PUBLIC FINANCIAL MANAGEMENT ASSESSMENT

1. Country public financial management context. Indonesia is a highly diverse emerging economy and the world’s seventh largest economy (in terms of purchasing power parity). Its recent economic development successes and its status as an active democracy are tremendous achievements and have been supported by the creation of new institutions and practices. Both the shock of the Asian financial crisis (AFC) in 1997–1998 on government finances and the rapid and extensive democratization and decentralization that followed necessitated improved public financial management (PFM). In response to the World Bank’s 2001 Country Financial Accountability Assessment, which highlighted deficiencies in Indonesia’s PFM system, the government launched a national reform agenda in 2002 to improve many aspects of PFM. As a result of these reforms, Indonesia has made impressive strides regarding PFM, but shortcomings remain. In particular, several elements of the centralized, state-led economy that characterized pre-AFC Indonesia have persisted and present unique PFM challenges such as the continued presence of state-owned enterprises (SOEs) which play a dual role as commercial firms and agents of government policy.

2. Summary of public financial management practices and assessments. The current institutional and legal framework for PFM was established largely following the AFC. The Ministry of Finance (MOF) is ultimately responsible for coordinating budget formulation and disbursement and the Ministry of National Development Planning (BAPPENAS) is tasked with preparing priority programs and activities and developing plans for investment and capital expenditures.

3. Overview of assessment. Section I is an assessment PFM practices and frameworks in Indonesia. This section describes: (i) the institutional and legal framework of PFM in Indonesia; (ii) budgeting; (iii) oversight and auditing; and (iv) concludes with overview of recent PFM assessments. Section II provides an overview of development partner support for PFM reforms. Section III discusses issues related to PFM and the coronavirus disease (COVID-19) pandemic, in light of the changes to usual PFM practices necessitated by the government’s fiscal response. Section IV provides conclusions and recommendations.

I. PUBLIC FINANCIAL MANAGEMENT ASSESSMENT

A. Institutional and Legal Framework

1. General Overview

4. Key institutions. MOF is ultimately responsible for coordinating budget formulation and disbursement. BAPPENAS, as the planning agency, prepares priority programs and investment and capital expenditures. BAPPENAS also develops output targets based on the National Medium-Term Development Plan (RPJMN) and annual ministry-specific work plans (or Renstra-KLs). The line ministries have autonomic power to decide what projects they will implement to achieve those output targets subject to budget constraints. Since the AFC, Indonesia has also embarked on a process of decentralization that has delegated much spending authority to local

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1 Some of the weaknesses were: (i) an outdated legal framework; (ii) an opaque, and fragmented budget formulation process, including the separation of recurrent and development budgets; (iii) an inefficient payments and cash management system; and (iv) an inadequate and unreliable accounting, reporting and audit oversight arrangements.

2 The RPJMN produced by BAPPENAS includes an overall strategy for national developments, a macro-economic framework, outcome objectives, and output targets. Renstra-KLs are a series of ministry-level five-year strategic plans, detailed down to the level of planned activities (in terms of Km of road or dams built) by provinces and indicative budget over a five-year period.
governments. The Ministry of Home Affairs (MOHA) coordinates PFM practices among local government, with standards and procedures that sometimes vary from those prescribed by the MOF.

5. The legal and regulatory framework for public financial management has made substantial progress. The enactment of new laws in the initial phase of reforms post-AFC and the promulgation of regulations underpinning the laws has paved the way for the modernization of the country’s PFM system. This legislation is periodically reviewed and has strengthened the quality of budget formulation, treasury operations and expenditure oversight, and the accountability of results to the Parliament.

6. The Law on State Finances (No.17/2003) established the basic fiscal framework, based on international classification standards for budget development. The law requires detailed provisions for the budget process, a clear budget timetable with specific milestones, the establishment of reporting requirements to Parliament, and the introduction of a medium-term expenditure framework system and performance-based budgeting. Notably, the Law established a cap on the government budget deficit of 3% of gross domestic product (GDP).

7. The Presidential Decree on Procurement (No.80/2003) required improvements in the procurement regime and provided a timetable for establishing a national policy formulation and oversight agency. The subsequent Presidential Regulation (54/2010) further improved the legal and regulatory framework of public procurement in Indonesia, laying out key principles of sound procurement practices (i.e., efficiency, effectiveness, competitiveness, openness, transparency, non-discrimination, and accountability).

