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## ANNEX 5

of the Commission Implementing Decision on the Annual Action Programme 2017 Part II and 2018 Part I in favour of the Asia region to be financed from the general budget of the Union

### Action Document for ASEAN Regional Integration Support – Indonesia Trade-Related Assistance (ARISE Plus Indonesia)

|                                                                |                                                                                                                                                                                     |                                     |                                     |                          |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|--------------------------|
| 1. Title/basic act/<br>CRIS number                             | ASEAN Regional Integration Support – Indonesia Trade-Related Assistance (ARISE Plus Indonesia)<br>CRIS number: ACA/2017/039-036 financed under Development Cooperation Instrument   |                                     |                                     |                          |
| 2. Zone benefiting<br>from the<br>action/location              | Indonesia<br>The action shall be carried out at the following location: Indonesia, with the project team located in Jakarta.                                                        |                                     |                                     |                          |
| 3. Programming<br>document                                     | Multiannual Regional Indicative Programme for Asia for the period 2014-2020                                                                                                         |                                     |                                     |                          |
| 4. Sector of<br>concentration/<br>thematic area                | Focal Sector 1 (ASEAN):<br>Connectivity through Sustainable and Inclusive Economic Integration and Trade                                                                            | DEV. Aid: YES <sup>1</sup>          |                                     |                          |
| 5. Amounts<br>concerned                                        | Total estimated cost: EUR 10 000 000<br>Total amount of EU budget contribution EUR 10 000 000                                                                                       |                                     |                                     |                          |
| 6. Aid modality(ies)<br>and<br>implementation<br>modality(ies) | Project Modality<br>Direct management – procurement of services                                                                                                                     |                                     |                                     |                          |
| 7 a) DAC code(s)                                               | 33110 Trade policy and administrative management<br>33140 Multilateral trade negotiations<br>33120 Trade facilitation<br>32130 Small and medium-sized enterprises (SME) development |                                     |                                     |                          |
| b) Main Delivery<br>Channel                                    | 1000 Public Sector Institutions                                                                                                                                                     |                                     |                                     |                          |
| 8. Markers (from<br>CRIS DAC form)                             | General policy objective                                                                                                                                                            | Not<br>targeted                     | Significant<br>objective            | Main<br>objective        |
|                                                                | Participation development/good governance                                                                                                                                           | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|                                                                | Aid to environment                                                                                                                                                                  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
|                                                                | Gender equality (including                                                                                                                                                          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

<sup>1</sup> Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Trade Development                                                                                                                                                                            | <input type="checkbox"/>            | <input type="checkbox"/>     | <input checked="" type="checkbox"/> |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Reproductive, Maternal, New born and child health                                                                                                                                            | <input checked="" type="checkbox"/> | <input type="checkbox"/>     | <input type="checkbox"/>            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>RIO Convention markers</b>                                                                                                                                                                | <b>Not targeted</b>                 | <b>Significant objective</b> | <b>Main objective</b>               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Biological diversity                                                                                                                                                                         | <input checked="" type="checkbox"/> | <input type="checkbox"/>     | <input type="checkbox"/>            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Combat desertification                                                                                                                                                                       | <input checked="" type="checkbox"/> | <input type="checkbox"/>     | <input type="checkbox"/>            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Climate change mitigation                                                                                                                                                                    | <input checked="" type="checkbox"/> | <input type="checkbox"/>     | <input type="checkbox"/>            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Climate change adaptation                                                                                                                                                                    | <input checked="" type="checkbox"/> | <input type="checkbox"/>     | <input type="checkbox"/>            |
| <b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | n/a                                                                                                                                                                                          |                                     |                              |                                     |
| <b>10. SDGs</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Main SDG Goal: Goal 8 - Promote inclusive and sustainable economic growth, employment and decent work for all. Secondary SDG Goal(s): Goal 10 - Reduce inequality within and among countries |                                     |                              |                                     |
| <b>SUMMARY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                              |                                     |                              |                                     |
| <p>The ARISE Plus Indonesia is a 5-year programme with a total budget of EUR 10 million, which aims to contribute to Indonesia's preparedness and enhanced competitiveness in the global value chains through specific support targeting national and sub-national levels. ARISE Plus Indonesia provides country-level interventions closely linked to the regional programme ARISE Plus supporting regional economic integration and trade in ASEAN. By improving Indonesia's trade competitiveness and openness, the programme will promote inclusive and sustainable economic growth, boost job creation and increase employment in a gender sensitive way.</p> <p>ARISE Plus Indonesia will consolidate and enhance selected key results achieved with past EU-Indonesia trade related assistance programmes while also supporting the EU-Free trade Agreement (FTA)/ Comprehensive Economic Partnership Agreement (CEPA)<sup>2</sup> (hereinafter FTA/CEPA) negotiation process and its future implementation.</p> <p><b>The overall objective</b> is to contribute to employment creation and sustainable inclusive economic growth in Indonesia.</p> <p><b>The specific objective</b> is to enhance Indonesia's capacity to boost trade performance and competitiveness.</p> <p>The <b>expected results</b> of the programme are:</p> <p><b>Result 1:</b> Enhanced institutional capacities to implement and coordinate strategic policies related to trade and investment sectors.</p> <p><b>Result 2:</b> Improved trade-related competencies to implement the EU-Indonesia CEPA and the WTO Trade Facilitation Agreement.</p> <p><b>Result 3:</b> Export Quality Infrastructure and National Quality Assurance systems are</p> |                                                                                                                                                                                              |                                     |                              |                                     |

<sup>2</sup> While the EU uses Free Trade Agreement and its acronym FTA, Indonesia commonly uses the acronym CEPA for Comprehensive Partnership Agreement.

implemented in line with international best practices and standards, thus increasing export competitiveness.

**Result 4:** Improved capacities of national and local stakeholders to develop Geographical Indications (GIs) to enhance the local economy and employment opportunities in regions.

**Result 5:** Improved awareness and knowledge of the domestic industry including SMEs in participating in global value chains.

## 1. CONTEXT

### 1.1 *Country context*

Indonesia is a G20 member and ASEAN's largest member state with a total population of 255 million people (42% of ASEAN). The Indonesian economy has been growing steadily, with an average growth of 5.6% over the period 2005-2015 and 5.0% in 2016. Indonesia's GDP per capita stood at USD 3,605 in 2016, with large inequalities between regions. The Government of Indonesia has announced its ambition to become the 7th largest economy in the world by 2030. Strengthening Indonesia's contribution to ASEAN by pursuing the implementation of the ASEAN Community Vision 2025 is also one of Indonesia's priorities, as stated by the Indonesian Foreign Minister Retno L.P. Marsudi in January 2017.

