



# Panel 1: Public Finance Situation & Development Path in Africa

*Robert Clifton – PFM Advisor at AFRITAC South*

*August 22, 2018*

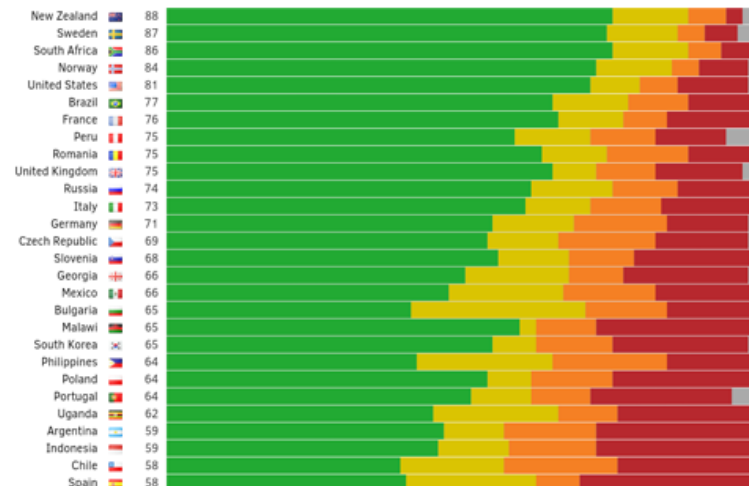
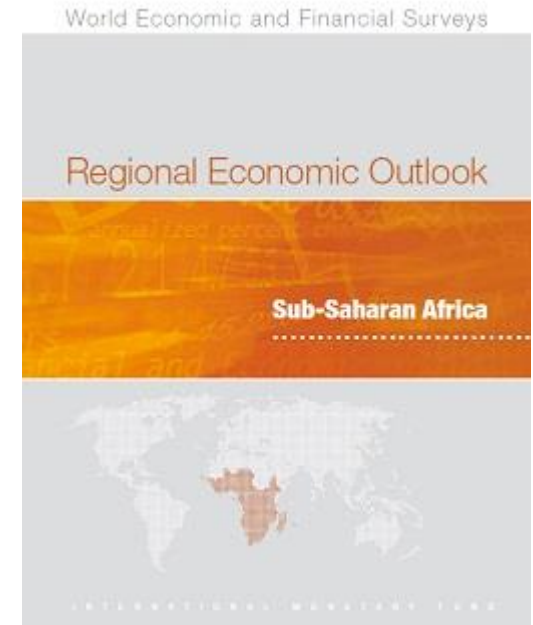


# Content

## 1. Public finance challenges in SSA

## 2. Role of PBOs

- Promote transparency
- Facilitate participation
- Scrutinize



# Public finance challenges in SSA

## Growth trends are slow and mixed - 2.8% in 2017 to 3.4% in 2018

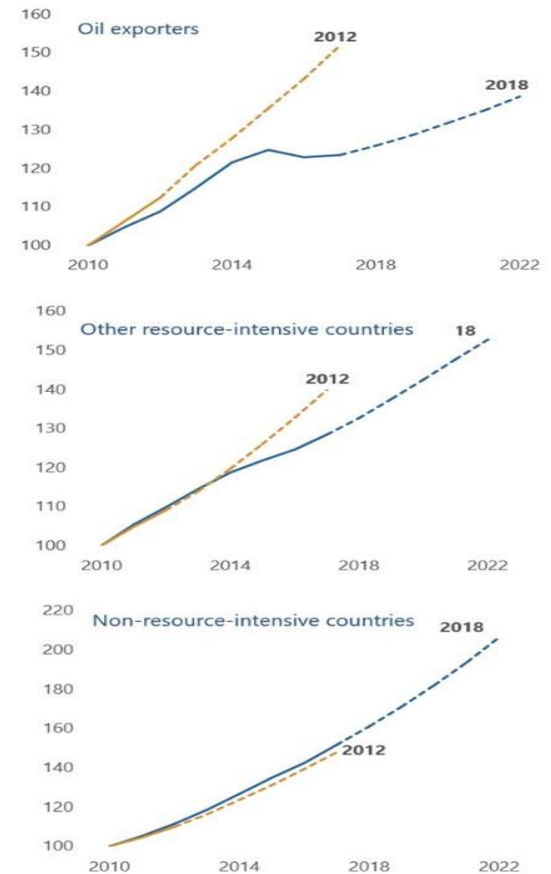
- Since 2010 growth has been driven to some degree by improved policies, but mostly but supportive external environment
- Resource intensive economies still dealing with legacy of largest oil price decline since 1970
- Some economies including some fragile states are growing at 6%
- Some economies still in conflict and dealing with displaced peoples
- Nigeria and South Africa growth remains below trend weighing on prospects for region

**With current policies growth is projected to plateau at 4% (1% on per capita basis), below what is needed to achieve SDGs**

### Diverging patterns

Growth potential is mixed among the region's economies, as some still struggle with external and internal obstacles.

(real GDP growth forecast; index 2010 = 100)



Source: IMF, World Economic Outlook database.



