

Good Financial Governance in Africa

Promoting transparent and responsible use of public finances in Africa

Money makes the world go round

Every public service needs to be financed – be it schools, hospitals or transport. Efficient and transparent management of public finance is crucial to enable development and poverty reduction in Africa. This applies to the entire budget cycle: tax administration, budget preparation and execution, control by parliaments and external auditing by supreme audit institutions (SAIs). At every stage, the responsible institutions should primarily work to the benefit of the people to ensure sufficient public finance for public services.

The African context

Many African countries face challenges in the effective management of their financial resources. Some governments are unable to mobilise sufficient revenue, budget execution remains difficult, and there are shortcomings in transparency leading to insufficient development results required to achieve the Sustainable Development Goals (SDGs). Since they lack capacity to fulfil their supervisory mandates, SAIs and parliaments are often weak links in the chain of accountability. Furthermore, where mismanagement is exposed, sometimes

little is done to enforce the corresponding sanctions or changes in behaviour.

The Good Financial Governance (GFG) in Africa programme, implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, assists African governments in addressing these challenges on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Union.

Fostering knowledge sharing and collaboration

Knowledge and skills can assist African finance experts in the public sector to make informed decisions and improve financial management in their sphere of influence. GIZ therefore focuses on support, training and strategic technical advisory services for decision-makers in the entire Africa. It collaborates closely with regional networks that improve cooperation among African governments on Tax Policy and Administration, Budget Reform, External Auditing, Legislative Oversight and the fight against Illicit Financial Flows (IFFs), thereby developing one African Voice in these areas.



Good Financial Governance enables citizens to have access to critical services such as education, clean water and healthcare.

The GFG in Africa programme works in all areas of the budget cycle. (Photo © GIZ)

Collecting the money: Tax Policy and Administration



The partnership between GIZ and the African Tax Administration Forum (ATAF) has produced the Executive Master's in Taxation (EMT), a higher education training programme, tailor-made for African executives. This qualification is a recent outcome of the programme's activities in the area of tax. In October 2014, the first 27 tax officials from revenue authorities and ministries across sub-Saharan Africa commenced with their studies in this degree in Berlin. All these participants graduated in March 2016. The current intakes are still busy with the course, and after completion the number of trained officials will stand at 70.

To foster effective tax administration and provide appropriate training for tax officials, GIZ supports ATAF in introducing blended learning (combining online and face-to-face training)

courses and higher education programmes customised to the specific needs of tax officials. It also assists ATAF in its planning and research activities, and in setting up the African Tax Research Network (ATRN) in order to establish a dialogue among tax academics. The second ATRN congress, titled "Financing sustainable development in Africa: Identifying untapped and underutilised sources of revenue", took place in September 2016.

Spending it well: Budget planning and execution



Knowledge exchange and peer learning are key concepts in budget reform activities. GIZ has been assisting the Secretariat of the Collaborative Africa Budget Reform Initiative (CABRI) in conducting a series of joint country case studies, in which one country analyses a peer country's public financial management (PFM) systems and processes. In this regard, CABRI was invited by the Public Debt Office of the Ugandan Ministry of Finance to deliver an in-country workshop on public debt, risks and cash management capabilities. In August 2016 peers from Rwanda, Malawi and South Africa attended the workshop in Kigali, which focused on developing capabilities in terms of effective management of national public debt stock and the funding of a country's annual borrowing strategy.

The CABRI Secretariat also receives support in establishing sector policy dialogues and knowledge exchange platforms, and in expanding the services it offers to its member countries. CABRI developed and launched an interactive, user-friendly and up-to-date online PFM Hub in 2016. This portal enables budget officials to post and access government budget information, and it serves as a platform where CABRI can disseminate the work it produces.

The GFG in Africa programme is developing a PFM training course that will provide budget practitioners with the tools they need to make better informed decisions on the allocation of scarce resources in key sectors. It is envisaged to be implemented between 2017 and 2018.



EMT students benefit from two excellent study locations – Germany and South Africa – enabling them to gather experiences from different professional and cultural settings. (Photo © GIZ / Thomas Ecke)



GIZ brought together partner networks and development partners during a workshop on IFFs held in Pretoria in 2016. (Photo © GIZ)

Reality check: External Auditing



Supreme audit institutions (SAIs) assess how governments manage their financial resources. By auditing public spending, they promote the accountability, effectiveness and transparency of public administration and contribute to the achievement of the SDGs. However, SAIs often lack independence from the executive and have to work with constrained financial and human resources. The GFG in Africa programme supports the African Organisation of Supreme Audit Institutions (AFROSAI), an Africa-wide network aimed at promoting the exchange of ideas and experiences among member SAIs.

