African public sector financial managers - heroes or villains? – the origins and future prospects for public financial management in Sub-Saharan Africa

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Biography
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Abstract
Contrary to the currently dominant view, it was not poor governance nor the associated corruption which were the prime causes of the development of poor public sector financial management in Sub-Saharan Africa. It was the economic problems across Sub-Saharan Africa, especially in the late 1970s and early 1980s, which led to a decline in the quality of public sector financial management and governance. The economic problems primarily arose from external events over which African governments had little or no control. Public sector financial managers across Sub-Saharan Africa, far from being the cause of the decline in the quality of public financial management, could be considered heroes and should be recognised as the key experts on the history, capabilities and short-comings of the systems they manage. As such, they should lead incremental reform programmes to re-build their systems rather than attempts at comprehensive and complex reforms effectively led by foreign consultants and the international financial institutions.

Key words – debt, public sector financial management, Sub-Saharan Africa, economic, corruption

Introduction
In the 1980s, with the increased involvement of the World Bank and the IMF in Sub-Saharan Africa promoting Structural Adjustment Programmes (SAP), states were seen as part of the problem and the aim was to reduce their role as much as possible. The World Bank’s World Development Report for 1997, The State in a Changing World, marked a mile stone in the Bank’s thinking. The World Bank did not adopted its first anti-corruption policy until this time (Isaksen 2005), although the idea that good governance was the independent variable that explained African underdevelopment to date was famously and categorically declared in 1989 by the World Bank (page 60), saying:

*underlying the litany of Africa’s development problems is a crisis of governance.*
The belief that lack of good governance might be the main hindrance to economic growth in Africa was widely accepted by the international community. Nearly a decade later in the overview of its World Development Report, the World Bank could boldly state that:

*Corruption became endemic. Development faltered, and poverty endured.* (1997, page 2)

The governance agenda was born and corruption was seen as the cause of the problems of the global south and an inherent problem of the public sector, as:

*The state’s monopoly on coercion, which gives it the power to intervene effectively in economic activity, also gives it the power to intervene arbitrarily. This power, coupled with access to information not available to the general public, creates opportunities for public officials to promote their own interests at the expense of the general interest* (World Bank 1997: 265).

The quality of governance and public financial management has gained renewed emphasis in recent years and the World Bank and other aid agencies have played influential roles in this area in most Sub-Saharan African countries. The currently dominant view is that it is poor governance and public financial management that is a major cause of the poor economic conditions in these countries.

In 2005, Tony Blair’s Commission for Africa claimed that corruption was the single biggest problem facing Africa and a major cause of its economic problems. If corruption could be tackled it is suggested then significant economic growth and so poverty reduction could be achieved. This idea has been broadly accepted across Africa by the leading economists, so, for example:

*the New Partnership for Africa’s Development (NEPAD) has articulated the importance of accountability, describing corruption, ineffective policies, and waste of resources as major causes of the continent’s stagnation* (Isaksen 2005: 4)

However, this paper argues that the causal relationship runs the other way. Economic problems (originating from external events) were the dominant reason for the deterioration in the quality of governance and public financial management in many African countries. The international financial institutions and bilateral aid agencies were then able to use their new found power to introduce wide ranging public sector financial management reforms. These included such mega-reforms as, for example, the Medium Term Expenditure Framework (MTEF) and Integrated Financial Management Information Systems (IFMIS). Such reforms are complex and so of high risk. In many countries such risks have been realised and the reforms have failed (Wynne 2005).

Our reflections may be considered timely, as leading economists across the world are having to rethink their ideas in response to the current global financial crisis and economic recession. In addition, we have seen the election of a US president whose main slogan was ‘change’. The previous paradigm of reduced regulation and limited state intervention has been replaced by the nationalisation of several leading banks (and car manufacturers) in the states which most comprehensively supported neoliberalism and new public management; for example, the US, the UK and Iceland. The widely held virtue of balanced budgets is being jettisoned in the face of dire economic necessity. Governments in the industrial countries are borrowing heavily in order to protect their economies and their banking systems and this is being supported by the IMF (IMF 2009). We argue that a similarly dramatic re-think is also required in terms of type of the public sector financial management reforms which the international financial institutions and the national aid agencies have been
promoting across the Global South in general, and Sub-Saharan Africa in particular, for the last decade or more.

The origins of the Sub-Saharan debt burden

In the first few years after independence the economies of many Sub-Saharan African countries grew significantly and so their governments could afford to dramatically expand public services, especially those providing health and education for the majority of their citizens.

