

Managing money for (a) change
What PEFA data tells us about the quality
of Africa's PFM systems
And future reform challenges

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Basis and structure of this talk

- After two decades of PFM reform in Africa
 - How far have countries come?
 - Where do challenges remain?
- This talk summarizes research on such questions
 - 31 PEFA documents and analyses reviewed
 - What are the patterns?
 - Reflected in quantitative and qualitative data
- Hardly a final say, but informative
 - Some interesting story lines emerge
 - And some implications for reform change

But first...to get your attention so early

- Imagine you are a hiker stuck in the Sahara
- You need water in a day but are two days from an oasis, and your ankle is sprained
- Do you:
 - A: Dig for water
 - B: Crawl
 - C: Lie down and accept death, or
 - D: Find a camel to take you to the oasis

?

What if...

- I said, “none of the above”
 - You need a good hippo
 - Have you ever seen a hippo away from water?
 - And I will help you get one!
- Would you be surprised if:
 - The hippo turned out taking all your water
 - And helping you find no new water
 - Looking impressive but being pretty useless

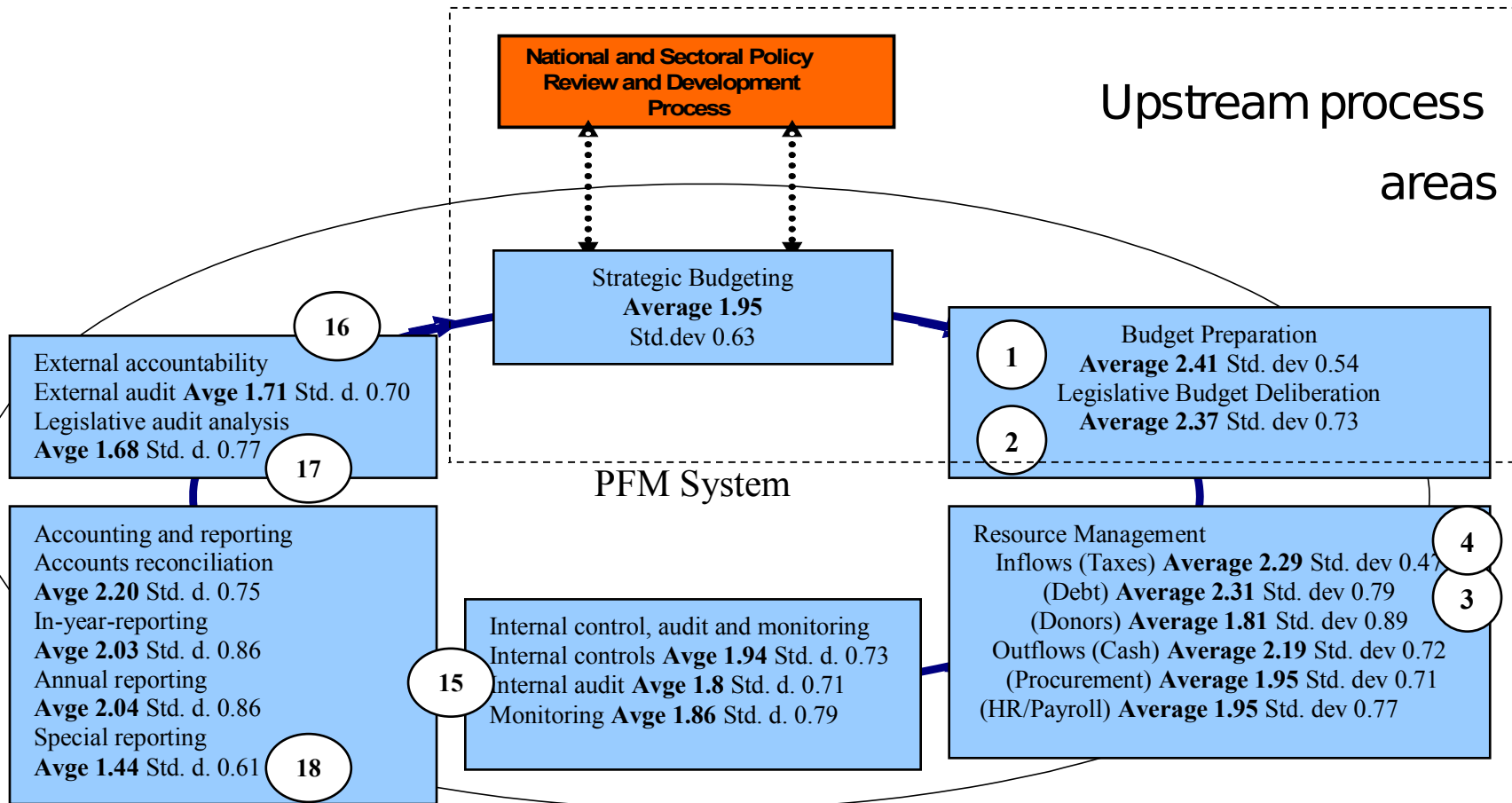
?

