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A review of public sector financial management reforms: an international perspective

Abstract

Various public sector reforms have occurred which can be viewed as a major policy shift in the manner in which governmental units exercise their financial management functions. In some countries, this change has given rise to the transformation of the whole public sector financial management. This paper therefore, examined the international perspective of the public sector financial management reforms. The distinctiveness of this paper was the use of a significant body of literature resolute on the existing literature about the new public management and the public financial management reforms from the major four continents of America, Europe, Asia and Africa. The findings could assist in creating awareness on the extent of financial management reforms within the four continents and help the public sector stakeholders to develop measures of enhancing performance and accountability within the public service.

Keywords: new public management, public financial management, literature review, public sector reforms.
JEL Classification: H50.

Introduction

There has been a transformation in the management of the public sectors of many countries (Hughes, 2003). However, public management has long been a field in search of structure (Kettl and Milward, 1996). It borrows much from a host of disciplines and many different methodological approaches. Beginning with the traditional model of public management, which was primarily concerned about the achievement of equity and fairness as goals, this has changed since the mid-1980s to a flexible market-based form of public management (Greener, 2013; Hughes, 2003). According to Greener (2013), the main functions of traditional public management included, firstly, provision of public services, which should be more equitable and reliable than commercial or voluntary bodies' service provisions. Further, the provision of public services should be carried out by public servants and delivered uniformly to everyone within the jurisdiction. In the process of the provision and delivery of public services, the operations should be controlled from the headquarters through a hierarchical chain of command. The employment practices or personnel management should be standardized throughout each public service provider and accountability of public servants to the public should be through the elected representative bodies. The second major function of traditional public management is the financing of the public sector through financial management activities (Greener, 2013).

Public financial management is the most important component in managing the internal components' function of the new public management (Adamolekum, 1999; Hughes, 2003; Greener, 2013). Any government activity needs money in order to operate, and the ability to raise money and to spend it (financing and expenditure management) is what distinguishes the institutions of government with other parts of the society. After the financial administrations under many governments have been reorganized, public financial management, under new public management, have followed three main themes; promoting result-oriented management, introducing an accrual-based management accounting system, and the use of market-oriented mechanisms (Christensen and Laegreid, 2013). Therefore, the main focus of this paper is to review literature on the major functions of public sector financial management, followed by an international perspective of the public financial management reforms agenda.

The inadequacies of traditional public management became evident in the 1970s and 1980s (Hughes, 2003). According to Hughes (2003), the inadequacies include the hierarchical structures which are not necessarily the most efficient of organizations when comparing outcomes with inputs; the bureaucracy, which allows for certainty but is usually slow in implementation; standardization of work, which hinders innovations; and the political control, which is always problematic in assuring genuine accountability. Therefore, the 1980s and 1990s saw the emergence of a new managerial approach in the public sector, commonly referred to by scholars as "new public management" (NPM) (Greener, 2013; Hughes, 2003; Hood, 1995).

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The general agreement as to the actual changes from the traditional public management model to the new public management model include, firstly, a shift towards focusing more on the achievement of results and the personal responsibilities of managers (Hughes, 2003). Secondly, there is an intention to move away from the classic bureaucracy to more flexible terms and conditions for organizations, personnel and employment. Thirdly, the organizational and personal objectives are to be set clearly, to enable performance evaluation. Fourthly, the senior personnel are more likely to be dedicated to the government of the day rather than being non-partisan or neutral. Fifthly, government functions are more likely to face market tests. Finally, Hughes (2003) argued that there is also a trend towards reducing government functions through privatization and private-sector partnerships.

According to Christensen and Laegreid (2013), one main attribute of new public management is the adoption of the management and organizational practices used by private sector organizations. They argued that the new public management movement ascribes to the generic principle that the formal organizations of public and private sectors should be similar. Managers in the public sector organizations should have enough discretion and freedom in their daily work to be able to make efficient use of allocated resources. Hughes (2003) argued that public sector financial management is one of the major internal components of the new public management. This paper therefore, attempted to review the existing literature on public sector financial management reforms across the major four continents of America, Europe, Asia and Africa.

