

Building PFM Capabilities in Africa

PFM reforms during electoral transition in Liberia

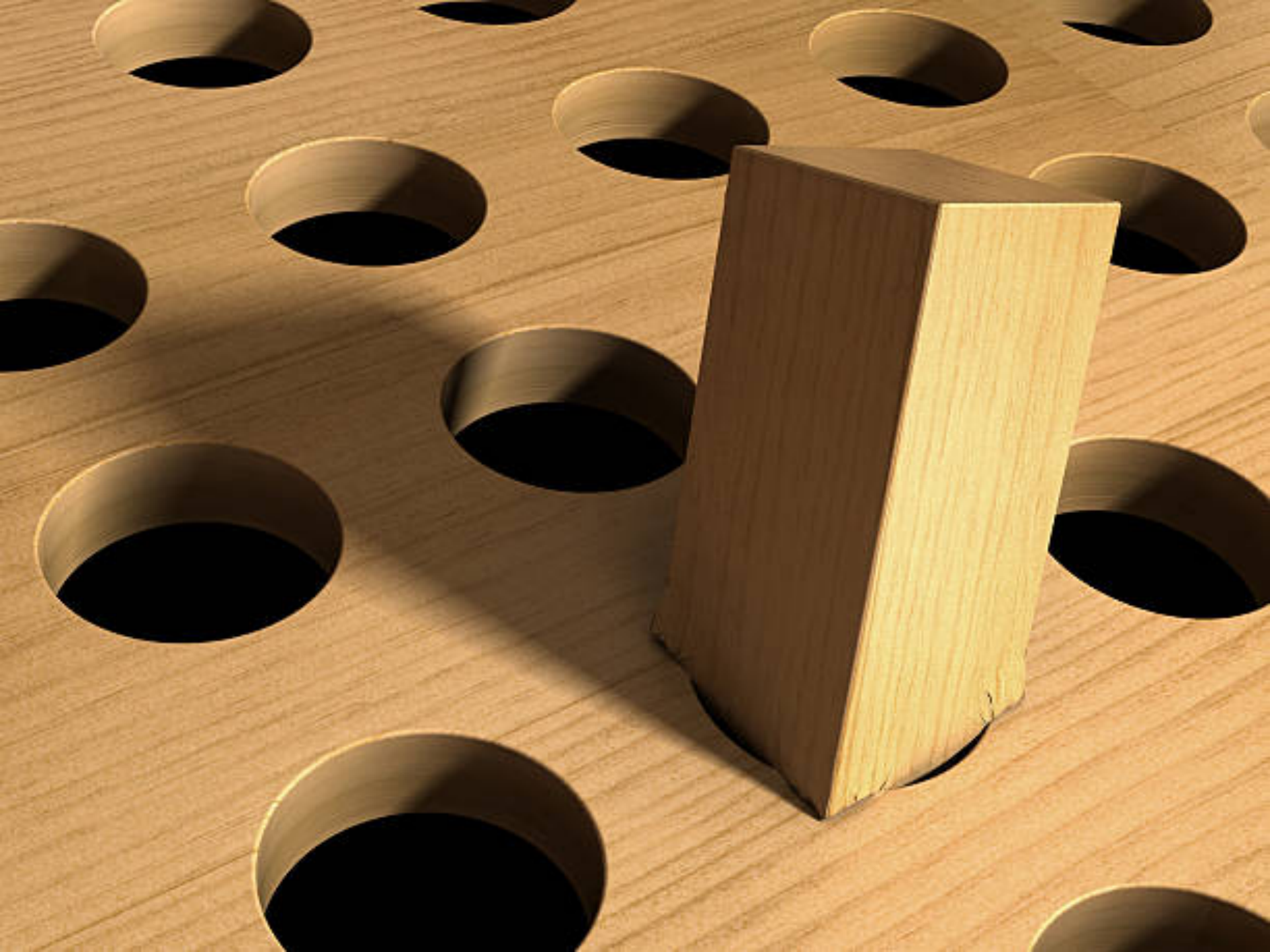
The Building PFM Capabilities in Africa Program



A similar menu of PFM reforms

- Programme Based Budgeting (PBB)
- Medium Term Expenditure Framework (MTEF)
- Treasury Single Account (TSA)
- Integrated Financial Management Systems
- Public procurement reforms – legislation
- Tax reforms – independent revenue collection bodies
- Internal audit reform
- Transparency promoting initiatives – citizen's budget

With a risk of isomorphic mimicry (Fritz et al.)



