

# UNITED NATIONS DEVELOPMENT ASSISTANCE FRAMEWORK FOR THE REPUBLIC OF INDONESIA 2002-2005



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# Abbreviations

APBN	<i>Anggaran Pendapatan Dan Belanja Negara</i> , National Government Budget
AusAID	Australian Aid
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> , National Planning Board
CCA	Common Country Assessment
CIDA	Canadian International Development Agency
DPR	<i>Dewan Perwakilan Rakyat</i> , House of People's Representatives
EU	European Union
FAO	Food and Agriculture Organization
GBHN	<i>Garis Besar Haluan Negara</i> , State Policy Guidelines
GDP	Gross Domestic Product
GOI	Government of Indonesia
HDI	Human Development Index
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IDP	Internally Displaced Person
IFC	International Finance Corporation
ILO	International Labor Organization
IOM	International Organization for Migration
ITU	International Telecommunications Union
IMF	International Monetary Fund
MDGs	Millennium Development Goals
NGO	Non-Governmental Organisation
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
Propenas	<i>Program Pembangunan Nasional</i> , National Development Programme
UNAIDS	United Nations Joint Programme on HIV/AIDS
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNGASS	United Nations General Assembly Special Session on HIV/AIDS
UNHCHR	United Nations Office of the High Commissioner for Human Rights
UNHCR	United Nations High Commission for Refugees
UNIC	United Nations Information Centre

UNICEF	United Nations Children’s Fund
UNIDO	United Nations Industrial Development Organisation
UNSFIR	United Nations Support Facility for Indonesian Recovery
UNTAET	United Nations Transitional Administration in East Timor
UNV	United Nations Volunteers
UPU	Universal Postal Union
USAID	U.S. Agency for International Development
WFP	World Food Programme
WHO	World Health Organization



## United Nations Development Assistance Framework for Indonesia

### **United Nations Country Team Mission Statement**

The United Nations Country Team is committed to supporting the national goals of Indonesia during a complex political, economic and social transition. Putting people first, our overriding mission is to help Indonesians achieve their full potential through expanding choices and enlarging opportunities, especially for poor and vulnerable communities, families and individuals. We will strive to develop national capacity and provide quality advisory services to promote development objectives and further policy dialogue complementary to the Millennium Development Goals. In order to enhance the impact of our assistance, we are committed to improving our collaboration by embracing a new synergy based on the unique competencies and responsibilities of individual organisations. This will continue to expand our trusted partnerships and realise the mission of the United Nations to advance the cause of common humanity; to respond to the multifaceted challenges faced by Indonesia; and to offer development results.

A handwritten signature in blue ink, reading "Bo Asplund", is written over a vertical line.

Bo Asplund  
Resident Coordinator

# Executive Summary

## Introduction

Human development is improved when Governments, civil society, United Nations organisations and development partners concentrate their human and financial resources – and their efforts – toward realising a set of clearly articulated goals. Such ambitions are embodied in the eight Millennium Development Goals (MDGs) for 2015, which are universally accepted targets for improved quality of life for the Earth's 6 billion people.

To assist the Government of Indonesia (GOI) in meeting these global targets, the United Nations System will combine resources and better coordinate its efforts at the country level. In all of its efforts, the United Nations System will encourage active public participation and partnership, will pay particular attention to the social dimensions of adjustment, and will prioritise human rights.

The need for coordinated action by Government, civil society and others is particularly important for a country such as Indonesia, which confronts enormous constraints and uncertainties – economic, political and social – in its current transformation. The United Nations Development Assistance Framework (UNDAF) for 2002-2005 focusses on five strategic areas for a common United Nations System response to key development challenges in Indonesia, complementing both national priorities and the MDGs.

## Overall Objective of the UNDAF

The Government's State Policy Guidelines 1999-2004 and the National Development Programme 2000-2004, along with the United Nations System competencies, provide the overall framework for the objectives and strategic areas of cooperation for the UNDAF. This framework enables United Nations System assistance to Indonesian authorities to further development initiatives that empower and expand access to resources for the poor.

Deriving from the analysis of the Common Country Assessment (CCA), the overarching objective to which United Nations activities are expected to contribute is:

***To support Indonesia in its transition to a decentralised socially just democracy with a broad-based, competitive market economy***

In addition to overall support for deepening of legal, institutional and economic reforms at the macro level in Indonesia, a multifaceted approach by the United Nations System will include strategies focussed on:

- Increased people's participation and reduced social isolation in decision-making and planning with regard to development, through effective decentralisation and community development and an enhanced role for civil society
- Improved risk management through anti-corruption initiatives, support to the rule of

law and judicial and security sector reforms, restored investor confidence, support to creation of an enabling environment for peace-building, and increased preventive health care

- Increased social development and access to social capital and resources, including skills, credit, information and technology, particularly for women and marginalised groups, and including improved multisectoral databases
- Increased environmental sustainability, through resource management, enhanced awareness and appropriate initiatives

### **Objectives and Focus Areas for Collaborative Action**

As a prelude to the UNDAF, the CCA identified four people-centred development issues as priorities confronting Indonesia today:

- **Governance and institutional reform**
- **Sustainable and equitable recovery**
- **Social justice and poverty reduction**
- **Conflict resolution, reconciliation and response**, which has been further refined and is known in the UNDAF as **Conflict prevention, post-conflict recovery and peace-building**

To these issues has been added the crosscutting area of **HIV/AIDS**, a pandemic that represents an economic, social and development issue of the highest priority.

Discussions with Government and development partners, as well as within the United Nations System, were conducted through the mechanism of five Thematic Groups to select sub-objectives and strategic areas for collaborative action under each objective.

In all, these five priorities comprise the core of an unparalleled opportunity to forge new practices that will endure in post-transition Indonesia, employing a strategic and integrated

United Nations vision committed to assisting the GOI and civil society to advance human development.

### **Governance and institutional reform**

The Government's State Policy Guidelines, as well as the National Development Programme, all point to the centrality of governance reform relative to other challenges. Indeed, all five thematic concerns of the UNDAF are premised on good governance as the enabling environment for reform.

The basic objective of the governance component of the UNDAF is to work toward a system of governance that respects the rights of all Indonesians and lays the foundations for a healthier, more stable democracy. Strategies to be pursued in all areas for further collaboration, in cooperation with the Government, will include:

- Providing increased advisory support to assist in policy development, particularly through the Partnership for Governance Reform, and through increased consultation and coordination among donors
- Assisting in the promotion of non-corrupt and rights-based norms of behaviour by authorities
- Providing capacity development of institutions at the national, regional and local levels in support of reform initiatives, and developing instruments and approaches that embed good governance in a wide range of activities
- Providing advocacy and awareness building for key groups of actors at the national, regional and local levels

The United Nations System will establish a knowledge network for devising appropriate indicators of progress on dimensions of governance and will maintain a shared database. Throughout, support also will be provided so that women play an increasingly vital role in



governance reform and become better represented in public life.

At the national level, action will be focussed on constitutional, parliamentary, legal and judicial reforms, civil service reforms, improvements in public financial management and public procurement, and better management of the decentralisation programme. Indeed, it is particularly at the regional and local levels where a paradigm shift in governance is taking place. The United Nations System will assist the GOI in implementing decentralisation and sound public financial management at the regional and local levels through Laws 22 and 25 of 1999, in order for the Government to be more accountable to the people and responsive to their needs.

Two UNDAF sub-objectives have been identified on which support to governance reform efforts will rest:

- **Strengthening national institutions and initiatives directly related to governance reform, specifically, the Partnership for Governance Reform**
- **Strengthening support to decentralisation and regional/local governance**

Overall, more United Nations Agencies will increase their involvement in the work being conducted through the Partnership for Governance Reform. Assistance of the United Nations System will focus on supporting the Government in developing and implementing anti-corruption initiatives, particularly through the Partnership; reform of the legal and judicial system; and capacity development of civil service personnel.

In addition, development of a credible, effective police force will be strengthened through assistance to the Partnership's forum to set rights-based norms and standards of behaviour for people-friendly police. Procedural reforms to improve the quality of representation in the national legislature also will

be jointly advocated, along with support to reformist laws.

Support will be provided to establish fiduciary norms of conduct at the regional and local levels and to establish minimum standards for delivery of services by local governments through facilitating consensus on such standards. The GOI already is working on the latter at the national level as required in Laws 22 and 25 of 1999, and these efforts will be strengthened. Support also will be given to applying the 10 principles of good governance that have been adopted by representative bodies of local government institutions. (See footnote in chapter 4)

### **Sustainable and equitable recovery**

Despite being in its fourth year, Indonesia's economic recovery remains fragile. Sustaining rapid recovery that brings improvements in standards of living to all segments of the population thus remains the central economic challenge confronting Indonesia. Given current trends, however, the nation's growth prospects continue to have worrying implications for poverty and social stability.

Only one engine of growth — private investment — can provide the economy with some forward traction. But for private investment to grow rapidly will require significant improvements in Indonesia's investment climate, including:

- Continued macroeconomic stability
- Better governance
- Reduction in the overhang of public and private debt
- Restructuring and recapitalisation of the banking system, with adequately enforced prudential safeguards
- Responsible corporate behaviour within an internationally accepted framework of good corporate governance
- Sound competition policies, together with protection of intellectual property rights

- Better access to markets and other information using new technologies

While the level of growth is important, it is the pattern of growth that will determine its sustainability. The more equitable the growth, the more widely will the fruits of economic expansion be distributed, especially to the poor, and the greater will be the likelihood of social stability. An environmentally sustainable pattern of growth will mean that development will not come at the expense of Indonesia's valuable natural assets or damage their future productive potential. These are multidimensional challenges that will require profound change in the entire policy, regulatory and institutional foundations of the country, which the United Nations System can assist. Thus, the two sub-objectives under **Sustainable and equitable recovery** are:

- **Improve the climate for private investment and non-oil export growth**
- **Achieve social and environmental sustainability**

Support will be provided to bring Government debt and debt service down to manageable levels through keeping interest rates and inflation low, minimising new Government borrowing and seeking the best possible terms, accelerating asset recovery, managing contingent liabilities carefully and rescheduling debt service, where possible, under internationally accepted rules. Likewise, the Government will be encouraged to succeed in completing the restructuring of the banking system, including privatising nationalised and state-owned banks, and providing quality supervision to ensure the system is sound, safe and efficient.

Good corporate governance will be encouraged not just in banks, but also among corporations, and responsible corporate behaviour toward minority shareholders promoted. Progress also will be supported on implementing and enforcing competition policy as well as intellectual property rights, as well as in developing the legal and regulatory

framework to broaden access to markets and other information using the latest information technologies.

Assistance to creation of flexible labour markets, together with emphasis on small and medium enterprise (SME) development, will generate a more broad-based pattern of overall development — especially if there arises a healthy interaction among the Government, the private sector and civil society. Emphasis will be given to continued agricultural productivity increases and the encouragement of SMEs in rural areas.

At the same time, ensuring public service delivery to the poor in a decentralised setting will need more than increased funding alone. Emphasis in public resource allocation will be encouraged toward pro-poor priorities such as primary health care, access to clean water, good drainage and basic education, especially for girls. Nevertheless, this will prove very difficult without support to changes in the way the civil service is managed, paid and motivated. Finally, support will be given to policies that ensure the sustainable use of natural resources so future generations are not hurt by this generation's neglect. The United Nations System will encourage the GOI to tax, not subsidise, activities that harm the environment.

### **Social justice and poverty reduction**

Most Indonesians continue to experience a wide range of deprivations and to struggle for the basic rights of human dignity, equality and equity. Indeed, more than half of all Indonesians now are likely to experience an episode of poverty every three years. This reflects the fact that even households normally above the official poverty line are likely to fall below it at some point because of specific "shocks" such as the illness or death of the primary wage earner.

Particularly through its specialised Agencies, the United Nations System will provide support to achieve a better understanding of the non-income variables in such “shocks,” and to support the Government in developing an early warning database for these triggers and effective interventions to combat them. Special emphasis will be given to the fact that women are integral in helping to raise themselves and their families out of poverty.

At the same time, support is required to establish a national development policy focus on social justice and equity, of which poverty reduction is but one part. The United Nations System will collectively assist the Government to ensure that social protection measures, including social security reforms, are moved forward in Indonesia. A higher priority for social expenditures also will be encouraged.

Assistance by the United Nations System to support the Government in addressing the challenges of social justice and poverty reduction will occur through:

- Promotion of an enabling environment through poor-sensitive policies and agreed standards of poverty reduction, to be defined at a national social summit
- Promotion of livelihoods for the poor by ensuring access to productive assets, employment, income-generating opportunities and credit
- Support to the mobilisation and organisation of the poor

Under the priority **Social justice and poverty reduction**, five sub-objectives are identified:

- **Minimise vulnerability to multiple dimensions of poverty**
- **Promote higher-quality, broad-based growth**
- **Reduce incidence and impact of conflict**
- **Strengthen the institutional architecture for social justice and poverty reduction**

## **in support of the Millennium Development Goals**

### **• Reverse social and environmental marginalisation**

Intersecting with priority actions from other objectives will be United Nations System support to anti-corruption initiatives, including a new national analysis of the costs and impact of corruption on the poor, as well as joint advocacy for provision of a minimum threshold of basic social services to all Indonesians. An analysis of how many Indonesians are vulnerable to poverty because of environmental factors will be facilitated. Assistance to agricultural policy reform in support of the majority of Indonesian poor, who are farmers or rural inhabitants, will include joint advocacy for effective land policies, including changes in land allocation practices.

### **Conflict prevention, post-conflict recovery and peace-building**

A rapid rise in violent conflicts in Indonesia has occurred in the years since the 1997 financial crisis touched off the country’s multifaceted transformation. These conflicts have had pronounced effects on the political, economic and social fabric of many communities. They also have heightened the challenges Indonesia faces at this time of transformation and reform.

Against this background, the objective of United Nations assistance is to establish “peace in development” in Indonesia. The focus will not be on emergencies as such, but rather on longer-term peace-building. Building national ownership and national capacities, both within Government and civil society, will be emphasised, along with integrating peace-building into the full spectrum of conflict-related responses. Consultation is central, in particular in establishing institutional mechanisms and targeting activity to specific locations.

The three sub-objectives under **Conflict prevention, post-conflict recovery and peace-building** are to support the GOI to:

- **Build Indonesian capacity for conflict prevention**
- **Build capacities for policy formulation, programme development and implementation that are supportive to peace-building**
- **Create an enabling environment for peace and sustainable development**

In the area of conflict prevention, the comprehensive intent is to focus on Government capacity, in the development of early warning, preventive action and preparedness, in collaboration with civil society, so as to identify key causes of conflict and to design and implement appropriate preventive responses. Support will be provided for the development of information bases and national networks for early warning, as well as for strengthened policy research.

In addition, a common understanding among Government, civil society and the United Nations System on the new peace-building dimension of development cooperation will be facilitated. The initial strategy will be to open broad-ranging consultations among these actors to explore issues involved and develop shared understandings of best practices. The United Nations System will assist in developing knowledge and awareness within civil society of peace-building dimensions of policy, in particular, as related to culture and development, and including development of academic policy groups and public discussion fora.

Finally, support will be provided to build human rights/rule of law education for Government, justice, military and police authorities and to strengthen a constructive role for such authorities in helping communities prevent, respond to or recover from conflict. Peace and media interventions involving NGOs and civil society groups to develop inter-communal

understanding, as well as peace education for youth, will help to root the concept of peace and internalise values and attitudes.

## **HIV/AIDS**

The impact of HIV/AIDS is particularly devastating on developing countries such as Indonesia, where the caseload is estimated at 80,000 to 120,000 infected individuals although it is officially a “low-prevalence” nation. Nevertheless, some provinces and populations are experiencing much higher levels of HIV infection than others. Infection appears focussed in vulnerable populations such as sex workers, their clients and, in particular, a rapidly growing number of injecting drug users, resulting in a “concentrated” epidemic.

Potential for spread also is considerable because of domestic and international migration, urbanisation, tourism, poverty, proximity to high-incidence areas and resistance to condom use. Thus far, there have been numerous development activities in many areas relating to HIV/AIDS, but these have been of limited scale and scope, and the need to improve coordination is urgent.

Thus, the time is right for a major scaling up of the fight against HIV/AIDS in Indonesia by both the National AIDS Commission and the United Nations System. In conjunction with longer-term GOI initiatives, efforts to control and manage HIV/AIDS in Indonesia will be jointly carried out at a massive level for the next three years in order to maintain the low prevalence in the general population and to avoid large-scale increases in vulnerable populations. Using a classic model, three sub-objectives for Indonesia under **HIV/AIDS** have been identified:

- **Strengthen HIV/AIDS policies**
- **Enhance prevention to enable Indonesia to remain a low-prevalence nation**

- **Improve access to comprehensive quality care and services**

The United Nations System will encourage a commitment at the highest levels of national, district and local Governments to prioritise HIV/AIDS. The formulation of an Integrated Workplan on HIV/AIDS will be facilitated, encouraging multi-Ministry and multisectoral strategies through partnerships involving the widest number of stakeholders. Full involvement of people living with HIV/AIDS is critical.

Representing the mainstay of the HIV/AIDS response is prevention, with education as its cornerstone. Integrating of life skills education in the primary and secondary education curricula will be supported to effectively deliver HIV/AIDS education to adolescents and youth. Other groups to be targeted include the uniformed services, mobile populations such as internally displaced persons, and vulnerable groups including sex workers and injecting drug users. The United Nations System will assist in increasing surveillance and tracking of infections, support the provision of affordable drugs for all infected with HIV and promotion of 100% condom use among high risk behaviour people.

