

Top public finance management programme comes to SA

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In the wake of SA's credit downgrading, former Harvard professor, Stephen Petersen, will be sharing best practice on public finance management at Africa's top business school this November.

Government officials and affiliated senior business people in Africa have an unprecedented opportunity to gain greater insight into the challenges of effective financial management and reform with the upcoming Public Finance Management (PFM) Programme at the University of Cape Town Graduate School of Business (UCT GSB) this November.

The PFM programme will be spearheaded by Dr Stephen Petersen, who for 24 years ran Harvard University's PFM executive programme, which has trained more than 1,600 officials from 57 countries.

The timing is apposite as South Africa, one of Africa's most developed countries, has just been hit by a downgraded sovereign credit rating by ratings giant Standard & Poor's to BBB, following Fitch revising its outlook on the country's economy from stable to negative. Reasons given for the downgrade include SA's high current account deficits, rising general government debt and the potential volatility and cost of external financing.

"Effective financial management is one of the pillars needed for economic growth - hence the interest of bilateral and multilateral aid agencies in the reform of public finance in developing countries," says Dr Peterson, who has played a key role in adapting Harvard's PFM programme to an African context.

According to Dr Peterson, most public financial management reforms in developing economies have either failed or had little effect. "Many in the field are convinced that they have the recipe for success and confidently impose it on developing nations, and yet very little is actually understood about what works and what doesn't in these contexts," he says.

One country where financial reform has been successful is in Ethiopia, the second fastest-growing economy on the African continent, which - in part due to this reform - boasts an impressive 4.1% average annual growth in per capita income.

"In the generally dreary picture of the world's PFM terrain, the twelve-year reform of Ethiopia's public finances (1996-2008), judged by the World Bank to be one of the most successful in Africa and indeed anywhere, stands out as a surprising success," says Dr Peterson, who managed the 12-year technical assistance project that supported the Ethiopian reform.

He explains that Ethiopia took an unconventional approach to reforming public finance, diverging from the typical foreign-aid-driven insertion of "international best practice," which tends to dominate in Africa.

"The GSB is extremely proud to be able to bring Dr Peterson and this programme to this continent," says GSB Professor John Luiz, co-director of the PFM programme. "Making this programme even more topical and valuable to participants is that it will be delivered in part by senior officials of African government ministries, including the National Treasury of South Africa, and by staff from the Consortium of the African Budget Reform Initiative (CABRI), who will present their recent research on PFM on the continent."

During the programme, Dr Peterson will share three important lessons for governments. Most importantly, he believes that a government must "own" its financial reform: set its own priorities and make its own decisions on how to navigate to the desired destination. Second, reform does not just mean change; it is also about recognising what exists and then improving and sustaining it. Third, government ownership requires that officials who operate a financial system be trained - from the most senior to those on the frontlines in the most far-flung administrative units with the lowest-level financial bureaus.

"Dr Peterson's fundamental premise is that a country's financial system must be appropriate to that country's context. Financial reform is about challenging conventional thinking, about learning, and this means that it is about people," says Professor Luiz.

"The GSB's executive training program will create a setting in which senior officials from African nations will learn from international experts - and from one another - what has and has not worked in their quest to build effective financial systems. By locating a PFM executive programme in one of the premier universities in Africa and collaborating with a government that has continually improved its finances, the workshop will establish a vibrant forum for nurturing Africa's emerging nations."

For more information about the UCT GSB Public Finance Management programme contact Ann Wium on +27 (0) 21 406 1314.

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