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Strengthening PFM in Postconflict Countries: Lessons for PFM Practitioners and Country Programming Staff

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Myriad challenges, but also opportunities, surround public financial management (PFM) reforms in postconflict environments. This note provides recommendations that focus on the special characteristics of postconflict environments and their implications for the design and implementation of PFM reform initiatives, and on links to the wider goals of state-building and service delivery. This note principally draws on a cross-country review of the design, implementation, and impact of public financial management (PFM) reforms in eight postconflict states. Focusing on the PFM reform experience over a 7–10 year period from the early 2000s to 2010, the goal of the study was to understand what has worked in countries' efforts to strengthen PFM systems, and how PFM strengthening impacts wider state-building goals.¹

Postconflict countries share many of the PFM reform challenges also encountered in nonconflict contexts, while some issues tend to be more pronounced, especially the initial near absence of capacity in many situations. On the positive side, postconflict periods can offer windows of opportunity, when governments, citizens, and donors have positive expectations about the potential to build or rebuild states.

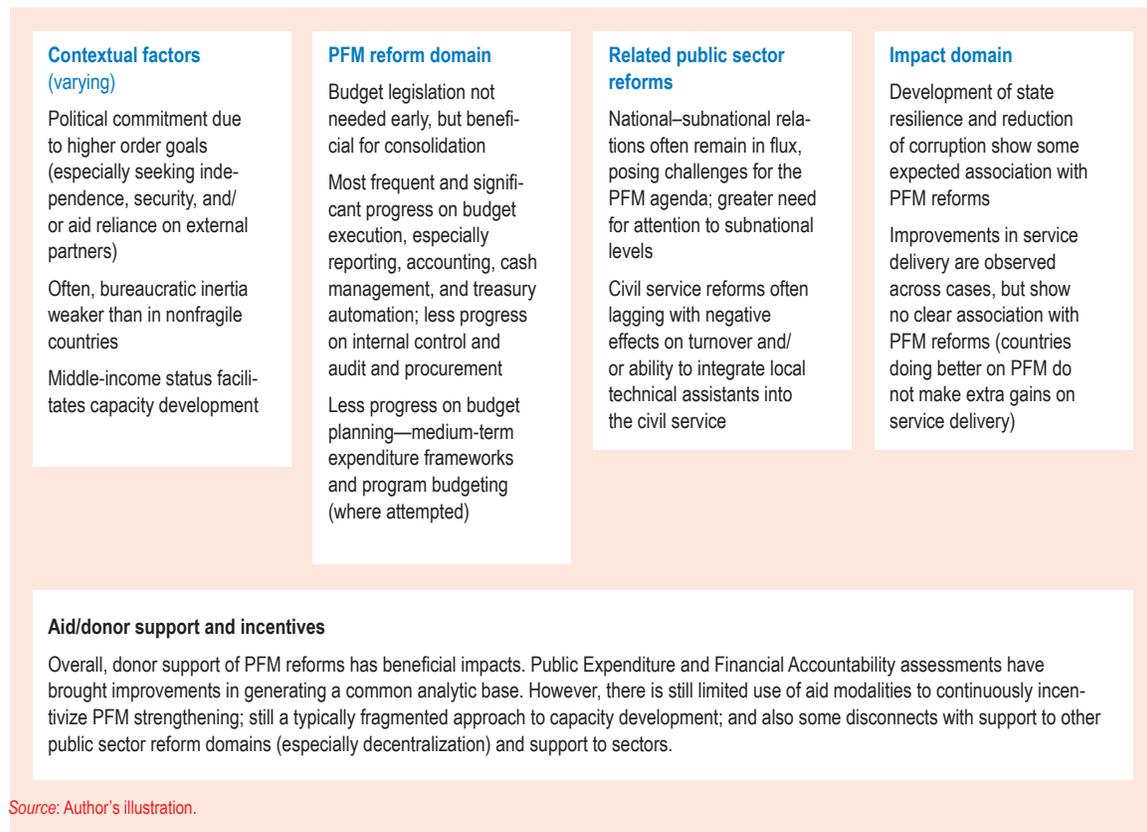
This note summarizes the main findings and presents the key implications that emerged from the cross-country analysis (figure 1). This note also includes an “at-a-glance” overview of reform trajectories, drivers, and impacts across the eight countries on which the analysis was based, and identifies key context dimensions and implications for approaching PFM reforms that can be applied to other cases.

