



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Embassy of Switzerland
Swiss Cooperation Office in Indonesia

COUNTRY
STRATEGY

Swiss Economic Cooperation and Development

Indonesia

2017-2020



The Swiss Government delivers economic development cooperation through the State Secretariat for Economic Affairs (SECO), where the Division for Economic Cooperation and Development is responsible for the planning and implementation of programs and support measures with middle-income countries. Indonesia – along with Egypt, Ghana, South Africa, Vietnam, Colombia, Peru – have been priority countries of SECO programs since 2008 and, together with Tunisia, will remain SECO’s key partners over the next four years. In 2016, the Swiss Parliament approved the Federal Council’s Message on International Cooperation for the period 2017-2020.

A. Switzerland’s economic development cooperation with Indonesia

The present Country Strategy outlines the framework for development cooperation between Switzerland and Indonesia for the period 2017-2020. It is determined by the medium to long-term development goals of the Indonesian government and by the areas of Switzerland’s and our development partners’ expertise in economic and trade development.

SECO’s main goal is to contribute to an “inclusive and sustainable economic development for a prosperous Indonesia”.

The main goal is reaching out to the Indonesian Government’s definition and understanding of priorities as defined in Indonesia’s Mid-term Development Plan (RPJMN 2015-2019), as well as President Joko Widodo’s nine priority program (Nawa Cita).

The main goal is further specified along two strategic objectives addressing the public and private sphere, while intending to grasp important elements of quality and efficiency of services delivered, using available resources wisely, as well as putting jobs high on the development agenda. SECO will address environmental protection, climate change mitigation and disaster risk management as integral parts of its two objectives.

We firmly believe that our economic development cooperation with Indonesia will continue to support Indonesia on its development path, strengthen bilateral relations between our two countries, while also making a contribution to addressing global challenges.

B. Focus areas of economic cooperation

Based on Indonesia’ development priorities and SECO’s strategic orientations and core competencies, SECO’s economic cooperation program will contribute towards two objectives:

Objective 1: Improved public service delivery through efficient and sustainable use of resources

Under this objective, SECO intends to foster inclusive and sustainable economic development by improving service delivery to the Indonesian population. It will do so by supporting public-sector



reforms targeting more efficient and effective use of public resources and better provision of public-sector infrastructure.

Focus

SECO will support **economic policy reforms and improved financial policy** that lead to broader resource mobilisation, more reliable management of public finances, and ultimately transparent and efficient use of public resources. SECO’s activities will assist the government to better mobilise resources through an improvement of tax policy, collection and administration. SECO will further provide support to improve the sustainable and inclusive use of resources in a more transparent, effective and targeted manner on national as well as sub-national level. Furthermore SECO will contribute to improving the regulation and supervision of the Indonesian financial sector as the basis for a stable, diversified and competitive financial market. SECO will support Indonesia’s effort to seize the opportunities and tackle the challenges posed by the country’s rapid urbanization and its resultant demands in terms of **sustainable urban development and infrastructure** in three distinct but connected manners: Firstly, it will support integrated urban development through improved planning tools and targeted actions in areas such as strategic investment planning, urban transport systems and management of disaster risks affecting poor neighbourhoods. Secondly, it will assist public utilities in offering reliable and affordable public services such as water and sanitation. Finally, SECO will support reforms and investments by promoting sustainable and climate-compatible aspects of power supply. These activities are part of SECO’s contribution to address the challenges Indonesia faces in terms of climate change.

Measures

- Transparent resources and public finance management
- Integrated urban development
- Reliable basic public services
- Sustainable energy supply
- Stable and extensive financial sector

Contribution to Indonesia's development objectives

With these proposed measures, SECO aims to contribute to Indonesia's public sector reforms, as defined in the Mid-term Development Plan (RPJMN 2015-2019). It will specifically support the Indonesian government in the implementation of its public finance management (PFM) reform which aims at creating fiscal space via revenue collection and energy subsidy reform to allow for higher investment in infrastructure and social welfare programmes. It will also contribute to the optimisation of the "contributive, stable and inclusive role of the national financial services sector" in line with the Indonesian Financial Services Sector Master Plan 2015-2019. Finally, it will assist the government in delivering better infrastructure and more reliable and sustainable energy, to enable decent living conditions and support inclusive economic growth.

