



Tax and PFM Seminar –Northern Branch

IFMIS IN KENYA: BENEFITS, CHALLENGES AND WAY FORWARD

Credibility .

Professionalism

.

AccountAbility

Presentation Outline



- ☐ Overview of financial management systems
- ☐ PFM elements
- ☐ Successes & challenges
- ☐ Lessons learned

Important distinction



“At this very early stage we must draw a very clear distinction between the PFM functions/processes and the ICT systems that are the enablers”

Financial Management Information System (FMIS)-Definition



- FMIS refers to a set of automation solutions that enable governments to:
 - ✓ plan,
 - ✓ execute and monitor the budget, by assisting in the prioritization, execution, and reporting of expenditures,
 - ✓ as well as the custodianship and reporting of revenues
- FMIS solutions can contribute to the **efficiency** and **equity** of government operations

Why FMIS?



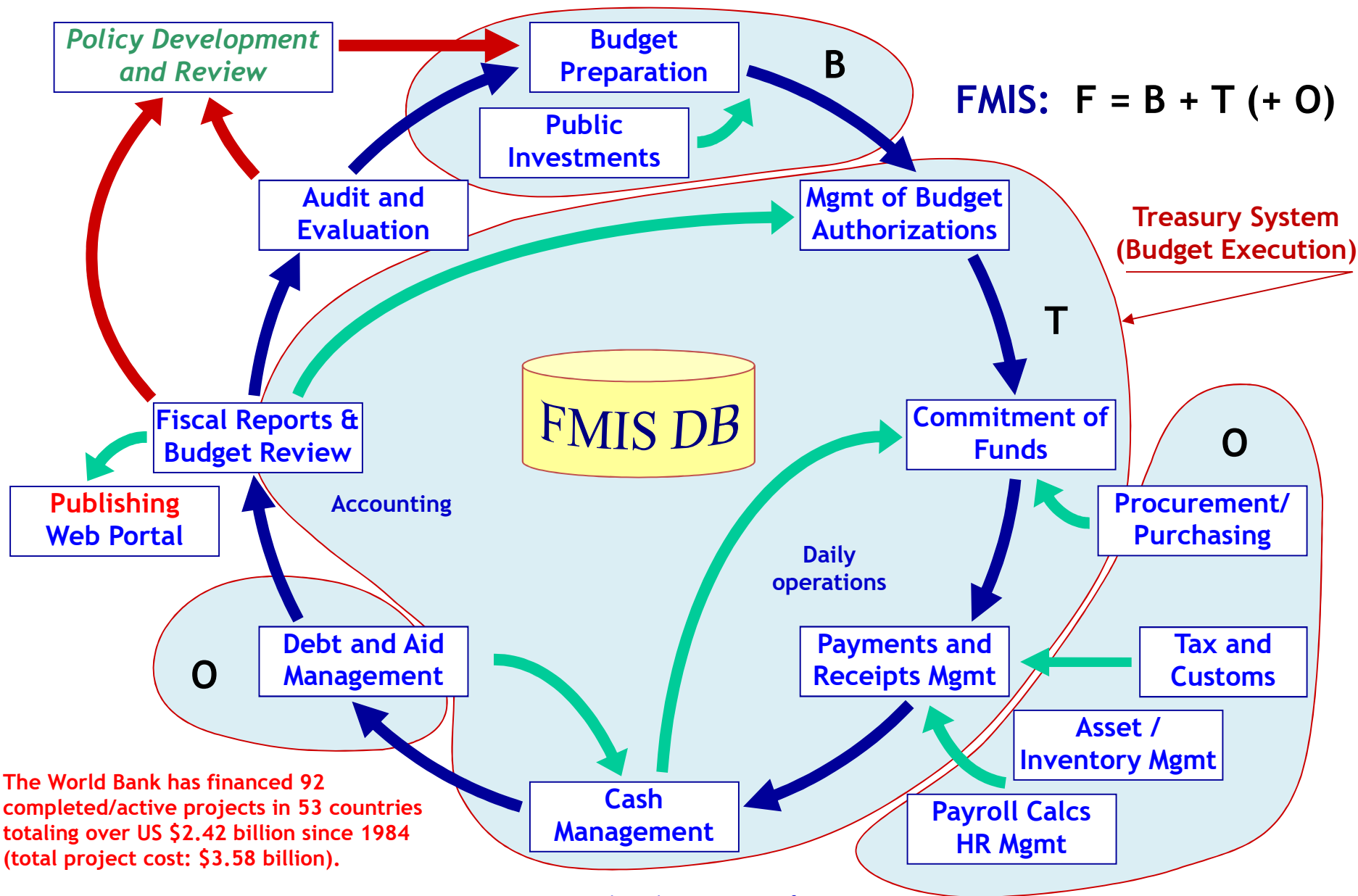
- **FMIS platforms:**
 - ✓ help governments comply with domestic and international financial regulations and reporting standards,
 - ✓ support decentralized operations through centralized web-based solutions providing access to a large number of authorized budget users at all levels
 - ✓ FMIS solutions offer a great potential for increasing predictability, participation, transparency and government accountability

What is IFMIS then?



