

# Innovation in public financial management

*in an increasingly complex and  
uncertain global environment*

Global financial management leaders survey 2015

in association with





# Foreword

Public Financial Management (PFM) has seen rapid innovation over the past decade. Once focused narrowly on budgeting, PFM's scope has expanded dramatically, drawing new ideas and reforms from all corners of economics, political science, accounting and public administration. Its evolution has long to run but has already resulted in the emergence of, what the IMF describes as, 'ground-breaking' multidisciplinary public financial management practices.<sup>1</sup>

For example, the number of countries with fiscal rules rose from just five in 1990 to 76 in 2012, while those with medium term budget frameworks rocketed from 20 in 1990 to 130 in 2008.<sup>2</sup> As these approaches matured, the financial crisis arrived, making it obvious that governments needed new tools to assess and understand risk. PFM evolved further in response: our last Grant Thornton and ICGFM survey in 2013 found 38% of respondents reporting improved government risk management approaches as a result of the events of 2008.<sup>3</sup> This year that figure has jumped to 59%.

The global environment continues to be complex and uncertain but the progress made in recent years means many countries now have the momentum to drive further improvements in PFM. As the IMF notes, the single word that best describes PFM over the past two decades is "innovation"<sup>4</sup>. This innovation has brought the potential for PFM to deliver far more than proper budgeting - at its best it can become a key part of macro-fiscal

analysis and policy making right across government.

However, the rate and direction of innovation has not been universal. Transformative change in PFM is almost always a gradual and challenging process, closely related to developments in a nation's economic, social and political environment. While some have pioneered, "many governments are just slower to change", says Doug Criscitello, executive director at the MIT Center for Finance and Policy, "it's a big challenge trying to keep pace".

This report therefore takes the pulse of PFM at a time when progress is being made, but its extent is unclear. It draws on a recent survey of 278 PFM practitioners worldwide as well as insights from experts from the International Consortium on Governmental Financial Management (ICGFM), the MIT Center for Finance and Policy and Grant Thornton.

It is the latest in a decade-long series jointly published by Grant Thornton and the ICGFM. The goal of this research is to analyse the progress and direction of PFM, while highlighting

the latest challenges and opportunities. Our intention is for these reports to inform, spark debate, spread best practice and build a sense of community among PFM leaders around the world.

*"The coverage of PFM has expanded from the narrowly defined central government budget to all levels of government and the broader public sector, including state enterprises and public-private partnerships."*

*Cangiano, et al, IMF, 2012*



**Scott King**

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<sup>1</sup>Marco Cangiano, Teresa Curristine, and Michel Lazare, *Public Financial Management and Its Emerging Architecture*, IMF, 2012.

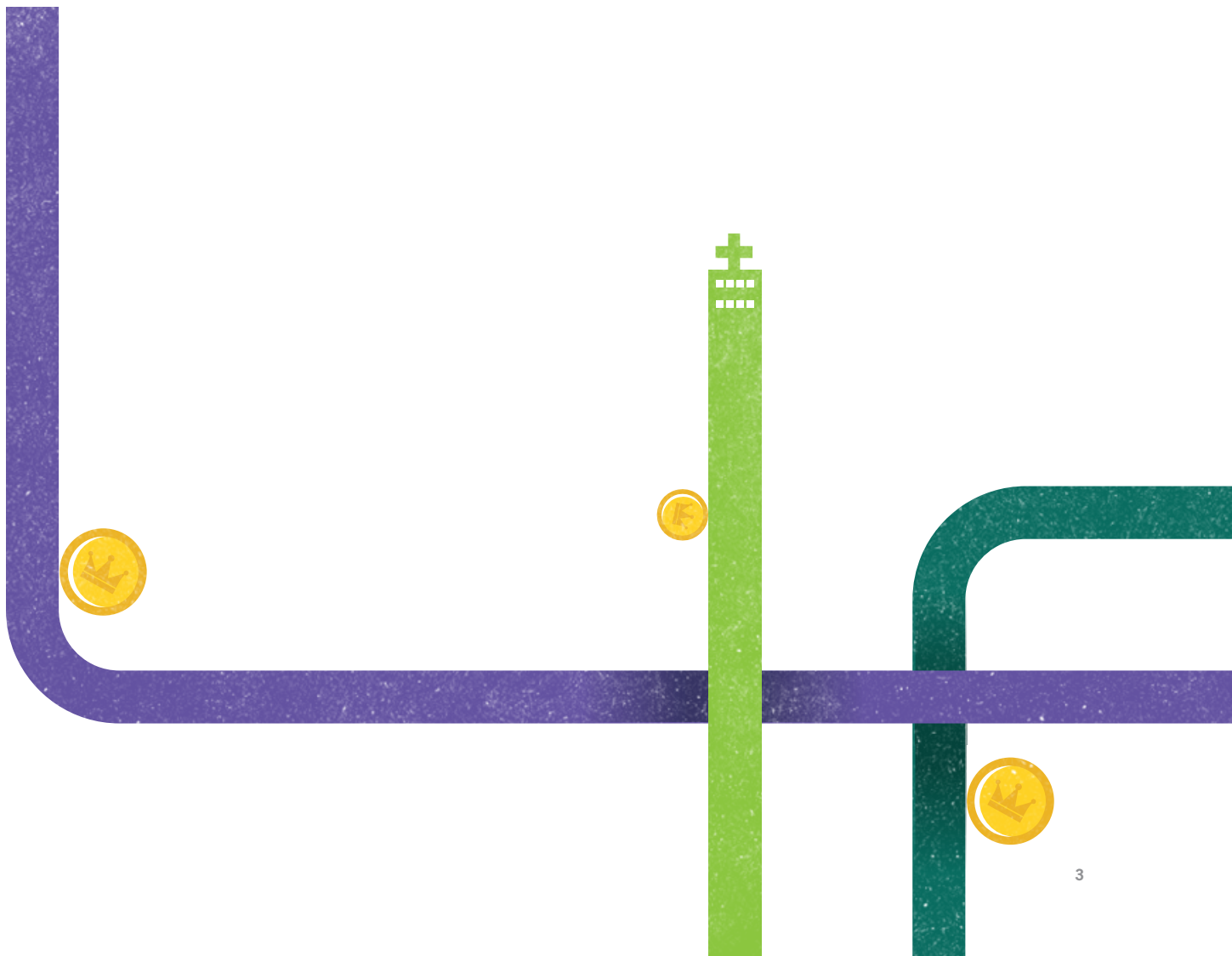
<sup>2</sup>*Ibid.*

<sup>3</sup>"Public financial management reform in a period of global adjustment: Results of a worldwide survey," December 2013.

