Moving PFM reforms forward:

Lessons from the World Bank

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Comparison of HIPC Expenditure Tracking Assessment Outcomes of 2001 & 2004

Some improvement in HIPC PEM systems performance since 2001, however a majority still require substantial upgrading.

Relative Need for Upgrading PEM Systems
(Number in Parenthesis indicate total of benchmarks met)

Source: Fund-Bank AAP database  
http://www1.worldbank.org/publicsector/pe/hipcppapers.htm
Broad Lessons from PFM assessment work to date

A large amount of PFM assessment has been undertaken, mostly by development agencies and a good deal of knowledge generated.

Limitations:

• In some cases, the duplication and lack of coordination in the work has led to a heavy burden on partner governments.

• More focus on diagnostics, less on supporting implementation of reform of country systems.

• With the exception of the HIPC benchmarks, it has been difficult to determine the extent of improvement in a country’s PFM performance over time.

**Bottom-line:** country systems generally weak
Why hasn’t there been more progress?

Unhelpful donor practices

Inadequate sequencing of reforms, due to donor pressure or difficulties for government to determine the path of reforms

Fragmented approach to reforms and limited leadership in government
  -- PRSP and PEM reforms separate

Limited monitoring of progress, mainly concentrated on inputs -> did not allow lessons learning and did not encourage focus on results on the ground

Capacity constraints

Technical reform versus systemic/institutional change

BUT realism important on achievable pace of change
The Way Forward: A Strengthened Approach

1. **A country-led agenda** – including a PFM reform strategy and action plan

2. **A donor coordinated program of support** – coordinated, coherent, multi-year program of PFM work that supports and is aligned with the government’s PFM strategy

3. **A shared information pool** – a common framework and information set for measuring and monitoring results over time

The Performance Measurement Framework

A standard set of high level indicators

- Widely accepted but limited in number
- Broad measures of performance relative to key PFM system characteristics
- Enabling credible monitoring of performance and progress over time.

A PFM Performance Report

- Integrative, narrative report based on the indicators and assessing performance; based on observable, empirical evidence.
- Updated periodically, depending on country circumstances and operational needs
- Contributing to coordinated assessment
- Feeds into government-donor policy dialogue

An explicit performance measurement framework focuses on capacity-building and results on the ground.
Going Forward

- We have an indicator set to provide common information pool, track progress over time
- But more effort needed in
  - capacity building under Government leadership
  - as well as more harmonization among donors at country and central levels