a pilot effort. The kick-off meeting for this effort was held in March 2003. A joint effort between The Asia Foundation (TAF) and the Regency is now being finalized to undertake this pilot effort.

EXTERNAL AUDIT OF BPR – The Task Force on External Audit of BPR (composed of representatives of the BPR, the accounting profession and bank supervisors) conducted a contest that generated 91 case studies of the difficulties encountered in on-site auditing of BPR. The better cases were edited for use as a training material. The PEG Advisor facilitated cooperation between the CGAP specialist on external audit of MFI and the Task Force.

INSTITUTION BUILDING INITIATIVES – A large number of these have been completed with the Advisor's participation as follows:

A study of the actual systems and procedures of the best BPR to serve as a benchmark for proposed "best practices" was completed and is posted on the PEG website.

Collaboration with ACDI/VOCA, Opportunities International, TAF, PINBUK, and the World Congress of Credit Unions were all oriented toward designing or implementing new microfinance initiatives with USAID support. In particular, TAF is involved in a series of diagnostic studies to guide its efforts to restructure the microfinance sector in West Java and elsewhere. ACDI/VOCA has completed a Subsector Analysis of the Poultry Subsector in West Java to guide its efforts in that sector and microenterprise development. PINBUK, the institution that supports Islamic Savings and Loan Cooperatives, is broadening its international network through contacts with the World Congress, the Consultative Group Against Poverty, etc.

2. Overall policies for SME and SME Finance continue to be highly contested. While the former banking regulations which mandated specific lending quotas and provided subsidized government funds through the Central Bank have been removed, there are strong pressures to restore the same evils in new forms. In addition, because of continuing pressure for subsidized credit lines and indirect subsidization through new institutions, there are continuing efforts which would require a high level of directed credit as well as impose numerous anti-market restrictions on all credit institutions.

Plans for cooperation with Bank Indonesia and MennegKop over the next few years were explored. A resulting letter of request from Bank Indonesia was received. Of special importance were several meetings at which potential points for cooperation with the newly created Bureau Shariah of Bank Indonesia, responsible for the supervision of Shariah

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institutions, were discussed. This cooperation is designed to strengthen the financial system both in general and in the provision of financial services for SME.

A plan for the involvement of Professor Richard Meyer of Ohio State University, an expert on development and rural finance but not Islamic finance, in reviewing research plans had to be cancelled due to the ordered departure and subsequent scheduling conflicts. However, a seminar on comparative approaches to the supervision of Shariah institutions was conducted in June 2003.

Workplan Activity 1: *To respond to short-term Bank Indonesia (BI) crisis related requests for policy analysis in the areas of small and medium enterprises (SME) and alternative financial institutions (AFI), to include reviewing Indonesia's credit policies toward SMEs and suggesting policy improvements and alternatives that will promote broad-based economic growth in Indonesia.*

Progress to Date:

Most of the above listed activities could be viewed under this rubric since they respond to specific counterpart requests.

Workplan Activity 2: *To conduct surveys of financial institutions and SMEs to verify (and correct where necessary), the available data, to include:*

- Undertake surveys of financial institutions and small and medium enterprises, including secular and Islamic cooperatives, commercial banks, BPR (Rural Banks), as well as client and other SMEs.
- Correlating and integrating PEG survey findings with those of other actors, e.g. USAID, other Indonesian government agencies, the ADB, and examine various microfinance plans.

Progress to Date:

Though many activities involve such studies -- the most important not yet discussed here are the following:

The Study of the Training Needs for SME Promotion by Local Level Officials. Study Completed. Recommendations being implemented by Mennegkop.

Studies of the Situation of Small, Medium, and Microcredit Flows in West Kalimantan, West Java, North Sulawesi, and Taksimalaya are finished and posted on the PEG website as background for policy makers.

The Study of Best Practices for BPR, completed.

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The Study of Partnership between Large and Small Business. Somewhat belatedly, largely due to USAID-imposed constraints, completed and a national seminar was conducted.

A successful seminar for Bank Indonesia and commercial bankers on Palm Oil Lending by E. G. Togu Manurung of the Environmental Policy and Institutional Strengthening IQC was held. Well attended. The bankers agreed that palm oil lending involved various problems – both in terms of environmental impact and commercial sustainability, though they felt there was political compulsion to continue it. A good deal of the incremental small lending in the banking system has been for palm oil plantations.

Proposed seminars on agricultural finance and subsector analyses for Bank Indonesia staff have been put on hold. These are high priority areas for the development of banking system policy.

Status of Deliverables: As shown in the attached matrix.

Workplan Activity 3: *To assist in developing networks between commercial banks and alternative financial institutions by analyzing the current conditions of AFI and SME in Indonesia, to include:*

- Examining issues relating to the networking of various financial institutions; special attention must be given to Dabenas and Perbarindo, as proposed bases for networking the pooling of funds, and other linkage possibilities between AFI and mainstream financial institutions, such as the USAID-proposed Microlinks project.
- Discussing proposed and potential SME initiatives, with particular attention to Islamic banking institutions and their potential in Indonesia.
- Discussing and negotiating results of these analyses with other actors to encourage a consensus on action, with additional follow-through activity as necessary.

Progress to Date:

This activity has finally taken off and bodies to undertake "pooling" of excess BPR funds are in the process of organization in several provinces under the auspices of the PerBarindo, the association of BPR owners. Meanwhile, BPR are also accessing funds and business from PT Madani and the Pegadaian as well as other public sector sources. The Rating Agency discussed above will be very helpful in promoting commercial bank-BPR linkages.

Status of Deliverables: As noted above.

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Workplan Activity 4: *To provide technical assistance in assessing alternative ways to handle SME functions, given different assumptions about organizational structure to BI.*

Progress to Date:

Almost all activities discussed above fall into this category.

Status of Deliverables: These are the training events described in the previous section.

The second session of the In-House Course on SME Finance Research Methodology finished with a positive audience evaluation in Anyer on March 18-20, 2002. The participants, perhaps because of the bad weather, ignored the recreational possibilities and spent the evenings until 11 PM at their studies and began the next morning on class exercises and case studies. Two Bank Indonesia staff were sent to Australia for a special course on SME Finance at Monash University conducted by Professors Michael Skully and Robert Rice.

The In-Kind Grant Seminar for Intending Investors in New BPR was attended by 300 paying participants in Malang (300,000 rps each) on March 9.

The PINBUK In-Kind Grant Seminar on the Regulation of Bait Maal wa Tamwil, Islamic Savings and Loan Cooperatives, was heavily attended and resulted in a commitment to develop an appropriate regulatory framework and for further cooperation with WOCCU, the US based World Congress of Credit Unions. The seminar was supported by a PEG Small Grant.

Assistance to Bank Indonesia in sending students for training to the US, at their own cost.

Work with TAF and Bank Indonesia to launch TAF assistance to BPRs in BOTABEK. With the Adviser's involvement TAF supported diagnostic studies on restructuring possibilities for JABOTABEK area BPR. Five diagnostic studies were completed in early 2003. Assistance to ACDI/VOCA with their microcredit program in West Java.

Additional Deliverables: The last extension of the PEG Contract specified additional deliverables as follows:

1. A final report addressing research results was completed in June and the results were placed on the PEG website and published.

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2. A National Summary Seminar presented that report on June 17 to an audience of 75 – with vigorous participation by key counterparts.
3. Three Policy Memoranda and five Seminar Presentations:
 - a. Five policy memoranda are noted in the publications list below.
 - b. A seminar presentation was made to the National Seminar on Savings and Loan Cooperatives, which is posted on the PEG website, and another to the Jakarta Branch of the Ikatan Sarjana Ekonomi Indonesia, which is included in another report on the PEG website. Others were canceled due to the ordered departure of the Advisor. The final Seminar was noted above. The Advisor also spoke at the “Development of Promotion of Profit Sharing Finance for SME and the System for their Supervision,” a session sponsored by the Regional Economic Development Institute in Surabaya on “Models for Lending to Support SME,” and a meeting of the Association for Microcredit, an association of small credit giving NGOs, on “Pathways Forward in Rural Finance.”
4. Five Notulen from seminars in which the Advisor is involved. There have been more than five.
5. Three pieces of legislation with which the advisor is involved. These would include the draft Microfinance Institutions Law, the Ministerial Order resulting from the Working Group on the Credit Information Bureau, and the new regulations on licensing of BPR.

Publications, Etc.

"Appropriate Macropolicy for SME," Thomas A. Timberg, Spring 2002, Policy Memo)

Comments on Speech by Rudjito to USAID Retreat, Spring 2002 (Policy Memo)

Comments on North Sulawesi Savings and Loan Cooperative Study, Spring 2002.

Memo to Ms. Yunus Sari on Debt Restructuring, Thomas A. Timberg (Policy Memo)

Expanding SME Credit In Indonesia, Thomas A. Timberg (Policy Memo)

Memo on Millennium Challenge Account (Policy Memo)

Revised Workplan for Evacuation

Newly Posted on the PEG Website <www.pegasus.or.id>

77. Indonesian paper, “Koperasi Simpan Pinjam,” by Thomas Timberg

96. “Small Credit in West Java,” by Thomas Timberg and Irfan Abdullah.

97. “Small Credit in North Sulawesi,” by Thomas Timberg and Irfan Abdullah

98. “Small Credit in Taksimalaya,” by Thomas Timberg and Irfan Abdullah

99. “Institutional Credit in Irian Jaya/Papua and Its Prospects” by Thomas A. Timberg

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101. "Maluku, Its IDP's, Financial System and Prospects," by Thomas Timberg
107. "Islamic Finance and International Donor Policy: The Example of Indonesia," by Thomas Timberg
108. "Black Money and Rural Development – Remittance Services, by Thomas Timberg

"The Second Coming of Agricultural Credit," by Thomas Timberg

Posting to Microfinance Accounting Mailing List on Teaching Cases on External Audit of BPR in Indonesia.

"Best Practices: Prosedur Operasional BPR" by Institut Bankir Indonesia Team, May 2003.

"Study on the Environment for Partnership of SME and Large Business in Indonesia, Research Report, by Karen C. Bigler, May 2003

"Penciptaan Iklim Usaha Yang Kondusif Untuk Kemitraan" by Professor Hendrawan Supratikno, may 2003.

"What I Learned in Indonesia: Nine Salient Points on The Indonesian Financial System and Small and Micro Credit" by Dr. Thomas A. Timberg, posted on PEG website.

"Disclosure Standards for Financial Reporting by Microfinance Institutions" CGAP Draft by Thomas A. Timberg. Memo.

"Case Studies in the External Audit of Bank Perkreditan Rakyat (BPR) -- Rural Banks" June 11, 2003 and related drafts.

"Islamic Banking and Its Potential Impact" by Thomas A. Timberg, delivered at Seminar on Pathways Forward in Rural Finance, Washington, D.C. June 2-4, 2003. Paper title: "Islamic Banking and Its Potential Impact: Risk Management and Islamic Finance Policies," by Thomas Timberg.

"The Issues in Connection with the BPR Credit Rating Agency" by Thomas A. Timberg

"Hasil Rapat Koordinasi Tindak Lanjut Pelaksanaan Seminar Nasional," 19 May 2003, Jember, Notulen.

SEMINARS ATTENDED

1. Microfinance workshop World Bank , Jakarta, February 11-12,2002 -- Notulen in file.
2. The 5th Network Meeting Ukabima, Bandung, February 18-21,2002, no notulen in file.
3. BMT Supervision Jakarta, March 13, 2002 Notulen in file.
4. Saving and Loan Supervision, Jakarta, March 18, 2002 Notulen in file.
5. Potential Investor for BPR, Makassar, August 30,2002. Notulen not yet in file.

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6. Saving and Loan Supervision II , Jakarta, September 30,2002. Notulen in file.
7. Seminars on S&L Cooperatives in region (Lampung & Manado). No Notulen.
8. Credit Bureau Seminar on SME Lending. No Notulen in file.
9. National Seminar on Development of Promotion of Profit Sharing Finance for SME and the System for their Supervision, Jakarta, June 27, 2003. End of Project Notulen with Biro Shariah, Bank Indonesia.
10. Final Seminar, June 17, 2003, Jakarta. Paper on Web.
11. "Hasil Rapat Koordinasi Tindak Lanjut Pelaksanaan Seminar Nasional," May 19, 2003, Jember, Notulen.
12. REDI Seminar on "Models for Lending to Support SME," Surabaya, May 22, 2003. Small Grant supported.
13. AKM Seminar on "Strengthening the Network of Microfinance Institutions and Alleviating Poverty," Jakarta, May 2003. Small Grant Supported.
14. "Pathways Forward in Rural Finance," Washington, D.C., June 2-4, 2003. Paper Advisor presented, on the PEG Website.

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Individual Annual Progress Report

Dr. Idris Sulaiman

Reporting Period: January 1 – September 30, 2003

*Information Communication Technology (ICT) Advisor and Economist,
Indonesian ICT (inter-ministerial) Coordinating Team (IICT – TKTI),
under the State Ministry of Communications & Information (MoCI – Meneg KomInfo)*

Introduction

Under the previous Wahid Administration, the ICT Coordinating Team (which eventually came under MoCI) was given the mandate to coordinate the implementation of ICT-related policies. This was based on the Presidential Executive Order (Kepres) No.4, April 2001, which includes the “Five-Year ICT Action Plan”. This Plan covers a list of 74 programs (including one program that deals with cybersecurity issues and now is down to 22 proposed projects) for ICT development in four areas (policies, infrastructure, HRD and applications). The 22 projects now form a basis to attract further investment and/or donor funding in the ICT sectors. The 2001 Kepres also include the “Guidelines for ICT Policies” that underline its role as a tool to unite the nation and empower all sections of society and particularly make references to the importance of private sector role and public-private partnership in ICT development.

The Megawati Administration reinforced the above mandate with a new Presidential Decree (Kepres) No.9, January 2003. This new Kepres outlines a new structure for IICT with a reduced number of ministries from 16 to 6 key ministries covering Finance, Industry and Trade, Internal Affairs, Justice and Human Rights, Research and Technology, Transportation and Communications with the Chief of Staff of the State Secretary – SEKNEG. All significant ICT activities in these ministries are to be given guidance and be coordinated by MoCI. Under this new structure, cybersecurity issues are to be tackled by the Infrastructure Working Group (one of the six WG).

In line with this Kepres and with the newly released "US National Strategy to Secure the Cyberspace" (released by the US President in Jan. 2003), the PEG ICT Advisor has been working with the private sector bodies and with the MoCI-IICT in developing their cybersecurity policy and organizational responses. He assisted with the formulation and establishment of the ICT Security Task Force (ICT-TF) established by MoCI under the chairmanship of the Deputy Minister on Network Infrastructure Development. Given the rising threat of cybercrime in Indonesia and mounting evidence of cybercriminal activities emanating from Indonesia, the government and businesses who are increasingly dependent on ICT are facing greater risks of debilitating disruptions on their information system due to external and internal intrusions. Maintenance of cybersecurity is, therefore, directly related Indonesia's business environment and investment climate. However, since much of the cybercrime in Indonesia comes from public ICT access points such as Cyber cafes and Internet Kiosks (which recently command 64% of total Internet access), work on cybersecurity must be intertwined with efforts to expand or even maintain public access.

In the first semester of 2003, the ICT Advisor focused his efforts on the establishment of a (private-sector) Indonesian cybersecurity policy forum (called SECURE-INDONESIA-FIRST.OR.ID) and its day-to-day coordination taskforce for Computer Emergency Response Teams (CERTs) and Security Incident Reporting Teams (SIRTs) in the id-FIRST Task Force

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(FIRST stands for "Forum for ICT-incident Response and Security Teams). He initiated and advised on the structure of the Forum and its working agenda and assisted with the organization for its launch and related seminar in March 2003. He gave several formal presentations in various public events and attended several meetings at the MoCI, which raised awareness for a national cybersecurity strategy. He assisted with the establishment of the (government-led) ICT Security Task Force (ICTS-TF) in July 2003. The Minister of MoCI tasked the ICTS-TF to prepare the first Memorandum of Understanding on Cybersecurity between MoCI and the Economic and IT Crime Unit of the Indonesian National Police.

The Advisor also coordinated and assisted the Indonesian delegation to the 27th Meeting of APEC Telecommunication and Information Working Group (TEL27). At this event, he contributed substantially to Indonesia's presentation to the E-Security Task Group and supported the delegation at other TEL27 sessions.

The long-awaited Presidential Instruction (Inpres) No. 3, June 2003, was finally released. It states that MoCI is to coordinate e-Government activities across a list of agencies. The PEG ICT Advisor's work during 2002-3 on e-Government issues provided substantial support to prepare the E-Government Task Force (which is tasked to implement the Inpres No. 3) with best practice examples from other countries as well as assisted their 3-person delegation to the (US State Department-sponsored) e-Government conference in Washington, D.C.

The ICT Advisor continued his work on cybersecurity issues as part of business facilitation to create a better investment climate in ICT industries. This involved the preparation for a five-person delegation from Indonesia to attend APEC's Cybercrime Legislative and Enforcement Capacity Building Workshop (July 21-25, Bangkok) with a follow-up Debriefing Seminar with US Department of Justice officials (July 30, Jakarta). He also coordinated the DoJ officials meetings in Jakarta with important stakeholders who are preparing Indonesia's substantive and procedural legal framework to deal with cybercrime.

The Advisor also coordinated activities to disseminate information on improving ICT public access and security issues. These activities revolved around the two-day event "New Ways to Empower Indonesia with Internet & ICTs" (August 26-27). The first was a full-day Seminar with international and local speakers which included a launch of the "Secure and Sustainable Community Telecenters Handbook-CD" (which he edited and compiled). The Handbook-CD was launched by the Director General of Post and Telecommunications, Ministry of Communications and Transport (this ministry in charge of the Universal Services Obligation program which include expansion of ICT public access - a program to be coordinated with the MoCI). The second event that he organized and moderated was the "Jakarta-Washington Video Conference on "Public ICT Access and Global Telecenters Development". It involved senior officials from The World Bank, USAID and the US National Telecommunications Cooperative at the Washington end and officials from MoCI, the WB Jakarta Office and key local industry speakers at the Jakarta end.

The Advisor also conducted a survey of ICT activities by all the Strategic Offices of the USAID Indonesia Mission and produced some academic papers on the development of Indonesia's ICT industry. One of such paper has been adopted as a basis for a set of recommendations (which included cybersecurity, anti-money laundering and counter-

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terrorism financing) to the APEC Financial Ministers Meeting, Bangkok, September 4-7, 2003.

Work Plan Activity 1: *Development of foreign investment policies and organize events to generate a conducive business climate in ICT industries particularly those that depend on security of computers and their networks: Advise and assist the private sector and MoCI-IICT in developing policies to attract FDI in ICT and coordinate with ICT-related US companies on ICT or cyber security and counter-cybercrime activities.*

Major Achievements:

- Planned and executed the event on "IT and Network Security Seminar, Showcase, and Workshop" (March 19-21, 2003) which by all accounts was a success notwithstanding the timing—one day before the war Iraq began. The event was attended by the USAID/Indonesia Deputy Director, Permanent Secretary of MoCI, Economic and Cybercrime Division Police Chief and other international and domestic speakers. Assisted with the establishment of Indonesia's first ICT security forum ("SECURE-INDONESIA-FIRST.OR.ID") and its "id-FIRST Task Force" (which offers a cybercrime "abuse" assistance).
- Provided assistance in training of public and private sector representatives (as part of the Indonesian delegation to Asia Pacific regional events (APECTEL 27, Kuala Lumpur, March, 2003 and APEC Cybercrime Workshop, Bangkok, June, 2003). The PEG ICT Advisor coordinated the selection, logistics preparation and accompanied members of the Indonesian delegation to both events.
- Provided assistance to MoCI on cybersecurity issues: Put forward the suggestions that MoCI consider working on a "Cybersecurity Roadmap" and on a Memorandum of Understanding on Cybersecurity with the Indonesian National Police and that the private sector consider strategies similar to those employed when dealing with the "Y2K" issue. Provided assistance with the establishment of a new national critical infrastructure protection (CIP) task force which is Government-led called "ICT Security Task Force (ICT-TF)" by preparing a background paper and attending meetings to prepare its establishment.
- At the request of the US Embassy, provided support to implement a US Grant of an IT Project for the immigration agency in Indonesia (Personal Identification Secure Comparison and Evaluation System - PISCES) by arranging meetings with officials from MoCI, the Department of Foreign Affairs, private sector and Parliamentary representatives.
- Provided briefings on Secure-Indonesia-FIRST and id-FIRST Task Force to staff members of IT/Cybercrime Unit and commander of the Economic and IT Crimes, Indonesian National Police (INP-BARESKRIM, MABES POLRI) and IT/Cybercrime Unit of the Jakarta Metropolitan Police (POLDA Metro). These briefings also include disseminating information from APECTEL 26 and 27 on the need towards the eventual establishment of Indonesia's Center for Cybersecurity Coordination which is staffed 24 hours by 7 days, that is tentatively called National Counter Cybercrime Center (24X7 CCC) at the INP.