AFROSAI has developed a Gender Strategy focusing on supporting women to rise to decision-making positions, and established the Women Leadership Academy (WLA), in collaboration with GIZ.

The WLA aims at strengthening women in their leadership skills, strategic thinking, and project and change management. The first 12 participants graduated in November 2016, each continuing to work on change projects to improve their SAI in areas ranging from visibility, stakeholder communication or gender audit.

The programme also encourages a process of learning through joint audits. In 2014, for example, SAIs from Cameroon, Chad, Niger and Nigeria completed a joint environmental audit of the water management of Lake Chad. This was conducted under the auspices of AFROSAI, with GIZ's support. During the audit, experienced auditors from the region provided peer learning and mentoring to promote the learning process. The findings were published in 2015 in a joint audit report, as well as four country reports.

Legislative Oversight: In need of parliamentary expertise



The most important institutions dealing with Legislative Oversight are specialised committees, such as finance and budget committees and public accounts committees (PACs). GIZ aims at strengthening the technical capacities of parliamentary budget specialists by supporting networking and peer learning. One of the mechanisms through which this assistance is facilitated, is the African Organisation of Public Accounts Committees (AFROPAC). AFROPAC is a pan-African network of parliamentary committees dealing with the state budget and public accounts. GIZ supports the growth of the AFROPAC Secretariat and Executive Committee into a meaningful network that strengthens democratic accountability across Africa.

Research on budget processes and legislative oversight in African countries, initiated by the programme, lays the foundation for peer learning processes and country-specific measures. In 2016, GIZ published an overview study that compared thirteen Anglophone and thirteen Francophone African countries with respect to parliamentary budget supervision. The publication summarises contrasting institutional traditions, settings and experiences, and highlights common and distinctive strengths and weaknesses in each group.



Participants of the Women Leadership Academy are discussing different dimensions of leadership at the launch workshop in Gabon in February 2016. (Photo © GIZ)



GIZ supported the August 2016 AFROPAC general meeting and conference on how to fight IFFs and increase accountability of governments. It was held in Nairobi. (Photo © GIZ)

An African Voice on financial governance



Good Financial Governance often has a strong international dimension. Tax base erosion and profit shifting, for example, are related to the international tax system and have a considerable effect on African countries. In March 2014, ATAF, supported by GIZ, successfully hosted the Consultative Conference on New Rules of the Global Tax Agenda, which brought together the heads of African tax administrations and finance ministries. They discussed international tax issues and a G20/Organisation for Economic Cooperation and Development (OECD) project on base erosion and profit shifting. GIZ supports the participation of African countries in international discussions and the development of a joint position.

Because African researchers lack inclusion in international debates, the GFG in Africa programme, in collaboration with

the International Institute for Public Finance (IIPF), held research master classes in 2015 and 2016. In 2016, the master class was presented back to back with the IIPF's annual congress that took place at Lake Tahoe, Nevada, USA, in August. Thirteen junior researchers from 10 African countries participated in the GIZ master class.

Furthermore, the GIZ programme liaises with four African Regional Technical Assistance Centres (AFRITACs) and participates in their steering committee meetings. They are part of the International Monetary Fund's capacity-building initiative in Africa, which supports recipient countries in their efforts to strengthen financial governance and develop effective and legitimate institutions.

The battle against IFFs: The role of Good Financial Governance



Illicit Financial Flows (IFFs) is an overarching issue that significantly affects African governments and their financial governance. GIZ aims to strengthen dialogue on IFFs among its partner networks.

Although IFFs are related to tax issues, in particular, GIZ supports a number of organisations in various fields to combat these flows: ATAF, AFROSAI, CABRI and AFROPAC. A baseline study for the role of GFG networks in fighting IFFs is being developed. The topic of IFFs has also been integrated into ATAF's blended learning audit course and the Executive Master's in Taxation

curriculum. The aim is to create a deeper understanding and broaden the awareness of the topic among tax officials.

In July 2016, the GFG in Africa programme organised a one-day IFFs workshop in Pretoria. The objective was to discuss strategies, activities and potential implementation gaps with the partner networks and development partners. The outcome of the workshop underlined the necessity to better translate the political awareness on IFFs into effective in-country actions. This activity was a milestone in the process of organising a pan-African conference on IFFs and GFG in 2017, which is being planned.

Published by

Deutsche Gesellschaft für Internationale
Zusammenarbeit (GIZ) GmbH
Registered offices Bonn and Eschborn, Germany

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www.giz.de/en/worldwide/15725.html

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Development (BMZ) and the European Union

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Layout

Twaai Design

As at

November 2016

GIZ is responsible for the content of this publication.



Implemented by:

