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# Working Paper

## Analysis of Sub-National PFM Support within SDC

SDC Network on Governance  
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# 1 Introduction

The Swiss Agency for Development and Cooperation (SDC) supports public financial management (PFM) in partner countries at the sub-national level as part of local governance programmes and within sectoral programmes. The thematic unit Democratisation, Decentralisation and Local Governance (DDLG) is, among others, responsible for developing policies and position papers on its mandated areas. The SDC's support for sub-national PFM has not been researched or described until now, and this paper is designed to engage on the topic and provide a briefing for SDC colleagues and possible partners.

The purpose of this paper is threefold: (1) to develop an understanding of sub-national PFM and the motivations for the SDC to invest in this area; (2) to examine and categorise the types of sub-national PFM interventions commonly undertaken in the context of both the literature and the SDC's existing practice; and (3) to review existing SDC

programmes that engage in sub-national PFM and identify potential roles for SDC sub-national PFM interventions in the context of other development partner engagement.

Within the State Secretariat for Economic Affairs' (SECO) division of Economic Cooperation and Development, the Macroeconomic Support unit also works on PFM. Both the SDC and SECO apply a systemic perspective: the SDC's focus is primarily on the sub-national level, but facilitates alignment with national-level policies, while SECO works mostly on macroeconomic conditions and national-level policies, but also supports sub-national implementation of these policies. While often working in different countries, SDC and SECO have established good working relationships between the two units working on PFM in order to complementarily work on the broad needs of partner countries where both organisations are active.

## 2 PFM and fiscal decentralisation in the context of development

Public financial management (PFM) can be defined as 'the system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals' (Ifeoma *et al.* 2015). This system entails the laws, institutions, human capacity, IT and other systems and standards that support all government activities. Implementation of the PFM system is often described as a cycle, starting with (a) planning, budget preparation and approval; and then (b) execution of the budget, accounting, reporting; and finally (c) oversight with the last phases providing valuable information and guidance for future planning and budgeting. Complementary systems, including procurement, public investment management and human resource management, are closely related and essential for the effective delivery of PFM. An overview of the phases of the PFM cycle and an explanation of key components and complementary systems is provided in Annexe 1.

The efficiency and effectiveness of a country's PFM system influences several linked but distinct development outcomes grouped broadly for the context of this paper as Transparency and Accountability, Service Delivery and Anti-Corruption.

It is important to consider PFM as complementary to other aspects of governance within these outcomes, requiring an interdisciplinary approach to problem identification and a coordinated and collaborative implementation of reforms.

Local government PFM is a subset of the broader PFM system. The 'shape' of local government PFM depends on the overall political, administrative and fiscal arrangements defined in national law. Fiscal decentralisation or devolution is the process of a transfer of powers and responsibilities to sub-national governments with the possibility of certain local self-determination in the provision of public goods or revenue collection. In contrast, deconcentration refers to a more distributed arrangement of responsibilities *within central government institutions* between central and regional offices. Fiscal arrangements are not uniform; the specific political, administrative and fiscal institutions and processes vary significantly, and approaches to the design and implementation of local PFM systems must take this into account.<sup>1</sup>

In the past decades, development partners have shown increasing interest in PFM. Research and experience in implementation of sectoral and

<sup>1</sup> For a comprehensive examination of local government PFM, see Shah (2007).

governance development programmes have revealed emerging challenges within which PFM has a role. This section briefly identifies and characterises

the broad challenges that lead to PFM interventions, while Section 3 expands upon some of the theory that has informed these motivations.

## Transparency and accountability for credible government

Transparent and accountable financial management at the local level is recognised as essential for demonstrating integrity, gaining the trust of the electorate and establishing a capable, credible and accountable government (Shah 2007). Comprehensive and effective public engagement in democratic institutions that builds trust requires satisfactory levels of information detail and disclosure on the use of public resources. Where transparency is poor and accountability structures are weak, governments are unable to demonstrate how resources are being used or be answerable if a service is not delivered in a timely and efficient manner. In many developing countries institutions and accountability systems are weak, whether due to lack of capacity, poor incentives or other reasons, thereby potentially undermining the sustainability of development successes.

Strengthening the accountability of public institutions typically involves elements of the PFM system as it is the central mechanism for collecting and allocating resources and financing the implementation of government activities. There are two broad aspects to the problem: (1) a functioning PFM system with an adequate legal framework that enables public institutions to plan, collect and spend resources effectively; and (2) disclosure of relevant data from the system to enable policymakers, politicians, civil society and the public to scrutinise and, where necessary, challenge the government on areas of poor performance or corruption.

A third aspect is the development and independence of the legislature and non-government actors to interrogate and challenge both policy decisions and performance of the PFM system. Without some progress on the first aspect, there is little data to make available to address the second and third aspect. However, a lack of disclosure of data undermines faith in institutions and constructive engagement in the PFM system, undermining its ability to function well, so these aspects need to be considered together rather than be seen as sequential.

Fiscal decentralisation is also closely related to strengthening accountability: the strongest argument in its favour is that devolving power to the local level will yield improvements to accountability and responsiveness by increasing the proximity of local governments to the citizens.<sup>2</sup> The design and implementation of fiscal transfer systems is central to the division of power in a decentralised state. The agreements will vary based on the political agreements around mandates and equitable distribution of resources, but typically more fiscal autonomy – i.e. the ratio of taxes collected at local level to fiscal transfers – the more direct the accountability relationship between a local government and its electorate. Improving revenue collection and increasing independence of local governments is often a focus of PFM reforms at the local level.

No discussion of development aid and the transparency and accountability agenda would be complete without referring to the aid effectiveness agenda laid out in the Paris Declaration (2005) and Accra Agenda for Action (2008). Fundamentally, using government accounts, procedures and accountability mechanisms for the implementation of aid projects strengthens the systems, whereas implementing via parallel systems, while often more secure and accountable, undermines the government systems by introducing complexity and a lack of transparency. Secondly, handover of development interventions to local authorities is likely to incur lower transaction costs where the activities are already implemented through government institutions. Conversely, parallel implementation of activities may have a negative effect on the handover and ultimate sustainability of programmes when funding from development partners ends.

Using government systems necessarily requires a much more comprehensive engagement in the national and local PFM systems being used. This is the most direct motivation for PFM reform with instruments like General Budget Support and some governance programmes designed with a focus on PFM outcomes.

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<sup>2</sup> See Hart and Welham (2016).

## Efficient and effective service delivery

Value for money in service delivery is a major agenda for development interventions. The aid effectiveness agenda has had a strong effect on influencing a shift from project aid to a more complex array of instruments which are designed to better align recipient and development partner incentives and use government systems. Programme-based approaches (PBAs – also known as Sector Wide Approaches) were designed to align development partner interventions to recipient-owned development strategies and coordinate resources in service delivery sectors either through sector budget support or basket funds. Analysis of this approach (Williamson and Dom 2010)

recognised that while the PBAs do produce a more coherent approach to sector policy, there has not been enough attention paid to the processes that enable or constrain the transformation of inputs into service delivery outcomes and the systems, capacities and incentives required to manage and facilitate service delivery facilities.

In the context of sub-national service delivery, efforts to improve the use of government systems in decentralised states have increasingly led service delivery programmes to interact with the fiscal transfer system between national and local levels.

## Eliminating corruption and strengthening civil society advocacy

Finally, while linked to both transparency and to service delivery outcomes, explicitly advocacy-focused programmes that are designed to build public and civil society capacity to challenge the government or to strengthen anti-corruption efforts are a third category of development challenge that motivates engagement in the PFM space. Projects related to PFM may have an indirect objective of reducing corruption through improved accountability and transparency. These

projects typically provide support to government to strengthen PFM institutions and may also engage civil society and the legislature to improve oversight capabilities. However, programmes directly addressing anti-corruption will typically have a more specific focus on judicial institutions and advocacy in the non-government sector to build capacity and political will to address and sanction abuse within the system.

# 3 Theory and practice in sub-national PFM

A great deal of literature has been developed on PFM and, more specifically, sub-national PFM.<sup>3</sup> As this has evolved it has guided the approach of interventions

over the years. This section will briefly introduce some of the key literature and examine the approaches of several major donors in sub-national PFM.

## Deconcentration and decentralisation

Hadley and Miller (2016) recall that views on aid effectiveness changed in the 1990s and 2000s as project aid was widely deemed to have failed, and worse, that project aid may undermine the quality of institutions in partner countries. In response, donors began to provide more budget support and debt relief. This led them to appraise fiduciary risks and to set objectives in terms of institutional development. Deconcentration and decentralisation, while not new concepts, were central to this agenda. The distinction between these concepts is important and explained in Box 1.

Concern arose that the early PFM support programmes had narrowly focused on rules and

compliance, but development outcomes were not improving. Schick (1998) recommended a form of deconcentration: assigning greater responsibility for budget preparation and execution to central government sectoral ministries to improve incentives to seek efficiency gains within the sector. In this approach, the Ministry of Finance and parliament would provide fiscal rules that act as hard budget constraints, leaving managers and politicians concerned with particular sectors with both the incentive and the responsibility to seek intra-sector efficiency gains and cease pushing ministries of finance for incremental budget increases.

<sup>3</sup> Simson, Sharma and Aziz (2011) provide a useful summary of the different PFM reforms supported by the donor community.

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## Box 1: Definitions

**Deconcentration** refers to the assignment of responsibilities within the central government to give sectors and regional offices a greater role in managing resources. Officials remain accountable to central institutions, but they operate with a greater flexibility to respond to local conditions.

**Decentralisation** is an approach to government that brings responsibility for political leadership and service delivery closer to citizens through the establishment of local governments and devolution or reassignment of specific administrative, economic and political mandates to these local governments. Officials in a decentralised government are accountable to local governments who, in turn are accountable to local voters.

Source: The author.

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Decentralisation entails a far broader set of political and administrative reforms than deconcentration and as such was not directly proposed as a solution, but rather a mechanism that, if other political and economic conditions were right, could also incentivise improved service delivery by increasing the accountability and responsiveness of local government (Faguet 2012). Whereas deconcentration brings implementation responsibilities closer to the people, decentralisation brings the overall accountability for delivering certain services closer to the people.

The concept of decentralisation involved limiting the central government role to narrower roles of managing PFM systems and setting fiscal constraints while altering the structures of governance to assign greater fiscal and policy management mandates to locally elected politicians, thereby increasing the voice of citizens and strengthening incentives for public officials to deliver services.<sup>4</sup>

Efficiency and accountability are strong drivers of decentralisation, but it is also often motivated by political settlement to strengthen governance or legitimacy of the state after a crisis or conflict. Pressure for equity, inclusion and redistribution of resources are powerful political drivers of

decentralisation and may push reforms forward regardless of efficiency concerns. Whatever the motivation, it is a complex political, administrative and fiscal undertaking which requires the design and implementation of new processes, development of new systems, extensive training and skills development and accommodation of a broad range of actors with different perspectives and levels of interest (Fedelino and Smoke 2013).

During the late 1990s and early 2000s, the World Bank and other donors began to put these theories into practice, supporting stronger policy links to the budget through interventions such as the Sector Wide Approach, the Medium-Term Budgeting Framework and Poverty Reduction Strategy Papers, and strengthening engagement in local and municipal government and intergovernmental transfers. These approaches emphasised a greater structure to the planning process and a stronger connection between policy, plans and outputs rather than the traditional focus on inputs and line-item budgeting. The aid effectiveness agenda also rose to prominence in this period with the understanding that large volumes of development financing risked undermining developing government legitimacy unless closely tied to national and sector policy objectives.

## Budget execution and the role of IT

In budget execution, the trend has been towards granting more autonomy to public managers. Contracting-out part of public functions to either the private or the non-profit sector to allow for more managerial autonomy has been part of the reform packages. Another trend has been towards decentralising procurement as procurement processes were hampered by all operations being in the hands of single government procurement agencies. This also goes in the direction of Schick's (1998) recommendations regarding allowing more management autonomy to budget organisations ('let the managers manage'). Independent revenue

collection agencies have also been supported.

The internal control function on budget accounting, performance monitoring, asset management and procurement has been supported and accrual accounting instead of single-entry and cash-accounting has been proposed in order to improve the monitoring of liabilities and assets and get better information on the cost of public services.

Treasury Single Accounts (TSA) systems have also been supported to increase the efficiency and traceability of treasury operations. TSAs can be

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<sup>4</sup> For an introduction to the purposes, challenges and opportunities in the fiscal decentralisation see: Hart and Welham (2016).

implemented in various ways (Pattanayak and Fainboim 2010), but the objective is generally to tighten the financial controls by removing direct control of bank accounts from line ministries and make payments centrally on the instruction of departments, but not interfere with the strategic and delivery responsibilities or the financial procedures of a deconcentrated or decentralised system.

Underpinning many of these more technical reforms has been the introduction of integrated financial

management information systems (IFMIS), which allow for an automation of budget execution and accounting, the sharing of information with ministries of finance in real time and the swift establishment of consolidated budget reports. Modules of the IFMIS to integrate planning, budget preparation, cash management, electronic payments, procurement, public investment management and aspects of human resource management are increasingly common.

## Sequencing reforms and problem-based iterative reform programme design

As the scope and complexity of PFM reforms grew, they increasingly risked unintended overlap or misalignment between reform programmes and overburdening the available capacity of developing country governments. It became apparent that a coordinated approach to implementing the reforms was increasingly necessary. Furthermore, Lawson (2015) highlights that too often PFM reforms were developed externally, with limited local context knowledge and driven by development partners recommending the adoption to create good conditions for the disbursement of their aid but without addressing the broader scope of PFM reforms being planned or already under way.

