



# Government of Mongolia

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## **Government Financial Management and Information System (GFMIS)**

**FreeBalance Case Study**  
ICGFM, April 2004



# Agenda

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- Organization Overview
- Project Organization
- Key Players
- Project Mandate & Goals
- Business Challenge
- Project Timeline
- FreeBalance Solution
- Next Steps & Lessons Learned
- Conclusion

# Organization Overview



- Ministry of Finance and Economy
  - Central Treasury with 11 Line Ministries
  - UB City Treasury with 9 Districts
  - 21 Regional Treasury supporting Local Government
  - 170 Users





# Project Organization

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- World Bank Project Coordinator
- Ministry of Finance and Economy - Prime Customer
- Decision making through Steering Committee chaired by State Secretary



# Key Players

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- Government of Mongolia
  - Ministry of Finance and Economy
- The World Bank
- International Development Association (IDA)
- Selected vendors
  - IBM Canada (Prime)
  - FreeBalance Inc.
  - MCS Group
  - InfoCon



# Project Mandate

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To implement a Government Financial Management Information System (GFMIS) that will help promote economic development and increase efficiency, accountability, and transparency.



# Project Goals

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- Implement a proven solution that meets the specialized needs of the public sector
- Support the Economic Growth Support and Poverty Reduction Strategy (EGSPRS)
- Establish discipline in budget preparation, policy planning and budget formulation
- Enhance budget and expenditure planning and service delivery
- Improve budget execution and accountability systems
- Strengthen procurement at central and agency levels
- Enable accurate and timely consolidated financial and management reporting
- Strengthen budget oversight and monitoring
- Build accounting and internal auditing capacity at the central and agency level



# Business Challenges

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- Consolidation of data from remote offices with the core in Ulaanbaatar
- Language Barriers
- Limited human resources
- Lack of employee motivation to change
- Limited communication
- Replacing locally developed custom solutions
- Restatement of historical information



# Project Timeline

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- 2 Phase Project
- Phase 1 FreeBalance Foundation (initial package) for Central Treasury
  - Planned go live Spring 2004
    - Mongolian Language Support
    - Appropriation and Budget Control
    - Expenditure Management, Payment and Revenue Recording
    - General Ledger
    - System Controls, Access Management and Audit trail
    - Reporting – Management and Statutory



