Building PFM Capabilities in Africa

Applying the PDIA Approach

1. Features of PFM Reform
2. Why PDIA approach
3. Building PFM Capabilities programme
4. The Gambia case
5. PDIA stories

EIP Annual Meeting
25 – 26 April 2019
Paris
Common features of PFM reform in Africa

- Best practice reforms that have succeeded in advanced economies
- Many externally driven
- Regional directives
- Normally a package of reforms
- Objective:
  - Fiscal stability
  - Greater efficiency
  - Alignment of policies, plans and budgets
  - Improved service delivery
- Programme Based Budgeting
- Medium Term Expenditure Framework
- Treasury Single Account
- Integrated Financial Management Systems
- Procurement reforms
- Tax reforms – independent revenue collection bodies
- Internal audit reform
Legitimacy vs improved functionality

- Signaling
- Adopting best practice
- Responding to the absence of a best practice’
Why PDIA

• “What works, when and how”
• Practitioners (officials) best placed to identify context specific challenges, and
• Develop and implement approaches to address challenges
• Mainly demand-driven, by locally-nominated problems
• Places the practitioner front, centre and back
• Practitioners develop capabilities while solving complex problems
We do not have the latest Cash Management Software.

What keeps you awake at night?

We do not know how much cash is available for spending.
PDIA: Allow for experimentation

Try, learn, iterate, adapt

- Experimentation, or purposive muddling (Andrews) critical in governance reforms
- It is active, intentional and focused
- Experimentation is part of successful reform
- Opportunity to try and adapt ‘best practice, positive deviance, latent practice, and something innovative
PDIA: Involve multiple agents

Ensure that reforms are viable, legitimate and relevant

• Challenge of any change process is to maintain support
• This requires political and administrative support
• Support is not constant through the trying, learning, iterating and adaptation stages
• Requires hard work
• Gets us to a point of improved functionality
PDIA: Space for Change

Large space for change

Large Authority
Large Acceptance
Large Ability

Large space for change

Large Authority
Large Acceptance
Large Ability

Mid Authority
Large Ability
Mid Acceptance

?
Strong Peer to Peer component
BPFMC program

Application
- Locally nominated problems submitted
- Authorisation obtained for team

Online Course
- Introduction to PDIA
- Team and individual assignments

Framing Workshop
- Deconstruct problems into their causes
- Agree on first actions
- “Bond’ with coach

Action-push
- Try new things, adapt, iterate
- Bi-weekly check-ins and assignments
- In-country visit by coach

Progress Review
- And also report on next steps towards solving problem
Misallocation of resources leads to high debt, arrears and virements.

Expenditure commitments exceed total income envelope.

Off-budget expenditures and on-budget transfers are rising.

Budgets allocated to MDAs are not contributing to expected results.

Non-Lodgement in Gross of Retained NTR/IGF Receipts.

Poor conceptualisation of infrastructure projects.

Weak infrastructure project selection and inclusion process.

Deviations between planned and actual capital expenditure.

MDAs do not adhere to the given ceilings/appropriated budget.
Involvement from participants (2017)

**PROGRAMME**
- **31** weeks
- **7** countries
- **3** weeks online course
- **40** finance officials
- **2** workshops
- **7** dedicated Cabri coaches

**ACTION-LEARNING**
- **118** team assignments
- **3,720** hours of team work
- **422** individual assignments
- **105** check-in discussions
- **12** in-country engagements
- **16** coach meetings
Involvement from participants (2018)

PROGAMME

- 33 weeks
- 8 country teams
- 4 weeks online course
- 49 finance officials
- 3 workshops
- 7 Cabri coaches

ACTION-LEARNING

- 232 team assignments
- 5336 hours of work
- 624 individual assignments
- 120 check-in discussions
- 16 in-country visits
- 18 coach meetings
• **Problem Statement** – High virements and arrears leading to a misalignment in the appropriated budget and spending.

• Deviations between budgeted and actual expenditure reached a high of 31 per cent in 2013.

• The continual accumulation of expenditure arrears without information on total stock of arrears.
Root Causes

High virements and arrears leading to misalignment in budget and spending

Prioritisation of powerful MDAs
- Strong vested interest
- Weak institutional mechanisms

Inadequate budget reporting by MDAs
- Lack of accountability
  - Limited monitoring
  - Lack of data
- Political influence
- Lack of guidelines

Inadequate info sharing – MoFEA & MDAs
- No accountability framework
- System failures
- Intentional
- Weak coordination
- Ineffective Budget Committees

Legislation

MDA priorities not clearly defined
- Inadequate technical capacity
- Limited stakeholder engagement
- Strategic plans not linked to NDP

MDA

Inadequate info sharing

Rules not respected

Lack of accountability

Lack of knowledge

Ceiling constraints

Lack of data

Capacity constraints

No accountability framework
Consultative Process: Multi-Agent Leadership

―The consultative approach is relevant to solving problems given that we have received a good number of suggestions on our work.‖

Through the process, there has been a noticeable change in how the Budget Directorate engages its counterparts within the Ministry as well as sector Ministries, motivated by collaborative effort and consensus building as opposed to the usual sensitization effort.
Progress

- Established guidelines and templates for budget reporting to strengthen monitoring
- Authenticated arrears to avoid the settlement of fraudulent invoices
- Sectorial training on arrears managements
- PDIA Difussion
- **Reduced the number of virements by 25 per cent**
Closing Capability Gaps

Coordination

• Less silo-ed approach to executing Ministry functions
• Stronger engagement with sector ministries during budget cycle
• A collaborative problem solving approach to sectorial needs

Technical

• Better understanding of procurement framework and gaps in compliance
• Established process for authenticating arrears

Regulatory

• Revised budget execution guidelines
• Strengthened budget reporting framework
My PDIA Stories

25 March 2019
LIBERIA
BUILDING PFM CAPABILITIES
My PDIA Journey: Reducing the Infrastructure Funding Gap in Liberia

19 January 2018
GAMBIA
BUILDING PFM CAPABILITIES
My PDIA Journey: Managing virements and expenditure arrears in the Gambia

18 March 2019
LESOTHO
BUILDING PFM CAPABILITIES
My PDIA journey: Tackling the ministry of finance of Lesotho's cash-flow constraints

18 February 2019
CENTRAL AFRICAN REPUBLIC
BUILDING PFM CAPABILITIES
My PDIA journey: Deviations between planned and actual capital expenditure in the Central African Republic
Thank you

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