THE AFRICAN CAPACITY BUILDING FOUNDATION | FONDATION POUR LE RENFORCEMENT DES CAPACITES EN AFRIQUE

THE EXPERIENCE OF MEDIUM TERM EXPENDITURE FRAMEWORK & INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM REFORMS IN SUB-SAHARAN AFRICA – WHAT IS THE BALANCE SHEET?

MFANDAEDZA HOVE & ANDY WYNNE

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This Occasional Paper examines the experience of the Medium-Term Expenditure Framework (MTEF) and the Integrated Financial Management Information System (IFMIS) reforms in sub-Saharan Africa. It provides insights on the limited success of these reforms and the need to consider alternative approaches to improve public section financial systems in African countries. The reflections and judgments contained in this paper are, however, those of the authors and do not necessarily reflect the official position of the African Capacity Building Foundation.

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– WHAT IS THE BALANCE SHEET?

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THE AFRICAN CAPACITY BUILDING FOUNDATION

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ABSTRACT

A Medium Term Expenditure Framework (MTEF) and an Integrated Financial Management Information System (IFMIS) are two of the standard reforms promoted and supported by the World Bank and other aid agencies in almost every country in Sub-Saharan Africa. This paper provides a balance sheet of the relative success, or otherwise, of these reforms over the last decade. The aims and objectives of the MTEF and the IFMIS are outlined, indicating the initial hopes for these reforms and the increasingly strident warnings that this promise was not being delivered. A case study is provided which considers the introduction of MTEF and IFMIS reforms in Rwanda. This demonstrates the limited success of these reforms even in a country committed to fundamental change and provided with significant resources by the donor community. The paper then argues that it was the economic problems across Sub-Saharan Africa, especially in the late 1970s and early 1980s, resulting from external events, which led to a worsening of the quality of financial management and governance. This contrasts with the dominant view that it is poor governance that is holding back economic development across the continent. This leads to considerations of effective alternative approaches; the need for real country led reforms which build on the particular existing public sector financial management system in each country; and puts a priority on basic internal financial controls and reforms which have been clearly proved to be successful in similar environments. An incremental approach, which utilises and enhances local capacity, is considered to be far more likely to succeed than big bang approaches like MTEF and IFMIS.

Key Words: MTEF, IFMIS, Sub-Saharan Africa, Debt burden

I. INTRODUCTION

We are living through a time of fundamental questioning of received wisdoms and the ideas of what represents best practice. Leading economists across the world are having to rethink their ideas in response to the current global economic recession. In addition, we have seen the election of a US president whose main campaign slogan was 'change'. The previous paradigm of reduced regulation and limited state intervention has been replaced by the nationalisation of several leading banks in the United States, which most supported neoliberalism and new public management; the US, the UK and Iceland. The need for harder, more detailed regulation of the private sector has gained wide spread acceptance (for example, the leader of the WTO in Le Monde, 9 November 2008). The widely held virtue of balanced budgets is being jettisoned in the face of dire economic necessity. Governments are borrowing heavily in order to protect their national banking and economic systems. A similarly dramatic re-think is also required in terms of the type of the public sector financial management reforms which the international financial institutions and the international aid agencies have been promoting across Sub-Saharan Africa for the last decade or so.

Two of the most frequently recommended reforms for governments in the Global South are the Medium Term Expenditure Framework (MTEF) and Integrated Financial Management Information Systems (IFMIS). For example the two core chapters to the World Bank's *Public Expenditure Management Handbook* were devoted to these reforms (World Bank, 1998). Great claims were made for the benefits of such reforms, but:

> *many of the claims made have been based more on theory and what might happen after the reforms have worked their way through the system. These reforms have been heavily supported by the international financial institutions and the country aid agencies. However, the actual level of success from their implementation has been surprisingly low. In many cases, where results have not lived up to expectations, this is not laid at the door of the "reforms" but rather at the door of the governments who have not gone far enough, or have backed off under pressure from 'vested interests'* (Rosskam, 2006: ix).

Although MTEFs differ between countries, broadly defined, the MTEF approach allows for the linking of policy, planning and budgeting. An MTEF consists of a "top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources" (World Bank, 1998: 48). As a result, ministries are expected to enjoy: greater independence in their resource allocation decisions; increased predictability of resource flows; improved accountability and transparency within government; and ultimately a more effective and efficient process of resource allocation towards strategic priorities within and between sectors.

An IFMIS is a computerized system designed to support public financial management goals and priorities. An IFMIS:

> *usually refers to computerization of public expenditure management processes, including budget formulation, budget execution, and accounting, with the help of a fully integrated system for financial management of the line ministries and other spending agencies* (Diamond & Khemani, 2005: 3).

By tracking financial events through an automated financial system, governments are expected to be able to better control expenditure and improve transparency and accountability in the budget cycle as a whole. However, in practice the World Bank and aid agencies have funded the introduction of private sector financial systems, which do not include core budgeting functionalities. As a result, a large part of the real budget management system is operated separately outside the core IFMIS. Whilst definitions of the key components of an IFMIS vary, proponents argue that this technology provides a set of tools that assist government in undertaking the following tasks:

- designing appropriate fiscal and monetary responses to changing macro economic conditions;
- ensuring accountability for the deployment and use of public resources;
- improving the effectiveness and efficiency of public expenditure programs;
- mobilizing domestic resources and managing external resources (foreign aid and loans);
- managing civil services; and
- decentralizing operations with adequate controls.

Both the MTEF and IFMIS are large, complex and strategic reforms and so are high risk projects which have actually suffered high levels of failure. Thus, for example, World Bank estimates that only 6% of the IFMIS they funded were likely to be sustainable (Dorotinsky, 2003). However, it is the strategic nature of these reforms, which can be attractive to those who believe that the public sector in Sub-Saharan Africa requires fundamental change. They hope that the MTEF and IFMIS reforms will support the modernisation of public financial management and the introduction of good governance. Their view is supported by the widely accepted idea that poor governance and corruption are the main causes of the poor economic growth in Africa (Commission for Africa, 2005; Isaksen, 2005).

However, it may be that this causal relationship actually runs the other way. Could it be that it is Sub-Saharan Africa's economic problems which have led to the deterioration in the quality of financial management systems? If so, Sub-Saharan African public sector financial managers could be considered heroes rather than corrupt bureaucrats. They have attempted to maintain standards in the face of severe economic constraints, widespread retrenchment and a significant decline in the value of their salaries. As a result they are the experts in their financial management systems and are the people who should lead their government's reform programme to re-build and refine these systems. Local private sector and international consultants may, in certain circumstances be able to support local public sector financial staff. But in many cases the use of such 'experts' and the lack of a real lead by the government has led to expensive failures and the waste of resources, which are desperately needed to fund the public services, would be necessary to achieve the Millennium Development Goals.

According to the Danish Institute for International Studies (2008), blue-print approaches and fixed ideas about what constitutes a governance agenda can have dangerous consequences, and they demonstrate how pragmatic initiatives that do not necessarily reflect widespread ideas about 'good governance' can bring about positive results.

A former senior official of the World Bank has also supported the need for a fundamental review of the actual progress which has been achieved through the introduction of the MTEF or IFMIS reforms, arguing that:

> *The introduction of the MTEF concept and its early application are now some 15 years*

old, and the time for a candid and fact-based assessment is long overdue. Given the hype the MTEF has enjoyed, its rapid expansion in the last decade, and the disregard of some fundamental considerations of institutions and capacity, a little extra emphasis in the interest of understanding the actual issues is timely (Schiavo-Campo, 2008).

Despite the calls for country led reforms, the international financial institutions and aid agencies still have a dominant role in the direction of public financial management in Sub-Saharan Africa. The MTEF and IFMIS are still being heavily promoted as the way to improve and to modernise public sector financial management across Africa. In Somalia, for example, a World Bank mission in late 2007 recommended an IFMIS for the Somali government. Whilst in Nigeria a large Department for International Development (UK) funded project to improve the financial management of state level governments, initiated in late 2008, is dominated by the proposal to implement an MTEF in each of the states over the next six years.

This study aims to build on a previous *Africa Capacity Building Foundation* paper (Wynne, 2005), which reviewed the MTEF and IFMIS reforms in Ghana, Tanzania and Uganda. That paper concluded that:

Due to the economic conditions in many developing countries, the World Bank, aid agencies and their international consultants wield considerable influence on the priorities and approach to public sector financial management. Continued care is needed to ensure that their prescriptions are actually relevant and appropriate to the needs of each particular country. In particular, given the past record of limited success with the implementation of MTEFs, IFMISs and other major reforms, the need for such approaches and the evidence of their successful implementation in other countries should be rigorously reviewed. The traditional public sector concerns with regularity and probity will, if anything, become more important when major reform initiatives are being considered. Small-scale investment in basic internal financial controls may often bring greater returns than large investment in innovative reforms with their associated significant risks of failure.

MTEFs and IFMISs are considered, at least by the international financial institutions to be core public financial management reforms for many developing countries. Their level of success, however, has been relatively modest and many of the assumed benefits have not necessarily been achieved. As a result, scarce resources and expertise may have been wasted on initiatives whose success in practice had not necessarily been adequately tested (Wynne, 2005: 32).

After this introduction overviews are provided of the MTEF and the IFMIS indicating the initial hopes for these reforms and the increasingly strident warnings that this promise was not being delivered in practice across Sub-Saharan Africa. The next section considers the introduction of MTEF and IFMIS reforms in Rwanda. This demonstrates the limited success of these reforms even in a country committed to fundamental change and provided with significant resources by the donor community. The section after that argues that it was the economic problems across Sub-Saharan Africa, especially in the late 1970s and early 1980s, resulting from external events, which led to a worsening of the quality of financial management and governance. This is in contrast with the dominant view that it is poor governance that is holding back economic development across the continent. This is followed by a section which considers the need for real country led reform which builds on the particular existing public sector financial management system in each country. The final section provides the overall conclusions for the study.

II. MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

The generic objectives of a Medium Term Expenditure Framework (MTEF) are generally considered to be:

- facilitating the achievement of a balanced budget (fiscal discipline)
- enabling the shift of resources to pro-poor areas of the budget in line with agreed poverty reduction strategies (Wynne, 2005).

However, there are questions about the extent to which these or other objectives have been formally agreed for the country concerned and whether these have been agreed by all the major stakeholders. Also such objectives may not have been internally generated to address local concerns and priorities, but based on external advice, recommendations or requirements. This is particularly the case in the Sub-Saharan African public sector environment where reforms are heavily influenced by staff from the international financial institutions and the donor agencies and the actual implementation is led by foreign or at least external consultants.

In addition to the traditional requirement of budget discipline, the following technical and institutional factors are considered essential for a successful MTEF:

- a clear framework of national objectives and policies, and sector objectives and strategies
- realistic medium-term resource projections that ensures predictable flows of programmed resources to implementing agencies
- a comprehensive budget that captures all the expenditures by the government as well as on behalf of the government, for instance by donors and NGOs
- an integrated budget that enables the budget system to relate results and accountabilities to resource inputs
- a budget and program classification that can be linked to the national and sectoral objectives, that is a functional classification and facilitates the integration of the budget
- financial management institutions to ensure transparency and accountability in the use of budget resources
- monitorable indicators of inputs, final and intermediate outputs and outcomes, quantitative and qualitative targets of these indicators and a system for regular monitoring of the progress toward meeting the targets. The monitoring provides the basis to assess results and accountabilities and make adjustments in objectives, targets and budget allocations (World Bank, 2005a: 8).

