

USAID IN INDONESIA

FOUR
DECADES OF
COOPERATION

40

YEARS

*In 1969, US
Ambassador Marshall
Green and USAID
Mission Director Stokes
Tolbert joined Cholidy
bin Mugem and other
Indonesian staff at the
opening of the new
USAID building.*



**A LOOK AT THE WORK OF USAID AND
ITS PREDECESSOR AGENCIES IN INDO-
NESIA OVER THE PAST FORTY YEARS IS
A HISTORY NOT ONLY OF PROGRAMS
AND PROJECTS, BUT OF PEOPLE
WORKING TO ADVANCE THE GOALS
OF ECONOMIC DEVELOPMENT.**



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USAID IN INDONESIA

*FOUR
DECADES OF
COOPERATION*

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Introduction

The United States and Indonesia have worked together since 1950 to stimulate economic development and meet the pressing needs of Indonesia's population. Since that time there have been many successes, most notably in agriculture, family planning, health and education.

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Four Decades of Cooperation

The history of U.S. assistance to Indonesia shows changes in focus over the years in response to the demands of the time. The 1950s and 1960s were devoted to agricultural production, infrastructure development and training. Later in the 1970s, family planning, health care for children and mothers, and rural development were successfully tackled. The early 1980s saw a new emphasis on institution-building and government decentralization. All of these earlier forms of assistance addressed critical issues and, at the same time, provided a foundation for today's programs.

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The USAID Strategy

Today, USAID is delivering the knowledge and expertise Indonesia requires as it moves into the next century. The aim is to improve long-term employment and income opportunities by opening up the economy and increasing the means by which all citizens have a chance to participate in growth.

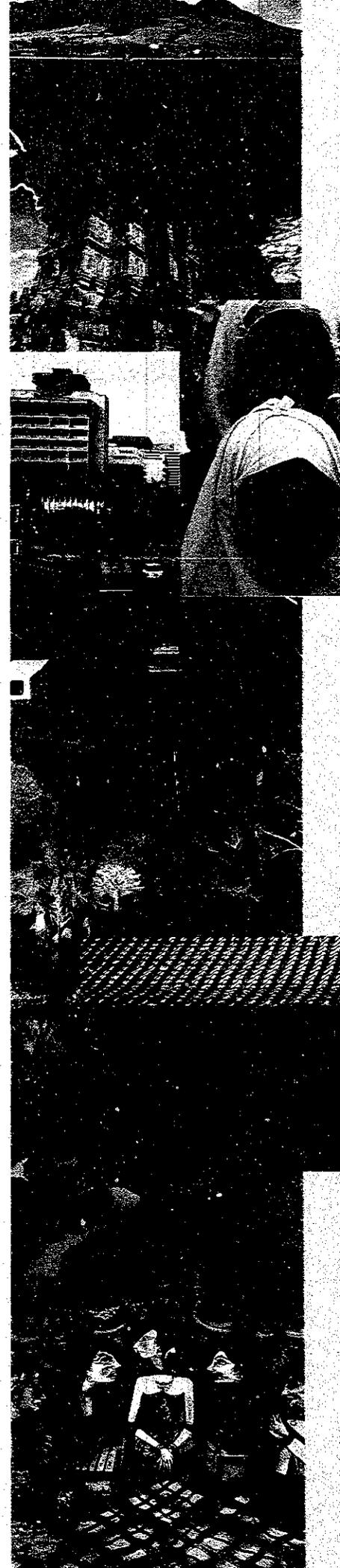
To assist Indonesia in the path toward economic development USAID is focusing on:

- Opening Up the Economy • Planning for Rural and Urban Development
- Increasing Agricultural Productivity • Managing Natural Resources • Investing in People
- Encouraging Broad Participation in Development

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Conclusion

USAID is proud to have played a part in Indonesia's development, from its early days as a new republic to its present status as a modernizing nation. With this base to build upon, the United States will continue to work in partnership with Indonesia to help the country achieve long-term sustained growth.



Indonesia is a vast archipelago with over 13,000 islands stretching from east to west. This "island country" encompasses an incredible diversity in people as well as geography. At least 6,000 of its islands are inhabited although the population is unevenly distributed with two-thirds living on the inner islands of Java, Madura and Bali, an area only 7 percent of the nation's land area.

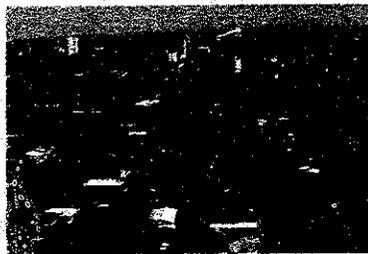


Introduction

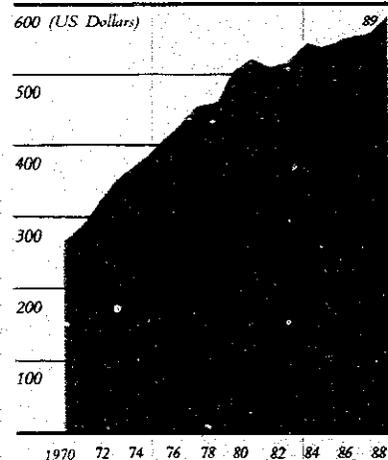
Since 1950 USAID and its predecessor agencies have worked with the government and people of Indonesia to stimulate the country's economic development and meet the needs of its population. There have been many successes and lessons learned. USAID is proud to have played a role in one of the most successful family planning programs in the world, as well as health programs benefiting thousands of mothers and children. In agriculture, U.S. expertise has helped Indonesia achieve a "Green Revolution" and self-sufficiency in rice production. And throughout Indonesia, in rural as well as urban areas, local governments receiving USAID assistance have become better equipped in providing employment opportunities. Underlying all these efforts has always been a major focus on education and training which has helped produce an ever-increasing pool of highly skilled Indonesian professionals.

A look at the history of U.S. assistance to Indonesia shows that over the years the nature of assistance has changed. The early years were devoted to providing funds for basic infrastructure and the necessities of life for a nation emerging from over three centuries of colonial rule. Since that time, USAID's role has evolved in response to growth and maturation of the Indonesian economy and society. Today, the emphasis is on providing the ideas, knowledge and technical skills necessary for an efficient and productive economy.

There will be more challenges ahead, but with four decades of cooperation to build upon, the USAID—Indonesia partnership will continue to meet the diverse needs of a modernizing nation.



INDONESIA'S GROSS
DOMESTIC PRODUCT
PER CAPITA



Source: Center for Policy Studies, Jakarta

SUMATRA, the world's fifth largest island, is rich in cultural diversity as well as oil and natural gas.

JAVA, a lush volcanic island, is one of the world's most densely populated rural societies.

KALIMANTAN, the Indonesian portion of the island of Borneo, supplies oil, natural gas, and timber.



