

RESULTS-ORIENTED PUBLIC EXPENDITURE MANAGEMENT WORKSHOP ODI, 21 MARCH 2003

Thematic Report

The workshop met to review the issues arising in results-oriented public expenditure management in poor countries in the light of the just-completed research programme on the topic conducted by CAPE-ODI. It was well attended - by some 30 participants, in addition to five authors who presented the gist of their papers, and six discussants. The discussants came from DFID, the World Bank, the DAC Secretariat, the European Commission (DG DEV), the UN Capital Development Fund and Oxford Policy Management.

The main themes of the discussion were:

- Can poor countries in their present state really make effective use of results-focused expenditure management processes? Is it a distraction from more urgent tasks, or a complement to other reforms?
- How relevant is it to the PRSP agenda?
- Are there pre-conditions for getting started, or for sustaining results focused initiatives?
- What incentives/sanctions are useful in stimulating compliance?
- What are the weaknesses in ROEM as currently practised and what should be done to overcome them?

Complement to other reforms or a distraction?

The most controversial question discussed was whether, as argued by Allan Schick¹, financial management and financial discipline reforms should take root first before countries attempt to introduce results frameworks into their budgetary planning processes; or whether, as argued in the CAPE-ODI research papers, there is virtue in allocating responsibilities for achieving results from public expenditure before these reforms have bedded down.

Some participants argued that the opportunity cost of introducing ROEM was likely to be too high in view of capacity limitations in low income countries' governments and the well-known bureaucratic burdens associated with programme budgeting. Others felt that budget management reforms should be implemented in sequence, and that there was no point in proceeding to results-

¹ World Bank Research Observer 1998

accountability until problems of financial management and accountability had been overcome.

The contrary case, upheld in general by ODI's country study working papers, was that a growing number of poor countries have in practice made a successful start, on their own initiative, with integrating results frameworks into their budgetary processes; and that, in view of their commitment to results-oriented poverty reduction strategies, they should be encouraged to consolidate and extend these. There was no immediate necessity for the full integration of financial and results management systems. Far from undermining or diluting financial management reforms results-oriented expenditure management was complementing financial management reforms by sounding alarms when apparently funded programmes were failing to deliver expected results.

Relevance to the PRSP agenda?

Participants who felt that ROEM was already feasible and potentially effective in poor countries also tended to agree with ODI's proposition that the PRSP agenda made it relevant, timely and necessary. However, several authors, discussants and participants pointed out that the targets and indicators now in use in case study countries pertain in good part to inputs, activities and sometimes outputs, but rarely to the (intermediate) outcomes on which PRSPs concentrate. In some cases targets and indicators were chosen to defend vested interests. Their relevance to poverty reduction was often tenuous. The special needs of backward areas were often not recognised.

While it was appropriate for programme managers and service providers to focus on the needs of and outputs from the activities under their control, it was also important to ensure that results sought should reflect national poverty reduction strategies. Planning and Evaluation departments in spending ministries had a key role to play in ensuring that pro-poor policy commitments are not lost in the nitty-gritty of results management at the working level.

Preconditions for starting, for sustaining

ODI's country case studies showed that the most important precondition for the successful introduction of results planning and management was a fair degree of predictability about future programme funding. The setting of targets and indicators usually started in the social sectors, which were able to define credible medium term strategies because of external support (e.g. through SWAPs) and because of preferential treatment national budgetary processes. In some West African countries it was hard to get programme managers to take target setting and results accountability seriously because macroeconomic instability,

unpredictable aid inflows or clumsy and opaque cash budgeting, which made it impossible for them to know what expenditures they would be able to afford.

Speakers and participants made various suggestions on how to reinforce results-based budgeting and to make it sustainable. Most important was firm and sustained political commitment to the process. The Ministry of Finance is best placed to promote government-wide results-based budgeting initiatives, because of the leverage it can exert through the annual budget cycle. The MTEF process itself could play a valuable role, in the framework of consolidated budgets, in providing workable levels of assurance about future funding. It was also very necessary to make progress with public financial management reforms, including expenditure recording and reporting, without which it is impossible to assess the efficiency of expenditure programmes. Another important flanking process was civil service reform focused on personal and group responsibility for achieving results. Financial and personnel management reforms should in due course make possible more delegation of management responsibility to operational staff whose flexibility in resource deployment is now severely circumscribed by rules requiring decisions on virement and staff complements to be taken centrally.

The demand by parliament and the public for public services to be accountable for results was still weak, but it was visibly strengthening in several case study countries, sometimes with the active encouragement of central ministries and sometimes with statutory provision for stakeholder participation.

