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ECONOMIC GROWTH SUPPORT ACTIVITY (EGSA)

ECONOMIC GROWTH DEMAND MAPPING

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
Bapenda	<i>Badan Pendapatan Daerah</i> (Province/District Tax and Revenue Management Agency)
Bappeda	<i>Badan Perencanaan Pembangunan Daerah</i> (District Planning Agency)
Bappenas	<i>Badan Perencanaan Pembangunan Nasional</i> (National Planning Agency)
BEE	Business Enabling Environment
BPKAD	<i>Badan Pengelolaan Keuangan dan Aset Daerah</i> (Sub-national Government Finance and Asset Management Agency)
BPPD	<i>Badan Pengelola Pendapatan Daerah</i> (Sub-national Government Revenue Management Agency)
BPS	<i>Badan Pusat Statistik</i> (Statistics Indonesia)
BUMDES	<i>Badan Usaha Milik Desa</i> (Village-Owned Enterprises)
CDCS	Country Development Cooperation Strategy
CMEA	Coordinating Ministry for Economic Affairs (<i>Kementerian Koordinator Bidang Perekonomian</i>)
COVID-19	Corona Virus Disease
DG	Directorate General
DPMPSTP	<i>Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu</i> (One-Stop Licensing Center)
EG	Economic Growth
EGSA	Economic Growth Support Activity
ESCO	Electricity Service Company
GDP	Gross Domestic Product
GOI	Government of Indonesia
ICT	Information and Communication Technology
IDR	Indonesian Rupiah
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IPS	Indo-Pacific Strategy
J2SR	Journey to Self-Reliance
Kemenkop	<i>Kementerian Koperasi dan UMKM</i> (Ministry of Cooperatives and Micro, Small, Medium Enterprises)
Kompak	<i>Kolaborasi Masyarakat dan Pelayanan untuk Kesejahteraan</i>
KSP	<i>Kantor Staf Presiden</i> (Presidential Staff Office)
LPDB	<i>Lembaga Penjamin Dana Bergulir</i> (Revolving Fund Guarantee Agency)
MOF	Ministry of Finance (<i>Kementerian Keuangan</i>)
MOM	Ministry of Manpower (<i>Kementerian Ketenagakerjaan</i>)
MOT	Ministry of Trade (<i>Kementerian Perdagangan</i>)
MOV	Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (<i>Kementerian Desa, Pembangunan Daerah Tertinggal, dan Transmigrasi</i>)
MSMEs	Micro, Small, and Medium Enterprises

ODS	Online Data System
OSS	Online Single Submission
OJK	Financial Services Authority (<i>Otoritas Jasa Keuangan</i>)
PFM	Public Financial Management
PPP	Public-Private Partnership
RKP	<i>Rencana Kerja Pemerintah</i> (Government Annual Work Plan)
RKPD	<i>Rencana Kerja Pemerintah Daerah</i> (SNG Annual Work Plans)
RPJMD	Regional Long-Term Development Plan (<i>Rencana Pembangunan Jangka Menengah Daerah</i>)
RPJMN	National Medium-Term Development Plan (<i>Rencana Pembangunan Jangka Menengah Nasional</i>)
RPJPD	Regional Long-Term Development Plan (<i>Rencana Pembangunan Jangka Panjang Daerah</i>)
SABH	<i>Sistem Administrasi Badan Hukum</i> (Cooperatives Registration and Administration System)
SDGs	Sustainable Development Goals
SNG	Sub-National Government
UMKM	<i>Usaha Mikro Kecil Menengah</i>
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development
USD	U.S. Dollar

EXECUTIVE SUMMARY

The Government of Indonesia (GOI) Economic Growth (EG) Demand Mapping provides USAID and the Economic Growth Support Activity (EGSA) a comprehensive overview and understanding of GOI needs for technical assistance (TA) in EG sector, specifically those that have not been supported by donors as evidenced by findings from EGSA's Donor Mapping exercise. During the preparation of this report, EGSA conducted meetings and interviews with four GOI ministries to learn about their program and needs for support, and desk studies on GOI's EG priorities and plans.

