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Joint Evaluation

Andrew Lawson

Evaluation of Public Financial Management Reform

Burkina Faso, Ghana and Malawi 2001–2010
Final Synthesis Report



MINISTRY OF FOREIGN AFFAIRS OF DENMARK
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Evaluation of Public Financial Management Reform

in Burkina Faso, Ghana and Malawi 2001–2010

Andrew Lawson

**Submitted by Fiscus Public Finance Consultants and Mokoro Ltd
to the Evaluation Management Group**

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The views and interpretations expressed in this report are the author's and do not necessarily reflect those of the commissioning agencies, Sida, Danida and AfDB.

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Foreword

The evaluation of public financial management reform is one of several joint evaluations, undertaken under the umbrella of the OECD's Development Assistance Committee, which are focused on issues identified as key for using country systems and where looking at donor assistance collectively makes more sense than trying to attribute results to a single actor.

The evaluation involved three main components, a literature review (published in 2009) a quantitative study (published in 2011) and finally three country case studies. It is through the three cases – Burkina Faso, Ghana and Malawi – that the evaluation has been able to look in detail at the context and mechanisms that make PFM reforms successful.

The importance of good public financial management for the effectiveness of the state has become increasingly clear over the years. Good public financial management supports not only good governance and transparency but is also crucial for effectively delivering the services on which human and economic development rely. For these reasons, many bilateral organisations and multilateral institutions consider public financial management to be a priority. The evaluation units of the African Development Bank (AfDB), the Swedish International Development Agency (Sida) and Danish International development Assistance (DANIDA) commissioned this evaluation on behalf of a larger group of donors.

We are now entering a second generation of PFM reforms, so learning the lessons from past experience is crucial. The added value of the country case studies is that they analyse the context and mechanisms which make for successful PFM reforms. The report identifies lessons for countries going through PFM reforms, including the importance of high-level buy-in and leadership, alongside effective coordination. It also identifies lessons for development partners, which include resisting the temptation to push for reforms where the context is not right, and making sure the advice they provide is high quality and relevant to the setting. The evaluation observes a general improvement in donor coordination and alignment, while noting that it is those inputs which are not integrated into government-owned programmes that most often fail. And on both sides, flexibility is needed – even the best planned projects often need adjustments.

Beyond this evaluation, the challenge now – for both countries going through reforms and for their development partners – is to apply those lessons in practice, to get better results in future.

The three organisations that commissioned the evaluation and the teams that carried it out would like to express sincere thanks to those individuals and groups that played a role in the evaluation process. In particular, this third phase of the evaluation would not have been possible without the cooperation of government officials and local PFM experts in the three country case study countries.

Acronyms and Abbreviations

AAP	(HIPC) Assessment & Action Plan (for PFM)
AFD	Agence Française de Développement
AfDB	African Development Bank
AfroSAI	African Organisation of Supreme Audit Institutions
BCEAO	Banque Centrale des Etats d'Afrique de l'Ouest
BPEMS	Budget and Public Expenditure Management System
CABRI	Collaborative African Budget Reform Initiative
CAGD	Controller and Accountant General's Department
CAPA/FP	Cadre Partenarial d'Appui au renforcement des Finances Publiques
CdC	Cour des Comptes (Court of Accounts: the Supreme Audit Institution)
CDMT	Cadre de dépenses à Moyen Terme (MTEF)
CF	Contrôleur Financier
CFAA	Country Financial Accountability Assessment
CID	Circuit Intégré de la Dépense
CIDA	Canadian International Development Agency
CIE	Comptabilité Intégrée de l'Etat
CIR	Circuit Intégré des Recettes
CO	Controlling Officer
CPAR	Country Procurement Assessment Review
CPIA	Country Policy & Institutional Assessment
CRS	Creditor Reporting System (of the OECD-DAC)
CSLP	Cadre Stratégique de Lutte contre la Pauvreté (Poverty Reduction Strategy)
CSOs	Civil Society Organisations
DAC	Development Assistance Committee (of the OECD)
Danida	Danish International Development Assistance
DFID	Department for International Development of the UK
DGB	Direction Générale du Budget

DGI	Direction Générale des Impôts
DGTCP	Direction Générale du Trésor et de la Comptabilité Publique
DP	Development Partner
DPL	Development Policy Lending
DSI	Direction des Services Informatiques
ENAREF	Ecole nationale des régies financières (National Financial School, Burkina Faso)
EU	European Union
FAA	Financial Administration Act
FAR	Financial Administration Regulation
FCFA	Francs de la communauté financière africaine
GBS	General Budget Support
GoBF	Government of Burkina Faso
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GoG	Government of Ghana
GoM	Government of Malawi
GIFMIS	Ghana Integrated Financial Management Information System
G-JAS	Ghana Joint Assistance Strategy
GNI	Gross National Income
GPRS	Growth and Poverty Reduction Strategy
GTZ	German Technical Cooperation
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries
IAA	Internal Audit Agency
IEG	Independent Evaluation Group (World Bank)
IFMS/IFMIS	Integrated Financial Management System
IFU	Identifiant Financier Unique (Tax Identification Number)
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPPD	Integrated Personnel and Payroll Database system
IPSAS	International Public Sector Accounting Standards
LGA	Local Government Authority

MDAs	Ministries, Departments and Agencies
MDBS	Multi-Donor Budget Support
MDG	Millennium Development Goal
MEF	Ministère de l'Économie et des Finances
MFB	Ministère des Finances et du Budget
MoF	Ministry of Finance
MoFEP	Ministry for Financial and Economic Planning
MGDS	Malawi Growth and Development Strategy
MPs	Members of Parliament
MTEF	Medium Term Expenditure Framework
NAO	National Audit Office
NDC	National Democratic Congress
NDPC	National Development Planning Commission
NGO	Non-Governmental Organisation
NPM	New Public Management
NPP	New Patriotic Party
OBI	Open Budget Initiative
ODA	Official Development Assistance
ODPP	Office of the Director of Public Procurement (Malawi)
OECD	Organisation for Economic Cooperation & Development
PAC	Public Accounts Committee
PAF	Performance Assessment Framework
PEFA	Public Expenditure & Financial Accountability
PFM	Public Finance Management
PIDP	Public Institutional Development Project
PIU	Project Implementation Unit
PPB	Public Procurement Board
PPP	Purchasing Power Parity
PRGB	Plan de Renforcement de la Gestion Budgétaire (Burkina Faso Plan of Action to Strengthen Budget Management)
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Strategy Credit
PRS(P)	Poverty Reduction Strategy (Paper)
PSC	Public Service Commission

PUFMARP	Public Financial Management Reform Programme (Ghana)
ROSC	Report on the Observance of Standards & Codes
SADC	Southern African Development Community
SBS	Sector Budget Support
SECO	Swiss Secretariat for Economic Cooperation
Sida	Swedish International Development Cooperation Agency
SMTAP	Short and Medium Term Action Plan for PFM (Ghana)
SP PPF	Secrétariat Permanent pour le suivi des Programmes et Politiques Financières
SRFP	Stratégie de Renforcement des Finances Publiques (Burkina Faso)
SWAp	Sector Wide Approach
TA	Technical Assistance
TSA	Treasury Single Account
USD	United States Dollar
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union (UEMOA)
WB	World Bank

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Executive Summary

This Synthesis Report provides a summary of the conclusions of the Joint Evaluation of Public Financial Management Reform, managed by the African Development Bank, Denmark and Sweden. The report synthesises the results of Country Studies prepared for Burkina Faso, Ghana and Malawi, based upon desk research and fieldwork, and following a standardised evaluation framework. The selection of the case studies and the design of the framework drew upon a previous literature review, an Approach Paper and an extensive quantitative study, examining the lessons that might be drawn for the design of PFM reform processes from the data available on 100 countries that have completed PEFA assessments.

The evaluation looked at two main questions: (i) where and why do PFM reforms deliver results and (ii) where and how does donor support to PFM reform efforts contribute most effectively to results? Our conclusions and the corresponding lessons for Governments and Development Partners are detailed below.

The evaluation framework and its origins are fully explained in Chapter 1 of the report, while details of the results of the country studies for Burkina Faso, Ghana and Malawi are presented in Chapter 2. Chapter 3 analyses the key features of the context for PFM reform, which emerge as critical to its success, while Chapter 4 examines the critical features of the mechanisms for the management and coordination of PFM reform. Chapter 5 presents the conclusions and the corresponding policy lessons for Governments and Development Partners.

Where and why do PFM reforms deliver results?

- I. PFM reforms deliver results when three conditions coincide:
 - when there is a strong political commitment to their implementation,
 - when reform designs and implementation models are well tailored to the institutional and capacity context; and
 - when strong coordination arrangements – led by government officials – are in place to monitor and guide reforms.
- II. Strong leadership and commitment to reform are also needed at the technical level. In the case study countries, this emerged naturally where there was political commitment and leadership. By contrast,

commitment at the technical level was not sufficient to generate political commitment.

- III. External donor pressure and domestic pressure from the Legislature or Civil Society will generally contribute to preserving political commitment for reform, where it already exists but, in the case studies, it proved insufficient to generate political commitment for PFM reform, where it was lacking
- IV. PFM reform designs and implementation models will almost inevitably have flaws; hence a learning process is essential to permit the continuous evolution and adaptation of reform designs and models. Where management and coordination mechanisms for PFM reform build in adequate provision for the regular, independent evaluation of performance, these learning processes are more likely to be effective.
- V. Reform outcomes are generally more favourable where a wide range of policy options is available at the outset or where the mechanisms for monitoring and coordination of reforms promote active lesson-learning and adaptation during the implementation process. By contrast, the case study countries frequently found themselves facing a constraint in respect of the policy space for reforms, where the menu of available policy designs and models for PFM reform was not appropriate to the institutional and capacity context, and where the learning and adaptation processes were rarely effective enough to promote quick changes to faulty design and implementation models.
- VI. Advocacy work by CSOs and activism by the Legislature are more likely to be useful, when focused on a narrow objective, such as the improvement of budget transparency. In the case study countries, the influence of the Legislature and Civil Society on PFM reform proved limited, in part because of the limited expertise of these stakeholders in this regard but more significantly because of the relative absence of a culture of public accountability.

Where and how does donor support to PFM reform efforts contribute most effectively to results?

- I. Donor funding for PFM reform has facilitated its implementation in those countries where the context and mechanisms were right for success, and where external funding was focused on the Government's reform programme. On the other hand, governments in the case study countries showed a willingness to fund PFM reforms directly and their ability to do so was significantly facilitated by the General Budget Support inflows they were receiving. Hence, in many cases, direct external funding for PFM reform may not be the deciding factor.

- II. Donor pressure to develop comprehensive PFM reform plans and to establish clearly defined monitoring frameworks has been a positive influence in countries receiving Budget Support.
- III. By contrast, attempts to overtly influence either the pace or the content of PFM reforms through Budget Support conditionality have been ineffective and often counter-productive.
- IV. Donor promises to enhance the utilisation of country systems have not generally advanced very far. In the case study countries, the late disbursement of Budget Support and the partial use of country procedures have been inimical to good public finance management.
- V. External technical assistance and advisory support helped to advance the PFM reform processes in the study countries when they were focused on clear objectives and outputs, directly linked to the Government's reform programme. However, too many TA activities did not fulfil these conditions: there is a need for all TA activities in support of PFM reform to be explicit about their objectives and their anticipated outputs and outcomes and to be subjected to independent evaluation on a more systematic basis.
- VI. The provision of poor advice and the promotion of inappropriate reform models by external agencies remain an unfortunate feature of many PFM reform programmes. Greater attention to the appropriateness of reform models is needed, within an adaptive, learning approach to PFM reform implementation.

Key lessons for Development Partners

- **Be more discriminating in the provision of financial support to PFM reforms.** PFM reforms deliver results when there is a strong political commitment to their implementation, when reform models are tailored to the institutional and capacity context and when strong coordination arrangements – led by government officials – are in place to monitor and guide reforms. Where these conditions are not in place, PFM reforms are unlikely to be successful. In such circumstances, external support would be more appropriately used to develop core PFM skills, and to undertake diagnostic work, which might raise awareness at the political level of the need for reform.
- **Align support as closely as possible to the Government programme and avoid pursuing independent technical assistance initiatives.** In the country cases, externally financed support to PFM reform was most efficient and effective, when it directly financed, or supported through technical assistance, actions and interventions identified within the Government PFM reform programme. The least efficient interventions were those, which supported actions outside of the programme or only tangentially related to it. Thus, technical assistance and institutional support should focus on specific

outputs to which there is a shared commitment, and should be combined with Budget Support, where appropriate.

- **Ensure that aid policy and practise works in favour of the PFM system and not against it.** Aid dependent countries face the perpetual problem of having to adapt their domestic PFM systems to the requirements of their external aid partners. In the study countries – and elsewhere – significant problems have been created by aid mechanisms making partial use of government systems. Three particular problems arose, which undermined the good management of public finances in the study countries: (i) the late disbursement of budget support; (ii) the imposition of special reporting requirements for “basket funds” or “trust funds” managed through the national budget process; (iii) the opening of special project accounts outside of the Single Treasury Account.
- **Ensure that advice is up to date and informed by the experience within country, within the region and by wider international experience.** External support can play a useful role in bringing to bear new and more widely informed perspectives on PFM problems, with which the Government is struggling. By opening “policy space” in this way, it can help to resolve problems but when external advice is not well informed, it serves to close policy space. External agencies have a duty to ensure their advice is right, and, where this is not immediately possible, to ensure that they work jointly with Government to learn from initial mistakes until an adequate solution is found.
- **Ensure that internal procedures for the supervision and peer review of initiatives to support PFM reform are effective in providing a continuous check on progress.** Each of the case study countries suffered from the continued implementation over several years of inappropriate reform models and approaches. Policy advice will not always be right from the outset, in particular when working on PFM reform issues where a degree of experimentation is often necessary, but it is important to ensure there are mechanisms in place to ensure mistakes do not go uncorrected for too long. This requires the creation – both within the Development Agencies and within Governments – of a learning and adaptation culture, supported by a process of continuous evaluation.
- **Provide support, where necessary, to regional institutions and professional associations working on PFM reform issues.** In the case study countries, both regional governmental institutions – such as WAEMU – and regional professional associations – such as CABRI and AfroSAI – were found to be influential in generating improved practises on public finance management. In so far as the scope of influence of such bodies could be expanded by more substantial external support, then clearly such investments would be of benefit. However, it should be recalled that much of the value of these bodies derives from their ability to promote peer-to-peer learning: an excessive

amount of external funding by DPs might undermine the effectiveness of this role.

- **Continue to provide support to CSOs and Legislative bodies on PFM reform issues but accept that their influence may only be effective in the longer term.** The experience of the case study countries suggests that CSOs and the Legislature are unlikely to have significant effects on the pace and content of PFM reforms in the short to medium term. However, broader international experience – including in the OECD countries – suggests that their influence over the longer term may be important. Hence, support to such activities should be continued but not as a substitute to direct support to the Executive. In addition, support should be concentrated on a narrower set of objectives, such as the improvement of public access to fiscal information.

Lessons for Developing Country Governments:

- **It is essential to ensure clear and coherent support for PFM reform within the Executive and, over time to broaden support across the political spectrum.** PFM reforms are often perceived as purely “technical” measures and this perception needs to be corrected. This must start within the Executive, with the Minister of Finance and his/ her team working closely with the President and/ or Prime Minister to promote reforms and then widening the scope of consultations to include the Cabinet and other members of the ruling party. In time, it should be an objective to sensitise opposition members to the need for PFM reforms, so as to ensure continuity over time, in the event of changes of government.
- **Serious attention needs to be given to the design and staffing of the structures established to coordinate and manage PFM reforms.** Those responsible for coordinating reforms should have both technical competence and authority. The model of a technical secretariat reporting directly to the Minister of Finance is a good one. Another key feature of an effective model is that authority for implementation should be retained at the level of the relevant competent authority (the President of the Court of Audit, the Directors General of Treasury, the Budget, etc.) This will avoid doubts over the responsibility for implementation and will ensure that the coordinating body is not over-burdened with both implementation and coordinating/ monitoring responsibilities.
- **Those responsible for coordinating PFM reforms should exert control over external support to PFM and over dialogue with Budget Support donors,** related to PFM reform. This can be promoted through the unification of responsibilities for attracting and managing external support to PFM reform with those for coordinating implementation by the departments and institutions of Government.

- **The structures established for monitoring PFM reform should also evaluate performance in order to promote learning from experience and the corresponding adaption of implementation plans.** PFM reform is inevitably complex and initial plans are likely to need adaptation and adjustment. If implementation of reform is to be efficient, the monitoring process must identify reform bottlenecks quickly and take speedy corrective measures. In order to ensure this happens effectively, management structures must embody not only monitoring of progress but also periodic – ideally independent evaluation of performance.
- **Finally, the regular training of PFM staff needs to be a consistent priority.** The most important aspect of this is to ensure a consistent output of people with core skills in auditing, accounting, economics, procurement and financial management. In many countries, investment needs to be made to re-establish PFM training institutions of adequate quality, and to ensure their recurrent funding over time.

1. Objectives and Approach

This Synthesis Report is submitted by Fiscus Limited, UK in collaboration with Mokoro Ltd, Oxford. It summarises the key conclusions and lessons of the 2011 Joint Evaluation of Public Financial Management Reform, managed by the African Development Bank, Denmark and Sweden. The report synthesises the results of Country Studies for Burkina Faso, Ghana and Malawi¹, based upon both desk research and fieldwork. It also draws upon an earlier literature review², an Approach Paper³ and a Quantitative Study⁴, which examined PEFA data and HIPC AAP data for 100 countries.

The evaluation management group and the external peer reviewer reviewed the first draft of the Synthesis Report over October and November 2011. Its results were also presented and discussed during January 2012 in each of the case study countries. This final version of the Synthesis Report has been revised so as to incorporate the comments received from each of these sources. It is now expected that it will be the subject of a wider dissemination and consultation process, and it is hoped that it may also lead to further country studies – in Africa, Asia, Latin America and Eastern Europe, which should serve to deepen its findings and clarify the extent of their applicability internationally.

1.1 OBJECTIVES OF THE EVALUATION

The evaluation aimed to address two core questions:

- a) Where and why do Public Finance Management (PFM) reforms deliver results, in terms of improvements in the quality of budget systems²; and
- b) Where and how does donor support to PFM reform efforts contribute most effectively to results?

It has thus been a dual evaluation, involving both an evaluation of the overall programmes of PFM reform conducted over 2001 to 2010 in Burkina Faso, Ghana and Malawi and an evaluation of the external support provided to these reforms by Development Agencies. This Synthesis Report focuses in

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- 1 Lawson, Chiche & Ouedraogo (2011), Betley, Bird & Ghartey (2011) and Folscher, Mkandawire & Faragher (2011).
 - 2 Pretorius, C. and Pretorius, N (December, 2008), Review of the Public Financial Management Literature, DFID, London.
 - 3 Lawson, A. and De Renzio, P, Approach & Methodology for the Evaluation of Donor Support to PFM Reform in Developing Countries: Part A (July 2009) and Part B (September 2009), Danida, Copenhagen.
 - 4 De Renzio, P., M.Andrews and Z.Mills (November 2010), Evaluation of Donor Support to PFM Reforms in Developing Countries: Analytical Study of quantitative cross-country evidence, Overseas Development Institute, London.

particular on the wider lessons of the evaluation for future design and management of PFM reforms by Governments and for the design and management of support to such reforms by Development Agencies.

1.2 THE RESEARCH CONTEXT FOR THE EVALUATION

The evaluation forms part of a wider sequence of research activities, which were initiated by a management group comprising the evaluation departments of the African Development Bank, DFID, Danida and Sida in order to address the gaps in knowledge regarding the design of effective PFM reforms and of effective external support to PFM reforms. As noted above, the initial research activities comprised a literature review, background analytical work to define an approach to the evaluation, and a quantitative analysis.

The Literature Review (Pretorius & Pretorius, 2008) demonstrated the absence of cross-country evaluation and research work to assess the effectiveness of PFM reforms. It identified and reviewed a substantial number of single country assessments of PFM reform efforts, as well as a smaller number of cross-country analyses of specific types of reforms – such as Medium Term Expenditure Frameworks (MTEFs), but found no existing comprehensive cross-country evaluations. It concluded that, beyond broad generalisations – drawn essentially from evaluations of structural adjustment processes and broader public sector reforms, there was little knowledge of what made PFM reform efforts more or less successful and of what made financial and technical support to PFM reforms more or less effective.

Given this important gap, the **Approach Paper** (Lawson & De Renzio, 2009) focused on deepening the literature review initially conducted, on extending the debate through a structured process of consultations, and on defining more carefully how success in PFM reform could be defined and measured. Drawing on the literature on budget institutions across different disciplines, it provided a definition of three key dimensions that could be used to track the impact of budget reforms over time, namely transparency and comprehensiveness, the quality of links between budgets, plans and policies, and the quality of control, oversight and accountability. It considered the main sources of data on budget institutions, and demonstrated that by combining the results of IMF/World Bank HIPC tracking studies with PEFA assessments, the changes in the quality of budget institutions could be measured against these criteria for 19 developing countries over the period 2001–2007. This background analytical work thus paved the way for the quantitative study undertaken during 2010 and also laid out the elements of the evaluation framework, later developed in the Inception Report to this evaluation⁵.

The **analytical study of quantitative cross-country evidence** of the impact of PFM reforms was completed in November 2010 (De Renzio,

5 Lawson, A (2011), Joint Evaluation of Public Finance Management Reforms in Burkina Faso, Ghana and Malawi: Inception Report, Fiscus Limited and Mokoro: Oxford, UK.

Andrews & Mills, 2010). It drew on information from PEFA assessments undertaken in 100 countries over 2006–2010, financial data on donor support to PFM reforms collected from the donor agencies most active in this area, and a large data set on economic/social, political/institutional and aid-related variables. Its key findings were as follows:

- Economic factors are most important in explaining differences in the quality of PFM systems. Specifically, countries with higher levels of per capita income, larger populations and a better recent economic growth record are characterised by better quality PFM systems. By contrast, state fragility, has a negative effect on the quality of PFM systems.
- Donor PFM support is also positively associated with the quality of PFM systems. On average, countries that received more PFM-related technical assistance have better PFM systems. However, the association is weak.
- The share of total aid provided as general budget support is positively and significantly associated with better PFM quality. Thus, the choice of aid modalities contributes to explaining differences in the quality of PFM systems in the poorer countries where donor efforts are concentrated.
- The level of donor PFM support is more strongly associated with improved scores for *de jure* and concentrated PFM processes, highlighting how donor PFM support seems to focus more on rules, procedures and specific actors within government. Results are reversed when it comes to upstream vs. downstream processes. Here, the association is stronger with downstream processes, possibly highlighting the large amounts of funding devoted to IFMIS projects, a typical downstream PFM reform.

The study emphasised that these results suffered from a number of limitations, including weaknesses in data quality and problems in interpreting causality rather than merely association. The study authors accordingly stressed the need to interpret the results with a lot of caution, and noted that the results ***‘highlight the need to complement these quantitative findings with in-depth qualitative research at country level’***.

There is thus a direct link between the quantitative study and our country case studies in Burkina Faso, Ghana and Malawi. This is reflected in the selection of case studies, in the evaluation questions and in the overall evaluation framework, which is presented below. This linkage is emphasised in two particular lines of investigation:

- Firstly, the quantitative study confirmed, in general terms, the observations made in earlier analysis of countries with PEFA assessments (Andrews, 2010), that *‘countries make budgets better than they execute them, pass laws better than they implement them and progress further with reforms for which responsibility lies with a concentrated group of actors in the Ministry of Finance.’* The country studies allowed a qualitative investigation of the factors explaining these trends.
- Secondly, the most significant uncertainty thrown up by the quantitative study related to the direction of causality between high levels of PFM related donor investment (both in the form of Budget Support and as support to PFM reform) and PFM performance. The study found an association but was unable to determine, whether it simply reflected the tendency of donor

agencies to invest more resources in countries, which have already demonstrated their willingness and capacity to reform their PFM systems, or a genuine causal relationship between the donor actions and the improved PFM performance.

1.3 THE TUNIS INCEPTION WORKSHOP

In order to initiate activities under the evaluation, on the 3rd and 4th May 2011, PFM experts and practitioners from across Africa were invited by the African Development Bank to Tunis to share PFM reform experiences. 22 African government representatives from 10 separate countries⁶ talked openly about their PFM reform experiences. The points below reflect the key observations made by participants⁷:

- **Successful PFM reform depends on political support and leadership:** reform works well when it has strong political leadership. Hence, it is essential to take into account the political context when designing reform. Coordination between the technical level and the political level is crucial. Communication of PFM reform across government and transparency over reform results and challenges can be beneficial in building support. Reforms need to be ‘sold’ to the politicians (including the opposition) especially when the political situation is fluid and changing.
- **Reforms must be country owned:** reform should not be imposed as a donor condition. While it seems to be the case that reform happens faster when linked to budget support, it is more likely to be sustained if ownership is developed. Without ownership, reform stops when the money stops.
- **Plan big, implement small:** The “Big bang” approach has advantages as everything related to the PFM cycle moves together, although it seems best to design the whole picture but implement piece by piece. It is important to consider the breadth, speed and depth of PFM reform. The notion of the “Big bang” suggests all of these, whereas African experience suggests the need for breadth – the need to be holistic, covering the whole PFM system, while implementing gradually based on priorities and human capacity, and choosing a ‘depth’ of reforms (degree of sophistication), which is consistent with the real needs and the capacity to implement.
- **Take account of existing capacity:** PFM reform is capacity constrained. It tends to work well when donors finance the initial stages of the PFM reform process but then stand back and allow reform to occur in line with existing capacity.
- **... and of the magnitude of the change management involved:** Change management aspects of PFM reform are often neglected. Reform programmes tend to under-estimate the time and effort involved in fomenting sustainable changes in work culture and work practises.

6 Burkina Faso, Cameroon, Ethiopia, Malawi, Mali, Mozambique, Senegal, South Africa, Uganda, Zambia.

7 These points are taken from the AfDB’s summary of the workshop posted on its web-site, with certain points more fully elaborated based on the notes on proceedings prepared by the evaluation team.

- **Recognize that donors are part of the problem:** especially when it is difficult for governments to account for donor expenditure, because of the use of off-budget processes and the lack of reports to the relevant authorities.
- **Structure diagnostic work around the PEFA assessment framework:** the use of the PEFA diagnostic on a periodic basis was reported by most countries represented to have been useful in creating a shared understanding of PFM strengths and weaknesses and a shared perception of the degree of progress being achieved in PFM reforms. In these countries, it had helped to break with past approaches in which donors pursued separate diagnostic assessments, often leading to separate PFM reform programmes and projects.

Therefore, in relation to the direction of causality between high levels of PFM related donor investment (both as Budget Support and as support to PFM reform) and PFM performance, the African government officials who participated in the Tunis conference shared two perceptions relevant to this question. Firstly, there was unanimous agreement that successful PFM reform required political support and leadership and needed to be country-owned. The question of whether donor investment in PFM reform could help to generate political support was not explicitly discussed, however. Secondly, the view was expressed that the pace of reforms needed to be consistent with capacity and that external support often encouraged a pace of reform that exceeded domestic capacity. The case studies allowed each of these themes to be explored further.

1.4 THE CHOICE OF CASE STUDY COUNTRIES

The 2009 Approach Paper for the evaluation⁸ recommended the use of a purposive methodology for the selection of the country case studies for the evaluation. Bringing together data from the 2001 and 2004 HIPC AAP assessments and the early PEFA assessments undertaken up to 2007, the Approach paper first classified the 14 African countries for which this data was available into two groups, comprising countries where budget institutions appeared to improve over the period and countries where budget institutions appeared not to have improved or to have deteriorated. Secondly, drawing on data from the OECD-DAC CRS database, an estimation was made of the donor inputs to PFM reform provided per capita to these same countries over 1998–2007. The resulting table is presented below.

