

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



Washington DC
December 4, 2018

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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

Logistical	Technical	Adaptive
Following a Recipe	A Rocket to the Moon	Raising a Child
SIMPLE (Puzzle)	COMPLICATED (Problem)	COMPLEX (Mess)
<ul style="list-style-type: none"> • The recipe is essential • Recipes are tested to assure replicability of later efforts • No particular expertise; knowing how to cook increases success • Recipe notes the quantity and nature of "parts" needed • Recipes produce standard products • Certainty of same results every time 	<ul style="list-style-type: none"> • Formulae are critical and necessary • Sending one rocket increases assurance that next will be ok • High level of expertise in many specialized fields + coordination • Separate into parts and then coordinate • Rockets similar in critical ways • High degree of certainty of outcome 	<ul style="list-style-type: none"> • Formulae have only a limited application • Raising one child gives no assurance of success with the next • Expertise can help but it is not sufficient; relationships are key • Can't separate parts from the whole • Every child is unique • Uncertainty of outcome remains
<p>Source: ODI presentation, <i>Exploring the science and complexity of aid policy and practice</i>, London, 09 July 2008</p>		

'Best practice'

'Best fit'

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)

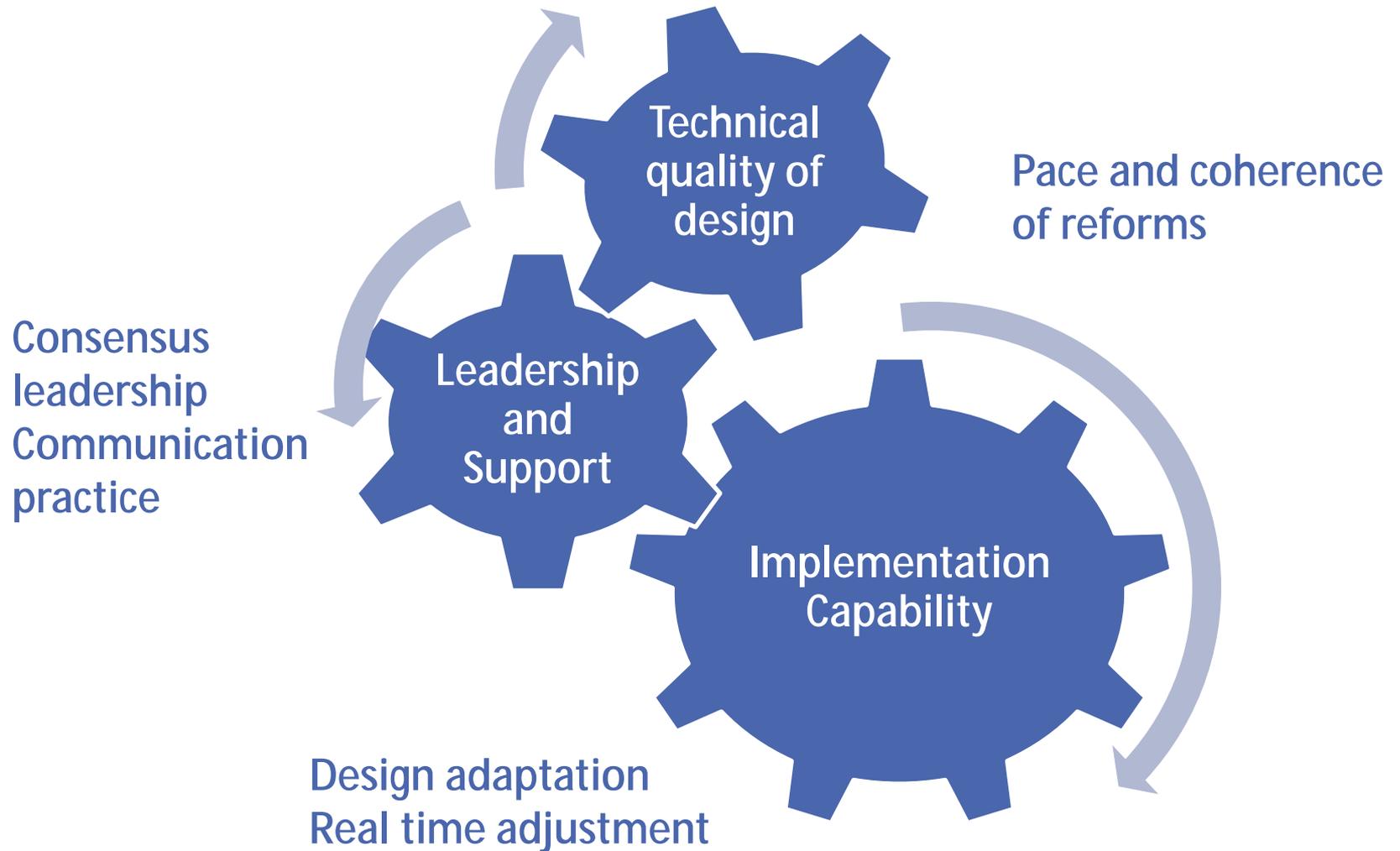


Experimental approach combines standardized 'best practice' & customized 'best fit' solutions

