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PLATEAUS NOT SUMMITS: REFORMING PUBLIC FINANCIAL MANAGEMENT IN AFRICA

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SUMMARY

Successful public sector reform is rare in Africa. Over 12 years, Ethiopia transformed its public financial management (PFM) to international standards and now has the third best system in Africa that is managing the largest aid flows to the continent. This article presents a framework for understanding PFM reform based on the Ethiopian experience. Reforms succeed when they are aligned with the four drivers of public sector reform: context, ownership, purpose, and strategy. PFM is a core function of the state and its sovereignty, and it is not an appropriate arena for foreign aid intervention—governments must fully own it, which was a key to the success of Ethiopia's reform. The purpose of PFM reform should be building stable and sustainable "plateaus" of PFM that are appropriate to the local context, and they should not be about risky and irrelevant "summits" of international best practice. Plateaus, not summits, are needed in Africa. Finally, a strategy of reform has four tasks: recognize, improve, change, and sustain. Ethiopia succeeded because it implemented a recognize–improve–sustain strategy to support the government policy of rapid decentralization. All too often, much of the PFM reform in Africa is about the change task and climbing financial summits.

KEY WORDS—public sector reform; financial management; Africa; public financial management

NUMBER THREE IN AFRICA

Successful public sector reform is rare in Africa. Over 12 years, Ethiopia transformed its public financial management (PFM) to international standards and now has the third best system in Africa that is managing the largest aid flows to the continent (Hedger and de Renzio, 2010, p. 3; World Bank, 2010).

The financial reform succeeded because it was embedded in a government-led political and administrative reform—decentralization. The reforms were driven by a domestic political imperative, not a foreign technical agenda, and rapid results were needed in PFM to keep up with the accelerating pace of decentralization. Rapid results required improving the existing financial system rather than changing it with advanced financial techniques of "international best practice."

Against all odds

One could not find a more challenging environment than Ethiopia in 1996 in which to reform PFM. The four horsemen of the apocalypse were permanently stabled in the country. The country had been devastated by a 17-year civil war, and the revolutionary party that assumed power was an ethnic minority with tenuous control over a vast country. The bureaucracy was demoralized, and many skilled professionals had fled the country. Foreign aid rushed in to support the new regime, which produced an inchoate and crowded aid agenda that further burdened a weak administrative system barely coping with daily operations. The government's strategy of ethnic decentralization to regions implemented shortly after the change of power stretched further an already strained administration. Less than 2 years into the start of the reform, the horsemen of war, famine, pestilence, and death arrived in even greater force (a two-year war with Eritrea and a hundred-year famine).

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Offsetting these odds was the fundamental discipline of the Ethiopian society, which carried over into the operations of government—prudent, indeed tightfisted, management of public resources. It was upon the rock of fiscal discipline and an ethos of self-help that this reform was built and why it worked.

Schick (1966), in his seminal article on the stages of budget reform, argues that successful budget reform must first establish control before moving to the successive stages of management and planning. The discipline of Ethiopian society and its government meant that a financial system was in place before the reform began, which provided reasonably effective control. The control was not efficient, however, because the country faced a backlog of 6 to 7 years in its accounts, and the existing financial system was not up to supporting the government's ambitious policy of decentralization.

This article presents a framework of public sector reform, which is based on the experience of a 12-year PFM reform in Ethiopia, which brought its limited and inefficient system of financial control up to international standards and a rating of third best in Africa. The lens through which this reform is presented is the Decentralization Support Activity (DSA) Project, which designed and implemented with the government the reform of five core financial systems: budget planning, budgets, accounts, disbursements, and financial information systems (Table 1) (DSA Project, 2006).

The project evolved the financial control in Ethiopia to international standard. It also introduced management and planning reforms that provide lessons on both the process and content of introducing variants of advanced techniques suitable to a country's context. The Ethiopian reform demonstrates that the key to successful public sector reform of which PFM may be a component is achieving an alignment with the four drivers of reform.