Primary school enrolment increased from a little over 40% to around 75% of African children from 1960 to 1980. Investment by African governments was lower than in industrialised countries, but it was a higher proportion of their national incomes. By 1980 4.8% of national income was being devoted to public education in Africa compared to only 4.1% in developed countries. By 1980, education claimed 25-35 per cent of current government expenditure in Africa (Mazrui 1999: 690). The result was impressive:

_The continent has achieved the highest overall growth rate of any region in the world, as well as the most rapid increase in literacy. In several places programmes of universal primary education were embarked upon, and in some free education even up to secondary and tertiary levels._ (Mazrui 1999: 688/689)

With the first major oil price rises in 1973-74 funds were readily available for these countries to borrow for significant public investment programmes. Situmbeko and Zulu (2004:16) report that:

_Not surprisingly, then, many countries concentrated on Big Projects - showpiece government development projects that could be the motor for economic transformation, such as Ghana’s Volta River Project, which involved construction of the Akosombo Dam in the early 1960s to form the world’s largest artificial lake and building aluminium smelters to take advantage of the country’s bauxite resources._

This approach was widely accepted at the time by the World Bank and others. The experience of the US and UK in the years immediately following the second world war had shown that extensive government borrowing could facilitate economic growth. In the US the Federal debt alone (excluding state or local government debt) reached over 120% of GDP in 1946 (Office of Management and Budget 2007) and in the UK Government debt peaked at nearly 250% of GDP (Clark and Dilnot 2002) at around the same time. The sustained economic boom of the 1950s and 1960s meant that these levels of debt were sustainable, could be accommodated and were eventually repaid.

However, most of the Global South was not to be so lucky. In 1979-80 further oil price rises resulted in an increase in the price of their imports. Immediately following this, in the early 1980s, the United States raised interest rates to nearly 20% in a battle to throttle back its persistent inflation (Stiglitz 2006). This led directly to a massive increase in the rate of world interest rates. The real (inflation adjusted) interest rates paid by governments of the Global South increased from minus four per cent in 1975 to almost plus four per cent a decade later (Bond 2006).

_A strategy for development, based on indebtedness… was suddenly transformed into an actual catastrophe by a decision emanating from a fraction of ruling classes within leading capitalist countries, with a total indifference for the hardship imposed on the_
third world (as well as for the rise of unemployment everywhere) (Duménil and Lévy (2001)).

Figure 1: Global South: Real rate of interest, percent

The rapid increase in world interest rates in the early 1980s on top of the oil price rises, led to a world recession. As a result most countries of the Global South faced a reduced demand for their exports whilst having to pay much higher interest rates on their debts.

The reduced demand for primary products and the relative decline in their prices continued from the 1960s until the recent past, as UNCTAD reported:

*There has been a long-term downward trend in real nonfuel commodity prices since 1960 ... The commodity prices recession of the 1980s was more severe, and considerably more prolonged, than that of the Great Depression of the 1930s (UNCTAD 2002: 138).*

And as Christian Aid (2003: 22) reported:

*the prices Third World countries receive for many of their traditional exports, from coffee and cocoa to rice, sugar, and cotton, continue to decline. The relative value of their exports has declined even more—for example, in 1975 a new tractor cost the equivalent of 8 metric tons of African coffee, but by 1990 the same tractor cost 40 metric tons.*

This decline in the terms of trade did not just arise naturally, but like the rise in interest rates was due to explicit policies, this time of the World Bank. As Michael Barratt Brown commented (1995), the prices of nearly all primary products had a “steady downward trend from the late 1970s. The cause must in part be the [World] Bank’s encouragement of all primary commodity producers to pay off their debts by increasing their exports” (page 79).

The United Nations Food and Agricultural Organisation (FAO 2005) estimated that if commodity prices had maintained the same real value as in 1980, the Global South would be earning an additional $112bn in annual export revenues, which was double the then level of their aid receipts. Putting it another way, between 1970 and 1997 changes in the terms of trade cost non-oil producing African states (excluding South Africa) a total of 119% of their annual GDP, according to the World Bank (2000). External debt grew by 106% of GDP over
the same period. So all the external debt of African countries at the end of the twentieth
century could be explained by falling prices for their exports and increasing prices of imports
– both changes over which their governments had little or no control.

As UNCTAD (2004: 5) describes the result:

> From just over $11 billion in 1970, Africa had accumulated over $120 billion of external debt in the midst of the external shocks of the early 1980s. Total external debt then worsened significantly during the period of structural adjustment in the 1980s and early 1990s, reaching a peak of about $340 billion in 1995.

