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# ECONOMIC GROWTH SUPPORT ACTIVITY (EGSA) ANNUAL PROGRESS REPORT FY 2020

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**COR Name:** Peter Novak

**ACOR:** Thomas Crehan

**Submitted by:** Renata Simatupang, Chief of Party  
DevTech Systems Inc  
Menara BCA Grand Indonesia 45<sup>th</sup> Fl. Suite 455 I  
Jl. MH Thamrin No. 1  
Jakarta 10310, Indonesia  
+62 21 2358 4456  
Email: rsimatupang@devtechsys.com

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## ACRONYMS

ADB	Asian Development Bank
AMEL	Activity Monitoring Evaluation and Learning
Bappenas	National Development Planning Agency
BEE	Business-Enabling Environment
BUMDES	Village-Owned Enterprise
CBA	Cost-Benefit Analysis
CDCS	Country Development Cooperation Strategy
CMEA	Coordinating Ministry of Economic Affairs
DFAT	Australian Government Department of Foreign Affairs and Trade
DFI	Development Financial Institution
DG	Directorate General
DRM	Domestic Revenue Mobilization
EG	Economic Growth
EGSA	Economic Growth Support Activity
EODB	Ease of Doing Business
FY	Fiscal Year
GIZ	Deutsche Gesellschaft für International Zusammenarbeit
GOI	Government of Indonesia
IPS	Indo-Pacific Strategy
J2SR	Journey to Self-Reliance
MOF	Ministry of Finance
MOV	Ministry of Villages, Transmigration, and Lagging Regions
MSME	Micro, Small, and Medium Enterprise
PEFA	Public Expenditure and Financial Assessment
PEN	National Economic Recovery Program
PFM	Public Financial Management
PMP	Performance Management Plan
PPP	Public-Private Partnership
PPR	Performance Plan and Report
PSBB	Large-Scale Social and Physical Restrictions
RPJMN	National Medium-Term Development Plan
SCP	Strategic Communication Plan
SNG	Sub-National Government
STTA	Short-Term Technical Assistance

## SUMMARY OF PROJECT OBJECTIVES, STRATEGY, AND RESULTS

In the first year of its implementation, the Economic Growth Support Activity (EGSA) successfully reintroduced the U.S. Agency for International Development (USAID)/Indonesia to various ministries in the Government of Indonesia (GOI), communicated USAID's intention to support the GOI's effort to reduce constraints to economic growth, and built trust and understanding between the GOI and EGSA to engage in several capacity building activities. EGSA has reintroduced USAID to several Directorates General (DGs) within the Ministry of Finance (MOF); Ministry of Development Planning/National Development Planning Agency (Bappenas); Ministry of Villages, Lagging Regions, and Transmigration (MOV); Ministry of Cooperative and Small Medium Enterprises (SME); Coordinating Ministry of Economic Affairs (CMEA); Coordinating Ministry of Politics, Law, and Human Rights; and the Investment Coordinating Board (BKPM). Within a year, EGSA managed to secure engagements with six GOI ministries and agencies to work towards all three of EGSA's objectives.

EGSA has raised USAID's knowledge and understanding of three sectors key to economic development in Indonesia, namely Economic Growth (EG), Public Financial Management (PFM), and the Business Enabling Environment (BEE); EGSA accomplished this in three ways. EGSA produced donor mapping studies that provide precise details of the engagement of international donors in the three sectors. The EGSA team conducted "demand mapping" or needs assessments with our GOI counterparts in each of the sectors. Based on a large repository of information that EGSA has been building, EGSA developed analytical briefs that summarize diagnostic or other types of analyses that have been completed by donors and development financial institutions (DFI) to provide more targeted but in-depth understanding. These products provided USAID with a better understanding of the constraints to economic growth in Indonesia, gaps in support provided, and the demand for support from GOI agencies, which is important to shape USAID's engagement in economic growth either through EGSA or future support facilities.

The GOI's budget execution and planning capacities have increased because of EGSA's assistance in cost-benefit analysis (CBA) and fiscal risk analysis and management. EGSA experts analyzed the current skills of GOI/MOF staff in these areas and provided training and tools to undertake these functions more effectively. Better understanding of CBA can enhance the quality of capital budgeting, enabling the GOI to improve its capital spending. This will result in more productive public investment in infrastructure, communications, data linkages, and other areas essential to economic development and international competitiveness. The skills enhancement, along with new tools for fiscal risk management, will improve both fiscal transparency as well as fiscal planning and the ability to respond to severe stresses.

The training on CBA provided the DG Budget staff with the tools and skills to make informed budget planning and evaluation decisions. The training on fiscal risk analysis was designed to strengthen DG Budget's capacity to identify, estimate, and prepare for risks that may affect the budget. Although the trainings were conducted during the implementation of large-scale social and physical restrictions (PSBB) in Jakarta due to the COVID-19 global pandemic, DG Budget's leadership and participating staff showed their commitment to the success of the trainings, which highlighted the collaborative nature of engagement EGSA has with DG Budget. The trainings were well received and considered useful to support participants' responsibilities. EGSA will provide assistance in applying CBA to DG Budget staff

for program budget evaluation as well as technical support in preparing a fiscal risk analysis for the Financial Note (Nota Keuangan) 2022.

