Introduction

In the over 200 nations of the world today, developed or developing, poor or rich, democratic or dictatorial, adequate finances are needed to deliver a whole range of public services. All governments collect taxes from citizens in a sufficient and appropriate manner and should use those resources responsively for the benefit of all citizens. Citizens in every country expect good governments. Good governments in a democracy address the needs of their citizens by delivering a range of expected public services such as roads and infrastructure, health services, water and sanitation and national defence and protecting the life and property of the citizens. The national budget remains the main instrument through which these transactions are planned and implemented. Accordingly, countries need to create sustainable sources of revenue that will make service delivery predictable.1

The Auditor General has a constitutional mandate to report directly to legislature which is the representative institution of the citizens. The Parliamentary Accounts Committee, local government accounts committees and other accountability committees expect reports from all accounting officers as a mechanism for promoting financial and administrative
accountability. In any country, effective public financial management (PFMA) systems should entail strategies for the prudent management of revenues as well as expenditures. The South African Public Finance Management (PFMA) Act 1 of 1999 and the Division of Revenue Act 5 of 2012, as well as regularly updated Treasury Regulations, are among the much hailed legislative interventions. This is because they seek to govern revenue, address equitable distribution among the different spheres of government, and curtail fruitless expenditure.2,3

The management of government finances remains an area with substantial leakages of public resources.4 In this regard, African democracies demonstrate an uneasy case due to a multiplicity of factors that this article undertakes to explore in detail in subsequent sections. These factors are: (i) public finance as a political process; (ii) parameters for open and orderly public finance management dispensation (spread across the three branches or spheres of government); (iii) impact on socioeconomic costs and benefits of revenue collection and expenditure; (iv) complexity of public finance with its interrelated subsystems; and (v) poorly organised citizenry and weak civil society organisations (CSOs) which cannot demand accountability as major obstacles to effective PFMA.

Paradoxically, governments as agents of the citizens who are part of constituting a state often claim to have established institutions to manage public finances effectively. However, these institutions in African states are perpetually at fault as the amount of public resource leakage remains unacceptably high. This is usually seen through the auditor-generals’ reports which have been scathing and condemning of governments’ handling of public finances. These audit reports have been clear on issues of corruption and fruitless expenditure patterns, among other things. Elected leaders who ought to be stewards of public resources have equally done a poor job and so are their ‘counterparts in crime’ – the administrators who receive monthly salaries from taxpayers’ moneys. The blame list would also not exclude the citizens themselves and CSOs that appear to have only increased their apathetic attitude as a result of lost faith and confidence in their own governments. In the majority of countries they cannot demand accountability from the political and elected leaders on how their taxes are being spent. Yet, PFMA remains an absolutely critical administrative function that holds the key to improving the quality of public services which benefit all the citizens.

Hughes5 rightly demonstrates that financial management involves, arguably, the most important part of the internal management of government. By its nature, public finance involves the spending of someone else’s money by some officials with such responsibilities entrusted to them. The money belongs to the public and those who run the government are only doing so on trust in a principal–agent relationship. In democratic countries, the elected have an opportunity to run the government as agents on behalf of the citizens.6 African governments accordingly act as agents of the citizens who are the principals. The principals elect their representatives who ought to act in the best interests of the citizens. They must therefore be accountable and accessible in performing their duties.

Prakash and Cabezon7 conclude that PFMA is a critical instrument in the implementation of economic policy and it works by influencing the allocation and use of public resources through the budget and through fiscal policy. Therefore, these authors assert that the need for a well-functioning PFMA system is of critical importance. Such a system should ensure
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that funds are used productively in a transparent and efficient manner. Most ‘democratically elected’ African governments continue to have deep wounds in their public service agenda caused by the opportunistic behaviour of individuals entrusted to manage the public purse. Politicians and their technical ‘managers’ or administrators are often involved in this type of opportunistic behaviour, which mainly benefits individuals rather than society at large.

The problems that stand in the way of effective financial stewardship must be pinned down in a scholarly manner to enable intellectual discourse and the generation of strategies to address them. This article first takes a preliminary shot at some of the existing situations to interrogate the question of poor financial stewardship. Democracies with weak PFMA systems do not observe the fundamentals of good governance inclusive of the PFMA arena. For instance, while such democracies may have a single treasury account or a consolidated fund for government monies, such arrangements are not properly enforced. Instead, this poor enforcement often results in multiple agencies and individuals operating bank accounts outside the established procedures. In weak systems, resources may be used for purposes other than those authorised by law. The executive may prove to be more powerful than the legislature on PFMA and yet, in a democracy, parliament is required to hold the original mandate on such matters of public finance. This article is an attempt to answer a basic research question on these public finance management intricacies, namely, what are the factors constraining the effective management of government finances in African democracies?