The impact of worsening economic conditions and the imposition of penalties for failure to repay loans on time meant that African debt soared despite considerable repayments having been made. The same UNCTAD report quoted from above calculates that between 1970 and 2002 Sub-Saharan Africa received $294 billion in loans, paid back $268 billion in debt service, but was still left with debts of some $210 billion (UNCTAD 2004: 9). Dept payments to export earnings rose from average of 18% in 1980 to 26% in 1982, and 38% for the poorest African counties. African debt continued to increase significantly during the 1980s. As a result to ratio of debt to GDP increased on average from 34 to 75% of GDP. For low income severely indebted countries the position became untenable as debt increased from 31 to 139% of GDP in the decade to 1990 (Hillyard 1998).

As a result, fourteen countries in Sub-Saharan Africa had their debts rescheduled in 1984-85 (Mazrui 1999). By 1987 only 12 out of 44 Sub-Saharan Africa countries were able to regularly service their debts without debt relief (Riley 1993: 114).

The impact on government finances was catastrophic as by 1999:

> the Highly-Indebted Poor Countries (HIPC) spent one-third of their tax revenues in servicing their debts. In some countries such as Angola (84%), Cote D’Ivoire (62%), Guyana (48%) and Sierra Leone (50%), this ratio was much higher. (Jahan 2003: 3)

During the 1980s debt service payments averaged 16 percent of African government expenditure compared to 12 percent on education and 4 percent of health (Bond 2001: 22). This and the structural adjustment programmes (SAPs) forced African governments to reduce social spending which caused great hardship to their populations and demoralisation for civil servants who suffered major reductions in their incomes, widespread redundancies and a shattering of the vision of the development of their communities and countries. This squeeze on spending on education and health and consequent demoralisation of civil servants continued until at least the end of the millennium. In 2000 Sub-Saharan African governments were still spending over twice as much on debt service as on basic health care and almost as much on debt as they spent on education of their children (Osuwu et al 2000).

The impact on the general economy of most African countries was equally devastating. Africa’s fragile and marginalised economies went into deep crisis from the late 1970s. Annual growth rates fell from a respectable 4 percent in 1970-79 to 1.7 per cent in 1980-1989 and only 0.4 per cent in 1990-1994 (Capps 2005). As a Nigerian economist described developments:

> The socioeconomic conditions in most African counties deteriorated sharply in the 1980s and per capita income fell at the rate of 2.2% pre annum in Sub-Saharan Africa (Iyoha 1997: 21). Since the per capita income of Africans was lower at the end of the decade than it was at its beginning, the decade of the 1980s is widely regarded as Africa’s “lost decade” of development opportunities. (Iyoha 2002: 6)
In 1989, even the World Bank was forced to admit that “overall Africans are as poor today as they were 30 years ago” (World Bank 1989: 1) and per capita income in sub-Saharan Africa in 2000 was 10 per cent below the level reached in 1980 (UNCTAD 2001). The reversal in economic development during Sub-Saharan Africa’s ‘lost decade’ is shown dramatically in the following graph from the IMF based on World Bank data:

**Figure 2: GDP per capita in poor Sub-Saharan Africa countries, 1980-2005 (in constant PPP dollars)**

Although the details varied from region to region and from country to country, the overall picture was the same. Accounts from individual countries may suggest that it was problems with internal policies, the behaviour of their governments and civil servants. But when the timing of the economic reversal is similar in so many countries, this suggests that the economic problems were mainly due to common external events rather than the mistaken domestic approach of individual governments.

The declaration from the UN Khartoum conference of 1988 concluded that:

> Regrettably, over the past decade the human condition of most Africans has deteriorated calamitously. Real incomes of almost all households and families declined sharply. Malnutrition has risen massively, food production has fallen relative to population, the quality and quantity of health and education services have deteriorated. (quoted in Brown 1995: 265)

The effect of the crisis in Nigeria, for example, is shown dramatically in a diagram from a paper co-written by the person who is now the head of the Central Bank of Nigeria (Herbst & Soludo 1999: 1):

**Figure 3: Per capita income in Nigeria 1970 - 1997**
This economic reversal had a devastating effect on the quality of the Nigerian government’s services. According to the National Bureau of Statistics (2007) less than a third of heads of households had received no education in 1980. By 2002 this had increased to over two thirds. The level of reported poverty also increased very significantly, “in absolute terms the population of the poor Nigerians increased four-fold between 1980 and 1996”.

The graph above indicates dramatically why Nigeria has such a bad reputation for corruption. By 1980 Nigeria was well on the way to becoming a middle income country and many of its young people had been able to go to university. The dramatic economic reversal meant that many of these people faced the choice of returning to their villages in disgrace or learning to survive in the city. In these circumstances, is it any wonder that some used their skills in an illicit manner?

The introduction of new public management reforms

The high and unsustainable levels of debt in many Sub-Saharan African countries were thus largely due to external economic events beyond the control of their governments. However, whatever its origin, this debt forced these governments to approach the IMF and the World Bank for support. As a result, these financial institutions and other aid organisations started to exert considerable influence in many areas of policymaking including public sector financial management.

