

Public Financial Management (PFM) Digital Transformation & Finance Ministry Modernization

Situation

- Governments leverage digital GovTech (government technology) such as Financial Management Information Systems (FMIS) to operate and automate Public Financial Management (PFM)
- Finance ministries are responsible for implementing FMIS to support government PFM reform and process modernization
- The promise of government digital transformation includes the extension of FMIS with additional GovTech to improve PFM outcomes

Complication

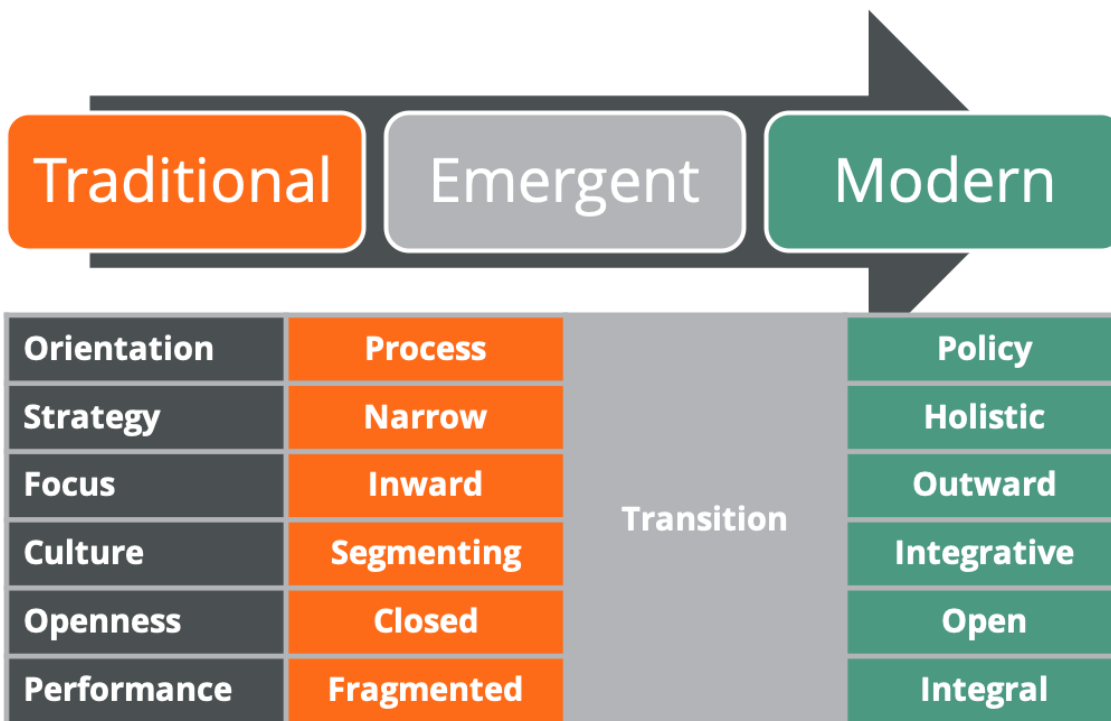
Governments often experience:

- high change resistance to new technology adoption in general
- lack of integration across FMIS portfolios that reflect organizational silos such as treasury, budget, debt, procurement, payroll, and tax administration
- poor digital capabilities within finance ministries
- finance ministry focus on compliance and routine functions at the expense of policy analysis, budget credibility, risk and liquidity management

Question

How can finance ministries modernize to support PFM digital transformation?

Solution



Organizational and institutional modernization was described in an IMF-published paper, [The Evolving Functions and Organization of Finance Ministries](#) in 2015. GovTech provides toolsets to support finance ministry modernization, particularly in the transition from a process and compliance to a policy orientation. Finance ministries leverage integrated big data analytics and artificial intelligence for effective forecasting and nowcasting for policy analysis across budget cycles. Modern FMIS automates processes, controls, and compliance enabling decentralization of routine functions to line ministries and agencies.

Finance ministry modernization is a key mindset foundation for PFM digital transformation. Improved capacity and institutional reform enables finance ministries to effectively leverage GovTech.

FreeBalance provides a [modern ministry advisory service](#). Governments leverage this service for holistic finance ministry institutional modernization through stages. The development of a finance ministry “operating system” is country-specific through the alignment with national development strategies, and PFM reform plans. Capacity building

and organizational change management uncovers PFM public servant value-add opportunities.

The main objective of the [modern ministry](#) service is to improve multi-year planning and implementation of social and infrastructure investments to achieve government strategies and the Sustainable Development Goals (SDGs).



The FreeBalance [modern ministry](#) approach extends the guiding principles from the IMF paper to assess current situations. Customized to the government context, FreeBalance diagnoses existing cultures, controls, levels of transparency, adoption of digital technologies, and policy focus in order to identify the organizational changes required to achieve decentralization and build capacity.

Appendix: Supporting Material

Supporting FreeBalance blog entries

- [Finance Ministry Modernization](#)
- [Innovation and the Modern Finance Ministry](#)
- [How to Get Government Digital Transformation Right](#)
- [Interoperability in Public Financial Management Systems](#)
- [Leadership and Government Digital Transformation](#)
- [Organizational Change Management and Government Digital Transformation](#)
- [Digital PFM – Why Isn't It Working? What Can Be Done?](#)