

## Data Sheet

<b>USAID Mission:</b>	Indonesia
<b>Program Title:</b>	Economic Growth
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	497-021
<b>Status:</b>	New in FY 2005
<b>Planned FY 2005 Obligation:</b>	\$19,480,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$4,000,000 DA; \$16,300,000 ESF
<b>Year of Initial Obligation:</b>	2005
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** USAID/Indonesia's Economic Growth Program will invest in projects that improve Indonesia's business climate resulting in increased trade, investment, enterprise development, and jobs. It will also work to enhance the safety and soundness of the financial system and to strengthen public institutions in order for them to function more efficiently and transparently. The objectives and goals of the Economic Growth program directly support U.S. foreign and economic policies/interests, and the economic and development agenda of the Government of Indonesia (GOI).

### Inputs, Outputs, Activities:

**FY 2005 Program:** Increase Participation in Global Trade and Investment (\$784,110 ESF) and Increase Private Sector Growth (\$3,206,360 ESF). Activities under these components will improve the business climate leading to growth, investment, trade, and job creation. USAID will deliver technical assistance in operations, production, marketing and finance to approximately six industry sectors. Each sector will comprise as many as 24 small and medium-sized firms employing less than 250 people. USAID will also help to promote Indonesian trade under the aegis of the World Trade Organization and other multilateral bodies. Improved business climate initiatives will focus on labor statutes and the time and cost of business registration. A judicial reform project focused on the five commercial courts will improve bankruptcy adjudication, which has also discouraged investment. USAID will also assist in drafting and implementing a new Investment Law, strengthening collateral registration, and building institutions, such as a credit information bureau that will help mobilize credit. Principal contractors or grantees include Booz Allen Hamilton, BearingPoint, Nathan MSI, The Asia Foundation, and others to be determined.

Increase Agriculture Productivity (\$784,110 ESF). Efforts to boost agricultural productivity are based largely within policy-related interventions that will seek to remove price distorting tariff and non-tariff barriers on rice, sugar, and other commodities. Technical assistance to local entrepreneurs and associations will promote higher-value crops and strengthened market linkages. Principal contractors or grantees are Agriculture Cooperation Development International/Volunteers in Overseas Cooperative Assistance and others to be determined.

Improve Economic Policy and Governance (\$4,245,240 ESF). In support of U.S. Government counter-terrorism initiatives, USAID/Indonesia has invested heavily in financial sector governance, and efforts to fight corruption, financial crime and terrorist finance. USAID supported the creation of an Anti-Money Laundering (AML) Commission and is working with it and all key GOI agencies to fight financial crime and terrorist finance. In early 2005, the Organization for Economic Cooperation and Development/Financial Action Task Force will evaluate Indonesia's AML program and review its status on the watch list. USAID will also strengthen the Supreme Audit Commission (BPK) and Inspectors General in key ministries, and will assist in establishing an Anti-Corruption Court. These efforts will increase public sector transparency and accountability, and reduce corruption. Principal contractors or grantees include Booz Allen Hamilton, BearingPoint, Nathan MSI, and others to be determined.

Strengthen Financial Sector's Contribution to Economic Growth (\$6,451,070 ESF). USAID supported the establishment of a Deposit Insurance Agency that will boost confidence in the banking system and thereby mobilize longer-term deposits. Subject to government concurrence, USAID will launch a new project in mid-2005 to consolidate securities, pension, and insurance regulation under a single regulatory body, which will lead to a more safe and sound financial system. Principal contractors or grantees include Booz

Allen Hamilton, BearingPoint, Nathan MSI, and others to be determined.

Expand and Improve Access to Economic and Social Infrastructure (\$4,009,110 ESF). USAID will seek to improve economic infrastructure such as water and energy. In cooperation with other donors, USAID will focus on water supply and waste water infrastructure, and will use the Development Credit Authority (DCA) to leverage resources. USAID will work to resuscitate energy sector investment through improved regulation of electricity and potentially, other energy sub-sectors. Principal contractors or grantees include BearingPoint and others to be determined.

**FY 2006 Program:** Increase Participation in Global Trade and Investment (\$1,172,500 ESF). USAID will continue to support an improved business climate for investment in Indonesia through ongoing legal, regulatory, and policy reform. In order to improve Indonesia's access to foreign markets, USAID will assist the government in laying the groundwork for potential future trade agreements, always in a manner consistent with U.S. trade policy.

Increase Private Sector Growth (\$2,542,500 ESF; \$937,500 DA). Growth and job creation will continue to anchor USAID programming, and will be the object of technical assistance, training, marketing, and other activities.

Increase Agriculture Productivity (\$1,172,500 ESF). USAID will sustain investment in activities that promote the movement away from low value commodity crops and into higher value horticultural crops.

Improve Economic Policy and Governance (\$4,890,000 ESF). Support for key ministries and agencies will continue to advance policies promoting open, transparent and free markets, prudent regulation, and improved governance.

Strengthen Financial Sector Contribution to Economic Growth (\$4,330,000 ESF; \$ 1,512,500 DA). Due to ongoing strengthening of bank and non-bank supervision resulting from ADB, World Bank and USAID technical assistance, one or more DCA facilities will be established to mobilize investment and working capital, and/or home loan finance through private commercial banks.

Expand and Improve Access to Economic and Social Infrastructure (\$2,192,500 ESF; \$1,550,000 DA). Municipal demand for project finance will increase due to USAID and donor programs, and resources will support infrastructure development. Progress in early-stage energy sector reform should pave the way for increased efforts related to energy sector regulation.

All implementing partners for all components are the same as above.

**Performance and Results:** In 2004, USAID contributed to further macro-economic stabilization through progress in bank resolution and the reorganization of the Ministry of Finance, including the design of a Fiscal Policy Unit. These and other efforts led to a successful GOI \$1 billion bond issue, and more stable interest and exchange rate regimes. Numerous laws were ratified, creating important institutions, such as the Anti-Money Laundering Commission and the Deposit Insurance agency, which are critical to fighting corruption and building confidence.

## US Financing in Thousands of Dollars

Indonesia

	DA	ESF
497-021 Economic Growth		
<b>Through September 30, 2003</b>		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
<b>Fiscal Year 2004</b>		
Obligations	0	0
Expenditures	0	0
<b>Through September 30, 2004</b>		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	0	19,480
<b>Total Planned Fiscal Year 2005</b>		
Obligations	0	19,480
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	4,000	16,300
Future Obligations	1,100	40,300
Est. Total Cost	5,100	76,080