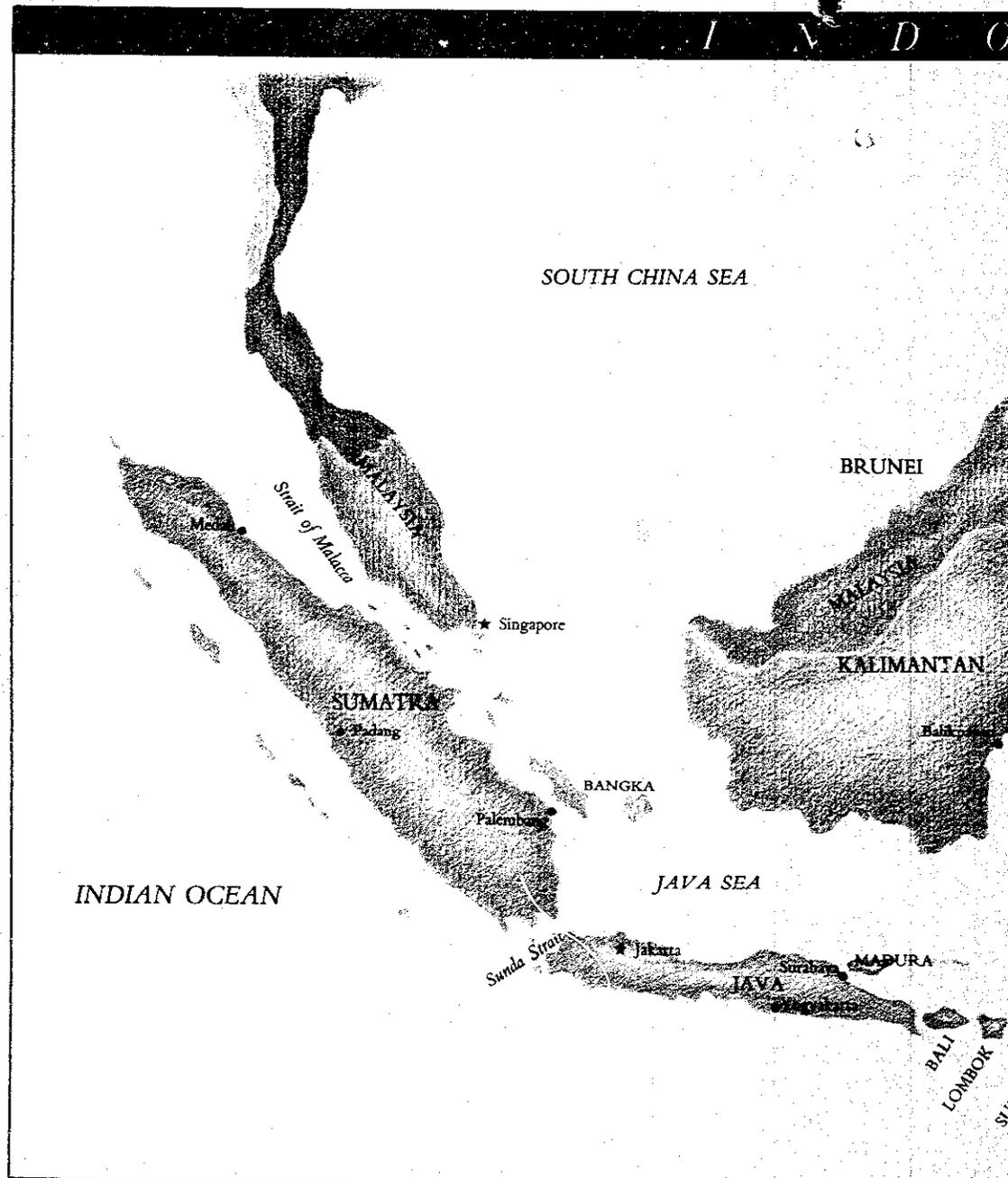
BALI is an international tourist destination, but away from its hotels and beaches, there survives a unique Hindu culture and complex cooperative agricultural system.

SULAWESI is an island of dense forests, deep valleys and rugged highlands.

NUSA TENGGARA ISLANDS, feature a drier, harsher climate than the islands to the west.

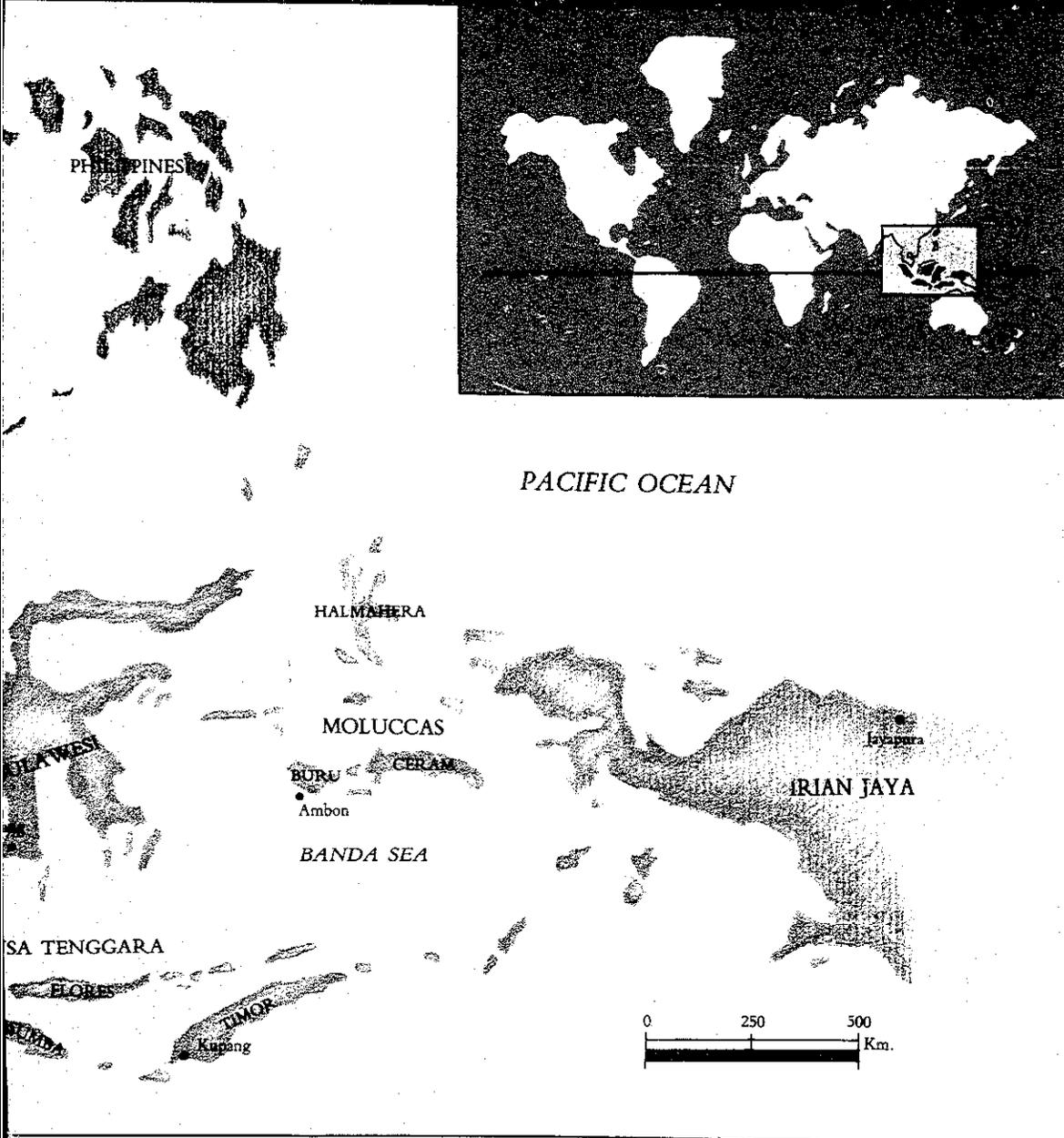
THE MOLUCCAS, famous as the Spice Islands, still supply crops of cloves, nutmeg, cocoa and coffee.

IRIAN JAYA - with exploitation of natural resources, primitive tribes such as the Asmat and Dani must adjust to modern influences.





E S I A



"Unity in Diversity" is the national motto for the world's fifth largest country. Indonesia's population is about 180 million people and it is estimated that there are over 300 separate ethnic groups and 250 distinct languages spoken in addition to the national language, Bahasa Indonesia. While the big cities on Java and Sumatra feature a cosmopolitan atmosphere, the outer islands still follow a traditional lifestyle, in some cases relatively untouched by the modern world.

What is AID?

