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**ENHANCING INDONESIA'S
TRADE AND ECONOMY**
Indonesia Trade Assistance Project (ITAP) Final Report

SEPTEMBER 2009

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ENHANCING INDONESIA'S TRADE AND ECONOMY

Indonesia Trade Assistance Project (ITAP) Final Report

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ITAP focused on training staff and building institutional capacity in trade law, economic analysis, public relations, human resource management and information technology.

FRONT COVER:The new Ministry of Trade (MOT) building, completed in 2008, incorporates an ITAP-installed IT network that supports the MOT's current and future needs in day-to-day administrative processes, internal communication, and research.

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ABBREVIATIONS

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BI	Bank Indonesia
BPO	Bureau of Personnel and Organization
BCRC	Business Climate Research Center
CA	Commercial Attaché
CBT	Competency-Based Training
CCNA	Cisco Certified Network Associate
CCNP	Cisco Certified Network Professional
COFTRA	Commodity Futures Trade Agency
CPO	Crude Palm Oil
CVD	Countervailing Duty
DG	Directorate General
DGITC	Directorate General of International Trade Cooperation
FRTC	Foreign Research Trade Center
FTA	Free Trade Agreement
FTD	Foreign Trade Division
GATT	General Agreement on Trade and Tariffs
GATS	General Agreement on Trade in Services
GOI	Government of Indonesia
HR	Human Resources
IATF	Interagency Trade Framework
IIA	International Investment Agreements
ILU	International Liaison Unit
IRIP	International Research Internship Program
IT	Information Technology
ITAP	Indonesia Trade Assistance Project
ITPC	International Trade Promotion Centers
JIEPA	Japan-Indonesia Economic Partnership Agreement
KADI	Anti-Dumping Committee of Indonesia
KADIN	Indonesian Chamber of Commerce
KPPI	Indonesian Safeguards Committee

LB	Legal Bureau
LNA	Legal Needs Assessment
MenPAN	Ministry of Administrative Reform
MITL	Masters of Law in International Trade Law
MITP	Masters of Economics in International Trade Policy
MMAF	Ministry of Maritime Affairs and Fisheries
MOIT	Ministry of Industry and Trade
MOT	Ministry of Trade
NAFED	National Agency for Export Development
NAMA	Non-Agricultural Market Access
NGO	Non-governmental Organization
PPIRISS	International Trade Negotiations Information Sharing System
PPSD	Public-Private Sector Dialogue
PR	Public Relations
Pusdiklat	Ministry of Trade Training Center
RETPC	Regional Export Trade Promotion Center
SecGen	Secretary General
SOP	Standard Operating Procedures
STTA	Short-term Technical Advisor
TimNas PEPI	National Team for the Enhancement of Exports and Investments
TIPS	Trade Implementation and Policy
TOEFL	Test of English as a Foreign Language
TPA	Test of Academic Potential
TPTF	Trade Policy Task Force
TREDA	Trade Research and Development Agency
TRIPS	Trade Related Aspects of International Property Rights
UI	University of Indonesia
WTO	World Trade Organization



Acting USAID Mission Director, Herminia Pangan; Minister of Trade, Mari E Pangestu; and Chemonics CEO, Richard Dreiman celebrate ITAP's accomplishments at the ITAP close-out event.



Minister of Trade of The Republic of Indonesia

No. 930/M-DAG/6/2009

Jakarta, June 23, 2009

Messrs. Indonesian Trade Assistance Project (ITAP)
USAID Indonesia

Dear Sirs,

At the inception of the USAID Indonesia Trade Assistance Project (ITAP) in 2006, the Ministry of Trade (MOT) faced the challenges of a new mission and the need for increased staff resources that came with the separation of the former Ministry of Trade and Industry. The new Ministry of Trade embarked on an ambitious program to build institutional capacity, strengthen competence in multilateral trade negotiation and expand bilateral relations with key trading partners.

Throughout the term of this project, we have readily welcomed ITAP's valuable contributions to this process. Now, nearly four years later, I am pleased to commend ITAP's strategic capacity building activities that have contributed substantially to the improvement of the Ministry's capabilities in economic analysis, trade law and legal support services, international trade negotiations, strategic communications and human resource development.

An outstanding example of this assistance is the Master's degree programs in International Trade Policy (MITP) and International Trade Law (MITL) that were developed and launched through consultation between the University of Indonesia, the Ministry, and ITAP with financial support provided by USAID. These advanced degree programs are molding ambitious young officials into highly qualified professionals through academic knowledge and skill training directly relevant to Indonesia's needs.

ITAP assistance has addressed numerous and varied requirements at the MOT. Based on an IT infrastructure needs assessment carried out by ITAP, USAID funded the procurement and installation of a comprehensive IT network and related equipment for the new Ministry building which opened in August 2008. ITAP's extensive professional training programs and technical assistance to bureaucratic reform and restructuring have enable the MOT to increase efficiency, effectiveness, transparency and public outreach in ways consistent with recognized best practices in public sector management.

On behalf of the Ministry, the Government and the people of Indonesia, I am pleased to express my sincere thanks to ITAP and USAID for four years of productive collaboration, and hope that we can look forward to future contribution and collaboration with USAID.

Yours faithfully,

Mari Eika Pangestu

EXECUTIVE SUMMARY

Prior to ITAP's inception, the MOT had been separated from the Ministry of Industry and Trade (MOIT) for about one year. In the former ministry, officials focused, in many cases, on achieving a basic level of performance to fulfill their professional responsibilities. The MOIT had not been allowed to recruit significant members of external staff members for nearly a decade, resulting in the urgent need to train and develop new recruits who would replace the nearly 40 percent of MOT staff due to retire over the coming five years. As Minister Mari Elka Pangestu noted, "[a]t the beginning of my term of office at the Ministry of Trade, I realized that we faced a shortage of quality human resources" with limited

budget capability to address this problem.

Recognizing these issues, ITAP focused on specified target areas, emphasizing actions that would build the institutional capacity needed to achieve more ambitious goals and objectives. Based upon the guidance of the Minister and the Secretary General, priority was given to developing qualified entry and middle-level personnel at the MOT. ITAP experts delivered high-quality training, coaching, and mentoring in trade law, economic analysis, human resource management, information technology, and public relations techniques and skills. ITAP identified and addressed the Ministry's most urgent needs and, in the process, conditioned the next generation

ITAP launched two Master's degree programs at the University of Indonesia:

- **Master's in International Trade Policy, sponsoring three classes totalling 65 MOT employees.**
- **Master's in International Trade Law, sponsoring two classes totalling 40 students.**

The second class includes lawyers from 11 Government of Indonesia ministries having jurisdiction over trade-related concerns.

of MOT leaders to undertake and sustain needed reforms.

The project employed a multidimensional strategy to fulfill goals and objectives in the following functional areas: the Legal Bureau (LB), the Trade Research and Development Agency (TREDA), the Interagency Trade Framework (IATF), communications and public relations, human resource management, and information technology. ITAP planned, organized, and implemented formal training activities based on training needs assessments, MOT requests and feedback, and each area's general body of knowledge.

Short-term technical specialists, both Indonesian and foreign, conducted the training programs. When practical, programs were sequenced to allow participation in a range of courses so staff could develop a broad understanding of issues relevant to their careers. These programs were followed by more specific or higher-level courses to develop greater expertise. The programs provided a balance of academic knowledge, practical skills, and hands-on learning through combinations of case studies, simulations, and other forms of active learning. A few of ITAP's notable training programs are described below.

- **Master's Degree Programs** – ITAP launched two master's degree programs at the University of Indonesia (UI), the first of their kind in Indonesia: The Master's degree in International Trade Policy (MITP) and

the Master's degree in International Trade Law (MITL). The MOT's urgent need for well-educated, highly trained professional staff able to work in today's competitive economic and legal environment was the impetus for these advanced degree programs. The MITP at the UI Faculty of Economics sponsored three classes, totaling 65 MOT employees. The MITL at the UI Faculty of Law sponsored two classes, totaling 40 students. The MITL program's second class includes lawyers from 11 GOI ministries who have jurisdiction over trade-related matters. Because of the success of these degree programs, UI plans to offer both as part of its regular curriculum starting in 2010.

- **Lectures on Strategic Commodities** – ITAP conducted 14 lectures on strategic commodities and related current issues in domestic and international trade. Experts from leading Indonesian research institutions, trade associations, and various GOI ministries spoke about current conditions, policies, and market prospects for specific commodities. Enthusiastic feedback from the participants indicated that the lecture series was a quick and effective way for them to learn and enrich their knowledge in diverse topics related to trade policies, current issues, theories, and research methods. The lectures also proved to be an excellent opportunity for the MOT to strengthen its collaboration, knowledge, and resource-shar-

ing with key stakeholders, enabling the Ministry to increase its coordination and communication when responding to “hot” issues. Between 50 and 100 participants attended each lecture.

- **Trade Negotiations** – ITAP conducted a series of workshops for the National Negotiating Team that addressed developing negotiating positions and strategies, using negotiation tactics and techniques, and managing negotiation processes. The workshops covered a wide range of topics, including regional trade agreements, agreements concerning ASEAN economic community, and a U.S./Indonesia free trade agreement (FTA). The training focused on negotiating FTAs, developing negotiating templates for nonagricultural market access (NAMA), and principal aspects of trade in services and agriculture. As a result of the training, the Negotiation Team members increased their knowledge about the varied international trade negotiations and their ability to analyze and address issues that arise during trade negotiations. The programs also contributed to strengthening and improving the overall effectiveness and performance of the MOT’s policy-making processes as they are affected by developments in trade negotiations.
- **Trade in Services** – ITAP supported the Ministry’s initiative to establish a new Trade

in Services team, composed of 10 members drawn from throughout the MOT. Given the important role services play in a modern economy, developing expertise on trade in services was deemed vital to the Ministry’s ability to lead and better handle service-related issues in multilateral, regional, and bilateral negotiations and agreements. The training programs focused on the services sectors covered by the General Agreement on Trade in Services (GATS) and on related domestic regulations and market conditions. Experts delivered presentations on GATS requirements and obligations; regional alternatives for liberalizing services; regional services agreements; and negotiating deeper disciplines on domestic regulation in the context of the Doha Round. Workshop attendees also reviewed and analyzed negotiating proposals and participated in a simulation for negotiating a bilateral FTA on services.

- **Legal Drafting** – ITAP conducted basic and advanced training on techniques and rules for legal drafting of trade agreements and regulations. Trainers used examples and case studies to illustrate both good and bad practices so that participants could apply knowledge from the training in their daily jobs. The program provided lawyers and relevant non-lawyers with drafting skills necessary in both domestic and interna-

tional contexts. The participants learned not only how to draft legislation and regulations, but also how to identify problems arising during the drafting processes and to find solutions.

- **WTO Trade Remedies** – ITAP conducted three seminars on trade remedies, each of which targeted different audiences. The first seminar focused on linking the private sector and the Antidumping Committee of Indonesia (KADI). The second seminar was exclusively for MOT officials and focused on practical issues relating to their work in trade remedies. The third seminar was conducted for the Ministry of Agriculture because of the frequency and importance of trade remedy cases in the agricultural sector. MOT lawyers and officials learned how to better identify and analyze legal issues affecting trade remedies, how to draft legal responses in trade cases, and in several cases, how to identify WTO issues that would not have otherwise been considered. ITAP was able to provide advice regarding the first WTO compensation claimed by Indonesia in a safeguard case involving the Philippines.
- **Export and Investment** – Working with the World Bank Institute, ITAP delivered a blended e-learning series concerning fundamental issues in the areas of trade finance and facilitation, trade standards, and export development and diversification.

To enhance the training, ITAP experts provided in-depth insight and advice on export investment agreements and financing arrangements regarding the Indonesian market through a workshop for junior and mid-level GOI officials responsible for investment negotiations. The workshop helped participants to understand key aspects of international investment agreements (IIAs), including the new generation of FTAs at bilateral and regional levels, particularly those in the Asia Pacific region.

Additional training was provided for senior MOT officials and other ministries and agencies involved in the formulation and implementation of trade and investment policies, helping them to gain practical experience in formulating strategic policies to develop and expand exports. Trainers presented case studies on ways in which Malaysia, South Korea, and Chile formulate and implement strategic trade and investment policies.

To complement ITAP's formal training activities, project advisors provided ongoing mentoring, coaching, advice, and support to their counterparts. For example, in legal matters, ITAP advisors included lawyers with substantial international experience counseling private-sector clients, litigating cases, and interpreting laws involving the range of international trade issues. The advisors shared with MOT staff insights and information on the concerns and thinking

ITAP supported the Ministry's efforts to inform and collaborate with the private sector through strategic information-sharing events, including one that engaged more than 50 foreign and local investors.

of private stakeholders affected by trade regulations, policies, and agreements. By sharing this knowledge informally and on a real-time basis, ITAP's advisors were able to add substantial practical value as well as to help build cognitive skills.