EGSA has reviewed the requests under the following considerations: alignments with USAID policy framework and EGSA's overarching objectives; GOI priorities; the agency's responsibility, mandate, and authority; and the availability of donor support in the requested area. Based on our analysis, we propose the following activities for USAID immediate support:

- Analysis of the impact of COVID-19 on the liquidity of savings and loan cooperatives (credit unions), especially those not supported by the Lembaga Penjamin Dana Bergulir (Revolving Fund Management Agency). The Ministry of Cooperatives and MSMEs seeks to understand the challenges faced by credit unions in this pandemic. Information gathered from the field are: disruption of activity due to the pandemic, liquidity status of credit unions, their plan for survival in the short and medium term, support needed to maintain operation and revive the businesses after the crisis, and support provided by SNGs during this crisis.
- Capacity building program for BUMDES through strengthening Balai Besar Latihan Masyarakat Desa (Ministry of Village's (MOV) BUMDES Capacity Building Agency). MOV is seeking support to empower BUMDES to be engine of economic growth in the villages. One of the proposed activities is to strengthen the capacity building program provided by MOV's BUMDES Capacity Building Agency. Additional support is needed to improve training program for BUMDES, update training materials, developing program to encourage innovation and skill development in the village, and giving inputs to foster collaboration between BUMDES and the private sector.
- Research on ideas to modernize cooperatives. The Ministry of Cooperatives and MSMEs is seeking input and lessons learned from existing good practices of cooperative modernization (member registration, member meetings, reporting, etc.). The input will inform policy to support cooperative modernization.

Aside from the immediate support, we also identified one potential area for future USAID engagement. From our discussion with MOV and Ministry of Finance (MOF), we find that both ministries have requested some support related to different aspects of Village Fund management and utilization. EGSA realizes that effective utilization of the Village Fund is important for GOI, so we recommend supporting future requests on it, provided that the requests come from an agency with relevant responsibilities and that other donors have not supported the activity.

INTRODUCTION

BACKGROUND

The Economic Growth Support Activity (EGSA), implemented by DevTech Systems Inc. since November 2019, assists USAID/Indonesia to reengage in the economic growth space, assists Government of Indonesia (GOI) to strengthen its capacity to effectively collect taxes and improve budget execution, and improves the business enabling environment in Indonesia. EGSA will be implemented over two years through October 2021, with the possibility of one option year.

EGSA's three objectives are: **Objective 1:** Enable evidence-based decision making through ongoing analysis linking the Indo Pacific Strategy (IPS), Journey to Self-Reliance (J2SR), GOI's priorities and potential USAID/Indonesia assistance under USAID/Indonesia's next Country Development Cooperation Strategies (CDCS); **Objective 2:** Increase and improve GOI technical capacity in public financial management (PFM), including tax collection, public expenditure, and financial accountability; and **Objective 3:** Improved business enabling environment (BEE) for foreign and domestic business entities.

The work implemented under EGSA's Objective 1 (Economic Growth/EG) is intended to conduct detailed analysis and assessments in priority areas identified in discussions with GOI, findings from previous assessments by international donors such as the World Bank (WB), Asian Development Bank (ADB), and International Monetary Fund (IMF), as well as internal discussions with USAID in order to help USAID/Indonesia reengage in the EG sector.

OBJECTIVE

The purpose of GOI demand mapping is to learn about GOI agencies' needs for assistance in EG sector, specifically those that have not been supported by donors as shown in EGSA's Donor Mapping exercise. GOI demand mapping was conducted from February to April 2020 through a series of meetings, interviews with relevant GOI ministry/agencies in coordination with USAID, and desk study on GOI's EG priorities and plans. For this exercise, EGSA interviewed representatives from four ministries related to potential economic growth sector in Indonesia: Ministry of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs) (*Kementerian Koperasi & UMKM*); Ministry of Villages, Development of Lagging Regions, and Transmigration (MOV); Ministry of Manpower (MOM); and Ministry of Development Planning/National Development Planning Agency (Bappenas) through the National Secretariat of Sustainable Development Goals (SDGs).

Based on EGSA's Component 1 objectives and combined with findings from the Donor Mapping report, this exercise will help EGSA identify potential collaboration and provide recommendations to USAID/Indonesia on future engagements in the EG sector.

GOI'S ECONOMIC GROWTH PRIORITIES AND RELEVANT AGENCIES

Indonesia has experienced deceleration in its economy since 2010; economic growth rates have stagnated to around 5 percent. Statistics Indonesia (BPS) attributed this stagnation to weakening investments and exports. The COVID-19 pandemic, which hit Indonesia in March 2020, has halted economic growth even more. The economy grew only at 2.9 percent in the first quarter of 2020, 2.2 percent lower than the same period in 2019. To overcome growth stagnation and to support GOI's vision to prepare Indonesia to become a developed country by 2045, the government has made economic growth one of its highest development priorities in the Medium-Term Development Plan (RPJMN) 2020-2024.

