



Mapping Fiscal Transformation: The Architecture of Public Finance and Growth Pathways in African States

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Abstract

Fiscal transformation in African states is not a uniform process of institutional upgrading but a contested, politically mediated reconfiguration of the systems through which governments mobilise, allocate, and account for public resources. This paper develops a comprehensive analytical framework, the Fiscal Architecture Framework (FAF), for mapping the relationship between public financial management (PFM) systems, institutional capacity, and economic growth pathways across African states. Drawing on developmental state theory, fiscal sociology, institutional economics, and the political economy of reform, it argues that fiscal outcomes are shaped not merely by the technical quality of financial systems but by the interaction of structural conditions, elite incentives, and the composition of reform coalitions. The paper analyses five core architectural components of public finance systems, revenue mobilisation, budgeting credibility, expenditure management, public investment quality, and accountability mechanisms, and traces how their configuration produces divergent development trajectories across resource-dependent, reform-oriented, and fragile state contexts. Case illustrations from Nigeria, Rwanda, Ghana, and Kenya ground the analysis in observable reform experiences, highlighting the conditions under which fiscal reforms generate sustained growth gains and those under which they produce institutional mimicry without functional improvement. The paper concludes that while meaningful fiscal transformation is occurring in parts of Africa, it remains structurally constrained in ways that existing PFM reform frameworks inadequately capture.

Keywords *Fiscal Transformation; Public Financial Management; Fiscal Architecture; State Capacity; Growth Pathways; Africa; Institutional Reform; Political Economy*

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1. Introduction

There is something intellectually uncomfortable about the persistent gap between the ambition of fiscal reform in Africa and its realised outcomes. Across the continent, governments have invested in integrated financial management information systems, adopted medium-term expenditure frameworks, launched tax modernisation programmes, and subjected themselves to Public Expenditure and Financial Accountability (PEFA) assessments, yet fiscal transformation, understood as durable structural improvement in the quality and developmental impact of public finance, has remained elusive in much of the continent. The gap between reform adoption and functional improvement is too wide and too consistent to be explained by implementation failure alone. It points, instead, to something more fundamental about how fiscal systems are embedded in political economies that selectively absorb, deflect, and adapt technical interventions.

The concept of fiscal architecture, as developed in this paper, offers a more productive analytical entry point than the prevailing PFM reform literature. Where the reform literature tends to focus on individual instruments, budget classification systems, treasury single accounts, payroll management reforms, the architectural metaphor directs attention to the structural relationships among these components and the institutional foundations on which they rest. Just as a building's performance depends not only on individual materials but on how they are assembled and what they stand on, a government's fiscal performance depends on how its various financial management systems interact and what political and administrative structures support them.

This paper makes three specific contributions. First, it develops the Fiscal Architecture Framework (FAF) as a structured analytical tool for mapping PFM systems in African states across five core dimensions. Second, it identifies three broad fiscal transformation pathways, resource-dependent, reform-oriented, and fragile state trajectories, that reflect different configurations of architectural strength and weakness. Third, it analyses the political economy conditions that drive, constrain, and sustain fiscal transformation, with particular attention to the mechanisms through which PFM quality translates into growth outcomes. The paper draws on illustrative cases from Nigeria, Rwanda, Ghana, and Kenya, not as exhaustive country studies but as analytical reference points that illuminate broader patterns.

The paper proceeds through the following sequence. Section 2 reviews the relevant theoretical and empirical literature. Section 3 develops the theoretical framework. Section 4 maps the architecture of public finance systems in African states. Section 5 analyses fiscal transformation pathways. Section 6 examines political economy dynamics. Section 7 links PFM quality to growth outcomes. Section 8 discusses the framework's implications. Section 9 concludes.

2. Literature Review

2.1 Fiscal Transformation as a Conceptual Problem

The term 'fiscal transformation' appears frequently in development policy literature but rarely receives the conceptual precision it demands. At its most expansive, it encompasses any significant change in public finance systems; at its most restrictive, it refers only to fundamental restructuring of tax systems and revenue bases. This paper adopts a middle position, defining fiscal transformation as a structural and institutional process through which governments progressively reconfigure the systems, norms, and incentive structures governing public resource mobilisation, allocation, and accountability in ways that improve development outcomes. This definition has three consequential implications: transformation is structural (not merely instrumental), institutional (involving formal and informal rules, not just procedures), and developmental (not just managerially efficient).

