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Thinking and working politically – macroeconomic and fiscal management in Sierra Leone

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Key messages

- The Budget Strengthening Initiative has worked with the Government of Sierra Leone over the past ten months to support a process of gradual improvement in the manner in which key fiscal data is collated and presented to decision-makers.
- A ‘thinking and working politically’ approach to change informed by a ‘Problem-Driven Iterative Adaptation’ methodology has worked relatively well in this context and the result is a reformed process that appears to have a good chance of sustainability.
- The ‘thinking and working politically’ approach may not fully consider the challenge of obtaining agreement among key stakeholders on what counts as a ‘problem’ that requires institutional change; and such a methodology is typically less attractive to institutional donors than ‘standard’ ways of providing technical assistance

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1 Public Financial Management and ‘thinking and working politically’

1.1 Changing approaches to Public Financial Management (PFM)

The paper documents the experience of applying a ‘thinking and working politically’ (TWP) approach to particular public financial management (PFM) reform in Sierra Leone from November 2015 onwards. The example outlines how a combination of technical knowledge, careful stakeholder engagement and political awareness was needed to take modest but sustainable forward reform. It discusses the experience of this reform process and highlights key success factors. The paper also highlights the challenge of explaining and accounting for the reform's success using the frameworks and paradigms typically required by institutional donors who fund PFM reform in Sierra Leone.

The paper deals with the following issues in the sections below:

- Background to the political, institutional and economic context of Sierra Leone, including both general country context and a specific discussion of the nature and capability of the Ministry of Finance and Economic Development (MoFED)
- A narrative overview of the Budget Strengthening Initiative (BSI) inputs provided to MoFED, and the various paths by which they have, or have not, had an effect.
- Wider thoughts about the nature of the BSI intervention, the relevance of the ‘thinking and working politically’ approach and risks and opportunities for the future.

2 The context of Sierra Leone

2.1 The historical political economy context of Sierra Leone

2.1.1 Historical context of Sierra Leone

The 'Colony of Freetown', the 'Protectorate of Sierra Leone' and, later, the 'Republic of Sierra Leone' have a long and turbulent history. Following the arrival of Europeans, the area has experienced the trans-Atlantic slave trade from the 1500s, the establishment of a settlement of freed slaves and Europeans in the 'Province of Freedom' in the late 1700s and the incorporation of Freetown (and later the upcountry protectorate) into the British Empire, through to peaceful independence in 1961, the establishment of a one-party dictatorship and accelerating economic and political chaos in the 1970s to 1980s, and ultimately a decade-long civil war beginning in the 1990s.

In the period since the formal end of the conflict in 2002 the country has experienced a remarkable degree of political stability and military security compared to previous decades. This has included three broadly credible and peaceful elections and the democratic handover of power between the two main political parties in 2007. Many development indicators are moving in the right direction, albeit from low bases. Impressively, within ten years the country has technically moved beyond the level of a fragile and conflict-affected state, as measured by the World Bank's Country Policy and Institutional Assessment index (CPIA) (Diop, 2014).

However, amid this change important elements of continuity remain. Many commentators consider Sierra Leone's post-war political system to share many of the same dysfunctional aspects as pre-war arrangements. The ongoing strength of patronage politics and the continued use of state resources to deliver selective benefits to supportive political networks (Robinson, 2008; Jay and Koroma, 2004; Brown et al., 2005) still risks negative outcomes regarding broad-based economic and social development and equitable delivery of public goods (Lundgren, 2013).

2.1.2 Recent macroeconomic history

The three decades that followed independence were characterised by political uncertainty and weakening economic performance. Economic growth slowed, while inflation accelerated. Per capita, economic growth of 2.2% in the 1960s faded in the 1970s and turned negative (-1.4%) in the 1980s. Civil war broke out in 1991 and lasted for ten years, causing over 50,000 deaths and the displacement of more than two million civilians (Sesay, 2014). Social and physical infrastructure was badly damaged and real GDP contracted by an average of 5.3% per annum in the 1990s while annual inflation rates consistently exceeded 20%. On GDP per capita measures, Sierra Leoneans were poorer at the end of the conflict in 2002 than they were at independence.

In stark contrast, the post-war years have yielded the highest average economic growth rate since independence and improving macroeconomic outcomes. After falling from nearly \$440 per annum in the early 1980s to below \$250 in 2001, GDP per capita (in real 2005 prices) reached the levels seen at independence around 2006 and exceeded prewar levels for the first time in 2013. This was achieved despite the impacts of the global economic crisis (Welham and Hadley, 2016).

Today, indices of economic management and business competitiveness suggest that Sierra Leone performs well in comparison to fragile states in the region but lags behind higher income African countries, as might be expected. The average CPIA scores for economic management and business regulation are similar to those in Liberia, and above the average for fragile states in sub-Saharan Africa. Sierra Leone also outperforms

Guinea, Ghana and the Gambia in the Ease of Doing Business Index. However, the country holds a lower ranking in the Global Competitiveness Index and suffers from particularly poor scores in most indices of the quality and quantity of infrastructure, with one of the largest infrastructure deficits in Africa, according to the African Development Bank (AfDB, 2013).

2.1.3 Current macroeconomic prospects

Sierra Leone has faced two recent significant economic and political shocks. The Ebola Virus Disease (EVD) outbreak claimed thousands of lives, caused economic activity to slow significantly and resulted in many international investors withdrawing from the country. Global iron ore prices have fallen significantly in recent years, causing the country's two largest mines to suspend activities pending a round of sales and re-acquisitions. Exploration for off-shore oil extraction has also ceased. Given that a great deal of economic growth and government revenue had been predicated on a growing extractives sector, this has led to serious downward revisions to key macroeconomic and fiscal forecasts (see IMF, 2016). Sierra Leone's economy has deteriorated significantly with growth declining from 4.6 percent in 2014 to -21.1 percent in 2015. The budget and exchange rate have come under pressure, while banking vulnerabilities have increased. A moderate recovery is expected in 2016, albeit with inflation edging up slightly, as a result of further exchange rate depreciation.

Overall, Sierra Leone faces an enduring medium-term imbalance between expenditures and revenues (data taken from IMF, 2016; Masha, 2016). The primary fiscal deficit has widened to around 5 per cent of GDP and the currency has weakened significantly since 2014, after a period of relative stability. Alongside this challenge, revenue taken as a percentage of non-iron ore GDP had declined from 13 per cent to 10 per cent, although measures have recently been taken to expand the tax base and increase collection. It remains low by regional and international standards. The wage bill continues to expand, however, and now comprises 70 per cent of domestic revenue, compared to 50 per cent in 2012; although commitments have been made to stabilise this in short-term.

Donor funding, in the wake of the wind-down of EVD operations, is declining overall, with the expectation that it will reduce from 5.5 per cent of GDP to 3.3 per cent between 2014 and 2018 (although predicting outer years' disbursements is difficult). The donor budget support group (comprising DFID, AfDB, the EU and the World Bank) appears to be changing, with a desire to both better focus the conditionality of the Performance Assessment Framework (PAF) but also an increasing willingness from the donors to set additional and separate performance criteria for their funds. This will raise the level of challenge that MoFED faces in coordinating the reforms required to access donor funding.

Despite these current challenges, one of the most notable macroeconomic management successes of Sierra Leone in the post-war period is to have stayed on track with successive IMF programmes. This adherence to programme has allowed for budget support to come from donors and bolstered Sierra Leone's reputation for economic management. MoFED clearly and unquestionably takes the lead in dealing with this issue. Under the dual shocks of EVD and iron ore slowdown, and with an election year on the horizon, staying on track with the IMF programme requirements on net credit to government and other fiscal measures are increasingly challenging.

2.2 Public financial management performance

2.2.1 Overview of recent PFM reform trajectory

As might be expected, the post-war starting point of PFM performance was relatively low. Overall institutional damage resulting from the civil war was significant – for example, the computerised accounting systems introduced in 1995 were destroyed (World Bank, 2002), and many skilled government workers fled the country (World Bank, 2004). Yet, despite the severity of the conflict, reports into Sierra Leone's PFM systems immediately after the end of the war suggested that 'a platform of competence in economic management remained intact' (World Bank, 2002, p. 7). This provided a base for the large-scale financial and technical support for PFM that followed the end of the conflict and allowed for basic systems to be quickly re-established (Tavakoli et al., 2014).

