



Submission No 110

Inquiry into Australia's Relations with Indonesia

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JSCFADT FOREIGN AFFAIRS SUB-COMMITTEE
INQUIRY INTO AUSTRALIA'S RELATIONS WITH INDONESIA
QUESTIONS ON NOTICE

Senator The Hon Nick Bolkus (ALP, SA)

Q1. Please provide a chart of the major donors to Indonesia.

Refer to Attachment A.

Q2. To what extent do other donors embrace the concept of micro-credit in their contributions to Indonesia?

Multilateral and bilateral donor involvement in micro-credit is as follows:

World Bank

- Micro-finance on-lending scheme currently under development.

Asian Development Bank

- Rural Income Generation Project Loan (US\$78.6 million loan and US\$20.4 million micro-credit component).
- Community Empowerment for Rural Development Project, CERDP (US\$115.49 million loan and US\$15 million micro-credit component), and Technical Assistance for Financial Management System (US\$1.1 million).

AusAID

- A recently-completed A\$1 million, one year program focusing on institutional strengthening of micro-finance institutions in Indonesia to assist them to scale up their operations and reach more of the target poor.
 - The Credit and Savings for the Hardcore Poor (CASHPOR) organisation was used to deliver management training, technical assistance and scaling-up funds to four selected Grameen Bank replica organisations.

USAID

- Provision of one advisor to Bank Indonesia's micro-finance department.
- Technical assistance to small credit and people's credit banks, and assistance to professional associations.

German Government Aid Agency (GTZ)

- Microfinance Program comprising: policy advice; BPR (people's credit or rural bank) or LPD (village credit institution) policy, regulation and supervision; capacity building; and, micro-finance institution development in West Nusa Tenggara (NTB) or East Nusa Tenggara (NTT).

Japan Bank for International Cooperation (JBIC)

- JBIC will engage a non-government organization (NGO) to undertake a study to formulate a micro-finance project, with a likely base in eastern Indonesia (tentative schedule: May to November 2003).

Canadian International Development Agency (CIDA)

- Private enterprise participation (PEP) - Indonesian business association (IWAPI) – Manulife (a Canadian insurance firm with a strong commercial presence in the Indonesian market): a three-year trial prototype, peer lending to businesswomen with no collateral.

Q3. *To what extent is other donors aid money tied? What is the proportion of aid money that is tied?*

Refer to Attachment B.

ADDITIONAL INFORMATION

The Hon Kim Beazley MP (ALP, WA)

A parliamentary delegation comprising members of the JSCFADT Foreign Affairs Subcommittee was scheduled to travel to Indonesia in September 2003. In preparation for their travel the delegation requested an oral briefing, which was attended by AusAID. At the briefing the Hon Kim Beazley MP asked AusAID for further detail on its involvement in counter terrorism activities in Indonesia. The following is provided for the information of the Honourable member.

Counter Terrorism Capacity Building Initiative

Background:

On 25 October 2002 the Prime Minister announced the commitment of \$10 million over four years to help build Indonesia's counter-terrorism capacity.

Three broad priorities were identified for assistance:

- building the capacity of the Indonesian Police Force (POLRI) on counter-terrorism and transnational crime;
- restricting the flow of financing to terrorists; and
- enhancing travel security by strengthening airport, immigration and customs control systems and capabilities.

This commitment is being funded primarily from the bilateral aid program to Indonesia, with some contribution from the Asia Regional Program.

POLRI Assistance:

The Australian Federal Police (AFP) is implementing a four-year, \$4.75 million program of counter-terrorism capacity building assistance to the Indonesian Police (POLRI). The program commenced in June 2003.

Project activities include:

- *Component 1:* training for up to 200 participants on crisis management and 200 intelligence officers on intelligence collection and analysis;
- *Component 2:* establishment of a Trans National Crime Centre (TNCC) including staffing and systems and infrastructure and provision of one long-term adviser; and
- *Component 3:* establishment of a Criminal Information Management System (CIMS) including provision of training and hardware (AFP contribution).

The aid program will contribute \$3.5 million to this project. The remaining \$1.25 million will be contributed from AFP sources.

Counter Terrorist Financing/Anti-money Laundering:

\$3.5 million has been committed to strengthening Indonesia's anti-money laundering regime.

Building on activities undertaken since 1999, assistance currently being provided includes:

- Support with developing GoI response to the Financial Action Task Force (FATF) listing of Indonesia as a non-cooperative country (NCCT);
- Assistance in strengthening Know Your Customer (KYC) and Suspicious Transactions Reporting (STR) Systems;
- Assisting Bank Indonesia develop administrative guidelines and additions to work manuals as appropriate which set out for Bank staff the procedures for and issues involved in receiving, assessing and making decisions on further action to be taken, if any, on STRs received by Bank Indonesia;
- Provision of legal drafting expertise to the financial intelligence unit (PPATK), including preparation of draft Presidential Decree on the Organisation and Structure of the PPATK, draft regulations and redrafting of Law 15 of 2002; and
- A long-term program of advice, training and mentoring within the PPATK by AUSTRAC to enable the PPATK to effectively administer anti money laundering legislation.