Although coordination mechanisms are in place among those concerned with HIV/AIDS in Indonesia, support also will be provided so that these can be strengthened and a forum for collaboration at the district and local levels established.

### **Complementary and Collaborative Strategies**

The following complementary and collaborative strategies will be pursued in the interest of furthering concerted efforts toward national priorities among the GOI, civil society, United Nations Agencies and the entire development community:

- **Increased focus on upstream policy analysis**
- **Strengthened partnerships with Government and civil society organisations**
- **Increased efforts to support decentralised governance and development of initiatives at the regional and local levels**

The United Nations System in Indonesia will increase its “upstream” activities through strategic, structured policy dialogue and enhanced normative functions, building the foundation for consolidated partnerships. In particular, it will support the GOI in the generation of capacities for policy analysis through an inter-Ministerial approach and development of high-quality information research, collection and analysis across various sectors.

Specific joint policy analysis and activities in support of national priorities will focus on anti-corruption initiatives, the root causes of conflict, poverty-inducing “shocks” and HIV/AIDS, among others. Through joint advocacy, support also will be provided to policy makers on issues including rights-based approaches to development; provision of a minimum threshold of basic social services; expanded roles for women in public decision-making, poverty reduction and peace-building; effective land policies for the poor; and procedural reforms to improve the quality of representation in national legislative institutions.

Particular efforts will be made to strengthen capacities of institutions and organisations at the regional and local levels in support of the GOI programme of decentralised governance. A special focus will be on support to decentralised data collection and information management. In support of the GOI, the United Nations System also will provide advice on creating a high-quality civic environment for civil society organisations and will facilitate dialogue among civil society organisations, Government and donors.

At the programme level, it is expected that an increased share of United Nations System activities will be implemented through joint initiatives, programmes or projects, in collaboration with the Government.

### **Implementation, Monitoring and Evaluation**

Provisions for follow-up and review of the UNDAF are based on the principle that the UNDAF is a living document. Because development is a process, the UNDAF may have to be adapted to respond to changes in Indonesia's economic, political or social situation.

The five UNDAF Thematic Groups will continue to meet regularly and will serve as the main mechanism for implementing and monitoring the UNDAF through:

- Selection of leading Agencies for each focus area of further collaboration
- Development of individual Thematic Group workplans with clear goals and objectives, to be integrated into the Annual Report and Workplan of the Resident Coordinator

Through the Thematic Groups, the United Nations System also will develop key indicators

to monitor the implementation of UNDAF and of ensuing joint and complementary programmes. The Thematic Groups will establish a linkage between the indicators established to measure UNDAF outputs and the contribution of these outputs to the achievement of the Millennium Development Goals.

Overall, the Annual Report and Workplan of the Resident Coordinator will serve as the primary means for reporting each year on UNDAF activities. The UNCT will be responsible for review and validation of the cooperation between Agencies on the UNDAF priority areas to ensure that individual Agencies' country programme documents reflect such objectives, as appropriate.

A joint mid-term evaluation by the Government of Indonesia, the United Nations System and other development partners will be conducted during the UNDAF cycle, synchronised as much as possible with Agencies' mid-term country programme reviews. Similarly, a joint end-of-cycle evaluation of the UNDAF will occur. Further thematic reviews with the GOI may be undertaken outside these fora to broaden common understanding and to recommend any necessary adjustments.

# I. Rationale

Human development is likely to improve when Governments, civil society, United Nations organisations and development partners concentrate their human and financial resources – and their efforts – toward realising a set of clearly articulated goals. Such ambitions are embodied in the eight Millennium Development Goals for 2015, which are universally accepted targets for improved quality of life for the Earth's 6 billion people. Each goal addresses an aspect of poverty reduction; multisectoral responses that tackle all goals simultaneously are required.<sup>1</sup>

To assist the Government of Indonesia (GOI) in meeting these global targets, the United Nations System will combine resources and better coordinate its efforts at the country level. In all of the above, it will promote increasing participation of the non-state sector, encouraging active public participation and partnership, and will pay particular attention to the social dimensions of adjustment. As part of these efforts, human rights will be prioritised, as these are about respect for the worth and dignity of all human beings and about fulfilling the possibility to develop one's human potential in an environment of equality, self-determination, peace and security.

The need for coordinated action is particularly important for a country such as Indonesia, which confronts enormous constraints and uncertainties – economic, political and social – in its current transformation. Democracy in the world's fourth most populous nation remains

fragile, undermining confidence in the economy. Struggles over access to opportunities, often rooted in poverty, erupt as ethnic or religious clashes. The political and social stability necessary for productive enterprise must be achieved, but a legacy of centralised governance, along with widespread corruption, has eroded faith in political leaders and national institutions. And without a functioning economy to offer adequate employment and incomes, the country may suffer unrest for years to come.

As part of the reform of the United Nations System, the Secretary-General called in 1997 for increased collaboration among agencies. The reform process also required the formulation of country-specific United Nations Development Assistance Frameworks (UNDAF) as a strategic tool for enhancing such collaboration and providing greater coherence to United Nations System efforts on behalf of national priorities. The UNDAF is thus the centrepiece of United Nations reform at the country level.

Not only does the UNDAF provide the framework for future collaboration with the GOI, civil society and other development partners, but it also is the result of a participatory, dynamic and continuous process that ensures learning from past performance. In particular, it merges GOI and United Nations System knowledge and builds upon the findings of the Common Country Assessment (CCA), which enabled the United Nations System to move toward a common understanding of

Indonesia's development achievements and priority challenges.

Based on the findings of the CCA, detailed in Section II, and on the competencies of the Agencies in Indonesia, the United Nations Country Team (UNCT) has identified five priority areas for common efforts during the four-year UNDAF cycle (2002-2005). [This cycle coincides with the harmonised country programmes of UNDP, UNICEF and UNFPA.] Reciprocal relationships among the five areas are particularly relevant and are therefore emphasised.

To achieve sustainable social and economic recovery in Indonesia, the Government and the people will be making difficult but necessary policy choices. Assistance to this formidable undertaking requires not only a commitment to the mission of safeguarding of human development, but also familiarity with local conditions, provision of expertise, and cooperative relations of trust. The United

Nations' unique diversity is the heart of its strength. Drawing on its long experience in Indonesia, and on its reputation as an "honest broker" for broadening the policy debate, the United Nations System will support the Government at the national, district and local levels to implement policies and initiatives that enhance the well-being of all Indonesians.

<sup>1</sup> The MDGs to be achieved by 2015 are: (1) Halve the proportion of people living in extreme poverty and suffering from hunger; (2) Achieve universal primary education; (3) Promote gender equality and empower women by eliminating gender disparities in primary and secondary education [by 2005] and at all levels of education by 2015; (4) Reduce under-5 mortality rates by two-thirds; (5) Reduce maternal mortality ratios by three-quarters; (6) Halt and begin to reverse the spread of HIV/AIDS, malaria and other major diseases; (7) Ensure environmental sustainability by integrating principles of sustainable development into policies and reversing the loss of environmental resources, halving the proportion of people without access to safe drinking water, and significantly improving the lives of slum dwellers; and (8) Develop a global partnership for development.



## II. Indonesia's Development Challenges and Strategies for Implementing International Development Goals

### 2.1 Human Development Challenges

Before the Asian crisis of 1997, Indonesia had made laudable strides in many aspects of human development, from steadily increasing life expectancy and access to basic infrastructure to steeply reducing consumption-based poverty and inequality. By 1996, the official proportion of people living in absolute poverty had fallen to 11.3% from some 60% barely two decades earlier, while per-capita GDP had grown at an annual average of 7% for nearly 30 years – one of the fastest economic growth rates in the world. However, the stunning depth of the financial crisis of the late 1990s<sup>2</sup> curbed, if not reversed, much of this progress.

For huge numbers of Indonesia's 208 million people, the human suffering associated with the Asian crisis has been extensive. Social and political systems have been fundamentally altered, and ecological degradation has become even more acute. Now, as the country attempts to recover from the catastrophic meltdown, it is in the midst of what has been described as a total systemic transformation, comparable to the United States and Europe after the Great Depression or the Soviet Union after the fall of the Berlin Wall.<sup>3</sup> Focussed on consolidating its democracy and rebuilding confidence in political institutions, the GOI must simultaneously strive to create a new macroeconomic environment – despite a GDP

growth that was expected to be less than 3.5% for 2001. It also must address the needs of the vast group of near-poor just above the poverty line, while substantially improving its achievements in health, education and other social services. Given Indonesia's pivotal role in Asia, finding an early resolution to its daunting economic, political and social problems is important for regional and global stability alike.

However, by 2002 reforms had slowed, political stability was fragile and the threat of social unrest remained. The massive capital flight of recent years had yet to reverse itself, corruption still flourished, and post-crisis progress on poverty reduction was at a standstill. Environmental degradation had become alarming, encompassing widespread deforestation, destruction of coastal wetlands and marine ecosystems, and deteriorating water quality and quantity. Clearly, these development challenges for Indonesia are inextricably interlinked, and as such require a common platform for United Nations response while allowing for flexibility by individual Agencies. The UNDAF represents that platform.

### 2.2 National Development Goals

Indonesia's State Policy Guidelines (GBHN) 1999-2004 encompasses the policy directives that form the guidelines for state administrators to promote development. The overall GBHN

goal is “the realisation of an Indonesian society that is peaceful, democratic, just, competitive, advanced and prosperous.”<sup>4</sup> Complementing the vision and mission incorporated within the GBHN, the five-year National Development Programme (*Program Pembangunan Nasional, Propenas*) for 2000-2004 has been determined by the President and the national Parliament (*Dewan Perwakilan Rakyat, DPR*).<sup>5</sup> Its five priorities are:

- Developing a democratic political system and maintaining national unity
- Realising the supremacy of law and good governance
- Accelerating economic recovery and strengthening the foundation of sustainable and fair development on the basis of the popular participatory/grassroots economic system
- Developing social welfare, increasing the quality of religious life, and strengthening cultural resilience
- Increasing regional development

Based on these national development goals and as a prelude to the UNDAF, the CCA for Indonesia found several people-centred development issues to be key to the common United Nations System response in support of the Government.<sup>6</sup> The CCA is intended to serve as a standard reference document for host governments and United Nations organisations with respect to progress and challenges in key areas, through measurement by core indicators. As identified by the CCA, the priority issues confronting Indonesia today are:

- **Governance and institutional reform**, described in the CCA as complicated by the difficulty of shaking off some of the more entrenched legacies of autocracy.
- **Sustainable and equitable recovery**. If future growth is to be rapid and consistent, it will have to be based not on a resurgence of Indonesia’s former economic structure, but on the emergence of a new one, the CCA found.

- **Social justice and poverty reduction**, where a fundamental flaw, according to the CCA, was that the communities that should be driving human development in Indonesia were disempowered.
- **Conflict resolution, reconciliation and response**. The CCA noted that the collapse of the New Order regime in 1998 had permitted many violent social conflicts to surface. For the purposes of the UNDAF, this area has been further refined to reflect the conflict prevention and peace-building dimensions and is known as **Conflict prevention, post-conflict recovery and peace-building**.

To these issues has been added the crosscutting area of **HIV/AIDS**, a pandemic that represents an economic, social and development issue of the highest priority and perhaps the single greatest threat to the well being of future generations. HIV/AIDS is no longer perceived as only a public health dilemma; global leaders now accept that it also undermines development around the world and affects all levels of society – national, community, family and individual. It interacts with all other UNDAF priorities and is likewise profoundly affected by them. In all, these five priorities comprise the core of an unparalleled opportunity to forge new practices that will endure in post-transition Indonesia, employing a strategic, integrated United Nations vision committed to assisting the GOI and civil society to advance human development.

Thus, the UNDAF has been formulated under the aegis of the national priority framework, as well as the complementary analysis of the CCA. For each of the five UNDAF priority areas the rights-based approach of the MDGs is relevant, and the first area, governance and institutional reform, constitutes an enabling environment for all MDGs throughout the archipelago. With regard to the interface of the United Nations System and the GOI, the National Planning Board, *Badan Perencanaan Pembangunan Nasional* (BAPPENAS), has been

designated as the Government focal point for UNDAF and has facilitated United Nations contact with other GOI agencies.

### **2.3 Country Strategies for Implementing International Development Goals**

The Indonesia Human Development Report 2001 focussed on a number of development challenges that intersect with areas of concern to global conferences, including the World Summit for Social Development, World Summit for Children, World Conference on Education for All, Fourth World Conference on Women and the International Conference for Population and Development. [Globally, Indonesia has a Human Development Index of 0.684, ranking it 110 out of 173 nations.]<sup>7</sup> While the GOI has been able to incorporate many international norms into its national plans, the challenge now is to regionalise these goals to Indonesia's more than 340 districts.

In support of Government initiatives, programmes and projects of the 19 members of the United Nations Country Team in Indonesia<sup>8</sup> also have included numerous efforts toward integrated follow-up to global conferences and commitment to the principles of the Millennium Declaration. The establishment in 1999 of the United Nations Support Facility for Indonesian Recovery (UNSFIR), for example, has been crucial in assisting the Government in exploring new approaches to a range of cross-sectoral policy areas, including social justice and poverty monitoring, state-civil society relations, and the external trade environment.

Sectorally, prime examples of collaboration in support of international conference goals can be found in the area of health, where the GOI and NGOs have strongly followed up the recommendations of the United Nations General Assembly Special Session (UNGASS) of 2001. This has been supported by the inter-

Agency Thematic Group on HIV/AIDS, which is chaired by WHO. Among other initiatives, UNDP, World Bank and UNSFIR have actively assisted the Government in developing an integrated approach to national poverty reduction efforts through the National Committee for Poverty Eradication, which has significant health implications. Quarterly coordination meetings on safe motherhood, jointly chaired by the GOI and WHO, have improved complementarity and national plans in the critical area of maternal and child health, where Indonesia still confronts extremely high mortality rates compared to neighbouring countries. Collaboration with the Government also has been reinforced between partners supporting reform of the water resources sector, including FAO, ADB, World Bank and EU. A monthly "Partners in Health" forum with the GOI that includes UNICEF, UNFPA, WHO, World Bank, ADB, AusAID, USAID and CIDA has increased collaboration on malaria, tuberculosis and health system issues. Finally, through a Working Group on Food Security, advocacy on food security concerns for the poor has been undertaken with the GOI by partners including WFP (chair), FAO, UNICEF, EU, World Bank and the U.S. Embassy in Indonesia.

These initiatives contribute toward all eight MDGs, from halving the proportion of people suffering from extreme poverty and hunger, to reducing the maternal mortality ratio by three-quarters and ensuring environmental sustainability. Innovations in basic health care and enabling social policies not only bring dramatic increases in life expectancy and sharp declines in under-5 mortality, for example, but better health also stimulates economic growth while reducing poverty. Through the CCA/UNDAF process, the United Nations System is committed to assist the Government in focussing on how best to effectively localise each Millennium Development Goal for the Indonesian context.

- <sup>2</sup> In 1998, the worst year of the crisis, the economy contracted by more than 13%, twice the drop of Thailand or Malaysia; financial and construction sectors alone contracted some 39%. Also see BPS-Statistics Indonesia et al. (2001:35-36).
- <sup>3</sup> An excellent examination of systemic reforms is contained in Mishra (2001a).
- <sup>4</sup> Also see Republic of Indonesia (2000:I-3).
- <sup>5</sup> Although the Propenas was enacted only at the end of 2000, the spirit contained within the GBHN 1999-2004 was considered to have been applied in the formulation of the national government budget 2000 (*Anggaran Pendapatan Dan Belanja Negara*, APBN). For a fuller explanation, also see Republic of Indonesia (2000:I-2).
- <sup>6</sup> The CCA, prepared in 2001, draws on insights from various assessments to jointly review and analyse the Indonesian development situation and assess national capacities. It contains a core common information database on a wide range of indicators relating to national priorities and needs.
- <sup>7</sup> The Human Development Index (HDI) comprises life expectancy at birth; the combined enrolment ratio in primary, secondary and tertiary education; GDP per capita in purchasing power parity dollars; and adult literacy.
- <sup>8</sup> These include UNMISSET, UNIC, OCHA, UNDP, UNHCR, UNICEF, UNFPA, WFP, UNAIDS, ILO, FAO, UNESCO, WHO, World Bank, IMF, ITU, UNIDO, ADB, IOM.

### III. Overall Goal of the UNDAF

It is a truism that the problems facing humanity are closely intertwined,<sup>9</sup> and that each tends to complicate the solution of one or more of the others. To take but one example, conflict and endemic disease tend to thrive in regions where people are poor and uneducated, but at the same time they act as powerful inhibitors of education and economic growth. This shows the vital importance of a coordinated strategy, tackling many problems simultaneously across a broad front and linking interventions to ongoing national reform.