Donors have supported public financial management and its reform since the end of the conflict in a number of ways. They have funded three consecutive PFM reform plans involving financial and technical assistance. Although reform programmes have, historically, mostly been configured using donor diagnostics, they are considered to have been adequately supported by domestic champions and have been sustained through the change in government in 2007 and regular ministerial rotations throughout the period (World Bank, 2013). Some well-placed observers suggest that more recent reforms are underpinned by more 'home-grown' strategies (Welham and Hadley, 2016).

As with overall fiscal performance, PFM improved rapidly in the period immediately after the end of the civil conflict. By the time the first PEFA assessment was conducted in 2007, the Government had implemented most of the recommendations made in 2002 by the World Bank (Short et al, 2008) and PFM institutions were compared favourably to others in the region (World Bank, 2007). A global comparison of PEFA scores from assessments conducted between 2005 and 2007 confirms this general sense and shows that Sierra Leone scored close to the global median. (Welham and Hadley, 2016).

Sierra Leone is a challenging context in which to establish rule-based formal public financial management institutions, however. Capacity in the public sector is generally low, mirroring the overall poor terms and conditions on offer. The patrimonial political structure encourages personalisation, informality and secrecy in the exercise of public authority, rather than adherence to impartial rules and public accountability. Pressure from accountability institutions – either formal, such as Parliament or the Audit Service of Sierra Leone; or informal such as citizens' groups – is generally weak due to a lack of resources and/or lack of political will to challenge decisions. This has meant that while progress has undoubtedly been made on (re)instituting basic systems, the challenge of delivering more sophisticated PFM functionality is significant.

2.2.2 Current prospects for PFM reform

Recent evidence suggests that the improvement in fiscal management has slowed. Since 2008, deficits have started to widen again and the Government significantly increased capital spending commitments before the 2012 elections in anticipation of a surge in revenues that has not now materialised. CPIA scores of fiscal policy have also fallen between 2011 and 2013, from 3.4 to 3.0 (World Bank, 2014). Aggregate deviations of revenue and expenditure from the original budget estimate have increased in recent years, showing a conservative forecasting bias in both revenues and expenditures.

Underlying weaknesses in the budget process have almost certainly contributed to credibility challenges: macro-fiscal forecasting capabilities are still budding; the Ministry has not fully coordinated spending priorities with Cabinet; and most line ministries lack capacity for budget planning and managing capital projects in particular. Inaccurate budgeting means that the government is required to continually adjust its overall expenditure envelope and actual release of cash to meet unforeseen or poorly planned expenditures and stay on track with the IMF programme. The resulting delays in release warrants, cash-flow shortages and regular budget cuts (especially in the final quarter) create operational inefficiencies that reduce the quality service delivery (Short et al., 2008).

In terms of the day-to-day realities of Sierra Leone's PFM environment, particularly with regard to budget execution and BSI's inputs (described in the following section), some key factors affect the manner in which the ministry operates, including:

- A cash-based budget. The government runs essentially a cash-based expenditure system. It has some capacity to borrow short-term from domestic non-concessional market lenders to smooth expenditure but limited ability to borrow externally, largely due to IMF programme restrictions. Either way, expenditure allocations for each period tend to be done on the basis of more or less what is in central bank accounts at that time.

- Adherence to high-level policy decisions cannot be assumed. Sierra Leone is facing a prolonged pressure on public spending, making it hard to honour long-term commitments such as those set out in the national development strategy (the 'Agenda for Prosperity'). As in many similar countries, high-level policy intent tends to only have a limited impact on actual spending behaviour.
- Authority to pay and spend is centralised in the ministry of finance. MoFED authorises expenditure through a systems of weekly, monthly or quarterly expenditures warrants. These allow ministries, departments and agencies to spend up to a certain level, after which payments are automatically blocked and cheques rejected. Ministries may be able to commit above this level in some circumstances, but actual payments are controlled by the finance ministry. The finance ministry may also have specific requirements for personal authorisation of any payment above a certain level.
- Significant donor involvement. MoFED does have an incentive to comply with the requirements of donors in order to assure the continued flow of budget support funds, notably in maintaining compliance with an IMF lending programme. However, donor funds have declined substantially and are increasingly subject to more stringent conditionality. Multiple donors are currently providing significant amounts of non-financial technical assistance to MoFED through a series of separate technical assistance projects.

These factors shape the nature of PFM reform in Sierra Leone and provide an indication as to what may or may not be possible in the area of strengthening budget management, particularly planning and execution at the sub-aggregate level.

2.2.3 The cash budget and expenditure control

The main BSI interventions discussed below have focused on cash management and the operation of weekly expenditure, debt and revenue decisions made in the context of the weekly 'Cash Management Committee' meeting. These interventions have taken place in the context of a cash-based budget and highly centrally managed expenditure control.

The decision as to how much funding to release each period to spending agencies is controlled by MoFED and operationalised and enforced through the IFMIS. However, the Ministry does not currently use the full functions and controls available to the system. After a number of years, the IFMIS is still used mostly for maintaining payments within available cash resources rather than managing forward-looking commitments, and is still in the process of being rolled out to some spending units. The Ministry operates a tight degree of formal oversight on day-to-day expenditure management. The IFMIS allows for significant central control over aggregate spending allocations to line ministries, and over what individual transactions are approved. The Accountant General is the Chief Accounting Officer, with the ability to scrutinise all vouchers (from any ministry) before payment.

The credibility of 'agreed' budget allocations as a planning tool is undermined by both fiscal uncertainties and the need to stay 'on track' in the IMF programme. In terms of fiscal uncertainty, the discussion above have already highlighted the volatility of revenues and economic forecasting. Alongside this, the need to replan aggregate expenditure as a result of reforecasts made alongside the twice-yearly IMF visits may yield stronger macro-fiscal forecasts, but results in changes to departmental allocations being made just as official consultations with line ministries are concluding, therefore negating some of the earlier planning and negotiation process (Coffey, 2014). For some ministries, last-minute tinkering means that their final allocation will only be revealed in the Budget Speech, which limits their ownership. Overall, the initial budget submissions are regarded by ministries as mainly 'a form-filling exercise and a bid for resources which they know will be allocated later' (World Bank, 2010, p. 45).

Box 1 – The impact of cash rationing on spending units

The regular reprioritisation of the budget affects some spending units more than others. Recent research suggested that ministries and agencies with significant non-tax revenues are less affected by delays or reductions in budget releases. Without a fully-developed treasury single account, these revenues are not pooled and may be largely unknown to the Ministry. Similarly, ministries and agencies with access to funding from donors have developed coping strategies. These institutions may request funds from both MoFED and its donor partners. Donor disbursements are reportedly quicker, and if domestic resources do arrive they can then be diverted to new spending pressures. There is very little clarity in MoFED about what ministries and agencies receive from donors, which makes it hard to accurately include an assumption of external funding into their decisions. As a result, when cuts and reductions in expenditure are made, MoFED does not know the likely effects on service delivery and may even intentionally deprioritise some institutions on the assumption that they have alternative sources of revenues. For agencies with subventions, payment delays are sometimes accommodated by holding over 'savings' from previous allocations. For others, cash rationing reportedly encourages an accumulation of expenditure arrears and informal commitments, in the expectation that future cash releases will clear the bills. Though no quantitative evidence was available during the research, this 'stop-start' approach reportedly has negative consequences for service delivery

Source: Welham and Hadley, 2015

In-year budget changes are managed through a high-level Cash Management Committee, comprising the Financial Secretary (the most senior official in MoFED) and the heads of the main divisions (including macro-fiscal unit, Revenue and Tax Policy Division and the Budget Bureau), the NRA and the BSL, among others. As important stakeholders, the World Bank, IMF and other donors have also been permitted to observe discussions, demonstrating a remarkably open and public approach to financial and economic decision-making in comparison to other countries.