GOI'S ECONOMIC GROWTH PRIORITIES

MEDIUM-TERM AGENDA FOR QUALITY AND EQUITABLE ECONOMIC GROWTH

The following are the key development agenda components to support inclusive and sustainable economic growth:

1. Strengthening economic resilience to achieve quality and fair growth. Innovation and quality investment are the main drivers for sustainable, inclusive, and equitable economic growth. GOI will focus on: 1) better management of economic resources, including food resilience, agriculture, marine resources, fisheries, energy, and forestry; and 2) efforts to improve value added from the following sectors: agriculture, fisheries, maritime, energy, industry, tourism, and the creative and digital economy.
2. Developing regions to reduce inequality and ensure equity, through: 1) development of leading regional sector/commodities/activities; 2) creation of growth centers in undeveloped areas; (3) developing human resource capacity, science, and technology based on regional excellence; 4) improving access to infrastructure and basic services; and 5) improving the carrying capacity of the environment as well as disaster resilience and climate change.
3. Strengthening infrastructure development to support economic development and basic service provision through development of: 1) basic infrastructure; 2) multimodal connectivity to support economic growth; 3) urban infrastructure; 4) energy and electricity; and 5) information and communication technology (ICT) infrastructure to support digital transformation.

FOCUS ON EG ON GOVERNMENT ANNUAL WORK PLAN (RKP) 2020

The RKP 2020 outlines GOI's annual development and implementation plans. The theme of RKP 2020 is "The Increase of Human Capital for the Quality of Growth." The RKP 2020 has five national priorities: 1) human development and poverty alleviation; 2) infrastructure and regional equalization; 3) real sector value added, industrialization, and employment opportunity; 4) food security, water, energy, and living environment; and 5) stability of defense and security.

The following are the GOI's programs and strategies to be implemented in 2020 according to the RKP:

1. Strengthening entrepreneurship and MSMEs:

- Increasing the partnership between micro and small enterprises, medium enterprises, and large enterprises
- Increasing access to finance for entrepreneurs
- Increasing capacity and innovation for cooperatives
- Increasing business opportunities

2. Increasing value added and investment in real sector and industries

- Increasing the agriculture and maritime industries
- Increasing the competitiveness of the tourism industry
- Increasing value added and competitiveness of creative and digital products
- Developing the halal industry
- Improving the business climate and investment

3. Strengthening the economic competitiveness

- Optimizing digital technology and Industry 4.0
- Optimizing the utilization of the financial sector
- Strengthening the price stability and logistic system
- Fiscal reform
- Developing the sustainable industry and tourism
- Improving the availability and quality of economic information, specifically for tourism, and the creative and digital economies

GOI MINISTRIES WITH EG RELEVANCE

EG is a vast area of development, which includes all economic sectors and some cross-cutting issues. The responsibilities related to EG are shared between several ministries and coordinated by the Coordinating Ministry of Economic Affairs (CMEA). In the decentralization era, some responsibilities related to regional and local economic development have been delegated to the Sub-National Government (SNG). Similarly, the management of economic growth at the SNG level is also shared between different SNG agencies. The following are GOI agencies relevant to EG development at the central and SNG levels.

CENTRAL GOVERNMENT AGENCIES

I. COORDINATING MINISTRY FOR ECONOMIC AFFAIRS (CMEA)

In accordance with Presidential Regulation No. 8 of 2015, CMEA's functions are: 1) coordination and synchronization of the formulation, determination, and implementation of ministry/institution policies related to issues in the economic field; 2) overseeing the implementation of ministry/institution policies related to economic issues; 3) coordination of the implementation of tasks, coaching, and administrative support to all elements of the organization within the CMEA.

2. MINISTRY OF FINANCE (MOF)

As part of a government, MOF has a vital role to carry out economic development. Economic development will run smoothly if accompanied by a good administration managing state finances. MOF is tasked with assisting the President in organizing government affairs in the field of state finance. MOF functions are: 1) formulation and implementation of policies for budgeting, taxation, customs and excise, treasury, state assets, financial balance, and financing and risk management; 2) formulation, stipulation, and recommendation of fiscal and financial sector policy; 3) coordination of the implementation of tasks, coaching, and administrative support to all elements of the organization within the MOF; 4) implementation of technical guidance and supervision of the implementation of MOF affairs in the regions; 5) implementation of technical activities from the center to the regions; and 6) implementation of education, training, and certification of competencies in state finance.