ITAP supported a range of cross-functional public relations and outreach activities for capacity building, including supervisory and management skills training, and English language training. Knowledge of the MOT's activities and priorities, an assessment of the needs of key constituencies, and an awareness of cultural and political nuances in trade matters guided ITAP's public outreach activities to improve communications with all stakeholders. ITAP also supported the new MOT Center for Public Relations (CPR) by providing intensive training and mentoring to strengthen staff skills in editing and writing, public relations, and media relations. ITAP supported the Ministry's efforts to inform and collaborate with the private sector through strategic information-sharing events, including one that engaged more than 50 foreign and local investors by updating them and receiving their feedback on the latest developments on the newly enacted investment law.

At the request of the Office of the United States Trade Representative, ITAP and the MOT carried out a public outreach campaign on illegal logging to support the Memorandum of Understanding to Combat Illegal Logging and Associated Trade between the governments of the United States and Indonesia. A series of six workshops were held in key regions that were attended by over 300 participants from the private sector, NGOs, and local governments. The workshops provided information designed to strengthen the policing and enforcement activities by the provincial governments and to raise public awareness on the social, economic, and environmental effects of illegal logging.

Based on findings and recommendations set forth in the project's Information Technology Infrastructure Blueprint, ITAP designed a full information technology (IT) network plan for the new MOT building. ITAP invested \$3 million in equipment for a new IT network that now provides modern data, voice and video capabilities, and a data center that is secure, reliable, and scalable to meet future requirements. The new network system operates at speeds 10 times faster than the prior network. While much of its support was in the

ITAP CAPACITY BUILDING PROGRAMS AT A GLANCE: 2006 – 2009	
Number of Workshops conducted	410
Number of Lectures Presented	26
Number of Trained Participants	7,556

ITAP invested \$3 million in equipment for a new IT network that now provides modern data, voice and video capabilities, and a data center that is secure, reliable, and scalable to meet future requirements.

procurement of equipment, ITAP also provided software and services, training, and capacity building related to managing and using the network.

Through ITAP's training and development activities, MOT employees increased their understanding of international trade issues, developed more self-confidence, and gained a broader perspective about Ministry issues. As a result, the MOT staff is more aware of the need to improve systems, structures, standards, policies, and procedures to succeed in a globally competitive environment.

STRUCTURAL REFORM

ITAP support for the MOT's organizational and structural reform started slowly. Although ITAP analyzed the Ministry's organizational structure and proposed a streamlined alternative at the project onset, MOT leadership had not yet made structural reform an immediate priority. Issues arising from the split from the Ministry of Industry (MOI) after 10 years as a 'combined' MOIT impeded the new MOT's operations. The Ministry was forced to operate without a clear budget for much of each fiscal year, impairing the ability to plan and allocate resources effectively. Newly assigned leadership for the Ministry's new directorates and bureaus seemed wary of further change. All of this, coupled with the knowledge that GOI ministries were subject to the civil service guidelines of the State Ministry for Administrative Reform (MenPAN) – which controlled such areas as organi-

zational structures and reporting lines – created additional barriers to reform.

Consequently, ITAP first attempted to gain more extensive and first-hand understanding of MOT's operations before proposing significant structural reforms. As ITAP staff and experts became more familiar with how other GOI organizations addressed issues of institutional reform, the project became better able to work with the MOT to identify achievable opportunities and goals for reforms to create a more efficient, effective, transparent, and performance-based organization. Throughout the project, ITAP and the Ministry worked together to undertake specific and focused reforms. This approach has proven to be a realistic manner through which to bring about targeted change.

ITAP's active support for reforming the Ministry's structure began in the project's second year and accelerated through ITAP's final year. This process coincided with and was directed by the Ministry's increased focus on reforms in line with MenPAN's bureaucratic reform initiative which encouraged GOI ministries to propose progressive structural and organizational reforms to improve overall performance. ITAP's support focused on the following areas:

- **MOT's Organizational Structure** – At the request of the Minister, ITAP delivered a presentation to the Secretary General and approximately 20 senior MOT officials on

a Comparative Review of Organizational Structures for Trade Ministries in Selected Countries. This report provided a survey of 10 trade ministries in countries relevant to Indonesia. Based on this review and on recognized best practices regarding organizational structure, the report suggested a wholesale reorganization of the MOT into three operational pillars. In response to this report and the corresponding presentations, the MOT created a working group drawn from the Ministry senior staff and ITAP to evaluate the report's recommendations in greater depth. As a result of the working group's deliberations, the Ministry undertook an approach to organizational restructuring that reflects the suggestions by ITAP in implementing the MenPAN reform initiative – a process that was ongoing at ITAP's conclusion.

- **Bureau for Personnel and Organization** – Over the course of the project's term, ITAP provided significant support to MOT's Bureau of Personnel and Organization (BPO). An initial human resources blueprint provided a vision for the MOT in revamping its human resource (HR) system to pursue short- and long-term goals, determine and allocate adequate resources, and establish measurable performance indicators. This vision included developing a new organizational structure and staffing arrangements for the

BPO that would closely link the Organizational Planning and Development Division with the Human Resource Planning and Development Division.

ITAP's primary suggestion on structural reform to the BPO was to move from focusing on purely administrative functions (for example, personnel promotions, transfers) to focusing more extensively on a human capital strategy. The new structure also combined the administration of functional employees with that of structural employees under the Division of Personnel Administration. ITAP's support to the BPO also paralleled the World Bank's technical assistance to the MOT to create a BPO 'redevelopment' strategy and a sequential approach for providing contemporary HR management services in a civil service environment. ITAP and World Bank collaboration on this strategy resulted in the creation of new standard operating procedures (SOPs) that effectively guide staff in better understanding how to perform their jobs more effectively.

ITAP also worked with the BPO's task force in charge of developing competency models and standardized job descriptions for the MOT. Initially intended only for Echelons 3 and 4 of TREDAs and the LB, this activity was expanded at the request of the BPO to assist in developing competency models for the entire Ministry. The

MOT task force led the effort, working with ITAP to provide mentoring on administering and evaluating job analysis questionnaires, collecting job descriptions, developing job codes, and documenting personnel interviews.

ITAP assisted the Ministry in developing an appropriate HR strategy. On the basis of that strategy, ITAP provided further technical assistance to the MOT in meeting identified training and development needs in the context of this strategic plan. An ITAP assessment found that major improvements were needed in the MOT Training Center's (Pusdiklat) operating systems. In addition, the assessment reported that the quality of instructional material was inconsistent, varying according to differing abilities of individual course developers. The assessment recommended that a competency-based training (CBT) program be introduced into Pusdiklat to improve staff capacity in curriculum development and to support creation of standardized, high-quality training materials. ITAP subsequently developed and delivered a 19-week CBT program for a select group of Pusdiklat instructors. Participants in this training developed practical skills in curriculum design through a learn-by-doing strategy and developed actual training modules that will be used for future Pusdiklat courses. Pusdiklat's Director is expanding the impact of this training

course by having the initial participants in the course train additional Pusdiklat instructors in both curriculum design and in use of the CBT approach to develop training materials.

- **Legal Bureau** – ITAP provided in-depth advice and evaluation of the organizational structure for an upgraded Legal Bureau (LB). ITAP initially advocated creating an equivalent to an Office of General Counsel within the MOT. ITAP's engagement with MOT leadership on this reform led the MOT to an increased understanding of the need for greater integration of legal services in the work of all agencies within the MOT.

In 2008, ITAP's legal team and expert consultants developed a blueprint entitled *Improving the Quality of Legal Services within the Ministry of Trade of the Republic of Indonesia*. ITAP presented this report to the Minister, the Secretary General, the Director Generals (DGs), the Minister's expert staff, the heads of units and other relevant officials. The Minister approved implementing the blueprint and the related roadmap. At the Ministry's request, ITAP drew heavily from this blueprint to develop the Bureaucratic Reform Plan for MOT's Legal Bureau, which put the blueprint's recommendations in the format required by MenPAN for submissions supporting reorganization proposals and

structured the recommendations to meet the organizational focus that MenPAN required. This report received MOT endorsement for submissions to MenPAN.

- **Public Relations** – At project's outset, ITAP identified a clear need, agreed upon by MOT leadership, to separate the Ministry's public relations (PR) function from the Bureau of General Affairs. The Ministry requested ITAP support in reorganizing the two functions and establishing a new Center for Public Relations (CPR). ITAP provided technical assistance in creating an organizational structure and developing work plans, policies, and SOPs for the CPR. ITAP provided training sessions on key outreach and communications skills topics, supported by targeted and regular mentoring support. This capacity building ensured that CPR personnel developed competency to respond appropriately, efficiently, and effectively to stakeholders and the media. The MOT's reformed public relations structure, coupled with more highly trained employees, significantly bolstered the Ministry's overall communications and outreach efforts as well as its engagement with stakeholders.
- **Center for Trade Policy Harmonization** – In response to an MOT request, ITAP developed a business plan, with an accompanying action plan, to establish an interna-

tional liaison office within the Ministry. The office's goal is to improve the communications, coordination, and overall trade promotion efforts of MOT's overseas trade attachés and trade promotion offices. During 2008, the need for such an office increased considerably as the Ministry expanded the number of international trade promotion centers (ITPC) from 13 to 20.

The MOT ultimately decided to locate this function in a Center for Trade Policy Harmonization. This Center was approved in 2009 as an additional function in the Secretariat General. Support and advice from ITAP assisted in defining the purpose, goals, structure, and responsibilities of this new Center. ITAP support also assisted in adopting institutional tracking and control procedures for all documents requiring legal clearance, a responsibility that falls within this Center's mandate.

In related assistance, ITAP also focused on policies and processes for improved coordinating and clearing of legal services and outputs within the MOT. A report entitled *Adoption of Clearance and Case Management Policies within the Ministry of Trade* provided recommendations on improving core processes and procedures of the MOT, including issuing regulations and decrees, managing trade cases, and tracking and controlling legal documents. ITAP supported

MOT implementation of these recommendations with an intensive training program that built professional capacity of both LB personnel and the MOT's Control Officers who will implement a newly adapted clearance and control system.

- **Commodities Futures**

Trade Agency – ITAP's 2006 inception report noted that the Commodities Futures Trade Agency (COFTRA) was awaiting legislation that would split the agency's functions between the Ministry of Finance (MOF) and the MOT. This change had not happened by the middle of 2009. However, in its efforts to simultaneously prepare for this eventual spin-off and to comply with MenPAN's bureaucratic reform program, MOT leadership requested support from ITAP to examine structural and organizational options for COFTRA. ITAP provided a report presenting its options for provision of functions currently performed by COFTRA. The options vary widely and include maintaining the status quo, separating COFTRA from the MOT, or creating an independent 'super-regulator' for all financial services or leaving some administrative functions within the MOT and transferring regulatory functions to the MOF. The MOT is currently utilizing ITAP's inputs in its deliberations regarding COFTRA.

CONCLUSION

During the project's term, ITAP enjoyed a highly productive collaboration with the MOT and its leadership. In turn, the Ministry gained substantial expert assistance in each of the ITAP component areas: trade law and regulation, economic research and analysis, human resource management and development, public relations and outreach, information technology, and organizational reform. Staff members from the MOT and other trade-related ministries and agencies received training, information, and increased knowledge that measurably improved their professional skills and job performances and contributed greater collaboration between ministries on trade policies and enforcement.

Ministry staff and Indonesian trade negotiators greatly expanded their understanding of the trade negotiation processes, dispute resolution, and compliance with trade obligations at multi-lateral, regional, and bilateral levels. The MOT, the broader trade constituency within the GOI, and private sector stakeholders have better defined collaboration on trade policy and practices and on the promotion of export-related investment. At ITAP's conclusion, the Ministry stood on the threshold of a new era as a reformed and restructured ministry capable of pursuing its mission in keeping with recognized international best practices in public sector management and public policy implementation.

INTRODUCTION

USAID/Indonesia assisted the Government of Indonesia (GOI) in developing trade capacity over the past 16 years. Projects have included the Trade Implementation and Policy (TIPs) project, the Partnership for Economic Growth (PEG) project, and the Growth through Investment and Trade (GIAT) project.

Upon taking office, the Minister of Trade, Mari Elka Pangestu identified building and improving trade capacity as a priority goal. To support the Ministry's efforts to meet this goal, the Indonesia Trade Assistance Project (ITAP) was established in January 2006 with a mandate to improve institutional capacity and organizational effectiveness in addressing both domestic and international trade matters.

