

IFMIS IN KOREA:

BACKGROUND, OVERVIEW AND ACHIEVEMENTS

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KOREA INSTITUTE OF PUBLIC FINANCE

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GENERAL ISSUE OF FMIS DEVELOPMENT

Technical issues

- Design, implementation and maintenance of centralized computerized system
- Financial support

Streamlining budget system

- Computerizing a process requires exact and precise formalization of concepts and procedures
 - Streamlining the chart of accounts
 - Budget classification
 - Accounting standards
 - Reporting: integration of central and sub-national governments
 - Scope of government and public sector reporting entity
 - Implementing TSA

Change Management

IFMIS AS A FOUNDATION FOR PFM REFORMS

3 + 1 PFM reforms were pursued

3 reform elements

- MTEF
- Top-down budgeting
- Performance budgeting

1 infrastructure

- Digital budget and accounting system
 - Program budget classification
 - Accrual accounting
 - IFMIS

EXISTING FMIS IN THE GOVERNMENT

**Fiscal Information Management System (FIMSys) in the
Ministry of Planning and Budget**

**National Financial Information System (NaFIS) in the Ministry
of Finance and Economy**

- Other relevant systems: E-procurement system, The National Tax Revenue System

**Local Financial Information System in the Ministry of Public
Administration**

**Local Education Financial Information System in the Ministry
of Education**

**Defense Financial Information System in the Ministry of
Defense**

FRAGMENTED EXISTING FMIS

Each system addresses the need of handling existing business process in each sector without connection with other systems.

- For example, FIMSys did not have connection with information of budget execution and settlements produced by NaFIS, which is essential information for budgeting purpose.
- Even FiMSys was not integrated with FMIS system in each ministry and National Tax office, and e-procurement system.

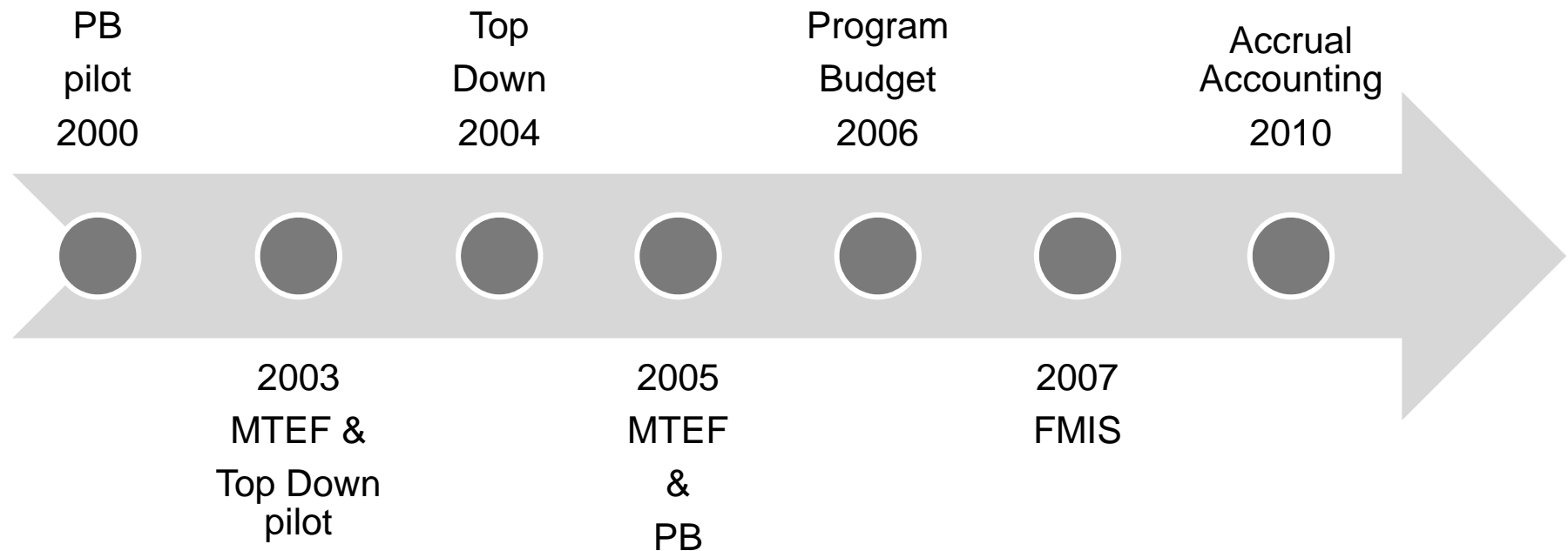
 **Lack of real time on-demand information**

