



USAID | INDONESIA

FROM THE AMERICAN PEOPLE

ECONOMIC GROWTH STRENGTHENED AND EMPLOYMENT CREATED (2004-09)

January 2009



Photo: USAID/Raya Soendjoto

A woman shops at a fruit market in Brastagi, North Sumatra, which functions as a central market for locally grown fruits in the nearby districts.

THE CHALLENGE

- Poverty and Unemployment
- Burdensome Investment and Regulatory Climate
- Insufficient Competitiveness
- Systemic Corruption

THE GOAL

- Improving the climate for investment and trade
- Increasing the competitiveness of agribusiness and small and medium-sized enterprises (SMEs)
- Enhancing financial sector reforms

OVERVIEW

USAID is providing \$80+ million over five years (2004-2009) to assist Indonesia to generate economic growth and create employment opportunities.

PROGRAMS

Technical assistance provided by USAID is designed to improve Indonesia's investment and trade climate; increase agribusiness and SME competitiveness; and enhance financial sector reforms.

IMPROVING THE INVESTMENT & TRADE CLIMATE

USAID works to enhance the capacity of the commercial and anti-corruption courts to create and maintain a transparent and uniform legal and regulatory business climate to eliminate the "hidden costs" of doing business and reduce corruption. It provides technical assistance to support trade sector reforms; streamline business start-up procedures and promote good governance. It also assists government bodies in the pursuit of economic policy reform.

INCREASING THE COMPETITIVENESS OF AGRIBUSINESSES & SMEs

USAID is working to improve the competitiveness of key industries and agribusiness sectors in an effort to fuel growth, exports and jobs. These efforts will drive increased productivity and competitiveness, and help to forge stronger public-private partnerships (PPPs).

ENHANCING FINANCIAL SECTOR REFORMS

USAID assistance helps build a sound financial infrastructure, creates a modern deposit insurance system and develops the capacity of insurance industry professionals.

PROGRAM HIGHLIGHTS

The Financial Crimes Prevention Project (FCPP) provides technical assistance and training to Indonesia's Financial Intelligence Unit (PPATK) and other Government of Indonesia (GOI) institutions to detect and prevent financial crimes and the financing of terrorism. USAID supported the drafting of a National Anti-Money Laundering Strategy that was approved by the President of Indonesia in 2007. Through USAID support, there have been significant increases in the number of financial institutions filing suspicion transaction reports (STRs) with PPATK as well as increases in overall filings of STRs.

Through the Aceh Technical Assistance and Recovery Project (ATARP) and support from the U.S. Treasury, USAID assists the Ministry of Finance to improve public debt restructuring, enhance tax investigations and intelligence, and establish an internal controls unit within the ministry.

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The Indonesia Trade Assistance Project (ITAP) assists the Ministry of Trade to improve its capacity to address both domestic and international trade issues. Over 2,000 officials have been trained on a variety of trade issues, more than 60 MOT staff have earned MA degrees in trade law and trade policy, and MOT has launched an ambitious civil service reform campaign.

The Indonesia Anti-Corruption and Commercial Court Enhancement (IN-ACCE) project assists Indonesia's Supreme Court and five district courts to handle commercial and corruption cases in addition to drafting the new Anti-Corruption Court Law which was approved by the President of Indonesia and is under review by Parliament.

SENADA helps generate jobs and income by enhancing the competitiveness of light manufacturing industries such as footwear, garments, handicrafts, automotive parts and furniture. To date, over 2,000 SMEs have been assisted, and PPPs with global firms, such as Microsoft and CISCO Systems, Inc., has led to increased competitiveness and capacity of the ICT sector.

USAID's support to the Indonesian Deposit Insurance Corporation has enabled Indonesia to create a modern deposit insurance program that has already successfully mitigated the effects of several rural bank failures.

In response to the 2004 tsunami, USAID, through its Development Credit Authority, provided a loan portfolio guarantee worth up to US\$8.2 million to Bank Danamon to reactivate economic activity in tsunami-affected areas by providing financial services to micro- and small enterprises. To date, nearly 8,000 loans – valued at US\$13.5 million – have been disbursed.

Through USAID assistance, the Ministry of National Education granted a license in September 2005 to the newly established Institute of Risk Management, the only institution in Indonesia that offers professional certification training and a Bachelor's degree in risk management and insurance. Over 1,000 insurance professionals have been trained to date and in June 2007, the first 32 BA degrees were awarded.

Implemented in cooperation with The Asia Foundation, the PROMIS activity assists local governments to open new, or enhance the efficiency of existing, One-Stop Shops for business licensing and registration in 30 districts. Support has led to significant decreases in costs and time to obtain a license and register a business. PROMIS also works with local governments to improve the business climate in selected regions through dissemination and follow-up to its local economic governance survey of over 240 districts in 15 provinces.

USAID's Agribusiness High Value Commodities Market and Support Activity (AMARTA) supports 10 high-value export-quality commodities by increasing productivity and quality, enhancing access to new and better markets, and improving the enabling environment. In addition to increases in income and exports, USAID support enabled the first-ever specialty coffee export from Papua.