- It is a FMIS and other Public Financial Management (PFM) information systems (for example, payroll) that **share the same central database** to record and report all daily financial transactions, offering reliable consolidated results for decision support, performance monitoring and web publishing
- Core Treasury (or budget execution) systems must be distinguished from FMIS or IFMIS

What is FMIS?



Design and Implementation of FMIS

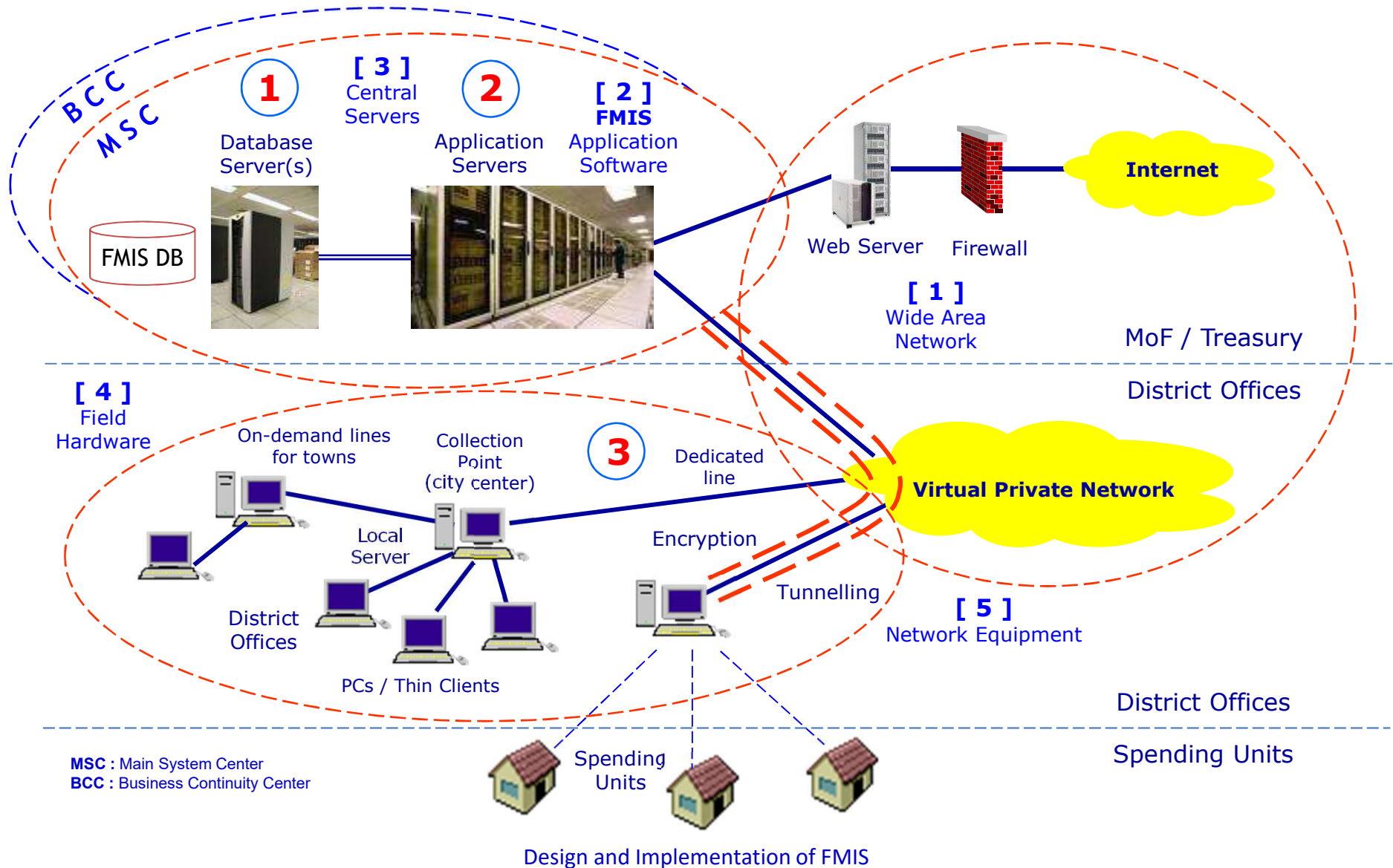
FMIS: ICT Enablers



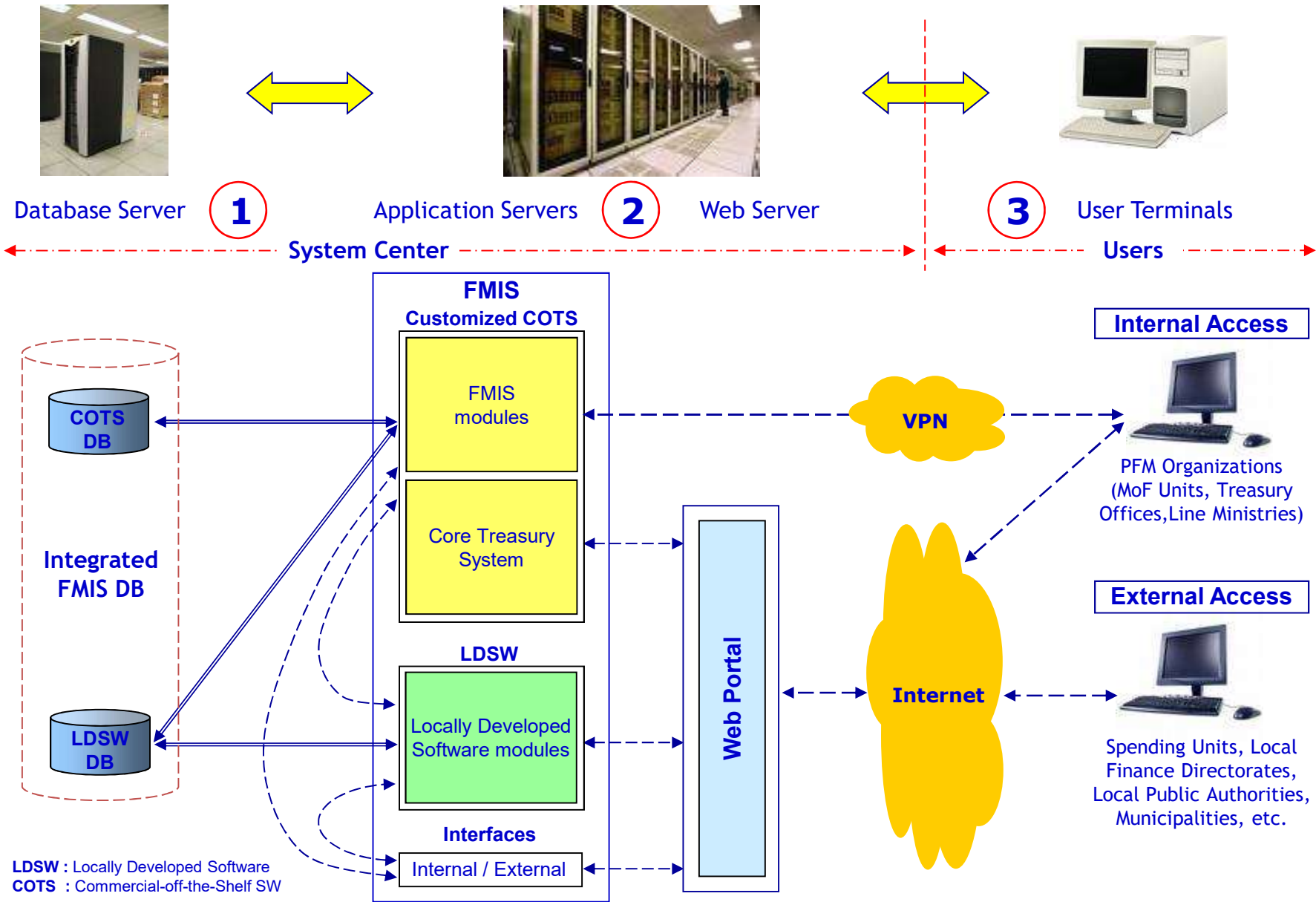
- Establishment of countrywide network connections (communications lines)
- Development of web-based Application Software (ASW) as a combination of customized COTS package + locally developed software (hybrid solution)
- Installation of central servers (database & application servers) and data storage units (fiber disk arrays) at the Main System Center & Business Continuity Center
- Installation of standard field hardware (domain servers, user workstations and peripherals) in central and field offices
- Installation of network equipment, system security and user management tools and engineering support solutions