Table 1: Preliminary Estimation of Relative Impact of Donor Support to PFM reforms in SSA (1998–2007)

	Countries where budget institutions improved	Countries where budget institutions did not improve or deteriorated
High donor effort	Burkina Faso, Tanzania, Zambia	Benin, Malawi, Mozambique, Rwanda, São Tomé and Príncipe, Uganda
Low donor effort	Ethiopia, Ghana, Mali	Guinea, Madagascar

This analysis suggested that there were only three countries (Burkina Faso, Tanzania and Zambia) where donor support had been associated with successful reforms and three others (Ethiopia, Ghana⁹ and Mali) where reforms appeared to produce positive outcomes even in the presence of more limited donor effort. The Approach Paper stressed that no firm conclusions could be drawn from ‘this simple comparative exercise’ but it suggested that it pointed to ‘a range of situations which merited further investigation in the selection of case studies’.

Specifically, the Approach paper suggested that, ‘excluding the countries in the shaded box, the ideal way of applying the evaluation framework would be to select a limited number of case studies focusing on countries from the remaining three boxes, possibly pairing them in ways that keep constant factors such as the administrative heritage (for example, by pairing Francophone and Anglophone countries). In this way, it would be possible to examine three types of situations:

- a) One in which donor support appeared to be positively correlated with PFM improvements;
- b) One in which donor support appeared to be negatively correlated with PFM improvement;
- c) One in which significant PFM improvements appear to have occurred despite relatively low levels of donor support.’

The Evaluation Department of the African Development Bank then approached these 14 countries to enquire which would be interested in collaborating with the evaluation process, in order to find ways of strengthening their PFM reform programmes and of improving the quality of external sup-

9 Various PFM specialists consulted on the Approach Paper expressed surprise at the resulting categorisation of Ghana, suggesting that it was misleading in two respects. Firstly, there appeared to be a significant under-recording of the level of donor funding for PFM reforms. Secondly, the results of the 2001 HIPC AAP were considered by many to have been unfeasibly low, giving an impression of significant improvements in subsequent years, which was not consistent with other reports on the status of PFM systems in Ghana.

port to those programmes. Three countries agreed to collaborate in the process, which appeared at first sight to fall into these three groups, namely Burkina Faso [Group a)], Malawi [Group b)], and Ghana [Group c)].

Information from the case studies themselves has demonstrated that some of the preliminary estimates underlying Table 1 were in fact wrong. In particular, all three countries were found to have been recipients of relatively high levels of donor support to PFM. In addition, more recent PEFA assessments undertaken in 2009, 2010 and 2011 convey a more nuanced picture of the performance of PFM systems in each of these countries. Nevertheless, the case studies do present interesting variations in the performance of PFM reforms as well as some striking similarities. A fuller description is presented in Chapter 2.

1.5 EVALUATION FRAMEWORK

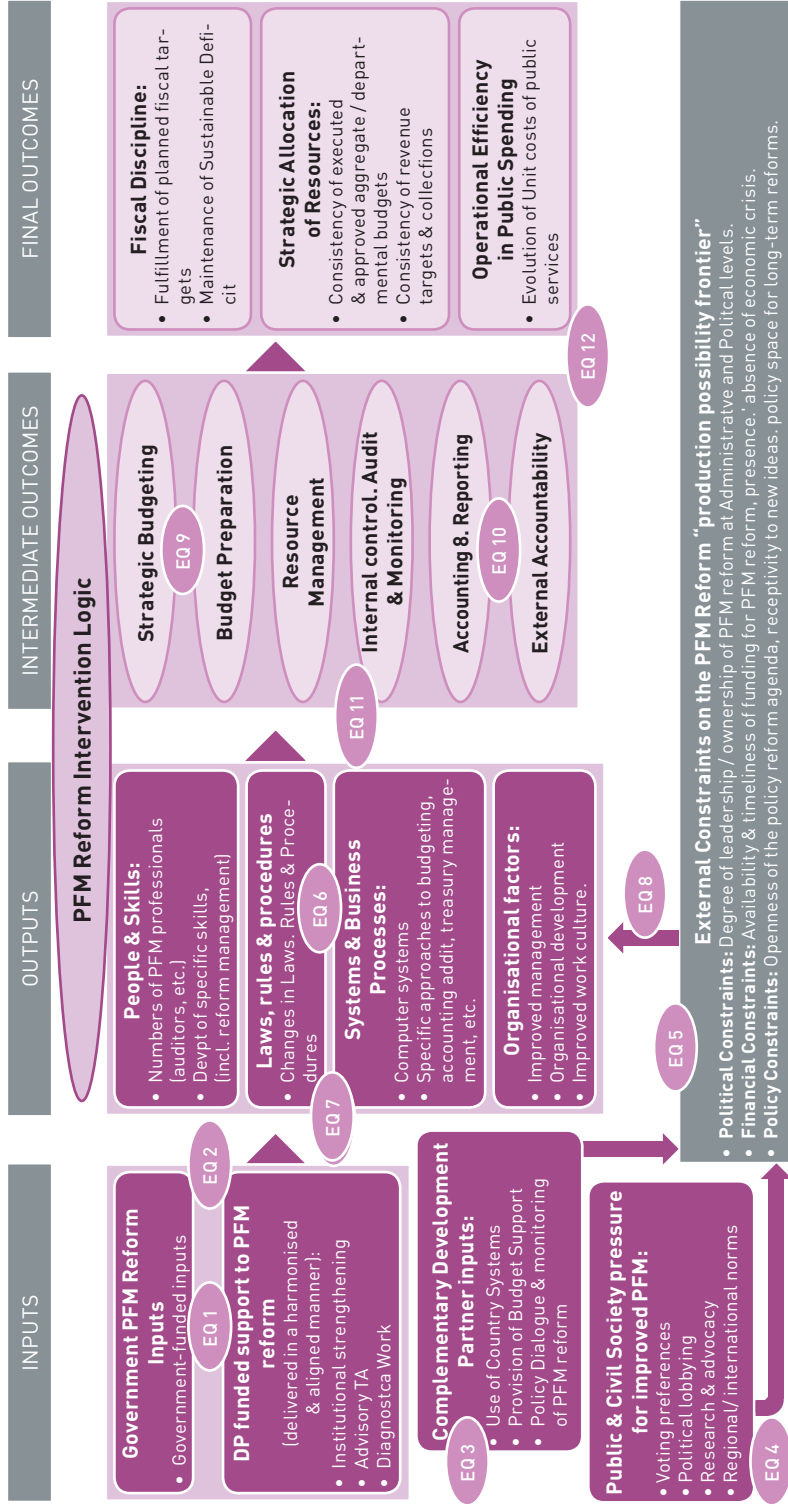
The evaluation framework was defined in the Inception Report for the evaluation (Lawson, 2011). It utilises the OECD-DAC evaluation criteria and thus assesses the relevance, efficiency, effectiveness and sustainability both of country programmes of PFM reform and of the external support provided to those programmes. It gives particular attention to three dimensions of PFM reform processes:

- The **Contexts**, in which reforms have taken place;
- The **Mechanisms** adopted for the design, management and delivery of reforms; and
- The consequent **Outcomes** achieved.

Success is associated with improvements in the quality of budget systems, as measured primarily by changes in the Public Expenditure and Financial Accountability (PEFA) assessment framework indicators and the narrative PEFA reports. The evaluation framework characterises these changes **as intermediate outcomes** in a ‘PFM Theory of Change Framework’, which is presented in Figure 1 below¹⁰. The Framework details PFM Reform inputs, outputs and intermediate outcomes and examines the relationship between them, and with key contextual factors.

¹⁰ A preliminary version of this framework was developed in Part B of the Approach Paper for the evaluation (Lawson & De Renzio, 2009), which was widely commented upon by PFM practitioners, academics and Development Partners. The refinements presented in the Inception Report drew upon these comments. The final version of the framework, which was used in the country studies, was presented at the launch workshop for the evaluation held at the African Development Bank in Tunis. (See above.)

Figure 1. The Evaluation Framework and the place of the Evaluation Questions within the Intervention Logic



Inputs are defined as the resources and other inputs provided in order to promote PFM reform. These are divided between direct funding by governments to internal PFM reform efforts, external funding by Development Partners (DPs) of PFM reform efforts and complementary inputs by DPs. These complementary inputs might be aimed at facilitating better PFM through the use of country systems and the provision of budget support, or at improving the design and implementation of PFM reforms through policy dialogue and external monitoring (often linked to budget support).

Four **contextual factors** are considered. One is internal and relates to public and civil society pressure for PFM reform¹¹. It examines the relative importance for the design and implementation of PFM reform of the voting preferences of the electorate (to what extent good PFM is prioritised by voters), of research and advocacy work by CSOs, of political lobbying by CSOs and others, and of regional and international norms for PFM, which might provide “rallying points” for civil society groups and for the design of advocacy campaigns¹².

Also included within the contextual factors are external constraints – conceptualised as political, financial and policy space constraints. These external constraints are seen to impinge on the PFM reform ‘production function’, in other words on the capacity of PFM reform inputs to generate the planned outputs. Political constraints relate to the degree of political ownership and support for PFM reforms. Financial constraints relate to the ability to finance PFM reforms in the face of competing priorities, and “Policy space constraints” relate to the nature of policy ideas, which might potentially be considered in designing PFM reforms. This latter constraint reflects the prevailing conventional wisdom over the types of reforms that could be contemplated and the influence on that conventional wisdom of government stakeholders and academic and civil society organisations, as well donor agencies and international and regional institutions. Another potential way of describing this would be in terms of the “space for novelty”¹³ in PFM reform policies and strategies.

Outputs are defined as the immediate changes in the architecture and substance of the PFM system generated by the combined set of inputs. These are categorised into four groups: i) Changes in human resource endowments (people and skills); ii) Changes in laws, procedures and rules; iii) Changes in

11 Advocacy work by CSOs in support of greater transparency and accountability may attract funding support from Development agencies and international foundations. In this sense, it is an “output” of PFM reform efforts. However, such funding is modest in relation to the direct funding available for core components of the PFM reform programme. Hence, in the case studies, funding to CSOs for advocacy work was not included within the financial estimates of PFM reform inputs and it was dealt with purely as a contextual input.

12 For example, amongst the country case studies, the West African Economic & Monetary Union (WAEMU or UEMOA in French) establishes both convergence criteria for macroeconomic and fiscal management, and norms for certain aspects of PFM, to which its eight members subscribe, including Burkina Faso.

13 This is considered in Pritchett, Woolcock & Andrews (2010) as a key characteristic by which to judge systems.

systems and business processes; and iv) Changes in Organisational factors (the quality of management, the work culture, the degree of organisational development).

Intermediate Outcomes are the changes generated in the PFM system, as measured by changes in the quality of:

- i) Strategic budgeting;
- ii) Budget Preparation (including budget deliberation by the Legislature);
- iii) Resource management (covering both inflows and outflows);
- iv) Internal controls, audit and monitoring;
- v) Accounting and reporting; and
- vi) External Accountability.

The framework uses the PEFA assessment framework to measure changes in each of these clusters of PFM functions, based on a categorisation of the sub-dimensions of the PEFA indicators between each of these clusters. The categorisation¹⁴ is based on Andrews (2010) and was also applied by De Renzio et al (2010) in the quantitative study, which examined data on 100 separate countries which had completed PEFA assessments between 2006 and 2010.

The PEFA Performance Measurement Framework for PFM (PEFA 2005) is to date the most comprehensive attempt at constructing a framework to assess the quality of budget systems and institutions. It comprises 28 indicators, which assess system performance at all stages of the budget cycle, as well as crosscutting dimensions and indicators of budget credibility. It also includes three additional indicators on donor practices. (See www.pefa.org.)

In order to derive the PEFA scores by budget “cluster”, Andrews (2010) and De Renzio et al (2010) follow four steps, which were also used in the country studies to convert scores from the PEFA assessments in each country into numerical averages for each cluster. De Renzio et al (2010, pp. 11–12) explain the methodology very clearly:

*“First, we only considered indicators PI-5 to PI-28, as indicators PI-1 to PI-4 cover PFM system outcomes and performance, and not the quality of PFM systems per se. Second, for multi-dimensional indicators we used sub-indicator/dimension scores rather than summary indicator scores in order to fully exploit the information contained in the PEFA scores. This also allowed us to avoid the downward bias introduced by the MI scoring methodology, where summary indicators are based on the lowest scoring dimension, or ‘weakest link’. Third, we converted the letter scores included in PEFA reports into numerical scores, with higher scores denoting better performance (from A=4 to D=1). Fourth, we constructed our dependent variable in three different ways: 1) as an overall simple average of the 64 numerical scores that include all sub-indicators/dimensions for indicators PI-5 to PI-28; 2) as averages of numerical scores for sub-indicators/dimensions in each of six clusters of indicators grouped by phase of the budget cycle. This generates six sub-indices to be used separately as dependent variables; 3) as individual scores for each of the 64 sub-indicators/dimensions in indicators PI-5 to PI-28. This generates a panel-type dataset of 64 dimensions * 100 countries.”*

14 These clusters are slightly different from the ones included in the PEFA methodology, as they have been rearranged to increase their level of internal consistency. For further details, see Annex 3, as well Andrews (2010:8) and Andrews (2007).

1.6 THE EVALUATION QUESTIONS & THE APPROACH TO THE COUNTRY STUDIES

Each of the Country studies was based on twelve evaluation questions, which are presented in Box 1 below¹⁵. The evaluation questions were structured so as to provide a standardised framework for assembling evidence, so that the results of the country studies could be easily synthesised to provide answers to the overall high-level questions.

Each of the Country Studies generated a set of “**case histories**” of change in PFM systems. The aim of this approach was to ensure that the evaluation did not miss patterns of change, which might be obscured by looking at the average changes in the system as a whole. For example, even in a country making limited progress with its overall PFM reforms, there would probably be specific sub-components progressing faster. This is unlikely to be a mere coincidence: it would be more likely to reflect the relative balance for those sub-components of the positive and negative forces, driving or blocking change. By examining the patterns of change within the sub-components of the PFM reform programme, we believe that more significant insights have been revealed. The approach is illustrated in Figure 2 below.

15 The Inception Report presents the Evaluation Questions, with the corresponding judgement criteria used to assess them.

Box I. The Evaluation questions

A. Inputs & context: the design of PFM reform

EQ 1: What has been the nature and the scale of PFM reform inputs provided by Government and by Donors?

EQ 2: What types of structures have been used for the design and management of these reform inputs? Have these structures served to provide a coordinated and harmonised delivery framework?

EQ 3: What types of complementary actions have Donors taken to support PFM reforms and what has been their significance? Have they had any influence on the external constraints to reform?

EQ 4: To what extent has there been domestic public pressure or regional institutional pressure in support of PFM reform and what has been the influence on the external constraints to reform?

EQ 5: How relevant was the PFM reform programme to the needs and the institutional context? Was donor support consistent with national priorities? To what extent were adaptations made in response to the context and the changing national priorities?

B. Outputs: the delivery of PFM reform

EQ 6: What have been the outputs of the PFM reform process and to what extent has direct donor support contributed to these outputs?

EQ 7: How efficiently were these outputs generated? Was the pacing and sequencing of reforms appropriate and cost-effective? Was the cost per output acceptable?

EQ 8: What have been the binding external constraints on the delivery of PFM reform outputs: political, financing or policy factors? How has this varied across different PFM reform components?

C. Outcomes: overall assessment of PFM reform & of donor support to PFM reform

EQ 9: What have been the intermediate outcomes of PFM reforms, in terms of changes in the quality of PFM systems?

EQ 10: To what extent have the outcomes generated been relevant to improvements in the quality of service delivery, particularly for women and vulnerable groups?

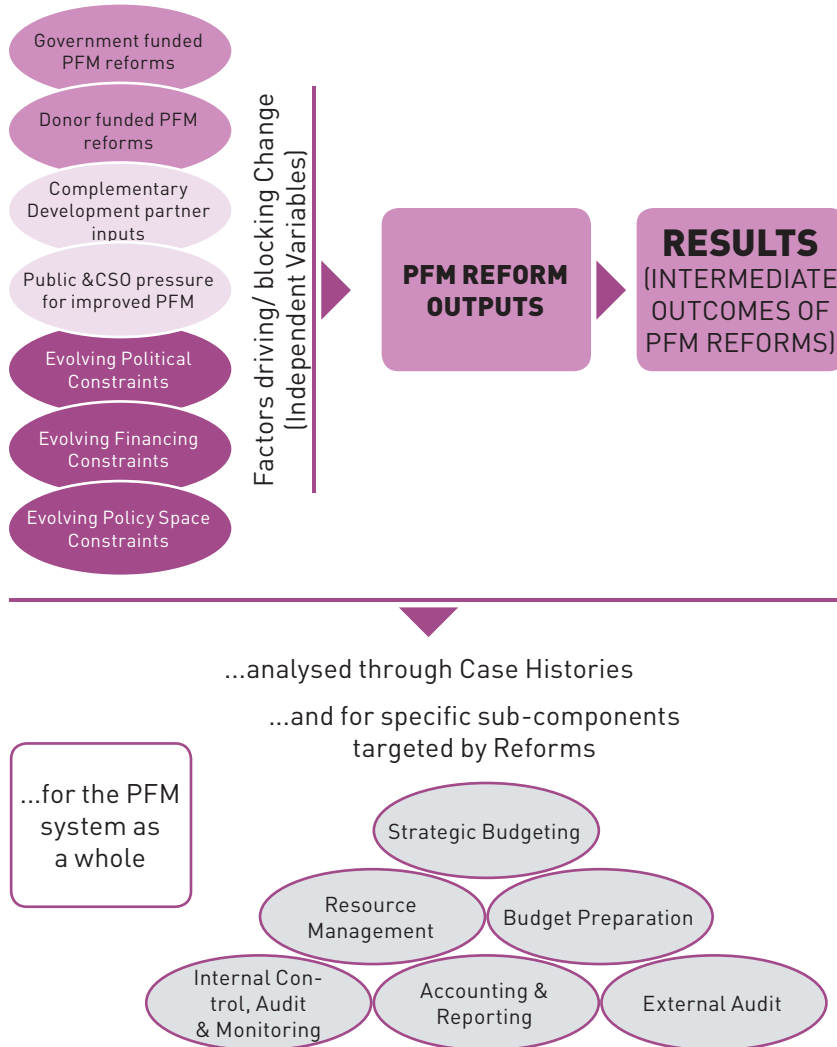
EQ 11: Have reform efforts been effective? If not, why not? If yes, to what extent PFM reform outputs been a causal factor in the changes identified in intermediate outcomes?

EQ 12: To what extent do the gains identified at the Intermediate Outcome levels appear sustainable? Is the process of PFM reform sustainable?

The case histories were compiled from a process of reconstruction of the chronology of events, drawing on interviews and focus group discussions to identify the potential causes of change and triangulating across these sources to

arrive at a set of validated hypotheses. In broad terms, they followed the technique of “process tracing”.¹⁶

Figure 2 Overview of the Case History Approach to the Country Studies



With the available budget, it was not possible to recreate the reform case histories for each of the 6 PFM clusters in each country. Hence, reform processes were analysed in relation to the PFM system as a whole and in relation to 3 specific PFM clusters targeted by reforms. Table 1 shows the case studies

16 Process tracing is a method for the reconstruction of causal relationships through the recreation of case histories. [George, A.L., & A. Bennett (2005), Case studies and theory development in the social sciences.]

chosen. Each of these comprised a case history of some historical longevity, so that the evolving process of reform over time could be examined and a judgement on sustainability could be reached. They included cases of success and cases of failure, whilst also providing a basis for cross-country comparisons by examining certain types of reforms in more than one country.

Table 2. The Selection of 9 Case Histories from the Study Countries

BURKINA FASO	GHANA	MALAWI
The integrated financial management information system: the Circuit Intégré de la Dépense (CID), and its various complementary sub-systems	The Integrated Financial Management system (BPEMS – Budget & Public Expenditure Management System)	The Integrated Financial Management system (IFMIS).
Introduction of medium term programmatic budgeting through the Cadre des Dépenses à Moyen Terme (CDMT) and the budgets-programmes.	Introduction of the Medium Term Expenditure Framework (MTEF)	Reform of the Procurement System
Reform of the Revenue Administration system	Reform of the Revenue Administration System	Reform of the Internal Audit system

1.7 THE APPROACH TO THE SYNTHESIS PROCESS

This Synthesis report has thus brought together information from 3 country histories and from 9 case histories at the “PFM cluster” level. The objective has been to address the high level questions identified in the terms of reference:

‘The purpose of the evaluation is to identify what factors – institutional and contextual – contribute to successful PFM reform and how donors can best support PFM reform given the influence of contextual factors on the process of change.’ (Terms of Reference, pp.3–4)

The adopted approach to analysis is that of ‘realist synthesis’ (Pawson & Tilley, 1997; Pawson 2002). The starting assumption of the realist school is that most programmes of reform or social change work only in limited circumstances. Therefore, the discovery and documentation of the ‘scope conditions’ within which a programme works becomes the main objective of the process of synthesis. Realist synthesis does this through the analysis of change

Mechanisms (M) working within different Contexts (C) and producing a range of Outcomes (O). By careful examination of these C-M-O combinations, it is possible to define to a certain level of detail the “boundary conditions” within which a programme theory will work, leading to a more tailored theory and to a better understanding of its transferability.

Thus, the systematic analysis of a range of C-M-O combinations produces a continual refinement of programme theory, by learning both from success (favourable outcomes) and failure (unfavourable outcomes). In this sense, realist synthesis builds on the ideas of Karl Popper (Popper, 1959) regarding the importance of being able to falsify a theory. Where a theory is open to falsification, it then becomes possible to refine the theory through the experience of failure. Learning from mistakes through ‘analytical induction’ (Lindesmith, 1968) is essential to the process.

The evaluation questions provide a template for documenting the C-M-O combinations generated by the case histories:

- **Context** is captured by the questions relating to complementary DP inputs (EQ3) and demand-side pressures (EQ4), as well as to binding external constraints (EQ8).
- **Mechanisms** are documented through questions on inputs (EQ1) and outputs (EQ6) and on efficiency (EQ7) as well as through more detailed examination of the structures for design and management of reform inputs (EQ2).
- **Outcomes** are directly documented (EQ9) and also examined with respect to their relevance for service delivery, especially for women and vulnerable groups (EQ10).
- **Relationships between Context-Mechanism-Outcomes** are examined from the perspective of relevance (EQ5), effectiveness (EQ11) and sustainability (EQ12.)

By examining these different combinations, at the country level and then at the PFM cluster level, we have been able to develop a tailored programme theory regarding firstly the critical aspects of context, which contribute to successful PFM reform, and secondly the most important features of the mechanisms adopted for delivering PFM reform. This analysis has allowed us to crystallise a number of lessons, which are presented in our conclusions.

1.8 LIMITATIONS OF THE ANALYSIS

Clearly, the value of the conclusions presented in this synthesis is limited by the fact that they are derived from only nine case histories within three case study countries in Sub Saharan Africa. The three country studies do illustrate a variety of situations – covering Anglophone and Francophone administrative systems – and include cases (and specific periods within the same cases) of successful and unsuccessful PFM reform. Moreover, by going down to the PFM reform “component” level in the case histories, the range of experiences

covered has been further broadened. We have also drawn comparisons with the quantitative study and with the existing literature on PFM reform wherever possible. Nevertheless, it is a small sample from which to develop a programme theory.

It is therefore vital to disseminate and discuss the results of this work, in order to assess whether there are other PFM reform experiences, which have not been accessed and which might serve to enrich the conclusions. It is also important to assess whether the insights here presented are supported by the impressions and by the experiences of seasoned PFM practitioners and researchers. The dissemination process envisaged by the Evaluation Management Group should allow for the results to be tested through such feedback.

Moreover, in the medium term, it is essential that this study should be complemented by further case study work, which might build upon its insights. Wherever possible, additional case study work should deliberately seek to test the “boundary conditions” of the conclusions reached, by choosing contrasting case study countries. If additional case study work were to utilise the same evaluation framework and the same approach to the synthesis of results, this would permit the continuous updating of the “programme theory” here presented.

In terms of the approach to fieldwork, the results are also subject to a number of limitations. Most notably, fieldwork comprised only 6 person weeks of work (three consultants for two weeks) and within such a short time period, the range of stakeholders who could be interviewed was, of course, limited. As a consequence, the depth of analysis possible for the three detailed cases studies undertaken in each country was uneven, although in our opinion adequate to justify the resulting conclusions. It is also the case that the analysis might have been biased by the perspectives of the stakeholders directly involved in the reforms, as the government and donor staff managing and undertaking the PFM reforms in each country comprised the majority of those interviewed. Whilst members of Civil Society Organisations dealing with PFM issues were interviewed in each country, either individually or within focus groups, they were relatively limited in number. With regard to members of the Legislature, it did not prove possible to interview MPs in Burkina Faso and only small numbers in Ghana and Malawi.

On the other hand, in drawing conclusions from fieldwork, the evaluators were careful to triangulate findings wherever possible. For many issues, systematic comparisons of the perspectives of central agency staff, sector ministry staff and donor representatives were possible. In other cases, comparisons were made between the views of different donors or the opinions of public sector managers and junior staff. The fieldwork also built on detailed desk studies¹⁷ that were undertaken prior to the fieldwork, drawing on the extensive documentation available on each of these countries either on the Internet or

17 The desk studies were undertaken by experienced research assistants, who were closely supported by the other team members for each country. Reports were all published in advance of the field work and amounted to documents in excess of 100 pp each including annexes: Chiche, M., June 2011 (Burkina Faso), Faragher, R. June 2011 (Malawi) and Gordon, A. & Betley, M., June 2011 (Ghana).

from reports and data explicitly requested from Government departments and Donor agencies.

In short, our judgement is that such biases as might have been introduced into fieldwork by the time limitations or by the composition of the persons interviewed were for the most part corrected for, and were certainly no greater than in other case study work of this kind. We are confident in the quality of the evidence for our conclusions, and have introduced explicit caveats within the text for the small number of cases, where we have reservations in this respect.

1.9 REPORT STRUCTURE

Following this introduction to the objectives and approach, the Synthesis Report comprises four further chapters:

- Chapter 2 provides an overview of the reform experience of the three case study countries, detailing the **Outcomes** of reforms for each country, and summarising the different **C-M-O combinations**, which emerged for the three country cases and for each of the nine individual case histories.
- Chapters 3 and 4 present in more detail the analyses of **Context** and **Mechanisms**, leading to a refinement of the initial programme theory.
- Chapter 5 presents overall conclusions, drawing out the wider lessons for Governments and Development Agencies.

2. Overview of PFM reform experience in the Study countries

In this chapter, we present an overview of our main findings, before analysing more deeply in chapters 3 & 4 the contextual factors and the aspects of the PFM reform design and delivery mechanisms, which have proved critical. In order to set the scene, we begin first with a simple comparative analysis of the economic and political frameworks in each of the three countries. We then consider the relative levels of inputs to PFM reform provided in each country – both directly by Governments and by Development Agencies – and the outcomes achieved, before presenting a summary of the C-M-O combinations (Context-Mechanism-Outcomes) generated by the three country studies and by the 9 more detailed case histories.

