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Budget Credibility in Sub-Saharan Africa

Prepared by an IMF team led by Pablo Lopez Murphy and comprising Can Sever, Félix F. Simione, and Qianqian Zhang

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Executive Summary

This paper examines the challenges of budget credibility in sub-Saharan Africa at a time when governments across the region face shrinking fiscal space, rising macroeconomic uncertainty, and intensifying development pressures. Although budgets remain the central policy instrument for articulating government priorities, resource allocation, and the fiscal stance, they frequently diverge from outcomes during execution. This gap between plans and results has significant implications for macroeconomic management, fiscal discipline, and public trust.

Budget credibility is fundamental to effective public financial management. When fiscal authorities meet their budgeted commitments, expectations remain anchored, borrowing costs are contained, and fiscal policy becomes a more reliable tool for macroeconomic stabilization. In contrast, weak credibility creates uncertainty for markets and citizens, reduces the effectiveness of monetary and fiscal policies, and undermines long-term planning by creating ambiguity about the government's true fiscal path. The reliability of budget implementation also influences investor sentiment, as predictable fiscal behavior reduces sovereign risk premiums and fosters a more stable environment for private investment. From a governance perspective, credible budgets enable stronger accountability and reinforce the social contract by aligning the government's stated objectives with its actions.

Across sub-Saharan Africa, however, several global and domestic factors have strained governments' capacity to implement budgets as approved. Successive shocks—including the COVID-19 pandemic, commodity price swings, climate-related disruptions, and a tightening global financing environment—have eroded fiscal buffers and exposed vulnerabilities in macro-fiscal forecasting, liquidity management, and expenditure control. These pressures often force midyear budget revisions, generate spending arrears, and result in substantial deviations between budgeted and realized fiscal variables. Structural characteristics of many sub-Saharan African economies, including narrow and volatile revenue bases, large informal sectors, rigid spending structures, and heavy reliance on external financing, further heighten the difficulty of executing budgets as planned. Institutional and governance weaknesses, such as fragmented cash management systems, limited scrutiny of macro-fiscal projections, and weak oversight mechanisms, compound these challenges.

Based on a newly assembled data set covering budget plans and outturns for 39 sub-Saharan African countries from 2021 to 2024, this paper documents persistent deviations across fiscal aggregates and identifies clear patterns in the sources of slippages. Fiscal deficits most often exceed budgeted levels, reflecting both revenue shortfalls and expenditure overruns. Revenue projections tend to be overly optimistic, particularly for donor grants, which repeatedly underperform relative to expectations. Although tax revenues fare relatively better, they also exhibit notable deviations from budgets. On the expenditure side, primary current spending consistently exceeds budget ceilings, driven by wage pressures and emergency-related expenditures, whereas capital spending is systematically under-executed. Despite the region's considerable development and infrastructure needs, capital budgets often serve as the adjustment margin when revenues fall short or current spending rises. These deviations are not random: deficit overruns typically coincide with revenue shortfalls and unexpected increases in current spending, and excess revenue—when it occurs—often prompts higher current expenditure rather than deficit reduction.

Institutional conditions strongly influence these outcomes. Countries with more robust fiscal institutions, including fiscal rules, independent fiscal councils, and higher Public Expenditure and Financial Accountability scores, tend to show smaller and less volatile deviations between budgets and outturns. Engagement in the IMF-supported programs is also associated with stronger budget credibility, reflecting both the anchoring

role of conditionality and the technical support provided through program implementation. In contrast, fragile and low-income countries experience larger deviations, reflecting deeper structural constraints. Political economy factors also shape execution patterns: budget deviations widen in pre-election years, consistent with evidence of election-driven spending pressures and weaker expenditure discipline.

The findings underscore that improving budget credibility in sub-Saharan Africa requires more than incremental adjustments. It calls for more realistic revenue forecasting, stronger expenditure controls, improved cash flow planning, and institutional reforms that reinforce transparency and accountability throughout the budget cycle. Governments need to better align macro-fiscal frameworks with realistic assumptions, protect capital expenditure to support long-term growth, and strengthen the institutional safeguards that insulate policy from political cycles.

The remainder of the paper is structured as follows. Section 1 provides a primer on government budgets, explaining their evolution, functions, and importance. Section 2 defines budget credibility and discusses why it matters for macroeconomic stability and governance. Section 3 outlines the macroeconomic and institutional context specific to sub-Saharan Africa that shapes credibility outcomes. Section 4 presents the empirical assessment of budget credibility across the region, including cross-country patterns, drivers of deviations, and econometric results. Section 5 reviews how the IMF surveillance reports and programs have addressed budget credibility in sub-Saharan Africa. Section 6 summarizes the main findings and discusses reform options for enhancing budget credibility across the region.

1. A Primer on Budgets

A. History of Government Budgets

Budget origins can be traced back to ancient civilizations such as Egypt, Greece, and Rome, where budget practices were informal and aimed at mobilizing resources to finance immediate obligations. These early budgets largely served the interests of rulers rather than broader economic or social objectives. Revenues were mobilized mainly through in-kind taxation and tributes, financing public goods such as defense, infrastructure, and religious activities (Costouros 1977; Flesher and Flesher 1979; Carmona and Ezzamel 2007) (Table 1). This informal approach persisted during the medieval era until countries such as Britain began formalizing parliamentary approval processes in the 16th century.

With the emergence of modern nation-states in the 17th century, budgets evolved into systematic and formal mechanisms for financial control and political accountability. Classical economists such as Adam Smith emphasized fiscal prudence—the principle that government should raise sufficient revenue to cover public expenses without imposing undue burdens on the economy. Smith (1776) identified three legitimate functions of government spending: defense, law and order, and public works that the free market cannot efficiently provide. The idea of fiscal prudence was also echoed by Ricardo (1817) who cautioned against excessive and unproductive government spending on the grounds that it could lead to unsustainable debt.

By the 19th century, budgets had become public documents articulating government priorities and enabling legislative oversight. A balanced budget was not always the norm. In fact, during the 20th century, fiscal deficits gained acceptance as government intervention in the economy expanded, influenced by Keynes (1936). As states expanded their role, notably in the provision of welfare, the complexity and scope of budgets increased significantly. Today, government budgets in both developing and developed countries are strategic tools that go beyond resource allocation. They play a critical role in managing economic cycles and advancing long-term objectives such as national development and structural transformation (Musgrave and Musgrave 1989; Rubin 2011; Higgs 2013).

B. Why Are Budgets Important?

Budgets perform multiple critical functions, including planning, political negotiation, policy implementation, public administration, and communication of government priorities. As a planning tool, the budget provides a comprehensive financial statement projecting revenues and expenditures, typically for one fiscal year. It also serves as a negotiation tool, reflecting government priorities and constraints while guiding future policy directions (Wildavsky 1964; Musgrave and Musgrave 1989).

From a policy implementation perspective, the budget allocates scarce resources among competing needs, facilitates income redistribution, and supports macroeconomic stabilization (Stiglitz 2000). In public administration, the budget formalizes authorization for government spending and anticipated revenues, establishing a framework for accountability and control by lawmakers and the public. This underscores its role in promoting transparency and fiscal discipline.[1] Finally, the budget functions as a communication device, articulating the government's strategic vision and policy commitments to stakeholders (Rubin 2019).

[1] In particular, budget credibility reinforces the credibility of the financing plan, as budget overruns require additional borrowing and weaken investor confidence. Conversely, an unrealistic financing plan can undermine budget execution, leading to expenditure cuts, arrears, or monetary financing.

Table 1. National Budgets across Eras

	Ancient Empires	Medieval Age	Modern States
Source of revenue	Taxation in kind and labor, conquered territory and war spoils, trade, agricultural surplus, land rents, tribute	Feudal dues, royal land rents Taxes on trade and movable property	Taxes on income, sales, and trade Other revenue
Main expenditures	Defense, public works Maintainance of rulers' court	Defense Maintainance of royal courts	Social, defense, pension, salaries Education, infrastructure, debt service
Budgeting emphasis	Revenue collection	Revenue collection	Revenue, expenditure, borrowing
Source of borrowing	Wealthy elites and aristocrats Other states and cities Temples	Italian/European banking houses Wealthy merchants Religious institutions	Government securities Private financial institutions Domestic and international investors
Formality	Informal, no comprehensive legal frameworks and institutionalized processes, manual recordkeeping, less accessible to the public	Informal, no comprehensive legal frameworks and institutionalized processes, manual recordkeeping, less accessible to the public	Highly formalized; governed by laws and standards; designed for transparency, accountability, and systematic planning; includes performance-based metrics.

Source: The table was compiled based on the reviews of selected academic works on the history and evolution of governments and budgets over time (for example, Musgrave and Musgrave 1989; Higgs 2013; Rubin 2015).

2. Budget Credibility

Budget credibility refers to the extent to which fiscal plans announced by the government, covering expenditures, revenues, deficits, and borrowing, are perceived by stakeholders as reliable and likely to be implemented as stated. Similar to the principle that credible central bankers deliver on their commitments (Blinder 2000), credible finance ministers are expected to achieve their budget targets within a reasonable margin of error. When fiscal authorities are credible, the differences between private expectations and official projections remain minimal.

The benefits of budget credibility are far-reaching. It reduces uncertainty, supports monetary policy, fosters fiscal discipline, and contributes to institutional development. Credible budgets anchor expectations about future fiscal policy, thereby reducing macroeconomic uncertainty. This stability helps moderate inflation expectations and borrowing costs, reinforcing monetary policy effectiveness (Woodford 2001; IMF 2021; Hong and End 2022). Credibility also curbs deficit bias—the tendency to overspend relative to revenues—thus preventing unsustainable debt accumulation and abrupt corrective measures. Moreover, credible budgets impose reputational and political costs for missing targets, encouraging government transparency and accountability (Hallerberg and Hagen 2019).

Investor confidence is another critical benefit. When investors trust that fiscal plans will not change abruptly, they are more willing to commit resources, thereby improving access to external financing. Conversely, lack of credibility creates ambiguity about the true state of public finances, often overstating the benefits of spending while underestimating the cost of future debt obligations (Alesina and Perotti 1996). When markets and the public trust government plans, countercyclical measures become more effective in stabilizing economic cycles (Blanchard and Summers 2017).

Budget credibility requires transparency. It demands not only the publication of the budget but also the timely and comprehensive disclosure of accompanying annexes, macroeconomic forecasts, and fiscal execution reports (IMF 2018). Such transparency enables legislators, citizens, and markets to scrutinize government plans and hold authorities accountable. Although the comprehensiveness of information provided in budget documentation is relatively strong in many sub-Saharan African countries, public availability of such information is generally weak (Table 2).

Table 2. PEFA Assessment Scores in Sub-Saharan Africa

Country	Year	Budget Documentation[1]	Public Access to Fiscal Information[2]
Botswana	2020	B	D
Burkina Faso	2017	B	D
Burundi	2023	C	D
Cameroon	2023	A	D
Chad	2018	D	D
Cote d'Ivoire	2019	B	D
Democratic Republic of Congo	2020	C	D
Ethiopia	2019	C	D
Gabon	2017	B	D

(*continued*)

Table 2. PEFA Assessment Scores in Sub-Saharan Africa (continued)

Country	Year	Budget Documentation[1]	Public Access to Fiscal Information[2]
Ghana	2018	C	A
Guinea	2018	B	B
Kenya	2023	B	B
Lesotho	2025	C	D
Liberia	2021	B	D
Madagascar	2021	B	D
Malawi	2018	B	D
Mali	2021	B	D
Mozambique	2021	D	D
Niger	2023	A	D
Nigeria	2019	B	D
Rwanda	2022	B	B
Sao Tome and Principe	2019	D	D
Senegal	2020	B	D
Seychelles	2017	B	B
Sierra Leone	2022	B	D
Tanzania	2022	D	D
The Gambia	2024	C	D
Togo	2023	B	D
Uganda	2024	B	A
Zambia	2017	B	D
Zimbabwe	2018	C	D

Sources: World Bank; and Public Expenditure and Financial Accountability (PEFA).

Note: Scores range from A (strong performance = green color) to D (weak performance = red color).

[1] This indicator assesses the comprehensiveness of the information provided in the annual budget documentation.

[2] This indicator assesses the extent to which key fiscal information is made available to the public in a timely and accessible manner.

3. Sub-Saharan African Context

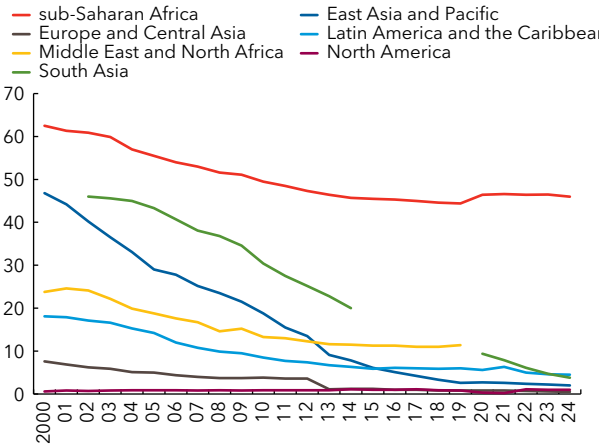
Fiscal management in sub-Saharan Africa is constrained by heightened uncertainty, limited policy buffers, and growing social demands. Successive global shocks—the COVID-19 pandemic, commodity price volatility, and recurrent climate events—have left many countries with reduced fiscal space and elevated debt vulnerabilities. Widened fiscal deficits have eroded buffers accumulated during the previous decade, while surging global fuel and food prices, combined with recurrent droughts, floods, and other climate-related shocks, continue to generate unanticipated spending pressures. These dynamics have made it increasingly difficult for governments to implement budgets as approved, often forcing midyear revisions, cuts in capital expenditure, or the accumulation of arrears. These pressures coincide with substantial social and development needs (Figure 1), making the task of balancing competing priorities while preserving fiscal sustainability increasingly complex.

Figure 1. Social and Development Needs in Sub-Saharan Africa

Despite coming down in the past decades, the poverty rate in sub-Saharan Africa is still high.

1. Poverty Headcount Ratio at $2.15 a Day (2017 PPP)

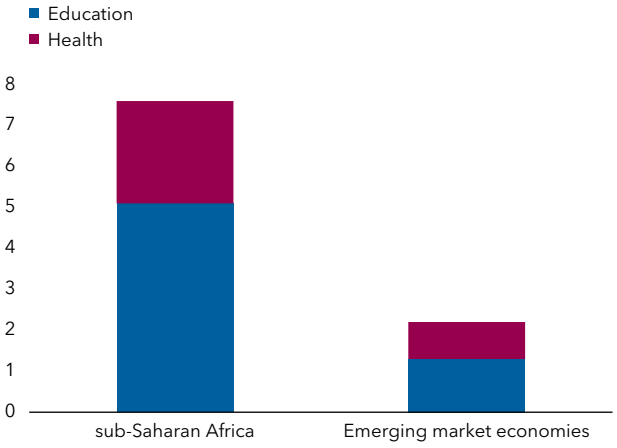
(Percent of population)



Sub-Saharan Africa faces a much larger SDG financing gap than emerging market economies.

