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IFMIS in LAC Countries: the key for transparency and fiscal credibility

Carlos Pimenta
carloscp@iadb.org

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Paradigm-shifting of PFM in LAC

– <u>80s-90s</u>: information focus on fiscal control
(TSA, IFMIS, FRL, MTFE, etc)

– <u>00s-10s</u>: information for transparency, fiscal credibility, and public expenditure efficiency and quality

<u>IFMIS Relevance</u>

Treasury, Accounting, Budget and Debt Management

Every LAC country has an IFMIS

- One System, wide coverage and decentralized operation (more fragmented in developed countries – Exceptions FR, SK)

- Integration main PFM areas (Budget, Treasury, Accounting, Debt)

- Focus on financial registry and control (transition to more open and transparent data)

- Lower costs of acquisition, operation and maintenance (if compared with more fragmented systems)

- IT Programming in-house to fit each country´s needs (exceptions: CR and NI/PN-in process, and Caribbean)

- Old IT platforms in process of modernization

Main achievements of IFMIS in LAC

- Review of processes and institutional aspects

- Treasury Single Account – TSA (different levels of coverage)

- Electronic payments and Bank Reconciliation

- Automatic programmed accounting (some countries)

- Interoperability or integration with other management systems (different levels of integration, transition to more integrated data)

- Better capacity and information to control public expenditure

Current Challenges of IFMIS in LAC

- Modernization of old IT platforms

- IT Programming in house or Customization of an off-the-shelf

- Project Management (functional, technological, quality and testing)

- Acceptance tests (functional, performance and volume)

- Political economy and change management (Users Committee)
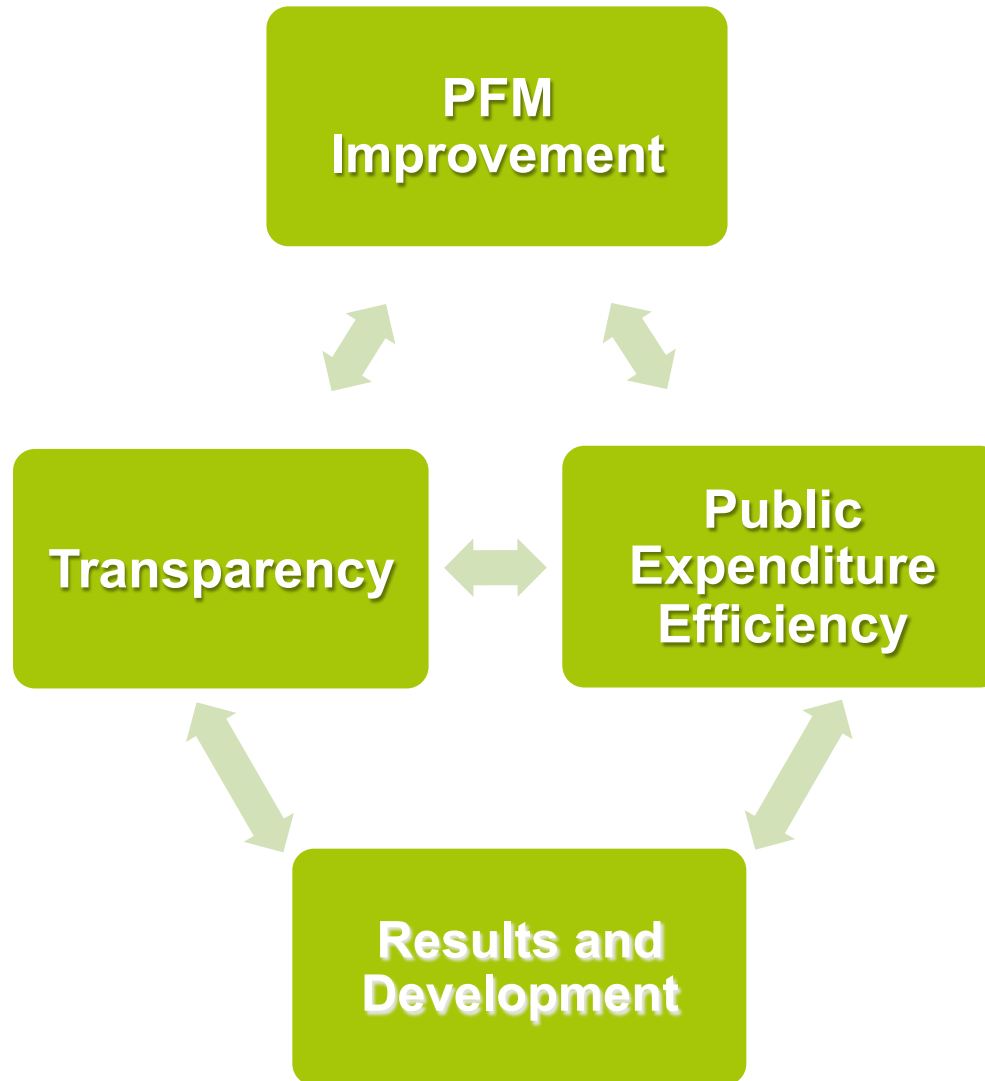
- Lack of Institutional Capacity

IT Programing or Customization?

1. If there are market products that comply with the requirements, buy and avoid IT Programming

2. If there is no product that meets exactly the required, evaluate possibilities to buy and customize

3. If the differences are too great to justify the purchase of an off-the-shelf, IT Programming

Future Challenges of IFMIS in LAC

- Flexible and modular solutions (current low life cycle of new information systems)

- Public accounting harmonization (IPSAS or own standards, cash to accruals – the challenge of implementation)

- Accounting Consolidation (other levels of Government and Public Enterprises)

- Information of Assets and Liabilities (depreciation and provision)

- Information for decision-making and public expenditure efficiency (macro and micro)

- Transparency: open data portals, search tools and interaction

PFM and Development

Conclusions

- <u>Current and future challenges at same time</u>: TSA, Institutional Capacity, IT modernization **versus** management improvement, new public accounting and open data)

- <u>PFM Functions</u>: interdependence and complementarity

- <u>Financial Sincerity</u>: You can fool all the people some of the time, and some of the people all the time, but you cannot fool all the people all the time (Abraham Lincoln)

- <u>Pragmatism</u>: reforms demand costs and capabilities (massive training and realism in the implementation)

<u>PFM to support Efficiency and Quality of Public Expenditure and to improve Transparency and Fiscal Credibility</u>

Instituciones para la gente

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