

**A SURVEY OF THE EXTENT OF IMPLEMENTATION OF INTEGRATED
FINANCIAL MANAGEMENT INFORMATION SYSTEM (IFMIS) AS A TOOL FOR
SUSTAINABLE FINANCIAL MANAGEMENT IN GOVERNMENT.**

By

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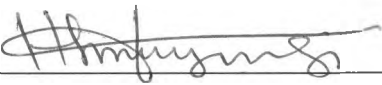
UNIVERSITY OF NAIROBI
LOWER KARIKORI CAMPUS

**A Management Research Project Submitted in Partial Fulfilment of the Requirement for
the award of the Degree of Master of Business Administration (MBA), of University of
Nairobi.**

October 2009

DECLARATION.

I declare that this project is my original work and has not been submitted in support of an application for another degree qualification of this or any other university or institute of learning.



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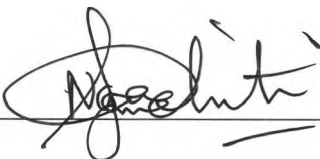
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This project has been submitted with my approval as the university supervisor.



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DEDICATION.

I dedicate this project work to my dear wife Josephine for her moral support and children Elizabeth, Monga're, Carol, Esther and Hillary for their understanding during the entire period of study.

ACKNOWLEDGEMENT.

First I wish to thank and express my sincere gratitude and appreciation to my supervisor, Mr. Mohamed Mwachiti for tireless guidance in this project work. Without his inspiring advice, constant encouragement, endless patience and worthwhile criticisms the completion of this work would have been impossible.

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ABSTRACT.

The study sought to determine whether IFMIS had been successfully implemented in Kenya. It was prompted by the fact that despite the government's commitment to implementing IFMIS as one of the key financial reforms, the implementation seemed to be too slow hence delaying the realization of its benefits. Moreover, studies in other countries indicate that such large projects rarely succeed especially those in developing countries. Therefore, the purpose of this study was to determine the extent to which IFMIS has been successfully implemented in Kenya and find out the factors influencing its implementation.

The study was carried out using questionnaires which were administered to forty (40) accountants in 40 Ministries. The data was analyzed using preliminary analysis procedures that included percentages and frequencies. It was through such a descriptive survey that the study established that IFMIS implementation was behind schedule.

The results revealed that there was resistance in the Ministries for the use of IFMIS. This implies that for IFMIS to succeed, such resistance must be overcome. Possible reasons for resistance included lack of training and fear of the unknown. Despite the resistance, it was found out that IFMIS had succeeded though still implementation was behind schedule. Consequently the government of Kenya has immensely benefited from the advantages of a computerized accounting system which is more reliable than the former stand alone legacy systems.

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LIST OF ABBREVIATIONS AND ACRONYM

AG - Accountant General

CoA - Chart of accounts

CSFs - Critical success factors

DFID - Department for international development

EU -European Union

FMIS- Financial management information system

GOK – Government of Kenya

HR – Human resource

ICT – Information and communication technology

IFMIS – Integrated financial management information system

IMF – International monetary fund

IPSAS – International public sector accounting standards

IT – Information technology

MOF – Ministry of finance

MTEF – Medium Term Expenditure Framework

PUFMARP – Public financial management reform program

RGAS – Revised government accounting systems

UK – United Kingdom

CHAPTER ONE: INTRODUCTION

1.1 Background

Transparency and accountability are essential elements of good economic governance. The most important cause of economic stagnation and resultant poverty in developing countries are poor governance and weak internal controls that enable corruption to thrive in the public sector. Procurement processes too have been inefficient and in many instances the probity of contracts awarded has been severely criticized. IFMIS strives to achieve the objective of transparency and accountability by strengthening Kenya's financial management (Sida, 2002).

Budget execution and accounting processes in Kenya like other developing countries were or are still manual or supported by very old and inadequately maintained software applications. This has had deleterious effects on the functioning of the public expenditure management systems that are often not adequately appreciated. The financial management has always been poor with stand-alone and fragmented systems, hence rendering delivery of information to be low. Diamond et al 2005, says that this has led to escalation of pending bills to unmanageable levels and overspending has been significant.

Concerned over the persistent poor performance in financial management and lack of reliable and timely financial information for decision making, the Government of Kenya from October 1996 undertook to review the functioning of the Accountant General's Department, the Financial Management, Accounting Systems and the role of Audits. The objective of the review was to develop a strategy and implementation plan to improve the financial management systems, skill and capacity within the Government and timeliness of financial

information. The team of the review was commissioned by the Department for International Development formally known as Overseas Development Administration and the World Bank (Ministry Of Finance, Republic of Kenya, 1997).

The review found out that the information which GOK finance systems and staff produced was inadequate, incomplete, subject to significant delay and did not focus on outputs. The information was not of sufficient quality to support decision making, and failed to meet the objectives of accounting for public revenue and expenditure (Ministry of Finance, Republic of Kenya, 1997).

According to this review, Financial Procedures as set out in the Financial Regulations and the Revised Government Accounting Systems (RGAS) appeared to be comprehensive. But in practice, they were often not adhered to leading to loss and inefficiency in the use and management of resources by GOK. Because of inadequate information for decision support, GOK could not demonstrate appropriate stewardship of resources or compliance with its own expressed standards and procedures. There was a lack of confidence in the financial information which was produced, and some donor agencies were unable or unwilling to release funds until projects could be properly accounted for (Ministry of Finance, Republic of Kenya, 1997).

It was out of the findings and recommendations of this review that the government of Kenya in 1997, started implementing a project for the strengthening of government finance and accounting functions, aimed at improving financial management, accountability, and

transparency of public funds. These reforms have been funded by Sweden through Swedish International Development Agency (Sida) in conjunction with the World Bank and the British's Department for International Development (DFID).

Following a procurement delay of almost two years, a contract for the purchase of the software implementation was finally awarded during late 2002. Hardware procurement was undertaken separately from the software. The pilot phase started with the setting up of core procurement and accounting modules in the Treasury as well as two pilot Ministries during the 2003/2004 financial year. Roll out to Ministries and thereafter Districts are still ongoing.

1.1.2 Financial Management System

An effective and efficient financial management system relies on the availability of accurate, complete and timely financial data which are provided by an organization's accounting system. In the last decade or so, there has been a growing interest in the quality of public sector financial management in developing countries. In contrast, "during the cold war, aid was generous, but often doled out to political allies with few questions about whether the money was put to good use, wasted or stolen" (Financial Times 2005: 12).

Andy Wynne observes that, in the early years after the fall of the Berlin wall in 1989, interest in the state was limited, but following the World Bank's Report (World Bank , 1997), the role of the state has become increasingly prominent in development efforts, and particularly in the drive against poverty (Andy ,2005). U.K 's Department for International Development (DFID) issued its guide on public expenditure management in 2001, which noted that in recent years,

there has been a dramatic surge of interest in public expenditure issues among governments, development agencies and the wider public” (DFID, 2001 a).

The increased interest in the state and the realization that all aid was fungible led to a gradual move away from project to general budget support. Consequently, aid is provided directly to the recipient government to support its general services, in the context of its poverty reduction strategy paper agreed with the World Bank and the International Monetary Fund, IMF (Andy, 2005). According to Premchand, governments at all levels are expected to be more responsive, accountable, and cost-effective in the use of public money (Premchand, 1994).

The Integrated Financial Information Management System and the Medium Term Expenditure Framework are the two most significant Reforms that have been championed by the World Bank, U.K’s Department For International Development (DFID) and other donor agencies as a measure to instill financial discipline in developing countries, (Andy, 2005). Hence the establishment of an IFMIS has become an important benchmark for the country’s budget reform agenda, often regarded as a precondition for achieving effective management of the budgetary resources (Diamond et al, 2005).

The consequence of lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting due to the use of legacy systems have been a poorly controlled commitment of government resources often resulting in large build up of arrears; excessive borrowing, pushing up of interest rates and crowding out of private-sector

investment, and misallocation of resources, undermining the effectiveness and efficiency of service delivery (Diamond et al 2005).

Legacy systems have been found to be inadequate in terms of providing accurate, complete, and transparent information to developing country's governments. This lack of information has hindered transparency and the enforcement of accountability in government, and has only contributed to the perceived governance problems in many developing countries (Diamond et al 2005). The financial system has therefore been a major obstacle in effective planning, budgeting and implementation of government programme. In general, compliance, transparency, accountability and good governance are hindered by lack of effective systems, procedures and processes (Sida, 2002).

A fully functioning IFMIS can improve governance by providing real-time financial information that financial and other managers can use to administer programs effectively, formulate budgets, and manage resources. Sound IFMIS systems, together with the adoption of centralized treasury operations, can help developing country governments gain effective control over their finances, as well as enhance transparency and accountability, reducing political discretion and acting as a deterrent to corruption and fraud (Brown 2008). In light of the above developments, a series of fundamental reforms were encouraged and guided by the World Bank and other aid agencies. These organizations played an important role in encouraging the adoption of new public management type of reforms through their aid programmes and related conditional ties (Minogue, 2000). The need for these reforms arose, at least partly as a result of the change in perceived objectives for public sector financial management, (Andy, 2005).

1.1.3 Expected IFMIS Benefits

It is expected that when the project is fully complete and functioning, it will provide the government of Kenya a system driven budget control and adherence mechanism; improvements in organizational processing efficiency- automation of manual processes and General Ledger; greater data consistency and accuracy of financial information in Government; enhanced accountability- improved methods of financial and management visibility; and accurate and timely management reports that better equip administrators with a control and monitoring mechanism, ensuring that sound governance is adhered to (Chene, 2009).

The introduction of Integrated Financial Management Information Systems (IFMIS) has become a core component of financial reforms to promote efficiency, security of data management and comprehensive financial reporting. IFMIS seeks to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information (Chene, 2009). They seek to improve budget planning and execution by providing timely and accurate data for budget management and decision making. In addition, IFMIS also seeks to strengthen the efficiency of financial controls by making comprehensive, reliable and timely financial available to the Auditor and Controller General, Parliament, investigative and prosecutorial agencies etc(Chene, 2009).

Information and communication technology (ICT) can play an important role in fighting corruption in public finance systems by promoting greater comprehensiveness and transparency of information across government institutions. IFMIS can have a deterrent function on corruption by increasing the risks of detection. A well designed IFMIS can provide a number of

features that may help detect excessive payments, fraud and theft. These include automated identification of exceptions to normal operations, patterns of suspicious activities, automated cross-referencing of personal identification numbers for fraud, cross-reference of asset inventories with equipment purchase to detect theft, automated cash disbursement rules, identification of ghost workers, etc. In addition, high speed comparisons of data can help identify promptly weaknesses and exceptions and alert managers to suspicious patterns of activities (Chene, 2009).

However, many corrupt transactions and cases of abuse of office never enter the system. Bill Dorotinsky warns that IFMIS has limitations despite it being a very powerful tool against corruption. IFMIS may even be associated with new corruption opportunities through the monopolization of information access and control (Dorotinsky, 2003).

1.2 Statement of Problem

Most of the worldwide studies point to the fact that most of IFMIS projects do not succeed. For example in 2003, Bill Dorotisky and his colleagues at the World Bank produced a landmark study about bank funded Integrated Financial Management Information Systems (IFMIS) projects. The statistics at the time showed that only 43% of the projects were delivered as specified, 50% on budget and 21% delivered on time. The assumption at the time was that implementations should take between three and five years—the finding was that they took an average of seven. The World Bank has invested over \$1 billion to finance Integrated Financial Management Information System (IFMIS) projects over the last decade. The average time for

the completion was over nine years for African projects and the average cost of each of the 34 projects worldwide was \$12.3 million (Dorotinsky, 2003).

The general lesson from the World Bank's experience was the requirement to have clear political commitment and ownership by the borrowing country. Such schemes were generally less successful in poorer countries and Dorotinsky highlighted the following additional risks: lack of capacity; lack of government commitment; too many project components; and opposition by staff and line Ministries (Dorotinsky, 2003). Another study on enterprise Resource Planning (ERP) projects revealed an average variance of 182% of estimated cost and 23% of schedule time.

