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ECONOMIC GROWTH SUPPORT ACTIVITY (EGSA)

DEMAND MAPPING FOR BUSINESS ENABLING ENVIRONMENT (BEE)

Submission Date: June 2020

Contract Number: 7200AA18D00010 Task No. 72048719F00006

Activity Start Date: November 1, 2019 to October 31, 2021

Activity End Date: October 31, 2021

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This publication was produced by DevTech Systems, Inc. for review by the U.S. Agency for International Development (USAID). The views expressed in this document do not necessarily reflect the views of USAID or the United States Government.

ACKNOWLEDGEMENTS

This report was prepared by Fararatri Widyadari (EGSA’s BEE Expert) with support from Puri Mahestyanti (Research Assistant), under the general direction of Renata Simatupang (EGSA’s Chief of Party). Overall guidance for the preparation of the mapping exercise was provided by Mark Gallagher (Project Director, DevTech Systems, Inc.) and Niaz Shinwari (Program Manager, DevTech Systems, Inc.).

This report would not have been made possible without useful input and extended cooperation from Government of Indonesia agencies, including:

- Bambang Adi Winarso, Ichsan Zulkarnaen, Erwin Raza, and Dyah Purbandari (Office of the Deputy for the Coordination of Commerce and Industry – Coordinating Ministry of Economic Affairs/CMEA)
- Yuliot Tanjung and Nurman Hidayat (Investment Coordinating Board/BKPM)
- Prahesti Pandanwangi (Director of Law and Regulation – Bappenas)
- Budya Priyanto Putra (DKI Jakarta Province’s Investment and Integrated Licensing Service/DPMPTSP)

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AIPJ	Australia – Indonesia Partnership for Justice
APBN	State Budget (<i>Anggaran Penerimaan dan Belanja Nasional</i>)
Bappeda	Provincial/Regency/City Development Planning Agency (<i>Badan Perencanaan Pembangunan Daerah</i>)
Bappenas	National Planning Agency (<i>Badan Perencanaan Pembangunan Nasional</i>)
BEE	Business Enabling Environment
BKPM	Investment Coordinating Board (<i>Badan Koordinasi Penanaman Modal</i>)
BPRD	Regional Tax and Levies Agency (<i>Badan Pajak dan Retribusi Daerah</i>)
BPKPD	Agency for the Management of Regional Tax and Finances (<i>Badan Pengelolaan Keuangan dan Pajak Daerah</i>)
BPPRD	Agency for the Management of Regional Tax and Levies (<i>Badan Pengelola Pajak dan Retribusi Daerah</i>)
CDCS	Country Development Cooperation Strategy
CEISA	Customs-Excise Information System and Automation
CMEA	Coordinating Ministry for Economic Affairs (<i>Kementerian Koordinator Bidang Perekonomian</i>)
DFAT	Department of Foreign Affairs and Trade (Australia)
DG	Directorate General
DGT	Directorate General Tax
Dispenda	Regional Revenue Management Agency
DPMPTSP	Provincial/Municipal Agency for Investment and Integrated Licensing Service
DPRD	Regional Representative Council (<i>Dewan Perwakilan Rakyat Daerah</i>)
EGSA	Economic Growth Support Activity
GDP	Gross Domestic Product
GOI	Government of Indonesia
GR	Government Regulation
HS	Harmonized System
INSW	Indonesia National Single Window
Lartas	Restrictions and Prohibitions (<i>Larangan dan Pembatasan</i>)
MOF	Ministry of Finance
MOHA	Ministry of Home Affairs
MOLHR	Ministry of Law and Human Rights
MSME	Micro, Small, and Medium-Sized Enterprise
NLE	National Logistics Ecosystem
NSPK	Norms, Standard, Procedure, and Criteria
OSS	Online Single Submission
Prospera	Australia – Indonesia Partnership for Economic Development
RIA	Regulatory Impact Assessment
RPJMN	Medium Term National Development Plan (<i>Rencana Pembangunan Jangka Menengah Nasional</i>)
SNG	Sub-National Government
TA	Technical Assistance
USAID	U.S. Agency for International Development

EXECUTIVE SUMMARY

The Government of Indonesia (GOI) Business Enabling Environment (BEE) Demand Mapping provides USAID and the Economic Growth Support Activity (EGSA) with a comprehensive overview and understanding of GOI needs and existing gaps for technical assistance (TA) in creating an enabling environment for private businesses. During the preparation of this report, EGSA conducted extensive discussions including interviews with representatives from relevant GOI agencies and private-sector entities and desk studies on GOI's BEE priorities and the existing impediments for private-sector development. In addition, EGSA considered findings from the BE Donor Mapping report including existing gaps in TA.

Following extensive discussions with GOI counterparts, and taking into account strategic alignment with the USAID strategic framework and any potential to link national level reforms with those at the sub-national government (SNG) levels in USAID's priority provinces (DKI Jakarta, East Java, Banten, West Kalimantan, East Kalimantan, East Nusa Tenggara, South Sulawesi, and Papua), this report identifies the following BEE reform priorities as potential areas to engage with GOI and provide TA to fill the existing capacity and technical gaps, particularly where there is no TA from other donors or development partners.

IMPROVING THE ENABLING ENVIRONMENT FOR DOMESTIC AND FOREIGN INVESTMENT

- **Deregulation of investment requirements and procedures:** TA to the Coordinating Ministry of Economic Affairs (CMEA) on the alignment of the risk-based approach (RBA) for business licenses set at the national level and adopting norms, standards, procedures, and criteria (commonly known as NSPK) at the SNG levels.
- **Ease of doing business reforms:** TA to the Investment Coordinating Board (BKPM) on the development and implementation of a Regulatory and Administrative Reform Action Plan including both short-term and medium-term actions to improve the country's ease of doing business reform performance on key priority indicators.
- **Mapping investment potential at the SNG level:** TA to BKPM on facilitating partnerships between large enterprises and investors with local enterprises.

IMPROVING FACILITATION OF TRADE AND LOGISTICS

- **Addressing barriers to trade and easing border controls and improving compliance:** TA to the CMEA through a comprehensive assessment of best practices in the application of export and import control including the use of standard methods to assess the economic impact of the existing export and import controls on certain commodities.
- **Accelerating port clearance process for importation:** TA to the CMEA in developing key monitoring indicators to measure progress and results of the implementation of the following National Logistics Ecosystem (NLE) short-term action plan:
 - Improve fully electronic processing of the Delivery Order (DO) and Terminal Handling Receipt (SP2) process in Jakarta's Tanjung Priok port.
 - Integrating risk management and accelerating the clearance process through implementation of single/joint inspection by customs authorities and the Quarantine Agency.

Depending on how discussions with Bappenas evolve, a potential area of engagement that EGSA may recommend for USAID's consideration could be TA in the implementation of a grand design to improve laws and regulations in the economic sectors, including preparation for establishing a National Legislation Center leading the regulatory simplification and oversight process.

This demand mapping exercise identifies GOI's reform agenda and priorities in the BEE space as verified in discussions with representatives of CMEA, BKPM, and Bappenas. Considering that there are other GOI agencies actively involved in various aspects of improving BEE in Indonesia, this report does not present complete demand for support in BEE. Similarly, EGSA has not engaged at the SNG level, though we were able to collect information on the reform agenda and priorities in the BEE space at that level, particularly in USAID's priority provinces from their respective Regional Medium-Term Development Plans (RPJMD). This report will be updated when EGSA is able to expand its engagement with other GOI agencies, including those at the sub-national level.