NEED FOR IFMIS DEVELOPMENT

Need for system integration of existing various systems

Need for accommodating PFM reforms, especially program budgeting

SEQUENCE OF PFM REFORMS IN KOREA



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DEVELOPMENT OF FMIS

Brief History of FMIS Development

- 2004~2005
 - Establishment of integrated Fiscal Management Information System (IFMIS) was set in the National Agenda Meeting
 - Launched a joint study project named “Path toward Successful Introduction of Program Budgeting in Korea” with WB
 - To establish IFMIS, consecutively drew up
- 2006
 - System development (Cost: \$60M)
 - Open test
- 2007
 - System launch
- 2014. 4
 - **67,895 users**
 - **364,431 cases daily**
 - **5.7 trillion won daily (\$5.5 billion)**

SP, BPR/IS

	Details
BSP (Business Strategy Planning)	• With analysis of policy environments, demonstrates the objective and major strategy of fiscal innovation
BPR (Business Process Reengineering)	• Optimize and streamline the existing procedure in accordance with the information system to maximize the adoption effect
ISP (Information Strategy Planning)	• Computerization of given work process

CHALLENGES IN IFMIS DEVELOPMENT

Three Major Obstacles

Opposition

- Local governments and the Ministry of Education were against the idea of disclosing and integrating their financial information
 - Concerns over possible undermining of their autonomy

Competition

- Two ministries competed fiercely to have control of the FMIS
 - Competition between MOFE and MPB as these two ministries were formerly in charge of existing FMIS (each ministry controlled NaFIS and FIMsys, respectively)

Resistance

- Users of newly adopted FMIS were reluctant to adapt themselves to the new system
 - In the early 2000's, users already went through the process when the Korean government first introduced NaFIS and FIMSys
- Strict internal control process built in the new FMIS made it even harder for users to become familiarized with the system.....