1. Methodology

The main objective of this paper was to review the financial management reforms in the four major continents of America, Europe, Asia and Africa. This was done through an examination of the main functions of public sector financial management and the public sector reforms within the four continents. The examination was done from existing literature and the results of this paper were drawn by compiling the main functions of the public sector financial management and reforms in America, Europe, Asia and Africa. The examination process followed a systematic literature review based on the formulation of the review question, devising the search strategy, application of the study selection criteria, study design, and the quality appraisal (Croucher et al., 2003).

According to Wallace et al. (2005) the formulation of the review question is prepared by means of a systematic review which offers the centre of attention and boundaries, and helps to shape all aspects of the review process, i.e., inclusion and exclusion criteria, the search strategy, amount of literature reviewed, the quality appraisal, and the synthesis of evidence. Therefore, the review questions for this study, focusing on the four continents, were guided by the following question: "what are the significant public sector financial management reforms within the four continents?"

This study included both theoretical and empirical evidence from exploratory and observational research, which included both quantitative and qualitative research designs. The study also included unpublished or published work (Masibo, 2013). In this article, only those studies directly associated with functions of public sector financial management, public sector financial management reforms and the new public management, were selected. Therefore, as highlighted by Basak and Govender (2015), the study met all the five necessary elements of quality appraisal criteria for validity and trustworthy findings. The articles selected were significant, acceptable, reliable and empirically valid. In addition, each selected study had good research questions and theory.

2. Results

2.1. Public financial management functions. The public financial management functions include budgeting, financing, expenditure management, accountability, financial reporting and auditing (Visser and Erasmus, 2013). These functions may involve aspects of applied economics, but they differ from the private sector since most of their sources are raised publicly and, more often, without the intention of maximizing profits. According to Flynn (2007), the boundary between the public and private sectors is neither clear nor permanent, especially for state corporations whose objective is also to maximize profits. Blidisel et al. (2010) supported the idea arguing that most public sector organizations are embracing private sector management practices, since there is a growing influence of currents of thought which generalize the idea that there is structural and managerial homology between all the organizations. Tilley (2014) argued that diligent financial management discipline is even more important in the public sector than the private sector. This financial leadership, according to him, helps to deliver outcomes that are good value for money, people-focused and sustainable. Therefore, as a major component of new public management, the functions of public financial management can be reviewed under budgeting, financing, expenditure management, accountability, financial reporting and auditing.

2.1.1. Budgeting. The financial management, whether for private or public sector, ceases to exist without a budget (Visser and Erasmus, 2013). Budgeting in public financial management provides the necessary framework to control costs within the governmental units by ensuring that costs do not exceed the allocated funds (Speklé and Verbeeten, 2014). Therefore, before resources are raised and allocated, all the governmental units are required to have an operational budget, which links specific spending objectives with their associated costs. On the other hand, budgeting is also a management accounting mechanism that facilitates the public sector performance system (van Helden and Reichard, 2013). Therefore, budgeting within the governmental unit is used, firstly, as a means of obtaining and allocating resources based on articulated priorities, and, secondly, as a tool of control to effectively achieve publicly determined objectives. Generally, budgeting serves as a link to all the functions of public financial management (Visser and Erasmus, 2013).

2.1.2. Financing. Within the public sector organizations, the public management function of financing is substantially different with that of organizations in the private sector (Frumkin and Gelaskiewicz, 2004). At the central, provincial or counties, and local levels, governmental units collect revenue through both the charging of fees and the levying of taxes. The financing of governmental units through fees and taxes is normally inadequate for most developing countries (Chihi and Normandin, 2013). These unsustainable financial positions normally require external financing interventions to fund the deficits. Unlike external financing in private sector organizations, in addition to borrowing through loans and issues of debt instruments, governmental units can also be funded through donations, either from local or international organizations. There is also a new financing concept within governmental units referred to as public-private partnerships (PPP) (Meidutē and Paliulis, 2011).

2.1.3. Expenditure management. Expenditure management relates to the day-to-day governmental unit operational processes linked to the execution of policy objectives stated in the budget (Visser and Erasmus, 2013). It involves the actual spending of money in relation to the governmental units approved budgets. However, even if the spending is authorized by the budget, expenditure management within the governmental unit should be carried out in a manner that delivers outcomes that are good value for money, people-focused and sustainable (Tilley, 2014). According to Blidisel et al. (2010), the public sector adopts private techniques in accounting, administration, public finances as well as in management. Therefore, expenditure management within the public sector is not much different from the normal administrative process within private sector organizations, with higher levels of centralization and bureaucratization (Frumkin and Gelaskiewicz, 2004). However, according to the authors, most studies concluded that the differences are, in fact, negligible.

