

Engagement Area Design Documents

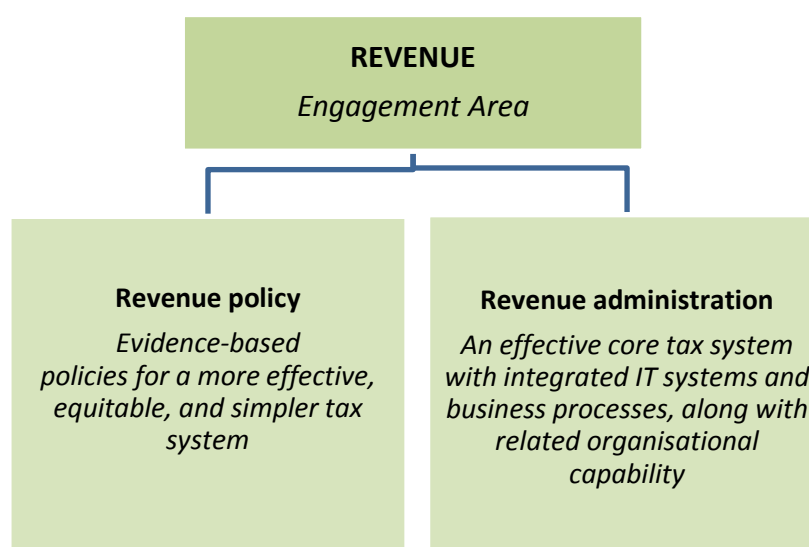
REVENUE

ENGAGEMENT DESIGN DOCUMENT

(July 2017 – September 2018)

Indonesia has a mounting need for revenues that are higher, collected in a sustainable manner, and draw on a buoyant revenue base. Voluntary taxpayer compliance, the linkages between revenue administration and administrable revenue policy, and the need for policies that both secure revenues and support private sector development are key considerations.

To implement strategic initiatives in the revenue area, the Minister of Finance has appointed a Tax Reform Team comprising senior government officials' representatives from the private sector and academics. The IMF, World Bank, OECD, AIPEG and private sector representatives are official observers. The Revenue engagement will align its work program with the Government's reform plans while continuing to support the Fiscal Policy Agency (BKF) and the Directorate General of Taxes (DGT) through policy advice and capacity building. The engagement work program will be organised through two activity streams: Revenue Policy and Revenue Administration.



ACTIVITY STREAMS

REVENUE POLICY

- **Scope:** Assisting the government to develop and implement more effective *tax policy and regulation*, a more effective *tax policy function* within government, and *engaging stakeholders* in development of tax policy are the three elements of this stream. The Tax Reform Team has a mandate to review policy and the ongoing revision of income tax and value added tax laws provide an opportunity to support adoption of a broader based and more equitable tax system. A tax policy function is being established in BKF (in collaboration with the Government Partnership Fund (GPF) Treasury) and this process will continue including on capacity building. The Tax Reform Team provides for reform to reflect the views of external observers, including business. The stream will look to promote that collaboration with the purpose of supporting adoption of tax policies that are consistent, transparent and fair and so are supportive of efficient private sector development. The stream will also look to address inconsistencies in revenue law or execution that disadvantage working women.
- **Approach:** This activity will be delivered through a series of long- and short-term, national and international adviser engagements. Specialist support will be needed for the development of a tax policy reform strategy under the medium-term macro-fiscal framework, followed by analytical work on specific taxes and sector-specific policies. Where opportunity presents, external short-term training, workshops and local consultancies will augment this effort. Collaboration with GPF Treasury and other development partners to build capability for policy development and implementation in BKF, and relevant areas of the MoF will be integral to the approach.
- **Outcome:** The intermediate outcome is to support *more effective revenue policy* through a strategy for increased revenue mobilisation; evidence-based approach to revenue policy; and support for institutional building for an integrated tax policy formulation. This contributes to AIPEG's long-term outcome of *better management of public resources*.
- **Sustainability:** This activity will focus on institution building to strengthen tax policy analysis capacity of the key counterparts, particularly researchers and policy analysts in BKF and DGT. Researchers at BKF typically build their career and stay within their job function for a relatively long time that would ensure sustainability and maintain institutional memory. In addition, knowledge will be disseminated through capacity building of structural staff of BKF, since past experiences show that they were often promoted to carry out broader responsibilities within or outside the MoF. The capacity building activities, as needed, will build on and complement the training program provided by the GPF Treasury.
- **Counterpart Commitment:** AIPEG, in close collaboration with the GPF Treasury, has been supporting BKF to build institutional capacity in its tax policy functions. The Head of BKF continues to show commitment to this work and has requested support from development partners, including AIPEG, GPF, and others, to improve BKF's tax policy analysis capacity through policy advice, technical assistance and joint analytical work in the evaluation of tax policy change proposals and the amendment of existing tax laws and regulations. The commitment has also been shown by the Minister of Finance along with DGT counterparts including through participation in joint workshops with BKF and agreement to staff secondments between BKF and DGT to support the institutional capacity for tax policy in BKF.

