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**Keynote Address  
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I am honoured to have been asked to address this impressive gathering and to share some practical experiences with you in respect of fiscal management systems that are currently being utilized by the Ministry of Finance in the Government of Antigua and Barbuda.

For many years, the absence of prudent fiscal policies and appropriate debt management frameworks have had a negative impact on the level of infrastructural and social development, on the level of indebtedness, on the cost of borrowing, on Antigua and Barbuda's creditworthiness and credibility, and on the level and quality of private sector investment.

The then Administration pursued policies which resulted in extremely large fiscal deficits owing to the significant expansion in expenditure without an accompanying increase in current revenue.

This disparity between Government's revenue generation and its level of expenditure created significant fiscal imbalances such that by the end of 2003, the current and overall deficits amounted to 7.86% and 11.51% of GDP, respectively.

My Government, since assuming office in March 2004, recognized that a comprehensive reform program, to include legislative, institutional and structural reforms, was necessary in order to bring about a transformation in the Antiguan and Barbudan economy.

These reform initiatives were aimed at: (1) correcting the fiscal and debt challenges; (2) improving accountability and transparency in public sector operations; and (3) encouraging private sector development.

Specifically, **Public Expenditure Management reform** has focused on improving the linkages between the strategic outlook, planning and the allocation of our scarce financial resources.

Indeed, in today's changing fiscal environment, the need for public sector transformation has become a critical process to promote fiscal transparency, efficiency and accountability.

This process of building human and institutional capacity as a vehicle to improved cash and financial management requires the utilization of practical management information systems that are specifically tailored for governmental usage.

In this regard, I am happy to report that the Government of Antigua and Barbuda has found its investment in FreeBalance to be of extremely high value.

Ladies and Gentlemen:

Public sector reform in Antigua and Barbuda can be seen as a two-tiered process.

Firstly, it encompasses the rationalization of all the Government's resources so as to boost the operative efficiency of the different processes carried out by various Government entities.

Additionally, it clearly defines the role each entity plays on the successful provision of its services, thus in turn, enhancing accountability and transparency.

The second tier involves elevation of the level of public expenditure management, thus promoting transparency and economic efficiency in all Government transactions.

However, achieving efficiency in expenditure management and rationalization of Government resources will invariably require some degree of institutional reform.

In essence, Ladies and Gentlemen, institutional reform is an essential element of fiscal consolidation.

Investment in the development of the governance infrastructure necessary to support the restoration of fiscal balance is therefore vital.

Ensuring accountability for the processing and reporting of Government's operational budget is critical; and establishing policy credibility is essential for achieving the goal of private sector led growth.

In this regard, the acquisition of the FreeBalance Financial Accountability program which is an integrated financial and inventory management system, represents a key investment in the development of a modern and transparent financial management system.

The FreeBalance Financial Accountability program was introduced by the Government of Antigua and Barbuda as a tool that could aid in the public sector transformation process.

It is now the core of the accounting system for the Ministry of Finance.

It facilitates the integration of financial management services and delivers the capability for recording expenditures electronically.

It produces cheques and receipts and generated disbursement reports.

The Government decided to utilize a phased approach to facilitate the rolling out process to all Ministries and Departments.

This approach provides the requisite time for training and minimizes the likelihood of unforeseeable errors during the implementation stage of the system.

The FreeBalance project has already recorded its first milestone; the Treasury Department has installed a cash management system, which now allows for the generation of electronic cash receipts and deposit statements.

It was certainly a proud moment for the Government of Antigua and Barbuda when, on Monday, November 29<sup>th</sup>, 2004 the Treasury Department generated its first electronic cash receipt.

Our accomplishments did not end there.

On August 10<sup>th</sup>, 2006, we successfully generated our first electronic cheque at the Treasury Department.

The cheques printed by the system were provided by MooreParagon.

There are two different types of Government cheques, reflecting the two commercial banks where the Government holds its accounts.

In order to facilitate the FreeBalance system, it was necessary for the Government to consolidate a number of its accounts held at various commercial banks. This occurrence has strengthened the Treasury Department's ability to better monitor its cash accounts.

The Government cheques have a number of security features that hopefully will eliminate the possibility of forgery. In particular, the main security features are as follows:

- Hidden codes in the paint of the cheques
- Micro fibre
- Bleeding when wet
- Magnetic ink

The design of the cheques and the determination of the security features were achieved through the collaborative efforts of the banks, the cheque providers and the Government.

The cheque batch number is produced by the system and is dependent on the choice of the bank used, thus eliminating the possibility of two cheques being printed with the same batch number.

The system that produces the cheques is PayMaster.

To date we have issued over 15,000 cheques to vendors; and have moved to fully implement security procedures necessary to facilitate electronic signatures on the said cheques.

My Government's quest to enhance the financial management capabilities of the Treasury Department was not restricted simply to the cheque-printing ability of the system.

In fact, the Government also procured the additional modules offered by the FreeBalance Integrated Financial Management System (IFMS).

This encompassed budget preparation, execution and monitoring systems (i.e. the Performance Budget modules), the human resource management and payroll system (i.e. the Human Capital Accountability module), and, in due course, we also intend to purchase the Centralized Procurement Software (i.e. the Purchasing Accountability module).