Key Findings from the Cross-Country Analysis on Strengthening PFM

Six key messages emerged from the cross-country analysis:

- (i) **Progress on strengthening PFM in postconflict countries is possible: four out of eight cases made significant progress and a further two achieved intermediate progress over the reviewed period.** There can be real opportunities for strengthening PFM in postconflict situations where some enabling drivers and incentives for reforms are in place: seeking international recognition, or significant aid and possibly security support, or where leaders are interested in strengthening the state and guarding against the potential recurrence of conflict. While these drivers are present in a number of postconflict cases, they are not universal. Governments, such as the Democratic Republic of Congo's, that are preoccupied with regime survival or benefitting from large natural resource rents tend to be less motivated and able to pursue PFM reforms. Furthermore, exploring other potential drivers expected to motivate PFM reforms, the study finds that the level of internally generated revenue did *not* have a clear impact on the degree to

Figure 1. Summary of Key Findings across the Results Chain



which PFM progress was made, in contrast to widely held assumptions.

- (ii) **Across the budget cycle, budget execution reforms progressed further in more countries than reforms related to budget planning or budget accountability.** Postconflict situations can offer a window of opportunity for reforms related to budget execution, such as introducing a single treasury account or an improved chart of accounts, because bureaucratic processes and practices are often less entrenched. Among the three broad aspects of the budget cycle—planning, execution, and accounting and audit—reforms targeting budget accountability were the least advanced in most cases. While budget accountability is regarded as very important to bolster state legitimacy in postconflict environments, this aspect of the budget cycle is most dependent on political commitment and on the wider functioning of checks and balance systems.² Advanced budget planning reforms, such as program budgeting, were not successful in those countries in which they were tried. Program budget designs tend to be too complex, and the approach presumes a managerial and

decision-making culture that is far from postconflict countries' realities. However, practitioners continue to search for ways to link fiscal inputs and outputs and to make budgets more informative than traditional line item budgets, but that would be sufficiently simple and feasible even in challenging environments.

- (iii) **Existing approaches have found relatively successful ways of supplementing capacity gaps in the short to medium term, but longer-term capacity development has often remained inadequate, especially in lower-income postconflict countries.** Local, regional, or international technical assistants have been deployed to supplement initially very weak PFM capacity in Kosovo, Sierra Leone, Liberia, and Afghanistan. International technical assistants have also been used to strengthen integrity and fiduciary oversight, notably as part of Liberia's Governance and Economic Management Assistance Program. However, after the 5-to-10 year time horizons observed in the analysis, the only cases that achieved substantial progress with developing domestic capacity were the two middle-income economies, Kosovo and West Bank and Gaza.

