
STRATAC

**Strategy to
Improve Accountability, Financial Management and Audit
in Latin America and the Caribbean**

AGENCY FOR INTERNATIONAL DEVELOPMENT

Latin American and the Caribbean Regional Financial Management Improvement Project

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"A.I.D. assists developing countries to realize their full national potential through the development of open and democratic societies..."

The A.I.D. Democracy Initiative proposes focusing A.I.D. experience, skills and resources explicitly to help promote and consolidate democracy as the legitimate organizing principle for political systems throughout the world. As part of this effort, it has been recognized that the legitimacy of democratic regimes depends importantly on their being perceived as reasonably honest and accountable. Simply stated, accountability is inherently linked to democratic processes: free people can only make good choices if they know exactly what their government has accomplished and how their government has used their resources. Accountability has many facets, but the most visible and basic is financial, and to prevent blatant corruption, theft and waste. A.I.D. supports economic development by encouraging the emergence and establishment of political systems which establish and maintain effective, responsive and publicly accountable government institutions.

*Accountability
is inherently
linked to
democratic
process*

Accountability provides accurate, useful, and timely information for a free people to choose how they want their government to run and who they want to run it. It is this basic underlying framework of accountability that holds some democracies together even under the most difficult of times because of the people's fundamental faith in the integrity of political institutions.

The Latin American and Caribbean Regional Financial Management Project's (LAC/RFMIP) goals are to guarantee the integrity of government through the development of systems which:

- provide accurate, timely and useful information that can be independently verified on government performance and finances
- provide reasonable assurance that government resources were used appropriately, efficiently and effectively

- fairly prosecute, through due process of law, those who misuse government funds

As part of the LAC/RFMIP, a strategy, STRATAC, has been developed to achieve these goals. The basis of STRATAC is the implementation of Integrated Financial Management Systems (IFMS) which provide a feasible modern framework for accountability that operates effectively within the sociopolitical, economic and administrative parameters of Latin American countries because it can be adapted to each country's particular characteristics. STRATAC's basic assumption is that improvement in the management and control of publicly owned financial resources will lead to strengthening democratic institutions. The availability of more reliable information will lead to improved efficiency and better service and address the pervasive problem of fraud and corruption.

STRATAC

STRATEGY TO IMPROVE ACCOUNTABILITY, FINANCIAL MANAGEMENT AND AUDIT IN LATIN AMERICA AND THE CARIBBEAN

LAC/RFMIP has introduced a new approach to government financial management which applies the General Theory of Systems to analyzing and managing public resources, particularly financial resources. This approach, entitled STRATAC, is A.I.D.'s Latin American and Caribbean Bureau strategy to improve the management and control of publicly owned financial resources in Latin American governments in order to guarantee the integrity and legitimacy of democratic regimes in the region. The strategy is based on the integrated Financial Management System for Latin American (Spanish acronym, SIMAFAL) reflecting project experience, country assessments and technical advances in financial management and auditing. STRATAC's primary focus is on an integrated approach to public sector management, internal control and audit, and elements common to all systems (SIMAFAL). SIMAFAL provides a modern framework proven effective for accountability within the sociopolitical, economic and administrative parameters of Latin American countries because it can be adapted to each country's particular characteristics.

FUNDAMENTAL CONCEPTS

Under the General Theory of Systems conceptual framework, a system is defined as:

"a set of related, interacting and interdependent elements or parts (subsystems) which are capable of carrying out a preestablished objective when operating within a logical and harmonious whole (the system)..."

Government financial management is an integrated system whose core components, or subsystems, include budget, treasury, debt and accounting, and whose purpose is the optimal allocation and efficient utilization of government financial resources. Control of financial resources is ensured through the internal control, internal audit and external audit functions. Competent and responsible financial management is based on the integration of all these elements and their systemic operation, hence **Integrated Financial Management System (IFMS)**.

This systemic approach to financial management has led to the design and implementation of IFMS as a means of correcting the deficiencies of governmental financial management. The Integrated Financial Management System for Latin American (SIMAFAL) adapts IFMS specifically for use in a Latin America setting. Countries further adapting the approach and more closely tailoring

it to their special circumstances have chosen to adopt other names. For example, in Bolivia IFMS is called SAFCO — the Spanish acronym for *Integrated Financial Management and Auditing System*; and in Panama SIGEF and SAI — *Integrated Financial Management System* and *Comprehensive Audit System*. It should be noted here that the auditing component may be included as a subsystem encompassed within a financial management system, or it may be considered as parallel, emphasizing its independence and broader scope. Bolivia has chosen the first approach and Panama is pursuing the second.

