

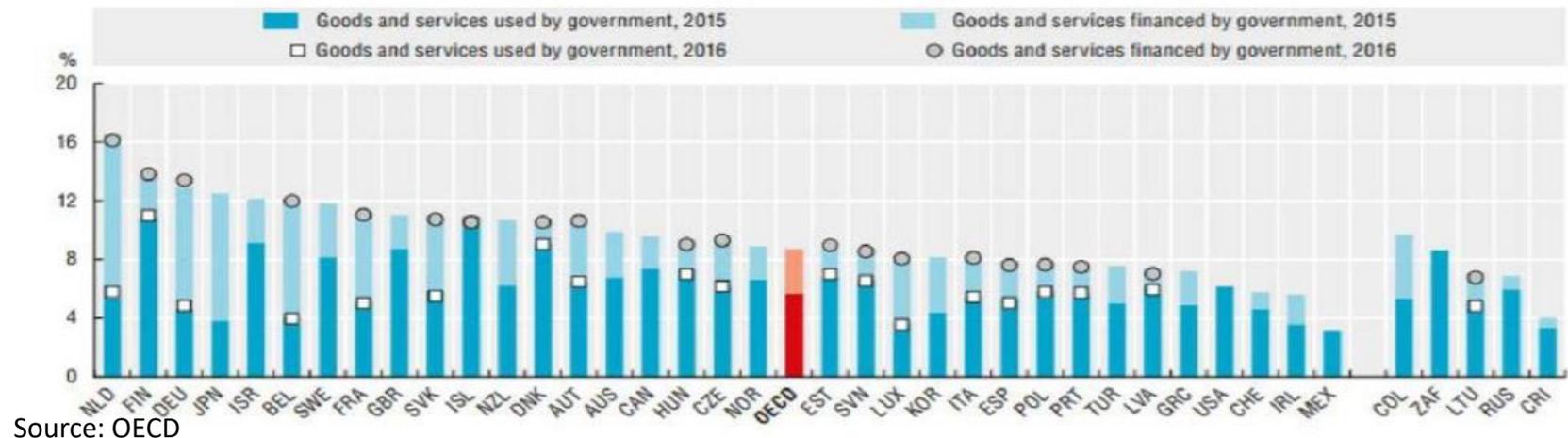
# PFM Capacity Development as part of the broad PFM reform

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# Why focus on PFM capacity?

