



**USAID**  
FROM THE AMERICAN PEOPLE

# INDONESIA

## ECONOMIC GROWTH STRENGTHENED AND EMPLOYMENT CREATED

DECEMBER 2007



Photo: USAID/SENADA

Mr. Ahda, at right, the owner of a shoe shop in Depok Jakarta, has received technical assistance from the Economic Growth Program since June 2006

### THE CHALLENGE

Difficult Investment and Regulatory Climate  
Insufficient Productivity  
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

The U.S. government is providing \$73.8 million over five years (2004-2008) to assist Indonesia to generate economic growth and create employment opportunities, with an overall goal of helping to ensure that future generations enjoy an increasingly prosperous, democratic and stable country.

### PROGRAMS

Technical assistance provided by USAID's Economic Growth Program is designed to improve Indonesia's investment and trade climate by increasing agribusiness competitiveness, promoting small and medium-sized enterprises – SMEs – and by enhancing financial sector reforms.

### IMPROVING THE INVESTMENT AND 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 AND SMEs

USAID is working to improve the competitiveness of key industries and agribusiness sectors in an effort to fuel growth, exports, jobs and prosperity. These efforts will drive increased productivity and national competitiveness by forging stronger public and private sector partnerships.

### ENHANCING FINANCIAL SECTOR REFORMS

USAID assistance to Indonesia's key financial sector institutions 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 provides technical assistance and training to Indonesia's Financial Intelligence Unit, the Ministry of Finance, the Corruption Eradication Commission, the Attorney General's Office and the Supreme Audit Board to detect and prevent financial crimes and the financing of terrorism.

USAID assistance includes drafting and/or supporting the development of anti-money laundering statutes and implementing regulations, asset forfeiture law and the implementation of regulations on mutual legal assistance law.

CONTINUES >



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Through the Aceh Technical Assistance and Recovery Project and support to the U.S. Treasury, USAID assists the Ministry of Finance in several areas including public debt restructuring, tax investigations and the establishment of an internal controls unit within the ministry.

The Indonesia Trade Assistance Project (ITAP) assists the Ministry of Trade to improve its trade capacity and organizational effectiveness in addressing both domestic and international trade issues. ITAP provides training, institutional strengthening and capacity building in trade law, economic analysis and human resource management.

The Indonesia Anti-Corruption and Commercial Court Enhancement project assists Indonesia's Supreme Court to implement its 2004 Blueprint for the development of the Commercial Courts and the establishment of an Anti-Corruption Court.

SENADA – USAID's Indonesia Competitiveness Program – helps generate jobs and income by enhancing the competitiveness of light manufacturing industries such as footwear, garments, handicrafts, automotive parts and furniture. Producer productivity and access are supported in both domestic and international markets. More than 150 firms have been assisted to date.

The Indonesian Deposit Insurance Corporation has enabled Indonesia to create a modern deposit insurance program that has successfully mitigated the destabilizing effects of several small rural bank failures.

In response to the 2004 tsunami, USAID, through the 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 a Bachelor's degree in risk management and insurance. In June 2007, the first 32 degrees will be 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 nationwide. PROMIS also helps to improve the formulation of local business regulations in 15 districts and is developing a survey of the business and investment climate in 200 districts.

By helping to create a legal and regulatory framework for agribusinesses, USAID's Agribusiness High Value Commodities Market and Support activity works to improve the competitiveness of agribusiness value chains in the cocoa, coffee, rubber, livestock, horticulture, fisheries and bio-fuels sectors.