Travel Security:

Support for enhancing travel security is to be delivered through a \$3 million Special Travel Security Fund established under the umbrella of the Indonesia-Australia Government Sector Linkages Program (GSLP). Proposals from three Commonwealth Government agencies are under consideration. Recommendations on these proposals will be made shortly to the Minister for Foreign Affairs.

Tying Status of Aid to Indonesia by Donor 2001 Calendar Year (Commitment US\$ 000)

Donor	Total commitment ¹	Tied amount	Tied % ²	Untied %
Italy	921	921	100.0	0.0
Canada	8,023	5,452	68.0	32.0
Australia	14,742	9,009	61.1	38.9
Germany	74,727	38,921	52.1	47.9
United States ³	42,327	15,000	35.4	64.6
Japan	2,092,619	266,252	12.7	87.3
Norway	3,162	11	0.3	99.7
AsDF	113,663		0.0	100.0
Belgium	79		0.0	100.0
Denmark	1,040		0.0	100.0
EC	18,060		0.0	100.0
Finland	429		0.0	100.0
France	70,210		0.0	100.0
IDA	161,200		0.0	100.0
Netherlands	46,475		0.0	100.0
Spain	171		0.0	100.0
Sweden	1,275		0.0	100.0
Switzerland	2,217		0.0	100.0
UNICEF	4,817		0.0	100.0
United Kingdom	720		0.0	100.0
Grand Total	2,656,877	335,566	12.6	

Note: Grand total is the total percentage of aid which is tied.

¹Excludes technical cooperation and admin costs.

²The DAC excludes technical cooperation and admin costs when calculating the tying status of aid.

³The United States did not report on tying status in 2001. Data may be incomplete.

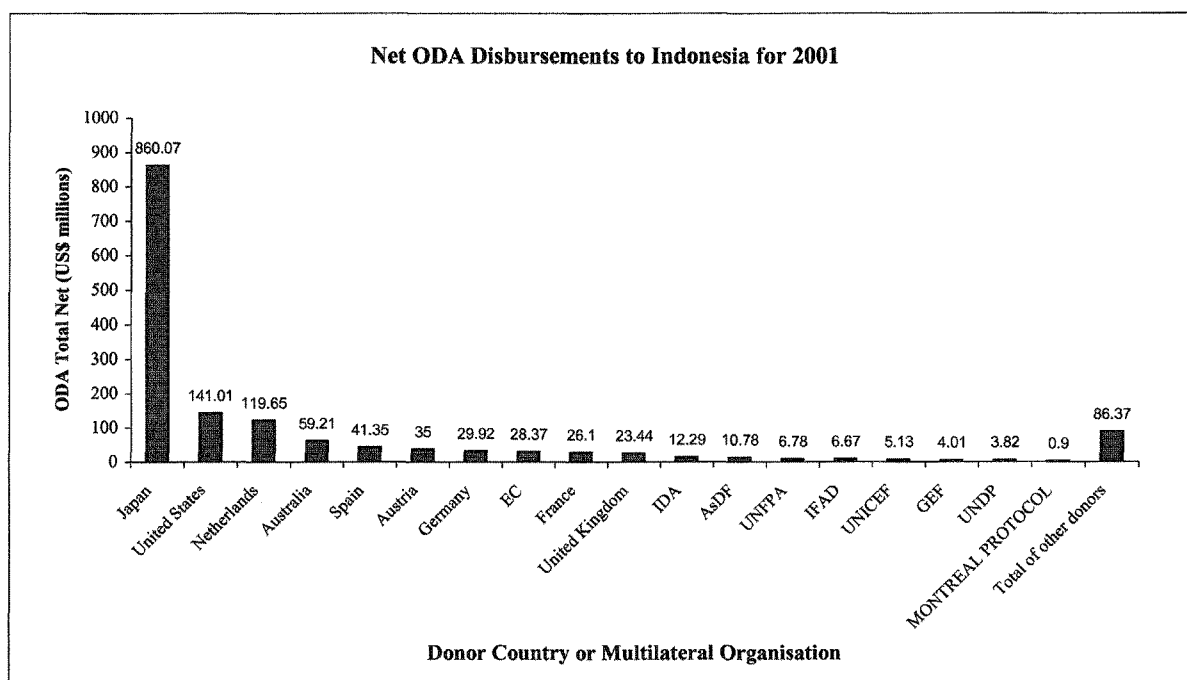
Source: OECD-DAC IDS online database: compiled by Ausaid IRSU 26/08/03

Major donors to Indonesia for 2001

Donor	2001	%
Japan	860.07	57.3%
United States	141.01	9.4%
Netherlands	119.65	8.0%
Australia	59.21	3.9%
Spain	41.35	2.8%
Austria	35	2.3%
Germany	29.92	2.0%
EC	28.37	1.9%
France	26.1	1.7%
United Kingdom	23.44	1.6%
IDA	12.29	0.8%
AsDF	10.78	0.7%
UNFPA	6.78	0.5%
IFAD	6.67	0.4%
UNICEF	5.13	0.3%
GEF	4.01	0.3%
UNDP	3.82	0.3%
MONTREAL PROTOCOL	0.9	0.1%
Total of other donors	86.37	5.8%
Grand total	1500.87	

Note: ODA Total Net amount is in US\$ (millions) for the calendar year.

Source: OECD-DAC IDS online database: compiled by Ausaid IRSU 11/08/03



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