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BOOSTING ECONOMIC GROWTH

The annual growth of the Indonesian economy—Southeast Asia’s largest—has slowed over the past ten years due in part to underinvestment, slow growth in manufacturing, and recently, the economic costs of COVID-19. The Government of Indonesia seeks to accelerate economic recovery to realize the country’s full growth potential.

In 2020, the World Bank upgraded Indonesia to an upper-middle income country— and then came COVID-19. In the wake of the pandemic’s humanitarian and financial devastation, the Government of Indonesia has focused on stabilizing the economy in the short term and increasing economic growth and productivity in the long term.

USAID ECONOMIC GROWTH SUPPORT ACTIVITY (EGSA)

USAID helps the Government of Indonesia accelerate economic growth by advising on how to improve public financial management and making it easier for people to start and operate businesses. By providing research, demand-driven training, policy-level advisory services, and supporting business forums, USAID EGSA aims to achieve the two objectives of:

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- **Strengthening Indonesia's public financial management** by enhancing the government's ability to mobilize, budget, and allocate public funds effectively and with accountability; and
- **Improving the business enabling environment in Indonesia** by supporting economic reforms to support businesses growth and boost Indonesia's competitiveness by reducing barriers to business entry and foreign and domestic investment.

Additionally, USAID EGSA works with the private sector to identify business and investment opportunities in line with the Indo-Pacific Strategy.

RESULTS

- Provided a system for provincial economic forecasting;
- Introduced a tool for economic modeling to forecast the impact of policies and/or external shocks to the national economy through a user-friendly dashboard in the Ministry of Planning (Bappenas);
- Provided recommendations to inform the upcoming Presidential Regulation on Mainstreaming gender responsive budgeting in the next Government Budget;
- Trained South Sulawesi Provincial Government officials to assess revenue policies, forecast revenue collection, and facilitated upcoming collaborative discussions with short- and medium-term recommendations;
- Improved accuracy in GOI stimulus targeting micro, small and medium enterprises (MSMEs), and advised on prospective sectors for economic recovery post COVID-19 pandemic;
- Improved government capacity to analyze fiscal and non-fiscal incentive effectiveness under the National Economic Recovery Program to enhance planning on medium and long-term tax revenue and expenditures; and
- Trained GOI officials to manage savings and loans cooperatives to help MSMEs access finance;
- Supported GOI to increase micro and small enterprises' resilience to the COVID-19 impact through training at the Center for Integrated Business Services for MSME.

CONTACT

Alexis Polovina, USAID
apolovina@usaid.gov

Renata Simatupang, USAID EGSA
rsimatupang@devtechsys.com