3. MINISTRY OF TRADE (MOT)

Indonesia's MOT is in charge of trade affairs. Its duties include: 1) formulation and stipulation of policies for strengthening and developing domestic trade, consumer empowerment, trade standardization and control of goods, and supervision of goods traded and/or services on the market; 2) trade supervision, promotion, and assistance of non-oil and gas goods; 3) supervision, management, and facilitation and security of trade; 4) increased access to international goods and services markets; 5) promotion, development, and improvement of products, export markets, and export protection; 6) development, guidance, and supervision of trade, commodity trading warehouse receipts, and commodity auction markets; 7) implementation of trade assessments and development; and 8) management of state property/assets.

4. MINISTRY OF VILLAGES, DEVELOPMENT OF DISADVANTAGED REGIONS, AND TRANSMIGRATION (MOV)

MOV is a ministry within the GOI in charge of village and rural area development, empowerment of rural communities, acceleration of development in disadvantaged areas, and transmigration. There are several directorates in the ministry, including the Directorate General (DG) of Village Community Development and Empowerment, DG of Rural Areas Development, DG of Special Regional Development, DG of Disadvantaged Areas Development, DG of Area Preparedness and Development of Transmigration Settlements, DG of Transmigration, and DG of Transmigration Area Development, along with agencies for research and development, education and training, and information.

5. MINISTRY OF COOPERATIVES AND MSMES

The Ministry of Cooperatives and MSMEs supports Indonesian economic growth through formulation, coordination, synchronization, and implementation of policy, and well as carrying out technical functions in empowering cooperatives, and micro, small, and medium enterprises in accordance with the laws.

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

Bappenas is responsible for developing Indonesia's economic growth roadmap. It manages national development, national development planning and budgeting policies, national development strategies, and sectoral, cross-sectoral, and cross-regional policy directions. It also manages macroeconomic frameworks that include a comprehensive picture of the economy, including fiscal policy direction, regulatory frameworks, institutions, and funding.

7. MINISTRY OF MANPOWER (MOM)

The functions of MOM are formulation, determination, and implementation of policies in the areas of labor competitiveness and productivity, expanded employment opportunities, industrial relations and

labor social security, labor inspections, and occupational safety and health; implementation of technical activities on a national scale, in accordance with statutory provisions; and implementation of employment planning, research, and development.

SUB-NATIONAL GOVERNMENT AGENCIES

The following are SNG agencies tasked with EG. The names of these agencies may vary between regions, but the tasks are similar as mandated by national statutory provisions of the formation of institutions and responsibilities of governmental affairs at the SNG level. These agencies report directly to the Governor/Mayor/Regent and are not vertically commanded by their central government ministry's counterparts.

1. PROVINCE/DISTRICT DEVELOPMENT PLANNING AGENCY (BAPPEDA)

Bappededa is SNG's agency responsible for assisting the Governor/Mayor/Regent in research and development planning. Bappededa's functions are: 1) formulating technical policies for regional development planning and research; 2) coordinating the preparation of the Regional Long-Term Development Plan (RPJPD), Regional Medium-Term Development Plans (RPJMD), and SNG Annual Work Plans (RKPD); 3) coordinating and planning integrated development across government affairs, between district governments, and with provincial and national governments and the private sector to implement national priority activities; and 4) controlling and evaluating the implementation of regional development plans.

2. PROVINCE/DISTRICT FINANCE AND ASSET MANAGEMENT AGENCY (BPKAD)

This agency supports government affairs in financial and asset management under the authority of the SNG. BPKAD formulates technical policies on financial management and regional assets; carries out technical support for financial management and regional assets; monitors, evaluates, and reports on the implementation of technical support tasks; provides technical guidance on organizing functions; and supports regional government affairs in the area of financial management and regional property.

3. PROVINCE/DISTRICT TAX AND REVENUE MANAGEMENT AGENCY (BAPENDA)

This agency's main task is assisting the Governor in functions related to revenue generation under the authority of the SNG. Bappenda is responsible for: 1) formulating technical policies; 2) carrying out technical support tasks; 3) monitoring, evaluating, and reporting on the implementation of technical support tasks related to SNG revenue; 4) drafting the SNG budget concept on the revenue side; 5) setting revenue targets and efforts to achieve these targets; and 6) providing technical guidance for carrying out revenue generation support functions of regional government.

4. PROVINCE/DISTRICT DEPARTMENT OF COOPERATIVES AND MSME

This agency manages governmental affairs regarding cooperatives and MSMEs, including cooperative legal entities, savings and credit business licenses, empowerment and protection of cooperatives, empowerment of small businesses, and small business development. Duties include formulating policies for cooperatives and MSMEs; organizing technical policies; fostering and developing cooperatives and MSMEs; organizing information, exhibitions, and promotions related to cooperative and MSME products; and supervising cooperatives and MSMEs.