2. Additional Spending in 2030 to Meet SDGs

(Percent of 2030 GDP, GDP-weighted averages)



Sources: Gaspar and others (2019); World Bank, World Development Indicators; and IMF Fiscal Monitor (April 2021).
Note: PPP = purchasing power parity; SDGs = Sustainable Development Goals.

High global interest rates and declining concessional financing have created a "funding squeeze" (Figure 2). Public debt ratios in many sub-Saharan African countries have reached historic highs, whereas debt service burdens consume a growing share of revenues, crowding out priority spending. Official development assistance to the region has also declined. At the same time, access to international capital markets has tightened as global interest rates rise and investor risk appetite weakens, leading to widening spreads and delayed issuances. Collectively, these trends have significantly reduced fiscal space,[2] limiting governments' ability to deliver on budgeted commitments. Against this backdrop, maintaining credible, realistic, and implementable budgets has become critical to protecting development priorities and preserving trust in public financial management (PFM).

Several structural features of sub-Saharan Africa amplify the challenge of budget credibility. Fiscal outcomes remain highly sensitive to revenue volatility and forecasting risks, given the region's large informal sector and reliance on narrow and undiversified tax bases—often concentrated in commodities and trade taxes.

[2] In addition, with reduced access to international capital markets, governments in the region have ramped up domestic borrowing. This has significantly increased interest expenditures and contributed to a reduction in fiscal space.

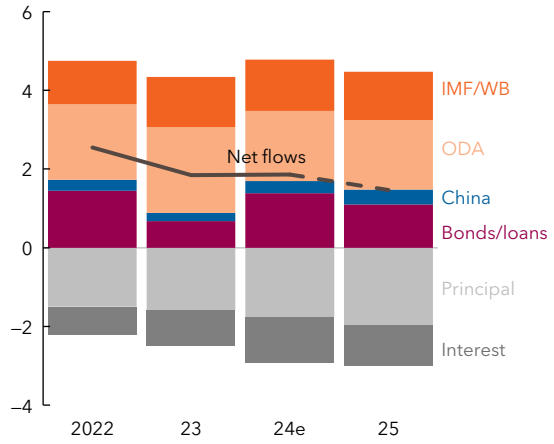
This dependence exposes budgets to fluctuations in international prices and supply-side shocks, resulting in boom-and-bust cycles and frequent midyear adjustments. On the expenditure side, rigid spending structures—driven by large wage bills, subsidies, and debt service—leave little room for adjustment when revenues fall short. The resulting trade-offs often involve abrupt cuts to capital spending or the buildup of arrears, undermining predictability in investment and service delivery, both essential for fiscal credibility. Dependence on external financing further heightens execution risks, as donor grants and project aid are subject to conditional disbursements and shifting priorities.

Figure 2. Funding and Debt Vulnerabilities in Sub-Saharan Africa

Net external financing has weakened…

1. Sub-Saharan Africa: External Funding Flows of the Public Sector

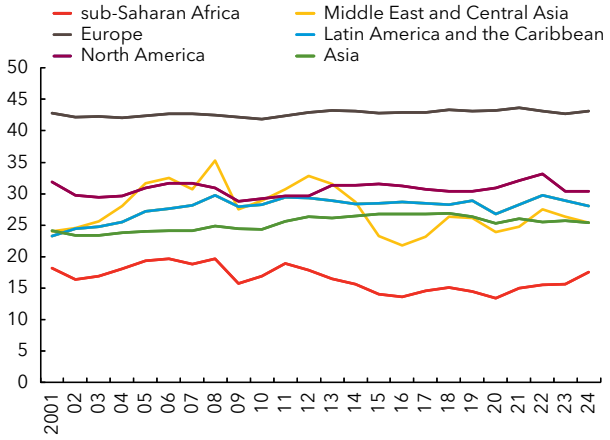
(Percent of regional GDP)



…while domestic revenue mobilization has not picked up in recent years.

2. Total Revenue excluding Grants

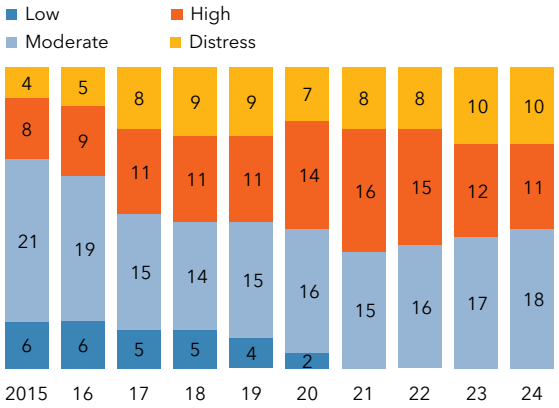
(Percent of GDP)



Debt sustainability has deteriorated since COVID-19.

3. Debt Risk Status for PRGT-Eligible Sub-Saharan Africa Countries, 2015–24

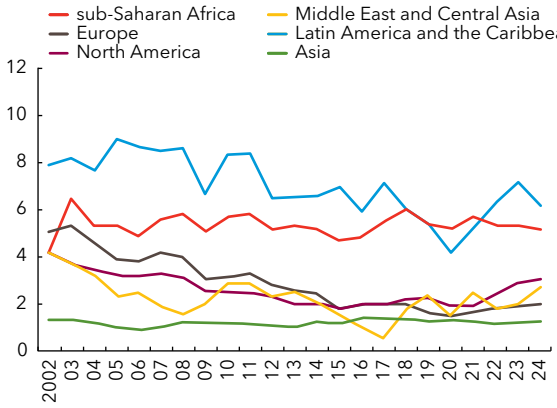
(Number of countries)



Sub-Saharan Africa has faced persistently higher effective interest rates than most other regions.

4. Effective Interest Rate

(Percent)



Sources: Dealogic; World Bank, International Debt Statistics database; IMF, Debt Sustainability Analysis for Low-Income Developing Countries database; IMF, World Economic Outlook database; and IMF staff calculations.

Note: Panel 1 excludes South Africa, South Sudan, and Zimbabwe because of data constraints. Data for 2024e are estimates. Data for 2025 assume business as usual for inflows. Inflows include disbursements from China, the IMF, and World Bank; ODA; Eurobonds issued; and syndicated and bilateral bank loans. Principal and interest denote payments on public and publicly guaranteed debt. In panel 3, debt risk ratings in 2021 reflect the latest published debt sustainability assessments and may not reflect the current status. ODA = official development assistance; PRGT = Poverty Reduction and Growth Trust.

Institutional and governance factors compound these challenges. Cash-management weaknesses, including fragmented or undigitalized treasury systems, incomplete Treasury Single Account coverage, and limited cash-forecasting tools, reduce governments' ability to align spending commitments with available liquidity, leading to procurement delays and inefficiencies in project implementation. Despite progress in adopting medium-term fiscal frameworks, forecasting and planning processes in many countries remain heavily reliant on manual methods and ad hoc assumptions, with limited independent scrutiny of macroeconomic and fiscal projections. This environment fosters inaccuracy and optimism bias, as revenue forecasts are often overstated or expenditure assumptions inadequately justified, sometimes to meet policy or political targets.

Weak legislative and audit oversight further undermines accountability. In several countries, analytical capacity to assess execution reports is limited, and delays in publishing final accounts reduce the effectiveness of audits. In addition, poor intergovernmental coordination between central and subnational authorities leads to unpredictable transfers and accumulation of arrears, disrupting service delivery at the local level. Together, these institutional and governance weaknesses reinforce macroeconomic vulnerabilities, making it more difficult for sub-Saharan African countries to translate approved budgets into credible fiscal outcomes.

4. Measuring Budget Credibility in Sub-Saharan Africa

This section assesses budget credibility across sub-Saharan Africa by focusing on the extent of deviations in fiscal deficits, revenues, and expenditures from the budgeted amounts. The analysis also documents the associations among these deviations. It finally illustrates the role of various institutional arrangements in budget credibility.

A. Comparing Budgets and Outturns

A straightforward way to assess budget credibility is to measure the extent of deviations between fiscal outturns and the amounts originally budgeted.[3] This section evaluates budget credibility across the region by comparing deviations in fiscal balance, revenue, and expenditure outturns against budgeted amounts (based on data from the beginning-of-year budgets). In practice, gaps between budgeted and actual outcomes may reflect several channels, including policy ambition, in-year policy actions that are not aligned with the beginning-of-year plans, macroeconomic forecast errors, and revenue overoptimism and spending under-execution conditional on the macroeconomic environment.[4]

- The analysis builds on a newly compiled database that combines manually collected budget information for 39 sub-Saharan African countries over 2021–24 with fiscal outturns, primarily from the IMF staff reports.[5,6]
- On the revenue side, the assessment covers total revenues, including grants and their subcomponents. This includes tax revenue, grants, and other revenues (that is, nontax, nongrant).
- For expenditures, the analysis considers total spending as well as its composition: capital and current spending. Current spending is further broken down into interest payments and primary current spending.
- The sample includes 39 sub-Saharan African countries with reasonably comparable and available data across these variables: Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Chad, Comoros, Côte d'Ivoire, Democratic Republic of the Congo, Equatorial Guinea, Eswatini, Ethiopia, Gabon, The Gambia, Guinea, Guinea-Bissau, Ghana, Kenya, Lesotho, Liberia, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Republic of Congo, Rwanda, São Tomé and Príncipe, Seychelles, South Africa, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

Throughout the analysis, positive deviations indicate that fiscal deficits, expenditures, and revenues exceed budgeted amounts, unless otherwise noted. Deviations are expressed as a percentage of the realized GDP for a given year. For fiscal balance, a positive deviation means a higher deficit (or a lower surplus) than

[3] Although this paper focuses on the deviations in the outturns, weaknesses in the coverage, accuracy, timeliness, or classification of fiscal reports can also undermine budget credibility. These dimensions are assessed by Fiscal Transparency Evaluations conducted by the IMF.

[4] It is worth noting that uncontrollable or unforeseen factors, such as global shocks, can also elevate these deviations, particularly in the absence of strong fiscal risk frameworks.

[5] In some cases, the outturns were drawn from the budget execution reports to improve comparability with the budget. All data are from publicly available reports and sources. The cutoff date is January 2026. For some countries, the 2024 outturn consists of preliminary estimates.

[6] The closest effort comparable to the current database is provided by the World Bank's Public Expenditure and Financial Accountability reports. However, these are available for only a few countries and with year gaps, making it difficult to achieve comparable data across countries and over time. Several papers have also explored deviations of outturns from budget plans using various proxies for the latter, such as the IMF World Economic Outlook projections (Lledó and Poplawski-Ribeiro 2013).

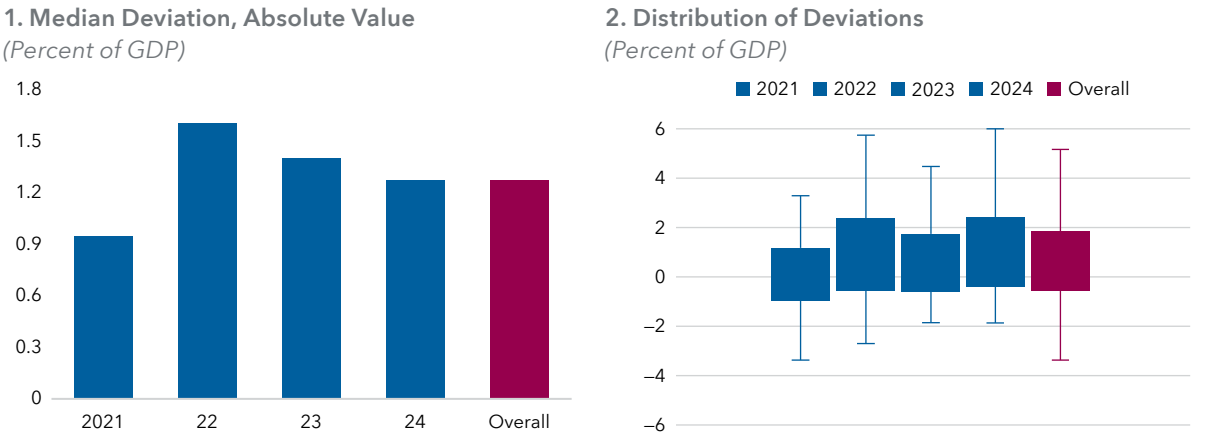
budgeted. Similarly, positive values for revenues and expenditures indicate outturns above budget projections. Unless specified otherwise, this notation applies consistently across the analysis.[7]

Annex 1 replicates the key patterns using GDP projections in the budgets rather than the realized GDP. The findings confirm that potential optimism in GDP projections does not significantly influence the patterns that follow.

B. Deviations from the Budgets

Fiscal deficits in sub-Saharan Africa have shown significant deviations from budgeted amounts, with deficit outturns exceeding targets in most cases (Figure 3).[8] Between 2021 and 2024, the median absolute deviation in fiscal deficit was about 1.3 percent of GDP, ranging from 0.9 percent in 2021 to 1.3–1.6 percent in subsequent years. Boxplots confirm that deficit overruns were more common than underruns, particularly during 2022–24. However, focusing solely on fiscal deficits can obscure underlying drivers of noncredibility, making it essential to examine revenue and expenditure deviations.[9]

Figure 3. Deviations from the Budgets: Fiscal Deficit



Source: IMF staff calculations.

Note: Panel 1 documents the median deviation from the budget in absolute value. Panel 2 reports the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range.

Total revenues, including grants, frequently fell short of budget projections, with underruns being the dominant concern (Figure 4). The median absolute deviation in total revenues was 1.4 percent of GDP over the entire period, ranging from 1.2 to 1.6 percent of GDP across the years. Boxplots reveal that deviations typically were negative, indicating widespread revenue underperformance. This pattern was even more pronounced during 2023–24.

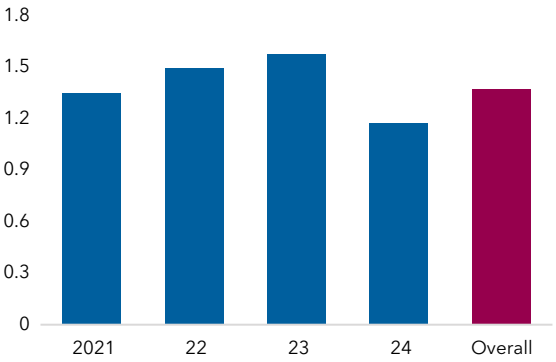
[7] A few country-year cases in which the size of the deviation in any of these fiscal variables is above 10 percent of GDP are excluded for illustrative purposes. These observations account for about 3 percent of the full sample.

[8] The fiscal deficit is calculated as the difference between total expenditures and total revenues (including grants).