Solutions

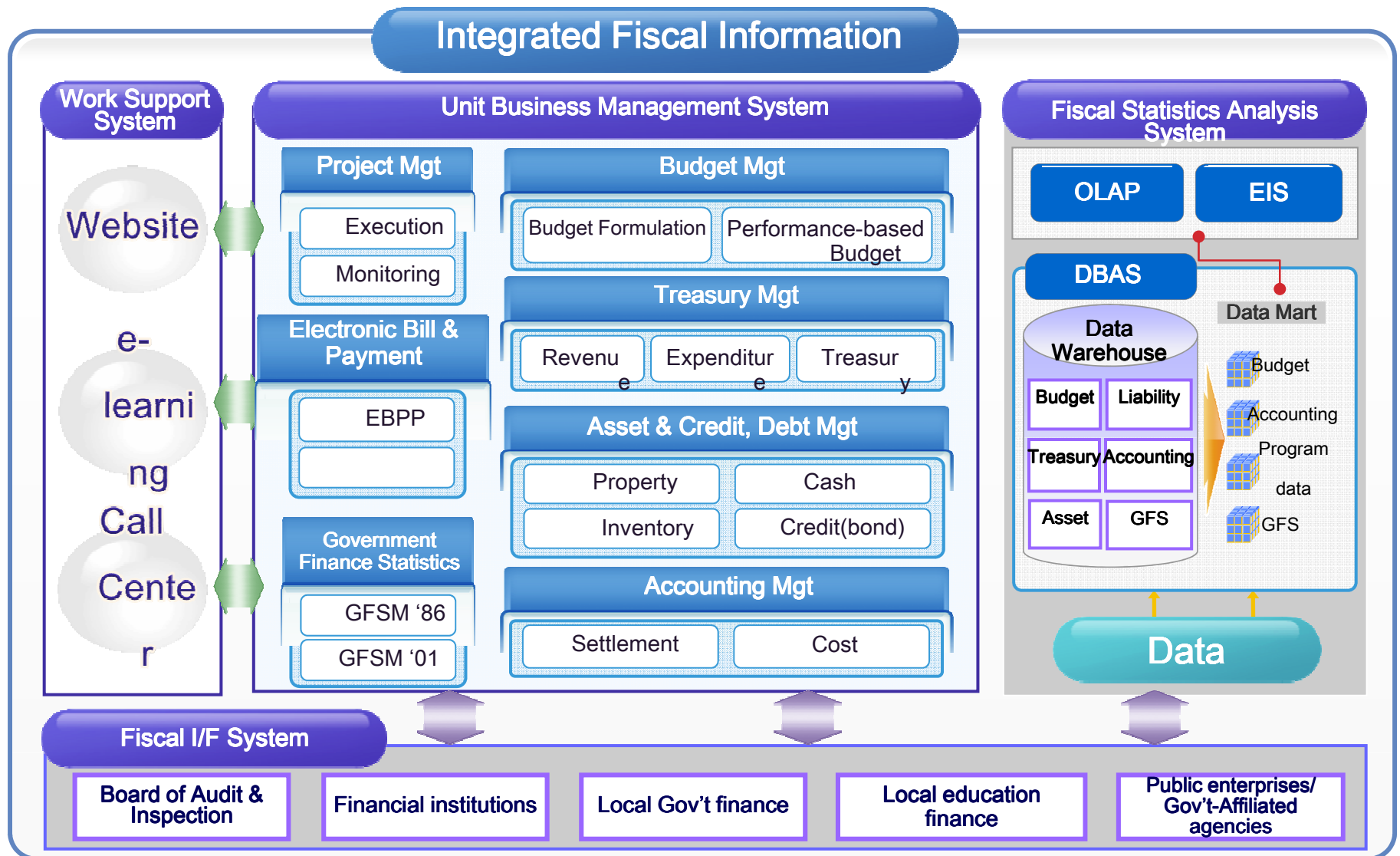
Allowed to maintain own systems but required to submit financial information to be consolidated