In the case of IFMIS projects for governments in emerging countries, vendors blame the victim of: Having unreasonable expectations, lacking an adequate number of trained staff, not being sufficiently committed, poor project management, frequently changing minds, not effectively articulating the business process and being reluctant to manage change. The UK Government's Department for International Development has provided similar figures from their experience, with a total cost of between \$10 million to \$20 million and a completion period of at least 5 years (DFID, 2001a). The conclusion from the World Bank and Department for International Development indicate that only 21% of IFMIS projects were successful and that out of the 21% successful, only 6% of the projects were considered sustainable (Dorotinsky ,2003).

As explained above the International financial institutions consider MTEF and IFMIS to be *core public financial management reforms* for many developing countries. Their level of

success as explained above, however, has been relatively modest and many of the assumed benefits have not necessarily been achieved. As a result, scarce resources and expertise may have been wasted on initiatives whose success in practice had not necessarily been adequately tested (Andy , 2005).

There are numerous obstacles on the way to implementing successful IFMIS in developing countries. Such difficulties include, resistance from the bureaucracies involved; lack of decision- making from the top; weak human capita; corruption and fraud; and, in the case of conflict-ridden countries, the instability and violence that impair any efficient long-term work (Brown 2008). Moreover, IFMIS systems are complicated, expensive, and difficult to manage and maintain. Indeed, a 2003, review of 34 IFMIS projects supported by the World Bank over 15 years estimated that only few of the systems were likely to be sustained after donor support ceased (Dorotinsky, 2003).

In view of the above, the focus of my study will be to investigate the degree of success of Integrated Financial Management Information System (IFMIS) in the Government of Kenya, and identify the success factors and challenges that contribute to its success or failure and determine how this success has contributed to effective and efficient financial management of public funds in Kenya.

1.3 Objectives of the Study

- i. To determine whether IFMIS has been successful in the Ministries where rollout has been done;
- ii. To identify factors influencing implementation; and

- iii. To establish whether financial management of public funds has improved with the use of IFMIS.

1.4 Significance of the Study

The study will be useful to managers, researchers, Ministry's staff involved in IFMIS, and Development Partners.

1.4.1 Managers

For the policy makers in the government, the findings of this study will enable them to find out where they are with reforms and attempt to tackle the challenges that hinder the speed implementation of the project for quick realization of the benefits of this system.

1.4.2 Researchers

Research on this topic has not been extensive in Kenya. Therefore, the findings of my study will enable researchers to identify gaps for future research. Besides, the literature will add to the body of knowledge on this topic.

1.4.3 Ministry staff

As noted above, literature on this area is limited and therefore my findings will assist staff involved in IFMIS to appreciate its benefits.

1.4.4 Donors

The development partners have been in the forefront in pushing for reforms. They have funded the acquisition of the hardware and software for the project. The findings of this study will assist them in coming up with the final report on implementation of these key reforms.

1.5 Study Variables

There will be both independent and dependent variables. In this study, IFMIS implementation will be the dependent variable because it will depend on a number of factors for its success.

On the other hand independent variables are the factors or inputs that influence the outcome of the dependent variable. In this study, political commitment and ownership, legal frame work, the chart of accounts, capacity building, sustainability, change management, project management and business process re-engineering are some of the independent variables.

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CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter contains the literature available on Integrated Financial Management Information System. Areas such as the meaning of IFMIS, the critical success factors, types of IFMIS systems, survey of country experiences and the challenges facing IFMIS implementation have been covered in this chapter.

2.2 The Concept of IFMIS

Stephen B. Peterson defines Integrated Financial Management Information System as a computer application that integrates key financial functions (e.g. accounts, budgets ,etc) and promotes efficiency and security of data management and comprehensive financial reporting. An IFMIS is one way to address the problem of “stove-piped” financial systems that do not talk to each other and do not produce a timely and comprehensive picture of a country’s financial system (Peterson, 2008).

IFMIS is the computerization of public expenditure management processes including budget formulation, budget execution, and accounting with the help of a fully integrated system for financial management of the line ministries and other spending agencies. The full system should also secure integration and communication with other relevant information systems (Diamond et al 2005).

2.3 Critical Success Factors

Once the decision is made to introduce a new IFMIS system, a plethora of issues needs to be anticipated and planned for. Each country situation presents challenges that, if ignored, decrease the potential for successful IFMIS implementation (Brown 2008). Implementation of IFMIS is a complex exercise, and therefore, many different problems will be encountered in different phases (Markus et al, 2000, Xue et al. 2005). According to Kumar et al. (2002), and Scott et al. (2000), many cases of failure to implement the new systems is because of either cancellations or cost/ time overruns (Kumar et al. 2002, Scott et al. 2000).

It follows, that to reduce the failure rate of IFMIS implementation, critical success factors (CSFs) must be considered. This implies that an organization must identify the critical issues that affect the process of implementation. Critical success factors are 'the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department, or organization. They are the few key areas where "things must go right" for the business to flourish and for the manager's goals to be attained' (Bullen et al. 1986). The following are some of the critical success factors:

2.3.1 Legal Framework

It is very important to understand how the legal system in place functions, and then to build an IFMIS that responds not only to its requirements, but also has the adaptability to respond to eventual changes in the legal framework. Off-the-shelf tools can provide this flexibility. (Brown 2008, Kumar et al, 2008). IFMIS implementation teams must carefully address these

legal and regulatory requirements if the IFMIS is to be successful and sustainable (Brown, 2008).

The legislative framework must address issues like roles and responsibilities of the treasury, Ministry of finance and other agencies involved in controlling and managing public finances, Provisions on the receipt and custody of government funds, the annual process, submission and approval of estimates and procedures for release of funds, the basis of accounting and the form and procedures for presentation of annual accounts, and Provision on asset management, borrowing and investment. Attention will also need to be given to statutory review and reporting requirements, such as publication of the budget, external audits, and reporting to international bodies such as the IMF and World Bank (Brown, 2008).

2.3.2 Business Process Re-Engineering

The introduction of a new IFMIS system requires changes in management and organizational structures, workflows, and roles and responsibilities. Business process re-engineering or redesign is, therefore, a critical aspect of any IFMIS reform. This will require a review of all systems, functional processes, methods, rules and regulations, legislation, banking arrangements and related processes. Attention should therefore be paid up-front to information flows and the way in which those flows are processed, managed, reported, reviewed and used for decision-making (Brown 2008, Kumar et al, 2008). It follows that IFMIS design should, therefore, be preceded by detailed functional analysis that underpins current functional processes, procedures, user profiles and requirements that the new system will support.

2.3.3 The Chart of Accounts

The Chart of Accounts represents the basic building block of any accounting system. The CoA lists all accounts tracked by the system. Each account in the chart is assigned a unique identifier, or an account number, involving a series of information tags that denote certain things such as the cost center, the department or unit responsible for the transaction, the program or purpose for which the transaction is being made, the nature of the transaction, and so on. The chart of Accounts is integral to the success of any IFMIS (Brown 2008).

The chart of accounts can be compromised by the frequent changes in leadership and priorities that are characteristic of most governments. It must be designed with the flexibility to accommodate changes such as restructuring or reshuffling administrative units or shifting of responsibility for programs each time there is an election or a Minister is replaced. Without taking this into account, then IFMIS will almost certainly be thrown into disarray when such changes take place (Brown 2008).

The new budget classification structure and chart of accounts should be compliant with the classification framework in the IMF's Government Finance Statistics Manual 2001. The codes and classifications will have to be brought into compliance with standard classification and accounting frameworks, such as the IMF's Government Finance Statistics and the International Public Sector Accounting Standards (IPSAS), and designed to accommodate diverse reporting requirements. Nevertheless, when defining the chart of Accounts, existing classification structures in the country should not be ignored (Kumar et al, 2008).

2.3.4 Change Management

Change management is one of the most critical, but also one of the most neglected, aspects of IFMIS reforms. Resistance will come from all angles: from vested interests that have benefited from the way things have traditionally been done, civil servants who see new systems as a threat to their jobs, and those who resist simply for fear of the unknown. While opposition is not always easy to overcome, any systems implementation that ignores change management flaunts with failure (Brown 2008, Kumar et al, 2008).

Political will is crucial to the implementation of IFMIS. Once the decision has been made to implement an IFMIS, the battle is half won. Garnering support from those who will use the new system, and overcoming resistance from those who stand to lose from its implementation, can be an equally daunting challenge. Change management is therefore an important part of any IFMIS project (Brown 2008).

A change management strategy should be developed, taking into consideration the change implications for diverse stakeholders, from politicians and senior officials to department heads, civil servants and the IT personnel who will support the new systems. An effective implementation of IFMIS requires change management strategies and an understanding of organizational culture. Change management involves the effective balancing of forces in favor of change over forces of resistance (Stebel et al.1992).

The best way to overcome resistance is to “sell” the changes through a variety of media: workshops, seminars, training sessions, a website, conferences, or newsletters. Furthermore,

resistance will be overcome through clear communication, education, and training, as well as through “quick wins” that demonstrate the benefits of the change (Brown 2008, Kumar et al, 2008).

Training and education allow users to understand the overall concepts of IFMIS system and ensures their acceptance and readiness to use the new system. User training will, however, be effective only if it also includes business practices and processes as part of its content (Legare, 2002, Robey et al. 2002). Inadequate training has been one of the significant reasons of many IFMIS systems failures. The same reasons have been cited by Gupta and Kelley et al. (Gupta, 2000, Kelley et al. 1999).

Change management, therefore, must be addressed early in the needs assessment phase. When working out system needs, the human needs should not be ignored as they are as important, if not more. Implementation needs to be phased and flexible, and it is necessary for the Ministry of finance to take a lead coordinating role in the whole process. Donors are inevitably required to provide technical and financial support for the entire process (Diamond et al 2005).

2.3.5 Sustainability

IFMIS implementation requires patience. The full project life cycle from definition of objectives, to system specifications, to system procurement, configuration, testing, and rollout can take seven to ten years or longer to complete. This type of time horizon is usually well beyond the attention of donors. It is therefore advisable to divide IFMIS implementation into clearly defined stages with clear objectives and milestones with the aim of putting in place

sound systems that are well understood and embraced by counterparts and in the end will be self-sustaining (Brown 2008).

To ensure sustainability, a low-cost solution should be procured so that the recurrent costs, after the end of the project, do not pose an excessive burden on Government. Recurrent costs include annual recurrent cost for the software and hardware, operating costs which are subsumed under the budgetary outlays for the overall computerization and office automation process of the Government etc. (Brown 2008).

There are challenges associated with basic infrastructure issues, like remote connectivity and reliable power supply that can not only cause damage to the hardware but also result in downtime in operations. The IFMIS project therefore would have to provide for reliable generators, circuit breakers and UPSs etc. (Diamond et al 2005).

2.3.6 Capacity Building

One of the biggest challenges for an IFMIS system is human resource capacity and the ability of Government to retain qualified and trained staff. This challenge must be tackled in a systemic way. Given the weak HR capacity, technological improvements in the area of public financial management should be matched with corresponding increase in HR capacity. Trained staff should form the core team of the IFMIS implementation (Brown 2008).

2.3.7 Legacy Systems and Data Migration

Legacy (existing) systems include the existing information technology infrastructure (hardware and software), business processes, organizational structure and culture (Roberts et al. 1992, Adolph, 1996). Legacy systems must be addressed as part of the needs assessment. It is also important to establish if the data can be recovered and transferred into the future system. A creative approach to handling legacy systems and data migration is required (Brown 2008).

Holland and Light state that ‘legacy systems encapsulated the existing business processes, organization structure, culture, and information technology’ (Holland et al. 1999). It is necessary to evaluate the current legacy system, as greater and more complex legacy systems require more technological and organizational changes during the transitional period of IFMIS implementation (Holland et al. 1999, Neh et al. 2003).

During implementation, existing legacy systems have to be carefully defined and evaluated to determine the nature and scale of problems that an organization may encounter during implementation. There is need to carefully manage legacy systems during implementation of the new system (Holland et al. 1999). Neh et al. (2003), pointed out that to be successful, IFMIS implementation efforts must overcome issues of complexity arising from business and IT legacy systems (Neh et al 2003).