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- Delivered a presentation entitled at the "Creating and Standardizing Cybersecurity (including e-Finance) in the APEC region", The 3rd Axiss APEC Future Economic Leaders Think-Tank (June 11-14, Sydney, Australia). Also, led several tutorial sessions at the following workshop for participants (which consist of officials from Central Banks and Ministries of Finance from APEC member economies). The product was a "Think-Piece" for the Meeting of APEC Finance Ministers in October 2003, Bangkok. The focus of the accepted recommendation paper at the Final Plenary of the Workshop was on the need for a greater emphasis on measures to deal with Trans-border Financial Crimes (anti-money laundering, counter-terrorist financing and particularly counter-cybercrime activities in line with APEC Cybersecurity Strategy). The specific measures recommended relate to the need for the establishment of institutions such as id-FIRST (above), the US-style Information Security Analysis Center (ISAC) and the Trusted Information Sharing Network (Australia).

Recommended future assistance in this area:

- To organize and arrange workshops, conferences or other special events on behalf of USAID as requested. However, more focus should be placed on four themes:
 - Business facilitation to generate better investment climate in ICT industries specifically those which improve Cybersecurity environment through the "Secure-Indonesia-FIRST" organization which will involve sponsorship international companies here (Microsoft, Cisco, Schlumberger, Business Intelligence Group and others) and the Federation of IT Industries (which includes the ISP Association - APJII). These activities will support improvements to: (a) its related "id-FIRST Task Force" Spam-Abuse-Fraud reporting service (email: abuse@apjii.or.id) based at the ISP Association (APJII) Headquarters; (b) the establishment of a "Trusted Information Network" clearing house of relevant/critical cybersecurity information between private sector ICT associations and ICT- corporate users which will also report to the "ICT Security Task Force" for those cybersecurity incidents subject to prosecution); (c) seek private sector investment partners to improve cybersecurity of Indonesia Internet Exchange (IIX-Jakarta) and for the proposed Surabaya Internet Exchange (SIX) and other regional IXs.
 - Organize studies of the relationship of cybersecurity and the business environment to establish a business case for greater implementation of cybersecurity measures to be jointly conducted by institutions such as MoCI, Secure-Indonesia-FIRST and a US-style yet-to-be-established Information Security Analysis Centers (ISACs) and the Trusted Information Sharing Networks (for specific industries such as banking, mining, telecommunications and others).
 - Organize public awareness events to support the enactment of "Cyberlaws" (the draft of the Information and Electronic Transactions Law, Laws on Data Privacy and Data Protection, Laws on Public Access to Information and others). In addition, provide support to USAID, DoJ or other US-agencies work with the business community, elected and appointed officials and the community that deal with the incidence and response to cybercrime.
 - Strengthening "id-FIRST" and its combined CERT Task Force in their technical capability building with assistance from similar organizations in the global CERT/ICT-security community from the United States (such as Partnership for

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Critical Infrastructure Security-PCIS, Information Sharing & Analysis Center, ISAC), Canada (Critical Cyber Infrastructure Protection, Office of CIP) and Australia (Aust. IT Security Forum and AusCERT) and others.

- Compiling the handbook for standard operating procedures for id-FIRST, ISP-APJII-CERT, Internet Kiosk Association (AWARI) and other ICT industry organizations.
- Follow up cybersecurity awareness raising to disseminate information from important international/Asia-Pacific conferences, the primary civilian US cybersecurity centers (such as the CERT/CC at the Carnegie Mellon University which has US-DoD and other federal agencies recognition).

Work Plan Activity 2: USAID ICT Working Group: Advise and assist the group and on development of USAID Strategy for ICT Development in Indonesia.

Major Achievements:

- Organized and conducted a survey of Mission-wide ICT activities for USAID/Indonesia, preceded by a presentation to representatives from the different offices of USAID/Jakarta on the USAID/Indonesia ICT Survey. This activity was at the request and under the supervision of Mr. Bruno Cornelio, Economic Growth Team Leader. The survey report "Survey of USAID/Indonesia ICT Activities in FY 2002-3 and Some Recommendations for Mainstreaming ICTs" was distributed to USAID/ECG and those who participated in the survey. The report provides an input to the discussions on the future USAID (including ICT) Strategy for 2004-9 under the new Director and includes recommendations to improve mainstreaming ICTs by the establishment of a new "USAID ICT Coordinating Team or ICT Director's Support Unit", by integrating information of ICT-related activities under all SOs, projects and grantees in the USAID website, by designing new methods of using ICTs (including multi-media and broadcasting activities) as "cross-cutting" tool for development and as ways to better inform the public (and Washington) about USAID/Indonesia activities. The recommendations also drew on earlier reports and recommendations by USAID ICT Survey (2001) and a visiting USAID/Washington (2002) Team. The key assumption with all of these reports is that ICTs are enablers and facilitators that can drive bigger and broader objectives and, therefore, ICT is "cross-cutting," not a single, stand alone program.

Recommended future assistance in this area:

- Organize and arrange workshops, conferences or other special events on behalf of USAID as requested. The theme of mainstreaming ICTs which include "cross-cutting" tool for development and as ways to better inform the public (and Washington) about USAID/Indonesia activities could be refined to synchronize with the development of ICT policy and issues at MoCI and activities of other donors (World Bank, ADB, Swiss Contact, JICA, GTZ, KoICA/ICAK and other donor agencies in the Donor ICT Group on Indonesia).
- If requested to begin work on how work on ICT/cyber-security and cybercrime issues as part of business and investment facilitation in Indonesia can better draw on the "US

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National Cybersecurity Strategy to Secure Cyberspace” (administered by the Chief Cybersecurity Administrator at Department of Homeland Security, Mr. Marcus Sachs).

Work Plan Activity 3: Further development of Indonesian ICT Action Plan: Advise and assist MoCI in fulfilling its responsibilities as the GOI's advisory and monitoring agency for the development and implementation of the ICT Action Plan.

Major Achievements:

- At the request of MoCI, the PEG ICT Advisor provided oral and written input to the World Bank consultants (Intelligence International Australia, IIA) in the projects "Strengthening the Secretariat to function as Effective Secretariat to ICT/Telematika Coordinating Team (IICT)" at the MoCI. He was actively engaged in formal debriefings and informal discussions during the six phases IIA study (from November 24, 2002 to May 25, 2003 several reports, see <http://www.tkti.web.id/>). Key Recommendations (which he endorsed and actively supported) were:
 - That a New IICT will be established to take full responsibility for all aspects of ICT including the communications component, planning, funding, training and coordinating and monitoring implementation across GoI agencies.
 - Adopt 5 core strategies: 1) e-Government, 2) e-Infrastructure (inc. standards for e-security), 3) e-Industry, 4) e-Learning, 5) e-Commerce.
 - Establish a Strengthened Support Unit under an Executive Director and 5 Directors supported with Information/Administrative Unit.
 - Establish an ICT Advisory Board made up of key representative from government, donors and stakeholders to act as a think tank for TKTI and a forum for resolving ICT issues.
 - Ensure stronger accountability for IICT Work Groups with defined deliverables, timeframes, budgets, etc.
 - Executive Director to set up: 1) a Task Force to review the 22 Pilot Projects (recommended by BAH-WB Consultants) and conduct pre-implementation planning and a detailed analysis of requirements, 2) a Task Force to review existing policy documents and produce a (new) National ICT Action Plan with a 2-3-year implementation time-frame.
 - All government agencies to produce Annual ICT Business Plan in accord with guidelines to be developed by the Support Unit. Plans to include costs, timeframes, progress reports.
 - The IICT-TKTI Website to become a major source of information on ICT developments in Indonesia.

Other recommendations suggested by the Advisor, along with those of others, which were not included in the Final Report but were given acknowledgement, are:

- that the "independent regulatory bodies (such as telecommunications, PKI Certification, IT-Network Security and IP regulatory body) are needed to promote e-commerce and secure environment",

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- IICT should be centrally integrated or coordinated. All significant info-comm activities must be included in a National Action and Implementation Plan (which agency is going to do what); this document must be approved by all agencies (or at least those which are referred to in the Kepres No. 9/2003); IICT should have some monitoring function (this strong monitoring was accepted by the Y2K committee and could be continued under IICT),
- IICT must coordinate funding proposals in coordination with Ministry of Finance,
- Top priority should be given to the creation of the right (policy) environment for the ICT private sector so that they can take their own initiatives (in some cases within a public-private framework but not always);
- The private sector should have a strong involvement in both policy setting and implementation.

Recommended future assistance in this area:

- To continue to make the case for the review of the National ICT Action Plan through a participatory process involving all key stakeholders in the ICT development in Indonesia. The need to focus on such a Plan or Strategy is the more important if the plan to merge MoCI (Meneg Kominfo) with the Directorate General of Post and Telecommunications (DGPT), Ministry of Communications and Transport (Dep Perhubungan) is realized after the Presidential Elections of September 2004.
- Continue to develop awareness of key private sector leaders, GoI officials and legislators on “best practices” of e-government and ICT national strategy and on the importance of policy issues. In particular on the need for an independent regulatory agency and for shaping ICT policy and legal framework towards global “best practices.” Facilitating public dialogue and awareness campaigns on the importance of a truly independent telecommunications regulatory body for not just the telecommunications industry but also for the 'downstream' ICT sectors.
- Develop the case for competitive bidding for e-procurement and provide “best practices” and experiences of the United States and leading developing countries.
- Provide support to coordinate the realization of the legal framework for e-commerce and cybersecurity (with ELIPS II project).
- Assist with the coordination of other donor agencies and ICT strategies of regional associations (such as e-ASEAN, APECTEL and e-APEC, AFACT and others).

Work Plan Activity 4: Development of Community Tele-Center (CTCs) and Multi-purpose Tele-Centers (MTCs): Development of Telecenters in Indonesia: Advise and assist the MoCI/IICT in fulfilling its responsibilities as the GOI's body for the development of Phone and Internet Kiosks (Wartels, Warnets) and Community Telecenters in Indonesia. Work with the relevant other GoI agencies and the private sector on these issues.

Major Achievements:

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- Months of preparation of "New Ways to Empower Indonesia with Internet & ICTs" Events commenced from March 2003 with the following activities:
- Discussions with domestic and international field experts (JICA, Mastel, Federation of IT Industries, Association of Phone Kiosks Providers - APWI, Open University, Jakarta and from companies and public agencies WorldSpace, Rajacraft.com, e-Farmer, e-Asean Program, InfoKom Magazine, ADB SME-eGov Consultant and others) at various venues.
- Provided a presentation on "ICTs in Indonesia - Landscape and future Scenarios with the e-Indonesia Program" at the discussion "Toward a New IT Eco System", at the invitation of a resident ICT public policy researcher from Harvard Kennedy School, Harvard, at the Institute of Policy Studies, National University of Singapore, in order to attract members to sponsor the CD-Handbook and the above events.
- Organized the survey of Internet Kiosks (Wartels) and prepared the Telecenters CD-Handbook. The Handbook is planned to include cybersecurity codes of practice for ISPs and Internet kiosks (Warnets).
- Organized and presented a paper at the "New Ways to Empower Indonesia with Internet & ICTs" Jakarta, August 26, which is part of the National ICT Month (August 2003). The Seminar also included the Launch of "Community Telecenters Handbook-CD". The event was co-organized by PEG/USAID, Global Internet Policy Initiative (GIPI), Federation of IT Industry/ISP Association (FTII-APJII), and Indonesia Forum for ICT-incidents Response and Security Teams (ID-FIRST). The Director General of Post and Telecommunications officially opened the event. The seminar was attended by representatives from several international companies/organizations: WorldSpace (satellite radio content provider), Encore Technologies (Developer of Simputer, Linux-based Low-Cost Handheld Computer, Bangalore, India and Singapore); Thames International Business School, Manila (Cyber ethics and InfraGuard Asia advocate). In addition, representatives of local business and organizations spoke (including the Asia Foundation, Center for Local Government Innovation and the Ministry of Research and Technology). The event was attended by prominent IT figures, SMEs and their coordinators and others from the academia.
- Organized and moderated the follow-up "Jakarta-Washington Video Conference on Public ICT Access and Global Telecenters Development" at the World Bank Office, Jakarta (Aug 27). Speakers from the Washington end were from the USAID, World Bank and US National Telecommunications Cooperative Associations. At the Jakarta end, there were several domestic speakers.
- Dissemination of the "Handbook-CD" to 25 cities by the ISP Association and their fellow associations in the Federation of IT Industries (FTII) during the month of September, 2003.

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Recommended future assistance in this area:

- The above "Handbook-CD," which is printed on a CD-ROM as well as posted on the APJII website, can continue to be improved as a "living Handbook" to include more recent case studies of secure and sustainable Telecenters, particularly in Indonesia, cybersecurity code of practice for ISPs and Warnets as well as a range of free articles and software that will be useful to ISPs and Warnets.
- Further collaboration with activities of USAID/Washington, World Bank and US National Telecommunications Cooperative Associations in expanding public ICT access and security. This can take a form of content aggregation (as well as assisting with eventual development) of content for CTCs such as material from all related USAID/Indonesia activities (as a result from Work Activity 2 above, multi-media learning activities and others. The latter can take a form such as the creation of portals for overseas worker/labour market exchanges (job creation), regional e-government activities, tourism and arts and craft SMEs, SME consultants and others.

Work Plan Activity 5 (in 2002 namely): Development of MCI's policy on SME Development through improvements in the use ICTs in Indonesia) has been merged with Work Activity 6 of 2002, namely Development of MoIT's Policy on Industrial Development through Cluster Efficiency Improvements.

Achievements:

- Supported in the USAID-ECG "Open Access/SME" focus group with the other USAID partners and supported several major events on "ICT use for SME Business Development" organized by Asia Foundation in several regional cities by the establishment of regional SME forums (FORDAs) and a national coordinating forum (FORNAS).
- At the Permanent Secretary of MoCI Prof. Kristiadi's request, the ITC Advisor coordinated and attended a meeting between him, the then Director and Deputy Director of USAID, Mr. D. Terry Myers and Mr. John D. Lindborg (Nov. 13, 2002). The immediate outcome was the ICT-based relief event for handicraft SMEs in Bali which was conducted in late January 2003. The Bali Recovery ICT (with PT Rajacraft.com as e-comm portal developer) project involved: a) an awareness raising seminar to 400 arts and crafts SMEs in Bali; b) provision of Portal membership development and training program for 200 selected SMEs; and c) Internet marketing to aggressively promote the 200 arts & crafts SMEs by Rajacraft.com. Prof. Kristiadi, Mr. Rudjito, CEO of Bank BRI, and a number leading local speakers participated at the launch which was well received in the Bali region and nationally. The work with Rajacraft.com has resulted in an improvement of the arts and handicraft SME cluster in Bali.

The events of September 11, 2001, led to subsequent increase in the awareness of vulnerabilities of IT and global network security systems and the need for ways to overcome them. Indonesia is of no exception. Unless these systems are secured there is little that would attract domestic and foreign investment in Indonesian industries, particularly those that are rely increasingly on cybersecurity. As outlined in Work Activities 1 to 4 above, at the request of the then Deputy Leader of the Economic Growth Team, Mr. Bruno Cornelio in

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mid-2002, the PEG ITC Advisor's work dealt more with various elements of ICT/Cybersecurity and cybercrime issues as part of his Work Plan Activities 1-4.

This work on cybersecurity had to take precedence in helping to maintain existing investments in the ICT industry, particularly in the ISP industry, and the previous Work Activity 5-6 has been subsumed in Work Activity 1-4.

Work Plan Activity 6: *Ad hoc requests: Respond to USAID/PEG, TKTI and MoCI by organizing events in line with USAID ICT strategic objectives.*

Accomplishments:

- On request from Mr. Bruno Cornelio, presented a talk to private sector groups on cybersecurity issues (Rotary Club, Jakarta; AmCham IPR Committee members).
- On request from Stu Callison, COP, and others at PEG, maintained the PEG website (including a separate section on ICT) and uploaded research papers.
- On request from MoCI, acted as a liaison person with AusAID to send their sponsored MoCI staff member to the APECTEL 27 and agreed to organize an in-country training program to complement the newly established Asia Pacific Computer Emergency Response Taskforce (AP-CERT) by US CERT/CC, AusCERT and Japan's J-CERT.
- On request from MoCI, continued to act as a liaison person for MoCI with several international organizations such as UN-ESCAP as well as national cybersecurity organizations and to coordinate activities with the newly established Asia Pacific Computer Incident Response Coordination (AP-CIRC) Taskforce as well as for the upcoming international conference for the "ICT Security Task Force" in October, 2003.
- Provided technical support for the USAID-ECG 'West Java' focus group meetings.
- As part of the MTC handbook launch, sponsored a researcher to attend the Pacific Telecommunications Council (PTC) Conference in Honolulu, Hawaii.
- Facilitated several initial discussions toward proposals for PEG's In-Kind Grants for a conference on cybersecurity 'incidence' handling hands-on event organized by the Association of ISPs (APJII), a seminar on legal workshop on cybercrime, telecenter development and a seminar on accounting standards for telephone/cellular companies for the Association for Cell Telephone Operators (ATSI).

Recommended future assistance in this area:

- At the request of USAID-EGAT/Internet Development Advisor, coordinate with ASPILUKI (IT software development) as well as others in the Federation of IT Industries, ICT Watch and Indonesia Infocosm (formerly Internet) Business Community (I2BC) on several upcoming regional meetings such as Conference on Capability Maturity Modelling (CMM-Outsourcing Certification, Southeast Asian city location and time to be determined), and the 28th Meeting of the APEC Telecommunications and Information Working Group (*Taipei, Oct 4-11, 2003*).
- At the request of IPR Committee, AmCham Jakarta, disseminate information on the "Second Asia CyberCrime Summit," (*Hong Kong, 5-6 November 2003*).

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- Implicit to creating a better investment climate is the development of a e-commerce/e-payment system including the security aspects of ICT networks. In this area, the ICT Advisor could continue his work with the MoCI-IICT, the Bank of Indonesia/Ministry of Finance and World Bank towards the establishment of a National Certification Authority (NCA) in Indonesia. MoCI/MoF is currently considering the World Bank recommendations on NCA.

Partnership For Economic Growth (PEG)

Individual Annual Progress Report

Grants Advisor/Project Administrator
Advisor: Jeffrey Povolny

Report Period : 2003

Introduction:

The PEG Grants activity was designed to contribute to Indonesia's economic growth by strengthening economic policies and practices associated with increased openness to international trade and investment and strengthened domestic economic competition. The grants promote sustainable linkages between U.S. and Indonesian institutions whose work is focused on economic policy issues.

Work Plan Activity 1: *Manage Partnership Grants, review work plans, monitor progress, administer all grants PEG awarded directly, make recommendations for award to USAID for additional grants.*

During the period January 1, 2003 – September 30, 2003 only one PEG grant was active for a brief period of time. The grant to Georgetown University partnered with the Partnership for Business Competition ended on January 15, 2003. Reports from individual grantees are available in the quarterly and annual reports for PEG Grants.

In general, the PEG Grants program was highly successful with all grantees fulfilling their grant objectives. It is also clear that the Indonesian partners have been strengthened, their profiles as providers of competent analysis used for economic decision making has been enhanced and they are recognized for their competence. The relationships have been built and sustained and provide an excellent base from which to promote the growth of Indonesia's economy based on open trade, investment and domestic economic competition.

PEG also administered four grants for USAID that were awarded in late 2001 and early/mid 2002: Opportunity International, RAND, CARE Indonesia, Rural Development Institute (RDI), and four other cooperative agreements: The Asia Foundation, Siaga/UGM, IRIS and U. San Francisco/CCLE. These cooperative agreements were awarded directly by USAID. PEG has ensured that the performance reports have been received and has provided support and recommendations as required. The reports from individual grantees are available in the quarterly and annual reports for PEG Grants.

During the Ordered Departure the activities of the grantees were largely unaffected. The exception is the RDI cooperative agreement where the in-country principal decided to discontinue full time presence in Jakarta in August 2002 and to conduct grant

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activities from Seattle, using periodic short-term visits to complete objectives. This approach yielded good results. Please refer to his periodic reports.

Work Plan Activity 2: *Audits.* In addition to the audit requirements incorporated in the contract clause FAR 52.2152, the contractor shall implement the audit requirement for the grants awarded under this contract.