Table 1. Overview of Country Experiences and Trajectories

Country/ economy	Reform drivers: government motivation and ability to pursue PFM reforms		Results of PFM strengthening by 2010 & specific achievements	Overall state- building progress	Progress on basic education and health services (%)	
	Capacity				Primary enrolment	Measles immunization
Afghanistan	Need for international aid and security support; limited government coherence	Low at outset, challenging to build; extensive use of technical assistants	Advanced reforms achieved, including AFMIS; less on external audit	Still considered very fragile	2000: 19 2010: 97	2000: 27 2010: 62
Cambodia	Some need for international aid support; substantial government coherence	Low at outset, challenging to build; little use of technical assistants, but significant use of salary top-ups	Intermediate reforms achieved, especially improved cash management/ TSA; slow progress on (planned) FMIS	Stabilizing	2000: 106 2010: 127	2000: 65 2010: 93
Congo, Dem. Rep. of	Declining need for international aid support given significant natural resource rents; government struggling for survival	Low at outset, challenging to build; some use of technical assistants	Limited reforms achieved	Still considered very fragile	2000: 48 2010: 64	2000: 46 2010: 68
Kosovo	Seeking international recognition (achieved in 2008), EU approximation; relative government coherence	Low at outset, opportunities due to middle-income status; extensive use of technical assistants at early stages	Advanced reforms achieved across most aspects of budget cycle, including external audit	Stabilizing	Insufficient data available	
Liberia	Seeking international aid and some security support, including major debt relief	Low at outset, challenging to build; extensive use of technical assistants	Intermediate reforms achieved; stronger efforts since 2006; progress on external audit	Stabilizing	2000: 112 2010: 96	2000: 65 2010: 93
Sierra Leone	Seeking international aid and some security support, including major debt relief	Low at outset, challenging to build; extensive use of technical assistants and top-ups	Advanced reforms achieved; establishment of IFMIS	Stabilizing	2000: 70 2010: 125	2000: 37 2010: 82
Tajikistan	Some need for international aid support; government stable, but some threat of renewed violence	Low at outset, challenging to build; limited use of technical assistants	Limited reforms achieved, mainly on treasury functions	Stabilizing, but recurring tensions	2000: 97 2010: 102	2000: 88 2010: 94
West Bank and Gaza	Seeking international recognition and major aid support	Low at outset, opportunities due to middle-income status; little use of technical assistants in line positions (combined with modest use of technical assistants)	Advanced reforms achieved, emphasis on budget execution, less progress on accountability	Subject to international agreement	2000: 98 2010: 91	n/a

Source: Author's compilation.

a. Indicators for primary gross enrollment rates (education) and measles immunization—percent of children 12–23 months (health).

(iv) The analysis indicates that there is no standard sequence; reform design and progression depended on existing PFM systems, characteristics of the country, and commitment by political and technical leaders. In some postconflict countries, such

as Kosovo, it was possible to undertake a rapid and complete overhaul of PFM systems—due to a combination of local leadership seeking external support that enabled substantial early and continued engagement and the ability to make good

progress with developing capacity in a middle-income context. In other cases, changes have been much more incremental, often involving various false starts. There are also differences in what succeeds where. For example, four case study countries successfully implemented a financial management information system (FMIS), while the same reform was planned but did not progress for several years in Cambodia—despite the country’s relatively good record on PFM reforms overall. Also, it has sometimes been assumed that adopting a legal framework for PFM should happen early during the reform process. However, the analysis shows that, in reality, new organic budget legislation is typically adopted three to five years into the postconflict period, once law formulation and adoption processes have been established.

- (v) **Analysis and monitoring of progress of PFM’s (evolving) status are important to guide reform efforts in postconflict countries.** Public expenditure and financial accountability (PEFA) assessments have started to play a valuable role in generating comprehensive, shared analysis and monitoring of progress. However, regular PEFA assessments do not cover certain aspects that are particularly important in postconflict countries. These aspects include progress on capacity development, regularity of wage payments in the public sector and the degree of leakage in transfers of funds versus the actual execution of budgets, among others.
- (vi) **There is a missing link between progress on PFM reforms and progress in improving service delivery (performance), and approaches to PFM reforms have been relatively centrally focused in most countries.** While most postconflict countries show improvements in service delivery indicators, countries making more progress on PFM reforms do not demonstrate any additional benefits with regard to these wider impacts (see table 1, columns 4 and 6).

Implications for Strengthening PFM in Postconflict Countries

Implication 1: Determining (and revisiting) the level of government commitment to reform

A fundamental initial consideration is the relative strength of the political incentives driving the pursuit of PFM reforms. This seems to be the most important driver that distinguishes more and less successful experiences. Specific signals of government commitment can be the appointment of finance ministers

with significant reform credentials and government actions to strengthen the ministry of finance institutionally or establish better donor coordination around the PFM reform agenda. Although presidents or prime ministers rarely take a specific interest in PFM reforms as such, higher order motivations and incentives of the government, such as state-building or seeking international support, for which PFM reforms play an instrumental role, matter. Governments facing constant threats to their survival and governments with large natural resource rents immediately at their disposal are less likely to pursue effective PFM reforms. The degree of political commitment can also impact the extent to which stakeholders strive to solve real problems through PFM reforms as opposed to engaging in more superficial reform efforts (see also World Bank [2012c]).

