Recent Development

The Progress of the IFMIS Project in Indonesia

Sudarto, DG Treasury, MoF Indonesia

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Bangkok, Thailand
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<th>Indonesia</th>
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<tr>
<td><strong>Area</strong></td>
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<td><strong>Population</strong></td>
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<td><strong>GDP / Growth 2010</strong></td>
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<td><strong>Annual Budget</strong></td>
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<td><strong>Total civil servants</strong></td>
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<td><strong>Treasury offices</strong></td>
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<td><strong>Spending units</strong></td>
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<td><strong>Treasury employees</strong></td>
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<td><strong>Spending unit employees</strong></td>
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<td><strong>Budget System</strong></td>
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<td><strong>Accounting System</strong></td>
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Roadmap of PFM Reform in the MoF Indonesia

New Laws:
- 1999: Decentralization law
- 2003: State Finance Law
- 2004: State Treasury Law
- 2004: Audit of the management and accountability of the state finance

1999-2004

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)

2005-2009

Procedural improvements to support PFM reforms:
- Unified budget system: combined recurrent and development budget
- Introduction of performance based budgeting and Medium Term Expenditure Framework (MTEF)
- Reforming business processes in the Treasury payment offices (KPPNs)
- Establishing the Government accounting standard, reorienting the chart of accounts and implementing cash toward accrual accounting system
- Reforming the government procurement process
- MOF as one of the selected ministry to implement bureaucratic reform (BR) program

Continuous improvements to support PFM reforms:
- Implementing Performance Based Budgeting in 2011
- The new simplified budget document which focus on performance rather than detailed line item.
- Performance information (including its formulated target and indicators)
- Definition of the baseline and new initiatives
- Calculating output based standard cost (SBU/ SBK)
- Full implementation and expanded coverage of the Treasury Single Account
- Deepening and stabilizing cash plan and forecasting
- Faster and evenly spread budget disbursement
- Planning to implement Accrual accounting in 2013
- IFMIS implementation

Contracts for implementing IFMIS (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)
Many areas still need to be improved for the PBB, and the GoI is now speeding up the process of improvement.

Some examples of the problems:

- ‘Top down and bottom up’ approach: since it is involving more than 22,000 spending units across Indonesia, and the facts that the budget is still very detail and rigid, and so they require massive technical and administrative support during the budgeting process.

- ‘Selecting the program priorities’: Though the GoI has set up some priority programs every budget year, but still they are not always actualized properly in the budget appropriation.

- ‘Budget revision process’: the principles of ‘the let’s the manager manages and moving input based to output based’ have been very slow to be materialized.

The GoI is planning to do spending review this year.
The quality of the budget is really determined by the execution strategy. For example, though the budget has been developed to give enough incentive to the economy, if it is not executed in timely manner, that incentive will not be very effective.

The symptom in Indonesia is the late budget disbursement.

Many are determined the budget execution quality, such as the administrative process of budget documentation, the budget execution plan, the procurement system, the fund disbursement system, the accounting system, the nature of the activities/projects, the people managing the budget, the level of corruption, other regulations including the land acquisition, the IT utilized to support the budget implementation, and others.
One of the main strategies to improve the budget and treasury system is by implementing the IFMIS project, called the SPAN Project.

It is a multi-years project intended to be full functioning in 2013, covering from the budget process, the budget execution process, and the accounting and reporting process.

It will modernize the budget and treasury system within one single database with three pillars of improvements: Business Process Improvement, Centralized IT Development, and Change Management and Communication.

This SPAN project is expected to support the implementation of accrual accounting starting in 2013 and better budget monitoring and control which is essential for the success of PBB.
Roadmap of SPAN

- **Current**
  - 27 systems
  - 14 belong to DG Budget and DG Treasury
  - 13 belong to Spending units, Revenue, Debt, etc

- **SPAN**
  - Centralized IT System with single DB
  - 14 replaced by SPAN
  - Many additional processes automated
  - 7 integrated to SPAN

- **Post SPAN**
  - More integration
  - More automation

- Standalone and disparate systems with no integration but centrally developed and managed

- SPAN
  - Implementing Core Accounting as part of IFMIS integrating the processes of Budget and Treasury and taking feeds from others

- Enhanced systems for performance based budgeting, medium term expenditure framework
Design of SPAN - Requirements

**SPAN Scope**
- COTS Solution
- Collaboration Environment
- Hardware
- Systems Software
- LAN & Cabling
- WAN
- Data Centre

**COTS Functionality**
- Budget Preparation
- Commitment Management
- Management of Spending Authority
- Payments Management
- Processing of Government Receipts
- GL & Chart of Accounts
- Cash Planning
- Reporting
- Maintenance of Reference Information

**DATA CHARACTERISTICS**
- Data Model
- Common Definitions
- Single Collection Point
- Universal Application
- Consistent Naming Conventions for Data Elements
- Common Data Dictionary

**APPLICATION CHARACTERISTICS**
- Derived Values Transfer Between Modules
- Minimum Reconciliation Required to Ensure Data Integrity
- Consistent Customisation Tools and Techniques
- Code Shared Among Modules
- Shared Business Rules

**PRESENTATION CHARACTERISTICS**
- Consistent Headings on Screens and Reports
- Consistent Navigation
- Consistent Look and Feel for Screens and Reports
- Single Authentication

**OPERATIONAL CHARACTERISTICS**
- Single Security and Rights Administration
- Consistent Interface to External Environment
- Implementation of New Releases of Components Handled Consistently
- Common Job Scheduling
- Common Set of Hardware/Software/Communications Platforms/Protocols
Design of SPAN – Big picture

SPAN = B + T (+O)

SPAN DB

Policy Development and Review
Budget Preparation
Public Investments
SPAN DJA

B

Audit and Evaluation
Mgmt of Budget Authorizations
SPAN DJPB

T

Fiscal Reports & Budget Review
Commitment of Funds
SPAN SU$s/DJPB

SPAN MoF

Publishing Web Portal
Debt and Aid Management
SPAN DJPB

SPAN MoF

TBD

DMFAS
BI-SSS
DJPU
DJPU/BI

PFM Information Systems in Indonesia (2012)

Source: Cem Dener, World Bank

SPAN Implementation

GAJI
SU$s/KL

Procurement/Purchasing
Modul Komitmen SU$s
MPN
DJPB

Tax and Customs
Asset / Inventory Mgmt
Modul Persediaan

Payroll Calcs HR Mgmt
Modul Aset SU$s/DJKN
Take away

- IFMIS = Integrated Financial Management Information System
- SPAN = Sistem Perbendaharaan dan Anggaran Negara
- DJA = Directorate General of Budget, MoF
- DPPB = Directorate General of Treasury, MoF
- DJPU = Directorate General of Debt, MoF
- DJKN = Directorate General of State Asset, MoF
- Bappenas = National Development Planning Board
- BI = Bank of Indonesia
- SU s = Spending Units of Line Ministries
Objective

1. Optimize investments in infrastructure at MOF – both technological and operational
2. Achieve economies of scale by implementing among others, virtualization technologies
3. Consolidate scarce resources
4. Increase integration between departments
5. Focus towards IT Controls and Governance and Enterprise Risk Management

MOF Shared Services will manage SPAN infrastructure in the newly consolidated data centre
Take away

- PFM Reform is a long drawn process comprising of multiple change initiatives affecting regulation, process, systems and people
- IFMIS system creates an opportunity for further integration and improvement in the PFM.
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