ACCA Think Ahead

PFM PERFORMANCE IN AFRICA

Foreword

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Public financial management in Africa has significantly evolved over the last two decades, strengthened by national development priorities, technological advancement and international standards and sustainability goals. Even so, the pace of reformation continues to be challenged by systemic issues and deficiencies that undermine major investments from governments and development partners.

ACCA's approach to supporting sustainable development in the region hinges on our mandate for public good. We believe that the accountancy profession plays a pivotal role in building strong public financial management (PFM) systems and achieving sustainable reform objectives. By building capacity and fostering collaboration between the public sector and relevant key stakeholders, we look to enable strong institutions and systems to optimise public service delivery.

With the increasing need for sustainability and transparency in financial management and reporting, governments in Africa face a unique combination of challenges, ranging from declining fiscal sustainability and severe gaps in achieving sustainable development goals, to constantly rising debt burdens. More than ever, governments in the region are keen to seek collaborators in addressing these multifaceted issues , with efforts to de-risk public investment opportunities.

Through this research, ACCA highlights the major systemic and operational factors currently impeding PFM systems and overall performance of reform efforts. Being mindful of the complexity of such factors across a region as diverse as Africa, we worked with PFM stakeholders, including Accountants General, treasury commissioners, senior PFM professionals, independent consultants and development partner experts, to uncover common themes in priority issues and interventions to address them.

We look forward to maximising the findings of this research in strengthening institutional and national reform efforts, working with governments, key agencies at national and subnational level and professional accountancy organisations, while fostering collaboration with development partners at country and regional levels.

List of acronyms

- **CABRI** - Collaborative Africa Budget Reform Initiative
- **DPME** – Department of Planning, Monitoring, and Evaluation
- **DMO** – Debt Management Office
- **GBE** – Government Business Enterprises
- **GIFMIS** – Government Integrated Financial Management Information System
- **GIFT** - Global Initiative on Fiscal Transparency
- **GWCL** – Ghana Water Company Limited
- **EOCO** – Economic and Organised Crime Office
- **ICPAK** – Institute of Chartered Public Accountants of Kenya
- **IDP** – Integrated Development Planning [framework]
- **IFMIS** – Integrated Financial Management Information System
- **IPPIS** – Integrated Payroll and Personnel Information System
- **IPSAS** – International Public Sector Accounting Standards
- **IPSASB** – International Public Sector Accounting Standards Board
- **MBEP** – Ministry of Budget and Economic Planning
- **MDAs** – Ministries, Departments and Agencies
- **MoF** – Ministry of Finance
- **MoFPED** – Ministry of Finance, Planning & Economic Development
- **NDP** – National Development Plan
- **NIDBS** – National Identity Database Management System
- **AGF** – Accountant General of the Federation
- **OAuGF** – Office of the Auditor General for the Federation
- **OCoB** – Office of the Controller of Budget
- **PEFA** – Public Expenditure and Financial Accountability
- **PFM** – Public Financial Management
- **PPP** – Public–private partnerships
- **PSASB** – Public Sector Accounting Standards Board
- **SA** – South Africa
- **SAG** – Semi-autonomous Government agencies
- **SAI** – Supreme Audit Institution
- **SCADA** - Supervisory Control and Data acquisition [system]
- **SOE** – State owned enterprise
- **TSA** – Treasury Single Account

Methodology

ACCA engaged with over 30 public sector executives, across offices of Accountant and Auditor Generals, National treasury, ministries of finance and budget planning, professional accountancy organisations and consultatants to various governments. Views and contributions were sought through a combination of exclusive interviews, a series of Africa-wide roundtables and virtual polls, over the course of five months (Figures M1, M2)

Building on ACCA's public affairs preliminary outreach with public sector officials across the region, the research spotlights key institutions across six countries: Uganda, Kenya, Nigeria, Ghana, South Africa, and Mauritius.

Interviews with public sector executives were aimed at gaining insight into the broad systemic and organisation-specific issues impairing PFM performance in each country, while exploring priority areas for support and collaboration on interventions to address them.

Our series of roundtables with PFM drivers and consultants dug deeper into the strengths and weaknesses of PFM systems, guided by the pillars of the Public Expenditure and Financial Accountability (PEFA) framework, while exploring sustainable ways of addressing specific issues across each PEFA pillar.

Using virtual polls, we sense-checked what PFM professionals say about current level of responsiveness to international good practices for budgeting in the public sector, such as the move of the recognition basis from cash to the accrual accounting method and the degree of budgetary responsiveness to climate-related and gender-based needs. Similarly, looking at how PEFA is being used in appraising performance gave further insight into good practices and areas where improvement is needed.

Figure M1: Profile of contributors

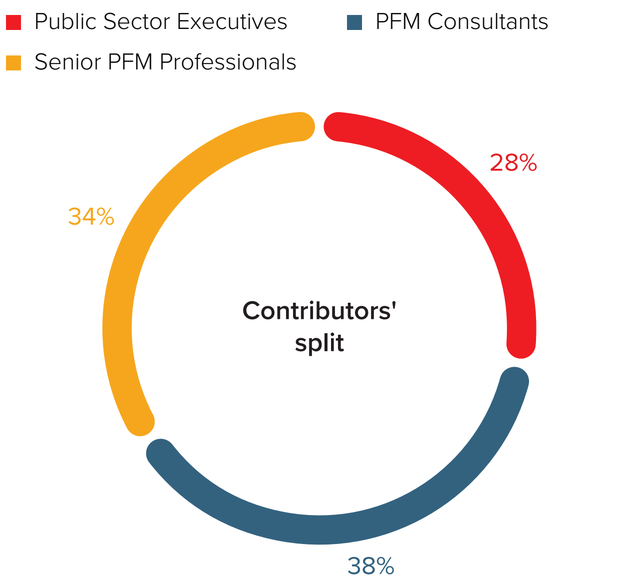
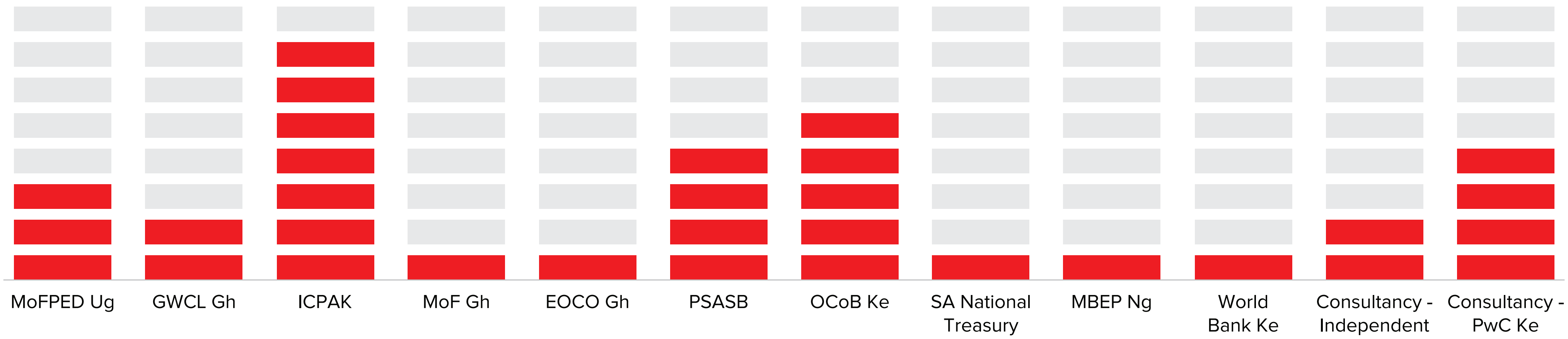


Figure M2: Organisations represented by our contributors



Executive **summary**

A preliminary understanding of how PEFA assessments are put to use across the region established three major good practices in engaging with the PEFA tool to improve performance, including its use as a driver of reforms and an indicator of capacity needs, coupled with the immense benefits of Institutionalising its usage, all year round. Similarly, three major areas of improvement were flagged, including the need for more expertise and broader engagement in maximising the tool's benefits, enabling both sustainability-related performance evaluation and establishing value for its use at subnational levels of government.

Engaged experts identified a total of 17 major challenges (Table ES1) that impact PFM performance in 4 critical ways. In addressing these, experts identified 5 key areas of support (Table ES2) to be prioritised, culminating in 15 recommendations (Figure ES3) to significantly improve PFM performance in Africa.

Table ES1: The priority challenges

PEFA pillar	Common challenges prioritised for immediate support and action
Budget reliability	■ Technical capacity gaps – forecast and budgeting skills ■ Outdated technological software ■ Disconnected budget and policies
Transparency of public finances	■ Inflated budgeting ■ Gaps in soft skills and ethics ■ Reactive approach to performance assessment
Management of assets and liabilities	■ Inaccurate estimates and records ■ Weak debt-management strategy
Policy-based fiscal strategy and budgeting	■ Inadequate stakeholder engagement ■ Poor internal and external collaboration
Predictability and control in budget execution	■ Poor integration of existing automated systems ■ Outdated policy frameworks and internal controls
Accounting and reporting	■ Talent and skill transfer gaps ■ Technical capacity gaps – full adoption of accrual accounting ■ Low regulatory incentive for sustainability reporting and assurance
External scrutiny and audit	■ Absence of an Audit Act or audit policy ■ Legislative oversight gaps

When asked to prioritise the key areas of support urgently needed to improve performance, engaged stakeholders identified five areas: *skill development, enhancing trust in systems, technology optimisation, legal and policy framework reforms, and sustainability in PFM systems*. Incidentally, the need for collaboration on sustainability was found to cut across all the first four of these areas of prioritised support (Table ES2).

