



Japan International Cooperation Agency

# IMF-JICA CONFERENCE

## SESSION 2

# *Public Finance Management Reforms: The State of Play in Asia*

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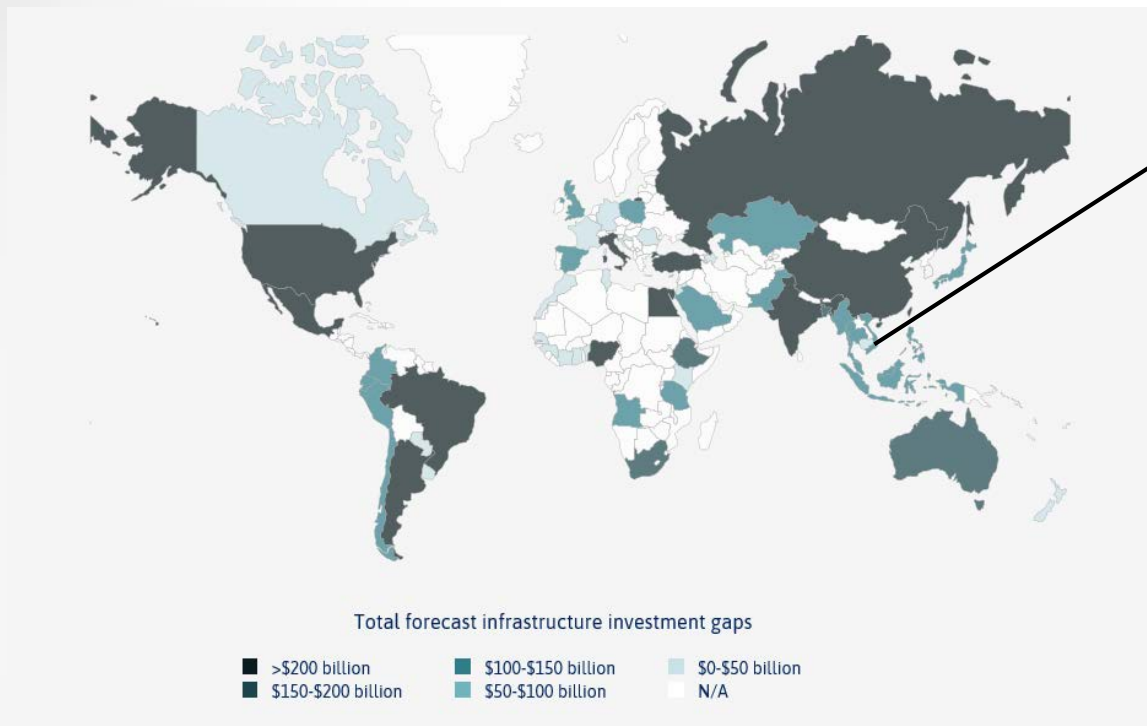
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# Overview

## ◆ Huge needs of public investment remains large



**Asia**  
Current Investment: \$46 Trillion  
Investment need: \$51 Trillion  
Investment gap: \$4.6 Trillion



Source: Global Infrastructure Hub

## ◆ More attention to Public Investment Management

Quality Infrastructure Investment (QII)

Principle 6: Strengthening Infrastructure Governance



# Overview

◆ Expected outcomes through better Public Investment Management, but...

## 1. Long-term development

- ❖ Contribute to achieving long-term development visions and development plan targets

