



PFM Reforms: Signal Failure?

Thoughts for discussion



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9th Annual CABRI Seminar

Nairobi, August 28-30 2013



PFM Systems: What they look like on the surface...



Type/ Year	1990	2008
MTFF	9	71
MTBF	1	42
MTPF	1	19





... and what they might look like inside

	2007/08	2008/09	2009/10	2007/08 to 2008/09	2008/09 to 2009/10
	(thousands)			% change	
Ministry of Public Works					
Approved budget	14,606,381	22,004,270	29,500,624	51%	34%
MTEF 2007/08	14,606,381	15,562,498	16,725,141	7%	7%
Ministry of Health					
Approved Budget	12,098,583	14,945,964	17,840,466	24%	19%
MTEF 2007/08	12,098,583	12,890,542	13,853,569	7%	7%





How much PFM “stuff” do you need?

Credibility of the budget

PI1: Aggregate expenditure out-turn compared to original approved budget	B
PI2: Composition of expenditure out-turn compared to original approved budget	C
PI3: Aggregate revenue out-turn compared to original approved budget	B
PI4: Stock and monitoring of expenditure payment arrears	D+

Comprehensiveness and transparency

PI5: Classification of the budget	B
PI6: Comprehensiveness of information included in budget documentation	B
PI7: Extent of unreported government operations	C+
PI8: Transparency of inter-governmental fiscal relations	D+
PI9: Oversight of aggregate fiscal risk from other public sector entities	D+
PI10: Public access to key fiscal information	C

Policy-based budgeting

PI11: Orderliness and participation in the annual budget process	C+
PI12: Multiyear perspective in fiscal planning, expenditure policy and budgeting	D

Predictability and control in budget execution

PI13: Transparency of taxpayer obligations and liabilities	n/a
PI14: Effectiveness of measures for taxpayer registration and tax assessment	n/a
PI15: Effectiveness in collection of tax payments	n/a
PI16: Predictability in the availability of funds for commitment of expenditures	D+
PI17: Recording and management of cash balances, debt and guarantees	C
PI18: Effectiveness of payroll controls	C+
PI19: Competition, value for money and controls in procurement	n/a
PI20: Effectiveness of internal controls for non	D+
PI21: Effectiveness of internal audit	C

Accounting, recording and reporting

PI22: Timeliness and regularity of accounts reconciliation	C
PI23: Availability of information on resources received by service delivery units	D
PI24: Quality and timeliness of in-year budget reports	B
PI25: Quality and timeliness of annual financial statements	D+

External scrutiny and audit

PI26: Scope, nature and follow-up of external audit	D
PI27: Legislative scrutiny of the annual budget law	C+
PI28: Legislative scrutiny of external audit reports	D



How do we understand reform patterns?

Progress?

Fashion?



- “Digital-Era Governance”



- Epistemic Communities



Consider Germany

- No MTEF, no fixed ceilings, no performance budgeting
- Compared to the UK: MTEF, fixed multiannual ceilings, performance budgeting
- Average central government deficit 1980-2005, Germany 2.49% GDP, UK 2.71%
- Years in which the deficit deteriorated by at least 1% of GDP between 1980 and 2005, Germany 2, UK 7



“Institutional Isomorphism”



This is “reforms as signals”



An alternative path:

