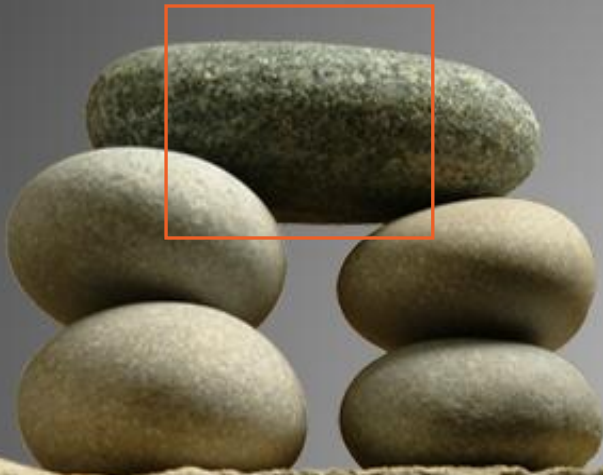


**FreeBalance**

# Achieving Government Financial Management Implementation Success

Manuel Pietra  
FreeBalance



# The Sad Truth

Majority of government financial  
management information systems  
implementations in developing  
countries do not meet expectations



A collage of various banknotes, including 20 Euro and 20 US Dollar bills, with the text "over-budget" centered over them. The background is a dense, overlapping arrangement of these currency notes. The 20 Euro notes are light blue with the number "20" in large blue font. The 20 US Dollar notes are green and white, featuring the portrait of Andrew Jackson. The text "over-budget" is written in a simple, black, sans-serif font in the center of the image.

over-budget



A man in a dark suit and white shirt is running from left to right, carrying a black briefcase. The background is a blurred yellow building with dark windows, suggesting a fast-paced urban environment. The word "late" is written in white lowercase letters in the center of the image.

late



unsustainable





yet FreeBalance has a very high success  
rate





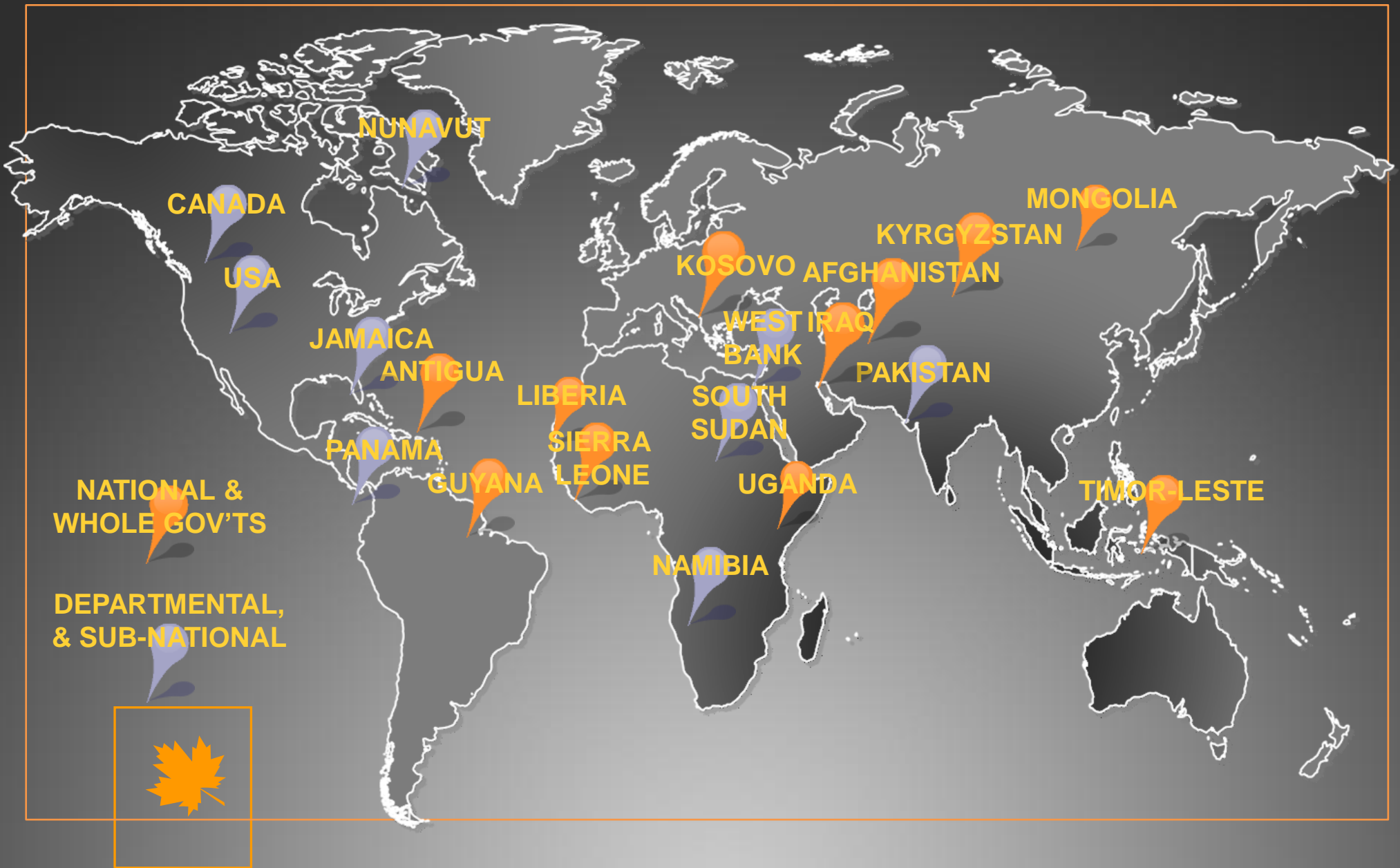
reveal corporate secrets



# Lessons Learned

1. Perfection is the enemy of Good
2. Sustainability = adapting to reform and capacity growth
3. Traditional software model is not working





# Who is FreeBalance?

**Free**Balance

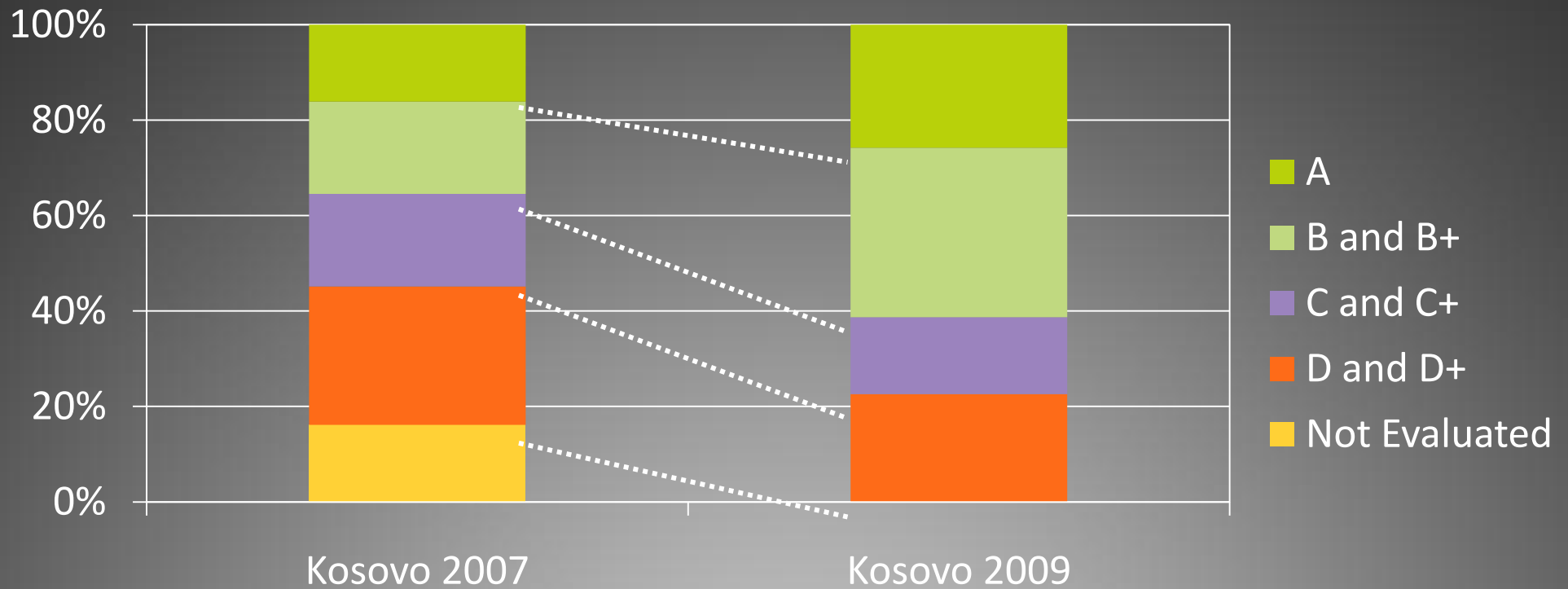


# What is Success?

1. On budget
2. On time
3. Addresses local capacity
4. Is financially sustainable
5. Is sustained by the government organization
6. Requires a minimum of foreign consultants
7. Modernizes with the government