In 1970-78 only 3 percent of the IMF’s new conditional credit went to Africa, but by 1979-80 this figure had increased to 30% (Capps 2005). Part of the reason for this was that most of Africa’s debt was provided by public institutions like the IMF and World Bank, by 1999 private loans only accounted for around 2 percent of the region’s total debt (Capps 2005).

*The net effect of the high public composition of Africa’s debt was to overwhelmingly strengthen the International Financial Institutions’ power (Capps 2005: 43).*

In addition, several national aid agencies, like the UK, base many of their aid decisions on whether or not a country has received a positive assessment from the World Bank and IMF (Kimber 2005).
The debt burden gave the World Bank and IMF the leverage it needed to implement its newly adopted policies of deregulation and privatisation through structural adjustment programmes (SAP). These almost invariably included the following elements:

- reduced government spending and greater fiscal discipline to control inflation
- removing import controls and restrictions on foreign investment
- privatisation of state enterprises
- devaluation of the currency
- making labour more flexible by reducing legal protection, food subsidies and minimum wages.

As Colin Leys described, the dominant claims became that:

> Governments were part of the problem, not part of the solution; they were inefficient and often corrupt and hence parasitic, not stimulators of growth. The solution was to privatize the public sector, reduce the scale and scope of government spending and give up all policies, from exchange rate controls to subsidies and redistributive taxation, that altered any prices that would otherwise be set by the impersonal forces of the market. (Leys1996: 18)

The solutions offered by the 1980s civil service reform programs were relatively crude; in line with neo-liberal economic policies aimed at drastically reducing the role of the state in the economy. In the decade to 1991, the World Bank included civil service reform programmes in 91 credit facilities it provided worldwide (Ayee 2005).

These reforms and the general economic conditions led to a significant worsening in the quality of public financial management in many developing countries. Their public sectors were downsized and wage levels deteriorated significantly leading to problems of loss of skills and capacity.

Another result of such influences has been the widespread acceptance of a new set of objectives for public sector financial management. Traditionally, public sector financial management aimed at avoiding wastage and extravagant spending, and especially, the loss of resources through possible fraud, irregularity or improper spending. The new approach, termed New Public Management (NPM), was developed in countries such as the UK, New Zealand and Australia in the late 1970s. It is an approach based on ideas imported into the public sector from the private sector, market-based public service management and an enterprise culture (Leys 1996).

This approach was subsequently refined from the end of the 1990s when the World Bank recognised, in its World Development Report 1997, for example, that having an effective, responsive and legitimate state was crucial for sustainable development. Thus public sector reforms, although still very much within the NPM paradigm, now tend to focus on how to make the public sector more responsive and effective. They are normally specifically linked with the new Poverty Reduction Strategy Plans which have become a new conditionality for loans to Highly Indebted Poor Countries (HIPC) (World Bank 2000).

The rise of New Public Management, associated with and under-pining neo-liberal economic reforms, significantly reduced the previous emphasis of public financial management on regularity and probity. The World Bank’s Public Financial Management Handbook (1998), for
example, outlines the three main objectives of public sector financial management as ensuring:

- aggregate fiscal discipline
- allocation of resources in accordance with strategic priorities, and
- efficient and effective use of resources in the implementation of strategic priorities

This broad approach persists, even though it is now asserted with less simplicity and recognises the need to take into account local circumstances and to address poverty more directly. The question to be asked is whether this approach is appropriate to the circumstances and capacities of each developing country to which it has been recommended. Indirect management or provision of public services is almost certainly more demanding on government capacity, and that the current approach to public sector reform may therefore present new dangers of government failure, as Minogue noted:

> It is alarming to discover that influential aid donor policy initiatives often rest on ideas that are based on untested a priori assumptions, or are strongly disputed by other practitioners. It is disconcerting when policymakers appear not to recognise that their policy choices reflect an ideological preference between alternatives, a situation compounded when, as often, the empirical base for these preferences is weak. What this discussion should alert us to is the necessity to avoid taking existing policy preferences for granted in any given field of development, to be ready to acknowledge successes and failures on the ground, and to be willing to change our preconceptions (and policies) in accordance with these real effects (2002: 5).