2.1 ECONOMIC AND POLITICAL BACKGROUND

Table 3. Key Economic, Social & Political Indicators for the Study Countries (2010)

Indicator	Burkina Faso	Ghana	Malawi
GDP per Capita PPP, 2005 international \$ ^a	1078.0	1410.0	779.0
Population, million ^a	15.8	23.8	15.3
% Population Living on < \$1.25 ppp/Day ^b	56.5	30.0	73.9
Life Expectancy at Birth ^b	53.7	57.1	54.6
Literacy Rate ^a	29	73	66
Child malnutrition (% of children under 5) ^a	37	14	16
Gini Coefficient ^b	39.6	42.8	39.0
Annual Population Growth Rate ^b	3.1	2.0	2.7
Average Annual ODA Disbursements 2002–2009, constant 2008 \$billion ^c	1.03	2.19	1.17
Total GBS as a % of total aid disbursement 2002–2009 ^c	15.9	11.2	7.2

Indicator	Burkina Faso	Ghana	Malawi
Average Annual ODA Disbursements per capita a,c	65.27	92.02	76.23
Political Openness 2010 ^d (indication of general state of freedom in a country)			
Political Rights (1= high freedom; 7= low) ¹	5	1	3
Civil Liberties(1= high freedom; 7= low) ²	3	2	4
Corruption Perceptions Index 2010 (0 = highly corrupt; 10 = no corruption) ^{3e}	3.1	4.1	3.4

- Sources: ^a World Bank Development Indicators 2010;
^b Human Development Report 2010;
^c OECD DAC Database, accessed 10/1/11;
^d Freedom In the World 2010, Freedom House;
^e Corruption Perceptions Index 2010, Transparency International

- Notes: ¹ The ratings process is based on a checklist of 10 political rights questions. Scores are awarded to each of these questions from which a rating of 1 to 7 is derived, with 1 representing the highest and 7 the lowest level of freedom.
² The ratings process is based on a checklist of 15 civil rights questions. Again, a rating of 1 to 7 is derived, with 1 representing the highest and 7 the lowest level of freedom.
³ The CPI measures the degree to which public sector corruption is perceived to exist within a country on a scale of 0 (highly corrupt) to 10 (very clean).

Economic and Social context

Table 3 above shows key economic, social and political indicators for each of the study countries. There are certain similarities but also important differences. They are all high recipients of aid and each can be described in a broad sense as a Developing Country but income per capita is considerably higher in Ghana – a coastal, natural resource rich country, which became formally a middle income country in 2011 - than it is in Burkina Faso or Malawi, both land-locked low income countries, which are predominantly reliant on rain-fed agriculture.

Their recent economic development paths have also been quite different in several important respects:

- **Burkina Faso** has been through a process of wide-ranging macroeconomic and monetary reform over the last two decades. The change of regime in 1987 signalled a move away from a socialist model to a more market-oriented economic policy. A devaluation of the currency in 1994 resulted in a remarkable acceleration of growth, and in the last 20 years Burkina Faso has experienced higher economic growth and lower inflation

than the average in the WAEMU and Sub-Saharan African (SSA) countries. Between 2000 and 2010, it maintained an average growth rate of over 5.2 % per annum, and except for a short-lived spike following the devaluation, average inflation has remained below 3 % since 1995. However, with a population growth rate of 3.1 % per annum, and a continuing susceptibility to droughts and floods and a vulnerability to regional confrontation among its trading partners (such as in Cote d'Ivoire), this level of GDP has not been sufficient to be transformational. Its economic performance has been steadily positive rather than exceptional¹⁸, although the recent growth in mining exports does open up new opportunities for the future¹⁹.

- **Ghana** also experienced major macroeconomic and structural reform over the decade of 1985–1995, as the Rawlings government managed the transition from a protectionist state-led model of development to a liberalised, export driven model and from military rule to civilian rule, culminating in the 1992 Constitution and the 1996 elections. It was helped by narrow but robust export growth, based upon gold and cocoa, and by the steady growth of its services sector. The period since the mid '90s has been characterised by a “boom and bust” cycle, linked closely to the electoral cycle²⁰. In 1999 and 2000, as the incumbent National Democratic Congress (NDC) Government reached the end of its term, public spending was dramatically expanded, allowing the fiscal deficit to mushroom, financed through domestic borrowing, and inflation, which hit 41 % in 1999. The incoming New Patriotic Party (NPP) government introduced a period of fiscal consolidation and tight monetary policy, paving the way for growth in excess of 6 % in 2006 and 2007, and of 7.3 % in 2008. Yet, as the NPP government reached the end of its second term, 2008 also saw big increases in public expenditure, with negative effects on the fiscal deficit, which reached 13.5 % of GDP, as well as on inflation, and domestic interest rates. The returning NDC government has introduced a new period of fiscal consolidation over 2009 and 2010. Helped by the start of oil production in 2010 and the related investment, growth rates of 6.6 % and 8.3 % are forecast for 2010 and 2011.

18 Steady economic growth, increasing social expenditures and improvements in access to basic services saw a decline in the incidence of poverty from 54 % in 1998 to 46.4 % in 2003, and to an estimated 43 % in 2010. Sustained efforts and investments have resulted in positive trends in human development, with strong increases in gross primary enrolment, use of health services, vaccination rates, percentage of assisted births, and an improved access to clean water but it remains one of the poorest countries in the world, ranked 161\$1-\$2 out of 169 countries in the 2010 Human Development Index.

19 In 2009, gold replaced cotton as Burkina Faso's most valuable export. Mining is expected to increase export earnings by 25 %, bringing \$450 million in added fiscal revenue between 2010 and 2015 (World Bank, 2010a.)

20 In common with Burkina Faso, Ghana also averaged 5.2 % annual growth in GDP over 2000 to 2007 but annual fluctuations around this average were much greater, and inflation was considerably higher than in neighbouring Burkina Faso.

■ **Malawi** shares many of the economic features of Burkina Faso, being also a land-locked country, with a narrow export base and a heavy dependence on agriculture, which supports 80 % of the population – mainly via small-holder production. In common with Burkina Faso, it is also susceptible to weather shocks and suffered a severe drought and widespread food shortages over 2001 and 2002. Unfortunately, in common with Ghana, its management of fiscal and macroeconomic policies has been subject to severe political pressures, leading to a similar “boom and bust” pattern linked to its electoral cycle, but lacking the cushion of Ghana’s substantial natural resources and more diversified economy, growth has fluctuated around an average of 4 % per annum, rather than 5.2 %. Following the end of one-party rule, Bakili Muluzu of the United Democratic Front (UDF) was elected as President in 1994, and successfully re-elected in 1999. However, his second term was characterised by macro-economic instability caused by unsustainable fiscal policies. A surge in public spending resulted in unsustainable increases in the budget deficit, high domestic borrowing and rising inflation. His appointed successor, economist Bingu Wa Mutharika was elected in 2004. After the election however, President Mutharika refused to appoint Muluzi-proposed ministers to Cabinet and presented a clear stance on the need for governance and economic reforms. This caused a breach with the party resulting in President Mutharika forming his own party while in office, but facing a minority in parliament. He launched a crackdown on corruption and took steps to improve fiscal discipline, actions which restored the confidence and support of international donors (Cooney, Wenderoth et al., 2010). After turning around Malawi’s fiscal, economic and food security crisis and five years of economic reforms, he was re-elected in 2009 and his party, the Democratic Progressive Party (DPP), won a strong parliamentary majority. However, there was a further surge in public spending leading up to the elections, with public spending in 2008/09 reaching a record level of 38 % of GDP, generating a fiscal deficit after grants in excess of 5 % of GDP. Moreover, early signals suggest that President Mutharika’s second term in office will not be as strongly associated with political support for fiscal consolidation and PFM reform as the first²¹.

Political framework

The difference in the political contexts of the three countries is striking and goes a long way to explain the differences in the quality of economic management. We will note below that it has also had a significant influence on the degree of political commitment to the implementation of PFM reforms.

Since the establishment of the new constitution of 1991, **Burkina Faso** has been one of the most politically stable countries in Africa. President Blaise Compaoré has headed the Government through consecutive elections in 1991,

21 Most notably, Goodwill Gondwe, who had successfully spearheaded the fiscal consolidation process and the acceleration of PFM reforms during President Mutharika’s first term in office, was not reappointed as Minister of Finance.

1998, 2005 and 2010, and his party (Congress for Democracy & Progress – CDP) have won large majorities in the parliamentary elections of 2002 and 2007. Although these elections have been contested²², the degree of opposition both during and between elections has been limited. This has allowed the Government to pursue a consistent set of economic, social and PFM reform policies, without much need for the bargaining and frequent compromise, which is a common characteristic of democratic government.

Nevertheless the country is yet to experience political alternation through the electoral process and the lack of a credible political opposition remains a concern. Rising social unrest in recent times, involving riots over food price increases, national strikes over salaries, student protests over poor pay and sporadic protests by the military and police forces have caused internal turbulence and led to Cabinet reshuffling in 2008 and early 2011.

Notwithstanding the weaknesses in domestic accountability and the limited nature of public political debate, Burkina Faso is perceived within the region and internationally as a modernising, reformist country. The limited degree of political opposition in Burkina Faso has allowed for a high level of consistency in economic policy, and in the approach to institutional reform: notably, PFM reform has enjoyed a prominent role within the Government's reform agenda since the mid 1990s. The limited degree of political opposition has also allowed the President to adopt a technocratic approach to Government, with both political and senior Government appointments being based predominantly on merit, rather than on the need to grant political favours.

Both in **Malawi** and in **Ghana**, the degree of competition in politics is far higher. In 1994, Malawi saw a transfer in power from the Malawi Congress Party (MCP), which under Dr. Hastings Banda had held power virtually since Independence, to the United Democratic Front (UDF) of Bakili Muluzu, and in 2009 to the newly established Democratic Progressive Party of Bingu wa Mutharika. In 2000, Ghana saw a transfer of power from the National Democratic Congress party, at that time under President Rawlings to the New Patriotic Party (NPP). Then, following close elections (including a run-off election) in December 2008, a government led by the NDC was again elected and took office in January 2009²³.

Notwithstanding these transfers of power in Ghana and in Malawi, being an incumbent candidate does appear to bestow a significant advantage: the incumbent was the winner of the presidential elections in 1996 and 2004 in Ghana and in 1999 and 2009 in Malawi. Where the incumbent candidate has had to change – due to the two-term rule that applies in both countries²⁴, the

22 It is notable, however, that Freedom House judge that political and civil rights are more restricted in Burkina Faso than in Ghana or Malawi. See Table 3 above.

23 It has been noted that the 2008 election provided a test of the country's democratic strength: in spite of a very close margin of votes between the two dominant parties, state institutions withstood significant tension, in particular the judiciary and the electoral commission (Allsop et al, 2009).

24 This two-term rule was introduced in Burkina Faso in 2005 but not with retrospective effect. Thus, President Blaise Compaoré was allowed to contest and win the 2005 and 2010 elections but, without a Constitutional change, will be unable to stand in the 2015 elections.

advantage for the incumbent party seems more limited, which may partly explain the results of the December 2000 and December 2008 elections in Ghana, although the incumbent UDF party did win in Malawi in 2004.

Despite these imbalances in the respective electoral systems, the fact that transfers of power have taken place is fundamentally important, illustrating that the balance of political power is more easily subject to change in Ghana and Malawi, than in Burkina Faso. This probably goes a long way to explain the tendency towards “populist spending” which has been common in pre-election periods both in Ghana and Malawi. As we noted above, pre-election spending created significant fiscal imbalances in Ghana in 2000 and 2008, and in Malawi in 2004 and 2009.

The available political analyses for Malawi and Ghana²⁵ suggest that political competition is strong not only across parties but also within parties, with prominent individuals often creating factions, which vie for leadership and influence within the party. Prominence within the party appears to derive largely from the ability to enlist the support of popular national and local leaders who can help to win votes at presidential and parliamentary elections, or of rich businessmen, who can help to finance election campaigns. The potential to attract such support seems to depend heavily on the ability to bestow patronage. This patronage is bestowed by the award (or the promise of the award) of positions in Government, or, or by giving access (or promising access) to significant commercial opportunities. A simple illustration of the importance of patronage in Malawi and Ghana, relative to Burkina Faso is the discrepancy in the numbers of Ministers, Deputy Ministers and Members of Parliament per head of population²⁶. CSO representatives interviewed in each country asserted that similar patterns could be found in analysing the numbers of positions on the Boards of Government Committees, Para-statal and Trust Funds.

25 For Ghana: Booth et al. (2004) and Keefer, P. (2007). For Malawi: Rakner, Mukubwa et al. (2004), Booth, Cammack et al. (2005) and Durevall & Erlandsson (2005). The Africa Peer Review Mechanism report for Malawi of 2004 also discusses the importance of these political economy issues.

26 Table 4 presents data corresponding to the situation in 2009, which reflects the situation prevailing during the period with which the evaluation is concerned – 2001–2010. Interestingly, following criticism of the Government in Malawi, the number of full Ministers has been subsequently reduced to 17, with 13 Deputy Ministers.

Table 4. Ministers, Deputy Ministers and Members of Parliament relative to the population in Case Study Countries

Data for 2009	Burkina Faso	Ghana	Malawi
Total Number of Ministers & Deputy Ministers	30	75	43
of which Ministers 1/, 2/	25	37	22
Deputy Ministers	5	38	21
Total Members of Parliament	111	230	194
Population (2010)	15.8 million	23.8 million	15.3 million
Number of Citizens per Minister	526,667	317,333	355,814
Number of Citizens per MP	142,342	103,478	78,866

Notes:

- 1/. In each case, the number of ministers includes the Prime Minister and/or the Vice-President (where relevant).
- 2/. For Ghana, the total includes 10 Regional Ministers.

The purpose of identifying these differences is not to suggest underlying differences in the capabilities of political leaders in Burkina Faso, Ghana and Malawi (although these may also be at play) but to demonstrate that, over the period of the evaluation, they have been operating under different political structures, which in turn have generated different incentives. Put simply, the political environment is more competitive in Malawi and Ghana and, in general, political leaders have to resort to more extensive use of patronage in order to come out on top. We will see that this has made a major difference to the ability of each of these countries to provide leadership to PFM reforms and a consistent commitment to their implementation.

2.2 REFORM INPUTS

Table 5 provides an estimate for the period 2001–2010 of the PFM reform inputs, funded directly by Government and those funded by Development Agencies. For purposes of comparison all estimates are presented in 2008 US Dollars. The table also provides an overview of the key areas in which reforms were supported, and the periods in which funding was at its highest.

Table 5. Funding of PFM Reform Inputs in the Case Study Countries 2001–2010

	BURKINA FASO	GHANA	MALAWI
External Funding of PFM Reform Inputs	US \$ 30–35 million ²⁷	US \$ 39 million ²⁸	US \$ 38–45 million ²⁹
Domestic Funding of PFM Reform Inputs	US \$ 30–35 million	US \$ 20 million	US \$ 30 million
Approximate Total	US \$ 60–70 million	US \$ 60 million	US \$ 68–75 million
Main Areas of Concentration	All clusters, but especially Financial Mgt & reporting, Budget preparation, Revenue Administration, and Procurement	All clusters, but especially Financial Mgt & reporting, Budget preparation, Revenue Administration, Procurement and Internal & External Audit	All clusters, but especially Financial Mgt & reporting, Budget preparation, Procurement, Internal Audit, and External Audit.
Timing of Spending	Broadly consistent throughout period	Some spend throughout but focus on 2001–2007 and 2010	Some spend throughout but focus on 2005–2009

Source: Country studies for Burkina Faso, Ghana and Malawi (2011)

It is, of course, exceedingly difficult to estimate spending on PFM reform with any degree of accuracy and these figures should be interpreted only as a general indication of trends rather than as precise estimates. There are, firstly, problems in classifying “PFM reform spending”, particularly for Government recurrent spending but also for multi-sector donor projects, providing support both to PFM reform and to public sector reform as a whole. Secondly, it is extremely difficult to obtain complete

27 Based on the financial information available on 13 major donor projects in support to PFM strengthening, the Burkina Faso country study estimated US \$ 21.35 million had been provided but noted that data was missing on several other projects. De Renzio (2011) estimates donor disbursements of US \$ 25–20 million for 1997–2007.

28 The Ghana Country Study estimates external disbursements of US \$ 51.1 million for 1998–2010, which has simply been adjusted pro rata to reflect spending for the 2001–2010 period.

29 The Malawi Country Study estimates that budgeted commitments over the period were as high as US \$ 104 million, while noting that actual expenditures fell substantially below these budgeted amounts. In the quantitative study, De Renzio et al (2010) estimate total disbursements of US \$ 38 million, which we take as the lower estimate, given that budgeted amounts were so much higher than this.

and accurate data on donor spending. For many grant-funded technical assistance or institutional support projects, data is completely absent; and where it is provided – both for grants and for project loans provided by multi-lateral agencies, data is more commonly available for budgeted commitments than for actual expenditures.

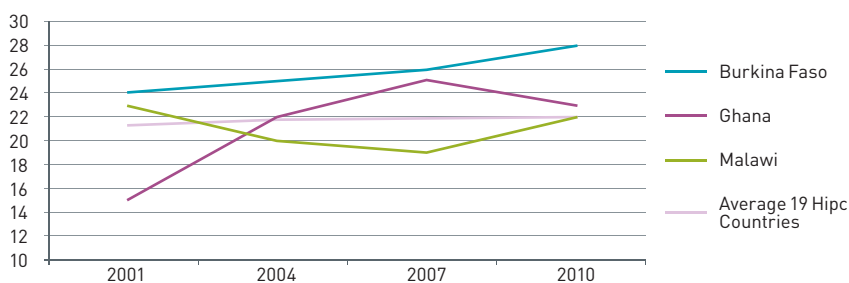
Notwithstanding these caveats, there are some important observations which can be made with a degree of confidence:

- All of the case study countries have overseen major programmes of PFM reforms over the past ten years, with total spending amounting to some US \$ 60–70 million.
- Domestic allocations to PFM reform have also been high, both for recurrent funding and for funding of specific projects. This is especially true in Burkina Faso and Malawi. The significant inflows of General Budget Support in each country, noted in Table 3, would have facilitated increased domestic budget allocations but their use to support PFM reform was in each case an exclusively internal decision, unrelated to any conditionality.
- Both Ghana and Malawi experienced fluctuations in the total level of annual spending on PFM reforms, whereas Burkina Faso saw a more steady, continuous pattern of spending.

2.3 REFORM OUTCOMES

It is difficult to show the evolution of the status of PFM systems over the full ten years, because of the difficulties of identifying a valid baseline. The only existing PFM assessments, which might provide a potential baseline, are the PFM Assessments & Action Plans prepared for the HIPC countries in 2001 and 2004. The graph in Figure 3 is derived from Table 1 in De Renzio et al, 2010 (p.16), which provides a comparison, for 11 indicators, of scores of PEFA measurements undertaken over 2006 and 2007, with HIPC AAP scores of 2001 and 2004, following a methodology developed in De Renzio & Dorotinsky (2007). Figure 3 updates the analysis to take account of the PEFA assessments undertaken in 2010 and 2011. (The 11 indicators may be scored from 1 to 3, thus the minimum score is 11 and the maximum 33.)

Figure 3. Overview of PFM Performance in Study Countries, 2001–2010



Source: HIPC AAP & PEFA studies, compiled following the methodology in de Renzio & Dorotinsky, 2007.

The Inception Report expressed doubts both about the robustness of the HIPC AAP assessments undertaken in 2001 and 2004 and about their comparability with the later PEFA scores. The AAP assessments were prepared by joint World Bank – IMF teams, with the purpose of generating ‘snapshots’ of the quality of PFM systems in HIPC countries for presentation to their respective Boards. It was never expected that these assessments would provide the basis for more extensive diagnosis and analysis of PFM strengths and weaknesses. The 2001 assessments are considered especially “rough and ready”, and many commentators have suggested that the 2001 HIPC AAP assessment for Ghana gave too low a score and that for Malawi too high a score.

Two basic trends emerge, despite these significant caveats. Firstly, Burkina Faso is the one country that seems to show consistent improvements in its PFM systems over the decade, resulting in a PFM performance well above the average for Sub-Saharan Africa in 2010. Secondly, although the status of PFM systems in Malawi and Ghana is probably better in 2010 than it was in 2001, both countries have exhibited fluctuations in PFM system quality, rather than steady improvement.

The PEFA methodology is generally acknowledged to provide a more consistent and reliable measure of the relative quality of PFM systems than the HIPC AAP methodology. In line with the evaluation framework explained in Chapter 1, PFM outcomes have been assessed for 6 “clusters” of PFM functions, following a methodology developed by Andrews (2010) and also used in the quantitative study (De Renzio et al., 2010)³⁰. Table 6 summarises the data for each case study country, based on the earliest available and latest available PEFA assessments.

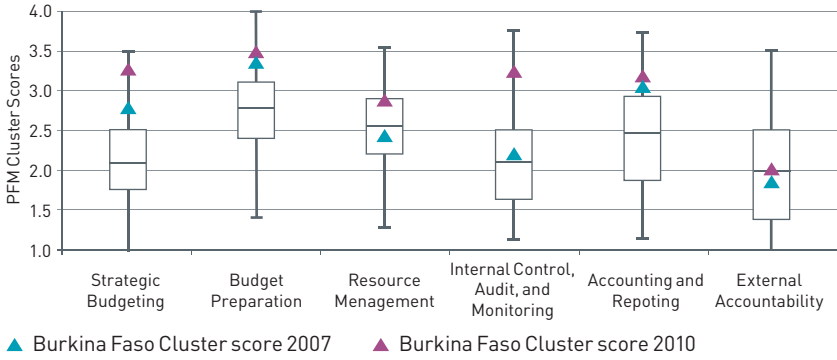
30 The PEFA scores are converted to cardinal values by assigning a value of 4 to an A score, 3 to a B score, 2 to a C score and 1 to a D score. “No scores” would not be included in the calculation. Average Scores are derived from 64 sub-dimensions in the PEFA, not from the 31 PEFA indicators. The details of the specific sub-indicators, which these clusters comprise, are presented in Annex 3.

Table 6. Average PEFA Scores by Cluster for the Case Study Countries, 2006/07 and 2010/11

PEFA Scores by Cluster (64 Indicators; Maximum = 4; Minimum = 1)	Burkina Faso		Ghana		Malawi	
	2007	2010	2006	2010	2006	2011
Strategic Budgeting	2.75	3.25	2.00	2.50	1.75	2.25
Budget Preparation	3.26	3.40	2.50	2.64	2.34	2.57
Resource Management (Inflows, Outflows, Procurement & Payroll)	2.33	2.78	2.32	2.38	1.96	2.74
Internal Control, Audit and Monitoring	2.22	3.22	2.00	1.88	2.00	2.38
Accounting and Reporting	3.00	3.13	2.33	2.33	2.13	2.33
External Accountability	2.33	2.00	2.50	2.33	1.67	2.00

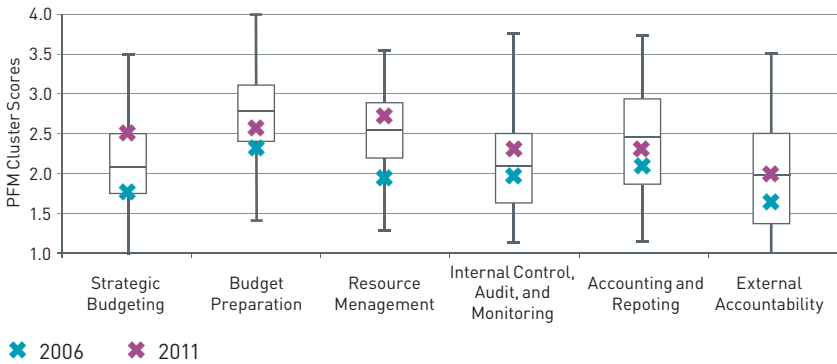
Figures 4, 5 and 6 show for each of the 6 clusters of PFM functions, the 2006 or 2007 and 2010 or 2011 PEFA scores for each case study country, plotted against a box plot of the minimum value, first quartile, median, third quartile and maximum value scores for the 100 countries in the De Renzio et al (2010) sample used for the quantitative study. These 100 countries comprise low and middle-income countries from Africa, Asia, Eastern Europe, Latin America & the Caribbean and the South Pacific, which have undertaken at least one PEFA assessment over 2006 to 2010. The full list is included in Annex 2, alongside the year in which the assessment was carried out. Together these graphs provide a good overview of the outcomes of PFM reforms at the end of the period under evaluation. Results are summarised below.

Figure 4. Burkina Faso PEFA Scores 2007 & 2010, compared to median score for 100 countries



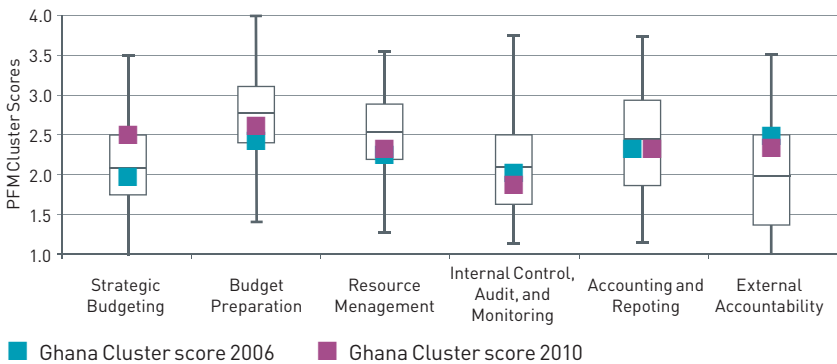
Sources: GoBF 2007c) and 2010 a); De Renzio et al 2010.

Figure 5. Malawi PEFA Scores 2006 and 2011, compared to median score for 100 countries



Source: Ace and IPF 2006, De Renzio et al 2010, Phol and Associates 2011

Figure 6. Ghana PEFA Scores 2006 and 2010, compared to median score for 100 countries



Source: World Bank 2006a), Betley, et al 2010, De Renzio et al 2010.

Burkina Faso

Burkina Faso's PFM reform programme has been successful in generating improvements in most key aspects of public finance management. By 2010, PFM systems in 5 out of 6 clusters were scored at levels on or above the third quartile of the sample of 100 countries, and the remaining one, External Accountability, was at the median level.

Taking the period as a whole, the areas where the highest PEFA scores were achieved were in strategic budgeting, budget preparation, internal control and accounting and reporting. Resource management is the area, which saw the largest improvement over the 2007 to 2010 period, as a consequence of the introduction of long delayed tax reforms, as well as improvements in debt and cash management and procurement systems. Overall, these five PFM “clusters” are the ones, where PFM reforms have advanced fastest. These reforms have embodied both ‘de iure’ and ‘de facto’ reforms, as well as reforms undertaken by concentrated actors (revenue reforms) and deconcentrated actors (accounting & reporting, procurement, budget preparation.)

Improvements in external scrutiny and audit have been considerably slower, showing in fact a modest decline between 2007 and 2010. Although external audit has been an area of attention, following the creation of the Cour des Comptes in 2002, it has not been an area of high reform spending, in part because the difficulties of recruiting adequately qualified staff for the CdC have placed a limit on its pace of growth and, by implication, on the level of capacity building assistance which could be effectively provided. Legislative scrutiny, the other aspect of this “cluster,” has not been a major focus of attention of PFM reforms, and is one of only two areas (the other being the timeliness of budget support disbursements), where PEFA scores deteriorated between 2007 and 2010.

PFM reform efforts by the Executive have been effective in generating improvements in PFM system outcomes but it seems that there is limited impetus for PFM improvements from sources outside of the Executive. The quality of public access to fiscal information has shown no change at all between 2007 and 2010. Similarly, the timeliness and the thoroughness of the Legislature’s examination of the report of the Cour des Comptes on the Loi de Règlement (final accounts) have actually deteriorated. Thus, the Executive has been able to direct a well-structured and effective programme of PFM reforms, and to attract external funding in support of this programme, but other actors – notably civil society and the Legislature – are yet to engage effectively with the aspects of the PFM reform agenda, where their influence might be expected to be significant.