The COVID-19 global pandemic has defined and altered business operations in 2020. The pandemic brought a sudden and prolonged disruption to the Indonesian economy with the implementation of PSBB. EGSA provided USAID and other U.S. Government (USG) agencies with weekly updates of the impact of the pandemic on the economy, especially on government finances, micro, small, and medium enterprises (MSMEs), industry, trade, investment, as well as insight into the impact of the pandemic on USAID/Indonesia's eight priority provinces. EGSA also monitored the GOI's various attempts to accelerate the economic recovery through the National Economic Recovery Program (PEN) and reported the impact of those interventions. The weekly economic update compiled by the EGSA team was distributed to 32 individuals from various USG agencies, implementing partners, and private sector partners.

Through EGSA, USAID/Indonesia also contributed to the GOI's effort to respond to the pandemic. The MOF invited donors and development finance institutions (DFIs) such as the Asian Development Bank (ADB), World Bank and Australian Government Department of Foreign Affairs and Trade (DFAT) to support the MOF's task forces, who provided input to budget policy formulation on stimulus for strategic issues such as food security, social security, and MSMEs, among others. The MOF requested USAID's participation to support the task force on MSME, to which EGSA contributed the analysis and policy recommendation on a stimulus to support the survival and recovery of MSMEs. This task force reported directly to the Expert Staff to the Minister of Finance, which brought USAID's contributions to the attention of high-level MOF officials.

EGSA also assisted the Ministry of Cooperatives and SMEs in studying the impact of the pandemic on the survival of savings and loans cooperatives. The Ministry had expressed its appreciation for USAID's unique support to cooperatives, as donor support in this area is generally scarce. The study took samples from two of USAID's priority provinces, East Java and South Sulawesi, which also raised awareness of USAID's development initiatives at the sub-national government (SNG) level.

As a new project, building engagement and collaboration with GOI agencies during the pandemic was challenging. The situation limited EGSA's ability to build connections with the GOI due to restrictions on face-to-face meetings, conducting events, and bringing international experts to support the GOI's priority agendas. Despite these challenges, in only 11 months EGSA managed to make significant progress on its workplans, delivered its contractual outputs, carried out its mission to reintroduce USAID/Indonesia to GOI agencies in the EG area, identified and built engagement with GOI counterparts, provided capacity building to the GOI on EGSA objectives, and determined areas for USAID technical support to the GOI.

# I. INTRODUCTION

**Period of performance: November 1, 2019 to September 30, 2020.**

**Background.** The Economic Growth Support Activity (EGSA), implemented by DevTech Systems Inc. since November 2019, aims to assist USAID/Indonesia to reengage in the economic growth space, assist the Government of Indonesia (GOI) to strengthen its capacity in public financial management (PFM) to improve budget execution, effectively collect taxes, and improve the business-enabling environment in Indonesia. EGSA will be implemented over two years, through October 2021, with the possibility of one option year. The three main objectives of EGSA are:

Objective I: Enable evidence-based decision making on economic growth (EG) through ongoing analysis linking the Indo-Pacific Strategy (IPS), Journey to Self-Reliance (J2SR), and GOI priorities and future assistance under USAID/Indonesia's next Country Development Cooperation Strategy (CDCS).

Objective II: Improve the GOI's technical capacity in tax collection, public expenditure management, and financial accountability leading to improved public financial management systems and improved financial sustainability of the GOI.

Objective III: Improve the business-enabling environment (BEE) for foreign and domestic business entities.

**Our Strategy.** To achieve the objectives of the project, EGSA carried out economic monitoring, reviewed existing economic analytical reports and complemented these reports with in-house analysis to identify the major threats and opportunities for Indonesia's economic development. The effort has been supplemented by rigorous donor and demand mapping exercises to identify potential areas of engagement that would help address identified economic issues and take advantage of potential opportunities for growth. Finally, the team is working to identify further areas of engagement and to build traction for reform with strategic counterparts, including the GOI as well as private entities. In parallel, EGSA moves to provide demand-driven support to its counterparts whenever possible and necessary.

**Our Outputs.** EGSA made significant progress during the reporting period. Among other things, EGSA:

Conducted donor and demand mapping in EGSA's three objective areas;

Engaged and built traction with the GOI on potential technical support in the areas of micro, small and medium enterprises (MSMEs) and cooperative development through participation in the Task Force for Budget Reform on MSME and support to the study on savings and loan cooperatives;

Identified high-level threats and opportunities for economic development of Indonesia;

Strengthened human capacity in the area of public infrastructure planning and conducted a cost-benefit and fiscal risk analysis;

Supported the GOI on efforts to accelerate economic recovery post-COVID-19;

Built traction on technical assistance in the areas of improving business environment through Ease of Doing Business (EODB) reforms, improving productivity through promotion of investor and MSME

linkages and removing trade barriers through simplification of restrictions and limitation requirements for importers and exporters;

Conducted weekly monitoring of the impact of the COVID-19 pandemic on the economy;

Assisted USAID with on-demand requests for analysis and inputs;

Developed contractual deliverables such as the Activity Monitoring and Evaluation (AMEL) Plan, Strategic Communication Plan, the Initial Workplan, the first Semi-Annual Workplan, Quarterly Progress Reports for the first, second, and third quarters of 2020, and Quarterly Accrual Reports.

## 2. OVERVIEW OF PROGRESS ACHIEVED

This section summarizes the achievement and challenges to the implementation across EGSA three objectives during the project year (PY) I. The detailed progress of each activity against the workplan is presented in the Annex I.

### OBJECTIVE I

As outlined in the Initial Workplan and first Semi-Annual Workplan, the work implemented under the EG objective in this reporting period focused on: (i) identifying potential EG areas for support: delivering recommendations of potential EG areas that are aligned with the GOI priorities and could benefit from USAID support; (ii) demand-driven direct implementation: following through with the identified areas of potential intervention by initiating discussion with the GOI in coordination with USAID/Indonesia to secure engagement in the identified areas of intervention; and (iii) research and assessment to support the analysis in making recommendations for USAID support and inform EGSA's discussions with the GOI.

