

The Raffles Review

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PFM in Context



SOURCE

[Capacity Constraints and Public Financial Management in Small Pacific Island Countries](#) was published online in *Asia & the Pacific Policy Studies* on 14 April 2015.

KEY POINT

Public Financial Management (PFM) reform programmes should be guided by context rather than simply achieving higher scores on Public Expenditure and Financial Accountability (PEFA) assessments.

BIG IDEAS

- Institutions governing public finances have a determining impact on the economic and social costs and benefits of revenue collection and expenditure.
- Efforts to address public finance deficits identified in PEFA assessments drive the adoption of 'best practices', regardless of their relevance or suitability to country context.
- Very ambitious and/or standardised plans for PFM reforms contradict evidence regarding the timeframes required for institutional transformation. They are often also motivated by governments' desire to signal reform intent to development partners as paper-based reforms are more likely to be funded than those requiring changes in actual practices and outcomes.
- Analysis of the relationship between small population sizes in Pacific Island countries and lower PEFA scores reveals capacity constraints, particularly in the area of human resources.
- Capacity gaps are a vital aspect of country context that must be taken into account when designing PFM systems and reforms. Weaknesses arising from the 'limited pool of skilled human resources ... and a lack of depth in specialization...' can adversely affect the quality of public administration.
- Higher PEFA scores may therefore be unrealistic and inappropriate goals for Pacific governments and development partners.

IMPLICATIONS FOR PUBLIC SERVICE

- Take into greater account population-related capacity constraints when designing and implementing PFM reform programmes.
- Reduce emphasis on adopting standardised approaches that are very likely inapplicable.
- Prioritise the allocation of scarce capacity to service delivery and macroeconomic management, rather than attempting to improve assessment scores by adopting capacity-intensive 'best-practice' systems.

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aims to ruffle your thinking!

This weekly offering summarises insights on public service matters to challenge assumptions and question the status quo.

IMPLICATIONS FOR DEVELOPMENT PARTNERS

- Recognise the persistent nature and serious consequences of population-related capacity constraints unique to small Pacific Island States.
- Commit to providing technical assistance to help improve PFM functions on a long-term basis.