

Indonesia's Experiences on Macroeconomic Management

Building Trust - The Foundations
of Indonesia's Economic Reforms



*National Coordination Team on South-South
and Triangular Cooperation
Republic of Indonesia*

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FOREWORD



In recent decades, the world has faced numerous global development challenges. Consequently, there was an urgency to strengthen the development cooperation that can contribute effectively to the achievement of global development agenda. Countries of the South are increasingly looking for each other to reinforce their mutual prosperity by sharing relevant knowledge. Development cooperation implemented based on the belief that there is no 'one-size-fits-all' model of development cooperation. This has brought knowledge sharing through South-South and Triangular Cooperation as an important milestone for development cooperation and often considered a more appropriate model for building capacity among developing countries as well as with the developed countries.

The Government of Indonesia has been cooperating closely with developing economies. Since the 1955 and by 1980s it provided reciprocal learning opportunities through its South-South and Triangular Cooperation (SSTC) program. In 2009, the Government of Indonesia set out the Jakarta Commitment in which it pledged - among others - to enhance and facilitate cooperation among developing countries.

The Government of Indonesia followed up this commitment by launching its knowledge hubs during the high-level meeting: "Towards Country-Led Knowledge Hubs" held in Bali in July 2012. Indonesia aims to set up mechanisms that can help spread relevant experiences and capability to interested communities both in the developing world and beyond. Continuing this, the Government advocates and promotes the importance of knowledge sharing in development cooperation through Global Partnership for Effective Development Cooperation and other fora.

This booklet is a part of the Government of Indonesia's efforts to generate and exchange knowledge gained from Indonesia's own development experiences. We hope that the readers will find key lessons and know what Indonesia can offer when it comes to addressing those global challenges locally. We look forward to working closely with these partner countries for knowledge sharing and exchange in the future.

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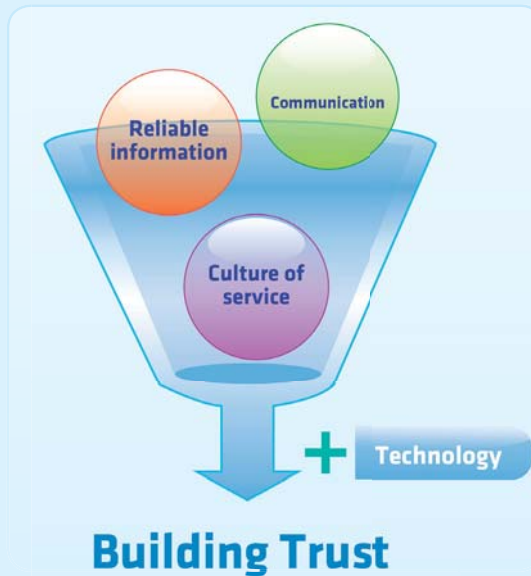
Tubagus Achmad Choesni

Director for International Development Cooperation, National Development Planning Agency (Bappenas), as Chairperson of the Technical Team, National Coordination Team on South-South and Triangular Cooperation



Economic crisis and the sudden transition to democracy gave a number of valuable lessons and reforms for Indonesia. One of these lessons was the importance of seeking new and stable sources of government revenue. For decades, government spending was underwritten by oil revenue and foreign aid. Widening the country's tax base through levies on personal and corporate income as well as developing domestic bond markets gave governments latitude to reliably raise funds as needed.

Today, 70 percent of Indonesia's revenue comes from tax. The country enjoys high and stable economic growth of at least 6 percent per year. It won back investment grade from rating agencies and also became part of the G-20 group of industrialized and emerging economies. Mutual trust among parties built through good communication, reliable information, and the culture of service together with state-of-the-art technology, became the foundation of Indonesia's macroeconomic reform.



“We keep making improvements and never feel satisfied with achievements.”

Mr Subhan Noor

Manager, The Debt Management Office

“Open communication between government and foreign financial institutions has helped cultivate investor interest.”

Mr Manish Bhal

DMO Primary Dealer, Country Treasurer &
Head of Global Markets, Citibank

“Tax agents are the source of tax information and the face of the Directorate General of Taxation. Their skills and answers must be standardized.”

Mr Kismantoro Petrus

Director of Tax Dissemination, Service, and Public
Relations, The Directorate General of Taxation

“Tax agents must have a strong will to keep learning because there are different types of callers and new regulations.”

Mr Septian Trisetyo Adi

Agent, The Tax Contact Center

It took three decades to build the country’s current taxation system and thirteen years to develop a successful bond market, which was born from the need to recapitalize its banks in the late 1990s. It has come a long way since then. Through the framework of South-South and Triangular Cooperation, Indonesia would like to share with its partner countries the living knowledge from some of the key officials and institutions, who were and continue to be at the center of those reforms.

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Indonesia's Success in Macroeconomic Management

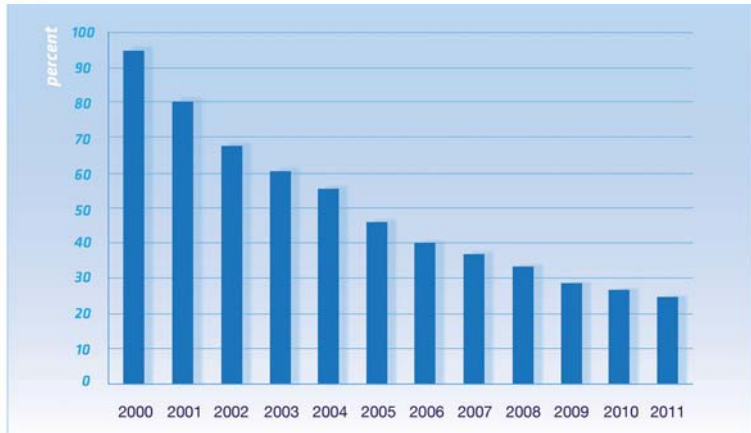
1.1. Indonesia's Macroeconomic and Financial Reforms – A Briefing

As the world's biggest economies recover from financial crises and debt worries, Indonesia's economic performance is almost unmatched. The subprime banking crisis in the US followed by fears that the euro zone may come apart as member countries seek emergency funding to repay loans triggered deep recessions in the US, and most of Europe and even a sharp slowdown in China. Indonesia was not immune, but the country still managed positive economic growth, of 4.6 percentage in 2009, while millions around the world were thrown out of work and governments were pressed to scaled back spending.