In supplement to Schick's approach, Brooke (2003), Tommasi (2009) and others have proposed the need for better clarity, coordination and sequencing of PFM reforms to gradually introduce more complex components of a PFM system, bearing in mind that all elements of PFM systems are interconnected. A platform approach resulted from this concept which emphasises an initial focus on the 'basics' of establishing a key PFM system, improving fiscal discipline, financial control and compliance and transparency; secondly, tightening the implementation of these systems and later introducing the more complex reforms around programme and output-based budgeting and medium-term planning, many of the key reforms implement aspects of deconcentration. Standard diagnostic tools such as the Public Expenditure and Financial Accountability (PEFA) assessment were introduced as an important part of benchmarking and tracking the performance of PFM systems.

This approach improved the logic to technical PFM reforms but was seen by some as too prescriptive and subsequent efforts have been made to incorporate the non-technical side – institutional and political context, human capacity and existing systems –

into PFM programmes (Allen 2013; Diamond 2013). Studies emerged that emphasised avoiding a 'one-size-fits-all' model (Bieterhader and Bergmann 2010) and greater attention to the capacities and systems required by managers and implementers of service delivery institutions (Williamson and Dom 2010). The PEFA Secretariat has also had a role: as the influence of the framework has grown, so have the incentives to implement reforms that change how the system looks (and improve the scores) but not how well it functions (Hadley and Miller 2016). Andrews, Pritchett and Woolcock (2012) find that reforms have created and established standards in the look and form of PFM systems but have had less success in affecting the overall functioning of those systems or the results for service delivery. More broadly, they argue that it is inherently impossible to identify a comprehensive institutional reform up front and an iterative, problem-based strategy to identify, implement, review and adjust the reform programme to achieve incremental improvements and keep institutional leadership and management on board is essential.

The advocates of problem-based approaches assert that iterative reform processes therefore need to be supported with flexible external funding, open-ended programme design, and a supportive donor environment, emphasising long-term commitment with continuity of staffing (Booth and Unsworth 2014). In a recent example, the PFM Reform Strategy in Kenya (National Treasury, forthcoming) has structured reforms around problems rather than functions to enforce greater coordination between government departments, space for flexibility and iterative reform design and incorporation of donor funding based on results rather than outputs. This contrasts significantly with the plan-led approaches advocated earlier, where reforms need to be fully structured and sequenced in advance.



## **‘Missing middle’: bridging the gap between PFM and sector expertise and data**

Literature has identified a ‘missing middle’ in the chain between PFM functions and efficient service delivery (Williamson and Dom 2010). While this is now generally acknowledged, how to address it is complex and usually highly sensitive to context. To address this concern within programmes, fostering closer professional links and better data are likely to facilitate deeper understanding and ultimately stronger strategies for improving service delivery. Links between the PFM cadre of professionals and service delivery and sector specialists are often weak in both governments and within development agencies. Even when sector actors become part of PFM reforms, this will not necessarily result in better service delivery. In addition, the professional cadres are by no means homogenous: multi-level

governments can often have fractious relationships between national and sub-national PFM cadres and within the sectors, creating further obstacles to addressing problems holistically.

A stronger relationship between PFM and sector specialists within institutions would help to improve the links over time. Supporting these professionals with information is a second part of the problem. Standard tools for assessing PFM are inadequate for examining issues in service delivery. A focus on more timely, comprehensive and relevant data will be essential for understanding and tackling the link between PFM and service delivery – particularly at sub-national level where data are typically the weakest.

## **A lack of information undermines accountability for service delivery**

Participation and budget transparency have long been identified as important components of accountability and development partners and NGOs have responded with programmes to foster these capabilities. Tools employed to strengthen budget engagement include budget literacy programmes for civil society, the media and parliaments;<sup>5</sup> transparency surveys to reveal and incentivise budget transparency;<sup>6</sup> public budget hearings; and sectoral reviews.

Evidence is growing that the major obstacle and binding constraint to these efforts is a lack of relevant and timely data. De Renzio and Mastruzzi (2016) provide an important cross-country review of civil society organisations (CSOs) involved in budget accountability and find that facility level data – the financial and non-financial records of front-line service delivery facilities – are highly relevant to civil society actors, but very hard to find (only 10% of respondents reported this data to be accessible) and therefore very seldom used. Fiscal information on sub-national governments is generally not available, even if used relatively frequently (by 34% of respondents). A lack of granularity and

comparability of data as well as fragmentation of data sources also render the available data less useful. The lack of availability of relevant data also undermines the work of government agencies and facilities delivering the services by leaving a very limited opportunity for analysis or empirically informed strategy.

Despite the evidence that much needed local and facility-level information is largely inaccessible, there are some positive examples that demonstrate it is quite feasible to deliver this kind of information. Several governments have made significant efforts to establish public budget data portals that make service delivery information available. A good example is Uganda, which has a budget portal with access to public information on the budget process, budget documents and a searchable budget database that includes both national and local governments and goes to facility level. The World Bank supports these efforts in many countries and maintains a website with access to budget data from all participating countries and links to the government data portals.<sup>7</sup>

<sup>5</sup> For a useful review of international practices in budget literacy see: Masud et al. (2017).

<sup>6</sup> See the [Open Budget Index](#) of the International Budget Partnership.

<sup>7</sup> See: the World Bank [Boost Open Budget Portal](#).

# 4 Methodology

This section draws from the literature and the review of SDC programmes to lay out dimensions of sub-national PFM interventions. This framework is designed to allow a detailed examination of the roles different interventions may play and which development partners may be best suited to undertake them, and where SDC fits within this environment. It should be noted that the scope of this paper is restricted to a desk review and as such there are limitations on the depth to which SDC programmes are analysed. The methodology is discussed first, followed by the analytical framework used for analysis.

This paper is conceived as a follow-on and expansion of an earlier paper (Mérat 2017) on the subject prepared in 2016 by the SDC. Deeper analysis of what SDC programmes do in terms of sub-national PFM is one of the key purposes of this further work. The broad approach has been to prepare the background and review for a general internal SDC audience and build on the previous paper by updating the set of programmes reviewed and adding further dimensions of analysis to the review of programmes. This framework for analysis is derived from issues identified in the literature and a preliminary review of the updated set of SDC programmes. The following process for developing the framework and undertaking the analysis is employed.

A short list of programmes to be analysed for the paper was drawn from the initial paper and internal discussion and correspondence over the past few years. A final selection of programmes was made through iterative discussions between the Governance Thematic Unit lead and the consultant to ensure they are current or were only completed within the past year, together have adequate regional representation, and include those programmes identified as most important by SDC staff. Internal documents for the selected programmes were supplied to the consultant to serve as the primary source of data for the analysis. The final number of programmes included in the analysis was 37.

The programme document used for analysis is the standard 'Main Credit Proposal to Opening Credit' for each programme. Where this was not available, the 'Factsheet' that typically forms part of the credit proposal document was used. The available documents were primarily in English. For the 11 programmes in French or Spanish, a translator was used to undertake the analysis via a questionnaire.

Analysis of the documents was undertaken through a qualitative assessment of three main dimensions: motivations and objectives for the intervention;

function(s) of PFM engaged; and modalities of intervention. These dimensions establish descriptive aspects of a programme to expand the detail of comparative information available to place and compare SDC interventions in the context of sub-national PFM. Each dimension is given a number of classifications and the programmes were reviewed and described using these standard classification criteria. The resulting data were then analysed and the results of the analysis are presented in subsequent sections.

The process for defining each of these dimensions was developed as follows:

**1 Motivation and objectives for the intervention:** This dimension begins with the three motivations for addressing the broad challenges in sub-national PFM outlined in Section 2. Consideration of the literature and a preliminary review of the programmes with these challenges in mind informed the development of subcategories for each challenge which reflect objectives relating to analytical work, reform design and delivery, and capacity building, and other relevant classifications that are drawn from the literature and SDC policy. These are explained in greater detail in Section 5, which describes the dimensions comprehensively.

The purpose of this dimension of analysis is to allow a more analytical look at the mix of interventions deployed in a PFM programme, whether it is designing new laws, installing new hardware, undertaking analysis, capacity building or advocacy. This is independent of the area of PFM which is identified in the following dimension. Typically, interventions will have multiple objectives, often addressed through two or more components within an intervention. Consequently, in some cases the analysis assigned more than one classification in this dimension to programmes. The four most prominent objectives of PFM as described in the project document are identified. This number was chosen after a preliminary review of the programmes as a limited number improves the coherence of analysis and most programmes had just two or three.

**2 Functions of the PFM system:** This dimension draws directly from the classifications of PFM used in the earlier paper (Mérat 2017): from planning through budget execution, procurement, accounting, and finally to audit and oversight. To improve the coherence of the analysis for a broad audience, the functions are grouped in four categories: Budget Formulation;

Budget Execution; Accounting, Reporting and Monitoring; and External Oversight. The specifics of this dimension are elaborated on in Annexe 1. The three most prominent functions of PFM as described in the project document are identified and then grouped by area of PFM in the presentation of the analysis. Three was chosen as an optimal number after a preliminary review of the programmes.

**3 Modalities of intervention:** This dimension describes the structure of the intervention. From general budget support to individual projects, interventions have different roles in a reform programme and often a mix of modalities is deployed to complement each other in the overall programme of delivery. The classifications have drawn directly from the DAC Creditor Reporting System (CRS) and are a relevant subset of the definitions of types of aid.

In addition to these dimensions, the programmes are examined for further criteria that help to determine other useful information on how the project is managed and implemented. The information is

intended to provide some further aspects of analysis for SDC policymakers to consider and potentially use in future assessments. However, within the scope of this study, the assessment is made by the consultant alone and is drawn from the information made available in the project documents, so data may not be comprehensive, errors and omissions are possible, and findings are expected to be indicative, not comprehensive.

These data include information on the type of institutions that the SDC is partnering with, the types of institutions implementing the project, and whether the project is 'on-budget'. CABRI (2007) provides a detailed explanation of the degrees of 'on-budget-ness, identifying nine dimensions which broadly reflect points in the PFM cycle in which documents are often made publicly available. The programme documents examined do not provide this level of detail; however, a judgement was made based on whether it appeared that the government received a financial transfer which it is responsible for using for the implementation of the planned programme. This equates to the 'on-treasury' dimension of the CABRI (2007) definitions.

## 5 Dimensions of sub-national PFM interventions

This section describes the categories and subcategories of each dimension used in the analysis as described in the methodology in Section 4. The first dimension 'objectives' of support to PFM has been developed for the purposes of this study and is described in detail. This dimension is largely qualitative and may not be comprehensive, but it is designed to serve the purpose of this paper and

draw from available literature and evidence within SDC programmes.

The functional area of PFM and modalities of support are then introduced. These dimensions use standard classifications as described in the methodology and are introduced in summary detail.

### Objectives of support to PFM

To add richer detail to the examination, dimension of analysis has been introduced to examine the broad motivations behind a project or programme and how the intervention is executed. This dimension is used to draw detail from programme documents about the 'why' and the 'how' of an intervention. The dimension does not draw from any global standards, but is derived from the challenges and objectives of PFM support described in the literature and evidence in the programme documents.

A first distinction within this dimension is between the three core challenges PFM responds to as described in Section 2: (a) fiscal management and core PFM policy; (b) service delivery aspects of PFM; or (c) civil society advocacy and anti-corruption.

The second-level distinction looks at the purpose or approach of the intervention: whether it is (1) the design and implementation of a new reform; or (ii) the capacity building of actors within the focus area and other area-specific aspects.

SDC projects, and development interventions more generally, often have multiple components focusing on separate but connected development problems. This includes both multiple aspects of PFM as well as non-PFM components, particularly when the motivation for a project is around improving service delivery. For example: a health project may finance the construction of clinics, the design of a fiscal transfer system to provide regular transfers to the facilities, and the training of sub-national staff to manage funds and facility staff to perform basic accounting and reporting on funds.

To structure the analysis, projects and programmes engaging in sub-national PFM typically can be categorised by one or more of the following dimensions:

■ **Fiscal management and core PFM policy focused** – objectives around processes, systems and institutional capacity of core PFM institutions in enhancing the functionality of the PFM system and improving fiscal responsibility. By ‘core PFM institutions’, this paper is referring to the ministries or agencies for which their primary role is to perform a PFM function including the Ministry of Finance, Central Bank, and the Revenue Authority.

- **Design and implement PFM reforms<sup>8</sup> with partner government** – this could include either programmatic support to the government on sub-national PFM broadly or specific projects such as the drafting of a new procurement law or specification and installation of an automated budget preparation system in sub-national governments. This category may include aspects of PFM reform related to accountability and transparency that indirectly support anti-corruption interventions.
- **Political economy analysis and policy dialogue** – interventions that relate to the development of sub-national PFM policy with the partner government. Activities in this area differ from reforms in that they are focused on how existing systems and processes are used, rather than the design and implementation of a new reform. While almost all reforms will undertake some form of political economy analysis in the design of the reform, this objective refers only to political economy analysis as an activity in partnership with the beneficiaries during implementation rather than a design or review component of the programme itself.
- **Support to existing PFM systems** – investments in rolling out or maintaining core PFM systems. Activities in this category are specifically related to the expansion of existing systems; for example, the replacement or upgrading of IFMIS equipment or the purchase of new hardware to enable a larger number of users to engage in an existing e-procurement system. If new systems are being designed and implemented, the programme would be classified under the first category.

- **Capacity building of core PFM institutions** – capacity building and skills development of staff within core PFM institutions (national or sub-national treasuries, revenue administration, central bank or related institutions).

■ **Service delivery focused** – objectives around the processes, systems and capacity of sectors and municipalities to deliver services.

