



Public Financial Management Support Programme for Pakistan (PFM-II)

Duration	Budget	Location	Implementing Partners
March 2020 to April 2024	€11.4 million	Federal, Sindh and Balochistan	Oxford Policy Management, ECORYS and Abacus Consulting

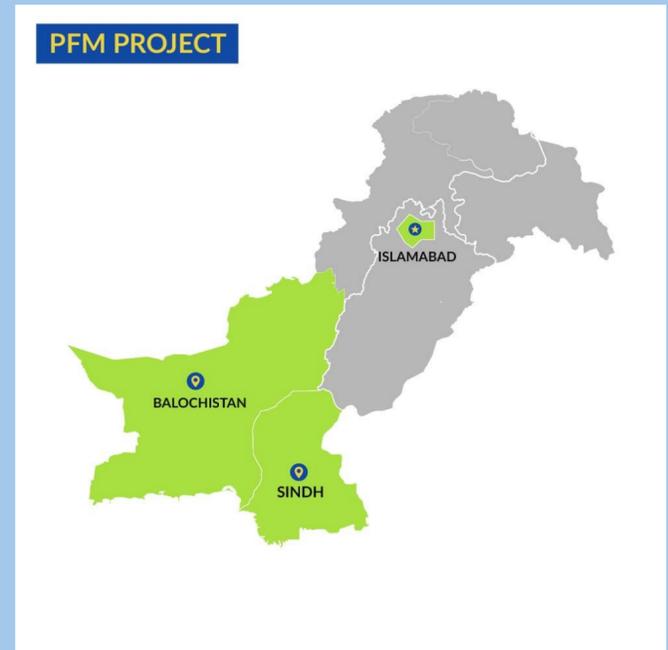
Under the PFM-II programme, the European Union is continuing and extending the support provided under the Public Financial Management Support Programme for Pakistan [PFM-SPP] (September 2014 to February 2020). The PFM-II works with the Federal Government and provincial governments in Sindh and Balochistan. Public financial management plays a vital role in the delivery of public services to citizens by allowing budget to be prepared and managed according to the government's economic, social and political priorities. PFM-II works directly with the Finance Ministry, Planning Ministries and departments and with key line departments responsible for service delivery, such as Education and Health.

The challenge

The latest Public Finance Management reviews for the Sindh, Balochistan and Federal governments, carried out between 2013 and 2016, highlighted a number of areas which require further strengthening. Subsequent reviews undertaken in 2018 have not yet been finalized. These reviews were based on the well-established Public Expenditure and Financial Accountability (PEFA) methodology, which provides a standard framework to assess PFM. This allows for reporting on strengths and weaknesses of PFM systems using quantitative indicators. The EU supports provincial and federal governments through the PFM Support Programme II for Pakistan to improve the performance of their public financial management systems, with a focus on budget making, execution, registration and reporting processes. The aim of this assistance is for the government to develop tools toward better service delivery for its citizens, in line with its Vision 2025.

How do we address the challenge?

The earlier Public Financial Management Support Program for Pakistan Programme (PFM SPP) supported the Finance and Planning Ministries and Departments in developing a comprehensive public finance management reform process. This process resulted in the design of overarching PFM reform strategies and action plans at federal and provincial levels. Comprehensive capacity building of relevant ministries and departments forms an integral part of the project.



What do we do?



Legal and Regulatory Reform



Reform of Federal, Provincial and Sub-Provincial Budget Processes



Capacity Building for Individuals and Institutions

What are we aiming to achieve?



Effective PFM Reform Strategies



Fiscal sustainability of Federal and Provincial Governments



Enhanced Service Delivery and Accelerated SDG Achievement

Support to policy

PFM-II is providing important support to policies which affect economic performance. In the Federal Government, this includes support for the newly formed Subsidy Unit in the Ministry of Finance, which formulates policies to support fiscal sustainability of the Federal budget. In the provinces, PFM-II supports development of sector plans in Sindh and Balochistan aimed at strengthening utilization of both the recurrent and development budgets in these provinces. A major element of PFM-II is support for the development of PFM legislation and associated financial rules and regulations.

What can we learn from this project?

Following on from the successful completion of PFM-SPP programme, the new PFM-II project is bringing to fruition major elements of PFM reform. The long-running support to the Federal Budget Wing, which has successfully introduced the Budget Strategy Paper, Medium Term Fiscal Framework and the performance budgeting system is now complete and all functions are fully managed by the department without need for further expert assistance. The enactment of major PFM Acts in Federal, Sindh and Balochistan has created the foundation for follow-on reforms in areas prescribed by the new laws. In addition, financial regulations are being updated in all three territories. The lesson is that PFM reforms require persistence to achieve the desired results.

With progress achieved in the reform of budget processes, the attention is increasingly turning to support for policy formulation in areas such as subsidy policy, the pensions system and debt management. The need for continuing support for the macro-fiscal forecasting and management function is receiving attention in both the Federal Government and the provinces. It is important for the EU-funded programme to retain flexibility to be able to keep abreast with changing priorities and requirements of the government.

Expected Results



EU in Pakistan

The European Union (EU) funds projects and programmes around the world in order to help addressing global and local challenges. The reduction of poverty and the respect of fundamental rights and freedoms are key objectives in this context.

In Pakistan, the EU is committed to a stable, democratic and pluralistic country that respects human rights and benefits from its full economic potential by supporting sustainable and inclusive development for all its citizens. The EU provides Pakistan with about €100 million annually in grants for development and cooperation. Among other issues, the EU supports Pakistan in its efforts to tackle poverty, increase education, promote good governance, human rights, rule of law and ensure sustainable management of natural resources. EU-funded projects are covering all of Pakistan with a special focus on Sindh and Balochistan.

The collaboration between the European Union and Pakistan is grounded in the Strategic Engagement Plan (SEP) signed in 2019. Areas of cooperation under the SEP include peace and security, democracy, rule of law, human rights, and migration but also sectors such as energy, climate change and science and technology.

The EU is one of Pakistan's largest trading partners. The EU supports Pakistan's integration into the world economy and its sustainable economic development, namely by granting it preferential access to the European single market under the GSP+ system since 2014. Under this scheme almost 80% of Pakistan's exports enter the EU duty and quota free. In 2018, Pakistani exports to the EU were worth €6.9 billion.

In order to enjoy the trade preferences under GSP+, Pakistan needs to demonstrate progress on the implementation of 27 international conventions on human rights, good governance, labour rights and environmental protection.

**Delegation of the European Union to Pakistan,
House 9, Street 88, G-6/3, Islamabad
Phone: +92 51 227 1828, Fax: +92 51 282 2604
Email: Delegation-Pakistan@eeas.europa.eu**