

Implementing Financial Management Information System Projects: The World Bank Experience Preliminary Results



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**Reinventing Government
with ICT**

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The World Bank

Outline

- Definitions
- Review Scope
- Reform project nature and design
 - Reform Project Emphasis
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- Success?
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What is an FMIS?

- Financial management system:
 - Information system that tracks financial events and summarizes information
 - supports adequate management reporting, policy decisions, fiduciary responsibilities, and preparation of auditable financial statements
 - Should be designed with good relationships between software, hardware, personnel, procedures, controls and data
- Generally, FMIS refers to automating financial operations



What are core and non-core FMIS systems?

- Core systems
 - General ledger, accounts payable and receivable. May include financial reporting, fund management and cost management.
- Non-core systems
 - HR/payroll, budget formulation, revenue (tax & customs), procurement, inventory, property management, performance, management information



What is “integrated” FMIS?

- Can refer to core and non-core integration
- But, generally, four characteristics*
 - Standard data classification for recording events
 - Common processes for similar transactions
 - Internal controls over data entry, transaction processing, and reporting applied consistently
 - Design that eliminates unnecessary duplication of transaction entry



What constitutes a good system?

- Ability to*
 - Collect accurate, timely, complete, reliable, consistent information
 - Provide adequate management reporting
 - Support government-wide and agency policy decisions
 - Support budget preparation and execution
 - Facilitate financial statement preparation
 - Provide information for central agency budgeting, analysis and government-wide reporting
 - Provide complete audit trail to facilitate audits



Bank FMIS Project Review Scope

The review covers 34 projects in 27 countries across 6 regions, involving \$1 billion over 17 years.

	AFR	EAP	ECA	LCR	MNA	SAR	Total
Number of Country	5	2	7	10	2	1	27
Number of Project	6	3	7	15	2	1	34
Country List	Burkina Faso	Indonesia (2)	Hungary	Argentina	Algeria	Pakistan	
	Malawi	Mongolia	Ukraine	Bolivia (2)	Yemen		
	Ghana		Kazakhstan	Brazil (2)			
	Zambia		Azerbaijan	Chile			
	Uganda (2)		Russia	Colombia			
			Albania	Ecuador (3)			
			Turkey	Guatemala (2)			
				Honduras			
				Nicaragua			
				Venezuela			



Project Emphasis

Most Bank projects are not FMIS-only, but embedded in broader financial management or public sector reforms.

Project Type	# Of Project	%
IFMS only project	5	14.7%
FM project with IFMS component	13	38.2%
Broad public sector management	16	47.1%
Total	34	100.0%



FMIS Project Components

Many of the projects paid attention to training and ‘soft systems’ surrounding the technology.

	Components within FMIS	%
1	Implementing/modernizing FMS	15.5%
2	Budgeting system reform	10.8%
3	Treasury Operation	8.8%
4	Training (FM)	7.7%
5	Accounting/financial reporting reform	7.2%
6	Auditing reform	7.2%
7	Institutional capacity of MoF/MoE/MoP	6.7%
8	Training (IT)	5.2%
9	Public Debt management	4.6%
10	Information and Data Management	4.6%



Project Characteristics

- An FMIS project, on average,
 - took 7 years to be complete
 - Ranging from 9.1 years for AFR to 5.8 years for LCR
 - average Bank-financed cost was \$12.3 million*
 - component changes in 75 % of projects



Success?

- If success is defined as...
 - delivered as-specified ex ante
 - 43 % delivered as specified
 - delivered on-budget
 - 50 % delivered on budget
 - delivered on-time
 - 21 % delivered on-time
- ... then, only 21 % were successful



Success?

- But, these indicators only looks at *project*, not impact on financial management, operations
 - Improvements to reporting? Staffing changes?
- Generally,
 - no or weak performance indicators in projects
 - no baseline
 - broader impact assessment difficult.
- However, in self-assessed sustainability
 - 25 % unsustainable
 - 6 % highly likely to be sustainable
 - 69 % likely sustainable



Project Risks

	Project Risk Assessment	All Region
	Official Project Risk (available only for each project)	
1	Lack of institutional capacity (including H.R)	23.6%
2	Lack of (weak) government commitment	19.1%
1	Too many project components (coordination problem)	11.2%
2	Technical complexity of information system	9.0%
3	Vested-interests of various stakeholders	9.0%
4	Lack of (low) utilization of newly developed system	7.9%
5	Unclear responsibility of project components	2.2%
6	Lack of communication infrastructure	2.2%
7	Failure to provide sufficient counterpart funding	2.2%
8	Change of government priority	2.2%
9	Coordination risk among central and local governments	2.2%
10	Lack of (weak) legal framework	2.2%
11	Others	6.7%



Success Factors

Lessons:

- Full-time project coordinator (36%)
- Champion at political level (14 %)
- Training (14 %)

	Success Factors	Frequency
1	Flexible project management	21.43%
2	Project coordination	14.29%
3	Link political environment and leadership	14.29%
4	External environment (uncontrollable)	14.29%
5	Capacity building (training) Plan	14.29%
6	Close Bank's supervision	7.14%
7	Others	14.29%
	Total	100.0%
		14



Failure Factors

Lessons:

- Full-time project coordinator (23%)
- Commitment (23%)
- Project design (20%)
- Resistance (10%)
- HR capacity (7%)