Indonesia is a low middle-income country with large pockets of poverty and huge disparities. Indonesia ranked 110th out of 188 countries in the 2015 Human Development Index report. The number of people living below the poverty line currently stands at 11.2% of the total population; however, approximately 40% of the entire population remain vulnerable to poverty. Another challenge to reducing poverty – and to the 1.7 million youth who enter the workforce each year – is the slower pace of job creation. The unemployment rate currently stands at a modest 5.6%; however approximately 30% of workers are underemployed and 52% are employed in informal sectors. Decentralisation has brought the government closer to the people, but large inter-regional disparities persist suggesting that governance remains weak, particularly in poorer regions of the archipelago.

The National Medium-Term Development Plan (RPJMN) 2015-2019 has the objective of achieving strong, sustainable and inclusive development. The objectives of Indonesia's economic self-reliance and competitiveness will focus on triggering strategic sectors of the domestic economy: (i) increasing the added value and competitiveness of the agricultural sector; (ii) boosting the development of the fisheries industry; (iii) development of the forestry sector; (iv) accelerating industrial growth and increasing the share of industry sector contribution to the GDP; (v) improving maritime infrastructure and establishing marine transportation system to connect Indonesia's islands.

Fifteen Economic Policy Packages have been launched by the Government since September 2015 providing further policy directions and concrete steps to achieve the country's economic targets in various sectors. Deregulation for improving investment and business climate, enhancing law enforcement, accelerating infrastructure development and support to increase competitiveness of Small and Medium Enterprises (SMEs) are at the heart of these economic packages. In Indonesia, micro, small and medium enterprises (MSMEs) still play a significant

role in the job market as they employ 120.7 million people, contributing to around 5.9% of the GDP while their contribution to exports remains low.

The Government aims at boosting non-oil and gas export values within 5 years from USD 156.7 billion in 2015 to USD 250.5 billion in 2019 and the services trade-to-GDP ratio to 3.5%. To meet these ambitious objectives, the Ministry of Trade (MoT) focuses its trade strategies on 1) diversification of export products, 2) restructuring of export proportion that is still highly reliant on primary goods; and 3) export market expansions. Meanwhile, reforms in streamlining business and investment licences continue and have brought some improvements as suggested by the 2017 Ease of Doing Business Report. Indonesia ranked 91<sup>st</sup> out of 189 countries, a significant increase from 106<sup>th</sup> in the previous year. Nevertheless, in regional comparison Indonesia is lagging behind its ASEAN neighbours Singapore (2), Malaysia (23), Thailand (46) and Vietnam (82).

Amidst the global economic slowdown, the EU and Indonesia have built robust commercial relations. In 2016, the total trade in goods between the EU and Indonesia reached EUR 25.1 billion, with the EU exporting EUR 10.5 billion worth of goods (mostly industrial products), while Indonesia's exports to the EU amounted to EUR 14.6 billion (industrial, agricultural and fishery products). In terms of Foreign Direct Investment (FDI), the EU is the third most important investment source for Indonesia. Investment stock by EU businesses currently exceeds EUR 28 billion, underpinning over 1.1 million jobs in value-adding industries such as infrastructure, manufacturing, pharmaceuticals and banking.

The EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA) is expected to boost economic relations between the two economies and bring positive impact in the long run. Two CEPA negotiation rounds took place in September 2016 and January 2017. Negotiations are expected to continue for at least the next two years. In addition to the specificities of issues in the EU-Indonesia relations, the CEPA negotiations will also take into account the coherence with the FTA negotiations concluded or ongoing with other ASEAN Member States. The proposed programme is therefore well-placed to offer support to this negotiation process, including the initial phase of implementation.

Another important agreement for Indonesia is the WTO Trade Facilitation Agreement (TFA) concluded at the 9th Ministerial Conference held in Bali, December 2013. Nine ASEAN member states have ratified the TFA, while Indonesia is foreseen to ratify it in 2017. Based on the 2014 OECD trade facilitation indicators, Indonesia still needs to improve in the areas of information availability, streamlining of procedures, customs procedures and transparency of information to businesses. To expedite the process of improving trade facilitation, the National Committee of Trade Facilitation (NCTF) is being established with the main task to facilitate domestic coordination and implementation of the TFA provisions.

### **1.1.1 Public Policy Assessment and EU Policy Framework**

ARISE Plus Indonesia will contribute to the implementation of the Regional Multiannual Indicative Programme Asia 2014-2020, which includes support to ASEAN regional economic integration through the EUR 41 million ARISE Plus programme. In line with the objectives of ARISE Plus to closely align its support to the ASEAN Economic Community (AEC) Blueprint 2025, ARISE Plus Indonesia will also align its priorities with the ASEAN agenda.

Indonesia's reform efforts to integrate the economy into the international trade system are facing complex challenges arising from external and internal economic dynamics. In line with the overall strategy to improve its export performance, overseas trade promotion activities are intensified. Several Free Trade Agreements (FTAs) are already implemented within the ASEAN context while others are negotiated, including with the EU (CEPA).

A study published in 2015 by a leading Indonesian think-tank, the Centre for Strategic and International Studies (CSIS), highlighted areas that are considered to be impeding the conclusion of CEPA negotiations and require Indonesia's preparedness: 1) the impact of tariff reductions to Indonesia's key export commodities to the EU, of which around 35% were established under the EU Generalised System of Preferences (GSP). As Indonesia develops into an upper-middle income country, the country's products will be subject to Most Favoured Nation (MFN) tariff instead of GSP tariff; 2) the importance of Non-Tariff Measures (NTMs) and technical regulations in facilitating or hindering trade. Greater harmonisation of legislation by Indonesia and understanding of technical regulations would facilitate trade flows with the EU and improve the competitiveness of Indonesia's products; and 3) the importance of reducing Indonesia's discriminatory practices toward foreign investors and increasing predictability and transparency of the existing investment regime, to be more conducive to attract EU investments to set up a production base in Indonesia that plugs into Global Value Chains (GVC).

In light of NTMs, the main challenge for Indonesia may be the access to standards and technical regulations, metrology, testing, quality assessment, certification and accreditation. This may imply a need for updated information, assistance to exporters, reducing costs of complying and testing, reliable testing facilities and last but not least, the need for Indonesia to revise its national standards (SNIs) in line with international standards. The limited support to businesses, including SMEs, is another challenge that needs to be overcome. It is therefore critical that both Government and business players are familiar with the required technical regulations and standards applied in the EU and other international markets, including environmental standards. Previous EU assistance laid a solid basis for Indonesia's Export Quality Infrastructure (EQI) i.e. the established EQI roadmap and guidelines as well as a National Quality Assurance (NQA) scheme. The implementation of these guidelines is expected to boost exports of Indonesia's top 20 products. Agri-food, fishery products, wooden products and cosmetic preparations will be the focus of ARISE Plus Indonesia interventions, thus contributing to SMEs development, employment creation and poverty reduction.

The Government's efforts in improving the regulatory framework and good governance are directed to enhance the domestic industry and trade competitiveness. Nevertheless, some of Indonesia's recent policies appear to focus more on protecting domestic industries rather than supporting competitiveness, for instance the extended use of National Standards (SNIs) and the limitation of foreign ownership in several economic sectors. Harmonising policy implementation remains a challenge to date and improved conformity between national and sub-national laws and regulations should also be accelerated.