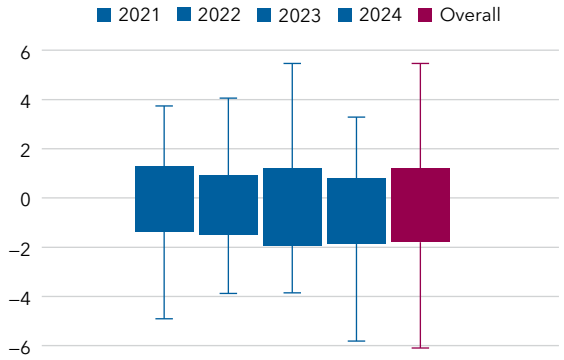
[9] Budget credibility is also about respecting spending composition within categories.

Figure 4. Deviations from the Budgets: Total Revenues

1. Median Deviation, Absolute Value
(Percent of GDP)



2. Distribution of Deviations
(Percent of GDP)



Source: IMF staff calculations.

Note: The chart on the left-hand side documents the median deviation from the budget in absolute value. The chart on the right-hand side reports the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers.

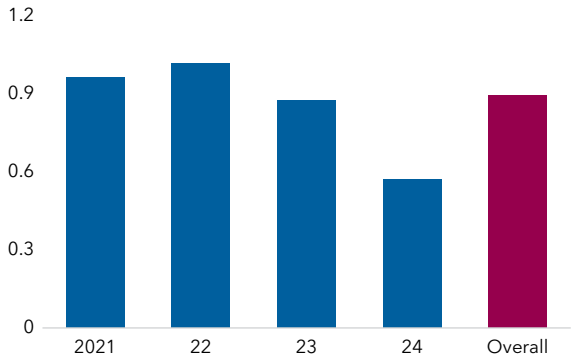
IQR = interquartile range.

Across components, tax, grant, and other revenues all exhibited sizable deviations (Figure 5). The median absolute deviations were 0.9 percent of GDP for taxes, 0.3 percent for grants, and 0.5 percent for other (nontax, nongrant) revenues. Distributions suggest that underruns were slightly more frequent than overruns.

Figure 5. Deviations from the Budgets: Revenue Categories

1. Tax Revenues

1.1. Median Deviation, Absolute Value
(Percent of GDP)



1.2. Distribution of Deviations
(Percent of GDP)

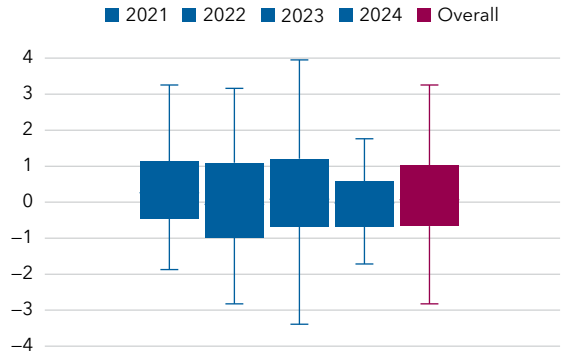
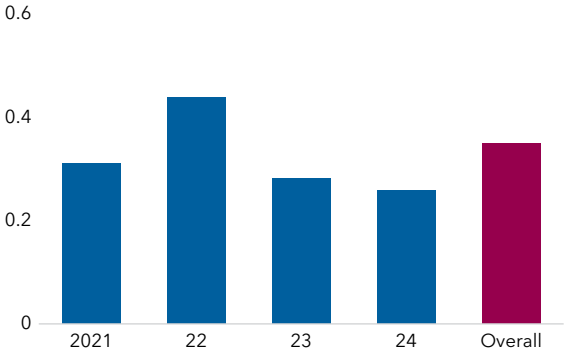


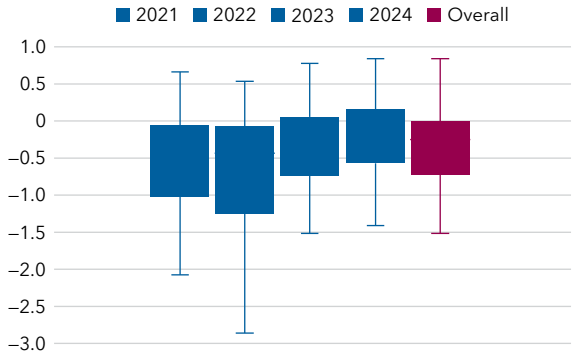
Figure 5. Deviations from the Budgets: Revenue Categories (Concluded)

2. Grant Revenues

2.1. Median Deviation, Absolute Value
(Percent of GDP)

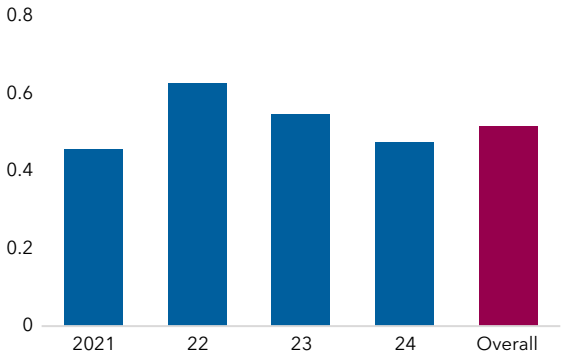


2.2. Distribution of Deviations
(Percent of GDP)

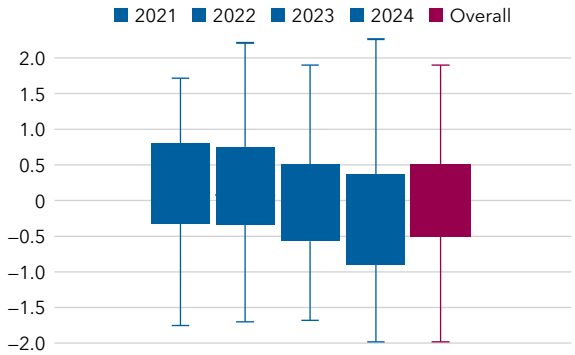


3. Other Revenues (excluding Revenues from Taxes and Grants)

3.1. Median Deviation, Absolute Value
(Percent of GDP)



3.2. Distribution of Deviations
(Percent of GDP)



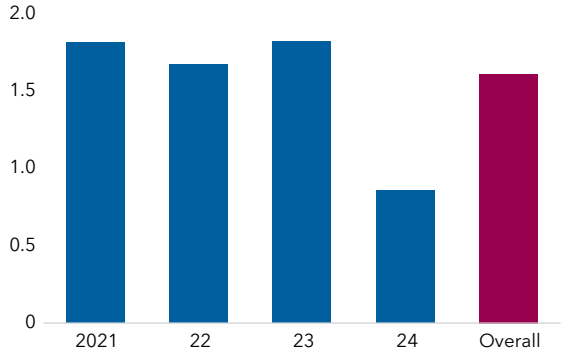
Source: IMF staff calculations.

Note: The charts on the left-hand side document the median deviation from the budget in absolute value. The charts on the right-hand side report the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range.

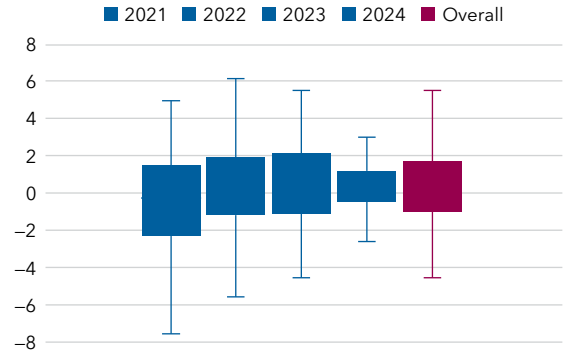
Total expenditures also deviated significantly from budgets, with overruns dominating (Figure 6). The median absolute deviation in total expenditures was 1.6 percent of GDP for the entire period, ranging from 0.9 to 1.8 percent across the years. Distribution analysis suggests that expenditure overruns were more common, particularly during 2022–23.

Figure 6. Deviations from the Budgets: Total Expenditures

1. Median Deviation, Absolute Value
(Percent of GDP)



2. Distribution of Deviations
(Percent of GDP)



Source: IMF staff calculations.

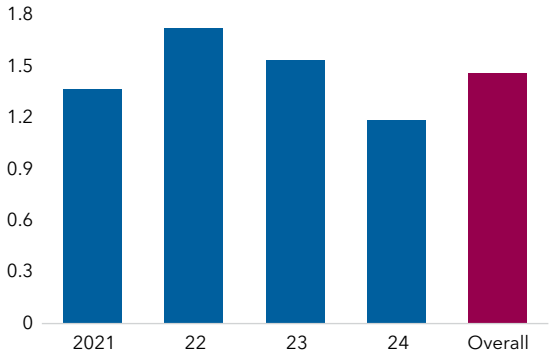
Note: The chart on the left-hand side documents the median deviation from the budget in absolute value. The chart on the right-hand side reports the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range.

Current expenditures consistently exceeded budgeted amounts, driven by both interest payments and primary current spending (Figure 7). The median absolute deviations for current spending were 1.5 percent of GDP for the whole period, ranging from 1.2 to 1.7 percent across different years. Boxplots illustrate that these deviations largely remained above zero throughout this period, indicating overruns in overall current expenditures. The median absolute deviations suggest that overruns in the primary current expenditures (which are under the control of the governments to a large extent) were a more relevant issue in sub-Saharan Africa compared with overruns in interest payments, with a median deviation of 0.2 percent of GDP for interest payments and 1.2 percent for other current expenditures (current expenditures excluding interest payments). Interest payments and other current expenditures were frequently underestimated, reinforcing the pattern of overruns.

Figure 7. Deviations from the Budgets: Current Expenditures and Categories

1. Current Expenditures

1.1. Median Deviation, Absolute Value
(Percent of GDP)



1.2. Distribution of Deviations
(Percent of GDP)

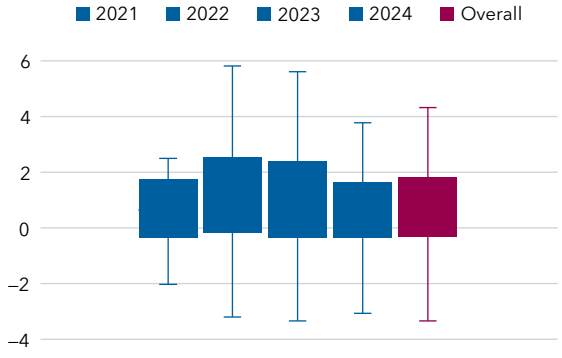
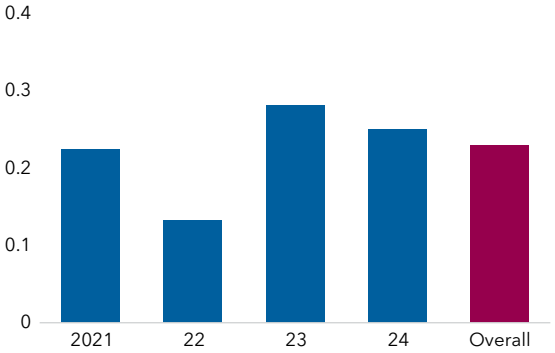


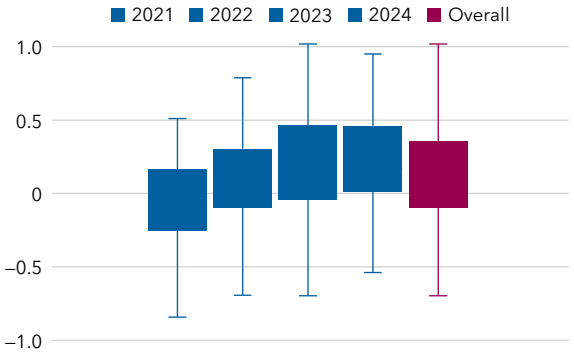
Figure 7. Deviations from the Budgets: Current Expenditures and Categories (Concluded)

2. Interest Payments

2.1. Median Deviation, Absolute Value
(Percent of GDP)

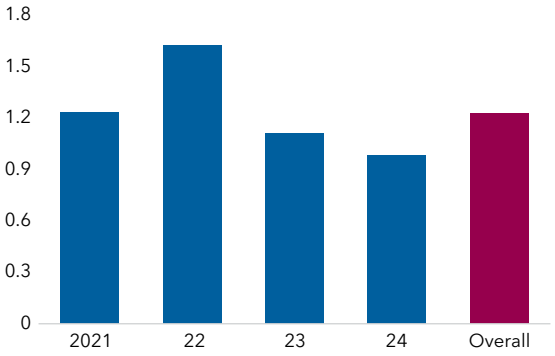


2.2. Distribution of Deviations
(Percent of GDP)

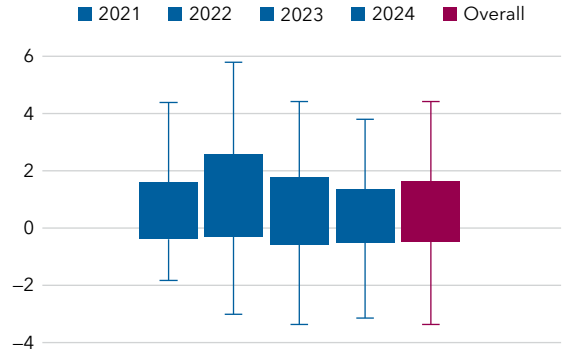


3. Other Current Expenditures (Current Expenditures excluding Interest Payments)

3.1. Median Deviation, Absolute Value
(Percent of GDP)



3.2. Distribution of Deviations
(Percent of GDP)

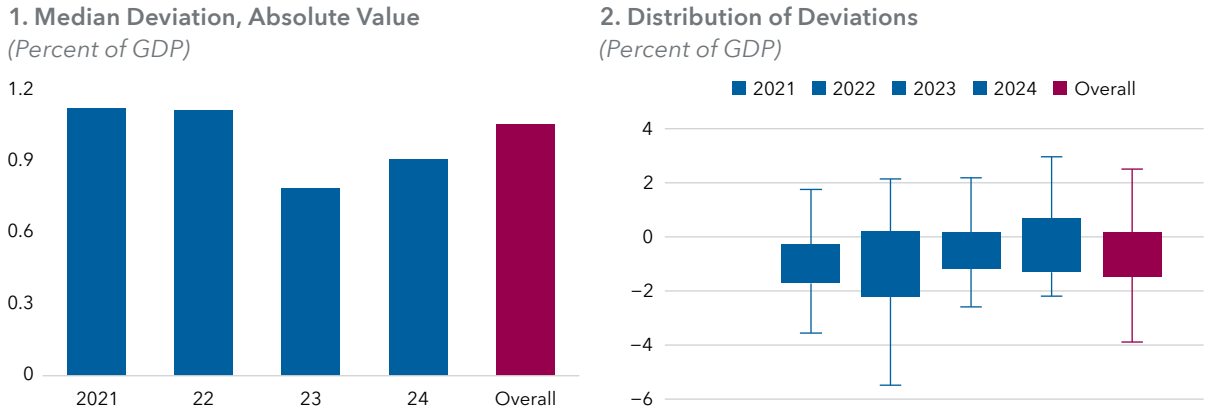


Source: IMF staff calculations.