2.1.4. Accountability. Accountability, financial reporting and auditing can be summarized as a management accounting practice within the public sector financial management (Macinati and Anessi-Pessina, 2014). This implies that management accounting, together with its disciplines like accountability, financial reporting and auditing may be expected to contribute to a better functioning of the public sector financial management (van Helden et al., 2010). The accountability concept is primarily associated with power delegation from shareholders (principal) to managers (agents) and the way to ensure the relationship between the agents and the principals (Almquist et al., 2013).

Bovens (2010) argued that public accountability can be looked at from two aspects, firstly, as a virtue, and, secondly, as a mechanism. In the first case, accountability is used primarily as a normative concept, as a set of standards for the evaluation of the behavior of public actors. In this case, being accountable is seen as a positive quality within the governmental units. Hence, accountability is the assessment of the actual and active behavior of public agents or officers within the governmental units. In the second case, accountability is seen as an institutional relation or arrangement in which a governmental unit officer can be held to account by a forum (legislature or the public). Hence, it is the way in which the governmental units are arranged to operate. Therefore, within the public sector financial management, the legislature has to ensure that mechanisms and procedures (Public Financial Management Act) are put in place to facilitate accountability within the governmental units (Visser and Erasmus, 2013).

2.1.5. Financial reporting. The adoption of the accountability concept is crucial since it requires public management to be transparent and informative, and managers to be responsible for both the results obtained and the resources used (Jorge de Jesus and Eirado, 2012). Jorge de Jesus and Eirado argued that public sector financial reporting assumes a particular role as it represents the main tool for recording and reporting management activities' information. Hence, public financial reporting contributes significantly to the fulfilment of public financial management objectives on internal and external reporting for accountability purposes.

Prior to financial management reforms, financial reporting in the public sector was predominantly designed to assist in monitoring of compliance by the governmental units with various legal and administrative requirements, all based on cash rather than accrual accounting (Redmayne and Laswad, 2013). In order to improve the monitoring of performance in the public sector, financial reporting requirements for all public sector entities, in most countries, have been revised to bring them closer to the reporting of private sector entities. Carlin (2005), in his review of international adoption of accrual accounting and reporting by governmental units, suggested that, although the implementation experience has differed significantly between jurisdictions, particularly on dimensions such as degree of public consultation and gestation period, the trend towards the adoption of accrual accounting is a global, rather than an English speaking 'club' phenomenon. Therefore, the adoption of the international public sector accounting standards (IPSAS), which are mostly accrual-accounting based, has helped the public sector to improve the quality of financial information, simplified the internal and monitoring control of governmental units and added value to the financial information regarding economic profitability (Ilie and Miose, 2012).

2.1.6. Auditing. Auditing is the process of reviewing financial statements and evaluating the accuracy of the information provided, which is crucial for investors and other stakeholders of an organization (Schelker, 2013). According to Penini and Carmeli (2010) auditing, from the perspective of office management theory, is an important tool used by managers and all those in charge of the office, in improving office performance. The importance of auditing is recognized by both governmental scholars and practitioners alike, who emphasize that through quality auditing, better organizational processes and outcomes are achieved. In the public sector, traditionally, the audit function has been executed by the government auditors within the office of the Auditor General (Huy et al., 2013).

This traditional sole provision of public sector audits by government auditors has been questioned and criticized, particularly in regards to efficiency (Chong et al., 2009). In addition, Antipova (2013) argued that public sector all over the world is now facing the challenge of demonstrating better performance in managing budgetary resources. Hence, the introduction of performance auditing goes beyond the traditional auditing scope of mere compliance with rules, regulations and legislation, and whether authorization for all expenditures exists (Visser and Erasmus, 2013). According to this aspect of auditing, there is an introduction of the performance evaluation system, which monitors and evaluates the performance of governmental units on a continuous basis. This system helps in complementing the functions of the Auditor General within the public financial management. Moreover, governmental units have also introduced audit committees which are generally involved with reviews of internal controls, support and monitoring of internal audit, and risk management, and some committees request internal audits to carry out value for money studies (O'Riordan, 2013).

