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

by

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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:** \( F = B + T (+ O) \)

**Core Treasury System (Budget Execution)**
- Budget Preparation
- Public Investments
- Mgmt of Budget Authorizations
- Commitment of Funds
- Daily Operations
- Payments and Receipts Mgmt
- Treasury Single Account

**Policy Development and Review**
- Fiscal Reports & Budget Review
- Audit and Evaluation
- Mgmt of Budget Authorizations

**Daily Operations**
- Debt and Aid Management
- Cash Management
- Market Operations / Securities

**Market Operations / Securities**
- Procurement / Purchasing
- Tax and Customs
- Asset / Inventory Mgt
- Payroll HR

Source: *FMIS and Open Budget Data: Do Governments Report on Where the Money Goes?*, C. Dener, S.Y. Min, 2013
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
  - Georgia
  - Moldova
  - Madagascar
  - Mauritania
  - Pakistan
  - Vietnam
  - Zambia
  - Zimbabwe
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).
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

- Treasury Systems Available to New Zealand Corporate Treasuries, Ian Storkey & Co, 2014
Thank you
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