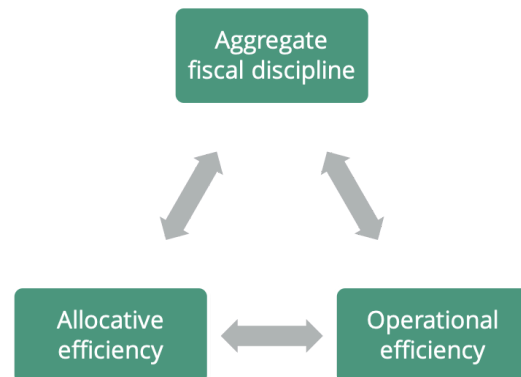


Public Financial Management (PFM) Reform: A Country-Centric Approach

Situation

- To enhance fiscal discipline, allocative efficiency, and operational efficiency, governments formulate PFM reform plans incorporating legal changes, process updates, institutional reorganization, capacity development, and technology upgrades.
- 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 (MAPS) Public Investment Management Assessment (PIMA), and Tax Administration Diagnostic Assessment Tool (TADAT)

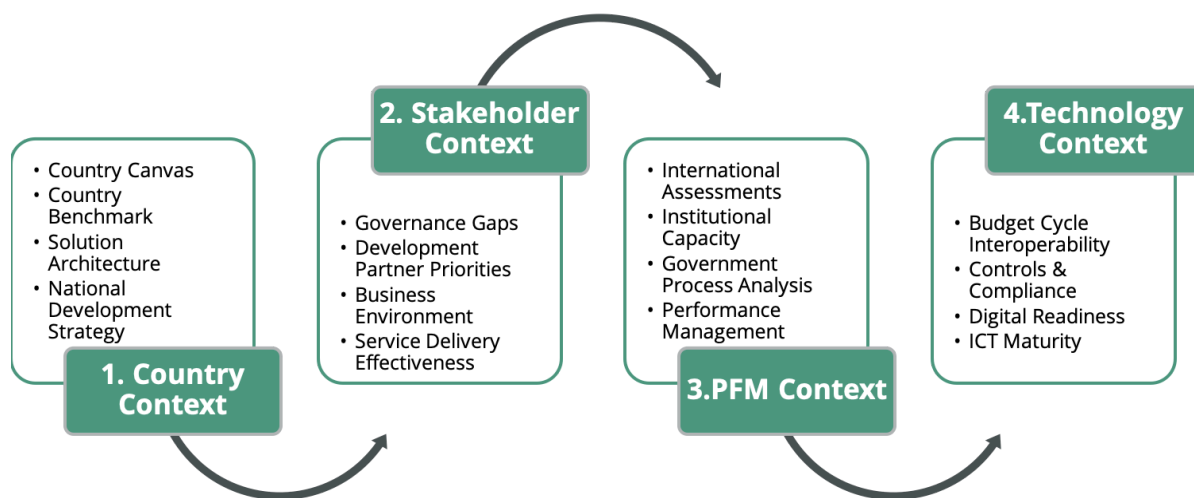
Complication

- While valuable, public sector standards and assessments offer broad guidance without specific directives, necessitating additional effort to tailor PFM reform plans. These plans often concentrate on technical improvements and legal reforms, sometimes overlooking:
 - Governance outcomes and impacts.
 - Alignment with country and government priorities.
 - Consideration for future reforms.

Question

- How can PFM reform initiatives more closely align with the unique contexts of countries and governments to ensure prioritized, impactful actions?

Approach



The government-specific FreeBalance A-i³+qM™ methodology uses a country and government-specific approach to PFM reform. This government-tailored strategy for PFM reform is organized into four strategic stages:

1. **Country Context:** Utilizes country reports³ and medium-to-long-term government objectives alongside analytical frameworks to understand national priorities.
2. **Stakeholder Context:** Engages stakeholders through workshops and consultations, aligning their goals with government aims, supported by governance and service delivery benchmarks.
3. **PFM Context:** Applies international PFM assessments and capacity evaluations to identify achievable effectiveness improvements, ensuring alignment with country and stakeholder needs across various phases of reform and modernization.
4. **Technology Context:** Assesses financial information systems for interoperability and ICT capabilities, considering risks and opportunities to ensure technology supports PFM reform objectives⁴

Key outputs include a detailed solution architecture and a sequenced PFM reform plan, prioritizing actions based on country-specific needs and goals.

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](#)

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

⁴ Optional step