INTRODUCTION

BACKGROUND

In November 2019, USAID/Indonesia began implementing the Economic Growth Support Activity (EGSA) to assist the Government of Indonesia (GOI). With DevTech Systems, Inc. as lead, the activity's goal is to strengthen GOI capacity to collect taxes more effectively, improve budget execution, and enhance the business-enabling environment in Indonesia. EGSA will be implemented over two years (through October 2021).

EGSA's three overarching objectives are: **Objective 1:** Enable evidence-based decision-making through ongoing analysis linking the Indo-Pacific Strategy, GOI's priorities, and potential assistance under USAID/Indonesia's next Country Development Cooperation Strategy (CDCS); **Objective 2:** Increase and improve GOI technical capacity in public financial management, including tax collection, public expenditure, and financial accountability; and **Objective 3:** Improve the business-enabling environment for foreign and domestic business entities.

The work implemented under EGSA's BEE objective is intended to assist GOI through simplification of regulations, facilitating trade, and improving competitiveness, which are all intended to increase opportunities for private-sector development and contribute to sustainable private-sector-led economic growth.

OBJECTIVE

The Indo Pacific Strategy (IPS), the U.S. Government's framework for the Indo Pacific region, focuses on three pillars: economic development, good governance, and improved security. USAID's strategy to advance the IPS is structured around three objectives: 1) strengthen democratic systems; 2) foster private-sector-led economic growth; and 3) improve the management of natural resources.

In order to assist USAID in advancing the economic pillar through meaningful interventions in Indonesia, the GOI demand mapping identified GOI's needs for technical assistance (TA) and is guided by priority areas as identified in the economic pillar - Fostering Economic Growth objectives under the IPS and have not been supported by other donors as evidenced by findings from the BEE Donor Mapping Report.

Information on the GOI's reform agenda and priorities is collected from reviewing 1) the National Medium-Term Development Plan for the 2020-2024 period; 2) GOI's work plan for 2020; 3) the Regional Medium-Term Development Plan for USAID's priority provinces (DKI Jakarta, East Java, Banten, West Kalimantan, East Kalimantan, East Nusa Tenggara, South Sulawesi, and Papua); and 5) interviews with GOI ministry and agency representatives to identify areas of potential support.

GOI BEE PRIORITIES AND RELEVANT AGENCIES

GOI'S BEE REFORM AGENDA

GOI recognizes the need for economy-wide and sector-specific reforms to push economic growth in Indonesia, as reflected in the reform agenda set forth under the National Medium-Term Development Plan for 2020-2024 (RPJMN 2020-2024), the fourth phase of implementation of the National Long-Term Development Plan for 2005-2025 (RPJPN 2005-2025). Reform agenda in the BEE space is highlighted in the RPJMN 2020-2024 (as set forth under the Presidential Regulation No. 18 of 2020) and the GOI Work Plan for 2020 (as set forth under the Presidential Regulation No. 61

of 2019, as amended by the Regulation of the Minister of National Development Planning/Chairman of Bappenas No. 11 of 2019) and spans the three strategic areas outlined below:

- **Improving the enabling environment for domestic and foreign investment**

The GOI plans to boost investment growth in Indonesia through: 1) deregulation of investment requirements and procedures, 2) synchronization and harmonization of licensing regulations, and 3) ease of doing business reforms.

These reforms are expected to contribute to achieving, among others, the following national targets by 2024:

- Completion of the nation-wide implementation of the Integrated Electronic Business Licensing system.
- Domestic and foreign investment growth of 6.6% - 7% per annum, respectively.
- Improving Indonesia's Ease of Doing Business rank from 173rd out of 190 surveyed economies in 2019 (Doing Business 2020) toward the 40th position globally by 2024, including improved performance in the ease of starting a business as indicated by the reduction of the number of procedures to start a business from 11 procedures to 5 and the time to start a business from 13 days to 4.

- **Improving facilitation of trade and logistics**

The GOI plans to improve port logistics efficiency, supporting export and import through: 1) the development of the National Logistics Ecosystem (NLE); and 2) acceleration of the movement of import and export goods through improvement of electronic service integration in order to enable a cross-sectoral processing of the pre-clearance up to the post-clearance process that will reduce cargo dwelling time and logistics costs.

These reforms are expected to contribute to achieving, among others, the following national targets by 2024:

- Reduced logistics costs from 23.2% of GDP to 20%
- Reduced dwelling time from 3.8 days (2018) to 2.9-3.2 days
- Improved Logistics Performance Index score from 3.1 (Logistics Performance Index 2018) to 3.5
- Growth of non-oil and gas exports from 5.2% to 7.4% per annum

- **Harmonization of the regulatory framework and transformation of public services delivery in support of economic reforms**

The GOI plans to reduce disharmony, inconsistencies, and overlaps in regulations as well as improve public service delivery at both the national and sub-national levels through:

1) establishing a National Legislation Center to manage the stakeholders consultation in a regulation development process, harmonize and establish synergy across policies and regulations, and integrate the regulatory monitoring and evaluation process; 2) updating the

economic regulations to improve the enabling environment for doing business, which includes finalization and enactment of the Law on Business Enterprises, as well as Law on Movable Collateral and improvements to the Law on Insolvency; and 3) improving licensing service delivery at the sub-national level by integrating the business process and electronic service to minimize burdensome licensing timeframe as well as improve compliance with service standards.

These reforms are expected to contribute to achieving the following national targets by 2024:

- Issuance of a national guideline for public consultation as part of the regulatory development process.
- Improving the regulatory framework for movable collateral to support the ease of doing business reform and improve the country’s ranking in the Getting Credit indicator from 48th out of 190 surveyed economies (Doing Business 2020) toward the 20th position globally.
- Improving the regulatory framework to support reform and optimize the small claims settlement mechanism as part of the ease of doing business reform to improve the country’s rank in the Enforcing Contracts indicator from 139th out of 190 surveyed economies (Doing Business 2020) toward the 70th position globally.
- Improving the regulatory framework to support the ease of doing business reform to improve the country’s rank in the Resolving Insolvency indicator from 38th out of 190 surveyed economies (Doing Business 2020) toward the 20th position globally.

USAID PRIORITY PROVINCES’ BEE REFORM AGENDA

BEE development is a shared priority between central and sub-national governments (SNGs). There are aspects of BEE that falls under SNG’s jurisdiction, such as building permit, business registration, etc. We summarized BEE-related reform agenda that aligns with the national reform agenda in USAID’s priority provinces (DKI Jakarta, East Java, Banten, West Kalimantan, East Kalimantan, East Nusa Tenggara, South Sulawesi, and Papua) as described in their respective Regional Medium-Term Development Plans (RPJMD) for 2020-2024 in the next table.