Problem

Driven

Iterative

Adaptation

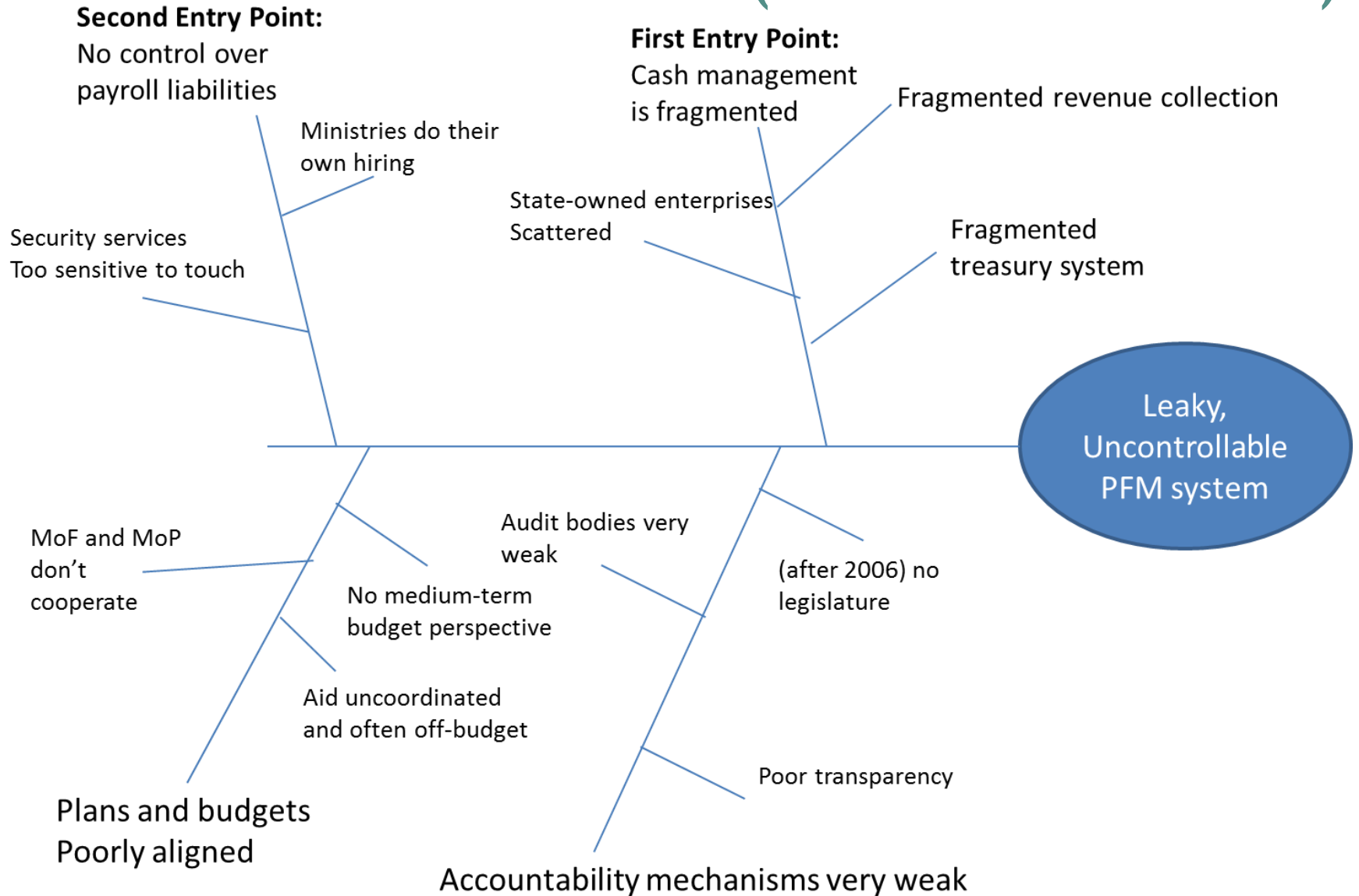
→ West Bank
and Gaza

→ Chile

Matt Andrews, 2013



Focus on problems that matter (West Bank and Gaza)





Iterative adaptation: starts and stops of performance budgeting in Chile

Tool	When?
1. Strategic Definitions	1. 2000
2. Performance Indicators	2. 1994; redesigned in 2000
3. Comprehensive Management Reports	3. 1997; redesigned in 2000
4. Programs for Management Improvement	4. 1998; redesigned in 2000
5. Government Program Evaluations	5. 1997; redesigned in 2000
6. Impact Evaluations	6. 2001
7. Comprehensive Spending Evaluations	7. 2002
8. Evaluations of New Programs	8. 2009





Is imitation always a bad thing?

- Revolutionary France
- Meiji Japan
- Sweden
- Chile





Work in progress...

- What if nobody cares?
- What if [managers/politicians/civil servants/other MDAs] are against?
- What role for external actors?





Thank You!

Comments, questions? Get in touch: p.krause@odi.org.uk

