
REPUBLIC OF INDONESIA

Multi-annual Indicative Programme 2021-2027

Multi-annual Indicative Programme for the period 2021-2027 – Indonesia

1. The overall lines of the EU international cooperation in the partner country

1.1. Basis for programming

Indonesia is a crucial partner for the EU for the implementation of the Sustainable Development Goals (SDGs), climate change, as well as regional stability. Its **strategic relevance** stems from its population and growing market size, unique biodiversity, as well as regional relevance.

Indonesia is the **world's fourth most populated country, a G20 member, and a heavyweight within ASEAN** (37% of population and GDP) – an EU strategic partner. Cooperation with Indonesia will be instrumental to the implementation of the EU Strategy for Cooperation in the Indo-Pacific, and its focus on responding to emerging regional dynamics, including in response to Chinese influence in the region.

Indonesia, the world's largest archipelagic state, is also home to one of the largest rainforest, mangrove and peatland areas in the world. Its climate vulnerability and greenhouse gas emissions make Indonesia a prime **partner for EU climate and environmental protection policies and the external dimension of the European Green Deal**.

Indonesia faces major **challenges balancing nature conservation with economic growth**, and the COVID-19 pandemic has slowed economic growth and increased inequalities across the country. The problem of child labour persists. Ensuring quality of growth and availability of decent jobs, while achieving greenhouse gas emission reduction targets and protecting maritime and terrestrial biodiversity, including fighting deforestation and sustainable management of forests, are key to fostering sustainable socio-economic development.

Indonesia is on the path to become **one of the world's top five largest economies by 2040**. Its growing middle class, strong domestic demand, large and youthful population, fast rate of digitalization, and need for new infrastructure make it an important potential market, which would be boosted through the Comprehensive Economic Partnership Agreement (CEPA) once completed, and providing access for EU companies¹.

While Indonesia has made progress in governance and on gender equality, corruption remains a challenge, there is a risk of democratic backsliding in some areas, and **women still lack opportunities to participate in the economy and politics**. Indonesia is a destination country for labour migrants from the region, which are vulnerable to trafficking in human beings and exploitation. Further security issues include (cyber) crime and the risk of terrorist threats. Sexual minorities in Indonesia face legal challenges and prejudices.

Indonesia has shown a strong **commitment to the SDGs**, which are mainstreamed in its Medium-term National Development Plan (RPJMN) 2020-2024 which is the basis for programming. Particularly relevant are SDGs 7 (clean energy), 12 (sustainable production and consumption), 13, 14, 15, 16 (climate action, life below water and on land and peace, justice and strong institutions), 8 (decent work and economic growth) and SDG 5 (gender equality).

¹ The continuation of Aid for Trade, including in areas important for the implementation of CEPA: export capacity development, promotion of standards including for the digital economy, reduction of technical barriers to trade, SPS, trade facilitation as well as support to SMEs is expected to be covered through regional funding.

EU-Indonesia relations are based on the **Partnership and Cooperation Agreement (PCA)** in force since 2014, which serves as platform for dialogue on Political Affairs, Trade, Security, Human Rights, Environment/Climate Change, and Development.

The EU will support policy-driven cooperation serving EU and mutual interests, in particular in the priority areas of **trade, investment and connectivity, green inclusive development, good governance** (including anti-corruption and rule of law), **human rights, including labour rights and gender equality, and human security** (including Disaster Risk Management and Disaster Preparedness as well as preventing and countering violent extremism). These political objectives are also strongly linked to our ASEAN interests and cooperation.

Considering the significant potential of **research and innovation** to contribute to economic growth and tackling of societal challenges, synergies will be sought with the EU Research Programme Horizon Europe, with a specific focus on those priorities identified in the regional ASEAN-EU Dialogue on Science and Technology for the uptake of research results and increase of joint activities.

All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.

1.2. Status of joint programming

Similarly to the EU, most EU Member States have ended or are about to phase out their bilateral development cooperation with Indonesia, remaining engaged with either very small dialogue-oriented programmes or with limited support to NGO projects. EU Member States agree that **joint implementation and analysis should be pursued, as well as blending loans with grants**. Increased coordination between EU and Member States on development programmes provides an opportunity to maximise influence and development effectiveness and can lead to a Team Europe Initiative on the Green Agenda.

2. Cooperation Facility

The **priorities** of this multi-annual indicative programme will focus on trade and connectivity, governance and security, and the Green Deal, with **objectives** focusing on strengthening EU interests and political priorities in the country, while tackling areas of common interest.

As for the **expected results**, the Cooperation Facility for Indonesia will support policy dialogues including on connectivity and trade, dialogues on policy commitments to deliver the SDGs, dialogues with civil society, youth and women's organisations, and public diplomacy. The **specific indicators** will be developed in subsequent action programmes.

The Cooperation Facility will enable the EU to pursue strategic interests and coherent policy outreach and dialogue with the government. It will focus on **support to EU interests**, including trade and investment, the external dimension of the **Green Deal, the implementation of the SDGs**, the EU Strategy for Cooperation in the Indo-Pacific and on improving **EU visibility**. At the same time, it will deliver results and **enable advocacy** on some of the fundamental values of the EU, namely the role of civil society, LGBTIQ and gender equality, and

furthermore provide an **enabling environment for green investments and financing, including green bonds.**

EFSD+ blending and guarantee operations can be funded by the regional envelope to leverage additional development funds from European Development Finance Institutions (EDFIs). When appropriate, the Cooperation Facility for Indonesia may also be used to fund studies and assessments to support the design of EFSD+ actions, including on green bonds, renewable energy, energy efficiency, digital transformation and innovation, (green) skills development, and sustainable transport and urbanisation.