The following are highlights from EGSA achievements under Objective I:

- **Reintroduced USAID/Indonesia and communicated USAID's intention to support the GOI's effort to reduce constraints to economic growth.** During PY I, EGSA started discussions and identified needs from the Ministry of Cooperative and SME, Ministry of Villages, Ministry of Manpower, and Bappenas as part of the Demand Mapping exercise. EGSA also introduced USAID engagement in the EG area to donor communities through a Donor Mapping exercise, including the World Bank, the International Finance Corporation (IFC), Asian Development Bank (ADB), Australian Government funded activities Prospera, KOMPAK, Australia Indonesia Partnership for Promoting Rural Income through Support Markets in Agriculture (AIP-PRISMA), United Nations (UN) Food and Agriculture Organization (FAO), Deutsche Gesellschaft für International Zusammenarbeit (GIZ), HIVOS, MercyCorps, and British Government's Department for International Development (DFID). EGSA managed to build trust and understanding with the GOI, which resulted in requests for support from various GOI ministries.
- **Identified and recommended EG areas that are aligned with the GOI's priorities and could benefit from USAID support.** In this reporting period, EGSA completed the donor and demand mapping exercise to identify gaps in donor supported technical assistance in the EG area. The study identified several areas where donor assistance is limited, such as



strengthening MSMEs and cooperatives to support local economic development, strengthening digital economy competitiveness, and support for thematic EG reform at the SNG level. For the demand mapping, EGSA engaged in discussions with various GOI agencies to identify the government's need for assistance to support EG development. Based on analysis from the donor and demand mapping exercises, EGSA identified activities for potential USAID support in the EG area and proposed them in the first Semi-Annual Workplan, which covered the period of April to September 2020.

- **Updated USAID/Indonesia and other USG-related agencies on the impact of COVID-19 to the economy.** Following USAID's request for a periodic update on the emergence of the COVID – 19 pandemic and its potential impact on the Indonesian economy, EGSA was able to publish 24 Weekly Economic Monitoring Reports from April 13 to September 30, 2020. The monitoring update focused on the financial sector, GOI finances, food security, MSME updates, industry, trade, and investment. The update also monitored economic development in USAID priority provinces.
- **Started the implementation of demand-driven activity in response to COVID-19.** At the fourth quarter of PY 1, EGSA began implementing engagement opportunities identified in the demand mapping exercise. USAID had approved the plan to support the Ministry of Cooperative and SME with an analysis of the impact of COVID-19 to the liquidity of savings and loans cooperatives. EGSA conducted field studies to Pacitan, East Java, and Bulukumba, South Sulawesi in September 2020. For this study, EGSA experts conducted interviews with savings and loan cooperatives and local cooperative departments (Dinas Koperasi) to gather evidence on the impact of the pandemic to cooperatives' finances and the effectiveness of the government's support for cooperatives. This study will be completed in the first quarter of PY 2.
- **Conducted research and assessment to support the analysis in making recommendations for USAID support and inform EGSA's discussion with GOI.** EGSA conducted three assessments which aimed to build knowledge on issues related to economic growth, informed discussions with GOI, and support the analysis in making recommendations for future USAID EG programming. The first study was a literature review on the overall challenges to Indonesian economic growth based on previous studies conducted by DFIs and donors. The other two studies were motivated by the importance of MSMEs to the economy. EGSA conducted a desk review on village-owned enterprises (BUMDES) which described the formation, management, and governance of BUMDES and factors contributing to BUMDES' success or failure to become the engine of local economic growth in rural areas. The third study was about MSME formalization from the perspectives of female entrepreneurs. For this study, EGSA experts conducted focus group discussions (FGDs) with female business owners from Jakarta and Banten. The study recommended that the government provide a specific strategy to increase enterprise formalization, including how to approach informal female entrepreneurs with incentives or components to address barriers to growth through measures such as linkages to finance, government programs, business development services, etc. These studies strengthened EGSA's knowledge and understanding of MSMEs and also informed engagement with the GOI on MSME under EGSA's Objective 2.

## OBJECTIVE II

The work implemented under EGSA's PFM objective for this reporting period focused on developing and implementing a series of capacity building assistance, advisory work and research to support the GOI in improving their capacity on budget planning and budget execution, which will lead to improvement in Indonesia's financial accountability.

The following are EGSA achievements under Objective 2:

- **Built trust and engagement with the GOI's leading agencies on PFM.** USAID introduced EGSA to the Fiscal Policy Agency (FPA) of the MOF as the coordinator for USAID and MOF engagement. Since then, EGSA collaborated with the FPA to conduct a mapping exercise to gather information on support needed by various DGs within the MOF to advance their PFM agenda. EGSA also engaged with the Deputy of Economic in Bappenas to discuss support needed to strengthen economic planning at the national and sub-national government levels. The discussions which started as part of the demand mapping exercise had developed in ongoing engagements with the MOF FPA and DG Budget and Bappenas' Directorate of Macroeconomic and Statistics Analysis.
- **Identified and recommended PFM areas that are aligned with the GOI's priorities and could benefit from USAID support.** In this reporting period, EGSA completed the donor and demand mapping exercise to identify gaps in donor supported technical assistance in PFM. The donor mapping identified taxation, decentralization, and budget policy as high-density areas in terms of donor support. At the same time, EGSA found that macroeconomic planning, budget planning, and budget evaluation were less supported. The donor and demand mapping exercises informed EGSA's analysis in making recommendations for USAID support in the PFM area.
- **Building MOF's capacity in budget planning and evaluation through trainings in Cost Benefit Analysis (CBA) and Fiscal Risk Analysis (FRA).** Based on the analysis from the demand and donor mapping exercises, EGSA proposed two capacity building activities to strengthen the MOF's capacity in budget planning and evaluation processes. Both trainings were conducted in the fourth quarter of PY I in collaboration with DG Budget, which worked closely with EGSA experts on the design of a training syllabus to ensure alignment with DG Budget's needs.