- **Sector reform design/implementation** – development of sector reforms, which include sub-national PFM elements but may include broader sector reforms as well.
- **Capacity building of institutions using PFM systems** – capacity building of government sectoral service delivery institutions in using PFM systems (institutions include national or sub-national departments for health, education, water or roads).
- **Sector or municipal service delivery or investment spending** – this category is used when a programme has components that target outcomes outside of PFM: either service delivery activities such as training nurses or purchase of education materials; or an investment related to service delivery such as the construction of water wells or a health clinic.

■ **Civil society, advocacy and anti-corruption focused** – objectives around processes, systems and capacity for civil society and non-government stakeholders to challenge and hold the government to account.

- **Citizen participation reforms** – design and implementation of reforms to support greater citizen participation in PFM processes.
- **Non-government capacity building** – support to legislature, the media and civil society to enhance capacity and build skill sets to engage in PFM reforms, processes and systems.
- **Non-government advocacy support** – programmes supporting civil society to advocate for reform or change in PFM processes and systems.
- **Direct anti-corruption interventions** – includes support to anti-corruption agencies, the judiciary and other institutions directly focused on identifying and reducing corruption.

<sup>8</sup> In this context, ‘PFM reforms’ include interventions related to fiscal management and core PFM functions and the complementary systems described earlier.



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## Box 2: Definition of a Performance Assessment Framework (PAF)

A PAF is a matrix of strategically relevant and multi-annual targets and policy actions which enables [stakeholders] to reliably assess progress against a set of outputs and outcomes. The PAF is agreed between the partner government and the budget support donors, ideally after a process including non-governmental voices. The PAF (1) creates transparency regarding the agreed conditionality leading to commitments and disbursements; (2) focuses and informs the policy dialogue on priorities and performance; and (3) harmonises disbursement conditionality of different donors.

Source: SECO (2016).

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### PHASES OF THE PFM CYCLE

For the purposes of this paper, the PFM cycle is broken into four distinct phases which are commonly used in describing the sequential processes in PFM. Each phase contains a number of specific functional roles that are undertaken during that phase. Annexe 1 explains the overall cycle of PFM and the details of each of the functions. Analysis is undertaken by function, but the findings are presented at the level of phase to allow a more coherent comparison between programmes. Broadly the phases used in the analysis are as follows:

- **Budget preparation:** During this phase the budget is drafted by the government, consulted upon and ultimately approved by the legislature. It incorporates the review of existing policy and evaluations, strategic budgeting and consultation around policy priorities, detailed budgeting of individual inputs and work plans, and finally the approval and signing into law of the budget to enable the government to legally raise taxes and spend the resources collected.
- **Budget execution** begins at the start of the financial year once the budget law has been signed. The phase includes the collection and administration of taxes, management of cash resources by the treasury, management of procurements and contracts, request by government departments to the treasury for commitment and then payment of funds for services or investment activities implemented by the department.
- **Accounting and reporting:** This phase happens during the financial year in parallel to budget execution and involves regular consolidation of financial accounts and reporting of financial and non-financial data of specific periods of budget execution (usually monthly or quarterly) to mandated government and external oversight bodies and the public. End-of-year accounts are used for audit purposes in the following phase.

- **Audit and external oversight:** External audit bodies have a mandate to submit formal audits of government accounts to the legislature with recommendations and identification of qualifications for any deviations from the intended purpose of funds or other irregularities. Oversight bodies including the legislature, regulatory bodies, civil society and the public will review the accounts and the audit reports, and may conduct further review and evaluation of programmes for the purposes of ensuring the budget was executed as planned and to identify and recommend further efficiencies that could be gained. This feeds back into the policy review and strategic phases of budget preparation.

### MODALITIES FOR SUB-NATIONAL PFM PROGRAMMES

The common modalities used by development partners in PFM interventions will now be described. The OECD's Development Assistance Committee maintains the Creditor Reporting System database, which collects and manages development partner programme definition and expenditure data. The standard is the most widely used format for identifying aid interventions – used by development partners, governments and researchers – and includes classifications for modality or 'type of aid'.<sup>9</sup> This paper uses a subset of this classification with some minor modifications that are relevant to the data being analysed.

### BUDGET SUPPORT

Budget support involves transfers to the recipient government with criteria for release related to PFM, sector or governance outcomes or results. Assessment of the results and subsequent release of funds is coordinated between all stakeholders in a Performance Assessment Framework as described in Box 2.

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9 See OECD website, DAC and CRS Code Lists.

The budget support modality contains several specific subcategories:

- **General Budget Support** – transfers to the central government revenue fund that supplement the existing resources raised domestically by the recipient government and may be utilised on any government activities. Conditions for release of funds may include achievement of broad governance objectives or actions.
- **Sector Budget Support** – transfers to central government to supplement existing government resources that may be used for expenditures within a particular sector. To ensure these transfers do not displace existing sector funding, conditions typically require minimum allocations or shares of funding to the target sector, but not conditions around specific activities to be undertaken.
- **Municipal Budget Support and other Intergovernmental Transfers** – transfers to the recipient government for financing of government-managed transfers to a lower level of government to support sub-national investment or service delivery. This support is intended to be transferred to sub-national/municipal authorities and is usually received by the central government and then transferred to municipal government bodies. These may include performance-based grants or unconditional grants which function as core funding contributions to sub-national government bodies including core funding contributions to municipal bodies.
- **Cash on Delivery** is also transferred to recipient governments, but rather than disbursements being tied to specific actions, they are tied to the achievement of mutually agreed results. An instrument used by the World Bank called 'Programme for Results' is an example of this type of approach.<sup>10</sup>

Multilateral institutions, particularly the World Bank and European Commission (EC), as well as regional development banks, are by far the largest contributors to budget support programmes.

## PROJECT SUPPORT

Project support is used to describe interventions with specific inputs, activities, outputs, locations and time frames and targeting specific outcomes. Projects are often co-financed by the recipient government and may be executed by development

partners, the recipient government or a delegated third-party implementation unit. Projects can be financed through basket funding arrangements, a common intervention approach for the SDC.

## CORE CONTRIBUTION

Core contribution is the provision of funding to support existing non-government institutions in the delivery of their programmes. This support is typically around strengthening or expanding the scope of national or regional non-government institutions.

## TECHNICAL ASSISTANCE

Technical assistance (TA) entails non-cash contribution of technical expertise to support the recipient in achieving project deliverables. TA is often used to complement other types of intervention including budget support and sector programmes, whether support through sector budget support, basket funds or standalone projects.

## ADDITIONAL INDICATORS OF PROJECT MANAGEMENT

Further aspects of programmes that provide useful insight to analyse the SDC's role include how they are managed, partnerships and implementing agencies. The programmes were assessed for information on the following indicators to draw further information to inform the analysis. Information in the project documents may not always be entirely clear and, within the scope of the study, the authors have made judgements on these indicators based on the available data and findings are indicative. A deeper review may be required to fine tune the findings.

**Pooled funding** is an approach to the management of an intervention where contributions from the recipient government and participating donors are pooled for a coordinated programme of projects or activities. Development partners often provide support to national PFM reform and intergovernmental grants through pooled funds. (Note: The DAC CRS would include this as a modality not an independent marker. In this paper, it is assessed separately as its focus is identifying the type of aid that the programme delivers regardless of whether it is administered by the SDC or another agency. A strict use of the DAC CRS definition would consider any programme where the SDC provides funds to a pooled fund but does not administer the fund directly as a 'contribution to international agency' or 'contribution to pooled fund', which would mask the actual modalities employed by the programme.

<sup>10</sup> See Perakis and Savedoff (2014) for an introduction to the Cash on Delivery modality.

**The SDC's role in the design and management of a programme.** A useful indicator in the data is whether the SDC leads the design of a programme or alternatively participates in/supports another agency which takes that role. The SDC will be considered the technical lead where it initiates the programme, undertakes the technical design work and administrative work to establish the programme. In other cases, the SDC's role is identified as supporting the design and administration of the programme. This is helpful as it reveals where the SDC plays more of a leadership role in a particular country or technical area.

**Implementing agencies.** This indicator asks if the SDC is managing the implementation of the programme, and if not, what type of institution is handling the day-to-day management of the

activities delivered by the programme. General categories of implementing agencies are drawn from the DAC CRS standards for 'channel' and modified for the purposes of this paper.

**Partner agency.** This indicator is included in addition to the 'implementing agency' because frequently development partners will partner with a government or other aid agency to design and fund a programme, but implement it through an NGO or contractor. The main distinction is whether the programme is developed and executed in partnership with the national government (and if so, is it central, sub-national or municipal, or sectoral institutions) or not. For those programmes not partnered with a government, the indicator has categories for development partner, local or international NGO, and the private sector.

## 6 Development partner interventions

This section examines donor policies and types of intervention relating to sub-national PFM. The analysis includes an examination of selected multilateral and bilateral development partners. The information has been drawn from the websites of the institutions, the OECD DAC Creditor Reporting System database and selected studies of PFM reforms, Lawson (2012) and as cited within the text.

The largest budget support providers are consistently the multilateral agencies which together provide on average 60% of budget support flows. Some bilateral development partners also play a significant role in providing budget support and Switzerland reports providing both general budget support and sector budget support.<sup>11</sup>

A Budget Support manual (SECO 2016) of SDC's sister institution SECO provides valuable analysis of budget support operations and finds a variation between the major multilaterals:

- **European Commission:** The EC favours indicators at the outcome level and has a preference for a split response mechanism, involving fixed and variable tranches.
- **World Bank and other development banks:** The World Bank uses development policy grants and loans to provide external financing – in LICs called 'Poverty Reduction Strategy Credits'

(PRSCs) to support a government's policy and institutional reforms. The World Bank emphasises prior policy actions for disbursements and when completed usually disburses the entire indicated amount in one tranche. Compared to the European Commission, this approach is more focused on process indicators than outcomes and the response is less nuanced; the World Bank introduced a Program-for-Results instrument in 2012, drawing from the 'cash-on-delivery' concept, which is increasingly used to support PFM and sector programmes focused on results and improving service delivery.

- **Bilateral donors:** The bilateral donors commonly favour a general assessment of overall progress against the PAF,<sup>12</sup> sometimes complemented by targeted performance tranches.

Other modalities of aid are targeted towards more specific activities, allowing an examination of the sector being targeted by an intervention. Switzerland is among the major funders of sub-national PFM programmes. Tables 2a, b and c demonstrate the ten largest contributors in recent years to PFM and domestic revenue mobilisation, decentralisation and anti-corruption. Funding is dominated by the World Bank, particularly in PFM and revenue mobilisation programmes where it provides approximately as much funding as all other donors combined.

<sup>11</sup> See [DAC CRS](#). Note: The DAC CRS does not include municipal budget support of fiscal transfers as a category, and as such the support that Switzerland provides to municipalities in recipient countries via budget support would be classified within the category of general budget support or, if it is focused on a particular sector, then sector budget support.

<sup>12</sup> See Section 5 for an explanation of a Performance Assessment Framework.

**Table 1: Largest budget support development partners – average annual funding 2010–17**

	<b>Institution</b>	<b>GBS</b>	<b>SBS</b>	<b>Total</b>
1	EU institutions	735.0	1,568.4	2,303.4
2	World Bank	14.5	1,925.9	1,940.3
3	IMF	1,148.1	-	1,148.1
4	Japan	689.2	317.2	1,006.4
5	United Arab Emirates	935.7	1.3	937.0
6	United States	256.3	275.2	531.5
7	France	344.6	76.0	420.6
8	Germany	67.2	345.8	413.0
9	African Development Fund	214.7	187.4	402.1
10	Inter-American Development Bank	-	202.5	202.5
11	Asian Development Bank	74.4	104.3	178.7
12	United Kingdom	67.8	75.4	143.2
13	Australia	14.9	118.6	133.6
14	Canada	19.0	83.1	102.1
15	New Zealand	18.4	27.0	45.3
16	Denmark	39.7	1.4	41.1
17	Norway	20.4	16.8	37.3
18	Sweden	24.0	11.8	35.8
19	Ireland	15.1	17.7	32.8
<b>20</b>	<b>Switzerland</b>	<b>21.8</b>	<b>9.4</b>	<b>31.2</b>

Source: OECD (2021).

Multilaterals and regional development banks manage the vast majority of PFM programmes, while bilateral donors play a slightly larger part in decentralisation and anti-corruption programmes.

The remainder of this section provides an overview of the policy approaches of a selection of major development partners and a summary of key lessons in a recent evaluation of PFM interventions.

## Multilateral institutions

The World Bank and the EU provide a great deal of the funding and policy dialogue in sub-national PFM projects and programmes. While less involved directly in PFM projects,<sup>13</sup> the IMF is an important influence in broader PFM policy through the institution's lending programmes for balance of payments support, analytical and economic surveillance work and technical guidance.

### WORLD BANK

The World Bank disburses its funds for PFM and budget support through the International Development Association (IDA) facility, which is

funded every three years by member governments. Combined annual commitments to budget support, PFM, revenue mobilisation, decentralisation and anti-corruption are greater than any other individual donor and represent approximately a quarter of overall resources available for the area. In addition, the World Bank often leads basket funds and multi-donor programmes which further extends the reach of the institution's policies. The World Bank engages partner governments on functions across the PFM cycle with a particularly strong focus on domestic revenue mobilisation in recent years. The institution is among the leaders on both theory and implementation of the reforms discussed in

<sup>13</sup> The IMF does play an important role in capacity building through the regional Technical Assistance Centers.