Ghana

Ghana showed only limited improvements in PFM intermediate outcomes over the evaluation period. Even though PFM reform spending was concentrated in the first six years of the period, in 5 out of 6 clusters its PEFA scores in 2006 were worse than the median of 100 countries, the exception being external accountability. Over 2006 to 2010, improvements in strategic budgeting served to bring it also above the median, and modest progress

was also made with budget preparation and resource management³¹. But scores for internal control & audit and external accountability deteriorated, and there was no improvement in the poor quality of accounting and reporting. In particular, there were continued problems and delays with accounts reconciliation, in-year budget reporting and annual financial reporting. Lack of progress in these areas may be largely explained by the failure of the BPEMS integrated financial management system.

Relative to the significant funds expended on PFM reform over the period, progress has been disappointing. The most substantial success has been in strengthening the legislative base but the Government has experienced significant challenges in implementing the new laws. Otherwise, the most effective reforms appear to have been the revenue management activities, as they have led to a sustained output in the form of changed processes (successful introduction of VAT, and the introduction of the TIN), and there has been a significant increase in revenues as a share of GDP during the period studied.

Reform initiatives requiring actions by large numbers of deconcentrated actors have been less successful than initiatives, under the responsibility of small groups of concentrated actors. For example, improvements in revenue management were largely the result of actions within the revenue management agencies and witnessed continuous progress over the period. By contrast, the two major reforms introduced under PUFMARP – the PFM reform programme spanning the period 1997–2003 – involving the introduction of a more policy-led medium-term budget process (the MTEF) and the introduction of an integrated financial management system (BPEMS) failed to embed these improved practices and procedures across the central government. Despite ample resources, these projects have not contributed to improved intermediate outcomes, nor prevented the deterioration in such outcomes.

Malawi

During a concentrated period from 2005 to 2008, Malawi was able to achieve significant improvements in its PFM system outcomes, but was not able to achieve consistent progress over the decade. By 2011, the quality of Malawi's PFM functions in 4 out of 6 clusters was above the median of 100 countries, and average scores within each of the 6 clusters improved from 2006 to 2011. However, outside of certain important legislative changes, the period 2001 to 2004 was characterised by a decline in PFM performance. Over 2009–2011, signs of deterioration have again emerged.

Over 2006 to 2011, progress in strategic budgeting was driven by improvements in systems to assess debt sustainability and by improved costing of sector strategies. Resource management was also significantly strengthened, due to improvements in revenue administration, debt management, cash manage-

31 A number of the improvements in outcomes were independent of the main PFM reform actions: e.g., the passage of the Appropriations Act before the end of the fiscal year improved the budget preparation process and the completion of a new Debt Sustainability Assessment (under IMF leadership) contributed to the improvement in Strategic budgeting.

ment, procurement and payroll management. For all of these, one can track a line from reform inputs to achieved outputs, to the improved intermediate outcomes. Similarly, the (more modest) improvements recorded in internal control, audit and monitoring and in accounting and reporting can be related directly to investments in the integrated financial management system (IFMIS), and in the Internal Auditing system.

However, there was also a PEFA assessment in 2008 and, when the relative changes in sub-dimension scores from 2006 to 2008 and 2008 to 2011 are compared, it appears that most of the improvement occurred prior to 2008, and that there was more deterioration between 2008 and 2011 than between 2006 and 2008. Between 2006 and 2008, 27 scores improved (equivalent to 45 % of scores that could improve; in other words were not an A already). Between 2008 and 2011, only 7 scores improved (15 % of the scores that could improve). Moreover, 35 % (or 20) of the scores that could deteriorate did so in the second period, compared to 17 % (or 8) in the first period.

The period prior to 2005 did include ‘de iure’ improvements in the form of legislative changes – notably, the approval of the Public Financial Management Act and the Public Procurement Act in 2003. However, the HIPC AAP assessments of 2001 and 2004 suggest that, overall, it was a period of decline in the quality of PFM systems.

2.4 THE PFM REFORM PROCESSES IN OVERVIEW: THE RESULTING C-M-O COMBINATIONS

We have used a “realist synthesis” approach (Pawson & Tilley, 1997; Pawson 2002) to address the higher-level questions posed in the terms of reference. As described in Chapter 1, this has involved a careful analysis of the combinations of Contexts (C), Mechanisms (M) and Outcomes (O) thrown up by the three country case studies and the nine case histories within them. The following emerge as the factors, which have been critical in determining the success or failure of reforms:

- In **Burkina Faso**, the deep, consistent and technically informed nature of political commitment to reform has been a fundamentally important contextual factor. PFM reform has been a high priority for Government since the mid-1990s and much of the groundwork for the improvements noted in the past decade were laid in the late 1990s. The incentives for careful planning and monitoring of PFM reform created by the Budget Support arrangements introduced in 2003 have also been important, as have the ideas and incentives provided by the WAEMU Commission. Budget Support funding has also facilitated the funding of PFM reform actions from the National Budget. On the negative side, the policy space for reform has sometimes been unnecessarily closed and the Development Agencies have not always been able to bring to the table an adequate knowledge and experience of PFM reform, most particularly with regard to the sequencing of budgeting reforms, involving programme budgeting and medium term

expenditure frameworks. Regarding mechanisms, two fundamental factors have been the establishment of a strong framework (the SP-PPF) for coordinating the implementation of reforms, and the development of a structured framework for channelling donor support to the programme, monitoring progress and managing dialogue with external and domestic stakeholders (the PRGB/ SRFP).

- In **Ghana**, the equivalent level of political commitment to reform has been absent, even though many core reforms were also initiated in the late 1990s. There has been no overt opposition to reform at senior political levels but political support has been distant, and rather passive, with PFM reform perceived as a technical, not a political issue. Thus, political leaders have neither taken care to ensure the appointment of good technical leaders for reforms, nor to intervene to correct design mistakes and to resolve the civil service “turf battles” which have periodically blocked reforms. Ghana has also suffered policy space constraints: in particular, its Development Partners did not offer an adequate range of ideas on international practise and on underlying change management issues. This had a major negative impact on the development of sustainable systems for multi-year budgeting (the MTEF) and for integrated financial management and accounting (BPEMS). In relation to mechanisms, Ghana’s PFM reform plans were fragmented and not systematically updated. Its coordination structures were also fragmented and did not have a sufficient level of authority to intervene to correct implementation problems, or to learn from mistakes. Although PFM reform constituted a significant part of the policy dialogue under Multi-Donor Budget Support (MDBS), these dialogue structures also proved ineffective as a framework for identifying and correcting mistakes in PFM reform design and implementation.
- **Malawi** enjoyed strong political support for the implementation of PFM reform over 2004–2009, as is evidenced by the nomination of strong technicians as Vice President and Minister of Finance, and the sourcing of significant domestic funding for PFM reform. But this support was not present at the beginning of the decade and has again weakened since 2009. A contributory factor in this pattern has been the significant, pro-reform influence enjoyed by the Legislature over 2004–2009, the only period in the decade when the Government did not have an overwhelming majority in Parliament. While Development Partners helped to establish the mechanisms to plan and coordinate reforms and provided harmonised financial support, they were not quick enough to perceive the window of opportunity offered in the 2004–2009 period. As a result, Malawi is the only country of the three to have suffered a financial constraint, where the pace of reform was significantly hindered by a lack of finance. Malawi also suffered policy space constraints, with a number of “best practise” reforms being pushed upon it, which were not appropriate to its institutional context, especially in the areas of procurement and internal audit. Malawi’s coordination structures were reasonably effective, even if the underlying plans were not always adequately prioritised.

Further nuance is added by the analysis of the 3 case histories within each of the three case study countries. Here, we provide the highlights, which illustrate the most important underlying trends:

- In **Burkina Faso**, the three case histories show one example of critical success factors all coinciding to produce a case history of outstanding success, one example of success constrained by limitations on policy space and one example of politically constrained success:
 - **The introduction of the *Circuit Intégré de la Dépense (CID)* and the progressive computerisation of the financial management system** is an example of a reform, whose simple design and gradualist approach to implementation were excellently adapted to the institutional and capacity context. The process started with the internal development (by 4 government computer programmers working alongside two long-term consultant programmers, financed by the World Bank) and introduction in 1996 of the *CID* module which integrates all steps of the expenditure process, from budget preparation to execution. Accounting and revenue modules followed (*CIE* and *CIR*) both of which were operational from 2000, and other modules have been subsequently added. Apart from the home-grown, gradualist approach to development, another feature has been a pragmatic approach to the degree of integration of the system. Instead of having all systems fully integrated in real time, which would demand a high degree and reliability of inter-connectivity, connections between most modules of the system are managed on a periodic basis (some nightly, some weekly) using a software tool, called *i-bus*. Whilst the development of the system has suffered occasional set-backs and problems³², the end result has been a relatively low cost, integrated financial management system, managed directly by the *Direction des Services Informatiques* of the Ministry of Finance, using systems appropriate to the needs and to the telecommunications infrastructure³³.
 - **The experience with programme budgeting (budgets-programme – BP) and with the related processes of sectoral and global CDMTs (MTEFs)** forms a sharp contrast to that of the *CID* and the computerisation process. Following a visit to Canada in 1997, the then Minister of Finance became interested in programme budgeting as a way of linking public spending to development results. With the support of the World Bank, *budgets-programmes*

32 Notably, the initial team who developed the *CID* departed prematurely and had to be replaced unexpectedly. In addition, the initial software used for the *CID* became obsolete and had to be upgraded over 2004/ 05.

33 The centralized system of public finance management, which has prevailed in Burkina Faso over the evaluation period, has meant that the number of required users of the system has been relatively small. As responsibility for commitment of expenditure (*engagement*) and authorization of payment (*ordonnancement*) become deconcentrated, more users will need to be brought onto the system, which will have implications for hardware, for interconnectivity and for training.

were launched in 6 pilot ministries in 1999 and extended to all ministries in 2000. However, the objectives were misunderstood by sector ministries, who used budgets-programmes as a method to demand additional resources rather than as a method for more efficient and transparent programming of existing resources. With the introduction in 2001 of the CDMT-Global as a tool to determine aggregate fiscal targets and define ceilings for budget preparation, the problem of using budgets-programmes as “wish lists” was resolved, but the fundamental purpose of the exercise remained unclear to most sector ministries. Given the evident lack of influence of the budgets-programmes, from 2004 onwards a number of donors pushed for the introduction of sectoral MTEFs (*CDMT sectoriels*). Unfortunately their introduction simply duplicated the BP process and caused further confusion at the sector ministry level. In 2008, a committee was established to review the experience and develop a revised approach to programme budgeting. It was led by the Ministry of Finance but included members of sector ministries and also drew on the advice of IMF AfriTAC. The Committee recognised the need to develop comprehensive guidance material. A small team of government staff was created to lead this process, working during 2010 with seven pilot ministries. In 2011 a new strategy document was prepared as well as two detailed methodological guides, and the process was extended to 16 pilot ministries. Thus, a structured and sequenced process to the introduction of programme budgeting, which looks appropriate to the institutional needs and capabilities, has now been adopted and is under implementation. Yet, the initial reforms led to 9 years of largely wasted efforts because of the failure to appreciate the complexity of programme budgets and the particular sequencing problems involved. The Government looked to its Development Partners for advice on these issues, and up until 2008 the response was fundamentally inadequate.

- **The reform of Revenue Administration in Burkina Faso** is the one area where there has been doubt over the degree of political commitment to reform. Certainly, in terms of achieving the essential objective of increasing the proportion of GDP collected as domestic revenue, these reforms have been less successful than others and there have been several World Bank and IMF reports pointing to a lack of government commitment to revenue reforms. A more careful analysis shows that there has been political support for certain reforms but not for others. There is a clear concern within Government over the political costs of removing exemptions on VAT items, as well as on the agriculture and mining sectors. By and large, these exemptions have not been removed, despite the pressure that has been exerted by donors to have them removed. On the other hand, significant improvements have been made in the quality and efficiency of revenue administration, including the introduction of a single tax identification number (*Identifiant Financier Unique – IFU*), the

establishment of a large taxpayers division (*Direction des Grandes Entreprises*), the successful introduction of three inter-linked computer systems (SYDONIA, SINTAX and CIR), and a major reform of tax legislation (in 2010). These reforms could not have been introduced and sustained without an internal commitment to these reforms – at both political and administrative levels. Thus, the Government has been committed to modernising and improving the efficiency of tax administration but it has chosen, for political reasons, to proceed slowly with the expansion of the tax base. A failure on the part of the Development Agencies to appreciate and accept this has created an unnecessarily high level of transaction costs in the management of the revenue reform programme, as well as inefficiency in the provision of external technical assistance.

- In **Ghana**, two case histories highlight the problems of inadequate policy thinking on PFM reform but also the difficulty of learning from mistakes and adapting reform designs in a context where reform coordination is weak and political leadership largely absent. The third case shows that good progress can sometimes be made in such contexts, where there is political commitment, good technical leadership and an adaptive, flexible approach to implementation:
 - **The Budget Planning & Expenditure Management System (BPEMS)** was introduced under the PUFMARP programme in 1997. It was intended as an integrated system to manage the full cycle of expenditure from budget preparation to budget execution to the preparation of accounts. It was also intended to be comprehensive, eventually covering all central government expenditure. The chosen system was Oracle Financials, a system designed for the corporate market, which it was understood would require substantial customisation. In retrospect, the project design was criticised for being technology-driven, and more specifically for giving insufficient attention to change management issues, and to the assessment of capacity constraints and training needs. It was also criticised for adopting an ambitious “big bang reform” approach rather than a more gradual, “incrementalist” approach. In these respects, BPEMS suffered from a significant “policy space constraint”: later internationally funded IFMIS initiatives in other parts of Africa addressed change management, capacity and training needs much more explicitly and exhaustively but Ghana perhaps suffered from being a pioneer of such projects³⁴. Yet, what is more striking is why changes were not introduced, why did the project management team

34 Fyson (2009) presents cogent arguments to suggest that this inappropriate project design was not simply an imposition by the World Bank funders and their consultants: the “state of the art” model was one to which senior Government officials strongly aspired, to the extent that they opposed simplification of the design when this was first mooted by the World Bank in 1999. We examine these arguments more fully in Chapter 3 below.

not learn from mistakes? The simple answer is that there were fundamental weaknesses in the structure of the project management team, which prevented this happening. BPEMS was initially managed through the PUFMARP project implementation unit, who had neither functional responsibility for budget execution and accounting processes nor operational responsibility for reform implementation, which was sub-contracted to different sets of consultants. This resulted in the project being distanced from its principal client departments (CAGD and the Budget Department) but also in a project management framework where accountability was blurred and the role of government distinctly limited, especially because the PUFMARP PIU itself comprised of consultants rather than government staff³⁵. These problems were compounded by the lack of clear political leadership over the process. Although in the late 1990's the NDC Government had expressed support for PUFMARP as a whole and for IFMIS in particular, they were content to retain an arm's length relationship to its management³⁶, rather than ensuring that a clear champion (such as the Accountant General) was nominated to lead the process. When the government changed after the 2000 elections, the incoming NPP Government introduced new staff throughout the hierarchy of the Ministry of Finance which brought major disruptions and delays, but the new government also failed to nominate a clear government champion to lead the process. The project management structure thus remained unchanged until PUFMARP ended in 2003, when responsibilities were formally transferred to a BPEMS secretariat placed within the CAGD. By this stage, the lack of progress in the development and roll-out of the system had led to the withdrawal of external funding. Although Government took over funding at this stage, the underlying design, management and leadership problems were never satisfactorily resolved. By 2010, despite an investment outlay in excess of US \$ 20 million, the system was not operational in any of the 8 pilot MDAs. Moreover, much of the software and hardware had by this stage become obsolete. With the change of government after the December 2008 elections, a full review of the project was undertaken in collaboration with the World Bank, and a new \$55 million project to install a new financial management system (GIFMIS) was agreed in 2011.

- **Ghana's Medium Term Expenditure Framework** was another pioneering venture for PFM reform in Africa. In common

35 A Donor official quoted in Fyson (2009) said that, "The PMU had no authority – it was like an island by itself. The consultants report to the Minister, the Deputy & the Chief Director but in a real sense they don't have any authority to do anything because they are all consultants."

36 The PUFMARP newsletter of 1997 explained the management responsibilities as follows: "consultants are responsible for developing and implementing the various components, while at the same time transferring skills to Project Implementation Teams, comprising of Government of Ghana counterparts."

with BPEMS, it also suffered from a “policy space” constraint, being modelled on an idiosyncratic vision of an MTEF, which did not take adequate account of wider international experiences nor of the difficulties of sequencing and reform coherence which were likely to be thrown up by the Ghanaian context. In a narrow sense, the outputs of the MTEF reforms, measured against the initial project specification, were to a large extent met, and after initial donor funding finished have been subsequently sustained. However, measured against the requirement to establish a more realistic and strategic, medium term budgeting process, the targeted outcomes are a long way from having been achieved. The reform design was idiosyncratic in two respects: firstly, it placed emphasis on the “bottom-up” elements of an MTEF (programme-based budgeting, detailed costing of plans, integration of aid-financed projects) and barely mentioned the upstream elements of an MTEF (macro-fiscal framework, strategic policy and expenditure review processes) that are conventionally seen as the initial priorities in establishing a robust MTEF process. Secondly, it adopted an activity-based budgeting approach to the development of multi-year budgets, which generated voluminous, highly detailed documents, which made it difficult to discern the strategies and priorities underlying MDA budgets, thus effectively defeating the purpose of the exercise. Whilst concerns over the direction of the MTEF were raised in annual reviews and most explicitly in the PUFMARP Implementation Completion Report, the approach remained unchanged until very recently with the decision in 2010 to replace activity-based budgeting with a more strategic, programme-based budgeting approach. Why this persistence with an MTEF model which was not delivering a strategic approach to budgeting? Again, the answers relate predominantly to the mechanisms chosen for project management and the overall political context for the reforms. The MTEF reform operated as a separate sub-project within PUFMARP, under an MTEF Project Unit, housed inside the Budget Department of MoFEP. Because funding was provided directly by DFID, the MTEF component operated relatively independently of the PUFMARP PIU. This degree of autonomy was helpful in generating strong ownership for the reforms within the Budget Department but undermined coordination with other departments of MoFEP and other components of PUFMARP. For example, the Economic Policy & Forecasting Division of MoFEP should have played a much stronger role in the MTEF reforms. Linkages with BPEMS should also have been promoted. Yet, the most significant weakness of the management arrangement was that, in common with BPEMS, it left the primary responsibilities for reform design and implementation in the hands of consultants. Again, in the absence of a political impetus for the MTEF, senior decision-makers did not intervene to change this.

- **Ghana's Revenue Administration reforms** were introduced under PUFMARP 1997–2003, under DFID and World Bank funding and continued under the support to the Revenue Agencies Governing Board (RAGB – later the GRA: Ghana Revenue Authority) provided by GTZ/ GIZ from 2003. Without a doubt, these reforms comprised the most successful component of the overall PFM reform programme. They permitted the re-introduction of VAT in 1998 (following the initial failed attempt in 1995) and the progressive increase in rates from 10 % to 12.5 % and subsequently to 17.5 % (with the inclusion of the National Health Insurance Levy and the Ghana Education Trust Fund Levy), as well as the introduction of the Tax Identification Number (TIN), the creation of the Large Taxpayers Unit (within GRA), the creation of the Tax Policy Unit (within MoFEP), the computerisation of internal management systems, and the initiation of the merging of the three revenue departments into the Ghana Revenue Authority. Together, these reforms have permitted a significant, and sustained increase in tax collections as a percentage of GDP, whilst also reducing administrative costs and improving the rate of collection of tax arrears. There are a number of factors, which seem to have been critical to these successes. Firstly, there has been a strong political interest in raising tax revenues, illustrated by the active engagement of two Presidents (Rawlings and Kuffour) as well as Government Ministers and Parliamentarians of both NDC and NPP in the process of re-introducing VAT, in the subsequent rise in rates, and the subsequent incorporation of the National Health Insurance and Education Trust Fund levies into the VAT process. There has also been political support to the process of creation of the GRA, which ensured that the in-fighting between the 3 former revenue departments became a temporary rather than a permanent obstacle. Secondly, reform management structures were directly integrated within the appropriate government structures. Thus, there was no specific “revenue reform unit”, independent of the RAGB/ GRA. Thirdly, the approach to the design and implementation of reforms has been incremental and responsive to circumstances, creating a “learning approach” to implementation. An example was the approach to the re-introduction of VAT in 1998, which sought very deliberately to correct the mistakes made during the failed launch of 1995. More recently, GIZ's assistance to the process has been structured in 3-year tranches, incorporating a participatory review of past progress, leading to joint development of the new 3-year programme.
- In **Malawi**, two case histories show the difficulties of applying “international best practice” in contexts of weak organisations and scarce technical skills, while the third case illustrates that institutional, financial and initial design constraints can be overcome where there is strong political and technical leadership:

- **Malawi's Procurement reforms** provide an excellent example of “international best practice”, gone wrong. In 2003, the GoM enacted the Public Procurement Act, which in essence created a decentralised procurement system. It provided for decentralisation of public procurement decisions and responsibility to procuring entities, the establishment of a procurement cadre as a new professional stream within the civil service, a new set of procurement methods, and the creation of the Office of the Director of Public Procurement (ODPP) as the body responsible for regulation and monitoring. By mid-2011, most of the architecture of the new procurement system was in place, as a result of the reform outputs, generated with domestic and external funding. However, for the most part, the procurement system in 2011 remained non-functional. The 2011 PEFA assessment scored it as a D+. The 2009 Compliance assessment undertaken by the GoM found that: while entities had procurement entities, these were often recreated stores units without the necessary procurement skills; not all members of procuring units had been orientated on the regulations governing procurement and where they had, they did not put into practice what they had learnt; there were several problems with the functioning of the IPCs, including that in some cases the controlling officer still had final decision-making power; and the ODPP itself faced significant staff constraints. In short, the significant shortages of trained staff within the civil service, combined with the persistence of hierarchical modes of working, limited accountability and a culture of frequent disregard of rules had made it impossible to implement the ‘best practice’ model of decentralised procurement, despite the extensive financial outlays.
- **The modernisation of the Internal Audit function** has been another important component of Malawi's PFM reforms, supported by several Development Agencies. Again, its success has been constrained by the inappropriateness of the models, which dominated the reform agenda (a “policy space” constraint) and by the inconsistency of political support. The Internal Audit Act of 2003 sought to establish a comprehensive internal audit service, which would report to the controlling officers of each ministry, whilst respecting a standard set of norms for the conduct of audit work and a risk-based approach to the programming of activities. The need for a modern risk-based internal audit function was acknowledged by the GoM in PFEM planning documents. Yet, the roll out of reform activities and outputs beyond establishing the Central Internal Audit Office, Internal Audit units and committees in ministries, departments and agencies, has been funded if not driven by donors, without much financial input by the GoM beyond covering the recurrent costs of internal audit units. As of 2011, key enabling documents such as the Internal Audit Guidelines and Charter are ready for implementation, but formal sign-off by the GoM has been pending for some time. However, the limited political support for Internal Audit reforms is perhaps not

the most important constraint to their implementation. In the face of dramatic staff shortages, it is difficult to see how a decentralised internal audit function might work. At the end of 2010 the establishment for internal audit services was 129, out of which 99 posts were filled. However, the Government's functional review recommended 364 posts for the service to function effectively. This would mean 265 vacant posts for Internal Auditors. In short, there remains a fundamental policy problem, which has still not been adequately addressed.

- **The development and installation of the Malawi IFMIS over 2005–2009** is a striking success story, which powerfully illustrates the importance of political will and good project management. The GoM's first effort to develop an IFMIS started in 1996. By 2004, at least US \$ 8 million had been spent but a 2004 review found that while outputs were in place, these outputs in combination did not add up to a functioning system. After the change of government, the incoming President Mutharika put control over government spending at the centre of an economic governance reform programme. This meant putting in place a functional financial management system, which would end controlling officers' discretion to spend beyond budgeted appropriations, and would give the centre continuous access to reliable information on spending. A new Accountant General was appointed (the current Auditor General), with a mandate to do whatever was necessary to get the system in place. By May 2005, it was decided that the 21 issues identified in the 2004 review as essential to rescue the existing Coda-based system could not be resolved and that the GoM would replicate an Epicor-based system from Tanzania, where the system was already in place. It was also decided to recentralise payments using the IFMIS. Five linked bank accounts were opened at the central bank and 150 commercial bank accounts were closed. Thereafter, the core IFMIS outputs were delivered within 18 months of the 2004 election, and rolled out to all national ministries within 26 months, on a completely new platform. This was after 8 years of previous investment that had not resulted in a functional combination of outputs. Respondents argued that the reason for the focus was the urgency assigned by the central political leadership to gain control over expenditure. Fundamental to the whole success was the fast replacement of the former Accountant General with an action-orientated and experienced PFM person, whose actions were backed by the Secretary to the Treasury, the Minister of Finance and the President himself. In addition, US \$14 million of government funding was provided for the process. A 2007 East Afritac Review of the system found that "implementation of the Epicor system, to date, has been an impressive achievement particularly when viewed against similar international experience". In addition to political commitment, it acknowledged that much of the success could be attributed to a streamlined project management

approach, flexible project governance structures that enabled fast policy decisions concerning implementation, and limited software modification or customisation.

Table 7, included within Chapter 3, presents a systematic summary of the 9 case histories, which have been described above. Following the overview provided in this chapter, we examine in more detail in Chapter 3 those aspects of the **context** for PFM reform, which appear to have been most critical, and in Chapter 4 the critical aspects of the **mechanisms** adopted for coordinating, managing and financing reforms.

3. Successful PFM reform: what is the right context?

3.1 INTRODUCTION

This chapter examines in detail the implications of our findings regarding the context for successful PFM reform. Specifically, we ask what have been the critical factors driving or blocking change in each of the study countries. We start by considering the results as a whole, evaluating their implications for the programme theory underpinning the evaluation framework. We then focus on the two factors which stand out as being of critical importance in creating a context for successful PFM reform, firstly the issue of political commitment and leadership, and secondly the question of policy space: the depth, breadth and suitability of the menu of ideas which shape the design and implementation of PFM reform.

An overview of the C-M-O (Context-Mechanism-Outcome) combinations identified from the nine case histories analysed at the country level is presented in Table 7. The table draws from the more extensive analyses presented in the country studies themselves. The previous chapter provided a summary of the results of the analysis, but the more detailed analysis in Table 7 is included here as a key point of reference for the conclusions we have reached regarding the most important contextual factors for successful PFM reform.