Despite these warnings, the MTEF has become one of the standard public financial management reforms which the international financial institutions and the donors have recommended to all countries across Sub-Saharan Africa.

This approach has often not been a success. The results of nearly fifteen years of this experience across the world was recently summarised by a former senior IMF and World Bank official as:

- virtually no evidence of improved macroeconomic balance
- some limited evidence of reallocation to priority sub-sectors
- no evidence of a link to greater budgetary predictability
- no evidence of efficiency gains in spending.

> *This is what the donors and the developing and middle-income countries have got in return for the billions of aid dollars, mountains of red tape, heavy burdens on local government staff, and literally centuries of full-time-equivalent technical experts* (Schiavo-Campo, 2008: 6).

And:

> *there is mounting skepticism of all MTEF concepts—seen as exhausting and expensive initiatives pushed by donors, and carried out as supply-driven self-propelled exercises conducted mainly by external consultants* (Schiavo-Campo, 2008: 7).

Additionally, in Africa, the financial plans developed from the MTEFs have been criticised as:

> *plans in Africa have widely been considered shopping lists - used to extract funding from donors but without any effect on other public expenditure whatsoever* (Isaksen, 2005).

Finally, Schick, a frequent presenter at World Bank public financial management events, has also commented that:

> *Medium Term Expenditure Frameworks (MTEFs) have not proven a panacea to the challenges of budget planning, preparation and management in most countries. A possible epitaph for MTEF-type reforms would read "Died of many causes, each of which was sufficient* (Schick, 2008).

Warnings of failure

These results did not come without prior warning. A former IMF and World Bank official recently admitted that with the MTEF:

> *A first glimmer of recognition of these problems* [with the MTEF] *appeared at the World Bank's "PREM Week" meeting of late 2000, when it was noted, among other things, that if a country cannot put together a sensible annual budget and execute it in minimally acceptable fashion it is very unlikely to have any use for a medium-term expenditure framework. One panellist (Alister Moon) gave a long list of preconditions for introducing an MTEF, including macroeconomic stability; revenue predictability; early political commitment; core capacity of the finance ministry and central agencies; supportive donor behaviour; capacity to enforce a hard budget constraint at the ministry level; executive commitment to having a transparent budget process; and capacity in sector policy analysis* (Schiavo-Campo, 2008: 5).

Two years after these warnings of potential failure, in a major study for the World Bank, Le Houerou and Taliercio (2002) came to the following conclusions of the progress with the MTEF across Africa:

> *The limited quantitative evidence shows, thus far, that MTEFs are not yet unambiguously associated with their objectives… In terms of macroeconomic balance, with the possible exception of Uganda, there is no evidence that MTEFs have made a*

> *significant impact. In terms of resource allocation, there is some limited and qualified evidence to suggest that MTEFs are linked to reallocations to a subset of priority sectors. With respect to budgetary predictability and consistency, there is no support for the assumption that MTEFs are associated with greater discipline and less deviation. At best, then, these cases present a mixed picture* (Le Houerou and Taliercio, 2002: 24).

These conclusions were being repeated in March 2008 at a major World Bank seminar as being the current picture. The seminar was organised to re-assess the World Bank's public financial work including a review of its experience with the MTEF (World Bank, 2008a). One of the presenters at the event asked "Have certain donor-led PFM initiatives complicated the PFM reform landscape in countries, e.g. MTEF?" and a World Bank senior staff member said that MTEFs had become a reputational risk to the Bank. It is hoped that these concerns will lead to greater changes in practice and advice to governments than has been achieved in the past.

At another seminar held later in 2008, this time organised by the IMF, the same presenter noted that:

> *Recent World Bank studies… revealed significant shortcomings in the way that MTEFs had been designed and implemented in many developing countries. The IFIs and development institutions themselves bear some responsibility for the mixed success in implementing MTEFs and for generating unrealistic expectations about what MTEFs could and would achieve in practice* (Brumby, 2008).

At the same event, yet another official commented that:

> *The realization of the magnitude of wasted resources and dashed expectations is sobering* (Schiavo-Campo, 2008b).

The World Bank should therefore put more effort into listening to local public sector financial officials, building on their expertise and understanding of the local environment to ensure that local public sector financial management reform programmes are more successful in future. Public sector financial managers should have confidence and pride in the way that they have managed their systems, especially over the very difficult times of the last few decades. They need to be able to consider carefully the evidence on the extent to which reforms recommended by international consultants are actually being effective in similar environments to their own. Where necessary, they have the responsibility to reject the advice of the international financial institutions and the consultants they appoint, especially where they do not provide adequate evidence that the reforms are actually working effectively in other countries. The World Bank should ensure that developing countries are not unduly penalised for not accepting the recommended reforms.

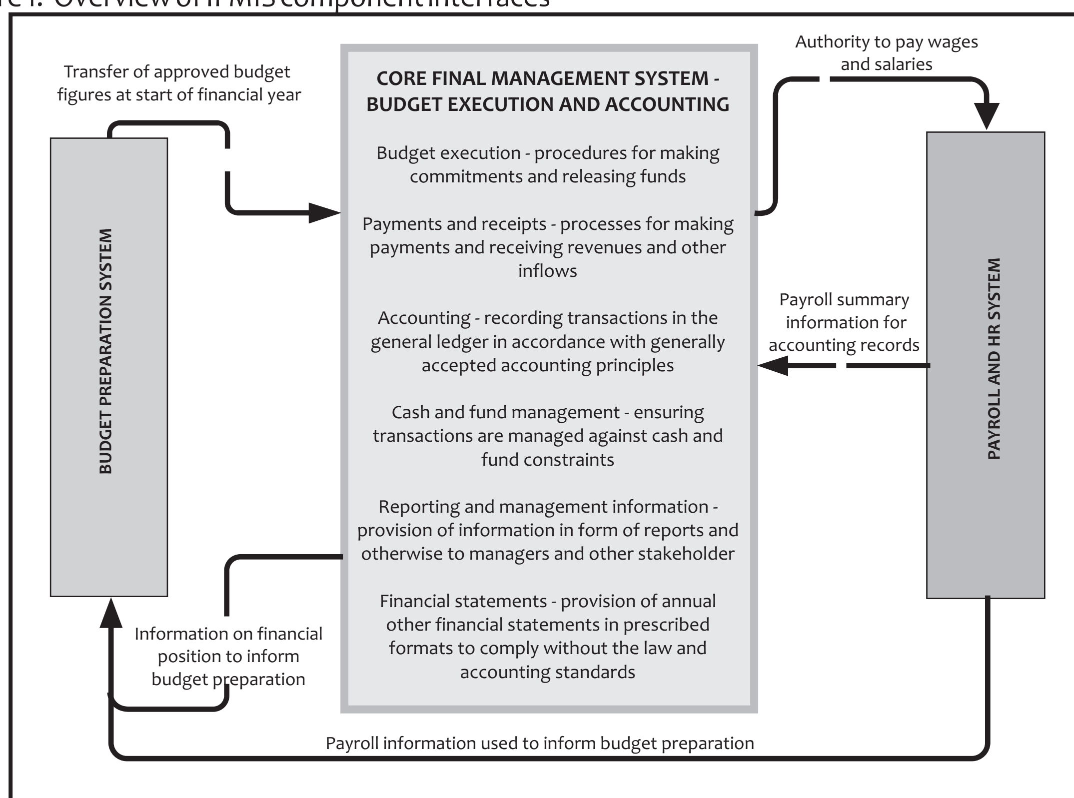
III. INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM (IFMIS)

Another mega-reform, which has been heavily promoted across Sub-Saharan African public sectors, is the concept of an Integrated Financial Management System (IFMIS). This involves introducing a single IT financial system for the whole of government covering at least all central government ministries and departments. Thus each ministry should be able to input and access its financial data and information on a single financial system and the Ministry of Finance should be able to monitor the finances, payments and receipts of each ministry on a daily basis. The IFMIS should, in the most developed models, also include regional and local government institutions (as was planned for Pakistan). However, such systems also suffer from a high risk of failure. This is true for all IT projects even in industrial countries, but is even higher where:

- the project is more complex
- capacity of local officials to critically assess all aspects of the project is limited
- the project is led or heavily influenced by external or foreign consultants
- informed political support and the willingness to provide appropriate resources is not available.

The aim of an IFMIS is to integrate all aspects of the government's budgetary cycle and provide suitable interfaces to other systems and entities. Thus an IFMIS may be based on the following generic model:

Figure 1: Overview of IFMIS component interfaces



Mike, P. (2004 and 2005), IMCL: www.imcl.co.uk

The benefits of an IFMIS

An integrated treasury system offers several significant benefits in managing public monies more effectively. These include: a) Full integration of budget and budget execution data, thereby allowing greater financial control; b) Improved planning for cash as well as close and timely monitoring of the government's cash position; c) Provision of adequate management reporting at various levels of budget execution; d) Improvement of data quality for the preparation and execution of the budget; and e) Facilitation of the preparation of financial statements and other financial reports for budgeting, analysis and financial control (Hashim and Allan, 2001).

As with the MTEF, the implementation of an IFMIS was often on the initiative of World Bank staff and supported by the necessary finance, although, computerisation has usually been enthusiastically embraced by public sector managers who are keen to modernise their government's financial management systems. In this situation, external advisors and consultants have a strong responsibility to ensure that appropriate technology is implemented by an intelligent and well-informed client.

This task is made more difficult as advisors will inevitably emphasise successful projects and the level of potential risk is underestimated as:

> *The literature on IFMISs in Africa has tended to extol the success of one or more country experiences. Such assessments are incomplete because the experience with these systems on the continent has not been adequately documented* (Peterson, 2007: 5).

To reduce the risks involved in developing an IFMIS, it may be preferable for the system to be implemented in stages with, for example, the implementation of a computerised payments and budget monitoring system in the Ministry of Finance as a first stage, the extension to line ministries as the second and, only after the system has proved to be working effectively, its use by regional and/or local government should be considered. In addition:

> *Both the Ethiopian and Tanzania experience with automating financial systems demonstrate the value of a modular approach and the need to selectively not comprehensively address core deficiencies of financial control - fixing the hole(s) in the whole. They both involved extensive customization to meet user requirements. They both put into question the need for 'high end' commercial off-the-shelf systems which are expensive, complex, difficult to customize and have features which have little or no use for the current or foreseeable needs of a government* (Peterson, 2007: 40).