The CBA training aimed to provide DG Budget staff with tools to analyze budget proposals by comparing the costs and benefits of a given activity or investment to key stakeholders and to the economy as a whole. The interactive training allowed participants to practice their newly acquired skills and apply them on case studies on agriculture, tourism, village development, and correctional facility projects. The CBA training was attended by 20 participants from DG Budget's Directorate of Budget System. Ninety-five percent of participants demonstrated

improved knowledge at the completion of the training. Participants and DG Budget leadership considered the training to be well delivered, cohesive, and provided applicable skills relevant to DG Budget's responsibilities on budget preparation in support of National Economic Recovery program. As a result of the successful training, DG Budget requested follow-on technical assistance to apply CBA to ex-post program evaluation in four sectors, as well as to prepare a manual on the application of CBA principles and tools for public service.

The second training on PFM, the FRA training, aimed to improve the capacity of DG Budget in preparing a credible and resilient national budget (APBN) which includes assessment on long-term fiscal sustainability and other relevant risks. The training was a combination of online and in-person sessions, which discussed the general approach, methodology, and international best practices of FRA, as well as an agenda for strengthening fiscal sustainability in Indonesia. The training was attended by 20 participants from DG Budget's Directorate of APBN Formulation. The pre-test and post-test results showed an increased level of knowledge for all participants, especially on the identification of fiscal risks and how Indonesia could improve its fiscal sustainability analysis. Participants considered the training to be relevant to their daily responsibilities and, they noted that the lessons learned from the training will support them in preparing the risk analysis section of the Financial Note (Nota Keuangan). DG Budget also requested follow up assistance to FRA implementation.

- **Supported the National Economic Recovery (PEN) Program through participation in the Task Force for Budget Reform on MSME and raised awareness of USAID programming to high-level MOF official.** The MOF requested USAID's participation in a Task Force on Budget Reform, an initiative by the MOF DG Budget, which aimed to provide policy recommendations and an actionable plan to accelerate economic recovery in a post pandemic environment. EGSA's participation started on the fourth quarter of PY 1, where EGSA provided analysis on the impact of the COVID-19 pandemic to MSMEs, identified business sectors affected the most by the pandemic, and assessed the effectiveness of PEN-funded stimulus for MSMEs. EGSA presented its preliminary analysis to the Minister of Finance's Expert Staff on Government Expenditure to inform the discussion on the next steps for the Task Force. This engagement continued in the first quarter of 2021, where EGSA will continue to provide analysis and expertise to provide policy recommendations on the stimulus to support MSMEs' survival. All EGSA components participated in this activity, as the analysis was built on the information collected from the Weekly Economic Monitoring (Objective 1) as well as the study on MSME formalization (Objective 1 and 3).
- **Conducted research and assessment to support the analysis in making recommendation for USAID support and inform EGSA's discussion with GOI.** During the reporting period, EGSA conducted a high-level review of existing literature on PFM in Indonesia to identify technical areas within the PFM sector where implementation may be lacking and GOI's capacity may be constrained. The review, which was useful to build EGSA's knowledge on PFM development, complemented analysis from the demand and donor mapping exercises and informed EGSA's discussions with the GOI.

EGSA also completed a high-level review of the tax system in Indonesia, which provided data-driven information about the overall aspects of tax performance, structure, and administration

in Indonesia. The review can support future work such as tax benchmarking, a methodology that links revenue performance with policy, compliance, and administration. EGSA had shared this report with the MOF DG Tax to explore the possibility of engagement in domestic revenue mobilization (DRM) area.

### **OBJECTIVE III**

The work implemented under the BEE objective in the PY I focused on building knowledge on the BEE development in Indonesia through research, assessments and developing engagements with various GOI agencies relevant to BEE.

The following are EGSA's achievement for Objective 3:

- **Identified and recommended BEE areas that are aligned with the GOI's priorities and could benefit from USAID support.** EGSA completed the donor and demand mapping exercise to identify gaps in donor supported technical assistance in BEE areas. During the reporting period, EGSA held extensive discussions with GOI agencies including the Coordinating Ministry for Economic Affairs (CMEA), Bappenas, MOF DG Custom, Ministry of Cooperative and SME, and Investment Coordinating Board (BKPM) to introduce USAID support on BEE and explore GOI needs for support to advance its BEE agenda. For the donor mapping exercise, EGSA found a smaller number of donors operating in the BEE area compared to EGSA's other areas, however their support to the GOI was extensive. The main donor activities identified were the IFC/World Bank, ADB, and Prospera. The analysis from the donor and demand mapping exercises informed EGSA's recommendations to USAID for support in the BEE area.
- **Advanced trade competitiveness engagement with the GOI.** During the reporting period, EGSA worked with CMEA to prepare technical assistance focused on enhancing trade competitiveness. The activity, which is ongoing, evaluates the existing non-tariff barriers in support of the reform agenda to relax restrictions and prohibitions (Lartas) for exports and imports in Indonesia. This work will continue in the next reporting period.
- **Built traction to inform business environment reforms in support of the GOI's efforts to improve the country's Ease of Doing Business (EODB) performance.** EGSA tried to build engagement with BKPM as the coordinator of the GOI's EODB effort. However, during the third quarter of PY I, EGSA confirmed that BKPM had engaged with other donor funded activities for support. EGSA then initiated discussions with several GOI agencies in charge for advancing different EODB indicators and managed to secure a demand for support from the Coordinating Ministry of Politics and Law on the fourth quarter of PY I. The Coordinating Ministry requested assistance to build its knowledge and understanding on the methodology of the Doing Business Report, international best practices on the Doing Business reform, and analysis to identify both administrative and structural reform opportunities to improve Indonesia's EODB performance. EGSA support will begin in the first quarter of PY 2.
- **Identify potential key stakeholders from the private sector who can support the GOI's reform initiatives through the Private Sector Engagement Report.** EGSA