Outside the Cash Management Committee, budget claims are managed mostly between the Financial Secretary and a handful of senior MoFED officials, such as the Director of the Budget Bureau and the Accountant General. Numerous 'Financial Secretary Letters' are issued each week to request the Accountant General's Department to prioritise specified payments. The Financial Secretary and the Director of the Budget Bureau reportedly keep a mental tally of who has been paid and who has not, and use a number of informal means to placate suppliers and ministries who are due payments in order to keep operations moving. Some interviewees noted that ministries and agencies with powerful sponsors are better at accessing funds from the Ministry than those without.

Unusually, the Constitution allows entities to circumnavigate the Ministry of Finance's spending controls through the President, who may issue 'executive directives' to incur urgent expenditures even if they are not supported by a budget appropriation. This power is used frequently, sometimes without consulting MoFED. The use of executive directives allows the President and influential stakeholders to access the consolidated fund without forcing a trade-off through the budget process.

The overall system greatly centralises budget execution decisions in a small number of high-level officials, who must attend to a constant cycle of relatively minor expenditure decisions. On the positive side, this allows for a high degree of personal responsiveness to the Financial Secretary and the Minister and facilitates effective coordination among senior officials. However, there are risks in a system whereby most critical decisions are made via personal relationships of senior individuals. Top officials from the Ministry suggested that day-to-day management of spending priorities occupies nearly all of their time, severely limiting space for strategic thinking. Such an approach does not encourage the longer-term institutionalisation of depersonalised and rule-based expenditure systems that might be more predictable and therefore support greater budget credibility, allocative efficiency and operational efficiency.

2.3 Key features regarding the nature of the Ministry of Finance and Economic Development

The institution has relatively extensive formal and informal powers to enable it to achieve its objectives. It has been able to use them to deliver at least 'the basics' of macroeconomic stability required by an IMF plan, and successfully regulate and coordinate the rest of government towards this particular goal (Welham and Hadley, 2016). Notably and as discussed above, up until EVD and the change in mining fortunes, key high-level macroeconomic indicators have been broadly positive for many years. However, evidence suggests that interest in PFM reforms may be waning, even as the four-year World Bank PFM Improvement and Consolidation PFM reform Project continues. Equally, it is not clear that more complex and challenging systems – most importantly credible budget preparation and execution – are on the same upwards trajectory. In reality, the current political context of Sierra Leone may make long-term institutionalisation of budgeting rules very challenging deliver.

Evidence points to a key driver of capability being the presence of the long-standing cadre of well-paid ex-'Long-Term Advisors' (LTAs) working closely together in senior and mid-levels within the Ministry. These are staff who began working with in MoFED in the immediate post-war era as externally funded and higher-paid contractors working in line positions. After being in place for many years, the overwhelming majority were absorbed onto the government payroll as permanent staff while maintaining their higher salary but remaining outside standard grading structures. Without these staff, the Ministry would be operating at a much lower level of capability. The Ministry's current way of operating – with key decisions made informally within a small circle of trusted and long-standing ex-LTA senior officials – appears to deliver on the basics of economic management and brings political insight to decisions. However, it works against the long-term development of rules-based budgetary institutions that might deliver a step change in other areas and in the long-term. The heavy reliance on this cadre of ex-LTAs also raises important challenges regarding long-term capability of the Ministry if more formalised workforce management and succession planning is not introduced.

2.4 The political economy of Sierra Leone and the impact on PFM

In many ways, Sierra Leone demonstrates many of the political economy and capacity challenges commonly associated with low-income and low-capacity states (for example: Allen, 2009; Rakner et al., 2004; Caiden and Wildavsky, 1974; Fritz et al., 2012; North et al, 2009). By locating discussion of a BSI interventions firmly in the Sierra Leonean political and institutional context, the nature of the interventions and the progress made can be better understood.

At an institutional level, Sierra Leone experiences a familiar mix of challenges:

- High levels of uncertainty. Sierra Leone has a small and relatively undiversified economy that is particularly vulnerable to sudden economic shocks, as the EVD and iron ore impacts have shown.
- Low levels of resources. Overall, the government does not possess, even working with maximum efficiency, the resources to meet all the basic demands of citizens. Available public resources per head fall below what is often expected (particularly by donors) in terms of public services delivery.
- Limited human capacity and financial resources. In common with many states, Sierra Leone experiences a lack of skills, capability and low morale throughout the public sector leaves a large margin for error, mistake and apathy. Pockets of high capability exist, particularly in MoFED, but they are often stretched thin as they deal with multiple pressing issues. Even working with maximum efficiency, the broader public sector in Sierra Leone would not be able to deliver all the services expected of an effective state.

At a political level, the broader political context suggests:

- Limited high-level political will for following formal rules. Regulations and procedures are frequently overlooked or ignored. Powerful actors in the political and senior bureaucratic levels pursue private interests as much as public interests. It cannot be assumed that long-term evidence-based policy made in the wider national interest will predominate over short-term private interests in decision-making.
- There is some agreement among senior politicians on the need for short-term fiscal sustainability but not necessarily other PFM reforms. In Sierra Leone, this is manifested in the form of commitment to adhere to, and continue compliance with, successive IMF programmes. However, it is not always clear that senior decision makers will consider the long-term fiscal consequences of short-term decisions. A long-term commitment to building other elements of the PFM systems (e.g. greater budget credibility; better fiscal reporting; improved audit and scrutiny) are less clear.
- A relatively strong executive and relatively weak parliament. Formal constitutional powers, informal political realities and capacity gaps mean that the Sierra Leonean parliament does not always play its expected role of constraining and scrutinising the executive. Formal and informal powers put a great deal of power over economic and fiscal affairs in the executive, particularly the Presidency and State House.

2.5 Conclusions

This relatively lengthy discussion of the economic, political and institutional background to Sierra Leone's MoFED aims to set the scene so that BSI's interventions can be better understood. In the context of 'thinking and working politically', this kind of detailed understanding of context is necessary to deliver sustainable change in PFM functions. The following section discusses the nature and progress of BSI's cash management reforms in relation to this background context.

3 The 'Budget Strengthening Initiative' experience in Sierra Leone

3.1 The Budget Strengthening Initiative

ODI's BSI is a program of technical assistance in which a mixture of mid-level and senior experts provide strategic advice and practical implementation assistance to ministries of finance officials in fragile and transitional states. The aim is to develop both staff and systems, which will – in the longer-term – lead to more effective, transparent and accountable budget policies and processes. BSI has been working with officials in South Sudan, Liberia and DRC since 2010. BSI also offers strategic support to the Secretariat of the g7+ Group of Fragile States.

3.1.1 The Budget Strengthening Initiative approach to reform

BSI applies a problem-driven approach that aims to work on iterative improvements to the problems that government counterparts identify and experience (e.g. Andrews, 2013). Its approach aims to be flexible, iterative and politically informed – it seeks to identify with government particular problem areas for reform but leave open the exact route by which reform might travel. It aims to offer government counterparts a range of options and advice on solving problems and then provide assistance based on this jointly identified need. In this way, the BSI input is intended to be catalytic – it seeks to support, strengthen and promote an existing desire to address a specific problem rather than determine and deliver on reform itself. An emphasis is placed on building coalitions of government and development partner stakeholders around appropriate solutions informed by in depth knowledge of the country context and relevant lessons from country comparisons. BSI staff are often expected to 'get their hands dirty' on the implementation of change (at least in the beginning), rather than just provide recommendations as to how it could be done.

Box 2 – Supporting 'Change in Challenging Contexts'

BSI recently published a learning piece summarising five years of experience in delivering institutional change in challenging environments. In approaching reform in fragile states, BSI's approach to delivering change aims to:

- Start with a problem and an opportunity, not a comprehensive solution
- Understand the problem and space for reform
- Take small steps, but know where you are heading
- Start processes and systems on the right foot, and then sustain them
- Learn and adapt to avoid getting trapped in unsuitable solutions
- Decide carefully when and how to formalise new systems and procedures

- Join the dots between dispersed activities happening in different areas of the institution
- Don't try and reform alone
- Those in authority provide and protect the space for change, but may not drive it themselves
- Seek and adapt external advice to fit the problem and solutions being addressed

Source: Williamson, 2015

This approach puts BSI firmly in the 'new consensus' of 'thinking and working politically' to deliver institutional reform in developing countries, where reform is problem-driven, locally-led and politically smart e.g. Andrews, 2013; Booth and Unsworth 2014; Levy 2014). It seeks to avoid the common mistakes of technical assistance where comprehensive pre-determined solutions are applied to pre-selected problems that have been identified predominantly by the funder of the assistance. These approaches typically lead to changes in *form* but not *function*, and leave the technical advisers on the 'outside' of where real reform decisions are taken.