Other preconditions for developing an IFMIS include the following:

- ***Authorities' commitment and ownership is clear***
  - Clear institutional designation
  - Clear authority to implement
  - Active involvement, with no undue delegation to suppliers

- ***Preconditions are ready for reform***
  - Authorities prepared to reengineer work practices
  - Environment encourages reform

- Sufficient skills and/or training available
- Users are "sold" on the system
- Steering group is active and representative

- ***Project design is sound***
  - Adequate time taken on design phase
  - Users fully involved in specification
  - Not too ambitious in scope
  - Timetable is realistic

- ***Management of project is capable***
  - Adequate management skills
  - Managers motivated to reform
  - Full-time implementation team identified
  - In-house or outsourced maintenance capacity identified, in place, and properly costed

- ***Adequate resources are assured***
  - Sufficient funds since actual costs might exceed anticipated cost
  - Resource demands caused by operating two parallel systems simultaneously
  - Sufficient resources for long-term operation and maintenance of the system (Diamond and Khemani, 2005).

Great expectations to expensive failure

In the emerging knowledge-based economy of the 21st century, information and communications technology will likely assume an importance that dwarfs other types of infrastructure. This shift offers Africa a chance to leapfrog intermediate stages of development by avoiding costly investments in time, resources, and the generation and use of knowledge. Africa has a chance to benefit not only as a consumer in the new knowledge economy, but also as a producer. It cannot afford to miss this opportunity (World Bank, 2000: 153). According to Heeks (2006), e-government is difficult to implement, hard to manage and often fails (Heeks, 2006: 10). Similarly, survey and poll results produce the following working estimates about e-government initiatives in developing/transitional countries: a) 35% are total failures; b) 50% are partial failures; and, c)15% are successes (eGov for Development, 2007).

The aforementioned indicate the huge gulf between the hype and the reality of IT reforms. IFMIS in particular, and IT in general, have been promoted as providing the key answers to improving the quality and efficiency of a modern public sector. However, the reality has been a series of failed projects and, in many cases, the wastage of millions of dollars, which are desperately needed for investment in many other areas of the public sector.

In Ghana an IFMIS was launched in 1997 by the then Vice President, John Atta Mills. He argued that the IFMIS would:

> *not only facilitate budget execution, accounting and financial reporting but will also place responsibility on the Ministers to monitor and account for resource use [...] the policies we formulate, the programmes we implement, the resources we use, must all be accounted for in terms of the extent to which they help us improve our living standards* (PUFMARP newsletter, September 1997: 4-5; quoted in Fyson, 2009).

However, by May 2006 the Deputy Controller and Accountant General of Ghana noted that, "there has as yet not been one Cedi [local currency] benefit from it. I have not used [the IFMIS] to generate one report yet" (Fyson, 2009).

This experience has also been replicated in industrial countries. According to Gauld, Goldfinch & Dale (2006), reviews of a number of IT case studies in Australia, Britain, New Zealand and United States, IT is a dangerous enthusiasm. In contrast they argue that pessimism, or at least the expectation of failure, should be the guiding principle.

The conclusions appear to be even more relevant and important in Africa, where the experience has, if anything, been worse in terms of the risk of IT failure, as the following quotations demonstrate:

> *the evidence does all point in one direction: towards high rates of e-government project failure in Africa* (Heeks, 2002: 11)
>
> *information systems fail or under perform more often than they succeed in the public sector in Africa* (Peterson, 1998: 38)
>
> *the success rate of introduced information technology systems in African state agencies has been distressingly low* (Berman and Tettey, 2001: 2).

One of the reasons for this high failure rate is that the economics of IT investment in Africa is different from that in industrial countries. In Africa, labour is relatively cheap, IT hardware and skills are not available locally and transport costs make IT more expensive to purchase and to maintain. Average public sector wage costs in Africa can be one-tenth or less than those in industrial countries. Average IT costs, in contrast, may be two to three times higher. E-Governance and automation using modern IT technology therefore can result in replacing cheap civil servants with costly IT (Heeks, 2002).

In late 2003, Dorotinsky provided a useful overview of the World Bank's experience of providing over $1billion to finance IFMIS projects over the previous 17 years. The average time for completion of each project was over nine years for African projects and the average cost of each of the 34 projects worldwide was $12.3 million (Dorotinsky, 2003). If success is defined on the basis of being on budget, on time and delivered as planned, then only 21% of these projects were successful. An even gloomier view was provided by assessments of the same projects by the World Bank staff. Dorotinsky (2003) writes again that a quarter of the projects were considered unsustainable, 69% likely to be sustainable and only 6% considered highly likely to be sustainable. This figure was even lower for Africa than other regions.

Dorotinsky stated that the general lesson from the World Bank's experience was the requirement to have clear political commitment and ownership by the borrowing country. He also pointed out that such schemes were generally less successful in poorer countries and highlighted the following additional risks: a) *lack of capacity*; b) *lack of government commitment*; c) *too many project components*; and, d) *opposition by staff and line ministries* (Dorotinsky, 2003).

In 2005 the IMF published a working paper which investigated the reason for the serious delays and frequent failure to implement and sustain IFMIS reforms in the Global South (Diamond & Khemani, 2005). This working paper concludes that an IFMIS should be implemented as part of a wider set of public financial management reforms. The IFMIS will require clear government commitment, support and significant resources. It should also be phased over a number of years when current and

interim arrangements will still be required. Even if these recommendations are implemented, the two authors mention that a government implementing an IFMIS can expect:

> *a long implementation path, and one that involves significant challenges. It will be a complex learning process for all concerned. A number of difficulties are likely to be encountered en route* (Diamond & Khemani, 2005: 27).

Consultants and expertise

Private sector consultants have increasingly been called upon to assist aid-dependent countries to strengthen their public sector governance systems (Fyson, 2009). Almost invariably IFMIS projects will be unique in the country concerned, at least in the public sector. Thus the use of consultants will usually be considered essential. The appointment, management and monitoring of the work of the consultants should be adequately controlled and the extent to which their work contributes to the success of each reform is crucial.

However, many of the consultant firms are major companies and so the relationship between the client government and the consultant is not a relationship between equals. The budgets of consultancy firms often outstrip those of the countries in which they work. Price Waterhouse Coopers for example, recorded a total net revenue of US$14.7 billion for financial year 2003 – a figure that far outstrips the GDP of any country in Sub-Saharan Africa with the exception of Nigeria and South Africa (Hilary, 2004: 7, quoted in Fyson, 2009). In addition, the international consultancy firms have access to more information about actual successes and challenges which other governments have experienced with their IFMIS reforms (they may also have relationships with suppliers of IT equipment or software).

Some of the literature focuses on the work of contractors as a necessary contribution to the development effort bringing both resources and expertise to assist in building local capacity… In contrast, at the other end of the spectrum, scholars have argued that the work of the consultants funded by development agencies, will necessarily have a nefarious impact on the longer-term prospects for development (Berg, 1993; Easterly, 2002; Hilary, 2004). After all, as Wedel (1998) argues, how can private sector consultants earning many times their counterparts' salary assist the public sectors of low-income and aid-dependent countries (as exemplified in Eastern Europe by the so-called 'Marriott Brigades'? Instead, expatriate consultants and advisors are perceived as a "systematic destructive force which is undermining the development of capacity in Africa" (Jaycox, 1993 quoted in Fyson, 2009: 320).

In the UK, where private sector consultants are also used extensively to advise public sector officials, the NAO (2006b) identified the following recommendations on achieving value for money in the use of consultants:

1. ***Public bodies need to be much better at identifying where core skill gaps exist in relation to medium and long-term programme requirements.*** *This knowledge should be used to plan for recruitment, training, and using consultants. Recruitment of full-time personnel and training of existing personnel can provide better value for money than continued use of consultants.*

2. ***Public bodies should start with the presumption that their own staff are best fitted for their requirements.*** *While it will often be the case that they need to purchase specific expertise from*

consulting firms, more generalist requirements can be met more cost-effectively by internal resources.

3. ***Public bodies should adhere to agreed regulations on the recommended threshold levels requiring Ministerial or Permanent Secretary approval of consultancy contracts.** Approvals should be based on a robust business case. Adhering to the guidance will ensure that senior management has full sight of the larger consulting contracts, promoting better accountability for this spend.*

4. ***Public bodies need to engage with the market earlier to explore a range of possible approaches and contracting methods.** Early contact with suppliers during the procurement process improves both the supplier and client's understanding of the requirement. Public bodies would get more tailored and innovative responses to their invitations to tender.*

5. ***Public bodies should make more use of different payment mechanisms such as fixed price and incentivised contracts instead of the standard time and materials.** Different payment mechanisms can help control costs and formalise the joint objectives between clients and consultants. The different payment options require a strong understanding of the project's objectives, scope, risks, and approach.*

6. ***Public bodies must be smarter when it comes to understanding how consulting firms operate and in sharing information about their performance.** Public bodies should have regular, senior-level discussions with their consultants to openly discuss medium to long-term objectives and plans. Public bodies should also use their understanding of suppliers' objectives to maximise their purchasing advantage. Public bodies need to have a clear understanding of who their key suppliers are, how they are organised, their incentive mechanisms (which might focus on selling further work), and commercial practices.*

7. ***Public bodies need to provide sufficient incentive to staff to make the consultancy project a success.** Recent research has shown that the further removed someone is from the decision to use consultants the more likely they are to feel confused about project responsibilities and accountabilities, frustrated because they don't know what the consultants are doing, complain of poor communication and be cynical about the consultants involvement.*

The need to employ consultants to assist with an IFMIS project will generally increase the financial and other risks associated with the project. Great care is needed to ensure that the consultants provide good value for money and that they do not lead to the further demoralisation and capacity reduction of the government's own staff. External consultants should only be used when this approach is essential, the particular skills they bring are not needed over the medium term and they are not available from within the organisation.

Skill transfer to public sector officials is an essential element of all IT projects. This skill transfer and the retention of the necessary skills must be a key and explicit part of all IFMIS projects and should be effectively monitored and managed to ensure that the projects are sustainable and the IT managers have the skills and experience to manage the project effectively. The capacity to manage an IFMIS has to be internalised as soon as possible to ensure that the project is successful.

IV. RWANDA – HOME GROWN REFORMS

Introduction

Following the end of the genocide in 1994, Rwanda embarked on a reconstruction of its economy and initiated significant public sector financial management reforms designed to improve national governance. Following the adoption of a new constitution in 2003, legislative and presidential elections were held resulting in the election of the present government of President Paul Kagame.

The reconstruction efforts were associated with significant growth both in the Gross Domestic Product (GDP) and GDP per capita. However, by 2006 to the per capita GDP was still only US$281. Economic growth was also associated with significant improvements in Government revenue collection, planning and budgetary reform and improvements in its financial management and accountability systems.

The ongoing improvements in the political and economic environment of the country made it possible to introduce more systematic planning and budgetary control measures. Consequently, a decision was made to introduce the MTEF in 2000 and financial management and accountability systems through the IFMIS, which was to be effective between 2000 and 2003.

The first section of this section provides the political and economic background to Rwanda prior to the introduction of the reforms. Section 2 examines some of the factors that influenced the decision to introduce the MTEF. Both the Government of Rwanda and external donors influenced the introduction of these reforms. The process and calendar for the introduction of the MTEF over the years 2001 to 2003 are discussed, including the need to train and sensitize all those involved in the introduction of the reforms. The objectives of the MTEF, as identified by the Rwandese Government provide, a basis for the evaluation of this reform. A Design and Implementation Group was established which prepared a plan of action used to guide the introduction and implementation of the reforms.