Tilley (2012) stated that one of the most painful lessons of the global economic recession is that public and private financial management can no longer be separated, hence, the need for public sector financial management reforms. He argued that the successful implementation of public sector financial management reforms, and the running of the public sector, in general, requires a culture of strong management and open accountability. In line with Tilley's argument, this study continued with the review of public financial management with regard to the public sector management reforms.

2.2. Public sector financial management reforms. Countries worldwide are experiencing external and internal pressures to restructure their public sectors in order to solve financial management problems, to raise public confidence in government, and to adapt to social and economic trends (Lynn Jr., 1999). Various reforms have occurred which can be viewed as a major policy shift in the manner in which governmental units exercise their financial management functions. Visser and Erasmus (2013) argued that, in some countries, this change has given rise to the transformation of the whole public sector financial management. According to Tilley (2014), this transformation has caused a permanent difference to strategy and culture, hence, enabling the necessary changes to systems and processes within the public sector financial management.

The new public management paradigm is a reference to public sector reform by practitioners and academicians (Polidano, 1999). Polidano (1999) argued that the new public management reforms are a response to common pressures like deregulation of line management; conversion of civil service departments into free-standing agencies or enterprises; performance-based accountability, particularly through contracts; and competitive mechanisms such as contracting-out and internal markets (Polidano, 1999). This new public management (NPM) aims at nurturing a performance-oriented culture that seeks to refurbish the process through which state corporations operate in order to increase efficiency, effectiveness, and encompassing client-oriented, mission-driven, and quality-enhanced management which are normally the private-sector management practice (Hope, 2012). These reforms are intended to better serve the needs of both the government and the citizenry with improved delivery of public services in order to reduce poverty, improve livelihoods, and sustain good governance.

Guthrie and Olson (1999) contributed to the new public management (NPM) debate by stating that an increasing notable element of NPM movement is the accounting-based financial management techniques that are being drawn in the pursuit of reforms. In other words, the new public financial management (NPFM) reforms, which are advocated by the NPM movement, embrace the corporate financial management theories and techniques practised by the private sector corporations (Padovani et al., 2010). Roberge and Jesuit (2012) observed that new public management reforms' adaptability is not preordained and varies across regions, states and communities.

However, Guthrie and Olson (1999) summarized the new public financial management reforms across countries into four main areas. The first area involved changes to financial reporting systems, including the promotion of accrual-based financial reporting framework across all governmental units, as well as the state-owned corporations, and reliance on professionally set accounting standards. The second area related to the development of commercially-minded, market-based management systems and procedures to deal with pricing and provision of services with emphasis on cash management, including financing. The third area referred to the development of a performance measurement approach, focusing on techniques such as financial and non-financial performance indicators for all the governmental units including state-owned corporations. The fourth area concerned the decentralization or delegation of budgets, coupled with the attempted integration of both financial and management accounting system and also with economic-based information sets. In addition, the final category of reforms involved changing to internal and external public sector audits, notably in terms of providing reviews of efficiency and effectiveness of public services (Hughes, 2003). Hence, this study briefly reviewed the literature on the public sector financial management reforms in the four main regions of the world, i.e., America, Europe, Asia and Africa, focusing on these areas.

2.2.1. Public-sector financial-management reforms in America. According to Newberry (in press), the public sector financial management reforms, commonly referred to as new public financial management style, pursued within the neoliberal reforms, have their roots in the United States, but have proceeded further in Westminster parliamentary countries, such as the UK, Australia and New Zealand. Though the North American national governments have distinctly different administrative histories, the language of performance, customers, accountability, privatization, and decentralization is heard throughout North America, and all the countries governments are engaged in public management reforms that feature these themes (Lynn Jr., 1999). Lynn argued that since all three countries, Canada, Mexico and the United States, have federal government systems, the public management reforms have occurred at state or provincial and municipal levels as well as at the federal level. Hence, the theme of public management reforms reverberates through many political chambers, creating the impression of convergent thinking in the whole of North America. According to Gruening (2001), the USA is best suited as a reference point for development of reforms, for public sector, because of the sheer size of the American administrative-political sciences. The diversity and richness of approaches make America the natural leader of the international agenda.