# Kosovo PEFA Assessments





# 1. Perfection is the Enemy of Good

Make it as simple as possible.  
But no Simpler

Albert Einstein



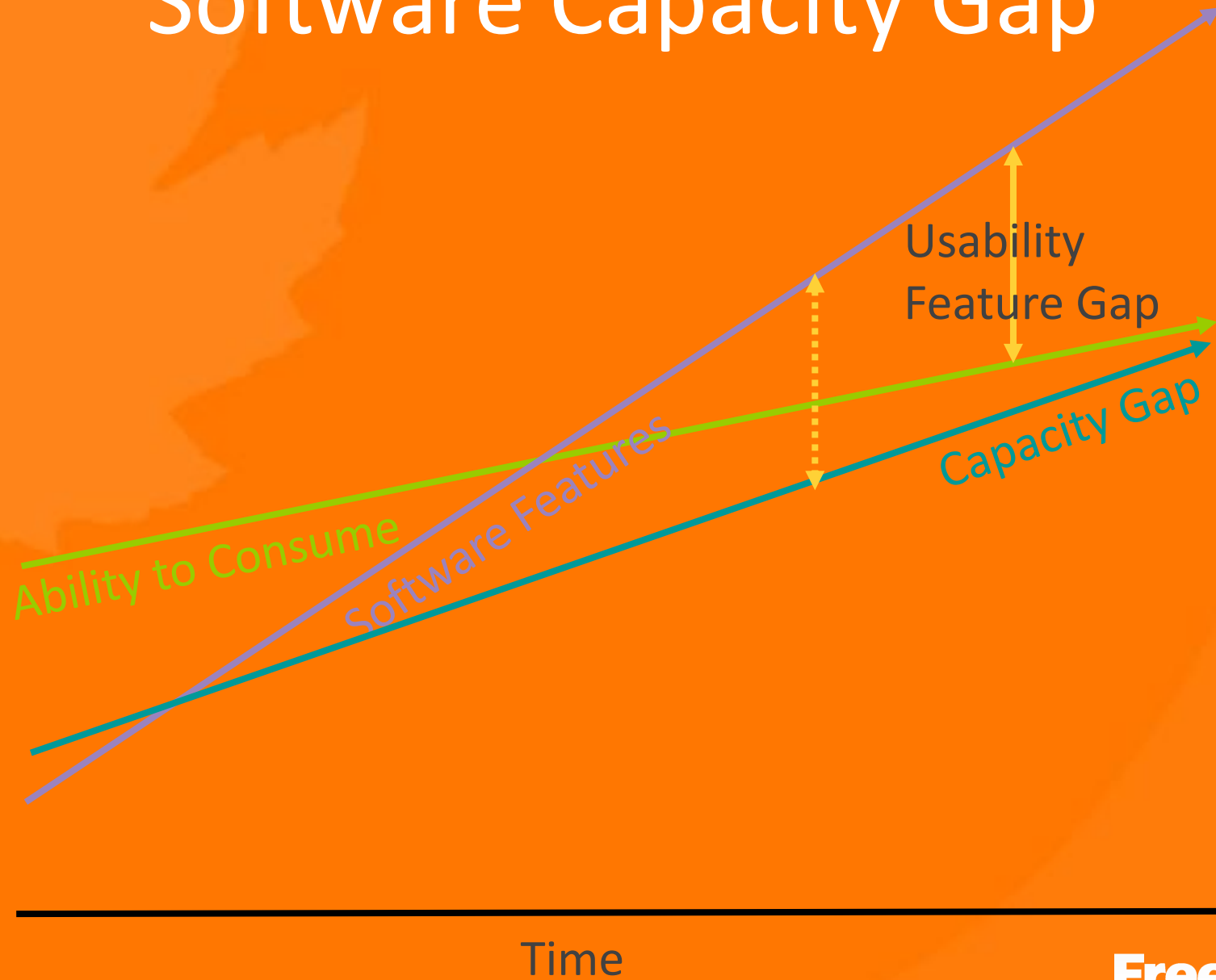


# Overwhelming Feature list

- **“Featuritis”**
- Benefits incorrectly tied to features
- Increasing the capacity gap everywhere
- More features, the better?
  - Unconsumed features
  - Infrastructure bloat
  - ITC-generated costs



# Software Capacity Gap



# What's Wrong?

- Typical Project Management methodologies
  - Lack of focus on what's important in the context
- Focus on “best-practices”
  - Focus on what is theoretically best vs. what is important now
  - Extends the capacity gap

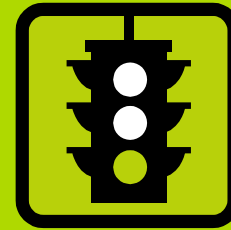




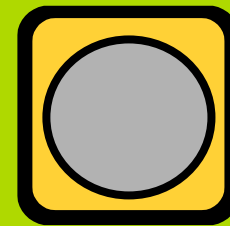
who's on first?



# Capacity Balance

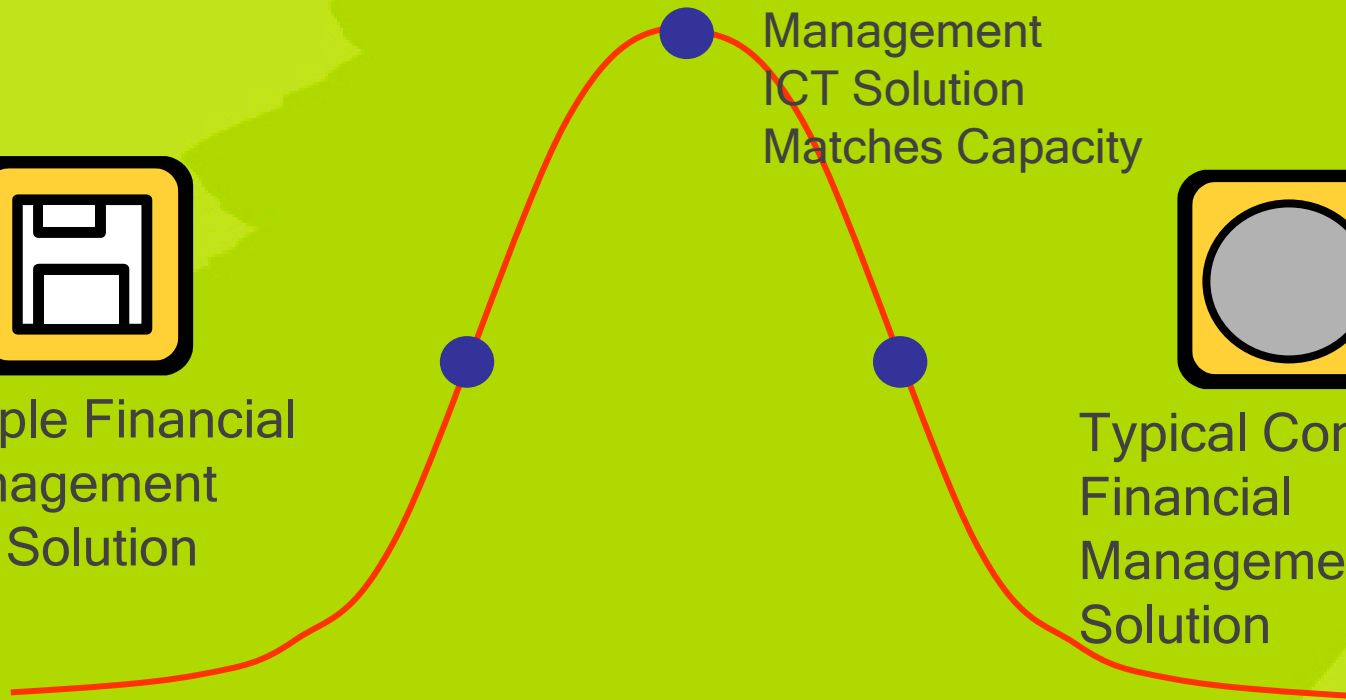


Simple Financial  
Management  
ICT Solution



Typical Commercial  
Financial  
Management ICT  
Solution

Financial  
Management  
ICT Solution  
Matches Capacity



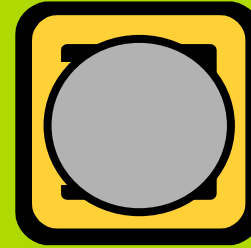
Capacity

**Free**Balance



## Simple Financial Management ICT Solution

- Cash-basis
- Pragmatic
- Limited budgetary controls
- National standards
- Specialized
- Personal-class tools and middleware
- Underwhelming

