Overseas Development Institute

How, When and Why does Poverty get Budget Priority

Poverty Reduction Strategy and Public Expenditure in Five African Countries

Synthesis Paper

Mick Foster, Adrian Fozzard,
Felix Naschold and Tim Conway

Working Paper 168

Results of ODI research presented in preliminary form for discussion and critical comment

Working Paper 168

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How, When and Why does Poverty get Budget Priority?

about the research series:

This is the synthesis paper of CAPE's research on *How, when and why does poverty get budget priority?* It is based upon the findings of five country case studies. The full list of research papers in this project is as follows:

Case Study 1	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Uganda** *ODI Working Paper 163* Mick Foster, Centre for Aid and Public Expenditure, ODI Peter Mijumbi, Economic Policy Research Centre, Makerere University
Case Study 2	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Ghana** *ODI Working Paper 164* Mick Foster, Centre for Aid and Public Expenditure, ODI Douglas Zormelo
Case Study 3	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Tanzania** *ODI Working Paper 165* Felix Naschold, Centre for Aid and Public Expenditure, ODI Adrian Fozzard, Centre for Aid and Public Expenditure, ODI
Case Study 4	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Malawi** *ODI Working Paper 166* Adrian Fozzard, Centre for Aid and Public Expenditure, ODI Chauncy Simwaka
Case Study 5	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Mozambique** *ODI Working Paper 167* Adrian Fozzard, Centre for Aid and Public Expenditure, ODI
Synthesis Paper	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Five African Countries** *ODI Working Paper 168* Mick Foster, Centre for Aid and Public Expenditure, ODI Adrian Fozzard, Centre for Aid and Public Expenditure, ODI Felix Naschold, Centre for Aid and Public Expenditure, ODI Tim Conway, Poverty and Public Policy Group, ODI

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Boxes

Acronyms

ABB	Activity Based Budgeting
AG	Auditor General
AGO	Auditor General's Office (Malawi)
CG	Conditional Grants / Consultative Group
CSO	Civil Society Organisation
CSPIP	Civil Service performance Improvement programme (Ghana)
CWIQ	Core Welfare Indicators Questionnaire
DDP	District Development Project (Uganda)
DFID	Department for International Development, UK
DRC	Democratic Republic of Congo
EMRS	Expenditure Management Reform Strategy (Mozambique)
ESP	Economic and Social Plan (Mozambique)
FCUBE	Free Compulsory Universal Basic Education (Ghana)
GDP	Gross Domestic Product
GoM	Government of Malawi or Government of Mozambique
GoU	Government of Uganda
HIPC	Highly Indebted Poor Countries (debt initiative)
IDA	International Development Agency
IGG	Inspector General of Government (Uganda)
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy
LGDP	Local Government Development Programme (Uganda)
LTEF	Long Term Expenditure Framework
MDA	Ministries, Departments and Agencies (Ghana and Tanzania)
MEJN	Malawi Economic and Justice Network
MFEP	Ministry of Finance and Economic Planning (Malawi)
MFPED	Ministry of Finance, Planning and Economic Development (Uganda)
MOF	Ministry of Finance (Ghana)
MPF	Ministry of Planning and Finance (Mozambique)
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
NEC	National Economic Council (Malawi)
NDPC	National Development Planning Commission (Ghana)
NGO	Non Governmental Organisation
PAC	Public Accounts Committee (Uganda, Malawi)
PAF	Poverty Action Fund (Uganda)
PARPA	Action Plan for the Reduction of Absolute Poverty (Mozambique)
PAU	Poverty Alleviation Unit (Malawi)
PEAP	Poverty Eradication Action Plan (Uganda)
PEM	Public Expenditure Management
PEMS	Public Expenditure Management System
PER	Public Expenditure Review
PIP	Public Investment Programme
PMA	Plan for the Modernisation of Agriculture (Uganda)
PPA	Participatory Poverty Assessment
PRSC	Poverty Reduction Support Credit
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper

PS	Permanent Secretary
PSIP	Public Sector Investment Programme (Malawi)
PUFMARP	Public Finance Management Reform Programme (Ghana)
SPAM	School Performance Assessment Meeting (Ghana)
SWAps	Sector Wide Approaches
TAS	Tanzania Assistance Strategy
TCOP	Technical Committee on Poverty (Ghana)
UBOS	Uganda Bureau of Statistics
UDN	Uganda Debt Network
UPE	Universal Primary Education
UPPAP	Uganda Participatory Poverty Assessment Project/Process

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Executive Summary

Introduction

This paper synthesises the key findings from case studies in five countries (Ghana, Malawi, Mozambique, Tanzania and Uganda), each of which examined how public expenditure management has been linked to poverty reduction policy goals. Each of our case study countries entered the 1990s with a pattern of public expenditure in which the efficiency and effectiveness of public expenditure was very low, and its benefits went mainly to the non-poor.

Research hypotheses

The hypotheses we set out to examine in this research can be summarised as follows. In order for public expenditure to better serve the interests of the poor, political will to confront difficult choices is necessary, but not sufficient. It needs to be allied to more effective public expenditure management; macro-economic and budget stability, and budget systems that turn policy analysis into actual cash releases to implement the intended policies. This in turn must be allied to reforms that bring the incentives facing those required to implement expenditure programmes more into line with the objectives of policy. In achieving all of this, we hypothesise that transparent flows of information will be important in keeping Government honest, and that wider publicity on the nature and extent of the problems faced by the poor will help to secure increased focus on improving their lot. Involvement the poor, and advocates on their behalf, in policy dialogue, can reinforce poverty focus, the effect being strongest where the poor are given greatest influence over expenditures intended to benefit them. With increased attention to HIPC debt relief and donor encouragement of poverty reduction strategies, we also considered the extent to which, in our case study countries, the donors have had a positive influence in reinforcing the anti-poverty bias in public expenditure decisions. While the title refers to budget priority, our focus has been largely on the expenditure side of the budget, though we also examined the important poverty issue of user fees.

Appendix 3 sets out in matrix form our findings on each of the research hypotheses in our five case study countries.

Leadership, poverty analysis and policy formulation

- At the level of political rhetoric, the attention to poverty has reflected the changing climate of international opinion in each of our countries. The structural adjustment years of the 1980s gave way, first, to an increased focus on helping the casualties of economic reform and then, in the 1990s, to increasing recognition of the need to place poverty reduction at the heart of development objectives. The approach advocated in the World Development Report of 1990 was clearly influential, though Ghana and Malawi gave more emphasis to economic growth, while Governments in Uganda and Mozambique, emerging from war, demonstrated a more explicit commitment to benefiting the poor rural population from whom they had drawn support.
- Improved poverty focus requires the extension of basic services to the poor majority. With resources constrained by low growth and limited tax capacity, this can only be afforded if Governments make hard choices to reduce the cost of free or subsidised services currently enjoyed by a mainly non-poor minority. The temptation has been to 'solve' the problem by

assuming it away through ambitious growth targets. Ghana assumed 8% per annum growth in 'Vision 2020', which would have generated sufficient revenues to reduce poverty and improve both the coverage and quality of services. In practice, growth was much less, and public expenditure remained regressive. It is notable that Uganda, in our sample the country that has achieved the greatest success in re-orienting public expenditure in a pro-poor direction, is also the country with the most consistent record in achieving fast, sustainable growth in the economy.

- Many of the problems of ineffective budget management that undermine the ability to re-orient spending towards the poor, stem from political reluctance to recognise the need for tough choices and for budget discipline. Experience proved an effective teacher in Uganda, after the consequences of the loss of fiscal control in 1991 resulted in a major shake-up and the decision to merge the finance and planning ministries. In Ghana and Malawi, however, an ill-disciplined approach to the budget in election years has continued. There are no simple solutions, though strong analytical support to ensure politicians are aware of the implications of the choices they make might help.
- The fragility of the commitment to poverty reduction is evident in all of the case study countries. The budget process in Ghana and Malawi has been subject to a pronounced 'election cycle', with macro-economic stability and prudent budgets compromised to gain short-term support. Even in Uganda, after ten years of sound policy and the building of capacity within the Ministry of Finance, Planning and Economic Development, the achievements remain vulnerable. They have rested heavily on political support from the President, and on the competence of a small group of technocrats. There has been a continuous struggle against pressures to expand the deficit, accede to spending requests that would undermine the priority given to poverty, or turn a blind eye to corruption and misuse of public resources. The credibility built over many years could be lost almost overnight, the teams that created it disbanding in disillusion and the donors revising their opinion and eventually taking their resources elsewhere. Uganda is rightly looked to as a model for others to copy, but it is important to remember that the policies being implemented in Uganda are still recent and still contested, and there can be no guarantees that they will be sustained.
- The Poverty Reduction Strategy Paper (PRSP) process has helped to reinforce the position of reformers wishing to enhance and preserve allocations important to the poor. The virtual Poverty Reduction Fund in Uganda has proved an especially useful model for ensuring that additional funds flow into additional spending benefiting the poor, and for helping to contain pressures from other spending priorities.
- The research looked at the role of participation and of transparent information flows in embedding anti-poverty policies more securely. We found some interesting examples where the sharing of information and a pro-active approach to participation have helped to improve the effectiveness of poverty policies. However, these initiatives for the most part came from sympathetic Governments (though with donor encouragement), rather than being the result of countervailing pressures from civil society. The habit of consultation and sharing of information still has shallow roots, and access could easily be removed or (more likely) decline if Government leadership gives it less emphasis. Civil society engagement in activities aimed at influencing Government remains weak, both in terms of the quality of analysis, and the extent to which Governments have felt required to respond.
- Poverty policy needs to be informed by good analysis, and that analysis needs to be reflected in expenditure priorities and budget allocations. The case studies have examples where improved poverty analysis and information have influenced both national and sector policies. Our hypothesis that information and analysis are more influential when undertaken as part of a national process receives some support. The participatory poverty analysis in Uganda, and the study of health inequalities in Ghana, had greater influence on poverty because, in the former case, the Ministry of Finance was fully involved and, in the latter

case, because the work was commissioned by the Government-donor health partners, and taken forward within the discussions of the sector programme.

- There has been a welcome shift from a donor-driven analytical agenda of stand-alone poverty assessments and public expenditure and sector reviews, towards embedding these analytical functions into Government processes. The key Government processes are the overall medium term expenditure framework, sector wide approaches combining the efforts of Government and donors, and the annual budget process itself. Amongst our sample, Uganda has been most successful in integrating donor analysis and donor commitments within its own planning and budget processes, though the main bones of the approach are also in place in Tanzania.
- The requirement to complete poverty reduction strategy papers (PRSPs) in order to qualify for HIPC debt relief has risked undermining some of the improved planning and budget processes achieved to date through patient development over a long period. In Uganda, the Government was recognised to have a strong domestic poverty strategy (the Poverty Eradication Action Plan, or PEAP), and the risk was avoided. In Malawi and Mozambique, the constrained timetable for the PRSP reduced domestic ownership, and in the case of Mozambique cut across domestic poverty policy processes. It will be important to ensure that future exercises work to support and develop Government processes, with the budget developing into a genuine exercise for joint allocation of Government and donor resources over a medium term time frame. Uganda provides the model.

Changing expenditure patterns: MTEFs and poverty

- Serving the poor more effectively through public expenditure requires a medium term process for budget allocation (to plan changes in strategic priorities), and a public expenditure management capacity (to ensure they are executed). The failure to properly co-ordinate the planning and budgeting functions has been a fundamental weakness in Ghana, Malawi, Mozambique and Tanzania. It is fundamental that plans are based ofn realistic resources and respected in budget release decisions and we would advocate a single Ministry to be more effective in combining these functions. The Mozambique and Malawi experience suggests that this requires effort to move beyond a mere change in nomenclature to actually secure the necessary integration of functions.
- The Medium Term Expenditure Framework (MTEF) needs to focus on strategic priorities in the medium term. Uganda has done this by focusing attention on putting in place an effective central challenge function, with submissions from Departments assessed against a small number of simple criteria. Analytical capacity for scrutiny has been built at the centre, while donor resources have also been drawn into preparation of medium term budget plans at sector level. This approach contrasts with the far less successful approach taken in Ghana and Malawi, where bottom-up activity-based budgeting buried the centre in detail and served to obscure the strategic choices, which actually made it harder to identify priorities.
- Low-income countries are inevitably subject to the risk of resource shocks. There are however a number of good practice approaches which countries have developed in order to improve their ability to estimate the resources available for implementing the MTEF. Domestic revenue forecasts need to take a cautious view of growth prospects and in particular should not assume administrative improvements in revenue collection until there is some evidence that revenue authority targets are being achieved in practice. Donor external resource estimates tend to overestimate spending from existing commitments in the short term, while underestimating longer term flows by excluding commitments yet to be made. Uganda adjusts for both effects, using past donor-specific performance to discount the tendency for donors to over-estimate spending in the short term, while developing

informal estimates of the probable future pipeline. In Ghana, by contrast, these two sources of error produced a planning framework that combined the worst of both worlds; a budget for the current year that could not be implemented for lack of resources, and pessimistic assumptions of shrinking resources in future years that discouraged agencies from planning new activities.

- The MTEF should eventually become a comprehensive document covering all sources of revenue and all public sector expenditures. Coverage varies. In Uganda, increasing shares of donor funds are being committed to the budget, and reporting on projects outside the budget is fairly comprehensive. By contrast, in Mozambique, central Government has very incomplete information on donor aid, while significant revenue resources are off-budget and not centrally reported, resulting in an MTEF which gives only a partial picture of total public expenditure. It is extremely important that donors should respect the MTEF disciplines, reporting their commitments and enabling their spending to be prioritised as part of the MTEF process, even if, for reasons of accountability, they retain their own disbursement procedures.

Increasing the effectiveness of pro-poor spending

- Improving the delivery of public expenditure requires attention to major problems of low pay, weak incentives, and weak or non-existent performance management. The necessary reforms are demanding and require co-operation across many agencies – always difficult. Though Ghana has tried through the Public Finance Management Reform Programme (PUFMARP), and Uganda is putting in place a better co-ordinated reform programme as part of the Poverty Eradication Action Plan, there are no easy solutions.
- The problem of low pay requires a medium term solution linked to progress in the wider reforms. Uganda had a process in the 1990s that might have worked but was abandoned to accommodate pressures to recruit more staff and raise the pay of the lowest paid. The approach involved a medium term commitment to raise pay to enable each group within the civil service to afford a basket of goods and services appropriate to the standard of living that the relevant categories of staff ought to be able to command. This would be afforded in part through growth in revenues, and partly by shedding unnecessary staff. The fundamental approach of a transparent medium term commitment to overcome the problem is sound, and real progress had been made before it was abandoned.
- The pay problem is especially acute in rural areas. Various incentives are being tried to overcome the problem, including faster promotion, and, in Mozambique, making rural service a condition for being accredited as a teacher or a doctor.
- Higher pay alone will not improve services unless better performance is required in return. Conventional approaches to staff performance assessment have tended to focus on the more senior levels, and evidence of success in raising standards is hard to find.
- Other approaches are being tried. Uganda has achieved significant progress in checking the most severe abuses of office through greater transparency of financial information, enabling users to exert some influence on how a local school or clinic is run. Increased emphasis on defining required standards, making resources conditional on achieving them, and raising standards over time have shown some signs of success in Uganda and in the health sector in Ghana health. Closer monitoring and use of relative performance data in School Performance Assessment Meetings (SPAMs) with parents have shown some signs of being effective in Ghana's education sector.
- Though these examples are encouraging, it is easier to extend rights in principle than to help an illiterate population exercise them in opposition to officials and politicians who have far greater resources of skills, status, wealth and power.

- Corruption is an important issue in all five countries. A variety of approaches are being taken. The media are playing an important role in several countries in exposing corruption and misuse of power, with some successes in forcing the punishment or at least removal of venal officials and politicians.
- The poverty reduction rationale for decentralisation is potentially strong, but needs to be supported by measures to build capacity, and by systems to monitor the performance of officials and politicians and hold them accountable to both client communities and central authorities. In both Uganda and Tanzania, decentralisation initially resulted in a rise in administration costs and corruption, which ate into spending on service delivery. Uganda instituted corrective measures (Conditional Grants), but these resulted in considerable inefficiencies arising from the increased reporting burden on District authorities. The District Development Programme (DDP) provides an alternative approach that Uganda is now expanding. Those Districts that meet capacity and local co-financing conditions qualify for central funds, over which they have far more discretion than conditional grants. An interesting aspect is that the conditions to be met are raised each year, providing an continuing incentive to improve planning and management. . One danger is that poor districts are least likely to meet the conditions. The Ghana health sector has adopted a similar approach, but districts that fail to meet the criteria simply have their funds managed at regional level, which gives the District an incentive to qualify, but avoids the anti-poor bias.

Conclusions and challenges for the future

- Much of the subject matter of this synthesis, and of the individual case studies, concerns basic Public Expenditure Management (PEM) reform, rather than specifically pro-poor budgeting. But these fundamental improvements in budget preparation and implementation – e.g. ensuring that more of the totality of revenues and expenditures are captured in the national budget; or that expenditures are classified in formats that allow analysis of compliance with policy goals – is a fundamental precondition for ensuring that Governments *can* budget for poverty reduction. In practice, PEM reforms and poverty reduction strategy have co-evolved in our study countries over the course of the 1990s.
- Though an MTEF is in principle distributionally neutral, Uganda (and to a lesser extent Tanzania) have shown that the MTEF can be an extremely useful tool for turning poverty rhetoric into meaningful shifts in spending priorities. Sector-wide approaches have similarly shown themselves to be capable of giving effect to poverty objectives at the sector level, especially when nested within the financial framework of an MTEF. These tools differ in their effectiveness between countries and within countries. However, if the objectives of the poverty reduction strategy papers are to be achieved, some such vehicles will be needed for shifting resources in line with priorities, for planning how they will be used by individual Government agencies, and for monitoring their effectiveness in achieving intended outcomes. Our research has found some worthwhile models to copy, as well as many pitfalls to avoid.
- Several problems clearly remain as challenges in all our study countries. The problems of building capacity and managing performance are central, just as they are in developed countries like the UK, where Government has also struggled to improve ‘delivery’ and to provide a means to align central targets with the incentives of those required to deliver them.
- Finally, as some of the countries succeed in enacting the fundamental reforms necessary for efficient and effective outcome-oriented public expenditure management, there will be a need to pay more attention to institutionalising a poverty focus. Some of our case study countries have gone some way towards giving people the fora they need to participate in

decisions that affect them, and the information and channels to lobby and protest when they do not receive the services to which they are entitled. The challenge is for civil society organisations to ensure that these opportunities are seized and developed, and become so embedded that they become difficult to take away. This is perhaps the main hope of sustainable change that will survive when regimes change and donor priorities shift.

Look at ODI 1998/99 Annual Report under ‘Other significant publications’ p. 30 for what to put in italics etc.

Capitalisation
Chapter headings should have capitals for important words
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Consistency
Above all it is consistency that matters. Working Papers are relatively inexpensive publications and the idea is that they are printed quickly. So we don’t want to spend hours correcting things.
For example if an author prefers *co-ordinate* instead of *coordinate* it doesn’t matter so long as it is consistent throughout the publication
Another example is the punctuation at the end of bullets. As a rule, lists do not require punctuation (even the last item on the list) e.g.
The following are examples of ODI publications:
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However, where the bulleted items are longer lists, a semi-colon is usually used with a full stop at the end of the last item. Where the items are not lists and are full sentences full stops can be used at the end of each item. Again, the importance thing is consistency.

