REPORT
CABRI SUB-REGIONAL CAPACITY-BUILDING WORKSHOP ON PFM: WEST AND CENTRAL AFRICA

Background

The CABRI Sub-Regional capacity building workshop on public finance management for West and Central Africa took place in Accra, Ghana from 20 – 21 November 2012. The two-day workshop for West and Central African countries included participants from Ghana, Liberia, Burkina Faso, Central African Republic and Mali. Kenya also participated in the workshop.

The capacity building workshop was informed by a Status Report on Good Public Financial Governance and a Political Declaration on Good Public Financial Governance in Africa, which was endorsed by African Ministers of Finance during the 47th Annual Meetings of the African Development Bank Group. The Status Report and Declaration were the result of a research collaboration between the African Tax Administrators Forum (ATAF), the African Organisation of Supreme Audit institutions (AFROSAI), and the Collaborative Africa budget Reform Initiative (CABRI). The research aimed at providing a home-grown voice on sound PFM principles, audit practices and tax systems in Africa. The Status Report on Good Financial Governance in Africa, which was undertaken in 2010, established that Africa has made a lot of gains in good financial governance, but there are several challenges persisting such as the high use of non-transparent extra-budgetary systems, improper sequencing reforms and the lack of capacity to sustain PFM reforms).

The eight PFM reform priorities for good public financial management are:

1. Strengthening fiscal frameworks to enhance predictability and affordability.
2. Improving the quality of spending through better budget preparation.
3. Prioritising functional budget-execution practices.
4. Strengthening accounting practices.
5. Operationalising procurement reforms.
6. Developing strategic, appropriate and owned integrated financial management solutions.
7. Strengthening political engagement and eliminating political interference.
8. Integrating aid in the budget process.

The purpose of the sub-regional capacity-building workshop was to (i) sensitise PFM practitioners working in various aspects of the PFM cycle on the PFM priority areas identified in the status report; (ii) build capacity on undertaking these PFM reforms; (iii) encourage peer learning and (iv) encourage countries to commit to pursuing a PFM technical reform.

Over the two days, the workshop covered a series of presentations and discussions on the areas of budget preparation, budget execution, transparency and oversight as well as integrating aid in the budgeting process. Alta

Fölscher and Kojo Oduro, both senior PFM consultants, guided the participants through the two-day workshop.

The meeting was opened by remarks from Mr Simeon Kyei, the Budget Director of Ghana, who welcomed the workshop taking place in Accra and urged participants to make maximum use of the seasoned experts present and adhere to CABRI's motto: connect – share – reform. He underlined that poverty reduction and the propelling of the economies of many African countries can be supported by focusing on the development of PFM skills amongst the people and therefore welcomed the opportunity of peer review on the important aspects of good public financial governance.

Following the address, Nana Boateng of the CABRI Secretariat provided a background of the project, highlighting the key findings from the research on Good Financial Governance in Africa, including the areas of achievements and the specific challenges especially in West and Central Africa.

Budget Preparation

The session provided an overview of the important considerations that are often neglected in the budget preparation phase. It focused on elements of a strong fiscal framework, integration of recurrent and capital budgets, development of MTEFs and other issues around strategic planning and use of performance information.

Several issues were identified as ongoing challenges in the budget preparation phase: Discipline in the budget process; counteracting macroeconomic uncertainty by putting in place a credible medium term fiscal framework; creating legal frameworks that give equal importance to the Annual Budget and the Medium Term Expenditure Framework (MTEF) and ensuring that there is no disconnect between the MTEF process and the annual budget process; and taking projections seriously instead of beginning every year anew with defining ceilings.

The discussion on macro fiscal frameworks and the Public Expenditure and Financial Accountability (PEFA) scores of different participating countries highlighted that monitoring and management of expenditure has become increasingly important in the past five years (also as part of the WAEMU directives). In Mali, for example all departments are involved in cash planning and discuss on a weekly basis. This shows that the macro fiscal framework is used for the budget planning process, but also something that is applied during the year for constant monitoring purposes. Burkina Faso launched a department of public debt within the budget directorate. This national committee brings together all actors involved in debt management with the aim of ensuring there are no arrears.

The general takeaway in the debate on linking plans and policies to budgets was that a country cannot make much progress with programme and performance based budgeting, unless the fundamental aspects of the Medium Term Budgeting are addressed.

The day was concluded by a contribution from Mr Christian Bonifas of the United Nations Development Programme in Dakar, who presented POLE, a regional initiative which makes use of an e-learning platform to build regional capacity on PFM.

Budget Execution

The session on budget execution addressed key aspects in need of reform on the continent. These areas include operationalisation of a single treasury account, cash planning, commitment practices, accounting and reporting.

A discussion on the six stages of budget execution (authorisation, commitment, verification, payment, accounting and reporting, monitoring) clarified various questions, such as the difference between the verification stage, which confirms that goods are received and the monitoring stage, which is entered into as soon as the budget is spent and the outputs/outcomes are being checked.