ITAP, which will end in September 2009, was designed to improve the Ministry of Trade's (MOT's) institutional capacity to plan, analyze, implement, and manage domestic and international trade policies and programs. The project was also designed to support reforms to expand the country's exports, improve the investment climate, and create new employment opportunities.

ITAP focused on training staff and building institutional capacity in trade law, economic analysis, public relations and human resource management, as well as improving the Ministry's information technology infrastructure. In addition, ITAP helped to improve interagency coordination on trade-related policies and to expand public-private dialogue on trade issues. The total project budget was approximately \$14.9 million.



A new recruit poses a question to senior level Ministry officials at the ITAP-sponsored orientation program.

CHAPTER I

REFORMING HUMAN RESOURCE MANAGEMENT PRACTICES

As part of an evaluation of MOT human resources (HR) policies and procedures, ITAP experts and Ministry officials identified a need to modernize HR operations in ways consistent with best practices in public administration and to train staff in performance-based management systems. The primary challenge in implementing this change was an institutionalized culture that favored patronage over objective assessment. Such a system does not provide effective performance incentives and is characterized by a convoluted remuneration system and dysfunctional disciplinary standards. In 2007, ITAP worked with the MOT to implement an efficiently

run, performance-based human resource system in combination with training programs to build general capacity for all MOT personnel.

For the Bureau of Personnel and Organization (BPO) to lead this reform effectively and to become a strategic partner to the other units of the MOT, ITAP determined that the BPO first needed to upgrade its own practices and procedures. ITAP assisted in developing several practices and procedures that are the building blocks of efficient HR functions. ITAP experts reviewed and provided recommendations on HR processes and on managing the MOT's Training Center

(Pusdiklat). These experts also mentored and guided a BPO internal task force in charge of developing competency models and job descriptions for the MOT. ITAP also conducted training for junior staff and mid-level staff on general management skills and HR management practices as well as English language training.

RESTRUCTURING THE BUREAU OF PERSONNEL AND ORGANIZATION

When the MOT was separated from the Ministry of Industry in 2005, the BPO was expected to take the lead in reorganizing the entire Ministry. To do so, however, the BPO first needed to be restructured itself and to develop the capacity to support reorganization of the entire Ministry. A top priority therefore was to empower the BPO with systems, tools, and knowledge to enable it to provide strategic services beyond administrative functions. The BPO urgently needed to upgrade its practices in handling key HR transactions to support the other MOT bureaus by providing education, training, and HR expertise.

ITAP sought out opportunities through which it could provide valuable human resources support within the context of the MOT's immediate priorities. An initial opportunity was in preparing the MOT for impending termination of the government-wide 'zero personnel growth' policy that had been in place for more than 10 years. With this dramatic change, approximately 300 new recruits were about to join the Ministry; ITAP assisted

the MOT in the placement, training, and overall integration of these new staff members. Various ITAP-supported initiatives and training programs ultimately supported successful integration of these new entrants.

ITAP conducted an initial assessment in 2006 to determine the Ministry's HR needs and to develop recommendations on desirable best practices to address these needs. To implement these recommendations, ITAP worked with the BPO to craft a plan for a new organizational structure that would provide a more strategic focus and reduce emphasis on standard personnel administration practices. The new plan concentrated personnel administration into a single unit rather than being spread out over three units. As part of the rationalization process, the plan transferred tertiary and professional development planning and administration from the Bureau of Planning to the BPO. The new structure now links organizational development with human resources management.

ITAP assisted the BPO in undertaking a sequential approach to establishing a BPO with the capacity necessary to support MOT restructuring as well as providing contemporary HR management and training services to the Ministry. ITAP provided assistance in transforming the HR function through advice and training in developing new job descriptions, building competency models, and implementing change management strategies.

With ITAP support, the MOT task force 1) documented 70 percent of the business processes within the units of the Secretariat General; 2) developed 80 percent of the job descriptions in those units; 3) held 18 group mentoring sessions on business processes and job descriptions; and 4) held 23 one-on-one mentoring sessions for task force members.

ITAP organized a mentoring program on competencies that was attended by the BPO staff from Echelons 3 and 4. A report, entitled *A Comparative Review of the Organizational Structures for Trade Ministries in Selected Countries*, was prepared to identify best practices employed in other governments. ITAP then delivered a presentation on this review to the Secretary General and approximately 20 MOT officials. MOT officials used the report as a foundation on which to develop the competencies required to accommodate the different professional functions carried out across the Ministry. Initially intended only for Echelons 3 and 4 of TREDA and the Legal Bureau, ITAP expanded this support at the request of the BPO to assist in developing competency models for all Ministry units.

A task force was created to lead the development of the competency models. ITAP provided support in administering and evaluating job analysis questionnaires, collecting and revising job descriptions, developing job codes, writing interview results, and preparing processes for developing job descriptions. The task force was divided into small teams that concentrated on designated areas of the Ministry. The task force developed competencies to support career planning and developed job descriptions, using a job evaluation questionnaire specified by the State Ministry of Administrative Reform (MenPAN). These competencies serve as the basis for a new performance-based remuneration system.

The task force was also assigned to design a business process for each unit to complement the job descriptions. With ITAP support, the task force 1) documented 70 percent of the business processes within the units of the Secretariat General; 2) developed 80 percent of the job descriptions in those units; 3) held 18 group mentoring sessions on business processes and job descriptions; and 4) held 23 one-on-one mentoring sessions for task force members. In addition, ITAP developed a competency model, an organizational chart, and position descriptions for the restructured BPO. The MOT is now actively employing competency modeling in staff rotations, while benefits of effective use of competency modeling accrue over time.

ITAP also guided the development of SOPs for departments throughout the Ministry. As the roles of staff members and departments were defined, ITAP was able to map new HR processes and procedures for each MOT department. An ITAP report on *HR Process Reengineering within the BPO* noted several potential improvements that did not conflict with central governmental personnel policies and civil service regulations. This ITAP assistance, coupled with additional ITAP advice on change management, enabled the BPO to reduce the time required to complete several key HR transactions while increasing internal accountability. Although the Ministry is still in its early stages of the reorganization process, ITAP's support has helped

the MOT to establish a foundation of knowledge and a clear strategy on which to continue implementation activities.

IMPROVING TRAINING AND DEVELOPMENT SERVICES

Developing an effective human resource training and development program is a major responsibility of the BPO. As part of technical assistance supporting the BPO's work in this area, ITAP experts identified the Ministry's lack of an HR strategic plan for managing education and training programs as a primary weakness. Without such a plan, Pusdiklat had not been able to develop and implement courses that the Ministry's directorates and agencies require. Much of the donor-supported training provided in the past had been ad hoc, supply-driven, and unsustainable, due in part to the fact that the BPO had not developed a clear HR strategy against which to define and develop appropriate training activities.

Once ITAP assisted the BPO in developing an appropriate HR strategy, the project provided further technical assistance to assist the MOT in meeting identified training and development needs addressed in the strategic plan. This development was particularly important in light of the significant levels of retirement and recruitment that the Ministry confronted. Evaluations documented that the Ministry needed a massive training program that targeted two groups: (1) older employees scheduled to move up into more senior positions

and (2) the expanding pool of younger, entry-level employees.

ITAP conducted a study to identify appropriate ways to build capacity within Pusdiklat to meet this twin challenge. The study found that major improvements were needed in the Center's operating systems and that the quality of instructional material was inconsistent, varying according to differing abilities of individual course developers. Much of the training material developed by these staff members was incomplete and difficult to follow. The study, therefore, recommended that a Competency-Based Training (CBT) program be introduced into Pusdiklat to improve staff capacity in curriculum development and to support creation of standardized, high-quality training materials. CBT requires performance-based outputs to be developed by trainees, enabling them to demonstrate their ability to develop and perform the work competencies that have been taught through the provided training.

ITAP developed and delivered a 22-week CBT program for 10 Pusdiklat instructors. Through the course, participants developed practical skills in curriculum design and in creating comprehensive training materials. Each student followed a learn-by-doing strategy to develop actual training modules that will be used for future Pusdiklat courses.

Course participants can now develop and use standardized systems for curriculum design to deliver effective training courses.

Pusdiklat's director is expanding the impact of this training course by having the initial participants train additional Pusdiklat instructors in curriculum design and in development of training materials by using the CBT approach.

TRAINING IN PROFESSIONAL SKILLS

In 2006, ITAP had BPO employees complete training needs assessment surveys and developed a general skills training program based on the results. The training program addressed work skills development, human resource management, management skills and English language proficiency. On the basis of trainee performance and feedback, after 2007, ITAP shifted the focus of training programs to smaller mentoring sessions to provide practical, hands-on training on prioritized work responsibilities, such as developing job descriptions, SOPs, and job competencies. A description of ITAP's formal training courses is detailed below.

- **English Courses** – ITAP coordinated four types of English classes for MOT personnel. The academic English course supported improvement of TOEFL scores of otherwise qualified candidates for the Master's degree programs in International Trade Policy (MITP) and International Trade Law (MITL). Classes were facilitated by the language center at the UI.

Other courses included the general English course, also facilitated by the University of Indonesia; an academic English course in Bandung, provided specifically for the Directorate of Metrology; and the business report writing course.

- **Work Skills Development for New Recruits** – This series was designed to enable new MOT recruits to perform job tasks more effectively.
- **Managerial Skills for Echelons 3 and 4** – These courses provided skills necessary to be an effective middle manager, including strategies and techniques in communications.
- **Human Resource Management (HRM)** – This workshop series enabled participants to acquire skills in managing human resources within an organization.
- **HR Management for New Recruits** – The course familiarized new BPO employees with the concepts and practices of generally accepted human resources management, including the work system; recruitment, selection, and staffing; training and development; career management; performance measurement systems and termination and outplacement programs. Special topics, including strategic HR management, competency-based HR management, and an HR scorecard were also included.



Graduates from the first class (2007-2008) of the Master's degree program in International Trade Policy (MITP).

CHAPTER 2

INCREASING CAPACITY IN RESEARCH MANAGEMENT & DEVELOPMENT

Policy makers within the MOT rely on the Trade Research and Development Agency (TREDA) to provide the analytical foundation for sound decision-making. TREDA consists of approximately 150 staff members and is composed of five units: the Secretariat of the agency, the Foreign Trade Research and Development Center, the Trade Data Center, the Business Climate Research and Development Center, and the Domestic Trade Research and Development Center.

When ITAP began, TREDA had an insufficient number of qualified personnel available to undertake the quality research necessary to analyze the potential

impact of various policy options and to ensure decisions based on accurate and thorough analysis. ITAP, therefore, focused on improving TREDA's effectiveness in planning, conducting and evaluating research projects. With ITAP's assistance in improving research skills and putting management methodologies and systems in place, TREDA has significantly improved its ability to analyze trade related issues. This improved capacity has resulted in more quality reports and other related materials. In addition, the Master's degree program in International Trade Policy (MITP) has provided 65 MOT personnel the opportunity to obtain advanced degrees and to

apply valuable knowledge to their job responsibilities in TREDA and other policy units within the MOT. Through ITAP-provided training programs and lectures, TREDA staff skills have been substantially improved, and the agency has been able to broaden its network of relevant institutions and experts.

ECONOMIC RESEARCH

In 2006, TREDA was in immediate need of basic training in research techniques. The agency did not have a standardized system to conduct and document research or to archive its research products so that Ministry personnel could access them. ITAP developed a step-by-step guidebook with standardized procedures for conducting research activities. The guide provides samples of relevant topics to be addressed through a uniform approach that can easily be adapted to issues relevant to the Ministry. The guide serves as a practical tool for TREDA staff to plan, conduct, evaluate, and report all research activities. ITAP also assisted in developing a TREDA Research Master Plan, which serves as a blueprint for TREDA's planning of research projects over a five-year period. ITAP supported and guided the development process with TREDA staff and participated in selecting and editing the topics.

One of ITAP's main priorities was to improve the ability of TREDA personnel to make sound policy prescriptions based on comprehensive and accurate analysis. Support in this area included mentoring on trade research activities for TREDA's three research centers:

Foreign Trade, Domestic Trade, and Business Climate. ITAP provided technical support in formulating research proposals, including defining objectives and scopes, selecting appropriate theoretical frameworks, and instructing on research methods. ITAP staff also assisted in implementing actual research by developing questionnaires as well as sampling, analyzing, and interpreting data. Topics included agricultural economics, international trade, and price policy analysis. ITAP experts worked with TREDA staff on both an individual and group basis to examine relevant theories, analytical techniques, and policy issues.

ITAP also supported TREDA's efforts to establish a new unit within the MOT, called the Trade Policy Task Force (TPTF), to assist the Minister in formulating trade policies and responding to urgent and critical issues. The TPTF responds directly to requests from the Minister and is expected improve the MOT's ability to formulate new policies, particularly on critical issues to be addressed on an urgent basis. ITAP assisted in the process of selecting the TPTF team – a group that will consist of policy analysts who have a strong background in trade theories and quantitative methods of analysis, coupled with knowledge of trade practices. ITAP also provided mentoring support and a training workshop to strengthen the capacity of the team members.

