

# Public Debt Management and Independent Fiscal Institutions in Sub-Saharan Africa: A Structured Literature Review

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## Abstract

This study conducts a structured literature review examining the role of fiscal institutions in promoting fiscal discipline, managing public debt, and supporting economic stability in Sub-Saharan Africa. By synthesising theoretical and empirical studies from 2000 to 2024, the review reconciles divergent findings on fiscal rules and independent fiscal institutions (IFIs). Evidence reveals that well-designed fiscal institutions and clearly defined fiscal rules improve fiscal performance, reduce deficits, and enhance debt sustainability. IFIs strengthen accountability, transparency, and policy credibility through credible oversight and fiscal analysis. However, their effectiveness in SSA is often undermined by limited autonomy, technical capacity, political interference and enforcement challenges. The study concludes that enhancing institutional independence, analytical capacity, and integration with fiscal rules is essential for sustainable debt management and macroeconomic resilience. Strengthened fiscal governance and transparency provide a pathway to credible fiscal policy and inclusive economic growth across the region.

**Keywords:** public funds, fiscal institutions, public debt, deficit bias, Sub-Saharan Africa

**JEL Codes:** H30, H60, H61, H62, H63, H68

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## Introduction

Public debt management has become central to macroeconomic stability in Sub-Saharan Africa. Since the 2008-09 global financial crisis, debt ratios have risen sharply amid fragile institutions and volatile external conditions (World Bank, 2021). At the heart of every state lies the citizens' expectation that its government is trustworthy, transparent, and an effective steward of public resources (Wei, 2022). As observed by Besley and Persson (2010), the end goal of taxation extends beyond revenue generation to fostering state development. This idea has long been central to political economy, dating back to Joseph Schumpeter's foundational work on fiscal states a century ago (Albers et al., 2023). However, corruption, governance weakness, limited transparency, and mismanagement undermine this relationship (Grossi et al., 2023).

Persistent budget deficits (Nawaz & Khawaja, 2019), the global financial crisis, and COVID-19 pandemic further aggravated these fiscal vulnerabilities (World Bank, 2021). These crises have exposed weaknesses in fiscal governance, underscoring the need for institutional safeguards such as public sector auditing and independent fiscal institutions (IFIs). These mechanisms strengthen fiscal discipline, transparency, and accountability, reducing information asymmetries and supporting informed public debate on the use of public resources (Cordery & Hay, 2022).

The primary goal of this literature review is to address the varying conclusions presented in existing research on public funds, auditing, and fiscal institutions (Table A). Specifically, the focus is on comprehensively examining the impact of fiscal institutions on public funds in Sub-Saharan Africa by examining how fiscal institutions influence public debt management and fiscal performance in the region, while drawing comparative insights from global experiences. Whereas IFIs have been entrenched across Europe and the OECD, SSA experience is limited. The region's fiscal system is characterised by low revenue generation, procyclical spending, exchange rate volatility, and political interference, making it a fragile region that is easily thrown into stagnation in times of economic shocks and financial crisis (Gollwitzer, 2011; Deléchat et al., 2018).

To ensure this review meets its objective, the inclusion criteria are for studies that specifically focus on public funds, auditing, and fiscal institutions in Sub-Saharan Africa, and, where no such studies exist, incorporate evidence from other regions to establish a conceptual and empirical foundation applicable to Sub-Saharan African countries. Three key parameters guide the inclusion criteria: i) Scope of Study: focus on public funds, auditing, and fiscal institutions, ensuring relevance to the subject; ii) Public Debt and Deficit Bias: how such institutions have helped shape the management and strengthening of fiscal framework; iii) Public Accessibility: studies must be publicly available, either online or in library archives, enhancing transparency and accessibility within the broader academic community.

Based on this framework, the review addresses the following research questions:

1. To evaluate how the presence of fiscal institutions and auditing mechanisms contributes to improved public debt management in Sub-Saharan Africa.
2. To investigate how the presence of fiscal institutions can influence the region's persistent budget and deficit bias.
3. To draw lessons from global experiences in fiscal governance and how they can help SSA to strengthen its institutional frameworks

The remainder of this paper is structured as follows: Section 2 covers the foundations of public finance; Section 3 examines deficit bias; Section 4 discusses the global financial crisis and its transmission to SSA; Section 5 analyses public debt dynamics; Section 6 reviews fiscal institutions; and Section 7 concludes.

## **1. Foundations of public finance, auditing, and fiscal management**

The interaction and influence of the government in an economic system through taxation, spending, borrowing, and deficit financing is known as public finance (Thapa, 2020). Effective public financial management (PFM) ensures efficient resource use, transparency, and macroeconomic stability (Cordery & Hay, 2022). It also ensures fiscal operations adhere to the rule of law, maintaining surpluses, deficits, and debt levels that are both comprehensible and sustainable (Tkachenko, 2022).

Historically, public finance was confined to funding essential government functions such as civil administration and defence, with the aim of maintaining a balanced budget. However, following the great depression, Keynes (1936) redefined the role of government from mere revenue collection to active economic stabilisation. Fiscal policy became a tool for managing demand, promoting employment, and maintaining macroeconomic balance. As Buchanan and Musgrave (1960) later formalised, public finance encompasses not only allocation and distribution but also stabilisation functions. Consequently, public finance evolved into a dynamic framework for managing growth and stability rather than a static exercise in book-keeping guidance (Allen et al., 2013).

