

## “U.S. Agency for International Development in Indonesia”

*Open Forum with*

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For nearly three years, **Robert Cunnane** has served as Deputy Mission Director in Indonesia, beginning shortly after a new AID strategy was developed. The five year strategy, 2004-2008 with a budget of about \$150 million each year, focuses on several key areas:

- Education – one of the largest aspects of the education program falls under basic education.
- Health sector – for a long time the focus was on maternal and healthcare, but has also recently moved into HIV/AIDS, TB and the avian flu virus.
- Environment – key issues are water and sanitation, energy, coral reefs and
- Economic Growth
- Democracy and Governance

The tsunami greatly changed this strategy shortly after it was established and Washington granted a \$400 million budget for reconstruction. The post-tsunami climate also brought peace in Aceh and allowed AID to really open up and to work in Aceh, culminating in the recent opening of a satellite office.

Indonesia’s involvement with the Millennium Challenge Corporation is also a new development since AID’s strategy was designed. The MCC focuses on anti-

corruption and judiciary matters, but also examines immunizations among the population.

But what is the future of AID in Indonesia? What are the future strategies? At this point in time, it is unclear where people are headed, but future strategies can be planned by looking at where AID would like to be. Its projects will wind down towards the end of 2009, and it is hoped that the US elections will allow for a new strategy. Mr. Cunnane did not see huge increases in AID’s budget, due to current economic trends and the legacy facing a new administration. It is likely the budget will remain at about \$150 million a year for Indonesia.

Regarding future projects, the environment will be an important priority, more so than in the past. Indonesia as an “environmental super power,” has significant impact on global climate change. While it has the largest area of biodiversity, Indonesia needs to maintain a growth rate of 6 percent per year on average and does this by reaching out for fast energy: coal. Coal emissions are not good for the world and not good for Indonesia, the third largest emitter of carbon. The energy sector will also be important.

Indonesia is now a mid-income country with an annual \$100 billion budget. But what the government needs to focus on is job creation. It is estimated that Indonesia needs 30 million jobs in the next five years, but since 1998 there have only been 3 million jobs created. The economy is export based. What impact can a \$150 million yearly in technical assistance have? What are the levers that AID can push?

AID Indonesia has staff of 160, with only 35 Americans. The focus is on Java, North Sumatra and South Sulawesi. These areas were picked because they are the most populous areas in the country.

Staple foods are a burgeoning issue. AID was big early in the Green Revolution, and money for more agricultural projects could be forthcoming.

#### Discussion

**Q: Are there AID projects relating to food security in Indonesia now? And what is being done with the Coral Triangle Initiative?**

**A:** There is Public Law 480 (PL 480), which is food program used generally for non-emergency programs. But we are starting look at rice and potato production, and what can be done to increase production.

The Coral Triangle Initiative is still emerging. The State Department is more involved as this is a multi-lateral effort.

**Q: What will be the democracy and governance priorities after the 2009 elections in Indonesia?**

**A:** We have just begun an assessment of democracy in Indonesia, but it is not yet finalized for us to analyze our results and

generate our priorities. There are current investments in decentralization and local government programs that we will need to examine. The MCC is also beginning Phase II and we will need to work out what we will do then. We're looking at the issues. There is still a lot of work to be done.

**Q: What about the grassroots organizations working with the MCC compact? Will that yield any ideas with AID?**

**A:** Indonesia wants a compact. Sri Mulyani, Indonesian Minister of Finance and Acting Coordinator for the Economy, is one of many to support the MCC compact. The support isn't only about the funding, but for the recognition that Indonesia has reached that level of worthiness. There is strong Indonesian support.

**Q: There is a new planning process with these programs. What do the Indonesians think has the most impact?**

**A:** Formal consultations have not started yet. It's difficult. There are a lot of priorities and it will take some analysis to present them to the Indonesians and have a dialogue. We can use the previous priorities as the basis and move from there.

**Q: Education has been a main focus for the past three or four years now. Has this been successful? What are the issues?**

**A:** AID's evaluation on the program has just finished. The focus on the program was working at the individual school level. It was a whole-school approach: improving teaching, getting the community involved, etc. AID has a small reach, impacting less than one percent of the schools. So the issue is how can we translate this to the larger picture?

Indonesia struggles institutionally with decentralization. There are two million teachers, and most of them are under-qualified. Certification is one answer to ensuring quality, but how do you reach all the teachers and implement this?

**Q: What are the pressing health concerns in Indonesia? Indonesia is listed as a priority country with tobacco use. Does AID examine chronic disease and nutrition?**

**A:** Health programs are 100 percent earmarked, so it is up to Congress what the priorities are. As a donor, we have a unique advantage, and AID has a good record working with the private sector to address health concerns. Public-private partnerships are critical for Indonesia, and we'd like to see more. The question with public-private partnerships is what is the intersect?

**Q: Regarding the public-private partnerships, AID in Indonesia has done more than many other AID missions. What are lessons that can be learned for those other missions?**

**A:** There was recently a team from Washington that visited Jakarta for this very reason, to learn about the AID mission and examine what could work elsewhere. Working with a common intersect and combining corporate and development interests, has been most successful. For example, Coca-Cola wants clean water, and so do we. We meet there.

**Q: Is there an explicit target with corporate funding?**

**A:** Partnering may not necessarily result in more funding. The monetary goal misses the point, which is development impact.

**Q: How is decentralization working?**

**A:** I agree with something [Castle Asia's] Jim Castle said at a recent brown bag at AIG. Change in Indonesia will come from the bottom up. That is the importance of decentralization in Indonesia. There are families with connections to political parties and other interests. But with local democracies, we're seeing leaders coming up from the grassroots, and this decreases that hold and influence. The most recent elections were spectacular in the local leaders. And these trends are going to continue. It may soon happen that a governor or other local leader will rise up and be elected to President, one who is not so wedded to parties but is truly locally elected.

And retiring Jakartans are going back to the provinces and giving back by starting NGOs. AID is trying to work with these NGOs and help the local governments work well with parliaments, with no institutions between.

**Q: Are there partnerships with other donors? AusAID announced a package of \$650 million a year. Is there a danger of AID being overshadowed?**

**A:** In terms of money, our program is a comparatively small amount. It's the impact that matters. We cannot just look at aid as a resource game. But it is important to look at what the other donors are doing. The US usually has more impact per dollar spent. Australia has a great participant training program. And it's interesting to see how those "American trained" people problem-solve through the networks they've made. The participant training programs are ways to build leadership and help that leadership

change for a small investment. It's the most cost-effective of any AID program.

**Q: There are donor funding success stories, such as Detachment 88, the anti-terrorism squad. How does this affect AID?**

**A:** Military and police reform is a critical issue, and Indonesia has worked to separate the two. This is very important in moving the bilateral relationship forward. But where does AID come in? Will AID head to Aceh or Papua? The government took a leap of faith in allowing the free elections in Aceh, and it is important for this to succeed. AID

is in Aceh for the long haul because we don't want to see this area regress. We work in development to move things along, and to help stabilize for other reforms.

**Q: What was the reasoning to choosing the regions AID did? Will AID move from Java to Papua, for example?**

**A:** We chose those regions, Java, North Sumatra and South Sulawesi, based on what will have the bigger impact, what will have the biggest payoff in a geographic area. The focus on these areas is that they are the most populated areas. It may be possible to extend that focus to Papua and Aceh.

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