There are three stylized situations:

- **Incentives and commitment to PFM reforms are substantial.** In such environments, stakeholders can seek the most progress, such as locking in gains in budget execution systems, combined with initial steps on budget planning, and to the extent possible, on budget accountability (for example, initial supreme audit institution [SAI] development). Even for high-potential environments, it is important not to outpace local capacity and the political capital available for PFM reforms, as well as to support reform champions in identifying the most urgent bottlenecks, rather than simply pursuing reform templates derived from elsewhere.
- **Partial and fluctuating commitment to improving PFM, such as in countries seeking substantial aid support while simultaneously facing disincentives.** Appropriate strategies include a mix of rebuilding institutions and (re)establishing basic processes, such as a written and approved budget and budget execution reporting, while investing in the demand for reforms and understanding of reform options that can help address key bottlenecks among technical experts, political decision makers, and civil society.
- **Weak or absent government commitment.** A sensible approach is to focus on some initial steps, while engaging in a multistakeholder dialogue on potential benefits of strengthened PFM systems, to lock in at least incremental gains and seek to build momentum. However, in the short to medium term, the impacts on government effectiveness and integrity are likely to be limited (see also table 3 setting out possible reform approaches in different country contexts).

Across these scenarios, the relatively high turnover of finance ministers suggests that donor efforts have to contend with a high likelihood that any potential reform champion will change. The experience reviewed indicates that many ministers of finance only stay in office for one to three years. Ministers of finance may be selected strategically as a key interface with the international (aid) community. Postconflict countries with consolidating authoritarian regimes tend to have longer-serving ministers of finance, but with varying and often more limited reform commitment. Fluctuations in commitment to PFM reforms over time, and the opening and closing of windows of opportunity, should be expected. In particular, the international community should use situations in which countries are particularly reliant on its support wisely. Once important goals such as independence or major debt relief are achieved, incentives for pursuing systemic improvements in PFM often recede.

Implication 2: Working across the budget cycle with a core focus on execution reforms

Many postconflict environments offer windows of opportunity for significant progress on budget execution reforms and these should be used effectively. Budget execution includes charts of accounts and budget classification, cash management, including the introduction of Treasury Single Accounts [TSAs], improved recording and reporting systems, and, where possible, FMIS and internal controls (table 2). The latter, more advanced reform steps are likely to be feasible in countries with stronger reform commitment. Extending execution systems to subnational levels is important to support the reach of the state as well as the state's actual ability to spend and to record disaggregated expenditures. The latter goal also implies caution about excessive layers of controls.

For budget planning reforms, substantial engagement with stakeholders beyond the ministry of finance is essential, as is avoiding overly complex approaches. Domestic reformers and external supporters frequently find the idea of program budgets appealing, but actual reform practice has tended to be too complex and challenging, especially for volatile postconflict environments. Medium-Term Fiscal Frameworks (MTFFs) may be useful if the economic situation is stable and if there is an interest and basic ability to pursue fiscal stability with a multiyear perspective (see also World Bank [2013]). Adequate participation of sector ministries and other stakeholders, including parliaments, is crucial for the successful adoption and implementation of budget planning reforms.

Strengthening budget accountability can help to reinforce the overall impact of PFM reforms in postconflict settings—but progress is likely to be challenging. Because they require the greatest degree of government commitment, budget accountability reforms are likely to remain imperfect, but should be pursued or remain part of the country dialogue. Institutionally, SAIs often need to be created in postconflict environments, including the development of a legal base and of appropriate capacity. In three of the eight case study countries (Kosovo, Liberia, and Sierra Leone), more substantial progress was made, including with establishing an adequate legal mandate for the SAIs. A key additional obstacle to the effectiveness of SAIs is the weakness of parliaments and of ex post reviews of the budget by parliament and relevant subcommittees (where these have been created). Enabling an SAI to make its reports public can be an important measure, and is also in line with international standards as formulated by the International Organisation of Supreme Audit Institutions (INTOSAI).³

Implication 3: Sustained attention to developing capacity, and a stronger link to overall human resource reforms