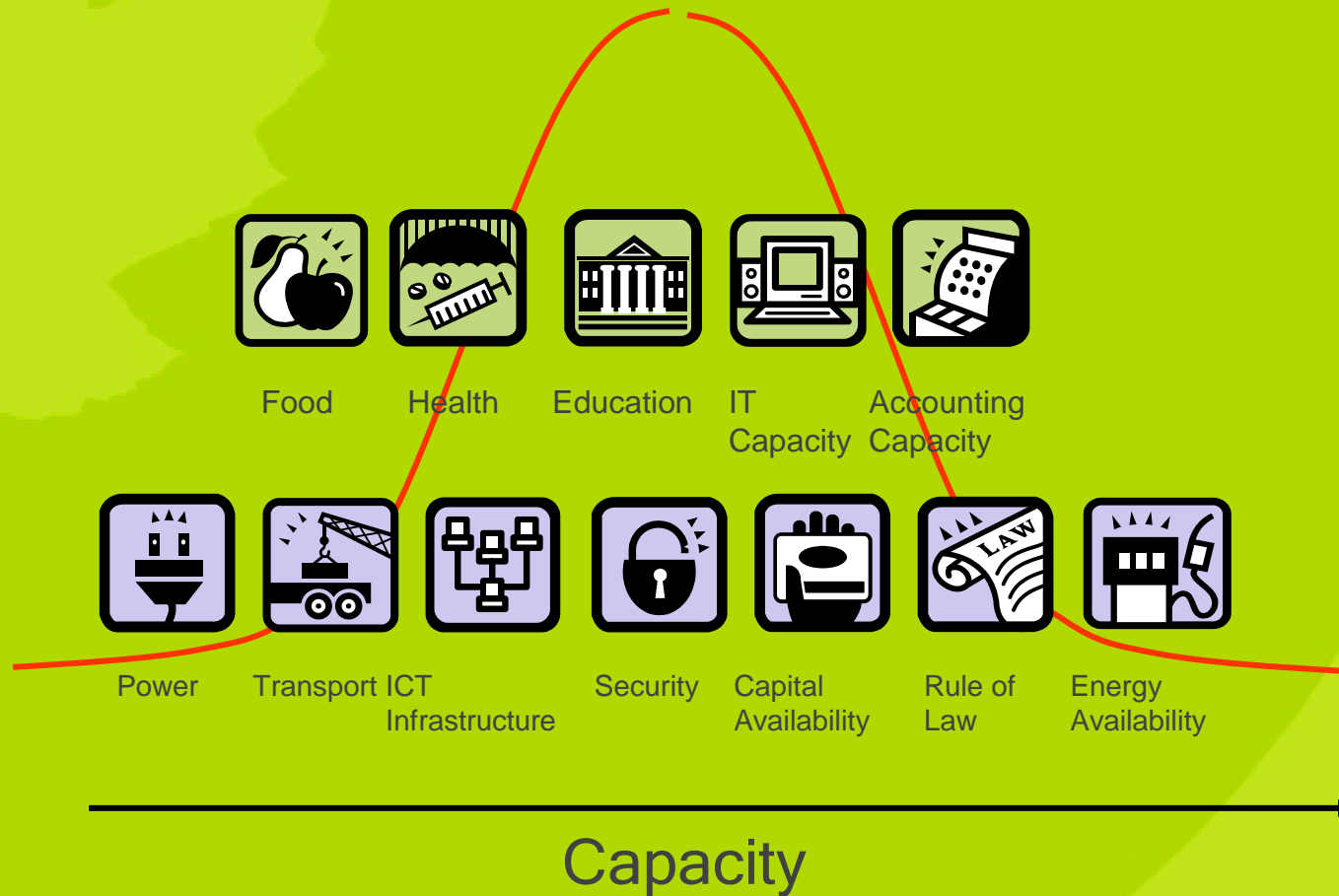


## Typical Commercial Financial Management Solution

- Accrual basis
- Best practices
- Complex budgetary controls
- International standards
- Comprehensive
- Enterprise-class tools and middleware
- Overwhelming



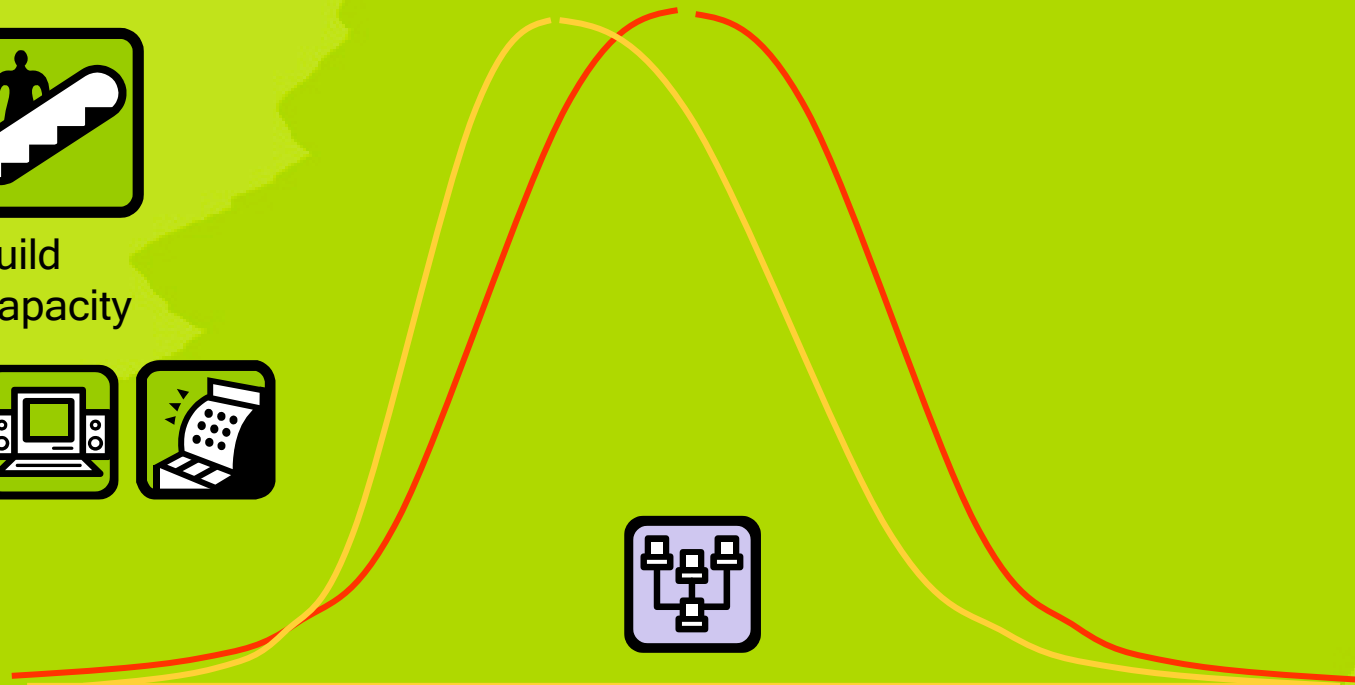
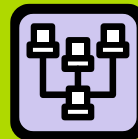
# Capacity Foundations



# In Context



Build  
Capacity



Capacity

the plan was foolproof





# Beyond Project Management 101

- Human resources & capacity more thought and more risk
- Communications is highly political, cross-cultural
- Scope creep directly related to “reputation”
- Flexibility in change management needed
  - known knowns, known unknowns, unknown unknowns

# Weakness of typical Project Approaches

- Business Process Reengineering
- Train the trainer as key capacity building approach
- Focus on the politicians
- Long implementation cycles: curb enthusiasm
- Macroeconomic planning and budget preparation
- Many process changes require legal reform
- Train the cadre, give them tools
- Politicians change
- Builds opposition momentum
- What budget?



# 1.Perfection is Enemy of the Good

- Need to focus on the country context
  - Civil service capacity
  - Ease of use is critical
  - Needs for improved governance: quick wins
- Holistic project management
  - IT, software & PFM capacity
  - Good practices, not “best” practices



