



AFMIS AS A TOOL FOR BOOSTING PERFORMANCE

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Abstract

The Albanian Financial Management Information System (AFMIS) is an integrated Public Financial Management system implemented by the Government of Albania (GoA) through the Ministry of Finance and Economy (MoFE). AFMIS is designed as an expansion of the existing Albanian Government Financial Information System (AGFIS) with additional functional modules to support Medium Term Budget Planning (MTBP), Public Investment Management (PIM), Budget Monitoring, and integration of additional components with the existing Financial Information System. The purpose of this paper is to examine and present the validity of Albanian FMIS on the financial performance of government institutions, focusing on Treasury Documentation Electronic Archive through Web-Portal with the outcome: increasing efficiency and time reduction. The study analyses the data flow retrieved from AFMIS database Logs for some institutions accessing the web portal and on the results of interviews carried out with 12 employees. The data analysis show that there is a significant improvement in treasury execution performance. The study found that AFMIS has significantly improved the transparency of data execution and time reduction of execution operations. However, the roll-out process is crucial to ensure the effectiveness of the data management.

Keywords: Integrated systems, operational effectiveness, technological innovation, public finance

INTRODUCTION

Albanian Financial Management Information System (AFMIS) aims to increase the transparency and efficiency of the internal procedures of budget planning, execution and reporting. The priorities of AFMIS are the improvement of medium-term planning and budget preparation processes in order to strengthen the programme budgeting. By monitoring its performance of investment projects in line with both financial and non-financial metrics, AFMIS evaluates project efficiency and effectiveness. This study aims to evaluate the reliability of the AFMIS operations by taking in account the data flow between institutions using the AFMIS interface and determining the feasibility and added-value of AFMIS programmes in delivering its business priorities.

LITERATURE REVIEW

Cash management has been in the centre of attention for academic researchers and industry practitioners in the last few decades. The liberalization of money markets with a simultaneous internalization of businesses and financial management went hand in hand with technological progress in the public services of developed countries (Miranda & Keefe, 2008). Such trends motivated management to study cash management in-depth with its strategies, policies and responsibilities

(Edwin, 2008) argues that a well implemented IFMIS system alongside well adopted centralized treasury operations, can assist developing countries government to effectively manage their finances, enhance transparency and reduce political discretion as an actor to corruption and fraud. An effective IFMIS is broadly agreed upon as a tool for governance improvement due to the real-time financial data that its users can employ to administer programs, draw-up budgets and resource management.

IFMIS has set its presence as an operational force for good in the last three decades. It is a fairly new single PFM system in the majority of countries. Since 2006, more than two thirds of IFMIS versions were put in place and operated in the world (Pimenta & Seco, 2019).

Latin America displayed a great reliance of IFMIS systems as a buffer for economic stability in the 1990s. Its use and operations allowed for greater fiscal efficiency and transparency ever since. The IFMIS development was a customised version, which required adequate maintenance and continuous preventive measures. This approach lead to shortening of the system life cycle.

Broadly, successful IFMIS strategies and their implementation are complex exercises and are developed in line with exiting systems on one side and system development / development and proper maintenance by the other side. Their development with focus on user

expectations is crucial. These systems requires sufficient technical capacities, budgetary resources for system developments and maintenance and commitment by institutions to harmonise the legislation framework. Additionally, the institutionalization of best practices in IT management based on international frame works, are crucial to guarantee the quality of the operations and to ensure the full usage and useful life of the system.

Small countries in the Pacific have been struggling with issues related to the implementation of computerized IFMISs (Joshi & Moore, 2010). A well established and properly staffed HR department in the Pacific adds to the complexity of the situation. The bureaucratic nature of civil servants not taking a step towards updating the way that tasks are delivered have found PFM system significantly challenged by local government workers and institutions. The resistance to change is one of the staff challenges. Commitment to new systems and involvement in novel operations requires a Change Management Plan. Making these systems attractive to civil servants (who are well settled with old systems) and asking them to embrace change and step outside their traditional comfort zone is a substantial challenge that demands for some sensitivity and good planning.

According to Chêne (2019) experience with IFMIS Implementation in some countries has been as follows: The Slovak Republic launched the system in 2004. Since then, the system gradually moved forward, becoming one of the most effective IFMIS systems in the EU. The key success of its rapid implementation was the strong commitment at political level, while the parliament's commitment to a new system played a driving force in the time of government change.