completed the desk review and analysis of private sector stakeholders relevant to both Objectives 1 and 3 and conducted online interviews with representatives of the Indonesia Employer Association (APINDO), Indonesian Notary Association (INI) and Regional Autonomy Watch (KPPOD).

- **Continued with a short diagnostic assessment on the EODB priority indicators and Foreign Direct Investment (FDI) entry.** These desk studies were initially planned to be completed during this reporting period. However, they were postponed as EGSA did not secure any engagement on EODB until the third quarter of PY 1. As an engagement on EODB had been secured with the Coordinating Ministry of Politics and Law, EGSA will continue these short diagnostics to inform its current and potential engagements with the GOI and private sector on EODB. The diagnostic will be completed in the first quarter of PY 2.

## CHALLENGES TO IMPLEMENTATION

**Teleworking arrangement.** Following the outbreak of COVID-19 in March 2020, EGSA has been following GOI, USAID and DevTech's policy directions and has been operating remotely from homes. This arrangement presented enormous challenge for EGSA as a new activity to establish communication and collaboration with GOI counterparts. At first, the team experienced difficulties in arranging for meetings with GOI, but after a short period of adjustment most GOI agencies had adapted to the teleworking arrangement. The team continued to use technology effectively to maintain communication with various GOI counterparts and managed to complete the Demand and Donor Mapping exercises, prepared for on-demand assistances, and prepared for training activities remotely.

**Extensive donor support in some key areas in PFM and BEE.** From the Donor and Demand Mapping exercises, strong donor support in a number of key areas relevant to EGSA's three objectives were identified which includes, among others, DRM and Doing Business reforms. However, EGSA considered these areas as important in achieving EGSA's objectives and continues to communicate with the other donors to avoid overlap and establish complementarity to maximize aggregate effectiveness of the reform support to GOI. As such, EGSA makes continuous effort to build engagement with MOF DG Tax and BKPM as the leading GOI agencies in these areas of engagement. EGSA had not received response to the request of meeting sent to DG Tax in July. EGSA's PFM expert continues to follow up with DG Tax officials informally, however it seems that there is no interest from DG Tax to engage with new donor activities given there are already heavy donor presence in the area. Given the lack of interest, EGSA decided to pursue DRM engagement with Sub-National Governments (SNGs) in the next workplan period.

Similarly, EGSA also experience challenges in establishing engagement on Doing Business as BKPM had appointed other donor-funded activity to partnered with. While BPKM is the main coordinator of GOI's Doing Business reform, there are at least 18 GOI agencies at the national and sub-national level along with state/regional owned enterprises responsible for achievement across 11 indicators of Doing Business. At the national level, EGSA's BEE expert extended the communication with other ministries relevant to Doing Business effort and managed to secure engagement with the Coordinating Ministry of Laws and Politics. EGSA's support on Doing Business will be extended to the next reporting period, with EGSA looking to also secure engagement at the SNG level.

**Limited private sector participation.** In this reporting period, EGSA was unable to make significant progress in engaging with private sector associations to gain their input to support GOI's BEE reform agenda. Initially, EGSA planned for series of FGDs involving various business associations and GOI agencies, however this plan must be postponed as the communication and engagement with the private sector stakeholders were significantly affected by the pandemic given that they were focused on managing their own businesses during the economic crisis. EGSA continued to communicate informally with members of business and professional associations to help inform the diagnostic study and private sector engagement analysis and plans to actively engage with the private sector stakeholders via FGDs as part of EGSA's engagement with the GOI.

### 3. PERFORMANCE MONITORING

During this reporting period, EGSA submitted its AMEL Plan to USAID, and the Agency provided comments on the first draft in August 2020. EGSA revised its Theory of Change and project indicators, and a revised AMEL Plan was submitted in September 2020. In October 2020, EGSA submitted the third revision of EGSA AMEL Plan to incorporate USAID/Indonesia's new results framework for the 2020-2025 CDCS, which also affected EGSA's logical framework and indicators. The third draft was reviewed and approved by USAID/Indonesia in December 2020.

Within the new EGSA logical framework, EGSA now will support USAID/Indonesia's CDCS IR 2.2 (Public and Private Capacity to Expand Economic Growth Strengthened) that will support Development Objective (DO) 2 (Inclusive Economic Growth Increased). The AMEL Plan includes two high-level result indicators (outcomes), and seven task-level result (output) indicators. Table I below details EGSA's performance against its high level (HL) and task level (TL) indicators over the past performance year.

EGSA conducted two capacity building activities in collaboration with the MOF DG Budget within this reporting year, which supports the achievement of HL 1A (Number of Joint Activities Conducted by EGSA and GOI to Address Indonesia's Economic Growth Issues). With these activities, EGSA achieved 100 percent of the target for HL 1A for the first project year and contributed 28.6 percent to the overall target.

