

ECA REGIONAL CHALLENGES AND OPPORTUNITIES IN PUBLIC FINANCIAL MANAGEMENT

Adrian Fozzard
Manager, Governance ECA East, World Bank
PEMPAL Steering Committee Chair



WORLD BANK GROUP

Slowing economy with uncertain prospects

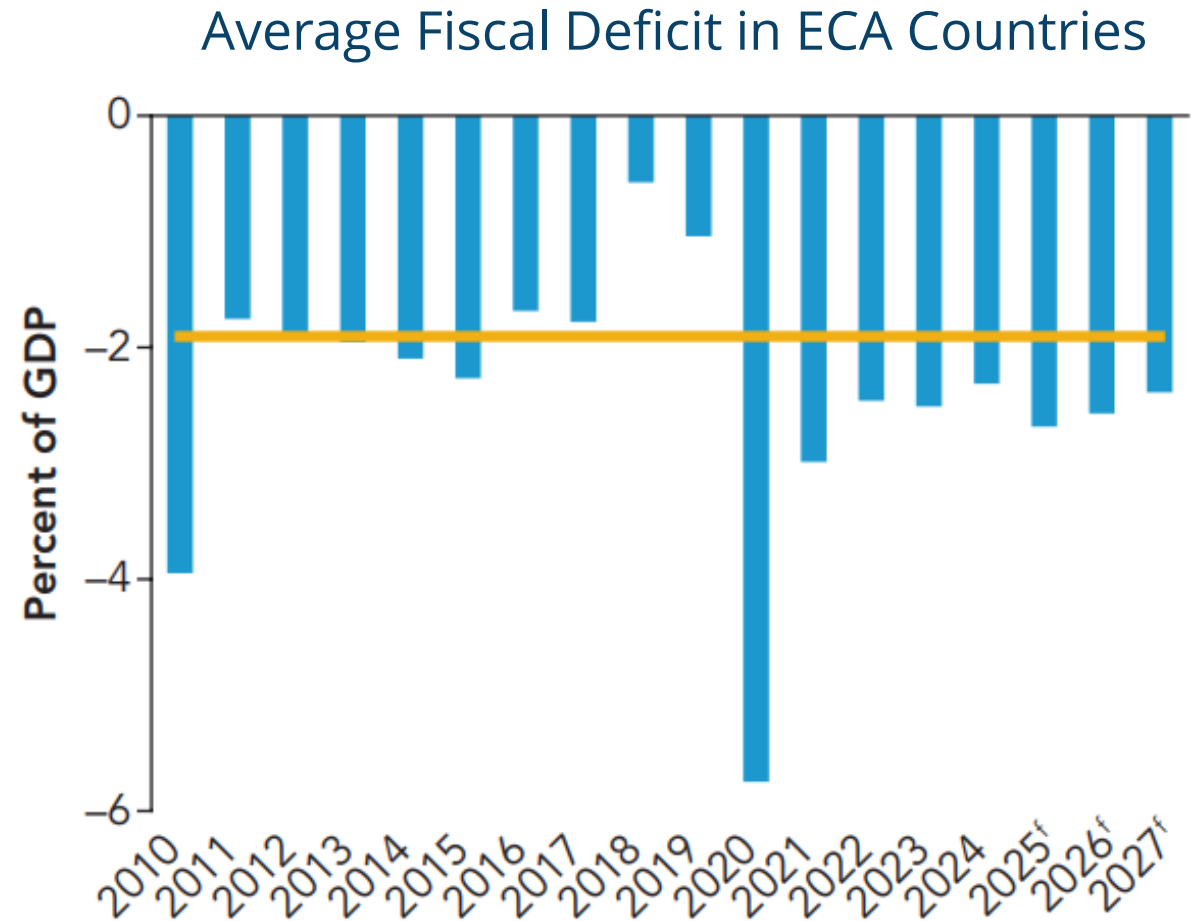
WBG Global Economic Prospects December 2025