The EU is committed to a more responsible trade and investment policy towards third countries such as Indonesia and other ASEAN member states. Moreover, in its global commitment toward the promotion of gender equality the EU and its member states is

promoting globally a Gender Action Plan (GAP) including in Indonesia with this Trade Support Facility.

### **1.1.2 Stakeholder analysis**

This Action Document elaborates on the consultations conducted with a broad range of stakeholders, particularly those engaged in past EU-Indonesia trade support.

**The National Development Planning Ministry (BAPPENAS)** is the central institution of the Government of Indonesia responsible for setting the long-term and mid-term development plans. Its responsibilities include assessing the impact of domestic and global changes on the national economy and its development plan targets, and providing policy recommendations. BAPPENAS also plays a coordinating role for inter-ministerial cooperation. It suggested ARISE Plus Indonesia support to analytical work contributing to the new mid-term development plans (RPJMN) 2020-2025.

**The Ministry of Trade (MoT)** plays a key role in leading the negotiation process of FTAs. During the consultations, MoT suggested that ARISE Plus Indonesia could provide technical capacity building, dissemination of CEPA results to stakeholders and exchanges of knowledge with several countries that have concluded FTA negotiations with the EU. In trade facilitation, the National Committee of Trade Facilitation (NCTF) will be led by the Directorate of International Trade Negotiation (DJPPi) of MoT collaborating with other agencies, such as the **customs office**, national quarantine institutions and the National Agency for Food and Drugs Control (BPOM) to formulate an action plan and implementation strategy of WTO-TFA. For protection of domestic industries, two Committees under MoT i.e. the Committee of Indonesian Trade Safeguarding (KPPI) and the Anti-Dumping Committee (KADI) are responsible for undertaking a review on trade regulations, in coordination with other relevant entities and ministries. Inter-agency coordination remains a complex matter in many areas of trade facilitation, and ARISE Plus Indonesia support is expected not only to enhance institutional capacities, but also to contribute information dissemination and coordination among stakeholders.

The implementation of the Export Quality Infrastructure (EQI) roadmap and the National Quality Assurance (NQA) scheme falls under the coordination of **the Coordinating Ministry of Economic Affairs (CMEA)** with two technical secretariats: the National Agency for Food and Drugs Control-BPOM in the food sector, while the Directorate of Consumer Protection and Trade Compliance (DJPKTN) of MoT is in charge of the non-food sector. DJPKTN responsibilities also cover standardisation, quality control of goods, measurement compliance and market surveillance of goods and services. The implementation of EQI and NQA guidelines will involve at least eight different ministries/agencies and non-commercial testing laboratories, local governments and sector associations. The latter will become strategic partners in running EQI implementation. Support to these specific areas is highly coherent with the ARISE Plus planned support in food safety, standardisation, conformity assessment and standard harmonisation.

**The Ministry of Industry (MoI)** is another key stakeholder, whose objectives for 2015-2019 are increasing the share of industrial products to the total exports and strengthening the SMEs capacity and skills to play a greater key role in exports. The Ministry's capacity in implementing policies to boost domestic industries' competitiveness can be further enhanced.

**The Ministry of Agriculture (MoA)** plays a key role in the development and implementation of policies and regulations in food safety, animal health and agricultural sectors. MoA is also responsible to facilitate GIs development in the agriculture sector through empowerment of regional potential for GIs, development of facilities and infrastructure. Enhancing institutional capacities and knowledge in the areas of food safety control, GIs, GVC as well as international food safety standards and certifications are among the areas important for the Ministry.

Another institution is **the Ministry of Foreign Affairs (MoFA)**, responsible for providing advice, coordination, drafting and approval of agreements and guidelines for the negotiation of FTAs. In the framework of the CEPA negotiations, MoFA is responsible for coordinating the economic cooperation and capacity building chapter. Their involvement in FTA/CEPA related activities would be relevant.

The Directorate of Intellectual Property Rights (DGIP) under the **Ministry of Law and Human Rights (MLHR)** is responsible for providing support and capacity building to the GIs Protection Society (MPIG) in conducting surveillance, evaluation and regular assistance on the implementation of registered GIs. Together with the Association of Intellectual Property Right (IPR) Consultants, DGIP also provides advocacy to MPIG in dealing with counterfeiting cases. Other key stakeholders for GI development include the Ministry of Home Affairs (MoHA) which plays a pivotal role in coordinating central and local governments in the implementation of GI-related policies, and in facilitating local governments in the development and empowerment of potential GI products in their respective regions. The Ministry of Agriculture (MoA) and **Ministry of Environment and Forestry (MoEF)** facilitate the development of GI products through neighbourhood empowerment, development of facilities and infrastructure. The MoEF also ensures the legality of timber products and the respect for environmental standards in export industries. Building the capacity of key stakeholders and improving coordinated support for quality assurance in the supply chain are among priorities set in the National Strategy for GI Product Development.

**Private sector and civil society organisations (CSOs)** actively promote economic policy dialogue and advocacy at national, sub-national and regional levels. Indonesian CSOs are also supporting small initiatives related to the development of local economic potential, promoting inclusive economic growth. Relevant organisations in trade and investment include the Indonesian Chamber of Commerce and Industry (KADIN), Indonesia's Employers Association (APINDO), trade unions, Indonesia's Exporters Association (GPEI), Indonesian Business Women Association (IWAPI), sectoral associations in fisheries, furniture, craft, food and beverages, cosmetics industries as well as think tanks, research institutes, universities and others.

### ***1.1.3 Priority areas for support/problem analysis***

Indonesia is the largest economy in Southeast Asia (36% of the region's GDP) but has only a moderate contribution to intra-ASEAN trade. According to the 2015 ASEAN Merchandise Trade Statistics Database, Indonesia's trade with ASEAN stood at USD 63.6 billion representing only 21.7% of its overall trade; this is still below Singapore (USD 182 billion or 27.5%), Thailand (USD 104.8 billion or 28.9%) and Malaysia (USD 102.9 billion or 28.1%)

suggesting that Indonesia has to unlock its potential to benefit more from the AEC. In its trade and investment relations with the EU, Indonesia also has further potential for growth. It represents only 12.6% of the EU's overall trade with ASEAN and ranked 30<sup>th</sup> in overall EU trade worldwide. In regional comparison, Indonesia lagged behind Singapore, Vietnam, Malaysia and Thailand as EU trading partners. Furthermore, Indonesia received only 1.6% of all EU FDI going into Asia, and only 6% of all EU investments flowing into ASEAN.