This activity affects only PEG Grantees. All PEG Grantees' grants are audited as part of the grantees' annual institutional audits and therefore special audits that specifically address the individual PEG Grants are not required.

Work Plan Activity 3: **In Kind Support for NGOs, Civil Society Organizations, and Research Institutions, Small Grants Program:** Provide direct in-kind payment for goods and services to suppliers as appropriate to support or assist Indonesian NGO's, civil society groups and research institutions to help them conduct activities and programs that further work of the long term advisers, assist implementation of a development strategy for parts of West Java, or to advance the agenda for setting foundations for rapid, sustainable and equitable economic growth.

This program has been highly successful, with 15 small grants awarded and implemented in 2003. A major emphasis of the small grants program has been the West Java Development Strategy that has leveraged the various programs and activities of the Mission, as well as those of other donors and stakeholders with an interest in West Java. Such leveraging was already implemented in the small grants program and has been continued under the West Java focus program. During the year direct payment awards have seen the cost share born by the grantee maintained in the range of from 25% (usually in-kind) to 50%, and includes the participation of private, NGO and other aid agency partners.

In spite of the ordered departure 15 Small Grants were approved at the start of 2003 and were completed. This was the result of a review of 21 applications after the ordered departure that yielded 18 for potential funding. Fifteen were finalized and awarded. A second review of small grants was programmed during the current PEG extension, but due to the ordered departure it was not scheduled. Ten additional applications were received off cycle, including one with potential from Aceh and others from West Java for Bekasi, Garut and Tasikmalaya that could be considered during a follow-on project.

All deliverables for the 5th year PEG contract extension regarding this Activity have been achieved. This includes awarding and completing 21 small, in-kind grants, awarding small grants in two

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of three West Java kabupatens, all three target kabupatens have received more than one small grant, small grants have addressed the issues of providing more productive employment opportunities and resolving constraints to economic development, small grants have paired stakeholders with appropriate partners who are providing services and professional advice, and small grant resources continue to be well leveraged.

Work Plan Activity 4: Other Administrative Tasks. The grants advisor/project administrator is to carry out other supportive/administrative tasks as assigned. This activity will include taking the lead for PEG on organizing and carrying out general conferences/workshops and related activities.

The PEG assistant grants manager organized a major one-day conference on “Decentralization, Regulatory Reform and the Business Climate” held at the Borobudur Hotel Jakarta, August 12, 2003. This conference, under the responsibility of the Domestic Trade Advisor, PEG-Ministry of Industry and Trade, was designed to draw together and build upon the results of a number of the studies (carried out by local researchers under the PEG banner) to highlight continuing regulatory problems in the regions and to consider models for reform. Most of the presenters were recipients of the Small Grants Program.

PEG TA Team – Section 4
Individual Annual Results Matrices

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PEG Project Annual Results Matrix

Progress & Achievements Against Workplan during Reporting Period

Status of Activities and Deliverables in Agreed-Upon Annual Workplan dated December 31, 2002 – September 30, 2003				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
William Wallace	Bappenas	Policy Direction	Repeta 2004, IMF Exit Strategy (budgets, financing and policy). To also include work on the Indonesian Financial sector.	<p>Completed: all are in place¹ and working better. The IMF exit strategy builds on the Repeta, and includes a continuing focus on fiscal sustainability. The policy matrices attached to the Exit Strategy advance previous years Repeta substantially. Two studies on financial sector issues completed, plus several memos by the consultant.</p> <p>Incomplete: The process is now better on making clearer deadlines and deliverables (although this could be improved) but this is somewhat at the expense of broadening the priorities.</p>
		Institutional capacity building	Support of R&D efforts at Bappenas and Finance, and coordination at Menko. Support for Economic Development at both Finance and Menko.	<p>Complete: Report on Economic Diplomacy and input to the reorganization at MoF. Follow up on the specifics of how this is done in the US.</p> <p>Incomplete: improvement in this area goes deeply into institutional culture, organization and staff empowerment and there is still much to do.</p>
		Policy Analysis for Crisis Support	Policy memos and presentations on specific crisis topics as requested.	Complete: Numerous memos, presentations, inputs to Bappenas and GOI policy stance, especially in the areas of trade and taxes.

¹ Assumes the President signs.

PEG Project Annual Results Matrix

Progress & Achievements Against Workplan during Reporting Period

Status of Activities and Deliverables in Agreed-Upon Annual Workplan for January 1, 2003 –September 30, 2003				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLES	STATUS
Kelly Bird, Real Sector Advisor	Bappenas	Policy Direction: (1) Macro- economic policy	<i>Work with Bappenas (memos, training, estimation, model building) to improve monetary, macro and budgetary projections for Repeta 2004:</i> (i) Memos as part of the consultant's tasks in macro-economic policy analysis (inflation, exchange rate, tax) (ii) Assist the Planning Ministry monthly overview of the macro situation (iii) Assistance for the Repeta for 2004	(i) Completed: several memos on macro-economic policy analysis (ii) Assisted with Bappenas' monthly monetary survey (iii) Completed
		(2) Trade, labor and investment policies	<i>Memos and briefings on developments in the investment law and investment climate:</i> (i) Memos and briefing papers as input into the Planning Agency, the Coordinating Ministry and Ministry of Finance regarding investment climate, trade policy <i>Assistance to the review on labor issues:</i> (ii) Assist Bappenas with their report on Review of Labor Policies (iii) Memos and briefing papers as input into the Planning agency and Coordinating Ministry on labor policy and institutions <i>Series of studies on the labor policies, poverty and investment and poverty:</i> (iv) Carry out a study on links between minimum wage increases and poverty.	(i) Several memos completed as input into trade and investment policies. Areas covered included the investment climate, the draft investment law, and draft law on the Batam Free Trade Zone, judicial reform, and sector specific investment and regulatory issues (e.g., insurance). (ii) Completed labor policy review (iii) Several memos completed as input into labor policy. Areas covered include the national wage council, productivity council and feasibility of social health insurance (iv) Completed study on poverty and minimum wages
		(3) Institutional capacity building	<i>Improved staff capability:</i> Assist in directing policy research efforts (macro; employment; trade), continued work on monthly and annual white papers and policy reviews, monetary reports to cabinet; assist staff in macro forecasting as part of the budgetary and Repeta processes.	Monthly monetary reports well established. Completed forecasting model which is used by Bappenas staff for ongoing forecasting. Assisted with REPETA 2004.
		(4) Policy Analysis for Crisis Support	Policy memos and presentations on specific crisis topics as requested.	Completed: Numerous memos, presentations, inputs to Bappenas and GOI policy. Areas covered included labor; oil and gas sector. Continued to assist the GOI in its economic and social response to the terrorist attack in Bali. Worked with Bappenas, the Bali response team, and the Bali local government to identify institutions and social safety net programs for Bali.

Key accomplishments in 2003

- (i) Input to the GOI's post-IMF policy strategy for investment, employment and export, in addition to other key GOI documents such as Repeta 2004.
- (ii) Input into the draft industrial disputes law, which has led to indications that there will be greater reliance on bipartite resolution procedures rather than industrial courts.
- (iii) Input into GOI's assistance to Bali in response to the terrorist attack in October 2002.

PEG Project Annual Results Matrix

Progress & Achievements Against Workplan during Reporting Period

Status of Activities and Deliverables in Agreed-Upon Annual Workplan for July 1, 2002 –June 30, 2003				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
Stephen V. Marks	Bappenas	Policy Direction	<ul style="list-style-type: none"> International tax revenue comparisons study Fiscal sustainability study VAT Revenue and Effective Rate Analysis Susenas-based income tax study Study of cigarette excise taxation White paper on industrial policy Three major revisions and extensions to the existing Bappenas macro model Detailed commentary on UN recommendations on industrial policy 	<ul style="list-style-type: none"> Completed Completed. Completed. Completed. Completed. In lieu of this activity, the higher priority studies of income tax and excise tax were done, as requested by the Director for Fiscal and Monetary Affairs at Bappenas and the Director of the Fiscal Analysis Bureau at the Ministry of Finance, respectively. In lieu of this activity, the higher-priority tax comparisons study, fiscal sustainability study, and VAT analysis were done, all at the request of the Director for Fiscal and Monetary Affairs at Bappenas. Completed.
		Institutional capacity building	<ul style="list-style-type: none"> Assistance to KPPU on day-old-chicks industry investigation Analysis of announced energy price increases using IO table 	<ul style="list-style-type: none"> Completed. Completed.
		Policy Analysis for Crisis Support	<ul style="list-style-type: none"> Series of memos on wheat flour import policy Series of memos on relations with the IMF Speeches and talking points for senior officials, and shorter studies of use to the Ministry 	<ul style="list-style-type: none"> Completed. Completed. A number were done.

PEG Project Annual Results Matrix

Progress & Achievements Against Workplan during Reporting Period.

Status of Activities and Deliverables in Annual Workplan for 2003				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLES	STATUS
William E. James	BI	Assist Bank Indonesia Financial Stability Team in Preparation of Blueprint for Financial Stability	<i>Blueprint for Financial System Stability</i> (under Pak Muliaman Hadad and Pak Anwar Nasution).	English version of Blueprint completed.
	BI	Promote Financial System Stability in order to restore investment and economic growth.	Prepared ten memoranda on various topics relating to financial system and banks for senior management of BI.	As a result, BI will collaborate on a joint study on commercial bank lending behavior.
	BI	Conduct Research on Inflation and Monetary Policy Issues and on Productivity and Real Sector Growth.	Technical reports were prepared comparing Indonesian performance in maintaining price stability and expansion of international trade as follows: <ol style="list-style-type: none"> 1. <i>Inflation and Deflation Watch in the East Asian Region: Report for the Fourth Quarter of 2002.</i> 2. <i>Inflation and Deflation Watch in the East Asian Region: Report for the First Semester of 2003.</i> 3. <i>East Asian Trade Continues to Grow on China's Coattails: Evidence for the Fourth Quarter of 2002.</i> 4. <i>East Asian Trade in the First Semester of 2003.</i> 	The reports were used as background material for regular quarterly meetings of the Board of Governors of BI and were useful in setting parameters for annual inflation targets and growth. Meetings with Senior Management of BI resulted in a reduction in inflation forecast in 2003 to bring the long-term inflation target of 5-6 per cent within sight.
	BI/IBRA/MOF	Promote development of financial system safety net in order to avert future financial crises.	Successful seminars on the issue of removal of the blanket guarantee and its replacement with a limited coverage deposit insurance scheme, amendment of BI Law to institute the lender of last resort function of the central bank, and central bank best practices were held.	Working with BI, MOF and IBRA as well as helping to coordinate donor activity in development of a financial system safety net.
	BI	Work with BI officials, ELIPS, MOF and US embassy staff on issues involved in freeze of assets of groups involved in terrorism and money laundering issues.	Establishment of Financial Intelligence Unit (PPATK) work to coordinate donor and GOI efforts to combat money-laundering and terrorist-related finance.	Following a series of meetings and discussions among the concerned parties PPATK was established and has been active in working to combat money-laundering and terrorist finance.

PEG Project Annual Results Matrix

Progress & Achievements Against Workplan during Reporting Period

Status of Activities and Deliverables in Annual Workplan for 2003				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
Steve Magiera	MOIT	Tariff Policy Reform	Policy memorandum on trade policy issues as requested.	<ul style="list-style-type: none"> Designed and began implementation of a project to introduce a national interest clause into Indonesia's trade regulations.
	MOIT	Support for Trade Negotiations	Provide technical assistance and training on multilateral trade negotiations, including the WTO built-in agenda on agriculture and services.	<ul style="list-style-type: none"> Prepared a paper for the Minister that was successfully tabled at the ASEAN Ministerial on ways to deepen ASEAN economic integration. The paper provides recommendations on ASEAN rules of origin, customs, transport, ICT, and dispute settlement. Facilitated Indonesia's participation in the services negotiations by providing a reports on the status of the negotiations, a summary of services requests to Indonesia, and a summary of existing regulations and requests for selected services sectors (hospital and education). For Indonesia's Ambassador to the WTO, provided a report on Indonesia's technical assistance needs for the Doha Round, a brief note on the US-EU Agricultural Agreement for the Cancun Ministerial, and an explanation of comments by trade officials on Indonesia's losses from trade reforms. Finalized a report on "Restrictions Affecting Foreign Providers of Communication Services." Reviewed the Indonesian government positions on various negotiating issues, including: <ol style="list-style-type: none"> The Doha Declaration on TRIPS and Public Health, as it pertains to intellectual property protection for pharmaceuticals used to treat infectious diseases. A statement by the Minister at the informal meeting of Ministers in Tokyo regarding the WTO negotiations on services. The US-Vietnam Trade Agreement. The review argues that the Agreement is not a Free Trade Agreement (FTA) in the WTO sense, but merely sets the stage for Vietnam's entry into the WTO. Thus, the Agreement does not serve as a model for an Indonesian-US FTA. Sponsored a Workshop and Symposium on the Harmonization of Food Safety Standards in Bali on June 23-27. The workshop and symposium were highly successful and attracted 80 attendees from developing

Status of Activities and Deliverables in Annual Workplan for 2003

ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
				<p>countries throughout the APEC region.</p> <ul style="list-style-type: none"> • Sponsored two officials from Indonesia's Ministry of Industry and Trade at the APEC workshop on Competition Policy in Vietnam.
	Ministry of Communications and Transport	Telecommunications Regulatory Reform	Develop a modern telecommunications regulatory framework and assist in the implementation of Indonesia's Telecommunications Law	<ul style="list-style-type: none"> • Work on the compensation due PT Telkom and PT Indosat for lost exclusivity in the markets for local, long distance, and international telecommunications services was a major success, resulting in savings to the Government in the order of \$50-100 million. • Prepared a vision statement on SAMICT -- a Single ASEAN Market for ICT-- for the Indonesian Infocom Society (MASTEL), • Finalized a report on frequency management in Indonesia. Key findings are that Indonesia does not yet apply modern frequency management methods. In addition, the database underlying Indonesia's automated frequency management system is seriously flawed. Meanwhile, the Government is planning a tender for a new hardware/software system which relies on the database. • Sponsored the attendance of the Secretary General of MASTEL to attend APECTEL27 in Kuala Lumpur.
	MOIT	Enhancing Industry Competitiveness	Complete sector studies on regulatory reform and competitiveness issues.	<ul style="list-style-type: none"> • Designed a survey for Indonesia's Business Solutions Center on "Supply/Demand Constraints to Indonesia's Industrial Competitiveness." • Held a seminar on the competitiveness of Indonesia's basic telecommunications and ways to improve Indonesia's offer for basic telecommunications.
	MOIT/OTHER	Short-Run Staff Requests	Respond to short run staff and other ad hoc requests, and prepare speeches as requested.	<ul style="list-style-type: none"> • Responded to general requests for information on trade policy and telecommunications regulatory reform, and coordinated assistance with other donors and international institutions.

PEG Project Annual Results Matrix

Progress & Achievements Against Workplan during Reporting Period

Status of Activities and Deliverables in Agreed-Up On Annual Workplan dated Jan. 1, 2003 – September 30, 2003				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
David Ray	MOIT	Competition Policy and Deregulation	Policy memos and papers in support of legislation and institutions to promote trade & competition. Training seminar on competition & trade.	Completed: a) Major policy paper on promoting regulatory reform under decentralization b) Major conference on 'Decentralization, Regulatory Reform and the Business Climate'. Various other training and presentations in Jakarta on regulatory reform
		Distribution Systems	One policy study or equivalent, policy memos and training to assist in the analysis of domestic price data Analysis and short memos on the impact of key events upon food prices	Completed: a) Policy briefs on NTBs on key agricultural products – soybeans, sugar, white pepper, etc b) Paper and presentation outlining the many problems and possibilities for MoIT's commodity price dataset. c) Analysis and memo on the impact of fuel and other price increases on food and general prices.
		Conducive local regulations	Work with local governments and universities on such factors as various socialization and training workshops	Completed: a) Regulatory review workshops with MoIT counterparts in Palembang and Lombok b) Various other socialization and workshops in the regions on the principles of good local regulations c) Published regulatory review manual for local governments
		Decentralization and Domestic Trade	One or more regional studies on the impact of decentralization upon the business climate Frequent updates on problem local regulations	Completed: a) Major survey of 1014 small businesses on the impact of decentralization upon the business climate b) Assisted other donor programs re local regulatory problems (e.g. World Bank MONEV activities) c) Various reports and memos on problem regulations for MoF counterparts
		Port Sector Reform	One policy study on improving private sector participation in the port sector One policy study on laws and institutions governing ports in the decentralizing era	Completed: a) Major study on reforming Indonesia's ports b) Policy memo on possibilities for a free trade port in Sabang

Status of Activities and Deliverables in Agreed-Upon Annual Workplan dated Jan. 1, 2003 – September 30, 2003

ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
		Industrial Competitiveness	Papers and memos as input to the development of a new industry policy vision at MOIT. At least 2 sectoral studies	Completed a) Various papers and memos for the Minister and Head of the R&D Agency on industry and trade policy matters b) Two sectoral studies completed: a. Problems confronting export manufacturers in Bekasi, and b. Petrochemicals and plastics.

PEG Project Annual Results Matrix

Progress & Achievements Against Workplan during Reporting Period

Status of Activities and Deliverables in Agreed-Upon Annual Workplan for January 1, 2003 – June 30, 2003				
Advisor	Counterpart	Workplan Activity	Related Deliverable(s)	Status and Comments
Tom Timberg	Bank of Indonesia (BI) Credit Bureau	In House Courses on SME Finance Research Methodology, Rural Finance, and SME Policy		At request of client changed to course in Australia at Monash University and the course was conducted. Also held seminar on Palm Oil Finance.
		Socialization Seminars with Regional Banks and Publics to Promote SMME Lending		These have been done in Eastern Indonesia. But the funding has entirely come from Bank Indonesia
		Research on Factors Influencing SMME Lending		Research Study completed.
			National Seminar summarizing results of work.	Held June 17.
			Three Policy Memoranda	<ol style="list-style-type: none"> 1. "Appropriate Macropolicy for SME," Thomas A. Timberg, Spring 2002.(Policy Memo) 2. Comments on Speech by Rudjito to USAID Retreat, Spring 2002 (Policy Memo) 3. Memo to Ms. Yunus Sari on Debt Restructuring, Thomas A. Timberg (Policy Memo) 4. Expanding SME Credit In Indonesia, Thomas A. Timberg (Policy Memo) 5. Memo on Millennium Challenge Account (Policy Memo) 6. "Disclosure Standards for Financial Reporting by Microfinance Institutions" CGAP Draft by Thomas A. Timberg. Memo. 7. "The Issues in Connection with the BPR Credit Rating Agency" by Thomas A. Timberg
			Five Seminar Notulen	<ol style="list-style-type: none"> 1. Microfinance workshop, World Bank, Jakarta, February 11-12, 2002 --Notulen in file. 2. The 5th Network Meeting Ukabima,Bandung, February 18-21,2002, no notulen in file. 3. BMT Supervision Jakarta, March 13, 2002. Notulen in file. 4. Saving and Loan Supervision, Jakarta, March 18, 2002. Notulen in file.

Status of Activities and Deliverables in Agreed-Upon Annual Workplan for January 1, 2003 – June 30, 2003				
Advisor	Counterpart	Workplan Activity	Related Deliverable(s)	Status and Comments
				<ul style="list-style-type: none"> 5. Potential Investor for BPR, Makassar, August 30, 2002. Notulen not in file. 6. Saving and Loan Supervision II , Jakarta, September 30, 2002. Notulen in file. 7. Seminars on S&L Cooperatives in region (Lampung & Manado). No Notulen. 8. Credit Bureau Seminar on SME Lending. No Notulen in file. 9. National Seminar on Development of Promotion of Profit Sharing Finance for SME and the System for their Supervision, Jakarta, June 27, 2003. End of Project Notulen with Biro Shariah, Bank Indonesia. 10. Final Seminar, June 17, 2003, Jakarta. Paper on PEG website. 11. "Hasil Rapat Koordinasi Tindak Lanjut Pelaksanaan Seminar Nasional," May 19, 2003, Jember, Notulen.
			Five Seminar Presentations	<ul style="list-style-type: none"> a. National Seminar on Savings and Loan Cooperatives posted on the PEG website. b. Seminar on SME Finance by Jakarta Branch of the Ikatan Sarjana Ekonomi Indonesia which is on the PEG website c. . National Seminar on Advisers Final Report, June 17, Jakarta. Paper on Pegasus. Website. d. Seminar at Nathan Associates in Washington on Islamic Banking. e. Paper on Islamic Banking, at Conference on the Pathway Forward for Rural Finance, Washington, DC, June 2-4, 2003, paper on Conference Website. <p>Short Talks at:</p> <ul style="list-style-type: none"> f. REDI Seminar on "Models for Lending to Support SME," Surabaya, May 22, 2003. Supported by a PEG small grant. g. AKM Seminar on "Strengthening the Network of Microfinance Institutions and Alleviating Poverty," Jakarta, May 2003. Supported by a PEG small grant.
			Three formal pieces of legislation or administrative initiative.	<ul style="list-style-type: none"> 1. Draft Microfinance Institutions law 2. Draft Ministerial Decree on Credit Information bureau 3. Regulations on new BPR licensing.

