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State Secretariat for Economic Affairs SECO

COOPERATION
PROGRAMME

Indonesia

Cooperation Programme 2021–2024



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Editorial

With this Cooperation Programme 2021–2024, the Swiss State Secretariat for Economic Affairs SECO is supporting Indonesia on its path towards a more competitive, resilient and equitable economy.



Indonesia is the seventh largest economy in the world, but still faces a complex set of environmental, economic and social challenges. SECO promotes economic growth and sustainable prosperity. Therefore, SECO's development cooperation programme aims to further strengthen the economic resilience of Indonesia.



In line with the United Nation's (UN) 2030 Agenda for Sustainable Development and Switzerland's new International Cooperation Strategy 2021–2024, SECO takes a three-pronged approach: It considers Indonesia's development priorities, Switzerland's perspective on Indonesia and the added value that Switzerland can offer within this partnership. These criteria define the two thematic priorities of Switzerland's Cooperation Programme 2021–2024 that are outlined on the following pages.

Taking into account the lessons learned and building on the results achieved in the 2017–2020 cycle, the Cooperation Programme 2021–2024 defines the strategic framework for the future activities of SECO over the next four years. SECO aims to remain a responsible and reliable development partner. This requires persistence during challenging times and support in mitigating risks as well as seizing opportunities when they arise. We count on the ownership and leadership of our Indonesian partners to achieve lasting reforms and results. We are confident that we can positively contribute to Indonesia's development agenda with the present programme and we look forward to continuing our partnership with Indonesia.

Marie-Gabrielle Ineichen-Fleisch
State Secretary, Director of SECO

Raymund Furrer
Ambassador, Head of Economic Cooperation and Development SECO

Towards a more competitive, resilient and equitable Indonesian economy

SECO's main goal is to assist Indonesia in overcoming its remaining development challenges and in becoming more competitive, resilient, resource efficient, and thereby an increasingly important political and economic partner for Switzerland. Therefore, the new programme focuses on the following two thematic priorities:



Fostering effective public institutions, particularly in urban areas, through efficient use of resources



Strengthening private sector competitiveness, in particular small and medium-sized enterprises (SME)



Country context



1

Indonesia is the fourth most populous country in the world with 274 million people speaking hundreds of languages spread across 17,000 islands. It is the largest economy in Southeast Asia and has enjoyed strong economic growth since the financial crisis of the late 1990s. The country's gross domestic product (GDP) per capita has increased steadily from USD 823 in 2000 to USD 4,163 in 2019 (International Monetary Fund estimate). Today, Indonesia is the seventh largest economy in terms of purchasing power parity and a member of the Group of Twenty (G20). As an emerging upper-middle-income country, Indonesia has started to provide international assistance through its Indonesian Agency for International Development (Indo-AID) and has made great strides in reducing its own poverty level, cutting the poverty rate by more than half since 1999 to 9.4% in 2019.

Indonesia is committed to achieving the UN's Sustainable Development Goals (SDGs), but still faces a complex set of environmental, economic and social challenges, ranging from depletion of natural resources and pollution to growing income inequality. Being one of the world's largest emitters of greenhouse gas, Indonesia plays an important role in addressing climate change. As a country that is highly exposed to climate risks and natural disasters, it has pledged to reduce its greenhouse gas emissions by 29% by 2030 compared to the business-as-usual scenario under the Paris



2



3

1 Jakarta's roads remain among the world's most congested.

2 Smallholder farmers are capacitated to produce sustainable palm oil.

3 Air pollution is a severe environmental and health problem in Indonesia.

Agreement, as well as to increase the share of renewable energy to 23% by 2025.

While inequality began to decline in recent years, it still remains significant. Wealthier Indonesians have fared much better compared to those at the lower end of the income ladder. Moreover, about 25 million Indonesians live in poverty and another 50 million remain at risk of falling back into poverty as their income hovers just slightly above the poverty line. While, in absolute terms, more than half of the country's total impoverished population lives on the island of Java, in relative terms, the provinces of eastern Indonesia (Papua, East Nusa Tenggara, Maluku) have higher poverty rates. Poverty is also strongly connected to gender due to the persisting barriers limiting women's full economic participation. The slow pace of job creation is another challenge that hampers poverty reduction efforts, largely affecting the two million youth who enter the labour market every year.