The distinction between administrative modernisation and genuine fiscal transformation is analytically crucial. Modernisation, the adoption of contemporary financial management tools and procedures, can occur without transformation if the underlying institutional conditions and political incentives remain unchanged. Andrews (2013) captures this problem through the concept of 'isomorphic mimicry': governments adopt the form of modern fiscal institutions to satisfy external stakeholders without changing the function of their fiscal systems. The prevalence of this pattern in African PFM reform is well documented (Dorotinsky & Pradhan, 2007; Rakner et al., 2004), and it represents the central challenge that any analytical framework for fiscal transformation must address.

2.2 The PFM Reform Literature

The international PFM reform literature, shaped substantially by the analytical frameworks of the World Bank and IMF, has produced a rich body of diagnostic tools, most notably the PEFA assessment framework, that map government financial management systems against defined performance standards. The PEFA framework's six pillars (budget reliability, transparency, management of assets and liabilities, policy-based fiscal strategy and budgeting, predictability and control in budget execution, and accounting and reporting) provide a comprehensive picture of PFM system quality and have generated a substantial base of comparative data across African states (PEFA Secretariat, 2016).

However, the PEFA framework and the broader reform literature from which it derives have been criticised on several grounds relevant to this paper. Allen et al. (2017) argue that PEFA assessments measure formal system quality without capturing the informal practices through which actual fiscal decisions are made. Hedger and de Renzio (2010) find that improvements in PEFA scores do not consistently predict improvements in development outcomes, suggesting that the relationship between formal PFM quality and fiscal performance is more complex than reform frameworks assume. Most fundamentally, the PFM reform literature has been criticised for its technical orientation, its tendency to treat fiscal systems as engineering problems amenable to technical solutions, without adequate engagement with the political economy conditions that determine which reforms are adopted, how they function in practice, and whether they endure (Booth, 2011).

2.3 African Fiscal Systems in Comparative Perspective

The comparative literature on African fiscal systems has generated several important findings that inform this paper's analysis. First, African tax systems are characterised by relatively low tax-to-GDP ratios (averaging around 16–17% compared to 34% in OECD countries), heavy dependence on trade and commodity taxes, and limited direct taxation of domestic economic activity (African Development Bank, 2022; IMF, 2019). These structural features reflect both the organisational characteristics of African economies, informality, commodity dependence, weak financial systems, and the political economy conditions in which tax systems evolved.

Second, budgetary credibility, the degree to which actual expenditures conform to approved budgets, is systematically weak across African states, with significant deviations between planned and actual spending common even in states with formally sophisticated budget systems (Williamson & Cangiano, 2019). This credibility gap has major implications for development planning: if governments cannot reliably execute their budgets, multi-year investment programmes cannot be implemented as designed, and the developmental impact of public expenditure is correspondingly diminished.

Third, the relationship between fiscal decentralisation and development outcomes in Africa has proven particularly complex, with evidence suggesting that decentralisation without commensurate capacity transfer and accountability systems can fragment rather than improve fiscal performance (Smoke, 2019). These findings set the context for the more detailed architectural analysis developed in subsequent sections.

3. Theoretical Framework

3.1 Developmental State Theory and Fiscal Capacity

Developmental state theory, originating in the analysis of East Asian industrial transformation (Johnson, 1982; Amsden, 1989), emphasises the role of capable, autonomous, and strategically oriented states in driving long-run economic development. Applied to Africa, the developmental state framework directs attention to the fiscal foundations of state capacity: governments cannot pursue developmental strategies if they lack the revenue to finance investments, the budgetary systems to allocate resources strategically, or the accountability mechanisms to ensure that resources are used effectively. Mkandawire (2001) adapts the developmental state concept to African conditions, arguing that the key distinction is not between developmental and non-developmental states but between different configurations of state autonomy and embeddedness, different balances between insulation from particularistic pressures and engagement with productive economic actors.

Fiscal capacity is central to this framework in ways that go beyond simple revenue adequacy. Evans (1995) identifies 'embedded autonomy', the combination of bureaucratic insulation and dense social networks linking state agencies

to productive economic actors, as the defining characteristic of developmental states. Fiscal systems both reflect and constitute this embedded autonomy: tax administrations that can assess and collect from powerful economic interests demonstrate bureaucratic capacity; budget processes that incorporate sector ministries and subnational governments in planning demonstrate institutional embeddedness; accountability systems that subject fiscal decisions to scrutiny demonstrate responsiveness. The quality of fiscal architecture is thus an indicator of developmental state capacity, not merely a means to it.

