Technical Assistance that Sticks:

Lessons from Public Financial Management Reform in Liberia, Sierra Leone, and Democratic Republic of Congo

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Executive Summary

- Public financial management (PFM) reforms in post-conflict scenarios offer potent examples of the complexities inherent in attempting to foment change in countries where the state apparatus has been disrupted by civil war, infrastructure and technology are scarce, and local staff lack the minimal set of skills necessary to set up an effective bureaucracy.

- Donors have to assume the enormous task of providing assistance on the implementation of complex initiatives, involving a multitude of government ministries, agencies and state owned enterprises (SOEs); and requiring high levels of political commitment, administrative capacities, and domestic and international coordination.

- The particulars of the developing country experience, especially the shortage of physical and human resources, force donor's to trim down models that have proven successful in more advanced countries, adjusting them to the domestic reality.

- Donors are confronted with a difficult balancing act: Intrusive intervention may allow for better control and that can accomplish change more effectively, but it often fails to instill a sense of local ownership for the reforms by limiting on-the-job-learning, and therefore damaging the prospects of the reforms surviving over the long-term.

- This report examines cases of both successful and failed PFM reform programs to glean lessons on how to structure innovative assistance models, the challenges that are commonly encountered, and solutions for overcoming such obstacles. The case studies investigate three countries at different points on the spectrum of post-conflict recovery: Liberia, Sierra Leone, and Democratic Republic of Congo (DRC). In each case, unique

conditions dictated tailored responses from international donors, with varying degrees of success.

- **Liberia's** Governance and Economic Management Assistance Program (GEMAP) mixed highly intrusive measures – in the form of international experts with co-signatory authorities in key ministries, agencies and SOEs – with powerful incentives, such as staff training and external aid. This allowed the country to achieve moderate success in the eradication of corruption and the misuse of funds that were endemic after the 14-year civil war.

- **Sierra Leone's** highly successful PFM reform was possible thanks to the country's high-performing bureaucracy and institutions, which remained operative even through the worst periods of conflict. Careful sequencing of reforms also contributed by focusing first on establishing a basic rule-based system and then proceeding to implement more advanced initiatives such as medium and long-term budget planning.

- **Democratic Republic of Congo** drafted a very comprehensive PFM program, employing relatively advanced approaches such as Medium Term Budget Frameworks (MTBF) and Results Based Management (RBM). Unfortunately implementation of these reforms has suffered due to insecurity, poor governance and political support, and lack of basic infrastructure, technology, and capacity. Thus, the country has not yet achieved basic control over its revenue and expenditure systems. Participation in the budgeting process remains poor among line ministries, the budget lacks widespread credibility and does not reflect national development priorities, and transparency remains elusive.

- Despite the complexities of each case, four common themes arise from the assessments of the technical assistance programs rolled out in each country, suggesting that compelling

lessons exist for constructing assistance programs in post-conflict and fragile countries.

1. ***Coordination among donors, technical assistants, and host-country representatives is necessary to avoid duplication, inefficiency, and contradictory strategies of assistance****.* Unfortunately, countless cases of scattered, ad hoc aid programs have been shown to undermine development and recovery progress. Given the plethora of donors (and their associated technical experts and consultants), establishing forums for coordination can greatly enhance delivery and results.

2. ***A mixture of leverage and incentives by external donors is key****.* By blending heavy-handed techniques (e.g. ultimatums to withdraw financial support or assistance from other sectors) with rewards for success (e.g. capacity-building and training), results can be hastened and amplified. This is especially the case in fragile and post-conflict settings in which the vested interests and systems that protected the status quo during conflict must be swiftly overhauled in order to promote peacebuilding. Both carrots and sticks are necessary to spur rapid reform.

3. ***Gradual sequencing of reforms is crucial for success.*** Particularly so in developing country scenarios. Initiatives have to be consistent with the capacity levels at ministries and agencies. Basic measures need to be implemented first in order to develop the required skills, infrastructure, and technology that are required for more advanced reforms.

4. ***Understanding the political structure and key points of power is vital****.* Without obtaining high-level buy-in from recipient country politicians (and, even more fundamentally, a threshold level of political stability), assistance efforts are likely to stall.

It is imperative that aid programs sufficiently evaluate the likely sources of political support as well as anticipated areas of resistance to reform.

Introduction

Over the last half decade, international aid regimes have dramatically expanded, broadening in scope and strategy. The aid sector, once dominated in the post-World War II period by a handful of bilateral agencies, is now comprised of a diverse range of actors, initiatives, and approaches—both in the area of financial as well as technical assistance. Yet, alongside the expansion of actors, a clear need has arisen to examine aid effectiveness: how is technical support, capacity building, and policy guidance best delivered such that impact is maximized? What conditions and strategies are most appropriate for ensuring that assistance is durable, sustainable, and affects lasting change even after the completion of programs? Finally, what role do host-country political and economic conditions (especially in post-conflict and fragile states) play in determining how aid should be designed and deployed?

In particular, international assistance programs targeted at reforming the political, economic, and security sectors face unique challenges in fomenting lasting change. Entrenched host-country decision-makers in these sectors often lack incentive to expand participation and transparency of national management structures. One form of incentives to enact such reforms can come from financial grant packages contingent upon governance improvements. However, this poses a critical question: what happens when donors withdraw, technical assistants depart, and international support comes to an inevitable end? With the reality of fixed-duration assistance programs, it is imperative that reforms implemented under the heavy hand of donor intervention be designed sustainably and with an eye toward promoting sea-change shifts in governance.

Public financial management (PFM) reforms offer a potent example of the complexities inherent in attempting to foment change in the face of vested political and economic stakeholders.

Because PFM reforms target lucrative and often corrupt financial systems with deep roots in a country's power center, such initiatives are often vehemently opposed by domestic policy-makers. This report thus examines cases of both successful and failed PFM reform programs to glean lessons in how to structure innovative assistance models, the challenges that are commonly encountered, and tried solutions for overcoming such obstacles. The case studies investigate three countries at different points on the spectrum of post-conflict recovery: Liberia, Sierra Leone, and Democratic Republic of Congo (DRC). In each case, unique conditions dictated nuanced responses from international donors, with varying degrees of success. Despite the complexities of each case, common themes arise from the assessments of the technical assistance programs rolled out in each country, suggesting that compelling lessons exist for constructing assistance programs in post-conflict and fragile countries. This report concludes by setting forth several of these lessons and draws connections between PFM and security sector reforms, which are of primary relevance to the work of the Institute for Defense Analyses (IDA).

Methodology

The research for this paper relies primarily on: literature reviews of analytical reports on the PFM reform and aid sectors broadly; final and mid-term technical evaluations of reform programs; and academic research on governance in Liberia, Sierra Leone, and DRC. Because the research was desk-based, it is limited to publicly available information. Consequently, the report inherently cannot discuss many of the interpersonal challenges between technical assistants and host-country bureaucrats and ministers. This report could thus be enhanced by in-person field interviews with both technical advisors from donor agencies as well as those in recipient governments.

The cases of Liberia, Sierra Leone, and DRC were selected due to the range of approaches encompassed in their respective PFM reform programs. The political and conflict history of each country—as well as differences in donor involvement and strategy—drove unique reforms in each country. Liberia's reforms were spearheaded by the US amidst high-level political support from the Liberian president and international community. Sierra Leone, meanwhile, represents an interesting case of a country emerging from civil war with an intact bureaucracy but a dearth of legal and planning frameworks for resource management. DRC, on the other hand, given its tumultuous decades of violent conflict (from which it has not yet emerged), lacks widespread governance, capacity, and political support for enacting reforms. Thus donors to DRC have achieved very limited progress in promoting lasting reform. From each of these unique cases, this report seeks to extract lessons in delivering reform under a variety of post-conflict settings and international political conditions

Public Financial Management Reform: Framework and Evolution

The international community, most prominently the World Bank, has long prioritized efforts to strengthen core fiscal systems in post-conflict countries. In recent decades, this scope of work has reached a substantial scale and, through its emphasis on effective and equitable governance as well as transparency and accountability, has been recognized as a vital pillar of broader state-building programs. To this end, aid for PFM programs has grown immensely over the last two decades and reflects the current policy view that such reforms are imperative for developing sustainable, responsive state institutions.

Until recently, however, there was no universally agreed-upon definition of PFM.[1] While in its strictest sense, PFM can include the activities of budget execution, financial controls, accounting, reporting, monitoring, and evaluation,[2] more broadly, the Chartered Institute of Public Finance and Accountancy describes PFM as "the system by which financial resources are planned, directed, and controlled to enable and influence the efficient and effective delivery of public service goods."[3] In a more practical application, PFM reforms have typically focused on: improving budget systems and strategies; enhancing links between annual allocations, medium-term policy objectives, and performance indicators; and computerizing budget management and expenditure controls.

At the core of these definitions is the recognition that strong and effective PFM practices and institutions reinforce economic stability; help link the allocation of public resources to national political, economic, and social priorities; support the efficient delivery of services for poverty

[1] Carole Pretorius, and Nico Pretorius, ed. London, DFID: Department For International Development, (2008). "A Review of PFM Reform Literature."
[2] Ibid, 2
[3] "," The Chartered Institute of Public Finance and Accountancy, accessed 16 December 2012, http://databank.worldbank.org.

reduction and economic development; and enhance the transparency and accountability of public funds.

Evolution of PFM Reforms

With the growing recognition of the need for aid effectiveness (especially in post-conflict countries in which the misappropriation of aid funds has the potential to spoil peace), there has been an increased emphasis on developing a roadmap—or, at least, generally accepted strategies and lessons—for PFM reforms. To this end, in the 2005 Paris Declaration on Aid Effectiveness that established a set of internationally-accepted principles governing the aid sector, countries committed to establishing mutually agreed upon frameworks that provided reliable assessments of performance, transparency and accountability of country systems, and ensured donor strategies were consistent with the national ones. In a follow-up conference in Accra in 2008, partners and donors reaffirmed their commitment to accelerate and deepen progress towards integrating the norms of the Paris Declaration.[4]

The scale of resources invested in PFM reform programs, as well as the range of actors involved, has grown exponentially. The number of World Bank-financed projects with public sector-reform programs quadrupled between the early 1990s and 2005.[5] Even more indicative of the emphasis donors are placing on PFM reforms is the more than ten-fold growth in committed funds for pubic sector financial management-related activities—from $85.1 million in 1995 to $930.6 million in 2007. During the same period, the number of donor agencies involved in providing technical assistance in the PFM sector rose to over 25 (IMF, 2007: 22).[6]

[4] "Supporting Capacity Development in PFM – A Practitioners Guide", January 2011, iv.
[5] Rachel Ashworth, G. Boyne and R. Delbridge, "Escape the Iron Cage? Organizational Change and Isomorphic Pressures in the Public Sector," *Journal of Public Administration, Research and Theory* (2007): 3.
[6] Paolo de Renzio, M. Andrews and Z Mills, "Does donor support to public financial management reforms in developing countries work? An analytical study of quantitative cross-country evidence" ODI Working

Sub-Saharan Africa had more World Bank public sector reform projects than any other region between 1990 and 2006 (37 percent of the total). Nearly half of the global PFM projects since 2000 were in Africa, seeing numbers increase from 22 between 1990 and 1999 to 64 between 2000 and 2006. [7]

The literature suggests that there are three ways in which donors get involved in PFM reforms: coercive, mimetic and normative.[8] Coercive pressures involve an organization or country putting pressure on the aided organization or country to adopt the preferred changes, often through legal or political means. Mimetic pressures usually focus on practices that are considered to be models for others. The aiding country or organization then pushes the aided party to adopt these models. Normative pressures use professional standards as a base to apply to organizations or countries. All of these apply to the case of sub-Saharan Africa in general. Politically vulnerable, poor governments seem to be highly dependent on donors, which tend to use PFM reforms as a condition for aid. The reforms are usually influenced by "good practices" which the local governments tend to be willing to adopt. PFM is also an area that highly involves professionals (accountants, auditors and others).

Public Expenditure and Financial Accountability

Many of these reform efforts have been formalized into a Public Expenditure and Financial Accountability (PEFA) Performance Measurement Framework. This framework, established by a multi-donor group, helps to standardize an approach in evaluating PFM reforms that looks at countries and donors in various dimensions. This is also considered by many countries as a tool to benchmark their system against what are often referred to as "best practices" (i.e. OECD

[7] Ashworth and Andrews, 28.
[8] Ibid, 10.

countries). Moreover, the PEFA system has helped international donors form a consensus on the objectives of reform and the critical indicators of successful PFM reforms that are generally recommended for "countries to achieve sound public financial management".[9]

Looking at the PEFA assessments of 101 countries, Andrews examined the impact of fragility on PFM process quality and found that in 19 fragile countries the average score is 1.73 (on 64 of the 74 PEFA indicators and dimensions) as compared with 2.26 for non-fragile countries—where a ''1'' is the lowest score and a ''4'' is the highest score. [10] He further reports that fragile countries score within a half point of non-fragiles on some PEFA dimensions.

[9] Clay Wescott, "World Bank Support for Public Financial Management: Conceptual Roots and Evidence of Impact, *The World Bank IEG Working Paper* (2008):22.
[10] Matt Andrews, "Isomorphisim and the Limits to African Public Financial Management Reform," *Harvard University Faculty Research Working Paper Series* (2009): 9.

Case Study: Liberia

Liberia's PFM reform efforts in the years after its fourteen-year civil war highlight several critical challenges broadly relevant to the provision of technical assistance in post-conflict settings. Among these are: donor recognition of the problems inherent in providing recovery assistance amidst the corruption and institutional disrepair emblematic of fragile governments; the recognition that effective financial resource management serves as a fundamental pillar for stability and peace; the need for wide-ranging, novel, and at times highly interventionist tools across a range of ministries and led by a coordinated set of donors and technical assistants; and, where in-depth donor oversight is employed, the importance of considering a balance of leverage and incentives to spur immediate reform progress.

In the case of Liberia, the international community's response to the above-mentioned challenges was the Governance and Economic Management Assistance Program (GEMAP), an innovative, comprehensive, and also controversial component of Liberia's PFM reform in its post-conflict decade since 2003. In order to focus on the provision of technical assistance in a post-conflict setting, this case study prioritizes the analysis of the structure, strategies, and results of the GEMAP over more recent PFM reform efforts in Liberia. The GEMAP evolved as a response to specific post-conflict requirements and thus allows for observation on how donors' assistance needs to be shaped to respond to the particular demands of post-conflict and fragile country situations. As this case will demonstrate, there are eight lessons that emerge from the example of Liberia and the GEMAP as key for the provision of technical assistance in post-conflict countries:

1. Political buy in is necessary.
2. International technical staff leading change must also be effective trainers, managers, and persuasive bureaucrats.
3. Donor coordination is vital but lower-level harmonization cannot be overlooked.
4. Public outreach and communications campaigns to garner broad public support can help generate domestic incentives for reform.

5. A mix of leverage and incentives is necessary to generate rapid compliance with reforms.
6. Training should be planned from the outset of the program, coordinated among ministries, and include certification programs.
7. Monitoring and evaluation (M&E) standards should be prioritized.
8. Ensuring proper sequencing by securing basic functioning and then moving on to more advanced initiatives is key for the sustainability of the reform program.

Liberia's Civil War: Historical, Political, and Economic Context

Founded by freed American slaves in 1847, Liberia holds a unique place among sub-Saharan countries given its lack of colonial control and, until recently, relatively promising economic and political development. From 1847 until 1980, the country existed under one-party rule, controlled primarily by the country's elite class of descendents of the founding American slaves, forming the roots of social schisms that still persist today. From 1944-71, the country experienced decades of heightened economic growth, foreign direct investment, and social cohesion. However, beginning in 1980, Liberia entered a period of authoritarian rule, first under Samuel Doe, then followed by Charles Taylor, whose campaign for power began with a military coup in 1989. This ignited an intermittent fourteen-year civil war marked by: violent conflict, political turmoil, and severe economic decline through 1997; a brief respite between 1997 and 2000, during which time Taylor was officially elected to power; and the subsequent resumption of fighting until 2003, when a Comprehensive Peace Agreement was signed, removing Taylor from power.[11] By the close of the civil war, over 200,000 people had died and one-third of the population was displaced.[12] The post-conflict National Transitional Government of Liberia (NTGL), with heavy intervention by the United Nations Mission in Liberia (UNMIL) and the Economic Community of West African States (ECOWAS), ruled until 2005, when popular elections ushered in President Ellen Johnson Sirleaf—the first elected female head of state in

[11] Taylor was subsequently convicted by the International Criminal Court for war crimes in connection to the Sierra Leone's civil war.
[12] "Liberia," NYTimes.com, last modified April 27, 2011, http://topics.nytimes.com/top/news/international/countriesandterritories/liberia/index.html.

Africa. President Sirleaf received widespread support from the international community and was reelected in 2011.

During the political upheavals of recent decades, Liberia's economy has unsurprisingly experienced massive instability and widespread failure, linked closely to rampant corruption and the devastation of the country's vital natural resources upon which much of its economy is based. In the 1960s, based upon exports of iron ore and rubber, the Liberian economy grew steadily from a 2 percent GDP growth rate in 1961 and peaking at 8 percent in 1966. However, throughout the 1970s, this rate consistently declined, dipping to -4 percent by 1980. The country would not experience positive GDP growth rates again until 1996 (and, at its lowest during this period, Liberia's GDP growth rate hit -51 percent in 1990).[13] Echoing these alarming figures, the World Bank estimates that during "the first phase of the civil war, the economy contracted by 90 percent in real terms,"[14] and, despite a slight recovery during the 1997-2000 break in violence—primarily due to timber exports—the economy collapsed further during the second phase of the civil war.

Throughout Liberia's decades of conflict, net levels of official development assistance (ODA) have reflected donors' fluctuating confidence in providing aid to and investing in the country. During the first stage of the war, declining donor confidence was reflected in low levels of assistance: in 1991, net ODA and official aid was approximately $253 million; however, between 1992 and 1995, net ODA and official aid consistently dropped, remaining below $200 million every year (dipping to a low of approximately $92 million in 1994). Furthermore, between 2000 and 2002 (during the second stage of the war), net ODA and official aid remained below $100

[13] "World Bank Databank: Liberia, GDP Growth (annual %)," The World Bank, accessed 16 December 2012, http://databank.worldbank.org.
[14] Ibid.

million every year and dropped to nearly $50 million in 2001.[15] By contrast, in 2010, this figure was approximately $1.4 billion.[16]

In another show of flagging international confidence in Liberia's ability to manage its resources, the United Nations imposed sanctions on Liberian diamonds (2001) and timber (2003), given their role in financing Charles Taylor's regime in Liberia and his support for the Revolutionary United Front (RUF) in Sierra Leone's civil war.[17] By the close of the war, the country's political and economic systems were decimated, human capital was virtually non-existent given the disrepair of the country's education and health sectors, and corruption and financial mismanagement ran rampant.

Drivers of PFM Reform in Liberia: Post-Conflict Corruption, Widespread Resource Mismanagement, and the Need for Sustainable Peace

After resolution of the conflict in Liberia, concern about the general ineffectiveness and lack of capacity within the main ministries and agencies ran high among donors. The failure of the NTGL to commit to modernizing the state apparatus, as well as several well-known cases of corruption, raised questions as to how well the country's political and economic institutions could absorb donor funds and manage them transparently, effectively, and efficiently. Moreover, both the Liberian and Sierra Leonean conflicts were financed and prolonged by the Taylor regime's cooption of state funds (especially natural resource revenues). Reforming the country's resource management structures was therefore vital—both to enabling donor assistance in a variety of sectors but also to prevent Liberia from backsliding into conflict.