Rwanda's experiences with the MTEF are evaluated in section 3. Significant progress has been made in strengthening both the planning and budgetary aspects of the MTEF. As a result, all ministries now follow the MTEF process in their submissions to the Ministry of Finance and Economic Planning. However, more efforts are required to improve both the quality of economic data collection and budgetary integration structures. In addition, very little local capacity was built as a result of the introduction of these reforms. This was due to the high level of dependency on donors, the use of consultants and the high staff turnover within Ministry of Economic Planning and Finance.

Section 4 examines Rwanda's efforts to introduce an IFMIS which was aimed at complimenting the MTEF. The system, named Smartgov, was developed specifically for Rwanda. Smartgov is limited and only provides data for the Government's periodic budget execution reports. Consequently, it cannot be fairly described as a comprehensive IFMIS. Smartgov failed to provide an adequate source of data for the preparation of the Government's annual financial statements for the fiscal year ending 31 December 2006, the first financial statements produced since 1994. As a result, the Government obtained a separate accounting package which was partly used for the development of these financial statements, although a large part of the processes was done outside the system.

Section 5 concludes on the Rwandan reforms and notes the leadership role assumed by Ministry of Economic Planning and Finance in providing guidance in strategic planning, budgetary and policy review as well as budget execution. However, further enhancements are needed especially in the areas of budgetary integration, financial control and accountability. The Government's capacity building needs for the MTEF and IFMIS reforms also call for sustained and systematic attention.

The political and economic environments prior to the adoption and implementation of MTEF & IFMIS

Situated in Central Africa, east of the Democratic Republic of the Congo, Rwanda gained independence from Belgium in 1962. In 1959, the majority Hutus overthrew the ruling Tutsi king. Subsequent political upheavals exacerbated ethnic tensions ultimately leading to the April 1994 genocide of approximately 800,000 Tutsi and moderate Hutus.

Since 1994, there has been considerable improvement in political governance; for example, national elections were held in 2003 following the adoption of a new constitution. Both the parliamentary and presidential elections were won by the Rwanda Patriotic Front led by Paul Kagame, the country's current President with a term of office lasting until 2010.

In terms of economic development and poverty reduction, the country has made relatively good progress since the genocide. Between 1994 and 2004, economic growth averaged 10% per annum and was expected to be 6.2% during 2006 (MINECOFIN, 2006). Growth in GDP per capita, averaging 5.3% per annum over this period, was the third highest in Africa. In recent years per capita GDP has been as follows:

Year	2003	2004	2005	2006	2007
	US$	US$	US$	Estimate US$	Projection US$
	266	251	271	281	292

Source: MINECOFIN (2006)

Poverty levels, although significant, declined from 70% in 1994 to less than 60% in 2002 (dfid.gov.uk/countries/Africa/Rwanda.asp). An initial Poverty Reduction Strategy was introduced in 2000 and finalised in 2002. A more comprehensive strategy EDPRS (Economic Development and Poverty Reduction Strategy) was finalised in 2007 and launched across the country. It was written jointly by Government of Rwanda staff teams and consultants including the public financial management advisor. Good governance is regarded as pivotal for the Government's poverty reduction efforts.

During a substantial part of the post-genocide period, Rwanda received the necessary technical assistance for macroeconomic analysis and planning required for budget management from both bilateral and multilateral organizations (the African Development Bank, the World Bank, the International Monetary Fund and the United Kingdom's Department for International Development (DFID). Of these donors, DFID has been the country's major bilateral partner providing £200 million worth of development assistance over the last ten years.

Improvements were also made in revenue collection following the establishment of the Rwanda Revenue Authority in 1998. Revenues, although still modest, increased from approximately 10.6% of GDP in 1996 to 12.2% in 2002 (Chukwuma, 2005).

There were also substantial improvements made in the areas of budget reform, monitoring and reporting; for example, since 1999, budget transactions have been computerized and a system of monthly reports on budget outturns introduced. Budget preparation was also decentralized thereby enabling line ministries to participate in the preparation of their budgets subject to the ceilings imposed by cabinet. In addition, institutions designed to build capacity for financial accountability were established. Among these were the following:

- Office of the Auditor-General
- Office of the Accountant General
- National Tender Board
- Inspector-General for Public Finances (to audit budget transactions)
- Division of Government Accounts (to prepare and publish regular financial statements covering government operations).

Given these improvements in the political and economic environments of the country, it became possible to introduce more systematic macroeconomic planning and budgetary control measures. For this purpose, a decision was made to introduce a Medium Term Expenditure Framework (MTEF) in 2000.

Medium Term Expenditure Framework (MTEF)

Timetable for the MTEF Introduction

The period after 1994 was characterized by a desire to improve national governance, national reconciliation, political transition and economic management. The introduction of an MTEF in Rwanda was therefore seen as complimenting these wider reforms with particular reference to:

- economic planning and management
- budgetary preparation and execution
- public expenditure accountability and financial management.

The MTEF reforms were introduced as an initiative of both the Government of Rwanda and donor organizations, especially the IMF and Department for International Development (UK). In particular, responses from our questionnaire indicated that there was significant donor influence in the following areas:

- overall design and performance
- assessing training needs
- introduction and implementation.

Officials in the Ministry of Finance and Economic Planning suggested that the significant involvement of foreign consultants had an adverse effect on capacity building during the implementation of the MTEF. For example, at the time of our field visit, there was only one source of institutional memory connected with the introduction of the MTEF. This was the current Director of

the Information Technology Unit of Ministry of Finance and Economic Planning. All other officials directly involved with the introduction of this reform had left the Ministry for other posts. This had made worse the loss of institutional memory from foreign consultants leaving at the end of the project. Prior to its introduction, an MTEF Design and Implementation Group was established to formulate a plan of action. This group resolved to introduce the reforms in three phases as follows:

- Phase 1 (2001): The focus here was on ensuring that all personnel involved in the reforms would receive adequate training on the concept of programs and how these were to be designed for various government ministries and agencies.

- Phase 2 (2002): The training sessions during this phase covered the concept of sub-programs and how to design them.

- Phase 3 (2003): Trainees here were exposed to ways of identifying the outputs and activities for their respective centres and also how to determine the inputs required to achieve the required outputs.

The training sessions were intended to assist senior staff of line ministries, including secretary-generals (referred to as permanent secretaries in other countries) and directors to learn and apply the new MTEF tools in preparing budgets in the MTEF framework. The Ministry of Finance and Economic Planning also report that similar training sessions and workshops were carried out for local government officers following the decentralization of government in 2000 (see concerns about extending the MTEF concept to lower tiers of government later in this report). Workshops were conducted in May/June and August/September 2001. These were attended by over 300 directors and heads of divisions from the12 provinces and district council members responsible for economic affairs or planning.

Discussions with officials from the Ministry of Finance and Economic Planning and the Ministry of Local Government suggest that most participants benefited from the workshops and training sessions, particularly in terms of their understanding of the MTEF process and how the Strategic Planning Model should be used for economic management. In 2007 the Ministry of Finance and Economic Planning resuscitated the MTEF project, which was fully launched in 2008[1].

Objectives of the MTEF

On its introduction in 2000, the objectives of the MTEF were to:

1. Create a predictable and consistent national policy and budget framework, within which line ministries are assured of the budgetary resources which will be made available to them over a three-year period and fully informed of the policy goals to be achieved with these resources;
2. Restructure sectoral and ministerial budgets to reflect the objectives in programs and sub-programs;
3. Introduce an output focus into budget preparation and execution, such that budgets are always reviewed and monitored with respect to outputs and outcomes;

[1] Personal communication with former public financial management advisor.

4. Foster development of budget estimates based on objectives and policies, costed at the level of outputs and activities;

5. Improve financial management and accountability so that budget execution is consistent with budgetary appropriations;

6. Develop a comprehensive, integrated budget that would capture all public expenditures in an integrated format with development and recurrent budgets considered together; and

7. Close the gap between sector policies and budgets so that all expenditures are consistent with policies and all policies consistent with resource constraints.

Rwanda introduced the MTEF in all ministries as well as local governments. A phased approach for the implementation of the various elements was adopted, and for this purpose, a plan of action was drawn-up covering the three years 2000 to 2002. For each year themes were identified, as follows:

- Ministerial Missions, Objectives and Outcomes - 2000
- Cost Analysis for Efficiency and Effectiveness - 2001
- Integrated Budgeting - 2002.

The plan of action emphasized the importance of training and sensitizing all personnel that would be involved in the three themes of the reform process. Clearly, these three technical phases are important elements in any effort to analyze the success or otherwise, of MTEF reforms in Rwanda.

Assessment of Rwanda's MTEF Reforms

The impact of the MTEF in Rwanda was assessed on the basis of the extent to which the objectives of each of the three technical themes were achieved. A field visit was made to Rwanda in March 2007. During that visit, meetings and interviews were carried out with several government officials and other stakeholders and relevant documents were collected. A questionnaire covering the MTEF was prepared and sent out to select key informants to obtain background information before the field study. The questionnaire was also used as an aide memoir during interviews undertaken as part of the field study.

Technical Phase 1: Ministerial Missions, Objectives and Outputs (2000)

As the MTEF was introduced, the country's Poverty Reduction Strategy was also initiated and completed in 2002. This provided a useful basis on which to develop national policies and objectives which would eventually assist national and sector budgeting processes. As a result, each ministry was required to set out its programs, activities, inputs and outputs within the context of its own mission statement and objectives. This was also to be applicable to local government and other lower structures thereby ensuring the adoption of MTEF at these levels. For this purpose, a Strategic Planning Model was prepared in 2001 which was divided into eight levels (World Bank, 2003) as follows:

- Mission Statement –the purpose of the organization, whom it serves, the services it provides and the values it observes;
- Environmental Scan- an examination of the environment in which it operates, looking at its strengths, weaknesses, opportunities and threats;

- Objectives- what the organization intends to achieve over a period of time to fulfill its mission in the environment in which it operates;
- Programs- a collection of activities aimed at achieving an objective;
- Sub-programs- a manageable and meaningful group of activities necessary to produce one or more outputs, within a program;
- Outputs- the goods and services to be produced/provided to achieve each of the objectives;
- Activities –what will be done to produce an output; and
- Inputs- the specific requirements to undertake an activity.

The Strategic Planning Model is useful, not only because it was used as a basis for the training of government officials on the MTEF, but also because it provided guidance on the content and format necessary for the presentation of MTEF based budgets.

Technical Phase 2: Cost Analysis (2001)
Although this second phase of the plan of action was delayed due to implementation problems, it was subsequently included in some training sessions in 2002. However, knowledge gained in the techniques of costing priority programs during the preparation of the Poverty Reduction Strategy Program would also have been useful in cost analyses for the MTEF.

Technical Phase 3: Integrated Budgeting (2002)
This was the third and final stage in the plan of action. It appears that some progress was made and budget classification improved following the introduction of a functional classification. Key functions used are:

- Governance & Sovereignty (defence, public order & security);
- Infrastructure (fuel & energy, transport & communication);
- Production and Development (environmental protection, agriculture, industry & commerce); and
- Human Development (youth, culture & sport, health, education).