In limiting our analysis to African democracies we recognise the uniqueness and common elements among the African countries which shape the environment of PFMA. Given the dearth of research on the determinants of effective PFMA in developing countries, the case of Africa provides an appropriate template. In this article, we first briefly explore the literature on PFMA to provide an appropriate theoretical framework for our analysis. In the next section we then examine the state of PFMA in Africa. This is primarily done through the use of the findings from the Public Expenditure and Financial Accountability (PEFA) assessment reports whose overall analysis indeed paints a bleak picture of PFMA. The article then discusses the constraints to effective financial management, a debate that is conducted on five key factors that are most fingered. We then make suggestions on what needs to be done to address the challenges that stand in the way of effective PFMA in African democracies before the article gives concluding remarks and suggestions for future empirical research.

**Literature Review and Theoretical Framework**

The objectives of effective PFMA include proper planning and budgeting for public income and expenditure, effective and efficient administration of government revenues, proper use of budget resources, effective control of public expenditure, accounting and reporting on public finance and full accountability for all public spending. These objectives have to be contextualised specifically to a democratic society. Gildenhuys highlights critical democratic principles that should guide any effective PFMA in a democracy. The principles include (i) reasonableness and equitability; (ii) optimal utilisation of public resources; (iii) participation (direct or indirect); and (iv) tax consent and reasonable distribution of the tax burden. It should also include (v) the provisions that
only the collective body of elected politicians has the authority to introduce taxes, to collect them and to decide how and on what they shall be spent; (vi) the responsibility and accountability of the elected officials to the taxpayers; (iv) sensitivity and responsiveness; (viii) efficient and effective programme execution by the executive; (ix) social equity (which addresses itself to two important questions, namely, how more and better services can be supplied and how the same quality services can be supplied at a lower cost). Finally, it is the principle of (x) openness, which demands that PFM and administration take place in public and not under the cover of secrecy or so-called confidentiality. This principle requires that accounts be given in public of all financial transactions.

The literature is clear that good governance reforms have been an important theme in the majority of African countries. Of these reforms, PFMA reforms were part. Driven by the agenda drawn up by the development partners, PFMA reforms are aimed at creating an effective PFMA system. Schick is convinced that for public management reform to be successful, an amalgam of opportunity, strategy and tactics is needed. Mhone demonstrates that the stabilisation and structural adjustment programmes which preached the need to promote procedural rationality in terms of economic, social and political outcomes only demonstrated the superiority of market forces in the efficient allocation of resources. Accordingly, the need to roll back and deregulate a number of controlled activities was justified. A number of home-grown opportunities were neglected in the majority of countries and this significantly contributed to the failure of the reforms.

While Folscher and Cole later maintained that fiscal discipline had been achieved and allocative efficiency improved through some reforms, they equally admitted that efficiency concerns at the operational level remained problematic. Wildeman and Jogo have recently reported that the success of governments in achieving fiscal discipline varied in a number of aspects. These aspects include the development of three-year rolling budgets, the synchronisation of fiscal and monetary policy, and the establishment of intergovernmental fora where political and administrative consensus was sought on key financing issues. However, Schiavo-Campo remains less convinced of the success of other financial reforms like the Medium-Term Expenditure Framework (MTEF) implementations. Further, ‘the lesson from the discouraging MTEF experience so far is certainly not to forget the need for a medium-term perspective for the annual budget, but to re-size, redefine and reformulate the MTEF approach in a manner suitable to the possibilities and constraints of the different countries’.

Hughes, in his extensive analysis of the subject, demonstrates that reform in PFMA has been one of the keys to overall public management reform. In countries that implemented this well, the financial reforms have worked best. This implies that countries that did not implement them well did not see any benefits. The African countries seem to have got the implementation of the reforms wrong. It is in this context that Peterson, for example, doubts any successful reform in an African context. However, a close evaluation of his arguments points to his satisfaction with the successful Ethiopian example of PFMA reforms in Africa which is a country that could fit what Hughes refers to. He uses the plateau metaphor to illustrate one of the principal causes of the failure of public sector and PFMA reforms in Africa – the focus on summits of sophisticated techniques (international best practice) rather than improving the bedrock of plateaus – basic systems and their execution (appropriate to locale).
concludes that many PFMA reforms in Africa have been akin to the attempts of climbers to summit high altitude peaks. Few make it, and those that manage to do not stay long, and most fatalities occur in the descent. His view is that, in recent years, financial summits in Africa have included several techniques that governments and their technical advisors have slipped on – MTEFs, performance/programme budgeting, integrated financial management information systems, accrual accounting, and business process reengineering, to name just a few.

