



USAID/Indonesia Country Development Cooperation Strategy (CDCS) 2020-2025

An Overview

CDCS Parameters



Critical country context issues

- High capacity/commitment at national level starkly contrasts with disparities at subnational level
- Decentralization is incomplete; sub-national governments have limited ability to deliver services and effectively implement policies
- Inequitable economic growth and need for more FDI to diversify economy
- Unsustainable NRM practices and rapid urbanization add pressure to economic growth



Strategic Choices/Priorities

- Alignment with host-country priorities: Human Capital, Government Effectiveness, Environmental Sustainability, Inclusive Economic Growth
- Emphasis on redefining relationship and engagement with GOI (focus on Indonesian-led development)
- Geographic-focus (8 priority provinces) with integrated activities, tailored in response to subnational self-reliance data

GOAL: Indonesia is an Advanced, Just, Prosperous, and Self-Reliant Indo-Pacific Partner

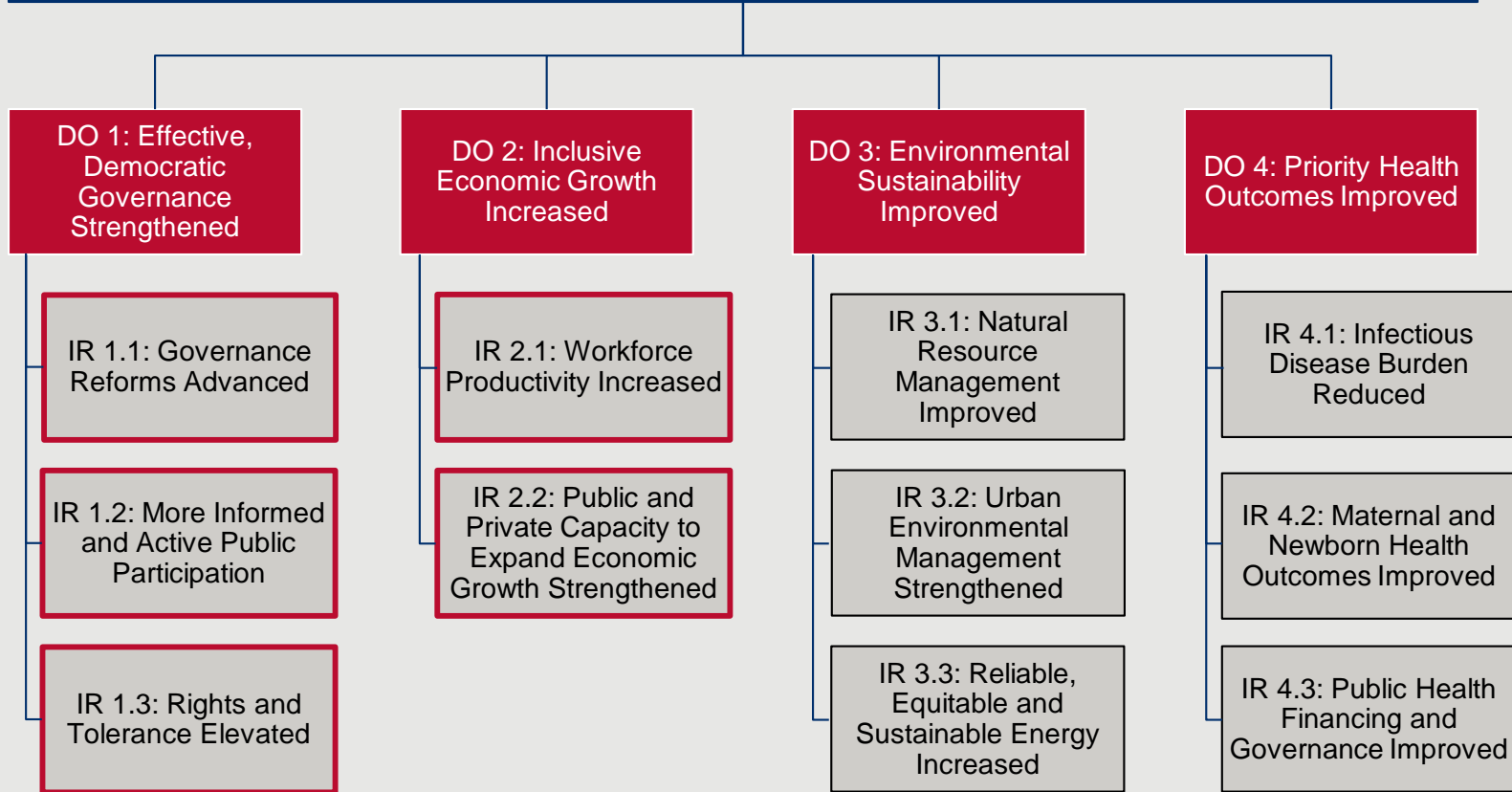
USAID/Indonesia's Development Objectives:

1. Effective Democratic Governance Strengthened
1. Inclusive Economic Growth Increased
1. Environmental Sustainability Improved
1. Priority Health Outcomes Improved

Government of Indonesia Medium-Term Development Plan (RPJMN 2020-2024)

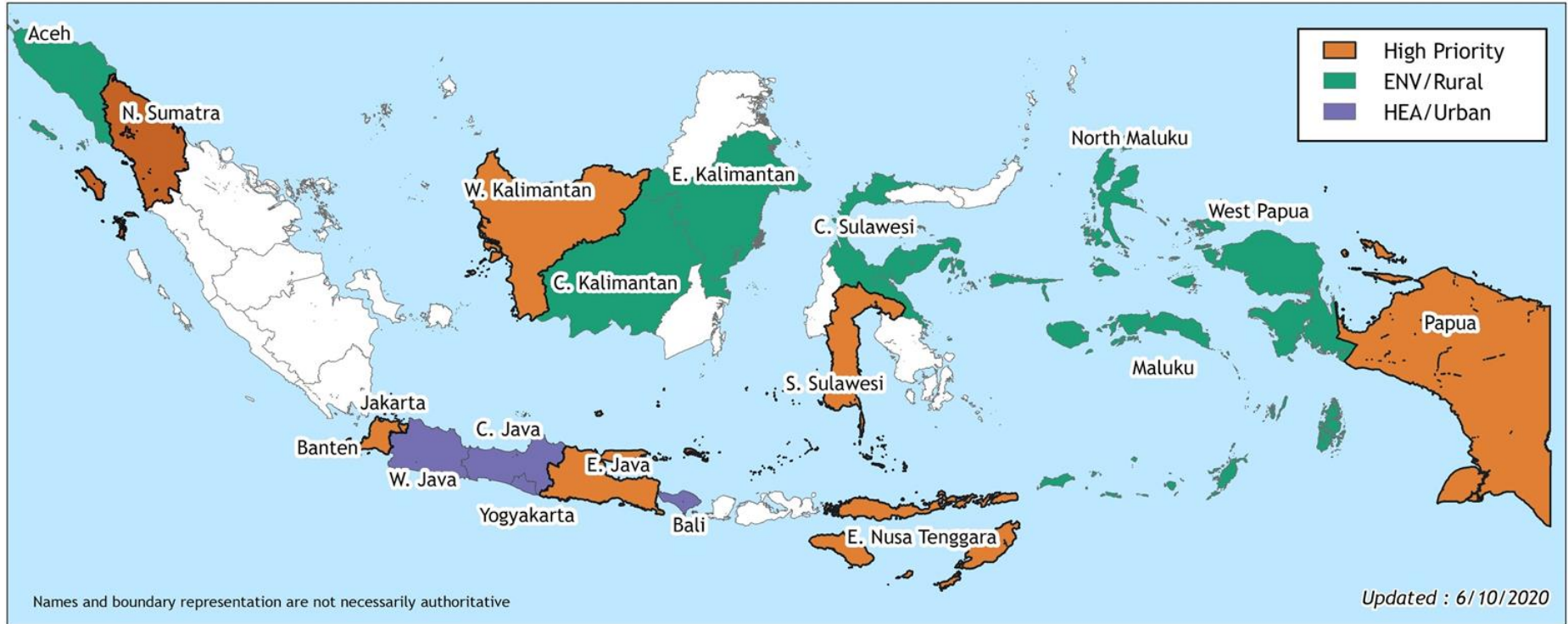
1. Quality and Competitive Human Capital
2. Character Building and Cultural Development
3. Quality Growth
4. Reducing Inequality and Ensuring Equitable Development
5. Infrastructure
6. Stability and Public Services Transformation
7. Environment and Resilience

CDCS Goal: Indonesia is an Advanced, Just, Prosperous, and Self-Reliant Indo-Pacific Partner



 = Cross-cutting IRs that support all DOs.