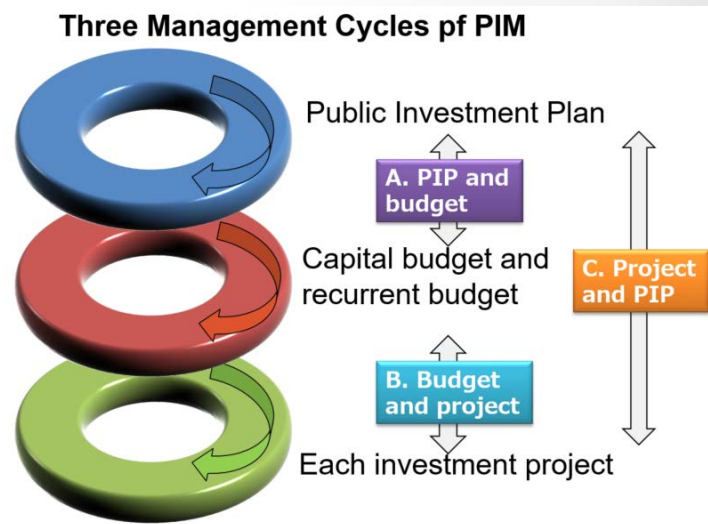
## 2. PFM objectives

- ❖ Contribute to achieving PFM objectives (Aggregate fiscal discipline, Strategic allocation of resources and Efficient service delivery)

## 3. Public Investment Performance



**Public Investment Performance**



# Overview

- ◆ PIM reform is diverse and a long-term process



Co-work and Accumulation of change process

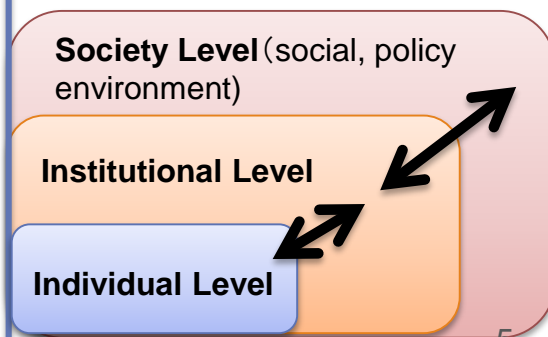
- ◆ JICA's technical cooperation

Features of JICA's technical cooperation

- ✓ Close and long relationship between JICA experts and counterparts
- ✓ Tackle the bottlenecks which counterparts face on the ground
- ✓ Respecting the ownership and unique national systems of counterparts
- ✓ Supports enhancement of counterpart's self problem-solving capabilities

## Capacity Development

A process in which a donor organization helps strengthening problem-solving capabilities on its own at different tiers of "individuals", "institutions", & "society"



# JICA's experiences supporting capacity development in Public Investment Management

## Lao PDR

- Since 2004
- Main challenges at entry:
  - Absence of institutional framework
  - Need for standardized procedures

## Malawi

- Since 2009
- Main challenges at entry:
  - Lack of capacity in selection
  - Lack of linkage between planning ministry and sector ministries

## Bangladesh

- Since 2014
- Main challenges at entry:
  - Lack of linkage between medium-term development strategy and budgeting process
  - Need for standardized procedures

## Sri Lanka

- Since 2014
- Main challenges at entry:
  - Lack of expertise in planning and analysis

## Mongolia

- Since 2017
- Main challenges at entry:
  - Lack of discipline in selection / allocation

# JICA's experiences supporting capacity development in Public Investment Management

- ◆ Explore 2 JICA's projects to consider how to approach for the improvement of public investment management:

## Case 1: **Malawi Project** (2009-2016)(Project for Capacity Enhancement in Public Sector Investment Programming)

*Starting with small-scale projects, JICA conducted the Project that gradually detailed / fixed the TORs of the Project by involving the Ministry of Finance and other line/sectorial ministries, and by conducting training in Japan, Malawi and third-country.*

