CABRI

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BUILDING PFM CAPABILITIES

Reducing off-budget expenditures and on-budget transfers in Liberia

practice notes

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The Building PFM Capabilities programme

The mission of the Collaborative Africa Budget Reform Initiative (CABRI) is to strengthen the capabilities of African government officials for the implementation of reforms that achieve functional public financial management (PFM) systems. The Building PFM Capabilities programme, launched in 2017 and premised on the Problem-Driven Iterative Adaptation (PDIA) approach, contributes to CABRI's mission through action-oriented work.

The Building PFM Capabilities programme was developed in collaboration with the Building State Capability (BSC) programme at Harvard University's Center for International Development. It consists of a seven-month-long engagement with African country teams that aims to build the capability of a set of officials. The programme is broken down into: (i) an online course on the PDIA approach; (ii) a framing workshop where teams learn how to construct and deconstruct their PFM problems; (iii) an action-push period during which country teams experience regular iterations towards solving their problems with the regular support of a CABRI dedicated coach; and (iv) a closing workshop where teams expound on the actions taken, assess the progress achieved and share their learning with their peers.

In supporting PFM reforms, the programme emphasises principles such as country ownership by relying on local solutions to local problems, experimentation by promoting an iterative and adaptive approach, and multi-stakeholder engagement by supporting diffusion and co-ordination within the administration.

Seven Anglophone African country teams successfully completed the first edition of the Building PFM Capabilities in Africa programme in 2017. A team of Liberian officials from the Ministry of Finance and Development Planning (MFDP) participated in the programme to solve the lingering PFM problem of high off-budget expenditures and on-budget transfers. This paper narrates the journey that the team undertook, providing documented evidence of the progress over time and how the team built its own capabilities and diffused them over seven months, which happened to be an electoral transition period in Liberia.

Foreword

As an immediate supervisor of the team, the experience of the Building PFM Capabilities programme was an eye-opener to us. I must applaud the team's perseverance and ability to maintain their focus. Their efforts have been unexpected, to the extent that they realised that the lingering PFM problems we face in Liberia can be solved by ourselves.

In Liberia's context, the team's work occurred during one of our most stressful moments, where we faced strong fiscal constraints, mostly due to the level of uncertainty generated by the presidential elections. However, this provided a wonderful learning experience as it challenged us, not only to maintain focus, but to ensure that mechanisms were put in place to manage unbudgeted expenditures.

The team was motivated by the difficult fiscal and political environment, especially when their actions seemed challenging and politically sensitive. Such determination helps reformers turn setbacks into lessons, and allowed the team to remain engaged in building their capabilities through extra work and personal sacrifice. We, as Liberians, can solve our own PFM problems and believe that determination is the key ingredient of real change.

The Building PFM Capabilities programme was very practical and focused on enhancing our ability to solve real PFM challenges and to learn as we went along. A similar approach needs to be applied to future reforms. A Liberian team is currently participating in the 2018 programme, tackling the issue of limited allocation of funds for public sector investment projects.

On behalf of the government and people of Liberia, I would like to extend our thanks and appreciation to CABRI for the opportunity afforded us to participate in the Building PFM Capabilities in Africa programme.

Hon. Tanneh G. Brunson, Deputy Minister of Finance and Development Planning in Liberia

1

A novel approach to PFM reform in Liberia

Liberia has benefited from substantial external support to its PFM systems. The country has established a range of best-practice tools, including a TSA (treasury single account) and an IFMIS (integrated financial management information system).[1] It also approved a PFM reform strategy in 2011 and 2017, as well as a debt management strategy in 2013, benefiting from the support of development partners. From 2011 until 2017, the World Bank implemented the Liberia Integrated Public Financial Management Reform Project (IPFMRP), a US$30.2 million comprehensive technical assistance support initiative to 'improve budget coverage, fiscal policy management, financial control, and oversight of government finances in Liberia'.[2]

Donor-backed PFM reforms have led to uneven functionality in Liberia. As was noted in the 2016 PEFA assessment report for Liberia,[3] while a medium-term expenditure framework was adopted in FY 2012/13 with International Monetary Fund (IMF) support, it has been 'dormant since FY 2014/15'. In addition, the report underlined that 'IT-based PFM requires both strong human resource capacity and connectivity, both of which fall short of requirements'. More generally, the report pointed to *de facto* functional weaknesses in Liberia's PFM system: 'frequent in-year budget adjustments and insufficient compliance with expenditure commitment and other non-salary internal controls combined together to slow the pace of reform and to reduce budget credibility'. The World Bank rated the IPFMRP performance as 'moderately unsatisfactory', pointing out that 'it did not have much impact in the areas of improved budget coverage [and] fiscal policy management, and had modest impact in improved financial controls because some of the outputs remain incomplete or systems not fully used'.[4] In terms of lessons learnt, the World Bank noted that 'complex project designs should be avoided in low capacity environments…Project management should be a responsibility of a senior government official who can resolve issues at political level'. For its future engagements in Liberia, the World Bank would rely on improved sequencing, focusing on the basic PFM issues prior to progressing to more advanced reforms.