Auditing is the systematic process of examining and verifying accounts to ensure proper use of public resources. To maintain trust in democracy, public audits serve as the foundation for state accountability, reinforcing trust between citizens and government. (Ferry et al., 2022). Public sector auditing is a set of norms and techniques for assessing, calculating, and understanding a public organisation's functions and activities. Modern public sector auditing has been influenced by market-oriented ideas and performance evaluation (Kleinman & Lin, 2017). Influenced by market-oriented reforms and new public management principles, contemporary auditing now focuses on outcomes and value for money rather than mere procedural accuracy (Mattei et al., 2021).

The audit methodology has shifted from a financial and compliance audit to a performance-oriented approach. This is meant to enrich the audit activity by adding value, focusing on performance, and providing clearer communication for citizens and decision-makers. Performance audits evaluate not only whether funds are spent lawfully but also whether they deliver meaningful results, thereby enhancing citizens' confidence in public institutions (Grossi et al., 2023).

Fiscal management involves balancing expenditure needs with revenue capacity to ensure long-term sustainability. One of the most influential frameworks in this regard is Barro's (1979) tax-smoothing hypothesis, which posits that governments facing temporary fiscal pressures should borrow rather than immediately raise taxes. By issuing debt, governments can distribute fiscal burdens over time, minimising short-term economic distortions while spreading these costs into the future, when fiscal needs are lower.

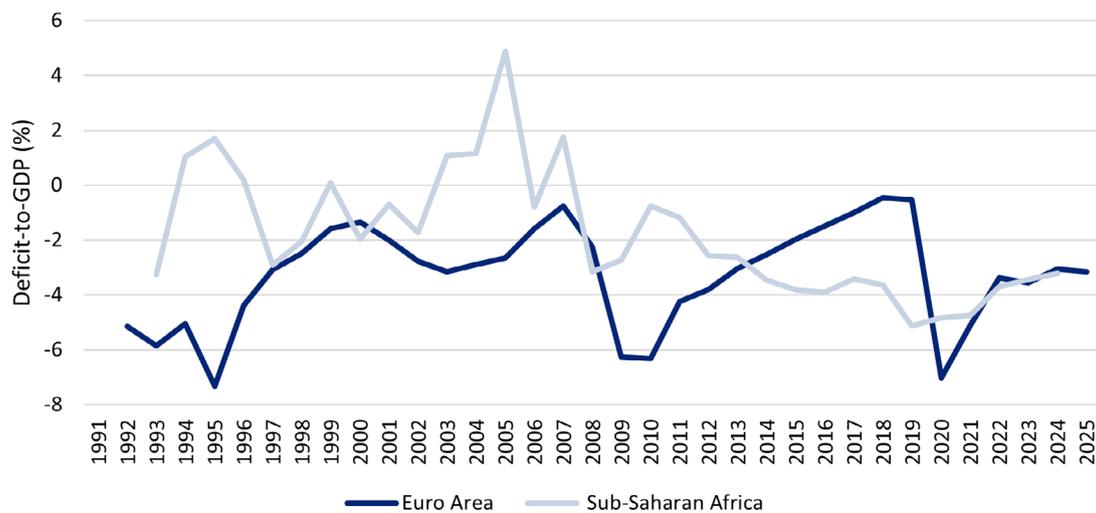
This theory gained renewed relevance during the 2007–2008 global financial crisis, when governments worldwide used debt-financed fiscal stimulus to offset collapsing demand. In Sub-Saharan Africa, however, debt accumulation was particularly pronounced as countries sought to cushion the economic fallout (Blanchard, 2019). The reliance on external borrowing, often denominated in foreign currencies, exposed them to exchange-rate risks and rising debt-servicing burdens (Yared, 2019).

In summary, effective public finance integrates prudent fiscal management with robust auditing mechanisms to promote accountability and long-term stability. Public finance provides the policy framework, auditing ensures oversight and transparency, and fiscal theories, such as Barro's tax-smoothing, explain how governments can navigate temporary shocks without jeopardising sustainability. Together, these foundations underpin the broader study of fiscal institutions and their role in shaping public debt outcomes in Sub-Saharan Africa.

## 2. Challenges of deficit bias

Governments worldwide have been faced with budget/fiscal deficits and rising public debt levels since the early 1970s. Cumulatively, fiscal balances of both industrial and developing economies have been negative in each of the past 30 years, with an average deficit of about 3% of GDP per year for both groups (Figure 1). Although fiscal deficits may be caused by a variety of adverse domestic and external shocks that impact budgets directly as well as the economic environment, the persistence of deficits and the rise in public sector indebtedness over the past three decades in so many countries suggest that some fundamental factors are likely to have played a role (Debrun et al., 2009).

