

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The program builds on reforms initiated under the earlier policy-based loans of the Asian Development Bank (ADB) that supported government reforms to improve the business climate, infrastructure development, and public procurement, notably the Fiscal and Public Expenditure Management Program (Subprogram 1), Infrastructure Reform Support Development Program, Development Policy Support Program, and Local Government Finance and Governance Reform Program. Development partner coordination is strong in fiscal policy and public financial management. For the Fiscal and Public Expenditure Management Program, German development cooperation through KfW provided €200 million in parallel financing for subprogram 1 and will co-finance subprogram 2 as well. KfW staff joined the ADB consultation mission to discuss the policy matrix with the government. The World Bank supports the government's efforts on revenue mobilization through its development policy loan. The Government of Australia supports the Government of Indonesia to reduce poverty and inequality through the (i) Governance for Growth (KOMPAK) program, and (ii) public financial management (PFM) program, at subnational government level through the Department of Foreign Affairs and Trade. The governments of Canada, Germany, and the United States are also active in PFM.

2. The program focuses on supporting critical spending on physical and social infrastructure by developing national and local PFM systems and by ensuring that statutory quotas for critical spending in areas such as health and education are maintained. The government is making strides in implementing its reform agenda, which includes improving the business climate, extending social services, and expanding the tax base. The program takes into account assistance provided by other multinational and bilateral development partners to increase synergy for the highest possible program effectiveness. The table below summarizes the recent programs of development partners in the core areas related to the program.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Medium-term expenditure aligned with RPJMN and SDG targets (social sector and infrastructure)			
ADB	Stepping Up Investments for Growth Acceleration Program, Subprograms 1 and 2	2013–2016	900
	Stepping Up Investments for Growth Acceleration Program, Subprogram 3	Pipeline	500
	Analytical and Capacity Development Partnership	2010–2017	50
	Advanced Knowledge and Skills for Inclusive Growth in Indonesia	Pipeline	200
Government of Australia	Government Partnership Fund	2011–2017	52
	Australia–Indonesia Partnership for Economic Governance	2008–2017	71
	Towards a Strong and Prosperous Indonesian Society	2015–2019	40
	Empowering Indonesian Women for Poverty Reduction	2012–2016	60
ILO	Promise Impacts Project (SECO funding)	2015–2018	3
World Bank	Fiscal Reform Development Policy Loan (with AFD)	2016	400
	Modernization of Tax Collection Project	Pipeline	100

IFC	Investment Climate: Supporting Indonesian Authorities in Cutting Red Tape and Implementing Sustainable Pro-Business Reforms	2010–current	200
National public expenditure management			
ADB	Strengthening Public–Private Partnerships in Indonesia	2013–2017	2.0
	Accelerating Infrastructure Delivery through Better Engineering Services Project (additional financing)	Pipeline	100
Government of Australia	Australia-Indonesia Partnership for Pro-Poor Policy: The Knowledge Sector Initiative	2012–2017	100
EU	Public Finance Management	2013–2018	10
World Bank	Public Financial Management and Revenue Administration Reform Program	2016–2018	2.7
Government of Canada	Strengthening Internal Audit	2016	1
	Strengthening Public Financial Management	2013–2018	5
	Fiscal Risk Management	2011–2016	1.3
Government of Switzerland	Public Finance Management	2006–2018	9
	Procurement Modernization Project	2013–2018	5
	Planning and Budgeting Reform for the Performance-Based Budgeting System Implementation	2015–2017	1.5
Government of United States (MCC)	Strengthening of Public Procurement System in Government of Indonesia	2016–2017	2.0
Government of Japan (JICA)			
Subnational public service delivery			
ADB	Developing Procurement Capacity for Improved Procurement Outcomes	2012–2015	0.45
	Tax Revenue Administration Modernization and Policy Improvement in Local Governments.	2015–2018	5
Government of Australia	Governance for Growth	2015–2018	81
	Australia-Indonesia Partnership for Rural Economic Development Program	2013–2018	112
	National Program for Community Empowerment	2009–2018	208
Government of Canada	National Support for Local Investment Climate	2015–2020	18
GIZ	Planning and Monitoring of SDGs	2013–2016 2018–2019	6.2
Government of Switzerland	Multi-Donor Trust Fund for Trade and Investment Climate	Pipeline	150
World Bank	DAK Reform Program		
	Regional Infrastructure Development Fund	Pipeline	200
	Local Government and Decentralization Project	2014–current	5,000

