Evaluation of Public Financial Management Reform – Burkina Faso, Ghana and Malawi 2001-2010

Where and why do Public Financial Management (PFM) reforms succeed? Where and how does donor support to PFM reform contribute most effectively to results? This evaluation of PFM reforms in Burkina Faso, Ghana and Malawi has found that results tend to be good when there (1) Is a strong commitment at both political and technical levels (2) When reform designs and implementation models are well tailored to the context and (3) When strong, government-led coordination arrangements are in place to monitor and guide reforms.

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

The Paris Declaration has triggered increased attention to PFM reform

The Paris Declaration on Aid Effectiveness and the associated emphasis on the use of country systems, budget support, and governance and anti-corruption have triggered increased attention on the reform of PFM. Strong PFM systems are a key element of the institutional and governance framework needed for building peaceful and stable societies and successful economic and social development. In turn, these are essential to improved service delivery and to the achievement of the Millennium Development Goals (MDGs).

Nevertheless, PFM systems in many developing countries remain weak. There is a lack of certainty or consensus on the role of donors and the context under which external support can best assist the PFM reform process. In an effort to address this, the evaluation departments of Danida (Denmark), Sida (Sweden) and the African Development Bank (AfDB) commissioned a joint evaluations of PFM reform focusing on in Burkina Faso, Ghana and Malawi.

Effective PFM reform calls for effective learning processes

PFM reform designs and implementation models will almost inevitably have flaws; therefore the evaluators argue that a learning process is essential to permit the continuous evolution and adaptation of reform designs and models. Furthermore, they argue that where management and coordination mechanisms for PFM reform incorporate adequate provision for the regular, independent evaluation of performance, these learning processes are more likely to be effective.

Reform outcomes are generally more favourable where a wide range of policy options are available at the outset or where the mechanisms for monitoring and coordination of reforms promote active lesson-learning and adaptation during the implementation process. By contrast, the case study countries frequently found themselves facing a constraint in respect of the policy space for reforms where (1) The menu of available policy designs and models for PFM reform was not appropriate to the institutional and capacity context, and (2) Where the learning and adaptation processes were rarely effective enough to promote quick changes to faulty design and implementation models. Greater attention to the appropriateness of reform models is therefore needed, with an adaptive, learning approach to PFM reform implementation.

Alignment to Government programmes makes for more effective financing of PFM reforms

Following the evaluation of PFM reform, the evaluators identify key lessons for development partners. One of these lessons concerns the alignment of support to Government programme. In this regard, it is argued that support should be aligned as closely as possible to the Government programme and that donors should avoid pursuing independent technical assistance initiatives. In fact, the country cases show that externally financed support to PFM reform was most efficient and effective when it directly financed, or supported through technical assistance, actions and interventions identified within the Government PFM reform programme. The least efficient interventions were those which supported actions outside of the programme or only tangentially related to it. Thus, technical assistance and institutional support should focus on specific outputs to which there is a shared commitment, and should be combined with Budget Support, where appropriate.

Make sure aid policy and practise does not undermine the PFM system

Another key lesson for development partners addresses the recurring problem, for aid dependent countries, of having to adapt their domestic PFM systems to the requirements of their external partners. Three particular problems were identified by the evaluators: (1) The late disbursement of budget support. (2) The imposition of special reporting requirements for “basket funds” or “trust funds” managed through the national budget process. (3) The opening of special project accounts outside of the Single Treasury Account. To avoid problems of this kind the evaluators point to the importance of ensuring that aid policies and practises work in favour of the PFM system and not against it.

Strong political commitment nurtures strong technical commitment

As regards lessons for developing country governments, the evaluators highlight the issue of PFM reforms often being perceived as purely “technical” measures, a perception which, they argue, needs to be corrected. It is suggested that this should start within the Executive, with the Minister of Finance and his/ her team working closely with the President and/ or Prime Minister to promote reforms and then widening the scope of consultations to include the Cabinet and other members of the ruling party. In time, it should be an objective to sensitise opposition members to the need for PFM reforms, so as to ensure continuity over time, in the event of changes of government.

In addition, commitment at the technical level was not found, in the case study countries, to be sufficient to generate political commitment. However, strong commitment at the political level was shown to foster strong leadership and commitment at the technical level as well.

Learning from experience is facilitated by periodic, independent evaluations of performance

Another identified lesson for developing country governments is that the PFM reform performance needs to be evaluated in order to promote learning from experience. If implementation of reform is to be efficient, the monitoring process must identify reform bottle necks quickly and take speedy corrective measures. In order to ensure this happens effectively, management structures must embody not only monitoring of progress but also periodic, ideally independent, evaluation of performance.

For additional findings, lessons and recommendations for future PFM reform please see the synthesis report and the country reports in full at www.sida.se/publications.

Title: Evaluation of Public Financial Management Reform - Burkina Faso, Ghana and Malawi 2001-2010 – Final Synthesis Report. It was carried out by Andrew Lawson.

Title: Evaluation of Public Financial Management Reform in Burkina Faso, 2001-2010 – Final Country Case Study Report. It was carried out by Andrew Lawson, Mailan Chiche and Idrissa Ouedraogo. The evaluation included field visits to Burkina Faso.

Title: Evaluation of Public Financial Management Reform in Ghana, 2001-2010 – Final Country Case Study Report. It was carried out by Mary Betley, Andrew Bird and Adom Ghartley. The evaluation included field visits to Ghana.

Title: Evaluation of Public Financial Management Reform in Malawi, 2001-2010 – Final Country Case Study Report. It was carried out by Alta Fölscher, Alex Mkandawire and Ruth Faragher. The evaluation included field visits to Malawi.

All of the above reports were commissioned by Sida, Danida and the African Development Bank and are available at www.sida.se/publications