REVENUE ADMINISTRATION

- **Scope:** This activity stream will support the MoF in the modernisation of the core tax administration system. The Revenue Administration activity stream has three elements: *business process and IT enhancements*, managing reform through support for *change management*, and *engaging stakeholders*. The activity aligns AIPEG's support in DGT with the Government of Indonesia's Tax Reform Team's plans for institutional transformation. A major component of this activity will be procurement of a firm to support development of a detailed work plan for the modernisation of the core tax administration system.
- **Approach:** This activity will be advanced, primarily, through technical assistance provided by a mix of long and short term, local and international adviser engagements, and consultancy services (through a firm). Recognition of the value of effective engagement with government, taxpayers and their representatives and internal staff will see support given for activities that facilitate consultation, collaboration and co-design approaches in line with directions of the modernisation of the core tax administration system. As DGT is preparing for a major core tax administration system reform, there is the need to contribute to change and project management capability building. Where opportunity presents, external workshops and local consultancies will augment this effort. This work program will be delivered in cooperation with a number of GPF partners, including Australian Treasury, Australian Taxation Office, and Australian Transactions and Reports Analysis Centre.
- **Outcome:** The intermediate outcome is to support *more effective revenue administration* through: a new core tax administration system; and continued organisation development in DGT. This contributes to AIPEG's long-term outcome of *better management of public resources*.
- **Sustainability:** The Ministry of Finance has formed the Tax Reform Team and DGT has also formed tax reform sub-teams to implement the medium-term tax administration reform. AIPEG will work very closely with this Team and sub-teams to develop their capacity. For the immediate future, existing periodic rotation practices will continue to challenge the sustainability of capability building outcomes, but the introduction of improved risk and governance frameworks and improved business processes will augment overall organisational capacity.
- **Counterpart Commitment:** The MoF has formed the Tax Reform Team in which AIPEG is also involved as an observer. The Directorate of Internal Compliance and Apparatus Transformation (KITSDA) will continue as the immediate counterpart.

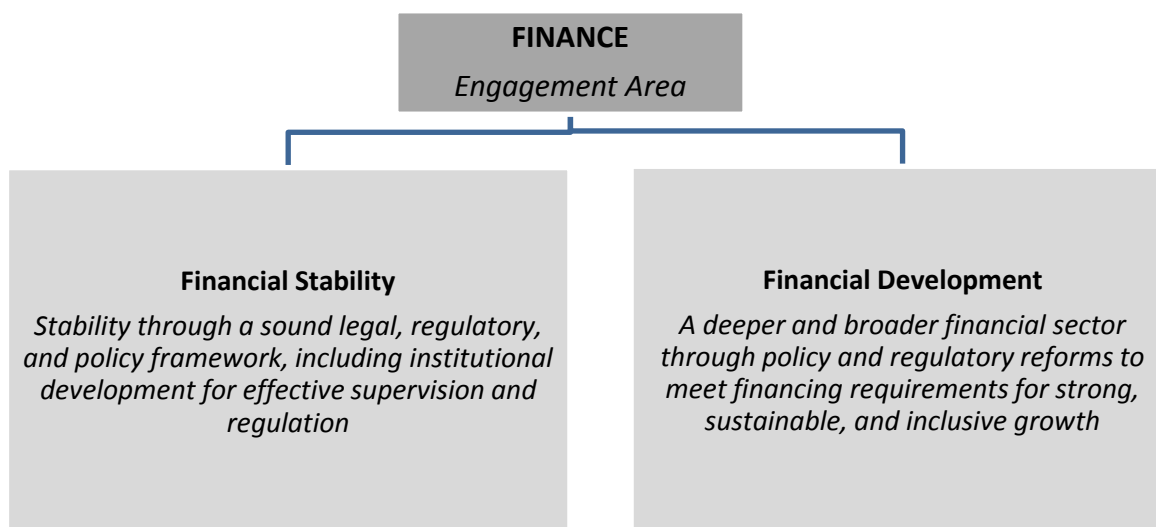
FINANCE

ENGAGEMENT DESIGN DOCUMENT

(July 2017 – September 2018)

Indonesia needs a financial sector that is both stable and of a scale and composition commensurate with its growth and development goals. Banking sector stability has helped define economic policy and institutional arrangements in the financial sector over the past couple of decades. The 2016 passage of the financial crisis prevention law marks an important watershed turning the focus toward effective implementation. Efficient private sector development requires much greater intermediation, instruments, and maturities. Human development calls for much greater inclusion in the financial system.