[15] "World Bank Databank: Liberia, Net Official Development Assistant and Official Aid Received (constant 2010 $US)," The World Bank, accessed 16 December 2012, http://databank.worldbank.org.
[16] Ibid.
[17] "History of the Conflict," Global Witness, accessed 16 December 2012, http://www.globalwitness.org/campaigns/conflict/post-conflict/liberia/liberia-sierra-leone-and-charles-taylor.

Amidst tepid signals by the NTGL of its intention to enact PFM reform in 2004, donors pledged $520 million for comprehensive recovery support under the umbrella of the Results Focused Transitional Framework (RFTF) between 2003 and 2005. However, in the year after the inception of the RFTF, donors grew disillusioned as project delivery and economic recovery stalled in the face of the poor management of aid funds by the NTGL—a fact widely reported and acknowledged both internationally and by Liberian media.[18] The final straw compelling donors to shift their assistance strategies was an audit conducted in early 2005 by the EC, exposing in concrete terms the alarming extent of the mismanagement of Liberia's public resources.[19] In the face of such publicly damning evidence, the international community began negotiating a financial reform package that, through a series of iterative agreements, would become the GEMAP.

Donor Decision-Making: Legacies of Failed Interventions Prompt a Leverage-and-Incentives Approach

Donors recognized that, given the extent of the governance challenges in Liberia, a mix of close involvement, deep oversight, and incentive-based solutions was necessary, rather than simply transferring an existing model for post-conflict reform. Few options were off the table, including the establishment of Liberia as a UN protectorate (an idea that was dismissed due to the perceived challenges of attaining Security Council approval).[20] Each donor came to the table with baggage from previous experiences in Liberia: given the highly intrusive options being considered, the World Bank was wary of the political implications and therefore advocated for bilateral efforts backed by a UN Security Council mandate. Meanwhile, the IMF remained

[18] International Crisis Group (ICG), "Liberia's Elections: Necessary but Not Sufficient," *Africa Report*, No. 98 (2005): 1.
[19] Monica A. Clark, "Combating Corruption in Liberia: Assessing the Impact of the Governance and Economic Management Assistance Program (GEMAP)," *Journal of Development and Social Transformation* Vol. 5 (2008): 26.
[20] Renata Dwan and Laura Bailey, "Liberia's Governance and Economic Management Assistance Programme (GEMAP)" (joint review by the Department of Peacekeeping Operations' Peacekeeping Best Practices Section and the World Bank's Fragile States Group, 2006), 8.

hesitant about prospects for reform in Liberia, as they had previously withdrawn from disappointing consultations with the country.[21]

As the largest and most influential donor driving efforts to reach a PFM reform strategy for Liberia, the US examined previous post-conflict reforms in Angola, Chad, and Sierra Leone, as well as its failed experience placing international technical experts in the Ministry of Finance (MoF) and Central Bank in Liberia in 1988.[22] According to USAID's project report from 1989, the PFM reform effort in Liberia was cancelled after less than a year because entrenched business interests, including international companies, simply found ways to circumvent financial controls.[23] Such avoidance and continuation of corrupt business-as-usual operations was ultimately enabled by the Liberian President's failure to commit to the program—setting the stage for the importance that the US would place on achieving Liberian political support for the GEMAP. Further underscoring this, USAID also noted in its 1989 evaluation that if political support is a fundamental precondition for program success, then it is critical that such support be built into the project and continually expressed to ministries and bureaucracies in "periodic meetings, reviews, [and] public endorsement."[24] The agency also cited the need for constant monitoring, evaluation, and a forum for review of disputes and oversight of program progress. [25] This was lacking from the 1989 effort and was identified as a vital aspect for ensuring that aid agreements and provisions are not merely skirted by ministries and business interests. Each of these factors contributing to failure in the 1989 PFM reform efforts in Liberia would ultimately be manifested in several of the tenets of the final negotiated GEMAP structure.

[21] Ibid, 9.
[22] Ibid, 8.
[23] "Final Report on the Liberia Economic Stabilization Support Project" (report, United States Agency for International Development, 1989), 18.
[24] Ibid, 28.
[25] Ibid, 28.

In order to usher in the type of tightly managed reforms that the international community saw as necessary, donors—in particular the US—realized it would be necessary to use its support to the other Liberian sectors as leverage. Thus, the US made its security sector support conditional to the NTGL signing on to the GEMAP.[26, 27] This proved to be vital in compelling the Liberian executive and high-level ministries to sign on to the reform. In the end, the US ultimatum served as a critical leverage mechanism during the negotiation process, ensuring that the NGTL would publicly support and sign on to the agreement. This domestic political support would then serve as a powerful incentive structure, keeping high level authorities engaged in the program and thus compelling ministries to follow the reforms rather than simply skirt international controls as had happened previously. Although the NTGL Chairman initially balked at some of the proposed intrusive plans for international assistance, his eventual request for support—which the US requested be made publicly and in writing, given its 1989 experience—was critical in spurring donors to seek out a united, multilateral solution.[28]

Structure of GEMAP Reforms

The final GEMAP document was negotiated between the NTGL, donors, and regional partners (the IMF, the World Bank, UN, ECOWAS, AU, EC/EU, US, Ghana, and Nigeria) and signed in September 2005.[29] As summarized by USAID, the GEMAP was designed around six specific pillars of reform:

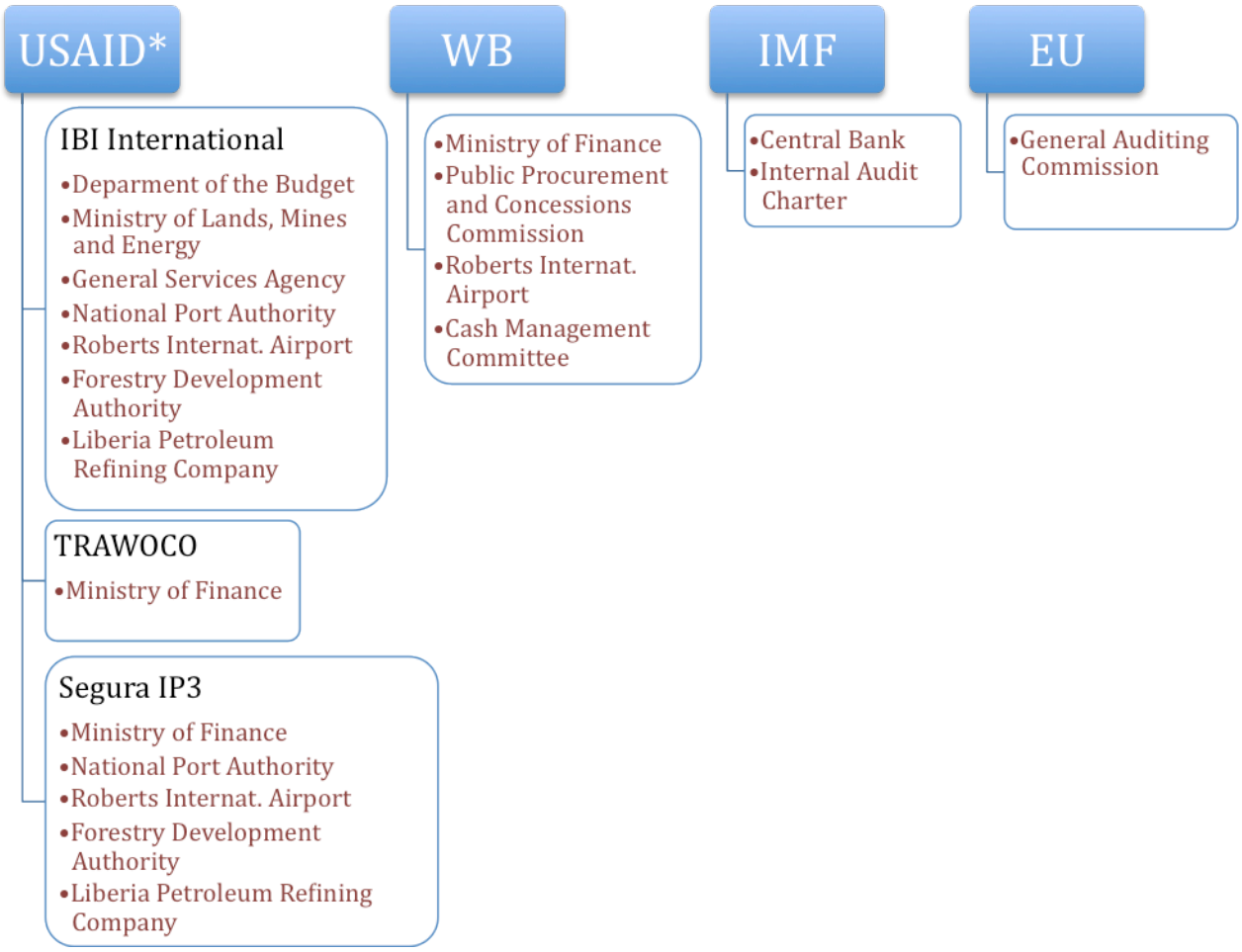
1. Securing Liberia's revenue base
2. Ensuring improved budgeting and expenditure management
3. Improving procurement practices and granting of natural resource concessions
4. Establishing effective processes to control corruption
5. Supporting the central institutions of the government
6. Fostering cross-cutting capacity building[30]

[26] Clark, 26.
[27] Dwan and Bailey, 14.
[28] Dwan and Bailey, 8-10.
[29] Ibid, 5-6.
[30] "The GEMAP Model," Liberia Governance and Economic Management Assistance Program, accessed 19 November 2012, http://www.gemap-liberia.org/about_gemap/index.html.

Within these broad areas of reform, it is worth noting several of the unique—and, as critics note, intrusive—strategies that developed during GEMAP implementation. Perhaps most notably, the GEMAP provided for the incorporation of international experts, or Internally Recruited Finance Controllers (IRFCs), with binding co-signature authority on all financial transactions into selected ministries and State-Owned Enterprises (SOEs).[31] In addition, the IMF was charged with selecting the Chief Administrator for the Central Bank of Liberia (CBL) who would centralize government revenue within the MoF and ensure that funds were only disbursed from a common account at the Central Bank (to target previously substandard accounting as ministries were receiving payments from a variety of accounts spread among different banks).[32]

[31] Dwan and Bailey, 17.
[32] Clark, 27.

Figure: Primary Donor Involvement in Ministries, State-Owned Enterprises (SOEs), and Agencies Under the GEMAP



**USAID first contracted Segura IP3 to recruit the IRFCs for the SOEs and carry out other tasks at the Ministry of Finance (MoF). The contract was finished early due to controversy around possible misconduct by Segura;*[33] *and transferred to IBI International in 2009. TRAWOCO is a local Liberian IT company contracted by USAID to implement GEMAP activities.*[34]

[33] Sibley International, LLC, "Final Evaluation of USAID GEMAP Activities," (report, United States Agency for International Development, 2010), 12.
[34] Sibley, 6.

Overview of GEMAP Involvement in GOL institutions[35]

Below is a brief overview of USAID-led activities in Liberian ministries and SOEs as well as GEMAP oversight mechanisms, training strategies, and units established in the Liberian government during the GEMAP. Because USAID was one of the primary agencies involved with technical assistance across the broadest range of ministries, and given its potential relevance to IDA's scope of work versus other international donors, the following portion of the case study provides details on USAID's technical strategies specifically in an effort to draw out practical lessons from the broader GEMAP experience.

I. Ministries and Agencies

Ministry of Finance (MoF)
- Improvement of revenue collection through development of a bank payment slip process.
- Advisor with co-signatory authority helped set up an electronic system to link voucher processing and check writing, thus avoiding duplication of checks.
- Improvement of internal controls and staff capacity in the Department of Expenditure and Debt Management to avoid misuse of funds.
- Development of a computerized financial management information system.

Department of the Budget (DoB)[36]
- Assistance in the automation of budget processes (IT Upgrade).
- Assistance in more efficient and timely budget preparation.
- Training of more than 300 public officials in standardized performance-based budget process systems.
- Advisor with co-signatory authority oversaw reforms and drafted guidelines and manuals.

Ministry of Lands, Mines and Energy (MLME)
- Assistance in the development of regulatory reform and the development of a modern concession framework.
- Implementation of a Mining Cadastre Information Management System (MCIMS) to make the licensing process more transparent and streamlined (thus limiting corruption and increasing revenues).
- Advisor with co-signatory authority was initially placed in MLME but soon such authority was revoked as it was deemed unnecessary (there was no direct handling of cash and checks in MLME).
- Advisor assisted with the review of contracts and concessions, the evaluation of bids, legislative proposals, and the clarification of property rights.

[35] Unless otherwise noted, research for this section was informed by the "Final Evaluation of USAID GEMAP Activities" (otherwise cited as "Sibley") from June 2010 as well as the "Liberia Governance and Economic Management Assistance Program" website.
[36] At the start of the GEMAP, DoB was called the Bureau of the Budget and was an independent institution under the President. In 2008, it was incorporated as a department into the MoF.

General Services Agency (GSA)[37]
- Restructure of the GSA to reduce funds misuse and corruption.
- Staff training in general computing and MainStar, a fixed asset management system.
- Construction of a training center providing continuing training in IT skills.
- Assistance with production of detailed inventories of government assets.

Central Bank of Liberia (CBL)
- Appointment of the Chief Administrator by the IMF.
- Preparation of financial statements in compliance with international financial reporting standards.
- Creation of an Internal Audit Charter.
- Establishment of control procedures, including standardized processes for purchasing and payment, and completion of a third-party international audit.

II. SOEs

Assistance to the SOEs was carried out mainly by USAID through its contractors—Segura IP3 (until 2009) and then IBI International. The main issues encountered in the SOEs were: 1) widespread reliance on cash payments, making the SOEs prone to corruption and mismanagement; 2) lack of qualified human capital; and 3) reluctance of some SOE senior officials to embrace the reform process due to fear of loosing management privileges and operating under increased oversight. Key elements of USAID work in the SOEs included:

- Co-signatory authority granted to IRFCs to gain control over financial management and exert leverage.
- Automation of the payroll system, from cash wage payment to direct deposits.
- Improvement of internal controls to enhance revenue collection and procurement processes.
- Development of more efficient budget preparation and approval processes.
- Adoption of Intuit Quickbooks financial management software.
- Staff capacity building and software training.

III. Oversight and Coordination Mechanisms

Coordination between donors and contractors continually presented one of the most challenging aspects of the GEMAP. Because the GEMAP entailed a comprehensive package of interventions undertaken by a variety of institutions, donors, and contractors, it was imperative that technical experts maintain a coherent strategy. The GEMAP included an innovative

[37] Widespread corruption was the most critical issue facing the GSA and demanded immediate attention.

mechanism to oversee progress and analyze policy issues that might require adjustment: the Economic Governance Steering Committee (EGSC). The EGSC included representatives from the Liberian government, civil society, and international experts.[38] The EGSC was co-chaired by the Liberian president and the US Ambassador to Liberia.[39] In addition, the GEMAP Technical Team (TT), co-chaired by the Ministry of Planning and Economic Affairs and USAID, functioned as the secretariat for the EGSC and served as a consistent avenue of communication between stakeholders, donors, and experts spread among different ministries and SOEs.[40]

To facilitate learning from the failures and successes of the controllers, the technical experts presented their individual experiences at TT meetings and time at the close of meetings was specifically allocated to integrating lessons from each presentation. However, even this built-in forum for feedback failed to promote adequate coordination when there were multiple contractors working simultaneously, as was the case with Segura and IBI International. In such cases, it seems that the companies remained relatively isolated rather than collaborating on joint areas of work. This deficiency in cooperation was largely remedied after Segura's contract ended and was shifted to IBI International (which organized regular meetings of its experts in order to improve the flow of information among personnel).[41]

IV. Offsite Capacity Building and Training

Due to the overwhelming demands on the IRFCs at the start of their tenures within ministries and SOEs, much of the staff training took place on the job. USAID evaluations of its GEMAP activities have, however, shown that one of the primary complaints from Liberian counterparts was insufficient training. It is interesting to note that USAID attributes this in part to "the

[38] Dwan and Bailey, 17.
[39] "The GEMAP Model," Liberia Governance and Economic Management Assistance Program, accessed 19 November 2012, http://www.gemap-liberia.org/about_gemap/index.html.
[40] Dwan and Bailey, 29.
[41] Sibley, 31.

perception of Liberians...that training referred to offsite or out of country training."[42] More recently, in order to develop a larger pool of qualified staff for SOE and ministry employment and also in recognition that training demands were detracting from controllers' other duties, USAID worked with the Liberian Institute of Public Administration (LIPA) to develop the Financial Management Capacity Building Program (FIMCAB). FIMCAB will serve as a certificate-based training program in financial management targeted to SOE and government job requirements.[43]

V. Financial Management Organizations Created Under the GEMAP

In the area of budget and expenditure reform, the GEMAP established the Cash Management Committee (CMC) to promptly and efficiently distribute information and funds to various ministries as prescribed by the financial commitments laid out in the budget. International experts were embedded within the CMC in the form of a "Technical Secretariat" that advised on budgeting and expenditure management.[44]

In the legal and judicial realm, as a cross-cutting initiative touching several ministries and SOEs, the GEMAP established an Anti-Corruption Commission (ACC) that would both provide assistance to the Liberian judiciary on prosecuting corruption cases as well as helping to develop legal frameworks to stem corruption in the country.[45]

Finally, the World Bank, in conjunction with the UN, carried out a needs assessment and determined that public contracts lacked transparency and efficiency. In response to this, the

[42] Ibid, i-iii.
[43] Ibid, i-iii.
[44] Ibid, 27.
[45] Ibid, 27.

Public Procurement and Concessions Commission (PPCC) was created in 2005 with the objective of improving regulation and oversight of public transactions.[46]

VI. Sequencing PFM Reforms Under the GEMAP

Work in Liberia's key agencies was often characterized by gradual intervention that was rolled out in phases based upon the degree of crisis that experts encountered when they arrived in the ministries and SOEs. Initially, experts focused on enhancing the basic transparency of systems and procedures thus ensuring that fundamental functioning systems were in place. Then, reforms gradually shifted strategy, building up to more challenging initiatives. For example, in a recent World Bank report analyzing PFM reform in Liberia, Vishar Gujadhur notes that advisors at the MoF and BoB began by stabilizing the procurement system, and only when both organizations had achieved a basic level of functionality and were successfully merged into one manageable entity did the experts then move on to long-term budget planning reforms.[47] Over the course of reform agendas, donors also gradually adjusted the amount of coercion they used: as co-signatory authority in well-performing agencies came to an end, donors and experts in ministries and SOEs passed authority to local counterparts, providing them with total autonomy to control expenditures and thus promoting the emergence of a stronger sense of ownership over the reform process.

Results of the GEMAP and PFM Reform in Liberia

During the four-year duration of the GEMAP, the international community and Liberian government achieved one of their primary goals: reduce widespread corruption and acquire better control of public expenditures, which greatly revived donor confidence, enabling renewed

[46] "Public Procurement and Concessions Commission," Government of the Republic of Liberia, accessed 16 December 2012, http://www.ppcc.gov.lr.
[47] Vishar Gujardhu, "Postconflict Economic Governance Reform: The Experience of Liberia" in *Yes, Africa Can: Success Stories from a Dynamic Continent*, eds. Chuhan-Pole and Manka Angwafo (Africa Region: World Bank Publications, 2011).

flows of international support, and fostering Liberia's reintegration into the global economy. Net ODA and official aid figures have grown from $248 million in 2004 to $1,419 million in 2010.[48] In further signs of renewed donor confidence, the UN lifted timber sanctions in 2006 and diamond sanctions in 2007.[49] In 2008, Liberia attained Highly Indebted Poor Country (HIPC) status allowing the country to receive widespread debt relief provided there was continuing progress in key areas of reform, among them public financial management.[50] Economic growth has matched the uptick in political stability and international involvement: in 2003, Liberia's GDP growth rate was -32.8 percent; by 2007, this figure had reached 15.7 percent.[51]

However, although the GEMAP did broadly contribute to reigning in corruption and establishing basic financial functions in Liberia in the aftermath of the conflict, the success of USAID's initiatives varied depending on the specific context encountered by technical consultants in the each ministries and SOEs. Below is a brief summary of the key challenges and achievements in just a few of the ministries and SOEs in which USAID was involved.