Table ES2: Key challenges and the support needed to address them

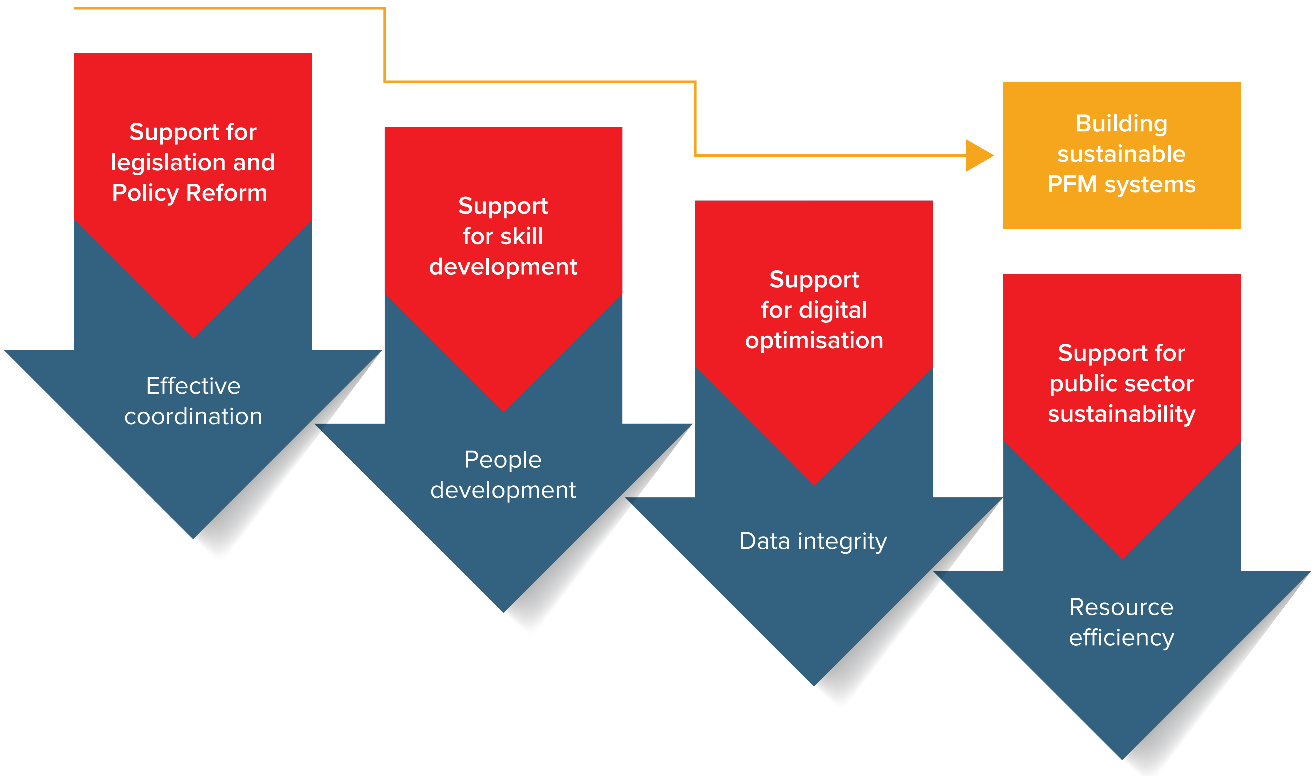
<table>
<tr><th>Key areas of support required</th><th>Major areas of challenges where support should be targeted</th><th>Priority for collaboration and support in these areas</th></tr>
<tr><td>Skill development</td><td>▪ Macroeconomic and fiscal forecasting
▪ Financial data integrity
▪ Annual financial reports</td><td>Collaborate on capacity building initiatives in bridging evolving technical, ethical and soft skill gaps in the civil service, as well as knowledge gaps across stakeholder groups</td></tr>
<tr><td>Enhancing trust in systems</td><td>▪ Budget preparation process
▪ Performance information for service delivery
▪ Public access to fiscal information
▪ Public investment management</td><td>Provide consultations on integrating skills, technology and policy reforms to ensure the sustainable use of resources and maintain service delivery, with the goal of skill transfer</td></tr>
<tr><td>Technology optimisation</td><td>▪ Public asset management
▪ Accounting for revenue
▪ Procurement</td><td>Enable collaborations to enhance adoption, adaptation and integration of emerging technology to PFM process needs at national and subnational levels</td></tr>
<tr><td>Legislative and policy framework reforms</td><td>▪ Internal controls on non-salary expenditure
▪ Internal and external audit
▪ Legislative scrutiny of audit reports</td><td>Advocate and support legislative and regulatory policy framework updates needed for effective reform coordination</td></tr>
<tr><td>Sustainability of PFM systems</td><td colspan="2">▪ Strengthen integrative approach to reporting by enabling full compliance with IPSAS accrual and International Financial Reporting Standards (IFRS) adoption.
▪ Build capacity for sustainability reporting and assurance in alignment with prevailing financial reporting framework.
▪ Provide consultations on de-risking PFM systems and improving trust, to position governments better for accessing green project-funding opportunities.
▪ Provide technical support for developing national illustrative guidance for sustainability standards adoption and embedding existing forms of impact reporting in the public sector.
▪ Provide financial and technical support in upgrading and optimising existing technologies to improve monitoring, evaluating, reporting and auditing of relevant sustainability-related metrics across sectors.
▪ Advocate and support the legislative and regulatory reforms needed to build sustainable PFM systems.</td></tr>
</table>

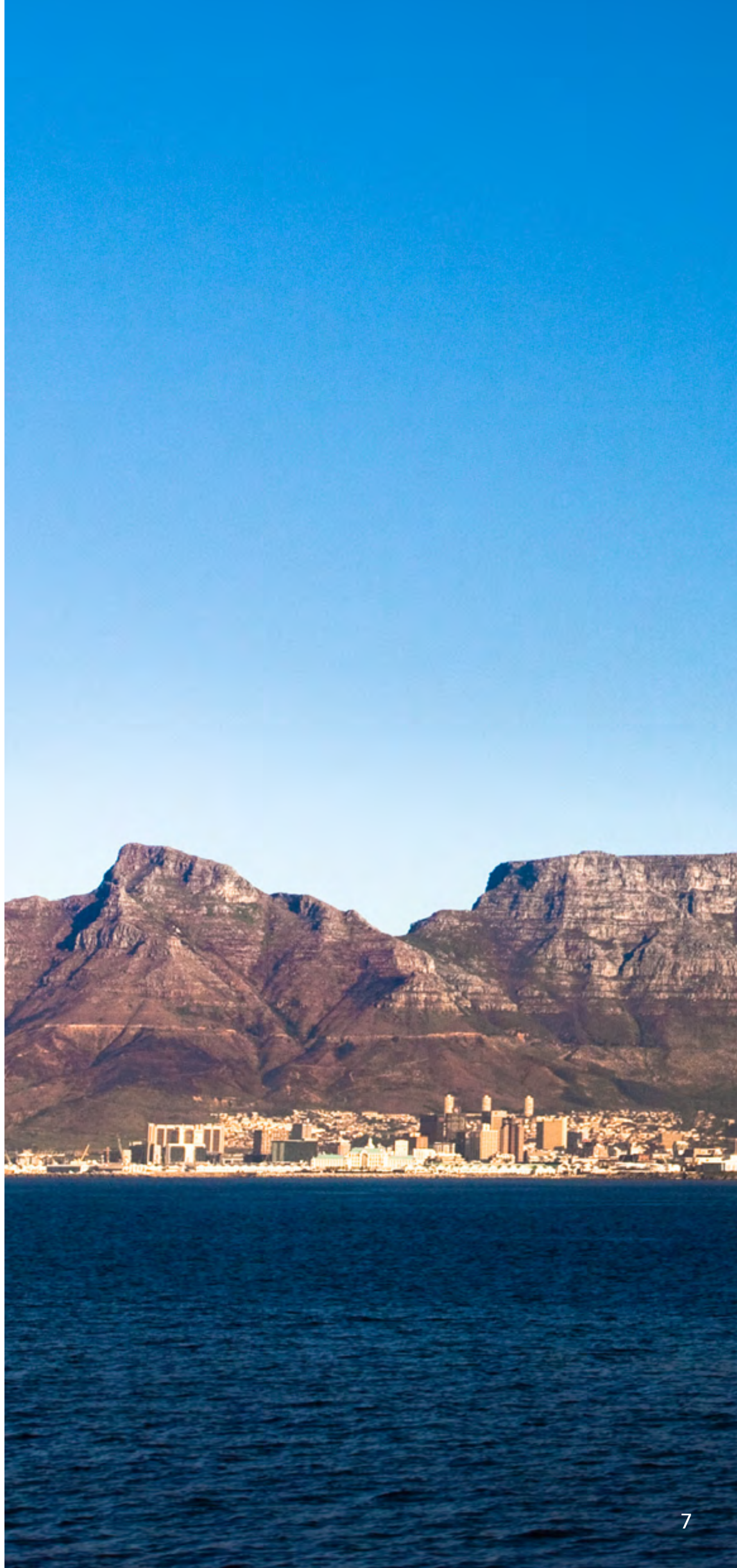
The report concludes that major systemic and non-systemic issues identified across countries in Africa have a deleterious impact on PFM systems and the overall performance of reforms, affecting:

1. effective PFM coordination
2. people development
3. information integrity, and
4. resource efficiency (Figure ES3).

To urgently enhance PFM performance and the overall success of reform efforts, the report outlines 15 key recommendations in guiding immediate actions for PFM stakeholders, leveraging the prioritised areas of support, in addressing all four categories of impact (Figure ES3).

Figure ES3: Support needed for the areas most affected by poor PFM performance





Empowering Effective Coordination

1. **Update or establish the legislative and policy frameworks** needed to empower key agencies with the requisite level of autonomy/ mandate to function effectively, such as Audit Act establishing SAI independence.
2. **Institutionalise use of suitable performance assessment tools**, enabling mechanisms for prompt action on assessment outcomes throughout the budget cycle.
3. **Increase collaboration across agencies and with the private sector** in enabling resource and information sharing and effective oversight.
4. **Establish stakeholder buy-in on PFM reforms**, by building internal and external stakeholders' understanding of the implications, including their responsibilities and benefits hinging on the area of reforms.

Driving People Development

5. **Build technical skills of professionals to enable full transition to accrual accounting**, as part of IPSAS adoption at national and subnational levels.
6. **Demystify sustainability in the public sector** through capacity building in key aspects of sustainability in the public sector, including sustainable finance and budgeting, sustainable debt management, and sustainability reporting and assurance.
7. **Mandate soft and ethical development across MDAs**, particularly for leadership and change-management skills, effective communication, and collaborative-working skills, Integrative thinking, and ethics.
8. **Improve skill transfer and retention in the public sector** through coaching and mentorship, work -shadowing arrangements between related national and subnational agencies and consultancy contracts that mandate skill transfer.

Ensuring Data Integrity

9. **Ensure adaptation of technologies to prioritised needs of PFM systems** by adopting an impact-focused (as opposed to input-focused) approach to digitisation, at national and subnational level.
10. **Integrate existing automated systems**, currently operating in silos. The optimisation of truly integrated systems will aid collaboration, reduce cost, and improve the comprehensiveness and integrity of public finance information.
11. **Develop regulatory guidelines for ethical use of AI and emerging technology** to ensure the integrity and safety of public finance data.
12. **Upskill both accountancy and non-accountancy professionals across finance functions** on leveraging emerging technologies such as Power BI and AI software in data management, analysis, and forecasts.

Improving Resource Efficiency

13. **Build trust and improve transparency in PFM systems** through increased stakeholder engagement and established mechanisms for public accountability, leveraging technology.
14. **Collaborate with educational institutional partners on the development of illustrative guidance** and technical assistance in effectively adopting sustainability standards.
15. **Improve Internal controls and audit by embedding ESG-sensitive controls** and maximising the use of live (automated) dashboards for effective and transparent monitoring, evaluation, and internal audit.

1. Introduction – Africa's PFM reform journey

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Public Financial Management has been significantly reformed in Africa, particularly in the last decade. Between 2008 and 2021, data suggests a strong improvement in transparency scores in Sub-Saharan Africa. Nonetheless, the continent as a whole has an extremely diverse construction, making this improvement a representation of an average between the best and worst performers across the region (IBP 2021).

Several factors have contributed to increasing political will and governance actions on PFM reforms, with most efforts focusing on budget improvement, process digitisation and strengthening financial management systems, with requisite legislative and regulatory mechanisms. Notwithstanding this, a combination of system-wide issues such as corruption and institution-specific factors have continued to undermine reform efforts and investments.