**Worsening pay and conditions for public sector workers**

The 1980s, in particular, was considered a 'lost decade' for Africa owning to the multiple crises experienced within the region. The combination of the rise in oil prices and the fall in the prices of primary products had a devastating effect on the performance of African economies. (Economic Commission for Africa 2003: 2)

The generally poor economic conditions, the structural adjustment programmes and reduced public expenditure led to the downsizing of the public sectors and a significant worsening in the pay of public sector workers across Sub-Saharan Africa in the 1980s. As a result, there was a major loss of skills and capacity and the quality of public financial management across much of the Global South inevitably deteriorated badly. As Wynne said in a study of recent public sector financial management reforms in Sub-Saharan Africa:

> Efficient, accountable, adequately paid and well-motivated civil servants are essential for an effective public sector, and especially to implement relatively complex reforms such as an MTEF or an IFMIS. Civil service reform was a major component of structural adjustment lending in the 1980s and the 1990s. Yet for the World Bank and IMF, such reforms primarily meant reducing the size of the civil service. At the same time, structural adjustment programmes led to a large decline in wages for civil servants who remained (Hawley, 2000). The IMF, for example, prompted wage reductions averaging 14 per cent in 20 African countries in the 1990s (Lienert and Modi, 1997:18). (Wynne 2005: 31-32)

Real wages in nearly every African country were estimated to have fallen between 50 and 60 per cent since the imposition of the Structural Adjustment Programmes of the 1980s (ILO/JASPA 1991). This report went on to say that there had been:
a sharp fall in real wages… an average of 30 per cent decline between 1980 and 1986… In several countries the average rate has dropped 10 percent every year since 1980… On average the minimum wage fell 20 percent over that period (ILO/JASPA 1991: 34)

In Anglophone Africa, public sector wages declined by as much as 80% in real terms between the early 1970s and the early 1980s (Ayee 2005).

According to Susan George (1988), in Kenya, for example, average real wages declined by 20% between 1981 and 1983 and were then lower than they had been in 1964. In 1975 (when IMF arrived) the real minimum wages had been 42% higher than they were by 1984. The IMF had a similarly negative impact on civil servants in Tanzania where, by the end of 1986, 50,000 government employees had been dismissed at their insistence (George 1988) and by the late 1980s, “the real salary of a civil servant was only one fifth of what it was in the 1970s” (Bigsten & others 1999: 38). Similar developments in West Africa meant that in Ghana in the late 1970s, “Civil service employees had to engage in pervasive moonlighting because of inadequate pay” (Tsikata, 1999: 10).

Uganda provides one of the most vivid examples with pay for civil servants in the late 1980s falling to only $10 a month (Kiragu and Mukandala 2005). A reform programme was launched in 1993 which halved the number of public servants through the reduction in ghost workers, a voluntary retrenchment scheme and a selective freeze on recruitment. Although this was coupled with significant salary increases in the early 1990s, the objective of a minimum living wage for civil servants is far from being realised according to Mark Robinson who concluded that:

Failure to make progress on pay reform for the vast majority of public servants contributes to declining motivation. Large differentials between administrative grades and top civil servants, along with special treatment for senior officials in the political bureaucracy and semi-autonomous bodies like the URA, fuel resentment, undermine morale and provide a stimulus to corruption. The lack of incentives for public servants who have to cope with continuous reform initiatives and future uncertainty further runs counter to a key objective of the reform programme as set out by the 1991 presidential commission, namely the creation of a committed, responsible and results-oriented civil service, which would be better paid, more efficient, and have more effective staff (Robinson 2006).

Similarly in 2002, Charles Byaruhanga could conclude that in Uganda:

Public sector pay has improved over the last decade though pay reform remains on the public sector institutional agenda. Pay for managerial, technical and professional civil service remains un-competitive, leading to difficulties in recruiting and retaining competent staff and also negatively impacting on public service delivery.

From the early 1980s to the early 1990s, the number of people employed by central government also fell in Sub-Saharan Africa from 1.8% to 1.1% of the population and the average government wage also fell from 6.1 times per capita GDP to 4.8 times (Schiavo-Campo, de Tommaso and Mukherjee 1997).

The poor pay and conditions in the African public sector has been matched by the attraction of working in developed countries:
Approximately 20,000 skilled workers leave Africa each year. The World Bank’s estimate of the share of Africa’s skilled workers with a tertiary education who emigrate is more than 15 per cent, higher than any other region. (Bond 2006: 89)

By 1990 Margaret Joan Anstee, the UN Under-Secretary General could warn that:

The impact of recession and adjustment in the 1980s has been dealt with by economists and policy makers, within a framework of macro-analysis that pays scant attention to the people directly caught up in these economic events. These trends were inexorably leading to an ominous deterioration of sub-Saharan Africa’s scarce human capital, which can be replaced only at great cost. They were setting the stage for an accelerated spiral of decline in the continent’s future development.