Against this background, CABRI, in collaboration with the Building State Capability (BSC) programme at Harvard University's Center for International Development, offered an alternative approach to PFM reform in Liberia through the Building PFM Capabilities in Africa programme.

1 In addition to adopting the Standard Integrated Government Tax Administration System, the Automated System for Customs Data Administration, and the Civil Service Management System.
2 Jointly financed by USAID, the Swedish International Development Agency, EU, World Bank and African Development Bank.
3 https://pefa.org/assessments/liberia-2016 [accessed 7 July 2018].
4 http://documents.worldbank.org/curated/en/565131514407008744/pdf/ICR00004277-12182017.pdf [accessed 7 July 2018].

2

Determining entry points for action

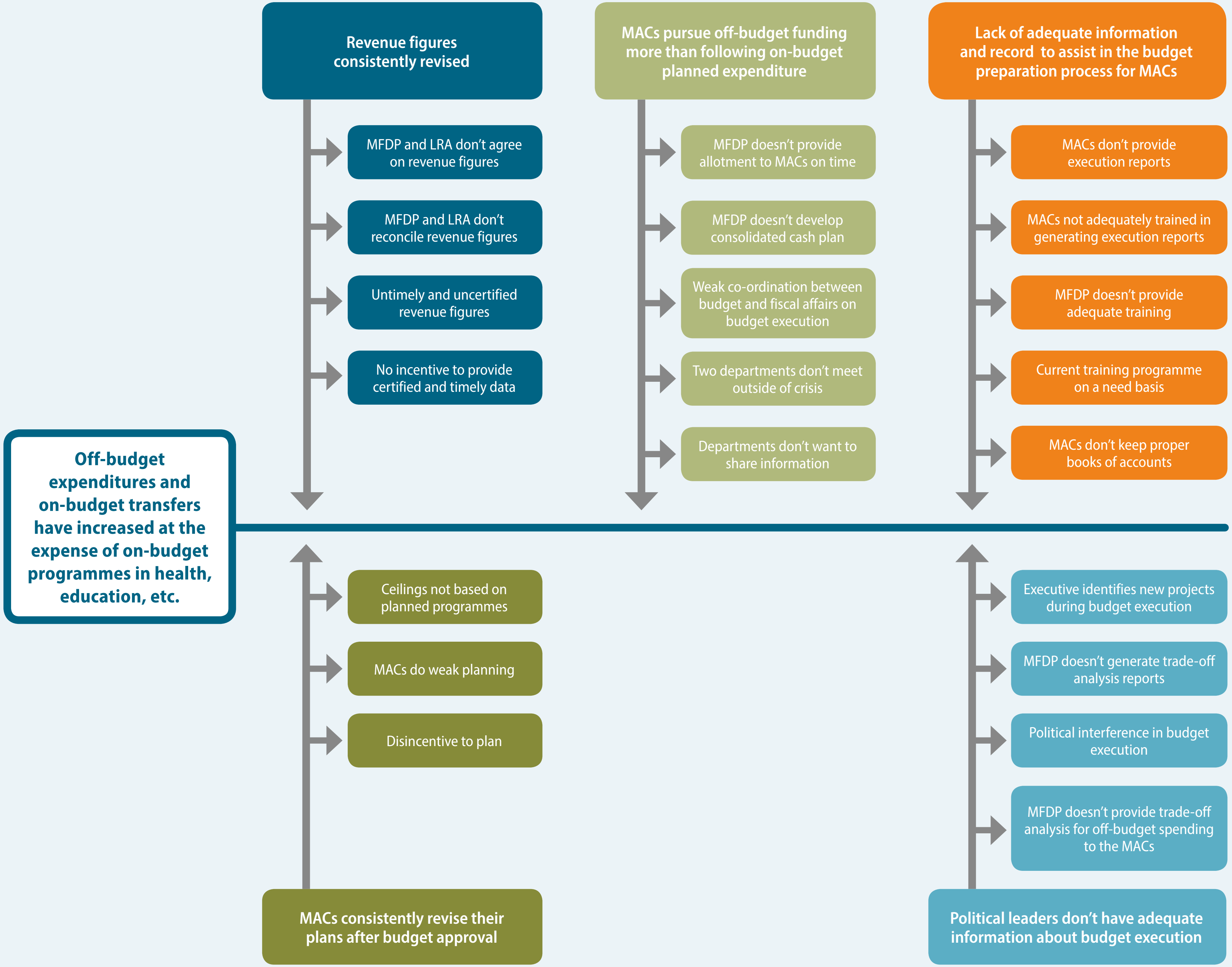
At the framing workshop, the team discovered how the problem tackled brought them together, given its far-reaching consequences. The team noted that the extent of the particular problem was considerable, as more than 15 per cent of the budget consists of off-budget expenditures and 20 per cent of on-budget transfers, limiting the significance of the appropriated budget. The implications of this include the prevention of timely disbursements to health facilities or school suppliers across the country, disturbing the functioning of the health and education sectors. Against this background, the team had the motivation to solve the problem and trusted in their ability to do so. It set the ambitious target of by 2018 reducing from 15 per cent to 5 per cent and from 20 per cent to 5 per cent of the budget the amount of off-budget expenditures and on-budget transfers, respectively.