Figure 1: Budget deficit trends: Euro Area and SSA as a percentage of GDP



Source: Edited by the authors based on Eurostat and IMF databases

The Public Choice Theory, first advanced by Buchanan (1960) and later developed by Buchanan and Tullock (1962), applies economic principles to political decision-making, arguing that policymakers may pursue self-interest rather than public welfare. Political leaders often prioritise short-term spending that benefits select constituencies, even at the expense of fiscal balance (Alesina & Perotti, 1995). This behaviour generates deficit bias, where electoral incentives favour immediate gains over long-term sustainability. Empirical evidence confirms that deficit bias contributes to higher debt servicing costs, crowding out private investment, and increasing vulnerability to fiscal crises (Krogstrup & Wyplosz, 2009; Nawaz & Khawaja, 2019). To counter these tendencies, independent fiscal institutions and fiscal rules have been established to enhance transparency and impose discipline on budgetary financing processes (Căpraru et al., 2022).

Furthermore, whereas economic stabilisation requires countercyclical fiscal policy, governments frequently adopt procyclical discretionary spending and tax cuts during economic upturns (Alesina & Tabellini, 2008). In downturns, however, concerns about debt sustainability often prevent the adoption of expansionary policies (Wyplosz, 2012). The roots of this deficit bias lie in policymakers' short-termism and in distributive conflicts, known as the „common pool” problem, in which different groups compete for limited fiscal resources regardless of macroeconomic constraints (Krogstrup & Wyplosz, 2009). Moreover, governments struggle with time inconsistency, as political and electoral pressures make it difficult to save tax windfalls in boom periods (Gavin & Perotti, 1997; Debrun et al., 2009).

Citizens evaluate the performance of the executive and reward the sitting government with their support if its performance is deemed positive, that is, if the economic and political outcomes of government policy are congruent with the general preferences of the population (Alesina et al., 2017; Jacques & Bélanger, 2022). Conversely, fiscal consolidation and spending cuts, though potentially restoring investor confidence, carry political costs and can reduce government ap-

proval (Bansak et al., 2021; Jacques & Haffert, 2021). In the Sub-Saharan African context, weak fiscal institutions and limited enforcement of fiscal rules further amplify these biases (Nabieu et al., 2021a).

The next potential reason for the deficit and procyclicality bias is the time inconsistency of fiscal policy. Ex ante, policymakers may design fiscal plans consistent with the public interest, but ex post, electoral or regional considerations often dominate, leading to deviations from the initial commitment (Debrun et al., 2009). Governments are thus frequently tempted to alter previously agreed policies to pursue short-term political gains. In practice, this time-inconsistency manifests as the overuse of fiscal deficits to stimulate demand, even when such expansionary policies yield limited or temporary benefits (Wyplosz, 2012). The problem of time-inconsistency also arises when the government burdens its successors with excessive debt, leaving less fiscal space and flexibility (Wildowicz-Giegiel, 2019).

Several studies in comparative political economy confirm that citizens punish governments for aggressive deficit reduction policies (Jacques & Belanger, 2022). Spending-based consolidations have a clear negative effect on government approval. In contrast, tax-based consolidations do not negatively affect approval. Also, interaction effects are significant only when spending-based consolidations are part of the constitutive terms of the interaction (Jacques & Haffert, 2021).

Another cause of deficit bias arises from the so-called „*common pool*” problem, a concept well established in fiscal governance literature (Debrun et al., 2009). Public spending is usually targeted to specific groups of voters or regions, creating incentives for policymakers to favour projects with localised benefits at the expense of national fiscal sustainability. In the case of fiscal redistribution, those who benefit from certain government spending are not the same as those who pay for it, and policymakers tend to overestimate the social benefits of fiscal measures while underestimating their broader costs (Alesina & Perotti, 1995). This asymmetry between private benefit and social cost leads to pressures for higher spending and persistent fiscal imbalances.

At the central government level, competing interest groups and political constituencies lobby for spending programs that provide concentrated benefits, even when these generate long-term fiscal costs shared across society (Wildowicz-Giegiel, 2019). As fiscal pressures intensify, many governments resort to foreign currency-denominated borrowing to bridge budgetary gaps. However, such debt often proves costly over time due to exchange-rate volatility and rising interest payments that erode fiscal gains (Albu & Albu, 2021). Even more interestingly, reports of massive corruption, plunder, and embezzlement of public funds are on the rise (Grossi et al., 2023). In a fiscal environment where resources are constrained, an accountable and responsible government that ensures the provision of public welfare goods, economic development, and stability is demanded (Nawaz & Khawaja, 2019).

Arif and Arif (2023) examined the determinants of budget deficit in a panel dataset of 66 countries from 1996 to 2020. The study used the budget deficit as a percentage of GDP as the dependent variable and examined the effects of

various economic, political, and institutional determinants. The independent variables included GDP per capita, inflation rate, trade openness, population growth, political stability, corruption, bureaucratic quality, democratic accountability, and law and order situation. The study used panel regression models and employed fixed- and random-effect models, as well as pooled mean group (PMG) and mean group (MG) estimation methods, to estimate the long- and short-run coefficients for the effects of institutional and other variables on the budget deficit in a heterogeneous panel dataset. The results showed that GDP per capita, the inflation rate, and trade openness had a positive and significant impact on the budget deficit, whereas the population growth rate was negatively associated with the budget deficit. The study's limitation was limited data availability on institutional variables, which may introduce bias into the results, as countries with missing data were excluded, thereby affecting the representativeness of the findings.

