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Government Financial Management Information System

**A Powerful Vehicle for
Improving Accountability,
Transparency, and
Combatting Corruption**

Prepared for:



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Who we are



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- ü Principal in Deloitte Consulting LLP's Federal practice
- ü More than 25 years of experience leading economic and fiscal reform programs around the world
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- ü Specialist Leader in Deloitte Consulting LLP's Federal practice
- ü International PFM specialist with USAID, IMF, World Bank
- ü 20 years of experience in implementing GFMIS in Central Asia, Africa, and the Middle East
- ü Supported PFM reforms in the Australian Federal Government



Eric Uggen

- ü Senior Manager in Deloitte Consulting LLP's Federal practice
- ü 19 years experience in the PFM domain
- ü PFM advisor to governments in Latin America, the Caribbean, Eastern Europe, Central and South Asia, and East Africa.
- ü As program leader, has led the research and delivery of PFM reforms in Latin America and the Caribbean

Agenda

- Introduction and context
- The Public Financial Management (PFM) Framework and Government Financial Management Information System (GFMIS*)
- PFM success criteria
- Challenges to GFMIS implementation
- GFMIS case studies
- Conclusion
- Questions and answers

*Also known as Integrated Financial Management Information System (IFMIS); Government Integrated Financial Management Information System(GIFMIS); and Financial Management System (FMS)

Introduction and context

- Over the last 30 years, governments around the world have sought to improve their public financial management (PFM) framework through greater automation
- The term Government Financial Management System (GFMIS) is now used to describe this suite of automated PFM systems

The automated functionality of GFMIS promises to vastly improve the PFM framework by offering a vehicle for:



More accurate, reliable, and timely financial report



Greater accountability



Improved transparency



Combating corruption

When automation overlays inefficient practices and weak controls, limited, if any, advancements are made.

Automation alone cannot solve all PFM challenges.

GFMIS as a tool for PFM

GFMIS can be a tool to overhaul PFM practices and improve the government's capacity to manage its public finances

The GFMIS enables governments to automate:

1 Budget Formulation

Planning, preparing and approving the budget

3 Data Access

Specifically for the purpose of reporting and analysis

2 Budget Execution

Providing transaction controls by:

- ü Overseeing commitments and purchase orders
- ü Verifying invoices and payments
- ü Recording and reporting of resources (revenues)
- ü Providing reports

GFMIS promotes transparency and accountability

GFMIS has the potential to support governments meet the primary objectives of PFM, improve the provision of services, improve transparency, and accountability and combat corruption by:

Strengthening
fiscal discipline

Improving
allocative
efficiency

Increasing
operational
efficiency

Implementing GFMIS offers an opportunity to address inefficiencies and deficiencies in the overall PFM framework

Afghanistan – Strengthened fiscal discipline by using GFMIS to –

- ü Reduce variances between budget and actual expenditure (expenditure control)
- ü Introduce system controls to reduce corruption
- ü Improve the nationwide allocation of resources (through revenue and expenditure analysis)
- ü Strong commitment to change from Minister of Finance Ashraf Ghani



Question 1

What elements of your PFM framework did implementing GFMS improve?

- A. Fiscal Discipline
- B. Allocative Efficiency
- C. Operational Efficiency
- D. None

The PFM Framework and GFMIS

An essential pre-requisite: the PFM diagnostic

PFM diagnostics have been critical for identifying the underlying causes and effects of weaknesses in PFM performance

In several countries, detailed diagnostics identified a fiscal situation under stress*



Honduras



Kazakhstan



Russian Federation



Ukraine

Cause of fiscal stress were weaknesses in:

- Legal framework
- Institutional structures
- Legacy systems used for managing government finances

These resulted in:

- Excessive deficits leading to cash rationing
- Accumulation of arrears

PFM diagnostics play a critical role in prioritizing a path for reform

PFM diagnostic leads to better PFM

Honduras, Kazakhstan, The Russian Federation, and Ukraine undertook the PFM diagnostic; the diagnostic led to a better GFMIS implementation*



