

Case Study 1: Reversal of early reform progress

Nzurinchi is a fictitious African Country. The Deputy Minister of Finance is Adile Jelani. She has been in the post for more than ten years and have seen reforms successfully introduced, but is now concerned that the system is starting to disintegrate. Read her diary entry below and discuss the case in your group, using the guiding questions at the end.

Personal Diary of the Honourable Adila Jelani, Deputy Minister of Finance, Nzurinchi

14 July 2013

It is some time that I have shared my thoughts in this form: I see my last entry was almost two years ago, when my grandson was born! Today however, my thoughts are less celebratory. Tomorrow the Budget is going to Parliament and today Cabinet decided at the last moment to increase borrowing, so that we can fund extra spending requested by several ministers.

I recall 1999, when our country was in crisis. Years of growing revenue from our mineral resources had allowed governments to pile borrowing on top of borrowing. But when the markets collapsed, resource revenues dried up and we were in trouble quickly. Abasi Kibwe came in as Finance Minister at the right time. He knew that we had too many personnel on government's payroll, too many incomplete projects, too many parts of government using up money without really producing any results, and that every new minister coming in wants new programmes and projects. So he brought in medium term budgeting and managed the crisis down. And Cabinet had to get involved and as a group take responsibility for limiting expenditure to what is affordable. Abasi worked with the technicians in the finance ministry to get a budget process in place that forced ministries to make choices within their share of that ceiling. A smaller committee of Cabinet was created that worked with the finance ministry on the trade-offs and choices and made recommendations to Cabinet.

I will never forget the colleagues' faces when Abasi told Abiria Chiumbo the agriculture minister just before Budget Day in that first year that sure, we'll fund an expansion of the agricultural subsidies, but that it would need to come equally off everyone else's funds for the year. I can remember countless times before when I was still deputy minister of local government when such last minute appeals by ministers to the finance minister got funded. That is how we all played the game. What a change! And now we are back to square one.

And that after seven years: I thought we did things right. We introduced in-year monitoring and reports, to ensure that the budget stays on track during the year and changed the budget to be by programmes. We did very well insofar as we got fiscal outcomes under control and produced good documentation.

After Abasi had left, some key members of the finance ministry team left too. John Auni, the new finance minister, do not understand the process that was in place. He takes last minute decisions

himself completely outside of the process run by the budget office. The Budget Sub-committee now rarely meets, and even when we do schedule a meeting, none of the important ministers pitches. So the decisions don't carry weight when we go to full Cabinet. But that's not all: I understand from Jerome Haki in the budget office (he is still sticking around thank goodness!) that mostly ministries themselves have never used medium term budgeting for their internal processes and write up reports to finance ministry specifications without it having that much to do with reality. It seems that while the discipline that Abasi brought was in place, we had a good system going, but now I wonder how good that system really was. With him gone, the cracks that were plastered over are showing up.

Since last year we have not published the pre-budget report on time, so there will be no pressure to explain why the fiscal numbers has changed. Parliament is not going to be much help either! It was so annoyed that the minister had pushed through an amendment that absorbed the constituency fund into the main budget, that it has been hostile ever since. I fear that this will undermine the budget office, and the whole process. If you take that plus the increasing amounts that are being transferred off the main budget into public enterprises where money is spent without much oversight, I fear for our future.

Discussion points:

- 1) *Nzurinchi made good progress in improving its fiscal outcomes through budget reforms. But now things are going wrong. What key reform steps or components were not in place by the time Minister Abasi left that could have prevented the backsliding?*
- 2) *If you were the permanent secretary in the ministry of finance, what would you do at this stage to ensure that your reforms get back on track?*