Status of Activities and Deliverables in Agreed-Upon Annual Workplan for January 1, 2003 – June 30, 2003				
Advisor	Counterpart	Workplan Activity	Related Deliverable(s)	Status and Comments
				4. Forthcoming PERDA on Cooperative Regulation in Jember.
	BI, DBPR	Research on BPR Best Practices Research, advice, and support for dialogue on regulation of non-bank financial institutions, the licensing and promotion of new BPR, improved BPR information systems, and the linkages of BPR with more general financial markets (especially through the creation of a rating bureau).		Study completed and on PEG website. Continuing dialogue. Pilot rating completed and plans underway for national rating agency. New BPR licensing proceeding.
	BI, other	Coordination of the Short Term Advisory work on HRD/Training for bank supervision.		Completed. Australians ready to fund our man in follow on project.
		Assistance to the Directorate for Licensing and Information on the proposed credit information bureau and other issues.		Task Force under Bank Indonesia at full tilt with IFC support.
		Assistance to the Transition Team on the development of Bank Indonesia's Regional Offices.		Continuing dialogue
		Assistance to the Shariah Banking Bureau	Scheduled visit by Prof Richard Meyer of Ohio State University, National Seminar on Comparative Bank Supervision, possible linkage with IMF Shariah supervision efforts.	Seminar conducted. Visit had to be cancelled because of evacuation.
		Research on subcontracting/partnership between SMME and large industry as a means for their promotion.		Study finished. National Seminar conducted.

PEG Project Annual Results Matrix

Progress & Achievements against Workplan during Reporting Period, January 1 to September 30, 2003

Status of Activities and Deliverables in Agreed-Upon Annual Workplan for January 1 – September 30, 2003				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
Idris Sulaiman	Inter-ministerial Indonesian ICT Coordinating Team (IICT/TKT), State Ministry of Communications and Information (MoCI / <i>Meneg Kominfo</i>) and ICT industry organizations (MASTEL, I2BC and FIIT)	Coordinator of ICT-related policy and events to generate conducive business climate in ICT industries (which will attract investments) particularly those that depend on security of computer and their networks on behalf of USAID and implemented by PEG as requested.	Work toward a national strategy or roadmap on cybersecurity, increasing awareness on cybersecurity issues, measures and improved institutional capacity to deal with cybercrime.	Completed: <ul style="list-style-type: none"> * Planned and executed the event on "IT and Network Security Seminar, Showcase, and Workshop"; supported by MoCI and the establishment of a private sector ICT forum, SECURE-INDONESIA-FIRST.OR.ID * Coordinated the training of MoCI, industry associations MoCI at the 27th Meeting of APEC Telecom and Information Working Group and at the Cybercrime Enforcement and Legislative Capacity Building Workshop * Provided support toward the MoU between MoCI and the Indonesian National Police on anti-cybercrime coordination as well as the establishment of a government led "ICT Security Task Force". * Support the implementation of the Personal Identification, Secure Comparison and Evaluation System (PISCES) immigration ICT system in Indonesia * Provided substantial cybersecurity content into the "Think-Piece" for the Meeting of APEC Finance Ministers in Sep 4-7, 2003, Bangkok. * As requested by the then Deputy Leader of the Economic Growth Team, worked on ICT/cyber-security and cybercrime issues as part of business and investment facilitation in implementing the ICT Action Plan.
		USAID ICT Working Group: Advise and assist the group and on development of USAID Strategy for ICT Development in Indonesia.	Design and prepare a survey for ICT activities in accordance with USAID-EGAT recommendations, and prepare recommendations for USAID/Indonesia to implement "cross-cutting" ICT strategy	Completed: <ul style="list-style-type: none"> * Performed the leading role in the discussion to a group of ICT-related USAID SO officials. * Organized and conducted a survey of ICT activities for all ICT-related activities at the USAID/Indonesia Mission. * Distributed draft report "Survey of USAID/Indonesia ICT Activities in FY 2002-3 and Some Recommendations for Mainstreaming ICTs" was distributed to USAID/ECG and those who participated in the survey.

Status of Activities and Deliverables in Agreed-Upon Annual Workplan for January 1 – September 30, 2003

ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
				<ul style="list-style-type: none"> * The report provides an input to the discussions on the future USAID (including ICT) Strategy for 2004-9 under the new incoming Director. * Recommendations include various improvements to mainstream ICTs by the establishment of a new "USAID ICT Coordinating Team or ICT Director's Support Unit", by integrating information of ICT-related activities under all SOs, projects and grantees in the USAID website, by designing new methods of using ICTs (including multi-media and broadcasting activities) as "cross-cutting" tools for development and as ways to better inform the public (and Washington) about USAID/Indonesia activities.
		Further development of Indonesian ICT Action Plan: Advise and assist MoCI in fulfilling its responsibilities as the GOI's advisory and monitoring agency for the development and implementation of the ICT Action Plan.	Design and prepare a strategy for review of the ICT action plan in accordance with USAID ICT Mission team priorities, and seek opportunities to encourage the GOI to implement that strategy.	<p>Completed:</p> <ul style="list-style-type: none"> * At the request of MoCI, provided oral and written input to the World Bank consultants (Intelligence International Australia, IIA) in the projects "Strengthening the Secretariat to function as Effective Secretariat to ICT/Telematika Coordinating Team (IICT)" at the MoCI. a) The above project's key recommendations: that a New IICT will be established to take full responsibility for all aspects of ICT including the communications component, planning, funding, training and coordinating and monitoring implementation across GoI agencies. b) Adopt 5 core strategies: 1) e-Government, 2) e-Infrastructure (inc. standards for e-security), 3) e-Industry, 4) e-Learning, 5) e-Commerce, c) That the need for policy reforms were acknowledged (independent regulatory bodies particularly for telecommunications, PKI Certification, IT-Network Security and IP regulatory body are needed to promote e-commerce and secure environment)
		Development of Community Tele-Center (CTCs) and Multi-purpose Tele-Centers (MTCs): Development of	Advise and assist the MoCI/IICT and industry association representatives in fulfilling its responsibilities as the GOI's body for the development of Phone and	<p>Completed:</p> <ul style="list-style-type: none"> * Organized and executed the "New Ways to Empower Indonesia with Internet & ICTs" Seminar in Jakarta and the Second Jakarta-Washington Video-Conference on Public ICT Access and Telecenters with local speakers and from abroad. * Produced the "Secure and Sustainable Handbook-CD for Telecenters and Warnets" (launched in the above event, which includes a study of Warnets in 5-main cities).

Status of Activities and Deliverables in Agreed-Upon Annual Workplan for January 1 – September 30, 2003

ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
		Telecenters in Indonesia	Internet Kiosks (Warnets) and Community Telecenters (CTCs) in Indonesia. Work with the relevant other GoI agencies and the private sector on these issues.	* Disseminated the Handbook-CD in 25 cities across Indonesia* CD included the completed the translation of the US National Telephone Cooperative Association (NTCA) publication on the "Lessons for the Private Sector's Participation" in CTC development.
		Development of MoCI's Policy on SME Development through Efficiency Improvements in the use ICTs in Indonesia	Design and prepare a consensus strategy for USAID ICT usage by SMEs. Seek acceptance in implementing this strategy from the GOI in collaboration with other USAID SME activities. Design and prepare a consensus strategy for ICT development in West Java consistent with the USAID West Java working group.	Completed: * Assisted with the planning and execution of the ICT-based relief event for handicraft SMEs in Bali (after the Bali bombing of Oct 2002). The Bali Recovery ICT Project (with USAID/CPT and PT Rajacraft.com, an e-commerce portal developer) project involved: a) an awareness raising seminar to 400 arts and crafts SMEs in Bali; b) provision of Portal membership development and training program for 200 selected SMEs; c) Internet marketing to aggressively promote the 200 arts & crafts SMEs by Rajacraft.com. * The above activity served as a pilot and can be emulated by other USAID partners are working on "ICT use for SME Business Development" such as Asia Foundation and ECG activities in several regional cities particularly in West Java. This follows the USAID-ECG Retreat ICT Strategy (2002) that has been presented to the USAID West Java working group.
		Ad hoc requests	Respond to short-run USAID/PEG, IICT and MoCI and USAID/PEG requests	* On request from Mr. Bruno Cornelio, presented a talk to the private sector groups on cybersecurity issues (Rotary Club, Jakarta; AmCham IPR Committee). * On request from Stu Callison, COP, and others at PEG, maintained the PEG website (including a separate section on ICT) and uploaded research papers. On request from MoCI, acted as a liaison person with AusAID to send their sponsored MoCI staff member to the APECTEL 27 and agreed to organize an in-country training program to complement the newly established Asia Pacific Computer Emergency Response Taskforce (AP-CERT) by US CERT/CC, AusCERT & J-CERT. * On request from MoCI, continued to act as a liaison person for MoCI with several international organizations such as UN-ESCAP as well as national cybersecurity

Status of Activities and Deliverables in Agreed-Upon Annual Workplan for January 1 – September 30, 2003

ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
				<p>organizations and to coordinate activities with the newly established Asia Pacific Computer Incident Response Coordination (AP-CIRC) Taskforce as well as coordinate for the up-coming international conference for the "ICT Security Task Force" in October 2003.</p> <p>* Provided technical support for the USAID-ECG 'West Java' focus group meetings.</p> <ul style="list-style-type: none"> • Assisted the sponsorship of a researcher to attend the Pacific Telecommunications Council (PTC) Conference in Honolulu, Hawaii as part of the CTC CD-Handbook.

PEG Project Annual Results Matrix

Progress & Achievements Against Workplan during Reporting Period

Status of Activities and Deliverables in Annual Workplan for 2003				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
Povolny	BAPPENAS, MOIT, Bank Indonesia	Manage Partnership Grants; Review work plans, monitor progress toward results and administer all grants awarded by PEG and active during the reporting period.	Quarterly performance monitoring and financial reports are submitted and reviewed. Requests for advance/reimbursements are reviewed and processed. Grantee requests for assistance are addressed in a timely manner. Grantee activities are monitored for adherence to annual plans.	<p>During the period January 1, 2003 – September 30, 2003, only one PEG grant was active for a brief period of time. The grant to Georgetown University partnered with the Partnership for business competition ended on January 15, 2003. Reports from individual grantees are available in the PEG Project quarterly and annual reports.</p> <p>In general, the PEG Grants program was highly successful with all grantees fulfilling their grant objectives. It is also clear that the Indonesian partners have been strengthened, their profiles as providers of competent analysis used for economic decision making has been enhanced and they are recognized for their competence. The relationships have been built and sustained and provide an excellent base from which to promote the growth of Indonesia's economy based on open trade, investment and domestic economic competition.</p>
	BAPPENAS, MOIT, Bank Indonesia	Assist USAID Regarding grants awarded by USAUD/ECG; Actively assist USAID in the determination of grant worthiness of potential USAID cooperative agreements; assist in the monitoring of USAID/ECG awarded cooperative agreements	Make recommendations to ECG for funding grant applications. Review work plans. Prepare award documentation. Quarterly performance monitoring reports are submitted and reviewed.	PEG prepared the award documentation for and administered four grants for USAID that were awarded in early 2002: Opportunity International, RAND, CARE Indonesia, Rural Development Institute (RDI), and four other cooperative agreements: the Asia Foundation, Siaga/ UGM, IRIS and U.San Francisco/CCLE. These cooperative agreements were awarded directly by USAID. PEG has ensured that the performance reports have been received and has provided support and recommendations as required. The reports from individual grantees are available in the PEG Project quarterly reports.
		Audits: Implement audit requirements for grants awarded under the contract.	PEG grantees have respected the audit requirements of their grants.	This activity affects only PEG Grantees. All PEG Grantees' grants are audited as part of the grantees' annual institutional audits and therefore special audits that specifically address the individual PEG Grants are not required.

Status of Activities and Deliverables in Annual Workplan for 2003

ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
	BAPPENAS, MOIT, Bank Indonesia	In-Kind support for NGOs, Civil Society Organizations, and Research Institutions;	<p>Support will be provided to at least 20 small in kind activities. All existing grants, both as issued by the Nathan-Checchi consortium and by the USAID ECG team, administered consistently with USAID standards. For the latter grants, grants manager will provide needed quality control. In addition, the Grants Manager shall provide similar support to the in-kind payments program.</p> <p>Concentrating the PEG Direct Payments Program (DPP) on the West Java Development Strategy is intended to provide assistance to at least two of the three target communities, Bekasi, Tasikmalaya, and Garut to expand their development objectives more towards regional development. In order to do this, the goals of the DPP/West Java Program are as follows:</p> <ul style="list-style-type: none"> • At least two of the three selected kabupatens in West Java will have successfully used the support to address the issues of providing more productive employment opportunities by resolving constraints to economic development that are addressed by the ECG's 4 Intermediate Results. • At least two of the three kabupatens will have identified appropriate partners and stake holders who can provide services and advice. The partners and stakeholders will be local, regional and national. The partners participation constitutes significant leveraging of SGP resources. • At least two of the three kabupatens will each implement up to 5 support activities under the ECG IRs. 	<p>This program has been highly successful, with 15 small grants awarded. A major emphasis of the small grants program was the West Java Development Strategy that has leveraged the various programs and activities of the Mission, as well as those of other donors and stakeholders with an interest in West Java. Such leveraging was already implemented in the small grants program and was continued under the West Java focus program. Direct payment awards have maintained the cost share born by the grantees between 25% (usually in-kind) to 45 - 50% and includes the participation of private, NGO and other aid agency partners.</p> <p><u>Note for the Ordered Departure:</u> In spite of the ordered departure 15 Small Grants were approved at the start of 2003. This was the result of a review of 21 applications during the ordered departure that yielded 18 for potential funding, of which 15 were finalized and awarded. A second review of small grants was programmed during this final year, but due to the ordered departure it was not held. Nevertheless, 10 applications were received, including one with potential from Aceh and others from West Java for Bekasi, Garut and Tasikmalaya that cold be considered during a follow-on project.</p> <p>All deliverables for the 5th year PEG contract extension regarding this Activity have been achieved. This includes awarding and completing 21 small, in-kind grants, awarding small grants in two of three West Java kabupatens: all three target kabupatens have received more than one small grant; small grants have addressed the issues of providing more productive employment opportunities and resolving constraints to economic development;</p>

Status of Activities and Deliverables in Annual Workplan for 2003				
ADVISOR	COUNTERPART	ACTIVITY	DELIVERABLE	STATUS
				small grants have paired stakeholders with appropriate partners who are providing services and professional advice; small grants resources continue to be well leveraged.
	Other	Other Administrative Tasks as assigned by the COP. Includes organizing and carrying out general conferences/workshops and related activities.	<ul style="list-style-type: none"> Organize at least three major workshops and or conferences for the PEG component of the overall ECG team. 	Organization of more major conferences and workshops was hampered by the Ordered Departure, although 8 smaller conferences and workshops were held as part of the Small Grants Program, in collaboration with PEG TA, and a major one-day conference on "Decentralization, Regulatory Reform and the Business Climate" was organized and held at the Borobudur Hotel Jakarta, August 12, 2003.

PEG PROJECT – Section 5
TRAINING SUMMARY

April 1999 - September 2003

PEG Project Training Summary

Table A Table A summarizes **all training events** undertaken by the **PEG Project TA Team** to date.
The entries highlighted in **bold** describe training events completed during the current reporting period.

Dates of Training	Title of PEG-TA Training Activity	# Hours of Instruction	# of Male Participants	# of Female Participants	Total # of Participants	Total # of Person-Hours Taught	USA or Indonesia	PEG ST TA used?	PEG LT Manager	relevant USAID Intermediate Result
5-Apr-99	6-Apr-99 Competition Policy Workshop, Bali (PEG lecturer at grantee event)	6	19	6	25	150	IND		KB, PB	CORP
9-Apr-99	12-Apr-99 Lectures in Contracts Law at University of Indonesia Law School	7	22	12	34	238	IND		PB	CORP
5-May-99	5-May-99 Seminar on Lending for Micro- and Small-Scale Businesses	8	30	4	34	272	IND		TT	FIN
16-May-99	16-May-99 Competition Policy Workshop, SulSel (PEG lecturer at grantee event)	6	28	10	38	228	IND		KB, PB	CORP
24-Jun-99	24-Jun-99 Seminar on Business Development Services for SMEs	9	48	17	65	585	IND		TT, RR	FIN
26-Jun-99	24-Jul-99 Overseas Training: HIID Macroeconomic Policy & Management Course	160	3	1	4	640	USA		BT, BW	CORP
27-Jun-99	10-Jul-99 Competition Policy Law & Economics Workshop, Bali (PEG-ELIPS)	36	24	13	37	1332	IND		GG,SVM,PB	CORP
25-Jul-99	7-Aug-99 Overseas Training: HIID Global Financial Crises & Reform Course	80	4	0	4	320	USA		BT, BW	FIN
20-Aug-99	20-Aug-99 Seminar on Antidumping: A Look at U.S. Experience Lessons for Ind.	3	7	2	9	27	IND		JM, SM	CORP
23-Aug-99	23-Aug-99 Seminar on "Three Sides of Harberger Triangles"	3	7	3	10	30	IND		JM, SM	CORP
24-Aug-99	24-Aug-99 Seminar on Toward an Action Plan for Badan Perkreditan Rakyat (BPR)	8	52	13	65	520	IND		TT	FIN
31-Aug-99	31-Aug-99 Small & Medium Enterprise Caucus Meeting at KADIN	0.25	12	5	17	4.25	IND		RR	CORP
31-Aug-99	31-Aug-99 Seminar on Reservation Schemes for Small Enterprises at MinCoop	1.3	14	6	20	26	IND		RR	CORP
10-Sep-99	10-Sep-99 Lecture on Small Enterprises as an Essential Part of Ind. Dev. Policy	1.7	100	20	120	204	IND		RR	CORP
14-Sep-99	14-Sep-99 Lecture on Factors Affecting Competitiveness of SME at MinCoop	0.6	4	1	5	3	IND		RR	CORP
21-Sep-99	21-Sep-99 Research Design, Review on Improved Competitiveness of SME at MoC	0.25	14	6	20	5	IND		RR	CORP
25-Sep-99	3-Oct-99 The Third Annual Seminar on New Development Finance, Frankfurt	40	1	0	1	40	GER		TT	FIN
1-Nov-99	10-Nov-99 Internship and Field Study in Rural Banking-Manila	56	2	0	2	112	Phil		TT	FIN
3-Nov-99	22-Dec-99 Job-training during Field Research in November-December 1999	30	2	1	3	90	IND		RR	CORP
14-Dec-99	15-Feb-00 Development of Training Materials through Survey on BPR, BI-IBI-PEG	-	-	-	-	-	IND		TT	FIN
29-Jan-00	22-Feb-00 Customized Program on Micro-Finance in the US	120	2		2	240	USA		TT	FIN
8-Feb-00	8-Feb-00 Credit Guarantee Schemes for Cooperatives & SMEs, Yogya	8	70	18	88	704	IND		RR,TT	CORP/FIN
10-Feb-00	10-Feb-00 Seminar on Fiduciary Transfer Registry (w/Boggus & Davis) at MOLL	1	25	15	40	40	IND		PB	PUBGOV
21-Feb-00	24-Feb-00 Managing Capital Flow Volatility in a Volatile Fin. Environment, Bangkok	24	1		1	24	THAI		WW	PUBGOV
24-Feb-00	24-Feb-00 The Status of Commercial Bank Lending, BI, Jakarta	8	47	16	63	504	IND		TT	FIN
25-Feb-00	26-Feb-00 Pengembangan Micro-Finance, Yogyakarta	16	39	3	42	672	IND		TT	FIN
10-Mar-00	10-Mar-00 Lecture on Economic Reforms in Indonesia	2	25	25	50	100	IND		PB	CORP/PUBGOV
20-Mar-00	22-Mar-00 Bali Conference on Corporate Governance and Companies Law Revision	3	30	20	50	150	IND		PB	CORP/PUBGOV
12-Apr-00	12-Apr-00 SME Working Meeting at Aryaduta	8	40	10	50	400	IND		RB	CORP/PUBGOV
2-May-00	4-May-00 Seminar on E-Commerce at the Regent	22	41	17	58	1276	IND		SM	CORP
24-May-00	24-May-00 Competition Policy & Economic Growth: Issues & Options Conference (Surabaya)	1	50	30	80	80	IND		PB	CORP/PUBGOV
27-May-00	8-Jun-00 Exposure Tour to India and Thailand (Bank Indonesia)	64	1	1	2	128	India, Thai		TT	FIN
28-May-00	29-May-00 Money Laundering Draft Law Conference (Jakarta)	1	25	20	45	45	IND		PB	PUBGOV
11-Jun-00	24-Jun-00 Exposure Tour to Manila and Seoul (Bank Indonesia)	80	1	1	2	160	Manila/Seoul		TT	FIN
15-Jun-00	17-Jul-00 HIID Seminar on Macroeconomic Policy and Management	160	1		1	160	USA		WW	PUBGOV
22-Jun-00	17-Jul-00 Boulder Training on Micro Finance (Session I)	120		1	1	120	USA		TT	FIN