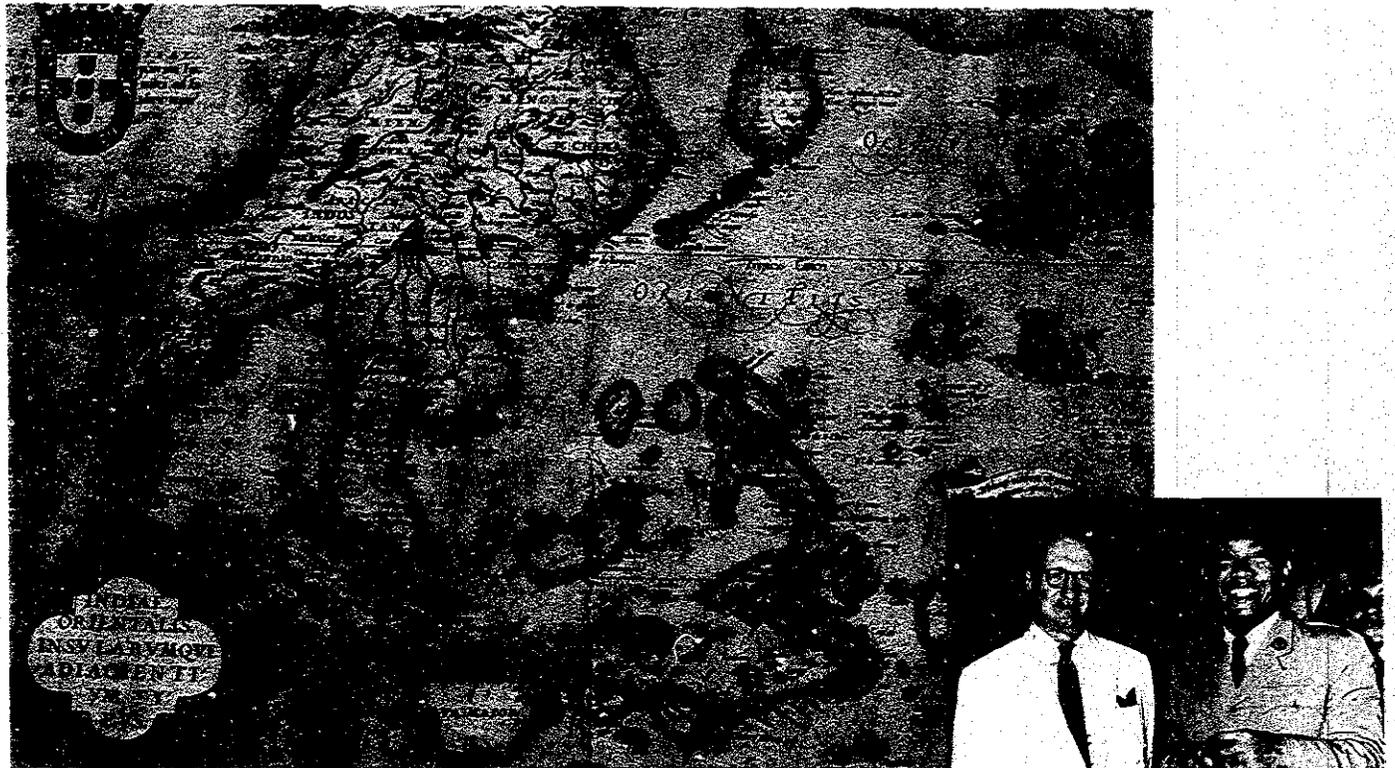
The United States Agency for International Development (AID) was created by President John F. Kennedy in 1961 to consolidate previous aid organizations and to focus American assistance on the needs of less developed nations.

The Agency is based in Washington, DC with missions in over eighty countries throughout the world. Today, these AID missions work closely with host-country governments to achieve economic development that can be sustained on a long-term basis. In a separate but complementary effort, the United States also contributes to multilateral organizations serving Indonesia and other developing countries including the World Bank, the Asian Development Bank, and numerous United Nations agencies.

Since the inception of its aid to Indonesia, the U.S., through AID and its predecessor agencies, has provided over \$3.5 billion in the form of development loans, grants and food assistance.

In recent years the quantity of U.S. assistance has diminished but the quality has remained exceptionally strong. By shifting its emphasis from resource transfer to knowledge transfer, USAID/Indonesia has been able to better target its technical assistance and help Indonesia use wisely all donor resources as well as its own resources. A greater focus on activities at the policy level has also helped ensure that USAID activities have a nationwide impact ■

Four Decades of Cooperation



A 17th century copperplate points out Indonesia's historic importance as a center for trade and commerce.

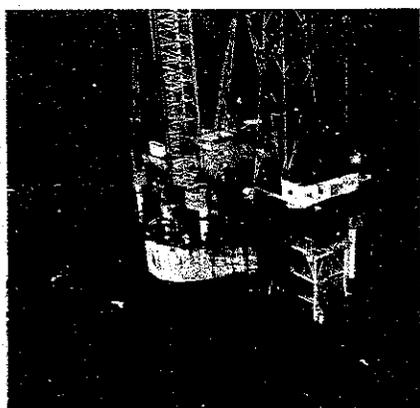
Indonesia and the United States signed their first economic and technical cooperation agreement on October 16, 1950. This agreement provided \$80 million in grants for commodities and technical services to supplement the \$67 million in war relief assistance the United States had provided to Indonesia since 1948.

In cooperation with Indonesian counterparts, staff of the predecessor agencies to USAID focused immediately on the most urgent needs of the new republic. The Indonesian government requested assistance to overcome food shortages, solve critical health problems, rehabilitate transportation facilities, and develop industries. The training of Indonesians was urgently needed and the recruitment of promising young people for training abroad, supplemented by American teachers and technicians serving in Indonesia, became basic features of U.S. assistance projects. Early commitment to train critically needed manpower proved to be a major ingredient of the country's progress. Extensive technical and financial assistance to commerce, industry, and government agencies similarly helped lay the foundation for the country's economic development.

Throughout the 1950s and early 1960s, relations between Indonesia and the U.S. were variable due to a variety of political issues, both domestic and international. In 1965, aid programs were sharply curtailed, but nonetheless, the two countries

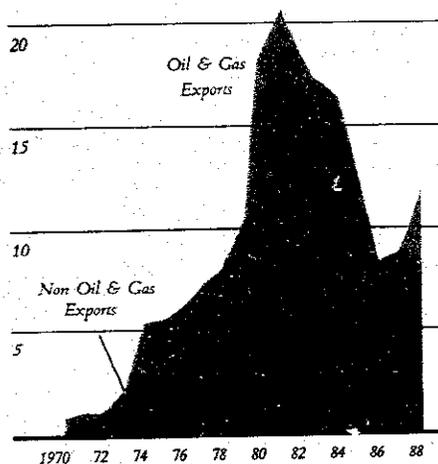
Sukarno, the first President of the Republic of Indonesia, brought the country into the modern world with a political system of "Guided Democracy". He is seen here with U.S. Ambassador Allison in 1957.

A Jakarta billboard commemorates President Soeharto's role as the "Father of Development". In 1969 he initiated a series of five-year development plans known as Repelita.



INDONESIA'S ECONOMIC DIVERSIFICATION

25 Billion (US Dollars)



Source : Center for Policy Studies, Jakarta

maintained relations that would serve as a basis for future cooperative efforts.

Following internal upheaval and an abortive coup attempt in 1965, the Government of Indonesia faced serious financial instability. Under the new leadership of Indonesia's second President, Soeharto the Government of Indonesia initiated an unprecedented economic stabilization program. To support this program, the United States responded quickly with technical assistance as well as food aid and commodity import financing.

In the late 1960s, the USAID Mission to Indonesia responded to the Indonesian government's request to reactivate overseas participant training, assist in rebuilding its infrastructure, invigorate its fledgling private sector, and help curb the country's explosive population growth rate.

In the 1970s, Indonesia's oil boom fueled a growing economy. Operating under a centrally planned, highly subsidized and tightly regulated system with abundant resources, remarkable economic and social progress continued to be

made. USAID played a major role in two important Indonesian efforts at this time: self-sufficiency in rice production and reduction in the rising birth rate. To stimulate development in rural areas, USAID funded intermediate and low technology projects in agriculture, health, population, and education.

By the mid-1980s, a drop in oil prices led the Government of Indonesia to undertake far-reaching economic policy reforms aimed at improving economic efficiency and reducing dependency on oil revenues. USAID supported this process with technical advisory services and financial assistance. Indonesia introduced important reforms in agriculture, education, health services, financial markets and banking.

Over the past forty years, the range of USAID assistance to Indonesia has reached broadly across its many islands and addressed a diversity of needs. Early projects which focused on the nuts and bolts of development not only helped solve pressing needs of the time, but they have laid the groundwork for today's assistance at the broader level of planning and policy change.

AGRICULTURE

Early agricultural assistance to Indonesia gave priority to increasing food production, providing extension services and opportunities for education. Later, in the 1960s, assistance encompassed research and building up the capacity of Indonesian institutions to respond directly to farmers' needs. Projects were undertaken to help improve agricultural marketing and credit systems in order to encourage livestock, forestry and crop production.

In the mid-1970s, USAID assisted Indonesia in a major effort to build a national agricultural research organization. The Agency for Agricultural Research and Development was created, and in collaboration with USAID and the International Rice Research Institute, it paved the way for a rapid rise in rice production. The impact was profound due to the development of highly productive new varieties of rice combined with the use of fertilizers, pesticides, and improved irrigation systems.