Box 3 – Evaluative evidence of BSI

BSI received DFID core funding from 2010-2015 and currently receives country specific funding for work in South Sudan. The Mid-Term and Project Completion Review provided the following quotes;

- "BSI is an embodiment of the approach to TA known as 'problem-driven iterative adaptation'. Its distinctive features are that it begins from recognised problems, rather than international best practices, it pursues institutional change as an iterative, step-by-step process, and it emphasises building consensus among stakeholders and across institutional boundaries".
- "We were impressed at the extent to which the new systems and processes promoted by BSI have been successfully implemented and institutionalised. This is a sign not just of the relevance of the technical advice provided, but also the facilitation and support that BSI provides to their implementation. The flexible, problem-solving approach adopted by BSI appears to have a higher success rate than is typical for PFM capacity-building programmes".
- "Its approach is flexible, iterative and politically informed, making it well placed to identify and promote solutions to problems that might defeat other TA programmes".
- "BSI teams display an evident concern not just with the immediate outcomes of their activities, but with the success of the wider development partnership. They are willing to facilitate processes behind the scenes without taking credit for them, which contributes to their ability to support meaningful institutional change."

The final Project Completion Review commented in similarly positive terms about BSI style of interventions:

- "Overall, we rate BSI's level of achievement across its five years of operation at 'A+' (above expectations). If scored separately, its work on local service delivery in South Sudan would merit 'A++'. "

- "Overall… the evaluation supports the proposition that BSI represents an innovative approach to technical assistance that addresses many of the shortcomings of conventional approaches and that has proved well suited to promoting budget reforms in fragile states."

Source: Cox and Robson, 2013; Cox and Robson, 2015

3.2 The BSI work in Sierra Leone

3.2.1 The start of the programme

BSI's engagement with Sierra Leone began in January 2015. Email discussions had taken place previously with contacts in the African Governance Initiative (AGI), who had seen BSI's work in Liberia and suggested that Sierra Leone would be benefit from a BSI-style intervention. Contact was made with a Director in MoFED, both via email and through face-to-face meetings in London, and in-principle agreement was reached that a BSI programme would be a good idea.

However, mobilisation and progress was slow. During 2015 the EVD epidemic spread. International airlines began to close services to Sierra Leone and many international institutions began removing their staff from Freetown. BSI attempted to maintain contact with MoFED Directors, but response was erratic. In October 2015, BSI staff undertook an in-person visit to Freetown to re-confirm MoFED interest in a BSI programme. Shortly after this, a BSI consultant was deployed in Freetown and the programme formally began operation.

Funding for this initial work was provided by the Swedish International Development Agency (SIDA). SIDA are supporting the BSI global programme through a general grant, of which a part was reserved for a new country programme. This amounted to around £220,000, with significant flexibility over implementation. This has been used as the funding for Sierra Leone efforts.

3.2.2 The focus of BSI work

Given the problem-driven nature of BSI's work, the first set of engagements related to identifying the right 'problems' on which to focus limited resources. Naturally this did not begin from a blank slate. Previous visits and wider experience had clearly noted that the Cash Management Committee (CMC) (and associated cash rationing management processes) were activities with numerous problems that could potentially be addressed. In addition, the formal sponsoring Director of BSI's work was also the lead for and emerging capital investment management strategy. Finally, a former ODI Fellow working in the macroeconomic forecasting section of the finance ministry requested, supported by the relevant Director, to return to Freetown to make additional inputs into the SLIMM. These three elements – (i) support to the CMC process, (ii) public investment management, and (iii) the SLIMM – became the initial problems that BSI worked on. The remainder of this note will discuss the CMC work in particular, as this has become the largest component of BSI's programme.

3.2.3 The story of reform in the CMC

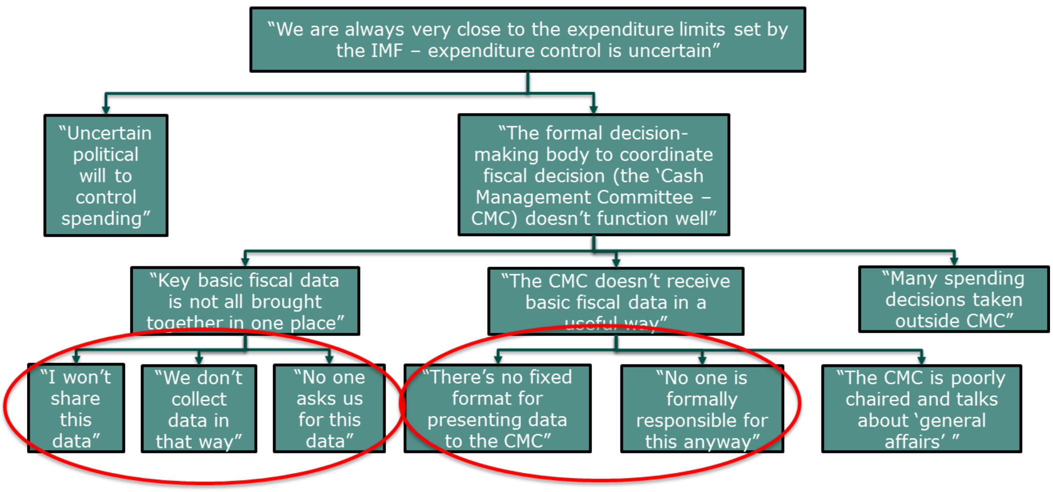
Identifying 'the problem' of expenditure control

As discussed above, one of Sierra Leone's success stories has been adherence to successive IMF programmes. While each of these programmes have differed slightly, a key condition on these programmes has been a limit on government spending. This has been done by setting quantitative targets on figures such as 'net credit to government', limits on borrowing from the central bank, and a moratorium on new loans or other mechanisms by which government can finance its deficits. However, Sierra Leone has consistently struggled to maintain expenditure control and stay within programme limits. During a roundtable held in initial meetings with senior officials, this challenge of maintaining fiscal and expenditure discipline was repeatedly highlighted as one of the most pressing issues. It was also immediately recognised by those discussing the issue that this was, in large part, a political issue rather than a technical challenge.

BSI therefore identified support to the *technical* operation of expenditure control to be an area where it could usefully intervene, noting that the political aspects of the problem were out of scope. Expenditure management in Sierra Leone is predominantly managed on a week-to-week – sometimes even day-to-day – basis. The CMC meets weekly to determine key parts of the overall shape of cash allocations through a meeting of heads of key departments in MoFED, Accountant Genera's Department (AGD), NRA and BSL. This is chaired by the Financial Secretary and the Committee makes decisions on: what overall revenue expectations to accept; the total volume of cash available for expenditure; which aggregate expenditure items (e.g. salaries) will be paid; the progress of planned debt auction strategies; and whether to approve other significant expenditure items. In practice the CMC does not make all significant decisions on economic management and expenditure decisions. Many decisions are made bilaterally between the Financial Secretary/Budget Director and permanent secretaries; or even unilaterally by the Finance Secretary himself under orders from State House – often on a day-by-day basis. Nevertheless the CMC represents the most 'formal' procedures through which the cash budget is managed.

BSI staff first aimed to get a good understanding of the nature of the technical problems affecting the CMC. This was done through attendance at the CMC, bilateral discussion (often informal) with key participants, and consideration of experience in this area from other countries. As discussed above, the CMC operates at the nexus of political and technical challenges to macroeconomic and expenditure management, and therefore exhibits a number of 'problems'. It is also used as a general MoFED 'Senior Management Team' meeting, where a range of non-cash management related issues are also discussed, which further complicates the function of the meeting. BSI attempted to break down the list of problems underneath the umbrella of 'challenges to expenditure control' so as to identify precisely which were amenable to short-term external support to technical reform, and which were more akin to long-term structural political constraints.