IFMS is also adaptable to the needs of the English-speaking countries of the Caribbean. The sociopolitical and cultural heritage of these countries has already led them to integrate, at least partially, key financial management functions; IFMS' broad tenets address their special requirements as well. As one of the important areas of national activity to increase accountability, IFMS, and *as a direct consequence*, STRATAC, are applicable to the entire region.

Following the same outline as was used for SIMAFAL, this program addresses the present situation and its causes in regard to public sector management, financial management, internal control and audit and elements common to all systems. A brief analysis of accountability requirements for public sector managers and international technical cooperation are also included in this paper.

DEFINITION

Improvements in the management and control of publicly owned financial resources will lead to changes in how the government is managed. The availability of more reliable information will lead to improved efficiency and better service and address the pervasive problem of fraud and corruption.

OBJECTIVES

The primary object of STRATAC is to **implement Integrated Financial Management Systems (IFMS)** in the Latin American and Caribbean governments.

Secondary objectives include the following:

- **Acceptance of the IFMS approach in interested countries.** Latin American and Caribbean countries where conditions are appropriate for adopting IFMS should be made aware of the advantages of modernization and integration.
 - **Adaptation of the IFMS concept to different conditions in each country.** Adjustments may be made to model as needed without altering its basic purpose.
 - **Establishment of IFMS in countries with the political will to implement it.** This objective will be met when country-specific versions of SIMAFAL are put into place in Latin American countries and the organization, standards, training, implementation, evaluation and adjustments are more specifically tailored for each country.
 - **Greater efficiency of key government personnel and international technical assistance.**
-

CHARACTERISTICS

The strategy is characterized by:

- Its interdisciplinary and integrated nature
- Focus on prioritized areas of IFMS component subsystems
- Its application over the medium and long-term, extending several decades
- Practical application, versus assessment and planning
- Benefits extending throughout social, political arenas and government administration

To maximize its benefits, implementation of the strategy should be coordinated so that it is carried out in all subsystems of financial management and auditing systems at the national and agency level.

Concurrent improvements achieve the best results

Best results are achieved when budget, treasury, public debt, accounting, internal control and external audit subsystems are improved concurrently. When this is not feasible, design, implementation, evaluation and readjustment of each subsystem should be made gradually according to established priorities: integration is key.

Implementation over long term

The complexity of the strategy proposed calls for implementation over a relatively long period. For the concepts to take root, for proper systems design, application, testing and tweaking, improvised make-do and stop-gap solutions must be avoided. Changes must be effected systematically as defined by the detailed annual work programs. These programs will set forth mid- and long-term plans, updated to reflect on-going evaluation incorporating project-specific use and input.

Emphasis on implementation

Implementation of STRATAC should not be slowed by assessments of known conditions, nor by programming of minutiae. Emphasis is on systems implementation through improved legal, normative and organizational structures, human resources, methods, practices and procedures, and information. STRATAC encourages an awareness of the need for change and its standardization. They must also understand how the ongoing modernization of mechanisms prevents backsliding once the initial enthusiasm for reform wanes.

OBJECTIVES AND COURSE OF ACTION

PRIMARY OBJECTIVE			
IMPLEMENT UNIFIED INTEGRATED FINANCIAL MANAGEMENT SYSTEMS (IFMS) IN LAC GOVERNMENTS			
SECONDARY OBJECTIVES			
Achieve the acceptance of the IFMS in interested countries	Adapt the IFMS concept to the different conditions of each country	Establish IFMS through organization, standards, training, implementation, evaluation and country-specific adjustments	Increase the efficiency of key government personnel and of international technical assistance
COURSES OF ACTION			
<ul style="list-style-type: none"> • Dissemination 	<ul style="list-style-type: none"> • Determine the current characteristics of Financial Management and Auditing • Define the country's needs • Formulate a Plan of Action for implementing IFMS 	<ul style="list-style-type: none"> • Develop an organization to implement the Plan of Action and to operate the Financial Management and Control Systems • Provide standards to support the administrative process • Develop existing human resources • Implement, evaluate and update the systems 	<ul style="list-style-type: none"> • Improve the assimilative and productive capacities of key government personnel in charge of the process of change • Coordinate international technical assistance to maximize resource use

Regionwide Strategy: Courses of Action and Activities

In preceding pages, the strategy outlined applies to both A.I.D. and the countries of the region. However, the specific course of action will vary with the secondary objective and the executor of the action (A.I.D. or the country itself). Therefore, we will deal with them separately. Courses of action for A.I.D. are outlined in III.