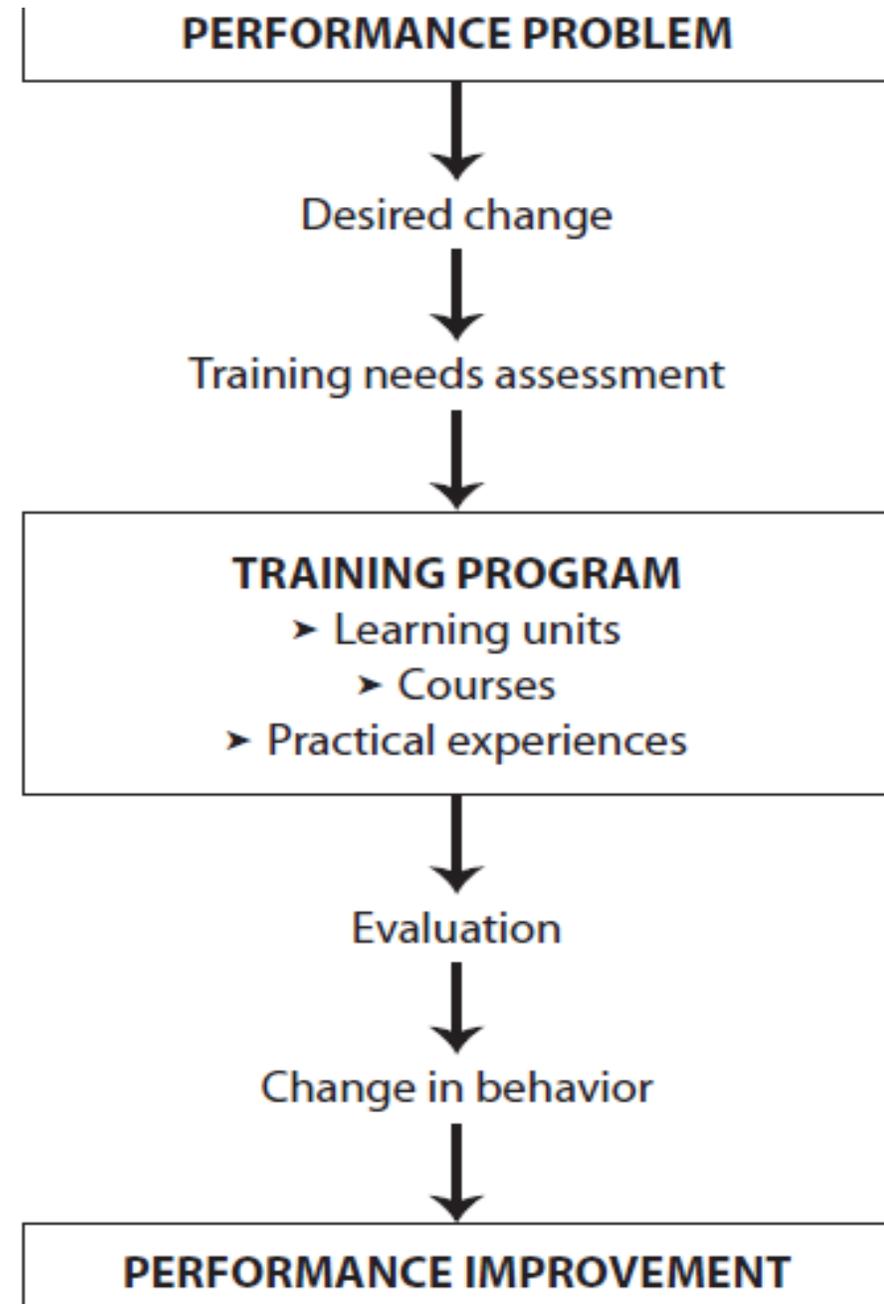
- Governments run complex operations disbursing and raising more money than most large business enterprises
- Increasingly complex demands of government require a step change in skills and capacities:
  - pressure to improve value for money,
  - outsourcing of service delivery through complex and sometimes risky contracts,
  - improving standards of transparency
  - improving financial analysis and decision making using new technology



Source: OECD

# Building capacity requires a strategic and clear approach

- The good training program is usually designed to address a performance problem.
- More comprehensive approach used in many of the developed countries by increasingly developing countries is defining the competency framework for the PFM profession.
  - Rwanda recently approved the PFM Learning and Development Strategy that does exactly that.
- Both are not mutually exclusive.



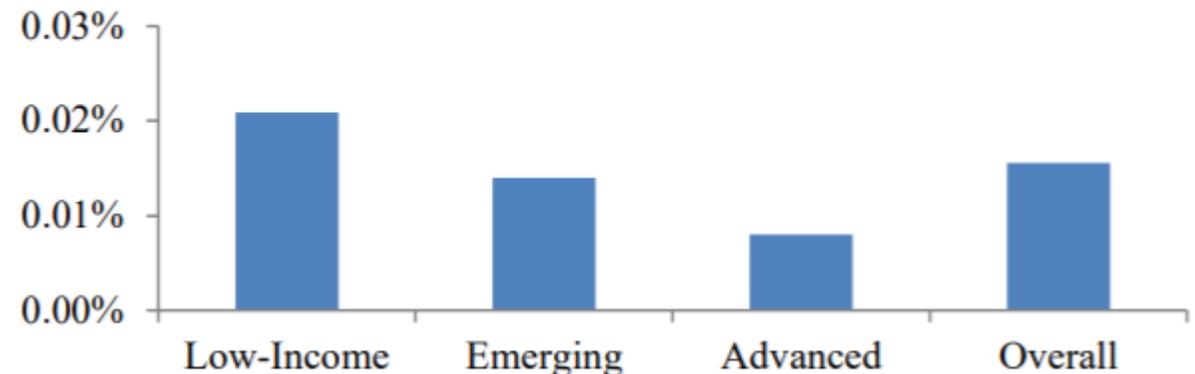
# Rwanda example

- PFM Learning and Development Strategy:
  - (1) Defines competencies
  - (2) Maps them to roles and responsibilities
  - (3) Defines career paths for PFM professionals and
  - (4) Identifies governance arrangements for implementation
- The PFM competency framework comprises a mixture of 22 leadership/management, technical and core competencies that cut across all PFM occupational disciplines and the three job categories in Rwanda Public Service namely: Job Category I: senior public servants; Job Category II: Professional staff; and Job Category III: Technical staff.
- Pays attention to implementation including development of career paths, and individual learning plans
- Covers over 8000 civil servants across the government

# PFM is broader than central PFM agencies and capacities are technology dependent

- PFM skills are needed across all government agencies
- The procurement officers, budget planning staff, accountants exist in almost any government agency or ministry and frequently in most service delivery units. Any changes in competencies need be aligned across the government
- The technology shifts focus from manual processes to higher level analytical skills with more developed countries downsizing their central finance function.