	2022	2023	2024	2025	2026	2027
Europe and Central Asia	3.3	3.5	3.4	3.3	3.3	3.7
Central Asia	4.3	5.6	5.7	5.9	5.0	4.6
Central Europe	5.0	1.0	2.4	2.5	2.6	2.7
Eastern Europe	-20.0	4.6	3.1	1.9	1.8	3.4
South Caucasus	7.3	3.8	5.7	3.7	3.3	3.1
Western Balkans	3.5	3.5	3.6	3.0	3.1	3.6

- **Geopolitical Tensions**
- **Trade and Market Volatility**
- **Cost of Living Pressures**
- **Technological Change**
- **Demographic Shifts**
- **Climate and Environmental Change**

... with fiscal pressures

- Many governments planning fiscal consolidation and structural changes in spending to meet new challenges
- Deficits will remain higher than before 2010-19
- Key drivers social programs and benefits, rising defense outlays, public investment, and higher interest costs
- Government debt will continue to increase.



Europe and Central Asia Economic Update, Fall 2025, World Bank

Managing fiscal pressures in uncertain times

Expenditure control and aggregate fiscal discipline
Allocative efficiency and effectiveness in the use of resources.

Expenditure Analysis

Using expenditure analysis and stakeholder consultation to improve the quality of spending decisions, guiding resources to the highest-priority programs and investments, improving efficiency and effectiveness in spending.

Expenditure Planning

Using medium-term fiscal planning horizons to manage structural changes in spending across multiple years, improve predictability in resource allocations for spending agencies and ensure fiscal and debt sustainability.

Risk Management

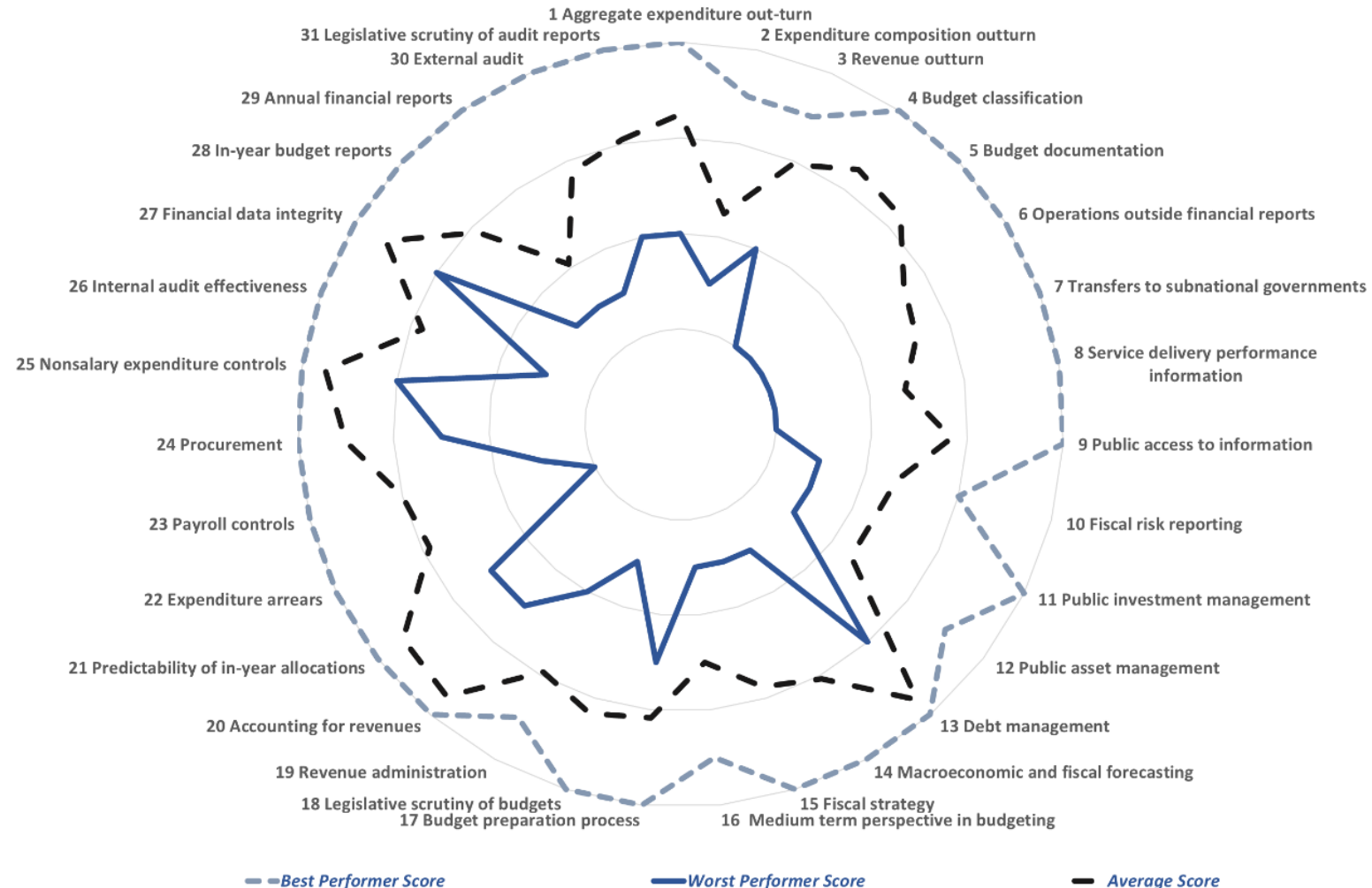
Using risk assessment and forecasting scenarios to identify fiscal risks and contingent liabilities and using risk layering to manage and mitigate fiscal risks.

