



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

Country/Region
Indonesia

Executing
Agency
World Bank

Government
Partner
Ministry of
Finance

Project
Duration Phase
III
2020-2025

Total	Budget
Phase III	USD
	21,600,000

SECO
Contribution
Phase III
CHF
9,000,000



SECO supports Indonesia in improving digital technologies for public financial management.
(Photo: World Bank)

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, contribute USD 21.6 million to the third phase of 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 third phase will end in 2025.

Objectives and Activities

The overall objective of the PFM MDTF III is to support the Government of Indonesia in improving the quality of revenue and expenditure policy and management at central and subnational levels by enhancing their performance orientation including through digital technology in a gender responsive manner.

In line with the with the direction from the Ministry of Finance, the PFM MDTF III is focusing on four priorities: i) revenue policy and management, (ii) expenditure policy and management, (iii) subnational public resources management, and (iv) digital technology foundation and platform.

Governance Structure

The governance structure includes a Partnership Council and a Management Committee, as well as a Secretariat.

Achievements to date:

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

- **Revenue:** 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.
- **Expenditure:** 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.
- **Subnational:** 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' regulation on subnational finance.
- **Digitalization:** support to Ministry of Finance's Institutional Transformation blue print including digitalisation and development of Enterprise Architecture.