The problem of legacy systems centers on the fact that in most organizations, data are not kept in a single repository, but rather spread across dozens or even hundreds of separate computer systems, each housed in an individual function, business unit, region, or office. It is important,

therefore, that an organization approaches the transition of legacy system carefully and with a comprehensive plan.

2.3.8 Management and Leadership

Leadership and top management commitment are the most critical factors in organizations embarking on IFMIS implementation, as they ensure a smooth change management and system rollout (Bingi et al., 1999). Leadership and management is required in setting the vision and direction for the business as well as for harnessing the energy and creativity of employees, for enabling the business to perform, for implementing modern concepts such as BPM and for exploiting the technology capabilities of an IFMIS system.

Leadership is a propagated approach of individuals and champions who can effectively implement change programs and who are not averse to modern ideas, learning and growing the business through innovation and best practices (Al- Mashari et al ., 2001).

2.3.9 IFMIS Package Selection

Countries often fail to consider whether the system they are evaluating will match their overall business strategy (Devenport, 1998a, b). The most important criteria used by organizations in selecting their current Information Systems according to survey, is the best fit with current business procedures. Rao advises small and medium enterprises to check on the following five important criteria when selecting an IFMIS package. These are, affordability, domain knowledge of suppliers, level of local support, software upgradeability and use of latest technology (Rao, 2000a,b).

2.3.10 Communication

Welti (1999), views communication as one of the most challenging and difficult tasks in any IFMIS project (Welti , 1999). There should be a communication plan in place which will detail several areas including the rationale for the IFMIS implementation, details of the business process management change, demonstration of applicable software modules, briefings of change management strategies and tactics and establishment of contact points (Bancroft et al., 1998).

To avoid communication failure, an open information policy needs to be maintained for the project. This would include e-mailer system, but serious problems need to be discussed by telephone or, preferably, face to face (Welti, 1999).

2.3.11 Project Management

Martin (1998), explains that approximately 90% of IFMIS system implementations are late or over budget (Martin 1998). Holland et al. continue to say that this state of affair is caused by poor cost and schedule estimation and not due to poor project management (Halland et al., 1998). However, it is a fact that in order to manage a project successfully, project managers must be capable both in strategic and tactical project- management activities. This argument is also reinforced by Slevin and Pinto (1987) who propose ten project- management critical success factors which include: Project mission; top management support; project schedule/ plan; client consultation; personnel recruitment; technical task; client acceptance; monitoring and feedback; communication; and troubleshooting (Slevin et al., 1987).

2.4 Types of IFMIS Systems

Tier 1 Systems: These form the backbone of IFMIS systems in developed countries, and are capable of supporting thousands of concurrent users, multiple modules, etc. They are also high cost - both initial cost and high recurrent costs – and are also highly demanding on infrastructure availability, require substantial customization (which can be very expensive) and a trained and highly skilled workforce that is generally not available in post conflict countries (Diamond et al 2005).

Tier 2 systems: These are the one's that have been implemented in low capacity post conflict countries such as Kosovo, East Timor, Afghanistan, Iraq and Southern Sudan. While providing the core functionality of an IFMIS system they are easier to set up and operate, are less complex, are less demanding on infrastructure requirements and also require a lesser skilled workforce. The Total Cost of Ownership over a five year period is substantially lower than a Tier 1 system. IFMIS acquisition will focus only on three modules: General Ledger; Budget preparation; and HR and Payroll.

This type of system relates to up gradation of the manual accounting system in line with global best practices. This component supports the improvement of manual accounting system in Liberia. This involves the development of new templates for manual accounting, a new manual accounting manual, and procurement of improved cash books that have improved inbuilt controls such as the use of self inking paper and numbered sheets position (Kumar et al. 2002).

2.5 Country Experiences

The relatively smooth and successful cases include that of Slovak Republic, Tanzania and Kosovo..

Slovak IFMIS is a classic case of rapid success of implementation. The factors for rapid success of IFMIS in Slovak include: Political will, a clearly defined strategy and time frame, a clear understanding of what the government and its institutions required turned into a clear definition of what needed to be achieved, with a clear definition of the tools that were to be used to the rapid success of IFMIS in SLOVAK. The system chosen to suit Slovak IFMIS was composed of three basic off-the-shelf packages: a General ledger application – package chosen SAP; Client banking software – package chosen QBSW; and treasury management and trading software – package chosen TREMA (World Bank,2001).

The contract for installation was initially awarded to one firm, and then swiftly withdrawn after a bribery scandal was exposed in the press. It was eventually awarded to the runner-up, Hewlett Packard, which set out to install the selected COTS packages on HP's hardware platform. The implementation process endured a change in government, but the process was not derailed because the elected Assembly (Parliament) was committed to a new system and forced the hand of the bureaucracy. The Slovak Government's IFMIS is possibly one of the most effective IFMIS systems in the European Union (EU), rivaled perhaps by those in Lithuania, Estonia, and Slovenia. The Slovak IFMIS is possibly the most efficient among them and closest to the commercial model. The Slovak IFMIS implementation succeeded primarily

because the country wanted to become part of the EU and was willing to make the changes required to comply with EU directives (Brown, 2008, Chene, 2009).

Post-conflict Kosovo offers another case of successful IFMIS implementation. The reconstruction of infrastructure destroyed by conflict required huge inflows of foreign assistance. An early step was the establishment of the Ministry of Finance and Economy, and creation of a basic financial management system, to act as a simple tracking mechanism in Microsoft Excel. However, within a few months the need for a more sophisticated, Government-wide IFMIS became apparent. The objective was to integrate the 30 Municipalities and the future line Ministries and spending agencies under one central system.. The IFMIS assistance included an E-Government software system, Free Balance financials, produced by a Canadian firm and also used by the Canadian Government. A Chart of Account was developed, agreed on and adopted using the old Yugoslav model. The IFMIS implementation team configured the system and disseminated all documents and information in Albanian, Serbian and English- the three municipalities. The core system was up and running in all three languages in 2003 and has been expanding in functionality ever since. In some cases, Kosovo was the first to implement certain features of Free Balance and played a significant role in developing workable configurations and solutions that have been copied in other developing countries using FreeBalance .(Brown, 2008, Chene, 2009).

The government of Tanzania started implementing an ambitious reform program in 1994 to improve public sector financial management. In 2001 the World Bank stated that IFMIS was “at the core of the Ministry’s reform programme aimed at greater financial control and

accountability". Tanzanian reforms were introduced on a modular and step-by-step basis, focusing primarily on a few key institutions, that is the Accountant General and pilot Ministries in 1998, which were considered critical for improving public finance. Despite delays and setbacks, the reform process has been successful (World Bank, 2002). In 2001, the IFMIS was rolled-out to the sub-treasuries in each region. Initially, there were 19 sub-treasuries, but a further 2 were created at a later stage (World Bank, 2001). In July 2002, IFMIS was piloted in 28 of the more than 130 local governments. An additional 42 local governments were to be connected during 2004/2005 (Bird, 2003, World Bank and IMF, 2004).

The software package for the IFMS is a medium-sized financial management and accounting package (Platinum SQL Financials from EPICOR). At present, the IFMS is only using a few modules, namely General Ledger, Accounts Payable, Accounts Receivable, Cash Management, Purchase Order, Multi-currency, Budget Module, Foreign exchange report writer, and Crystal report writer.

The failed implementation cases include that of the governments of Ghana, Uganda and Malawi. Ghana launched an ambitious multi-faceted Public Financial Management Reform Program (PUFMARP) in 1996, about the same time as the one in Tanzania, but has been significantly less successful (World Bank, 2002). The project is based on state-of-the-art IT technology (ie Oracle Financials), with the following modules: Accounts receivable, Accounts payable, General ledger, Cash management, and Budget execution (Andy, 2005, World Bank, 2004a).

Uganda offers an example of a country where introduction of a government IFMIS has moved in fits and starts (Brown, 2008, Chene, 2009). The most recent IFMIS implementation started in

2002. This is the second effort to set up a government-wide IFMIS with World Bank loan financing. The previous attempt never went live, after faltering in the design stage. The current system, based on the Oracle Financials platform, is fraught with key design problems that lie around the Chart of Accounts which will necessitate a system migration (Brown, 2008, Chene, 2009).

The Uganda IFMIS has moved along ever since, under performing its potential, with patches and workarounds that only serve to decrease the efficiency of what could have been an excellent system. Various other problems were encountered, most of them common to IFMIS projects around the world. These included: inadequate planning; poor communications between implementers, donors, and Government; shortage of management capacity and resources; changes in systems design documents without full agreement; poorly implemented trainings; and unnecessary and spurious project expenditures (Brown, 2008, Chene, 2009 , Diamond et al 2005).

The Integrated Financial Management Information System (IFMIS) was introduced in 1995 with the objective of computerizing the budgetary and accounting processes. The governance structures including the steering committee, the project management team, and the implementation structure between the contractor and the government were properly set up.(Brown, 2008, Chene, 2009 ,Diamond et al 2005). The design and procurement process was completed in 2000 with the purchase of a package solution, and the pilot run of the customized software started in 2001. There have been significant implementation delays. In general, the implementation phase has not progressed well, primarily because of clearly limited

involvement and some neglect of the system by the main players, including the MOF, AG and pilot ministries. Other difficulties include: inadequate resources to project implementation team, inadequate attention to change management and communication activities, inconsistent views within the implementation team and implementing ministries.

A fast review of the system conducted by the AG with the help of an outside expert in July 2004 revealed a number of problems with the functionality of the system, so that the roll-out was delayed until the problems had to be resolved. These problems included serious deficiencies in expenditure control and tracking processes. (Brown, 2008, Chene, 2009 , Diamond et al 2005).

2.6 Reasons Why IFMIS Projects Stall In Developing Countries

Jack Diamond and Pokar Khemani have identified the following 11 reasons (Diamondi et al. 2005):

Ownership of the system and authority to implement: Lack of clarity in ownership of the system and unclear authority to implement the system has been cited as one of the reasons why IFMIS project fail in developing countries. In Anglophone Africa it is not clear who should be in charge of an FMIS project— the MOF proper, in charge of budget management, or the Accountant General's Department, typically institutionally separated, in charge of government accounting.

Failure to clearly specify the basic functionality: As a tool of management, an FMIS must be carefully designed to meet agencies' needs, or functional requirements. The functional requirements document serves as the blueprint for later phases of the FMIS project. It describes the accounting and financial management tasks the system must perform, the agency's information requirements, the operating environment, and a plan for developing any necessary programming.

The failure to spend enough time on the design phase: The functional requirements document that serves as the blueprint for later phases of the system project is critical—if wrong, it is difficult to rectify the situation later. Requirements analysis is important but tends to be an often neglected step. It is essential that sufficient time be taken during the planning of the project to list all user requirements for information to be derived from the FMIS.

Failure to re-engineer procedures: Establishing an FMIS should not be viewed as merely computerizing existing procedures. Computerization promotes two kinds of reforms: efficiency reforms that accelerate the operation of existing procedures, and effectiveness reforms that change existing procedures (Peterson et al. 1996). The real payoff from IT is when it makes organizations more effective, not simply more efficient. Introducing an FMIS should thus be viewed as an organizational reform. Redesigning information flows—the way those flows are processed, managed, distributed, and used for decisions usually requires changing operating procedures (Strassmann, 1985).

Failure to undertake parallel reforms required by FMIS: The reform of business practices should be a top priority, but too often there exists a blind belief that computers will solve all

problems. Reform requires substantial groundwork to standardize manual procedures, including documentation used and processing rules across all users, redesigning and strengthening internal controls, and redesigning reports and other analytical outputs. However, more substantial reforms will take more time.

The neglect to “sell” the system to agencies: Agencies should accept the need for the new system and that it will provide useful information to assist managers in the management of their agencies. If FMIS is seen as a centrally imposed tool to further control agencies, then its successful implementation will be threatened. Any agencies that currently have well-developed management information systems should be particularly targeted for selling the advantages of the new system. It is advisable to include those agencies on the steering committee.

Over estimating the information to be included in the system: The intended scope of the IFMIS should not be too wide. The user specification stage should be used to determine the critical requirements for the initial version of the system and what could be left to later versions or removed from the user requirements.