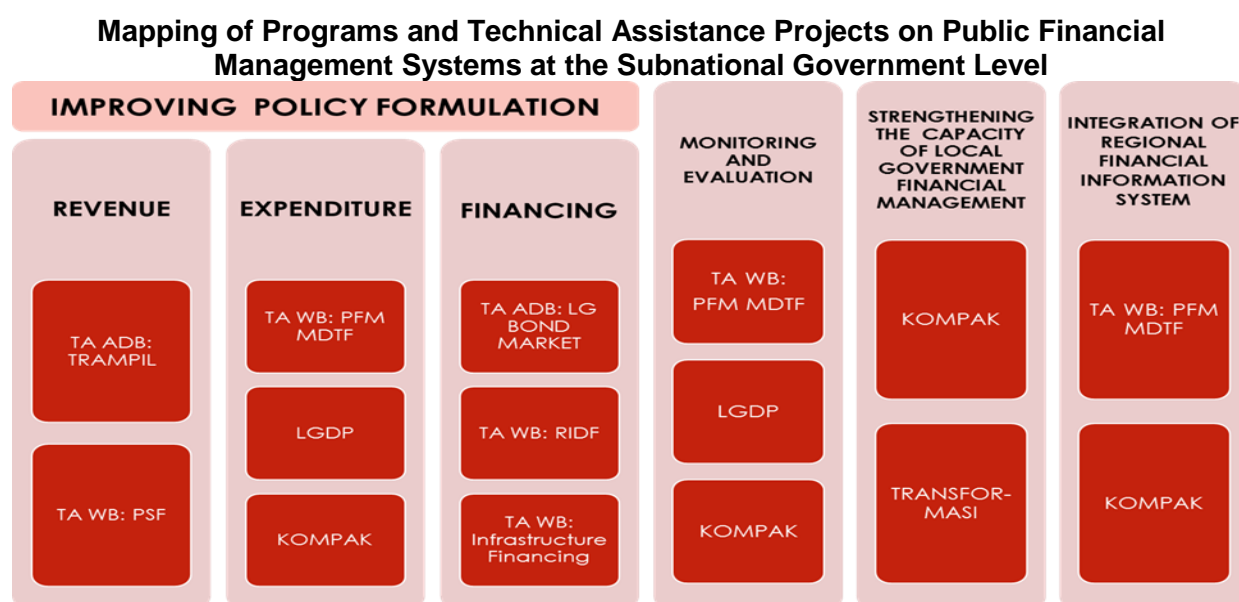
ADB = Asian Development Bank, AFD = Agence Française de Développement, EU = European Union, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, IFC = International Finance Corporation, ILO = International Labour Organization, JICA = Japan International Cooperation Agency, MCC = Millennium Challenge Corporation, MDG = Millennium Development Goal, RPJMN = Rencana Pembangunan Jangka Menengah Nasional (National Medium-Term Development Plan), SDG = Sustainable Development Goal, SECO = Swiss State Secretariat for Economic Affairs, UNDP = United Nations Development Programme.

Sources: ADB and development partners.

B. Institutional Arrangements and Processes for Development Coordination

7. ADB missions regularly include dialogue with development partners to exchange information. Donor coordination meetings are regularly held in the areas of investment,

infrastructure development, public–private partnerships, and PFM (procurement). There is a formal government–development partner coordination process on decentralization policies and PFM at the subnational government level, led by the directorate general of fiscal balance.. ADB’s support in the areas of PFM and fiscal decentralization is channeled through two technical assistance (TA) projects: Tax Revenue Administration Modernization and Policy Improvement in Local Governments and Strengthening the Local Government Bond Market. The figure shows the government’s mapping of the different programs and TA projects on PFM systems at the subnational government level.



ADB = Asian Development Bank, LGDP = Local Government and Decentralization KOMPAK = Kolaborasi Masyarakat dan Pelayanan untuk Kesejahteraan (Governance for Growth), MDTF = Multi-Donor Trust Fund, PSF = National Program for Community Empowerment Support Facility, RIDF = Regional Infrastructure Development Fund, TA = technical assistance, TRAMPIL = Tax Revenue Administration Modernization and Policy Improvement in Local Governments, TRANSFORMASI = Transforming Administration and Strengthening Innovation.
Source: ADB.

C. Achievements and Issues

3. TA is often provided by different development partners in support of the policy actions identified by the Government of Indonesia. Close coordination between ADB’s policy-based lending and the World Bank’s development policy lending supports have allowed ADB and the World Bank, along with other development partners, to build on the natural synergies and complementarities that exist across their respective portfolios. The harmonized approach at the policy and operational levels has provided a solid foundation to maximize synergies, reduce the transaction burden, and better align support with the client’s needs. For example, ADB’s technical assistance supported the design and evaluation of the plot conditional cash transfer program and World Bank subsequently supported implementation as well as capacity building.

D. Summary and Recommendations

4. The program builds on the success of earlier policy-based loans from ADB and development partners, and the synergies and complementarities created by their harmonized approach. The modality for the program is based on continued productive dialogue with the government and development partners to support efforts to develop and implement priority medium-term reforms that are expected to bolster the country’s economic growth.