*Achieving
acceptance
of the IFMS
approach by
interested countries*

COURSE OF ACTION:

DIFFUSION

Regional and subregional conferences sponsored or supported by LAC/RFMIP since late 1989 have focused the attention of the region's financial managers and auditors on the important role financial management and auditing plays in their countries' development as well as in the battle against administrative fraud and corruption. In these, as well as other international professional events, the IFMS concept has been defined and the principal characteristics of financial management and auditing systems presented. It is crucial that international and national communities learn about IFMS, that it be discussed at the highest technical and political levels and that appropriate modifications be made to achieve acceptance.

The course of action to be followed includes the following activities:

- *Active participation* of budget, treasury, public debt, accounting and audit executives and managers *in annual regional and subregional conferences promoting IFMS and its adoption* in the Caribbean, Central America, the Andean Region and the Southern Cone.
- *Formation of a Promotional Group* made up of decision makers from finance ministries, planning agencies, public management reform agencies and supreme audit institutions to organize at least one conference in each country and other related activities.
- *Organization* in each country *of national, state, and provincial conferences* attended by legislators, public officials, professionals, technicians, researchers, and students involved or interested in financial management and auditing.
- *Distribution* by the Promotional Group *of information on IFMS to Latin American and Caribbean legislators and public officials*; individuals working in training programs related to IFMS component areas; officials and counterparts of financial

management related technical assistance projects; professional associations and groups; public sector management improvement agencies or groups; university officials in charge of undergraduate and graduate education in business and public administration; accounting; and economics and technical institutes specializing in management and accounting.

Adapting the IFMS approach to country conditions

COURSE OF ACTION:

Determine the current status of financial management and auditing.

Define the country's needs.

Formulate a plan of action for implementing and strengthening IFMS.

The above courses of action require the following activities:

- Transform the Promotional Group into an *Interagency Task Force for Improving Financial Management and Auditing*. As the national counterpart for international technical cooperation, it will direct the reform process.
- Obtain and *review* all documentation and information on the *current status* of each financial management and auditing subsystem, including any prior reform efforts and accomplishments.
- *Identify* the *degree of development* in each subsystem.
- *Verify* the degree to which *IFMS can be applied* based on sociopolitical, legal, economic and administrative factors.
- *Define* how *IFMS must be adapted* to be applied. The design should be broadly conceived even though implementation may be partial or in stages.
- *Compare the current status* of the systems and subsystems with status outlined in IFMS to identify the gaps to be filled with IFMS.
- Prepare, discuss and *approve the guidelines and plan of action* for implementing the adapted IFMS in accordance with pre-established priorities, guaranteeing fullest participation of those persons charged with implementation. Criteria for defining priorities include:

- The relative importance of the subsystems in the overall context
 - Potential results
 - Possibilities of immediate success in order to demonstrate positive results
 - Availability and suitability of resources
 - The need for constitutional, legal and regulatory reforms
- *Disseminate the approved plan of action* and ensure discussion of the advantages of its implementation with all social sectors to minimize resistance to change.
 - *Formulate the technical cooperation program* needed to carry out the plan of action.

COURSE OF ACTION:

Set up an organization to implement the plan of action and to operate the financial management and auditing systems.

Establish provisions and standards for system operation.

Develop the necessary human resources.

Implement, evaluate and continually update financial management and auditing systems.

ORGANIZATION

This goal cannot be reached without organizing and delegating authority and responsibility for execution of tasks in accordance with the course of action. Implementation of the plan of action should be delegated to a temporary body; and operation of the systems according to the IFMS framework requires organization of a permanent agency. The following are needed in order to organize both temporary and permanent bodies:

- Strengthen the Interagency Task Force so that it can implement the plan of action and, once the systems are in place, direct follow-up, evaluation and improvements.