8. The State Treasury Law (No.1/2004) outlined the responsibilities of the State Treasurer. It provided the basis for modernizing budget execution and reporting, including measures necessary for centralized cash management and a simplified payment system.

9. The State Accountability and Audit Law (2004) strengthened the legal framework for independent operation of the Badan Pemeriksa Keuangan (BPK, or Supreme Audit Agency). It paved the way for more accountable and transparent government institutions, obligating them to submit a financial report to be audited by BPK before being presented to Parliament.

10. The National Development Planning System Law (2004) provided the legal basis for the national development planning process and making further progress toward linking planning with budgeting.

11. The Presidential Decree on Procurement (No. 4/2015) mandates the use of electronic transactions for all government procurement, aiming to improve the efficiency, transparency and quality of procurement, and ensuring accurate and timely recording and reporting.

12. Government Regulation No. 17 of 2017, which aims to further synchronize the budgeting and planning process by linking the 2003 State Finance Law and the 2004 National Development

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Planning System. It mandates coordination between BAPPENAS and MOF to improve the policy-orientation of budgeting.

13. Government Regulation in Lieu of Law No. 1 Year 2020 (Perpu No. 1/2020) explicitly regulates state financial policies, taxation policies, national economic recovery programs, and financial system stability policies in connection with the management of COVID-19 pandemic and/or threats that endanger the national economy and financial system stability. Relaxation of the State Budget deficit policy above 3% of the GDP will apply for three fiscal years (2020, 2021, and 2022), with the Government of Indonesia anticipating reimposing a 3% deficit starting in 2023.

B. Budgeting Procedures in Indonesia

1. General Overview

14. Budget planning. Indonesia’s planning and budgeting system is a complex process for merging the priorities and planning outputs of the President, MOF, BAPPENAS, line ministries, subnational governments, and the Parliament into a set of work plans and budget allocations over the medium and short-term. Government Regulation No. 17 of 2017 on the Synchronization of National Development Planning and Budgeting Processes was released to improve the policy orientation of budgeting and move toward greater synchronization between BAPPENAS and the MOF. The cross-ministry planning platform, KRISNA, was jointly developed by MOF and BAPPENAS and has a specialized budget module that links to the financial management system and integrates planning, budget execution, and performance monitoring of public expenditure. KRISNA was implemented for the 2018 budget to improve the policy orientation of budgeting, but still lacks full integration with the MOF’s SAKTI budgeting application. The Government plans to improve the KRISNA system as a tool to integrate e-planning and e-budgeting, including inputs into the relevant regulatory framework. Under KRISNA, line ministries are required to formulate targets and performance indicators for various spending programs, which are then reviewed and approved by BAPPENAS and MOF.

15. Revenues and outlook. Government revenues have been limited in Indonesia, restricting government fiscal space. Combined with even modest volatility and the government’s commitment to a deficit cap, this complicates budgeting. Total government revenues stood at 15.1% of GDP in 2015 and 14.8% in 2019 before falling to 12.3% in 2020 due to the impacts of the COVID-19 pandemic. Total tax revenues were 12.0% of GDP in 2015 and 11.1% in 2019, before falling to 9.5% in 2020 and increased to 10.2% in 2021. The total tax take is well below the 15% minimum considered necessary for developing countries to fund basic government needs. The International Monetary Fund (IMF) has repeatedly highlighted the need for Indonesia to address low revenue intake, and Indonesian authorities have advised that revenue mobilization is a top fiscal reform priority. To date, tax reform has been focused on improving tax administration, streamlining tax structures, broadening the tax base, and increasing compliance. The most recent major tax reform, Law No. 7 of 2021 on the Harmonization of Taxation

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6 Ibid.
Regulation, is projected to raise tax revenues by between 0.7% and 1.2% of GDP per year over the 2022–2025 period. Further improvements in tax revenue mobilization are targeted through access to integrated and up-to-date data and information, optimizing international tax treaties, and effectively implementing the automatic exchange of financial information with treaty partners.

