IFMIS Systems - Capacity Development

Peter Murphy, B.Sc (Hons), M.Sc, CPFA
What are the key challenges in development of Public Financial Management?

Challenges

- Limited Macro Modelling.
- Limited Revenue Forecasting and Management
- Unrealistic, inadequately Poverty/Policy/Performance MTEF & Budgets
- Weak Stakeholder Participation
- Inadequate Analytical Frameworks for Resource Allocation/Control/Management
- High Levels of Centralised Control
- Inadequate Commitment and Cash Control/ TSA/ Reconciliation
- Corruption & Fraud.
- Limited Transparency - Monthly and annual Public Accounts
- Weak Internal & External Audit

ICT Based Systems
**Typical Ongoing PFM Reforms**

- **Improved Oversight Systems**
  - Parliament, PAC, External Audit

- **Macro Policy Analysis & Advice, Capacity Building, Interfaces**
  - Macro Units

- **Rev Policy Analysis & Advice, Capacity Building, Systems, Structures**
  - Rev Agencies, AidMU, Debt Man

- **MTEF, Sector Strategies, Bud Policy Analysis & Advice Budgeting Systems**
  - Bud Div, LM, LGs

- **Procurement Reform, Payroll/Personnel Reform, Asset/Liability Management, Internal Audit Systems etc**
  - MOF, LM, LGs, PS/HR

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**Approval, Oversight & Accountability**

**Aggregate Control**

**Resource Mobilisation**

**Resource Allocation**

**Resource Management**

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**Financial Control, Management & Reporting**

**Capacity/Systems/Skills**
- Cash & Bank Management
- Commitment Control
- Management Reporting
- Poverty Tracking
- Accounting Standards
- Accounting Systems
- Financial Reporting
  - AGD, MDA’s, LGs

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**PFM**

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**Need for alignment with Environmental (PETS) Forces e.g.:**

- **Informal**
  - Culture
  - Politics/Power
  - Leadership

- **Formal**
  - Strategy/Policy
  - Skills Transfer
  - Systems/Technology
  - Structural Change
  - Management Development
  - Limited HRM

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- Political: Democratic Transition Process & Policy Debate
- Social: Civil Society Pressure Groups, Participation.
- Economic: Poverty Reduction, Efficiency, Effectiveness
- Rapid Technical Change
- International Standards etc
Typical IFMIS System Components

- Inventory
- Equipment Manager
- Tender Management
- Requisition Manager
- Purchase Order
- Accounts Payable
- HRM/Salaries System
- Expense Order
- Budget/Planning Tools
- Commitment Control
- Cash Management
- Cash Control
- Cash Manager
- General Ledger
- Imprests/Loans
- Accounts Receivable
- Revenues
- Claims on Donors
- CoA
- GL Journals
- Macro/REFF Systems
- CS DRMS
- Reporting

P Murphy, Washington, IFMS Conference, November 2007
Capacity Development Context

1. Recognition and Willingness to Change - Develop a vision strategic management PFM perspective, Environmental Scan, and Gap Analysis

2. Change Capacity - Undertake Change (strategy, structure, staffing, skills, management, leadership, culture, power).

3. Transition Capacity - Manage the Transition (Specify, Acquire, Solution Design, Build/Setup, Test, Populate, Pilot, Implement, Refine).

Recognition & Willingness– Task Environment Demands

**Lesotho (2005)**
- Historical Perspective (GOLFIS),
- Technical Redundancy
- Analysis PFM Management/Systems Weakness
- Strategic FMS (Stakeholders/Consultants)
- DP Funding

**Tanzania (1997)**
- Fiscal Crises
- New AGD Leadership
- Experienced TA
- DP Funding

**Uganda (2004)**
- Analytical Work/Consultant Studies
- Weak Budget Execution Capacity
- External Exposure
- AGD Leadership
- Experienced TA
- Fiscal Decentralization
- DP Funding

Recognition & Willingness to Change (Ownership)
Recognition & Willingness - Forces for Change

Opposing Forces
- Centralized Power
- Weak Integration
- Fear of Job Loss
- Non Rationale Cultures
- Vested Interests
- Limited Awareness