Table 7. Overview of PFM Reform in the Case Study Countries: the C-M-O Combinations

	CONTEXT	MECHANISMS	OUTCOMES
BURKINA FASO	<p>EQ 8: Political commitment has been (i) consistent and long-standing, (ii) deep, and (iii) technically informed. Financing has been sufficient. Some limitations on policy space, esp re. Programme Budgets.</p> <p>EQ 3: Limited & inconsistent use of country systems.</p> <p>Budget Support 31% of ODA, 12% of public spending, but unpredictable within-year disbursements. BS dialogue helped to institutionalise reform monitoring process but conditionality not influential.</p> <p>EQ 4: Civil Society & Legislature uninfluential but WAEMU Commission a significant influence through peer pressure & directives on PFM.</p>	<p>EQ 2: strong coordination arrangements, based upon an integrated reform programme (PRGB/SRFP), endorsed at Cabinet level, led by Secretariat (SP-PPF) of high calibre staff, reporting to Minister of Finance, with harmonised framework for support to reforms.</p> <p>EQ 5: Reform inputs relevant in targeting identified areas of weakness, addressing reform issues of interest to the political leadership, and in adapting to institutional constraints. Active learning and adaptation process.</p> <p>EQ 7: Most outputs in GoBF's PFM reform programme (PRGB/SRFP) delivered, without excessive delays. TA not linked to outputs in PRGB/SRFP considerably less efficient. Reform sequencing generally good, with gradual development of integrated FM system exemplary. Sequencing of programme budgets/MTEF reforms was wrong but corrected late in period (2008–2011).</p>	<p>Burkina Faso's PFM reform programme has been successful in generating improvements in every key aspect of public finance management. By 2010, PFM systems in 5 out of 6 clusters were scored at levels on or above the third quartile of the sample of 100 countries, and the remaining one, External accountability, was at the median level.</p>

	CONTEXT	MECHANISMS	OUTCOMES
GHANA	<p>EQ 8: Despite initial enthusiasm for PUFMARP, political commitment to PFM reform was never deep (PFM reforms seen as “technical”) and fluctuated over the electoral cycle. As a pioneer of MTEF & IFMS, Ghana suffered from limited policy ideas, which underestimated reform complexity/change management implications. Financing sufficient.</p> <p>EQ 3: Limited & inconsistent use of country systems. Budget Support 29% of ODA, 9% of public spending, with improving predictability of disbursements 2004–2009. BS dialogue helped to improve reform monitoring + level of debate but failed to solve big problems with BPEMS & MTEF. PFM “trigger” conditions not influential.</p> <p>EQ 4: Limited domestic pressure for PFM reform but opening to public of PAC hearings has led to pressure on PAC to increase its technical capacities. Regional peer-to-peer experience-sharing cited as important in enabling GoG officials to access Int. experience, e.g. CABRI.</p>	<p>EQ 2: Two reform programmes: PUFMARP 1997–2003 & ST/MTAP 2006–2009 with 3 year gap. Neither plan was systematically updated on annual basis. Revenue & Audit reforms managed outside of these frameworks. PUFMARP reported to Deputy Minister of Finance & had a project implementation team, later converted into Budget Devpt Unit within Budget Division.</p> <p>EQ 5: Reform inputs were relevant in targeting identified areas of weakness but BPEMS & MTEF not well adapted to technical & system constraints & did not address change management. Overall, learning and adaptation very slow.</p> <p>EQ 7: Outputs on BPEMS never delivered in functional form, & IPPD2 delivered with 4-year delay, with incomplete coverage. Procurement reforms never completed. MTEF outputs delivered but inappropriate to end objective. Internal & External Audit reform outputs delivered but improvement in functionality still modest. Revenue reforms successfully & efficiently delivered.</p>	<p>Ghana showed only limited improvements in PFM intermediate outcomes over the period. Even though PFM reform spending was concentrated in 2000–2006, in 5 out of 6 clusters, PEFA scores in 2006 were worse than the median of 100 countries. Over 2006 to 2010, improvements in strategic budgeting also brought it above the median but scores in 2 other clusters deteriorated, and there was no improvement in the poor quality of accounting and reporting. Relative to the significant funds expended on PFM reform over the period, progress has been poor. Most substantial success has been in strengthening the legislative base but the Government has experienced significant challenges in implementing the new laws. Otherwise, most effective reforms have been in revenue management, which have led to the successful introduction of VAT, and the introduction of the TIN, and a significant increase in revenues as a share of GDP.</p>

	CONTEXT	MECHANISMS	OUTCOMES
MALAWI	<p>EQ 8: Extent and nature of political constraints has varied by reform area and by reform period. In some PFM functions (e.g. Internal Audit), lack of political support has resulted in an under-supply of necessary outputs. In others such as IFMIS, political support has ensured the minimum level of outputs necessary for PFM functionality. There has been a high focus on putting in place laws, rules, systems and procedures that follow international best practice, and a lack of consideration for the skill and the organisational change requirements for their implementation. This over-emphasis on international best practice is interpreted as a policy space constraint. Over 2004–2007, production of reform outputs was slowed down by financial constraints. Arguably, donors did not step up their support sufficiently in the 2004 to 2009 reform window.</p> <p>EQ 3: Limited & inconsistent use of country systems. Increasing use of SWAp arrangements. Budget Support</p>	<p>EQ 2: Establishment of formal structures to coordinate PFM reforms (PFEM steering committee, technical committee and unit, and various working groups) was important in creating capacity to support ownership and leadership of reform plans. The GFEM group – and CABS – provided a structure to harmonise donor PFM inputs. However, until 2010, the PFEM Action Plan was an amalgam of individual reform interests, not a coordinated and sequenced response to PFM weaknesses.</p> <p>EQ 5: Reform inputs were directed at PFM weaknesses, but PFM reform models not sufficiently adapted to the institutional context. Reforms in procurement, internal audit and budgeting followed international best practice, but were not suited to a context in which technical and managerial skills were scarce, and difficult to recruit or to retain when trained. Less sophisticated reforms might have generated greater improvements in functionality.</p> <p>EQ 7: Up to 2004, reforms were inefficient on account of low reform output compared to targets and inputs. Over 2004–2009, consistent</p>	<p>During a concentrated period from 2005 to 2008, Malawi achieved significant improvements in PFM outcomes, but was not able to achieve consistent progress over the decade. By 2011, the quality of Malawi's PFM functions in 4 out of 6 clusters was above the median of 100 countries, and average scores within each of the 6 clusters improved from 2006 to 2011. However, apart from legislative changes, 2001 to 2004 saw a decline in PFM systems. Over 2009–2011, signs of deterioration have again emerged.</p> <p>Nevertheless, major reform outputs were delivered over the period, signalling significant change in the capacity for budget preparation, budget execution and audit. Most outputs put in place had external support but the effect of the political change in 2004 and the degree to which it drove reforms from within is significant. In retrospect, among the reform achievements of the GoM, the procurement and roll-out of an IFMIS</p>

CONTEXT	MECHANISMS	OUTCOMES
<p>increasingly important over period reaching 40% of ODA in 2008, before being suspended by DFID and other agencies over 2010–2011. BS dialogue helped to formalise the PFM reform action plan and had a heavy influence on its content, but PFM “trigger” conditions not influential.</p> <p>EQ 4: Domestic pressure for reform played a role in putting procurement reform and effective external audit on the reform agenda. Pressure of the Legislature also considered important in President Mutharika’s 1st term in sustaining pressure for reform. Political impetus for PFM reforms is said to have weakened in 2nd term with a majority in Parliament and no 3th term to contest. Learning from regional experiences and international standards has broadened the policy space for reforms.</p>	<p>progress was made against targets but reform resources and capacity were thinly spread and there were regular gaps between actual and planned processes, due to lack of realism in reform planning. Typically outputs of people, skills and organisational change were not produced or not produced in sufficient quantities.</p> <p>The quality of coordination of reforms was poor for almost the full period, even if it improved after the creation and capacitation of coordination structures.</p>	<p>that functions stands out as perhaps the most significant change, supporting a series of further secondary reforms. Yet, this functionality was achieved with relatively little direct external support.</p>

3.2 REFINING OUR PROGRAMME THEORY

The ‘programme theory’ underlying the evaluation framework is explained in Chapter 1, where it is illustrated in Figure 1 and, in more simplified form, in Figure 2. The theory postulates that seven factors interact to generate PFM reform outputs, which in turn should permit the achievement of PFM reform outcomes. These factors are (i) the externally and (ii) domestically financed inputs to PFM reform and five contextual factors, namely (iii) complementary inputs by Development Partners, (iv) demand-side pressures for PFM reform, (v) political leadership and commitment to reform, (vi) financing space for reforms and (vii) policy space for reforms.

The results emerging from our country studies and case histories now allow us to make some judgements on the relative significance of each of these factors:

- **The overall level of financing for PFM reform inputs was only loosely correlated with achievements** in terms of improved outcomes. Each of these countries saw broadly similar levels of investment in PFM reforms, yet outcomes were considerably better in Burkina Faso than in the other two countries.
- **Government funding for PFM reforms was substantial and frequently substituted for donor funding.** In each country, we estimate that Government funding amounted to 30–50 % of total funding for PFM reform efforts over the ten-year period. Moreover, when donor funding for reforms, which did enjoy political support, was stopped or stalled, national budget funding was often procured. The outstanding example is the US \$14 million spent by the Malawi Government on its IFMIS over 2004 to 2009, but each of the three countries exhibited high levels of government funding for PFM reform (See Table 5, above.)
- **The level of Donor funding for PFM reforms seems to have been more poorly correlated with outcomes than Government financing.** The quality of the data is not sufficient to generate a precise mapping from funding sources, to reform outputs and reform outcomes and, in each of the three countries, reform initiatives were often jointly financed by Government and its external partners. Nevertheless, Government funding does appear to have been allocated to genuine reform priorities. By contrast, a significant proportion of donor funding was directed towards technical assistance activities, which were outside of the Government’s PFM reform priorities and for which there was no political support and commitment. These activities resulted either in reports, which generated no real output or in outputs, which never achieved full functionality³⁷.
- **The space for domestic funding of PFM reforms was considerably expanded by the inflows of General Budget Support (GBS).** In Burkina Faso and Malawi especially, but to a degree also in Ghana,

37 We discuss in Chapter 4, section 4.3 the reasons for the continued inability of the management mechanisms to prevent technical assistance initiatives outside of the agreed PFM reform programme from proceeding.

GBS provided much higher levels of discretionary budget funding³⁸ than there would otherwise have been.

- **As a consequence, limitations in “financing space” were generally not a constraint to the implementation of reforms.** This was both because donor funding was generally abundant, and because government funding was available to substitute for external funding where necessary. The one partial exception to this finding is Malawi during the period 2004–2009, when higher levels of external financing could potentially have been useful, given the favourable reform climate of this period.
- **Complementary actions by donors to promote increased use of country systems were generally not effective.** In several cases, problems arose because country systems were partially, rather than fully adopted. Thus, a number of common basket fund or trust fund arrangements were created to earmark funding to certain areas of public spending, such as the HIPC trust fund in Burkina Faso, targeted to “poverty reducing” spending, and “SWAp arrangements” for education, health or water in each of the three countries. In the country studies, most of these funds were reported to have created difficulties in disbursement, budget execution and financial reporting. Disbursements of Budget Support were also frequently later than projected, notably in Burkina Faso and Malawi, creating treasury management problems for government.
- **Structures created for PFM reform monitoring and dialogue under Budget Support were effective** in accelerating the preparation of comprehensive PFM reform plans, in facilitating the monitoring of progress and in promoting harmonised external support to PFM reform. By contrast, efforts to use Budget Support conditionality to promote faster progress in PFM reform or the adoption of new reform measures were not successful and, in some cases, undermined the effectiveness of the monitoring arrangements³⁹.
- **Civil Society Organisations were not a significant influence over the content or the pace of PFM reform.** Although the country studies did not explicitly examine the influence on the quality of PFM of national professional associations (e.g. of accountants or auditors) or of user

38 By “discretionary”, we refer to domestic funding over which the Government has genuine allocative choice. A high proportion of budget funding in Developing Countries needs to be assigned to expenditures over which there is little or no discretion, such as debt servicing, the funding of constitutional office holders, pension obligations, public sector salaries and essential operating & maintenance costs. One of the most significant contributions of Budget Support is to increase the space for discretionary spending.

39 The evaluation of Ghana’s Multi-Donor Budget Support arrangement (Lawson et al, 2007) noted that in 2005 and 2006, the Government of Ghana claimed much faster levels of progress in the roll-out of the BPEMS system than were actually being achieved, probably influenced by the fact that this was a “trigger condition” for Budget Support. The truth emerged in 2007, when the MDBS donors agreed to waive the BPEMS trigger as ‘no longer relevant’. The evaluation team considered that the use of conditionality had inhibited full and frank discussion of the problems at an earlier stage.

groups (e.g., for public education or health services), the country studies found the influence of CSOs as a whole to be minimal, even though they did participate directly in Burkina Faso's steering group for PFM reform (monitoring the SRFP), and in related Budget Support and PRSP review processes in all three countries. Perhaps the most powerful illustration of their limited influence is the fact that in the most recent PEFA assessments none of the study countries scored higher than a "C" on public access to fiscal information.

- **The role of the Legislature in promoting PFM reform was also generally limited.** In Burkina Faso, all stakeholders interviewed agreed that the Legislature's influence on the pace and content of PFM reform had been wholly insignificant. In Ghana, the public hearings of the Public Accounts Committee were reported to have been influential in increasing pressure for continued improvements to external audit, but no influence on other aspects of the PFM reform programme was reported. In Malawi, it was considered that the pressure of the Legislature had helped to focus attention on PFM reform over the 2004–2009 periods, but it was not a decisive influence and did not persist after the 2009 elections, when the President's DPP party won a parliamentary majority.
- **Regional bodies did significantly influence the content of PFM reforms, most notably the WAEMU Commission.** In Burkina Faso, the decision to establish an independent *Cour des Comptes* (Court of Accounts) in 2000 was reported to have been influenced by the WAEMU's adoption of a directive requiring an independent audit function. The more recent moves to deconcentrate authority for the authorisation of expenditure and to introduce a programmatic classification were also attributed to the influence of the new WAEMU directives on these issues. In Ghana and Malawi, regional professional associations, such as AFROSAI, and peer-to-peer experience sharing networks, such as CABRI, were reported to have had a positive influence over the design of PFM reforms.
- **The most significant contextual influence on the success of PFM reform was the nature and form of political support to PFM reform.** However, political support and opposition to reform was seen to come from different places for different types of reforms and even in Ghana, where the lack of active support was identified as an impediment to reform, it proved possible to achieve considerable success in the reform of revenue administration. Thus, it is essential to understand exactly how and why the nature of political support can be influential – an issue we examine in detail below.
- **The other key constraint to successful PFM reform lay in the limited policy space available to countries in designing and implementing PFM reform interventions.** By "policy space", we refer to the depth, breadth and suitability of the menu of ideas, which shape the design and implementation of PFM reform: in all three countries, specific policy directions were pursued over long periods, even though, when viewed retrospectively, they were obviously wrong or inappropriate. This was particularly the case with regard to reform policies on

budgets-programmes and *CDMT* sectoriels in Burkina Faso from 1998–2008, the MTEF and BPEMS in Ghana under the PUFMARP, and reforms on procurement and internal audit in Malawi. Whilst political and institutional factors must play a role in the persistent application of inappropriate reform models, common to all of these examples was the fact that at the outset government authorities were presented with a limited range of options by their Development Partners and were not encouraged either to consult or to reflect more widely on the choice of reform models. This “policy space constraint” is examined in detail in section 3.4.

3.3 WHY AND HOW IS POLITICAL COMMITMENT TO PFM REFORM IMPORTANT?

It is an accepted truth that technical ownership and leadership of reforms is necessary if they are to succeed. Our case studies suggest that **in relation to PFM reform, technical ownership and leadership is a necessary but not sufficient condition for success**. It needs to be backed up by a political commitment to those reforms. Why is this? And what form does that political commitment need to take? These questions must be addressed if we are to formulate a more refined hypothesis regarding political leadership of PFM reform – informed by our empirical case studies.

It is instructive to start with a comparison of the professional backgrounds and career paths of the Ministers of Finance in each of the three countries. Tables 9, 10 and 11 in Annex One present this data in detail. Clear patterns emerge in the selection of Ministers of Finance in the three countries:

- In terms of professional backgrounds, the Ministers of Finance who have served in these countries over the past 15 years can be said to have appropriate and generally strong professional training. Most have been accountants, public administration specialists, economists or bankers. The one obvious exception is Malawi’s Friday Jumbe (Minister of Finance, 2000–2004), who was brought into Government by President Muluzi because he was a senior Party member of UDF, rather than because of his technical background.
- Burkina Faso’s Ministers of Finance have all been brought up through the ranks of the Ministry of Finance or the Central Bank. One was a former Governor of the Central Bank before becoming Minister of Finance, the most recent three Ministers of Finance were all previously Deputy Ministers of Finance and two of them had held senior civil service positions in the Finance Ministry. Thus, the current Minister of Finance, Lucien Bem-bamba, has been in senior positions within the Ministry since 1993.
- In Ghana and Malawi, by contrast, Ministers of Finance have generally been selected from Party ranks, from the banking sector or from academia. They would thus all have arrived into the post with less knowledge of the specifics of the PFM system in their countries than their counterparts in Burkina Faso.

- Burkina Faso's Ministers of Finance have also remained in influential positions, after finishing at the Ministry of Finance. Two of them went on to be Prime Ministers and one became Deputy Governor and then interim Governor at the BCEAO. Thus, from the day of his appointment, Lucien Bem-bamba, the current Minister, enjoyed the support of one ex-Minister of Finance as Prime Minister, and another at the Central Bank.
- This degree of continuity is not present in Ghana. In part, this is due to the alternation of power between the NDC and NPP parties but even when the same party has remained in power, ex-Ministers of Finance have not remained in Government. Dr Kwesi Botchwey, after his retirement in 1995 took up a series of international positions, while Hon Yaw Osafo Maafo was only briefly Minister of Education in the second Kuffour Government before returning to the private sector.
- Malawi has shown more continuity than Ghana, most particularly during 2004–2009, the period when most progress was made with PFM reforms. Dr. Cassim Chilumpha, who had been Finance Minister over 1998–2000 was brought into Government as Vice-President, while Dr. Goodwill Gondwe, an economist who had held senior positions in the IMF, was made Minister of Finance. In a sign of the change of direction after the 2009 elections, Dr. Chilumpha left Government and Dr. Gondwe was effectively demoted to the Ministry of Local Government, before leaving Government and being brought back as Minister of Energy in 2011.

These differences go a long way to explain the different levels of political commitment to PFM reform, which we have observed across the three countries. Political commitment to reform has been at the heart of Burkina Faso's success in implementing its PFM reforms. This political commitment has been:

- I **Consistent and long-standing** – the current Minister of Finance has had a senior role in PFM reforms since 1993, as have many of his staff within the ministry;
- II **Deep** – the Minister of Finance enjoys support for the PFM reform agenda from the President but also from the Prime Minister and the Interim BCEAO governor; he can also rely on a strong team of technicians within the SP-PPF, the secretariat coordinating the reforms, and amongst the Directors within MoF and other ministries actually implementing reforms, a number of whom would have been his former civil service colleagues; and
- III **Technically informed** – for most of the reform period, the people occupying the posts of Minister of Finance and Prime Minister have been PFM specialists. There has also been an active process of engagement of other Ministers in the PFM reform, through the approval by the Council of Ministers of the current and the previous PFM reform plans (PRGB & SRFP).

At an operational level, in what way has this type of political commitment made a difference to how efficiently and effectively PFM reform has been implemented? Clearly, it would have facilitated approval of national budget-

ary funding, whenever this has been necessary. It would also have helped to prevent, or at least minimise, the hindrances created to PFM reform by inter-departmental “turf disputes”. Yet, perhaps the most important operational consequence has been that institutional heads and Directors General in MoF and elsewhere have either been deliberately selected because of their ability to lead reforms or have quickly understood that future career development would be influenced by their ability to learn how to deliver on the reform agenda. In short, in Burkina Faso, political commitment has served to create a commitment to reform amongst managers and technicians.

By contrast, in Ghana, successive Accountants General were content to allow a major reform of financial management (BPEMS) to be planned and managed by consultants, without intervening to ensure that the design was appropriate and to correct implementation problems. If their political masters had been genuinely committed to the BPEMS reform, it seems quite inconceivable that this would have been allowed to happen. Fyson (2009) expressed this as follows:

‘It is not surprising that consultants should have been at the forefront of the knowledge transferred but what was astonishing was the total lack of government participation in defining and shaping that knowledge to Ghana’s needs.’

In Malawi, Bakili Muluzi’s second term as President over 1999 to 2004 was the low point of the PFM reform programme. This term saw a progressive decline in the quality of fiscal management, increasing corruption and generally declining standards of public management (Barnett, Chisvo et al., 2006). It was characterised by macro-economic instability caused by unsustainable fiscal policies but also by institutional weakening with political loyalists (such as Friday Jumbe) appointed to head ministries and run key institutions such as the electoral commission (Booth, Cammack et al, 2005, p. 25). Corruption became widespread with many civil servants copying the behaviour of senior officials and politicians, demanding fees for public services for private gain. Thus, the political leadership set the tone for how civil servants could behave, making it difficult for a commitment to reform to be protected within the civil service.

Clearly, the combination of positive factors listed above has been difficult to bring together within the more competitive political environments of Malawi and Ghana. It would require a more independent civil service, so that greater continuity could be maintained amongst senior officials within the Ministry of Finance and elsewhere, despite changes of government. It would also need a greater level of cross-party agreement on public finance management and reform, so that consistent support for the most important PFM reforms could be obtained. However, these changes are difficult to achieve in contexts where party politics must necessarily occupy much of the time and attention of the President and the senior Ministers.

Over the past decade, the most successful cases of PFM reform in Ghana and Malawi have emerged when it has been possible to overcome these inherent obstacles:

- Ghana’s revenue reforms were pursued consistently from 1995 onwards, enjoying senior political support from both parties, which in turn allowed for consistency in managerial and technical leadership.
- Malawi’s IFMIS was introduced in a period of 18 months and rolled out over 26 months, after a supportive Vice-President and Minister of Finance were appointed, a new Accountant General brought in, and US\$ 14 million of domestic budgetary resources were allocated to the task.

What lessons do we therefore draw for our Programme theory? Our main conclusion is that political commitment to PFM reform is not simply an “added bonus”. Nor is it true that political acquiescence in reforms is sufficient for them to proceed and be sustained, so long as there is good technical leadership. Only for the most narrow, technically driven reforms might this be true because without political commitment, good technical leadership is unlikely to be sustained over the course of reforms. Moreover, technical leadership will have neither the political power to overcome resistance when it emerges nor the influence to command additional budgetary resources when they are needed.

Thus, our case studies suggest that political leadership is a necessary condition for achieving sustained success with PFM reforms. This is a significantly stronger conclusion than that reached in the literature quoted in Pretorius & Pretorius (2008) and in De Renzio (2009), which identifies political leadership more as a contributory factor than a necessary condition. However, Robinson (2007) does identify the ‘nature of political agency’ as a critical success factor in governance reforms in Brazil, India and Uganda. Moreover, in two books not included in the literature reviews, Graham Scott and Kate Jenkins – leading public servants who guided PFM and public sector reform in New Zealand and the UK – attest to the necessity of political commitment to reform⁴⁰. It is also telling that the African government officials involved in the Tunis Inception workshop for this evaluation emphasised the essential importance of political leadership to the success of PFM reforms. (See Chapter 1).

Further case study work will be needed to refine the understanding of the type of political leadership, which is necessary for successful PFM reform.

What is clear is that consistent, long-term, deep and technically informed commitment to PFM reform is more likely to get results, more especially when the PFM reforms being contem-

40 Scott, G. (2001), *Public Sector Management in New Zealand: Lessons & Challenges*, Wellington, and Jenkins, K. (2006), *Politicians & Public Services: Implementing Change in a Clash of Cultures*, London: Edward Elgar Publishing. Graham Scott was Secretary to the New Zealand Treasury over 1986 to 1993 and is generally acknowledged as the technical architect of New Zealand’s PFM reforms. His book emphasizes the importance of the political support provided by Prime Minister David Lange and his immediate successors, under the pressure of an acute fiscal crisis and notes the change of direction in reform introduced after 1999 by Prime Minister Helen Clark. Kate Jenkins was Deputy Head of the Prime Minister’s Efficiency Unit under the UK Prime Ministers, Margaret Thatcher and John Major. She highlights the need for political leadership to overcome civil service opposition to public sector reform.

plated are long-term and relatively complex. What is also clear is that there is no substitute for political commitment. Domestic or external pressures may influence the degree of political commitment but cannot replace it when it is absent. Technical or managerial commitment may help to generate political commitment but will not be sufficient in its absence. In short, of the seven independent variables identified in the Programme theory as the drivers of PFM reform, this is the single most important.

3.4 UNDERSTANDING “POLICY SPACE” CONSTRAINTS

By “policy space”, we refer to the depth, breadth and suitability of the menu of ideas, which shape the design and implementation of PFM reform. The phrase involves a rather particular usage of the word “policy”, but the idea behind the phrase is that PFM reform policy space is essentially that range of ideas, which is open for consideration by governments wanting to initiate or deepen PFM reforms.

In many developing countries, the degree of familiarity of government officials and politicians with PFM reform models is relatively limited, and many such countries thus look to the Development Agencies and their consultants for guidance over the types of reform models, which they should consider. In each of the three case study countries this was the case. All countries generally valued the external advice they received – even in retrospect. Nevertheless, in all three countries we identified certain PFM reform ideas and directions, which continued to be pursued over long periods, even though, when viewed retrospectively, they were obviously wrong or inappropriate.

Clearly, political and institutional factors do play a role in the persistent application of inappropriate reform models: for example, the project coordinators, within government and within the concerned Development Agency, might have their reputations seriously tarnished by admitting to mistakes; the consultants implementing the project might stand to lose financially, and there would be administrative and financial costs to government from the lost investments. Thus, one can understand why fundamental changes in the design of reforms might be slow to be introduced.

However, common to all of the examples of policy space constraints in each country was the fact that, at the outset, government authorities were presented with a limited range of options by their Development Partners and were not encouraged either to consult or to reflect more widely on the choice of reform models. There were apparently neither financial constraints nor political constraints determining the choice of reform model, so we interpret this as simply as a lack of adequate ideas: a policy space constraint.

Five of the nine case histories analysed threw up examples of policy space constraints:

- In Malawi, Procurement reforms and Internal Audit reforms were both premised on the use of ‘best practise’ models in which responsibilities would be decentralised. This would have required new skills to be devel-

oped and embedded in virtually all government institutions. These models were fundamentally inappropriate to a context of significant shortages of trained staff within the civil service, combined with the persistence of hierarchical modes of working, limited accountability and a culture of frequent disregard of rules. Simpler reform models were needed, less demanding of organisational and human resource capacities.

- The BPEMS reform in Ghana was based on a technology-driven model, which gave insufficient attention to change management issues, and to the assessment of capacity constraints and training needs. It was also based on an ambitious “big bang reform” approach rather than a more gradual, “incrementalist” approach. Again this was a ‘best practise’ model, which was inappropriate to the context.
- The MTEF reform in Ghana presented a different type of policy space constraint, in that the consultants leading its introduction selected and promoted an idiosyncratic model, which was never likely to achieve the desired outcomes of an MTEF. The reform design was idiosyncratic firstly, in placing emphasis on the “bottom-up” elements of an MTEF (programme-based budgeting, detailed costing of plans, integration of aid-financed projects) and barely mentioning the upstream elements (macro-fiscal framework, strategic policy and expenditure review processes) that are conventionally seen as the initial priorities in establishing a robust MTEF process. Secondly, it adopted an activity-based budgeting approach to the development of multi-year budgets, which generated voluminous, highly detailed documents, which made it very difficult to discern the strategies and priorities underlying MDA budgets, thus effectively defeating the purpose of the exercise.
- In Burkina Faso, the problem was essentially a failure to sequence work on the medium term expenditure framework and programme budgets in an adequate manner. It involved the attempted introduction of programme budgets before there was an aggregate medium term fiscal framework in place, when many sector policy and strategy frameworks were unclear and when the processes for tracking performance during budget execution at the programme level were yet to be designed.

Why was there not a more appropriate set of reform models presented to the governments of Burkina Faso, Ghana and Malawi? What caused these “policy space” constraints? We believe there were four main factors at play:

- I **Inadequate knowledge and experience of PFM reform**, on the part of Development Agencies and their consultants clearly played a part. In this respect, it is important to recall that even now in 2011, PFM reform is a relatively under-researched area: the world is still learning what types of reform work best in different contexts. Several of the examples of policy space constraints date back to the late 1990s, when knowledge of the subject was in many ways in its infancy.
- II **A tendency to seek best practise models** and apply them indiscriminately without concern for contextual differences was also an aspect of the problem. This tendency, which has been labelled “isomorphism”

(Andrews, 2009) was not just prevalent within the Development Agencies: politicians and senior government officials in the case study countries had in several cases seen what they interpreted as best practise and wanted it applied directly in their own countries. Thus, the Minister of Finance of Burkina Faso had seen the Canadian approach to programme budgeting and wanted the same model to be applied. Ghanaian officials had undertaken study tours to Australia and New Zealand and wanted the same type of integrated financial management systems to be introduced in Ghana. They were deliberately seeking to import ‘best practise’ and gave consultants carte blanche to do this⁴¹.