In identifying the major factors currently impeding PFM across the region, views and contributions from various key PFM institutions across selected countries were synthesised. Strengths and weaknesses of PFM systems in these countries are explored broadly (across the system) and specifically (by institution), in drawing out common themes in the challenges and solutions that must be prioritised for significantly improving PFM performance.

The 2015 PFM Act was a crucial milestone laying the foundation for significant reforms such as the Treasury Single Account (TSA), programme-based budgeting and an integrated financial management system (IFMIS)

Uganda's Public Expenditure and Financial Accountability (PEFA) assessment scores between 2006 and 2012 appear stagnant, despite recorded improvements in operational efficiency for economic development and stability.

The Ugandan PFM reform strategy is the key driver of the country's ambition to improve accountability, resource mobilisation, investments and overall effectiveness and efficiency in service delivery. The coordination is primarily led by the Ministry of Finance, Planning and Economic Development, overseeing the offices of the Accountant General and internal Auditor General (MoFPED 2023)

Case Study – Ministry of Finance, Planning and Economic Development (MoFPED)/ Office of the Accountant General

Drawing its mandate from Uganda's 1995 constitution, the Budget Act of 2011 and the Public Finance and Accountability Act, MoFPED is charged with the mobilisation, administration and regulation of the country's financial resources. It directly oversees the office of the Accountant General and internal Auditor General.

In 2018, MoFPED released Uganda's medium-term PFM reform strategy, spanning July 2019 to June 2023. Over the years, Incremental development in its PFM reforms strategies has been a major commitment of the Ugandan government. In developing the 2018–2023 strategy, identified challenges of previous medium-term reform strategies formed the basis for determining several key desired outcomes. For instance, the recognition of the need to roll out and integrate IT systems followed the identification of risks associated with fragmented systems/IT applications.

Major Strengths of PFM System

- **The institutionalisation of PEFA** in Uganda has aided a broad range of performance assessments in public finance management, including the performance of sustainable development indicators, from evaluating gender-differentiated needs and the impact of fiscal policies, to climate assessments.
- **Sustainable PFM policy frameworks** remain strong enablers of successful reforms, including improvements in gender-responsive PFM, mechanisms for its performance reporting and tracking of budget allocation relating to gender and equity (PEFA 2023).

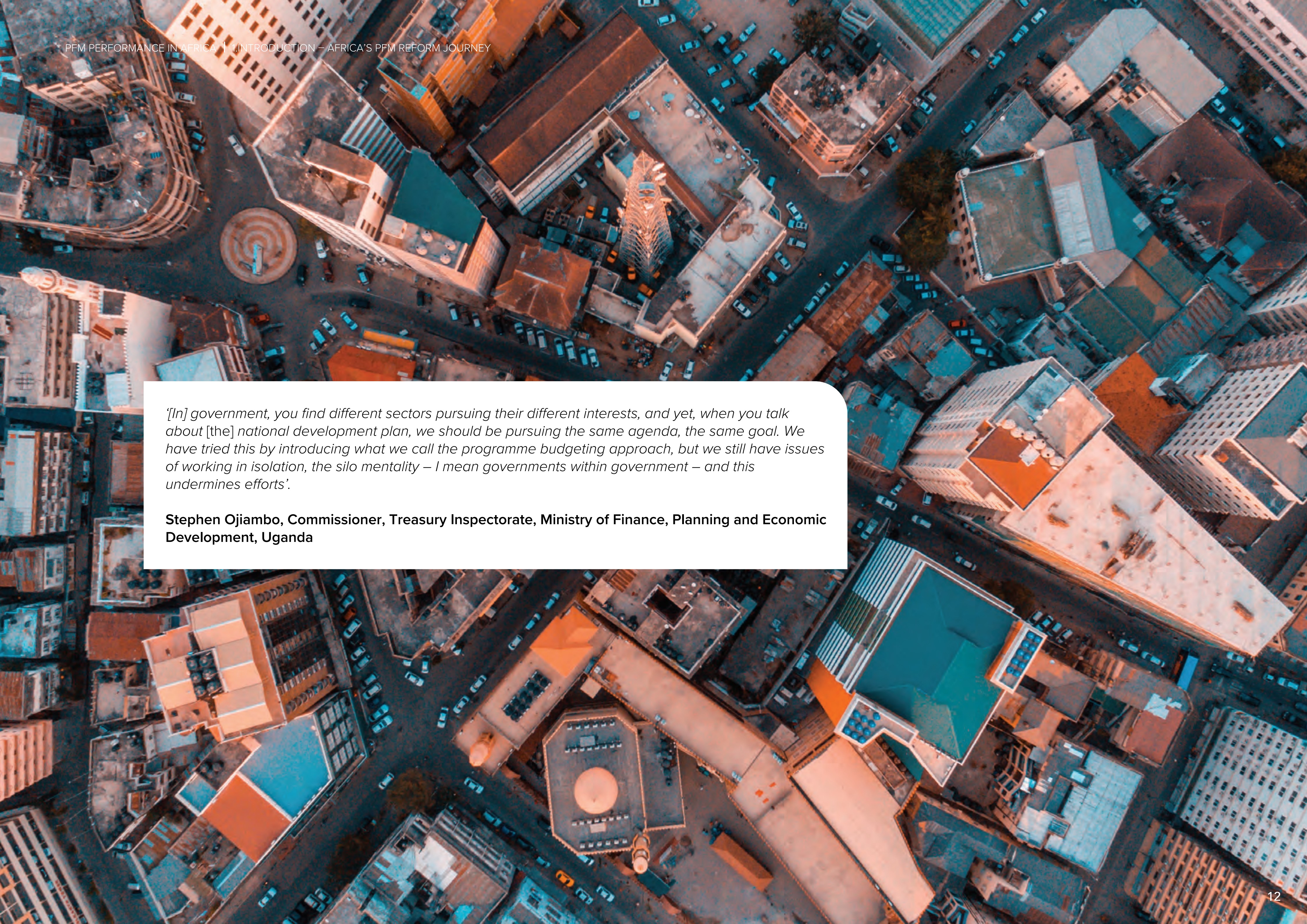
  Similarly, the introduction of the medium-term budgeting framework, programme-based budgeting, and performance budgeting are all geared to strengthening the budget processes and ensuring the sustainability of Uganda's PFM system.

Key systemic and Institution-specific weaknesses

- **Monitoring and evaluation gaps**
  There is a need to significantly improve expenditure monitoring across ministries, departments, and agencies (MDAs) throughout the budget cycle, particularly for budget execution, to reduce the recurrence of budget deficits.
- **Misalignment of policies and budget**
  While extensive planning exercises have led to strategic plans such as Vision 2040[1] and the national development plan (NDP), it is not uncommon to see the budget preparation and, by extension, the budget cycle, not fully reflecting the goals of the medium-term plans. The focus on short-term needs may play a strong role here, as medium- to long-term goals may be neglected in the face of pressing public expenditure needs.
- **Poor collaboration and integration**
  The lack of collaboration among agencies across sectors leads to a fragmented approach in achieving nation-wide PFM-reform goals, as various MDAs focus on separate interests, sometimes working at cross purposes.

  Similarly, various automation efforts for PFM processes are run in silos by key agencies, resulting in little to no integration among sub-systems.

[1] Uganda Vision 2040 outlines the development plan to operationalise the country's vision of transforming the Ugandan society from a peasant to a modern and prosperous country within 30 years



'[In] government, you find different sectors pursuing their different interests, and yet, when you talk about [the] *national development plan, we should be pursuing the same agenda, the same goal. We have tried this by introducing what we call the programme budgeting approach, but we still have issues of working in isolation, the silo mentality – I mean governments within government – and this undermines efforts'.*

Stephen Ojiambo, Commissioner, Treasury Inspectorate, Ministry of Finance, Planning and Economic Development, Uganda

The National treasury of Kenya is responsible for the formulation of fiscal and economic policies as well as the preparation of the national budget and overall financial management of MDAs. Significant reforms in public finance in the last two decades can be tied to the promulgation of the 2010 constitutional review in the country.

Consequently, by 2012, the Public Finance Act was passed, followed by the reorganisation of the national treasury. This was a significant change in approach for Kenya, as new key PFM institutions were set up to increase accountability and transparency in the system. These included the Commission on Revenue Allocation, the Transitional Authority, and the Controller of Budget (PFMRS n.d.).

Another significant reform milestone for the Treasury was the development of the strategy for implementing the e-government procurement system, which was finalised in 2022, following the signing of a contract to design, adapt and install the system (PFMRS 2023).

Case Study – Office of the Controller of Budget (OCoB)

In ensuring that the implementation of approved budgets adheres to constitutional and regulatory guidelines, an independent OCoB was established.

The establishment of the five-year PFM reform strategy (2018 – 2023) became a significant driver of the functions of the OCoB, working with national and subnational governments, as the integrated financial management information system (IFMIS) was rolled out to all MDAs and counties.

Major Strengths of PFM System

- **The adoption of IFMIS at national and subnational levels**
  Digitising information management has significantly improved budget preparation, execution and reporting of outcomes for Kenya. A key factor highlighted is the successful roll-out across counties and not just at national government level.

- **Improving readiness for sustainability reporting in the public sector**
  The 2022 revised financial reporting template issued by the Public Sector Accounting Standards Board (PSASB) has expanded requirements on environmental and sustainability reporting, in broadening disclosures beyond corporate social responsibility. This is mandated for semi-autonomous government agencies (SAGs) and public funds reporting under IPSAS, as well as state corporations reporting under IFRS.

- **Establishment of the PFM Secretariat under the National Treasury**
  Empowered by the 2012 PFM Act, the establishment of the central coordinating unit enabled active monitoring and evaluation, at national level and also working closely with county governments, ensuring implementation consistency, stakeholder management and effective oversight.