According to Foreign Policy Magazine, October 2012, Indonesia is one of the seven countries that successfully navigated the series of shocks and recession since 2008, joining the ranks of countries such as South Korea, Canada, Sweden, and Mexico. Driving Indonesia's growth are record levels of investment, domestic consumption, sound policies governing the macroeconomy and public finance, as well as tireless government reform.

A tight lid on budget deficits as well as debt helped curb inflation. As of the beginning of 2013 consumer prices were rising at an annualized rate of just over 4.5 percent even as overseas capital poured into the country. Foreign direct investment in 2012 soared by almost 25 percent. The country's debt as a ratio of its gross domestic product shrunk almost by half to 24 percent in just under a decade. By the end of 2011 and early 2012, two credit rating agencies, Moody's and Fitch upgraded Indonesian credit rating to investment grade.

At current rate, by 2030, Indonesia will be the world's 7th largest economy with a Gross Domestic Product (GDP) of around US\$ 1.8 trillion - more than double the amount as recently as 2011, when the country's GDP was ranked number 16 in the world.

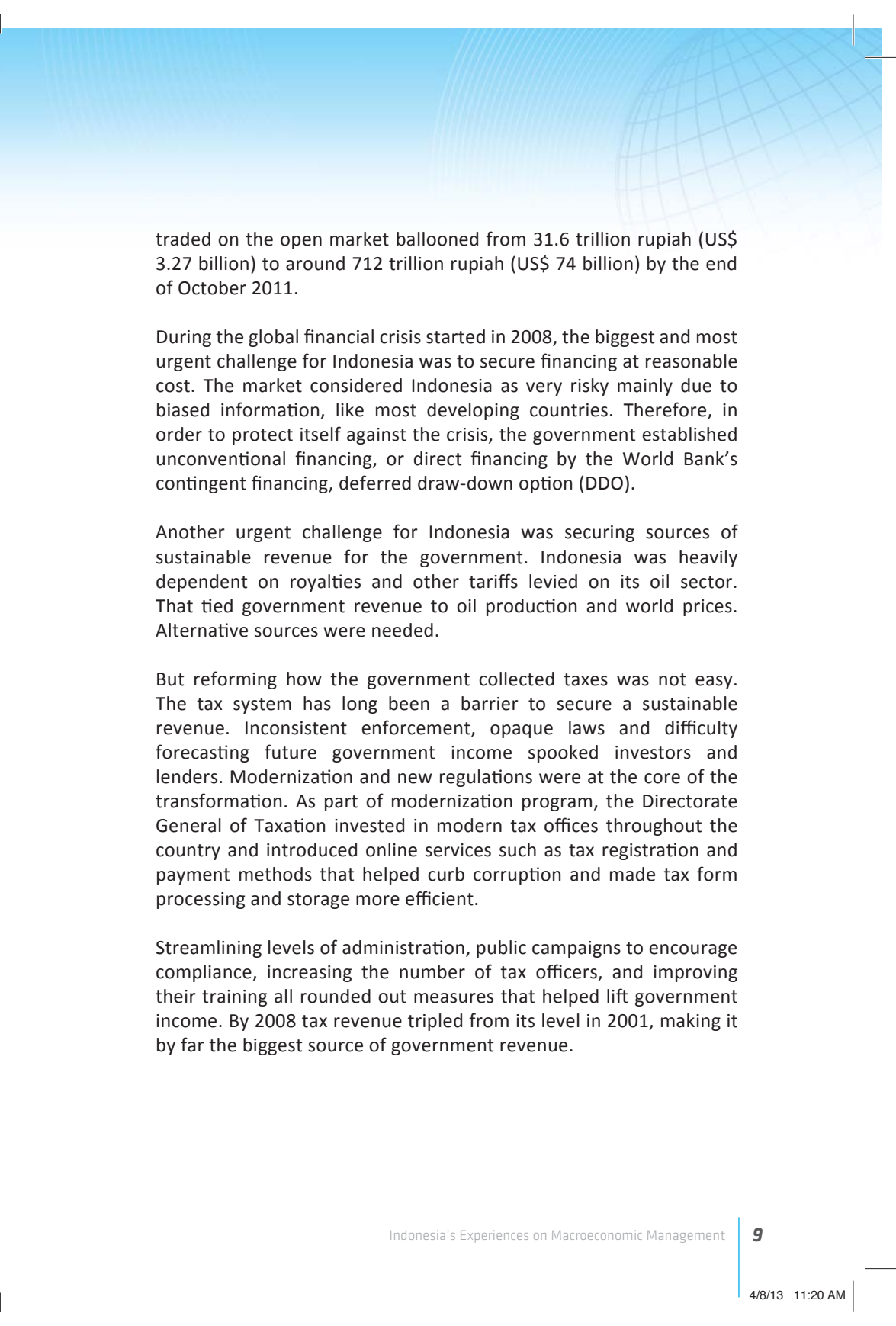


Debt to GDP ratio

Source: International Monetary Fund

The story of the modern Indonesian economy could be traced back to the Asian financial crisis in late 1997. This crisis was the starting point of a series of macroeconomic and financial sector reforms that helped make the country one of the fastest growing economies in the world. Introducing a domestic bond market and extending the reach and capabilities of the Directorate General of Taxation were two of the biggest items on the country's agenda for macroeconomic reform.

