Part 1

The International Handbook of Public Financial Management
Why is this Handbook relevant and important?

- First comprehensive reference book on PFM to be published for 10-15 years
- Many important advances in practices and literature have made during this period
- PFM is included as a core topic in Master’s and Ph.D. programs in public finance and public administration
- The global financial crisis has increased interest in the quality and performance of budgetary institutions
Why has interest in PFM expanded so fast?

- PFM is no longer seen as a narrow technical subject
- Important link between macroeconomic factors (fiscal policy, fiscal rules, efficient allocation of resources) and microeconomic factors (role of markets, incentives, behavioral responses) is recognized
- Interdisciplinary nature of PFM: economics, public finance, political science; law; organization theory, etc.
- Surge of interest in making governments more accountable for their decisions, and more transparent
Important features of the Handbook

- Target audience includes policymakers and practitioners; professors and students of public administration and public finance; writers and commentators on public policy.
- Handbook takes full account of both cutting-edge research and TA reports over the last 10-15 years.
- Authors are top selection of policymakers, practitioners and academics in the field. Many with a background in the IMF and the World Bank, and experienced in TA work.
- Book well reviewed in *International Public Management Review, Governance, Public Budgeting & Finance*, etc.
The Handbook is comprehensive

- 37 authors
- 38 chapters
- 928 pages
- 197 figures, tables and boxes
It is divided into 7 parts

- Introduction
- Institutional and legal framework for PFM
- Allocation of resources
- Managing budget execution
- Managing government revenues
- Liability and asset management
- Accounting, reporting and oversight of public finances
Topics covered by the Handbook

- **Important “bread-and butter” PFM topics** such as the legal framework, budget classification, budget formulation, cash and debt management, internal control, financial accounting and reporting, external audit, etc.

- **Specialized topics** such as the macroeconomic foundations of PFM, fiscal risk analysis, payroll management, extra-budgetary funds, tax design, managing external aid, sovereign wealth funds, generational accounting, state enterprises, FMIS, fiscal councils, etc.
Cross-cutting themes of the Handbook

- Political economy and institutional aspects of PFM
- Relationship between macroeconomic policy, fiscal risks and PFM
- Improving the delivery of public services
- Strengthening fiscal transparency and accountability
- Making more effective use of overseas development assistance
Part 2

Contemporary Issues in PFM
Existing approaches to PFM reform are not working well

- World Bank (CPIA) and PEFA data suggest that progress in improving budget institutions in developing countries was slow at best through 2000s
- PFM is a much more complex, multidisciplinary subject than previously considered
- Diagnostic tools (PEFA, FTE) have advanced but take little account of institutional aspects of PFM
- Context is critically important – solutions cannot be developed without detailed analysis of countries’ history and culture
- Handbooks or guides that focus on simplistic “how to” solutions have limited value
“Best practice” idea is perceived as less relevant

- Big change from prevailing view in 2000 – emphasis is now on “good practice” or “good enough practice”
- Increasing focus on what is reasonable and practical taking account of a country’s legal, administrative and governance arrangements
- Recognition that informal rules of behavior are often more important than formal laws and other rules, especially in developing countries
- Skepticism about relevance of “New Public Management” ideas and market-based solutions (e.g., PPPs)
But ... donors and IFIs continue to promote advanced country models in developing countries

- Fiscal responsibility laws
- Medium-term budget frameworks
- Performance-related budgeting and program budgeting
- Advanced IFMIS solutions
- Accruals-based accounting

Little attention is given to whether these solutions fit the needs of the countries concerned, or whether essential PFM preconditions have been met
Is a “New Consensus” on PFM emerging?

- **Pace of reform** is very important – budget institutions cannot be changed like software systems
- **Political economy issues and contextual factors are key**
- **Prioritization and sequencing are essential** – focus on basic reforms first – e.g., macrofiscal, accounting, cash management, internal control before advanced reforms
- **Capability is as important as capacity** – central financial agencies (CFAs) must be well organized and well managed
- **Decentralized PFM solutions** are a mixed blessing
- **Reforms should start by analyzing problems** not solutions (Andrews)
What should a well-designed PFM reform strategy look like?

- Tailor reforms to needs of the country, and ensure reforms are genuinely owned by government not by donors/IFIs
- Integrate institutional analysis into TA work
- Focus on the structure and organization of CFAs
- Use the power of transparency to promote improvements
- Be realistic about the pace of reform – in advanced countries reforms have taken many decades to implement
- Give basic reforms priority and simplify PFM reform strategies
- Face up to new challenges – e.g., managing resource revenues and pressures for decentralization – both challenging for PFM
QUESTIONS and DISCUSSION