3.2 Fiscal Sociology

Fiscal sociology, the tradition of scholarship originating in Schumpeter's (1918/1991) analysis of the fiscal crisis of the tax state, examines the relationship between fiscal systems and the social and political structures in which they are embedded. Schumpeter's foundational insight, that 'the budget is the skeleton of the state stripped of all misleading ideologies', remains analytically powerful: the structure of a government's revenues and expenditures reveals the real distribution of power and the actual priorities of the state, as distinct from its proclaimed ones.

Applied to African states, fiscal sociology directs attention to the social contracts embedded in fiscal arrangements. Where states extract resources primarily from natural resource rents rather than broad-based taxation, the revenue bargain between state and society is attenuated: governments have less need of citizen compliance and correspondingly less accountability to taxpayers. Moore (2007) develops this argument in the concept of the 'non-reciprocal state', showing how resource dependence weakens the fiscal contract and reduces incentives for good governance. Conversely, where states rely on broad-based domestic taxation, the negotiation of tax compliance can become a vehicle for building state-society relations that support broader governance improvements.

3.3 Institutional Economics and Path Dependence

Institutional economics, particularly the strand developed by North (1990) and elaborated by Acemoglu and Robinson (2012), provides the analytical foundations for understanding why fiscal systems are so resistant to reform. Fiscal institutions, the rules, norms, and enforcement mechanisms governing public finance, generate distributional consequences that create powerful stakeholder interests in their continuation. Tax exemptions benefit those who receive them; patronage-friendly budget systems benefit those who control discretionary allocations; weak accountability systems benefit those whose activities are thereby shielded from scrutiny.

Path dependence in fiscal systems operates through several mechanisms. Formally, legal frameworks and administrative procedures create switching costs that make institutional change technically difficult. Informationally, existing systems generate the data on which planning and evaluation depend, making departure from established approaches disorienting. Politically, existing fiscal arrangements generate coalition support among beneficiary groups that can mobilise to resist change. The implication is that fiscal transformation requires not just better technical solutions but active disruption of the political-economic equilibria that sustain suboptimal institutional arrangements.

3.4 The Fiscal Architecture Framework

Drawing on these three theoretical traditions, this paper proposes the Fiscal Architecture Framework (FAF) as an integrated analytical tool. The FAF conceptualises public finance systems as institutional architectures, structured ensembles of formal rules, administrative capacities, and political practices, whose development impact depends on how effectively their components interact. The framework identifies five architectural dimensions: revenue mobilisation, budgeting credibility, expenditure management, public investment quality, and accountability. Each dimension has both technical and political economy aspects, and the FAF explicitly maps both. The framework's central hypothesis is that fiscal transformation occurs when reform coalitions are strong enough to reconfigure multiple architectural dimensions simultaneously, generating positive interdependencies that reduce the political cost of sustaining change over time.

4. Mapping Fiscal Architecture in African States

4.1 Revenue Mobilisation

Revenue mobilisation is the foundational dimension of fiscal architecture, and African states' revenue profiles display several structural features with profound implications for development trajectories. Tax-to-GDP ratios across the continent average around 16.5%, masking enormous variation from Rwanda's approximately 15–16% of GDP (relatively high for the income level) to sub-Saharan Africa's fragile states where ratios fall below 10% (African Development Bank, 2022; IMF, 2019). These ratios reflect not just economic structure but institutional capacity: the ability of revenue administrations to assess, audit, and collect from a broad tax base.

The composition of revenue is as consequential as its level. African tax systems remain heavily dependent on trade taxes (import duties, export levies) and value-added taxes on formal sector transactions, with relatively limited capacity to tax wealth, capital income, or the large informal economies that characterise most African states. This compositional bias has two problematic implications. First, it makes revenue highly sensitive to external shocks, commodity price movements, trade disruptions, remittance flows, that are beyond government control. Second, it reflects and reinforces the exclusion of powerful economic actors from the tax net: large landowners, informal sector elites, and politically connected businesses frequently benefit from exemption regimes that narrow the tax base and reduce revenue adequacy.

Rwanda presents a particularly instructive case of revenue mobilisation reform. The Rwanda Revenue Authority, established in 1998, has progressively modernised tax administration through digitisation of taxpayer registration, risk-based audit selection, and expansion of the taxpayer base into previously untaxed sectors. Tax revenue as a share of GDP grew from approximately 10% in 2000 to over 15% by 2018, a transformation achieved through a combination of administrative modernisation and sustained political commitment to domestic revenue mobilisation (Clist & Morrissey, 2011; Mascagni et al., 2016). The Rwandan case illustrates that revenue transformation is possible even at low income levels, given sufficient political will and administrative investment, but it also reflects the particular conditions of post-genocide Rwanda, where state consolidation imperatives created governance conditions not easily replicated elsewhere.