Having maintained political stability over the years, Indonesia is one of the region's most vibrant democracies. A great deal of power has been transferred from the central to the local level since the 2000s as part of a comprehensive push for decentralisation.

President Joko Widodo, popularly known as Jokowi, took office in 2014 and was re-elected in 2019. His first term in office was marked by a period of rapid infrastructure development. In addition to spurring infrastructure development, Indonesia also improved access to basic services, health and education services in particular. At the same time, the government implemented important reforms including reduction of energy subsidies, refocussing government spending to

social sectors, and a series of economic policy packages to encourage private sector participation and foreign investment. In comparison, progress in other areas, such as improving the investment climate, institutional reform and enhancing governance, has been slower.

To unleash Indonesia's full potential, the government has launched the Vision of Indonesia 2045, a roadmap designed to pave the way for Indonesia to become a high-income country and the world's fifth-largest economy by 2045. Achieving this target will require annual economic growth of around 6%. To reach this growth rate, Indonesia has to change the fundamentals of its economy, which is mainly based on domestic consumption and commodities such as palm oil and coal. Moving forward, it will be important to further develop the manufacturing sector and enhance investment and trade. At the same time, Indonesia must also take advantage of its growing working age population, which will reach 70% by 2030. To capitalise on that, the president has pledged to improve the quality of human capital with a goal of transforming Indonesia's labour force to be equipped with skill sets that will allow the country to take advantage of the Industrial Revolution 4.0 and become an advanced economy by 2045.

At the time of writing it is not clear how long the coronavirus disease 2019 (COVID-19) will last and to what extent it will impact Indonesia's development path. A post-COVID-19 new normal will shape the economic recovery – but the details or duration of such a new normal are still unclear.



Facts about Indonesia



Capital: Jakarta

Size: Indonesia extends 5,120 kilometres from east to west.

Population size: 274 million

Urban population: 56.4% (2045: 70%)

Doing Business Rank: 73th / 190



Main results achieved

SECO, together with its implementing partners, has supported Indonesia in improving macroeconomic stability through strengthening public financial management (PFM), as well as the financial sector. SECO assisted the Ministry of Finance in developing key reforms and strategies, in particular the PFM Reform Road Map and Digital Transformation Strategy, which help Indonesia to “collect more and spend better”. SECO has also contributed to the broadening of Indonesia's tax base, as well as to the development of a “regulatory sandbox” to encourage fintech innovation while applying the principles of risk management. Moreover, SECO assisted the government in strengthening its legal and regulatory framework for investment, with some success in simplifying business regulations and streamlining company registration.

SECO has successfully supported Indonesia in narrowing its infrastructure gap by leveraging financing and providing capacity building at the subnational level. A provision for a nationwide framework for sustainable urban transport has been developed and incorporated into Indonesia's national medium-term development plan 2020–2024. In addition, SECO provided technical assistance and supported capacity-building activities for the first sanitary landfills, which are now under construction in four cities, in order to jump-start sustainable waste management systems in Indonesia.

SECO has facilitated a more competitive private sector that creates more and better jobs. Through direct collaboration with SMEs, SECO improved working conditions for more than 400,000 employees and introduced cleaner production practices in 150 companies to reduce waste and pollution. SECO also contributed to improved business practices and expanded financial access for micro, small and medium-sized enterprises (MSME) by linking them to financial institutions and promoting responsible finance principles. In addition, SECO has supported Indonesia's efforts to upskill its workforce. Switzerland's dual vocational education and training system is being introduced at six polytechnics in the areas of manufacturing, food processing and tourism. Moreover, through technical and capacity-building work, SECO has supported the issuance of the first three green building codes in Indonesia (Jakarta, Bandung and Semarang), which will generate energy and water savings while also reducing greenhouse gas emissions.