The GBHN and Propenas documents of the GOI, as well as the United Nations System competencies, provide the overall framework for the goals, objectives and areas of cooperation of the Agencies in Indonesia. This framework enables United Nations System assistance to Indonesian authorities to further development initiatives that empower and expand access to resources for the poor. In addition to overall support for deepening of legal, institutional and economic reforms at the macro level in Indonesia, a multifaceted approach by the United Nations System will include strategies focussed on:

- Increased people's participation and reduced social isolation in decision-making and planning with regard to development, through effective decentralisation and community development and an enhanced role for civil society
- Improved risk management through anti-corruption initiatives, support to the rule of

law and judicial and security sector reforms, restored investor confidence, support to creation of an enabling environment for peace-building, and increased preventive health care

- Increased social development and access to social capital and resources, including skills, credit, information and technology, particularly for women and marginalised groups, and including improved multisectoral databases
- Increased environmental sustainability, through resource management, enhanced awareness and appropriate initiatives

The UNDAF objectives of governance and institutional reform; sustainable and equitable recovery; conflict prevention, post-conflict recovery and peace-building; social justice and poverty reduction, and HIV/AIDS are thus integrated through the following overarching UNDAF goal to which United Nations System activities are expected to contribute:

- **To support Indonesia in its transition to a decentralised socially just democracy with a broad-based, competitive market economy**

Democracy is no longer a historical privilege. In encompassing democracy as well as broad-based economic growth, the overarching UNDAF goal chosen for Indonesia is consistent with national priorities as well as the international development targets addressing

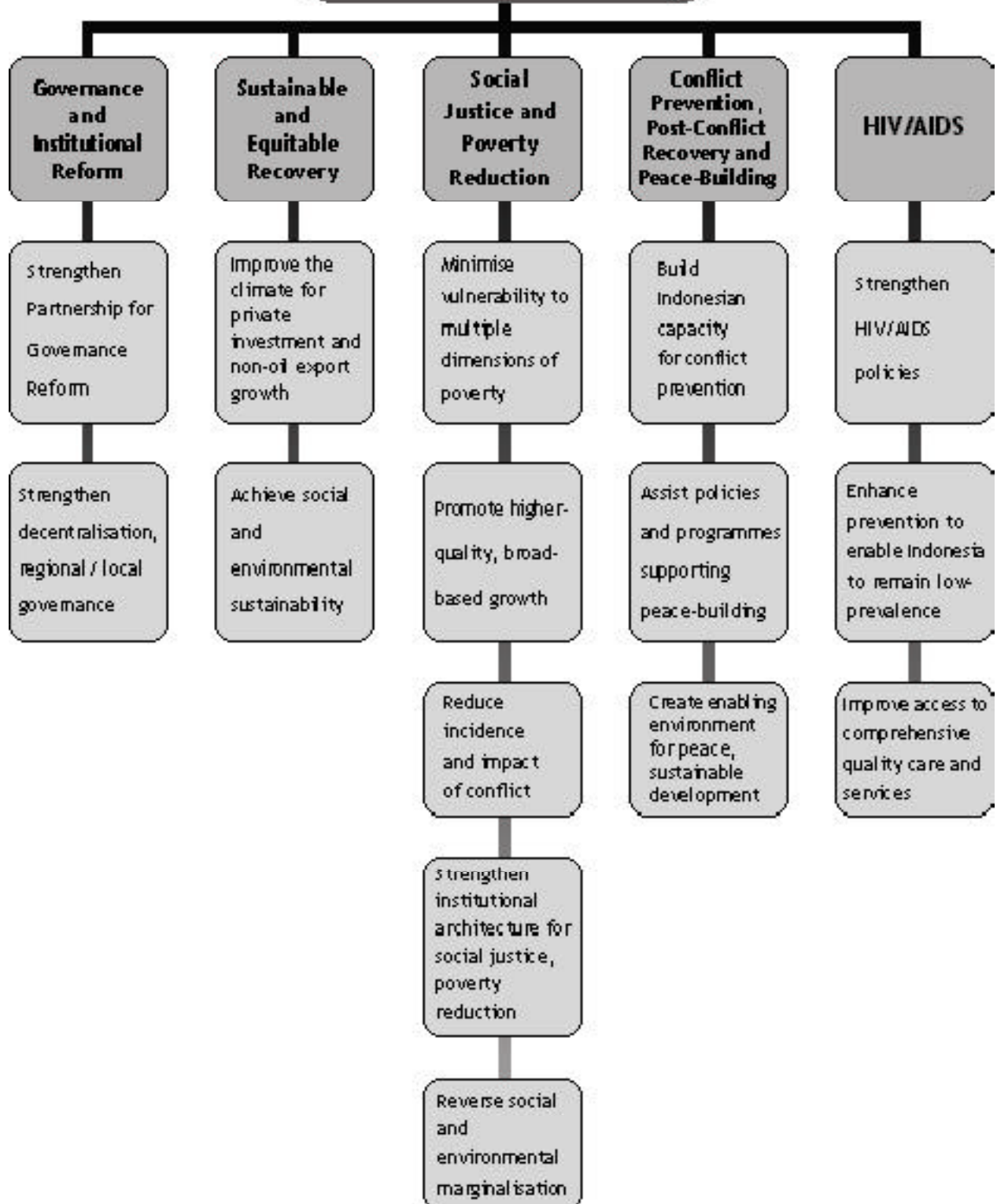
that most compelling of human desires – a world free of poverty and the misery that poverty breeds. Through this goal, each United Nations Agency will orient its country programming to address development concerns within the five inter-related objectives

outlined in Section IV. The Development Assistance Framework for the United Nations System in Indonesia is graphically portrayed in Table 3.1.

<sup>9</sup> United Nations (2001c:7).

**Table 3.1 Overall UNDAF Framework**

To support Indonesia in its transition to a decentralised socially just democracy with a broad-based, competitive market economy



## IV. Objectives and Focus Areas for Collaborative Action

Discussions with Government and development partners, as well as within the United Nations System, were conducted through the mechanism of five Thematic Groups to further refine each UNDAF priority into sub-objectives and strategic areas for collaborative action. These will be pursued in order to realise the overall UNDAF goal.

### 4.1 Governance and institutional reform

Turning the calamity of crisis into the lasting regeneration of economic growth, poverty reduction and social cohesion in Indonesia will require a participatory democratic governance system – founded firmly on the rule of law – and considerable devolution of power to local levels. Empowerment, cooperation, equity, sustainability and security are issues directly affecting the lives of the Indonesian poor and are dimensions of governance that will guide all United Nations System initiatives in support of national development goals. These are essential not only for giving voice to poor and marginalised groups, but also for winning back investor confidence following the 1997 crisis and for protecting the environment. Such issues require long-term, flexible interventions, carefully designed to involve the public sector, private sector and civil society alike.

The basic objective of the governance component of the UNDAF in Indonesia, as outlined in the CCA, is to “work toward a system of governance that respects the rights

of all its citizens and lays the foundations for a healthier and more stable democracy.” Strategies to be pursued in all areas for further collaboration, in cooperation with the Government, will include:

- Providing increased advisory support to assist in policy development, particularly through the Partnership for Governance Reform, and through increased consultation and coordination among donors
- Assisting in the promotion of non-corrupt and rights-based norms of behaviour by authorities
- Providing capacity development of institutions at the national, regional and local levels in support of reform initiatives, and developing instruments and approaches that embed good governance in a wide range of activities
- Providing advocacy and awareness building for key groups of actors at the national, regional and local levels

The GBHN state policy guidelines, as well as the Propenas five-year document, all point to the centrality of governance reform relative to other challenges. Indeed, all five thematic concerns of this UNDAF are premised on good governance as the enabling environment for reform. Through direct and indirect engagement with governance issues in Indonesia, other issues to be advanced include gender equity; the rights of children; quality education and health services; social security;



industrial relations; adequate standards of living and working conditions, including access to food, water, decent housing and adequate income; and human security.

In particular, issues in governance and conflict are intricately related in Indonesia. Support to governance factors such as participatory decision-making, established rule of law, security sector reform and strengthening of civil society and public administration will have implications for reducing the outbreak of violent conflict. [See also Section 4.4, **Conflict prevention, post-conflict recovery and peace-building.**]

Throughout, support will be provided so that women play an increasingly vital role in governance reform and become better represented in public life. About 10% of parliamentarians are female, and while women constitute 35% of civil servants, only 4% are in the highest two echelons. Just 2% of village heads are women. Through joint advocacy, the United Nations will support the Government in expanding women's roles in public decision-making.

Action will be supported at the national level on constitutional, parliamentary, legal and judicial reforms, civil service reforms, improvements in public financial management and public procurement, and better management of the decentralisation programme. In addition, because of decentralisation a paradigm shift in governance is taking place at the regional and local levels. The United Nations System will assist the GOI in implementing decentralisation and sound public financial management at the regional and local levels through Laws 22 and 25 of 1999, in order for the Government to be more accountable to the people and responsive to their needs. Particular focus will be given to fiduciary controls.

Decentralisation also poses a major challenge for effective management of natural resources. Many local governments lack critical capacities, which may result in increased environmental degradation. The United Nations System will

provide support to effective environmental management in local governance.

Real and responsible regional and local autonomy will be encouraged by the United Nations System in accordance with principles of good governance as an urgent need and key prerequisite to restore the faith of the people in the agencies of Government. This likewise is relevant to poverty reduction: United Nations support to the establishment of a *negara hukum* (state based on the rule of law) will lead to a legally sanctioned structure of decentralised governance within which community-based organisations then can play a role. [See also Section 4.3, **Social justice and poverty reduction.**] Through good governance, the United Nations System will encourage all relevant stakeholders to exercise their capabilities to the full in order to improve overall living conditions.

The United Nations System will not only support the GOI in the institutionalisation of the rule of law, but also in encouraging rule by good laws whose substance and contents protect and promote people's rights. Thus, there is collective commitment to infusing a strong normative element in the process of governance reforms – helping to define objectives, set standards and monitor compliance – by focussing on procedures that respect principles of good governance and substantive issues that reflect the rights and aspirations of the people. As part of a normative approach to governance reforms, the United Nations System will determine jointly with Government the MDGs and international conference commitments that are most relevant in the Indonesian context. It also will reinforce joint social mobilisation and advocacy to encourage actions required to support the GOI in its follow-up to global conferences.

Two UNDAF sub-objectives, as detailed in Table 4.1, have been identified on which United Nations System support to governance reform efforts will rest:

- **Strengthen national institutions and initiatives directly related to governance reform, specifically, the Partnership for Governance Reform**
- **Strengthen support to decentralisation and regional/local governance**

The first sub-objective represents a specific mechanism for working with Government, civil society organisations, the private sector and international donors in Indonesia to further governance reform. Under the second sub-objective, the collective effort of the United Nations System will contribute toward promoting not only institutional strengthening but also greater participation in decision-making processes by the least advantaged, including women. It will further support enhancing the effectiveness and efficiency of services delivery as a result of community management, and will assist the Government in ensuring more transparent and accountable governance in the regions and locally. The Thematic Group on Governance will establish a knowledge network for developing indicators to identify, monitor and evaluate progress and outcomes for both sub-objectives and will maintain a shared database.

### ***Strengthen Partnership for Governance Reform***

The establishment in 1999 of the Partnership for Governance Reform by interested Indonesians, the World Bank, UNDP, the Asian Development Bank and bilateral donors represented an important milestone toward realising the goal of establishing a global partnership for development. Included in the Millennium Development Goals and targeted at a rules-based trading and financial system, such a partnership includes a commitment to good governance, development and poverty reduction.

The Partnership for Governance Reform is a unique alliance able to articulate the views of

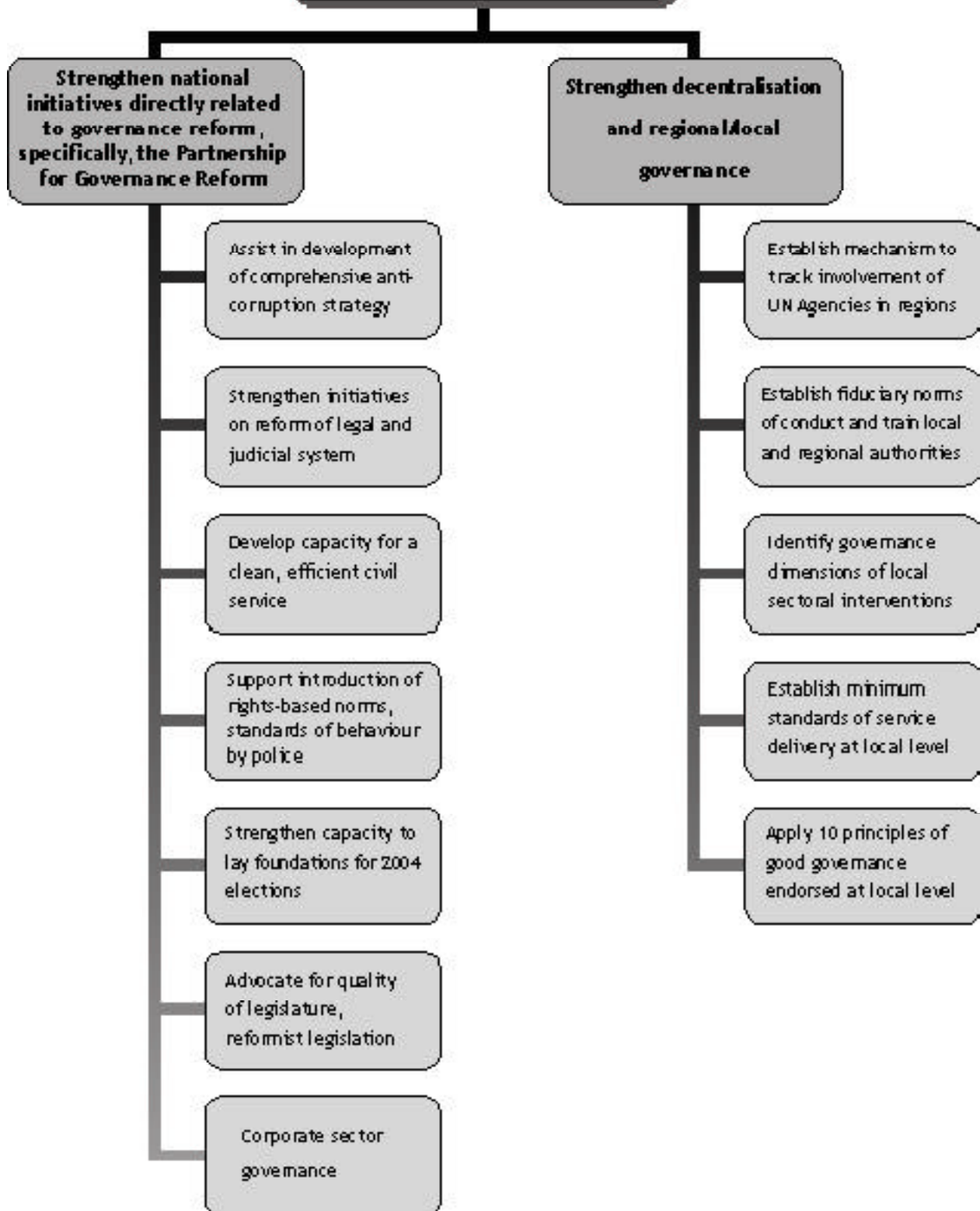
different segments of Indonesian society and Government, as well as the international community. It aims to provide policy advice to the Government in the development and direction of reform priorities and to ensure national ownership of the reform agenda, through implementation and management of specific projects.

All United Nations Agencies have an interest in the success of governance reforms, which directly impact specialised programme initiatives in Indonesia. Under the UNDAF, one outcome will be the increased involvement of more United Nations Agencies in the work being conducted through the Partnership for Governance Reform.

Governance reforms aimed at reducing corruption among public officials will of necessity have an impact on poverty, because the poor are further impoverished by the premium they are forced to pay for public goods and services. United Nations System assistance will focus on supporting efforts to enable the Government to implement a comprehensive anti-corruption strategy, particularly through the Partnership for Governance Reform. Already a national survey on forms and prevalence of corruption in the country has provided important objective data; this will be supplemented by a complementary further national analysis to be undertaken on the costs and impact of corruption on the poor. [See also Section 4.3, **Social justice and poverty reduction.**]

Perhaps the preeminent critical area for strengthening the foundation of Indonesia's nascent democracy and helping win back investor confidence is reform of the legal and judicial system. Courts were long co-opted as an arm of the executive branch, and impartiality was abandoned as an ethic of institutionalised corruption, collusion and nepotism held sway. The United Nations System will assist the development of stronger legal and judicial institutions through support to the National

**Table 4.1  
Governance and Institutional Reform**



Law Commission and other reformist institutions, such as the Ombudsman Commission and the prospective Commission on Corruption.

At the same time, progress on civil service reforms, committed to by the Government in September 2000, will be essential to replace the ethic of corruption. The United Nations System will promote changes in mindsets appropriate to a civil service in a democratic, decentralised administration through support for capacity development of civil service personnel and joint advocacy against corrupt practices. This agenda also is connected to the focus on decentralisation, since many civil servants are being transferred to regional and district institutions.

As a special part of the civil service, the police force has daily contact with the people, as well as the authority and means for use of force. Through the Partnership for Governance Reform, the United Nations System will support development of a credible, effective police force trusted by the public and focussed on its constitutional and legally defined tasks. Assistance will be provided to the Partnership's forum to set rights-based norms and standards of behaviour for a people-friendly police force.

The United Nations System also will support the GOI in electoral reform and integrity of electoral management. Assistance will be channelled through a UNDP Trust Fund, designated for that purpose, to strengthen the capacity of the recently constituted National Election Commission (KPU) and other stakeholders to lay the foundation for implementing the 2004 elections in accordance with international standards.

