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## **Professionalising PFM**

# **A Briefing for Accountants General, Auditors General and other Senior Managers and Public Finance Leaders**

Professionalising Public Financial Management (PFM) should be an integral component of every PFM reform programme. It:

- Ensures that finance staff working in government are properly trained to the highest international standards;
- Embeds ethical behaviour into everyday working life;
- Increases country capacity on a long-term and enduring basis;
- Provides strong and unique foundations for almost all other PFM reform initiatives.

For PFL, Professionalising PFM represents a pathway to improve capacity to match the best international standards. Professionalising PFM is based on a qualifications framework developed between a local Professional Accountancy Organisation (PAO) and government.

## **What exactly is Professionalising PFM?**

Professionalising PFM means the achievement of a number of mutually reinforcing and complementary states of affairs:

- The establishment, on a sustainable basis, of a recognised PFM profession in the country, represented by a local PAO.
- The existence of individuals properly qualified to become members of the PFM profession in the country.
- Non-financial managers and other PFM role players with the skills, support and other resources to play their part in PFM, including taking responsibility for the resources they manage and formulating and controlling their budgets.
- Capacity locally to provide the training, products and services required by the PFM community in the country.
- Creation of the environmental conditions necessary for the establishment and sustainable development of the profession over time.

Whether full time finance professionals or managers with some financial responsibilities, a wide range of public sector staff will be equipped with appropriate skills. Staff will participate in a programme of formalised training, work experience and assessment leading to qualification and thus the establishment of a sustainable, recognised PFM profession in the country.

Successful completion of training gives individuals a recognisable qualification that is likely to benefit them through more interesting work and different opportunities. Professionalising PFM encourages individuals to see public sector employers as an attractive place to work and develop a career that matches the best in the private sector.

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Because the qualification is tailored to meet public sector needs it offers real opportunities to strengthen governance in the management of public money, and inspire confidence amongst the citizens and taxpayers in the long-term.

The PFM profession will have its home in the local PAO. A training provider with capacity locally will provide the training for students to gain the qualification.

### **How is professional training different from a degree or short course training?**

Professional training has characteristics and outcomes that are different from other forms of education and training:

Professional training is a formal and rigorous development of the knowledge and skills essential to financial management and, in particular here, to the public sector.

Individuals become working practitioners in the application of the skills that they gain (rather than abstract knowledge of a subject)

Students gain skills in exercising complex judgement.

Entry to the profession is by examination based on a qualification framework designed to meet IFAC International Accounting Education Standards.

Students are required to maintain their knowledge and skills through continuous professional development which must be evidenced.

In contrast a degree is focussed primarily on gaining knowledge in a single subject such as accounting or finance, which may be mostly theoretical; the student may have had little opportunity to practice its application. It is also distinct from short course training which is often of variable or indeterminate duration in a very specific subject area and usually focused on one particular job placement.

Short course training is usually orientated towards acquiring knowledge and skills that are very specific and focused to the circumstances at the time. The learning outcome from short course training is generally less enduring.

### **How is it done?**

Professionalising PFM needs the wholehearted involvement of four key stakeholder groups:

**Government.** There needs to be clear and unequivocal support for Professionalising PFM at Ministerial level. PFL, or other members of senior management, must also show leadership. Professionalising PFM is not a short-term option; it will take time for the initiative to produce results, and even longer before it will become embedded in the fabric, with evident sustainable improvement in PFM.

**The local PAO.** Professionalising PFM should be a natural development of current activities of an established local PAO. The organisation will probably focus on the private sector, and so have an understanding of some aspects of public financial management. Its status as a professional organisation in relation to the private sector positions it uniquely to become the focal point for the public sector.

**A local training partner.** Qualifying new members of the PFM profession needs internationally recognised, locally relevant education and training

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programmes. A local training partner with experience of providing these for the private sector is likely to be in a strong position to extend its role to serve the public sector. It may well see the addition of the public sector specific subjects as desirable assets helping them expand into other public sector training markets.

***Donors and development partners.*** Professionalising PFM means investing for the future. In countries with the greatest need government is unlikely to be in a position to provide all of the financial resources required to develop the capacity locally to achieve professionalisation of PFM. Donors recognise that investing in Professionalising PFM will lead to improved performance of the PFM system over time, and will see funds applied for Professionalising PFM as complimenting other PFM reform activities.

Professionalising PFM will almost certainly be new to all stakeholder groups. To be successful Public Finance Leaders will need advice, guidance and other forms of support. *As the leading global body for the PFM profession CIPFA is uniquely placed to provide that support.*

### **What is involved in getting started?**

CIPFA recommends some initial investment in carrying out a “readiness assessment” in the country concerned. This is a comprehensive, structured analysis of the key environmental, institutional and other conditions in the country that will influence the precise approach that ought to be adopted towards Professionalising PFM. The assessment results in a written report (by CIPFA PFM specialists) – presented to key stakeholders in summary form at the end of the in-country mission that is required – with a plan for the implementation of Professionalising PFM over an appropriate timescale. This would normally cost around \$50,000 to conduct.