As a result, it is now possible to adopt a program approach because recurrent and capital budget activities can be grouped by meaningful programs and sub-programs.

Conclusions
On the whole, it would appear that Rwanda successfully used its macroeconomic reforms introduced between 1994 and 1999 to launch an MTEF from 2000. In addition to the improvements referred to above in the area of budget reforms, the merger of the ministries of finance and planning in 1997 led to better budget integration.

Declaring its intention to integrate the recurrent and development budgets by 1999, the unified Ministry of Finance and Economic Planning, also made efforts to streamline and strengthen the procedures of preparing its Public Investment Program (PIP) and development budget. The objective with respect to the former was to ensure that projects in the PIP better reflected Government policies. A major result of the budget preparation and integration efforts is that the Government's development and recurrent budgets are now presented to the legislature as a single document, in contrast to past practices.

Notwithstanding the above achievements, there is still room for improvements in key areas such as data collection especially that relating to donor support; co-ordination procedures both between the Government and donors on the one hand, and within government departments themselves on the other. Improvements are also needed in procedures relating to budget integration.

These improvements are still necessary despite the establishment of the Central Projects and External Finance Bureau whose key responsibilities are to monitor and evaluate development projects being implemented, coordinate donor funding of specific projects and also manage the Public Investment Program. The main cause of the problems being experienced in budget integration is the failure to integrate the budgeting and planning functions of the new Ministry of Finance and Economic Planning and those of line ministries.

Capacity Building Impact of MTEF in Rwanda

Local capacity built as a result of the introduction of the MTEF in Rwanda, appears to have been insignificant. Indeed, no one else, other than the Director of the Information Technology Unit in Ministry of Finance and Economic Planning, appears to be knowledgeable about the process of introducing the MTEF. Discussions with officials in that Ministry suggest two reasons for this: the role of consultants in the design and implementation of the reforms and the loss of staff originally trained in the reforms.

In addition, the report of the Auditor General covering the period November 2005 to October 2006, confirms the adverse consequences of this apparent over-dependence on consultants. In part, the report concludes as follows with respect to what it described as 'non-performing consultants':

> *I noted that some entities audited have hired consultants to bridge the skills gap in the financial management function. However, it has been noted that in most cases there is no value for money spent because they fail to deliver the expected results. There is no supervision of their work by management and there is usually no local staff to understudy the consultants' work thus no transfer of skills. This instead widens the existing capacity gap.*

These developments appear to have also adversely affected capacity building efforts directed at improving the country's financial controls and accountability systems. This is also discussed in the next section in connection with the introduction of an IFMIS. Accordingly, the major benefits of the introduction appear to have been limited to the introduction of a functional classification for the budget, some programme budgeting and some integration of the development and recurrent budgets.

Integrated Financial Management Information System (IFMIS)

The World Bank states that information is the life blood of budgetary, resource allocation and financial management (World Bank, 1998: 59). According to the World Bank Public Expenditure Handbook (1998), a well structured financial management system should lead to the following benefits:

- the ability to control aggregate spending and a country's deficit
- ensuring accountability for the deployment and use of public funds

- enabling the strategic prioritization of expenditure across policies, programs and projects for allocative efficiency and equity
- better use of budgeted resources, i.e., to achieve outcomes and produce outputs at the lowest possible cost.

Factors influencing the introduction of IFMIS

The introduction of an IFMIS in Rwanda (commonly referred to as Smartgov) appears to have been a logical extension of the MTEF reforms. In particular, the key objectives were to: a) upgrade the existing systems; and b) design budget and accounting systems compatible with the MTEF.

Thus, Smartgov was expected to facilitate the following:

- budget classifications {Economic, Hierarchical and Sector/Functional}
- budget preparation
- Budget execution
- prepayments
- payment orders and
- financial reporting.

IFMIS process and organization framework

Smartgov was developed specifically for the Rwandan Government by six foreign consultants and 12 local engineers. Its budget was approximately US$1 million, which was all financed by the Government of Rwanda. Its development immediately followed the introduction of the MTEF in 2003 and it was expected to be fully operational by December 2006. The process involved the establishment of three teams each of which was responsible for the development of appropriate systems to cater for the following: a) Tax system; b) Accounting system; and c) Budgetary system.

Within the parameters of the objectives of Smartgov, the team responsible for the tax system was expected to develop appropriate systems to enable the accurate and orderly collection of national revenues of all types (direct and indirect taxation); that responsible for the accounting system was expected to develop appropriate financial management and control systems to facilitate the proper utilization of public funds; whilst the third team was to ensure that appropriate systems compatible with the MTEF budgetary process were developed.

Assessment of Rwanda's IFMIS reforms

As with the MTEF reforms, the success of the IFMIS implementation was assessed based on the extent to which the agreed objectives were achieved. Discussions with Ministry of Finance and Economic Planning officials suggest that there was little or no coordination of the work of the three teams of consultants involved in the development of Smartgov. Indeed, as the software was being developed, another team developed the accounting chart of accounts and manuals and the first team developed a separate system for the Rwanda Revenue Authority. As a result, neither the accounting chart of accounts nor the manuals were compatible with the electronic tools prepared for Smartgov. In addition, the system developed for the Rwanda Revenue Authority was also incompatible with Smartgov.

Overall, Smartgov turned out to be a single entry system with no detailed transaction information relating to the extent to which the budgetary allocations from Ministry of Finance and Economic Planning were used in a manner consistent with the recipient ministry's programs and sub-

programs. Consequently, it could be argued that the system failed to achieve the original objectives as stated above. However, Smartgov is useful for compiling the periodic budgetary execution reports, which are in turn used by the Auditor General as a basis for her reports to parliament.

Smartgov thus, generally proved to be unsuitable as a reliable source of the data for the preparation of the Government's annual financial statements, a major area of financial management and accountability. Consequently, The Government decided that all years prior to 2006 would be ignored and that the first financial statements to be produced since the reforms were started would be for the fiscal year 2006. For this purpose, consultants from Price Waterhouse Coopers were engaged in December 2006 and given the responsibility to produce the 2006 accounts by March 2007.

At the time of our field-visit (early March 2007), the consultants had requested, and had been granted, an extension of this target by one month. To assist the consultants, the Government authorized the purchase and installation of Sage-Pastel, an accounting system imported from South Africa, specifically for the purpose of data capture for the consolidated financial statements. Although Sage-Pastel has been installed in all ministries and local governments, it will only work if a maximum of twenty users are on-line and so it has been installed as separated systems in each of these entities. As a result, data has to be transmitted to Ministry of Finance and Economic Planning either on compact or floppy disks with the associated risks.

The Smartgov system is therefore viewed as being inconsistent with the objectives set out above, and therefore not a successful IFMIS. However, work in Ethiopia suggests that such home-grown systems can be successful and may be a relatively economic approach to implementing an IFMIS (Peterson, 2007).

Capacity Building Implications

The insignificant capacity building implications of Rwanda's MTEF reforms discussed above also appear to apply to the country's IFMIS reforms. This is particularly so in light of the evidence from the report of the Auditor General. In addition, the high staff turnover, revealed in discussions with officials during the field visit, particularly affected the twelve local engineers involved in the development of Smartgov, and may have contributed to its limited success and functionality.

Rwanda's efforts at introducing the MTEF appear to have been successful in consolidating and institutionalizing reforms begun earlier in 1999. There appears to have been careful preparation for the introduction of these reforms. There is evidence of fairly adequate levels of training and sensitization of key personnel in Ministry of Finance and Economic Planning and line ministries. However, the implementation of the reforms faced a number of challenges, the main one of which was the high turnover of staff in both Ministry of Finance and Economic Planning and line ministries. As a result, although the annual budget follows the MTEF structure, there appear to be weaknesses in the overall planning process necessary for the entire three-year period covered by the MTEF.

Having said that, there is evidence that Ministry of Finance and Economic Planning has maintained its leadership role in these reforms. For example, it has provided line ministries with invaluable assistance in the form of a *National Guide for Planning, Budgeting and Policy Review*. The document contains guidance on key sections of the MTEF such as: a) strategic planning; b) the annual cycle of planning, budgeting and policy review; and c) budget execution.

Budgetary execution appears to receive particular attention as evidenced by timely reports from the Auditor General. In this regard, the report relating to the fiscal year ending 31 December 2005 but covering the period from November 2005 to October 2006, was presented to parliament in November 2006. Discussions with officials in the Auditor General's office revealed that, although there were no consolidated national accounts prepared prior to those for the year 2006, the office relied on periodic budget execution reports for data relating to its reports.

A PEFA assessment (PEFA Secretariat, 2005) was undertaken of financial management in Rwanda during 2007. This found that basic internal financial controls were poor. Thus the effectiveness of internal controls over both payroll and for non-salary expenditure was rated D, the lowest possible score. In addition, the *Quality and timeliness of in-year budget reports* and *Scope, nature and follow-up of external audit* were similarly rated as D. The PEFA report also noted that "the MTEF in 2006 (for the period 2007-09) appears to have collapsed into an annual budget preparation process." These findings, suggests that this reform has not been sustainable.

These findings further suggests that it may have been better for the Rwandan Government to concentrate on 'getting the basics right' rather trying to implement mega-reforms like the MTEF or IFMIS. Given the high rates of persistent poverty in Rwanda despite the significant growth over the last decade or so it would appear that other tried and tested reforms (for example, budgetary control and external audit) would have benefited from increased investment and would have been significantly more cost effective and less risky.

Thus both the MTEF and the IFMIS reforms have only had limited success in Rwanda and basic internal financial controls are still rudimentary. Despite the significant investment in terms of finance and local capacity, it is not clear that the Government has gained significantly from its major investment in the MTEF and IFMIS reforms, which were heavily influenced by the World Bank, IMF and the Department for International Development (UK). These organisations thus have significant responsibilities for these failures. They encouraged the Government of Rwanda to adopt reforms, which were not tried and tested (for example, at the time it was not clear that they had been successfully implemented in either France or the UK or many other countries in Africa). In addition, the environment in Rwanda and local capacity meant that the cost of the reforms would be higher and the risk of failure greater than in many other countries.

V. WHAT CAUSED POOR QUALITY PUBLIC FINANCIAL MANAGEMENT? "THE ECONOMY STUPID!"

The quality of governance and public financial management has gained renewed emphasis in recent years and since at least 1997 the World Bank and other aid agencies have played an influential role in this area in most Sub-Saharan African countries. The currently dominant view has developed that poor governance and public financial management is a major cause of poor economic growth in these countries. However, this section argues that the causal relationship runs the other way. Economic problems (originating from external events) led to the deterioration in the quality of governance and public financial management in many African countries. The international financial institutions and bilateral aid agencies were then able to use their new found power to introduce wide ranging public sector financial management reforms, for example the MTEF and IFMIS.

