

11th UNCTAD Debt Management Conference

13–15 November 2017

Palais des Nations, Geneva

Integrating public debt management within Integrated Financial Management Systems (IFMIS)

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

MFAS



Integrating Public Debt Management within Integrated Financial Management Systems



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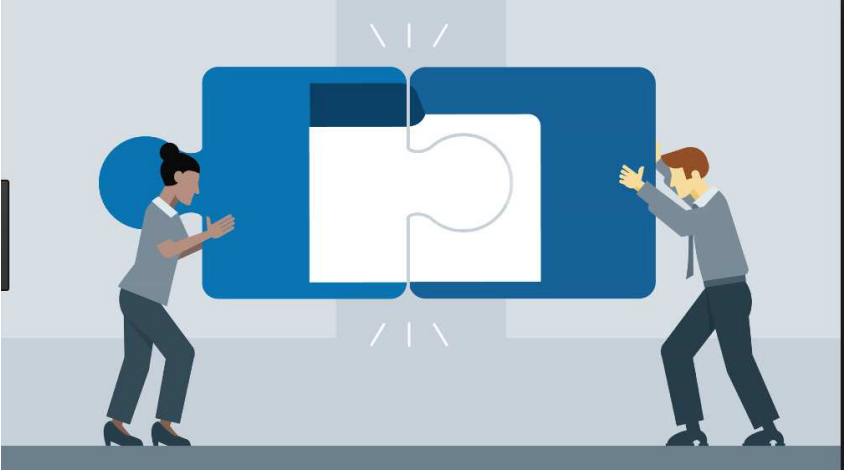
Treasury

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November 14, 2017

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Demystifying the terminology: Integration vs Coordination for access to information