> **The team noted that the extent of the particular problem was considerable, as more than 15 per cent of the budget consists of off-budget expenditures and 20 per cent of on-budget transfers.**

The team spent a significant amount of time considering the possible causes as to why ministries, agencies and commissions (MACs) do not execute their budgets as planned. The diverse composition of the team in terms of department and seniority allowed for the root-cause analysis to be approached from different angles, considering budget preparation and execution, aid mechanisms, data constraints and political interference. The team was a combination of various departments and included an assistant minister and a director from the fiscal affairs department, a director from the economic management unit and two senior officials from the budget department. The team was constituted by the deputy minister for budget and development planning, and was deemed to be equipped to tackle the problem identified. At the end of the workshop, the team designed their fishbone diagram, the purpose of which is to break down or 'deconstruct' the problem into branches that represent underlying causal strands (see Figure 1). The main highlighted causes are: (i) MACs pursuing off-budget funding rather than following on-budget expenditure; (ii) data shortcomings in the budget preparation process; (iii) political interference in budget execution (iv) MACs revising their budget plans after budget approval; and (v) revenue figures being constantly revised. Exploring further the root causes of the problem, the team identified 20 sub-causes.

The team went further in identifying three major sub-causes in respect of which it had sufficient levels of authority, ability and acceptance to act upon. These entry points for action to start tackling the overall problem relate to the following sub-causes: (i) the fiscal affairs and budget departments do not collaborate outside of crises and do not adequately share information; (ii) training in reporting requirements provided by the MFDP is not adequate and is only given on a need basis; and (iii) the MFDP does not generate trade-off analysis reports for off-budget requests. While no entry points for causes (iv) and (v) were identified, the team believed that they would stop being a constraint when MACs are subject to tighter scrutiny and as the conservative revenue figures of the Liberian revenue authority (LRA) are consistently used in the budget preparation process.

FIGURE 1: The Liberia team fishbone diagram



3 Action-push period

JUN

Obtaining initial authorisation and preparing for action

When the team returned to Monrovia, it presented the outcome of its considerations during the framing workshop to the team's authoriser, the deputy minister of budget, and the director for budget policy. Based on the support the team received during these discussions, it requested a meeting with the minister of finance, which was turned down, despite repeated attempts. The team learnt that it needed to work further on its acceptance and authorisation to be able to secure the minister's attention. Therefore, it decided to prepare a written status update addressed to the minister to inform him of the work the team was expecting to undertake.

The team also compiled a list of MACs that had submitted financial reports and those that had not at the close of fiscal year 2015/16, as well as a list of agents in units and divisions that needed to be involved in the reform process. These lists provided useful strategic guidance for the team's engagements with MACs and agents over the months to follow. In addition, the team started preparing a survey questionnaire to be administered to MACs in order to attain further understanding of their reporting practices and the challenges they faced.

Despite roles and responsibilities being assigned to members (note-taker, spokesperson, co-ordinator, etc.), the team faced challenges with regard to attendance of team meetings and fulfilment of the tasks allocated, which created some tension. The team learnt from the experience, and decided to set up a two-person committee to draft comprehensive rules for governing the affairs of the team.

JUL

Asserting acceptance and grounding the work

The team organised meetings with agents from the budget and fiscal affairs departments to explain the rationale for their work and collect feedback, with a view to extending their acceptance in the MFDP. Following those discussions, the team jointly engaged with the deputy ministers of fiscal affairs and budget. The importance of strengthened co-ordination between the two departments to solve the problem led the deputy ministers to agree on an official information-sharing undertaking, as a basis for mutual engagement, which until then had not been formalised. Nevertheless, in carrying out its tasks, the team became aware that 'success requires the engagement of technicians at the lower level'.

Given their lack of experience in survey design, the team members were challenged in compiling the survey questionnaire. Following 'check-in' discussions with their coach, the team members agreed that piloting the questionnaire with a few MACs would help to adjust and adapt the survey questions so that they would efficiently capture their concerns. The team started reaching out individually to MACs to carry out this exercise, which was an unusual practice, as meetings with MACs are generally held in a formal setting. In addition, the team took the initiative to add a session during their annual budget execution workshop gathering with MACs, presenting its approach as part of the Building PFM Capabilities programme. In preparing for this engagement, the team supported two legal changes: (i) a revised fiscal rule that includes a provision on the prohibition of off-budget requests from MACs (see Annex 1); and (ii) a new compensation regulation to strengthen the transparency of the payroll, which represents approximately 60 per cent of the government of Liberia (GoL) budget. These two initiatives aimed to provide legal grounding for the team's work, which was deemed to be necessary when engaging with MACs.