## 2. Sustainability



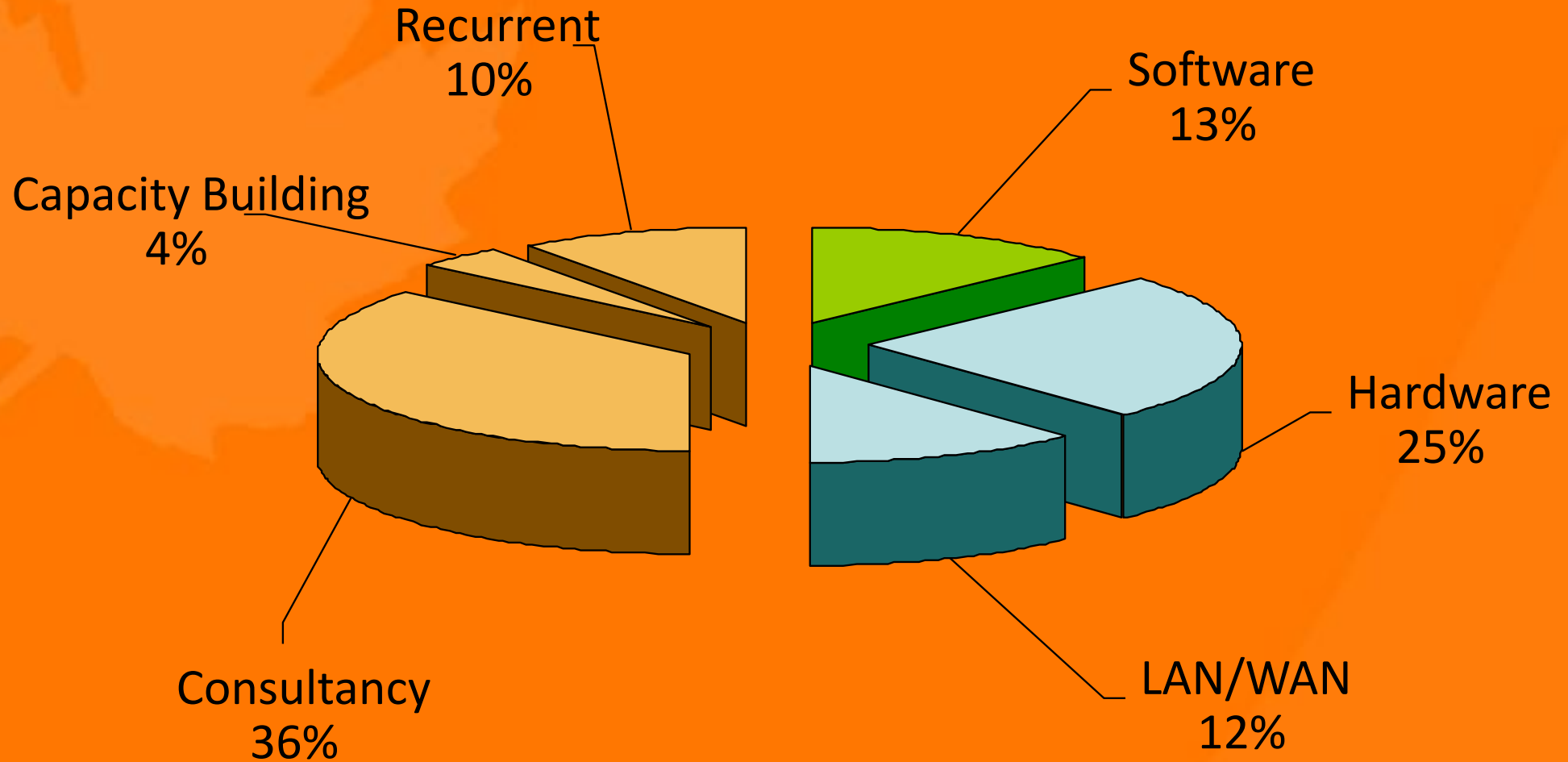


the operation was a success

A black and white photograph showing a pair of round-rimmed glasses and a pair of surgical forceps resting on a surface. The glasses are in the foreground, slightly out of focus, while the forceps are in the background, more in focus. The text "however, the patient died" is overlaid in white at the top.

however, the patient died

# Example Implementation



**\$23.6M IFMIS ERP implementation**

**FreeBalance**

# Concerns about Sustainability

- the complexity of the system, structure and vocabulary **alienates and further hampers participation.**
- concern has been that the system itself might be **too advanced and complex,**
- will become **underutilized** and that the costs involved won't pay off.
- concerns that budget experts of the consultant implementing the system **may not fully have understood the procedures** in place



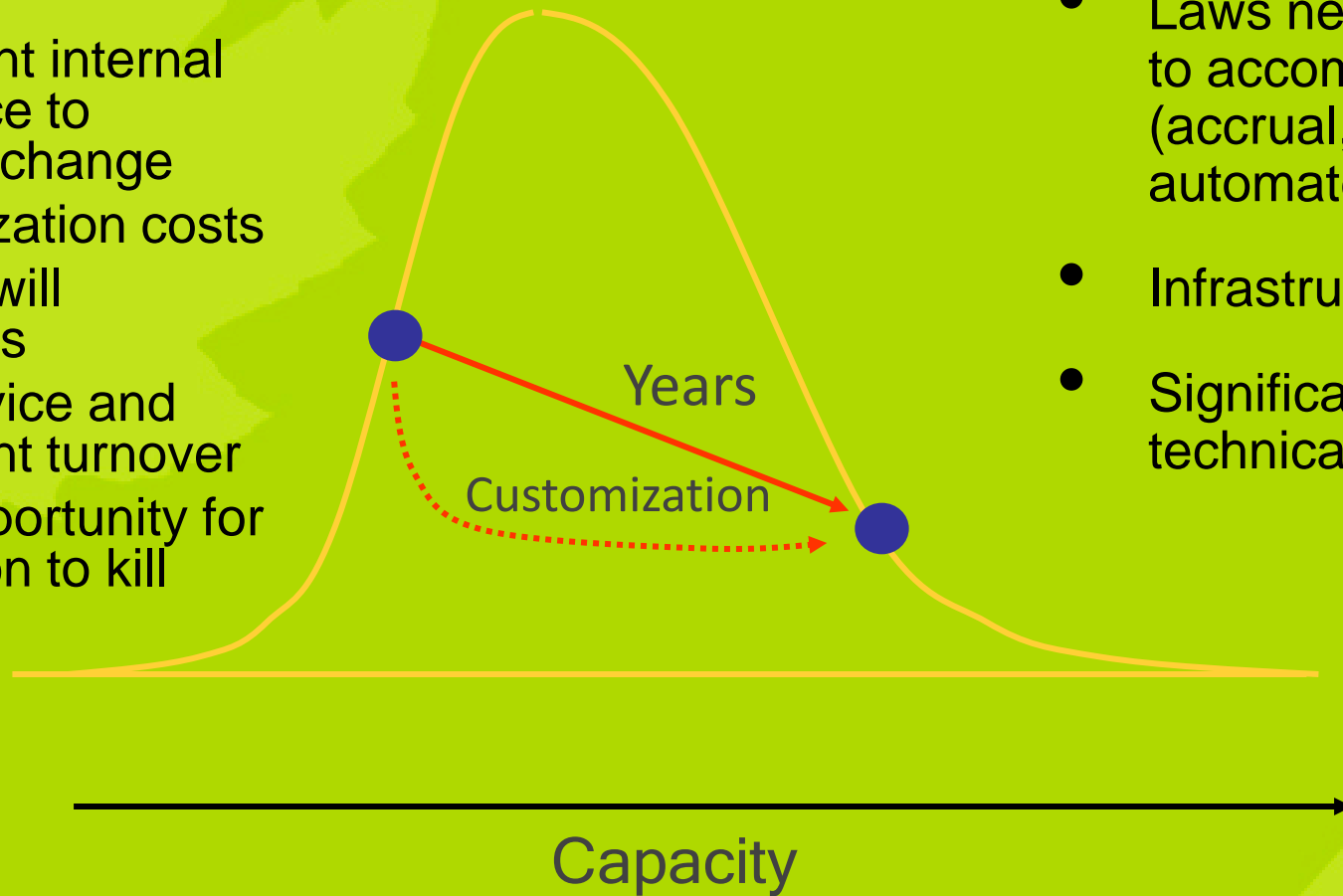
# What's Wrong?

- Often have an “IT” definition of success
  - Measure now and assume everything will be fine
- Unknown unknowns
- Changes to country context
  - Rapid and almost unprecedented in public financial management reform



# Capacity Balance

- Significant internal resistance to massive change
- Customization costs
- Political will dissipates
- Civil service and consultant turnover
- More opportunity for opposition to kill project