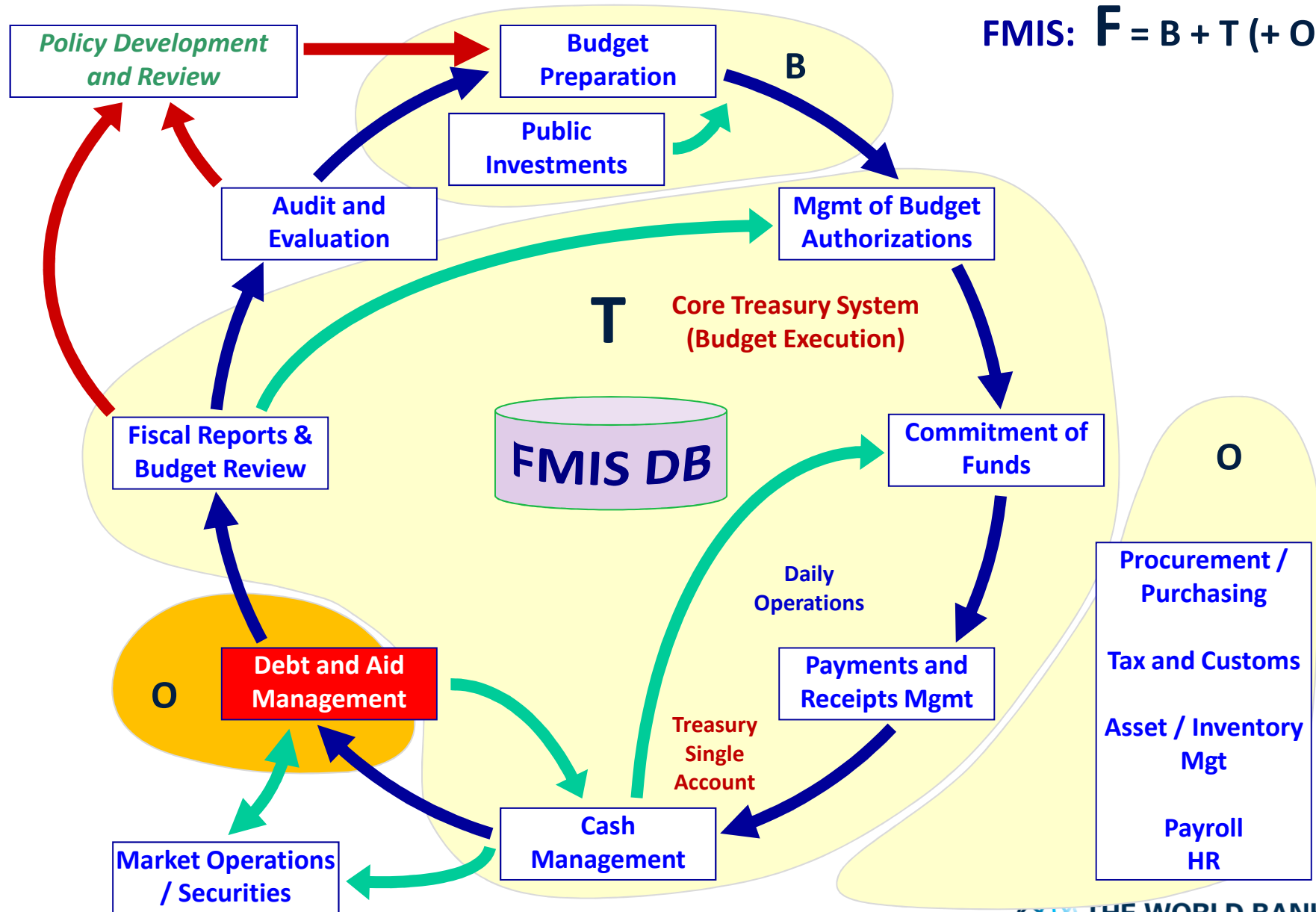


What is a Financial Management Information System (FMIS)?

- ❑ A Financial Management Information System (FMIS) supports the automation and integration of public financial management (PFM) processes including:
 - **Budget Planning:** Budget formulation modules
 - **Budget Execution:** also known as Treasury systems
 - ✓ Budget authorizations/releases
 - ✓ Commitment control
 - ✓ Payments (mostly based on TSAs)
 - ✓ Cash forecasting and management
 - ✓ Revenue collection
 - **Budget Monitoring:** Accounting and reporting
- ❑ Core FMIS solutions combine Budget Planning and Execution modules, as well as Monitoring functions.

What is a Financial Management Information System (FMIS)?

FMIS: $F = B + T (+ O)$



Debt Management Information System is part of “Other PFM System”

- ❑ A Debt Management Information System (DMIS) can be considered a part of “other PFM systems” given it:
 - Provides **vital input to FMIS** to be used for budget formulation, execution and monitoring
 - Maintains **detailed data** related to public debt management with specified requirements in terms of timeliness and detail
 - **Is not a core FMIS** functional module in most of the countries
- ❑ Some governments want to keep the scope and coverage of the FMIS broader than budget and treasury functions.
- ❑ Regardless of how broad, the essential is **good coordination and communication** between core PFM units and DMOs.

What is an integrated financial management system (IFMIS)?

- ❑ IFMIS refers to when FMIS and other PFM systems are linked **with a central data warehouse**.
- ❑ IFMIS helps computerize key PFM areas to:
 - Improve governance, as well as the **efficiency** of PFM operations
 - Achieve efficient **exchange of information** and systems intercommunicating
 - Better focus on the **quality and security of information** to minimize the risk of corruption and improve the reliability of systems, and
 - Offer a great potential for increasing participation, transparency and accountability.
- ❑ But, fully “integrated” systems are rare in practice.

What is the information that is exchanged between Debt Management Information Systems and FMIS?

