

## IFMIS Assistance: Limits on Scope

### Overview:

The Iraqi Financial Information Management System (IFMIS) is an automated budget execution tracking system that was selected in 2003 by the Coalition Provisional Authority in Iraq to replace a manual system used since the 1940s. The system was fully functional and being used in 112 GoI offices and was on target for expansion to all government spending units when all activity was suspended and the system was taken offline in June 2007 following the abduction of a BearingPoint consultant and his security team from the Ministry of Finance Data Center.

On January 14, 2008 USAID and the MoF signed a Memorandum of Understanding establishing clear conditions and timetables for an IFMIS re-start. The document outlaid the respective obligations of each party and serves to define the scope of USG technical assistance.

### IFMIS Functionality:

The IFMIS is built on the framework of FreeBalance eFinancials – a proven application used with great success in numerous post-conflict nations -- including Kosovo, East Timor and Afghanistan.

The IFMIS is a data capture tool. The system was designed and implement to Government of Iraq (GOI) with an integrated, automated financial management information system and accompanying regulations and procedures that give the Ministry of Finance (MOF):

- Real-time reporting and management of cash expenditures across spending agencies; (functional since 2005)
- Improved control and management of cash resources, accounting processes and budget execution in accordance with the Financial Management Law and international standards, and increased transparency in budget preparation and execution. (functional since 2005)

### IFMIS Limits:

The impact of restarting the IFMIS, while intended to foster greater transparency and accountability in the GOI's budget execution process should not be overstated. The automated system does not address a number of material weaknesses in GoI and MoF *policy*.

The IFMIS records budget expenditure and revenue data and can create sophisticated reports with this information – including trial balances, profit and loss and variance reports. However, *it is not a budget execution tool*, and it will not expedite or facilitate additional government spending.

Instead, it will help the GoI to analyze expenditures and revenues against the allocated budget. The IFMIS also serves to create an audit trail, introducing badly needed transparency and controls against corruption.

### Scope of USAID Technical Assistance

Under the terms of the MoU signed by the MoF and USAID, the USAID-funded Economic Governance II project will provide technical assistance to the GoI in troubleshooting and restarting IT equipment and in updating system software. USAID will also provide assistance in implementing a robust disaster recovery system and conduct training and capacity building activities designed to ensure ongoing sustainability.

### Limits on Scope:

The GoI has agreed to arrange and fund satellite internet connectivity necessary to restore nationwide connectivity. Additionally, the GoI will expand the number of government offices using the system to 250 – representing all Ministries and independent agencies, spanning all 18 governorates. USAID will not pay

for hardware or connectivity costs associated with this rollout, but will provide technical assistance and training to GoI IT staff.

### **Budget and Procurement Modules**

Prior to June of 2007, the Iraq Reconstruction Management Office funded contracts that were tasked with implementing two expansion modules that would have provided additional features to the IFMIS above and beyond its core, General Ledger functionality. These activities were not funded by USAID, and USAID implementing partners have not been tasked to date with continuing work in this area.

The MoF has agreed to ultimately commit resources and offer cooperation such that the USG may resume assistance for the implementation of the modules, but no timetable has been discussed. Any decision to offer technical assistance will likely be contingent on the GoI successfully meeting the requirements of the MoU with respect to the early stages of the re-start plan.