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



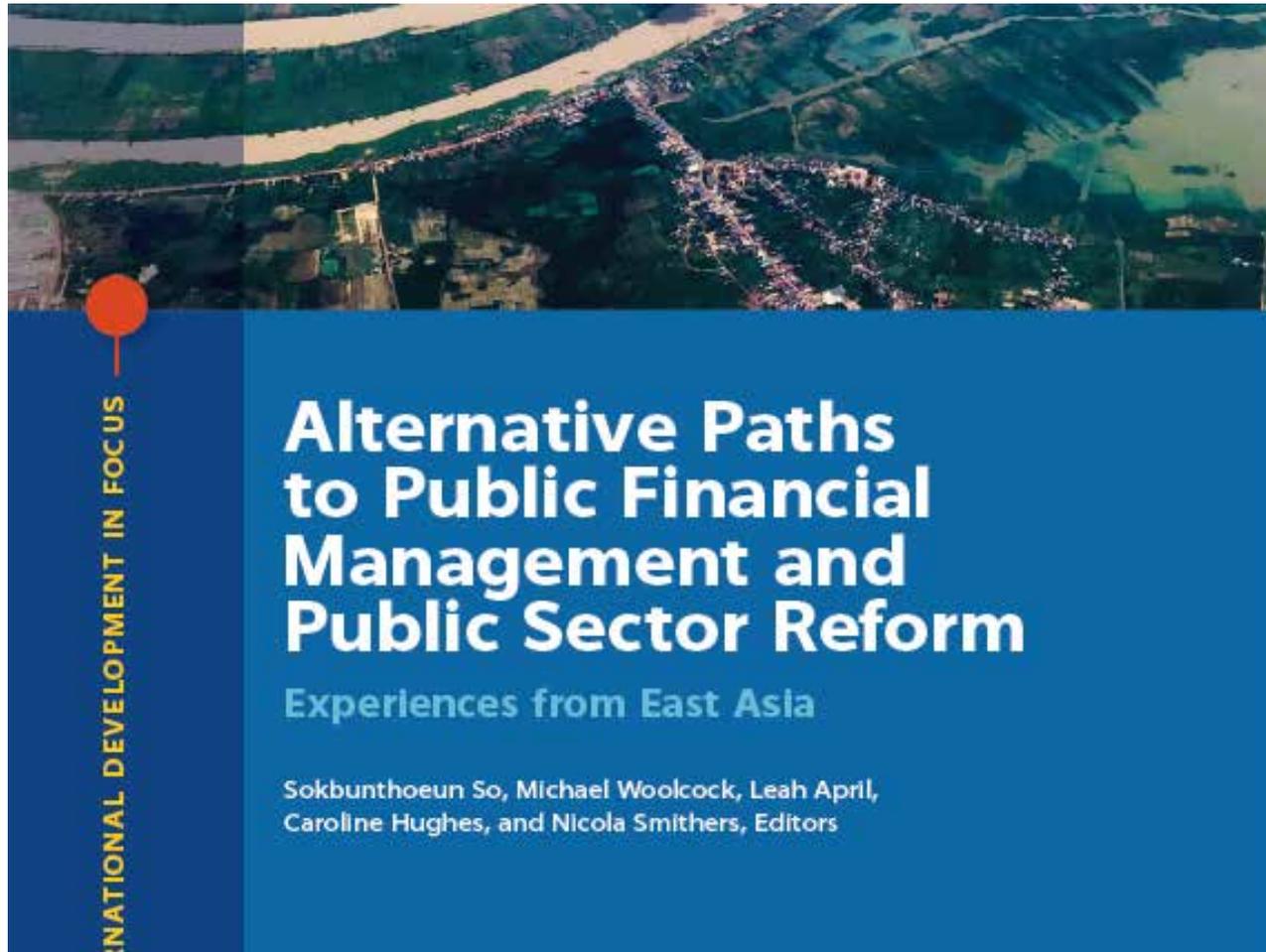
Malaysia	Indonesia	Thailand	Cambodia	Vietnam	Myanmar	Lao PDR	Papua New Guinea
1. Design Quality: Pace and Coherence of Reforms							
Mixed approach: Budget reform built around existing budgeting culture: Evolution rather than revolution	Incremental approach: Gradual roll out of Bureaucratic reform to central govt agencies – completed in 3 waves	A ‘big bang’ approach to reform Tight timelines on performance based budgeting and GFMIS but more gradual and experimental with fiscal decentralization	“Best fit” well designed platform approach; adapt international best practice for specific reform implementations Some policies introduced after result achieved	Classic top down reform Follow good practice – starting with laws and policy; piloting; and scale up as results materialized or abandoned as pilot failed	Flexible approach to introducing wholesale reform drawing heavily from international experience rather than best international practices	First-generation reforms focused on establishing a basic PFM framework using international experience as examples	Experimentation and ‘home grown’ solution Extensive and open review, legislation, implementation of IFMS, changes to procurement, and human resource management innovation
Public Sector Reform: Sought “big results fast” while adopting a pragmatic approach to implementation such as short – term initiatives/ quick wins	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	Strong leadership support (post Asian Financial Crisis)	Strong leadership support (post Asian Financial Crisis)	High level support for overall PFM reform; strong ownership	Strong leadership support for PFM reform in the context of post Doi Moi reform	Strong leadership during transition Strong PFM sector working group for Development partners	Political commitment largely personality-driven; fluctuating levels of support Champion led communication to help facilitate reform	High-level support and trusted leadership for reform