5. PROVINCE/DISTRICT DEPARTMENT OF INDUSTRY AND TRADE AGENCY

This agency oversees the development of industry and trade under the authority of the SNG. The Industry and Trade Agency formulates and implements industry and trade policies, and conducts evaluations in the fields of industry and trade.

GOI DEMAND MAPPING

The following requests for assistance were collected during the demand mapping exercise from February to April 2020. While there are many agencies that are relevant to EG, not all of them have EG-related requests, as some expressed interest for engagement with other EGSA objectives. The physical distancing limitation in force since mid-March due to the COVID-19 pandemic constrained engagement with new ministries during the demand mapping period, so EGSA will focus on engaging and understanding requests from four agencies, and will update USAID on other requests as we engage with more agencies in the future.

MINISTRY OF COOPERATIVES AND MSMEs

USAID and EGSA met with the Assistant Deputy of Organization and Legal Entity of Cooperatives in April to learn about Ministry's program and explore possibility for engagement. The Ministry expressed its appreciation for USAID's attention to the development of cooperatives and MSMEs in Indonesia, since donor assistance is scarce in this sector. Requests outlined during the online meeting are shown in Table I.

TABLE I. REQUESTS FOR ASSISTANCE FROM THE MINISTRY OF COOPERATIVES AND MSMEs

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
1	Research on ideas to modernize cooperatives, e.g. implementation of Industry 4.0 for cooperatives (registration, members meeting, report etc.).	<ul style="list-style-type: none"> • Examples of cooperative modernization practices in Indonesia • Lessons learned and challenges to cooperative modernization • Policy to support modernization of broader types of cooperatives 	<ul style="list-style-type: none"> • EGSA considers this is a good initiative to support. It may have a broader impact on the development of cooperatives in Indonesia. • There are 126,000 cooperatives in Indonesia, some of which serve disadvantaged populations that would otherwise have limited access to financial services. Attempts to modernize cooperatives will affect their members, and this is in line with the GOI focus on digital economy and USAID's policy to improve access to productive opportunities for disadvantage groups.
2	Research on the impact of the Online Single Submission (OSS) process to cooperatives' legalization. The enactment of Government Regulation 24 Year 2018 on online single submission limits the role of the Ministry regarding cooperative registration. The Ministry seeks to study the impact of the new registration and legalization system on the ease of doing business for cooperatives and the availability of a database on cooperatives' legal status.	<ul style="list-style-type: none"> • Evaluation of the effectiveness of online registration and its impact on cooperatives' growth • Improving cooperative management through web-based data 	<ul style="list-style-type: none"> • GOI policy encourages systems like the OSS service to streamline the registration process. • This topic is relevant to both EG and BEE components of EGSA, as it is related to ease of business registration. <p>However, as OSS is a cross-ministry initiative, EGSA recommends that this activity be discussed further with other involved ministries.</p>

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
3	Development of a cooperatives' dashboard at the Ministry to monitor progress, performance, and legal status. The system can be linked with other existing system like the ODS (online data system) and SABH (<i>Sistem Administrasi Badan Hukum/cooperatives registration and administration system</i>)	Integrated database of cooperatives to help the Ministry to oversee the performance of cooperatives.	<ul style="list-style-type: none"> • Existence of a database of cooperatives is necessary, but it is a huge undertaking that requires internal coordination between different units within the Ministry. • We do not think that USAID support/EGSA should be channeled to develop the dashboard. EGSA could provide technical input, but the investment to build and link different systems should be financed by GOI.

Aside from this study, the Ministry also has requests related to COVID-19, which will be described in the next section. After the introductory meeting, an EGSA expert has been in communication with a representative from the Ministry to better understand these demands.

MINISTRY OF VILLAGES

MOV's flagship program is the Village Fund (*Dana Desa*), which was established in 2015. There are 74,953 villages in Indonesia, and in 2020, each will receive on average IDR 960 million from the Village Fund. By Law, the fund will be allocated for:

1. Village infrastructure development: infrastructure facilities, basic social services facilities, business facilities, environmental facilities, and other supporting facilities.
2. Village empowerment: increasing community participation in the process of planning, implementing, and monitoring village development, community capacity building, development of village resilience, capital injection for village-owned enterprises, etc.

As a response to COVID-19, part of the Village Fund has been redirected to help villages cope with the impact of the pandemic, including provision of social assistance programs to help affected households.