Each of the above mentioned modules further enhances the levels of transparency and accountability that the Administration in Antigua and Barbuda has brought to the operation of the government service.

The Human Capital Accountability (HCA) module was implemented at the Headquarters of the Ministry of Finance and at the Pensioners' Unit within the Treasury Department during the latter half of 2006.

Databases were created with all the pertinent employment information relating to Government employees'.

Likewise, databases were also created in respect of all persons receiving a pension from the Government.

This system is now being utilized to generate the requisite salary and the pension vouchers and to produce the electronically print cheques.

This is, indeed, the Government's first step towards fully automating the payroll process.

During the second phase, which is currently ongoing, the Ministries and Departments located within the Government's Office Complex, as well as the Audit Department and the Ministry of Health employees will be entered into the Human Capital Accountability Module.

With this initiative, the total number of employees being paid through the facility of the Human Capital Accountability Module will be about 6,300 or approximately 75% of the Government's workforce.

This process eliminates the need for the manual preparation of salary sheets, thereby maximizing on the utilization of time.

It also improves the Government's record-keeping and ensures the timely payments of all workers, after making the appropriate deductions.

Additionally, it helps to alleviate the staffing problems which many Ministries and/or Departments have in their accounting departments.

Accounting officers are now free to attend to other tasks that hitherto they may have neglected in order to give attention to the laborious task of preparing salary vouchers.

Some officers, no doubt, could also be redeployed into other areas within the Government service where such expertise may be required.

During the same time period, the Integrated Financial Management System's functionality was expanded to include the Performance Budgeting module.

The staff of the Ministry of Finance worked closely with the technical consultants provided by FreeBalance to establish the business process that occurs during the preparation of the budget.

Through this alliance, the Performance Budgeting module was rolled out to the Budget Office in December 2006.

For 2007, the Government's objective is to roll-out the financial management system to all Ministries and Departments.

As of June 2007, Performance Budgeting will be used by all Ministries within the Government of Antigua and Barbuda.

With this initiative, the Ministries will be working with the Budget Office to formulate the 2008 budget estimates.

Departments will be required to submit their budget plans to their respective Ministries for entry into the Performance Budgeting program.

Relevant Ministry officials will also receive training on submitting requests (e.g. Supplemental, Virements and Adjustments) to the Budget Office through the application.

Although the full roll-out of all the modules within the IFMS package has not been completed, there has, nevertheless, been a vast improvement in the level of control over the utilization of Government's scarce resources.

After the implementation of phase one of the Financial Accountability software in conjunction with the Performance Budgeting Module, the Ministry of Finance, through the Treasury Department, is now empowered with the capability of enforcing budgetary controls through monthly and quarterly spending limits for Ministries and Departments.

In particular, Ministries and Departments are required to prepare their vouchers in the normal manner and to send them to the Treasury Department which, in turn, enters them into the system.

The system then checks to ascertain whether the amount required pursuant to the voucher is in-keeping with the Ministry or Department's monthly allotments.

If it is, then the voucher is processed; if it is not, the voucher is rejected.

This system therefore allows the Treasury Department to develop and implement an effective cash flow plan which is extremely useful in an environment where financial resources are particularly scarce.

The FreeBalance system was responsible for providing a drastic change from a totally paper and manually driven process of keeping Government's financials into a more efficient, automated process that is clearly rooted in objectivity.

Achieving this financial management transformation was not without its challenges and there are still a few hurdles that have to be crossed.

One of the biggest challenges faces by the Government has been the task of adjusting the mind-set of the persons that use the system.

As is to be expected with any new system, persons would prefer to revert back to their comfort zones, and, in our case, to keep a second set of books, "just in case."

One of the strategies used to combat this challenge has been a strong investment in training and/or re-training.

Legal reform was also necessary. Thus, the almost fifty year old Finance and Audit Act was repealed and replaced with a new Finance Administration Act.

The new Act created the requisite legal platform for the establishment of an electronic accounting system to generate the Government's accounts.

It also allows for the generation of electronic vouchers and sets the foundation for auditing in a dematerialized environment, i.e. E-Audits.

It was also necessary for the Government to enact a new Electronic Transaction Act in order to facilitate the utilization of the electronically generated cheques from the FreeBalance IFMS system.

This Act gave the Government the legal authority to:

- Accept electronic signatures
- Utilize electronic counterfoils as records; and
- Generate cheques through a computer system.

Providing the necessary legal underpinning was therefore quintessential to overhauling the hitherto archaic government financial management system.

Further, the legislative changes ensure that relevant Government employees do not have the legal option to revert to their old processes.

The Government also faces the challenge of building interfaces for the system so that it can be interconnected with the pre-existing revenue collection applications.

This technical problem is presently being worked through by the programmers of FreeBalance.

Also, there is the constant need to rework the chart of accounts so that it reflects the monitoring and reporting needs of the various Ministries and Departments.

Let me conclude by stating that the vision of the Government of Antigua and Barbuda is to utilize the FreeBalance Integrated Financial Management System to ensure operational efficiency of data processing and to increase the effectiveness in managing information in order to optimize the decision making process.

Such a system will ensure fiscal discipline, transparency and accountability.