Figure 1: Stylised representation of the problem identification stage



Source: author's representation

As can be seen from the figure above, breaking down the problems highlighted by officials revealed a mixture of technical and political challenges. Some of the most important problems – for example, uncertain political will to control spending – are beyond the scope of external advisers to affect. Other problems, however, were likely to be better areas for interventions. BSI identified particularly the fact that key fiscal data was not all brought together in one place, and that this was not transmitted to the CMC ahead of meetings, as the technical problems it may be able to work on.

Gathering and sharing data for the CMC

Prior to BSI engagement, CMC meetings would often take place with key fiscal data (e.g. total tax collected that week; the value of debt auctions planned for that week; salary bills for the month) being shared in hard copy only at the start of the meeting (often with insufficient copies of documents for all participants). This led to delays and confusion between parties over what exactly key fiscal totals were, and time was often spent at the start the meeting to review, finesse and refine the 'raw' figures that each agency brought to the meeting. BSI identified that the gathering, verifying and presenting of key fiscal data in a consistent and uniform manner to the CMC each week would be a technical improvement it could usefully support.

Floating this idea with Sierra Leonean officials brought in principle support from key parties. Indeed, the BSI intervention identified what could be considered a 'collective action dilemma'. Almost all parties to the CMC recognised that the meeting would run more effectively if effort was made to coordinate, collect and present the relevant data ahead of time. However, no individual actor had an incentive to attempt to do this. This was partly because no institution had been formally nominated – either by law or by administrative decision – to do so; and partly because no institution or individual wanted to be the person who had to announce to senior officials that there is no more money spend. BSI attempted therefore to act as a 'convener' and 'dot-joiner' between various parties who all stood to benefit from a better process, provided it could be managed in a constructive way.

Approaching the challenge

The process by which the CMC data gathering and preparation process was delivered developed gradually over time. First efforts were made in December 2015, and the programme continues at the time of writing (August 2016). Broadly, the aim of the work was to gather, verify and present on a weekly basis a consistent set of figures for: (i) cash flows coming into government from various sources (actual stock and short-term forecast); (ii) cash outflows from government (actual stock and short-term forecast) and (iii) other relevant fiscal aggregates such as the level of arrears and changes in debt levels. A full description of the work done would require a separate, and very detailed document. It is perhaps more instructive to note the adaptive and iterative nature of this work – and therefore how it has attempted to 'think and work politically' – through reference to some of the challenges and resistance that the work has encountered:

- Whether to present the stock of unpaid bills. This was removed on the grounds of confidentiality and the need for government to have maximum ability to manage this stock without external oversight.
- Whether to present figures that assume a certain amount of discretionary (i.e. non-salary, non-pensions and non-debt) spending. Initial presentation of the figures included a deduction in available resources based on information from the Budget Department on what discretionary bills would be paid that week. In practice the list agreed on Monday evening (and factored into the CMC data presentation) would change by Tuesday morning (immediately prior to the meeting), meaning that the information presented risked being incorrect, undermining its usefulness and credibility.
- Including better data on money raised from debt auctions. The BSI work uncovered that the amount of money actually raised from short-term Treasury Bill auctions was less than the face value of the debt sold, for a number of reasons. This was identified mid-way during the process, and has now been factored into the numbers presented, giving a more accurate forecast of expenditure.

The aim has broadly been to 'create demand' for the product by demonstrating usefulness of the CMC preparation process. The CMC happens each week, and with repeated exposure to a useful product the hope has been that the CMC itself will begin expecting, and demanding, this product. This demand is critical for the long-term sustainability of the reforms – only by ensuring that the product is useful to senior officials will it be likely to continue.

Experience on this score currently looks positive, although risks remain. The creation of the CMC presentation process has stimulated an expectation that it will be present at each meeting. However, maintaining the level of interest in its production that will continue to ensure that quality figures are produced is a challenge (as discussed below in the 'institutional issues' section). The bureaucratic culture in Sierra Leone often defaults to 'making do with what is available' rather than insisting on consistently high standards. There remains a continued risk that if CMC receive several weeks of inaccurate and non-useful data, it will simply recalibrate its operations to take this into account, rather than insist on a return to form.

Key features of experience to date

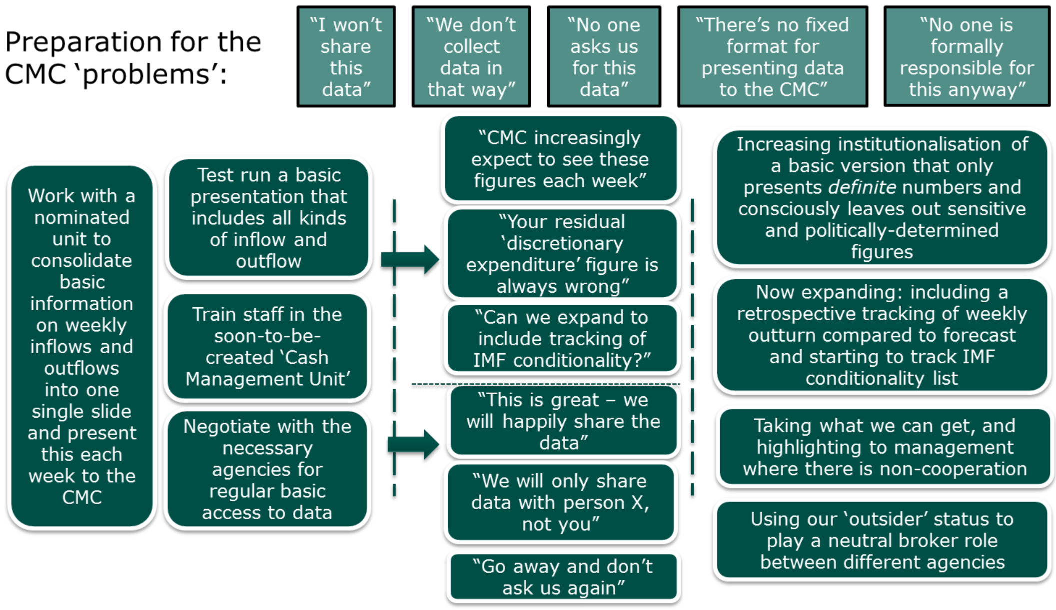
BSI aims to operate in the TWP approach, using 'problem-driven iterative adaptation' (PDIA) (Andrews, 2013) as the methodology for change. This involves a strong emphasis on providing useful inputs to solve problems that government itself identifies as challenges. Taking this on board, some key features of the BSI-led process to date that have aimed to deliver this include:

- Taking time to engage with stakeholders. BSI staff have been active in moving around the finance ministry, the National Revenue Authority, the Accountant General's department and the Bank of Sierra Leone. They have also engaged with IMF programme and technical support missions on this issue. Staff have sat down at the desks of relevant officials, listened to their problems and tried to understand how they see their involvement in the CMC process.
- Iterating options until it fits. The current format of the data presented to the CMC is not the same as it was at the beginning of the intervention. New lines have been added, and old ones deleted. Politically sensitive information has been removed and added to a separate slide that is not so widely circulated. Forecasts for certain expenditure items are uncertain, and have simply been removed on the grounds that it is better to present less detailed information that is definitely correct, rather than present more detailed information that is then questioned and undermined during the CMC. These iterations are actively in formed by feedback from key figures attending the CMC.
- Cutting losses where appropriate. One particular key stakeholder was initially not interested in supporting this process. When asked to project their cash management data for the coming week, they provide exactly the same figure each time, stating that they will not engage in more detailed forecasting or share more detailed data. Despite early efforts to suggest ways to improve, the stakeholder initially refused to engage. BSI were careful to avoid directly antagonising the stakeholder by attempting to 'demand' or 'force' the issue and focused its effort instead on other areas. In fact, long-term engagement has started to yield results, and the stakeholder is increasingly warming to more substantive engagement.
- Growing the process 'organically'. The increasing institutionalisation of the presentation has led to requests that it be expanded and/or amended. Notably, the CMC has raised the prospect that the presentation might include weekly monitoring of IMF quantitative targets that are relevant to the fiscal data being produced. This would represent a step forward in fiscal management in Sierra Leone, given that at present tracking of IMF quantitative targets (and therefore gaining an understanding of whether the country is on or off target) happens informally. BSI are now working with the AGD to see how this could be done.
- Allowing BSI to strategically 'take the blame' in some circumstances. During the development of the initial presentation of figures, there were inaccuracies and/or straightforward mistakes in some of the data presented to the CMC. Some of these mistakes were the fault of government officials rather than BSI. However, as an outsider BSI sometimes strategically took the blame for the mistake – even when this was not strictly warranted – in order to avoid important (and sensitive) stakeholders withdrawing from the process over concerns that their engagement would leave them open to public critique.

