

# GOOD FINANCIAL GOVERNANCE HEAT MAP

2016 | • GHANA • KENYA • MALAWI • MOZAMBIQUE • SENEGAL • TANZANIA • UGANDA



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**GOOD FINANCIAL GOVERNANCE HEAT MAP**  
**2016**

# Imprint

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## Abbreviations and acronyms

AFROSAI	African Organisation of Supreme Audit Institutions
AFROSAI-E	African Organisation of English-speaking Supreme Audit Institutions
AIDS	Acquired Immunodeficiency Syndrome
ATAF	African Tax Administrators Forum
ATO	African Tax Outlook
BoG	Bank of Ghana
BTI	Bertelsmann Transformation Index
CABRI	Collaborative African Budget Reform Initiative
CHRAJ	Commission on Human Rights and Administrative Justice (Ghana)
CIC	Committee for the Implementation of the Constitution (Kenya)
CIESIN	Center for International Earth Science Information Network
CPI	Corruption Perception Index
EACC	Ethics and Anti-Corruption Commission (Kenya)
ECF	Extended Credit Facility
EIU	Economist Intelligence Unit
EPI	Environmental Performance Index
FH	Freedom House
FRELIMO	Mozambique Liberation Front [ <i>Frente de Libertação de Moçambique</i> ]
GCCC	Central Directorate for Combatting Corruption [ <i>Gabinete Central de Combate à Corrupção</i> ] (Mozambique)
GDP	Gross Domestic Product
GFG	Good Financial Governance
GI	Global Integrity
GIZ	German Federal Enterprise for International Cooperation [ <i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> ]
GRA	Ghana Revenue Administration
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
IEBC	Independent Electoral and Boundaries Commission (Kenya)
IFMIS	Integrated Financial Management Information System
IG	Inspectorate of the Government
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
KENAO	Kenya National Audit Office
LDC	Least Developed Countries
MDAs	Ministries, Departments and Agencies
MDG	Millennium Development Goal
MGDS	Malawi Growth and Development Strategy
MoF	Ministry of Finance
MP	Member of Parliament
MRA	Malawi Revenue Authority

MTEF	Medium-Term Expenditure Framework
NAO	National Audit Office
NDC	National Democratic Congress (Ghana)
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
NPP	New Patriotic Party (Ghana)
OAG	Office of the Auditor General (Uganda)
ODA	Official Development Assistance
ODPP	Office Directorate of Public Procurement (Malawi)
OFNAC	National Anti-Corruption and Fraud Office [ <i>Office National de la Lutte Contre la Fraude et la Corruption</i> ] (Senegal)
PAA	Public Audit Act (Malawi)
PAC	Public Accounts Committee (Tanzania)
PCCB	Prevention and Combating of Corruption Bureau (Tanzania)
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPDA	Public Procurement and Disposal of Public Assets Authority (Uganda)
PPP	Purchasing Power Parity
PPRA	Public Procurement Regulatory Authority (Tanzania)
PV	Present Value
RSF	Reporters Without Borders [ <i>Reporters Sans Frontières</i> ]
SAI	Supreme Audit Institution
SDG	Sustainable Development Goal
SSA	Sub-Saharan Africa
TA	Tribunal Administrativo
TADAT	Tax Administration Diagnostic Assessment Tool
T-bills	Treasury bills
TI	Transparency International
UN	United Nations
UNDP	United Nations Development Programme
USD	United States Dollars
VAT	Value-Added Tax
WAEMU	Western African Economic and Monetary Union
YCELP	Yale Center for Environmental Law and Policy





## Preface

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Public sector auditing, as championed by the Supreme Audit Institutions (SAIs), makes an important difference to the lives of citizens. Audits of government and public sector entities by SAIs improve societal trust by forcing the custodians of limited public resources to focus on their effective use. This awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions.

The complex modern environment demands greater accountability, more transparency, and better governance. This is the essence of the 16th Sustainable Development Goal, referred to as the governance goal, which establishes the need to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

The adoption of the 2030 Agenda for Sustainable Development offers an opportunity to reflect on new challenges facing our world and to come up with innovative and comprehensive solutions. Hence oversight institutions, such as SAIs, should explore ways to increase their value to the accountability cycle, and in so doing contribute to the improvement of governance and public financial management.

The International Organisation of Supreme Audit Institutions (INTOSAI) has led the way with several initiatives and by adopting the Sustainable Development Goals as one of the two technical themes to be discussed at the 22nd Congress. The African Organisation of Supreme Audit Institutions (AFROSAI) supports this trend and has contributed to the development of GIZ's Good Financial Governance Heat Maps, which are a key feature of our regional perspective on how SAIs can contribute to the post 2015 development agenda.

From our perspective, the heat maps are a tool that SAIs can use to identify and understand key public financial management risks. The heat maps also place these risks in relation to the normative and political economy dimensions of good financial governance. The objective is not to assess a country's governance environment, but rather to use existing data from different sources to understand the public financial management context and suggest improvements. This will hopefully enhance our contribution to the achievement of the Sustainable Development Goals and shape a future we all want.

We therefore hope that other stakeholders find this concept useful so that we can join hands and contribute to its refinement and development.

**MBAH ACHA Rose FOMUNDAM**  
AFROSAI General Secretary



# Why audits matter for the Sustainable Development Goals

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The Sustainable Development Goals (SDGs) are simultaneously a challenge, and a great opportunity for Supreme Audit Institutions (SAIs). SAIs are central to the efficient and effective use and control of public funds. These institutions can guide more effective management, improve the monitoring of results, and question financial management practices.

The SDGs are an opportunity to build momentum around the impact SAIs can have on the lives of ordinary people. At first glance, the 17 SDGs are overwhelming, with 167 targets in a broad range of topics. Yet these goals share a common bond in that they require efficient service delivery and policy implementation. For SAIs to comply with the International Standard of Supreme Audit Institutions 12, making a difference to the life of citizens, they must develop methods and procedures to contribute to the SDGs.

The performance of governments, matters in achieving the 2030 Agenda for Sustainable Development. Their performance will determine whether national development programs are successfully implemented, people receive adequate health care, there is access to education and sanitation, and ultimately whether peace and prosperity triumph over poverty and instability in fragile countries. While good financial governance (GFG) is fundamental to achieving the SDGs, government and administrative performance across sub-Saharan Africa (SSA) is often inadequate. SAIs can change this given their mandate to control government's use of tax revenues, and investigate whether public financial management (PFM) procedures are adhered to, and the intended results achieved.

The expectations of citizens in SSA are massive, while compliance with core PFM rules is unfortunately low. Domestic resource mobilisation is often insufficient to finance government spending, with falling commodity prices further impacting on the revenue base of resource-rich countries. This places pressure on SSA governments, who tend to be the dominant market force, to fund their budgets through additional debt. Internal control systems are failing, with corruption rife in many areas. Strong population growth is a reality, along with the effects of climate change, environmental disasters, and health crises. There is also an increasingly young and urban population that requires quality education and employment opportunities, while fast growing cities need well-organised public services such as waste and water management. These pressures pose a high risk for conflict and unrest in the absence of good management.

The governance challenge is not limited to the central and local levels of government. It also requires effective global governance structures to respond to, among other issues, global health crises and climate change. It therefore appears urgent that SAIs contribute meaningfully to public sector effectiveness at all levels. The implementation of the SDGs has started in 2016 and requires SAIs to become a key actor for change.

The potential of African SAIs to enhance public sector performance through audits and evaluations has not been fully exploited during the Millennium Development Goals (MDGs) process. While audits did contribute to some MDGs, especially maternal health and primary education, it was uncommon for MDGs to be placed under audit focus. Considering that the MDGs have not been achieved in many countries, it may be argued that SAIs could have done more to help achieve outcomes.

SAIs can be crucial change agents and have a tangible impact on the lives of ordinary people. African SAIs have demonstrated a growing understanding that more needs to be done, and that new approaches must be developed to focus the work of SAIs on the root causes of poor government performance. Scrutiny of PFM systems and how PFM processes impact on each other should be central to this new approach. Instead of focusing on the performance of isolated government entities, independent external auditors should take a holistic view, and identify risk areas in the PFM system. This will build awareness of factors that impact on the achievement of the SDGs. The heat maps provide a framework for such a holistic PFM viewpoint and help to identify risk areas, correlations, and possible causes. The purpose is to generate momentum around the important role SAIs can play in focusing their attention on PFM risk areas.

## How to interpret the heat maps

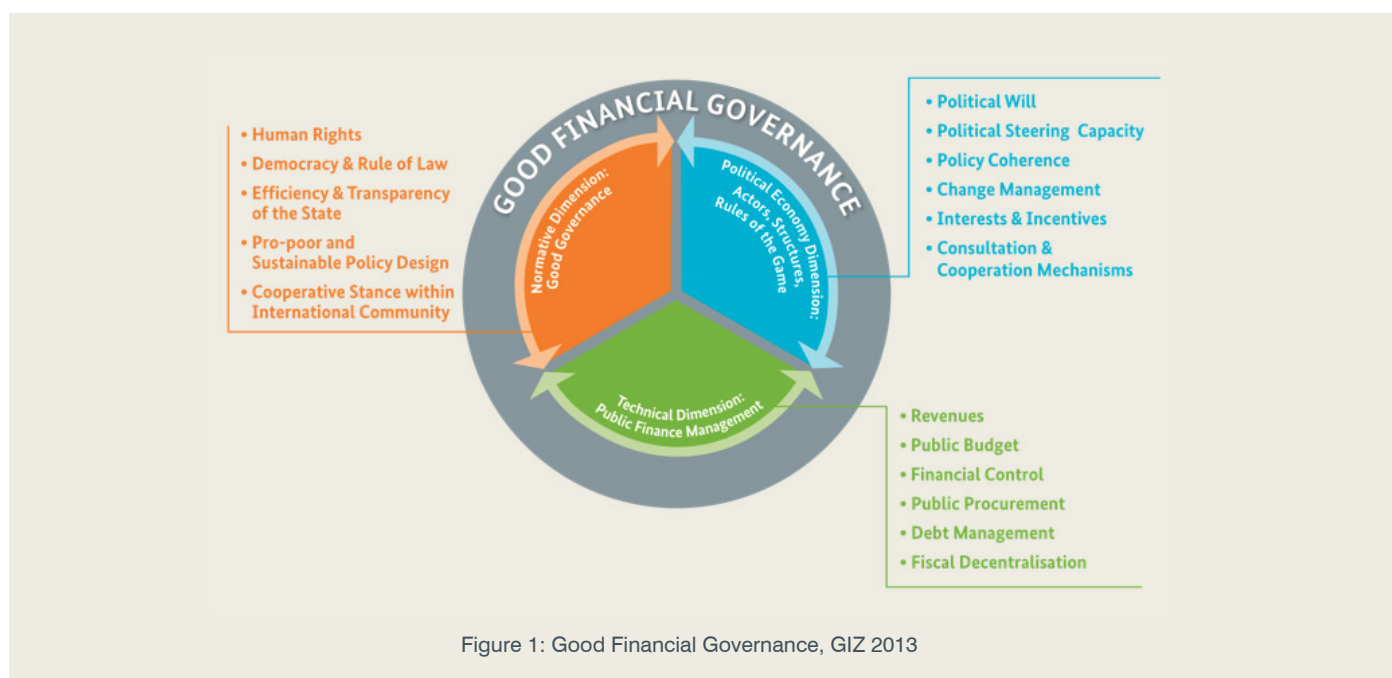
The development of this heat map report was undertaken by GIZ as part of AFROSAI's contribution to the XXII International Congress of Supreme Audit Institutions (INCOSAI), which under Theme 1 proposes several approaches that would allow Supreme Audit Institutions (SAIs) to contribute to the achievement of Agenda 2030.

In April 2016, SAIs from across Africa gathered in Yaoundé to reflect on the relevance of the Sustainable Development Goals (SDGs) for their work. Their discussions emphasised that to remain relevant they needed to focus their work on improving public financial management (PFM) systems so that funds can be efficiently and effectively used to attain the SDGs.

In a position paper published ahead of INCOSAI XXII, AFROSAI emphasised that most African countries aim to achieve more transparency and efficiency through the promotion of good governance and accountability. AFROSAI suggests that SAIs can contribute to this outcome in the following ways:

- Through advocacy for the improvement of PFM
- By facilitating the widening of the audit scope to include the audit of performance information
- By using audit results to identify common challenges to financial management and good governance.

To deliver on this, GIZ decided to develop a heat map that graphically presents data on the state of public finances in selected African countries. This information is presented in seven country sheets and infographics, along with a presentation of overarching results. These results are meant to raise awareness among SAIs about the risk areas that need to be addressed in their audits, and about the potential of such an approach. The heat map goes beyond looking at the performance of PFM-processes, and assesses the broader political economy and governance context within which the PFM system operates, in line with the Good Financial Governance (GFG) approach promoted by the German government.



## METHODOLOGICAL APPROACH

There is a wealth of data, studies, and assessments of public finances in the public domain. Many of them contain valuable information for SAIs and deserve to be adequately analysed. This includes the work undertaken by international organisations, think tanks, non-governmental organisations (NGOs), and other initiatives. This heat map has been conceived to present and analyse data from trustworthy sources that can help SAIs improve the way public finances are managed. More than just data from a variety of sources, the heat map also looks at linkages between the different dimensions of GFG, offering a new perspective on the state of public finances in Africa.

The authors of the heat map have chosen to focus on a specific set of data that was deemed relevant for this purpose. As a first step, a thorough analysis of publicly available indicators and assessments in the field of public finance was conducted. The concept and the methodology for the heat map were subsequently developed in a participatory process involving specialised African partner networks of GIZ's GFG in Africa program on tax, budget and audit (African Tax Administration Forum (ATAF), the Collaborative African Budget Reform Initiative (CABRI), AFROSAI, and AFROSAI-E). The partner networks shared their views, made suggestions, and offered support in the form of comments and data. These discussions confirmed that the examination of the PFM systems should not be limited to technical issues.

Showing a broad picture, which includes the technical PFM dimension of GFG and the normative and political economy dimensions, allows for the detection of possible linkages and correlations. The approach firstly tries to establish if there is a correlation between PFM processes, budgetary outcomes, and the development progress of a country, as measured by the achievement of millennium development goals (MDGs), or in the future by the SDGs. Secondly, the approach seeks to identify to what extent these relationships are influenced by contextual factors such as governance, politics, and economy. To the knowledge of GIZ, there is no theoretical model that explains such relationships; and with the heat map approach, GIZ did not aim to create such a model. Rather, this report tries to recognise critical areas in PFM processes to: (i) develop assumptions about functional linkages between these and budgetary outcomes, (ii) identify consequences in terms of the achievement of development goals, and (iii) inspire further research to confirm or reject this approach.

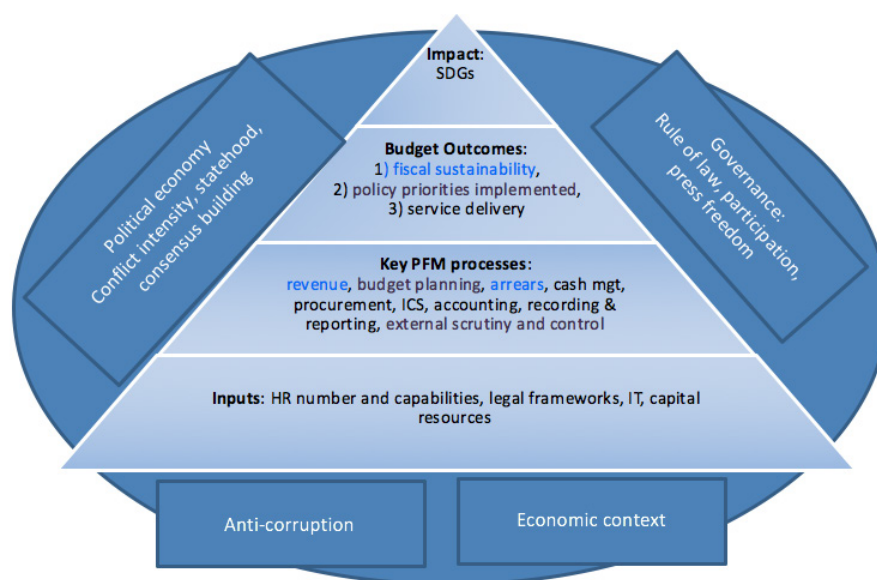


Figure 2: PFM pyramid

## COUNTRY SHEETS

### PFM core processes and outcomes

It is widely accepted that budgets serve three essential outcomes: (i) guaranteeing fiscal sustainability, (ii) implementing policy priorities, and (iii) ensuring efficient service delivery. The country profiles assess the functionality of PFM systems with regard to these:

- **Fiscal sustainability** focusses on the affordability of a country's spending decisions, with revenues, expenditure, and debt performance being the most important fiscal indicators. It is a key outcome as it ensures that financial decisions do not preclude a country's future capacity to fund its budget.
- **Implementation of policy priorities** relates to whether policy priorities are being implemented effectively. It assesses how functional the system of planning, execution, and oversight is, and ensures that it serves as an instrument to translate political will into practical action. This requires budget credibility on the technical side, a functioning link between budget planning and execution, and effective audit and parliamentary institutions.
- **Efficiency in service delivery** reaches out towards the results of PFM by checking if there are mechanisms in place to ensure that public expenditure is productive in delivering public services. Cash management, procurement, internal control systems, and internal audit are all key PFM indicators in ensuring this linkage between the PFM system and service delivery by line ministries, departments and agencies.

According to the pyramid shown in figure 1, a distinction can be made between:

- **the process level**, which includes different PFM subsystems such as revenue management, budget planning and implementation, financial reporting, and internal and external oversight; and
- **the outcome level**, which uses key indicators to assesses whether fiscal sustainability, policy implementation, and efficient service delivery are in place.

This distinction is illustrated by an example from fiscal sustainability: debt sustainability analysis is a process that reduces the risk of a debt crisis, while the primary balance is an outcome that indicates if fiscal policy is sustainable. One would expect some correlation between the process and the outcome level, however, sound development results can be observed without solid systems and conversely solid systems do not automatically lead to good results. Such occurrences do not necessarily reject the hypothesis that there is a relationship between process and outcome, i.e. debt sustainability analysis and primary balance. Indicators are assessed by humans, with grades depending on the availability of information, understanding context, the ability to convince others in ratings discussions, and so on. This complex set of factors contribute to a somewhat blurred picture. An attempt was made to counter these pitfalls by selecting, to the extent possible, indicators that rely on trusted data sources and measure function over form.

Research and analysis was drawn from existing indicators and assessments. The main data sources include the public expenditure and financial accountability (PEFA) assessment, the International Monetary Fund (IMF), ATAF, CABRI, the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E), Global Integrity, and World Development Indicators. While indicators may vary in scope and nature, the diversity of sources creates a sufficiently broad picture. One of the objectives of this heat map is to highlight which sources and data are available, and to point out gaps therein that need to be addressed.

Relevant indicators were identified from these sources for each of the three PFM outcomes and corresponding processes. While this system sounds clear enough in theory, the attribution of existing PFM indicators to one of the core processes or outcomes is not always straightforward, and some indicators may speak to more than one of the fields. The choice reflects the best understanding of the conceptual linkages, but there may be different interpretations or groupings with similar merits.

### Enabling environment

This section explores the broader context of the PFM setting. The enabling environment includes:

- The economic context
- Political economy
- Corruption and anti-corruption
- Governance.

It can be assumed that each of these areas has some influence on the form and function of various sub-spheres of PFM: poverty and economic crises can erode a country's ability to deliver services effectively, an adverse political economy can obstruct the effectiveness of audit institutions and parliaments, and corruption can undermine service delivery and paralyse administrations. The governance sphere, including aspects of transparency, political freedom, and the rule of law, is crucial for citizens to hold governments to account. This ensures that the budget serves as an instrument to execute the political will of a country's population. Main sources of information include Global Integrity, the Bertelsmann Transformation Index (BTI), and various specialised NGOs such as Transparency International and Afrobarometer.

### Developmental impact

The last section of each country sheet contains a profile of the country's state and pace of development. The achievement of the MDGs provides a relative measure of progress since 2000, with another subset of indicators added to illustrate the absolute level that has been reached. These indicators include the Human Development Index (HDI) and a sample of data on poverty, inequality, health, and education. This data is taken from World Development Indicators and the MDG Track.

Again, developmental successes and failures do not follow from the state of a PFM system or its environment in a mechanical way as there are many economic, social, and cultural factors not covered by the heat map. But inter-linkages between these levels can still be expected. The heat map is not about proving such connections in a scientific way. Rather, it is an invitation to think about them and an indication of where to look for them.

### COLOUR CODING

The indicator scores were translated into a colour code, where green, yellow, and red respectively signify a good, critical, and poor situation. The threshold values for indicators were defined on a case-by-case basis using international benchmarks, the sub-Saharan Africa average, and expert opinions. These are included in Annexure II.

The indicators are not aggregated and stand apart from each other. Aggregation was avoided due to methodological difficulties associated with weighting the indicators. Similarly, country scores were not averaged or compared with other countries as data was not collected at the same point in time for all countries. The heat map therefore does not support a comparison or ranking of countries beyond the comparison of single indicators.

## **TEXT PASSAGES**

The text passages in each country sheet refer to the respective indicators. Not all indicators are interpreted as focus is placed on critical aspects or areas. The explanations are not confined to the indicators, and include necessary background or additional information given conflicting indicator rankings or more recent developments since the initial assessment. Although the text passages are not uniform, they capture the essential information needed for a functional understanding of the indicators and PFM-related situation in each country.

## **INFOGRAPHICS**

The infographics for each country sheet are organised according to the structure described above. Indicators that relate to the enabling environment are shown on the left-hand side, process and outcome indicators in the middle, and developmental impact indicators on the right.