Enclosed with this Briefing is an illustrative plan of the next steps in what will be the first five years of a Professionalising PFM programme. In practice the programme would be tuned to meet the circumstances of each country.

### **How long does Professionalising PFM take?**

Introducing Professionalising PFM starts with what may be called an “Inception Phase”; preliminary analysis and research work is carried out by all stakeholders to put in place key building blocks for the programme. As an example, in this phase the public sector will prepare estimates of the target training population. The duration of this phase will depend on the country context. Once these building blocks are in place, development of the programme, training material and supporting infrastructure can start. Professionalising PFM takes a considerable period of sustained effort and investment. However, qualified staff will begin to emerge within a year.

### **What costs will there be?**

Costs will again vary according to country context and key decisions the government takes in the Inception phase. Inception costs include research and analysis by the PAO and the PFL into the type of qualification and qualification framework that will be required to meet the specific needs of the local public sector. Development costs include developing discussions between the PAO and the PFL as to the precise syllabus and emphasis of each subject, and discussion between the PAO, the PFL and the government’s selected training partner as to the content of the training material that they will develop. Longer-term costs providing formal assessment of the students initially at each stage of their include

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support for students during their training. Additionally, there are the costs of managing the project itself, for example costs of monitoring progress, communications, and contracting with training providers.

### **How will long-term sustainability be achieved?**

A well designed professional qualification framework that is sufficiently robust, yet flexible in its mode of delivery, offers opportunities for the development of other training to meet the inevitable evolution in PFM needs. Public Finance Leaders will see the benefit of ensuring that training is available more widely to public sector organisations, for example regional public sector offices.

*CIPFA can help the PAO and the local training partner to put in place a business model for Professionalising PFM. This is designed to identify how the two institutions can generate the revenue that will be necessary to help ensure the long-term financial viability of Professionalising PFM. Subscriptions and fees from students and members will provide some revenue. However this is unlikely to be enough to ensure long-term sustainability. This is much more likely to be achieved through providing new products and services to the local PFM community – such as advice, short course training, seminars and publications – that the market will value. CIPFA has considerable experience of doing this in its own environment.*

### **What sorts of issues are likely to arise?**

**Funding** – Public Finance Leaders will need to have funds for investment in the initial development of the programme, and also funds to support trainees and monitor and manage the programme. The more public sector organisations that take part the better the return on investment.

**Capacity** – is also a determinant of funds required. Training providers may have the capability to meet government demand across the country, or can extend their resource capability within an acceptable time frame and cost limits. However constraints in skills, communications, transport and other infrastructure may limit this capacity. An alternative approach would be to start the scheme focused on a small centralised training partner and then, as the market grows, add in some form of distance or on-line learning for those in less central areas.

**Design of the qualification** – a key aspect at the planning stage will be the discussions with the PAO concerning the extent to which the current professional qualification offered will be used as a basis for the public sector qualification. Consider various options to tailor the qualification to meet local needs. *There are a range of options available and CIPFA can provide help here.*

### **Can Professionalising PFM be included in wider PFM reform programmes?**

Yes. In fact CIPFA recommends that the design of every PFM reform programme should have regard to the need for Professionalising PFM. This then allows for the necessary investment to be incorporated into the costed programme, over an appropriate timescale.

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## **Can Professionalising PFM be incorporated into already planned programmes?**

Again, yes, provided that the programme has enough time to run to allow critical mass to be developed. In an ideal world the programme design should take into account the need for Professionalising PFM. In the real world this is not always possible or practical. *CIPFA can adapt its approach to meet most circumstances.*

## **Why can't we use a ready made solution, and save time and money?**

CIPFA's work in a range of different countries demonstrates clearly that a "one size fits all approach" is not appropriate. Nor is an imported and imposed solution. Neither meets the PFM needs of countries with different cultural, institutional and economic profiles. This is an opportunity for all Public Finance Leaders to work with an experienced local professional organisation to design a solution that is tailored specifically to local context, and aspirations for PFM reform.

*Using CIPFA's wide experience of Professionalising PFM elsewhere, and its long history of successfully providing training to public sector financial managers, government will benefit from the lessons learned and its unique understanding of the challenges facing public sector organisations today.*

For further information please visit [www.cipfa.org.uk/ppfm](http://www.cipfa.org.uk/ppfm).

For advice on Professionalising PFM contact please contact our International office via [ppfm@cipfa.org.uk](mailto:ppfm@cipfa.org.uk).