Note: The charts on the left-hand side document the median deviation from the budget in absolute value. The charts on the right-hand side report the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range.

In contrast, capital expenditures were generally under-executed (Figure 8). The median absolute deviation was 1.1 percent of GDP over this period. The boxplot shows that a large share of distribution of the deviations was below zero, suggesting that capital spending underruns were more common than overruns. Although some of this could be because of limited execution capacity, financing likely played a role, as grant revenues turned out to be lower than the budget projections. Given the urgent need for infrastructure investment across sub-Saharan Africa, persistent under-execution of capital budgets is concerning. In addition, weak spending on growth-enhancing capital projects constrains growth and thus the capacity to repay existing obligations.

Figure 8. Deviations from the Budgets: Capital Expenditures



Source: IMF staff calculations.

Note: The chart on the left-hand side documents the median deviation from the budget in absolute value. The chart on the right-hand side reports the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range.

C. A Regional Perspective

Deviations in fiscal deficits from budgeted amounts were widespread in sub-Saharan Africa, though with significant heterogeneity across countries (Figure 9). The first map illustrates the absolute deviation between budgeted and realized fiscal balances over 2021–24. To ensure robustness, the maximum and minimum annual deviations for each country were excluded, and the average of the remaining observations was computed using absolute values to capture the size of the deviations.[10] Most countries exhibit nontrivial gaps between plans and outcomes, with the size of the median deviation being about 1.2 percent of GDP. This implies that half of the sample recorded average deviations between 0.1 and 1.2 percent of GDP, whereas the other half experienced larger gaps ranging from 1.2 to 4.4 percent of GDP.

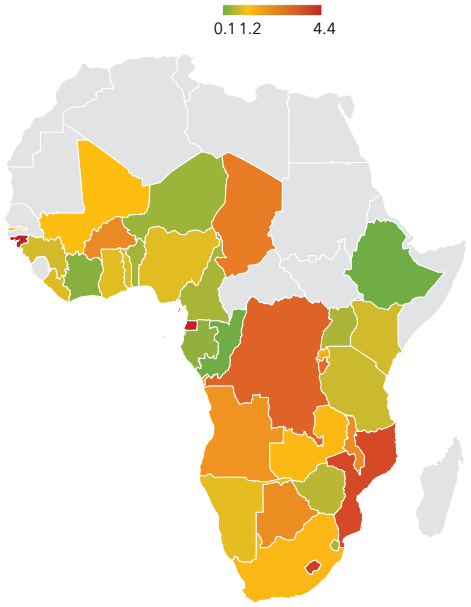
Deviations stemmed from both revenue and expenditure sides, but their directions differed. Unlike the first map, which shows absolute deviations, the remaining maps display signed deviations for current expenditure, capital expenditure, and total revenue. Current expenditure deviations are predominantly positive (74 percent of the sample), indicating systematic overruns relative to the budget. In contrast, capital expenditure deviations are largely negative (76 percent of the sample), pointing to widespread under-execution of investment spending—consistent with earlier findings. Revenue deviations show considerable dispersion in both directions: nearly half of the countries underperformed relative to budget, whereas others exceeded targets.

Taken together, these patterns reveal an asymmetric adjustment mechanism that undermines both budget credibility and spending quality. Countries with large fiscal balance deviations often combine current expenditure overruns with capital expenditure shortfalls, whereas revenue outcomes remain insufficient to offset spending pressures. This reflects the region's substantial development needs and binding financing constraints: governments often budget ambitiously for capital investment, but during execution, adjustment occurs primarily through compressing capital spending rather than enforcing current spending discipline. As a result, capital spending bears a disproportionate share of fiscal adjustment, weakening the credibility of budgets and potentially undermining long-term growth and development objectives.

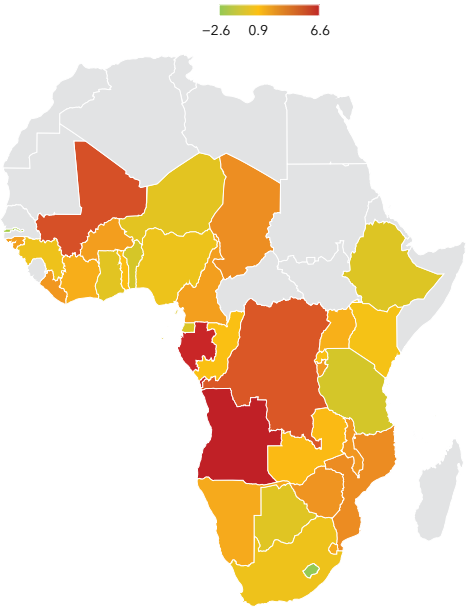
[10] This approach mitigates the influence of extreme outliers and facilitates more meaningful cross-country comparisons within a short sample period.

Figure 9. Regional Deviations

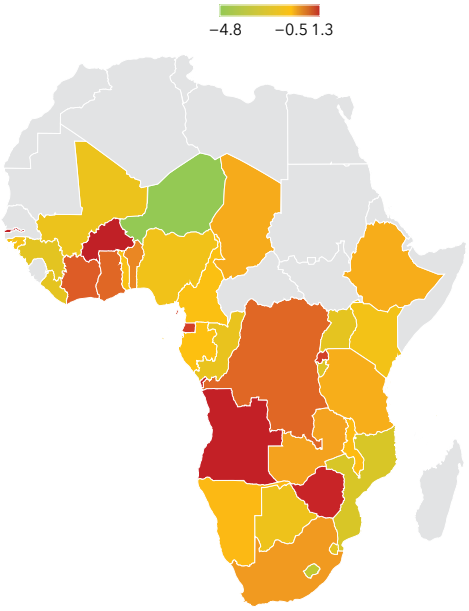
1. Absolute Value of Deviations in Fiscal Balance, 2021–24
(Average of two years excl. max and min)



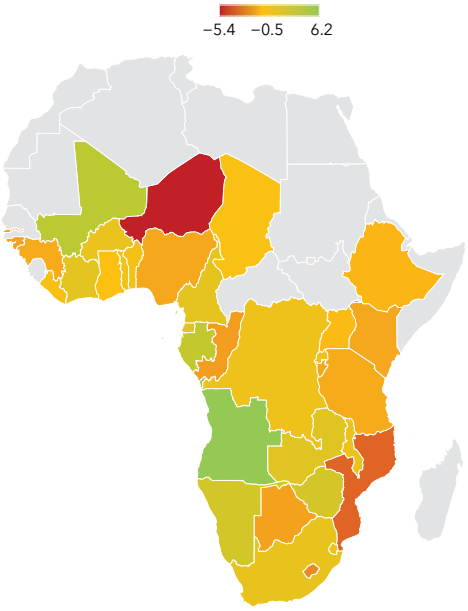
2. Deviations in Current Expenditure, 2021–24
(Average of two years excl. max and min)



3. Deviations in Capital Expenditure, 2021–24
(Average of two years excl. max and min)



4. Deviations in Total Revenue, 2021–24
(Average of two years excl. max and min)



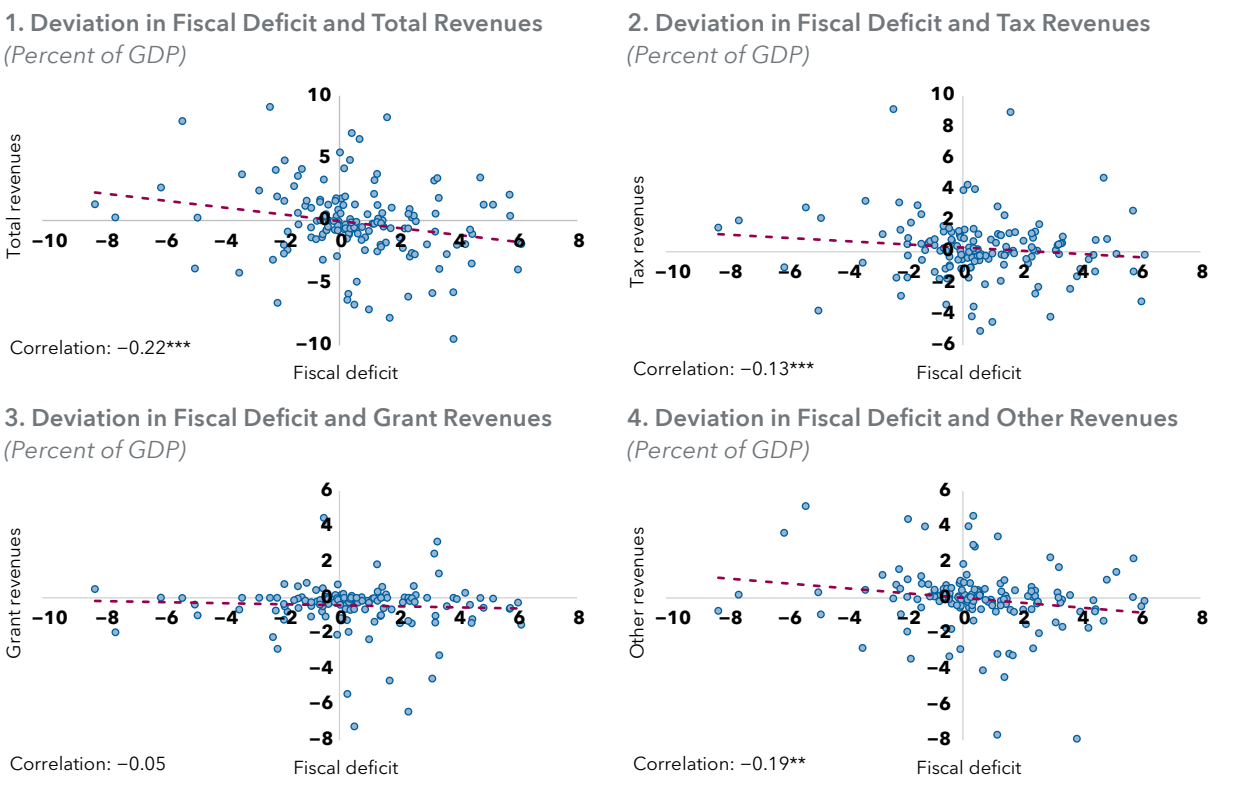
Source: IMF staff calculations.

Note: Panel 1 adopts absolute values, as opposed to the rest of the maps. The color coding is based on the average of deviations over two years, excluding the years with the minimum and maximum deviations.

D. Drivers of Fiscal Deficit and Expenditure Deviations

Fiscal deficit deviations are linked to revenue shortfalls, particularly in the nongrant component (Figure 10). The charts plot fiscal deficit deviations (*x*-axes) against deviations in total revenue and its subcomponents (*y*-axes), with each dot representing a country-year observation. Correlation coefficients between fiscal deficit and revenue deviations are negative and statistically significant for total revenues (including grants), tax revenues, and other revenues (nontax, nongrant). This indicates that fiscal deficit overruns (underruns) typically occur when tax and other revenues fall short of (exceed) expectations.

Figure 10. Associations between Deviations in Fiscal Deficit and Revenues

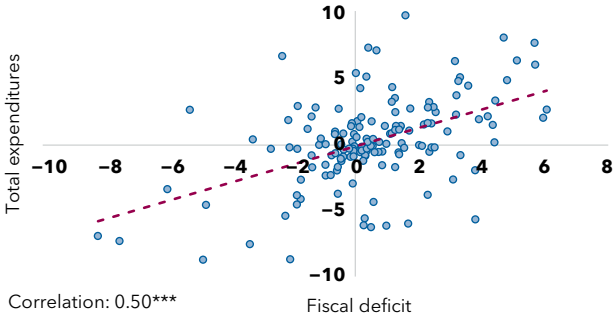


Source: IMF staff calculations.
Note: Each dot represents a country-year observation. **$p < .05$; ***$p < .01$.

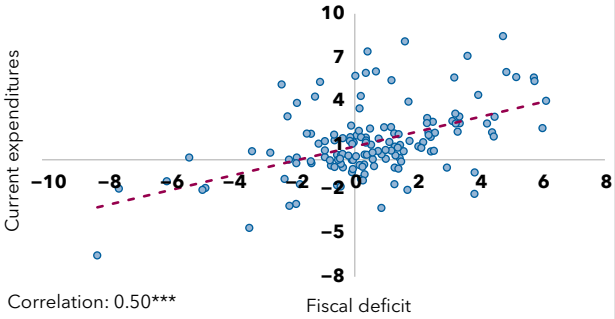
Fiscal deficit deviations are also closely associated with expenditure deviations, especially with current expenditures excluding interest payments (Figure 11). The charts similarly plot fiscal deficit deviations against deviations in total expenditure and its subcomponents. Although correlations remain statistically significant across all categories, the strongest link is with current expenditures (particularly excluding interest payments). This suggests that fiscal overruns are most pronounced when primary current spending exceeds budgeted levels.

Figure 11. Associations between Deviations in Fiscal Deficit and Expenditures

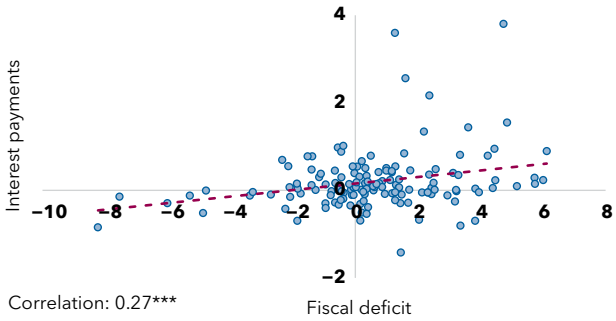
1. Deviation in Fiscal Deficit and Total Expenditures
(Percent of GDP)



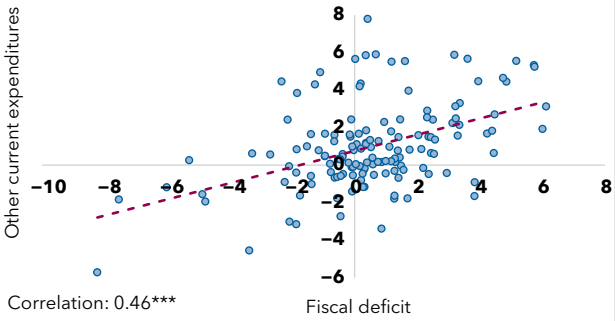
2. Deviation in Fiscal Deficit and Current Expenditures
(Percent of GDP)



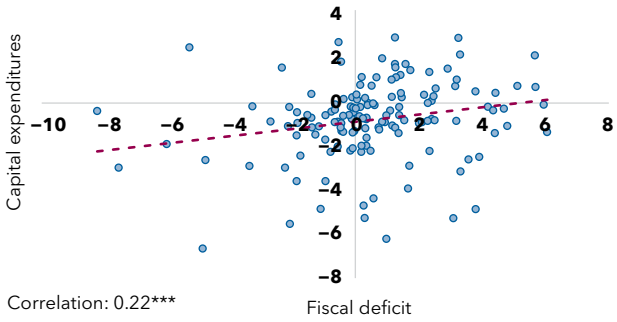
3. Deviation in Fiscal Deficit and Interest Payments
(Percent of GDP)



4. Deviation in Fiscal Deficit and Current Expenditures
(Percent of GDP)



5. Deviation in Fiscal Deficit and Capital Expenditures
(Percent of GDP)

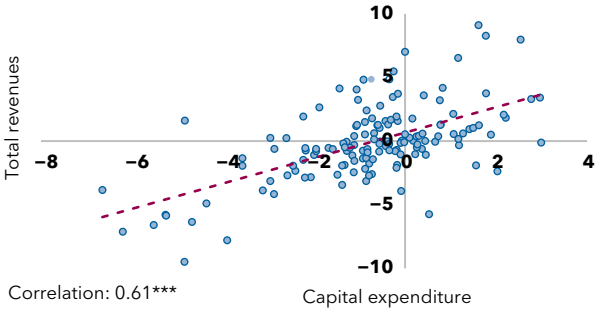


Source: IMF staff calculations.
Note: Each dot represents a country-year observation. ***$p < .01$.