<sup>4</sup>Cangiano, et al, IMF, 2012.

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# Executive summary

This research covers four major topics impacting the future of PFM. These include PFM reform; infrastructure development, especially via Public-Private Partnerships (PPPs); transparency, especially via digital channels; and the impact of global economic uncertainty. The key findings are summarised below.

## 1. Changing practices

The argument in support of PFM reform has been won in principle. The battle now lies in delivering change in practice. In addition to practical difficulties, the biggest issue ahead will be finding the political commitment needed to support more difficult innovations on the agenda. A concern is that, although ostensibly there to help citizens, only 22% of survey respondents indicate that the population in their countries understands the importance of PFM.

## 2. The right PPP formula

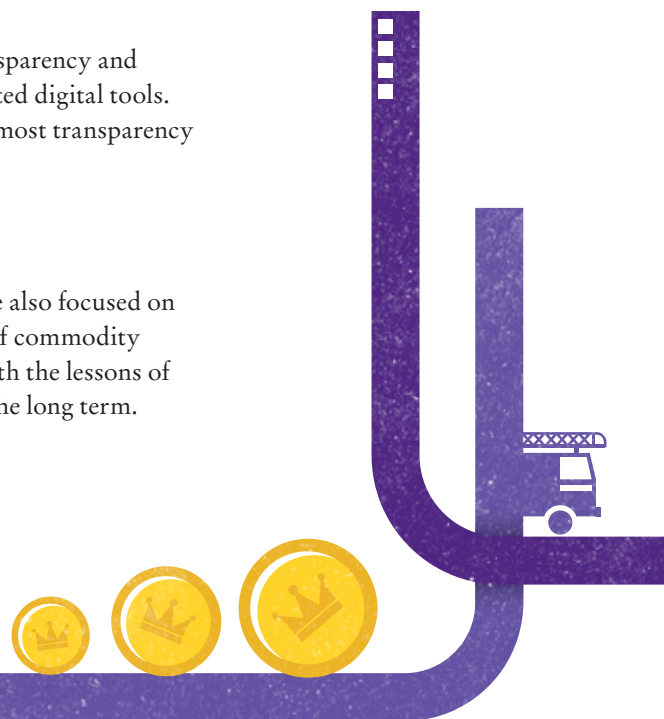
Ninety percent of respondents report the need for substantial investment in infrastructure to drive economic growth. Most governments in this age of austerity are also seeking ways to attract outside investment. Not surprisingly, the majority are using PPPs. Many countries remain inexperienced with such arrangements, and the results of their application have been mixed. Unfortunately there has been little improvement in outcomes since our 2011 survey. This indicates, first, that it takes a long time to develop the requisite skills and experience to make PPPs work, and second, that in some countries at least, there is cultural resistance to PPPs among public officials and citizens.

## 3. Transparency with technology

Public financial managers are convinced of the importance of enhancing transparency and most are trying to be innovative in this area. However, most are using out-dated digital tools. Fewer than half use social media to enhance openness. Even among the best, most transparency efforts are focused more on releasing data sets than data insights.

## 4. The new normal

PFM remains weighed down by the global financial crisis but respondents are also focused on important developments since 2008, such as the Euro crisis and the collapse of commodity prices. This in turn suggests that PFM is having to come to terms, not just with the lessons of one major financial crisis, but with how governments can live with less over the long term.



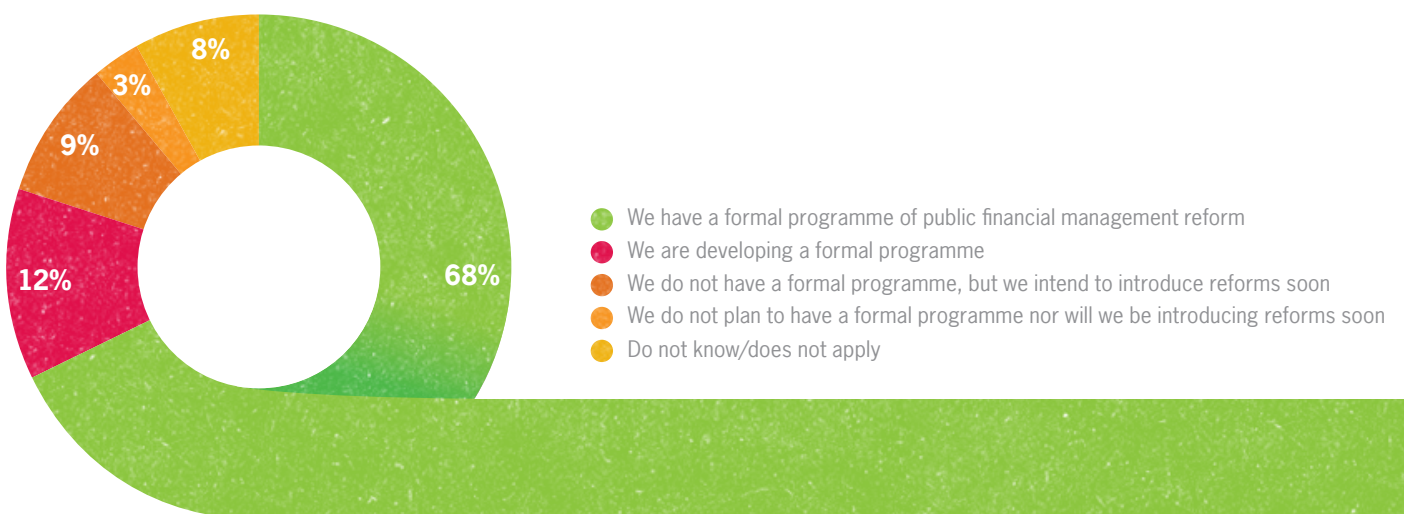
# PFM reform: *building capacity to match commitment*

This year’s survey indicates substantial convergence in thinking around the importance, nature, and to a more limited extent, key priorities of PFM reforms. To begin with, efforts at Public Financial Management reform are now the standard rather than the exception. In our survey, 68% of respondents say their countries have a formal PFM reform programme in place. A further 21% report that they either are developing or intend to develop such a programme.