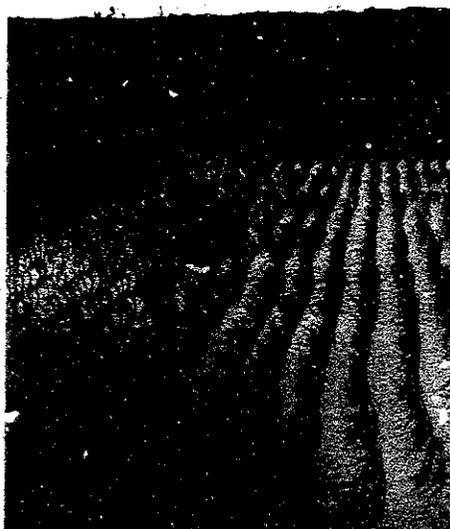
Other USAID projects in the 1970s and early 1980s focused on decentralization by helping to improve planning systems and local



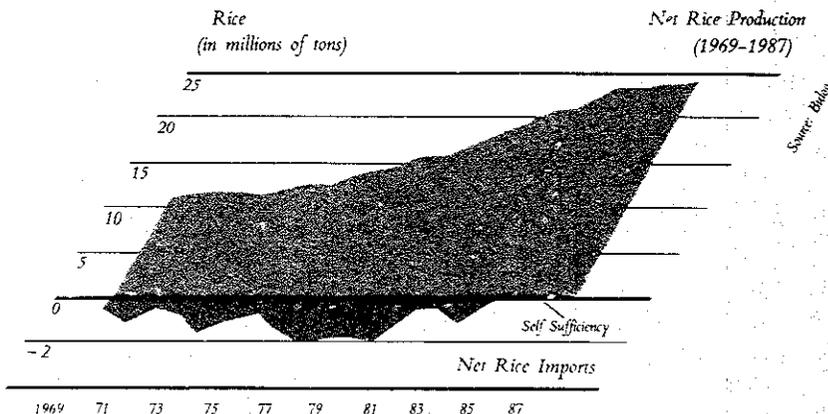
governments' abilities to increase rural incomes.

USAID-funded projects also have helped Indonesians build simple, small-scale irrigation systems and have assisted farmers in organizing themselves to operate and maintain their systems. These projects had a positive and quick impact on rice production and on generating income for rural populations. In Java and Sulawesi the construction of infrastructure for flood control brought extensive areas of land under irrigation and developed additional lowland rice crop areas.

In the 1950s American agricultural assistance included simple, low-technology techniques appropriate to the needs of a rural population. This combined with education and training to meet a wide diversity of needs in the agricultural sector.



RICE SELF-SUFFICIENCY IN INDONESIA





In 1987 U.S. Ambassador Paul Wolfowitz and USAID Mission Director David Merrill presented a plaque to Suardi Sumaditwangsa, the 10,000th Indonesian to participate in USAID's Overseas Participant Training Program.

EDUCATION

Human resource development has always played a major role in USAID assistance to Indonesia, with both countries placing great importance on educating and building the skills of Indonesian students and professionals.

One of the most successful aspects of this effort has been the training of Indonesians, mainly in the U.S., to fill positions of responsibility in Indonesia. By 1988, over 10,000 Indonesian students had received AID financed education and training overseas. Significantly, from 1970 to 1989, over two thousand of the students were in graduate programs.

Today, many of Indonesia's top policymakers and business leaders are graduates of American universities. The skills and experiences resulting from this education exchange have created a generation of professionals who are transforming Indonesian institutions.

In agricultural education,

cooperative efforts between U.S. and Indonesian universities have had a direct and lasting impact on the Indonesian agricultural system. The country's agricultural universities have made continuing improvements in academic programs and today are the main source of scientists, technicians and key personnel involved in agricultural extension.

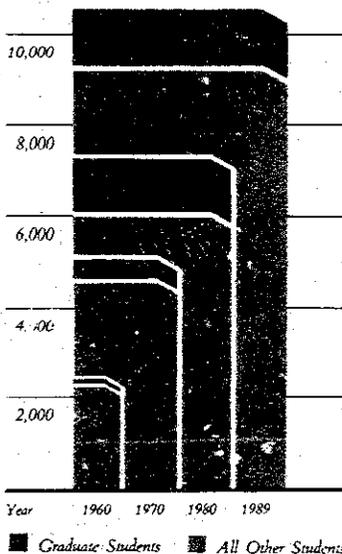
FAMILY PLANNING

Prompted by the near doubling of Indonesia's population in the 1950s and 1960s, President Soeharto in 1970 directed the establishment of a National Family Planning Coordinating Board to oversee all Indonesian family planning activities. This was the beginning of what is today one of the most successful family planning programs in the world.

With the support of USAID, this program efficiently moved through the early phases of development and implementation, with

CUMULATIVE TOTALS OF
USAID-ASSISTED INDONESIAN
STUDENTS STUDYING ABROAD

12,000 Students



Source: USAID



initial efforts concentrated on the densely populated islands of Java, Bali and Madura.

During the 1970s and 1980s, USAID continued to be Indonesia's principal family planning partner, providing over \$15 million annually for training, local initiatives, innovations, and the establishment of a reliable supply of contraceptives. Indonesia expanded its family planning service points rapidly and became the first developing country to establish its own manufacturing plant for oral contraceptives.

As a result of this well-coordinated family planning program, the total fertility rate has declined dramatically in the past twenty years. Today, Indonesia's family planning program has become a model for other less developed nations.

HEALTH

With malaria as one of Indonesia's most pressing health problems in the

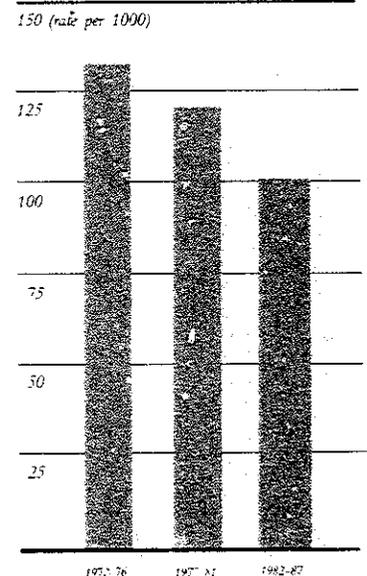
1950s, the U.S. and other donors such as the World Health Organization and UNICEF embarked on a massive eradication program with the objective of ridding Java, Bali and South Sumatra of malaria. At the program's end in 1967, malaria had been brought under control in these target areas. Significantly, there were fewer than 100 deaths attributable to malaria in the areas covered, compared to 1951 when over 100,000 deaths were reported.

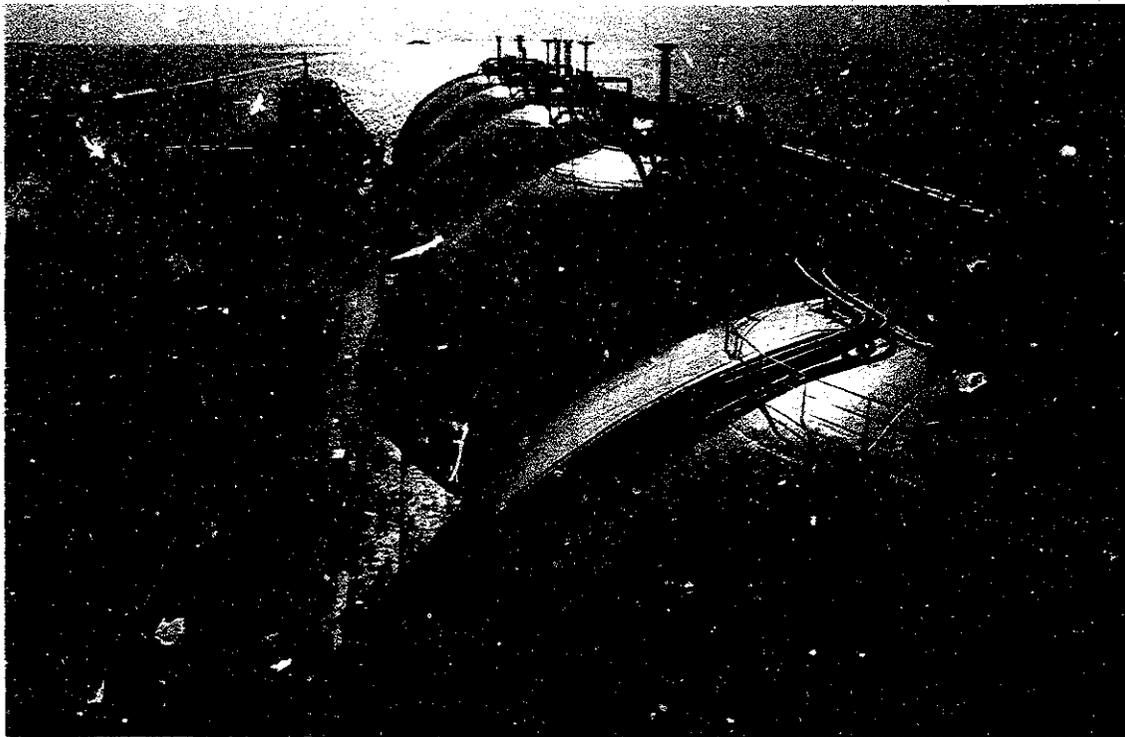
In the ensuing years USAID assisted Indonesia in expanding regional public health facilities and strengthening capabilities of national and provincial health staff. Health and nutrition activities were added to family planning clinics and a national nutrition surveillance team was developed.

