

By Biniam Bedasso and Neil Cole;

Africans had good reason to be hopeful when all 193 United Nations member states adopted the Sustainable Development Goals in 2015. Alongside their ambitious pledges to end poverty by 2030 and “leave no one behind,” world leaders aimed to mobilize a wide array of domestic and international resources to realize the SDGs. But rising national debt, a slowing global economy, and weakening multilateralism are preventing many African countries from making progress.

Faced with these headwinds, African governments must improve their own public financial management (PFM) to help realize the SDGs. This will require governments and their development partners to rethink the standard approaches to tackling Africa’s complex public-finance challenges.

Most African governments’ budgets are already under stress, even before SDG-related spending is taken into account. And the situation for some could become even more challenging as commodity prices fall and developed countries consider whether to raise interest rates.

To make reasonable strides toward the SDGs in these circumstances, governments will need to deliver public services more economically and efficiently. Besides providing greater value for money, many of Africa’s developing and low-income countries also need to improve their policy design, planning and budgeting, implementation, and evaluation.

These adjustments may not be easy in countries that struggle to carry out basic state functions. For some, even the seemingly simple act of using budgeted resources to procure and deliver textbooks to rural schools in time for the start of the academic year could prove to be a daunting task. And although many African countries have inadequate budgets for much-needed capital investments, some governments spend as little as 2% of even these amounts, owing to misaligned procurement policies and insufficient administrative capacity.

The problem often starts with the preparation and presentation of the annual budget. Weak revenue forecasting, unpredictable donor funding, and fragmented decision-making processes can make this a highly uncertain exercise. The most recent round of Public Expenditure and Financial Accountability (PEFA) assessments, covering 40 African countries, points to the likelihood that, in the typical African country, the existing budget calendar “is rudimentary and substantial delays may

often be experienced in its implementation.”

These delays are often accompanied by poor budget execution, which leads to overspending, extra-budgetary transactions, and resources being shifted away from development priorities. Transparency and accountability suffer, too, not least because legislatures usually lack the capacity to scrutinize budgets effectively. The 2015 Budget Practices and Procedures survey of 23 African countries, for example, gives legislatures’ budget-research capacity an average score of just 11%.

There is no shortage of development assistance to tackle these problems. Development partners have spent an estimated \$20 billion worldwide since 2002 to improve PFM in low- and middle-income countries. There is now an entire industry of PFM advisory services, and hundreds of technical advisers have crisscrossed the continent trying to help struggling countries get their financial house in order.

Despite all that money and effort, Africa’s public-finance challenges persist. The Gambia, for example, has a modern PFM regulatory framework, but the frequent shifting of funds between line items continues to create discrepancies between budget appropriations and actual spending. And off-budget expenditures remain common in Liberia, despite bilateral and multilateral assistance aimed at boosting fiscal credibility.

Many PFM investments in Africa have financed the rollout of costly integrated financial-management information systems, known as IFMIS. These computerized systems were meant to solve problems such as corruption, lack of transparency and accountability, and poor service delivery. But they have generally failed to do so.

This is because most PFM problems tend to have multiple interlinked causes. True, some of these may be technical, and can be fixed by applying a known solution, such as a robust information-technology system or a best-practice norm. In many cases, however, the problems are more complex and rooted in the local context; as a result, transferable solutions often fail.

Such dysfunction is more pervasive in the “downstream” tier of government, such as state-run schools and hospitals, where tacit local knowledge is more critical. This bodes ill for Africa’s prospects of making progress toward the SDGs, because much development depends on the performance of such institutions.

We need a different PFM approach, one that helps African governments prioritize

better, improve planning and budgeting, and deliver much-needed services to their citizens. Instead of relying on one-size-fits-all solutions, such an approach should acknowledge that PFM reform requires careful management of political and administrative constraints, together with a deep understanding of the local context.

Reform programs should therefore put government officials center stage and aim for incremental change. Together with Harvard University, for example, our organization is using the Problem Driven Iterative Adaptation approach to help public-finance officials across Africa deconstruct complex problems and experiment with solutions. This “learning by doing” is the less-trodden path of PFM reform.

There is no shortcut to building effective public administrations, or to realizing the SDGs. But by finding new and improved ways to manage their public finances, African countries can take big steps in the right direction.

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