There is also a growing consensus around the expanding scope of reform and how it differs from the more restricted territory of the past. As one respondent advised, ministers and senior managers “should know that, at some point, everything will depend on finance. So, it is essential to really understand the impact their decisions have on policy making and on the people.”

In practice, we found reform frequently involves adopting international standards rather than re-inventing the wheel. To enhance transparency for example – a key part of the PFM reform agenda – 93% report the adoption of some international standards. However, the standards seeing the most widespread acceptance – the International Public Sector Accounting Standards and International Auditing Standards, followed by 48% and 42% respectively – are still not adopted by a majority of countries.

## Which of the following statements would best describe your country’s efforts towards PFM reform?



Source: Grant Thornton and ICGFM Global Financial Management Leaders Survey 2015

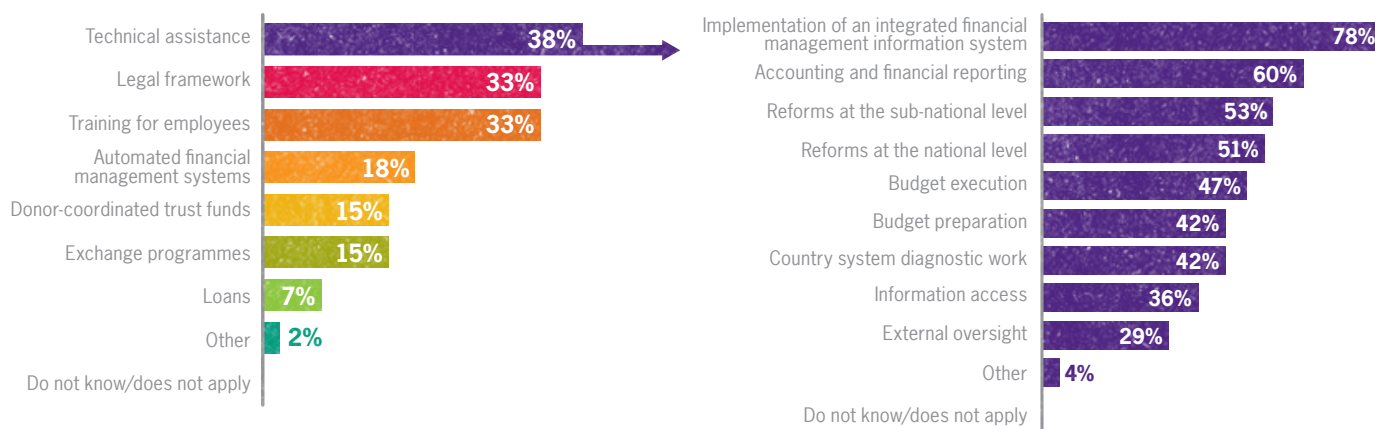
## Variations in the scope of reforms

Although PFM is moving towards widespread international convergence, the pace of change varies. Terms such as ‘financial management’ and ‘reform’ are also broad and can mean different things to different people. Jack Maykoski, President of the ICGFM, notes “wide gaps between debates on the issue, not only within countries, but between them”. So while our survey indicates that PFM reform is on the agenda, and that the scope of its definition is growing, countries are still working out the details and moving at different speeds.

Our survey indicates some basic gaps in the ability to deliver PFM reforms. When asked about what resources they needed to succeed, the area most frequently cited was technical assistance (named by 38% of respondents), followed by employee training (33%), and new legal frameworks that support or allow PFM (33%). Digging deeper, the nature

of technical assistance needed also points to a lack of some fundamental capacities: 78% of respondents say that their governments, when looking for such support, prioritise help on implementation of integrated financial management systems, while 60% prioritise accounting and financial reporting – the two most common responses.

## What are the most important resources your government needs in order to accomplish its goals for PFM reform?



Source: Grant Thornton and ICGFM Global Financial Management Leaders Survey 2015

The capabilities and available capacity for PFM reform differ significantly between countries, but both developed and developing countries have limitations that slow progress. Many developing countries face intense demands for development and services – from both internal and external stakeholders – with limited capacity to respond. As Mr Maykoski notes, these nations “are just trying to do what they need to do today and it is hard in that situation

to keep big issues of reform foremost in your mind.”

Developed countries are not immune to the fundamental barriers to PFM reform. Even in the United States “there’s no guarantee that staff empowered to accomplish PFM reform have the skillset needed to develop a modern, integrated, digital, financial management programme,” says Mr Criscitello.

## Citizen engagement and political commitment prove vital

Capacity can be built up. A more worrying finding for long-term PFM reform is that the main drivers appear to be internal rather than external to government. The most commonly cited is a generic desire to improve operational transparency (49%), followed by enhancing accountability to internal government and business stakeholders (37%) and improving the effectiveness of budget expenditure (33%).

### What factors/issues influenced your country's decision to implement public financial management reform?



Source: Grant Thornton and ICGFM Global Financial Management Leaders Survey 2015

All of these are good aims, but none indicate strong public pressure for change. Instead, just 21% of respondents say that increased involvement or awareness of citizens is an important driver of PFM reform, even though 47% believe that citizens, not governments, are the main beneficiaries of increased transparency. In a striking, and no doubt related finding, only 22% of respondents think that the public even understand the value of PFM reform, suggesting a widespread lack of popular engagement with it.

The danger of such disengagement is its impact on the number one challenge for PFM reform: the political will to push change forward. If the population in general is apathetic, such political will is unlikely to have staying power. The issue is essential for progress no matter what the level of economic development. As a respondent from New Zealand noted, the most important critical resources for PFM reform are “political commitment and clarity of purpose. Next to these external resources are of secondary importance.”