Weaken

Supporting Forces
- Environmental Demand (DPs)
- Fiscal Crises
- Change Champions
- Cross Departmental Communication
- Internal Efficiency Demands
- Redundant Technology
- Education

Strengthen
# Recognition/Willingness - Vision, Gap Analysis & Design


<table>
<thead>
<tr>
<th>Conceptual Framework</th>
<th>Functionality (Example – Budget Formulation)</th>
<th>ICT Architecture</th>
</tr>
</thead>
<tbody>
<tr>
<td>• From Cash to Accrual</td>
<td>• Performance/Results Orientation</td>
<td>• COTS/Build</td>
</tr>
<tr>
<td>• Standards - IPSAS</td>
<td>• Poverty Reduction</td>
<td>• Centralized, Core Periphery, Decentralized.</td>
</tr>
<tr>
<td>• Classification GFS</td>
<td>• MTEF/Budget Strategic Plan Preparation</td>
<td>• Big/Medium/Small</td>
</tr>
<tr>
<td>• Roles &amp; Responsibility</td>
<td>• Activity Basis &amp; Resource Requirements</td>
<td>• Multi Tier/2 Tier</td>
</tr>
<tr>
<td>• Integration of Planning, Budgeting &amp; Accounting</td>
<td>• Preparation of Budget Entity detailed estimates.</td>
<td>• Data Centre/WAN</td>
</tr>
<tr>
<td>• Comprehensiveness</td>
<td>• Budget challenge and policy discussion.</td>
<td>• In-house, Service Provider</td>
</tr>
<tr>
<td>• Levels of Decentralization</td>
<td>• Consolidation &amp; Presentation.</td>
<td>• Management</td>
</tr>
<tr>
<td>• Resource/Project Management</td>
<td></td>
<td>• Maintenance</td>
</tr>
<tr>
<td>• Key Business Processes</td>
<td></td>
<td>• Renewal</td>
</tr>
</tbody>
</table>
Consensus Desirable – Possible – A few willing to go where no man has been before?  - Evolution versus revolution!
Capacity Development Dimensions

1. Management / Professionals (Design & Manage)
2. IFMS Staffing & Skills (Operate)
3. IFMS Project & Contract Management (Transition)
4. Transition & Final Structures (Sustain)
5. Motivational Measures (Engagement)

Client/Consultant/Contractor Mix
1. Management & Leadership Capacity - Approaches

- Identify Owners & Champions
- Strengthen/Training
- Change
- Supplement
- Restructure
Management & Leadership Capacity (Cont) - Examples

**Uganda**
1. Raise Director of Accounts to Accountant General. (PFMA Act)
2. Strengthen Director (Treasury Accounts)
3. Identify and Train Champions
4. Contract FM/Training Advisors
5. Contact Local Consultants (FMS).
6. Training & Study Tours

**Tanzania**
1. Appoint new Accountant General
2. Restructure & Create new Assistant Accountant General (Financial Systems) and Staff Positions
3. Contract FM Advisor
4. Co-opt Chief Accountants as Champions in Ministries and Train.
5. Training & Study Tours

**Lesotho**
1. GOLFIS - Study Tour /FMA
2. FMIS - Appoint IFMS Project Manager at level equivalent to Deputy Accountant General.
3. Adopt medium term restructuring.
5. Training and Study Tours

**Others**
1. Appoint separate IFMS Coordinator/Project Manager.
2. Establish Project Unit.
3. Appoint Specialist Consultants.
4. Use Project Management Coordination arrangements to work with Departmental Managers.
2. IFMS Staffing & Skills - Business Processes (Manual/Semi-Computerized Environment)

- Requisitions
- Procurement
- Payments
- Public Debt & Tax
- HR/Payroll
- Budgeting & Releases
- Accounts Ledgers
- General Journals
- Cash Book
- Summary Budget Reports
- Detailed Budget Reports
- Statutory Financial Reports

- Often Centralized.
- Lack of Integration.
- Inefficient (Duplicate Data Entry & Functionality)
- Managed Independently
- Different Analytical Basis (Classification/ Valuation)
- Inconsistent & Incomplete Reporting
- Lack of Integrity, Timeliness, Comprehensiveness