Objective 2: A more competitive and job-creating private sector with access to sustainable resources and markets

Under this objective, SECO intends to foster inclusive and sustainable economic development by improving competitiveness of the private sector, resulting in the creation of more and better jobs for both men and women. The private sector is further assisted in gaining easier access to resources in national as well as international markets in a sustainable manner.

Focus

SECO will continue to engage in **sustainable trade** and private-sector development with a view to improving the global division of labour, creating jobs in Indonesia and contributing to the reduction of poverty and inequality. In trade, it will assist Indonesia's efforts to obtain non-discriminatory and **improved market access for goods, services and natural resources** including, where applicable, in relation to benefitting from multilateral or bilateral trade liberalization. SECO will focus its support on value chain development of export commodities such as cocoa and tourism, and address the use of voluntary standards in palm oil and other relevant commodities as well as efforts in establishing traceability through this business line. In addition, export opportunities, labour issues and adherence to internationally required norms and

standards need to be tackled. To further stimulate private-sector development, SECO will address the business environment, gaps in SMEs' access to finance, and the lack of skilled labour.

Measures

- Efficient business environment
- Greater international competitiveness of SMEs
- Dynamic entrepreneurship
- Access to finance
- Favorable framework conditions for sustainable trade
- Resource-efficient private sector

Contribution to Indonesia's development objectives

The proposed measures are expected to contribute to Indonesia's Mid-term Development Plan objectives regarding investment in the business sector, i.e. the demands to be facilitated through enhanced legal certainty, better information systems, simplification of procedures, the provision of an adequately trained workforce and the development of special economic zones.

C. Implementation principles and modalities

SECO's international cooperation stands to deliver inclusive sustainable growth. To reach this objective, the 2030 Agenda for Sustainable Development and the Addis Ababa Financing for Development Action Plan provide a common language and direction, whereas international aid and development effectiveness principles provide the common ground on which SECO and its international partners cooperate.

SECO uses an appropriate mix of modalities for its development cooperation consisting of technical assistance and capacity building at individual, organizational and institutional level.

Partnership and dialogue are necessary to promote reforms as well as develop and implement policies. This dialogue involves players on several levels that can contribute to coherent and synergistic solutions to development challenges, such as government institutions, private and civil society players as well as other donors and multilateral institutions. SECO balances bilateral and earmarked funding to international development organizations (multi-bi) cooperation and has established guidance to help implement the principle of alignment, harmonization, and accountability and, where appropriate, the use of national systems.

SECO's activities include sharing of Swiss knowledge and facilitation of technologies. Specificity, high quality and effectiveness are hallmarks of SECO's cooperation with Indonesia.



D. Financial resources

SECO's assistance to Indonesia under the present strategy will be financed through the Swiss Framework Credit for International Cooperation 2017-2020. The table below presents indicative commitments for spending plans over the four-year period of this strategy. The actual allocation of funds will depend on the identification of suitable programmes, the absorption capacity, the approval of SECO's yearly budget by the Swiss Parliament as well as the efficiency and effectiveness of the cooperation. Regional and global initiatives financed by SECO that include a program component in Indonesia are not accounted for in this financial projection, will however add a significant amount, almost in the same dimension, to the portfolio.

Commitment for Indonesia 2017-2020: CHF 75 million	
● Improved public service delivery through efficient and sustainable use of resources	50%
● A more competitive and job-creating private sector with access to sustainable resources and markets	50%

State Secretariat for Economic Affairs SECO – Economic Cooperation and Development

SECO's Economic Cooperation and Development division is responsible for the planning and implementation of economic cooperation and development activities with middle income developing countries, with countries of Eastern Europe as well as the new Member States of the European Union. It coordinates Switzerland's relations with the World Bank Group, the regional development banks and the economic organisations of the United Nations. SECO is part of the Federal Department of Economic Affairs, Education and Research (EAER).

Switzerland's international cooperation efforts as defined in the Message on International Cooperation 2017 – 2020 aim to reduce poverty and global risks, alleviate suffering, and promote peace and respect for human rights. Accordingly SECO's economic and trade policy measures strive to support sustainable and inclusive growth. The Economic Cooperation and Development division bases its activities on its specific areas of competence and experience in four target outcomes aligned with the 2030 Agenda for Sustainable Development: 1) effective institutions and services, 2) more and better jobs, 3) enhanced trade and competitiveness and 4) low-emission and climate-resilient economies. Special emphasis is placed on issues related to economic governance and gender.