The PDIA approach



1/

Local solutions for local problems

Transitioning from promoting predetermined solutions to allowing the local nomination, articulation and prioritisation of real problems to be solved.



2/

Pushing problem driven positive deviance

Creating (and protecting) environments within and across organisations that encourage experimentation and positive deviance.



3/

Try, learn, iterate, adapt

Promoting active experiential (and experimental) learning with evidence-driven feedback built into regular management that allows for real-time adaptation.



4/

Scale through diffusion

Engaging multiple agents across sectors and organisations to ensure reforms are viable, legitimate and relevant.

PDIA as the result of a critical thinking on PFM reforms

Since inception:
**what works, when
and how**

- Change requires context specific interventions
- Evidence-based practices, policies and procedures

Tried and well-tested:
**peer-learning and
exchange**

- Share and learn from the PFM expertise of finance officials
- Opportunities for peers to contribute, challenge, question, empower and connect with each other

Building on
previous
approaches:
PDIA

- Assist public organisations develop the capability to solve complex problems while they are actually solving these problems

The programme structure



Application process



Online course



Framing workshop



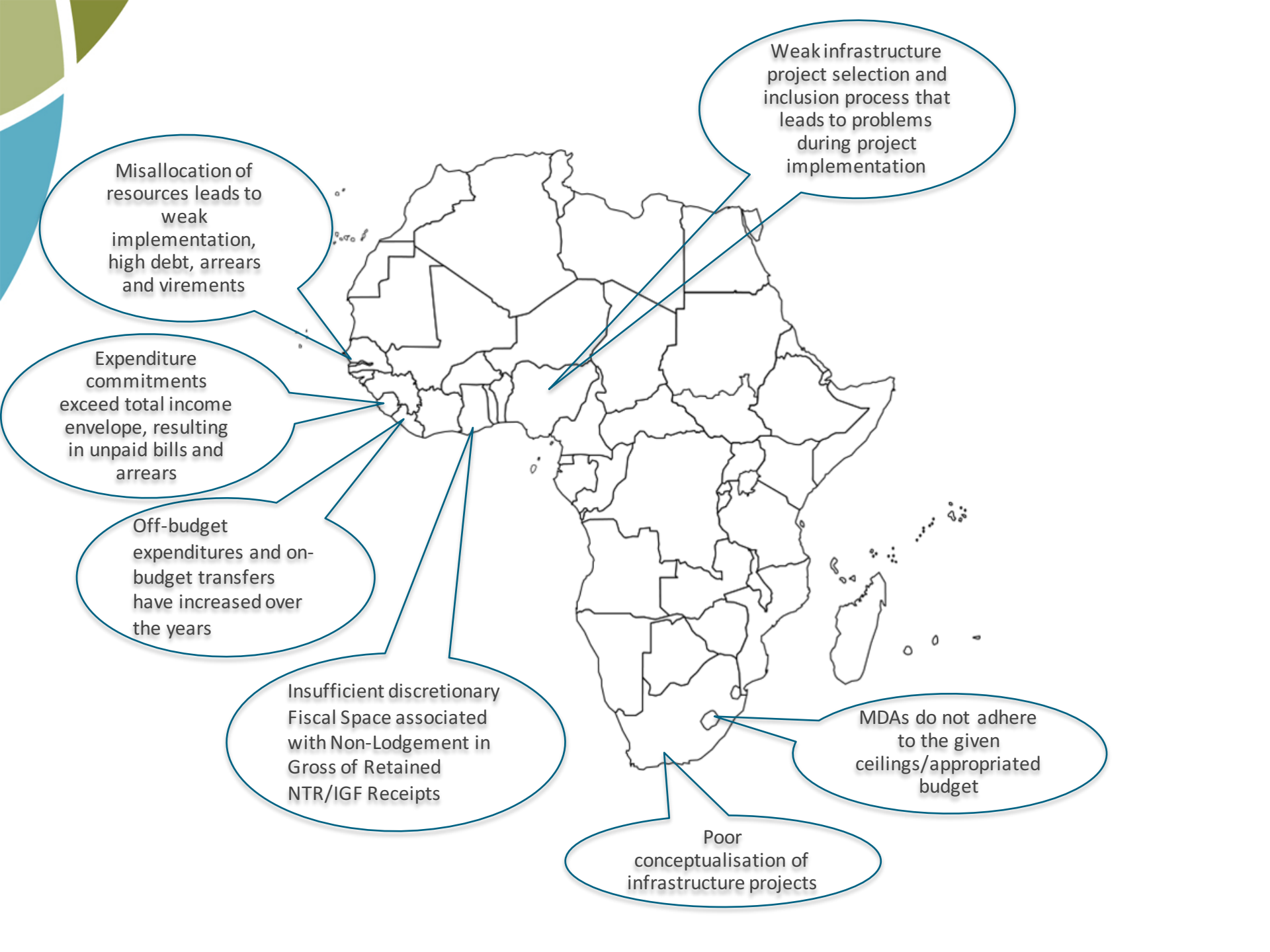
Action-push period



Closing workshop

The 2017 Building PFM Capabilities cohort





Misallocation of resources leads to weak implementation, high debt, arrears and virements

Expenditure commitments exceed total income envelope, resulting in unpaid bills and arrears

Off-budget expenditures and on-budget transfers have increased over the years

Insufficient discretionary Fiscal Space associated with Non-Lodgement in Gross of Retained NTR/IGF Receipts

Weak infrastructure project selection and inclusion process that leads to problems during project implementation

MDAs do not adhere to the given ceilings/appropriated budget


Poor conceptualisation of infrastructure projects

The 2017 programme in figures




Some achievements


GHANA

- 
1. Submitted a concept paper to establish a common data platform.
 2. Sensitised spending entities on the relevant legal provisions.
 3. Operationalised a mechanism for lodgment in gross of retained IGF.


LESOTHO

- 
1. Improved the inclusiveness of the budget process, by bringing together the macro-economic department with spending entities.
 2. Generated new data on virements identifying the issues faced and way forward.