16. **Budget reporting has been improved.** Under the Budget Law and Presidential Decree, the Government Finance Statistics (GFS) standard has been incorporated into the national budget and has provided more autonomy and control to budget owners (e.g., line ministries). Budget reporting at the national and subnational levels has also applied a “cash towards accrual” accounting standard. Transparency of the budget has been enhanced with the release of key budget documents, including draft budgets, six-month budget execution reports, and hosted detailed central government financial data on the GFS website. The government’s score in the Open Budget Index has increased from 51% in 2010 to 64% in 2017 and reached 70% in both 2019 and 2021. The government has also increased transparency by publishing budget data in a dedicated portal and providing additional functional disaggregation of spending into thematic areas, such as climate change and gender-responsive budgeting.

17. **Subnational government public financial management has improved, but more reforms are needed.** Indonesia’s decentralization transferred more than 30 functions and 2 million civil servants from the central government to the sub-national level. Today 73% of government employees are located at the regency/city level, with 1.8 civil servants per 100 residents. Only around 10% of total government revenue (low by international comparison) is raised at the sub-national level. Despite progress, substantial flaws remain in the design and coordination of the different elements of the system of intergovernmental grants that largely fund local governments. One systemic weakness in Indonesia’s public finance setting is the lack of skilled civil servants, especially those trained in accounting and financial management. This weakness is particularly acute in subnational governments, and a lack of standardization across levels of government further complicates matters. As noted earlier, PFM practices for local governments are set by MOHA, with standards and procedures that sometimes vary from those prescribed by the MOF.

18. **Budget execution rates remain a key issue despite improvements.** Indonesia has improved the timeliness and quality of budget execution from former lows, but low or skewed execution rates are a continuing problem. Fiscal year 2019 (the most recent year unaffected by the COVID-19 pandemic) the total uptake of budget disbursement from all ministries and institutions reached 84% of the ceiling, the highest level in the proceeding five years (though it improved to 114% in 2022). Besides budget utilization, the improved quality of budget execution is also reflected in the number of revisions to the Budget Execution (Allotment) Document (DIPA) at each working unit, the accuracy of the budget estimation requested and executed, and the timeliness of budget accountability.

19. The bunching of capital expenditures is common, as budgets are approved for 1 year and final purchasers often rush to spend unused allocations. This bunching of capital expenditures

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had improved, from 50%–60% in the last quarter in 2013 to 40% in the last quarter of 2019 but is still a concern—in 2022, 55% and 25% of the allocation were recorded as spent in the last quarter and December alone, respectively.¹⁴

20. Slow budget execution is a major problem for public service delivery due to concerns about both absorptive capacity and quality of budget implementation.¹⁵ MOF continues to streamline systems and procedures with a greater focus on performance and flexibility. Multiyear appointments of budget officers authorized to execute the budget, together with revisions and simplifications in spending rules and new cash management systems are expected to improve budget execution.

C. Oversight and Audit

1. General Overview

21. **Internal audit.** Commitment controls are in place that effectively limit commitments to actual cash available and approved budget allocations. Controls were further improved with the implementation of the State Treasury and Budget System (SPAN). The government has also adopted COSO (Committee of Sponsoring Organizations of the Treadway Commission) as its control framework (August 2008) and Government Regulation (PP) 60/2008 clarified the role of internal auditors (BPKP) and required all state institutions to implement the Government Internal Control System (GICS) for effective, efficient, and accountable management of state funds.¹⁶

22. **External audit.** BPK is mandated to strengthen government integrity and accountability and has made steady progress in improving its capacity and practices.¹⁷ BPK has the authority to perform three types of audits: (i) financial audits, which include the audit of the Central Government Financial Report (LKPP) and Local Government Financial Report (LKPD); (ii) performance audits; and (iii) any audit with a specific purpose. To fulfill this role, BPK has adopted several measures to strengthen auditor professionalism and integrity which have improved the quantity and quality of BPK’s audits. However, capacity constraints limit BPK’s ability to achieve its ambitious goals internally. To overcome this, BPK is planning to utilize Public Accounting Firms (KAP) to conduct an audit of financial statements for and on behalf of BPK. While BPK will still conduct financial audits, BPK will utilize this outsourcing framework to increase the level of resources dedicated and assigned to performance audits and audits for a specific purpose. However, the use of KAP personnel may increase audit risk due to differences in accounting and audit standards, and differences in the entity’s business environment. The ADB has supported the supreme audit body through the State Audit Reform Sector Development Program.¹⁸