ITAP conducted a series of workshops to provide participants with strong basic skills in economic research in trade policy areas

ITAP provided expertise in developing five Commodity Profiles, which serve as models for developing profiles on 25 selected commodities:

- **Palm oil**
 - **Cocoa**
 - **Automotive components**
 - **Shrimp**
 - **Furniture**
-

that were critical to the MOT. Because the MOT hired so many new employees during 2007 and 2008, many of the workshops specifically targeted new TREDA personnel. Additional workshops focused on research methodology and software for TREDA personnel who already had a foundation in trade research methodology acquired from previous ITAP research workshops. The workshop series took place in 2007, 2008, and 2009 and consisted of 24 sessions. Participants broadened their understanding of trade policy and quantitative techniques for analyzing trade issues and policies, enabling TREDA personnel to undertake their responsibilities more efficiently, accurately, and effectively.

As a sustained form of assistance, ITAP trade economists provided ongoing feedback to MOT staff on policy papers, memos, and various reports related to TREDA activities. The MOT is responsible for responding to varied, urgent issues that require immediate and sound policy responses. To assist TREDA in meeting that challenge, the ITAP economists developed seven policy memos on issues ranging from crude palm oil (CPO) to export tax formulation to the domestic sugar distribution system. These memos serve as models for

subsequent memos that TREDA staff will be called on to develop. ITAP also provided mentoring and consultations on more than 200 TREDA economic papers.

STRATEGIC COMMODITIES

ITAP provided in-house expertise in producing a series of comprehensive profiles on commodities that are of particular importance to Indonesia. This assistance was carried out through on-the-job training and mentoring for staff of TREDA's Foreign Research Trade Center and the National Agency for Export Development (NAFED). The selected profiles represent 30 of Indonesia's major agricultural and industrial exports (listed below), potential export products, and food staples. ITAP assisted the production of five profiles on palm oil, cocoa, automotive components, shrimp, and furniture. These profiles now serve as models for reports on the other 25 commodities.

These profiles examine production, consumption, export, and value added. To support TREDA's ability to develop these profiles more independently, ITAP economists developed a Commodity Profile Writing Manual that provides step-by-step guidance on how to research, compile, draft, and present commodity profiles.

GROUP	COMMODITIES
Group 1 Major Exports	cocoa, rubber, coffee, coconut, palm oil, shrimp, electronics, automotive components, shoes, furniture, textiles, and textile products
Group 2 Other Exports	handicrafts, jewelry, spices, medical appliances, essential oils, fish and fish products, leather and leather products, stationary, and processed foods
Group 3 Food Products	sugar, rice, salt, fruits, red pepper and vegetables, wheat, flour, beef, chicken, and eggs and milk

ITAP staff and experts conducted 17 lectures on strategic commodities and current issues related to domestic and international trade.

To further enhance staff capacity, ITAP staff and experts conducted 17 lectures on strategic commodities and current issues related to domestic and international trade. ITAP invited speakers from leading Indonesian research institutions and trade associations, such as the Agricultural Agency for Research and Development, the Rubber Research Institute and various GOI ministries, to provide lectures about current market and economic conditions, policies, and prospects for specific commodities.

Enthusiastic feedback from participants indicated that the lecture series was a quick and effective way to increase knowledge of diverse topics related to trade policies, current issues, theories, and research methods. The lectures also proved to be an excellent opportunity for the MOT to strengthen its collaboration with key stakeholders, thus enabling the Ministry to increase coordination and communication when responding to “hot” issues. The broad-based participation enabled the MOT to establish professional relationships between its staff and experts from other GOI ministries, universities, research institutes, and trade associations. Between 50 to 100 participants attended individual lectures.

FIELD RESEARCH

ITAP funded the cost for two staff members from the MOT International Research Internship Program (IRIP) to conduct research in Thailand and Malaysia. The IRIP, which began in 2006, has emerged as an important developmental activity for junior-

level TREDA staff. By undertaking field research to neighboring countries where trade issues exist similar to ones in Indonesia, the novice researchers were able to enhance their knowledge about pertinent issues and learn how other countries have dealt with such issues. ITAP economists accompanied the 2007 interns on their research trips to provide on-site support in conducting the research. This support by ITAP staff enabled the researchers to more effectively gain valuable knowledge in proposal development and in conducting field research.

ANNUAL REPORTS

This activity was designed to improve the capacity of the Ministry staff in documenting the MOT’s performance and trade policies and to increase its public outreach to stakeholders. Working closely with TREDA senior officials, ITAP helped the MOT to develop a plan to produce the report, including establishing the team responsible for gathering material, determining the structure and content of the report, and hiring consultants to support in writing, editing, designing, and producing the report. ITAP’s involvement also included editing, monitoring, and maintaining timeliness throughout the production process.

This first annual report effectively consolidated and disseminated information on trade and trade policies for Indonesian government officials and other stakeholders. Stakeholders need a solid understanding of Indonesian trade and related policies to participate effectively in trade policy decision-making and negotiations preparation.

The annual report will also assist the Ministry in meeting its objective to inform the broader Indonesian public about trade and trade policy. Furthermore, the report will contribute to improving the international trade and investment community's understanding of the status of Indonesia's competitiveness and will promote developing trade and investment cooperation between Indonesia and the world community.

TARIFF TEAM

ITAP staff trained and mentored the MOT Tariff Team on formulating policies related to import tariffs and export taxes. ITAP also shared key tools for conducting trade policy analysis. The Tariff Team was established under the Business Climate Research Center and is responsible for formulating policy on import tariffs and export tax as well as finalizing tariffs in line with the tariff harmonization programs of Most Favored Nations (MFN); Common Effective Preferential Tariff (CEPT); ASEAN; ASEAN-China; GSTP; Developing Eight Countries (D8); and Asia-Pacific Economic Cooperation (APEC). Through this initiative, TREDATA staff increased their research capacity in tariff policy. The MOT gained new and relevant documents that now serve as useful reference tools for analyzing optimum tariffs, the tariff impact on regional trade arrangements, and tariff and nontariff barriers.

MASTER'S DEGREE PROGRAM IN INTERNATIONAL TRADE POLICY

In 2006, ITAP launched the Master's degree program in Inter-

national Trade Policy (MITP) in conjunction with the Economics Faculty of the UI. The MOT's need for well-educated, highly-trained employees capable of working in today's competitive economic environment provided the impetus for this advanced degree program. The MITP program is the first of its kind in Indonesia and has developed a cadre of MOT employees with the skills necessary to effectively plan, manage and implement trade policies that will foster economic growth, reduce poverty, and generate new opportunities for employment.

The MITP program focuses on numerous areas of advanced trade policy, including international trade theory and policy; economic development planning; political economy in international trade and economic institutions; and macro and microeconomics. Most courses are conducted in English to improve the students' competency in the primary language used by the WTO. ITAP organized guest lecturers for the MITP students that were presented by international experts in analysis, negotiation, and implementation of bilateral and multilateral trade agreements. Two classes (45 students) have graduated from this program to date. The third class is expected to graduate in 2009, which will result in a total of 65 MOT employees holding this degree. Due to the program's success, UI plans to offer the course as part of its regular curriculum. This sustained offering will continue to provide MOT staff the opportunity to obtain an advanced degree related to their careers within the Ministry.



ITAP provided training programs that prepared the National Negotiating Team to meet the demands of trade negotiations.

CHAPTER 3

STRENGTHENING NEGOTIATION SKILLS AND INTERAGENCY COORDINATION

During ITAP's term, the MOT faced an extremely active and demanding trade agenda. The Ministry was fully engaged in the WTO Doha Development Agenda Round negotiations on agriculture, non-agriculture market access, services, trade facilitation, and other issues. In addition, regional trade negotiations were ongoing with ASEAN and APEC. The GOI was negotiating bilateral FTAs and partnerships with a number of countries, including Japan, and was considering initiating negotiations with other countries, including Australia and the United States. In addition, new issues on the international trade policy agenda, including

development, investment, and competition, presented major challenges to the GOI. However, the GOI had an insufficient number of trained people in the MOT with adequate expertise to support these negotiations and address these issues.

The Interagency Trade Framework (IATF) coordinates and formulates Indonesia's negotiating positions by providing policy and technical support for numerous multilateral, regional, and bilateral trade negotiations. IATF consists of approximately 200 experts from the MOT, other ministries, and outside institutions who participate in negotiations and discuss issues in their respec-

tive areas of expertise. Given the number of trade negotiations Indonesia must undertake and the range of subjects to be covered, the level of experience, expertise, and resources required to be fully prepared to conduct simultaneous or complex negotiations was insufficient at the time ITAP began.

To strengthen subject matter expertise and negotiating skills, ITAP provided training programs for members of the National Negotiating Team to improve IATF members' knowledge of institutional capabilities in macroeconomic concepts, negotiation practices and strategies, WTO policies and procedures, and other areas pertinent to Indonesia's trade agenda. These programs prepared Indonesia's National Team to meet the demands of trade negotiations. In addition, ITAP has facilitated improvements in communication and collaboration among IATF members, the MOT, and other ministries and has supported more systemized processes to prepare for and undertake negotiations.

NATIONAL NEGOTIATING TEAM

The MOT requested technical assistance from ITAP in developing its interagency coordination processes to ensure that, while each relevant stakeholder participates in the process, the national interest controls the direction of policy and negotiating positions. ITAP conducted a series of workshops addressing the crucial roles of developing negotiating positions and strategies, using

tactics and techniques, and managing negotiation processes. The workshops covered a wide range of topics, including regional trade agreements, agreements concerning the ASEAN economic community, and a U.S./Indonesia FTA. The training focused on negotiating FTAs, developing negotiating templates for nonagricultural market access (NAMA), and principal aspects of trade in services and agriculture.

As a result of these training programs, the National Negotiating Team members obtained in-depth knowledge of the varied types of international trade negotiations and increased their negotiation skills. Furthermore, National Team members increased their ability to analyze and handle issues as they arise during the course of multilateral, regional and bilateral negotiations – a skill which has also contributed to strengthening and improving the overall effectiveness and performance of the MOT's policy-making processes.

ITAP also worked to strengthen the capacity of the DGITC to develop an International Trade Negotiations Information Sharing System (PPIRISS). Many paper and electronic filing systems were not shared across ministries and agencies within GOI, making coordination difficult and often leading to limited understanding of policy among different government sectors. Having a PPIRISS system in place would improve document sharing and retrieval across government sectors. ITAP conducted training programs on PPIRISS, led

the National Team in conducting a survey of databases and information storage and retrieval systems, and provided technical advice as to network capacity necessary to support the system. The survey reviewed the system's contents and provisions for entry and access as well as technical information that could facilitate sharing of information through the system.

ITAP also assisted the DGITC in preparing a draft Ministerial Decree to establish a National Team Office for International Trade Negotiations. Additional responsibilities proposed in the draft decree go beyond the National Team's existing tasks and encompass a wider range of relevant activities, including undertaking analysis and assessment, providing data and information, preparing materials and negotiation briefs for delegations, preparing reports, facilitating research, and coordinating a capacity building program. This centralized office with supporting systems in place will greatly enhance the National Team's functioning.

TRADE IN SERVICES

ITAP supported the Ministry's initiative to establish a new Trade in Services team, composed of 10 members from throughout the MOT. ITAP provided the team members with training and orientation in a range of areas related to international trade in services. Given the important role services play in a modern economy, it was vital that the MOT develop expertise on services so that it could exercise leadership and better handle

service-related issues in the context of multilateral, regional, and bilateral negotiations and agreements.

ITAP's training programs focused on regional and bilateral agreements, services sectors, and domestic regulations and services. Experts on trade in services delivered presentations that covered issues including GATS and regional trade agreements; regional alternatives for liberalizing services; regional services agreements and provisions on services in regional and bilateral agreements; disciplines on domestic regulation for services; and negotiation of deeper disciplines on domestic regulation in the context of the Doha Round. Workshop attendees also reviewed negotiating proposals and participated in a simulation of the negotiation of a bilateral FTA on services.

ITAP also provided technical assistance to support capacity building for the Services Team's prioritized issues through a weekly training program. The training activities included writing assignments and presentations, followed by class discussions led by the ITAP team members. Specific topics included domestic regulation, ASEAN trade in services, domestic stakeholder consultation and coordination, cross-border supply of services, and Japan-Indonesia Economic Partnership Agreement (JIEPA). ITAP provided ongoing consulting support for the Services Team to identify and analyze critical issues in services negotiations, review and analyze negotiating

documents, formulate draft proposals, and improve the team's ability to develop positions and strategies in services negotiations.