Ministry of Finance (MoF)

- After the introduction of a bank payment-slip process, designed jointly by USAID and the US Treasury and implemented by TRAWOCO and another contractor, revenues rose by 37 percent in the first year reforms.[52]
- Tax revenue managed by the MoF rose from $139.8 million in 2007 to $190 million in 2009.[53]
- Processing time for vouchers was reduced from weeks to days and check fraud decreased as a result of the GEMAP advisor's replacement of the "manual" Microsoft Excel accounting system with automated accounting software system that linked voucher allocations with check payments.[54]

[48] World Bank Databank: Liberia. "Net Official Development Assistant and Official Aid Received (constant 2010 $US)." http://databank.worldbank.org
[49] http://www.fao.org/forestry/lfi/29664/en/, http://www.eu-un.europa.eu/articles/en/article_7000_en.htm
[50] http://www.imf.org/external/np/sec/pr/2008/pr0816.htm
[51] "World Bank Data Graph: GDP Growth (annual %)", The World Bank, accessed 16 December 2012, http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/countries/LR-ZF?display=graph.
[52] Sibley, 6.
[53] Sibley, 6.
[54] Sibley, 6.

- Despite the success of the accounting system introduced under GEMAP, in the long term, this system will again be replaced by an Integrated Financial Management and Information System (IFMIS). Sustainability, duplication, and continuity are concerns.

- It is also worth noting that the World Bank created the PFM Unit and the Fiscal Unit within the MoF, the former designed oversee financial management of internationally-supported development projects and the latter operating as a "think-tank" to build capacity and draw qualified staff to the MoF.[55]

Department of Budget (DoB)

- Within two years of the implementation of a budgeting process, Bureau of the Budget[56] was able to complete budgets on time, including monthly allocations for line ministries. This was the first time in 20 years that budgets were developed according to schedule.[57]

- The budget process became more transparent and accountable with clear rules and regulations regarding allocations, transfers, and budget reviews and revisions.[58]

- Program goals rather than line items now govern budget processes.[59]

- Co-signature authority ended in 2009 and passed to a Liberian counterpart. Although there has been "no perceptible backsliding" since the transfer, DoB has requested further assistance in multi-year planning for the national budget. This as well as necessary monitoring, assessment, and capacity building will require further involvement by consultants.[60]

SOEs

- Co-signatory authority was effectively able to quickly stem the tide of mismanagement and corruption by "[requiring] payments to be made on vouchers" and discontinuing cash salary payments in favor of direct deposit to bank accounts. This reduced illicit "skimming" of government funds as well as the number of ghost workers receiving cash salaries fraudulently. [61]

- Thanks again to co-signatory authority, IRFCs maintained leverage over ministry staff as they could "refuse to sign form payments not made according to rules and procedures or not within a budget."[62]

- IRFCs established paper trails and verifiable systems for following funds. Subsequently, the Controllers moved onto reform budgeting and eventually created manuals for operations

[55] Independent Evaluation Group (IEG) of the World Bank, International Finance Commission (IFC), and Multilateral Investment Guarantee Agency (MIGA), "Liberia Country Program Evaluation: 2004–2011: Evaluation of The World Bank Group Program" (report, Washington, DC, 2012), 33.
[56] As noted earlier, the Bureau of the Budget remained independent until 2008, at which time it was incorporated into the MoF as the DoB.
[57] SIbley, 6 and 23.
[58] Sibley, i-ii.
[59] Sibley, i-ii.
[60] Sibley, 7.
[61] Sibley, ii-iii.
[62] Sibley, ii-iii.

that would follow budgets.[63] This was conducted alongside on-the-job training for SOE staff.

- IRFCs introduced computer-based accounting systems that increased transparency, internal controls, and billings/collections systems. Specifically at the NPA, experts introduced the electronic "One-Stop-Shop" for customs payments that ultimately increased government revenue.[64]

- In September and October 2009, co-signatory authority of the IRFCs passed to Liberian controllers, and "post-transfer monitoring [shows] no evidence of slippage in controls or procedures [in] the six months [after] the transfer."[65]

Lessons Learned

Given the successes but also controversies involved in the design of the GEMAP as well as its implementation, several key lessons can be extracted.

I. Political buy-in is necessary.

Almost all evaluations of the GEMAP cite the full-fledged support of President Sirleaf—and her close existing relationship with international donors—as critical to the program.[66] Without her charismatic leadership and pledges to purge the country of its rampant corruption (a key platform upon which her election campaign was built), Liberians might have been unwilling to accept the GEMAP's intrusive measures and donors would have remained reluctant to provide recovery aid to such a financially unsound country. The failed US attempt at PFM reform in Liberia in the 1980s, which took place without genuine support from the country's political and business leaders, stands in stark contrast to the GEMAP: "the simplest explanation [for] why the...[1989] project failed was that the President was not committed to the objectives of reform and recovery. Although he consistently praised [the project] publicly, his policy and fiscal actions were not consistent with the objectives of economic recovery."[67] Conversely, President Sirleaf's rhetoric and, more importantly, her actions in cooperation with the international community

[63] Sibley, ii-iii.
[64] Sibley, ii-iii.
[65] Sibley, ii-iii.
[66] Dwan and Bailey, 19.
[67] Ibid, 20.

made possible Liberia's acceptance of the controlling measures (i.e. co-signatory authority) that donor countries deemed necessary.

Much as cooperation with the Liberian executive was an example for host-donor relations, the same cannot be said for the legislature and judiciary. These bodies often raised concerns about loss of sovereignty as well as the new restrictions on their salary payment processes and non-transparent financial management practices. While these concerns clearly reflect vested interests in the status quo, better outreach to the legislature and judiciary to educate them on the need for GEMAP's strategies, its execution, and its monitoring might have further fostered domestic support by promoting an inclusive and collaborative atmosphere across all branches of the Liberian government. [68]

II. International technical staff imposing strict, often resented changes in systems and processes must also be effective trainers, managers, and persuasive bureaucrats. Given the range of tasks immediately thrown at IRFCs when they arrived in ministries and SOEs, such staff and consultants had to be adept at navigating the political process inherent in potentially controversial and intrusive reforms.[69] Co-signatory authority equipped these advisors with the leverage necessary for enforcing changes, but such comprehensive, intrusive changes (especially ones that impacted individual pay and financial benefits) had to be handled delicately. The technical consultants had to induce staff buy-in to the reforms through a mix of leverage and incentives (e.g. training). Certificate-based training programs (e.g. FIMCAB) offering professional mobility and skills that can be used in a variety of job positions may continue to provide one form of incentives going forward.

[68] Sibley, 36.
[69] Dwan and Bailey, 19.

III. Donor coordination is vital but lower-level harmonization cannot be overlooked.

The oversight bodies (e.g. the EGSC and the TT) built into the structure of the GEMAP provided innovative forums for voicing concerns among both donors and Liberian government representatives. Indeed, these groups were not merely for broad, policy-level political discussion; individual controllers were called to report to the TT at times.[70] Thus, upward reporting and communication among senior-level donors and Liberians occurred unusually frequently in the GEMAP.

However, as USAID notes, "there was not sufficient coordination between implementing advisors so they could share their approaches and lessons learned."[71] There was some discussion among IRFCs as to shared experiences, but channels for such lower-level communications were not formalized into the GEMAP governing structures (as opposed to the EGSC, which was specifically negotiated in the GEMAP agreement and thus codified higher-level coordination from the outset).[72] Especially given that the controllers at SOEs were charged with developing manuals for processes and training as well as implementing software, joint development of such strategies and shared lessons learned could have increased efficiency.[73] Moreover, as noted earlier in this case, in situations in which there was discontinuity between controllers in an SOE (as was the case when the Segura contract ended and IBI took over in 2009), there was limited transfer of knowledge. IBI, to its credit, made efforts in the later years of the GEMAP to increase information sharing among its contractors.[74]

It is also worth noting that despite the obvious benefits to donor coordination during GEMAP implementation, the necessity to gain unity among the array of donors during the GEMAP

[70] Sibley, 30.
[71] Sibley, 36.
[72] Sibley, 30.
[73] Sibley, 12.
[74] Sibley, 31.

planning process has the potential to hold back swift decision making and effective project design.[75] The line between coordination and stalled negotiations can be a fine one.

IV. Public outreach and communications campaigns to garner broad public support can help generate domestic incentives for reform.

The Liberian public knew little about the details of GEMAP, and it was often interpreted as neo-colonial due to its intrusive oversight of domestic finances. Civil society and local media have a vital role to play here: by involving an array of public, private, and community stakeholders, the international community and Liberian executive could have generated added incentives to influence ministerial compliance with the reforms.[76] The public, through civil society activism and media exposure of corruption, can serve as a vital point of influence compelling institutional reform—one that does not bear the resentment and backlash that foreign intrusion can often generate.

V. A mix of leverage and incentives is necessary to generate rapid compliance with reforms.

Throughout the GEMAP process, from its drafting to its implementation, a mix of carrots and sticks was key to ensure that domestic counterparts would allow international take-over of many elements of Liberian financial management.[77] In the GEMAP agreement process, leverage came from threats of withdrawal of donor support, especially by the US. Linking one sector of donor assistance to be contingent on compliance with another proved highly effective. During implementation, leverage was provided by co-signatory authority granted to the IRFCs: "because of co-signatory authority requirements, the IFRCs could insist that the rules be followed and therefore they immediately began to reduce the scope for corruption."[78] Incentives,

[75] Dwan and Bailey, 19-20.
[76] Dwan and Bailey, 20.
[77] Dwan and Bailey, 21.
[78] Sibley, 12.

meanwhile, came through Liberian political support for the program as well as staff training. Incentives could have been further enhanced by efforts to generate public support for the GEMAP.

VI. In order to effectively build capacity alongside financial reforms, training should be planned from the outset of the program, coordinated among ministries, and include certification programs.

Given the wide range of tasks confronting technical consultants when they arrived in ministries and SOEs, integrating capacity building—especially to the degree necessary given low existing skills and expertise—proved difficult. In order for GEMAP reforms to prove sustainable after the departure of international oversight, capacity building needed to be a priority from the outset.[79] Feedback from Liberian staff showed that offsite, certificate-based programs would have proved most effective to act as incentives.[80] However, much of the early training took place on-the-job as needed,[81] and it was not until the last year of the GEMAP that international experts began focusing on creating institutionalized, offsite training programs.[82] There remain questions as to whether, by its end, GEMAP went far enough to build skills among Liberian staff by the time of the program's end in 2010.

VII. While program oversight mechanisms involving both donors and host government counterparts are valuable for resolving implementation issues as they arise, nuts-and-bolts monitoring and evaluation (M&E) standards should be a priority.

One of the most routinely praised aspects of the GEMAP was its built-in oversight mechanisms (e.g. ECSG and TT). These both provided forums for review of implementation as well as a

[79] IEG, 111.
[80] Sibley, 35.
[81] Sibley, iv.
[82] Sibley, 20.

general space for donor and Liberian communication.[83] Despite this, however, M&E at the ministerial- and SOE-level was severely lacking in the GEMAP: USAID contractors "had benchmarks related to their individual activities and deliverables rather than to [project] impact." Metrics for measuring success did not accurately reflect progress toward intended impact (e.g. "ministry and agency annual spending does not exceed appropriated levels").[84] Rather, static, benchmark-type targets (e.g. number of personnel trained, number of anti-corruption measures implemented)[85] were used.

These necessary alterations to USAID's M&E targets were not simply acknowledged with hindsight. Rather, in 2008, the agency contracted Chemonics, a development consulting firm, to develop a Performance Monitoring Plan for all of its GEMAP operations. The resulting report proposed the following indicators to enhance evaluation of progress:

1. Public disclosure of financial statements for selected SOEs
2. Timber taxes, mineral fees and other fees fully invoiced by selected SOEs and fully received by MOF
3. Procurement in compliance with Liberian Procurement law
4. Ministry and agency annual spending does not exceed appropriated levels
5. Program-based budgeting implemented by sector and institution
6. Percent of GOL assets being managed in accordance with GSA policies
7. Number of Executive Branch personnel trained with USG assistance
8. Number of Executive Office operations supported with USG assistance
9. Number of national executive oversight actions taken by legislature receiving USG assistance
10. Number of national legislators and national legislative staff attending USG sponsored training and educational events
11. Number of civil society organizations receiving USG assisted training in advocacy
12. Number of public forums resulting from USG assistance in which national legislators and members of the public interact
13. Number of USG assisted civil society organizations that participate in legislative proceedings and/or engage in advocacy with national legislature and its committees
14. Number of government officials receiving USG supported anti-corruption training
15. Number of USG supported anti-corruption measures implemented[86]

[83] Dwan and Bailey, 22.
[84] Sibley, 29.
[85] Sibley, 28.
[86] Sibley, 28.

Of the above proposed indicators, USAID only selected to monitor four (numbers 7, 8, 14, and 15). However, USAID's final evaluation of the GEMAP at the close of the program acknowledged that indicators 1, 2, 3, 4, 5, and 6 would all have "been more useful for management than the indicators actually used"[87] as they were more directly in line with the intended impacts laid out by the GEMAP agreement. Thus, as shown by USAID's M&E efforts should mandate synchronized targets and indicators across ministries and SOEs as much as possible and should rely on progress-based metrics that are in-line with overall intended impacts of the interventions. This will ensure proper evaluation of success—something GEMAP efforts largely lacked.

VIII. Ensuring proper sequencing by securing basic functioning and then moving on to more advanced initiatives is key for the sustainability of the reform program.

When IRFCs started working in the SOEs, institutional capacity was lacking, misuse of funds was widespread, and skilled staff was scarce. It was therefore crucial to focus on enhancing efficiency and transparency of basic procedures and on training public officials to build up capacity and prepare the ministries, agencies, and SOEs for more complex initiatives, such as long-term budget planning and strengthening of internal controls.

Liberia's PFM reform experience shows that the provision of technical assistance in post-conflict scenarios is a very delicate endeavor. Donors must work on multiple fronts: gathering support from top political authorities and the general public, ensuring donor coordination and low-level harmonization of reform efforts, and training local public officials to build up a qualified bureaucracy. Possessing the technical knowledge and a skilled set of experts is not enough for the success and sustainability of the reform program. Donors need to adjust to the context of the country, securing a basic functioning of government institutions before moving to more

[87] Ibid, 29.

complex initiatives. They also need to promote a sense of ownership of the reform program, which requires balancing deep intervention and close monitoring against the free-action and innovation of partner domestic agencies.

Case Study: Sierra Leone

After 12 years of civil war, Sierra Leone began a reconstructive phase. Democratic and economic reforms have been relatively successful in reestablishing a development agenda in the country, which includes increasing macroeconomic stability, reducing corruption, and guaranteeing governance and security for its citizens. With support from international donors, PFM reforms in Sierra Leone have helped the country in this process through four phases of institution building on public financial matters. The objective of these reforms has been to reorganize the main financial institutions, increase transparency, reduce corruption, and reform the public administration by balancing policy effectiveness with sustainability of resources. This section analyzes the main PFM reforms that took place in Sierra Leone since 2002. This analysis may contribute to a better understanding of the implications of reforming processes in post conflict countries, which may be helpful to extract lessons for other institution building efforts in similar contexts.

Sierra Leone Profile

The Republic of Sierra Leone lies on Africa's West Coast between Liberia and Guinea. As of 2012, its population numbered 5.5 million and consisted of four major ethnic groups: Temne (35%), Mende (31%), Limba (8%), and Kono (5%). Its 2011 GDP stood at $5.16 billion with a GDP per capita of $900.

I. History

In 1961, the country gained its independence from Great Britain and established a parliamentary government. During the late 1960s, the government underwent a series of military coups, eventually bringing Siaka Stevens, the leader of the All Peoples Congress (APC) party, to the office of Prime Minister in 1968. In 1971 a republican constitution was adopted and

Stevens assumed the title of President. Over the next 14 years he gradually accrued power and established one party rule. In 1985 Stevens handed over power to Major General Joseph Momoh.

The Sierra Leone Civil War began on 23 March 1991 when Revolutionary United Front (RUF) rebels, assisted by Charles Taylor's own Liberian rebel forces, invaded eastern Sierra Leone from Liberia and tried to topple the government of President Momoh. On 29 April 1992 President Momoh was forced into exile by a military coup of junior officers and the National Provisional Ruling Council (NPRC) was established. The Junta, despite dictatorial powers, proved ineffective at fending off RUF incursions and by 1994 much of eastern Sierra Leone (and crucially, the Kono diamond mines) was under RUF control. Assisted by the South African mercenary contractor Executive Outcomes, the Junta drove the RUF out of Sierra Leone. Then in May 1997 a military coup, led by Johnny Koroma and supported by the RUF, unseated the NPRC. In 1999 the Lomé Peace Agreement was signed between the RUF and the government, and the United Nations established a peacekeeping mission in the country to oversee the implementation of the agreement and monitor the disarmament, demobilization, and reintegration process. On 18 January 2002 President Kabbah declared the eleven-year civil war over.

II. Economy and Donor Involvement

Sierra Leone, while blessed with rich mineral, agriculture, and fishery resources, is an extremely poor country with an underdeveloped economy and severe economic inequality. Nearly half of the working age population engages in subsistence agriculture, accounting for 58.5% of GDP. As of 2004, over 70% of the population lived below the poverty line. Manufacturing is limited to the processing of raw materials and light manufacturing for the domestic market. Alluvial diamond mining accounts for nearly half of Sierra Leone's hard currency exports, but accounts

for only 2% of GDP. Corruption remains endemic. A rich country in terms of natural resources, Sierra Leone has not been capable of developing a more sophisticated economy. This may refer to a phenomenon known as the resource curse (Auty, 1993; Sachs and Warner, 2001; Gylfason, 2001) that explains how some countries are unable to increase their economic growth and develop due to their natural-resource wealth.

Donor aid to Sierra Leone has been significant since the 1970s. From 1970-2007 donor aid stood on average at 14.2% of GDP. Over the same period Africa and Sub-Saharan Africa, the most aided continent and sub-region, averaged only 3.8% and 4.7%, respectively.[88] Aid ramped up steadily from around $10 million per year from 1970-1976 to $50-90 million per year from 1979-1987. From 1991-2000 aid was routinely over $100 million and exceeded $200 million from 1993-1995. Since the end of the civil war in 2001, aid has exceeded $330 million every year, reaching as high as $550 million in 2007.[89]

Sierra Leone's PFM Reform: Background

I. Chronology of PFM Reforms

Immediately following the end of the civil war in January 2002, Sierra Leone launched a set of actions towards PFM reform. Although some basic public financial activities were maintained during the conflict (such as budget preparation, execution, accounting and reporting[90]), the financial management system was legally based on decrees, and a highly centralized government was responsible for the main financial policies. Only after the end of the war, Sierra

[88] Kargbo, Philip Michael, *Impact of Foreign Aid on Economic Growth in Sierra Leone*, January 2012, 2.
[89] Index Mundi (website), *Sierra Leone - net official development assistance and official aid.* Available at: http://www.indexmundi.com/sierra_leone/.
[90] World Bank (2011). Public Financial Management Reforms in Post-conflict countries. Synthesis Report. 79-80.

Leone, supported by international donors, was able to integrate a comprehensive PFM diagnosis, known as the Country Financial Accountability Assessment (CFAA).