Placed FMIS under control of MPB while letting MOFE to be in charge of certain parts¹⁾

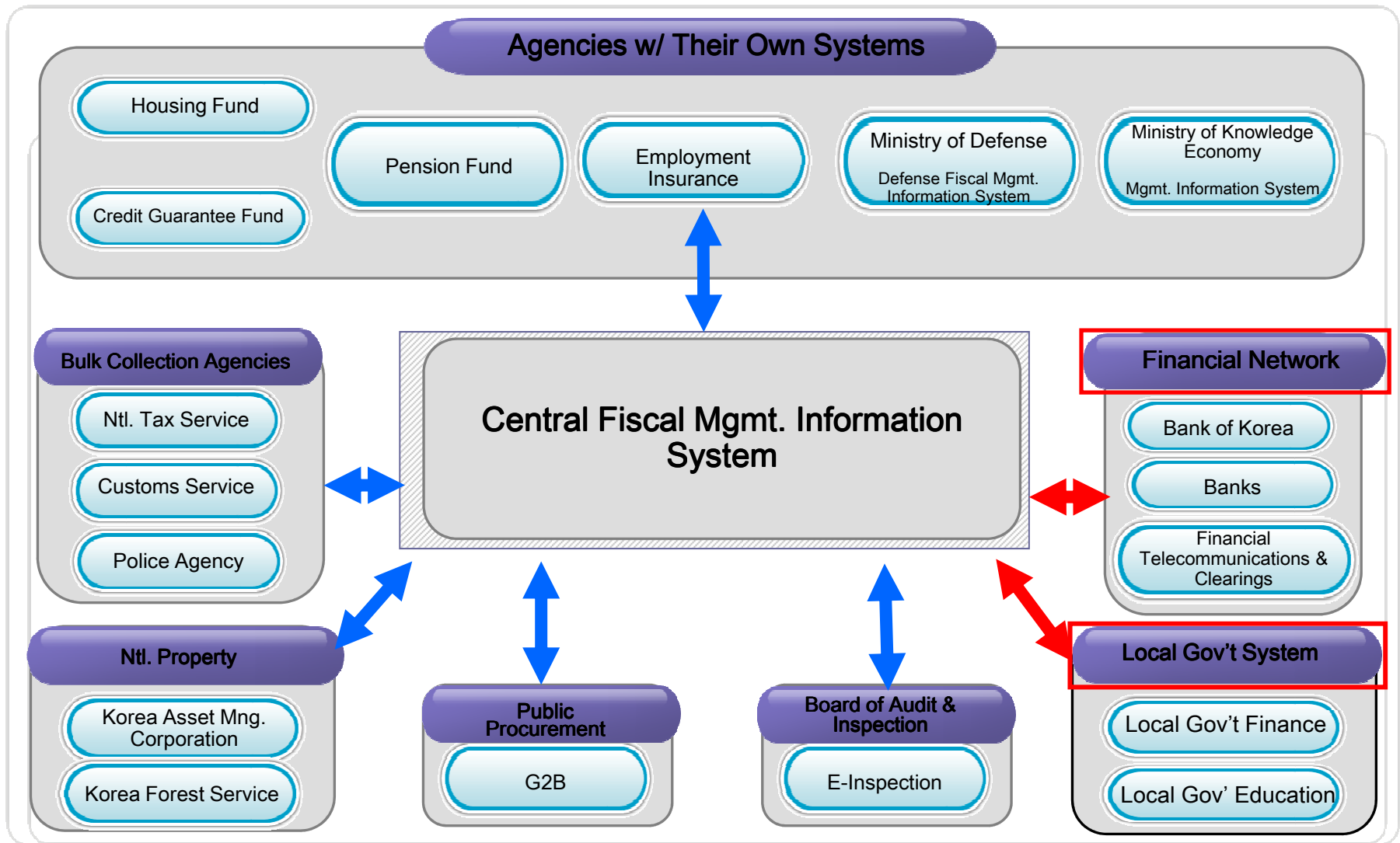
Provided effective user training throughout the years