Unrealistically short project timetable: Implementing complex FMIS projects takes time. The steps in system development include: preparatory requirements analysis, system design, development and testing; procurement and installation; testing of the full system in the user environment, training and conversion. The time required for the completion of each step is often grossly underestimated, especially in developing countries.

Under- estimation of the required management input: The experience of advanced countries is that managing complex FMIS projects requires considerable management skill. However, this is typically in short supply in developing countries. Senior managers in developing countries rarely delegate responsibility and frequently are overloaded with work. Moreover, top managers may not be computer literate. The consequence is that often the binding constraint when introducing FMISs is not the technical capacity to create them but the capacity to manage them. Reforms are most likely to succeed if they have the following features: they are easy to use by the manager; they address an external reporting requirement by the manager; and they are confined to the manager's area of concern. These requirements are hard to attain in developing countries, where top managers lack experience in computerized accounting and are therefore unable to grasp its possibilities for financial management (Bugler et al.1993).

Lack of incentives for reform: To get FMIS reforms accepted, decision makers must first be sold the idea that the benefits exceed risk. However, officials tend to be risk averse—introducing computer technology is an innovation that is perceived as risky. It is complex, it demands skilled staff, and it needs procedural changes. Second, decision makers must be convinced it is needed. Basing a reform on conditions imposed by donors, as has sometimes been the case in Africa, does not increase success. Third, decision makers should recognize the urgency of the reform or the need for prompt implementation. Fourth, managers may steer away from difficult personnel issues. Almost inevitably, moving from manual systems to an FMIS allows government to fulfill the same function with fewer staff. To operate the new system will also typically require different types of skill. However, in most developing

countries, managers in government cannot reduce staff and are severely limited in their capacity to change them.

Prerequisites do not exist: To successfully develop an FMIS, the project must be solidly based on some basic data on how the present system operates. In the developing countries, information is usually inadequate, computer literacy level is low, communications are poor and, skilled labor is often in short supply. Efforts to improve skills in government are often frustrated by the migration of labor to the private sector for higher pay when workers have acquired sufficient skills. Faced with the poor pay scales mentioned previously, one solution is simply to pay retention bonuses to IFMIS staff.

The IFMIS Project Charter is the high-level management document for the project. It is a statement of the major goals and objectives of the project and contains a statement of the project goals-kumar pp middle continue.

2.7 Chapter Summary

It has been seen from the preceding discussion that once a decision to introduce IFMIS is made, plethora of issues needs to be anticipated and planned for. Each country situation presents challenges that, if ignored, decrease the potential for successful IFMIS implementation (Brown 2008). It follows that all these factors must be addressed early enough in order to avoid failure. The chapter also has shown that there are countries which have successfully implemented IFMIS yet others have totally failed.

Although there are numerous studies around the world on implementation of IFMIS, none has been done in Kenya. This means that there is a gap which my study intends to fill. This is why I have chosen this topic on the Kenyan context to fill this gap. This study will endeavor to establish whether implementation of IFMIS in Kenya has succeeded, factors influencing its implementation and whether it has improved financial management in government.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design, the sampling procedures, instrumentations, methods of data collection and data analysis. It also describes the techniques that were used in the presentation of the analyzed data.

3.2 Research Design

A descriptive survey design was conducted to collect data on the status of IFMIS implementation in Kenya with the intention of establishing its success and the harnessing of the benefits that come with its successful implementation. This research design was appropriate in order to meet the purpose and objectives of this study. Travers (1969) states that surveys are conducted to establish the nature of the existing conditions. They help to describe the status of events and also help to collect data over large areas. According to Cooper and Emory (1985), surveys are more efficient and economical than observations.

3.3 Target Population

The data for the survey targeted 48 Ministries and Departments in Kenya where IFMIS has been rolled-out as well as from the Implementing team based at the Accountant General's Department at Treasury. Although there are 51 Ministries including departments, roll-out has been done in 48 Units leaving out one Ministry and two departments yet to be rolled-out. Roll-out to Districts has not started.

3.4 Sample and Sampling Techniques

In the whole government, there are 48 Ministries and departments where IFMIS has been rolled out. Out of the 48 Ministries and Departments, a sample of 40 Ministries was chosen. Therefore 40 accountants were involved in the study. This number included 6 from the Implementing team based at the Accountant General's Department. A simple random sampling technique was employed in the selection of the study population. Rosco (1975) provides proposed a rule of thumb of 30 and 500 as the appropriate sample size for most researches.

3.5 Data Collection Method

This study relied on both primary and secondary data. Primary data was collected using questionnaires. The questionnaires contained both structured and semi-structured questions.

Secondary data relied on published data which included the contract documents, time schedule, and cost/ budget estimates. Studies done by the World Bank indicate that completion period is estimated to be between 3-5 years and about 9 years in African projects to be considered successful. The estimated cost has been put at \$12.3 million. These are some of the Measures that guided me in this research to gauge success. Moreover the issue of sustainability is very crucial for any successful implementation. In fact Dorotinsky, 2003 found out that only 21% of IFMIS projects succeed and that out of these, only 6% were considered sustainable of donor exit. The drop- and – pick later method of data collection was used. The researcher was available to clarify any questions that would have been unclear to the respondents.

3.6 Data Analysis and Presentation

The process of data analysis involved several stages. Completed questionnaires were edited for completeness and consistency. The data was then coded and checked for any errors and omissions (Kothari, 2007). The responses from the open-ended questions were listed to obtain proportions appropriately. The closed questions, a comparative analysis using distribution tables, quartiles (percentiles) and graphical analysis were done to improve the presentation of the analyzed results for ease of interpretation.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

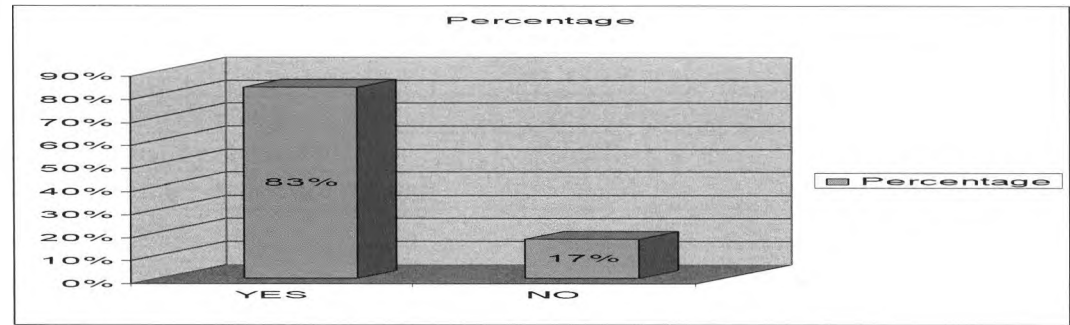
This chapter discusses the results of the analyzed data collected during the research. The questionnaires were sent to forty (40) respondents out of which thirty six (36) were returned completed representing 90%. The data was presented in the form of tables, graphs and pie-charts. The findings are summarized here below:

4.2 Data Analysis, Presentation and Interpretation

4.2.1 Use of IFMIS

In this question, the respondents were asked to indicate whether or not they were using IFMIS in their Ministry/Department. The results are as summarized in the Figure 1 below:

Figure 1 **Use of IFMIS**

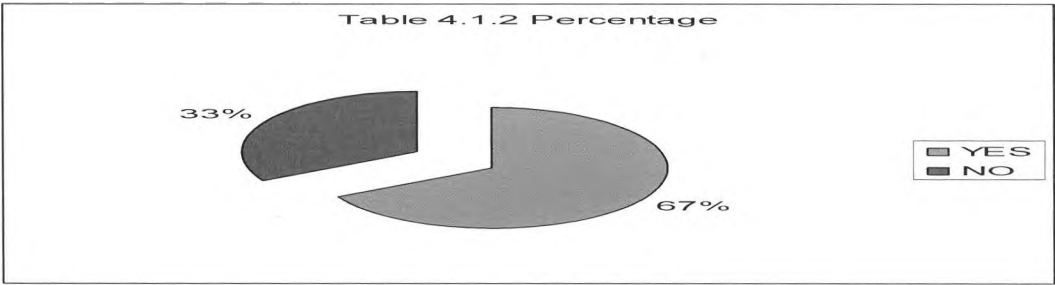


The results in figure 1 above show that majority of the respondents (83%) were using IFMIS in their Ministries/Departments while only 17% were not using IFMIS.

4.2.2 Trained in IFMIS

In question 2, the respondents were asked to indicate whether or not they were trained in IFMIS or not. The results are as summarized in the Figure 2 below:

Figure 2 Trained in IFMIS



The results in figure 2 above indicate that 67% of the interviewees were trained in IFMIS while 33% were not trained.

4.2.3 Reasons for not using IFMIS yet trained.

The respondents were asked to give reasons why they were not using IFMIS in their Ministries/Departments yet they were trained. A number of choices were flooded to them and the table below summarizes the results.

Table 1 Reasons for not using IFMIS yet trained.

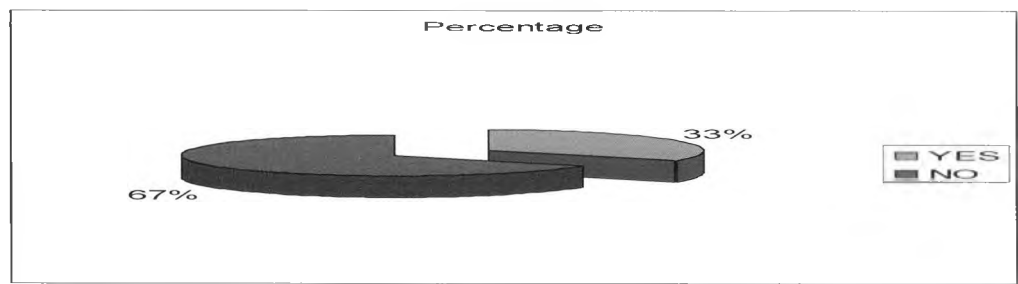
Reasons for not using	Frequency	Percentage
Lack of trust by supervisor	-	-
Assigned other duties not related	4	11%
Not interested	-	-
Using IFMIS	32	89%
TOTAL	36	100%

As shown in table 1 above, only 4% were 11% said that they were not using IFMIS because they were assigned different duties despite the fact that they were trained in IFMIS. The remaining 89% were using IFMIS.

4.2.4 Whether there is any resistance for use of IFMIS

Question 4 requested the interviewees to indicate whether there was any kind of resistance in use of IFMIS in their Ministries/Departments. The results from their responses are summarized in Figure 3 below:

Figure 3 Resistances for use of IFMIS



From Figure 3 above, it shows that most respondents (67%) admit that there is some resistance for IFMIS in their Ministries/Departments. Only 33% indicated that there was no resistance.

4.2.5 Possible reasons for resistance

When asked to choose from the list as shown in table 2 below, the respondent provided their responses as summarized in the table.

Table 2 possible reasons for resistance.

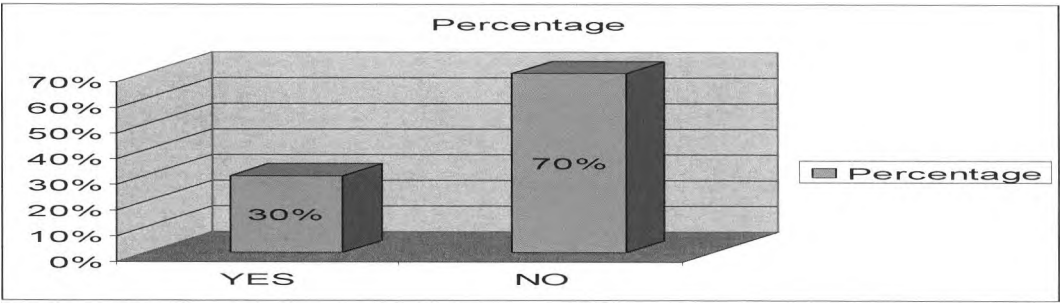
Reasons for resistance	Frequency		Percentage	
	Yes	No	Yes	No
Fear of the unknown	13	23	36%	64%
Fear of losing job	6	30	17%	83%
Lack of involvement	8	28	22%	78%
Lack of trust of implementers	3	33	8%	92%
Too transparent	6	30	17%	83%
Not well trained	15	21	42%	58%
Has no shortcuts	3	33	8%	92%
Not easy to manipulate	9	27	25%	75%
Detects irregularities & fraud	8	28	22%	78%
Too slow	5	31	14%	86%
Hangs regularly	7	29	19%	81%

The results indicate that lack of training ranks as major reason for resistance (42%) followed by fear of the unknown (36%).