CONTEXT, OWNERSHIP, PURPOSE, AND STRATEGY: THE DRIVERS OF PUBLIC SECTOR REFORM

Context, ownership, purpose, and strategy drive public sector reform (Table 2). The principal driver of public sector reform in Ethiopia was the context of a new government using decentralization to ensure control. Contextual preconditions for reform were largely in place as decentralization defined the need, the government's homegrown Civil Service Reform Program (CSRP) specified the help required, and urgency was paramount. The challenge for technical assistance was to craft a strategy that built upon these preconditions and established trust. Trust of external technical assistance was especially important, because the government was new and rightfully leery, if not suspicious, of foreigners in sensitive government agencies. Ownership of reform is often given lip service and confused with commitment, but it is rarely unpacked in terms of the shareholders and their shares (e.g., wholly or minority owned by the government, donor/lenders, contractors) and the agents involved in the reform (the saints who support the reform, the demons that do not, and the wizards who design it and help the saints implement the reform) (Peterson, 1998). The purpose of reform is often assumed and not critically scrutinized, much less used, to define a vision of where it is all going. Unfortunately, in Africa, the vision of PFM reform is one of attempting the summits of international best practice rather than consolidating the basics of a firm financial plateau. The success of the Ethiopian reform was in large measure due to an appropriate strategy of reform focused on recognition and improvement of existing systems and judicious change.

Context can be viewed in three dimensions: macro-level (political, social, and economic), mid-level (administrative structure, bureaucratic culture, and legacy procedures), and micro-level (necessary but not sufficient conditions for reform—trust, need, help, and urgency). The political context was the triumph of the Tigrayan ethnic group after 17 years of civil war. Making decentralization work was a strategy of regime survival. To promote effective decentralization, the government developed on its own within the Prime Minister's Office, a far-reaching CSRP, a component of which was PFM (Task Force for Civil Service Reform, 1996). Ethiopian culture, the macro-social context, reinforced the political context. The severe discipline of the culture ensured adherence to political direction. This discipline extended to public finance as Ethiopia was the only country in Africa with single-digit inflation from 1955 to 1995, and despite its currency being tied to the US dollar, Ethiopia continued on the gold standard after the USA departed the standard in 1971. If a PFM reform is to succeed, it must begin with a government living within its means—the hard budget constraint.

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Table 1. Achievements of the Decentralization Support Activity Project

	1996	2008
	Start of the reform	Project departs (January)
Fiscal management		
Macro-economic model	None	Developed with 24 staffs trained
Macro-economic fiscal framework	None	Developed
Financial administration		
Medium term expenditure framework	None	Macro-economic fiscal framework and a public investment program
Fiscal transfer formula: region to wereda	Weredas did not receive transfers from regions	Region to wereda fiscal transfer—unit cost, needs based
Wereda performance agreement	None	Performance linked to fiscal transfer and based on sectoral cost drivers
Budget classification	No crosswalk, inconsistent levels	1999: crosswalk activity-based budget, 4 levels both budgets, maps to COFOG
Chart of accounts	Multiple series, discretion with "/s"	Single series
Financial calendar	No budget planning, inconsistent	All key systems, consistent
Bookkeeping	Single entry	Double entry
Basis of accounting	Cash	Modified cash
Treasury	Multiple bank accts	Treasury single ledger at federal and select regions
Treasury	Wereda finances, managed at zones	Wereda finance pool
Financial information system	Budget prepared on standalone PCs in 500+ spreadsheets	Bespoke IFMIS operating stand alone, LAN, WAN Budget database in MS SQL Operates in five languages (English, Tigrigna, Oromiffa, Amharic, and Somali) International IT standards Operates on extremely low bandwidth
Financial information system	Accounts prepared on minicomputer batch processing at central federal and regional organizations of finance	Accounts preparation distributed to sector organizations, prepared online
Training		72000+ staff trained in budgets and accounts
In-service training infrastructure— federal level	Ethiopian Civil Service College not teaching government accounting or budgeting	Ethiopian Civil Service College teaching government accounting or budgeting based on the DSA budget and accounting manuals and training modules
In-service training infrastructure— regional level	Regional Management Institutes just being formed	Regional Management Institutes formed and regularly teaching budgeting and accounting
Performance		
Reporting	6- to 7-year backlog of accounts	Accounts current
Budget submission—federal	Compiled just days before parliamentary review	Compiled at least a month in advance of parliamentary review