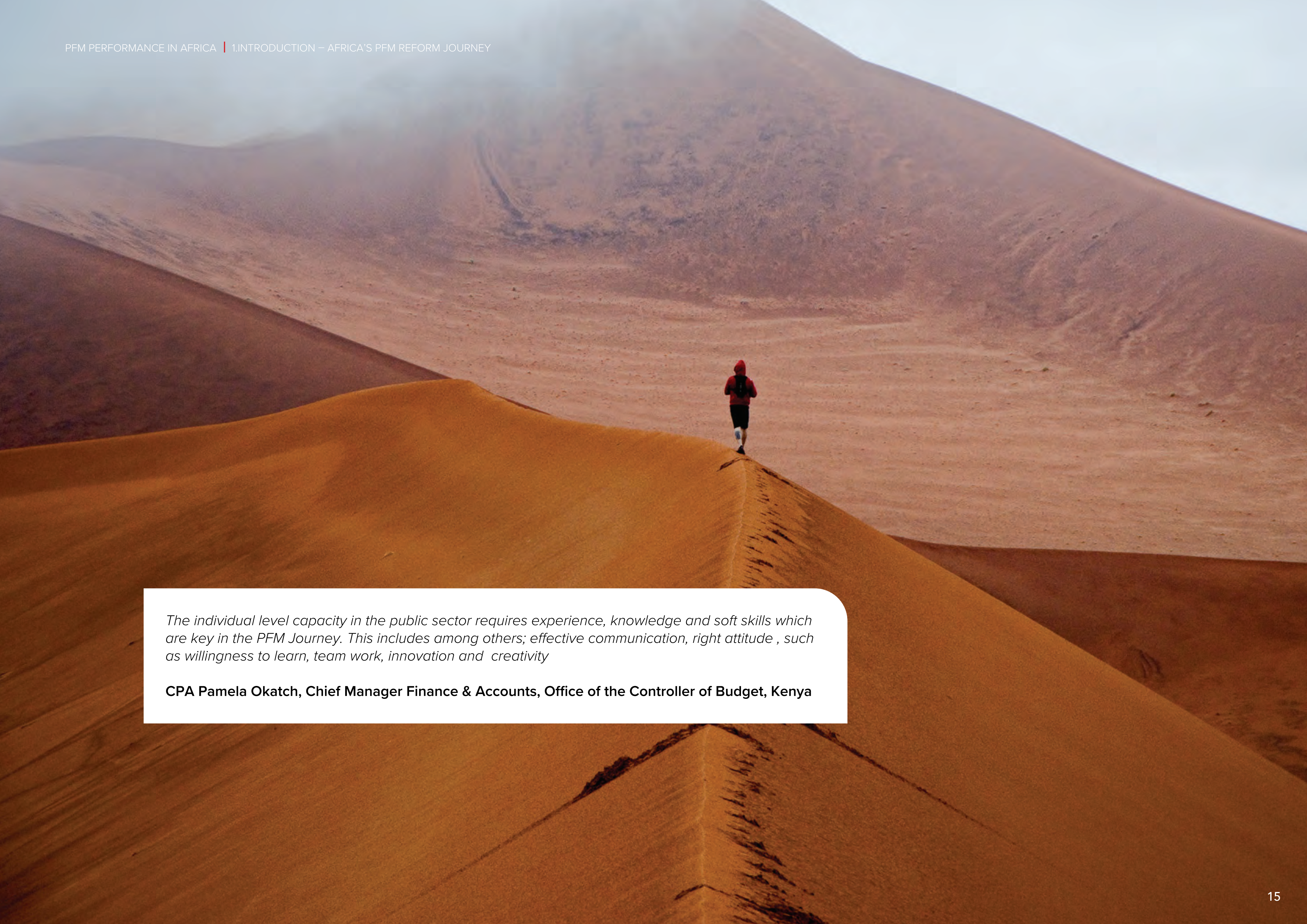
Key systemic and Institution-specific weaknesses

- **Increased professional capacity gaps**
  With the benefits of a devolved government comes an increase in the need for qualified professionals to drive budget processes, not only at the national level but also at county levels. The introduction of programme-based budgeting at national and subnational levels, for instance, put pressure on the number and capacity of finance staff needed to achieve the OCoB's objectives. Technical skills such as forecasting and budgeting are key areas needing upskilling, especially across counties.

- **Slow move to accrual accounting**
  While transitioning to full accrual accounting can be a resource-intensive and complex process for many governments, it is a key recommendation of IPSAS for enhancing financial governance and better decision making. The slow move to accrual accounting in Kenya leads to several challenges for procurement, as delayed expense recognition keeps impairing budgeting and cash flow management for suppliers. Issues like this reduce the accuracy of reporting and decision making and, in the long run, reduce fiscal transparency and accountability.

- **Culture and behavioural challenges** continue to dampen strong efforts to reform the PFM system. Gaps in soft skills, such as adaptability, effective communication and time management, and the lack of an overall positive attitude to work are major deterrents to the optimum performance of PFM across MDAs.

- **Weak capacity for public investments at subnational level**
  Economic growth at country level is essential in ensuring nationwide sustainable development. Unfortunately, the ability to attract PPP opportunities and grow internally generated revenue at county level is a major challenge, as insufficient budget hampers the effectiveness of PFM systems and reduces the overall quality of service delivery.



The individual level capacity in the public sector requires experience, knowledge and soft skills which are key in the PFM Journey. This includes among others; effective communication, right attitude , such as willingness to learn, team work, innovation and creativity

CPA Pamela Okatch, Chief Manager Finance & Accounts, Office of the Controller of Budget, Kenya

Nigeria's PFM reform journey began two decades ago in 2004 under its Economic Reforms and Governance Project (ERGP) in collaboration with the World Bank, with some of its key deliverables being the reduction of the cost of governance, automation of PFM processes and compliance with international best practices (Zubairu 2016).

In achieving the ERGP, the National Strategy for Public Service Reforms (NSPSR) was developed, led by the Bureau of Public Service Reforms (BPSR) with PFM reforms as one of its four 'pillars'.

Key PFM reforms over this period include the 2010 approval by the Federation Account Allocation Committee (IFAC) of the adoption of IPSAS, with the move to accrual accounting pegged set to begin in 2016. Within this time frame, the Government Integrated Financial Management Information System (GIFMIS) and TSA were implemented between 2012 and 2015 (BPSR 2018).

Between 2019 and 2023, the Finance Act of the Federal Republic of Nigeria went through annual iterations, with its most recent version giving great attention to tax law reforms, climate change considerations and public asset management, among others.

Case Study – Office of the Accountant General of the Federation (OAGF)

The unbundling of the Ministry of Finance, Budget, and National Planning gives the Federal Ministry of Finance the responsibility for managing public finance to achieve Nigeria's development priorities. It oversees 17 parastatals, including the OAGF, whose mandate is to prepare and publish financial statements of the federal government and manage federation funds.

The OAGF has been at the fore of all major PFM reforms in Nigeria, particularly the digitalisation of government processes through GIFMIS, the TSA and the Integrated Payroll and Personnel Information System (IPPIS). In 2010, it led the adoption of the International Public Sector Accounting Standards (IPSAS) in Nigeria, kickstarting the move from cash to accrual accounting.

Major Strengths of PFM System

- **Adoption of technology in the administration of public finance** has been at the centre of significant PFM transformations in Nigeria. Apart from GIFMIS, TSA and IPPIS platforms, other PFM processes, such as procurement, are also centrally managed using the Nigeria e- Procurement platform.

- **Agile updates of legislative and regulatory framework** for the evolution of public finance management. From amendments to the Fiscal Responsibility Act and the Public Procurement Act to the promulgated Public Finance Management Act (PFMA) of 2012 and five iterations of the Finance Act in the last five years, Nigeria has made significant strides in legislative and regulatory framework reforms pertaining to PFM.

- **Efforts to unify foreign exchange rates** across Nigeria have been received well, as their merits gradually unfold. While leading to increased volatility in the short run, the medium- to long-term benefits of a stable rate for budget forecasting and preparation are immense. The huge foreign exchange (FX) disparity over the years rendered government's valuation of assets, debts, and revenue unrealistic. The move to unify rates through a single importers and exporters (I&E) window provides investors and development partners with better clarity and reduced risks of exchange rate losses associated with operating in the country.

Key systemic and Institution-specific weaknesses

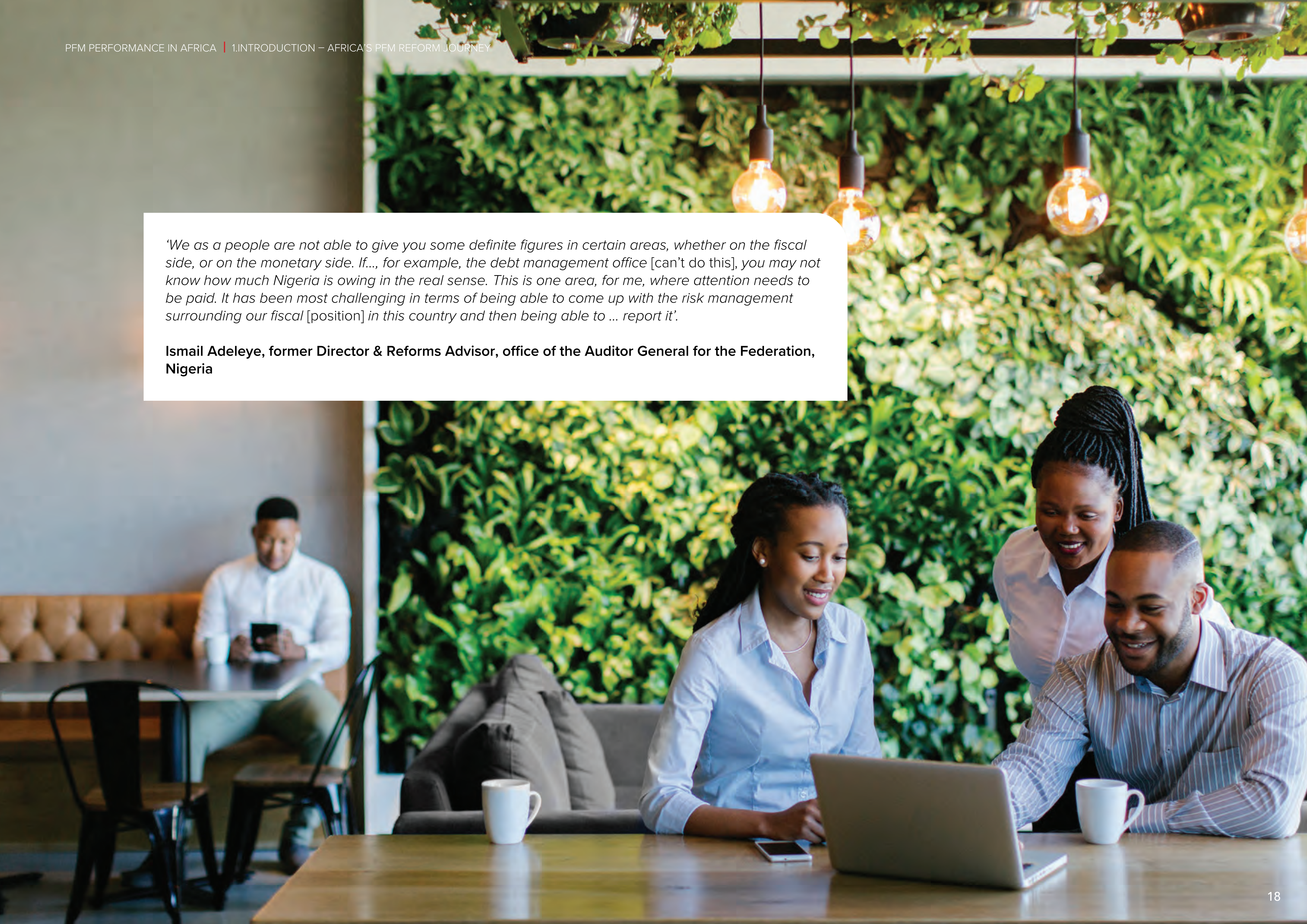
- **Ad hoc use of performance assessment tools**
  The utilisation of the PEFA tool is common at both the national and subnational levels. However, it is yet to be institutionalised, hindering the recurring budget for necessary resources and staff allocation for this activity within the annual planning cycle of MDAs. Unfortunately, the ad hoc nature of the current use of this tool does not support year-on-year monitoring and evaluation exercises.