# Project Timeline

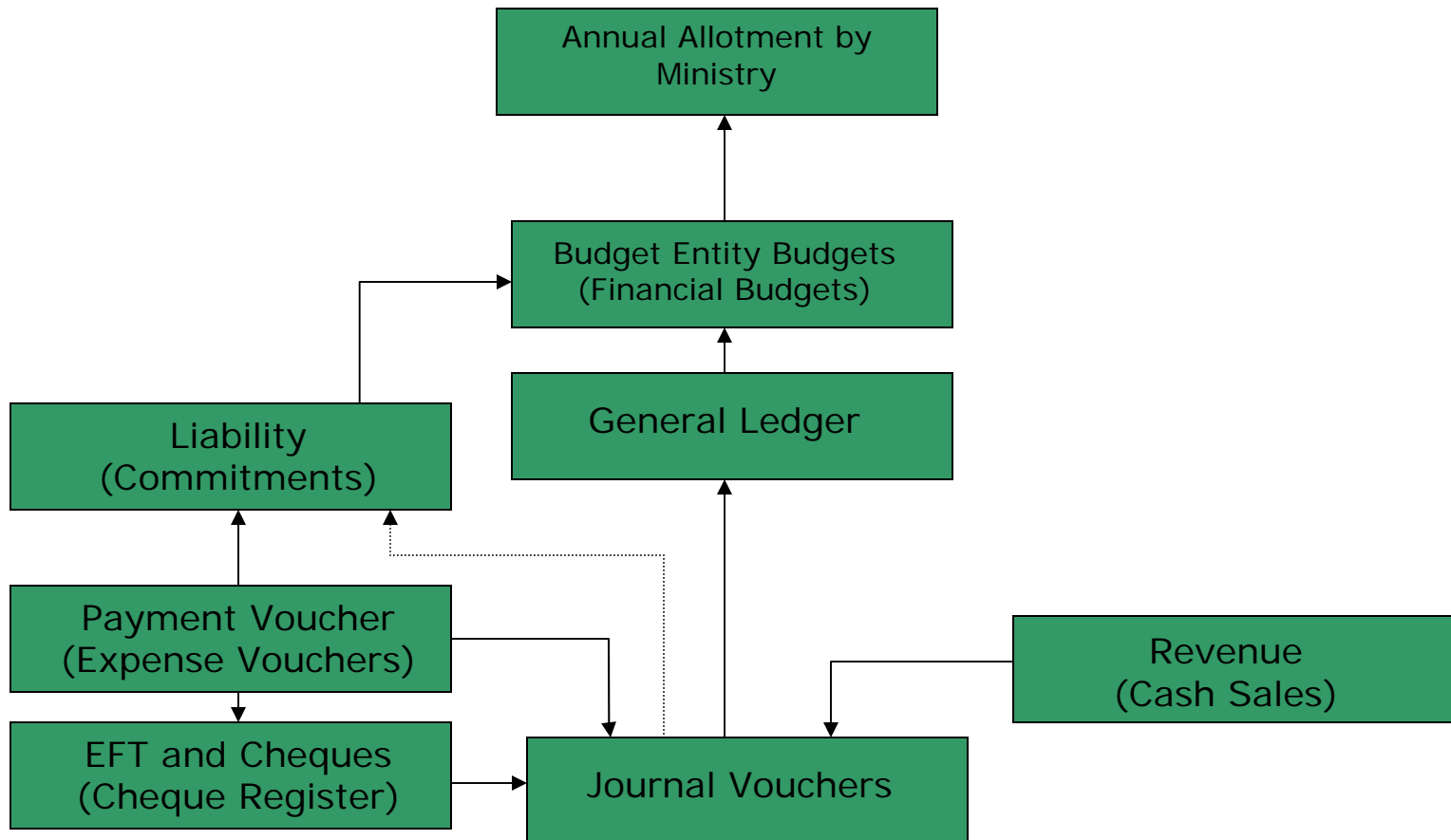
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- Phase 2 FreeBalance Additional Modules plus UB City and Regional Treasury Rollout
  - Planned to begin rollout in Summer 2004
    - Purchasing
    - Assets
    - Revenue