**22%**  
think their public understand the value of PFM reform

*“There’s no guarantee that (relevant staff) have the skillset needed to develop a modern, integrated, digital, financial management programme.”*

*Doug Criscitello, executive director at the MIT Center for Finance and Policy*

In some countries the first step towards better public engagement over PFM is to build up the basic financial skills of citizens. For example, in August 2014, the Indian Government launched the Pradhan Mantri Jan Dhan Yojana (PMJDY), described as the world's biggest financial inclusion initiative.<sup>5</sup> The goal of the PMJDY is to provide access to banking facilities to every household in the country -

a monumental task across India's vast population and geography. The scheme created 180 million new bank accounts in its first year and is expected to improve, not only personal finance practices, but also the efficiency of public subsidy and welfare programmes, and ultimately PFM engagement.<sup>6</sup>

### Citizen driven budgeting

Consulting with citizens over budget decisions is a key way governments can drive reforms and engage with the public. In the Philippines, for example, the government has initiated 'Grassroots Participatory Budgeting' to identify the public goods and social services needed by communities. The priorities that emerge inform the budget of the relevant agency. In its 2015 national budget, the Philippine government included a total of US\$460 million for projects identified through the Grassroots Participatory Budgeting process.<sup>7</sup>

A similar mechanism is in place in Kenya, where laws have formally established citizen participation opportunities in both budget formulation and approval. Some organisations now aim to coordinate this participation. The Institute of Economic Affairs, for example, consult with the public across Kenya and publish a consolidated '*Citizen's Alternative Budget*' to influence the drafting of Kenya's budget policy statement.<sup>8</sup>



<sup>5</sup> "Pradhan Mantri Jan Dhan Yojana (PMJDY) Celebrates its First Anniversary," Press Information Bureau, Government of India, Ministry of Finance, August 2015.

<sup>6</sup> *Ibid.*

<sup>7</sup> "Public Participation and Fiscal Transparency in the Philippines," F. Magno, 2015.

<sup>8</sup> "Comparative Case Study Research on Public Participation in National-Level Government Fiscal Policy and Budget Processes: Kenya," J. Oyug, 2015.

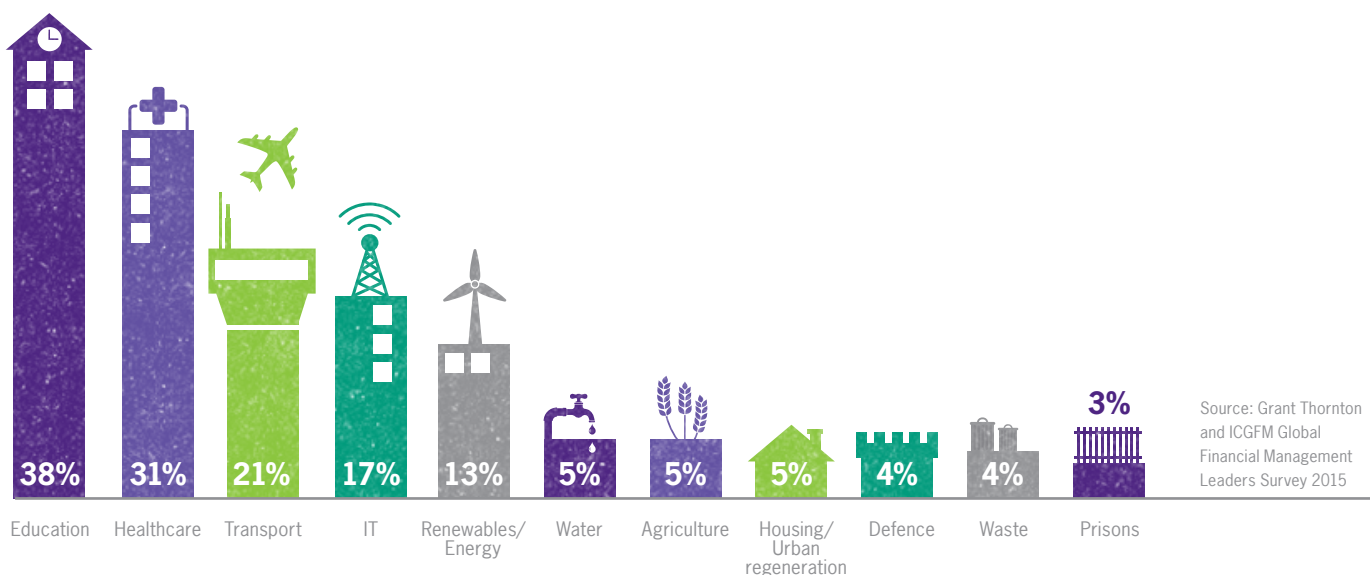


# Mastering PPPs: *crucial to meeting infrastructure demand*

From transport to healthcare, weak national infrastructure is a widespread problem. Nine out of ten respondents say their countries needed substantial investment in this area to support economic expansion. Infrastructure issues in emerging markets are well documented: traffic congestion in Beijing and Cairo, for example, is infamous. However, when Harvard Business Review wrote the following in May 2015 – “bridges are crumbling, buses are past their prime, roads badly need repair, airports look shabby, trains can’t reach high speeds, and traffic congestion plagues every city” – they were talking about the United States.<sup>9</sup> Recent studies from Germany and the United Kingdom describe similar situations.

Although transport infrastructure gaps are everywhere, this is not the most pressing problem for our survey respondents. The top two areas of critical infrastructure need are education (cited by 38%) and healthcare (31%), both significantly ahead of transport (21%). In most countries, all three are key government responsibilities. In other words, despite the ongoing need for austerity measures, governments must find money for projects central to their mission.

## Which areas of infrastructure present the most critical need?



<sup>9</sup> Rosabeth Kanter, “What It Will Take to Fix America’s Crumbling Infrastructure,” *Harvard Business Review*, May 2015.

*“Those reliant on donor funding are often being pushed into Public Private Partnerships - they don’t have the ability to go any other way.”*

*Jack Maykoski,  
President of the ICGFM*

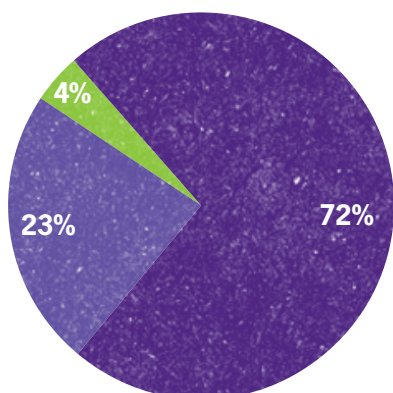
Meanwhile, many governments are looking for ways to increase incoming international investment. Worldwide, a clear majority of survey respondents told us their governments are focused (54%) or very focused (7%) on increasing outside investment. For cash-strapped governments, finding ways to direct this investment

towards necessary infrastructure is an obvious strategy. As Mr Maykoski says, “some have little choice, those reliant on donor funding are often being pushed into Public Private Partnerships - they don’t have the ability to go any other way.”