1) The competition eventually waned when those two ministries merged into one in 2008

Brief Overview of FMIS Mechanism

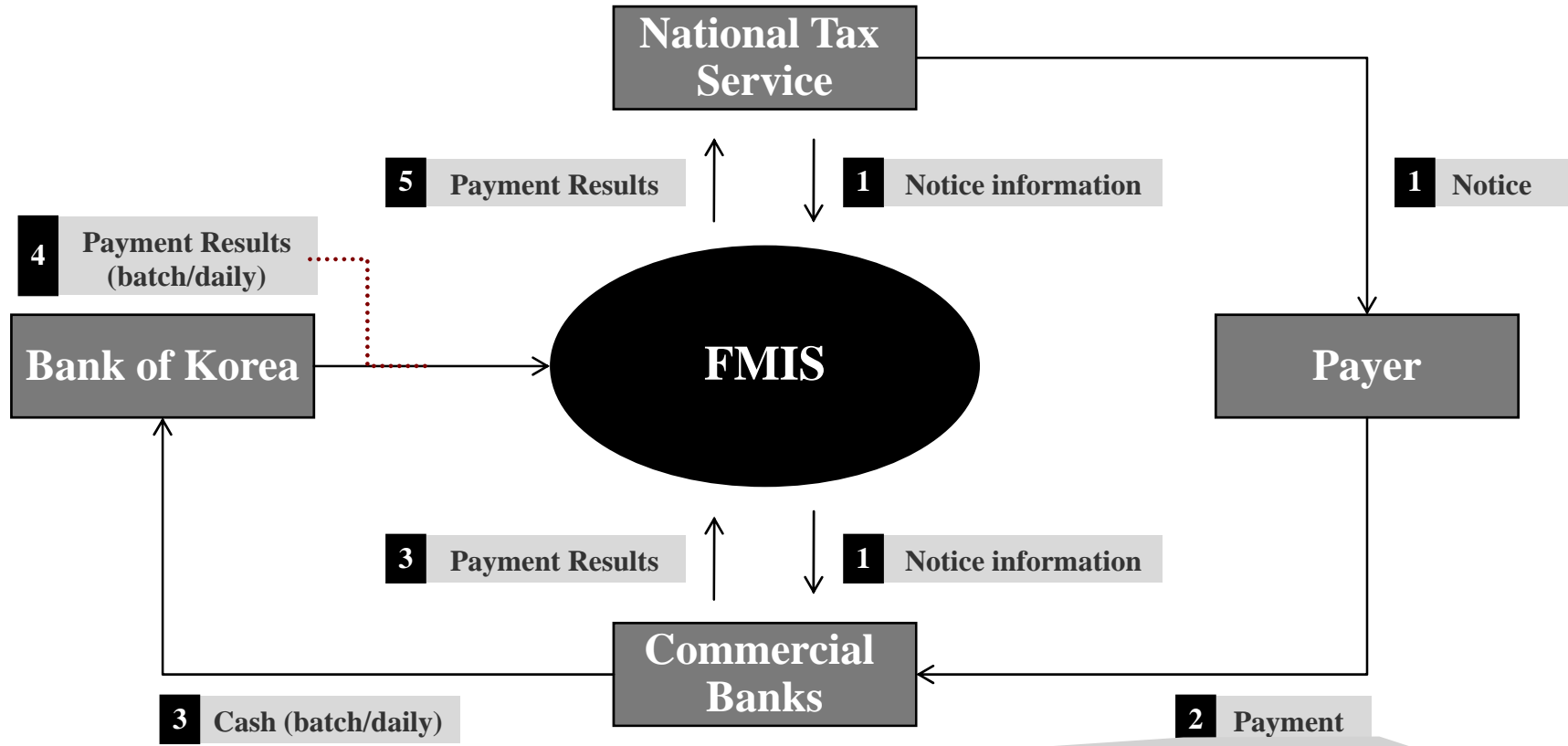


FMIS's Interface with External Fiscal Systems



EBPP SYSTEM ENHANCES CONVENIENCE AND TRANSPARENCY OF PAYMENTS

<Work Flow of National Tax Collection>

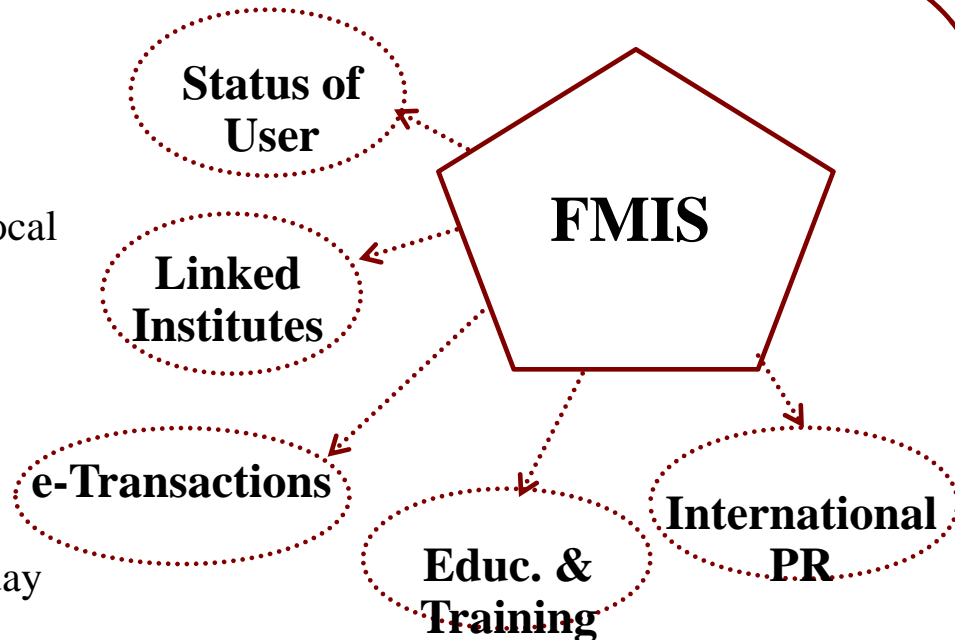


- EBPP(Electronic Bill Presentment and Payment) allows payers to choose among various means of payment including:
 - E-banking, ATM(Automated Teller Machine)
 - Money is automatically transferred from commercial banks to the treasury account, eliminating potential threat of fraud

