

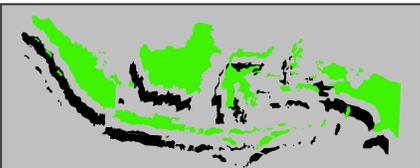


USAID
FROM THE AMERICAN PEOPLE

INDONESIA

ACTIVITY SHEET ECONOMIC GROWTH

THE OBJECTIVE: INCREASED EMPLOYMENT



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INDONESIA'S CHALLENGE

The Indonesian economy is recovering from the negative impacts of the global financial crisis which markedly slowed GNP growth. Many Indonesians, however, are not benefitting from economic growth; almost 50% of Indonesians still live on less than \$2 a day. And despite steady economic growth over the past decade, employment in the formal sector has been stagnant. Low income families, particularly in rural areas, are not improving their well-being; disparity between high and low income groups is increasing.

The key to improving incomes and reducing poverty, especially for substantial numbers, is to increase jobs. Rapid and more inclusive economic growth is needed to generate the jobs. Since most low-income families depend on agricultural production, processing and marketing for their livelihoods, job generation must include the rural areas. Agriculture accounts for over 41% of national employment, but contributes less than 14% of GDP. The agricultural sector has a growth rate of only one-half that of the national economy. Accelerating economic growth, especially in agriculture, and increasing its inclusiveness will require focused attention on agriculture and to a whole range of selected critical national and regional policies.

A USAID ECONOMIC GROWTH PARTNERSHIP WITH INDONESIA

USAID focuses on programs for improving the policy environment for rapid, inclusive and sustainable economic growth and on the production and marketing of high value crops, particularly coffee, cocoa, and horticulture, including related agribusiness. Resulting increase in production and economic growth should generate substantial employment to increase incomes and reduce poverty. The employment effects come not only from selected value chains and specific policy changes, but also from the multiplier effects in communities and nationally. USAID efforts will result in:

- IMPROVED ECONOMIC POLICIES, LAWS AND REGULATIONS TO ENCOURAGE EMPLOYMENT, CAPITAL FOR INVESTMENT AND POVERTY REDUCTION
- INCREASED PRODUCTION AND MARKETING OF SELECTED HIGH-VALUE CROPS THROUGH ESTABLISHED EFFECTIVE PUBLIC-PRIVATE PARTNERSHIPS, IMPROVED COMPETITIVENESS OF SELECTED COMMODITIES, AND EXPANDED AGRICULTURE RESEARCH AND EXTENSION THROUGHOUT THE ARCHIPELAGO

A HISTORY OF USAID IN INDONESIA

USAID and its United States government predecessors have worked in Indonesia since 1950. As part of a comprehensive partnership between Indonesia and the United States, USAID is currently supporting efforts in basic and higher education; forestry, marine and fisheries management; clean energy and climate change; democratic governance; health services; and employment generation.