What I'm going to say is...

- That many PFM laws, systems and processes in Africa look like hippos in the Sahara
 - Isomorphic--Impressive looking but not very useful
 - Absorbing capacity, resources; with little functional impact
 - THE SAME ACROSS THE CONTINENT
 - No matter how much we say context matters...
- When what you need are some good camels
 - Not great looking, but functional...solving problems
 - Contextually useful
- All of this based on what I see in PEFA data
 - Patterns across the system
 - Patterns across countries

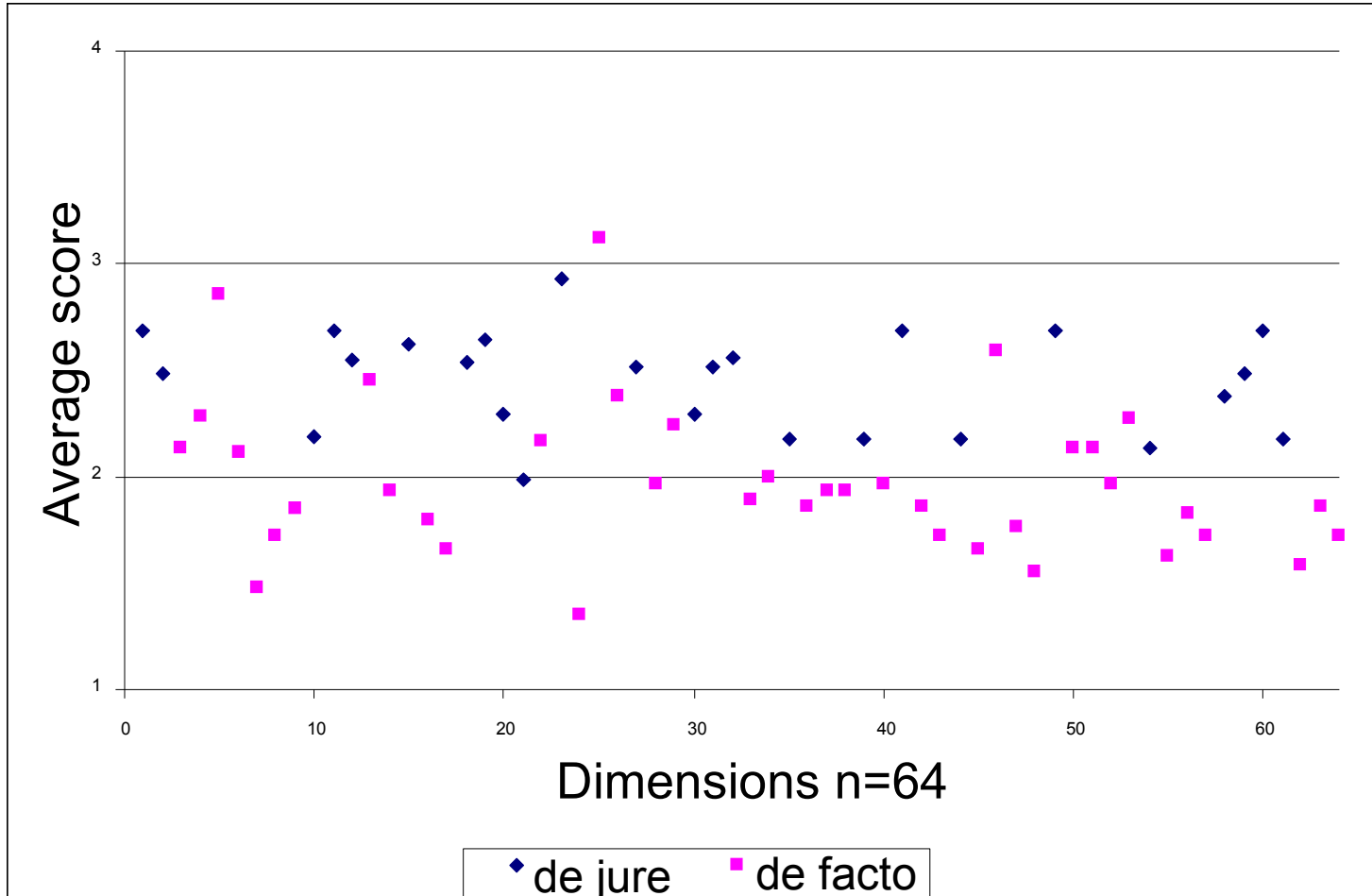
Patterns across the PFM system 1:

Upstream strengths downstream weaknesses



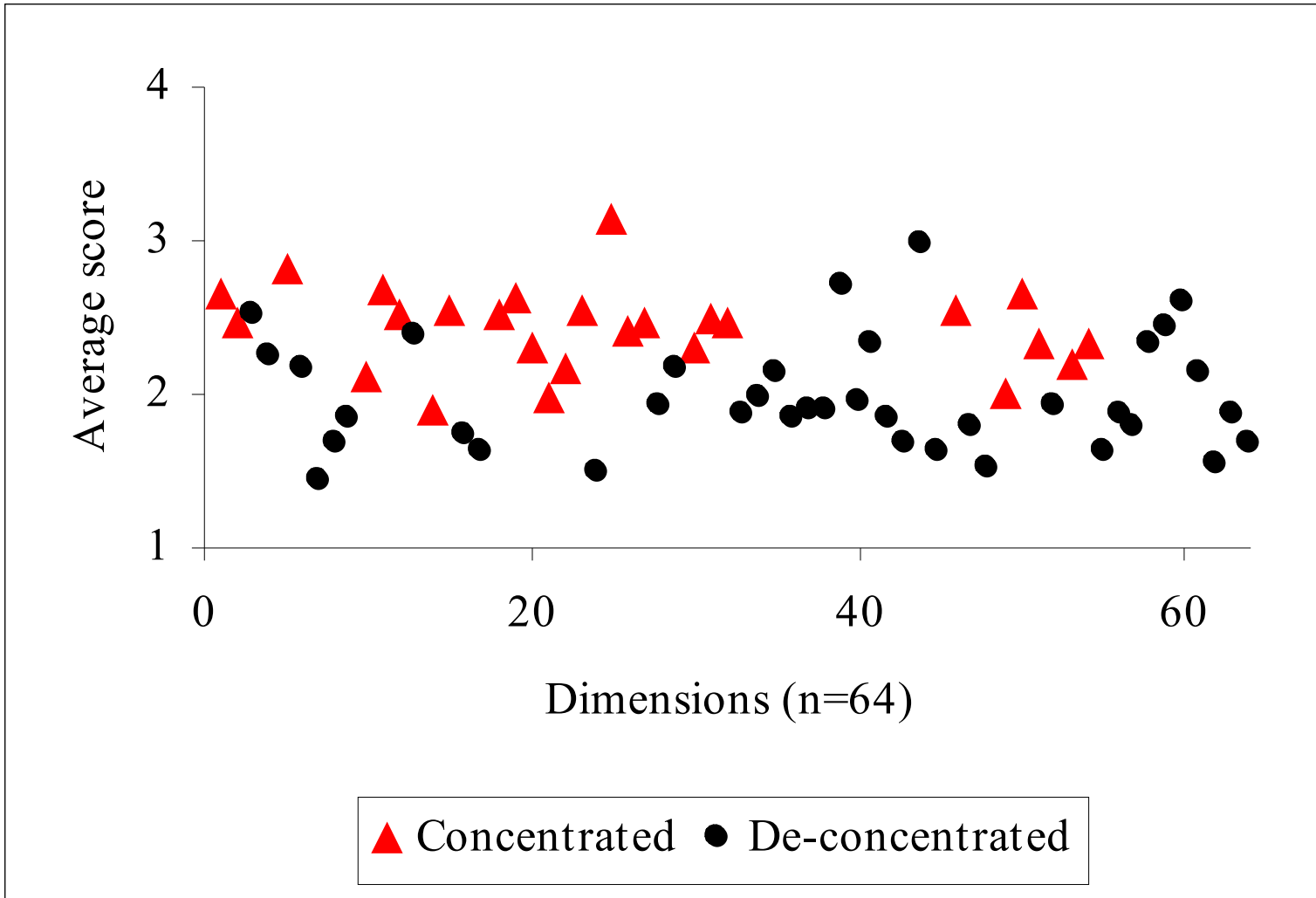
Patterns across the PFM system 2:

de jure (legal) strengths
de facto (practice) weaknesses



Patterns across the PFM system 2:

concentrated actor strengths
de-concentrated actor weaknesses



Who are concentrated and de-concentrated actors?

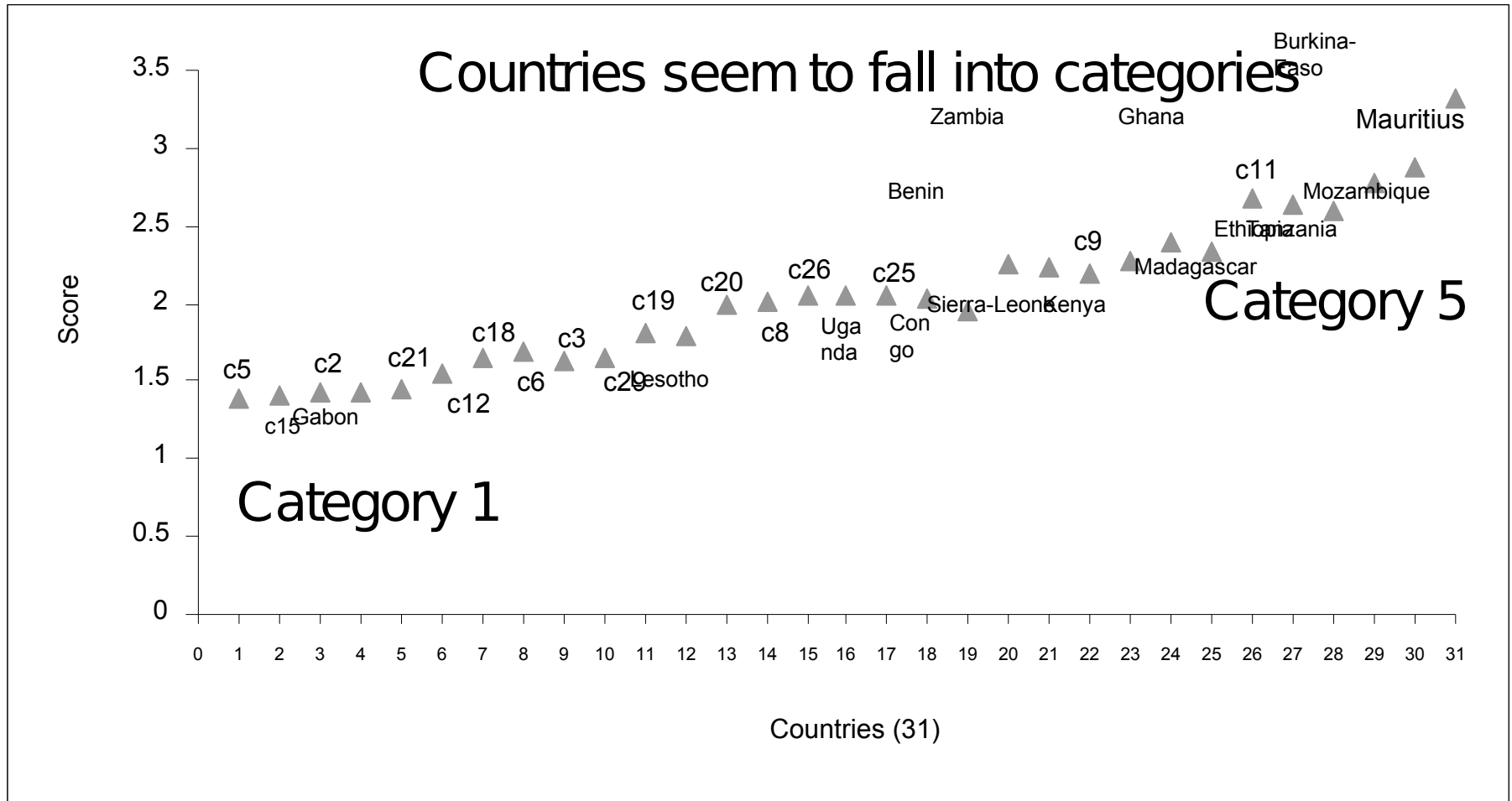
- Concentrated are those in the central reform entities
 - Budget office, Treasury, etc.
 - You!
 - Externally connected, open to change
 - What we call institutional entrepreneurs, change carriers
 - Responsible for determining structure of PFM
- De-concentrated actors are all the others
 - Implementers in central, regional, local governments
 - Not very externally connected
 - Less open to change
 - Responsible for implementing PFM

