

# A Report on Workshop on 'IFMIS And Beyond...'

24 and 25 May 2018

Jaipur



## Introduction

In the last few years the Union Government has undertaken various initiatives to improve transparency, accountability and performance aimed at enhancing the governments' revenue collections and bringing efficiency in public expenditures. These include introduction of Outcome Budget at Union level, the doing away of Plan and Non-plan classification of expenditures in the budget, the rationalization of Centrally Sponsored Schemes, the legislation of the Goods and Services Act, 2017, among many other positive changes. Further, the government is constantly reviewing its fiscal position by keeping a close watch on inflation, interest burden and forex reserves to ensure macroeconomic stability and keep the economy on a steady growth path.

Higher devolution of funds to States places greater responsibility on the states. This implies that states will be required to exercise greater prudence and judgement in the use of public funds henceforth. Appropriate systems will need to be put in place and human capacities developed so that States can achieve allocative and operational efficiencies enabling them to improve the quality of public service delivery achieve the developmental goals.

State governments are aware of the challenges that lie before them. They are recognizing that systemic reforms are the need of the hour. IT interventions, in the form of taking the entire government accounting and financial management system online, is perhaps one of the biggest initiatives that State Finance Departments are taking for planning and monitoring the use of public moneys. Similarly,

State governments are engaging with the private sector and multi-lateral agencies to learn about national and international advancements which can be adopted and given effect to bring about business process re-engineering of government systems that will support and facilitate faster internal administration.

## Rajasthan PFM Project Launch

The workshop began with the launch of Rajasthan Project funded by the World Bank. The Government of Rajasthan, among other States, has taken a conscious step to strengthen its public financial management system by undertaking a project with The World Bank in 2017-18. The project focusses on second generation reforms in PFM through the design and development of integrated financial management and information systems (IFMIS).



It has two main components - Strengthening the Public Finance Management Framework and Strengthening Expenditure and Revenue Systems. Its sub-components are as follows - strengthening planning, management, monitoring of capital expenditures; strengthening decentralized participative

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planning; using data for policy action; strengthening cash and debt management; commitment control; contract management etc. The project's goal is to enhance financial accountability, transparency, institutional strengthening and capacity building across several departments in the state over a period of 5 years.

Mr. Adrian Fozzard, Practice Manager, Global Governance Practice, The World Bank gave the welcome address. Mr. Mukesh K. Sharma, ACS (F), Government of Rajasthan (GoR), gave the project launch address, followed by a presentation by Mr. Ashutosh Vajpeyi, Joint Secretary, Finance, GoR detailing the rationale, scope and components of the project.

### Workshop on IFMIS and beyond ...

The World Bank in partnership with the Government of Rajasthan organized the workshop - 'IFMIS & Beyond..' with a view to providing a forum to State governments to exchange information about the latest concepts and practices in PFM, in Jaipur on May 24 & 25, 2018. The workshop was attended by 116 PFM practitioners including senior officials from the Government of India, officers from the Finance Departments of 20 Indian states – among them Additional Chief Secretaries/Principal Secretaries (Finance) from 7 states – and representatives of 9 national level institutions, such as the CAG, CGA, RBI, DFID, NIC and NPCI. This was the third in a series of knowledge exchanges on public financial management since 2014.

The agenda of the workshop attempted to address strategic and operational issues. The topics covered were: public investment management; commitment control; e-collection and e-payments systems; direct beneficiary transfers; states' experience of using NIC PFM systems; contract management; transition of work accounts to treasury; and the creation of a Community of Practice for PFM Practitioners. All sessions were well-attended and there was active participation from senior officials in particular.

In all, 20 presentations were made across seven technical sessions. The sessions are summarized in brief below:

**Public Investment Management (PIM):** This session covered the criticality, tools and results of public investment management by governments. The Government of India showcased its efforts towards better PIM by quoting various examples of structural, systemic and policy changes and implementation. The World Bank discussed its tool 'PIMA' for better PIM and its experience in countries like Brazil, Chile, Indonesia, Korea etc. The panel discussed how allocative and operative efficiencies had been enhanced with the use of PIM.