  So far, the 2013 and 2019 assessments have been conducted at national level and while there have been considerations around assessment outcomes and the impact on international perception, it is uncertain if they have directly informed PFM reforms..

- **Absence of an Audit Act**
  A major gap identified in Nigeria's PFM ecosystem is the non-passage of the Audit Bill into law, which is crucial to providing its Supreme Audit Institution (SAI) with the necessary legal, administrative, and financial autonomy to fulfil its mandate.

- **Reforms implementation at subnational level**
  A major challenge of coordination, highlighted in the implementation of key policy reforms in Nigeria, such as the move to accrual accounting and GIFMIS adoption, is carrying along subnational government agencies, particularly at local government level. While there are evidently capacity gaps, concerns about reluctance to change and increased transparency at this level were also flagged.

- **Debt management inefficiencies**
  Development partner funding opportunities have triggered some debt-management reporting reforms in Nigeria. Even at subnational level, progress in establishing debt management offices (DMOs) has been made. Nonetheless, a combination of institutional capacity gaps and macro-economic factors contribute to incorrect estimates, forecasts, risk assessment and debt negotiations. These inefficiencies put the country at an increased risk of debt distress, credit rating downgrades and fewer public–private partnership (PPP) opportunities, as the debt burden continues to rise exponentially.



'We as a people are not able to give you some definite figures in certain areas, whether on the fiscal side, or on the monetary side. If…, for example, the debt management office [can't do this], *you may not know how much Nigeria is owing in the real sense. This is one area, for me, where attention needs to be paid. It has been most challenging in terms of being able to come up with the risk management surrounding our fiscal* [position] *in this country and then being able to … report it'.*

Ismail Adeleye, former Director & Reforms Advisor, office of the Auditor General for the Federation, Nigeria

The Public Financial Management Reform Project (PFMRP) was designed to improve general budget management, financial control and government reporting in Ghana. The four components of the project include enhancing budget credibility, instituting PFM systems and control, reinforcing financial oversight and accountability and PFM reform coordination and change management.

Post-Covid, the PFMRP secretariat released Ghana's 2022–26 PFM strategy, building on the learnings from its previous strategy, which had come to an end in 2018, anchoring on two themes – consolidation and sustainability (MoFEP 2022)

Case Study – Ghana Water Company (GWCL)

The GWCL is one of Ghana's state-owned enterprises, where key institutional reforms have been implemented, including several structural and corporate governance realignments, digitisation and major management information system and asset overhauls.

Major Strengths of PFM System

- **Adapting technology for service delivery**
  While there is a general increase in the adoption of technology to automate key public sector processes, a differentiating factor for organisations such as GWCL is the adaptation of these technologies for bridging unique local gaps. For instance, to ensure significant improvement in water service delivery and pursue its national drive for installing smart meters, GWCL has bridged access restrictions in remote areas with the use of drones. Consequently, data transmission and electronic bill generation are automatically managed through its SCADA (supervisory control and data acquisition) system and mobile application.

- **Clear coordination framework**
  Within and beyond GWCL, public finance reform coordination appears systematic and well thought through. The four broad pillars of PFMRP, though centrally led by the PFMPR secretariat under the ministry of finance, is implemented by key MDA's leading the eight sub-components. Despite the need for further improvement, a strong project management approach to reform coordination within GWCL has significantly improved monitoring and evaluation, communication and collaboration with other MDAs, enabling timely interventions in addressing implementation setbacks.

Key systemic and Institution-specific weaknesses

- **Poor adherence to policies in budget process**
  Two sides to this challenge was flagged. On one hand, there was the low to zero compliance with PFM reform guidelines or policies across government agencies, leading to overspending. On the other hand, instructions on earmarked budgets were hampering the ability of MDAs to meet the objectives set out in reform policies owing to constrained funding, worsened by consistently earmarked funds. The harmful policy disconnection between budget preparation and the execution process inevitably results in poor budget performance.

- **Soft Skill gaps among professionals**
  Reforms depend on both the effectiveness and the efficiency of processes. While technology contributes greatly to improving efficiency, existing deficiencies in leadership, communication and managerial skills continue to impair effectiveness of reforms and hamper transparency.

- **Poor internal and external collaboration across government agencies**
  Where many departments work in silos, it leads to waste in the use of resources. Awareness that risks and performance of activities are interconnected is not predominant in the public sector. Similarly, across agencies (including similar agencies across other countries within Africa) a lot more information sharing is needed to eliminate duplicated efforts and reduce cost of governance.

- **System integration gaps**
  Ghana's strides in digitisation in the public sector information management system, payroll and other PFM components are noteworthy, but the struggle to integrate these systems undermines the comprehensiveness of the budget cycle, from preparation to execution, reporting and audit scrutiny.

  Experts advise that the best cloud-based PFM model for Ghana would be one that would cover all aspects of PFM operations, while ensuring data security, compliance with controls, interoperability, and transparency' measures. (Abdulai 2020).

'Follow the rules where you have a budget allocated to areas of priority and … when you have external reviewers coming in to check whether you have followed strictly whatever [a] *PFM* [guideline] *is asking you to do, you would have done it the way that it should be done….at the end of the day, you want to achieve something, you want to set* [a] *certain standard. You want to make sure that you follow your vision'.*

Maame Yaa Tiwaa Addo-Danquah , Executive Director, Economic and Organised Crime Office (EOCO) Ghana

The Ministry of Finance sits at the centre of the economic and fiscal development agenda in South Africa (SA). It is led by the minister and deputy, who are responsible for key entities such as the national treasury.

The Constitution of the Republic of South Africa of 1996 and the PFM Act of 1999 mandate the national treasury with ensuring the accountability, transparency and control of PFM systems in South Africa, including the management of budget preparation processes and revenue administration.

Case Study – National Treasury

The SA National Treasury provides oversight of all key public finance entities in South Africa, including the SA Revenue Service (SARS), Accounting Standards Board, Independent Regulatory Board of Auditors (IRBA), the SA Reserve Bank (SARB) and Department of Public Enterprise, which is responsible for state-owned companies (SoCs) – which remain key drivers of the economy (Government of South Africa, n.d.).

International and regional collaboration and civil society stakeholder engagement have played a key role in the functions of the national Treasury since inception, but increasingly since the COVID pandemic. From economic recovery planning to policy formulation and budget adjustments, the functions of the Treasury have been strengthened through collaborations with multilateral organisations such as the World Bank, and regional institutions such as the Collaborative Africa Budget Reform Initiative (CABRI), and the Global Initiative on Fiscal Transparency (GIFT).

In leading on sustainability efforts in PFM, the Treasury has driven reforms such as the building of budget tagging for Gender Responsive Budgeting and Climate Budget Tagging , both of which are set for piloting later in 2024 (National Treasury 2023).

Major Strengths of PFM System

- **Increasing transparency and access to public information by leveraging technology**
  This has seen tremendous investment and improvement in South Africa in recent years. Information on all key budget documents dating back to the 1990s have always been accessible on the treasury's webpage, but in increasing transparency, the use of live dashboards with statistical data behind budgets has been introduced in recent years.

- **Established use of a performance-assessment tool across levels of government**
  Since 2014, South Africa's use of the PEFA assessment tool has broadened beyond national level to include several provinces and subsequently municipal areas. An assessment led by the National Treasury is beng conducted at provincial level at the time of writing.

- **Integrated approach to reform coordination**
  South Africa runs an integrated planning system guided by the Integrated Development Planning (IDP) framework and the NDP. This approach ensures that all MDAs across all sectors and levels of government are involved from the outset. A multi-level governance structure ensures representation of national, provincial, and municipal governments while the National Treasury's Department of Planning, Monitoring, and Evaluation (DPME) is made responsible for monitoring and evaluating the implementation of government policies, programmes, and projects, in ensuring the effectiveness of the integrated planning processes.

- **Investing in ethical skills development in the public sector**
  In collaboration with development partners, the South African National School of Government rolled out a national online course on Ethics in the Public Sector in 2020, to contribute to professionalising the public sector. Interestingly, this course was mandated across MDAs for all public servants, including professional accountants and non-finance professionals in the civil service.

Key systemic and Institution-specific weaknesses

- **Undue influence of political office holders on PFM**
  Public investigations into corruption scandals such as the Zondo Commission Inquiry on state capture in the previous administration, reflects the depth and impact of corruption on public finance management. The Inquiry uncovered four key categories of corruption issues:

  i. making key position appointments to protect the personal interest of the executive
  ii. misusing law-enforcement agencies, making some of them complicit in corruption
  iii. allowing weak parliamentary oversight
  iv. influencing independent media (Momoniat 2023)

- **Weak public sector culture and professional ethics**
  Reversing cultural norms and professionalising the public service was a key recommendation from the Zondo Commission Enquiry, as bias and poor professional ethics played significant roles in the relationship between public servants and political officers (Momoniat 2023).

- **Procurement system gaps**
  Several inefficiencies were identified in the procurement system in South Africa, which currently does not guarantee value for money for government expenditure. With the procurement bill waiting to be passed, the country has an opportunity to improve the sustainability and efficiency of the procurement system, leveraging advancing technology.

'There has been sort of widespread acceptance [of PEFA], *they understand the methodology on a high level, in terms of the executive management or the executive of each subnational government'.*

Emmanuel Pillay – Director, Provincial Budget Analysis, National Treasury of South Africa

In its move to transition the public sector culture from being administration-focused to performance-driven, the government of Mauritius launched its programme-based budgeting reform initiative between 2007 and 2008, following the introduction of a medium-term expenditure framework in accounting for budgetary needs beyond the short term. The coordination of this reform was spearheaded by the Ministry of Finance and Economic Development (MoFED)

In 2012, the government of Mauritius announced the preparation of a 10-year Economic and Social Transformation Plan (ESTP) to further strengthen the framework for its medium-term strategic planning (CABRI 2013).

Case Study – Office of the Accountant General of Mauritius

The office of the Accountant General is responsible for preparing the annual financial statements for the government of Mauritius and plays a leading role in most of the country's PFM reforms, including the adoption of the IPSAS and a phased move to accrual accounting, operationalised in 2017 (Murphy and Khan 2017).

With the technical support of the International Monetary Fund (IMF), a phased implementation approach of IPSAS adoption was developed between 2017 and 2022, beginning with the reconfiguration of the Treasury Accounting System (TAS) on a dual accrual and cash basis, culminating in the audited IPSAS financial statement of the public sector by December 2022.

Major Strengths of PFM System

- **Budget credibility**
  A strong level of budget reliability in Mauritius has played a significant role in implementing PFM reforms as far back as the introduction of the Performance-Based Budgeting system (CABRI 2013). The country's last three PEFA assessments to date have seen aggregate expenditure outturn, compared with original approved budget, rated between A and B.