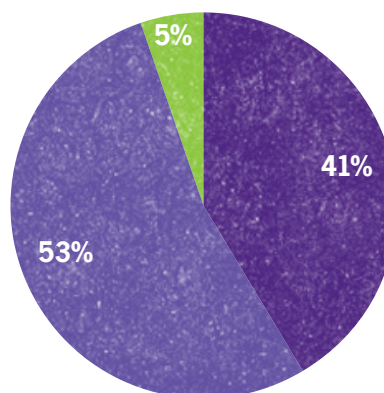
### Only half of PPPs are considered successful

Given this context, it is not surprising that governments look to PPPs to square the infrastructure circle: 72% of respondents report that such arrangements are being used in their countries. The results, however, are decidedly mixed: only 53% of respondents who have used PPPs report success, 41% say PPPs have not been successful and the rest are unsure.

**Has your country used PPPs to find sustainable funding for infrastructure investments?**



**If yes, have PPPs been successful?**



- Yes
- No
- Do not know/does not apply

Source: Grant Thornton and ICGFM Global Financial Management Leaders Survey 2015

A major barrier to success is the inherent complexity of this type of arrangement. As one Canadian respondent put it, “some PPPs work; some do not. It depends on the capacity of the company, the nature of the contract and the oversight mechanism that protects public investment.” Getting this right takes substantial experience and skill among public financial managers. Mr Criscitello says the situation sometimes involves “a high-powered company, that has at its disposal excellent law firms and the world’s savviest investment bankers,

going up against governments that may not have the means and the skillset to really fully understand and assess the financial implications.”

The complexity of PPPs makes risk assessment difficult, and comments from our respondents suggest that a fair and effective allocation of risk is not common. One told us that PPPs in his country were “often skewed in favour of private partners, largely due to corruption and a weak evaluation capacity on the part of government.” He added, in line with the analysis above, that “where the tilt favours

government, private partners usually opt out before they are drowned.”

One of the few respondents who noted that her government had extensive experience with PPPs, also said their current level of success had been hard won through lessons from earlier failures. She reported that while risk is now generally balanced between parties, “this has come out of a number of historic projects where this was not the case and lessons have been learnt accordingly.”

## Balanced risk key to PPP success

Over the past decade, the National Highways Authority of India (NHAI) has awarded dozens of PPP contracts as part of a long-term strategy to develop the nation’s road network. This experience has produced several useful innovations. For example, standardised contracts help simplify engagements, streamline negotiations and save considerable time in the approval and review process. An initiative called Viability Gap Funding (VGF) has also been a success, closing revenue shortfalls to ensure that important, but less commercially attractive, projects can still go ahead.

Activity peaked in 2010, a year that saw the NHAI award more than 50 projects, covering 5400 km of road, with a total value of over US\$8 billion.<sup>10</sup> But the last five years have seen a decline as challenges relating to land acquisition, access to finance and dispute resolution have hampered progress. In addition, while VGF has helped, risk allocation remains a major issue.

In general, many experts believe governments should shoulder risk relating to events beyond a private company’s control, such as government approvals, utility diversions and land acquisitions.<sup>11</sup> But the challenge is in the details and fixing contractual arrangements that remain fair over the long-term, even when circumstances change or forecasts prove faulty. “There are so many variables,” says Vikesh Mehta, partner, advisory services, Grant Thornton India, “but all governments must strive to design PPP risk sharing mechanisms that make cost-benefit analysis a win-win. Only when this is done right, can PPPs truly flourish.”

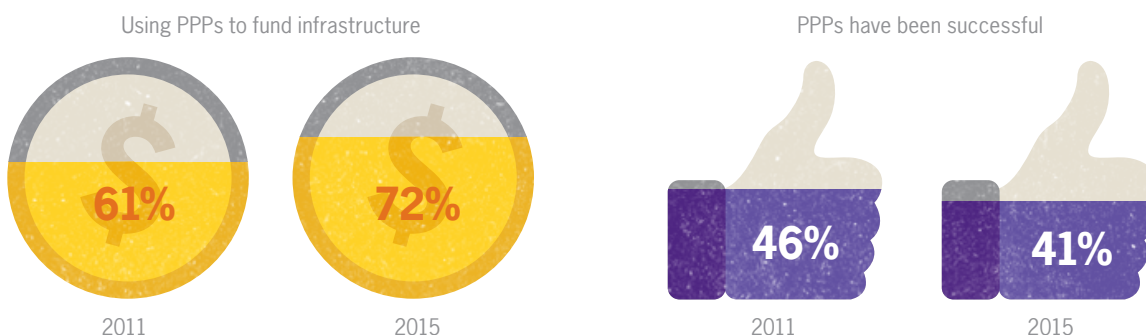
<sup>10</sup> “Mobilising Private Funding: the Case of the National Highways of India,” United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), 2014.

<sup>11</sup> *Ibid.*

## PPPs appear intrinsically challenging

Experience helps make successful PPP arrangements, but that seems to be acquired only slowly. One of the most striking things about the results of this year's questions about PPP is how little they differed from similar ones in 2011. Then, 61% reported using such arrangements to fund infrastructure, and of these, 46% said that the experience had been a success.<sup>12</sup>

### Use of PPPs to fund infrastructure since 2011



Source: Grant Thornton and ICGFM Global Financial Management Leaders Survey 2015

The modest change between 2011 and 2015 may also reflect mixed attitudes about PPPs among public officials. At the very least, there is limited consensus on how to measure their success. In the survey, we found several instances of divergent opinions on the success of local PPPs from respondents from the same country (these included Guyana, Nigeria, Philippines, South Africa, Uganda and the United States).

More generally, cultural resistance still exists in any number of countries. In Mr Maykoski's experience, use of PPPs seems to come "more out of necessity than acceptance of the possible benefits. It's not the preferred path in most instances." Until public

finance managers develop the needed skills for PPP, and embrace its possibilities rather than accept it reluctantly, little is likely to change.

Public sensitivity is of course another factor, even when finance managers are eager to champion PPPs. "The perception can be that a private sector provider now owns a piece of public property to make money from taxpayers," says Scott King, Grant Thornton's global public sector lead. "It comes down to the basic fact that people are suspicious about any situation where they pay taxes for something and then appear to be paying again, such as paying a toll on a freeway for example."

Part of any successful PPP then, is being transparent and communicating the benefits and reasons to the public. As we will see in the next section this is becoming increasingly crucial across the board as PFM evolves.