The on-going economic reforms in Indonesia include regional development and focus on key economic sectors to create jobs and reduce poverty. Benefiting from regional and international trade agreements can increase people's welfare, which is becoming a priority. The Planning Ministry BAPPENAS underlines the need to further develop its institutional capacity and analytical tools to produce more sophisticated economic scenarios, impact analyses on different economic sectors, as well as Indonesian economic analysis in the context of ASEAN integration frameworks. BAPPENAS also wants to focus its analytical work on competitiveness, foreign trade strategy and investment policy to support the formulation of the new mid-term development planning (RPJMN) 2020-2025.

Enhancing national capacities and abilities to address various FTA/CEPA related issues will be beneficial for many stakeholders as well as for increasing coordination on trade and investment policies' implementation. As CEPA negotiations intensify, flexible support will be necessary to facilitate rapid response to emerging issues.

In view of the establishment of the National Committee of Trade Facilitation (NCTF), there is a need for capacity building at all levels and stakeholders (central ministries, local governments, business operators including SMEs and producers, civil society organisations, among others). Business association representatives have requested support in areas such as customs and trade facilitation in agro-based commodities, fisheries, wood and cosmetics sectors.

Supporting domestic industries and consumer protection as well as compliance to international agreements are other important areas for potential support. Previous EU trade programmes have provided assistance to KPPI and KADI under MoT in the area of trade defence and negotiation as well as nation branding. Further support is expected to enhance their technical expertise and skills in handling complex trade remedy cases.

In the areas of Quality Infrastructure, implementing the EQI roadmap and guidelines as well as National Quality Assurance (NQA) in line with international best practices is a priority, in which the Government has expressed strong interest to continue working with the EU. On EQI, support is required in terms of capacity building on export quality standards with a focus on Sanitary and Phytosanitary/Technical Barrier to Trade (SPS/TBT) issues in sectors important for employment creation. The implementation of the EQI Roadmap and NQA Scheme needs to pay attention to: (i) inter-ministries/agencies coordination; (ii) mismatch between local conformity assessment bodies (CABs) testing and certification capabilities with the ones required by exporters; (iii) low technical capacity especially at sub-national level; (iv) outdated Indonesian National Standards (SNIs) for some key products; (v) importance of complying with international private sector standards by the Indonesian certification and accreditation system (vi) good regulatory practices, especially the proper use of risk impact analysis in technical regulation development; and (vii) information of international quality assurance to SME exporters.

In the area of IPR and GI development, previous EU support focused on GIs and trademarks, IPR enforcement and patents, both at ASEAN and country levels. Some of the achievements in Indonesia include the development of a national GI strategy; strengthened GI management skills, traceability system and control plan for Gayo Arabica Coffee, Muntok White Pepper and Sumbawa Honey; supporting the registration process for the first Indonesian GI in the EU, Gayo Arabica Coffee. Key recommendations that need follow up actions include 1) implementing the priority actions put forward in the proposed National GI Strategy (i.e. introduce specific GI legislation, adopt a bottom-up approach at community level, create a multi-disciplinary approach and team within the government to promote GIs, strengthen the whole process of identifying and setting up GIs, develop an overall GI promotion strategy, develop a common protection strategy); 2) strengthen the assessment of the economic and social impacts of future GIs, 3) work closely with other national and international initiatives, including the forthcoming national IPR strategy sponsored by World Intellectual Property Organisation (WIPO). In the area of IPR enforcement, possible training needs related to counterfeit goods were highlighted.

Inadequate facilitation/support to businesses, in particular SME producers and exporters in regions, are a well-known problem even if slowly improving. There is a need to engage with the private sector representatives through various dissemination actions, capacity building and supply chain pilot projects. KADIN Indonesia and APINDO will be involved particularly in the dissemination and communication on FTA/CEPA negotiation results and to contribute in dialogue and advocacy activities in customs and trade facilitation. In the EQI and GIs areas, ARISE Plus Indonesia will work more with sectoral business associations and farmers associations.

## 2. RISKS AND ASSUMPTIONS

### Risks, Mitigation Measures, and Assumptions

| Risks                                                                                                                                                                  | Risk Level (H/M/L) | Proposed Relevant Mitigation Measures                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Possible change of national strategies and priorities in key economic sectors as well as reorganisation of technical ministries and agencies after the 2019 elections. | M                  | Engage in political and policy dialogue with key decision makers to highlight the importance of programme; ensure intensive technical dialogue with ministries and agencies. |
| The ratification of WTO-TFA is further delayed.                                                                                                                        | M                  | Continue regular political dialogue with relevant beneficiary ministries to encourage prompt ratification.                                                                   |
| Insufficient internal human resources and budget allocations.                                                                                                          | M                  | Request sufficient staff allocation to programme related areas; encourage sufficient state budget allocations through policy dialogue with national stakeholders             |
| Lack of internal knowledge                                                                                                                                             | M                  | Support the knowledge management                                                                                                                                             |

|                                                                                                                                                                                                                                                                                                                                                                                                                            |   |                                                                                                  |
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| management systems.                                                                                                                                                                                                                                                                                                                                                                                                        |   | systems within respective institutions during programme implementation.                          |
| Unfavourable regulatory regime reduces Indonesia's competitiveness in foreign trade and investment.                                                                                                                                                                                                                                                                                                                        | M | Regular dialogue with government counterparts, promoting favourable regulatory regime.           |
| Insufficient coordination among programme stakeholders.                                                                                                                                                                                                                                                                                                                                                                    | L | Support coordination and stakeholders' buy-in during implementation.                             |
| Lower interest of local governments in maintaining acquired competencies.                                                                                                                                                                                                                                                                                                                                                  | L | Regular guidance to local governments on necessary resource allocation to maintain competencies. |
| <b>Assumptions</b>                                                                                                                                                                                                                                                                                                                                                                                                         |   |                                                                                                  |
| 1. The Indonesian government is committed to economic reform and further integrate into regional and international trade systems.<br>2. The state budget will be adjusted to continue important reforms in the trade and investment sectors. ARISE Plus Indonesia has been designed to improve the technical expertise and complement the prioritised government programmes that will be implemented by the beneficiaries. |   |                                                                                                  |

### 3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3. Lessons learnt

Previous EU-Indonesia trade assistance projects (the EU Indonesia Trade Cooperation Facility and Trade Support Programme II, as well as civil society trade-related projects) provide valuable lessons for future cooperation:

**Long standing partnership:** The EU Delegation has established good working relations and communication with the Government, particularly BAPPENAS and MoT as the leading ministries ensuring coordination with other departments and agencies.

**Project approach:** Previous projects were successful in actively engaging with various implementing agencies due to: 1) a flexible and demand-driven approach that greatly enhanced ownership and commitment from Indonesian beneficiaries; 2) the access of the Technical Assistance teams to high level officials and key policy makers contributed to better participation and higher commitment to reforms; 3) the engagement of business representatives, which facilitated policy dialogue and improvement of public services.

**Synergy and Complementarity:** In trade related assistance covering different sectors, synergies between relevant project components and implementing ministries and agencies that work on the same areas are essential in contributing to the achievement of tangible results and sustainability. Therefore attention should be given to activities fostering synergy and complementarity, optimum allocation of resources within and among components, avoidance of delays and slippages in project management as well as management of cross-cutting issues.