Pippa Leask
16 July 1999

1. Introduction

1.1 Objectives of the study

This document summarises and synthesises the key findings from case studies in five sub-Saharan African countries – namely Ghana, Malawi, Mozambique, Tanzania and Uganda – each of which examined the linkages between poverty reduction strategy and public expenditure management. The goal of this research was to identify the factors influencing the importance attached to poverty reduction within the budget process in the country in question, and the effectiveness with which policies are translated into spending patterns and ultimately into outcomes.

Each case study examines a common set of hypotheses regarding the variables that might have an influence on the poverty focus of public expenditure. These variables are clustered under three main thematic headings: the institutional framework, the collection and use of information and analysis on poverty, and the degree and nature of public participation in the budget process. Readers who wish to obtain more details on the particulars of any or all of the five countries are referred to the matrix of research findings (Appendix 3) and to the individual case studies, published separately as ODI Working Papers.

It is important to recognise that much of the PEM reform effort in the five countries to date, and thus much of the subject matter of this paper, has been focused on efficient and effective rather than explicitly pro-poor use of public resources. The research is premised on the argument that such reforms are indeed critically important for long-term poverty reduction. Getting these basics in place – so that the government budgets on the basis of a clear and rational understanding of its role in the economy; PEM focuses on outcomes; and Government has systems in place to ensure that money is spent as planned – is an essential precondition for government to be able to do anything significant for poverty reduction. Changes which reduce the prevalence of fundamental inefficiencies in PEM, and which deal with systematic corruption and lack of performance focus, are crucial poverty reduction issues. The purpose of this study is therefore to identify the linkages between national poverty strategy development and PEM reforms as the two processes have co-evolved in Africa over the 1990s, exploring how national poverty policy has been followed through into public expenditure reform.

1.2 Methodology

Each country case study was researched over a two to three month period in 2001. This research examined the national experience with regard to the hypotheses outlined above, based on a review of written material (Box 1) and structured interviews with participants in the policy process.

Box 1: Documentary Sources for the Country Case Studies

- **Policy statements, plans, budget speeches**, providing insights into formal policy regarding poverty reduction, pro-poor expenditure and broader PEMS reform issues.
- **Public expenditure data,** including budget and, where available, expenditure out-turn data, focusing on: trends in structure of expenditure by sector, programme and broad economic category; and improvements in the quality and coverage of PEMS information. The purpose of this analysis was to assess the consistency between Government policy statements, expenditure allocations and expenditure out-turns.
- **Country-specific research and routine monitoring information on poverty**, in order to identify key poverty reduction policy issues within policy debate.
- **Materials prepared by key civil society actors** (particularly national NGOs and the print press), in order to gain an understanding of key issues identified by civil society in reviews of the budget process and expenditure outcomes.

In each country case study, research began by mapping the PEMS and supporting information systems, as set out in legislation, internal government manuals and administrative circulars. This exercise identified the formal roles of key institutions, the structure and flow of PEMS information and the extent of its dissemination, and the procedures at each stage of the budget and expenditure process. A standardised format for the presentation of the PEMS and supporting information systems was used to guide comparative analysis (see Annex 3).

Semi-structured interviews were used to probe more deeply into issues raised by the documentary review. The researchers sought to obtain information and opinions from Government officials (including senior managers and operational managers in core PEMS institutions and spending agencies, focusing on sectors prioritised in the poverty reduction strategy), non-governmental informants (primarily national representatives participating in or advocating PEMS reform or pro-poor spending) and donor representatives.

Judgements on the key hypotheses and research questions have been reached through a process of triangulation between empirical information on the budget process and trends in public expenditure, secondary sources, and assessment of views expressed in interviews.

1.3 Country contexts in the five case studies

Each of the countries reviewed in this research project experienced major transformations over the course of the 1990s. Both Uganda and Ghana have, since the early to mid-1980s, achieved considerable improvements in political stability and continuity of rule-based (if not necessarily multi-party democratic) governance. In Mozambique this measure of political stability was achieved only more recently, with the end of the intense and deeply debilitating civil war in 1992; however, some fundamental steps towards economic stabilisation had occurred from as early as 1985, when the Government began to move away from a centrally planned model of economic management. All five of the countries covered in this research have experienced fundamental economic change during the era of structural adjustment.

At the beginning of the 1990s, public expenditure in each of our case study countries could be characterised as both regressive and inefficient, with Government providing services of poor quality to a small proportion of the population, with the non-poor benefiting disproportionately. Budget systems at the beginning of the 1990s were essentially incremental in nature, based on across the board increases in budget allocations, plus investments in new activities largely driven by donor project aid. Governments were involved in more activities than they could adequately operate, maintain, and manage. With the poor effectively excluded from many of the benefits of public expenditure, a radical re-orientation of spending priorities was clearly needed in order to bring about a pattern of public expenditure that benefits the poor. This needed to be complemented by a reform process to raise the effectiveness of public expenditure.

Poverty reduction featured prominently as a stated aim of policy in each of our case study countries from the mid 1990s, and several of them produced policy documents and plans in which poverty reduction was a prominent theme. Each of the case study countries also introduced Medium Term Expenditure Frameworks (MTEFs). If it can be made to work effectively, the MTEF is the key instrument for planning and executing the shift in expenditure priorities that is required in order to focus public expenditure on the objective of reducing poverty (see Box 2). Fitting in with this fundamental transformation in public expenditure management have been a number of co-evolving innovations.

These have included:

- sector wide approaches (SWAPs), intended to achieve improved outcomes in sectors such as health or education, by jointly planning the allocation of Government and external funding in support of a single programme for the sector;
- the attempt to link debt relief to effective, nationally-owned poverty reduction policy by making the production of a Government Poverty Reduction Strategy Paper (PRSP), informed by participatory research, the key requirement for qualification for HPIC II debt relief.

Box 2: What is a MTEF – The Theory

The influential World Bank *Public Expenditure Management Handbook* defines an MTEF as consisting of ‘a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources…in the context of an annual budget.’ This provides a ‘linking framework’ that ensures that expenditures are ‘driven by policy priorities and disciplined by budget realities’ (World Bank 1998: 32, 46). Given that the disconnection between policy formulation, planning, the budgetary process and outcome monitoring is one of the fundamental underlying problems in much of sub-Saharan Africa, an MTEF is increasingly seen as the solution (Le Hoeurou and Taliercio 2001: 3). In practice, few developing-world MTEFs fully conform to the ideal type, though Uganda comes closest to a ‘best practice’ example.

The case studies illustrate how the adequacy of the fit between each of these policy-focussed initiatives, and between them and other processes such as decentralisation and civil service reform, varies greatly from one country to the next. Some of the observed tensions appear to be common across all the countries, suggesting that there is indeed a general issue to be resolved. Others are however context-specific, reflecting the particular history and politics of the country in question. The objective of this research is therefore not to propose some ideal combination of institutions and practices, but to identify and analyse emerging evidence on key issues and options faced in the struggle to re-orient public expenditure towards the interests of the poor.

The following chapters draw on the empirical findings of the study to look at key thematic issues, based on the research hypotheses. The central concern is with the evidence concerning the strengths and weaknesses of various approaches, and the range of experiences with given instruments and the links between them.

2. Leadership, Poverty Analysis and Policy Formulation

2.1 Political commitment to poverty reduction

It has become part of the conventional wisdom of development policy that reasonable progress in reducing poverty requires a political leadership committed to this as a goal. The advocacy of Poverty Reduction Strategy Papers, for example, reflects this general consensus that there is no substitute for a genuine commitment on the part of those receiving aid to use it efficiently and effectively for poverty reduction ends.

This study broadly supports the belief in the importance of political leadership. It is clear that in each of the countries studied, political will has, unsurprisingly, been necessary to shift public expenditure management in a direction that has favoured the poor. However, a number of more subtle points need to be recognised.

Firstly, economic growth is essential to generate the resources needed to tackle poverty. It is easier to channel an increased share of growing resources towards poverty reduction goals than to achieve redistribution of existing wealth, income, and claims on Government services. The importance of economic growth for achieving poverty reduction is recognised in planning documents in all five countries. A significant temptation, clearly evident in Ghana, is to assume such very high growth rates that poverty can be eradicated and access to services improved without requiring politically difficult decisions that cut services to the non-poor. As growth has fallen far short of the optimistic projections of Ghana's 'Vision 2020', resources have not been available to extend services to the poor, while the focus on economic growth was associated with neglect of the problems of groups such as food crop farmers (who were not benefiting from the growth that did occur). In Malawi under Banda, there was no commitment to poverty reduction, and an aggressive economic growth strategy based on industrialisation and expansion of the estate sector led to worsened income distribution and increased poverty. The donor community was slow to recognise the problem and press for reform. The transition to multi-party rule and a mixed economy has been associated with a new national development discourse in which poverty takes central place – although elements of continuity with the modernisation-focused leadership of the Banda regime persist in certain sectors.

The role of national political leadership in directing budget formulation and implementation towards the goal of poverty reduction is most clearly seen in Uganda. Initially under duress from the IFIs, the Government that took power in 1986 adopted a growth-oriented liberalisation agenda as the foundation of national policy, and in the process, achieved GDP growth rates of nearly 7% p.a. throughout the 1990s. However, this pursuit of growth was always set in the context of a commitment to social justice and poverty reduction, in which growth was seen as a key element rather than as an end in itself; the linkage between national growth and the spread of benefits to the poor was actively pursued rather than assumed; and attention was paid to other strategies which were required to complement and distribute the gains from growth. This focus coalesced in a workshop in 1995, which with the participation of President Museveni, laid the framework for the 1997 Poverty Eradication Action Plan (PEAP). This emphasis upon the primacy of sustainable poverty reduction as the goal of Government has been reflected consistently in the internal communications and public statements of the state since then.

It is worth noting in passing that amongst the sample of five countries in this case study, the strongest and most coherent national leadership in the direction of poverty reduction has been seen in three reforming formally socialist states. Mozambique and (to a lesser extent) Tanzania have, like

Uganda, enjoyed strong public signals that poverty reduction is the strategic goal of policy and public expenditure management, in part because such signals are consistent with an embedded political tradition, even if the proposed means to the ends have changed.

2.2 Issues of quality and ownership in national poverty reduction policy

An important question at the outset concerns what giving poverty reduction budget priority means. Box 3 summarises the main features of poverty reduction strategies in Ghana, Malawi, Mozambique, Tanzania and Uganda over the 1990s. (The recent experience of each country with the PRSP process, and the effect that this new approach has had on national poverty reduction strategy, is addressed separately and in more detail.)

While there are important variations between the five countries in the emergence and subsequent evolution of poverty reduction strategy, it is possible to make some generalisations. Poverty reduction strategies in all five case study countries in the mid-1990s broadly conformed with the poverty reduction agenda associated with the 1990 *World Development Report.*[1] In terms of PEM, this implies the need to increase the sums allocated to primary education, primary health services, provision of clean water, and transport infrastructure and services which connect poor people with markets and social services; and a fundamental reorientation of expenditure towards rural areas. To achieve this within a fixed resource envelope, it is by extension, necessary to reduce and make more efficient expenditures on goods and services – such as tertiary health care and education – which primarily benefit richer groups in society.

Box 3: Summary of National Poverty Reduction Strategies in the Case Studies

Ghana: Vision 2020 (1994) aimed for a middle-income Ghana in 2020, to be achieved by exports and 8% p.a. growth. While key themes were not inconsistent with poverty reduction, a specific poverty focus came largely at the urging of donors. Debate at the 1995 CG meeting led GoG to establish a Technical Committee on Poverty (TCOP), which in 1996 produced a Policy Focus on Poverty Reduction. This reviewed the lessons of past policies and recommended a strategy broadly consistent with the post-WDR 90 international consensus: creation of a stable macroeconomic frame, a growth strategy focused on smallholder agriculture and the informal sector, improved social services, and better, locally-administered safety nets. However, meetings of TCOP fell off and enthusiasm for poverty policy waned, reviving only in 2000 with preparation of the Poverty Reduction Strategy (GPRS), which was adopted as the basis for the budget by the newly elected Government in 2001.

(Cont.)

[1] With some significant variations reflecting differences in culture and politics. Poverty reduction strategy in Malawi, for example, is notable for the fact that the non-poor (politicians and civil society alike) tend to adopt a socially conservative discourse on poverty which stresses the role of poor individual values and lack of motivation in explaining the incidence of poverty, which suggests limited understanding of the realities faced by the poor.

Box 3 (cont.)

Malawi: After Banda, the goal of development policy shifted to poverty reduction. The 1995 Policy Framework for Poverty Reduction aimed to raise the productivity of the poor; promote sustainable poverty reduction; enhance participation of the poor; and increase income and employment opportunities. A unit within the National Economic Council (NEC) was to incorporate these goals into sectors and co-ordinate a Poverty Alleviation Programme (PAP), which reallocated spending towards services used by the poor (primary education and health care and rural infrastructure). The Government also introduced flagship poverty reduction programmes and expanded safety nets. Although it increased funding for poverty reduction, PAP was top-down, failed to differentiate amongst the poor, and overstretched public resources. The Vision 2020 document (NEC 1998) adopted a more participatory approach. Broader analysis resulted in a more wide-ranging poverty strategy, adding good governance, improved income distribution, food security, environmental management, and human resource development to the strategy mix.

Mozambique. The World Bank-GoM *Social Dimensions of Poverty* project evolved in 1990 into the first poverty strategy, emphasising employment and income creation, better access to basic social services, and strengthened safety nets. The second (1995) Poverty Reduction Strategy (produced by the MPF) and the Government Programme for 1995-9 reflected the centrality of poverty reduction in post-war Government policy. While continuing to stress the importance of stable economic growth, this introduced a shift in emphasis from safety nets to investments in productive activities and human resource development; a stronger focus on rural areas; and a coherent emergency response network. But the strategy remained little more than a policy framework, with weak operational follow-through. A new strategy was prepared in 1998 on the basis of preliminary findings from the 1996/7 Household Survey, but only approved after the 1999 elections. The 1999 Action Guidelines set out the long-term (2010) poverty reduction target, reaffirmed in the Government Programme for 2000-04, which placed poverty reduction at the top of the policy agenda. A more detailed Action Plan for the Reduction of Absolute Poverty (PARPA) consolidates a number of sectoral and thematic policy initiatives, sets an overall poverty reduction target for 2004, and elaborates a detailed list of policy components with institutional responsibilities, activities, monitoring indicators and targets. The Government submitted PARPA as Mozambique's I-PRSP.

Tanzania. Recognition of the limits a statist approach to poverty reduction led to a shift in strategy from the mid-1990s. In 1999, two Vision documents (one for the mainland and one for Zanzibar) set out long-term goals for poverty eradication, human development, good governance and stability. The National Poverty Eradication Strategy (NPES) attempts to provide a medium- to long-term framework and measurable targets for realising these goals; outlines key actions in priority sectors (education, nutrition and health, water and sanitation, agriculture, employment and income generation); but contains limited analysis of poverty, implementation constraints, or lessons from previous policies. Some of these gaps were addressed by the Tanzania Assistance Strategy (TAS). However, TAS development was interrupted by HIPC II and the need to produce a PRSP. While narrower in focus, and still criticised for inadequate focus on actions, the PRSP appears to have energised policy debate and promoted participatory, target-based and budget-oriented focus on poverty reduction priorities (viz. achieving growth and economic opportunities for all, building human capabilities, and increasing empowerment and reducing vulnerability).

Uganda. By 1992, after initial rejection and then reluctant acquiescence, the Museveni Government came to accept the basic principle of market-based approaches to poverty reduction, and to pursue them on their own terms. A July 1995 forum on poverty, with Presidential participation, moved poverty policy beyond a 'social dimensions of structural adjustment' approach, and established a Task Force which in 1997 produced the first Poverty Eradication Action Plan (PEAP). Strategy prioritised rural roads, free primary education, and the modernisation of agriculture. The 2000 PEAP, developed in a consultative manner and widely disseminated, is identified as Uganda's 'over-arching national planning document'. The four 'pillars' of the PEAP (creation of an enabling environment for rapid and sustainable economic growth; good governance and security; targeted actions to help the poor raise their incomes; and actions in education and literacy, health care, water and sanitation which directly improve quality of life for the poor) are complemented by action on cross-cutting issues of public expenditure management, environmental management, attention to gender equity and disadvantaged groups, and attention to geographical disparities.

Over the last few years poverty policy frameworks in the case study countries have developed further, incorporating elements of a multidimensional understanding of poverty (e.g. consideration of issues of participation, voice and vulnerability). The formulation of national Poverty Reduction Strategy Papers has provided the latest international impetus to the evolution of national poverty reduction strategies in these countries and elsewhere in the developing world. The emergence of the PRSP concept was driven by the need to ensure that HIPC funds are efficiently and effectively allocated to poverty reduction goals. The PRSP concept reflects the recognition by IFIs and donors of the observed limitations of previous attempts at aid conditionality. In theory, PRSPs are to be:

- *country-driven*, involving broad-based participation by civil society and the private sector throughout the process (in poverty analysis, identification of policy priorities, and monitoring implementation and achievements);
- *results-oriented*, focusing on outcomes which benefit the poor;
- *comprehensive* (recognising the multidimensional nature of poverty);
- *prioritised*, so that implementation is feasible in both fiscal and institutional terms;
- *partnership-oriented*, involving co-ordinated participation of national and international development partners; and
- based on a *long-term perspective*.[2]

In practice, there is a danger that the PRSP process, with analytical and policy development support from the Bank and driven by the need to qualify for debt relief finance on a specific timetable, may in fact work *against* national ownership, by giving the IFIs disproportionate influence over national poverty reduction strategies, resulting in standardised strategies with shallow roots in either national politics or civil society.

It is currently too early to judge how far real-life PRSPs will fulfil the radical potential of the PRSP concept. There is clearly considerable variation in the quality of both the process and content of PRSP between countries. Nonetheless, preliminary studies suggest that in a significant number of cases the PRSP process has contributed to an improvement in both the quality of national poverty reduction strategy and in the degree to which this strategy is known and perceived as important within and beyond Government.[3]

This heterogeneity of experience is reflected amongst the countries that were the subject of this research. The way in which the PRSP process has intersected with existing policies and strategies has varied considerably from one country to the next. In Ghana, where poverty reduction strategy had faltered by the late 1990s, the formulation of the Ghana Poverty Reduction Strategy (GPRS), which began in 2000, was initially perceived as just another donor imposition; but by 2001 there appeared to be a striking increase in enthusiasm for the exercise, and in commitment to an effective national poverty policy. Moreover, the key weakness of earlier efforts, which was the preparation of plans not constrained by realistic resource limits, shows encouraging signs of being addressed, with the new government making the GPRS the basis for the 2002 budget, and moving to ensure budget releases reflect its priorities.

The requirement to produce a PRSP seems to have energised national poverty reduction strategy formation in a similar manner in Tanzania. While the PRSP held up the development of the Tanzania Assistance Strategy, it complemented the older document in three key ways – wider consultation, a stronger link to resources, and clear intermediate, medium-term (2003) and long term (2010) targets. PRSP and HIPC qualification have served to increase the sense of urgency and

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[2] *Heavily Indebted Poor Countries (HIPC) Initiative – strengthening the link between debt relief and poverty reduction.* (EBS/99/168 ad IDA/SecM99-545).