Another example which offers a successful course of implementation is Kosovo. The situation is albeit different. The country was characterised by a different post-conflict context. There was no central government set up and the required financial institution responsible for budgeting were not put in place. Thus, handling inflows of foreign aid proved difficult. In Kosovo, the roll out programme consisted of senior administration, manager and general staff workshops and capacity building with regard to the system. The programme also included demonstration of functionality to prospective users and change management workshops. IFMIS implementation was mainly driven by donors of the programme. Its core system ran in 3 languages in 2003 and has not ceased expanding ever since.

OVERVIEW OF IFMIS IN ALBANIA (AFMIS)

AFMIS aims to increase efficiency in decision making, improve policy analysis and report on the progress of the Albanian Integrated Planning System IPS. AFMIS is a web-based operation. It integrates budget execution functions which are backed by the Albanian

Government Financial Information System (AGFIS) and an additional functional module to aid in budget preparation i.e. Medium Term Budget Planning, Public Investment Management, Budget Monitoring and related monitoring/reporting needs. Users within MoFE, Line Ministries, Budget Institutions (BIs) and government entities in Albania are users of AFMIS.

MoFE is currently utilising the Albanian Government Financial Information System (AGFIS) to aid all treasury operations.

AFMIS as the main system integrated with IPSIS is developed from the Ministry of Finance and Economy and is designed in such a way that it is an expansion of the existing Albanian Government Financial Information System with additional functional modules to support Medium Term Budget Planning, Budget Monitoring, Public Investment Management and additional components integration with the existing AGFIS.

Albanian IFMIS is a custom-made system that combines and integrates the functional modules as Budget Execution and Treasury (AGFIS), Medium-Term Budget Planning (MTBP), Budget Project Portfolio Monitoring (BPPM), Public Investment Management (PIM). On the other hand the system includes a number of interfaces with other external systems such as (actually in the development phase):

Government Public Procurement System – which requires integration and real data exchange, especially with Treasury and Execution System , aiming to facilitate the exchange of data on contractual information and check in real time of funds for procurement

. Another crucial integration is with regard to Human Resources Management Information System (HRMIS) - interface dedicated to payroll data and electronic payments.

The Government Information of Planning System is another crucial interface, (already implemented) which allows for monitoring strategic plans and results. Additionally the integration of AGFIS requires interfaces with other operation systems as Customs (Asycuda++) and taxation for exchanging data on incomes in state budget.

AFMIS Web Portal - facilitates budget institutions to upload and send electronically to the Treasury the supporting documents of financial transactions which will be later saved at an electronic archive. Automatization of this process improves internal audit functions and increases transparency in budget execution as well as reduces the time that budget institutions require to go in person to TDO for such task. Web portal serves to budget institutions to get information about different phases of their budget execution transactions (registration into AGFIS, treasury approval, status of payments, accounting etc).

AGFIS system is organized as follows: Government finances in AGFIS are primarily managed through a two level MoFE operational structure that is directly connected to AGFIS, and off-line Spending Units. In 2012, another level was added that is directly connected to

AGFIS, allowing today 15 Budget Institutions to work directly into the system. The operational structure is presented as follows (MoFE, 2019) :

- The Ministry of Finance and Economy is the Head Office . It's responsible for: Accounting methodology, Reconciliation of accounting balances, Financial reporting, Central Treasury Operations: Cash management – Cash Forecasting, Budget Releases, Financial consolidation and reporting. budget implementation, preparation, maintenance and budget execution monitoring.
- Treasury District Offices (TDO's) – Currently, according to the organisation in the country there are operating 36 Treasury District Offices. These offices have on-line access to AGFIS. These entities submit financial and budget execution reports in a regular basis to the Spending Units. TDO's operate as an outsource party for Spending Units.
- Offline and Online Spending Units. The spending Units manage their own fixed assets and inventory outside of AGFIS. Offline Spending Units maintain communication with debtors and creditors (suppliers, taxpayers); they raise commitment, expenditure requests, manage receivable transactions and collections. There are around fifteen Online Spending Units in the country. These units have direct access to the AGFIS system and they perform around 75% of all AGFIS functionalities.

METHODOLOGY

Considering the complex nature of the tasks/operations of the FMIS function, the overall performance of IS function is difficult to be conceptualized and measured (Chang & King, 2005). However, qualitative method was applied to explore the new approach and impact on daily operations carried out by MoFE Treasury Department officials (eight interviews) , TDOs employees (six interviews) and seven BISs representatives. The interviews are carried out with employees involving three key institutions from which the workflow is executed.

The qualitative methods are appropriate to analyse and advance research areas by gaining important insights through statements, behaviours, and/or motivations (Creswell, 2014). Aiming to discover and understand the utilisation and new system usage by operators, qualitative methods are better suited than quantitative methods. Qualitative research takes into account social phenomena such as resistance to change by employees, time saving in operations and system user friendly.