One important alteration must be noted. The PFM process indicators on fiscal sustainability, policy implementation, and service delivery are rearranged according to their place in the budget cycle by attributing each to one of six stages: revenue; budget planning; budget execution; external scrutiny and control; procurement; and accounting. This places each indicator into its respective technical context, allowing for a different way to detect areas of weakness and the associated consequences. Certain of the indicators were not included in the infographics to avoid overload and imbalances. For details on this, see Annexure III.



# Cross-country summary



## Enabling environment

## Processes

## Outcomes

## Developmental impact

Economic context	
GDP growth	
GDP per capita	

Anti-corruption	
Corruption Perception Index	
Investigations against senior government officials	
Effective corruption investigations	
Staff appointments	

Political Economy	
Statehood	
Steering capability	
Consensus building	
Conflict intensity	

Governance	
Access to Information	
Right to information	
Effective information	
Access to legislative documents	
Censorship	
Rule of law	
Political participation	
Press freedom	

Revenue	
Collection of tax arrears	
Tax arrears to revenue	
Revenue accounts reconciliation	
Transfer of revenues	
Revenue outturn	

Budget planning	
Link current budget/ investment	
Debt sustainability analysis	
ODA ratio	
Multi-year strategies	

Budget execution	
Expenditure arrears	
Expenditure outturn	
Unreported operations	
Cash management	

External scrutiny and control	
Parliament: time frame	
Parliament: amendments	
Parliament: audit recommendations	
External audit: scope	
External audit: timeliness	
External audit: follow-up	
External audit: independence	
Performance audits	

Procurement	
Competitive bidding	
Exclusion after violation	

Accounting	
Internal control: payroll	
Internal control: other	
Internal audit	
Accounts reconciliation	
Financial reporting	

Fiscal sustainability	
Revenue/GDP	
Operating ratio	
Primary balance	
Debt/GDP	
External debt/GDP	
External debt/revenue	
Debt service/revenue	

Implementation of policy priorities	
Expenditure share: health	
Expenditure share: education	

Efficiency in service delivery	
Hospital beds	
Sanitation	
Prenatal health care	
Pupils per teacher	

MDG 1: Poverty	
MDG 2: Education	
MDG 3: Gender equality	
MDG 4: Child mortality	
MDG 5: Maternal health	
MDG 6: Diseases	
MDG 7: Environment	

HDI	
Extreme Poverty	
School enrolment	
School completion	
Infant mortality	
Maternal mortality	
Gini Index	
Environment: performance	
Environment: policy	



## Results

The information and data collected in the Good Financial Governance (GFG) country sheets provides a base to examine linkages and patterns between the technical public financial management (PFM) dimension, the normative and political economy environments, and development outcomes both within and across countries. The pilot data collection covered seven countries, hence the following presentation of results is only indicative and needs to be followed by a more in-depth study. Nevertheless, these preliminary results are highly encouraging insofar as they support the main hypotheses behind the GFG heatmap approach:

- There is a linkage between good performance in PFM and the achievement of Sustainable Development Goals (SDGs)
- Governance is a key determinant in achieving development results
- A country's normative and political economy environments play an influential role.

In the absence of a proven theoretical framework to describe the functional linkages between PFM processes, PFM outcomes, and SDGs, the results presented here serve as a first step for developing such a framework.

**Good performance in key PFM areas is a necessary, but not sufficient, condition to achieve the SDGs.** The seven country case studies show that there is a positive relationship between PFM performance and, as a proxy for future SDG achievement, Millennium Development Goal (MDG) results. Distinguishing between countries with a high number of risky PFM areas such as procurement, expenditure arrears, internal audit, and countries with a lower number of risky PFM areas, and juxtaposing these two groups with development results such as human development indicators, poverty reduction, school enrolment, infant mortality, maternal mortality, life expectancy, or GINI, it appears there is a relationship: while good PFM is not sufficient in itself to achieve good development results, it is clearly a contributing factor, a catalyst for achieving good development results.

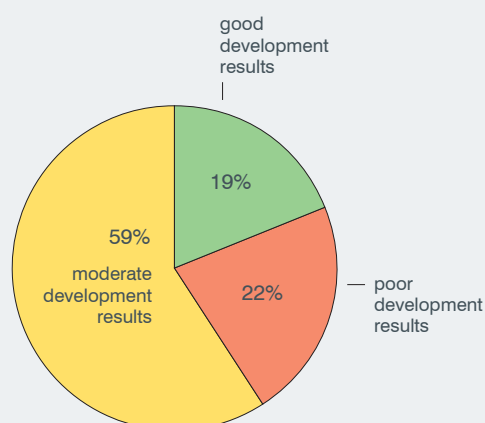


Figure 1a: Development outcomes for countries with many PFM risk areas

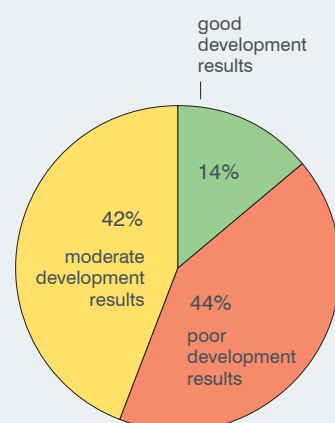
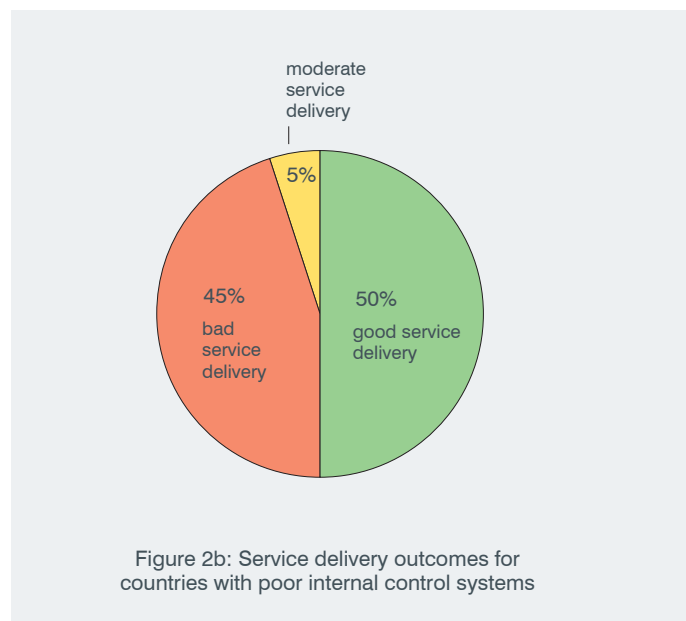
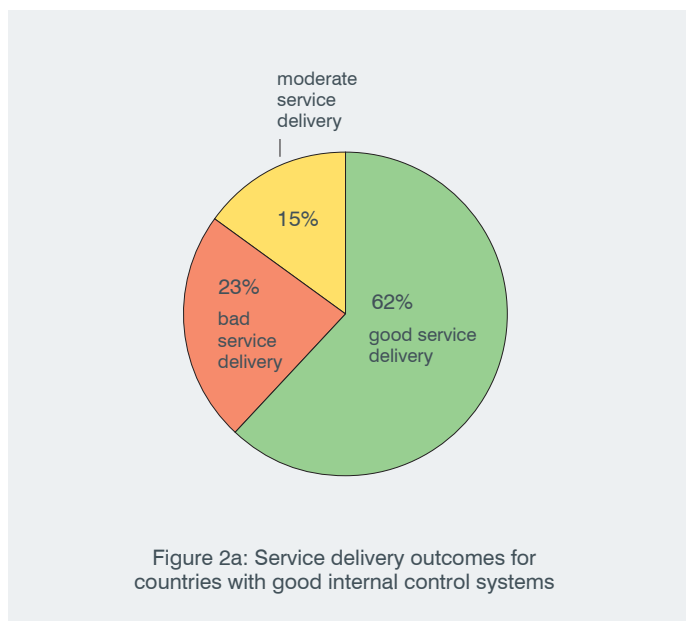
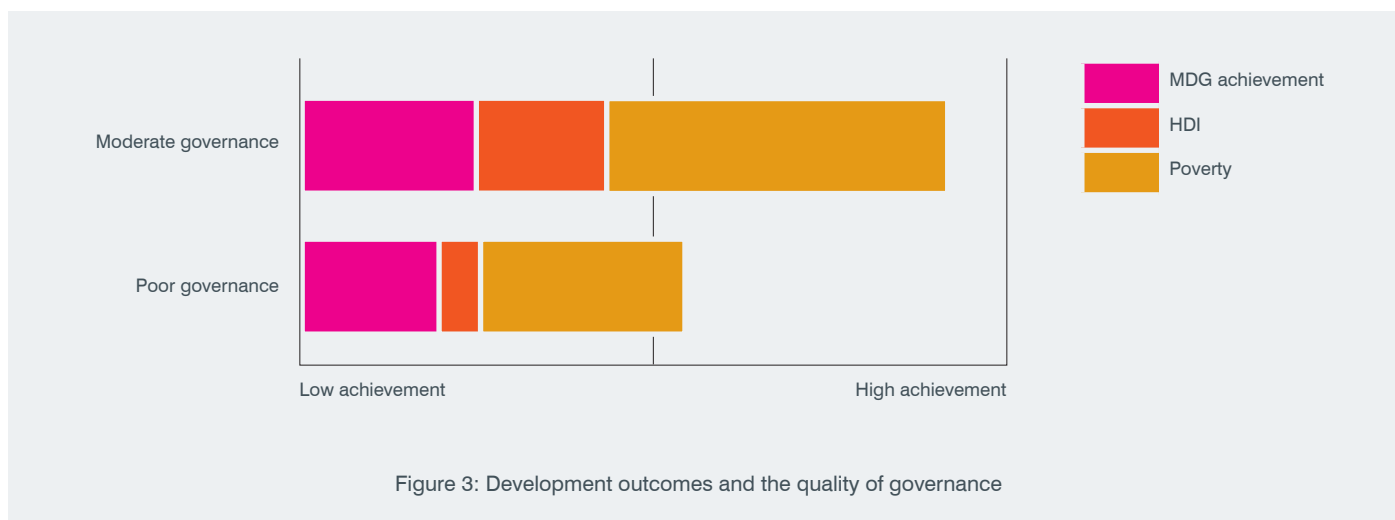


Figure 1b: Development outcomes for countries with few PFM risk areas

**Functioning internal control matters.** This relationship also holds true if only certain key areas of PFM are scrutinised. Most importantly, functioning internal control systems seem essential for good service delivery outcomes, as measured by pupil-teacher ratios, the relative number of hospital beds, and access to sanitation.



**The enabling environment, which includes governance and political economy, contributes to the achievement of development results. Governance in particular is a key determinant in achieving development results.** Limited data did not allow for an in-depth analysis of the relationship between governance indicators such as transparency, rule of law, anti-corruption indices and development results such as MDG achievement, Human Development Index (HDI) or poverty. Still, on an aggregate level, the data shows a positive relationship between good governance and the attainment of development goals. A good to moderate governance environment is correlated with a relatively better performance on MDGs, a better HDI score, and a greater reduction in poverty.



The same relationship can be seen for corruption. Corruption perception indicators were generally among the weakest assessment areas for all seven countries. This is worrisome considering that corruption is an inhibiting factor for development. Indeed, corruption is associated with poorer development results for the countries in this sample.

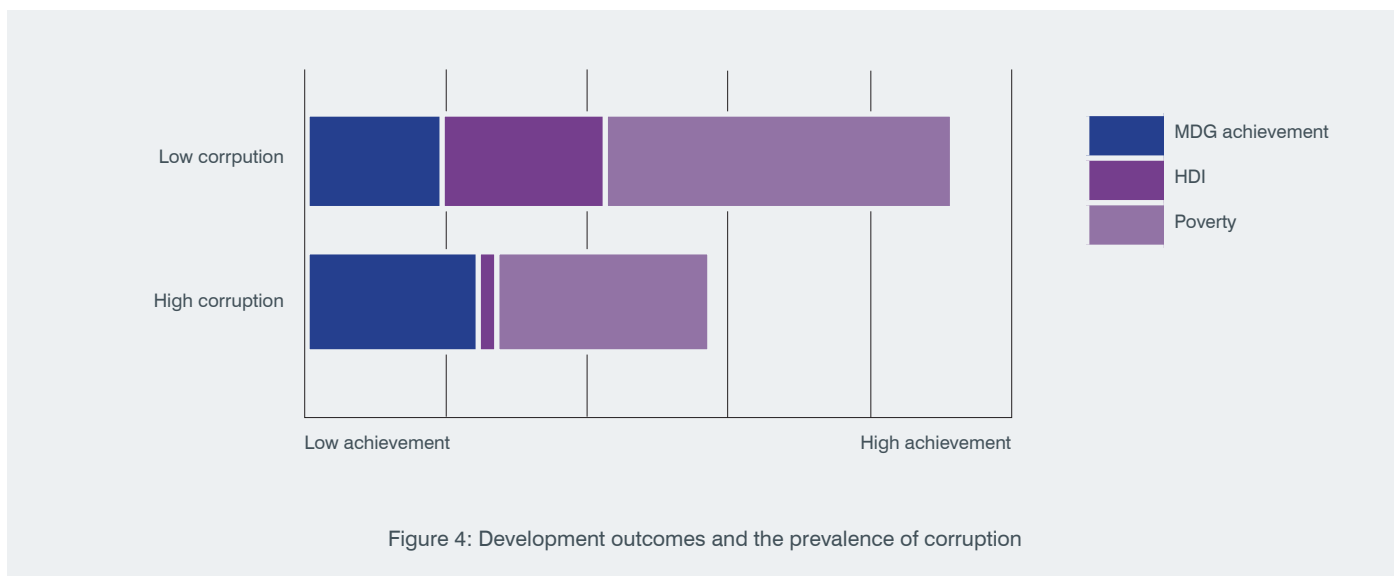


Figure 4: Development outcomes and the prevalence of corruption

Adding PFM processes to the picture confirms the findings. Countries with a relatively risk-free PFM environment tend to have better governance systems and, consequently, better development results. While this alone does not establish causality, it suggests that improved PFM processes contribute to better governance and development results.

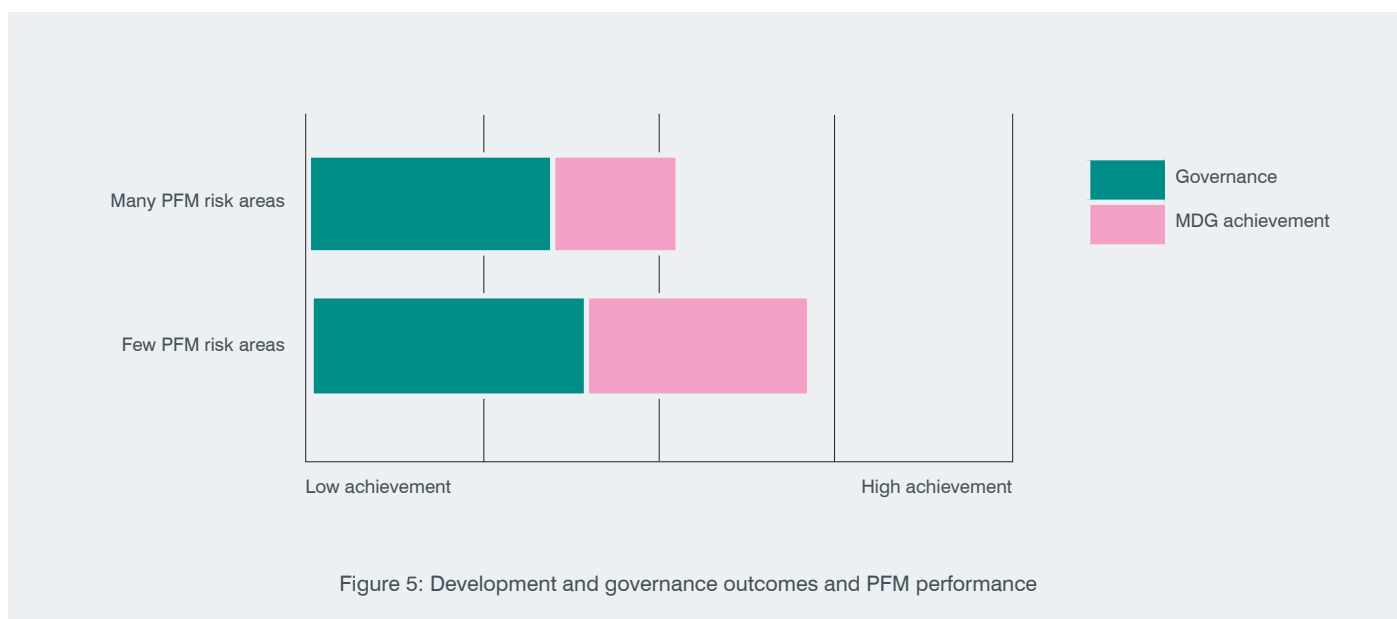


Figure 5: Development and governance outcomes and PFM performance

The economic environment also influences the performance of the other dimensions. For example, lower GDP per capita is associated with a higher likelihood of media censorship.

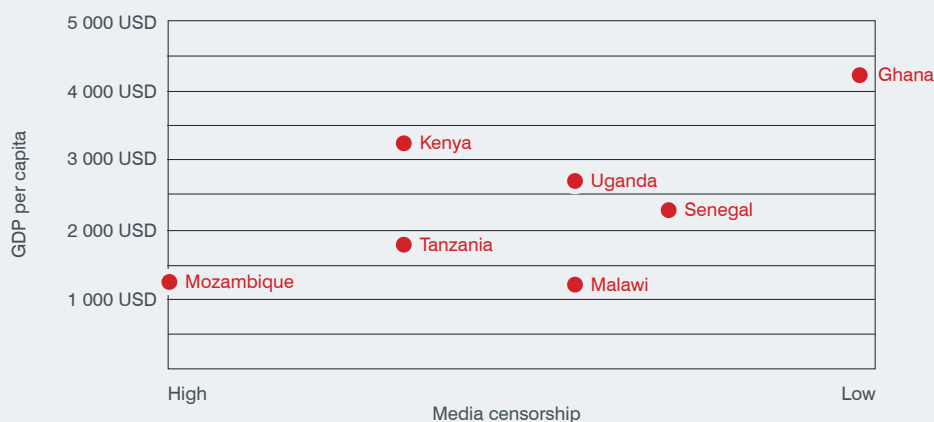


Figure 6: GDP per capita and media censorship

**Certain PFM processes are more risk-prone than others, and thereby impact negatively on development results.** The GFG heatmap approach analysed different elements of the budgetary cycle, from revenue collection and administration to budget planning, budget execution, procurement, internal control systems and internal audit, financial reporting and accounting, and external audit and legislative oversight. The following areas are particularly relevant insofar as they did not function well in most of the seven countries, thereby placing development outcomes at risk. Such high-risk areas include:

- PFM processes linked to fiscal sustainability, such as aid dependency, collection of tax arrears, expenditure arrears, and the link between investment and the current budget
- PFM processes linked to implementation of policy priorities, such as expenditure composition, budget credibility, parliamentary scrutiny, follow-up by the Supreme Audit Institution (SAI), and follow-up by parliament
- PFM processes linked to service delivery, such as procurement, accounts reconciliation, and internal controls particularly in the non-payroll area.

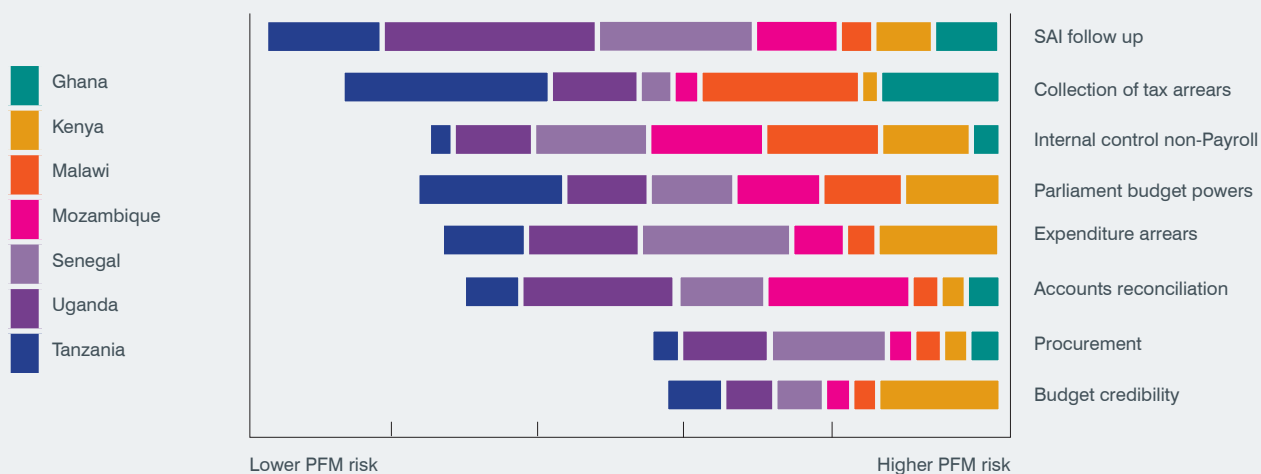


Figure 7: The top 8 PFM risk areas

Also noteworthy are the interrelationships between certain PFM processes. For instance, weaknesses in the accumulation of expenditure arrears occur simultaneously with a negative primary balance, that is deficit accumulation before interest payments. It therefore seems that insufficient cash availability drives the accumulation of expenditure arrears, which indicates an unrealistic budget that does not match the spending needs of ministries, departments, and agencies with the resource envelope available. Further contributing factors are lack of spending discipline and commitment control.