PEG Training Summary

Dates of Training	Title of PEG-TA Training Activity	# Hours of Instruction	# of Male Participants	# of Female Participants	Total # of Participants	Total # of	USA or Indonesia	PEG ST TA used?	PEG LT Manager	relevant USAID Intermediate Result
						Person-Hours Taught				
24-Jun-00	24-Jun-00 Regional Seminar for Ministry of Cooperatives & SME Development (Semarang)	6	163	26	189	1134	IND		RR, TT	PUBGOV
7-Jul-00	15-Jul-00 MBA Annual Meeting & Visit to ABA Headquarters (MoLL)	24	1		1	24	USA		PB	PUBGOV
17-Jul-00	28-Jul-00 HIID-Global Fin. System: Structure, Crises & Reform (Bappenas)	80	1		1	80	USA		WW	FIN
27-Jul-00	27-Jul-00 Seminar on SMEs as the Machines of Economic Wheel (Makasar)	2	75	5	80	160	IND		TT	FIN
7-Aug-00	18-Aug-00 Fiscal Decentralization Training at Georgia State Univ (Bappenas)	80	1	2	3	240	USA		WW	CORP/PUBGOV
8-Aug-00	8-Aug-00 Micro Finance Promotion Seminar (BI, Malang)	2	112	11	123	246	IND		TT	FIN
20-Aug-00	26-Aug-00 Competition Law and Policy (Yogyakarta)	40	4	2	6	240	IND		GG, DR	PUBGOV
6-Sep-00	6-Sep-00 Workshop/Dialogue on Consumer Protection (MOIT)	4	9	2	11	44	IND		DR	PUBGOV
6-Sep-00	7-Sep-00 Workshop on Banking Law (Makasar) (In-kind Grant)	2	35	21	56	112	IND		TT, GG	FIN
18-Sep-00	18-Sep-00 Semi-Workshop on Improved Human Resources-Menegkop (Surabaya)	8	201	43	244	1952	IND		RR, DR	PUBGOV
25-Sep-00	25-Sep-00 Leadership Training: Characteristics of Indonesian Inflation (BI)	2	30	10	40	80	IND		PR	FIN
7-Sep-00	7-Sep-00 Seminar on SMEs as the Machines of Economic Wheel (Malang) *)	2	100	50	150	300	IND		TT	FIN
24-Sep-00	24-Sep-00 Meeting in connection w/ USEmbassy Economic Seminar with ISEI *)	2	8	2	10	20	IND		GG	CORP/PUBGOV
2-Oct-00	6-Oct-00 USAID Admin. Compliance Requirements & Award Fin. Management	40	1	1	2	80	Manila		JP	FIN
4-Oct-00	5-Oct-00 LPEM-UI/USAID Annual Economic Conference	16	24	76	100	1600	IND		GG	PUBGOV
7-Oct-00	7-Oct-00 UGM-Economic Conference in Yogyakarta	2	60	25	85	170	IND	1	GG	PUBGOV
16-Oct-00	16-Oct-00 Lecture at MOIT-PUSDIKLAT in "Gains from Trade & Trade Protection"	4	21	7	28	112	IND		JM	CORP/PUBGOV
17-Oct-00	17-Oct-00 Lecture at PUSDIKLAT in "Globalization & implications for Indonesia"	4	21	7	28	112	IND		JM, SM	CORP/PUBGOV
19-Oct-00	19-Oct-00 Seminar on SME's Role and Obstacles in Exports	4	32	12	44	176	IND		DR	PUBGOV
30-Oct-00	9-Nov-00 US Patent & Trade Mark Visiting Scholar	72	2	1	3	216	USA		SM	PUBGOV
2-Nov-00	2-Nov-00 Seminar on SMEs as the Machines of Economic Wheel (Bandung)	2	42	18	60	120	IND		TT	FIN
6-Nov-00	6-Nov-00 Lecture at Universitas Lambung Mangkurat (Banjarmasin)	2	189	91	280	560	IND		DR	CORP/PUBGOV
15-Nov-00	23-Nov-00 AIM/ACE-CGAP Courses for Building Microfinance Institute Capacity	56	4	2	6	336	Manila		TT, RR	FIN
20-Nov-00	22-Nov-00 Workshop on Policy Analysis Application Using Input-Output Tables	24	21	8	29	696	USA	1	JM	PUBGOV
11-Dec-00	11-Dec-00 Workshop/Discussion on "Debt Restructuring Solutions to SM Debtors"	4	22	7	29	116	IND		TT	FIN
23-Jan-01	23-Jan-01 Seminar on Use of IT in BPR Development	8	21	2	23	184	IND		TT	FIN
29-Jan-01	29-Jan-01 Semi-Workshop on Improved Human Resources-Menegkop (Padang)	8	116	15	131	1048	IND		RR	PUBGOV
8-Feb-01	8-Feb-01 Seminar on SMEs as the Machines of Economic Wheel (Banjarmasin)	2	44	26	70	140	IND		TT	FIN
12-Feb-01	12-Feb-01 Semi-Workshop on Improved Human Resources-Menegkop (Medan)	8	109	11	120	960	IND		RR	PUBGOV
21-Feb-01	21-Feb-01 BI Workshop on the Work-out of Bad Debt	8	17	3	20	160	IND		TT	FIN
9-Mar-01	9-Mar-01 ICT Meeting (Private Sector)	3	12	0	12	36	IND		SM	CORP
14-Mar-01	14-Mar-01 ICT Meeting (Public Sector)	3	15	0	15	45	IND		SM	CORP/PUBGOV
19-Mar-01	20-Mar-01 In-House Training: Research Methodology for BI Research	16	4	8	12	192	IND		TT	FIN
22-Mar-01	22-Mar-01 Seminar on SMEs as the Machines of Economic Wheel (Semarang)	2	60	20	80	160	IND		TT	FIN
30-Mar-01	30-Mar-01 Business Development Services Concept for SMECDA	3	35	10	45	135	IND	1	TT	PUBGOV
3-Apr-01	3-Apr-01 Econ-Conference: Domestic Trade, Decentralization & Globalization	8	128	35	163	1304	IND	1	DR	CORP/PUBGOV
3-Apr-01	6-Apr-01 WTO Services Negotiations Course at MOPW, MOE, MOJHR	12	87	13	100	1200	IND	2	SM	PUBGOV
9-Apr-01	12-Apr-01 Training in WTO Services Negotiations	32	105	38	143	4576	IND	3	SM	PUBGOV
11-Apr-01	11-Apr-01 ICT Guidelines Working Group Meeting	4	28	3	31	124	IND	1	SM	CORP/PUBGOV
23-Apr-01	23-Apr-01 ICT Action Plan Working Group Meeting	4	26	4	30	120	IND	1	SM	CORP/PUBGOV

PEG Training Summary

Dates of Training	Title of PEG-TA Training Activity	# Hours of Instruction	# of Male Participants	# of Female Participants	Total # of Participants	Total # of Person-Hours Taught	USA or Indonesia	PEG ST TA used?	PEG LT Manager	relevant USAID Intermediate Result
24-Apr-01	24-Apr-01 Workshop: Business Information Network for Cooperatives & SMEs	8	72	23	95	760	IND		TT	CORP/PUBGOV
30-Apr-01	30-Apr-01 Semi-Workshop on Improved Human Resources-Menegkop (Manado)	8	118	23	141	1128	IND		TT	CORP/PUBGOV
10-May-01	10-May-01 Seminar: Telecommunications Independent Regulatory Body (IRB)	4	80	20	100	400	IND	1	SM	PUBGOV
11-May-01	11-May-01 Seminar: Attracting Foreign Investment to Indonesia	3	50	32	82	246	IND	1	SM	CORP/PUBGOV
14-May-01	15-May-01 Sponsorship for E-Government: ASPACTEL 2001 Panel Discussion	4	46	54	100	400	IND	2	SM	CORP/PUBGOV
17-May-01	17-May-01 Seminar: Enforcement of Law on Trademarks in Regional Autonomy	1	94	65	159	159	IND		TT	CORP/PUBGOV
14-Jun-01	14-Jun-01 Seminar on SMEs as the Machines of Economic Wheel (Medan)	2	115	35	150	300	IND		TT	FIN
18-Jun-01	21-Jun-01 ANE & Global Bureua's Asian Telecom. Regulatory Workshop	32	11	4	15	480	IND		SM	PUBGOV
20-Jun-01	20-Jun-01 Presenter at ISEI Seminar on Dev. of Small Business in Indonesia	2	143	57	200	400	IND		TT	CORP
24-Jun-01	20-Jul-01 Macroeconomic Policy and Management - Boston	160	2	0	2	320	USA		WW	PUBGOV
28-Jun-01	28-Jun-01 Conference: Domestic Trade in the Decentralization Era (Medan)	8	103	14	117	936	IND		DR	CORP/PUBGOV
2-Jul-01	13-Jul-01 Participants to Workshop on Legal Drafting held by ELIPS	80	9	7	16	1280	IND		DR, KB	PUBGOV
22-Jul-01	22-Jul-01 Regional Telecommunication Regulatory (MOIT)	8	80	20	100	800	IND	1	SM	CORP/PUBGOV
23-Jul-01	3-Aug-01 Fiscal Decentralization Training at Georgia State Univ , Atlanta	64	2	0	2	128	USA		SC	PUBGOV
25-Jul-01	26-Jul-01 Workshop on Review of SME Policies at Menegkop	16	35	25	60	960	IND	1	TT	PUBGOV
27-Jul-01	17-Aug-01 Microfinance Course, Boulder, Colorado	112	2	0	2	224	USA		TT	FIN
27-Aug-01	31-Aug-01 APEC WTO Basic Telecommunications Training Program	40	0	1	1	40	SIN		SM	PUBGOV
30-Aug-01	30-Aug-01 Seminar on SMEs as the Machines of Economic Wheel (Denpasar)	8	86	12	98	784	IND		TT	FIN
4-Sep-01	4-Sep-01 Bureutical Barriers for SME (Surabaya - Small Grant)	2	41	12	53	106	IND		DR	CORP/PUBGOV
6-Sep-01	7-Sep-01 Comparative Studies on Competition Law Workshop (Supreme Court)	16	48	12	60	960	IND	2	SC	PUBGOV
25-Sep-01	13-Nov-01 Key Issues in Domestic and International Trade	48	23	7	30	1440	IND		DR, WTJ	PUBGOV
1-Oct-01	7-Oct-01 ICT Week (Asia Pacific Council for Trade Facilitation & E-Business)	12	-	-	-	12	IND		IS	CORP/PUBGOV
14-Oct-01	15-Oct-01 Training on Database Software - Storage & Processing Techniques	16	4	1	5	80	IND		DR	PUBGOV
17-Oct-01	17-Oct-01 Seminar on SME's Perception towards Utilization of Communication and Technology and Business Environment in the Regional Autonomy Era	5	21	10	31	155	IND		DR	CORP/PUBGOV
21-Oct-01	3-Nov-01 Internship of Indonesian Team on External Audit (Bangladesh)	80	2	0	2	160	Bangladesh		TT	FIN
8-Nov-01	8-Nov-01 Regional Workshop in Minahasa	8	51	23	74	592	IND		DR, CM	PUBGOV
9-Nov-01	9-Nov-01 Donor Consultative Meeting (DCG) on ITC	2	-	-	-	2	IND		IS	PUBGOV
19-Nov-01	23-Nov-01 APEC Capacity Building on WTO Issues (South Korea)	40	1	0	1	40	South Korea		IS	CORP
5-Dec-01	5-Dec-01 Internet and the Small Business Development Conference	2	-	-	-	2	IND		IS	CORP/PUBGOV
5-Dec-01	5-Dec-01 Seminar on Bank Secrecy	4	37	23	60	240	IND		TT	CORP/PUBGOV
13-Jan-02	17-Jan-02 PTC's 24th Annual Pacific Telecommunications Conference	40	1	0	1	40	USA		IS	CORP
25-Jan-02	25-Jan-02 Workshop on Interconnection (Kempinsky)	4	29	7	36	144	IND	1	SM, IS	CORP
9-Feb-02	9-Feb-02 Seminar: Optimizing the Potential of Jakarta in Implementing Decentr.	2	143	57	200	400	IND		DR	PUBGOV
18-Feb-02	19-Feb-02 E-Government and E-Governance: Theory, Practice and Next Steps	16	2	0	2	32	Singapore		SM, IS	CORP/PUBGOV
20-Feb-02	20-Feb-02 Seminar: Free Trade Barriers and Investment in East Java (In-Kind Grant)	2	37	13	50	100	IND		DR	PUBGOV
4-Mar-02	4-Mar-02 Seminar: Roadmap to E-Government in Indonesia	2	156	45	201	402	IND		IS	PUBGOV
12-Mar-02	14-Mar-02 In-House Training: Research Methodology for BI Research (Anyer)	24	17	4	21	504	IND		TT	FIN
12-Mar-02	14-Mar-02 Policies for Regional Econ. Dev. In Decentralizing Era (IRIS-LPEM-PEG)	6	71	14	85	510	IND		DR, CM	PUBGOV
18-Mar-02	19-Mar-02 Savings & Loan Coop.s in the Implementation of Regional Autonomy	12	30	9	39	468	IND		TT	CORP/PUBGOV

PEG Training Summary

Dates of Training	Title of PEG-TA Training Activity	# Hours of Instruction	# of Male Participants	# of Female Participants	Total # of Participants	Total # of Person-Hours Taught	USA or Indonesia	PEG ST TA used?	PEG LT Manager	relevant USAID Intermediate Result
18-Mar-02	20-Mar-02 In-House Training: Research Methodology for BI Research (Anyer)	24	15	7	22	528	IND		TT	FIN
18-Mar-02	22-Mar-02 Government Securities Seminar and Study Tour	40	7	0	7	280	USA		SC	FIN
20-Mar-02	21-Mar-02 Seminar on Legislative Drafting (IRIS) in Jayapura	2	20	5	25	50	IND		DR	PUBGOV
27-Mar-02	28-Mar-02 Seminar on Employment Friendly Labor Policies for Economic Recovery	16	51	10	61	976	IND	3	CM, KB	PUBGOV
27-Mar-02	27-Mar-02 Lecture on the Importance of Promoting a Conducive Business Environ.	4	76	74	150	600	IND		DR	CORP
28-Mar-02	28-Mar-02 Seminar & Exhibition on Wireless LAN (Yogyakarta)	2	201	31	232	464	IND		IS	CORP
21-Apr-02	2-May-02 50th Annual Spring Meeting of ABA and Visit to FTC	240	5	2	7	1680	USA		SC	PUBGOV
11-Apr-02	11-Apr-02 Seminar: Indonesia's Broadcasting Draft Laws	2	40	20	60	120	IND		IS	CORP/PUBGOV
29-Apr-02	29-Apr-02 Lecture: E-commerce Law and ITC Development	2	35	15	50	100	IND		IS	CORP/PUBGOV
3-May-02	3-May-02 Lecture: Learning Global Best Practices in ICT Policy & Regulation	2	25	15	40	80	IND		IS	CORP/PUBGOV
7-May-02	7-May-02 Conference: The Economic Cost of Terrorism: Indonesia's Responses	14	194	46	240	3360	IND		JP	PUBGOV
27-May-02	29-May-02 24th American Committee on Asia Economic Studies Conference	24	1	0	1	24	Beijing		WJ	FIN
6-Jun-02	6-Jun-02 Presentation: Restructuring Issues in Ind. Telecom.s Market (Amcham)	2	19	1	20	40	IND	1	SM	PUBGOV
20-Jun-02	21-Jun-02 The 4th IRSA International Conference (Bali)	16	59	21	80	1280	IND		DR	CORP/PUBGOV
19-Jul-02	20-Jul-02 Workshop on the Steel Industry in Northeast Asia (ICSEAD)	2	-	-	-	-	Japan		WJ	PUBGOV
17-Aug-02	23-Aug-02 Combating Cyber-Crime: APEC TEL 26th Workshop	48	2	0	2	96	Russia		IS	PUBGOV
12-Sep-02	12-Sep-02 Local Government Regulations Seminar (Lampung)	8	60	10	70	560	IND		DR	PUBGOV
30-Sep-02	30-Sep-02 Seminar: Study in Cooperatives Supervision in Reg. Autonomy Implementation	8	62	3	65	520	IND		TT	PUBGOV
1-Oct-02	4-Oct-02 A/NE Regional ICT Coordinators Workshop	32	1	0	1	32	Jordan		IS	CORP/PUBGOV
11-Oct-02	12-Oct-02 Conference: Securing the Info. Sociation: A European Policy Agenda	16	1	0	1	16	Netherland		IS	CORP/PUBGOV
18-Oct-02	18-Oct-02 Seminar: Broadband Communications Policies (ITB, Bandung)	8	7	0	7	56	IND	1	SM	CORP/PUBGOV
4-Nov-02	5-Nov-02 8th International Convention of the East Asia Econ. Assoc	16	1	0	1	16	Malaysia		WJ	FIN
18-Nov-02	18-Nov-02 Seminar: Review of Local Government Regulations (Manado)	8	47	8	55	440	IND		DR	PUBGOV
19-Nov-02	22-Nov-02 Conference: Improving E-Government	24	1	0	1	24	USA		IS	CORP/PUBGOV
28-Nov-02	28-Nov-02 Seminar: Review of Local Government Regulations (Denpasar, Bali)	8	34	7	41	328	IND		DR	PUBGOV
17-Dec-02	17-Dec-02 Seminar: Minimum Wage, Industrial Relation and Labor Issues	8	45	11	56	448	IND		KB	PUBGOV
18-Jan-03	24-Jan-03 PTC2003 (25th) Annual Pacific Telecommunications Conference	40	1	0	1	40	USA		IS	CORP/PUBGOV
6-Feb-03	6-Feb-03 USAID-PEG-MOIT Meeting on TA Needs on Trade Policy	2	10	3	13	26	IND		SM	PUBGOV
18-Feb-03	18-Feb-03 Regulation Reform in the Framework of Regional Autonomy	8	49	11	60	480	IND		DR	PUBGOV
13-Mar-03	13-Mar-03 Panel Discussion: Tax Policy Overview (MOF Leadership Meeting)	4	16	1	17	68	IND		KB, WW	PUBGOV
19-Mar-03	19-Mar-03 Seminar: IT & Network Security (Borobudur)	8	144	27	171	1368	IND		IS	CORP/PUBGOV
20-Mar-03	21-Mar-03 Workshop: IT & Network Security (ActiveTrain TC)	16	27	3	30	480	IND		IS	CORP/PUBGOV
22-Mar-03	28-Mar-03 APECTEL 27 Workshop and Conference	40	1	1	2	80	IND		SM, IS	CORP/PUBGOV
15-Apr-03	15-Apr-03 Seminar: Formulating Market Friendly Local Regulations	2	-	-	-	-	IND		DR	PUBGOV
23-Apr-03	23-Apr-03 Seminar: Study on Impact of Modern Retailing upon Small Retailers	2	38	13	51	102	IND		DR	PUBGOV
7-May-03	9-May-03 Presentation at IITELMIT 2003 Conference in the Bupati Forum	2	-	-	-	-	IND		IS	CORP/PUBGOV
19-May-03	20-May-03 Seminar: Strengthening Microfinance Institutions thru Regulation & Dev.t (TAF)	2	130	20	150	300	IND		TT	FIN
22-May-03	22-May-03 Seminar: Models for Lending to Support SMEs (REDI-Surabaya)	2	34	66	100	200	IND		TT	FIN
27-May-03	27-May-03 Strengthening the Network of Microfinance Institutions (AKM-Small Grants)	8	40	18	58	464	IND		TT	FIN
28-May-03	28-May-03 Seminar: Appropriate Models for Local Regulatory Supervision	2	-	-	-	-	IND		DR	PUBGOV