Taking Stock of PFM Capabilities

Areas Most in Need of Development

- Fiscal Risk Reporting
- Public Asset Management
- Medium-Term Budgeting
- Fiscal Strategy
- Fiscal Strategy
- Public Investment Management
- Service Delivery Performance
- Fiscal Forecasting
- Fiscal Transfers to SNGs

PEFA INDICATORS: BEST, AVERAGE, AND WORST SCORES FOR 12 ECA COUNTRIES
(on a scale of 1 to 4, where 4 is the best)



Program and Performance Budgeting

2016

Implemented as of 2016

3

Bulgaria, Croatia, Serbia

2023

Implemented as of 2023

11

Albania, Armenia, Azerbaijan, Bulgaria, Croatia, Georgia, Moldova, Montenegro, Serbia, Türkiye, Ukraine

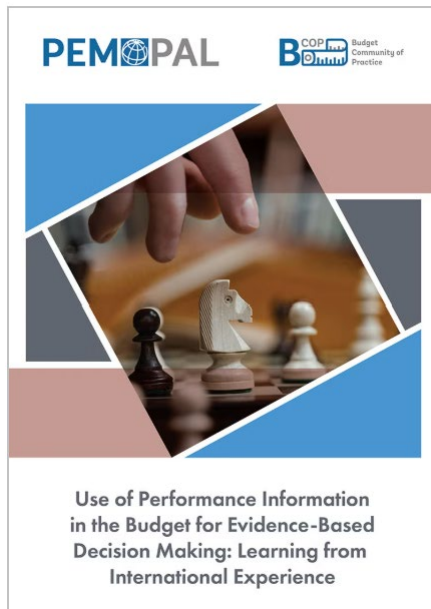
2024

In the preparation phase (or expanding from pilot phases) as of 2024

8

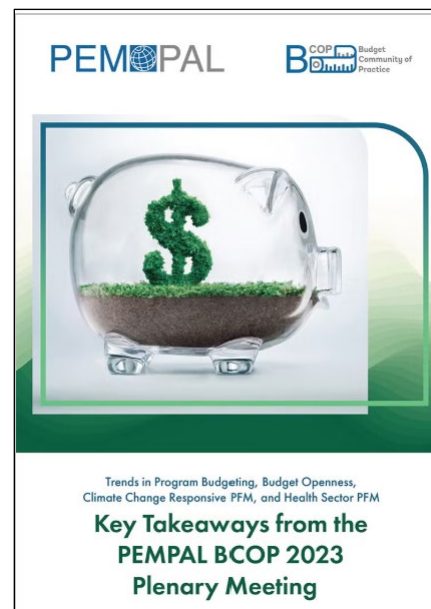
Bosnia and Herzegovina, Kazakhstan, Kosovo, Kyrgyz Republic, North Macedonia, Romania, Tajikistan, Uzbekistan