SECO also contributed to the establishment of sustainable value chains. Through targeted export promotion services, SECO assisted Indonesia in exporting pangasius to the Middle East for the first time. In the cocoa sector, SECO facilitated the training of more than 160,000 cocoa farmers in sustainable agricultural practices, which has led to a 49% increase in farmers' yields. In addition, SECO has contributed to the development of integrated tourism master plans for three destinations, and also promoted the notion of sustainable tourism in Indonesia.



Lessons learned

In a large country like Indonesia, the size of projects matter. As SECO's financial resources are limited, activities need to be targeted to sectors where SECO has proven expertise and experience and can add value. SECO's work in the areas of PFM, skills and sustainable value-chain development have produced the most promising results. Activities in these areas will be further expanded.

As a relatively small development partner in terms of financing, SECO has to be selective. Creating synergies and maximising efficiency will be a priority moving forward. SECO's ambition is to work with fewer development partners with a positive track record in the country.

SECO's engagement must be flexible to ensure that activities remain relevant and respond to emerging priorities and needs. This is even more important in the context of the pandemic.

SECO's mix of working both at the national and subnational levels has proven to be an effective way to support Indonesia in addressing its development challenges. SECO will continue to assist the central and local governments manage their fiscal challenges and efficiently plan their urban development and infrastructure investments.

Gender considerations as well as the environment – as transversal themes – have not yet been sufficiently integrated into SECO's programme in Indonesia. Moving forward, gender considerations and environmental aspects will receive more attention through specific activities and disaggregated data collection.



Development cooperation programme

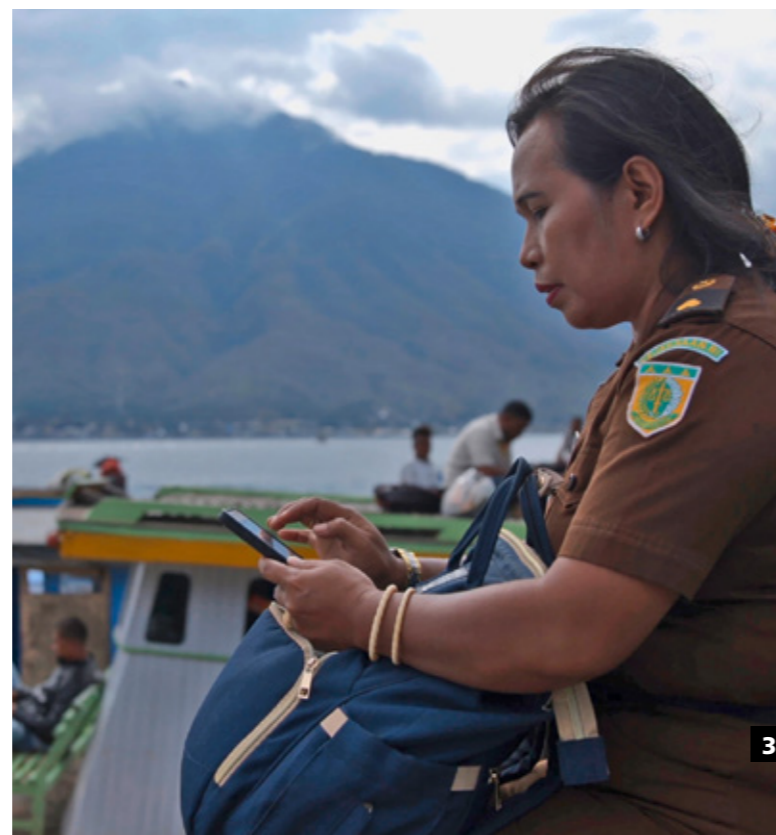


Indonesia's development priorities

Indonesia's economic planning takes the form of national, five-year, medium-term development plans, referred to as Rencana Pembangunan Jangka Menengah Nasional (RPJMN). Each of these plans outlines specific development priorities. The plans constitute the basis for all ministries and government agencies to formulate strategic plans for their respective sectors.

