

## TC Abstract

### I. Basic project data

• Country/Region:	REGIONAL
• TC Name:	Modernization of Integrated Financial Management Information System (IFMIS) in LAC from the Korean Experience
• TC Number:	RG-T2916
• Team Leader/Members:	Kim,Hyungon, Team Leader; Pimenta,Carlos Cesar; Canillas Gómez,Mariana Belen; Champi Ticona, Diana Carla; Aliouat, Taos C; Armendariz, Edna
• Indicate if: Operational Support, Client Support, or Research & Dissemination:	Research and Dissemination
• Reference to Request:	n/a
• Date of TC Abstract:	Dec 14, 2016
• Beneficiary:	Latin America and the Caribbean countries
• Executing Agency:	IDB
• IDB Funding Requested:	US\$750,000.00
• Local counterpart funding, if any:	US\$0.00
• Disbursement period (which includes execution period):	30 months
• Required start date:	
• Types of consultants:	
• Prepared by Unit:	Fiscal & Municipal Management Division
• Unit of Disbursement Responsibility:	Institutions for Development Sector
• Included in Country Strategy (y/n):	No
• TC included in CPD (y/n):	No
• Strategic Alignment:	

### II. Objective and Justification

The objective of this Technical Cooperation (TC) is twofold: (i) to assess the current state of Integrated Financial Management Information Systems (IFMIS) in LAC, and to identify the issues and challenges facing each country; and (ii) to help make public financial management more efficient and transparent by modernizing their IFMIS in some LAC countries that takes into consideration the lessons learned from Korea's best practices.

IFMIS enables prompt and efficient access to reliable financial data and helps in strengthening government's financial controls, improving the provision of government services, raising the budget process to higher levels of transparency and accountability, and expediting government operations. All of the foregoing information can then be utilized for subsequent budget planning, which creates a positive self-reinforcing cycle of fiscal efficiency. Particularly, in the context of LAC, the adoption of IFMIS has led to effective management of public funds in some countries especially as fiscal resources become ever so scarce while there is a mounting pressure on public finance to cover the increased demands for more public investment and social welfare expenditures. However, the implementation of IFMIS has proven very demanding, especially for low- and middle-income countries, and success has been patchy. The arrangements IFMIS require are wide-ranging, as implementing and maintaining IFMIS involve the Ministry of Finance and all line ministries. In addition, IT projects require substantial investments in equipment, training and infrastructure.

Korea's IFMIS—named Digital Budgeting and Accounting System (DBAS) and also commonly referred to as dBrain—is widely recognized as one of the most sophisticated and successful systems by standards of international organizations like the World Bank and UN. Advantages of Korea's IFMIS are multiple, but the foremost is that it was designed to facilitate modifications in response to changing budgeting needs and revisions to the budget system. This is because the core design of the

system was specified by the government, rather than strongly influenced by system vendors. This has allowed the system to undergo continual upgrades since its first development. For instance, a performance management module was added with relative ease after the initial version was unveiled. The Korean case serves as a good example from which other governments will find reference points in efforts to modernize their IFMIS with relative ease. Especially, the compartmentalized design of IFMIS in Korea is a feature that facilitates adaptation to environments other than Korea. Governments seeking to adopt the Korean model can specify particular subsets of IFMIS modules that fit their needs and budget systems, and a fully functioning new adaptation can be assembled quickly and effectively.

Against this backdrop, this TC is to support the governments in LAC to assess efficiency in the management of their IFMIS and to propose the policy recommendation for carrying-out improvements in this arena. And then, a week-long training program for public servants in charge of IFMIS in LAC will be provided with the purpose of learning good practices and lessons from Korea and other countries and allowing the interaction between experts and representatives from Korea and LAC. The TC will also include conducting the pilot project for one country that hopes to benchmark the Korean system and providing the modernization plan of its IFMIS.

### **III. Description of activities and outputs**

**Component 1. Diagnostic study and Technical training on Korean system.** The objective of this component is to examine in detail current status of the existing IFMIS of about five or six countries in terms of their functional scope, technical capacity, and degree of integration within different components of the system as well as integration with other systems in the public sector. Candidate countries may be Ecuador, Honduras, Costa Rica, Peru, and Colombia that have already signed MOUs with South Korea to facilitate cooperation in a number of areas relating to public financial management including IFMIS. And then, this component also intends to support the participation of government officials from LAC and IDB staff in a training program to learn the best practices from government and private entities in Korea and to look for opportunities for collaboration. This training program will be the technology transfer experience. LAC public servants will visit Korea to study its IFMIS reforms that Korea has laid out over the years to enhance fiscal efficiency and soundness, and thereby helping ignite the innovation of IFMIS in LAC.

**Component 2. Policy recommendations for modernizing IFMIS.** Based on the diagnostic studies and the South Korean system review study, a specific set of policy recommendations for each country to address gaps will be prepared. It also includes the analysis of the key issues that can improve the effectiveness of IFMIS in the region, and determines whether the current public governance and institutional framework will be able to support the new development or modernization of their IFMIS.

**Component 3: Pilot project implementation.** The objective of this component is to support one pilot program of modernizing IFMIS, which will be launched on a first come, first serve basis upon letter of request. This component will intend to facilitate the implementation of the policy recommendations. In particular, this component will support a feasible strategy for the types of modules to be built and what the appropriate scope of IFMIS would be, and what kind of work needs to be done in terms of institutional framework building –the estimated time line, parties to be involved, and the budget. In doing so, experts from the Korean government and entities will cooperate with government officials of the selected country, taking into account its specific characteristics.

**Component 4: Project results dissemination.** The objective of this component is to disseminate the findings and recommendations of the technical cooperation with the goal of strengthening countries' institutional capacity and promoting policy dialogue.

#### **Outcomes**

Component 1: Assessment framework for the current status of IFMIS in LAC created, Training program for public servants in LAC provided, Surveys for public servants in charge of IFMIS carried out.

Component 2: Policy recommendation report suggested.

Component 3: IFMIS modernization action plans suggested.

Component 4: Dissemination event held

#### **IV. Budget**

##### **Indicative Budget**

<b>Activity/Component</b>	<b>IDB/Fund Funding</b>	<b>Counterpart Funding</b>	<b>Total Funding</b>
Component 1	\$ 320,000.00	\$ 0.00	\$ 320,000.00
Component 2	\$ 50,000.00	\$ 0.00	\$ 50,000.00
Component 3	\$ 300,000.00	\$ 0.00	\$ 300,000.00
Component 4	\$ 80,000.00	\$ 0.00	\$ 80,000.00

#### **V. Executing agency and execution structure**

The TC will be executed by the Bank. The Bank will be responsible for contracting consultants and carry out the selection and hiring of the consulting services, consulting firms and non-consulting services in accordance with the Bank procurement policies and procedures.

Considering that the project is at regional level and needs extensive collaboration with different government institutions involved, the executing agency will be the IFD/FMM Division, which has broad experience working with corresponding official entities in each country and the Republic of Korea.

#### **VI. Project Risks and issues**

The main risk would be that authorities in governments might not be willing to participate in the data collection and validation process. To mitigate this risk, team members will leverage existing IDB networks such as the Latin American and Caribbean Community of Practice on Managing for Development Results (CoPLAC-GpRD) in order to foster regional ownership.

#### **VII. Environmental and Social Classification**

The ESG classification for this operation is [ ]