To better understand the main reasons for fiscal deficits in Sub-Saharan Africa and the key solutions, Abanikanda et al. (2023) used panel spatial consistent correlation (PSCC), dynamic fixed effects autoregressive distributed lag (ARDL), and feasible generalised ordinary least squares (FGLS) for 23 Sub-Saharan African countries from 2000 to 2022. The authors found that fiscal institutions play a greater role in reducing the deficit gap by identifying key budget areas that undermine proper fund use. They conclude that addressing fiscal deficits in Sub-Saharan Africa requires a multifaceted approach that goes beyond traditional economic factors. They stress the importance of enhancing institutional quality and creating a stable political environment to mitigate the accumulation of fiscal deficits.

This chapter examines the evolving role of public finance in economic stability and development, highlighting how governments manage taxation, spending, and borrowing. Effective public financial management is crucial, as it enables the efficient use of resources to provide essential services and sustain economic stability, which citizens expect. Over time, public finance has shifted from a strict budget-balancing approach, prominent in the Great Depression, to a broader tool for stability and growth, particularly since the Keynesian era. Additionally, public auditing has transitioned to a performance-focused model, enhancing accountability and trust. The chapter also introduces Robert Barro's tax-smoothing theory, which recommends using debt strategically to address unanticipated fiscal needs without immediate tax hikes. Together, these insights underscore the importance of sound financial management and auditing in achieving long-term fiscal sustainability. As another critical aspect of the present analysis, the complexities of public debt are examined, exploring its dual role as a necessary tool for financing national development and as a potential source of economic vulnerability.

### 3. The Global Financial Crisis and its transmission to Sub-Saharan Africa

Unlike the previous crisis that originated from developing countries' policy failures, the 2008-2009 global financial crisis originated from advanced economies (Dullien et al., 2010). The collapse of the Lehman Brothers in September 2008 triggered a systemic financial meltdown (Bean, 2008). Advanced economies launched intervention programs: the U.S implemented TARP (\$475 billion) and the Federal Reserve established \$30 billion swap lines with emerging markets (Gutner, 2015).

SSA had limited direct exposure but was heavily affected by three transmission channels: collapsing commodity prices, sharp reductions in trade volumes and export revenues, and sudden stops in capital flows (Ncube & Brixiová, 2015). Net capital flows to developing countries declined from \$1,160 billion in 2007 to \$727 billion in 2008 and further to \$141 billion in 2009. This led to the IMF advocating for a switch back to countercyclical policy (Dullien et al., 2010). The IMF borrowed close to \$2.7 billion to SSA between Jan -July 2009, compared to \$1.1 billion received in the entire year of 2008 (IMF, 2009).

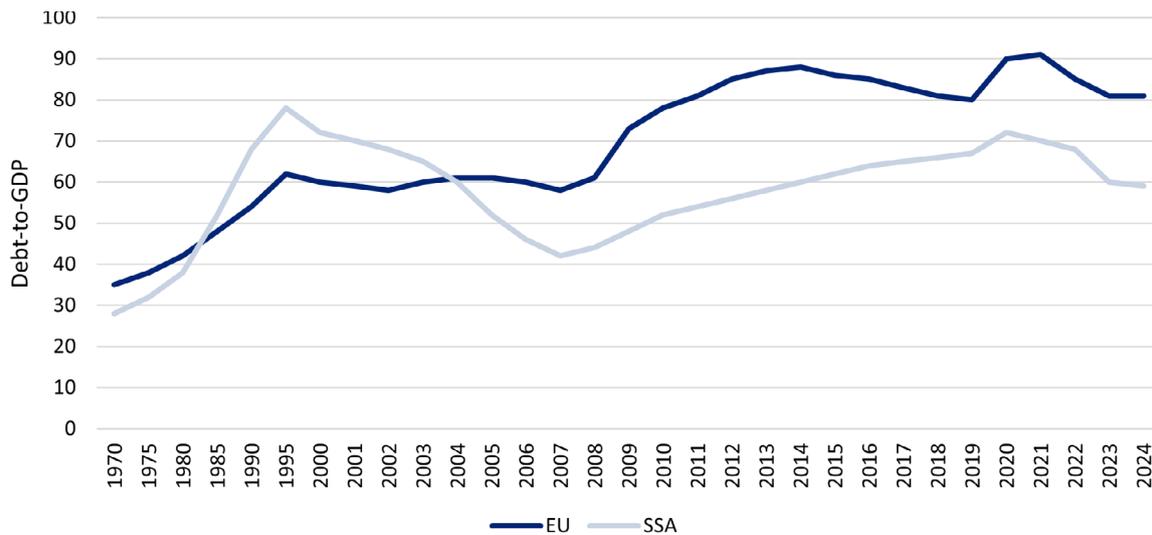
However, while countercyclical stimulus was economically appropriate, limited fiscal space, falling revenues, and rising debt service costs constrained their ability to respond effectively to the crisis (IMF, 2009). Debt-to-GDP ratios, which had declined after debt relief initiatives before 2008, rose sharply post-2008, surpassing prereief levels by the mid-2010s (Gallagher et al., 2024). Rising borrowing costs, currency mismatches and, global monetary expansion contributed to this trend (IMF, 2023).