The new RPJMN for 2020–2024 has set itself a conservative GDP growth target of 5.4 to 6%, compared to the ambitious 8% target stipulated in the 2015–2019 plan. The government will focus on further developing infrastructure, improving human resources, removing obstacles that hinder investment, reforming the bureaucracy and ensuring that the state budget is used efficiently. The government's current top priority is to bolster the country's human resources in order to help Indonesia to reach its full economic potential. These broad objectives are broken down into seven development agendas as detailed in the RPJMN 2020–2024. Four of those agendas directly relate to economic development and SECO's work:

- Building economic resilience for quality growth
- Developing quality and competitive human resources



1 SECO promotes market-oriented skills development (students at Tourism Polytechnic in Lombok).

2 SECO fosters sustainable value chains and access to markets.

3 SECO supports Indonesia in improving digital technologies for public financial management.

4 Students getting practical training at the Metal Industry Polytechnic in Morowali, Central Sulawesi.

■ Strengthening infrastructure to support economic development and delivery of basic services

■ Strengthening natural environment, disaster and climate change resilience

Indonesia's five-year development plan also highlights the government's commitment to implementing the SDGs, which are institutionalised from the highest national level to sub-national entities, and integrated in national and subnational development planning.

The RPJMN 2020–2024 provides a solid framework for Indonesia to achieve its development targets. It allows SECO to align the activities detailed in this Cooperation Programme 2021–2024. President Jokowi's second term in office is an opportunity to complete a series of much needed structural and institutional reforms in order to tackle socio-economic and environmental challenges, which will help invigorate Indonesia's economic growth. SECO's programme will continue to work towards alleviating poverty in Indonesia and respond to the country's development needs, while increasingly taking Swiss interests into account.

COVID-19 will alter Indonesia's development outlook and may even disrupt the country's five-year development plan. The pandemic has exacerbated the challenges faced by Indonesia. For example, mobilising more resources will become increasingly important in view of the rising public debt taken on to finance COVID-19 recovery measures. SECO's technical assistance in the area of macroeconomic support will therefore remain important to accelerate the ongoing tax reform, widen the tax base, strengthen tax administra-

tion, and improve the quality of public spending. Moreover, mobilising private financing to close the infrastructure gap will be more urgent than ever as there are fewer public resources available. To this end, SECO will continue to support Indonesia in preparing solid infrastructure projects that will be able to mobilise much-needed private investment. There is also a need to increase trade and investments and to deepen financial markets. Given the fact that productive investments along global supply chains will become scarcer, SECO will continue to support Indonesia in upgrading policy frameworks to attract investments and in developing sustainable value chains, particularly in the tourism sector, which was hit hardest by the pandemic. At the same time, SECO will put more emphasis on making the financial system more resilient and efficient, including expanding financing for SMEs by taking advantage of emerging digital solutions.

Switzerland's perspective on Indonesia

Relations between Switzerland and Indonesia are strong and dynamic. They cover a broad array of areas including political affairs, economic cooperation, human rights, trade, tourism, humanitarian assistance and culture.

The Swiss Agency for Development and Cooperation (SDC) implemented development projects in Indonesia between 1976 and 1996. After SDC's gradual phase-out, Switzerland set up an economic cooperation and development programme through SECO. In 2009, Indonesia became a priority country for SECO. Since

then, SECO has implemented three cooperation programmes focusing on economic governance, private sector competitiveness, climate change mitigation, trade, public service delivery and sustainable urbanisation. Although official development assistance (ODA) plays a marginal role relative to GDP, Indonesia still greatly appreciates Switzerland's high-quality, impartial technical assistance.

In 2017, Switzerland opened its first Swiss Business Hub in Indonesia that is responsible for implementing Swiss export strategies in Indonesia, as well as for promoting Switzerland as a business location. When adequate, the SECO programme will aim to create synergies between Swiss private investments in Indonesia and economic cooperation activities. In addition, Switzerland together with its partners in the European Free Trade Association (EFTA) and Indonesia are about to conclude a Comprehensive Economic Partnership Agreement (CEPA), which includes a Memorandum of Understanding (MoU) and a specific chapter on economic cooperation. Through well-targeted activities, SECO's programme will also contribute to the implementation of the CEPA.