PEG Training Summary

Dates of Training	Title of PEG-TA Training Activity	# Hours of Instruction	# of Male Participants	# of Female Participants	Total # of Participants	Total # of Person-Hours Taught	USA or Indonesia	PEG ST TA used?	PEG LT Manager	relevant USAID Intermediate Result
29-May-03	29-May-03 HUKUI Seminar: Study on Export Constraints Confronting 9 Sectors in Bekasi	8	30	12	42	336	IND		DR	PUBGOV
29-May-03	29-May-03 Workshop: Partnership for SME & Large Business in Indonesia	8	24	16	40	320	IND		TT	FIN
11-Jun-03	14-Jun-03 3rd Axis APEC Future Economic Leaders Tink-Tank (Sydney)	2	-	-	-	-	Australia		IS	CORP/PUBGOV
16-Jun-03	27-Jun-03 Customized Program on Micro-Finance in Monash Univ.	80	2	0	2	160	Australia		TT	FIN
17-Jun-03	17-Jun-03 Evaluation of Small Credit (Micro Finance) in Indonesia	4	39	12	51	204	IND		TT	FIN
19-Jun-03	19-Jun-03 Seminar: Best Practices in Systems and Procedures for BPR	4	20	7	27	108	IND		TT	FIN
23-Jun-03	28-Jun-03 APEC Capacity Building & Food Safety Reg. Symposium (Denpasar)	48	71	50	121	5808	IND		SM	PUBGOV
24-Jun-03	25-Jun-03 Bank Syariah Seminar: Financing Development	16	92	19	111	1776	IND		TT	FIN
25-Jun-03	25-Jun-03 Seminar: Financial Sector Regulatory & Reform Issues	2	-	-	-	-	IND		SMarks	PUBGOV
30-Jul-03	30-Jul-03 Seminar: Cybercrime Legislation and Enforcement Capacity Building	8	42	12	54	432	IND		IS	PUBGOV
4-Aug-03	9-Aug-03 APEC Training on Competition Policy for APEC Member Economies	40	0	2	2	80	Hanoi		SM	PUBGOV
5-Aug-03	5-Aug-03 Seminar: Lender of the Last Resort	4	19	2	21	84	IND	1	WTJ	FIN
26-Aug-03	26-Aug-03 Seminar: Empower Indonesia with Internet	8	88	27	115	920	IND		IS	CORP/PUBGOV
29-Aug-03	29-Aug-03 PEG Wrap-Up (Close-Out) Seminar - MOIT	4	17	8	25	100	IND		SM, DR	PUBGOV
1-Sep-03	1-Sep-03 National Interest in Formulating Trade Policy	8	42	9	51	408	IND	1	SM	PUBGOV
2-Sep-03	2-Sep-03 PEG Wrap-Up (Close-Out) Seminar - Macroeconomy (Bappenas + MOF)	4	25	5	30	120	IND		WW, KB, WTJ	PUBGOV/FIN
9-Sep-03	9-Sep-03 Workshop: The White Paper on Employment Friendly Labor Policies	8	30	120	150	1200	IND	1	KB	PUBGOV
10-Sep-03	10-Sep-03 Seminar: Review of Regulations in Indonesia	8	55	20	75	600	IND		DR	PUBGOV
11-Sep-03	11-Sep-03 PEG Wrap-Up (Close-Out) Seminar - Telecommunication & ICT	4	16	4	20	80	IND		SM, IS	PUBGOV
Total	to date		6650	2317	8967	73535.25				
				26%						
		total number of training events from PEG-TA to date	173	average participation by women						

PEG PROJECT – Section 6
SMALL GRANTS ACTIVITY REPORTS

LIST OF APPROVED/COMPLETED SMALL GRANTS TO DATE
(Final updated by JUNE 30, 2003)

Organization	Title	Purpose & Objective	Amount Approved/ Expended	Amount Disbursed	Status
1. Fakultas Hukum, Universitas Mataram (FH-UNRAM) - Training In Mataram	Workshop and Training in Economic Law for Cooperatives and SMEs boards of directors in the Province of NTB 9-18 Nov. 2000	Providing understanding and legal advocacy to Cooperatives and SMEs boards of directors in NTB in the efforts of institutional strengthening to face business competition in this globalization era.	85,375,000 Rp.	85,900,000 Rp. \$10,934.45	Completed. Final report received
2. Pusat Studi dan Pengembangan Koperasi, Yayasan Risalah, Departemen Koperasi - Seminar In Jakarta	Relevance and Improvement of Law No. 25 of 1992 on Cooperatives in this reform era 18 July 2000	- To conduct an academic review on the relevance of the substance of Law # 25/1992 on Cooperatives in the reform era. - To draft an improved material for Law No. 25/1992 to conform with the needs and current changes of social, economic and political condition	2,500,000 Rp.	1,298,500 Rp. \$160.50	Completed. Final report received
3. Perkumpulan untuk Kajian dan Pengembangan Ekonomi Kerakyatan (PKPEK) - TV & Radio, Yogyakarta	Roundtable policy dialog for empowering SME's leading the financial & economic recovery 18 December 2000	To build public opinion in the efforts to promote implementation of government "political will" and policies to enhance SMEs actively playing a role in economic and financial recovery efforts.	69,240,000 Rp.	59,628,000 Rp. \$6,505.57	Completed. Final report received
4. Himpunan Usaha Kecil Eksportir Indonesia (HUKEI) - Seminars in Jakarta	Licensing as an SME development opportunities and simulation in the era of decentralization and globalization 8 November 2000	Simplification of licensing for SMEs through seminars and public opinion building and socialization of SME most significant strategic role in the economic recovery.	37,966,000 Rp.	26,090,000 Rp. \$2,989.48	Completed. Final report received
5. Remy & Darus, law firm - Seminar, in Jakarta	Law Seminar about ADR and E-Commerce 3 October 2000	End-goal: participants will gain knowledge and understanding on: - Arbitration and Alternative Dispute Resolution - E-Commerce	78,120,000 Rp.	70,853,000 Rp. \$9,019.08	Completed. Final report received
6. Institut Hukum Bisnis Indonesia Makassar (IHBI) - Workshop In Makassar	Strengthening legal role in national banking system to eliminate risks of bad debts 6-7 September 2000	Empowerment and improvement of legal role quality particularly in legal audit process and national banking activities in order to minimize legal risks of each bank activity, especially the risks of bad debts.	28,890,000 Rp.	24,882,238 Rp. \$2,847.42	Completed. Final report received
7. Ministry of Cooperatives & SME Development - Policy Dialogue In Jakarta	Discussion on Policy Formulation for Empowering Cooperatives and SMEs to benefit from the Issue of Intellectual Property Rights Regulation 26 October 2000	Formulate Policy Recommendations on how to empower cooperatives and SMEs regarding the issue of intellectual property rights.	11,700,000 Rp.	11,800,000 Rp. \$1,502.06	Completed. Final report received
8. Yayasan Lembaga Pendidikan Triasa (YLPT), Jakarta, - Workshop in Bandung	Workshop on the Benefits of Trade Mark for SMEs in the Free Trade Open Market era. 18 November 2000	-Improved knowledge and awareness of Trade Mark -Increased number of registered Trade Mark -Increased number of SMI trade marks	26,400,000 Rp.	26,734,670 Rp. \$3,063.35	Completed. Final report received
Sub-total (1)			341,191,000 Rp.	307,186,408 Rp. \$37,021.91	34,000,592 Rp.

9. Deputy for Technology Efficacy and Socialization, Meneg Ristek - Training:	Training Package on Library Automation/ICT for Developing Countries Tested Modules 15-19 Jan 2001	Testing the application of modules developed by UNESCO in library automation. Evaluation, refining and identification of use of modules.	73,400,000 Rp.	71,048,100 Rp. \$7,657.15	Completed. Final report received
10. Pusat Studi Hukum dan Masyarakat (GRAHA KIRANA), Medan - Seminar in Medan	National Seminar in Cyber Law (Legal E-Commerce) in Relation to Law on Telecommunication of year 2000 and Legal Anticipation towards Business Transactions through cyber-networks. 30 January 2001	After the seminar participants will gain knowledge and understanding of: E-commerce, Uncitral Model cyber law, E-commerce safety system, digital signature, E-commerce transaction payment system, computer crimes, E-cash as evidence in E-Commerce transaction	49,475,000 Rp.	47,816,378 Rp. \$5,153.37	Completed. Final report received.
11. Yayasan Wahana Insan Mandiri (NANDIRI), Kota Gede, Yogyakarta - Panel Discussion	The extent of Effectiveness of Program and Assistance Disbursed for Economic Growth of DIYogyakarta 24-25 February 2001	- To find out the weaknesses and advantages of programs and assistance already given for Economic Growth of Special District of Yogyakarta (DIY). - Integration and synergy of various programs and assistance for DIY	38,400,000 Rp.	38,107,100 Rp. \$4,026.43	Completed. Final report received
12. Yayasan Cipta Mandiri Wonogiri, Central Java - 2 day Discussion	How Effective is the Policy on SME Development 6-7 February 2001	To find out the advantages and weaknesses of policies on SME development	40,150,000 Rp.	28,860,000 Rp. \$4,451.59	Completed. Final report received.
13. Lembaga Konsultasi dan Bantuan Hukum, Fakultas Hukum Univ. Islam Indonesia, Yogyakarta - Training	Training in Intellectual Property Rights for University faculty, students, SMEs, Lawyers in Yogyakarta 26 Feb.- 3 March 2001	Asserting understanding towards legal issues so that the community is capable of fighting for its rights in a sustainable fashion.	45,100,000 Rp.	42,130,918 Rp. \$4,220.69	Completed. Final report received.
14. PT Agrindo Aneka Consult Jakarta Seminar in Jakarta	Seminar in Rural Agribusiness Community Capacity Building for Food Resilience and Economic Recovery 29 March 2001	1. Delivering government program information 2. Bring rural people's issues and needs into the attention of decision makers 3. Rural community building through "rural community representatives"	39,133,000 Rp.	36,959,050 Rp. \$3,366.03	Completed. Final report received.
15. Yayasan Pendidikan Ariyanti - Bandung	Seminar in Labor & Entrepreneur's Dispute Settlement 25 April 2001	Freedom of Union in a democratic industrial relation and Revitalization of Industrial Relation as an anticipation of the approaching Globalization.	73,552,500 Rp.	69,933,500 Rp. \$6,369.04	Completed. Final report received
16. Lembaga Studi Kemasyarakatan dan Bina Bakat - Study & Policy Dialogue - Solo (Surakarta)	Policy Dialogue in the Framework of Strengthening Trade Sector Micro-enterprises in Surakarta City (Solo) Assessment: February – April 2001 Workshop: May 1-2, 2001	Replying to PEG letter, reduced funding request by limiting activities to 3 series of policy dialogues and length of program to 4 months (from preparation to completion).	52,432,000 Rp.	52,276,820 Rp. \$4,761	Completed. Final report received
17. PerNetworks & Dewan Koperasi Indonesia (Dekopin) - Training in Bandung	Training in Audit Online for Cooperatives within the DEKOPINDA Network in West Java 26-27 April 2001	Skilled coop..managers capable of applying online audit system. Improved performance, efficiency and transparency Enhanced coop. professionalism to eliminate corruption. Improved Dekopinda capacity in managing Coop Business Service Center, monitoring cooperatives.	56,000,000 Rp.	56,501,050 Rp. \$5,145.71	Completed. Final report received.
Sub-total (2)			467,642,500 Rp	443,632,916 Rp. \$45,151.01	24,009,584 Rp

18. FH-UNRAM (Law Faculty of University of Mataram) – Lombok - Training in Mataram	Training in Economic Law for Cooperatives and SMEs from Kabupatens of Lombok and Sumbawa 13-17 May 2001	- To equip Cooperatives and SMEs with knowledge and skills on legal aspects of businesses entering the free markets; - To strengthen the cooperative institutions having Legal Aid Agency for Cooperatives and SMEs in West Nusa Tenggara.	88,250,000 Rp.	88,262,000 Rp. \$8,023.82	Completed. Final report received
19. Yayasan Lembaga Pendidikan TRIASA Jakarta (receptient-3 rd batch) -1 day workshop in Semarang	Workshop on Implementation of Law on Trademark in the Framework of Regional Autonomy 17 May 2001	Socialization of Trademark Law; Improvement of participants' knowledge and concerns in Trademark; Development of local product trademarks in facing the free trade era; Improvement of knowledge and concerns of interrelated government institutions in developing local product trademarks in the implementation of regional autonomy	31,505,000 Rp.	29,886,200 Rp. \$2,721.82	Completed. Final report received
20. PIRAC (Public Interest Research and Advocacy Center) - Seminar in Jakarta, talk show, publication of compilation of articles	Socialization of Law No. 8 year 1999 on Consumer Protection 28 May 2001	- To socialize and criticize the implementation of Law No. 8/1999 on Consumer Protection in Indonesia; - To provide direct service to the public in the understanding of the rights and obligations of consumers, particularly in connection to the Law No. 8/1999; - To push the government to immediately implement the law along with the implementation instruments.	87,300,000 Rp.	77,435,200 Rp. \$7,523.03	Completed. Series of articles completed. Final report received.
21. Perkumpulan untuk Peningkatan Usaha Kecil (PUPUK), Surabaya - Survey, Workshop	Advocacy on License Bureaucracy for Small Business in East Java May-August 2001	Create transparent bureaucracy services for businesses. Eliminate mal-practices by government employees in license issuance. Enhance critics of businessmen on licensing. Create a more competitive market for SMEs	79,927,000 Rp.	79,003,737 Rp. \$8,818.88	Completed. Final Report received.
22. Indonesian Small Medium Enterprises Association (ISMEA) Jakarta	Strategies of Domestic Industries to Prevent Material Injuries within the Corridor of WTO May – June 2001	- To provide navigational guide to domestic industries on how to deal with disproportional import surge resulting in material injuries through the application of WTO instruments; - To promote stable basis for trade fair competition as well as enhancing sustainable economic growth	68,105,780 Rp.	58,977,370 Rp. \$5,443.89	Completed. Final report received.
23. Yayasan Cipta Mandiri (<i>Cipta Mandiri Foundation</i>) - Seminar in Surakarta	Seminar on “Regional autonomy and its barriers against regional economic development” 13 August 2001	- To find out the impact from implementation of regional autonomy policy with regards to economy development in the region - To find the right formula on the implementation on regional autonomy policy to avoid new problems	63,305,000 Rp.	60,513,000 Rp. \$5,924.54	Completed. Final report received.
24. Kantor Menteri Negara Riset dan Teknologi (RISTEK) - Seminar/training in Irian Jaya	Socialization Seminar and Training on IT Through Library Automation to Support People's and Regional Development in Irian Jaya August 20-24, 2001	- To extend understanding and broadening the knowledge of the participants on ICT benefit and library automation - Provide knowledge and basic skill on ICT and library automation	105,678,000 Rp.	97,659,500 Rp. \$11,670.51	Completed. Final report received.
Sub-total (3)			524,070,780 Rp.	491,737,007 Rp. \$50,106.62	32,333,773 Rp.

25. PT AGRINDO ANEKA CONSULT - 2 Day Seminar in Bogor	Open Dialogue and Seminar on Policy and Food Resilience Program October 2-3, 2001	- Socialization on policy and food resilience program - Improve the roles of private sectors, NGO and general people in food resilience construction - Improve policy program and food resilience work plan	64,536,000 Rp.	44,826,800 Rp. \$4,504.02	Completed. Final report received. Proceeding book received.
26. Lembaga Penelitian Universitas Sebelas Maret Surakarta - Research and Seminar in Surakarta	Research and Seminar on the Implementation of UU No.30 Th.1999 on Arbitration and Alternative Solution of Problems. July 1, 2001 – October 2001	To extend understanding to the law-makers as to why arbitration autonomy is important to have executorial to revise Law No.30 of 1989.	24,300,000 Rp.	23,986,600 Rp. \$2,415.40	Completed. Final report received.
27. Institut Hukum Bisnis Indonesia (IHBI) Makassar - Seminar/Workshop in Makassar	Regional Semiloka on Maximizing The Role of Law to Improve Investment Climate in the Era of Regional Autonomy . August 8-10, 2001	- Improve quality of the role of law to create conducive investment climate in the region, particularly to the investors. - Unite the vision of law supreme in the national economy development system which might speed up of economy development in the region.	41,600,000 Rp.	39,625,600 Rp. \$4,727.87	Completed. Final report received.
28. Himpunan Insan Pencinta Bung Karno (HIP-BK), Lampung - Survey, Seminar/Workshop in Bandar Lampung	“Identify and Training on Land issues in the era of Regional Autonomy in Lampung” August 30-31, 2001	Find the best solution in handling land conflicts in Lampung area	76,495,000 Rp.	69,629,523 Rp. \$6,446.49	Completed. Final report received.
29. AKADEMIKA (Center for Public Policy Analysis) - Workshop in Bekasi	Workshop on “The Future of District in the Regional Autonomy Era”. August 27, 2001	- To identify local responses to the decentralization policy, especially that reflected by new local policies in the context of regional autonomy. - To examine problems that occur at local level related to the implementation of regional autonomy policy. - To formulate input for relevant agencies to achieve the goal of decentralization policy.	20,100,000 Rp.	15,184,300 Rp. \$1,717.23	Completed. Final report received.
30. Yayasan Adil Sejahtera (YAS) - Series of Workshop in Makassar	Workshop on Development Strategy for SME in The System of Regional Autonomy Governmental 1) 7 July 2001 2) 14 July 2001 3) 21 July 2001	- To socialize Act No. 22/1999 and PP No.25/1999 to the Small and Medium Enterprises. - To find out the opportunity and challenge for SME in the Regional Autonomy Era, including PEMDA’s strategy in development of SME. - Seek input and share opinions between SME and the Government. - To determine strategy or concept which will be accepted by all parties in developing SME.	35,135,000 Rp.	34,143,200 Rp. \$3,285.21	Completed. Final report received.
Sub-total (4)			262,166,000 Rp.	227,396,023 Rp. \$23,096.22	34,769,977 Rp

31. Yayasan Lembaga Studi Masyarakat dan Bina Bakat – Solo	Survey and series of training/workshop on “Action Program on Empowerment of Micro Enterprise Community Self-sufficient based in Surakarta”. August 27-28, 2001 October 3, 4-6, 2001	- Social Consolidation of Micro Enterprise society in Surakarta to build power in influencing regional policies for the ME business development growth of qualitative ME groups with strong pressure power. - Create a model of ME society initiative based micro financial services.	77,810,000 Rp.	77,734,350 Rp. \$8,369.35	Programs completed. Final Report received.
32. Universitas Islam “45” (Unisma) Bekasi	Workshop on Policy Formulation and Implementation in the Context of Regional Autonomy in Indonesia. October 16-29, 2001 (Bekasi)	- To improve the effectiveness of policy decision making and policy implementation process among the regional stakeholders, especially local government, local legislative assembly, non-government organization and higher educational institutions in the region. - To examine problems that occur at the local level related to the implementation of regional autonomy policy. - To formulate input for relevant stakeholders to achieve the goal effectiveness in the process of decision-making and policy implementation.	126,715,000 Rp.	109,242,755 Rp. \$11.019.95	Completed. Final report received.
33. LPM Buletin Keadilan – FH Universitas Mataram	Socialization Workshop Law No.5 Year 1999 on “The Ban on Monopoly Prohibition and Unhealthy Business Competition”. November 13-14, 2001 (Mataram)	- To explain the knowledge on the important of healthy business competition to improve company’s performance, - To explain the knowledge on the role(s) of the Business Competition Supervisory Commission (KPPU). - To explain the knowledge on the sanction(s) against the business competition violation.	28,500,000 Rp.	25,678,387 Rp. \$2,487.01	Workshop completed.
34. Forum Daerah Usaha Kecil Menengah (Forda UKM) Sulawesi Selatan	Dialogue on Transparency of Trade name sign Tax Policy for the SME as Potential Source of the Local Revenue (PAD) Makassar City in the Regional Autonomy Framework. November 6, 2001 (Makassar)	- To get input from SMEs in Makassar - To formulate an effective and the appropriate system of implementing the policy of trade name sign tax policy for the SME. - To effect the source of regional revenue from the trade name sign tax. - To provide input to the Government and related institutions. - To create a more transparent and fair tax enforcement system.	11,650,000 Rp.	11,389,000 Rp. \$1,084.66	Completed. Final Report received.
35. Perhimpunan Bank Perkreditan Rakyat Indonesia (PERBARINDO)	National Seminar in Jakarta and Jayapura – Response to the New Licensing of BPR December 6, 2001 (Jakarta)	To develop the economy of Indonesia through developing its financial system, particularly the BPR, and in particular by encouraging new entrants to the BPR market.	13,194,000 Rp.	8,318,500 Rp. \$ 844.50	Seminar in JKT Completed.
Sub-total (5)			257,869,000 Rp.	232,362,992 Rp. \$23,805.47	25,506,008 Rp.

