ECSPE recently hosted a conference in Warsaw on public expenditure management (PEM) challenges facing ECA’s PRSP countries. Over 120 participants attended the event, including 36 from the Bank, 26 from eleven donor agencies active in the region and over 50 delegates from relevant ministries in the 12 PRSP governments in the region. The conference was sponsored by the Public Expenditure and Financial Accountability Secretariat (PEFA).

Participation

One of the goals of the conference was to bring a wide group of actors involved in PEM together to discuss cross-disciplinary problems with common reforms in the region, from MTEFs to treasury system development. This goal was well met, as reflected in the broad coverage of the conference participants:

- Government delegations generally numbered between 3 and 5, with senior representatives from Ministries of Finance, Treasuries, Budget Departments, National Banks, PRSP Secretariats and related entities.
- Bank and donor participants were drawn primarily from country economists, public sector specialists, country officers and financial management specialists (including procurement specialists).

This blend of participants ensured rich discussion of the issues, which was also ensured by the participation of a significant number of staff located in country offices (and donor representatives also working in-country).

‘Framing’ presentations

The conference aimed to facilitate active discussion of the major PEM issues these governments face both as transitional and PRSP governments. Early presentations by Lajos Bokros and Leszek Balcerowicz were used to frame these discussions. The presentations raised key policy problems experienced in the region, which participants referred back to on many occasions.

A focus on government experiences

Another goal was to provide the government delegations with opportunities to present their experiences. The idea was for the donors to listen to these experiences and for the countries themselves to have the opportunity for some peer learning. Over the two and a half day event, each of the twelve governments made a formal presentation. The presentations were based on materials the delegations had been requested to develop prior to the event. These materials, the full agenda and conference materials are available on the internet, at:


This conference is sponsored by the Public Expenditure and Financial Accountability Secretariat (PEFA).
It was interesting to note the competition between delegations in the development of presentations. Final comments from representatives indicated that delegations had learned a lot from each other—primarily that they were all attempting similar things but in different ways, and that there may be some leaders in the region that others could learn from. The OECD’s Jon Blondal made a presentation on OECD experience with these reforms, which provided an interesting ‘external’ point of comparison for the governments: in particular, delegates commented on the fact that their reform problems were common even outside of transitional PRSP settings, and that some of the lessons from OECD countries (regarding sequencing, for example, and having realistic expectations of reform) could be better integrated into reform designs in ECA’s PRSP governments.

**Active discussions on key issues**

Another goal of the conference was to provide significant periods of active discussion around key themes—not plenary presentations, but round-table engagement on real issues. Six themes were explored in this way during two break-out sessions. The themes ranged from implementing MTEFs to dealing with procurement problems in budget execution. Case studies of a hypothetical government were developed to facilitate these discussions. (The cases were developed through engagement with Bank staff from HQ and field offices and with engagement of representatives from other donors. The case discussions were facilitated by the same mixture of personalities—reflecting the conference emphasis on broad participation).

The cases reflected common experiences in the region, and called groups to identify the major problems arising with these experiences in their own governments as well as short and medium term steps that could be taken to resolve such. The sessions were well attended and the discussions were rich. Report-backs on these sessions indicated many ideas that could strengthen the reform agendas in place. The active discussions were transcribed and will be included into a Proceedings paper in the future.

**Concluding presentations and comments**

Concluding presentations by the World Bank and PEFA Secretariat focused on the challenges facing both the governments and the donor community in PEM reform. The first of these reflected on an analytical study by the Bank in 2003, which rated government systems using a modified HIPC diagnostic instrument. The governments had been asked to rate themselves again using the same diagnostic, in advance of the conference.

It was interesting to note the different perceptions of the Bank and government officials on issues ranging from the quality of medium term forecasts to the degree of program costing in budget preparation and the strength of internal and external auditing. Both Bank and government ratings indicated significant room for improvement in all areas of the PEM process, however.

With this in mind, the PEFA secretariat made a presentation on a ‘Strengthened Approach’ to conducting PEM reforms—aimed at focusing the analytical and technical assistance work in these governments and ensuring a government-led and owned, and well planned reform agenda. The presentation was well received and immediate responses by entities like the European Commission and United States Treasury indicated its potential value to the donor community.
Government representatives had the final word in the conference, and many good suggestions were made about ‘next steps’. Most representatives agreed that the conference added value and that future meetings would be extremely useful. Other avenues for interaction were also suggested, including web-based discussion groups. Some delegates also recommended inviting representatives from more advanced reformers to these kinds of discussions to facilitate learning from their experiences.