The central bank, Bank Indonesia, started selling the country's first government securities in 1998. Known as "recap" bonds because the funds were earmarked to recapitalize the country's financial sector, the securities were first traded in secondary market the following year. Efforts to develop the government debt market reinforced fiscal discipline and encouraged long-term investment. As Indonesia's macroeconomic conditions improved, so did investor confidence. Indonesia's improving credit rating also made it easier to sell government bonds. Since 2000, the value of government bonds



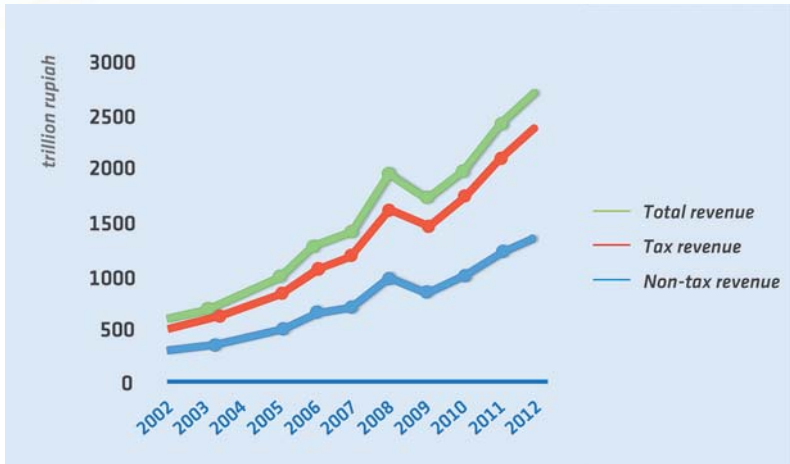
traded on the open market ballooned from 31.6 trillion rupiah (US\$ 3.27 billion) to around 712 trillion rupiah (US\$ 74 billion) by the end of October 2011.

During the global financial crisis started in 2008, the biggest and most urgent challenge for Indonesia was to secure financing at reasonable cost. The market considered Indonesia as very risky mainly due to biased information, like most developing countries. Therefore, in order to protect itself against the crisis, the government established unconventional financing, or direct financing by the World Bank's contingent financing, deferred draw-down option (DDO).

Another urgent challenge for Indonesia was securing sources of sustainable revenue for the government. Indonesia was heavily dependent on royalties and other tariffs levied on its oil sector. That tied government revenue to oil production and world prices. Alternative sources were needed.

But reforming how the government collected taxes was not easy. The tax system has long been a barrier to secure a sustainable revenue. Inconsistent enforcement, opaque laws and difficulty forecasting future government income spooked investors and lenders. Modernization and new regulations were at the core of the transformation. As part of modernization program, the Directorate General of Taxation invested in modern tax offices throughout the country and introduced online services such as tax registration and payment methods that helped curb corruption and made tax form processing and storage more efficient.

Streamlining levels of administration, public campaigns to encourage compliance, increasing the number of tax officers, and improving their training all rounded out measures that helped lift government income. By 2008 tax revenue tripled from its level in 2001, making it by far the biggest source of government revenue.



Trends of Government Revenue

Source: 2002-2006 The Directorate General of Tax, Ministry of Finance
2007-2012 Ministry of Finance

The experience of Indonesia shows that reforming how policy is made as well as investing in the capability of the institutions that carry those policies out are big stepping stones on the path to sound macroeconomic policies and good governance. These are fundamental measures that help ensure robust and sustainable growth.

1.2. Achievements in Developing Domestic Bond Market and Broadening its Tax Base

Indonesia's sustained economic recovery was mainly based on the development of its domestic bond market and the expansion of the country's tax base. These two key institutional reforms worked together to make new sources of funding available for much needed public services and to carry out other development initiatives.

Domestic Bond Market

Indonesia's new debt market emerged in the wake of the Asian financial crisis as a way of accessing funds to recapitalize the country's banks after a steep rise in their non-performing loans.

The bank sold its first tranche of central bank bills in mid-1998. Their high interest rate of 70 percent and their short maturities of only one month were aimed at attracting private investors at a time when the country's financial sector was under pressure. By 2000, as confidence in the country's fiscal health returned, new regulations allowed investors to mutually buy and sell Indonesian government bonds on the secondary market for the first time. Indonesia turned to bond markets to fund its budget deficit by 2002. Public debt auctions every month soon followed.

When developing the domestic bond market, the government initially referred to World Bank reports and advice. However, the government developed its own guidelines by adjusting its strategy with local conditions and local market's needs. One such adjustment made by the government was its "Primary Dealer System." The government

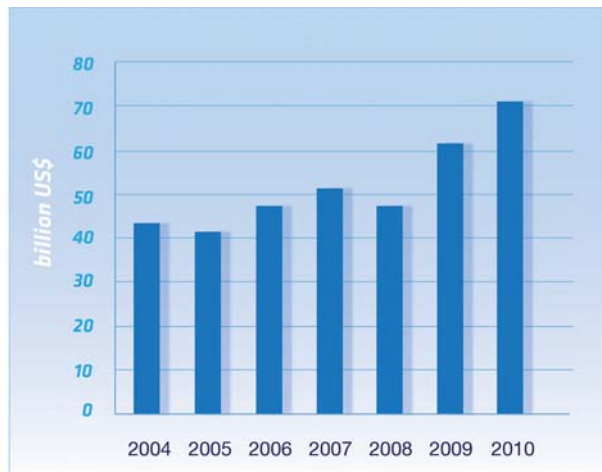


Primary Dealer System



appointed a number of dealers to be its front line agents. These 15 dealers have the right to buy bonds from the government and then sell them, to investors. The Debt Management Office (DMO) of the Ministry of Finance keeps in close contact with investors, especially primary dealers, to canvas market views, making it easier to tailor upcoming securities to suit their needs.

With the ability to finance budget deficits, Indonesia's government has the capacity to take a broader range of fiscal measures including financing large spending programs, if needed. Private capital raised through domestic and foreign bond markets is expected to play an important role in the country's program for building transport infrastructure as well as improving access to health services and better schools.



Monthly Bonds Outstanding: Central Government Bonds

Source: Asia Bond Online

Tax Revenue System Development

The pace of modernization of the tax system accelerated from 2005, with a focus on developing integrated, professional services aimed at handling information and complaints. As Indonesia's tax code grew more complex over time, communicating changes in tax regulations and handling questions as well as complaints became important. The Tax Contact Center, which was staffed with well trained and knowledgeable workers, was established to meet these challenges.