INTERNATIONAL  
MONETARY FUND

# Public finance challenges in SSA

## Public debt levels in the region have risen

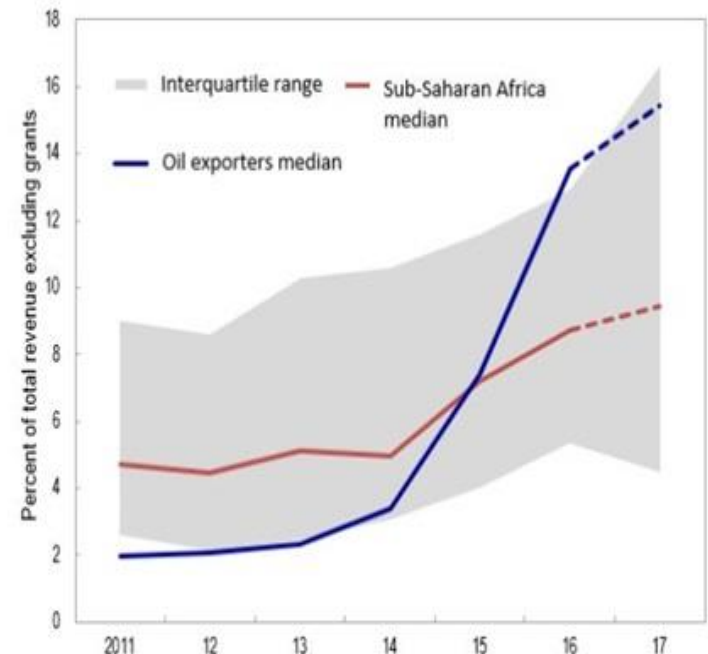
- Fifteen of the region's 35 low-income countries are now rated as being in debt distress or at high risk of debt distress.
- Interest payments have also increased, consuming a growing share of revenues.
- Median interest payments doubled from 5 percent to 10 percent of revenues between 2014 and 2017

## Rising nonperforming loans and a broad-based slowdown in private sector credit growth raise additional concerns

- Weak economic activity has translated into a decline in credit quality
- Also government arrears continue to affect the banking sector

## Rising debt

A large chunk of revenues to the region must be used for servicing debt and interest on loans.



Source: IMF, *World Economic Outlook* database.

Note: Shaded area refers to 25–75 percentile range.

# Public finance challenges in SSA

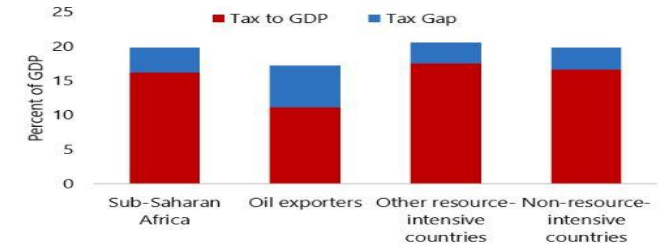
## Economic opportunities

- Prudent fiscal policy, with an emphasis on increasing domestic revenue, is critical to preventing excessive public debt accumulation and making room for key infrastructure and social spending
- Increasing private investment is critical for the region to achieve sustainable strong growth over the medium term
- Private investment in sub-Saharan Africa remains low compared with other regions
- Can follow commodity price booms or conflict resolutions, and usually associated with macroeconomic stability (debt and inflation) and improving institutions

Source: [www.imf.org/en/Publications/REO/SSA/Issues/2018/04/30/sreo0518](http://www.imf.org/en/Publications/REO/SSA/Issues/2018/04/30/sreo0518)

### Revenue opportunity

The region could potentially collect more in tax revenues than the total amount received from foreign aid.

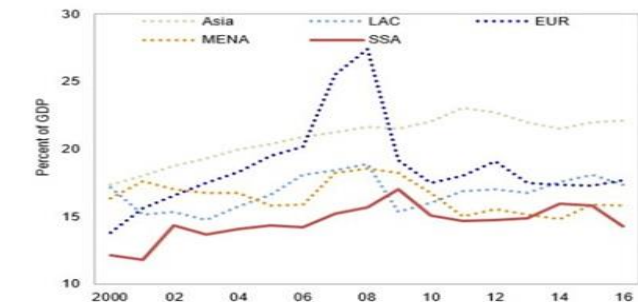


Sources: IMF, *World Economic Outlook* database; and IMF staff estimates.

### Load sharing

A focus on fostering private investment coupled with sound fiscal policies could help to boost growth in the region.

(investment to GDP in selected regions, 2000–16)



Source: IMF, *World Economic Outlook* database.

Note: Investment refers to gross fixed capital formation.

# Role of PBOs

## Status of transparency, scrutiny and participation



# Role of PBOs

## Promote transparency



### TRANSPARENCY

There are large gaps in the amount of budget information that governments are making available to the public.

#### GLOBAL TRANSPARENCY

- Low (47 countries)
- Limited (42 countries)
- Sufficient (26 countries)



THREE  
IN FOUR



surveyed countries fail to provide sufficient budget information.