As part of the Cooperation Programme 2021–2024, a particular focus will be placed on facilitating the transfer of knowledge from Switzerland to Indonesia. This applies in particular to sectors in which Switzerland has proven expertise and where demand by the Indonesian side is highest, including but not limited to:

■ Skills and employment: Switzerland's vocational education and training (VET) system is an internationally recognised success story and is seen by many as a major contributor to the continuing vitality and strength of the

Swiss economy. Indonesia is very much interested in Switzerland's VET system and has requested that SECO further intensifies its engagement in this area. Switzerland can also share its experience in the adoption of a "flexicurity" policy, which combines flexible labour markets and security for employees.

■ Tourism: Switzerland has a great deal of expertise when it comes to developing sustainable tourism destinations through a proactive involvement of the private sector, as well as civil society.

■ Sustainability: Switzerland has a proven track record in terms of promoting renewable energy technologies as well as sustainable urban transportation modes.

Switzerland and Indonesia are also multilateral partners. In July 2016, Switzerland became a Sectoral Dialogue Partner of the Association of Southeast Asian Nations (ASEAN), which will further strengthen Switzerland's political and economic relations with Indonesia and the Asia Pacific region. Indonesia's development has positive regional spill-over effects, which is also in Switzerland's interest. Switzerland aims to enhance its cooperation with ASEAN in line with the Federal Council's Foreign Policy Strategy 2020–2023. SECO's Cooperation Programme 2021–2024 will further contribute to enriching the Sectoral Dialogue Partnership by developing and supporting relevant initiatives in Indonesia, as well as in other ASEAN member states.

Accountability, monitoring and risk management

SECO continuously monitors and evaluates the results achieved and incorporates lessons learned into its operations.

Project evaluations are conducted during or after project implementation. In addition, SECO commissions independent thematic or country portfolio evaluations.

The monitoring of the cooperation programme will be based on the results framework (see page 16/17) along the relevant business lines and impact hypotheses. Accountability reporting is carried out annually.

SECO is dedicated to ensuring comprehensive and rigorous risk management. Based on the Organisation for Economic Cooperation and Development's (OECD) conceptual framework for aid risk analysis, SECO's risk management distinguishes between three levels of risk:

■ Country risks: SECO identifies and evaluates the relevant risks in its partner countries as well as the implications for the project portfolio.

■ Project risks: Before approval, all projects are screened for development (achievement of objectives), security, fiduciary, financial, environmental and social risks. During project implementation, the identified risks and corresponding mitigation measures are regularly monitored.

■ Institutional risks: SECO monitors the risks it faces as an institution and that may compromise the successful implementation of SECO's mandate.

Financial resources

SECO's activities under this programme will be financed through the Swiss framework credit 2021–2024 for economic and trade policy measures within development cooperation.

The final allocation of funds will depend on the identification of suitable programmes or projects, the absorption capacity, as well as the efficiency and effectiveness of the cooperation with the relevant partners in the country. Accordingly, the following information on planned commitments for the four-year period is indicative. This information serves merely as a basis for the forward spending plans that are reviewed each year by the Swiss Parliament. Planned commitments for Indonesia 2021–2024:

65
CHF million

Indonesia also benefits from regional and global initiatives financed by Switzerland that may not be included in these financial projections.

Working with partners

As a relatively small development partner, SECO depends on strong partnerships. SECO has successfully established partnerships and coordination mechanisms with more than 15 development partners, including international financial institutions, such as the World Bank or the Asian Development Bank, UN agencies, non-governmental organisations, as well as education and research institutions, which are a key success factor for delivering an effective cooperation programme. SECO

proactively seeks to promote co-financing arrangements with partners and, whenever possible, aims to create synergies with other development partners' initiatives to maximise development impact. Close collaboration with government counterparts is also indispensable. SECO closely coordinates its activities with the Indonesian National Development Planning Agency (BAPPENAS) and other key ministries to ensure that Switzerland's engagement responds to the development priorities of Indonesia.