- Streamline program structure and align with strategic plans, functions and services
- Build a hierarchy of key performance indicators that links strategic objectives to operations
- Assign accountability for implementation and results within the administration
- Use horizontal / administrative programs to capture support functions
- Educate stakeholders in legislature, political leadership and senior management as well as staff



PEMPAL BCOP Budget Community of Practice

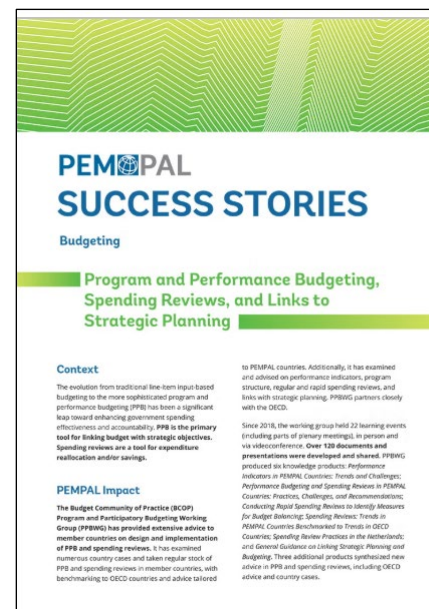
Use of Performance Information in the Budget for Evidence-Based Decision Making: Learning from International Experience



PEMPAL BCOP Budget Community of Practice

Trends in Program Budgeting, Budget Openness, Climate Change Responsive PFM, and Health Sector PFM

Key Takeaways from the PEMPAL BCOP 2023 Plenary Meeting



PEMPAL SUCCESS STORIES

Budgeting

Program and Performance Budgeting, Spending Reviews, and Links to Strategic Planning

Context
The evolution from traditional line-item based budgeting to the more sophisticated program and performance budgeting (PPB) has been a significant leap toward enhancing government spending effectiveness and accountability. PPB is the primary tool for linking budget with strategic objectives. Spending reviews are a tool for expenditure reallocation and/or savings.