After the CFAA, the central objective of reforms has been to create a PFM framework for the needs of a fledgling democracy, in which the parliament and the executive would negotiate through the entire budgeting process, from basic planning, to implementation, control and improvement. Since the CFAA, the country has been able to generate three main PFM plans. The chronology of this process is summarized below:

1. *Country Financial Accountability Assessment (CFAA).*

Implemented in March 2002, the main goal of the CFFA was to define the requirements for the financial system of Sierra Leone, in order to create a basic PFM plan for the country. The result was a set of recommendations, most of them oriented to adapt the legal framework at a national level and to structurally reorganize the Ministry of Finance and Economic Development (MoFED).

2. *Common Action Plan (CAP).*

Its main goal was to integrate the efforts of the main donors into a single plan. It set out to align common measures suggested by different donors, and to standardize a set of indicators and corrective measures for the country, such as the plans to reorganize the Minister of Finance and the progress of legal reforms.

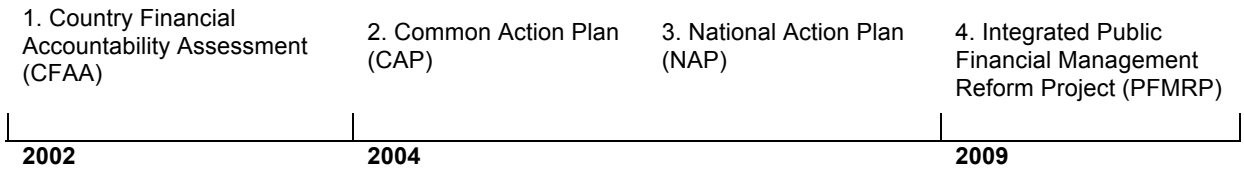
3. *National Action Plan (NAP).*

The NAP was the result of a revision to the CAP. Main donors carried out a self-assessment that helped to develop the final NAP. The new plan reiterated the commitment for PFM reforms.

4. *Integrated Public Financial Management Reform Project (PFMRP).*

The PFMRP was a new effort to integrate the strategies of main donors, but giving more weight to the Government of Sierra Leone in defining its needs and developing the agenda for both legal reforms and for institutional and policy improvements. The underlying rationale was that, though donor support was to be kept as an essential component, more involvement of the local government would help create the set of incentives needed to develop credibility and accountability for PFM reforms in the long run.

Figure: Chronology of PFM Reform Assessment and Plans in Sierra Leone



Source: Republic of Sierra Leone: PFM Performance Assessment Report (2008).

II. Donors

Several International actors have supported the Government of Sierra Leone through this reform process. The main international donors involved are: the European Union (EU), the UK Department for International Development (DFID), the World Bank (WB), and the African Development Bank (AFDB). Each of these entities has been involved in specific but interrelated tasks, as shown in the table below.

Figure: Main Donors Supporting PFM Reform in Sierra Leone

Donor	Participation
EU	**Provides support and advice oriented to develop institutional capacity and managerial skills and systems for PFM reforms.** **Main activities include:** Support institutional capacity building of the Ministry of Finance (MoF), including technical assistance, provision of equipment and intensive training activities; advise on activities oriented to improve budget preparation for government officials, oversight committees, and accountants; provide equipment, licenses and training to develop Integrated Financial Management Information Systems (IFMIS) and training for ITCs personnel; provide training oriented to fraud and waste reduction, involving the civil society; provide training and technical assistance oriented to sustainability of public financial services.
DFID	**Provides consultancy to assist PFM support activities of both the DFID and the WB and the coordination between these two institutions.** **Main activities include:** Advice to the Government of Sierra Leone on reducing fiduciary risk; promote coordination of donor inputs to PFM reform to maximize efficiency and effectiveness; oversee and advise the World-Bank-funded PFM component of the institutional reform and capacity building project in the country; and advise on DFID-funded PFM reform activities including support to the Auditor General and Support to the National Revenue Authority.
WB	**Through the World Bank-financed Public Financial Management Reform program, managed by the Public Financial Management Reform Unit (PFMRU), provides assistance for PFM reform.** **Main activities include:** Improvements to the legal and regulatory framework, implementation of a new Integrated IFMIS and the design of interim financial management systems for local government, assistance to strength Medium Term Expenditure Framework (MTEF), procurement reform, and associated monitoring and evaluation arrangements.
AFDB	**Provides funds and both legal and management assistance oriented to PFM reforms.** **Main activities include:** Provision of capacity building to upgrade the qualifications of the Accountants General's Department (AGD) staff; support the Auditor General on institutional and legislative arrangements, audit policies and procedures, staff development and training, and joint audit plans and programs; assist with records management and support to the Anti-Corruption Commission via technical assistance and operational costs.

Source: Republic of Sierra Leone: PFM Performance Assessment Report (2008).

PFM Reform Progress

Sierra Leone has been classified as a success case in their efforts to implement PFM reform.

The *PFM Reforms in Post Conflict Countries Synthesis Report* by the World Bank identifies

Sierra Leone as having achieved substantial progress. However, the report highlights the relevance of the country's context and starting point as central elements for this classification.[91]

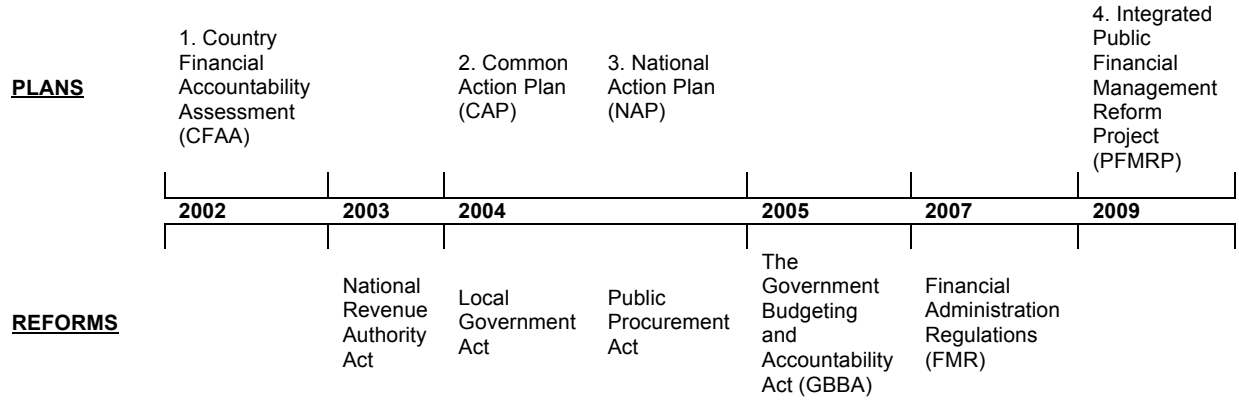
Figure: Level of Progress of PFM Reforms in Post-Conflict Countries

Progress	Countries	Starting Point
Substantial	West Bank and Gaza	1993/2002
	Kosovo	1999
	Afghanistan	2001-02
	Sierra Leone	**2002**
Intermediate	Cambodia	1991-93
	Liberia	2003
Limited	Tajikistan	1997
	DR Congo	2001

Source: The World Bank (2011), Public Financial Management Reforms in Post Conflict Countries Synthesis Report.

One of the main aspects that Sierra Leone has developed is a relatively consistent legal framework. Sierra Leone's legal transformations are useful to understand the outcomes of the plans implemented since 2002. The following timeline combines the chronology of PFM assessment and plans with the legal improvements achieved since 2002.

Figure: Chronology of PFM Reform Assessment and Plans in Sierra Leone and Legal Improvements



Source: With information from Republic of Sierra Leone: PFM Performance Assessment Report (2008).

[91] World Bank (2011). Public Financial Management Reforms in Post-conflict countries. Synthesis Report, 79-80.

Although legal transformations are not sufficient to evaluate the level of success of PFM reform, they are essential since they create the roots for major administrative and policy improvements. Sierra Leone´s new acts and regulations have impacted its budgeting process in ways that were both structural (administrative reengineering or creation of new entities) and functional (procedures and controls). Main legal and framework improvements include the following:

Figure: Main PFM Framework Improvements in Sierra Leone

Structural	**Reengineering:** Reorganization of the Minister of Finance and Development (MoFED) in divisions and departments.
	New entities: Public Accounts Committee (PAC). A PFM Oversight Steering Committee, chaired by the financial secretary along with five sub-committees. The MoFED's Public Financial Management Reform Unit (PFMRU) and the Local Government Finance Department (LGFD). A newly established Integrated Project Management Unit (IPMU) for the Integrated Public Financial Management Reform Project (IPFMRP).
Functional	**New procedures:** External audits carried out by an independent auditor-general. The parliament oversees the reports of the auditor-general.

Source: With information from Tavakoli, H. (2012). Public financial management reforms in fragile states. The case of Sierra Leone. Ovearseas Development Institute.

In addition to legal and institutional improvements, the country has been consistent in its overall macroeconomic performance. Sierra Leone's GDP growth rate averaged 8.7% from 2000 to 2012. Although it is common that countries grow disproportionately after conflict, due to substantial investments oriented to rebuild basic infrastructure, Sierra Leone's growth rate has been sustained, averaging 6.4% from 2003 to 2012.

Figure: GDP Real Growth in Sierra Leone (2000-2012)

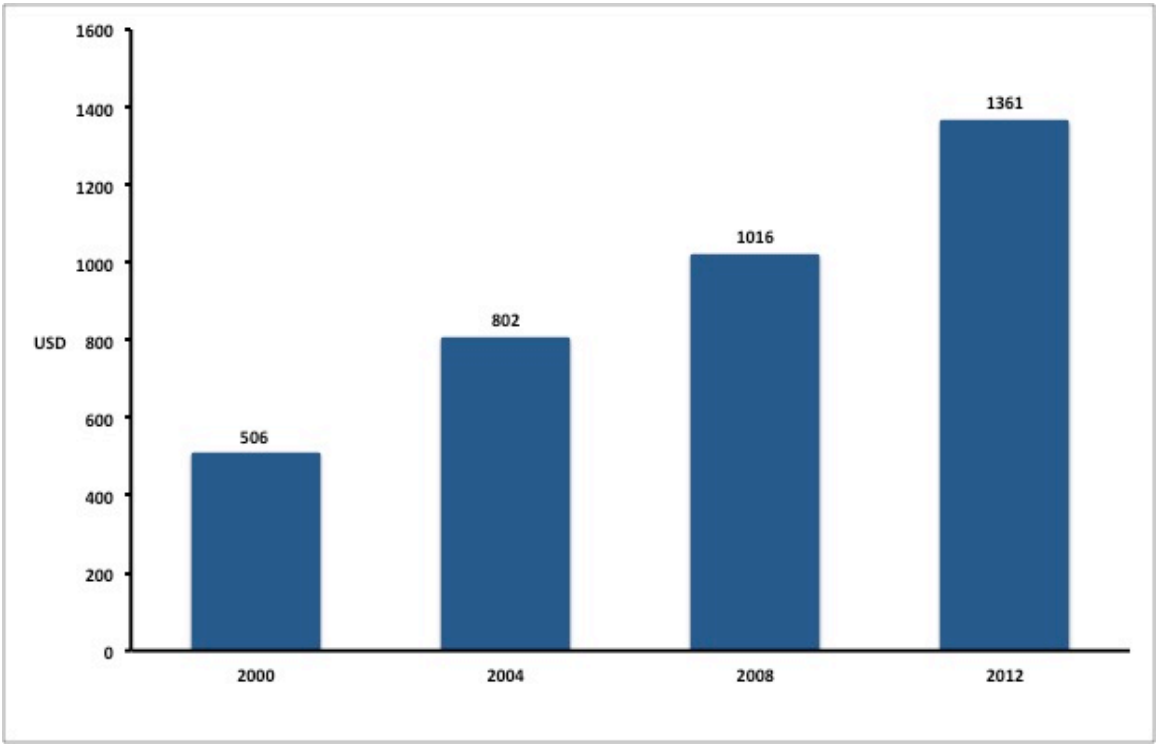
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3.8%	17.9%	27.5%	9.3%	7.4%	7.3%	7.4%	6.4%	5.5%	4.0%	4.8%	5.5%	6.0%

Average (2000-2012)	**8.7**
Average (2003-2012)	**6.4**

Source: With data from Tavakoli, H. (2012). Public financial management reforms in fragile states. The case of Sierra Leone. Ovearseas Development Institute[92]*.*

Inflation has been relatively under control. The Consumer Price Index (CPI) reached its peak in 2006 with a growth rate of 15.6%, but has averaged 11.2% for the period 2003-2012. Although inflation control remains a significant challenge, considering its GDP growth rates, Sierra Leone has been able to maintain the purchasing power of its consumers. As a consequence, GDP per capita has increased from $506 USD in 2000 to $1,361 USD in 2012 (a 169% rise).

Figure: Sierra Leone's GDP per capita PPP in USD (2000-2012)



Source: With data from Tavakoli, H. (2012).*

[92]The author uses figures from: a) IMF (2009) 'Sierra Leone: Selected Issues and Statistical Annex'. Washington, DC: IMF; and b) World Bank (2009) 'Third Governance Reform and Growth Credit'. Programme Information Document, Concept Stage, Report AB5162. Washington, DC: World Bank.

Lessons Learned

Although a strong legal framework has been developed in Sierra Leone and its overall macroeconomic performance has been relatively successful, it is fundamental to understand the rationale behind its progress. It is of particular interest to look at the relationship between support of international donors and the local government incentives in the short and long runs. This analysis may contribute to a better understanding of the implementation process of institutional and administrative reforms in post-conflict countries. The main objective is to extract some lessons from the PFM reform process in Sierra Leone that can be applied to other institutions in similar contexts.

The analysis will focus on the implementation of PFM reform in Sierra Leone from four perspectives: 1) financial support and incentives for reform, 2) building a technocratic elite and a qualified bureaucracy, 3) coordination among stakeholders; and 4) sequencing the reform process.

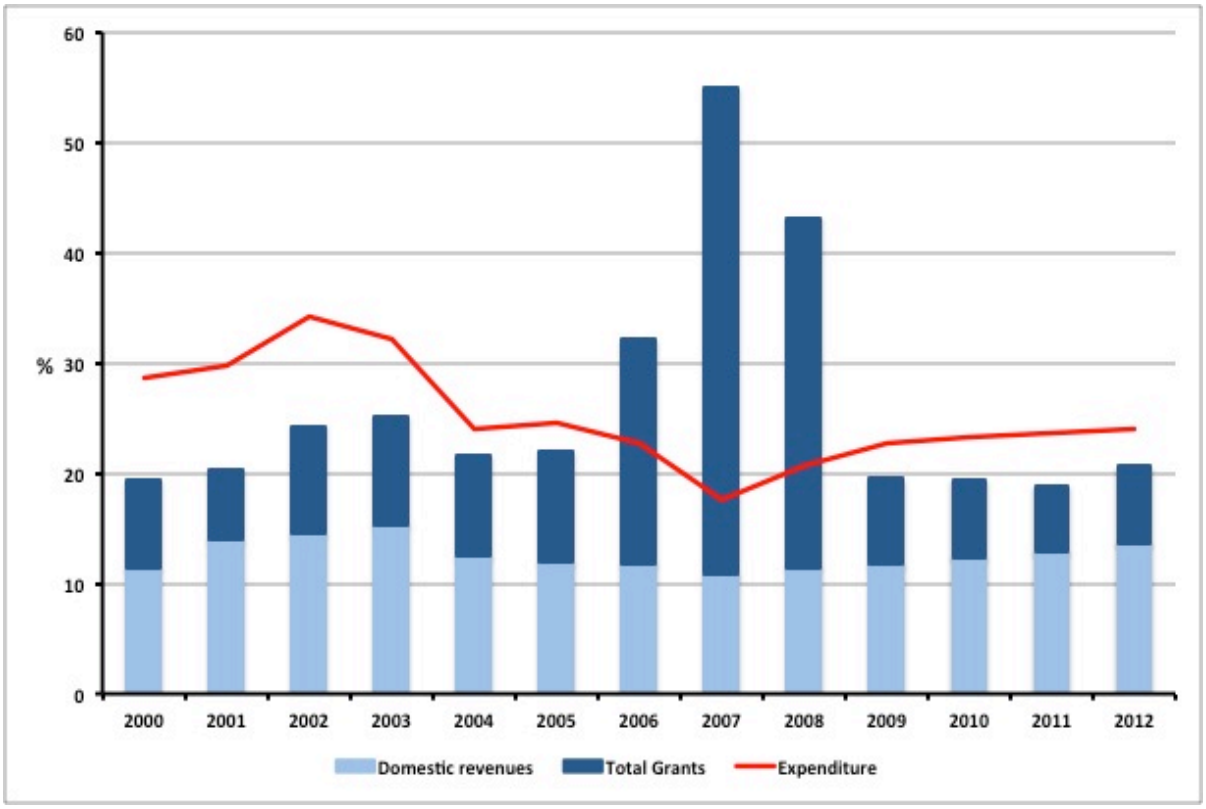
I. Financial Support and Incentives for Reform

The case of Sierra Leone shows the relevance of the financial support of international donors in implementing PFM reforms. To what extent are local actors open to implementing reforms that reduce their level of discretion as authorities? PFM reform plans promoted by international donors are oriented to higher levels of government accountability and transparency, efficiency on expenditure, policy and administrative decentralization, and an increasing participation of civil society in government decisions. In the case of Sierra Leone, PFM reforms resulted in a reduction of the control that the executive had over the main public financial systems. Why did governments cooperate with such reforms?

From a theoretical perspective, it could be assumed that post-conflict governments are open to reforms, since they have two basic incentives for cooperation: 1) governance needs, and 2) financial needs. After the civil war, rebel movements constantly challenged the government of Sierra Leone. Governance depended strongly on the legitimacy obtained by the recognition of international actors, which also were able to provide financial and technical assistance to a government that was not capable of covering its expenditures.

The following chart shows the relationship between revenues and expenditure in Sierra Leone for the period 2000-2012. In the first five years of this period, the government was experiencing, on average, a deficit of 6.8% of the country's GDP. However, the overall deficit excluding donor grants averaged a 15.7% during this period. Although from 2006 to 2008 the government experienced a surplus (related to the Multilateral Debt Relief Initiative), during the whole period, it has been highly dependent on donor grants. For the whole period 2000-2012, the average deficit without grants is 12.6%, and only 2% when considering donor support.

Figure: Domestic revenues, grants and expenditure in Sierra Leone as % of GDP (2000-2012)



Source: Data from Tavakoli, H. (2012).*

In theory it is reasonable to consider that local stakeholders were open to legal reforms, since the financial incentive was strong enough to oblige actors to promote reforms that reduced the level of discretion of authorities, such as the executive and the legislature. However, it is not clear to what extent reforms prevail in the long-term when international donors reduce financial support. This depends on how effective the reform process has been in creating a bureaucracy that supports the current transformations, but also on how strong the will of political leaders is to maintain fiscal discipline. In theory there is an incentive for governments to increase recurrent public expenditure in order to increase economic growth in the short term. However this will not increase the real GDP, since in the long run this may cause inflation. Institution building must take into account local balance of power and international integration, so that the country does not depend only on short-term political decisions.

II. Building a Technocratic Elite and Qualified Bureaucracy

One of the main elements that allowed Sierra Leone to be classified as a case of substantial progress is that the country maintained its basic public financial operations during the civil war. This was possible, in part, due to a technocratic elite that was kept in government during the conflict.

After the civil war, these technocrats were still working with donors in order to implement PFM plans, but also there were efforts to create a high bureaucracy of qualified local officials to implement the administrative and policy transformations of PFM reforms. International donors mainly directed the process, by hiring new qualified personnel and providing technical training.