This activity has as its object the instituting of a Working Group within the receiving country to take the lead in initiating change and, on an on-going basis, perform evaluations and updates to avoid obsolescence.

- Establish a technical executing entity within the Interagency Task Force to carry out Task Force decisions, harmonize legal and secondary provisions and standards and coordinate implementation activities, and develop human resources.
- If necessary, adapt the existing organization and delegate authority to oversee the financial management and auditing systems to the finance ministry and the supreme audit institution.

Create the position of vice-minister, or assistant- or under-secretary within the finance ministry to serve as the government's Chief Financial Officer for financial management. This will unify command, reduce political interference and assure continuity and quality of technical activities.

Re-organization should include opening of a specialized agency to investigate cases of administrative fraud and corruption and to

refer them to the judicial system for prosecution.

- Modify the internal organization of each public sector agency to include a separate financial management and internal audit unit which will function in accordance with provisions established by the centralized oversight agencies (finance ministry and supreme audit institution).

**LEGAL AND
SECONDARY
PROVISIONS**

Given the generally obsolete legal framework within which financial management systems operate in Latin America and given that the systems and techniques applied follow different and often outdated principles and rules, it is imperative that the course of action rest on a common base of legal and secondary provisions that support administrative processes (as noted, the legal framework is more uniform in the Caribbean nations, though not always modern or fully realized, especially regarding secondary provisions such as technical standards). To this end the following activities must be carried out:

- Prepare a draft proposal for modernizing basic legal provisions. This activity may include radical changes such as constitutional reform, rewriting a new organic law or *Financial Management and Audit Code* or simply minor changes to current legislation. Basic legal provisions should express broad principles, and central oversight agencies should set policies and promulgate secondary mandatory public sector provisions and standards within their respective fields. However, the initiation of the change process must not be contingent upon approval of these provisions.

Interagency Task Force representatives, legal consultants of the central oversight agencies and, if possible, legislative staff advisers should participate in this activity.

- Develop and promulgate secondary provisions (such as regulations governing the application of legal provisions, administrative regulations and technical standards for general observance) and technical standards for financial management, internal control and auditing. This is a responsibility of the respective central oversight agencies (finance ministry and supreme audit institution).

In each case, technical standards should include generally accepted principles and standards governing each component of financial management and auditing. These should be based on: budgetary principles, generally accepted accounting principles, international accounting standards, internal control principles, generally accepted auditing standards, international auditing guidelines, and standards for the professional practice of internal audit.

- As a prerequisite to promulgation, harmonize the secondary provisions and standards presented by the central oversight agencies to the Interagency Task Force for its consideration.
- Prepare and promulgate specifically applicable standards at the agency level that conform with provisions established by the central oversight agency. This activity takes into consideration the singular characteristics of each institution and maintains the individuality of each of the systems.

***HUMAN
RESOURCES***

STRATAC is based upon the premise that IFMS does not require an expanded bureaucracy, that it fits within the parameters of existing human resources, and that efforts must be concentrated on training existing personnel—not only to make them more productive but to enlist them as allies in the process of change. The Interagency Task Force's executing entity, in collaboration with the central oversight agencies and such other entities as may be determined, should carry out the following activities:

- Define the positions and profiles of qualified persons needed to implement IFMS.
- Quantify and assess the human resources currently assigned to financial management and auditing.
- Determine the skill levels needed to assess the numbers of personnel and the expertise required and that which is available.
- Draft, implement and evaluate a plan for training within the country and outside on how to implement IFMS and operate the financial management and auditing systems. Training should be characterized by:
 - Content directly linked to the change process
 - Practical approach geared toward providing technical training, developing abilities and skills needed to apply the legal and secondary provisions, and the standards and procedures to make the systems work
 - Applicability to fields requiring systems application and conceptual unity
 - Modularity, gradual implementation, flexibility, continuity and constant updating
 - Interrelated managerial and professional career development
 - Focus on financial managers, auditors and nonfinancial managers whose decisions impact upon the management and control of public resources
 - Usefulness as a tool to combat administrative fraud and corruption

Courses already prepared or now being prepared under

LAC/RFMIP and by other entities should be used for training wherever possible.

