

CAPFA



Integration of System Reform with Broader PFM Reform

CARTAC/CaPFA FMIS
Conference

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Outline

- Overview
- Trends
- PFM Action Plan
- Using ICT
- Lessons Learned
- Looking Ahead

Overview

- Money is the fuel that enables government enterprises
- Countries are asked to improve fiscal management and reporting to:
 - facilitate decision making
 - ensure transparency and accountability
 - demonstrate government performance
 - enlarge coverage of the budget

Good practice in PFM reform

- Diagnostic regarding how existing practices compare to good practice.
- Many different tools - IMF Code of Fiscal Transparency; World Bank PERR; ROSC; Fiduciary Assessments
- PEFA is now the main diagnostic tool used

Consolidation – The Objective of Good Practice Public Financial Management

Single Consolidated
Budget Process



Single Treasury
System



Single Treasury
Bank Account

What is PEFA

- The Public Expenditure and Financial Accountability (PEFA) Program has become the preferred method for assessing a country's PFM Framework.
- the PEFA program seeks to achieve three elements
 - A country-led agenda - a country led PFM reform strategy and action plan.
 - A coordinated program of support- a coordinated IFI-donor integrated, multi-year program of PFM work that supports and is aligned with the government's PFM strategy.
 - A shared information pool – a framework for measuring results that provides consistent information on country PFM performance, including progress over time.

www.pefa.org

Steps in Developing a PFM Action Plan

- The PEFA Process is undertaken by consultants preferably with strong country participation (Guyana)
- The initial PEFA provides the PFM baseline
- The baseline establishes the main areas where improvements are required
- The country then establishes a sequenced action plan for PFM reform (St Vincent)
- This is sometimes referred to as platforms (Cambodia)

An example of Platforms for budget execution

- P1 - Broaden scope of the GFMIS to ensure capture and reporting of all government receipts and payment
- P2 - Improve cash management and forecasting
- P3 - Capture commitments, financial assets and liabilities
- P4 - capture fixed assets

An example of Platforms for budget Preparation

- P2 - Budget submissions submitted electronically and amendments by MoF returned electronically
- P3 - The budget documents produced by budget preparation system
- P4 - Annual budget submission incorporates performance information
- P5 - Budget entities submit quarterly performance information

Questions?

- PFM people – have you adequately considered how to sequence your reform agenda?
- IT people – Do you understand your role in supporting the PFM sequenced Action Plan?

Using ICT (examples)

- E-Budget submission
 - A gatekeeper is always needed
 - Forms and templates
 - MS Office, Open Office, other
 - Automate standard validity checks
- Budget documents
 - Begin with the end in mind
 - Manage as just another type of report
 - Build in extra flexibility
 - Publication quality

Using ICT (examples)

- GFMS capture and reporting of all government receipts and payments
 - An organizational issue?
 - Revenue systems as FEEDER systems to the GFMS and/or bank
 - Data-level integration
 - Near real time or periodic propagation
 - Include integrity checks in transfers

Lessons Learned

- PFM reform does not necessarily require a new system.
- IT/CIT can help, but may not be appropriate in all cases.
- To err is human. To really mess things up, you need a computer.
- Ockham's razor (paraphrased): "If two solutions produce equivalent results, the simpler one is better."

Looking Ahead

- PFM reform?
- Can you demonstrate the need?
- Have you documented the current state?
- Have you prioritized proposed changes?
- Have you evaluated alternate solutions?
- What would Ockham do?