During the initial postconflict period, capacity is a major but not a binding constraint to strengthening PFM—however, it remains a persistent feature, especially in lower-income countries, and challenges the consolidation of PFM progress. At early stages, stop-gap measures often enable progress, particularly capacity substitution through extensive use of technical assistants in line positions, and/or capacity supplementation, that is, the payment of top-ups funded by donor agencies. Challenges arise in transitioning to more long-term solutions. Simply avoiding such stop-gap measures does not help, because capacity simply remains more constrained. Middle-income postconflict countries have the advantage of a greater general pool of available skills, out of which specific PFM expertise can be developed. In low-income countries, capacity development takes a long time. However, dedicated approaches to build capacity in Afghanistan, Liberia, and Sierra Leone have shown positive results. Reforms should therefore make early investments to start the foundations for expanding capacity and pursue these over time. Some nonfragile low-income countries have found schools of public administration and similar training institutions to offer an effective means of long-run capacity development; Liberia has initiated such an institution with some initial success (Lawson 2012).

Table 2. Progress on FMIS Development

Country	Status of financial management information system (FMIS)
Afghanistan	<p>Cash-based Afghanistan Financial Management Information System (AFMIS) implemented in 2002 for execution of operating budget, covering central government, using Freebalance software</p> <p>Rolled out to all 46 ministries and departments (MDAs) and 34 sub-national-level governments from 2004 to 2010</p> <p>Highly centralized control in Ministry of Finance; with automated controls to ensure consistency among allotments, commitments, cash availability, and disbursements</p>
Cambodia	<p>Introduction of FMIS built into platform-approach action plan</p> <p>Efforts since 2006; but to date no system in place; donor procurement procedures contributed to delays</p> <p>Still in preparatory phase</p>
Congo, Dem. Rep. of	<p>Only basic, computerized expenditure management system since 2003/4 and payroll systems since 2006</p> <p>Frequent use of emergency procedures</p>
Kosovo	<p>Kosovo Financial Management Information System (KFMIS) introduced in 2000/2001, using Freebalance software</p> <p>Cash-based accounting system from 2004</p> <p>Supported production of regular, timely, comprehensive, and accurate in-year and annual financial reporting</p>
Liberia	<p>Implementation of an initial customized budget management package and interim commitment control system (LECAP) in 2007</p> <p>Separate financial management software package (Sun Accounting system) in 2008; plans to extend Sun Accounting package to cover commitment control and budget module were dropped in 2009 in favor of move to comprehensive new FMIS</p> <p>Actual FMIS implementation and start delayed repeatedly</p>
Sierra Leone	<p>Basic Financial Management Accounting System in use from 1998</p> <p>Initial FMIS developed since 2003 and in use from 2005, starting in the Accountant-General's Department; payroll module implemented 2006</p> <p>Rolled out to ministries and departments, but separate FMIS in use for subnational levels</p> <p>Strengthened the hard budget control by the Ministry of Finance, but expenditure control not comprehensive—personnel, statutes, and imprests remain outside the system</p>
Tajikistan	<p>Customized treasury software package operational from 2001</p> <p>Introduction and installation of complementary budget information system in 2004</p> <p>System upgraded in 2009 for rollout to sub-national-level governments,</p> <p>No full FMIS not attempted—work required on classifications, chart of accounts, and information technology infrastructure</p> <p>Plans for FMIS implementation by 2015</p>
West Bank and Gaza	<p>FMIS designed and implemented from 2007 (building on local solution already in use in education sector)</p> <p>Processing of payments through FMIS restarted from 2008</p> <p>Covered accounting functions first, rolled out to sector ministries in 2009</p> <p>From 2010, FMIS used for all cash payments and commitment controls established at spending units, as well as budget module for preparation of annual budget</p>

Source: Author's compilations.

At the same time, capacity development is only one part of the solution. Reforms to civil service pay and management are also needed to reduce turnover and to improve staff incentives. While such reforms are frequently hard to achieve, donor agencies can do more to ensure that they are part of the reform agenda. Some progress, for example, on pay or on integrating local technical assistants or trainees into the regular public service, may be possible even while wider civil service reforms remain incomplete.