The challenges encountered in the budget execution stage are threefold: on average, African countries do not manage cash optimally; cash planning, commitment practices and commitment controls are weak. Additionally daunting for the accounting and reporting stage is that some development partners insist that separate bank accounts be opened, and frequently currency is also received as foreign currency, which complicates processes for recipients.

Transparency and Oversight

The session covered the role of the legislature, transparency and external audit in relation to transparency and oversight. An audit provides the assurance to government that its accounts are reliable, and an assurance to the various stakeholders that government is complying with PFM laws. The fact that internal and external audit naturally have some overlaps, make it all the more important for the audit function to be independent.

In order to achieve good public financial governance, the executive action identified to strengthen oversight functions are: improving the financial reporting framework; coordinating of functions; the accountability of Supreme Audit Institutions (through annual reports, reporting to parliament etc, own transactions also need to be audited externally); legal, financial and managerial independence; follow-up mechanisms; and public reporting. The actions important for Supreme Audit Institutions are constant communication and stakeholder management and the improvement of capacity and adherence to standards set by the International Organisation of Supreme Audit Institutions (INTOSAI).

The role of parliament in the provision of oversight for horizontal and vertical accountability was also discussed extensively. Overall, parliament is not active enough in Africa, or too active in the wrong way: Though the role of the legislature in overseeing the executive and representing citizenry is widely accepted, a danger is that budgets are often held hostage to party fractional politics. Parliament can also add more expenditure to the budget that falls outside of the fiscal framework. In practice, because of political economy factors and perverse incentives, the ideal case of parliamentary involvement is seldom achieved. It is therefore important to strengthen the capacity of legislators, by engaging and training officials on budgeting and implications. Ministries of finance and/or planning can act to ensure that things go wrong as little as possible. One way of achieving this is to second a key person from the budget office to parliament in order to build more budget literacy. Another mechanism to discipline parliament is the Public Financial Management Act, which has been adopted in Kenya recently, for example. This ensures that, firstly, parliament has to vote itself into a fiscal framework (with expenditure ceilings) that the executive proposes. The law also needs to make clear that parliament is responsible for sound fiscal management. Secondly, only the ministry of finance should be allowed to introduce money bills (increase taxes, new bills that introduce additional expenditures). If parliament does have the right to introduce projects, it needs to be ensured that there is a discussion within parliament that makes tradeoffs respecting the fiscal framework and deciding on where cuts need to be made to accommodate changes.

It was acknowledged that the role of civil society, or the citizenry at large in the budget process is also closely linked to the role of parliament. Openness to public at large about government structure and functions, fiscal policy intentions and projections, and public sector accounts is important. This requires comprehensive, reliable, timely and frequent information in useful formats.

Beside the understanding of the tools and technical aspects of transparency, an important point of discussion was the motivation of individuals to adhere to transparency. Putting a stronger focus on sensitising the National Assemblies in this regard is crucial, for example. The discussions amongst officials also showed a mutual challenge, not necessarily making available budget data for the public, but by the question of how to educate the public on the budget, especially where a large part of the public is illiterate.

Integrating Aid in the Budgeting Process

This session provided a brief presentation on the CABRI model of integrating aid on budget and provided practical suggestions on how countries can go about integrating aid in all aspects of the budget cycle.

The session underscored that it is not only about putting aid information in the budget document, but also reflecting on it and using it in various stages of the budget cycle (planning, budgeting, monitoring, and reporting). This does not only refer to aid that comes through country systems, but critically also to off budget assistance on the general budget, like financing agreements with government, for example. This is critical, as when aid information is not integrated in the budget process, countries' capacity to effectively and efficiently manage their own resources are compromised and domestic accountability weakened.

Salient Points

Despite the differences between countries' systems and also significantly different ratings in the PEFA Assessment, many fundamental difficulties arising across all systems were identified during the two-day workshop. These range from the challenge of a transparent and timely budget execution to the lack of effective follow-up mechanisms for the undertaking of parliamentary scrutiny and external audit. Participants also clearly underlined the limitations of PFM tools such as an MTEF, the practices of which are often times difficult to reconcile with the administrative culture of a country. The political buy-in for reform is equally important, as change must come from within and requires behavioural changes on the country level.

Another challenge for the implementation of good public financial governance on the continent are reforms pushed by development partners, which are inappropriate for the country context and are connected to conditionalities. Countries need own and take the lead in the reform programmes and develop confidence in the negotiation of what reforms need to be undertaken, how and when. This needs to be based on the question of what works when and how? For this is important to make use of action plans for reform and see the PFM functions within the larger country context. Inadvertently connected to these needs is the necessity for countries to build strong capacity within all agencies involved in the budget process.

Interesting approaches, such as in the development and adoption of a PFM Act in Kenya, extensive transparency to the budget information and reports of the Audit Service in Ghana, or continuous monitoring during the implementation of the budget (Mali and Burkina Faso) show good practices, which could also be applied in other countries.