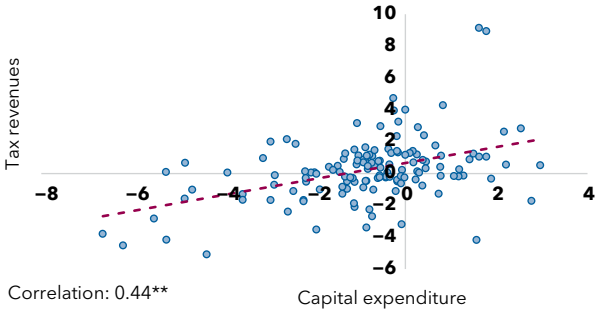
Under-execution in capital expenditures is largely tied to shortfalls in tax and grant revenues (Figure 12). The charts plot deviations in capital expenditures against the deviations in total revenue and its subcomponents. They show that lower-than-expected revenues—particularly grants and taxes—are strongly correlated with weak capital expenditure execution.

Figure 12. Associations between Deviations in Capital Expenditures and Revenues

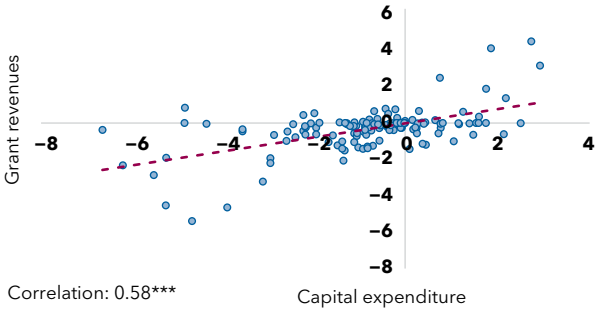
1. Deviation in Capital Expenditures and Total Revenues
(Percent of GDP)



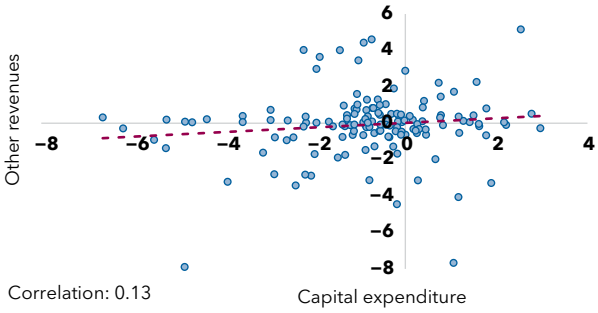
2. Deviation in Capital Expenditures and Tax Revenues
(Percent of GDP)



3. Deviation in Capital Expenditures and Grant Revenues
(Percent of GDP)



4. Deviation in Capital Expenditures and Other Revenues
(Percent of GDP)



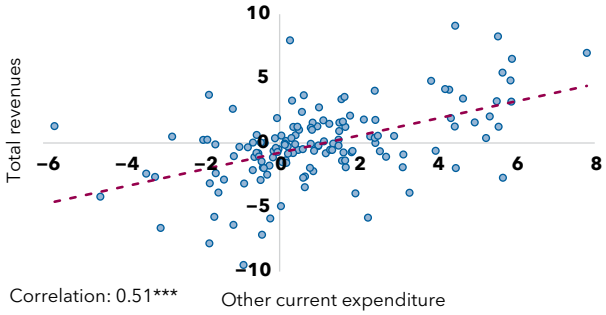
Source: IMF staff calculations.
Note: Each dot represents a country-year observation. $^{**}p < .05$; $^{***}p < .01$.

Conversely, overruns in primary current expenditures are often associated with higher-than-budgeted tax and other (nontax, nongrant) revenues (Figure 13). The charts plot deviations in the non-interest payment part of current expenditures against deviations in total revenue and its subcomponents. Frequent and sizable overruns in these spending items undermine budget credibility. The evidence suggests that when tax and other (nontax, nongrant) revenues exceed projections, countries tend to increase primary current spending beyond budget limits.[11]

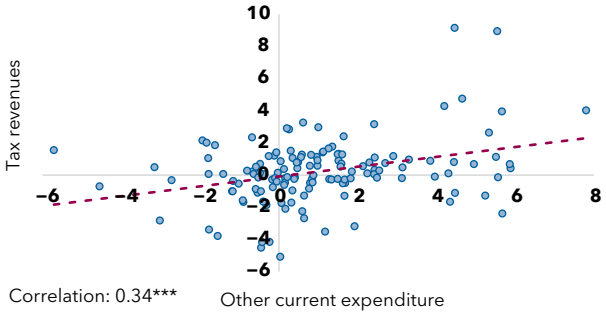
[11] The associations between deviations in interest payments and revenues are weaker. Hence, the analysis focuses only on primary current expenditures (non-interest payments).

Figure 13. Associations between Deviations in Other Current Expenditures and Revenues

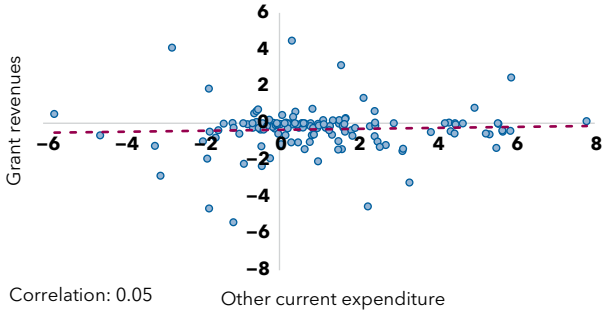
1. Deviation in Other Current Expenditures and Total Revenues
(Percent of GDP)



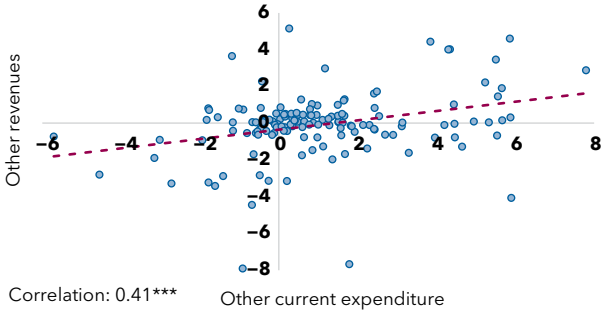
2. Deviation in Other Current Expenditures and Tax Revenues
(Percent of GDP)



3. Deviation in Other Current Expenditures and Grant Revenues
(Percent of GDP)



4. Deviation in Other Current Expenditures and Other Revenues
(Percent of GDP)



Source: IMF staff calculations.
Note: Each dot represents a country-year observation. ***$p < .01$.

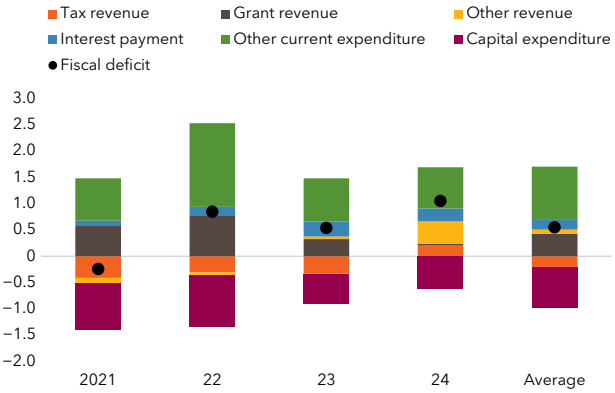
On average, fiscal deficit overruns have been driven primarily by excess other current expenditure (non-interest payments) and shortfalls in grant revenues (Figure 14). The first chart decomposes fiscal deficit deviations into expenditure and revenue components in percent of GDP. Positive values indicate deficit overruns, with expenditure overruns adding to the deficit and revenue shortfalls reducing it. Between 2021 and 2024, deficits exceeded budget targets in three out of four years, reflecting persistent overruns in other current spending and repeated grant underperformance. Although higher-than-expected interest payments became somewhat more relevant in recent years, their contributions to deficit overruns remained tepid compared with pressures from primary current expenditures. Box 1 further analyzes fiscal deviations across different economies.

Revenue deviations are dominated by grant underperformance, masking relatively strong tax revenue outcomes (Figure 14). The second chart shows that total revenues fell short of projections mainly because of grant shortfalls, whereas tax revenues generally overperformed and other revenues fluctuated significantly. This underscores the unpredictability of external financing.

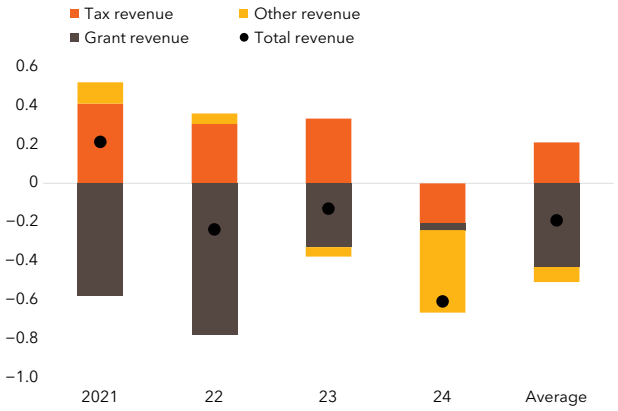
Expenditure deviations, as shown in the third chart, reveal a persistent composition bias, with overruns in current spending offset by under-execution of capital spending (Figure 14). Although total expenditure deviations appear modest, they mask large and offsetting movements across categories. This pattern reinforces earlier evidence that capital spending serves as the primary adjustment margin for downward fiscal adjustment when pressure for higher current expenditure rises.

Figure 14. Decomposition of Deviations

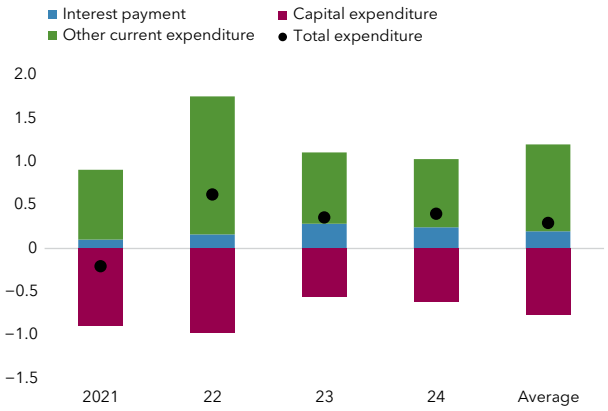
1. Contributions to Deviations in Fiscal Deficit
(Percent of GDP)



2. Contributions to Deviations in Total Revenues
(Percent of GDP)



3. Contributions to Deviations in Total Expenditures
(Percent of GDP)



Source: IMF staff calculations.
Note: In the panel 1, revenue underruns are shown with a positive sign, that is, contributing to fiscal deficit overruns. The panel 2 uses the convention applied elsewhere in the paper, where revenue overruns are represented with a positive sign.

Box 1. Contribution to Fiscal Deficit Deviations by Resource Groups

The drivers of fiscal deficit deviations differ markedly across resource groups, reflecting distinct revenue risks and fiscal adjustment mechanisms. Although expenditure pressures are a common feature across sub-Saharan Africa, the relative importance of revenue shortfalls, expenditure overruns, and offsetting adjustments varies significantly among oil exporters, non-oil-resource-intensive countries, and non-resource countries.

Oil exporters exhibit the largest swings in individual components, and their fiscal policy displays strong procyclicality. These countries often record higher-than-budgeted revenues, driven by over-performance in oil-related tax and nontax revenues. However, these positive revenue surprises are accompanied by persistent overruns in other current expenditures and higher-than-expected interest payments. This pattern suggests a procyclical fiscal response: revenue windfalls during boom periods are largely absorbed through higher current spending, limiting improvements in headline balances and undermining budget credibility despite favorable revenue conditions.

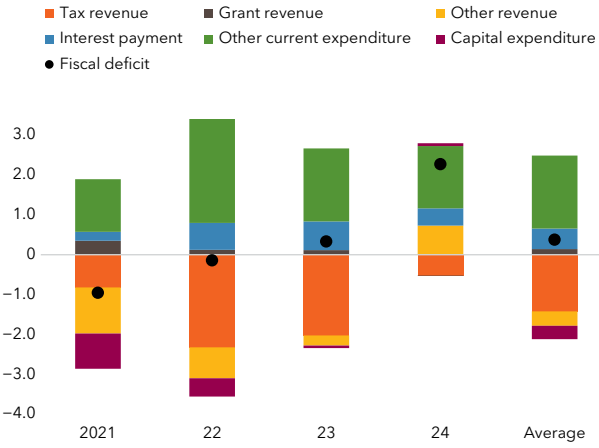
Box 1. Contribution to Fiscal Deficit Deviations by Resource Groups (Concluded)

For non-oil-resource-intensive countries, fiscal deficit deviations are predominantly expenditure driven. Persistent overruns in other current expenditures occur across all years, whereas capital expenditure is consistently under-executed, serving as the main adjustment margin. Revenue deviations are comparatively modest. As a result, fiscal deficit overruns in these countries are structural, rooted in weak expenditure control.

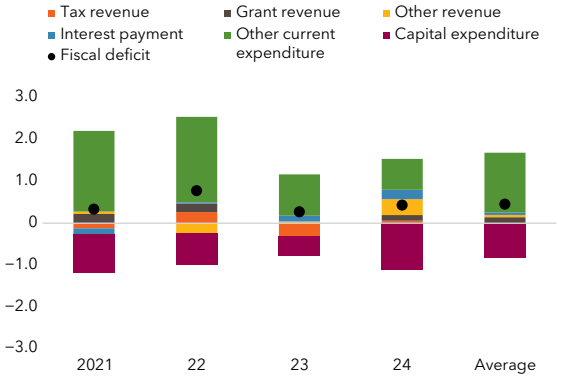
In non-resource countries, fiscal deviations are shaped primarily by grant shortfalls and capital investment under-execution. Fiscal deficit overruns in this group are driven mainly by grant revenue shortfalls, highlighting the uncertainty associated with external financing. On the expenditure side, capital expenditure under-execution is pronounced and closely correlated with grant shortfalls, indicating that investment spending bears the brunt of adjustment when external resources fail to materialize. For these countries, budget credibility challenges are therefore closely linked to aid predictability and financing uncertainty.