Consequently, De Vries and Nemec (2013) argued that the American idea on new public management (NPM) is summarized under ten principles: Government under NPM should be catalytic (steering rather than rowing), community-owned (empowering rather than serving); competitive by injecting competition into service delivery, mission-driven instead of rule-driven, results-oriented, customer-driven, enterprising, anticipatory, decentralized and market-oriented. Therefore, the public sector in North America has undergone a succession of financial management reforms since the mid 1980s, with the stated objectives of improving the efficiency and effectiveness of government organizations whilst maintaining a focus on improving financial accountability (Bowrey and Smark, 2010). These public-sector financial reforms resulted in an improved budgeting process, market-based financing, efficient expenditure management, accruals accounting-based financial reporting and professionalised auditing and control within all the governmental units in the United States and other American countries. In other words, public sector financial management reforms in the U.S. encouraged a greater use of financial management practices taken from the private sector (Watkins and Arrington, 2007).

According to Hughes (2003), the early years of public financial management reforms on America were not encouraging. For example, the comprehensive "planning, programming, budgeting" (PPB) system was initiated into the U.S. Defence Department in 1961 and expanded to other governmental units by President Johnson in 1965. The initiative did not survive and silently died from the American public sector. The "zero-based budget" (ZBB) was also introduced in the U.S.A. in 1962 and, by 1977, could not be continued. However, the budgeting change, which has been considered successful in America, involves the preparation of detailed budget estimates beyond the usual single year. Further, Guthrie and Olson (1999) noted that the American public sector financial management reforms cannot be interpreted as a shift to the positive side, since America has never come close to the type of public sector financial management systems that have been established in European countries like Sweden and the United Kingdom.

From the mid-1980s to the mid-1990s, Latin America experienced a major economic change, as import and export restrictions were lifted, financial markets liberalized and numerous state corporations privatized (Lora and Olivera, 2004). The economic effects of these types of structural reforms are widely thought to be positive. Therefore, in South America, the key principles of new public management (NPM) reforms have been summarized clearly in a document published by the Latin American Centre of Development Administration (Saravia and Gomes, 2008). That document highlights the need to professionalize the high levels of the bureaucracy in order to strengthen the capacity for public policy formulation and evaluation, to make public administration more transparent and accountable and to adopt a new organizational design for activities whose implementation could be shared with the private sector, among others.

Pérez and Hernández (2007) argued that it was on the basis of the new public management reforms and under the initiative of the United States Agency for International Development (USAID), that a public financial management model was developed for the countries in the Latin American and Caribbean regions. This model included changes in budget laws, in accounting and auditing systems and in the computerized use of public financial information. Feinberg (2010) argued that the areas in which Latin American governments have made the most progress are achieving fiscal discipline and introducing computerized information sharing systems. According to Feinberg (2010), the list of remaining challenges is long and includes a lack of trained professionals, mazes of incoherent regulations, and an excessive focus on legal procedures, as opposed to performance outcomes.

2.2.2. Public-sector financial-management reforms in Europe. The Euro-Mediterranean ECOFIN Ministerial meetings held since June 2005, have been stressing the importance of the reform of public sector financial management as part of a wider process of economic and institutional change aimed at promoting higher growth and employment (De Wulf et al., 2010). In the last few decades, European countries, predominately those of British origin, have implemented, almost at the same time, public financial management reforms aimed at modelling political and administrative relationships based on assumptions of the economic market-oriented theory (Bess, 2012). Bess (2012) observed that, even though the reforms have varied in depth, scope and success across nations, they are said to have been implemented in response to unproductive and inefficient government departments. The new financial management reforms began to develop in the late 70s and early eighties in the United Kingdom, and later the national governments of other commonwealth countries, mainly New Zealand and Australia, joined. After the reform successes in these countries, administrative reforms took place in almost all Organisation for Economic Cooperation and Development (OECD) countries, which are dominated by the European countries (Gruening, 2001).

In liberal market economies, such as UK, Germany and other European countries, public management reforms have been demonstrated by the privatization and outsourcing of services; enhanced financial management practice, and a prominent focus on performance management and performance-related pay (PRP) within the public sectors (Bach and Kolins Givan, 2011). Lindqvist (2012) argued that, in Europe, public sector reforms have been introduced with the aim of increasing efficiency and effectiveness, especially in financial management practice within the sector. The author also observed that clear conclusions as to the results of these public sector financial management reforms are difficult to draw from research. However, Matei and Lazēr (2011), in their study of quality management on the NPM agenda, argued that there is a high degree of convergence achieved in contemporary administrative practice, which majorly involves new public-sector financial management, within the seven states of South-Eastern Europe.