The United Nations likewise will assist the GOI through an appropriate UNDP Trust Fund in development of a national legislature to better represent the interests of citizens, enactment of reformist legislation and establishment of a 'watchdog' for democratic public policy and action. Joint advocacy for procedural reforms

to improve the quality of representation in the House of People's Representatives (DPR), as well as an expected initiative in the People's Consultative Assembly, will be undertaken. In the area of legislation, particular focus will be on assistance to the formulation of laws on broadcasting, labour policies and practices, social security reforms, domestic/sexual violence and crimes against vulnerable workers.

### ***Strengthen support to decentralisation and regional/local governance***

Decentralisation and regional/local governance are crosscutting issues for the United Nations System in that they directly affect the primary foci of the United Nations in Indonesia, including public health; education and culture; labour rights and standards; children; population; agriculture; local industrial enterprises; HIV/AIDS prevention and care; deployment of volunteers; food security; protection of IDPs and refugees; and plans for loans to selected regional governments.

Under the GOI's programme to accord greater autonomy to the provinces and districts, a representative local decision-making machinery – uncontrolled by local elites – must be assured, in addition to a robust civil society and a free media as levers for change. The United Nations System will assist the Government in undertaking the following with regard to regional and local governance capacity building:

- Establishment of a mechanism to track the involvement of different United Nations Agencies in different regions of Indonesia, in order to seek synergy and complementarities and avoid duplication
- Establishment of fiduciary norms of conduct for programmes and projects using external assistance and training for local and regional government counterparts in adherence to those norms and standards
- Identification of the governance dimensions of sectoral interventions at the local level

(e.g., health, education, income and employment generation, conflict prevention) and relating them to capacity building and institutional reform needs

- Establishment of minimum standards for delivery of services by local government counterparts through facilitation of participatory means for establishing consensus on such standards
- Identification of and support to mechanisms for applying the 10 principles of good governance that have been adopted by representative bodies of local government institutions<sup>10</sup>

Through all the approaches outlined above, the United Nations System will assist public sector officials in becoming more responsive and accountable to citizens, and especially more cognisant of the needs of the poor. At the same time, the United Nations System will assist the Government to ensure that agencies of civil society – political parties, the media, the business community, trade unions, universities and others – will constitute a more essential part of the legitimising force of democratic governance. Governance in Indonesia will thus become more fluid, dynamic and extensively networked, an imperative in the globalised world.

## **4.2 Sustainable and equitable recovery**

In recent months, Indonesia has made considerable progress in economic stabilisation. For the first time since the crisis, the exchange rate has not depreciated for almost six months and has even appreciated somewhat; interest rates have started to decline; the inflation outlook seems promising, thanks to prudent monetary management by Bank Indonesia; the stock exchange has shown signs of life, rising by 35 percent since January; spreads on Indonesia's yankee bonds have declined quite impressively; and the IMF program remains on track.

These promising macroeconomic developments notwithstanding, however, the economic recovery remains fragile. In particular, output growth and employment expansion are slowing. GDP growth may have held up better in Indonesia than in most neighboring countries, but it slowed markedly throughout 2001 and was below expectations in the first quarter of 2002. Non-oil export earnings have continued to cause concern, there have been few signs of recovery in investor confidence, and capital continues to flee the country in significant amounts. Not surprisingly, real wages in agriculture and in the informal urban sector stagnated in 2001 and early 2002, suggesting that the declining trend in the poverty rate witnessed in 2000 may have slowed, or even stopped.

Sustaining rapid recovery that brings improvements in standards of living to all segments of the population remains the central economic challenge confronting Indonesia. Given current trends, the nation's growth prospects continue to have worrying implications for poverty and social stability. Growth is an important prerequisite for poverty reduction. It brings with it increased employment, generates the resources necessary for investment in human capital, and encourages shifts in the structure of the economy toward higher-productivity activities.

But expectations for rapid recovery and growth need to be kept modest. The Government's crippling debt burden will not allow it to stimulate economic recovery through fiscal expansion. And private consumption, which held up well during the crisis, cannot be expected to continue sustaining the recovery for much longer without underlying increases in productive capacity.

At the same time, however, a recovering world economy should help reverse the decline in non-oil exports, although this alone is not going to place the Indonesian economy on a sustainable path of rapid, equitable growth. It

will need to be accompanied by increased private investment if the economy is to gain some forward traction. But for private investment and non-oil exports to grow rapidly will require significant improvements in Indonesia's investment climate, including:

- Continued macroeconomic stability
- Better governance [see also Section 4.1, **Governance and institutional reform**]
- Reduction in the overhang of public and private debt
- Restructuring and recapitalisation of the banking system, with adequately enforced prudential safeguards
- Responsible corporate behaviour within an internationally accepted framework of good corporate governance
- Sound competition policies, together with protection of intellectual property rights
- Better access to markets and other information using new technologies

While the level of growth is important, it is the pattern of growth that will determine its sustainability. The more equitable the growth, the more widely will the fruits of economic expansion be distributed, especially to the poor, and the greater will be the likelihood of social stability. An environmentally sustainable pattern of growth will mean that development will not come at the expense of Indonesia's valuable natural assets — forests, marine life, air and water — or damage their future productive potential. These are multidimensional challenges and will need multidimensional solutions if they are to withstand the test of time. They will require profound change in the entire policy, regulatory and institutional foundations of the country, which the United Nations System can assist.

Most United Nations Agencies, as noted in the CCA, “will be concerned directly or indirectly with policy advice in this area – securing for Indonesia the support and information that can help promote sustainable and equitable human

development.” The two sub-objectives for this UNDAF priority, illustrated by Table 4.2, thus are:

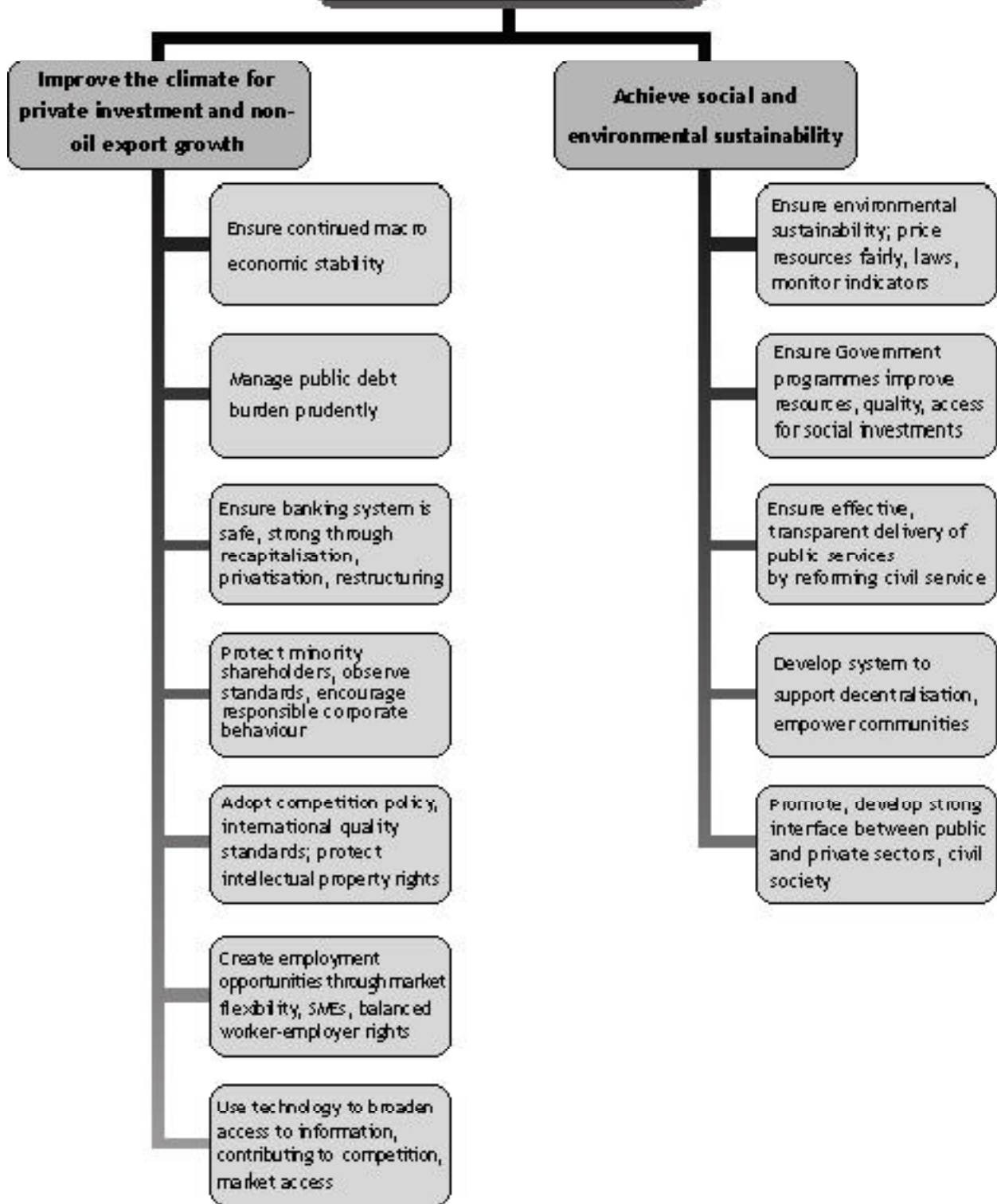
- **Improve the climate for growth in private investment and non-oil exports**
- **Achieve social and environmental sustainability**

### *Investment climate*

Private investors are deterred by uncertainty — in the returns they expect to earn from their investments; in the systems used to resolve disputes with other parties; in their expected obligations to the state, including tax payments; in the availability of credit and foreign exchange; in their relations with labor unions, and in the rules that govern corporate behavior in the marketplace. In the aftermath of the crisis in Indonesia, these uncertainties have climbed to the point where they have become serious impediments to private investment. The challenge is to develop systems and processes that reduce such uncertainties so that private investment can rebound to the levels that the country enjoyed before the crisis.

A starting point occurs with the fiscal position of the Government itself. Indonesia's high level of Government debt and debt service was a product of past instability, but has now become a cause of instability as well. High indebtedness renders the Government highly vulnerable to shocks, limits its ability to respond, and leaves little margin for error in policies. Such concerns about the viability of Government finances exert a strong negative influence on investor confidence. Assisting the GOI to bring Government debt and debt service down to manageable levels will mean helping to keep interest rates and inflation low, minimizing new Government borrowing and seeking the best possible terms, accelerating asset recovery, managing contingent liabilities carefully and rescheduling debt service, where possible, under internationally accepted rules.

**Table 4.2**  
**Sustainable and Equitable Recovery**



The investment climate also will improve significantly if the Government is encouraged to succeed in completing the restructuring of the banking system, including privatizing nationalised and state-owned banks, and providing quality supervision to ensure the banking system is sound, safe and efficient. The recapitalisation of the banking system is virtually complete, but there remains a daunting challenge of transferring substantial amounts of remaining loans and other assets back to the private sector. Because of progress thus far in bank restructuring, new credits have begun to flow to private sector borrowers for the first time in four years. Nevertheless, converting this trickle into a steady stream calls for United Nations System assistance to further progress in bank restructuring and improved central bank supervision of prudential standards.

Likewise, encouraging good corporate governance — not just in banks, but also among corporations — is essential for investor confidence. The National Committee on Corporate Governance has drafted a Code of Good Corporate Governance that has been disseminated widely to the business community. United Nations System support will be given to work already underway to improve accounting, auditing and transparency standards, as well as to develop institutions that promote responsible corporate behavior, including toward minority shareholders.

Progress also is being made on implementing and enforcing competition policy as well as intellectual property rights and will be supported by the United Nations System. The Government now has plans to prepare a Review of Standards and Codes in corporate governance and to upgrade the listing rules of the Jakarta Stock Exchange.

Finally, the United Nations System will assist the Government in developing the legal and regulatory framework to broaden access to markets and other information using the latest information technologies. The GOI has

recognised that Information and Communications Technology (ICT) is critical for balanced national development, competitiveness and national cohesion. A national ICT policy and strategy will effectively harness the potential of ICT for development. Policy makers will be encouraged to promote an enabling policy and regulatory environment for ICT development and overcome the lack of e-commerce legislation and regulations, critical to assure the security of legal and financial transactions conducted over the Internet. Support also will be given to formulation of appropriate taxation and customs policies in Indonesia to determine prices for hardware and software products and services and thus their affordability and usage.

### ***Social and environmental sustainability***

Strategic areas for further collaboration under the second sub-objective, **Achieve social and environmental sustainability**, have strong linkages to components highlighted under other objectives, but bear mentioning here precisely because of those critical interlinkages. To be socially sustainable, growth must be broad-based and benefit the poor, and to be environmentally sustainable, growth cannot come at the cost of environmental degradation. Assistance to creation of flexible labor markets, together with emphasis on small and medium enterprise (SME) development, will generate a more broad-based pattern of overall development — especially if there arises a healthy interaction among the Government, the private sector and civil society.

Emphasis will be given to continued agricultural productivity increases and the encouragement of SMEs, especially in rural areas. Rural development also will need, among other things, assistance to developing rural infrastructure (roads, water supply, electrification) and active market-oriented policies to assist smallholder farming, supported



by strengthened agricultural research and extension. Development of SMEs, for its part, will require advocacy for revision or elimination of laws, rules and regulations — many at the local level — that impose high fixed costs on small businesses. To assist in providing SMEs with access to finance, programmes will be supported to strengthen financial institutions that specialise in lending to small businesses, improve supervision and support of small financial institutions involved in microfinance, and form private sector credit bureaus that gather and provide information on SME credit risks.

At the same time, ensuring public service delivery to the poor in a decentralised setting will need more than increased funding alone. Emphasis in public resource allocation will be encouraged toward pro-poor priorities such as primary health care, access to clean water, good drainage and basic education, especially for girls. In addition, because service delivery is now largely decentralised it requires support to appropriate institutional arrangements that govern the roles and accountability of the center and regional governments, as well as empowering the poor so that they have a voice in ensuring sufficient, effective implementation. Steps toward more consultation with, and participation of, the poor will be supported at every level of decision-making on programmes that benefit the poor.

Nevertheless, ensuring effective public service delivery to the poor will prove very difficult without support to changes in the way the civil service is managed, paid and motivated. United Nations System support will be given for Government clarification in how it intends to build a civil service that is professional, efficient, productive, transparent and free of corruption, collusion and nepotism. [See also Section 4.1, **Governance and institutional reform**, and Section 4.3, **Social justice and poverty reduction**.]

Finally, sound natural resource management will be critical for ensuring that Indonesia's recovery

is environmentally sustainable. Indonesia's environment was already in trouble before the crisis and has continued to deteriorate since. Many see the situation; few seem to recognise its urgency. Support will be given to policies that ensure the sustainable use of natural resources so future generations are not hurt by this generation's neglect. The United Nations System will encourage the GOI to tax, not subsidise, activities that harm the environment. (Until recently, very high export taxes lowered the domestic price of forest products, making it relatively more attractive to convert forest lands to other uses. Similarly, fuel subsidies place a low value on clean air, and the low price of clean water from public providers encourages waste and discourages private investment.) Urgent action also will be encouraged in key environmental areas, including an immediate stop to illegal logging and a moratorium on new conversion of forest lands. In this context, it also will be valuable to redress past injustices in land allocation and promote a more equitable distribution of forest production benefits either as timber management rights or production shares, or access to other forest products. Attention to the rights, traditional social practices, and adat law of traditional forest dwellers, is particularly important in this context. [See also Section 4.3, **Social justice and poverty reduction**].

### **4.3 Social justice and poverty reduction**

Most Indonesians continue to experience a wide range of deprivations, including a high vulnerability to poverty in all its forms, and to struggle for the basic rights of human dignity, equality and equity. Indeed, more than half of all Indonesians are likely to experience an episode of poverty every three years.<sup>11</sup> This reflects the fact that even households normally above the official poverty line are likely to fall below it at some point because of specific income-related or other "shocks," such as a

debilitating illness of the primary earner.

It is for this reason that following the establishment of a new poverty reduction agency by presidential decree, the Government has moved rapidly to announce its intention to mainstream poverty reduction across a wide range of government programmes funded in the 2003 budget. The National Committee for Poverty Reduction, supported jointly by the Coordinating Ministries of Social Welfare and that of the Economy, is charged with preparing a medium term poverty reduction strategy. This strategy is expected to integrate in its analytical framework both income and non-income or access related poverty variables.

It is also expected to pay particular attention to issues of voice and participation of the poor in the design and monitoring of poverty reduction projects. The Government, however, recognises that particular emphasis has to be placed on the establishment of a monitoring and evaluation research capability if poverty projects are to be both efficient and cost effective. This is also needed to underpin informed public discussion of performance of poverty reduction programmes.

Social protection measures are the hallmarks of any humane and democratic society, and the United Nations System will assist the Government to ensure that these are moved forward in Indonesia. The objective will be to reduce poverty by expanding choices for the poor, and promoting their full participation in the development of the country. Indonesians must find new and creative ways of fulfilling economic and social rights, and of ensuring that the benefits of development are equitably distributed, between income groups, between women and men, and across every part of the country, as the CCA declared. Particularly for people living in resource-rich areas whose welfare status is not above – or is even below – the national average, the sense of injustice can become a trigger for conflict. In particular, a concentrated effort will be undertaken by the

United Nations System to develop and improve social protection and social security reforms.