- **Professionalisation and capacity building**
  Mauritius' PFM journey has been marked with major investments in capacity building, financed both locally and through donor funding. Collaborations with Institutions of higher learning have also led to public sector-specific developmental certificate programmes, strengthening the technical and technological capacities of the public sector as reforms have evolved. For instance, the University of Technology, Mauritius Act 2000 established the University of Technology, Mauritius (UTM) as a multi-level tertiary education institution to provide continuing professional education in the areas of technology, sustainable development science and public sector policy and management. (MOESR 2000)

- **Early adoption of technology in the public sector**
  The IMF's technical assistance report in supporting Mauritius' IPSAS adoption sheds light on the existing Oracle application enabling the TAS, which supports both the cash and accrual accounting bases, thereby supporting a relatively easy and cost-effective transition.

Key systemic and Institution-specific weaknesses

- **Need for more sustainable public procurement policies**
  While progress has been made in digitalising public procurement processes, there is a need to update legislative and policy frameworks for embedding stronger green public procurement criteria. Such policy updates improve public sector sustainability by strengthening its ability to respond to evolving environmental and diverse social needs.

- **Undue political influence on Institutions**
  In the aftermath of the COVID-19 pandemic, Mauritius has been criticised for the strong influence of political office holders on the governance of public service institutions, reducing their independence and leading to corruption concerns. Between 2021 and 2024, the country's credit rating was reviewed downwards twice by Moody's, from a Baa1 to Baa3, on grounds of weakened quality and effectiveness of institutions (BTI 2024)

2.PFM Systems – factors affecting performance across Africa

2. PFM Systems – factors affecting performance across Africa

In engaging with senior leaders and public finance professionals leading or actively driving PFM reforms across the region, we found recurring themes in the challenges restricting PFM performance across countries.
Guided by the PEFA framework, engaged professionals identified the top challenges currently affecting various dimensions of activities across six of the seven PEFA pillars. These factors were explored, with a view to inform key recommendations for improving performance, in the later part of this report.

Budget reliability

Technical capacity gaps – forecast and budgeting skills Incorrect forecasts reduce budget credibility, as they can lead to overspending or underspending. Budget officers at all levels, but especially at subnational levels, require upskilling in this area as it impinges on all other aspects of the PFM system. Where budgets are inaccurately low, the need for multiple budgetary supplementations arises, increasing aggregate expenditure outturn.

Outdated software
In improving the transparency and reliability of budgets, some existing technologies would require updated licences for newer versions to enhance analytical and reporting capabilities. A common challenge across countries was the absence of a non-recurring expenditure budget for licence update or upgrades for existing technology, leading to limited functionality and use, and exposure to cybersecurity risks or system redundancy.

Disconnected budget and policies
Several reform levers inform budget preparation across countries. One recurring challenge found was that, irrespective of the medium-term budgeting approach and, for some, in combination with a long-term vision, budget plans were being overridden by short-term expenditure needs. Several issues emanate from this, especially budget deficits arising from expenditure aggregates that exceed revenue outturns, resulting from multiple supplementary budgets.

'Yes, we could have the long-term goals and aspirations as a nation. So you have an economic blueprint, but the reality on the ground is such that [while] *it may be a blueprint on paper, It does not anchor a lot of our successive government interfaces on the basis of what the economic blueprint speaks of. So that gives us… shaky ground as and when there is a transition. And such transitions will come with new spending priorities, which has an impact on what happens downstream to add at the micro level'.*

Frederick Riaga, current Chief Executive Officer, African Association of Accountants General (AAAG) and immediate past Chief Executive of PSASB Kenya

Transparency of public finances

Inflated budgeting
Commonly referred to as 'budget padding', the use of inflated budget estimates is a corrupt practice that enables diversion of funds or misallocation of resources and wasteful spending. This factor greatly reduces transparency at budget preparation and service delivery performance levels, both at national and subnational levels.

Gaps in soft skills and ethics
Most accounting and finance professionals are attuned to developing and communicating through financial reports. With the growing need for an integrated approach to reporting, the inability to communicate information effectively, with various groups of stakeholders (both technical and non-technical stakeholders) reduces transparency at various levels: for example, the language and format of information made available to the civil society could hinder understanding and hamper trust.
Closely linked is the need for stronger ethics in the public sector. Currently, this gap exists for both professional accountants and non-professionals across MDAs, with little to no regulation or enforced guidelines for bridging it.

Reactive approach to performance assessment Irrespective of the wide-spread familiarity with assessment tools such as the PEFA framework, most agencies do not have a forward-thinking approach to utilising it. Owing largely to constrained resources and lack of leadership buy-in for such assessments beyond the scope of key areas of national focus, a reactive approach is often taken, with an ad hoc team assigned the responsibility for looking across agencies for the information needed to complete such exercises. This helps explain the inconsistency with which such periodical assessments are conducted .

'There is a need to have PEFA champions and conduct capacity building for PFM professionals in OCoB on the PEFA assessment tools. This will enhance engagement with other PFM stakeholders, quality reporting and ownership of the assessment process'.

CPA Dr Margaret Nyakang'o, Controller of Budget, Kenya

Management of assets and liabilities

Inaccurate estimates and records

This factor was alluded to as a widespread challenge for several MDAs when accounting for and managing government assets and liabilities. As technology is adopted in accounting for estimating and recording, several governments face the challenge of correctly estimating the value of the assets that need to be captured by their systems. Where these are overstated or understated in the asset register, systems such as the government's IFMIS will produce inaccurate financial reports and may contribute to wrong decision making.

Weak debt-management strategy

The development of debt management strategies based on faulty debt figures and forecasts is closely linked to the issue of inaccurate information. These have an impact on debt instrument negotiations and the consequent debt-servicing arrangements agreed to by governments. Contributors from all countries represented in this research attested to this challenge as a growing one across the region. The inability of government DMOs to develop sustainable debt management strategies will reduce international confidence in governance and credit ratings and create problems in accessing public investment funding.

Policy-based fiscal strategy and budgeting

Inadequate stakeholder engagement

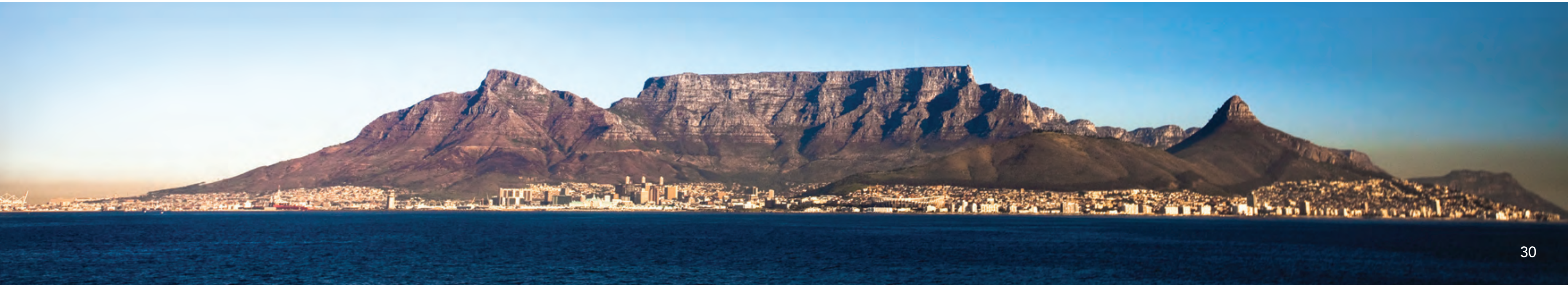
Poor engagement with stakeholders, including taxpayers, suppliers, public service users and private sector interest groups, is increasingly reducing the ability of governments to forecast fiscal revenue correctly and prepare accurate budgets. There is also the risk of inadequately capturing the needs of the people for whom the budget is being prepared. For most governments, there is no limit to supplementary budgets in catering to expenditure needs that were unaccounted for. Several consulted experts linked this to the recurring risk of overspending.

Poor internal and external collaboration

In the struggle to maintain budget expenditure benchmarks and realise national fiscal strategic plans, a major deficiency was identified in the level of collaboration, firstly, among key public sector agencies at national and subnational level, and then between the public and private sectors, particularly key business-sector leaders and professional institutions.

'I think for government, just reaching out to the private sector, as a key strategic stakeholder, collaborator, would be helpful. The private sector has the third-eye view of things happening in government which we might not have the capability of identifying. So tapping into their skills, their experiences, obtaining feedback from them, would enable us to achieve better. I think it can enable us to achieve better prioritisation programmes that the government is seeking to roll out. Consequently, getting to know the best way to efficiently allocate the limited resources that we have, and eventually teaming up with them in terms of monitoring progress of implementation [is important]*'.*

Frederick Riaga, current Chief Executive Officer, African Association of Accountants General (AAAG) and immediate past Chief Executive of PSASB Kenya



Predictability and control in budget execution

Poor Integration of existing automated systems
Most processes informing this pillar have indicators that are largely rated on the strength of their digitisation. There is little to no integration of automated systems for revenue collection, payroll, procurement, internal audit systems and more, which are currently running in silos. This significantly reduces the level of predictability and effectiveness of control in budget execution.

Outdated policy frameworks and internal controls
There are currently several legal and policy frameworks underpinning the mandate of key agencies for carrying out functions such as tax and procurement administration that require updates. For instance, data privacy and cybersecurity risks are increasingly becoming a concern as technology becomes widely adopted in the public sector, yet several regulatory and policy frameworks have yet to be updated to make provision for these evolving risks. Similarly, there are redundant internal control measures that are still operational.

While governments may not have the required in-house technical expertise, professionals are of the view that external consultation and collaboration have not been sufficiently explored.

'There quite a number of opportunities. You know, the PFM reforms are implemented across a lot of stakeholders. So there are those of us that provide technical advice. So, of course we have opportunities to engage with government to provide technical inputs, like now I have told you about supporting the government in developing the strategy. We are not developing the strategy ourselves. We are providing the oversight, in terms of technical support, but of course, the inputs come from all the players. So that's an opportunity'.

FCPA Paul Otsola, Governance/Public Financial Management Consultant, the World Bank, Kenya

Accounting and reporting

Talent and skill transfers

Several roundtable participants raised concerns about talent management, including skill gaps created by the transfer of skilled professionals from subnational and national agencies to autonomous or specialised government institutions; the use of consultants to drive specialised areas of reform, without ensuring skill transfer to MDA staff; and the overall quality of life of public servants. Transference of skills from experienced to upcoming professionals within MDAs and from external consultants to internal staffers were considered essential for maintaining the quality of public reports – more so, where remuneration is not reflective of economic realities and the incentive for corruption rises.

'What I found very useful is where the technical assistance side comes in, whereby this matching and pairing of the counterpart staff and the consultant staff working together and, in that case, then there needs to be a very deliberate method to ensure that knowledge transfer is properly handled, so that when the technical assistant pulls out then the people [having] *their capacity .... built are able to take over'.*

Dr Benson Okundi, PwC Partner and Africa Head of Government and Public Sector Business

Technical capacity gaps – full adoption of accrual accounting

In adopting IPSAS, the move from cash to full accrual accounting remains a slow journey for many countries in Africa, with some operating a modified accrual or modified cash basis and others operating with varying bases of accounting at national and subnational levels.