Status of FMIS

As of 2014

- **Status of Users : 67,895 users**
(including 53 central offices, several local governments, public institutes)
- **Interface: 45 institutes, 63 systems**
with **14,543 daily users,**
364,431 cases/day
- **e-Transactions: 5.7 trillion** won per day
(\$5.5 billion)
- **Education & Training Program:** on-site education, regular training, online training



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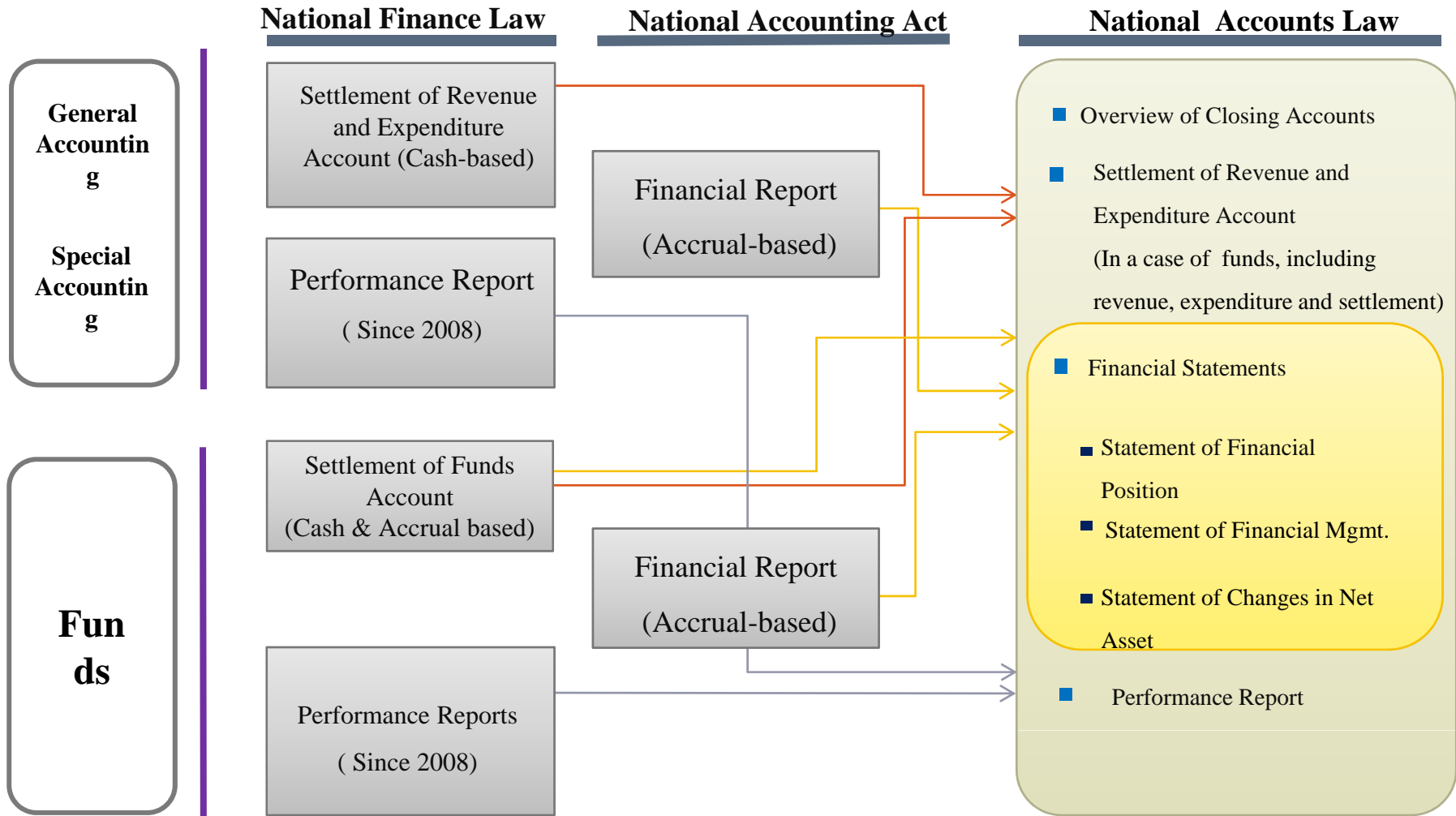
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Flow Charts of National Closing Statement