The Tax Contact Center cultivated a "culture of services." Training, performance reviews and workplace activities motivated Tax Call Center agents, helping raise morale. That sense of purpose helped many to see themselves as the voice of the Directorate General of Taxation. Tax Contact Center agents are also empowered through various programs to ensure they meet standards for service excellence at all times.

The addition of the Data Processing Center was an important step toward strengthening the infrastructure around tax information management. The Data Processing Center coordinates coverage with local offices and was focused on building capacity for an expected increase in the volume of communication with the office, especially the number of personal or corporate tax returns that citizens will be filing. Part of that effort included digitizing tax forms that can be filed online to the Data Processing Center. The volume of incoming tax returns to the Data Processing Center jumped from 212,000 tax returns in 2008 to more than 5 million in 2011.

Indonesia has made dramatic changes to how it collects taxes, placing emphasis on better managing the data it collects and equipping tax office workers with the skills and tools they need through training and management. That reform coupled with sound macroeconomic policies that sustained brisk growth mended the country's image among international investors. Within a decade Indonesia went from crisis to marvel even as bigger and richer economies faltered.



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Testimonials

Indonesia's success in building a strong and stable macroeconomic system reflects its achievement in building trust and confidence with taxpayers, between government agencies, companies, with foreign investors as well as other key players. Close coordination through the Ministry of Finance and its departments as well as a shared goal of improving the country's fortunes set the foundations for the country's rapid growth today. The following testimonials provide a first-hand glimpse at the efforts to build that trust and its role in securing the country's economic reforms.

2.1. Domestic Bond Market

In the midst of the global economic turmoil due to Europe's fiscal crisis, Indonesia's economic growth was largely unharmed. This was the reason the Moody's Investor Services raised Indonesia's sovereign credit rating to investment grade in 2012. The upgrade has attracted foreign investors, which held almost 30 percent of the total outstanding government bonds in October 2012. The high percentage of foreign holdings reflects a high level of confidence in Indonesia's credit worthiness and the interest rates the government offers in the domestic bond market.

Winning confidence is not an overnight process and Indonesia's investment grade rating reflects that hard work. So, how did the success story begin? Like other countries, Indonesia referred to World Bank reports and advice on creating its domestic bond market. However, the Indonesian government developed its own guidelines by adjusting its strategy with local conditions and local market's needs. The government did comparative studies and attended seminars like ABMI - Asian Bond Market Initiative - or the ABMF - ASEAN+3 Bond Market Forum - in order to gain knowledge about the experience of other countries when it came time to develop their own bond markets. Determination, an appetite to learn and an ongoing drive to improve explain how Indonesian authorities established a debt market only a few years after its banking system was near collapse.

Close consultation among the country's Debt Management Office (DMO), dealers and investors is a big priority for the agency in charge of selling bonds and other government securities. According to **Ms Loto Srinaita Ginting**, Director of Government Debt Securities, DMO, the DMO's primary dealer system plays a role in that consultation. *"Close coordination and meetings with dealers, investors, and analysts are critical in developing new financial instruments,"* Ms Loto says. *"Those ideas will be thoroughly assessed and the results will be presented to the stakeholders in order to get further feedback from them. This way we can find out how appealing an instrument would be for the market."*



Ms Loto Srinaita Ginting,
Director of Government Debt Securities, Debt Management Office

"Communication skills are required to be a good dealer."



Mr Subhan Noor
*Manager,
The Debt Management Office*

In order to maintain open communication with market players, particularly primary dealers, the DMO's own dealers use fast, direct and convenient means of communicating, such as group chat, e-mail, text and instant messaging. Basic communication skills form the essential requirements to be a good DMO dealer. *"Timing is everything. Primary dealers and investors are very busy people, so we should not interrupt their work. That's why leaving messages is the best way to reach them,"* says **Mr Subhan Noor**, Manager of DMO. Phone calls, on the other hand, are only used for emergencies like a market crisis.



Guiding DMO authorities is the five values set out by the Ministry of Finance; Integrity, Professionalism, Synergy, Service and Perfection. Upholding integrity and professionalism involves keeping confidential anything pertaining to sensitive information, for example, auction price of bonds. *“DMO dealers are special because they make transactions for the government and not for their personal profit, so a strong commitment is highly required,”* says Ms Loto.

“Starting the day with morning call among dealers is important”

Synergy depends on how well the team works. Transactions involve teamwork and cannot be made by a single division. At the DMO, they start the day with a 15- to 30- minute morning call, attended by all managers and dealers for the latest updates on information, issues, and sentiments in domestic and global financial markets. DMO dealers also improve their skills through practicing in the dealing room, training courses as well as visits to dealing rooms at other companies.

Last but not least, the pursuit of perfection in all aspects is key. DMO dealers, in particular, are committed to do their best at every stage of their work. As Mr Subhan puts it, they kept making improvements and never feel satisfied with achievements.

(Interviewed on 4 December 2012)

Views from Foreign Investors on Domestic Bond Market

In the decade since Indonesia started regularly selling government bonds, the market has grown to become one of Citibank's most valuable emerging economies. Direct communication between the Indonesia's DMO, which issues the country's bonds and Citibank's primary dealers has been crucial. "As a bank we can better understand DMO strategy," says DMO Primary Dealer, Country Treasurer and Head of Global Market, Citibank, **Mr Manish Bhal**. "At the same time, we can share with them global best practices, and the latest information including issues and nuisances in the market."



Mr Manish Bhal
DMO Primary Dealer,
Country Treasurer and Head of
Global Market, Citibank

Foreign financial institutions are buying Indonesian government bonds and taking more interest in potential opportunities as their clients demand safe investments for their savings in a world of slow economic growth. Firms like Citibank are seeking alternative investments for their clients' money at a time when a struggling world economy offers fewer opportunities. "The Indonesian government has done well in managing debt-to-GDP ratio, keeping inflation low and increasing GDP. These are macroeconomic parameters tracked closely by investors everywhere," Mr Bhal says.