[3] Booth 2001; ODI 2001, 2002.

identify budgeted activities required to achieve key targets. The main weakness (apart from some gaps in content, notably with regard to gender issues) is that the PRSP is well known amongst senior Government staff but as yet less well known at lower levels and outside the centre.

By contrast, the experience of Mozambique suggests a more cautious evaluation of the PRSP process. The Government's pre-PRSP poverty strategy, the PARPA, was submitted (with a brief introduction explaining the planning process) as the I-PRSP. The PARPA was not perfect, but it did have many strengths, and constituted a marked improvement on the previous (1995) strategy. It was also completed with little external involvement. The presentation of the final version of the PRSP, by contrast, was driven by HIPC deadlines, with negative consequences for the consultative process and – of key interest for our purposes – the linkage with resource availability. It also closely followed the Bank/Fund guidelines, undermining the perception of the document as one prepared by and belonging to the Government of Mozambique. The Government attempted to address these problems through a consultation team and requests to Provinces for the preparation of Provincial Poverty Reduction Action Plans, but in the little time available these had little visible impact, and linkages between the revised PARPA / PRSP and the MTEF remain weak.

In Malawi, similarly, the PRSP process has suffered from a rushed timetable and limited opportunities for comprehensive consultation. A PRSP 'Road Map' was presented in August 2000, specifying three areas for intervention and laying out a timetable and process for PRSP completion. Preliminary 'Findings to date' presented in May 2001 identified three, different overall priorities, together with policies and expenditure measures for key sectors, and proposed a 'virtual' poverty fund of protected expenditure items, similar to Uganda's Poverty Action Fund. It is still too early to assess the impact of the PRSP process on the quality of Government poverty strategy, or its linkages to public expenditure management. While the 2001/02 budget speech referred to the PRSP and contained increased allocations for some of the expenditure items identified as priorities in the PRSP, the central recommendation (the identification of priority poverty expenditures as a virtual poverty fund within the budget) has yet to be adopted. Moreover, the 2001/02 budget reveals continued preference for the formal sector and manufacturing, and belief that poverty is in large part an attitudinal problem of the poor. There is a risk that the PRSP will, like the Vision 2020 document, serve as a reference point but not a guide for operational policy and planning.

In Uganda, the Government poverty eradication action plan was recognised as the PRSP, and the main impact of the PRSP process was to make available some additional support to strengthen the analysis.

2.3 Poverty analysis and pro-poor budgeting

Improving the poverty focus of public expenditure management clearly requires that Government understands who the poor are (in terms of social characteristics or geographical concentrations), the factors that move them into or out of poverty, and how the nature of poverty is changing. This calls for both quantitative (or 'decontextualised') information, such as that derived from national sample surveys, and qualitative insights, used to crosscheck and complement the conclusions drawn form quantitative analysis. In many countries there now exists an extensive poverty analysis literature based upon information obtained directly from the poor regarding the problems they face, the causes of poverty, and the identification of priorities for public action to reduce poverty.[4]

In four out of the five countries, one or more formal Participatory Poverty Assessments (PPAs) were conducted during the 1990s and early 2000s, with the explicit intention (at least from the

4 Booth, Holland, Hentschel, Lanjouw and Herbert 1998.

donor side) that the findings should inform the evolution of Government policies and budgets. The degree to which PPAs have succeeded in strengthening or refining the poverty focus of public expenditure management has however varied dramatically. The Ugandan Participatory Poverty Assessment Project (UPPAP) has been particularly influential; cited widely within government, it has clearly contributed to the prioritisation of water and security, and helped to shape the new approach to agriculture.[5] Elsewhere, however, earlier PPA exercises had more limited influence upon the evolution of Government anti-poverty policy.

Box 4: Linking PPAs to Policy requires Explicit Attention

The UPPAP in Uganda has played a major role in shaping Government policy for poverty reduction. This was in large part because of conscious efforts to learn from the limited success of 'first generation' PPAs (including those in Ghana, Mozambique and Tanzania) in influencing expenditure planning and execution. The first PPAs were driven by a donor desire to broaden and deepen their understanding of poverty at a national level, while the second generation placed more emphasis upon using the PPA process and findings to generate broad national ownership of and commitment to poverty reduction policies. Thus in Tanzania, the PPA exercise was initially used to inform dialogue with the IFIs, and helped to establish the legitimacy of participatory methods; but the final PPA report, which was delayed by 18 months, was not very widely distributed, and is not routinely used in policy-making. Government documents make little reference to the report. Similarly, the 1995/6 PPA in Mozambique has been largely ignored by policy-makers. This is in part because of a general preference within Government for 'objective' quantitative data (especially when the data is required to make a politically contentious point), and partly because Government (and particularly MPF) was closely involved in managing quantitative exercises such as the 1996/7 Household Survey, but only marginally involved in the PPA. The 1994 PPA in Ghana suffered from similar ownership problems. Uganda was successful because it was not just a donor-driven 'exercise', but had strong institutional roots in the MFPED, where the UPPAP 'project' reinforced the permanent capacity to advise the Ministry on poverty issues, drawing on a range of sources and methodological approaches.

A formal PPA is not the only tool by which the Government can solicit the perspectives and preferences of the poor during policy design and budget preparation. While the 1994 PPA in Ghana was not widely disseminated and had little direct influence on policy, civil society organisations involved in the PPA developed a capacity for engaging in policy-oriented research and advocacy using participatory methods. The popularity of participatory research in the NGO sector in Ghana has gradually resulted in the adoption of these methods in Government planning exercises and policy debates (as seen in health sector reform and, with reservations, in the evolution of the GPRS). In a similar vein, while Malawi has not conducted a PPA exercise, the post-Banda government has actively involved CSOs (and, to a lesser extent, the general public) through consultation meetings at a national and sub-national level, particularly in the preparation of sector programmes and in pre-budget consultations for the 2000/01 budget.

However, while it is possible to collect information on the priorities and problems of the poor without a PPA, it does seem that the opinions of the poor are more likely be reflected in policy if they are garnered in a systematic way rather than on an *ad hoc* basis. In Malawi NGOs have begun to complain of 'excessive unfocused consultation', noting that 'consultation does not necessarily involve participation in decision-making'. Carefully designed with both technical and institutional considerations in mind, a PPA can be a powerful tool for improving the poverty focus of public expenditure.

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5 For a discussion of PPAs in general, and of the influence of the Ugandan UPPAP on policy in particular, see Norton *et al* 2001.

3. Changing Expenditure Patterns: MTEFs and Poverty

In the early 1990s patterns of public expenditure in the five case study countries were, in common with much of the developing world, both inefficient and regressive. Governments were typically involved in too many activities, some of which should have been allocated to the private sector. As a result, most activities were not funded or managed at levels which would have enabled them to be effective. Budgets were rarely, if ever, subject to fundamental revision, based either on evidence of relative effectiveness of different categories of spending, or on attempts to relate resource allocation to Government objectives. Rather, the annual budget process was largely incremental in nature, with any expansion in the total budget spread evenly across all spending categories. Inter-annual variation in sectoral or geographical patterns of spending was driven mainly by the ebb and flow of donor project aid rather than by a systematic effort to align expenditure with policy objectives. While state services were of generally poor quality, the non-poor enjoyed better access to those services that did exist, and to the better services (e.g. to hospitals in urban areas). In summary, public spending was often ineffective, and disproportionately benefited the non-poor.

There was thus a pressing need to fundamentally change the pattern of public expenditure and the process by which this was determined, and to combine this with reforms which would improve the effectiveness of government spending, particularly in activities identified as crucial for poverty reduction. Public expenditure reviews tried to identify the needed changes, but were ignored because they were not linked to the budget process. The MTEF, by contrast, is a tool that can be consciously used to shift spending priorities, and the approach is currently used in each of the case study countries, though the results differ. A key objective of the research was to understand why, and the implications for poverty reduction.

The premise of an MTEF is that the annual budget cycle is too short a period for shifting spending patterns. The budget for the coming year is often fully committed before the year starts, and there is little room for shifting priorities. The MTEF, on the other hand, sets out estimates of the resources available for public expenditure over the next several years (normally three years), together with indicative plans for allocating those resources between competing priorities. The medium-term perspective enables departments to plan; those departments with high priority programmes can plan their expansion, recruiting the staff and setting in place the management arrangements to achieve the objectives. Those departments expected to find savings can plan an orderly withdrawal from activities now judged to represent a low priority for Government funds.

Box 5 sets out key factors for a successful MTEF, based on the case studies. This can be seen as an idealised model of optimum conditions for a successful MTEF. Of the five countries examined in the course of this research project, only Uganda meets most of these conditions. There is a danger that identifying these conditions for success in this manner implies that an MTEF is not appropriate or feasible when they are not all met. That is not our intention. It is better to see a fully functional MTEF as a goal, and to implement, in an incremental manner, reforms that establish the conditions for such a framework. In this light, the following sections will look at the experience of our case study countries in terms of each of these criteria.

Box 5: When is an MTEF Effective?

Our case studies serve to confirm that the a MTEF is most effective where there is:

- Clarity on the objectives and priorities of Government policy, and on criteria for public expenditure.
- Realistic forecasting of the resources available for allocation, communicated in a timely fashion to those required to manage them.
- Planning and analysis directly linked to the allocation of resources.
- Clear and appropriate guidance to departments on how their budget proposals should be prepared, requiring them to show how their expenditure proposals contribute to strategic Government objectives.
- Discretion for departments to make choices.
- Capacity and incentives within departments to prepare realistic and appropriate expenditure proposals, informed by evidence and analysis.
- An effective ‘challenge’ function, linking budget allocations to assessment of departmental expenditure proposals for their compliance with Government policies and priorities.
- A reasonable correspondence between the priorities of the budget and the MTEF and the resources actually released to departments.
- A capacity to monitor the extent to which the actual pattern of expenditures within departments reflects the priorities set out in their budget proposals.

3.1 Clarity of objectives and priorities

The demand for public expenditure in our case study countries greatly exceeds the funds available, and the key task facing Governments is to decide where they should focus the limited resources available to them. The years of structural adjustment saw each of our case study countries withdrawing, to a greater or lesser extent, from activities that could be undertaken by the private sector, and trying to focus limited Government resources on carrying out a core set of activities as effectively as possible.

Countries varied in the extent to which the re-thinking of the role of Government received explicit expression in criteria for defining when public expenditure would be appropriate. Uganda, as part of the Poverty Eradication Action Plan (PEAP), has identified some explicit principles;

- The public sector’s role is to intervene in areas where markets function poorly or would produce very inequitable outcomes.
- Where the public sector intervenes, it should use the most cost-effective methods, including the use of NGOs, for service delivery where appropriate.
- Poverty-eradication is a partnership, and should involve the closest possible integration of the efforts of government with its development partners.
- All government policies should reflect the importance of distributional considerations, of gender, of children’s rights, and of environmental impacts.
- Each area of public action will be guided by the formulation of desired outcomes, and the design of inputs and outputs to promote them.

Though simple, these criteria have proved helpful in Uganda in providing an explicit basis for questioning the justification for expenditure proposals. For example, the agriculture share of the budget was held down until the Government had developed a Plan for the Modernisation of Agriculture (PMA) with a clear rationale based on market failure and distributional objectives. Health spending has been radically re-directed towards primary services, based on the inequity of spending a large percentage of the budget on tertiary hospitals. Donor flows have been brought within sector programmes.

The Uganda Poverty Eradication Action Plan (PEAP) has gone further in prioritising poverty reduction as the over-riding objective of Government policy. Uganda identified for special treatment those categories of expenditure that specifically benefit the poor, and planned and executed a doubling of their share of the budget, while also protecting them from in-year budget cuts. The mechanism for achieving this has been the Poverty Action Fund (PAF).

The PAF is not a separate fund, but is simply a mechanism for ring-fencing certain categories of spending within the budget. The baseline level of spending in 1997/98 was defined, and debt relief plus donor and Government monies have been allocated to finance increases in PAF expenditure programmes above the 1997/98 baseline level. Monies once committed to the PAF cannot be used for other purposes, and budgeted amounts are guaranteed to be released in full. The Uganda MTEF sets out forward targets for the share of the overall budget to be spent on the PAF, and for the PAF share of the budgets of individual Departments.

To begin with, Uganda based the classification of spending programmes to be protected in the PAF on *a priori* reasoning and on priorities expressed by the poor themselves, and came up with a list that is remarkably similar to the poverty priorities identified in other case study countries. The list comprises primary education, an essential package of primary and preventive health services, safe drinking water and sanitation, rural feeder roads, some agricultural services, and some monitoring expenditures. Uganda has subsequently issued some more explicit criteria that must be met before expenditures are given the protection of the PAF (see Box 6).

Box 6: Eligibility criteria for the Uganda Poverty Action Fund

For an intervention to qualify as a PAF programme it must meet all of the following four criteria:

- It is in the Poverty Eradication Action Plan.
- It is directly poverty reducing (raising incomes or improving the quality of life of the poor).
- It is delivering a service to the poor (it addresses the needs of the poorest 20%, and is accessible to them recognising barriers of e.g. cost)
- There is a well developed plan for the programme (a costed strategy with clear monitorable targets)

Tanzania has adopted a broadly similar approach. Since 1996, spending on sectors identified in national policy documents as poverty priorities (health, water, education, agriculture and rural infrastructure) has been protected and increased in the short to medium term. While this is in part due to a rise in grant aid to these sectors, it also reflects Government’s commitment of core resources to these priorities. Ghana has also sought to identify the share of the budget allocated to poverty expenditures, though the spending categories are not rigorously defined, and the poverty categories have no special status within the budget management process. In Malawi the creation of a virtual poverty fund comprising thirteen poverty priority expenditures was recommended in the

PRSP 'Findings to date', published in May 2001; this was not, however, adopted in the 2001/02 budget.

The definition of what constitutes a poverty reduction expenditure will always be contentious. In most of the five countries we examined, the focus of the criteria is on direct benefits to the poor. This is clearly the case with regard to Uganda's PAF criteria, for example. It could be argued, quite reasonably, that spending that supports economic growth is just as important as expenditures that more directly benefit the poor, because it will help to generate the economic growth and revenue that is important for improving livelihoods and maintaining services into the future. However, balancing growth and revenue-enhancing public expenditures against directly targeted poverty reduction expenditures needs to be seen in historical context. In all five countries, the case for identifying, increasing, and protecting direct spending on the poor is to overcome neglect in the past, when investments in tertiary services (primarily of benefit to the non-poor) and (largely ineffective) productive activities dominated the national budget.

Even after the doubling in the share of PAF spending in Uganda, for example, it still accounts for only one third of public spending, and the growth of PAF has not prevented increases in non-PAF priorities such as the main roads programme. Officials interviewed felt that PAF had protected poverty spending from being squeezed by expenditure on State House or defence, though they acknowledged that one consequence was that some important programmes not protected by the PAF, including secondary education, had suffered from greater budget uncertainty. In Tanzania, too, dramatic increases in p.c. spending on health and education (by 29% and 57% respectively between 1986 and 1996) have been achieved, but remain very low in absolute terms and as a proportion of GDP, and still relatively low as a proportion of total public spending.

3.2 The integration of planning and budgeting functions

Public expenditure needs to be prioritised to fit within the available resources. In that context, Uganda has benefited from a combined Ministry of Finance, Planning and Economic Development. This powerful ministry has ensured that the priorities that emerged from the PEAP were reflected in the proposed allocations of the MTEF, with a clear commitment to achieve a significant shift in spending priorities towards PAF programmes.

In Ghana, planning and finance are split, and the weak National Development Planning Commission (NDPC) has been unable to secure the necessary engagement of Finance and line ministries. Planning documents have lacked realism, and have had little influence on expenditure priorities. The five-year plan was not costed, and provided no real guidance on expenditure priorities. This lacuna was not filled by the finance ministry, which lacked the capacity to provide strategic analysis of spending priorities, and did not see this as its function. Attention turned instead to a more technocratic bottom-up approach to the MTEF, lacking a strategic resource allocation focus.

A similar situation prevailed in Mozambique at the start of the 1990s; consolidated resource planning and the development of functional linkages between budgeting and planning were hampered by the administrative separation of the National Planning Commission (responsible for investment programming) and the Ministry of Finance (responsible for recurrent budgeting and overall financial management). The consolidation of planning and finance roles through the creation of the Ministry of Planning and Finance in 1994 was thus one of the key early reforms. However, achieving a more appropriate institutional structure in this manner is more of a process than an event: in Mozambique the functional integration of the pre-1994 institutions has been slow, with the internal structure and personnel arrangements of the new Ministry only approved in 1997.

Responsibility for planning and financial management instruments continues to be divided between separate departments within MPF.

A strong Ministry of Finance is needed to provide guidance to line ministries on how to relate their plans to budgets. In Ghana and Malawi, the MTEF has developed as a methodology for Departments to prepare medium term expenditure proposals, based on a bottom-up approach to activity-based costing. Finance has not provided clear guidance on how priorities should shift either between sectors, or within sectors.

3.3 Realistic resource forecasting

If the revenue forecasts are not realistic, the whole MTEF process is undermined. In Ghana, too optimistic a view of the funds available in the first year of the MTEF resulted in budgets that could not be implemented, with the cuts falling on new programmes and on the non-salary budget, reducing the effectiveness of expenditure. At the same time, a pessimistic bias in the forecasts for the outer years of the MTEF meant that departments could not plan ahead for how additional resources would be used. Neither the annual budget, nor the MTEF, had credibility with departments, and the budget process was not taken seriously. Similar problems were experienced in Malawi and in Tanzania.

The MTEF needs to be based on a realistic forecast of the discretionary resources available, i.e. that portion of revenues which is left for allocation after taking account of statutory obligations such as debt service. A number of biases have been found:

- For domestic tax revenues, the tax authority will often be set targets to increase revenues by efficiency improvements. Uganda and Ghana have both faced revenue shortfalls when these targets were not met. Uganda has now decided to separate the targets set for the revenue authority, from the revenues assumed for budget purposes. The revenue assumptions in the budget will not include efficiency improvements until there is clear evidence, from actual collections, that they are being achieved.
- For foreign aid, donors usually over-estimate likely spending in the current year, but their pipeline forecasts usually include only firm commitments, and will tend to lead to under-estimates of likely spending. Ghana has as a consequence tended to adopt over-optimistic assumptions of donor flows in the current year, while assuming a drastic reduction in the outer years of the MTEF. Uganda adjusts current year donor figures by donor specific ratios, reflecting past experience in turning commitments into disbursements. For the outer years, a number of approaches are used. Donors are asked to provide longer-term commitments of budget support, but where they are unable to do so, Government seeks informal and non-attributable indications on which to base future assumptions. Frequent communication is needed to ensure that the best possible estimates of future trends are reflected in the figures.
- The non-discretionary part of the budget is especially sensitive to macro-economic management. The debt service burden can increase sharply if the exchange rate declines or if domestic borrowing and inflation put upward pressure on domestic interest rates. Successive Ghana elections have been accompanied by loss of fiscal control and a ratcheting up of interest rates and the debt service burden, squeezing the resources available for allocation.