The finance engagement comprises two interlinked streams: financial stability and financial development. These activity streams contribute jointly to the goals of expanding financial and capital markets while maintaining stability of the financial system. Stability focuses on crisis avoidance and mitigation as well as supervision of financial institutions. Deeper and more complete financial markets help both development goals and stability. The activity streams involve a broad set of counterparts that enable AIPEG to work across agencies.



ACTIVITY STREAMS

FINANCIAL STABILITY

- **Scope:** The activity will work in three areas: implementation of the *Financial System Crisis Prevention and Mitigation Law* (PPKSK) – includes testing of the new arrangements, regulations and capacity building on the responsibilities and accountabilities of the various agencies in respect to crisis management; capacity building and advice for the *Financial System Stability Forum (FSSK) Secretariat* - including market surveillance, early warning systems for impending crises, and policy and regulation that improve market stability and; *supervision and regulation of markets* – including addressing deficiencies noted in the IMF Financial Sector Assessment Programme and Basel Committee Regulatory Consistency Assessment Programme in 2016, refinement of financial conglomerate supervision, and market conduct supervision.
- **Approach:** This activity stream will be jointly anchored in the Ministry of Finance, Financial Services Authority (OJK), and the Deposit Insurance Corporation (LPS). In the Ministry of Finance, the focus will be on the Financial Sector Policy Centre (FSPC), in its capacity as Secretariat for the FSSK – comprising Ministry of Finance, Bank of Indonesia, LPS, and the OJK. In supervision and surveillance capacity, AIPEG will coordinate and collaborate with GPF partners, ASIC and APRA to address priority deficiencies agreed by the institutions. The work will continue to be delivered through activities assisting with the development of policy and building capacity of the agencies to enable them to undertake their respective roles in the national financial stability plan more effectively. In respect of the surveillance of the financial sector and economy in general, the Financial Stability team will work closely with the Economic Support Team (EST).
- **Outcome:** The intermediate outcome is to support *increased financial stability* through: improved operation of the financial system stability forum; implementation of the financial crisis management law; and improved supervision. This contributes to AIPEG's long-term outcome of *stronger economic institutions*.
- **Sustainability:** The passage of the law to prevent and manage financial crisis has established a sustainable framework under which the various agencies will understand their responsibilities and can develop resources to undertake their mandated roles. AIPEG's support is building capacity for OJK and LPS to undertake similar work independently in the future. A number of activities supported by AIPEG have been fully adopted by OJK, including the Conglomerate Supervision Directorate and OJK FinTech Hub, demonstrating a high degree of ownership.
- **Counterpart Commitment:** AIPEG enjoys support from the highest levels within Indonesian bureaucracy for this work, and the manner in which work plans are developed cooperatively with counterparts, has ensured buy-in.

FINANCIAL DEVELOPMENT

- **Scope:** The activity has three parts: *financial sector development plan* – including developing the analytical foundations for Indonesia's financing needs and, if possible, drafting of a collaborative national development plan; *market instruments* – including development of instruments such as securitised bonds and the demand for such instruments through long term financing sources such as pension funds and; *financial technology* – including development of Financial Technology (FinTech) regulations as a vehicle for financial sector development and inclusion through a study on gender and digital finance in Indonesia.

- **Approach:** The activity will support agencies in developing strategies to expand various market segments. AIPEG will coordinate with other DFAT programs involved with the expansion of financial services. AIPEG will provide support for analysis and development of specific market segments and will provide capacity building for BKF Financial Sector Policy Centre staff around market analysis. Financial technology is a particular area of focus. Financial literacy and consumer protection are the other elements required to give an enabling development environment, issues which AIPEG is addressing with OJK.
- **Outcome:** The intermediate outcome is to support a *deeper and more diversified financial sector* through: a strategy for increased competition and diversification in the finance sector; and expansion of financial products supported by sound regulation. This contributes to AIPEG's long-term outcome of *stronger economic institutions*.
- **Sustainability:** Sustainability will be enhanced by the involvement of all financial sector regulatory agencies through a joint committee such as FSSK Secretariat, or the joint development of a National Plan, which to date has been difficult to establish. If a National Plan is accepted by all agencies, international expertise will likely be sought to supplement domestic advisory support, but the planning exercise will develop a degree and analytical ability, through the review markets in the context of dynamic trends international markets. Work on segments and products, such as FinTech and securitisation is sustainable in its own right, including with the passage of related legislation in the case of FinTech and planned pilot of Indonesia's first securitisation with PLN.
- **Counterpart Commitment:** All financial sector agencies understand the need to develop and deepen the Indonesian market. The constraint to date has been one of coordination which remains, despite execution of Memorandum of Understanding between all parties. The direct counterpart, Ministry of Finance has given their commitment from the most senior levels to this activity.