IMPLEMENTATION

Successful implementation of IFMS depends on organization, standardization, and training. Actual implementation, evaluation, and updating constitute the most critical phase of the change process as the real advantage of the systems becomes apparent only when they are up and running.

The following activities are necessary to carry out this course of action:

- Design those procedures which will lead to implementation of the legal and secondary provisions and standards, and the features of IFMS in the areas of budget, treasury, public debt, accounting and audit. Internal control mechanisms must be built into the procedures in this design process.

In accordance with the provisions of the information system master plan, information requirements of financial and nonfinancial users must be considered at this stage. This activity originates in the central oversight agencies and in selected central government agencies and should be fully documented.

- Test the procedures and make the necessary adjustments. This activity will be carried out parallel with old procedures.
- Prepare budget, treasury, public debt, accounting and audit manuals based on procedures that have been tested and used. These manuals will document pertinent information flows and mechanisms for evaluation and continual updating of the systems.
- Gradually implement the manuals in all the subsystems of selected central government entities, phasing out old procedures.
- Beginning with those agencies identified as the highest priorities, carry out implementation, evaluation and adjustment activities in decentralized and autonomous institutions, state-owned enterprises, public financial institutions and regional and local governments. Manuals will be prepared in-house and systems will be implemented by the agencies themselves, once approved by the central oversight agencies.

increasing the efficiency of key government personnel and international technical assistance

COURSE OF ACTION:

Increase the efficiency of key government personnel who will conduct the change process.

Coordinate international technical assistance to maximize resource use.

Responsibility for improving financial management and auditing lies with each country's government, not with international assistance agencies. Government officials are, therefore, designated as managers. Because improvement programs are dependent on the abilities of these managers, countries receiving assistance should comply with the following activities:

- Formation of the Interagency Task Force and other groups from among ethical and professionally qualified key officials, financial managers, and national consultants. In addition to suitable academic credentials, host country consultants should have extensive experience in the field.
- Elimination of outside influence over determinations concerning employment, qualifications in staffing of national counterpart agencies.
- Provision of on-the-job training for national officials through joint work with foreign consultants to ensure transfer of technology. National officials should participate in the training plan from the beginning.
- Adoption of an organizational model geared toward project management agencies to encourage active participation in the change process by the greatest number possible of officials.
- Have government agencies, and preferably the Interagency Task Force, define the terms of reference and professional qualifications of foreign consultants and consistently evaluate the quality and results of international technical assistance.
- Coordinate assistance efforts of international agencies. National agencies would be responsible for administering international assistance and overseeing donor agencies' local representatives.

***A.I.D. Strategy, the LAC Bureau and USAID Missions:
Courses of Action and Activities***

The strategy developed for A.I.D. incorporates country-specific plans. They are interdependent, interactive and pursue the same objectives. Again, we deal separately with each objective.

*Achieving
acceptance
of the IFMS
approach by
interested
countries*

COURSE OF ACTION:

Dissemination

LAC/RFMIP has proposed a model for financial management and auditing systems for which it seeks adoption. To reinforce these efforts, A.I.D. must carry out the following activities:

- Support the promotion, organization, implementation and financing of regional and subregional conferences on IFMS so that interested countries learn about it, adopt it and commit themselves to putting it into practice.

It is extremely important that A.I.D. encourage the presentation and discussion of the IFMS concept at events sponsored by regional and national professional organizations. This effort will benefit the concept's development through feedback and discussion and, because financial managers and auditors will become more familiar with the model, increase chances for its adoption and application.

- Present and discuss IFMS at the LAC Region Donor Working Group to Improve Financial Management to develop the consensus needed to coordinate technical assistance in the future.
- Incorporate the adjustments suggested in the conferences and at Donor Working Group meetings into the final version of IFMS.
- Publish copies of IFMS and SIMAFAL and distribute.
- A.I.D. missions should assist in setting up the Promotional Group in each country and help it organize national conferences, preferably with participation by those government officials who have attended the regional and subregional conferences.

- A.I.D. missions should encourage interest and activities supporting improved financial management and audit by sponsoring national, state or provincial conferences in each country. Such events would promote acceptance for the IFMS approach by diverse social groups, further its goals and assure support and collaboration in its eventual implementation. This activity could be initiated with pilot projects in selected countries in each subregion.