**Sustainability:** Impact can be achieved through strengthening the capacities of beneficiaries in terms of internal systems as well as key human resources - and promoting a reform-oriented mind-set within institutions. Moreover, continuation of some activities under national

budget in previous EU TRTA projects also proved to be key factor in promoting sustainability of the project outcomes after completion.

**Monitoring and evaluation:** Establishing a set of objectively verifiable indicators, as well as regularly measuring achievement and progress is imperative for effective implementation.

### **3.2 Complementarity, synergy and donor coordination**

ARISE Plus Indonesia will be the first trade related assistance programme with Indonesia that is closely linked to the ASEAN economic integration agenda. ARISE Plus Indonesia is the country-level intervention complementing the EU funded-ARISE Plus regional programme which matches the ASEAN Economic Community Blue Print 2025 (see section 4.3). ARISE Plus range of areas cover: trade facilitation, customs, transit and transport facilitation, standards and conformance (particularly on agro-based products), economic statistics, IPR, civil aviation and strengthening of the ASEAN Secretariat. More specifically, ARISE Plus regional component will relate to ARISE Plus Indonesia interventions on Food Safety regulatory framework, including Rapid Alert systems; also on standard regulatory framework; and IPR, including GIs development and promotion. Both ARISE Plus Indonesia and ARISE Plus regional component will support better integration of SMEs into GVC and assist the business community to adopt internationally recognised standards.

In order to ensure alignment and optimal impact between regional and national initiatives, ARISE Plus Indonesia and ARISE Plus regional component will formally coordinate their activities through regional meetings. Through the SWITCH Asia programme, the EU has been supporting Sustainable Production and Consumption in Indonesia since many years with a strong focus on the domestic market for SMEs which may be extended towards exports in the future.

Apart from the EU, there are other multilateral and bilateral donors implementing trade-related assistance programmes in Indonesia or ASEAN, for instance the World Bank, Australia, Canada, Germany, the Netherlands and Switzerland. The World Bank has approved a USD 400 million Logistics Reform Development Policy Loan to support the Government of Indonesia to address bottlenecks in the country's supply chains. Canada has provided USD 20 million to the International Finance Corporation (IFC) to improve SME performance and is implementing a 5-year, USD 12.5 million Trade and Private Sector Assistance project. The Australia-Indonesia Partnership for Economic Governance (AIPEG) includes trade related capacity building at MoT. Germany is supporting a EUR 2.5 million project on "Standards in the South East Asian Food Trade" (SAFT) to apply international and ASEAN-wide standards for Global Agriculture Practice targeting Lao PDR, Cambodia, Indonesia, Myanmar and the Philippines. The Netherlands is working closely with MoI through its EUR 2.5 million export development programme for selected engineering and food ingredient products. The Indonesian-Swiss Intellectual Property Project (ISIP, CHF 1.95 million) is supporting GI development in creative industries.

Past EU bilateral trade assistance projects successfully organised joint activities with other projects and initiatives. In addition, exchanges of information between different trade-related projects funded by different donors or the national budget were useful to avoid duplication of activities. ARISE Plus Indonesia will pursue a similar approach in its implementation. The EU Delegation also organises regular development cooperation meetings with EU Member States, which can serve as a communication forum providing updates on the on-going trade

programmes. Nevertheless, the EU Delegation and other donors will request the Government of Indonesia to set up an appropriate coordination mechanism on trade related assistance. The Directorate of Trade, Investment and International Economic Cooperation in BAPPENAS shall play a coordinating role in that respect.

### 3.3 Cross-cutting issues

Important crosscutting issues such as good economic governance (e.g. trade and competition, fight against corruption), public health (e.g. sanitary and phyto-sanitary rules and standards conformity) as well as sustainable development (e.g. illegal timber trade, IUU fishing and compliance with environmental regulations and international – including EU best practices) will be incorporated in the activities of the programme as relevant.

Environmental mainstreaming will be particularly relevant in the field of developing GIs with producers' associations; there are already examples of how GIs in Indonesia can have a positive impact on forest and environment conservation (e.g. Sumbawa honey).

The ARISE Plus Indonesia programme shall contribute to improving employment through decent jobs as well as gender equality through many of its activities. A gender analysis for the programme will be conducted in 2017 to identify relevant indicators to measure gender equality and women empowerment in the trade-related sectors covered by the programme as well as the possible development of gender sensitive activities.

## 4. DESCRIPTION OF THE ACTION

### 4.1 Objectives/results

**The Overall Objective** is to contribute to employment creation and sustainable inclusive economic growth in Indonesia.

**The specific objective** is to enhance Indonesia's capacity to boost trade performance and competitiveness.

ARISE Plus Indonesia aims to achieve the following **expected results**:

**Result 1:** Enhanced institutional capacities to implement and coordinate strategic policies related to trade and investment sectors.

**Result 2:** Improved trade-related competencies to implement the EU-Indonesia FTA/CEPA and the WTO Trade Facilitation Agreement.

**Result 3:** Export Quality Infrastructure and National Quality Assurance systems are implemented in line with international best practices and standards, thus increasing export competitiveness.

**Result 4:** Improved capacities of national and local stakeholders to develop Geographical Indications (GIs) to enhance the local economy and employment opportunities in regions.

**Result 5:** Improved awareness and knowledge of the domestic industry including SMEs in participating to Global Value Chains. This is a cross-cutting result that will be addressed across all four priority areas mentioned below.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 8 - Promote inclusive and sustainable economic growth,

employment and decent work for all, but also promotes progress towards Goal 10 - Reduce inequality within and among countries. This does not imply a commitment by Indonesia on these goals.

## **4.2. Main activities**

ARISE Plus Indonesia is structured in four priority areas and components. The following presents a list of indicative activities per priority area. They may be adjusted during the project implementation to reflect potential changing priorities in the country's new National Mid-term Development Plan (RPJMN) 2020-2025 and adjustments as result of the gender analysis study.

### **Priority Area 1: Trade and Investment Policy including FTA/CEPA**

#### **Component 1.1: Support to the national development planning process**

This component aims to advance institutional capacities in strategic policy planning, which will contribute to the formulation process of the new mid-term development planning (RPJMN) 2020-2025. The foreseen activities will cover three areas: (1) Competitiveness, (2) Foreign Trade Strategy, and (3) Investment Policy Framework. This component will also assist the Ministry of Marine Affairs and Fisheries to improve the investment policy framework for the sector.