There are good arguments for erring on the side of caution, keeping some resources back for contingencies, to meet unexpected pressures on the budget. In countries with poor growth prospects, the scope for achieving the desired change in priorities may be limited (though the case for attempting radical change will be stronger). Nevertheless, if MTEF ceilings are too pessimistic, Departments may feel that their future budgets are already fully committed, and may fail to prepare timely plans for making good use of the growing resources that do in the end become available. In both Ghana and Malawi, weak forecasting meant that the MTEF assumed diminishing real per capita resources available for allocation, limiting the scope for significant change. In Uganda, the forecasts assumed a realistic growth in domestic resources that left scope for meeting existing commitments while allowing room for significant shifts in priorities.

3.4 Clear guidance to departments on budget preparation

The Uganda approach has focused on requiring each department to develop a clear strategy and expenditure programme, making clear how the proposed use of resources contributes to the objectives of the PEAP, and is consistent with the criteria for Government involvement. The trend has been towards developing a relatively small number of high level, monitorable objectives. For example, the education sector has defined just three for primary education; class size, pupil teacher ratio, and pupil:book ratio. The aim of the MTEF budget presentation is to elucidate how the pattern of expenditure is planned to change, showing the major shifts between sectors, and within major sectoral programmes – for example the growth in the spending categories defined under the PAF. The presentation enables trends in the level and share of spending on programmes such as primary education to be identified.

The bottom-up, activity-based budget approach used in Malawi and Ghana has resulted in enormously detailed MTEF documents, with large numbers of objectives and activities being separately costed. In decentralised sectors especially, the budget bids have proved difficult to aggregate, difficult and time consuming to revise, and difficult to summarise in a way that gives any clear picture of how resources are allocated in terms of strategic priorities. The enormous effort required to produce these detailed documents strikes us as disproportionate to the potential benefits of the approach. Our view is that the Uganda approach of focusing effort on reviewing sector proposals in terms of strategic priorities makes far more sense as a starting point for moving towards medium term budget planning.

The point is reinforced in situations where problems of macro-economic management mean that the resource estimates change radically during the course of the budget year. Sector ceilings will typically be approved by Cabinet and communicated to departments at least 6 months before the start of the budget year, but they will normally require subsequent revision, requiring departments to adjust their budget bids, or (more likely) have them adjusted for them by the Ministry of Finance. Departments asked to devote effort to producing detailed activity-based budgets become increasingly cynical when the budget has to be radically revised to fit within a changed resource envelope. In principle, the activity-based budget is supposed to provide a straightforward means to prioritise the budget when resources are reduced, dropping the lower priority activities. In practice, things are not that simple, since the budget is not actually allocated and controlled on an activity basis, but is allocated geographically, by line item (e.g. stationary, fuel), and by the spending unit (e.g. a specific district health authority).

3.5 Discretion for Departments to make choices

Departments will take the MTEF process less seriously if they have little choice in practice over how funds are used. In all of our case study countries, salaries dominate recurrent costs, but decisions on recruitment and pay are taken centrally and departments have little influence. A significant share of other funding may be tied up in donor conditionalities. There are perceived to be problems in delegating manpower decisions to Departments, given a past history of patronage-based over-employment of poorly qualified staff. Nevertheless, the need to provide incentives for giving up redundant staff and for providing more flexibility to retain staff is recognised. Uganda has encouraged departments to comment on trade-offs between staff and non-staff budgets in their budget bids as one way to open up debate without entirely abandoning central control.

3.6 Capacity and incentives to produce realistic budget bids

A critical problem of the activity-based budget approach is that countries prepare budgets based on activities, but at present are only able to report actual expenditures in terms of line items and spending units. Once funds are allocated, spending units can in principle spend them on a wholly different set of activities. This may eventually change as expenditure-monitoring systems are improved, but at present none of the countries are able to compare the budgeted resources for activities with actual expenditure outturns.

The incentive to produce a realistic budget bid is also undermined where actual budget releases bear little relationship to the approved budget. In Malawi, the problem has been an undisciplined approach by the Cabinet, which has approved supplementary budget bids on a piecemeal basis. These have eaten up resources needed to fund the approved budget, squeezing out core budget spending. The supplementaries have been approved for spending on items such as overseas travel, fuelling cynicism that there is a major divergence between the stated priorities of the Government, and the actual priorities revealed by Government behaviour. In Tanzania and Ghana, patterns of expenditure have been determined more by the availability of cash than by the approved budgets.

The capacity to produce a realistic strategy and expenditure programme has been enhanced in cases where Government has co-opted donor representatives and technical resources to help with the process. The sector working groups in Uganda and Tanzania draw on donor resources in preparing and defending budget bids. Donor expenditures in the sector are also increasingly being co-ordinated with Government as part of a single sector strategy, and an increasing share is being provided as budget support. This joint planning process, involving Government and donor partners, works well where there is reasonable consensus on the priorities in the sector. Where there is a sector wide approach, the preparation and review process for the sector programmes can be integrated with the budget process, as both Uganda and Tanzania attempt to do.

3.7 Challenge function

Achieving a change in priorities requires a clear identification of the expenditure programmes to which Government wishes to give increased emphasis, and a process to make this effective. The model that most MTEFs implicitly assume is one in which there is an iterative relationship. Ministry of Finance advises departments of Government strategic priorities when inviting budget proposals, and gives them indicative ceilings, which may indicate programmes expected to increase and which to fall. Departments are invited to set out their budget proposals and bids, showing how they contribute to Government priority objectives. Ministry of Finance reviews the proposals with the departments, and makes recommendations to the Cabinet for approval. There may be more than one iteration, but the final position is preparation by the Ministry of Finance of the budget estimates for approval by the Cabinet and Parliament, possibly including the indicative ceilings for the outer years of the MTEF.

This process is only effective where the Ministry of Finance has the capacity to question budget bids, and the authority to propose modifications. In Uganda, both the capacity and the authority have been given to MFPED, and there is an annual process of reviewing budget proposals that is remarkably open, involving donors as well as civil society. The Cabinet approves budget ceilings based on MFPED advice, with MFPED submitting information on unfunded bids for the Cabinet's decision on priorities. A key point is that discussions in the Cabinet on expenditure proposals are taken as part of a disciplined budget process, respecting the need to keep within an overall resource envelope, and to make choices. The protection afforded by the PAF has also helped to preserve strategic priorities from cuts.

An effective challenge function is built on clear priorities and criteria agreed by Government for judging proposals, and on a technical budget process that requires departments to present justification for their bids in terms of how they contribute to Government policy objectives. This needs to be at the strategic level; it is not the same as the more bottom-up approach to activity costing adopted in Ghana, which presents a forest of detail, but obscures the main messages on where the overall department spending programmes are going, and why. It requires good technical support to sectors in preparing their budget proposals. In sectors where there is good co-operation with donors, perhaps around a sector wide approach, co-opting skilled donor staff onto budget working groups, or calling on donors to finance technical studies in support, can be helpful. Equally important, the central planning and budget authorities need the capacity to be effective in seeking clarification of the rationale for budget bids. Uganda has made effective use of a specific poverty working group to focus on the poverty rationale, both questioning departments and helping them to tighten their focus, with the prospect of access to the protections of the PAF as one means to give them the incentive to comply.

The challenge function is built on political support for sound budget management and evidence based policy. Where this is present, as in Uganda, the challenge is effective. Where it is missing, as in Malawi, the role of the Ministry of Finance is undermined.

3.8 Ensuring actual expenditures reflect MTEF and budget priorities

The credibility of the Ministry of Finance-led process of prioritisation and of the central challenge function depends on Government itself respecting the limits of available resources, and adhering to its own stated priorities. If Ministries feel that other departments are able to circumvent the rules, or that they themselves may receive additional funds by lobbying outside the formal budget process, then the whole process of prioritisation can be undermined, as several of our case studies illustrate.

Box 7: Circumventing the Budget, Undermining Priorities

In Malawi, the Ministry of Finance has well qualified staff with the technical capacity to perform the challenge function role, and stated priorities are strongly in favour of poverty reduction. However, the Cabinet's willingness to approve *ad hoc* requests for supplementary expenditures has undermined the role that the Ministry of Finance might have played in advising on spending priorities. The Ministry of Finance have become discouraged, and simply pass on requests for supplementaries without comment, and without reference to the resource envelope and the opportunity cost.

In Ghana under the previous Government, the Cabinet also demonstrated poor discipline. Less than 40% of Cabinet decisions were implemented, mainly for lack of financial resources. Unrealistic resource estimates and failure to control commitments undermined the budget process, with the authority to spend determined not by the approved budget but by cash releases during the budget year.

In situations where the budget is effectively re-made during the course of the year as a result of quarterly budget releases, the Government risks losing control of spending priorities unless specific action is taken to ensure that the pattern of releases is in line with priorities. Ghana is introducing a system based on quarterly forecasting of revenues, and submissions to the Cabinet setting out the resources available, and seeking political decisions on priorities for allocating them. This is a second-best solution to cope with short-term fiscal crisis, but the key principle of the Government identifying the resources available and allocating them between competing priorities can be extended to the annual budget and the MTEF once more stable macro-economic conditions are restored.

Donors can also seriously undermine the budget process. The hard budget constraint may be evaded if departments are able to obtain additional funding from donors for ‘projects’, which often cover recurrent funding as well as capital funds. This reduces the pressures for change by enabling Government procedures to be bypassed. In addition, donors often provide inadequate information on their project commitments and disbursements, making it difficult for Government to know what the sectoral and geographical distribution of total public spending is, including Government and donor funds. If donors are also moving from project to sector or general budget support, it becomes difficult to know the full implications of any resource shifts. Figures compiled for Uganda show that the pattern of public expenditure including donor flows is quite different from the pattern without. Hence, an apparent increase in spending on the health sector, for example, appears to mainly reflect donor funding being captured for the first time within the budget.

Donor willingness to endorse the priorities of the MTEF with additional budget funding can help to reinforce the role of those in Government who are arguing for a more disciplined approach to budget allocation. This seems to have been an important factor in Uganda, bolstered by the PAF, as one way to place a safety-net beneath poverty expenditures. Though donors are right to be sceptical of the effectiveness of conditionality on Governments with different priorities, the combination of policy dialogue, undertakings on agreed priorities, and some earmarking to programmes in most danger of suffering expenditure cuts, can be effective. At the very least, many of our interviewees in the Ministries of Finance felt that donors can usefully reinforce the attention that Government gives to ensuring that policy priorities are preserved.

Donor eagerness to influence budget priorities is not always matched by their willingness to put funding through the Government budget systems. Although some donors have procedural constraints preventing them from providing budget support, the binding constraint is often donor fears regarding weak accountability for funds. This is clearly seen in Ghana, where good financial accountability in the health sector has seen a rising share of health aid provided through Government systems, though donors have been reluctant to provide significant budget support to other sectors.

The political process may undermine prioritisation. If the Cabinet behaves competitively, and conflicts over competing budget bids can not be amicably resolved, the risk is of undisciplined over-spending, or of all programmes being impeded by tight cash ceilings. There is little that can be done technically to resolve this, though the Ministry of Finance may be able to ensure that the Cabinet are fully aware of the consequences of their decisions. There might be scope for more general awareness-raising for the Cabinet and Parliament based on exposure to practice in other countries.

Nevertheless, there are important technical underpinnings that are essential for an effective annual budget process and a realistic MTEF. Box 8 summarises common technical problems that have undermined the budget process in the case study countries.

Box 8: Technical Problems Undermining the Budget Process

- *Lack of timeliness.* The budget calendar is frequently allowed to slip, resulting in the budget being presented in Parliament after the start of the budget year, and causing budget releases to be delayed. This causes delays and interruptions in the business of Government, reducing output and leading to underspending on programmes such as road maintenance, where contracts have to be let. Interim arrangements may be in place to mitigate the effects, as in Ghana, to enable Departments to draw the first two quarters at the same level as the previous year pending approval of the budget.
- *Unrealistic or changing revenue estimates.* Good in-house macroeconomic analytical capacity, allied to presentation skills for explaining the implications to Cabinet, can facilitate the adoption of realistic forecasting assumptions on revenue and inflation. This must be combined with regular dialogue with the IMF during budget preparation, to avoid the disruptions caused when the IMF call for major revisions late in the budget preparation process.
- *Poor cash forecasting.* In negotiating benchmarks and targets for monetary ceilings such as Government net borrowing from the banking system, a realistic assessment of the timing of receipts and of payments is critical. The ceilings can and should be adjusted to reflect the anticipated seasonal pattern of receipts and payments, and automatic stabilisers are normally included to offset changes in the timing of offshore receipts. Where cash forecasting is weak, as in Tanzania in the 1990s, the budget has been managed by basing cash releases on revenues already collected, a practice that inevitably results in a stop-go pattern of budget releases that undermines implementation.
- *Inability to prevent expenditure commitments from exceeding authorised limits on cash outlays*. Budget managers should not enter into new expenditure commitments which, taken together with commitments entered into in previous periods, will cause actual expenditures to exceed their annual budget allocations – or, if cash is released quarterly, the cash they have available for making payments during the quarter. This requires a system of expenditure forecasting and commitment control, since contracts with suppliers may call for payments extending across several quarters or even years. If payments falling due exceed authorised limits arrears of payments accumulate. Poor cash management at the centre can also cause arrears. In 2000 Ghana’s Treasury was, for lack of funds, unable to honour bills that departments had legitimately incurred from authorised budgets, causing delays in payment. Arrears bring adverse macroeconomic, public expenditure strategy and public procurement effects. First, arrears constitute a claim on resources available in future budgetary periods, and are a potential threat to future fiscal balance. Second, an accumulation of inherited payments commitments limit the scope for implementing planned shifts in expenditure priorities. Third, suppliers to government organisations and agencies, anticipating indeterminate delays in payment resulting from over-commitment or unpredictable and delayed budget releases, increase their prices. IMF technical assistance to Uganda achieved a very significant reduction in arrears by introducing a simple system to ensure that commitments can only be incurred to the level of the available funding.

3.9 Incentives for implementing the approved budget

In Ghana and Malawi budget preparation is based around costed activities, but actual expenditure can only be reported in terms of the budget centre doing the spending, and line item classifications that identify the type of spending (e.g. stationery or fuel), not the specific activity for which it was to be used. The inability to link the classification of activities in the budget with actual expenditure reduces the incentive for departments to take the budget as anything more serious than a device for getting funds approved. This is reinforced if there is no serious process of review of budget performance, in terms that seek to relate outputs to the funds disbursed. Given the weaknesses of financial accountability, a review of performance, in terms of what was achieved with the funds, is an important safeguard for showing that money is not being wasted. Where the overall budget process does not include an effective challenge function, the annual review process within sector wide approaches can achieve a similar function at sector level. The main limitation is that the accountability runs, in large part, towards external donors rather than domestic civil society and Parliament.

In giving departments an incentive to take budgeting seriously, one of the most important features is to build a track record of good budget management, with fund releases broadly in line with the approved budget.

4. Improving the Effectiveness of Pro-Poor Spending

Allocating a more pro-poor budget is only the first stage in making government expenditure a tool of poverty reduction. Each of our case study countries has also attempted to raise the effectiveness of public expenditure, so that the resources allocated to poverty reduction activities have greater impact. This touches on numerous other aspects of public administration, including the management of scarce human resources, control of corruption, and the development of administrative structures and systems which are responsive to both variations in need and evidence of performance.

Ghana recognised the need to co-ordinate the various elements of public sector reform. Both the civil service performance improvement programme (CSPIP) and the MTEF involved departments reviewing the scope of their activities against their objectives. Initially, the two processes were separate. Because they were not linked to the budget or confined by a budget ceiling, CSPIP reviews of departments tended to be weak in addressing the need to prioritise by dropping low priority functions, and cutting the staff and budget associated with them. An attempt has subsequently been made to co-ordinate the various public sector reform initiatives under a national institutional renewal programme. This clearly makes sense, but has not worked very effectively for lack of committed political leadership able to over-ride inter-departmental jealousies or turf wars, and due to the sheer scope of the reform agenda.

Uganda is similarly attempting to co-ordinate a difficult set of public sector reforms, this time spurred by the policy dialogue and undertakings made in return for the Poverty Reduction Support Credit. This World Bank credit is parallel-financed by major grants from other donors, so the potential costs of not pushing ahead with public sector reform could be serious for Uganda. The regular reviews of the PRSC should help to focus MFPED attention on ensuring that the reform process is given priority. Whether this happens in reality depends mainly on Government commitment and capacity, though it will also be influenced by the perceived risk of donor sanctions if Government does not implement the necessary reforms aimed at improving public sector performance.

4.1 Controlling corruption

Corruption is an important issue in several of our case study countries. National anti-corruption action plans have been approved in Uganda, and the new Government in Ghana have committed themselves to policies of zero tolerance. It is difficult to assess success in this field, but some general observations can be made and some interesting innovations identified.

Detecting and publicising instances of corruption can be approached in a number of ways. Reports by the Auditor General (AG) can be important in exposing corruption – particularly when they are timely, and where there is a mandatory requirement for follow-up. In Uganda, for example, a Treasury Memorandum has to be prepared setting out Government responses to points made in the AG's reports. Progress reports describe what action has been taken to follow up recommendations in audit reports. It is mandatory to refer suspected cases of fraud to the Inspector General or to the police.

Several countries require leaders to declare their assets and commercial interests. There are however a number of problems with existing practice. Asset declarations need to be open for public inspection, and need to cover family members as well as the individual politician.

Involving civil society, business and government employees in monitoring the probity of PEM can be an effective, and often cost-efficient, complement to official, institutional anti-corruption measures. The media have played a major role in exposing high-level, large-scale corruption, obliging Parliament and ultimately Government to act, but tend to be less effective in addressing routine low-level corruption which typically has a more direct impact on the poor. Civil society involvement in lobbying and drawing attention to cases of corruption has raised awareness, and helped make corruption an election issue in several countries, including Ghana and Uganda (where NGOs are involved in monitoring the use of PAF funds, and are encouraged to draw attention to abuses).

Uganda uses a range of approaches to help the public hold officials and local Government politicians to account. Information is widely publicised, with local FM radio and newspapers used to announce what funds have been released to local Government and what they are to be used for. This is extended down to requiring notices to be posted on schools giving details of monies received and staff employed, to enable the public to question illegitimate spending or ghost workers. 'Whistleblower protection' is also under discussion in some countries, to ensure that employees who report corruption are not penalised, though opinions differ on whether this can be made effective.

Collecting information on the extent and nature of corrupt practices is an important input to the design of anti-corruption measures. Tanzania and Uganda have used tracking studies to follow funds through to final destination on a sample basis. In Uganda, the finding that only a fraction of funds reached their intended destination was the main factor behind the decision to make grants to local Government far more conditional as to use and subject to stricter reporting and monitoring. Surveys of general public and business opinion regarding the experience of corruption provides useful information for benchmarking the extent of the problem in different arms of Government, with repeat surveys potentially able to detect significant shifts in behaviour. Information from participatory appraisals can help to identify aspects of the Government organisation that facilitate corruption. For example, in Ghana health, the PPA recommended that payments should be centralised in a single point in the facility, properly recorded and receipted, and with charges prominently displayed. These recommendations have in principle been accepted, though there are still some examples of bad practice.