TABLE I. BEE DEVELOPMENT FOCUS OF USAID PRIORITY PROVINCES

IMPROVING EASE OF DOING BUSINESS THROUGH LICENSING SIMPLIFICATION AND IMPROVED SERVICE DELIVERY	PROMOTING LOCAL INVESTMENT POTENTIAL	INVESTMENT DEREGULATION
DKI Jakarta	East Java	
East Java	West Kalimantan	DKI Jakarta
Banten	East Kalimantan	East Java
West Kalimantan	East Nusa Tenggara	West Kalimantan
East Nusa Tenggara	South Sulawesi	East Nusa Tenggara
	Papua	

Source: Regional Medium-Term Development Plan for the Priority Provinces

BEE POLICY TO SUPPORT THE RECOVERY FROM COVID-19

The COVID-19 pandemic is an unprecedented challenge with severe socio-economic consequences for the global economy. Indonesia's annual economic growth in the first quarter of 2020 contracted by about 2.97 percent, so the Minister of Finance (MOF) has flagged a risk of Indonesia entering the worst-case scenario, which could lead to a severe recession and a full-year GDP contraction to -0.4 percent. To cushion the national economy from the impact of the outbreak and enable economic recoveries post-crisis, GOI has issued emergency fiscal and non-fiscal stimulus packages between February and April 2020. The President approved a policy package containing both fiscal and non-fiscal stimuli to keep the sector moving amid pandemic-related disruptions to business activities and global supply chains. The non-fiscal stimulus contained in the policy package was essentially an expedited roll out of the reforms to ease current restrictions and accelerate export-import processes to resume businesses after pandemic-induced disruption. They include:

1. Streamlining and reducing the number of restrictions and prohibitions (Lartas) for exports by:
 - Omitting the requirement to provide a health certificate and V-Legal documents unless required by importing countries.
 - Scrapping 749 harmonized system (HS) codes, consisting of 443 HS codes for fish and fish products and 306 HS codes for forestry products.
2. Reducing and simplifying the Lartas for imports to ensure the availability of raw materials especially for companies with producer status. GOI will also simplify rules on importation of products that are regulated by more than one ministry such as horticulture, animals and animal products, drugs, medicinal ingredients, and food products.
3. Incentivizing reputable traders that have a high level of compliance through:
 - Implementation of auto response and auto approval for applications to export and import commodities subjected to Lartas
 - Removing the surveyor report requirements for the exportation and importation of commodities that are previously subjected to the surveyor report requirement.

So far, the government has classified 735 companies as “reputable traders”, which comprises of 109 Authorized Economic Operators and 626 Main Partners of Customs.

4. Strengthening supervision mechanism of the export and import process through the development of the NLE, a collaboration platform for the government and private sector's information systems. Such a move will help synchronize the flow of information and export-import documents at ports and other domestic goods trading/distribution activities through data sharing, business process simplification, as well as eliminating repetitive and duplicative requirements. The NLE roadmap includes integration of the Indonesia National Single Window (INSW) with Indonesia's port system (Inaport), the Ministry of Trade's online trade system (Inatrade), Customs-Excise Information System and Automation (CEISA), trucking system, warehouse systems, transportation systems, and terminal operator systems, and others. The NLE is expected to improve national logistics efficiency by integrating government-to-government-to-business services with the currently operating business-to-

business logistic platforms. NLE implementation is staggered into three phases of reform implementation:

- a. Short-Term Reform to be implemented in 2020-2021, with targeted results that include:
 - Launching the fully electronic processing of Delivery Order (DO) and Terminal Handling Receipt (SP2) process in Jakarta’s Tanjung Priok port.
 - Reducing the number of prohibitions and restrictions (Lartas) for exports and imports, including taking into consideration the low-risk status of reputable traders that have a high level of compliance in responding to and approving applications for restricted exports and imports.
 - Integrating risk management and accelerating the clearance process through implementation of single/joint inspection by customs authorities and the Quarantine Agency.
- b. Medium-Term Reform to be implemented between 2022-2023, with targeted results that include:
 - Expansion of the collaboration platform by including the participation of shipping lines, inland transports, terminal operators, and warehouses.
 - Establishing a collaboration platform for domestic cargo manifests.
- c. Long-Term Reform to be completed by 2024, with targeted results that include:
 - Improving the layout of the main ports and container terminals
 - Operationalizing the One Gate One Billing One System

GOI’S BEE-RELATED AGENCIES

EGSA identified at least nine central government agencies and at least four SNG agencies that are relevant to the BEE policy reform agenda. Given that many agencies are still finalizing their respective work plans for 2020, it should be noted that the current demand mapping report does not purport to reflect all GOI reform priorities and demand for BEE support. EGSA will update this information as the engagement with GOI expands.

CENTRAL GOVERNMENT’S AGENCIES

COORDINATING MINISTRY OF ECONOMIC AFFAIRS (CMEA)

CMEA is in charge of coordination, synchronization, implementation, and supervision of government economic policies.

The ministries and agencies under CMEA’s coordination includes:

- Ministry of Finance
- Ministry of Manpower

- Ministry of Industry
- Ministry of Trade
- Ministry of Agriculture
- Ministry of Agrarian Affairs and Spatial Planning/National Land Agency
- Ministry of State-Owned Enterprises
- Ministry of Cooperatives and Small and Medium Enterprises
- Ministry of Research and Technology/National Research and Innovation Agency

CMEA leads the coordination of drafting the Omnibus Law on Job Creation, as well as coordinating the drafting of implementing government regulations pending the approval and enactment of the Omnibus Law by the House of Representatives. This Omnibus Law includes chapters on simplification of licensing procedures, investment requirements, ease in obtaining permits for empowerment and protection of micro, small, and medium-sized enterprises (MSMEs), and ease of doing business.

CMEA coordinates the development of the NLE Roadmap and monitors implementation of the NLE initiatives. It should be noted that CMEA plays a key role—alongside the Coordinating Ministry of Maritime Affairs and Investment—in coordinating policy and administrative reforms to improve the facilitation of trade logistics in Indonesia as well as improving the enabling environment for foreign and domestic investment.

COORDINATING MINISTRY OF MARITIME AFFAIRS AND INVESTMENT

The Coordinating Ministry of Maritime and Investment Affairs is in charge of co-ordination, synchronization, implementation, and supervision of government maritime affairs and investment policies.

The ministries and agencies under Coordinating Ministry of Maritime Affairs and Investment's coordination are:

- Ministry of Energy and Mineral Resources
- Ministry of Public Works and Housing
- Ministry of Transport
- Ministry of Environmental Affairs and Forestry
- Ministry of Maritime and Fisheries
- Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency
- National Investment Coordinating Board (BKPM)

In addition to taking over the coordination of investment affairs and priority infrastructure projects from CMEA in 2019, the Coordinating Ministry of Maritime Affairs and Investment also provides

support to CMEA in coordinating the development of the NLE Roadmap and monitors implementation of NLE initiatives.

The Coordinating Ministry of Maritime Affairs and Investment works together with CMEA in coordinating policy and administrative reforms to improve the facilitation of trade logistics in Indonesia as well as improving the enabling environment for foreign and domestic investment.

NATIONAL INVESTMENT COORDINATING BOARD (BKPM)

BKPM is a national agency tasked with coordinating investment policies and services. BKPM is responsible to:

- Analyzes and proposes national investment planning.
- Develops policies on investment and licensing services, including the coordination and implementation of one-stop licensing services.
- Determines norms, standards, and procedures for the implementation of investment services.
- Coordinates investment promotional and cooperation activities.

In addition to its main tasks of setting investment policy, investment planning, promotion, deregulation and services (including managing and updating the investment negative list (DNI), approval of foreign direct investments, and expansion of investments in Indonesia), in 2019 BKPM's mandate and authority were expanded to give it greater ability to facilitate both foreign direct investments and domestic businesses. BKPM currently manages the Online Single Submission (OSS) portal for licensing and leads the coordination for reforms to improve the country's performance in the ease of doing business ranking, taking over control from the CMEA. As part of its new licensing simplification mandate, the President has also tasked BKPM with coordination of the development of the norms, standards, procedures, and criteria (NSPK) for business licensing as well as centralizing the licensing and investment facilities process based on authorities delegated to BKPM by the technical ministries and agencies. Thus, the authority for investment deregulation and licensing simplification rests fully with the BKPM.

