



WORLD BANK GROUP
Governance

Reimagining Public Finance

Managing Public Resources for Development Outcomes

MENA Regional Consultation

Cairo, 27 February 2024

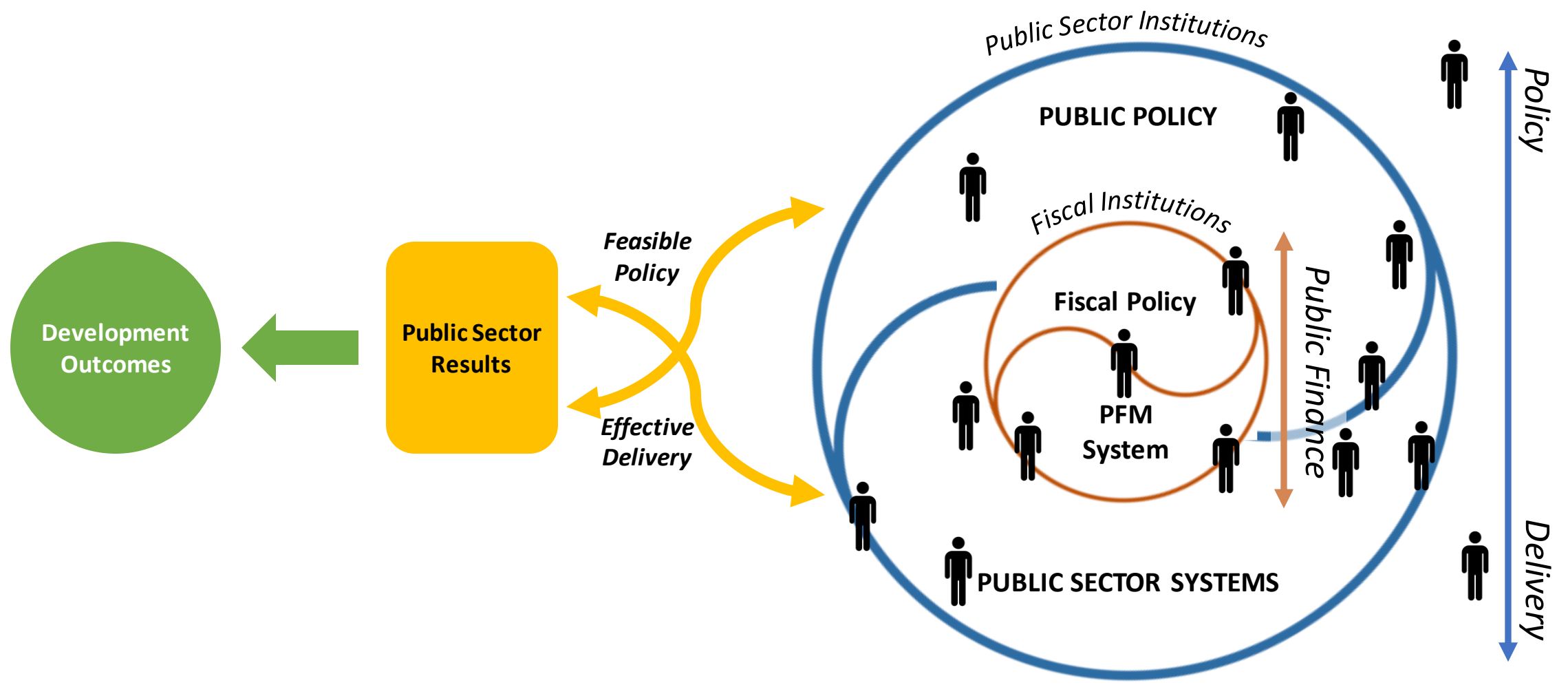
Background

- 25 years from the publication of the PEM Handbook
- Many lessons learned, many new challenges
 - Successful development of international norms and standards
 - Some success in improving PFM systems, less in improving PFM outcomes
 - Clear shortcomings and increasing criticism of existing approach
 - New challenges and pressures on public finances (fiscal squeeze, climate change, growing inequalities, etc.)
 - Need to integrate PFM with other systems and broader institutions/political economy
- It's time for a rethink...

The "old" approach



What is the role of Public Finance?



What are the bottlenecks?

Development Outcome	Public Sector Results	Fiscal Policy Results	Fiscal Institutions (Fiscal Policy & the PFM system)
<p>Low levels of basic literacy and numeracy.</p>	<p>Poorly motivated teachers, incapable of imparting basic literacy and numeracy to learners using established pedagogical tradition.</p> <p>Insufficient and unpredictable availability of learning materials.</p> <p>Inequitable distribution of schools with school infrastructure in poor condition.</p>	<p>Low tax/GDP ratios limits funding available for social sectors.</p> <p>Education sector spending skewed towards tertiary and secondary.</p> <p>Teachers are poorly paid and not distributed according to staffing norms.</p> <p>Absence of spending on teacher development and oversight.</p> <p>Low and unpredictable spending on learning materials and school maintenance.</p> <p>Education infrastructure investments reinforces existing inequities in access.</p>	<p>There is no political consensus on the need to provide adequate resources for basic education. Political focus is on new school infrastructure not quality.</p> <p>Lack of credible, affordable, and realistically costed norms for basic education inputs and functions.</p> <p>Insufficient information on educational inputs and performance to inform resource allocation.</p> <p>Centralized decision making and procurement of learning materials do not reflect school needs.</p> <p>Absence of objective criteria for targeting school infrastructure investments decisions.</p> <p>Unpredictable financial flows during the year for non-salary spending.</p>

Development Outcome	Public Sector Results	Fiscal Policy Results	Fiscal Institutions (Fiscal Policy & the PFM system)
High and growing levels of income inequality.	<p>Regressive tax and transfer system.</p> <p>Inadequate programs providing support for disadvantaged groups.</p>	<p>Tax system relies too much on regressive indirect taxes.</p> <p>Widespread tax avoidance and evasion amongst high and middle-income groups.</p> <p>Insufficient funding for inequality-reducing programs.</p> <p>Poor targeting of inequality-reducing programs.</p>	<p>Weak political support for income redistribution through tax & spending.</p> <p>No distributional analysis of budget policy proposals.</p> <p>Large discretionary tax expenditure.</p> <p>Weak tax administration with limited incentive to expand registration and ensure compliance.</p> <p>Lack of data and systems to target programs on citizens from targeted groups.</p>

Group discussion 1

- Guiding questions:
 - a) What were the main successes of PFM reform in your country over the past 25 years? What should we celebrate and build on?
 - b) What are the main challenges going forward? What should we look out for and change/adjust?
- Each participant writes down 2/3 successes and challenges (one per post it) and puts them on the flip chart.
- Each table discusses groups the post-its and agrees on main points
- Quick report back in plenary

Group discussion 2

- Each table has been assigned a development outcome
- Use the proposed framework to answer the following questions:
 - a) How can Fiscal Policy and the PFM system contribute to key public sector results (and development outcomes) in your area?
 - b) Where and how does this contribution more often break down?
 - c) What do we need to do differently to make public finance work for the outcome?

Next steps

Phase 1

- 1) A global conversation
- 2) Background research
- 3) Global report and conference

Phase 2

- 4) Resources
- 5) Country-level engagement