- ❑ **Planning:** Budget formulation
 - Projection for loan disbursements and bond proceeds
 - Projections for debt related payments
 - Input on debt management for fiscal policy makers

- ❑ **Execution:** Treasury
 - Budget releases for debt related payments and their realization
 - Cash flow forecasting and management aligned to borrowing operations

- ❑ **Monitoring:** Accounting and reporting
 - Recording of realized financial transactions
 - Reconciliation of debt related records
 - Public debt reports consistent with financial reports

Opportunities for Debt Managers



Assuming the **prerequisites** of having sound institutions, processes and individual systems are **fulfilled**:

- More efficient debt operations if **straight through processing** from front office deal capture to back office initiation of payment orders, settlement and accounting
- Easier reconciliation** of debt data between Treasury, DMO and the creditors
- Reduced operational risk** for debt related payments
- Easy **access to accurate and timely information** to produce reports
- Improved integration** of debt and cash management to efficiently meet funding needs while also managing risks
- Appropriate level of **business continuity** that meets audit and regulatory requirements

Challenges for Debt Managers



- ❑ **Different objectives** for FMIS and DMIS (e.g. budget versus cash approach)
- ❑ Fragmentation and conflict between institutions and within the organization
 - MoF/Treasury, Central Bank, Stock Exchange
 - Debt Management and Treasury
 - External and domestic debt units
 - DMO and IT team
- ❑ Using different technologies and processes in different administrative and geographic locations
- ❑ **Changes in the PFM operations** (e.g. accounting rules, new instruments, TSA)
- ❑ **Cost of systems and interface maintenance often underestimated**

Solutions: Institutional and process wise



- Have **manual connection** up and running
- Define the user requirements and terminology for DMO & Budget/Treasury staff
- Manage user expectations (no free lunch)
- Ensure reliability and accuracy of DMIS and FMIS
 - External and domestic debt captured in one database
 - Regularly updated and reconciled
- Strengthen coordination between DMO, Budget, Treasury
- Regular maintenance of the systems and the connection**
- Keep a team of IT experts on FMIS and DMIS**
- Have the processes well documented**

Solutions: How to Connect / Technology



❑ Manual

- Manual recording
- File upload – file from DMIS downloaded and placed on a shared drive, then picked up and uploaded into FMIS

❑ Interface: Automated but not integrated with FMIS/Treasury System

- Traditional: Secure network connection between designated servers, point-to-point integration or direct connection
- Web based: Application Programming Interface (API), cloud