The activities mentioned will be carried out by AID/LAC personnel, and, where possible, with the direct participation of the A.I.D. missions.

Adapting the IFMS approach to country conditions

COURSE OF ACTION:

Determine the current status of financial management and auditing.

Define the country's needs.

Formulate a plan of action for implementing and strengthening IFMS.

A.I.D. missions should carry out the following activities:

- Assist in transforming the Promotional Group of each country into an Interagency Task Force to Improve Financial Management and Audit, mobilizing key national personnel. Assure the active participation of the most enthusiastic and capable individuals and attempt to secure the cooperation of those who may potentially be opposed to change. Formalize technical cooperation to reflect the degree of commitment demonstrated at the governmental level.
- Extend technical and financial assistance to the Interagency Task Force to enable it to carry out its activities.
- Prepare a Project Document to channel technical assistance requested in the national technical cooperation program.

Establishing the IFMS approach

Technical assistance from the A.I.D. missions will advance the first two courses of action. It is their job to promote IFMS, to assist in tailoring it to specific needs and to program execution of the changes necessary for its implementation. This technical assistance from A.I.D. missions becomes even more important during the fourth phase when improvements, plans and proposals are actually being implemented. It is at this point, when tangible benefits begin to

COURSE OF ACTION:

Set up the organization for implementing the plan of action and operating the financial management and auditing systems.

Establish provisions and standards for system operation.

Develop the necessary human resources.

Implement, evaluate and continually update the financial management and auditing systems.

accrue, that the greatest number of problems may occur.

In this respect, A.I.D. missions should carry out the following activities:

- Approve the project document drawn up in response to the national technical cooperation program and assign resources for its financing.
- Carry out the project, i.e.:
 - Extend technical assistance to the Interagency Task Force, particularly its executing arm, and to the central oversight agencies to give them the capabilities needed to carry out their respective missions under IFMS. It is critical to governmental restructuring that a significant amount of technical assistance be channeled both to the technical functions inherent in governmental financial management and the agencies mandated to investigate crimes involving administrative fraud and corruption.

Likewise, to strengthen the democratic process immediate aid and assistance should be given to the legislative branch so that it can make full and timely use of the technical efforts provided by the supreme audit institution. The supreme audit institutor is likely to need similar assistance.

- Extend technical assistance selectively, initially to central government agencies, then to other public sector agencies, especially those in which A.I.D. has special interest and to which it assigns priority. Technical assistance may also be extended to technically qualified regional or national professional organizations as determined by A.I.D.
- Continually evaluate the technical assistance provided by consultants. To this end, require that periodic reports from field

personnel be submitted to A.I.D. mission comptrollers in recipient countries, and/or to appropriate project officers. Arrange project site visits by project officers, mission controllers and technical staff of the LAC Bureau. Obtain the opinions of independent consultants, if necessary.

Evaluations should be centered on questions concerning consistency with the IFMS concept, the results produced based on project expectations, the capability of the consultants, and compliance with commitments made by the beneficiary government.

- Follow-up on the activities of the Interagency Task Force to adjust and continually improve the systems.

This activity will be the responsibility principally of A.I.D. missions. For this purpose, each mission should have an Accountability Officer whose job it is to familiarize him/herself with the accountability environment in the government for all technical assistance projects and the degree of accountability in government agencies regarding these projects. The Accountability Officer should report directly to the Mission Comptroller and indirectly to the LAC Regional Project Officer in order to assure consistency with the IFMS concept. Periodic reports and accountability assessments by such officers should keep the LAC Bureau up to date with the accountability environment in each country where major A.I.D. projects are carried out.

Increasing the efficiency of key government personnel and international technical assistance

COURSE OF ACTION:

Increase the efficiency of key government personnel who will conduct the change process.

Coordinate international technical assistance to maximize resource use.

Technical assistance for improving financial management and auditing is important in supporting the efforts made by each country. To date, assistance has been offered by various donor organizations and agencies, each with different interests and ways of identifying problems and offering solutions. Because of this and to encourage coordination, LAC/RFMIP has developed IFMS.

