



ACTIVITY UPDATE

SENADA ANALYSIS STIMULATES CUSTOMS OFFICE TO IMPROVE REGULATORY ENVIRONMENT



“The SENADA study will help us to ensure that our regulations related to furniture sample imports are efficient and function smoothly.”

*—Bapak Purwantoro
Subdivision Head, Customs*

Indonesian furniture producers encounter a major business obstacle when they receive imported sample products from potential overseas buyers. Because sample products are classified as commercial goods, furniture producers must pay taxes and duties equal to more than 60 percent of the value of the samples. In addition, although producers are able to obtain waivers exempting them from paying an import duty, the procedures for obtaining the waiver are very complicated. The complexity stems from the need to comply with two separate regulations (KMK/140/1997 and PMK/140/2007) that each call for differing steps to be taken.

SENADA identified these problems as part of its efforts to strengthen the Indonesian furniture value chain. As a first step in removing the constraints, the project completed a cost-benefit analysis of the regulations. A key finding of the analysis was that Indonesia loses an estimated Rp 485 billion/year in export orders as a result of the regulations' complexity. The SENADA study goes on to make two recommendations. First, a legal review of the regulations should be conducted in order to clarify misunderstandings on how they are to be implemented. Second, the waiver application process should be moved to the provincial level in order to make importation procedures simpler and less expensive.

The Customs Office responded to SENADA's recommendations by forming a team to review the conflicting policies. As a result, the Custom Office has drafted a new implementation guide to regulate the waiver application process at the provincial level. Customs has also initiated a series of discussions within the bureaucracy at the national and regional levels about the new draft guide. SENADA has facilitated dialogue between the Customs Office and producers/industry players so that business stakeholders can give feedback on the draft. The first such discussion was held in June.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

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