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A Platform Approach to Improving Public Financial Management

This briefing note is one of a set. Together they provide good practice guidance to assist country offices in working with partner countries to strengthen their public financial management & accountability systems. Related guidance on other aspects of public financial management and accountability, reducing the risk of corruption and managing fiduciary risk can be accessed through the [Financial Accountability & anti-Corruption team \(FACT\) Insight web-page](#).

Introduction

This briefing has been written principally for governance advisors, economic advisors and programme managers leading DFID's engagement with partner country public financial management & accountability (PFMA) reform programmes. But others in DFID, and officials in partner countries and other development agencies, may also find it useful.

This briefing provides a good practice example of a process to enable country led PFMA reform, designed to fit the country context, with co-ordinated and programmatic donor support. This is in line with the principles defined in the recent OECD-DAC Good Practice Paper: Capacity Development in Public Financial Management (March 2005)¹, and with the Strengthened Approach being developed by the Public Expenditure and Financial Accountability (PEFA) programme².

The platform approach is currently being implemented in a number of countries, notably Cambodia, India (Orissa State), East Timor and Russia, supported by a wide range of development agencies. In Cambodia, for example, this approach is led by government and supported by a joint donor group comprising the World Bank, IMF, European Commission, UNDP, Asia Development Bank and a number of bilateral agencies, including DFID.

These initiatives are all in the early stages of implementation, and it is therefore too early to determine the long-term impact on improving PFMA performance. Instead, the emphasis of this briefing is on sharing ideas for how to put good practice principles into practice, drawing heavily

¹ Harmonising Donor Practices for Effective Aid Delivery, Volume 2: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management March 2005, <http://www.oecd.org/dac/effectiveness/pfm>

² PEFA is a partnership between the World Bank, IMF, European Commission, DFID, Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, and the Strategic Partnership with Africa, <http://www.pefa.org>

from recent experience in **Cambodia**. It is not intended as a blue print for successful PFMA reform. Arrangements that work well in one country may not work somewhere else.

Why has technical support not led to more progress in PFMA reform?

Considerable attention has been given to PFMA reform in recent years. Research has shown that separate elements of PFMA reform are often led by different development agencies, with insufficient attention provided to the co-ordination and sequencing of reform. These measures are often widely diverse in nature, highly technical and may be implemented in different ways. This has typically led to a fragmented and partial approach to PFMA reform, characterised by:

- an undermining of government led reform
- a breakdown of trust between governments and donors
- an administrative burden on government
- too much focus on technical developments, e.g. through complex computerised financial management packages
- a tendency to promote inefficient parallel systems outside government systems
- the implementation of reforms that frequently fail to complement and build upon each other
- an inconsistent approach to PFMA reform between line ministries and the central Ministry of Finance

Such weaknesses have been highlighted in recent experiences gathered from DFID country offices in Africa. As a consequence, the set of measures applied in a country have tended not to provide a basis for longer-term development of effective PFMA systems.

What is the platform approach?

The platform approach aims to implement a package of measures or activities designed to achieve increasing levels ('platforms') of PFMA competence over a manageable timeframe. Each platform establishes a clear basis for launching to the next, based on the premise that a certain level of PFMA competence is required to enable further progress to take place.

Each platform is defined in terms of **improved outcomes** (e.g. delivering a credible annual budget) rather than just focusing on the completion of individual short-term measures or activities (e.g. implementing a new chart of accounts). Defining the platforms in this way helps to provide strategic direction. Understanding why reforms are needed increases the likelihood of successful implementation. This can also enable those involved in implementing activities to engage in actual reform design.

The key characteristic of the platform approach is that it facilitates a change management process to enable **genuine government leadership** of the PFMA reform programme. It aims to

introduce a politically acceptable pace of **sequenced reform**, through achieving gradual manageable steps. It is based on what partner governments believe is realistic and achievable, given the specific country context, creating momentum to carry reform forward.

The number and definition of platforms will vary considerably depending on country context and starting point. The selection of the measures or activities to achieve each platform focuses on developing capacity, organisation and motivation, as well as technical development. It is the combination of these measures that helps to build sustainable levels of PFMA competence.

This approach also aims to enable effective **donor harmonisation** to address fragmented support and build **trust** with government. It supports a holistic government-wide approach encompassing both the institutional and technical aspects of reform therefore addressing the incentives and disincentives to reform. In the case of Cambodia, critical areas of institutional reform that this approach seeks to tackle include capacity development at all levels of government, improving staff performance evaluation and pay reform.

How has this approach been implemented?