A critical lesson from the crisis concerns the importance of effective fiscal institutions. Without IFIs, most SSA lacked mechanisms for identifying vulnerabilities, maintaining fiscal buffers during boom years, or communicating fiscal risks effectively (IEO, 2010). Ghana illustrates the costs of weak fiscal governance. Despite strong growth and debt relief, procyclical fiscal expansion during boom years left the country exposed when the crisis struck. The lack of an independent fiscal council meant there was no institutional check on politically motivated spending (AFDB, 2015; Deléchat et al., 2018). Countries with stronger fiscal positions and flexible exchange rates experienced smaller output losses (Chen et al., 2019). Those with strengthened fiscal frameworks, for instance, CFA zone countries, had better debt outcomes (Strong, 2023).

### 4. The dynamics of public debt

Public debt represents the total outstanding obligations for financing national priorities to sustain economic development and stabilization (Cifuentes-Faura & Simionescu, 2023). The classical theory posits that debt can stimulate output in the short term but may hinder long-run growth when it exceeds sustainable limits (Albu & Albu, 2021). Since the 1970s, debt-to-GDP ratios have steadily increased (Figure 2), raising concerns about crowding out private investment, higher taxation, and reduced fiscal flexibility (Yared, 2019).

Figure 2: Debt-to-GDP ratios across the EU and SSA



Source: Edited by the authors based on Eurostat and IMF databases

Traditional research shows that a high level of debt slows economic growth after the debt-to-GDP ratio crosses certain thresholds (Kraemer & Lehtimäki, 2023). However, Blanchard (2019) demonstrates that in a low-interest environment, debt can be expanded significantly without restricting growth. The increase in debt level can be attributed to secular expansion of government spending, more so, mandatory spending programs with tax revenue not commensurate (Yared, 2019).

The increased reliance on debt has led to default due to deteriorating economic conditions (Hébert & Schreger, 2017). The costs of default include increased stress on financial institutions, lower international financing for domestic firms, and decreased export market access (Yared, 2019). In the aftermath of the financial crisis of 2007/2008, countries around the globe slithered into a debt crisis, caused by high public deficits and uncertainty in the financial markets (Reuter, 2015). Empirical evidence suggests that high debt ratios, particularly those exceeding 100 percent of GDP or denominated in foreign currencies, intensify macroeconomic vulnerabilities due to exchange-rate fluctuations (Panizza & Presbitero, 2014).

In SSA, Nabieu et al. (2023) found that debt sustainability depends on GDP growth, primary balances, and institutional quality, calling for a multidimensional approach integrating fiscal discipline, political stability, and governance reform. Similarly, Ojeka et al. (2024) found that strong institutions moderate the adverse effects of debt on investment.

From a comparative perspective, Kopits (2013) emphasizes IFIs' crucial role in curbing debt accumulation by providing credible oversight. Countries with effective IFIs exhibit lower borrowing costs and higher market confidence. He argues that IFI independence from political pressures is essential for credible fiscal forecasting. Fiscal policy remains vital for macroeconomic strength and stability. However, persistent deficits can lower growth, raise inflation, crowd out investment, and widen the current account deficit (Arif & Arif, 2023). Globally, fiscal imbalances have produced structural deficit bias since the 1970s (Krogstrup & Wyplosz,

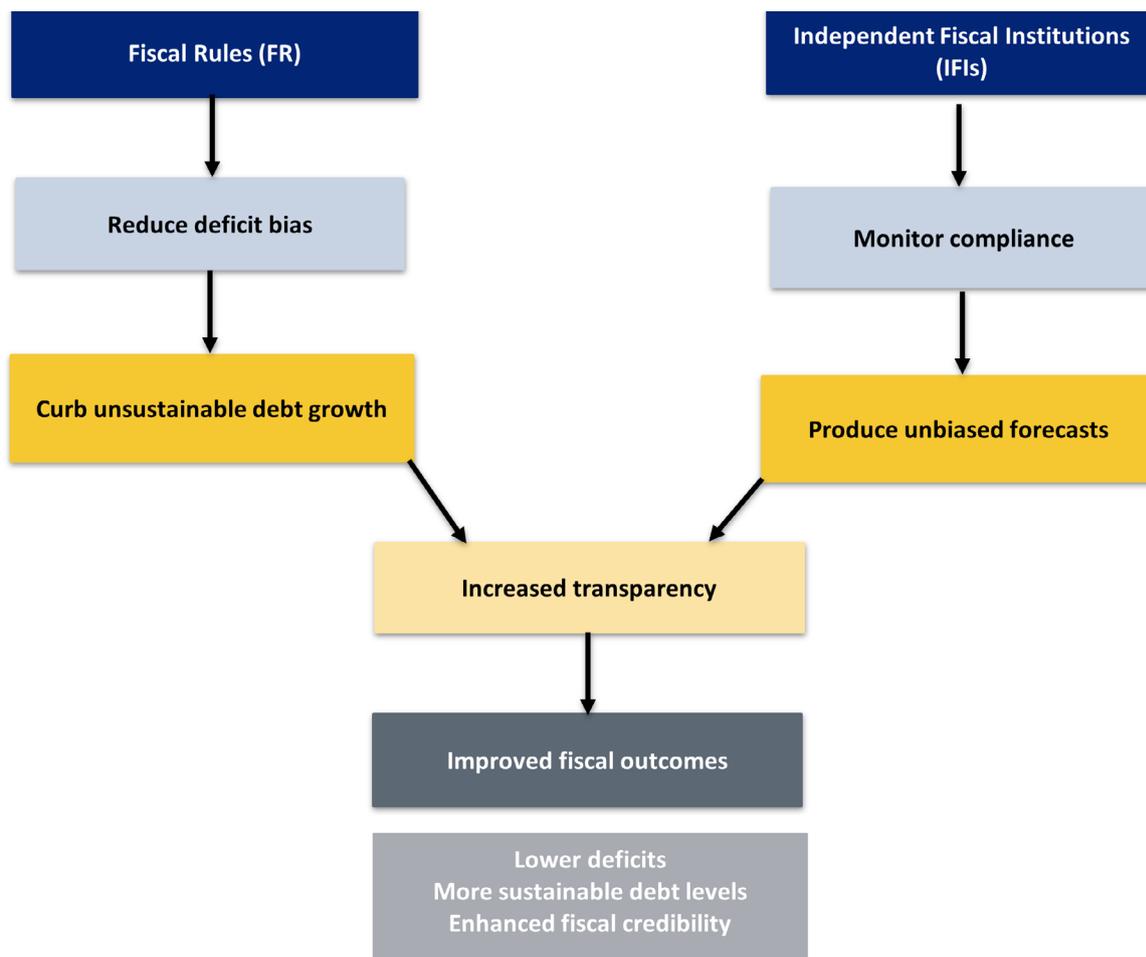
2009). Austerity is often adopted during downturns and swelling deficits, which is often rejected by voters (Bansak et al., 2021). Public opinion shapes fiscal choices (Lachapelle et al., 2021).

The literature concludes that fiscal discipline and institutional quality are decisive in maintaining sustainable debt levels. Avoiding excessive borrowing and building buffers are central to long-term fiscal resilience (Debrun et al., 2009).

## 5. Role of fiscal institutions in public finance management

Fiscal institutions play a pivotal role in promoting fiscal discipline, enhancing accountability, and ensuring sustainable public finance management (Figure 3). A key mechanism through which they achieve these objectives is the establishment and enforcement of fiscal rules, which are designed to constrain excessive deficits and public debt accumulation. These regulatory frameworks promote macroeconomic stability by imposing numerical limits on budget aggregates, such as government spending, revenue, and debt (Medas et al., 2022; Yared, 2019).

Figure 3: Conceptual links between fiscal rules, independent fiscal institutions, and macroeconomic outcomes.



Source: Authors' own elaboration

Using a synthetic control method and fixed effects models for 14 CFA countries (2000–2022), Strong (2023) found that fiscal rules significantly contribute to reducing government debt levels in the CFA zone. Countries with well-defined and enforced fiscal rules experience enhanced fiscal discipline, leading to lower budget deficits and improved debt sustainability. However, the study emphasizes that rule effectiveness depends heavily on design clarity, enforcement mechanisms, and institutional capacity. Similarly, Halac and Yared (2018) argue that adopting credible fiscal rules is among the most effective strategies to contain the secular rise of public debt since the Great Recession, while Doray-Demers and Foucault (2017) highlight their importance in addressing persistent fiscal imbalances.

The proliferation of fiscal rules globally is a pointer to the growing consensus that rules-based fiscal governance strengthens debt sustainability and enhances policy (Yared, 2019). Fiscal rules are long-lasting constraints on fiscal policy through numerical limits on broad budget aggregates (Medas et al., 2022). Evidence from Sub-Saharan Africa supports this view. Nabieu et al. (2021a) used panel data from 43 SSA countries (1985–2011), found that fiscal rules correlate positively with fiscal performance, reducing budget deficits and fostering macroeconomic stability. They further conclude that effective institutional governance enhances the impact of fiscal rules on growth outcomes.

Fiscal institutions also operationalize Barro's (1979) tax-smoothing hypothesis by promoting long-term planning and the creation of reserve funds to meet predictable fiscal needs, such as infrastructure and social welfare programs. This anticipatory approach helps governments avoid unplanned borrowing, excessive debt servicing costs, and market disruptions. By supporting both planned and unexpected fiscal adjustments, fiscal institutions ensure financial discipline and continuity in fiscal management.

Independent Fiscal Institutions (IFIs) have emerged as central actors in modern fiscal architecture. They are non-political public bodies, other than the central bank, government, or parliament, tasked with monitoring compliance with fiscal rules, preparing or endorsing macroeconomic forecasts, and advising governments on fiscal matters (Martins & Correia, 2021; Căpraru et al., 2022). These institutions operate independently from political influence, serving as „fiscal watchdogs” that promote transparency and accountability (EC, 2014; IMF, 2013). Their key features include independence from executive control, a comprehensive mandate, sufficient resources, and a strong public communication role (Martins & Correia, 2021). They may address fiscal myopia and partisanship on behalf of policymakers as well as imperfect information and misperception of the government's budget constraint on behalf of both policymakers and voters (EC, 2023).