Better fiscal control by ensuring expenditures complied with budget appropriations



Better cash management by bringing all government accounts under the treasury's control



Timely and accurate reporting for economic management, and the preparation of statutory financial statements



Improved baseline data quality for budget preparation

Omitting the diagnostic impairs PFM

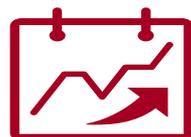
In contrast, countries that omitted* undertaking a PFM diagnostic exposed PFM efforts to serious limitations:



Not establishing a Treasury Single Account (TSA) affected cash-flow transparency and the understanding of the financial position, e.g. Egypt



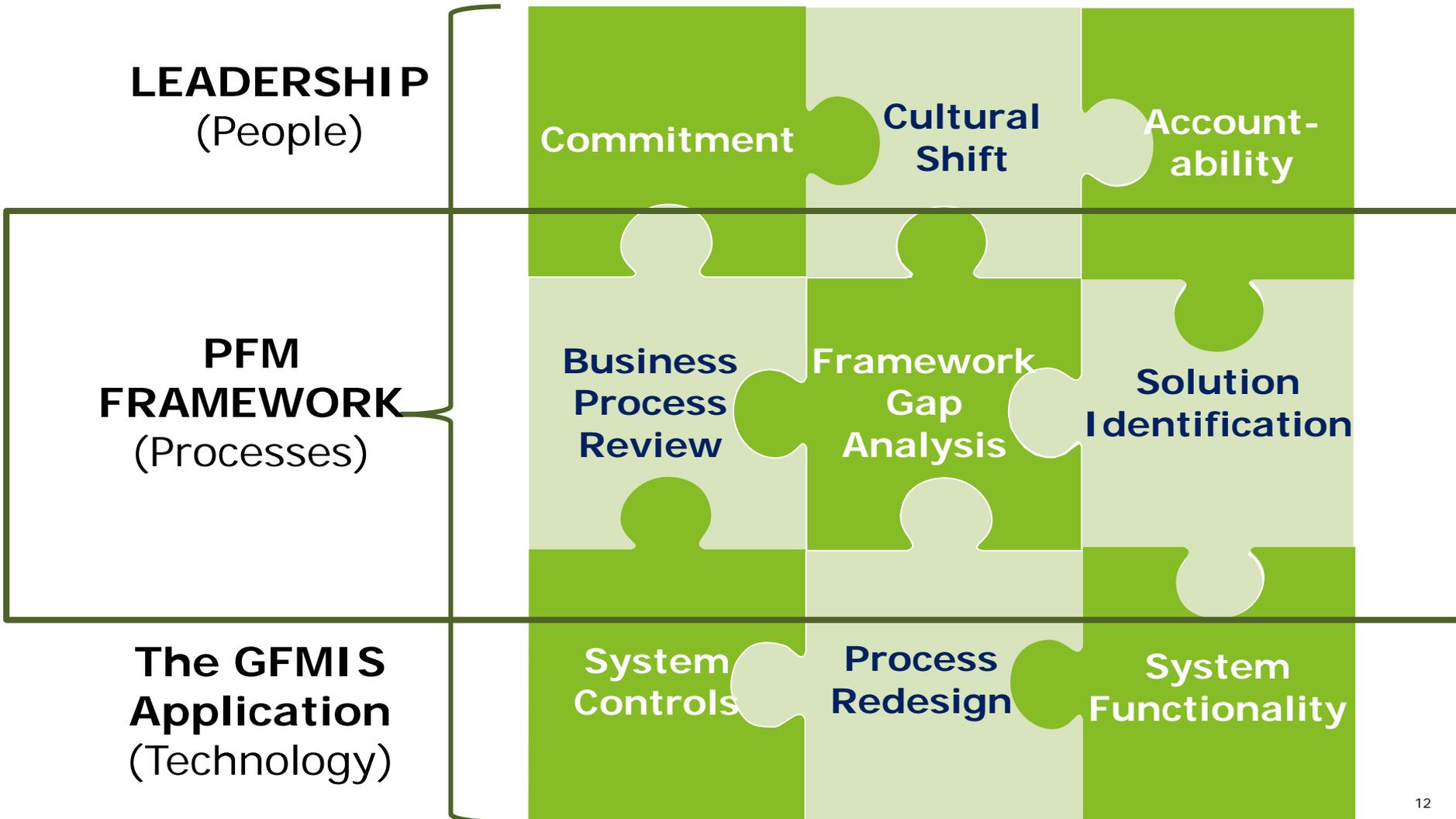
Adopted a “black-box” approach that did not set priorities for implementing core budget execution processes, e.g. Iraq, South Sudan



