Towards an Effective Government Financial Management Information System (GFMIS)

How do you know your GFMIS is effective?

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Towards an Effective GFMIS: Our Team

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- 15 years of experience in implementing financial & accounting policies, procedures and GFMIS systems in the Middle East
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What are some of the reasons for implementing GFMIS?

**Efficiency & Transparency**
*To improve efficiency, effectiveness & transparency in the use of public funds*

**Fraud, Waste, & Abuse**
*To reduce fraud, waste and abuse*

**Automation**
*To improve process efficiency - automated processes*

**PFM Framework**
*To improve the underlying public financial management framework for better allocation of public funds*

- Often, these goals are not fully achieved – why is this?
- Is there something tangible we can show to demonstrate we are moving towards these goals?
GFMIS is an immense investment of time and money

Kenya, **US$ 75.28 M**
(10 years)

Afghanistan, **US$ 41.12 M**
(up to 7 years)

Nepal, **US$ 68.05 M**;
(up to 12 years)

Laos, **US$ 21.3 M**
(10 years)
What does raising a family and implementing GFMIS have in common?
And what does it take to raise a family?

1. Think about how much care and attention we take in raising our children...
2. As parents we establish routines: structure and predictability
3. We establish ground rules and discipline (and consequences for non-compliance)
4. We invest a lot of time and money
5. And we take our investments very seriously

And our work never ends...
More thoughts about raising a family

• Raising a family is hard, really hard
• Getting the right mix of structure, consequences, time and money is challenging
• And what do we want for our children?
  - Healthy and happy
  - Good job
  - Being useful, productive and contribute to society in one way or another
  - Have their own family
  - They phone to say hi – not just when they need something
  - To remain relevant in their lives
Or at the very least, we hope they don’t turn out like him!
How is implementing GFMIS like raising a family?

1. Implementing GFMIS takes a lot of care and attention to the needs of users
2. GFMIS configuration and processes require routine, structure, and predictability
3. There must be an emphasis on compliance (and consequences for non-compliance)
4. It takes a lot of time and money
5. And we should take our investments very seriously

And needs of the user-community never end
...And we hope - at the very least - to prevent this!
GFMIS is a major investment: it should be **relevant**

- As we know GFMIS represents a major investment of people, processes, and technology
- GFMIS success comprises of efficient and effective
  - Process automation
  - Compliance and control
  - Timely and accurate financial reporting

GFMIS must be **relevant** and therefore **essential** to your government.
The Five Principles for an Effective GFMIS

I. Be relevant.

II. Speak one language.

III. Automate for efficiency.

IV. Make GFMIS your single source of PFM truth.

V. Commit to continuous improvement.
Applying the **Five Principles**
Be relevant. Produce essential financial reports for decision-makers

Characteristics

1. Effective PFM requires a framework that provides ‘control, prioritization, accountability, and efficiency in the management of public resources and service delivery’¹

2. GFMIS outputs should enable inciteful decisions about the allocation and use of public funds

Outcomes

- Kenya placed an emphasis on managing procurements
- Afghanistan placed an emphasis on managing expenses – payments through the system
- Indonesia’s improved GFMIS and PFM resulted in a ‘clean bill of health’ for central government reports³ from their supreme audit institution
- Some countries fail to make their GFMIS processes and outputs relevant leaving users to continue to rely on legacy systems

Determine your ‘essential’ reports and reverse-engineer your GFMIS design to deliver those reports
Question 1

What are your essential reports?

A. Budget compared to actual budget execution
B. Revenue and expenditure trends
C. Trial balance to prepare financial statements
D. An end of month suite of management reports
Speak one language. Have a unified Chart Of Accounts (COA) across government

I. Characteristics

1. Good GFMIS configuration requires a single, logical, unambiguous, unified COA

2. The more COAs you have across government – the greater difficulty in consolidating financial data

II. Outcomes

- Following a PFM diagnostic, Kenya had a ‘PFM reboot’ in 2011 using a unified CoA across the public sector\(^2\) (despite starting its PFM endeavors in 2003)

- Afghanistan started all PFM activities based on a unified CoA

- Some countries adjust between the budget planning and budget execution COAs adding complexity to transaction processing and reporting

A unified Chart of Accounts (COA) will ensure consistency across government.
Automate for efficiency. Use technology to streamline processes

### Characteristics

1. Streamlined processes across government will introduce efficiencies, impose budgetary controls, reduce paperwork. (Don’t replicate legacy processes)

2. Legislation and regulations may require reform

3. Change management becomes essential: being efficient means we do more (not less)

4. Be sure to address staff retention concerns

### Outcomes

- Indonesia’s GFMIS system (SPAN) allowed the same number of treasury officials to shift towards financial analysis – from routine administration

- Cambodia’s GFMIS required immense change management efforts; and resisted customizing the software to reflect legacy controls

- Some countries make the critical mistake of automating their current manual processes which often results in the continuation of weak processes and procedures

Exploit your investment: use the functionality of your modern GFMIS
Question 2

Did you automate your existing manual processes?

A. Yes

B. No
Make GFMIS the single source of PFM truth

Characteristics

1. ‘Old habits die hard’. Be diligent about decommissioning legacy systems – especially after GFMIS produces your key deliverables

2. GFMIS may require interfaces to complementary systems – e.g. up-to-date transfer data from taxation systems

Outcomes

- Thailand’s GFMIS replaced legacy processes at both national and sub-national governments

- Afghanistan’s GFMIS is the single-source of PFM truth – delivering financial data for the entire PFM cycle

- Some countries continue to depend on legacy systems for budget preparation and financial statements; its GFMIS process transactions

Your GFMIS must be the ‘principal character’ in your PFM story.
Commit to continuous improvement. Respond to changing processes, stakeholder needs, technologies

Characteristics

1. Commit to a training program that is constantly under review and that evolves with your user community
2. Seek new automation opportunities
3. Commit to a rigorous program of monitoring and evaluation
4. Keep identifying what’s next – what products or processes can be delivered more precisely, or more efficiently

Outcomes

- In Vietnam, the next step is move beyond using their GFMIS for routine procedural reports and more ‘insightful data-driven analysis’
- Thailand’s GFMIS rollout was so rapid, that continued investment and improvements were required in technology and processes
- Kenya has placed an emphasis on continuing education – the IFMIS academy
- Some countries do not continue their investment in GFMIS after initial implementation

Be on the lookout for the next strategic goal, the next peak, the next improvement opportunity
Question 3

Do you monitor your GFMIS continued relevance to users and decision-makers?

A. Yes

B. No
Revisiting the question, ‘Why’?4

We began by stating our reasons for implementing GFMIS:

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If your GFMIS is relevant – essential to your PFM reform agenda – you will achieve these outcomes

The essential question is ‘Why?’. Because you are relevant, and essential to your PFM reform agenda.
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Annex
References

--- PFM Costs (Slide 3) ---


--- PFM (Slide 14 onwards) ---

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