MINISTRY OF NATIONAL DEVELOPMENT PLANNING/NATIONAL DEVELOPMENT PLANNING AGENCY (BAPPENAS)

Bappenas is tasked with oversight of government national development planning serving, among others, the following functions:

- Review, coordination, formulation, and determination of policies in national development planning, national development strategies, and sectoral, cross-sectoral, and cross-regional policy directions, as well as a macroeconomic framework that includes a comprehensive picture of the economy including fiscal policy direction, regulatory framework, institutions, and funding.
- Monitoring, evaluation, and control of the implementation of national development.
- Coordination and synchronization of national development planning and budgeting policy implementation.

- Formulation of a holistic and integrated planning policy and funding of national development.
- Coordinating and controlling national development to establish synergy between the Government Work Plan and the State Budget (APBN).
- Coordination to ensure smooth and expedited implementation of the national development plan.
- Coordination of assistance provided to GOI by international development agencies (bilateral, and multilateral).

In the regulatory reform space, within the framework of coordinating the national and regional development plan, Bappenas (through the Directorate of Law and Regulation) works to ascertain that laws and regulations do not become constraints in implementing the national development plan. To that end, as part of the initiatives to support the RPJMN 2020-2024 and Government Work Plan for 2020, Bappenas will lead the effort to establish a National Legislation Center as well as the initiative to harmonize and establish synergy across policies and regulations, and updating economic regulations to improve the enabling environment for doing business.

MINISTRY OF FINANCE (MOF)

MOF is chiefly responsible for the nation's finances and state assets. MOF's functions in managing state revenue, state expenditure, state treasury, and the State Budget (APBN) financing that supports the GOI's BEE reform agenda is carried out through the following directorates general (DG) and agencies: DG Tax, DG Custom and Excise, and National Single Window Agency.

DG Tax plays a role in implementing tax administration reforms that contribute to improving the country's performance in the Ease of Doing Business indicators for Starting a Business, Registering Property, and Paying Taxes. DG Customs and Excise sets the policy on customs clearance and managing the customs clearance process (including managing the risk of importation and exportation of products guided by the requirements of the technical agencies) through the operationalization of CEISA. The National Single Window Agency manages the INSW portal, which integrates information on documentary requirements as well as facilitating data sharing from the technical agencies to improve efficiency and transparency of the import and export process. The INSW portal also interfaces with the CEISA. Both the DG of Customs and Excise and the National Single Window Agency play a key role in the development and implementation of the NLE Roadmap, which is expected to improve trade facilitation in Indonesia and improve the country's performance in the ease of doing business indicator for Trading Across Borders.

MINISTRY OF LAW AND HUMAN RIGHTS (MOLHR)

MOLHR administers laws and human rights. In support of GOI's BEE reform agenda, the MOLHR's related roles and responsibilities are carried out through the following DG and agencies: DG Legal Administration Affairs (Ditjen AHU), DG Legislation (Ditjen PP), and the National Law Development Agency (BPHN). MOLHR's duties and functions in the BEE space through the DG Legal Administration Affairs include policy setting for:

- The establishment of companies, governance mechanism for the relevant supporting professions (notaries), as well as the administration of establishment of companies through the enterprise administration online system (SABH) provided through the AHU Online

platform, which contributes to the improvement of the ease of doing business indicator of Starting a Business.

- Movable collateral (fiduciary rights), governance mechanisms for the relevant supporting professions (notaries), and the administration of movable collateral (fiduciary rights) through an online fiducia registry provided through the AHU Online platform, which contributes to the improvement of the ease of doing business indicator of Getting Credit.
- Insolvency procedures, a governance mechanism for the relevant supporting professions (receivers), and administration of the receivers' progress insolvency reports of cases that they are managing, which contributes to the improvement of the ease of doing business indicator of Resolving Insolvency.

In the regulatory reform space, the MOLHR is in charge of coordinating the national legislative process through the Prolegnas (National Legislative Program) and the National Law Development Agency (BPHN) and the harmonization process to minimize overlap and contradictions with existing laws and regulations through the DG Laws and Regulations (Ditjen PP).

MINISTRY OF TRANSPORT

The Ministry of Transport is responsible for the governance and regulation of transport in Indonesia. The duties and functions of the Ministry of Transport that support the GOI's BEE reform agenda are carried out through the DG of Sea Transportation and DG of Air Transportation.

The NLE Roadmap will improve trade facilitation for export and import, through increasing the efficiency of the movement of goods and simplification of documentary requirements at both the seaport and airport. The DG of Sea Transportation will play more of a key role in the initial stage of the design and implementation of the NLE given the seaport's role as the major gateway for international trade in Indonesia. Moreover, improvement of the efficiency of exports and imports through the seaports is also deemed more strategic as it will contribute to improving the country's performance in the ease of doing business indicators for Trading Across Borders.

SUPREME COURT OF JUSTICE (MA) – JUDICIAL REFORM TASK FORCE

To support the GOI's BEE reform agenda, the Supreme Court of Justice has established the Judicial Reform Task Force. This task force is responsible for developing the reform strategy and policies as well as monitoring the implementation of reforms to improve the efficiency of trial procedures, time, and cost for small civil claims in the district courts across Indonesia.

The Judicial Reform Task Force is also responsible for developing the reform strategy and policies and monitoring the implementation of reforms to improve the efficiency of insolvency procedures in the commercial courts across Indonesia.

The task force works in coordination with commercial courts as well as the MOLHR, the Indonesian Bar Association, and Indonesian Receivers Association to ensure reforms are effectively implemented and communicated to supporting professions so that they will improve the ease of doing business indicators of Enforcing Contracts and Resolving Insolvency.

MINISTRY OF HOME AFFAIRS (MOHA)

MOHA oversees the formulation of national, operational, and technical policies regarding sub-national governance.

MOHA duties and functions that support the GOI's BEE reform agenda are carried out through the DG of Regional Administration, which includes coordinating SNGs across Indonesia on:

- The establishment and monitoring of the operationalization of one-stop shops for licensing (PTSP) at the sub-national level.
- Ensuring effective implementation of licensing simplification and the integration of the OSS portal with the licensing services at the sub-national level executed by the PTSP.

Effective implementation of the simplified procedures and requirements for business licensing, as well as improved service delivery for licensing through the PTSP, is expected to improve the country's performance in the Ease of Doing Business indicators for Starting a Business and Dealing with Construction Permits.

SNG'S BEE AGENCIES

Since Indonesia first adopted the decentralization policy by virtue of Law No. 22 of 1999 on Sub-National Governance, SNGs have played an increasingly important role in Indonesian policymaking. The Law on Sub-National Governance, which was most recently updated in 2016, devolved all governmental functions to local governments except for security and defense, foreign relations, fiscal and monetary policy, religious affairs, and the legal system.

SNG's BEE agencies are not vertically connected with their central government's counterparts. For example, SNG's Agency for Investment and Integrated Licensing Service (DPMPTSP) reports to the head of the SNG (Governor/Regent/Mayor) instead of reporting to the Chairman of BKPM.

While policy setting to improve the enabling environment for businesses is done at the national level, most of the implementation of licensing services is carried out at the sub-national level. Therefore, engaging both the national and sub-national governments in supporting the design and implementation of BEE reforms is imperative to monitor progress, enable early identification of implementation issues, and effectively address them in order to ensure coherence of the implementation of the licensing simplification initiative at the national and sub-national levels.

BEE-related agencies at the SNG level (province and regency/city) are quite diverse in name and form. However, the national statutory provisions of the formation of institutions and responsibilities of governmental affairs are the same, even when the names may be different.

The following SNG agencies are relevant to the GOI's BEE reform agenda.

BUREAU OF ECONOMY AT THE PROVINCIAL/REGENCY/CITY REGIONAL SECRETARIAT

The Bureau of Economy is a unit within the SNG Secretariat Office (Sekda) responsible for carrying out the formulation of policies, and coordination of duties, functions, monitoring, and evaluating of the program in the fields of industry and trade, investment, and the creative economy.