**Table 2a, b and c: Largest development partners in sub-national PFM – average reported annual funding 2010–17\***

PFM and revenue		USDm*
1	World Bank	758.2
2	EU institutions	215.2
3	Germany	154.6
4	United States	76.5
5	Asian Development Bank	79.8
6	Inter-American Development Bank	46.9
7	United Kingdom	58.2
8	<b>Switzerland</b>	<b>45.5</b>
9	African Development Fund	46.1
10	France	42.6
Anti-corruption		USDm
1	United States	64.1
2	EU Institutions	30.5
3	World Bank	23.6
4	United Kingdom	18.4
5	Norway	9.2
6	Germany	8.1
7	Sweden	6.6
8	Australia	5.4
9	Canada	5.3
10	Netherlands	5.0
...		
15	<b>Switzerland</b>	<b>1.5</b>

Decentralisation		USDm
1	World Bank	429.7
2	United States	261.8
3	EU institutions	152.3
4	Germany	128.6
5	<b>Switzerland</b>	<b>104.5</b>
6	Sweden	24.6
7	France	23.2
8	UNDP	22.8
9	United Kingdom	21.4
10	Canada	15.9

Source: OECD (2021). The tables represent mutually exclusive sector categories within the database.

\*Note: Domestic Revenue Mobilisation was introduced as a category in 2014.

Section 3, and its current approach to public sector and PFM reform reflects aspects of the recent literature in terms of supporting a sectoral focused and flexible approach to engagement on policy design coupled with leadership on diagnostics of PFM systems and processes. Annexe 2 provides a summary of various guides and diagnostic tools commonly used in the area of PFM, several of which are designed and maintained by the World Bank.<sup>14</sup>

The governance practice within the World Bank provides much of the technical input on sub-national PFM and related governance issues, but other practices do provide further technical and policy support, particularly the Finance, Competitiveness

and Innovation practice which supports some of the core financial management aspects of the PFM cycle relating to accounting, treasury and procurement systems and cash management among others; the Social, Urban, Rural and Resilience practice which provides programmes and support for the management of municipal areas; and sector-specific practices which engage with sector-level PFM issues. Key aspects of the governance practice strategic priorities give an idea of the mix of interventions that they pursue.<sup>15</sup>

■ **Public policy processes:** Using the convening power established through the scale and breadth of the institution, the World Bank has

<sup>14</sup> See Annexe 2 for a summary of key guidance and diagnostic frameworks supported by the World Bank and others.

<sup>15</sup> Paraphrased from <http://www.worldbank.org/en/topic/governance/overview#2>

a focus on coordination and cooperation within the executive branch of government, across branches of government and with the private sector and citizens to help close implementation gaps with a focus on centre of government, decentralisation, procurement, supreme audit institutions and judicial reform.

■ **Effective resource management:** In this area, the institution engages on tax policy and administration and effective systems for budget preparation and management; support for human resources policy and systems; and policy dialogue with governments around maintaining fiscal space for inclusive growth, investment and delivery of services. Openness and transparency are key within this priority for improving public accountability, while investment in information technology is essential for transforming a government's capacity to effectively manage its country's resources.

■ **Reinforcing public service delivery:** Engagement with sector specialists in key service delivery sectors to identify and alleviate PFM issues that negatively affect the delivery of services, particularly in the areas of budgeting, procurement, institutional capacity (adequate staffing, management and establishment of appropriate systems), openness, transparency and citizen engagement.

■ **Strengthening the public-private interface:** Investment and support for systems for public investment management; greater transparency and corporate governance of state-owned enterprises; a strengthened regulatory framework; and transparent and corruption-free procurement to support growth of the private sector.

■ **Understanding the underlying drivers and enablers of policy effectiveness:** Research and analysis in partnership with regional and national counterparts to identify and understand drivers of policy effectiveness relating to power asymmetries; transparency, accountability and participation; corruption; and advances in technology.

## EUROPEAN COMMISSION

As with the World Bank's IDA facility, the European Commission supports international development through the European Development Fund (EDF), which is replenished every six years by member states. On average over the past eight years, the EU has been the largest budget support donor and is a leading player in PFM, decentralisation and

anti corruption programmes. The sectoral approach includes specific policy for public financial and macroeconomic management, support for local authorities and sector specific policies.

The EU's public finance policy emphasises its role in funding PFM assessments<sup>16</sup> in partnership with the World Bank, IMF and OECD, which in turn are used within budget support contracts to provide data and analysis supporting disbursement criteria. The EU emphasises engagement with local authorities and particularly with municipal level of government to support a bottom-up approach to establishing capacity to manage and implement public policies and services (EC 2013). EC policies in this sector expand beyond PFM into institutional reform and broader public policy issues; however, key components include local revenue-raising capacity, fiscal decentralisation policy and capacity at local and national level, and general institutional capacity for PFM at the local level of partner countries.

## INTERNATIONAL MONETARY FUND

The IMF mandate is to ensure the stability of the international monetary system including all macroeconomic and financial sector issues that bear on global stability. Sub-national PFM is not a priority focus, although policy and capacity development activities do support some aspects. More broadly, the analysis and influence of the IMF on recipient countries has a strong bearing on other PFM development partners. The IMF undertakes this mission in three ways:

■ **Economic surveillance:** Standard monitoring and diagnostic reports identify possible risks to stability and potential policy adjustments.

■ **Lending:** After the EU and World Bank, the IMF is the next largest provider of budget support; however, the instrument is used specifically to support countries in rebuilding reserves and stabilising currencies to avoid balance of payments crises. The IMF lending programmes typically include essential fiscal responsibility criteria which further inform other budget support donors on the progress of fiscal management reforms. As such, the influence of the IMF on all development partner budget support operations, and consequently on recipient government policy, is highly significant.

■ **Capacity development:** The IMF provides capacity building in core PFM competencies through technical assistance and trainings led by regional PFM training facilities.

<sup>16</sup> See Annexe 2.

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### Box 3: Key lessons from PFM reform programmes

**Be more discriminating in the provision of financial support to PFM reforms.** PFM reforms deliver results where there is strong political commitment; where reforms are tailored to local institutional and capacity context; and where reform programmes are well coordinated and led by the recipient government. Where this is not the case, reforms are unlikely to be successful and external support is better targeted at developing core PFM skills of staff using the PFM system rather than investing in new reforms. For example, funding training for relevant staff in accounting or procurement qualifications; or providing on-the-job support to local government staff in using the budget or accounting systems.

**Align support as closely as possible to the government programme and avoid pursuing independent technical assistance initiatives.** Externally financed support to PFM reform is most efficient and effective when it supports actions and interventions identified within the government PFM reform or skills development programmes either directly or through technical assistance. The least efficient interventions support actions outside of the programme or only tangentially related to it, and those interventions (such as institutional support programmes), without explicitly defined outputs and outcomes.

**Ensure that aid policy and practices work in favour of the PFM system and not against it.** Avoid aid mechanisms that only make partial use of government systems or adopt special disbursement criteria for the use of the government budget. Common practices undermine government PFM processes in the following ways:

- The late disbursement of budget support tranches disturbs the treasury/cash flow plan for the first or second quarter.
- The imposition of special disbursement conditions or special reporting requirements for 'basket funds' or 'trust funds' managed through the national budget process cause unnecessary complexity and transaction costs to the government. While additional accountability may be required in some cases, efforts should be made to use existing government structures, for example government work plans and reports, or in the case of intergovernmental grants to coordinate timing and standards of grant documents and releases with other government grants.
- The opening of special project accounts outside of the Treasury Single Account (TSA) directly undermines the TSA process and causes a proliferation in administration.

**Ensure that internal procedures for the supervision and peer review of initiatives to support PFM reform are effective in providing a continuous check on progress.** External agencies have a duty to provide up-to-date and relevant policy advice, but policy advice on reforms will not always be right from the outset, particularly when working on PFM reform issues where a degree of experimentation is often necessary. It is important to work jointly with the Government to identify and solve problems and put in place mechanisms to ensure mistakes do not go uncorrected for too long. This requires the creation of a learning and adaptation culture, supported by a process of continuous evaluation.

**Support regional institutions and professional associations working on PFM reform issues.** Regional governmental institutions and regional professional associations – such as CABRI and AFROSAI – are relatively influential in generating improved practices on PFM. Much of the value of these bodies derives from their ability to promote peer-to-peer learning.

**Continue to provide support to CSOs and legislative bodies on PFM reform issues but accept that their influence may only be effective in the longer term.** The experience from the study suggests that advocacy work by CSOs and closer scrutiny by the legislature are unlikely to have significant effects on the pace and content of PFM reforms in the short to medium term. However, broader international experience – including in the OECD countries – suggests that their influence over the longer term may be important. Hence, support to such activities should be continued but not as a substitute to direct support to the executive in the implementation of PFM reforms. In addition, the short-to-medium-term effectiveness of CSOs and the legislature seem likely to be improved by concentration on a narrower set of objectives, such as the improvement of public access to fiscal information.

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## Bilateral development partners

Bilateral development partner agencies approach sub-national PFM with a variety of mixes of policy instruments and regional or functional focus. Most bilateral agencies do not typically lead implementation of comprehensive PFM reform programmes, generally leaving multilaterals to this role, but do frequently contribute to these interventions through basket funding, provide budget support and fund projects providing technical assistance or capacity building.

### GERMANY

The Federal Ministry for Economic Cooperation and Development (BMZ) identifies good financial governance as the transparent, legitimate and development-oriented management of public finances in its PFM strategy paper (BMZ 2014). The paper underscores the commitments taken in 2011 in Busan regarding the strengthening of partners' systems and identifies with oversight as a priority with efficient audit institutions and parliamentary and civil society participation seen as key areas of intervention for improving accountability. BMZ links locally generated revenues as essential for enhancing local accountability, focusing on tax administration as well as local capacities for the budget-policy link in spending decisions and oversight.

German cooperation modalities feature the use of short-term experts from Germany combined with long-term integrated experts who develop close cooperation with the partners. BMZ commissions much of its intervention through its service delivery partner GIZ and uses budget support as a modality in its country programmes if effective and transparent use of the funds can be ensured. Satisfactory macroeconomic management, the existence of political rights and the protection of human rights are prerequisites. Germany supports the IMF and OECD Development Assistance Committee (DAC) and regional PFM professional networks such as the African Tax Administration Forum (ATAF), the Collaborative Africa Reform Initiative (CABRI) and the African Organisation of

Supreme Audit Institutions (AFROSAI) to provide technical assistance and regional capacity-building programmes. On the civil society side, cooperation goes to the International Budget Partnership, Transparency International and the Global Alliance for Tax Justice.

### USA

USAID provides its PFM support through governance sector projects with a focus on improving the rule of law through more inclusive, participatory and accountable institutions and leaders. Part of the motivation is to improve stability and reduce conflict and social unrest which in turn impact upon service delivery. USAID provides technical leadership research, training, and dissemination of best practices in the areas of Anti-corruption Reform, Legislative Strengthening, Decentralisation, Public Management and Policy Reform and Security Sector Reform. USAID does not generally provide large volumes of budget support except for a few pacific island countries and intermittently to a few middle eastern and north African countries.<sup>17</sup>

The US Treasury provides support in the form of technical assistance in PFM to developing countries in areas of tax administration, budget execution, debt management, financial sector supervision, and anti-corruption through its International Affairs office and regional sub-offices. This is separate from the interventions administered by USAID.

### UK

Strong and accountable governments and building the capacity of tax authorities were among the Department for International Development's (DFID)<sup>18</sup> objectives for the period 2015–20. Tackling corruption and improved transparency and accountability were the focus related to PFM and governance. DFID has been a leader in guidance and approach to decentralisation and supports national and local PFM in country programmes.

## Lessons from PFM reform programmes 2001–10<sup>19</sup>

An important evaluation of a wide range of development partner PFM programmes was undertaken between 2010 and 2012 (De Renzio, Andrews and Mills 2010; Lawson 2012). Box 3 provides a summary of key lessons emerging from that analysis.

<sup>17</sup> Notably Jordan and West Bank/Gaza and Egypt in the years 2010–17 (DAC CRS).

<sup>18</sup> Now the Foreign, Commonwealth & Development Office (FCDO).

<sup>19</sup> Drawn from Lawson (2012).



# 7 The SDC's current role in sub-national PFM

The analysis in this section is drawn from the SDC public website, policy documents and a review of SDC interventions that engage in sub-national PFM as described in Section 4 on the methodology. The projects selected for analysis are not exhaustive, but rather a representative sample of ongoing or recent

SDC projects with a regional distribution identified by the Governance Thematic Unit as the most relevant. The project data have been analysed using the categorisations described earlier in this paper.

The following section reviews SDC policy.

## PFM in the SDC's work in multilevel governance

The SDC policy on democratisation, decentralisation and local governance (SDC 2016) provides an overarching framework within which to approach sub-national PFM. Indeed, PFM activities contribute significantly to each step of the change hypothesis underlying the overall objectives outlined in the policy.

citizen engagement. Timeliness of budget reports, ease of access to budget data and adequate forums for public participation within the PFM cycle greatly enhance the potential for an effective civil society engagement and greater accountability.

**1 Adequate capacity and resources:** The broader policy emphasises readiness of sub-national governments to perform their duties effectively. While this includes broader aspects of governance – particularly adequate political systems and satisfactory decision-making mechanisms around the distribution of resources – an essential component is the capacity of national and local PFM institutions to function effectively, and the ability of sectoral institutions to engage with and use the PFM system to support the efficient delivery of services.

**2 Well-functioning accountability systems and processes:** Again, the broader governance aspects include functioning legislative and judicial institutions to provide appropriate avenues to challenge the executive. Alongside these aspects, well-functioning PFM systems and processes both in core PFM institutions, sector institutions and service delivery facilities.