*"It's critical to develop a healthy funding ecosystem for PPPs, including access to a vibrant debt market, non-recourse project finance, equity capital markets as well as insurance and pension funds."*

Vikesh Mehta,  
Grant Thornton India

<sup>12</sup> "Public Financial Management Responses to an Economically Challenging World: Results of a Worldwide Survey," January 2011.

# Transparency: *the digital opportunity*

Senior public financial managers in our survey see transparency as an essential element, not only of their own work, but of good government itself. As one respondent from a developed country told us, transparency is “a necessary pre-condition for accountability and high-quality decision-making.”

Colleagues from the developing world held similar views. A senior economist from Uganda described how “it is vital that citizens get value for money and this can only happen under a transparent system.” A colleague from Nigeria was more blunt: “if there is transparency, citizens will benefit because income that would have been swindled can be used for welfare amenities and other public benefits.”

Transparency was also linked with the ability of governments to make positive change across the board. “Public trust will always be the best political capital for

any reforms,” said a Filipino respondent. “Enabling an environment of transparency and accountability supports our ability to make more reforms.”

Encouragingly then, this survey did not find transparency to be perceived as a burden, but rather as a positive for government as well as other stakeholders. Some 47% believe the main beneficiaries of transparency are citizens, and the same proportion say that citizens and the government both gain.

## Governments stand to gain from transparency

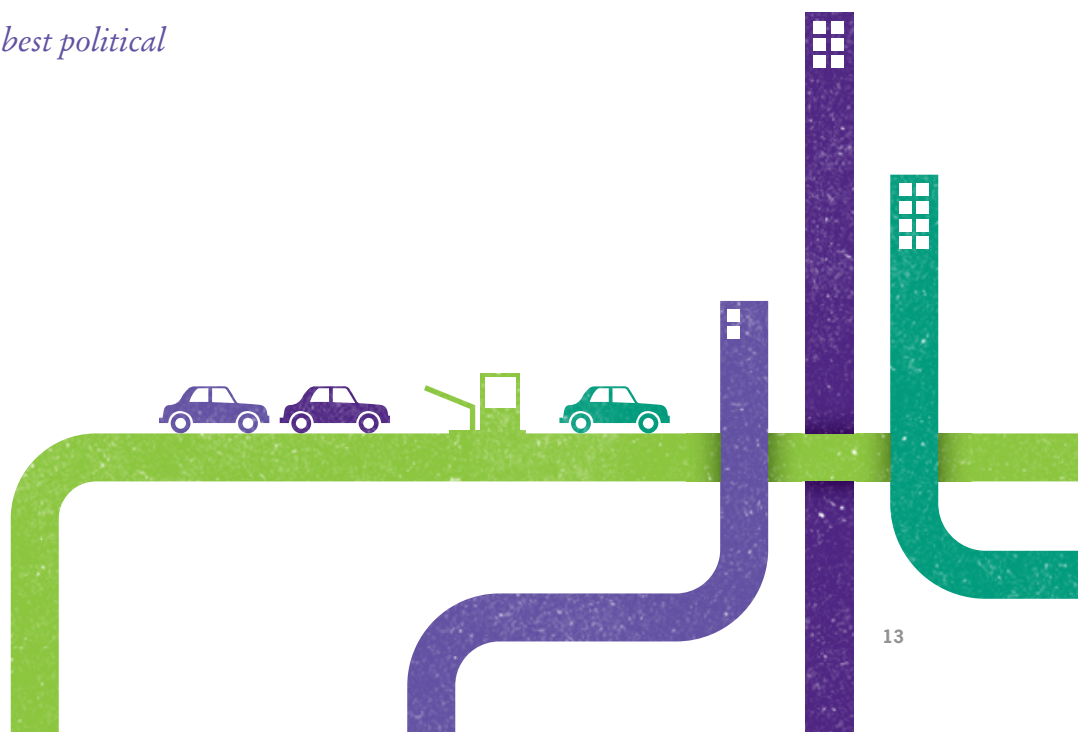
Transparency not only keeps government departments honest, it also gives them information they can act upon that ties their services a little closer to the expectations and needs of people. It is also an increasingly important political imperative. “There is clearly a pull from the people for more

information on public policy, finances, spending, reforms and the health of the economy in general,” says Mr Mehta, “to the extent that it is becoming an election winning theme in many democracies.”

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*“Public trust will always be the best political capital for any reforms”*

*Financial manager,  
Philippines respondent*



## Transparency as a priority

New Zealand sets the benchmark for open and transparent government, topping a recent global index of budget transparency and accountability.<sup>13</sup> Several mechanisms support this, including the nation's formal declaration on openness and transparency in 2011, which commits the government to releasing 'high value public data.'

The country has since become a world leader in allowing open access to government data. This is driven not only by policies but through practical initiatives, including investment in integrated data infrastructure; the establishment of the Data Futures Forum to 'advance New Zealand's ability to unlock the latent value of data'; and the establishment of the New Zealand Open Government Data and Information Working Group, which fittingly uses a public Wiki for open discussions around the programme and policies.

These measures have resulted in a more efficient and accountable public sector, with greater public participation in government decisions. New Zealand also benefits from the fact that open data is an increasingly important indicator for cross-border investment, highlighting a country's degree of innovation, transparency and lack of corruption.

## Digital tools that enhance transparency are underused

Consistent with their understanding of the importance of transparency, three-quarters of respondents report using innovation to increase it.

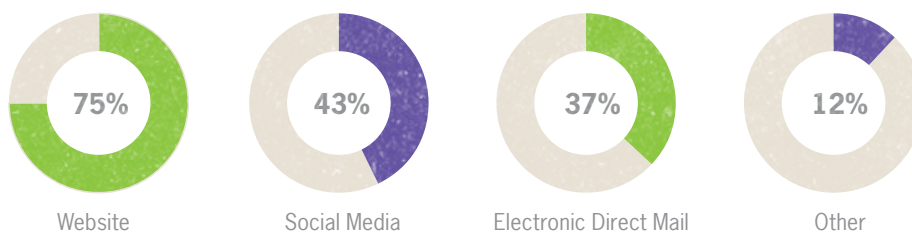
A closer look at their use of digital technology, suggests that governments are far from the cutting edge. Only 75% of those surveyed say that their organisations are using websites to increase transparency. This is a remarkably small figure given the age of that channel: government institutions as varied as the White House in the United States and Birmingham City Council in the United Kingdom have sites dating back to 1994.