The origins of the Sub-Saharan debt burden

In the first few years after independence the economies of many Sub-Saharan African countries grew significantly and so their governments could afford to dramatically expand public services, especially for health and education. With the first major oil price rises in 1973-74 funds were readily available for these countries to borrow for significant public investment programmes. Situmbeko and Zulu (2004:16) report that:

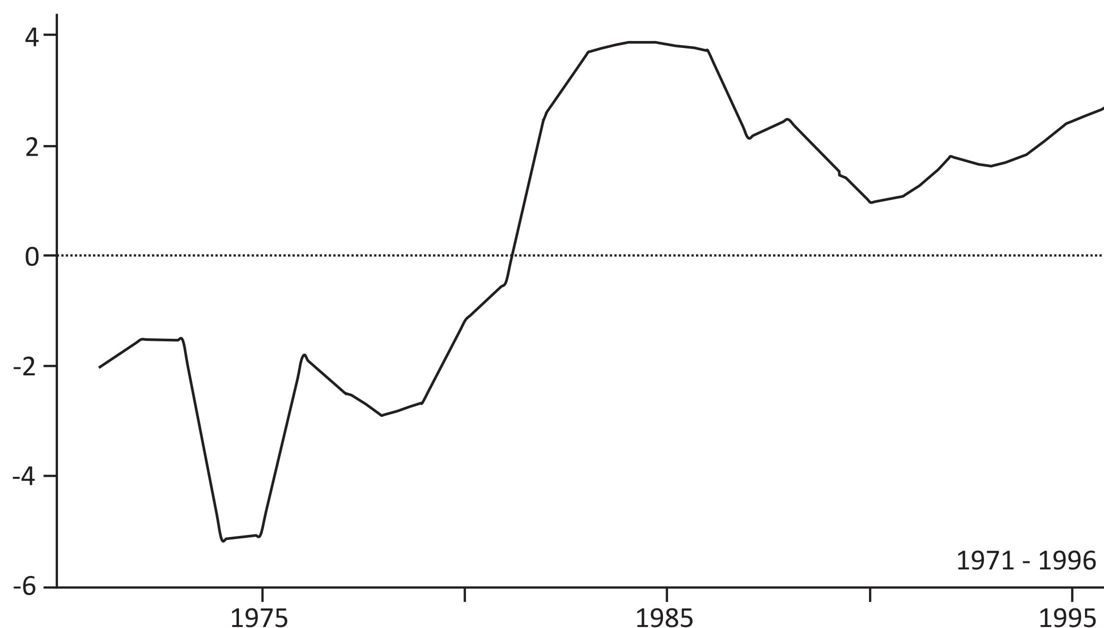
> *Not surprisingly, then, many countries concentrated on Big Projects - showpiece government development projects that could be the motor for economic transformation, such as Ghana's Volta River Project, which involved construction of the Akosombo Dam in the early 1960s to form the world's largest artificial lake and building aluminium smelters to take advantage of the country's bauxite resources.*

This approach was widely accepted at the time by the World Bank and others. The experience of the US and UK in the years following the second world war had shown that extensive government borrowing could facilitate economic growth. In the US the Federal debt alone (excluding state or local government debt) reached over 120% of GDP in 1946 (Office of Management and Budget, 2007) and in the UK Government debt peaked at nearly 250% of GDP (Clark and Dilnot, 2002) at around the same time. The sustained economic boom of the 1950s and 1960s meant that these levels of debt were sustainable, could be accommodated and were eventually repaid.

However, most of the Global South was not to be so lucky. In 1979-80 further oil price rises resulted in an increase in the price of their imports. Immediately following this, in the early 1980s, the United States raised interest rates to nearly 20% in a battle to throttle back its persistent inflation (Stiglitz, 2006). This led directly to a massive increase in the rate of world interest rates. The real (inflation adjusted) interest rates paid by governments of the Global South increased from minus four per cent in 1975 to almost plus four per cent a decade later (Bond, 2006).

A strategy for development, based on indebtedness… was suddenly transformed into an actual catastrophe by a decision emanating from a fraction of ruling classes within leading capitalist countries, with a total indifference for the hardship imposed on the third world (as well as for the rise of unemployment everywhere) (Duménil and Lévy, 2001).

Figure 2: Global South: Real rate of interest, percent



Source: Duménil and Lévy (2001:16).

The rapid increase in world interest rates in the early 1980s on top of the oil price rises, led to a world recession. As a result most countries of the Global South faced a reduced demand for their exports whilst having to pay much higher interest rates on their debts. As Christian Aid (2003: 22) reported:

> *the prices Third World countries receive for many of their traditional exports, from coffee and cocoa to rice, sugar, and cotton, continue to decline. The relative value of their exports has declined even more—for example, in 1975 a new tractor cost the equivalent of 8 metric tons of African coffee, but by 1990 the same tractor cost 40 metric tons.*

The United Nations Food and Agricultural Organisation (FAO, 2005) estimated that if commodity prices had maintained the same real value as in 1980, the Global South would be earning an additional $112bn in annual export revenues, which was double the then level of their aid receipts. Putting it another way, between 1970 and 1997 changes in the terms of trade cost non-oil producing African states (excluding South Africa) a total of 119% of their annual GDP, according to the World Bank (2000). External debt grew by 106% of GDP over the same period. So all the external debt of Africa countries at the end of the twentieth century could be explained by falling prices for their exports and increasing prices of imports – both changes over which their governments had little or no control.

As UNCTAD (2004: 5) describes the result:

> *From just over $11 billion in 1970, Africa had accumulated over $120 billion of external debt in the midst of the external shocks of the early 1980s. Total external debt then worsened significantly during the period of structural adjustment in the 1980s and early 1990s, reaching a peak of about $340 billion in 1995.*

The same UNCTAD report calculates that between 1970 and 2002 Sub-Saharan Africa received $294 billion in loans, paid back $268 billion in debt service, but was left with debts of some $210 billion (UNCTAD, 2004: 9). As a result, by 1999:

> *the Highly-Indebted Poor Countries (HIPCs) spent one-third of their tax revenues in servicing their debts. In some countries such as Angola (84%), Cote D'Ivoire (62%), Guyana (48%) and Sierra Leone (50%), this ratio was much higher (Jahan, 2003: 3).*

Africa's fragile and marginalised economies went into deep crisis from the late 1970s. Annual growth rates fell from a respectable 4 percent in 1970-79 to 1.7 per cent in 1980-1989 and only 0.4 per cent in 1990-1994 (Capps, 2005). In 1989, even the World Bank was forced to admit that "overall Africans are as poor today as they were 30 years ago" (World Bank, 1989: 1) and per capita income in sub-Saharan Africa in 2000 was 10 per cent below the level reached in 1980 UNCTAD (2001).

The introduction of new public management reforms

The high and unsustainable levels of debt in many Sub-Saharan African countries were thus due to external economic events beyond the control of their governments. However, whatever its origin, this debt forced these governments to approach the IMF and the World Bank for support. As a result, these financial institutions and other aid organisations started to exert considerable influence in many areas of policymaking including public sector financial management.

The debt burden gave the World Bank and IMF the leverage it needed to implement its newly adopted policies of deregulation and privatisation through structural adjustment programmes (SAP). These almost invariably included the following elements:

- reduced government spending and greater fiscal discipline to control inflation
- removing import controls and restrictions on foreign investment
- privatisation of state enterprises
- devaluation of the currency
- making labour more flexible by reducing legal protection, food subsidies and minimum wages.

As Colin Leys notes, the dominant claims became that:

> *Governments were part of the problem, not part of the solution; they were inefficient and often corrupt and hence parasitic, not stimulators of growth. The solution was to privatize the public sector, reduce the scale and scope of government spending and give up all policies, from exchange rate controls to subsidies and redistributive taxation, that altered any prices that would otherwise be set by the impersonal forces of the market* (Leys, 1996: 18).

Worsening pay and conditions for public sector workers

The generally poor economic conditions, the structural adjustment programmes and capital flight led to the downsizing of the public sectors and a significant worsening in the pay of public sector workers across Sub-Saharan Africa in the 1980s. As a result, there was a major loss of skills and

capacity and the quality of public financial management across much of the Global South inevitably deteriorated badly. As we said in our previous study of MTEF and IFMIS reforms in Sub-Saharan Africa:

> *Efficient, accountable, adequately paid and well-motivated civil servants are essential for an effective public sector, and especially to implement relatively complex reforms such as an MTEF or an IFMIS. Civil service reform was a major component of structural adjustment lending in the 1980s and the 1990s. Yet for the World Bank and IMF, such reforms primarily meant reducing the size of the civil service. At the same time, structural adjustment programmes led to a large decline in wages for civil servants who remained (Hawley, 2000). The IMF, for example, prompted wage reductions averaging 14 per cent in 20 African countries in the 1990s (Lienert and Modi, 1997:18;* Wynne, 2005: 31-32*).*

Real wages in nearly every African country were estimated to have fallen between 50 and 60 per cent since the imposition of the Structural Adjustment Programmes of the 1980s (ILO/JASPA, 1991). By 1990, Margaret Joan Anstee, the UN Under-Secretary General could warn that:

> *The impact of recession and adjustment in the 1980s has been dealt with by economists and policy makers, within a framework of macro-analysis that pays scant attention to the people directly caught up in these economic events. These trends were inexorably leading to an ominous deterioration of sub-Saharan Africa's scarce human capital, which can be replaced only at great cost. They were setting the stage for an accelerated spiral of decline in the continent's future development (quoted in Brown, 1995: 266).*

Public sector workers were not immune from the effects of financial collapse and in many countries suffered from reduced pay and greater insecurity. This was the result of reduced government income, but also conditionality requirements from the World Bank and the IMF. The result was that from the early 1980s to the early 1990s, the number of people employed by central government fell in Sub-Saharan Africa from 1.8% to 1.1% of the population and the average government wage also fell from 6.1 times per capita GDP to 4.8 times (Schiavo-Campo, de Tommaso and Mukherjee, 1997). In Anglophone Africa, public sector wages declined by as much as 80% in real terms between the early1970s and the early 1980s (Ayee, 2005). One of the authors of this report (Andy Wynne) has personal memories of this. Having taught in Southern Sudan in the late 1970s, he returned in 1984 when teachers were clearly much poorer and the intermediate school teachers, with whom the school campus was shared, had only received salaries for six months of the previous year.

Uganda provides one of the most vivid examples with pay for civil servants in the late 1980s falling to only $10 a month (Kiragu and Mukandala, 2005). A reform programme was launched in 1993 which halved the number of public servants through the reduction in ghost workers, a voluntary retrenchment scheme and a selective freeze on recruitment. Although this was coupled with significant salary increases in the early 1990s, the objective of a minimum living wage for civil servants is far from being realised according to Robinson who concludes that:

> *Failure to make progress on pay reform for the vast majority of public servants contributes to declining motivation. Large differentials between administrative grades and top civil servants, along with special treatment for senior officials in the political bureaucracy and semi-autonomous bodies like the URA, fuel resentment, undermine*

> *morale and provide a stimulus to corruption. The lack of incentives for public servants who have to cope with continuous reform initiatives and future uncertainty further runs counter to a key objective of the reform programme as set out by the 1991 presidential commission, namely the creation of a committed, responsible and results-oriented civil service, which would be better paid, more efficient, and have more effective staff* (Robinson, 2006).