The team started tackling the sub-cause related to the absence of a consolidated cash plan by initiating discussions in this regard with colleagues in the MFDP. They managed to reach an initial agreement in terms of which the fiscal affairs department would verify the quality of the spending plans submitted by MACs, while the budget department would consolidate them and ensure that the budget remained balanced. Based on this understanding, the team started developing the first draft of a consolidated cash plan for the GoL.

The rules governing the team's affairs were drafted, circulated and formally agreed upon by team members (see Annex 5). These rules include provisions whereby team members could be subject to sanctions in the event of disrespect for the rules. In addition, the team leader made efforts to address motivational words and encouragement to team members to ensure a firm commitment to the efforts undertaken.

AUG

Broadening authorisation and initiating actions

Following the submission of the memorandum, the team was formally asked to present its approach to the Minister of Finance. In preparing for this presentation, the team collected data on off-budget requests, spending in key sectors (health and education) and transfers and virements. The team aimed to create a sense of purpose in its work by connecting the problem of off-budget expenditures and on-budget transfers to sensitive political issues. The team showed the link between the problem and the ministry's inability to fund critical programmes in health and education, delayed and reduced disbursement to many institutions at the close of the fiscal year and the weak delivery of on-budget programmes. The minister provided his support to a cash-planning reform expected to reduce unplanned spending during budget execution.

Following the presentation, the team acquired a significant level of authorisation, which was a basis for engaging representatives from the fiscal affairs and budget departments, and the debt and aid management units to establish a liquidity management committee (LMC). The LMC had to reconcile spending plans from the ministry with the revenue projections, with a view to ensuring that allotments are given to MACs on the basis of actual budget and cash availability. The execution data generated through the LMC will be analysed and provided to senior management for approval during budget execution.

3

Action-push period

After finalising the survey, the team administered the questionnaire to 34 spending entities to tackle the budget submission issues on the reporting side (see Annex 2). Common issues faced by MACs emerged and, as a result, the team decided to: (i) design a simplified reporting template with an explanatory note; (ii) develop a training plan and regular co-ordination with MACs; and (iii) ensure that the LMC can address issues related to untimely allotments.

SEP

Gathering data and the challenge of 'deconcentrated' actors

From the end of August, the team was challenged in gathering crucial inputs from MACs for the LMC to generate the consolidated cash plan. It was vital for the team that the newly established LMC was able to deliver according to its promise and on time; otherwise it was at risk of being perceived as unable to deliver, which could jeopardise its existence and lead to a weakened momentum. The team was facing the classical challenge of deconcentrated actors, with MACs unwilling to collaborate fully, as they felt left out of the discussions or perceived their concerns as being ignored.

The team found itself in a situation where it had to rely on other agents' timely inputs to ensure that the solution they were implementing would work. The first approach the team followed consisted of strengthening communication with MACs and requesting an earlier submission of their spending plans. The second approach was rather bottom-up in that the team reached out directly and individually to budget officers in MACs, understanding their concerns and sharing the plan the team put together following the survey to ensure that their work would be made easier. As a team member noted: '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 to do things'.

These efforts paid off, as the team gathered a complete submission of spending plan data from all spending entities, which was described by a team member as 'unusual'. The team expects that its efforts to reach out to MACs individually will lessen over time as improvements in budget execution materialise and spending entities realise that their collective efforts have a positive impact on them, especially in terms of timely allotments.

OCT

Leveraging and institutionalising the work

On the basis of submitted spending plans, the team, together with the LMC, finalised the cash plans to be presented to the budget minister. Based on the feedback received, the cash plans were presented to the financial management team, which includes the finance minister, his deputies, assistants and directors. For the first time in Liberia, the minister was presented with different possible scenarios in deciding on allotments. This initiative stands in sharp contrast to previous practice, according to which the minister generally would approve the revenue figures and would not play

The liquidity management committee team

such a strategic role in deciding on the budget allocation. As a result, the team gained further authorisation from the minister who indicated a willingness to increase the support staff to ensure strong monitoring of the cash plans. In addition, quite unusually, allotments for compensation were issued ahead of time with the minister's approval, which was positively received by MACs, as expressed during the financial reporting workshop gathering.

Galvanised by the frank support of the minister, the team decided to work towards ensuring that the organisation of the LMC is institutionalised by producing a document detailing its functioning, including the units involved, the information expected from them and the weekly timelines assigned to each (see Annex 4). The document was reviewed and approved by all entities composing the LMC. The LMC members were supportive of the initiative, which provides them with access to the minister and, more importantly, the ability to carry weight in the strategic decision-making related to budget allocation.