In the past decade, strong emphasis has been placed on mother and child health. A range of projects concerned with immunization and diarrheal disease control has been undertaken with impressive results.

Reducing the population growth rate has meant embracing an age-old tradition of large families with a philosophy of "Dua anak cukup" or Two children are enough.

TRENDS IN CHILD AND INFANT MORTALITY
(aged under 5 years)





Falling oil prices have led to continued diversification in Indonesia's economy. In the early 1980s more than 80 percent of total export earnings came from oil and natural gas. Today as a result of significant policy changes, more than half of earnings come from non-oil sources such as timber and minerals and manufacturing.

INDUSTRY AND INFRASTRUCTURE

U.S. assistance to industrial research and training institutes began in 1951. On a small scale it supported village industries and provided purchasing, credit and marketing assistance. On a larger scale, it contributed to the development of diesel electric generating plants, an electric generator installation, and facilities for cement production and construction of automobile parts.

With only about 1 percent of Indonesia's villagers having access to electricity in 1974, rural electrification was emphasized as the basis for decentralizing industry, for providing irrigation water and supplying household needs. By 1980, USAID had helped electrify 600 villages in Java and outlying islands.

One of the key transportation projects supported by the U.S. was construction of the Jakarta By-Pass Highway. Completed in 1963, this transportation link greatly improved the movement of goods from

Jakarta's port to inland areas of Java. Later, in the 1970s, USAID assisted in construction of a highway between Jakarta and Ciawi, known as the "Jagorawi".

Other USAID efforts in transportation included rural road construction, railroad equipment and rehabilitation, civil aviation and the development of inter-island shipping and port facilities.

FOOD ASSISTANCE

Since 1954 a substantial portion of U.S. aid to Indonesia has come from the food assistance program enacted as Public Law 480 and known as "Food for Peace." Title I of the program provides food sales to meet deficits in the commercial food markets with proceeds from these sales supporting development activities. In Indonesia, Title II is a food grant program supporting employment generation and nutrition, as well as community development activities.



VOLUNTARY AND HUMANITARIAN PROGRAMS

A new direction begun in 1974 has increased emphasis on the work of private voluntary organizations (PVOs) through jointly financed development projects. Under the program, up to 75 percent of total project costs are funded by USAID.

The *PVO Co-Financing Project* has fostered collaboration between USAID and a variety of partner organizations including Indonesian and U.S. PVOs, smaller self-reliance organizations, and other donor agencies and communities providing in-kind and cash contributions.

The scope of the PVO Co-Financing Project has been exceptionally wide, spanning across all of Indonesia and providing assistance to a broad range of beneficiaries. Significant national impact can be seen in public policy related to family planning and child

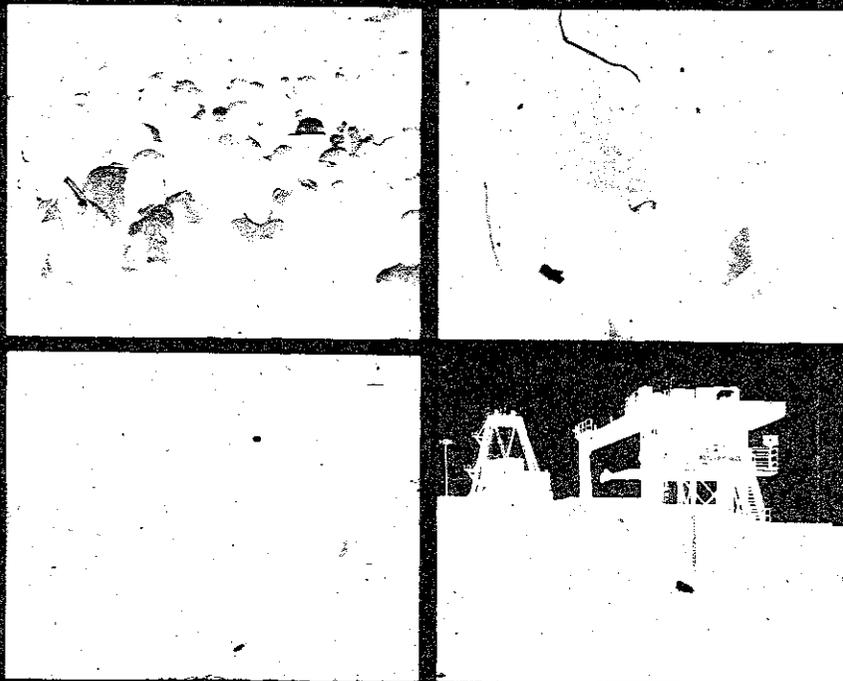
survival. Other important contributions have been made in such diverse areas as rural credit and legal and consumer awareness.

DISASTER PREPAREDNESS

Over the years, USAID has come to the assistance of thousands of Indonesians affected by natural disasters. Today, in addition to providing relief when it is needed, there is also support for disaster preparedness. Working with the U.N. Disaster Relief Office, USAID has helped strengthen the Government of Indonesia's capacity to plan for disasters through training programs and the development of better forecasting and monitoring methods.

Located at the confluence of major tectonic plates, Indonesia is one of the world's most natural disaster-prone countries. Over the past forty years the U.S. has assisted victims of earthquakes, volcanic eruptions and famine due to drought.

USAID Strategy Today



As Indonesia enters a more advanced phase of development, USAID's development strategy is evolving also to a broader, more growth-oriented program with the overriding goal of improving employment and income opportunities by opening up the economy and increasing the means by which all citizens have a chance to participate in this growth.

Evidence throughout the world shows that open market, trade-oriented economies grow faster, create more jobs, and potentially provide more equitable income distribution. Recognizing this, USAID is committed to helping Indonesia create the open market-open society environment necessary for long-term growth.

Creating this environment requires a more facilitative role for government, increased emphasis on the private sector, and a greater voice and responsibility for the public at large.

USAID will continue to assist Indonesia in: Opening Up the Economy, Planning for Urban and Rural Development, Increasing Agricultural Productivity, Managing Natural Resources, Investing in People, and Encouraging Broad Participation in Development

OPENING UP THE ECONOMY

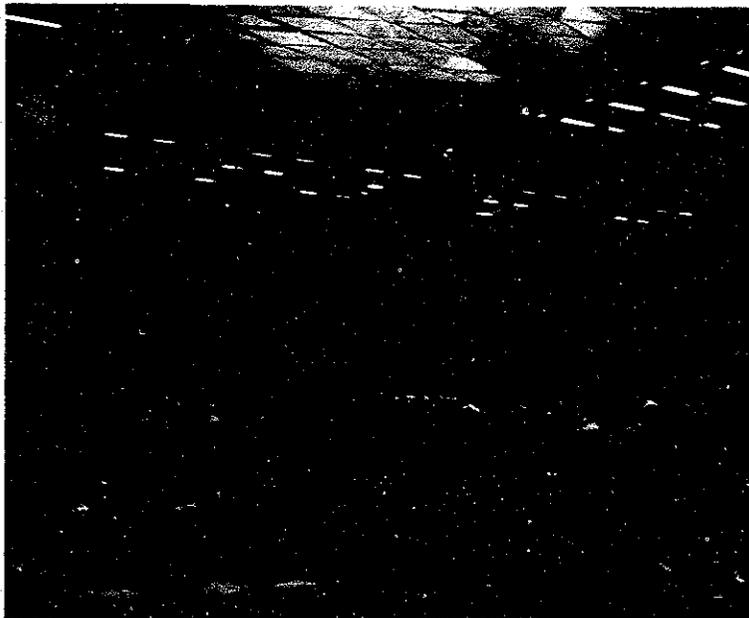
Like many other countries, Indonesia faces the challenge of restructuring its economy in favor of a more open market system. USAID supports this process by assisting the Indonesian government in its efforts to carry out important policy changes and particularly to help implement reforms in areas where new policies have already been established. An important objective of Indonesian government actions has been freeing up the private sector in a more market driven economy.

These same objectives—implementing policy reform and encouraging the private sector—carry through the entire USAID portfolio from trade and finance to agriculture, health, population and education.