However, some operational reforms promoted the creation of new categories of personnel alongside the civil service. Mainly funded by donors, these additional staff were introduced to accelerate the implementation of reforms. Although this could be useful in the short run, it creates enormous challenges in the long-term, since it is not clear how the PFM process will continue when donors leave more space for local authorities. Having a parallel bureaucracy not only creates extremely competitive bureaucratic politics but also poses a major challenge when implementing decisions made by high officials, since they have to deal with an administrative body likely to respond to leaders or hierarchies different from the formal decision channels.

III. Coordination Among Stakeholders

After 2002, when PFM restarted in Sierra Leone, major donors were involved in connected topics and reforms, but without a formal link among them. It was not until the CAP in 2004, that the donors were able to integrate a system of common objectives and performance indicators. This helped all stakeholders to use a common language and to align objectives. However, a

certain level of specialization was kept, since different donors were supporting different activities, such as ICTs training, transparency policy measures, and planning procedures training. But it was by then a specialization following a more concrete mission of PFM reform.

At the end of 2004, the CAP developed into the NAP, where national stakeholders were more involved in both creating political strategies to pass reforms and implementing the changes to a financial management level. This scheme of cooperation was possible due to two main aspects: 1) the government had the financial and governance incentives to cooperate with the donors, since they were both a source of economic resources and the vehicle to bolster the government's legitimacy and recognition with the international community; and 2) government officials involved in reforms were technically capable of implementing the major changes that were pushed by the political elites. It was a high-level technocracy that understood not only the general framework proposed by donors, but also the implications of day-to-day operations and bureaucratic politics. This elite helped to implement legal reforms.

IV. Sequencing of the Reform Process

Sierra Leone went through a reform process that involved acquiring a basic functioning of the budgeting process before moving to more advanced reforms. From the CFAA to the IPFMRP, each successive action plan that was developed has been more comprehensive than its predecessor. This approach has been critical to the success of the reform process, as it was necessary to establish a credible budget and greater transparency before moving on to more sophisticated tools, such as the IMF-style Financial Programming and Policies model, that are now part of the IMFNRP.[93] IMFNRP has been explicitly designed according to the platform sequencing approach. This approach allows for different set of objectives to be put in place, but sets the focus on the completion of the more approachable goals before moving on to the more

[93] Heidi Tavakoli, 2012, Public financial management reforms in fragile states: the case of Sierra Leone, ODI, http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7855.pdf, vii-viii.

challenging ones.[94] At the same time the reform program grew in complexity, donors also promoted greater participation from the GoSL to encourage a greater sense of ownership on the programs being implemented.

Sierra Leone's progress on PFM reform has been relatively successful, particularly when considering its starting point. Several lessons can be highlighted from its experience, and can be used in different development contexts. Economic incentives may work at the beginning of a reform process, but they will not necessarily prevail in the long term, so these reforms have to consider the creation of an institutional structure that considers local political dynamics and bureaucratic politics. Also, it is to be understood that coordination between donors must be a matter of interest before starting projects in a specific country, since the lack of coordination may delay policy objectives. Financial incentives, institutional design and coordination are the key factors for success for project development in post-conflict countries. And proper sequencing ensures that institutional capacity is built for long-term sustainability.

[94] IPFMR Project Administration Unit Ministry of Finance and Economic Development Freetown, October 2009, Integrated Public Financial Management Reform (IPFMR) Project, Project Implementation Manual, 16-17.

Case Study: Democratic Republic of Congo (DRC)

Under the DRC's transitional government in the early 2000s, a diverse range of PFM reforms were implemented. However, these efforts were insufficient to achieve adequate state control over revenue and expenditures, and, despite attempts to curb poor PFM practices, the following problems persisted: minimal participation by line ministries in the budget preparation process; low credibility of the budget, which failed to reflect national development strategies and priorities; and the absence of regular and transparent budget reporting as well as ineffective expenditure controls.

In March 2010, the Strategic Plan for Public Finance Reform (PSRFP: *Plan Stratégique des Réformes des Finances Publiques*) was adopted. The policy aimed to modernize the public financial system and included a three-year action plan in expenditure management, accounting and cash management, budget reform, reinforcement of budget control and fiscal reform, and the creation of a strategic framework to facilitate stakeholder coordination.

These reform efforts reveal several lessons that hold broad application for the delivery of technical assistance in post-conflict settings and stress the importance of the following conditions: 1) cooperation and consensus among major domestic actors; 2) country ownership and leadership; 3) enhanced coordination among donors; 4) the presence of a political dimension in donor-government relations; and 5) the importance of carrying out these reforms alongside other initiatives, such as decentralization and capacity building.

DRC's Historical and Political Context

The former Republic of Congo was established as a Belgian colony in 1908. After gaining independence in 1960, the country underwent a military coup and a five-year period of conflict

that resulted in Colonel Joseph Mobutu declaring himself president in 1965. Mobutu's 32-year regime came to an end in 1997 as a result of ethnic divisions, influxes of militarized refugees from Rwanda and Burundi in the aftermath of the 1994 genocide, and a civil war. In 1997, anti-Mobutu rebels captured the capital and installed Laurent Kabila as President.

This, however, did not end the country's turmoil. In August 1998, a new rebellion, sparked by a rift between Kabila and his former allies, challenged the presidential regime again. This time, the conflict engulfed the region: Angola, Chad, Namibia, Sudan, and Zimbabwe intervened to support Kabila's regime, while Rwanda and Uganda provided support to rebel movements fighting against the DRC government. Ultimately, a cease-fire was signed in July 1999 by the DRC, Congolese armed rebel groups, Angola, Namibia, Rwanda, Uganda, and Zimbabwe. Despite the ceasefire, ongoing fighting led to the assassination of Kabila in January 2001. The new president, Joseph Kabila (Laurent Kabila's son) brokered a peace deal with Rwanda and Uganda, and this eventually led to the withdrawal of Rwandan forces from eastern Congo. The United Nations Organization Mission in the Democratic Republic of Congo (MONUC), a peacekeeping force, intervened in the country in 2001; this was followed by the signing of the yet another ceasefire, the Pretoria Accord, in July 2003, which paved the way for a transitional government to serve as the interim authority until elections in 2006. To this end, a constitutional referendum took place in December 2005 followed by elections for the presidency, national assembly, and provincial legislatures in 2006. Most recently, in November 2011, Joseph Kabila was reelected to the presidency (although the election results have been disputed).

The elections, however, did not present a comprehensive solution to the security and governance problems plaguing the country. Although DRC has, at least in name, achieved a democratic, multiparty system, the president's legitimacy is highly questionable—a fact that has not helped the festering insecurity in many of the eastern areas of the country. As discussed in

the previous section, the history of DRC has been one of instability and civil war. The conflict reportedly has caused more deaths than any other conflict since World War II. Up to 5.4 million people have died since August 1998, and, perhaps even more shockingly, an additional 1.5 million have died during the "post-conflict" period (after the December 2002 peace accord supposedly ended hostilities).[95] Today, DRC faces one of the longest-running and most severe humanitarian and security crises in Africa. In response to insecurity in the east, military operations against armed groups have not led to stabilization but instead to skyrocketing numbers of internally displaced persons (IDPs). To this point, since the start of the most recent rebellion in eastern DRC (the M23 movement in 2012 to take over the city of Goma), over 200,000 people have been displaced in eastern Congo.[96]

Economic Conditions in DRC

Conflict, violence, and insecurity constitute the greatest threat to the country's economic development. DRC is home to vast natural resource reserves and mineral wealth. However, decades of misrule and two civil wars have destroyed the country's economy, infrastructure, and state capacity to manage concessions to and revenues from these resources. It is telling that, despite an abundance of lucrative mining opportunities, in the decades of Mobutu and Kabila's corrupt leadership, national output and government revenue dramatically decreased, while external debt increased. Foreign companies suspended their operations due to uncertainty about the outcome of the conflict, lack of infrastructure, and the difficult business environment.

[95] Brusset et al., Channel Research, "Amani Labda, Peace Maybe: Joint Evaluation of Conflict Resolution and Peace Building in the Democratic Republic of Congo." Last modified 2001. Accessed December 3, 2012, 24.
[96] "DR Congo M23 rebels 'executing escapee recruits'." *BBC*, September 11, 2012. http://www.bbc.co.uk/news/world-africa-19564191 (accessed December 3, 2012).

Today, poverty levels remain high in DRC. It ranks as the worst country of 187 countries in the United Nations Development Programme's Human Development Index.[97] Although economic and social development conditions began to improve in late 2002 with the signing of a ceasefire and subsequent withdrawal of a foreign troops,[98] the benefits of such progress have been unevenly distributed—a condition that can only further weaken rather than bolster the country's changes for sustainable peace. A key factor in perpetuating the inequitable distribution of wealth and mismanagement of natural resources is corruption—one of the key challenges facing the country. In 2011, Transparency International ranked DRC 168th in its Corruption Perception Index.[99]

DRC's Poverty Reduction Strategy Paper

Despite rampant corruption and overall lack of effective governance throughout the country, DRC has created a Poverty Reduction Strategy Paper (PRSP) designed to complement PFM reforms. In fact, PFM reforms were initially envisioned as a vital component of DRC's national strategy and thus became closely linked to strategies for other sectors (i.e. the PRSP). In the first phase of the PRSP, an interim poverty reduction strategy paper was established. After one year, the country was granted relief of approximately 90 percent of its debt service, and these freed-up funds contributed to poverty reduction programs.[100] The second phase of PRSP planning led to the final version of what would become the first-generation PRSP. Through this participatory process, which involved various working groups comprised of approximately 500 participants including representatives from Parliament and the offices of the President and Prime Minister, DRC civil service, civil society organizations, the private sector, and provincial

[97] Human Development Index and its components, accessed http://hdr.undp.org/en/media/HDR_2011_EN_Table1.pdf on December 4, 2012.
[98] According to the IMF's 2009 country report, GDP growth increased from 2.8% in 2003 to 6.8% in 2008.
[99] Corruption Perception Index 2011, accessed http://cpi.transparency.org/cpi2011/results/ on December 4, 2012.
[100] MF, "Report on Implementation of the Growth and Poverty Reduction Strategy ." Last modified 2011. Accessed December 4, 2012. http://www.imf.org/external/pubs/ft/scr/2010/cr10328.pdf.

governments.[101] The PRSP was adopted by the transition government in July 2006 and was subsequently endorsed by the Kabila second-term government that was elected in March 2007.

With regards to economic governance, the government continued to modernize the PFM system and financial ministries through the establishment of provincial tax centers, conversion of the Customs and Excise Office from a government enterprise to a government agency, and the creation of a unit within the tax administration office responsible for important sectors (e.g. mining and telecommunications). Through a proposed public finance act, the government also developed a legal and regulatory framework, a customs code, and expanded a public procurement code. The expenditure cycle was reformed to cover all categories of expenditure and took steps to ensure transparency and accountability in procurement processes. Furthermore, the DRC government adopted the Strategic Plan for Public Finance Reform (PSRFP) in March 2010. Viewed in relation to the targets set forth by the Growth and Poverty Reduction Strategy Paper (GPRSP), public expenditure management reform efforts support the GPRSP's strategic pillar of "promoting good governance and peace."[102]

International Involvement in DRC

A variety of International actors have a long history of intervention in DRC in both the security and economic spheres. On the security front, MONUC was deployed following the signing of the Lusaka Ceasefire Agreement in July 1999 between DRC and five regional States (Angola, Namibia, Rwanda, Uganda and Zimbabwe). Following the first free and fair elections in the country in 2006, the UN Security Council transformed MONUC into the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO) in July 2010 to reflect a new, targeted focus on protecting civilians in the conflict-prone eastern portion

[101] Ibid, 15.
[102] Ibid.

of the country specifically.[103] While MONUSCO has made progress in implementing its stabilization mandate, there are significant outstanding challenges, including the continued presence of armed groups in the eastern provinces.[104]

In the economic sphere, with the cooperation of the World Bank and IMF, many reforms were implemented during the transitional government period. The World Bank provided assistance under two transitional support strategies (in 2001 and 2004). The DRC represents one of the World Bank's largest commitments in Africa (to the tune of $38,676.4 million), and reportedly receives approximately eight percent the Bank's total commitments.[105] Current joint programs between the Bank and the government of DRC are focused on transitioning from post-conflict recovery projects to longer-term sustainable development initiatives. The World Bank's portfolio in DRC focuses on three main sectors: 69 percent on sustainable development; 9 percent on governance and the private sector; and 23 percent on human development.[106]

As of late, a more diverse range of international actors is increasingly becoming involved in DRC's recovery and development efforts as the need for longer-term governance and economic growth programs comes to the attention of the international community. In order to "set out a common results matrix to facilitate coordination of strategies and programming" and under the aim of "bringing development aid into one single framework,"[107] the Country Assistance Framework (CAF) was established and includes 17 partners. The major donors to DRC's CAF are the World Bank, EU, US, UK, France, Germany, Belgium, and the Netherlands. Other contributors include: the IMF, AFDB, the UN system, Canada, Japan, China, Italy, Spain, and

[103] Accessed December 4, 2012. http://www.worldbank.org/en/country/drc/overview.
[104] Report of the Secretary-General on the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo, S/2012/355, 23 May 2012, 8.
[105] Accessed December 4, 2012. http://www.worldbank.org/en/country/drc/overview.
[106] Ibid.
[107] Ibid.

Sweden. These donors have developed a strategic approach for economic assistance to DRC in support of its PRSP.

PFM Reform in DRC

As the 2008 Public Expenditure and Financial Accountability (PEFA) evaluation revealed, the Congolese government faces weak governance in a range of areas. The document specifically points out the following main problems relating to PFM:[108]

- poor participation of line ministries in budget preparation;
- low credibility of budget;
- non-reflection of national strategy and priorities on the budget;
- absence of sufficient, transparent and regular budget reports; and
- ineffective and non-transparent expenditure control.

During the transitional government in the early 2000s, a diverse PFM reform process attempted to tackle the above problems in three different ways. First, the country's legal framework governing PFM was modernized through the revision of a small and medium enterprises (SMEs) budget law, a bill of public procurement, custom regulations, and a value added tax (VTA). Second, a computerization of the expenditures system took place in 2003 in an attempt to increase the transparency of the country's expenditure and budget monitoring systems. Finally, reforms implemented a tax modernization program to increase state revenues and enhance debt management[109].

However, implementation of these reforms was not sufficient to achieve adequate state control over revenue and expenditures. In its evaluation of the program, the World Bank stated that the

[108] Mesure De La Performance de la Gestion des Finances Publiques en Republique Democratique du Congo selon la methodologie PEFA, March 2008.
[109] Democratic Republic of Congo, Strategic Plan for Public Finance Reform, March 2010, 12.

"external TA driven and fragmented efforts had effectively failed,"[110] especially to effectively build capacity in DRC's ministries. In the analysis jointly conducted by the Congolese government and the World Bank, the following elements were listed as the reasons for the program's failure:[111]

- deviation of the budget from national development priorities (i.e. the PRSP);
- absence of decentralized capacity to manage public finance;
- limited fiscal transparency;
- massive extra-budgetary expenditures;
- weak expenditure process due to complex and numerous procedures;
- limited credibility of the budget (i.e. many administrative departments are left without budgeted resources while others benefit from large overruns);
- lack of control over budget allocation; and
- weak supervisory controls.

In sum, the budget was not aligned with national strategies. Moreover, despite the existence of defined PFM processes and guidelines, in practice many of these systems were not employed by DRC's ministries. These implementation failures can be attributed not only to weak authority and supervision within ministries but also to ongoing corruption, which manifested itself in un-reported revenue and expenditure. Furthermore, there was strong resistance from a diverse range of powerful interest groups, including powerful Ministries with incentives to keep the status quo.[112] This endemic corruption and ministerial aversion to change spurred donors to the CAF and the government of DRC to prioritize incentives-based public financial management systems.

[110] World Bank, International Development Association Project Appraisal Document on a Proposed Grant to the Democratic Republic of Congo for an Establishing Capacity for Core Public Management Project, 2011, 3.
[111] Democratic Republic of Congo, Strategic Plan for Public Finance Reform, March 2010, 12-13.
[112] World Bank, International Development Association Project Appraisal Document on a Proposed Grant to the Democratic Republic of Congo for an Establishing Capacity for Core Public Management Project, 2011.

Reform Timeline

In March 2010, the PSRFP plan was adopted in order to modernize the public financial system. The plan calls for the development of: 1) a three-year agenda based upon five pillars (see the table below for more detail): expenditure management, accounting and cash management, budget reform, reinforcement of budget control, and fiscal reform; and 2) a strategy document outlining stakeholder coordination guidelines.

I. Public Financial Management Act (LOFIP: Loi relative aux Finances Publiques)

As part of the PSRFP, the Public Financial Management Act (LOFIP) was adopted in July 2011 and provided a legal framework for PFM reform in order to address the problems mentioned above. Five pillars were identified as crucial, elements around which to structure the LOFIP:[113]

- Pillar 1: Matching Budget allocation and national strategies
- Pillar 2: Fiscal reform adapted to the context of decentralization
- Pillar 3: Strengthening expenditure management
- Pillar 4: Accounting and cash management
- Pillar 5: Reinforcement of control mechanisms

The following table shows the details of reforms under each pillar. At the national level, one of the government key tasks is confronting the legacy of corrupt existing practices (e.g. lack of reporting of revenue and expenditure). At the regional level, as part of decentralization efforts, capacity building among provincial and local authorities will be a key element. These reforms are expected take place between 2011 and 2018 at the national level, followed by the implementation in the provincial level by 2020.

[113] Les pilliers de PSRFP, Presentation by Ephrem Ghonda Makiadi, president of COREF (Comité d'Orientation de la Réforme des Finances Publiques).

Figure: Five pillars of PFM Reform in DRC

Pillar 1	**Develop comprehensive multi-yearly recurrent budgets in alignment with national strategies** • Harmonization of the **budget calendar** • Integration of **comprehensive budget information** • Reorganization of **budget controls** • **Modernization of PFM legislation**
Pillar 2	**Fiscal reform adapted to the context of decentralization** • Increase **resource mobilization capacity**: VTA, Taxpayer Identification Number (TIN), customs, etc. • Increase **revenue**: Sydonia++ (automatic custom system), natural resource sector, computerization of information • Establish **provincial and local tax authorities/structures**
Pillar 3	**Improve expenditure management** • **Reform of budget execution**: GESIFIP (Integrated Management of Government Finance) • Salary **expenditure management**: inventory, retirement • Management of **public market authority**: set up market regulation and establish ARMP (*Autorité de Régulation des Marchés Publics* / Public Procurement Regulatory Authority), CGMP (*Cellules de Gestion des Projets et des Marchés /* Projects and Markets Management Units), and DGCMP (*Direction Générale du Contrôle des Marchés Publics* / DG Control of Public Procurement) • **Debt management**: increase reliability of payment mechanisms, procedures and mandate, provide adequate software and training
Pillar 4	**Accounting and cash management reform** • Accounting reform: Reform of DCP (*Direction du Contrôle Budgétaire* (Budget Supervision Department)) and legislation reform • Cash management reform: Reform of DTO (*Direction de Trésor et de l'Ordonnancement* (Treasury and Payment Department)) and its capacity building
Pillar 5	**Reinforcement of control mechanism** • **Administrative control**: DCB (*Direction du Contrôle Budgétaire* / Budget Control Department), CPP (*Comité de Pilotage du Programme* / Program Steering Committee), IGF (*Inspection Générale des Finances* / Inspectorate-General for Finance) • **Jurisdiction and management control**: CdC (*Cours des Comptes* / Courts of Accounts: The Supreme Audit Institution) • **Parliament control**: democracy, eradication of corruption • **Control by citizen**: civil society

Source: Table made by the author based on the PSRFP

II. Medium-Term Budget Framework (MTBF)

Given the immense and expansive nature of these broad reforms, the government gave priority to five sectors: health, education, agriculture, rural development, and public works and infrastructure. The government also developed programs and subprograms for the sectoral ministries when a Sectoral Medium-Term Budget Frameworks for these five sectors was adopted to increase efficiency during reform implementation.