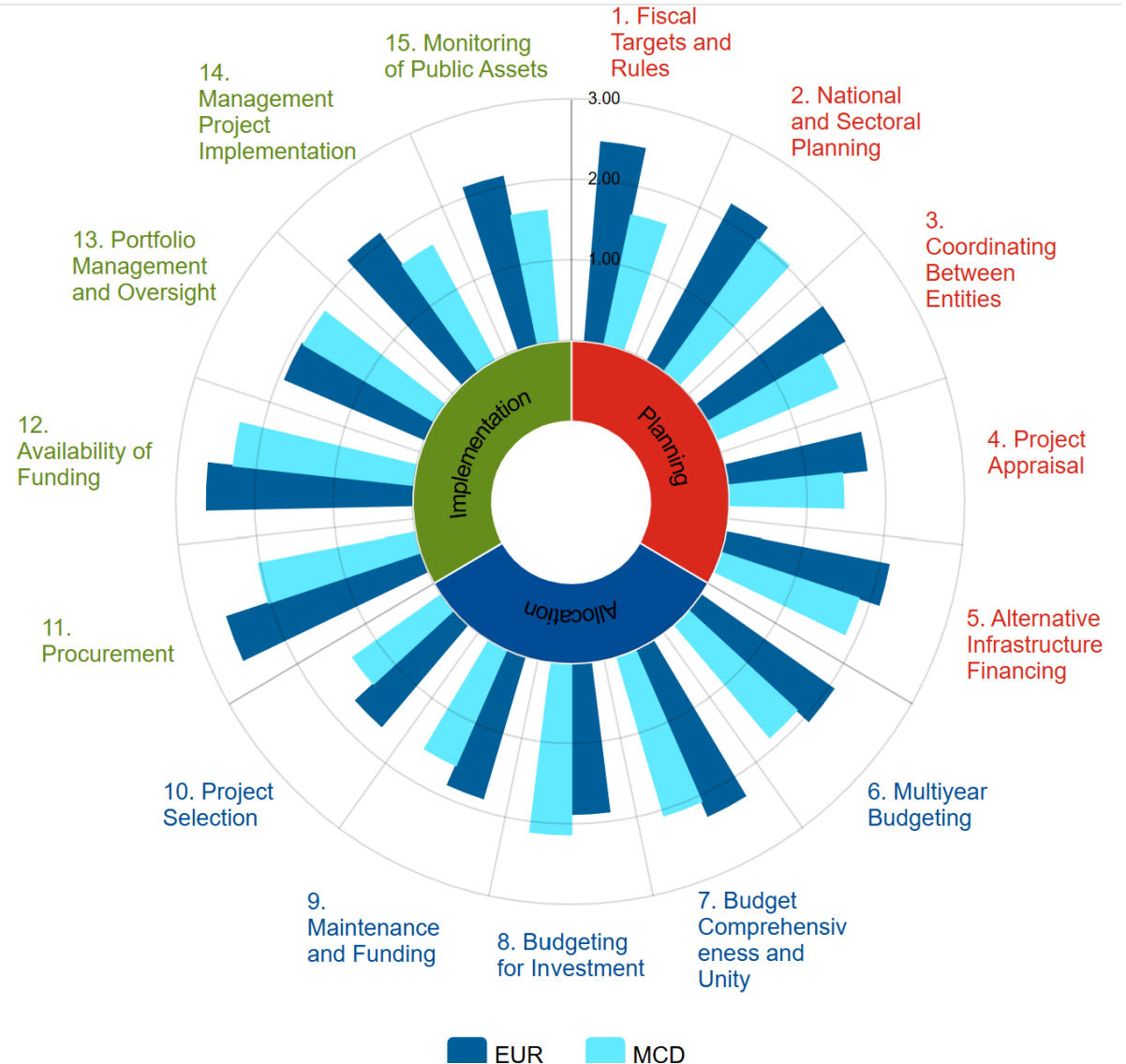
PEMPAL impact
The Budget Community of Practice (BCOP) Program and Participatory Budgeting Working Group (PPBWG) has provided extensive advice to member countries on design and implementation of PPB and spending reviews. It has examined numerous country cases and taken regular stock of PPB and spending reviews in member countries, with benchmarking to OECD countries and advice tailored to PEMPAL countries. Additionally, it has examined and advised on performance indicators, program structure, regular and rapid spending reviews, and links with strategic planning. PPBWG partners closely with the OECD.

Since 2016, the working group held 22 learning events (including parts of plenary meetings), in person and via videoconference. Over 120 documents and presentations were developed and shared. PPBWG produced six knowledge products: Performance Indicators in PEMPAL Countries: Trends and Challenges; Performance Budgeting and Spending Reviews in PEMPAL Countries: Practices, Challenges, and Recommendations; Conducting Rapid Spending Reviews to Identify Measures for Budget Efficiency; Spending Reviews: Trends in PEMPAL Countries Benchmarking to Trends in OECD Countries; Spending Review Practices in the Netherlands; and General Guidance on Linking Strategic Planning and Budgeting. Three additional products synthesized new advice in PPB and spending reviews, including OECD advice and country cases.

Public Investment Management

- Focus on Ministry of Finance's gatekeeper role
- Enforce a single project pipeline, approved at cross-government level, to discipline PIM process and align with strategies
- Apply screening and appraisal methodologies that are proportionate to cost and risks
- Program implementation and operating costs in medium-term fiscal framework
- Track and report on implementation of major investments, question time and cost overruns

