Foreword

The declaration from Busan (*4th High Level Forum on Aid Effectiveness* - 2011) included the following four principles:

a) *Ownership of development priorities by developing countries.* Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs.

b) *Focus on results.* Our investments and efforts must have a lasting impact on eradicating poverty and reducing inequality, on sustainable development, and on enhancing developing countries' capacities, aligned with the priorities and policies set out by the developing countries themselves.

c) *Inclusive development partnerships*. Openness, trust, and mutual respect and learning lie at the core of effective partnerships in support of development goals, recognising the different and complementary roles of all actors.

d) *Transparency and accountability to each other*. Mutual accountability and accountability to the intended beneficiaries of our co-operation, as well as to our respective citizens, organisations, constituents and shareholders, is critical to delivering results. Transparent practices form the basis for enhanced accountability.

However, at least in the area of public financial management, it is not clear that the donor community have actually adopted these principles in practice. It does appear that the old model of implementing 'answers' (the standard New Public Management reforms of accrual accounting, MTEF, decentralisation etc) with the use of international consultants on short-term projects is still the most common approach. Donors, their consultants and local officials in the Global South should perhaps re-consider the extent that they have adopted the Busan principles by thinking through the following ideas:

- Public financial management is 'poor' in many countries of the Global South because these countries suffered economic collapse the 1980s and the 1990s – not because they are backward and need 'modernising'.

- PFM capacity building is not a quick fix and will probably be a decades long process.

- The point of departure for capacity building should be what already exists. This will be dependent on the intimate knowledge of local officials.

- Possible moves towards New Public Management should be open and not just promoted as 'modernisation'. Any such moves should be based on proven approaches with clear evidence of success.

- Capacity building should be country led – not micro-managed by donors and their international consultants.

I expand on each of these ideas below.

Public financial management is 'poor' in many countries of the Global South because most countries suffered economic collapse the 1980s and the 1990s – not because they are backward and need 'modernising'.

Countries with a higher per capita GDP tend to do well in public financial management and overall governance. Four countries that do particularly well in sub-Saharan Africa are Botswana, Mauritius, Namibia and South Africa. They far outperform other sub-Saharan countries in GDP per capita and the quality of their public financial management systems.

Many countries in the Global South suffered economic collapse in the 1980s with, at best, slow growth in the 1990s. This resulted in under-paid, insecure and demoralised public sector officials, some of whom, not surprisingly turned to corruption to survive. Getting out of this hole is much harder than falling into it, and will take much longer, even if sustained economic growth and guaranteed donor support over the medium term (five to ten years at least) is provided. Many sub-Saharan Africa economies grew well over 2003 -2008, but their economic future is now much less certain.

What is needed is not modernisation/reform/New Public Management, but rebuilding of public financial management processes based on sound regulatory compliance, good quality internal financial control and systems which are promptly brought up to date. Efficiency, performance management and decentralisation can wait until the necessary local capacity is re-built.

PFM capacity building is not a quick fix and will probably be a decades long process.

Donors need to learn that what public financial management officials need is predictable support over at least the medium term (decades), not just a few weeks or months. Whereas most donor agencies set out ambitious matrices of reform within a time frame of three to five years, a study of African experience with PFM reform suggests that, in most low-income countries in sub-Saharan Africa, to reach a level where the country is capable of self-reliantly maintaining and developing its PFM systems would take15-25 years (Andersson & Isaksen, 2002).

Public financial management reforms in New Zealand, US and Britain have taken decades and are still continuing. So donors need to plan for and provide support over a similar timescale. This will be more likely to be successful if the support is dependable, predictable and sustained over the medium term.

The point of departure for capacity building should be what already exists. This will be dependent on the intimate knowledge of local officials.

Public financial management reforms should be incremental and organic – based on existing practices improved to solve specific problems using techniques which have been proved to be successful in a similar environment. It is only the local public financial management officials that really understand their systems; international consultants fresh off the plane, whatever their CVs say, can never have the detailed knowledge of the local context, culture and history that is essential to lead future reforms.

A strategy of *experience sharing* and peer assistance should be adopted where by the leading countries in a given region may support other countries to raise the level and quality of their public financial management systems based on approaches and techniques which have clearly proved their worth in a similar environment.

But donor strategies often remain wedded to the introduction of MTEF, IFMIS, programme budgeting, accrual accounting, performance management etc etc. They are pushing NPM style, fundamental reforms with international consultants when these are not clearly based on the actual experience of success.