III Weaknesses in the Development Agencies’ supervision and peer review processes for PFM reform projects were probably a relevant factor. The evaluation team has not had the time or resources to examine supervision processes, so this observation is essentially a matter of conjecture. However, PFM reforms are significantly different to the standard projects, which provide the frame of reference for the design of supervision and peer review processes within Development Agencies. In particular, most projects can be developed to a high level of detail at the design stage and hence many quality assurance processes in Development Agencies are “front-loaded” to allow for a detailed appraisal of project design. PFM reform projects, by contrast, cannot normally be defined in extensive detail at the design stage because they usually rely on detailed diagnostic work being undertaken during the inception phase. They also tend to require adaptive designs, which evolve as implementation proceeds. Thus, peer review for PFM reforms is likely to be more useful at inception stage and would generally need to be more continuous than for other projects. We would judge that few, if any, Development Agencies are effectively geared up for this type of support.

IV Governments’ own monitoring and review processes were also too weak to identify design mistakes and promote their prompt correction. This was especially true of Ghana, and to a slightly lesser extent of Malawi, each of which had significant weaknesses in the structures they established for the coordination and monitoring of their PFM reforms. Burkina Faso’s systems were considerably stronger, which allowed for a more effective learning process during implementation – even if, in the case of programme budgeting/ MTEFs the learning process was slow. We discuss these issues more fully under “mechanisms” in chapter 4.

There are some signs that capacities for reform design and supervision within Governments and Development Agencies have developed since the earlier years of our evaluation period. The CABRI network did not exist at that time;

41 Fyson (2009) describes the resulting process as follows: ‘donor-funded consultants, as the perceived legitimate holders of best practices in the implementation of government financial management systems, were given free reign in the determination of how to strengthen accountability in government finances, often to the detriment of government participation and understanding.’

there were many less training courses and seminars on PFM reform available in those years and there was less research available on PFM reform. Within the World Bank, Westcott (2008) records that the numbers of PFM specialists has risen since 2000 and also identifies the positive influence of the Financial Management Sector Boards and of the Public Finance Thematic Group on the consistency of PFM support operations. Thus, it may be that “policy space” constraints have been eased over time.

Nevertheless, the three case study countries are broadly representative of the range of experiences of PFM reform, which are likely to be found in Africa. The fact that the success of PFM reform in these three countries was so frequently undermined by the selection of inappropriate reform models should not be taken merely as a coincidence. Policy space constraints have historically been of considerable influence for the outcomes of PFM reform: it seems prudent to assume within our programme theory that they are likely to continue to be important.

3.5 ADDITIONAL CONTEXTUAL FACTORS FOR FURTHER INVESTIGATION

An evaluation framework is necessarily a simplification of reality. It is prepared with the explicit intention of focussing attention on those factors most likely to be critical in the production of certain types of outcomes. In the process of applying any evaluation framework, it is therefore important to be aware of new factors, not fully captured within the framework, which emerge during fieldwork. Two such factors have come to light. They concern, firstly, the relative competence of the civil service in the study countries and, secondly, the role of CSOs in promoting PFM reform.

Regarding the issue of civil service competence, the quantitative study (De Renzio et al., 2010) found that economic factors are most important in explaining differences in PFM outcomes. Specifically, it found that ‘countries with higher levels of per capita income, with larger populations and with a better recent economic growth record are characterised by better quality PFM systems. On the other hand, state fragility,.....has a negative effect on the quality of PFM systems.’ The competence of the civil service is positively correlated with per capita income and negatively with state fragility, so we may take this finding as providing support for the view that the human resource and organisational capabilities of the public administration system are strong determinants of PFM reform outcomes.

The wider literature on the determinants of successful governance and public sector reforms also supports this view⁴². For example, Robinson (2007) in a detailed case study analysis of governance reforms in Brazil, India and Uganda identifies as a key factor for success, ‘the degree of technical capacity and the level of insulation from external pressures of the bureaucracy.’

42 The most relevant aspects of this literature are reviewed in De Renzio (2009) and in Pretorius & Pretorius (2008).

Therefore, a broader international comparison of the determinants of successful PFM reform should ideally incorporate within the analysis the effects of differences in the relative competence of the public sector. How exactly this ought to be measured is not so clear, however. “Technical capacity” is determined in part by the quality of staff entering the civil service, in part by the quality of training within the civil service, in part by managerial and organisational factors. It would be difficult to capture all of these factors without arriving at a tautological definition in which technical competence would be equated with quality of outcomes. It is precisely this methodological difficulty that frequently leads researchers to use per capita income as a simple proxy for differences in technical capacity. Is this a reasonable assumption? How relevant are those aspects of ‘technical capacity’, which do not correlate with differences in per capita income?

In relation to our case study countries, an implicit assumption has been made that, given the broad similarities in income levels and the fact that none of the three countries is a “fragile state” (i.e. a conflict or post-conflict country), the differences in the capabilities of the respective civil services are not so significant as to be critical to the outcome of PFM reforms. With the per capita income of Ghana being nearly 40 per cent higher than that of Burkina Faso and virtually double that of Malawi (see Table 3), this is certainly a brave assumption but, if anything, it would introduce bias in favour of Ghana, which, as we have seen, achieved PFM reform outcomes that compare poorly with those of Burkina Faso⁴³.

Are there other aspects of technical capacity, which compensate for income-related differences and which may help to explain the relatively strong performance of Burkina Faso? Commentators on the draft synthesis report drew attention to two factors, which were considered important in differentiating the public administration of Burkina Faso from those of Ghana and Malawi: a) the quality of training received by financial managers; and b) the relatively high level of civil service salaries in Burkina Faso and the relatively limited range of alternative opportunities within the private sector.

The Burkina Faso country study did identify the quality of training in financial management through the ENAREF (Ecole nationale des régies financières: National Financial School) as a relevant contextual factor. ENAREF has a strong reputation in Francophone Africa and, indeed, attracts students from neighbouring francophone countries. It has probably played a positive role in ensuring a high level of technical competence amongst those civil servants responsible for implementing PFM reforms. On the other hand, GIMPA, the Ghana Institute of Management & Public Administration also enjoys a good regional reputation, as do the Malawi Institute of Management and the Malawi Staff Development Institute. Similarly, while there is no direct comparison in the Anglophone tradition to the Francophone system of financial management training, training in public sector accounting and

43 In this respect, it is also noteworthy that net secondary school enrolment is 47 % in Ghana, compared with 28 % in Malawi and only 16 % in Burkina Faso (World Development Indicators, 2010).

book-keeping is also highly structured within the Anglophone tradition, with internationally benchmarked qualification systems. Whilst more detailed analysis may be merited, on first examination this does not appear to be a strong differentiating factor.

The issue of the relative competitiveness of civil service salaries does seem at first sight more relevant. It is evident that in the absence of the more vibrant private sector economy of Ghana, the public sector of Burkina Faso faces more limited competition in attracting qualified staff. It is noteworthy that the principal area of progress in PFM reform in Ghana, namely revenue administration, occurred within the Ghana Revenue Authority, which is an executive agency, enjoying significantly higher salaries than the remainder of the civil service.

On the other hand, it is difficult to draw strong conclusions without a more careful analysis: Malawi also has a small private sector and it is not clear that public sector salaries in Burkina Faso are significantly more competitive. As we have seen, significant progress was made with the IFMIS in Malawi over 2004 to 2008, without the benefit of salary supplements or executive agency structures. Even in Ghana, while the outputs resulting from the MTEF and BPEMS reforms proved ultimately to be inappropriate to the desired outcomes, outputs were generated, involving the participation of large numbers of civil servants. The shortcomings of these reforms were more to do with inappropriate designs, which were not corrected as a consequence of poor mechanisms of management and monitoring and a lack of political leadership and engagement.

In conclusion, **we would recommend that future case studies do aim to incorporate more explicitly the issue of the relative competence of the civil service**, which was not formally captured within the evaluation framework we have used. Nevertheless, **we do not believe that there is sufficient evidence to suggest this was a primary factor in explaining the differences identified in PFM reform outcomes** across our case study countries or our case histories.

The limited influence of Civil Society Organisations on the design and pace of reforms was a surprise to several commentators. A more extensive and more multi-faceted analysis of this issue would perhaps have revealed a range of more subtle influences, than the simple “pressure on the Executive to reform” which the country cases sought. For example, if regional bodies and peer-to-peer learning organisations can be influential, it is certainly conceivable that national professional associations would have a similar type of influence on reform agendas.

It may be that the lack of influence derives partly from the limited expertise of the CSOs working on budgeting and public spending, and/or from the limited engagement in advocacy work of the relevant professional associations (such as the Institute of Chartered Accountants of Ghana, the Society of Accountants in Malawi and the *Association de Compatibilité Nationale* of Burkina Faso.) These were relevant factors in the case study countries.

However, one should recall that in the case study countries, there is a range of societal factors that mitigate against the ability of normal citizens

and their associations to hold the government to account, through the mechanisms of advocacy, media discussion and protest. The Afrobarometer survey has been conducted periodically in these and other African countries a number of times over the past decade. Some of the most interesting questions in the survey relate to the attitudes of citizens towards their governments. One question asks respondents to choose which of two phrases better reflects their view of government. The table below shows the answers recorded in the case study countries, when the survey was most recently run, over 2008 and 2009. In each country, the overwhelming majority of respondents looked to their governments to “take care of them” and only the minority felt that they should be “the bosses, who control the government”. Such attitudes do not create a strong environment for citizens to challenge their governments to be more efficient.

Table 8: Results of 2008/ 09 Afrobarometer survey question regarding citizens’ attitudes to their Government

2008/ 2009 Afro-barometer survey	“People are like children, the Government should take care of them”	“Government is like an employee, the people should be the bosses, who control the Government.”
Burkina Faso	59%	34%
Ghana	69%	27%
Malawi	61%	27%

In summary, we would judge that **given the relatively passive attitudes of citizens towards their Governments in the case study countries, it is not surprising that advocacy work by CSOs in support of stronger PFM systems has not had a strong influence on PFM reforms within the time-frame under consideration.** This does not mean that CSO work on such issues has been fruitless. It may help over the longer term to create greater public awareness on PFM issues and thus to strengthen attitudes towards transparency and public accountability. But it seems safe to say that this must be a long-term objective: CSO pressure to improve PFM will not significantly affect the outcomes of PFM reforms in the short to medium term. More targeted campaigning on specific issues – such as public access to fiscal information – may help to obtain faster results but this was not a feature of CSO work in the case study countries.

4. Successful PFM reform: what are the right mechanisms?

4.1 INTRODUCTION

We have noted in chapters 2 and 3 that the outcomes of PFM reforms are heavily influenced by contextual factors. Amongst these contextual factors, the degree of political commitment to reform and the extent of policy space constraints (the relative availability of reform designs appropriate to the local context) appear to be the most important. However, the country studies and case histories reviewed in chapter 2 also illustrated the importance of the mechanisms chosen to deliver and manage PFM reform. We consider in this chapter what exactly we have learned about the right mechanisms for reform.

4.2 THE MOST IMPORTANT ASPECTS OF THE MANAGEMENT MECHANISMS FOR PFM REFORM

The country studies and case histories reviewed in chapter 2 illustrate very powerfully the importance of strong management arrangements for PFM reform. Indeed, this factor – combined with the strong political commitment to PFM reform serves to explain much of the difference in performance seen between Burkina Faso and the other two countries. What exactly were the features of Burkina Faso’s arrangements for the management and coordination of PFM reform, which made them effective?

At the beginning of the evaluation period, Burkina Faso saw a shift from a PFM reform programme, based on a range of loosely coordinated individual initiatives to the development of an integrated programme of PFM reforms, developed on a consultative basis and endorsed at the highest political level. In July 2002, the Council of Ministers adopted government’s programme to strengthen budget management (Plan d’Actions pour le Renforcement de la Gestion Budgétaire – PRGB). The PGRB incorporated recommendations of several earlier assessments, including the 2000 Country Procurement Assessment Report (CPAR), the 2001 Country Financial Accountability Assessment (CFAA), the 2001 HIPC AAP (2001), and the IMF’s Report on the Observance of Standards and Codes (ROSC) of 2002.

The *Secrétariat permanent pour le suivi des politiques et programmes financiers* (SP-PPF) was also created in 2002 to take charge of coordination of PFM reforms and monitoring of budget support programmes. The SP-PPF’s predecessor was the Technical Secretariat for the Coordination of Economic and Social Development Programmes (STC-PDES), which had had a similar set of functions. Both the STC-PDES and the SP-PPF were and remain powerful bodies, reporting directly to the Minister of Finance, and having the status to attract

high calibre personnel. The SP-PPF's coordinating role was strengthened by the introduction of the PRGB in 2002 and the development of a coordinated framework for the management of Budget Support, with the signing in 2002 of the MoU for the *Soutien Budgétaire Commun au CSLP* (SBC-CSLP).

Based on the lessons learnt from the PRGB implementation, the Burkina Faso Council of Ministers adopted a Strategy to Strengthen Public Finance (SRFP) in April 2007. The SRFP has a time-line of nine years (until 2015), and is accompanied by a rolling three year action plan (Plan d'Action Sectoriel Triennal – PAST).

The implementation of both the PRGB and the SRFP have been overseen by a Steering Committee chaired by the Minister of Economy and Finance comprising: (i) representatives of the ministries and institutions which are involved in implementing the SRFP, (ii) the Development Partners (DPs) providing financial support to the SRFP, and (iii) representatives of Civil Society Organisations (CSOs). The Steering Committee meets twice a year. The SP-PPF comprises the technical secretariat of the Steering Committee and has responsibility for monthly monitoring of progress with the PRGB/ SRFP. In addition, six technical groups have been set up under the responsibility of the SP-PPF: budget management, resource mobilisation, public procurement, internal control, deconcentration and decentralisation, and capacity strengthening. These six technical groups bring together the institutions responsible for the different components of the PRGB/ SRFP, as well as civil society and donor representatives. They report directly to the SP-PPF but, in addition, are chaired directly by the *conseillers techniques* (technical advisors) of the Minister of Economy and Finance, creating a direct link between the operational and political levels.

Overall, the management arrangements for PFM reforms in Burkina Faso have been impressive, embodying a number of positive features:

- An integrated PFM reform programme, developed through a consultative process drawing on diagnostic assessments (PEFA, CFAA, CPAR, ROSC), and endorsed at Cabinet level.
- A management and monitoring team of high calibre local staff, of high authority and with direct links to the Minister of Finance (the SP-PPF).
- An implementation framework led by the institutions and agencies with statutory responsibility for the functions being reformed (such as the respective Directions Générales of MEF), working under the close coordination of the SP-PPF.
- A clear and respected mechanism of monitoring and evaluation, incorporating periodic PEFA evaluations.
- A harmonised framework for the provision of donor support to the common PFM reform programme and for regular dialogue on PFM reform issues.

Undoubtedly the most important of these features has been the combination of clear implementation responsibilities for the relevant Directors and unit Heads, with authoritative oversight and coordination by a central team reporting to the Minister of

Finance. In Ghana and Malawi, significant efforts were dedicated to the construction of management and coordination mechanisms. These efforts brought some success – in terms of the development of integrated programmes, common monitoring mechanisms and harmonised dialogue structures, but the most striking difference is that neither country succeeded in creating this framework combining clear (and accepted) operational responsibilities for PFM reform, with authoritative monitoring, coordination and guidance from the centre.

Malawi's greatest PFM reform success – the introduction of the IFMIS over 2004 to 2008 – was largely due to the authority for implementation vested in the Accountant General but the counterbalancing central function of coordination and monitoring, managed through the PFEM (Public Finance & Economic Management) Technical and Steering Committees never operated as effectively as the SP-PPF in Burkina Faso. It was not capable of pressing the previous Accountant General (prior to 2004) to change direction when Malawi's initial IFMIS design was failing; nor more recently, has it been able to stimulate the staff responsible for Internal Audit or Procurement to develop new approaches more suited to the prevailing capacity constraints than the current decentralised, staff-intensive models.

The BPEMS and MTEF reforms in Ghana suffered from shortcomings both in the definition of implementation responsibilities and in the establishment of an effective oversight and monitoring function. In large part, this was due to their heavy reliance on consultants⁴⁴. BPEMS and MTEF were both implemented directly by teams of long-term consultants contracted for this purpose. The Accountant General and the Budget Director received reports from the implementing consultants but their sense of operational responsibility for the reforms was distant, particularly with regard to the Accountant General and BPEMS. The activities of the implementing consultants were in turn coordinated by the PUFMARP Project Implementation Unit, which was also made up of consultants. Although the PUFMARP PIU reported to a Steering Committee, made up of senior government officials coordinated by the Deputy Minister of Finance, at this senior level responsibility for the reforms was also diffuse. As we have noted in Chapter 2, it did not have the vision and influence to engage the necessary departments in converting the MTEF from an activity-based budgeting exercise into a tool of medium term strategic planning, nor did it have the sense of urgency to raise alarm bells and change direction, when BPEMS was failing to progress.

Notwithstanding the achievements of the case study countries, there are two aspects of the management and coordination mechanisms, which were weak in all three countries, with negative effects both for the efficiency of the reform process and for the quality of final outcomes. We refer specifically to weaknesses in (i) the coordination of technical assistance support to PFM

⁴⁴ We have not been able to analyse in depth the use of consultants across the three countries but in Burkina Faso, although there have been long term consultants involved in PFM reforms, these have always had an advisory rather than a managerial or implementation role. Moreover, over time, the number of long-term (resident) consultants has been steadily limited, as indeed has happened also in Malawi and Ghana.

reform, and (ii) the promotion of active learning and adaptation within the PFM reform process. We examine these issues in sections 4.3 and 4.4.

4.3 THE CONTINUING WEAKNESSES IN THE COORDINATION OF TECHNICAL ASSISTANCE

In the three case study countries, **a significant proportion of donor funding was directed towards technical assistance activities, which were outside of the Government’s PFM reform priorities and for which there was no political support and commitment.**

These activities resulted either in reports, which generated no real output or in outputs, which never achieved full functionality: in short, in PFM reform activities, which were both inefficient and ineffective.

In general, the number of cases of uncoordinated (and inefficient) technical assistance support to PFM reform appears to have declined over time but such cases were commonplace over much of the evaluation period. How can this phenomenon be explained? Was it a consequence of the respective Governments having weak donor coordination mechanisms? Or did it derive from inappropriate policies on technical assistance by the respective Development institutions? Would the use of different modalities for provision of technical assistance have improved efficiency and effectiveness? We examine each of these hypotheses in turn.

In relation to coordination mechanisms, it should be stated that all three countries exhibited good progress in the development of harmonised frameworks for the provision of donor support to PFM reform and for dialogue on PFM reform issues. At an early stage of the reform process, the three Governments were successful in establishing harmonised frameworks for support to PFM reform, based around explicit programmes of PFM reforms, joint monitoring processes, common dialogue frameworks and formalised agreements to work within the joint programmes (such as memoranda of understanding). In each case, the majority of Development Partners supporting PFM reforms signed up to these agreements and collaborated actively in the establishment of these harmonised frameworks.

There were weaknesses in these frameworks (as we note in Table 7, in Chapter 3) – in Ghana, there was a three year gap between the close of the PUFMARP in 2003 and the launch of the Short & Medium Term Action Plan on PFM (ST/MTAP); in Malawi, there were consistent weaknesses in the PFEM Action Plan, which the Malawi country report assesses as ‘an amalgam of different reform interests, rather than a coordinated and sequenced response to PFM weaknesses’. (Folscher, et al., 2011). It is often said of harmonisation frameworks that “the devil is in the detail”, and more attention to the definition of PFM priorities and to the establishment of rules and norms governing technical assistance support to the respective PFM reform programmes would probably have been useful.

Nevertheless, it seems difficult to argue that stronger harmonisation frameworks would have significantly reduced the incidence of TA activities outside of the Governments' PFM reform programmes. In the first place, it is in Burkina Faso, where coordination frameworks were clearly stronger, that we find the most notable examples. These include the IMF TA missions on revenue reform, which repeatedly presented designs for the phasing out of tax exonerations, which the Government was committed to protect, the SECO funded support to tax reform which was channelled to activities outside of the GoBF reform plan (SRFP) and remained largely undisbursed, and the cross-cutting institutional support projects of the World Bank and the African Development Bank in the early stages of the reform programme, whose objectives were so loosely defined that outputs were never clear.

These experiences suggest that the problem is not one of country-level coordination mechanisms but an issue of the design and conduct of policies on technical assistance at the DP headquarters level. In particular, there is a need for the DPs' TA activities in support of PFM reform to be explicit about their objectives and their anticipated outputs and outcomes, and secondly to be subjected to independent evaluation on a more systematic basis. It seems unlikely that the inefficient and ineffective TA activities conducted by Development Partners in support of PFM reform in Burkina Faso, Ghana and Malawi would have continued if systematic evaluation had been taking place. In this respect, the international pressure for more systematic evaluation of development cooperation⁴⁵ is encouraging, as is the generally favourable response of the majority of development agencies.⁴⁶

However, technical assistance cannot be effectively evaluated if its objectives are unclear and the anticipated outputs and outcomes are not clearly stated. The three country teams all encountered significant methodological difficulties in categorising information on the inputs and outputs of TA activities in support of PFM reform. This was due both to an information scarcity problem – during the evaluation period, many TA projects in support of PFM reform simply did not produce progress reports – but also to a fundamental design problem: many TA activities did not have their outputs defined *ex ante* and thus did not have a clear framework for reporting progress.

Significant difficulties also arose in the case study countries due to the confusion of the different objectives of TA activities. Government representatives commented that it was often unclear which TA activities were supposed to be part of the PFM reform programme and which were being done on behalf of the Development Agency. Whilst it is perfectly legitimate (and useful) to pursue different objectives with TA, an important step towards more effective coordination and harmonisation would be to distinguish more precisely between three types of TA activity:

45 This has been led both by Legislatures demanding more value for money from development spending and by CSOs working in this area. A notable advocate is CGD, the Centre for Global Development, in Washington D.C.

46 As an example of this, we understand that the IMF's Independent Evaluation Group is, at the time of writing, conducting an evaluation of the IMF's technical assistance on PFM.

- direct support to a partner government to assist in the design or implementation of its PFM reforms;
- support to CSOs, the Legislature (and possibly the Supreme Audit Institution⁴⁷) to improve the context for good public finance management; and
- advisory or diagnostic work, undertaken directly for the Development Partner either to identify fiduciary risks in the use of government systems or to generate an independent assessment of PFM reform priorities.

Where the intention is to support a Government's PFM reform programme, then the activities undertaken must logically form a part of that programme, and therefore be subject to a set of common rules and norms on reporting, monitoring and evaluation. Burkina Faso, Ghana and Malawi were generally able to make reasonable progress in the establishment of common monitoring frameworks but it was not always clear which TA activities were expected to be conducted within that framework, and which outside of it.

This is not to suggest that all technical assistance was misdirected. Overall, TA was well appreciated by the recipient governments but more attention to its precise objectives, outputs and outcomes and a greater sensitivity to the role of TA in relation to the Government PFM reform programme might have raised significantly its efficiency and effectiveness.

Would common basket funds for TA provision to the PFM reform programmes have been helpful in improving its effectiveness? No such "TA fund" was operating in any of the case study countries during the evaluation period, so we have no empirical basis for answering this question. Such a fund has been operating for a number of years in Mozambique and similar arrangements are in place in a number of Developing Countries. There is therefore sufficient experience internationally on which to reach some evaluative judgments, although to our knowledge no formal evaluations for TA funds for PFM reform have been conducted.

Drawing on the wider experience of common basket funds for TA, created for different types of SWAPs and Sector Programmes in Developing Countries⁴⁸, it seems that such funds often face a number of practical problems which tend to undermine their effectiveness:

- In the first place, not all Development Agencies are legally and constitutionally capable of signing up to such arrangements. As a result, some potentially good providers of TA (such as the IMF, with regard to PFM) are excluded.
- Secondly, those Agencies that do have the legal capability to contribute to TA common basket funds often find it difficult to reach agreement over the

47 The point here is that most Government PFM reform programmes logically focus on the reforms led by the Executive. Sometimes work to strengthen scrutiny by the SAI or the Legislature will also form part of the PFM reform programme and sometimes not.

48 The experience with common basket funds and with SWAPs in general is presented in Boesen, N. & D.Dietvorst (2007), *SWAPS in Motion – Sector Wide Approaches: from an Aid delivery to a Sector development perspective*, Copenhagen & Brussels: Train4Dev.net.

precise management arrangements. As a result, the transaction costs incurred in the set-up process are frequently high.

- Thirdly, the use of joint arrangements often complicates the sourcing and contracting of technical assistants, which creates additional delays and transaction costs, while not always succeeding in sourcing better quality TA than would be available through more *ad hoc*, bi-lateral arrangements.

The elements of TA common basket funds, which are more commonly found to operate effectively and to be useful, are the joint identification of TA needs, the sharing of terms of reference and the use of joint reporting and monitoring frameworks. None of these elements in fact require a common basket fund in order to be introduced as common working norms for support to a Government PFM reform programme. To a degree these elements were present in each of the PFM reform coordination frameworks in the study countries but they were not established as standard, agreed norms. Moreover, without well-defined objectives for DP-provided technical assistance, which distinguish the real “client” for the TA and define outputs clearly, these sorts of norms would be impossible to apply. **Further strengthening of coordination mechanisms for TA to PFM reform programmes is needed but so too are changes in the policies and procedures for TA provision by Development Partners.**

4.4 THE LACK OF AN EFFECTIVE LEARNING AND ADAPTATION PROCESS

In Chapter 3, we identified the significant problems generated for the case study countries by the “policy space” constraints, which they faced in the implementation of their PFM reforms. Essentially, we found that there were limitations in the depth, breadth and suitability of the menu of ideas, which shaped the design and implementation of PFM reform. As a result, significant efforts were dedicated to the pursuit of reform models, which were simply not appropriate to the respective institutional, organisational and human resource contexts.

Although the initial adoption of an inappropriate reform model may be attributed to an external policy space constraint, the failure to change direction subsequently suggests an important weakness in the management mechanisms for PFM reform: namely, the absence of an active learning and adaptation process. In all three countries there were PFM reform ideas and models, which continued to be pursued over long periods, even though, when viewed retrospectively, they were obviously inappropriate. How could management mechanisms have been designed to avoid this?

Learning and adaptation processes need to be introduced both into Government mechanisms for coordination of PFM reforms and into the supervision and peer review processes of the Development Agencies:

- **Governments’ mechanisms for coordination of PFM reform need to include arrangements both for monitoring of progress**

and for evaluation of the adequacy of that progress. While monitoring frameworks (of varying quality) were established in each of the study countries, none had effective mechanisms for ongoing evaluation. By evaluation, we mean a systematic process of assessing performance against criteria of efficiency, effectiveness, impact, relevance and sustainability. In most cases, such a process needs to be conducted by third parties who have not been engaged in the design and management of reforms and can thus maintain a degree of objectivity and independence. Common models for the incorporation of a periodic evaluation function include:

- the engagement of outside experts or groups of experts, who are contracted to assess progress on an annual or two-yearly basis;
- the creation of an internal team of “wise persons” or “eminent persons”, of senior, generally retired civil servants and academics, who might provide a periodic independent evaluation of performance⁴⁹; and
- the creation and pre-funding of evaluation funds, so that more focused evaluation exercises can be quickly launched, based on competitive tenders.