From a democratic point of argument, and at an abstract level, it is useful to think of those working in an organisation as the ‘agents’ of a ‘principal’ who is responsible for setting the goals of the organisation. The ‘problem’ arises because, first, the agent’s own objectives differ from the principal’s and, second, the agent has more information than the principal about how far it is possible for the principal’s goals to be met. Agents delivering public services may be answerable, financially or otherwise, to multiple principals. The ideas by Ajam and Aron are of relevance at this juncture. The authors contend that an improvement in the quality of services that the government needs to deliver is crucial to maintain the impressive fiscal stability gains at the macro level. On a broader level, once there is fiscal stability, the satisfaction of the citizens as a result of improved services is the likely outcome. This, however, depends on how the agents decide to use the fiscal resources.

One of the main pillars of a PFMA system is that all government money should flow into a single holding source, such as a government account held in the central bank. Constitutionally, in the majority of democracies it is clear that no public revenue collecting agency or individual should retain the money beyond a certain period, and most countries have rules about remitting public monies within a certain time into the account of the government. The establishment of a single treasury account, the authors argue, is a central feature of almost all developed economies but applies to African democracies as well. No agency or individual outside the government or without the approval of the Ministry of Finance is allowed to operate any bank account on behalf of the government. Similarly, all payment and commitment of government resources should follow checks and balances established by law and regulations. In almost all African countries, the approval of expenditures by parliament is a critical legal requirement. How often do governments in Africa spend money without scrutiny and approval by parliaments?

Public Financial Management in Africa: Public Expenditure and Financial Accountability Assessment Findings

Tanzania was a pioneer in the application of the PEFA framework in a pilot testing PEFA methodology in 2004, before the launch of the framework in 2005. It was also the second country (after Uganda) where the PEFA framework was adapted and applied to local governments. In 2007, Tanzania was the first country to try and adapt the PEFA framework to parastatals, an exercise that resulted in ten separate reports on various parastatals. In Uganda, several PFMA diagnoses were conducted. These diagnoses included the following:
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The 2001 Country Financial Accountability Assessment (CFAA)

The 2001 and 2004 Heavily Indebted Poor Countries (HIPC) assessment

The 2004 Country Integrated Fiduciary Assessment (CIFA)

The 2005 Public Expenditure and Financial Accountability (PEFA) assessments of local and central government

A 2005 IMF assessment of expenditure arrears, regular fiduciary risk assessments conducted by the Department for International Development (DFID) of the United Kingdom

The 2008 PEFA self-assessment (PEFA Lite) conducted by the Office of the Auditor General (OAG) of Uganda

Annual PFMA assessments conducted for the purposes of poverty reduction support credits (PRSCs) and the recent Joint Budget Support Operation mission reports

These diagnosed areas therefore become important countries for assessing the subject of our article. We also include South Africa, Kenya, the Central African Republic and Zambia in our analysis. We now turn to the state of PFMA in each of these countries in the section below.

To comprehend the state of PFMA in Africa, we analyse the findings of the PEFA assessment reports across selected African countries. The PEFA framework assesses the PFMA systems of a country. The framework has been developed as a contribution to the collective efforts of many stakeholders to assess whether a country has the tools to deliver three main budgetary outcomes, namely, aggregate fiscal discipline; strategic resource allocation; and the efficient use of resources for service delivery. Most African countries receive budget support from development partners and it is becoming increasingly clear that the budget support arrangement works best when there are good standards of PFMA. With this goal, development partners have agreed on the performance measures of a PFMA system.

Negatu, Santi and Tench, in their discussion paper on improving governance and PFMA through budget support with a focus on the experience of the African Development Bank, recently demonstrated that country PFMA systems in Africa remain weak and need substantial improvement. Phago concurs and highlights that the role of the African Development Bank in instituting recovery interventions from the global economic crisis of 2008 has not been a success. This assertion by Phago also points to a lack of effective PFMA interventions at the highest level in the continent. Furthermore, the findings of the Ad Hoc Expert Group Meeting in a 2005 report showed that fiscal transparency was propagated as part of a larger policy goal of good economic governance pursued to achieve poverty reduction and attain the Millennium Development Goals (MDGs). In this report, on a survey covering 15 African countries, the expert group noted that Africa was making progress towards better economic management and it would appear that the prodigious pace of reform is likely to continue. However, a mélange of global and regional events discourage opaque budgeting processes by supporting fiscal transparency and accountability specifically and better economic management in general.

Andrew points out that a range of factors are seen to influence the quality of PFMA systems and outcomes, which are here presented as five major themes:

Growing economies have stronger PFMA.

