

Intervention from Jean-Paul Adam, Director, Policy, Monitoring and Advocacy, Office of the Special Advisor on Africa

"Accelerating public financial management reform to reinforce the 2030 Agenda for Sustainable Development and eradicate poverty in times of multiple crises"

Firstly, we congratulate the committee members on putting together the expert paper and welcome the recommendations.

In particular, we underline the primacy of domestic resource mobilization as a means of driving public financial management reform to reinforce the 2030 agenda. Effective public finance management is built on twin pillars of ownership and accountability.

In an African context, limited capacity for domestic resource mobilization and weak institutional frameworks for public financial management have contributed to the persistence of the extractive nature of many African economies, with limited scope for investment in transformative value chains, and often contributing to an over-reliance on debt or foreign direct investment for new and additional financing.

The Office of the Special Advisor on Africa has emphasized the need to address revenue and spending efficiency and strengthen institutional capacity¹. This includes the capacity of revenue management authorities, state audit institutions, and oversight provided by legislatures—all priorities emphasized in the expert review.

We further underline that in an African context, two thirds of all resources are already generated from domestic sources- and while Official Development Assistance remains essential- most urgent is how those resources are deployed to further improve institutional capacity and efficiencies in public finance management.

In addition, around 500 billion USD leaves the African continent annually in terms of financial resources that could potentially be mobilized². This sum represents a financing paradox for Africa, which can be addressed by tackling illicit financial flows, reinforcing the tools to tackle transfer pricing, addressing tax inefficiencies, including harmful subsidies and loopholes for foreign investors, mobilizing domestic savings for investment, including through investment by African Pension Funds and Sovereign wealth funds and better harnessing the investment opportunity of Africa's diaspora.

Reinforcing capacity of institutions for Public Finance Management must be undertaken with the goal of harnessing these flows. It is hoped that recent efforts on developing a

¹ UNOSAA 2022, Financing for Development in the Era of COVID19: The Primacy of Domestic Resource Mobilization- https://www.un.org/osaa/sites/www.un.org.osaa/files/Reports/2022/osaas_flagship_report-english.pdf

² UNOSAA 2023, Solving the Triple Paradox of African Development: Finance, Energy and Food Systems- <https://www.un.org/osaa/2023-nepad-report/africa-triple-paradoxes>

UN framework for tax cooperation can also further generate alignment between the attainment of the SDGs and strengthening capacity for PFM.

The focus on Digitalization as a tool for accelerating public finance management is timely and adapted to the need to maximize the opportunity to leverage data for informed decision-making. By deploying digital tools to reinforce Public Finance Management and Domestic Resource Mobilization, we can help to optimize the value of existing revenue streams including improving royalties from extractive industries. As noted by the expert paper, the use of such technologies can also help in tackling illicit financial flows and identifying potential risks in procurement and spending systems.

The focus on public procurement is also a critical ingredient of public finance management, and if leveraged effectively could positively contribute towards the development of sustainable value chains. To consider a specific example, some African countries are exploring financing school feeding programmes, anchored in sustainable and climate resilient community driven agricultural production. Such school feeding programmes can contribute to an acceleration of cross cutting SDG indicators, and effective procurement policies could deliver effective community incomes and livelihoods.

Debt management also emerges as a significant challenge for all developing countries, with the rising cost of debt service diverting resources away from SDG investment. In African countries, debt service expenditure is almost twice the average investment in health.

Enhanced transparency is needed from both creditor and debtor countries to provide regular information on public debt, and additional support is needed to help countries manage the increased pressure on public resources driven by increased borrowing to respond to the urgency of the pandemic, while also seeking to accelerate investment in climate resilience and the SDGs.

The alignment of budget priority setting with national SDG targets, and alignment of Official Development Assistance to these same goals are a crucial component to address public finance management to attain the SDGs.