4.2 Budgeting Credibility and Planning Systems

Budgetary credibility, the degree to which approved budgets predict actual expenditure, is one of the most consequential and most consistently weak dimensions of fiscal architecture in African states. PEFA assessments across the continent routinely identify low scores on budget out-turns: deviations of 15–20% between planned and actual aggregate expenditure are common, and compositional deviations (shifts among sectors and programmes) are even larger (PEFA Secretariat, 2022). These deviations are not random noise; they reflect systematic patterns of budget manipulation driven by political pressures, revenue volatility, and weak commitment mechanisms.

The medium-term expenditure framework (MTEF) has been promoted across Africa as the primary instrument for improving budgetary credibility, providing multi-year fiscal projections that anchor annual budgets within a longer planning horizon. Ghana's MTEF, introduced in the late 1990s, and Kenya's programme-based budgeting reforms of the 2010s represent serious attempts to shift from incremental to strategic budgeting. Yet evidence on MTEF effectiveness in Africa is mixed: many frameworks exist as planning documents without effectively constraining annual budget preparation, producing what Wildavsky (1975) might have recognised as the persistence of line-item incrementalism beneath the surface of strategic framing.

The deeper problem of budgetary credibility is political rather than technical. In systems where governments use supplementary budgets, presidential discretionary funds, and extra-budgetary expenditures to respond to political pressures outside the formal budget process, the approved budget is only a partial representation of fiscal intentions. Nigeria's experience with off-budget expenditures and the disconnect between federal budget approvals and actual releases to agencies exemplifies this pattern, where formal budget credibility scores mask the true degree of fiscal unpredictability (Okonkwo & Ibrahim, 2020).

4.3 Expenditure Management and the Recurrent-Capital Balance

The composition of public expenditure, specifically the balance between recurrent spending (wages, goods and services, interest payments) and capital investment, is a critical determinant of public finance's contribution to growth. Across African states, personnel costs and debt service consume the majority of recurrent budgets in most countries, leaving limited fiscal space for the infrastructure investment and service delivery that drive long-run development. The wage bill problem, which this paper discussed in specific context for Enugu State in companion work, is a continental phenomenon: ghost workers, politically inflated salary grades, and uncontrolled allowance structures drain resources that could otherwise fund capital programmes.

Ghana's fiscal experience through the early 2010s illustrates the expenditure management challenge acutely. A period of significant fiscal deterioration between 2012 and 2014 was driven in substantial part by uncontrolled growth in the public sector wage bill, following a pay reform that increased wages without commensurate revenue growth. The resulting fiscal crisis required an IMF programme and significant expenditure adjustment, demonstrating how personnel cost failures can destabilise the entire public finance architecture (Quartey & Afful-Mensah, 2014). The episode also illustrates a broader pattern: wage bill expansion is politically easy (it creates immediate constituencies) while contraction is politically costly, creating an asymmetric dynamic that systematically inflates personnel costs over time.

4.4 Public Investment Management

Public investment management (PIM), the systems through which governments appraise, select, implement, and evaluate capital investment projects, represents one of the weakest dimensions of fiscal architecture across African states. IMF assessments using the Public Investment Management Assessment (PIMA) framework consistently identify deficiencies in project appraisal capacity, implementation monitoring, and asset management across the continent (IMF, 2015). These deficiencies translate directly into investment inefficiency: resources committed to capital programmes do not generate the infrastructure output that equivalent spending would produce in higher-capacity systems.

Kenya's experience with public investment management is illustrative in both its achievements and its limitations. The country has made significant progress in formalising project appraisal procedures and integrating capital budgeting with recurrent expenditure planning, supported by technical assistance from development partners and the momentum of devolution reforms following the 2010 constitution. Yet implementation remains hampered by procurement delays, contractor capacity constraints, and coordination failures between national and county governments that reduce the developmental impact of capital appropriations (Ndung'u, 2020).

4.5 Financial Accountability Systems

Financial accountability, the systems through which public resource use is recorded, reported, scrutinised, and sanctioned, constitutes the final architectural dimension and, in many respects, the capstone of the fiscal architecture. Without effective accountability, weaknesses in other dimensions cannot be detected and corrected; with it, even imperfect systems can be improved over time through iterative feedback. The accountability dimension encompasses internal controls and audit functions, supreme audit institutions, legislative oversight, and the broader ecosystem of civil society monitoring and media reporting that constitutes the social accountability environment.

