

## Tales of the unexpected: PFM reform in difficult environments

14 – 15 November 2007

Overseas Development Institute, London, UK



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# CAPE Conference 2007

## Tales of the Unexpected: Public Financial Management Reform in Difficult Environments

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# CAPE Conference 2007

- Conference rationale
- CAPE hypotheses
  - Existing knowledge
  - Possible explanations
- Questions for conference

# How much does governance matter for PFM reform?

- Apparent correlation between governance quality and success of PFM reform
- Implication that successful PFM reform progress is dependent upon “good governance”
- But positive PFM reforms still apparent when the governance context seems complex and challenging
- → Is “good governance” really necessary for successful and sustained PFM reform?

# What factors are important for PFM reform success?

- Actors in the reform process and their roles and interaction
  - “Supply side” of reform: political leaders, senior public officials, technical staff
  - “Demand side” of reform: legislatures, civil society, media, opposition parties, international agencies
- Technical reform processes and approaches to reform implementation
  - Timeframe, sequence, type

# What don't we know about the “success” factors?

- What is the relative importance of these factors?
  - Some factors are often missing in developing and transition countries
- How do they complement, substitute or compensate each other?
- If one success factor is weak or absent can others compensate?
  - What if political leadership is missing?

# Current Approaches to the Politics of Reform

- Technically-driven strategies that equate politics with ownership
  - But risk that “ownership” is negotiated ex post → reform design then political commitment
- “Politics matters” approaches to understanding better the politics of PFM reform
  - But need for operational implications and guidelines
- Emerging attempts to operationalise political analysis
  - But work in progress and confidential donor strategy tool

# Towards a CAPE position: some hypotheses (1)

- Technical reform process contingent upon reform actors  
→ reform process is important, but actors are instrumental
- Supply-side actors are more important than demand-side actors to the PFM reform process itself
  - Domestic “demand-side” actors are not always essential: they facilitate and sustain reform but do not directly give effect to it
  - Domestic “supply-side” actors are unavoidably important: they drive and sequence reform

# Towards a CAPE position: some hypotheses (2)

- Roles and interaction of supply-side reform actors are influential
  - Strategic reform management and technical implementation capacity are critical
  - Active political leadership highly beneficial, but maybe not essential  
→ political acceptance enough
- Technocrats can be instrumental in reform process → uniquely positioned to understand and negotiate politics to achieve PFM reform results
  - But need to consider motivation and incentives
- International actors have important role but cannot substitute for absence of domestic factors → cannot directly negotiate politics

# How to recognise PFM reform success?

- Need to be clear about the objectives
  - Stronger budgeting and financial management processes?
  - Better public financial management outputs?
  - Improved fiscal outcomes?
- Towards improved PFM performance
  - Statutory changes → reform implementation → sustained reforms: what constitutes success?
  - How to measure that success?

# Questions for the Conference

- Can PFM reform succeed in difficult governance contexts?
  - What is the relationship between good governance and PFM reform? (Session 1)
  - How do we define and measure successful PFM reform? (Session 2)
  - What factors motivate and sustain successful PFM reform in unfavourable governance contexts? (Sessions 3 & 4)
  - What are the implications for reformers and for future research? (Session 5)

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