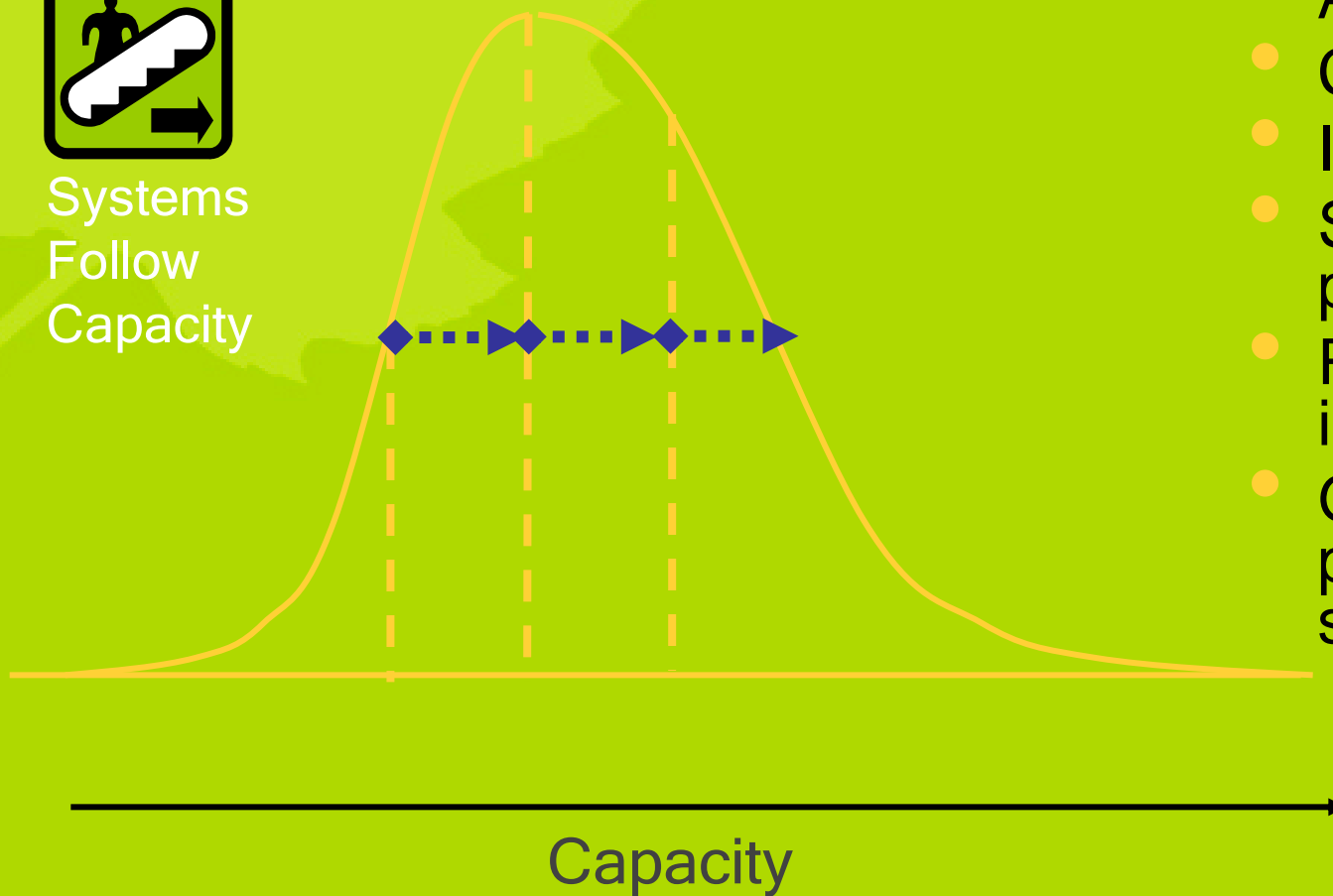


- Laws need to be modernized to accommodate software (accrual, electronic cheques, automated budgets)
- Infrastructure upgrade
- Significant functional and technical training

# What's Needed

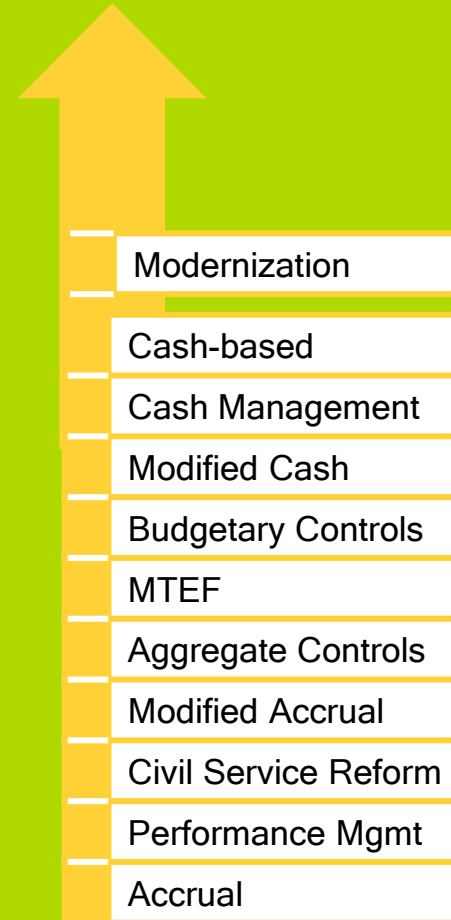


Systems  
Follow  
Capacity

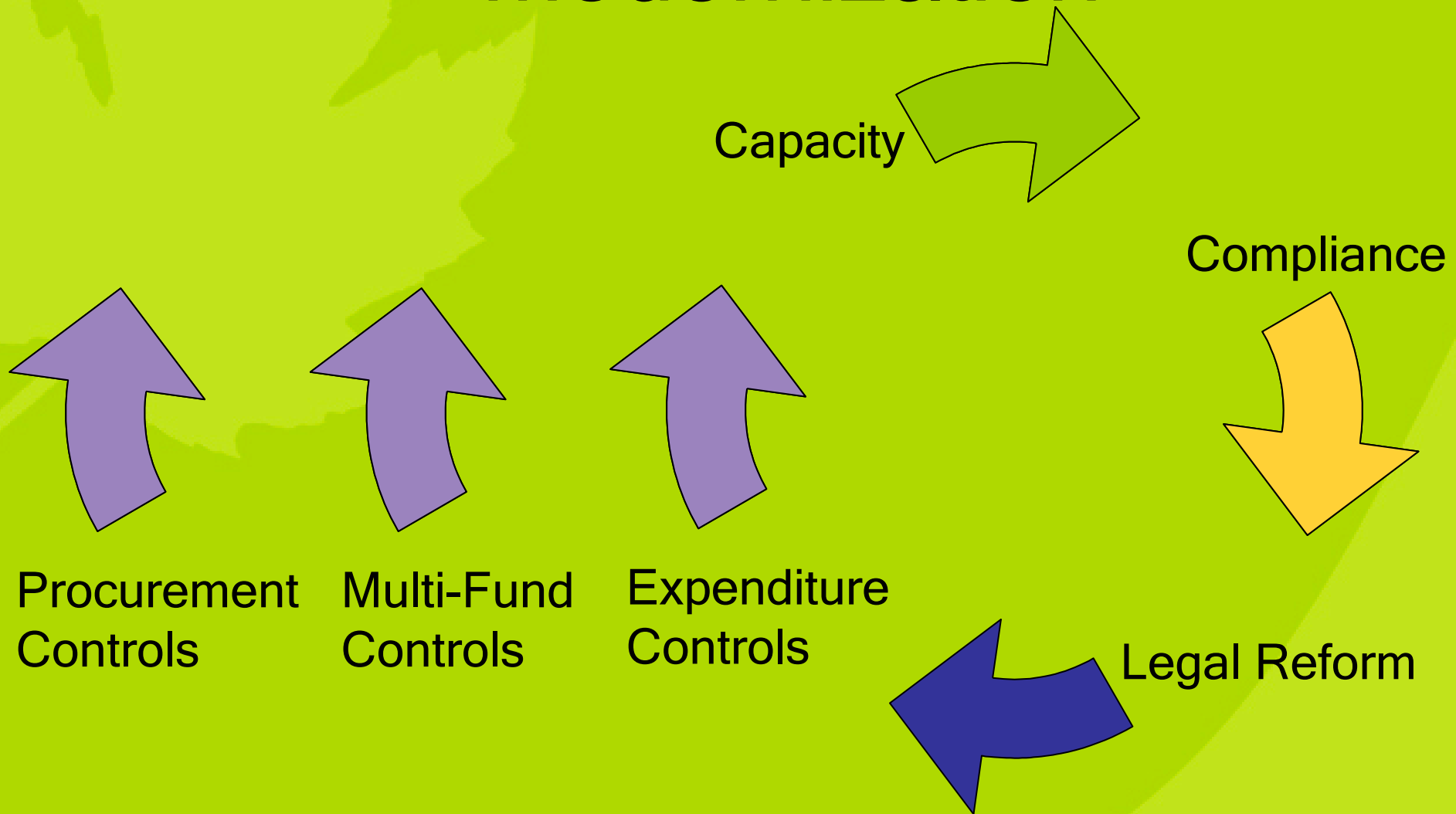


- A realistic start point
- Configuration
- ICT follows reform
- Small wins through phases
- Rapid return on investment
- Grows to support best practices and international standards

# Progressive Activation



# Modernization





# Unprecedented Reform Momentum?

- PFM Reform tied to Country Context
  - Resource rich
- Full IPSAS, GFS, COFOG support in COA
- Support for program budget
- Ministerial (including sector-specific) dashboards
  - Development of Key Performance Indicators
- Transparency portal
  - 10 years of budget information
- E-Procurement portal





# Timor Leste

*East Asia & Pacific*

---

CAPITAL CITY: Dili

---

AREA: 15,007 km<sup>2</sup>

---

POPULATION: 1,131,612

---

LANGUAGES: Tetum, Portuguese, Indonesian, English,  
and about 16 indigenous languages