PROVINCIAL/MUNICIPAL AGENCY FOR INVESTMENT AND INTEGRATED LICENSING SERVICE (DPMPTSP)

The DPMPTSP is the SNG's technical agency responsible for the following functions:

- Serving as the sole point of interaction with applicants for the processing and issuance of licenses, permits, recommendations, and approvals to facilitate businesses based on the authority that has been delegated to the DPMPTSP by the technical agencies.
- Developing the performance standards and NSPK for the licensing and non-licensing services delivered by the DPMPTSP in accordance with the national level policies and regulations.
- Coordinating with other technical agencies under the same sub-national government to ensure effective delivery of licensing and non-licensing services.
- Ensuring integration of licensing and non-licensing services at the sub-national level with the OSS portal.

Effective on-the-ground implementation of the policy reforms set at the national level through the DPMPTSPs is expected to improve the country's performance in the ease of doing business indicators for Starting a Business and Dealing with Construction Permits, as well as improve the investment climate at the sub-national level in general.

PROVINCIAL/MUNICIPAL REVENUE OFFICE (DISPENDA)

This agency is tasked with managing the SNG's tax and non-tax revenue. The name of institution may vary between SNGs, but essentially this agency manages SNG's revenue. It supports the GOI's BEE reform agenda by implementing administrative reforms to improve the efficiency of regional tax collection, improving the country's performance on the ease of doing business indicator of Registering Property.

PROVINCIAL/REGENCY/CITY DEVELOPMENT PLANNING AGENCY (BAPPEDA)

Bappeda is responsible for the preparation and implementation of technical planning policies in government and social culture, the economic sector, infrastructure and regional/local development, program preparation, monitoring and evaluation of development, research and development, and the innovation and technology that fall under the authority of the SNG.

In the economic sector, Bappeda's responsibilities include identifying and analyzing the economic potential of its region as well as development planning for investment, industry, trade, services, and tourism.

GOI BEE DEMAND MAPPING

Implementation of the GOI’s reform agenda and priorities in the BEE space, as set forth in the RPJMN 2020-2024 and GOI’s Work Plan for 2020, will require cooperative endeavors across various agencies at the national level, as well as between national and sub-national government agencies. Therefore, information gathered in this Demand Mapping Report is based on the responsible government agencies, areas of potential engagements, and key partners that are classified thematically according to the GOI’s strategic priority areas. In addition, due consideration is made to identify potential alignment of the reform agenda and priorities with the development plans of USAID priority provinces as set forth under their respective RPJMDs.

IMPROVING THE ENABLING ENVIRONMENT FOR DOMESTIC AND FOREIGN INVESTMENT

TABLE 2. DEREGULATION OF INVESTMENT REQUIREMENTS AND PROCEDURES

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA’S ANALYSIS
	CMEA		
I	Implementation of a risk-based approach (RBA) to simplify key regulatory processes that govern business activities	<ul style="list-style-type: none"> • Technical assistance to align the RBA for business licenses adopted in the NSPK set at the national level with the NSPK at the SNG level • Workshops to ensure capacity is built at the SNG executing agencies in support of NSPK implementation for business licenses while adopting the RBA approach 	<ul style="list-style-type: none"> • ADB, UK’s Regulatory Reform Attaché, and PROSPERA have provided joint support to CMEA (which led the development of the Omnibus Law on Job Creation) in helping key GOI agencies adopt the RBA concept for business licensing in various sectors.¹ However, their support is solely focused at the national level. • Technical assistance to SNG agencies through the provincial/regency/city level DPMPTSPs will be critical in aligning the new licensing regime at the sub-national level to match the progress made at the national level and establish standardization to help ensure policy-to-implementation coherence by eliminating discrepancies as well as room for multi interpretation. • There is potential to support the piloting of the NSPK adoption at the SNG level in USAID priority provinces, given that their RPJMD has included a priority agenda on (and as such has allocated budgets and resources for) investment deregulation and licensing simplification. • To better align with GOI licensing simplification priorities, the support for SNG pilots could also include work to ensure effective integration of the licensing services with the OSS platform. <p>Engagement with BKPM is key since it is leading the development of the technical NSPKs with the</p>

¹ Tourism, agriculture, forestry, maritime and fishery, energy and mineral resources, nuclear energy, industry, trade, food and drugs safety, education, religious affairs, transport, public works and housing, postal service telecommunication and broadcasting, and defense and security sectors

BKPM

<p>2</p> <p>Ensuring the equal distribution of quality investment and promoting the increase of domestic direct investment realization, with emphasis on supporting the growth of MSMEs</p>	<ul style="list-style-type: none"> • Mapping investment potential at the sub-national levels • Developing a business directory that can facilitate partnership between large enterprises, • and investors with local enterprises (MSMEs) 	<ul style="list-style-type: none"> • The creation of linkages between large enterprises and investors with MSMEs is critical to generating sustainable SME development over the long-term and ensuring the business-focused support that SMEs need to engage more fully in the global economy. • Facilitation of partnerships between large enterprises and investors with local MSMEs falls under the mandates of both BKPM and the Ministry of Cooperatives and MSMEs. Both agencies need to be engaged at the earliest stage of the discussion to avoid overlapping initiatives and to improve inter-agency policy coherence as well as cooperation with respect to initiating, funding, and implementing components supporting the MSME linkage program. • There is potential for this initiative to be rolled out at the SNG level through the Provincial/Regency/City DPMPSTP in USAID priority provinces.
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EGSA has begun discussions with the CMEA and BKPM and plans to advance the discussion to refine the areas of request for support, while ensuring complementarity with other development partner-funded activities in the area. This will help identify ways for possible value-added TA that USAID could provide through EGSA and other mechanisms.

TABLE 3. SYNCHRONIZATION AND HARMONIZATION OF LICENSING REGULATIONS

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
Bappenas			
I	Support in implementation of the grand design to improve laws and regulations in the economic sector, which includes preparation to establish a National Legislation Center tasked with leading the regulatory simplification and oversight process.	<ul style="list-style-type: none"> • Development of a strategy to integrate early stakeholders' engagement as well as optimize public access and participation in the regulatory development process. • Development of a mechanism to analyze the impacts of new regulatory proposals before they are adopted, including incorporating cost-benefit analysis and regulatory impact assessment (RIA). • Development of an ex-post evaluation 	<ul style="list-style-type: none"> • This reform plan follows up on Bappenas' National Strategy on Regulatory Reform published in 2015 to address Indonesia's crisis of hyper regulation. It is a strategic initiative as the National Legislation Center has the mandate to review the quality of existing regulations and drafts of new regulations to reduce regulatory overlaps and conflicting regulations. • Bappenas is working in coordination with the Cabinet Secretary's Office, which is receiving TA from IFC/World Bank Group on institutionalizing RIA in the regulatory development process. However, the IFC/World Bank Group does not provide direct TA to support the regulatory simplification process. • The finalization of the grand design (roadmap) and action plans, including identifying the areas where it will

	<p>mechanism to assess regulatory outcomes.</p> <ul style="list-style-type: none"> Development of a pool of experts and advisors to support the regulatory oversight body's operation. 	<p>require support from developing partners. Once it is completed, Bappenas plans to take an open discussion and optimize collaboration with multiple development partners, including the DFAT-funded Australia – Indonesia Partnership for Justice (AIPJ), ADB, and USAID and EGSA.</p>
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EGSA has initiated discussion with Bappenas' Directorate of Laws and Regulations, during which Bappenas has indicated interest to engage USAID and EGSA's support. Bappenas expects that sometime in June, USAID and EGSA will be invited to participate in a coordination and consultative meeting with the other development partners to determine the type of possible assistance that could be provided.