- **Development Agencies’ supervision and peer review processes for PFM reform projects need to be continuous rather than periodic** as is commonly the case with more classic projects. PFM reforms are significantly different to the standard projects, which provide the frame of reference for the design of supervision and peer review processes within Development Agencies. Whereas most projects can be developed to a high level of detail at the design stage, PFM reform projects cannot normally be defined in extensive detail at the design stage because they usually rely on detailed diagnostic work undertaken during the inception phase. They also tend to require adaptive designs, which evolve as implementation proceeds. Thus, peer review for PFM reforms is needed at inception stage (as well as feasibility and design stage) and generally needs to be more continuous than for other projects. The experience of the case study countries suggests that, at least in the recent past, Development Agencies have not been effectively geared up for this type of support.

In addition to the formal inclusion of evaluation and external supervision functions within the management process, the promotion of a learning and adaptation function also implies the organisation of more open “learning events”. These learning events might, for example, take the form of conferences, where international research on PFM reform might be presented and discussed, or of more informal experience-sharing workshops, where experiences of reform design and management might be shared between common stakeholders within a country or within a range of similar countries.

⁴⁹ The Peruvian Ministry of Finance has adopted a hybrid arrangement to ensure this external evaluation and learning function. It has engaged an independent ‘Grupo de estudios’ (Study group) on PFM reform, which includes two Peruvian retired civil servants and one international consultant.

5. Conclusions and emerging lessons

This evaluation looked at two main questions: (i) where and why do PFM reforms deliver results and (ii) where and how does donor support to PFM reform efforts contribute most effectively to results? Our findings are summarised below and the corresponding lessons for Governments and Development Agencies are presented in the subsequent sections.

5.1 KEY CONCLUSIONS

Where and why do PFM reforms deliver results?

- I PFM reforms deliver results when there is a strong political commitment to their implementation, when reform designs and implementation models are well tailored to the institutional and capacity context and when strong management and coordination arrangements – led by government officials – are in place to monitor and guide reforms.
- II Strong leadership and commitment to reform is also needed at the technical level. In the case study countries, this emerged naturally where there was political commitment and leadership. By contrast, commitment at the technical level was not sufficient to generate political commitment.
- III Neither external donor pressure nor domestic pressure from the Legislature or Civil Society proved sufficient to generate political commitment for PFM reform, where it was lacking, although they may have contributed to preserving it, where it already existed.
- IV A common weakness of the management and coordination mechanisms for PFM reform was that they did not make adequate provision for the regular, independent evaluation of performance. As a result, the learning process essential to the continuous evolution and adaptation of reform designs and models was generally weak, with the result that corrective processes were slow to kick in, where reforms were not proceeding well.
- V Direct funding for PFM reforms by governments is more substantial and more common than generally supposed, particularly in contexts where the resources available for discretionary spending are boosted by the presence of Budget Support. However, the case study countries frequently found themselves facing a constraint in respect of the policy space for reforms, where the menu of available policy designs and models for PFM reform were not appropriate to the institutional and capacity context. Reform outcomes were more favourable where a better range of policy options was available or where the mechanisms for monitoring and coordination of reforms promoted lesson learning and adaptation during the implementation process.

VI In the case study countries, the influence of the Legislature and Civil Society on PFM reform proved limited, in part because of the limited expertise of these stakeholders with regard to PFM reform but more significantly because of the relative absence of a culture of public accountability. In this context, advocacy work by CSOs and activism by the Legislature are more likely to be useful, when focused on a narrow set of objectives.

Where and how does donor support to PFM reform efforts contribute most effectively to results?

- VII Donor funding for PFM reform has facilitated its implementation in those countries where the context and mechanisms were right for success, and where external funding was focused on the Government's reform programme. On the other hand, governments in the case study countries showed a willingness to fund PFM reforms directly and their ability to do so was significantly facilitated by the General Budget Support inflows they were receiving. Hence, in many cases, direct external funding for PFM reform may not be essential.
- VIII Donor pressure to develop comprehensive PFM reform plans and to establish clearly defined monitoring frameworks has been a positive influence in countries receiving Budget Support.
- IX By contrast, attempts to overtly influence either the pace or the content of PFM reforms through Budget Support conditionality have been ineffective and often counter-productive.
- X Donor promises to enhance the utilisation of country systems have not generally advanced very far. In the case study countries, the late disbursement of Budget Support and the partial use of country procedures have been inimical to good public finance management.
- XI On the other hand, when focused on the Government's reform programme, external technical assistance and advisory support have been of great help to PFM reform processes in the study countries and were generally well appreciated by recipient governments.
- XII Nevertheless, the provision of poor advice and the promotion of inappropriate reform models by external agencies remain an unfortunate feature of many PFM reform programmes. Greater attention to the appropriateness of reform models is needed, within an adaptive, learning approach to PFM reform implementation.

5.2 LESSONS FOR DEVELOPMENT AGENCIES SUPPORTING PFM REFORMS

A secondary objective of the evaluation was to identify where, when and how external support for PFM reform could be most effective. Seven key lessons emerge for Development Agencies:

- **Be more discriminating in the provision of financial support to PFM reforms.** PFM reforms deliver results when there is a strong politi-

cal commitment to their implementation, when reform designs and implementation models are tailored to the institutional and capacity context and when strong coordination arrangements – led by government officials – are in place to monitor and guide reforms. Where these essential conditions are not in place, PFM reforms are unlikely to be successful. In such circumstances, external support would be more appropriately used to develop core PFM skills – accounting, auditing, economic analysis – and PFM reform management skills, and to undertake diagnostic work, which might raise awareness at the political level of the need for reform.

- **Align support as closely as possible to the Government programme and avoid pursuing independent technical assistance initiatives.** In the country cases, externally financed support to PFM reform was most efficient and effective, when it directly financed, or supported through technical assistance, actions and interventions identified within the Government PFM reform programme. The least efficient interventions were those, which supported actions outside of the programme or only tangentially related to it, and those interventions (such as institutional support programmes), without explicitly defined outputs and outcomes. Thus, technical assistance and institutional support should focus on specific outputs to which there is a shared commitment, and should be combined with Budget Support, where appropriate.
- **Ensure that aid policy and practise works in favour of the PFM system and not against it.** Aid dependent countries face the perpetual problem of having to adapt their domestic PFM systems to the requirements of their external aid partners. In the study countries – and elsewhere – significant problems have been created by aid mechanisms making partial use of government systems, or adopting special disbursement criteria for the use of the Government budget. Three particular problems arose, which undermined the good management of public finances in the study countries:

 - The late disbursement of budget support tranches scheduled in the treasury/ cash flow plan for the 1st or 2nd quarter.
 - The imposition of special disbursement conditions or special reporting requirements for “basket funds” or “trust funds” managed through the national budget process.
 - The opening of special project accounts outside of the Single Treasury Account.
- **Ensure that advice is up to date and informed by the experience within country, within the region and by wider international experience.** External support can play a useful role in bringing to bear new and more widely informed perspectives on PFM problems, with which the Government is struggling. By opening “policy space” in this way, it can help to resolve problems but, when external advice is not well informed, it serves to close policy space and to perpetuate existing problems. External agencies have a duty to ensure their advice is right, wherever possible, and, where this is not immediately possible, to ensure that they

work jointly with Government to learn from initial mistakes until an adequate solution is found.

- **Ensure that internal procedures for the supervision and peer review of initiatives to support PFM reform are effective in providing a continuous check on progress.** Each of the case study countries suffered from the continued implementation over several years of inappropriate reform models and approaches. Policy advice will not always be right from the outset, in particular when working on PFM reform issues where a degree of experimentation is often necessary, but it is important to ensure there are mechanisms in place to ensure mistakes do not go uncorrected for too long. This requires the creation of a learning and adaptation culture, supported by a process of continuous evaluation.
- **Provide support, where necessary, to regional institutions and professional associations working on PFM reform issues.** In the case study countries, both regional governmental institutions – such as WAEMU – and regional professional associations – such as CABRI and Afrosai – were found to be relatively influential in generating improved practises on public finance management. In so far as the scope of influence of such bodies could be expanded by more substantial external support, then clearly such investments would be of benefit. However, it should be recalled that much of the value of these bodies derives from their ability to promote peer-to-peer learning: an excessive amount of external funding by DPs might undermine the effectiveness of this role.
- **Continue to provide support to CSOs and Legislative bodies on PFM reform issues but accept that their influence may only be effective in the longer term.** The experience of the case study countries suggests that advocacy work by CSOs and closer scrutiny by the Legislature are unlikely to have significant effects on the pace and content of PFM reforms in the short to medium term. However, broader international experience – including in the OECD countries – suggests that their influence over the longer term may be important. Hence, support to such activities should be continued but not as a substitute to direct support to the Executive in the implementation of PFM reforms. In addition, the short to medium term effectiveness of CSOs and the Legislature seem likely to be improved by concentration on a narrower set of objectives, such as the improvement of public access to fiscal information.

5.3 LESSONS FOR GOVERNMENTS MANAGING PFM REFORMS

The three country cases have provided a number of lessons, which are likely to be universally applicable to Developing Countries managing PFM reforms. We highlight five in particular:

- **Firstly, it is essential to ensure clear and coherent support for PFM reform within the Executive and, over time to broaden support across the political spectrum.** The motivation for PFM

reform is fundamentally political – that is, to increase the efficiency and effectiveness of public spending and, by implication, to pursue more effectively the development goals established for the national budget. It is a common mistake to perceive PFM reforms as purely “technical” measures and this perception needs to be corrected so that there is wide political support for reform. In the first instance, this must start within the Executive, with the Minister of Finance and his/ her team working closely with the President and/ or Prime Minister to promote reforms and then widening the scope of consultations to include the Cabinet and other members of the ruling party. In time, it should also be an objective to sensitise opposition members to the need for PFM reforms, so as to ensure continuity in the event of a change of Government.

- **Secondly, serious attention needs to be given to the design and staffing of the structures established to coordinate and manage PFM reforms.** It is important that those responsible for coordinating reforms should have both technical competence and authority. The model of a technical secretariat reporting directly to the Minister of Finance is a good one. Such a model would normally work better than a secretariat attached to the Presidency or to the Prime Minister’s Office, whose legitimacy would commonly be brought into question by the senior officials of the Ministry of Finance. Another key feature of an effective model is that authority for implementation should be retained at the level of the relevant competent authority (the President of the Court of Audit, the Directors General of Treasury, the Budget, etc.) This will help to avoid any doubts over the responsibility for implementation and will ensure that the coordinating body is not over-burdened with both implementation and coordinating/ monitoring responsibilities.
- **Thirdly, those responsible for coordinating PFM reforms should exert firm control over external support to PFM and over dialogue and negotiations with Budget Support donors, related to PFM reform.** A useful way to promote this is through the unification of responsibilities for attracting and managing external support to PFM reform with those for coordinating implementation by the departments and institutions of Government. This will help to ensure a strong alignment of external support to domestic priorities. In managing such a model, Government staff needs to be prepared to be assertive in imposing Government priorities and ensuring that they are respected.
- **Fourthly, the structures established for monitoring PFM reform should also promote learning from experience and the corresponding adaption of implementation plans.** PFM reform is inevitably complex and initial plans are likely to need adaptation and adjustment. If implementation of reform is to be efficient, the monitoring process must identify reform bottlenecks quickly and take speedy corrective measures. In order to ensure this happens effectively, management structures must embody not only monitoring of progress but also periodic evaluation of performance. Evaluation work is best conducted by independent stakeholders; thus, arrangements for independent evaluation should be

built in from the outset. There are three models which have been commonly adopted by successful PFM reformers:

- the engagement of outside experts or groups of experts, who are contracted to assess progress on an annual or two-yearly basis;
- the creation of an internal team of “wise persons” or “eminent persons”, of senior, generally retired civil servants and academics, who might provide a periodic independent evaluation of performance; and
- the creation and pre-funding of evaluation funds, so that more focused evaluation exercises can be quickly launched, based on competitive tenders.

- **Finally, the regular training of PFM staff needs to be a consistent priority.** The most important aspect of this is to ensure a consistent output of people with core skills in auditing, accounting, economics, procurement and financial management. In many developing countries, the related training bodies have deteriorated over time and commonly fail to produce graduates of a sufficient number and quality. In such cases, investment needs to be made to re-establish PFM training institutions of adequate quality, and to ensure their recurrent funding over time.

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Annex One: Biographical details of Finance Ministers

Table 9. Burkina Faso: Ministers of Finance 1996–2011⁵⁰

1996–1997	M. Kadré Ouédraogo: formerly executive secretary of ECOWAS (1985–1993); Governor at BCEAO (1993–1996) Became Prime Minister (1997–2000); now Ambassador in Brussels
1997–2001	M. Tertius Zongo: formerly Deputy Minister in Charge of Budget & Planning (1995–1997); Director General of Cooperation (1992–1995); Chief of Department of Multilateral Cooperation (1988–1992). Later became Ambassador to the US, and Prime Minister (2007–April 2011)
2002–2008	M. Jean-Baptiste Compaoré: formerly Deputy Minister for Finance & Budget (2000–2002); General Secretary at the Office of the Prime Minister (1996–2000); Bank inspector at the WAEMU (1990–1995); Advisor at the cabinet of the Presidency (1995–1996); Executive at the BCEAO (1981–1990) Later became First Deputy Governor and currently interim Governor at the BCEAO
2008–to date	M. Lucien Bembamba: formerly Deputy Minister in charge of the Budget (2007–2008); President of the National Public Debt Committee (2006); former Director General of Treasury and Public Accounting (1993–2007); Executive of the BCEAO (1982–1993)

Source: <http://www.petiteacademie.gov.bf/>; <http://www.afdevinfo.com>

Table 10. Malawi – Ministers of Finance 1994–2011

1994–1997	Aleke Banda: Former Cabinet Minister in the MCP Government under Dr. Kamuzu Banda, holding various portfolios over 1966–1980. Between 1994 and 2003 he served in various ministerial positions in the UDF Government while also serving as First Vice President of the Party. Minister of Finance from May 1994 to 1997. Later elected as Member of Parliament before retiring from politics in Sept. 2009. Passed away in April 2010
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⁵⁰ BCEAO: Banque Centrale des Etats de l’Afrique de l’Ouest – the Central Bank for the West African CFAF zone. ECOWAS: Economic Community of West African States. (In French: CEDEAO.)

1998–2000	<p>Dr. Cassim Chilumpha: former Lecturer at the Polytechnic (University of Malawi). Served as Minister under President Bakili Muluzi from March 1994 to 2000, then from 2003 to 2004, and again from 2004 to 2006 under President Mutharika, serving as Minister for: Defence, Education, Justice, Finance, Education, Statutory Corporations, and Water. Minister of Finance from 1998 to 2000.</p> <p>Later became Vice President (2004–2009); Independent Member of Parliament since September 2009</p>
2000–2004	<p>Friday Jumbe: former General Manager of Agricultural Development & Marketing Corporation (ADMARC). Later Member of Parliament June 2004 to May 2009.</p> <p>Now interim leader of the United Democratic Front</p>
2004–2009	<p>Goodwill Gondwe: former General Manager of the Reserve Bank of Malawi; senior Vice President and Acting President of the African Development Bank; Senior Advisor, Director for Africa and Special Advisor to the Managing Director of the International Monetary Fund; and Chief Economic Advisor to the former Head of State.</p> <p>Later appointed as Minister of Local Government and dropped from Cabinet in June 2009. Currently appointed as Minister of Energy from August 2011</p>
2009–2011	<p>Ken Kandodo: former auditor with KPMG. Elected as Member of Parliament for Kasungu Central Constituency in May 2009. Appointed as Minister of Finance on June 15, 2009.</p> <p>Now just a Member of Parliament for Kasungu Central Constituency</p>
2011- date	<p>Dr Ken Lipenga: former Lecturer at the University of Malawi and former Minister of Labour and Vocational Training (2005–2006); Deputy Minister of Finance (2006–2008); Minister of Economic Planning & Development (2008). He was then dropped from Cabinet, before being appointed Minister of Finance in August 2011.</p> <p>He is Member of Parliament for Phalombe East since May 1997</p>

Table 11. Ghana: Ministers of Finance 1982–2011

1982–1995	<p>Dr. Kwesi Botchwey: Holds LLB, LLM and PhD. A Professor of Development Economics at The Fletcher School of Law and Diplomacy of Tufts University. Considered to be the architect behind Ghana's growth during the IMF/World Bank Structural Adjustment period.</p> <p>Later became Advisor to the World Bank on the 1997 World Development Report; Member and Chairman of the IMF's Group of Independent Experts, and Advisor to the UNDP's Special Initiative on Africa.</p>
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1995–2000	<p>Richard Kwame Peprah: Engineer and Economist by profession; Served as Minister of Energy 1993–1995.</p> <p>Later imprisoned by the Kufour Administration for causing financial loss to the state; Currently the Board Chairman of Ghana’s Social Security and National Insurance Trust</p>
2001–2004	<p>Hon Yaw Osafo Maafa: Engineer and Project Analyst by profession; former Member of Parliament (1997–2009); headed and restructured two major Ghanaian Banks (1979–1992); Vice President of the Executive Committee of the West African Bankers Association and founding Deputy Chairman of the Ghana Stock Exchange; Minister of Mines and Energy (1993–1995).</p> <p>Later became Minister of Education and Sports (2005–2006) and currently working as consultant for the World Bank advising the Ministry of Finance & the Legislature of the state of Liberia</p>
2005–2008	<p>Hon Kwadwo Baah Wiredu: Chartered Accountant by profession and former Member of Parliament (1997–2008); worked in various positions with public institutions; senior consultant in private firms; Minister of Local Government and Rural Development (2001–2003); Minister of Youth and Sports (2003–2005).</p> <p>Died on 24 September 2008 from ill health.</p>
2008	<p>Dr. Anthony Akoto Osei: Economist by profession (monetary and applied economics); consultant at the Institute of Urban Affairs, USA; lecturer (1985–1987); Deputy Minister of Finance and Economic Planning (2003–2008); appointed Minister of Finance (Oct – Dec 2008) on the death of Hon Kwadwo Baah Wiredu</p> <p>Became Member of Parliament in 2005 to date</p>
2009–2011	<p>Kwabena Duffour: Economist, Finance, Banking and International Finance expert. Worked as a full time banker; Deputy Governor of Bank of Ghana (1995–1997); Governor of Bank of Ghana (1997–2001).</p>

Source: <http://en.wikipedia.org/w/index.php;acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/LUC-111,413,517-P8C>

Annex Two: Quantitative Study sample of 100 Countries

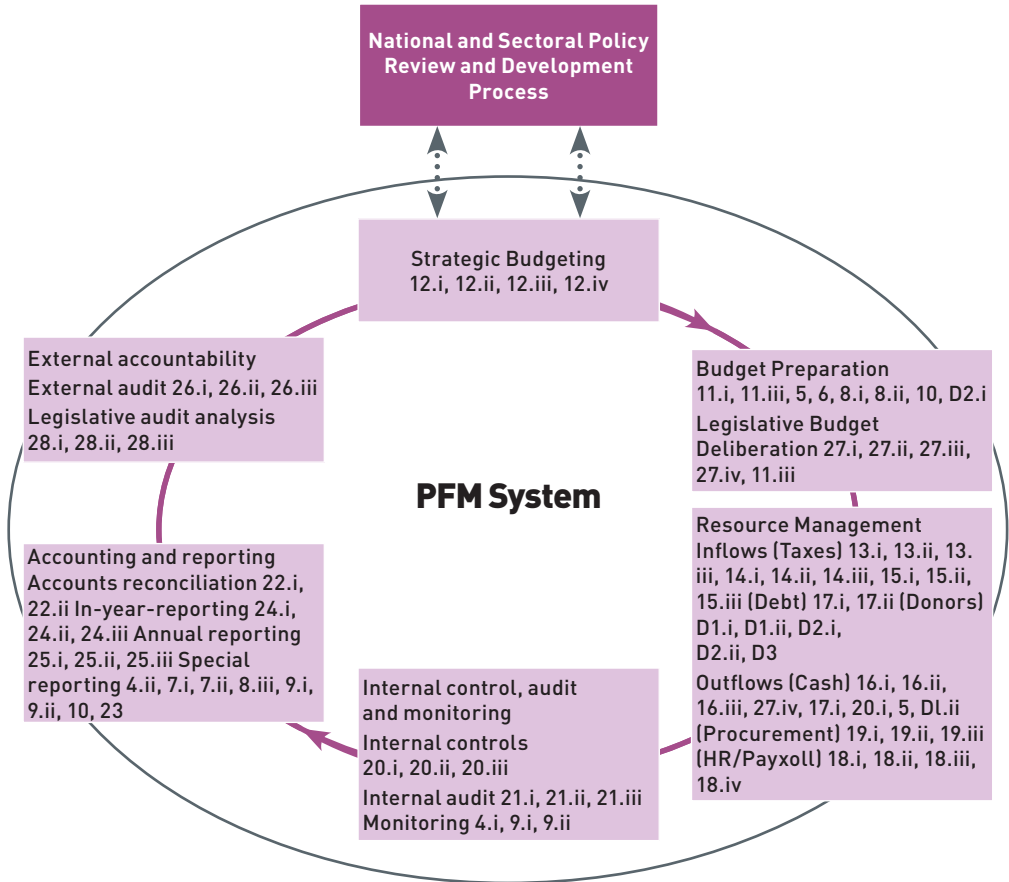
Date and status of PEFA reports. 'Final-P' denotes reports that have been made public on the PEFA website.

	Country	Date	Status
1	Afghanistan	Jun. 08	Final-P
2	Albania	Jul. 06	Final-P
3	Armenia	Oct. 08	Final-P
4	Azerbaijan	Jan. 08	Final
5	Barbados	Oct. 06	Draft
6	Belarus	Apr. 09	Final
7	Belize	Oct. 08	Draft
8	Benin	Sep. 07	Final-P
9	Bolivia	Aug. 09	Draft
10	Botswana	Feb. 09	Final-P
11	Brazil	Oct. 09	Draft
12	Burkina Faso	Apr. 07	Final-P
13	Burundi	Feb. 09	Final
14	Cambodia	Mar. 10	Draft
15	Cameroon	Jan. 08	Final
16	Cape Verde	Dec. 08	Final-P
17	Central African Republic	Jun. 08	Final
18	Chad	Jul. 09	Final
19	Colombia	Jun. 09	Draft
20	Comoros	Jan. 08	Final
21	Congo, Dem. Republic of	Mar. 08	Final
22	Congo, Republic of	Mar. 06	Final-P
23	Cote d'Ivoire	Nov. 08	Final-P
24	Dominica	Apr 07	Draft
25	Dominican Republic	Nov. 09	Final
26	Egypt	May, 09	Draft
27	El Salvador	May 09	Final-P
28	Ethiopia	Oct. 07	Final-P
29	Fiji Islands	Jun. 05	Final
30	FYR Macedonia	Aug. 07	Final-P
31	Gambia	Mar. 09	Draft
32	Georgia	Nov. 08	Final-P
33	Ghana	Jan. 10	Final
34	Grenada	Mar. 10	Final-P
35	Guatemala	Mar. 10	Draft
36	Guinea	Jul. 07	Final

	Country	Date	Status
37	Guinea Bissau	May 09	Final
38	Guyana	Dec. 07	Draft
39	Haiti	Jan. 08	Final-P
40	Honduras	Apr. 09	Final
41	India	Mar. 10	Final-P
42	Indonesia	Oct. 07	Final-P
43	Iraq	Jun. 08	Final
44	Jamaica	May 07	Final-P
45	Jordan	Apr. 07	Final-P
46	Kazakhstan	Jun. 09	Final
47	Kenya	Mar. 09	Final-P
48	Kiribati	Dec. 09	Draft
49	Kyrgyz Republic	Oct. 09	Final
50	Lao PDR	Dec. 09	Draft
51	Lesotho	Jul. 09	Draft
52	Liberia	Jun. 09	Final
53	Madagascar	May 08	Final
54	Malawi	Jun. 08	Final
55	Maldives	Nov. 09	Final
56	Mali	Dec. 08	Final-P
57	Mauritania	Mar. 08	Final
58	Mauritius	Jun. 07	Final-P
59	Moldova	Jul. 08	Final-P
60	Montenegro	Jul. 09	Final
61	Morocco	May 09	Final-P
62	Mozambique	Feb. 08	Final-P
63	Namibia	Nov. 08	Final
64	Nepal	Feb. 08	Final-P
65	Niger	Dec. 08	Draft
66	Pakistan	Jun. 09	Final
67	Papua New Guinea	Mar. 09	Draft
68	Paraguay	Apr. 08	Final-P
69	Peru	Apr. 09	Final-P
70	Philippines	Oct. 07	Draft
71	Russian Federation	Jan. 07	Draft
72	Rwanda	Jun. 08	Final-P
73	Samoa	Oct. 06	Final-P
74	S. Tome and Principe	Jan. 10	Final
75	Senegal	Dec. 07	Final
76	Serbia	Feb. 07	Final-P
77	Seychelles	Dec. 08	Final
78	Sierra Leone	Dec. 07	Final-P
79	Solomon Islands	Nov. 08	Final-P

	Country	Date	Status
80	South Africa	Sep. 08	Final-P
81	St. Kitts and Nevis	Sep. 09	Draft
82	St. Lucia	Nov. 09	Draft
83	St. Vincent and Gren.	Sep. 06	Final
84	Sudan	May 09	Draft
85	Swaziland	Mar. 10	Draft
86	Syria	Mar. 06	Final
87	Tajikistan	Jun. 07	Final-P
88	Tanzania	Jun. 09	Final
89	Thailand	Oct. 09	Final
90	Timor Leste	Feb. 07	Final-P
91	Togo	Nov. 08	Draft
92	Tonga	Sep. 07	Final
93	Trinidad and Tobago	Dec. 08	Final-P
94	Tunisia	Mar. 10	Draft
95	Turkey	Dec. 09	Final
96	Uganda	Jun. 09	Final-P
97	Ukraine	Mar. 07	Final-P
98	Vanuatu	Nov. 09	Final
99	Yemen	Jun. 08	Final-P
100	Zambia	Jun. 08	Final

Annex Three: The 6 Clusters of PFM functions



Detailed description of the six PFM clusters used in the analysis, with PEFA indicator dimensions included in each.

Source: Andrews (2010)

Annex Four: Consultant Terms of Reference

1. Introduction

These Terms of Reference are for case studies to be carried out in Burkina Faso, Ghana and Malawi on the reform of public financial management (PFM) systems, the results achieved, the role played by donors and other institutional and contextual factors that may contribute to or hinder PFM reform outcomes. The case studies will build on empirical analysis that investigates where and why PFM reform has delivered results and, conversely, where and why it has not. The main focus of the case studies will be to investigate whether and how donor behaviour and the design and implementation of PFM reform makes a difference to the achievement of results, or whether other domestic contextual factors carry more weight.

2. Background

The Paris Declaration on Aid Effectiveness and the associated emphasis on the use of country systems, budget support, and governance and anti-corruption have triggered increased attention on the reform of PFM.

Strong PFM systems are a key element of the institutional and governance framework needed for building peaceful and stable societies and successful economic and social development, essential to improved service delivery and to the achievement of the Millennium Development Goals.

Nevertheless, PFM systems in many developing countries remain weak and there is lack of certainty or consensus on the role of donors and the context under which external support can best assist the process of PFM reform.

To address this, the evaluation departments of DANIDA (Denmark), Sida (Sweden) and the AfDB (African Development Bank) have agreed, in consultation with the OECD-DAC Evaluation Network, to manage a joint evaluation of PFM reforms in developing countries. This and other planned joint evaluations, including the joint evaluation of the impact of budget support, public sector governance reform, support to anti-corruption programmes, and the implementation of the Paris Declaration, will feed into discussions prior to the next High Level Forum on Aid Effectiveness (HLF-4) in Busan (29 November – 1 December 2011).

