Current Status and Future Agenda of the Treasury and Budget Reform in Asia Pacific Region

Purpose: Information
Submitted by: Indonesia
Current Status and Future Agenda of the Treasury dan Budget Reform in Asia Pacific Region

APEC Senior Finance Official Meeting
Agendas

• The IFMIS and Current Progress Status
• The Cash and Debt Management
• The Spending Review
• The Proposed Actions
Roadmap of PFM Reform in Indonesia

1999-2004

New Laws:
• 1999: Decentralization law
• 2003: White Paper of PFM reform
• 2003: State Finance Law
• 2004: State Treasury Law
• 2004: Audit of the management and accountability of the state finance

Creation of new Directorate Generals:
• DG Budget (budget formulation and preparation)
• DG Treasury (budget execution and treasury mgt - 2005)
• DG Fiscal Balance (management of transfer funds to the local governments - 2006)
• DG Debt Management (management of foreign and domestic loans)
• DGSAM (management of state assets and receivables - 2006)

Establishing IFMIS Project in Indonesia:
• 22 Dec 2004 to 2014: Government Financial Management and Revenue Administration Program (GFMRAP), $60 million WB investment loan for implementing IFMIS (SPAN);
• 12 Oct 2006 to 2017: PFM MDTF Part I ($24 m) and Part II ($10 m) grants to complement the WB GFMRAP and also to support a broad range of PFM reform initiatives.

1999-2004

2005-2009

Procedural improvements to support PFM reforms:
• Unified budget system: combined recurrent and development budget, and the introduction of PBB and MTEF
• Reforming business processes in the Local Treasury Offices (KPPN) through the establishment of pilot showcase offices that reduce payment processing time from 2 days to sometimes 1 hour.
• Introduction of cash management reform, starting with the first implementation of Treasury Single Account (TSA) in 2009
• Establishing government accounting standard and reorienting the chart of accounts
• Reforming the government procurement process
• MOF as one of the selected ministries to implement bureaucratic reform (BR) program

Contracts for implementing SPAN:
• IVV (Independent Validation and Verification) consultant to assist project preparation and procurement
• COTS and Systems Integrator (Turnkey) to deliver COTS Solution; Infrastructure, DC & DRC; Telecom links; Cabling
• BPI (Business Process Improvement) consultant (2007-2011)
• CMC (Change Management and Communication)
• PMQA (Project Management and Quality Assurance)
• SAKTI (Spending Unit Application developer)

2009-2011 and beyond

Continuous improvements to support PFM reforms:
• Implementation of PBB (2011)
• The new simplified budget document which focus on performance rather than detailed line item.
• Performance information (including its formulated target and indicators)
• Full implementation and expanded coverage of the Treasury Single Account
• Continuing improvement on cash management, including deepening and stabilizing of TSA, cash plan, idle cash management, better coordination with debt and monetary management
• Deepening bureaucratic reforms within MoF
• Full integration of all information technology within MoF
• Implementation of accrual accounting

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The Significance of IFMIS Development
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- IFMIS is the core of treasury and budget system, enabling the well-functioning of the financial management, better transparency and accountability, and easing any policy decision making.

- The development of IFMIS creates opportunities to further reform, within the treasury and budget areas such as cash and debt management, budget process, or on much wider aspect of reform such as bureaucratic reform.

- IFMIS which mostly developed based on best practices, in many occasions, has set up common standard of financial management practices, and proven facilitating easier standardized reporting and information exchange among APEC economies.

- The last recent years, the common interest on IFMIS development has strengthened the cooperation among APEC economies and international organization as shown by many seminars, joint researches and trainings involving staff from many APEC economies.
PFM is very complex systems, and an IFMIS is very fundamental to make them function efficiently.

The Significance of IFMIS Development
Some Facts about IFMIS Projects in Indonesia

SPAN = B + T

- Policy Development and Review (DG Budget & Fiscal Policy Office)
- Budget Preparation (DG Budget)
- Audit and Evaluation (Supreme Audit)
- Mgmt of Budget Authorizations (DG Treasury)
- Fiscal Reports & Budget Review (Dg Treasury)
- Commitment of Funds (DG Treasury)
- SPAN DB
- Debt and Aid Mgt (DG Debt)
- Payments and Receipts Mgmt (DG Treasury)
- Cash Management (DG Treasury)
- Treasury System (Budget Execution)
- Accounting
- Daily operations
- Publishing, EIS, DW, Web Portal, etc
- Procurement/ Purchasing
- Tax and Customs
- Asset / Inventory Mgmt
- Payroll Calcs HR Mgmt

Market Operation System & Tools (Treasury Dealing Room) DG Treasury

DG Budget & Fiscal Policy Office

Debt and Aid Management (DG Debt)
Some Facts about IFMIS Projects
(World Bank Study, 2011)

- IFMIS implementation is an art, not a science" -- emblematic of complex systems which constantly evolve and expand in parallel to changes in PFM needs and advances in technology.
- As with the design and implementation of any complex system, leadership, collaboration and innovation are important to the process.
The Significance of Cash and Debt Management Improvement
The Cash and Debt Management

Objectives:
1. Minimizing Cost of Fund
2. Managing Government Account
3. Achieving Ideal Cash Liquidity
4. Optimizing Excess Liquidity

Goals:
1. Harmonizing Fiscal and Monetary Policies
2. Enhancing Fiscal Transparency and Fiscal Control
3. Resource Generation

Minimizing Risks:
1. Forex Risk
2. Maturity Risk
3. Liquidity Risk
4. Market Risk
5. Hedging Risk

ICT – IFMIS Tools

- TSA and TNP
- ALM
- TDR
- Revenue Centralization
- Cash Forecasting

IFMIS:
1. Automated Transactions
2. Standardized Rules
3. Integrated Database

TSA and TNP

TDR

Cash Forecasting

Revenue Centralization

ALM

ICT – IFMIS Tools

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The Significance of Spending Review
The Spending Review

Immediate Output

1. Enlarging Fiscal Space to finance Compulsory Expenditure, Infrastructure and increasing Saving
2. Improve inefficiency of Budget Execution

Expected Outcome

1. Improvement in the quality of spending
2. Better allocation of budget limited resources
3. Increase the effectiveness of the government programs and their outcomes
The Proposed Real Actions
The Proposed Real Actions

**Establishing Network under APEC initiatives:**
Knowledge Sharing, Joint Research, Exchanging Experience, and Capacity Building

**Tasking the International Organizations**
Survey on IFMIS development to improve the implementation strategy by International Organization (i.e. OECD, WB and IMF)

**Series of Conferences**
- IFMIS
- Cash & Debt Management
- Spending Review
Thank You