In general, Van de Walle and Hammerschmid (2011) observed that some changes within the public sector financial management have been more fundamental than others and have profoundly changed the nature of the public sector in most European countries. Nevertheless, the European new public sector financial management reforms in the last decade appear to be bogged down in a quagmire of critical revisions and assessments (Gualmini, 2008). According to Gualmini (2008), the emphasis of the agenda of reforms on efficiency has been considered a threat to civil servants' ethics and accountability and the shared goal of convergence has come up against the problem of national specificity.

Liguori and Steccolini (2014) argued that, while the European countries may use similar financial management reforms, each country carried out its own specific translation of modernization and new financial management ideas and concepts. Therefore, Europe has remained the leading continent in advocating the public sector financial management reforms with few countries, like France, taking cautious steps in their adoption of reforms' process (Bordogna and Neri, 2011).

In Australia, for example, forward estimate budgets have been prepared since 1972 and, since 1983, the format has greatly been improved, with the budgets precisely providing the government and the public with information for over the next three years for the budget period (Hughes, 2003). On the other hand, accrual-based accounting was implemented in New Zealand as early as 1991 and, during the late 1990s, other European countries also adopted it. According to Guthrie and Olson (1999), the major implementation of the new public sector financial management reforms in the UK took place in the late 1980s. The reform included the implementation of the "financial management initiative" (FMI), which focused on performance indicators, auditors and contracting-out (privatization) procedures within the governmental units. The reforms further aimed at the promotion of delegated budgets and institutionalization of quasi-market-based mechanisms for allocating and managing financial resources within the public sector.

Irrespective of the positive outcomes of the public sector financial management reforms, Europe should rethink the approach to bringing public finances back onto a sustainable path, with an eye to reducing the short-term economic and social costs, to avoid another financial crisis suffered in 2008/2009 (Wiley-Blackwell, 2013). According to Staehr (2010), the crisis increased the appeal to governments of intervening in the economy to curb the downturn, save jobs and limit social problems, but it also exposed public financial management practice vulnerabilities that constrained the ability of the public sector to play an active role. Staehr (2010) argued that the crisis posed considerable challenges to the public financial management reforms in the new EU members from Central and Eastern Europe. However, Bach (2012) highlighted that there is no long-term solution other than public budget consolidation and introducing growth-stimulating reforms, particularly under the public financial management, in the crisis countries. In view of economic development and political acceptance, such reforms can only be implemented over time and gradually (Bach, 2012).

2.2.3. Public-sector financial-management reforms in Asia. Many Asian countries, especially from South Asia, commenced the adoption process of the financial management reforms in the public sector for various reasons (Shafiqul Huque, 2005). Shafiqul Huque (2005) argued that, at times, the impetus for reform came from within the systems of the country while, in some cases, there have also been pressured from powerful external actors. Haque (2004) also highlighted that, during the post-independence period, except for communist countries such as Vietnam and Cambodia, the public sector financial management systems evolved in Southeast Asia in line with the liberal democratic models of public sector financial management, especially the British and American models. He argued that these western financial models are characterized by principles, such as separation of power, political neutrality, and public accountability, which are to be maintained through constitutional provision, legal system, legislative means, ministerial supervision, budget and audit, and performance evaluation.

According to Cheung (2005), apart from economic and fiscal pressures; domestic political changes, including regime change, democratization and the collapse of the pre-existing political order, have also resulted in a new articulation of governance that underlies new institutional arrangements, in addition to the innate influence of national administrative traditions such as the colonial, military, or imperial legacies of some Asian countries. Therefore, Samaratunge et al. (2008) acknowledged that South and Southeast Asian experiences indicate that the outcome of new financial management reform varies from country to country and country-specific contextual factors significantly influence the state of adaptability.

For example, in Malaysia, a privatization policy was initiated in the mid 80s to relieving the financial and administrative burden on the government and facilitating economic growth through promotion of efficiency and productivity, through improved public sector financial management practice (Siddiquee and Mohamed, 2007). While some Asian countries, like Korea, are considered successful reformers in the sense that, after the implementation of their new public sector programs, a significant total factor productivity growth, increased profitability, and other signs of healthy public sector financial management practice could be observed within their public sectors (Campos and Esfahani, 2000). However, privatization is regarded as one of the most effective public sector financial management reform model, especially in most Asian countries like China, Sri Lanka, Indonesia and Malaysia (Hughes, 2003).

