

**SUPPORT FOR ECONOMIC GROWTH AND INSTITUTIONAL REFORM (SEGIR) AREA (4),
GENERAL BUSINESS DEVELOPMENT AND TRADE AND INVESTMENT (GBTI)**

QUARTERLY PERFORMANCE REPORT

Contract No.:	PCE-I-00-98-00016-00
Contractor's Name:	The Nathan-MSI Group
Period Covered:	January - March 2003

Current Quarter Activities

Task Order 821. Indonesia Economic Law, Institutional and Professional Strengthening (ELIPS II) Activity, 8/15/01-12/31/03

ELIPS II seeks to improve economic laws and regulations and strengthen legal institutions and professional associations to foster a legal framework, with a transparent and sound legal and regulatory environment enforced by the commercial court system and regulatory commissions. The intent is to reduce business uncertainty, lower hidden costs of doing business, and increase investment. ELIPS II is working to strengthen and assist regulatory commissions, the Ministry of Justice, law schools, and professional associations. It is also providing technical assistance in drafting, promoting, passing, understanding and implementing laws, decrees, administrative orders, and decisions.

On October 12, 2002 two bombs went off in a crowded area on Bali killing more than 200 people, mostly foreign tourists. As a result, an evacuation was ordered and two of the four ELIPS advisors were sent to Washington, D.C. The evacuation had not been lifted by the time this report was written in early April 2003. However, Jonathan Eddy, the new long-term Legal Advisor, was authorized in January to join the two advisors who stayed in Jakarta.

Administrative tasks took up most of the month of January as ELIPS II prepared its annual report and plan for 2003. ELIPS II also completed work on a request for a no cost extension through December 2004, which was approved at the end of the quarter being reported on. ELIPS II staff have also been working on various proposals for further extensions of the project and the Chief of Party went to Washington, DC to discuss these proposals in early March.

Assist the Government of Indonesia in Economic Law

The principal focus of the ELIPS Legal Advisor during this period continued to be assistance to the recently-formed Financial Intelligence Unit (PPATK) combating money-laundering. The advisor prepared material for submission to the Financial Action Task Force prior to its February plenary session in Paris, and advised the PPATK concerning responses to FATF's Asia-Pacific Review Group. Ministerial regulations for the Capital Markets Supervisory Board and the Ministry of Finance (covering the insurance industry) were promulgated to complement the regulations already in force with respect to banking institutions. Further revisions to the proposed amendment to the

existing Anti-Money-Laundering law (Law No. 15 of 2002) were drafted in response to concerns expressed by the FATF and by outside donor review, and these revisions were then submitted to an extensive inter-agency review process. Two Presidential Decrees required to implement the law were revised to provide strengthened powers to the PPATK.

Meetings were held with the BPHN and other Ministry of Justice officials to discuss the topic of Mutual Legal Assistance, and to consider joint sponsorship of a one-day workshop on Mutual Legal Assistance to be held in conjunction with the meeting of ASEAN justice officials later this year.

Initial discussions were also held with Ministry of Justice personnel, members of the University of Indonesia law faculty and others concerning economic crime, and the current status of both ad hoc reform efforts (for instance, cyberlaw) and systematic review and revision of the Criminal and Criminal Procedure Codes.

ELIPS sponsored a national seminar on the new Anti-Terrorism Law in Surabaya, Indonesia's second largest city. Speakers at the seminar sought to explain to the Indonesian public that the new law was not a law to be used against specific groups to limit their free speech, but rather a law to deal with criminal acts of terrorism. Speakers came from government, human rights groups and academia.

The security situation required that the Annual Legislative Forum be cancelled, but the empirical workshop component may be held in the US later this summer.

Two faculty from the University of Indonesia's Legislative Drafting program started a semester program in legislative drafting at Boston University School of Law. The two will work with ELIPS on their return to develop and deliver training programs to the Department of Justice, National and Regional Parliaments.

Assist Regulatory Commissions to Function Effectively

The ELIPS Advisor continued to focus his efforts on the Commission for Supervision of Business Competition (KPPU), which in the quarter just finished put aside most case-handling and other routine activities to discuss and draft three documents that will guide the development of the KPPU and define the scope of its authority. These documents are: (i) a Supreme Court regulation to govern court handling of appeals of KPPU decisions; (ii) a revised regulation to govern case-handling within the KPPU; and (iii) a strategic plan for 2003-2007. With respect to the Supreme Court regulation, the ADVISOR is working with both the KPPU and the Supreme Court. During the two 3-week visits he was permitted to make to Indonesia during the quarter, he participated in several of the meetings held among the Supreme Court, the KPPU and Partnership for Business Competition (PBC), a group of local academics specialized in competition law, to discuss the content of the regulation prior to its drafting. With respect to the case-handling regulation, the ADVISOR participated in two video conferences from Washington organized by ELIPS in Jakarta and the FTC Advisor in Washington. With respect to the strategic plan, the ADVISOR was a resource person for the KPPU's strategic planning retreat. Since the retreat he has been commenting on drafts of the strategic plan being prepared by the facilitators for formal approval at a KPPU meeting. An English language course was also delivered during the quarter to selected KPPU staff.