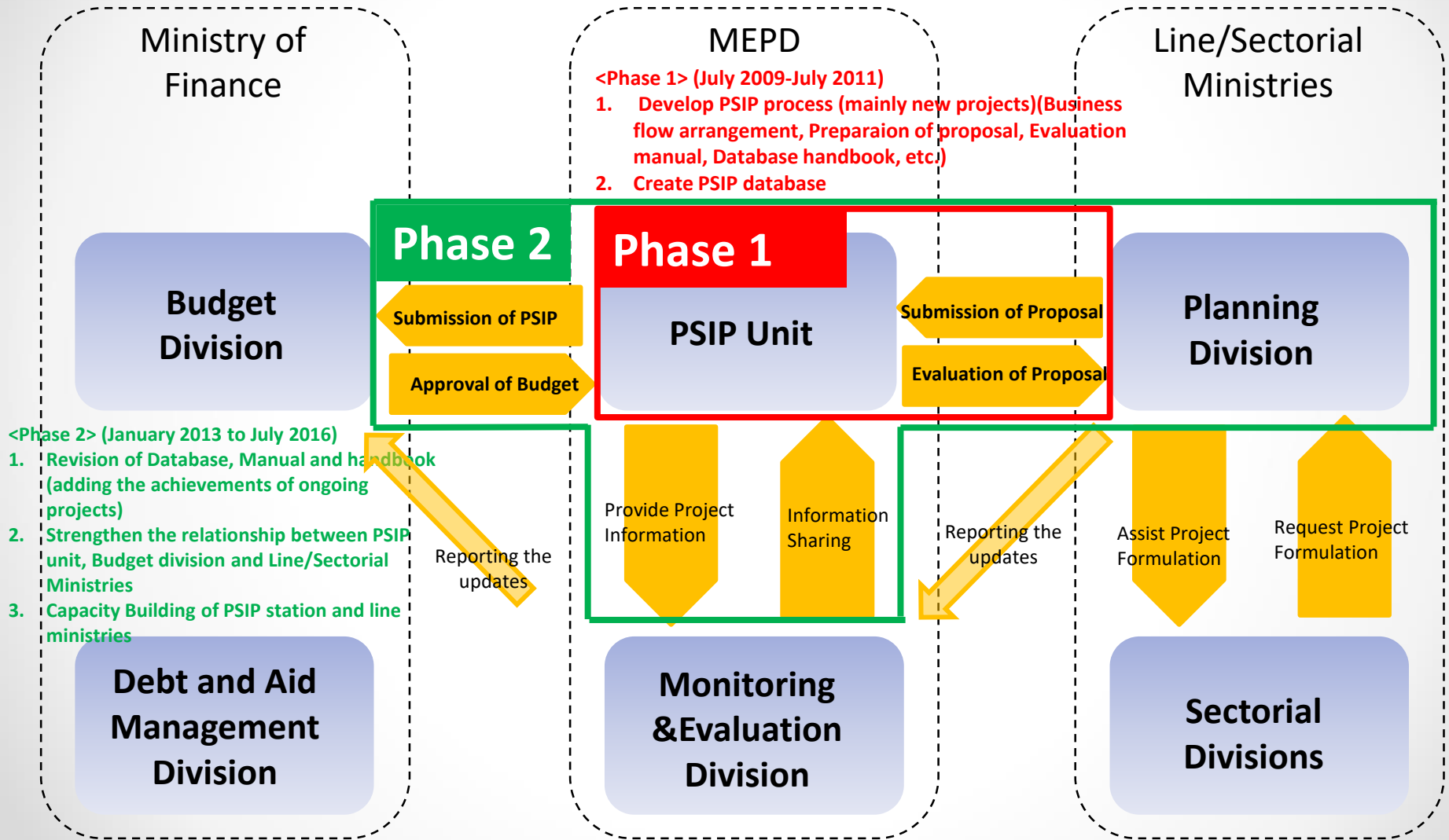


## Case 2: **Lao PDR Project** (2004-present) (Project for Improving Public Investment Management)

*Long-standing cooperation for 15 years, JICA started with small-scale pilot area, then gradually expand the target area to disseminate the contents of the cooperation.*



# Case 1: Malawi Project (2009-2016)(Project for Capacity Enhancement in Public Sector Investment Programming)





# Case 1: Malawi Project (2009-2016)(Project for Capacity Enhancement in Public Sector Investment Programming)

## Promoting Factors

### 1. Producing a good chain of changing process

Developing manuals and formats for new PSIP process

Close support and advices during daily operation for PSIP unit to make it function

Frequent visit to line ministries and opportunities for PSIP unit to guide new process