The United Nations System will concentrate its poverty reduction efforts in the poorest areas of Indonesia and will support the development of national, regional and local policy initiatives that positively influence the lives of the poor. The specific cultural and socio-economic situations of indigenous peoples will be respected and addressed where appropriate in these strategies targeting the poor. The United Nations System will facilitate the promotion of a national social summit – including the poor – to define nationally agreed upon guidelines for social development, entitlements for each region, and a necessary plan of action.

Although women's work is concentrated in the low-skill, low-paid or undervalued employment sectors, women contribute a large percentage of agricultural work and economic earnings in addition to their traditional roles of caregivers and homemakers. In support of national goals, the United Nations System will give special emphasis to the fact that women are integral in helping to raise themselves and their families out of poverty.

Assistance to support the Government in addressing the challenges of social justice and poverty reduction in Indonesia will occur through a three-way approach:

- Promotion of an enabling environment through poor-sensitive policies and agreed standards of poverty reduction
- Promotion of livelihoods for the poor by ensuring access to productive assets, employment, income-generating opportunities and credit
- Support to the mobilisation and organisation of the poor to facilitate full participation in development planning and implementation

Success in meeting these objectives in Indonesia depends largely on good governance, including

such core functions as macroeconomic policy, law enforcement, education, infrastructure and public health. Decentralisation may assist in enhancing more effective poverty reduction by bringing the Government closer to the people. Nonetheless, decentralisation by itself is not enough: to bring about real change, the free flow of information must be supported, a voice given to the poor to combat their sense of powerlessness, and decision-makers assisted in becoming accountable. Likewise, economic growth in and of itself is very important to reduce poverty in Indonesia – but if gains favour the social elites, even rapid growth, if achieved again, will not help the poor. Finally, delivery of public services related to education, health and nutrition will not ease the plight of the Indonesian poor unless large gaps in quality and access are reduced.

The United Nations System commits itself to reducing inequalities on behalf of Indonesia's millions of poor through five sub-objectives, as shown in Table 4.3. These sub-objectives balance policy and analysis, advocacy and material support for specific programmes and projects, reflecting both issues of social justice and of poverty reduction.

The former encompass questions related to equitable growth over regions and ethnic groups across Indonesia, the marginalisation of particular social groups from the productive process, violent social conflict targeted at specific minorities and the promotion of a rights-based stance on poverty reduction. The latter, meanwhile, relate to minimising vulnerability to poverty, containing the impact of violent conflict and improving the institutional architecture for policy formulation and implementation of poverty reduction programmes.

The Thematic Group on Social Justice and Poverty Reduction will further develop mechanisms to implement, monitor and evaluate the sub-objectives, which are:

- **Minimise vulnerability to multiple dimensions of poverty**
- **Promote higher-quality, broad-based growth**
- **Reduce incidence and impact of conflict**
- **Strengthen the institutional architecture for social justice and poverty reduction in Government's support of the MDGs**
- **Reverse social and environmental marginalisation**

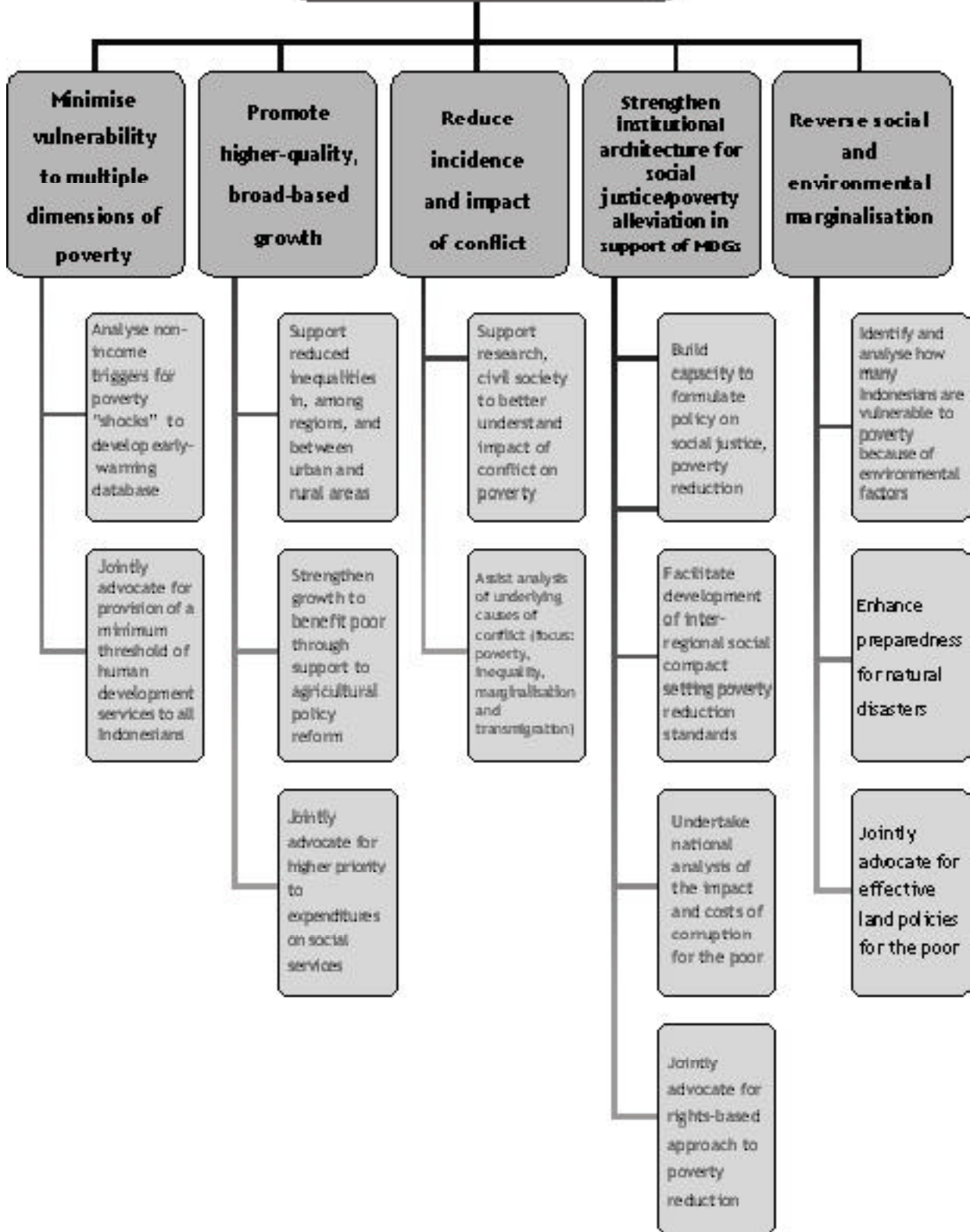
### ***Vulnerability to poverty***

Vulnerability to poverty encompasses more than half of all Indonesians, as opposed to the much narrower slice of the “poorest of the poor,” and requires an approach that focusses on broad development policy issues rather than simply targeted programmes.

Under **Minimise vulnerability to multiple dimensions of poverty**, the United Nations System, will provide support to analyse non-income variables that are triggers for poverty “shocks,” such as an unexpected illness or a collapse in the price of key products. As a result of such shocks, typical coping mechanisms include selling of assets, cutting of less essential expenses, reducing the intake of micronutrient-rich food, migrating to rural areas or overseas, eking out an existence in the informal sector, and withdrawing children from school – all areas where significant assistance is vital. The United Nations System will support the Government in developing an early warning database for these triggers and effective interventions to combat such triggers.

In addition, the United Nations System will provide direct assistance to the most vulnerable groups and jointly advocate for provision of a minimum threshold of basic social services to all Indonesians. Such a minimum would include not only education and health, particularly for girls and women, but also nutrition and access to shelter of acceptable quality. These are rooted

**Table 4.3**  
**Social Justice and Poverty Reduction**



in the rights-based entitlements that form the essence of democracy, particularly in relation to the obligatory functions and minimum service standards needed for decentralisation and regional autonomy.

Already, the GOI is working on this at the national level as required in Laws 22 and 25 of 1999, and the United Nations System will provide assistance to strengthen these efforts. Public spending in Indonesia on both education and health has fallen both as a share of total Government expenditures and as a share of GDP. In 2001 alone, it was expected that development expenditures on education and health were likely to decline by 26% and 39% in real terms relative to 2000.

In the health sector the GOI's expenditure represents 1.6% of GDP in 1998/9, compared with 5.5% on average among developing countries worldwide. Increasing the contribution to health from its 1998/9 level of US\$8 to US\$34 per person would pay for a minimally adequate level of basic health services.<sup>12</sup>

### ***Broad-based growth***

Concern for equity and basic rights provides a platform for containing rising economic inequality in Indonesia through proactive public expenditure policies such as those delineated above. It also highlights the need to focus on the quality as well as the quantity of growth, helping to make it more environmentally and socially acceptable and sensitive to local cultural frameworks. The second sub-objective, **Promote higher-quality, broad-based growth**, links closely to the first but is differentiated by its emphasis on the idea that a different form of economic growth is imperative during this transition.

Essential to this sub-objective are outcomes of reducing inequalities, including among regions and between urban and rural areas, and renewing intensive, employment-friendly

growth to benefit the poor, especially women. Most of the Indonesian poor are farmers or rural inhabitants, and even for urban dwellers, agriculture became the last resort for employment during the Asian crisis. Overall, the United Nations will provide policy support to the Government to accord higher priority to more effective use of social expenditures. One particular area of intervention will be to support agricultural policy reform and institutional strengthening.

### ***Impact of conflict***

Perhaps in no way do the poor suffer more than during a conflict situation, where their vulnerability, lack of opportunities and formal powerlessness come to the forefront. In Section 4.4, **Conflict prevention, post-conflict recovery and peace-building**, these linkages will be made more explicit. It also should be noted that a variety of social conflicts have arisen from past Governments' assignment of land rights and will require new initiatives for resolution. For the sub-objective **Reduce incidence and impact of conflict**, the United Nations System will assist the Government in achieving a better understanding of the impact of conflict on poverty through support to research capacity and strengthening of civil society organisations. It also will assist in undertaking a joint analysis of the root causes of conflict in terms of poverty, inequality, marginalisation and transmigration, so as to lead to early action.

### ***Institutional architecture***

In Indonesia, the institutional architecture for social justice and poverty reduction remains in need of significant strengthening. The United Nations System will provide assistance to build policy capacity for social justice and poverty reduction that will directly benefit the foundations of Indonesia's new democracy, creating a secure base on which the reform of economic institutions also can be sustained. It

will likewise facilitate the development of an inter-regional social compact that sets agreed standards for poverty reduction.

Complementing the studies of corruption in Indonesia undertaken by the Partnership for Governance Reform [see also Section 4.1, **Governance and institutional reform**], and as part of the United Nations System's joint anti-corruption efforts, United Nations Agencies also will facilitate a new national analysis of the costs and impact of corruption on the poor.

In a broader context, United Nations Agencies will jointly advocate the adoption of a rights-based approach to poverty reduction to help secure the well being and dignity of all Indonesians, particularly women, promoting core values that the United Nations finds non-negotiable.

### ***Social and environmental marginalisation***

Closely linked to the social marginalisation the Indonesian poor already suffer is the continuing environmental degradation that threatens the nation as well as the planet. The United Nations System will assist the Government in identifying and analysing how many Indonesians are vulnerable to poverty because of environmental factors. Unsustainable environmental practices also often lead to natural disasters such as floods, in Indonesia as elsewhere; interventions will assist the Government in enhancing preparedness for natural disasters. Finally, if the poor have a critical asset, it is land. Support to further reform of land administration and policy, including land registration, will have a major impact on poverty reduction in Indonesia. The United Nations System will jointly advocate for effective land policies, including changes in land allocation, and reduction of soil degradation.

Poverty in all its forms is the greatest challenge to the international community at large, and thus

the United Nations System. A new commitment to social justice and poverty reduction in Indonesia, and to the Millennium Development Goals, requires hard hits at both poverty and lack of entitlements in order to have a stable and peaceful country. What a country invests in basic social services, including health and education, particularly for girls, signals its commitment to long-term development. Thus, no effort must be spared to free men, women and children alike from the dehumanising conditions of social injustice and poverty – and to make the right to development a reality for all Indonesians.

### **4.4 Conflict prevention, post-conflict recovery and peace-building**

Most conflicts in the latter part of the 20<sup>th</sup> Century were within, rather than between, nations; the poor were affected most, whether as victims or participants. Developing countries such as Indonesia, however, have fewer economic and political resources with which to contain or resolve conflicts.

What this means, ultimately, is that every step taken toward reducing poverty and achieving broad-based economic growth can be a step toward conflict prevention. Too often, neglect of development needs leads to new conflicts and humanitarian catastrophes; likewise, conflicts that have reached a peaceful settlement may arise again unless underlying causes are removed.

Development efforts should be used strategically, not just to prevent and settle conflicts, but also to consolidate peace when settlement has been reached. In so doing, strategies addressing such issues as those at the base of all peace-building – governance, justice, poverty, environment – must also be developed through the “lens” of peace-building, recognising that dialogue can triumph over discord and that diversity is a universal virtue.

For Indonesia, this is an innovative and challenging concept. As noted in the CCA, the country is struggling to fulfil its national motto, “Unity in diversity,” while coping with an eruption of social conflict and attempting to stave off future violence. There has been a rapid rise in violent conflicts in Indonesia in the years since the 1997 financial crisis that touched off the country’s multifaceted transformation.

These conflicts have had pronounced effects on the political, economic and social fabric of many communities. They also have heightened the challenges Indonesia faces at this time of transformation and reform. The causes of these conflicts are diverse and involve complex interrelationships between a range of factors, including weak or ineffective governance, migration, and distribution of and access to resources, among others.

Without effective democratic channels of representation, many people have expressed their frustrations in other ways, in communal conflicts or rebellions against the central Government. In addition to the link between containment of social conflict and overarching political stability, such conflict has significant economic costs. In Aceh and Maluku, for example, the GOI estimates that the economic impact of social unrest has been considerable; in the latter province, the GDP fell by 26.9% even as the national economy registered slightly positive growth.

The frameworks for action on this priority within the United Nations System, in addition to the overall UNDAF objective, include the following statement by the Secretary-General to the United Nations Security Council, June 2001, on the prevention of armed conflict:

*“The role of the United Nations is principally to assist national Governments and their local counterparts in finding solutions to their problems by offering support for the development of national and regional capacities for early warning, conflict prevention and long-term peace-building.”*

Likewise, the statement of the President of the Security Council on the adoption of Resolution 1325 of the Security Council, 31 October 2001, is relevant to the critical role of women in peace and security issues:

*“The Security Council reaffirms its commitment to the implementation of its Resolution 1325 (2000) of 31 October 2000 and welcomes the efforts by the United Nations System, Member States, civil society organisations and other relevant actors in promoting the equal participation and full involvement of women in the maintenance and promotion of peace and security and in implementing the provisions of Resolution 1325 (2000).”*

Finally, in the CCA for Indonesia the United Nations System has declared that “the minimisation of violent conflict, and the articulation of post-conflict recovery action into longer-term peace-building within the development process,” is central to the nation’s transition and to effective development action to address poverty and social equity concerns.

Against this background, the objective of United Nations assistance is to establish “peace in development” in Indonesia, through building capacities for conflict prevention, development frameworks supportive to peace-building, and wider peace-enabling environments. The focus will not be on emergencies as such – which are the province of Government, with support from humanitarian relief operations – but rather on longer-term peace-building. Nevertheless, the United Nations System needs to provide support and build capacity for integrating peace-building into the full spectrum of conflict-related responses, including in short-term relief, post-conflict recovery activities, and longer-term sustainable development.

Building national ownership and national capacities, both within Government and civil society, will be emphasised, along with integrating peace-building into the full spectrum of conflict-related responses. This will ensure actionable results in both policies and programmes.

At the heart of the programme is continuing consultation – between the UN, Government and civil society. Priorities in early consultation will be the development of appropriate institutional arrangements for cooperation and implementation; and targeting of activities to specific locations of highest priority to Government and with appropriate attention to sensitivities within civil society, and in specific Government-NGO relations.

Three sub-objectives for this UNDAF priority have been chosen, as shown in Table 4.4. Support the GOI to:

- **Build Indonesian capacity for conflict prevention**
- **Build capacities for policy formulation, programme development and implementation that are supportive to peace-building**
- **Create an enabling environment for peace and sustainable development**

### ***Build Indonesian capacity for conflict prevention***

Moving from a “culture of reaction” to a “culture of prevention” of armed conflict is the most desirable strategy to ensure sustainable development and durable peace. One of the principal aims of preventive action should be to address the deep-rooted socioeconomic, institutional, environmental and other structural causes that often underlie the immediate symptoms of conflict. Under the first sub-objective, **Build Indonesian capacity for conflict prevention**, the comprehensive intent is to assist the Government to focus on its capacity in the development of early warning, preventive action and preparedness, in collaboration with civil society and at both the national and sub-national levels, in order to identify key causes of conflict and to design and implement appropriate preventive responses.

The United Nations System can provide critical assistance to the Government of Indonesia in its development of information bases for appropriate early warning systems as well as in organising systems that effectively connect information with capacities for analysis, communication, strategy formulation, programme development and implementation, thus targeted to action.