Technology Architecture

A typical 3-tier web-based system and [ICT] components



Web-based FMIS Model



Design and Implementation of FMIS

FMIS Functionality

FMIS Functions

- Macroeconomic Forecasting
- Budget Preparation and Approval

• Core Treasury System

- ▶ Expenditure Management
- ▶ Revenue Management
- ▶ Commitments / Purchasing
- ▶ Cash / Fund Management
- ▶ Asset / Inventory Management
- ▶ Accounting (General Ledger)
- ▶ Financial Reports

- Operational Support for SUs
- Internal Debt Management
- External Debt and Aid Mgmt.
- Personnel Database / Payroll
- Support for Auditing
- Web Publishing (Web Portal)

Common Implementation Options

LDSW / Existing Models

LDSW / COTS (including MTBF/MTEF, PBB, PIM)

COTS (customized)

+ Interface w banking system (TSA)

+ Interface w revenue collection

+ Interface w procurement agency

LDSW for Spending Units (via Web Portal)

LDSW / Interface with Debt Mgmt System

Interface with Debt Mgmt System

LDSW / COTS

Custom developed reports

LDSW

[COTS : “customized” Commercial-off-the-Shelf Software

LDSW : Locally Developed Software

TSA : Treasury Single Account]

Objectives of PFMS



- support all financial operations,
- collect accurate, timely, complete, reliable and consistent information on all public financial events,
- provide adequate management reporting,
- support government-wide and agency policy decisions,
- produce auditable financial statements

IFMIS in Kenya: Components



- ❑ Core Treasury System includes the following components:
 - Budget Execution and Monitoring
 - Accounting (general ledger , management of payments and receipts)
 - Cash Management
 - Financial Reporting
 - Purchasing / Commitment
 - Asset / Inventory Management
 - Operational support for Spending Units

IFMIS in Kenya: Components



- ❑ Other Public Financial Management System components:
 - Macro Economic Forecasting
 - Budget Preparation and Approval
 - Debt and Aid Management
 - HR Management /Payroll Calculations
 - Support for Financial Control and Auditing
 - Web publishing

Value propositions



- ❑ **Accountability** – the ability of public officials (politicians and technocrats)
 - ✓ to answer for their actions and inactions and
 - ✓ to show evidence that public funds were utilized for public Interest
- ❑ **Transparency**- ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government activities
- ❑ **Predictability** – procedures laid down by laws, regulations and administrative instructions that are:
 - ✓ clear and known in advance (documented),
 - ✓ uniformly and effectively enforced.
- ❑ **Participation** - decentralization and allowing participation in decision making at all levels of gov't through representation/voting

IFIMIS: Successes



- Strong Audit Trails (for all financial Transactions)
- Visibility of all Transactions...leading to TRANSPARENCY
- Secure, Robust and Reliable Systems
- Best Practice
- Full Expenditure Control at Commitment Level
- Improved Revenue Analyses...Targets & Trends
- Improved Revenue Management
- Management, Analysis and Control of Pending Bills
- Treasury Management, Issuing and Redemption of T'Bills

IFIMIS: More Successes



- Support to Procurement Reforms and Effective Procurement
- Support to MTEF – Costing Activities
- Fully Integrated System – More Efficient and Effective High levels of automation - Bank Recs, Expenditure Returns
- Linkages and Information Sharing with Other Systems
- Flexible Information, Analysis & Reporting – Financial Process
- TRANSPARENCY , ACCOUNTABILITY , COMPLIANCE and GOOD GOVERNANCE

IFMIS: Challenges



- Integration-readiness on the side of the other parties eg KRA,CBK
- Connectivity especially in the Counties- provided various ways to connect to the system
- Book-keeping discrepancies
- Institutional resistance , lack of commitment, suspicion etc
- Capacity issues (Implementation & Support, IFMIS academy) - Human resources
- Technology platforms – Poor data quality from back-end systems
Constant upgrades required to keep pace with technology
- Maintenance costs
- Centralized corruption e.g. **the demons of NYS**
- Cyber security–NYS?
- Disaster recovery weak

Lessons Learned

- Institutional factors are far more important than the technical choice in determining the outcome of automation;
- IT is not and MUST not be the driver of financial reform –its simply an enabler;
- There is no a priori technical reason to favor either an off the - shelf (OTS) or a custom solution
- Effective project selection and management is a major factor in success of automation;
- Financial and social cost benefit analysis should be undertaken in reviewing a policy of introducing and/or continuing with a custom system or upgrading to an OTS solution.



The “BIG DEMON” therefore is....

You cannot automate values....it doesn't matter what colorful names you give it.....or how many lemonades you add to it.....or how much sophisticated your ICT systems are....if the people manning them are of easy values and of no sense of integrity....its simply like a leaking ship....its ultimately damned and doomed!!!!

And Finally.....