NOV

Deepening the achievements

Between the end of October and November, the team, together with the comptroller and accountant general (CAG), started to work on a reviewed reporting template coherent with the survey results. The team benefited from the technical expertise of the IMF AFRICTAC West in carrying out the task. A workshop bringing together the team, the CAG and the MACs was organised, where the reviewed template was presented and suggestions for further improvements were incorporated (see Annex 3). As part of those suggestions, the team proceeded in embedding the explanatory notes directly on the template for the sake of convenience. As the team member most involved in that task mentioned, 'sharing experiences and the regular revision of our work by others gives room for new ideas and better understanding of other perspectives'. Subsequently, the CAG provided support for MACs in compiling their financial reports using the new template. In addition, the team perceived compliance with the new template in the piloting phase to be critical, and decided to set up a help desk and to follow up with individual MACs to provide support. The team also organised an ad hoc workshop with selected MACs to discuss their experiences in using the new template.

The context of presidential elections was a challenge for the reform process, as agents in the MFDP were increasingly away from the office. Moreover, in the likely scenario of a political transition, the team decided to embed their reform outcomes in a way that made them appear as 'normal business procedures'. In addition to the write-up of the LMC functioning and the explanatory notes for the reporting template, the team installed meetings with the MACs, twice per quarter, as part of general practice.

4 Reflecting on action taken

Enhancing co-ordination and data sharing

The composition of the team lent itself towards a favourable position on formalising interdepartmental co-ordination within the MFDP. From the framing workshop, the team realised how little co-operation existed between the departments and the significant benefits that greater co-operation could yield. As a result, the team worked towards formalising interdepartmental collaboration through an official information-sharing agreement supported by the deputy ministers of budget and fiscal affairs, which was later embedded in the LMC terms of reference. This agreement between the departments improved the sharing of the data used to generate weekly reports on the fiscal position of the government and the spending options available for consideration by the senior leadership of the MFDP.

Within departments, the team engaged proactively with numerous units in the MFDP, extending the ownership of their reform efforts. The benefits of improved co-ordination were visible at an early stage in the team's engagement with units in the MFDP to create further synergies. These units include financial reporting, the Treasury, accounting services, financial regulations and tax policy units. In every interaction, the team presented its approach to the units and allowed for open feedback and criticism, which led to a shared appropriation of the reform process. In addition, these engagements created the opportunity for further intradepartmental collaboration. For instance, there has been an unusually high level of collaboration between MACs' budget analysts and database specialists in collecting spending plans and collating them into the budget management software.

> **From the framing workshop, the team realised how little co-operation existed between the departments and the significant benefits that greater co-operation could yield.**

Taking this approach further, the team involved itself in improving co-ordination between the MFDP and MACs. It engaged formally with MACs on a regular basis in co-ordination workshops: in July at the annual budget execution workshop, in October at the financial reporting workshop and in November at an ad hoc workshop with selected MACs. The workshops ensured that MACs were aware of the extent of the problem and its impact on their financing, and were an occasion to discuss the challenges faced by them in submitting their financial reports. This improved co-ordination, supported by additional bilateral engagements, led to greater compliance by MACs, as the communication flow and confidence in the MFDP improved. Incidentally, by bringing together MACs that do not typically engage with each other, these co-ordination workshops might also have improved co-ordination and transparency between MACs.

Improving MACs' reporting compliance

The team established a legal framework and gathered data to support their engagement with MACs. Reporting compliance by MACs is a necessary component of the budget preparation process to prevent off-budget requests during budget execution. The revised fiscal rules for FY 17/18 provided legal grounding for such engagement (see Annex 1). In parallel, the team gathered financial reporting data and found that, out of 108 MACs, 45 did not submit any financial reports during FY 2015/16. While some of those MACs represent a minor share of the budget (e.g. the Liberia College of Physicians), some are sizable (e.g. Ministry of Public Works) and others are politicised (e.g. Ministry of State for Presidential Affairs); therefore, it can be difficult to get them to change their practices.

Conducting a survey of MACs allowed the team to formulate an informed action plan. Initial discussions with selected MACs led the team to consider new hypotheses, such as that the template provided by the MFDP was too complex or the IFMIS system suffered from shortcomings. To gain a more representative view of the factors preventing MACs from submitting their financial reports, the team conducted a survey (see Annex 3). More than 95 per cent of the 34 MACs that completed the survey considered lack of support from the MFDP and the complexity of the reporting template to be the major impediments to their submission of reports. The most common suggestions for improvement pertain to providing training, redesigning the reporting template, improving co-ordination by the MFDP and providing MACs with allotments on time (see Annex 4).

Initial discussions with selected MACs led the team to consider new hypotheses.

Compliance improved significantly, with 31.8 per cent of MACs not submitting their reports in Q1 2017/18, down from 60.4 per cent two quarters earlier. The team efforts with the CAG in designing a simplified template with clear explanations, which was approved by MACs during the October co-ordination workshop, as well as the various forms of direct support provided (e.g. training and help desk), appeared to have paid off. The amended template, which was used for the collection of Q1 2017/18 data, also incorporated technical changes to improve its relevance and functionality (see Annex 4).