In addition, quantitative research assumes the world in terms of observable physical phenomena, focusing on the quantitative aspects of these phenomena and an emphasis on the relevance and requirement of objectivity and empirically, quantifiable data (Eggers & Kraus, 2011).

However, an empirical study is carried out as well, on the basis of Logs and anonymous tracks in AFMIS system operation for daily task performance.

Procedure of data collection was based on semi-structured, unstandardized interview composition conducted in order to obtain qualitative data using the partners' narratives and direct quotations in regard to their attitudes, beliefs, intentions, decisions and experiences (Dana & Dumez, 2015).

The structure of the interviews was kept as logical as possible, initiating with some questions regarding the usage of the system at all levels of employees and resistance to change among public administration employees. After that, questions regarding the task performance and daily operations were raised. These ranged from the initiation of a new task performance, following up in the system and checking the status of the operation, ending with the finalisation of the process and monitoring of its success.

The interviews are carried out with institutions previously commuting to Treasury district offices for completion of operations, known as off-line institutions. The plan of roll-out is to include accessing and operating the web- portal within 2020. The data logs are for some of the institutions accessing currently web portal.

ANALYSIS

The data analysis is based on the results from the interviews carried out with 21 employees. They were asked group questions on:

1. Product quality (Ease of use, ease to access features available, response time during usage, presentational quality of information, ability of systems to meet user expectation, ease to handle error, ease to update information, ease to access information, information security).

98% of the respondents mentioned that the system is user friendly. The training carried out at central level at MoFE, and the one "on the job" - were useful which led the system to meet user expectation. One of the benefits mentioned by the employees is that the system provides the opportunity to track the status of the document, access the information and ensures transparency. The ease to handle errors or to update information in real time is evaluated by all the respondents.

2. Planning, Adaptation, and Operational Support Capability. The employees were asked questions on capability to identify and overcome problems, capability to comprehend specific need of users, capability to overcome emergency conditions, capability to identify technology change, capability to adapt to the changes in the environment, and transparency in managing

activities. The respondents fully shared the opinion that during the first phase, while the implementing company is still supporting the institutions, activities with the focus on planning and operational support capability are very well managed. The cases when the system presents some errors or emergency condition is raised, the officials at MoFE, the IT supporting team or the implementing company, is supporting. However, the system is supported by IT dedicated team and AFMIS Dedicated Directorate. The establishment of a dedicated unit directly improved the flow of communication among separate units, working independently for implementation of each module.

With regard to the questions dedicated to Net Benefit, the employees were asked on the ease to complete tasks, benefit on work efficiency, benefit on communication, benefit on delivery time of products or services, benefit on work monitoring, benefit on cost efficiency, benefit in knowledge transfer, benefit in improving self-confidence. One of the substantial advantages reported by the respondents was time saving. Before the system was developed, one employee from an offline business institution, had to go through this procedure:

First step - collect and prepare the file in hard copy in the office (which might be an invoice execution) of the Offline Spending Units.

Second step – upon preparation of hard copy file, one employee had to commute and travel to the Treasury District Office. There are cases when a BI from Vora, for instance have to travel by car normally 90 minutes round trip, to go to the Tirana Treasury District office. Upon arrival to the TDO, one has to wait in line sometimes for hours and deliver the file. If there are errors in documentation, one has to turn back in their office and return again.

Third step – the invoice to be executed with all the supporting document is recorded manually by the TDO officer, which takes time because there are files by all institutions. The invoice hard copy with all the supporting documents is stored at the TDO office and usually this procedure takes from 2 to 10 working days, depending on the number of transaction and overload of the TDO staff.

The benefit of work efficiency through the AFMIS Web portal has substantially improved the BIs and TDOs operations. Through the reengineering of operations, BIs complete the procedure in the system, upload the documents in the web portal, and authorise the TDOs to operate. The official in the TDO can check the documents electronically, the documents are secured and protected and no intervention is allowed. In a normal flow of operations, all the procedure can be completed in 15 minutes.