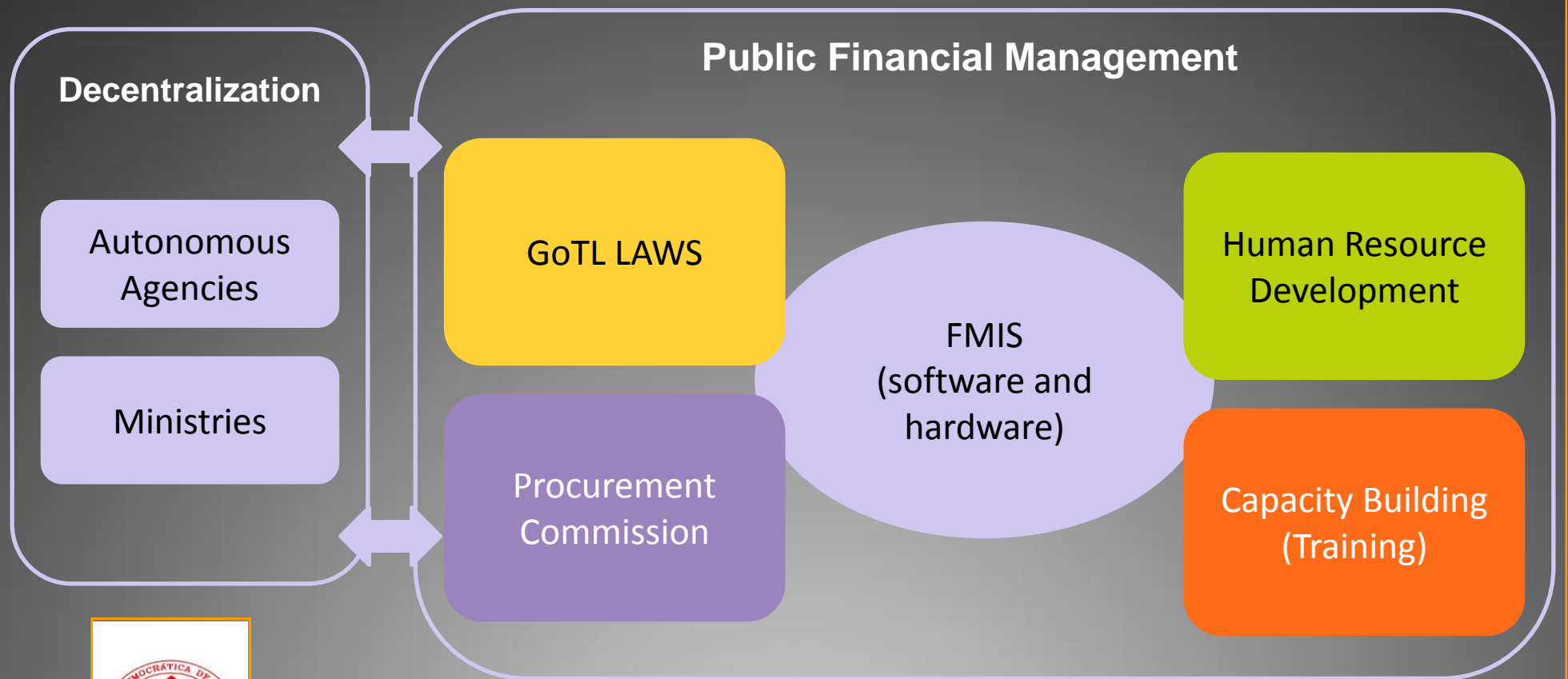
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CURRENCY: US Dollar

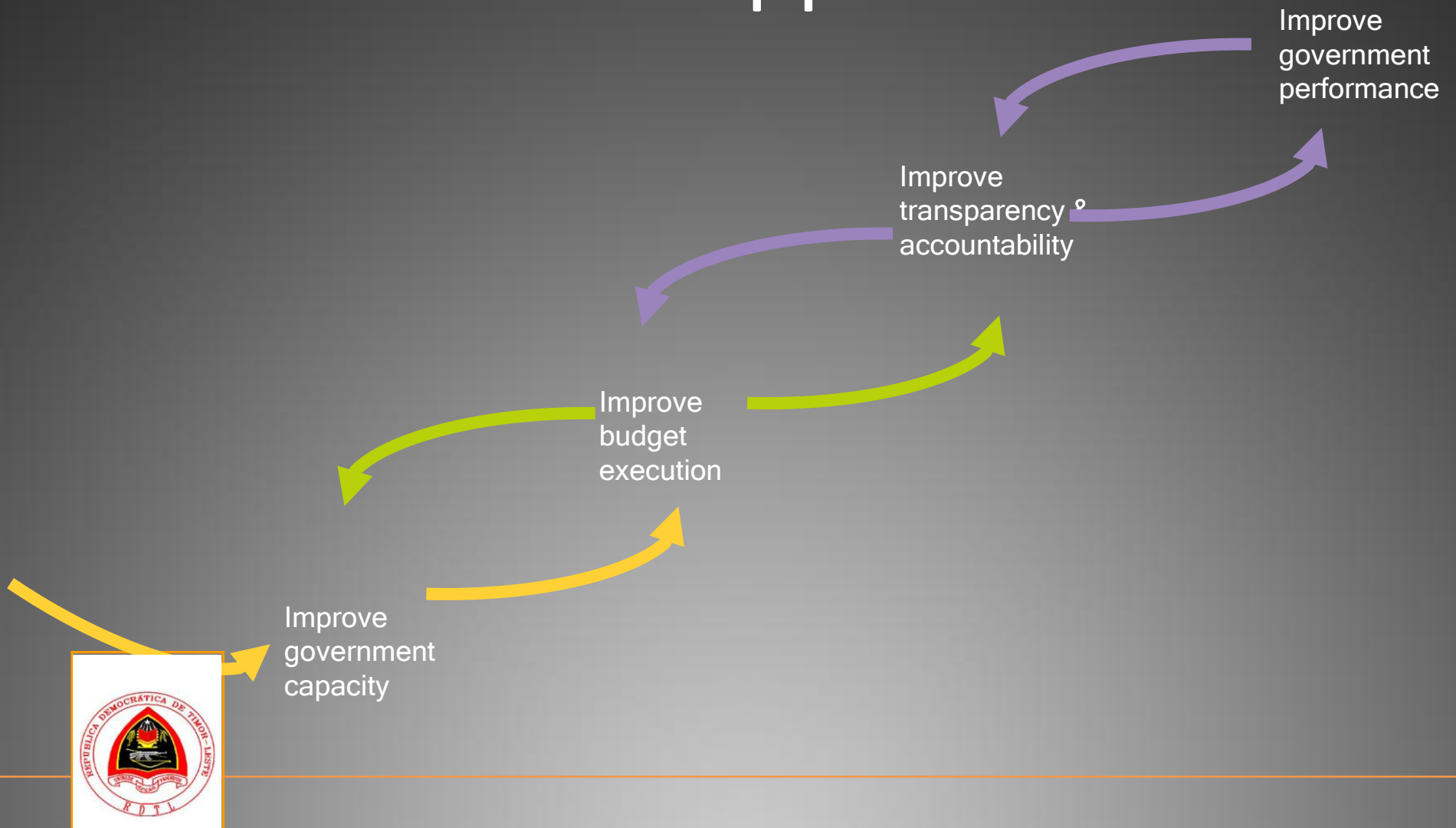
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# PFM — *Foundation for Country Growth*



# Phased Approach



# Sustainability

- Financial sustainability is about TCO
- PFM sustainability is about government self-reliance
  - Capacity
  - Reduce need for foreign consultants
- Sustainability is about reform and modernization
  - IFMIS as a foundation for adaptation