In Cambodia, two key mechanisms have been established by Government to manage its leadership of the PFMA reform process. The first is a **Reform Committee**, which is chaired by the Secretary General of the Ministry of Economy and Finance (MEF), and includes each of the Department Heads. The second is a **Facilitation Team**, which coordinates the planning and implementation work of individual Departments. The initial planning process using the platform approach for the current PFMA reform programme took approximately **12 months** to complete.

Enabling effective donor harmonisation has been a key challenge in Cambodia. Throughout the planning process Government has referred to PFMA reform as a Sector Wide Approach (SWAp) and has consistently asked donors to 'speak with one voice'. As a result, donors have been encouraged to address differing opinions on PFMA issues head on, in the context of the overall reform programme (e.g. cash v accrual accounting, implementation of FMIS - financial management information system).

The platform approach sets out **six key steps** for facilitating a joint government-donor change management process for improving PFMA systems. This is summarised in the diagram on page 8.

Step 1: Defining the platforms

The first step is to enable the partner government to define what it wants the PFMA system to achieve over a long-term timeframe. In Cambodia, the Government began with developing an agreed '**vision**' for improved PFMA by 2015. This was defined at two levels; an overall vision statement and vision statements for each MEF department.

2015 Vision of PFM in Cambodia

Key elements of the overall vision statement agreed include:

- recognition that a strong PFM system is critically important in achieving the National Poverty Reduction Strategy
- achievement of international best practice defined through the adoption of fifteen characteristics of an effective PFM system (based on adaptation of PEFA PFM Performance Measurement Framework)

Platforms for improved PFMA performance were then defined by to meet this long-term vision. Setting improved PFMA in the context of an overall vision enabled Government to embrace the process at a conceptual level, as well as at a technical level. This was a critical step, as it became the basis for building ownership of more detailed reform design.

The Reform Committee defined **four 'platforms'** of PFMA competence to be achieved over an estimated timeframe of **eight years**:

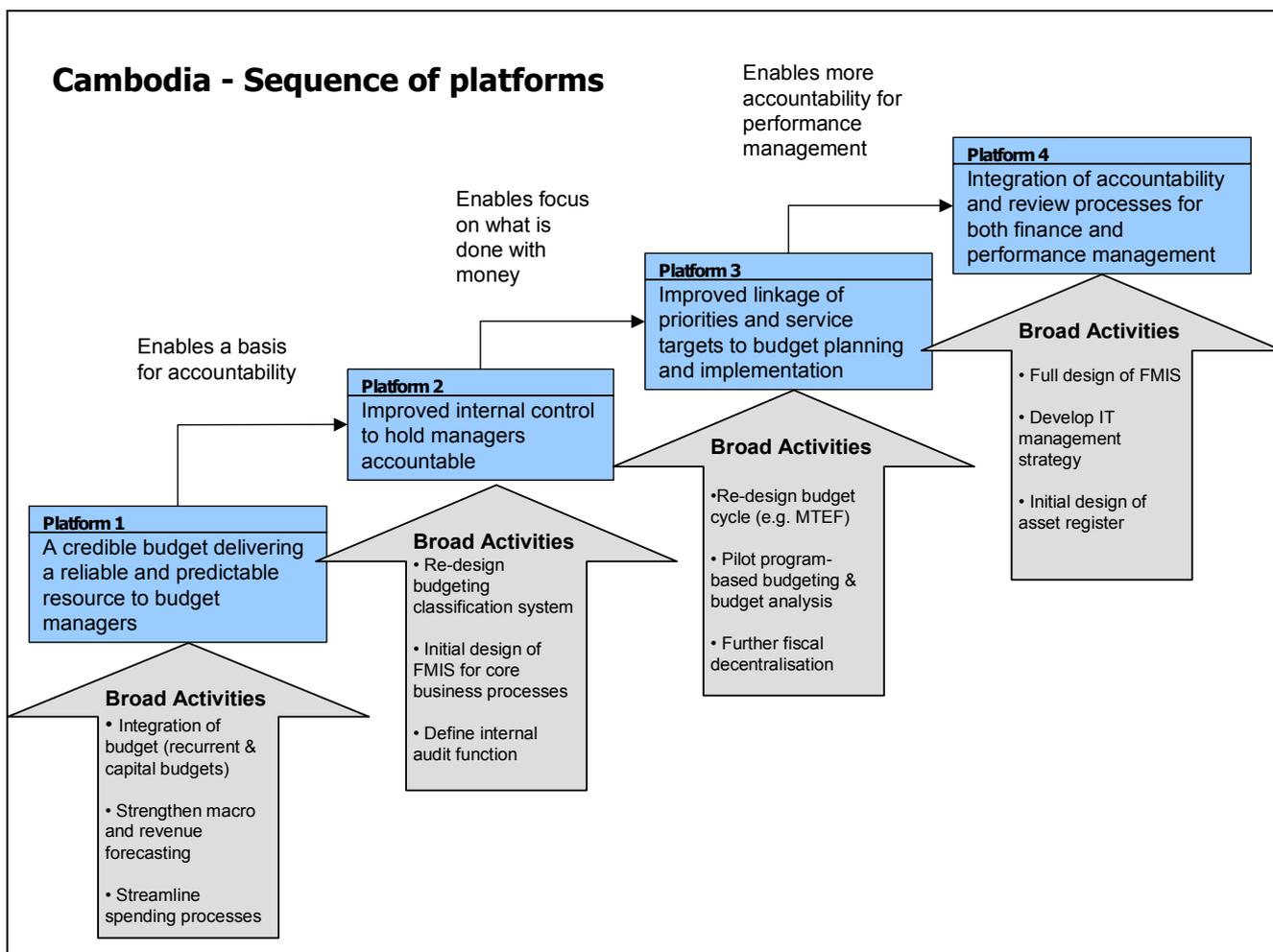
- i) a credible budget delivering predictable resources;
- ii) improved internal controls to hold managers to account;
- iii) improved linkage of policy priorities to budget planning; and
- iv) integration of accountability and review processes for both financial and performance management.