TABLE 4. EASE OF DOING BUSINESS REFORMS

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
BKPM			
I	Develop a policy strategy and reform action plan to improve the country's ease of doing business toward the 40 th rank globally by 2024.	<ul style="list-style-type: none"> TA for the development and implementation of a regulatory and administrative reform action plan—both short-term and medium-term—to improve the country's ease of doing business reforms performance in key priority indicators. Monitor and evaluate the progress of reforms, in consultation and coordination with the relevant key GOI agencies. 	<ul style="list-style-type: none"> Since the issuance of Presidential Instruction No. 7 of 2019, BKPM has developed and implemented a reform action plan for the Doing Business 2021 report (survey period May 2, 2019 –May 1, 2020), which focuses more on short-term reforms at the national level, and only plans to update it on an annual basis as part of the preparation for the next Doing Business Report. To sustain reform momentum, BKPM would benefit from a comprehensive multi-year reform plan with a definitive end point for each indicator and that clearly lays out the roadmap for structural reform as well as the administrative reforms to be implemented at both the national and SNG levels (focusing on DKI Jakarta and East Java Provinces) that are periodically measured to determine progress and implementation issues. It is important to ensure that Bappenas is included in the engagement, given the finalization of new laws that are fundamental to improving the country's ease of doing business—Law on Business Enterprises (Starting a Business, Protecting Minority Investors), Law on Movable Collateral (Getting Credit), Law on Insolvency (Resolving Insolvency)—are managed by Bappenas as part of the action plan under the grand design to improve laws and regulations in the economic sector. BKPM's ease of doing business reform initiative is currently receiving TA from: a) Prospera for the communication outreach (socialization) component of the ease of doing business reforms; and b) IFC/World

Bank Group in the form of Doing Business Reform Memo in 2018, which has not been updated nor has TA been provided for implementation.

- It should also be noted that the process of developing the academic paper and drafts for the Law on Movable Collateral and Amendment to the Law on Insolvency have also benefited from recommendations and input provided by IFC/World Bank Group to the Ministry of Law and Human Rights. As a result, there is room for potential synergy with IFC/World Bank Group in these areas.

EGSA has initiated discussions with BKPM and is planning to firm up an official meeting with the Deputy of Investment Climate Development to explore potential areas for TA, while ensuring complementarity with other development partners' TA. In this way, EGSA can move toward identifying the possible value of assistance provided by USAID and EGSA to support BKPM's reform agenda.

IMPROVING FACILITATION OF TRADE AND LOGISTICS

TABLE 5. REDUCING NON-TARIFF BARRIERS AND IMPROVING PORT LOGISTICS EFFICIENCY FOR TRADE

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
CMEA			
1	Strengthening the GOI's capacity to evaluate the existing non-tariff barriers in support of the reform agenda to relax restrictions and prohibitions (Lartas) for exports and imports.	<ul style="list-style-type: none"> • Study on best practice approaches in the application of export and import control, and methods to assess the economic impact of export and import control on certain commodities. 	<ul style="list-style-type: none"> • MOF's INSW and Directorate General of Customs and Excise have established a database of Lartas for exports and imports. • GOI has struggled to rationalize existing Lartas for exports and imports for several years, due to conflicting interests among GOI agencies tasked with regulating key sectors. Improving the GOI's capacity to assess the economic impact of export and import control on certain commodities will help CMEA provide justification on the need to rationalize the existing Lartas for exports and imports down to the necessary ones, and secure buy in from the sector-regulating GOI agencies. • Rationalization of the Lartas will ultimately contribute to reducing the technical barriers to trade and improving Indonesia's trade competitiveness. • No TA from any donor/development partner has been identified for this activity.
2	Acceleration of the movement of import goods in sea ports through improvement of	Key monitoring indicators to measure progress and results of	<ul style="list-style-type: none"> • The NLE is a long overdue follow up to Presidential Regulation No. 26 of 2012 concerning the Blueprint of National

electronic service integration to enable a cross-sectoral processing of the pre-clearance up to the post-clearance process that will reduce dwelling time and logistics costs as part of the NLE program.

the implementation of the

following short-term action plan of the NLE:

- Improve fully electronic processing of the DO and SP2 process in Jakarta's Tanjung Priok port.
- Integrating risk management and accelerating the clearance process through implementation of single/joint inspection by customs authorities and the Quarantine Agency.

Logistics System Development (Sislognas), which lays out the direction and modules to develop a National Logistics System at the national policy level. MOF's INSW and Directorate General of Customs and Excise are leading the implementation work, with CMEA tasked with monitoring progress on NLE implementation.

- Effective implementation of the short-term action plan for NLE is expected to contribute to the improvement of Indonesia's performance in the Logistics Performance Index and Doing Business indicator of Trading Across Borders.
- Putting in place a monitoring framework will enable CMEA to identify implementation constraints and measure progress.
- No TA from any donor/development partner has been identified for this activity.

EGSA has begun discussions with CMEA and is following up on requests by identifying ways that USAID could provide additional TA either through EGSA or other mechanisms. Once areas for TA have been identified, EGSA will develop a proposal to be approved by USAID and CMEA before initiating the demand-driven direct TA.

COVID-19-RELATED REQUEST

GOI has taken measures to lessen the economic impact of COVID-19 through a series of policies and stimulus since March. These interventions have included prohibiting exports of medical equipment and staple needs, expediting custom clearance for medical equipment, prioritizing the usage of transfers to the regions for health sector, and the provision of welfare support for unemployed persons and poor population. In general, GOI is prioritizing spending allocations from the state budget to ensure public health and safety, protection, and social safety nets for the vulnerable income groups, and protection of business activities.

Having implemented a partial lockdown in a number of key provinces, including DKI Jakarta Province and surrounding areas, combined with ramping up rapid testing, implementation of contact tracing, and isolation measures for people exposed to the virus in April and May, the GOI expects to see a decline in new cases from June. Based on such assumptions, in May 2020, CMEA has developed a plan to start easing the COVID-19 social restrictions in June, allowing businesses to resume operations gradually and start the economic recovery process for displaced workers and businesses in limbo.

The five-phase plan, which is currently still being considered, is contingent upon flattening of the infection curves.

First Phase: Start with reopening business-to-business industries and services, continuing to strictly maintain the social distancing protocol.

Second Phase: Reopening shops, markets, and malls.

Third Phase: Reopening cultural venues and schools, continuing to strictly maintain social distancing protocols with some adjustments.

Fourth Phase: Evaluation of the implementation of the first, second, and third phases, reopening of facilities such as restaurants and places of worship.

Fifth Phase: Evaluation of the implementation of the first through fourth phases, allowing all businesses to open and operate normally.

EGSA and CMEA recently discussed the possibility of supporting the GOI's pandemic-related policy responses. Although CMEA was aware that McKinsey is providing advice on the strategy for easing business reopening to DKI Jakarta Province as well as to the National COVID-19 Task Force, CMEA enquired whether USAID and EGSA are able to provide TA for the development of more detailed protocols and guidelines to enable businesses. CMEA has requested that these protocols include guidance on how to reconfigure and manage physical workspace for different sectors (including a sample layout of reconfiguration for manufacturing plants or markets) focusing on the trade and industry sector.

EGSA will discuss this request with USAID, as this will potentially require involvement of health and work safety experts and does not fall within the traditional BEE space.