Implication 4: A focus on identifying bottlenecks and pursuing realistic reform steps rather than pursuing optimal or standard sequences

Rather than pursuing a standard or optimal sequence of PFM reforms, it is important to support the planning and implementation of reform phases based on a clear identification of bottlenecks and with realistic timelines and reform steps. Reform phases may be envisaged for as short as 18 months and for up to three to four years. Shorter reform plans are likely to

be best suited to early postconflict situations, followed by longer phases later on. Developing PFM reform plans for longer than four years is often not sensible given the high likelihood that key stakeholders will change and also that reform progress will vary and deviate from initial plans.⁴ An approach that is both pragmatic and evidence driven includes clarifying the status and key shortcomings as well as the potential to absorb change at the outset of each new reform phase, informed by joint analytic work—rather than starting from a predefined set of reforms. Furthermore, teams should consider combining a focus on selected reform areas with greater immediate feasibility, such as improvements in budget recording and reporting, with efforts in probably more challenging areas such as starting the foundations for effective external audit or discussions about how to evolve budget planning processes. This path seeks tangible gains in areas offering the greatest potential for traction while also pursuing the groundwork for progress in complementary parts of PFM. The aim is for the government and donors to agree on a collection of realistic step changes in PFM within a realistic time horizon.

Typical risks include seeking to tackle some reform areas prematurely or without sufficient government commitment, and overloading the reform agenda. A simple formula such as “basics first” is appealing and has sound aspects, but it does not provide a complete solution (Schick 1998). In postconflict countries, it is not sensible to delay a concern with improved service delivery until control over inputs—in the sense of budget credibility combined with internal control and audit—has been fully established because it is likely to remain incomplete for extended periods of time. Furthermore, donors should refrain from premature reforms, such as pushing for the development of an MTEF while the macroeconomic and security situations are still volatile. Priority should be given to reforms that improve the ability to see what the government is spending money on across the stages of the budget cycle, improving cash management, and extending systems throughout the country.⁵

Developing new, organic budget legislation is often not an early priority, and effective legislation is more likely to be developed some years into the postconflict period. Delay in reforming organic budget laws (OBLs, also called budget framework laws) typically does not hold back system reforms, especially reforms of budget execution systems. Moreover, some delay is often needed until legislative processes are in place. Where no applicable rules exist at the outset, regulations may

offer an interim solution, rather than parachuting early OBLs based on international best practice, but with little or no domestic debate and buy-in.⁶

In terms of institutional arrangements, the integration and recording of aid in public accounts should receive greater attention, while the integration of planning and (recurrent) finance functions is desirable, but should be pursued with care. Official development assistance (ODA) can account for half or more of total public expenditure in postconflict countries. It is crucial to bring more aid “on budget” by capturing aid resources in the national budget documents, and showing their sectoral and ideally their geographic breakdown. At a minimum, this creates an informational base that enables discussions about the allocation of *all* (or at least, most) resources, national and external. The integration of institutional responsibilities for budgeting—that is, merging finance and planning functions where they reside in separate ministries or agencies—is desirable. However, donors should avoid fostering superficial “institutional charades,” and also focus on the need to develop significant planning and monitoring capacities.⁷

In some postconflict countries, sovereignty over public funds has been shared with the international community for a period of time (for example, in Kosovo and Liberia). Such arrangements are most urgently needed where problems with integrity run deep, posing a tangible threat to the legitimacy of a reemerging state. They are most likely to be accepted by governments that have a strong incentive to maintain a close relationship with the international community. Such temporary arrangements can have positive impacts in terms of locking in some systemic improvements in PFM systems, and can offer a win-win opportunity for new governments, citizens, and the international community. However, exit arrangements and the sustainability of improvements require careful attention.

There are weaker forms of such arrangements—for example, primarily covering public expenditures funded by aid (through fiduciary agents), regularized sharing of actual expenditure records with donor agencies, and joint monitoring of funds reaching frontline providers or arrangements for strengthening the SAI. These may be accepted in a wider range of environments—while their effects are more limited.

