



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to provide assistance to the Government of the Republic of Indonesia to facilitate the development and implementation of a Millennium Challenge Compact.

If you or your staff would like to arrange a meeting to discuss the assistance, please contact the Congressional and Public Affairs team at (202) 521-3880.

The attached notification is being sent to the Congress on May 2, 2019. The assistance may be provided and funds obligated on or after 15 days from the date of this notification.

In addition to the enclosed notification, we have attached supplemental information regarding the planned assistance.

Sincerely,

/s/

Karen Sessions
Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

May 2, 2019

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	Fiscal 2019 Program Funds
OBLIGATION AMOUNT:	\$750,000

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2019, and section 610(a) of the Millennium Challenge Act of 2003, as amended (the “Act”), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$750,000 under section 609(g) of the Act for the purpose of facilitating the development and implementation of a Millennium Challenge Compact (“Compact”) with the Government of the Republic of Indonesia.

The funds are expected to finance compact development activities, including but not limited to preliminary analyses, an economic root cause analysis, and sector analyses for identified binding constraints.

SUPPLEMENTAL INFORMATION

MCC 609(g) Funding for the Republic of Indonesia

Background

The Government of the Republic of Indonesia (the “Government”) continues to make strong progress in strengthening democratic institutions, maintaining sound economic policies, and investing in its people. Indonesia has demonstrated steady improvement on MCC’s scorecard since it graduated to the higher income category in fiscal year (“FY”) 2010, including eight straight years of improvement in its raw score on the control of corruption indicator. Indonesia continues to solidly pass the democratic rights “hard hurdle,” and it showed its strongest policy performance to date for FY 2019, passing 15 of the scorecard’s 20 indicators. Indonesia successfully implemented its first compact, which closed in April 2018 and focused on improving health and nutrition, expanding sustainable land and energy management, and reforming government procurement. Against this backdrop, on December 11, 2018, MCC’s Board of Directors selected Indonesia as eligible to develop a second compact program.

Planned 609(g) Funding

MCC’s compact development process begins with a diagnostic analysis intended to identify a country’s binding constraints to economic growth (the “Constraints Analysis”). Timely completion of the Constraints Analysis and agreement on binding constraints, as well as completion of related public consultations and initial sector assessments, represent a critical, initial milestone in MCC’s compact development process.

MCC intends to use funding under section 609(g) of the Millennium Challenge Act of 2003, as amended, to finance the Government’s initial administrative expenses necessary to ensure timely completion of a comprehensive Constraints Analysis and related analyses. Such expenses may include, but are not limited to, initial salaries for critical, dedicated technical experts, such as economists, social, gender and private sector experts, monitoring and evaluation expertise, and a designated national coordinator; support for public consultations; and related administrative expenses. The planned funding will ensure that the Government and MCC have early access to the technical expertise needed to conduct a rigorous Constraints Analysis, as well as related analyses, thereby setting the stage for robust project proposals and facilitating the development of an MCC compact.

Update on and Sustainability of the 2011 Indonesia Compact

MCC and the Government signed a five-year, \$600 million compact in November 2011. The compact was designed to reduce poverty through economic growth by supporting three of the Government’s growth and development priorities: better health and nutrition, procurement modernization, and sustainable energy and resource management. The compact included three projects in these priority areas, and was designed and implemented with a focus on community ownership and innovative, scalable models that would allow for emerging opportunities.

The 2011 Indonesia Compact successfully concluded on April 2, 2018. By the end of the compact,

\$474 million was disbursed in order to advance compact goals. Despite challenges, MCC and the Government achieved many successful outcomes through this partnership and will incorporate key lessons learned from the 2011 Indonesia Compact into the design of the new compact program. For example, learning from the first compact program – which was both geographically and sectorally diverse – MCC and the Government plan to develop a more focused second compact in order to streamline implementation and ensure greatest impact.

Community-Based Health and Nutrition to Reduce Stunting Project. The \$120 million Nutrition Project was designed to reduce and prevent low birth weight, childhood stunting, and malnourishment of children in project areas, and to increase household income through cost savings, productivity growth, and higher lifetime earnings. When MCC's partnership with Indonesia began, more than one-third of Indonesian children under the age of five were chronically malnourished, stunting their physical and cognitive growth and causing lasting effects on their potential for learning and earning later in life. The Nutrition Project built upon a pre-existing Government initiative to combine interventions in health, sanitation, and nutrition, and targeted approximately 5,400 villages across 11 of Indonesia's 34 provinces where rates of stunted growth and low birth weight were higher than national averages. The Nutrition Project trained over 17,500 service providers on proper feeding for pregnant mothers and infants; distributed over 35 million iron tablets for pregnant women; and conducted over 4,200 community sanitation behavior change meetings across 64 districts. As a result of the compact, fighting stunting is now a national priority in Indonesia, and policy frameworks are in place to carry gains forward in the areas of infant and young child feeding, growth monitoring, and the integration of sanitation into nutrition efforts.

Procurement Modernization Project. The \$69 million Procurement Modernization Project was designed to assist the Government in achieving significant government expenditure savings while maintaining or increasing the quality of procured goods and services. Efficient and effective public procurement is a fundamental component of good governance. Before the compact, procurement was not recognized as a professional function for civil servants in Indonesia. Goods and services for government institutions were purchased by *ad hoc* committees of government employees with no relevant expertise, creating opportunities for error, misuse of funds, and diminished quality of goods, works, and public services. The Procurement Modernization Project trained over 1,000 individuals from national and local governments – 24 percent of whom were women – in modern procurement and management skills to improve procurement practices, and established a modern e-procurement system. This organizational development program received strong support throughout the Government, and the Indonesian National Public Procurement Agency will maintain an online platform with training guides and materials to reach all Procurement Service Units in Indonesia. By working to reduce the misuse of government funds and promoting transparent, systematic procurements, the project aimed to unlock investment in infrastructure and public services that will directly benefit Indonesians, and foster a level playing field for businesses competing for public procurements.

Green Prosperity Project. The \$228 million Green Prosperity Project was designed to increase productivity and reduce reliance on fossil fuels by expanding renewable energy, and to increase productivity and reduce land-based greenhouse gas emissions by improving land use practices and management of natural resources. The majority of Indonesia's poor live in rural areas that are rich in natural resources but have generated low returns due to over-extraction and improper management of natural resources. The Green Prosperity Project was designed to promote

sustainable management of these natural resources in order to help the Indonesian people unlock higher economic returns. The project established a market-responsive Green Prosperity Facility that provided grant funding to 66 grantees and leveraged an additional \$28 million in private sector investment, allowing grantees to pilot and scale up alternative approaches in on- and off-grid renewable energy, peatland restoration, sustainable agriculture, and improved natural resource management. Through these grants, the Green Prosperity Facility helped to install 12.73 megawatts of new renewable energy generation capacity; train over 127,000 farmers, including over 43,000 women, in climate-smart agriculture and natural resource management; and scale up sustainable production practices among nearly 74,000 cocoa-growing households and 12,000 independent palm oil farmers. The Green Prosperity Project also invested in updated land use inventories and enhanced spatial plans in order to empower communities to make informed decisions about how best to manage natural resources.