(quoted in Brown 1995: 266)


The economies of most Sub-Saharan African countries went into deep decline from the early 1980s with the associated rise in government debt. This was largely due to external events; the increased price of oil, increased interest rates and declining prices for their exports. African governments had little or no control over these events and so cannot be held responsible for the consequences. However, it did mean that public sector income was severely curtailed. As a result, and encouraged by the IMF, World Bank and aid agencies, governments were forced to reduce the number of their public servants and in many cases significantly reduce their salaries. This clearly had a detrimental effect on the quality of public services including financial management and overall governance.

The economic crisis across Sub-Saharan Africa made worse by the structural adjustment policies has meant that it became accurate to speak of the collapse of public administration in many African countries with the associated deterioration in the quality of public sector financial management and growth in corruption. As argued by Hibou (1997: 91):

Since the mid-1980s, the rapid decline in the standard of living of civil servants, the virtual disappearance of operational budgets, frequent delays in the payment of salaries, the feeling of insecurity which now pervades elites and their consequent haste to enrich themselves, and the climate of total impunity have all conspired to cause a fall in the productivity of public officials. This was already low owing to the widespread practice of civil servants taking second jobs, the loss of their various allowances, the habit of charging for the performance of official duties, corruption, the erosion of accepted standards of public administration and the decline in the prestige of the state generally.

As Morris Szefelt has pointed out, it is not surprising, “given low salaries and rapid inflation, that petty corruption is widespread among rank and file civil servants, a problem worsened by continuing economic crisis” (Szefelt 1998: 232). He gives the example of Zambia in 1997 where the monthly cost of food for a family of six (excluding rent, transport, clothes, etc) was

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1 “The economy, stupid,” was a phrase used during Bill Clinton’s successful 1992 presidential campaign against George H.W. Bush. For a time, Bush was considered unbeatable because of foreign policy developments such as the end of the Cold War and the Persian Gulf War. The phrase refers to the notion that Clinton was a better choice because Bush had not adequately addressed the economy, which was undergoing a recession at the time.
more than the top of the General Professional Scale salary in the civil service. “In such circumstances low level corruption should surprise no one” (Szeftel 1998: 232).

The well known economist Jeffrey Sachs (2005: 312) has also argued robustly that poverty in Africa does not result from corruption. Rather, it is the reverse, African corruption is caused by its poverty:

\[ \text{Africa’s governance is poor because Africa is poor… Africa shows absolutely no tendency to be more or less corrupt than other countries at the same income level. There is no evidence whatsoever that Africa is distinctly poorly governed by the standards of very poor countries.} \]

The neoliberal policies of the World Bank and IMF may also have made things worse. Thus the former Chief Economist of the World Bank, Joseph Stiglitz (2002: 58) has claimed that:

\[ \text{privatization has made matters so much worse that in many countries today privatization is jokingly referred to as “briberization”.} \]

Similarly:

\[ \text{We may observe in Africa today that, contrary to the teachings of the neo-liberal rubric, measures of privatization and financial liberalization can lead to a plundering of the economy (Hibou 1997: 71)} \]

Szeftel also makes the point that the neoliberal reforms supported by the World Bank and others have reduced the state’s ability to reduce the incidence of corruption within the state and looting by the private sector:

\[ \text{The resilience of corruption owes something to the disruptive nature of the reforms being imposed on African countries. More importantly structural adjustment, liberalisation and even democratic reforms have played a significant part in weakening the regulatory capacity of the state (Szeftel 1998: 232-233).} \]

The link between Structural Adjustment Programmes, reduced pay and conditions of civil servants, low morale and corruption were also emphasised by Sue Hawley (2000: 13):

\[ \text{structural adjustment programmes have led to a large decline in wages for civil servants who remain employed. IMF-prompted wage reductions… since 1990 [have been] an average of 14 per cent in 20 African countries… [these] have resulted in lack of motivation, low morale, and increased risks of petty corruption.} \]

Stiglitz interjects that:

\[ \text{Of course, if the developing countries had solved all of their own problems better, if they had more honest governments, less influential special interests, more efficient firms, better educated workers – if, in fact, they did not suffer from all the afflictions of being poor – they could have managed this unfair and dysfunctional globalisation better (Stiglitz 2006: 58).} \]

However, the economic collapse and particularly the crippling level of government debt gave the World Bank and aid agencies the power, through aid conditionality, to significantly influence the public sector financial management reform agenda across Sub-Saharan Africa. This has often been through the use of, usually European, consultants paid significantly more than the financial managers they are retained to advice.
In many cases the loss of key public sector financial managers has led to the use of foreign consultants whose daily rate is often equivalent to the monthly salary of their local counterparts. As Wynne noted:

\[ \text{The use of outside experts, funded by technical assistance loans, may also have hampered the growth of local expertise and capacity (Rama, 1997: 2) and demoralized the existing local professional staff, thereby adversely affecting their ability to successfully implement such complex reforms (Wynne 2005: 32).} \]

In 2005 the World Bank admitted that $20 billion of the $50 billion global aid budget was spent on consultants (Observer 2005).