At this stage, the definition of activities making up each platform is in broad terms only, as shown in more detail overleaf. More detailed planning can then be focused on the **initial platform**.

Steps 2 – 6: Developing a detailed action plan to achieve Platform 1

The platform approach recommends a series of iterative steps to facilitate a process by which government can design a package of activities to achieve each platform, informed by an understanding of current PFMA performance and capacity levels (see diagram on page 8).

In Cambodia, the process to design activities to achieve Platform 1 was achieved through a series of workshops led by the government Facilitation Team, with support from a number of joint donor missions throughout 2004. These workshops enabled participation of both senior management and departmental managers and officials in the design of detailed departmental action plans, feeding in to a Consolidated Action Plan (CAP). This also includes activities to build capacity and improve motivation, and activities to address upstream work required for the achievement of later platforms. It is expected that completion of activities to reach Platform 1 will take an estimated **15-20 months**.



How will implementation be motivated and measured?

In Cambodia, the Government have decided to use a tailored version of the **PEFA PFM performance indicator set** as the measurement framework for implementation of the overall reform programme. However, it has also been recognised that there is a need to set progressive targets within this framework linked to the achievement of each platform.

In addition, Government has also sought to 'vertically integrate' performance indicators between the overall vision of reform and personal accountabilities and recognition of performance for those implementing reform. To achieve this, it is intended that the basic staff performance evaluation system will be developed into a more comprehensive performance assessment system to enable the implementation of a proposed **merit-based pay initiative** to support PFM reform. This initiative is intended to act as a pilot for reform across government, offering a potential model for other sectors where donors operate fragmented and distortionary salary supplement schemes.

Working with individual departments to establish reform activities and related performance indicators will help to further develop ownership and improve the likelihood of successful implementation.

Cambodia is still in the initial stages of implementing the platform approach and attempting to reach the first platform. Despite the success to date in involving partners there is still a risk that the first platform may be too ambitious as a first step and that momentum may fail to be gained. However, the approach is considered successful in engaging politicians and staff at all levels in its design and in producing a robust and realistic development plan genuinely owned within the administration. Tackling institutional, human capacity and motivational issues alongside technical change clearly added to its chances of success.

What lessons can be drawn to date?

The potential benefits of implementing a platform approach are not automatic. Establishing a framework of platforms based on trust and informed dialogue is critical to success. In practical terms, establishing a framework that governments and donors are in agreement with and willing to support can be challenging.

For the approach to be successful **donors** should be willing to:

- **take a step back and let partner governments take the lead on the reform process** – in Cambodia, donors have helped to facilitate a process whereby Government have led the entire reform process from defining an overall vision to designing a detailed work plan
- **be patient and realistic in timeframes for the design of government led reform** - achieving realistic sequencing of reforms requires patience and acceptance that some improvements have to wait – this is true for both donors and government - in Cambodia the initial planning phase took approximately **12 months** to complete – this led to a perception amongst some stakeholders that ‘nothing has been happening for months’ - champions of the approach therefore need to be prepared to defend necessary planning time
- **be open and honest at a strategic level about what matters to them** – building trust requires all parties to communicate up front on aspects of PFMA performance and reform they consider most important
- **align projects and drop those that may be inappropriate to continue** - the platform approach encourages non-essential improvements to be kept to a minimum - consideration of the appropriate technology requirement when defining each platform is key

While the platform approach generally focuses on building basic systems and competences first, experience suggests that it may also be necessary to **identify activities relevant to later platforms** that nevertheless need to be commenced now to avoid delay later. For example, in

Cambodia, initial design of a new financial management information system (FMIS) is planned at Platform 2, in preparation for completed design and implementation at Platform 4.