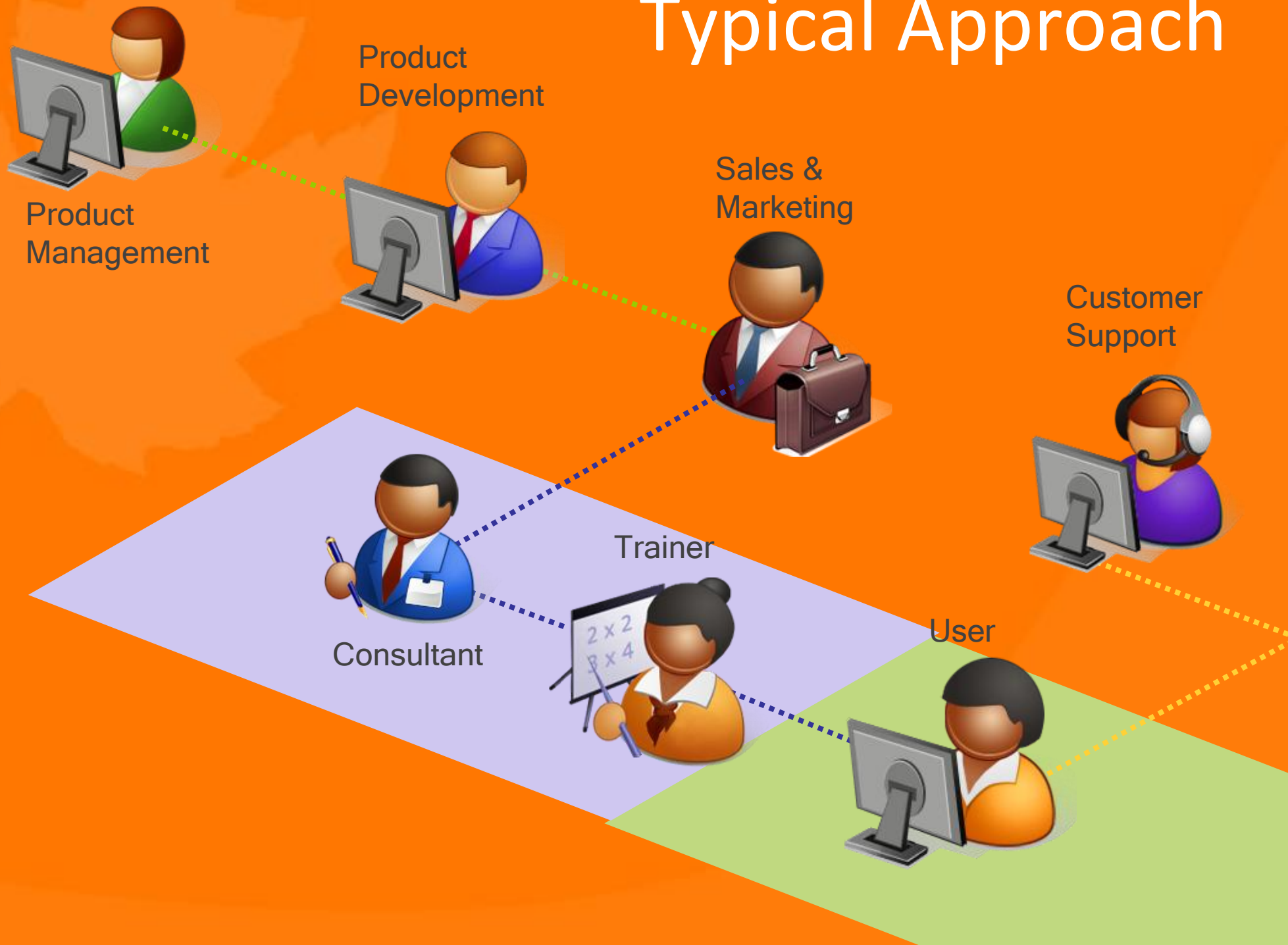


3. The traditional software model  
is not working  
for developing nation  
governments

PFM casino?



# Typical Approach



# Typical

Government is one of many “verticals”

Product developers have no expertise in government financials

Salespeople want to sell to every possible market.

Product Development

Sales & Marketing

Customer Support

Trainer

User

Consultant

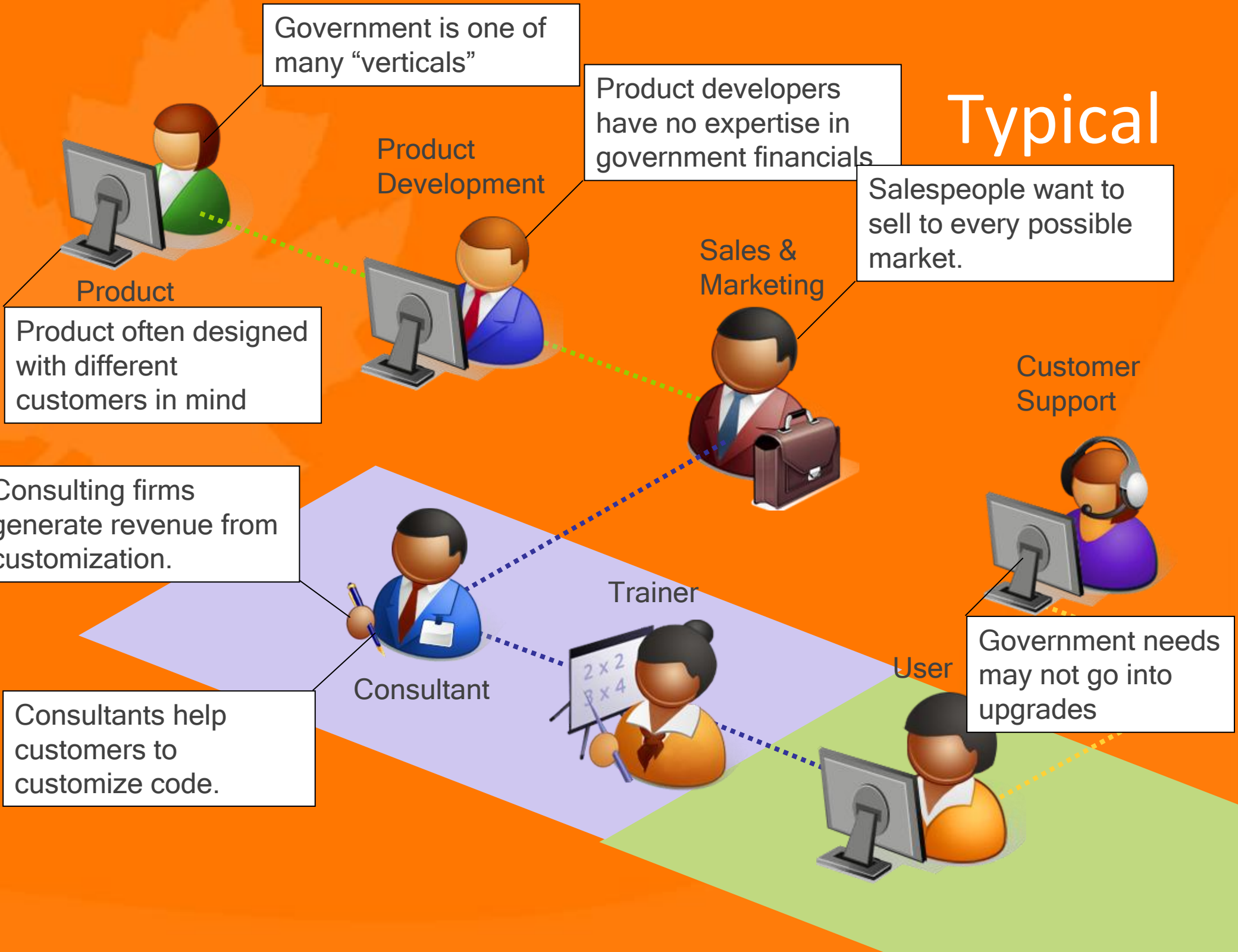
Product

Product often designed with different customers in mind

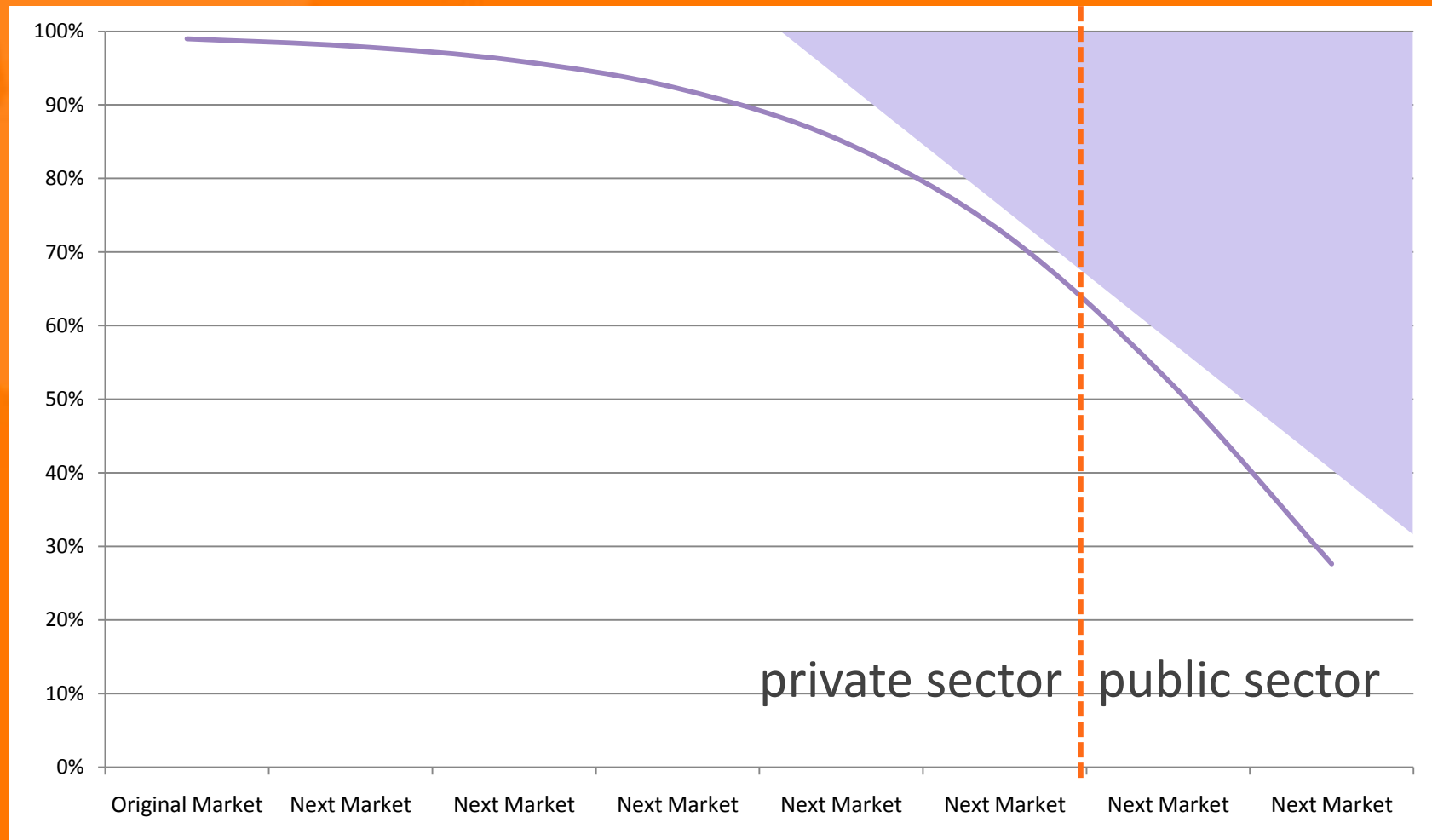
Consulting firms generate revenue from customization.