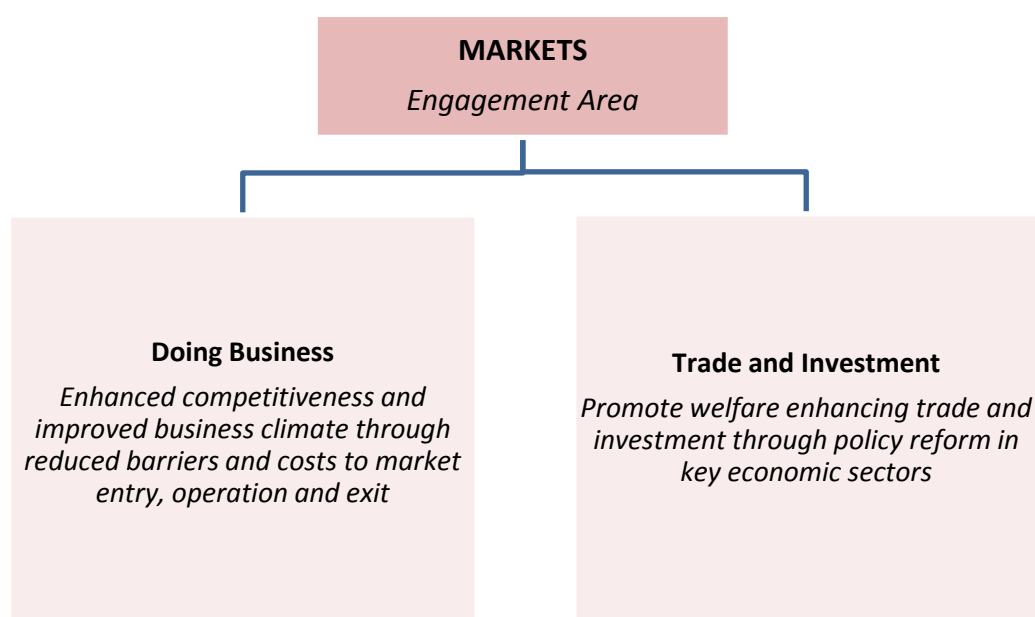
MARKETS

ENGAGEMENT DESIGN DOCUMENT

(July 2017 – September 2018)

Private sector development, job creation, and sustainable economic growth require sound well targeted regulations that are effectively implemented. Regulations need to address market failure, be transparent, and their implementation predictable and fair. In Indonesia some government interventions, even if well-intentioned, have been poorly designed and implemented and this is hindering Indonesia's business climate, distorting trade and investment, as well as Indonesia's participation in regional and global value chains.

The Markets engagement supports microeconomic reforms to boost productivity across the Indonesian economy centred around two inter-related activity streams. These streams are *Doing Business*, which works to reduce barriers and costs to market entry, operation and exit; and *Trade and Investment*, which aims to promote welfare enhancing trade and investment through reforms in key economic sectors.



ACTIVITY STREAMS

DOING BUSINESS

- **Scope:** This activity stream aims to reduce the cost to business of entering, operating in, and exiting from markets. These costs may result from policy measures or administrative requirements. Addressing these issues is expected to improve the business climate and support the GoI's continued deregulation and de-bureaucratisation initiatives, while boosting competition and private sector development. It will develop and implement reform centred on four aspects: *Policy Advice on select Ease of Doing Business (EoDB) indicators* - specific support to improve insolvency and contract enforcement, a deeper analysis of constraints to the efficient provision of reliable electricity and ongoing policy advice to DKI Jakarta; *Regulatory simplification* - including through support to transition from manual to online processes for construction permits, improvements to inter-agency data management and analysis and support to develop other ICT based solutions; *Capacity building and country benchmarking* to better understand and implement reforms; and *stakeholder engagement* with government agencies and the private sector, to promote changes. AIPEG will also undertake a diagnostic study on improving women's access to public procurement, potentially in collaboration with the International Trade Centre.
- **Approach:** AIPEG will be guided by major areas of concern in the business climate, with a focus on areas that overlap with the government's EoDB agenda. The activity stream will engage with the Coordinating Ministry for Economic Affairs (CMEA), the Indonesian Investment Promotion Agency (BKPM), and other agencies playing a key role in coordinating improvements to the business climate. The work will be undertaken in close collaboration with the Trade and Investment Activity Stream as well as Australia Indonesia Partnership for Justice (AIPJ), Pulse Lab and other partners.
- **Outcome:** The intermediate goal is to support *reduced cost of market entry, operation and exit* through improvements in areas including: starting a business; dealing with construction permits; improving trading across borders; enforcing contracts; and resolving insolvency. This contributes to AIPEG's long-term goal of *well-functioning markets*.
- **Sustainability:** Sustainability will be achieved through strong counterpart relationships established with BKPM, CMEA, DKI Jakarta and the Supreme Court (for work on insolvency and contract enforcement). The priority given to the EoDB agenda by the President and establishment of an EoDB working group within CMEA provides the foundation and resources for an Indonesian-led work program.
- **Counterpart Commitment:** The government is committed to improve the investment climate and reduce the cost of doing business in Indonesia as evidenced by the President's target to reach number 40 in the World Bank's annual EoDB ranking.