LIBERIA

- 
1. Operationalised the Liquidity Management Committee.
 2. Improved reporting compliance by spending entities.
 3. Embedded coordination and data sharing between departments.


NIGERIA

- 
1. Improved coordination between the executive and the parliament on budget preparation.
 2. Facilitated early submission of the 2018 Appropriation Bill.
 3. Improved the use of the GIFMIS system.


SIERRA LEONE

- 
1. Gained insights into the causes of extra-budgetary expenditure and arrears.
 2. Ensured full and active participation in the budget process.
 3. Conducted training on the budget formulation template.

SOUTH AFRICA

- 
1. Developed a “good infrastructure project” criteria and identified case studies to test the criteria against.
 2. Used surveys to assist in understanding the problem from the point of view of key stakeholders.

THE GAMBIA

- 
1. Established guidelines and templates for budget reporting to strengthen budget monitoring.
 2. Authenticated arrears to avoid the settlement of fraudulent invoices.
 3. Trained agents on arrears management.

The Liberian Building PFM Capabilities journey

<https://www.cabri-sbo.org/en/blog/2018/my-pdia-journey-tackling-off-budget-spending-in-liberia>

External support that left clear functional gaps

MTEF

The use of MTEF has been “dormant since FY 2014/15” (adopted in 2013)

TSA

TSA composite score at 2/10 (Piatti et al.)

IFMIS

“IT-based PFM requires both strong human resource capacity and connectivity, both of which fall short of requirements”

PFM reform strategy

“complex project designs should be avoided [...]. Project management should be a responsibility of a senior government official who can resolve issues at political level”

Tackling high off-budget expenditures and on-budget transfers in Liberia

- More than 15% of the budget consists in off-budget expenditures and 20% in on-budget transfers - limiting the significance of the appropriated budget with real implications
- A diverse team for a multi-faceted view of the problem: fiscal affairs (FA) department, economic management unit and budget department

With election campaign starting on 31 July and completed on 26 December

Revenue figure consistently revised

MACs pursue off-budget funding more than following up on-budget planned expenditure

Lack of adequate information and record to assist in the budget preparation process for MACs

MFDP and LRA don't reconcile revenue figure

MFDP and LRA don't agree on revenue figures

MFDP doesn't provide allotment to MACs on time

MACs don't provide execution report.