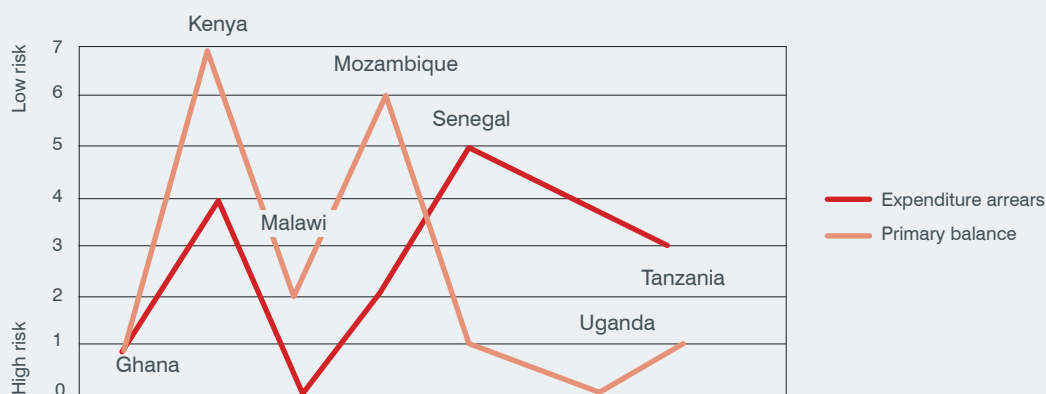


Figure 8: Expenditure arrears and the primary balance

**Certain budget outcomes are difficult for countries to achieve.**

- Fiscal sustainability is critical for nearly all the seven countries, as negative primary balances, a significant increase in debt, and subsequently higher debt service costs can be observed.
- Policy implementation outcomes are poor, especially government spending on public health. In contrast, government spending on education is generally at an acceptable level.
- Service delivery outcomes such as access to sanitation and pupil-teacher ratios are poor.

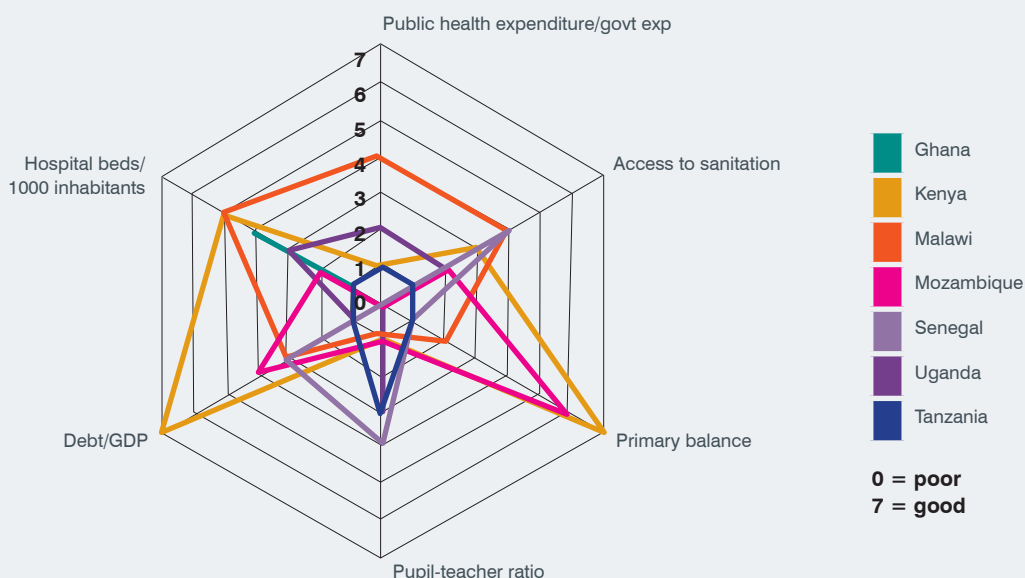


Figure 9: Budget outcomes

**Taking MDG achievement as a proxy for future SDG success, the picture for the sample countries is mixed.** The least improvement was made on MDG 5 (maternal health) and MDG 7 (environment). The lack of government health expenditure noted before may have contributed to the poor progress made on MDG 6 (combatting of diseases).

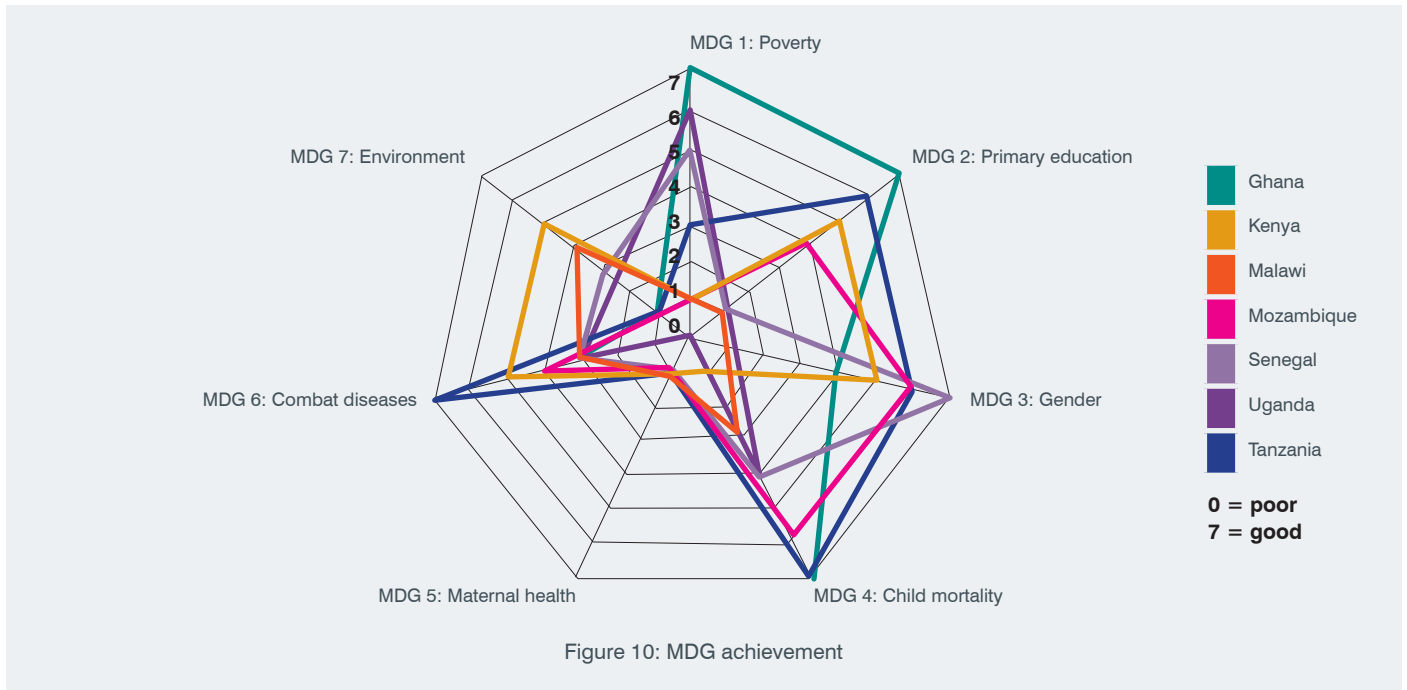


Figure 10: MDG achievement

The picture does not change substantially when additional indicators are added to the assessment of development results. Most countries score moderately or worse for maternal and infant mortality rates, inequality (GINI coefficient), and human development.

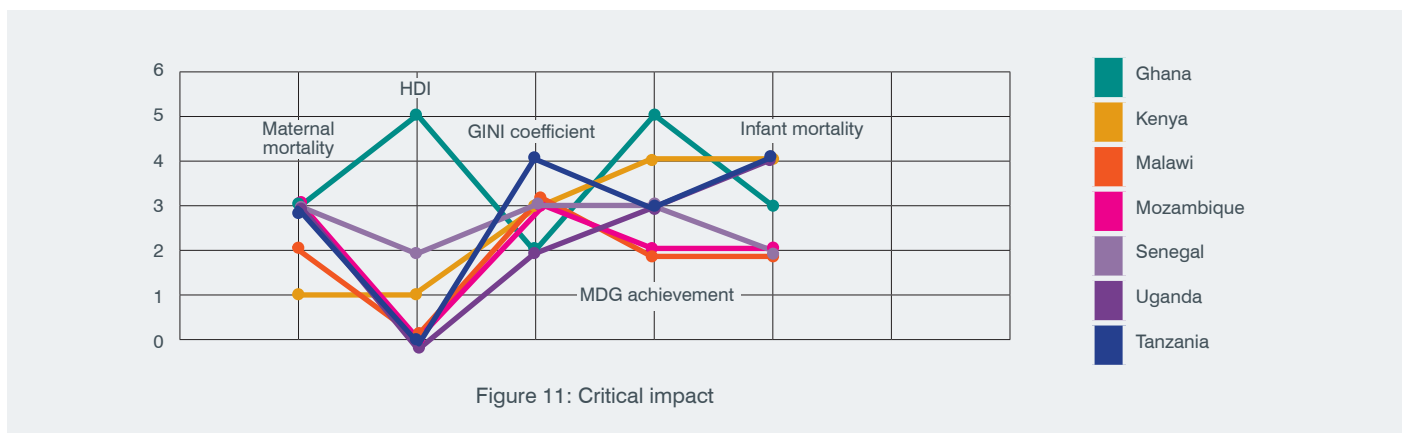


Figure 11: Critical impact

**A precondition for SDG auditing is the independence of the Supreme Audit Institution (SAI).** There is a positive correlation between the score received for SAI independence and country rankings of audit scope, timeliness of audits, and follow-up on audit recommendations.

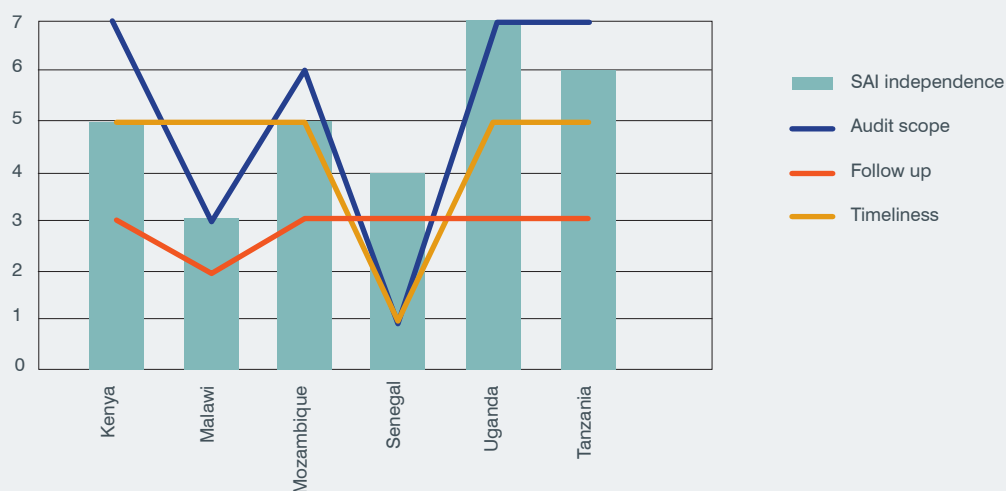


Figure 12: SAI independence and SAI performance

SAIs, however, are not isolated actors in this regard. For countries where SAIs follow-up on audit results, parliaments were also found to do so. In other countries, there is weak follow-up from either SAIs or parliament.

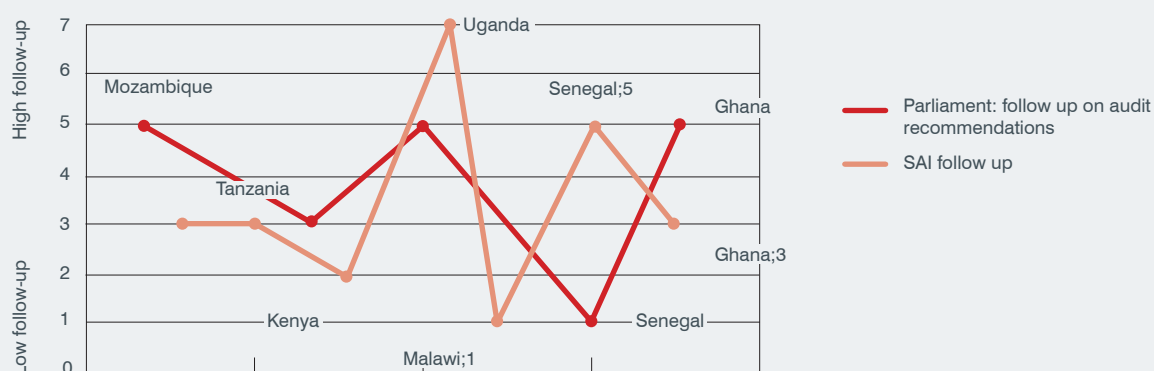


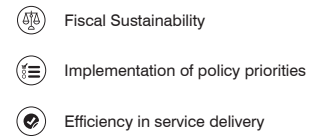
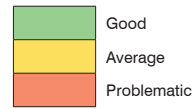
Figure 13: Engaged SAIs and committed parliaments

## Conclusion

There are many more interlinkages and patterns to be investigated. It is envisaged that the study will be expanded to include more countries once the heat map methodology has been refined. This will validate these preliminary findings and uncover new results. But even at this early stage the results clearly show that work done by SAIs to improve the PFM system contributes to the attainment of the SDGs. More importantly, this is not only related to SDG 16, but to all SDGs. This is a simple, yet non-trivial statement with implications for the way in which SAIs audit PFM systems and act as advisors to governments.

Taking the role of SAIs in auditing PFM systems serious, a systematic viewpoint must be applied that attempts to holistically understand the current situation of the PFM system, its strengths, its weaknesses, the core risk areas, and the resulting implications for service delivery and SDGs. Furthermore, existing information must be compiled (as done in the heat maps) and utilized in audit strategies and yearly audit planning. Finally, applying a whole of government approach in which the audits no longer result in obtaining findings only for single government entities, but in which these results are holistically compiled to determine those core PFM areas that underpin and pose a risk for the non-achievement of development results. Over time, such an approach could guide governments' efforts in an efficient and effective way, thereby adding value and ensuring progress towards the SDGs.

# GHANA



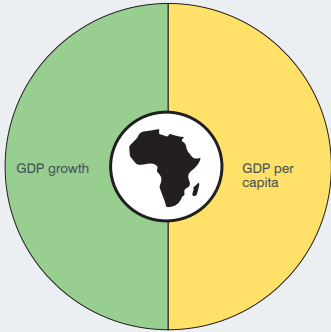
## Enabling environment

## Processes

## Outcomes

## Developmental impact

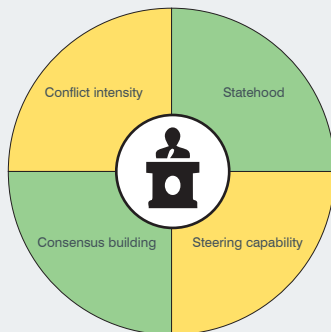
### Economic context



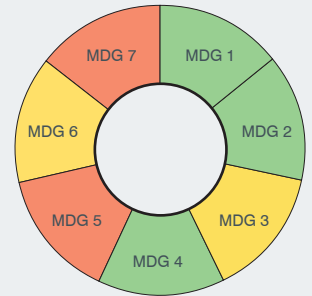
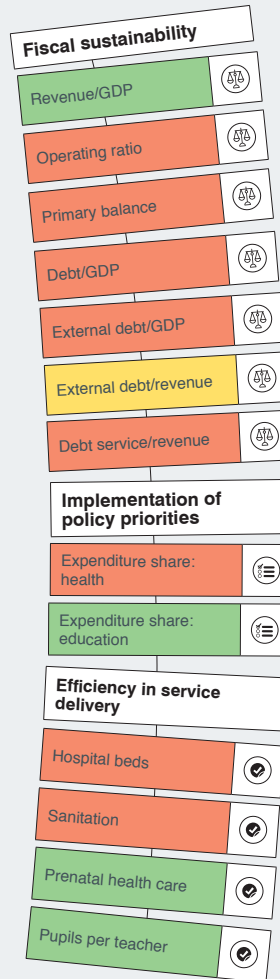
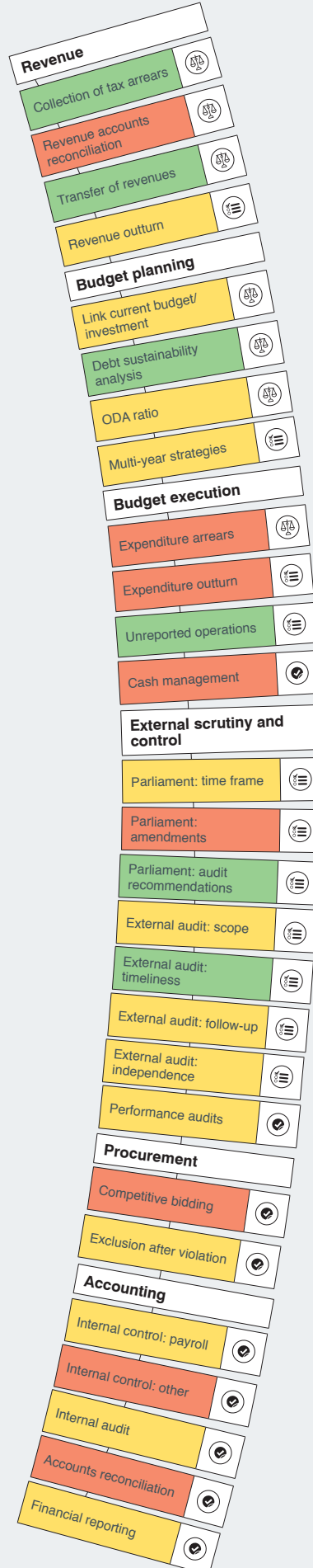
### Anti-corruption



### Political Economy



### Governance



HDI	0.043	Good
Extreme Poverty	25.20%	Problematic
School enrolment	88.60%	Average
School completion	101.00%	Good
Infant mortality	42.80	Average
Maternal mortality	319.00	Average
Gini Index	42.80	Average
Environment: performance	58.89 (Rank 130/180)	Average
Environment: policy	5.00	Average





# 1 GHANA

## EXECUTIVE SUMMARY

Ghana's public finance system is currently in distress. A combination of slowing economic growth and challenges in managing the public finances has led to a shortfall in revenue and increased public expenditure. Key drivers behind the substantial widening of the budget deficit include the public wage bill, ineffective subsidies, insufficient revenue mobilisation due to a limited tax base, and low levels of enforcement of the tax legislation. Following the subsequent rise in debt and problems in regaining control of government finances, the government requested assistance from the International Monetary Fund (IMF). Ghana has been enjoying IMF support under the Extended Credit Facility (ECF) since 2015.

Ghana's public finance system is characterised by various limitations. There is a pressing need to increase efficiency and effectiveness across the public finance management (PFM) system. There are shortcomings in cash management and procurement. Internal controls and external audits are not meeting the prescribed quality standards, with a low coverage that is mostly restricted to regularity audits. This is in line with citizens' perceptions of high levels of corruption within the public service.

Independent international ratings on 'freedom of the press' were downgraded in 2016 from free to partly free following attacks on the press. This raises the risk that the media will be unable to effectively fulfil its role in the domestic accountability chain.

Despite these shortcomings, the government has delivered good development results. High economic growth rates have been sustained over a long period. This led to falling poverty rates, improved education, and increased life expectancy. Ghana also made good progress on the human development indicators and many of its Millennium Development Goals (MDGs) were met. Despite robust economic growth, development disparities remain between the northern and southern parts of the country.

The increasing income inequality in Ghana remains a challenge and continues to limit any broadening of the middle class. In addition, public service delivery performance remains poor. There are notable weaknesses in the higher education sector and with public health management and systems. Environmental issues are becoming increasingly problematic and might be exacerbated by the effects of climate change. Increased capacity within the public administration, especially public finance, is required to address these challenges. A solution also requires that public funds are better managed and that the budget becomes an effective planning and implementation tool.

## PFM CORE PROCESSES AND OUTCOMES

### Fiscal sustainability

Process Indicators	Source	Score	Year
Cost of tax administration to revenue			
Tax arrears to revenue			
Tax arrears recovery to total arrears			
Collection of tax arrears	PEFA	15.10: B	2016
Revenue accounts reconciliation	PEFA	15.30: D	2013
Transfer of revenues		15.20: A	2013
Link between investment and current budget	PEFA	12.40: C	2016
Expenditure arrears	PEFA	4: D	2013
Debt sustainability analysis	PEFA	12.20: A	2012
ODA to total expenditure (aid dependency)	World Development Indicators	21.50%	2011
<b>Outcome indicators</b>			
Revenue to GDP	IMF	20.70% (estimate) 18.40% 16.70% 18.50%	2015 2014 2013 2012
Operating ratio	CABRI	62.90% 60.20% 60.30% 72.30%	2014 2013 2012 2011
Primary balance	IMF	1.50% (projection) 0.10% (estimate) -3.60% -5.60% -8.60%	2016 2015 2014 2013 2012
Debt to GDP	IMF	+57.00% 77.90% (projection) 70.70% 56.70% 49.60%	2012-2015 2015 2014 2013 2012
PV external debt to GDP	IMF	46.60% (projection) 45.10% projection 49.60%	2016 2015 2014
PV external debt to revenue	IMF	229.00% (projection) 235.00% (projection) 224.00%	2016 2015 2014
External debt service to revenue	IMF	38.40% (projection) 26.00% 15.10% 13.60%	2015 2014 2013 2012

*Overall the tax system is efficient, with only minor exceptions*

Ghana struggles to do comprehensive annual reconciliations of tax assessments, tax collections, tax arrears, and transfers to the consolidated fund. The debt management and enforcement unit, however, ensures that individual arrears are captured, reconciled, and that differences are collected (PEFA 2013). Large taxpayers transfer their tax payments directly to the Treasury's account at the Bank of Ghana (BoG), while all other taxpayers pay their tax in person at the Ghana Revenue Administration's



(GRA) tax offices. The GRA then transfers these revenues to the Treasury's account within a working day. The public expenditure and financial accountability (PEFA 2013) 2013 assessment notes that this system is effective, with only minor exceptions. Tax expenditures erode the amount of revenue government could collect. In addition, there is a need to introduce new tax laws and revise existing ones.

