

Summary Feedback: Country Consultation on Trade Strategy

Country: Indonesia

Place: Mandarin Hotel, Jakarta Date of Meeting: June 21-22 2010

Total Number of Participants: 44

Summary

Respondent Type	Stakeholder Comments / Feedback
<p>1. The proposed areas of focus in the World Bank Group trade strategy are: trade competitiveness, trade finance, trade facilitation and logistics, trade cooperation, and the development of data, indicators, and information systems. How well do these address and balance the needs of developing countries in using trade to promote economic growth and poverty reduction?</p>	
Government	<ul style="list-style-type: none"> • These pillars are very relevant to Indonesia. Yet Indonesia does not make any progress when it comes to implementation and action plans. • Trade competitiveness has been major concern for government. While we think think that trade liberalization will lead to more efficient product, we are concerned with new entrants. We think there is a need to mix between industrial policy which promote new entrants coming to markets and commitment to more open trade policy. • Ministry of trade is very keen to establish more reliable data and it expects that the bank may have blue print on it. • Other issues are about laws and regulations which are not favorable for investment climate. And we have not see how these pillars would specifically address these issues. • Specific issue on data, would it be possible for world bank to establish global trade surveillance? It would be helpful for policy makers to take appropriate policy actions based on this surveillance.
Private Sector	<ul style="list-style-type: none"> • Trade finance might be not a longer issue for Indonesian exports. The concern are now on the financing issue on the buyer side. • Indicators and information systems are necessity as Indonesia does not have real and reliable data on trade. (trade surveillance)

	<ul style="list-style-type: none"> • Access to finance for SMEs and how to integrate SMEs into global market. • Trade facilitation and trade cooperation are expected to help private sector/government to find new market destination. • It is better to design specific policies for specific issues. • Coordination among technical ministries should be a priority.
Academia, Research	<ul style="list-style-type: none"> • Among these pillars, trade competitiveness is a crucial issue in the context of Indonesia • Understanding the distribution of the impact of trade on domestic economies, particularly on household level. • We do not see any program specifically promoting the roles of technology in poverty reduction, particularly in the use of internet by SMEs. We have heard anecdotal evidence that some SMEs have market access because they use internet. • Look at domestic policies that are not directly trade-related. One is the impact of traditional market. Another example is on education. We have not prepared our education system to answer challenges to come. It is important to design how we prepare better education. • Some think that there is no need to encourage labor movement from informal sector to formal sector. The government policy should be aiming at creating better environment for informal workers.
Development Organization	<ul style="list-style-type: none"> • These pillars already address major issues facing Indonesia. Yet Institutional coordination is a challenge in Indonesia. It seems that the World Bank has not worked further in handling this issues, particularly among technical ministries. It would be helpful if the world bank is able to facilitate the coordination. • These pillars would need adjustment to various extent due to country-level context. • How to harmonize these pillars and strategies at the country level to regional level. • We like to add concern about policy reform facilitation as part of the World Bank strategies. • Integrate domestic markets to global markets, particularly for SMEs. Though it may be related to trade competitiveness or logistics issues, we think that we need particular policy strategies integrating SMEs to international trade.

	<ul style="list-style-type: none"> We see that the government needs for specific issue and specific policy. It would be better if these pillars can be more practical for the governments.
2. How should the World Bank Group allocate its activities between work at the global level and work at the country level?	
Government	<ul style="list-style-type: none"> The World Bank may allocate its activities at the regional level, for example, activities supporting ASEAN Economic Community. It is suggested that the government supported by the World Bank starts working in some commodities from up-stream to down-stream level. A success story gathered from this policy can be scaled-up to other commodities.
Private Sector	<ul style="list-style-type: none"> At the global level, the World Bank may support Indonesia by supporting trade finance in the buyer countries. It suggests that any support to Indonesia economies does not necessarily mean direct assistance to Indonesia. At the country level, the World Bank is expected to support dialogue process between private and government.
Academia, Research	<ul style="list-style-type: none"> While each country has its own characteristics, the global experience the World Bank has would be useful in designing framework for country-level strategies.
Development Organization	
3. At the country level, the World Bank Group supports developing countries through several means: financing; technical assistance and capacity building; and research and policy analysis. Which mix of activities would be most effective in helping countries use trade to promote economic growth and poverty reduction?	
Government	<ul style="list-style-type: none"> The government of Indonesia usually has good documents, yet we lack action/implementation plans. It will be better to have greater technical assistance and capacity building, and lower research and policy analysis. Areas of capacity building: 1) establishing global trade surveillance data, 2) strengthening data collection method (particularly in service sector), 3) improving policy coordination In terms of financing, improving access to finance for SMEs will be significant point in which the World Bank can support.
Private sector	<ul style="list-style-type: none"> Capacity building and technical assistance should not limited to the government sector, private sector also needs capacity building and assistance to improve competitiveness.