Mechanize the Horse and Cart?
IFMS Staffing & Skills (Cont) – GL, Budget Execution and Financial Reporting

- Requisition Purchase Order Module
- Accounts Payable Module
- Accounts Receivable Module
- Interaces Public Debt Tax etc
- Interaces HR/Payroll
- Commitment/ Cash Management Module
- Budget Module
- General Ledger Module
- General Journals
- MTFF Data
- Summary Budget Reports
- Detailed Budget Reports
- Statutory Financial Reports
## IFMS Staffing & Skills (Cont) - Budget Module

<table>
<thead>
<tr>
<th><strong>Budget Module</strong></th>
<th><strong>Supports</strong></th>
<th><strong>Users</strong> (Transactional Users/Analysts//Information Users)</th>
<th><strong>Managers</strong> (Decision Making)</th>
<th><strong>Support</strong> (In-house)</th>
</tr>
</thead>
</table>

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## IFMS Staffing & Skills (Cont) - GL Module

<table>
<thead>
<tr>
<th>General Ledger</th>
<th>Facilitates Framework for System:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Organisation parameters, Accounting Concepts</td>
</tr>
<tr>
<td></td>
<td>• Chart of Accounts/Classification</td>
</tr>
<tr>
<td></td>
<td>• Capture Budgets and non-financial data, Bank account details, Fiscal years</td>
</tr>
<tr>
<td></td>
<td>• Journals and postings (from source systems)</td>
</tr>
<tr>
<td></td>
<td>• Database for all transactions, Financial Reporting, Audit Trail</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Users (Transactional Users/Analysts/Authorisation/Reports)</th>
<th>Managers (Decision Making/Information Users)</th>
<th>Support (In-house)</th>
</tr>
</thead>
</table>
### End Users

**Primary**
- Manage & Operate Business Processes
  - Data entry
  - Validation
  - Authorization
  - Analysis
  - Reporting
- Use System Outputs
  - Planning
  - Analysis
  - Decision Making
  - Reporting

**Secondary**
- Internal/External Audit External
  - Public, DPs PAC, EFC etc

### Application Managers

**Process Owners**
- Manage users & permissions
- Ensure availability for appropriate use
- Manage central functions – setup, chart of accounts, report customization
- Ensure reliability
  - Problem resolution
  - Routine Maintenance
  - Upgrades / updates
- Security
  - Ensure systematic expansion
  - Ensure functionality of interfaces to external systems

### ICT Facilities Management

- Manage Architecture
- Ensure availability for appropriate use
- Ensure reliability
  - Technical Problem resolution
  - Routine Maintenance
  - Upgrades / updates
- Security
  - Data backups
- Ensure systematic expansion
- Ensure functionality of interfaces to external systems

### Defined Users

### Financial Systems Unit(s)

### Data Centre/ICT Personnel/Contractors

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IFMS Staffing & Skills (Cont) — Support Functions

• In-house Configuration (Application Support, ICT Unit, Training Unit)

• Partially Outsource (Consultants/Advisors, Contract ICT Maintenance, Training Aspects)

• Substantially Outsource (Management, Communications, ICT Provider, Enterprise Application Provider)
IFMS Staffing & Skills (Cont) Training

Restructuring/Functional Reviews

Staffing, Restructuring

TNA/Training
1. Create a Learning Organization
2. View whole process as a Learning opportunity.
3. Require Client, Consultants, Contractors to Engage at each stage of the process.
IFMS Staffing & Skills (Cont)

Application (20-100’s)
Mangers/Champions/Local Consultants
• Concepts – In depth
• Module Operation
• 1st Line ICT Support
• Training Skills
• Consultant Skills

Key Users (50-100’s)
• PFM Concepts
• Module Concepts
• Module Operation
• 1st Line ICT

Users (1000’s) – Need to know

Local Consultants/Trainers (20-50)
• Concepts – In depth
• Module Operation
• Training Skills
• Training Material Development

Specialists (100’s)
• Audit
• Central Function

ICT (10-100’s)
• Data/DR Centre
• WAN
• LAN
• Communications
• Database
IFMS Staffing & Skills (Cont) - Examples