Rwanda's investment in accountability institutions provides a useful reference point. The Office of the Auditor General has progressively strengthened its technical capacity and published increasingly detailed audit reports that identify systemic as well as compliance failures. The Imihigo (performance contract) system, which links ministerial accountability to measurable outcome targets, creates accountability pressures at the political level that complement formal audit and legislative scrutiny. These overlapping accountability mechanisms are not perfect, but they create a denser accountability environment than exists in most African states, contributing to Rwanda's relatively strong PEFA scores on accountability dimensions despite the country's authoritarian political context (Booth & Golooba-Mutebi, 2012).

5. Fiscal Transformation Pathways

5.1 Resource-Dependent States

Resource-dependent states, those for which mineral or hydrocarbon revenues constitute a dominant share of government income, face a distinctive fiscal architecture challenge. The fiscal sociology of resource dependence is well established: where governments collect revenues from resource extraction without broad-based taxation, the accountability relationship between state and citizen is weakened, since citizens are recipients of resource-funded services rather than tax-paying constituents whose compliance must be secured (Moore, 2007). The institutional implications are profound: resource rents fund patronage networks, reduce incentives for administrative modernisation, and generate fiscal volatility through commodity price cycles.

Nigeria is the canonical African case of resource-dependent fiscal dysfunction. Oil revenues, which have constituted between 40% and 70% of federal government receipts over successive decades, have simultaneously enabled expenditure expansion and undermined the fiscal disciplines that broader tax dependence might impose. The distributive logic of the federation account, under which oil revenues are shared among federal, state, and local governments according to statutory formulae, has created a transfer-dependent fiscal culture in which most subnational governments lack both the incentive and the capacity for serious domestic revenue mobilisation. When oil prices fall, as they did dramatically in 2014–2016, the entire intergovernmental fiscal system is simultaneously disrupted, with states unable to meet payroll obligations and development programmes suspended across the federation.

The transformation challenge for resource-dependent states is not simply fiscal diversification, the well-understood imperative to reduce revenue concentration, but institutional: building the tax administration capacity, accountability norms, and political coalitions for broad-based taxation that resource dependence has systematically suppressed. This is a generational project that requires sustained political leadership across electoral cycles, making it structurally resistant to the short-term incentives that electoral democracy creates.

5.2 Reform-Oriented States

Reform-oriented states are those that have sustained coherent fiscal reform programmes over sufficient time to produce measurable improvements in fiscal architecture quality. Rwanda is the clearest African exemplar of this trajectory, having achieved systematic improvements across revenue mobilisation, budget credibility, PIM quality, and accountability over the two decades following the genocide. Ethiopia's fiscal transformation under the EPRDF government from the 1990s through 2018 represents a second case, combining significant public investment expansion with strong expenditure control under a developmental state model explicitly modelled on East Asian precedents (Mkandawire, 2001).

What distinguishes reform-oriented fiscal trajectories is not the absence of political economy constraints but their particular configuration. In both Rwanda and Ethiopia, strong executive authority was used to suppress rent-seeking in some domains while directing patronage toward productive investment in others, a pattern that fits Evans's (1995) embedded autonomy model better than the technocratic good governance paradigm. The sustainability question for these cases is whether fiscal discipline can survive political transitions and whether the institutional capacities built under concentrated executive authority can be maintained and deepened in more politically competitive environments.

Ghana represents a reform-oriented trajectory with a different political economy configuration: multi-party competitive democracy rather than concentrated executive authority. Ghana's fiscal transformation has been more uneven, punctuated by electoral fiscal cycles, wage bill crises, and recurrent debt sustainability concerns, but has also demonstrated greater resilience to political transition and a deeper embedding of fiscal reform norms within civil society and the political culture. Ghana's experience suggests that competitive democracy and fiscal transformation are compatible, but that the management of electoral political economy pressures on fiscal decision-making requires specific institutional innovations, independent fiscal councils, fiscal rules with credible enforcement, and strong supreme audit institutions, that are only partially in place.

5.3 Fragile and Low-Capacity States

Fragile states represent the third fiscal trajectory: those in which the combined effect of political instability, administrative weakness, and limited economic development creates fiscal architectures that cannot sustain the core functions of government. In these contexts, the prescriptions of mainstream PFM reform literature, adopt medium-term frameworks, implement integrated financial management systems, strengthen supreme audit institutions, are impractical given current capacity levels and may even be counterproductive if they divert scarce administrative capacity toward compliance with external reform requirements rather than core fiscal functions.