The figure below sets out some of the processes, reactions and progress that has been associated with the CMC preparation work. As can be seen, and discussed in more detail below, not all proposals have been successful.

Some agencies continue to refuse to cooperate fully with the agenda. Some staff members will only work with certain BSI staff and will not readily accept contact from others. Some institutions will only provide exactly what is asked for, even though they may hold information and ideas that would obviously improve the final product. The current information presented to CMC therefore does not represent 'best practice' in this field. It represents instead a series of first-best options, second-best compromises and blanks which are yet to be filled.

Figure 2: The 'journey' of the BSI intervention to help solve the CMC preparations problems identified



Source: author's representation

3.2.4 Set-backs, change of direction, uncertain political support

The above discussion has painted a positive picture of BSI engagement. This is indeed a valid interpretation of BSI success: the processes that BSI have focused attention have clearly improved over the months of intervention. In the weeks when BSI is out-of-country and only providing remote inputs, the process continues to operate giving a positive indication of sustainability. However, as with any story of institutional reform in a challenging environment, there is a broader story of risk, reversal and setbacks that should be acknowledged.

Decision not to establish a 'Cash Management Unit'

At the start of the BSI intervention, MoFED had planned to establish a formal 'Cash Management Unit' (CMU). Indeed, MoFED had agreed with the IMF some time ago that such a unit should be created as part of the conditionality surrounding their lending programme. BSI's initial plan was to work with the newly established Unit to jointly develop the process for gathering and presenting figures to CMC. To this end, BSI developed formal terms of reference, job descriptions and began sketching out basic operating procedures for the Unit.

However, in fact the Unit was not established in line with expected timetables. Due to government-wide hiring restrictions, and a lack of certainty and agreement among senior staff over where such a function should be located, the CMU continues to be a commitment that has not yet been realised. This threw the initial capacity development and sustainability strategy into doubt. As a result, BSI have followed government's lead and focused on capacity building and supporting other staff (from a separate unit) in developing the weekly presentation for CMC and using this as a way of demonstrating the value that such a Unit would bring. This circumstance is not ideal since these staff have 'day jobs' and perceive the CMC work as an additional duty. This puts the sustainability of BSI's inputs at risk, since the staff currently trained to deliver the process are not fully and solely mandated to do it. However, in line with the 'take it as it comes' approach, BSI have focused on thorough training of nominated staff as well as an influencing agenda with senior staff to encourage them to value – and therefore safeguard – the work of preparing for the CMC.

Lack of clarity about the position of 'cash management' in the PFM Act

One reason why this kind of comprehensive fiscal data gathering and presentation to decision-makers had never been fully delivered in the past related to uncertainty (and tension) over which institution is responsible for this function. Different parts of the finance ministry and Accountant General's Department had taken different views on who has the mandate for this work. In BSI's view, there was a legitimate institutional discussion about which unit had responsibility; however, there was also an element of avoiding the issue, whereby no unit wanted to take full responsibility for 'owning' the delivery of the difficult news that regular presentation of this data might mean.

This issue manifested in several forms. Early on, a senior manager in one part of the government flatly refused to believe it was his department's responsibility. He argued strongly against this work, and did not support staff time being dedicated to it. This threatened to undermine the government – and BSI's – efforts in this area. Over time his opinion has changed, and since then a decision was made that the function will be located in the AGD. This has worked to reduce this kind of institutional tension.

The challenge of presenting 'discretionary' spending figures

One of most politically sensitive aspects of this fiscal data gathering work is the degree to which it highlights committed vs. discretionary expenditure. The manner in which BSI have worked with the AGD to develop the template makes the volume in cash inflows and outflows clearer – including those outflows to pre-committed expenditure such as debt servicing, salaries and pensions. The remaining expenditure once these items had been deducted can be seen as the 'residual' or 'discretionary' expenditure. For the CMC to run most effectively, this discretionary figure should also have deductions for expenditure choices already made for that week (e.g. if the Minister or the Financial Secretary have already decided to pay certain bills with the discretionary amount of funding available). Initially, BSI had tried to get figures for these pre-agreed payments coming out of the discretionary fund so that CMC could see the most up to date figures and see the 'residual discretionary' amount available.

In practice, getting reliable pre-agreed discretionary payments figures proved impossible. The budget department did not have a robust list of what expenditure request forms would be honored, and which would not be. Expenditure agreed on Monday afternoon may have changed by the time of the Tuesday morning of the CMC. As a result, attempting to present 'final' figures to the CMC that deducted pre-agreed payments from the discretionary residual were often wrong. Indeed, this risked undermining the validity and credibility of all the fiscal figures presented. Key stakeholders at the CMC meeting would openly state that the figures presented were wrong as a result of changes in the pre-agreed payments list that they were aware of.

BSI chose to 'roll back' the complexity of the fiscal data presented and exclude an attempt to reflect pre-agreed payments. The CMC presentation was therefore modified to show *less* data than it could potentially have done. The decision was made that it was preferable to show a credible set of 'definite' figures (i.e. excluding the pre-agreed discretionary expenditures) and allow for these pre-agreed spending items to be announced – and the presentation manually altered – during the meeting itself. This can be seen as an example of working around a problem, and accepting the reality that a fully functional process (i.e. receiving a comprehensive and final list of pre-agreed expenditures ahead of the CMC) was unlikely to happen, even though with sufficient cooperation from the right stakeholders it would have been possible.

The expansion to include IMF benchmarks

The regular presentation of consistent fiscal data to the CMC has created demand for the presentation of additional information. Senior stakeholders in the process have noted that the tracking of overall cashflows has a close link to the quantitative fiscal targets agreed as part of the IMF programme. It has been suggested that the CMC data be expanded to include a regular tracking of progress against IMF fiscal targets and benchmarks. AGD and BSI are currently working out options for doing this with the existing resources and data systems available. This expansion may in fact carry risks since not all IMF programme benchmarks are directly related to issues cash management and will therefore be outside the technical remit of the CMC. Expanding the CMC discussion beyond issues cash management issues risks making the meeting a 'general purpose' event covering a number disparate issues rather than focused on cash rationing. Nevertheless it represents a positive vote of confidence in the usefulness of the information being presented, and represents the kind of unplanned 'organic' evolution of new processes adapting to changing requirements.

3.2.5 Possible future areas of involvement

BSI Sierra Leone's funding is unfortunately coming to an end for this phase of the programme. It has proven difficult to attract funding to the project for a number of reasons, as discussed in the section below.

If BSI Sierra Leone is successful in identifying additional funding, there are clear areas where BSI could offer further support to fiscal management, building on what has been delivered to date. These areas have been raised with local officials, and might be areas where further 'small bets' could be tried with a view to larger reforms in the future:

- Better co-ordination between BSL and MoFED. There is institutional rivalry between BSL and MoFED. BSI-style inputs can usefully try and bridge this gap to improve coordination between the monetary and fiscal sides of the government's overall macroeconomic management. As examples, there is scope for more regular sharing of information on 'ways and means' spending, inflation figures, government arrears and non-performing loans and contingent liabilities from the financial system.
- Reconciling the cash management work with aggregate financial reporting. The Government of Sierra Leone, via the AGD, publishes quarterly statements of government fiscal operations. However, these do not match up entirely with the information being received and gathered for the cash management committee. Initial reviews show some key discrepancies in the way certain funds are classified and handled, and therefore a chance to harmonise these two sets of fiscal data. However, it is not clear that the AGD or others in the finance ministry consider this a 'problem' as yet.
- Preparation for IMF visits. These twice-yearly visits are key points in the MoFED calendar. As noted above, keeping Sierra Leone on track with the IMF programme has been a key achievement of MoFED; and there has already been some demand for expanding the work of CMC preparation to track more closely the specific quantitative fiscal targets that have been agreed. Given the importance of maintaining compliance with the IMF programme, this could be a useful piece of work if it was identified by ministry staff as a 'problem' suitable for BSI inputs.
- Linking macroeconomic management to budget credibility. Improvements to CMC will allow for better planning of cash availability to pay for salaries and perhaps then prioritize key budget expenditures and manage unplanned expenditures. Salaries and debt are always paid on time, but beyond this there is little sense of what else should be prioritised in CMC. Starting a discussion and dialogue on how to better budget for key known upcoming payments would be way of building a better sense of budget credibility in these processes.
- Weekly reconciliation and recording of targets versus actuals for tracking the budget, and extending the forecasting period so it can better inform quarterly budget allocations. At the moment, cash flows into and out of government on are only compared on a one week time horizon (i.e. last week's forecast is compared to last week's actuals for a rapid forecasting check). This means there is only an *ad hoc* sense of whether forecasts are broadly right, or consistently off target, and/or which points in the year this tends to happen. Investing in more intensive retrospective tracking of expectation vs. actuals in terms of cash flows in and out of government will allow for better forecasting, including extending the forecast forward beyond the next 2-3

weeks. Better forecasting can then inform a more realistic process for determining quarterly budget allocations.