(as enforced under National Accounting Act since Jan.`09)



Implementation of Performance-Based System

Improved Budget Execution & Performance Monitoring

Before

- **Limited evaluation of budget execution outcomes**

- Only central government offices monitored and evaluated for performance

- Fiscal execution monitoring results only reviewed at year-end and applied to next year's budget planning

- **Yearly Budget Execution Plan**

- Prone to inefficient project management practices, wasteful spending and poor project results

After

- **Project-level performance-based budgeting**

- Local governments, quasi-government organizations, and public funds all linked to dBrain

- Scope (# projects): 23 (2013) → 2196 (2014)

- Convenient, easy budget execution monitoring in real-time through Performance Information (PI) Board

- necessary corrective adjustments can be made within the fiscal year

- **Budget execution schedule broken down monthly**

- up-to-date execution realization rate (expressed as % of scheduled amount)

- execution realization rate

- + realization rates for pre-determined performance indicators

- = overall performance score for a project

- prevents inefficient project management (project execution appropriately spaced out throughout the year)

Enhanced Transparency

User Convenience with Transparency

Before

- Closed & One-way System
- Unavoidable double input
- Face-to-face submission of Document for Procurement
- Subsidy and payment fraud
- Limited open data with no feedback

After

- Interactive Open System
- Single input
- On-line Bidding and Payment System for Procurement
- Reduced number of accounting fraud
- All-out Open Policy: the system helps boost transparency of national financial management.
 - Providing financial information to the National Assembly & BAI

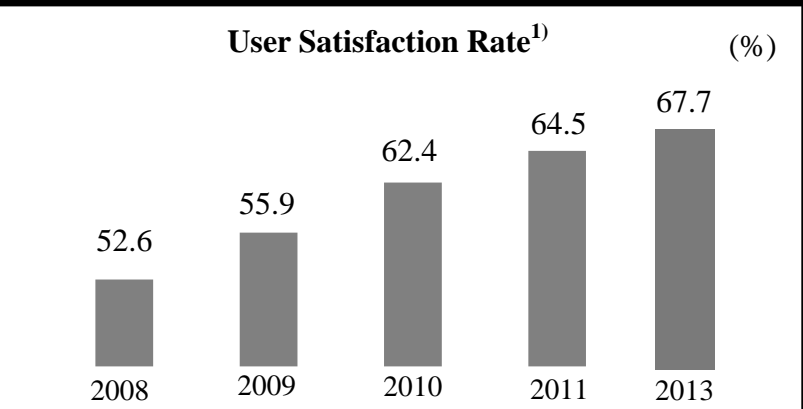
Improved User Experience

User Satisfaction

Before	After
<ul style="list-style-type: none">▪ Users had appealed inconvenience in using separated systems of each organization.▪ Too much time consumed in order to complete work by following work process.	<ul style="list-style-type: none">▪ Most users express greater satisfaction in working through FMIS<ul style="list-style-type: none">e.g) Reduction of working time▪ FMIS helps secure more work efficiency.▪ User satisfaction has been enhanced.

Service Quality Index

User Satisfaction Rate¹⁾ (%)



Year	User Satisfaction Rate (%)
2008	52.6
2009	55.9
2010	62.4
2011	64.5
2013	67.7

1) **User Satisfaction Rate is the result of survey conducted by the Korea Institute of Public Administration (KIPA).**
:This survey includes the items such as Frequency of Access (gaining 3.93 points out of a possible 5 points), Recognition of Work Range via FMIS (3.73 points), Processing Most of Works only via FMIS (3.14 points), Reduction of Work Burden (3.25 points), Systemization of Work Process (3.56 points) and Reduction of Expenditure (3.41 points), etc.

KEY SUCCESS FACTORS

Strong commitment from high-level decision makers

The reform team's adaptive capacity to overcome challenges

Strategic communications with stakeholders

Capacity building among stakeholders

**Compromise between all-inclusive ambitious reform agenda
and actual implementation**

THANK YOU!

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