# FreeBalance Solution

## Transaction and Control Architecture



# FreeBalance Solution

Transaction and Control Architecture

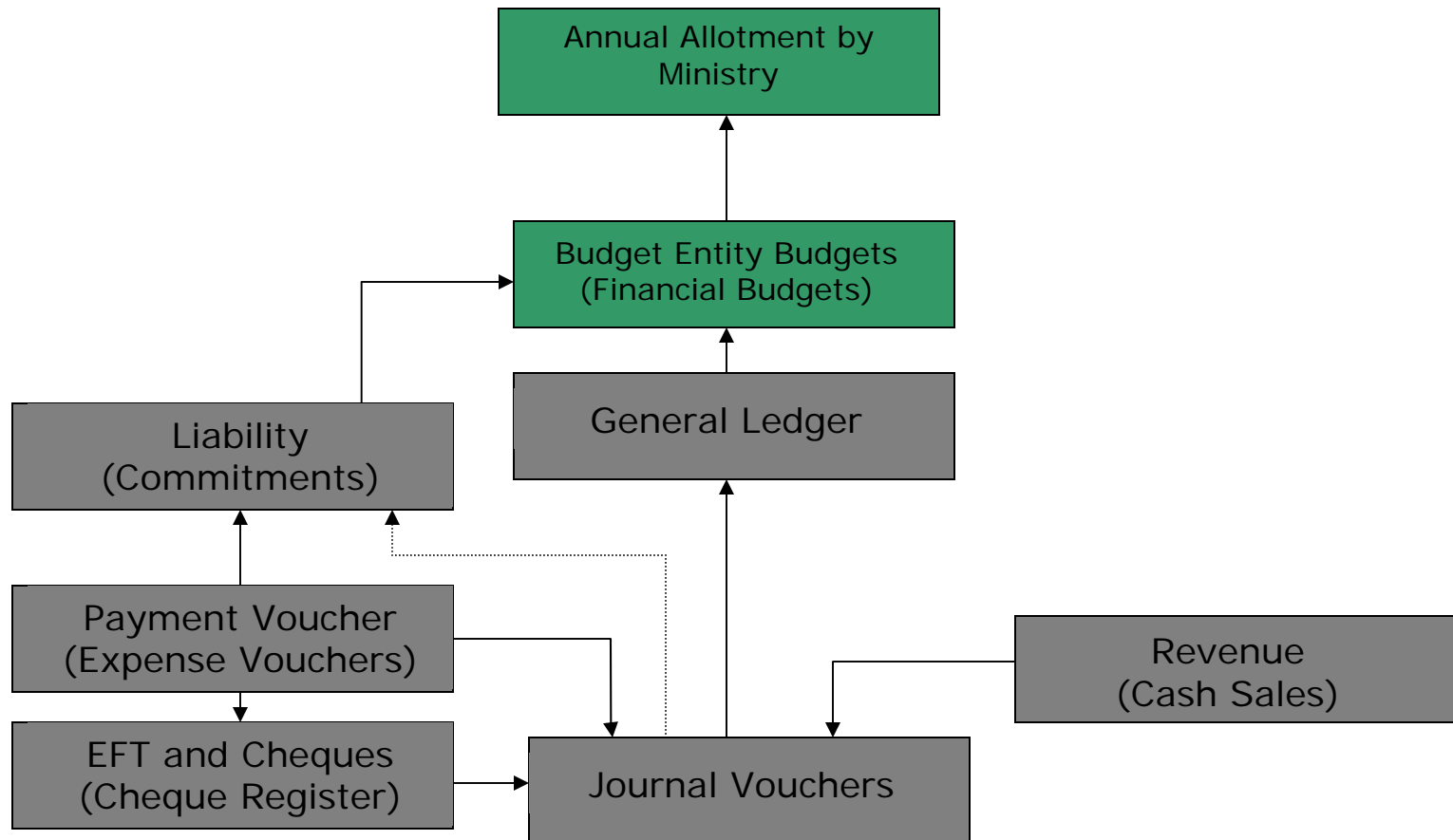


The Chart of Accounts is the key to processing and reporting:

Fund	Organization	Object	Project	Output
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# FreeBalance Solution