Except for 2013, the government has increased revenue collection year-on-year. Revenue collections, however, only finance 60 per cent of government's expenditure needs. Regular debt sustainability assessments have not improved fiscal sustainability. The fiscal deficit, and subsequently the debt-to-GDP ratio, have widened since 2012 because of a rising wage bill and increased energy subsidies. The government has tried to address these issues but fears remain that it will be tempted to expand expenditure and lose traction on fiscal adjustment due to election pressures in 2016. The Economist Intelligence Unit (EIU) projects that debt will exceed 80 per cent of GDP this year. Low commodity prices may also lead to a shortfall in revenues and inflate the fiscal deficit further, thereby exacerbating the already tight fiscal situation.

*Revenue collections are insufficient to cover total public expenditure and fiscal sustainability is under pressure*

The extent of fiscal imbalances becomes clear when one looks at the increase in the present value (PV) of external debt compared to performance in revenue. While the ratio was close to 100 per cent in 2012, by 2014 the PV of external debt was already 2.24 times higher than annual revenue. This indicates a severe deterioration in fiscal sustainability. Ghana therefore sought IMF support and has been receiving assistance under the ECF since 2015. With the advice of the IMF, the government is increasing domestic revenue mobilisation and cutting expenditure.

*Ghana's fiscal metrics have deteriorated rapidly since 2014*

International financial markets still consider Ghana's situation as critical. Standard and Poor's downgraded Ghana from B+ to B- in October 2014. A Euro Bond, which is partially guaranteed by the World Bank, was launched in October 2015 at a coupon rate of 10.75 per cent. This is almost 3 per cent above the interest rate of the Euro Bond issued in 2008.

*International financial markets reflect the fiscal instability in Ghana*

The government is trying to regain control of the public wage bill by rationalising the public service. It still, however, overruns on spending targets. Costly energy subsidies were reduced. But increases in debt and a weakening exchange rate with the Euro have led to rising interest rates and higher debt service costs. The government introduced a handful of import levies and increased tariffs on water and electricity. The level of tax expenditures, however, remains high. The IMF has urged Ghana to increase selective tax rates such as fuel and certain excise duties, introduce a property or real estate tax, and freeze any new tax exemptions. The tax administration needs to support these efforts by increasing tax compliance and the registration of taxpayers. More efforts are also needed to identify new, large, taxpayers and to improve the audit of existing large taxpayers.

*Revenue reforms are necessary to offset expenditure pressures*

Data deficiencies mean the government is unable to accurately determine the current level of spending. The backlog in expenditure cannot be verified due to inconsistencies between different sources of information. The PEFA 2013 estimates a high level of expenditure arrears. This, and the lack of transparency, are high risks for fiscal sustainability and need to be addressed as part of the government's fiscal adjustment strategy.

*Expenditure reforms must address data deficiencies and transparency*

## Implementation of policy priorities

Process Indicators	Source	Score	Year
Overall expenditure outturn	PEFA	1: C 2: NA	2013
Expenditure composition outturn			
Revenue outturn	PEFA	3: C	2013
Multi-year perspective	PEFA	12.10: C 12.30: C	2013
Unreported government operations	PEFA	7.10: A	2013

## GOOD FINANCIAL GOVERNANCE HEAT MAP

Process Indicators	Source	Score	Year
Parliamentary scrutiny: time frame, budget amendments, audit recommendations	PEFA	27.30: C 27.40: D 28.30: B	2013
External audit: scope, quality, follow-up	PEFA AFROSAI-E SA	PEFA 26: C+ SA: 55.00%, 4 PA	2013 2015
External audit: independence	GI AFROSAI-E SA	All 7: 50.00% SA: 2 + 3	2016 2015
<b>Outcome indicators</b>			
Public health expenditure to GDP	World Development Indicator	2.13%	2014
Health expenditure to total government expenditure	World Development Indicator	6.82%	2014
Government education expenditure to GDP	World Development Indicator	5.93%	2013
Education expenditure to total government expenditure	World Development Indicator	21.70%	2013

*Forecast errors undermine the effectiveness of the budget as a policy planning and implementation tool*

The weaknesses in the PFM system are more than just a threat to fiscal sustainability. Certain weaknesses directly affect the credibility of the budget, and therefore impact on the implementation of policy priorities. The government is unable to forecast its expenditure and revenue over both the medium and the short term. Since both expenditure and revenue estimates differ greatly from outcomes, the budget is undermined as an effective policy planning and implementation tool. The PEFA 2013 identifies the gap between rolling three-year forecasts and actual budget allocations as the key contributor to poor policy implementation. Another challenge is that sector development plans are not costed properly, if at all, and deviations between plans, the medium-term fiscal framework, and annual budget estimates are large. This is even more important with regards to investment projects, where recurrent costs are not included in the medium-term expenditure estimates and therefore are a threat to both the successful implementation of projects and overall fiscal sustainability.

*The legislature's oversight of the budget is weak*

Current legislation and institutions are unable to ensure adequate oversight over budget execution in line with policy priorities. Although the legislature is given six weeks to review the budget proposal, the time is not used efficiently. Proposals are reviewed individually and without the support of technical expertise, the time for thorough debate is scarce, and the influence of the legislature is weak. Furthermore, parliament is not sufficiently involved when it comes to in-year budget amendments. Amendments are often done without parliamentary approval, even though this violates current rules and procedures. Transfers to extra-budgetary funds have not been executed in line with budgetary or regulated commitments and the Minister of Finance has made extensive use of virements.

*Audit coverage is confined to transaction-level testing and compliance*

External audit in Ghana is undermined by major shortcomings. AFROSAI-E lists a 55 per cent coverage of regularity audits, while PEFA captures the same metric at 92 per cent. Irrespective of the coverage, audits are focused on transaction-level testing and compliance. Systemic PFM issues are therefore ignored. In addition to the regularity audits done in 2015, four performance audits were conducted.

*Follow-up on audit recommendations is weak, with many issues just carried forward*

Audits of the consolidated fund and ministries, departments and agencies (MDAs) are submitted within six months of the end of the financial year. The audit reports include information on the recommendations and how they have been followed up. The reports, however, show that follow-up is weak and many issues are not addressed properly and just carried forward to the next report (PEFA 2013).



## Efficiency in service delivery

Process Indicators	Source	Score	Year
Cash management	PEFA 2013	16: D+	2013
Procurement: competitive bidding	GI PEFA	All 25: 25% PEFA 19.20: D	2016 2013
Procurement: public access to contracts	GI PEFA	All 26: 50.00% PEFA 19.30: D	2016 2013
Procurement: exclusion after violation of rules	GI	All 28: 50.00%	2016
Internal control: payroll	PEFA	18: C+	2013
Internal control: other	PEFA	20: D+	2013
Internal audit	PEFA	21: C+	2013
Accounts reconciliation	PEFA	22: D+	2013
Financial reporting	PEFA	25: C+	2013
Performance audits	AFROSAI-SA	Yes: 4 conducted	2015
<b>Outcome indicators</b>			
Hospital beds per 1 000 inhabitants	World Development Indicators	0.90 0.90 1.46	2011 2005 1990
Access to sanitation	World Development Indicators	14.90% 12.00% 7.00%	2015 2005 1990
Access to prenatal healthcare	World Development Indicators	90.50% 92.10% 85.70%	2014 2006 1993
Pupil-teacher ratio (primary education)	World Development Indicators	30.00 32.00 27.00	2014 2005 1990

Efficiency in service delivery depends, to a large degree, on effective budget execution. Ghana has shortcomings in this area, particularly with cash management and public procurement. The prepared cash flow plans are rarely updated during the fiscal year. In addition, MDAs often experience delays in receiving information about fund availability and expenditure ceilings. Theoretically this kind of information should be available at the beginning of each month.

*Cash flow plans are rarely updated and MDAs often receive fund availability and expenditure ceiling data late*

The lack of competitive bidding procedures creates risk within the public procurement system. There is no reliable data to assess the value of contracts, which are supposed to be subject to competitive bidding. Instead contracts are sole-sourced. Although legal regulations were not violated, Global Integrity cites this finding as an example of non-competitive procedures. Contracts and processes underlying procurement practices are made available on the Public Procurement Authorities website to increase transparency. Nonetheless, no information on the progress of procurement contracts and internal procurement audits is currently available. In case of violations against procurement regulations, the law allows government to suspend violators from future contracts for up to five years. Since the establishment of the Public Procurement Authority, however, no company or supplier has been officially debarred (Global Integrity).

*Public procurement procedures require better reporting and more public information to promote competitive behaviour*

The government reconciles payroll with personnel databases. Payroll is controlled month by month, and changes are reflected within a month. But challenges do exist around newly recruited staff, with examples of delays of up to one year for new information to reflect on the system. As part of the control mechanisms, the payroll is also audited

*Payroll is controlled monthly and subject to an internal audit but challenges to internal control exist*

internally. Internal audit units regularly carry out pre- and post-audits of personnel and payroll data. The biometric registration of all public-sector staff and pensioners, which began in 2012, was completed in 2013 (PEFA 2013). Internal controls for non-payroll expenditures are much weaker and expenditure commitments are regularly violated. Other internal controls, such as expenditure management controls and procedures, have been clearly developed and officials are familiar with them. Irregularities still occur in all MDAs even though the rules and procedures are known. This is due to insufficient efforts to strengthen compliance and protect public property (PEFA 2013).

*The response to and implementation of audit findings is low*

Internal auditing is currently not focused on systems' audits. Instead, pre- and post-compliance audits are conducted by internal audit units. These are similar to the audits on payroll. Audit findings are captured in quarterly and annual audit reports that are shared with key stakeholders. While the response to and implementation of audit findings has improved, it is still insufficient and averages only 53 per cent.

*The financial statements ignore statutory funds, internally generated funds, and development partner programs*

A significant concern in Ghana's PFM system is the poor reconciliation of bank accounts. The consolidated fund is reconciled monthly with a lag of approximately three months. Other funds, such as internally generated funds and development partner funds, stay outside the reconciliation process. Financial statements of the Controller and Accountant General cover the consolidated fund, but do ignore statutory funds, internally generated funds, and development partner programs. Hence, financial statements cannot be considered as a complete overview of the government's financial position.

## ENABLING ENVIRONMENT

### Economic context

Indicator	Source	Score	Year
GDP per capita (USD PPP)	World Development Indicators	4 200	2015
		4 100	2014
		3 970	2013
		3 730	2012
		3 430	2011
GDP growth	World Development Indicators	7.70%	2011-2015 average
		3.90%	2015
		4.00%	2014
		7.30%	2013
		9.30%	2012
14.00%	2011		
Shadow economy to GDP			
Land locked	No		
Driving sectors	Major export commodities: gold, crude oil and cocoa. Agriculture: 21.10%; Industry: 26.30%; Services 52.60% (2015, WDI).		

*Sustained periods of economic growth have not solved regional disparities or income inequality*

Ghana has experienced a decade of robust economic growth and recently acquired lower middle-income status. Despite the long growth period, GDP per capita only stands at 4200 USD. While economic growth has begun to slow, projections show a recovery in the medium-term. The country is well integrated in terms of international trade, but lacks economic diversification with exports highly dependent on cocoa, crude oil, and gold. Most the country's workforce is in the agricultural sector, with 80 per cent of these in the informal sector. Matters of concern are the disparity between the well-developed south and the less-developed northern regions of Ghana, as well as an overall increase in income inequality.

*Ghana remains politically stable despite instability in neighbouring countries*

Ghana is considered a politically stable country. The democratic structures have grown since 1992 and changes of government between the National Democratic Congress (NDC) and New Patriotic Party (NPP) in 2000 and 2008 were predominantly peaceful.



Ethnic rivalries exist, but only occur regionally and do not affect the stability of the country. Conflicts and instability in neighbouring Togo, Côte d'Ivoire, and Burkina Faso do not affect domestic stability. Disputes with Côte d'Ivoire over the maritime border were addressed politically by calling the International Tribunal for the Law of the Sea.

## Political economy

Indicator	Source	Score	Year
Statehood	BTI	7.75	2016
Steering capability	BTI	6.67	2016
Consensus building	BTI	7.75	2016
Conflict intensity	BTI	4.00	2016

Ghana is a well-established state and citizens generally trust public institutions. Although election results in 2012 were questioned by the opposition and brought to court, this did not lead to unrest in the country. The national police lack capacity but are still capable of fulfilling their basic duties. Compared with other countries in the region, crime is not a serious issue. In general, the government is able to enforce the monopoly of force in the entire country at any time.

*Ghanaian citizens generally trust public institutions and the government is able to enforce law and order*

Ghana is a multi-ethnic state, which makes the government keen to avoid any marginalisation of specific ethnic groups. Ethnicity does still play a role in politics though, and this becomes most evident during election years when boundaries between political and ethnic rivalries become blurred. Some regions in Ghana are strongly biased to one of the major political parties, with the Volta Region aligned to the NDC and the Central Region aligned to the NPP. Despite these challenges, all parties and elected governments have committed themselves to development and poverty alleviation. The implementation of this commitment, however, has proven challenging given the difficulties in setting policy priorities, the need to react to dynamic external conditions, and the government's limited power in rural areas where traditional authorities have greater influence.

*Implementation of development and poverty alleviation policies is a challenge*

The government has compromised fiscal discipline to meet key stakeholder expectations, especially in election years. The situation worsened in 2015 when fiscal instability coincided with unfavourable macroeconomic developments and forced Ghana to seek support from the IMF under the ECF.

*Fiscal discipline has been compromised to meet stakeholder expectations*

Weak public administration is a major obstacle to development. Ghana's public entities are chronically understaffed and many of the public servants lack the necessary skills and tools to fulfil their regular tasks adequately. Administrative structures are limited to urban areas and almost invisible in rural settlements. The government is therefore dependent on external expertise, which is either provided by donors or bought at the taxpayer's expense. Ghana is currently unable to develop a sufficiently educated workforce due to shortcomings and entry barriers to the higher education system.

*Public administration faces critical bottlenecks and is dependent on external expertise*

Weaknesses in priority-setting, scarce financial and physical resources, and limited human capacity affect the efficiency of policy planning and implementation.

*Weaknesses affect policy planning and implementation*

## Anti-corruption

Indicator	Source	Score	Year
Most/all government officials are corrupt	Afrobarometer	52.70% say some, most or all	2014/15
Most /all tax officers are corrupt	Afrobarometer	51.30% say some, most or all	2014/15
Investigation against senior level officials	Global Integrity	All 12: 50.00%	2016
Effectiveness of investigation	Global Integrity	All 13: 50.00%	2016



## GOOD FINANCIAL GOVERNANCE HEAT MAP

Indicator	Source	Score	Year
Staff appointment anti-corruption agency	Global Integrity	All 14: 75.00%	2016
Corruption Perception Index	Transparency International	CPI 47 (Rank 56/168)	2015

*Citizens perceive a high level of corruption amongst government officials and tax officers*

Ghana ranks among the least corrupt (bottom third) countries as measured by Transparency International's (TI) Corruption Perception Index. According to the Afrobarometer, however, more than half of Ghanaians consider their government officials and tax officers as highly corrupt. Besides the judicial system and the police, the tax authority is also seen as particularly affected by corruption. On average, every Ghanaian pays 181 USD annually in bribes (PÖK 2015). Appointments to management positions within parastatals and procurement contracts are often based on personal loyalties and ties, rather than on capacity and qualifications.

*Allegations of office abuse and political interference have been made against the institution tasked with tackling corruption in the civil service*

Weaknesses also exist in the institutional setup to fight corruption. The Commission on Human Rights and Administrative Justice (CHRAJ) is tasked with investigating allegations of corruption in the civil service. It is an independent state organisation whose mandate is given by the Constitution. Citizens can report complaints directly to officers, or via telephone, email or on the CHRAJ website. Global Integrity notes that the effectiveness of investigations on corruption are undermined by the fact that this is not the Commission's core business. Allegations of office abuse against the Commissioner led to the freezing of donor support, which weakened the operations of the CHRAJ. Personnel and resource constraints lead to delays, meaning it often takes years to complete investigations. So far, the entity has not conducted any high-profile investigations. Finally, the CHRAJ is neither fully autonomous in its operations, nor are appointments of the CHRAJ Commissioner and deputies publicly advertised and decided by an independent body.



### Governance

Indicator	Source	Score	Year
Public access to information	PEFA	10: B	2012
Right to request information	Global Integrity	All 41: No	2016
Effectiveness of information requests	Global Integrity	All 42: 0%	2016
Access to legislative processes and documents	Global Integrity	All 43: 100%	2016
Government censoring of media	Global Integrity	All 55: 100%	2016
Rule of law	Bertelsmann	BTI: 6.75	2016
Political participation	Bertelsmann	BTI: 8.50	2016
Freedom of the press	Freedom House Reporters without borders	Partly free 17.95 Rank 26/180	2016
Gender equality	Gender Inequality Index (UNDP)	0,55 (Rank 138 of 187)	2013

*Legislative information is widely available and government initiatives have increased transparency and political participation*

Ghana has a good reputation when it comes to governance. There are government initiatives to increase transparency and political participation. The Constitution acknowledges that citizens should have access to information as needed in a democratic society. In practice, however, the government is hesitant in giving out information due to a missing implementation law. The Right to Information Bill has been in the legislative process since 2007. Access to information is vastly dependent on personal relationships, in terms of both access to information itself and the time it takes to get responses to information requests. On the other hand, the government provides information to citizens via websites, even if such information is not regularly updated. With regard to legislative information, Ghana is performing very well and received the top rating from Global Integrity. There is a gallery where the public can witness proceedings. Minutes of meetings, bills, and voting records are also made





available. Some information is even available online and is free of charge. In addition, the media generally covers parliamentary proceedings.

BTI scored Ghana well for the rule of law. This is because the judiciary acts without political interference, and instances when it overrules government decisions are generally accepted by government. Shortcomings in these systems relate to corruption and administrative capacity, which both lead to long delays in legal procedures. Access to justice, such as courts, is not affordable to the average Ghanaian. Moreover, the legal system has failed to investigate allegations of crimes committed by certain senior public office holders and executives from the private sector.

*The judiciary acts without political interference but legal procedures are delayed by corruption and administrative capacity*

Freedom House (FH) downgraded Ghana's press to 'partly free' in 2016. Ghana was also downgraded in the Reporters without Borders (RSF)'s Freedom of Press ranking from 22 in 2015 to 26 in 2016. Ghana has always been considered a top-performer in press freedom in sub-Saharan Africa, but in 2014 and 2015 several physical attacks against journalists were reported. Some of these attacks were committed by state officials. FH also reported cases where journalists and media outlets were exposed to legal and financial pressures. In this context, RSF criticised Ghana's media legislation. The flaws within legislation allow officials to abuse the criminal code and to intimidate journalists. This limits the press's ability to fulfil its function in Ghana's accountability chain.

*Press freedom and media legislation have been called into question following recent incidents*

## DEVELOPMENTAL IMPACT

Indicator	Source	Score	Year
Human Development Index	BTI	0.04 0.57 (138/187) 0,56 (135/187) 0.53 (152/182)	2010 – 2016 change 2016 2014 2010
Millenium Development Goals (MDGs)	Ghana MDG Report	MDG 1: achieved MDG 2: achieved MDG 3: not achieved, but progress MDG 4: achieved MDG 5: not achieved MDG 6: not achieved, but progress MDG 7: not achieved	2015
Extreme poverty (below 1.90 USD PPP 2011)	World Development Indicators	25.20% 47.10%	2005 1991
Primary school enrolment	World Development Indicators	88.60% 86.80% 81.60% 83.50% 66.50%	2014 2013 2012 2011 2005
Primary school completion	World Development Indicators	101.00% 96.50% 98.40% 98.20% 92.90% 74.50%	2015 2014 2013 2012 2011 2005
Infant mortality (per 1 000)	World Development Indicators	42.80 44.20 45.50 47.00 48.60 56.80	2015 2014 2013 2012 2011 2005

GOOD FINANCIAL GOVERNANCE HEAT MAP

Maternal mortality (per 100 000)	World Development Indicators	319.00 322.00 321.00 324.00 320.00 376.00	2015 2014 2013 2012 2011 2005
Income inequality - GINI index	World Development Indicators	42.80	2005
Life expectancy	BTI	61.10 60.80 56.00	2016 2014 2010
UN education index	BTI	0.55 0.60 0.62	2016 2014 2010
Environmental performance	Yale EPI	58.89 (Rank 130/180)	2016
Environmental policy	BTI	5.00	2016

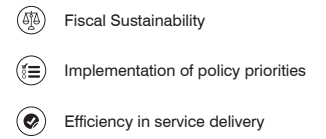
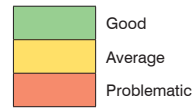
*There has been a marked improvement in poverty reduction, education, child mortality, development, gender equality, and the fight against HIV/AIDS and malaria*

Despite several weaknesses in Ghana's PFM system, the government could achieve many of its envisaged development goals. The Human Development Index scores for the country increased during the last period and Ghana improved from 152 out of 187 countries in 2010 to 138 in 2016. Life expectancy increased from 56 years in 2010 to 61.1 years in 2016. Ghana also reduced the level of poverty from 47.1 per cent in 1991 to 25.2 per cent in 2005. The country achieved other indicators under MDG 1, and overall the goal can be considered as achieved. The set goals for MDG 2 were largely achieved, with the United Nation's education index showing a constant improvement in the country's rating. Ghana also achieved MDG 4 (reduction of child mortality) and MDG 8 (development). MDG 3 (gender equality) and MDG 6 (fight on HIV/AIDS and malaria) were not achieved, but significant progress was made towards both goals. Ghana failed to show progress on MDG 5 (reduction of maternal mortality) and MDG 7 (ensuring environmental sustainability).