23. **Legislative oversight.** The Parliament’s (DPR) role in shaping the state budget and overseeing the budget processes was institutionalized in Law No. 27/2009. Under the Law, the

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¹⁶ Under the regulation, four types of institutions share the responsibility for conducting the government’s internal audit function, namely, the BPKP, Inspectorates General, provincial inspectorates and district/city inspectorates. Each of these is assigned different roles.


former Budget Committee became the Budget Board (Badan Anggaran), a permanent entity of DPR responsible for the state budget’s endorsement. Secondly, the State or Public Finance Accountability Board (Badan Akuntabilitas Keuangan Negara) was established as a permanent entity of DPR to review the results of financial reports prepared by the BPK.

D. Recent Assessments of Public Financial Management Practices and Plans for Further Reform

24. The 2017 Public Expenditure and Financial Accountability (PEFA) assessment points to a much-improved PFM system in Indonesia. The World Bank’s 2017 PEFA assessment cited overall improvements in the core PFM system across the budget cycle and finds that Indonesia has established a robust legal and regulatory framework that is mostly aligned with international standards.\(^{19}\) When compared to the 2012 repeat PEFA assessment (focusing on advances made from 2007 to 2011), 11 out of 31 indicators show improvements (comparison in Annex 5 of 2017 PEFA Report).\(^{20}\) However, shortcomings still remain and implementation of these standards is not complete. The overall average PEFA performance score is slightly below B, with 17 out of 31 indicators scored either “A” or “B,” which is above the benchmark level of performance broadly consistent with good international practice (Table 1). Indicators with particularly good assessment results include transparency of public finance and improved quality of financial reporting and oversight. Notable improvements are observed in the predictability of in-year resource allocation, parliamentary scrutiny of budget, and accounting for revenue. However, the comparison also shows deterioration in six indicators, including parliamentary scrutiny of audit reports and revenue outturn.

<table>
<thead>
<tr>
<th>Core of PFM Performance</th>
<th>Performance Indicators</th>
<th>Score</th>
<th>Total Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget reliability</td>
<td>PI-1 to PI-3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Comprehensiveness and Transparency</td>
<td>PI-4 to PI-9</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Management of Assets and Liabilities</td>
<td>PI-10 to PI-13</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Policy-based fiscal strategy and budgeting</td>
<td>PI-14 to PI-18</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Predictability and Control in budget execution</td>
<td>PI-19 to PI-26</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Accounting, Recording, and Reporting</td>
<td>PI-27 to PI-29</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>External Scrutiny and Audit</td>
<td>PI-30 to PI-31</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>9</td>
<td>31</td>
</tr>
</tbody>
</table>


25. The International Monetary Fund Public Investment Management Assessment (2019) highlights areas for improvement. Despite Indonesia’s accomplishments, the 2019 Public Investment Management Assessment (PIMA), which evaluated various aspects of public financial management, highlights several areas for improvement.

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finance management in Indonesia, indicated that a relatively significant public investment effectiveness gap remains when compared to other emerging markets. While praising Indonesia’s well-developed planning process, the PIMA raised the need for improvements in coordination among the various public investment institutions (e.g. ministries and local governments). The PIMA highlighted the need for improvements in the implementation phase, for which Indonesia scores relatively poorly, including project oversight and ex post evaluation.

More recently, the IMF welcomed efforts to improve spending efficiency, particularly in the areas recommended in the PIMA, such as strengthening the multiyear budgeting framework for capital spending, and modernizing capital portfolio oversight and monitoring, among others.

26. **World Bank Public Expenditure Review 2020 also focuses on PFM progress and continued challenges.** While reforms have been successful in establishing a solid foundation, the “completion” of these reforms is still needed. Continued fragmentation of the budgeting process at the national level leads to gaps in PFM practices, compounded by the decentralization of spending authority undertaken in Indonesia over the last two decades. Subnational governments vary widely in their capacity and capabilities, which has introduced a high degree of variation in the quality of PFM practices at the subnational level.