III. Result-Based Management (RBM)

Prior to 2011, the government used an input-based management approach to manage the budget. The input-based management is a framework employed depending on how many resources, including staff and facilities, are spent on a program. The performance of each agency or ministry is then measured by the amount of resources spent.[114]

However, in order to efficiently implement PFM reform in coordination with national strategies (Pillar 1), the government had to proceed to an RBM approach. RBM is useful for ensuring that resource allocations contribute to the priorities[115] planned in the PRSP. According to the OECD, by switching to an RBM approach, the government can increase its efficiency, transparency, and accountability of the budget system as well as enhance resource reallocation, and improve cross-ministerial cooperation.[116]

Implemented by the Ministry of Planning, this idea was supported by the World Bank's DRC Establishing Capacity for Core Public Management program. This RBM component was

[114] Jens Kromann Kristensen, Walter S. Groszyk and Bernd Buhler, Outcome-focused Management and Budgeting, OECD, 2002, 8-9.
[115] Food and Agriculture Organization, "About," accessed 19 December 2012, http://www.fao.org/about/57743/en/.
[116] Jens Kromann Kristensen, Walter S. Groszyk and Bernd Buhler, Outcome-focused Management and Budgeting, OECD, 2002, 11-12.

composed of two elements: 1) strengthening the selected ministries'[117] implementation capacity to deliver short-term targeted results in priority areas ($2 million); and 2) building human and institutional capacity to leverage change and sustain capacity development ($2 million).[118]

The program aims to gain ministerial-level staff commitment to deliver results and install reforms as well as a gradually implement RBM practices. This process is supported by a development of regionally-based training centers, which provide both instruction on RBM managerial techniques but also a network of real-time coaching and support for government initiatives. External experts are available to provide advisory support, training, and coaching for experts at the national training centers.[119] The program also provides financial support for organizational costs as well as some material costs.

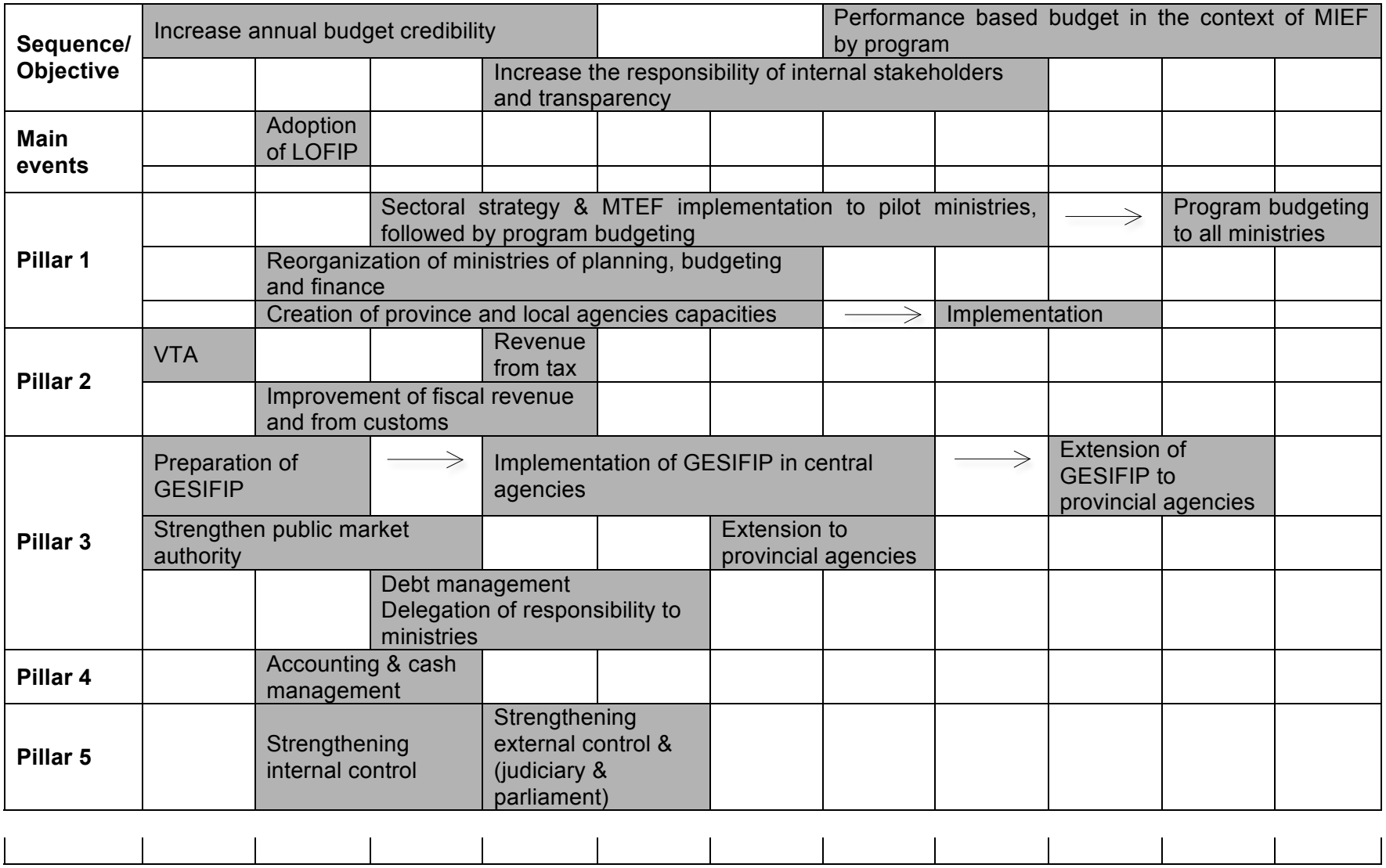
This matches the objective of state capacity building, since some efforts were made to attract educated members of the Congolese diaspora as international experts. Furthermore, this program provided training to national staff—then able to transfer knowledge and supervise the local staff in the future. However, although this approach showed positive results in Morocco, Madagascar, and Burundi,[120] it is very premature to conjecture about its success or failure in DRC. Unfortunately, there is the potential that considering DRC's lingering fragility, the country may not yet be ready for this type of reform (a point further discussed in the "Cross-Case Analysis" section of this report).

[117] Ministries of Finance, Budget, Planning, Decentralization, Public Service, Infrastructure and Telecommunications, Health, Regional and International Cooperation and Primary and Secondary Education.
[118] World Bank, International Development Association Project Appraisal Document on a Proposed Grant to the Democratic Republic of Congo for an Establishing Capacity for Core Public Management Project, 2011, 8-9.
[119] Ibid, 12-13.
[120] Ibid, 9.

To summarize, the following matrix shows the timeline of the reforms described above. It is possible to categorize three main sequencing phases from this timeline: 1) increasing budget credibility, 2) increasing the responsibility of domestic stakeholders and transparency, and 3) RBM and capacity transfer to decentralized institutions.

The first phase (2010-2013) can be illustrated by the implementation of a legal framework (LOFIP). Most of the legal reform will be in place before 2013, which will establish a basis for effective implementation of the second sequenced phase of reforms (2013-2017). By strengthening the responsibility of core ministries, the interventions aim to increase host-country participation in the reform process and increase transparency in both revenue and expenditure. The third phase (2016-2020) will focus on decentralizing the reform programs to provincial and local institutions as well as implementing RBM techniques.

Figure: Timeline of PFM Reform in DRC



*Source: "Synthèse et un cadre pour prioriser les reformes", Overseas Development Institute (ODI***)**

Issues of Coordination Among Donors

One of the major issues identified as a cause of failure for previous reforms was the difficulties of coordination among internal and external stakeholders as well as the absence of domestic actors in coordination systems.

In order to clarify the system of aid coordination within DRC, external donors established the Governance Thematic Group, appointing one leading donor to oversee various sectors of aid. The EU took the lead in the Economic Governance and Public Finance aid sector:[121]

Aid Coordination: Governance Thematic Group and Stakeholders

THEMATIC WORKING GROUP	LEAD
Security (Army and Police)	16 EDSEC & EDPOL
17 Justice and Human Rights	18 European Union
19 Local and Decentralized Governance	20 UNDP
21 Economic Governance and Public Finance	22 European Union
23 Elections and Parliament	24 UNDP
25 Business Climate and the Private Sector	26 French Development Agency (AFD)
27 Media and Culture	28 French Embassy
29 Statistics, Prospective Studies and Energy	30 ADB
31 Community Dynamics	32 Japan

Source: Africal Development Fund, Appraisal Report, 2011

To strengthen the coordination and coherent implementation of reforms, the Steering Committee on Public Finance Reform (COREF: *Comité d'orientation de la réforme des finances publiques*) was established in August 2009. COREF differs from CAF in that it emphasized capacity building within local institutions. Located under the direct supervision of the MoF, "COREF is funded by the national budget, with support from the EU and AfDB."[122] As seen in the below table, through its PAG (*Programme d'Appui à la Gouvernance* / Support Program to Governance), the EU provides technical assistance to COREF by delivering monitoring and evaluation tools. This institutionalization of donor groups was useful in the context of donor-

[121] Africal Development Fund, Appraisal Report, 2011, 4-5.
[122] DFID, PCR for PFM, 2012, 9.

government coordination as well as in strengthening the commitment of high-level government officials. The following table shows the example of support programs related to PFM assistance from main donors.

Figure: Examples of Support Programs of Main Donors

Organization	Support Program
World Bank (Board membership)	**DRC Establishing Capacity for Core Public Management (2011-2016)** Total Project Cost: 29.90 million USD Content: *"The objective of the Establishing Capacity for Core Public Management Project for Congo, Democratic Republic is to strengthen core public administration functions of selected central and provincial institutions in the recipient's territory. This project has four main components: (i) strengthening leadership and introducing basic results-based management tools; (ii) strengthening core public administration functions; (iii) support to local training centers to define and implement programs of excellence, and; (iv) strengthening National Secretariat for Capacity Building (SENAREC), including the design and implementation of a quality control system to ensure consistency in program and course quality." (World Bank)*
EU	***Programme d'Appui à la Gouvernance* (PAG: Support Program to Governance) (2009-2015)** Total Project Cost: 6.5 million EUR URL: http://www.ugpag.cd/index.php Content: *(Contribute to implement the Strategic Plan of Public Financial Reform and improve the management of Public Finance, especially by re-enforcing the external and internal control institutions.* ***Result 1:** The reinforcement of the capacity of ECOFIN, National Assembly and Senate* ***Result 2:** The reinforcement of CdC (Courts of Accounts: The Supreme Audit Institution).* ***Result 3:** Adoption of sectorial politics and the PSRFP* ***Result 4:** Improvement of institutions capacity in charge of management of public finance.)* (*Translated, EU*)
African Development Bank	***Public Finance Modernization Support Project (PAM-FP) (2012-2015)*** Total Project Cost: 10 million UAC Content: *"After several years of political instability and armed conflicts, the Democratic Republic of Congo (DRC) is heading towards the gradual restoration of social peace, ushering in conditions for a gradual improvement of the macro-economic environment. However, the country's institutional capacity, especially to manage public finances, has been weakened. Thus, the 2006-2008 Poverty Reduction and Growth Strategy Paper (PRGSP, extended to 2011), which is Government's reference framework for promoting good governance, has two priorities: (i) consolidate reforms engaged to modernize fiscal management; and (ii) help the provinces to tackle constraints that hamper local economic and*

Organization	Support Program
	financial governance, especially those linked to their weak capacity to mobilize local revenue and execute budgetary expenditure. The Public Finance Management Support Project (PAM-FP) amounting to UA 10 million falls within this context. The aim of PAM-FP is to contribute to improve economic and financial governance by strengthening tax administration in order to: (a) consolidate fiscal reforms initiated; and (b) strengthen local public finance governance in three provinces." (ADF, Appraisal Report, 2011)
UK/DFID	**Budget Strengthening Initiative (BSI)** Total Project Cost: Under 300,000 BPS (British Pound Sterling) Content: *"In **DRC**,BSI has been supporting small scale reforms in several areas. BSI has assisted the government to produce a prioritised and sequenced national Public Financial Management (PFM) action plan. BSI also supported the development and operationalization of "roadmaps" for provincial PFM reform to ensure consistency across provinces, where supported by different donors. DFID-DRC has commented how useful and relevant BSI support has been in this area, focussing on issues where other donors are not significantly involved. BSI also enabled joint work by the Ministries of Budget and Education to monitor spending on primary education more effectively and make a stronger case for support from both the national budget and donors. Each intervention in DRC has cost less than £50,000, with a total of under £300,000. This work as has involved short-term missions, which DFID DRC feels has restricted impact. This approach was a deliberate part of the BSI approach, but the review team suggests the Advisory Board considers whether a continuous presence is essential to successful delivery." (DFID)*

COREF therefore helped improve the coordination capacity among donors as compared to the pre-2009 period. However, there still remain several problems which contributes to its ineffectiveness.

First, the issue of weak leverage cannot be ignored. COREF lacks structure and capacity: only one coordinator works today in COREF. Although a project is underway that will employ additional personnel,[123] the lack of coordination capacity is evident. In addition, the absence of a formal arrangement for regular meetings and the absence of involvement at the political level weaken the leverage mechanism that could be used by donors to enforce reform and coordination between donors and the government. For instance, until September 2012, the *Group Thematique Gouvernance Economic* (GTGE), a group co-chaired by the MoF and the

[123] DFID, PCR for PFM, 2012, 9-10.

EU, had not met since early 2011.[124] The GTGE, which was jointly developed by donors and COREF to facilitate the PFM donor-government coordination, provides an opportunity for political-level and technical-level staff to exchange and coordinate further reform. The absence of these meetings not only decreases the level of coordination but also diminishes the level of leverage donors have over DRC ministries.[125]

Furthermore, the weak coordination capacity in the central government also allowed donors to experience overlaps and incoherent approaches in a few sectors of reform, such as MTEF Budget preparation and accounting.[126] Nonetheless, at the provincial level, the donor support was well coordinated: main donors focusing on eleven provinces (as in the table below), shared the same reform approach of "minimum platform" led by COREF. The donors' aid programs are summarized in the following table (Summary of Donors intervention in Province / Decentralization issues).

TFP Operations in Public Finance Planning and Management in the Provinces[1]
(Based on the Minimum Platform's Matrix of Activities Prepared in February 2011)

TFP	Provinces Covered	
	Public Finance Management	Planning (2011-2015 PRSP-PAP)
World Bank	Katanga, Bandundu, South Kivu, West Kasaï*	
UNDP	Equateur, North Kivu, East Kasaï	Katanga, North Kivu, South Kivu, Bandundu, Maniema, West Kasaï
European Union	Kinshasa, North Kivu.	
Belgian Cooperation	Kinshasa	
USAID	Maniema, East Kasaï, West Kasaï, Bandundu, Katanga, South Kivu	
ADB	**Bas-Congo, Oriental and Maniema**	
Note: The intervention areas are the same for all TFPs since the objective is to implement the minimum platform. The Bank will support the three provinces not covered by other TFPs. The provincial distribution of coverage is based on the partners' choice of action in agreement with the Government, depending on their operations in the country and the accessibility of the provinces. At the request of the Government and other TFPs, the Bank will cover Maniema, Bas-Congo and Orientale Provinces for a hitch-free rollout of the public finance minimum platform in the whole country. **Since the matrix of activities under the minimum platform was only approved in February 2011, it is still too early to assess its implementation.**		

Source: COREF (2010), TFPs' commitments are detailed in Annex IV.

Source: Africal Development Fund, Appraisal Report, 2011

[124] http://www.congoopportunities.net/echange-coref-et-bailleurs-sur-letat-de-lieu-des-reformes-des-finances-publiques-de-la-rdc/.
[125] DFID, PCR for PFM, 2012, 7-9.
[126] Ibid, 8-9.

The following statement made in a DFID report shows the importance of coordination: "differences remain between different donors' approaches, but increasing COREF leadership and oversight is progressively allowing [for the enhancement of] coordination, information sharing, and lesson learning between provinces."[127]

[127] Ibid, 9.

Figure: Summary of Donor interventions in Provinces and Decentralization Issues

Donors	Projects / Activities	Status	Objective	Implementation Period	Project Amount ('000)
UNDP	Support to Decentralization and Local Development	On-going	Support to set up a decentralization strategy	2010	366 USD
	Program to Support Local Decentralization (PADDL)	On-going	Local participatory planning; public finance management; capacity building of provincial assemblies	2008-2012	7,700 USD
	Census of workers without EPSP in DRC	On-going	Promotion of ethics and good conduct	2009-2012	-
UNCDF	Program to Support Decentralization and Local Development (PADDL)	On-going	Local participatory planning; public finance management; capacity building of provincial assemblies	2008-2012	2,000 USD
DFID	Program to Support Decentralization and Local Development (PADDL)	On-going	Local participatory planning; public finance management; capacity building of provincial assemblies	2008-2012	62,100 USD
	Promotion of Ethical Values and Corruption Control	On-going	Promotion of ethical values; Strengthening of the accounting chain	2008-2012	1,670 USD
	Projects to Build Capacity and Governance (PRCG)	On-going	Regional economic planning; Results-based public finance management Automatic payroll and staffing management	-	-
World Bank	Support to Identification of Civil Servants, ESPC Workers and Cartography	Future	Control of 2/3 of the staff	2010-2011	Appraisal ongoing
	Support to FP Management (with EU, USAID and Sweden)	Future	Support to public finance management in Maniema and the two Kasai	2010-2011	Appraisal ongoing
	Project to Support Rejuvenation in the Civil Service (PARFOP)	Future	Payment of retirement entitlements Validation of the sector organic framework Establishment of the Pension Fund Performance-based reward system	2010-2011	Appraisal ongoing
Belgian Cooperation	Tschopo PAIDECO	On-going	Rehabilitation of public buildings	2008-2010	3,880 EUR

Donors	Projects / Activities	Status	Objective	Implementation Period	Project Amount ('000)
	PAIDECO BBK	On-going	Rehabilitation of public buildings	2008-2011	8,077 EUR
	Project to Support DRC's Legislative System – Provincial Assemblies Component	On-going	Institution building in 5 provincial assemblies / Training of deputies and staff / Training of deputies and staff	2009-2011	1,600 EUR
South Africa	Census	Completed	Technical support; strengthening of census workers		
European Union	Administrative Governance		Support to institution building in 3 provinces Rehabilitation and equipment of administrative buildings Building the capacity of magistrates, criminal police	2008-2011	73,000 EUR
	Economic Governance		Improve public finance management Prepare the PSRFP and PAP Institution building; External and internal control	2008-2011	33,000 EUR
IMFI	Financing of Government's Economic and Financial Program	On-going	Vote and application of the finance law Computerized payroll management (PTS)	2009-2012	
KFW	Peace Consolidation Fund		Administrative and social infrastructure in five provinces	2009-2012	30,000 USD
CIDA	Support to the National Decentralization Forum	Completed	Consultation to define a strategy for implementing the decentralization	2007-2008	71.7 CAD
France	Support to Public Finance Management	Completed	Set up computerized payroll (PTI) Strengthen public finance management capacity	2002-2008	3,000 EUR
UNSAID	Support to the Decentralization Strategy	On-going	Train outreach workers for the CSMOD sensitization and social communication	2009-2012	30,000 USD

Donors	Projects / Activities	Status	Objective	Implementation Period	Project Amount ('000)
Francophone	Support to the Establishment of the Decentralization Legal Framework	Completed	Production of compendium of legal texts on the decentralization	August 2008	
Italy	Decentralization Support Project (Tuscany Region)	On-going	Build the capacity of deputies and provincial ministers of North Kivu and Orientale provinces as well as the administrative staff of the Ministry of Decentralization.	2009	

Source: African Development Fund, 2011

Results

Despite its difficulties at the operational level, the overall results of PFM reform and improvement of donor-government coordination have been satisfactory.[128] The comparison of the 2008 PEFA with and the 2012 PEFA scores conducted shows progress in most of the indicators (see following table for detailed results).