As a first priority then, governments must find the best channel of communication with which to enhance

transparency. But this is likely to differ from country to country. "Leaders have to think about how their own populace communicates and use that to drive change and transparency," says Mr King. "If, as in much of Africa, most of your country has a cell phone but no computer, then push things out via cell phone." This is already the way of things in India. "Increasingly the government is moving away from computer e-governance to mobile m-governance," says Mr Mehta, "particularly to engage young people."

Many leaders may expect social media to become their

## Which digital communication channels are you using to increase transparency for your citizens?



Source: Grant Thornton and ICGFM Global Financial Management Leaders Survey 2015

<sup>13</sup> *Open Budget Survey, International Budget Partnership, 2015.*

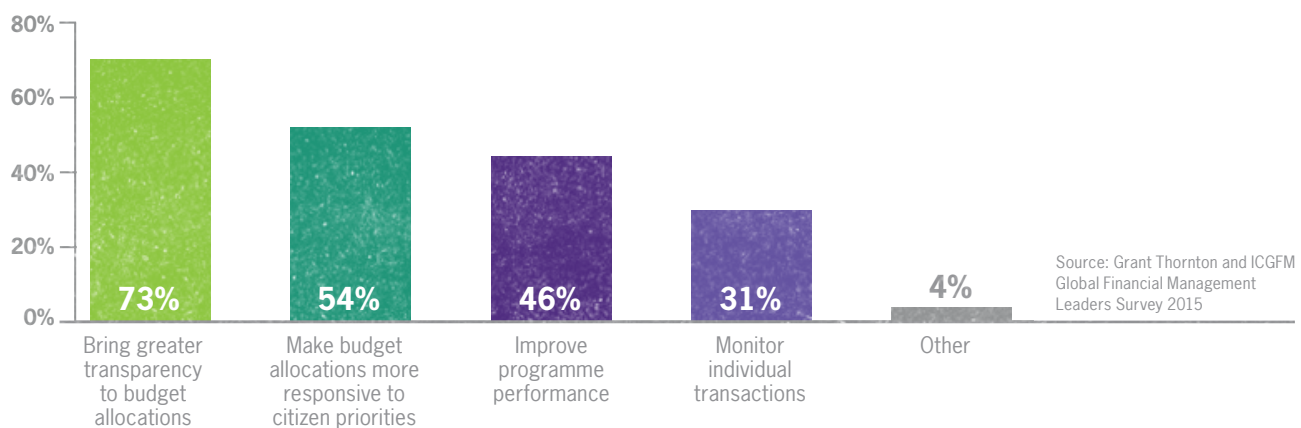
primary channel, but we found under half (43%) use social media in their departments. By contrast, that figure is little more than those using mailing lists to send out traditional group emails (37%). This is despite the fact that most respondents believe social channels are effective in bringing greater transparency to budget allocations (73%) and making these allocations more responsive to citizen priorities (53%).

Even where governments do use social media, their activity does not necessarily drive stronger public participation and engagement. One respondent from Georgia, whose organisation uses social media to explain budget allocations,

*Once the right channel is identified, the real innovation is in the content and dynamics of the communication itself.*

said frankly: “I do not think our usage is innovative.” This highlights the fact that, once the right channel is identified, the real innovation is in the content and dynamics of the communication itself.

### In the context of transparency, social media is effective to...



### Transparency is more than making information available

In almost every example where survey respondents cited the use of digital channels for transparency, communication was largely one way and one format. Many governments are certainly publishing data on their activities, but few are also offering tools for analysis or engaging in communication with the public about the data.

This is consistent with what Mr King has seen. “Right now they’re just shovelling data out there. There’s not much in the way of analytics associated with it.” The problem with this, adds Mr Criscitello, is that “you can bury information just by sheer volume. It is not transparent if you just flood citizens with raw data.” He suggests governments be more strategic about the data they put out - ensuring it is contextualised in a way that can inform, assist and educate citizens.

Like social media then, the transformative potential of open data remains just that. Mr Maykoski says he has not seen good examples of “information published in such a way that citizens can digest, work through and interpret what it

means.” So although most are committed to transparency, public financial managers in many countries still need to find the right methods and digital tools to put it into practice. Transparency, public financial managers in many countries still need to find the right methods and digital tools to put it into practice.

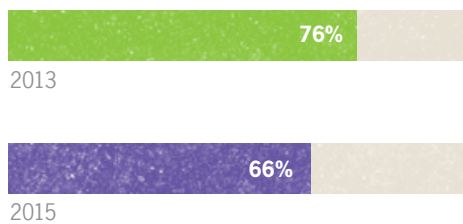
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*Scott King, global leader, public sector*

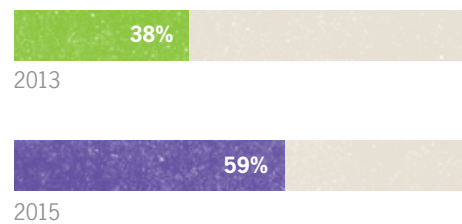
# From financial crisis to new normal

In our 2013 survey, 76% of respondents said the global financial crisis continued to have an effect on their country's PFM reform agenda. This year has seen a notable decline in this measure, with 66% reporting the same. Meanwhile, the proportion saying the crisis has led to the adoption of new risk management practices has risen to 59%, up from 38% in 2013.

**Does the global financial crisis continue to have an impact on your country's public financial management reform agenda?**



**In the wake of the financial crisis, has your country adopted new risk management activities into your PFM practices?**



Source: Grant Thornton and ICGFM Global Financial Management Leaders Survey 2015

*The impact of the global financial crisis is weakening, while the risk management changes it precipitated are spreading around the world.*

Closer investigation indicates that the picture is more complex. The comments from respondents were more focused on a number of more recent economic problems. Those from emerging market countries, for example, tended to discuss the implications of the ongoing steep drop in commodity prices. Greek respondents, understandably, brought up the impact of their domestic economic turmoil, at the sharp end of the long running European debt crisis – a problem linked to, but not identical with, the credit issues of 2008.

In other words, PFM is having to respond to a range of challenges facing

various economies rather than a single set of issues. As Mr Criscitello puts it, “the global economy was undoubtedly impacted by the financial crisis. The recovery has been slow. But, there have been other events that have occurred in the past six years. It’s becoming increasingly difficult to peg any current events specifically back to 2008 and 2009.”

