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Findings



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Progress in Public Expenditure Management in Africa: Evidence from World Bank Surveys

One of the World Bank's key advisory roles is to assist its partner countries to make strategic decisions about the use of their public funds. Governments and the Bank together assess the public sector's potential role as a provider, financier, or regulator of services, or simply as a catalyst for private sector activity. Governments have the primary role, and the Bank can advise, on prioritizing expenditures given the availability of domestic resources and a country's capacity to borrow externally (and repay in the future). Governments are also responsible for the efficient use of resources at their disposal. The Bank's traditional vehicle for contributing to this kind of analytical work is the Public Expenditure Review (PER).

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Survey Findings

The Africa Region undertook a survey of 20 task managers of PERs in 1997/98. The main survey findings and key recommendation are the following:

- Public Expenditure Reviews (PERs) vary widely in costs, output form, and frequency throughout the Region. To date, they have most often been initiated by the Bank, which holds primary responsibility for the main mission and report drafting, but shares responsibility with the concerned government for dissemination. PERs often feed into adjustment-related work.

Implication: The findings suggest that Borrowers need to further build their capacity to undertake PER-type work and to make public expenditure and public management analysis an integral part of their assessment and evaluation processes. The Bank will continue to be a partner and work with countries until their own capacities are sufficiently developed.

- Most countries have some data breakdown for public expenditures by financing source, government level, and sector, but have little consistency in breakdowns.

Implication: Poor data quality prevents an even-handed assessment of program and project performance in any sector and prevents necessary policy corrections from being implemented and from improving outcomes. It is advisable to develop performance indicators, while explicitly considering the availability of data sources, during the design phase of projects and programs.

- Only about 5 percent of survey respondents rated public expenditure management as 'good' in the countries they work with, while 21 percent rated it as "moderate" and 74 percent as 'fair to poor'. Nevertheless, survey respondents observed that over the last four years, public expenditure management has improved in 44 percent of the countries, stayed the same in 31 percent, and become worse in 25 percent.

Explanation: Improving the management of public expenditures is a difficult and lengthy process requiring nothing less than the establishment and smooth functioning of new or considerably modified sets of institutions within and outside government –civil society has a large role to play in its partnership with government as the main stakeholder. But the survey suggests that hard work and persistence pays off!

Key Recommendation

- In order to improve the effectiveness of PERs, the working paper suggests the integration of PER and other sector analytical work under the umbrella of a Public Expenditure Analysis Cycle (PEAC). The Cycle, defined over 3-5 years, would be designed by the country team in consultation with the Borrower, to encompass analytical work required for country knowledge and for Bank-assisted operations. The PEAC would be initiated by a Concept Paper outlining key analytical issues ranging from budgetary management to the role of parastatal entities in particular sectors. The underlying premise of the PEAC is that a thorough review of public expenditures requires a comprehensive assessment of government's expected role, capabilities, and resources, as well as a vision for the private sector's immediate and longer term involvement in the provision of services. Each year's "new PER" would consist of a progress report on the previous year's work, an update on macroeconomic developments and resource availabilities, plus a new piece of analytical work. The Concept Paper and each year's PER could be reviewed by operational and sector board management. The PEAC could become a vehicle for a new type of ongoing country dialogue consistent with the Bank as a knowledge-generating and knowledge-sharing institution.

This Infobrief is a summary of Issue No. 1 of the Africa Region Working Paper Series. The paper was written by Christos Kostopoulos. Additional information about the Series is available at the web site <http://www.worldbank.org/html/afr/wps> or by email from AfricaRegionWPS@Worldbank.org

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