Operationalising the Liquidity Management Committee (LMC)

The team established the LMC, a cross-departmental committee within the MFDP that produces weekly cash-flow reporting. The LMC was approved by the minister of finance, and includes representatives from the revenue and tax policy unit, the budget department, the reconciliation and reporting unit, the debt management unit, the aid management unit and the cash management unit. It produces a weekly report on the existing and forecast cash balances of the GoL. The functioning of the LMC is described in terms of reference that have been agreed upon by each department involved (see Annex 5).

In contrast to the previous practice, the LMC allows for informed and timely decision-making on cash management. Prior to the establishment of the LMC, spending authorisations were based on revenue projections without consideration of cash balances or the timing of projected aid disbursements. Using the weekly cash-flow reporting, the LMC became able to submit different allotment scenarios to senior management with informed recommendations on priority spending, which were taken fully into consideration. As an LMC member pointed out: ‘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 prioritising and making our recommendation’. The reports generated provide senior management with timely trade-off analysis that can prevent unsustainable off-budget requests.

5

Lessons learnt from the process

Performing as a team

After a promising beginning, the team faced co-ordination and delivery challenges. As pointed out by a team member after a month: 'the hardest part has been getting team members to deliver on the assigned tasks on time…commitment of team members may be unstable…It requires more to maintain members' commitment to team other than meeting and assigning tasks'. One month into the process, the team reached a storming stage where members began to learn about individual working styles, which creates a level of tension and misunderstanding. In this regard, the team had to make critical adjustments to ensure that delivery would ensue over the following six months.

As a response to such challenges, the team took the initiative to set team norms and to clarify the work's purpose, which were key steps in achieving team performance. The team adopted rules and regulations governing the team that clarified, among others, attendance rules (meeting time, frequency and location), the roles and responsibilities of team members, and sanctions in case of misconduct (see Annex 5). This standard code of conduct ensured rigorous weekly meeting attendance, which was key to the team's success: 'by meeting regularly, we knew when things are stalling or deliverables are not achieved and we discussed strategies to keep the team focused on the assignment to be able to achieve our objectives'. In addition, the team clarified repeatedly the purpose of the work and their shared vision of the problem solved during their meetings. As was pointed out, individual commitments strengthened when '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'.

> **Individual commitments strengthened when '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'.**

Ensuring reform ownership

The team ensured that units they co-operated with owned the reform process and its outcomes. As Liberia entered a period of political transition in June 2017, the team was aware of the challenges it would face in securing the required support from officials it co-operated with: 'due to the elections, key staff in the department are sometimes not available to provide crucial information'. Hence, after realising that authority was insufficient to ensure collaboration, the team had direct engagements with involved technicians, trying to create a sense of shared purpose, and subjecting its approach to criticism and feedback. The team worked to embed a collaboration habit within the MFDP, expecting that, as reform efforts reached functionality, agents involved would see the benefits of their work: 'we are hoping that, over time, the frequency of our reminders will reduce as staff themselves realize improvements in budget execution due to these changes in the process'.

These systematic efforts ensured smoother co-operation and a wider reach for the team's work. Firstly, the team expanded the acceptance of its reform efforts within and outside the MFDP which, in turn, improved the necessary co-ordination and data exchanges. In contrast to the usual process, seeing a local team taking ownership of national reforms allowed for improved co-operation with Liberian officials. Secondly, the team could establish a snowflake structure of organisation by delegating and sharing responsibilities as well as rewards. A member of the LMC indicated how empowered she felt in the process of providing data for decision-making: ‘most importantly, the information is being used for decision-making, which is a great boost to encourage us to do more’. A team member pointed out that: ‘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’. Thirdly, the team believes it promoted more co-operative behaviour within the MFDP: ‘compensation allotment for the second quarter was done in close collaboration with cash management unit. Many have seen that this is the right way to proceed and as such, they are lending their support to our work’.

Building authorisation

The existence of vested interests had seen the issue stagnate over the years.

Vested interests in respect of the problem tackled by the team required significant support from the team’s authoriser. The problem entailed reducing off-budget expenditures and on-budget transfers, which, in turn, meant weakening the discretionary powers of the ministers of the GoL. The existence of such vested interests had seen the issue stagnate over the years. The electoral transitional period in Liberia represented an additional challenge, with little incentive to initiate reform or to run the risk that reform efforts would not be sustained over the period of transition.

Persuasive and persistent work allowed the team to overcome initial setbacks and to secure robust authorisation. The team was challenged as it repeatedly failed to have its reform roadmap endorsed by the minister of finance until late July 2017: ‘a particular situation that threatened team morale was when the Finance Minister cancelled our planned brief at the dying minute’. Nevertheless, the team kept on updating their authoriser, the deputy minister of finance, on a weekly basis, on the team’s progress, challenges and next steps. These regular discussions led the team to send a detailed status update to the finance minister, which caught his attention. The ministerial briefing eventually happened and led to a full and perennial endorsement of the team’s work.