TRADE AND INVESTMENT

- **Scope:** This activity stream promotes Indonesia's economic development and integration in global trade through the streamlining and removal of barriers to trade and investment. A particular focus is on addressing the array of structural impediments to Indonesia's integration into regional and global value chains. This will be delivered through two areas of work: Firstly, *Service sector reform* supported through the development of an empirical evidence base for service sector reform and support for Indonesian Services Dialogue advocacy. Secondly, *reducing barriers to trade and investment*, by quantifying the cost of barriers to trade and investment and progressing an analytical agenda on global value chains and the inventory of service sector regulation. This will include specific analysis on the digital economy and other sector specific research.

- **Approach:** AIPEG will continue implementing a multi-pronged approach to this activity stream. The first channel will engage with the Indonesian government, including through support to the Fiscal Policy Agency/Tim Tariff and CMEA, through AIPEG supported technical analysis and training; support to Ministry of Trade (MoT) directorate general of International Trade Cooperation (KPI) on defining its APEC/Free Trade Area of the Pacific agenda. The dialogue series with the MoT will also continue. The Indonesian Services Dialogue (ISD) will support campaigns focusing on regulatory reform in the provision of vocational education, FinTech and logistics as well as the VAT regime for services exports. The scope of work connects to the Doing Business activity stream and other development partners (e.g. World Bank) and agencies (e.g. CSIS) working on these issues will be actively consulted.
- **Outcome:** The intermediate outcome is to support *reduced barriers to trade and investment* through: reduced tariff and non-tariff measures; increased openness to investment; reduced restrictions on services; and regulatory reform in key sectors for economic growth. This contributes to AIPEG's long-term outcome of *well-functioning markets*.
- **Sustainability:** As knowledge and understanding of the costs of trade protection and inconsistent investment policies spreads, decision makers will be more inclined to support a reform agenda that encourages ongoing deregulation of streamlining of restrictive policies. Advocacy to high-level decision makers will be a key driver in each of the three channels of the approach. AIPEG will provide formal and informal training to government counterparts on identifying and reviewing the costs and benefits of non-tariff measures. ISD is increasingly recognised as the leading advocate on services. While additional sources of funding are still to be identified, ISD has potential to provide a sustainable model for policy influence in Indonesia.
- **Counterpart Commitment:** There is growing recognition amongst counterparts, especially in CMEA, BKPM, BKF, the Cabinet Secretariat, and several Directorates in the Ministry of Trade, of the need for Indonesia to remove some of its more complex barriers to trade and investment. Many of the engagement's activities have been requested by counterparts who have demonstrated commitment to the work program through dialogues and workshops on international trade and economic integration issues.

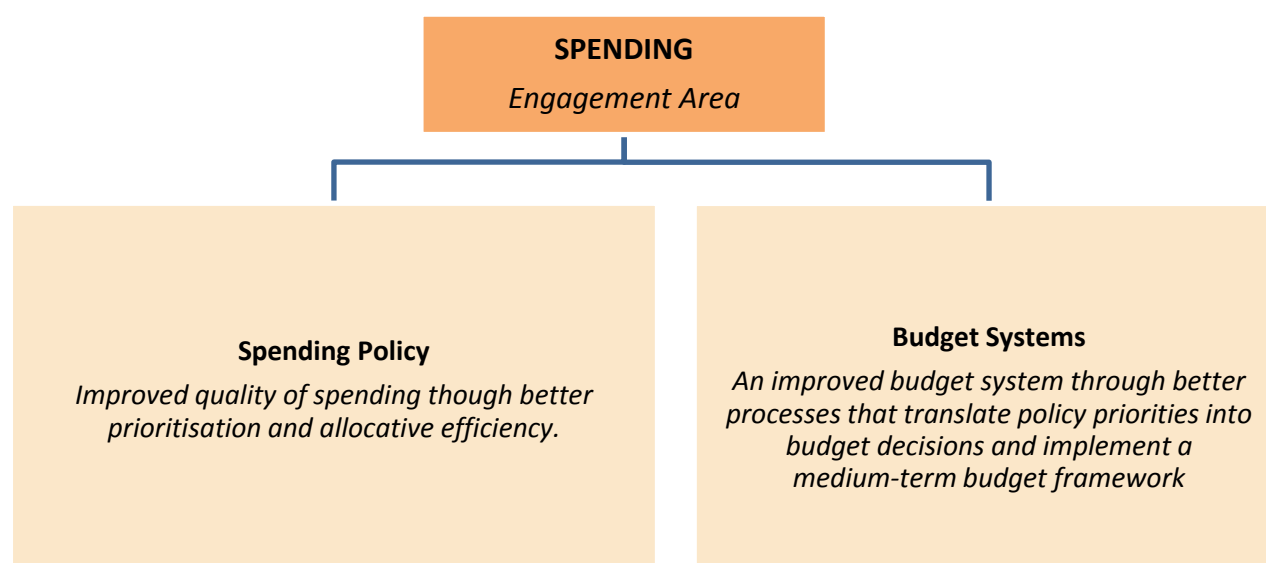
SPENDING

ENGAGEMENT DESIGN DOCUMENT

(July 2017 – September 2018)