PEFA COMMENTS ON THE EVENT ARE INCLUDED BELOW:

Note on the Conference on Public Expenditure Management Challenges in Europe and Central Asia (ECA) / PRSP countries, February 6-9, 2005

Introduction

12 delegations attended the workshop, from Albania, Armenia, Azerbaijan, Bosnia, Georgia, Kosovo, Kyrgyz Republic, Moldova, Montenegro, Serbia, Tajikistan, and Uzbekistan. In addition World Bank country economists from these countries, Bank PFM specialists (from PREM, Financial Management and Procurement), representatives from DFID, EC, GTZ and several US Treasury resident advisers attended. The conference was chaired by Cheryl Gray, World Bank PREM Director for the ECA region.

Content of the Workshop

The workshop lasted 2.5 days, and involved:

(i) Presentations and question and answer discussions with each of the delegations, regarding reforms to date, major challenges, and the reform agenda moving forward. The delegations had also provided written summaries.

(ii) Breakout discussions on 6 case studies each covering a common reform in budget formulation or execution and identifying typical approaches and problems. These case studies appeared to resonate significantly with the participants.

(iii) Presentations from the former Minister of Finance for Hungary and the current President of the National Bank and former Minister of Finance of Poland on reform experience in those countries.

(iv) A presentation by Jon Blondal of OECD on current trends in PFM reforms in OECD countries, with discussion on common issues facing the transition and OECD countries, and lessons that can be learned.

(v) A presentation of the results of a survey of PFM performance of the countries (using a modified HIPC set of measures), comparing original Bank scoring from 2003 and self assessments by the countries in 2005.

(vi) A presentation and discussion on the Strengthened Approach to PFM reform (see below).

(vii) Feedback from each delegation on the key issues they have drawn from the conference and the reform priorities for the coming year.

In general, the quality of presentations and the level of participation and interest from the delegations was high. At the breakout sessions that I attended there were good exchanges between the country participants as to their own experience in relation to the
case study issues, as well as sharing of information about how institutions and systems operate in their respective countries.

**PEFA involvement**

Bill Dorotinsky and David Biggs of the PEFA Steering Committee made an excellent presentation on the Strengthened Approach to PFM reform (copy attached), on behalf of the PEFA partners. The presentation was on the final morning and linked the Strengthened Approach to the key issues identified by the delegations during the workshop. The approach was well-received. A number of delegations welcomed the focus on improving donor coordination during their feedback presentations. The chair of the workshop particularly noted the contribution of PEFA and PEFA partners to making progress in the area of donor coordination, and to addressing the important issue of performance measurement.

PEFA support was used to fund participation of the delegations and conference costs. I attended on behalf of the PEFA Secretariat. Strong recognition of and appreciation for the PEFA support was expressed throughout the workshop.

**Feedback on the workshop**

In their feedback presentation the delegates were unanimous in noting the value of learning about the reform experiences of their peers during the workshop. Many noted that, while there are country specificities, many of the problems they are facing are common. A number reported that they were encouraged that they were not alone in their struggle to reform and that progress has been made in the region, and also had gathered ideas from the approaches adopted in other countries. The fact that some OECD countries are facing similar challenges was also identified as a source of encouragement, as was the strong support of the donors demonstrated through this workshop.

It also appeared that, while the delegations no doubt gave a positive spin to their progress on reforms, the workshop did generate a subtle sense of competition between the different countries regarding PFM performance and extent of reform achieved to date. In addition, several delegates noted the networking benefits arising from the workshop that they would wish to pursue in future. One suggestion was for a web-based forum for exchange of experience and views amongst the delegates. All the delegates expressed strong interest in meeting as a group again in the future, and some suggestions for any subsequent event included inviting officials from those countries that were further down the path of reform that the delegates’ countries were now following, and arranging the workshop to allow more in-depth coverage of selected issues.

Overall, the Bank, DFID, EC and PEFA Secretariat representatives expressed the same view that the workshop had been a successful and worthwhile event, by bringing together those involved in PFM reforms in the ECA/PRSP countries and providing a forum for learning and mutual encouragement.

Nicola Smithers

PEFA Secretariat, February 15, 2005