IFIs can significantly raise the scrutiny and visibility of numerical rules. Furthermore, through constant monitoring, IFIs improve transparency and accountability, minimizing information gaps and improving the quality of fiscal policy debates. This is corroborated by recent (IMF, 2017) research that found only fiscal regulations that included independent monitoring systems were related to lower government debt financing costs. This conclusion remained even for countries with

varying track records of fiscal responsibility (EC, 2017). The political nature of fiscal policy, which performs allocative, distributive, and stabilization functions that are not always easy to reconcile and have a direct impact on economic growth, financial balances, and fiscal discipline, necessitates the presence of IFIs to raise public awareness through information flow (Căpraru et al., 2022).

In the African context (Table 1), several studies have confirmed the critical role of institutional quality in shaping fiscal outcomes. Deléchat et al. (2018) concluded that strong fiscal frameworks enhance state capacity and resilience to external shocks. Gollwitzer (2011) similarly established that stronger budget institutions improve fiscal performance and overall public financial management in Africa. While Nabieu et al. (2021b) suggest that countries should move towards establishing fiscal limits, ceilings, and setting targets on their budgets together with independent fiscal councils to promote fiscal performance.

**Table 1: Comparative framework - EU/OECD vs Sub-Saharan Africa fiscal institutions**

Dimension	EU/OECD	SSA	Evidence Base
<b>Adoption of fiscal rules</b>	Widespread, well-defined (e.g., Maastricht criteria -3% deficit, 60% debt)	Laxly enforced; exist on paper but weak compliance	Reuter (2015); Strong (2023)
<b>Role of IFIs</b>	Formally independent, „watchdog” role with strong mandates	Limited autonomy, political interference, advisory capacity only	Căpraru et al. (2022); EC (2017)
<b>Institutional autonomy</b>	High - legal protections, separate budgets, protected tenure	Limited - executive interference, funding constraints, staff turnover	IMF (2017); Martins & Correia (2021)
<b>Technical capacity</b>	Strong analytical teams, sophisticated forecasting models	Weak capacity, limited data systems, inadequate tools	Gollwitzer (2011); Abanikanda et al. (2023)
<b>Public communication</b>	Regular reports, media engagement, parliamentary hearings	Limited transparency, irregular reporting, low visibility	Wildowicz-Giegiel (2019)
<b>Impact on fiscal outcomes</b>	Lower deficits, better debt dynamics, reduced bond yields	Mixed outcomes; modest improvements where institutions strong	Beetsma & Debrun (2018); Deléchat et al. (2018)
<b>Crisis resilience</b>	Better positioned for 2008 crisis response; fiscal space preserved	Heavily impacted; limited buffers, procyclical spending	AfDB (2015); IMF (2009)
<b>Debt management</b>	Active debt management offices, sophisticated strategies	Reactive, limited coordination, currency mismatches common	Ojeka et al. (2024); Gallagher et al. (2024)
<b>Creditworthiness</b>	Investment grade ratings, lower spreads	Speculative grade, high spreads, limited market access	AfDB (2015); IMF (2023)

Source: Authors' own elaboration

We examined how fiscal rules and institutions contribute to maintaining fiscal discipline and reducing government debt. The consensus across these studies is clear: robust fiscal rules and well-functioning fiscal institutions are indispensable for achieving fiscal discipline, debt sustainability, and macroeconomic stability. IFIs, in particular, complement fiscal rules by fostering transparency, providing credible

analysis, and reinforcing accountability. Countries with well-designed fiscal frameworks and independent oversight bodies tend to exhibit better fiscal performance, particularly in Sub-Saharan Africa, where institutional strength remains uneven. Strengthening fiscal governance thus remains a cornerstone of sustainable economic development and resilience to fiscal shocks.

## Conclusions and recommendations

This review has examined the evolving relationship between fiscal institutions, public debt management, and economic stability with a particular focus on Sub-Saharan Africa (SSA). By integrating both regional and international evidence, the review highlights the central role of fiscal institutions, especially independent fiscal institutions (IFIs), in fostering fiscal discipline, enhancing transparency, and improving public financial management.

Empirical findings consistently show that countries with robust fiscal frameworks experience stronger macroeconomic stability and more sustainable debt dynamics. Fiscal rules and IFIs act as complementary instruments that promote credible policymaking by reducing deficit bias and mitigating political short-termism (Nabieu et al., 2021a; Kopits, 2013; Strong, 2023). They also enhance the quality of public expenditure by constraining wasteful spending and encouraging long-term fiscal planning. In the SSA context, where procyclical fiscal behavior, weak governance, and corruption remain persistent challenges, fiscal institutions offer a pathway toward greater accountability and resilience.

Despite this potential, SSA's experience with fiscal institutions remains mixed. The region continues to face structural weaknesses such as limited institutional autonomy, inadequate technical capacity, and poor enforcement of fiscal rules (Deléchat et al., 2018; Căpraru et al., 2022). Many fiscal frameworks remain reactive rather than strategic, lacking the predictive tools and analytical independence needed to influence fiscal policy decisions effectively. Furthermore, political interference and weak data systems undermine the credibility of fiscal oversight, reducing public confidence and investor trust.

