



INTERNATIONAL PROJECTS GROUP

Public financial management (PFM) reform

Background

The international community is committed to achieving the Sustainable Development Goals and eradicating absolute poverty - however, developing and transition countries rarely have sufficient funds to provide the level of public services necessary to achieve these goals. In recognition of this problem, development partners are committed to increasing Overseas Development Assistance - encouraging governments in developing, transitional and post-conflict countries to increase pro-poor expenditure.

In the past, inadequate Public Financial Management (PFM) systems in some recipient countries have subjected expenditure to a degree of fiduciary risk and reduced its effectiveness. To mitigate this problem, donors and recipient countries have designed ambitious programmes to reform PFM systems. BDO's International Projects Group (IPG) has assisted in the implementation of these programmes - increasing public sector accountability and transparency, reducing fiduciary risk, building Government capacity and increasing public expenditure's impact on poverty reduction.

Our approach

Our approach to PFM reform is based on some key principles:

Holistic and sequenced: we adopt a holistic and sequenced approach that incorporates all aspects of the PFM cycle from policy-led budget planning to external audit and scrutiny.

We take existing PFM processes, government capacity, international best practice and local sensitivities into account when sequencing PFM reforms - ensuring they are sustainable and effective.

Beneficiary focused: a country's citizens are the ultimate beneficiaries of the improvements in public services delivered by PFM reform. It is essential that these citizens have a "voice" in the policy formulation process and can demand increasingly effective public services. We have consistently assisted governments to include civil society and citizens in the PFM reform process.

Culturally adaptable: international best practice in PFM cannot be instantly adopted by developing, transitional and post-conflict countries, where there is often limited absorptive capacity.

By building on the knowledge and experience of our international practitioners and global network which operates in over 151 countries, we are able to effectively adapt international best practice to address local capacity constraints.

Sustainable reform: PFM reform programmes often fail to build sustainable capacity. Our approach addresses this problem by making on-the-job training, stakeholder seminars and workshops a central pillar of our projects, ensuring governmental capacity is increased in the long-term.

Our experience

We have implemented this approach on behalf of development partners such as the World Bank, UK Department for International Development, European Commission and Inter-American Development Bank. The technical scope of these projects has encompassed many areas of PFM reform including:

- policy analysis and development;
- macro-economic and fiscal forecasting;
- interlinking PRSP and budgets;
- implementing MTEFs;
- Public Expenditure Reviews;
- Debt Management;
- Aid Coordination;
- Intergovernmental Fiscal Relations and sub-national finance; and
- Treasury systems and budget execution.

In 2015, we received the British Accountancy Award 2015 for "Best Advisory Team of the Year". This was in recognition of our comprehensive and long standing support in delivering the DFID-funded project providing technical assistance to Audit Service Sierra Leone.



A selection of assignments

- **Afghanistan** - Monitoring Agent for the Afghanistan Reconstruction Trust Fund of the World Bank (WB). Under this 4-year contract we review Government's procurement of goods, works and services, and monitoring expenditures to ensure that funds are disbursed only for the purposes provided in accordance with applicable WB procedures and acceptable financial and procurement standards.
- **Moldova** - lead contractor of this 6-year, EU-funded PFM project to provide technical assistance to improve Public Finance Policy and Public Financial Management in Moldova. The project will enhance the governance of Moldova through improved PFM practices, strengthened accountability processes and better management for results.
- **Bosnia and Herzegovina** - main contractor for Phases 2 and 3 of this DFID-funded project to strengthen budget planning processes within Ministries of Finance at the State, Entity and Canton levels, including the development of an harmonised annual budget planning process, budget instructions, medium-term budget framework, sector budget ceilings in line with macro-fiscal forecasts, and the analysis of budget submissions. For this project, BDO was awarded "International Project of the Year" in 2012 by the Management Consultancies Association (MCA).
- **Ukraine** - part of a consortium providing support to the EU-funded PFM project which aims to support the development of the Public Procurement and State Aid systems. The project involves developing a comprehensive and transparent regulatory framework for public procurement, and improving the accountability and integrity of public authorities in regard to public procurement and the development of the Ukrainian state aid system.
- **Georgia** - member of a consortium delivering a PFM project to support Public Finance Policy and management reforms in Georgia. The project provides technical assistance to Ministry of Finance, State Audit Office, and the Budget and Finance Committee and the Budget Office of the Parliament in their wider programme to monitor the Public Finance Policy Reform programme in Georgia.
- **Afghanistan** - a World Bank-funded project to review the Public Financial Management and Public Internal Controls of Key Line Ministries, including macro level assessments using PEFA indicators and analysis of internal and financial controls using the COSO framework.
- **Multi-country** - for DG ECFIN, BDO has carried out six Operational Assessments and two Public Expenditure and Financial Accountability (PEFA) Assessments in Ukraine Moldova, Kyrgyz Republic, Jordan, Egypt, and Tunisia.
- **South Africa** - designed and implemented a comprehensive 2½ year programme of technical assistance to the National Treasury in South Africa under the FMIP II, to sustainably raise the South African Government's financial management performance as part of Government's overall PFM reform process.
- **Serbia** - member of consortium supporting Republic of Serbia in its efforts to build efficient and sustainable budget execution, financial planning, budget accounting, reporting and debt management system according to European standards. Support was specifically being provided to the Treasury Administration and Debt Management Administration of the Ministry of Finance.
- **Nepal** - member of consortium delivering a DFID-funded PFM project in Nepal. This project aims to support public expenditures and financial accountability reforms in key sectors of Nepal's economy including: health, education, rural infrastructure and local governance.
- **Sierra Leone** - led a consortium on the DFID-funded project supporting the Audit Service Sierra Leone (ASSL) since 2004, responsible for designing and implementing a comprehensive programme of institutional development and capacity-building technical assistance to the Supreme Audit Institution in Sierra Leone. In recognition of our comprehensive and long standing support to ASSL we were awarded the British Accountancy "Best Advisory Team of the Year award" for 2015.

For more information on our consultancy services for developing nations, emerging markets and transition economies, please contact:

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