Summarizing these patterns into three causes for concern

- Countries generally:
 - make better budgets than they execute (**the downstream problem**)
 - have systems that look better than they are (**the de facto problem**)
 - progress where reform is in the hands of small sets of actors, and don't otherwise (**the de-concentrated actor problem**)
- Reflected in the following table of averages
 - Where you also see the scale of the problem

Dimension type	% dimensions	Average (out of 4)	Dimension type	% dimensions	Average (out of 4)
Upstream	25	2.29	Downstream	75	1.89
De Jure	41	2.30	de Facto	59	1.97
Concentrated	41	2.32	De-concentrated	59	1.88

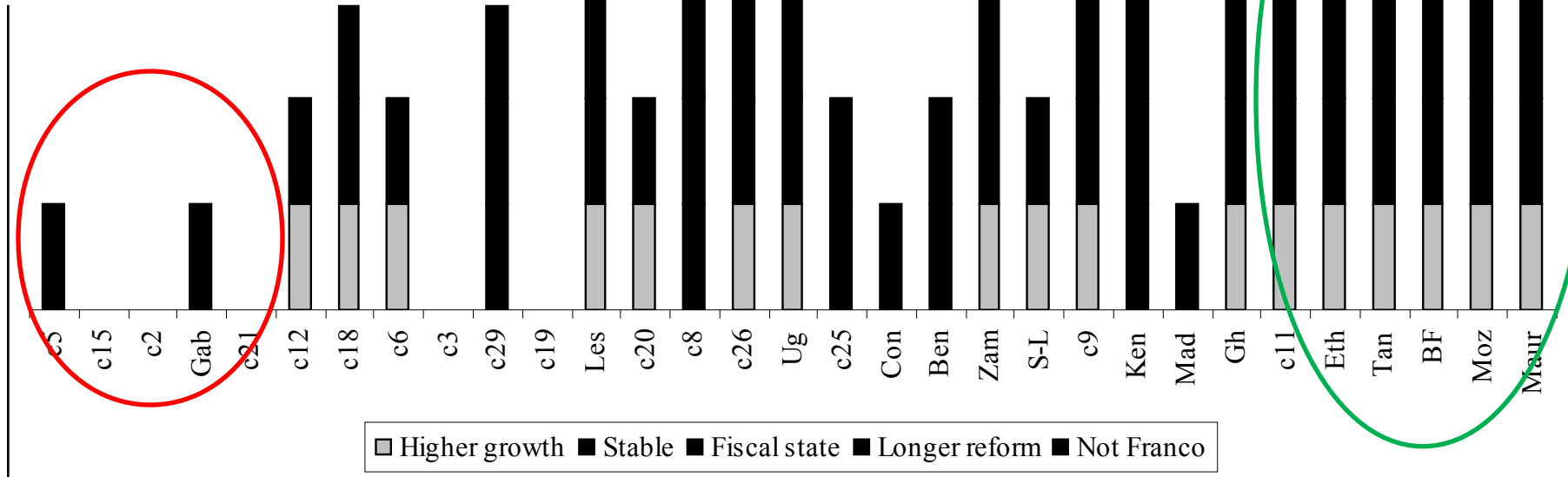
Patterns across the countries 1: There is a lot of variation