MFDP doesn't develop consolidated cash plan

MACs don't keep proper books of accounts

MACs not adequately train on generating execution report

Untimely and uncertified revenue figures

Weak coordination between Budget and Fiscal affairs on budget execution

MFDP don't provide adequate training (AAAs)

No incentive to provide certified and timely data

Departments don't want to share information (AAAs)

Two departments don't meet outside of crisis (AAAs)

Current training program is on a need basis (AAAs)

OFF-BUDGET EXPENDITURES AND ON-BUDGET TRANSFERS HAVE INCREASED OVER THE YEARS AT THE EXPENSE OF ON-BUDGET PROGRAMS IN HEALTH, EDUCATION, ETC WHICH HAS RESULTED TO INADEQUATE FINANCING FOR CRITICAL HEALTH AND EDUCATION

MFDP doesn't generate/prepare trade-off analysis report (AAAs)

Disincentive to plan

Ceilings not base on planned programs

MFDP doesn't provide trade-off analysis for off-budget spending to the

MACs do weak planning

Political leaders don't have adequate information on budget execution

Executive identify new projects during budget execution

MACs consistently revised their plans after budget approval

Political interference in budget execution



June 2017

- First steps towards authorization
 - Briefed the Deputy Minister of Budget and the Budget Director
 - Setback: meeting with the Finance Minister → memo
- Preparing for action
 - List of MDAs that did / did not submit their financial reports
 - List of agents they will have to engage with at the MFDP
 - Initial thinking about a survey questionnaire to MDAs
- Challenges in working as a team
 - 2-person committee for rules governing the team
 - Approved in July with sanctions

July 2017

- Asserting their acceptance by bridging departments
 - Multi-agents engagements
 - Convinced the deputy ministers of FA and Budget to agree on an official information sharing agreement
- Providing legal grounding to their work
 - a revised fiscal rule that prohibits off-budget requests
 - a new compensation regulation for payroll transparency
- Conducting an MDAs survey
 - Challenged in the conceptual phase and started by piloting
 - Presented their approach during the budget execution workshop
- Initiating steps towards a consolidated cash plan
 - Shared responsibilities between the FA and budget

August 2017

- Gaining the Finance Minister authorization
 - Collecting data on off-budget transfers and virements
 - Connected unplanned spending to project delays and weak delivery
- Installing the Liquidity Management Committee (LMC)
 - Leveraging authorization for wider inter-department cooperation
 - Reconcile spending plans with revenue projections with a view to ensuring that allotments are based on actual budget and cash
- Action plan stemming from the survey (34 MDAs)
 - Design a simplified reporting template with an explanatory note
 - Develop a training plan and install regular coordination with MDAs
 - The LMC should address issues of untimely allotments



September 2017

- Facing the challenge of deconcentrated actors
 - Strengthened communication and earlier deadlines
 - Direct reaching out to budget officers in MDAs
- Gathering spending plans submissions
 - Complete submission achieved
 - Needs to ensure that MDAs efforts are rewarded by timely allotments



October 2017

- Making the MFDP strategic in budget allocation
 - Cash plans presented to the Financial Management Team (FMT)
 - First time that different allotments scenarios are presented
 - Allotments for compensation were issued ahead of time
 - Further authorization from the Minister
- Institutionalizing the LMC
 - Reviewed and approved with clear timelines and responsibilities
 - LMC members encouraged by their ability to weigh on the strategic decision-making related to budget allocation



November 2017

- Revisiting the reporting template
 - Collaboration with the CAG and AFRICTAC WEST
 - The reviewed template was discussed with MDAs at a workshop
 - Embedded explanatory notes
 - Support through help desk and individual follow-ups
- Institutionalizing the team's progress
 - Challenged by the election context
 - Write-ups (LMC and template) and quarterly MDAs coordination meetings



Closing some PFM capabilities gaps

- Coordination
 - Stronger intra-MFDP cooperation
 - Broke the boundaries with MDAs through open feedbacks
 - Ensured that units owned the reform process
- Delivery
 - The LMC changes the strategic approach to allotments in the MFDP
 - Working as a team
 - Learning on the authorization process
- Analytical
 - Putting together a consolidated cash plan
 - Surveying MDAs and taking actions
- Regulatory
 - Amended fiscal rules and compensation on regulation