Strengthen Law Schools and Professional Associations and Assist in Outreach

An early selection for the Masters' level training in the US, Fatahillah of the University of Indonesia, returned after successful completion of his degree. Twelve additional candidates are at US law schools (three placed in January) and ELIPS keeps in contact with them and their advisors. ELIPS completed the pre-LLM training course for 34 additional candidates, who had been competitively selected. The plan is to select and place 11 of them in the US. The training was full-time for nine weeks, with an in-class weekly schedule of 20 hours for English language and four hours for legal analysis, with substantial out-of-class preparation required for both. The British Institute (TBI) was responsible for the language classes and the University of San Francisco Law School for the law, with both centered at TBI's facilities in Jakarta. There was a final examination for the language (the official Toefl exam, the results being available early next Quarter), and for the law course, called Introduction to American Law, which also had a cumulative course grade that took into account a mid-term exam and class exercises. The USF course was an experiment in distance learning that is described below. ELIPS assistance in adding taxation to the law schools' curriculum progressed. The focus is on the first degree level (S1) at the University of Gadjja Mada and the graduate level (S2) at the UI., both of which could be a model for other schools. Professor Irish, Director of the University of Wisconsin's East Asian Legal Studies Center followed-up his visit of the preceding quarter by meeting again with the relevant Deans and faculty members. They began planning for two workshops for the last two weeks of September 2003, one at UGM and one at UI.

Develop Human and ICT Resources

ELIPS advisors continued work on a CD-ROM based course on evaluating legislation for legislators. Local advisors completed the course materials during the quarter. The long-term ELIPS advisor met with US-based advisors to work out details for the course. The US-based advisors were finishing work on the interface and computer generated exercises at the end of the quarter. The final course will be assembled in Jakarta with faculty from the University of Indonesia participating so that they can develop their own CD-ROM based courses in the future. The USF e-learning "Introduction to American Law" pre-LL.M course (described in the preceding section) was the equivalent of a semester two-hour credit course, and built on the experience of ELIPS' distance learning endeavors of the preceding semester. The basic course was on CD-ROM, with text summaries provided simultaneously with the lectures. The students and teacher communicated by email, including a weekly simultaneous chat session of two hours. A comprehensive web site provided a facility for live discussions with the course instructor and links to dictionaries and other legal sources. Overall, the course met the high expectations of the planning process. ELIPS advisors closely monitored all aspects of the course. In January, these advisors moved from the Department of Justice (now used by Legal Advisor) to the UI-Salemba where Professor Erman Radjagukguk (also Vice Secretary of the Cabinet) runs the University of Indonesia Graduate Programs. Since the UI-Salemba has been a staging area for demonstrations against unpopular government measures and the Iraq war, it has been difficult at times getting in or out.

Partnership for Governance Reform

During this quarter, the Legal Judicial Advisor to the Partnership remained posted in Washington due to the ordered evacuation of U.S. personnel. This continued to challenge the advisor's ability to provide effective support to the Partnership's legal judicial reform team. In mid-January, the advisor was granted permission to return to Jakarta for three weeks to attend meetings relating to the annual Consultative Group on Indonesia (CGI). In preparation for the CGI, the advisor worked with other donors to finalize the donor position statement on legal reform for presentation at the CGI. While in Jakarta, the advisor assisted the Partnership legal judicial reform team in a number of areas. The Advisor worked with members of the Supreme Court and civil society to help strengthen a project proposal relating to judicial ethics, discipline and performance monitoring. Through a series of meetings with the training division of the Attorney General's Office, members of civil society and other donors, the Advisor attempted to influence development of a project to fund training in anti-corruption and financial crime. Through meetings with the Ministry of Justice, the Advisor initiated Partnership support for creation of the newly legislated anti-corruption commission. The Advisor worked closely with the National Law Commission in preparation for a review of its program by the Partnership and other funding entities. Upon returning to Washington, the advisor followed-up on these activities by providing written suggestions to the Supreme Court's project proposal, preparing an evaluation commentary on the KHN for the review procedure, writing a critical analysis of the Partnership's legal judicial reform work plan and strategy, and working on terms of reference for an expert on judicial ethics and disciplinary systems.