Commitment: champion

HR/training: IT AND FM capacity

	Failure Factors	Frequency
1	Lack of commitment	23.33%
2	Lack/ineffective project coordination	23.33%
3	Loose project design and planning	10.00%
4	Institutional/organizational resistance	10.00%
5	Poor human resource Capacity	6.67%
6	Inappropriate technology	6.67%
7	External environment (uncontrollable)	6.67%
8	Complex project design	3.33%
9	Lack of proper skills in project team	3.33%
10	Others	6.67%
	Total	100.00%



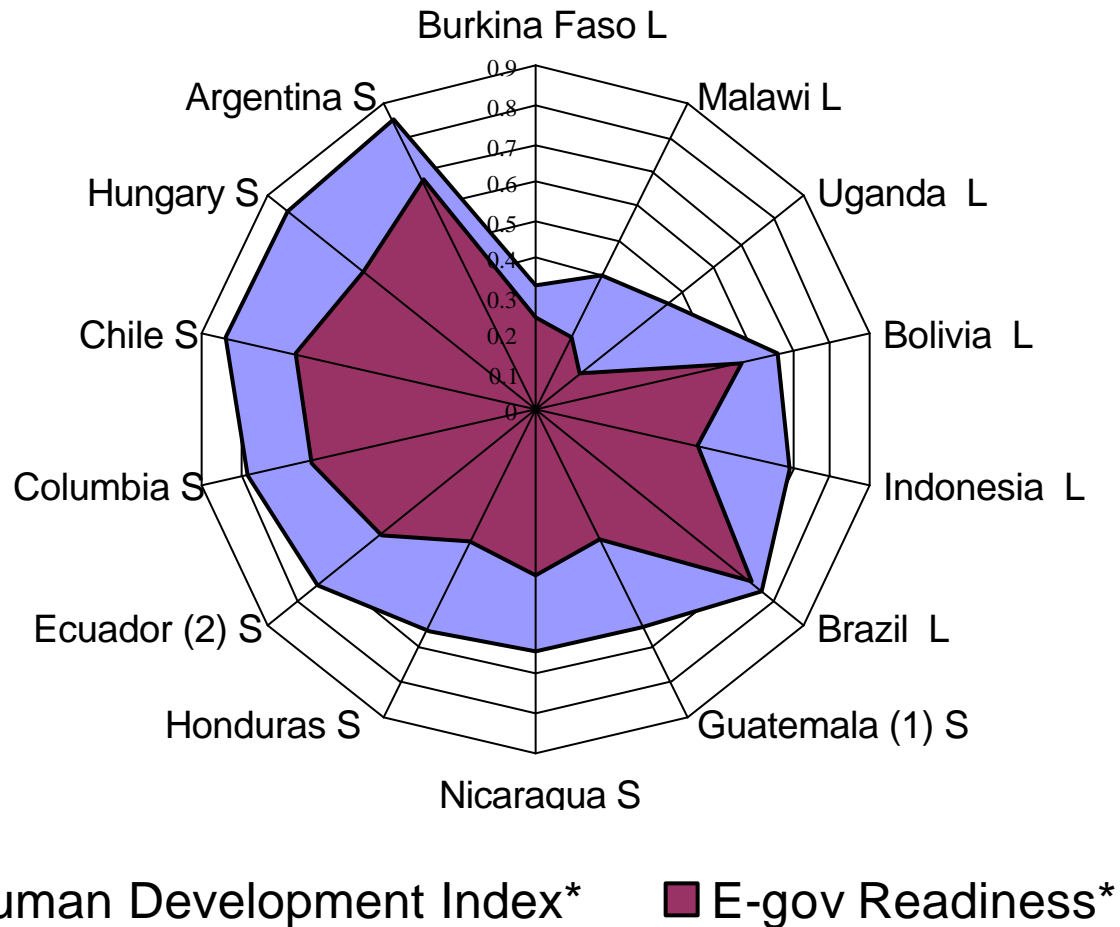
General Lessons

1	Political commitment/ownership from borrowing country	15.71%
2	Right skills in project team	10.00%
3	Proper institutional reform/change	10.00%
4	More narrowed project focus	8.57%
5	Close project supervision by the Bank	7.14%
7	Coalition building with key players	5.71%
8	Flexible project management	5.71%
9	Comprehensive diagnostic study and clear implementation plan	5.71%
10	Coordination among key agencies/other projects	5.71%
11	Sustainable human resource development	5.71%
12	Business procedure reform/changes before IT	4.29%
13	Careful project sequencing within/between projects	4.29%
14	Proper choice of technology	2.86%
15	Up-front coordination among donors	1.43%
16	Early delivery of tangible results	1.43%
17	Right choice of technology	1.43%
18	Others	4.29%



Preconditions?

HR Capacity, ICT Readiness, & Project Success



Open questions

- Is it appropriate to use FMIS projects to drive other reforms? Cost-effective?
 - Is FMIS an effective entry-point?
- What other preconditions for considering an FMIS investment should exist?
- What performance measures should be included to assess effectiveness?



Supplemental Slides



Guidance for Risk Reduction

- *Procurement* in self-contained modules, each of which add value, even if nothing else was purchased
- Stay with known technology, well-proven approaches and standard software
 - where new technology is unavoidable, thorough pilot testing is warranted.
- End-user involvement up-front in system design, and developing communication strategies
- Build into the process independent, expert review at key stages in project to assess status
- Single official should be responsible for project execution, preferably someone senior enough to assure compliance
- Clear lines of responsibility and accountability in project management



Useful References

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