## Allotment and Budget Control





# FreeBalance Solution

## Allotment and Budget Control

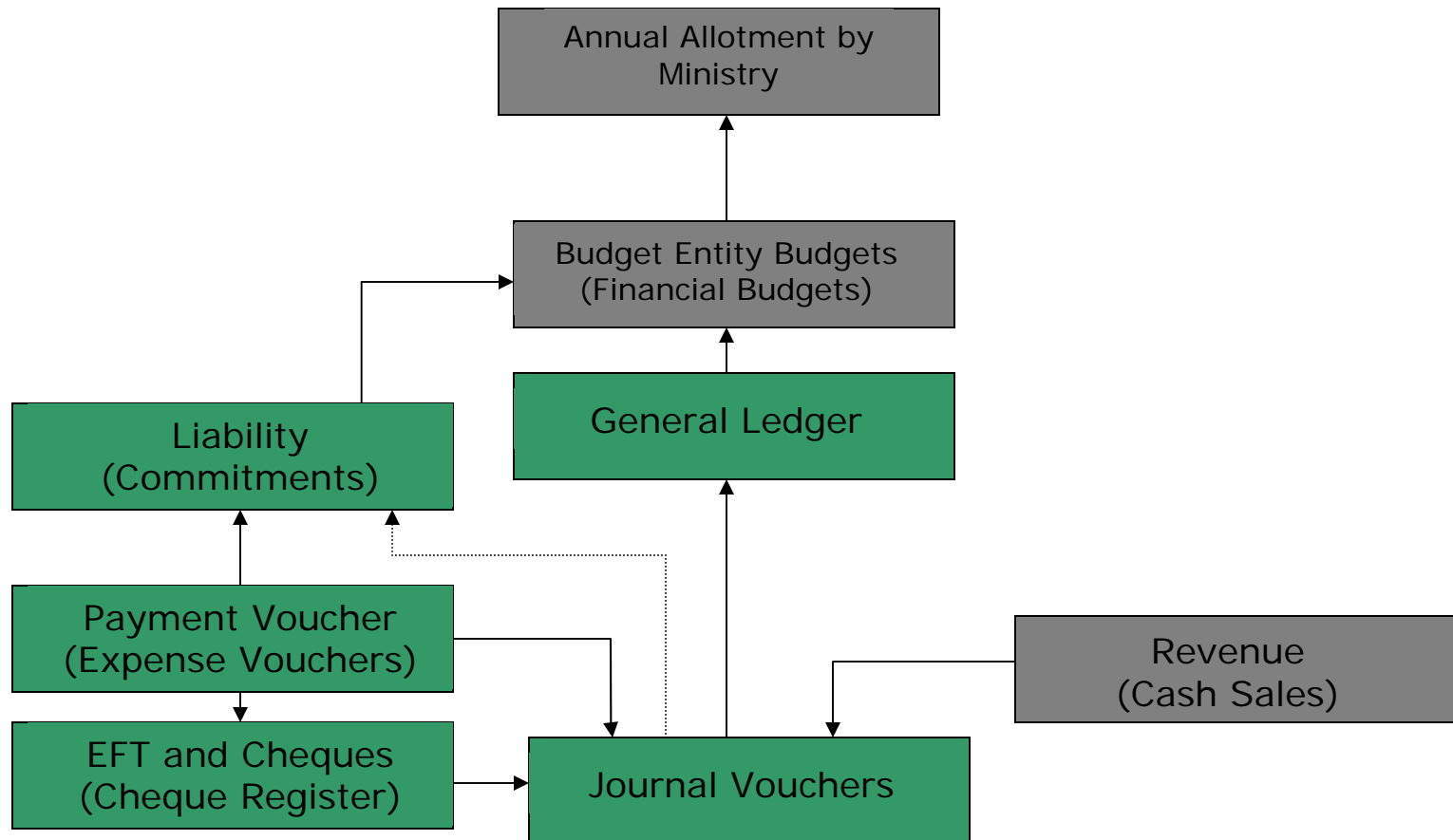
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- Allotments
  - Established by Line Ministry by Spending Type (Revenues, Expenses etc)
- Original Budgets
  - Established annually by Budget Entity by Detailed Spending Type
- Current Budgets
  - Issued Monthly reflect current months spending warrant

