

Public Financial Management Component Map (PFMCM)

Situation

The World Bank Treasury Reference Module, PEFA assessments, and USAID classifications have clarified the Public Financial Management (PFM) scope, providing a solid foundation for understanding its various elements.

Complication

Finance ministry leaders are challenged to lead PFM reform given so many PFM classification structures. This is additionally complicated by “marketectures” from Commercial-Off-The-Shelf (COTS) vendors. For example, some experts consider that payroll is not part of PFM, or that payroll is part of PFM but Human Resources are not.

Background

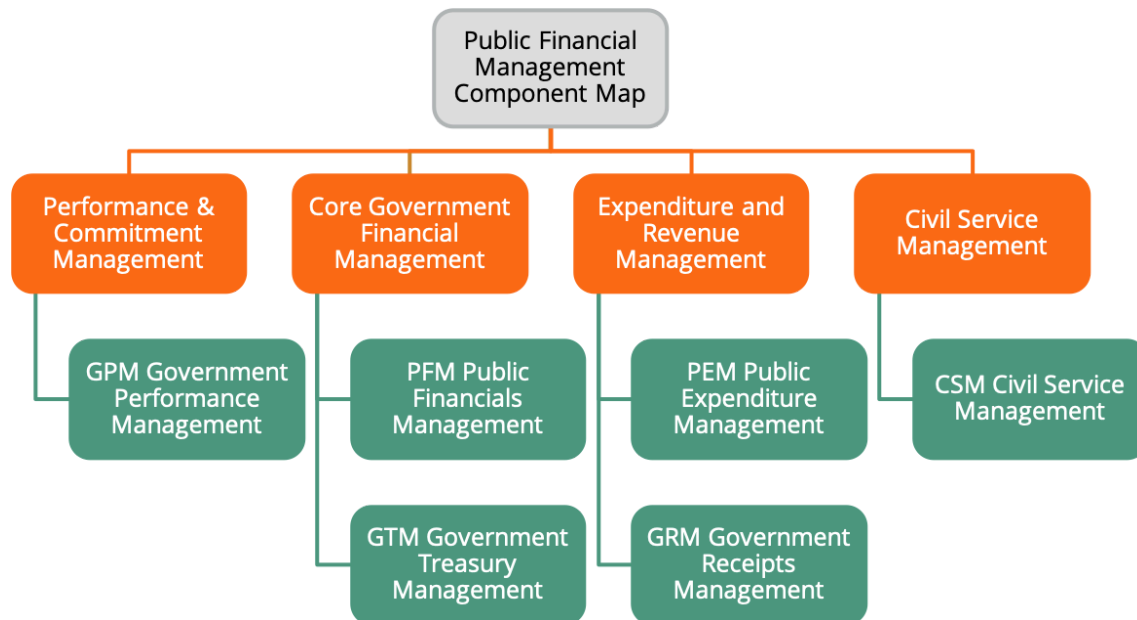
FreeBalance encountered this problem in 2007 when building a product roadmap for the redesigned web-native product.

Question

How can a holistic definition of PFM scope be established to guide reforms and technology adoption?

Approach

FreeBalance adopted the business component mapping technique, originally defined by IBM, to create the Public Financial Management Component Map (PFMCM),



The PFMCM:

- **Structures PFM** into 6 pillars, detailing 26 functions and 188 components, encompassing both financial and associated non-financial elements like the Chart of Accounts (financial) & Chart of Goals (non-financial), budgets (financial) & policy (non-financial), and payroll (financial) & human resources (non-financial).
- **Offers Comprehensive Coverage:** Ensures an exhaustive definition of all possible public finance components, facilitating a thorough understanding of PFM scope.
- **Enables Priority Articulation:** Utilizes heat maps to visually represent priorities and critical areas for reform or development.
- **Guides Technology Selection:** Helps determine the necessary software components, allowing for targeted module selection to satisfy specific PFM needs.

Component Mapping Accountability Levels

The component business mapping approach was enhanced for public finance:

Component Business Model IBM Approach Accountability Levels		Government Component Mapping FreeBalance Approach Accountability Levels		
Direct	Components at this level provide strategic direction and corporate policy to other components. They also facilitate collaboration with other components.	D-PS	Planning & Scenarios	Planning & scenario management
		D-RM	Reform & Modernization	Definitions of policy & procedures including legal reform, Chart of Accounts, support for progressive activation
Control	These mid-tier components serve as checks and balances between the “direct” and “execute” levels. They monitor performance, manage exceptions and act as gatekeepers of assets and information.	C- GC	Government Controls	Budget & commitment controls, approval workflow, segregation of duties
		C-ME	Monitoring & Evaluation	Query, analysis, forecasting, visualization
		C-PM	Performance Management	Results-based budgeting, value-for-money, merit-based pay, Chart of Goals
		C-FT	Fiscal Transparency	Transparency portals, statutory reporting
		C-OA	Oversight & Audit	Oversight agency & audit functionality
Execute	These “boots on the ground” components provide the business actions that drive value creation in the enterprise. They process assets and information for use by other components or the end customer.	E-CM	E-Commerce	Supports online commerce and payments, covering revenue and expenses
		E-PE	Process Execution	Primarily implements or executes a government financial process

Benefits

The PFM Component Map serves as a crucial tool for government leaders, providing a comprehensive framework to navigate PFM reforms and technology implementations effectively, ensuring alignment with organizational goals and reform objectives. Other advantages include:

- Comprehensive definition of all possible public finance components
- Development of heat maps to articulate priorities
- Determine necessary components that can be satisfied by software modules

Appendix: Supporting Material

FreeBalance blog entries

- [What is the FreeBalance PFM Component Map?](#)
- [Digital Public Financial Management \(PFM\) Transformation](#)