To increase the positive impact of technical assistance in beneficiary countries, and to improve efficiency and productivity, activities must be coordinated. This will only be possible if the following activities are carried out:

- Propose that the LAC Region Donor Working Group agree in principal to support collaboration and coordination of all technical assistance offered in the specific fields which comprise financial management and auditing, including the possibility of co-financing activities to assure adequate resources, technical consistency and quality.
- Continue and intensify efforts to exchange information, studies, designs, reports, and results of financial management and auditing improvement projects among donor organizations.
- Present for the consideration and approval of the Donor Working Group a proposal for policies or basic guidelines for technical assistance to improve financial management and audit that provide that:
 - Technical assistance adhere to IFMS as presented in this document and to a comprehensive plan of action designed to ensure integration of the subsystems even though implementation may be partial or in stages.
 - To meet a country's changing needs and to avoid lost opportunities, technical assistance be conceded in a timely fashion.
 - Technical assistance projects be planned for at least medium-term execution to assure continuity, to familiarize consultants with their working environment, and to eliminate improvised and fly-by-night assistance.
 - All consultants and advisers be fluent in the language of the recipient country, have sound academic backgrounds and substantial professional experience and be able to work as a team with other foreign consultants and national counterpart staff.
 - Donor agencies provide the proper evaluation mechanisms.
 - Emphasis be placed upon achieving improvements, rather than performing assessments, writing reports or preparing detailed planning and programming documents.
 - The same group of consultants be made fully responsible for the design, implementation, self-evaluation and adjustment of the systems.
- Coordinate field activities in which A.I.D. and other donor agency technical assistance projects are carried out simultaneously.
- Collaborate with the recipient country in the identification of key national staff, national consultants and other counterparts and in the selection of international consultants.

- **Increase assistance to, and support of, regional and national professional organizations that carry out technical, educational and promotional activities in specific fields of financial management and auditing.**

CONCLUSIONS

A.I.D. plays an important role in improving financial management and auditing in governments. It promotes and finances LAC/RFMIP. It sponsors Donor Working Group meetings and seeks to coordinate activities. It promotes the efficient use of technical assistance resources. It offers direct assistance in various countries of the region. It is designing and proposing a model financial management system and this strategy, STRATAC, to improve accountability, financial management and auditing in the LAC region.

STRATAC assigns an equally important role to the LAC Region Donor Working Group: to promote the adoption of the model system and strategy, and to coordinate technical assistance to make it more efficient and effective.

Since so many complex activities cannot be coordinated effectively in the informally organized Donor Working Group—despite the will and considerable abilities of those participating in it—at least one of the following alternative activities should be carried out:

- Formalize to some degree the Donor Working Group by written agreement of the participating organizations. In addition to its membership and activities, A.I.D. should act as Executive Secretariat during the second stage of LAC/RFMIP.
- Continue the informal activities of the Donor Working Group and the promotional efforts that A.I.D. carries out through LAC/RFMIP.

In this scenario, A.I.D. should expand LAC/RFMIP in the second stage, assigning it certain coordinating activities and the orientation of technical assistance in recipient countries, pursuant to agreement among the other donor organizations.

Coordination and orientation activities should focus principally on preparing and disseminating technical documentation, developing training programs, and adapting IFMS to the needs and characteristics of the recipient countries.

OVERVIEW OF STRATAC'S OBJECTIVES AND COURSES OF ACTION

PRIMARY OBJECTIVE			
Implement unified Integrated Financial Management Systems (IFMS) in LAC governments			
SECONDARY OBJECTIVES			
Achieve the acceptance of the IFMS in interested countries	Adapt the IFMS concept to the different conditions of each country	Establish IFMS through organization, standards, training, implementation, evaluation and country-specific adjustments	Increase the efficiency of key government personnel and of international technical assistance
COURSES OF ACTION			
<ul style="list-style-type: none"> • Dissemination 	<ul style="list-style-type: none"> • Determine the current characteristics of Financial Management and Auditing • Define the country's needs • Formulate a Plan of Action for implementing IFMS 	<ul style="list-style-type: none"> • Develop an organization to implement the Plan of Action and to operate the Financial Management and Control Systems • Provide standards to support the administrative process • Develop existing human resources • Implement, evaluate and update the systems 	<ul style="list-style-type: none"> • Improve the assimilative and productive capacities of key government personnel in charge of the process of change • Coordinate international technical assistance to maximize resource use