"Mutual trust, good communication, as well as shared goals strength partnership"

So, a solid working partnership between Indonesia's DMO and primary dealers at foreign institutions like Citibank has never been more important. The DMO and Citibank have formal meetings every three months. Less formally, traders will communicate market



updates directly with the DMO with a phone call or a text message during periods of sudden market volatility. DMO officials also will seek meetings with the investors.

Mutual trust, good communication, through both formal and informal channels, as well as shared goals cement this partnership. Indonesia is now among Citibank's top-five priority emerging markets. Transparency has improved as a result, according to Mr Bhal. *"Now there is a very transparent and permanent auction calendar and a system where real market prices can be known,"* says Mr Bhal.

Indonesia's bond market has not only offered investment alternatives to overseas clients but to domestic insurance and pension funds seeking steady returns. However, if foreign firms have any complaint, it is that they want more access to the DMO and more of its debt instruments to help create a more liquid market, Mr Bhal continues. Regular senior level meetings and conference calls between banking executives and directors at the DMO would be invaluable. What's more, the DMO ought to consider selling Indonesia rupiah denominated bonds worldwide, meeting the growing demand for the country's debt, while saving investors the hassle of navigating foreign exchange and overseas accounts. *"Indonesia has been very active in issuing bonds in a dynamic market environment. A lot of investors are keen to know more about Indonesia."*

(Interviewed on 14 January 2013)

2.2 Tax Contact Center

Customer satisfaction is the ultimate goal of a service center. For everyone at the Tax Contact Center, Kring Pajak 500200, the journey toward improved customer satisfaction was tough, yet inspiring.

Mr Kismantoro Petrus was one of the key people who started to give a facelift to the taxation public service. He mentions that taxpayers all across Indonesia must equally have convenient, affordable and effective access to tax information, according to the organizational strategic

objectives. And since Internet service is not available in many rural areas, a telephone hotline made sense.

In anticipation of a flood of queries from taxpayers, the contact centre was equipped with a tax information database. *“This will ensure standardized answers from agents,”* says Mr Petrus.

Answers were not the only thing that needed to be standardized. A common mindset for agents was important, too. Agents were properly trained with what became known as “hard” and “soft” skills. Hard skills referred to their knowledge of the tax code, while soft skills referred to an agent’s ability to communicate.



Mr Kismantoro Petrus
*Director of Tax Dissemination,
Service and Public Relation,
The Directorate General of Taxation*

“The agents of the Tax Contact Center are proud to be the face of Directorate General of Taxation”



Mr Septian Trisetyo Adi
*Agent,
The Tax Contact Center*

Communication was especially critical in building a good relationship with the taxpayers. *“An agent must have a strong will to keep learning because there are different types of callers and there are so many new tax regulations,”* says **Mr Septian Trisetyo Adi** who has been an agent at the Tax Contact Center for two years.

Practicing the best customer service became a central part of the training for front line staffs. The agents of the Tax Contact Center realized that they



Mr Lukman Nul Hakim

*Team Leader,
The Tax Contact Center*

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were not only the ultimate source of information about tax, but also the face of Directorate General of Taxation. They are proud of representing the Directorate through the phone conversation and helping the country's finances by winning the trust of taxpayers who are more likely to file accurate returns and pay their fair share of tax.

In practice, keeping every caller satisfied is not an easy business. *"Sometimes callers can become very emotional. But no matter how emotional they get, we must stay calm. We should be able to reach out to them at a personal level to win their hearts,"* Mr Septian continues. Team leaders and the Quality Assurance (QA) team play important roles in maintaining quality performance.

To keep the agents motivated at work, the Tax Contact Center holds "Happy Programs." Ice cream days, or sessions where agents are encouraged to speak their minds, for example, help relieve stress. Such events also provide a good opportunity for team building.

According to **Mr Lukman Nul Hakim**, a team leader in the Tax Contact Center, *"We spend our whole day at the office, so it is essential to create a family-like atmosphere while at work. We have to show them appreciation. If necessary, compliment them in front of their entire colleagues."*

In addition, QA is in charge of carrying out in-house training and evaluation. As part of its evaluation, QA picks up random samples from agents' conversations for monitoring purposes. This enables QA



Ms Yosinta Suwastika

*Quality Assurance,
The Tax Contact Center*

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to make a more reliable assessment. *“We give awards periodically to create healthy competition. It is acknowledgement for their dedication to the job,”* said **Ms Yosinta Suwastika** from QA.

In the end it is not always about winning praise. The agents are fully aware that their success in building trust with taxpayers would give significant contribution to the state revenue. And that is what made all the hard work worthwhile.

Mr Immanuel Agung Bayuaji (Taxpayer):

“I contact the Tax Contact Center whenever I need information about tax regulations. The agents are always reliable and helpful. Their quick response is very impressive. If they can’t provide satisfying answers today, they will contact me tomorrow. I feel satisfied with the service. It makes me trust them more.”

(Interviewed on 26 November 2012)

2.3 Tax Data Processing

As the number of Indonesia’s taxpayers increased, so did the volume of data to be processed by the Tax Service Office. *“The need for more efficient data processing was inevitable,”* said **Mr Kismantoro Petrus**, Director of Tax Dissemination, Service and Public Relations. *“Also, it is the era of paperless documents. That’s why we decided to use digital systems to handle more data and save time.”*

Mr Petrus was one of the architects of Indonesia’s taxation reform. The Data Processing Center along with its digitalized processing system brought immense benefit for the office, including increased efficiency, enhanced data security and stability of information systems. Digitalizing returns also helped improve the accuracy of tracking data,



Ms Farilla Darmadi

Head of Supervision and Consultancy Section IV, The Tax Service Office



all without the need to find the room for cabinets of paper hard copies. *“Searching data is faster. Everything is available on the computer system,”* says **Ms Farilla Darmadi**, Head of Supervision and Consultancy Section IV. *“Previously, we had to submit a proposal to see certain data. The process could take a few days.”* Ms Farilla’s work in monitoring tax payments and exploring potential taxpayers also became much easier.