Realising Indonesia's potential, especially through private sector development, calls for a major build up in public infrastructure and substantial public investment in human capital. At the same time, further demands on the government budget are growing through an emerging social insurance system and rapidly increasing grants to other levels of government. Infrastructure and human development outlays pose significant challenges in terms of the level of public outlays and, equally importantly, all areas of the budget raise important challenges for the quality of public outlays.

The Spending engagement recognises that increasing budget flexibility is essential to enable greater spending prioritisation and improved quality of spending especially in the context of a tight fiscal outlook. Support will be aligned through policy advice and capacity building in two activity streams: (1) Spending Policy, which will focus on how to enable the budget to reflect whole-of-government priorities, including ways to determine and review aggregate level budget allocations; and (2) Budget Systems, which will focus on improved processes that support performance focused and medium-term planning and budgeting. The Ministry of Finance and the Ministry of National Development Planning (Bappenas) will be the primary counterparts.



ACTIVITY STREAMS

SPENDING POLICY

- **Scope:** Spending Policy has three elements. *Prioritising spending* – aggregate spending, types of spending and growth, central versus regional government spending, and sectoral spending efficiency and returns; *Managing fiscal pressures* – projections on the fiscal outlook including medium-term fiscal risks/pressures and *Enhancing budget transparency* – easily accessible budget data and improved quality of information in budget documentation.
- **Approach:** Working closely with the National Development Planning Agency (Bappenas), Ministry of Finance (MOF), as well as the Coordinating Ministry for Economic Affairs (CMEA) and other agencies such as the Office of the President's Staff, the Spending Policy activity stream supports improved spending prioritisation and efficiency through:
 - Specific advice on budget assumptions, spending allocations and other briefing.
 - Provision of tools and training to counterparts to ensure they are able to conduct expenditure efficiency and policy analysis.
 - Support for the development of a budget web portal to improve transparency.
 - Collaboration with other AIPEG engagements (Economic Support Team, Revenue, and Markets) as well as a close collaboration with Government Partnership Fund (GPF) partners especially the Department of Finance.
- **Outcome:** The intermediate outcome is to support *better spending policy* through: an improved evidence base to guide the prioritisation of spending; tools to analyse spending efficiency within budget portfolios and increased budget transparency. This contributes to AIPEG's long-term outcome of *better management of public resources*.
- **Sustainability:** This activity stream will be sustainable through providing the tools and supporting skills development at central agencies to analyse aggregate expenditure issues and to bring an evidence-based approach to policy formulation. In addition, improved budget transparency will impose a discipline through greater accountability that reinforces the development of better policies.
- **Counterpart Commitment:** Key government counterparts, particularly DG Budget, have been highly supportive of this activity stream. Regular seminars have been well attended by staff and the senior staff have been readily available to discuss priorities. The government counterparts, i.e. Bappenas and MOF, have provided AIPEG with office space and administrative support.

BUDGET SYSTEMS

- **Scope:** This activity stream focuses on the refinement of budget frameworks and systems. A planning and budgeting system that provides policy-focused decision making, higher performance standards and a medium-term funding horizon is essential for meeting better quality spending. It has four elements: *performance budgeting* – continuing to simplify and improve performance indicators; *medium-term expenditure framework* – improving the quality and utility of forward expenditure estimates is essential to improving the allocation of resources and quality of programs over time; *new initiatives* – strengthening the evaluation and allocation procedures for new policies; and *monitoring and evaluation* – continuing to develop and refine methodologies to evaluate and report achievement.
- **Approach:** This activity will refine the budget frameworks and budget processes that have been put in place with the assistance of AIPEG and GPF by providing:
 - Technical guidance - redesigning business processes and regulations.
 - Capacity building - training staff to improve their analytical capacity and ability to evaluate policy proposals especially the capacity of budget analysts, a position currently being adopted.
 - Developing IT tools that support the improvements to the framework and facilitate analysis and budget transparency.
 - Improving the quality and timeliness of consolidated central and regional government financial reporting.
 - Collaboration with GPF, the Department of Finance, and the Spending Policy activity stream.
- **Outcome:** The intermediate outcome is to support *better budget systems* through: business processes and IT applications that deliver a multi-year budgeting framework. This contributes to AIPEG's long-term outcome of *better management of public resources*.
- **Sustainability:** Sustainability is addressed through the focus on embedding new budget processes and IT tools through training and on-the-job mentoring which will endure beyond the provision of assistance. AIPEG training in the new budget application was scaled up by the MoF in 2016 and 2017 through APBN funds and led by the Financial Education Training Agency at MoF. The focus on capacity building to assist MoF develop a 'budget analyst' functional (specialist) staff classification also supports sustainability. These staff will be equipped with the skills to move beyond managing the budget process to enable them to undertake high-level policy and costing analysis.
- **Counterpart Commitment:** Bappenas, Ministry of Finance and increasingly CMEA have demonstrated their commitment to these reforms and have consistently sought support to assist with the development of systems, processes, and regulations related to budget reform. There has been recent significant progress in improving the budget process through implementing new IT applications and a government regulation on improving the synchronisation of planning and budgeting processes.