27. **Indonesia’s PFM reform roadmap recognizes these challenges and sets out goals for continued reform targeting weaknesses in 2017 PEFA assessment.** With support from international partners (see further discussion in Section II), the Ministry of Finance has prepared a roadmap for PFM reform intended to guide reform over the 2020–2024 period. The five pillars of reform outlined by the report aim to address weaknesses identified in the 2017 PEFA assessment, with particular attention to those performance indicators where Indonesia was assessed as achieving a “C” or “D” grade (Table 2).

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23 International Monetary Fund. 2019. *Indonesia: Article IV Consultation – Staff Report*. Washington, DC.


Table 2. Indonesia PFM Roadmap Pillars

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Goal</th>
<th>Impact</th>
<th>Potential improvement in PEFA scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pillar 1</td>
<td>Optimization of Public Revenues</td>
<td>Enhanced revenue collections / outturn over the medium term, through modernized business processes, systematic management of compliance risks and upgraded capacities.</td>
<td>for PI 3.2 (D); PI 19.2 &amp; 19.4 which were last rated ‘C’.</td>
</tr>
<tr>
<td>Pillar II</td>
<td>Strengthened Planning &amp; Budgeting</td>
<td>Allocation of resources are aligned with government priorities, with a strengthened medium-term outlook and focus on performance.</td>
<td>PI 3.1 (D), PI 8.1 (B), PI 8.4 (C), PI 10.3 (C), PI 14.2 (B), PI 16.1 (C), PI 16.3 (C)</td>
</tr>
<tr>
<td>Pillar III</td>
<td>Efficient Budget Execution and Accountability</td>
<td>Efficient use of public resources through better budget execution, strengthened internal controls, strong accountability and value for money.</td>
<td>PI 10.2 (D), PI 11.1 &amp; 11.2 (C), PI 11.3, 11.4 (D), PI 12.2 (C), 12.3 (C), PI 23.4 (C), PI 24.1 (C) 24.3 (C), PI 24.4 (D) 26.2 (C), 26.4 (C)</td>
</tr>
<tr>
<td>Pillar IV</td>
<td>Inter Govt. Fiscal Relations and Sub-National Finance</td>
<td>Enhanced transparency in fiscal relations with sub-national governments and improved performance among local governments.</td>
<td>for PI 7.1 (C), PI 8.3 &amp; 8.4 (C) PI 10.2 (D).</td>
</tr>
<tr>
<td>Pillar V</td>
<td>Enabling environment &amp; cross cutting issues (digitalization &amp; change management)</td>
<td>Stronger foundation for MOF’s drive towards improved internal efficiencies and better services to citizens and businesses.</td>
<td></td>
</tr>
</tbody>
</table>


II. DEVELOPMENT PARTNER SUPPORT

28. Development partners have remained engaged with the government, at both the central and sub-national levels to strengthen PFM systems in Indonesia through a broad mix of policy-based operations, projects and TA activities. Since 2004, budget and treasury reforms have remained high on the World Bank’s agenda, supported by policy-based development loans (DPL) to the government. These loans have been supported with parallel co-financing by the Government of Japan and ADB with a series of development policy support programs (DPSP).

29. The European Union, Netherlands, Switzerland, Canada, Japan International Cooperation Agency, IMF, and the United States of America have complemented this work. In 2016, ADB enhanced support for the government’s governance reform agenda through its Fiscal and Public Expenditure Management Program. The program focuses on aligning planning and budget preparation and fiscal transfers to enable the government to make progress in its commitment to
achieving the Sustainable Development Goals.\textsuperscript{26} ADB also provided support through its Stepping Up Investments for Growth Acceleration Program.\textsuperscript{27} Support for SOEs’ reforms has also been provided by the World Bank and ADB.

30. The World Bank Group has been assisting the government with PFM improvements at the national level since 2004 through the Government Financial Management and Revenue Administration Project (GFMRAP). GFMRAP supports reforms aimed at strengthening efficiency, governance, and accountability in PFM, especially in budget execution, and treasury modernization and revenue administration.\textsuperscript{28} At the subnational level, ADB is the lead development partner. ADB’s Local Government Finance and Governance Reform (LGFGR) programs strengthened PFM at the sub-national level and implemented a computerized financial management information system (FMIS) at 171 regional locations.\textsuperscript{29} To strengthen budget transparency, the United States supported the Open Government initiative and is supporting efforts to disclose detailed budget information across all levels of government.\textsuperscript{30}