4.2.6 Adequacy of legacy System in producing accurate, complete & timely information for decision making.

In question 6, the interviewees were required to state whether or not the existing or legacy system was adequate in terms of providing accurate, complete and timely information for decision making. The results from the respondents are as summarized in Figure 4 below.

Figure 4 **Adequacy of legacy System**



From the Figure 4 above, majority of the respondents (70%) appear to say that the legacy system is not adequate. Only 30% appear to believe that the system was adequate in providing timely, accurate and complete information for decision making.

4.2.7 Number of Modules in use currently

The respondents were asked to choose from the list the modules they believed were currently in use in their Ministries/Departments. The results are as summarized in Table 3 below:

Table 3 **Number of modules in use currently**

Name of Module	Frequency	Percentage
General Ledger	29	81%
Accounts Payable	29	81%
Purchase Order	25	70%
Cash Management	14	39%
Asset Management	1	3%
Accounts Receivable	11	31%
Payroll Management	8	22%
Public Sector Budgeting	2	6%

Majority of the respondents identified General Ledger (81%), Accounts Payable (81%), and Purchase Order (70%) as the modules currently in use.

4.2.8 Whether IFMIS implementation is on course

Asked whether in their opinion the interviewees believed IFMIS implementation was on course, they responded as shown in Figure 5 below:

Figure 5 **whether IFMIS implementation is on course**

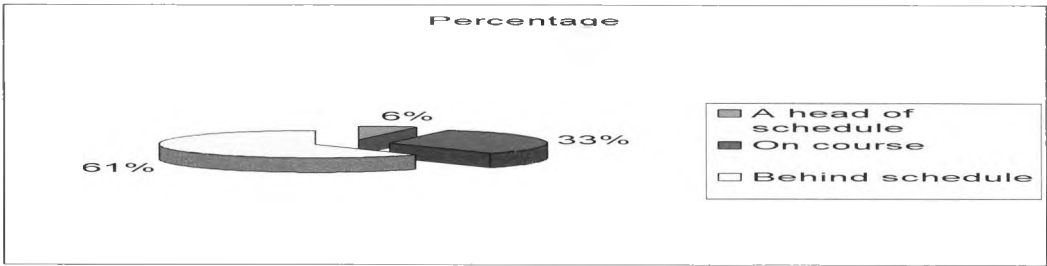


Figure 5 above shows that 61% believe that IFMIS implementation is behind schedule, while 33% believed that it was on course.

4.2.9 To what extent Objectives/ Benefits have been achieved

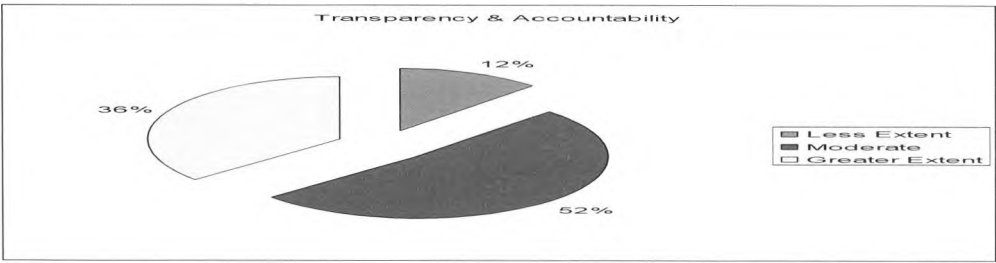
Table 4: To what extent Objectives/ Benefits have been achieved

Objective/ Benefit	Less Extent	Moderate	Greater Extent	Not Sure
Transparency & Accountability	4	17	12	3
Good economic governance	7	19	7	3
Prevention of Corruption & Fraud	8	17	7	4
Effective and Efficient use of funds	2	21	10	3
Real-Time provision of information	5	18	10	3
Improved Service Delivery	3	22	8	3
Avoidance of overspending	9	9	17	1
Accuracy & completeness of information	6	18	11	1
Proper allocation of resources	8	20	5	3
Control of finances by GOK	4	19	12	1
Processing efficiency	3	19	9	4
Data consistency and accuracy	4	15	14	3
Timely and accurate reporting	8	12	13	3
Security of data management	5	15	14	2

4.2.9.1 Transparency & Accountability.

Respondent were asked to indicate whether transparency and accountability was an objective or benefit that affected IFMIS implementation. The following figure 6 below summarizes the result:

Figure 6 Transparency & Accountability.



The above figure shows that 52% of the respondent believes that transparency and accountability affect implementation IFMIS , while 36% believe that transparency and accountability affect implementation of IFMIS to the greater extend. The remaining 12% believe that transparency and accountability affect implementation of IFMIS to the less extend.

4.2.9.2 Good Economic Governance

Respondent were asked to indicate whether good economic governance was one of the benefits which would be realized after implementing IFMIS.

Figure 7 Good Economic Governance

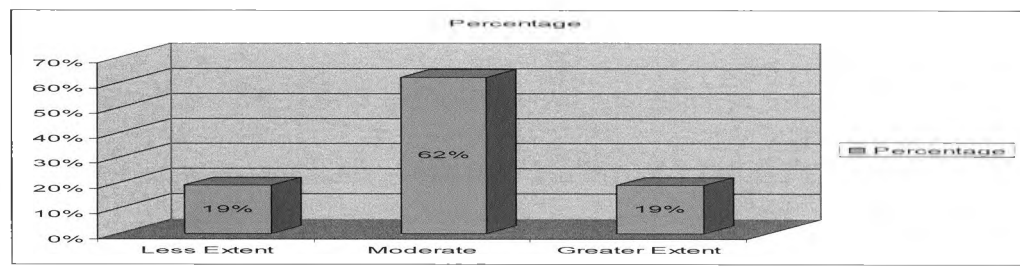


Figure 7 above indicate that 62% of the interviewees moderately believe that IFMIS brings about good economic governance while 19% believe that successful IFMIS implementation causes good economic governance to a less extend.

4.2.9.3 Prevention of Corruption & Fraud

Respondents were asked whether IFMIS was critical in the prevention of corruption and fraud by civil servants and the responses were as shown in Figure 8 below:

Figure 8 Prevention of Corruption & Fraud

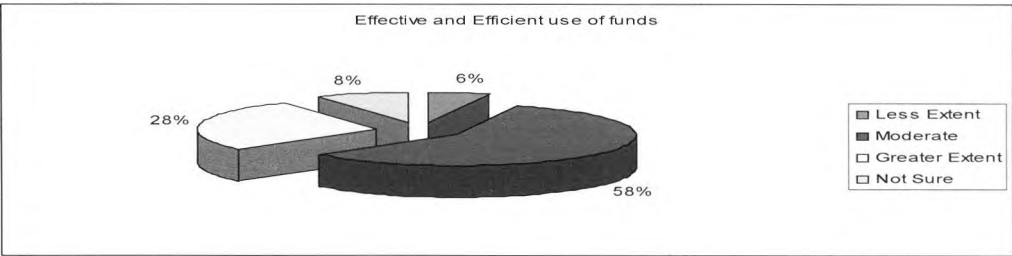


Figure 8 above indicates that 47% moderately believed that IFMIS helped to prevent corruption and fraud. 19% believed that it helped to a greater extent while 22% believed IFMIS helps to prevent corruption and fraud to a lesser extent.12% were however indifferent because they were not sure.

4.2.9.4 Effective and Efficient use of funds

When asked whether IFMIS led to effective and efficient use of public funds, the respondents gave their answers which are summarized in Figure 9 below:

Figure 9 Effective and Efficient use of funds

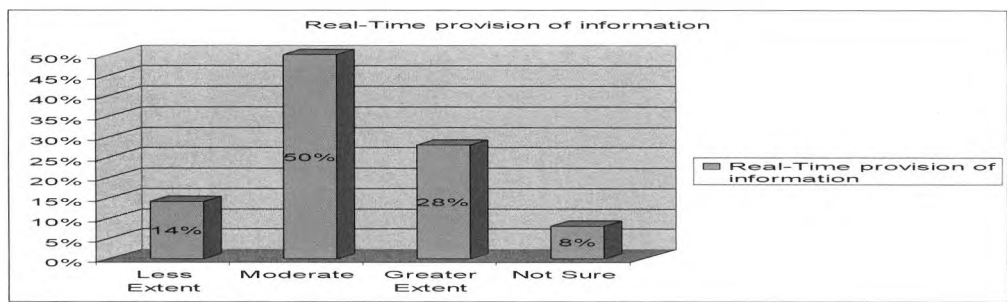


The figure above indicates that 58% of the respondents were of the view that IFMIS could lead to effective and efficient use of public funds in a moderate way, 28% to a greater extent 6% to a lesser extent while 8% were indifferent.

4.2.9.5 Real-Time provision of information

Asked whether they believed that IFMIS had achieved the objective of providing real-time information for decision making, the interviewees responded as shown in figure 10 below:

Figure 10 Real-Time provision of information

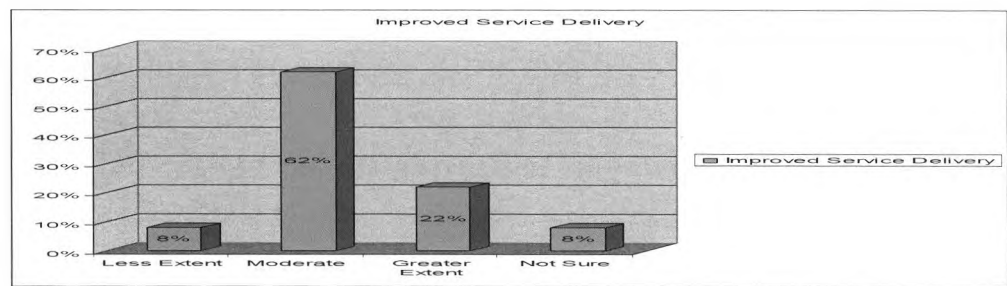


The response shows that 50% of the respondents were moderate that IFMIS provided real-time information while 14% appear to believe that it does to a lesser extent.

4.2.9.6 Improved service delivery

As for the question of service delivery, the responses from the interviewees are summarized in figure 11 below:

Figure 11 Improved service delivery

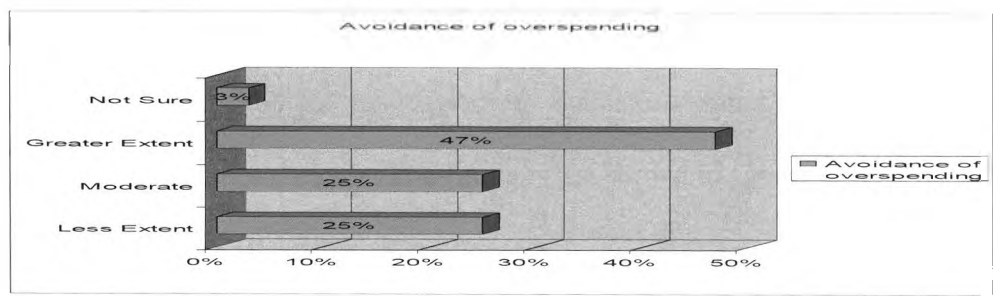


62% and 22% of the respondents admit that IFMIS improved service delivery moderately and to a greater extent respectively. 8% were not sure while another 8% of the interviewees believed that service delivery improved to a lesser extent.

4.2.9.7 Avoidance of overspending

On the question of overspending, the respondents provided the following feedback as shown in figure 12.