36. Regional Economic Development Institute (REDI)	3 Months Research and seminar: Free Trade Barriers and Investment in East Java. Feb. 20, 2002 (Surabaya)	- Identify Regional Regulations on Tax and Local Retribution in 13 cities/Kabupatens in East Java. - Find possible impact of implementation of local tax and retribution on trade and investment in 13 cities. - Identify the barriers related to investment permits in East Java. - Improve social control of the society over the various levies (official or non-official) in East Java	110,065,000 Rp.	101,574,050 Rp. \$10,873.41	Research and Seminar completed. Final report received.
37. Asosiasi Penyelenggara Jasa Internet Indonesia (APJII)	One Day Seminar : “Development of Voice over Internet Protocol (VoIP)”. Feb. 21, 2002 (Jakarta)	- To introduce VoIP and its development in Indonesia. - Information to IT business, community about VoIP developments in Indonesia. - Recommendation to government on the development situation and inputs for regulation on VoIP issues.	40,217,000 Rp.	40,217,000 Rp. \$4,400.10	Seminar completed. Final report received.
38. Perhimpunan Bank Perkreditan Rakyat Indonesia (PERBARINDO)	One-day Seminar : “The Role of BPR as a motivator for empowering small business and investment prospects” March 9, 2002 (Malang)	To develop the economy of Indonesia through developing its financial system, particularly the BPR, and in particular by encouraging new entrants to the BPR market.	23,659,000 Rp.	23,631,700 Rp. \$2,585.52	Seminar completed. Final report received.
39. Pusat Kajian Pilihan Penyelesaian Sengketa Universitas Andalas (PKPPS-UnAnd)	Research and Seminar : “How to help local communities in legal disputes about natural resources in West Sumatra, Riau and Jambi” March 12, 2002 (Padang)	- To empower local communities in legal disputes settlement of natural resources exploitation cases. - To find out the characteristics of legal disputes, to formulate a pattern for empowering weaker party in legal dispute settlement process.	71,510,000 Rp.	63,698,960 Rp. \$6,939.95	Research and Seminar completed. Final report received.
40. Pusat Inkubasi Bisnis Usaha Kecil (PINBUK)	Half-day Seminar : “Control BMT Policy as Part of LKM” March 13, 2002 (Jakarta)	- To have an ideal control for Lembaga Keuangan Mikro (LKM), between the need for development in a creative-innovative manner and the necessity for supervision. - To have particular control which is suitable for BMT which has specific characteristic as part of LKM.	29,400,000 Rp.	26,250,000 Rp. \$2,871.99	Seminar completed.
41. Komite Pemantauan Pelaksanaan Otonomi Daerah (KPPOD)	Reviewing Local Government Legislation (PERDA) and half-day seminar. March 19, 2002 (Jakarta)	- Identify how the local regulations impact to business environment. - Make recommendation to cancel/revise the nuisance local regulations to central government and particular local authority. - Hold workshop for government agencies responsible for oversight of local PERDA, extent of problem solutions.	37,675,000 Rp.	34,297,825 Rp. \$3,727.23	Review PERDA completed. Seminar completed. Final report received.
Sub-total (6)			312,526,000 Rp.	289,669,535 Rp. \$31,398.20	22,856,465 Rp.

42. Asosiasi Penyelenggara Jasa Internet Indonesia (APJII)	One-day Seminar and Exhibition on Wireless LAN. March 28, 2002 (Jogyakarta)	Information to IT business, community about wireless LAN developments in Indonesia.	42,670,000 Rp.	38,077,750 Rp. \$4,166.05	Seminar completed. Final report received.
43. Kantor Kementrian Negara Riset dan Teknologi R.I. (RISTEK)	3-Day Workshop and Training on Warung Informasi Teknologi (WARINTEK) April 3-5, 2002 (Tasikmalaya)	- To seek feedback by exchanging experiences in managing and marketing Warintek Program.. - To improve quality of human resources particularly the owner and candidate of Warintek. - Provide technology training in science information section, management education and informal skill.	60,015,468 Rp.	50,846,050 Rp. \$5,575.09	Seminar and workshop completed. Final report received.
44. Yayasan Adil Sejahtera (YAS)	Research and seminar : "Effectiveness of Financial Aid allocation and state-owned Company for Small Scale Businesses" April 30 – May 1, 2002 (Makassar)	- To analyze the effectiveness of financial aid distribution to small scale businesses and cooperatives. - To analyze the procedure of state-owned company financial aid distribution. - To find the best form of implementation guidelines of the use of state-owned company financial aid for small scale business and cooperatives.	75,605,000 Rp.	65,852,800 Rp. \$7,291.31	Research and Seminar completed. Final report received.
45. Komite Pemantauan Pelaksanaan Otonomi Daerah (KPPOD)	Reviewing Local Government Legislation (PERDA) and half-day seminar. 22 August 2002 (Bekasi) Note: Continuation of the Review PERDA (particularly PERDA(s) issued by provincial of West Jav)	- Identify how the local regulations impact to business environment. - Make recommendation to cancel/revise the nuisance local regulations to central government and particular local authority. - Hold workshop for government agencies responsible for oversight of local PERDA, extent of problem solutions.	41,675,000 Rp.	37,229,962 Rp. \$4,225.15	Review and Seminar completed. Final report received
46. Asosiasi Eksportir dan Produsen Handicraft Indonesia (ASEPHI)	Dialogue on Phenomenon of Handicraft in West Java 28 October 2002 (Bandung)	To make a strategic plan to improve ability on economic competition on handicrafts business in West Java.	15,080,000 Rp.	14,069,100 Rp. \$1,596.67	Dialogue completed. Final report received.
47. Lembaga Penelitian – Universitas Katolik Parahyangan Bandung	Research and Seminar on Good Governance in Minimum Wage Setting in the era of Regional Autonomy. - 25 October 2002 (Bandung) - 1 November 2002 (Jakarta)	This research is to investigate the extent of good governance in the wage setting process in a selection of local districts in West Java.	53,930,000 Rp.	47,179,975 Rp. \$5,375.02	Study and Seminars completed.
Sub-total (7)			288,975,468 Rp.	253,255,637 Rp. \$28,229.29	35,719,831 Rp.

48. Bandung Institute of Governance Studies (BIGS)	Study in 4 city (Bandung, Tasikmalaya, Cianjur and Bekasi): Licenses Policy Schedule which pro-market and public sensitive interests. 29 October 2002 (Bandung)	<ul style="list-style-type: none"> - To identify experience of the other regional government (state) in formulating and implementation of permit for privatization policy. - To identify formulation processes and permit policy decision-making. - To identify the kind of irrational permits from the market side, justice and social welfare. - To identify the expansion monopoly forms of the governmental bureaucracy protesting permits. - To identify the rationale on tariff for permit process. - Make recommendation for oriented permit forms that can accelerate market and public interests. 	88,929,000 Rp.	83,100,995 Rp. \$9,511.95	Study and Seminar completed. Final report received.
49. Lembaga Penelitian dan Pengabdian Pada Masyarakat (LP3M) Universitas Garut	Research and Seminar on Situation Analysis and the Gender's Role on the Development of Kabupaten Garut. 19 December 2002 (Garut)	<ul style="list-style-type: none"> - To reveal women's profile of Kab. Garut as an input for policy formulation process and improve the plan of women's role. - To find the work portions between man and women in Kab. Garut. - To observe and make analysis on the opportunity and domination of gender against resources. - To understand of situation and condition on gender's participation on both formal and non-formal institutions. - To analyze a model of decision making pattern amongst family. 	71,600,000 Rp.	68,907,500 Rp. \$5,324.85	Study and Seminar completed. Final report received.
50. Fakultas Pertanian Universitas Siliwangi (FAPERTA UNSIL)	Research and Seminar on The Impact of Revolving Funds Distribution against the growth of Handicrafts Business in Cibeureum --Kab. Tasikmalaya 8 January 2003 (Tasikmalaya)	To have the change of way of thinking to be more sophisticated, thus the entrepreneur would be able to create better work mechanism, better administration management, and to be able to choose business opportunity and to manage the revolving fund.	21,595,000 Rp.	21,595,000 Rp. \$2,202.14	Study and Seminar completed. Final report received
51. LP3M SAWALA	Study and Review of Regional Regulations/PERDAs of Tasikmalaya and Garut to regulate Retribution, Regional Taxes and other retributions Workshop in Tasik & Garut : December 18, 2002 (Garut) 9 January 2003 (Tasikmalaya) Seminar in Tasik & Garut : 5 Feb 2003 (Garut) 6 Feb 2003 (Tasikmalaya)	<ul style="list-style-type: none"> - To analyze and evaluate of PERDAs from the various approach such as economic – efficiency, yield, equity, politic and administration. - To find efficiency and ineffectiveness on the implementation of PERDAs. - This study is expected to become a policy advice for the Government (Executive) and the DPRD (Legislative) of Kota Tasik and Kab. Garut for the formulation and deregulation of the PERDAs of any regional collections i.e. permit, retribution, and regional taxes. 	127,555,000 Rp.	121,361,700 Rp. \$13,976.65	Study and Seminar completed. Final report received.
Sub-total (8)			309,679,000 Rp.	294,965,195 Rp. \$31,015.59	14,713,805 Rp.

52. Pusat Penelitian Kebijakan Ekonomi – Fakultas Ekonomi Brawijaya Malang	Workshop: Impacts of Local Government Regulatory to Business Environment March 18-19, 2003 (Malang)	- To find issues that can obstruct climate in the region. - To find a policy format to motivate investment climate in the region. - To motivate private role to speed up development in the region.	41,884,500 Rp.	30,456,720 Rp. \$3,462.17	Workshop done.
53. Centre for Regional Development Assistances (CERDA)	Survey and FGD: “Strengthening business development service (BDS) for small and medium enterprises (SME) development project: <i>Market study of service office as model business development service for SME</i> - April 8, 2003 (Tasikmalaya) - April 9, 2003 (Garut)	- To assess the existing productivity barrier of the SME and services support needed by the SME in the region. - To assess the existing services provided by the BDS in the region. - To assess the effective and efficient of a Service Office BDS Model. - To formulate and provide a business plan for the establishment of a Service Office BDS mode in the region.	83,250,000 Rp.	75,677,822 Rp. \$8,602.69	Study and Seminar completed. Final report received.
54. Bandung Institute of Governance Studies (BIGS)	Seminar Merancang Kebijakan Perijinan Yang Pro Pasar dan Sensitif Kepentingan Publik: Studi Kasus Di Kota Tasikmalaya dan Kota Bekasi April 15, 2003 (Jakarta)	To socialize the results of study that dissects the local public policy process post-decentralization, to policy makers in Jakarta.	33,080,000 Rp.	29,080,775 Rp. \$3,305.76	Seminar completed.
55. Akademika Center for Public Policy Analysis	Study : Retailing Business in the Decentralization Era (Study in West Java : Bandung, Bekasi and Karawang) April 23, 2003 (Bandung)	- To review current and upcoming government regulation on retailing business, both at central and local level, especially regarding the procedure for getting license for the business. - To collect information about the perception, respond and changing practices of retailers on the changing situation after the decentralization policy was implemented. - To predict problems and opportunity for retailing business in the decentralization era, both for domestic and foreign investor	83,100,000 Rp.	69,959,350 Rp. \$7,952.64	Study and Seminar completed. Final report received.
56. Yayasan Adil Sejahtera (YAS) Makassar	Socialization Results of Study on Effectiveness of BUMN Funds Distribution against Small scale and cooperative business development in Bandung, West Java Propinve) April 29-30, 2003 (Bandung)	- To disseminate information on study results - To get feedback/inputs and sharing best practice amongst stakeholders related PUKK program - To find a better development system for PUKK To get recommendation and to match them with the recommendation from seminar in Makassar	44,534,400 Rp.	43,152,000 Rp. \$4,905.31	Study and Seminar completed. Final report received.
Sub-total (9)			285,848,900 Rp.	248,326,667 Rp. \$28,228.56	37,522,233 Rp.

57. Lembaga Pengembangan Ekonomi Al Syura (LPE Al Syura)	Research and Assessment of Primary Commodity of Agriculture at Kabupaten Garut May 5, 2003 (Garut)	-To identify agriculture pattern implemented for 3 commodity (peanuts, silk and perfumery) - To identify processing pattern of 3 commodity - To identify the market of 3 commodity - To identify regional government policies	48,175,000 Rp.	47,713,150 Rp. \$5,423.80	Study and Seminar completed. Final report received.
58. Yayasan ARTANITA	Research and Advocacy for the People Economy: Eliminate Poverty through Gender Role on Household Small Industry at Kota Tasikmalaya May 6, 2003 (Tasikmalaya)	To dig out of gender's profile on : - Work pattern between man and woman in their family. - Work pattern of man and women on income for their living cost. - Work pattern of man and women on the household small industry. - Income and Spending pattern - Decision making pattern in the family	55,205,000 Rp.	51,665,985 Rp. \$5,873.14	Study and Seminar completed. Final report received.
59. Kelompok Profesional Peduli Permasalahan Perempuan dan Usaha Kecil Menengah (KP4 UKM)	Training and Seminar : "Kesepahaman Kesetaraan Gender dalam Kontek Pemberdayaan Perempuan UKM" May 7, 2003 (Tasikmalaya)	To find formula/the right and effective concept on SME empowerment, particularly the women's role on the SME sector.	54,850,000 Rp.	54,850,000 Rp. \$6,235.08	Training and Seminar completed. Final report received.
60. Fakultas Pertanian Universitas Siliwangi Tasikmalaya (FAPERTA UNSIL)	Women's Contribution on the Economy and Household Activity (The Case of Women Labor of Mendong Home Handicraft Industry at Kec. Cibeureum Pemkot Tasikmalaya) May 8, 2003 (Tasikmalaya)	- To get a clear picture on women labors of Mendong Handicraft Industry at Tasikmalaya on the characteristic, motivation level, reason of involvement, time allocation and income contribution from the women labor - The study results can be used as the stuff for policy makers to make direction and economy development policy in their region.	29,210,000 Rp.	27,337,200 Rp. \$3,107.56	Study and Seminar completed. Final report received.
61. Regional Economic Development Institute (REDI)	Policy Workshop on Cooperation Model Among Financial Institution in Distributing Small Scale Business Credit (KUK) in East Java May 22, 2003 (Surabaya)	- To provide recommendation for the Government, Central Bank, Commercial Bank, BPR and SME Associations to cooperate KUK distribution. - To identify small scale business credit model based on all stakeholders - To create of KUK distribution model in East Java - To increase all of stakeholders to participate in KUK distribution process.	31,815,000 Rp.	24,496,500 Rp. \$2,784.64	Workshop completed. Final report received.
Sub-total (10)			219,255,000 Rp.	206,062,835 Rp. \$23,424.22	13,192,165 Rp.

62. Asosiasi Keuangan Mikro, Jabodetabek (AKM)	(Activity: Internal Discussion, Workshop and hearing with DPRD, monitoring and evaluation) May 27, 2003 (Jakarta)	- To strengthen the existence of AKM to improve the effectively services to NGO and LKM (micro financial institution) - To create policy and regulation that may support of micro business (UM) and LKM in the region. - Create cooperation (partnership) between institution, UM network and LKM.	32,500,000 Rp.	29,187,547 Rp. \$ 3,317.90	Internal Discussion and Workshop done. Final report received.
63. Jaringan Nasional Pendukung Usaha Kecil Menengah (JNPUKM) - Jakarta	FGD and Seminar : Effective Controlling Model for Regional Regulations May 28, 2003 (Jakarta)	- To formulate effective model for controlling the Regulations. - To get feedback from Regional Government, DPRD and other society groups on the ideal of effective model for controlling Regulations. - To formulate minimum terms to control effective Regulations	81,400,000 Rp.	79,437,487 Rp. \$ 9,030.07	Study and Seminar completed. Final report received.
64. Himpunan Usaha Kecil Eksporir Indonesia (HUKEI)	Study and Dialogue: "Bagaining Position and SME Barriers on trade and investment in the autonomy era and global market competition" May 29, 2003 (Bekasi)	To improve bargaining power for competition through the SME policy support on trade and investment.	80,950,000 Rp.	73,020,100 Rp. \$ 8,300.57	Study and Seminar completed. Final report received.
65. Monopoly Watch	Study, Research, Workshop and Training : Reinforcement of Competition Capacity on SME - June 10, 2003 (Garut) - June 11, 2003 (Tasikmalaya)	- Mapping of SME objective reality in the region - To improve technique capacity and SME management to maximize production and improve efficiency. - To gain access on information and capital, create healthy business environment where competition becomes initiator (UU No.5/1999) - To initiate the existence of functional network amongst SME in the targeted program area.	71,387,500 Rp.	58,261,500 Rp. \$ 6,622.88	Study and Seminar completed. Final report received.
66. PERAMU Foundation	Focus Group Discussion and Workshop on Strengthening the role and position of the vendors in traditional market (a case study in Pasar Induk Jambu Dua Kota Bogor)	Build up position and bargaining power of the traders/vendors to develop traditional market at Pasar Induk Jambu Dua.	36,080,000 Rp.	0	Grantee unable to run the program due to internal issues.
Sub-total (11)			302,317,500 Rp.	239,906,634 Rp. \$ 27,271.41	62,410,866 Rp.
GRAND TOTAL APPROVED/DISBURSED		US\$1 = Rp.9,274.60	3,571,541,148 Rp.	3,234,501,849 Rp. \$ 348,748.49	337,039,299 Rp. \$36,340.04

FINANCIAL STATUS OF THE PEG-USAID SMALL GRANTS

Budget	\$566,120.00 (= \$341,120 + \$225,000)
Total Disbursed	<u>\$348,748.49</u>
Balance Budget (per June 30, 2003)	\$217,371.51 =====

PEG - SMALL GRANTS ACTIVITY REPORT
July 01, 2000 - June 30, 2003

No.	Organization		Date Activity	Location of Activity	# of Participants			Type of Activity					Material Developed				Intermediate Result				Follow Up
	Name	Type			M	F	Total	Wrkshp	Smnr	Train	Tlkshw	Res.	Study	Survey	Handout	Rprt.	IR-1	IR-2	IR-3	IR-4	
1	Pusat Studi & Pengembangan Koperasi (Yayasan Risalah)	GOV-NGO	18 July '00	Jakarta	34	17	51	√						√	√		√	√		Yes**)	
2	Institut Hukum & Bisnis Indonesia	EDU	07-08 Sep'00	Makassar	33	20	53	√	√					√	√	√	√				
3	Remy & Darus Law Firm	CORP.	03 Oct '00	Jakarta	112	45	157		√					√	√		√				
4	Fakultas Hukum, Univ. Mataram	EDU	09-18 Nov '00	Mataram	45	5	50			√				√	√		√	√		Yes**)	
5	Min.of Cooperative & SME Dev.	GOV	26 Oct '00	Jakarta	60	15	75	√							√		√	√		Yes**)	
6	Himpunan Usaha Kecil Eksporir Indonesia (HUKEI)	ASSOC.	08 Nov '00	Jakarta	35	18	53		√				√				√	√		Yes**)	
7	Yayasan Lembaga Pendidikan Triasa (YLPT)	NGO	18 Nov '00	Bandung	79	42	121	√						√	√		√	√		Yes**)	
8	Perkumpulan untuk Kajian & Pengembangan Ekonomi Kerakyatan (PKPEK)	NGO	18 Dec '00	Yogyakarta	38	20	58				√		√		√		√	√		Yes**)	
9	Deputy Teknology Efficacy & Socialization, Meneg RISTEK	GOV	15-19 Jan '01	Jakarta	23	10	33			√				√	√		√			Yes**)	
10	Pusat Studi Hukum dan Kemasyarakatan (GRAHA KIRANA)	EDU	30 Jan '01	Medan	248	76	324		√					√	√		√	√			
11	Yayasan Cipta Mandiri	NGO	06-07 Feb '01	Wonogiri	87	14	101	√						√	√	√			√	Yes**)	
12	Yayasan Wahana Insan Mandiri (NANDIRI)	NGO	24-25 Feb '01	Yogyakarta	78	31	109	√					√	√	√				√	Yes**)	
13	Lembaga Konsultasi & Bantuan Hukum (LKBH)-Univ. Islam Ind.	EDU	26 Feb - 3 Mar '01	Yogyakarta	26	13	39			√				√	√		√				
14	PT Agrindo Aneka Consult	NGO	29 Mar '01	Jakarta	131	42	173		√					√	√	√			√		
15	Yayasan Pendidikan Aryanti	EDU	25 Apr '01	Bandung	147	69	216		√					√	√	√			√		
16	PerNetworks	CORP.	26-27 Apr '01	Bandung	60	22	82			√				√	√		√			Yes**)	
17	Lembaga Studi Kemasyarakatan & Bina Bakat	NGO	01-02 May '01	Solo	53	16	69	√				√					√			Yes**)	
18	Fakultas Hukum, UNRAM	EDU	13-17 May '01	Mataram	67	8	75			√					√		√			Yes**)	
19	Yayasan LP Triasa	NGO	17 May '01	Semarang	93	63	156	√						√		√	√				
20	PIRAC (Public Interest Research & Advocacy Center)	NGO	28 May '01	Jakarta	35	9	44		√		√			√			√		√	Yes**)	
21	Indonesian Small Medium Enterprises Association (ISMEA)	ASSOC.	03 July '01	Jakarta	61	9	70		√			√	√	√	√		√	√			
Sub-total (1)					1545	564	2109														

