Alternative Paths to PFM/public sector reform: Experiences from East Asia

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Overview of the Study

- Eight country cases; Bank and other experts

- Range of topics covered: Treasury/ FMIS; Program/ Performance Budgeting; Revenue Mobilization; Fiscal Decentralization; Public Investment Management; Bureaucracy Reform

- Retrospective view of “experimental” approaches
# Public Sector Reform Challenges

<table>
<thead>
<tr>
<th>Logistical</th>
<th>Technical</th>
<th>Adaptive</th>
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<tbody>
<tr>
<td><strong>Following a Recipe</strong></td>
<td><strong>A Rocket to the Moon</strong></td>
<td><strong>Raising a Child</strong></td>
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<tr>
<td><strong>SIMPLE</strong> (Puzzle)</td>
<td><strong>COMPLICATED</strong> (Problem)</td>
<td><strong>COMPLEX</strong> (Mess)</td>
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<tr>
<td>- The recipe is essential</td>
<td>- Formulae are critical and necessary</td>
<td>- Formulae have only a limited application</td>
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<tr>
<td>- Recipes are tested to assure replicability of later efforts</td>
<td>- Sending one rocket increases assurance that next will be ok</td>
<td>- Raising one child gives no assurance of success with the next</td>
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<tr>
<td>- No particular expertise; knowing how to cook increases success</td>
<td>- High level of expertise in many specialized fields + coordination</td>
<td>- Expertise can help but it is not sufficient; relationships are key</td>
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<tr>
<td>- Recipe notes the quantity and nature of “parts” needed</td>
<td>- Separate into parts and then coordinate</td>
<td>- Can’t separate parts from the whole</td>
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<tr>
<td>- Recipes produce standard products</td>
<td>- Rockets similar in critical ways</td>
<td>- Every child is unique</td>
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<tr>
<td>- Certainty of same results every time</td>
<td>- High degree of certainty of outcome</td>
<td>- Uncertainty of outcome remains</td>
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'Select practice’

'Select best fit’

*Source: ODI presentation, Exploring the science and complexity of aid policy and practice, London, 09 July 2008*
Approaches to Public Sector Reform

Traditional approach starting with policy & ...

- Implementing capacity dev. initiatives
- Expecting determined results
- Applying successful policies from one context to another ("best practice" approach)

Experimental approach combines standardized ‘best practice’ & customized ‘best fit’ solutions

Experimental approaches encourage innovation & ...

- Experimenting unleashes capacity and results
- Building policy based on success
- Inventing new solutions to unique problems
- Failing often necessary price of succeeding
- Creating instruments & ‘culture’ for adaptive, experimental, iterative work
Analytical Lens

- Technical quality of design
- Pace and coherence of reforms
- Leadership and Support
- Design adaptation
- Real time adjustment
- Consensus leadership
- Communication practice
### 1. Design Quality: Pace and Coherence of Reforms

**Mixed approach:** Budget reform built around existing budgeting culture; Evolution rather than revolution

- Incremental approach: Gradual roll out of Bureaucratic reform to central govt agencies – completed in 3 waves
- Imperfect approach: Gradual and experimental with fiscal decentralization
- IFMIS - SPAN based on international good practice with some modifications to fit local context

**Public Sector Reform:** Sought “big results fast” while adopting a pragmatic approach to implementation such as short-term initiatives/quick wins

- A ‘big bang’ approach to reform
- Tight timelines on performance-based budgeting and GFMIS but more gradual and experimental with fiscal decentralization
- Some policies introduced after result achieved

**IFMIS - SPAN** based on international good practice with some modifications to fit local context

### 2. Leadership and Political Support: Consensus Leadership and Communication Practices

- Strong leadership; clear national development plan and key result areas
- Regular communication with relevant organizations

### 3. Implementation capability: 'Design Adaptation' and 'Experimentation and Real-Time Adjustment'

- High adaptability as innovation and experimentation allowed (particularly under public service transformation)
- Clear time line plan monitored by delivery unit
- Innovation; creativity; experimentation allowed

<table>
<thead>
<tr>
<th>Country</th>
<th>Budget Reform Approach</th>
<th>Public Sector Reform</th>
<th>Implementation Model</th>
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<tbody>
<tr>
<td>Malaysia</td>
<td>Incremental approach: Gradual roll out of Bureaucratic reform to central govt agencies – completed in 3 waves</td>
<td>Soft leadership support (post Asian Financial Crisis)</td>
<td>High adaptability as innovation and experimentation allowed (particularly under public service transformation)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Imperfect approach: Gradual and experimental with fiscal decentralization</td>
<td>Strong leadership support (post Asian Financial Crisis)</td>
<td>Clear time line plan monitored by delivery unit</td>
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<td>Thailand</td>
<td>IFMIS - SPAN based on international good practice with some modifications to fit local context</td>
<td>Communication was inadequate, revigorated with FMIS</td>
<td>Innovation; creativity; experimentation allowed</td>
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<td>Cambodia</td>
<td>A ‘best fit’ well designed platform approach; adapt international best practice for specific reform implementations</td>
<td>High level support for overall PFM reform; strong ownership</td>
<td>High adaptability as innovation and experimentation allowed (particularly under public service transformation)</td>
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<td>Vietnam</td>
<td>Classic top down reform</td>
<td>Strong leadership support for PFM reform in the context of post Doi Moi reform</td>
<td>Classic case of adopting international best practice without full consideration of local context</td>
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<td>Myanmar</td>
<td>Flexible approach to introducing wholesale reform drawing heavily from international experience rather than best international practices</td>
<td>Strong leadership during transition</td>
<td>Adaptation of best practice through experimentation. Gradual approach to decentralization, resulting in fragmentation between and across levels of government</td>
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<td>Lao PDR</td>
<td>First-generation reforms focused on establishing a basic PFM framework using international experience as examples</td>
<td>Strong PFM sector working group for Development partners</td>
<td>Space for significant experimentation limited</td>
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<td>Papua New Guinea</td>
<td>Experimentation and ‘home grown’ solution</td>
<td>Political commitment largely personality-driven; fluctuating levels of support</td>
<td>Space for significant experimentation limited</td>
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Summary of Findings

In public sector reform, journey is as important as destination. 3 aspects:

1. Design quality: Poorly designed reform can’t be implemented well

2. Political environment shapes leadership & political support
   - Strong appetite for reform at the highest political levels, but mere presence of political drivers doesn’t automatically translate into efficient implementation:
     - Need for consensus leadership
     - Changeability of political leadership & need for communication

3. Institutional environment: capacity of public service officials and other stakeholders to carry out reforms
   - Design adaptation
   - The ability to innovate, experiment, & adjust along the way
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