Summary Results of IMF PIM Assessments



PFM Digital Readiness

World Bank GTMI Survey December 2025

GTMI Key Indicators		Pts	0	1	2	Tot
●	Public Investment Mgmt System I-14	I-14	10	2	18	30
	Debt Management System I-13	I-13	0	0	30	30
	e-Procurement Portal I-12	I-12	1	0	29	30
●	Payroll System I-10	I-10	4	1	25	30
●	Human Resources MIS I-9	I-9	2	3	25	30
	Customs Mgmt Information System I-8	I-8	0	0	30	30
	Tax Mgmt Information System I-7	I-7	0	0	30	30
	Treasury Single Account I-6	I-6	0	1	29	30
	Financial Mgmt Information System I-5	I-5	0	1	29	30
●	Government Service Bus I-4	I-4	2	3	25	30
●	Gov Interoperability Framework I-3	I-3	2	2	26	30
●	Gov Enterprise Architecture I-2	I-2	8	7	15	30
●	Government Cloud I-1	I-1	5	4	21	30

- Invest in core management systems for PIM, Payroll and HR
- Upgrade legacy IFMIS to support analysis and automation of PFM processes
- Integrate IFMIS and PFM core systems
- Adopt AI analytics and agents (forecasting, automation)
- Invest in digital infrastructure for whole-of-government interoperability
- Strengthen data governance and cybersecurity
- Invest in staff analytical and technical capacity