**3 Appropriate legal framework:** Strategy and development of laws governing decentralisation includes establishing a framework for creating political, administrative and fiscal mandates for local institutions. These are inherently intertwined with the political legitimacy of a sub-national government at least partially dependent on the entities mandate to raise revenues and manage resources.

**4 Participation by informed and empowered citizens:** The ability of civil society to effectively identify and challenge issues in budget policy, distribution of resources, effectiveness of service delivery or corruption is greatly enhanced when the laws, systems and capacities are both functional and designed in such a way to enable

## PRINCIPLES AND APPROACH OF SDC IN THE CONTEXT OF PFM

The perceived role of PFM in SDC policy is that the institution seldom puts PFM at the forefront of its interventions, rather it is often seen as a means for improved development outcomes, but often not an end in itself. In addition, SDC rarely establishes a Theory of Change where PFM is at the core of the narrative; rather, it is an entry point to establish a change process with broader and longer-term goals. PFM is often not made explicit in programme design but is implied within the outcomes for good governance that are emphasised in policy, i.e. transparency, participation and effectiveness. Despite not taking centre stage, an understanding of the PFM environment and acknowledgement of available assessments is seen as an important part of programme design. Underlying this approach is a set of governance principles which help to frame how PFM fits within SDC programmes:

A results orientation which expects long-term engagement and a flexible adaptive approach that considers country context is very consistent with the type of approach PFM literature argues is essential for understanding and addressing the complex problems within PFM and service delivery. Incorporating PFM partners at different levels of government in the dialogue around accountability or service delivery programmes is essentially for fully understanding the blockages in service delivery and accountability mechanisms.

A systemic and collaborative approach to exploit synergies and promote coherence is both central to the policy and apparent in the reviewed interventions with a majority of projects being implemented through basket funds and in partnership with other development partners. In the context of PFM this aspect

is essential given the relative strengths of multilaterals and some development partners in PFM interventions and the complementary role of SDC interventions that often do not directly target PFM reforms.

*SDC Policy: Democratisation, Decentralisation and Local Governance* (SDC 2016) makes explicit that governance reforms are always highly political because they aim at changing political systems, institutions and processes, and they address the sensitive issue of deep-rooted power structures and relations. This approach has the potential of competing with a more technical approach that is based around a long-term engagement, gaining the trust of government officials and working to understand and address problems from inside the system.

## PFM WITHIN THE DDLG THEMATIC AREAS

Within the DDLG policy, the local governance theme and some aspects of the decentralisation theme are particularly relevant for interventions that include sub-national PFM issues.

### Decentralisation

SDC is closely involved in the design of grant systems, with an objective of supporting the emergence of adequate, predictable and transparent intergovernmental fiscal transfers. Grants systems sit at the convergence of political settlement around appropriate mandates and distribution of resources, and the more technical PFM aspects of creating the correct processes, systems, capacities and incentives for facilitating the flow of resources and implementation of government programmes.

Within this theme, there is an acknowledgement of the challenge of linking decentralisation with other sector policies. The challenge is at both levels of government: linking decentralisation with the vertical distribution of responsibilities between national and sub-national units, and horizontal cooperation among sub-national units. The policy proposes that reform programmes should include sound analysis, sequenced approaches with a longer-term vision, flexibility to identify emerging

opportunities and an understanding of power dynamics to increase the prospects of success. This approach closely mirrors the approach championed in PFM literature to manage complex and opaque institutional environments where the route to successful reform is not clear at the starting point.

### Local governance

The local governance theme provides the clearest role and guidance for PFM interventions within the theory of change presented in the policy. The priority within the theme is strengthening of local authorities and municipalities to create enabling conditions for the participation of citizens through strengthening institutional capacities for managing public resources including capacities in planning, budgeting, tax policy and administration, procurement, public investment management. In line with aid effectiveness principles for strengthening recipient governments, the policy advocates the provision of 'on-budget support' to sub-national governments (while using country systems whenever possible).

Complementary support to stakeholders outside the government targets citizen participation and oversight roles with a focus on developing social audits, citizen score cards, public hearings, or open budgeting. The policy anticipates a future focus on sub-national parliaments and judiciary institutions.

### Gender responsive and social impact budgeting

All programmes include a gender analysis and focus and in some programmes gender budgeting is explicitly targeted. However, inclusivity and representation of certain groups is a major target of all projects and this is particularly the case in those relating to budgeting and oversight – areas of PFM in which SDC is particularly focused. The broad emphasis on social impact and gender responsiveness within policy helps to ensure that programme design includes consistent focus across the portfolio of projects even if specific activities are not directly targeting a specific gender or social impact output. As such, all projects focused on the budgeting and oversight aspects of PFM will typically incorporate these issues.

## Motivation and objectives of interventions

The analysis examined the objectives of SDC sub-national PFM programmes and grouped them in three broad categories of engagement as outlined in earlier sections: (1) core PFM reforms for a functional PFM system and fiscal responsibility; (2) sectoral support to improve use of PFM systems for service delivery outcomes; and (3) capacity of civil society and external actors to hold government to account. The broad analysis shows that SDC interventions contain a mix of these objectives.<sup>20</sup>

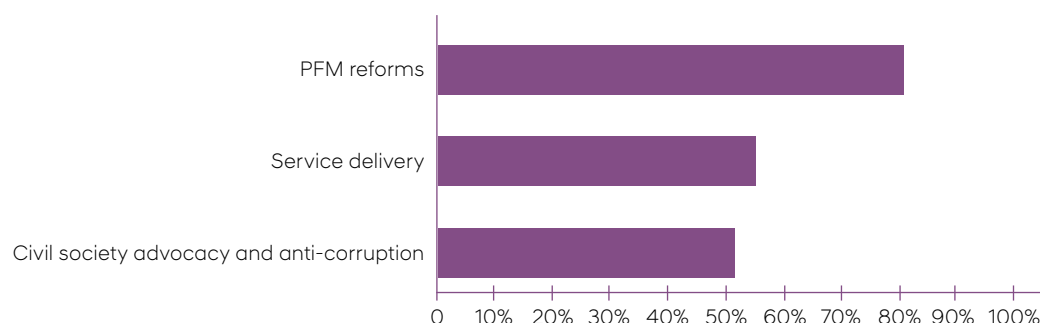
The SDC has a spread of motivations for engagement in PFM, with around 80% having a focus on reforms with objectives around fiscal management and core PFM reforms, including designing reforms with the government, contributing political economy analysis or supporting capacity building. The function of PFM support is examined later in this section; the majority of PFM engagements are around budget preparation or scrutiny of the budget. Half of the programmes have a focus on

<sup>20</sup> These categories are not mutually exclusive, and interventions may include motivations in more than one objective/motivation.

supporting sector or municipal reforms related to PFM or capacities in PFM. Around half of all SDC projects have some engagement in civil society advocacy or anti-corruption activities. Fewer than 10% of all projects directly target anti-corruption. A capitalisation of all anti-corruption programmes has been part of another process and will be published separately later in 2021.

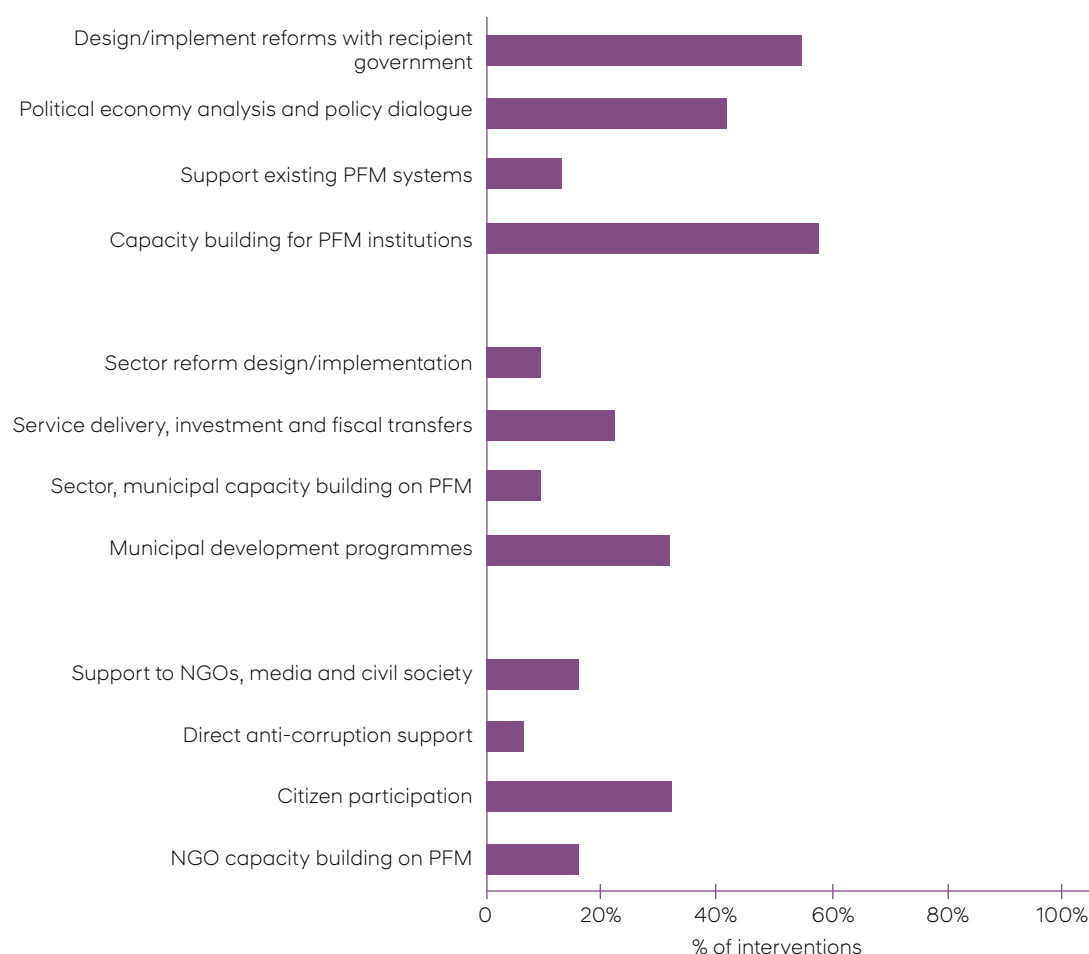
Overall, the main focus of 19 out of the 27 SDC programmes is focused on one or more of the PFM objectives without any major components appearing to have non-PFM objectives. It is only in the Latin America division that SDC programmes mostly incorporate non-PFM components relating to service delivery or capital investment. Three other projects (one in Somalia and two in Mongolia) also have non-PFM components.

**Figure 1: Motivations of SDC interventions**



Source: Author's own. Created using data from SDC (2019).

**Figure 2: Identified SDC objectives in reviewed interventions**



Source: Author's own. Created using data from SDC (2019).

## Modality

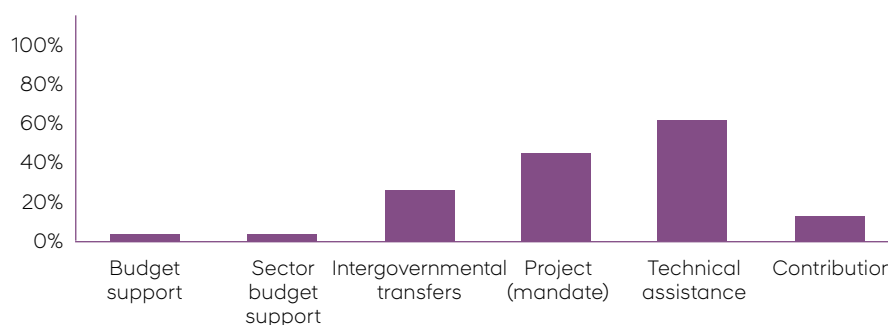
The preliminary analysis finds that around 70% of SDC projects are delivered using a 'pooled fund' modality where the programme is co-designed and financed by other development partners. Just over half of the projects reviewed are at least partially implemented via a traditional project approach and just around 60% include a component of technical assistance. A small number of SDC projects contribute funds to existing civil society/NGO programmes.

The SDC manages few of the pooled funds it participates in – the majority are either designed and managed by a multilateral or by a government department or Project Implementation Unit (PIU) within government. The rest (40%) are implemented either by another bilateral development agency, an NGO or a contractor. The SDC uses budget support. The SDC finances intergovernmental transfers and sector or municipal budget support in nearly half of the programmes it leads of those reviewed. These

are all in West Africa. A much smaller proportion of the programmes led by other agencies include budget support.

The majority of all programmes are implemented through some form of pooled fund. Some of these are partnered only with the recipient government, particularly those which focus on municipal budget support. Where the SDC has designed and led programmes, these have tended to be bilateral projects and some intergovernmental transfers rather than pooled funds (the SDC has designed and led pooled funds in Niger and Mongolia). The majority of SDC-led programmes have a component of technical assistance and these programmes have been closely aligned to government: either the government implements, or the programme is designed with the government as a primary partner. Many of these programmes are also either partnered with or delivered by local NGOs/civil society.

**Figure 3: Aid modalities utilised by SDC**



Source: Author's own. Created using data from SDC (2019).

## PFM function

During data collection, up to three PFM functions targeted by each intervention were identified.<sup>21</sup> Eighty per cent of SDC projects target functions within the budget formulation phase, including three projects which explicitly target gender budgeting. Around one third target functions in external oversight and a similar number participate in activities around the development of complementary systems such as Public Investment Management (PIM) systems or the legislative framework for PFM.<sup>22</sup> All projects include a gender analysis and focus and apart from one,<sup>23</sup> all reviewed programmes where information on policy and MDG markers is available to identify at least some significance on either MDG 3 promoting gender equality or Policy Marker Gender Equality. This would indicate that the vast majority of SDC programmes include an aspect of gender focus in budget formulation and project selection.

