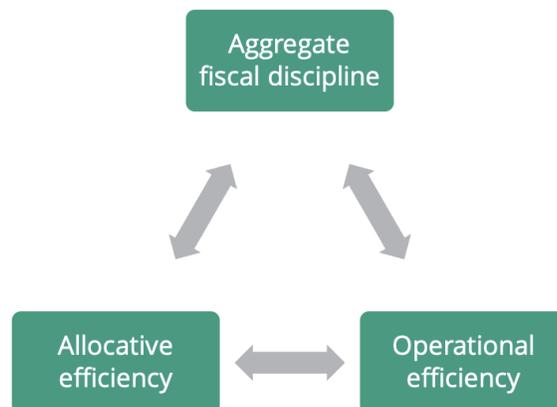


Public Financial Management (PFM) Reform: A Country-Centric Approach

Situation

- Governments develop Public Financial Management (PFM) reform plans to improve aggregate fiscal discipline, allocative efficiency, and operational efficiency
- PFM reform plan can include legal reform, process modernization, institutional reorganization, capacity building, and technology acquisition
- PFM reform plans benefit from internationally-accepted public sector standards¹, and assessment methods²



¹ Including: International Public Sector Accounting Standards (IPSAS), Government Financial Statistics (GFS), Classification of the Functions of Government (COFOG), and the World Bank Treasury Reference Model

² Including: Public Expenditure and Financial Accountability (PEFA), Debt Management Performance Assessment (DeMPA), Methodology for Assessing Procurement Systems

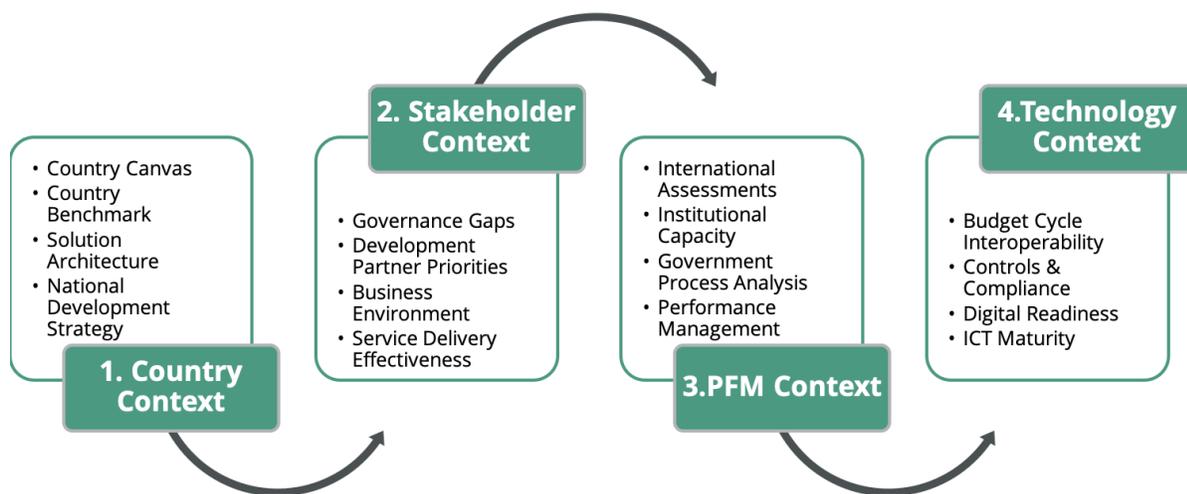
Complication

- Public sector standards and assessment methods are not considered prescriptive, requiring further effort to craft PFM reform plans
- PFM reform plans tend to be technical in nature, focused on process improvement, best practices, and legal reform, with limited insight into:
 - governance outcomes and impacts
 - country and government priorities
 - potential future reforms

Question

- How can PFM reform plans better align with country and government contexts for more effective prioritization and impact?

Approach



The government-specific FreeBalance A-ⁱ³+qM™ methodology uses a country and government-specific approach to PFM reform. Tools developed by FreeBalance are sequenced to develop PFM reform strategies across four stages:

1. **Country Context** tools leverage country reports³, government medium and long-term objectives, and analytical frameworks

(MAPS) Public Investment Management Assessment (PIMA), and Tax Administration Diagnostic Assessment Tool (TADAT)

³ Including over 300 sources of governance, macroeconomic, social, cultural and technology profiles and assessments

2. **Stakeholder Context** tools leverage workshop and stakeholder engagement, stakeholder goal alignment with governments, supported by governance and service delivery benchmarks
3. **PFM Context** tools leverage international PFM assessments, capacity and process analysis to determine realistic effectiveness improvements, aligned to the country and stakeholder contexts, across multiple reform and modernization phases
4. **Technology Context** tools leverage interoperability, ICT, and digital capabilities using a risk and opportunity lens to align supporting financial information systems to PFM priorities⁴

The most important deliverables from this approach are the solution architecture, and PFM reform sequencing plan.

Appendix: Supporting Material

FreeBalance blog entries

1. [The FreeBalance Approach to PFM Reform](#)
2. [Sequencing PFM Reform Good Practices](#)
3. [The Value of a Government FMIS Solutions Architecture](#)
4. [FreeBalance Supports PFM Reform With Medium-Term Sustainability Framework](#)

⁴ Optional step