Coordination of PFM reforms and their support by aid agencies is important, even if frequently challenging. A majority of governments in postconflict situations will have only a limited ability to take a firm lead and coordinate donor support. The following

suggestions can help meet coordination needs despite this challenge:

- (i) assistance agencies with the greatest technical expertise should share analytic work and resulting reform proposals with others that also provide substantial financing in a timely way;
- (ii) a limited number of larger and more encompassing support operations is preferable to the reverse; and
- (iii) upfront efforts to pool funding into larger programs are preferable.⁸

Looser arrangements, such as coordination via technical working groups may not be a good solution. Such arrangements continuously absorb time, and are less likely to result in effective coordination—in particular if many donors are involved, and if responsibility for PFM programs is split between consultant teams on the ground, technical expert teams based regionally or at headquarters, and decision makers on aid allocations yet elsewhere.

Implication 5: Investing in joint analysis and monitoring of progress to guide reform efforts

Joint analysis of PFM systems and their current status help guide PFM reform efforts. Since 2005, PEFA has become the standard assessment tool, and one that is also useful for postconflict countries. PEFA assessments should be supplemented with analysis that addresses key issues of concern in postconflict environments—such as whether pay regularly reaches civil servants, the level of budget execution balanced with risks of leakage, and particular aspects of integrating reconstruction assistance. Regular monitoring is essential to observe whether the country's PFM progress is on track. Analytic work should extend beyond the central level and core PFM systems and also reach down to frontline units, including Public Expenditure Tracking Surveys (PETS), to observe whether reforms are reaching service delivery functions and to identify potential disconnects. Analysis should also be complemented with regular monitoring of progress and the impacts of PFM reforms.⁹ Donor collaboration in joint analytic work, shared among donors engaged on PFM reforms and between donors and the government, is important. This helps reduce the risk of government receiving contradictory advice and incoherent support for reforms.

Furthermore, PEFA assessments and other PFM-focused reports need to be followed by a process of deliberating on implications and distilling reform priorities. Without explicit discussion and deliberation, the comprehensiveness of the analytic assessments

can inadvertently contribute to an overloading of the reform agenda.

Implication 6: PFM reforms to earlier and more substantially reach into sectors and subnational levels

The study identifies a missing link between progress on PFM reforms and progress with improving service delivery. This finding is in line with the increasingly widespread recognition of and concern that PFM reforms tend to have an overly centralized focus. This poses a real challenge, since improvements in service delivery are part of the rationale for supporting PFM reforms. To create a stronger link, it is important to include investments in sector PFM reforms, both in design and in implementation—such as the development of classifications that are accepted and actually used by sector ministries to plan and record their expenditures. Support for PFM capabilities at subnational levels is likewise a very important investment starting in relatively early stages. As pointed out above, such investments are facilitated by larger, more encompassing operations—possibly based on pooled funds—that can coherently cover regional governments (rather than multiple operations bringing varying support to different regions).

Extending PFM reform efforts more into sectors and subnational levels is sensible across countries, even though emerging intergovernmental systems differ. Such a broader approach to PFM reform poses challenges, particularly for how to better link sector reform processes, and assistance provided to the sector, with the development of core government systems. In some postconflict countries, debates and policies on intergovernmental relations remain in flux for extended periods of time, therefore the allocation of responsibilities and fiscal resources is not stable, but evolves, often in fits and starts. An expanded approach should enable greater traction in terms of translating gains on PFM reform into gains on service delivery. At a minimum, an extended approach will enable better monitoring of relevant links in the delivery chain, and better detection of which links in the chain are weak(est).

Conclusion

Overall, countries in early postconflict periods have a valuable window of opportunity for bringing improved PFM system into place, but progress is uneven across countries as well as across different aspects of PFM reforms. Going forward, it will be important to engage in continuous learning of what works, where