EGSA conducted research and assessments on its three objectives to raise knowledge and understanding of economic growth in Indonesia. During this reporting period, EGSA completed three demand mapping exercises, three donor mapping exercises, a study on formalization of micro and small enterprises from the perspective of women entrepreneurs, and a snapshot of Indonesian tax environment. These research and assessments contributed to 100 percent achievement of the target for TL 1C (Number of Assessment/Studies conducted by EGSA on Indonesia's Economic Growth) in the first year and 50 percent achievement of EGSA's overall target.

In September 2020, EGSA conducted a CBA training for 20 MOF officials and a training on fiscal risk analysis for 20 MOF officials. With the implementation of these trainings, EGSA achieved 100 percent of its target for TL 2A (Number of activities performed/conducted by EGSA to improve GOI's capacity in increasing Economic Growth) for the first project year and contributed 16.7 percent to the achievement of overall target.

The two trainings conducted in this reporting year were attended by 40 GOI officials from MOF DG Budget. EGSA managed to fulfill the target for TL 2B's first indicator (number of people trained) but only

met 50 percent of target for the number of female participants. It was not possible to invite more female participants to the trainings, as there were not many female staff whose daily tasks were relevant to the training subjects. EGSA will try to fulfill the target for female participation for future capacity building activities by communicating about the target for female participation with GOI counterparts and encourage them to assign female staff to participate in the capacity building activities.

The pre- and post-training evaluations demonstrated that 95 percent of participants showed knowledge improvements from the CBA training, and 100 percent from the fiscal risk analysis training. This surpasses the target for the second indicator of TL 2B (at least 70 percent of participants with improved knowledge) by 39.2 percent and contributed to an achievement of 37.9 percent of the overall target for EGSA.

TABLE I. EGSA ACHIEVEMENT FOR PROJECT YEAR I

<b>IMPROVING INDONESIA'S REGULATIONS AND INSTITUTIONAL CAPACITY TO INCREASE ECONOMIC GROWTH</b>					
INDICATOR	MEASUREMENT UNIT		PY 1	PY 2	TOTAL
I.A		Target	2	5	7
Number of Joint Activities Conducted by EGSA and GOI to Address Indonesia's Economic Growth Issues	Number of joint activities conducted by EGSA and GOI	Achievement	2		2
<b>IINCREASED GOI AGENCIES' CAPACITY IN IMPROVING ENABLING ENVIRONMENT TO INCREASE INDONESIA'S ECONOMIC GROWTH</b>					
INDICATOR	MEASUREMENT UNIT		PY 1	PY 2	TOTAL
I.C		Target	8	8	16
Number of Assessment/Studies conducted by EGSA on Indonesia's Economic Growth	Number of studies/assessments/mapping/analytical work conducted for and delivered to USAID	Achievement	8		8
2.A		Target	2	10	12
Number of activities performed/conducted by EGSA to improve GOI's capacity in increasing Economic Growth	Number of training activities conducted	Achievement	2		2
2.B		Target	40/12	100/30	140/42
Number of GOI Officials and Private Sector Practitioners with Improved Capacity in Increasing Indonesia's Economic Growth due to USG Support	Number of People trained (at least 30 percent should be women)	Achievement	40/6		40/6
		Target	28	70	98

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Number of participants with improved knowledge (at least 70 percent of participants)

Achievement

39

39

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## 4. STRATEGIC COMMUNICATION PLAN UPDATE

In this reporting period, USAID-EGSA developed a Strategic Communication Plan (SCP) and hired a Communication Specialist on a short-term technical assistance (STTA) basis to deliver robust strategic communication and disseminate the project’s achievements to stakeholders, including the GOI.

EGSA achieved the following progress against the SCP:

- Communicated the message that the assistance (in the form of activity and its results) was made possible through the generous support of the American people through the United State Agency for International Development (USAID) and is organized as part of USAID’s general support and partnership with the GOI. This message was delivered by the COP in her opening remarks for the CBA and Fiscal Risk Analysis trainings in September 2020. The message was delivered to 40 trainings participants and two high-level officials from MOF DG Budget.
- Used USAID format and template for all EGSA’s reports, weekly updates, and presentations. The reports and presentations were shared with GOI counterparts.
- Produced training materials in accordance with USAID Branding and Marking guidelines for the CBA and Fiscal Risk Analysis trainings. EGSA produced backdrop, training kit (tote bag, pen, notebook and face mask), and certificate the trainings using the design approved by USAID. The training materials were seen and distributed to 40 participants from MOF DG Budget.
- Prepared the short excerpts on the CBA and Fiscal Risk Analysis trainings which were published on DevTech website.
- USAID supported trainings to MOF DG Budget was featured on DG Budget’s website (<http://www.anggaran.kemenu.go.id/in/post/memperkuat-analisis-keuangan-publik-pemerintah-indonesia-melalui-peningkatan-kapasitas-pegawai-direktorat-jenderal-anggaran>)

## 5. STAFFING

EGSA became fully staffed in March 2020 when all key personnel were recruited. The PFM expert was onboarded in January while the Chief of Party (COP), Director of Finance and Administration, and Economic Growth Expert were onboarded in February and the BEE expert joined the team in March. EGSA also hired three research assistants in May 2020.

EGSA hired several consultants on an STTA basis to support the project’s activities, most of them are national experts. The travel restriction imposed due to the COVID-19 pandemic had affected EGSA’s plan to deploy international experts to support EGSA activities. In this reporting period, EGSA only hired one international expert to work remotely to support the CBA training preparation.