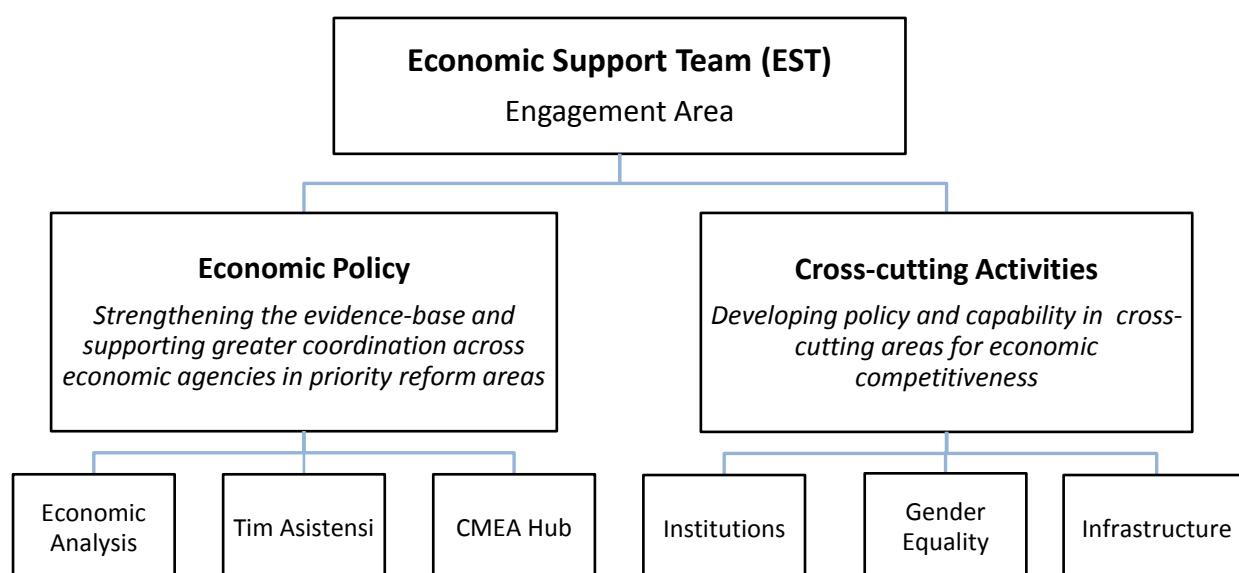
ECONOMIC SUPPORT TEAM ENGAGEMENT DESIGN DOCUMENT

(June 2017 – September 2018)

A competitive Indonesian economy needs a policy framework that can deliver strong, sustainable, and inclusive growth. This framework has two elements. First, it spells out the macroeconomic policy regime consistent with stability and competitiveness. Second, it spells out the institutional process by which evidence-based policy and regulatory initiatives are developed and reviewed to ensure their consistency with government goals. Both parts of the policy framework recognise the need for evaluation and coordination that transcends sectoral boundaries.

While Indonesia's macroeconomic policy, especially fiscal policy, has anchored its success, the policy space for timely and flexible responses to economic developments is steadily declining. Tepid revenue growth has resulted in the budget bumping up against the 3% legal deficit ceiling and monetary policy is constrained by external funding needs and concerns about large exchange rate swings. On the broader reform front, while much progress has been secured in areas such as the ease of doing business, a plethora of regulatory interventions without sufficient impact assessment or coordination is a major impediment to stronger and sustainable growth.

The Economic Support Team (EST) tackles these issues. Its economic analysis is used across all AIPEG engagements, responds to counterparts with immediate needs for policy evidence, and addresses emerging policy issues. The Coordinating Ministry for Economic Affairs (CMEA) Hub utilises the policy evidence base of AIPEG's engagement areas recognising the coordinating role of CMEA across the full economic reform agenda. Tim Asistensi, a team of Senior Indonesian Advisers, is an important vehicle for bringing to bear policy evidence into decision-making around the policy framework. Cross-cutting activities including institutional impediments to sound reform and policy coordination, gender issues, and infrastructure are also addressed by EST.