Table 3. Key Context Dimensions and Implications

	Middle-income/capacity context	Low-income/capacity context
High reform commitment/incentives	<p>Substantial PFM strengthening opportunity</p> <p>Greatest potential for government to lead and manage reform progress</p> <p>Particular attention on integrity as a potential challenge</p> <p>Attention to connecting PFM and service delivery gains from an early stage</p>	<p>Same as middle-income/capacity context, plus:</p> <p>Stop-gap measures to address capacity constraints are likely to be needed; these should be supplemented with efforts directed at sustainable improvements</p> <p>If government integrity is a major challenge, a strengthened approach to enhancing integrity via temporary shared sovereignty arrangements should be considered and proposed to the authorities</p>
Intermediate and more volatile commitment	<p>Intermediate opportunity for PFM reform traction</p> <p>Reform steps with shorter implementation periods are preferable—and are less likely to be affected by volatility in commitment</p> <p>Opportunities likely to be limited to selected aspects of the budget cycle (execution and/or preparation)</p> <p>Long-term reform plans (for example, beyond a government's term) are unlikely to be realized</p>	<p>Same as middle-income/capacity context, plus:</p> <p>Stop-gap measures to address capacity constraints are likely to be needed/beneficial if accepted; these should be supplemented with efforts directed at sustainable improvements</p> <p>Temporary shared sovereignty arrangements may be desirable to improve integrity, but are less likely to be accepted</p>
Low reform commitment/incentives	<p>Government likely to accept only limited support for PFM reforms and to engage superficially</p> <p>Investments in building stakeholder interests and appreciation of PFM reforms should be given priority</p>	<p>Government may accept PFM reform assistance due to low-income situation, while failing to enable these reforms to gain traction</p> <p>Investments in building stakeholder interests and appreciation of PFM reforms should be a priority, combined with efforts to coordinate donor agencies</p> <p>The combination of low reform commitment and donor involvement due to high need for assistance can generate negative dynamics</p> <p>Temporary shared sovereignty arrangements unlikely to be an option</p>

Source: Author's compilation.

and when (table 3). Several directions stand out as particularly important:

- (i) a focus on options for limited but tangible progress in more difficult environments—including more intensive knowledge transfer about what worked even in such environments and fine-tuning of approaches;
- (ii) an increased focus on connecting efforts to strengthen PFM and achieving sustained service delivery improvements; and
- (iii) greater attention to (a) budget accountability and (b) capacity development for PFM that is based on a long-term vision.

Efforts in these directions can serve today's postconflict countries on their path toward greater resilience, as well as countries newly emerging from conflict and embarking on PFM reforms.

About the Author

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Notes

1. The cross-country study covered eight postconflict countries with substantial donor and World Bank engagement, including six low-income and two middle-income economies—Afghanistan, Cambodia, Democratic Republic of Congo, Kosovo, Liberia, Sierra Leone, Tajikistan, and West Bank and Gaza. Study findings are presented in the *Public Financial Management Reforms in Post Conflict Countries: Synthesis Report* (World Bank 2012a).

2. The external auditing stage of the budget cycle involves a Supreme Audit Institution (such as an Office of the Auditor General) and parliament, which dis-

cusses and follows up on these audit findings. The role of parliament is frequently still evolving in postconflict countries, and the legislature's technical capacity and its political clout and incentives to hold the executive to account are often limited.

3. See www.intosai.org, Principle 6 of the Mexico Declaration on SAI Independence.

4. Platform approaches can be helpful to provide a longer-term indicative map of progression, but stakeholders should be realistic about their ability to make very long-term commitments to a preset reform agenda.

5. This is consistent with the World Bank's 2012 Public Sector Management Approach that advocates for a stronger focus on a problem-solving approach, rather than seeking the implementation of specific institutional forms.

6. Note that legislation frequently but not always follows established institutional legacies, for example, Francophone-style legislation in the Democratic Republic of Congo, UK-Anglophone traditions in Sierra Leone, but a radical departure from Yugoslav legacies in Kosovo.

7. Among the eight case study countries, four had merged planning and finance functions into one ministry of finance by 2010, and five by 2012. However, several nonfragile low- and middle-income countries have unmerged these functions in recent years, for example, Cameroon and Mongolia, suggesting that mergers may not be permanent, especially if undertaken in reaction to external incentives and demands.

8. Smaller contributors may be willing to bring their funding into a larger pool.

9. This can entail annual monitoring of results, such as a decline in deviations between planned and executed budgets (along the lines of PEFA performance indicators 1 and 2); as well as intermediate results such as the actual and correct use of expenditure recording systems by various sectors.

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