How does this approach link to PFMA diagnostics?

PFMA diagnostic studies such as the World Bank's Country Financial Accountability Assessment, Country Procurement Assessment Review, Public Expenditure Review, and Institutional and Governance Reviews are designed to make an assessment of different aspects of PFMA. A new **PFM Performance Management Framework** has recently been developed and approved by the PEFA Programme, consisting of a comprehensive PFMA Performance Report underpinned by a Performance Indicator set. This will provide a consistent basis for assessing the performance of PFMA systems and monitoring progress over time.

The information from these various diagnostic tools provide can be very helpful to inform the design of PFMA reform. Such information is highlighted in the platform approach process, especially in order to help understand the current position and to identify potential measures for improvement (see steps 2 & 3 on page 8).

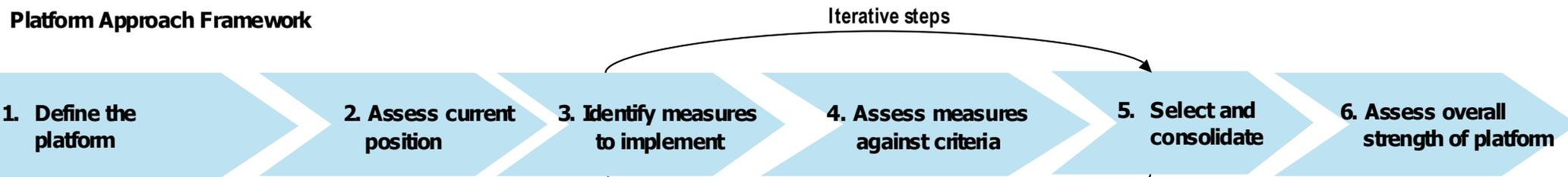
Identifying opportunities for improving PFMA and building momentum requires a good understanding of the **political and institutional context**. This includes understanding how both formal and informal institutions influence behaviour and drive change. The FACT team are currently finalising a Briefing Note "Understanding the Politics of the Budget Process" to provide further guidance to country offices on performing this type of analysis in the field of public financial management and accountability. This will draw from in-depth pilot studies of the budget processes in Malawi and Mozambique carried out in 2004.

Where can I get more information?

If you are considering implementing the platform approach or want to find out more about the processes involved please contact the Financial Accountability and anti-Corruption Team (FACT) directly at FACTregistry@dfid.gov.uk

The information included in this briefing is based on the PEFA commissioned report "Study of Measures used to Address Weaknesses in Public Financial Management Systems in the context of Policy Based Support" by Peter Brooke, Bannock Consulting, April 2003. This report and further case studies can be found on the **[Financial Accountability & anti-Corruption team \(FACT\) Insight web-page](#)**.

Platform Approach Framework



- Identify the **objectives** of each platform in terms of the step change in PFMA performance it seeks to achieve, bearing in mind how it builds on either:
 - a. the current situation (for the initial platform)
 - b. previous platforms

- Make an assessment of the current position of the country against the objectives identified in the previous stage
- Understand existing costs, issues and constraints in order to make an assessment of what is **realistic and achievable**

- Identify a 'long list' of **potential measures** to help strengthen the current position. Measures should consist of:
 - a. Specific actions
 - b. Early and defined outcomes
- Measures should be focused on the '**here and now**'

- Assess measures to **test appropriateness** against:
 - a. Realistic
 - b. Sustainable
 - c. Self-contained
 - d. Consideration of existing capacity/systems
 - e. Coherent package
 - f. Minimise resource leakage
 - g. Improve transparency
 - h. Platform for development

- **Select and consolidate** specific measures, considering the following:
 - a. How do measures **complement** each other?
 - b. How do measures enable the platform and objectives to be achieved.
 - c. The **capacity** to implement and maintain the measure?

- Assess **overall strength** of platform created, to test the robustness of the overall proposal. Consider;
 - a. How achievements will be assessed
 - b. The threats to the integrity of the platform and,
 - c. Measures to reduce those threats

Considerations

- Consider how the definition of platforms might be used to create **dialogue with key stakeholders**.
- Consider how achievements will be assessed.

- PFMA **diagnostic tools** and **fiduciary risk assessments** should be drawn upon where appropriate.

- PFMA **diagnostic tools** should be drawn upon where appropriate.
- Consideration of the potential impact of each measure should be made.

- Judgements are required to be made at this stage, therefore there is a limit to the objectivity of this process.

- Consideration of which projects and programmes should **start, stop and continue**.

- Governments and donors should accept a narrowing of initial ambition if improvements are achieved from the start.

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