Patterns across the countries 2: Contextual factors seem to matter

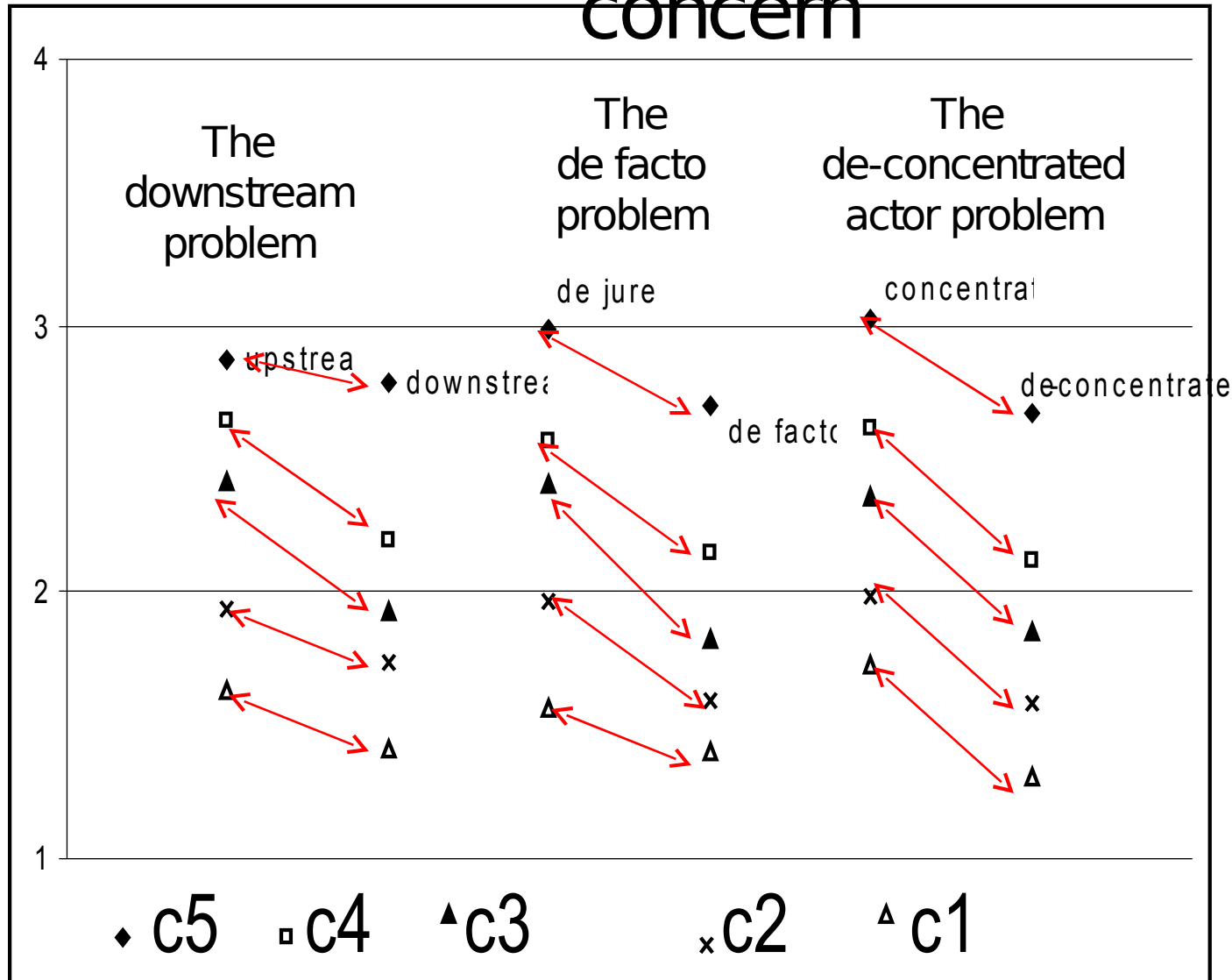
Category 5 countries tend to be higher growth and stable, with higher domestic tax revenue, Longer continuous reforms and Anglophone legacy

Category 1 countries are generally lower growth, fragile, low revenue, short reform, francophone



Patterns across the countries 3: All categories share the three causes for concern

PEFA average for different dimension types



What's going on and what should we think about the future?