For anti-corruption policies to be credible and thus effective it is essential that information is acted on once obtained. Formal prosecution needs to address corruption by senior figures in order to set the right example, and the punishment needs to provide a realistic disincentive. Uganda has a provision for fines related to the value of the corrupt gains, but the provision is limited to the specific case under investigation, even when the assets held by the accused can only be accounted for by a long history of corrupt activity. Prosecution of corruption is often handicapped by the difficulty of proving cases, the backlog of cases clogging the courts, and by corruption within the police and judiciary – found in surveys in Ghana and Uganda to be the two branches of Government that are often the most corrupt. Reform of the criminal justice system may therefore be a necessary but not a sufficient condition.

Parliament can play a vital role in controlling high level corruption. The Public Accounts Committee (PAC) discusses the Auditor General's reports, and can recommend that Parliament pass a vote of censure on Ministers who have presided over corruption or mismanagement. In Uganda, Parliament has had a number of successes in forcing the resignation of Ministers, and criminal proceedings or sacking of senior officials.

Many different bodies are involved in the fight against corruption. Both Ghana and Uganda have attempted to co-ordinate by introducing an overall anti-corruption action plan that, in the case of

Uganda, is co-ordinated by a specific anti-corruption Minister. Making co-ordination effective has nevertheless proved difficult.

4.2 Salaries and performance management

Evidence from the case studies confirmed that low public sector wages create a number of perverse effects. Failure to pay a living wage contributes to petty corruption; the proliferation of non-salary remuneration as a device used by line managers to retain staff in the absence of decent wages; absenteeism; and difficulties in recruiting or motivating public sector staff. Skilled staff such as teachers, medical staff and accountants are especially difficult to retain, and the rural areas where most of the poor live suffer particularly badly from low staffing levels. The consequences of low public sector pay, in terms of the cost, accessibility and quality of public services, are thus felt most acutely by the poor. A pay policy that enables Government to recruit, retain, and motivate staff with necessary skills is a precondition for achieving improved public sector performance and reducing corruption.

Each of the five countries studied has combined across-the-board pay rises with efforts to decompress the salary scale. Managing this combination is hard, and failure to find the right balance politically led to strikes in Malawi. None of the countries has yet succeeded in resolving the issue satisfactorily. In most of the five, pay reform was explicitly intended to create incentives which would favour pro-poor staffing patterns (e.g. through salary and non-salary benefits for staff accepting rural postings).

In the 1990s, Uganda achieved some initial success with a public sector pay reform process based upon i) definition of a ‘living wage’ for different groups of public sector staff; ii) an explicit commitment to move public sector pay over time towards that required to purchase the basket of goods and services implied by each of these living wages; and iii) a clear statement that the rate of progress would be governed by growth of public revenues, and by success in achieving a significant reduction in civil service numbers. Although this approach has many positive features, the initial success was not sustained. The reduction in civil service numbers has been reversed as universal primary education and the growth of services delivered by local Government has required the recruitment of new teachers, local Government officials, and health workers. The Government came under pressure to make across-the-board increases in salaries, rather than abiding by the policy of raising the salaries of difficult-to-recruit professionals by more. None of the case study countries has succeeded in decompressing salary scales to the extent required. Even if the ‘living wage’ is achieved, it may not be sufficient to retain skills that are in demand in the private sector.

A number of innovative approaches are being tried in order to address the problems of rural staffing (see Box 9). However, many are still in the planning stage, and those implemented have yet to demonstrate a significant impact.

Box 9: Special Measures to Recruit and Retain Staff in Rural Areas

In Tanzania, it is proposed that District authorities will, under the Local Government Development Programme, have the freedom to set their own (higher) salaries for Government staff: It is not clear however that the Ministry of Education or the unions will accept this. Mozambique requires both technical and administrative staff to undertake a rural posting as part of the accreditation process. Mozambique also grants additional pension rights for a year of rural service. Promotion prospects in several countries are intended to give added weight to rural service. In addition to these promotion incentives, Ghana also plans to provide incentives in the form of housing, although it will need to co-ordinate cross-sectoral inputs if it is to address the low standards of rural amenities (e.g. water and power) which act as a significant deterrent to would-be rural staff. Other approaches have included making use of less well-qualified, locally recruited staff, but supervising them more intensively; and making more use of services organised on an outreach basis.

Important as it is, better pay alone is not enough to ensure that government employees will perform their jobs in ways that result in the pro-poor outcomes. This is evident in Uganda, where public sector health staff are now paid more than NGO staff, but are still judged to perform less well. Competitive salaries must be complemented with other measures to improve performance. Various approaches have been attempted, including performance contracts, improved supervision, the use of league tables and performance information to encourage peer pressure, and strengthened accountability both upwards and to users of public services.

There are a number of possible ways in which performance might be introduced into how staff are recruited, assigned, assessed and paid. In countries in which the public sector payroll has been over-expanded (in our sample, this would include every country apart from Mozambique), performance assessment has typically first arisen in basic form during attempts to reduce the total number of civil servants, as job evaluations have identified workers who are surplus to requirements and/or not qualified for the positions or salaries they hold.

Performance management, however, requires that staff assessment is made integral to the bureaucracy rather than merely a step during retrenchment. In Tanzania, Ghana and Malawi this process has started with the most senior levels of the civil service, but in Tanzania and Malawi it has never been expanded beyond this level. In Ghana under the CSPIP programme, this has taken the form of performance contracts. Each Departmental Minister has a performance ‘contract’ with the senior minister who heads the economic team. The contractual approach then cascades through the system, through the senior official (the Chief Director), who is accountable to the Minister, and hence to agency heads accountable to the Chief Director, and down ultimately to the individual contracts of employees. Mozambique has a similar approach, though the focus is on the highest levels of the system (the Permanent Secretary and deputies) rather than on (for example) teaching and medical staff, where the problems are acute. Uganda is also seeking to introduce a stronger performance element into the assessment of the performance of civil servants.

The most common problem with the approach is the lack of contract-based rewards and sanctions, allied to cynicism, given frequent interruptions in the availability of the necessary budget. Though measures such as enhanced promotion can and are being used, their effectiveness depends upon convincing staff that their performance will in fact affect their prospects. The tradition in most of these countries is of promotion being based on other considerations (loyalty and seniority, for example): problems are encountered when introducing merit-based approaches that involve promoting more junior staff over the heads of the experienced. A track record of decisions that reward merit and hard work will be needed before a new system can gain credibility with the staff it is intended to benefit and motivate.

There are also real difficulties in defining an appropriate performance standard in situations where normal standards of accountable behaviour may have broken down, and where interruptions in budgets and supplies may make it very difficult to assess what might count as reasonable performance.

The possibilities for improving the accountability of staff, and for providing meaningful incentives, may be greater where the communities being served have at least some influence over assessments. This is difficult, given the highly centralised civil service and payroll management in most of our countries. Tanzania is contemplating decentralising some recruitment and pay decisions to local Government, which could make it easier to provide locally appropriate incentives, though there are also dangers of patronage-based recruitment undermining the effectiveness of local government.

4.3 Evidence-based planning and performance management

Policy-makers and planners need to review how effectively Government expenditure meets the needs of the poor. They have drawn on a range of sources:

- A variety of surveys (of household expenditure, demographics and health, delivery of specific services, and core welfare indicators) collect a range of data on the coverage of Government services relative to other providers, consumer satisfaction and perspectives on Government services, and problems with access. Participatory assessments enable similar issues to be addressed in more detail, though not on such a representative scale. A range of approaches have been employed to build an overall picture that can be 'triangulated', checking findings from one survey against other sources.
- Tracking studies which reveal how monies are actually used, and how long they take to reach their destination, are also helpful, especially when expenditure data is weak (as in Mozambique) or cannot be trusted.
- Public expenditure review – specific analysis of how public expenditure is allocated and spent, and how effective it is in achieving results – was traditionally carried out by the World Bank on a periodic basis, often with limited Government involvement, with results arriving late, and timing not co-ordinated with the budget calendar. As a consequence, traditional PERs had little impact on Government decision-making. From 1998, Uganda and Tanzania both attempted to integrate the public expenditure review process within the annual budget cycle. The adopted approach relies on technical support to enable sector working groups to review the performance of the budget within their sector, and to use the results in preparing their future budget bids for the coming MTEF. Technical assistance from the donors, supports both the sector working groups, and the analysis of budget bids that takes place before the budget is finalised. However, the approach is most effective where there is capacity within the system. For example, in Uganda the poverty monitoring unit, in the MFPED, performs the lead role in analysis of the poverty content of public expenditure, and has excellent institutional memory of the work and analysis of poverty that has been undertaken. The challenge function has been both well informed and strategic, focusing on the major issues rather than the detail of budget presentation. In Ghana by contrast, the paucity of in-house capacity has meant that budget scrutiny has been focused on the detail of presentation, while poverty analysis has tended to be episodic and consultant-driven, and consequently less influential.

The use of technical assistance and co-opted donor support for the public expenditure review process has proved most effective where Government has a clear policy direction, and where there is good consensus with the main donors. It has worked well with MFPED in Uganda, and with Ghana health. It has been less effective where donors themselves disagree among themselves or with Government. This has been a characteristic of the agriculture sector in most countries, and has caused problems in education in Tanzania, and to a lesser extent health.

A major issue that has divided Government and donors, but where mounting evidence may be leading to a new consensus, concerns user fees. The evidence on the disincentive effects of charging for access to primary education by the poor has been overwhelming, dramatically illustrated by big increases in enrolments following the abolition of fees in Malawi and Uganda. Similar consequences have been found following user fee abolition or exemptions in a number of countries in the health sector, though the financing dilemma in health is more acute, and consensus on how to preserve access by the poor while focusing subsidies where they are needed has yet to be reached. Health and agriculture are two sectors where policy consensus remains elusive.

4.4 Decentralisation

In common with many others in the developing world, all five of the case study countries have experimented with forms of decentralisation over the course of the 1990s and early 2000s. In Tanzania, decentralisation is seen as critically important – even a precondition – for achieving Government's poverty reduction goals. This is based on the assumption that decentralisation brings government decision-making on priorities, plans and budgets closer to the intended beneficiaries, which should make it more responsive to the population, and hopefully to the poor. Citizens should be able to exert more effective pressure on government when decision-makers are physically accessible, rather than insulated by distance in the capital; and empowered local decision-makers should have access to information on local problems and opportunities which will allow them to tailor plans and budgets in a way that central government could not.

Reviews of decentralisation in practice, however, are somewhat equivocal in their judgements.[6] They typically conclude that there are no clear links between decentralisation and improved performance in terms of poverty reduction. This may be because local governments lack the capacity to plan, budget or spend effectively; or because decentralisation results in the loss of hard-won budget discipline, undermining attempts to ensure that expenditure follows a coherent policy and planning framework. At worst, decentralisation can empower local elites rather than the poor. The process of decentralisation clearly has short-term costs. More fundamentally, the experiences of Uganda and Tanzania both suggest that it would be facile to assume that decentralisation will necessarily benefit the poor: District-level Government in both cases diverted funds away from poverty-relevant expenditures, necessitating corrective actions, they themselves often having substantial costs.

This explains the unresolved tension – observed in all of our countries – between the stated policy favouring more decentralisation to local Government, and the desire by central ministries to ensure that local Government continues to implement national priorities. In Uganda, the early years of decentralisation witnessed a rise in administrative costs, large-scale diversion of drugs and other supplies for sale by staff, and attendant falling expenditure on service delivery. In response, the Government introduced conditional grants, each of which is specified for a particular category of expenditure. These allowed MFPED to re-establish control, ensuring that local-level spending followed national poverty reduction priorities. However, this has been achieved at the cost of a

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[6] Manor 2000; Johnson 2002.

multiple reporting burden, which has strained local Government capacity. While the level of accountability for procedural propriety is improved, accountability for results remains weak.

In light of experiences such as that of Uganda in the early years, there seems to be much in favour of an approach that moves decision-making as close as possible to the communities affected, so that local Government is local enough to be effectively accountable. Accountability can be strengthened through transparent provision of information to a more literate population, with established channels for complaint and redress (see also the following section). This bottom-up approach to improving performance should be more effective – and, interestingly, potentially cheaper – than the approaches based on centralised and highly prescriptive conditional grants. Two models from our case studies provide positive lessons (Box 10).

Box 10: Combining a Decentralised PEM with National Anti-poverty Priorities in Uganda and Ghana

The Uganda District Development Programme (DDP) established conditions for gaining access to development funds under the project, covering basic planning and accountability and participation, together with requiring some community financial contribution (an aspect that may risk introducing an anti-poor area bias). The initial conditions for access to funding are relatively modest, but the conditions that must be met are raised each year, providing an incentive for continuous improvement, with larger or smaller increases in funding depending on performance. Those local authorities not meeting the standard are provided with intensive capacity building support.

The health sector in Ghana adopted a similar approach to establishing 'readiness criteria' before a particular district could be approved for managing its own funding. In this case, however, the potential anti-poor bias of a negative assessment was avoided. Funds are provided in line with allocations, but districts that fail the assessment have their funds managed at regional level instead. The desire of Districts to manage their own funding has still proved a strong incentive, and all but a handful of budget management centres (over 400 of them) have qualified. Even more remarkably, Ghana's Ministry of Health is able to prepare audited accounts with a relatively favourable opinion. The experience shows that the need for good accountability need not preclude effective decentralisation of financial authority. A key aspect in Ghana was the involvement of the private sector in assessing compliance (which improved donor confidence in the early stages), and the provision of capacity building support.

The reconciliation of responsive local government planning and management with national prioritisation of poverty-reducing is likely to necessitate a combination of i) central support to building local government capacity and ii) grassroots monitoring of expenditure management.

Ensuring that sub-national levels of government use the funds they receive correctly and effectively is part of the challenge of decentralisation. Ensuring that adequate funds reach the lower levels of government is equally challenging. The lack of resources remains a key constraint on the decentralisation process in Tanzania, where the share of total recurrent expenditure going to regions and districts declined between 1996 and 1999.

There is also an important sense in which efforts to decentralise may counteract and be counter-acted by other processes of poverty-oriented administrative and PEM reform. In this research, as in other studies, many stakeholders perceived that the evolution of sector programmes hindered the implementation of an ongoing decentralisation process, or reversed some of the gains already made. While a SWAp may effectively delegate administrative functions, it may well undermine the autonomy of local government in planning and budgeting local services. The evidence from this research suggests that the relationship between decentralisation and sectoral programming is in fact mixed and more complex (Box 11). While some aspects of sector programme development do indeed (re)centralise budgetary authority in the line ministries, other parts of the sector analysis, policy-making and planning process open up important spaces for sub-national stakeholders to exercise influence, and the extra funds that are made available through sector programmes may significantly benefit sub-national levels of government.

Box 11: Do Sector Programmes Re-centralise?

In both Tanzania and Mozambique critics have charged sector programmes with having resulted in a (re)centralisation of decisions on planning and budget allocations. The evidence is mixed. In both countries, the introduction of sectoral programmes has curtailed local authorities' discretion over allocating total resources between sectors and financing small-scale investments in education, health and agriculture. In Mozambique, the internal financing commitments made to donors in support of the sector programmes may also have contributed to a reduction in the funds available for provincial investment budgets, and the centralisation of the budget process has brought the sectoral Directorates under closer scrutiny of the central Ministry, reducing their scope for autonomous action and ability to respond to unforeseen needs. In the education sector, for instance, provincial staff have complained that they no longer have access to provincial investment budgets which used to provide quick access to financing for small-scale investment and rehabilitation.

However, the move to sector programmes may also entail greater participation of sub-national levels of government in policy-making, and may result in more resources for sectoral spending reaching these levels. The process of sectoral planning in Mozambique has been fairly participatory, involving Provincial Directorates in programme design and in operational planning to a much greater degree than in the past. Sector programmes have also provided for additional transfers to Provincial Directorates: in agriculture, these have amounted to many times the provincial governments' allocation for sector operating costs. Deconcentrated allocations have also been provided in the education and health sectors. The sector programmes would thus appear to have favoured provinces, financially at least, and have probably increased the flow of resources to districts too.

However, sector programmes *have* reinforced vertical structures and thereby undermined Provincial Government's function in horizontal, intersectoral planning. MPF guidelines on Sector Programmes and the introduction of province-level strategic planning and poverty reduction planning exercises have sought to counter this tendency, by requiring Provincial Directorates to consult other institutions in the preparation of their operational plans and to prepare a consolidated provincial strategy. It remains to be seen whether these administrative measures will actually influence the sector programmes.

In Tanzania the effect of reforms on levels of sector spending at sub-national levels and the degree of discretion over this funding is similarly ambiguous. While sector programmes potentially curtail local authorities' discretion over allocating resources between sectors, the new block grant transfers are specifically intended to encourage local authorities to prioritise allocation of funds. In the medium-term, decentralisation will provide local authorities with more autonomy. However, the short-term effect is less clear. As the LGRP only started in pilot districts in 2000, it is still too early to see the balance of these opposite effects in practice.

Finally, the case studies clearly illustrate that decentralisation cannot be addressed as a merely technical issue. In many countries it is a highly political process, as political parties are associated with particular regions and the centre perceives decentralisation as a potential threat to their power or, at worst, to national unity (as seen, to varying degrees, in both Mozambique and Malawi). Likewise, the time involved should not be underestimated. The relatively successful model currently in place in Uganda (the DDP) is the outcome of an extended learning process, evolving from the problems of the initial exercise in administrative decentralisation and the observed limitations of the first attempt to correct these problems (the use of conditional grants). Decentralisation in Malawi is seen, realistically, as a ten-year project.

4.5 The role of users and civil society in performance management

Accountability to intended beneficiaries has an important role to play, not only in ensuring that the release of public expenditure follows the budget, but also in ensuring that the monies received by service delivery units are used effectively. Citizens, who are informed with regard to the standards they should expect, and empowered to complain when these standards are not met, can exert a powerful force from below for more effective use of public resources. As discussed above, client accountability appears to be part of the solution to the difficulties in achieving pro-poor PEM during decentralisation.

Accountability requires transparency. If there are no explicit standards for public service delivery, or if these are not communicated to the users of these services, or if the intended beneficiaries of services do not know what funds local schools or health clinics have received, then complaints against ineffective fund management and low standards of performance are possible, but will be less focused and less likely to be effective.

Progress with transparency regarding performance standards, budgets and administrative practices (including staffing levels and user fees) has been very minor in four out of the five countries studied. The most persuasive evidence that transparency improves the accessibility and quality of services is derived from Uganda, which has placed significant stress on strengthening the community voice in holding officials accountable, and has recognised that this requires making more and better information available. The Ugandan Government recognises however that much of the information is only accessible to those who are functionally literate and numerate. The new emphasis on adult literacy in the poverty strategy is intended in part as a long-term response to the need for community empowerment. Even in Uganda, there is, as yet, only limited information on how effective transparency is as a tool with which to improve the accessibility and quality of services. The anecdotal evidence, however, has been enough to persuade the Government (and key donors) to continue with the approach.

