

Case study 2: Integrated Financial Management System (IFMS) Reform in Alagbarra

Alagbarra is a fictitious African country. Its PFM reform path, which is discussed below in an e-mail between consultants, is not unusual in many countries. Please read the e-mail and then discuss in your group the questions at the end.

From: John Burgess <burgess.john02@gmail.com>
Sent: 09 August 2013 02:56 PM
To: Brendan Baxter
Subject: Reforms in Alagbarra

Dear Brendan,

It has been some time since we met last: I think it was at the final workshop with the Ministry of Finance here, right at the end of our contract in 2011. I am currently back in Alagbarra to participate as the PFM specialist in the programming of a SWAp in the education ministry. As you can imagine, that put me back in the middle of the PFM systems here. Which is alarming: it is as if nothing has changed in budget management at the sector level despite all the work that has been done.

The work that our colleagues from Best Plan Consulting did on budget preparation seems to have had limited impact. I understand that a medium term fiscal framework is used by government, but that most of the forecasting expertise and number work is done by the IMF. The government still produces programme budget tables as an annex in the budget, but it is compiled by the budget people. It is the line item budget that counts in the process. Not that budget preparation matters much: during the budget year funding is not predictable with politically powerful ministries getting first call on available cash.

But to me the most disappointing is progress on the financial management system. Sadly, the IFMIS that we had designed under contract to Planned Development Inc is not consistently used, it seems, beyond the revenue module. While we left the country with a full adaptation of the IFMIS software package to Alagbarra requirements, and despite all the specification we had done of the requirements and planning the roll-out, despite the accountant general acquiring the central hardware, the piloting in the finance ministry and signing of on the software designs, and despite us designing the training courses and setting up the facilities under the contract, I was astonished to learn that the ministry of education does not use the system to execute their budget. They operate on the old vote book and paper-based commitment system and manual payments, which I understand are still the norm.

I am very surprised. The one official here in the ministry said Government pushed reform because it was part of conditionality on donor flows, and that the finance ministry put things in place, but that the final linkups were never made. The pilot ministries' systems were rolled out, but also not even to all districts. I am beginning to wonder whether

government ever really wanted to have all commitments and transactions controlled in real time. At the time we did not get that much participation from the finance ministry beyond the team we dealt with, but government's documentation was so clear on its commitment.

In any case, I am sure it was not something we did wrong. We used best practice to guide us and based the architecture of the system on that previous job you had worked on, where it was working well enough. And it seemed like the right reform to roll out at the time: several other countries were doing it. I just feel that Government could have pushed it further: after all it had borrowed several million dollars to set it up.

Well, I thought I'd share this with you. It was three years of our lives! I saw the paper you did the other day on the Alagbarra reform design: it was very impressive. At least we got that part right. It is just the implementation that clearly went wrong.

Best regards,
John

Please discuss in your group:

- 1) *It would seem that despite high investment in reforms, Alagbarra has not experienced real improvement in their PFM system. Do you agree with Mr Burgess that it is the implementation that went wrong? Where do you think the real problem was if you do not agree?*

- 2) *If you assume that the Ministry of Finance in Alagbarra really wanted to improve budget execution and the quality of financial information, how should it have approached the reform differently? What would you have done to make the reform effective?*