Stability delivers PFMA progress, although there may be a peculiar ‘starting from scratch’ dividend for countries enjoying post-conflict stability.
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- States with larger domestic, non-mineral income sources have stronger PFMA.
- Longer periods of broad reform commitment foster PFMA progress.
- Colonial heritage matters (maybe).

Different African countries are at different levels of PFMA system development. For instance, a 2010 Public Finance Management Assessment, based on the PEFA Framework Report (2010), on the Central African Republic (CAR), a country that has persistently been coup prone was released. It found that despite the technical progress achieved by the Ministry of Finance and Budget, the credibility of the budgets voted under the initial budget laws was limited, while the extent of their implementation clearly left room for improvement. The absence of an audited budget was reported by the major weaknesses in the CAR fiscal management. Despite progress in the budget preparation process, there remained several deficiencies. Government budget preparation does not follow a set calendar, remaining within the major statutory timeframes and allowing the key actors adequate time. The budget schedule is drawn up each year and notified to the different actors in the process through the budget circular signed by the prime minister. Over the period of the current PEFA assessment, these annual budget calendars have never been respected, especially for transmission of the draft budget to the National Assembly.

In a different assessment, the 2009 PEFA report on Kenya found that the budget had become a more credible instrument in terms of revenue collection and distribution. There was evidence that arrears were contained and reduced, that the timeliness in release of funds had improved, and that the system of direct disbursements to institutional levels had improved budget access. However, the financial management system of that country had issues. Problems were reported in budget variation in comparison to outturn and unpredicted freezes of certain cost items that were imposed after the post-election crisis of 2009. The overview and consolidated budget reporting was poor given the integrated financial management information (IFMIS) system which was being implemented, but had not yet reached full coverage and functionality at the time of the PEFA assessment.

Still on Kenya, while the assessment revealed improved allocative efficiency related to the MDGs and Vision 2030, functional reporting did not take place, although sector clusters were used to determine and discuss the MTEF framework. Large segments and votes in the budget covered allocations to several sectors, such as to provincial administration, local government or constituency development and, hence, did not reveal the intended or achieved functional purpose. The most essential budget documents were available from government websites or could be purchased from the government printer’s shop in Nairobi at a reasonable price. However, an overview of these documents on the websites did not provide sufficient information. The documents provided little overview and editorial consistency and the information published had analysis and compilation problems. While parliamentary committees and members of Parliament were involved at earlier stages in the budget process and hearings, the formal process in Parliament came late in the process albeit in accordance with the constitution.

Two important spending areas within budget execution had improved since the last PEFA assessment, namely, payroll and procurement. The new payroll system has meant a major improvement, but it is not yet fully rolled out and it is not integrated with IFMIS. It has,
however, the potential to become a complete and well-functioning system in the future, partly depending on how well it is implemented and managed as a distributed system in several centres within government. New procurement legislation started to be implemented in 2007 and some improvements in the practice have been evidenced in the PEFA assessment.

The legal framework for PFMA and guidance of operations was neither clear nor comprehensive and fragmented into successive Treasury circulars over a long time. The internal audit, especially on a central level, has developed well and is showing a commendable professional ambition although it still requires improvement. The effectiveness of internal control is thus still an area of concern, especially when it comes to management responsibility together with follow-up and enforcement as a result of external and internal audit. The introduction of audit committees in ministries would be promising but has still to prove its effectiveness and usefulness. Issues identified by the Auditor-General in the annual audit reports also raise concern about the overall quality of at least parts of the financial records.

In South Africa, the PEFA assessment initiated and sponsored by the European Commission in 2008 had its primary goal to assess the status of the PFMA system of the central government. It was intended to identify both areas of strength and weakness. Considered at the aggregate level, and restricted to an assessment of primary expenditure, South Africa scored very well with respect to the credibility of the budget, especially with regard to revenue estimates versus outturns and aggregate original primary expenditure estimates versus outturns. However, when the assessment considered expenditure in greater detail, and looked beyond primary expenditure, there were important issues that impacted negatively on the credibility of the budget. These included the lack of predictability in the disbursement of donor sector budget support, the large proportion of off-budget donor activity, the lack of a consistent definition of budget estimate for donor funds, and the lack of alignment of donor budget estimates and financial reporting with the government’s fiscal year. It also included major weaknesses in procurement and expenditure frameworks.

However, by way of comprehensiveness and transparency, South Africa’s national government PFMA systems and procedures were found to be quite outstanding. The PFMA reforms carried out since the mid-1990s had evolved a comprehensive budgetary process where fiscal forecasts were realistic and debt management was based on a clear and well-articulated debt management strategy. The debt management was found to have regular, accurate and timely reporting and monitoring of the debt stock. The budget documentation was found to be complete, comprehensible and comprehensive. The documentation included the macroeconomic assumptions, the fiscal balance along with the makeup of any deficit financing, the debt profile and status, the financial assets, the historical budget outturns and clear explanations of the impacts of new major revenue and expenditure policy initiatives.

