Public Financial Management in Fragile and Conflict-affected States

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Overview

• Study purpose and key questions
• Analytical framework and planned outputs
• Emerging findings from country cases
Purpose of the study

• Commissioned by the World Bank to provide accessible, evidence-based knowledge about:
  – PFM reform approaches in fragile and conflict-affected states
  – Specific characteristics of FCS that may enable or undermine PFM reforms
  – Potential trade-offs associated with specific reform paths
Key study questions

- How were PFM operations affected by the challenges associated with state fragility?
- Did the design and implementation of PFM operations contribute:
  - to achieving sustainable progress in the development of PFM systems?
  - to supporting wider state- and peace-building objectives?
Framework for analysis

1. Legacies or starting point
2. Dynamic factors or evolving context
3. Approaches to PFM reforms and their implementation
4. PFM results/achievements and wider impacts on state- and peace-building
5. Nature of other public administration systems

Fragility context
Planned deliverables

- Research framework and methodology
- Eight country case study reports:
  - Afghanistan, Cambodia, Democratic Republic of Congo, Kosovo, Liberia, Sierra Leone, Tajikistan, West Bank and Gaza
- Synthesis report of findings and key patterns
- Guidance note on PFM reform in fragile environments
Emerging findings: context

- Context is specific, but with some apparent patterns to the nature of fragility
  - Post-conflict ‘states’, legacy of economic and financial mismanagement, inequality and marginalisation, ingrained fragility
  - Difficult to discern balance of imperatives: state-building (or pursuit of status), peace-building (or balancing of political factions), security, service delivery
Emerging findings: prioritisation

• Prioritisation of reform efforts quite clear across the cases...
  – Strong focus on budget execution (cash management, financial control, single treasury account, treasury automation), with apparently stronger results in those dimensions
  – Immediate and sustained emphasis on support to finance ministries, with lagged progression and limited early engagement at line ministries and sub-national tiers
Emerging findings: sequencing

- ...but **sequencing** of reform measures less obvious
  - Selective and opportunistic early interventions leading to comprehensive and sequenced reform action plans only at later stage
  - Reforms surprisingly well-advanced in some cases (progression beyond the early focus on basic measures), but questions about substance and sustainability
  - Shift from ‘emergency’ operations to institutional reform and capacity development: securing practice → revising rules → implementing reform
• Three major challenges: capacity, coordination and autonomy
  – Multiple forms of capacity substitution filling important gaps, but creating distortions that are challenging to resolve later on and risk reform sustainability
  – Complex and lengthy process of donor coordination with lack of pre-coordination – and greater challenge from scale and strength of donor role versus weakness of government capacity
  – Weakness in autonomous agenda-setting capacity of government for reform (strategic reform capability)
Possible explanations?

- Strong **external influence** on reform drive, measures and approaches through financing mechanisms, policy conditions, expert models and normative pressures...

- ...balanced against **domestic constraints** to reform substance and sustainability through entrenched interests, capacity weaknesses and political priorities

- Traction on improved PFM achieved in some cases through ‘shared sovereignty’ mechanisms supported by substitutive or supplementary staff capacity...

- ...but risk of overstating the instrumental role of donors: is strength and depth of **political support for PFM reform** the ‘swing factor’ in progressing from *introduction* to *implementation*?