DSA, Decentralization Support Activity; COFOG, Classification of Functions of Government; IFMIS, Integrated Financial Management Information System; LAN, Local Area Network; WAN, Wide Area Network.

The second level of context, mid-level, is comprised of the administrative structure, the bureaucratic culture, and the legacy administrative procedures. During the PFM reform, the structure of government and administration underwent dramatic change. Overnight in 2002, the government delegated financial responsibility over the bulk of regional resources to weredas (districts). The third or micro-level of context is whether there are the necessary, though not sufficient, conditions in place for a reform program and supporting technical assistance to succeed. The

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Table 2. The Drivers of Public Sector Reform

Context	Macro-level: political, social, economic Mid-level: administrative structure, bureaucratic culture, legacy procedures Micro-level: necessary conditions—trust, need, help, urgency
Ownership	Shares and their holders Agents of reform: saints, demons, wizards
Purpose	Policy driven: domestic versus foreign Technique driven: plateaus versus summits
Strategy	Reform tasks: recognize, improve, change, sustain

necessary conditions are trust, need, help, and urgency (Peterson, 1996a). Trust was secured from the start in large part, because it was a government-designed reform, not foreign aid. The government ensured its trust in the design of the reform by dividing and managing the foreign technical assistance it requested to implement its reform. The need for strengthening financial management was clear to all, though the need for some of the components of the reform, especially the planning reform, was not seen by the federal finance ministries as a need. The design of the DSA technical assistance project was viewed as appropriate help to address the needs in two areas initially (budget and accounts), to which budget planning, financial information systems, and disbursements were added. Urgency was of the essence because of overnight, mid-fiscal year, decentralization of financial management from regions to weredas.

OWNERSHIP

The political context confirmed sole government ownership over this reform. The Prime Minister personally chaired the CSRP from its inception in 1995–1996 until the commencement of hostilities with Eritrea in May of 1998. The CSRP was quietly developed within the Prime Minister's Office with no input from foreign aid agencies and with only one expatriate advisor. The war with Eritrea that began approximately 2 years after the CSRP was unveiled reinforced government ownership because most foreign aid agencies dramatically downsized their programs. Owners can be understood in terms of the roles they play in reform: saints (government staffs who lead and protect the reform), demons (any actor that actively obstructs or passively fails to support the reform), and wizards (the technical and managerial resource persons assisting the saints in implementing the reform) (Peterson, 1998).

Clarifying the ownership of reform was critical to the success of Ethiopia's financial reform. But excluding the Bretton Woods and compartmentalizing bilateral donor assistance was not the only ownership to be clarified. The federal government did not have a domestic monopoly over this reform because regional governments made it very clear when the reform arrived in their jurisdiction that they were responsible. So there were two principal tracks of reform, federal and regional, and within the regional track, there was considerable diversity. The first track, the federal reform, was where the reform began. In brief, the federal reform developed the crosscutting structures (budget classification, chart of accounts, and financial calendar) embedded in an information system that assured consistency of the PFM system among all of the tiers.

Track 2 of the reform, the regional and district reform, was focused on building the capacity of weredas (districts) to deliver front-line services, principally, primary education, healthcare, and, eventually, food security. This "second-stage" devolution changed the goal posts of the reform eightfold. Second-stage devolution also laid to rest any significant federal role in the reform and confirmed a two-track (federal and region) strategy. Second-stage devolution also firmly laid to rest foreign aid intervention in the PFM reform.