In the case of Sri Lanka, the presence of normative and mimetic aspects such as professionalism, education, and awareness of international trends, created through seminars and training, have produced some of the public sector financial management reform ideas like planning, programming and budgeting (PPB) and the cash-basis accounting within the public sector (Adhikari et al., 2013). Meanwhile, in Nepal, Adhikari, Kuruppu and Matilal (2013, p. 218) observed that international organizations, which are the main carriers of reform ideas, the higher-level officers, who have accepted these reform ideas, and the professional accountants, who are promoting the ideas, have all been driven by their own self-motives and their own legitimate needs, which have made public sector financial reforms a matter of talk or part of a routine schedule, and have been confined to the proposal stage.

According to Aizenman and Shah (2013), the most notable development in the global economy of the last 35 years is the rise of China and India as world economic giants. For India, this has been as a result of massive policy changes within the public sector such as de-reservation of industries for public sector and a total reform of the public sector financial-management practice (Dongre, 2012). Reddy et al. (2013) argued that, as a result, the economy has dramatically changed from a highly-regulated institutional setting to the one that is more market-oriented due to these financial management reforms.

However, China has not embraced the liberalization agenda within her economy, with the government controlling the financial sector through the state-controlled banks and institutions which dominate the financial markets (Glick and Hutchison, 2013). The underlying rationale of the public sector financial management reforms for the Chinese government is the view that, reformed and privately managed state corporations will demonstrate superior management control and better performance, and, hence, encourage economic growth and employment (Xu and Uddin, 2008). In Indonesia, many public-sector financial-management reforms were introduced during the past decade (Mateev et al., 2013). According to Mateev et al. (2013), the main purpose was to improve transparency and accountability of the governmental units, especially the state-owned corporations. However, it was found that the reform initiatives, in this Asian country, have failed to achieve the objectives of the improved transparencies and accountabilities, as indicated by its national public auditors (Mateev et al., 2013).

2.2.4. Public sector financial management reforms in Africa. The importance of a well-functioning public sector in the development process of Africa is indisputable (Owusu, 2006). Owusu (2006) argued that the challenge, however, is finding ways to create effective governmental units capable of facilitating national development. Indeed, many African countries, with the support of the World Bank and other pro-reform international institutions, such as IMF, have, since the 1980s, experimented with various public-sector financial-management reform programs (Antwi et al., 2008). Public sector financial management reforms, therefore, have been on the agenda of African governments and their development partners for decades and yet the financial management problems still persist (Owusu, 2012).

In the 1970s and 1980s, most governments of Africa experienced an overall decline in the motivation and performance of public sector servants, which resulted in low collection and accounting for government revenues (Adamolekum, 1999). In response and as part of Structural Adjustment Programmes (SAPS) adopted by most African countries, some governments in the region have established quasi-autonomous revenue authorities to be responsible for the collection of tax revenues. Further, most African countries, including Ghana, Malawi, Tanzania and Uganda, have embarked on the budgetary reforms involving the introduction of medium-term expenditure planning or forward budget (Adamolekum, 1999). Further, in order to ensure that the government's financial needs are accommodated at all times, Acts of most Central Banks in Africa have included a special provision to allow the governments to obtain direct advances and other short-term credits from the banks and allow the Central Banks to purchase or sell stocks, bonds or other securities issued by the government for the purpose of raising funds to settle public expenditures. In addition, most African countries have adopted the use of an independent comptroller and auditor general's office and the setting up of the parliamentary Public Accounts Committee (Badulescu and Pacala) to ensure financial accountability with the government units (Adamolekum, 1999).

However, it is believed that the public sector financial management reforms policies in Africa have served external rather than domestic interests and ignored the experiences of organizations within those countries (Owusu, 2012). Goldfinch et al. (2013) also argued that, although considerable resources and attention have been allocated to the public sector financial management reforms in low income and fragile states in Africa, there is little evidence as to what degree this reform agenda has been implemented nor as to whether it has led to improved services and outcomes for populations.