The PFM evaluation is interested in finding answers to two related questions:

- (a) Where and why do PFM reforms deliver results (i.e. improvement in the quality of budget systems); and
- (b) Where and how does donor support to PFM reform efforts contribute most effectively to results?

To answer these questions the evaluation design is made up of several components outlined in summary below.

- First, **analytical background work** has been undertaken both to:
 - define what is meant by PFM reform results; and
 - consider how results can be measured across countries and over time to assess the degree to which change in the quality of PFM systems has occurred (see Lawson/De Renzio Approach and Methodology for the Evaluation of Donor Support to PFM in Developing Countries Part A July 2009 and Part B September 2009).
- Second a **literature review** has been completed looking at the range of approaches to PFM reform, donor support and existing evidence on success/failure of PFM reform approaches¹.
- Third, a **quantitative analysis** has been undertaken to identify countries where PFM reform has delivered results in the quality of PFM systems; where it hasn't, and the contextual factors that might explain these differences as well as the correlation with donor support².
- Fourth, **country case studies** will follow up the findings from the quantitative analysis and explore why, in some cases, donor support appears correlated with results, and why in others it does not. The case studies will explore whether and how donor behaviour and the approach to PFM reform design and implementation makes a difference to results. Five case studies are planned in Sub-Saharan Africa starting with Burkina Faso, Ghana and Malawi.
- **Finally, a regional Africa synthesis report** will be compiled that will bring together findings from each of the evaluation products outlined above.

Country case studies have been selected on the basis of data availability (see below) and because they provide examples where budget institutions improved with: (i) high donor effort; (ii) low donor effort; and where regardless of donor effort, budget institutions did not improve.

3. Purpose

The purpose of the evaluation is to identify what factors – institutional and contextual – contribute to successful PFM reform and how donors can best support PFM reform processes given the influence of contextual factors on the process of change. Conversely, the case studies will also identify where PFM reform has not worked, and whether the application of aid effectiveness principles to PFM reform is important to results. The evaluation findings are intended for Governments, donors and PFM practitioners. The intention is to improve the design of external support for country led PFM reform efforts.

1 Pretorius, C and Pretorius, N. (2008) Review of the Public Financial Management Literature. London: DFID

2 de Renzio, P., M. Andrews and Z. Mills (2010) Evaluation of Donor Support to Public Financial Management (PFM) Reform in Developing Countries. Analytical study of quantitative cross-country evidence. London: Overseas Development Institute.

4. Scope and Limitations

Country case studies cover the period from 2001–2009.³ The period represents a time in which donors became increasingly interested in PFM and agreed to increase the effectiveness of aid expenditure, including by using country systems to channel and deliver aid finance.

As PFM performance information is only widely available for central government, the scope of the case studies is restricted to central government organisations. Nevertheless, country visits may provide an opportunity to gather information (in addition to that contained in PEFA) on the extent to which PFM reforms are beginning to extend beyond central government institutions to local government and to service providers. The extent to which the government is taking a lead in this may indicate ownership and reform sustainability.

The quantitative analysis found a positive and significant, albeit weak, correlation between donor support to PFM reforms and improvements in PFM systems. It also found some positive correlations between the way aid is provided and the strength of PFM systems. However, these average effects cannot be taken as causal and universal, and need to be further investigated. Therefore the main purpose of the country case studies is to unpack the nature of PFM reform in different cases where there is found to be: (i) a positive correlation with donor support; (ii) a negative correlation with donor support; and (iii) no correlation between PFM results and donor support. As such, case studies will focus on the history of PFM reform inputs; what has been provided, for what purpose, in what sequence, for how long and at what cost that might help to explain the correlation (positive or negative) with PFM results or lack of them. The case studies will therefore not investigate the impact of PFM reform (particularly on service delivery) but will instead focus on inputs in the evaluation framework; how they have been identified, designed and delivered and the significance of this for the delivery of intermediate outcomes (explained in detail below). In countries where there has been high donor support to PFM, a key line of enquiry is the extent to which the application of aid effectiveness principles is found to make a difference to results. However, given the range of factors that contribute to PFM results, it may be difficult to directly attribute results to donor support.⁴ PFM reform interventions are treated as inputs in the evaluation framework and the case study methodology is centred on the ability to assess the institutional and contextual factors that helped to support success and/or failure of these inputs at each stage of the evaluation framework. It may also be possible to link intermediate outcomes to outputs and donor inputs. For example, one dimension of PFM reform – linking policy to planning and budget (an intermediate outcome in the evaluation framework) – may receive substantial donor support because while it is difficult

³ Or the date of the second PEFA report, which might be earlier than 2009.

⁴ In fact, the quantitative analysis highlights how economic factors in particular explain a large part of variation in the successful implementation of PFM reforms.

from a technical perspective it may be relatively easier from a political perspective. Donor support for the achievement of the other intermediary outcomes – greater transparency and comprehensiveness and control, oversight and accountability – may not be as strong because the political costs of these reforms may be higher despite their relative technical ease. It will therefore be important for the evaluation case studies to explore the wider context of reform intervention and whether certain reforms are pursued because they are politically more palatable than others. In other words, the case studies would examine the extent to which donor support is concentrated at particular phases of the budget cycle. While the evaluation framework identifies final outcomes including the operational efficiency of public spending, it may be too soon to draw conclusions about the impact and sustainability of results. This is largely due to the fact that the evaluation period is relatively short and while quality PFM is necessary for the quantity and quality of service delivery, it is not sufficient. Nevertheless, it may be useful to consider what factors help to support on going reform and what factors risk sustainability e.g. is PFM reform supported by civil society, the Parliament and the business community; implemented in a stable and growing economy; building and developing the capacity of the Ministry of Finance as a key central government body; and spreading further than the centre to include sector Ministries, local government and service delivery units; and supported by on going donor support and technical assistance?

5. Methodology for the Selection of Case Studies

Case study countries have been selected on the basis of data availability. All case studies have at least two Public Expenditure and Financial Accountability (PEFA) assessments available (which covers a period of at least three years) plus World Bank and IMF HIPC assessments which extends the evaluation period by at least another four years (or more depending on the date of the HIPC assessments) which may be sufficient to observe changes in the quality of PFM systems.

The table below separates the 14 countries in Sub-Saharan Africa that meet the data requirements, into countries where reforms have delivered results (i.e. an increase in HIPC/PEFA scores between 2001 and 2007 – or the date of the second PEFA assessment – and countries where reforms did not bring about any improvement or where the quality of PFM systems deteriorated.

PEFA Performance in 14 African Countries 2001–2007

Countries where budget institutions improved	Countries where budget institutions did not improve or deteriorated
Burkina Faso, Ethiopia, Ghana, Mali, Tanzania, Zambia	Benin, Guinea, Madagascar, Malawi, Mozambique, Rwanda, Sao Tome and Principe, Uganda

Source: PFM Evaluation Approach Paper Part A: Assessing Budget Institutions and Budget Reforms in Developing Countries

Of these countries, case studies will be selected so that three types of situation can be examined:

- One in which donor support appears to be positively correlated with PFM improvement;
- One in which donor support appears to be negatively correlated with PFM improvement; and
- One in which significant PFM improvements appear to have occurred despite relatively low levels of donor support.

This suggests that countries are selected from across the following table.

Relative Impact of Donor Support to PFM reforms in SSA (1998–2007)

PFM Reform	Countries where Budget Institutions Improved	Budget Institutions did not improve
High donor support	Burkina Faso, Tanzania, Zambia	Benin, Malawi, Mozambique, Rwanda, Sao Tome and Principe, Uganda
Low donor support	Ethiopia, Ghana, Mali	

Source: As above

However, as stated above, donor support is not the only factor influencing the design and implementation of PFM reform measures and their results. Other factors, notably a range of domestic economic, political and institutional factors, are likely to determine the dynamic of the reform process as well as the results achieved. Hence, country case studies have been specifically selected to include cases where budget performance has improved with little or no donor support for PFM reform to highlight what specific factors contributed to reform outcomes and to provide a relevant counterfactual.

6. Analytical Approach

The first step in answering the related questions of where and why do PFM reforms deliver results and where and how does donor support contribute most effectively to results, is to build a common definition of what is meant by results. The second step is to identify empirical information that might help to measure results and compare them across countries and over time (see *Assessing Budget Institutions and Budget Reforms in Developing Countries: Overview of theoretical approaches and empirical evidence*. Paolo de Renzio July 2009).

For the purpose of this evaluation, the following three dimensions of budget institutions provide a basis for assessing their overall quality:

- **Transparency and comprehensiveness:** looks at issues related to the quality of budget information, from the classification system to the coverage and clarity of budget documents; accessibility to budget information by the Legislature, the general public, media and civil society

- **Linking budgeting, planning and policy:** assesses the extent to which the budget is effective in converting policy objectives into relevant taxation and spending actions; budgets are derived from accurate medium term forecasts and contain a policy perspective
- **Control, oversight and accountability:** considers whether adequate mechanisms are in place to promote overall accountability for the use of public resources

Quality budget institutions are defined as those that exhibit higher degrees of transparency; policy orientation and control/accountability (see Table 1 below). At the opposite end, weak budget institutions are identified by their opacity, their lack of linkages with planning and policy, and the absence or weakness of mechanisms for monitoring and accounting for the use of public funds.

These dimensions are consistent with parts of the PEFA assessment as well as with indicators developed for HIPC assessments (Table 1).

Table 1: PEFA Indicators of Budget Performance

Intermediate Outcome	Definition	PEFA Indicators
Transparency and Comprehensive-ness	The quality of budget information, from the classification system to the coverage and clarity of budget documents; accessibility to budget information by the Legislature, the general public, media and civil society	HIPC 1, 2, 4, 5 PEFA 5, 6, 7, 8, 9, 10, 13, 14, 15
Links between planning, policy and budget	Budget is effective in converting policy objectives into relevant taxation and spending actions; budgets are derived from accurate medium term forecasts and contain a policy perspective	HIPC 7, 10 PEFA 11, 12, 16, 23
Control oversight and accountability	Adequate mechanisms are in place to promote overall accountability for the use of public resources	HIPC 8, 9, 11, 15 PEFA 17, 18, 19, 20, 21, 22, 24, 25, 26, 27, 28

Unsurprisingly, there are limited sources of information and cross-country data which can be relied on to assess and compare the quality of budget institutions. The most comprehensive attempt at constructing a framework to assess the quality of budget institutions is the PEFA PFM Performance Measurement Framework (PEFA 2005) based on 31 indicators, which cover institutional arrangements at all phases of the budget cycle. Moreover, the framework contains all the information needed to measure the quality of budget institutions long the three dimensions identified above.

The country case studies will explore the extent to which PFM reform is more likely to produce results when there is an enabling environment for

reform, when donor behaviour follows the principles of aid effectiveness, and when PFM reform interventions follow certain principles.⁵ This suggests that PFM reform is more likely to produce results in the following circumstances:

- **Economic Growth and Political Stability:** PFM reforms take place in a stable environment that allows for the time, policy space and flexibility needed to implement complex governance reforms, and the additional public funds generated by growth.
- **Reform Planning and Design:** PFM reform inputs consider the local context taking into account the strength of existing institutions. Reform plans have been prioritized and sequenced to implement basics first and do not overwhelm existing administrative capacity.
- **Strengthened Approach:** reforms are country owned and managed through existing processes; with donor support harmonized and aligned behind country led reform programmes and aid is channeled through country PFM systems⁶.
- **Political Economy:** PFM reforms have sustained high level political support for governance reforms in general (including civil service reform) and reflect political priorities and feasibility; political economy factors (such as patronage networks) are less powerful.
- **Demand side governance:** PFM reforms build on existing public demand for improved PFM through strengthening transparency of decision making and financial information, and there is greater accountability to the public and users of public services. Countries where these processes exist are more likely to deliver results in PFM reform, but this could also be a necessary pre-condition to more difficult or politically sensitive PFM reforms.

The relevance of these factors to the PFM change process has been incorporated into an evaluation framework. The purpose of the pilot country case studies is to test the evaluation framework and to elaborate further on where and why PFM reforms deliver results and how donor support can more effectively support the PFM change processes.

7. Evaluation Questions

Detailed questions for each country case study regarding PFM reforms are listed below against the OECD DAC evaluation criteria of relevance, efficiency and effectiveness of PFM reform. The questions have been structured to reflect the theory of change set out in the evaluation framework in Annex 1. At each level of the evaluation framework (inputs, out-

5 See Paolo de Renzio (July 2009): PFM Evaluation Approach Paper, Part A chapter 6: “Explaining success in budget reforms: lessons from the political economy of government reforms.” The theory of change largely draws on the lessons learnt from first generation structural adjustment reforms, rather than second generation governance reforms. However, the theory closely suggests that the principles of aid effectiveness also apply to PFM reform.

6 While this may appear tautological, there can often be several PFM reform project interventions and TA initiatives (World Bank, IMF, ADB and so on) operating within one institution, usually the Ministry of Finance with no single agreed strategy for PFM reform,

puts, intermediate and final outcomes) the evaluation will consider the institutional and contextual factors that influenced the design and implementation of PFM reform and their significance in delivering reform success.⁷ It is important to note that these questions refer to all PFM reform inputs whether or not they are financed by external donors.

- **How relevant is PFM reform to local context and existing systems?**

- Is there a government led PFM reform programme that has high level political support?
- Does PFM reform respond to domestic priorities, e.g. politically driven public sector reform agendas, macroeconomic and fiscal needs, political priorities for improved service delivery?
- Is donor support designed and structured to support government led and government managed initiatives?
- Do PFM reform programmes include a component aimed at strengthening budget reporting e.g. to the public. Or do PFM reform programmes include components to include the public in resource allocation decisions?
- Is external support to PFM reform designed to fit with the nature of political support for reform, to the institutional strengths and weaknesses of the existing PFM system, and to the organisational capability of the lead agencies (e.g. finance ministry) in PFM reform? Are international models of PFM reform transplanted on a “one-size fits all” basis or is PFM reform developed incrementally to fit with existing administrative capacity?⁸
- Are PFM reforms consistent with on-going public administration reforms?
- Is donor support based on building existing PFM systems rather than creating new ones?
- Is there evidence that donor supported reforms have overwhelmed existing institutional capacity?
- What is the role of technical assistance in PFM reform design?
- Are PFM reform and management processes supported by or include active consultation and communication with a wide range of stakeholders involved in the reforms, as well as active measures to broaden support for reform?

- **How efficient and cost effective is PFM reform?**

- Efficiency should look at the ratio between costs and output or outcomes. It will be important to estimate what PFM reform costs? How much has been spent by Government initiatives and

7 These questions are a summary of a much longer list of questions taken from Lawson/ de Renzio

8 Assessing political support is not straightforward but evidence could be gathered through interviews (TA, donor, government officials, and civil society) and through the ability of the Ministry of Finance (and the Minister of Finance) to lead and implement PFM reforms across government with strong support from Cabinet and Parliament.

- by donors e.g. on personnel and equipment, to achieve particular PFM objectives?
- Is donor support for PFM reform coordinated around a single PFM reform plan or strategy or is support fragmented across several initiatives?
- Have donor efforts been slow at getting started or taken longer than expected, requiring on-going TA support?
- Is donor support reliant on specifically designed PFM reform management units (project implementation units)?
- **How effective is PFM reform?**
 - Is there any additional evidence of PFM reform that is not captured in the PEFA framework e.g. reforms extending beyond central government institutions?
 - Have PFM reforms (including donor support to reforms) moved beyond de jure reform aspects, such as approving laws and regulations, to de facto aspects, such as changes in actual budget practices, and have these elements of PFM systems improved?
 - Have PFM reforms extended beyond the centre (e.g. Central Finance Agencies) to include, for example, sector Ministries, local government and service delivery units and what explains this spread? Have reforms been effective in improving PFM performance beyond central finance agencies?
 - In aid dependent countries, to what extent has the use of general budget support, PFM-related conditionality, and efforts to reduce aid fragmentation contributed to strengthening PFM performance? Have these efforts impacted across all aspects of PFM, or on specific areas such as de jure and concentrated PFM processes?
 - Are country systems for financial reporting and accountability utilised by donors?
 - To what extent is aid expenditure included in different stages of the budget process⁹?

8. Tasks

The consultants will conduct country case studies in Burkina Faso, Ghana and Malawi.

Task 1: Inception Phase

- Organise consultation workshop (in Tunis) as part of the inception phase involving key users and stakeholders of the evaluation.

Prepare an Inception Report that would:

- Further develop the evaluation questions, evaluation framework, analytical tools and overall work plan for the country case studies that builds on the

9 For instance see CABRI – dimensions of aid on budget including procurement

original approach papers and the literature review to ensure complementarities and the best possible synthesis report¹⁰.

- Incorporate an approach to test the findings and hypotheses emerging from the quantitative study.

Task 2: Desk Review

- Review existing PEFA/HIPC assessments and performance data (for the three case study countries) – what does the evidence tell us about PFM reform progress over the evaluation period? What specific reforms have been followed and is it possible to track them over time?
- Gather information on donor support to PFM reform over the evaluation period (including project documents where these are available). While 2001 is the date of the first HIPC assessment, it might also make sense to extend that period backwards to capture earlier donor PFM support, and initial reforms that took place in the mid to late 1990s.
- Identify the level and character of government initiatives, and (changes in) the level of political will to undertake PFM reforms during the evaluation period, classifying it according to the following categories:
 - Stage of the budget cycle (e.g. preparation, approval, execution, audit)
 - Budgeting time horizon (e.g. annual budget, MTEF)
 - Involved stakeholders (e.g. Parliament, CSOs, DPs)
 - Type of input (e.g. legislative, human capital, infrastructure)
 - Cost (direct and indirect) and time
- Identify donor support (inputs in the evaluation framework) to PFM reform during the evaluation period in each country case study and classify it according to the three dimensions of quality PFM (described above) and the following:
 - its phase in the budget cycle e.g. preparation, approval, execution, audit
 - type e.g. technical assistance, training, capacity building, software and computer installation, budget support, dialogue on PFM reform;
 - process of delivery e.g. project management unit, or through Government systems;
 - donor providing the support e.g. World Bank, IMF, AfDB, and bilaterals and whether it is joined up or implemented through separate project agreements;
 - cost and time;
- Using project documents, identify the outputs that support interventions are intended to deliver e.g. people, skills and organizational capacity; changes in laws, rules and procedures; improved information systems and business processes; and changes in incentives and controls (see evaluation framework);
- Compile a timeline of support showing the sequencing of donor supported reform activities (plus investments). Can results in PEFA assessments be linked to specific reforms that have been supported by donors?

10 Lawson/De Renzio Approach and Methodology for the Evaluation of Donor Support to Public Financial Management (PFM) in Development Countries Part A July 2009 and Part B September 2009

Task 3: Undertake country visits

The purpose of the country visits is to assess the relevance, efficiency, effectiveness and sustainability aspects of the theory of change framework and how donor support has been designed and implemented.

The evaluation team would be expected to carry out structured and semi structured interviews with Ministry of Finance officials, other officials in government, sector ministries, local government, politicians, civil society and a range of donors both those involved in PFM reform and those that are not. The consultants could consider sending a limited number of questions in advance of the country visit to both donors and government officials. If a joint donor/government budget support or PFM group exists detailed discussion should be held with these groups to review experience over time.

Task 4: Report drafting

The consultants will be expected to produce stand alone reports for each country case study. Reports should be no longer than 30 pages with additional information included as annexes as necessary. Reports should be succinct as it is important to produce written information which is accessible to a wide audience and to readers whose first language may not be English (or conversely French). As far as possible, the initial findings of the evaluation should be discussed with the participating government, with donor partners and other stakeholders in country for comment and feedback before the evaluation team departs. Draft reports would be presented to the Management Group and Evaluation Reference group for comments and feedback before the final report is produced.

9. Budget

The total cost (fees and reimbursables) for the evaluation must not exceed SEK 3,500,000.

10. Deliverables¹¹ and timetable

The consultant will undertake the following tasks within the timeline set out below:

Deliverable	Submit by
Inception phase consultation workshop in Tunis	March 2011
Prepare an Inception Report setting out the approach to the case studies. Undertake in country consultations during the inception stage	31 st March 2011
Undertake a desk based review of PEFA reports and other available evidence about PFM reforms in the case study countries. The objective is to develop a preliminary overview of and hypotheses about how the reforms have been undertaken, partner government initiatives and the level and character of the external support.	30 th April 2011

11 All deliverables will be submitted electronically in English and French

Deliverable	Submit by
Visit case study countries and undertake a range of interviews, workshops, and a de-briefing workshops at the end of the field visit (following a common evaluation approach)	May–June 2011
Briefing report with preliminary findings from country visits	30 th June 2011
Country case study reports submitted (following a common format)	31 st August 2011
Final Synthesis Submitted	30 th September 2011

11. Consultant qualifications and skills

10.1 The work will require a small team of consultants who have experience in PFM reform, with part of that experience being in the evaluation of development policy, programs or project operations. Support may be required to gather information on donor support in both case studies including project documents, PEFA reports and HIPC data and to provide support with the desk study. Two consultants will be required for each case study and it will be important that the team leader is fluent in both English and French (in reading and writing) and involved in all three case studies. Consultants would be expected to be familiar with reform approaches, partner government initiatives and interventions of donor agencies in African countries particularly in the area of PFM. Familiarity with PEFA assessment systems will be important.

Compulsory requirements for personnel are specified in section 4.2.1 for team leader and 4.2.2 for other personnel. Evaluation criteria for qualification and competence are specified in 7.2.1 for the team leader and 7.2.2 for other team members.

Final reports should be submitted in both English and French. All reports submitted should be professionally edited.

12. Management and Administration

12.1 The consultant will report to the evaluation task manager for methodological guidance, preparation and drafting of the report. Draft reports will be submitted to the Management Committee made up of Sida, DANIDA and AFDB evaluation departments. Drafts may be circulated to PFM professional staff in these institutions including country specialists for comments. Final drafts will also be circulated to a wider group of stakeholders mainly including bilateral and multilateral donors and PFM experts who may submit further comments. In country support would be provided by donor country offices.

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John Eriksson, Howard Adelman, John Borton, Krishna Kumar, Hanne Christensen, Astri Suhrke, David Tardif-Douglin, Stein Villumstad, Lennart Wohlgemuth
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- 1997:2 Measuring and Managing Results: Lessons for Development Cooperation: Performance Management**
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- 2003:1 Local Solutions to Global Challenges: Towards Effective Partnership in Basic Education. Final Report. Joint Evaluation of External Support to Basic Education in Developing Countries.**
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- 2003:2 Toward Country-led Development : a Multi-Partner Evaluation of the Comprehensive Development Framework : Synthesis report**
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Danida, Sida, Chr. Michelsen Institute, Copenhagen, DFID, Development Cooperation Ireland, BMZ, 2005.
- 2005:5 An Independent External Evaluation of the International Fund or Agricultural Development**
Derek Poate, team leader, Charles Parker, Margaret Slettevold ...
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- 2006:1 Joint Evaluation of the International response to the Indian Ocean tsunami: Synthesis Report**
John Telford, John Cosgrave, contribution Rachel Houghton
Tsunami Evaluation Coalition (TEC) Action aid, AusAID, BMZ CIDA, Cordaid, Danida, Dara, Irish Aid, DFID, FAO, IFRD, Federal Min for Economic Cooperation and Development Germany, JICA, Min des Affaires Étrangères France, Min des Affaires Étrangères Luxembourg, Norad, NZAID, DEZA, Sida, UN, UNDP, UNFPA, Unicef, Usaid, WFP, WHO, World Vision, 2006.
- 2006:2 Impact of the tsunami response on local and national capacities**
Elisabeth Scheper, Arjuna Parakrama, Smruti Patel, contribution Tony Vaux

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2006:3 Coordination of International Humanitarian Assistance in Tsunami-affected countries

Jon Bennett, William Bertrand, Clare Harkin, Stanley Samarasinghe, Hemantha Wickramatillake

Tsunami Evaluation Coalition (TEC) Actionaid, AusAID, BMZ, CIDA, Cordaid, Danida, Dara, Irish Aid, DFID, FAO, IFRD, Federal Min for Economic Cooperation and Development Germany, JICA, Min des Affaires Étrangères France, Min des Affaires Étrangères Luxembourg, Norad, NZAID, DEZA, Sida, UN, UNDP, UNFPA, Unicef, Usaid, WFP, WHO, World Vision, 2006.

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Michael Flint, Hugh Goyder

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Ian Christophos

Tsunami Evaluation Coalition (TEC) Actionaid, AusAID, BMZ, CIDA, Cordaid, Danida, Dara, Irish Aid, DFID, FAO, IFRD, Federal Min for Economic Cooperation and Development Germany, JICA, Min des Affaires Étrangères France, Min des Affaires Étrangères Luxembourg, Norad, NZAID, DEZA, Sida, UN, UNDP, UNFPA, Unicef, Usaid, WFP, WHO, World Vision, 2006.

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2006:7 Evaluation of Coordination and Complementarity of European Assistance to Local Development: with Reference to the 3C Principles of the Maastricht Treaty

Robert N. LeBlanc and Paul Beaulieu

Sida, Ministry for Foreign Affairs, Austria, Ministry for Foreign Affairs, Department for International Development Cooperation. Belgium, Min. des Affaires étrangères/Direction General de la Cooperation International, France, Department of Foreign Affairs Development Co-operation Division, Ireland and Ministry of Foreign Affairs/Directorate-General for International Cooperation, the Netherlands, 2006.

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AFD, DFID, MOFA, NZAID, USAID, AusAID, BMZ, JBIC, NORAD, Danida, SECO, CIDA, JICA, Min of Foreign Affairs Spain, Portuguese Development Cooperation, Sida, 2007.

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Ministry for Foreign Affairs, Department for International Development Cooperation. Belgium, Min. des Affaires étrangères/Direction General de la Cooperation International, France, Department of Foreign Affairs Development Co-operation Division, Ireland and Ministry of Foreign Affairs/Directorate-General for International Cooperation, Netherlands, 2007.

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Anneke Slob, Alf Morten Jerve

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Jesper Heldgaard

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Esther van der Meer, Arne Tostensen, Anneke Slob, Alf Morten Jerve

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2008:2 Evaluation of the Implementation of the Paris Declaration: Phase One Synthesis Report

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International Reference Group comprising members of the DAC Network on Development Evaluation, 2008.

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Andrew Lawson

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Evaluation of Public Financial Management Reform

Burkina Faso, Ghana and Malawi 2001–2010

Where and why do Public Financial Management (PFM) reforms succeed? Where and how does donor support to PFM reform contribute most effectively to results? This report summarises the findings and conclusions of an evaluation based on studies of the PFM reforms in Burkina Faso, Ghana and Malawi. The evaluation also draws on a global quantitative review.

It is found that results tend to be good when there is a strong commitment at both political and technical levels, when reform designs and implementation models are well tailored to the context and when strong, government-led coordination arrangements are in place to monitor and guide reforms.

Donor funding for PFM reform has been effective in countries where the context and mechanisms were right for success, and where external funding was focused on the Government's own reform programme. The willingness of some Governments to fund PFM reforms directly shows that external funding may not be the deciding factor, however. Donor pressure to develop comprehensive PFM reform plans and monitoring frameworks can be a positive influence but attempts to overtly influence either the pace or the content of PFM reforms were found to be ineffective and often counter-productive. Key lessons for donor agencies are thus to focus on countries where the right preconditions exist, to align to government programmes and, under all circumstances, to ensure that aid works in favour of the PFM system and not against it.

The evaluation has been commissioned jointly by the African Development Bank (AfDB), the Swedish International Development Cooperation Agency (Sida) and the Danish International Development Assistance (DANIDA).



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