Figure 12 Avoidance of overspending

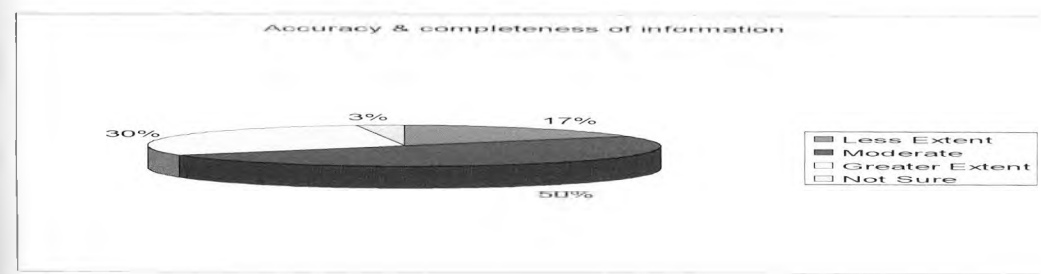


The responses show that, IFMIS helps to avoid overspending to a greater extent (47%), to moderate extent (25%) and to a lesser extent (25%). The remaining 3% of the respondents were not sure of the effect of IFMIS on spending.

4.2.9.8 Accuracy and completeness of information

Does IFMIS ensure that information produced is accurate and complete? This is the question that the questionnaire required the respondents to answer and the results are summarized in figure 13 below:

Figure 13 Accuracy and completeness of information.

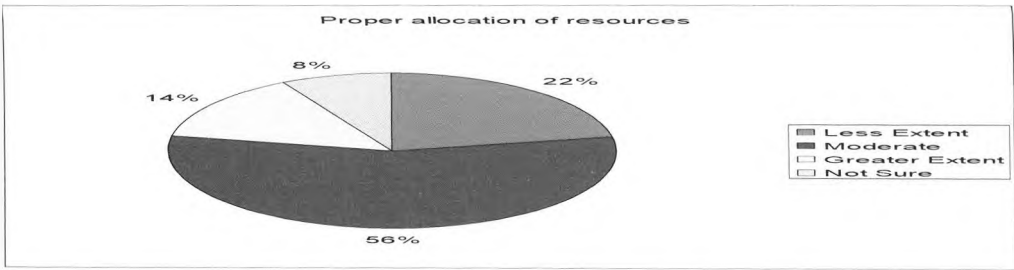


Majority of the respondents answered in the affirmative 50% moderate and 30% to a greater extent. Only 17% believed that it did provide accurate and complete information to a lesser extent and 3% were not sure.

4.2.9.9 Proper allocation of resources

The question required the interviewee to indicate whether IFMIS led to proper allocation of resources in the public sector. The findings are shown in figure 14 below:

Figure 14 **Proper allocation of resources.**

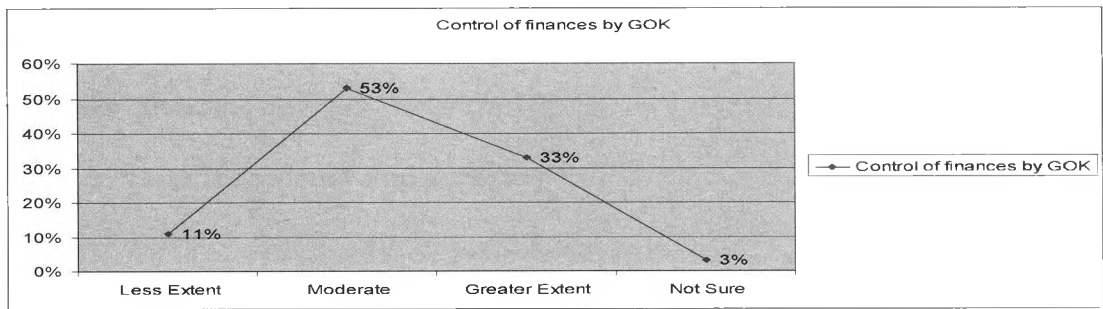


56% and 14% agree that IFMIS leads to proper allocation of resources moderately and to a greater extent respectively. 22% on the other hand are of the view that it only does to a lesser extent, and 8% were not sure.

4.2.9.10 Control of finances by GOK

The respondents were required to give their views on whether IFMIS allowed GOK to have control on finances. The findings are as shown below:

Figure 15 Control of finances by GOK.

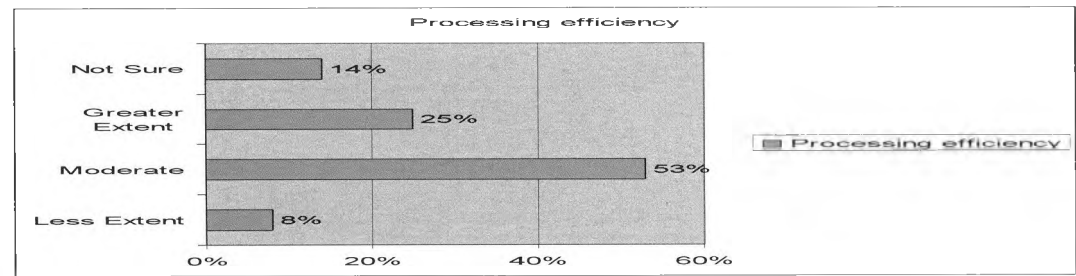


The figure above shows that 53% and 33% of the respondents agreed that GOK will have firm control of finances moderately and to a greater extent respectively. 11% of the respondents see IFMIS helping GOK to control finances to a lesser extent while 3% were indifferent.

4.2.9.11 Processing Efficiency

The respondents were asked to say whether IFMIS led to processing efficiency. The responses are as in figure 16 below:

Figure 16: Processing Efficiency

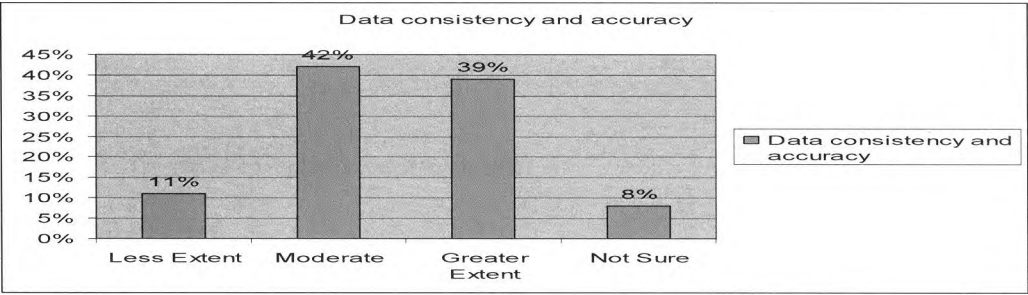


The responses show that majority of the interviewees agree that IFMIS led to processing efficiency, moderately (53%), to a greater extent (25%), while 8% indicate that it leads to a lesser extent. The remaining 14% were not sure.

4.2.9.12 Data consistency and accuracy

Asked whether IFMIS leads to consistency and accuracy, the respondents gave the answers which are contained in Figure 17 below:

Figure 17 Data consistency and accuracy

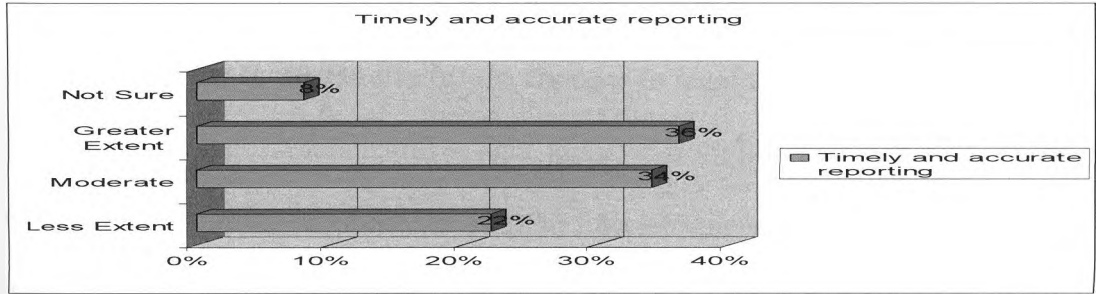


It is apparent from the figure above that 42% and 39% of the respondents respectively think that IFMIS moderately and to a greater extent lead to data consistency and accuracy. Another 11% believe that it affects consistency and accuracy to a lesser extent. However, the remaining 8% did not know whether it affects or not.

4.2.9.13 Timely and accurate reporting

This question sought the views of the interviewees as to whether IFMIS ensured that reports produced from the system were accurate and were received on time. The responses are summarized in figure18 below:

Figure 18: Timely and accurate reporting



From the figure above, most of the respondents feel that the reports produced from IFMIS system are accurate and received on time, 34%, moderately and 36% to a greater extent. Those who feel that it is to a lesser extent constitute 22%. The rest of the interviewees (8%) were indifferent.

4.2.9.14 Security of data management

Lastly under this category of questions, respondents were asked to indicate whether or not IFMIS ensured security of data management. The answers are as indicated in Figure 19 below:

Figure 19: **Security of data management.**



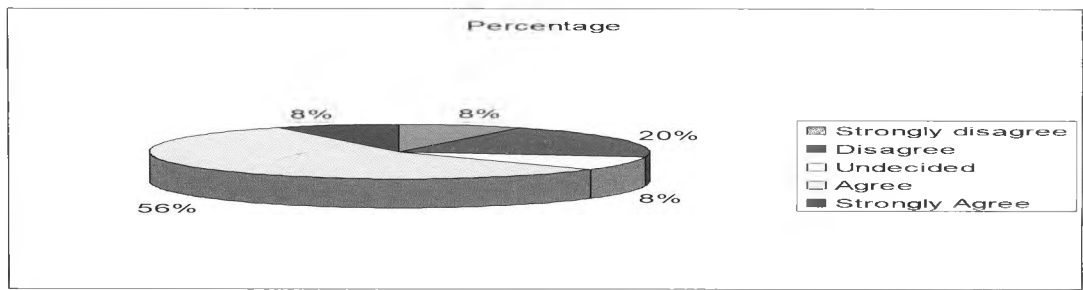
42% and 38% which totals to 80% answered in the affirmative and 14% feel that it affects to a lesser extent, while only 6% of the respondents were not sure.

4.10 Adaptability to respond to future changes in legal framework

Question 10 of the questionnaires sought to know from the respondents as to whether IFMIS was designed with the flexibility to adapt to future changes in legal frame work or not. The 36 respondents submitted their replies which are contained in Figure 20

Below:

Figure 20: Adaptability to respond to future changes in legal framework



The findings show that majority 76% of the respondents (56%, agree and 20% agree strongly) agree that the system has the adaptability to respond to any future changes in the legal framework. Only 16% (8% strongly and another 8% just disagree) disagree that the system has such adaptability. The other 8% of the respondents are indifferent.

4.11 Functional Processes, Methods, Rules & regulations, Legislation and Roles & responsibilities were adequately considered when designing System

As to whether factors such as functional processes, methods, rules and regulations, legislation and roles and responsibilities were adequately considered when designing the system, respondents gave their answers as shown in table 5 below:

Table 5 **Functional Processes, Methods, Rules & regulations, Legislation and Roles & responsibilities were adequately considered when designing System.**

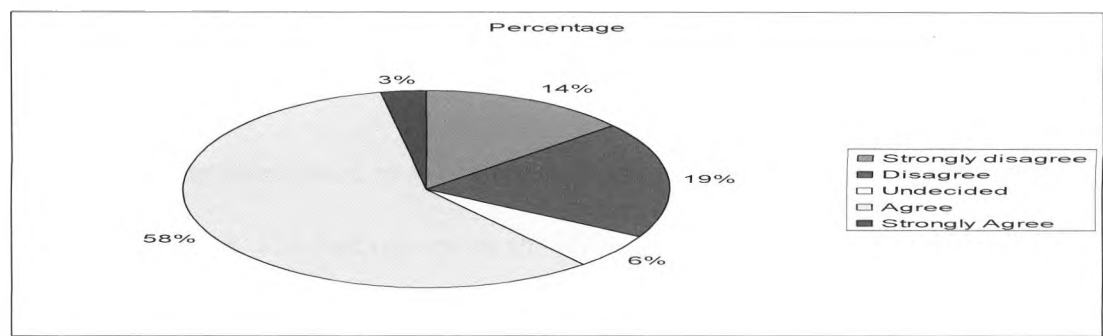
Design factors	Frequency	Percentage
Strongly disagree	4	11%
Disagree	14	39%
Undecided	3	8%
Agree	15	42%
Strongly Agree	0	0
TOTAL	36	100%

It is clear from figure 5 that 50% of the respondents (11% strongly and 39% just disagree) felt that the above factors were not adequately addressed during the design stage. Only 42% agree that such factors were considered.