The most significant progress has been made in the modernization of legal frameworks (reflecting the adoption of LOFIP in 2011), the definition and respect of the budget calendar, and the identification of civil servants and control of the payroll. However, progress is still slow at the execution level. Many unreported operations in revenue collection and expenditure are in place. This is primarily due to agencies and state entities collecting resources that do not appear on the budget and the absence of allocations for fiscal transfers to provinces. Looking at the timeline of the PFM reform, many of these problems must be solved in the second sequencing process by increasing the responsibility of internal stakeholders. Thus, we can state that the result of the 2012 PEFA is in line with the current timeline, even though the government has a significant workload ahead of it at the operational level to confront resistance by different ministries.

Looking at the timeline's objective in 2012 to implement the legal framework, progress on this reform can be judged satisfactory as of date. However, various tasks remain that should have been resolved within the first phase, such as:

[128] Ibid, 12-15.

I. High-Level Risks:

- **Corruption**: The World Bank and other donors highlight the serious risk of corruption, especially in procurement processes. The Commission of Repression of Economic Crimes (CREC) tackles this issue in the central government. However, in addition to the fact that the corruption remains despite the establishment of the CREC in 2001, the risk multiplies in provinces due to their low human resources and institutional capacities.[129]

- **Security**: The fight between the government and FNRL rebel force in eastern DRC could highly delay the implementation of PFM reforms. The state's priorities could also shift from PFM reform due to the reemergence of conflict.[130]

II. Medium-Level Risks:

- **Lack of Leadership and Coordination**: The government has made a strong commitment to the PFM reform. The MoF is taking the lead on the reform as well as coordination through COREF. However, as long as the government remains weak with a high risk of corruption, the risk of poor coordination remains.

III. Substantial Risk:

- **Electoral Risk / Weak Democracy**: Success of many reforms depends deeply on the level of high-level political commitment to the reform. President Joseph Kaliba, reelected in 2011, emphasized the importance of PFM. However, many sources counteract this by noting his

[129] World Bank, International Development Association Project Appraisal Document on a Proposed Grant to the Democratic Republic of Congo for an Establishing Capacity for Core Public Management Project, 2011, 20.
[130] Ibid, 20.

weak democracy and disputed election,[131] clearly lowering the accountability of the Kabila state.

Based on these facts, the following steps for planned reforms, which include strengthening domestic stakeholders and increasing transparency, seem difficult to achieve. At the same time, when comparing problems plaguing public finances before 2010, after 2010, and today, there seem to be many recurring ills. Despite the PEFA's satisfactory assessment of PFM in DRC, the recurrence of PFM and corruption problems may illustrate the limited progress that DRC has made in operationally reforming public finance (except the adoption of LOFIP).

[131] The Carter Center, "DRC Presidential Election Results Lack Credibility," press release 10 December 2011, http://www.cartercenter.org/news/pr/drc-121011.html

Figure: Comparison of PEFA indicators scores 2008 vs. 2012

PEFA indicator	2008 score	2012 score	Evolu-tion	Target in logframe	Analysis
PI-2 Composition of expenditure out-turn compared to the original approved budget	D	D+	+	Improvement	Expenditure out-turns still vary widely from the approved budget, but less than in 2005-2006-2007
PI-7 Extent of unreported government operations	D	D	Stable	Improvement	Un-reported operations from the central government remain high due to the high number of revenues collected directly by agencies and state entities that do not appear on the budget, and to the lack of coverage of externally financed projects
PI-8 Transparency of inter-governmental fiscal relations	D	D+	+	Improvement	There was strong progress in defining a clear framework for allocating fiscal transfers to Provinces. However only slightly more than 10% of theoretical transfers to provinces are actually transferred and use this framework.
PI-11 Orderliness and participation in the annual budget process	D+	B	++	Improvement	Strong improvement in the definition and respect of the budget calendar
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	D	D+	+	Improvement	Some progress but limited to a small number of pilot ministries
PI-14 Effectiveness of measures for taxpayers registration and tax assessment	D	C+	++	Improvement	Progress on the legal framework but remaining weaknesses on enforcement
PI-15 Effectiveness in collection of tax payments	D+	D+	Stable	Improvement	
PI-18 Effectiveness of payroll controls	D	C+	++	Improvement	Significant progress in civil servant identification, integration of information systems and control of payroll
PI-19 Competition, value for money and controls in procurement	D	B	++	Improvement	The legal framework for procurement was revised and is now in line with OECD standards
PI-23 Availability of information on resources received by service delivery	D	C	+	Improvement	Improved traceability of funds both in health and education

units					
PI-24Quality and timeliness of in-year budget reports	C+	C+	Stable	Improvement	No clear improvement since 2008
PI-26 Scope, nature and follow-up of external audit	D+	C+	+	Improvement	Improvement in the *Cour des Compte* timeliness of review of the *Loi de Reddition des Comptes*

Note that the scores for PEFA 2012 are not official and are tentative scores.
Resource: DFID, PCR for PFM, 2012

Lessons Learned from PFM Reform in DRC

The following table shows important indicators on donors' interventions and their evolution. Many of these indicators match the lessons learned from analyzing the PFM reform process in DRC. This section of the paper will focus on three critical elements: 1) Coordination capacity; 2) the Acceptance, Authority and Ability of the Government; and 3) Sequencing of PFM reforms.

Figure: Synthesis of Indicators on Donors' Intervention

Indicator	Reference 2005	2007	Objective 2010
1. The partners has the operational development strategies	**D**	**D**	**B or A**
2. National capacity on PFM	**2.5**	**2.5**	**3.0**
3. International aid is aligned with national priorities	**81%**	**58%**	**90%**
4. Capacity reinforcement by coordinated support	**11%**	**38%**	**50%**
5. Avoiding parallel structure	**34**	**146**	**11**
6. Predictability of aid	**83%**	**20%**	**90%**
7. Result-based management	**D**	**D**	**B or A**
8. Mutual responsibility	**No**	**No**	**Yes**

Source: OECD Monitoring Survey Paris Declaration 2008 – DR Congo

I. Coordination Capacity

"*Effective coordination between technical assistance (TA) providers and the authorities is critical to the successful implementation of PFM reforms.*" (IMF, 2007).

Our research concludes that, firstly, at the intra-government level, efforts to carry out the reform faced substantial resistance from the sector-government. This has had a huge impact on the absence of improvement at the operational level. It is therefore likely that without the cooperation and consensus of major domestic actors, reform is very much likely to fail.

Secondly, at the intra-donor level, building off the example of central and provincial level coordination, it is possible to conclude that enhancing coordination, information sharing, and

lessons learned among donors is a key factor for successful international intervention. Incoherent approaches or overlaps of aid by various donors can lead to immense inefficiency of aid.

Thirdly, with regard to donor-government level coordination, the research in this paper concludes that COREF demonstrated the importance of donor-government coordination. Although some issues remain to be solved as described earlier, the leadership of COREF in coordinating stakeholders was essential to the success of the reforms. It must be noted, however, that donor-government level coordination must involve a political dimension. The coordination and exchange between political-level and operational levels is crucial for the success for the reforms.

II. Acceptance, Authority, and Ability of Government

Acceptance, Authority, and Ability are all necessary from the government enacting the reforms.

1. *Acceptance:*

Country ownership of the reforms is crucial to increase the "stickiness" of the reform. In other words, the success of the reform requires firm political will. A PFM coordination specialist was placed in DRC's donor environment by the World Bank between February 2009 and August 2011. The presence of this specialist led to the creation of COREF in 2009, maintenance of regular meetings among donors,[132] and the involvement of political representatives in the coordination procedures. The PFM coordination specialist's leave, however, slowed the implementation of the program and the coordination process (as reported by the DFID). In fact, GTGE had been held regularly for the first two years. However, it was never held until very recently since early 2011.

[132] Main participants were: the World Bank, EU, DFID, IMF and AFDB.

Ownership is very much parallel to aligning the technical assistance with national strategies. It is in this understanding that the technical assistance and proposed reform should match with national strategies to the full extent. In order to ensure this, a formal evaluation process in which the performance, in coordination to the national strategies is measured, should be put in place.

2. *Authority:*

Necessary reforms require a certain type of authority among the host-country government, which can take responsibility for carrying out of the reforms. Along this vein, institutional reforms integrated as part of the current PFM reforms should underscore state authority.

Moreover, current reforms should be designed and delivered in parallel with decentralization efforts in the country. After reforms are carried out in the central government, provincial and local agencies and institutions must be reformed. The DRC government seems to be weak in this point due to the existence of rival groups and ongoing resistance that attempts to maintain the status-quo.

3. *Ability:*

Capacity building is crucial for the success of reforms. In the long run, it is vital that existing institutions are modernized and supported by sound organizational structures, effective management, and revenue control. Donor aid should in no mean replace the capacity-building efforts of these institutions.

III. Sequencing PFM Reforms

Motivated by the desire to improve efficiency and borrow from developed country experiences, DRC has implemented very ambitious reforms, such as the MTBF and RBM techniques. Unfortunately, most of these innovations have seen very limited success, mostly due to a lack of

capacity in relevant ministries and agencies. Several scholars have discussed this issue, blaming the lack of success on improper sequencing of reforms (specifically as they may fail to achieve basic institutional functionality before implementing challenging reforms).[133] In October 2011, a conference in Kinshasa discussed optimal reform sequencing, among other things. It was agreed that DRC should focus on the experience of countries with a similar level of development as opposed to advanced countries whose experience is too different to be applicable. It was also agreed that "all budget participants–including the donors–must avoid putting the cart before the horse by moving ahead with complex reforms (program budgets, MTEF) before restoring the credibility of the annual budget law and giving meaning to the parliamentary authorizations."[134] This meant establishing an action plan based on priorities so as to sequence reform efforts in a way that is coherent with the existing capacities in government ministries and agencies.

This "basics first" approach argued by Allen Schick applies perfectly to various stages of PFM reform in DRC. RBM also applies well to DRC. Many OECD member countries use RBM approaches today. However, governments must face several challenges while implementing RBM:[135]

- **Cooperation from all domestic actors**: RBM often involves major change in the management of programs in each ministry. At the same time, if some programs have small impact on the targeted outcomes and are judged as inefficient, this can generate strong resistance in adhering to RBM. Successful implementation of RBM requires agreement on outcome by all ministries as well as their commitment to achieving them.

[133] Public Financial Management Blog, "The "Accounting First" Approach to PFM Reform Sequencing: The Case of the Democratic Republic of Congo," 10 December 2010, http://blog-pfm.imf.org/pfmblog/2010/12/the-accounting-first-approach-to-pfm-reform-sequencing-the-case-of-dr-congo.html

[134] Public Financial Management Blog, "Democratic Republic of the Congo: Conference on Fiscal Reform," 28 October 2011, http://blog-pfm.imf.org/pfmblog/2011/10/democratic-republic-of-the-congo-conference-on-fiscal-reform.html

[135] Jens Kromann Kristensen, Walter S. Groszyk and Bernd Buhler, Outcome-focused Management and Budgeting, OECD, 2002, 8-9.

- **Performance Evaluation:** Evaluation of performance is often difficult and expensive, given that calculating the cost of efforts requires knowledge about the correlation between resources and performance.
- **Budget and Financial Systems:** The systems must be capable of matching resources and outcomes.
- **High Coordination Capacity:** As the outcomes may be achieved cross agencies or by different levels within an agency, excellent horizontal and vertical coordination is required.
- **Information Management:** RBM can diminish the quantity of input/output information and could strengthen corruption.

DRC satisfies none of these qualifications for appropriate reform today. At the same time, as stated in one of the challenges above, RBM requires a basic functioning budget/fiscal system. Implementing RBM in parallel to these basic reforms seems premature. Furthermore, the application of this measure could also affect the implementation of basic reforms by increasing the risks mentioned above, such as corruption or lack of coordination.

As post-conflict countries demonstrate different speeds of progress towards recovery and development, it is difficult to establish a successful sequencing model for post-conflict countries broadly. However, it is certain that donors and host governments must evaluate the impacts of sequencing as compared with similar reform efforts in countries experiencing similar conditions.

Cross-Case Analysis: Lessons in Designing and Delivering Durable Technical Assistance

Despite the unique country contexts of each of the cases highlighted above, it is possible to extract a set of common lessons learned from the process of implementing PFM reforms. It is important to note that some of the lessons that emerged from each of the cases must remain specific to its situation and country context—it would be unwise to attempt to apply all the lessons from every case to post-conflict PFM reform broadly. At the same time, however, in comparing the lessons of the three cases, an identifiable set of five common themes did emerge. This section of the paper will further explore such commonalities, identifying those that arose from all three of the cases and extracting, hopefully, a more widely applicable set of best practices to integrate into the structure and implementation of PFM reforms in post-conflict and fragile states.

In all the cases, the unique conflict history of each country played a pivotal role in shaping the necessary structure of technical assistance, as it greatly affected interpersonal networks and power structures within ministries. These relationships also impacted the overall functionality of civil organizations, which may—or may not—have been left in a state of decay and disrepair during conflict. In post-conflict settings, public officials with genuine intention to work towards meaningful change for their government, including more transparent and efficient institutions, often find their efforts stymied by corrupt officials with a vested interest in maintaining the status quo that benefitted them during (or just after) conflict. These high-level bureaucrats often undermine reform efforts in an effort to protect their clientelistic linkages to state rents–in other words, protecting their own lucrative in-roads to state resources, enabled by inefficient and non-transparent public resource management.

This personal use of state funds can have a particularly sinister dimension in post-conflict settings, as corrupt leaders are often closely connected to rebel and/or militia leaders (or other non-state actors and networks) and are able to strengthen their own power structures instead of promoting efficient and equitable power-sharing institutions. This holds dire consequences for long-term peacebuilding strategies—not to mention efforts to eventually wean post-conflict economies off donor aid revenues. As has been observed by Van de Walle, the spread of rent-seeking state officials has given rise to a patrimonialistic state that has caused many African economies to fail to resume a path of economic growth despite massive inflows of aid from international financial institutions.[136]

It is important to note that the amount of information available for each country varies widely. This likely results from differing levels of attention given to the conflict (and post-conflict recovery) as well as and ranging degrees of conflict severity (which can impact international involvement in the country, reporting structures, public information records, and media access). Among the three cases covered in this report, more information on the nature of technical assistance exists for the case of Liberia as compared to those of DRC and Sierra Leone. As a result, the lessons detailed below draw heavily upon the case of Liberia but also integrate Sierra Leone and DRC where possible.

It should be noted that there is no one-size-fits-all model for successful technical assistance. International donors must understand the specific context of each country and shape the assistance accordingly. Tailoring assistance delivery according to donors' comparative advantages[137] is as important as recognizing host-country political, security, and development

[136] Nicolas Van de Walle, *African economies and the politics of permanent crisis, 1979-1999* (Cambridge; New York: Cambridge University Press, 2001).
[137] Ibid.

conditions.[138] The new form of aid constituted mainly by knowledge transfer became as important in the matter as the traditional aid made by hard currency.[139]

In this chapter, we will analyze four elements that are particularly crucial for enhancing aid efficiency in post-conflict settings: 1) understanding the structure of political power and key points of political support and anticipated opposition; 2) establishing avenues and fora for coordination among donors as well as with host-country counterparts; 3) employing a mixed toolkit of leverage and incentives; and 4) evaluating the sequencing of reforms in light of conflict recovery.

Structure of Political Power

The three case studies of Liberia, Sierra Leone, and DRC all underscore the importance of understanding the structure of political power in host country regimes as well as the strategic relationships at play between host and donor governments. Engaging high-level political representatives is critical for ensuring host-country cooperation rather than circumvention of donor-implemented PFM controls. By enhancing cooperation between host and donor country, such political goodwill can go a long way toward increasing aid efficiency. However, obtaining political buy-in may not always be sufficient to convince bureaucrats of the need for change—a necessary step for producing results-based reforms.

As a centralized government with low capacity, DRC suffers from weak provincial and local governance institutions as well as from the presence of rebel groups that destabilize the country, particularly the eastern areas. As of yet, there has been no real actor, including the central government, that could consolidate power within the country. Instead, political and

[138] OECD, Principles for Good International Engagement in Fragile States and Situations, April 2007.
[139] Fengler and Kharas, "Delivering Aid Differently – Lessons from the Field," 2011.

financial capital is spread among diverse actors that include government representatives, state military, and militia groups. Conversely, after emerging from the civil war with an obligation to demonstrate its legitimacy to international actors, the political leadership of Sierra Leone had to accept, for its own survival, a reduction in their control over the country's public financial systems. In Liberia, the support of the president was critical to the success of the reforms, as Liberians, including high-level ministers and bureaucrats, might otherwise have had little political incentive to accept the intrusive GEMAP programs. In stark contrast to this, in the 1980s, the US-led PFM reforms in Liberia lacked high-level political support and, consequently (as widely admitted by evaluations of the program), were an utter failure and closed down after one year.

These examples illustrate that, although political structures may differ from country to country, in all cases, obtaining high-level political backing is essential. Nonetheless, political buy-in cannot be considered a panacea, as it could well prove insufficient to convince other high-level national stakeholders. In both DRC and Liberia, resistance from other actors (e.g. sectoral ministries in DRC and the legislature and judiciary in Liberia) was inevitable given the political and financial ramifications of the proposed reforms. PFM reforms in particular often hit corrupt politicians where it hurts—in their wallets. Diminished financial gains as a result of improved transparency can serve as a major sticking point around which domestic bureaucrats can rally resistance to donor-led reforms dubbed as neo-colonial intrusion into sovereignty. This was particularly the case in Liberia, and yet it is not an uncommon refrain within fraught donor-recipient relationships. Domestic stakeholder analysis and the identification of the political and economic motivations of domestic actors is therefore extremely important. This analysis should particularly examine who should be involved in the negotiation table as well as potential solutions to domestic political resistance. If the host-country administration is fractured to the extent that obtaining consensus and support from at least two key stakeholders is impossible, then reform may likely be premature.

Coordination

The Paris Declaration emphasizes the importance of coordination:

> Excessive fragmentation of aid at global, country, or sector level impairs aid effectiveness. A pragmatic approach to the division of labor and burden sharing increases complementarity and can reduce transaction costs.[140]

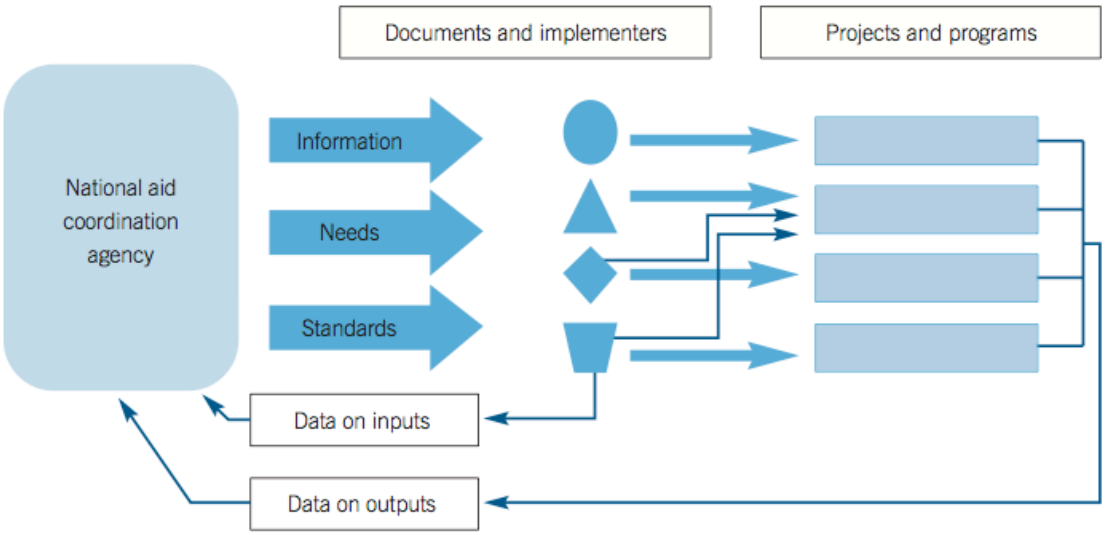
All three of the case studies in this report support the above conclusion on the importance of coordination among a variety of levels of technical assistance: inter-government, inter-donor, and donor-government. In DRC, improved coordination as a result of establishing COREF (led by the MoF) helped implement coherent reforms and provided linkages between donors and government. Meanwhile, in Liberia, oversight bodies established under the GEMAP (e.g. the EGSC and TT) provided built-in opportunities for donors and government representatives to share concerns.