❑ Integration: Automated and integrated with FMIS/Treasury system

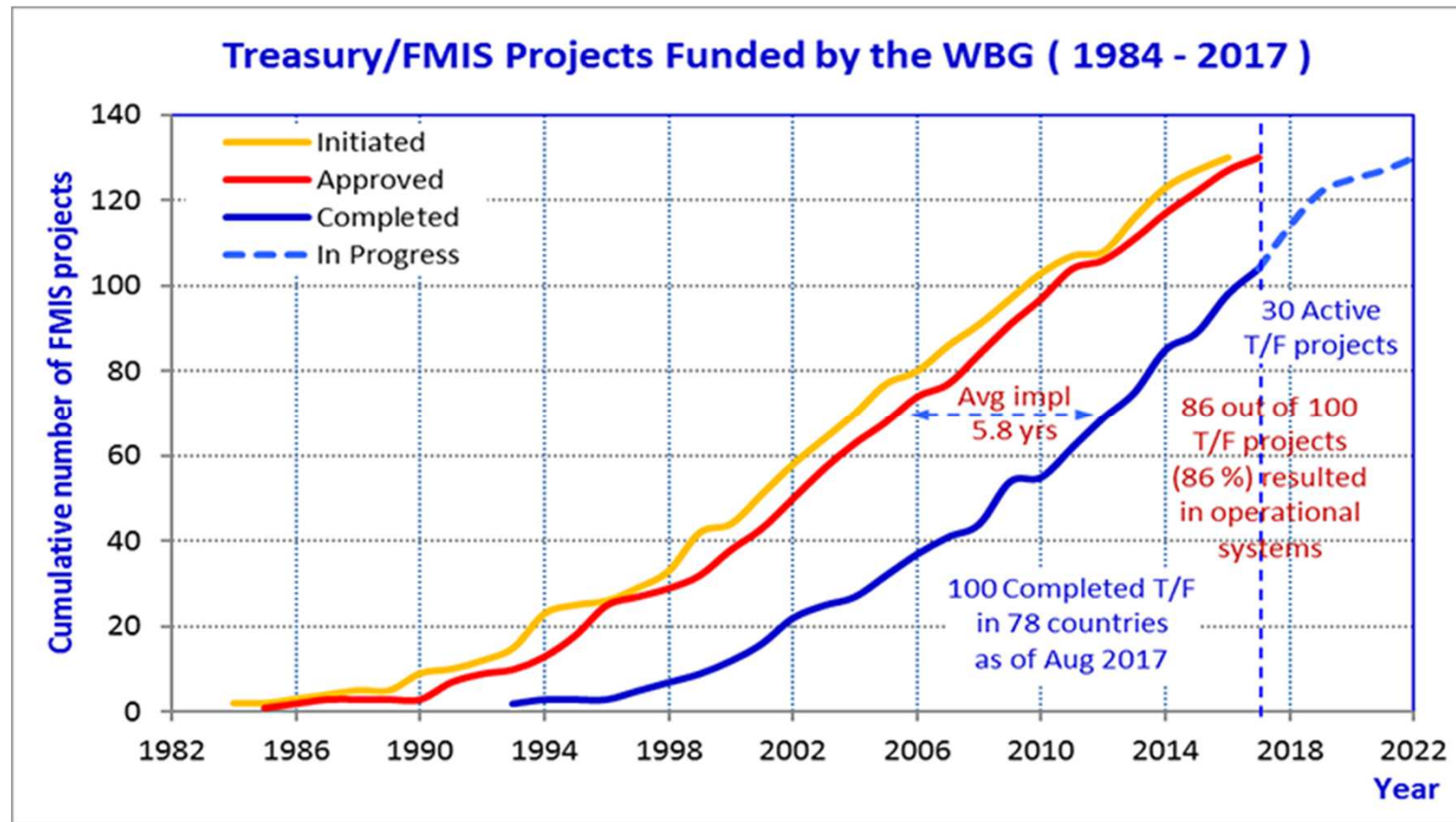
- Single logical database to ensure data integrity and security across all operations, and
- Modules work as one solution

Integration versus interface:

- Eliminate synchronization (no need to worry about speed & frequency of data transfer), or
- Retain flexibility to pick “best-of-breed” solutions & ability to change one part of the system without prompting change in other parts

World Bank's Experience

WB is a leading provider of financing and technical assistance for FMIS development since 1984. Assisted more than 75 countries in the design & implementation of Treasury & FMIS solutions tailored to country PFM reform needs.

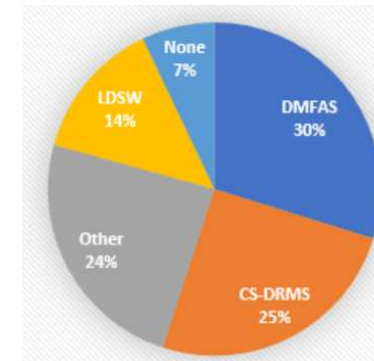


World Bank's Experience

- ❑ WB financed 140 projects, including 100 complete and 30 active, totaling over \$3.8 billion
- ❑ Funds spent / allocated for FMIS projects: around \$4.8 billion, including borrower co-financing and other donor funds
 - Nearly \$1.2 billion spent for FMIS related ICT solutions
- ❑ WB's Africa region: 32 completed and 17 active projects. WB's Latin America and the Caribbean region: 31 completed and 2 active projects.

❑ **Glob. Dataset on PFM Systems (2015):**

Stats on PFM systems & e-Services in 198 econ.



- ❑ Among 59 DMFAS countries (as of January 2017), 27 are interfaced into FMIS.
- ❑ WB worked or is working with several countries, such as:

Albania
Moldova

Georgia
Pakistan

Madagascar
Vietnam

Mauritania
Zambia

Zimbabwe



What is FMIS CoP?