One approach to accountability, which has the important virtue of simplicity, is to establish universal entitlement to a service. Three of the countries studied (Ghana, Malawi and Uganda) have attempted to adopted policies of universal primary education (UPE), providing all children with the right to free primary schooling, and a fourth (Tanzania) proposes to adopt the policy. The effect of UPE in Uganda, and to a lesser extent Malawi, has been dramatic (see Box 12).[7] Free, compulsory, universal basic education (FCUBE), introduced in Ghana in 1987, has been less successful, perhaps because the definition of basic education incorporates junior secondary grades, which reduces the funding available for the primary education grades. Failure to concentrate limited funding on the primary grades (which are of most relevance to the poor) means that quality is extremely low, which contributes to low enrolment.

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[7] In Uganda the pressure from below generated by UPE was given greater leverage as parents had access to published and broadcast government information on school funding, and was complemented by the discipline imposed by PAF classification and Conditional Grants. In combination, these policies have resulted in 90% of funds reaching schools as intended (cf 30% in late 1995). See Foster and Mijumbi (2002).

Box 12: Entitlements and Service Delivery: Universal Primary Education

After the policy of UPE was introduced in Uganda in 1996, primary school net enrolment rose dramatically from 63% in 1992 to 76% in 2000. By removing a fundamental cost barrier, gender bias in primary school enrolment has been virtually eliminated, and the enrolment rate of children from poor families has risen disproportionately (from 50% in 1992 to 69% in 2000). As all parents came to know that they had a right to send their children to school, there was greatly increased pressure on the school system to perform. Significant gains were also made in Malawi, where student numbers rose by 50% with the introduction of UPE between 1994 and 1995. In both countries the rapid increase in coverage has been achieved at some cost in quality (which Uganda has started to address). But, particularly in Uganda, the introduction of UPE has served as a 'transformational shock', helping to embed the notion of entitlement, and thus accountability in the world view of a large number of beneficiaries (including some of the poor).

Parent involvement in School Performance Assessment Meetings (SPAMs) in Ghana also appear to support the case for client accountability as a lever for improved performance. Elsewhere, however, service standards are still being formulated (as in Tanzania). In Mozambique, as in much of the developing world, there is a fundamental problem of language: 'participation' is still understood to refer primarily to raising contributions (cash or in-kind) to public sector activities from local communities, rather than in terms of the accountability of professional service providers to clients or citizens.

Channels for complaint and established principles for providing redress are also important. The evidence from our research is mixed with regard to the efficacy – or availability – of citizen feedback as a means of improving PEM. In most of the case studies, particularly egregious examples of corruption at the national level result have resulted in press coverage and, occasionally, remedial disciplinary action. At the level of local service delivery, however, none of the five possesses a deep-rooted culture of accountability. The corruption survey in Ghana found many people cynical about the potential for achieving results by commenting on service quality and fearful of negative consequences for themselves

There have been efforts to institutionalise mechanisms of complaint and client accountability amongst the five case study countries. Realistically, it takes time to establish a culture of accountability in which public employees see their jobs as at least potentially dependent upon client satisfaction and citizens believe that it is worth their while complaining. While it is too early to discern clear trends, there does seem to be some potential for vertical accountability in Uganda (Box 13). Whether or not this promise is fulfilled with enough consistency to ensure that people come to believe and act upon this message has yet to be seen.

Box 13: Vertical Accountability Measures in Uganda

During the election campaign, the President emphasised the role of civil society in helping to hold Government to account, and a number of policy initiatives have been taken which add substance to this commitment. These include the emphasis on providing information to the public at all levels; facilitating channels of complaint and redress (including ‘whistleblower’ protection); strengthening of the Inspector General ombudsman with establishment of more regional offices and stronger prosecution powers; facilitating civil court action in corruption cases; and development of NGO involvement in monitoring the implementation of the PAF.

At local level, where the problems are most serious, financial rules and regulations, including those covering district Public Accounts Committees and tender boards, have been printed and distributed, and training is being organised for accounting staff and for members of district tender boards and PACs. The Local Government Development Programme makes financial support to local Government development programmes dependent on achieving increasing standards of financial accountability. Capacity building assistance is provided for those which fail to qualify, and the expected standards are to be raised over time. This approach appears to have achieved some success in the 5 pilot districts, and will be standardised as the LGDP is extended to all Districts.

On paper, the anti-corruption strategy is comprehensive and well directed, making use of a number of complementary channels and approaches. However, the effectiveness of the strategy depends significantly on the consistency of messages which the leadership sends through its own behaviour, through measures to investigate wrongdoing at any level, and to impose sanctions on those found guilty. Civil society observers have been sceptical. The main technical criticism has been that there are too many oversight agencies, some with potentially overlapping roles: the UDN refers to ‘a myriad of anti-corruption agencies…meagre paper tigers whose efforts are timid and frequently hampered by lack of adequate funding and the fact that some circles of Government seem to condone graft.’ It may also be difficult to maintain the credibility of a zero corruption position when it is widely believed that very different financial ethics are being applied to Ugandan military involvement in the DRC.

The ‘Ombudsman’ approach needs to be properly publicised and resourced, and effective action taken in response to complaints, if it is to be effective. Community involvement varies across Government, reflecting sectoral variations in the ability of clients to challenge professionals on the quality of the service provided. There is a long tradition of community involvement in education, though the function of parent-teacher groups has often been limited to fund-raising and organising construction and maintenance. The School Performance Assessment Meetings (SPAMs) introduced in Ghana legitimise parents’ interest in the relative performance of schools, including examination results, and have in some cases proved an effective forum for pressing for improved performance. Similarly, there is broad recognition of the advantages of involving communities in the selection and subsequent upkeep of water supply schemes. In health care, by contrast, control has largely remained with the professionals, though Tanzania and Ghana are both experimenting with community-based insurance and pre-payment schemes.

Agriculture is a sector in which professional public employees have often failed to deliver appropriate services. This is starting to change. Ghana and Uganda are both aiming to re-orient agricultural services towards demand-driven approaches in which farmer groups commission the services they want from a range of sources, with some degree of Government subsidy where merited on distribution or market failure grounds.

National development NGOs are a potentially powerful focus of civil society debate and advocacy regarding the poverty focus of public expenditure. In many countries, however, the national NGO sector has become closely engaged with the government as contracted partners for service delivery.

This inevitably reduces their freedom of movement and ability to express and inform popular sentiment. Those NGOs which do engage in debates with government (e.g. the League of Human Rights in Mozambique) tend to focus more upon exposing abuse of authority and instances of corruption, rather than addressing fundamental questions of how to make the formulation and implementation of public expenditure plans systematically pro-poor. In large part, this lack of engagement is due to a lack of skills in budget analysis: as a result, when NGOs or the press have become involved it has generally been around the more straightforward issue of the total level of public spending in the face of IFI pressure to contain expenditure in the interests of macro-economic stability.

The press, like national NGOs, has been stronger on drawing attention to specific abuses but been largely unable to relate these to the complexities of institutional relations, policy process and policy debates. Newspapers (which provide greater depth) have very small circulation, while radio (typically subject to greater state control than the print media) provides more limited opportunities for detailed debate.

4.6 Independent monitoring of policy outcomes

While the accountability of service-delivery units to their local constituents acting as individual citizens is of critical importance (in large part because it has been so long neglected), there is still a need for more aggregated and formalised monitoring systems, enabling the analysis of trends and the identification of patterns and deviations. Monitoring in this sense can encompass both internal, state performance monitoring and independent monitoring by civil society organisations: NGOs, think tanks, university departments etc.

In practice, in most of the countries examined in this study, state monitoring still tends to concentrate upon collecting and channelling information through an administrative hierarchy from service delivery units up to the centre, with senior Government officials as the main clients. (This point was made explicitly with regard to Ghana, but seems broadly true of the other four countries too, with some specific exceptions). Unfortunately, there are also very real limits to the capacity of non-state actors to monitor Government budget implementation and outcomes. In Mozambique, it was noted that civil society organisations generally lack the skills and capacity required for routine monitoring of public expenditure management. In Malawi, civil society interest in PEM is relatively recent (dating from the Jubilee 2000 campaign and the formation of the Malawi Economic Justice Network): at this early stage, the press and campaigning groups have concentrated on national strategy, and have yet to get significantly involved in issues of monitoring.

There are however some promising examples of joint (civil society and Government) monitoring, although these remain exceptions rather than the norm. In Uganda, a policy of publishing releases to cost centres in the education sector dramatically increased the proportion of funds reaching schools as intended, and increased monitoring does seem to be associated with less absenteeism and better performance. Similarly in Ghana the education-sector SPAMs confirm the value of monitoring for achieving and maintaining a focus on performance, and on service to the poor as the basis for judging performance.

4.7 Participation of the poor or their representatives in PEMS decisions

Participation can be defined in many ways. *Ad hoc* participation through participatory assessments has had an influence upon policy formulation and budgeting at certain key points in several of the countries studied (notably Uganda and Ghana).[8] In other countries, active lobbying by civil society organisations has had an influence upon selected PEMS-related decisions at the national level (e.g. on the shape of structural adjustment measures and HIPC accession in Mozambique, and on the timeframe for PRSP consultation in Malawi). In Tanzania, even this limited participation (in the form of CSO involvement in the PRSP process) has been largely tokenistic (with the one possible exception of the Gender Budget initiative). The weak participation of civil society in public expenditure debates in all five countries is in part due to the fact that many NGOs have been partially politically incorporated as contracted service providers (a point made in the Mozambique study, amongst others); and in large part due to the fact that civil society (including the press and NGOs) has very little technical capacity to engage in public expenditure management in a meaningful way.

Meaningful participation of the poor or their representatives in budgetary decisions at a sub-national level, or in routine public expenditure management rather than specific and highly charged issues concerning agreements negotiated with IFIs, has been even more limited. Decentralisation is obviously of key importance. Decentralised government does not guarantee popular participation in planning and budgeting, but it does make it more feasible. In Uganda, the experience of participatory planning under the DPP has been encouraging, and is being built on in the LGDP and PMA, while in Ghana there is some participation in District plans at the unit level, and some examples (e.g. from the water sector) of direct community involvement in management. Overall, however, it is hard to confirm or refute the hypothesis that participation improves the poverty focus of public expenditure: there simply has not been enough evidence to date to test the case.

[8] Norton *et al* 2001.

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Appendix 1: Hypotheses Structuring Case Study Research

1. Institutional Framework

- Public expenditure more effectively addresses poverty where poverty reduction is consistently emphasised in leadership speeches, statements, actions.
- Poverty programmes get squeezed where budget discipline is weak, .Parliament, Cabinet unwilling to prioritise
- Hard budget encourages prioritisation
- Credible budget planning requires reasonable budget predictability
- National priorities more likely to be observed if allocations reward budgets prepared in line with them.
- Medium term budget framework supports a more planned pattern of resource allocation.
- Broader budget coverage (including donor flows) supports more pro-poor distribution, with donor dialogue playing a positive role.
- Incentives for careful budget preparation will improve focus on priorities.
- Budget centres will not offer savings unless given some incentive to do so, e.g. a hard budget within which they are free to prioritise.
- Failure to pay living wage broadly competitive with private sector erodes all aspects of expenditure effectiveness, including poverty.
- Pay alone is insufficient to effective PE unless performance is also recognised, & rewarded or sanctioned.
- Decentralised budget management only supports poverty reduction if supported by accountability for results to policymakers or the community
- Timely accounting & audit reports with effective scrutiny & follow-up promote more effective public expenditure programmes.

2. Information & Analysis

- Poverty information is more policy effective when needs discussed with users
- Analysis commissioned by Government is more likely to be used.
- In-house poverty analysis on demand is more effective than reliance on donors.
- Brief summaries & presentations reach policymakers, reports do not.
- Poverty focus of Government is positively associated with awareness of both Government & public of poverty issues.
- Effective programmes are associated with a culture which identifies & helps solve problems, rather than punishing those who reveal them.

3. Participation

- Poverty focus more likely where Govt. collects information on priorities & problems of poor
- Transparency of information on service standards, budges, staffing, charges improves service access & quality-
- Especially when Complaints are encouraged, facilitated, acted on
- Independent, open monitoring promotes improved poverty focus
- Participation of the poor or their representatives in PEMS decisions improves poverty focus .

Appendix 2: PEMS Mapping Exercise

The Public Expenditure Management System Mapping Exercise allows CAPE to identify the salient aspects of the PEMS in each of the study countries in a structured format, facilitating later comparisons. The Mapping Exercise draws heavily on the 'Diagnostic Questionnaire' developed by Eduardo Campos and Sanjay Pradhan of the World Bank, the IMF's Fiscal Transparency Guidelines and CAPE's own experience in carrying advisory assignments in Africa and elsewhere. Much of the information required for the Mapping Exercise can be derived from secondary sources, particularly legislation and internal manuals, supplemented by interviews with key informants. CAPE intends to contract the preparation of baseline documents, following the structure indicated below, to experienced professionals within the study countries. The Mapping Exercise will, subsequently, provide the basis of in-country interviews, focusing in many cases, on the deviations identified between the official procedures and actual practice.

It is particularly important to be entirely precise in defining what flows are covered, and what is excluded at each point in the system, and to draw attention to areas where this is ambiguous in the documents consulted.

1. Resource Planning

- Institutional responsibility for preparation of resource plans within core institutions and line agencies and for the approval of outputs
- Guidance provided to line agencies in preparation of resource planning proposals, including structure of forward limits if applicable
- Process and method of resource planning, covering (i) basis of aggregate resource and expenditure scenarios (ii) basis of costing of sector programmes (iii) means of accommodating inflation and other macro-economic variables
- Outputs of the MTEF process, both published and unpublished, indicating (i) scenarios prepared (ii) budget classifications applied (iii) degree of disaggregation of forecasts (iv) nature of expenditure forecasts and their link to the budget limits.
- Degree of variation between forward estimates of MTEF, budget limits and final appropriations for aggregate expenditure and sectors, showing for last 2 years how figures envisaged in successive forecasts compare with actuals, for 1999:

Changing Budget Forecasts for the Same year: MTEFs, Budgets, and Actual Disbursement							
	99 Total	99 Eductn	99 Health	99 Agric	99 Roads	99 Water	99 Defence
97 MTEF							
98 MTEF							
99 MTEF							
Budget							
Disbursed							

2. Budget Support

- Legal framework of budget
- Budget coverage, including (i) identification of major extra-budgetary revenues and expenditures in public sector (ii) procedures for the budgetary treatment of special funds, local government and public enterprises (iii) basis of division between development and recurrent and differences in structure between these instruments (iv) fiscal year and complementary periods (v) which aid and othe external financing flows are included, or reported, in the budget, and what proportion are not captured (estimate, possibly based on comparing balance of payments and fiscal data on aid).
- Budget holder and cost centre structure within health and agriculture sectors
- Earmarked revenues, including (i) identification and quantification of earmarked revenues within budget and criteria of application (ii) treatment of specific receipts of health and agricultural sectors
- Classification, including (i) structure of budget categories and relation to international standards (ii) level of disaggreation applied for purposes of resource planning, budget formulation, appropriations and budget execution
- Local government, including (i) statutory division of functional responsibilities between central and local government (ii) sources of local government revenue, level of fiscal dependence of local government and transfer mechanisms for financing local government

3. Norms and procedures of budget preparation

- Nature and means of control of formal constraints (constitutional or legislatively mandated) on (i) aggregate spending (ii) deficits (iii) public debt and domestic/external borrowing by central government (iv) deficits and borrowing local / regional government (v) borrowing by public enterprises.
- Nature of methodological and policy guidance provided by Ministry of Finance and Planning Commission to line agencies, including (i) expenditure priorities, at global or sector level (ii) expenditure limits, distinguishing level of aggregation in relation to final appropriations (iii) scenarios and accounting for inflation
- Basis of spending limits for spending agencies, such as (i) allocations increased or decreased incrementally across the board in relation to previous years outturn or budget (ii) allocations fixed in relation to previous years implementation performance (iii) allocations fixed in relation to proposed programme of activities (iv) allocations fixed from roll-over of MTEF (v) agreed shares (vi) influence of donor conditionality
- Process for appraisal of budget bids by core agencies (Ministries of Finance, Planning): (i) method of analysis (such as including item-by-item, incremental, program and performance, priority listing, or open-ended) (ii) criteria for selection of expenditures subject to analysis (iii) process of analysis and degree of delegation of responsibility within core agencies (iv) deviation between original line agency proposal and agreed budget appropriation
- Cost analysis undertaken by central budget authorities, including (i) methodologies and level at which applied (ii) proportion of programmes and expenditure subject to analysis
- Supporting documentation required for line agency budget proposals, including (i) activity and output plans for programmes and institutions (ii) economic and financial analysis of new programmes (iii) basis of justification of spending increases
- Requirements for proposed spending increases and new programmes, such as (i) cuts in existing programs to match new spending proposals (ii) formal or informal requirement for consideration of whether programmes or projects can be undertaken by the private sector

(iii) quantitative analysis of costs and benefits (iv) analysis of distributional impact (v) the recurrent cost implications of new capital investments

- Formal budget hearings, presentation and review if any

4. Budget execution

- Fund management, including (i) structure of government and agency accounts (ii) delegation of authority for disbursement from accounts (iii) cash planning and flow reporting system
- Funds release, including (i) basis for release of funds (automatic release, formal warrant, quarterly release or other) (ii) formal documentation required to initiate funds release (iii) nominal and actual delay in release of funds (iv) scope of central agency discretion in release of funds (v) proportion of budget allocation actually funds released, last 2 years if possible, by major sector
- Degree of autonomy of line agency in application of appropriations, by item, output programme and administrative category
- Procurement and payment process, including (i) authority of line agencies and administrative levels in authorising procurement and payment (ii) limits set for competitive bidding (iii) measures taken to ensure market consultation (iv) measures taken for pre-audit of expenditures (v) payroll management system and delegation of authority over appointments

5. Control and monitoring of expenditure

- Formal rules to control overspending by agencies relative to budgeted amounts, such as (i) central agencies, chief accountants or banks having the authority to refuse expenditures if there are insufficient finds in the ministerial account (ii) punitive against overspending agencies and their staff (iii) mechanisms for reporting and reconciliation of actual expenditures against budget
- Procedures for and scale of budget alterations, including (i) authority for approval of alterations (ii) information required to support requests for alterations and basis of appraisal (iii) number of alterations requested, rejected and approved in year (iv) motive and type of alterations requested (vi) deviation between the aggregate and sector spending final and original budgets
- Basis of accounting, including (i) forms of transaction reporting (commitment, cash and accrual) (ii) institutional responsibility for transaction accounting (iii) frequency of accounts submission by line agencies and principal accounting documents submitted (iv) basis of accounts reconciliation by core agencies (v) punitive actions taken against delays or discrepancies in line agency accounts (vi) frequency of accounting by core agencies and authorised delay
- Auditing of core and line agency accounts, including (i) who is responsible for auditing public expenditures of central and local Government, who do they report to, how is independence assured, (ii) form of publication and scope of audit rules and regulations, covering financial audits and performance audits, (iii) frequency, coverage, timeliness of audits of public expenditures, noting statutory requirement and actual time between end of financial year and audit publication; (iv) audit opinion on public sector accounts, main recommendations of audit management report, Government response to recommendations, monitoring of follow up action taken.