SECO's contribution to gender equality in Indonesia

The country has a legal framework formally ensuring gender equality; however, legal barriers coupled with a patriarchal culture and religious conservatism continue to prevent girls and women from exercising their rights and reaching their full potential. Indonesia's female labour force participation rate (54%) is well below that for males (84%) and lower than average for countries at a comparable stage of economic development. Women are more likely to work informally than men and to experience a gender wage gap, earning roughly half the income of men. While the trends are overwhelmingly positive in the health and educational sectors, the political gender gap has widened slightly in 2020 compared to 2018. Moreover, genderbased violence continues to be a widespread problem. SECO will expand its knowledge on how to further promote equal opportunities and the economic empowerment of women across its development portfolio. It will do so by building on existing engagements in the areas of gender-responsive budgeting, training, skills development, access to finance and access to public services. SECO will also explore new avenues to reduce the persisting gender gap through the use of digital services and new technologies.



SECO's contribution to climate change mitigation, adaptation and resource efficiency in Indonesia

The shocks of climate change are already being felt across Indonesia, with the country experiencing more frequent droughts, heat waves and floods. This is posing an increasing threat to Indonesia's development. Better land management and accelerating the use of renewable energy sources is a key strategy for Indonesia to meet its climate goals. Indonesia is one of the world's largest coal producers and generates more than half of its power from coal. While the government supports the development of renewable energy, the country needs to expand much faster to meet the target of 23% of renewable energy supply by 2025. SECO will support Indonesia in addressing climate change challenges through a transversal approach with an active portfolio of climate-relevant activities: it will boost much needed skills development in renewable energy and "building green". It will further support greener and more environmentally friendly production processes, increase the energy efficiency of urban infrastructure, promote green budgeting principles, support the development of low-carbon transportation and integrate environmental considerations into value chain projects in tourism and commodities. In particular, the programme will increase its support for more sustainable palm oil and other commodities (wood, rubber) that are critical in addressing the impacts of climate change. In addition, SECO will also assist Indonesia on its way to achieve climate and disaster resilience.

Thematic priorities

SECO's contribution to Indonesia's development agenda

SECO's main goal is to assist Indonesia in overcoming its remaining development challenges and in becoming more competitive, resilient, equitable, resource efficient, and thereby a reliable political and economic partner for Switzerland.

SECO's Cooperation Programme for 2021–2024 focuses on sectors where SECO has proven expertise, where it can bring in Swiss experience and where it has built a strong partnership with Indonesia.

Therefore, SECO will focus its future support on the following two thematic priorities: 1) fostering effective public institutions, particularly in urban areas, through efficient use of resources; 2) strengthening private sector competitiveness, in particular SMEs.

SECO contributes to sustainable tourism in Indonesia (Ikat weaving in Wakatobi, Sulawesi).



Thematic priority 1

Fostering effective public institutions, particularly in urban areas, through efficient use of resources

To achieve the first thematic priority, SECO will support the Indonesian government in:

- implementing macro-economic reforms to create fiscal space via revenue mobilisation and promoting more efficient and effective use of public resources in an environmentally responsive way, and
- providing more targeted investments in infrastructure to boost sustainable urban development.

With regard to macro-economic reforms, the programme will be guided by the government's vision of "collecting more and spending better". Building on past achievements, SECO will continue to support economic and financial policy reforms that lead to broader resource mobilisation, more reliable management of public finances, and ultimately transparent and efficient use of public resources.

Furthermore, SECO will provide support to improve the sustainable and inclusive use of said resources in a more transparent, effective and targeted manner by addressing existing short-falls in the budget management process. Special attention will be placed on assisting the Indonesian government to define sound macro-economic responses to the economic crisis caused by COVID-19. The programme will also contribute to further improving the regulation and supervision of the Indonesian financial and capital markets with a stronger focus on stability and resilience. In this context, SECO will focus on four specific areas: 1) gender-responsive public resource management; 2) improving the quality of decentralised spending; 3) use of new technologies; and 4) environmental- and climate-sensitive budgeting.