Ownership is a fundamental concept in public sector reform in general and in PFM reform specifically. The management of public money goes to the heart of sovereignty, and it is not appropriate for foreign aid to demand, much less manage, the change of PFM systems. Government can request support, which is very different from foreign aid "inviting themselves," which is often the case and indeed is often part of the first paragraph of their mission reports.

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The core problem of PFM on the continent is execution, not systems (Linert, 2002; Stevens, 2004). Foreign aid largely concerns itself with the establishment of new systems and the dilemmas of sequencing techniques. The execution task tends to be neglected in large part because it is fundamentally an issue of improving government management of staffs and organizations and thus outside the purview of foreign aid. The decision by foreign aid agencies to use government financial systems for the delivery of loans and grants should be binary with appropriate benchmarks as necessary.

PURPOSE

Ownership should be the defining variable of a financial reform, and it connotes property—physical and intellectual. PFM is a constituent part of sovereignty, which defines the state as property. To capture the qualities of property and ownership, it is useful to think about a PFM system as a plateau. The purpose of a PFM reform should be the establishment of a PFM plateau, which has an array of the basic systems of financial control (e.g., budgets, accounts, audit) that are adequately executed and sustained with government resources (e.g., funding, staffing, institutions). A plateau should be the wholly owned property of a government, and it extends beyond PFM and encompasses the structure of government and administration. Successful PFM reform is aligned with the needs of government and fits within these structures.

Practitioners need a metaphor of PFM that is accessible, comprehensive, and relevant. As being accessible, the metaphor should help practitioners translate, and indeed visualize, the complex array of PFM inputs (systems), throughputs (processes), and outputs (quality). As being comprehensive, the metaphor should capture the key relationships between the parts and the parts with the whole. As being relevant, it should direct the practitioner to the strengths and weaknesses (the bedrock and the crevices) of a country's PFM.

Plateau as a perspective on public financial management

Plateaus provide a nuanced perspective of a country's PFM. As *territory*, it stresses the sovereignty of PFM, which is a core function of the state. As *a point of departure or destination*, it stresses the need to recognize what exists and the need to establish the basics of financial control. As *geology*, it reminds one of the difficulty of changing administrative structures and the virtue of the stability of those structures. As *landscape*, it presents how the parts relate to the whole (financial systems and their execution as well as PFM and the broader structure of government and administration). As *place*, it reminds one that PFM is a cultural, linguistic, and historic artifact. As *environmental quality*, it brings focus to the quality (output) of PFM—sustainability, sectoral allocation, composition of expenditure, and risk. As *elevation*, it shows how decentralized systems have different plateaus at varying elevations (capacity and sophistication) and the challenge of maintaining communication with diverse terrain (within decentralization). As *layers*, it brings focus to what is bedrock and what are the fault lines. Finally, a plateau perspective illustrates the virtues of a PFM reform sequence of recognize–improve–sustain, rather than defining reform as only change. Reform as building a plateau, not a summit, accords with what Weick (1984) calls the "small wins" approach to successful implementation of public policy. Decentralization in developing countries poses a serious challenge to establishing effective PFM because of the limits of capacity, especially staff turnover. Establishing a plateau of basic financial control is essential.