Coordination workshop with selected MACs

6

Concluding comments: taking the work further

The team has worked to ensure that the reforms are sustained over the political transition. The Coalition for Democratic Change won the 2017 general elections in Liberia against the incumbent Unity Party. As the new government is sworn in, the team will prepare a policy memo presenting the importance of solving the problem of high off-budget expenditure, the progress achieved through their engagement, and the relevance of the PDIA approach for addressing PFM problems in Liberia. As noted by the team's authoriser: 'the momentum needs to be maintained'.

As a potential next step, the team is considering tackling further political interference in the budget process. Results from the reforms will unfold in 2018 and the team will be able to identify whether its efforts meet the ambitious targets set at the framing workshop. The team believes that the identification by the executive of new projects during budget execution could be a significant driver of off-budget transfers. Hence, the team intends to build further authority to tackle this sub-cause, leveraging the successes achieved in solving the PFM problems.

The Liberia team at the Building PFM Capabilities in Africa programme closing workshop.

Notes

ANNEXURES

ANNEX 1: Addendum to the fiscal rule related to off-budget request

Excerpts

Off-budget requests

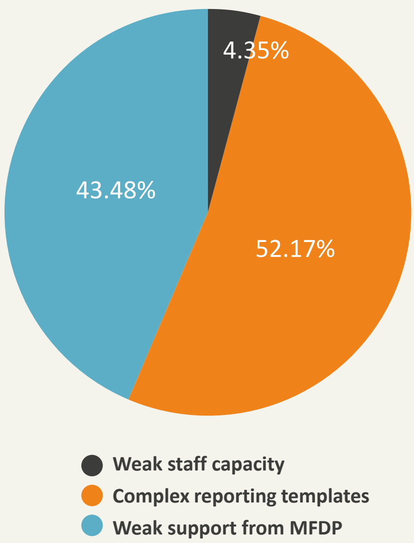
All spending entities are advised to avoid requests for off-budgetary spending to the Ministry of Finance and Development Planning (MFDP). Off-budget requests are requests for expenditures that are not captured in the approved budget. Such requests will be rejected outright by the MFDP.

All spending entities are strongly advised to plan all expenditures in accordance with the approved budget.

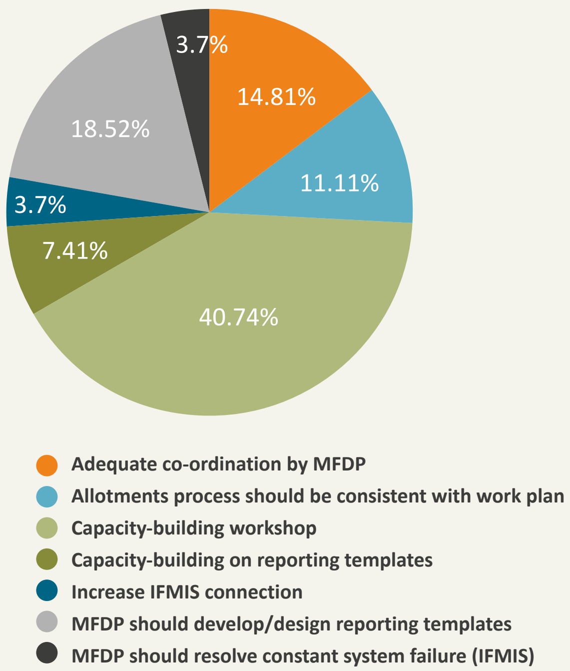
ANNEX 2: Survey results

Excerpts

Challenges encountered by MACs during reporting



Spending entities' suggestions for improvement



ANNEX 3: Main differences between the previous and the new reporting templates

<table>
<tr><th></th><th>PREVIOUS TEMPLATE</th><th>NEW TEMPLATE</th></tr>
<tr><td>Financial statement presentation</td><td>Statement of cash receipt and payment presents only current year transactions and events

Statement of cash receipt and payment merges operations with capital development funds

Statement of comparison of budget and actual amounts
The original and final budget amounts
The actual amounts on a comparable basis only for current year</td><td>Statement of cash receipt and payment presents current and prior year’s transactions

Statement of cash receipt and payment separates operations from capital development funds

Statement of comparison of budget and actual amounts
The original and final budget amounts
The actual amounts on a comparable basis presented for current and prior years</td></tr>
<tr><td>Note and disclosure</td><td>Does not contain statement of cash position

Notes are left as annex to the core financial statements, with no explanations of variances with budget and actual amounts</td><td>Statement of cash position added; shows liquidity as at the date of reporting

By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts is presented in the annual/quarterly reports</td></tr>
<tr><td>General requirements</td><td>No supplementary disclosures</td><td>Encourages supplementary disclosures
Unpaid commitments
Contingent Liabilities</td></tr>
</table>