Promoting Trade and Investment

To promote a pro-trade business climate, USAID is helping the Government of Indonesia take a more facilitative role promoting trade and investment. Private organizations are also encouraged to play a more dynamic role in helping the business community take advantage of the newly deregulated environment.

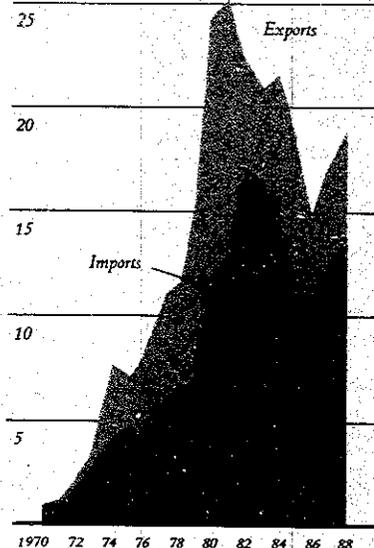
USAID is also working to create a better atmosphere for both domestic and international investment in Indonesia through support for research and training in commercial law, technology licensing, intellectual property rights, joint venture law and contract law.



Technical assistance to Indonesia's rapidly growing capital markets in an important element of USAID's open market strategy.

INDONESIA'S TRADE
BALANCE SURPLUS

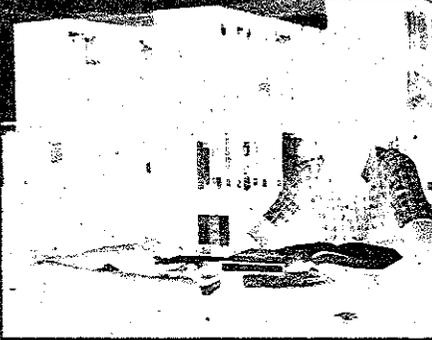
30 Billion (US Dollars)



Source: C. Policy Studies, Jakarta

Making Industry More Efficient

Although there is an abundance of trainable unskilled and semi-skilled labor available in Indonesia, there is a serious shortage of managers and professionals in key fields such as law, engineering, accounting and banking. Along with continuing funding for U.S. degrees and aid to higher education in Indonesia, specific projects support private business schools, provide loans to Indonesian entrepreneurs wishing to train with U.S. businesses, and encourage private business development. An example is the *Indonesian*



Executive Development Fund, a unique form of assistance which places executives in U.S. workshops and internships and arranges visits to major American corporations.

With USAID assistance, two business schools, the Institut Pengembangan Manajemen Indonesia (IPMI) and Institut Pendidikan dan Pembinaan Manajemen (IPPM), are expanding their capability to produce top quality managers.



With less than 1 percent of the labor force having a university education, the shortage of technical and professional labor is still one of the greatest constraints to development.

Mobilizing Financial Resources

As Indonesia makes the transition to a more open market economy, its financial systems are becoming more accessible and efficient in providing the capital needed for growth. USAID is assisting Indonesia in mobilizing its financial resources through a variety of means including financial market expansion, tax administration, banking reform and investment promotion.

USAID has helped pioneer a new approach to mobilizing financial resources in Indonesia through expansion of stock, bond, money and commodity markets. The *Financial Markets Project* provides American expertise, training for Indonesian professionals and assistance to the government in formulating policy reforms for financial market development.

An efficient tax system is also key to mobilizing the resources needed for economic growth. With far-reaching tax reforms already in place in Indonesia, USAID is providing expertise in making the system work more effectively.

At the core of USAID's efforts in banking reform is assistance to micro-enterprises, the small businesses at the base of the economy. At the village level, USAID is helping to transform an underdeveloped rural banking system into one providing efficient and self-supporting services. Through USAID-sponsored technical assistance, training, and loans, provincial development banks are

becoming better equipped to support smaller village credit and savings institutions. In complementary efforts, USAID works with Indonesia's Bank Niaga, Bank Umum Nasional and Bank Rakyat Indonesia to expand banking services to small businesses and provide loan guarantees.



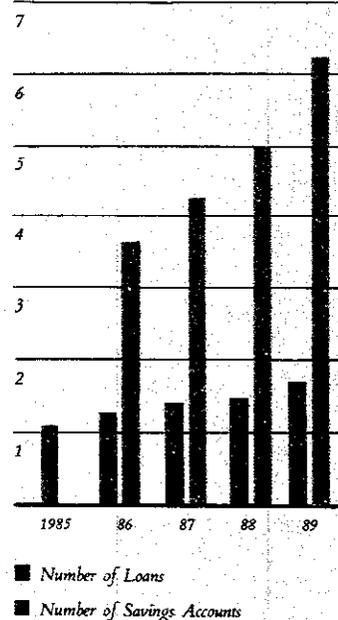
USAID supports the provision of banking services through mobile units that travel to small villages on market days. The services are targeted at small household enterprises, many of which are operated by women. Loans average about \$35 and can be as small as \$10.

GROWTH OF LOANS AND SAVINGS

USAID - Assisted Rural Banks *

* Nationwide Bank Rakyat Indonesia system

8 Million



Source: Harvard Institute for International Development

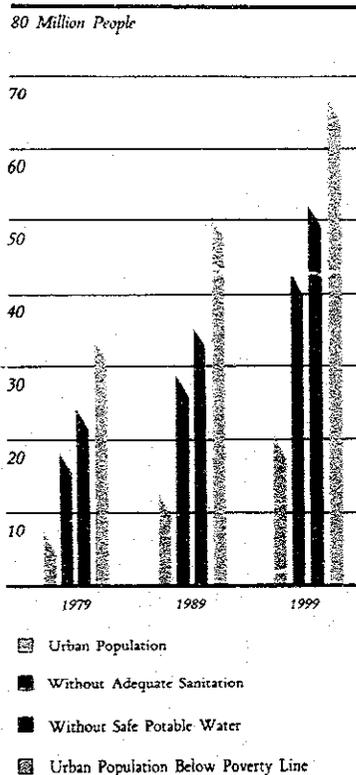
Urban Development

Accelerating rates of urbanization are placing severe strains on urban areas throughout Indonesia. At the same time, as support from central government decreases, there is a shift in the responsibility for planning and financing urban services down to lower levels of government and increasing reliance on the private sector.

The *Municipal Finance Project* is one way in which USAID is helping Indonesia generate financial resources for urban development. This technical assistance and training project promotes greater private sector participation in the operation and financing of urban infrastructure and services.

Associated with the Municipal Finance Project is the *Housing Guaranty Loan* which provides attractive terms and a U.S. government guaranty for a \$100 million loan to help finance shelter-related urban infrastructure improvements benefiting lower income households.

URBAN GROWTH AND URBAN SERVICES IN INDONESIA

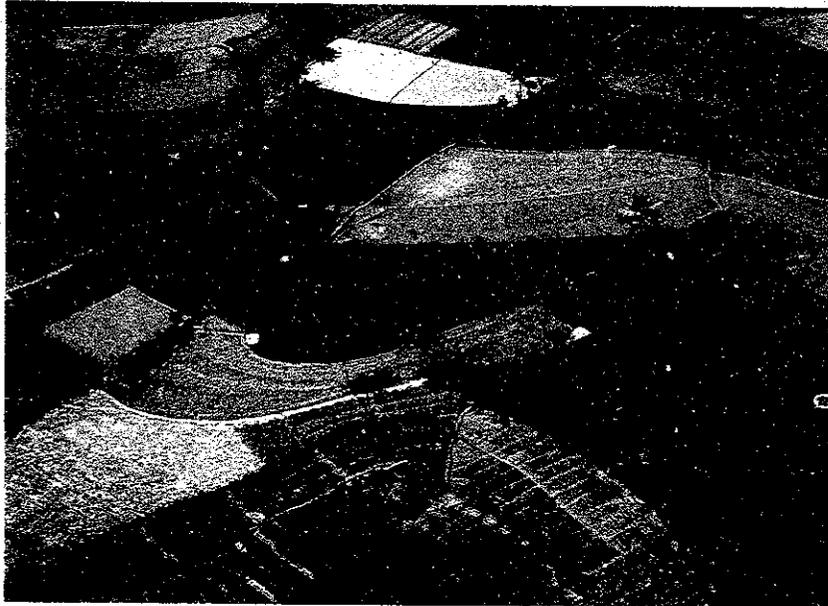


Urbanization has a major impact on Indonesia's social and economic development. While the population growth rate as a whole is decreasing, Indonesia's urban centers are growing at a rate exceeding 5 percent per year. Current predictions hold that by the year 2000 the urban population will increase by more than 36 percent of Indonesia's total.