Size of CFA by Development Status  
(Percent of Population)



Source: IMF

# Changing nature of Ministries of Finance and PFM

## Traditional Model

### **Segmentalist culture**

Hierarchical, organizational silos

### **Closed, introspective (budget secrecy)**

Low accountability and transparency

### **Inward-looking**

### **Centralized control environment**

Direct control of expenditure, rules based organization

### **Narrow strategic perspective**

Primary focus on central government  
Short-term perspective to policymaking

### **Process oriented**

Centralization of functions within the finance ministry

### **Multiple and non-integrated financial information systems**

Each function/agency has its own system, with limited interfaces

## Emerging Model

### **Integrative culture**

Horizontal coordination mechanisms, devolution of decision making

### **Open, communicative and consultative**

More accountability and transparency

### **Outward-looking, inter-ministerial**

### **Decentralized control environment**

Monitoring of fiscal developments and risks  
Risk-based and performance oriented control systems

### **Broad strategic perspective**

Holistic view of public finances  
Medium-term perspective to policymaking

### **Policy oriented**

Many tasks devolved to line ministries and spending agencies

### **Integrated financial information system (IFMIS)**

Coverage of core financial functions and agencies, interfaced with other noncore IT systems (e.g., payroll management, procurement)





# Developing PFM Skills – key principles

- Strategy for PFM Capacity Development aligned with PFM reform and civil service reform.
- Competencies and qualifications defined.
- Selection is designed to obtain qualified staff.
- Training systems enable staff to acquire and develop skills to match the needs of the government.
- Career management paths allow PFM professionals to develop rewarding careers in public service.



## Successful PFM capacity strengthening is linked to PFM reform

- France – changes to PFM training linked to implementation of Organic Law on Financial Legislation (LOLF law) – major changes in budgeting and accounting
- UK – capacity building reforms linked to 2013 review of PFM in Government
- Similar situation is observed in other countries such as Netherlands, Russia, South Africa



# South Africa example

- Concern over the large share of qualified audit opinions (over 20 percent for provincial governments and 17 percent for central government entities) in 2012/13.
- Defined problem of high staff turnover and shortage of staff – 14.6 months staff turnover and 34 percent of vacancies not filled
- Formulated PFM Capacity Development Strategy defining competencies and career paths that underline training programs (similar to more recent example of Rwanda)

# Approaches to delivery – needs and business model



Core PFM curriculum –  
massive training



Broad technical skills



Specialized skills to  
support reform and  
changes



RELY ON INTERNAL  
TRAINING  
INSTITUTIONS



CONTRACT OUT FULLY



COMBINATIONS OF THE  
FIRST TWO OPTIONS

# Select Examples

- **Netherlands**

- Training institution organized directly under the Budget Directorate of the MoF. Small organization with trainers drawn from the civil servants. Experienced civil servants train both Dutch civil servants as well as provide services internationally

- **Canada**

- Canada School of Public Service – a large training and research institution financed from the budget with 14 offices. The School delivers comprehensive design, development and delivery of learning products— from analysis, curriculum management, the technology platform, delivery management, leadership and functional community programming to client and partner relationship management, as well as communications and marketing.

- **Lebanon**

- Lebanon Institute of Finance serves as a platform for regional cooperation as it hosts the Secretariat of the GIFT-MENA network of civil service training schools and is a regional training center for the World Customs Organization (WCO). It is an autonomous public institution but falls under the supervision of the Ministry of Finance. There is very limited number of staff trainers with most of the training provided by either international partners or through service contracts.



# Key takeaways

- Why?
  - Support reform process
  - Improve functioning of the PFM systems to achieve value for money
- What?
  - Targeted training program aligned with the reforms
  - Ongoing core training for new and existing staff
- How?
  - Combination of the internal and outsourced training depending on needs

Thank you for your  
attention

