

Public Expenditure Working Group

Guidance Notes on PFM Reform Implementation

One key objective of the strengthened approach is to increase the focus on reform implementation to achieve better public financial management (PFM) performance on the ground. Diagnostic work undertaken in recent years has formed the basis for developing reform programs in countries throughout the world. As government move towards implementation of their reform programs, PFM work should be reoriented to support this process.

There is currently a lack of detailed comparative information on what has worked and what has not worked in implementing reforms. The vast effort towards understanding and analyzing PFM systems has contributed to build an important body of knowledge as to the key reforms required for a well performing PMF system. Such work has informed the development of PFM strategies and action plans by government. Less work has been undertaken to identify the concrete steps required to translate those reforms into results in a specific country context and to the institutional success factors underpinning of a successful reform implementation process. Collecting information on such issues and mainstreaming existing experience and lessons learned in different country contexts would contribute to inform the reform implementation process undertaken by governments and supported by donors. This is the objective of the proposed **notes on reform implementation**, which would provide short and focused guidance to practitioners. Some work may also be undertaken in relation to reform design, depending on the demand.

The present document proposes the way forward in collecting information and lessons on reform implementation and bringing it into useful guidance. This approach is consistent with the findings of different evaluations/reports emphasizing the need to tailor donor work to country specific circumstances for better results. In particular, the World Bank 2003 Annual Review of Development Effectiveness stresses the need to adapt the knowledge content of Bank products to country circumstances. The report stresses that the narrow focus on analysis and best practices has not allowed sufficient attention to be paid to alternative perspectives or to individual country circumstances. It recommends the strengthening of procedures within the institution to capture, validate and apply lessons learned at country level.

What are guidance notes on reform implementation about ?

The guidance notes would adopt a “what works” approach to implementation to assist in achieving results on the ground. The search for “best/good practices” would be altered in favor of collecting experience on the necessary conditions as well as the steps and options available to reach a certain reform objective. Preparation of guidance notes will therefore require collaboration between advisors and practitioners and be based on a consultative process aiming to gather relevant country experience.

The notes will be demand-driven and focus on issues that repeatedly arise in implementing reforms to provide useful input to partner countries and donor agencies staff. Both cross-cutting and PM/procurement issues linked to reform implementation will be addressed, depending on existing needs. The notes could for example address issues such as consolidating current and investment expenditures, introducing IFMS, establishing a central procurement body, sequencing of reforms, and monitoring and evaluation, The country PER, CFAA and CPAR as well as discussion with sector managers and country teams could provide a useful guide as to which issues frequently arise and need to be addressed.

The notes will include information on the conditions and elements of success as well as details on how success has come about in certain country situations. They will in particular include key strategic options that are involved in implementing changes, the components or steps necessary to implement the specific reform, sequencing issues, and strategies/techniques used by reformer to reduce opposition, overcome barriers to change, and generally achieve results. The notes will also reflect on the influence of certain country specificities on reform implementation, such as history of PFM systems and institutions (Anglophone, Francophone, Spanish, etc.), existing levels of capacities and, the commitment of government to reforms. The guidance notes could also be illustrated with examples of successful and failed reforms in a particular country context.

The guidance notes will be complemented by collecting material that could be used as example by government when implementing reforms (e.g. budget laws, budget framework papers, etc.).

Preparation of the guidance notes on reform implementation

Gathering and processing information and producing guidance notes on reform implementation is an importing supporting effort to the strengthened approach and will require dedicated technical and financial resources. To demonstrate quickly some results, a pragmatic approach will be followed by identifying the key issues to be addressed, based on the operationalization requirements of the strengthened approach and taking into consideration the areas where frequent requests/questions are made for support by the country teams. It is expected that three to five guidance notes will be first developed, which would allow lessons learning as the process progresses.

The role of the PE Working Group will be to provide an enabling framework to the development of guidance notes on reform implementation, especially by:

- a. Identifying a prioritized list of guidance notes to be developed.
- b. Provide guidance on the development of the notes and develop one or more concrete examples.
- c. Examine the possibilities for encouraging regional and country teams to undertake the work (incentives).
- d. Identify the resources within the Bank to undertake the work.
- e. Provide quality reviews of the draft guidance note.

- f. Establishing a web site allowing drafts to be posted and comments to be received.
- g. Support the consultation process, especially with partner countries.
- h. Once the drafts are finalized, dissemination through the website.

There are several options for the drafting of the notes, which will need to be further explored:

- World Bank staff from regional or country teams and the anchors could take the lead for certain notes, especially those focusing on PFM/procurement issues.
- The PE Working Group could develop certain notes on cross-cutting issues of reforms.
- Other donor agencies could take the lead in specific areas.
- Financial resources of PEFA could be requested to support the development of certain notes.

One issue will be to undertake timely update of the guidance notes, so that the body of knowledge reflects existing experiences and practices. It is proposed that the lead person responsible for the draft would remain responsible for its update. Collection of information could be encouraged by establishing an interactive platform on the website, allowing exchange of information regarding implementation experience. The anchors should also take the overall responsibility for verifying the regular update of the notes.

PE Working Group,
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