**Implications and conclusions**

The actual reasons for the poor quality of public financial management in many countries in Sub-Saharan Africa have important implications for the approach to be adopted to overcome these problems. Over the last decade the international financial institutions and national aid agencies have agreed that it is corruption and poor governance which are the causes of poor economic growth in Africa. As the Vice President of the World Bank Institute noted recently:

\[ \text{Governance and the fight against corruption have moved to the centre of the development agenda, as a global consensus has emerged around the notion that good governance is essential to reduce poverty (Pradhan 2009: vi)} \]

We are arguing that this diagnosis is fundamentally wrong and that it was the economic collapse of almost all Sub-Saharan African countries in the late 1970s and early 1980s which was the prime cause of the deterioration of governance in general and public sector financial management in particular. In addition, the economic collapse was primarily due to events beyond the control of African governments or their civil servants. It was the increase in global interest rates and the declining terms of trade suffered by African governments which simultaneously tipped so many African economies into recession.

Thus public sector financial managers across Sub-Saharan Africa, far from being the cause of the decline in the quality of public financial management, have in many cases struggled to try and maintain standards whilst suffering retrenchments, forced retirements and dramatic cuts in their living standards. These managers should be considered as heroes and recognised as the experts they are on the history, capabilities and short-comings of the systems they manage.

The dominant diagnosis has led to wish to fundamentally reform the public financial management systems in the countries of the global south. Thus the approach of choice has been the introduction of complex, ‘state of the art’, reforms such as MTEF and IFMIS, which have generally been led by foreign consultants. The fact that the underlying diagnosis of the problem is wrong may explain why so many of these large scale reforms have not generally been as successful as was hoped.

Our analysis leads to an alternative approach. We need to build on and enhance existing Sub-Saharan African public financial management capacity, to nourish it and facilitate its development. The local financial management officials are the international experts for the systems they are responsible for managing. No consultant from outside the sector or country can know or understand the system as well as the public sector officials who have been managing the system for years, often through very difficult circumstances, with little
personal reward. The challenges to the quality of public financial management almost invariably originated from external events beyond the control of public financial managers or their governments. All public financial management reforms should be led by the relevant officials and should be subject to informed local political support.

We need to re-build and refine not replace or reform public sector financial management systems in Sub-Saharan Africa. Local managers need greater confidence and support not consultants and schooling. Tried and tested reforms are needed not grand ideas and mega-reforms such as MTEF and IFMIS.

We have the basic systems or at least, every Sub-Saharan African country has had public financial management systems, which were at some stage relatively successful. Public sector officials have the practical and intimate knowledge of how these systems actually worked. All proposed reforms of public financial management should be built on previously successful systems and not just aim to replace these with ‘modern’ systems. We need to extend and repair the house not demolish it and start again. An incremental approach, which utilises and enhances local capacity, is far more likely to be successful than a big bang approach to the implementation of mega-reforms such as the MTEF and IFMIS.

Complex systems and reforms are always more risky than simple approaches. We need to ensure that the proposed public financial management reforms are kept as simple as possible. ‘International best practice’ has to be adapted to make it fit local conditions – it is never the complete answer. Thus, for example, the relatively successful MTEF in Uganda has now adopted a five-year planning horizon rather than the standard three years. Similarly the Botswana Government, which is relatively immune from external pressure from the international financial institutions, has adopted a six–year plan with a review at the half-way point.

We also have to make sure that actual international best practice is being adopted and that it really has been tried and tested and been proved to be successful. Sub-Saharan African public sector officials have to be sure that there is appropriate evidence that the proposed reforms have actually been proved to work in similar environments before being accepted for implementation in their jurisdictions. Multi-year budget frameworks and programme budgeting may be good ideas, but they have been difficult to implement in practice. The UK tried for 30 years until 1997 to implement a three-year budget framework and it is not clear that the current arrangements will survive the recent international financial turmoil. France only implemented its current approach to programme budgeting from 2006 and is only implementing a three-year budget framework with effect from 2008. The US Government does not have an MTEF.

There are many other examples of reforms which were heavily promoted by the aid agencies and international consultants which time has shown were either mistaken or carried significant additional associated costs. As the American academic, Wildavsky said, “the corridors of power are littered with the bodies of failed reforms”.