A few quotes

- *“We have learned that getting data needed to do our work requires meeting the people who are needed to generate the data. [...] Using authority doesn’t work well in getting people do things”.*
- *“Sharing experiences and the regular revision of our work by others gives room for new ideas and better understanding of other perspectives”.*
- *“Our regular weekly liquidity management team meeting is paying off greatly. [...] having revenue forecast, budget and fiscal affairs in the same room provided us a great appreciation of what we are facing and assisted us in prioritizing and making our recommendation”*
- *“We have started seeing ourselves as reformers working to deliver on a challenge, unlike before when we considered ourselves more from our department’s perspective”.*
- *“I have learned so much about the MFDP. I now highly appreciate the critical interconnecting roles of other units and offices in the delivery of successful reforms”.*
- *LMC member : “most importantly, the information is being used for decision-making, which is a great boost to encourage us to do more”.*



Looking ahead



Liberia follow-up actions

- Facing the challenges of political transition
 - New senior staff in the MFDP to be briefed
 - Loss of key staffs in MDAs to be supported
 - Issue of political interference to be tackled at a later stage
- Improving reporting mechanisms
 - Continued training and retreat on financial reporting
 - Matrix to track and report on off-budget requests
 - Improving the compilation process of the spending plans
- Further engagements with the team as well as a new Liberian team

The 2018 Building PFM Capabilities in Africa program

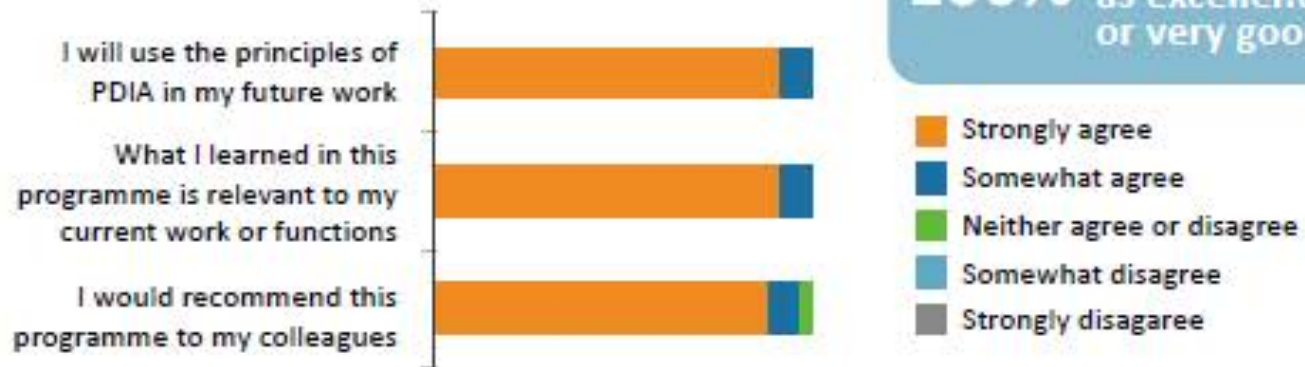
Country	Problems
Cote d'Ivoire	Taking into account performance in budgeting
CAR	Budgetary pressures and heavy debt in a post conflict situation
Lesotho	Lack of procurement and cash plans leading to poor cash management and liquidity problems
Nigeria	Inadequate funding of the health sector resulting in very poor health indices
Liberia	Inconsistent and unrealistic budget costing across MDAs leading to spending on the government rather than citizenry
Ghana	Inability to manage cash effectively during budget execution

Thank you

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Programme evaluation

Programme evaluation from participants



Programme feedback

“ It is best to identify the problems we have in our countries ourselves, and work towards solving them ourselves.

The PDIA approach made me to understand that only you as a nation can solve your own problem and nobody else, and it takes continuous engagement on the problem in order to solve it.

This programme [...] was tailored towards the resolution of an identified PFM problem and it's more hands-on and practical based unlike the previous trainings where I only received lectures on PFM and PFM reforms.

This training is special and unique in directly helping to resolve issues and promoting utilisation of skills acquired. If you are part of the team, you really feel like the driver helping to steer affairs or issues that have lingered on for long.

[This programme] has shaped the way I approach problems and solutions and has also allowed me to be more engaged with my team of colleagues within treasury. I made new friends and created lifelong partnerships that will forever remain a part of my professional career.

“ The programme took the "do it yourself" approach. It used the local themselves as the experts to define, and with guidance and support from the CABRI team find solution to the defined problem. Other PFM trainings I attended in the past [...], the experts were those that came from outside with their very exotic ideas that basically left when the 'experts' packed off and left. They just didn't work.