ITAP collaborated with the World Bank Institute to train the DGITC staff through an e-learning course on trade in services and international agreements. Reflecting its increasingly important role in international economic activity, trade in services has become an important component of domestic reform agendas as well as of the WTO Doha negotiations and bilateral and regional trade agreements. ITAP-provided training strengthened the ability of the DGITC staff to understand the economic implications of services liberalization and trade. Participants improved their ability to contribute to formulating Indonesia's trade in services reform and in formulating negotiating agendas.

ITAP sponsored MOT participation in the APEC seminar on the Impact of Trade Liberalization on Trade in Services in 2009. The five seminar topics included measuring and modeling trade reform in the services sectors; assuring development gains and poverty reduction from trade; the labor mobility and skills dimension; Indonesia's experience to date with services liberalization; trade and the liberalization of higher education services in Malaysia; and tourism services trade liberalization in Lao PDR and Cambodia.

ITAP also conducted a workshop on telecommunications trade policies, strategies, and

agreements, which helped the MOT and other ministries to develop knowledge and expertise on international trade in the telecommunication sector. The dynamism of global telecommunications markets is widely attributed to rapid technological development and increasingly liberal regulatory environments. Many developing countries have embarked on reform paths and witnessed significant expansion of telecommunications network services. Telecommunications liberalization has improved productivity and provided extensive opportunities to expand service offerings in the sector. As a result of this training, participants improved their ability to analyze and respond to policy issues related to telecommunication services as they arise in the context of multilateral, regional, and bilateral agreements.

During 2008, ITAP evaluated the Service Team's overall performance. The evaluation identified problems and recommended the DGITC support improving professional performance. ITAP devoted considerable attention to the team's organizational aspect as the current lack of clear a clear organizational structure and division of responsibility were determined to be significant impediments to the team's functioning. ITAP recommended ways for team members to more effectively perform their daily responsibilities as well as special preparation in anticipation of the crucial role the MOT will as play as Indonesia's lead ministry in trade in services.

FREE TRADE AGREEMENTS

ITAP provided training on FTAs in view of the extent to which such agreements and related negotiations have increased worldwide. At ITAP's inception, the GOI was involved in negotiations with Japan and was considering initiating other FTA negotiations as well. In 2006, ITAP implemented a three-month, weekly training program on negotiating FTAs that was designed to increase knowledge and understanding on the part of IATF members and TREDAs staff as well as junior and mid-level staff in various divisions of the MOT. The program was a practical introduction to negotiating of FTAs, covering the principal negotiating steps needed to arrive at an agreement and the issues that may arise in the course of trade negotiations as presented in the *Guide to Negotiating Free Trade Agreements* prepared for an APEC support program by AusAID with assistance by both Australian and U.S. experts.

WTO AGREEMENTS

ITAP organized significant levels of training activities to strengthen the expertise of TREDAs, IATF, and other MOT staff on WTO agreements and obligations. During 2006, ITAP conducted a weekly survey course on development, trade, and the WTO for approximately 15 TREDAs and DGITC employees. Topics included agriculture, industrial goods, services, rules of origin, trade facilitation, economic gains from trade, the world trading system, the WTO, and regional trade agreements

and structures. ITAP arranged for Indonesian and foreign experts to speak on each subject. These introductory-level courses provided a broad overview of current trade negotiations and related trade policies.

With this foundation in place, ITAP collaborated with the European Union (EU) Trade Support Programme to launch an innovative skills development program designed to increase the MOT staff's capacity to analyze, negotiate, and implement WTO trade agreements. This initiative was designed specifically to better prepare the MOT for the next round of WTO ministerial negotiations. With newly acquired trade analysis and negotiation skills, MOT officials are not only better able to develop negotiating positions, but once negotiations are undertaken, they are also better prepared to negotiate for more positive overall outcomes.

In addition to this initiative, ITAP organized a five-day workshop entitled *The WTO and the Multilateral Trading System*. Held in cooperation with the EU, the workshop covered the WTO, trade remedies, dispute settlement, trade-related investment issues, and the Agreement on Trade-Related Intellectual Property Rights. The workshop was attended by MOT officials, representatives of Indonesia's private sector and civil society organizations, and other stakeholders for whom WTO rules and frameworks are central to their work responsibilities.

ITAP's support to the Ministry of Maritime Affairs and Fisheries, and assistance to the MOT's DGITC in drafting comments on the WTO Fishery Subsidy negotiations led to a notable first for Indonesia to participate in WTO negotiations.

The course was facilitated by experts from both the United States and Europe. Using interactive approaches throughout the workshop, participants were not only able to learn new information, but also able to discuss a wide range of international trade subjects. Participants debated current issues regarding WTO rules and institutions, as well as the implementation challenges that Indonesia faces as a developing country. This dialogue between public and private sector officials contributed to developing a future common Indonesian viewpoint on broad international trade policy. These discussions directly assist Indonesia to bring into play perspectives that will allow it to overcome trade handicaps common to developing countries.

WTO NEGOTIATIONS

Before ITAP began, MOT lawyers played a minimal role in trade negotiations. This situation often created inconsistencies in commitments Indonesia made relative to trade laws and regulations. Through advice provided by ITAP experts, the Ministry now recognizes the important role lawyers play by ensuring that issues being negotiated or proposed are in line with governing Indonesian laws and regulations as well as related international laws. ITAP trained MOT lawyers to carry out such support roles in future trade negotiations.

ITAP also supported the LB in establishing coordination between the MOT and the Ministry of Maritime Affairs and

Fisheries in drafting comments on the WTO Fishery Subsidy Negotiations. ITAP's assistance in drafting official comments on these negotiations resulted in a notable first for Indonesia in the context of such WTO negotiations. Indonesia submitted three proposed legal texts on fisheries subsidy to the WTO in 2007 and received positive feedback from other WTO members.

This development demonstrates Indonesia's newly active role in multilateral rules negotiations under the WTO, a process in which Indonesia had not hitherto participated. MOT officials have noted repeatedly that they had never before had the opportunity to participate in WTO negotiations on this level. The ongoing process has been an important learning experience in which skills taught by ITAP trainers have been put to substantive use.

INTERNATIONAL LIAISON UNIT

In 2007, ITAP completed a needs assessment relative to Indonesia's export promotion institutions and activities. The assessment found that leaders in Indonesia's academic and private sectors had considerable concerns about the effectiveness of MOT's export promotion activities. A primary complaint was that trade missions were undertaken without sufficient preparation and that decisions regarding such missions were too often made based on political considerations. Discussions with former MOT commercial attachés confirmed this pattern.

MOT leadership identified difficulty with effective management of its offices abroad to be serious concern. Information flows between the MOT's Jakarta headquarters and its foreign offices were not clearly defined or effectively established. The MOT's main internal stakeholders in this respect included the National Agency for Export Development (NAFED), International Trade Promotion Centers (ITPC), Commercial Attaché's (CA), and Regional Export Trade Promotion Centers (RETPC) (located throughout Indonesia). An additional major stakeholder was the Indonesian private sector, the de-facto 'customers' of MOT's export promotion efforts. The assessment concluded that better coordination and communication between the MOT and its offices abroad would improve the Ministry's ability to support private sector-driven export growth.

ITAP recommended that an International Liaison Unit (ILU)

be created within the MOT that would be responsible for improving information flows between the Ministry and its overseas offices and for spearheading institutional efforts to maximize the effectiveness of the expanding number of ITPCs and CAs. The MOT responded to this recommendation by establishing an ILU as part of the new Center for Trade Policy Harmonization in the Secretariat General.

ITAP provided advisory support and assistance to the ILU in developing reporting standards, procedures, and systems. A short-term local consultant was hired to serve as the initial international liaison officer, serving for six months as the principal coordinator between the MOT and all commercial officers posted in the GOI's overseas missions. By the end of this assignment, the ILU was positioned to continue these coordination operations.

CHAPTER 4

IMPROVING EXPORT AND INVESTMENT

While the MOT is the lead agency for policy development and implementation in most aspects of export and trade-related investment policies, development of certain related policies entails coordination with other ministries and agencies. To that end, the MOT serves as the chair of the committee within the National Team for the Enhancement of Exports and Investments (TimNas PEPI), an inter-ministerial organization responsible for coordinating policy development to support export and investment promotion. As a result of the global financial crisis and subsequent economic slowdown, the expansion rates of both Indonesian exports and foreign direct investments in Indonesia began to decrease. These declining rates were expected to continue for an unpredictable period into the future. Consequently, ITAP provided technical assistance to the MOT designed to iden-

tify ways in which this negative development can be ameliorated over time.

EXPORT AND INVESTMENT ENVIRONMENT

In 2006, ITAP successfully assisted the MOT to coordinate a meeting for the Minister to share timely updates on developments related to the newly enacted investment law. Fifty foreign and local investors attended the event. Outcomes of the meeting demonstrated the GOI's efforts to resolve internal issues among governmental departments regarding implementation of the new law and, more importantly, to receive and take into consideration feedback from investors on issues such as labor, nationalization, and tax.

After this meeting, ITAP met with key MOT personnel to identify other ways to continue

outreach to stakeholders about investment issues. Indonesian stakeholders had historically reported confusion due to inadequate public information, in some cases leading panic amongst stakeholders concerning economic conditions. This collaboration resulted in the MOT conducting more such seminars in conjunction with leading universities across the country, NGOs, and the parliament.

EXPORT AND INVESTMENT TRAINING

In 2008, ITAP conducted a gap assessment to determine institutional needs in regard to training and technical assistance in export and investment. The assessment concluded that the MOT's staff capabilities were insufficient to effectively address rapidly developing challenges stemming from changing global market conditions. A consensus existed among Ministry officials that MOT/GOI performance in export and trade-related investment was uneven, largely due to the number of insufficiently trained personnel with limited opportunity to improve needed skills.

In order to assist the MOT in addressing the needs discovered during the gap assessment, ITAP delivered training programs related to export promotion and trade-related investment. Working with the World Bank Institute, ITAP delivered blended e-learning courses on trade finance and facilitation for export development; trade standards; and export development and diversification. As no Ministry per-

sonnel had adequate grounding on the range of policy issues in export and investment, this training program provided much-needed information concerning fundamental issues. All of the workshops were supplemented with weekly mentoring sessions that were facilitated by ITAP and World Bank staff.

To enhance the basic training, ITAP experts provided in-depth insight and advice on export investment agreements and financing arrangements regarding the Indonesian market. Through a workshop for junior and mid-level GOI officials responsible for investment negotiations, participants acquired information on key aspects of international investment agreements (IIAs), including the new generation of FTAs at bilateral and regional levels, particularly those in the Asia Pacific region. The workshop provided increased understanding of interaction and coherence among IIAs and FTAs and focused on practical issues related to implementation of investment agreements.

An additional workshop was held for senior officials from the MOT and other ministries and agencies involved in the formulation and implementation of trade and investment policies, helping them to gain practical experience in formulating strategic policies to develop and expand exports. Trainers presented case studies on ways in which Malaysia, South Korea, and Chile formulate and implement strategic trade and investment policies.



The symposium on WTO law gave participants both a theoretical foundation in WTO law and practical knowledge about the most important aspects of the WTO law and agreements relative to Indonesia.

CHAPTER 5

ENHANCING LEGAL SERVICES WITHIN THE MOT

The governments of most economically competitive countries, and the best performing agencies within them, recognize quality legal services provided by experienced and knowledgeable lawyers as a necessary and integral part of operational and decision-making processes. Government agencies without the benefit of such services are at a distinct disadvantage, both within their own domestic environments and in international exchanges and negotiations with counterparts from other countries.

The MOT Legal Bureau's (LB) institutional role has been predominantly limited to reviewing regulatory issues and serving as the final clearance point for draft regulations. The LB does not provide legal advice on broader policy issues, such as compliance with international or national laws affecting trade, and has not been available to MOT negotia-

tors when engaged in making commitments during multilateral, regional, or bilateral trade negotiations. Consistent with advice from ITAP experts, the Ministry now envisions upgrading the LB to a full-service legal advisor/general counsel office.

This upgraded LB should be able to provide a wider range of services, including early stage legal drafting as well as advice on trade agreements, foreign trade law and trade cases, domestic laws, litigation and international dispute settlement, and legislative and regulatory initiatives. The LB would be positioned to coordinate all legal work within the MOT, to provide and be relied upon for expert advice and support, and to contribute to the Ministry in roles as policymaker and regulator in trade matters.

ITAP has supported the accomplishment of this vision by

providing technical assistance to strengthen the organization of MOT legal services, improve the professional capacity of MOT lawyers, and enhance coordination with other MOT divisions and with other relevant ministries and agencies. The LB is now better organized, has improved personnel management practices, and has increased capability to participate in all aspects of legal assistance required by the Ministry.