Fees for children to attend primary school, for example, were introduced as part of the IMF and World Bank structural adjustment programmes in the 1980s in line with the general practice of levying user charges for public services. In the course of the 1990s a new consensus emerged (on the basis of the actual decline in primary school enrolment after the introduction of fees). Governments were now encouraged to abolish primary school fees as soon as practically feasible in financial terms. Several Sub-Saharan African countries did abolish primary fees and this was supported by the World Bank and the Highly Indebted Poor Country Initiative (HIPC). In four east African countries, for example, the following dramatic increase in primary school enrolment occurred during the first year after the abolition of tuition fees:
This experience created deep cynicism amongst at least some African leaders. As a former senior official of the African Development Bank commented recently:

> From the theory of comparative advantage to the concept of integrated development, following the strategy of Structural Adjustment Programmes (SAP), Sub-Saharan Africa has been, for nearly fifty years, a field of experimentation for policies, projects and programmes for development introduced under the auspices of the Bretton Woods institutions (IMF and World Bank). (Mbaye 2009: 37 – translated from the original French)

And:

> The path imposed by the IMF and the World Bank to solve their problems constitutes, at best, proof of incompetence and, at worst, which seems more likely, an undeniable wish to dominate the black African counties and their people. (Mbaye 2009: 34 – translated from the original French)

It would appear that the World Bank and the IMF are now slowly revising their support for mega-reforms, such as the MTEF and IFMIS, in the light of a decade of experience of supporting these types of reforms. The success rate has generally been poor as indicated recently by a former senior staff member of both institutions:

> Costly failures have demonstrated that—as with any other institutional reform—successful introduction of a programmatic MTEF takes years of persistent efforts consistent with capacity, resources, awareness, incentives, and institutional realities. The two ingredients of the approach are therefore gradualism and selectivity, and the main conditions of success are simplicity and communication. If prematurely introduced or badly implemented, a formal and detailed programmatic MTEF causes enormous waste, frustration, and illusion—for trivial or non-existent benefits. The same is true of the informatics infrastructure for public financial management. Schiavo-Campo (2008: 26)

There has been a slight movement away from support for these larger scale reforms, towards smaller scale pragmatic reforms linked directly to individual country problems and challenges. In 2008, both organisations held significant seminars reviewing the evidence for the success (or more common failure) of such reforms; the World Bank in March and the IMF in October 2008.

There has been the beginning of a trend to take the ‘I’ (for integrated) out of proposed IFMIS projects so that smaller, more modest, and so less risky, computer projects now tend to be supported. In addition, there has been some unbundling of MTEFs so that individual aspects may be supported rather than the whole mega-reform being recommended for immediate implementation (Dorotinsky 2008). Thus in Benin, an action plan for reform of public financial management, developed in late 2008 for the donor community, does not call for an MTEF or an IFMIS. Rather it includes measures to improve the medium term projections of the macro-economic aggregates and standards to ensure the compatibility of computer systems within the Ministry of Finance (Dendura, Chatelain and Schwap 2008).

However, there is still a long way to go. The World Bank, for example, still has a tendency to blame the approach in a particular country rather than the tools it has promoted. So in 1998
the World Bank said that, “advocates continue to suggest that the failure of these performance-orientated tools [an aspect of the MTEF] or techniques have been in implementation rather than in concept” (World Bank 1998: 16). Over a decade later at a World Bank seminar Allen Schick was still claiming that:

*the widespread failure of MTEF has been due to the way it has been implemented, not because of a design flaw* (Schick 2008).

In addition, the World Bank and national aid agencies like DfID are still fully supporting the introduction of MTEFs at both national and local level. Thus in Nigeria, despite the MTEF at the Federal level having been described recently as “a fiasco” by a senior Nigerian budget officer (personal communication), the World Bank and DfID are funding the introduction of MTEFs in several Nigerian states.

We still need to gain widespread recognition that the governance and financial management problems suffered by many Sub-Saharan African countries arose from global events over which they and their governments had little or no control. The international financial institutions and the donor agencies need to ensure that they use their financial power judiciously to enable host governments and their public financial managers to take real leadership of their reform agenda.

The change agenda arising from the world recession and the election of Barack Obama as US president should help with this process. As a Senegalese analyst noted recently:

*The crisis has shattered all the myths associated with the neoliberal paradigm. It has provided fundamental lessons for Africa and the global South. These lessons should lead to one simple conclusion: a rejection of failed and discredited neoliberal policies and the institutions that promoted them over the last three decades, namely the IMF and the World Bank.* (Dembele 2009)

We need to move away from mega-reforms such as MTEF and IFMIS. Public financial managers need to be provided with the political support and necessary resources to implement basic tried and tested reforms. Sub-Saharan African countries cannot afford the risks involved of adopting further large scale reforms, especially those that have not been tried and proved to be successful in similar environments. The governments of Sub-Saharan Africa and their public financial managers need to take full strategic and operational control of their public financial reform agenda if the Millennium Development Goals are to have any chance of being achieved.

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