**e-KUBER:** Government of India's core e-payment and e-receipts system was showcased by RBI in the second session of the workshop. RBI presented on the various features and functionalities of e-KUBER. The presenters shared information of e-KUBER handling 90 million transactions (value INR 400,000 crore), demonstrating its extensive capability. This was followed by select states discussing their experience with e-KUBER and the gradual and

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successful integration of their IFMIS systems with e-KUBER.

**Direct Benefit Transfer (DBT):** Various stakeholders including officials of Direct Benefit Transfer Mission, CGA, NPCI and The World Bank discussed the evolution and coverage of schemes under Direct Benefit Transfer (DBT) in India in the third session of the workshop. Officials from the DBT Mission explained the strategy and steps being taken to roll out DBT across the country. They estimated that savings of INR 90,000 crore would accrue to the GoI from the use of DBT systems. The Controller General of Accounts (CGA) elucidated the example of the UP government which saved INR 520 crores by using the integrated PFMS-DBT system. While National Payments Corporation of India (NPCI) talked about the systems architecture and network of DBT, the Bank spoke about how last mile delivery for DBT could be improved through the creation of social registries. The panel impressed the audience with real life success stories and evoked ideas on application of DBT in other sectors.



**'One Nation, One GIFMIS':** The idea of '*One Nation, One GIFMIS*' was discussed in technical session four. AP, Karnataka, Haryana, Rajasthan and Uttarakhand discussed in brief, IFMIS

systems being developed/implemented in their respective states. There were divergent views on the idea of '*One Nation, One GIFMIS*' owing to different generation of IFMIS reforms being carried out in states. The NIC opined from its experience that 50-60% of the modules of IFMIS were common across states and so, could be integrated; for the balance, proprietary systems were the answer.



**Commitment Control:** A detailed presentation was made on the concept, objective and usefulness of commitment control. The pre-conditions for putting in place a successful commitment control system were discussed in the workshop. International experience on commitment control in Nigeria, Ghana and Pakistan was also deliberated. The governments of Rajasthan and Odisha then shared their approach to the adoption and institutionalization of commitment control.

**Contract Management:** Assam, MP, and Orissa discussed existing contract management practices in their states in the sixth session of the workshop. Assam elucidated the benefits of planning and optimizing investment. MP discussed the benefits of Enterprise Information Management System (EIMS) for managing funds for multi-year contracts. Orissa discussed 'Works

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and Accounts Management Information System (WAMIS) & IFMIS Integration' and how it helps in better contract management. The importance of contract management was summed up in one observation that the government loses \$153 billion due to poor contract management every year only because planning, procurement and payment do not talk to each other.



The office of the Comptroller and Auditor General of India along with the States of Rajasthan, Karnataka and West Bengal spoke about the **transition to works accounts to treasury, discontinuation of LoC and electronic submission of accounts/ bills** in the last technical session of the workshop. The presenters demonstrated the need for a single source of truth. The panel lent support to the installation of e-systems and real-time accounts generation. It also acknowledged the need to update rules, regulations, codes and manuals. Capacity building and adjustment of remittances / suspense balances was discussed as real challenges in states that had not migrated to WAMIS and IFMS.

During the workshop, states learnt about different systems being implemented across the country and connected with each other to see if replicability of solutions was possible to improve

robustness in execution. For e.g., the states of Haryana, Himachal Pradesh and West Bengal agreed to facilitate Assam in building different modules for Assam's IFMIS. Similarly, Karnataka expressed interest to learn from the Government of Odisha about integration of IFMIS with the AG's systems towards the objective of achieving paperless accounting.

Panel discussions at the end of each session were summarized with key takeaways and key areas of reform. Many a times, the intervention of central agencies like RBI, CAG and GoI was invoked.

### The key takeaways

- There was broad consensus that *MTEFs* must be adopted as a tool for 360 degree planning and assessment by governments. It was indicated that there was need for policy action from the Government of India's side especially for *public investment management* and commitment control.
- States sought the intervention of RBI to serve as an anchoring agency in the integration of State IFMIS and *e-KUBER* with a time-bound action plan.
- It was agreed that information about the benefits of *DBT* must be circulated to government staff and citizens to encourage extensive use of the system. States should create a social registry for better targeting of subsidies.
- It was suggested that a mentorship programme be designed by states who were ahead in IFMIS reforms to bring other states onto an equal footing. FRS and SRS documents as well the modules prepared by

these states could be shared with other states to help them reduce the development time frame. Ownership of implementation would however, lie with the state receiving assistance.