Plateaus, not summits, in Africa

The plateau metaphor illustrates one of the principal causes of failure of public sector and PFM reforms in Africa—the focus on summits of sophisticated techniques (international best practice) rather than improving the bedrock of plateaus—basic systems and their execution (appropriate to locale). Many PFM reforms in Africa have been akin to the attempts of climbers to summit high altitude peaks. Few make it, and those that manage to do not stay long, and most fatalities occur in the descent (Krakauer, 1997). In recent years, financial summits in Africa have included several techniques that governments and their technical advisors have slipped on—medium-term expenditure frameworks, performance/program budgeting, integrated financial management information systems, accrual accounting, and business process reengineering to name just a few. The summit strategy and the techniques that

DOI: 10.1002/pad

underpin it are inappropriate for most, if not all, African governments. Financial summiting is costly, risky, and not needed. There is considerable evidence from developed and developing country experience that advanced public financial techniques, assuming they can be made to work, do not improve the outcomes of public expenditure (Mellet *et al*., 2009).

In an important corrective to the emphasis on summiting, Ian Linert and, in turn, Mike Stevens have pointed out that most PFM systems in Africa are robust but not well executed (Linert, 2002; Stevens, 2004). Until African governments can execute the basics of financial control, it is not prudent for them to attempt to scale the higher elevations of financial technique.

The lust for summits by mountaineers "because they are there" should not be the driver of government financial reform—yes, other techniques are there—but are they needed? Summiting has constituencies while plateaus do not. Financial summits are attractive to donor/lenders for several reasons: they are a source of benchmarks for conditionality, many involve significant commodity dumps (e.g., integrated financial management systems), which allow rapid disbursement of funds, they facilitate the placement of technical assistance personnel within core government functions who can monitor their funding and financial risk, they extend their influence over government, and they support the business model of technical assistance departments of foreign aid agencies (Peterson, 2007). Governments are attracted to summits in part because they are told to do so as part of conditionality and the need to be modern with international best practice. But a more telling reason for government support of summits is that they often generate handsome rents—especially in large-scale financial automation projects. Plateaus are built on domestic, not foreign, resources, which limit the opportunities for rents. Plateaus do place a demand on the domestic budget (the fungibility of money notwithstanding), but that is good, because supporting systems are principally about better management of government staff and organizations, which are existing (and modest) budget commitments. Financial summits also provide cash cows for contractors because implementing projects with a complex scope within government bureaucracies that have limited capacity to manage even simple contracts makes it highly likely that project schedule and budget will be extended and deliverables are not well scrutinized.

STRATEGY

There are four tasks in public sector reform: recognize, improve, change, and sustain. The Ethiopian pathway of reform was a sequence of recognize–improve–sustain and, only if absolutely necessary, change. It was a pathway of building a plateau. This reform sequence was appropriate given the priority of supporting rapid decentralization. One can argue that the principal problem with public sector reform in general and PFM reform specifically in Africa is defining reform as change, often perpetual, and ignoring the other tasks of reform.

Recognize

Recognizing, meaning understanding and respecting what exists, is the first and often most neglected step in reform. All too often, governments in developing countries do not understand the strengths of their systems and are too quick to change them, often on the advice of outsiders. The practice of a cursory review of existing systems, if at all, before leaping to major reform in PFM in Africa is akin to the reengineering movement of the 1990s, which advocated only a brief look at business processes on the grounds that they were going to be replaced (Hammer, 1995, p. 19). Taking the Linert/Stevens argument that PFM systems in Africa are robust but not executed, one must thoroughly understand them to have confidence that they are indeed robust, and if so, what, if anything, should be done (Peterson, 1996b, 1996c). The recognition task of reform is significant for it focuses one on the definition of the problem rather than the leap to the solution. Unfortunately, PFM reform is much about technique and sequence and little about hard questions—why change and how does it improve outcomes (sustainability and quality of expenditure)? Again, the strategy of small wins makes sense. "The strategy of small wins addresses social problems by working directly on their construction and indirectly on their resolution" (Weick, 1984, p. 40). Richard Allen echoes this need for better recognition of the problem before leaping to the toolbox of techniques by noting that IMF finance advisors "are too technical" (Allen, 2010) and that they need to "fumble around in the dark" (Allen, 2009, p. 25).