Synergies with thematic programmes (CSOs, Human Rights and Democracy as well as Peace, Security and Conflict Prevention), the Global Challenges programme, as well as **regional programmes** including the Asia-Pacific Regional Indicative Programme including regional ASEAN Team Europe Initiatives (Green Deal and Connectivity) will be sought.

With an overall aim to **enhance the EU-Indonesia partnership**, through **increased synergies between mutual interests, principles, policies and values**, complemented by **increased understanding and visibility of the EU and its role on the world scene**, the facility will include:

A. Partnership and Cooperation Agreement Facility to support

- **Policy Dialogues** under the PCA, including political affairs, trade and investment, security, (including, e.g., trafficking in human beings, cybercrime, drugs trafficking, organised crime, terrorism), human rights, child labour, decent work, gender equality and women's empowerment, LGBTIQ, environment/climate change/energy, disaster risk management, (higher) education, digital issues, and development.
- Dialogue on policy **commitments to deliver the SDGs**. The activities implemented under the Cooperation Facility will be **aligned with the 2030 Agenda and the SDGs**, as well as with **other international agreements and initiatives**, including the Paris Agreement and the Integrated National Financing Framework to develop sustainable financial strategies, Green Bonds, debt relief under the EU Green Recovery Initiative, governance issues, the EU Global Strategy, the EU Indo-Pacific strategy, EU's connectivity strategy for Asia "Connecting Europe & Asia", and the new European Consensus on Development
- **Support to CEPA negotiation and implementation**, including on economic governance, business-friendly climate, decent work and sustainable supply chains.
- **Cooperation between European and Indonesian businesses**, e.g. through the EU Chamber of Commerce, so to strengthen linkages with local businesses and help create enabling conditions for the possible set up of an EU trade and investment help desk at the Investment Ministry (BKPM). Cooperation will promote decent jobs, improve the business environment and mobilise sustainable investments
- Promote **regulatory cooperation, including on standards and other regulatory measures of relevance for market access, as well as on other relevant policies** in the trade, digital and economic diplomacy area.
- Cooperation that can facilitate mutually beneficial resilient and sustainable global value chains, in order to improve their diversification and security.

- Cooperation on creating the conditions for more circular-production models, and more responsible value chains between the EU and Indonesia.
- **Structured dialogue with civil society organisations**, youth organisations, LGBTIQ organisations and women’s organisations to ensure the mainstreaming of cross-cutting issues.
- **Support to the Gender Action Plan’s objectives** in the country
- **Public diplomacy and strategic communication** activities to promote understanding and awareness of the Union's values, interests and specific policies, including foreign and security policy, trade and investment, science and research, gender, fight against disinformation, as well its multilateral agenda.
- **Cultural diplomacy and collaboration with creative industries** in Indonesia.

B. Technical Assistance for the Team Europe Initiative Green Agenda

To support Indonesia’s policy objectives in the main areas of the Green Deal. It will aim to create partnerships between European and Indonesian businesses and leverage sustainable green catalytic investments and stronger involvement of development banks (EIB, KfW, AFD). It will ensure links with the regional ASEAN TEI Green Initiative and strengthen a Team Europe approach in the country, in particular with Germany, France, and Denmark. Digital innovation will play a key role to attain the objectives of the Green Deal and of the EU’s policies on digital, including through the Copernicus Earth Observation programme. The main intervention areas include:

- **Sector reform support in renewable energy and energy efficiency**, including on approaches to support a just out-of-coal transition
- **Circular Economy, Zero Pollution and Marine Litter**
- **Sustainable landscape and resource management**, including linking “farm to fork”, including agri-food systems, nutrition and food security, sustainable palm oil, marine and terrestrial **biodiversity preservation and restoration, ocean governance, combatting illegal logging and deforestation and the promotion of deforestation-free supply chains, particularly for palm oil.**
- Dialogue and cooperation on other **areas of the Green Deal and accompanying measures to external aspects of EU policies in this field**, such as National Determined Contributions (NDCs), emission trading, carbon pricing and Carbon Border Adjustment Mechanism, taxonomy, “just transition”, FLEGT and forest partnerships, opportunities of the Green Deal access to jobs, women and girls as agents of change etc.

In case a Team Europe Initiative (TEI) is conceived for Indonesia, the EU’s indicative contribution to this TEI is subject to the confirmation of the Team Europe partners’ indicative meaningful contribution as early as possible. In the absence thereof, the EU’s indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

3. Financial overview

<i>Cooperation Facility</i>	<i>100%</i>	<i>EUR 20 million</i>
TOTAL for 2021-2027	<i>100%</i>	<i>EUR 20 million</i>

4. Donor Matrix Indonesia

Sector	Subsector	Team Europe					Other bilateral									Multilateral			
		EU	DE	FR	NL	DK	UK	AUS	JP	CAN	NZ	SUI	USA	ROK	PRC	WB	ADB	IsDB	UN
Education (Human Capital Development)	Education Quality						X	X	X	X	x					x		x	
	Workforce Skill		X				x	X				X	x			x		x	x
	Social Protection	X	x								x						x		x
Economic (Accelerating investment)	Economic Policy & structural Reforms	x						x		x						x			
	Financial Market & Inclusion												x						x
	Infrastructure, Connectivity (energy, transport, livable city)	X	X	x				x	x		x	x	x			x	x	x	x
Environment (Addressing Climate Risk & Promoting Environmental Sustainability)	Climate Change Mitigation & Adaptation	x	x	x		x	x		x		x					x			x
	Environmental Sustainability	X	X	X				x		x			x			x			x
	Disaster Risk Management		X				X			X	x		x			x	x		x
	Water & Food Security				X	x	X		x		x		x	x	x	x			x