Consultants help customers to customize code.

Government needs may not go into upgrades



# Typical Result COTS software





# What's Wrong?

- When all you have a *nail*....
- Specialization across the value chain
  - Loss of holistic understanding of customer needs
  - Incentives for making solutions not sustainable
  - Focus on “technology” rather than customer
  - Ability to “blame the victim”



# Solution: Customer Centric Approach

Product Management



Customers visited at least once every year.

Steering Committee sets product direction.



Consultant

Vendor consultants bring experience to write specifications.

Developers visit customers and are part of "SWAT" teams.

Product Development



All problems & feature requests are tracked - management dashboard

Local in-country support pass on needs.



Customer Support

Customers interact with Vendor staff and other customers on collaborative platform

User



eeBalance

# Need to Focus on the Domain



# Technology Lessons Learned

- ✓ Software design, implementation and support methodology **critical** to ensuring success
- ✓ Fully open systems are less expensive to implement and sustain: “future proofing”
- ✓ Adaptable systems inexpensively conform to **reform**



# Blaming the Victim?

- Customer didn't articulate business processes properly
  - Customer had unrealistic expectations for delivery
  - Customer changed requirements after the first phase
  - Customer did not dedicate enough staff to manage project
  - Customer did not train enough staff
- ✓ Vendor should understand the government domain.
  - ✓ Product should be designed for rapid implementation.
  - ✓ Product should be designed for progressive activation.
  - ✓ Product should not place a significant burden on the government.
  - ✓ Vendor should know how to build capacity







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B I E N







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## Welcome to Timor-Leste Transparency Portal

The information is updated to: 2009

Summary	Budget	Commitments	Obligations	Actual
<a href="#">Revenues</a>	\$0.00	\$0.00	\$0.00	\$602,799,915.01
<a href="#">Expenditures</a>	\$680,873,000.00	\$0.00	\$0.00	\$604,424,892.24

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online next week](#)  
(23/11/2010)

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## Business Opportunities (Tenders & Quotations)

### Available Business Opportunities



Type of Business	Today	Last Week	All
Agriculture	0	0	0
Cleaning and Fumigation	0	0	0
Computing and Technology	0	0	<a href="#">1</a>
Construction	0	0	0
Consultancy Services	0	0	0
Electricity and A/C	0	0	0
Furniture	0	0	0
Health Supplies	0	0	0
Insurance and Finance	0	0	0
Office Supplies	0	0	0
Others	0	0	0
Publicity	0	0	0
Security and Defence	0	0	0
Textiles and Clothing	0	0	0
Transportation and Fuel	0	0	0
Unknown	0	0	0
<b>total</b>	0	0	<a href="#">1</a>

### Search

by Opportunity ID:

**Search**

by Text:

**Search**

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**Statistics**

**Awards**

**Blacklisted Vendors**



Financial : [Non-Petroleum Revenue](#) | [Petroleum Revenue](#) | [Expenses by App Cat](#) | **[Expenses by Ministry](#)** | [Expenses by District](#) | [Expenses by Selective Items](#) | [Macro-Economic Indicators](#) | [Revenues](#)

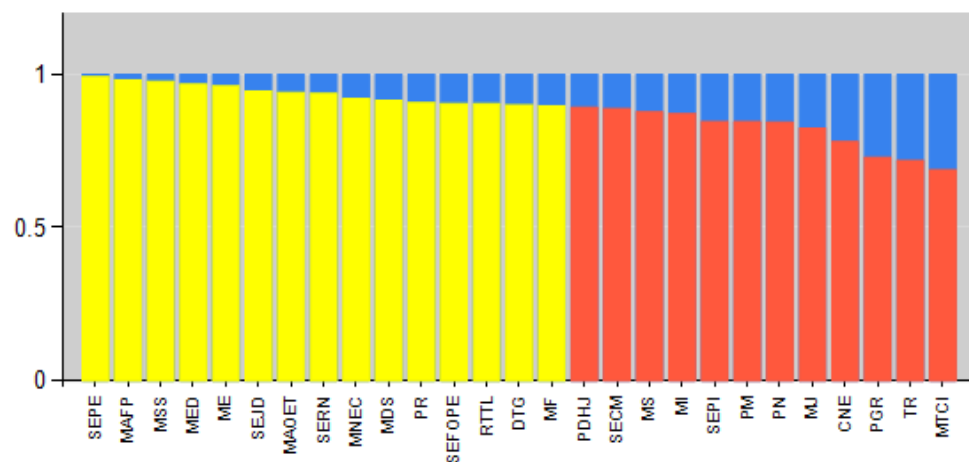
Month of Year: **December 2009** ▾

Last Update: 10/02/2011 01:48 AM

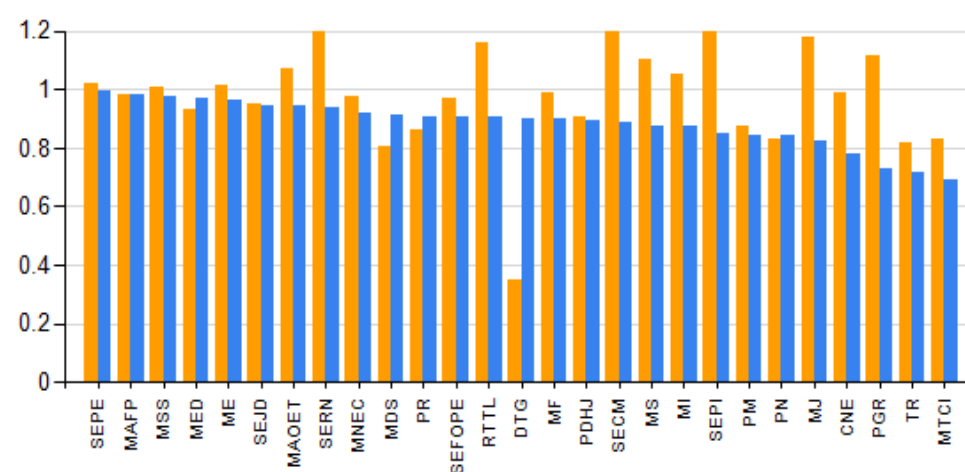
## Expenses by Ministry



Budget Execution Current



Comparison against Year Ago



Agency	Name	Final Appropriation	Expense Cash	% of Execution	YRA Executed %	Exp Target Prev Month	Exp Target (%)	Trend	Cash/Revised
PR	- 01 - Presidente da República	\$5,524,288.0	\$5,014,751.6	90.78%	86.19%	89.12%	100.00%	→	<div></div>
PN	- 02 - Parlamento Nacional	\$9,583,000.0	\$8,087,292.9	84.39%	82.77%	89.42%	100.00%	→	<div></div>
PM	- 03 - Office of PM President COM	\$13,168,500.0	\$11,131,928.0	84.53%	87.64%	90.02%	100.00%	→	<div></div>
SECM	- 04 - SE Conselho de Ministros	\$3,858,872.0	\$3,427,774.9	88.83%	139.15%	89.35%	100.00%	↓	<div></div>
SEJD	- 05 - Sect. of State Youth & Sports	\$4,338,500.0	\$4,104,113.6	94.60%	95.36%	89.64%	100.00%	→	<div></div>
SERN	- 06 - Sec Est Recursos Minerais	\$3,487,000.0	\$3,270,107.3	93.78%	138.49%	89.70%	100.00%	↓	<div></div>
SEPE	- 07 - Sec Est Política Energética	\$3,187,000.0	\$3,165,163.6	99.31%	101.95%	90.26%	100.00%	→	<div></div>
SEFOPE	- 08 - Sec Est Formação Prof e Empreg	\$4,674,000.0	\$4,230,159.0	90.50%	96.93%	90.13%	100.00%	↓	<div></div>
SEPI	- 09 - Sec Est Promoção da Igualdade	\$580,500.0	\$491,286.3	84.63%	587.84%	89.60%	100.00%		<div></div>
MDS	- 10 - Ministry of Defence Security	\$65,229,923.2	\$59,716,165.4	91.55%	80.28%	88.96%	100.00%	↑	<div></div>
MNEC	- 11 - Ministry of Foreign Affairs	\$11,051,000.0	\$10,181,107.5	92.13%	97.82%	89.68%	100.00%	↓	<div></div>
MF	- 12 - Ministry of Finance	\$8,819,106.0	\$7,913,202.1	89.73%	98.66%	89.37%	100.00%	↓	<div></div>
DTG	- 13 - Dotações para todo o Governo	\$82,001,000.0	\$73,847,823.7	90.06%	35.06%	89.03%	100.00%	↑	<div></div>
MJ	- 14 - Ministry of Justice	\$12,710,018.0	\$10,482,732.4	82.48%	117.57%	88.82%	100.00%	↓	<div></div>
MS	- 15 - Ministry of Health	\$32,880,374.9	\$28,862,722.5	87.78%	110.49%	89.09%	100.00%	↓	<div></div>