USAID has held a series of meetings with representatives from different units of MOV since November 2019. Communication continues through online meetings as EGSA experts explore Ministry's requests.

TABLE 2. REQUESTS FOR ASSISTANCE FROM MOV

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
I	<p>From USAID meeting with DG of Development of Lagging Regions in November 2019.</p> <p>Support to:</p> <ul style="list-style-type: none"> • Strengthen the disbursement of the Village Fund • Improve the quality of spending of Village Funding, not just for infrastructure but also for economic growth activities • Improve capacity in managing the Village Fund • Train village facilitators 	<ul style="list-style-type: none"> • Input to improve the quality of the Village Fund payment and disbursement process • Input to strengthen village economic activity • Input to improve the skills of the facilitators and mentors providing technical assistance to villagers • Provide new ideas on how to better manage the Village Fund 	<ul style="list-style-type: none"> • Donors such as the World Bank and Kompak have been actively supporting GOI to improve disbursement of Village Funds • Kompak has supported facilitator trainings, while IFAD supported local economic development. • EGSA realizes that the effectiveness of the Village Fund is important to GOI. Other ministries, such as MOF, have also requested support regarding the Village Fund, so further communication is needed to synchronize potential support between different ministries.

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
2	<p>From a meeting with representatives from the DG Development of Lagging Regions in February 2020:</p> <ul style="list-style-type: none"> Strengthening BUMDES to become a key player in supporting an agriculture community in Alor, East Nusa Tenggara Strengthening BUMDES in Sumba to manage a small-scale power plan and becoming an Electricity Service Company (ESCO) Disseminating good financial practices of credit unions in North Kalimantan to other credit unions nationwide 	<ul style="list-style-type: none"> Input to strengthen the quality of BUMDES based on villages' economic characteristics Leveraging success stories of good financial practices Identifying/developing specific competitive products from villages 	<ul style="list-style-type: none"> While there are large number of BUMDES being established, many are not performing well. EGSA realizes that strengthening BUMDES will help to strengthen local economic development. USAID support should be provided in a systematic way that can benefit many BUMDES instead of focusing on specific locations as in this request. EGSA considers that the good practice of Credit Union in North Kalimantan is worth sharing with other credit unions. This is in line with a request from the Ministry of MSMEs to strengthen credit unions.
3	<p>From an EGSA meeting with the Minister's Advisor for Inter-Agency Cooperation:</p> <ul style="list-style-type: none"> Strengthening BUMDES through a capacity building program delivered by <i>Balai Besar Latihan Masyarakat Desa</i> (MOV's BUMDES capacity building agency) 	<ul style="list-style-type: none"> Support for a BUMDES training program Program to encourage innovation in skills development in the village Input to foster collaboration between BUMDES and the private sector 	<p>EGSA considers this a good initiative to support. While there are other trainings that MOV has provided, USAID support could bring in additional experts and update the learning materials. In general, this is a more systematic way to help BUMDES instead of focusing on development of one or two BUMDES in select locations.</p>

MINISTRY OF MANPOWER

In March 2020, EGSA experts had an informal discussion with staff of the Ministry of Manpower's Center for Research and Development (*Pusdiklat*) to understand MOM's role in labor force development. At that time, GOI's flagship program, called the *Kartu Pra Kerja* (Pre-Work Card), was in preparation with the goal of helping Indonesian youth and the underemployed to improve their skills through online training programs. The program has been prepared in collaboration with the Presidential Staff Office (KSP) and CMEA. MOM's role was to prepare a database of training providers and facilitate their participation in the program.

TABLE 3. MOM REQUESTS FOR ASSISTANCE

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
1	Research on the effectiveness of <i>Kartu Pra Kerja</i> to the growth of select economic sector	Report on the impact and effectiveness of <i>Kartu Pra-Kerja</i>	It is important to assess the effectiveness of <i>Kartu Pra Kerja</i> , but the assessment must be discussed with other relevant ministries, especially with CMEA, which is the program coordinator. Considering that MOM's role in <i>Kartu Pra-Kerja</i> program is limited, this research is better to be conducted by the ministry/agency responsible to evaluate the program.
2	Research on the effectiveness of job placement and training	<ul style="list-style-type: none"> Report on the effectiveness of job placement and training 	EGSA need to further explore the purpose of these studies. Both are important topics to explore, but they require extensive research. As EGSA's contact with MOM is currently limited to the Research Center, we should understand the
3	Research on job loss per sector due to digitalization	<ul style="list-style-type: none"> Report on job loss by economic sector 	

BAPPENAS

EGSA has been communicating with different units in Bappenas related to all three EGSA components. For EG, EGSA has been in informal discussion with the National Secretariat of Sustainable Development Goals (SDGs). From this discussion, EGSA has learned about Bappenas' role as SDG's Financing Hub to coordinate, facilitate, and synergize innovative financing options in support of achievement of SDG targets.