Fiscal institutions can, however, be powerful catalysts for reform when adequately empowered. Strengthening institutional independence, enhancing analytical capacity, and ensuring transparent public reporting can transform them from advisory entities into credible agents of fiscal responsibility. The EC (2017) and IMF (2017) experiences demonstrate that fiscal rules linked to independent monitoring bodies are associated with lower borrowing costs and stronger market confidence, insights that are particularly relevant for African economies grappling with debt sustainability.

To translate these insights into action, we recommend that Sub-Saharan African governments prioritize strengthening the independence, capacity, and transparency of fiscal institutions. Legal safeguards ensuring autonomy and adequate funding are essential to protect them from political interference, while targeted capacity building and access to robust forecasting tools will improve their analyt-

ical credibility. Fiscal rules should be designed with clear, enforceable parameters and integrated closely with independent fiscal oversight to enhance accountability and credibility. Moreover, greater public transparency and civic engagement in budget reporting can reinforce trust and strengthen the fiscal social contract between governments and citizens. Finally, embedding fiscal reform within broader governance and anti-corruption frameworks will ensure that fiscal institutions not only constrain deficits but also promote integrity, efficiency, and sustainable growth across the region.

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## Appendix

**Table A: Comprehensive literature review on public funds, public debt, deficit bias, and fiscal institutions in Sub-Saharan Africa**

Study	Period	Sample Size	Methodology	Key Findings
Nabieu et al. (2023)	1980-2017	Multiple SSA countries	OLS, Quantile Regression, System GMM, VAR	Robust fiscal response to indebtedness necessary to reduce debt-to-GDP ratios. Proactive fiscal policies needed.
Nabieu et al. (2021b)	1985-2011	43 SSA countries	FE and RE Models	Positive relationship between fiscal governance and improved performance. Strong institutions = better budgetary discipline and lower debt.
Deléchat et al. (2018a)	2000-2016	46 SSA countries	Mixed methods	Strong fiscal frameworks enhance state capacity and resilience to external shocks.
Deléchat et al. (2018b)	2008-2022	23 SSA countries	ARDL, FGLS, PSCC	Institutional factors (bureaucracy, government stability, law) reduce deficits.
Gollwitzer (2011)	Multi-year	Multiple African countries	Panel data, FEM, REM	Stronger budget institutions leads to improved fiscal performance, lower deficits.
Nabieu et al. (2021a)	1985-2011	43 SSA countries	Panel FEM, DPM	Fiscal rules associated with improved performance and reduced deficits.
Ojeka et al. (2024)	1996-2021	47 SSA countries	Dynamic threshold, Two-step GMM	Strong institutions moderate adverse debt effects on investment.
Kopits (2013)	2000-2008	Multiple countries with IFIs	Comparative analysis	IFIs enhance fiscal discipline. Countries with IFIs have lower debt and better outcomes.
Strong (2023)	2000-2022	14 CFA countries	Fixed effects, Synthetic control	Well-defined fiscal rules significantly reduce government debt in CFA zone.
Abanikanda et al. (2023)	2000-2022	23 SSA countries	PSCC, ARDL, FGLS	Fiscal institutions key in deficit reduction. Quality determines budget involvement scope.

Source: Authors' own elaboration

Table B: Studies from the 2008 Crisis Period

Study & Author	Focus	Methodology	Key Findings
IMF (2009)	Global crisis impact on LICs	Policy analysis	IMF transformed lending to LICs, increased to 4x historical levels. SSA received \$2.7B (Jan-July 2009) vs \$1.1B in 2008.
AfDB (2015)	Post crisis debt dynamics	Descriptive statistics, case studies	SSA frontier markets increased debt post-crisis. Ghana's debt returned to pre-MDRI levels by 2012.
Dullien et al. (2010)	Crisis transmission to developing world	Comparative analysis	SSA growth setbacks higher than industrialized countries. Capital flows dropped from \$1,160B (2007) to \$727B (2008).
Laeven & Valencia (2010)	Banking crisis patterns	Database analysis	Identifies banking crisis episodes globally; provides framework for understanding 2008 crisis.
IEO (2010)	IMF surveillance failures	Evaluation	IMF surveillance failed to identify risks; sanguine assessments undermined warnings.
IEG (2011)	Bank lending during crisis	Lending analysis	WB committed 20% to LICs (vs 40% each to LMICs/UMICs). LICs received 1% GDP vs 0.3% for MICs.
Chen et al. (2019)	Long-term crisis impact	Panel regression	Countries with stronger pre-crisis fiscal positions and flexible exchange rates had smaller losses.
Reinhart & Rogoff (2011)	Crisis transmission mechanisms	Historical analysis	Financial crashes lead to sovereign debt crises through fiscal costs of bailouts.
Gutner (2015)	IMF crisis related performance: pre crisis (2004-2007), crisis period (2008-2009), post crisis (2009-2015)	Surveillance outputs (ex ante), lending output (mid crisis) and institutional and policy reforms (ex post)	Failed to oversee and predict the coming of the crisis but acted swiftly in response to the crisis through expanded credit and mixed performance post crisis.

Source: Authors' own elaboration