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Improve

Improving what exists is the essence of a small win. Improving also fits with the reality found in most African governments of systems being robust but not adequately executed. Toning up what exists and focusing on strengthening execution (i.e., in-service training, schemes of service, organization of finance functions) can have significant payoffs at modest cost. Reforms that focus on improving rather than changing are faster, cheaper, less risky, and less disruptive of daily operations. Most importantly, reform as improvement ensures that government remains in the driver's seat of management and operation of PFM.

Change

Change should be carried out judiciously and justified in terms of improving the quality of PFM outputs (e.g., sectoral allocation, composition of expenditure). As with mountaineering, the significantly higher risk of changing rather than improving PFM requires clear rules to manage risk and avoid failure. Over the course of the reform, the DSA project developed several rules of reform.

Two rules in particular were critical to the success of this reform. First, make the existing system current. Introducing a new financial system (e.g., moving from single-entry to double-entry bookkeeping) while officials struggle with backlogs in accounts and are not efficiently managing the existing system overtaxes capacity and is a prescription for failure of both systems. The second key rule of reform the project followed was to put in place the infrastructure needed to support existing systems (e.g., in-service training facilities and programs), which could then be used later to support new systems. Having the infrastructure in place for supporting PFM means that these systems can adapt to rapid changes in the government policy. Given that PFM reforms are very long-term affairs, they must be designed for the inevitable and often disruptive political and administrative changes. It is far easier to weather a violent storm from a firm plateau than from an exposed summit. One rule governments find difficult to exercise is when to stop a reform or exercise the role of a flagman to delay eager initiatives that cannot be entertained at that moment

While recognizing the risk of changing financial systems, two striking lessons emerge from the Ethiopian reform. First, if proper preparations are made for the introduction of a new system, capacity is not as serious a constraint as expected. Capacity building often becomes blue sky—some is good, more is better, and even more is even better. Blaming the lack of capacity is often a far too easy explanation for failure and excuse for not doing the due diligence of understanding what exists and working with it.

A second lesson from the reform was that change worked if driven by a clear, not derived, need (e.g., the need to have an equitable intraregional transfer formula with the advent of second-stage decentralization to weredas). The reform demonstrated that properly nuanced advanced PFM techniques (e.g., performance frameworks and costing methods) could be introduced if driven by demand rather than supply.

Sustain

Sustaining is the orphan of reform. As noted above, it lacks constituencies. Sustaining a reform, however, is the key to effective execution of systems, and that is the weak link in PFM reform in Africa (Linert, 2002). Sustaining is the "operating and maintenance (O&M)" of reform. Governments the world over underfund O&M and give priority to new expenditure (capital) rather than the required expenditure (recurrent wage and recurrent statutory). O&M is discretionary. The dearth of resources for sustaining existing PFM systems is a reflection of the broader PFM problem—poor composition of expenditure. From the start of the Ethiopian reform, the project defined the key constraint as training, and indeed, one of the first initiatives was to establish a training infrastructure at the federal and regional levels that could prepare finance officials for the reform and train future staffs to sustain it (Peterson, 1997). The virtue of a "small wins" plateau approach to PFM reform is that sustainability is developed all along.

ALIGNMENT AND THE QUALITY OF REFORM

The key to successful public sector reform is alignment with the four drivers of reform. If the alignment is good, good things happen. The concern, and indeed fixation, within the field of PFM about sequencing is misplaced.

DOI: 10.1002/pad

Sequencing emerges from alignment, and experience from Ethiopia shows that there is considerable flexibility in sequencing. The core management task of the DSA project during this reform was to maintain good alignment under rapidly changing conditions. The most important alignment of this reform was building financial plateaus at the lowest and weakest tier of government rather than summiting from the highest and most capable tier.

