

The Collaborative Africa Budget Reform Initiative — Towards functional public financial management

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Within the field of public finance there is a growing movement, supported by a substantial body of literature, towards making investment in public financial management (PFM) more robust and effective. The Collaborative Africa Budget Reform Initiative (CABRI) is fully engaged in this movement, working mainly with African finance and budget ministries in developing and implementing reforms that lead to more functional management of public finances.

At the core of CABRI's work is the formulation and implementation of a government's budget — the most important policy statement of any administration. A budget allocates funds that are needed, among others, to pay the salaries of public officials, build roads and energy plants, and procure vaccinations and anti-retroviral drugs. Importantly, the budget is the outcome of a process involving a wide range of government bodies, entities and agencies, all with peculiar characteristics, priorities and interests. This makes the process competitive, contentious and complex. If agreement is not reached on how limited resources will be used, a government will struggle to function.

How successfully a budget is formulated, implemented and accounted for is largely dependent on the overall functionality of the PFM system. Over the past decade, the interventions of CABRI have provided African governments with a platform for exchanging their experiences of PFM and learning from each other in an environment of respect, appropriateness, openness and ownership.

CABRI has built, and continues to build, a unique community of peers to support the establishment of functional PFM across the continent in the effort to discover what works, when and how. In CABRI's view, it is the practitioners on the ground — the senior officials responsible for PFM in their countries — that are best placed to identify context-related challenges, and to develop and implement functional approaches to address them.

In collaboration with bilateral and multilateral programmes, most African governments have undertaken PFM reforms. However, these reforms have often not effectively tackled the problems persisting in governments. For instance, new systems are introduced but wages are still paid late or not at all; new procurement processes are adopted, but textbooks and medicines are still not distributed on time or on budget; new laws are passed to control spending, but over-commitment persists in many systems.

It is noted by the authors of the 2014 Harvard paper 'This is PFM' that a functional PFM system is intended to promote prudent decision-making and the sustained fiscal health of a government in such a way that deficits are not too high, debt is manageable, and spending is prioritized. Most would also hope that PFM systems provide the orderly means by which governments raise and spend money, fostering credibility and reliability. An outcome of a credible and reliable budget is that money reaches the front-end interface between a government and its citizens where financial resources lead to service delivery and actual results.

Much is understood about the nature of PFM, what functional PFM systems look like and even the kinds of reforms that may be needed to attain greater functionality. The main challenge for PFM in the future, especially in developing countries, is to identify problems that hinder the functionality of PFM systems and the action needed to make progress towards CABRI's vision which is that, across Africa, public financial resources are managed with integrity, transparency and accountability for efficient and effective service delivery,

CABRI's philosophy on the constitution of a functional PFM system

- We believe in sustainability and budget discipline. We need to budget for what we can afford, as well as strive towards increasing self-reliance.
- We believe in creating space and procedures for accountable and transparent political decision-making. No PFM system can be functional without political buy-in, support and oversight.
- We hold that there must be one transparent process, based on policy priorities and performance, which allocates all budget revenue.
- We make sure the practices and procedures we apply in planning and execution truly work towards achieving value for money. This includes sound procurement practices.
- We believe in the rule that 'the budget you vote for is the budget you execute', and that, with regard to execution and planning, transparency should be a guiding principle.
- We maintain that a functional PFM system needs a functioning ministry of finance. This means that officials have or learn the skills they need, are given clear roles and responsibilities, and have demonstrable organizational and implementation capabilities, including habits of critical reflection, organizational learning and adaptability.
- And last but not least, it is CABRI's firm belief that accountability is at the core of every functioning PFM system. As a consequence, the structures, procedures and rules that ensure accountability must be enforced.



Information session co-hosted by National Treasury (SA) and CABRI for South African public entities

sustainable economic growth and development. In striving towards this vision, CABRI's work is guided by its philosophy on what a functional PFM system involves (see panel).

Increasingly, the emphasis has been placed on building the capabilities of finance ministry officials while improving the functionality of PFM systems.

CABRI's work has been guided by three interrelated result areas: (i) achieving value for money in public spending; (ii) budget transparency for greater accountability and participation; and (iii) sustainable public debt management. These result areas build on lessons learnt, developed capabilities and the needs expressed by member and participating countries.

The three result areas cover the types of challenge that African countries face in the management of public finances and implementation of spending plans. For instance, excessive borrowing or cash that is not provided to the spending agencies on time can be associated with result area (iii) — sustainable public debt management. Likewise, a problem such as the late payment of contractors or salaries of health workers is linked to result area (i) — value for money in public spending. In this regard, CABRI considers an increase in arrears to be ineffective and inefficient. Result area (ii) covers problems related to the budget allocation process and challenges that weaken the linkages between budgets and performance.

Orientating these three result areas makes CABRI more responsive to the needs of governments, better able to partner with country teams in tackling locally nominated PFM challenges using the Problem-Driven Iterative Adaptation (PDIA) approach, and more able to demonstrate progress in achieving real change while at the same time developing important capabilities. The approaches of PDIA and peer-learning and exchange feature prominently in CABRI's outputs methods.

Developed by the Building State Capability (BSC) programme at Harvard University's Centre for International Development, PDIA is a high-impact process that helps public organizations develop the capability to solve complex challenges. PDIA interventions typically involve creating teams of multiple agents to investigate locally nominated problems, and CABRI has been experimenting with this approach in recent years to help governments identify and solve problems in the PFM system. Through these efforts, teams have been mobilized in many countries to address persistent political and bureaucratic constraints, and have become increasingly more empowered in the process of finding and fitting relevant solutions to the problems.

The Building Public Finance Capabilities (BPFC)¹ programme was also developed in collaboration with Harvard's Centre for International Development BSC programme and makes use of the PDIA approach, providing extensive opportunities for peer-learning and exchange. Since the launch of the eight-month BPFC programme in 2017, CABRI has worked with 35 country teams. After completing the programme, team members act as ambassadors that encourage and train their colleagues to apply the PDIA approach. In this way, the PDIA problem-solving method is taken up in countries where CABRI has applied the programme.

The second approach employed by CABRI provides a platform for practitioners from ministries of finance and budget, together with a select number of line ministries, to share and learn from the experiences of their peers and, where appropriate, apply the lessons to policies and plans.

For peer learning through regional networks, CABRI has a comparative advantage in facilitating change by bringing together practitioners with experience in similar contexts