4.12 Chart of Accounts was properly set up to accommodate any future changes

The question of the chart of accounts was asked to establish whether it was properly set up to accommodate any future changes. The following figure gives the summary of the findings.

Figure 21 **Chart of Accounts was properly set up to accommodate any future changes.**

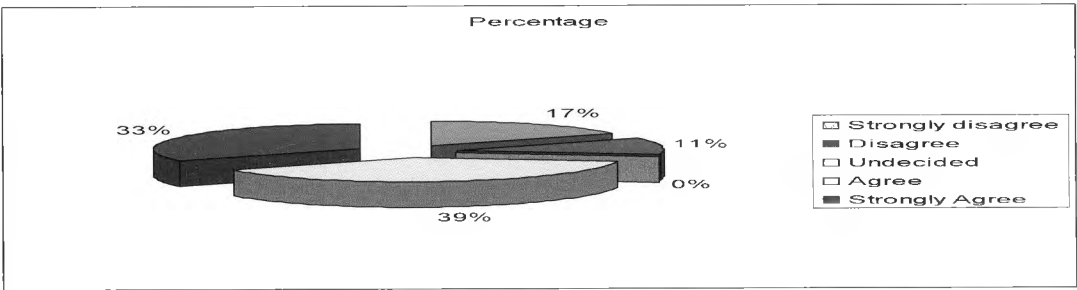


It is apparent in figure 21 above that 61% (58% agree and 3% strongly agree) are of the view that the chart of accounts was properly set up and can accommodate any future changes. 33% (19% disagree and 14% strongly disagree) feel that the set up of the chart of accounts was not proper and may not be able to accommodate future changes. The rest 6% were non-committal on this issue.

4.13 Lack of political support, commitment and ownership hindering implementation

On the question of political will, support, commitment and ownership, this is a very critical factor and respondents were required to indicate whether it was hindering implementation. The findings are contained in figure 22 set below:

Figure 22 Lack of political support, commitment and ownership hindering implementation.

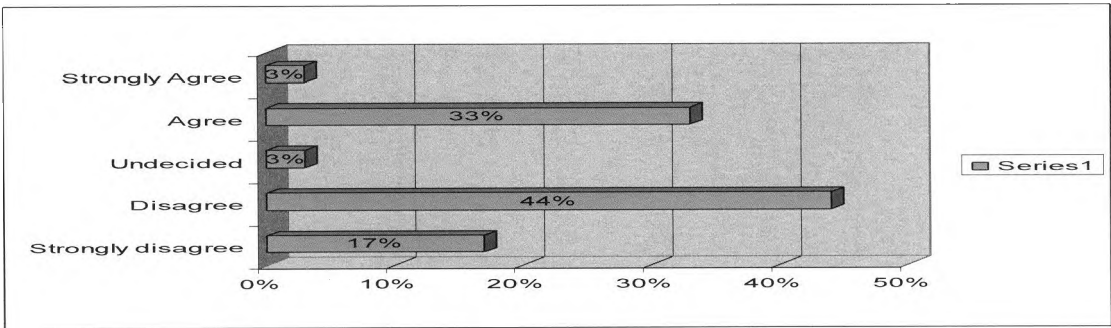


Most of the respondents 72% (39% agree and 33% strongly agreed) were of the view that political support, commitment and ownership hindered implementation of IFMIS.

4.14 Sustainability

The respondents were asked to say whether or not the system will be sustainable after the donor support is stopped. The findings are as shown in figure 23 below.

Figure 23: Sustainability.

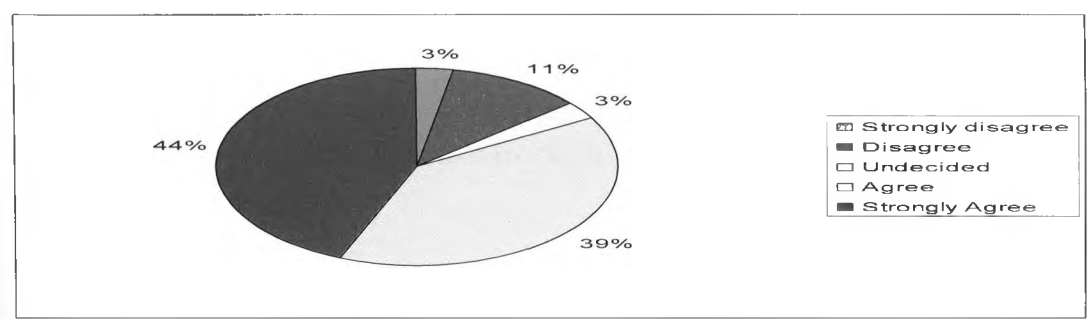


Majority of the respondents are of opinion that the system will not be sustainable after donor exit (that is 44% disagree and 17% strongly disagree). Only 36% (3% strongly agree and 33% agree) are of the view that the system will be self-sustaining. 3% have no idea as to whether it will be sustainable.

4.15 HR Capacity and ability of government to train and retain staff big challenge

The question required respondents to indicate whether agreed that one of the biggest challenges of IFMIS in Kenya was human resource capacity and the ability of the government to retain qualified and trained staff. The responses are as indicated in figure 24 below:

Figure 24: HR Capacity and ability of government to train and retain staff big challenge

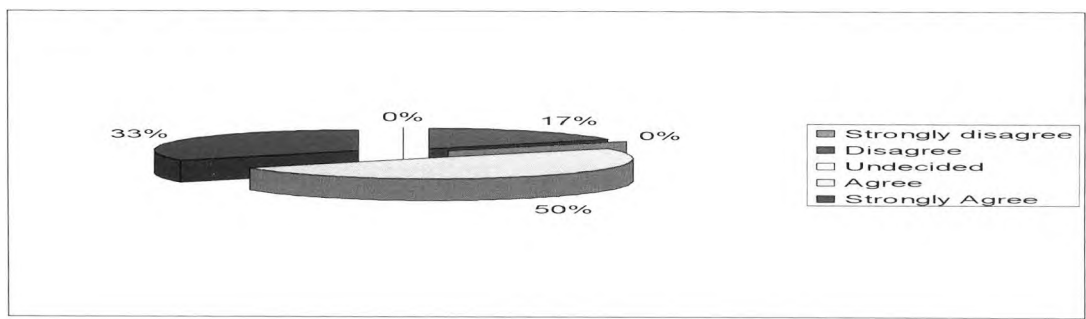


The figure above shows that most people 83% (39% agree and 44% strongly agree) agree that human capacity and the inability of the government to retain trained staff was a big challenge. Only 14% (3% + 11%) are of the contrary opinion. 3% say that they are not sure.

4.16 Migration of data to IFMIS big challenge

The researcher wanted to inquire from the respondents whether migration of data from the legacy systems to the new system (IFMIS) posed a big challenge. The findings are as in figure 25 below:

Figure 25: Migration of data to IFMIS big challenge

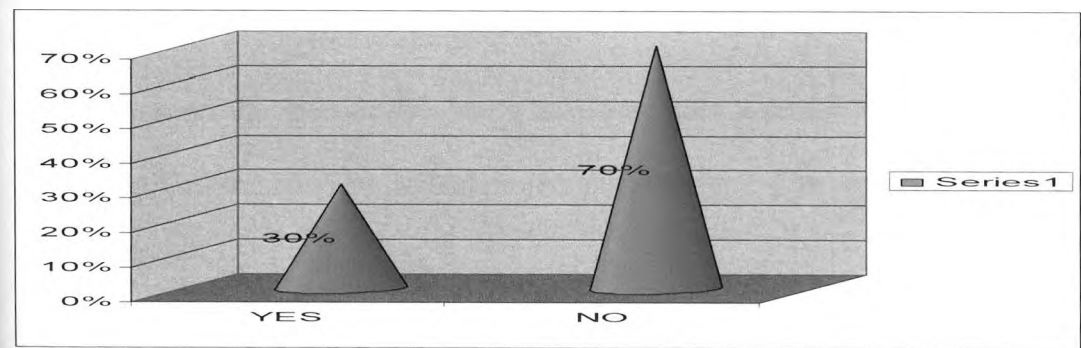


As depicted in figure 25 above, most people 83% (50% agree and 33% strongly agree) agree that data migration to the new system from the legacy ones poses a big challenge.

4.17 Oracle Financial not best Package

Asked to indicate if Oracle Financials was the best package to have been chosen for IFMIS in Kenya, respondents answered as indicated in figure 26 shown below:

Figure 26: Oracle Financial not best Package



Most respondents answered in the negative (70%) meaning that Oracle Financials was probably not the best package to have been chose. Only 30% of the interviewees seem to say that it was the best choice.

4.18 Effective Communication

The respondents were asked to give their views as to how effective communicate in IFMIS was. The responses are summarized in the figure below.

Figure 27: Effective Communication

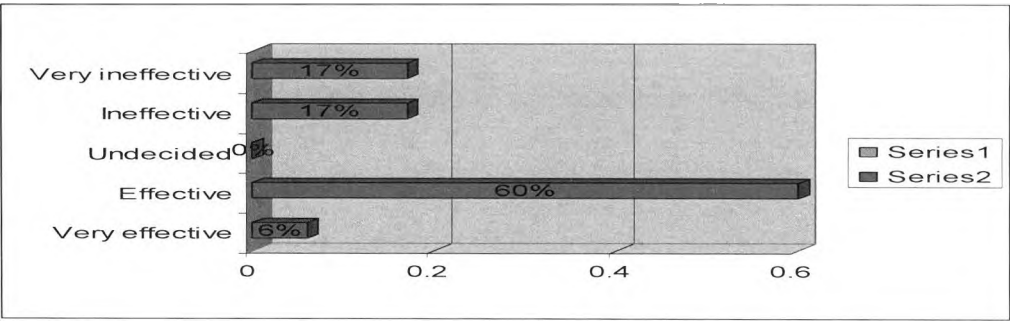


Figure 27 indicates that majority of the respondents 66%(60% effective and 6% very effective) say that communication was effective. Only 34% (17% very ineffective and 17% ineffective) hold a contrary opinion. There were no undecided cases.

4.19 Capability of Project Management

In this question the interviewees were asked to state whether the project management was capable both in strategic and tactical project management. The responses are as summarized in table 6 below:

Table 6: Capability of Project Management

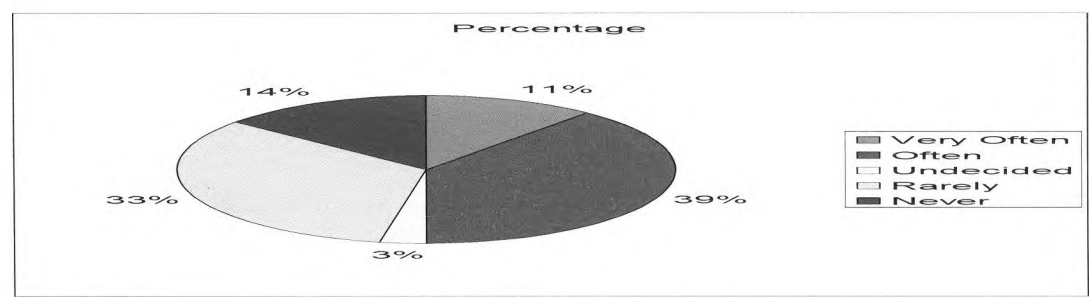
Project Management	Frequency	Percentage
Very Capable	1	3%
Capable	30	83%
Undecided	2	6%
In Capable	3	8%
Very In Capable	0	0%
TOTAL	36	100%

From table 6 above, it seems most respondents (83%) hold the view that project management is capable. 3% See management as very capable, while only 8% say that project management is in capable.