ANNEXURES

ANNEX 4: Terms of reference of the Liquidity Management Committee

Functions

- Work across MFDP to present the actual picture and projection of GoL cash
- Cash report to be produced on weekly basis
- LMC verification meeting: Friday 3.30 p.m. All members to attend

Members' information required

These terms of reference details:

- Information required from LMC members
- Frequency of reporting

Revenue and Tax Policy Unit (Roland Saydee)

- YTD actual and daily revenue actual from LRA, updated forecast

Target: Friday 10.00 am – report covering previous week's activity

Budget Department (E. Lloyd)

- Previous quarter balance in allotment
- Current allotments against plan
- Current actual (IFMIS)
- Special report on advances

Target: Friday 10.00 a.m. – report covering previous week's activity

Reconciliation and Reporting Unit (Flomo Harris)

- Cash at the bank, cheques issued and outstanding

Target: Friday 12 a.m. – report covering previous week's activity

Debt Management Unit (Frederick Krah)

- Verification of forecasted repayments

Target: Friday 10 am – report covering YTD activity and forecast

Aid Management Unit (Alice Williams)

- Verification of projected budget support and other grants

Target: Friday 10.00 a.m. – report covering YTD activity and forecast

Cash Management Unit (Kpambu Turay)

- Consolidation of reports from across MFDP
- Analysis report of cash available for disbursement for next week

TTarget: Friday 2.30 p.m.

ANNEX 5: Regulations for the operation of the team

Excerpts

1. ***Attendance***

   All team members are to be prompt in arriving for meetings every Tuesday at 10.00 a.m. and come prepared with a positive attitude to contribute to achieving the team's goals. Notification of non-attendance should be communicated before the day of the meeting.

2. ***Stay mentally and physically present***

   All team members are to be present at all meetings and are not allowed to attend to non-meeting-related business during meeting hours.

3. ***No interrupting***

   There shall be no interrupting of any member when on the floor. Every team member shall be patient, attentively listen to others and not interrupt or have side conversations during meetings.

4. ***Meeting's equipment***

   The note-taker's laptop shall be used for team members' work. All new information added to the team's work must be circulated to all members.

5. ***Meetings minutes***

   Minutes of all meetings are to be prepared and communicated to members of the team before the close of business on the day of the meeting.

6. ***Use of electronic gadgets***

   No member of the team shall be allowed to answer calls not pertaining to the meeting during meeting time. All phones, tablets and other electronic devices not being used for meeting purposes shall be placed on silence or put away.

7. **Stay on point and on time**

   All team members are to respect the meeting time. Comments and input during meetings are to be brief and to the point.

8. ***Record and share outcomes***

   The note-taker is to record issues discussed, decisions made and tasks assigned, and have them circulated to members of the team before close of business on the day of the meeting, with a day for inputs and corrections.

9. ***Official communicator***

   The assistant minister for fiscal affairs shall be the spokesperson of the team during all official meetings and required check-ups. All team members must deliver assigned tasks at the time stipulated. All information intended for the team shall be sent to the note-taker.

Acronyms and abbreviations

AFRITAC West	Regional Technical Assistance Centre, West Africa
BSC	Building State Capability (programme)
CABRI	Collaborative Africa Budget Reform Initiative
CAG	Comptroller and Accountant General
GoL	government of Liberia
IFMIS	integrated financial management information system
IMF	International Monetary Fund
LMC	Liquidity Management Committee
LRA	Liberia Revenue Authority
MACs	ministries, agencies and commissions
MFDP	Ministry of Finance and Development Planning
PDIA	Problem-Driven Iterative Adaptation
PFM	public financial management
YTD	year to date

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Acknowledgements:

This publication was prepared by the Collaborative Africa Budget Reform Initiative (CABRI) as part of its Building Public Finance Management Capabilities in Africa programme.

Adil Ababou from the CABRI secretariat compiled the case study together with Alieu Fuad Nyei, Prince Michellel Lighe, Frederick Bobby Krah, Ohyndis Blackie Sleweon and Nahdi K Kerkulah, from the Liberian Ministry of Finance and Development Planning.

CABRI would like to thank the participants in the 2017 Building PFM Capabilities in Africa programme for their dedication to the work and their openness to adopting a novel approach to PFM reforms. Special thanks go to the Hon. Tanneh G Brunson, deputy minister of finance and development planning in Liberia, for her constant support for the work of the team, and to Professor Matt Andrews for his guidance in writing this case study.

For information on CABRI, or to obtain copies of this publication, please contact:

CABRI Secretariat
Cnr John Vorster & Nellmapius Drive
Centurion, 0062
South Africa

Telephone: +27 (0)12 492 0022
Email: info@cabri-sbo.org
www.cabri-sbo.org

Copy-editing by Laurie Rose-Innes
Design and layout by COMPRESS.dsl

The 2017 Building PFM Capabilities in Africa programme was funded with the kind support of the Swiss State Secretariat for Economic Affairs (SECO) and UK aid from the UK government. The findings and conclusions contained within this publication do not necessarily reflect their positions or policies.

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