Mr Willy Sujita is one of data processing staff. According to him, his job requires a high level of commitment, concentration and a consistent approach. *“The leaders fully support and empower us. They encourage two-way communication at all times.”*



Mr Willy Sujita
Staff,
The Data Processing Center

To minimize human errors, the Data Processing Center conducts quality assurance - checking and rechecking at every stage of work. Furthermore, coordination meetings are held at least twice a year. Attended by representatives from regional offices, the meetings provided a platform to discuss challenges and potential solutions.

“Stimulating motivation is the key for high productivity and accuracy”

To keep the personnel motivated, the office implements motivational programs such as in-house training, seminars and workshops that improve knowledge and staff skills. Managers also organize recreational events like sporting events and religious activities. *“Staff members are welcome to propose any kind of activities they like. We try our best to facilitate them,”* adds **Ms Lusiani**, Head of the Data Processing Center.

Additionally, attractive rewards are handed out to the highest achievers at work. And last, but not least, team and family gatherings to strengthen interpersonal bonds at work. According to Mr Sujita, it made it easier for colleagues to talk and get to know each other better.

The result was remarkable. *“High productivity and accuracy meant we eventually had no paperwork when, before, we would have a backlog of at least six months’ worth of work,”* says Mr Petrus proudly.

(Interviewed on 15 December 2012)



Ms Lusiani,
*Head,
The Data Processing Center*



B Reasons Behind the Success

3.1. Building Trust

The Debt Management Office, the Tax Contact Center and the Data Processing Center are examples of the new agencies that helped bring about the reforms that were aimed at restructuring the country's financial sector and securing government revenue that can help alleviate poverty and put the country on the path to economic growth.

The success of these new institutions was, in varying degrees, linked to building trust between and among parties. The preceding testimonials chronicle the efforts, experience and wisdom gained from establishing these new agencies and services. The recurring message throughout these interviews reads as follows; application of state-of-the-art technology may help increase work efficiency, but it does not produce deeper and wider impacts such as keeping bond market healthy or increasing tax income. **Close working relationships built on trust, communication and shared values compliment modern technology.**



3.2. Key Lessons from the Domestic Bond Market

Developing Indonesian's Own Strategy

Indonesia's unique challenges meant that one-size-fits-all prescriptions would not always be the answer. Before regularly auctioning bonds to the market, government officials conducted broad research on the latest trends and practices by seeking advice and background information from reliable agencies such as the World Bank. Seminars such as the Asia Bond Market Initiative were key sources of new trends and issues relating to debt markets.

The Indonesian government had to adopt strategies that matched the unique conditions of the country. The excellent relationship between DMO dealers and investors and with other government institutions was an invaluable source of data and market intelligence. The DMO dealers work on the government's behalf to coordinate with institutional dealers, investors and analysts to not only book trades, but also to gather information on rapidly changing market trends. Indonesia's own market strategy included setting up a monitoring and evaluation system that tracked the performance of bonds. The results were used by specialized DMO analysts to create new instruments.

Maintaining Good Investor Relations

The primary dealer system in Indonesia is overseen by the DMO, which relies on regular meetings between dealers and investors for feedback and other crucial information that may affect the prices of government bonds. They could also offer views of the country's bond market and provide advice on potential upcoming debt instruments. **The more involved investors feel they are in the development of debt instruments, the more engaged they are likely to be in the market.**

Good communication is an important factor that makes investor relations solid and lasting. DMO dealers know which communication tool works best in a specific situation. For instance, they avoid direct phone calls during trading hours unless the matter is urgent.



Information on the performance of government bonds, such as a sudden large order from an institutional investor can be invaluable for traders. This kind of information can be easily communicated via instant messaging services or online chat forums.

In other cases, primary dealers at foreign institutions like Citibank, meet every three months with DMO officials. **Foreign investment banks call those meetings “crucial” in helping the bank better understand DMO strategy as well as giving investors an opportunity to exchange best practices earned from other markets.** Dependable access to market information and frequent collaboration with the DMO has gone a long way to boosting confidence in Indonesian bonds, more than 29 percent, of which, are owned by foreign investors.

Indonesia’s bond market strategy also relies on seeking market advice on existing debt instruments and new ones that may be planned in collaboration with other government agencies. Government agencies including BAPPENAS - National Development Planning Agency and BKF - Badan Kebijakan Fiskal (the Fiscal Policy Office) of the Ministry of Finance also play a role by providing information on how much bond issuance will likely be needed in the coming years to meet the government’s development goals.

Encouraging Continuous Learning

DMO dealers could not afford to stop learning. Their aim is to make their debt market more active, efficient, and liquid. DMO dealers improve their skills by role-playing hypothetical scenarios in their own trading room, attending training courses and visiting their counterparts in their own dealing rooms to see their methods for themselves. The result, as the testimonials suggest is a team of DMO dealers committed to ongoing journey of improvement.

Besides training, **information sharing among the DMO dealers is effective.** They continuously learn by exchanging the latest information, issues, and sentiments in domestic and global financial markets with other dealers during the routine morning calls.

3.3 Key Lessons from the Tax Contact Center

Building a Culture of Service

At the Tax Contact Center, agents take questions from taxpayers seeking to obtain additional details on the latest tax regulation updates. Combined with technical training aimed at improving customer service, **the Tax Contact Center cultivates a culture that places a premium on maintaining a human touch with callers.** Agents take pride in being the voice of the tax institution with a key role in winning trust from Indonesian taxpayers that will eventually help secure the country's finances. The goal of the Tax Contact Center is to ensure taxpayers get the appropriate information in an accurate and timely fashion.



Treating Taxpayers with Respect

Tax center training is not only focused on constantly updating agents' knowledge on the country's tax code, but on refreshing their interpersonal skills. Showing empathy and keeping a neutral tone while interacting with agitated callers are important skills for the job. Mr Septian Trisetyo Adi, a Tax Contact Center agent, points out that **staff members who are most successful are those who not only renew their knowledge of tax regulations on a regular basis, but also work steadily on their skills with people.** As a result, taxpayers increasingly feel Tax Contact Center agents are more reliable and helpful.