Box Figure 1.1. Contributions to Deviations in Fiscal Deficit: By Types of Economies

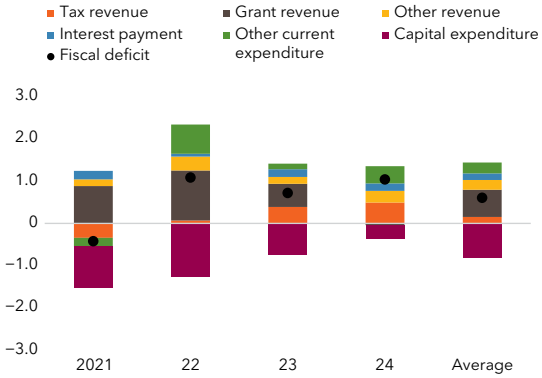
1. Contributions to Deviations in Fiscal Deficit: Oil Exporters
(Percent of GDP)



2. Contributions to Deviations in Fiscal Deficit: Non-Oil-Resourced
(Percent of GDP)



3. Contributions to Deviations in Fiscal Deficit: Non-Resourced
(Percent of GDP)



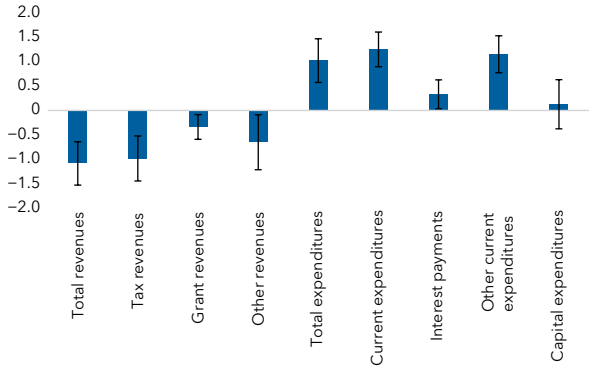
Source: IMF staff calculations.
Note: The country classification is from the IMF. In the charts, revenue underruns are shown with a positive sign, that is, contributing to fiscal deficit overruns.

Finally, regression analysis confirms the economic significance of these associations (Figure 15). Using country and year fixed effects, the charts document the estimated change in the deviation of the corresponding variable, when the deviation in the variables indicated on the *x*-axes increases by one standard deviation. The findings show that deviations in tax revenues and primary (non-interest payment) current expenditures are particularly important in explaining fiscal deficit deviations. A one-standard-deviation increase in tax revenues (an overrun of 2.0 percent of GDP) reduces the fiscal deficit deviation by 1.0 percent of GDP (reducing the deficit overrun). Conversely, a similar increase in other current expenditure deviation (an overrun of 2.3 percent of GDP) raises the deficit deviation by 1.2 percent of GDP (leading to a higher deficit overrun). A one-standard-deviation shortfall in grant revenue lowers capital expenditures by 1.0 percent of GDP, whereas the same increase in other revenues raises other current expenditures by 0.9 percent of GDP.[12]

Figure 15. A Quantification Exercise

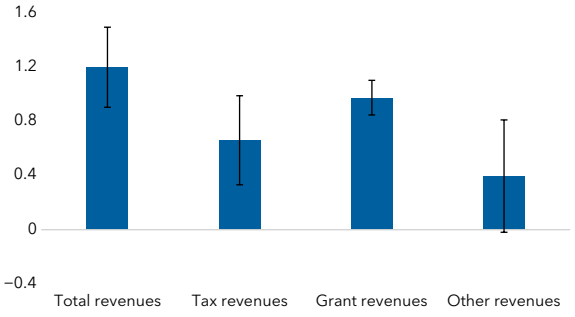
1. Change in the Deviation in Fiscal Deficit

(Percent of GDP)



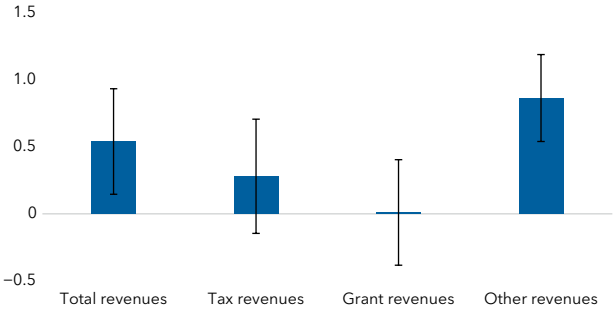
2. Change in the Deviation in Capital Expenditures

(Percent of GDP)



3. Change in the Deviation in Other Current Expenditures

(Percent of GDP)



Source: IMF staff calculations.

Note: The results are based on panel regressions with country-year fixed effects. The charts report the estimated change in the deviation of the corresponding variable (in percent of GDP), when the deviation of the variable on the *x*-axis increases by one standard deviation. Vertical lines represent the 90 percent confidence interval.

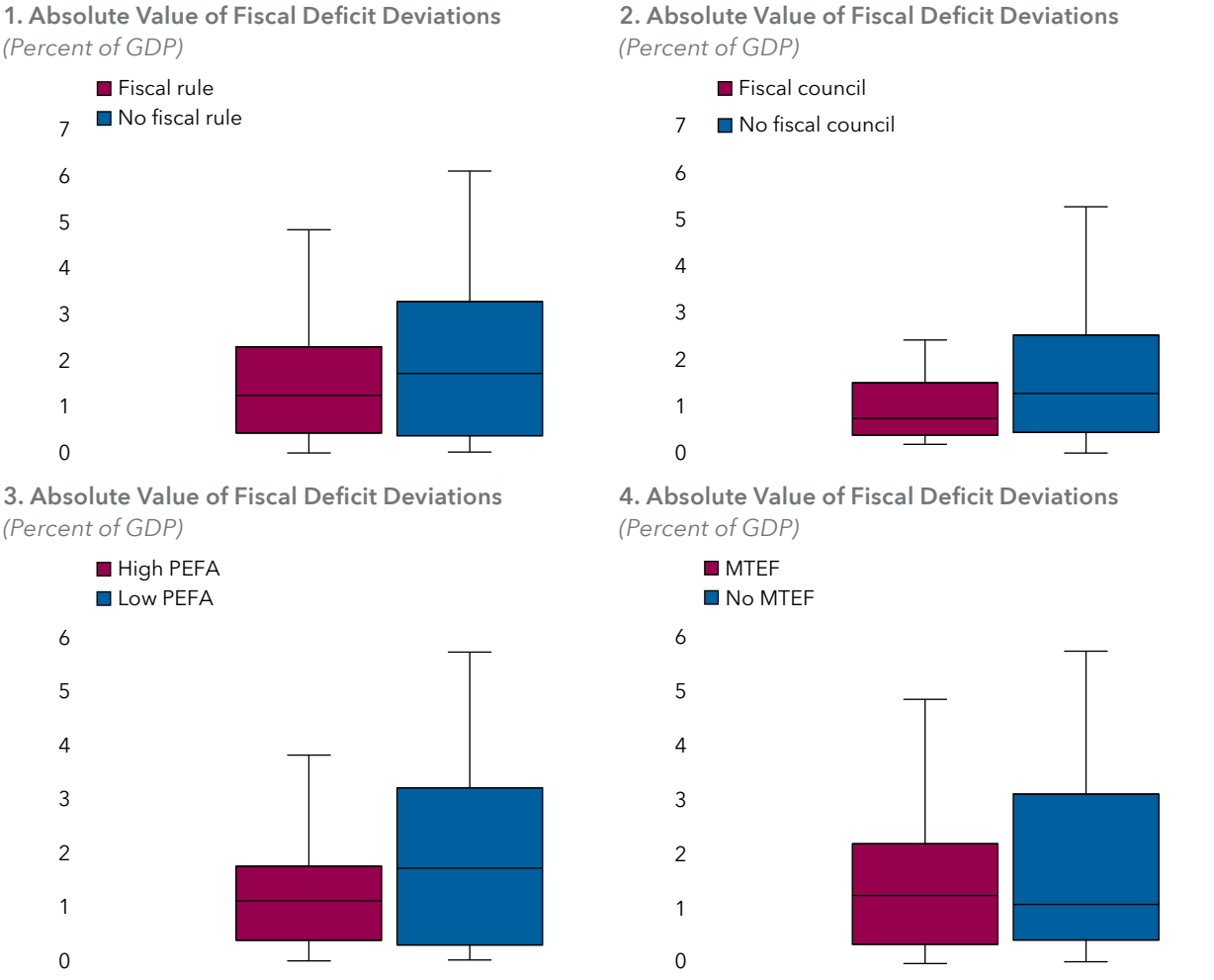
E. Role of Institutional and Other Factors

The strength of fiscal institutions plays a critical role in ensuring budget credibility. This section examines how fiscal rules, independent fiscal councils, high Public Expenditure and Financial Accountability scores, and medium-term expenditure frameworks are related to budget credibility. It also explores the role of the IMF-supported programs. Finally, it reveals distinct patterns in fragile and conflict-affected states, as well as low-income countries. As a summary measure for credibility, the analysis focuses on the absolute value of deviations in the fiscal deficit.

[12] Consistent with this finding, the interest payment component of current expenditures is not statistically significantly associated with any revenue deviations.

Stronger fiscal institutions are associated with smaller deficit deviations (Figure 16). Countries with fiscal rules recorded deviations of about 0.4 percentage points of GDP smaller than those without. Similarly, deviations were 0.5 percentage points smaller in countries with independent fiscal councils and 0.6 percentage points smaller in countries with above-average Public Expenditure and Financial Accountability scores.[13] In all these cases, not only is the median deviation smaller, but the range of deviations is also narrower—underscoring the role of robust fiscal institutions in improving budget execution. However, the presence of a medium-term expenditure framework does not appear to significantly affect deficit deviations.[14]

Figure 16. Fiscal Institutions



Sources: IMF Fiscal Rules and Fiscal Councils database; PEFA; and IMF staff calculations.

Note: The charts report the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box) and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range; MTEF = medium-term expenditure framework; PEFA = Public Expenditure and Financial Accountability.

[13] Alonso-Albarran and others (2025) provide an in-depth analysis of the link between fiscal discipline, fiscal rules, and fiscal councils. Auerbach (2013) discusses some lessons. The Public Investment Management Assessment Handbook (IMF 2022) and the International Handbook on Public Financial Management (Allen, Hemming, and Potter 2013) provide comprehensive overviews of approaches to strengthening fiscal institutions.

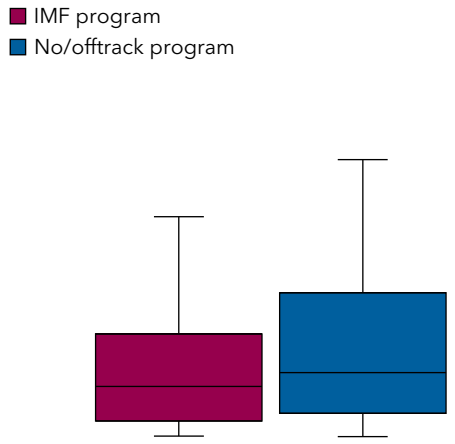
[14] The finding is in line with Allen and others (2017) who highlight the lack of credibility of the annual budgeting process, poor data, inadequate forecasting, and the supply-driven nature of the medium-term expenditure framework reform in sub-Saharan Africa. Although this analysis focuses on fiscal governance, broader governance frameworks and institutional infrastructure are also likely to matter for budget credibility, including corruption vulnerabilities, inadequate sanctions for violating public financial management (PFM) legal and institutional requirements, ineffective institutional mandates, weak transparency, and lack of digitalization of PFM. See also Imbert and others (2022).

IMF-supported programs enhance budget credibility by reducing fiscal uncertainty (Figure 17). Programs provide a commitment device through conditionality and quantitative performance criteria, helping policymakers adhere to budget targets. Boxplots show that deficit deviations were 0.4 percentage points of GDP smaller in program countries compared with nonprogram countries, with a narrower range of deviations—suggesting that the IMF programs can limit fiscal uncertainty.

Figure 17. IMF-Supported Programs

Absolute Value of Fiscal Deficit Deviations

(Percent of GDP)



Sources: IMF MONA database; and IMF staff calculations.

Note: The chart reports the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range.

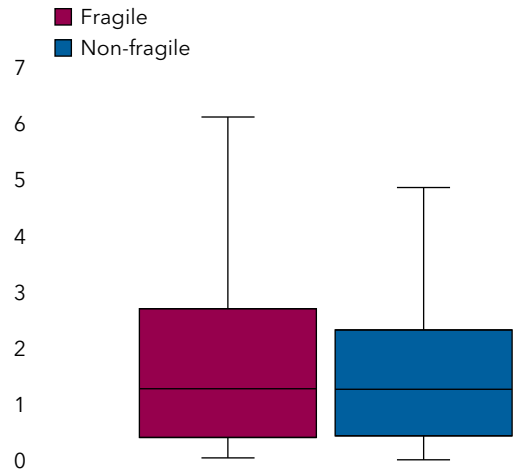
Fragility and income level also matter for budget credibility (Figure 18). As proxies for capacity constraints and institutional quality, these factors show similar patterns. In particular, capacity constraints and lack of digitalization of PFM in these countries matter for budget credibility because (1) collection of reliable, comprehensive, and timely information; (2) data exchanges between different government information systems; and (3) timely access to this data by control, audit, and anti-corruption institutions are all crucial for effective implementation of budgets. The findings show that although median deficit deviations were similar in fragile and nonfragile countries, the former group showed a wider distribution, reflecting greater volatility and weaker institutional capacity. The median deviation was 0.2 percentage points of GDP larger in low-income countries compared with their counterparts, with the distribution being wider in the former.

Box 2 instead explores the role of the political environment by exclusively focusing on electoral cycles. Box 3 sheds light on the emphasis that the authorities place on budget credibility by analyzing budget documents.

Figure 18. Fragility and Income Level

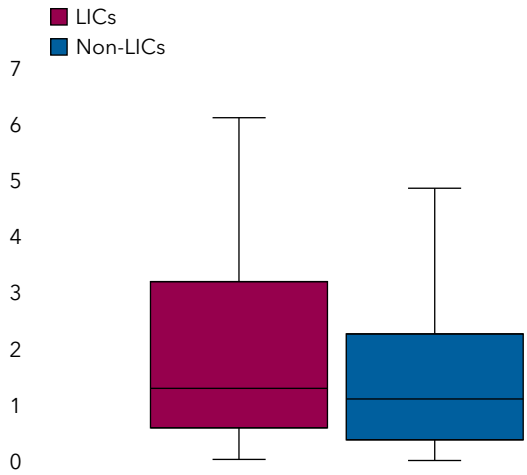
1. Absolute Value of Fiscal Deficit Deviations

(Percent of GDP)



2. Absolute Value of Fiscal Deficit Deviations

(Percent of GDP)



Source: IMF staff calculations.