Unfortunately, cash accounting at any level limits visibility of the true financial position of governments, leading to flawed decision making. The slow pace of transition was commonly ascribed to a combination of technical skills gaps and change-management issues.

'Although we have tried to professionalise the Public Sector I still think that these professionals are not adequate to handle the demands of PFM systems. This is very evident especially with PFM reform implementation in Sub national entities which for us we call local governments'.

Mr Lawrence Semakula FCCA, Accountant General of Uganda

Regulatory incentive for sustainability reporting and assurance

While there is global progress in the development of suitable sustainability reporting and assurance standards for the public sector, professionals at national level require regulatory incentives to drive readiness for adoption of the standards and allocation of resources to enable this. Where such incentives are not present and the public sector has no mandate or value attached to efforts to prepare, adoption of sustainability standards is likely to increase the cost and complexity of reporting.

'Even as a government wants to attract funding from different sources, be it the development partners, be it the IMF and the World Bank, it will be a question of: "Show us how your financial management systems are built along the sustainability issues"....So I don't believe we are there yet, especially in terms of incorporating all the aspects of sustainability and climate change in the budgeting process, leave alone in planning and presentation. But with the momentum that I am seeing coming from the external parties, even if you're not prepared as a country, we'll have no choice but to move in and embed them fully in terms of budgeting, planning and reporting'.

Dr Benson Okundi, PwC Partner and Africa Head of Government and Public Sector Business.

External scrutiny and audit

Absence of an Audit Act or outdated audit policies.

While most countries have oversight structures in place, the absence or outdatedness of an Audit Act that empowers Supreme Audit Institutions with the right level of autonomy and powers leads to weakened external scrutiny and audit processes. Such PFM systems with underdeveloped audit frameworks are prone to undue influence by political office holders, corruption and fraud.

Legislative oversight gaps

While most countries record excellent performance in timeliness of budget and audit report submissions for legislative scrutiny, a clear lack was identified in the level of understanding legislative oversight committees often have of the report details and the PFM systems that produce them. Some countries complement the oversight function of the legislative government with independent oversight bodies, such as the office of a public protector (Ombudsman), as is the case in South Africa.

The use of the PEFA tool in monitoring and evaluation (M&E) – key learnings

PEFA's recent stocktaking report on PFM diagnostic tools captures an increase in the number of public finance diagnostic tools used by governments globally, with sub-Saharan Africa being one of the top three with the highest number of tools. One of the key conclusions of PEFA's analysis was that diagnostic tools are used selectively across countries. Despite this, in addressing an increasingly varied range of reform implementation issues, the use of diagnostic tools such as the PEFA assessment tool remains key (Ramos 2024).

In assessing the level of engagement and effectiveness of the use of the PEFA tool across African countries, we further engaged professionals and key stakeholders on the use of the tool. Representatives of all countries involved attested to the use of PEFA, albeit at different levels: 80% indicated a non-institutionalised but periodic use of the tool. Table 2.1 summarises our key learnings on what has worked well and what remains work in progress.

'How well will we say the professional in there understands and applies [the] *PEFA framework in order to give a performance* [score]*? We* [should] *look at this from a very* [much] *broader perspective. Let's start from a very positive point that there is the right tone at the top. And ... the right tone at the top is set by the National Treasury, Judiciary and especially by the Accountant General's department that is responsible for public sector financial reporting and ...the PFM* secretariat as well*'.*

FCPA Paul Otsola, Governance/Public Financial Management Consultant, The World Bank, Kenya

Table 2.1: Current good practices and areas needing improvement

Good practices	Areas for improvement
■ **Assessment-driven reforms** Some countries have been able to establish PEFA assessment outcomes as a metric for PFM performance that systematically feeds into their national PFM strategic plan and reforms. ■ **Use as an indicator for capability building needs** Training programmes at national and subnational levels have been informed by gaps highlighted by PEFA assessments. A commonly cited example is capacity building for the transition to full accrual accounting. ■ **Institutionalising the use of the PEFA assessment tool** This has enabled a number of countries or agencies to mandate the allocation of resources, including personnel and budget, to enable reform coordinators to carry out M&E on all indicators throughout the annual budget cycle. This approach enables a seamless year-on-year review, coordination at subnational level and adaptation of technology to reform coordination. A non-reactive approach to assessing PFM performance facilitates the agile redress of problem areas.	■ **Limited expertise and engagement in the use of the PEFA tool** While most MDAs across Africa have knowledge of the PEFA assessment tool, only a handful of senior professionals are usually involved in these organisations, leaving a wider number of professionals unaware of what it entails, how it is done and what the expected outcomes are. As with other technical engagements involving consultants, where they are engaged in conducting PEFA assessments, poor skill transfer at the end of the exercise can result in missed opportunities for building local capacity and sustaining improvements in public financial management practices over the long term. ■ **Evaluating performance of sustainability-related PFM activities** PEFA's supplementary frameworks for assessing gender and climate responsiveness in PFM systems have been useful to some. However, the sufficiency of the PEFA tool in helping governments evaluate the performance of their gender and climate reforms was challenged in our roundtable discussion. This may be indicative of the need for a framework update, with revised indicators to measure more sustainability-related PFM dimensions. ■ **Establishing value for the use of PEFA at subnational government (SNG) level** The value of PEFA assessment in most countries is often better appreciated at national level. In ensuring effective coordination at SNG level, value must be established in helping them own the process. This could be in the form of effective support or incentives. For instance, In helping SNGs collect and analyse information, aimed at assessing the extent to which PFM performance is enabling effective service delivery, PEFA provided a set of diagnostic questions mapped to PFM performance indicators through its Service Delivery (SD) Module.

3.Priorities in building PFM capabilities – opportunities for collaboration and support

3. Priorities in building PFM capabilities – opportunities for collaboration and support

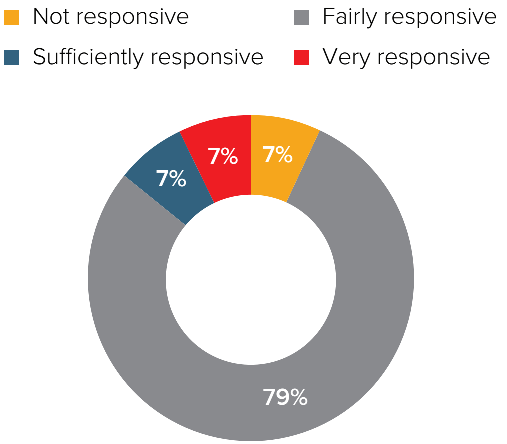
In collaborating and providing support to governments and coordinating agencies, engaged stakeholders and institutions were asked to prioritise areas of focus and the required outcomes.

To aid decision makers, collaborating institutions, development partners and private sector investors in shaping interventions, we further explored the five most challenged dimensions of PFM processes and those best positioned for immediate support in improving performance in the public sector.

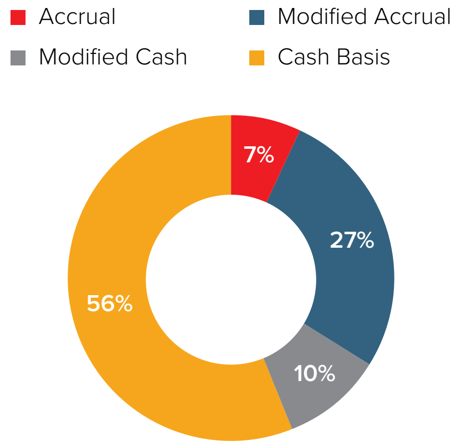
Key areas of support required	Major areas of challenges where support should be targeted	Priority for collaboration and support in these areas
1. Skill development	■ Macroeconomic and fiscal forecasting ■ Financial data integrity ■ Annual financial reports	Collaborate on capacity-building initiatives in bridging evolving technical, ethical and 'soft' skill gaps in the civil service, as well as knowledge gaps across stakeholder groups
2. Enhancing trust in systems	■ Budget preparation process ■ Performance information for service delivery ■ Public access to fiscal information	Provide consultations on integrating skills, technology and policy reforms for ensuring the sustainable use of resources and service delivery, with the goal of skill transfer
3. Digital optimisation	■ Public asset management ■ Accounting for revenue ■ Procurement	Enable collaborations to enhance adoption, adaptation and integration of emerging technology to ensure the quality and consistency of data at national and subnational levels
4. Legislative and policy framework reforms	■ Internal controls on non-salary expenditure ■ Internal and External audit ■ Legislative scrutiny of audit reports	Advocate and support legislative and regulatory policy framework updates needed for effective reform coordination
5. Public sector sustainability		Provide collaboration and support in building more sustainable PFM systems by enabling a transition to full accrual accounting, and improving readiness to adopt suitable sustainability standards

An opinion poll of participants reflected the sentiments of public sector professionals towards emerging sustainability reporting standards. About 80% of professionals who participated in the poll considered the PFM systems in their country to be fairly but insufficiently responsive to current sustainability commitments such as gender and climate considerations. (figure 3.1)

Figure 3.1: Polls of Roundtable participants



How responsive has budget preparation and execution been to sustainable commitments (eg gender and climate)