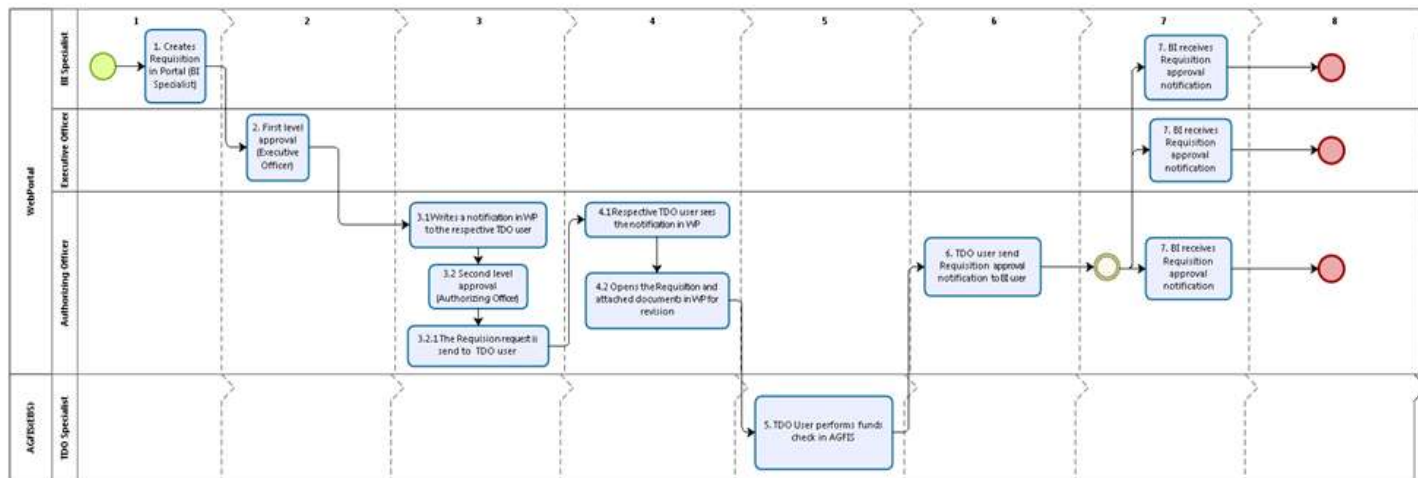


Figure 1. Workflow for an execution process for a Request for Purchase (Smakaj & Dima , 2017)

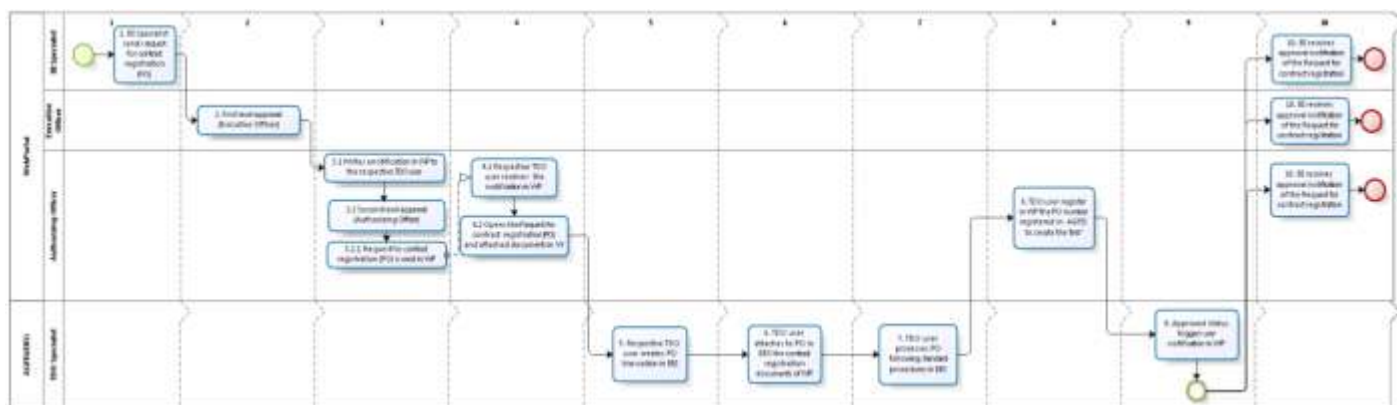


Figure 2. Workflow of the registration process for Purchase-Order (Contracts) (Smakaj & Dima , 2017)

More than 460 offline institutions are expected to access AFMIS web portal for budget executions and transactions. The roll out plan will be extended during 2021.

CONCLUSIONS AND RECOMMENDATIONS

AFMIS system has significantly improved the daily operations at all levels of budget execution and treasury. The development of interfaces with Custom Information System, HRMIS, APP and new functionalities in AGFIS for tracking the operational expenses with specific project code on budget execution process, ensures efficiency and improved performance of public finance management.

The government MIS system provides transparency to public finance, and lead to better participation of general public to proposal for better management of public finance.

However, these complex and ambitious exercises of integrated systems should be aligned with a detailed change management plan to better managing the implementation plan and smoothly adapt the resistance to change.

The Change Management Plan should be consulted and approved by all parties to ensure smooth collaboration for the users.

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