TABLE 4. REQUESTS FOR ASSISTANCE FROM BAPPENAS THROUGH SECRETARIAT OF SDGS

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
1	Research supporting the institutional role and coordination system for SDG financing	<ul style="list-style-type: none"> Report on the institutional role and coordination system for SDG financing 	While achievement of SDG targets is important, USAID and EGSA will pursue engagement with Bappenas related to PFM objective.
2	Support to facilitate SDG financing stakeholder's coordination	<ul style="list-style-type: none"> Expert (consultant) to support SDG Hub 	Given limited resources, USAID support should not be focused on one Ministry.

COVID-19-RELATED REQUESTS

GOI has taken measures to lessen the economic impact of COVID-19 through a series of policies and stimulus since early March. In general, the state budget is prioritizing spending allocations for ensuring public health and safety, protection and social safety nets for vulnerable income groups, and protection of business activities. These budget and fiscal allocations aim to reduce the long-term impact, including ensuring food sufficiency and economic recovery. These activities are delivered or organized by GOI ministries and SNGs.

EGSA has collected information on COVID-19 related activities at Ministry of Cooperatives and MSMEs and MOV and request for support from both Ministries.

TABLE 5. REQUESTS FOR COVID-19-RELATED SUPPORT

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
Ministry of Cooperatives and MSMEs			
1	Analysis of the impact of COVID-19 on the liquidity of savings and loan cooperatives (credit unions), especially those not supported by the <i>Lembaga Penjamin Dana Bergulir</i> (Revolving Fund Management Agency)	<ul style="list-style-type: none"> General description of business scheme and steps taken by cooperatives affected by this outbreak Data and analysis to support the Ministry of Cooperatives and MSMEs' policy formulation regarding liquidity of credit unions Input on business plans in the short, medium-, and long-term for credit unions 	EGSA recommends USAID to support this activity. Credit unions play an important role in providing access to finance, including for MSMEs and individuals who are otherwise not bankable. Supporting credit unions and cooperatives is important to ensure that these institutions will survive the crisis.

NO	DESCRIPTION	EXPECTED OUTPUT	EGSA'S ANALYSIS
MOV			
2	Support the development of an instrument to disburse cash transfer assistance in villages	Input to formula for cash transfer distribution among villagers	EGSA finds that a regulation has been drafted on this matter, so support may no longer needed.

USAID, EGSA, and the Ministry of Cooperatives and MSMEs had met to discuss their immediate request for COVID-19 support, and EGSA has followed up with additional meetings to better understand the request.

CONCLUSION

GOI demand mapping is designed to learn about government agencies' needs for assistance in the EG sector. EGSA has collected information on demand for support from four GOI ministries. The requests ranged from support to strengthen BUMDES to coordination of financing to achieve SDG targets. Some of these requests were clear on expectations and output, while others need further clarification.

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 Donor Mapping report, completed in April 2020, mapped where donor support is concentrated within the EG area. We find that support is less available in industry, MSMEs, women's empowerment, women, youth, and disadvantaged groups' access to the economy, digital economy and support to rural and village economies

The donor mapping exercise identified the following as potential areas for engagement:

1. **Reform of economic policy that affects economic growth:** While this area is considered high-density for donor activity, there are still opportunities for engagement, such as support on thematic economic reforms and engagement at the sub-national level.
2. **Support for MSMEs:** MSMEs, including cooperatives, are one of the pillars of the economy, but they do not get the support they need to grow. More donor presence in this sector is needed, and most likely to be welcomed by GOI, sub-national governments, and the MSMEs themselves.
3. **Rural economic development:** Increasing support to rural economic development is a way to support GOI's effort to reduce poverty, as most of poverty in Indonesia is in rural areas. There should be more donor support available to villages across Indonesia.
4. **Strengthening digital economy competitiveness:** The digital economy is one of GOI's priorities for the next five years. Its potential to support the economy is very high. While infrastructure and the technical aspects of the digital economy are developed by the private sector, GOI should educate the public and businesses on the how to use the platform effectively. Potential donor activity to support this sector is unlimited.