Note: The country classification is from the IMF. The charts report the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range; LICs = low-income countries.

Box 2. Electoral Cycles and Budget Deviations

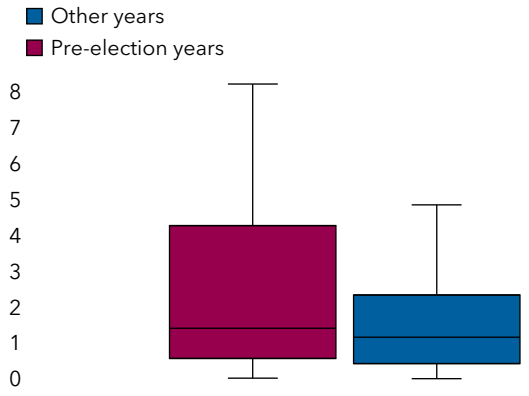
Electoral cycles matter for budget credibility. For the 40 countries surveyed in this paper, 26 pre-election years are identified during 2021–24. Although legislative and regional elections also took place during this period, the analysis focuses on presidential elections, which are more likely to shape fiscal policy. The emphasis on the pre-election year reflects the time it typically takes for election-related fiscal measures to materialize. Political budget cycle theories suggest that incumbents seek to secure re-election by adopting expansionary fiscal policies late in their term, anticipating that a backward-looking electorate will judge them based on past performance. This often translates into higher spending and potential deficit overruns.

Fiscal deficit deviations were larger in pre-election years during 2021–24. The evidence indicates that the median fiscal deficit deviation in pre-election years was about 0.2 percentage points of GDP higher than in other years. Moreover, the range of deviations was significantly wider in the pre-election years, pointing to greater fiscal uncertainty. These findings are broadly in line with studies suggesting that elections exert a modest but noticeable influence on fiscal policy (Klomp and de Haan 2013). Similar patterns for sub-Saharan Africa were documented by Block (2002), focusing on election-year dynamics.

Box Figure 2.1. Electoral Cycles

Absolute Value of Fiscal Deficit Deviations

(Percent of GDP)



Sources: Election data from the Electoral Institute for Sustainable Democracy in Africa (EISA); and IMF staff calculations.

Note: The analysis focuses on presidential elections.

Box 3. Authorities' Perspectives on Budget Deviations

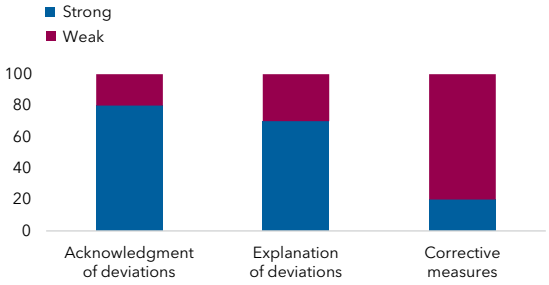
Authorities frequently acknowledge significant budget deviations, yet corrective measures receive comparatively less attention. The following charts report findings from a review of budget documents and execution reports for the 10 countries with the largest fiscal deficit deviations in 2023. In 80 percent of cases, authorities strongly acknowledged the deviations, and in 70 percent, they provided a clear explanation of the underlying causes. However, robust measures to prevent or mitigate future deviations were identified in only 30 percent of cases. Where measures were proposed, they primarily focused on improving procurement processes to accelerate the execution of capital expenditures.

Box 3. Authorities' Perspectives on Budget Deviations (Concluded)

Emergency response and social programs emerged as the dominant drivers of budget deviations, cited in 80 percent of cases. Wage bill management issues and inflation and exchange rate volatility were mentioned in 40 percent of cases each. Other justifications—though less frequently reported—include procurement challenges, leading to under-execution of capital projects, political instability and security concerns affecting growth and revenue collection, commodity price fluctuations, delays in grant disbursement, and the global slowdown.

Box Figure 3.1. Authorities' Perspectives on and Causes of Budget Deviations

1. Authorities' Attitude to Deviations in Budget-Related Documents
(Percent of top 10 countries with the largest deviations)



2. Causes of Deviations Stated in Budget-Related Documents
(Percent of top 10 countries with the largest deviations)

Source: IMF staff calculations.

Note: The calculations are based on the reviews of budget proposals, speeches, and execution documents, where available, for the top 5 countries with the largest positive deviations and the top 5 with the largest negative deviations (a total of 10 countries). In panel 1, the assessment is "strong," if (1) the authorities' acknowledgment of the deviations explicitly mentions the fiscal deficit, revenue, and expenditure, as applicable; (2) the explanation of the deviations is specific and covers both revenue and expenditure drivers, as applicable; and (3) specific corrective measures are mentioned. Otherwise, the assessment is "weak."

5. The IMF's Focus on Budgets and Budget Credibility in Sub-Saharan Africa

The IMF programs in sub-Saharan Africa consistently prioritized budget credibility. Article IV reports echoed these concerns, citing frequent deviations in spending and revenues and recommending improved forecasting, transparency, and institutional controls.

A. Programs

The IMF programs across sub-Saharan Africa have consistently treated the budget as a central policy instrument and targeted gaps in budget credibility through structural conditionality. Between 2021 and 2024, there were 36 IMF-supported programs in 32 countries in the region. In total, 700 prior actions and structural benchmarks[15] on the fiscal front that were included in these programs were analyzed manually to gauge the extent of the coverage of budgets and their credibility.

All programs included prior actions and structural benchmarks related to budgets, underscoring their macroeconomic relevance. In total, 219 budget-related conditions were identified (Figure 19). Of these, 49 conditions required submission or approval of a budget aligned with program objectives, whereas the remainder focused on strengthening budget credibility by addressing underlying drivers of deviations from approved plans.[16]

Budget-related conditions have carried substantial weight during this period, accounting for 21 percent of all conditions (Figure 19).[17] Conditions on budget submission or approval represented about 5 percent of all conditionalities, whereas those aimed at improving budget credibility accounted for 16 percent. Among fiscal structural conditionality, these shares were approximately 8 and 26 percent, respectively.

Conditionality designed to enhance budget credibility encompassed both immediate policy actions and deeper institutional reforms, focusing on the following factors:

- Real-time control and monitoring of commitments, payments, and cash, supported by transparent, frequent, and detailed budget execution reporting and improved data
- Management of arrears, including identification and verification of arrears, budgeting for their clearance with time-bound plans, and establishing mechanisms to prevent new arrears
- Credible and feasible policies underpinning budget plans on both revenue and expenditure sides
- Rules-based commitment authorization, with clear ceilings, emergency procedures, and approval requirements to ensure that spending occurs only within legal and budgeted limits

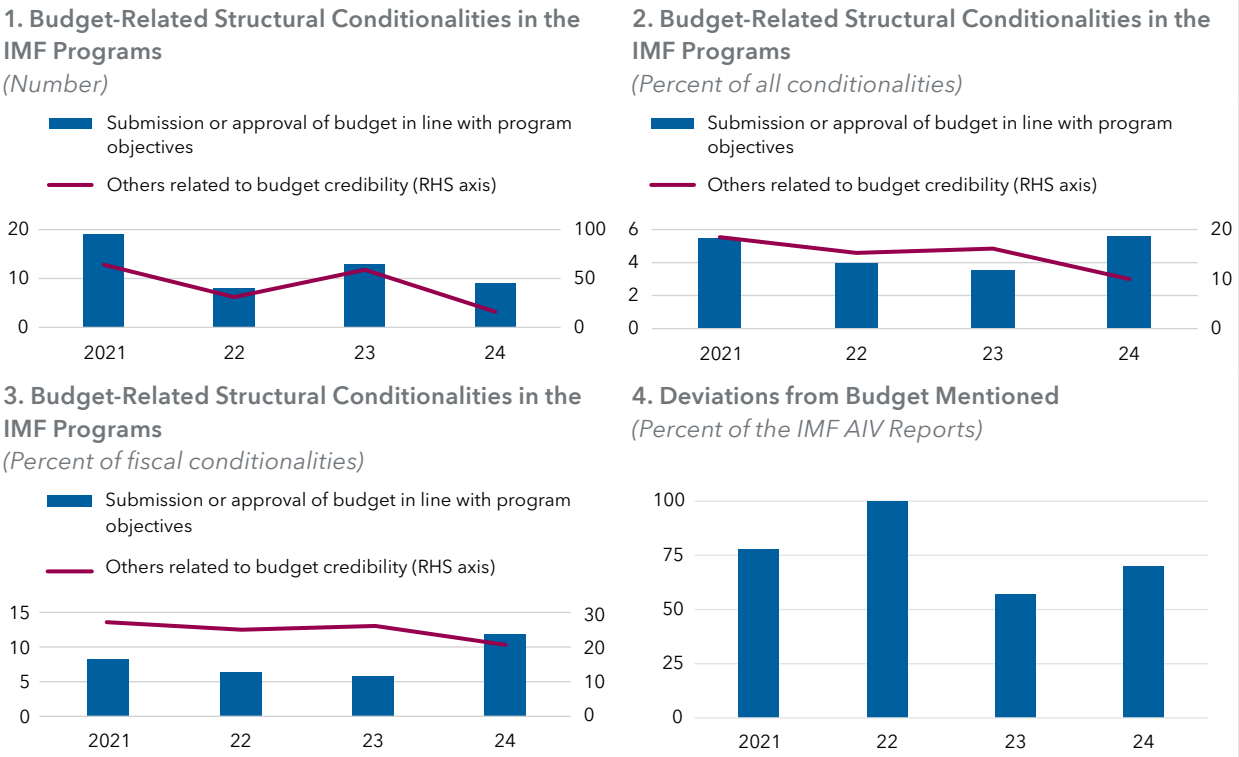
[15] Prior actions are the steps a country agrees to take before the IMF approves financing or completes a program review, aimed at ensuring that a program has the necessary foundation for success. Structural benchmarks include reform measures that often cannot be quantified but are crucial for achieving program goals and are used to assess program implementation. See here for more details and examples.

[16] Broad measures, such as PFM reforms to improve public procurement transparency and tax administration, specific audits (for example, fuel sector and public employees), conditionalities related to the COVID-19 spending, consolidation of government bank accounts, and preparation of medium-term fiscal strategies, are excluded, unless they specifically include a component closely related to budget credibility. Reporting and audit of arrears are also excluded, unless these measures include documentation and inclusion of arrears in the budget, or immediate or time-bound plans to clear arrears.

[17] Data are from the IMF Monitoring of Fund Arrangements database, with the years representing the years of program approval. This likely generates a downward bias in the number of conditionalities (as presented in panel 1 in Figure 19), particularly for 2023–24, since programs approved in those years can have additional outer years with new conditionalities on budgets. However, the share of budget-related measures relative to other conditionalities is less affected by such bias (Figure 19, panels 2 and 3).

- Fiscal risk management, including identification, quantification, and transparent reporting from purchasing power parities, state-owned enterprises, multiyear projects, and contingent liabilities
- Accurate and timely forecasting and cash control mechanisms to align spending plans with available liquidity
- Improving the completeness, consistency, transparency and quality of budget documentation, including tax expenditures, special funds, fiscal risks, reclassifications, and financing arrangements
- Strengthening fiscal institutions through fiscal responsibility acts, modernized budgeting laws, improved accounting systems, tighter rules for supplementary budgets, and independent oversight

Figure 19. Coverage of Budgets in the IMF-Supported Programs and Surveillance Reports



Sources: IMF Article IV Staff Reports; IMF Monitoring of Fund Arrangements (MONA); and IMF staff calculations.

Note: PAs and SBs in the IMF UCT programs for sub-Saharan Africa over 2021–24 are documented based on the MONA database (accessed November 15, 2025). The vast majority of the IMF-supported programs in the region were ECF and EFF. The *x*-axis shows the program approval year. Conditionalities shown for each year indicate those in programs approved in that year. In panel 4, the scope is limited to stand-alone AIV staff reports, and the year represents the publication year of the reports. AIV = Article IV; ECF = Extended Credit Facility; EEF = Extended Fund Facility; MONA = Monitoring of Fund Arrangements; PAs = prior actions; RHS = Right Hand Side; SBs = structural benchmarks; UCT = Upper Credit Tranche.

B. Surveillance

Budgets and their credibility have been a recurring focus in the IMF surveillance across sub-Saharan Africa.[18] As part of this study, 36 IMF staff reports for Article IV consultations covering 21 sub-Saharan African countries between 2021 and 2024 were reviewed for budget-related discussions. In all cases, budgets were central to fiscal policy analysis, consistent with the approach under the IMF programs. Notably, about 80 percent of

[18] The IMF's surveillance of member countries is conducted through Article IV consultations, which present periodic assessments of recent economic developments, policies, and risks to the outlook as well as provide policy advice.

these reports explicitly flagged deviations from budget plans, either through backward-looking analyses or forward-looking concerns about overly optimistic assumptions, raising significant questions about budget credibility (Figure 19).

The IMF surveillance reports highlighted deviations on both the expenditure and revenue sides, in both directions. Expenditure overruns were the most frequent, affecting current and capital spending. These included higher-than-budgeted interest payments and public wage bills, as well as unexpected expenditures in response to shocks. Capital spending overruns were commonly driven by cost escalations in large projects, whereas under-execution of capital investments and social spending—such as education and health—was also observed, typically because of capacity constraints. On the revenue side, shortfalls in tax and nontax collections were widespread, although some cases discussed revenue overruns.

The IMF policy recommendations in these surveillance cases closely mirrored the themes of program conditionality, emphasizing measures to strengthen budget credibility through improved forecasting, expenditure controls, and transparency.

6. What Can Be Done to Improve Budget Credibility in Sub-Saharan Africa?

This section summarizes the main findings of the paper and discusses policy implications.

A. Summary of the Findings

Significant deviations from approved budgets weaken their usefulness as a policy instrument across sub-Saharan Africa. Persistent fiscal deficits that exceed plans signal weak budget credibility and mask deeper execution problems. Looking only at the overall balance can be misleading because shortfalls and overruns often arise from specific weaknesses in how revenues are mobilized and expenditures are implemented. Understanding these patterns is essential for diagnosing where the budget process breaks down—whether in forecasting, in-year control, or end-year adjustments—and for designing reforms that restore credibility by aligning plans with realistic assumptions and enforceable limits during execution.

Expenditure execution shows clear asymmetries. Current spending routinely overshoots budget targets, with primary expenditures—such as wages, goods and services, and transfers—driving most overruns; interest payments add pressure, though typically to a lesser extent. In contrast, capital spending is frequently under-executed. Governments often use investment as the first adjustment lever to contain deficits when current outlays rise, but this practice is costly given pressing infrastructure and development gaps. At the same time, revenue projections tend to be optimistic: budgets commonly overstate grants and, in many cases, overestimate tax collections, creating financing gaps that appear only during implementation.