Staff of line ministries to be aware and be comply with the new PSIP process

# Case 1: Malawi Project (2009-2016)(Project for Capacity Enhancement in Public Sector Investment Programming)

## Promoting Factors

### 2. Well functioning and widely recognized PSIP database

Developing database from scratch (not using ready-made application)

Facilitate to register projects in the database and bolster the credibility of the database

Frequent and gradual improvement to be more applicable to various operations

Linkage with systems and operations of other institutions to be more useful in a wider manner

# Case 2: Lao PDR Project (2004-present) (Project for Improving Public Investment Management)



Nov'04 – Oct'07

Mar'08 – Aug'11

Mar'12 - Sept'16

Capacity Building /Dissemination

MPI trainers

DPI trainers

Comprehensive Capacity Development (Incl. District)

Monitor provinces

Provinces / Ministries

Process Improvement

Basic procedure

Annual budget process

Mid-term PIP Plan

Development of Tools/ Methods

Basic Methods and Tools

Public Investment Law

Comprehensive management

Manual Handbook #1

Upgrade Methods and Tools

Revised Manual Handbook

Manual Handbook #2

Manual Handbook #2

Webpage

Training Attendants/ Ministry

1197

309

589

Training Attendants/ Province and District

372

3106

1708

Total

1569

3415

2297

# Case 2: Lao PDR Project (2004-present) (Project for Improving Public Investment Management)

## 1. Positive results

- Incorporation of new procedures under the new public investment law
- Enhancement of awareness and capacities of relevant staff through trainings and OJTs

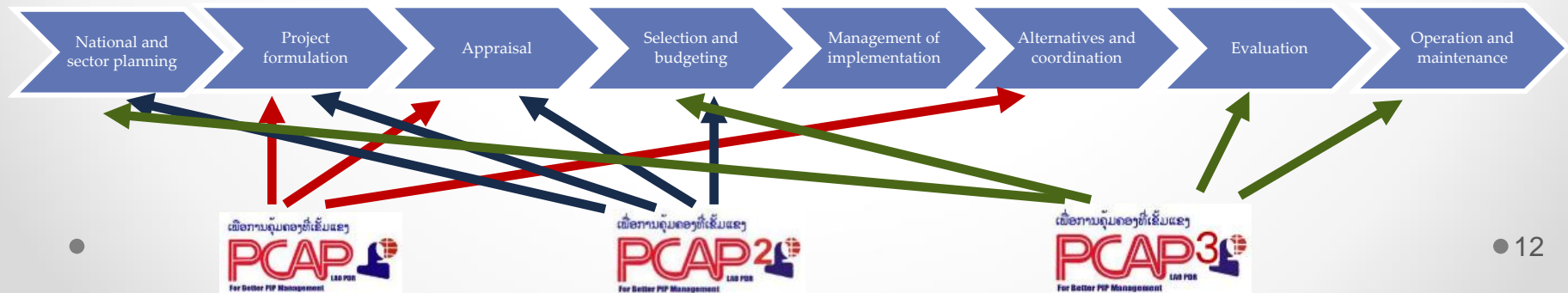
## 2. Remaining challenges and possible lessons

- Many tools but less utilization
- Lack of coordination with MOF

### Possible lessons learned

- ◆ Focusing too much on developing desirable mechanism and tools rather than encouraging stakeholders to be comply with?
- ◆ Logical discrepancy in sequence of intervention? (too ambitious design?)
- ◆ Needed to involve MOF at earlier stage?

Where to address by stage of public investment



# Some Concluding Thoughts

- ✓ **Tailor-made projects** prepared from scratch taking into consideration the unique situation to each recipient country.
- ✓ **Continuous interaction and fine-tuning process of newly developed mechanism with reviewing its utilization and applicability** in order for stakeholders to be encouraged to be comply with.
- ✓ **Step-by-Step approach by accumulating small but tangible effects** to draw positive attention from various stakeholders and urge further changing process.
- ✓ Close communication between planning ministry and ministry of finance **with better understanding and commitment of higher authority**.

# Key issue for discussion

How can we secure close coordination and linkage the management cycles among Public Investment Planning management, Budget management and Project management?