Similarly in 2002, Byaruhanga noted that in Uganda:

> *Public sector pay has improved over the last decade though pay reform remains on the public sector institutional agenda. Pay for managerial, technical and professional civil service remains un-competitive, leading to difficulties in recruiting and retaining competent staff and also negatively impacting on public service delivery*.

A more recent example of the effect of economic collapse of the salaries of public officials is Liberia where salaries of civil servants fell to a range of only $30 to $55 per month (Kumar & Brar, 2008). Many experienced and qualified staff left the public service and the country. This loss of human resources contributed to the major breakdown of government financial management systems. Similar effects are being reported with the economic collapse in Zimbabwe where doctors' salaries are reported to be only $10 a month (Shaw, 2009).

The poor pay and conditions in the African public sector have been matched by the attraction of working in developed countries. Approximately 20,000 skilled workers leave Africa each year. The World Bank's estimate of the share of Africa's skilled workers with a tertiary education who emigrate is more than 15 per cent, higher than any other region (Bond, 2006: 89). In many cases the loss of key public sector financial managers has led to the use of foreign consultants whose daily rate is often equivalent to the monthly salary of their local counterparts. As noted in a previous report by Wynne:

> *The use of outside experts, funded by technical assistance loans, may also have hampered the growth of local expertise and capacity (Rama, 1997: 2) and demoralized the existing local professional staff, thereby adversely affecting their ability to successfully implement such complex reforms* (Wynne, 2005: 32).

Link to increased corruption

The economic crisis across Sub-Saharan Africa made worse by the structural adjustment policies has meant that it became accurate to speak of the collapse of public administration in many African countries with the associated growth in corruption as argued by Hibou (1997: 91):

> *Since the mid-1980s, the rapid decline in the standard of living of civil servants, the virtual disappearance of operational budgets, frequent delays in the payment of salaries, the feeling of insecurity which now pervades elites and their consequent haste to enrich themselves, and the climate of total impunity have all conspired to cause a fall in the productivity of public officials. This was already low owing to the widespread practice of civil servants taking second jobs, the loss of their various allowances, the habit of charging for the performance of official duties, corruption, the erosion of accepted standards of public administration and the decline in the prestige of the state generally.*

The well-known economist Jeffrey Sachs (2005: 312) has also argued robustly that poverty in Africa does not result from corruption. If anything, it is the reverse, African corruption is caused by its poverty:

> *Africa's governance is poor because Africa is poor… Africa shows absolutely no tendency to be more or less corrupt than other countries at the same income level. There is no evidence whatsoever that Africa is distinctly poorly governed by the standards of very poor countries.*

But again the neoliberal policies of the World Bank and IMF may have made things worse. Thus the former Chief Economist of the World Bank, Joseph Stiglitz (2002: 58) has claimed that:

> *Privatization has made matters so much worse that in many countries today privatization is jokingly referred to as "briberization".*

Similarly, Hibou notes that:

> *We may observe in Africa today that, contrary to the teachings of the neo-liberal rubric, measures of privatization and financial liberalization can lead to a plundering of the economy* (Hibou, 1997: 71).

The link between Structural Adjustment Programmes, reduced pay and conditions of civil servants, low morale and corruption are also emphasised by Hawley (2000: 13):

> *structural adjustment programmes have led to a large decline in wages for civil servants who remain employed. IMF-prompted wage reductions…since 1990 [have been] an average of 14 per cent in 20 African countries… [these] have resulted in lack of motivation, low morale, and increased risks of petty corruption.*

Conclusions

The economies of most Sub-Saharan African countries went into deep decline from the early 1980s with the associated rise in government debt. This was largely due to external events; the increased price of oil, increased interest rates and declining prices for their exports. African governments had little or no control over these events and so cannot be held responsible for the consequences. However, it did mean that public sector income was severely curtailed. As a result, and encouraged by the IMF, World Bank and aid agencies, governments were forced to reduce the number of their public servants and in many cases significantly reduce their salaries. This clearly had a detrimental effect on the quality of public services including financial management and overall governance. Stiglitz interjects that:

> *Of course, if the developing countries had solved all of their own problems better, if they had more honest governments, less influential special interests, more efficient firms, better educated workers – if, in fact, they did not suffer from all the afflictions of being poor – they could have managed this unfair and dysfunctional globalisation better* (Stiglitz, 2006: 58).

However, these events have given the World Bank and aid agencies the power, through aid conditionality, to significantly influence the public sector financial management reform agenda across Sub-Saharan Africa. This has often been through the use of, usually European, consultants paid significantly more than the financial managers they are retained to advice.

Thus, public sector financial managers across Sub-Saharan Africa, far from being the cause of the decline in the quality of public financial management, have in many cases struggled to try and maintain standards whilst suffering retrenchments, forced retirements and dramatic cuts in their living standards. These managers should be considered heroes and recognised as the experts they are on the history, capabilities and short-comings of the systems they manage. As a result, as the next section of this paper argues, public sector financial managers should have the over-riding responsibility for identifying the reforms which are to be adopted in their ministries, departments and agencies and take a clear lead in their implementation.

VI. LOCAL EXPERTS SHOULD TAKE CONTROL TO REBUILD PUBLIC SECTOR FINANCIAL MANAGEMENT

The international financial institutions and aid agencies may adopt suitable strategic objectives, but these are not necessarily properly implemented. They are only used as slogans and are not seriously used as a guide to action. Thus the following ideas have been correctly promoted in recent years to guide public financial management reform, but have not been delivered in practice: a) county ownership; b) getting the basics; and c) sequencing of reform.

If we accept the arguments of the previous section, then public financial management has had a successful history, but became degraded in many African countries as a result of events beyond the control of their governments. In these circumstances, what these countries need is a rebuilding and refinement of their public financial management systems rather than the root and branch reform suggested by such mega-reforms as the MTEF and IFMIS. This should be led by the countries concerned, and specifically, their financial managers who are the only experts on these systems.

Country ownership

Country ownership has been widely accepted and considered vital for the success of large scale public financial management reforms, especially since the OECD's Paris Declaration was adopted by over one hundred Ministers, Heads of Agencies and other Senior Officials in 2005. This agreement committed the donors to "respect partner country leadership and help strengthen their capacity to exercise it" (OECD, 2005). The report to the follow-up meeting in Accra, Ghana in October 2008 reinforced this view noting that:

> *Country ownership and leadership are critical to success. Even when external pressures or internal crisis are the main triggers of PFM reforms, the starting point for real reform must be a country-owned response to such pressure in the form of a program of reform and a country-owned structure for managing the reform process* (Working Party on Aid Effectiveness, 2008: 17).

The report further noted that:

> *The literature on PFM is replete with stories of failed reforms that were driven by donors rather than led by the country; such reforms may initially appear to be successful, but they are unlikely to be sustained and, in the worst cases, may be reversed after the withdrawal of donor support* (Working Party on Aid Effectiveness, 2008: 18/19).

Despite these harsh warnings, the Declaration claims that it is the responsibility of the government of each country in the Global South, "*to take leadership of its development processes*" (Working Party on Aid Effectiveness, 2008: 4), rather than the international financial institutions and aid agencies, as the dominant partners, having the responsibility to ensure that the Global South is allowed to control its own destiny.

In practice the international financial institutions and aid agencies (led by the IMF and the World

Bank) maintain close control over the public financial reforms in all Sub-Saharan African countries. Poverty Reduction Strategy Papers were an initiative of the IMF and the World Bank in 1999 and, although developed by each country, they then have to be approved by the boards of both of these financial institutions (IMF, 2008). They form the basis for aid and concessional loans from the IMF and World Bank themselves and the major donors whose support is often conditional on a country being 'on-track' with the international financial institutions. In addition, the level of aid received by Sub-Saharan African countries is clearly uneven. For example, according to the latest available figures, Zambia, with a per capita GDP of more than twice that of neighbouring Malawi, received almost twice as much aid per person (World Bank, 2008b).

Most public financial management projects which are funded by World Bank loans will have originated from a World Bank report. In addition, many aid projects are also micro-managed by the aid agencies, for example, all contracts let under World Bank funded projects for public financial management reform have to be screened by World Bank officials to receive a 'no objection' clearance before the contract can be awarded. In addition, the contracts may be managed by independent agencies and periodically reviewed by World Bank officials. As a former senior official of the IMF and World Bank said at an IMF seminar in October 2008, "There is little or no country ownership. MTEF is often pushed onto reluctant countries by donor agencies."

Despite this approach, the World Bank, for example, still has a tendency to blame the relevant country rather than the particular tools it has promoted. So in 1998 the World Bank said that, "advocates continue to suggest that the failure of these performance-orientated tools [an aspect of the MTEF] or techniques have been in implementation rather than in concept" (World Bank, 1998: 16). Over a decade later at a World Bank seminar Schick was still claiming that, "the widespread failure of MTEF has been due to the way it has been implemented, not because of a design flaw" (Schick, 2008).

Given the relative size and influence of the international financial institutions and donors compared to the public officials in the Global South:

> *the effects of donor imposition are sometimes difficult to distinguish from the effects of the adaption of ideas from elsewhere* (Thirkildsen, 2006).

The World Bank now employs public financial management advisors in most Sub-Saharan African countries, directly provides or supports a range of training initiatives for public financial management officials across the continent and produces a range of publications relating to particular countries or of more general interest. Co-operative bodies for public financial management officials, for example, AFROSAI-E (for auditors general) CABRI (for budget officials) and ESAAG (for accountant generals) are dependent on the aid agencies for support and for the provision of international speakers for their events. All these activities tend to increase the influence of the international financial institutions and the aid agencies. In addition, these bodies are able to recruit leading public sector financial managers and officials, for example, the former Federal Minister of Finance of Nigeria worked for the World Bank before and after her term in office. The current President of Liberia worked for the World Bank, the head of public sector financial reform in Sierra Leone went on to work for the World Bank and the Auditor General of Uganda had a spell working for the PEFA Secretariat before returning to Uganda in 2007.

The standard approach to evaluating the quality of public financial management in the Global South is now the PEFA Framework. These have been undertaken in over 70 countries with particularly high

coverage in Sub-Saharan Africa (Working Party on Aid Effectiveness 2008). However, very few of these assessments were undertaken with the active involvement of the public sector officials of the country under review. Most are led by the World Bank and involve international consultants. The Auditor General of Uganda did undertake a PEFA type review in 2007, but this was criticised by the PEFA Secretariat as it was uncertain whether the donors would accept it as part of their fiduciary assessments.

Getting the basics right

Public financial management reform should clearly be based on firm foundations, we have to 'get the basics right' to use Allen Schick's often repeated (and then ignored) phrase. Specifically Schick has called for the need to "operate a reliable accounting system before installing an integrated financial management system" (World Bank, 1998) and "focusing on the credibility of the annual budget before introducing a medium-term perspective to budget planning" (Schick, 2008).

Despite these wise words, Sub-Saharan African governments have been encouraged to adopt the MTEF and IFMIS before basic internal financial controls have been brought up to an adequate standard. As an IMF working paper noted:

> *MTEFs have sometimes been introduced prematurely, in the sense that annual budget outcomes and monitoring mechanisms were still quite primitive, resulting in outer-year scenarios that were inconsistent with actual budget outcomes and/or the macroeconomic framework* (Lienert and Feridoun, 2001).