*The government has not yet managed to ensure inclusive growth and current pressures on the PFM system will hinder service delivery efforts*

One of the biggest challenges facing Ghana is that despite robust economic growth over the past 15 years, the government has not managed to ensure inclusive growth. Although extreme poverty decreased sharply, there are still concerns about a narrowing middle class and widening income inequality. Furthermore, in a climate of economic stagnation the above cited weaknesses and inefficiencies in the PFM system place additional constraints on the government's ability to deliver services.

# KENYA



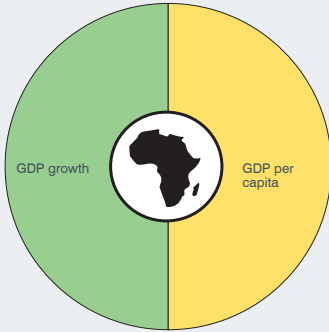
## Enabling environment

## Processes

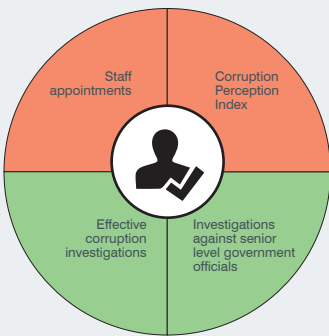
## Outcomes

## Developmental impact

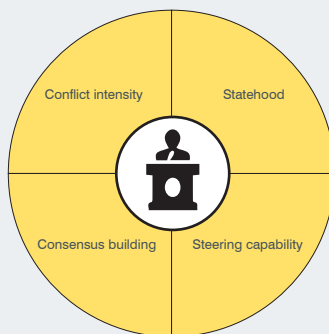
### Economic context



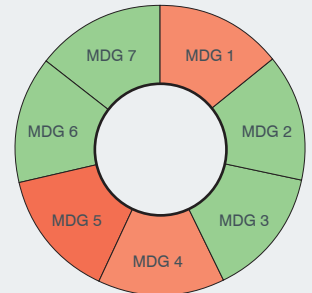
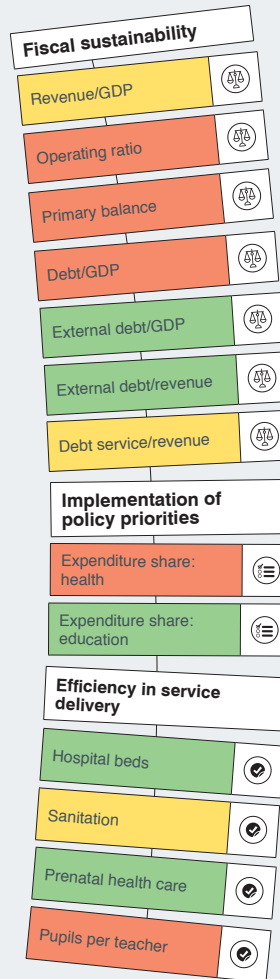
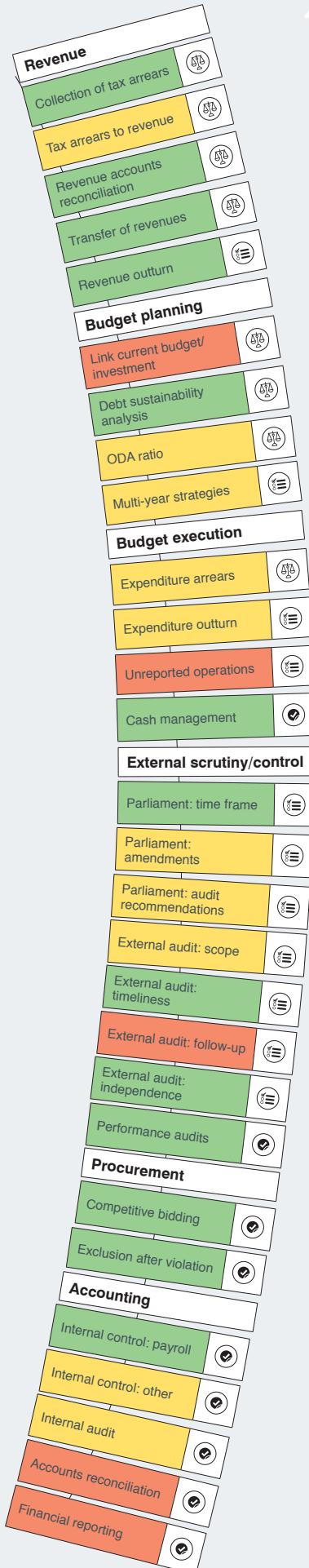
### Anti-corruption



### Political Economy



### Governance



HDI	0.54
Extreme Poverty	11.70%
School enrolment	84.90%
School completion	104.00%
Infant mortality	36.00
Maternal mortality	510.00
Gini Index	48.50
Environment: performance	123/180
Environment: policy	4.00



# 2 KENYA

## EXECUTIVE SUMMARY

Kenya is the fifth largest economy in sub-Saharan Africa, and moved into the group of lower middle-income countries after the rebasing of GDP in 2014. Kenya's core public financial management (PFM) processes perform on average better than other countries in the region. Weak spots for governance include the fight against corruption, the law enforcement system, the credibility of the Medium-Term Expenditure Framework (MTEF) to inform the actual budget, the extent of government operations outside the budget process, and the lack of transparency of these outside operations. The reconciliation of accounts is done, but delayed, and financial statements are unreliable and incomplete. The introduction of checks and balances under the new Constitution might reduce the impact of these weaknesses.

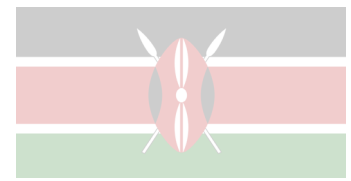
The government has been unable to improve service delivery and achieve its development goals despite the size of the country's economy, its income status, and robust economic growth rate. Therefore, most of the millennium development goals (MDGs) were missed. Politics is largely organised along ethnic lines with an unequal allocation of public funds across the country. There has been marginal progress made on fighting poverty and in the areas education, health and sanitation. The government has increased public expenditure as a percentage of GDP on health and education, but the direct impact of these changes cannot yet be observed in most of the widely-used indicators.

## PFM CORE PROCESSES AND OUTCOMES



### Fiscal sustainability

Process Indicators	Source	Score	Year
Cost of tax administration to revenue	ATO	Between 1.50% and 2.00%	
Tax arrears to revenue	ATO	Between 1.50% and 2.00%	
Tax arrears recovery to total arrears	ATO	Between 40.00% and 45.00%	
Collection of tax arrears	PEFA	PI 15.10: D	2012



Process Indicators	Source	Score	Year
Revenue accounts reconciliation	PEFA	PI 15.30: A	2012
Transfer of revenues	PEFA	PI 15.20: B	2012
Link between investment and current budget	PEFA	PI 12.40: D	2012
Expenditure arrears	PEFA	PI 4: C+	2012
Debt sustainability analysis	PEFA	PI 12.20: A	2012
ODA to total expenditure (aid dependency)	World Development Indicators	26.90%	2012
<b>Outcome indicators</b>			
Revenue to GDP	CABRI	19.72% 19.76% 19.15% 19.46%	2014 2013 2012 2011
Operating ratio	CABRI	73.15% 77.58% 79.20% 82.56%	2014 2013 2012 2011
Primary balance	IMF	-4.10% (projection) -5.40% (estimate) -4.60% -3.00% -2.30%	2016 2015 2014 2013 2012
Debt to GDP	IMF	+32.10% 55.10% (projection) 52.70% (estimate) 49.20% 44.10% 41.70%	2012-2015 increase 2016 2015 2014 2013 2012
PV external debt to GDP	IMF	24.80% (projection) 21.70% (projection) 17.70%	2016 2015 2014
PV external debt to revenue	IMF	122.20% (projection) 109.50% (projection) 91.10%	2016 2015 2014
External debt service to revenue	IMF	6.90% (projection) 5.90% (projection) 15.60%	2016 2015 2014

Regarding the sustainability of Kenya's public finances, debt levels have risen considerably over the last five years. Consequently, debt service costs have increased. Kenya's tax-to-GDP ratio is currently 20 per cent. Because revenue is insufficient to cover all expenditure, the government continues to run a primary deficit. Robust economic growth and Official Development Assistance (ODA) have so far prevented any indication of debt being unsustainable.

*Debt levels and debt service costs have risen considerably but appear sustainable*

The government loses a lot of potential revenue through outstanding tax payments. According to the African Tax Administration Forum's (ATAF) African Tax Outlook 2016, tax arrears add up to 15 to 20 per cent of tax revenues and the government only recovers about 40 to 45 per cent of these. The government's expenditure performance is slightly better, but the stock of arrears still amounts to 4.6 per cent of total expenditure (2010/11). According to PEFA, over 80 per cent of these result from inadequate budgeting for the direct costs (e.g. construction) and related (e.g. maintenance and rehabilitation) costs of investments. The remainder is due to challenges in budget execution, such as gaps in controls to monitor spending commitments entered by line ministries and unavailability of funding caused by an inability to borrow and collection shortfalls, which delay the release of funds.

*Tax and expenditure arrears are sizeable, with most of the expenditure arrears due to inadequate budgeting for investment costs*



## Implementation of policy priorities

Process Indicators	Source	Score	Year
Overall expenditure outturn	PEFA	PI 1: B	2012
Expenditure composition outturn	PEFA	PI 2: C+	
Revenue outturn	PEFA	PI 3: 5	2012
Multi-year perspective	PEFA	PI 12.10: C PI 12.30: C	2012 2012
Unreported government operations	PEFA	PI 7.10: D	2012
Parliamentary scrutiny: time frame, budget amendments, audit recommendations	PEFA	PI 27.30: A PI 27.40: C PI 28.30: C	2012 2012 2012
External audit: scope, quality, follow-up	PEFA AFROSAI-E SA	PI 26: D+ 134 + 135: 4 + 3	2012 2015
External-audit: independence	GI AFROSAI-E SA	All 7: A Q 9 + Q10: 3 and 3	2016 2015
<b>Outcome indicators</b>			
Public health expenditure to GDP	World Development Indicator	3.5%	2014
Health expenditure to total government expenditure	World Development Indicator	12.80%	2014
Government education expenditure to GDP	World Development Indicator	5.510%	2010
Education expenditure to total government expenditure	World Development Indicator	20.60%	2010

*Sizeable forecasting errors affect both revenue and expenditure*

The credibility of expenditure and revenue in the budget for the years included in the PEFA 2012 was good compared to countries in the region. The variance between planned sector budgets and actual spending increased from the previous assessment, with an overall 15 per cent gap between the actual and approved budget per vote in 2010/11. Revenue forecasts were consistently overestimated, mostly due to inaccurate GDP forecasts that led to less than expected taxation of goods and services. These inflated revenue forecasts incentivised overspending.

*Implementation of the MTEF and setting priorities around extra-budgetary operations is a challenge for the implementation of policy priorities*

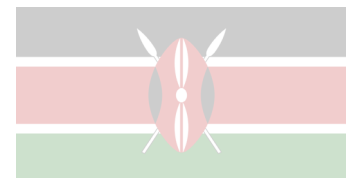
The government only received average PEFA scores for the implementation of the MTEF, which is a challenge for the implementation of policy priorities. The average scores are due to the weak link between multi-year forecasts and the determination of annual budget ceilings. Adjustments are normally unexplained, and estimated costs in sector strategies seem to exceed what is fiscally realistic. Given the fact that recurrent cost implications of capital are not adequately captured, inflation becomes an even greater problem. The government also faces obstacles in setting priorities around extra-budgetary operations. These refer to state corporations and semi-autonomous government agencies. Information on their budgets is available in the annexes of the budget, but does not include actual revenue and expenditure. Moreover, transfers from the central government to these entities are not reported and the contingent liabilities, which likely sum up to a significant obligation due to the large number of entities operating outside the budget, are not captured in financial reports.

*Approval for parliamentary revisions to the budget are often acquired ex-post and scrutiny of the budget suffers from weak follow-up on recommendations*

Financial and legislative oversight is another weak spot. Although legislative oversight during the preparation of the budget is thorough, parliament is not sufficiently involved in the execution process. This is especially concerning in terms of supplementary budgets. Revisions to the budget normally require ex-ante approval by parliament, however, this is often done ex-post. Regarding the ex-post scrutiny of the budget, the process suffers from weak follow-up on recommendations given by the legislative branch to the executive.

*KENAO's independence is compromised and the effectiveness of their work is limited by inefficient processes*

The supreme audit institution in the country is the Kenya National Audit Office (KENAO). It is an independent office under the 2010 Constitution (Article 229) and the Public Audit Act (2015). The legislation gives the Auditor-General and staff the necessary formal



independence required by the International Organisation of Supreme Audit Institutions (INTOSAI) standards. KENAO's independence is limited as new appointments must be approved by the Commission of Public Service and the institution's budget is approved by the Cabinet Secretary of Finance. In terms of the scope of audits, all recurrent and development votes are given an opinion as per financial audit standards. The PEFA 2012 raised concerns about the format of reporting, which was not aligned with international standards. This accounts for the low rating given in PEFA's assessment. With the passing of the new Public Audit Act (2015), accounting officers are obliged to send all financial accounts' information to KENAO by the end of September each year. Unfortunately, this is often sent too late and submissions often contain false information. This renders KENAO unable to complete their audit and deliver their reports by the beginning of January. KENAO also raises issues of concern regarding, among others: the existence of basic accounting errors in financial reporting, the failure to reconcile and clear advances and suspense accounts, procurement problems, and value for money. As indicated above, however, the implementation of parliament's recommendations by ministries, departments and agencies is currently below what should be expected.

### Efficiency in service delivery

Process Indicators	Source	Score	Year
Cash management	PEFA	PI 16: B	2012
Procurement: competitive bidding	GI PEFA	All 25: 100.00% PI 19.20: D	2016 2012
Procurement: public access to contracts	GI PEFA	All 26: 50.00% PI: 19.30: B	2016 2012
Procurement: exclusion after violation of rules	GI	All 28: 75.00%	2016
Internal control: payroll	PEFA	PI 18: B+	2012
Internal control: other	PEFA	PI 20: C	2012
Internal audit	PEFA	PI 21: C+	2012
Accounts reconciliation	PEFA	PI 22: D	2012
Financial reporting	PEFA	PI 25: D+	2012
Performance audits	AFROSAI-SA	–	2015
<b>Outcome indicators</b>			
Hospital beds per 1 000 inhabitants	World Development Indicators	1.40 1.40 1.65	2010 2004 1990
Access to sanitation	World Development Indicators	30.10% 28.00% 24.60%	2015 2005 1990
Access to prenatal healthcare	World Development Indicators	95.50% 88.10% 94.90%	2014 2003 1993
Pupil-teacher ratio (primary education)	World Development Indicators	56.60 42.00 28.50	2012 2005 1998

In terms of efficiency in service delivery, the PFM system has theoretically been in a sound condition in many areas. Cash management is better in Kenya than in many other countries in the region. Procurement processes also seem to perform relatively well. Transparency has improved through the use of e-procurement and the revised Public Procurement Act (2015). Global Integrity describes procurement processes in Kenya as 'mostly transparent'. Large procurement contracts are publicly advertised

*Procurement processes are generally transparent and fair, with instances of manipulation detected and referred to the courts*



in at least three newspapers to reach as wide an audience as possible. Further information is published on the procurement authority's website and bidders are normally granted sufficient time to prepare offers. In the case of amendments during the tendering process, timelines are adequately extended. Detailed information for bidders is also provided on the website. In addition, evaluation criteria are normally transparent and all participants are provided with information about the outcome after the finalisation of a tender. There is no information, however, on the execution status of projects or the audits completed on them. PEFA 2012 expresses doubt about the use of restricted tendering processes without sufficient justification, and given the lack of a comprehensive analysis the assessment shows lowest rating on the sub-indicator related to competitive bidding. Transparency International emphasises that despite these strict processes there have been attempts to manipulate tender outcomes. Some of these attempts were detected by the procurement authority and referred to the courts.

*Internal control mechanisms for non-payroll areas require improvement*

The PEFA 2012 revealed that internal control mechanisms for the payroll of civil servants are reliable, but have room for improvement when it comes to non-payroll areas. The fact that commitments are not always linked to the availability of cash is especially challenging. Further, the application of rules and procedures depends more on the accumulated knowledge and experience of staff than on a well-documented system. Compliance with rules and procedures is thus weak in some areas, especially due to shortcomings in IFMIS. Manual transactions still occur internal audits generally focus more on errors in single transactions rather than on systemic auditing and the shortcomings of controls. The reports prepared after audits are on average good quality and distributed to key stakeholders. There are responses to most audit reports, although these are often limited to written responses rather than being followed up by action.

*Account reconciliation is affected by delays, lack of monitoring, and severe backlogs*

An area of severe concern can be identified in the field of account reconciliation. Account reconciliation by ministries is delayed by several months and there is a lack of monitoring by the Accountant General. Furthermore, another critical area is the reconciliation and clearance of suspense accounts as it covers entries into IFMIS as well as manual records. Lastly, there is a backlog of several years for the accounting for district transfers. Thus, financial statements contain several un-cleared suspense balances (PEFA 2012).

*Accounts and financial statements suffer from inaccuracies due to a lack of public accounting expertise within government*

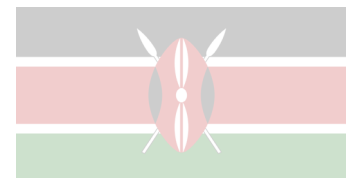
Most accounts include a disclaimer of opinion due to errors, omissions, and missing support documentation. Financial statements are completed within three months (as required by the law). They are, however, not accurate, comprehensive, or timely. Part of this problem is attributed to the change in 2010, when the Auditor-General handed over his role as Comptroller General and became accountable to government for the consolidation of the financial statements. At least in the early years this change resulted in suboptimal quality of financial statements. This was potentially due to the lack of appropriate public accounting expertise within government.

## ENABLING ENVIRONMENT

### Economic context

Indicator	Source	Score	Year
GDP per capita (USD PPP)	World Development Indicators	3 080 US	2015
		2 970 US	2014
		2 840 US	2013
		2 720 US	2012
		2 620 US	2011
GDP growth	World Development Indicators	5.50%	2011-2015 average
		5.60%	2015
		5.30%	2014
		5.70%	2013
		4.60%	2012
		6.10%	2011





Shadow economy to GDP	Estimate Prof. Schneider	17,50	2000-2015
Land locked	No		
Driving sectors	Agriculture: 32.90% ; Industry: 19.50% ; Services: 47.50% (2015)		

Although Kenya's economy grew substantially in absolute terms since 2010, only a small part of the population has been able to enjoy the benefits. Average growth was 6.2 per cent between 2010 and 2013. A rebasing of the GDP in 2014, from a base year of 2001 to 2009, resulted in Kenya being ranked as the fifth largest economy in sub-Saharan Africa. Kenya now belongs to the group of lower middle-income countries. Growth was mainly driven by the agricultural and banking sectors. This reflects the fact that a greater portion of the population has access to credit these days. There was also substantial lending to the government from banks. Government and private consumption increased as a result and fuelled economic growth. Moreover, larger investment projects in the energy and transportation sectors supported an environment for economic growth. Over 45 per cent of the population was living below the national poverty line in 2009, but despite the robust economic growth this figure did not improve much in subsequent years. The crisis in the tourism sector brought about by terrorist attacks also continues to affect the marginalised population in the coastal areas.

*Robust economic growth has done little to alleviate poverty and coastal populations remain vulnerable to slumps in the tourism sector*

The political set up in Kenya remains complex. Political forces remain organised along ethnic lines. Political coalitions are unstable and are normally formed based on short-term developments. The peaceful election process in 2013 was a positive sign, and the forecast for the upcoming elections in 2017 is optimistic.

*Election processes are peaceful despite political forces being organised along ethnic lines*

## Political economy

Indicator	Source	Score	Year
Statehood	BTI	6.75	2016
Steering capability	BTI	6.00	2016
Consensus building	BTI	5.20	2016
Conflict intensity	BTI	7.00	2016

### Statehood

In principle, the state has the monopoly in providing protection and security in the country. Government control, however, is especially low in the arid and semi-arid areas of the north and north-east of the country where police do not have control and cannot provide a decent level of law and order. The government is also not in full control of its borders with Somalia, Ethiopia and South Sudan. This situation leads to an influx of weapons and allows the Somali based Al-Shabaab militia to operate in Kenyan territory. The Mungiki sect is also challenging the state's power in Nairobi and central parts of the country. State forces are often unable to maintain security against armed bandits in rural areas and police have very little control in city slums. Political interference in police work, lack of police oversight, endemic corruption, and organisational and technical capacity gaps threaten security and question the state's ability to maintain peace.