PROVISION OF MOT LEGAL SERVICES

In 2007, ITAP conducted a legal needs assessment (LNA) that found broad-based consensus among senior MOT for fundamental changes in the delivery of legal services. In light of recommendations based on the LNA, several major changes have been made in the provision of legal services within the Ministry.

- **Legal Blueprint** – Based on the LNA findings, ITAP developed a blueprint setting action steps on how to improve the LB's organizational structure. The blueprint called for transforming the LB into an Echelon 1 Directorate General that would be responsible for enhancing transparency and legal quality of MOT's policies, decrees, regulations, and services. The proposed elevation will support a wide portfolio of value-added legal services to the Minister and MOT's directorates, bureaus, centers, and agencies.

The Minister, Secretary General, and head of BPO

approved and endorsed the blueprint in 2008. The MOT then analyzed ITAP's recommendations, established priorities and made adjustments to better suit institutional needs and preferences. ITAP then assisted in implementing the blueprint and an ITAP expert assisted in the preparation of supporting documents for official approval by the State Ministry for Administrative Reform (MenPAN). Although approval has not yet been granted, the submission to MenPAN for the reorganization of the LB should receive authorization as an Echelon 1 Directorate General.

The blueprint's implementation has resulted in remarkable progress regarding the LB's professional capabilities. The number of lawyers employed in the LB has nearly doubled from 18 in 2006 to 34 in 2009. Previously only four lawyers in the LB had Master's degrees; that number increased to 13 by 2009, five of whom graduated from the Master's degree program in International Trade Law that ITAP sponsored in collaboration with UI.

Lawyers in the LB are now involved in legal issues and considerations from the initiation of work on any matter and are increasingly serving as legal consultants for bilateral, regional, and multilateral negotiations. As proposed in the blueprint, lawyers in the DGITC and Foreign Trade Division are assigned to specializing in a specific field to

improve their knowledge and experience beyond standard legal drafting skills.

The blueprint's implementation has empowered the LB lawyers with the responsibility, confidence, and capacity to deliver the best quality legal services. Their new roles have increased their participation in training programs, knowing that the knowledge they acquire will be immediately utilized in their new responsibilities, particularly those that require specialized skills to support and advise the technical units with which they work. This new level of motivation has been evident by the steadily increasing number of lawyers participating in ITAP workshops and training programs to gain the skills needed to develop specialized knowledge in technical subjects.

- **Adoption of Document Clearance and Case Management** – To support implementation of one of the recommendations in the blueprint, ITAP provided technical assistance on policies and processes necessary to improve coordination and clearance legal services and outputs within the MOT. ITAP developed a report entitled *Adoption of Document Clearance and Case Management within the Ministry of Trade*, containing recommendations to improve the core processes of the MOT, including issuing regulations and decrees as well as managing trade litigation and disputes.

Once the MOT had adopted new procedures in line with the expert recommendations contained in this report, ITAP delivered a training program on document clearance and case management techniques for both LB personnel and the recently designated clearance officers in each technical unit of the MOT. The clearance officers are responsible for supervising clearance and control procedures and managing documents within their respective units.

This training included a site visit to Bank Indonesia (BI), where document tracking and clearance systems operate through both the Internet and the BI intranet. MOT officials obtained first-hand, practical understanding of an information management system that meets recognized best practices and that can serve as a useful model for the MOT system.

The training program created professional capacity required by MOT to implement effectively the new policy and the implementing system of case management and document clearance.

- **Standard Competencies** – ITAP implemented a program to develop competency standards to improve the LB's human resource management. This assistance addressed employee selection, competency profiles, results-based position descriptions, and performance reviews. Implementing these

ITAP delivered over 500 legal counseling and mentoring sessions to MOT lawyers and other relevant officials on 36 areas of legal policies and procedures.

innovations provided opportunity to better cultivate and retain qualified lawyers within the MOT and heighten decision-making authority of talented and experienced legal professionals. With standard competencies in place, the Ministry personnel managers are now able to assess the skills and performance of all legal degree holders in the MOT, assign suitable candidates to the LB, recruit new legal degree holders to the staff of the Ministry units, and support the creation of SOPs for key legal processes.

PROFESSIONAL CAPACITY OF MOT LAWYERS

When ITAP began, MOT lawyers from both within and outside the LB had insufficient experience and limited training in international economic and trade law. To address this deficiency, the MOT leadership determined that all MOT lawyers would benefit from specialization in certain areas of law to improve their knowledge on substantive issues. Formal training was necessary to develop sufficient drafting skills to prepare legislation, decrees, and regulations. Increased skills in case management, research, litigation matters and procedures, and policy development were also required.

Without such improvements in staff capacity, the MOT would not be able to perform these functions effectively and would not be able to ensure compliance with international obligations. Moreover, MOT lawyers

handling domestic issues needed more training on foreign laws covering parallel domestic issues in order to be able to accurately compare foreign commercial laws to proposed laws in Indonesia on similar topics. To accomplish this needed expansion of professional capacity, ITAP provided MOT lawyers with training to develop research and analysis capabilities relative to foreign laws and regulations.

ITAP delivered over 500 legal counseling and mentoring sessions to MOT lawyers and other relevant officials on 36 areas of legal policies and procedures. In addition to these programs, ITAP held training sessions to improve knowledge of legal drafting techniques, international trade agreements, trade cases, relevant domestic law, litigation and international dispute settlement, and trade-related legislative and regulatory initiatives. With this increased knowledge, MOT lawyers have improved significantly their ability to handle a growing number of international issues and trade disputes.

- **WTO Law and Dispute Settlement** – Although Indonesia is one of the founding members of the WTO, ITAP found that the country's ability to comply with international trade obligations is constrained due to inadequate understanding of the many complex international trade legal issues that the country confronts. This lack has had an adverse effect on Indonesia's position in international trade; it has also negatively

affected Indonesia's overall policy-making related to both internationally oriented laws and domestic regulations.

In 2007, ITAP, in collaboration with the UI and the Indonesian Association of International Law Professors, delivered a three-day symposium to increase understanding of WTO law among legal academicians from different parts in Indonesia. This Advanced Symposium on WTO Law included the participation of 48 law lecturers from 25 universities across Indonesia and senior officials from the MOT, Ministry of Agriculture, Ministry of Finance, Ministry of Maritime Affairs and Fisheries and the Coordinating Ministry of Economic Affairs. The presenters shared experiences in representing Indonesia in various WTO or international trade law matters.

The symposium on WTO law gave participants both a theoretical foundation in WTO law and practical knowledge about the most important aspects of the WTO law and agreements relative to Indonesia. The symposium's coverage of topics made this event a unique opportunity for both academicians and practitioners of international law in Indonesia to gain broad and detailed information about the WTO.

ITAP held similar symposium in 2008 on international dispute settlement – another important aspect of interna-

tional trade law to which Indonesian legal specialists have had limited exposure. This capacity-building event provided an excellent opportunity to build on the momentum, enthusiasm, and relationships that were generated during the previous year's event.

This five-day event, the Advanced Workshop and Simulation on WTO Dispute Settlement, included approximately 48 participants and notably included lawyers and officials from the MOT and eight other GOI ministries; law lecturers from 10 Indonesian law faculties; lawyers from the private sector; and students from the UI Master's degree program in Trade Law.

ITAP organized this symposium, which was led by one of the most prominent authorities on WTO dispute settlements, professor Peter Van den Bossche from Maastricht University. Van den Bossche provided a series of insightful presentations and exercises based on WTO cases and led a two-day simulation of an actual WTO dispute settlement case.

Participants gave very positive feedback on the workshop. The Rector of University Pelita Harapan expressed deep appreciation to ITAP for disseminating knowledge on WTO law and providing a forum for government and private sector lawyers to work together in settling future trade disputes. The participants emphasized how their new knowledge

will contribute to enabling Indonesia's current and future leaders to better understand how trade disputes may be resolved under the WTO and its procedures.

- **Legal Drafting** – In 2007, the MOT Secretary General issued a decree regarding the formulation of regulations stating that the LB must review all draft decrees and regulations issued by the MOT or other trade related draft regulations to ensure consistency with prevailing regulations, in particular Law No.10 of 2004 on legislative drafting. In practice, the LB must review even decrees issued by the Directors General within the MOT. This new policy increased the need to enhance legal drafting skills and related knowledge on the part of the LB lawyers.

In response, ITAP conducted basic and advanced training programs on legal drafting that addressed both trade agreements and regulations. During these programs, trainers used examples and case studies from other countries to illustrate both good and bad practices. The program provided the participants with the skills necessary to draft legal documents on both domestic and international trade matters. Participants learned not only how to draft trade-related legislation and regulations, but also how to identify problems in draft texts and develop solutions.

- **WTO Trade Remedies** – Over two years, ITAP conducted

training seminars on trade remedies, each of which targeted different audiences. One seminar focused on linking the private sector and KADI; a number of officials from KADIN and various trade associations attended. Another seminar focused on practical issues related to trade remedies. In response to a request by the Ministry of Agriculture, ITAP provided training on trade remedy cases in the agriculture sector in light of the economic importance of such cases. This program was conducted jointly by ITAP and KADI, the Indonesia Safeguard Committee (KPPI), and Trade Defense from the MOT.

ITAP also conducted an intensive 26-session mentoring program on subsidies and countervailing duties (CVDs), specifically designed to provide officials of KADI, KPPI, Trade Defense and Rules Division with knowledge and skills covering legal, economic, and accounting aspects of antidumping. Additional mentoring assisted KADI in developing Indonesian CVD regulations, using the results of best practice studies as key inputs to the process. ITAP provided training on techniques for working with the private sector prior to initiating a CVD investigation and for pursuing a CVD investigation from the pre-petition phase through final determination.

The training provided by ITAP on WTO trade remedies has enabled MOT lawyers and

officials to better identify and analyze legal issues and to draft legal responses in trade cases that explain and defend GOI policies and actions. In several cases, ITAP lawyers were able to help MOT lawyers identify WTO-related issues that would not have otherwise been understood, including the first claim by Indonesia for compensation in a safeguard case involving the Philippines.

An ITAP seminar on anti-dumping was provided to KADIN members and focused on how to improve the Indonesian private sector's participation in trade remedy cases, especially antidumping. This workshop increased the Indonesian private sector's knowledge about using trade remedies instruments – essential understanding for addressing trade remedies investigations initiated from abroad.

- **Weekly Mentoring Sessions** – ITAP's weekly mentoring sessions for LB lawyers provided a platform for in-depth discussion of various legal topics being addressed within the MOT. The sessions promoted common understanding on trade-related national and international laws among LB lawyers. The topics addressed during this program were drawn from domestic legal issues, international legal issues subject to litigation, and documentation issues. The sessions served as an opportunity for participants to improve their presentation skills in the

context of oral argument. The LB is committed to continuing these weekly sessions as a skills development activity for MOT lawyers.

MASTER'S IN INTERNATIONAL TRADE LAW

In conjunction with the UI Law Faculty, ITAP launched a Master's degree program in International Trade Law (MITL) in 2007. The MITL program was designed to build and strengthen the capacity of MOT lawyers to analyze, negotiate, and implement bilateral, regional, and multilateral trade agreements as well as to increase knowledge required to conduct legal functions relevant to the Ministry's international work. The MITL was created in response to the Minister's concern about the shortage of staff with core skills, particularly the ability to negotiate effectively multilateral, regional, and bilateral trade agreements. Development of expert legal support on international trade issues was recognized by the MOT leadership as critical to Indonesia's positioning in the global economy.

This program was the first of its kind in Indonesia and is one of few in the world. The MITL program is intended to develop a cadre of MOT lawyers with the necessary skills to support the MOT in to effectively planning, managing, and implementing trade policies to foster economic growth, reduce poverty, and generate new opportunities for employment. The impetus for an advanced degree program came directly from the MOT's increas-

ing need for higher educated, better-trained and more qualified employees who can respond to today's competitive economic environment.

The MITL program specifically focuses on numerous areas of advanced trade law including WTO law, trade remedies, political economy in international trade and economic law, international trade-related institutions, as well as core legal courses. The class of the 2007–2008 academic year was comprised of 17 MOT lawyers. For the second class (2008-2009) of 23 students, ITAP opened the opportunity for staff from other relevant ministries to apply as part of an effort to improve interagency coordination and advance Indonesia's legal capacity in all areas of trade law. This expansion of participants from other trade-related ministries will result in improved knowledge of lawyers in other trade-related ministries. This cross-ministerial cadre should support increased cooperation and coordination among various ministries within the GOI – a collaboration that will increase Indonesia's effectiveness in all trade matters. This increased candidacy provides an expanded constituency for future offerings of this degree program beyond the term of ITAP.