CONCLUSION

In this Demand Mapping exercise, EGSA collected information from three GOI agencies: CMEA, BKPM, and Bappenas. To come with recommendations for USAID support, EGSA analyzed the requests from different perspectives. First, alignment with USAID policy framework (Indo-Pacific Strategy, J2SR, CDCS) and EGSA's overarching objectives. Second, alignment with GOI priorities and requesting agency's responsibility, mandate, and authority. Lastly, we also consider the availability of donor support in the requested area as evidenced by findings from EGSA Donor Mapping exercise and our communication with GOI agencies. EGSA will recommend activities that fulfilled all above-mentioned criteria for USAID consideration.

FINDINGS FROM DONOR MAPPING

EGSA's BEE Donor Mapping report, completed in March 2020, identified where donor support is concentrated within the BEE area. There are some BEE areas with low or no donor support: business registration and licensing, Doing Business ranking, select thematic sectors (Tourism, Port, Industry 4.0), and National Logistic Ecosystem.

Based on the analysis of donor activity concentration, EGSA identified the following BEE areas as having potential for USAID support:

- **Domestic investment - Ease of Doing Business and beyond.** Donor mapping found areas unsupported by other donors that are relevant to business operation, including dealing with construction permits, trading across borders, and enforcing contracts. Considering that the Doing Business Report also collects data from SNGs, and most donors work at the national level, there is space for USAID to provide support through technical assistance at the sub-national level. USAID can also support broadening the scope of reforms to include other priority sectors and in cities beyond Jakarta and Surabaya, which would enable the private sector in other regions to also benefit from the reforms.
- **Foreign investment and sector specific reform.** Improvement of the investment climate for foreign investors through simplification of sectoral licensing is supported by donor-funded activities in some key sectors, namely tourism, ports, and logistics, and possibly some sub-sectors in the manufacturing industry in support of the implementation of the Industry 4.0 Roadmap. USAID can complement other donor support by working to enable evidence-based decision making for the simplification of other sectoral licensing focusing on easing foreign investment entry. To ensure that bottlenecks are properly identified and addressed, USAID should engage with both national and sub-national level governments.
- **Leveling the playing field for trade.** The recently announced stimulus package may also offer engagement entry opportunities, such as the NLE program, which is closely linked to areas that will improve the ease of trading across borders as measured by the Doing Business Report, but will potentially have a broader economy-wide impact. As GOI's reform program is still at an early stage, this presents potential areas for USAID to work in collaboration with other donors who have an ongoing engagement on trade and logistics reform (such as the World Bank Group or Prospera) and/or as a stand-alone project that complements other donors' work.

The recommendation for potential areas for engagement mentioned above was derived only from the donor mapping analysis. As our knowledge and analysis on BEE areas have expanded, we will build on donor mapping findings to come with updated recommendation for USAID support in BEE area.

ALIGNMENT WITH USAID POLICY FRAMEWORK

We reviewed these requests from based on their alignment with USAID policies, the Indo-Pacific Strategy, the Journey to Self-Reliance, and EGSA's Objective 3 goals. Unless there is another consideration, such as misalignment with the agency's responsibilities, we will consider each request that aligns with USAID policies for USAID support.

TABLE 6. LINK BETWEEN GOI'S REQUEST AND USAID'S STRATEGIC FRAMEWORK

GOI AGENCY	REQUEST	INDO-PACIFIC STRATEGY	J2SR	EGSA OBJECTIVE 3	NOTE
Improving the enabling environment for domestic and foreign investment					
CMEA	<ul style="list-style-type: none"> • TA for the alignment of the RBA for business licenses adopted in the NSPK set at the national level with the NSPK at the SNG level. • Workshops to ensure proper capacities are built at the SNG executing agencies to support implementation of the NSPK for the business licenses adopting the RBA approach. 	<ul style="list-style-type: none"> • Reduce barriers to entry by legitimate investors. • Lower the cost of doing business by streamlining procedures and cutting red tape for obtaining permits and licenses. 	Strengthen government capacity and empower governments to own and manage their own development.	Improved business enabling environment for foreign and domestic business entities.	Need to engage BKPM, which is leading the development of the technical NSPKs and its operationalization through the OSS platform.
BKPM	<ul style="list-style-type: none"> • Mapping investment potential at the sub-national level. • Develop a business directory that can facilitate partnership between large enterprises and investors with MSMEs. • Support the development of regulatory and administrative reform action plans—both short-term and medium-term action—to improve the country's ease of doing business reforms performance in key priority indicators. • Monitor and evaluate the progress of reforms, in consultation and coordination with the relevant key GOI agencies. 	<p>Foster private-sector-led economic growth.</p> <ul style="list-style-type: none"> • Reduce barriers to entry by legitimate investors. • Lower the cost of doing business by streamlining procedures and cutting red tape for obtaining permits and licenses. 	<p>Catalyze enterprise-driven development by engaging strategically with the private sector.</p> <p>Strengthen government capacity and empower governments to own and manage their own development.</p>	Improved business enabling environment for domestic businesses.	<p>Need to involve the Ministry of Cooperatives and MSMEs to avoid overlapping initiatives and improve inter-agencies cooperation with respect to supporting the MSME linkage program.</p> <p>Need to include Bappenas in the engagement, given that the finalization of new fundamental laws to improving the country's ease of doing business are managed by Bappenas.</p>
Bappenas	TA in the implementation of the grand design to improve laws and regulations in	Leveling the playing field for trade by	Strengthen government capacity	Improved business enabling environment	A strategic initiative, as the National Legislation Center is

<p>the economic sector, which includes preparation to establish a National Legislation Center tasked with leading the regulatory simplification and oversight process:</p>	<p>supporting programs that promote legal, regulatory, and policy reforms.</p>	<p>and empower governments to own and manage their own development.</p>	<p>for foreign and domestic business entities.</p>	<p>designed to have the mandate to review the quality of existing regulations as well as drafts of new regulations to reduce regulatory overlaps and conflicting regulations.</p>
<ul style="list-style-type: none"> • Development of strategy on how to integrate early stakeholders' engagement as well as optimize public access and participation in the regulatory development process. • Development of a mechanism to analyze the impacts of new regulatory proposals before they are adopted, including incorporating cost benefit analysis and RIA. • Development of an ex-post evaluation mechanism to assess regulatory outcomes. • Development of a pool of experts and advisors to support the regulatory oversight body's operation. 				

Improving facilitation of trade and logistics

<p>Study on best practice approaches in the application of export and import control, and methods to assess the economic impact of export and import control on certain commodities.</p>	<p>Promote trade facilitation by addressing technical barriers to trade and easing border controls and compliance requirements.</p>	<p>Strengthen government capacity and empower governments to own and manage their own development.</p>	<p>Improved business enabling environment for foreign and domestic business entities.</p>	<p>GOI's capacity to assess the economic impact of export and import control on certain commodities will help CMEA to rationalize and reduce the existing Lartas for exports and imports.</p>
<p>CMEA</p>	<p>Develops key monitoring indicators to measure progress and results of the implementation of the following short-term action plan of the NLE:</p> <ul style="list-style-type: none"> • Improve fully electronic processing of the DO and SP2 process in Jakarta's Tanjung Priok port. 	<p>Promote trade facilitation by addressing technical barriers to trade and easing border controls and compliance requirements.</p>	<p>Strengthen government capacity and empower governments to own and manage their own development.</p>	<p>Improved business enabling environment for foreign and domestic business entities.</p>
				<ul style="list-style-type: none"> • Putting a monitoring framework in place will enable CMEA to identify implementation constraints and measure progress. • Effective implementation of the short-term action plan for NLE is expected to contribute to the

- Integrating risk management and accelerating the clearance process through implementation of single/joint inspection by customs authorities and the Quarantine Agency.
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improvement of Indonesia's performance in the Logistics Performance Index and Doing Business indicator of Trading Across Borders.