Source: UNDP

Rural Development

USAID's support for rural development continues today with a focus on the private, as well as public sector, in promoting efficient production, processing and trade.



Indonesia achieved rice self-sufficiency through improved irrigation and cultivation techniques, improved pesticides and fertilizers and higher yielding rice varieties.

The *Small Scale Irrigation Project* supports the construction of sustainable, environmentally sound irrigation systems to encourage diversified cropping patterns. In addition to providing irrigation infrastructure, the project is also showing the advantages of user fees and direct farmer involvement in operating and maintaining irrigation systems. By involving farmers in all stages of irrigation development, from site selection and design through operations and maintenance, the appropriateness to local conditions as well as farmer commitment to the process are ensured.

The *Rural Roads Maintenance Systems Project* helps to develop sustainable systems of road maintenance and management in rural areas and also illustrates how to more effectively design, construct and manage road networks throughout the country.

Both of these two projects are designed to build up the public and private sector's capabilities to develop, operate and maintain infrastructure at the local level.

INCREASING AGRICULTURAL PRODUCTIVITY

Feeding the world's fifth most populated country is a formidable task, but one in which Indonesia has made remarkable progress. Production of rice, the major agricultural crop, has risen continuously over the past fifteen years, and Indonesia moved from being the world's largest importer of rice to self-sufficiency in 1985.

Having overcome many of the basic issues of agricultural yield, emphasis is placed today on employment and income opportunities available from the entire agricultural system including production, processing, distribution, marketing and consumption. USAID and Indonesia are working together to:

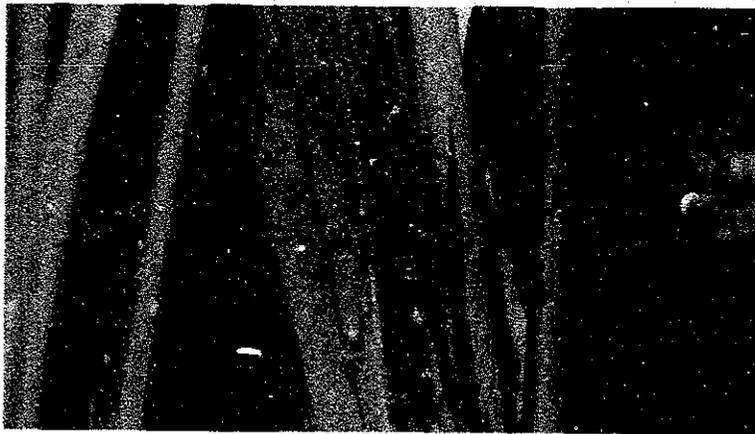
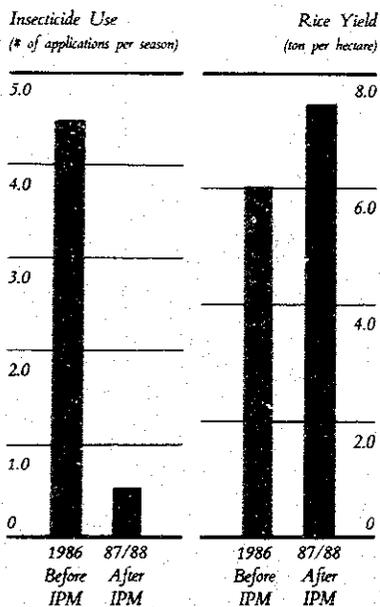
- Build greater coordination between the public and private sector in the agricultural process.
- Promote agribusiness—the marketing, processing and trade aspects of the agricultural system.

Research and Planning

Research based on the demands of the marketplace as well as the needs of producers is the basis for the current agricultural program. Building on earlier USAID-Indonesia

Indonesia has taken a strong stand on the issue of chemicals and the environment by eliminating subsidies on pesticides and banning the use over fifty broad-spectrum rice insecticides. USAID shares Indonesia's concern over the use of agricultural chemicals and supports efforts to reverse this trend through an Integrated Pest Management Program. In concert with reduced pesticide use, farmers are instructed in techniques which restore the natural pest predators.

IMPACT OF INTEGRATED PEST MANAGEMENT ON RICE CROPS



The destructive brown planthopper can be biologically controlled by other insects. It reaches harmful levels only when unnecessary broad spectrum insecticides destroy these natural biological control agents.

efforts in agricultural research, there have been impressive results in increasing crop production, reducing pest problems, and introducing more efficient crop management processes.

In concert with research, improved planning systems allow Indonesia to better analyze and respond to the agricultural demands of the next twenty to thirty years. A result of USAID's long-term assistance in agricultural planning has been an important shift in emphasis from production in

general to production geared to specific consumer demands.

The *Collaborative Research Support Program* helps increase farm productivity and income in selected areas in Indonesia. In Sumatra, improved soil management systems are being developed for selected acid soil areas. In North Sumatra and Central Java, village-level family nutrition and income are enhanced through projects to improve sheep and goat husbandry systems.



As incomes rise and lifestyles improve in Indonesia, consumers will continue to demand higher quality protein and a more diversified diet. USAID is supporting food diversification strategies to meet this shift in consumer demand by encouraging the production and marketing of non-rice crops such as corn, grain legumes, peanuts, cassava, fruits, and vegetables. Assistance to fisheries research and development is promoting another food source by improving the technological and management skills of public and private fisheries.

Trade and Marketing

As Indonesia's agricultural system becomes more trade oriented, greater emphasis is placed on the business aspects of agriculture including marketing, sales and packaging. To assist in this area, USAID works with both the public and private sector to increase the competitiveness of Indonesian products in domestic and international markets.

The *Agriculture and Rural Sector Support Program*, begun in 1987, represents another form of USAID assistance to Indonesia. This cooperative program provides temporary budget support to the Government of Indonesia as it continues its program to expand and diversify the agricultural sector through pricing and subsidies, agricultural processing and trade.

MANAGING NATURAL RESOURCES

Indonesia has the richest and most diverse ecological, biological, and forest resource base of any country assisted by an AID mission. Increasingly, this natural endowment is threatened by excessive exploitation: forests are being depleted, water supplies are becoming polluted, and many species of plants and animals are in danger of extinction. Recognizing the critical nature of this issue, USAID and Indonesia are working together to address environmental problems at the national level through policy and institutional reforms.

The *Natural Resources Management Project* focuses on national-level policy and the public sector's ability to analyze the impacts of development on natural resources. It utilizes fieldwork to support policy analysis and to test innovative approaches to resource management. By targeting actions at Indonesia's policy level, by maintaining close collaboration with other donors, and by engaging the private sector in resource management, the project has nationwide impact.

Agricultural Sustainability

As more natural areas are converted to agricultural use, and as farming techniques become more intensive, threats to Indonesia's environment will increase. To address these issues, USAID is helping local governments encourage farming systems which minimize impacts on the environment. In the densely populated upland areas of Java, the *Upland Agriculture and Conservation Project* is developing and testing farming systems that minimize soil erosion while increasing production.

Biodiversity

About 10 percent of the world's plant species thrive in Indonesia's rich tropical forests and coastal ecosystems, and many plants and animals are found nowhere else. As a storehouse for future medical and agricultural purposes, this biodiversity has an incalculable value both to Indonesia and to the world.

USAID's biodiversity strategy concentrates on implementation of policy reforms aimed at protecting and managing Indonesia's valuable biological assets and helping the government generate increased economic benefit from parks and protected areas.

Sustainable development requires a change in the way people value their natural resources. It means looking beyond the present-day economic benefits of actions and considering their impact on future generations. For farmers in the sensitive upland areas of Java this means utilizing better farming techniques such as bench-terracing.



The outer islands of Indonesia have the largest remaining areas of tropical forests in Asia, a valuable commercial asset for Indonesia as well as an important environmental resource.

USAID promotes the sustainable management of these forest lands through incentives for long-term management, training of scientists and researchers, reforestation alternatives and national park management.

INVESTING IN PEOPLE...Indonesia's long-term economic growth depends in large part on the investments made in its people. Continuing improvements in education, health and family planning are crucial elements of the process.

EDUCATION

USAID's approach to education reflects pressing current and future needs. Taking a long-term approach in planning for future generations, USAID is working with the Ministry of Education and Culture to mobilize resources for education more efficiently and effectively. The aim is to link the educational system with actual market demand, providing the potential for greater employment opportunities for graduates.



Although public universities are currently the dominant players in Indonesian higher education, USAID is taking the lead in promoting private universities and training programs.