The appropriate analytical framework for fragile state fiscal trajectories is not the PFM reform ladder but what Pritchett et al. (2013) call 'deals-based' or 'problem-driven iterative adaptation': starting from the actual fiscal problems that most constrain development and building specific institutional solutions to those problems, rather than importing comprehensive reform blueprints designed for higher-capacity environments. In practice, this means prioritising payroll integrity and expenditure control before budget credibility improvements; basic revenue collection before sophisticated tax administration modernisation; and simple, auditable accountability mechanisms before complex IFMIS systems that exceed local technical capacity to operate.

6. Political Economy of Fiscal Reform

6.1 The Architecture of Reform Coalitions

The political economy literature's most important contribution to understanding fiscal transformation is its emphasis on the coalition dynamics that determine which reforms are adopted, how they function in practice, and whether they endure. Reforms do not succeed because they are technically superior; they succeed because they build and maintain coalitions of actors with sufficient power to implement and defend them against opposition. The architecture of reform coalitions, who is included, what interests they represent, how they are coordinated, is as important to transformation outcomes as the architecture of financial management systems.

Rwanda's fiscal transformation illustrates this dynamic with particular clarity. The RPF-dominated post-genocide government faced the challenge of state reconstruction with a governing coalition that combined strong executive authority with a technocratic reform commitment unusual in African political contexts. International donors, chastened by their failure to prevent the genocide, provided both resources and institutional support for ambitious institutional reform. This particular coalition configuration, concentrated executive authority, technocratic reformers, and aligned external support, created conditions for systematic fiscal architecture improvement that few African governments have been able to replicate.

Kenya's more contested political economy has produced a different coalition dynamic. The 2010 constitutional restructuring created a devolution process that simultaneously decentralised fiscal authority to 47 counties and created new political stakeholders, county governors, with strong interests in fiscal autonomy and discretionary allocation. This has both driven genuine fiscal innovation at subnational levels and created new coordination challenges for national fiscal management. The Kenyan case illustrates how political economy changes can simultaneously advance some dimensions of fiscal transformation while complicating others.

6.2 Elite Interests and Institutional Resistance

Fiscal reform threatens established patterns of resource distribution, generating institutional resistance from actors who benefit from existing arrangements. The forms this resistance takes vary with the political context: in some settings, it manifests as outright political blocking of reform legislation; in others, as technical obstruction by civil servants whose informal practices are threatened; in others still, as selective implementation that removes the most disruptive elements of reforms while preserving their formal architecture.

The experience of tax reform across African states illustrates the mechanics of elite resistance with particular clarity. Large taxpayer units, which focus audit and compliance capacity on the small number of firms that generate the majority of corporate tax revenue, have improved collection from formally registered businesses while leaving economically significant but politically connected actors, large landowners, financial sector elites, mining companies,

relatively undertaxed. Tax exemption regimes, nominally justified by investment promotion objectives, frequently become vehicles for politically motivated tax avoidance, narrowing bases and reducing revenue adequacy without generating commensurate investment (Keen & Mansour, 2010).

6.3 Political Leadership and Reform Windows

Notwithstanding the structural constraints that political economy analysis emphasises, political leadership matters, sometimes decisively, to fiscal transformation trajectories. Leadership transitions can create reform windows by disrupting the equilibria that sustain suboptimal fiscal arrangements, allowing new coalitions to consolidate alternative institutional configurations. The policy of the incoming leader, the fiscal inheritance they face, and the accountability pressures they respond to all shape whether such windows produce lasting transformation or temporary adjustment.

Ghana's passage of the Public Financial Management Act in 2016 illustrates the interaction of leadership, fiscal crisis, and reform opportunity. The severe fiscal deterioration of 2012–2014, and the associated IMF programme, created public demand for fiscal accountability that the Mahama administration ultimately responded to with comprehensive PFM legislation, though the legislation's passage was also influenced by the approaching electoral cycle. The Act represented a genuine institutional innovation, creating a legal framework for fiscal rules, medium-term planning, and accountability mechanisms that exceeded previous legislative provision. Its effective implementation has been partial and contested, but the legislation created institutional facts that constrain subsequent fiscal decision-making in ways that absence of such a framework would not.