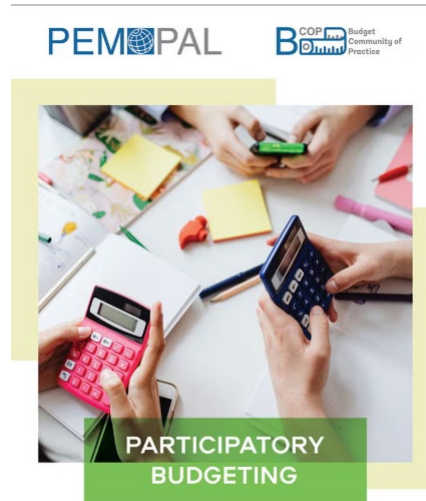
Climate and Disaster Readiness



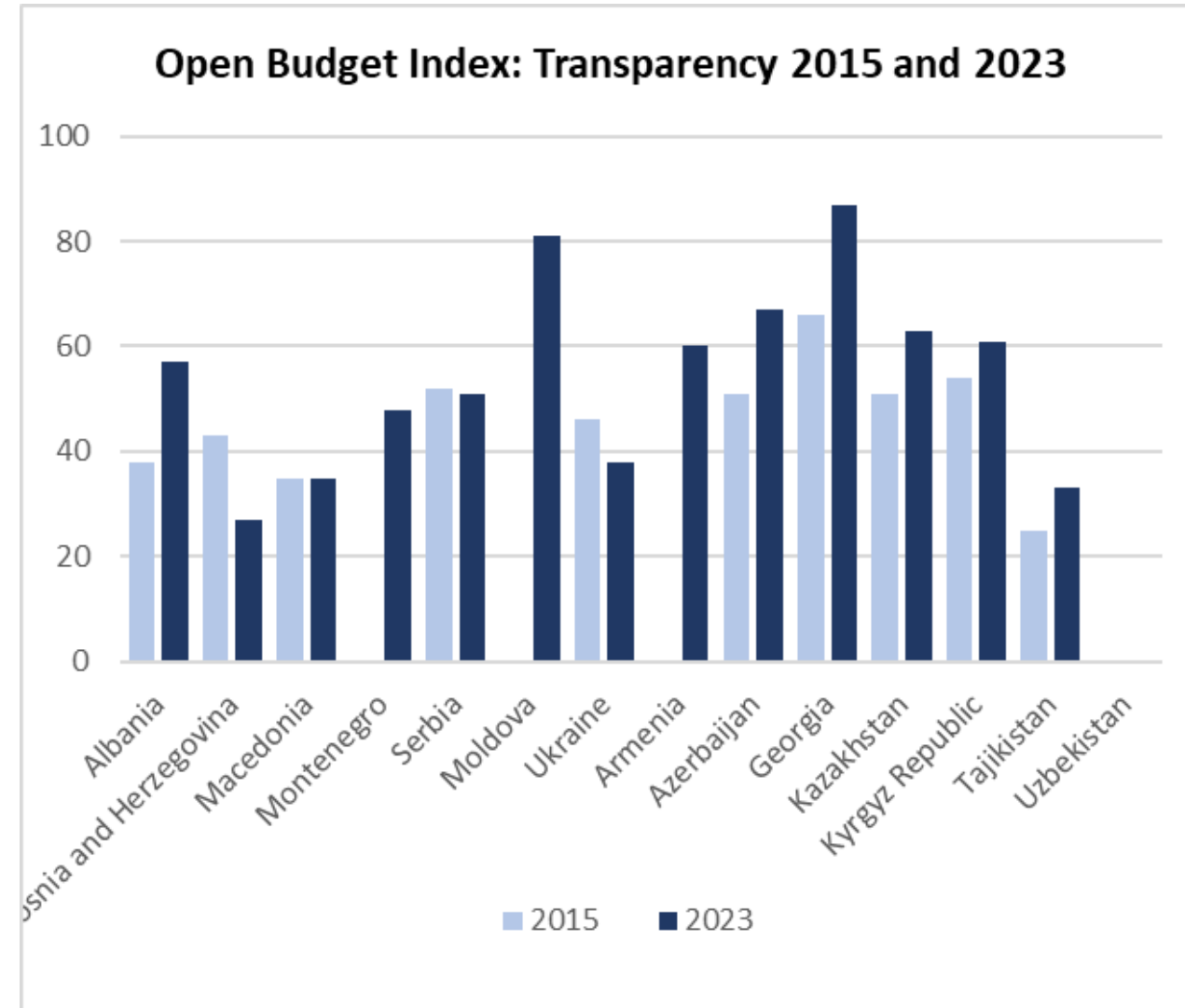
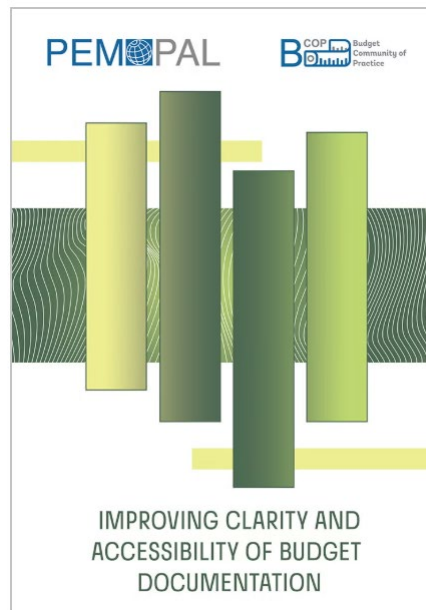
- Undertake climate expenditure reviews to assess climate fiscal impacts and risks
- Undertake PFM system assessments to assess climate and disaster readiness
- Prepare integrated short, medium and long-term risk assessments that identify and quantify fiscal impacts
- Integrate climate considerations in public investment screening and appraisal
- Align PFM system with disaster-resilient and responsive requirements

Citizen Engagement

- Publish the eight key budget documents across the budget cycle
- Publish a Citizens' Budget
- Engage and educate key stakeholders and media
- Undertake periodic consultations on budgetary policy, implementation and impacts
- Invest in third-party monitoring for high risk, distributed investments



Public Participation Mechanisms for National Ministries of Finance



World Bank Support for PFM Reforms

- **Analytics:** system diagnostics (PEFA, PEFA, DRR-PFM, Pulse, PIM) and expenditure analysis (PER)
- **Technical Assistance:** advise on design and implementation of PFM reform strategies and technical reforms across budget cycle
- **Investment Projects:** financing for IT infrastructure and systems, technical assistance and capacity building
- **Program for Results:** financing disbursed when government achieves milestones in the implementation of reforms and quantifiable improvements in service performance – link core reforms to service delivery
- **Development Policy Operations:** financing disbursed as governments approve changes in the regulatory framework



Adrian Fozzard

Practice Manager

World Bank Governance



afozzard@worldbank.org



+1 202-569-0697



worldbank.org