Embarked on advanced reforms, e.g. performance budgeting, without addressing basic budget execution processes first, e.g. Jordan

Consequently, GFMIS implementation did not lead to desired budget management and control improvements

Diagnostic analysis enables GFMIS to implement the PFM Framework



Question 2

Did you undertake a PFM framework assessment to determine opportunities for improvement prior to moving forward to or upgrading GFMIS?

A. Yes

B. No

PFM Success Criteria

PFM requires committed resources

Successful PFM requires the right people, streamlined processes, and enabling technology



I. PEOPLE

1. Leadership and team buy-in
 2. MoF to champion reforms
 3. Capacity of the government-at-large
 4. Consider outcome-driven technical assistance
- Human resource *is* the greatest dependency**



II. PROCESSES

1. PFM legislative framework (laws must support PFM)
 2. Emphasize compliance and control
 3. National budget in GFMS (otherwise GFMS is irrelevant)
 4. Have GFMS deliver critical PFM deliverables
- Fiscal control and financial compliance are essential to PFM success**



III. TECHNOLOGY

1. Emphasize modern technologies and workflow automation (eliminate manual processes)
 2. Decommission legacy systems and processes
 3. Interface and integrate (interfaces for data from external systems, e.g. payroll, bank data)
- GFMS must be the single source of PFM truth**

Challenges to GFMS Implementation

Weak commitment, laws and casual financial controls impair GFMIS

GFMIS must be the single source of truth for PFM



Weak commitment; lack of institutional and political support for changing PFM practices and the PFM framework



Reluctance to amend laws and regulations that support PFM – essentially saying, “we do this because of our laws” with no intention to reform



“Casual” or manual financial controls; insistence on paper and legacy processes impair the imposition of system-imposed control and security



Lack of understanding how the system works leading to complicated processes and retention of parallel systems

GFMIS “truthfulness” requires institutional commitment to change

Question 3

Will you consider undertaking a PFM assessment to determine opportunities for improving your GFMIS processes?

A. Yes

B. No

GFMS Case Studies

Illustrative example: Afghanistan

World Bank



- **Implementation:** National Government (2003); Provinces (2008/09)
- **Characteristics:** Strengthened control over expenditure; improved financial controls that reduced corruption; improved allocation of resources to provinces (through fiscal analysis)
- **Status:** Despite continued security issues, the core treasury functions are institutionalized

Illustrative example: Jordan

U.S. Agency for International Development (USAID)



- **Implementation:** Started in 2009; rollout complete in 2017
- **Characteristics:** Legacy systems and processes are still in operation; significant customization to accommodate existing laws
- **Status:** GFMIS widely used but not always relied on for monthly management reports

Conclusion

Conclusion: GFMIS enables fiscal reform

- 1 GFMIS is a powerful vehicle for improving accountability, transparency, and for combatting corruption...
- 2 ... but, the software alone is not enough;
- 3 It requires a thorough assessment of underlying PFM practices, and...
- 4 ... commitment from the minister of finance, and all levels of government to improve transparency and accountability

Questions and Answers



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