Nevertheless, Peterson (2011) recognized the fact that successful public sector financial management reform is rare in Africa, but acknowledged the success in some African countries like Ethiopia. Peterson (2011) argued that the Ethiopian success is attributed to the fact that reforms were driven by a domestic political imperative, not by a foreign technical agenda. Hence, Peterson (2011) argued that rapid results were needed within the Ethiopian public sector financial management practice, to keep up with the accelerating pace of decentralization within the public sector. In addition, Antwi et al. (2008) argued that what would appear to be the reality with regards to public sector financial management reform, in the context of the Ghanaian experience, is the transformation of the conditions of employment of career public officials. These officials will occupy key positions in government organizations, so as to enable public authorities to attract, retain and reward talented professionals. In turn, the officials will be more responsive to citizen needs and expectations by adapting best practice of public sector financial management among other things.

In South Africa, public sector management reforms towards a responsive, accountable and transparent state were declared by the African National Congress (ANC) leadership about a decade ago (Wenzel, 2007). However, Wenzel (2007) argued that, in practice, anticipation is narrowed to consultation or simply information dissemination and propaganda. He observed that the shift from a traditional bureaucratic model to the market model of governance was based on the belief that private-sector financial management methods are generally superior. Wenzel (2007) concluded that, as long as the public sector financial management reforms in South Africa are driven by economic interpretations and hegemonic political ambitions, the laudable objectives and results of the Reconstruction and Development Programme (RDP) are guaranteed not to be realized.

Nigeria, like other African developing countries, embraced the idea to reform its public financial management practice, especially within the finance sector in 1986 (Ogun and Akinlo, 2011). The reforms could have been initiated by three reasons; one, the macroeconomic imbalances in the 1980s, which led to the launching of the IMF supported Structural Adjustment Programme (Tangcharoensathien et al.) in 1986; secondly, the persuasion from the theoretical arguments made in support of liberalization; and thirdly, they argued that the impetus to reform the public financial management in Nigeria also reflects the shift in the philosophical underpinning of economic policies at the global economy at the 1980s (Ogun and Akinlo, 2011).

Sekwat (2002) examined Nigeria's post-independence experience with the public-sector reforms and revealed that most of the reform measures, including public sector financial management reforms, yielded limited results. The author identified poor leadership, limited fiscal resources, inadequate compensation, rampant corruption, weak governance, lack of measurable objectives, inadequate evaluation, mismanagement, inadequate facilities, and excessive government involvement in the production of goods and services as key factors that impeded previous reform proposals. However, Seymour (2011) argued that if Nigeria is to benefit from the public sector reforms, it faces the considerable challenge of putting in place a legal framework to avoid further disasters and to reform the public sector to ease the process of embracing private-sector financial management practice within the governmental units.

In summary, Andrews (2010) looked at how far the public financial management reforms have progressed in Africa since the inception of reforms, and concluded that the public sector financial management process or practice reforms in Africa have resulted in budgets being made better than they are executed. The practice is lagging behind the creation of processes and laws, and processes are stronger where concentrated actors are engaged. In analyzing the reforms across countries, Andrews (2010) concluded that different countries fall into different 'PFM performance leagues' and countries in the different leagues look very different to each other. A range of factors influence which league a country is associated with; including economic growth, stability, reform tenure and colonial heritage (Andrews, 2010). Andrews (2010) also argued that *"existing reforms face limits that can only be overcome with adjustments in reform approach; with less focus on pushing reform technicalities and more on creating 'space' in which reform takes place, less concentration of engagements with small sets of actors and more on expanding engagements, and less emphasis on reproducing the same reform models and more on better understanding what context-appropriate reforms look like"*.

Conclusion

The focus of the study was to review literature on the major functions of public sector financial management, followed by an international perspective of the public financial management reforms agenda. The review showed that the public sector financial management, which involves government budgeting, financing, expenditure management, accountability, financial reporting and auditing, has been undergoing some considerable reforms over the last decades. The public sector financial management reforms have been embraced the world over, with Europe and America taking the lead, followed strongly by Asia, and Africa, which is not far behind. The public sector financial management reform agenda has focused mostly on improving efficiency and accountability within the governmental units. The reformists believed that by way of enhanced economic or market-based management, the efficiency and accountability of the governmental units, which have been in question for a while, will be improved.

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