Deficit overruns reflect a combination of slippages. Revenue underruns—excluding grants—paired with overshoots in primary current expenditures are central drivers of larger-than-planned fiscal deficits. Under-execution of capital outlays is closely linked to shortfalls in tax and grant revenues, as authorities delay or cancel projects when financing disappoints. It is noteworthy that higher-than-expected tax and nontax receipts are often associated with overruns in primary current spending, suggesting weak commitment control and procyclical outlays. These dynamics point to the need for stronger in-year controls, realistic revenue baselines, and rules that protect priority investment from becoming the residual balancing item.

Institutional and political conditions shape these deviations. Countries with stronger fiscal institutions, such as credible fiscal rules, independent fiscal councils, and robust commitment control, tend to record smaller gaps between plans and outturns. Participation in the IMF-supported programs is also associated with improved budget credibility, reflecting tighter frameworks and monitoring. Conversely, fragile and low-income states face larger deviations because of capacity constraints and volatile financing. Electoral cycles matter: execution slippages and deficit overruns typically spike in pre-election years, underscoring the value of anchors that limit discretion and safeguard fiscal discipline when political pressures intensify.

B. Policy Implications

Budget deviations in sub-Saharan Africa are neither random nor temporary; they reflect persistent structural weaknesses that demand more decisive action from finance ministries across the region. Although the analyses in this paper are not a substitute for in-depth, country-specific, and possibly longer-term analyses, they reveal a compelling narrative across the region. Deviations follow a clear and recurring pattern: fiscal deficits routinely exceed targets because revenues are overly optimistic, current spending systematically

overshoots, and capital expenditure is repeatedly under-executed. Although sub-Saharan African policymakers increasingly acknowledge these issues in budget execution reports, corrective measures have not kept pace with the scale of the problem. Strengthening budget credibility now requires a shift from diagnosing symptoms to confronting underlying institutional and operational weaknesses.

The evidence presented in this paper highlights several priority areas for reform:

- First, governments need more realistic and analytically grounded revenue projections. Chronic shortfalls in tax and grant revenues remain a central source of fiscal slippages. Revenue forecasts should be based on robust macro-fiscal frameworks, recent outturns, and transparent, vetted macroeconomic assumptions (Diamond 1998). In resource-rich countries, credible projections require decomposing revenues into price, production, and fiscal regime elements (Basdevant, Hooley, and Imamoglu 2021). Strengthening macro-fiscal units, institutionalizing forecast evaluation, and applying prudent assumptions—especially regarding donor grants—can help reduce optimism bias and narrow the gap between planned and realized revenues.
- Second, aggregate spending must be anchored firmly in macroeconomic constraints, with binding limits that guide the rest of the budget. A stronger top-down approach enhances fiscal discipline by setting the overall expenditure envelope before sectoral allocations are decided, forcing ministries to prioritize within a hard ceiling (Ljungman 2009). This reinforces the Ministry of Finance's strategic role and reduces the tendency to inflate spending bids. Budgetary virements should remain possible but must be governed by clear rules defining allowable reallocations, authorization procedures, and quantitative limits to ensure that flexibility does not come at the cost of accountability (Saxena and Yläoutinen 2016).
- Third, improved expenditure control, including limiting extrabudgetary and exceptional spending procedures, is essential to prevent overspending, arrears, and inefficient use of scarce public resources. Budget credibility is ultimately judged during execution, where arrears, cash flow unpredictability, opaque procurement processes, and rent-seeking behaviors can quickly erode public trust (Allen 2009). Expenditure controls tend to be weaker during shocks and elections. Core controls over appropriations, commitments, and payments need to be enforced—ideally by centralizing basic functions in the Ministry of Finance. Verification procedures must ensure that goods and services are delivered before payments are made, while avoiding undue delays. Eliminating exceptional spending procedures that bypass normal controls is vital for restoring order, transparency, and predictability in the expenditure chain (Pattanayak 2016).
- Fourth, protecting and improving the execution of capital spending is critical. The widespread practice of cutting investment to compensate for rising current expenditures reflects deeper problems in project preparation, procurement, and liquidity management. Addressing these weaknesses requires introducing basic but mandatory project appraisal, protecting maintenance budgets, and enhancing the predictability of funding through better cash flow forecasting (Eltokhy and others 2025). Developing comprehensive asset registers can further support sound investment planning by clarifying what assets governments own, their condition, and their future maintenance needs. The development of systematic early-warning diagnostics allows country authorities to adjust proactively rather than reacting only after projects have derailed. Robust contingency planning with clearly specified measures and explicit triggers would help protect capital spending from revenue shortfalls and other spending overruns.
- Fifth, stronger fiscal institutions are needed to anchor expectations and reinforce fiscal discipline. Fiscal rules, independent fiscal councils, and greater transparency in the budget process are consistently associated with smaller deviations and better fiscal outcomes. Countries with well-designed and more robust institutions tend to achieve higher primary balances and maintain lower external debt levels (IMF 2013; Dabla-Norris and others 2010). Complementing institutional reforms with the discipline and monitoring associated with the IMF-supported programs can further enhance credibility by providing an external anchor and reinforcing the government's reform commitments. In addition, adopting a risk-informed

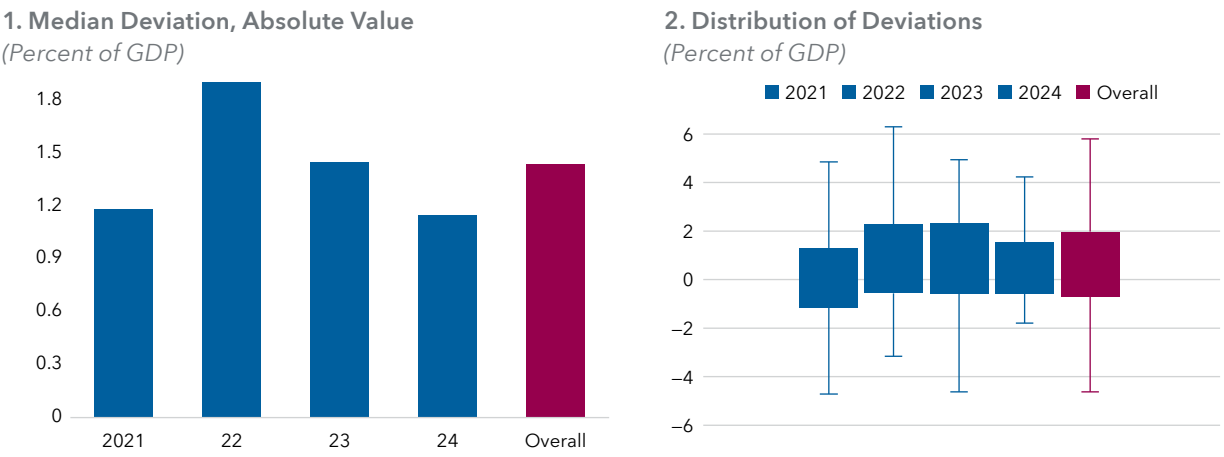
perspective throughout the budget cycle is crucial, assessing the range of risks and reconciling the drivers of low budget credibility. For instance, when budget execution is weak and projects remain incomplete, what may be interpreted as low budget credibility can also reflect underlying bottlenecks that need to be addressed.

- Sixth, development partners should support budget credibility by aligning their assistance with national budget systems. The use of parallel systems, off-treasury project implementation, earmarking, and limited reporting undermines budget unity, transparency, and control, contributing to credibility gaps. Moreover, promoting complex international best practices in environments with weak governance and limited capacity can overburden institutions and hinder effective implementation. Prioritizing the strengthening of core PFM foundations is therefore essential to safeguard budget credibility.
- Finally, reforms must take political economy dynamics into account. Budget deviations tend to widen in pre-election years, reflecting pressures to increase spending or relax controls. Institutional safeguards that limit discretion during these periods—such as strengthened pre-election budget scrutiny, enhanced reporting requirements, and clear caps on in-year reallocations—can help mitigate political budget cycles. Improving transparency and strengthening oversight during election years are essential to preventing slippages that jeopardize fiscal stability.

Annex 1. Accounting for the GDP Projections in the Budgets

This annex replicates Figures 3 (Annex Figure 1.1), 4 (Annex Figure 1.2), 6 (Annex Figure 1.3), and 14 (Annex Figure 1.4) by accounting for GDP projections in the budget. It calculates (1) fiscal projections in the budget as normalized by the GDP projections in the budget and (2) the outturns as normalized by the realized GDP outturn. The charts report the difference between the two ratios as the deviations. The patterns are broadly similar to those discussed earlier.

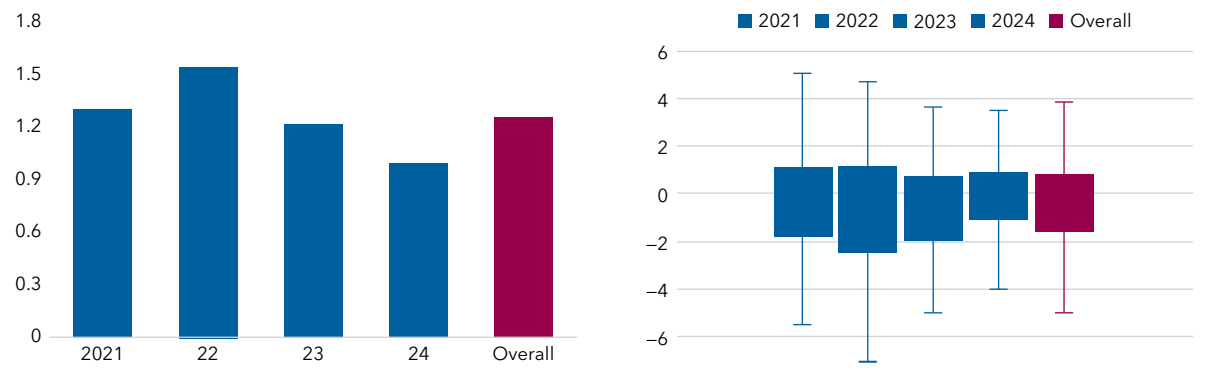
Annex Figure 1.1. Deviations from the Budgets: Fiscal Deficit



Source: IMF staff calculations.

Note: The chart on the left-hand side documents the median deviation from the budget in absolute value. The chart on the right-hand side reports the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range.

Annex Figure 1.2. Deviations from the Budgets: Total Revenues



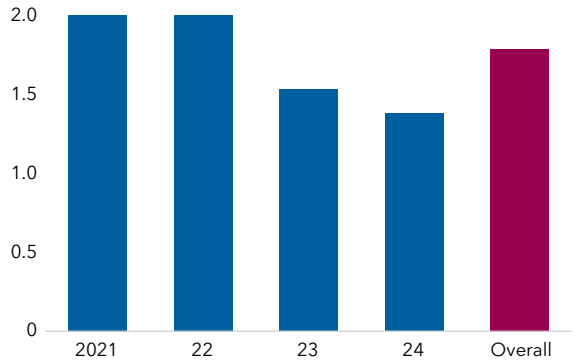
Source: IMF staff calculations.

Note: The chart on the left-hand side documents the median deviation from the budget in absolute value. The chart on the right-hand side reports the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range.

Annex Figure 1.3. Deviations from the Budgets: Total Expenditures

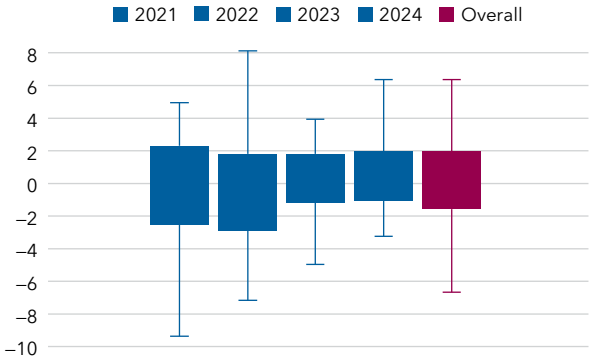
1. Median Deviation, Absolute Value

(Percent of GDP)



2. Distribution of Deviations

(Percent of GDP)



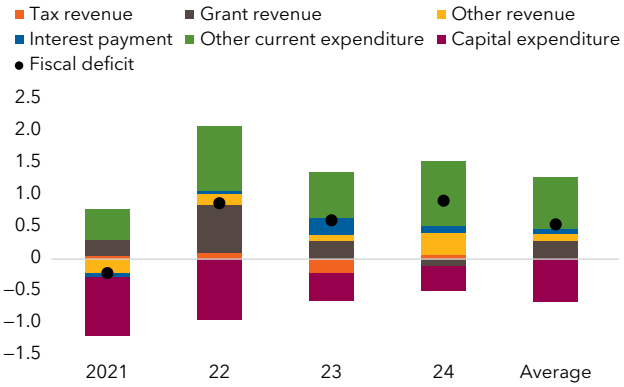
Source: IMF staff calculations.

Note: The chart on the left-hand side documents the median deviation from the budget in absolute value. The chart on the right-hand side reports the distribution of deviations, highlighting the middle 50 percent of the data (that is, the IQR, or the height of the box), and the upper and lower whiskers, excluding outliers. The whiskers are calculated using the ±1.5*IQR rule. Outliers (not shown) are any data points that fall outside the range defined by the whiskers. IQR = interquartile range.

Annex Figure 1.4. Decomposition of Deviations

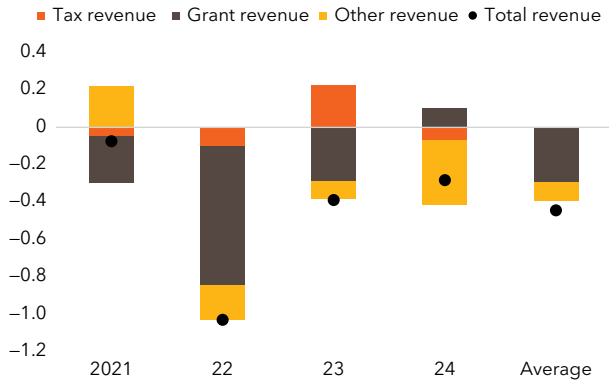
1. Contributions to Deviations in Fiscal Deficit

(Percent of GDP)



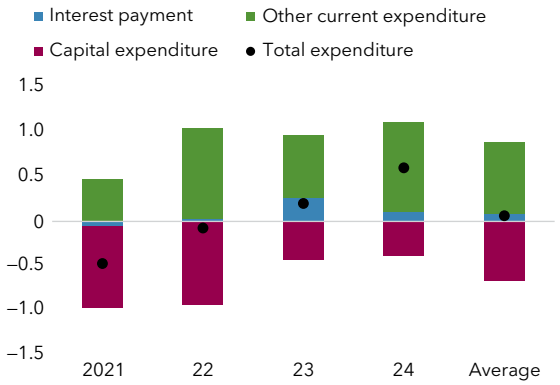
2. Contributions to Deviations in Total Revenues

(Percent of GDP)



3. Contributions to Deviations in Total Expenditures

(Percent of GDP)



Source: IMF staff calculations.

Note: In the panel 1, revenue underruns are shown with a positive sign, that is, contributing to fiscal deficit overruns. The panel 2 uses the convention applied elsewhere in the paper, where revenue overruns are represented with a positive sign.

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