
Professionalising PFM

Developing qualified PFM professionals through education and training

A Briefing for Professional Accountancy Organisations

Professionalising Public Financial Management (PFM) should be an integral component of every well designed 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 Professional Accountancy Organisations (PAO), Professionalising PFM offers an opportunity to develop a qualifications framework in consultation with government, to strengthen the skills of public financial managers to match the best international standards. It offers opportunities to influence the wider development of public financial management in country and beyond.

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.

The PFM profession will have its home in the local PAO. Qualified PFM individuals will provide an additional and broader membership base.

With the introduction of a programme of Professionalising PFM, public sector staff will participate in formalised training, work experience and assessment leading to qualification and thus the establishment of a sustainable, recognised PFM profession in the country. A training provider with capacity locally will provide the training for students to gain the qualification.

Public sector managers and staff will be better equipped with skills that are appropriate to their needs. 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.

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.

For the public sector, Professionalising PFM should become the bedrock on which every comprehensive programme of PFM improvement is based. As Professionalising PFM embeds into the fabric of the organisations, it will assume a higher profile and demand will grow for other products such as advice and development of standards.

How does PFM differ from accounting and auditing in the private sector?

PFM and accounting and auditing are not equivalent terms for the same professional discipline. PFM is a broader term than accounting and auditing; and there are differences in the conceptual foundations of accounting, auditing and financial management in the public sector.

The profit motive of the private sector is replaced in the public sector by a more complex scheme of accountabilities to a much wider range of stakeholders, whose requirements are often competing and conflicting. Strong and effective accounting, auditing and financial management are the building bricks of the systems that comprise a very distinctive accountability and governance regime in the public sector. The nature of that accountability necessitates differences in the architecture of the public and private sectors.

How is it done?

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

Government. There will need to be clear and unequivocal support for Professionalising PFM at Ministerial level. Public Finance Leaders, 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 is likely to offer a natural development of the current scope of the organisation. The established status of the PAO with respect to the private sector position, offers a unique opportunity to become also the focal point for the public sector.

A local training partner. Qualifying new members of the PFM profession in the country needs specially designed, locally relevant education and training 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.

Donors. Professionalising PFM means providing funding investment for the future. In the countries with the greatest need, the government is unlikely to be in a position to provide all of the financial resources required

to develop the capacity locally to achieve professionalisation. Donors are likely to invest in Professionalising PFM, because it will lead to improved performance of the PFM system over time.

Most of the above stakeholder groups will have little or no experience of Professionalising PFM. Local PAOs will need advice, guidance and other forms of support if the initiative is likely to succeed. 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 – with a plan for the implementation of Professionalising PFM over an appropriate timescale.

Following the production of the report, the PAO will meet with the Public Finance Leaders to discuss the development of a suitable qualification structure. The PAO may not be familiar with all the subtle differences between private and public financial management. *CIPFA can help provide support in this technical area.*

It is likely that the PAO and the government will wish to explore more than one option for the final design of the framework. This is necessary to understand the expectations of the government and how the PAO may best meet these in the qualification design.

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 stakeholders to put in place key building bricks 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 bricks 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 sort of costs will be involved?

Costs will vary according to country context and key decisions the government takes in the Inception phase. Inception costs include research and analysis into the type of qualification and qualification framework that will be required to meet the specific needs of the public sector. Additional resources for example will need to be considered to support training of the internal secretariat of the PAO to build new skills and take on new roles, for example in briefing the Council on arrangements for liaison with government and to provide the reports that will be

required. The PAO will need to communicate the new initiative to the existing membership of the PAO and plan to receive and consider their views.

Costs of development of the qualification include discussions with Public Finance Leaders to determine the precise syllabus and emphasis of each subject, discussions with the government's selected training partner as to the content of the training material that they will develop, and the addition of further programme assessors.

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 modalities 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 – for example technical commentary, 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 – the PAO will need to have funds for investment in the initial development of the staff of the PAO and the qualification framework. There may be government support available to help build this capacity aspect.

Capacity – is also a determinant of funds required. The government may wish to consider starting 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 more rural areas. The decision here will determine how quickly the PAO needs to build up internal staff to administer and manage the programme, and to develop aspects such as a suitable continuing professional development and ethics.

Design of the qualification – a key aspect for the PAO and the Council of the PAO at the planning stage will be the discussions with Public Finance Leaders concerning the extent to which the current professional qualification offered will be used as a basis for the public sector qualification. The PAO will want to explore different approaches here to build a deeper understanding of the public sector needs. *There are a range of options available and CIPFA can provide help here.*

Will this initiative affect our Council members?

The members of the Council of the PAO will need to be fully briefed on the initiative to allow them to approve this major strategic development and agree the funding implications. The Council will wish to understand the opportunities

that the new qualification offers to the organisation, and that the membership structure will change to allow public sector qualified individuals to enter. In addition there will be a need for the membership of Council to meet with the government representatives to gain a deeper understanding of the demands of a PFM qualification, and this in turn may require some preliminary technical briefing.

Will this initiative affect our current membership?

Current members may be apprehensive about the introduction of a new qualification and a new route to membership, and this is a natural reaction to any change. The PAO can take steps to allay any fears by planning to communicate its response to the new initiative with them in advance, seeking their views and demonstrating that PAOs are responsive to their commentary. They are likely to benefit from a wider network of colleagues who bring in new experience and ideas. As they build a better understanding of the complexities of the PFM role they may well become interested in pursuing a career in the public sector. The PAO would be in a position to help them by offering necessary tailored training.

Why can't the government use a ready made solution, and save time and money?

A single private sector qualification does not meet comprehensively the needs of PFM. CIPFA's work in a range of different countries demonstrates clearly that neither a "one size fits all approach", nor an imported and imposed solution, meets the PFM needs of countries with such different cultural, institutional and economic profiles. This is an opportunity for the PAO and its Council to work with the government to design a solution that is tailored specifically to the country 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, PAOs 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.

For advice on Professionalising PFM contact please contact our International Office via ppfm@cipfa.org.uk.