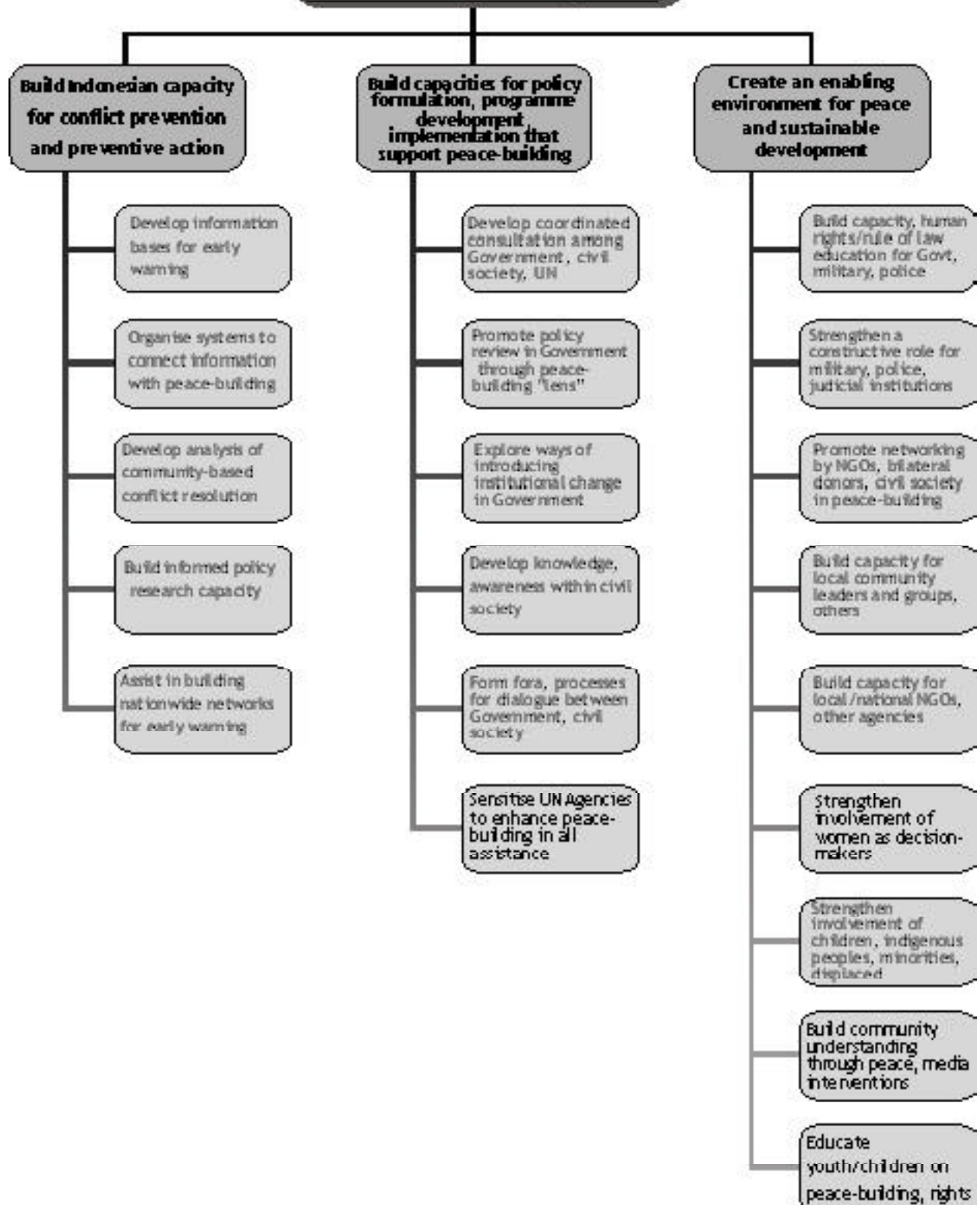
Support for the development of nationwide early warning networks comprised of both Government and civil society capacities will be made a priority to assist in allowing warning signals to be recognised early enough that preventive measures can be taken. The United Nations can likewise develop an analysis of community-based conflict resolution mechanisms and mediators across Indonesia at district levels. It will also support the development of processes to identify recurrent issues that lead to conflict in Indonesia and identify and build upon relevant capacities in universities and elsewhere to provide informed research, advice and technical assistance on these issues. [See also Section 4.3, **Social justice and poverty reduction.**]

### ***Policies and programmes supportive of peace-building***

The root causes of conflict often involve issues of governance, poverty, inequality and the environment. Policies and programmes to address these issues are key to any peace-building strategy. Accordingly, in developing and implementing policies and programmes in these areas it is critical to take advantage of the opportunity to build peace as well. The second sub-objective, **Build capacities for policy formulation, programme development and implementation that are supportive to peace-building**, necessarily entails assisting the GOI, civil society and the United Nations System itself in rethinking development policies and their application through the peace-building “lens” mentioned above.



**Table 4.4**  
**Conflict Prevention,**  
**Post-Conflict Recovery,**  
**Peace-Building**



In developing strategies in the areas of conflict prevention, post-conflict recovery and peace-building, it is imperative to develop a common understanding between Government, civil society and the United Nations System. This necessitates building relationships with key stakeholders in Government and civil society, creating opportunities for dialogue and consensus building, and developing a “common language” to discuss the new peace-building dimension of development cooperation. The initial strategy, therefore, must involve the opening of broad-ranging consultations among Government, civil society and the United Nations System to explore issues involved in conflict prevention, post-conflict recovery and peace-building, and to develop shared understandings of best practices.

At the same time, mechanisms and capacities for broad-ranging policy review and monitoring within Government through a peace-building “lens,” and for relevant policy advice from civil society and academic groups, must be promoted. Particular attention will be paid to the capacity to understand cultural forces and differences impinging on conflict resolution and peace building, and to building this understanding into the formulation of culture and development policy for Indonesia. Priority also must be given to institutional change that would allow conflict prevention, post-conflict recovery and peace-building to be better addressed within Indonesia’s development framework.

Because civil society involvement again is critical, the United Nations System will assist in developing knowledge and awareness within civil society of peace-building dimensions of policy. Activities such as the development of academic policy groups, media awareness and public discussion fora will be undertaken. Likewise, Government-civil society dialogue will be strengthened. Lastly, sensitivity among United Nations Agencies will be strengthened

in order for them to be able to identify and enhance the peace-building dimension in all programmes.

### ***Enabling framework for peace and sustainable development***

Along with the above, there is a compelling need for concerted efforts to create a peaceful and harmonious environment through the promotion of greater social cohesion in Indonesia, focussed on increased understanding and tolerance, freedom of expression and behavioural changes. Overall, it will be crucial to assist Government and civil society to not only review policies and increase awareness, but to reset national and community priorities toward building a culture that values cooperation, respect, peaceful resolution of disputes and participatory sustainable development.

The third sub-objective, **Create an enabling environment for peace and sustainable development**, encompasses United Nations System priorities in building human rights/rule of law education for Government, justice, military and police authorities, as well as strengthening a constructive role for military and police authorities and judicial institutions in helping communities prevent, respond to and/or recover from conflict.

In addition, building capacity of local community leaders and groups as well as national and local NGOs will provide them with the skills to enable them to guide the way toward healing responses to overcome conflict. Accessible information on both international and national NGOs, bilateral donors and civil society groups involved in peace-building also will be developed and networks to facilitate cooperation will be promoted. Overall, capacity building support will be provided for strengthening the involvement of women as decision-makers in reconciliation, recovery and peace-building processes, as well as the

involvement of marginalised groups such as children, indigenous peoples, minorities and displaced peoples. Peace and media interventions involving NGOs and civil society groups to develop inter-communal understanding, as well as peace education for youth, will help to root the concept of peace and internalise values and attitudes.

New challenges to peace and sustainable development require creative thinking and response, as well as the adaptation of traditional approaches to better meet the needs of the new era. The first priority of this Thematic Group will be to open consultations among Government, civil society and the United Nations System, in the interest of building dialogue and understanding on issues of conflict prevention, post-conflict recovery and peace-building in Indonesia. Doing so will facilitate the development of collaborative strategies toward achieving these goals.

#### **4.5 HIV/AIDS**

Indonesia is still among the low-prevalence countries, defined as those with an HIV infection rate of less than 1%. Nevertheless, some provinces and populations are experiencing much higher levels of HIV infection than others. Infection appears focussed in vulnerable populations such as sex workers, their clients and, in particular, a rapidly growing number of injecting drug users, resulting in a “concentrated” epidemic. Potential for spread also is considerable because of domestic and international migration, urbanisation, tourism, poverty, proximity to high-incidence areas and resistance to condom use.

Thus far, there have been numerous development activities in many areas relating to HIV/AIDS, but these have been of limited scale and scope, and the need to improve coordination is urgent. Among the best practices, however, has been the promoting of

awareness of HIV/AIDS among religious leaders to assist in prevention and reducing vulnerability among the general population.

Recent studies suggest that the economic loss due to HIV/AIDS in Indonesia is about US\$39,700 per case. With the current estimated case load of 80,000 to 120,000 infected individuals, the cost of the disease to Indonesia is as much as US\$4.76 billion a year, as well as considerable human suffering. The cost of HIV/AIDS in rural areas is particularly high because HIV-infected urban dwellers tend to return to their villages for care when they fall ill, which places pressure on women as primary caregivers and a tremendous strain on rural household resources. The increasing case load, combined with the wavering Indonesian economy, ensures that the economic burden of AIDS in Indonesia will become even more substantial and constitutes a serious obstacle to the realisation of not only the MDG on reversing HIV/AIDS, but also all MDGs.

Thus, the time is right for a major scaling up of the fight against HIV/AIDS in Indonesia by both the National AIDS Commission, which formulates inter-sectoral Government policies, and the United Nations System, which has a comparative advantage in advocacy and leadership, resource mobilisation and strategic information. Also, the UNGASS on HIV/AIDS and the establishment of the Global Fund to Fight AIDS, Tuberculosis and Malaria have created a momentum for more action in Indonesia.<sup>13</sup> In conjunction with longer-term GOI initiatives, efforts to control and manage HIV/AIDS in Indonesia will be jointly carried out at a massive level for the next three years in particular, in order to maintain the low prevalence in the general population and to avoid large-scale increases in vulnerable populations.

Approaches for successful HIV prevention must be intensive, reaching each person through more than one method of intervention; extensive, reflecting total coverage; reinforced

every 10 years after the three-year initial focus; and targeting both behaviours and cultural norms.

The overall objective is to contribute to Indonesia's efforts to ensure a just society by minimising the impact of HIV/AIDS; developing multisectoral strategies emphasising human rights for all; and contributing to economic recovery by addressing the impact of HIV/AIDS on labour productivity and pressure on public resources. The full involvement and participation of people living with HIV/AIDS, in the design, planning, implementation and evaluation of programmes, is crucial to the development of effective responses to the epidemic.

Using a classic model, the HIV/AIDS Thematic Group has identified three sub-objectives for Indonesia. These are consistent with common country priorities for ASEAN nations on HIV/AIDS, as well as with regional activities; likewise, this is endorsed in the unified vision of "Healthy ASEAN 2020," where it was determined that regional cooperation in health should be strengthened. The Indonesian HIV/AIDS sub-objectives, as shown in Table 4.5, are:

- **Strengthen HIV/AIDS policies**
- **Enhance prevention to enable Indonesia to remain a low-prevalence nation**
- **Improve access to comprehensive quality care and services**

### ***Strengthen HIV/AIDS policies***

The Asia-Pacific region is in need of the strong leadership essential at all levels of society for an effective response to the epidemic. Governments should be at the centre of this leadership, with the full involvement of civil society, the private sector and people living with HIV/AIDS. Such an enabling environment will foster and help sustain expanded responses to the disease.

Under the first sub-objective, **Strengthen HIV/AIDS policies**, it will be emphasised that it is imperative to ensure a commitment at the highest levels of national, district and local Governments to prioritise HIV/AIDS for the next three years. In concert with the Declaration of Commitment adopted at the UNGASS, support will be given to mainstream HIV/AIDS issues through the National AIDS Programme into development planning, including poverty reduction strategies, national budget allocations and sectoral development plans. Regional and local cooperation and coordination also will be intensified, which will be achieved by assistance in formulating an Integrated Workplan on HIV/AIDS and encouraging multi-Ministry and multisectoral strategies through partnerships involving the widest number of stakeholders.

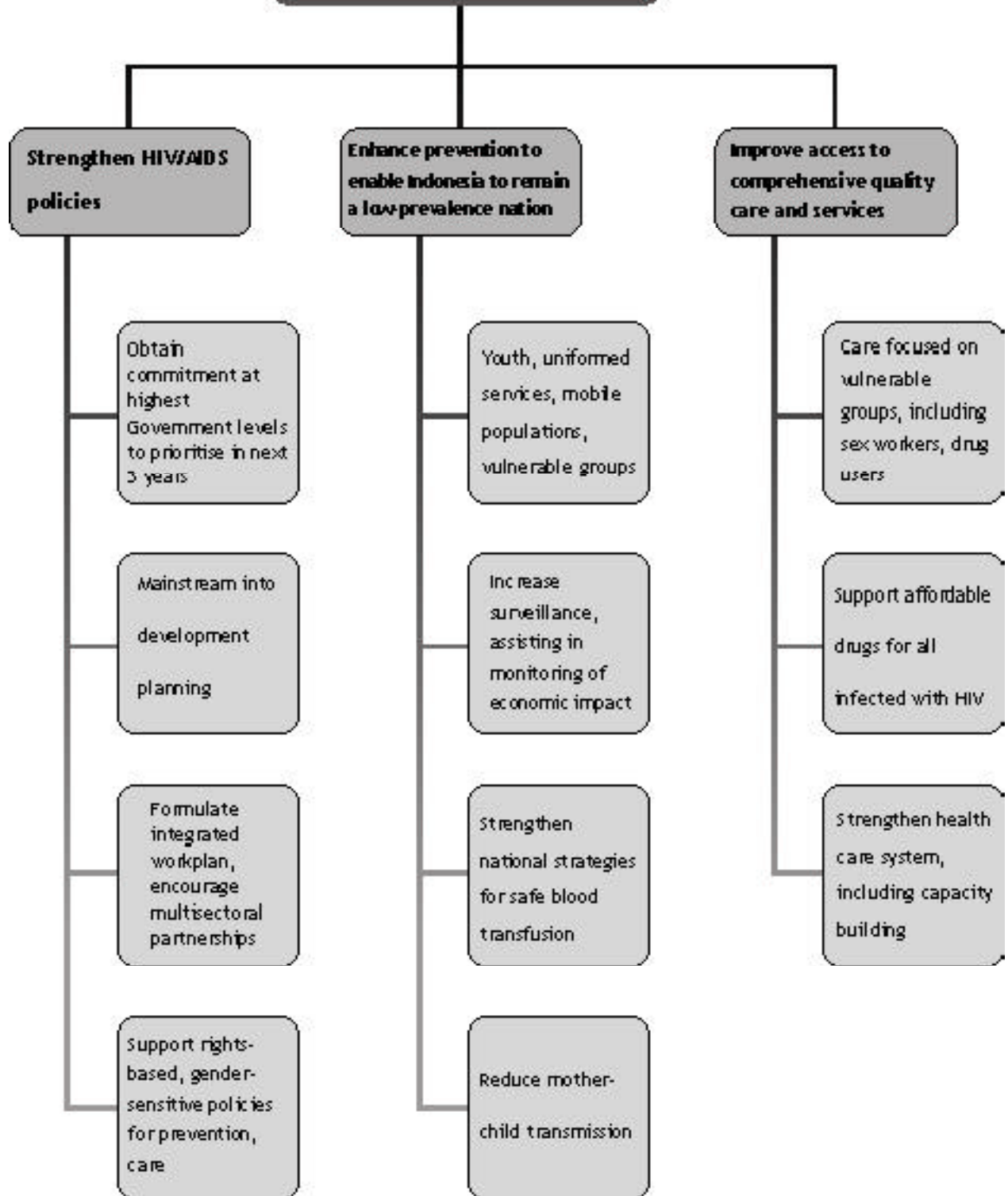
Major constraints in HIV prevention tend to be social stigmatisation and discrimination, representing forms of social poverty. Likewise, the Declaration of Commitment stresses the need to empower women through improving access to health and social services and addressing the disproportionate burden placed on women as providers and caregivers. Thus, the establishment of rights-based standards and gender-sensitive policies and programmes for prevention and care will be supported.

### ***Strategies for prevention***

Prevention, meanwhile, represents the mainstay of the HIV/AIDS response. It should be noted that prevention, care and treatment are mutually reinforcing elements of effective responses, not competing priorities, as they are often assumed to be. Education, through both the formal and informal systems, is the cornerstone of this preventive programme, including content on the nature of the HIV virus, models of transmission, consequences of infection and steps to prevent infection.

Young men and women aged 15 to 24 are particularly vulnerable, and must have access

**Table 4.5**  
**HIV/AIDS**



to information and be able to develop the life skills required to reduce this vulnerability. Integration of life skills education in the primary and secondary education curricula, both formal and non-formal, will allow the adoption of effective delivery of an HIV/AIDS education programme. Internationally agreed global prevention goals have been adopted to reduce by 25% HIV prevalence among young men and women in the most affected countries by 2005, and by 25% globally by 2010.

In addition to including HIV/AIDS in curricula as noted above, this decrease can be achieved by ensuring access of both girls and boys to primary and secondary education; ensuring safe and secure environments, especially for young girls; and expanding good-quality, youth-friendly sexual health education and counselling services. At the same time, armed conflict and natural disasters also exacerbate the spread of the epidemic and require national strategies to address HIV in these situations.