Geographic Focus: 8 Priority Provinces



CDCS Priorities and Guiding Principles

Advance Indonesia's **Journey to Self-Reliance** through the following principles:

- **Private Sector Engagement** - Engage heavily with the private sector as a partner, stakeholder, and beneficiary for Indonesia's development, across all development objectives (DOs)
- **Financing Self-Reliance** - Across DOs, focus on financial viability and sustainability of activities and interventions; whether through public financial management, blended finance, or other approaches, increase the ability (and capitalize on existing capacity) for Indonesia to finance its own development solutions
- **Re-Defining the Relationship** - Strengthen USAID's relationship with the GOI across all levels of government, for the purpose of increasing GOI participation in, commitment to, and ownership of activities designed to spur Indonesia's development.
- **Strategic Transition** — As a high commitment/high capacity country, USAID will look to transition activities to full Indonesian control and transition out of specific regions and sectors over the course of the next five years. Areas may be where USAID has already made a significant impact, GOI ownership is strong, and/or other donors play a predominant role.
- **New Partnership Initiative** - USAID will look to engage with new partners, through direct and indirect (sub) partnerships, to expand the opportunities and perspectives included in Indonesia's development landscape, with a particular emphasis on engaging in local (Indonesian) counterparts

DO 1: Effective Democratic Governance Strengthened

IF Indonesia implements a progressive reform agenda with accountability, transparency, public participation, and respect for rights, **THEN** Indonesia will govern democratically and effectively and achieve its vision of becoming self-reliant and just.

IR 1.1:
Governance
Reforms
Advanced

IR 1.2: More
Informed
and Active
Public
Participation

IR 1.3: Rights
and
Tolerance
Elevated

Critical Assumptions and Risks:

- GOI committed to an open society with strong democratic norms and continues reforms
- GOI willing to work with CSOs and willing to accept public criticism
- Non-governmental funding available for civil society
- Increasing intolerance and social conservatism threaten Indonesia's democratic model and ideals

Journey to Self-Reliance components that underpin this DO:

- **PSE** - Use of Mission's proposed PSE Accelerator Platform (IR 2.2); The PS is a stakeholder in local governance, anti-corruption, etc, as well as a potential service provider.
- **FSR** - Focus on financial viability of civil society organizations/initiatives; support enhanced budget allocation and execution at the subnational level and improved oversight of public resources.
- **RDR** - Require GOI participation in relevant design teams for new Projects and Activities, integrating GOI counterpart commitments and priorities in terms of staffing and financing to support activities through activity design.
- **Strategic Transition** – Proposed transition away from rule of law/access to legal services and SSTC., areas with significant donor interest/resources where USAID's investments have made significant gains.
- **New Partnership Initiative** - Utilizing a robust co-design approach, the Mission will engage local partners to address rising conservatism/intolerance and strengthen the media's role in promoting transparency and addressing disinformation by enhancing quality alternatives to information.

DO 2: Inclusive Economic Growth Increased

IF the productivity of Indonesia's workforce is improved and the enabling environment for doing business is strengthened, **THEN** Indonesia's economy will be more inclusive (and market-driven), thereby contributing to Indonesia's self-reliance.

IR 2.1:
Workforce
Productivity
Increased

IR 2.2: Public
and Private
Capacity to
Expand
Economic
Growth
Strengthened

Critical Assumptions and Risks:

- GOI sustains commitment to economic reform agenda, now even more important with COVID-19 fiscal impacts and stated policy measures.
- GOI committed to promoting technical and higher education quality through tax incentives, increased investment and international collaboration.
- Private sector interest/willingness to support development-related partnerships and alliances.
- Indonesia faces economic headwinds with slowing economic growth in China and challenging global conditions for trade and investment, now further complicated by COVID-19 impacts.
- Indonesia remains vulnerable to capital outflows with 60% of general government debt held by foreign investors. Indonesia's domestic financial and capital markets are relatively shallow.