Keeping Agents Motivated

Training and rewards backed up with evaluation and assessment based on solid work ethics is one way to motivate agents. **Other alternatives for boosting morale include recreational activities that help relieve stress.** Work can be monotonous and stressful in the Tax Contact Center. Agents are often required to attend callers with expressed frustration and skepticism. So-called “Happy Programs” that give staff a break from work to share some ice cream or voice their own frustrations are effective ways to relieve stress, and also to set up support networks among staff. This approach reflects the contact center’s appreciation of its workers. Treated with care and respect, Tax Contact Center agents are more likely to demonstrate professionalism toward taxpayers.

3.4 Key Lessons from the Data Processing Center

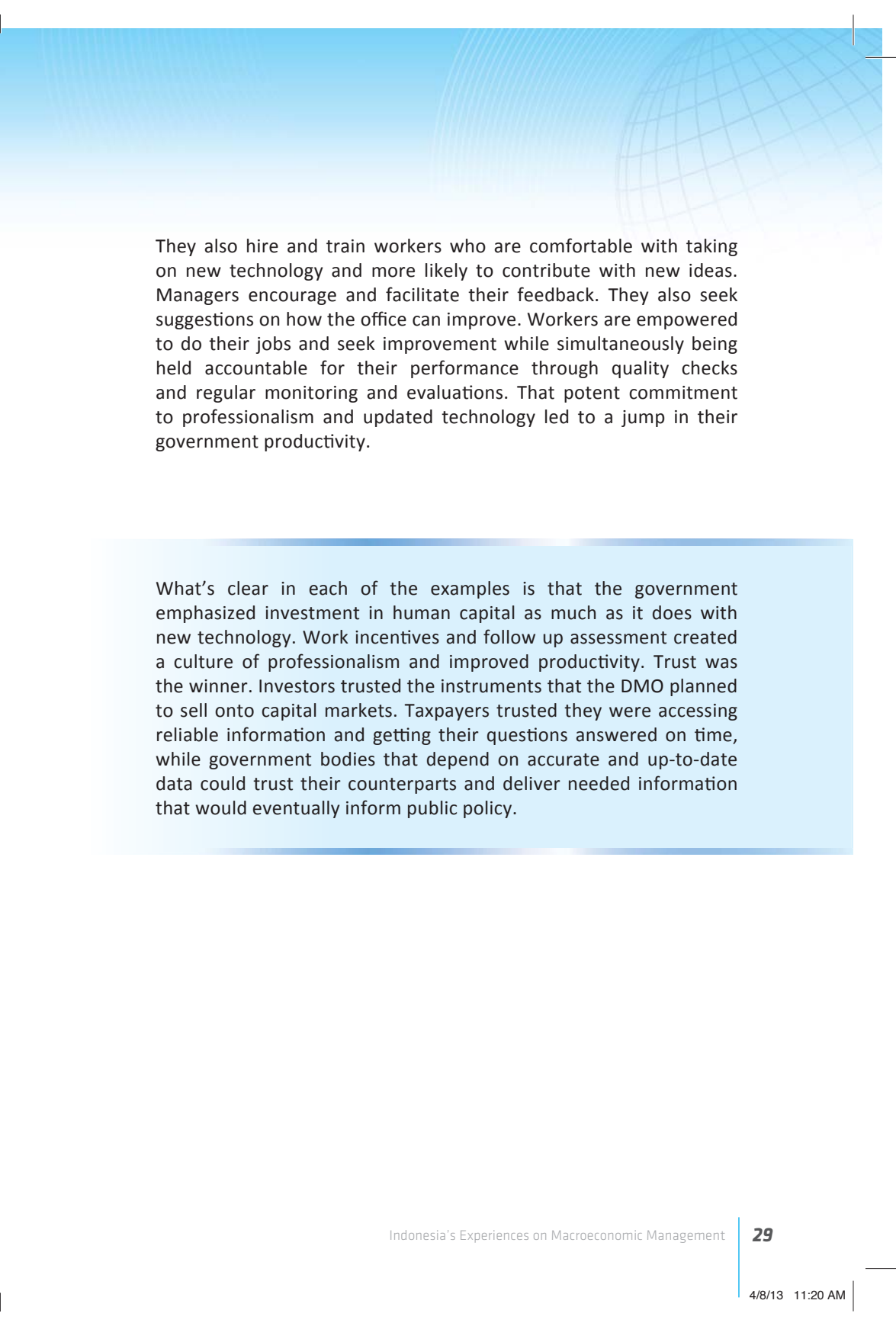
Enhancing Efficiency through Teamwork



The Data Processing Center helps make tax data processing and storage faster, securer and more accurate by adopting online filing and document sharing programs. Introduction of innovative technology and standardized operation methods brought about dramatic changes in their work style. Thanks to the new information system, work is now more efficient. What the Data Processing Center values most, however, is the teamwork among its workers and related government agencies.

The Tax Service Office work closely with the Data Processing Center to anticipate challenges and needed data. The Data Processing Center regularly review work submitted by staff to help minimize human errors. Twice yearly coordination meetings bring representatives from regional offices to discuss existing and upcoming challenges.





They also hire and train workers who are comfortable with taking on new technology and more likely to contribute with new ideas. Managers encourage and facilitate their feedback. They also seek suggestions on how the office can improve. Workers are empowered to do their jobs and seek improvement while simultaneously being held accountable for their performance through quality checks and regular monitoring and evaluations. That potent commitment to professionalism and updated technology led to a jump in their government productivity.

What's clear in each of the examples is that the government emphasized investment in human capital as much as it does with new technology. Work incentives and follow up assessment created a culture of professionalism and improved productivity. Trust was the winner. Investors trusted the instruments that the DMO planned to sell onto capital markets. Taxpayers trusted they were accessing reliable information and getting their questions answered on time, while government bodies that depend on accurate and up-to-date data could trust their counterparts and deliver needed information that would eventually inform public policy.