Looking at the results of PEFA reviews for one country in East Africa and another in West Africa (undertaken in 2007) we can see that both countries implemented the MTEF and IFMIS before basic controls were adequately developed. Both of these countries have a reasonably well-developed MTEF (PI- 12 scoring C and B respectively against the PEFA Framework) and they have also implemented reasonably successful IFMIS reforms. However, other basic internal financial controls do not appear to be so well developed as the following table shows.

No	Performance Indicator	West Africa	East Africa
2	Composition of expenditure out-turn compared to original approved budget	D	C
12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C	B
18	Effectiveness of payroll controls	D	D
20	Effectiveness of internal controls for non-salary expenditure	D	C
22	Timeliness and regularity of accounts reconciliation	C	D
D1	Predictability of Direct Budget Support	D	D

PEFA indicator 2 suggests that in-year budgetary control (scoring D and C) is less well developed than the MTEF (PI-12 C and B). A strange result, indicating that although the annual budget for the government is not an accurate guide to the actual payments and receipts which will be made, the medium term planning framework was reasonably well developed. In addition, internal controls for

salary, non-salary payments and accounts reconciliation were found not to be effective (scoring four Ds and two Cs). Finally, the PEFA reviews of these two countries indicate that the medium term planning by their governments appeared to be better developed than the predictability of the direct budget support from the donor community which scored D for each country.

Similar findings are available from the recent PEFA assessment for South Africa (Quist et al., 2008). The MTEF is considered to be well developed, PI-12 scoring a B (although costed strategies are not produced for all departments). In contrast, the effectiveness of internal controls for non-salary expenditure and the quality and timeliness of in-year budget reports are not considered to be adequate and each of these aspects only scores a C+. The predictability of the direct budget support from the donor community again scored D.

As Cuffie, Lam, Tung, Watanabe, and Wendle (2007: 25) note:

> *Since foreign direct budget support is a large component of Tanzania's budget, unpredictability of aid causes serious problems hindering budget predictability. The reported discrepancies are consistent with data gathered through our interviews...The unpredictability of aid flow from donors over a 3-year period limits the scope of MTEF on fiscal stability...Difficulty of planning with unpredictable donor budget is a real issue… Problem getting worse.*

In addition, there is evidence that the MTEF and IFMIS are being viewed as the basic approaches to be implemented by all governments, national and local. Schiavo-Campo (2008: 7) warned against this approach, noting that:

> *The "reform" momentum is still at work, however. Especially troublesome is the notion of extending the MTEF to general government, requiring subnational entities to go through the exercise--as currently envisaged in some countries, e.g., Tanzania.*

Our case study on Rwanda shows that the MTEF concept was being spread to the provinces and district councils during the decentralisation reforms from 2000. This is also the case in Nigeria where both the World Bank and the Department for International Development (UK) are supporting public sector reforms in a number of state governments. The MTEF is seen as a key part of these reforms (at least by the donors) although PEFA indicators for basic internal financial controls are no better than with the examples from the two countries detailed above.

Somalia is well known for not having had a functioning national government for nearly two decades. Despite this, a World Bank mission to Somalia in late 2007 led to the recommendation to introduce an IFMIS. This is despite Schick's recommendation to ensure that manual systems are working well before an IFMIS is introduced. Similarly donor supported IFMISs have been implemented in several other post-conflict countries, including Liberia, Sierra Leone and Southern Sudan (Kumar and Brar, 2008).

Sequencing of reform

Sequencing of public sector financial reforms is clearly important and may be another way of ensuring that basic internal financial controls are refined before wide ranging mega-reforms such as the MTEF and IMFIS are implemented. But this approach may also be based on the assumption that

donors know what is needed and it is just a question of moving there in small easy steps. Thus the Department for International Development (UK) describes this type of approach as follows:

> *The platform approach aims to implement a package of measures or activities designed to achieve increasing levels ('platforms') of PFMA competence over a manageable timeframe. Each platform establishes a clear basis for launching to the next, based on the premise that a certain level of PFMA competence is required to enable further progress to take place* (DfID, 2005: 1).

This approach assumes that we know what we want to achieve, that the main attributes of sound public financial management are well understood and that all countries should achieve this common goal. It is just a question of determining where on the development ladder a particular country finds itself to indicate what the next steps should be. However, reality is more complex. There are a variety of different approaches to public financial management and each country and organisation has, to a greater or lesser extent, developed its own approach. According to Larbi (2006):

> *The rush for reforms, especially when driven from outside, has often wreaked havoc in vital institutions that societies had created either to foster national unity, defend disadvantaged groups and regions or support national investments* (Larbi, 2006: 3).

We have to start from a clear understanding of the particular priorities, demands, history and culture of each country, elements which local public financial managers are best able to understand. They then have to consider carefully how existing systems may be re-built, improved and refined in the light of local experience, informed, as appropriate, by the lessons and experience of other countries.

VII. CONCLUSIONS

We conclude with a quote from Schiavo-Campo (2008: 26) that states that:

> *Costly failures have demonstrated that—as with any other institutional reform—successful introduction of a programmatic MTEF takes years of persistent efforts consistent with capacity, resources, awareness, incentives, and institutional realities. The two ingredients of the approach are therefore gradualism and selectivity, and the main conditions of success are simplicity and communication. If prematurely introduced or badly implemented, a formal and detailed programmatic MTEF causes enormous waste, frustration, and illusion—for trivial or non-existent benefits. The same is true of the informatics infrastructure for public financial management.*

Africa needs to build on and enhance existing public financial management capacity, to nourish it and facilitate its development. The local financial management officials are the international experts for the systems they are responsible for managing. No consultant from outside the sector or country can know or understand the system as well as the public sector officials who have been managing the system for years, often through very difficult circumstances, with little personal reward. The challenges to the quality of public financial management almost invariably originated from external events beyond the control of public financial managers or their governments. All public financial management reforms should be led by the relevant officials and should be subject to informed local political support.

African countries have the basic systems or at least, every Sub-Saharan African country has had public financial management systems, which were at some stage relatively successful. Public sector officials have the practical and intimate knowledge of how these systems actually worked. All proposed reforms of public financial management should be built on previously successful systems and not just aim to replace these with 'modern' systems. We need to extend and repair the house not demolish it and start again. An incremental approach, which utilises and enhances local capacity, is far more likely to be successful than a big bang approach to the implementation of mega-reforms such as the MTEF and IFMIS.

Complex systems and reforms are always more risky than simple approaches. We need to ensure that the proposed public financial management reforms are kept as simple as possible:

> ***KISS – keep it simple stupid!***

'International best practice' has to be adapted to make it fit local conditions – international best practice is never the complete answer. Thus, for example, the relatively successful MTEF in Uganda has now adopted a five-year planning horizon rather than the standard three years. Similarly the Botswana Government, which is relatively immune from external pressures from the international financial institutions, has adopted a six–year plan with a review at the half-way point.

African countries also have to make sure that actual international best practice is being adopted and that it really has been tried and tested and been proved to be successful. Sub-Saharan African public sector officials have to be sure that there is appropriate evidence that the proposed reforms have actually been proved to work in similar environments before being accepted for implementation in

their jurisdictions. Multi-year budget frameworks and programme budgeting may be good ideas, but they have been difficult to implement in practice. The UK tried for 30 years until 1997 to implement a three-year budget framework and it is not clear that the current arrangements will survive the recent international financial turmoil. France only implemented its current approach to programme budgeting from 2006 and is only implementing a three-year budget framework with effect from 2008. The US Government does not have an MTEF.

There are many other examples of reforms which were heavily promoted by the aid agencies and international consultants which time has shown were either mistaken or carried significant additional associated costs. As the American academic, Wildavsky notes, "the corridors of power are littered with the bodies of failed reforms". Fees for children to attend primary school, for example, were introduced as part of the IMF and World Bank structural adjustment programmes in the 1980s in line with the general practice of levying user charges for public services. In the course of the 1990s a new consensus emerged (on the basis of the actual decline in primary school enrolment after the introduction of fees). Governments were now encouraged to abolish primary school fees as soon as practically feasible in financial terms. Several Sub-Saharan African countries did abolish primary fees and this was supported by the World Bank and the Highly Indebted Poor Country Initiative (HIPC). In four east African countries, for example, the following dramatic increase in primary school enrolment occurred during the first year after the abolition of tuition fees:

1994	Malawi	51%	
1996	Uganda	67%	
2001	Tanzania	49%	
2002	Kenya	22%	(Burnett and Kattan, 2004; Sperling, 2005)

It would appear that the World Bank and the IMF are now slowly revising their support for mega-reforms, such as the MTEF and IFMIS. There has been a slight movement away from support for larger reforms, such as MTEF and IFMIS, towards smaller scale pragmatic reforms linked directly to individual country problems and challenges. In 2008, both organisations held significant seminars reviewing the evidence for the success (or more common failure) of such reforms; the World Bank in March and the IMF in October 2008.

There has been the beginning of a trend to take the 'I' (for integrated) out of proposed IFMIS projects so that smaller, more modest, and so less risky, computer projects now tend to be supported. In addition, there has been some unbundling of MTEFs so that individual aspects may be supported rather than the whole mega-reform being recommended for immediate implementation (Dorotinsky, 2008). Thus in Benin, an action plan for reform of public financial management, developed in late 2008 for the donor community, does not call for an MTEF or an IFMIS. Rather it includes measures to improve the medium term projections of the macro-economic aggregates and standards to ensure the compatibility of computer systems within the Ministry of Finance (Dendura, Chatelain and Schwap, 2008).

However, there is still a long way to go. We still need to gain widespread recognition that the governance and financial management problems suffered by many Sub-Saharan African countries arose from global events over which they and their governments had little or no control. The international financial institutions and the donor agencies need to ensure that they use their financial power judiciously to enable host governments and their public financial managers to take real leadership of their reform agenda.

The change agenda arising from the world recession and the election of Barack Obama as US president should help with this process. We need to move away from mega-reforms such as MTEF and IFMIS. Public financial managers need to be provided with the political support and necessary resources to implement basic tried and tested reforms. Sub-Saharan African countries cannot afford the risks involved of adopting further large scale reforms, especially those that have not been tried and proved to be successful in similar environments. The governments of Sub-Saharan Africa and their public financial managers need to take full strategic and operational control of their public financial reform agenda if the achievement of the Millennium Development Goals is not to become even less likely.

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ANNEX I: OFFICIALS INTERVIEWED DURING THE RWANDA COUNTRY FIELD VISIT

(1) Mr. E.Baingana, Budget Director, MINECOFIN
(2) Mr. B.Ndungu, Team Leader, Public Accounts Project PriceWaterhouse Coopers.
(3) Mr.T.E.Gatabazi, Accountant General.
(4) Mr. G.Byamukama, Director, Local Government Finance Unit.
(5) Mr A.Biraro, Deputy Auditor General.
(6) Mr D.Biseruka, Director in charge of Payroll Reforms, Ministry of Public Service.
(7) Mr. J.Rurangirwa, Director, ICT Unit, MINECOFIN.
(8) Mr P. Mashingaidze, Consultant: Public Sector Financial Reforms in Rwanda.

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