3.3 Conclusion

BSI’s work has involved working to develop a better process by which key cash flows and other fiscal data is presented to an important decision-making body. This has involved spending time identifying this issue as a problem, and then exploring how the various stakeholders perceive and interact with the associated processes. BSI has consciously focused on those technical elements of ‘the problem’ it is able to deal with, acknowledging that the higher-level political challenges will always be out of scope for this kind of work. The technical nature of BSI’s work has experienced a degree of success, but also faced challenges and resistance. It has taken advantage of the weekly nature of this work to adapt and iterate various solutions before finding one that seems to fit. Although demand for the product being produced has certainly strengthened, prospects for the sustainability of the gains remain positive, but uncertain. The BSI approach to supporting the CMC can be seen as an example of the PDIA-style approach to delivering technical advice to deliver institutional reform.

4 BSI and ‘thinking and working politically’ – concluding points.

4.1 The BSI Sierra Leone experience and the ‘thinking and working politically’ approach – some reflections

The BSI approach can be seen as an example of ‘thinking and working politically’ in the field of PFM reform in a low-capacity and politically-challenging institutional setting. There is a large literature on ‘thinking and working politically’, engaging in ‘problem-driven iterative adaptation’ and ensuring ‘locally-led and politically-smart’ development etc. There is not space to review and discuss the similarities and differences in their approaches to conceptualising the delivery of institutional change. However, drawing from a recent ODI summary reading-pack on ‘thinking and working politically’ (Booth, 2015) three particular features of this approach are typically highlighted: (i) iterative and step-wise learning; (ii) brokering constructive relationships; and (iii) being locally-led and addressing problems identified by recipients themselves. The BSI experience relates to these three features in the following ways:

Iterative and step-wise learning.
The BSI work in Sierra Leone has certainly involved ‘learning-by-doing’ and modifying, sometimes week to week, the exact nature of the information being collated and presented to the CMC. In one way, BSI have been fortunate in that the CMC preparation process is a weekly event that allows for regular iteration, testing and the placing of ‘small bets’ to see if they pay off. This activity of gathering and presenting data has itself generated requests and suggestions that the work expand including: extending the weekly figures into a longer-term forecast; reviewing retrospectively previous weeks’ outturns vs. forecasts; and expanding the data presentation to include tracking of IMF benchmarks. BSI have also consciously rolled back from some actions (e.g. the discretionary spending figure issue) as they resulted in more problems than they solved. As BSI progressively handover and step back, the process is likely to iterate and adapt under the management of local staff.

Brokering constructive relationships.
This has been at the heart of what BSI have attempted to do. As noted, the idea of presenting better fiscal data to the CMC represents a ‘collective action dilemma’ to a degree, in that all parties would benefit from improved figures, but none have individually had the incentive to undertake the work necessary. This starting point operates in the bureaucratic context of general lack of trust and guarding of information within the institutions in question. BSI – as outsiders with no significant institutional interest in a particular version of ‘success’ – has been able to convene relevant stakeholders, persuade reluctant individuals to cooperate and in some cases demonstrate the process’s value through ‘getting its hands dirty’ and delivering outputs. Maintaining a coalition of support for this work has sometimes meant accepting sub-optimal processes, for example, accepting the data certain institutions give, even if it is known to be weak or otherwise non-robust, so as to keep them on-board with the wider process even at the cost of immediate accuracy.

Locally-led and addressing problems identified by recipients themselves.
Initially, the BSI engagement with CMC data preparation responded to a problem that BSI had identified – albeit with varying degrees of assent of relevant stakeholders. This diagnosis was built on repeated observation of the CMC in action, and a suggestion that there could be better ways of organising the data requirements for

it. The actors involved had previously made a formal agreement to the IMF that they would look to improve cash management, but had not taken significant steps to deliver on this commitment. Most actors therefore agreed that BSI involvement would be positive. As the work has developed interest in maintaining and extending the data preparation system has grown. Indeed, a senior official in the AGD has now begun taking more interest in the entire process, and requests for additional data and extensions to the system have also come from senior officials within different institutions in government. Nevertheless, the genesis of this work and initial problem, identification was perhaps more BSI-led than an 'ideal type' TWP approach would suggest. In part this represents the reality of working in MoFED in Sierra Leone, where officials do not carry a clear list of pre-existing of problems around with them that might suit a BSI-style intervention, and some degree of suggestion is necessary at the beginning.

There remains the challenge that different stakeholders diagnose different problems. The TWP and associated schools sometimes appear to assume that problems objectively exist and are widely (perhaps universally) acknowledged as such within institutions. This is not the experience of BSI in Sierra Leone. Whereas *some* senior officials genuinely agreed that the CMC would benefit from better data (and therefore could agree that there was indeed a 'problem' to be solved); other senior officials 'agreed' to reforms in the sense that they didn't feel strongly *against* the proposals; and others have voiced doubts and indicated a lack of enthusiasm for this work, but do not feel strongly enough to try and actually stop the BSI activities (indeed, in Sierra Leone, waiting for something to fail is often a less costly strategy than actively trying to stop it). The BSI experience suggests that middle level officials and senior level officials may have different views on what counts as a 'problem'. The degree to which the most senior official in MoFED sees benefit to the BSI-supported process is not fully clear, although several of his immediate staff clearly do value what has been done. The BSI experience therefore adds further nuance to the TWP approach in suggesting that the problem identification stage is more challenging than might be assumed in the current literature.

MoFED remains an institution that is heavily influenced by the political economy of rent-seeking behaviour among politicians. As a result, the enthusiasm for depersonalised institutionalisation of transparent, clear and ultimately rules-based processes in MoFED is always tempered by the knowledge that such efforts may not ultimately be in the interests of powerful individuals. The reforms BSI have put forward appear to currently have *enough* support among *enough* senior stakeholders to continue for the time being. However, there will be a natural limit in the degree to which some senior stakeholders perceive there is a 'problem' to be solved. Indeed, one person's 'problem' might be another person's deliberate strategy for resolving difficult political and technical tensions. As BSI's involvement progressively winds down due to funding constraints, the degree to which the reforms it has been sponsoring continue to make progress will be an interesting way of determining how 'locally led' the problem-solving ultimately turns out to be.

4.2 Delivering the 'iterative', 'brokering' and 'locally-led' approach in practice

The success of the BSI-sponsored interventions will ultimately depend on the degree to which relevant stakeholders in Sierra Leone find the changes useful, want them to continue and are prepared to invest time in structuring incentives that will see them continue. At the moment, signs are relatively positive with increasing senior level interest in the current reforms, and some demands for expansion of the work to include other areas. However, institutional reform to support genuine functional improvements in financial management in Sierra Leone is an uncertain process. BSI have brought some specific elements to its work in MoFED that have certainly increased the chances that the BSI reforms will endure and – perhaps – evolve and expand. Some key elements to BSI's relative success, which overlap directly with much of the TWP-style literature include the following:

Staffing

The BSI team (a small group of 3-4 people) all know Sierra Leone and MoFED (and associated institutions) very well. Two are ex-ODI Fellows from the country, and another has worked for a donor organization in Freetown for two and a half years. The other member of the team has extensive relevant experience in similar countries undertaking the same kind of work. Together, these factors bring credibility to the advice and suggestions of the BSI team.