In the mid-term, USAID is helping strengthen Indonesia's higher education systems, particularly in business administration, agriculture and the basic sciences. An example is the *Western Universities Agricultural Education Project* which supports eleven public universities on Sumatra and Kalimantan, areas which have strong economic potential but weak higher educational facilities.

To assist the Indonesian educational system in the short-term, USAID funds the overseas education and training of personnel in critical areas of development. Specialized training is funded by almost all USAID projects and by the *General Participant Training Project*. A unique aspect of this project is the *Overseas Training Office* created within the government to assume the planning, administering and monitoring of USAID and other donor-funded training programs.

Indonesia's successful family planning services system is the product of strong government and donor commitments over the past twenty years, including a major role by USAID. While past gains have been achieved almost entirely through government programs, rapid expansion of family planning services now requires mobilizing resources outside government and making the system more efficient.

The *Private Sector Family Planning Project* is USAID's final push to help Indonesia reduce its national fertility rate and put family planning on a self-sustaining basis. The project concentrates on three main areas:

- Greater private sector involvement in family planning service delivery. The goal is to increase the number of locations where high quality family planning services can be obtained and to strengthen service provision, especially by private doctors, midwives and pharmacists.
- Creating the demand for family planning services through "social marketing"—innovative advertising and marketing. By promoting and providing lower-priced alternatives in contraceptives, more people will pay for services, reducing the need for government subsidies.
- Improving the quality of clinical contraceptive methods, especially those of a long-term nature in order to reduce contraceptive costs for both users and the government.



Other USAID-sponsored family planning projects now winding down have provided a strong basis for the future. The *Village Family Planning Mother Child Welfare Project* has worked within Indonesia's strong community-based health and family planning system. Begun in 1979, the project has decreased malnutrition and diarrheal disease among children under five, while increasing the receptivity to family planning. Other projects throughout the country have helped expand family planning services in urban as well as rural areas.

Deaths among mothers, infants and children still constitute the majority of all deaths in Indonesia. Child survival has been, and will continue to be, a priority for USAID.

With the *Health Sector Financing Project*, USAID is working with Indonesia's Ministry of Health to expand resources available for child survival through:

- Improvements in efficiency and cost recovery and a reduction in public subsidies for government hospitals.
- Development of systems of public and private health insurance.
- Shifts in public expenditures for pharmaceuticals to those which contribute to child survival.
- Improvements in policy analysis and methods of allocating resources.

Education and training of health professionals and practitioners continue to be important components of USAID's health program. Assistance to four Indonesian universities is helping them establish degree-granting schools of public health under the *Faculties of Public Health Project*.

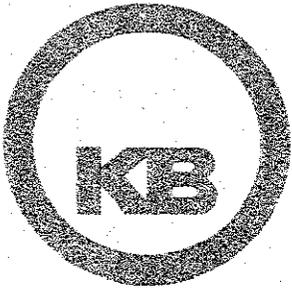
In the future, the emergence of older age groups as significant portions of the population will lead to greater demand for preventive medicine and chronic care. USAID anticipates this trend by helping both the public and private sector analyze needs and provide the services essential to the health of Indonesian families.

Since 1972 in Indonesia:

The fertility rate has dropped from 5.5 to 3.3 children per family.

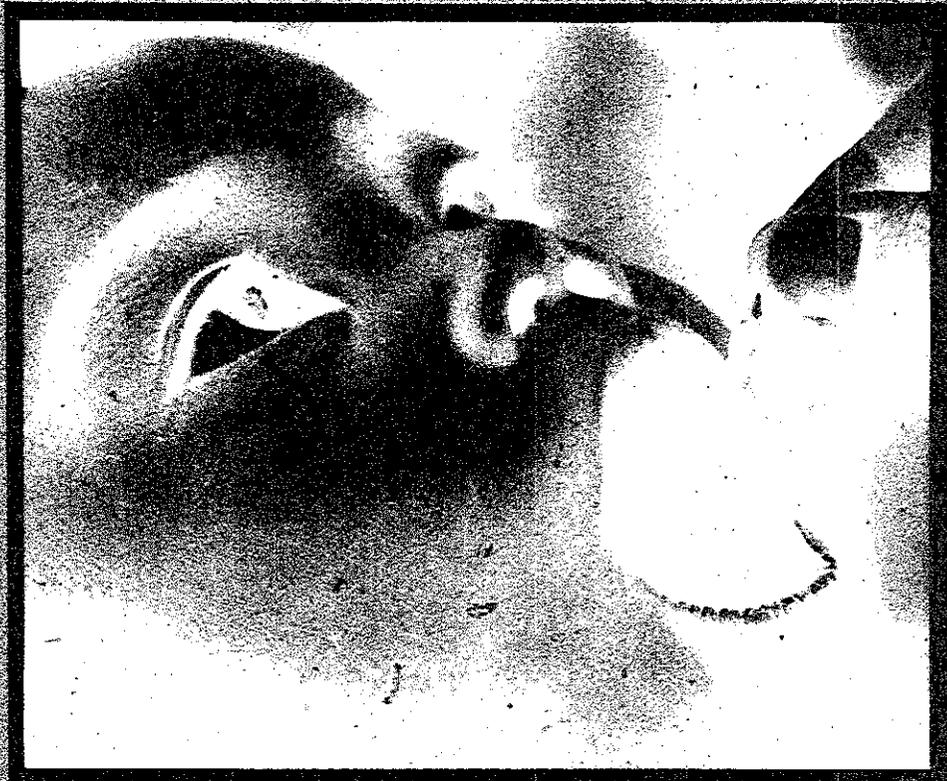
The percentage of couples practicing family planning has increased from less than 10% to 48%.

The infant mortality rate has dropped 50%.



The Blue Circle campaign publicizes the provision of family planning services and supplies by private doctors and midwives. Utilizing radio, newspapers, billboards and posters it urges married couples to come to the sign of the Blue Circle for family planning information, services, and products. The program, which is coordinated by the Indonesian National Family Planning Coordinating Board and managed by a private marketing firm, receives much of its promotional funding from USAID.

Private voluntary organizations
assisted by USAID play an
important role in the delivery of
health and family planning services
throughout Indonesia. Helen Keller
International is integrating vitamin
A into health programs through
nutrition education, promotion of
home gardening of vitamin A-rich
vegetables, and distribution of
vitamin A capsules.



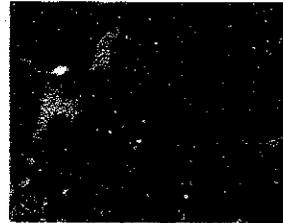


An open market economy must work together with an open society where all citizens have the opportunity to participate in economic development.

To assist in this process, USAID works with institutions and organizations both within and outside government to make broader participation possible.

On the public sector side, USAID is assisting the Government of Indonesia as it shifts from strong central control to a system calling for greater responsibility and initiative at all levels of government.

Hand in hand with this is the process of building up the capabilities of private voluntary and non-profit organizations as they assume a greater role in development. A variety of these organizations receive



USAID assistance working in areas as diverse as consumer rights, environmental awareness, compliance with minimum wage laws, book publishing, local self-help, and micro-enterprise development.

USAID assistance also addresses those segments of the population who might not fully understand their rights or responsibilities in the development process. Through The Asia Foundation, USAID sponsors innovative television programming aimed at increasing the public's awareness of legal rights and responsibilities. In cooperation with Indonesian government agencies and institutions efforts are also being made to strengthen the role of the press and judicial institutions.



In addition to the many USAID—assisted projects to raise health and living standards for women, there are several that directly support legal needs. The Legal Aid and Consultation Institute for Women and Families has opened up access to the Indonesian judicial system for women, particularly from lower income groups.

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AGRICULTURAL ASSISTANCE HAS INVOLVED RESEARCH, NEW TECHNOLOGIES, TECHNICAL ASSISTANCE AND THE DEVELOPMENT OF A RURAL INFRASTRUCTURE. WITH INDONESIA'S ACHIEVEMENT OF RICE SELF-SUFFICIENCY IN THE MID-1980S, USAID'S FOCUS EVOLVED TO AGRICULTURAL PRODUCTION BASED ON THE DEMANDS OF THE MARKETPLACE.



In 1971, US Ambassador Francis Galbraith presented certificates of achievement to 300 participants in the Overseas Training Program with USAID Mission Director Richard Cashin and then Colonel Sudharmono, former minister of Cabinet Secretariat/Coordinator for Foreign Technical Assistance and now Vice-President of the Republic of Indonesia.