Some other African countries had made some progress. For instance, the Public Financial Management Working Group for Tanzania mainland reported in November 2010 that the budget preparation and documentation process was extensive, and was supported by very detailed budget preparation manuals issued by the Ministry of Finance and Economic Affairs (MOFESA) to the ministries, departments and agencies (MDAs) and separately to the...
local government authorities (LGAs). Transfers to the autonomous government agencies (AGAs) were recorded in the budgets of the MDAs, but the remaining part of the AGAs’ budgets was not part of the budget documentation, as the AGAs’ budgets were approved by their own authorities established by individual laws. Some AGAs posed serious fiscal risks. It was not known to what extent potential fiscal liabilities created by the public enterprises (PEs) were taken into account in the fiscal planning, as these were not highlighted in the government budget documentation.

While Tanzania had a good record of overall budget performance and fiscal discipline in the context of economic growth and macroeconomic stability, with regard to the legal aspects of PFMA, the processes of the PFMA system faced a number of shortcomings. There were concerns about the engagement of the legislature in the budget process. These concerns were in the areas of the quality of budget classifications, the lack of a realistic resource-supported medium-term sectoral analysis, wider goals without adequate financing possibilities, and the full integration of recurrent and development budgets. There is a need to improve the quality of budgeting and bring back credibility to the budget as a firm government financial and operational plan. Predictability and control of budget execution are very weak, with the uncertainty in the availability of funds for the MDAs being an example of the lack of predictability. Owing to the persistence of modified cash rationing, MDA requests for cash releases cannot always be met, resulting in difficulties in implementing their policies as plans. On the other hand, the ineffectiveness of payroll controls and insufficiency of internal controls and audit in non-salary expenditures in the MDAs have also been identified as areas of concern.

Tanzania has had an Integrated Financial Management System (IFMS) since 1998 and this was one of the earliest such systems to be implemented in East Africa. As a central payment, accounting and reporting system, it has proved to be very useful system. This system was subsequently rolled out to 86 out of 133 local governments in addition to all central government ministries and 22 sub-treasuries. This has significantly increased the timeliness and quality of expenditure information produced by these units. However, significant problems remain prevalent. The IFMS bank reconciliation module was not operational, resulting in around 5 per cent of transactions between MOFEA and the Central Bank not being reconciled through the automatic reconciliation process on a monthly basis. The Data Warehouse was also not operational for some time when the MOFEA became unable to access the information stored in this warehouse for any kind of analysis. Major capacity and implementation challenges existed at local government IFMS implementation sites with around half the sites not having had their chart of accounts updated for the last eight years. Limited capacity had been built in the systems unit of the Office of the Accountant General, resulting in ongoing dependence on the vendor. For these reasons, the quality of accounting and reporting in the MDAs was questionable, with external audit reports regularly calling for these issues to be addressed.

External audit reports, including the consolidated financial statements, were submitted to the legislature in a timely manner (within nine months of the end of each fiscal year external scrutiny and audits). While the Public Accounts Committee (PAC) has significantly reduced its backlog over the last couple of years, the quality of its reports needs to be improved. Capacity building of the members of the PAC
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and the two other accountability committees of the House – the Local Authorities Accounts Committee and the Parastatal Organisations Accounts Committee – is ongoing and is complemented by strengthening the capacity of the Secretariats of these Committees. There has been limited follow up by the Executive to PAC reports, since Treasury memoranda have not been issued for the last five years. An emerging good practice over the last two years is the structured response of the Permanent Secretary of MOFEA to the PAC on the main issues raised in audit reports at the time of the Annual Review of Budget Support around November every year.31

Uganda’s PEFA report32 suggested aggregate fiscal discipline to be characterised by a lack of credibility in the budget which increased the risk of fiscal targets not being achieved. Arrears were increasing and it was possible for accounting officers in IFMS-enabled MDAs to place orders outside the IFMS controls. In MDAs that were not IFMS-enabled, manual systems lacked strict inbuilt commitment controls. However, the budget process and budget documentation were transparent and laid a firm base for budget discipline. This is despite the fact that internal controls in execution were often ignored and internal audit was still weak. While IFMS provided monthly tracking of budget execution and external audit coverage was almost complete and standards of audit had been raised, particular areas of expenditure, such as payroll and procurement, were insufficiently controlled and had substantial public financial leakages.

