



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

Duration	Budget	Location	Implementing Partners
Sept 2014- Feb 2020	€16.64 million	Federal, Sindh and Balochistan	Oxford Policy Management, ECORYS and Abacus Consulting

Since 2014, the European Union (EU) is supporting the Federal, Balochistan and Sindh Governments to improve and reform their public financial management (PFM) systems. Public financial management plays a vital role in the delivery of public services to citizens by allowing the budget to be made and managed according to the government economic, social and political priorities. PFM support programme for Pakistan has worked to support a number of stakeholders such as the Finance Ministry in Islamabad, Planning and Development Department in Karachi and also some line departments such as Education and Health departments in Quetta.

The challenge

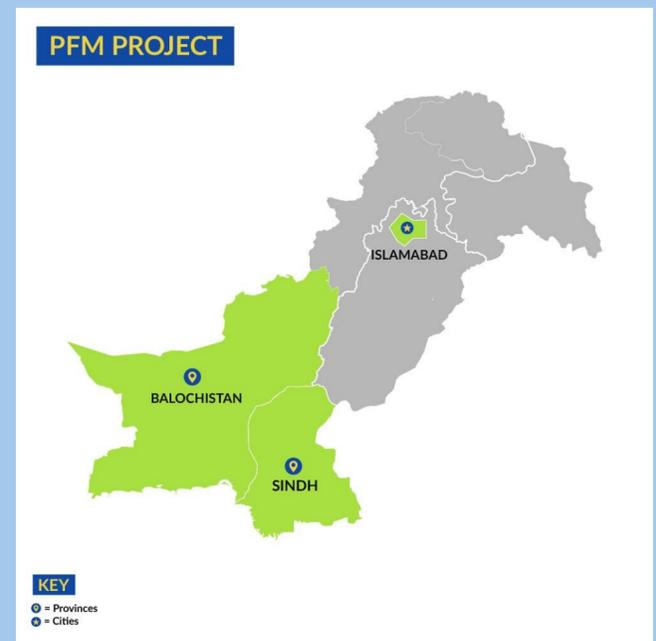
The latest Public Finance Management reviews for the Sindh, Balochistan and Federal governments, carried out between 2013 and 2016, highlighted a number of areas which need further strengthening.

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 decided to support the provincial and federal governments through the PFM Support Programme 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 Public Financial Management Support Program for Pakistan (PFM SPP) supported the Finance and Planning Ministries and Departments in developing a comprehensive public finance management reform process. This process materialized 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 part of the project.



PFM SPP provided training on budget making, budget execution, reporting and financial regulatory frameworks across the province of Balochistan to 1400 out of 3600 Drawing and Disbursing Officers (DDO's) during 2018. The last session was held in Gwadar in December 2018.

What do we do?



Institutional Development

Support to development of strategic plans, documents, manuals, legislation, studies and workflows.



Transparency

Support to development of Citizen's Budget and Green Book.

What are we aiming to achieve?



PFM reform Strategies and action plans



Consolidation of Medium Term Budgetary Framework



Strengthening of macro-economic, fiscal modelling and forecasting

Support to policy

The support provided through PFM SPP is believed to have contributed to a more accurate planning of the government budget revenue and expenditures over the medium term and have reinforced its decisional capacity to tackle the current economic challenges. The legal framework has also been strengthened offering therefore a platform along which development partners can align their interventions and coordinate their support.

What can we learn from this project?

In line with Pakistan's commitment to the Sustainable Development Goals, PFM has gradually gathered momentum in recent years and is now prioritized by the Government. Lessons learnt from PFM SPP, that will guide future EU PFM programmes, is that governance at senior level, proper oversight structure and coordination among donor agencies under government leadership are keys to successful implementation of projects aiming to improve PFM systems. Other considerations to take on board in PFM projects is the need to foresee from the start of the project, the necessary measures to ensure sustainability and to ensure that the reform programme takes into account the degree to which those affected by such reforms accept them, building such acceptance by focusing on incremental reform change.

Expected Results



Capacity Building

Training on budget processes in Sindh, Balochistan and Federal level

Training in macroeconomic modelling and forecasting

Drawing and Disbursing Officers **trainings** in Sindh and Balochistan

Capacity Development Strategy endorsed in Sindh



Institutional Development



Support on development of legislation such as Federal Public Finance Administration (enacted) Sindh PFM Act (still debated), Sindh Treasury Rules, PFM Reform Strategies and Action Plan (Sindh, Balochistan)



Development of studies on Pension reform, Zero bond and Public Investment Management



Costed Sector plans developed for the Mines and Mineral, Agriculture and Industry departments in Balochistan

Mines and Mineral **policy developed** in Balochistan

Improved budget reporting

Support to the creation of a **macro coordination unit** at federal level



Improved Transparency

Contribution to documents such as the

Citizen's Budget in Sindh and Balochistan, providing an easy reading of the budget to the public

The **Green Book**, which provides information on results in relation to pre-defined objectives

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.

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