#### **Component 1.2: Support to FTA/CEPA through a Rapid Response Facility**

The proposed flexible approach aims at facilitating rapid response to issues emerging from the negotiations and/or initial phase of implementation of the agreement. The foreseen activities will encompass all key areas, which include: (1) Non-tariff measures (NTMs), Technical barriers to trade (TBTs), and other trade regulatory barriers affecting Indonesia's key commodities in goods and services; (2) investment protection (3) customs and trade facilitation (4) IPR (5) public procurement (6) competition rules (7) SMEs (8) sustainable development, among others. This component will provide capacity building to relevant ministries and agencies by funding expertise and other initiatives relevant for the negotiations of the FTA/CEPA, knowledge sharing activities, dissemination and communication of FTA/CEPA results at national and regional levels.

### **Priority Area 2: Trade Facilitation**

#### **Component 2.1: Support trade facilitation in the context of the WTO-TFA implementation**

The WTO TFA will come into force in 2017. Indonesia has yet to signal its needs in relation to the implementation of the agreement. EU support through ARISE Plus Indonesia will follow the established EU global approach in this regard by providing for a rapid and coherent response to any needs related to implementation of the WTO TFA, but also focusing on broader trade facilitation needs in Indonesia and thereby deriving maximum benefits for trade integration.

This component will focus on supporting the implementation of some of the WTO TFA provisions, including:

- Support the newly established National Committee of Trade Facilitation (NCTF) through strengthening its organisational capacities, as well as those of its stakeholder agencies at national and sub-national levels.
- Support the implementation and monitoring of TFA provisions on SPS issues. This sub-component will to some extent complement Component 3, in particular on the rapid alert system of food and feed products.
- Advice and advocacy activities on Customs and Trade Facilitation.

## **Component 2.2: Trade remedies**

Further strengthen institutional capacities including through technical training, studies and in-depth research, benchmarking, development of implementation guidelines to improve good practices in key agencies, and to facilitate knowledge sharing between Indonesia and other ASEAN Member States.

Building synergies with DG TRADE and DG SANTE specific programmes will be further examined during implementation to support Indonesia in relevant areas such as trade remedies and SPS.

## **Priority Area 3: Export Quality Infrastructure**

Component 3 focuses on agri-food, fisheries, wooden products and cosmetic preparation sectors, which are among Indonesia's top 20 export products. Foreseen activities are:

### **Component 3.1: Support to the implementation of NQA scheme**

- Further support the harmonisation of Indonesian standards' policies towards international standards, strategies and regulatory framework.
- Enhance national quality assurance in line with global practices; strengthening national rapid alert system for non-food and food products including their alignment with the ASEAN mechanisms; promote stakeholder engagement and consultations, in particular the business community; benchmark and coach on the monitoring of technical regulations in export markets; promote research on food safety for some priority products; and capacity building of surveillance institutions at national and sub-national levels.
- Support the quality assurance system along the value chain in the fisheries sector (Integrated Centre of Marine and Fisheries).

### **Component 3.2: Support to the improvement of EQI**

- Enhance EQI in accordance with international best practices; strengthen the areas of conformity assessment, including by providing possible training on the use of Supplier's Declaration of Conformity (SDOCs) in particular sectors, accreditation, measurement standards, testing, certification and calibration; enhance technical capacity of non-commercial testing laboratories to align with EU standards as relevant.
- Capacity building for EQI related government agencies, business operators and other key stakeholders on international standards and practices, and EU regulations;
- Support the strengthened role of SME producers and exporters into Global Value Chains (GVC) through capacity building, on-line publication of manuals, expertise to adopt internationally recognised standards and facilitate business to business cooperation.

#### **Priority Area 4: IPR focusing on Geographical Indications**

Supporting the implementation of the National GI Strategy with focus on three main areas:

**Component 4.1: Capacity building of farmers' communities and GI producers' associations:** support knowledge development of GI organisations at local level, particularly in the areas of organisational management, technical aspects of GIs as well as marketing and promotion.

**Component 4.2: Effective GI quality control systems:** support the mapping and identification of potential GI products; strengthen standards and conformance, quality control mechanisms and certification to ensure traceability, environmental and social sustainability and quality of GI products.

**Component 4.3: Support GI governance at national and local levels:** Improve GI regulatory framework, strengthen competencies of key related agencies for GI traceability, engage with international partners. This sub-component will also support the coordination between GI key stakeholders at national and sub-national levels.

The three sub-components will support the overall GI promotion strategy including international promotion of selected GI products.

#### **4.3 Intervention logic**

ARISE Plus Indonesia will enhance the regulatory framework while also strengthening the coordination and capacity of key stakeholders. Interventions at national and sub-national levels aim at reducing disparities and gaps, diversifying local value-chain and products, as well as maximising impact at local level for ultimately boosting job creation. This combined approach builds on past EU-Indonesia trade related assistance. With the provision of flexible support (Component 1.2), ARISE Plus Indonesia should be able to facilitate rapid response to issues emerging from the on-going free trade negotiations.

The intervention logic will address the main gaps at key institutions through technical assistance, capacity building, knowledge exchange and support to cross-sectoral coordination. Facilitating transparent information dissemination to business actors, in particular in support of SMEs and other civil society organisations, will also be incorporated. Overall, the expected results will have an impact on Indonesia's export performance and competitiveness, increasing investment and employment. The Gender Analysis to be conducted at the inception phase shall further maximise the impact of the programme on women empowerment.

ARISE Plus Indonesia interventions and target sectors are aligned with some key areas of the AEC Blueprint 2025 that will be supported by the ARISE Plus regional programme.

### **5. IMPLEMENTATION**

#### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

## 5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

## 5.3 Implementation modalities

### 5.3.1 Procurement (direct management)

| Subject in generic terms, if possible | Type (works, supplies, services) | Indicative number of contracts | Indicative trimester of launch of the procedure |
|---------------------------------------|----------------------------------|--------------------------------|-------------------------------------------------|
| Technical Assistance                  | Services                         | 1                              | Q3 2017                                         |

## 5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

## 5.5 Indicative budget

|                                                                | EU contribution<br>(amount in EUR) | Indicative third party<br>contribution, in currency<br>identified |
|----------------------------------------------------------------|------------------------------------|-------------------------------------------------------------------|
| 5.3.1 Procurement (direct management) for technical assistance | 9 525 000                          | n/a                                                               |
| 5.8 Evaluation, 5.9 Audit                                      | 225 000                            | n/a                                                               |
| 5.10 Communication and visibility                              | 250 000                            | n/a                                                               |
| Totals                                                         | 10 000 000                         | 0                                                                 |

## 5.6 Organisational set-up and responsibilities

The technical assistance team will support the Government of Indonesia in coordinating, implementing and supervising all ARISE Plus Indonesia Components to ensure best results, impact and synergies.

The EU Delegation and the Government of Indonesia, represented by the Ministry of National Development Planning (BAPPENAS), will set up a Project Steering Committee (PSC) and act collectively as co-chairs. PSC members will consist of representatives from the appointed coordinators and implementing agencies of the four components of the facility, and the Coordinating Ministry of Economic Affairs. Other relevant stakeholders such as the Ministry of Foreign Affairs as well as EU Member States, other donors and civil society representatives will be invited when appropriate. The Secretariat of the PSC will be the responsibility of the Team Leader of the Technical Assistance team.