In line with Indonesia's development priorities, SECO will support the government in addressing the challenges of rapid urbanisation and capitalise on the full

economic potential of urban growth. The programme will do so by improving the capacity of secondary cities to prioritise infrastructure investments based on data-driven analytics in order to close the infrastructure gap. Risk-informed investments will also reduce the vulnerability of cities to climate-related hazards. Furthermore, SECO will enhance urban connectivity by promoting well-developed public transport, as well as non-motorised transport systems, which also correspond to the government's commitment to reduce the country's aggregate greenhouse gas emissions. In addition, continued efforts are needed to enhance the capacity of regulators and water utilities at the local level. SECO will provide capacity building and help local governments develop achievable plans.

Indonesia's development priorities

National Development Plan 2020–2024

- Infrastructure development
- Simplification of bureaucracy

National Medium-Term Development Plan Agendas 2020-2024

- Building economic resilience for quality growth
- Strengthening infrastructure to support economic development and delivery of basic services
- Strengthening natural environment, disaster and climate change resilience



Thematic priority 2

Strengthening private sector competitiveness, in particular SMEs

The second thematic priority of the programme aims to improve the performance and competitiveness of the private sector with a particular focus on SMEs. While SMEs account for more than 90% of all firms in Indonesia, they suffer from low productivity. Reducing persisting constraints will help to improve productivity, accelerate growth, improve social and environmental sustainability, address gender inequalities in terms of labour participation and create high-quality jobs. With the Indonesian government's focus on in-country value addition, more skilled labour force and increased export drive, SECO's engagement in those areas remains highly relevant.

Despite having a strategic role in creating millions of jobs, spurring export performance and contributing to GDP growth, SMEs have actually been less successful in gaining support, especially financially. Recognising the importance of SMEs, SECO will continue its support in order to reduce financing obstacles for SMEs and facilitate access to finance. The programme will place particular focus on women entrepreneurship, leveraging fintech as well as digital platforms to boost SME productivity and growth. The reality of COVID-19 will bring new opportunities for partnerships and the creation of new digital products in cooperation with banks, making the sector more innovative and competitive. The programme will help SMEs to obtain non-discriminatory and improved market access for goods and services. The programme will also support sustainable value-chain integration, in particular of export commodities. In this context, SECO will place a stronger focus on addressing the negative impacts of COVID-19 on the private sector at large, and especially on the most affected sectors, namely tourism. In addition, the programme will continue to improve working

conditions, help SMEs and larger companies establish good environmental, social and governance practices, as well as promote resource efficiency.

Another key factor to boost competitiveness is improving the skills of the workforce. Through its upskilling strategy, the government is committed to improving the quality of the vocational education system. Given Switzerland's successful dual education system, it is well-positioned to contribute to the improvement of the VET system in Indonesia. SECO's programme therefore focuses on the revitalisation of the education and training system as a critical step towards developing a more skilled workforce that is able to meet the market requirements across sectors. This will also enhance employability for graduates, including women.

Indonesia's development priorities

National Development Plan 2020–2024

- Human resources development
- Simplification of regulations
- Economic transformation

National Medium-Term Development Plan Agendas 2020–2024

- Regional development to reduce disparity and promote equality
- Developing quality and competitive human resources

Results monitoring for Indonesia



Thematic priority 1

Fostering effective public institutions, particularly in urban areas, through efficient use of resources



Thematic priority 2

Strengthening private sector competitiveness, in particular SMEs



Theory of change

If SECO supports growth-oriented and environmentally sensitive macroeconomic reforms and promotes inclusive and sustainable urban development,



then the government of Indonesia will be better equipped to provide more effective public services, particularly in secondary cities,



because the government is able to raise and manage public resources more effectively to tackle rapid urbanisation challenges and thereby contribute to reducing greenhouse gas emissions and regional disparities.

Theory of change

If SECO helps small and medium-sized enterprises (SME) improve their access to skills and expertise, sustainable sources of finance, and markets,



then SMEs become more competitive on the global market,



because SMEs will be better equipped with market-oriented skills, have means to invest, and be able to innovate and create jobs as well as integrate into sustainable value chains.

Transversal themes



Gender equality

SECO fosters gender equality as a transversal theme, especially through gender-responsive budgeting, as well as equal access to public services.