Recently, coordination has played an increasingly important role in aid effectiveness. In their 2011 study, Fengler and Kharas cited a notable shift in the aid environment: in addition to a rapidly growing pool of donors (including private sector and corporate social responsibility actors, international NGOs, foundations, and civil society), assistance projects are becoming more targeted to reach individual, often isolated, communities[141]. This growing complexity and fragmentation of aid entails a higher administrative cost: each small-scale project grant or loan requires unique preparation, negotiation, implementation, and evaluation. Often the proposal and reporting requirements that accompany these detailed assistance projects demand considerable staff time from already scarce pools of human resources in both donor and recipient governments. Furthermore, the proliferation of donors makes it extremely difficult to acquire a comprehensive picture of overall assistance to a country. Fengler and Kharas argue

[140] The Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008).
[141] Fengler and Kharas, "Delivering Aid Differently – Lessons from the Field," 2011.

that, as the number of small projects and donors increases, almost 40 percent of the aid flows go unreported by recipient governments. This, in turn, lowers accountability of aid funds and hinders the monitoring and evaluation to ensure that aid projects make progress towards their intended targets and impacts.[142]

Figure: Government Aid Coordination



Source: Fengler and Kharas, "Delivering Aid Differently – Lessons from the Field," 2011.

In order to fully ensure the effectiveness of aid, the government must play the primary role in spearheading coordination. One suggested mechanisms for doing so is the creation of an entity that houses all existing information on current and/or future aid projects, with a focus on increasing transparency of aid fund usage. The bodies created under the GEMAP to align various aid programs by different donors (as well as establish lines of communication with high-level political representatives from the host country) were a key starting point for such an aid-tracking tool. Ideally, the host country will lead efforts at developing aid transparency systems. However, especially in instances in which the recipient government lacks capacity due to weak

[142] Ibid.

governance (as is often the case in post-conflict situations), the international community can step in to some extent; however, in such cases, careful attention should be paid to ensure that donor oversight does not undermine long-term national institution-building.[143] Whether or not Liberia's intrusive GEMAP initiatives fostered or hindered domestic capacity- and institution-building has yet to become plainly obvious; the signs of such aid failure may emerge in the coming decade as the country moves forward independent of invasive international expertise and financial management.

Leverage and Incentive Levels

The cases of Liberia, Sierra Leone, and DRC all highlight the importance of donor leverage as a tool to spur partner countries into action thus accelerating PFM reforms. In all three countries, donors employed a mix of leverage- and incentives-based strategies designed to bolster implementation efforts (although their programs varied in the amount of coercion used by donors, donor involvement in the day-to-day dealings of host-country ministries, and the amount of partner-government participation that was integrated into the reform processes). The creation a unique recipe of leverage and incentives depended partly on donors' perceptions of the extent of corruption and levels of functionality that characterized selected government institutions. As well, the lead donor and its associated ideological beliefs about how to design and implement technical assistance played a pivotal role in behind-the-scenes negotiations for PFM reforms. Such was the case in Liberia, in which the US decisively led a coalition of donors, and thus the resulting GEMAP agreement reflects a US appraisal of the degree to which intrusive assistance programs were necessary in Liberia. For the US, with its history of failed PFM initiatives in the country alongside its historical political ties to Liberia, the answer was: very intrusive. In selecting the amount of coercion and involvement that the donors would ultimately exert, aid agencies were often concerned about striking a balance between partner ownership over the

[143] OECD, Principles for Good International Engagement in Fragile States and Situations, April 2007.

reform process (and thus the likelihood the reforms will be sustained over time) and the level of intrusion (which, to certain degree, was necessary in cases such as Liberia due to low institutional capacity and widespread corruption).

One tool that has repeatedly proved effective in spurring host-country action toward implementation is the leveraging of monetary assistance against successful completion of reforms. In all three of the cases examined, a significant supply of funds, in addition to the provision of technical assistance, were twin pillars of the assistance programs—and, far from operating separately, the two types of aid proved highly complementary. In the case of Liberia, the total amount of development assistance and official aid amounted to more than $1.4 billion—equivalent to almost 140 percent of the GDP in 2010. In the case of DRC, the total amount was over $3.5 billion but equivalent to a more modest 27 percent of the GDP. Finally, in the case of Sierra Leone, it amounted close to 0.5 billion, equivalent to 25 percent of the GDP.[144] These statistics on GDP versus aid amounts reveal just how dependant recipient-country government often are on aid revenues—and thus what a powerful force for change these funds can be, when they are made contingent upon a country achieving reform targets. Nevertheless donors must be cautious of exerting excessive pressure that could spoil donor-partner relationships based on good faith and willing cooperation. As observed in the case of Liberia, co-signatory authority was controversial and often viewed as excessively repressive by high-level officials. The US took great measures to ameliorate this anticipated backlash by securing public, written support from the leader of the transitional government in Liberia and, subsequently, President Sirleaf—the uniting political force in post-conflict Liberia and thus the end point for any internal dissent against the GEMAP. With US diplomacy and President

[144] Authors' calculation based on information from World Bank Databank: Liberia, "Net Official Development Assistant and Official Aid Received (constant 2010 $US)/GDP (current $US)" http://databank.worldbank.org.

Sirleaf's continued cooperation and leadership in supporting the GEMAP, the US was able to overcome other possible hurdles against reform.

It is important to note that conditionality in the provision of funds can lead to "window-dressing" on the part of the government. If domestic authorities are not convinced that they have been substantively included in the reform process—and their main objective in signing onto reform implementation is to merely secure funds rather than foment sustainable change—then a it may be necessary to strike a delicate balance by which donors foster participation and support from the partner government while cautiously maintaining oversight of the reform and use of aid funds to avoid misuse and minimize corruption.

Sequencing

The three cases analyzed stress the importance of properly sequencing reform initiatives in order to achieve long-lasting improvements in PFM. They illustrate the ways in which the order of reforms can largely impact the outcome of the program. A significant component of Sierra Leone's success can be attributed to its sequenced reforms that started with a build up of capacity, which eventually allowed for the introduction of increasingly complex reforms. Liberia employed a similar approach, focusing first on stabilizing procurement before moving onto to target the country's long-term planning systems. In contrast, Sierra Leone employed a less successful approach that attempted to integrate complex strategies borrowed from developing countries without adapting to its own country context.

A range of theories exist to explain how consecutive stages of a reform process should be implemented in developing countries. Perhaps the most influential and well-known among these are the "basics first" and "platform" approaches. The "basics first" approach highlights the importance of taking into account the limited institutional capacity that normally characterizes

developing country bureaucracies and avoids borrowing inappropriately from the developed country experience.[145] The theory defines a logical set of steps that should be sequentially implemented in any country seeking to strengthen its budget system: 1) build a rule-based system and concentrate on achieving external, imposed control of ministries and agencies; 2) organize the public sector around internal controls; and 3) enhance managerial accountability.[146] The "platform" approach is similar and focuses on capacity building before implementing complex programs (e.g. medium-term budgeting). It nevertheless suggests that measures should be implemented simultaneously rather than sequentially.[147]

Although there is no agreement on which approach is superior, a general consensus has emerged that results will be hastened and deepened if basic capacities are achieved before more comprehensive reform packages are implemented. Many practitioners also now widely acknowledge that there is no universal reform sequence; rather a country's particular political climate must be the determining factor in defining a logical plan for enhancing existing capacities and, eventually, spurring substantial and widespread reforms. The three cases studied in this paper support this consensus; moreover, this general rule not only applies to PFM reform but to the general provision of technical assistance across a variety of sectors.

[145] Allen Schick, "Why Most Developing Countries Should Not Try New Zealand's Reforms," *The World Bank Research Observer* 13, no. 1 (February 1, 1998): 123–131, doi:10.2307/3986392.
[146] Daniel Tommasi, "Strengthening Public Expenditure Management in Developing Countries: Sequencing Issues," 2009, http://www.capacity4dev.eu /sites/default/files/document/2009-05-25/Issue_Paper-PFM_Reform_ Sequencing_final-DTommasi.pdf.
[147] Ibid.

Implications for Security Sector Reform

When discussing the applicability of the above-mentioned "lessons learned" to restructuring the African defense sector—and specifically as they relate to the mission of the Institute for Defense Analyses' (IDA)—one must first define the "defense sector." Within the scope of Security Sector Reform (SSR), the term broadly refers to defense and police apparatuses. Operationally, SSR programs place as much, if not more, focus on training low-level recruits as restructuring and training the bureaucrats and military officers that comprise defense ministries. However, because all-encompassing SSR programs lie outside of IDA's primary scope of work, requiring far more trainers, consultants, and funding than the PFM programs described in this report,[148] the analysis that follows focuses on ministerial-level reforms in an effort to draw parallels between this IDA-related SSR and PFM reform.

Choose Countries Wisely Based on Leadership, Organization, and Human Capital

The most important determinant in the success of a reform program is choosing what country to advise. This choice can be broken down into three broad categories: leadership, organization, and human capital.

In terms of leadership, defense ministry reforms must be supported by the state's chief executive. As in the case of Liberia, which has undergone both SSR and PFM reform over the last decade, a proactive executive is key for inducing buy-in from the many stakeholders affected by the reform. Equally, senior defense officials and military officers must be on the same page as the executive. If this relationship is a contentious one, there is a high likelihood of poor institutional support for the reforms, thus potentially hindering effective implementation.

[148] Osman Gbla (2006): "Security sector reform under International Tutelage in Sierra Leone, International Peacekeeping," 13:1, p78-93; "Security Sector Reform in the Congo," Crisis Group Africa Report N°104, 13 February 2006; Mark Malan (2008): "Security Sector Reform in Liberia: Mixed Results from Humble Beginnings," Strategic Studies Institute, 1-110.

A military's organization and structure must also be taken into consideration in choosing partner countries for SSR. As demonstrated in DRC, a fractured political and military structure almost guarantees that reforms will be ineffective and outright failure likely. If the military operates in decentralized fiefdoms, as in the case of DRC, reforms on the ministerial level have little chance of disseminating throughout the whole of the military. In many sub-Saharan countries, the military serves as a tool by which local or regional politicians pursue individual aims. Attempts to reform a central security ministry thus have the effect of undercutting this power and are likely to be met with stiff resistance—if not outright hostility. Clear and operating chains of command are paramount for ensuring comprehensive, centralized implementation of reforms that encounter minimal resistance.

Lastly, SSR program planners should take into account the level of human capital in partner countries. Officerships and defense posts often become tools of patronage disbursed by senior military officials and politicians regardless of the education or qualifications of the appointed friend or relative. In many militaries and defense establishments, loyalty is valued far more than competence. Because of the influence that these positions entail, power brokers are likely to be wary of instituting a skills-based system by which employment is based on human capital rather than political and military calculations. Without some form of leverage over host-country institutions, be it donor funding or executive threats of restructuring (as was the case in Liberia), the chances of eliminating or even significantly reducing this system of patronage is unlikely. Defense ministries are far more sensitive to power dynamics than financial institutions due to the simple fact that they have a monopoly over violence.

Scale Expectations Realistically

Taking into consideration that the political value of senior military and defense posts are unlikely to diminish, and thus skill levels will not see significant improvement, reforms should be stripped to their most essential components. Complex computerized logistic networks are of little use for an official who does not know how many soldiers a particular brigade fields. International best practices in the case of most African defense ministries would not be useful. As was the case with PFM, donors often found themselves disappointed simply because they had set the bar too high. The goal with most African defense ministries must be incremental reform. Zambia's defense ministry will not be transformed into that of Australia, nor even Colombia; yet, aiming to replicate the standards of Morocco's military may be a reasonable goal.

Equally, attempting reforms that require multiple levels of implementation below the ministry itself invite failure. Putting in place a basic training curriculum for soldiers may seem a good idea, but if there are not available trainers-of-trainers (to use a term often used in Afghanistan), the chances for successful introduction of the curriculum are slim. Liberia's SSR makes this clear in that all training efforts were supervised by outside advisors.[149]

Investigate Stakeholders Before Attempting Reforms

As in the PFM sector, in SSR, certain groups and individuals have a vested interest in maintaining the status quo. Understanding this dynamic is vital for establishing lasting reforms that will not be undermined the minute the advisors leave. Just as corrupt financial managers may actively oppose a transparent bookkeeping system, a governor may fight tooth-and-nail against restructuring the size and composition of military forces within his province and from which he derives power. These entrenched stakeholders will require unique solutions and work-arounds. Many of these power dynamics may not be obvious on first inspection; plans will have

[149] Malan, "Security Sector Reform in Liberia: Mixed Results from Humble Beginnings," p. 35.

to be adjusted accordingly as behind-the-scenes dynamics become clear. In an organization as faction-ridden as the military, identifying these stakeholders and their individual agendas may play the most pivotal role in the success or failure of a particular program.

Conclusion

The sector of aid devoted to PFM reform provides a valuable window into the complexities of spurring reform amidst vested political and economic interests. PFM reforms target economic and political power interests at their core; security sector reforms similarly aim to foment change within a likewise valuable sector for post-conflict governments. Resistance reform is likely to be high in both cases. As the studies of Liberia, Sierra Leone, and DRC illustrate, common lessons from PFM reforms across a range of post-conflict settings can enable donors and policymakers to glean valuable lessons on how to structure international aid and assistance models—particularly those that seek to reform highly valued (and often highly politicized) state institutions.

To this end, from the three cases studied, this report established the following lessons about fostering durable post-conflict reforms:

First, there is no set of one-size-fits-all guidelines for successful technical assistance. Rather, it must be adjusted to country context and type of reform. Second, coordination is vital among governments, among donors, and between donors and governments. Third, high-level political support for reform is essential and thus donors may benefit from mapping host-country structures of power, political and economic capital, and points of anticipated support and resistance. This will enhance the ability of donors and technical advisors to target assistance such that it capitalizes on political support and minimizes resistance. Fourth, due to the dismal situation of most institutions after conflict, any reform package should consider sequencing, especially with regard to building capacity and basic functionality before introducing complex, politically-sensitive reform initiatives.

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Annex A: Acronyms

ACC	Anti-Corruption Commission
AFDB	African Development Bank
AGD	Accountants General's Department
APC	All Peoples Congress
ARMP	Autorité de Régulation des Marchés Publics (Public Procurement Regulatory Authority)
AU	African Union
BPS	British Pound Sterling
BSI	Budget Strengthening Initiative
CAF	Country Assistance Framework
CAP	Common Action Plan
CBL	Central Bank of Liberia
CDC	Cours des Comptes (Courts of Accounts: The Supreme Audit Institution)
CFAA	Country Financial Accountability Assessment
CGMP	Cellules de Gestion des Projets et des Marchés (Projects and Markets Management Units),
CMC	Cash Management Committee
COREF	Comité d'orientation de la réforme des finances publiques (Steering Committee on Public Finance Reform)
CPI	Consumer Price Index
CPP	Comité de Pilotage du Programme (Program Steering Committee)
CREC	Commission of Repression of Economic Crimes
DCB	Budget Control Deparment, Direction du Contrôle Budgétaire)
DCP	Direction du Contrôle Budgétaire (Budget Supervision Department))
DoB	Department of the Budget
DTO	Direction de Trésor et de l'Ordonnancement (Treasury and Payment Department)
DGCMP	Direction Générale du Contrôle des Marchés Publics (DG Control of Public Procurement)
DRC	Democratic Republic of Congo
EC	European Commission
ECOWAS	Economic Community of West African States
EGSC	Economic Governance Steering Committee
EU	European Union
FDA	Forestry Development Authority
FDIF	Department for International Development
FIMCAB	Financial Management Capacity Building Program
FMR	Financial Administration Regulations
GAC	General Auditing Commission
GBBA	Government Budgeting and Accountability Act
GEMAP	Governance and Economic Management Assistance Program
GPRSP	Growth and Poverty Reduction Strategy Paper
GSA	General Services Agency
GTGC	Group Thematique Gouvernance Economic
HIPC	Highly Indebted Poor Country
ICG	International Crisis Group
IDA	Institute for Defense Analyses
IDP	Internally Displaced Person

IFI	International Financial Institution
IFMIS	Integrated Financial Management and Information System
IGF	Inspection Générale des Finances (Inspectorate-General for Finance)
IPFMRP	Integrated Public Financial Management Reform Project
IPMU	Integrated Project Management Unit
IRFC	Internally Recruited Finance Controller
IMF	International Monetary Fund
LIPA	Liberian Institute of Public Administration
LGFD	Local Government Finance Department
LOFIP	Loi relative aux Finances Publiques (Public Financial Management Act)
LPRC	Liberia Petroleum Refining Company
MCIMS	Mining Cadastre Information Management System
M&E	Monitoring and Evaluation
MoF	Ministry of Finance
MoFED	Ministry of Finance and Economic Development
MONUC	United Nations Organization Mission in the Democratic Republic of Congo
MONUSCO	United Nations Organization Stabilization Mission in the Democratic Republic of the Congo
MLME	Ministry of Lands, Mines and Energy
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
NAP	National Action Plan
NPA	National Port Authority
NPRC	National Provisional Ruling Council
NGO	Non-governmental Organization
NGTL	National Transitional Government of Liberia
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PAC	Public Accounts Committee
PADDL	Program to Support Local Decentralization
PAG	Programme d'Appui à la Gouvernance, Support Program to Governance)
PARFOP	Project to Support Rejuvenation in the Civil Service
PAM-FP	Public Finance Modernization Support Project
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMRU	Public Financial Management Reform Unit
PPCC	Public Procurement and Concessions Commission
PSRFC	Plan Stratégique des Réformes des Finances Publiques (Strategic Plan for Public Finance Reform)
PRCG	Projects to Build Capacity and Governance
PRSP	Poverty Reduction Strategy Paper
PTS	Computerized payroll management
RBM	Result Based Management
RFTF	Results Focused Transitional Framework
RIA	Roberts International Airport
RUF	Revolutionary United Front
RRM	Rapid Results Methodology
SENAREC	National Secretariat for Capacity Building
SME	small and medium enterprise
SOE	State-Owned Enterprise

SSR	Security Sector Reform
TA	Technical Assistance
TIN	Taxpayer Identification Number
TT	Technical Team
UK	United Kingdom
UN	United Nations
UNMIL	United Nations Mission in Liberia
US	United States
USAID	United States Agency for International Development
VTA	Value Added Tax
WB	World Bank

Annex B: Map of Liberia

Source: International Crisis Group, “Liberia: Time for Much-Delayed Reconciliation and Reform,” *Africa Briefing* No. 88 (2012): 16.

Annex C: Map of Sierra Leone

Source: International Crisis Group, "Sierra Leone: A New Era of Reform?" *Africa Report* No. 143 (2008): 31.

Annex D: Map of Democratic Republic of Congo

Source: International Crisis Group, “Eastern Congo: Why Stabilisation Failed?” *Africa Briefing* No. 91 (2012): 1.