*The government struggles to maintain law and order in all parts of the country*

Since independence in 1963 there hasn't been any major opposition to the Kenyan state, however, politics in Kenya is very much driven by ethnic rivalries. The new Constitution (2010) tries to tackle the marginalisation of some groups of the population, but implementation has been somewhat delayed. The Constitution transfers executive and fiscal power to local government and introduces a new layer of 47 county governments. The new Constitution also aims to establish legal safeguards against central government interference in lower government levels. A challenge remains with the discrimination of certain ethnic groups and restrictions potentially placed on their civic rights. According to the Bertelsmann Transformation Index (BTI), Nubians

*The new Constitution addresses marginalisation as Kenyan politics is driven by ethnic rivalries*

*Public administration reforms are trying to bring service delivery and civil servants closer to the people*

and Somalis have difficulties in getting official documents and are partly denied full citizenship.

The public administration in Kenya has thus far been unable to allocate funds in a fair manner and provide goods and services equally across the country. 47 counties were established in 2013, with each county led by a governor and with its own assembly. This reform envisaged bringing public service delivery and the individuals responsible for it closer to the people. The reform also moved the mandate for most tasks to the county level, leaving central government responsible for education and security. The transition phase was not entirely smooth, especially in terms of health services.

*Certain of the Vision 2030 goals are on track while others are hampered by issues with reforms*

**Steering capability**

Since 2008 Kenya has had a long-term development strategy, Vision 2030. This strategy envisages developing Kenya to a middle-income country and eradicating poverty by 2030. After the rebasing of GDP, Kenya automatically acquired lower-middle income status and is already a step closer to its own target. Progress was made with infrastructure development by constructing roads, railways, ports, and the reform of the judiciary. The Vision 2030 also aims at achieving growth rates of 10 per cent per annum over 20 years. This is currently unachievable given the growth performance over the last eight years. Many reforms are blocked by the process of consensus building and inhibited by vested interests of different coalitions in Kenyan politics. Backlogs appear in the areas of land reform and anti-corruption reforms. Currently, only certain parts of civil society, a few members of parliament, the judiciary, and the Committee for the Implementation of the Constitution (CIC) can be identified as real reform drivers. Their impact is, however, limited due to non-cooperation.

*Election results are driven by factors other than content and there are difficulties transforming consensus agreements into action*

**Consensus building**

All key groups in Kenya (political, religious, civilian, business) are generally supportive of the democratic order. There are doubts, however, about the fairness of election processes and ethnic and regional polarisation seems to play a more important role than content. This serves to inhibit consensus building. Despite the overarching agreement that a market economy is necessary to achieve the envisaged development goals and that access to basic education is necessary to endow people with the capacity for individual development, there is a real difficulty in transforming general agreements into actions.

*Tensions are often rooted in ethnic land conflicts*

Tensions are often rooted in land conflicts, especially between Kikuyu and Kalenjin. Due to a coalition between Kenyatta (a Kikuyu) and Ruto (a Kalenjin) in the last elections in 2013, the conflict has calmed down for the time being. Nevertheless, land conflicts have not yet been resolved and bear the potential for new divisions and future unrest.

*Instability in Somalia and marginalisation of Muslim dominated regions in Kenya pose a risk of religious conflict*

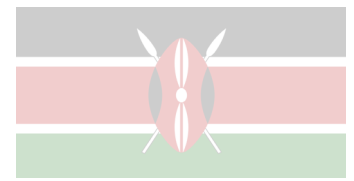
In addition to ethnic conflicts, there are rising tensions between religious groups. First, the conflict in Somalia and military interventions by the Kenyan army have increased the risk of Islamist attacks in Kenya. Second, a marginalisation of Muslim dominated regions in Kenya has led to radicalisation in some parts of Muslim communities and might represent an additional future security threat.

*Reconciliation processes have not been carried out properly*

Moreover, the reconciliation processes were not carried out properly following the 2007/08 post-election violence and for state crimes committed between 1963 and 2008. Although a comprehensive report, including recommendations, that named those responsible for and those that benefitted from the crimes was prepared, it was not published or ever discussed in public. Furthermore, parliament mandated itself to revise the report.

 **Anti-corruption**

Indicator	Source	Score	Year
Most/all government officials are corrupt	Afrobarometer	46.00%	2014/15
Most /all tax officers are corrupt	Afrobarometer	33.70%	2014/15
Investigation against senior level officials	Global Integrity	All 12: 75.00%	2016



Indicator	Source	Score	Year
Effectiveness of investigation	Global Integrity	All 13: 75%	2016
Staff appointment anti-corruption Agency	Global Integrity	All 14: 25%	2016
Corruption Perception Index	Transparency International	CPI: 25/100 (139/168)	2015

Corruption is a part of daily life in Kenya. In line with an Afrobarometer finding for the whole of Africa, the Kenyan police are perceived as the most corrupt public institution. But other parts of the public administration and politicians are also perceived as highly corrupt. 46 per cent of people questioned by Afrobarometer consider most, or all, of their government officials as corrupt. The Kenya Revenue Authority scores slightly better, with 33.7 per cent of the population rating tax officers as corrupt. Kenya ranks 139 out of 168 countries in Transparency International's Corruption Perception Index, which makes them a poor performer in the region. Although the government verbally committed itself to fight corruption, anti-corruption work is impeded by delays in appointing commissioners due to interference from both political and non-political stakeholders, weak law enforcement, and insufficient cooperation among oversight actors. The Leadership and Integrity Act passed in 2012 has not provided for mechanisms to suspend or remove corrupt state officers as envisaged by the Constitution.

*Public perception is that corruption is rife amongst public institutions and civil servants*

On the positive side, the Ethics and Anti-Corruption Commission (EACC) recently celebrated successes in asset recovery. Reporting can be done in person, by phone, in writing, or through an anonymous whistle-blower system. The Commission has followed up on a high number of reports. Investigations covered all levels of public administration and government, including high profile cases involving cabinet members. In Global Integrity's most recent annual examination only 3.5 per cent of the cases under the EACC made it to the Office of the Director of Public Prosecutions for action. Of these cases, a substantial portion were dropped because of a lack of evidence. In addition to the capacity gaps within the EACC, some officers complained about being exposed to internal and external pressures when carrying out their work. There is a growing concern about political interference in the appointment and release of EACC staff. In 2015, two commissioners and a chairman resigned, allegedly as a result of political pressure.

*While comprehensive systems are in place to report corrupt activities, few cases are investigated and result in prosecution*

## Governance

Indicator	Source	Score	Year
Public access to information	PEFA	PI 10: B	2012
Right to request information	Global Integrity	All 41: No	2016
Effectiveness of information requests	Global Integrity	All 42: 50.00%	2016
Access to legislative processes and documents	Global Integrity	All: 43: 75.00%	2016
Government censoring of media	Global Integrity	All 55: 25.00%	2016
Rule of law	Bertelsmann	BTI: 5.50	2016
Political participation	Bertelsmann	BTI: 6.50	2016
Freedom of the press	Freedom House Reporters without Borders (RSF)	FH: Partly Free RSF: 31.16 (rank 95/180)	2016 2016
Gender equality	BTI	0.55	2016

*The new Constitution has significantly strengthened the separation of powers*

The separation of powers has been strengthened horizontally and vertically by the new Constitution. The previously strong role of the president and the executive has been curtailed. In contrast, the power of the parliament and judiciary was strengthened. Appointments to commissions and other key government entities are now based on nominations by special independent panels. To safeguard these panels against interference from the executive, parliament needs to approve appointments by the president. The introduction of a new layer of government also helps to distribute fiscal and executive powers across different government levels.

*All judges undergo a thorough vetting process and corrupt officials are dismissed*

The judiciary has also been reformed through the implementation of the new Constitution. All judges at the Supreme Court, the High Court, and the Court of Appeals undergo a thorough vetting process. Several former judges and magistrates were dismissed after the Judges and Magistrates Vetting Board was founded in 2011. This process has helped to improve the reputation of the judiciary among the public, which was formally perceived as highly corrupt and as an untrustworthy institution.

*The Information Act should make it easier for citizens to request information from the government*

The government has a mixed record in terms of transparency. Legally, citizens in Kenya do not enjoy the right to request information from the government. A recent positive development was the passing of the Access to Information Act in August 2016. This should assist in alleviating the current difficulties experienced when requesting information. It is often unclear how to officially file a request, with the process itself being quite complex and bureaucratic. With regards to public finance information, however, Kenya received a solid B rating in the PEFA 2012 for providing most of the required information proactively. Most of the relevant legislative documents from the National Assembly and the senate are also made available online. Physical access to information is possible but takes some days due to official procedures. The financial cost of getting physical records can be high.

*The 2013 election was declared free and fair by international observers and the result was ultimately accepted by opposition parties*

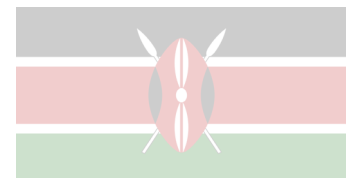
Political party participation in elections was amended after the post-election violence in 2007/08. A new institution – the Independent Electoral and Boundaries Commission (IEBC) – was established and replaced the old Kenya Electoral Commission. The 2013 election was declared free and fair by international observers. The Election Petition of 2013 was dismissed by the Supreme Court, who declared the elections as free, fair, transparent and credible. The opposition parties accepted the ruling.

*The media landscape is diverse and journalists report critically despite a deterioration in the freedom of the press*

There are reports of violent barriers to peaceful civil society demonstrations at parliament and allegations of terrorism against civil society groups working on human rights. With regard to freedom of expression, the situation for the media has deteriorated since 2013. Reporters without Borders rank Kenya 95 out of 180 countries in terms of freedom of the press, which represents a sharp decline from their previous rank of 70 in 2010. Freedom House considers Kenya's press as only partly free. From a legal perspective, the situation had initially improved with the new Constitution, but new Bills introduced in 2013 undermined this progress by imposing harsh fines and jail times for journalists and media houses. Despite these developments the media landscape is still diverse and journalists report critically. Blogs especially criticise the government openly and reach many Kenyan readers.

## DEVELOPMENTAL IMPACT

Indicator	Source	Score	Year
Human Development Index	BTI	<b>No change</b> 0.54 (147/187) 0.52 (145/187) 0.51 (143/187) 0.54 (147/182)	2010-2016 2016 2014 2012 2010
Millennium Development Goals (MDGs)	MDG Track	<b>MDG 1: Missed with little progress</b> <b>MDG 2: Substantial progress</b> <b>MDG 3: Substantial progress</b> <b>MDG 4: Missed with little progress</b> <b>MDG 5: Missed with little progress</b> <b>MDG 6: Missed with little progress</b> <b>MDG 7: Missed with some progress</b>	2020 perspective

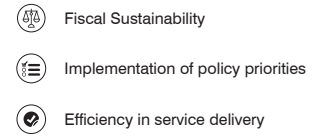
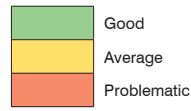


Extreme poverty (below 1.90 USD PPP 2011)	World Development Indicators	11.70% 7.90%	2005 1992
Primary school enrolment	World Development Indicators	84.90% 75.40%	2014 2005
Primary school completion	World Development Indicators	104.00% 91.00%	2014 2005
Infant mortality (per 1 000)	World Development Indicators	36.00	2015
Maternal mortality (per 100 000)	World Development Indicators	510.00 525.00 540.00 562.00 584.00 728.00	2015 2014 2013 2012 2011 2005
Income inequality: GINI index	World Development Indicators	48.50	2005
Life expectancy	BTI	61.70 60.40 56.00 54.00	2016 2014 2012 2010
UN education index	BTI	0.52 0.58 0.58 0.69	2016 2014 2012 2010
Environmental performance	Yale EPI	123/180	2016
Environmental policy	BTI	4.00	2016

PFM weaknesses impact on the predictability of financial resources available for budget execution, to the detriment of service delivery (PEFA). Although Kenya now belongs to the group of lower middle-income countries, it is still in the lower ranks in terms of human development. Extreme poverty is very high, with more Kenyans below the 1.90 USD a day poverty line in 2005 than in 1991. Also considering the definition of poverty under MDG 1, it has not been reduced. As such MDG 1 was missed. It is expected that Kenya will achieve MDG 2, 3, 6 and 8 on aggregate in 2025. Substantial progress was achieved in primary school education, gender equality and the fight against HIV/AIDS. The score on the UN's education index, part of the Human Development Index, deteriorated since 2010 but life expectancy increased. Environmental policy is weak and the loss of forest coverage is unlikely to be reversed. The Yale environmental performance index scores Kenya 123 out of 180 countries, which is better than most countries in the region but still quite low.

*While poverty rates remain high and environmental policy weak, progress was made in primary school education, gender equality, life expectancy, and the fight against HIV/AIDS*

# MALAWI



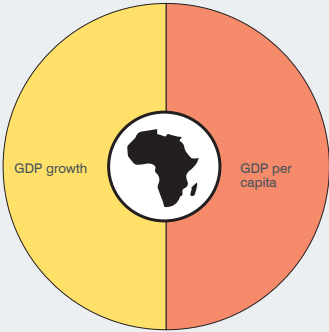
## Enabling environment

## Processes

## Outcomes

## Developmental impact

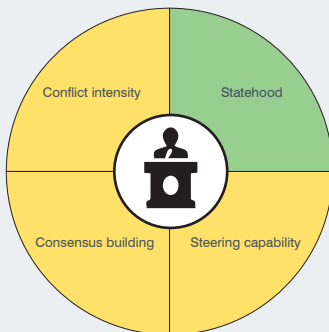
### Economic context



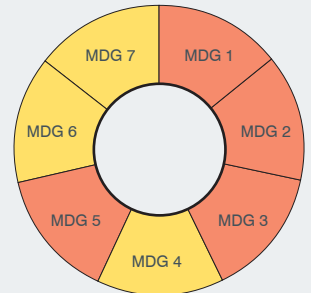
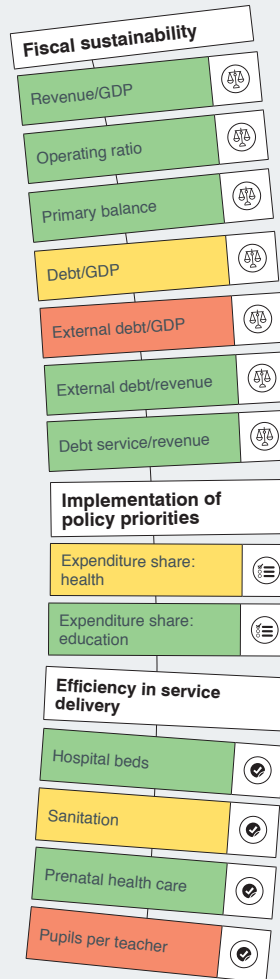
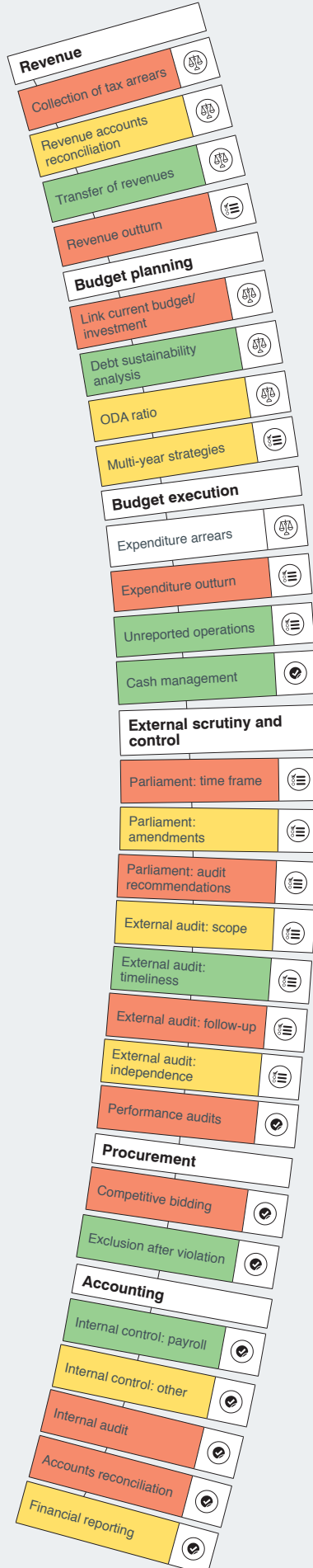
### Anti-corruption



### Political Economy



### Governance



HDI	-0.08
Extreme Poverty	33.30%
School enrolment	97.50%
School completion	79.30%
Infant mortality	43.40
Maternal mortality	634.00
Gini Index	46.10
Environment: performance	49.69 (Rank 151/180)
Environment: policy	2.10





# 3 MALAWI

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## EXECUTIVE SUMMARY

Malawi's public finance system suffers from a multitude of weaknesses. Challenges and widespread corruption persist despite the introduction of various reforms since 1980. These weaknesses are captured in the poor scores received in various assessments (for example PEFA, BTI, Global Integrity, TADAT and Transparency International) both before and after a series of forensic investigations.

These forensic investigations indicate that a large portion of public funds were embezzled. Systemic weaknesses that perpetuate the current situation can be detected in every area of the public financial management (PFM) system. Tax revenue collections are not reconciled regularly with the government's account and tax reporting and payments are not adequately monitored. Non-tax revenues are incorrectly included in ministries' financial reports. The budget system suffers from a culture of weak compliance, a lack of record keeping, irregular reconciliation of accounts, weak internal controls and, as a result, compromised comprehensiveness, integrity and reliability of financial statements. The budget also excludes the repayment of foreign loans, which results in a significant understatement of the budget and increases in domestic borrowing when loan repayments are due.

Internal audits are compromised by a lack of follow-up on recommendations and the inactivity of audit committees. Effective external scrutiny is undermined by delayed audits brought about by delayed financial statements, unpublished findings, and an ineffective ombudsman office. Oversight functions, such as auditor general and parliament, also receive inadequate funding to carry out their activities effectively.

Public procurement processes are prone to fraud, as revealed by the so-called 'cash-gate scandal' in October 2013. This specific issue was enabled by users sharing Integrated Financial Management and Information System (IFMIS) passwords and abusing IFMIS user rights.

Debt levels have been sustainable, with the increases in public debt following the 'cashgate' scandal expected to decline in the medium-term. Unauthorised over-expenditure by ministries, departments and agencies (MDAs) remains a problem. This is fueled by cash-rationing, lack of effective commitment controls, poor revenue performance, and the continued depreciation of the Malawian Kwacha and resulting high inflation. Available resources are not used effectively to produce development outcomes, with the government unable to deliver the development results envisaged in the long-term development or poverty reduction strategies.

The budget has limited credibility and cannot be considered an effective planning tool for policy implementation or service delivery outcomes. Cost estimations in the budget are unrealistic and actual revenue differs vastly from budget forecasts. Furthermore, the allocation of funds takes place without any development-orientated focus. Although the government committed itself to development and pro-poor policies, the results tell a different story. Malawi belongs to the group of least developed countries with a Human Development Index (HDI) of 0.445, equivalent to a ranking of 173 out of 187 countries. With regards to the achievement of the Millennium Development Goals (MDGs), it is not guaranteed that any target will be met. It is, however, almost certain that the targets for MDG 1, 2, 3 and 5 will be missed.

## PFM CORE PROCESSES AND OUTCOMES



### Fiscal sustainability

Process Indicators	Source	Score	Year
Collection of tax arrears	PEFA	PI 15.10: NA	2011
Revenue accounts reconciliation	PEFA	PI 15.30: C	2011
Transfer of revenues	PEFA	PI 15.20: B	2011
Linkage between investment budget	PEFA	PI 12.40: D	2011
Expenditure arrears	PEFA	PI 4: NA	2011
Debt sustainability analysis	PEFA	12.20: A	2011
ODA/GNI	World Development Indicators	15.8%	2014
<b>Outcome indicators</b>			
Revenue-to-GDP ratio	CABRI	25.19% 28.28% 27.15	2014 2013 2012
Operating ratio	CABRI	86.30% 81.50% 93.60%	2014 2013 2012
Primary balance	IMF	3.10% (projection) 0.90% (projection) 1.60% (estimate) -1.90% -0.20%	2016 2015 2014 2013 2012
Debt to GDP ratio	IMF	5.20% 60.20% (projection) 75.80% (estimate) 72.10% 57.20%	2012-2015 change 2015 2014 2013 2012
PV external debt to GDP	IMF	35.30% (projection) 47.30% (estimate) 44.00% 37.70%	2015 2014 2013 2012
PV external debt revenue	IMF	92.80% (projection) 106.10% (projection) 120.30% (projection) 107.40%	2016 2015 2014 2013
External debt service to revenue	IMF	17.40% (projection) 11.30% (projection) 7.10% (projection) 7.50% 2.90%	2016 2015 2014 2013 2012





The revenue-to-GDP ratio was volatile between 2010 and 2014 because of strong dependency on donor funds. The Malawi Revenue Authority (MRA) has been mobilising insufficient revenue to cover the spending needs of the government. The government of Malawi therefore relies on external support to fund its development. More than 40 per cent of all capital investment is donor funded. This remained the case even after the end of budget support in the wake of the 'cashgate' investigations in 2013, where collusion between government officials and private businesses resulted in inflated procurements and payments being made without government receiving any services or goods in return. Resource mobilisation currently suffers from weaknesses at the administrative and legislative level. Although the MRA is allocating taxpayer identification numbers to make revenue collection more effective, the database only contains basic information. Taxpayer identities are not verified with third-party information and it is unclear which taxpayers in the database are active. Regarding the registered and active taxpayers, the majority do not file their declarations and tax payments on time. Moreover, the MRA does not have enough data to measure the level of tax arrears. Regarding the collection of arrears, the government does not even achieve a minimum standard.

*Malawi is heavily dependent on donor funds and resource mobilisation suffers from weaknesses at the administrative and legislative levels*

One explanation for this poor performance could be the absence of a compliance management strategy and a compliance enhancement program. Little is being done to enhance compliance, with existing and ongoing activities divergent from the strategic plan. Taxpayer auditing covers all major tax types, but it remains unclear to what extent audits detect and discourage false reporting. The MRA is presently not able to quantify the level of inaccurate reporting.