**Uganda**
1. Recruit and Embed Application Support Group (25) in AccGen Dept, 15 Local Consultants
2. Train ICT/Application Support Group
3. Allocate to work with Contractor
4. Contract and Train FMS Local Consultants
5. Use Local & Contractor to Train Groups
6. Train Users

**Tanzania**
1. Recruit 35 dedicated Application & ICT Support Staff
2. Provide extensive Training
3. Restructure to Embed in AccGen Dept
4. Allocate to work with Contractor
5. Identify and train 60 Pilot User staff
6. Train Chief Accountants

**Lesotho / Cambodia / Kenya**
1. Recruit 25 Application / ICT Support
2. Adopt medium term restructuring
3. Train (Technical, Application, ICT etc)
4. Training and Study Tours
5. Train Users

**Others**
1. Champions Identified
2. Part time allocation of staff
3. Use Consultants (Local & International) to Design & Implement
4. Train Users
3. IFMS Project & Contract Management

Capacity Development – Contractor

- The market appears small, expertise limited, but is it? We know there are multiple products, which have more than sufficient functionality to meet the core requirements.

- Is it because in attempting to minimize risk we insist on an international vendor, extensive experience, huge levels of turnover, multiple previous implementations all of which in fact limits competition severely and drives up cost dramatically. Is the procurement model faulty, is the focus appropriate?

- The Tanzania experience 1997-2007
  - Product Epicor (Formerly Platinum) – Mid Range System.
  - Solid package, US Private sector accrual based system.
  - Supplied through a local Tanzania based Company based on competitive bidding process. (No experience but much lower costs and willing partner)
  - Supported by one experienced PFM Specialist and a short term ICT specialist.
  - Strong learning organization (both Client and Contractor)
  - Low cost sustainable solution, initial cost less than US$2 million.
  - Evolution not revolution.
Tanzania Experience

- Stated in 1995 in an atmosphere of systemic collapse by July 1998 - all MDAs (50+) in DAR were on the IFMS base package (in less than 3 years) using GOT wireless based networks, citrix server, thin clients, SQL Database.
- Gov’t chart of accounts on GFS compliant basis, mapping can further enhance
- Real-time time budget allocation, disbursement, commitment control, budget & financial reporting. TSA implemented. Dramatic improvement in PEFA scores.
- 2001/2002 all Regional Sub treasuries on stand alone IFMS
- Extensive Agencies and Projects implemented. (Accrual and Cash) Multiple DPs.
- Budget module/Active planner rolled out to MDAs
- 2002/2003 all regional MDAs on IFMS duly networked to the Sub treasury D-Base
- 50+ Local Authorities implemented and many more under implementation.
- TRA implemented in 60+ sites with full accrual.
- 2000 + trained since inception
- Fully sustained locally since 2000.
- Introduction of data warehouse for Budget/Macro Analysis
- Now migrating to other countries Gambia, Malawi, Lesotho.
- In Malawi – Tanzania Accountant General Dept is acting as Consultant and is providing capacity building opportunities.
3. IFMS Project & Contract Management

PFM Steering Committee

IFMS Management Team

Contract Management

Audit/Controls

Application

Capacity Development

ICT Architecture

Dept Heads, Project Component Managers, Consultants & Contractors, Other LMs/Departments
### 3. IFMS Project & Contract Management (Cont) - Examples

<table>
<thead>
<tr>
<th>Project Management Mechanism Expectation</th>
<th>Reality</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steering Group – Strategic Direction, Co-ordination Approval &amp; Problem Resolution.</td>
<td>Meets only infrequently, ineffective, appears to make little impact.</td>
<td>Lack of strategic direction undermines commitment, coordination and project management authority.</td>
</tr>
<tr>
<td>Quarterly Internal Stakeholders – Reporting, Planning &amp; Coordination.</td>
<td>Poorly attended, lack of engagement by some Dept Heads.</td>
<td>Lack of detailed integrated planning, follow-up and accountability.</td>
</tr>
<tr>
<td>Weekly Project Management Meetings – Follow-up &amp; Problem Solving.</td>
<td>Weak stakeholder involvement outside AccGen/IT &amp; Contractors Weak</td>
<td>No awareness/commitment from some stakeholders. Low levels of accountability. Limited problem solving authority.</td>
</tr>
<tr>
<td>Project Manager /FMIS Consultant. Day to day management</td>
<td>Follow-up Located under AccGen responsibility not matched by authority</td>
<td>Difficulty in securing engagement and resolving problems.</td>
</tr>
</tbody>
</table>
IFMS Project Management (Cont) - Examples