6. Performance planning and monitoring

- Planning instruments, distinguishing short, medium and long-term planning instruments (i) responsibility for plan preparation and monitoring (ii) methodological guidance provided by core institutions (iii) process of consultation and approval (iv) primary information sources used in plan formulation
- Performance targets, including (i) form of specification of targets for line agencies, and agency departments, program or project unit (ii) form of definition (outcomes, outputs, process) (iii) process by which targets are set and monitored
- Link between performance indicators and human resource policy, including managers' tenure, promotion, and compensation
- Monitoring and evaluation systems, including (i) requirements for reports on inputs, activities and outputs at level of line agency, individual programmes and projects (ii) requirements for *ex post* evaluation of programs/projects, by central agencies, line agencies, or by independent external agencies (iii) requirements for field level surveys, such as client surveys (iv) form of publication or internal distribution of monitoring information (v) mechanisms for use of monitoring and evaluation information in budget decision-making process

7. Consultation accountability in the budget process

- Role of pre and post budget consultations between government and (i) business community and farmers representatives (ii) public interest groups (including, NGOs) (iii) labour unions, and their perceived impact on expenditure allocations (iv)donors.
- Process and procedures for Cabinet debate and approval of (i) forward estimates of resources and expenditures (ii) revenue estimates (iii) budget limits and budget appropriations (iv) in-year accounts and final accounts (v) annual plans and performance reports (vi) cuts and increases in sector or programme expenditures.
- Deviation of aggregate and sector expenditure allocations in budget presented by core ministries, as expenditure limits for budget preparation and final estimates, and approved by Cabinet.
- Role of legislature in budget process, including (i) role of committees and assembly in the budget process (ii) composition of committees and internal procedures (iii) nature of pre-budget discussions on expenditure priorities, if applicable, and documentary basis for discussion (iv) coverage and disaggreation of budget, accounts and performance information submitted to legislature (v) nature of budget debate and basis of voting on budget appropriations, plans, performance reports, accounts and auditors reports
- Process and procedures for parliamentary debate and approval of (i) forward estimates of resources and expenditures (ii) revenue estimates (iii) budget appropriations (iv) in-year accounts and final accounts (v) annual plans and performance reports (vi) cuts and increases in sector or programme expenditures.
- Deviation of aggregate and sector expenditure allocations in budget presented by Cabinet and approved by legislature.

8. External assistance

- Institutional framework for the management of external assistance, including (i) institutions responsible for negotiations and approval of donor country programmes and individual projects and programmes (ii) steering groups and other co-ordination mechanism (iii) role of key donors at sector level
- Policy formulation and policy conditionally, including (i) role of key donors and multilateral institutions (ii) principal fora for policy discussion and negotiation and instruments for definition
- Mechanisms for donor financing, indicating (i) structure of external financing, by project, sector programme and general programme support, and number of standalone donor financed projects (ii) basis of common financing mechanisms and relationship with government procedures
- Linkages to budget and planning process, including (i) source and coverage of information on external financing (ii) procedures for the formal approval of counterpart financing other development projects (iii) basis for integration of external financing in budget and level of coverage

9. Transparency

- Form and timeliness of publication of (i) macro-economic forecasts and revenue and expenditure forward estimates (ii) budgets, plans, performance targets and policy documents (iii) in-year budget execution reports (iv) monitoring, evaluation and performance reports (v) accounts and auditors reports (vi) procedures and institutional responsibilities within government (vii) reconciliation statements explaining significant deviations in expenditures between forward estimates and the annual budget and the budget and outturns (vii) mid-year statement of fiscal position
- Level of political appointments within the administration

10. Documentary sources

- Institutional organigrams of core institutions (Ministry of Finance; Planning Commission; Central Bank; Auditor General), line agencies (Health and Agriculture), and local government structure
- Published budget and accounts, forward projections, plans, and key policy statements on policy over last decade
- Budget legislation, including framework law and other legislation public financial management
- Statutes and regulations of autonomous bodies and funds within the health and agricultural sectors
- Policy and procedural guidelines and manuals on budget and plan formulation, prepared by both core and line ministries.

Appendix 3: Summary of Answers to Research Hypotheses

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
1. Institutional framework					
1.1 Public expenditure more effectively addresses poverty where poverty reduction is consistently emphasised in leadership speeches, statements, actions	Emphasis from the President from 1995, PRSP says poverty is the fundamental goal of Government.	No comprehensive approach until 1996 policy focus on poverty, though individual initiatives back to 57. PAMSCAD (1984) looked at adverse consequences. But the main emphasis has been on growth- previous Govt talked about middle income status by 2020, new Govt golden age of business. Effective targeting of poor & vulnerable & of poor areas has not been a feature, though policies such as free compulsory primary education & the primary health focus of the health programme did aim to extend services to all, including the poor. Other policies were less clearly poverty focused, e.g. emphasis on export agriculture & neglect of food crop farmers, focus on rural electrification from which few benefit. Poverty is emphasised in the PRSP now being drafted, with clearer concepts of targeting which recognise regional, occupational, gender, vulnerability dimensions as well as income poverty. Some observers attribute change in rhetoric to need to get HIPC, though Govt interviewees were consistent on importance of poverty,	Poverty reduction has been a principal goal of government policy for a long time. A multitude of policy documents published in the last three years (NPES, Vision 2025, PRSP, TAS) have re-emphasised this goal, & are trying to better operationalise it. At the same time, poverty has not been given the same status in speeches & government statements that it has in other countries, e.g. Uganda.	Poverty reduction assumed a high profile in 1989, and took central place in GoM policy from end of civil war in 1992. Responsibility passed to PAU within MPF in 1994; Poverty Reduction Strategies (PRS) in 1990 and 1995, and Government Programme 1995-9, in which poverty reduction identified as priority. A third PRS in 1999 incorporated findings of 96/7 Household Survey: reflected and fleshed out in Action Guidelines, Government Programme 2000-04, and Action Plan for the Reduction of Absolute Poverty (PARPA) in 1999. PARPA sets medium term target, monitorable indicators, responsibilities, consolidates earlier initiatives, and sets broad sectoral budget allocations (though applied only to HIPC funds). PARPA used as I-PRSP: subsequent external involvement in finalisation of PARPA compromised planning process. Mozambique one of the first countries to prepare a full PRSP.	Government in the post-Banda era has put emphasis upon poverty reduction (eg PFPR 95), which has definitely shifted broad expenditure patterns (from economic to social sectors, and in some sectors form administration to salaries and / or services). But politicians more generally have not given unambiguous emphasis to PR (other goals also stressed); also, when they have focussed on poverty, has often been in conservative terms (stressing the role of individual motivation & values in explaining the occurence of poverty).

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
1. ***Institutional framework (contd.)***					
1.2 Poverty programmes get squeezed when budget discipline is weak, & Parliament & Cabinet unwilling to prioritise	Strong MFPED supported by President maintained overall budget discipline from 1992, commitments outside budget controlled since 1999, poverty given special protection through poverty action fund.	Spending on key poverty programmes was clearly squeezed by election-related periods of weak fiscal control in 1990s, causing declining per capita revenue, rising debt service, declining real per capita spending on basic services from 1994. Over committed budget reduced effectiveness of spending. The new Govt is trying to regain control: commitment controls, insisting Districts clear arrears before spending on new projects, better cash forecasts with Cabinet deciding quarterly releases, PRSP priorities to be the basis for 2002 budget.	Fiscal control weakened in the mid-1990s, with revenue per capita falling, rising debt service costs & the build up of arrears. When the fiscal situation is tight salaries took precedence over other recurrent charges & development expenditure. While recently OC for priority sectors has been protected, they still experienced cuts, which sometimes were very large (e.g. in the water sector).	will to maintain discipline has roots in adherence to difficult SAP. During austerity (95-6), non-priority sector spending capped to protect PR sector spending. This has helped to nearly double the % shares of recurrent spend on health, education between 1994 and 1999.	During periods of fiscal instability (tend to coincide with elections), some poverty-priority expenditures (e.g. rural water supply) maintained or increased, but in general administrative budget increased at expense of non-salary operating budget. Anti-poverty spending also affected indirectly (election spending triggers high inflation which increases interest rates on debt servicing). Preference for vote-winning untargeted programmes (eg Starter Packs). Persistence of extra-budgetary expenditures, approved at Cabinet level. MoF influence tends to be cyclical, strong when deficit becomes unsustainable and IFIs intervene, but weakening as economy stabilises.
1.3 Hard budget ecourages prioritisation	Uganda has found hard budget is limited while donor projects are outside, & while pay & establishment is separately decided by MPS. SWAp with combined Govt & donor resource envelope have helped. Uganda proposes to harden the budget constraint by giving Ministries a separate ceiling for project support, & to encourage thinking about priorities by inviting departments in budget submissions to comment on their manpower ceilings & staff salary structure.	No hard budget ceiling in 1990s due to failure to control commitments beyond the budget & the build up of arrears. Proliferation of projects outside formal budget process, though MTEF trying to capture donor flows on budget.	The ability to impose a hard budget constraint is limited by around 50% of donors funds being off budget, & by personal emoluments being decided separately. Government has also found it difficult to control commitments outside the budget (including liabilities of public enterprises), & to prevent the build up of arrears.	Although significant progress has been made, Mozambique is still at a relatively early stage. Hard budgets not in effect below a sectoral level because of, inter alia, the separation of planning and financial managment functions (in MPF and ministries); lack of disaggregated budget classification; & incomplete budget coverage. Recently initiated sector budget reviews may help. Although the team preparing the PARPA were consulted during formulation of 2000 MTEF, there is no functional linkage between poverty reduction strategy & expenditure programmes, undermining prioritisation.	PRSP not linked to budget process: PRSP resource framework disseminated in June 01 not based on MTEF, & advised thematic groups that ceilings were merely ‘ballpark’. At an earlier stage, disconnect between MTEF & rationalisation of central govt meant functional reviews conducted w/out resource constraint so marginal rather than fundamental reform of mandates. Ministry of Agriculture has consistently diverted resources from services to administration during budget execution: in light of lack of overall MoF control, this indiscipline in agriculture cf health and education is attributed to lack of sector strategy and policy.

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
1. Institutional framework (contd.)					
1.4 Credible budget planning requires reasonable budget predictibility	Uganda guarantees releases for the designated poverty expenditures (over 1/3 of total spending), & has pressed donors for multi-year commitments released early in the budget year. Sector programmes are helping to focus on linking objectives to resources. Non-PAF spending very unpredictable.	Despite efforts of MTEF & CSPIP, formal budget process has lacked meaning, cash releases far below approved budget. Outer years of MTEF have not proved a guide to future spending decisions, though some MDAs would like to see it become so, & a Govt committed to fiscal discipline might eventually be able to rebuild. Some Departments have done better, e.g. health even in 2000 secured full release of service budget.	Deficits only stopped with the introduction of the cash budgeting system, a drastic way to enforce discipline, which has disrupted operations of department, & therefore service delivery. The predictability of budget allocations is very low & the credibility of the budget has suffered. Cash releases are far below budget even in some priority sectors; particularly for development expenditures. There have been some improvements in the predictability of cash flow with the move towards quarterly, rather than monthly indications for treasury releases for the main priority sectors, but the perception is that the annual budget is indicative at best. This is supported by the expenditure tracking studies, which find that outturns differ substantially from budgeted allocations.	MPF control of centrally-assigned resources has been quite tight, ensuring reasonably predictable flow of funds. However, most revenues collected by agencies (many not legally assigned) are not reported and so currently managed off-budget: hard to know of the reliability of these revenue flows. External financing, especially bilateral grant aid, underreported. Review of assigned revenues and transfer of responsibility for external finance approval to Cabinet may be necessary.	Fundamental problem of macro-economic instability caused by fiscal policies, driven in part by the electoral cycle. External financing (40% of recurrent & 80% of development budgets) often unpredictable, w disbursements lower than commitments; as more aid comes to be given as budget rather than project, this exposure will increase. Cash budgeting stabilises budget but disrupts service delivery & undermines incentive for good budget preparation. Resource predictibility in real terms also undermined by the way that the system accomodates inflation risk, which, in the absence of a centrally-managed contingency reserve for inflation, is effectively passed on to the spending agencies.
1.5 National priorities more likely to be observed if allocations reward budgets prepared in line with them	Uganda delayed increasing health & agriculture budgets until plausible plans & budgets prepared which focused extra resources on poverty reduction; across the board, PAF has increased the poverty share in total spending.	Govt has not centrally taken a strong line on the direction in which resources need to shift, though there have been policies within sectors e.g. to shift to primary services. MTEF has been more technocratic (relate each sector's spending to objectives) than strategic, e.g. education has maintained budget share while primary spending share fell. Studies suggest regressive bias in expenditure patterns remains.	The composition of expenditure has changed significantly in favour of priority sectors & items. However, education has been unable to finalise a sector programme, primarily because it has not managed to prioritise expenditures in a way that is compatible with its overall budget ceiling.	National priorities (in terms of priority sectors) have clearly gained increased resource allocations (see above); but remaining problems (insufficiently detailed budget classification system; incomplete coverage; incomplete links between MTEF, PIP, planning process & PARPA) means hard to tell if allocation supporting priorities at a sub-sectoral level (eg primary cf secondary services in social sectors).	Gains from programme classification for recurrent budget (from 87/88) limited as budgeting still seen as responsibility of Treasury, which prepares budgets incrementally. PSIP medium-term but applied only to domestic budget & in practice built bottom-up, with criteria developed but never rigorously applied. Division of responsibilities for preparation of recurrent & investment components, made worse by different classifications & time horizons. MTEF & sector programmes intended to address such problems, but have stalled. Classification supporting analysis by poverty focus works well enough in education, not in health.

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
1. Institutional framework (contd.)					
1.6 MTBF supports a more planned pattern of resource allocation	Uganda has planned & implemented increased shares to poverty programmes, inter & intra sectorally, with MTEF & sector programmes the key tools. Recognised need to also establish LTEF scenarios for sustainability.	Has not happened (see above), did not ensure resources in line with Year 1 yet alone outer years of MTEF. Outer years too pessimistic on aid, leaving little room to re-allocate.	The MTEF has been a key tool in reallocating public expenditure towards priority sectors & priority items. Their share in total government expenditure is rising sharply over the medium term.	ERMS emphasises stategic prioritisation at 3 levels: improved budget structure & coverage, sector programmes & cross-sectoral provincial plans, & MTEF. New classifications a marked improvement on previous situation, but insufficiently detailed, so assessment of consistency with sectoral strategies & monitoring of poverty impact of spending is hindered. Coverage still incomplete: many sectoral institutions still spend off-budget. Integrated sector programmes - MTEF has provided a sounder basis for setting annual budget limits, moving away from simple incrementalism (except in social sectors, where limits reflect donor influence), although links to planning process, PIP & PARPA underdeveloped.	Bottom-up activity-based budgeting, now seen as a weakness. ABB-based MTEF limited by fact that seen as a technical rather than political / strategic exercise; little apparent ministerial interest in moving to medium-term perspective; focused on detail rather than strategy; suffered from incomplete expenditure coverage (initially excluding personnel & development costs); not integrated with development of budget & accounting systems; only weakly linked to operational decision-making; begins with needs (sometimes inflated, as perceived as a bidding process) & only later imposes budget ceilings; & has been poorly coordinated with ongoing PSR. As such, it has had limited scope for reallocating expenditures. Recommendations for improvements made August 2000 but not approved by late 2001.
1.7 Broader budget coverage (inc donor flows) supports more pro-poor distribution, w donor dialogue playing a positive role	Sector shares with & without donors are substantially different, bringing them within the budget has helped Govt to shape improved resource allocation to address poverty, sectorally, geographically, & in terms of focus on poverty within sectors. Donor/HIPC role in PAF has helped defend poverty spending..	With rare exceptions (e.g. health sector, where financial management is perceived to be strong), donor flows are outside the budget, limited information available to Government. Donor dialogue raised poverty discussion, little evidence of impact on poverty spending. EU earmarking had no detectable impact on spending patterns.	External assistance is very important for the budget as a whole, & dominates some priority sectors (e.g. water). However, as much as half of aid is still outside the annual budget, in some sectors up to 90% of the development budget is externally financed. This makes strategic resource planning & more pro-poor distribution very difficult. Moreover, recurrent & development budgets are not integrated & continue as parallel processes.	PARPA sectoral allocations refer only to HIPC funds. Development funds, road maintenance fund & Ntntl Soc Sec Inst - not in budget; others unclear; much grant aid not.	Incomplete coverage one of the factors that has limited the MTEF. Currently, estimated that 40% of aid remains off-budget. As aid is brought on-budget, donor disbursement below commitment causes problems with budget predicitability.

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
1. Institutional framework (contd.)					
1.8 Incentives for careful budget preparation will improve focus on priorities	Nationally, MFPED insisted on preparation of plans which address PEAP priorities before raising spending on health & agriculture, health did eventually prepare strategic plan now receiving increased funding. One criteria for inclusion in PAF is the preparation of a costed plan with monitorable targets. In local Govt, releases depend on work plans & accountability, both for recurrent conditional grants, & district development. LGDP links funding to requirement for increasing standards of planning & management, & supports capacity to achieve them..	MTEF calls for preparation of budgets in terms of strategic objectives & activities to implement them, but the accounts codes are still in terms of items & reveal nothing about what money was spent on, so there are no sanctions & no monitoring of whether the budget was spent on the intended objectives. Lack of fiscal discipline has also undermined the incentives.	Under the MTEF MDAs are to prepare activity-based budgets in terms of sectoral strategic objectives & activities needed to implement them. But monitoring of whether funds were spent according to objectives is difficult, as current financial reporting is still based on line items. Departments also still have the option to attract external funds outside the budget. Access to additional funds reduces the incentive prioritise expenditures in their budget submissions.	MPF has tended to direct spending by setting limits rather than ex ante appraisal. Investment projects are supposed to demonstrate consistency with policy, but MPF review tends to be cursory. Left to sectoral agencies to prioritise between projects. Much as the same case with recurrent budget. Budget Circular in recent years has required sectors to links expenditure proposals to outcomes: but no methodological guidance on how to do so, and lack of disaggregation in sectoral budgets makes such analysis near impossible. Separation of planning and budgeting functions within MPF make it hard to relate budget preparation to plans and priorities, and thus to reward or sanction careful budget preparation.	MFEP has not yet implemented the recommendations in the PRSP 'Findings to date' that a 'virtual' poverty fund, comprised of 13 priority poverty expenditures, be designated and protected from cuts. Elements of the MFEP itself resistant to the idea of priority expenditures. More generally, widespread acceptance of availability of extra-budgetary expenditure reduces incentives for careful annual budgeting.
1.9 Budget centres will not offer savings unless given some incentive to do so, eg hard budget within which they are free to prioritise	MTEF has built credibility, & there is now some evidence of sectors such as security prioritising. Sector programmes have been free to propose choices, partly because capital as well as recurrent spending is captured. Uganda is keen to extend the sector approach to all sectors, including national economic management & accountability; to extend choice to include influence over manpower levels & pay; & to bring donor flows into the equation, including more explicit analysis of technical assistance costs & benefits.	Neither the budget ceiling nor the floor is firm. Item 1 PEs are still outside peoples control, yet this is where choices are most important for improving service delivery, e.g. in education. MDAs have no incentives to offer savings, they know only a percentage of the budget is funded & savings will not be returned to them to fund new programmes.	Personal emoluments are treated as fixed costs (at least in the medium term), although they often constitute the largest share of expenditure. This limits the extent to which expenditures can be reprioritised. From experience MDAs know that disbursements will be lower than allocations. Hence, any potential savings that may be offered would not be returned to them, but instead would go towards reducing the overall deficit.	The introduction of PARPA has given the performance monitoring system associated with the ESP a sense of purpose. However, the challenge still remains to use performance monitoring as a tool of internal management, by linking targets & monitoring to resource allocation decisions.	Widespread use of extra-budgetary expenditures (ie not using Supplementaries) reduces incentive for careful budget preparation or pursuit of savings: hard to eliminate as now seen as legitimate practice. Little political (especially Cabinet) commitment to hard budgets. Spending agencies allowed to process payments without coverage. Use of promissary notes & accumulation of suppliers' credits, circumventing internal & Treasury compliance systems. Integrated sector programmes prepared without hard medium-term ceilings. MTEF included such ceilings, but late, so with little effect upon established practice of using budget proposals as a bidding ploy.