#### PROGRESS TOWARD GREATER TRANSPARENCY HAS STALLED

#### OPEN BUDGET INDEX



2008-2010



2010-2012



2012-2015



2015-2017

The OBS 2017 shows the average global budget transparency score has declined for the first time since the International Budget Partnership began measuring it over a decade ago. An important driver of this year's change is the reversal of previous gains in Sub-Saharan Africa, where average budget transparency scores fell by 11 points.

However, this year's decline did not erase all of the gains from previous rounds of the OBS. Countries still provide more budget information in 2017 than they did a decade ago.





# Role of PBOs

## Support scrutiny



### OVERSIGHT

In addition to transparency challenges, the OBS 2017 assessment of formal budget oversight finds that most countries have limited or weak legislative oversight practices, though most have the basic conditions needed for auditors to perform their roles.

**LEGISLATURES** 28%

**SUPREME AUDIT INSTITUTIONS** 66%

Only 28% of legislatures have scores indicating adequate oversight practices, while two-thirds of supreme audit institutions have adequate practices.

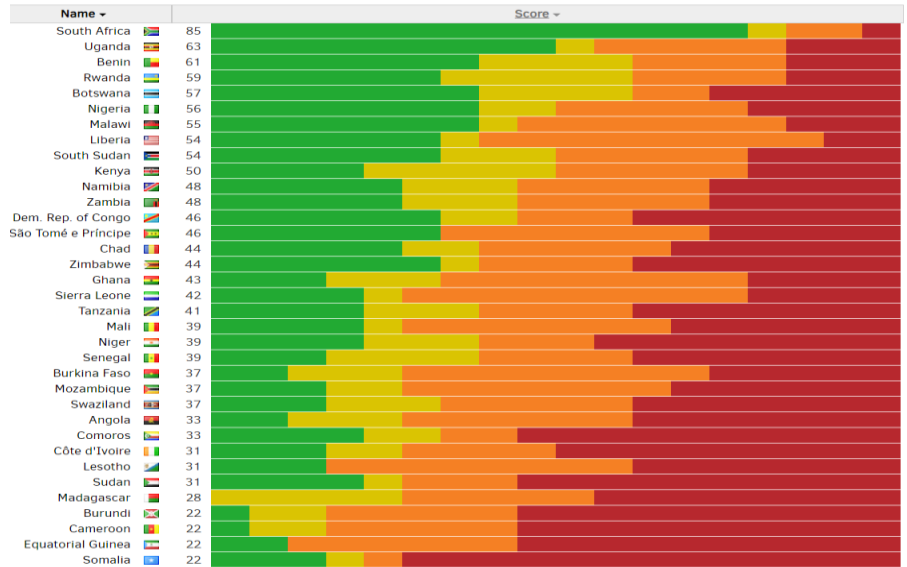
**INDEPENDENT FISCAL INSTITUTIONS** 24%

Only 24% of countries have an independent fiscal institution.

Legislatures are able to provide limited oversight in the budget process. **44% of legislatures did not successfully amend the budget** proposed by the executive in the fiscal year covered by the OBS 2017.



While the basic conditions for **supreme audit institutions** to carry out their oversight function exist in the majority of countries surveyed, the **conditions tend to be less favorable in countries that have lower levels of budget transparency.**





# Role of PBOs

## Facilitate participation



### PUBLIC PARTICIPATION

The OBS 2017 findings show that most countries fail to provide meaningful opportunities for the public to participate in the budget process.



The **average global score for participation** is just 12 out of 100.



Not a single country out of the 115 surveyed **offers adequate opportunities for participation in the budget process.**



Name	Score
Uganda	28
South Africa	24
Ghana	22
Botswana	15
Kenya	15
Malawi	15
Tanzania	15
Zambia	15
Nigeria	13
Rwanda	13
Liberia	11
Benin	9
Dem. Rep. of Congo	9
Madagascar	9
Zimbabwe	9
Angola	7
Cameroon	7
Mozambique	7
Mali	6
Sierra Leone	6
Senegal	2
Somalia	2
South Sudan	2
Burkina Faso	
Burundi	
Chad	
Comoros	
Côte d'Ivoire	
Equatorial Guinea	
Lesotho	
Namibia	
Niger	
São Tomé e Príncipe	
Sudan	
Swaziland	

# IMF tools to support PBO work

- Public Investment Management Assessment  
([www.imf.org/publicinvestment](http://www.imf.org/publicinvestment))
- Public Expenditure and Financial Accountability  
(<https://pefa.org/>)
- Fiscal Transparency Code, Fiscal Transparency Evaluation  
([www.imf.org/external/np/fad/trans/](http://www.imf.org/external/np/fad/trans/))
- Analyzing and Managing Fiscal Risks-Best Practices  
(<http://www.imf.org/external/pp/ppindex.aspx>)
- Assessing Fiscal Space: An Initial Consistent Set of Considerations  
(<http://www.imf.org/external/pp/ppindex.aspx>)
- Assessing Country Risk—Selected Approaches  
([www.imf.org](http://www.imf.org))