It was reported that the system of PFMA in the country had weaknesses in internal control. This is particularly in procurement and payroll which may allow diversion of resources away from planned uses to lower priority uses and private uses. Basic systems are in place, but non-compliance and violation are common, which combined with high levels of corruption weakens accountability. If public resources are regarded as spoils of office rather than a sacred trust, they will certainly be subjected to misuse. Further controls then have the effect of widening areas of collusion and adding to transaction costs and delays rather than focusing more resources on the eradication of poverty.

Table 1 above serves as an attempt to consider summarised observations regarding the key country-specific PFMA weaknesses and strengths. What is clear here is that the state of PFMA systems in these selected African democracies on average portrays a scenario of serious weak systems. But what exactly accounts for this despite the fact that the continent prides itself on its highly trained technocrats in political science, public administration, economics and business management, among others. Their technocratic capabilities should translate into an accumulated wealth of skills that would improve the way the public purse is being managed. At the helm of public affairs management are a group of ‘experienced’ political and administrative actors who work as agents of the citizens. In the following section, we consider the role and contribution of five factors. These factors in our view complement each other in explaining the dominant PFMA inefficiencies. However, we suggest them in an order that portrays a potential ranking of the importance of each of the factors in explaining the situation. We now document how and why we suggest that the five factors have played a major role in explaining the current state of PFMA in Africa.

**Constraints to PFMA**

The five factors explaining PFMA in Africa are discussed below. Firstly, in all countries,
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Table 1 PFM country weaknesses and strengths

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<thead>
<tr>
<th>Country</th>
<th>Assessment period</th>
<th>PFM weaknesses</th>
<th>PFM strengths</th>
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<tbody>
<tr>
<td>Central African Republic (CAR)</td>
<td>2010</td>
<td>- Budget credibility was low</td>
<td>• Technical progress achieved by the Ministry of Finance and Budget (MFB)</td>
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<td></td>
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<td>- Limited efforts in implementation of budget</td>
<td>• Progress in the budget preparation process</td>
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<td></td>
<td>- The absence of an audited budget was a sign of the major weaknesses in the CAR fiscal management</td>
<td>• The credibility of the budgets voted under initial budget laws was limited</td>
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<td>Uganda</td>
<td>2009</td>
<td>- Aggregate fiscal discipline was characterised by a lack of credibility of the budget which increased the risk of fiscal targets not being achieved.</td>
<td>• The budget process and budget documentation were transparent and laid a firm base for budget discipline.</td>
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<td></td>
<td></td>
<td>- Substantially, internal controls in execution were often ignored and internal audit was still weak.</td>
<td>• IFMS provided monthly tracking of budget execution and external audit coverage was almost complete and standards of audit had been raised</td>
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<td></td>
<td></td>
<td>- Arrears were increasing and it was possible for accounting officers in IFMS-enabled MDAs to place orders outside the IFMS controls.</td>
<td>• Presence of basic systems for good financial management</td>
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<tr>
<td>Republic of South Africa</td>
<td>2008</td>
<td>- Lack of predictability in the disbursement of donor sector budget support.</td>
<td>• High credibility of the budget especially with regard to revenue estimates versus outturns and aggregate original primary expenditure estimates versus outturns.</td>
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<td></td>
<td></td>
<td>- Presence of large proportion of off-budget donor activity.</td>
<td>• Soundness of national government PFM systems in terms of comprehensiveness and transparency</td>
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<td></td>
<td>- Lack of a consistent definition of budget estimate for donor funds.</td>
<td>• Regular, accurate and timely reporting and monitoring of the debt stock.</td>
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<tr>
<td>Tanzania</td>
<td>2005</td>
<td>- There was limited credibility in the quality of budgeting.</td>
<td>• Improved central payment, accounting and reporting system external audit reports including the consolidated financial statements were submitted to the legislature in a timely manner (nine months from the end of each fiscal year)</td>
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<td></td>
<td>- Predictability and control of budget execution was very weak – the uncertainty in availability of funds for the MDAs was an example of a lack of predictability.</td>
<td>• Public Accounts Committee had significantly reduced its backlog.</td>
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<td></td>
<td></td>
<td>- Due to the persistence of modified cash rationing, MDA requests for cash releases were not always met, resulting in difficulties in implementing their policies as planned.</td>
<td>• Structured response of the Permanent Secretary of MOFEA to the PAC on the main issues raised in audit reports at the time of the Annual Review of Budget Support around November every year was strong.</td>
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budget, which is one the central tools for PFMA, is usually a political process. An assessment of the effectiveness of the PFMA system has to take this political process into consideration. In this regard, the assessment provides parameters for budgetary transparency. The emphasis is to create ‘an environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and the terms of agencies’ accountability, are provided to the public on an understandable, accessible, and timely basis’. Budgets that are easily available to the public and which allow the public to be active participants in the policymaking process, and that present consolidated information, are regarded as transparent budgets.