	<ul style="list-style-type: none"> • We need more financing to SMEs through guarantee scheme to banking sector • Capacity building for SMEs. Setting-up information related to trade and real-time trade data (e.g. export information) for private sector and policy makers. The data are expected to help both private and policy makers to take appropriate action. • In terms financing, the World Bank might help Indonesia by strengthening financing issue in buyer side of Indonesia products. • Capacity building for the government sector is still crucial. It can be in the form of helping the government to design grand strategy in trade and sound policies. • The World Bank should continue to support constructive dialogue process between private sector and the government. For example, the World Bank Jakarta has done excellence job by handling partnership dialogue between the government and private in logistics sector.
Academia, Research	<ul style="list-style-type: none"> • Direct support/capacity building to SMEs • In the current political environment, the World Bank should not give directly police advices (it mat trigger reluctance from the government's side). • The World Bank might do research on further on intra-industry trade and come up with policy strategies how to promote intra industry trade.
Development Organization	<ul style="list-style-type: none"> • Indonesia needs more implementable and practical analysis. • Yet good analysis and insight with clear and detail action plan is still crucial. • The government also lack in capacity building of data analysis. • It is expected that policy analysis and policy strategies are aimed to address specific issues with specific policies. • Institutional coordinationa is a challenge and the World Bank should further to explore policy strategies promoting the coordination. Facilitating policy reform through <i>TIMNAS PEPI</i> is also major step to strengthen institutional capability. • Sterngtehening institutional capacity related to export; for example by delivering technical assistance to SMEs and strengthening this sector to meet necessary standards required in global market.

4. Compared to other providers of Aid for Trade, where does the World Bank Group have the greatest strengths in supporting countries on trade issues?	
Government	
Private Sector	<ul style="list-style-type: none"> As the World Bank works at the global level, it can bring other countries' experiences to Indonesia.
Academia, Research	<ul style="list-style-type: none"> The World Bank has been doing a lot of research in trade competitiveness in many countries. Based on these researches, it may share the result and advice policies related to improve competitiveness (Indonesia faces serious problem in competitiveness in manufacturing sector)
Development Organization	
5. In which areas of the World Bank Group's current trade program should other partners – such as regional development banks, bilateral donors, and international agencies –take the lead?	
Government	
Private Sector	
Academia, Research	
Development Organization	<ul style="list-style-type: none"> Asian Development Bank (ADB) works mostly on infrastructure projects. At the moment, AUSAID are working with the government in trade competitiveness and trade facilitation. We are also involved in beuracritic reform in Ministry of Trade. USAID helps the government in in-country trade policy reform. We also work in helping the government to set up data and database system. In addition we also work with SMEs for export facilitation. EU is very active in providing assistance to private and the government to meet standards and compliances. It also works together with the government in trade data and global trade data.
6. How can the World Bank Group help address regional integration challenges?	
Government	<ul style="list-style-type: none"> The World Bank can accelerate the process of ASEAN Economic Community.
Private Sector	

Academia, Research	
Development Organization	<ul style="list-style-type: none"> • The World Bank should collaborate with regional development institutions (e.g. ADB) in facing regional challenges. It would be better if the World Bank can integrate country-context strategy with regional level strategy, so there will be coherency.
7. What other comments and or suggestions do you have?	
Government	<ul style="list-style-type: none"> • While research on policy strategies are important, we think that there are a lot of studies. It would be better if more resources are allocated to help directly our people (e.g. farmers and SMEs) through direct support or assistance. This direct technical assistance is expected to increase the value added of farmer's products.
Private Sector	<ul style="list-style-type: none"> • The World Bank's capacity building should be allocated some to the private sector • The World Bank should understand the fast changing environment in Indonesia. Instead of telling lists of what should the government do, it may work effectively if the World Bank designs more practical policy actions for specific issues. • The World Bank should continue a constructive partnership dialogue between the government and private sector.
Academia, Research	<p>Other proposal that the World Bank may add its activities:</p> <ul style="list-style-type: none"> • Understanding the distribution impact of trade on domestic economies, particularly on household level. we need to understand at the grass-root level and to link between trade and poverty. • We should see the role of technology, particularly in the use of internet by SMEs. We have heard anecdotal evidence that some SMEs have market access because they use internet. • Look at domestic policy which are not directly trade-related. One is the impact of supermarket on traditional market. Another example is research on education. • We need more research in logistics issues and how to connect domestic markets to international markets. • In regard to Trade and Gender, some studies can be focused on Indonesia's migrant workers particularly women workers.

	<ul style="list-style-type: none"> • On Trade and Climate Change, most of the issues are addressed by buyer side/importer in the developed countries. It is moreover related to standards imposed by the developed countries. While Indonesia exporters may have no knowledge of these kind standard and there are various and diferent standards imposed, it would be better if the World Bank can actively engage in harmonizing these standards at regional level.
Development Organization	<ul style="list-style-type: none"> • The World Bank should involve more on policy reform, strengthen policy coordinationa among technical ministries, and if possible, allocate more resources for technical assistance for parliament members. • The World Bank needs to connect domestic markets to international markets. It is crucial to increase the participation of SMEs in the global chains.