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FACTSHEET

Public Financial Management Multi-Donor Trust Fund (PFM MDTF)

Country/Region
Indonesia

Executing
Agency
World Bank

Government
Partner
Ministry of
Finance

Project
Duration
2014-2020

Total Budget
USD
22,381,534

SECO
Contribution
USD
4,500,000



*The launch of Indonesia Public Expenditure and Financial Accountability (PEFA) 2017 report.
(Photo: SECO)*

Background

Indonesia has experienced strong economic growth and steady poverty reduction over the past decade, but the end of the commodity boom, accompanied by slowing poverty reduction and rising inequality, has put pressure on the country's overall economic development. Indonesia has registered a growth rate between 4.8-6.2% in the period 2010-2019, with GDP per capita of about US\$3,900 in 2018. The decline in commodity prices and demand slowed growth to between 4.8% in 2015 and 5% in 2019. COVID-19 has further exacerbated the stable growth and may reverse the achievements of the past decade.

The downturn underscores the importance of the overall public financial management (PFM) reform agenda to ensure that the delivery of public services continues to function effectively.

Together with the EU and the Canadian Government, the Government of Switzerland, through SECO, contributed USD 22.38 million to a Multi-Donor Trust Fund, administered by the World Bank, aimed to support the PFM reform efforts undertaken by the Indonesian Government. The trust fund started in 2009 and the second phase will end in 2020.

Objectives and Activities

The overall objective of the PFM MDTF-II is to support the Government of Indonesia contribute to the socio-economic development of the country through an improved collection, allocation, usage and control of public resources. The specific objective is to support public finance management reform in Indonesia with a focus on key reform items at central level.

In line with the with the direction from the Ministry of Finance, the PFM MDTF II is focusing on four priorities: i) tax administration, (ii) budget efficiency, (iii) subnational transfers, and (iv) supporting more strategic management of PFM across units in the Ministry of Finance.

Governance Structure

The governance structure includes a Policy Advisory Committee and a Management Committee, as well as a Secretariat.

Achievements to date:

Some of the contributions made by PFM MDTF in four priorities include:

- **Tax administration:** contribution to the substantial expansion of Indonesia's tax base in number of registered individuals and business taxpayers; improved voluntary tax returns filing compliance rate; higher number of taxpayers filing annual income tax return using e-filing; and, Design of a comprehensive Tax Compliance Program.
- **Budget efficiency:** Completion of Public Expenditure Framework Assessment 2017 report; Improvement of budget management for better quality of spending in infrastructure; Support to the development and implementation of the government's primary financial management information system (SPAN); Blueprint of an interconnection between SPAN and LKPP (procurement agency) procurement information; and Analytical report of Government Regulation PP17 on synchronization of planning and budgeting.
- **Improving sub-national PFM:** contribution to just-in-time policy engagement on reforms to revision of Law 33 on fiscal transfers; Evaluation of Special Allocation Fund (DAK Fisik) preparation process in 2016 that contributed to improvement on 2018 DAK allocation process; and inputs to Ministry to Home Affairs's regulation on subnational finance.
- **Strategic management PFM:** support to Ministry of Finance's Institutional Transformation blue print including digitalisation and development of Enterprise Architecture.