Secondly, PEFA frameworks provide important parameters for an open and orderly PFMA system. They are (i) budget comprehensiveness and transparency; (ii) policy-based budgeting; (iii) predictability and control in budget execution; (iv) accounting and reporting; and (v) external scrutiny and audit. The introduction of sound systems and procedures in these areas should lead to budget credibility. In the opinion of Pretorius and Pretorius, while several definitions of PFMA exhibit significant variations, a common denominator is the recognition that PFMA at least covers not only technical accounting and reporting issues, but also the overall taxing, spending and debt management of government, which in turn influences resource allocation and income distribution. An undeniable fact in the authors’ view is also that there is an increasing trend to see it not purely as a technical system or set of subsystems, but rather a system of multiple role-players, complex relationships and dynamic and interrelated processes. Creating an effective PFMA system thus involves multiple considerations.

Thirdly, institutions governing public finances have a determining impact on the economic and social costs and benefits of revenue collection and expenditure. In fact, ‘successful “societal evolution” hinges on the systems and procedures societies develop to manage public finance and procurement’. The systems have to be put in place by those in

<table>
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<th>Kenya</th>
<th>2009</th>
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<td>• Whole functional reporting did not take place</td>
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<td>• Large segments and votes in the budget covered allocations to several sectors, such as to provincial administration, local government or constituency development and hence did not reveal the intended or achieved functional purpose.</td>
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<tr>
<td>• The documents on the websites did not provide sufficient information. The formal process in parliament came late in the process albeit in accordance with the constitution.</td>
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<td>• The legal framework for PFM and guidance of operations was neither clear nor comprehensive and fragmented into successive Treasury circulars over a long time.</td>
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<tr>
<td>• The budget had become a more credible instrument in terms of revenue collection and distribution of resources.</td>
<td></td>
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<tr>
<td>• Arrears were contained and reduced.</td>
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<td>• There was timeliness in release of funds and the system of direct disbursements to institutional levels had improved budget access.</td>
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leadership. Government institutions, of which public financial institutions become part, are led by both political and technical leaders. The failure in PFMA in Africa has to primarily rest on those in leadership who generally have done a poor job. They have watched informal systems overtake formal systems and procedures. On this subject, the views of Van de Walle\textsuperscript{38} are helpful. This author reports that since the 1980s, African leadership has, at best, shown lukewarm commitment to reforms and has exhibited an unbecoming tendency to manipulate data to project an effigy of improved economic management, although the truth often reflects a negative picture on a number of variables (presumably including PFMA issues).

The management literature strongly suggests that the extent to which members of an organisation contribute to harnessing the resources of the organisation depends on how well the managers (leaders) of the organisation understand and adopt an appropriate leadership style in performing their roles as managers and leaders. Indeed Obiwiri, Andy, Akpa and Nwankwere,\textsuperscript{39} in their study based on the Nigerian context, conclude that efficiency in resources mobilisation, allocation and utilisation and the enhancement of organisational performance depends, to a large extent, on leadership style. Lee and Chuang\textsuperscript{40} further remind us that the excellent leader not only inspires subordinates’ potential to enhance efficiency but also meets their requirements in the process of achieving organisational goals.

Fourthly, Witt and Müller\textsuperscript{41} help us to understand the complexity of public finance which they posit comprises a complex set of closely interrelated subsystems (e.g. tax and customs, budgets, expenditure, inter-governmental finance, parliamentary oversight, internal and external financial control). The examples given on the weaknesses in Africa’s PFMA point to weakness in almost all the subsystems but certainly pin more blame on those in leadership at different levels including the political or administration. Moreover, these weaknesses point to how weak institutions and leadership can jointly affect the establishment of effective systems of financial management due to opportunistic behaviour; as transaction economists would put it. Unconvinced of the practicality of separating politics from administration, a complementary arrangement has been suggested but only on governance principles. For example, the complementarity of politics and administration is based on the premise that political office-bearers and administrators join together in the pursuit of sound governance.\textsuperscript{42}

Political will and commitment, which include ownership of the overall development agenda by leadership rather than waiting for guidance from external forces abroad, is a critical variable for effective financial management. However, African democracies show a serious deficit of this type of financial stewardship regarding political will and commitment. It is the responsibility of governments of the day to create the legal and regulatory environment for democratic fiscal transparency and accountability as enshrined in each country’s constitution. Those in leadership at political and administrative level must show a high degree of accountability and financial fiduciary and must also set specific targets for each of the other players involved in using public resources at whatever level of administrative jurisdiction. In further describing the constraints to effective PFMA in African states, the question that arises is: What exactly should be the role of leaders in this whole debate? The Economic Commission on Africa\textsuperscript{43} recommends that leaders should play a key role in (i) setting the agenda to democratis the formulation of macroeconomic policy frameworks; (ii) building
up the capacity and knowledge base of the citizenry on issues related to budgets; and (iii) institutionalising regular access for social groups in decision-making.