Regular communication with relevant organizations	Multiple communication channels		Communication was inadequate, reinvigorated with FMIS				
3. Implementation capability: ‘Design Adaptation’ and ‘Experimentation and Real-Time Adjustment’							
High adaptability as innovation and experimentation allowed (particularly under public service transformation)	Best fit built in with feedback after 2 years implementation for Civil Service Reform	Combined “best practices” from other countries	No specific up-front decision on what kind of change shall be made; Incremental and gradual, yet substantive; whole system focus with clear objectives under each platform	Gradualist, piloting, and expansion as results emerged Gradualism plus adequate support generated satisfactory results	Incremental approach putting in place reforms where possible and adapting and adjusting timeframe and complexity to suit realities on the ground	Classic case of adopting international best practice without full consideration of local context Space for significant experimentation limited	Adaptation of best practice through experimentation. Gradual approach to decentralization, resulting in fragmentation between and across levels of government
Clear time line plan monitored by delivery unit	IFMIS reform: Strong open discussion and agreement on what change is needed	Classic top down reform, rapidly scaled up, and inadequate time for experimentation and adjustment in the case of PBB and GFMIS					
Innovation; creativity; experimentation allowed	Lack of space for building flexibility and little time for experimentation	Decentralization reforms more bottom up, gradual	Implicit authorized environment allowed experimentation to work; implementation adjusted over time				

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

Summary of Findings



Available for download:

<https://openknowledge.worldbank.org/handle/10986/29924>

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THANK YOU