- We see that PFM systems of the PEFA variety do not take at all in some places
 - Lack of growth, stability, short reform tenure = tough to reform
- Where they do, it is with major limits
 - We see better form, but limited improvements in functionality
- Is it just a matter of more time?
 - Unlikely...pattern holds for long-time reformers as well
- Are we doing the wrong things?
 - Passing better and better laws, adopting best practices
 - Actually increasing the isomorphic gap
 - between what our systems look like and how they work

Are we creating hippos in the Sahara?



Instead of functional camels?

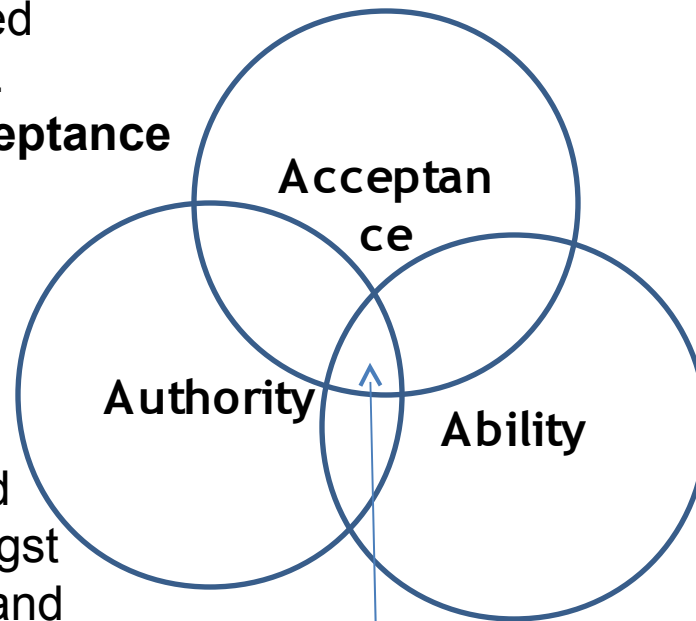
- PFM systems that fit our contexts
- That those implementing can use
 - Given the political, capacity, etc. realities they face
- That may not always look great
 - But are functional and deliver...
- Like we really see in OECD countries
 - That do basic things like budgeting and even accounting and auditing differently
 - Hybrids reflecting culture, past experience, etc.

Implications for PFM reform?

- If we want successful PFM systems we should think about how change really works
 - And foster it...broadly
 - In a way that is truly contextual
 - Which requires a difference in approach
 - From technicalities to 'space'
 - From concentration to 'coverage'
 - From reform similarity to 'context appropriateness'
- What do I mean? (in a few slides)

What I mean by ChangeSpace

To get change, you need
People to believe in it...
And commit to it = **Acceptance**



To get change, you need
Authority to do it—amongst
the users...Both formal and
informal = **Authority**

To get change, you need
People to be able to do it...
Having money, people, time
And information = **Ability**

The three A's need to combine to create **ChangeSpace**
Most reforms face limits because of limited change space...so challenge is to build the ChangeSpace. And then devise reforms to fit into the space. WE TEND TO DO REFORMS THE OTHER WAY ROUND. Trying to fit square pegs into round holes (or Hippos in the Sahara)