4 Indonesia's South-South and Triangular Cooperation

How is this knowledge of Indonesia translated into programs of South-South and Triangular Cooperation? What knowledge can be learned or exchanged through those programs? How can a partner country learn their knowledge? This section lays out a range of programs that have been organized by the Government of Indonesia.

4.1 Training and Workshops

The Indonesia's Ministry of Finance is committed to providing technical assistance to partner countries both by inviting participants for training in Indonesia as well as sending Indonesian experts and officials to counterpart agencies in partner countries. In 2012, the Fiscal Policy Office organized a Capacity Building Program on Capital Market Development for ASEAN Countries, including Brunei, Cambodia, Laos, Myanmar, and Vietnam. The program aims to: i) build and share knowledge related to developing and deepening capital markets in those countries; ii) strengthen and improve the role and contribution of Indonesia in developing capital markets in the region; iii) support partner countries address economic crisis by suggesting new strategies and institutions as potential remedies; and iv) support similar programs in the future that may support and deepen capital market in Indonesia.

Sixteen participants visited the Ministry of Finance, Bank Indonesia, the Capital Market Supervisory Agency, and Self-Regulatory Organizations to improve their knowledge and capacity in developing capital markets in their countries. Three international organizations – the Asian Development Bank, the International Organization of Securities Commissions, and the ASEAN Secretariat - also participated in this program. Indonesia's Ministry of Finance is planning to conduct this training every year and explore the potential for more advanced training in the future.



Participants of Capacity Building Program on Capital Market Development for ASEAN Countries

4.2 Possible South-South and Triangular Cooperation

The National Coordination Team on South-South and Triangular Cooperation (NCT-SSTC) is now exploring different possibilities of knowledge sharing by capitalizing on Indonesia's most valuable asset: the living knowledge held by its own people. Topics for training and workshops on technical know-how on tax administration include taxpayers' awareness rising through services provided by tax contact centers; tax data processing using computerized system; and capacity development of tax agents.

Lectures on relevant theories and methods are most effective when combined with knowledge sharing in each area. These workshops will encourage participants to discuss best practices of organizational development through teambuilding and self-motivation.



An Invitation for the Partner Countries

Indonesia was hard hit by the Asian financial crisis of 1997. While inflation ravaged the country's economy, the government was forced to tighten its social spending. Hurt by these events, many Indonesians took to the streets in protest, some escalating to riots.

Today, the country projects a different landscape: steady economic growth of more than 6 percent, record breaking growth in investment, and a deficit-to-GDP ratio of less than 2 percent are just some of the indicators that reflect Indonesia's fast growing economy and the optimism of its people.



These changes were possible thanks to its sound macroeconomic policy and management. "Macroeconomic management is actually the foundation of Indonesia's economy," says Dr Bambang PS Brodjonegoro, the Head of Fiscal Policy Office. "What we are experiencing right now is the result of a long time of preparation, planning, and also implementation. It was not an overnight action."

These experiences have generated a wealth of knowledge in Indonesia. "Based on this experience, Indonesia would like to share its long experience with other partner countries. Partner countries are welcome to learn from its experience."

Dr Bambang PS Brodjonegoro

*Head of Fiscal Policy Office,
The Ministry of Finance*

4.3 Contact for South-South and Triangular Cooperation

The Government of Indonesia distributes information on bilateral cooperation programs through its embassies and consulates abroad. Corresponding application forms are also available there.

For prospective programs, the National Coordination Team serves as a contact point. To apply for or support a bilateral cooperation programs that have not been officially announced by the Government of Indonesia, an official letter of request or inquiry for topics and subjects must be sent first to the National Coordination Team. Upon its receipt, the National Coordination Team will examine the possibilities of organizing programs on requested topics and subjects. A response will be sent once the study has been completed.

The contact details are as follows:

National Coordination Team on South-South and Triangular Cooperation

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Indeks Konsumsi

Properti

187,44

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CMNP Anggarkan Capex Rp

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About This Booklet

This booklet is a product of JICA's technical cooperation project with the Government of Indonesia (GOI), entitled "Knowledge Management for South-South Cooperation" (2012-2013). Using a knowledge management theory developed by Prof. Ikujiro Nonaka, the GOI's National Coordination Team on South-South and Triangular Cooperation (NCT-SSTC) - the inter-ministerial body charged with promoting partnerships between developing countries - identified lessons from reforms and institutional developments that helped revitalize the country's economy. This booklet opens up a small window for its readers on that living knowledge so it can be widely shared. The National Coordination Team also produced a DVD featuring this knowledge on the same topic.

The publication of this booklet would not have been possible without the support of many people. The National Coordination Team on South-South and Triangular Cooperation wishes to express its gratitude to those who were abundantly helpful and offered invaluable assistance, support and guidance. Its special thanks go to the Task Force Team members: Mr Agung Budiwijaya, Mr Agung Galih Satwiko, Mr Amri K. Sumodiningrat, Mr Andri Ebenhard Panangjan, Ms Ayu Lestari Y.S., Ms Deasi Widya, Ms Dian Emmil Rachmania, Mr Edison, Mr Faisal, Mr Fauzi Agustian, Mr Haruadi S, Mr Herfan Brillianto, Mr Hilman, Ms Iis Isnawati, Mr Imran Rosjadi, Mr M. Nur Ilham, Mr Made Satriawan M., Mr Ridho, Mr Risanto, and Mr Singgih Gunarsa.

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The background features a light blue color scheme with several abstract elements. A large, semi-transparent globe is positioned in the lower-left quadrant. To its right, a 3D bar chart with four bars of increasing height is shown, with a blue arrow curving upwards from the top of the bars. In the lower-left, there are faint silhouettes of hands, one appearing to hold a pen. The entire scene is overlaid with a pattern of fine, concentric white lines that create a sense of depth and movement.

National Coordination Team on South-South and Triangular Cooperation

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