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
1. Institutional framework (contd.)					
1.10 Failure to pay living wages broadly competitive with private sector erodes all aspects of expenditure effectiveness, including poverty reduction	Incomplete pay reform left salaries too low. 1996 tracking study showed low utilisation of services, high petty corruption. Utilisation of health facilities improves when staff are in place, but pay too low to attract staff. Only 33% of health posts are filled, worst in remote areas.	This is a major problem, especially in remote areas. Price Waterhouse reccs on decompressing salaries were not implemented. Some action is planned on incentives to serve in rural areas, e.g. housing & promotion, by health & education, but little yet in place, & realistic incentives need cross-sectoral inputs, to also address rural amenity levels (water, power, etc). Health is making more use of outreach teams & locally recruited staff.	This is a fundamental problem. Salaries continue to be considerably lower than in the private sector & in NGOs, despite some earlier efforts at civil service reform (which have since stalled). Civil servants often need to supplement their income from other sources. Problem of recruitment is particularly acute in rural areas, although there is a surplus of unemployed teachers in urban areas. LGRP plans to let district authorities set their own (higher) salaries & recruit their own staff. Not clear whether this will be accepted by MoE & the unions.	Govt sees low pay as fundamental cause of low performance. NB Mozambique somewhat unusual in that entered the reform period with a relatively small civil service, concentrated in service delivery roles. In 1980s & early 1990s caps on salary increases eroded base salaries in real terms, & flight of staff (especially qualified staff) to donors, NGOs & private sector. Anecdotal evidence suggests low pay has led to widespread informal charges & misappropriation at lower levels. Pay revisions in 98, 99 & 00 combined across-the-board improvements with gradual decompression.	across-the-board rises with significant decompression - problematic management (strikes when low-level pay rose by less than average); low pay still causes recruitment difficulties, perverse incentives (non-salary remuneration).
1.11 Pay alone is insufficient to improve public expenditure unless performance is also recognised, & rewarded or sanctioned	Public sector health staff now paid more than NGOs, but performance still judged to be lower.. MFPED results achieved with pay & management.	Corruption survey, CWIQ, other sources show widespread problems of indiscipline. Attempts are being made to introduce performance contracts, not much evidence of effectiveness. Problems include lack of direct rewards & sanctions, weak monitoring & inability to hold people accountable when resources are not reliable in amount or timing.	Performance related pay is being introduced, but only for 3000 senior officials.	Efforts to reward ability with decompression; pay & career structure totally revised in 99 to make promotion more transparent & provide incentives to work in rural areas; performance-related pay is planned. Currently too early to judge impact of pay & / or performance management on standards & performance.	Performance assessment attempted only at Deputy PS level & above, & ineffective (vaguely worded targets, senior staff performance dependent in large part on lower level staff). Initial success w Civil Service Census & first round of retrenchment; since then, however, less success (eg with job evaluation exercise).

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
1. Institutional framework (contd.)					
1.12 Decentralised budget management only supports poverty reduction if supported by accountability for results to policymakers & the community	Decentralisation initially led to resources absorbed in admin, costs. Govt CGs use top down guidance on priorities, planning & reporting requirements, & transparency. In longer term, LGDP will build participation & accountability to users.	No emphasis on accountability to communities, district CAO appointed not elected, little emphasis on information or empowerment, participation mainly to collect finance. Accountability emphasis has been top down, but information on effectiveness is patchy, capacity & motivation problems widespread in situation where Govt services are perceived (and evidence confirms) poor quality. Some changes: education is using school assessment meetings to discuss performance with some evidence of positive impact, rural water highly participatory, agric services supporting farmer groups, community health insurance to be introduced.	Reforms in the disbursement of grants to local authorities (now sectoral allocations are paid into sectoral bank accounts at district level) mean there is less scope for reallocation between sectors. However, reporting & accountability suffer as district reports are not aggregated at regional level for oversight at central level, & are not sufficiently accessible to communities for supervision at local level. In longer term, LGRP aims to improve participation & accountability to users.	largely non-applicable: with retreat from original plans for radical decentralisaiton, there has been very limited decentralisation of budget management; Provincial Governments are free to allocate only 11% of total recurrent budget, & as personnel accounts for 60% of this sum, this is itself constrained. What decentralisation does occur is likely to take the form of sectoral deconcentration rather than devolution: may result in more control over the process & reasonable upwards accountability, but little increase in accountability downwards to communities.	District Development Committees restructured but responsibilities lmtd to planning, coordinating & approving micro-projects, & electoral mandate waned. Decentralisation policy ('98) & Local Govt Act starts 10-year programme for decentralisation, which does have the potential for improving service delivery; but early to tell whether can be made to work, & whether central ministries will transfer responsibilities. Limited availability of public information; while health facilities & schools have local community committees, not legislated & no real authority over service providers.
1.13 Timely accounting & audit reports with effective scrutiny & follow-up promote more effective public expenditure programmes	Audit reports are produced, Parliament has had some success in follow up of corruption cases, but has conflicts of interest (e.g. over audit report on car loans). But Uganda Debt Network has used audit reports to draw attention to corruption. Donor pressure to improve audit & improve co-ordination of accountability sector. Too early to judge effectiveness.	Audit reports have not been timely, no follow up provision until recently, low compliance with financial procedures, wrong doing is not effectively sanctioned.	Audit reports are not produced on time, but they do show low compliance with financial regulations. However, the audit reports have resulted in very little follow up action in the form of prosecutions or dismissals. Parliament scrutiny is weak. Increasing donor pressure to improve audit & accountability, but few results as yet.	Lack of appropriate legal framework for autonomous agencies.	Largely manual accounting systems unable to provide timely & accurate information on expenditures. Introduction of new classification system in 99/00 will facilitate improved PEM (although in the short term increasing delays in submissions), as will introduction of FIMS (although because the system will operate only at central level, with information received from accounts compiled manually at the District level, gains in timeliness will be limited). Oversight bodies under-resourced & susceptible to political pressure.

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
2. Information and analysis					
2.1 Poverty information is more policy effective when needs discussed with users	Poverty monitoring network brings producers & users together. Surveys & analysis integrated within the various planning processes, PEAP, sectors (tracking studies), corruption strategy (integrity survey). Some overlap & redundancy, but PEAP process & establishment of UBOS & preparation of an integrated poverty monitoring system is underway.	Govt. emphasises participation (e.g. 99 CG), GPRS included community consultations but not followed up in subsequent process. PRSP is at least informed by information derived from earlier exercises, good awareness of e.g. cost barriers to access. But participatory appraisal has been ad hoc, not a systematic part of Govt policymaking.	Not very effective discussion of needs in the past, so hard to assess. The preparation of the new draft Poverty Monitoring Master Plan has brought together producers & users of data. The new plan aims to integrate surveys & analysis with the various planning processes.	Preference for quantitative data reinforced by greater involvement of policy depts. in surveys than in 95/6 PPA: accordingly, survey analysis much more influential. Greater sense of engagement in surveys has also, however, resulted in more political analysis (delays in publication of Household Survey results, & initial suppression of evidence of regional inequalities); & reliance on one major source of information has closed off certain lines of analysis. Limited capacity for statistical analysis amongst decision-maker users.	Vision 2020 much more participatory and, as a consequence, both much broader in scope & much more disaggregated in analysis than PAP, allowing for more targeted (and therefore effective) allocation of poverty-reduction expenditures.
2.2 Analysis commissioned by Government is more likely to be used.	Poverty monitoring unit is fully integrated in MFPED decision-making on the budget; strong demand from President & from MFPED for supporting analysis; involving donors within the budget sector working groups has strengthened calls for supporting analysis, but ensured it is mainstreamed within the budget & planning process.	Govt. has little in house capacity, relies on donor finance & often donor studies, joint working in health sector is a positive example where jointly commissioned work had significant impact (inequalities studies). Govt uses WB poverty analysis extensively.	Public expenditure & poverty analysis takes place through the sectoral government donor working groups of the Sector Programmes. Prior to the sectoral PERs there was little information & analysis of public expenditure outturns & outcomes.	Absence of poverty information recognised as handicap in formulation of 90 & 95 poverty strategies; improvements in collection & analysis prioritised. Participation of policy & planning depts in survey analysis has meant policy decisions better informed. By contrast, PPA analysis part of Bank initiative with only marginal involvement of MPF: MPF staff thus had little confidence in & unclear how to use PPA results.	Little Govt-led poverty analysis; but relatively minor influence of donor-commissioned analysis support the hypothesis that analysis *not* commissioned by Govt. less likely to be used. PER demonstrates importance of Govt leadership; while 1990 Bank-led PER was a hostile process, the second, largely internal PER (99/00) is patchy but makes some important recommendations, incorporated into the 00/01 budget.
2.3 In-house poverty analysis on demand is more effective than reliance on donors.	Uganda case is one where the donors are in house, analysis is commissioned as part of processes in which donors participate through e.g. sector working groups, but there is a strong in-house capacity in the poverty monitoring unit in MFPED, in UPPAP, & being built in UBOS.	Govt lacks capacity in house, may contribute to weak learning from experience, slower response to events.	Weak capacity within government means little analysis is carried out within the civil service. Most local poverty analysis is carried out by a limited number of local researchers. The nominally main government poverty unit is in the VP's office, outside of MOF & removed from budget decision-making, & suffers from low capacity.	Difference in influence of surveys & PPA more to do with failure to address pre-existing preference for quantitative data (demand) rather than whether or not analysis was in-house: the fact that much of the Household Survey analysis carried out in University & in Washington seems to have made little difference to MPF's sense of ownership	Limited in-house capacity for poverty analysis.

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
2. Information and analysis (contd.)					
2.4 Brief summaries & presentations reach policymakers, reports do not.	Presidential Seminars were a major feature; workshops & forums in which there is broad participation; UPPAP video; presentations, workshops at national & regional level. But GOU produce & use longer, more analytical pieces to shape & inform policies & plans (e.g. PEAP).	There is a problem of information overload, e.g. district health reports not being summarised & consolidated in time for reviews, huge proliferation of consultant reports. GPRS process suggests a rather different problem, of too many workshops producing bulleted lists which lack a clear analytical framework or grounding in knowledge of previous work. At the other extreme, MTEF & budget documents present excessive detail from which strategic information is difficult to extract.	A very large & increasing number of (external) reports exist in the area of public expenditure management, macroeconomic management, & poverty strategies. Simply digesting this information would tie up considerable capacity. Similarly, activity based (performance budgeting) MTEF submissions contain excessive detail, but do not lend themselves to strategic analysis.	Limited capacity for analysis means little scope for debate. Unclear what has been achieved by distribution of Provincial Poverty Profiles & training of provincial staff: to date a handful of people in NIS, MPF & University have been able to engage meaningfully with the data & policy, while sub-national policy actors have not, & may end up applying received analysis uncritically as policy rather than adapt it to local needs.	In large part because of professional biases of expatriate experts, reports by the Poverty Monitoring System (PMS) technically complex & have avoided presenting policy prescriptions, with the result that have had limited policy influence. Activity-based budgeting results in a wealth of detail which tends to obscure the key strategic issues.
2.5 Poverty focus of Government is positively associated with awareness of both Government & public of poverty issues.	PEAP 2000 was a broadly participatory process, remarkably broad based knowledge & ownership of the main findings, though those outside Government challenge the optimistic household survey findings.	Poverty was not a huge election issue, focus was on growth. Previous Govt was secretive, e.g. stats office unwilling to release survey data. Greater openness since 99 CG, discussions suggest Accra elite is very aware of main issues e.g. regional inequality, food crop farmers, user fees & poor service quality. NGOs feel GPRS discussion is too Accra & elite based, GPRS has not been debated in the media, awareness of general population is low.	PRSP not very participatory. Very limited dissemination of the documents. Even key staff in sector Ministries were unaware of the detailed contents of the PRSP. Similar outside of government. At the same time information about poverty is being made available. Preliminary findings of the 2000 HBS were presented, & the full results are likely to stimulate discussions about poverty trends & analysis, which can only strengthen government's poverty focus.	Awareness of poverty issues in Government & within civil society widespread but in general rather than analystical sense, largely because of limited capacity for analysis of poverty information. Print media & NGO debte have criticised specific instances of corruption & Government policy as overly beholden to IFIs, but otherwise provides limited coverage of poverty issues: once again, limited capacity seems to be limiting factor. Consultation around IPRSP & PRSP seems designed to ensure consensus rather than solicit alternative options.	Limited poverty focus in public expenditure to date mainly due to institutional factors, but may also reflect influence in Government of persistent elite perception of poverty as in large part due to 'negative attitudes'. Poverty reduction increasingly apparent in advocacy agenda of churches & NGOs, although here too socially conservative baises exist. CSOs starting to question whether they can in fact influence policy. Press has some but limited role: most journalists have limited understanding of PEM.

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
2. Information and analysis (contd.)					
2.6 Effective programmes are associated with a culture which identifies & helps solve problems, rather than punishing those who reveal them.	Remarkable history of openness, publication of critical analysis of service delivery & integrity surveys, & audit reports, encouragement of whistle blowers, but action taken on some areas (conditional grants, mandatory notices, ombudsman, plan of action on corruption & public ethics), not matched so far by effective sanctions on high level corruption.	Govt becoming more open, though not strongly focused on using the general public to hold officials to account, & there is widespread cynicism about the effectiveness of complaining, related to the problem that oversight institutions (police & judiciary) among the most corrupt. Positive signs: health sector has been self-critical & is addressing inequality issues with partners, education meetings expose head teachers to public criticism informed by test results.	More closed government culture, than in e.g. Uganda. Limit to tolerance of government criticism. Audit reports not acted upon. Few parliamentary questions of budget performance (initial allocations are discussed more closely, though still not very aggressively). Continuing corruption, especially at high level.	Budget Framework Law has significantly improved transparency & accountability by putting in place practices (state accounts & audit report) which revealed systemic weaknesses in PEMS, laying the foundation for reforms. But institutional relationships & practices which would encourage routine & solution-oriented surveillance not yet in place.	The 1994 Constitution specifies rights to information & established 3 bodies responsible for their delivery; in practice, restrictions & a culture of official secrecy remain, & oversight bodies are inadequately staffed & funded & remain susceptible to political intervention.
3. Participation					
3.1 Poverty focus more likely where Government collects information on priorities & problems of poor	UPPAP was influential & is cited widely in Government, influenced priority to water, approach to agriculture, concern on security issues.	NDPC has strongly supported participatory assessments, also used in health sector, but not yet mainstreamed.	Initially the 1995 PPA was part of the dialogue with the IFIs, & has helped to introduce participatory approaches. However, the final report was not published for another 18 months, & was not very widely distributed, & is not routinely used in policy decisions. While there were early attempts to integrate PPA results into policy making, there is little reference to the results in government policy documents.	Poverty planning in preparation of IPRSP & PRSP criticised for using consultation to sign-off Government plans rather than to seek opinions & options. As such, collection of information on the poor's problems achieved largely through surveys, while solicitation of their priorities (through PPA) largely marginal to policy formulation. Result is a poverty focus but one with different emphasis (and arguably less force) than if poor consulted more fully.	No scarcity of poverty information, & a formal Poverty Monitoring System has been in place since 1996 - but it seems that this relies primarily upon quantitative identification of problems rather than qualitative / participatory / contextualised analysis based upon soliciting the views or priorities of the poor themselves.
3.2 Transparency of information on service standards, budgets, staffing, charges improves service access & quality...	Not much information yet on how effective transparency is as a weapon, but some anecdotal evidence has persuaded Uganda to further extend the approach.	Few examples found, other than education SPAMs.	Service delivery standards are still being worked out as part of the Local Government Reform Programme.	PSR programme includes commitment to broader participation in policy implementation & service management; but participatory mechanisms (including formal bodies such as School Liaison Committees) seen largely as a means to raise contributions, sometimes to ensure consultation, but not as playing an oversight function: few forms of downward transparency.	Some information systems already in place, although credibility of some administrative sources of performance monitoring tainted by false declarations of service delivery levels. Probably too early to say that transparency improves performance.

Research hypothesis	Uganda	Ghana	Tanzania	Mozambique	Malawi
3.3 …especially when complaints are encouraged, facilitated, acted on	President, IGG encourage population to hold public servants accountable.	Cynicism about complaining (corruption survey).	No culture of encouraging or facilitating complaints.	... or accountability. At a national level, exposure of corruption has occasionally resulted in disciplinary action. At a local level, however, few channels for complaint & recompense.	mixed evidence for the effectiveness of complaints at the central / national level; little if any evidence at the local level
3.4 Independent, open monitoring promotes improved poverty focus	Transparency of releases increased dramatically the proportion of funds reaching schools, increased monitoring effort does appear to be associated with lower level of absenteeism & poor performance than found in 1996 tracking studies.	Monitoring has tended to involve information flowing to the centre, with Government officials the main participants. Education SPAM meetings an exception, health has involved districts in monitoring meetings but mainly officials. NGOs not involved.	Transparency of releases has not increased the proportion of funds reaching service units between the 1998 & the 2000 expenditure tracking study.	Civil society organisations generally lack skills and capacity for routine monitoring of PEM.	Civil society interest in public expenditure management relatively recent (can be dated back to the Jubilee 2000 campaign and foundation of the MEJN). As such, independent scrutiny of PEM has to date focused on national strategy and reforms (particularly the PRSP process), and has not been deeply engaged in monitoring.
3.5 Participation of the poor or their representatives in PEMS decisions improves poverty focus.	UPPAP helped to raise awareness of the need for participation, DDP experience of participatory planning approaches is encouraging, & being built on in LGDP & PMA. But, participation in budget decisions is limited at present.	Ad hoc participatory assessments have had some influence on priorities, District plans have participation at Unit level, some other important examples of direct involvement in management in e.g. water. Budget advocacy by NGOs & TUC, but problems over whether they represent the interests or views of poor people.	Little participation beyond token involvement of civil society representatives in the PRSP. Participation in budget decisions also limited, though the Gender Budget initiative is an exception.	Little participation of the poor or representative organisations at the sub-national level. At the national level, CSOs have influenced a few discrete PEM debates (on structural adjustment measures and HIPC) but not the general process of poverty-focussed public expenditure management.	Vision 2020 more participatory than Poverty Alleviation Programme; nonetheless, elite attitudes of Banda era persist in it (eg empahsis on attitudinal change among the poor). NGOs forced longer period of consultation in PRSP (p7-9).

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