Climate and resource efficiency

SECO includes climate change considerations across sectors in budgeting principles, urban infrastructure services and in renewable energy skills development.



Gender equality

SECO fosters gender equality as a transversal theme, especially in empowering women through SMEs, access to finance, and training and skills.



Climate and resource efficiency

SECO includes cross-sector climate change considerations in greener production processes and in global value-chain integration.



Contribution to selected SECO business lines

Growth-promoting economic policy

If SECO strengthens institutional capacities at the national and the subnational levels to increase domestic revenue collection, manage public funds more effectively, and implement effective economic and financial policies,

then the country has better quality public services and a conducive environment for private-sector driven growth

because strong and accountable institutions are better able to fulfil their essential functions and provide reliable and sound macroeconomic conditions (SDG 8.3, 16.6 and 17.1).

Urban development and infrastructure services

If SECO supports the capacities of secondary cities to prioritise infrastructure investments based on data-driven analytics,

then the country will be able to benefit more from urbanisation, close the infrastructure gap, reduce greenhouse gas emissions and decrease the vulnerability of cities to climate-related hazards

because the country will be able to provide more targeted investments in infrastructure and also provide equal access to affordable and reliable public services (SDG 11.3, SDG 6.1, 6.2).



Contribution to selected SECO business lines

Access to financing

If SECO helps the country reduce financing obstacles for SMEs and strengthen the infrastructure that supports financial transactions and innovative banking services,

then SMEs will be able to grow and create more and better jobs (SDG 9.3)

because SMEs will have improved access to financial services, including new digital products (SDG 8.10).



Integration in value chains

If SECO supports sustainable value chain development of export commodities and helps SMEs establish good environmental, social and governance practices,

then SMEs will be able to integrate into the global market, become more competitive, and improve their financial performance (SDGs 9.3, 8.9, 9.3, 12b)

because SMEs will obtain non-discriminatory and improved market access for goods, services and natural resources.



Market-oriented skills

If SECO helps Indonesia improve the quality and competence of its vocational education system through cooperation between schools and industry,

then Indonesia will have a more skilled workforce in order to meet labour demand across sectors and at the same time improve the productivity of companies (SDG 8.5)

because graduates will be equipped with the skills required by the private sector since curricula and teaching methodologies are relevant and up to date.



Abbreviations

ASEAN	Association of Southeast Asian Nations
BAPPENAS	Indonesian National Development Planning Agency
CEPA	Comprehensive Economic Partnership Agreement
CHF	Swiss franc
COVID-19	Coronavirus disease 2019
EFTA	European Free Trade Association
G20	Group of Twenty
GDP	Gross domestic product
Indo-AID	Indonesian Agency for International Development
MoU	Memorandum of Understanding
(M)SME	(Micro) small and medium-sized enterprises
RPJMN	Rencana Pembangunan Jangka Menengah Nasional (National Medium-Term Development Plan)
SDC	Swiss Agency for Development and Cooperation
SDGs	Sustainable Development Goals
SECO	State Secretariat for Economic Affairs
OECD	Organisation for Economic Cooperation and Development
PFM	Public Financial Management
UN	United Nations
USD	United States dollar
VET	Vocational education and training

State Secretariat for Economic Affairs SECO – Economic Cooperation and Development

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

Switzerland's international cooperation efforts as defined in the International Cooperation Strategy 2021–2024 aim to alleviate poverty worldwide, improve respect for human rights, promote democracy and protect the environment. Accordingly, SECO's economic and trade policy measures strive to support sustainable and inclusive growth. The Economic Cooperation and Development division focuses its activities on its specific areas of competences and experience in two target outcomes aligned with the 2030 Agenda for Sustainable Development; 1) Access to markets and opportunities and 2) Income opportunities. Special emphasis is placed on issues related to climate and resource efficiency as well as gender equality.

For detailed information about the orientation of SECO's economic development cooperation, see: www.seco-cooperation.admin.ch/secocoop/en/home.html



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The publication and maps used therein do not imply the expression of any opinion concerning the legal status of any country or territory or of its authorities, or concerning the delimitation of its borders.

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