*Compliance strategies and the effectiveness of tax audits need improvement*

Regarding the taxes collected by the MRA, it is not always possible to reconcile them with the government account. According to the International Monetary Fund (IMF), this results from reporting and timing differences between the receipt of taxes and cleared funds being available for the government. Finances and operations of the MRA are opaque, and non-tax revenues are not properly accounted for in the fiscal reports of the Ministry of Finance (MoF).

*It is not always possible to reconcile taxes with the government account*

In terms of accountability in the area of tax, internal and external control and oversight need to be strengthened. The internal affairs and internal audit units are well equipped with staff. The coverage of audits is sufficient, however, the implementation of recommendations is poor. Information on the outcomes of integrity issues is not reported publicly. External oversight of the MRA operations and financial performance is limited due to staff capacity at the MoF and MRA, non-publication of external review findings, and the lack of an effective tax ombudsman.

*Within the revenue authority, the implementation of internal audit recommendations is poor and external oversight is limited*

The government struggles with the management of expenditure arrears. Any expenditure unpaid at the end of the financial year becomes an arrear and must then be certified by the auditor general and the National Audit Office (NAO) before payment by the MoF. Whereas the public expenditure and financial accountability assessment (PEFA 2011) could not quantify the stock of arrears, government securitised its arrears in 2013 and 2015 by way of treasury bills (T-Bills) in the amount equivalent to 2.2 and 1 per cent of GDP, respectively (IMF staff papers). These arrears result from multi-annual contracts and corresponding commitments entered by MDAs outside of the IFMIS, their allocated budget envelope, and cash allocations. There is currently no integrated manual process to monitor and manage arrears adequately or instil fiscal discipline across MDAs. Similarly, investment projects are not adequately linked with their implicit future recurrent costs.

*Expenditure arrears result from commitments entered by MDAs outside of IFMIS, their allocated budget envelopes, and cash allocations*

Despite many technical weaknesses, the country's public finances are relatively stable even with the increase in both domestic and external public debt. This corresponds with an increase in the share of revenues that must be spent on debt service costs.

*Public finances are relatively stable despite increases in public debt*



## Implementation of policy priorities

Process Indicators	Source	Score	Year
Expenditure outturn	PEFA	PI 1: D PI 2: NA	2011
Revenue outturn	PEFA	PI 3: D	2011
Multi-year perspective	PEFA	PI 12.10: C PI 12.30: C PI 12.40: D	2011
Unreported government operations	PEFA	PI 7.10: B	2011
Parliamentary scrutiny	PEFA	PI 27.30: D PI 27.40: C PI 28.30: D	2011
External audit: scope, quality, follow-up			
External audit: independence	GI AFROSAI-E SA	All 7: 50.00% Q 9 + 10: 3 + 2	2016 2015
<b>Outcome indicators</b>			
Public health expenditure/GDP	World Development Indicator	6.00%	2014
Public health expenditure/total expenditure	World Development Indicator	16.80%	2014
Government education expenditure/GDP	World Development Indicator	6.88%	2014
Government education expenditure/ total expenditure	World Development Indicator	16.30%	2014

*Revenue and expenditure budget forecasts often deviate widely from outcomes*

Revenue forecasting, which is essential for budget planning, is still unreliable. The PEFA 2011 assessment revealed that actual outcomes differed from budgeted figures by 11 per cent, 20 per cent, and 21 per cent, in the years prior to the assessment. Similarly, expenditure budgets are not realistic and are characterised by large deviations between budget estimates and actual outcomes. Mostly the budget estimates are not realistic given available resources. Thus, Malawi's budget lacks credibility.

*The MTEF is unreliable and more than half of donor-financed projects are planned and executed off-budget*

Regarding the extent of government operations outside of the financial reports, the picture is incomplete. Due to the lack of reliability, more than 50 per cent of donor-financed projects are planned and executed off-budget. Further, there are weaknesses in medium-term fiscal planning and budgeting. This means that the medium-term expenditure framework is unreliable and sector strategies are not costed correctly.

*Informal institutions and strong interest groups weaken the budget process*

In addition to the technical shortcomings, some weaknesses in Malawi's public finance system can be linked to political-economy factors. Informal institutions undermine the legal framework and weaken the budget process. This is mostly due to vested interests of key stakeholders that benefit from the status quo. Hence little progress has been made in Malawi over the last few years. Currently – although the government is claiming the opposite – budget preparation and execution indicates that poverty reduction does not seem to be the priority. During the budget execution phase, interference and interests reduce budget discipline, cause delays, and reallocate funds to areas that are not in line with government's official priorities.

*Audit coverage is weak, and the system is not transparent*

In the field of external scrutiny, Global Integrity and the NAO remarked that the NAO has limited independence. The auditor general is currently nominated by the president and then approved by parliament. In terms of reporting, there is a conflict between the Constitution and the Public Audit Act 2003 (PAA). The Constitution (Section 184(2)) requires the auditor general to submit reports through the MoF, whereas Section 15 of the PAA stipulates that reporting should be to the National Assembly and the president. A bill and formulation for constitutional change, which were put forward in 2012 and again in 2015 to improve the compliance of the NAO with the International Organisation of Supreme Audit Institutions (INTOSAI) standards, have not been approved by government or discussed by parliament. While the NAO played an active role in the 'cashgate' investigations, its reputation suffered from the scandal due to its failure to detect fraud and the looting of 32 million USD through the course of its previous



auditing of financial reports. Global Integrity further criticises the nontransparent auditing system in Malawi, which results from delays in the tabling and discussion of audits in parliament, without which reports cannot be made public. Moreover, the coverage of audits is weak. According to the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) self-assessment, audits currently only reach a coverage of 50 per cent. Performance audits are limited in number and since the existence of the NAO only two have been discussed in parliament.

Legislative oversight in Malawi is poorly rated in the PEFA 2011 assessment for both scrutiny of the budget and follow-up on external audit reports. Although rights and procedures are clearly stated in the Constitution, practical implementation remains difficult. Only meetings of the National Assembly in plenary or in committees are included in parliament's budget, with meetings of the Budget and Finance or Public Accounts Committees having to request funds from the MoF separately. Parliament is often not given sufficient time to review the budget and to ensure a thorough debate. Parliamentarians do not have adequate technical skills to effectively review the budget either. With regard to supplementary budgets, there is hardly any debate at all. Progress has been made with clearing the backlog of financial statements by the Accountant General. Draft financial statements for 2015/16 have been submitted to the NAO, however, as of November 2016 the last audited financial statements discussed in parliament were for 2011/12. Furthermore, there are backlogs in the preparation of audit reports by the auditor general. These backlogs mean the benefit of public hearings is often limited since they relate to several periods prior. Lastly, the follow-up of audit recommendations is particularly weak.

*Many oversight committees are not funded in parliament's budget and parliament often has insufficient time and capacity to effectively review the budget*



## Efficiency in service delivery

Process Indicators	Source	Score	Year
Cash management	PEFA 2013	PI 16: B	2011
Procurement: competitive bidding	GI PEFA	All 25: 0% PI 19.20: D	2016 2011
Procurement: public access to contracts	GI PEFA	All 26: 0% PI: 19.30: D	2016 2011
Procurement: exclusion from future biddings	GI	PI 28: B	2016
Internal control: payroll	PEFA	PI 18: B+	2011
Internal control: non-payroll	PEFA	PI 20: C+	2011
Internal audit	PEFA	PI 21: D+	2011
Accounts reconciliation	PEFA	PI 22: D	2011
Financial reporting	PEFA	PI 25: C+	2011
Performance audits	AFROSAI-SA	Yes: 1 conducted	2015
<b>Outcome indicators</b>			
Hospital beds per 1 000 inhabitants	World Development Indicators	1.30 1.10 1.55	2011 2007 1990
Access to sanitation	World Development Indicators	41.00% 36.50% 29.30%	2015 2005 1990
Access to prenatal healthcare	World Development Indicators	96.10% 91.90% 89.70%	2014 2006 1992
Pupil-teacher ratio (primary education)	World Development Indicators	61.40 78.10 63.20	2014 2007 1999

## GOOD FINANCIAL GOVERNANCE HEAT MAP

Outcome indicators			
Percentage of primary schools with access to electricity	World Bank Education Data Set	14.55% 10.30% 9.73%	2013 2012 2012
Average number of pupils per mathematics textbook in primary education	World Bank Education Data Set	2.22 4.59 2.05 1.77	2013 2012 2011 2010
Average number of pupils per reading textbook in primary education	World Bank Education Data Set	1.12 1.55 1.08	2013 2012 2011

*Cash constraints impact on cash management and the efficiency of service delivery*

The inaccurate revenue forecasts mean that cash is typically constrained. This has an impact on cash management and the efficiency of service delivery. Non-priority MDAs (mainly related to governance) often receive insufficient funds to fulfil their mandates. A dedicated cash management unit was recently set up to improve the situation and assist coordination across MDAs by the cash management committee.

*Public procurement is affected by violations of competitive bidding rules, unopen tender evaluation criteria, and the non-accessibility of contract information*

Public procurement is a high-risk area in Malawi. During 'cashgate' it was revealed that public funds were looted by inflating public procurements or payments for goods and services without any actual return. By law, competitive bidding is mandatory for major public procurements, however, violations of the regulations are common. Although bidders can receive details on public tenders, the system lacks transparency. One major shortcoming is the lack of openness on evaluation criteria. Comprehensive records of procurement contracts are archived, but citizens cannot access the evaluation criteria and contracts. According to Global Integrity, the system is corrupt. There are also accusations that contracts are awarded on the identity of a person or firm, based on place of origin (BTI Country Report Malawi 2016.)

*Follow-up on accounts reconciliation is lacking and there are a limited number of qualified accountants in the public sector*

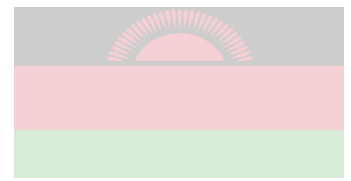
Key government accounts were integrated into IFMIS in 2015. Since then the coverage of transactions in IFMIS has been increasing. The reconciliation of accounts is one of the weakest areas of financial performance (PEFA 2011, IMF staff papers). Investigations into financial years 2010 to 2014 could only reconcile about two thirds of the government's cash book with central bank statements. Although accounts reconciliation by the accountant general are now done monthly, except for the salary account, there is a lack of adequate follow-up. Some weaknesses also persist concerning the annual financial statements. There are a limited number of qualified accountants at the accountant general and the MDAs. As such, accounting mistakes, lack of compliance and follow-up, the non-availability of documentation, and system incompatibilities between the central bank and the MoF make the job challenging and often result in extensive errors.

*Internal audit committees do not function properly and findings are poorly implemented*

The PEFA 2011 assessment concluded that Malawi's internal audit system is characterised by several weaknesses. The report emphasised that audit committees are not functioning properly and are compromised. The report also detected a lack of understanding regarding the role of the audit committees. The impacts of internal audits are poor due to non-implementation of recommendations and inadequate funding of these activities at the MDA level.

*Fiscal adjustments are needed to prioritise development and pro-poor orientated expenditures*

Furthermore, there are several non-technical obstacles. Fiscal adjustments are needed because a large part of the budget is tied to the payment of interest on debt, the public sector wage bill, pensions and subsidies for farms inputs, and therefore cannot be used for development-oriented or pro-poor expenditures. Countermeasures are also necessary to safeguard social spending on education and health. There is a risk that recent achievements will not be consolidated.



## ENABLING ENVIRONMENT

### Economic context

Indicator	Source	Score	Year
GDP per capita (USD PPP)	World Development Indicators	1 180	2015
		1 170	2014
		1 130	2013
		1 090	2012
		1 080	2011
GDP growth	World Development Indicators	4.10%	2011-2015 average
		3.00%	2015
		5.70%	2014
		5.20%	2013
		1.90%	2012
4.90%	2011		
Shadow economy to GDP	Estimate Prof. Schneider	26.70%	2000-2015
Land locked	Yes		
Driving sectors	Tobacco (15.00% of GDP and 40.00% of exports). Agriculture: 29.30%; Industry: 16.20%; Services: 54.50%.		

Malawi belongs to the group of least developed countries. GDP growth averaged around 4 per cent over the last five years, yet high population growth is reducing the benefits of economic expansion leading to low per capita growth. Malawi's comparably low conflict sensitivity has not been translated into stronger economic growth. The current fiscal crisis in the aftermath of the 'cashgate' scandal is exacerbated by macroeconomic instability and the effects of climate change (drought and flooding). Malawi's inflation has remained consistently above 20 per cent and a devaluation of their currency has led to a sharp decline in purchasing power. The Malawian government is struggling to restore macroeconomic stability, and design future economic growth that is more inclusive and that will reduce its vulnerability to external effects. The economy is still very dependent on external aid and the prices of a few export goods, mainly tobacco and some other agricultural outputs. Tobacco accounts for 15 per cent of GDP and 40 per cent of exports. The agricultural sector absorbs 85 per cent of Malawi's workforce. With the support of the IMF, under the extended credit facility, the government is trying to address these challenges. The lack of infrastructure, a weak business environment and restricted market access, however, are persistent obstacles for investors and might impede the diversification of the economy. As a landlocked country, Malawi suffers from high transportation costs and struggles to access international markets, especially outside of Africa. In 2015 and 2016 the economy experienced shortfalls in the tobacco harvest due to unfavourable weather conditions. To reduce the country's dependency on tobacco, there are medium-term plans to diversify agricultural production by scaling-up production in sugar, tea and cotton.

*Malawi's economic context is characterised by low per capita growth, high inflation, macroeconomic instability, and a heavy reliance on agriculture and external aid*

### Political economy

Indicator	Source	Score	Year
Statehood	BTI	7.75	2016
Steering capability	BTI	6.30	2016
Consensus building	BTI	6.20	2016
Conflict intensity	BTI	4.00	2016

*Malawi is a stable state despite not being able to deliver promised development results*

Malawi's state capacity is weak. Public administration is not able to deliver development results as promised. Scarce resources and limited capacity are persistent challenges that need to be addressed. Despite this, Malawi is a stable state whose sovereignty is not challenged by external or internal forces. The state is the only force responsible for the provision of external and domestic security. There are only minimal calls for autonomy, or a federal structure of the state, by certain regions in the north of the country.

*Development strategies are in place but there are issues with implementation*

The government is able to prioritise development targets and the underlying policies. The current long-term development strategy, the Vision 2020, is supported by a medium-term development strategy (Malawi Growth and Development Strategy – MGDS – II). Strategies are in place, but the government struggles with the implementation and the delivery of development results.

 **Anti-corruption**

Indicator	Source	Score	Year
Most/all government officials are corrupt	Afrobarometer	34.70%	2014/15
Most /all tax officers are corrupt	Afrobarometer	26.80%	2014/15
Independent body investigates against senior level politicians/ public servants	Global Integrity	25.00%	2016
Public sector corruption is investigated effectively	Global Integrity	75.00%	2016
Staff appointments support Independence	Global Integrity	25.00%	2016
Corruption Perception Index	Transparency International	CPI: 31 (Rank 112/168)	2015

*Corruption is entrenched in government structures and independent audits note significant levels of fraud*

Corruption is prevalent at all levels of the public sector in Malawi. Corruption and cronyism appears to be entrenched in central and local governance structures (BTI Country Report Malawi 2016). The 'cashgate' scandal underlined the extent of the problem. According to an independent audit conducted by the accounting firm Baker Tilly, the state was defrauded of 32 million USD in just six months. This amounted to 1 per cent of GDP. Transparency International's Corruption Perception Index (CPI) ranks Malawi 112 out of 168 countries. The 'cashgate' scandal eroded public trust in the public sector even further. According to Afro Barometer, 34.7 per cent of Malawians consider most, or all, of the government officials as corrupt.

*Anti-corruption efforts are constrained by a lack of will, insufficient resources, limited authority, and political interference*

Another problem is how cases of corruption are resolved. In most instances, there is no will to thoroughly investigate incidences of corruption as many of those in power benefit from the status quo. Insufficient resources and limited authority means the Anti-Corruption Bureau is not able to prosecute office holders effectively in cases of misconduct. The Bureau also suffers from political interference, which is an additional obstacle in the fight against corruption. Prosecutions of corruption offences and the abuse of office are restricted to lower levels of the public administration, and reach their limit when senior politicians are involved (BTI County Report Malawi 2016).

*Institutions in the accountability chain require more attention to prevent further looting of public funds*

In the aftermath of the 'cashgate' scandal, the institutions involved in control and scrutiny in Malawi deserve more attention. The institutions of the accountability chain, including internal audit, external audit, the Office Directorate of Public Procurement (ODPP), and other legal structures, were either not able to reveal these irregularities or they were effectively ignored. This allowed massive amounts of public funds to be looted over the years.





## Governance

Indicator	Source	Score	Year
Public access to information	PEFA	PI 10: C	2011
Scope, currency, and accessibility of information	TADAT	P3-7: C	2015
Right to request information	Global Integrity	All 41: No	2016
In practice request for information are effective	Global Integrity	All 42: 0.00%	2016
Access to legislative processes and documents	Global Integrity	All: 43: 25.00%	2016
Government censoring of media	Global Integrity	All 55: 50.00%	2016
Rule of law	Bertelsmann	BTI: 6.00	2016
Political participation	Bertelsmann	BTI: 7.30	2016
Freedom of the press	Freedom House Reporters without borders (RSF)	FH: 3.15 – partly free RSF: 28.12 (Rank 66/180)	2016
Gender equality	Gender Inequality Index (UNDP)	0.59	2013

Governance is an important factor in the functioning of the entire PFM system. Malawi's governance system has strengths and weaknesses and there is potential for improvements at every level. Malawi especially faces a transparency problem. An Access to Information Bill is being prepared but has not yet been passed by parliament.

*An Access to Information Bill is being prepared as one measure to improve transparency*

Malawi's government performed better in the area of participation. Malawi achieved its highest score for freedom of expression in the 2013 Afro Barometer survey. The media, especially with the emergence of private media companies, strengthens citizens' voices and reports critically about government's actions. Generally, the press in Malawi can be considered as partly free (Freedom House) and ranks 66 out of 180 countries (Reporters without Borders). Malawians enjoy freedom of assembly. Despite these positive aspects, the effectiveness of participation by citizens and civil society organizations can be questioned. Although citizens are included in discussions, their influence remains rather small and effective participation is limited to elections.

*Freedom of expression and freedom of the press score relatively well and contribute to a participatory society*

The rule of law in Malawi suffers from major deficiencies. Although separation of powers is ensured by the Constitution, the executive is very dominant. The independence of the judiciary is formally guaranteed. Although the president needs the approval of parliament to appoint the chief justice, this does not seem to be enough to curtail the power of the executive. According to Freedom House (2016), the politicisation of the judiciary over the last ten years has heightened perceptions of a rigged and opaque appointments system. Further, the president also appoints the heads of the police service and, in consultation with parliament, members of the electoral commission. These aspects implicitly weaken the system, create dependence, and promote an attitude of loyalty to the head of state. This structure is questionable in terms of good governance and is out of line with the principles of the rule of law.

*The executive has politicised many public functions, including the judiciary*

## DEVELOPMENTAL IMPACT

Indicator	Source	Score	Year
Human development index	BTI	-0.08 0.41 (Rank 174/187) 0.40 (Rank 171/187) 0.49 (Rank 160/182)	2010-2016 change 2016 2012 2010

GOOD FINANCIAL GOVERNANCE HEAT MAP

Indicator	Source	Score	Year
Millenium Development Goals (MDGs)	Malawi MDG Report	MDG 1: missed MDG 2: missed MDG 3: missed MDG 4: progress made MDG 5: missed MDG 6: progress made MDG 7: partly achieved	2014
Extreme poverty (below 1.90 USD PPP 2011)	World Development Indicators	33.30% 31.70% 24.90%	2010 2004 1997
Primary school enrolment	World Development Indicators	97.50% 97.10% 92.60% 96.90% 97.60%	2009 2008 2007 2006 2005
Primary school completion	World Development Indicators	79.30% 73.60% 70.10% 67.60% 58.80%	2014 2012 2011 2010 2005
Infant Mortality (per 1 000)	World Development Indicators	43.40	2015
Maternal Mortality (per 100 000)	World Development Indicators	634.00 638.00 636.00 624.00 618.00 648.00	2015 2014 2013 2012 2011 2005
GINI Index	World Development Indicators	46.10	2010
Life expectancy	BTI	55.20 53.00 48.00	2016 2012 2010
UN education index	BTI	0.44 0.41 0.69	2016 2012 2010
Environmental performance	Yale EPI	49.69 (Rank 151/180)	2016
Environmental policy	BTI	2.10	2016

*Development results have been mediocre, with MDGs 4, 6, 7, and 8 likely to be missed*

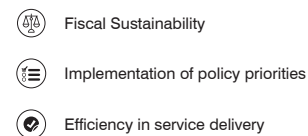
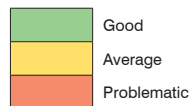
The government of Malawi claims to be development oriented and focused on pro-poor policy, however, the development results have been mediocre at best. On human development Malawi scores 0.445, ranking 173 out of 187 countries (HDI). Regarding the MDGs, Malawi will probably only succeed in achieving MDGs 4, 6, 7 and 8. Government has failed especially in the area of poverty reduction. One third of the population was still living in poverty (1.90 USD PPP poverty line) in 2010, which is an increase of almost 9 per cent against the 1997 baseline. This means that one third of Malawians are trapped in poverty, and 5.5 per cent are considered extremely poor. Minor progress has been made in the area of primary education, gender equity and maternal health. Though the MDGs could be missed, progress was rather good in reducing child mortality, combatting HIV/AIDS, Malaria and other diseases, environmental sustainability, and MGD 9.