- If the country wanted to move towards '*One GIFMIS*', the single solution could happen if an initiative is taken by some of the state governments to come together to develop a common functional and system requirement specifications and seek development of a common software by the NIC.
- It was recommended that States should develop and implement *commitment control* systems which can enable governments to better manage multi-year projects, and fiscal space to accommodate changing state priorities. Also, the Government of India should develop a policy for commitment control.
- States should integrate e-procurement, IFMIS, commitment control, and contract management and replicate contract management systems.
- State Finance Departments and CAG should work together to make *paperless accounting and auditing* a reality.
- *GASAB* should be revitalised to develop and issue government accounting standards at a faster pace.
- Strengthening of internal controls especially in a dynamic environment like today was seen as an essential goal for all stakeholders to work towards.
- A state level council (akin to GST council) to address and debate public finance issues in India, is the need of the hour.

## PFM-KIN

### A Community of PFM Practitioners

The World Bank presented the need for re-invigorating **PFM-KIN** - a Community of Practice (CoP) in the field of PFM in India which was launched during the previous workshop of the Bank. PEMPAL – a CoP in PFM operating in Europe & Central Asia – was invited to the discuss its inception, growth and journey for the benefit of the Indian audience. A proposal on how stakeholders may come together to make **PFM KIN** successful was made at the workshop. The discussion showed that there was consensus among states on the need for such a community of practice in public financial management. Senior officials and practitioners made suggestions with respect to relevant areas in PFM where PFM KIN could contribute by serving as a platform that brought together practitioners for peer-to-peer knowledge exchanges or for exchange of technical material. States expressed interest in having at least one event a quarter under PFM KIN. There was a general understanding that the structure, content and delivery of PFM-KIN should be allowed to evolve over time.

### Way Forward

Towards the end of the workshop, senior officials from the States, the Central Government, the office of the Comptroller and Auditor General of India and Controller General of Accounts offices brainstormed on PFM issues that were of the highest importance to the nation. They reflected over whether India's PFM systems were robust enough to meet the challenges associated with India making the

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transition from a low middle-income country to a high middle-income country and ultimately a high-income country. Mr. Adrian Fozzard, Practice Manager, Global Governance Practice, The World Bank summarized the deliberation, “Debt sustainability and treasury management, risk management, particularly risks from guarantees, improvements in the chart of accounts and the introduction of modern accounting standards, have emerged as some key reform areas in PFM in India”.



The closing address was delivered by Mr. James Brumby, Practice Director, Global Governance Practice, The World Bank. Mr. Brumby acknowledged the efforts made by all States. He stated that the workshop had enabled him to understand the starkly uneven distribution of PFM reforms across India. It was clear that while States were expected to be the engines of reform, they required policy direction and implementation support from the Centre from time to time. He said that India was moving towards becoming one in three of the largest economies in the world in the next two decades. This implied that in the years to come India's macro-economic stability would significantly influence the world's financial stability and so, it was essential that India prepared its PFM systems accordingly. He expressed the Bank's

continued support and commitment towards such efforts, whether it was by providing financial and technical assistance or facilitating learning and exchange among States through platforms like a formal community of practice.

### Next steps

As a part of continuing engagement with the states, the Bank would be working with interested states in supporting IFMIS reforms. Technical support as requested by states and financial aid would be provided by the Bank. The Bank would look to facilitate knowledge exchanges, document best practices and share technical papers for the benefit of state governments, as brought up in the workshop. Further, The Bank would work with state governments for finalization of the governance structure, knowledge partner and membership, organizing the first meeting of the Steering group and formulation and adoption of the action plan for FY19 for PFM-KIN.

All presentations of the seminar and related documents can be accessed on [www.pfmkin.com](http://www.pfmkin.com) under the 'Resource' section. Registration is mandatory for accessing materials of the workshop. For registration, participants may fill up the registration form available on the website.

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