FMIS Community of Practice

<https://eTeam.worldbank.org/FMIS>

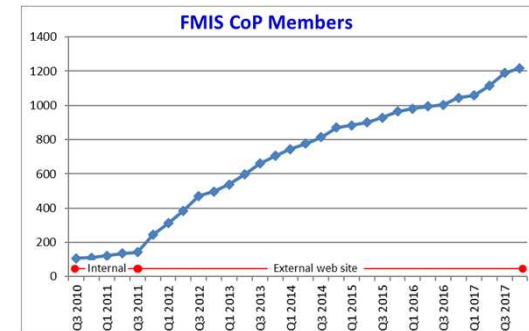
<http://www.worldbank.org/en/topic/governance/brief/financial-management-information-systems-fmis>

- ▶ **Objective** : To assist the practitioners (country clients, World Bank staff/consultants, and development partners) in improving the effectiveness of PFM operations and service delivery by sharing knowledge and experiences, and producing relevant, leading edge knowledge products on integrated FMIS solutions.
- ▶ Established in **Sep 2010**. Around **1,200+ members** from **136 economies** (as of Nov 2017).

The screenshot displays the FMIS Community of Practice website. At the top, there is a search bar and the title 'FMIS Community of Practice'. Below this, the page is divided into several sections:

- Announcements:** A list of recent updates including 'Sample ToRs Updated', 'Guidance on New Member Portal', and 'FMIS CoP Mtg #52 (Nov 15, 2017) > Jamaica's HRM System'.
- Knowledge Products:** A section for 'Studies & Guidance Notes' and 'Datasets', listing items like 'IDS Group: Brief & Service Catalog (May'17)' and 'FMIS Database (WB Projects) (Aug'17)'.
- Shared Documents:** A section for documents such as 'IDS News', 'FMIS CoP Newsletters', and 'Guidance Notes'.

 A sidebar on the left provides additional context, including the mission of the FMIS CoP and current membership statistics: '1,216 members from 136 economies' as of Nov 10, 2017.



FMIS CoP members (as of Nov'17)

FMIS CoP roles >	Members	HQ	CO
Economies	552	4	548
WBG Staff + Cons	451	244	207
Dev Partners	49	25	24
Consultants (ext)	165	34	131
Total	1217	307	910

Members 25.2% 74.8%
representing 136 economies

External members **973**



Key Messages

For integration of debt management into IFMIS

- ❑ The focus should be on having in place robust institutions, well-established processes, operational FMIS/DMIS and **good coordination** between them.
- ❑ The **political commitment** and ownership of the project matter
- ❑ **Terminology** between the debt managers, PFM officials & IT staff should be aligned
- ❑ The **adequate technology solution** should be selected in view of the technical & institutional constraints
- ❑ The involved units need to agree on the **respective objectives** for the coordination
- ❑ **User expectations** should be managed
- ❑ **Capacity building** of the debt management, treasury and IT teams **early** in the process is crucial
- ❑ Continued presence of an **IT expert** is paramount for **maintenance**
- ❑ **Cost** is an important consideration and needs to be assessed carefully

Acronyms

- ❑ **DB:** Database
- ❑ **DMO:** Debt Management Office
- ❑ **HRMIS:** Human Resource Management Information System
- ❑ **ICT:** Information Communication Technology
- ❑ **IFMIS:** Integrated Financial Management Information System
- ❑ **FMIS:** Financial Management Information System
- ❑ **PFM:** Public Financial Management
- ❑ **TSA:** Treasury Single Account

Resources

- Financial Management Information Systems: 25 years of WB experience on what works and what doesn't?, Cem Dener, Joanna Alexandra Watkins, William Leslie Dorotinsky, 2011
- Treasury Systems Available to New Zealand Corporate Treasuries, Ian Storkey & Co, 2014
- A Handbook on Financial Management Information Systems for Government: *A Practitioners Guide for Setting Reform Priorities, Systems Design and Implementation*, Ali Hashim, WBG, 2014

Thank you

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