Whatever the different causes, they have one widespread, common impact: the ongoing need for austerity. Seventy-one percent of respondents in our survey agree that pressure to develop more efficient and effective PFM practices has led to the reform of budgetary and financial management systems.

**71%**  
agree that pressure to develop more efficient and effective PFM practices has led to the reform of budgetary and financial management systems



# Conclusion

While this year's PFM survey identifies many challenges, these are not signs of a field that is struggling but one that is transforming. PFM is now called on to do more than ever before, to move from monitoring expenditure to supporting macro-economic policy. This inevitably brings steep learning curves, but public financial managers are clearly dedicated to climbing them.

This pattern is evident across our findings: reform efforts are almost universal but often better tools are needed to achieve reforms and engage the public. Infrastructure needs are driving increased use of Public Private Partnerships, but managers need more experience, and often cultural change, to make them a success. The vital importance of transparency is agreed and understood, but the opportunity to enhance it with modern digital channels has yet to be fully tapped.

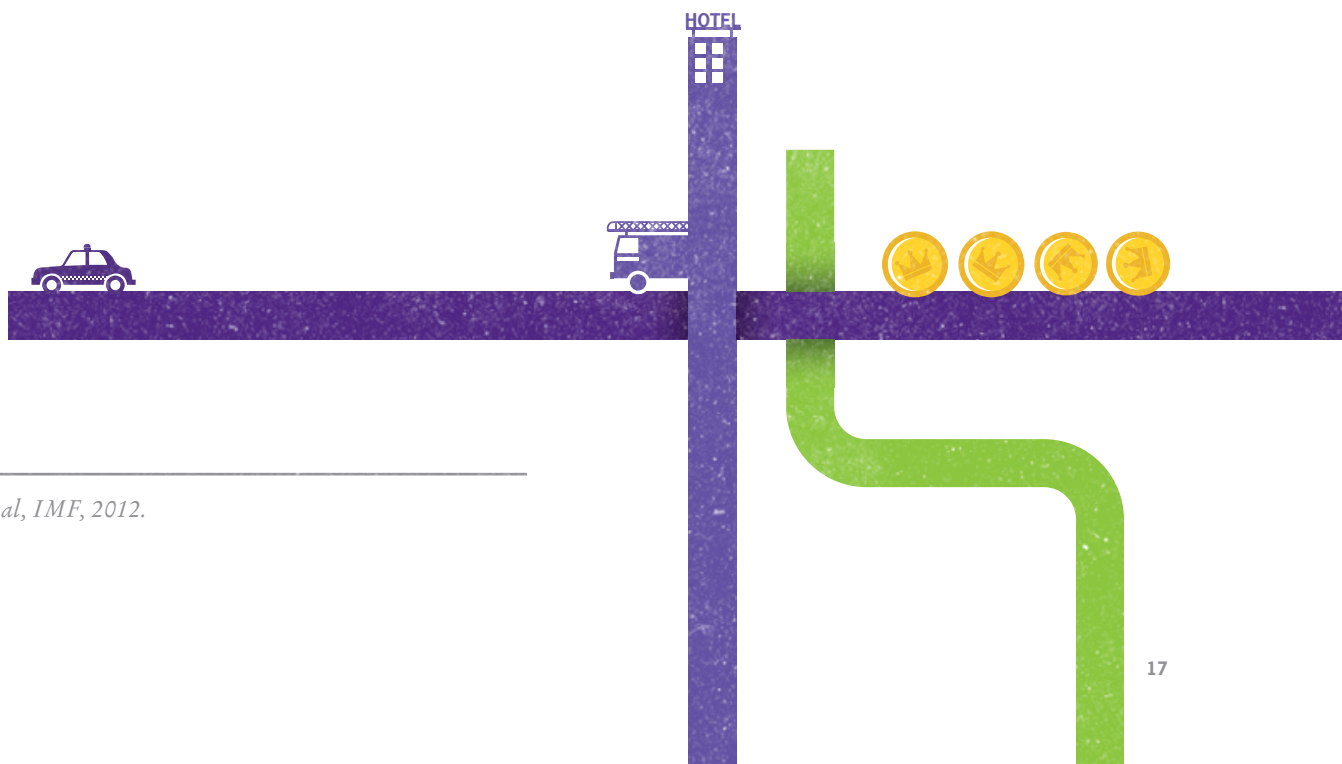
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*There are no magic bullets or cookie-cutter approaches to strengthening PFM*

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Meanwhile, the immediate challenge of the global financial crisis has evolved into a broader collection of difficulties. This makes effective understanding of finance by government, better budgeting, and more efficient spending – the soul of PFM – all the more important.

Finally, it is significant that following a lengthy and detailed study of this area, the IMF rightly concludes that 'there are no magic bullets or cookie-cutter approaches to strengthening PFM.'<sup>14</sup> In other words, public financial leaders should not be discouraged if progress is more incremental than revolutionary, nor should they assume that an approach that succeeded in one country will succeed in their own. Lasting progress really depends on leaders finding an approach tailored to the unique political, social and economic landscape of their own country. That means driving home-grown innovations just as much as they strive to learn from the best.




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<sup>14</sup> Cangiano, et al, IMF, 2012.

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strategic partners, including donors, non-governmental organisations and non-profits, government ministries and private sector organizations supporting PFM reforms and capacity building.

ICGFM recently developed the ICGFM PFM Innovation Lab to focus on more holistic issues relative to PFM reforms such as the issues of change, innovation and leadership required to successfully lead PFM initiatives. The ICGFM PFM Innovation Lab seeks to build a broader set of skills, knowledge and expertise required of today's public financial managers.

ICGFM's members work at all levels of government, including local/municipal, state/provincial and national

levels. Our members are specialists, subject matter experts, and practitioners covering the full spectrum of PFM, including accountants and financial managers, auditors, comptrollers, treasurers, procurement and expenditure managers, legal reformers and regulators. We also bring together individuals from the private sector, including advisory specialists and consultants and information technology specialists focused on government financial management information system reforms.

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## Survey methodology

This report draws on a survey of 278 PFM leaders from related areas of government and donor organisations, as well as directors from private companies and academia. The survey was executed using in-person interview sessions, a multilingual online survey and a polling mechanism at the ICGFM annual international training conference. Participants represented over 40 countries across Europe, Africa, the Middle East, Asia Pacific and the Americas.



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