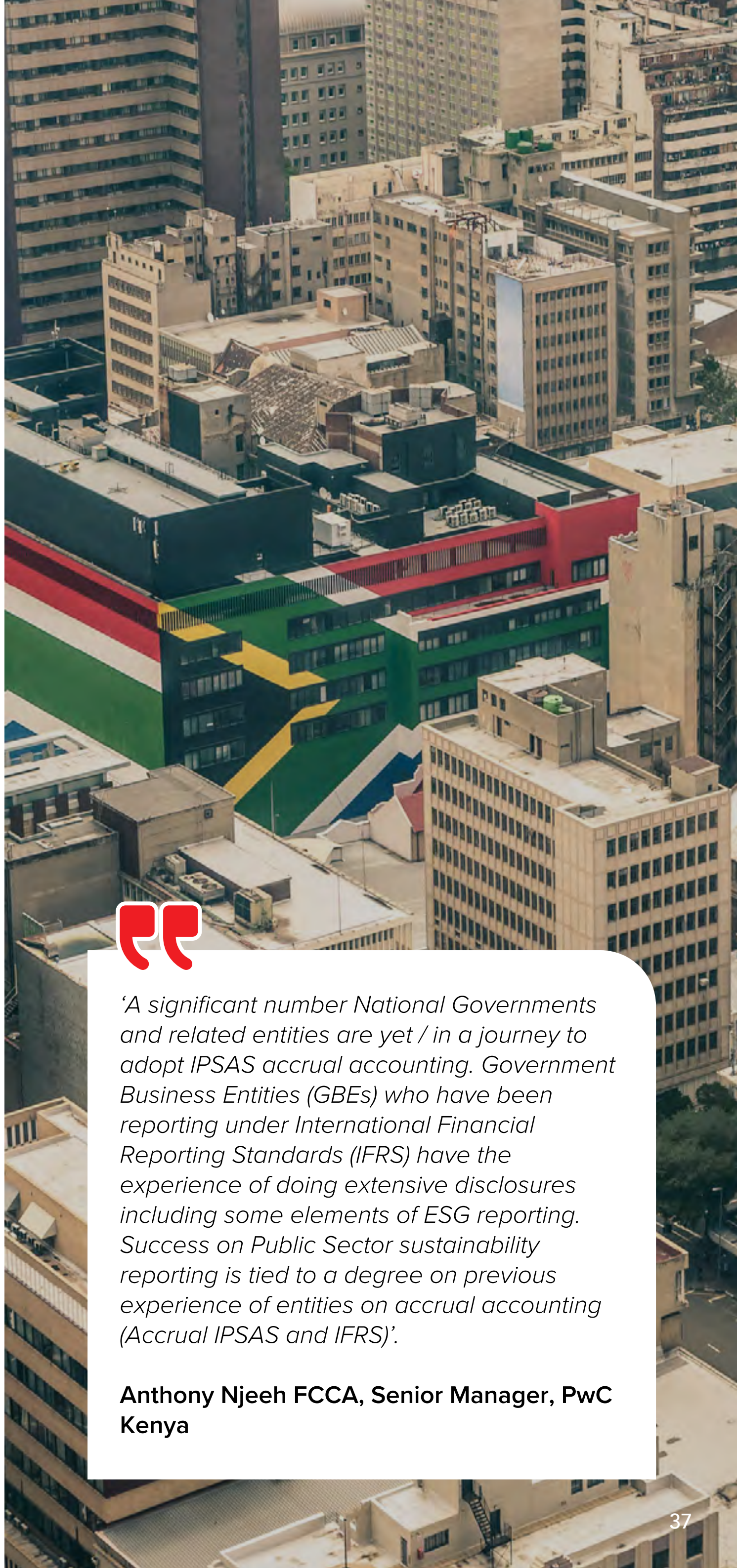


Which method of accounting is operated in your country?

Another major concern raised by many was the current level of progress in adopting IPSAS and transitioning to accrual accounting. Among polled professionals, 57% indicated they currently operate a modified accrual method of accounting. (figure 3.1)

Engaged experts considered good connectivity of financial and non-financial information, as well as the need to recognise revenues and expenses in the period in which they were earned or incurred, to be fundamental requirements of good sustainability reporting. Although there is the consideration for a global public sector sustainability standard that can operate irrespective of the jurisdiction's basis of reporting, feedback received is indicative of professionals being confident that the full accrual accounting method would strengthen readiness to adopt global sustainability standards.

Consequently, subvented institutions reporting under IPSAS that have fully transitioned to accrual accounting are considered better prepared to adopt the expected public sector sustainability reporting standards. Similarly, state-owned enterprises currently reporting under the IFRS framework were considered better prepared for adopting the IFRS S1 and S2 standards.



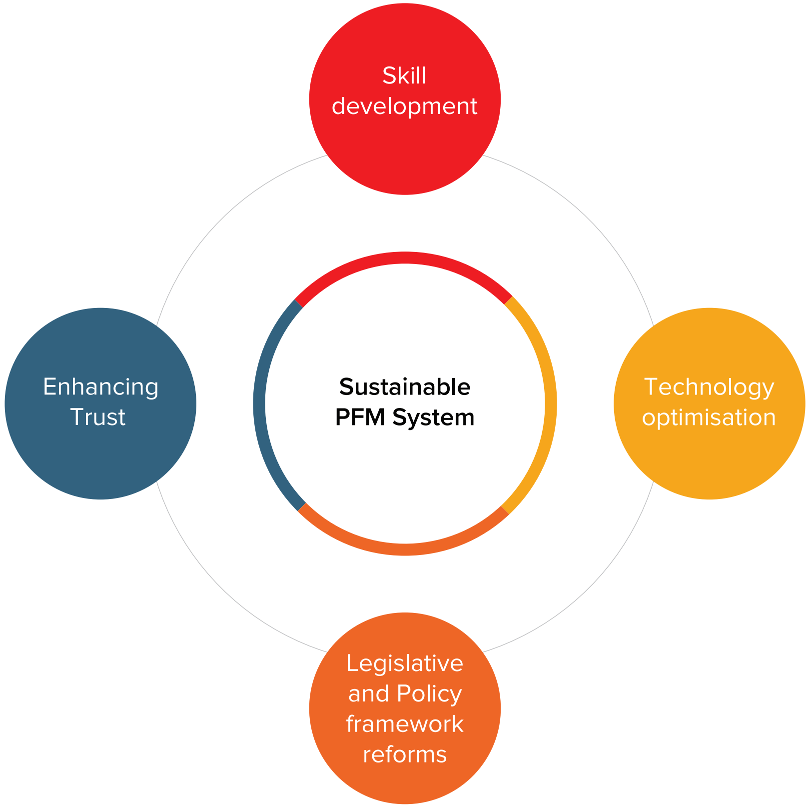
'A significant number National Governments and related entities are yet / in a journey to adopt IPSAS accrual accounting. Government Business Entities (GBEs) who have been reporting under International Financial Reporting Standards (IFRS) have the experience of doing extensive disclosures including some elements of ESG reporting. Success on Public Sector sustainability reporting is tied to a degree on previous experience of entities on accrual accounting (Accrual IPSAS and IFRS)'.

Anthony Njeeh FCCA, Senior Manager, PwC Kenya

As depicted in figure 3.2, collaboration on sustainability cuts across all other areas of prioritised support, given the need to:

- strengthen the integrative approach to reporting by enabling full compliance with IPSAS accrual and IFRS standards adoption
- build capacity for sustainability reporting and assurance in alignment with the prevailing financial reporting framework
- provide consultations on de-risking PFM systems and improving trust, to position governments better for accessing green project-funding opportunities
- provide technical support in developing national illustrative guidance for sustainability standards adoption and embedding existing forms of impact reporting in the public sector
- provide financial and technical support for upgrading and optimising existing technologies to improve monitoring, evaluating, reporting and auditing relevant sustainability-related metrics across sectors
- advocate and support the legislative and regulatory reforms needed to build sustainable PFM systems.

Figure 3.2: Priority areas for support and collaboration for the public sector in Africa



Relevant ACCA resources that across priority areas

- Sustainability Reporting in the Public Sector
- A Global Guide for Professionalisation in the Public Sector
- Sustainability Reporting – The Guide to Preparation
- Public Trust in Tax: Building Trust in Tax for a Sustainable Future
- Green Budgeting: A Toolkit for Public Sector Finance Professionals
- Certificate in International Public Sector Accounting Standards
- Certificate in Public Financial Management
- Boosting PFM Reforms Video
- Calculated risk: An Introduction to Finance Professionals' Role in Understanding Risk and Building Resilience in the Public Sector
- Rethinking Public Financial Management
- Showcasing Good Practices in Public Financial Management (a joint series of videos by IFAC and ACCA)
- Is cash still king? Maximising the benefits of accrual information in the public sector

4.Conclusion

4. Conclusion

The report finds that key systemic and operational challenges identified across countries in Africa have impacts on PFM systems and the overall performance of reforms in four major ways, including the impacts on: effectiveness of reform coordination; people; the integrity of public sector data; and efficient use of resources. We find a strong correlation between these dimensions of impact and the prioritised areas of support required in improving PFM performance in the region.

Impact on effective coordination
Evidently, good PFM reforms do not guarantee good performance for several reasons identified. Nonetheless, the role of reform coordination is seen to be critical in determining the pace of progress, quality of monitoring and evaluation, and the realisation of reform objectives. Poor coordination leads to duplication of efforts, contradictory policies, and poor value for money on committed resources.

Impact on people development
Corruption and the non-prioritisation of people's needs in the public sector greatly shape the underperforming work culture, low levels of professionalisation and poor talent retention commonly seen within the civil service across Africa. These define the quality of PFM performance and public service delivery, which makes or mars sustainable development in the region.

Impact on data integrity
Budget reliability hinges on the credibility of its components and preparation process. Compromised integrity in budget preparation unfortunately impairs all other aspects of the budget cycle, including budget execution, reporting and audit, particularly where PFM systems are being automated in silos. Consequently, we see how failures in accountability and transparency diminish public trust and international credibility, reducing the fiscal sustainability of a nation.

Impact on resource efficiency
In spite of huge investments, the inefficient use of human, financial, technological and natural resources leads to waste, poor management of revenue and liabilities and the reduced capacity for effective service delivery at both national and subnational levels. We see several factors contributing to this, including weak internal controls and regulatory frameworks.

Recommendations

The report outlines 15 key recommendations in guiding immediate actions for PFM stakeholders, leveraging the prioritised areas of support, in addressing all four categories of impact, in order to urgently enhance PFM performance and the overall success of reform efforts.

Figure ES3: Support needed for the areas most affected by poor PFM performance

Building sustainable PFM systems

Support for legislation and Policy Reform

Effective coordination

1. Update or establish the legislative and policy frameworks needed to empower key agencies with the requisite level of autonomy/ mandate to function effectively, such as Audit Act establishing SAI independence.

2. Institutionalise use of suitable performance assessment tools, enabling mechanisms for prompt action on assessment outcomes throughout the budget cycle.

3. Increase collaboration across agencies and with the private sector in enabling resource and information sharing and effective oversight.

4. Establish stakeholder buy-in on PFM reforms, by building internal and external stakeholders' understanding of the implications, including their responsibilities and benefits hinging on the area of reforms.

Support for skill development

People development

5. Build technical skills of professionals to enable full transition to accrual accounting, as part of IPSAS adoption at national and subnational levels.

6. Demystify sustainability in the public sector through capacity building in key aspects of sustainability in the public sector, including sustainable finance and budgeting, sustainable debt management, and sustainability reporting and assurance.

7. Mandate soft and ethical development across MDAs, particularly for leadership and change-management skills, effective communication, and collaborative-working skills, Integrative thinking, and ethics.

8. Improve skill transfer and retention in the public sector through coaching and mentorship, work -shadowing arrangements between related national and subnational agencies and consultancy contracts that mandate skill transfer.

Support for digital optimisation

Data integrity

9. Ensure adaptation of technologies to prioritised needs of PFM systems by adopting an impact-focused (as opposed to input-focused) approach to digitisation, at national and subnational level.

10. Integrate existing automated systems, currently operating in silos. The optimisation of truly integrated systems will aid collaboration, reduce cost, and improve the comprehensiveness and integrity of public finance information.

11. Develop regulatory guidelines for ethical use of AI and emerging technology to ensure the integrity and safety of public finance data.

12. Upskill both accountancy and non-accountancy professionals across finance functions on leveraging emerging technologies such as Power BI and AI software in data management, analysis, and forecasts.

Support for public sector sustainability

Resource efficiency

13. Build trust and improve transparency in PFM systems through increased stakeholder engagement and established mechanisms for public accountability, leveraging technology.

14. Collaborate with educational institutional partners on the development of illustrative guidance and technical assistance in effectively adopting sustainability standards.

15. Improve Internal controls and audit by embedding ESG-sensitive controls and maximising the use of live (automated) dashboards for effective and transparent monitoring, evaluation, and internal audit.

Acknowledgement – Contributors

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Appreciation – Institutions

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- National Treasury of South Africa
- Office of the Controller of Budget, Kenya
- Public Sector Accounting Standards Board, Kenya
- PwC Kenya

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