No.	Organization		Date Activity	Location of Activity	# of Participants			Type of Activity					Material Developed				Intermediate Result				Follow Up
	Name	Type			M	F	Total	Wrkshp	Smnr	Train	Tikshw	Res.	Study	Survey	Handout	Rprt	IR-1	IR-2	IR-3	IR-4	
22	Yayasan Adil Sejahtera (YAS)	NGO	7,14,21 Jul '01	Makassar	110	23	133	√							√	√		√	√	Yes**)	
23	Institut Hukum Bisnis Indonesia	EDU	08-10 Aug '01	Makassar	60	18	78	√							√	√		√	√	Yes**)	
24	Yayasan Cipta Mandiri	NGO	13 Aug '01	Solo	83	9	92		√			√	√		√	√				Yes**)	
25	Kantor Menteri Negara Riset dan Teknologi (RISTEK)	GOV	20-24 Aug '01	Jayapura	121	32	153		√	√					√	√			√	Yes**)	
26	Akademika Center	NGO	27 Aug '01	Bekasi	70	23	93		√						√	√			√		
27	Himpunan Insan Pencinta Bung Karno (HIP-BK)	NGO	30-31 Aug '01	B.Lampung	43	4	47	√					√	√	√	√		√	√	Yes**)	
28	PUPUK (Perkumpulan untuk Peningkatan Usaha Kecil)	NGO	04 Sep '01	Surabaya	41	9	50	√				√	√				√		√	Yes**)	
29	PT Agrindo Aneka Consult	NGO	03-04 Oct '01	Bogor	181	72	253	√							√	√	√		√		
30	LSK-Bina Bakat	NGO	3,4-6 Oct '01	Solo	37	8	45	√				√	√		√	√	√			Yes**)	
31	Universitas Islam 45 (Unisma)	EDU	16-29 Oct '01	Bekasi	26	2	28			√					√	√	√	√			
32	Lembaga Penelitian Universitas Sebelas Maret	EDU	26 Oct '01	Surakarta					√			√			√	√				Yes**)	
33	FORDA UKM - Sulawesi Selatan	ASSOC.	06 Nov '01	Makassar	55	15	70		√						√	√	√				
34	LPM Bulletin Keadilan - Fakultas Hukum Universitas Mataram	EDU	13-14 Nov '01	Mataram	39	10	49	√							√		√				
35	Perhimpunan Bank Perkreditan Rakyat Indonesia (PERBARINDO)	ASSOC.	06 Dec '01	Jakarta	37	3	40		√						√			√	√		
36	Regional Economic Development Institute (REDI)	NGO	20 Feb '02	Surabaya	37	13	50		√			√	√		√	√				Yes**)	
37	Asosiasi Penyelenggara Jasa Internet Indonesia (APJII)	ASSOC.	21 Feb '02	Jakarta	227	26	253		√						√	√	√				
38	Perhimpunan Bank Perkreditan Rakyat Indonesia (PERBARINDO)	ASSOC.	09 Mar '02	Malang	161	34	195		√						√	√	√				
39	Pusat Kajian Pilihan Penyelesaian Sengketa - Univ. Andalas (PKPPS)	EDU	12 Mar '02	Padang	49	6	55		√			√	√		√	√		√			
40	Pusat Inkubasi Bisnis Usaha Kecil (PINBUK)	NGO	13 Mar '02	Jakarta	120	28	148		√						√		√		√	Yes**)	
41	Komite Pemantauan Pelaksanaan Otonomi Daerah (KPPOD)	NGO	19 Mar '02	Jakarta	43	11	54		√			√	√		√	√	√			Yes**)	
42	Assosiasi Penyelenggara Jasa Internet Indonesia (APJII)	ASSOC.	28 Mar '02	Yogyakarta	201	31	232		√						√	√	√		√	Yes**)	
Sub-total (2)					1741	377	2118														

No.	Organization		Date Activity	Location of Activity	# of Participants			Type of Activity					Material Developed				Intermediate Result				Follow Up	
	Name	Type			M	F	Total	Wrkshp	Smnr	Train	Tikshw	Res.	Study	Survey	Handout	Rprt	IR-1	IR-2	IR-3	IR-4		
43	Kantor Menteri Negara Riset dan Teknologi (RISTEK)	GOV	03-05 Apr '02	Tasikmalaya	84	22	106		√	√					√	√			√			
44	Yayasan Adil Sejahtera (YAS)	NGO	30 Apr-1 May '02	Makassar	83	8	91		√			√		√		√			√		Yes**)	
45	Komite Pemantauan Pelaksanaan Otonomi Daerah (KPPOD)	NGO	22 Aug '02	Jakarta	53	11	64		√			√		√	√	√	√					
46	Lembaga Penelitian - Universitas Katolik Parahyangan (LP UNPAR)	EDU	25 Oct '02	Bandung	24	18	42		√			√		√		√					Yes**)	
47	Asosiasi Eksportir dan Produsen Handicraft Indonesia (ASEPHI)	ASSOC.	01 Nov '02	Jakarta	15	7	22		√			√		√	√							
48	Bandung Institute of Governance Studies (BIGS)	NGO	28 Oct '02	Bandung	18	10	28	√						√				√	√	√		
49	LP3M Universitas Garut	EDU	29 Oct '02	Bandung	51	13	64		√			√		√	√	√		√				
50	LP3M Universitas Garut	EDU	19 Dec '02	Garut	48	22	70		√			√		√	√	√	√	√				
51	Faperta Universitas Siliwangi	EDU	08 Jan '03	Tasikmalaya	39	17	56		√					√	√				√			
51	LPPM SAWALA	NGO	05 Feb '03	Garut	57	7	64		√			√		√	√	√		√				
			06 Feb '03	Tasikmalaya	90	9	99		√			√		√	√	√		√				
			23 Feb '03	Bandung	29	12	41		√			√		√	√	√		√				
52	PPKE Universitas Brawijaya	EDU	18-19 Mar '03	Malang	29	12	41	√						√				√				
53	C E R D A	NGO	08 Apr '03	Tasikmalaya	43	5	48		√			√		√	√	√			√			
			09 Apr '03	Garut	46	7	53		√			√		√	√	√			√			
54	B I G S	NGO	15 Apr '03	Jakarta	55	10	65		√					√	√	√		√				
55	AKADEMIKA Center	NGO	23 Apr '03	Bandung	38	13	51		√			√		√	√	√			√			
56	Yayasan Adil Sejahtera (YAS)	NGO	29-30 Apr '03	Bandung	51	17	68	√						√	√	√			√			
57	LPE Al-Syura	NGO	05 May '03	Garut	45	9	54		√			√		√	√	√			√			
58	Yayasan Artanita	NGO	06 May '03	Tasikmalaya	52	26	78		√			√		√	√	√			√			
59	KP4 UKM	NGO	07 May '03	Tasikmalaya	41	63	104		√	√				√	√	√			√			
60	Faperta Universitas Siliwangi	EDU	08 May '03	Tasikmalaya	27	34	61		√			√		√	√	√			√			
61	R E D I	NGO	22 May '03	Surabaya	60	16	76		√					√				√				
62	Asosiasi Keuangan Mikro (AKM)	ASSOC.	27 May '03	Jakarta	33	16	49	√						√					√			
63	J N P U K M	NGO	28 May '03	Jakarta	54	22	76		√				√	√	√			√				
64	H U K E I	NGO	29 May '03	Bekasi	30	12	42		√			√		√	√			√				
65	Monopoly Watch	NGO	10 June '03	Garut	48	8	56		√			√		√	√				√			
			11 June '03	Tasikmalaya	30	15	45		√			√		√	√				√			
Sub-total (3)					1273	441	1714															
Total (1+2+3)					4559	1382	5941															
% Ratio Participant (Male vs Female)					77%	23%	100%															

**** NOTES ON FOLLOW-UP :**

1. A draft for revision of Law No. 25/1992 submitted to Ministry of Cooperative for further processing into a bill.
4. FH-UNRAM plans to conduct similar training for more cooperatives in Sumbawa.
5. Recommendations from the workshop submitted to Min. of Industry & Trade and Directorate General of Intellectual Property Right, MOLL for further action.
6. Further dialogue with MOIT is underway.
7. Similar workshop is proposed for Central Java to be held in Semarang.
8. PKPEK is planning to hold similar talkshow on other issues relating to SMEs development.
9. Similar training will be conducted in the regions of RISTEK priority.
10. Further dialogue among local government, SMEs, NGO is underway. Seeking assistance for follow-up.
11. Recommendations from the workshop presented to the local government, similar activity continues.
16. PERNetwork require to make some piloting training program specially for low cooperative computer capability.
18. "Kelompok Usaha Bersama" which is the frontliners of cooperative must be given the training on Management and Knowledge on Business Law.
20. PIRAC will encourage the Government to solve the agendas on consumer rights. The role of government to speed up development on consumer protection is very important.
22. The Government of Makassar City needs to re-implement the system of One Stop Service for Small Business.
23. This workshop will produce a Regional Regulation (PERDA) format on Capital Investment.
24. Cipta Mandiri will send the recommendations to all participants via coordinators and Cipta Mandiri will be ready to become a partner for any discussion if requested.
25. RISTEK must be able to take initiative as the facilitator and consultant for Pusat Studi Irian Jaya (PUSDI).
27. This workshop has produced some recommendations for the Government to compile policies on land cases.
28. (a) To conduct a study on "The impact of permit beurocracy and retributions against small business performance in East Java; (b) Provide assistance to Dinas Perijinan Kabupaten Sidoarjo; (c)Advocacy and campaign for designing the Regional Regulations (PERDA)
30. Jaringan Usaha Mikro (JARUM) Surakarta has been established to provide policy and compile strategic plan for the Small Businesses in Surakarta.
32. FH-UNS in cooperation with KADIN Kota Surakarta will form the Badan Arbitrase in Kota Solo.
36. REDI will conduct a dialogue with entrepreneurs, regional government and DPRD on the cases of trade and investment in East Java based on this seminar and study report .
40. (a) Needs to form an Institution as clearing system or lender of the last resort; (b) Needs to have Institution for the BMT umbrella and advisory; (c) Needs to speed up to produce of LKM Law for guarantee and law assurance for business of BMT.
41. KPPOD has reviewed 340 PERDAs.
42. The Government will give lincenses to 5 VoIP (Voice over Internet Protocol) operators.
44. YAS sees that there is a need to review of Decree No. 316/KMK.016/1994 issued by Ministry of Finance, on Pengelolaan Dana PUKK BUMN.
46. The findings from the research was presented to the BAPPENAS for the Whitepaper on employment and it has become a key input into the government's formation of employment policy in Indonesia.

PEG PROJECT – Section 7
INVENTORY LIST

PEG PROJECT INVENTORY LIST

EQUIPMENT

No	Date Acquired	Description	Rupiah(Rp.)	US \$	IN	S/N	Location	Non Expendable Property Disposition		
			Purchase	Purchase	US\$			Date	Description	Authorized
1	5-Feb-99	Computer(Modem, SD Rom))*		\$ 1,990.00	\$ 1,990.00	8CGS1018915	PEG - Cental			
2		Monitor)*				KR84812547	PEG - Cental			
3		Printer HP Laser Jet 1100A		\$ 785.00	\$ 785.00	SGDC001153	PEG - Cental			
4	12-Feb-99	Computer(Modem))*		\$ 1,760.00	\$ 1,760.00	SG85070689	PEG - BI			
5		Monitir)*				KR83900283	PEG - BI			
6		Computer(Modem))*		\$ 1,760.00	\$ 1,760.00	SG85070788	PEG - Central			
7		Monitor)*				KR83900284	PEG - Central			
8		Computer(Modem))*		\$ 1,760.00	\$ 1,760.00	SG85070746	PEG - Central			
9		Monitor)*				KR83900288	PEG - Central			
10		Printer HP 1100A		\$ 660.00	\$ 660.00	SSGDC00832	PEG - BI			
11	19-Feb-99	Computer)*		\$ 1,710.00	\$ 1,710.00	7844BYQ40244	PEG - MOIT			
12		Monitor)*				850BF26AQ272	PEG - MOIT			
13		Computer)*		\$ 1,710.00	\$ 1,710.00	7844BYQ40050	PEG - MOIT			
14		Monitor)*				850BF26AQ360	PEG - MOIT			
15		Computer)*		\$ 1,710.00	\$ 1,710.00	7844BYQ40141	PEG - MOIT			
16		Monitor)*				850BF26AQ328	PEG - MOIT			
17		Computer)*		\$ 1,710.00	\$ 1,710.00	7844BYQ40203	PEG - MOIT			
18		Monitor)*				850BF26AQ328	PEG - MOIT			
19		Computer-Compaq Pres. 5206)*		\$ 2,170.00	\$ 2,170.00	IL91CFB2515E	PEG - MOIT			
20		Monitor)*				751BE19HF120	PEG - MOIT			
21	1-Mar-99	Computer)*		\$ 1,760.00	\$ 1,760.00	SG85070610	PEG - BI			
22		Monitor)*				KR84812891	PEG - BI			
23		Printer HP - 1100A		\$ 640.00	\$ 640.00	SSGDC008934	PEG - BI			
24	3-Mar-99	Computer(Modem))*		\$ 1,760.00	\$ 1,760.00	SG85070696	PEG - Central			
25		Monitor)*				KR84812489	PEG - Central			
26	22-Mar-99	Computer(Modem, Zip Drive))*		\$ 1,760.00	\$ 1,760.00	SG85070695	PEG - Bappenas			
27		Monitor)*				KR84502883	PEG - Bappenas			
28	24-Mar-99	Computer(Modem, Zip Drive))*		\$ 1,760.00	\$ 1,760.00	SG90670495	PEG - Bappenas			
29		Monitor)*				KR90322171	PEG - Central			
30		Computer(Modem, Zip Drive))*		\$ 1,760.00	\$ 1,760.00	SG90670415	PEG - Central			
31		Monitor)*				KR90323220	PEG - Central			
32		Computer(Modem))*		\$ 2,150.00	\$ 2,150.00	IL93CFB29503	PEG - Bappenas			
33		Monitor)*				850BF480HBE8	PEG - Bappenas			
34	20-Apr-99	Printer HP-1100A		\$ 640.00	\$ 640.00	SSGDC008874	PEG - Bappenas			
35	3-Jun-99	Lap-Top ex Gary Goodpaster-ex Idris		\$ 2,611.00	\$ 2,611.00	QT9280RJG01	PEG-Central			Purchased in US
36		Lap-Top ex Jeff Povolny		\$ 2,611.00	\$ 2,611.00	QT9220WBEXW	PEG-Central			Purchased in US
37		Printer Hp 1100A	Rp 5,100,000		\$ 601.98	SGDC021029	PEG-Dep.Kop			Lost (Burglary)
38		Computer Hp Brio PII-300)*		\$ 1,760.00	\$ 1,760.00	SG92070847	PEG-Dep.Kop			Lost (Burglary)
39		Monitor)*				KR91165284	PEG-Dep.Kop			Lost (Burglary)
40	15-Nov-99	Infocus Litepro 400		\$ 4,250.00	\$ 4,250.00	3GW93800033	PEG- Central			
41	6-Mar-00	ComputerHP Brio PIII-500)*		\$ 1,560.00	\$ 1,560.00	9CGS1067714	PEG-BI			
42		Monitor: VGA 8 MB Matrox)*				CN94705359	PEG-BI			

No	Date Acquired	Description	Rupiah(Rp.)	US \$	IN	S/N	Location	Non Expendable Property Disposition		
			Purchase	Purchase	US\$			Date	Description	Authorized
43	5-May-00	Computer HP Brio P III-550)*		\$ 1,510.00	\$ 1,510.00	1272629	PEG-Central			
44		Monitor 15")*				780940249	PEG-Central			
45	12-Jun-00	AC Split: Dast Gold(1 Unit)	Rp 5,600,000		\$ 756.40	UK.2 PK	Peg - MOIT			
46	30-Jun-00	Computer HP Brio P III-600)*		\$ 1,850.00	\$ 1,850.00	SGO1272670	PEG-DepKeu			
47		Monitor 15")*				CN01402936	PEG-DepKeu			
48		Computre CPU P III-500)*		\$ 589.00	\$ 589.00		PEG-BI			
49		Monitor Accer 14")*				12P30610	PEG-BI			
50	31-Oct-00	P.Copy Machine Xerox WC-XD103f	Rp 13,600,000		\$ 1,731.18	3447008808	PEG-Bappenas			
51	29-Aug-02	Compac Presario 3730AP)*		\$ 1,130.00	\$ 1,130.00	7227KTP80079	PEG-MoF			
52		Compaq Monitor MV7500 17")*				215CM64LB491	PEG-MoF			
53	6-Sep-02	Compac Presario 3730AP)*		\$ 1,130.00	\$ 1,130.00	7227KTP0144	Peg-Central			
54		Compaq Monitor MV7500 17")*				215CM64LB496	Peg-Central			
55	6-Sep-02	Compac Presario 3730AP)*		\$ 1,130.00	\$ 1,130.00	7227KTP80129	PEG-Bappenas			
56		Compaq Monitor MV7500 17")*				215CM64LA665	PEG-Bappenas			
57	12-May-03	Powerbook G4-867 MHz)*		\$ 1,820.00	\$ 1,820.00	UV077VCMRT	Idris F.Sulaiman			
58		Modem Int. V.92,Battery,Adaptor)*								
59		HP Laser Jet 1220		\$ 535.00	\$ 535.00	FGCJO18379	Idris F.Sulaiman			
		Total:	Rp24,300,000	\$ 52,441.00	\$ 55,530.57					

Note: Computers and Monitors came in one unit price

FURNITURE

No	Date Acquired	Description	Rupiah(Rp.) Purchase	US \$ Purchase	US \$ Sub total	S/N	Location	Non Expendable Property Disposition		
								Date	Description	Authorized
1	2-Feb-99	Credenza for Secretary		\$ 533.00	\$ 533.00	1 unit	PEG-Central			
2		Desk		\$ 1,000.00	\$ 1,000.00	2 unit	PEG-Central		Consultants' Rooms	
3		Suspended Pantry Cabinet		\$ 533.00	\$ 533.00	1unit	PEG-Central			
4		Meeting Table		\$ 1,133.00	\$ 1,133.00	1 unit	PEG-Central		Conference Room	
5	30-Sep-02	Wooden cupboard for filling	Rp 5,500,000		\$ 638.09	1 unit	PEG-Bappenas			
		Total:	Rp5,500,000	\$3,199.00	\$3,837.09					

VEHICLE

No	Date Acquired	Description	Rupiah(Rp) Purchase	US \$ Purchase	IN US\$	S/N	Location	Non Expendable Property Disposition		
								Date	Description	Authorized
1	3-May-99	Car (Mini Bus) Dark Green Metallic	Rp 81,402,000		\$ 9,579	7K- 0251878	PEG - Central	At Night :	Menteng Exec. Apts	SC
2	3-May-99	Car (Mini Bus) Blue Metallic	Rp 81,402,000		\$ 9,579	7K-0250349	PEG - Bappenas		Menteng Exec. Apts	KB
3	3-May-99	Car (Mini Bus)Dark Grey Metallic	Rp 81,402,000		\$ 9,579	7K-0252389	PEG - MOIT		Menteng Exec. Apts	SM
4	3-May-99	Car (Mini Bus) Blue Metallic	Rp 81,402,000		\$ 9,579	7K-0249438	PEG - BI/MOF		Ted James' Resident	TJ
5	31-Jul-03	Car (Mini Bus) Silver Metallic	Rp 105,000,000		\$ 13,125	7K-0368520	PEG-MOF		Bill Wallace' Res	WW
		(Ex-Bureau of Statistics)								
		Total:	Rp 430,608,000		\$ 51,441					