OUTREACH ACTIVITIES WITH LAW SCHOOLS AND PROFESSIONAL ASSOCIATIONS

Most outreach activities by the IATP legal team were carried out as train-the-trainer programs

with UI and University Pelita Harapan. These activities have created significant multiplier effects in disseminating awareness and understanding on WTO laws and international trade agreements. Having been trained through ITAP seminars and workshops by WTO and trade law experts, the participating international law professors are expected to transfer this knowledge on to their students and colleagues over years to come.

The participating academics broadened their own legal knowledge, and are now better equipped to train future lawyers in trade law and dispute settlement. As influential intellectual and legal scholars, they are now better able disseminate information about the WTO's impact and importance to Indonesia to a wide range of influential stakeholders in addition to future generations of law students.

ITAP's support of expanded public-private sector dialogue included assistance to 18 Indonesian law faculties to develop international legal experience through the 2007 Jessup Cup International Moot Court Competition. This competition takes place on an annual global basis and addresses issues of public international law between countries. ITAP assisted by mock-judging the oral presentations in the regional round of competition held in Jakarta in February 2007 and by mentoring the top two teams from Atma Jaya Catholic University and

UI – to prepare the students for the international round in held in Washington, D.C. in March 2007. One of the UI Jessup Team members won the award for “Best Oralist” over 290 rivals from 95 universities.

ITAP legal staff also coached the University of Pelita Harapan students who participated in the WTO moot court competition organized by the European Law Students Association. This is the first university moot court team in Indonesia to participate in this high-profile international competition. The competition was, therefore, an unusual op-

portunity to increase knowledge and awareness of students and future lawyers on WTO laws and processes.

After intense work with the participating students, ITAP staff identified several of the team members as strong candidates for entry-level positions within the MOT. ITAP also initiated discussions with the LB and BPO to create an intern program for such students as a preliminary to recruitment into the MOT LB. Such recruitment of superior graduates from major universities can strengthen the MOT’s pool of legal staff members.



Four graduates from the Master’s in International Trade Law (MITL) degree program received Cum Laude pins for their outstanding achievements.

ITAP



ITAP provided expert support to the Ministry in improving relations with media representatives in light of the media's role as a bridge between the Ministry and its stakeholders.

CHAPTER 6

EXPANDING PUBLIC OUTREACH AND PUBLIC-PRIVATE SECTOR DIALOGUE

Indonesia faces the formidable task of improving awareness of and support for expanded trade as well as trade law and policy among the business community and other members of the public. To do so involves strengthening the MOT's public relations and communications capabilities and fostering public-private exchanges on trade issues. ITAP assisted the MOT in putting in place sustainable mechanisms for communicating and collaborating with stakeholders.

The need for technical assistance in this area became particularly important when the public relations division was removed from the General Services Bureau in

2007. The new MOT Center for Public Relations (CPR) was granted equal status to a bureau or a directorate. The CPR faced the challenge of developing a proactive, resourceful, and creative team of communicators and mediators to help correlate the Ministry's interests and activities with the public stakeholders' needs and aspirations.

The CPR was expected to play a strategic role in disseminating and maintaining relations with the stakeholders. However, the center did not have a sufficient number of qualified and experienced personnel to prepare and implement public relations programs needed by the Ministry as

a whole. CPR officials and staff members needed to develop a strong foundation of public relations and communications skills and to develop and use comprehensive procedures to implement strategic and effective outreach.

ITAP provided technical assistance to the CPR on several fronts. ITAP experts supported the CPR in establishing operational procedures for its primary activities and provided training and mentoring to strengthen staff skills in editing and writing, public relations (PR) techniques, and media relations. ITAP also conducted an external communications audit to gauge public perception of the Ministry. The audit results included recommendations that enabled the MOT to improve its outreach and communications strategies to key stakeholders, including government agencies, business associations, general public, media, NGOs, and universities/academics. ITAP also supported the Ministry's efforts to inform and collaborate with the private sector through strategic information sharing events and use of information technologies.

PROFESSIONAL TRAINING FOR CENTER FOR PUBLIC RELATIONS STAFF

When the new CPR was first established, ITAP developed seven SOPs that were presented in simple but comprehensive flowcharts and designed to ensure that all personnel working in the CPR would have clear understanding of office

procedures and departmental work responsibilities. To supplement the implementation and management of the SOPs, ITAP provided comprehensive training and mentoring support to ensure that the SOPs were understood, utilized, and institutionalized. This assistance consisted primarily of training sessions on key outreach and communications topics, supported by targeted and regular mentoring support. These sessions ensured that CPR personnel developed professional competencies in responding appropriately, efficiently, and effectively to stakeholders.

ITAP provided regular mentoring support to MOT staff in crafting public relations documents, including press releases, clarification letters to the media, and transcripts of high-level speeches, such as those by the Minister or the President. Other mentoring support included guidance on preparing talking points for interviews and writing speeches.

- **Public Relations Training** – In coordination with UI, ITAP organized and provided three public relations training courses (basic, intermediate, and advanced) for 79 officials from all eight units in the MOT. Topics covered media relations, press conferences, public speaking, PR writing, internal communication, and corporate culture. ITAP also sponsored three senior-level officials to participate in a public speaking course. Through these

ITAP developed the following standard operating procedures for the Ministry's Center for Public Relations:

- **Press Releases**
 - **Press Conferences**
 - **Media Monitoring and Analysis**
 - **Planned Interviews**
 - **Field Report Writing**
 - **Minister's Visits to Provinces**
 - **Minister's Visits to Foreign Countries**
-

courses, participants learned how to design and present a speech, use verbal techniques to make a speech interesting, and effectively use supporting tools and body language. The participants also learned ways to eliminate anxiety when speaking in front of an audience.

- **Writing and Editing** – The CPR staff needed to develop competent expertise in writing and editing so that the Ministry's policies and achievements could be widely and precisely conveyed to the public. In-depth training is required for a PR staffer to achieve professional competence. This need became even more critical after the development of the MOT Inter-Unit Communication Network, which was set up in 2008 by a decree by the Secretary General. This network serves as a provider of data and other information requested by the Minister and Echelon I officials. The network members represent all eight internal units within the MOT; the members are responsible for communication functions within their units. They must, therefore, have the ability to collect, produce, and transmit immediate information from their units and the Ministry under coordination of the CPR.

To address this need, ITAP organized an 11-week intensive PR and communications writing and editing course for 40 junior level officials, including all members of the

Inter-Unit Communication Network. The course participants received formal training, in addition to daily mentoring and practical skills development sessions, on writing speeches, press releases, and reports in addition to editing and note-taking/reporting. The supplementary tutoring sessions received support from experts with more than 30 years experience in journalism and in teaching from leading institutions in Indonesia and abroad, including former chief editors and managing editors of prominent Indonesian media and public relations institutions.

As a result of the positive impact of the first class on the output of junior level officials, the Secretary General requested that ITAP conduct a similar course for senior-level officials. Forty senior officials participated in an 11-week course that improved their ability to prepare clear, concise and accurate documents. At the Ministry's request, ITAP conducted a third series, designed for the MOT's Center for Small and Medium Enterprise, and tailored for a small group of six officials with public information and outreach responsibilities. The course enabled the participants to improve their communication skills, enabling them to better represent the Ministry and the Center.

- **Media Training** – An ITAP training program entitled How to Work with the Media built

capacity on the part of Echelon 1 and 2 officials in representing the Ministry effectively to the media. Significant efforts were made to improve relations with media representatives in light of the media's key role as a bridge between the Ministry and its stakeholders. The training improved the abilities of senior level officials to deliver information to the media in a way that enables more effective communication with stakeholders and captures public attention by concisely presenting MOT's policies and programs and highlighting positive outcomes.

ITAP also provided regular expert support to the CPR in preparing press meetings between the Minister and media executives, foreign journalists and academics. The MOT arranged for senior officials to hold weekly meetings with journalists who had raised complaints over their difficulties in obtaining access to MOT officials. The weekly press events include media briefings and press conferences by the head of each of the eight MOT units in addition to press meetings held by the MOT. ITAP provided significant support in preparing talking points for the Minister and editing relevant press releases. This comprehensive strategy was effective in improving relations with stakeholders and increasing the use of the media to disseminate information to the public.

PUBLIC INFORMATION CAPACITY

The MOT strives to serve as a reputable government agency with high standards of accountability, transparency, and accessibility. As a key link between the government and the public, particularly during times of economic stress, the MOT requires a clear understanding of its stakeholders' needs and perceptions to perform effectively its mission as an advocate of the GOI's trade policies and to represent the full range of Indonesian stakeholder concerns to the country's trading partners. ITAP worked to strengthen the MOT's ability to meet these institutional goals and requirements.

- **External Communications Audit** – ITAP conducted an external communications audit to gauge public perception of the MOT, particularly regarding trade policies and public outreach programs. The audit provided information with which an assessment could be made of private sector views of the MOT's performance. The audit also served as a tool to evaluate Ministry efforts to ensure that relevant information was being efficiently relayed to pertinent policy decision makers.

The audit used both quantitative (survey) and qualitative (focus groups and interviews) methodologies. The research sample of 500 respondents consisted of external stakeholders – businessmen, trade

associations, exporters/importers, local and foreign investors, media, academics, and NGOs – in the major media markets of Jakarta, Bandung, Medan, and Surabaya. Results provided information on stakeholder's perception and on expectations of the MOT's public relations and communications program. The audit included recommendations to improve future public communications and outreach activities by the MOT.

- **MOT Website Diagnostic** – In 2009, ITAP conducted a diagnostic study of the existing MOT website functions in the context of best practices for public information management and dissemination as well as effective public relations. This diagnostic reviewed the MOT website's content strategy, branding development, content management, access to and disclosure of public information, and Internet functionalities. Based on the diagnostic results, ITAP developed recommendations in upgrading the MOT's main website as well as those of other MOT agencies. ITAP recommended actions to develop and enhance MOT's online functions as a mechanism to receive stakeholder input, and to disseminate information on Indonesia's trade policy agenda and MOT activities to stakeholders. An ITAP expert provided consultation with MOT staff to support creation of a website template to ensure consistency

of design and function on all MOT websites.

- **Communications Training for the Minister of Trade and the Secretary General** – ITAP provided the Minister with private training to improve her skills in public communications in the Indonesian language. Although the Minister speaks precisely and eloquently in English, she lacked the ability to communicate effectively with Indonesia's majority population, including many who work in small and medium-size businesses. As a notable result of this training, the Minister received an award for her excellent communications skills in the Indonesian language from the Ministry of National Education.

The Secretary General is the second highest ranking official in the MOT. He is responsible for representing MOT at regional and international forums through speeches, presentations and meetings, often in both Indonesian and English. ITAP developed and executed a program to provide the Secretary General with knowledge and skills in communicative English. Highly experienced facilitators who specialize in English training and communication delivered the private, 26-week intensive training. As a result of the course, the Secretary General improved both his ability and confidence and is now able to communicate effectively in English.

PUBLIC-PRIVATE SECTOR OUTREACH

The MOT recognizes its need to obtain input from the private sector on trade issues and negotiations to develop reasoned trade policy positions and appropriate legal regimes. ITAP worked closely with MOT officials to expand ways in which private stakeholders can provide views, analysis, and advice to the Ministry and in doing so, increase the exchange of information between the MOT and the public.

- **Economic Partnership Agreement (EPA) Training** – In 2006, ITAP provided extensive assistance on media and public communications related to the Japan Economic Partnership Agreement (EPA), a bilateral trade agreement between Indonesia and Japan. This assistance included a training session on the EPA for 17 MOT personnel at which the ITAP team explained the importance of communicating EPA benefits to external and internal stakeholders. The training focused on ways to convey such messages and on the use of different approaches to ensure that related information was effectively and accurately communicated. ITAP also oversaw an MOT-EPA business association dialogue and press conference for associations of shoes, textiles, and electronics manufacturers, which provided information on ways the EPA will enhance Indonesia's competitiveness by increasing opportunities for trade, investment, and job creation.

In addition, ITAP staff worked with MOT officials and the Minister's expert staff for international cooperation to prepare public information on the EPA, including presentations, messages, and other communications instruments targeted for business associations, academics, media, and public opinion leaders. During this process, the Minister emphasized the need for the MOT to communicate information about the EPA as effectively as possible, especially in view of the dormant WTO negotiations. She also emphasized the importance of prioritizing communications concerning bilateral FTAs with countries that have indicated interest in developing trade and investment agreements with Indonesia. The MOT committed to, and ITAP facilitated, a continuing public dialogue through meetings, journalists, editors, and NGOs, and through dialogue with KADIN. This extraordinary outreach campaign was carried out in the first quarter of 2007.