BSI staff have an attitude that focuses on working with local staff and 'getting their hands dirty'. Team members have been prepared to sit side-by-side at the desks of their colleagues for extended periods of time and learn the details of how different pieces of fiscal information are gathered, analysed and transmitted to others. They have performed some of the more repetitive and even tedious aspects of the work themselves to both demonstrate to permanent staff how it can be done, and – crucially – to show that they are 'part of the team' and not an outsider. This has built trust and credibility with local staff. There is a fuzzy boundary between demonstrating hands-on enthusiasm and simply gap-filling work that should be done by others, however. Additionally, if BSI are to help diagnose problems and suggest reforms to senior staff they need to retain some degree of 'expert distance' and not simply provide more hands to the pump. A working attitude that can intuitively sense where the right balance lies, and also flex that balance between different staff at different times, has been crucial to delivering BSI's inputs.

BSI staff have demonstrated a degree of resilience in the face of challenges. In a recent discussion of 'change in challenging contexts' (Williamson, 2015), it is noted that those working on institutional reform in fragile states need to demonstrate (and indeed, generate) 'sustained optimism' in the face of continued challenges to success. The TWP-style approach is certainly more open to acknowledging, and even expecting, a degree of failure in reform efforts. The possibility of not succeeding is certainly realistic in public sector and institutional reform in Sierra Leone and external actors providing inputs that aim for genuine changes in functional capability in economic and financial institutions are taking a gamble. This naturally takes its toll on staff enthusiasm and the degree to which individuals can continue to invest their energy in reform projects. BSI staff have demonstrated resilience in this process through a willingness to try again, and in some cases aiming to 'fail better' where plans have not succeeded. The deployment approach of having staff in-country for limited periods of time can go some way to avoiding prolonged downturns in staff engagement.

Building relationships

The TWP-style approaches put an emphasis on building relationships and establishing trust and BSI has invested in this aspect of its work in Sierra Leone. The project already had something of a head start, given that some members of the team were previously ODI Fellows in MoFED, and had already worked extensively with the institution. Regardless of this 'head start', the BSI staff invested in developing good personal relationships with key stakeholders.

BSI staff aimed to be useful to key stakeholders. Typically, the arrival of an external adviser means an increase in workload for national staff. BSI aimed to both reduce to a minimum the additional administrative burden of the BSI-supported reforms, while simultaneously showing how they would be ultimately useful to national staff. The building of relationships also required flexibility in approach and style. Depending on the seniority of the stakeholder involved, 'being useful' could take the form of: formal reports of agreed actions to senior staff while actively soliciting their oversight and guidance on next steps; through to sitting down with more junior staff, learning more about them and their roles and offering to help deliver some of their work relevant to BSI-style reforms.

Perceived independence from donors was a further factor supporting BSI's work. BSI Sierra Leone has been funded by a grant from SIDA to support BSI's broader activities. The conditions attached to the funding mean it can be used very flexibly and SIDA require only six monthly reports on the BSI Sierra Leone work, as part of general reporting on the entire grant. SIDA do not have a country office in Sierra Leone and therefore do not expect regular briefing on the inside operations of MoFED. This has allowed the BSI team to operate with genuine independence from donor involvement and allow it to be seen as on the government's side. As a point of contrast, other TA providers in MoFED funded by donors who are present in-country have been described as 'spies' by key stakeholders

4.3 Next steps for BSI Sierra Leone and relationship with donor approaches to PFM reform

As noted above, the BSI programme's in-country work is shortly to be suspended due to lack of funds. A very limited amount of remote support to CMC preparation can continue for 2-3 months. The focus of the programme is therefore on consolidating existing work and ensuring that knowledge and skills are handed over.

4.3.1 BSI's approach and donor funding for PFM reform

BSI has not attracted significant additional funding for its work in Sierra Leone, and its operations will be ending shortly. In part, as discussed above, this is due to there being a small number of donors in-country who support PFM, and most are committed to multi-year multi-donor basket funding, or have already contracted their PFM support. Regardless of this, the BSI approach – as an example of the TWP-style approach to TA – faces real challenges in attracting funding from donors who traditionally support PFM reform. This is well-recognised in the literature (e.g. Rocha Menocal, 2014) and increasingly among donors themselves (e.g. DFID, 2014; Vowles, 2013).

BSI's approach to reform often looks less compelling to potential donors compared to more traditional approaches. If following a TWP-style approach using a PDIA methodology, then: outputs and outcomes cannot be firmly specified during bidding, inputs cannot be firmly committed to until the reform path emerges, personnel may have to change depending on the direction in which the work takes, and a realistic estimate of what can genuinely be delivered in terms of sustainable functional PFM change would likely look underwhelming. In addition, donor staff would have to be kept at arm's length during execution to avoid compromising the relationship with government. Furthermore, whereas donor advisory staff who are sympathetic to TWP-style approaches may be willing to accept this on the programming side, professional procurement and contracting staff in donor organisations are likely to take a harder line on the need for clear specification of deliverables with deadlines, named staff on bids that cannot be changed and compliance with other 'hard' contracting points.

This means that incentives for potential providers of donor-funded institutional reform to PFM systems in low-capacity environments point in conflicting directions during the bidding and implementation stage. The incentives favour organisations who promise to deliver rapid and significant PFM change at modest cost in order to be successful at the bidding stage. During implementation, delivery ambitions can typically be progressively rolled-back and inputs significantly re-programme as 'the facts on the ground' become apparent. In practice, once a TA contract is let and work is underway, donor staff face few incentives to seriously challenge how delivery is progressing even if the programme unfolds very differently to what was originally agreed at the bidding stage.

BSI's approach, and other TWP-style interventions, are also unlikely to be 'big spenders' which can further reduce their attractiveness. Many donor processes require similar amounts of paperwork and internal process compliance regardless of the size of the programme. It is frequently more attractive for donors to allocate large sums through one 'blockbuster' programme rather than allocate small sums of money to many different providers (i.e. taking many small bets). Donors also face incentives to 'get the money out of the door' when designing and managing their portfolio of projects. Institutional reform programmes that focus on PDIA-style behavioural and functional change do not usually carry a large price tag. If they are delivered faithfully to the TWP-style methodology in challenging context, they may in fact risk significant underspends and/or erratic spending patterns. Neither of these are particularly welcome in donor offices.

4.4 Conclusion

The BSI approach can certainly be seen as an example of 'thinking and working politically' in the field of PFM reform in a low-capacity and politically-challenging institutional setting. Many of the actions taken by BSI are in keeping with the TWP approach, and a specific PDIA methodology, including: (i) understanding the local context and why certain processes work (or not); (ii) building relationships with key stakeholders and playing a brokering role between institutions and individuals to deliver practical solutions; (iii) 'learning-by-doing' and regularly modifying the interventions being proposed; (iv) responding to a clear problem. BSI has found one particular challenge to be that different stakeholders may not all diagnose the same problem, making it harder to get immediate interest in reform from all the necessary parties. While this approach has been successful with continued (although declining) BSI inputs, the sustainability of the new processes will ultimately depend on the degree to which relevant stakeholders in Sierra Leone believe that a problem has indeed been solved and are prepared to invest time in structuring incentives that will see it continue.

BSI's relative success is in large part due to the staff delivering the work. The TWP-style approaches put an emphasis on building relationships and establishing trust and BSI has actively invested in this aspect of its work in Sierra Leone. Staff have been selected precisely because of their knowledge of Sierra Leone or similar contexts and a track record of being able to work well with local officials. BSI personnel have been prepared to 'get their hands dirty' and demonstrate insider status. BSI staff have also demonstrated a degree of resilience in the face of challenges. Perceived independence from donors has been important in bolstering BSI's credibility. Unfortunately, despite making real progress in supporting cash management in Sierra Leone, BSI's programme's in-country work is shortly to end due to lack of funds. It is argued that a BSI-style approach to reform that actively works on TWP and PDIA principles often seems less attractive to potential donors compared to more traditional TA delivery approaches.

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