Uganda
1. Steering Committee Established
2. AccGen - Business Owner/ PMT Every Week
3. Project Charter allocates roles and responsibilities
4. Project Manager Appointed initially consultant, now employee.

Tanzania
1. No initial Steering Committee
2. Driven from AccGEN (Business Owner)
3. Advisor as Project Manager
4. Project Charter Created
5. Evolution rather than Revolution.

Lesotho /Cambodia/Kenya
1. Project steering Committee at higher level
2. AccGen as Business Owner.
3. Project Manager Appointed.
4. Project Management Contracted Out.

Others
1. Project Manager outside Organizational Framework.
2. Business Owner not identified.
3. Fragmented Contracts
4. Weak Project and Contract Management
4. Transition Management (Illustration)

**Project In-house Organisation**
- Steering Group (Stakeholders)
- Project/Contract Management Group
- Training Group
- Application Group
- ICT Group
- AccGen Dept
- MDA Units
- ICT

**Post Project In-house Organisation (AccGen/ICT)**
- AccGen/Budget
- AccGen/Budget Dept Sections
- LM/Agency/LG Units
- Application Support Unit
- ICT Support
5. Motivational Measures

- Effective Management/Leadership/Team Building/Engagement

- Appropriate market related pay (Application Support, ICT Support, Key Users) and Career Opportunities

- Create Structures (Agency for ICT Staff), adopt more flexible forms of Employment (Contracts), Contract out Functions (Non Core).

- Provide extensive Education and Training Opportunities. Expect losses, keep training. (Labor Market saturation will occur)

- Enhanced Salary Schemes (Performance, Market, Reform Based)
IFMS Motivational Measures - Examples

**Tanzania**
1. Contracted Local Company to supply the system.
2. Recruited IFMS Accountants/Systems Staff on project and transferred to Government.
3. Provided Extensive Education and Training Opportunities
4. Sound Management & Team Building.
5. Promotion /Career Opportunities.

**Uganda**
1. Contracted Local Consultants.
3. Extensive Training.
4. Sound Management & Team Building.
5. Promotion /Career Opportunities.

**Others**
1. No Recruitment
2. Part time allocation of staff.
3. Use Consultants (Local & International) to Design & Implement.
4. User Training
<table>
<thead>
<tr>
<th>Activity</th>
<th>Investment</th>
<th>Recurrent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feasibility Study</td>
<td>Consultants, Client Participation</td>
<td>Workshops, Study Tours &amp; Conferences</td>
</tr>
<tr>
<td>Support Capacity</td>
<td>Medium Term Advisors Local Contract Staff</td>
<td>Client Groups – Support Groups, Capacity Development</td>
</tr>
<tr>
<td>Procurement</td>
<td>Consultants Client Participation</td>
<td>Workshops, Training, Specialists (Legal)</td>
</tr>
<tr>
<td>Design, Configuration, Testing, Setup, Training</td>
<td>Contractor - Application/ICT Infrastructure/Training /Site Works; DP Specialists, Quality Control, Client Participation</td>
<td>Training of Trainers, Workshops, Training, Data Collection and Verification, Motivational Elements</td>
</tr>
<tr>
<td>Pilot Implementation (Problem Resolution, Acceptance) – Core Functions</td>
<td>Contractor, Client Participation QA, Other consultant/specialists</td>
<td>Licensing Running Costs, WAN Costs</td>
</tr>
<tr>
<td>Rollout</td>
<td>Training, Infrastructure Expansion, Functionality Expansion, Upgrades</td>
<td>Training, Licensing Running Costs, WAN Costs Maintenance &amp; Renewal</td>
</tr>
</tbody>
</table>