Managing public expenditure for results was a process that was evolving by trial and error with a widening involvement of operational staff and other stakeholders. The more stakeholders involved and the stronger the demand for results accountability the more sustainable the process was likely to be.

Incentives and sanctions

The evidence uncovered by ODI's research programme showed that public expenditure was a more effective vector for promoting results planning, results accountability and performance management than civil service reform. This was because ministries of finance could wield the implicit or explicit threat that budget allocations might be diminished or withheld from spending agencies that fail to implement these processes. The same applied to central government ministries that administer grants for service provision to local governments. Conditional grants in Uganda had made local governments pay more attention to the quality of their plans and on their service delivery performance than they had done previously when largely financed by block grants from the centre.

Participants pointed out that pecuniary incentives of this kind could produce the perverse reaction that spending agencies falsify results records in order to avoid sanction. In fact, there were good reasons for doubting the accuracy of

performance records kept by spending ministries and departments. It was therefore important to cross-check performance data compiled from service providers' reports, making fuller use of surveys of beneficiaries.

With the development of horizontal accountability, particularly at district level, there were now cases, e.g. in Uganda, of political sanction at the ballot box for politicians in charge of programmes that failed to meet beneficiaries' expectations.

Service Delivery and Local Governments

Some participants felt that the entry point for results based practices was best through the development of management information systems at the level of service delivery. The importance of local governments as the agents for delivery of services was also highlighted

Performance based budgeting are relatively straightforward to apply at the Local Government/service delivery level. Intended results are important for justifying expenditure allocations within local governments to the intended beneficiaries, and information systems important for operational decisions. However there are challenges due to the "silo" based approach of SWAs and the inflexibility of often centrally driven personnel management. Often specific results based systems for local governments as institutions had not been developed. ODI and UNCDF are considering the possibility of joint future, action-based research to look at the possibility of applying performance budgeting and assessments practices in local governments.

Paradoxes

There were some apparent contradictions in the ODI research:

- The research concluded that ROEM initiatives were likely to be all the more successful because locally owned and developed; but yet there were sectoral 'islands of excellence' where reforms have often been externally instigated, and supported by SWAs. Such programmes thrived because, with donor support, they were protected from bad national PEM systems.
- Results based initiatives overwhelmed the centre with information, which it could not use effectively, but at the same time they were enabling better focused public sector interventions.
- Results-oriented expenditure management, whose logic requires local managers to have delegated powers to deploy resources flexibly, was being promoted at a time when bureaucratic centralisation of financial and personnel

decisions to combat unaccountable financial practice and patronage was still largely unreformed (and widely necessary).

It was observed that such contradictions were not flaws in research, but paradoxes that needed to be unpacked and explained further. Local ownership does not necessarily preclude the fact that ideas and initiatives can be originally conceived by outsiders; information provided to decision makers at the right level can improve decision making; and there was scope to make managers more accountable for results, given current inefficiencies, without full delegation of decision-making on expenditure choices and staffing.

Overcoming weaknesses, strengthening performance management

There was general agreement with ODI's research conclusion that countries were more adept at setting targets and defining performance indicators than they were at monitoring and evaluating performance and at making use of performance assessments to adjust strategies and resource allocation and to remedy cases of under-performance. Countries faced a major challenge to collect accurate, consistent and timely data and to make sense of it for policy and resource management purposes. Much had been done in sectors with a history of aid-supported sector strategies to develop statistical records, but there was often little use made of these records for analytical and policy purposes. Stimulating demand for this data would result in its more intensive use – both internally and for the purposes of public accountability – and improve its quality and timeliness.

More public information about results achieved would empower public service beneficiaries and other stakeholders and entrench pro-active performance management.

There two inter-connected keys to better monitoring and evaluation were therefore: (i) more intensive external demand – from parliament and other stakeholders – for public performance reporting and results accountability by government departments and agencies, and (ii) stronger demand from managers and internal capability for performance information collection, assessment and analysis within sector ministries and in ministries of finance. The former would lead to the latter by placing heavier demands on governments and sector ministries to account for their performance. The PRSP monitoring process was one already tangible and effective source of such pressure.

Short term expectations from stakeholders should be realistic, as with financial management, results based systems take a long time to build. The process of moving towards a greater results focus is important in itself, and should be used to encourage a greater performance ethos within the public sector. Practices

should not be put forward as scientific, but be encouraged to evolve alongside other PEM reforms locally.

Donors had a clear role in helping to strengthen capacity at all levels for performance assessment and management, but this role would be most effectively fulfilled only where there was strong local demand for, and commitment to, the development of these processes. They could also play their part as external stakeholders in fostering demand.

John Roberts
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**Results-Oriented Expenditure Research Workshop
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