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

RECOMMENDATIONS FOR IMMEDIATE USAID SUPPORT

EGSA has reviewed the requests under the following considerations: alignments with USAID policy framework and EGSA's overarching objectives; GOI priorities; the agency's responsibility, mandate, and authority; and the availability of donor support in the requested area. Based on our analysis, we propose the following activities for USAID/EGSA support:

1. **Analysis of the impact of COVID-19 on the liquidity of savings and loan cooperatives (credit unions), especially those not supported by the Lembaga Penjamin Dana Bergulir (Revolving Fund Management Agency).**

- Key GOI agency: Ministry of Cooperatives and MSMEs
- Alignment with USAID policy and EGSA objective: J2SR (strengthening local capacity) and EGSA Objective I
- Alignment with GOI priorities and agency's responsibility: GOI's annual work plan (strengthening entrepreneurship and MSMEs)
- Overlap with another donor activity: none
- Analysis:
 - The Ministry seeks to understand the challenges faced by credit unions in this pandemic. Information gathered from the field are: disruption of activity due to the pandemic, liquidity status of credit unions, their plan for survival in the short and medium term, support needed to maintain operation and revive the businesses after the crisis, and support provided by SNGs during this crisis.
 - The Ministry proposed the survey to be conducted in districts in East Java and South Sulawesi, both USAID priority provinces.
 - It is possible to combine this with the MOV's request to share the success of credit unions with BUMDES.
 - EGSA recommends USAID support this activity. Credit unions play an important role in providing access to finance, including for MSMEs and individuals who are otherwise not banked. Supporting credit unions and cooperatives is important to ensure that these institutions survive the crisis and continue to provide service for their customers.

2. **Support to strengthen BUMDES through capacity building program by Balai Besar Latihan Masyarakat Desa (MOV's BUMDES Capacity Building Agency)**

- Key GOI agency: MOV
- Alignment with USAID policy and EGSA objective: J2SR (strengthening local capacity) and EGSA Objective I
- Alignment with GOI priorities and agency's responsibility: RPJMN-developing regions to reduce inequality and ensure equity, through creation of growth centers in undeveloped areas
- Analysis:
 - There are about 3,700 BUMDES that are inactive or unproductive, so capacity building to improve these organizations' productivity is needed.
 - The *Balai Besar Latihan Masyarakat Desa* is MOV's institution that provides trainings to BUMDES. With additional support, MOV could get new/additional experts, new training modules, and updated training materials, as well as input to foster collaboration between BUMDES with private sector.

- Support to improve the quality of capacity building to BUMDES is a strategic support that may benefit more BUMDES, as training materials can be reused and distributed many times. EGSA recommends USAID to support this activity.

3. Research to modernize cooperatives (implementation of Industry 4.0 for cooperatives)

- Key GOI agency: Ministry of Cooperatives and MSMEs
- Alignment with USAID policy and EGSA objective: J2SR (strengthening local capacity), IPS (strengthening digital economy and connectivity), and EGSA Objective I
- Alignment with GOI priorities and agency’s responsibility: GOI’s annual work plan - strengthening entrepreneurship and MSMEs and strengthening economic competitiveness through optimization of digital technology and Industry 4.0
- Overlap with another donor activity: none
- Analysis:
 - There are 126,000 cooperatives in Indonesia. Some of which serve disadvantaged populations that otherwise have limited access to financial services. The conditions of cooperatives in Indonesia vary; some are more advanced than others.
 - The Ministry is seeking input and lessons learned from existing good practices of cooperative modernization (member registration, member meetings, reporting, etc.). The input will inform policy to support cooperative modernization.
 - The Ministry’s effort to modernize cooperatives should be supported, as it will improve the condition of both cooperatives and their members. Donor support is rare in this area, and the Ministry appreciates USAID’s interest.

POTENTIAL FOR FUTURE USAID SUPPORT

I. Support for Village Fund management

Both MOV and MOF have requested some support related to different aspects of Village Fund management and utilization. There are several considerations why EGSA does not recommend this for immediate support:

- GOI is currently focused on using the Village Fund for COVID-19 countermeasures and social assistance. Rules and guidance have been updated repeatedly to adapt with the situation.
- Some of the requests from MOV, such as improving the capacity in managing the Village Fund and training village facilitators, have been supported in the past by donors such as Kompak and the World Bank.
- Request for support from MOF did not come from the DG responsible for implementation of the Village Fund

EGSA realizes that effective utilization of the Village Fund is important for GOI, so we recommend supporting future requests on it, provided that the requests come from an agency with relevant responsibilities and that other donors have not supported the activity.

Given that there are other GOI agencies related to EG that EGSA has not engaged with, this report does not present a complete picture for EG support. Similarly, EGSA has not yet engaged with 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 EG support.

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