At the beginning of the pandemic, EGSA projected that the pandemic may not only interfered with the international but also with national expert hiring. In reality, EGSA did not experience difficulties in attracting interests from qualified individuals to apply for positions with EGSA. EGSA announced its



vacancies through local development jobs mailing list and DevTech’s website and received large number of applicants for most positions.

EGSA established a database for national and international experts (pool of experts) whose expertise are relevant to EGSA’s three objectives. For all vacancies, EGSA also considered potential candidates from the database and invited them for interview alongside those who recently applied for the position. With a combination of extensive advertisement (local mailing list and DevTech website) and pool of experts, EGSA did not experience difficulties in finding national experts in this reporting period.

Below is a summary of the STTAs that contributed to EGSA’s activities in the reporting period.

TABLE 2. STTA HIRED IN FY 2020

TITLE	NAME	TASK	COUNTERPART
<b>Gender expert</b>	Agnes Gurning	Study on Female-owned MSME	
<b>M&amp;E expert</b>	M. Aulia Rahman	Update and implement EGSA AMEL Plan	
<b>Communication expert</b>	Nesya Amalia (contract terminated) Rully Prasetya	Implement EGSA Strategic Communication Plan	
<b>CBA experts</b>	Khoirunnurofik Nur Kholis Kristen Schubert (International)	CBA Training	MOF
<b>Fiscal Risk Analysis experts</b>	M. Farman Izhar Tengku Munawar Chalil	Fiscal Risk Analysis Training	MOF
<b>Senior MSME expert</b>	Rini Radikun	Task Force on MSME	MOF
<b>Cooperative Finance expert</b>	Ahmad Subagyo	Study on Cooperative Liquidity	Ministry of Cooperative and SME

## COVID-19 RELATED EXPENDITURES

Starting in April 2020, EGSA began preparing weekly economic monitoring reports to update USAID on the GOI’s policy response and the economic implications of the ongoing COVID-19 pandemic including its potential implications for unemployment, government finances, food security, MSMEs, industry, the financial sector, and investment. The COP leads the preparation of the weekly monitoring report with support from research assistants. EGSA has published 24 weekly economic monitoring reports and will continue producing the weekly reports in the next quarter.

During this reporting period, EGSA also supported the GOI in its COVID-19 response initiatives. EGSA participated in the Task Force for Budget Reform on MSME policies with the MOF DG Budget and supported Ministry of Cooperative and SME with study on savings and loans cooperative liquidity. EGSA will continue supporting these initiatives in the next reporting period.

The cost associated with the production of economic monitoring, Task Force on MSME, and cooperative liquidity study for this reporting period is estimated at USD 15,500 for staff time, consultant fees, travel cost, events, newspaper subscriptions, and phone/Internet usage.

## ANNEX I. PROGRESS AGAINST THE WORKPLAN

TABLE 3. DIRECT IMPLEMENTATION TASKS FROM INITIAL AND SEMI-ANNUAL WORKPLAN

TITLE	COUNTERPART	PURPOSE	DELIVERY ACCORDING TO WORKPLAN	STATUS AND IDENTIFIED PROBLEM
<b>Component 1</b>				
Weekly Economic Monitoring	-	To update USAID on the impact of COVID-19 on the Indonesian economy	Weekly, started April 2020	Ongoing. EGSA has produced 24 weekly reports for the reporting period
Demand-driven assistance in EG area in response to COVID-19	Ministry of Cooperatives and SMEs	To conduct study on liquidity of savings and loan cooperatives to inform Ministry's policy to support cooperative's survival and recovery post pandemic	September 2020	Ongoing. The activity was identified from the EG Demand Mapping exercise. The study was started in September 2020 and has been carried over to the next reporting period. It is expected to be completed in March 2021.
<b>Component 2</b>				
Training: Cost-Benefit Analysis	MOF	To strengthen MOF's capacity to conduct cost-benefit analysis to strengthen budget planning, execution, and evaluation	September 2020	Delivered on September 1-4, 2020
Training: Fiscal Risk Assessment	MOF	To equip MOF staff with comprehensive fiscal risk management tools and methodologies. The knowledge will be useful in preparing Fiscal Sustainability Analysis as part of GOI's budget planning documents	September 2020	Delivered on September 21-23, 2020
Demand-driven assistance in PFM area in response to COVID-19	MOF	To support MOF DG Budget with analysis and policy recommendation to inform MOF's policy for MSME stimulus in 2021	September 2020	Ongoing. MOF requested EGSA's participation on a Task Force for Budget Reform on MSME in August 2020. This activity has been carried over to the next reporting period and is expected to be completed in March 2020