The SDC provides only limited support to functions in the budget execution and accounting and reporting phase.

Examining the programmes by individual function, SDC interventions are mostly focused at the beginning of the PFM cycle, particularly around formulation of the budget, selection of investments and most importantly around external scrutiny of the budget at budget formulation phase (12 out of the 27 SDC programmes engaged in this area). External scrutiny at the end of the budget process – review of accounts and audits – is also a major functional area of focus. The only significant area within the execution or accounting phases of the PFM that the SDC engages in is around revenue administration. The SDC also engages in PIM systems and processes – supporting sub-national management of projects – and the PFM legislative framework.

<sup>21</sup> See Section 4 for more detail on this choice.

<sup>22</sup> See Annexe 1 for an introduction to the budget cycle and explanation of complementary systems.

<sup>23</sup> Empowering Municipal Councils in Macedonia.



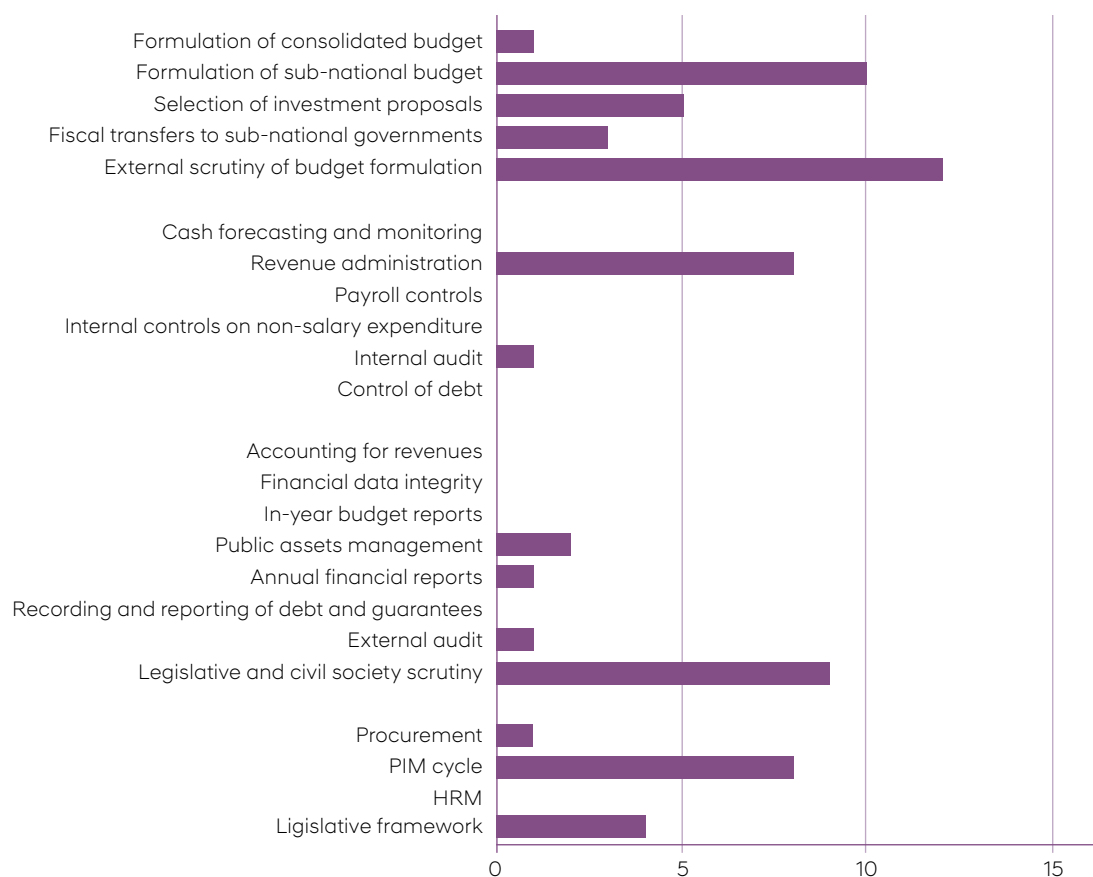
**Figure 4: SDC programme focus: phase of budget**



Source: Author's own. Created using data from SDC (2019).

**Figure 5: SDC programme focus: function of PFM**

Number of programmes identified as engaging in each function, grouped by phase with complementary systems at the bottom



Source: Author's own. Created using data from SDC (2019).

# 8 Conclusion: Issues arising and considerations for a sub-national PFM strategy

**SDC is substantially involved in supporting sub-national PFM processes.** As the analysis of the different SDC interventions shows, the SDC is active in different geographic regions and with different kinds of approaches on the topic of PFM. Engagement in transparency and accountability, the understanding of the local planning process in a 'bigger picture', as well as the strengthening of local actors within this, are most prevalent. Particularly, the 'missing middle' in the chain between a PFM function and efficient service delivery lies at the heart of SDC interventions. The study shows how important it is for the SDC to consider the whole budget cycle within its programmes, not only on planning and transparency, but also the execution of the budget, and coordination with larger PFM reforms.

**Improving data will enhance the effectiveness of transparency and accountability programmes.** A majority of SDC programmes support CSOs in the scrutiny of the budget both at budget preparation and at the audit and oversight period of the PFM cycle. A focus on improving the data available for these organisations to use would likely be very valuable – and these data are developed throughout the budget cycle (budget figures, transfers and other transactions, in year and end-of-year accounts, audits, etc.). Evidence has been clear that improved transparency does enhance accountability<sup>24</sup> but few governments are able to publish detailed information as data are either unavailable or poorly organised. This directly undermines efforts to improve citizen-level accountability.

This is particularly relevant for both local government departments and data facility level; for example, public access to the total allocations and transfers to clinics, schools or other public facilities. Fölscher (2015) argues that fiscal transparency norms are oriented towards supporting macro-fiscal stability, and not enough towards supporting allocative and operational efficiency to ensure that governments can deliver more and better services within their fiscal constraints.

**Long-term partnerships with government and domestic NGOs are essential in areas of PFM where long-term engagement is more effective.** Focus on advocacy and legislative scrutiny is likely to see longer-term results rather than in the short term. Evidence shows that these types of intervention will likely take many years to meet their targets.<sup>25</sup> Issues that may arise in longer-term reform programmes include turnover of staff and, consequently, a patchy relationship with government and other stakeholders or misalignment with complementary shorter-term programmes delivered by the SDC, government or other partners that may come and go during the project lifetime.

The SDC has a significant number of interventions which focus on advocacy and legislative scrutiny. Maintaining a strong working relationship not only between the SDC and domestic NGOs – both at the local and national level – but also the relevant government bodies does add value in the long term. Establishing a long-term strategy with this in mind when designing programmes will improve their likelihood of success.

**An iterative approach to finding solutions is particularly relevant for accountability for service delivery.** Directly linked to the previous recommendation, good relationships require trust and flexibility between government institutions and development partners to make meaningful long-term change. This is important for two reasons: firstly, it is hard to structure an appropriate programme which has longer-term objectives without anticipating a significant amount of review and revision of the approach as information about the programme becomes clearer. Secondly, due to inaccurate and simplistic assumptions about the nature of change, many governance reforms fail. For example, because of a lack of understanding of internal institutional incentives and motivations the progress on reforms may be difficult to predict without a close relationship and iterative approach to programme design. Or, because of a lack of understanding of the complexities of each

<sup>24</sup> The most famous case of the impact of data publication on facility-level disbursements is documented in Reinikka and Svenssen (2004).

<sup>25</sup> See Section 6 and Lawson (2015).

element in the formula ‘transparency + participation = accountability’ it is difficult to understand sustainable behavioural change’ (Halloran 2015).

In this light, programmes should incorporate an approach that is results focused, flexible in implementation and includes regular engagement with government and other stakeholders on progress against objectives and the appropriateness of activities for achieving those objectives.

**Sub-national PFM interventions are most effective if framed within the operations of other large PFM development partners.**

Most interventions are implemented through pooled funds which are managed by multilaterals, recipient governments and in some cases, other bilateral partners or NGOs. While this does improve cooperation with the recipient and between development partners, it also may improve coherence between SDC-funded interventions. Pooled funds increase leverage and, when inclusive of (or linked to) other modalities such as budget support, the evidence suggests that they support a more coherent and effective development policy. For sub-national PFM interventions, the SDC needs to carefully consider how these instruments can be best used and how sub-national PFM interventions can be supported if not strengthened within these broader interventions – and vice versa. This implies a focus on the policy dialogue and a common strategic approach across SDC interventions.

**Collaboration with SECO.** If active in the same countries, there should be a good division of labour in the PFM domain with a differentiation along functions but addressing many of the same questions and objectives within PFM. Budget phases are inherently interlinked in terms of policy, systems and capacity requirements, and as such it does enhance the effectiveness of SDC and SECO activities if the interventions are mutually reinforcing. SECO also engages in PFM interventions through multilaterals. Coordination between the agencies on engagement with multilaterals would improve the overall influence of Swiss policy, especially in areas where both agencies are engaged and multilaterals are commonly active – such as revenue administration. SECO and the SDC could benefit from coordinating on objectives and policy around anti-corruption which inform, but do not explicitly drive, PFM interventions. Coordination and cooperation between programmes that support fiscal transparency in the SDC and SECO and programmes that support citizen engagement are important; but a focus on targeting the intersection would be of great value – namely, the provision of regular, reliable and accurate data on allocations to service delivery facilities – will allow citizens to have more coherent information with which to hold their governments to account. In this sense, this is a confirmation for joint country strategies, and possibly a closer collaboration at the programming level.

# Annexe 1 – Background to PFM functions

All governments undergo some form of planning, approval, implementation and oversight of the collection and expenditure of national resources. This is usually on an annual basis and commonly called the fiscal year. Local governments also undertake a similar process set within the national fiscal year. The fiscal year provides the basic framework for understanding the functions and phases of PFM: **prior** to the fiscal year of the budget, budget preparation is undertaken with the policy discussion, budget formulation and finally budget approval by the legislature; **during** the fiscal year the budget is executed, and in-year accounting and monitoring are implemented; and **after** the fiscal year, external audit and oversight is undertaken. Complementary systems and processes contribute to the PFM process throughout the phases. The process is similar for sub-national governments, though the detail and scope of each phase may vary. This annexe introduces the essentials of the phases and complementary systems in the context of sub-national PFM.

**Figure A1: The Public Financial Management Cycle**



Source: Author's own.

## FREQUENTLY USED BUDGET TERMINOLOGY

**IFMIS:** Integrated Financial Management Information System is the name given to PFM software tools that interface to allow an automation of PFM processes. At the core is the accounting software and incorporated are payments, procurement, reporting, budgeting and other modules.

**Chart of accounts:** The standard definitions used to define each revenue and expenditure transaction within the government accounts. It includes dimensions such as location, source of funds, administrative unit, purpose and item.

**Programme budgeting:** A common practice to improve the connection between policy and the budget is to appropriate the budget with a focus on a policy area or 'programme' that is implemented by government departments but is consistently linked to government policy over time.

**Budget ceilings:** Allocations issued by the executive and designed to interface top-down strategic budget policy with sector, department or sub-national government by providing a limit within which those entities may formulate their detailed budget.

**Recurrent and development spending:** Recurrent spending identifies consumption of goods and services and the wage bill. Allocations usually change only marginally year on year. Development spending includes investment in infrastructure and projects and the costs typically vary significantly depending on strategic investment priorities.

## BUDGET PREPARATION

Most states will have a multi-year development policy such as a vision or medium-term plan that informs the annual budget but must be modified and negotiated annually in the context of the macro-fiscal environment and other dynamic policy considerations. The policy framework is typically set out up to a year before the fiscal year begins to allow for budget preparation. Revenue sharing is a major component of budget preparation in decentralised states as sub-national governments often receive most of their resources as transfers from national government. The division of revenue is usually set out in law to guide sub-national budget formulation. The suite of budget documents prepared at this stage generally includes strategic and macro-fiscal policy statements followed by a call circular to departments and guidance on intergovernmental transfers, together launching the budget formulation process.

Budget formulation is undertaken over two main steps: strategic, where annual budget policy is agreed and operational where the detailed budgeting of inputs takes place. The two steps occur

with a combination of bottom-up and top-down contributions, meaning core PFM institutions and the executive set general policy direction, framework and resource ‘ceilings’; while sectors and sub-national governments adjust their budget strategy to align with this framework and then develop detailed operational budgets to inform implementation. This process is typically iterative and often inclusive of the public with one or more public ‘hearings’ or other consultation where the public, departments and sub-national governments have an opportunity to challenge the broad policy direction and the Ministry of Finance interrogates the policy and detailed budgets of individual departmental budgets. At the close of this stage, a draft appropriation act and sectoral budgets with detailed estimates are submitted to the legislature for approval.

Budget approval requires the national legislature to review, agree and sign into law the provisions of the budget proposal to appropriate the budgeted resources and enable departments and sub-national governments to legally collect and spend funds. Sub-national legislatures will subsequently approve and appropriate funds within their jurisdictions. Sub-national government departments, facilities and agencies that receive government financing, including at community level, will prepare expenditure plans which contribute to the sub-national government’s budget proposal.

Consultations at central and lower levels of government will often incorporate public consultation which includes open budget reviews and hearings in which the public or civil society may participate. In addition, community-level consultation may be undertaken by government officials and CSOs to both inform citizens of budget processes and decisions, and seek validation or selection of community-level investments made by the government.