7. Linking PFM to Growth Outcomes

7.1 Macroeconomic Stability and Fiscal Foundations

The relationship between PFM quality and macroeconomic stability is one of the best-established links in the public finance literature. Fiscal deficits financed through monetary expansion generate inflation; debt accumulation beyond sustainable thresholds generates financial distress; expenditure volatility disrupts private sector planning and investment. These fiscal pathways to macroeconomic instability are the mirror image of the stability benefits that effective PFM provides: governments that can reliably mobilise revenue, control expenditure, and manage debt create macroeconomic environments conducive to sustained private sector activity.

Rwanda's macroeconomic record over the post-genocide period demonstrates the growth dividend of fiscal stability. Average GDP growth rates above 7% annually between 2000 and 2019 were supported by a fiscal framework that maintained relatively low deficits, managed public debt conservatively, and prioritised capital expenditure within a stable macroeconomic environment (Booth & Golooba-Mutebi, 2012). The contrast with neighbouring Democratic Republic of Congo, where fiscal instability has been both a symptom and a cause of persistent conflict and underdevelopment, illustrates how dramatically fiscal architecture can influence growth trajectories.

7.2 Infrastructure Development and Public Investment Efficiency

Public investment in infrastructure, transport networks, energy systems, communications infrastructure, urban water and sanitation, generates productivity spillovers that raise private sector returns and support long-run growth. The African Development Bank estimates an infrastructure financing gap of approximately \$68–\$108 billion annually across the continent, reflecting both the scale of investment needs and the limited fiscal resources available to meet them (African Development Bank, 2022). Closing this gap requires not only increased fiscal resources but improved public investment management systems that ensure available resources generate maximum infrastructure output.

The relationship between PIM quality and infrastructure outcomes is well established in the empirical literature. Calderón and Servén (2008) find that both the quantity and quality of infrastructure investment significantly affect long-run growth, with quality improvements generating more sustained effects than simple spending increases. IMF estimates suggest that in countries with weak PIM systems, the effective output of public investment may be as low as 50% of nominal spending, meaning that half of committed capital resources is effectively wasted through poor project selection, implementation failures, and asset deterioration (IMF, 2015). Improving PIM quality therefore offers substantial fiscal efficiency gains that can amplify the growth impact of constrained public investment budgets.

7.3 Human Capital Investment and Service Delivery

The connection between public finance and human capital development, through health, education, and social protection expenditure, is a second critical growth pathway. The quality of government expenditure on human capital services depends critically on how payroll systems function (ensuring that teachers and health workers are paid reliably), how procurement systems operate (ensuring that drugs, textbooks, and equipment reach frontline facilities), and how accountability mechanisms work (ensuring that resources allocated to service delivery actually reach intended beneficiaries).

Nigeria's National Social Investment Programme (NSIP), launched in 2016, provides a cautionary illustration. Ambitious programmes, including a school feeding initiative, a conditional cash transfer scheme, and an enterprise development fund, were designed with sound developmental objectives but implemented through fiscal management systems ill-equipped to handle their complexity. Procurement delays, payment system failures, and accountability gaps significantly reduced the programmes' impact relative to their potential, illustrating how PFM weaknesses at the operational level can undermine strategically sound policy interventions (World Bank, 2018).

7.4 Private Sector Development and the Fiscal Environment

The quality of fiscal systems shapes private sector development through several channels beyond macroeconomic stability. Tax administration quality affects the cost of tax compliance for businesses, with complex and unpredictable tax systems imposing disproportionate compliance burdens on small and medium enterprises that lack the legal and accounting capacity of large firms. Procurement systems determine the conditions under which private firms can access government contracts, with inefficient or corrupt procurement creating barriers to entry that disadvantage productive firms and advantage politically connected ones. Public investment quality affects the infrastructure environment in which private firms operate.

Kenya's digital financial infrastructure development illustrates how public sector fiscal innovation can catalyse private sector development. The government's investment in digital payment systems and financial sector regulation created conditions for the emergence of M-Pesa and the broader mobile money ecosystem that has dramatically expanded financial inclusion and supported the growth of digital economy activities (Ndung'u, 2020). This case illustrates a broader point: PFM quality is not only about managing public resources efficiently but about creating the institutional foundations, payment systems, regulatory frameworks, procurement markets, on which private sector development depends.

8. Discussion

8.1 The Fiscal Architecture Framework: Implications and Limitations

The Fiscal Architecture Framework developed in this paper has several analytical advantages over prevailing approaches to PFM reform in Africa. By treating fiscal systems as integrated institutional architectures rather than collections of individual instruments, it better captures the interdependencies that determine reform success: improvements in revenue mobilisation generate fiscal space that makes expenditure management more tractable; budget credibility improvements increase the incentive for revenue mobilisation; accountability improvements generate feedback that corrects weaknesses across all other dimensions. These positive interdependencies mean that comprehensive reform, addressing multiple architectural dimensions simultaneously, is likely to be more effective than sequential single-dimension improvements, even if comprehensive reform is also more politically demanding.