The second sub-objective, **Enhance prevention to enable Indonesia to remain a low-prevalence nation**, thus incorporates a focus on youth, uniformed services, mobile populations such as internally displaced persons, and vulnerable groups including sex workers and injecting drug users. In the tools used to track HIV/AIDS in Indonesia, a more effective surveillance system is also crucial to target such vulnerable populations as well as to assess the general extent, dynamism and socioeconomic impact of the disease. The United Nations System will assist in increasing surveillance and tracking of infections, helping to monitor the economic impact of the epidemic. Other priority areas will include strengthening national strategies for safe blood transfusion and reducing mother-to-child transmission by providing increased information and counselling to pregnant women.

### ***Treatment and care***

As important as prevention is access to treatment and care, which is a basic human right. Even in low-prevalence countries such as Indonesia, people living with HIV/AIDS need improvements in this crucial area, including voluntary counselling and testing, medical treatment, nursing care, and mental, spiritual and socioeconomic support. The third sub-objective, **Improve access to comprehensive quality care and services**, includes a focus on care for vulnerable groups, including sex workers and injecting drug users.

Continuing to hinder an effective response to HIV/AIDS, especially for the poorest, is the lack of affordable pharmaceuticals and of feasible supply structures. Access to medication is fundamental to allow everyone to enjoy the highest attainable physical and mental health. Support will be given to ensure affordable drugs for all infected with HIV. Overarching the above will be strengthening of the health care system, including capacity building through training and introduction of “best practices” guidelines on HIV/AIDS and sexually transmitted infections.

Already, coordination mechanisms are in place among those concerned with HIV/AIDS in Indonesia. Quarterly donor coordination meetings are held jointly among the Government, the United Nations and other development partners, as are monthly meetings of the Thematic Group on HIV/AIDS. In addition, special-issue Working Groups have been formed as needed, including the Industry Working Group. Within the United Nations System, there is strong leadership from the Resident Coordinator, the Country Team and the ongoing Thematic Group; good relationships between the United Nations and GOI partners; active United Nations co-sponsors; and active bilateral donors. At the same time, the number of donors contributing is still limited and will be expanded.

For its part, the Government has responded vigorously to UNGASS and the President is committed to HIV/AIDS issues. However, many agendas are competing for the limited GOI budget, and the crushing external debt substantially constrains the capacity to finance the fight against the epidemic. It will be critical to establish a forum for collaboration at the district and local levels and to develop further mechanisms for coordination, through the continuance of the Thematic Group on HIV/AIDS as well as other bodies and methods.

<sup>10</sup> Principle 1 : Participation

To encourage all citizens to exercise their right to express their opinion in the process of making decisions concerning the public interest, both directly and indirectly.

Principle 2 : Rule of Law

To realize law enforcement which is fair and impartial for all, without exception, while honouring basic human rights and observing the values prevalent in the society.

Principle 3 : Transparency

To build mutual trust between the government and the public through the provision of information with guaranteed easy access to accurate and adequate information.

Principle 4 : Equality

To provide equal opportunities for all members of society to improve their welfare.

Principle 5 : Responsiveness

To increase the sensitivity of government administrators to the aspirations of the public.

Principle 6 : Vision

To develop the region based on a clear vision and strategy, with participation of the citizenry in all the processes of development so that they acquire a sense of ownership and responsibility for the progress of their regions.

Principle 7 : Accountability

To increase the accountability of decision-makers in all matters involving the public interest.

Principle 8 : Supervision

To increase the efforts of supervision in the operation of government and the implementation of development by involving the private sector and the general public.

Principle 9 : Efficiency & Effectiveness

To guarantee public service delivery by utilizing all available resources optimally and responsibly.

Principle 10 : Professionalism

To enhance the capacity and moral disposition of government administrators so that they are capable of providing easy, fast, accurate and affordable services.

<sup>11</sup> For a full analysis, see World Bank (2001b).

<sup>12</sup> In January 2000, the World Health Organization's Director-General, Gro Harlem Brundtland, established The Commission on Macroeconomics and Health (CMH). Its purpose was to assess how good health contributes to poverty reduction and economic development. The findings of the report were strikingly consistent. Extending the coverage of essential health services – a relatively small number of cost-effective interventions – and targeting the poorest people could not only save millions of lives annually but also reduce poverty, advance economic development, and promote global security.

In Indonesia, like other countries at similar socioeconomic levels, such an effort requires two important initiatives: significantly scaling-up donor and domestic resources currently spent in the health sector; and confronting the non-financial obstacles that have limited the public sector capacity to deliver health services, such as governance, institutional reform, and conflict resolution. The CMH recommends a comprehensive strategy based on a partnership between developing and developed countries for investing in health for poverty reduction.

<sup>13</sup> The purpose of the Fund is to attract, manage and disburse additional resources through a new public-private partnership that will make a sustainable and significant contribution to the reduction of infections, illness and death, thereby mitigating the impact caused by HIV/AIDS, tuberculosis and malaria in countries in need, and contributing to poverty reduction as part of the Millennium Development Goals.

## V. Complementary and Collaborative Strategies

Globalisation and the tremendous increase in the world's need for humanitarian and relief assistance have led to a changing public opinion on the role of the United Nations System and a decrease in financial support for its long-term development work. This not only brings the traditional modes of development cooperation into question but also must ensure translation from concepts to implementation, from process to substance.

The following complementary and collaborative strategies will be pursued in the interest of furthering concerted efforts toward national priorities among the GOI, civil society, United Nations Agencies and the entire development community:

- **Increased focus on upstream policy analysis**
- **Strengthened partnerships with Government and civil society organisations**
- **Increased efforts to support decentralised governance and development of initiatives at the regional and local levels**

During the UNDAF process in March 2002, a high-level “listening session” was held with selected development partners to review the United Nations’ strengths and weaknesses in Indonesia. Unanimously, they identified the key comparative advantage of the United Nations System as its assistance to policy development. Building the foundation for future partnerships, the United Nations System in Indonesia will

increase its “upstream” activities through strategic, structured policy dialogue and enhanced normative functions. In so doing, it will consolidate partnership arrangements where there is a firm basis of common interest.

The continuous process of Consultative Group discussions, led by the World Bank Group, is the most important mechanism for stimulating public policy debate and sharing policy alternatives with the GOI. The close cooperation between the United Nations and the World Bank in preparing for the annual Consultative Group meetings will continue, providing a forum for review of GOI initiatives. The United Nations will strive toward a common position on all issues raised and will speak with one voice through the Resident Coordinator System.

Through policy dialogue, the United Nations will facilitate a comprehensive approach to aid coordination, linking such coordination to ongoing institutional, legal and administrative reforms. It will continue its support for capacity development and technical assistance for policy development, coordination, monitoring and evaluation.

In particular, the United Nations System will support the generation of capacities for policy analysis through an inter-Ministerial approach and development of high-quality information research, collection and analysis across various sectors. Specific joint policy analysis and activities in support of national priorities will focus on anti-corruption initiatives, the root causes of conflict, community-based conflict resolution,



poverty-inducing “shocks” and HIV/AIDS, among others.

Through joint advocacy, the United Nations System also will support policy makers in Government and the broader development community on specific issues that it considers priorities. These include the fight against corruption; rights-based approaches to development; provision of a minimum threshold of basic social services; expanded roles for women in public decision-making, poverty reduction and peace-building; effective land policies for the poor; and procedural reforms to improve the quality of representation in national legislative institutions.

Full attainment of this UNDAF’s objectives and sub-objectives requires establishing stronger partnerships with Government and others, including NGOs, community groups and bilateral donors. Stronger partnership is additionally compelled by the magnitude of the challenges ahead and by the decreasing level of ODA allocated to Indonesia. At the March 2002 “listening session,” donors also identified the United Nations System’s close alignment with civil society as a comparative advantage, and this will be strongly promoted. The United Nations System will provide advice and support to the GOI on creating a high-quality civic environment for civil society organisations. It also will facilitate dialogue among civil society organisations, Government and donors based on the recognition of the central and complementary roles that all play in promoting development.

The United Nations System will support the Government’s development of a national Poverty Reduction Strategy Paper (PRSP) in collaboration with the World Bank. Using the UNDAF as a frame of reference to define its own interventions, it will cooperate closely with the Government and all stakeholders in support of implementation of such a strategy. This collaboration will be facilitated by participation of the representatives of the World Bank in the biweekly UNCT meetings.

Turning to the third strategy for collaboration, the United Nations System will make particular efforts to strengthen capacities of institutions and organisations at the regional and local levels in support of decentralised governance. Support to decentralised data collection and information management will be a special focus of all Agencies.

National ownership also will continue to be strengthened by favouring national execution and by designing interventions that respond to Government priorities in collaboration with national authorities. The United Nations System has a comparative advantage in that Agencies are already working in all key sectors and with many regional and local authorities. This provides a unique opportunity to assist the Government in informing strategic development nationally and promoting consistency among development strategies.

Guided by the principles of the Government’s programme of decentralisation, the United Nations System may pursue an area-based approach to programme implementation. At the programme level, it is also expected that an increased share of United Nations System activities will be implemented through joint initiatives, programmes or projects, in collaboration with the Government. However, clear division of the roles of respective Agencies will be required and will be the responsibility of the respective Thematic Groups. In addition to providing greater direct impact and poverty reduction by concentrating resources, a more decentralised approach also is expected to develop appropriate technical and managerial models for replication.

These complementary and collaborative strategies will be further refined during the UNDAF implementation process through the mechanism of the five Thematic Groups, but clearly some will require joint funding; others will be a matter of concerted facilitation of access to data and research. The commonality is in interactive working with the Government and people of Indonesia to deliver assistance effectively.

## VI. Programme Resources Framework

Financial resources available to implement provisions of the UNDAF (2002-2005) include (1) the financial allocations by each participating United Nations System organisation, or direct resources; and (2) resources that organisations expect to mobilise over the period of the UNDAF in addition to their direct resources. The following table presents a breakdown of

targets by organisation and area of concentration; the breakdown of the latter should be seen as indicative. It also should be noted that resource commitments are made not through the UNDAF, but rather through in-country programmes or project documents, according to the procedures and approved mechanisms of each organisation.

	Economic Recovery	Conflict Prevention	Governance	Poverty	HIV/AIDS	Commitments	Annual disbursements	Total
<b>FAO</b>								
		918,000	2,275,000	3,510,000			2,230,000	6,703,000
<b>ILO</b>								
<b>Direct</b> <sup>14</sup>	238,000	116,000	358,000	246,500	132,000		279,500	1,090,000
<b># u RI-bi</b> <sup>15</sup>	4,073,500	700,000	5,355,440	1,910,000	1,000,000			13,038,940
<b>IMF</b>								
<b>Direct</b>								
<b># u RI-bi</b>								
<b>IOM</b>								
		200,000	10,000		10,000			220,000
<b>ITU</b>								
<b>Direct</b>								
<b># u RI-bi</b>								
<b>OCHA</b> <sup>16</sup>								
<b>Direct</b>								
<b># u RI-bi</b>								

	Economic Recovery	Conflict Prevention	Governance	Poverty	HIV/AIDS	Commitments	Annual disbursements	Total
<b>UNAIDS<sup>13</sup></b>								
<b>Direct</b>					670,000			2,680,000
#uRI-bi								
<b>UNDP</b>								
<b>Direct</b>	2,143,698	250,000	8,426,872	3,126,074	798,736	14,745,380	3,686,345	14,745,380
#uRI-bi	19,322,826	22,324,312	53,749,870	0	0	95,397,008	23,849,252	95,397,008
<b>UNESCO<sup>14</sup></b>								
<b>Direct</b>								
#uRI-bi								3,264,832
<b>UNFPA</b>								
<b>Direct</b>		0	7,300,000	10,700,000	3,000,000	21,000,000	4,200,000	21,000,000
#uRI-bi		1,300,000	2,700,000	8,000,000	1,000,000	6,700,000	1,400,000	13,000,000
<b>UNIC</b>								
<b>Direct</b>								
#uRI-bi								
<b>UNICEF</b>								
<b>Direct<sup>15</sup></b>		400,000	200,000	19,807,000		20,407,000	5,000,000	20,407,000
#uRI-bi <sup>16</sup>		837,541		7,360,000	240,000	8,437,541	4,200,000	8,437,541
<b>UNIDO</b>								
<b>Direct</b>								
#uRI-bi	2,500,000						830,000	830,000
<b>UNHCR</b>								
		3,175,880	2,118,785					5,294,665
<b>WFP<sup>17</sup></b>								
<b>Direct</b>		40,000,000		60,000,000				
#uRI-bi								
<b>WHO</b>								
<b>Direct</b>			350,000	18,223,600	775,400		4,837,250	24,186,250
#uRI-bi		1,300,000	200,000	23,447,000	723,000		6,417,500	32,087,500
<b>World Bank</b>								
<b>Direct</b>	670,000,000			198,100,000	448,200,000			1,316,300,000
#uRI-bi								

- <sup>14</sup> Refers to resources contributed by the agencies directly.
- <sup>15</sup> Refers to co-financed resources that the agencies receive directly from donors.
- <sup>16</sup> OCHA is not an operative agency and has therefore no funds for programmes, only for its own functioning. The only relevant entry would be conflict prevention, but coordination of humanitarian assistance is not listed as an UNDAF activity.
- <sup>17</sup> The calculation for UNAIDS is core funds only, consisting of salaries, operational costs and Project Acceleration Funds (PAF) that are utilised by UN Cosponsors.
- <sup>18</sup> UNESCO's contribution is normally in the form of technical expertise since contribution in cash comes from other Specialised Agencies (i.e. UNDP, UNFPA, WFP, etc.), bilateral donors and private entities. Hence, other planned disbursements may already be included in the respective reports of the said organization.
- <sup>19</sup> For 2002-2005.
- <sup>20</sup> Available funding for 2002-2003 as end of February 2002.
- <sup>21</sup> Covers the period 2002-2003. Assistance for the period 2004 and 2005 and beyond is subject for further review.

## VII. Implementation, Monitoring and Evaluation

Provisions for follow-up and review of the UNDAF are based on the principle that the UNDAF is a living document. Because development is a process, the UNDAF may have to be adapted to respond to changes in Indonesia's economic, political or social situation.

### 7.1. Internal Reviews

The five UNDAF Thematic Groups will continue to meet regularly and will serve as the main mechanism for implementing and monitoring the UNDAF through the following:

- Selection of leading Agencies for each focus area of further collaboration
- Development of individual Thematic Group workplans with clear goals and objectives, to be integrated into the Annual Report and Workplan of the Resident Coordinator.

The Annual Report and Workplan of the Resident Coordinator will serve as the primary means for reporting each year on UNDAF activities. Relevant parts will be shared with the Government.

Through the Thematic Groups, the United Nations System also will draw from the indicator database developed for the CCA to develop key indicators to monitor the implementation of UNDAF as a process and of ensuing joint and complementary programmes. These indicators will relate to the

increased upstream focus intended during this UNDAF period. The Thematic Groups will establish a linkage between the indicators established to measure UNDAF outputs and the contribution of these outputs to the achievement of the Millennium Development Goals.

Overall, the UNCT will be responsible for review and validation of the cooperation between Agencies on the UNDAF priority areas to ensure that individual Agencies' country programme documents reflect such objectives, as appropriate. It will also ensure the effective functioning of the Thematic Groups, with assistance from the Resident Coordinator Office. Biweekly UNCT meetings will continue an ongoing, high level of information exchange and strengthen partnerships, as well as improve coordination and collaboration of the United Nations System as a whole. Effective inter-Agency collaboration will be included in all Agency workplans and reviews.

### 7.2 Joint and External Reviews

A joint mid-term evaluation by the Government of Indonesia, United Nations System and other development partners will be conducted at the midpoint of the UNDAF period (2002-2005), synchronised as much as possible with the respective Agencies' mid-term country programme reviews. Similarly, a joint end-of-cycle evaluation of the UNDAF will occur. Such evaluations, providing feedback and

guidance, will ensure that United Nations efforts remain focussed on national priorities, that achievements and lessons learned are recognised, that difficulties are addressed, and that best practices are acknowledged. They will address:

- Management of the process, including the efficiency of collaboration in implementing the provisions of the UNDAF within the United Nations System
- Results, including specific achievements of the UNDAF in terms of meeting the objectives and strategic focus areas for further collaboration identified above
- Outcomes, including the differences made by working under a joint framework

The process also will include a review of how crosscutting issues have been integrated and addressed. During the mid-term review in particular, it will be important to re-examine the Programme Resources Framework. Further thematic reviews with the GOI, through BAPPENAS and other Government focal points, may be undertaken outside these fora to broaden common understanding among all stakeholders of the issues at hand and to recommend any necessary adjustments.

## VIII. Annexes

### ***Annex I: Summary of the UNDAF Process***

With the finalisation of the CCA and the initiation of the UNDAF process in 2001 and early 2002, a new level was reached for inter-Agency consultations within the United Nations System in Indonesia regarding the Secretary-General's programme of reform. Already, numerous complementary and joint United Nations programming activities were taking place, however. The UNCT held three retreats during 2001, in February, March and September, to discuss substantive areas including conflict prevention, governance and poverty with a view toward elaborating a common United Nations approach through UNDAF. The third retreat, a three-day event supported by UNDG, provided an excellent opportunity for UNCT members to brief each other on their respective programmes, which was in turn helpful in identifying areas of common activities. It incorporated a comprehensive agenda that included the substance and process of UNDAF, MDGs and conflict prevention, post-conflict recovery and peace building.

At that retreat, questions were raised regarding the added value of retrofitting the UNDAF to individual Agencies' country programmes this time around; this was generally considered a serious constraint and inevitably inconsistent with the ideal logical sequencing. Nevertheless, based on the recommendations in the CCA, the UNCT decided to prepare an UNDAF not only to ensure that Agencies' activities would

be complementary in targeting common goals, but also to address MDGs and identify advocacy, resource mobilisation and other collaborative activities. The UNDAF time frame corresponds to the period 2002-2005; although not all Agencies have harmonised their programmes, their programming periods can at least partially fit within this time frame. Country programmes being elaborated from now on will use the UNDAF as their frame of reference.

Given the four priority areas of the CCA and the fifth area chosen for UNDAF, Thematic Groups were organised to reflect these priorities: Governance and institutional reform; Sustainable and equitable recovery; Social justice and poverty reduction; Conflict prevention, post-conflict recovery and peace-building; and HIV/AIDS. An UNDAF Steering Committee, personally led by the Resident Coordinator, comprised the Chairs of each Thematic Group. The previously existing HIV/AIDS Thematic Group met bimonthly throughout 2001, while the others did not formally hold sessions until late 2001, in the case of Conflict Prevention, Post-Conflict Recovery and Peace-Building, or early 2002.

The GOI, through BAPPENAS (*Badan Perencanaan Pembangunan Nasional*, the National Planning Board), was formally invited in January 2002 to join the UNDAF process, although earlier informal discussions had already taken place. Monthly Heads of Agencies meetings served as a forum to further exchange

information of common interest, including both substantive and administrative issues. Given the increasing workload and need for more consultations, the UNCT decided that it would meet twice a month and has now done so for some months, to good effect.

The intensive phase of UNDAF formulation began in January 2002 with the arrival of a consultant/facilitator familiar with the UNDAF process and the nomination of GOI, NGO and bilateral focal points for the groups. A series of weekly meetings was undertaken by each

Thematic Group to discuss and debate sub-objectives and strategic areas of further collaboration. These sessions were complemented by weekly meetings of the Steering Committee under the guidance of the Resident Coordinator to consider crosscutting issues or those to be decided jointly.

Thereafter, an initial draft was formulated by the consultant; this then underwent an extensive review process by all members of Thematic Groups, including Government, and has been further refined and finalised in July 2002.



**MATRIX OF UNITED NATIONS AGENCY COMPLEMENTARITIES**  
**Annex II a) GOVERNANCE AND INSTITUTIONAL REFORM (TG Chair: Mr. Andre Klap, UNDP)**

Agency/Priority	Constitutional reform	Responsive legislative process	Strengthening the Electoral system	Legal and judicial sector reform	Civil Service Reform	Corporate Governance	Strengthening intermediary structures in public institutions	Enhancing good local governance	Capacity building for national institutions in local governance
UNDP	X	X	X	X				X	X
World Bank				X	X		X	X	
ADB				X	X	X	X	X	
UNICEF		X		X		X		X	X
IMF									
WHO		X			X			X	
UNFPA		X							
UNESCO		X						X	
FAO									
ILO		X		X	X	X		X	X
UNIDO									
UNHCR									
UNAIDS									
UNCTAD									
UNV		X						X	
UNIC									
WFP									
ITU									
ITC									
UNCHS									
UNDCP									
UNEP									
Gov. Partnership		X	X	X	X	X		X	X

**Annex II.b) EQUITABLE AND SUSTAINABLE RECOVERY (TG Chair: Mr. Vikram Nehru, World Bank)**

Agency/Priority	Eq. of Public Debt Burden	Bank Restructuring	Corporate Governance	Competitiveness	Employment Creation and Labor Market Conditions	Innovation Technologies	Environment	Health/Education/Human Capital	Gov. Services and Public Sector Management Reforms	Effective Decentralization/Community Development	Civil Society
UNDP					X	X	X	X	X	X	X
World Bank	X	X	X	X	X	X	X	X	X	X	X
ADB	X	X	X	X	X	X	X	X		X	X
UNICEF			X					X		X	X
IMF	X	X							X		
WHO							X	X			
UNFPA							X	X		X	
UNESCO						X	X	X		X	
FAO					X		X	X	X	X	
ILO			X	X	X	X		X	X	X	X
UNIDO			X	X	X		X				X
UNHCR											
UNAIDS								X			
UNCTAD				X							
UNV						X	X	X		X	X
UNIC						X					
ITU						X					
ITC						X					
UNCHS								X		X	
UNDCP											
UNEP			X				X				
Gov. Partnership									X		X

**Annex II c) SOCIAL JUSTICE AND POVERTY ALLEVIATION (TG Chair: Mr. Rolf Carriere, UNICEF)**

Agency/Priority	Identify new income-gauged database	World Bank study	Securing inequality integral indicator	Employment/sizes	Accounting higher priority to economic future on social development	Background impact of context on policy	Support joint UN analyses of underlying causes of conflict	Impact of corruption on the poor	Enhanced capacity to formulate policies on social justice, poverty	Identify risk-based approaches to poverty reduction	Income inequality and social equality, gender equality, as drivers for poverty reduction	Support effective land use and reduce soil degradation	Health, bio, and population, vulnerable to poverty because of environmental factors	Future leadership 'C' factors, climate 5
UNDP	X	X	X		X	X	X	X	X	X	X			X
World Bank														
ADB														
UNICEF	X	X	X		X	X	X		X	X	X			X
IMF														
WHO														
UNFPA		X			X	X	X			X	X		X	
UNESCO			X			X	X	X			X			X
FAO	X		X	X					X			X		X
ILO		X	X	X	X	X	X		X	X	X			
UNIDO														
UNHCR														
UNAIDS														
UNCTAD														
UNV														
UNIC														
WFP	X	X	X	X	X	X	X		X	X			X	X
ITU														
ITC														
UNCHS														
UNDCP														
UNEP														
Gov. Partnership								X						

Annex II d) CONFLICT PREVENTION, POST-CONFLICT RECOVERY/ PEACE BUILDING (TG Chair: Mr. Stephen Hill, I HESOD)

Agency/Priority	Information bases	Organizational design	Analysis of Conflict Resolution Mechanisms	Build capacity for informed policy research and technical assistance	Early warning systems and networks	Coordinated consultation process	Policy review in Government	Institutional change in Government	Civ. society awareness programmes	Government, civil society fora	Review of local development assistance programmes
UNDP	X	X	X	X	X	X	X	X	X	X	X
World Bank											X
ADB											X
UNICEF	X	X	X	X		X	X	X	X	X	X
IMF											X
WHO		X		X		X	X	X	X	X	X
UNFPA							X	X	X	X	X
UNESCO	X		X	X		X	X		X	X	X
FAO											X
ILO	X	X	X	X		X	X	X	X	X	X
UNIDO											X
UNHCR							X				X
UNAIDS											X
UNCTAD											X
UNV											X
UNIC											X
WFP	X				X	X	X	X	X	X	X
OCHA	X	X	X		X	X	X	X	X		X
ITU											X
ITC											X
UNCHS											X
UNDCP											X
UNEP											X
Gov. Partnership											X

Agency/Priority	Capacity building and human rights/role of law education for Govt, military and police	Strengthening constructive role for civil, police, judicial institutions	Capacity building - local community leaders and groups	Building local institutions, capacity, etc. re. peace-building	Capacity building - local national NGOs	Capacity building - women in decision making	Capacity building - Child soldiers, IDPs	Peace and media interventions	Health and education
UNDP	X	X	X	X	X	X	X	X	X
World Bank									
ADB									
UNICEF	X	X	X	X	X	X	X	X	X
IMF									
WHO	X		X	X	X			X	
UNFPA				X	X	X			X
UNESCO			X		X	X	X	X	X
FAO				X	X				
ILO	X	X	X	X	X	X	X	X	X
UNIDO									
UNHCR	X	X		X					
UNAIDS									
UNCTAD									
UNV			X						
UNIC									
WFP	X		X	X					
OCHA	X		X	X	X	X	X	X	X
ITU									
ITC									
UNCHS									
UNDCP									
UNEP									
Gov Partnership									

**Annex B e) HIV/AIDS (TG Chair: Dr. Georg Petersen, WHO)**

Agency/Priority	Advocate for political commitment	Mainstreaming the IAPC	HIV/AIDS strategic planning	Human rights and gender	Scaling up prevention efforts	Surveillance activities	Safeguard the blood supply	Mother to child transmission	Services for vulnerable populations	Access to affordable drugs	Health care system
UNDP	X	X	X	X							
World Bank	X	X	X		X			X		X	
ADB	X	X									
UNICEF	X	X	X	X	X			X	X	X	X
IMF	X	X									
WHO	X	X			X	X	X	X	X	X	X
UNFPA	X	X	X	X	X		X	X	X		X
UNESCO	X	X		X	X				X		
FAO	X	X									
ILO	X	X	X	X	X				X		
UNIDO	X	X									
UNHCR	X	X									
UNAIDS	X	X									
UNCTAD	X	X									
UNV	X	X		X	X	X			X		X
UNIC	X	X									
WFP	X	X									
ITU	X	X									
ITC	X	X									
UNCHS	X	X									
UNDCP	X	X	X								
UNEP	X	X									
IOIM	X	X		X	X				X		
Gov Partnership	X	X									



### Annex III: Lessons Learned from United Nations Development Cooperation

While it is true that the challenges facing Indonesia are formidable, it is important to remember that virtually all of the issues are interconnected. Clearly, a holistic approach to development assistance that recognises the linkages between social spending and poverty, regional inequalities and conflicts, environmental degradation and population growth, will have much greater effect than isolated efforts to address each problem individually.

The UNDAF Steering Committee has endorsed what it has identified as relevant parts of three key assessments of United Nations reform initiatives, focussing on the exercise as a positive one. These initiatives are *Laying the Keystone of United Nations Development Reform: The CCA/UNDAF Experience* (Results of the Joint Nordic Assessment of CCA/UNDAF [The COWI Report]), October 2001; *Findings of the Kandy Workshop on United Nations Reform* (30 October-2 November 2000); and *Key Impediments to United Nations Reform Initiatives* (General Accounting Office Report to Congressional Requesters, May 2000). It should, however, be noted that with regard to several of these points it is still early in the process for the Country Team in Indonesia.

In the Nordic/COWI Report, the following positive results were highlighted with regard to the CCA/UNDAF process and were found applicable to the Indonesian context:

- CCA/UNDAF processes contributed to improved sense of unity and common sense of direction
- Analytical and strategic thinking of staff members strengthened
- Use of rights-based and/or people-centred approaches benefited Agencies
- Opportunities opened up to share information and develop methodologies, databases, indicators

- Working together on CCA/UNDAF helped identify gaps, overlaps
- Favourable effect on division of labour
- Broader understanding gained of causes/effects of key development challenges
- Increasing replacement of individual diagnostic exercises will result in cost savings

Turning to the Kandy Workshop on United Nations Reform, the most relevant findings are in Section 2.1 (*Executive Summary: What is working*) and Section 2.3 (*Executive Summary: The way forward*). These included the following items that the UNDAF Steering Committee highlighted for Indonesia:

- High commitment evident among all UNDG members of UNCT and most specialised Agencies
- New culture of a single United Nations “family” is emerging
- Considerable achievement with minimal resources
- CCA/UNDAF/Theme Groups/focal points/security/RC Annual Reports/etc. [all contributing to collaboration]
- Significant increase in collaborative programmes [expected]
- Clarify roles of Bretton Woods Institutions, specialised and non-resident Agencies regarding United Nations reform
- Clear Agency-specific and joint instructions from Headquarters to field offices [needed]
- Monitoring systems to show results of (1) process and (2) impact
- Collaborative resource mobilisation strategy
- Harmonising and streamlining operational systems
- Government to take central role

- More use of existing mechanisms to improve inter-Agency collaboration (CCA/ UNDAF, etc.)
- Common information sharing and analysis to improve common understanding and action
- Joint advocacy
- Focus on issues that have added value potential
- Increase capacity for rights-based approaches
- Disseminate these recommendations widely

Finally, in the GAO Report (pp. 24, 36-40) the observations found most relevant were:

- Although overall objectives have yet to be achieved, United Nations reform initiatives have strengthened operations, provided more unified leadership and improved coordination within the Organisation
- Improved policy coordination, decision making and information sharing at the highest levels of the United Nations are taking hold at the country level as well, strengthening delivery of development assistance programmes

- UNDAF process represents a “fundamental departure from past UN practice, where UN Agencies worked individually, accountable only to their own governing boards and guided by their own programming mandates”
- In countries where UNDAFs have been established, “host Governments now view the UN as a single entity with a single voice, rather than a collection of individual Agencies”
- Reform has ensured that human rights considerations are included in country activities
- The Resident Coordinator System also has been strengthened, as well as attempts to reduce country administrative costs (common premises, services)

The UNCT is thus committed to build upon its positive experiences through the CCA/ UNDAF processes to significantly heighten collaboration and coordination among all Agencies.



## **Annex IV: Inter-Agency Theme Groups**

### **Governance and Institutional Reform**

Chair: Mr. Andre Klap, Deputy Resident Representative, UNDP

Members: Ms. Barbara Brouwer, UNDP; Ms. Kendra Collins, Partnership for Governance Reform; Ms. Gillois Laurence, EU; Mr. Han Qunli, UNESCO; Ms. Leila Retna Komala, BAPPENAS (GOI); Mr. Rizal Malik, Partnership for Governance Reform; Mr. Oktavianto Pasaribu, ILO; Mr. Max Pohan, BAPPENAS (GOI); Mr. Frits Reijnsbach de Haan, WHO; Ms. Farida Sarkawi, UNFPA; Mr. Budhi Sayoko, UNDP; Ms. Siliwanti, BAPPENAS (GOI); Ms. Gro Skaaren-Fystro, United Nations Resident Coordinator Office; Mr. R. Sudarshan, UNDP; Mr. Staffan Synnerstrom, ADB.

### **Sustainable and Equitable Recovery**

Chair: Mr. Vikram Nehru, Lead Economist, World Bank

Members: Mr. Joao Freitas de Camara, UNTAET; Mr. David Green, ADB; Mr. Asif Hasnain, UNIDO; Mr. Stephanus Indradjayas, WHO; Mr. Richard Makalew, UNFPA; Mr. Satish Mishra, UNSFIR; Mr. Alan Prouty, UNDP; Ms. Gro Skaaren-Fystro, United Nations Resident Coordinator Office; Mr. Kees van Baar, Royal Netherlands Embassy; Mr. Jasper Zijlstra, UNV.

### **Social Justice and Poverty Alleviation**

Chair: Rolf Carriere, Representative, UNICEF

Members: Ms. Vivi Alatas, World Bank; Ms. Cecilia Barbieri, UNESCO; Ms. Inge Breuer, WFP; Mr. Mark Brooks, WHO; Mr. Joao Freitas de Camara, UNTAET; Mr. Richard Makalew, UNFPA; Mr. Satish Mishra, UNSFIR; Mr. Bishow Parajuli, WFP; Ms. Jacqueline

Pomeroy, World Bank; Ms. Bonaria Siahaan, UNDP; Ms. Gro Skaaren-Fystro, United Nations Resident Coordinator Office; Mr. Benni Sormin, FAO; Mr. Verdi Yusuf, ILO.

### **Conflict Prevention, Post-Conflict Recovery and Peace-Building**

Chair: Dr. Stephen C. Hill, Director, UNESCO

Members: Mr. Alan Boulton, ILO; Mr. Mark Brooks, WHO; Mr. Siddharth Chatterjee, UNICEF; Mr. George Conway, UNDP; Mr. Richard Danziger, IOM; Mr. Francesco Del Re, FAO; Mr. Michael Elmquist, OCHA; Mr. Rasmus Egendal, WFP; Mr. Dennis Gallagher, UNDP; Mr. Abdul Haq Amiri, OCHA; Mr. Asif Hasnain, UNIDO; Mr. Tom Hensleigh, Mercy Corps; Mr. Konrad Huber, UNICEF; Ms. Yulia Immajati, UNFPA; Mr. Ikhwanuddin, BAPPENAS (GOI); Mr. Deddy Koespramoedyo, BAPPENAS (GOI); Mr. Bishow Parajuli, WFP; Ms. Judo Poerwowidagdo, UKRIDA-PPRP; Ms. Barbara Porter-Lauer, ICMC; Mr. Menno Pradhan, World Bank; Ms. Gro Skaaren-Fystro, United Nations Resident Coordinator Office; Mr. Robert White, UNHCR; Ms. Jane Wilson, UNAIDS.

### **HIV/AIDS**

Chair: Dr. Georg Petersen, Representative, WHO

Members: Ms. Madhavi Ashok, UNICEF; Ms. Cecilia Barbieri, UNESCO; Mr. Alan Boulton, ILO; Mr. Victor Cole, UNICEF; Mr. Richard Danziger, IOM; Ms. Janet Hohnen, World Bank; Ms. Martha Ismail, UNFPA; Ms. Amaya Man-Naing, WHO; Ms. Gro Skaaren-Fystro, United Nations Resident Coordinator Office; Ms. Jane Wilson, UNAIDS; Mr. Verdi Yusuf, ILO.

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