TABLE 4. RESEARCH ACTIVITIES FROM THE INITIAL AND FIRST SEMI-ANNUAL WORKPLAN

TITLE	PURPOSE	INTENDED USE	DELIVERY ACCORDING TO WORKPLAN	STATUS AND IDENTIFIED PROBLEM
<b>COMPONENT 1</b>				
EG donor mapping	To identify the gap in assistance provided by donors and DFIs in EG area	To identify options of key areas of engagement in the EG space to be supported by USAID and EGSA	May 2020	Delivered and approved
EG demand mapping	To learn about GOI's demand for support within the EG area and identify gaps in support provided by existing donors.	To identify options for key areas of engagement in the EG space to be supported by USAID and EGSA	May 2020	Delivered and approved
Background research on BUMDES	To understand BUMDES creation, the environment where they succeed or fail, and known constraints.	As a background study to inform future USAID engagement with MOV on BUMDES	May 2020	The study was paused as USAID decided not to pursue engagement on BUMDES. The study is completed and will be submitted in December 2020
High-level study on select economic issues based on the large set of reports in the EGSA repository (such as those from MCC, USAID, World Bank, IMF).	To identify recommendations for support in EG area.	The study will make recommendations for USAID support in line with USAID's draft Economic Growth Policy as well as with the Indo-Pacific Strategy	Ongoing activity	Completed, will be submitted in December 2020
Gender study on economic sector	To identify constraints to women's empowerment, participation in labor, and female-owned SME participation in the economy.	The result of the analysis will be integrated into EGSA's approach in designing and implementing future demand-driven support to be more gender informed	September 2020	The study has been completed and the report is in its final stages. The study was started later than planned due to travel and meeting restrictions during the pandemic. It took longer to organize the study remotely. Report will be submitted in December 2020
<b>COMPONENT 2</b>				

TITLE	PURPOSE	INTENDED USE	DELIVERY ACCORDING TO WORKPLAN	STATUS AND IDENTIFIED PROBLEM
PFM donor mapping	To identify the gap in assistance provided by donors and DFIs in PFM area	To identify options for key areas of engagement in the PFM to be supported by USAID and EGSA	April 2020	Delivered and approved
PFM demand mapping	To learn about GOI's demand for support within the PFM area and identify gaps in support provided by existing donors.	To identify options for key areas of engagement in PFM to be supported by USAID and EGSA	May 2020	Delivered and approved
High-level study of major PFM-related issues based on the PEFA report for Indonesia PFM, and on the large set of reports in the EGSA repository (such as those from MCC, ADB, World Bank, IMF)	To identify recommendations for support in PFM area.	The study will make recommendations for USAID support in line with USAID's draft Economic Growth Policy as well as with the Indo-Pacific Strategy.	May 2020	Completed, will be submitted in December 2020
<b>COMPONENT 3</b>				
BEE donor mapping	To identify the gap in assistance provided by donors and DFIs in BEE area	To identify options for key areas of engagement in BEE to be supported by USAID and EGSA	April 2020	Delivered and approved
BEE demand mapping	To learn about GOI's demand for support within the BEE area and identify gaps in support provided by existing donors.	To identify options for key areas of engagement in the BEE area to be supported by USAID and EGSA	May 2020	Delivered and approved
Desk study on EODB and investment climate reform for foreign and domestic investments	To identify factors enabling and constraining foreign and domestic investments in Indonesia.	As a background study to inform future BEE discussion with GOI and private sector	May 2020	The study was paused as there was no engagement confirmed with GOI on EODB. However, in September, EGSA managed to secure a demand for support on EODB from the Coordinating Ministry of Politics and Law. As this engagement has been confirmed, EGSA will proceed with this study, which will be completed by December 2020

TITLE	PURPOSE	INTENDED USE	DELIVERY ACCORDING TO WORKPLAN	STATUS AND IDENTIFIED PROBLEM
Improving export competitiveness	To assess the effectiveness of trade's non-tariff barriers, especially restriction and prohibition (Lartas).	To inform GOI's policy on streamlining the non-tariff barriers to improve Indonesia's export competitiveness	September 2020	This research was initially intended to be a desk study, but EGSA received a request to support a study on export competitiveness during the BEE Demand Mapping exercise. Therefore, the scope of the study was expanded. EGSA has followed up with CMEA to finalize scope of work, which is still pending. It is estimated that the assessment will start in November 2020. The study has been carried over to the next reporting period
Private Sector Engagement analysis	To identify potential key stakeholders for collaboration and help shape the design of EGSA's upcoming demand-driven support to GOI.	To help strengthen working relationships between the GOI and private sector stakeholders in the policy development process as well as in providing feedback on reform implementation	May 2020	This analysis is in progress. It was started later than planned due to pandemic restrictions and efforts to shape the demand-driven engagement with GOI. The analysis will be completed and submitted in December 2020

## ANNEX 2. ACTIVITY LOCATION INFORMATION

For the majority of this reporting period, EGSA focused on research and assessments under its three overarching objectives. The team worked on donor mapping, GOI demand mapping, research assessments, and on-demand support to MOF. These activities were based in the province of DKI Jakarta, where GOI ministries and donor agencies are located.

In the fourth quarter of FY 2020, EGSA conducted two PFM trainings, a study on female owned MSME, and a study on cooperative liquidity. Some of these activities occurred outside of DKI Jakarta, and consultants on the EGSA team travelled to these locations. The table below has detailed information on location activities at the district (Kabupaten/Kota) level.

TABLE 5. ACTIVITY LOCATION INFORMATION

ACTIVITY	PROVINCE	DISTRICT	NOTE
<b>Study on female-owned MSME</b>	Banten	Lebak	Location of respondents participated in online FGDs
	Banten	Pandeglang	Location of respondents participated in online FGDs
	Banten	Tangerang City	Location of respondents participated in online FGDs
	DKI Jakarta	South Jakarta City	Location of respondents participated in online FGDs
	DKI Jakarta	East Jakarta City	Location of respondents participated in online FGDs
<b>Cost Benefit Analysis Training</b>	Banten	Tangerang	Location of the hotel where training was conducted
<b>Fiscal Risk Analysis Training</b>	Banten	Tangerang	Location of the hotel where training was conducted
<b>Study on cooperative liquidity</b>	East Java	Pacitan	Location of one cooperative observed as a sample for the study
	East Java	Malang City	Location of one cooperative observed as a sample for the study
	South Sulawesi	Bulukumba	Location of one cooperative observed as a sample for the study