Possible moves towards New Public Management should be open and not just promoted as 'modernisation'. Any such moves should be based on proven approaches with clear evidence of success.

'Reinventing Government' by Gaebler and Osborne in 1992 applied to the public sector the supposed power of performance measurement and launched a new industry of performance indicators and targets. This is part of the NPM agenda of 'modernisation', 'efficiency' etc. However, by the mid-1990s doubts had risen about the transferability of PFM models from more developed to less developed countries. The New Public Management model, for instance, failed to get the expected traction in countries such as Jamaica. The New Zealand accrual accounting model was sold to countries that had difficulty in managing their resources on a cash basis, including Mongolia, with poor results. Schick (1997, 1998) advocated a step-by-step approach, starting with getting the 'basics' right.

But this was then ignored by donors who, for example, continued insisting on moves towards accrual accounting, programme budgeting and performance audit. This was despite the lack of clear objective research that these approaches really deliver their expected benefits in the industrial countries, let alone across the Global South.

Many so called 'modern' techniques are part of a specific approach to public financial management reform. The decision on whether or not to take this route should be openly discussed by local officials and politicians, and guided by the actual level of success of similar reforms in other countries.

Capacity building should be country led – not micro-managed by donors and their international consultants.

Consultant led development projects are rarely sustainable or successful and breed dependence rather than real capacity development. Analysis of the risks to development and the reduction in risk that could be achieved, within the constraints of government will and government capacity to absorb reforms can only be undertaken by local officials who have the necessary deep understanding of how their systems actually work.

This deep knowledge is only available to local government officials and explains why country leadership is so important. Most countries in the Global South do not need reform or modernisation (NPM); but rebuilding sound public financial management with regularity and probity as the main objective. Efficiency, performance and decentralisation may, perhaps, come later.

We begin this issue of our Journal with an examination of key public financial management reform measures undertaken in India in the recent past and suggestions to enhance the effectiveness of these PFM systems. In recent years the role of sound PFM systems in achieving the objectives of fiscal discipline, strategic planning and improved service delivery has been receiving increased public attention in India. Public financial management reforms undertaken intermittently over the years, have not delivered the anticipated results in these areas. Studies and recommendations of Government appointed committees and expert bodies have identified gaps that need attention to strengthen the institutional framework and to improve the efficiency of government spending.

Our second paper is also from India, but has a narrower focus on the authorisation of capital projects in local governments. Different reports and available data show that the expenditure and budgetary control systems in Indian urban local bodies is generally poor and so needs strengthening. The accounts department, which prepares the budget, should have access to the relevant data at an early stage and the authors propose that *financial concurrence* (or early commitment approval) should be required from the accounts department for each proposal that may result in expenditure on capital works.

In the third paper of this issue of the Journal we turn to the legal basis for public financial management in Kenya. The paper examines the provisions of the new Constitution and the organic budget law and their adequacy in enforcing good practice requirements for participation and transparency in public sector budgetary processes. It contextualizes the state of budget transparency by evaluating existing participatory mechanisms and the extent to which they are entrenched in law. Drawing from international best practices, it is concluded that there is little prospect that promise of the Constitution to provide the opportunity for citizen participation in budgetary processes will be fully realised through legislation. The organic Budget Law fails to mandate the State to disclose core budget documents and guarantee free access to relevant and useful budget information.

The final main paper of this issue looks at the adequacy of funding of tertiary institutions in Nigeria. This study evaluated the financial management systems of selected tertiary institutions in Oyo State, Nigeria. The available data led to the conclusion that education in general in Nigeria, and tertiary education in particular, is inadequately funded. However, tertiary institutions are also inefficiently managed and this inefficiency may be made worse by fraudulent practices.

We again include a section reviewing recent public financial management publications and other resources which we hope will be of interest to readers of the Journal. We would be pleased to receive reviews and suggestions of other resources which we should refer to in future issues.

The ICGFM has fairly recently established a Technical Committee and we have included in this issue the comments we have issued to the IPSAS Board on their exposure drafts. If you would like to know more about the work of our Committee, please contact the Chair, Jesse Hughes <jhughes@odu.edu>

If you would like to continue the debates raised in this issue please start thinking about contributions for the next issue of this Journal, the ICGFM blog or attend future ICGFM events. We look forward to hearing from you!

Finally, this is the final issue of our Journal to be edited by Andy Wynne. Our next issue will have a new editor and will mark an important step forward in the development of the Journal.

Andy Wynne	Charbet Duckett	Jim Ebbitt
Editor	*Vice President: Publications and, Communications*	*President*