The FAF's explicit integration of political economy analysis represents a second advantage. By mapping the political conditions that enable or constrain each architectural dimension, the framework provides guidance for reform strategy that purely technical frameworks cannot: identifying which reforms are politically feasible given the current coalition configuration, how reform coalitions can be built or expanded to make more ambitious reforms possible, and how institutional facts created by early reforms can reduce the political cost of subsequent ones.

The framework's primary limitation is its abstraction: the five dimensions it maps are themselves complex domains that the framework represents in simplified form. A full architectural analysis of any particular country would need to descend to the operational level within each dimension, examining the specific legal frameworks, administrative

procedures, IT systems, and informal practices that constitute, say, revenue administration in that country, in a way that this paper's comparative scope does not permit. The FAF is intended as a mapping tool rather than a comprehensive analytical model, and its application to specific country contexts requires supplementation with detailed institutional analysis.

8.2 What Makes Fiscal Transformation Sustainable?

The comparative analysis conducted in this paper suggests that sustainable fiscal transformation requires three overlapping conditions: a reform coalition with sufficient political power and durability to consolidate institutional changes across electoral cycles; technical foundations that reduce the opportunities for reversal by creating institutional facts (digital systems, legal frameworks, accountability obligations) that constrain subsequent decision-makers; and a developmental narrative that connects fiscal reform to tangible citizen welfare improvements, generating the political support that sustains reform coalitions over time.

None of these conditions is easily achieved, and their simultaneous satisfaction is rarer still. Rwanda has achieved all three, but under political conditions (concentrated authority, limited political competition) that are themselves contested on democratic governance grounds. Ghana has achieved the third condition (democratic legitimacy) and, partially, the second (legal frameworks for fiscal rules) but struggles with the first (durable reform coalitions across political transitions). Nigeria, despite its enormous fiscal potential, has achieved none fully at the federal level, though individual states have demonstrated that subnational fiscal transformation is possible within the larger dysfunction.

9. Conclusion

The central question this paper has engaged is whether African states are undergoing genuine fiscal transformation or incremental adjustments within structurally constrained systems. The answer, as comparative analysis suggests it must be, is both, but not in equal proportions and not uniformly distributed across the continent's diverse political economies.

Genuine fiscal transformation is occurring in some African states. Rwanda's systematic improvement of fiscal architecture across all five dimensions of the FAF, sustained over two decades, represents a transformation in the full structural-institutional sense the concept demands. Kenya's devolution-driven fiscal restructuring, despite its uneven implementation, has reconfigured the political economy of public finance in ways that cannot easily be reversed. Ghana's legislative and institutional investments in fiscal rules and accountability frameworks have created constraints on fiscal decision-making that represent meaningful departures from earlier practice. These are not superficial modernisations; they are institutional changes with real consequences for how public resources are mobilised, allocated, and accounted for.

Yet for the majority of African states, incremental adjustment within structural constraints more accurately describes the fiscal trajectory. Revenue mobilisation remains inadequate and base-narrow. Budget credibility remains systematically weak, with political economy pressures routinely overriding formal budget commitments. Personnel cost management remains a persistent source of fiscal inefficiency. Public investment systems remain unable to translate capital commitments into infrastructure output at rates that support the structural transformation African economies require. These are not problems of technical design, the solutions are broadly known, but of political economy: the distributional consequences of genuine fiscal transformation create powerful resistance that incremental reforms, whatever their formal ambition, rarely overcome.

The Fiscal Architecture Framework this paper has developed offers a more productive conceptual foundation for both analysis and strategy than prevailing PFM reform approaches. By integrating technical assessment with political economy analysis, and by treating fiscal systems as interdependent institutional architectures rather than collections of instruments, it better captures both why fiscal transformation is so difficult and what conditions might make it possible. The urgent task for African fiscal reform, in research, in policy, and in politics, is to identify and build the reform coalitions that can translate technical knowledge into institutional change that endures.

The structural constraints are real. But structure is not destiny, and the cases examined in this paper demonstrate that even profoundly constrained fiscal systems can be transformed when political leadership, institutional design,

and coalition building align. Whether that alignment proves durable, and whether it spreads from the reforming minority to the stagnating majority, will be among the defining fiscal questions of Africa's twenty-first century development trajectory.

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