ACTIVITY STREAMS

ECONOMIC POLICY

- **Scope:** The activity has three parts: *economic analysis* – this includes addressing the analytic needs of the engagement areas, responding to new and emerging policy issues, and framing macroeconomic policy issues; *CMEA hub* – brings to bear the policy evidence base from across engagements and supports the AIPEG co-chair and; and *Tim Asistensi* – a team of senior experts with direct access to senior government counterparts utilising, among other resources, AIPEG expertise.
- **Approach:** The *economic analysis* activity provides an in-house policy analysis capacity working in tandem with the Engagement Areas to ensure high quality and effective support to counterparts as well as the overall AIPEG program. For example, with the Finance team: provision of financial indicators and analysis supporting development of a financial sector development strategy; Revenue team: the analysis of revenue trends, impact analysis of revenue policy; Markets team: the analysis of exports and exchange rates, tariff and trade policy analysis and capacity building through support to *Tim Tarif*; and Spending team: undertaking spending efficiency analysis, as well as medium-term revenue projections and analysis. Support is provided, among others, through *Tim Asistensi*. Support for CMEA, through the Deputy for International Cooperation in the capacity as AIPEG Co-chair, recognises the important role of CMEA in leading the economic reform agenda. This activity stream also collaborates with development partners, including the World Bank, IMF and ADB, particularly on the macroeconomic framework analysis.
- **Outcome:** The intermediate outcome is to support an *improved economic policy framework* through: sound macroeconomic policy settings; increased use of evidence for economic policy; and greater coordination on priority economic reform areas. This contributes to AIPEG's long-term outcome of *stronger economic institutions*.
- **Sustainability:** Sustainability of work under this policy function is the adoption of policy input and analysis provided into national economic policies. The team will align its work with AIPEG engagement areas. Emerging and immediate requests from government counterparts will be reviewed and transferred to the relevant Engagement Areas. *Tim Asistensi* presents opportunities for greater sustainability of support being led by Senior Indonesian Advisers and with a commitment by Gol to contribute APBN funding to *Tim Asistensi* in 2018.
- **Counterpart Commitment:** The work of the policy team supports the engagement areas. The policy function provided by *Tim Asistensi* is a direct request from the senior levels of CMEA, Ministry of Finance, and National Development Planning Agency (Bappenas) that have confirmed their commitment to pursue the policy analysis support. This is in line with the Gol agenda in terms of aligning with economic development priorities.

CROSS-CUTTING ACTIVITIES

- **Scope:** This activity stream has three parts: *institutions* – to institutionalise organisational and business process improvements in areas related to Engagement Area work programs; *gender* – to support Engagement Areas to identify and address gender related issues in their work programs as well as provide technical assistance on gender analysis and mainstreaming to counterparts and; *infrastructure* – including its macroeconomic aspects, monitoring infrastructure delivery, efficiency in public infrastructure spending, and institutional capacity for infrastructure policy development.
- **Approach:** The work under this activity stream supplements the overall AIPEG work program in line with the GoI development agenda. This activity provides cross-cutting policy support not covered by other engagements. It will explore and focus on cross-cutting agendas linked to AIPEG’s agenda and aligned with other parts of DFAT’s programs – gender, infrastructure and institutions – to strengthen AIPEG’s evidence and analytical base and maintaining a forward-looking policy agenda. The outcome of the work will be integrated with the relevant agenda under each Engagement Area. The work led by EST is delivered with involvement and in consultation with Engagement Areas and other DFAT programs, e.g. Indonesia Infrastructure Initiative (IndII/KIAT), Empowering Indonesian Women for Poverty Reduction (MAMPU), and the Australian Public Service Commission (APSC) under the DFAT Government Partnership Fund (GPF).
- **Outcome:** Addressing cross-cutting issues contributes to the outcomes of other Engagement Areas and AIPEG’s long-term outcomes of *well-functioning markets*, *stronger economic institutions*, and *better management of public resources*.
- **Sustainability:** The sustainability of overall AIPEG initiatives will be strengthened by initiatives under this activity stream. For example, support for institutional strengthening is designed to build the capacity of DG Tax to improve performance and associated revenue collections over time.
- **Counterpart Commitment:** Cross cutting activities are delivered in consultation with counterparts in Bappenas and MoF amongst others. The Head of the Fiscal Policy Agency has expressed appreciation for the support to date and requested further support for institutional and infrastructure advice and support. In other cases, initial analysis to identify key economic governance issues is undertaken together with Engagement Areas, and then possible counterparts are identified and discussions held to agree work plans.