## BUDGET IMPLEMENTATION

The execution of the budget is led by the Ministry of Finance whose role is broadly to ensure funds are made available to departments and sub-national governments to finance the appropriated expenditures in a timely and cost-effective manner in accordance with the national laws and regulations governing PFM. Critical components of this stage are as follows:

**Revenue administration:** The collection, reporting and consolidation of taxes, fees and other income by the revenue authority and other bodies mandated to collect revenue on behalf of the government.

### **Budget management and accounting software:**

Modern governments typically use an integrated financial management information system (IFMIS) with an accounting module to record the appropriated budget and the subsequent revenue and payment transactions.

**Commitment control:**<sup>26</sup> Budgets are often broken into periodic allocations (often quarterly) as a form of control to limit department aggregate spending commitments. Commitments are further organised along and informed by cash planning.

**Cash and debt management:** The Ministry of Finance is responsible for balancing payment requests from executing departments and sub-national governments with the cash reserves and collected revenue. This is usually predictable, with cash plans prepared by departments and updated regularly and integrated with the IFMIS controls. Large payments may be scheduled via prioritisation rules or a cash management committee. However, in less developed countries or sub-national governments, cash planning may be far less organised and may effectively be a monthly or even weekly decision made by a cash management committee within the Ministry of Finance. Where there is a gap between available funds and payments, debt may be issued by the central bank in accordance with the debt policy and any laws or regulations.

**Payments management and banking:** Electronic payments authorised through and recorded by the IFMIS are the norm, though sub-national governments may have less comprehensive functionality. Banking arrangements are typically managed through the central bank, though the use of the commercial banking system is often necessary, especially at the service facility level where commercial banks will have a broader geographic reach than the central bank.

**Budget amendments:** The PFM law will usually set a threshold and constraints for in-year virements – budget adjustments within departments to change allocations in response to new information. Adjustments within the threshold will usually require approvals from the Ministry of Finance. Larger adjustments or changes to the overall allocation to departments or sub-national budgets usually require a supplementary budget – a new appropriation act approved by the legislature authorising the adjusted spending. Both types of adjustments are common.

<sup>26</sup> See Radev and Khemani (2009).



## **ACCOUNTING, MONITORING AND REPORTING**

Regular financial reports, budget implementation reports and end-of-year account reconciliation reports are standard components of a public finance system. The reports provide the basis for accountability and the internal and external audit processes. Financial reports will usually be automated through the IFMIS, though especially at the sub-national level and for more complex non-financial monitoring, they may be manual.

## **AUDIT AND OVERSIGHT**

Accountability for the execution of the budget is delivered through an independent audit and then scrutiny of the accounts and the audit report by the legislature and the public. A comprehensive audit requires complete and timely accounts, while meaningful oversight requires public access to budget and financial reports, audits as well as political will to follow up on audit recommendations, including sanctions for any violations of the law or regulations. Parliaments, the media and civil society provide essential roles in oversight by challenging the executive on poor efficiency, ineffective policy or infringement of laws. Common activities and approaches to strengthening civil society include budget literacy training, independent reviews, surveys and assessments of budgets and participation in public hearings and other consultation.

## **COMPLEMENTARY SYSTEMS**

The main PFM cycle is complemented by essential processes that interact throughout the cycle. The legal framework is often underpinned by a public finance act and its regulations laying out the institutions, calendar and other fixed aspects of the PFM system. Related acts governing annual budget law, sub-national entities, procurement, revenue collection and others complete the framework. Software, particularly the IFMIS, interfaces and automates the various processes providing both a more streamlined process and more transparent accounts.

The procurement and public investment management processes have timings based around contract and project preparation and management which follow different timings in the PFM cycle. However, they interface with the cycle at various points. Asset management processes are a key component of ensuring assets are maintained and are often an important aspect of decentralisation as new sub-national governments take over ownership and management of previously national assets.

Human resource management is closely linked to the payroll, a large component of both national and sub-national government budgets.

**Table A1: Complementary systems**

Process/system	Summary and roles at stages of the process
Legal and Regulatory Framework	This framework is typically a set of organic PFM laws and regulations that define the roles of institutions, citizens and civil society within PFM and throughout the cycle; the timing of the various stages; required documents and publication; and sanctions for incorrect implementation of the laws.
Civil Society, the Media, External Transparency	The country-specific legal framework will define formal avenues for interaction between government institutions mandated to perform PFM functions and civil society, the media and the public throughout the budget cycle. In addition, non-government bodies may establish other independent systems or processes for interacting with the budget – for example, independent trainings, surveys, reviews or audits of the process.
Integrated Financial Management System (IFMS)	<p>Management of government financial data.</p> <p><b>Budget formulation:</b> Input of initial budget and locking of final approved budget data within system.</p> <p><b>Execution:</b> The system used to record all transaction.</p> <p><b>Accounting and reporting:</b> This system generates key financial reports directly or supplies data to other systems for other reports.</p> <p><b>Audit and oversight:</b> Data collected in the system is the core information for standard financial audits.</p>
Public Investment Management	<p>Preparation of project data and interface with the budget systems for financing and executing investment projects.</p> <p><b>Budget formulation:</b> Prepared projects are shortlisted and finally approved and entered into the budget.</p> <p><b>Execution:</b> This system may be used for updating project status and progress during execution phase of the budget.</p> <p><b>Accounting and reporting:</b> This system collects and manages non-financial data on projects and may use financial data from the IFMS or other systems in reporting on projects.</p> <p><b>Audit and oversight:</b> Data collected in the system is complementary information that may be used in audits.</p>
Procurement System	<p>Automation of the procurement and contracting process.</p> <p><b>Budget formulation:</b> May be used to prepare procurement plans that inform the budget preparation process.</p> <p><b>Execution:</b> The system used for preparing procurements and contracting during the execution of the budget.</p> <p><b>Accounting and reporting:</b> Legally required reports on procurements may be automated within the system.</p> <p><b>Audit and oversight:</b> Data collected in the system is complementary information that may be used in audits.</p>
Parliament and Local Assemblies	<p>Parliaments and local assemblies have essential roles in the preparation and approval of the budget and in oversight.</p> <p><b>Budget formulation:</b> Review, approval and signing into law the executive's proposed budget. Committees and even permanent clerks or offices may exist to review and challenge budget proposals.</p> <p><b>Execution:</b> Review of standard implementation reports and in-year decision making which may lead to supplementary budgets.</p> <p><b>Accounting and reporting:</b> Standard reports on financial and non-financial information are usually legally required to be submitted to the legislature and made public. Parliamentary committees may also require specific reports from the executive on PFM.</p> <p><b>Audit and oversight:</b> The legislature typically will receive audit reports and have the responsibility to follow up on the findings and recommendations made by the independent audit body. In Westminster-style governments this is often led by the Public Accounts Committee, which is usually led by the opposition.</p>
Human Resource Management	<p>Government HR systems and processes manage the implementation of the wage bill, which is typically the single largest item of spending.</p> <p><b>Budget formulation:</b> Planned cost of salaries, pensions and other HR expenditure is prepared and entered into the budget either through central HR systems or institution-specific systems.</p> <p><b>Execution:</b> HR systems prepare monthly breakdown of HR costs which are then paid through PFM systems.</p> <p><b>Accounting and reporting:</b> A variety of reports on HR spending are produced through HR systems.</p> <p><b>Audit and oversight:</b> HR data and spending is audited as with all public finance data and HR systems provide complementary data for the audits.</p>
Asset Management	<p>System for recording and managing government assets.</p> <p><b>Budget formulation:</b> Assessment of asset stocks and implied costs are required for budget preparation, particularly for countries using forms of accrual accounting.</p> <p><b>Execution:</b> Acquisition or disposal of assets during the financial year are recorded as and when acquired by government departments.</p> <p><b>Accounting and reporting:</b> Asset reports are used in some public publications and for internal management roles. Accrual accounting requires detailed records of asset stocks and changes.</p> <p><b>Audit and oversight:</b> Review of asset data is complementary to financial data for audits.</p>

Source: Author's own.

## Annexe 2 – PFM guideline, diagnostic and measurement instruments

Instrument	Institution	Type	Scope and summary
Public Expenditure and Financial Accountability (PEFA) framework	Multi-agency partnership	Diagnostic instrument	High-level indicators for measuring and monitoring PFM performance across all phases of the budget cycle, including budget comprehensiveness, transparency and credibility. While the core framework is for national, central PFM systems, guidance to apply the framework at sub-national and local level has been developed.
Public Expenditure Reviews (PERs)	World Bank	Diagnostic instrument	Evaluate the effectiveness of public finances and identify fiscal management and policy challenges to be prioritised in reforms, either government-wide or at the sector level.
Public Expenditure Tracking surveys (PETs)	World Bank	Diagnostic instrument	Track anomalies and leakage of public funds to assess the efficiency of public spending, verifying how much of allocated resources reach their destination and how long they take to get there.
Country Financial Accountability Assessment (CFAA)	World Bank	Diagnostic instrument	Fiduciary assessment of a country's financial management environment to assess and manage the risk that public funds may be used for unintended purposes, and help in developing reform and capacity-building strategies.
Public Investment Management Assessment	IMF	Diagnostic framework	The framework evaluates 15 institutions across the budget cycle and project management cycle that impacts on the effectiveness of public investment management.
Open Budget Survey	International Budget Partnership	Assessment framework	Comparative and regular measures of budget transparency, participation, and oversight across 100 countries.
Country Policy and Institutional Assessment (CPIA)	World Bank and AfDB	Assessment framework	Assessment of the quality of a country's present policy and institutional framework. Quality refers to how conducive that framework is to fostering poverty reduction, sustainable growth, and the effective use of development assistance. Sixteen criteria (measures) in four clusters, of which the fourth looks particularly at public sector management and institutions, including the quality of budgetary and financial management; efficiency of revenue mobilisation; and transparency, accountability and corruption in the public sector. Implemented through judgements by World Bank/AfDB staff, based on consultations.
Fiscal Transparency Code and Fiscal Reports on the Observance of Standards and Codes (ROSC)	IMF	Guidelines and principles, and assessment framework	General principles for the structure and finances of government, covering fiscal reporting, fiscal forecasting and budgeting, and fiscal risk analysis and management. The accompanying ROSC provides an assessment framework against the Code.
Best Practices for Budget Transparency	OECD	Guidelines and principles	Reference tool and guidelines for increasing budget transparency.
Recommendation on Budgetary Governance	OECD	Guidelines and principles	Comprehensive guidance on budget formulation, management and links with other aspects of good public governance.
International Budget Practices and Procedures Survey and Database	OECD	Repository of international experience	Comprehensive information for comparing national budgeting and financial management practices around the world, with survey data covering the entire budget cycle.
CABRI budget practices and procedures survey	CABRI	Repository of regional experience	A derivative of the OECD International Budget Practices and Procedures Survey and Database, but with adjustments of survey scope and questions to the context of CABRI member countries.

Source: Author's own. Created using data from Fölscher *et al.* (n.d.).

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(Annexe 3 follows)

# Annexe 3 – Mapping of SDC programmes

Programme identification							Major PFM functions			Objectives of support		
Project	SDC theme	Corporation	Division	Country	SDC role	Domain	PFM Function 1	PFM Function 2	PFM Function 3	Dimension of support	Secondary dimension of support	Other dimension 1
Programme d'appui à la décentralisation	Democratic processes	Southern	Afrique australe et est	Burundi	7F-05358.04	DDLG	PIM cycle	Revenue administration	Legislative and civil society scrutiny	Design and implement PFM reforms with partner govt	Support to existing PFM Systems	Capacity building of core PFM institutions
Municipal Development Program Mozambique	State reform, Local administration and citizen participation	Southern	Afrique australe et est	Mozambique	7F-06298M3	DDLG	Procurement	Revenue administration	Legislative and civil society scrutiny	Municipal development	Citizen participation	
Performance-based health basket fund	Health	Southern	Afrique australe et est	Tanzania	7F-01708.07	DDLG	Formulation of sub-national budget	Annual financial reports	Fiscal transfers to sub-national governments	Sector service delivery/public investment including fiscal transfers	Sector reform design/ implementation	
Good Financial Governance	Reform of the state, local governance and citizen participation	Southern	Afrique australe et est	Tanzania	7F-09238.01	PFM	External audit	Internal audit	Revenue Administration	Design and implement PFM reforms with partner govt	Non-govt advocacy support (media and civil society)	Capacity building of core PFM institutions
Resources for Local Democracy	Democratisation, decentralisation and local governance	Eastern	Western Balkans	Serbia	7F-08396.01	DDLG	Legislative framework	Internal audit	Selection of investment proposals	Design and implement PFM reforms with partner govt	Political economy analysis and policy dialogue	Sector service delivery/public investment including fiscal transfers
Empowering Municipal Councils	Decentralisation	Eastern	Western Balkans	Macedonia	7F-08397.01	DDLG	External scrutiny of budget formulation (parliament and civil society)	Legislative and civil society scrutiny		Design and implement PFM reforms with partner govt	Capacity building of core PFM institutions	Non-govt advocacy support (media and civil society)
Decentralisation and Municipal Support	Governance, institutions and decentralisation	Eastern	Western Balkans	Kosovo	7F-08473.02	DDLG	Intergovernmental fiscal transfers	Legislative framework	External scrutiny of budget formulation (parliament and civil society)	Design and implement PFM reforms with partner govt	Political economy analysis and policy dialogue	Capacity building of core PFM institutions
Decentralisation and Local Development Project	Decentralisation	Eastern	Western Balkans	Albania	7F-04382.05	DDLG	Formulation of sub-national budget			Design and implement PFM reforms with partner govt	Political economy analysis and policy dialogue	Sector service delivery/public investment including fiscal transfers
Sustainable Livelihood (III)	State reform, local administration, citizen participation	Eastern	East Asia	Mongolia	ZF-08504.01	DDLG	Formulation of sub-national budget	Selection of investment proposals	Legislative and civil society scrutiny	Design and implement PFM reforms with partner govt	Sector service delivery/public investment including fiscal transfers	Capacity building of service delivery or municipal govt institutions using PFM systems
Subnational Democratic Development Program	Local governance and citizen participation	Southern	South Asia	Cambodia	ZF-08726.02	DDGLN				Design and implement PFM reforms with partner govt	Capacity building of core PFM institutions	Capacity building of service delivery or municipal govt institutions using PFM systems
Programme d'Appui aux Collectivités Territoriales	State reform, local governance and citizen participation	Southern	West Africa	Niger	7F-09079.01	DDLG	PIM cycle	External scrutiny of budget formulation (parliament and civil society)	Legislative and civil society scrutiny	Design and implement PFM reforms with partner govt	Political economy analysis and policy dialogue	Capacity building of core PFM institutions
Appui au secteur Eau et Assainissement	Water and sanitation	Southern	West Africa	Niger	7F-07792.01	Water	Formulation of water sector budget	Fiscal transfers to sub-national governments	Selection of investment proposals	Political economy analysis and policy dialogue	Sector reform design/ implementation	Sector service delivery/public investment including fiscal transfers
Somalia World Bank Multi Partner Fund (MPF)	Reform of the state; conflict transformation and resilience	Southern	Afrique australe et est	Horn of Africa, Somalia	7F-09002.01	DDLG	Formulation of consolidated budget	Annual financial reports	Revenue administration	Design and implement PFM reforms with partner govt	Sector service delivery/public investment including fiscal transfers	
Somalia – UN Joint Programme on Local Governance and Decentralized Service Delivery (JPLG)	Governance	Southern	Afrique australe et est	Horn of Africa, Somalia	7F-08723.02	DDLG	Legislative framework	External scrutiny of budget formulation (parliament and civil society)	Formulation of sub-national budget	Design and implement PFM reforms with partner govt	Citizen participation	Capacity building of core PFM institutions