- **Public Workshops on Illegal Logging** – In 2006, the U.S. government signed a MOU with the GOI on combating illegal logging and associated trade. Following the execution of the agreement, both governments formed a working group to collaborate on implementing the terms of the MOU. The working group developed a multiyear action plan that includes increasing public information and

knowledge, providing an opportunity for relevant exchanges of information, and related training and capacity building. The area of capacity building was assigned to the MOT. At the request of the U.S. Embassy Jakarta, ITAP was tasked to support the public information aspects of this plan.

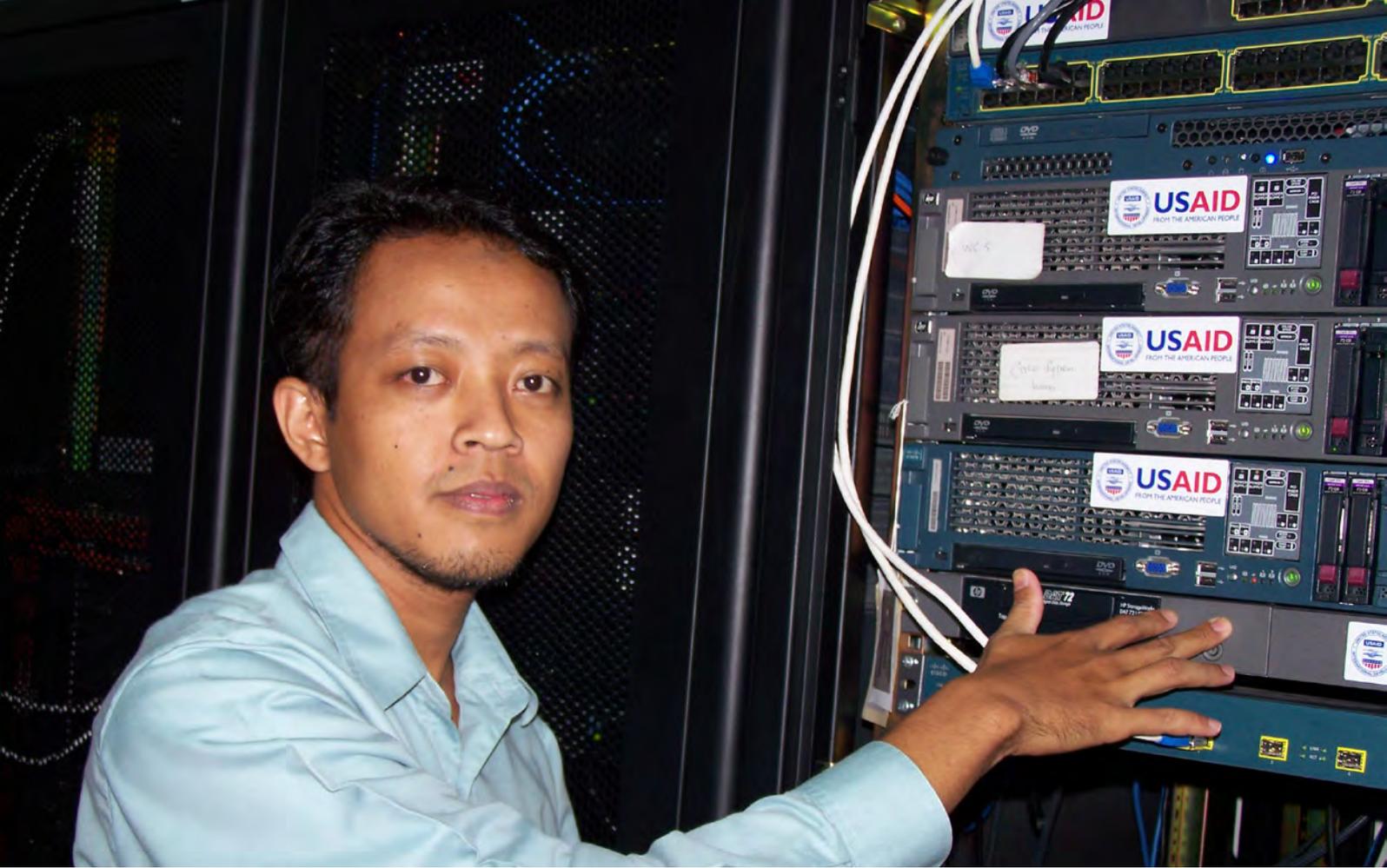
ITAP subsequently supported the Ministry in conducting a socialization program to enable relevant stakeholders (local government officials, local police, NGO representatives, informal leaders, and decision makers) to share experiences, information and opinions, and to find solutions to illegal logging. Results from these workshops were used to strengthen the provincial governments' policing and enforcement

apparatus and to raise public awareness on the social, economic, and environmental effects of illegal logging.

The MOT conducted the socialization program in each of the five provinces identified to have significant association with illegal logging: East Kalimantan, West Kalimantan, Riau, East Java, and Papua. A final follow-up workshop was held in Jakarta. The program included approximately 300 participants from private sector, NGOs, and local governments. The speakers and facilitators were experts from the MOT, Regional Police Office, Regional Office of Forestry, Regional Office of Custom, Indonesian National Police Headquarters, Ministry of Forestry, and Regional Court.



The Socialization Program on Illegal Logging enabled relevant stakeholders to share information and find solutions to illegal logging.



Data center staff shows the Ministry's upgraded IP telephony system.

CHAPTER 7

UPGRADING INFORMATION TECHNOLOGY WITHIN THE MOT

The MOT's dependence on information technology has grown significantly in recent years as information technology (IT) has become indispensable in supporting high quality and internationally competitive trade research, policy development, and workplace performance. Recognizing the role that a modern, comprehensive IT system plays in improving day-to-day administrative processes, internal communication, and research, the MOT requested ITAP's assistance to upgrade its IT systems to support current and future needs.

In 2006, ITAP conducted an assessment of the Ministry's

network infrastructure requirements. Based on the findings in that assessment, ITAP designed a full IT network plan for the new MOT building and invested \$3 million in equipment, software, and services necessary to implement the new network. This technical assistance included providing IT installation, customization, and maintenance so that MOT personnel can effectively identify, analyze, and communicate data relevant to their work performance.

Upon completion of the new MOT building in 2008, ITAP procured, installed, customized, and tested all the equipment.

The Ministry now has a vastly improved communications and database system that operates at speeds 10 times faster than before.

The MOT now has a vastly improved communications and database system. The new network system operates at speeds 10 times faster than before. ITAP provided training to the data center's operation team, which focused on FM-200 Fire Suppression Control, alarm, and air conditioning. ITAP also covered costs for the data center staff to receive five Cisco Certified Network Associate (CCNA) training sessions and a test voucher, in addition to two Cisco Certified Network Professional (CCNP) training sessions to ensure the MOT staff is properly trained to manage and maintain the new equipment.

MOT DATA CENTER

Through a local subcontractor, ITAP oversaw the planning, construction, hardware procurement, installation, and integration necessary to make the new data center fully operational. The data center's mission is to provide information services to the MOT and all of its divisions and agencies. The functional requirements of the data center, therefore, included the following:

- A secure location for computer system, storage, and networking devices
- A power supply sufficient to maintain all related devices in an operative state
- A temperature-controlled environment within the parameters needed to run the devices
- Connectivity devices both

inside and outside the data center

ITAP delivered a system that is composed of distributed applications and services that are centrally managed over a common unified platform. This integrated environment has increased both the efficiency and use of network assets. The unified system enables all employees to readily access networked applications with greater speed and service quality than if access were provided over a non-integrated infrastructure.

The IT framework is based on a three-layer design that incorporates all necessary network elements. These layers include an application networking services layer, a networked infrastructure layer, and an interactive services layer. The layers are closely integrated to facilitate and complement communication between applications and networked services while simultaneously enhancing the performance and functions of the network as a whole.

INFORMATION TECHNOLOGY EQUIPMENT

ITAP managed and oversaw the planning, procurement, installation, integration and servicing for networking equipment required in the new MOT building and for full integration with other existing MOT facilities. The equipment consists of the following:

- Server aggregation switch
- Server access switch

- Core switch
- Building aggregation switches
- User access switch
- Wireless access point
- Network management systems (NMS) switch
- Network management
- Demilitarized zone (DMZ) server access switch

INTERNET PROTOCOL TELEPHONY SYSTEM

ITAP managed and oversaw the planning, procurement, installation, integration, and

servicing of a new digital internet protocol (IP) telephone system to provide communications for all MOT employees located at the worksites in all buildings. The system supports a well-integrated, enterprise-wide voice, data, and messaging communications solution with seamless future expansion potential.

The selected IP telephony unit consists of a call processing agent located at a single site, an arrangement that allows 1) ease of deployment; 2) a common infrastructure for converged solutions; 3) a simplified dial plan; and 4) no requirement for trans-coding resources.

CONCLUSION

Prior to ITAP's inception, the MOT had been separated from the Ministry of Industry and Trade (MOIT) for about one year. In the former ministry, officials focused, in many cases, on achieving a basic level of performance to fulfill their professional responsibilities. The MOIT had not been allowed to recruit significant members of external staff members for nearly a decade, resulting in the urgent need to train and develop new recruits who would replace the nearly 40 percent of the MOT staff due to retire over the coming five years. As Minister Mari Elka Pangestu noted, "[a]t the beginning of my term of office at the Ministry of Trade, I realized that we faced a shortage of quality human resources" with limited budget capability to address this problem.

Recognizing these issues, ITAP focused on specified target

areas, emphasizing actions that would build the institutional capacity needed to achieve more ambitious goals and objectives. Based upon the guidance of the Minister and the Secretary General, priority was given to developing qualified entry and middle-level personnel at the MOT. ITAP experts delivered high-quality training, coaching and mentoring in trade law, economic analysis, human resource management, information technology, and public relations techniques and skills. ITAP identified and addressed the Ministry's most urgent needs and, in the process, conditioned the next generation of MOT leaders to undertake and sustain needed reforms.

During the project's term from January 2006 through September 2009, ITAP enjoyed a highly productive collaboration with the MOT and its leadership. In turn,

the Ministry gained substantial expert assistance in each of the ITAP component areas: trade law and regulation, economic research and analysis, human resource management and development, public relations and outreach, information technology, and organizational reform.

Through ITAP workshops, lectures and seminars, over 7500 staff members from the MOT and other trade-related ministries and agencies received training, information and increased knowledge that measurably improved their professional skills and job performances and contributed greater collaboration between ministries on trade policies and enforcement. Ministry staff and Indonesian trade

negotiators greatly expanded their understanding of the trade negotiation processes, dispute resolution, and compliance with trade obligations at multilateral, regional, and bilateral levels. The MOT, the broader trade constituency within the GOI, and private sector stakeholders have better defined collaboration on trade policy and practices and on the promotion of export-related investment.

At ITAP's conclusion, the Ministry of Trade stood on the threshold of a new era as a reformed and restructured ministry capable of pursuing its mission in keeping with recognized international best practices in public sector management and public policy implementation.

ANNEX:

ITAP TECHNICAL REPORTS

1. ITAP BASELINE ASSESSMENT
2. INFORMATION TECHNOLOGY INFRASTRUCTURE BLUEPRINT
3. A COMPARATIVE REVIEW OF THE ORGANIZATIONAL STRUCTURE IN DIFFERENT MINISTRIES OF TRADE
4. NATIONAL TEAM ON INTERNATIONAL TRADE NEGOTIATIONS: BLUEPRINT FOR ACTION
5. HR PROCESS RE-ENGINEERING WITHIN THE BUREAU OF PERSONNEL AND ORGANIZATION
6. BUILDING CAPACITY THROUGH EDUCATION: THE MINISTRY OF TRADE'S IN-COUNTRY MASTER'S DEGREE PROGRAMS
7. ENHANCING COORDINATION BETWEEN INDONESIAN TRADE PROMOTION CENTERS, COMMERCIAL ATTACHÉS AND THE MINISTRY OF TRADE
8. IMPROVING THE QUALITY OF LEGAL SERVICES WITHIN THE MOT OF THE REPUBLIC OF INDONESIA
9. ADOPTION OF CLEARANCE AND CASE MANAGEMENT POLICIES WITHIN THE MOT OF THE REPUBLIC OF INDONESIA
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11. BUREAUCRATIC REFORM PLAN: THE MINISTRY OF TRADE LEGAL BUREAU
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14. A COMPARATIVE STUDY OF INVESTMENT AND EXPORT PROMOTION IN CHILE, INDONESIA, MALAYSIA, AND SOUTH KOREA
15. EXPORT-ORIENTED INVESTMENT IN INDONESIA
16. INTERNATIONAL BEST PRACTICES ON COUNTERVAILING DUTY REGULATION



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