# FreeBalance Solution

## Expenditure Management and Payment





# FreeBalance Solution

## Expenditure Management and Payment

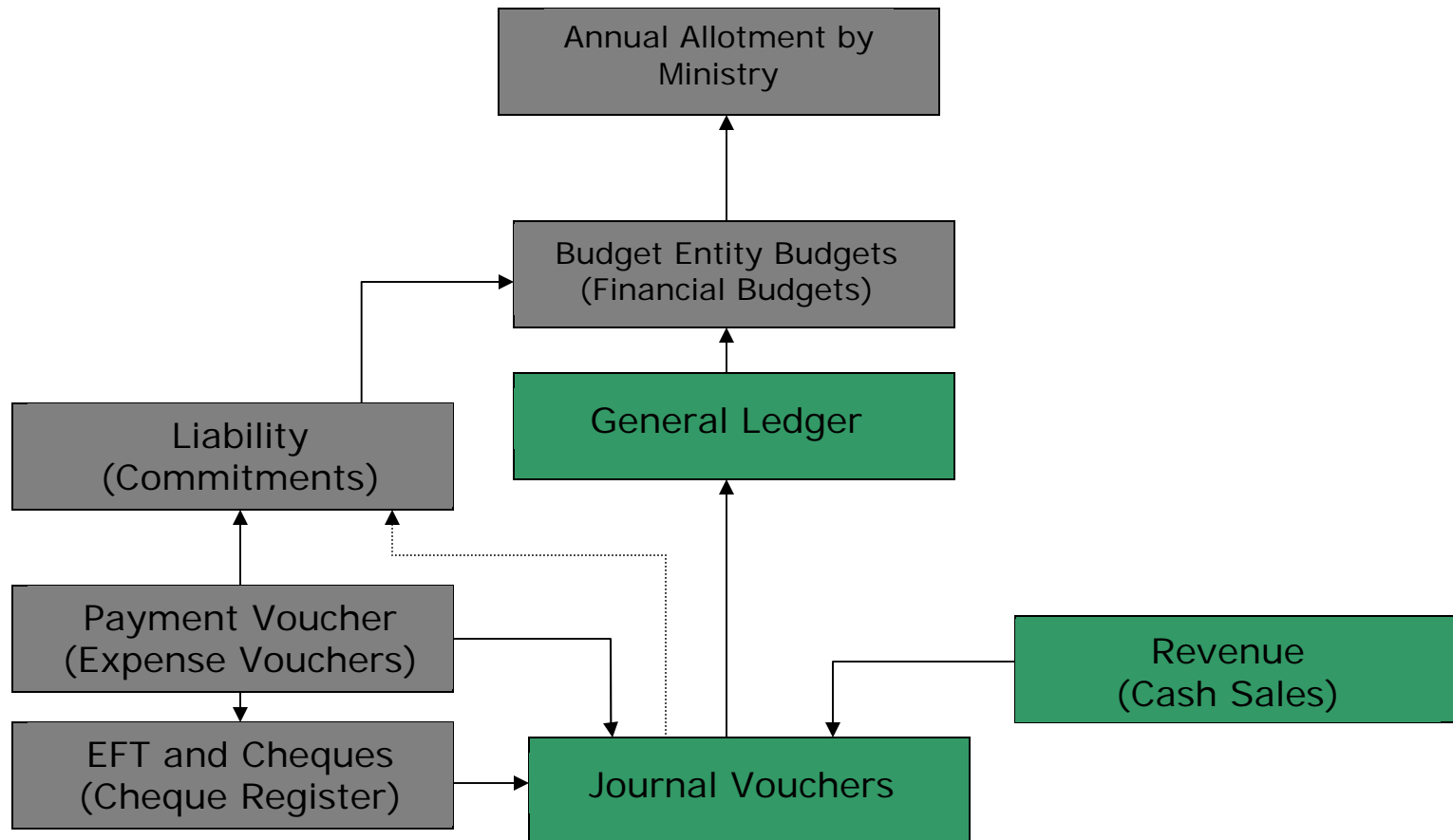
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- Liabilities/Commitments
  - Enabled but not utilized until Purchasing process started
- Payment Voucher
  - 2 Key methods
    - Cheques
    - Electronic Funds Transfer (EFT)
  - Budgets must be in place prior to processing
- Journal Voucher
  - Make controlled General Ledger adjustments

# FreeBalance Solution

## Revenue Management and Recording





# FreeBalance Solution

Revenue Management and Recording

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- Revenue
  - Cash Methodology – Revenue recognized on cash receipt
  - All payments received through EFT



# FreeBalance Solution

## Other System Considerations

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- Bank of Mongolia Payment System
  - Customized Electronic Funds Transfer for most payments and receipts
  - Limited information transfer from Bank of Mongolia
- Financial Reporting
  - Management -- Standard detailed reports
  - Statutory -- Custom reports
- Mongolian Cyrillic Character Set
  - 2 Additional characters led to customized solution



# Infrastructure

## Issues and Resolution

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- No Communication connection network
  - Solution required prior to Phase 2
  - VSAT solution for 21 Regional Treasury Offices
  - High Speed Microwave solution for UB City Treasury
- Inadequacy of equipment inventory
  - Procurement new PC's with UPS
  - Servers
  - Communications hardware and software component
- Inadequate facilities
  - Built new Computer Room
  - Equipped with new Air Conditioning, UPS and Generator
- Capacity building
  - Training
  - Coaching



# FreeBalance Solution

## Future Activities

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- Complete Phase 1 Implementation
- Roll out functional to remaining offices
- Purchasing Module
- Revenue management
- Assets Management
- Third party reporting (Cognos PowerPlay)



# Lessons Learned

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- Innovative approaches are necessary - which take into account local capabilities
- International suppliers excel, in their work on donor funded projects, when they adjust their technological solutions to meet country-specific dynamics
- Must take into account the need for effective change management early in the project
- Training is a key determinant of project success
- Technology should be no more complex than necessary
- Local partners add tremendous value, including enhancing the local insights held by international suppliers
- Essential to have full time functional staff committed by the customer throughout the project life



# Conclusion

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- GFMIS is at a critical implementation stage
- Software solution works, but process review underway
- Communication breakdowns are key issue



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