Fifthly, beyond the political and administrative leadership, citizens and CSOs must also do a good job. The basic premise for citizen participation is that citizens, NGOs and CSOs have a right to know and determine how public revenues are collected and spent. While CSOs already engage as external watchdogs and partners in showing up capacity for reporting and fostering transparency and also engage in situations where laws allow and even require practices that governments are not acting on, they should use a lack of PFMA reach to de-concentrate. They can do so by influencing the debates in parliament where the people’s representatives sit. At the parliamentary level, there are several standing committees directly concerned with financial matters like the committee on budget (where it exists in African democracies); Public Accounts Committee (PAC); the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE); the Local Government Accounts Committee (LGAC); and the Committee on the National Economy, which deals with issues relating to the national economy including scrutiny of loan agreements.

Mafunisa poses useful questions in regard to separating politics from the public service. Using experiences from the South African jurisdiction, he contends that the usefulness of the dichotomy model (Wilson and Goodnow’s politics-administration dichotomy) lies in its intentions – to protect public administration from interference by elected office-bearers and members of political parties in the day-to-day administrative activities. It also helps to protect public administration from political patronage. This is in essence where party political connections become the overriding criteria in public human resources functions such as recruitment, transfer, training and promotion. However, practical experiences suggest that almost all African democracies have political interference now cropping up whenever useful decisions intended to improve the public service are to be taken. Public finance has been one area where this political interference has moved into full gear (especially during procurement processes around election time). Incumbents quite often use their influence to dip their fingers in public coffers to fund election campaigns or draw kickbacks from contractors. Based on entrenched patronage frameworks, which such politicians have imbedded in the public service at all levels of government, they influence the award of government tenders to their supporters. This practice makes it hard to offer efficient public services as contractors provide shoddy work.

What should be done to address the Identified Challenges?

Introduced initially in response to widespread public criticism of the public service performance, the overall ethos of the public sector reforms that became a household name in African countries was greater public sector efficiency. Manning contends that the public sector reforms which hinged on the doctrines of new public management (NPM) had two key tenets, that is, allowing managers to manage and making managers accountable, and these were to be based on clear performance targets. NPM reforms are regarded as a common response to common pressures – public hostility to government, shrinking budgets and the imperatives of globalisation. Existing practices now confirm that this efficiency has not been
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Benon C Basheka and Kedibone Phago

attained to a significant extent. What then must be done to reverse this situation? We recommend a need for transparency in government operations as an important precondition for macroeconomic fiscal sustainability, good governance and overall fiscal rectitude. Designing and setting up an adequate accountability and control structure is a significant aspect of any public spending environment. The increasingly complex budgetary systems impose the need for reliable and effective control systems.49

There is a need to modify the existing relationships among government agencies at the centre and at local levels. Cook,50 for example, suggests that if governments are to improve their PFMA systems, the minimum expected of them is to improve accountability and control networks. They need to substantially modify the relationship between government bodies both horizontally and vertically, with a strong call to incite government departments to work together in order to achieve the desired results set by politicians.

Conclusions and Suggestions for Future Research

This article argues that improving PFMA is not without its difficulties. Moreover, the complexity of PFMA with sophisticated approaches requires having a buy-in from a number of stakeholders at different levels. This article undertook to consider the constraints on effective PFMA in African democracies. In addressing this, the article argues that since most African democracies have political interference cropping up whenever useful decisions are to be made, especially in public finance, relevant solutions should be sought. In finding such solutions, this article recommends a need for transparency in government operations as an important precondition for macroeconomic fiscal sustainability, good governance, and overall fiscal rectitude. This effort must balance the competing democratic principles of PFMA and protect the interests of multiple stakeholders. Effective PFMA systems are a necessity for the efficient use of resources, create the highest level of transparency and accountability in government finances and ensure long-term economic success. In this article, we have theoretically examined the role of leadership, institutional arrangements, capacity, citizens and CSOs in explaining the African scenario. We suggest further empirical research that would examine the contribution of each of these factors. This can in the interim be conducted in two countries using a comparative approach, the results of which could later be extrapolated to other African jurisdictions.

Notes and References


8 Ibid., p. 9.


14 Wildeman and Jogo, op. cit., p. 11.


16 Hughes, op. cit., p. 165.


20 Ibid.


36 Pretorius and Pretorius, op. cit.


45 Hughes, 2003, op. cit.