### III. CORONAVIRUS DISEASE PANDEMIC RESPONSE

31. Reprioritizing public spending toward bolstering the economy and the health system due to the coronavirus disease pandemic. The COVID-19 pandemic necessitated a rapid government response which necessitated changes to Indonesia’s usual PFM practices. The President’s Directives of 4/2020 mandate a refocusing of development activities, reallocating the government budget, and procurement of goods and services for rapid and accelerated response to COVID-19. The Indonesian government is now authorized to implement a number of tailored financial policies. First, the Directives allowed the budget deficit to exceed 3% of GDP during the management of COVID-19, or to face threats that endanger the national economy or financial system stability. This exemption lapses at the end of Fiscal Year 2022, at which time the budget deficit limit of 3% of GDP will return. The Directives also allow for mandatory spending adjustments through which the regional governments can use 25% of the General Transfer Fund for addressing the COVID-19 pandemic. Also, the government may now shift the budget between organizational units, between functions and/or between programs. Next, the government may now carry out expenditures through the state budget related to efforts to address the COVID-19 pandemic even where the budget is not yet available, or in cases where the budget has been allotted but not in a sufficient amount. The government may issue government bonds, and

\footnotesize{\textsuperscript{26} ADB. 2016. \textit{Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan to the Republic of Indonesia for Subprogram 1 of the Fiscal and Public Expenditure Management Program}, Manila.

\textsuperscript{27} ADB. 2018. \textit{Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan to the Republic of Indonesia for Subprogram 3 of the Stepping Up Investments for Growth Acceleration Program}, Manila.

\textsuperscript{28} GFMRAP implementation has been financially support by the World Bank, Government of Japan and the PFM Multi-Donor Trust Fund (MDTF).

\textsuperscript{29} In addition to the State Audit Reform Sector Development Program (35144-013), ADB provided PFM support through \textit{Sustainable Capacity Building for Decentralization Project} (35261-013), \textit{Local Government Finance and Government Reform Sector Development Program} (36541-013), and \textit{Local Government Finance and Government Reform Sector Development Project} (36541-023). The \textit{Fourth Development Policy Support Program} (43092-013) included outputs for improved PFM and governance as well as for delivery of public services.

\textsuperscript{30} At the province level, 73% have disclosed detailed budgets, while at the district level it is still in progress and was planned plan to be completed by end of 2014 (as stipulated in the presidential decree no. 2 /2014). A portal on government institution performance and budget information at national and sub-national level (Portal Satu Pemerintah) is also being developed. Indonesia’s open government action plan for 2014-2015 will also expand to the legislative branch. It is expected that the parliament (DPR) will make publicly available through various on-line media running of on-going meetings, meeting attendance, minutes of meetings, etc. Source: Indonesia OGP Action Plan 2014-15. \texttt{https://www.opengovpartnership.org/members/indonesia/#current-action-plan}.}
government Sharia bonds for specific purposes in the context of the COVID-19 pandemic to be purchased by Bank Indonesia and SOEs, in addition to the usual investors. Finally, the government may prioritize the use of budget allocations for activities related to addressing the COVID-19 pandemic, such as adjusting the allocation, cutting, or delaying the distribution of the transfer budget to the Regional and Sub-district Funds (with certain criteria). Within this authority, the government is also authorized to give grants to local governments, and simplify the mechanism and documents used in support of state finance.

IV. CONCLUSIONS AND RECOMMENDATIONS

32. Consistent progress has generally brought Indonesia’s public financial management system closer to good international practice, but further efforts will deliver additional benefits. As stated in the IMF’s 2018 Article IV release, “PEFA documents an overall improvement in the core PFM system across the budget cycle and finds Indonesia has a strong legal and regulatory framework, and a PFM system largely aligned with international standards.”31 This reflects a sustained effort by Indonesia to improve PFM systems. In the first phase of reforms, following the AFC, Indonesia strengthened its legal and institutional framework. The second phase of reforms is ongoing and focuses on strengthening the budget's creditability, comprehensiveness, transparency, and results orientation. Budget processes and practices have been further streamlined. Predictability and control of budget execution has improved, as have accounting and reporting functions. Procurement has improved with the roll-out of e-procurement and accompanying reforms. PFM reforms are always a long-term and complex process and require continuous support from development partners.