The PSC will meet at least once a year to approve work plans including technical assistance requirements; to review progress reports and participate in all monitoring and evaluation processes; provide guidance and facilitate overall programme implementation.

ARISE Plus Indonesia will also coordinate with and participate in meetings with ARISE Plus to ensure exchanges of best practices and information sharing between regional and national interventions. A coordination meeting will be organised with the participation of EU Delegations and representatives from ASEAN Member States benefitting from similar country-level programmes.

At ARISE Plus Indonesia level, a Technical Advisory Body (TAB) will be set up consisting of all implementing agencies to provide guidance on the priority results and activities, to prepare draft work plans and progress reports for the PSC, and thus ensure proper inter-sectoral coordination in the respective components.

## **5.7 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.8 Evaluation**

Having regard to the importance of the action, a mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission. The mid-term evaluation will be carried out for problem solving and learning

purposes, in particular with respect to continuing the implementation of project that might require adjustment owing to the progress achieved and needs identified.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in 2020 and 2022.

## **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract in 2022.

## **5.10 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported partly with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively, a contract for visibility shall be concluded under a framework contract starting from Q3 2018.

## APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

|                           | Results chain                                                                                | Indicators                                                                                                                                               | Baselines<br>(as indicated or<br>to be added at<br>inception)                                                                                                                                                | Targets<br>(as indicated or<br>by project end)                                                | Sources and<br>means of<br>verification                                                                                           | Assumptions |
|---------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-------------|
| Overall objective: Impact | To contribute to employment creation and sustainable inclusive economic growth in Indonesia. | 1) Unemployment rate*<br>2) GDP growth (yearly, %)*<br>3) Income share held by the lowest 40% of income distribution**<br>4) Gender equity in employment | 1) Unemployment rate: 5.06% (2015)<br>2) Economic growth: 4.73% (2015)<br>3) Income share: 20.71 (2013)<br>4) Women's share in labor force: 50.9%; with average wages of 78% compared to male workers (2015) | Government's targets defined in the new mid- term national development plans (RPJP) 2020-2025 | 1, 2) GoI: Indonesia Statistical Bureau (BPS), Bank Indonesia<br><br>3, 4) The World Bank, International Labor Organisation (ILO) |             |

|                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                      |                                                                                                                                                                   |                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Specific objective(s): Specific objective(s): Outcome(s) Outcome(s) | To enhance Indonesia's capacity to boost trade performance and competitiveness.                                                                                                                                                                                                                                                                                                                                | 1) Indonesia's Global Competitiveness Score (EU RF L1 29)<br>2) Indonesia's total exports (EU RF L1 30) and market share in the regional and international markets **(EU RF L2 29)<br>3) Indonesia's Ease in Doing Business (EDB) Score | 1) Indonesia ranked 34 <sup>th</sup> in the 2014-2015 report.<br>2.1) Total non-oil & gas exports: USD 131 billion (2015)<br>2.1) 21.7% of total Indonesian trade goes to intra-ASEAN trade<br>2.2) Indonesia ranked 30 <sup>th</sup> among EU trade partners worldwide.<br>3) Indonesia's EDB Score (2016): rank 106. | 1) Improved rank in 2022/2023<br>2.1) Economic targets on exports and market share as set in the new mid-term development plans (RPJM) 2020-2025<br>2.2) Improved rank among EU trade partners worldwide in 2022/2023<br>3) Further improved EDB scores in 2022/2023 | 1) World Economic Forum<br>2.1) GoI: BPS, Bappenas, MoT, Bank Indonesia<br>2.1) ASEAN Merchandise Trade Statistics Database<br>2.2) EuroStat<br>3) The World Bank | 1) Strong commitment of the Indonesian Government to economic reforms and integration into global trade system.<br>2) Political stability.<br>3) Stable global economy.                                                             |
| Outputs                                                             | <p><b>Result 1:</b> Enhanced institutional capacities to implement and coordinate strategic policies related to trade and investment sectors.</p> <p><b>Result 2:</b> Improved trade related competencies to implement the EU-Indonesia CEPA and the WTO Trade Facilitation Agreement.</p> <p>The expected results #1 and 2 are related to the following activity components and corresponding indicators:</p> |                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                      |                                                                                                                                                                   | <p><u>For all Priority Areas:</u></p> 1) Consistent, strategic economic policies<br>2) High ownership of the beneficiaries<br>3) Continued collaboration between agencies (stakeholders)<br>4) State budget availability to sustain |