	Partners and project management						Instrument/modality					
Other dimension 2	SDC role	Primary partner	Other partner	Project management	Implementing agency type	Coordination with other donors	Via pooled fund?	Modality	Modality 2	Relative share of pooled fund	On budget?	Policy Marker Gender Equality & % for MDG 3
Municipal development	Contribute to pooled fund or existing project	National state PFM institutions		SDC	Local NGO/ civil society		No	Technical assistance	Contribution		No	n/a
Non-govt capacity building	Contribute to pooled fund	State institutions (urban council/ municipality)	National state PFM institutions	Other donor	Contractor	GIZ, KfW and World Bank	Yes	Project (mandate)			No	Transversal 0%
	Contribute to pooled fund	National state sectoral institutions	National state PFM institutions	PIU inside state institution	PIU inside state institution	Sector basket fund	Yes	Intergovernmental transfers			Yes	Transversal 15%
Non-govt capacity building	Contribute to pooled fund	National state PFM institutions	Sub-national state PFM institutions	Other donor	Other donor	GOT PFM reform strategy donors	Yes	Technical assistance			No	Transversal 50%
Municipal development	Contribute to pooled fund or existing project	Other national state governance institutions	Multilateral org	Multilateral org	Multilateral org	WB, UNDP	Yes	Project (mandate)			No	Transversal 20%
		State institutions (urban council/ municipality)	Multilateral org	Multilateral org	Multilateral org	UNDP	No	Technical assistance	Intergovernmental transfers		Some	Does not apply 0%
Municipal development	Design/technical lead in pooled fund	National state PFM institutions	State institutions (urban council/ municipality)	SDC	State institutions		Yes	Intergovernmental transfers	Technical assistance	71%	Some	Significant
Sector reform design/ implementation	Design/technical lead in pooled fund	National state PFM institutions	National state sectoral institutions	SDC	Contractor		No	Project (mandate)			No	Significant 0%
	Contribute to pooled fund	National state PFM institutions		PIU inside state institution	PIU inside state institution	World Bank	Yes	Technical assistance	Intergovernmental transfers		Yes	Transversal 30%
	Contribute to pooled fund	Other national state governance institutions		State institutions	State institutions	SIDA, EU, GIZ are partners; UNDP, WB, ADB, JICA have related projects	Yes	Technical assistance			Yes	Transversal 20%
Citizen participation	Design/technical lead in pooled fund	Sub-national state PFM institutions		SDC	State institutions		Yes	Technical assistance	Project (mandate)	77%	Yes	Transversal 20%
Municipal development	Design/technical lead in pooled fund	Local NGO/ civil society		Local NGO/ civil society	State institutions			Sector budget support	Technical assistance		Yes	Action applies 10%
	Contribute to pooled fund	National state PFM institutions		Multilateral org	Multilateral org	WB, SIDA, EU, DFID	Yes	Technical assistance	Budget support	Smallest 10%	Some	Transversal 0%
Non-govt capacity building	Contribute to pooled fund or existing project	Multilateral org	National state PFM institutions	Multilateral org	Multilateral org	Sweden, Norway, EU, Denmark, UN PBF, DFID	Yes	Project (mandate)	Technical assistance	One of largest 10%	No	Significant

Strengthening Social Accountability and Oversight in Health and Agriculture	Agriculture and food security; health	Southern	Afrique australe et est	Souther Africa, regional	7F-08562.01	DDLG	External scrutiny of budget formulation (parliament and civil society)	Legislative and civil society scrutiny		Non-govt advocacy support (media and civil society)	Citizen participation	Capacity building of service delivery or municipal govt institutions using PFM systems
Appui aux économies locales des collectivités locales du cercle de Youwarou	Agriculture and food security	Southern	West Africa	Mali	7F-03751.04	DDLG	PIM cycle	Formulation of sub-national budget	Revenue Administration	Political economy analysis and policy dialogue	Support to existing PFM Systems	Capacity building of core PFM institutions
Programme de développement social en milieu urbain		Southern	West Africa	Mali	7F-02495.04	DDLG	PIM cycle	Formulation of sub-national budget	Revenue administration	Political economy analysis and policy dialogue	Support to existing PFM Systems	Capacity building of core PFM institutions
Programme d'appui a la petite irrigation	Agricultural research	Southern	West Africa	Niger	7F-6717.01	Water	Performance plan for service delivery	Legislative framework	Public assets management	Political economy analysis and policy dialogue	Municipal development	
Pistes rurales dans l'Est	Infrastructure and local governance	Southern	West Africa	Burkina Faso	7F- 02218.04	DDLG	Selection of investment proposals	Revenue administration	Formulation of sub-national budget	Sector reform design/ implementation	Sector service delivery/public investment including fiscal transfers	Municipal development
Programme d'Appui à la Décentralisation et Participation Citoyenne	Governance	Southern	West Africa	Burkina Faso	7F-09648.01	DDLG	External scrutiny of budget formulation (parliament and civil society)	Legislative and civil society scrutiny	PIM cycle	Political economy analysis and policy dialogue	Capacity building of core PFM institutions	Non-govt advocacy support (media and civil society)
Appui au renforcement de la société civile	State reform, local administration and participation	Southern	West Africa	Burkina Faso	7F- 04283	DDLG	External scrutiny of budget formulation (parliament and civil society)	Legislative and civil society scrutiny		non-govt advocacy support (media and civil society)	Anti-corruption	Citizen participation
Strengthening Systems that Combat Corruption and Impunity in Central America	Citizen participation	Southern	Latin america	Central America	7F-09778.01	DDLG	External scrutiny of budget formulation (parliament and civil society)	Legislative and civil society scrutiny		non-govt advocacy support (media and civil society)	Anti-corruption	
PADIT- Programa Plataforma Articulada para el Desarrollo Integral de los Territorios	Governance	Southern	Latin america	Cuba	7F-09027.02	DDLG	Fiscal transfers to sub-national governments	Performance plan for service delivery		Design and implement PFM reforms with partner govt	Political economy analysis and policy dialogue	Capacity building of core PFM institutions
Programme d'Appui la Gouvernance dcentralise – PAGODE	Governance	Southern	Latin america	Haiti	7F-09821.99	DDLG	External scrutiny of budget formulation (parliament and civil society)	PIM cycle	Revenue administration	Political economy analysis and policy dialogue	Support to existing PFM Systems	Capacity building of core PFM institutions
Fortalecimiento de los Derechos Civico-Politico-Económicos y Auditoría Social	State reform, local governance and citizen participation –Transformation of conflicts and resilience	Southern	Latin America	Honduras	7F-09394.01	DDLG	External scrutiny of budget formulation (parliament and civil society)			Non-govt advocacy support (media and civil society)	Political economy analysis and policy dialogue	
Territorial Governance in the Honduran Mosquitia	Governance	Southern	Latin America	Honduras	7F-09869.99	DDLG	Formulation of sub-national budget	External scrutiny of budget formulation (parliament and civil society)		Capacity building of core PFM institutions	Non-govt capacity building	
Strengthening of Representative Bodies in Mongolia (SRB)	Various	Eastern	East Asia	Mongolia	7F-09639.01	DDLG	External scrutiny of budget formulation (parliament and civil society)	Legislative and civil society scrutiny	Legislative framework	Design and implement PFM reforms with partner govt	Capacity building of core PFM institutions	
Public Investment in Energy Efficiency	State reform, local governance and civic participation	Eastern	East Asia	Mongolia	7F-08828.02	DDLG	PIM cycle	Selection of investment proposals		Municipal development	Design and implement PFM reforms with partner govt	Capacity building of core PFM institutions
Governance and Decentralisation Programme Phase II (GDP II)	State reform, local governance and civic participation	Eastern	East Asia	Mongolia	7F-08183.02	DDLG	External scrutiny of budget formulation (parliament and civil society)	Formulation of sub-national budget	Legislative framework	Citizen participation	Design and implement PFM reforms with partner govt	Capacity building of core PFM institutions
Inclusive Cities	Governance	Southern	Latin America	Nicaragua	7F-09902.99	DDLG	Formulation of sub-national budget	Selection of investment proposals	PIM cycle	Municipal development	Sector service delivery/public investment including fiscal transfers	Political economy analysis and policy dialogue
Strengthening Citizen rights and participation in Nicaragua	Reform of the state, local governance and citizen participation	Southern	Latin America	Nicaragua	7F-08942.01	DDLG	Formulation of sub-national budget	External scrutiny of budget formulation (parliament and civil society)		Citizen participation	Political economy analysis and policy dialogue	

Source: Author's own. Created using data from SDC (2019).

	Bilateral project design and lead	International NGO	Local NGO/ civil society	International NGO	International NGO	Regional NGOs	No	Project (mandate)			No	n/a
Municipal development	Bilateral project design and lead	State institutions (urban council/ municipality)		SDC	State institutions		Yes	Intergovernmental transfers	Technical assistance	88%	Yes	n/a
Municipal development	Contribution to existing projects	Sub-national state PFM institutions			Local NGO/ civil society		Yes	Intergovernmental transfers	Technical assistance	87%	Yes	Transversal 10%
	Contribute to pooled fund or existing project	National state PFM institutions		Research institute	Research institute		Yes	Contribution		76%	No	n/a 10%
Citizen participation	Bilateral project design and lead	Local NGO/ civil society		Local NGO/ civil society	State institutions		Yes	Intergovernmental transfers	Technical assistance	97.5	Yes	n/a
Citizen participation	Contribute to pooled fund or existing project	Local NGO/ civil society			Local NGO/ civil society		Yes	Technical assistance		26%	No	Principal
Non-govt capacity building	Contribute to pooled fund or existing project	Local NGO/ civil society			Local NGO/ civil society		Yes	Technical assistance	Project (mandate)	23.50%	No	n/a
	Contribute to pooled fund	Multilateral org	Local NGO/ civil society	Multilateral org	Local NGO/ civil society	OAS, UN, local NGOs/advocacy	Yes	Project (mandate)		Small 4.8%	No	Not targeted 20%
Citizen participation	Contribute to pooled fund or existing project	Multilateral org		Multilateral org	State institutions		Yes	Project (mandate)	Technical assistance	35%	Yes	Significant 0%
Citizen participation	Contribute to pooled fund or existing project	National state PFM institutions			Local NGO/ civil society		No	Intergovernmental transfers	Technical assistance		No	Significant 0%
	Contribute to pooled fund or existing project	Local NGO/ civil society	Multilateral org	Local NGO/ civil society	Local NGO/ civil society	UNDP	No	Contribution			No	Transversal 30%
	Bilateral project design and lead	Local NGO/ civil society	National state PFM institutions	SDC	Local NGO/ civil society		No	Project (mandate)	Technical assistance		No	Significant
	Contribute to pooled fund or existing project	Multilateral org	Other national state governance institutions	Multilateral org	Multilateral org	UNDP	Yes	Project (mandate)		86.70%	No	Transversal 20%
Capacity building of service delivery or municipal govt institutions using PFM systems	Design/technical lead in pooled fund	State institutions (urban council/ municipality)	National state sectoral institutions	Other donor	Other donor	GIZ, WB, UNDP, BMZ	Yes	Project (mandate)	Technical assistance	lead 42.4%	No	Significant 0%
Non-govt capacity building	Bilateral project design and lead	National state PFM institutions		PIU inside state institution	Multilateral org	UNDP, GIZ, World Bank	No	Project (mandate)			No	n/a
	Bilateral project design and lead	Local NGO/ civil society	Sub-national state sectoral institutions	SDC	Contractor	JICA, IDB, NGOs	No	Project (mandate)			No	n/a
	Contribute to pooled fund or existing project	Local NGO/ civil society	International NGO	SDC	Local NGO/ civil society	EU, Luxembourg	Yes	Contribution		23.50%	No	n/a

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