Building space, expanding coverage, ensuring contextual fit

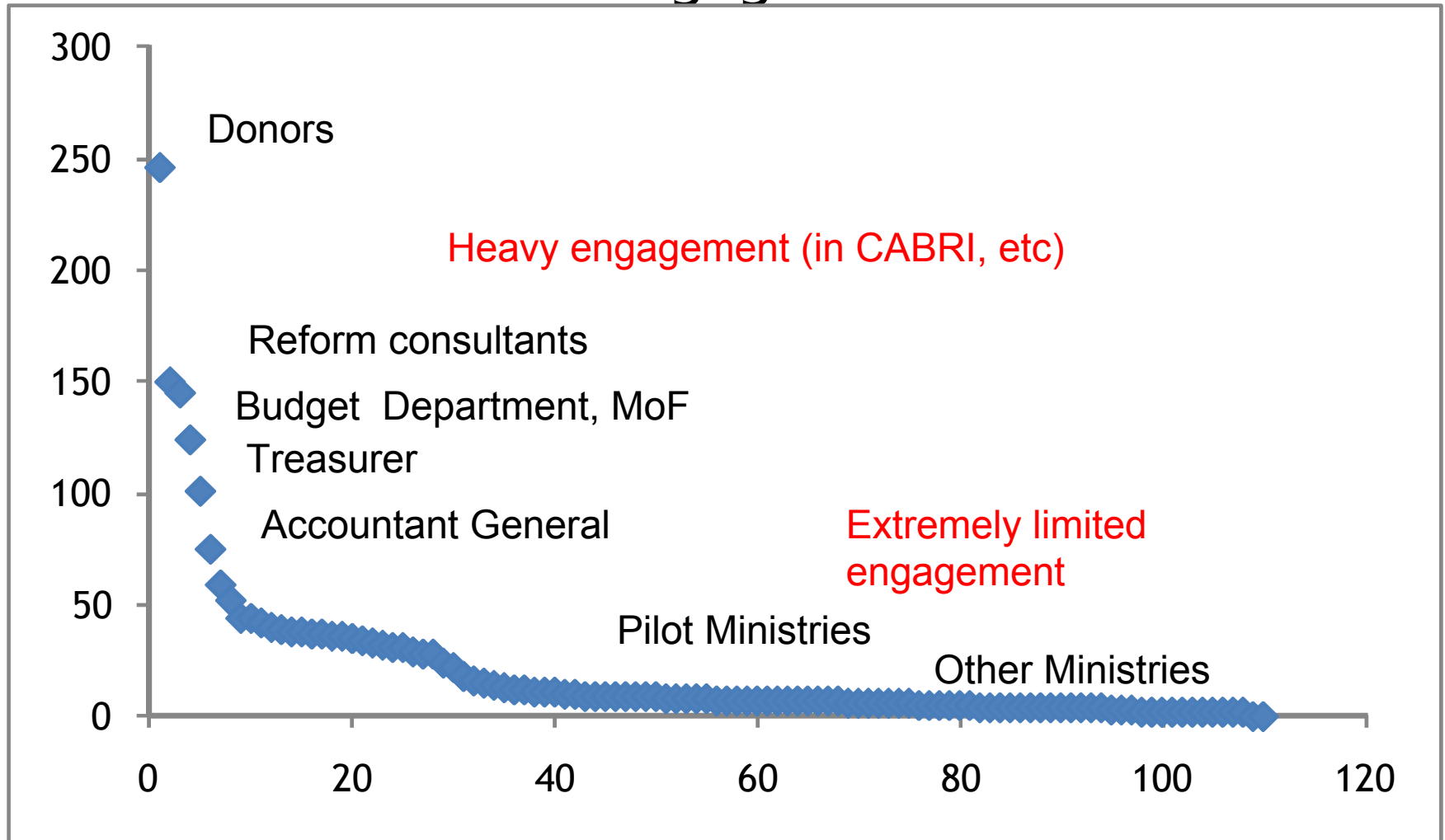
- Building ChangeSpace and ensuring contextual fit require identifying and solving problems as the basis of reforms
 - Are we really doing this? How could we do it better?
- ChangeSpace, contextual fit solutions often emerge through experimentation
 - Do we do this? Could we do it better?
 - Do we have any way of identifying and learning from local
Learn from local solutions?
- Our worst ChangeSpace limits are with broad groups
 - What are we doing to engage end users in our reforms?

Finding fitted camels requires having more dialog

- Reform dialog appears narrow in most of your countries
 - Focused on those designing the good systems
 - Limited amongst those implementing the systems
- Consider one of your own countries, where I measured the degree of communication about reform—asking how many conversations people were engaged in

Reform engagements are dominated by...
people like us

But implementation is by those who are not
engaged



What is needed

- Expanded dialog
 - Via communities of practice
- Asking functional questions
 - What are the problems?
 - What solutions fix these problems?
- To build ChangeSpace
 - Where Acceptance, Authority and Ability to Change meet
 - Facilitating reforms that lead to functional gains
 - Camels that lead countries to water
 - Not hippos that die on the way