4.20 Consultation and Participation in decision making

The respondents were asked whether when major decisions concerning IFMIS are made they are often consulted and participate in such decisions. The responses are as shown in figure 29 below:

Figure 28: Consultation and Participation in decision making.



The responses show that majority of the respondents 83% say that they are consulted and participate (11% very often, 39% often and 33% rarely).

4.21 Factors affecting IFMIS Implementation

The respondents were asked to indicate which of the factors as shown in table 7 below affected IFMIS implementation. The findings are summarized in table 7 below:

Table 7: **Factors affecting IFMIS Implementation**

Factor	Frequency	Percentage
Legal Framework	10	28%
Process Design	20	56%
Chart of Accounts	11	31%
Change Management	22	61%
Sustainability after donor exit	14	39%
Capacity Building	30	84%
Data migration from legacy system	20	56%
Top management support, commitment & Ownership	28	78%
Effective Communication	19	53%
Project Management	11	31%
All inclusive with simple applications	1	3%

From the results of the study, it was observed as shown in table 7 above that all the factors listed affect IFMIS implementation in the following ranking:

Capacity Building.....	84%
Top management support, commitment and ownership.....	78%
Change management.....	61%
Process design.....	56%
Data migration from legacy system.....	56%
Effective communication.....	53%
Sustainability.....	39%
Chart of Accounts.....	31%
Project management.....	31%
Legal framework.....	28%
Simplicity.....	3%

4.22 Successful IFMIS implementation.

The respondents were asked their opinion as to whether IFMIS was successful in Kenya. The following table contains their replies.

Table 8: Successful IFMIS implementation

Extent	Frequency	Percentage
Very Successful	1	3%
Successful	31	86%%
Undecided	0	0%
Unsuccessful	3	8%
Very Unsuccessful	1	3%
TOTAL		

As it is clear from table 8 above, 86% of the people interviewed indicate that IFMIS in Kenya has been successful. A further 3% of the total number of respondents says that it has been very successful. Only 11% of the respondents believe that it has not been successful.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the major findings of the study in relation to the objectives provided in chapter one. It also contains the conclusions and recommendations of the study based on all the chapters in the study, limitations of the study and the suggestions for further research. This study was intended to among other things;

- i. To determine whether IFMIS has been successful in the Ministries where roll-out has been done; and
- ii. To identify the factors influencing implementation.
- iii. To establish whether financial management of public funds has improved with the use of IFMIS.

5.2 Summary of Findings

This study investigated the extent to which IFMIS had been implemented. The investigation revealed that majority of the respondents 61% believed that implementation was behind schedule while only 33% were of the view that it was on course. However delayed implementation did not mean failure as 86% of the people interviewed indicated that IFMIS in Kenya was successful. A further 3% of the total number of respondents says that it has been very successful. Only 11% of the respondents believe that it was not successful.

The results reveal that the government of Kenya had greatly benefited from the use of IFMIS. On the issue of transparency and accountability, 52% believed that it had been achieved.

62% agreed that IFMIS had improved economic governance while 47% felt that IFMIS helped to prevent corruption and fraud. Concerning effective and efficient use of public funds, 58% of the respondents said that IFMIS ensured efficient and effective use of funds. Further, 78% (50% moderately and 28% to a greater extent) believe that IFMIS provides real-time information for decision-making. 84% (62% + 22%) agree that the use of IFMIS improves the delivery of services to the customers faster and efficiently.

The findings show that implementation of IFMIS was not without challenges. Resistance was cited as one of the challenges of IFMIS implementation. 67% of the respondents agree that there was resistance in their Ministries. Other challenges include the set up of the chart of accounts; legal framework; political support, commitment and ownership; sustainability; capacity building and staff retention; data migration and change management among others.

5.3 Conclusions

Based on findings of the study, the following conclusions were made:

IFMIS implementation is behind schedule. As seen in the findings 61% of the respondents agreed that implementation was behind schedule. This could be attributed to the delays during procurement which made actual implementation to start in 2002 and piloting in 2003/2004 financial year as can be seen in the Introduction of this Paper. However, since success is defined in terms of time and cost/budget, it is clear from this study that so far implementation has been successful. Actual implementation started in 2002 and up to now implementation is within the threshold of 9 years that African countries take to successfully implement IFMIS.

Further, the projected cost/budget has not so far been exceeded. In addition, majority of the respondents 89% (86% + 3%) agree that IFMIS in Kenya has been successful.

Implementation of IFMIS faced many challenges. Based on the findings, it is apparent that there are many challenges that have to be overcome for a successful implementation of the IFMIS. These challenges include chart of accounts set up, political support, commitment and ownership, the legal framework, change management, business process re-engineering, sustainability, capacity building, data migration, package selection, communication and project management to mention only a few.

The government of Kenya has benefited a lot due to the implementation of IFMIS. Again based on the findings of the study, it was apparent that there were a number of benefits that have been achieved. They include improved service delivery, improved transparency and accountability, prevention of corruption and fraud, achievement of good economic governance, efficient and effective use of public resources, provision of real-time information for decision making, controlling of overspending, accurate and complete information, proper allocation of resources, processing efficiency, data consistency and accuracy, timely reporting, data security among other benefits.

5.4 Recommendations

Based on the findings of this study, it is clear that Integrated Financial Management Information System (IFMIS) has more benefits and thus outweighs the legacy systems which are largely manual with stand-alone systems which are 'stove-piped' because they can not talk

to each other. Therefore, the government should fast track the implementation of IFMIS in the Accountant General's Office, Ministries and Departments and to the Districts.

This study also recommends that in order to overcome resistance, the government should 'sell' the new system through a variety of media; workshops, seminars, training sessions, a website, conferences or newsletter. Furthermore, the government should reduce resistance via clear communication, education and training, as well as through quick 'wins' that demonstrate the benefits of IFMIS.

The study also recommends that the government of Kenya should devote more resources for the implementation and sustainability of IFMIS. It was observed from the findings that majority of the respondents were convinced that one of the biggest challenges of IFMIS implementation was sustainability after donor exit.

5.5 Limitations of the study

The researcher encountered a number of problems in the course of conducting this research. Some of the problems faced include the following:

5.5.1 Time constraint: time was one of the major constraints given that the preferred data collection method was personal administration of questionnaires with the accountants a cross all Ministries. Because some of the respondents had busy schedules, most of them were unavailable thereby forcing the researcher to adopt the drop and pick method.

5.5.2 Budget/ Cost constraint: the researcher required funds for traveling, stationary, typing and photocopying among other costs. This forced the researcher to use his personal savings and donations of stationary from friends and colleagues.

5.5.3 Sample size: Due to time and cost constraints, the respondent selected a sample size of only 40 accountants across all the Ministries. Therefore, the results of this study were drawn from the responses of only 36 respondents whose responses were received. The results may have been different if all the Ministries had participated and the sample size increased to include even non-accountants.

5.5.4 Cooperation: Although the response rate was 90%, some of the respondents were reluctant to give answers to the questions in the questionnaires. One of the main reasons was that they did not understand the purpose of the questionnaires. In this era of performance contracting, some thought that they were being investigated on whether they were resisting the implementation of IFMIS. Consequently, the answers provided may not be very reliable because some respondents may have concealed some facts and information. Moreover, IFMIS in Kenya is a new concept. Most respondents are yet to have full understanding of IFMIS and its benefits. Most of the responses were based on the perceived merits and demerits of IFMIS. Therefore, some of the questions may have not been properly answered.

5.6 Suggestions for further research

The purpose of this study was to find out the extent of success in the implementation of Integrated Financial Management Information System (IFMIS) in the Government of Kenya, and identify the factors affecting implementation and determine how the new accounting system contributes to effective and efficient financial management of public funds. The study

was carried out using 40 Ministries at the headquarter level only. This involved a sample size of 40 accountants from these Ministries. It is possible that the results are not representative of the entire government given that districts and other Ministries were not covered. The researcher therefore suggests that similar studies to be carried out including districts, staff of other departments in government and other stakeholders. The sample size should be increased in order to increase reliability of the study results.

Further research should also be carried out from the perspective of the factors affecting implementation in order to shed light the extent to which the factors affect successfully implementation of integrated financial management information system in developing countries and give suggestions of how such challenges can be overcome.

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APPENDICES:

APPENDIX A: QUESTIONNAIRE

The objective of this study is to investigate the extent to which Integrated financial Management information System in Kenya has been successfully implemented, identify factors and challenges influencing implementation and determine to what extent IFMIS has improved public financial management. The questionnaire is intended to assist in the collection of data that will assist in the analysis.

This study is therefore important in that it seeks to highlight the factors for successful IFMIS implementation and the benefits that come with it. The success of this survey largely depends on your cooperation. I wish to thank you in advance for your expected cooperation. The information received from the answers you provide will be highly confidential and will be used only for this academic research.

Date	_____
Name	_____
Ministry	_____
Designation	_____

INSTRUCTIONS:

Please put a tick in the box provided or write the answers in the spaces provided. If you need more space please use the back of the respective page.

Are you using IFMIS in your Ministry/Department?

Yes () No ()

Have ever been trained in IFMIS?

Yes () No ()

If you are trained and you do not use IFMIS, Please indicate reasons;

Lack of trust by supervisor ()

Assigned other duties ()

Not interested ()

Any other.....

Is there resistance in your Ministry in the use of IFMIS?

Yes () No ()

What are the possible reasons to resistance? Can tick more than one.

Fear of the unknown ()

Fear of losing job ()

Lack of involvement during design ()

Lack of trust of implementers ()

It is too transparent ()

Not well trained	()
It has no short cuts	()
Not ease to manipulate	()
Detects irregularities and fraud	()
Too slow	()
It is down most of the time	()
Any other.....	

Was the legacy system adequate in producing accurate, complete and timely information for decision making?

Yes	()	No	()
-----	-----	----	-----

How many Modules are in use currently? You can choose more than one answer.

General ledger	()
Accounts payable	()
Purchase Order	()
Cash Management	()
Asset Management	()
Accounts receivable	()
Payroll Management	()
Public Sector budgeting	()

In your opinion, is IFMIS implementation on course?

A head of schedule	()	On course	()	Behind schedule	()
--------------------	-----	-----------	-----	-----------------	-----

Implementation of IFMIS was meant to achieve some or all the following objectives/benefits.

Please indicate to what extent these have been achieved.

		Less extent	Moderate	Greater
extent				
Transparency and Accountability	()	()	()	
Good economic governance	()	()	()	
Prevention of corruption and fraud	()	()	()	
Efficient and effective use of funds	()	()	()	
Real time provision of information	()	()	()	
Improved service delivery	()	()	()	
Avoidance of overspending	()	()	()	
Accuracy, completeness of information	()	()	()	
Proper allocation of resources	()	()	()	
Control of finances by GOK	()	()	()	
Processing efficiency	()	()	()	
Data consistency and accuracy	()	()	()	
Timely and accurate reporting	()	()	()	
Security of data management	()	()	()	

In Kenya, IFMIS has been build to respond to not only to the requirements of the existing legal system, but also has the adaptability to respond to any future changes in the legal framework.

Strongly disagree () Disagree () Agree () Strongly agree ()

When designing IFMIS, all functional processes, methods, rules and regulations, legislation and roles and responsibilities were adequately considered.

Strongly disagree () Disagree () Agree () Strongly agree ()

The current chart of accounts was properly set up and is flexible enough to accommodate any future changes.

Strongly disagree () Disagree () Agree () Strongly agree ()

Lack of strong political support, commitment and ownership of IFMIS system is a major hindrance for IFMIS implementation in Kenya. Do you agree?

Strongly agree () Agree () Disagree () Strongly disagree ()

The current IFMIS can be self- sustainable even after donors exit.

Strongly disagree () Disagree () Agree () Strongly agree ()

One of the biggest challenges of IFMIS in Kenya is the human resource capacity and the ability of the government to retain qualified and trained staff. Do you agree with this statement?

Strongly agree () Agree () Disagree () Strongly disagree ()

Migration of data from the legacy system into IFMIS has been a very big challenge. Do you agree with this statement?

Strongly agree () Agree () Disagree () Strongly disagree ()

Communication ()

Any other

Very Successful () Successful () Undecided () Unsuccessful () Very
Unsuccessful ()