Poor alignment, poor reform

A brief example of a PFM reform that has not worked in Ethiopia can be explained by our framework of alignment of the drivers of public sector reform. In 2004, just before the rollout of the budget and accounts reform to the Oromia region, a Bretton Woods agency criticized the reform and recommended the introduction of performance/program budgeting. Two years later and once the dust of the government-designed Expenditure Management Control Programme (EMCP) reform had been completed in Oromia and nearly all of the other regions, the federal government attempted this initiative again in five federal agencies. The government had to stop this initiative mid-fiscal year because the five agencies could not complete their budgets and were delaying the submission of the federal budget to parliament. Ever persistent, the initiative continued, and in late 2010, the technical assistance advisor responsible for developing the performance/program budget departed after a year and a half, leaving a manual that was deemed to be of no use by the federal budget team.

The lack of alignment with the drivers of public sector reform explains the failure of this initiative. From its inception, the reform failed to respect the government policy of rapidly rolling out and completing the ongoing reform. This initiative was launched just before the critical and massive task of reforming Oromia with its 280 plus weredas and the training of more than 8000 staffs. This initiative also failed to recognize the achievements already on the ground, specifically, the development of performance agreements for weredas that were improving the core government policy—front-line service delivery at weredas. This initiative was professionally irresponsible and poorly designed, and to echo Richard Allen, it was all about technique, not context. The initiative was about a federal summit rather than the far greater government priority of sustaining regional and sub-regional plateaus. Whether or not this summit will ever be reached is of little consequence because it does not address the key issue of PFM in Ethiopia—the performance of the wereda plateau.

RETHINKING PUBLIC FINANCIAL MANAGEMENT REFORM IN AFRICA

Reform of PFM in Africa has lost its way. Richard Allen points to the fault of too much technique and not being in touch—understanding the realities on the ground.

Public financial management reform in Africa has been much about summits and not about plateaus. What often drives summiting is foreign aid specifically, using PFM summits as conditionality and or supporting the business model of donor/lender technical assistance departments. Tying a long-term reform to the timescales of short-term disbursement is imprudent and destined to fail. The Ethiopian reform took 12 years to build up a financial plateau that had inefficient control to one of the effective controls of international standards. PFM reforms in Africa and on other continents have lost their way because they have forgotten the guides. Aaron Wildavsky's "A Budget for all Seasons: Why the Traditional Budget Lasts" along with "If Planning is Everything, Maybe its Nothing," needs to be reread or, I suspect, read for the first time by those funding and directing PFM reforms (Wildavsky, 1973; Wildavsky, 1978; Wildavsky and Caiden, 1980; Wildavsky, 1979). His message is clear, timeless, and certainly on target for Africa. He argues that budgets, and PFM writ large, must be robust, and although they may not reach perfection on any metric, they must not fail on any metric. Second best in all categories is best practice, international or otherwise, because it is robust, not risky. He argues that although the second best may be traditional, it is not sclerotic and it provides a bedrock for sophistication in administration and analysis. For Aaron, and hopefully most budget directors, little concern would be raised if a performance target went missing, whereas much concern would be raised if cash did. Aaron's work illustrated a point that seems to be lost in the current PFM thinking—that PFM is significantly different than private sector management, and the latter can adopt sophisticated techniques because its task is far simpler.

DOI: 10.1002/pad

Aaron's work directly addressed the heart of public finance—risk. Risk is the gravity of public, indeed financial management of all sectors (Peterson, 2010). It is always there, difficult to measure, but is ignored at one's peril. The crisis of our age is the mismanagement of financial risk within and between the public and private sectors. A country's PFM system is the instrument for managing financial risk and should never be placed at risk (second best is better than what is conventionally viewed as "first"). The traditional budget is robust because it is the best budgetary technique for managing risk—it is a minimax solution—it minimizes the maximum loss. The focus on financial summits not plateaus in Africa has not worked and has caused considerable harm. The Ethiopian experience shows a pathway of reform that built plateaus and managed risk. It also reaffirms, as Hyden (1983) pointed out many years ago, that there are no shortcuts to progress in Africa (or elsewhere).

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