Journey to Self-Reliance components that underpin this DO:

- **PSE** - Higher education and vocational training institutions will engage in partnerships with the private sector to address market needs; PSE Accelerator Platform as a systematic mechanism for ensuring PSE across DOs.
- **FSR** - The GOI is advancing comprehensive tax and PFM reforms to increase domestic resources for investing in development through training and unprecedented scholarship opportunities. Private sector resources will be mobilized through partnerships.
- **RDR** - GOI is taking the lead on the economic reform agenda aimed at increasing workforce productivity, strengthening PFM and improving the business enabling environment. (IR 2.1 and IR 2.2)
- **Strategic Transition** – Transition out of higher education scholarships by 2024 through more effective domestic resource mobilization.
- **New Partnership Initiative** - The PSE Accelerator Platform will help drive innovation, co-creation and new partnerships.

DO 3: Environmental Sustainability Improved

IF Indonesia strengthens management of its biologically diverse natural resources, invests in cleaner, more resilient cities, and provides reliable, secure, and advanced energy, THEN its ecosystems and the services they provide will be more sustainable and support long-term, self-reliant economic growth.

IR 3.1: Natural
Resource
Management
Improved

IR 3.2: Urban
Environmental
Management
Strengthened

IR 3.3: Reliable,
Equitable and
Sustainable
Energy
Increased

Critical Assumptions and Risks:

- GOI commitment to fund natural resource management and renewable energy, as per RPJMN
- Increased risks of natural disasters; related increased costs of response undermine other priorities
- Continued urbanization
- Omnibus bill has negative environmental consequences (weakens environmental safeguards; conflict between investment vs. environmental sustainability; centralizes energy provision)
- GOI hostility toward NGO advocacy and increased transparency of sensitive supply chains

Journey to Self-Reliance components that underpin this DO:

- **PSE** - Continue to leverage private sector resources and market based solutions across portfolio from fisheries to agroforestry to energy
- **FSR** - Assist municipalities finance critical infrastructure through blended finance, while targeting technical assistance to help provinces realize more sustainable returns on investments
- **RDR** - National/subnational government institutions take the lead on terrestrial and marine resources management, efforts to deter natural resource crimes, WASH, and energy
- **Strategic Transition** – Evolve WASH assistance to place a greater emphasis on urban sanitation, while creating greater opportunities for private sector participation to fill significant financing gaps
- **New Partnership Initiative** - Seek partnerships with innovative local organizations with expertise in urban planning and development with emphasis on solid waste management, WASH, and DRM

DO 4: Priority Health Outcomes Improved

IF Indonesia accelerates adoption and replication of recognized best practices, including health system strengthening and governance, and does so with greater engagement of civil society, **THEN** Indonesia will have a healthier population with improved capacity to contribute to both the country's journey to self-reliance and global health security.

IR 4.1:
Infectious
Disease Burden
Reduced

IR 4.2: Maternal
and Newborn
Health
Outcomes
Improved

IR 4.3: Public
Health Financing
and Governance
Improved

Critical Assumptions and Risks:

- Continued/increased investment in health sector
- Geographic focus allows better collaboration with other sectors
- Corruption at point of service and procurement
- Pandemic, disease outbreak, and/or natural disasters continue to pose challenges
- Constraints on human resources for health at local and national levels persist

Journey to Self-Reliance components that underpin this DO:

- **PSE** - Use the PSE Accelerator Platform (IR 2.2); identify enterprise-driven solutions to healthcare access, quality and financing.
- **FSR** - USAID will provide technical assistance to the GOI and the private sector to improve the financing and management for the JKN
- **RDR** - National/subnational government institutions will plan, finance, and implement health activities. Mutual accountability will be the cornerstone of the relationship in the health sector and programs will leverage other multilateral and bilateral investments.
- **Strategic Transition** – USAID will elevate partnerships in science, technology, and innovation, and establish accountability mechanisms to see through critical policy reforms in the health sector
- **New Partnership Initiative** - the Mission will continue its use of the Tuberculosis Local Organization Network Annual Program Statement to enter into co-creation with new and underutilized partners.



Questions?