RECOMMENDATIONS FOR USAID IMMEDIATE SUPPORT

EGSA has reviewed the GOI reform agenda and priorities in the BEE space based on the following principles: alignment with USAID policy framework and EGSA's objectives, alignment with GOI priorities, alignment with GOI agency's responsibility and authority, and availability of donor TA in the requested area. Based on those considerations, EGSA identify the following activities for USAID support.

SUPPORT THE ALIGNMENT OF THE RBA FOR BUSINESS LICENSES ADOPTED IN THE NSPK SET AT THE NATIONAL LEVEL WITH THE NSPK AT THE SNG LEVEL.

- Key GOI agencies: CMEA, BKPM, Provincial/Regency/City DPMPTSP.
- Alignment with USAID Policy and EGSA Objective: Indo-Pacific Strategy, J2SR, and EGSA Objective 3.
- Alignment with GOI Priorities: Improving public service delivery for business registration and licensing through simplification of procedures and requirements, operationalizing them through the OSS platform, and improving Indonesia's global ranking in the Doing Business Report.
- Overlap with other Donor-Funded Activities: There are no other operational donor activities in this area. Activities in support of adopting the RBA for licenses and permits in the NSPK at the national level are ongoing and supported by the ADB, the U.K.'s Regulatory Reform Attaché, and PROSPERA. However, their TA does not extend down to the SNG level.

Policy setting to improve the enabling environment for businesses is done at the national level, and most of the implementation of licensing services is carried out at the sub-national level. Therefore, linking the national level reforms with SNG-level work will help the GOI close regulatory implementation gaps at the sub-national level. In addition, piloting TA in this area can be done in USAID priority provinces given that their RPJMD include the reform as a priority agenda and have already allocated budgets and resources for investment deregulation and licensing simplification.

Given that BKPM manages both NSPK development and OSS platform operation, the SNG-level work in the pilot provinces could also include improving licensing service delivery in the pilot SNGs by ensuring effective integration of the pilot provinces' licensing services with the OSS platform. That said, effective implementation of the simplified licensing requirements in the pilot SNGs will provide demonstrable local best practices that can be scaled up and replicated to other SNGs in Indonesia through the MOHA.

SUPPORT THE DEVELOPMENT AND IMPLEMENTATION OF REGULATORY AND ADMINISTRATIVE REFORM ACTION PLAN—BOTH SHORT TERM AND MEDIUM-TERM ACTION—TO IMPROVE THE COUNTRY'S EASE OF DOING BUSINESS REFORMS PERFORMANCE IN KEY PRIORITY INDICATORS.

- Key GOI agencies: BKPM, Bappenas, DPMPTSP for the Province of DKI Jakarta and City of Surabaya.
- Alignment with USAID Policy and EGSA Objectives: Indo-Pacific Strategy, J2SR, and EGSA Objective 3.

- Alignment with GOI Priorities: Improving Indonesia’s global ranking in the Doing Business Report.
- Overlap with other Donor-Funded Activities: There are no other operational donor activities in this area. PROSPERA is supporting the communication outreach (socialization) component of the ease of doing business reforms, and IFC/World Bank Group has also provided reform recommendations in the form of a Doing Business Reform Memo in 2018, but has yet to update their recommendations. None provides any support for implementation and for the development of the reform roadmap.

The Ease of Doing Business reform agenda is closely linked and mutually complementary to the reform agenda on the adoption of the RBA approach in licensing simplification operationalized through the OSS platform (Starting a Business and Dealing with Construction Permits) and to Bappenas’ grand design to improve laws and regulations in the economic sector.

TA regarding the Ease of Doing Business reforms involves engagement with at least 18 agencies at the national level and 2 agencies at the SNG level in DKI Jakarta and East Java Provinces, with potential for replication of successful reforms in other SNGs. Thus, this is also a good “door opener” for USAID for further engagement with various GOI agencies in the BEE space.

MAP INVESTMENT POTENTIAL AT THE SUB-NATIONAL LEVEL AND SUPPORT THE DEVELOPMENT OF A BUSINESS DIRECTORY THAT CAN FACILITATE PARTNERSHIP BETWEEN LARGE ENTERPRISES AND INVESTORS WITH MSMEs.

- Key GOI Agencies: BKPM, Ministry of Cooperatives and MSMEs, Bappeda, Provincial/Regency/City DPMPTSP.
- Alignment with USAID Policy and EGSA Objectives: Indo-Pacific Strategy, J2SR, and EGSA Objective 3.
- Alignment with GOI Priorities: Promoting growth of MSMEs and local investment potential.
- Overlap with Other Donor-Funded Activities: There are no other operational donor activities in this area.

The creation of linkages between large enterprises and investors with MSMEs is of the highest importance in generating sustainable SME development over the long-term and ensuring the business-focused support that SMEs need in order to engage more fully in the global economy. There is potential for this initiative to be rolled out at the SNG level through the provincial/regency/city DPMPTSP in USAID priority provinces given that their RPJMDs include this as a priority agenda item and have already allocated budgets and resources for promoting local investment potential.

STUDY OF BEST PRACTICE APPROACHES IN THE APPLICATION OF EXPORT AND IMPORT CONTROL AND METHODS TO ASSESS THE ECONOMIC IMPACT OF EXPORT AND IMPORT CONTROL ON CERTAIN COMMODITIES.

- Key GOI Agencies: CMEA, INSW, MOF's Directorate General of Customs and Excise.
- Alignment with USAID Policy and EGSA Objective: Indo-Pacific Strategy, J2SR, and EGSA Objective 3.
- Alignment with GOI Priorities: Improving facilitation of trade and logistics.
- Overlap with Other Donor-Funded Activities: There are no other operational donor activities in this area.

Rationalization of the Lartas will contribute to leveling the playing field by reducing technical barriers to trade and improving Indonesia's trade competitiveness.

DEVELOP KEY MONITORING INDICATORS TO MEASURE PROGRESS AND RESULTS OF THE IMPLEMENTATION OF THE FOLLOWING SHORT-TERM ACTION PLAN OF THE NLE: 1) IMPROVEMENT OF FULLY ELECTRONIC PROCESSING OF DO AND SP2 PROCESS IN JAKARTA'S TANJUNG PRIOK PORT; 2) INTEGRATION OF RISK MANAGEMENT AND ACCELERATION OF THE CLEARANCE PROCESS THROUGH IMPLEMENTATION OF SINGLE/JOINT INSPECTION BY CUSTOMS AUTHORITIES AND THE QUARANTINE AGENCY.

- Key GOI Agencies: CMEA, INSW, MOF's Directorate General of Customs and Excise.
- Alignment with USAID Policy and EGSA Objectives: Indo-Pacific Strategy, J2SR, and EGSA Objective 3.
- Alignment with GOI Priorities: Improving facilitation of trade and logistics.
- Overlap with Other Donor-Funded Activities: There are no other operational donor activities in this area.

Effective implementation of the short-term action plan for NLE will contribute to the improvement of Indonesia's performance in the Logistics Performance Index and the Doing Business indicator of Trading Across Borders. Putting in place a monitoring framework will enable CMEA to identify implementation constraints and measure progress toward achieving the targets and improving the enabling environment for the private sector and businesses.

Given that there are other GOI agencies related to BEE that EGSA has not engaged with, this report does not present a complete picture for BEE support. Similarly, EGSA has not yet engaged with any SNGs, so we have not been able to map their demand. As EGSA engages with more GOI agencies and SNGs in the future, we will update USAID on future requests for BEE support.

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