|  |                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                         |                                                                                                                               |                                                                                                                                    |
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|  | <p><b>Priority Area 1 - Trade and Investment Policy including FTA/CEPA</b></p> <p>Component 1.1. Support to national development planning process</p> <p>Component 1.2. Support to FTA/CEPA through a Rapid Response Facility</p> | <p><b>Priority Area 1 indicators:</b></p> <p>1.1) High quality analytical work produced contributing to the formulation of the new RPJMN 2020-2025</p> <p>1.2) High quality inputs provided contributing to improved investment policy framework in fisheries sector</p> <p>1.3) Level of stakeholders knowledge/capacity on FTA/CEPA related issues</p> <p>1.4) Activities supported contributing to successful conclusion or progress of FTA/CEPA negotiations</p> | <p>1.1) Economic modelling work and capacity produced before ARISE Plus Indonesia</p> <p>1.2) expertise and inputs available before ARISE Plus Indonesia</p> <p>1.3 and 1.4) For FTA/CEPA indicators to be defined by ARISE Plus Indonesia at the inception phase</p> | <p>1.1) Trade and investment analysis included in the new RPJMN 2020-2025.</p> <p>1.2) target to be defined by ARISE Plus Indonesia at the inception phase</p> <p>1.3 and 1.4) For FTA/CEPA indicators to be defined by ARISE Plus Indonesia at the inception phase</p> | <p>1.1) GoI: BPS, MoT, BKPM, MoLHR</p> <p>1.2, 1.3 and 1.4) EU documents/ reports, project documents</p>                      | <p>ARISE Plus Indonesia key results</p> <p>5) Public and private sector collaboration at both national and sub-national levels</p> |
|  | <p><b>Priority Area 2 - Trade Facilitation</b></p> <p>Component 2.1. Support trade facilitation in the context of the WTO-TFA implementation</p> <p>Component 2.2. Trade remedies</p>                                             | <p><b>Priority Area 2 indicators:</b></p> <p>2.1) Status of TFA implementation in Indonesia</p> <p>2.2) The NCTF adopts international best practices on monitoring the implementation of TFA</p> <p>2.3) Engagement of private sector in advocacy works on Customs and Trade Facilitation.</p> <p>2.4) Number of persons trained in trade remedies</p> <p>2.5) Number of female participants representing private sector in advocacy</p>                             | <p>2.1) TFA implementation as of 2015</p> <p>2.2) The NCTF not yet operational</p> <p>2.3) For advocacy on Customs and Trade Facilitation, to be defined by ARISE Plus Indonesia at the</p>                                                                           | <p>2.1) Share of commitments implemented according to schedule within the TFA.</p> <p>2.2 and 2.3) For the NCTF, Customs and Trade Facilitation, to be defined by ARISE Plus</p>                                                                                        | <p>2.1) OECD, WTO and GoI reports</p> <p>2.2) WTO and, GoI reports</p> <p>2.3) OECD reports</p> <p>2.4) Project documents</p> |                                                                                                                                    |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                      |                                                                                                                                                                                                                |                                                                                                                                                                                                                                 |                                                          |  |
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|  | <p><b>Result 3:</b> Export Quality Infrastructure and National Quality Assurance system are implemented in line with international best practices, thus increasing export competitiveness.</p> <p><b>Result 4:</b> Improved capacities of national and local stakeholders to develop Geographical Indications (GIs) to enhance the local economy and employment opportunities in regions.</p> <p>The expected results #3 and 4 are related to the following activity components and corresponding indicators:</p> <p><b>Priority Area 3: Export Quality Infrastructure</b><br/>Component 3.1. Support to the implementation of NQA scheme</p> | <p>works on customs and trade facilitation</p> <p><b>Priority Area 3 indicators:</b><br/>3.1) Number of TBT cases/SPS incidents in the 4 product sectors<br/>3.2) Status of national rapid alert</p> | <p>inception phase<br/>2.4) For capacity on trade remedies, the baseline of EU previous project will be used<br/>2.5) to be defined with support of Gender Analysis to be conducted at the inception phase</p> | <p>Indonesia at the inception phase<br/>2.4) For trade remedies, to be defined by ARISE Plus Indonesia at the inception phase<br/>2.5) to be defined with support of Gender Analysis to be conducted at the inception phase</p> | <p>3.1) to 3.4):<br/>GoI: MoT, MoA, BPOM, BPS, other</p> |  |
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|--|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--|
|  | Component 3.2. Support to the improvement of EQI | <p>system and alignment with ASEAN mechanisms.</p> <p>3.3) Follow up of MoUs signed between Indonesian non-commercial testing laboratories and EU labs</p> <p>3.4) Number of people trained in EQI areas</p> <p>3.5) Number of women participants representing the 4 product sectors benefit from EQI trainings and/or outreach</p> | <p>3.1) ARISE Plus Indonesia review on stakeholders' reports regarding SPS/TBT cases and assessment of the capacity building needs at the inception phase</p> <p>3.2) National rapid alert system is in place.</p> <p>3.3) three signed MoUs for cooperation with EU testing laboratories/CABs (2015)</p> <p>3.4) Baseline on number of people trained on EQI from previous EU project</p> <p>3.5) Baseline to be defined with support of Gender Analysis to be conducted at the inception phase</p> | <p>3.1) Targets on TSBT/SPS cases and progress of cooperation between Indonesian and EU laboratories/CABs to be defined during ARISE Plus Indonesia inception phase</p> <p>3.2) National rapid alert system is aligned with ASEAN mechanism.</p> <p>3.3) XXXX number of programmes indicated in MoUs actually realised by both Indonesian and EU testing laboratories/CABs</p> <p>3.4) XXXX number of people trained in EQI areas.</p> <p>3.5) to be defined with support of Gender</p> | <p>agencies, EuroStat, DG SANTE, EU RASFF, project documents</p> <p>3.5): Project documents</p> |  |
|--|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--|

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|  | <p><b>Priority Area 4: IPR focusing on Geographical Indications</b></p> <p>Component 4.1. Capacity building of farmers' community and GI producers' associations</p> <p>Component 4.2. Effective GI quality control systems</p> <p>Component 4.3. Support GI governance at national and local levels</p> <p><b>Result 5:</b> Improved awareness and knowledge of the domestic industry including SMEs in participating to Global Value Chains.<br/>(This is a cross-cutting result that will be addressed across all four priority areas)</p> | <p><b>Priority area 4 indicators:</b></p> <p>4.1) Number of farmers associations trained on enhanced knowledge and skills on GIs</p> <p>4.2) Number of associations applying operational quality control systems for GI products</p> <p>4.3) Number of GIs registered</p> <p>4.4) Improvement of GI governance at national and sub-national levels</p> <p>4.5) Number of women farmers and their associations involved in GI supply chain benefit from or have better access to trainings</p> <p>5.1) Level of awareness and knowledge of domestic industry including SMEs on FTA/CEPA and trade facilitation</p> <p>5.2) Access to information on</p> | <p>4.1) and 4.2). Baseline for previously registered GIs from previous EU projects.</p> <p>4.3) YYYY GIs registered in Indonesia</p> <p>4.4) Baseline for current governance and control systems of GIs from previous EU projects.</p> <p>4.5) to be defined with support of Gender Analysis to be conducted at the inception phase</p> <p>5.1) Baseline to be</p> | <p>Analysis to be conducted at the inception phase</p> <p>4.1) XXXX farmers' associations trained</p> <p>4.2) XXXX number of associations with quality control system in place</p> <p>4.3) XXXX GIs registered in Indonesia</p> <p>4.4) Targets to be defined further (indicators on the basis of the National GI strategy)</p> <p>4.5) to be defined with support of Gender Analysis to be conducted at the inception phase</p> <p>5.1 and 5.2) Target to be defined by</p> | <p>4.1) and 4.3) GoI: MoLHR, MoT, MoA, MoI</p> <p>4.2) Project documents</p> <p>4.4) Project documents and other EU documents</p> <p>5.1) and 5.2): GoI, project documents</p> <p>5.3) and 5.4) project documents</p> <p>5.5) GoI, ILO</p> |  |
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|  |  | <p>technical regulations and standards applied in international markets, and supports offered by GoI or other parties.</p> <p>5.3) Advocacy role and dialogue with GoI on trade facilitation to improve SMEs participation in GVC</p> <p>5.4) SMEs and sectoral associations in the 4 product sectors benefit from pilot projects and outreach activities in EQI and GIs areas</p> <p>5.5) Contribution of SMEs to employment (also women employment) in the four product sectors</p> | <p>defined by ARISE Plus Indonesia in the inception phase</p> <p>5.2) Information sources available including those were developed by previous EU projects</p> <p>5.3) YYYY number of dialogues held by or involved CSO stakeholders</p> <p>5.4) Baseline from previous EU projects</p> <p>5.5) Baseline to be taken by ARISE Plus Indonesia from national data available and Gender Analysis to be conducted at the inception phase</p> | <p>ARISE Plus Indonesia in the inception phase</p> <p>5.3) XXXX number of dialogues held by CSO stakeholders</p> <p>5.4) targets to be defined by ARISE Plus Indonesia in the inception phase</p> <p>5.5) Steady increase in the contribution of SMEs to employment (2022-2023), to be defined with support of Gender Analysis</p> | and project documents |  |
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