*Current environmental policies have not slowed deforestation or the pollution of water and soil*

Despite some achievements in environmental sustainability, Malawi is experiencing rapid deforestation and pollution of water and soil. Current environmental policy is inadequate and Malawi is poorly rated by BTI, as well as in the Yale Environmental Performance Index, which ranks Malawi 151 out of 180 countries.

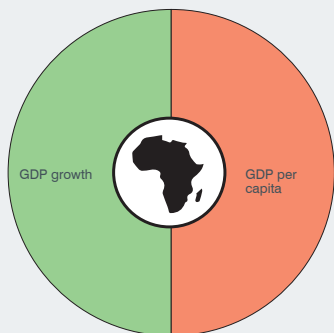


# MOZAMBIQUE



## Enabling environment

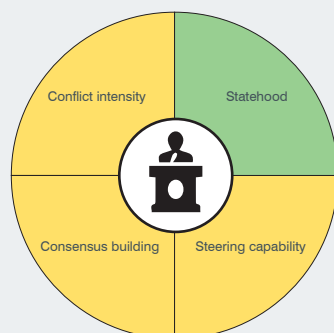
### Economic context



### Anti-corruption



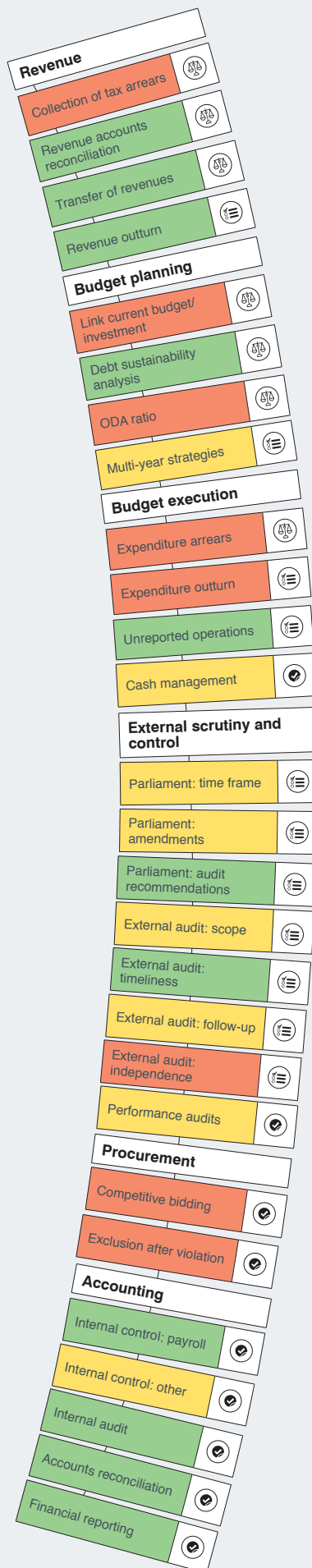
### Political Economy



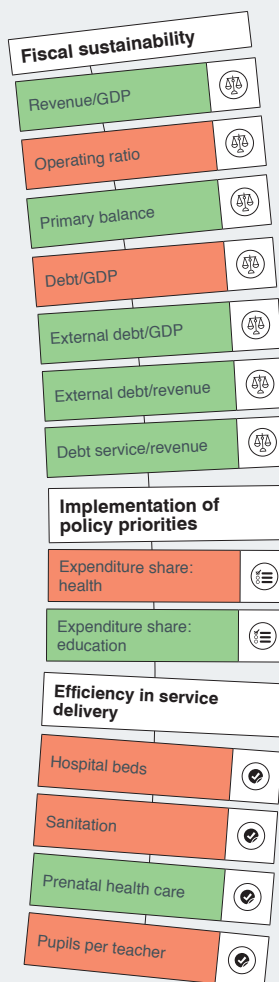
### Governance



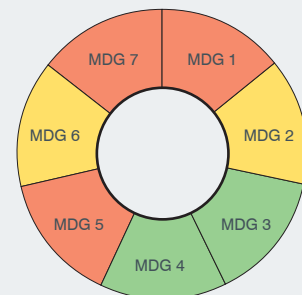
## Processes



## Outcomes



## Developmental impact



HDI	+0.01
Extreme Poverty	31.40%
School enrolment	87.60%
School completion	47.60%
Infant mortality	56.70
Maternal mortality	489.00
Gini Index	45.60
Environment: performance	2.93 (Rank 172/180)
Environment: policy	3.00



# 4 MOZAMBIQUE

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## EXECUTIVE SUMMARY

Mozambique has been unable to achieve most of the envisaged development results despite robust growth over the past 15 years and an increase in gross domestic product (GDP) per capita. Large parts of the population still live in poverty and are affected by hunger. Similarly, there have been only minor successes with the other Millennium Development Goals (MDGs). The fiscal and economic conditions deteriorated sharply in 2015 and 2016, with economic growth three per cent below the long-term growth projections and public debt higher than expected due to non-disclosed public loans. The debt ratio has grown to approximately 100 per cent of GDP and there is a high risk of fiscal crisis.

Systemic weaknesses affect core public financial management (PFM) processes such as revenue management, procurement, and internal control processes. Public funds are regularly reallocated by the government during the execution phase of the budget. Corruption and a lack of adequate checks and balances remain key concerns. Recent scandals, such as the 850 million USD debt issuance for a politically motivated tuna fishing deal, of which 500 million USD was spent on maritime defence, is a case in point. It was also recently discovered that 1.4 billion USD in debt was hidden off-budget as loans to state-owned enterprises. This discovery led to the suspension of official development assistance (ODA) to Mozambique. It is important to note that most of the indicator analysis presented here was done prior to the discovery of this hidden debt.

One explanatory factor for the weak control mechanisms is the dominant role of the governing Mozambique Liberation Front (FRELIMO) party in Mozambique. Having ruled since independence, this party dominates the entire polity as well as the country's economy. Separation of powers is therefore seriously challenged. The dominance of the executive branch constrains the functioning of the anti-corruption, auditing, and legislative control authorities. Violations against freedom of speech have been reported, with the media measured as only partly free. In addition, marginalisation of opposition parties has led to political instability since 2012 and triggered violence. In fact, some observers have described opposition party declarations of an autonomous state in the Central and Northern provinces, following the 2014 elections, as an undeclared war.



## PFM CORE PROCESSES AND OUTCOMES

### Fiscal sustainability

Process Indicators	Source	Score	Year
Collection of tax arrears	PEFA	PI 15.10: D	2015
Revenue accounts reconciliation	PEFA	PI 15.30: A	2015
Transfer of revenues	PEFA	PI 15.20: B	2015
Link between investment and recurrent budget	PEFA	PI 12.40: D	2015
Expenditure arrears	PEFA	PI 4: D+	2015
Debt sustainability analysis	PEFA	PI 12.20: A	2015
ODA to total expenditure (aid dependency)	World Development Indicators	58.70%	2012
<b>Outcome indicators</b>			
Revenue-to-GDP ratio	CABRI	32.90% 32.21% 27.53% 27.11%	2014 2013 2012 2011
Operating ratio	CABRI	76.21% 92.29% 87.73% 84.98%	2014 2013 2012 2011
Primary balance	IMF	5.20% (projection) 6.00% (projection) 7.80% (estimate) 2.00% 3.00%	2016 2015 2014 2013 2012
Debt to GDP ratio	IMF (2014)	201.00% 86.00% (estimate, different source) 56.50% (estimate) 53.10% 42.70%	2012-2016 change 2015 2014 2013 2012
External debt to GDP ratio (IMF threshold 40%)	IMF (2014)	32.20% (projection) 31.10% (projection) 29.10% (projection) 25.50%	2016 2015 2014 2013
PV external debt to revenue ratio (IMF threshold 250%)	IMF (2014)	125.30% (projection) 124.30% (projection) 106.70% (projection) 92.90%	2016 2015 2014 2013
External debt service to revenue ratio (IMF threshold 20%)	IMF (2014)	10.00% (projection) 8.40% (projection) 5.20% (projection) 3.70%	2016 2015 2014 2013

Mozambique is currently unable to mobilise sufficient revenue to cover existing government expenditure. Additional revenue mobilisation is required to increase fiscal space to fund pro-poor activities. The government is heavily donor dependent, with almost 60 per cent of overall government expenditure in 2012 funded by ODA. Fiscal policy was expansive in 2015, which served to further widen the public deficit and increase debt. Fiscal performance under the IMF Standby Credit Facility was disappointing, with the targets for late 2015 and March 2016 missed. Moreover, in April 2016, non-disclosed loans amounting to 10 per cent of GDP were discovered. This

*Insufficient revenue mobilisation, expansive fiscal policy, and non-disclosed loans have raised the level of public debt and risk of fiscal distress*

discovery raised the official debt to GDP ratio to 86 per cent. The IMF consequently describes the risk of fiscal distress as high, and has urged the government to take earnest measures towards fiscal and monetary consolidation to stabilise the macroeconomic environment and prevent a further economic downturn. The IMF has requested an international audit of the non-disclosed loan before they assess a new support program.

*Expenditure arrears have grown despite an automated system that is supposed to prevent their accumulation*

Fiscal sustainability is also affected by poor performance in the area of tax and expenditure arrears. Tax arrears currently amount to 3 per cent of total government revenue, with the recovery rate standing at only 15 per cent. The stock of expenditure arrears grew due to the government's inability to refund value-added tax (VAT) payments and improperly developed control mechanisms. Even though there is an automated system to prevent the accumulation of arrears, data are not updated regularly or aggregated to provide an accurate overview of the expenditure obligations and their age.

*The inability to factor the cost implications of investment projects into the MTEF leads to shortcomings in implementation and overshoot budget ceilings*

With regard to the medium-term expenditure framework (MTEF), the government struggles to calculate the cost implications of investment projects over time. The issue stems from a lack of coordination between sector strategies, the MTEF, and the annual budget. Furthermore, the recurrent cost implications of capital expenditures are not adequately captured in the medium- and short-term budget projections. This leads to either shortcomings in implementation or overshooting of budget ceilings.



### Implementation of policy priorities

Process Indicators	Source	Score	Year
Overall expenditure outturn	PEFA	PI 1: A	2011
Expenditure composition outturn	PEFA	PI 2: D+	2015
Revenue outturn	PEFA	PI 3: A	2015
Multi-year perspective	PEFA	PI 12.10: C PI 12.30: C	2015 2015
Unreported government operations	PEFA	PI 7.10: A	2015
Parliamentary scrutiny: time frame, budget amendments, audit recommendations	PEFA	PI 27.30: C PI 27.40: C PI 28.30: B	2015 2015 2015
External audit: scope, quality, follow-up	PEFA AFROSAI-E SA	PI 26: C+ Rating: 4 + 3	2015 2015
External-audit: independence	GI AFROSAI-E SA	All 7: 0 Q 9 + Q10: 3 + 4	2016 2015
<b>Outcome indicators</b>			
Public health expenditure/GDP	World Development Indicator	3.94%	2014
Public health expenditure/total expenditure	World Development Indicator	8.81%	2014
Government education expenditure/GDP	World Development Indicator	6.75%	2013
Government education expenditure/ total expenditure	World Development Indicator	19.00%	2013

*Shifts in expenditure allocations during the execution phase are a main driver of deviations between approved and actual expenditure*

The government suffers from a lack of budget credibility when it comes to implementing policy priorities. Although public expenditure and financial accountability (PEFA) assessments note that the overall budget and revenue outturn were good, the government performed poorly on the composition of expenditure outturn. The deviations by examined entities between approved budgets and actual expenditure cannot be explained easily. One factor is the shifting of allocations during the execution phase, which can take place without legislative approval if the resource envelope remains constant. Another driver of deviations is poor planning and budgeting capacity by public entities. MTEF projections are not always performed adequately, with unrealistic assumptions and no consideration of different macro-economic scenarios. While



strategies are developed for most of the larger sectors, they are not always properly costed – if at all.

Another shortcoming that might harm the implementation of policy priorities is the way in which legislative control is designed. The legislature does not always get enough time to scrutinise and discuss the budget proposal. Recently, the legislature has only been granted one month for the ex-ante budget review. After the approval of the budget, the executive enjoys the power to reallocate funds during the execution phase. This weak role of parliament contributes to a pattern of expenditure that does not put developmental objectives first, especially spending on healthcare which is low by regional standards.

*The legislature is unable to effectively engage with the budget proposal and prioritise development objectives*

Control of the budget scores slightly better. The supreme audit institution (SAI), the Tribunal Administrativo (TA), which follows the Court model, gives recommendations on the financial report and these are generally approved by parliament. The status of implementation of these recommendations is then reported in the subsequent financial report, which is audited by the TA and scrutinised again by parliament. The TA, however, is not regarded as independent. Global Integrity notes that appointments to the TA do not follow a merit-based system, and are instead politically biased. Furthermore, public perception is that the ruling party exerts influence - through its powerful members, with key positions in state enterprises - on processes which are audited. According to PEFA 2015, audit coverage included about 42 per cent of budget entities. The PEFA 2015 scoring on audit coverage, however, does not fully reflect the extent to which Mozambique's SAI controls the budget. In addition to audits, oversight functions include analysis of management accounts, reports and opinions on the General State of Accounts, and ex-ante control (visto) of public contracts.

*While control processes are fairly thorough the independence of the TA has been questioned*

## Efficiency in service delivery

Process Indicators	Source	Score	Year
Cash management	PEFA	PI 16: C+	2015
Procurement: competitive bidding	GI PEFA	All 25: 00% PI 19.20: D	2016 2015
Procurement: public access to contracts	GI PEFA	All 26: 0.00% PI: 19.30: D	2016 2015
Procurement: exclusion from future biddings	GI	All 28: 0.00%	2016
Internal control: payroll	PEFA	PI 18: B	2015
Internal control: non-payroll	PEFA	PI 20: C+	2015
Internal audit	PEFA	PI 21: B+	2015
Accounts reconciliation	PEFA	PI 22: B	2015
Financial reporting	PEFA	PI 25: B+	2015
<b>Outcome indicators</b>			
Hospital beds per 1 000 inhabitants	World Development Indicators	0.70 0.80 0.87	2011 2006 1990
Access to sanitation	World Development Indicators	20.40% 16.50% 10.30%	2015 2005 1990
Access to prenatal healthcare	World Development Indicators	90.60% 92.30% 71.40%	2011 2008 1997
Pupil-teacher ratio (primary education)	World Development Indicators	54.40 66.30 54.50	2014 2005 1990

*Open and competitive bidding processes are often compromised or not implemented*

Service delivery is negatively influenced by poor procurement. All projects above 10 000 USD legally require an open and competitive bidding process. The process and legal framework, however, are often compromised or not implemented. According to Global Integrity, there have been several violations of the law without any consequences. In 2014, 52 per cent of awarded contracts (as measured by value) did not use competitive procurement methods (PEFA). In addition to these irregularities, public procurements in Mozambique lack transparency. It is very difficult for the public, media, and NGOs to obtain information. This undermines any system of checks and balances.

*Two electronic management systems have been introduced to improve cash management, but full coverage has not yet been achieved*

Cash management is another area of weakness. This is correlated with the low budget credibility, since public funds are frequently shifted horizontally and vertically by the government during the budget execution phase. Internal control is weak, in particular in areas of payment control. Although the introduction of two electronic management systems (e-FOLHA and e-CAF) have brought about improvements in the payroll and personnel system, full coverage has not been achieved yet. This is especially true for salary payments, which are still done manually for non-integrated staff and do not fulfil the standards for data integrity.

*Good scores were received for internal auditing, account reconciliation, and financial reporting*

The government did receive good scores for internal auditing, account reconciliation, and financial reporting. There is, however, still room for improvement by increasing coverage of the reporting on each expenditure process, i.e. commitments, liquidation and payments (PEFA).

*Besides prenatal care, health related outcomes have remained poor*

The systematic weaknesses in the public finance system and generally low budget allocations mean that health-related outcome indicators have remained poor. The number of hospital beds available per 100 inhabitants is low by global and sub-Saharan Africa standards. In addition, access to sanitation is almost 10 per cent below the average for sub-Saharan Africa. Only in the area of prenatal healthcare did access rates improve strongly over the past two decades. This partly influenced the level of development discussed below.

## ENABLING ENVIRONMENT



### Economic context

Indicator	Source	Score	Year
GDP per capita (USD PPP)	World Development Indicators	1 190	2015
		1 140	2014
		1 070	2013
		1 010	2012
		952	2011
GDP growth	World Development Indicators	7.03%	2011-2015 average
		6.27%	2015
		7.43%	2014
		7.14 %	2013
		7.20%	2012
7.12%	2011		
Shadow economy to GDP	Estimate Prof Schneider	31.20%	2000-2015
Land locked	No		
Driving sectors	Agriculture: 25.50%; Industry: 20.20% ; Services: 54.40% (2015)		

*Economic growth rates have slowed, with significant downside risk following the suspension of ODA*

Mozambique belongs to the group of the poorest and least developed countries in the world. Despite its low human development ranking, robust economic growth in recent years has brought about a consistent increase in per capita incomes. For the 15 years preceding 2014, Mozambique had one of the highest average economic growth rates among non-oil economies in Africa. Economic growth is mainly driven by the extractive resource sector, total government expenditure, agriculture, construction, and tourism. Mozambique's economy is highly dependent on a few large projects in the extractive resource sector, especially coal and aluminium. Impediments to economic expansion





and medium- to long-term growth are the lack of a well-educated workforce and poorly developed infrastructure. The IMF expects growth in 2016 to fall three per cent below the historical average, with substantial downside risk for future growth. Following the suspension of ODA after the discovery of off-budget debt, the state of the public finances is critical.

## Political economy

Indicator	Source	Score	Year
Statehood	BTI	7.50	2016
Steering capability	BTI	5.34	2016
Consensus building	BTI	7.00	2016
Conflict intensity	BTI	5.00	2016

### Statehood

Since the end of colonial rule in 1975 and throughout the 17 years of civil war which ended 1992, there has only been one ruling party. The government party has used its influence to skew power in the political system towards the executive branch, resulting in a weak parliament and judiciary. The ruling party has won elections with growing margins over time.

*The executive branch dominates a weakened parliament and the judiciary*

The state's monopoly of military and police force has been severely challenged by the opposition who use their own fighters to challenge the state's authority. There have been several attacks and counter attacks since 2013, with some observers describing the situation as an undeclared war. After the elections in 2014, the leader of the opposition forces declared an autonomous state that includes the central and northern provinces of the country. The declaration of autonomy underlines the ambitions of the opposition to challenge the government and the public forces at both the military and political level. The overall security situation has deteriorated, especially in Maputo, where the incidences of kidnapping have increased. Police seem unable to cope with the current situation.

*The opposition severely challenges the authority of the government*

It is currently unclear how the conflicts and challenges to the monopoly of force are going to impact the state, its territory, and its identity. Despite these challenges, the state identity has grown through the process of decolonisation. The former liberation movement promoted development of a national identity by working against ethnic discrimination and establishing a countrywide language. For instance, the Constitution now prohibits any parties with a single ethnic or regional character.

*State identity has grown through the process of decolonisation, working against ethnic discrimination, and establishing a country-wide language*

Mozambique's public administration is underfunded, under-capacitated, and due to decentralisation, quite complex. The planned institutional set-up aims to bring the administration nearer to the citizens using four layers of government, thereby improving service delivery and reducing poverty. Reforms undertaken over the last 15 years attempted to improve efficiency and effectiveness in service delivery, as well as strengthen citizens' participation and mechanisms to improve control and accountability of the government. The administration in Mozambique is currently able to deliver basic services and has recently achieved improvements in the quality of service. Due to the lack of funding, some areas face severe challenges, such as the provision of adequate sanitation in urban areas.

*The public administration can deliver basic services but is under-resourced*

### Steering capability

The government's main priorities are to reduce poverty and to secure peace, national unity, and democracy. There is a broad consensus, even among the government and opposition parties, that the market economy is necessary to serve both socio-economic and business interests. Verbal commitments, however, are not always in line with actual policies. The government has focused on large projects in the extractive resources sector, infrastructure development, and increased public sector payments. These projects are often politically motivated, not very inclusive, and have increased

*The government's focus on large projects has reduced the fiscal space to fund other initiatives*

public debt. Public funds have also been diverted for military purposes in the past. This has tightened the fiscal space available for government to fund other initiatives. In 2015, the new government launched a five-year development plan that prioritises job creation, infrastructure development, and increased productivity in agriculture, fisheries and tourism. Questions remain about how the government will implement this plan as policy implementation has been weak historically – especially regarding poverty reduction. Currently there is minimal sector-specific expertise available on the ground, and weak bureaucratic structures impede implementation of development plans and policies.

*Consolidation of democracy doesn't seem a priority*

### Consensus building

Although democracy is rhetorically praised, its consolidation is not a practiced priority of the government. Members of the ruling party have been appointed to high level positions in the public and private sector offering rent-seeking opportunities. These patterns of behaviour allow the party to sustain control. Similarly, the biggest opposition party and its leadership are not driven by an ambition to foster democratisation. Their primary motivation is to gain power to access resources. This has been seen in their decision to shun democratic structures and procedures, and declare an autonomous state. The current political set up bears the risk of political conflicts and ethnic divisions. The governing style of the previous president in his last term and the marginalisation of opposition parties has led to sustained political instability and violence since 2012. This instability forced the government to negotiate with the opposition, which revealed the limits of its power.



### Anti-corruption

Indicator	Source	Score	Year
Investigations against senior level officials	Global Integrity	12: 00%	2016
Effectiveness of investigations	Global Integrity	13: 25%	2016
Staff appointment anti-corruption agency	Global Integrity	14: 25%	2016
Corruption Perception Index	Transparency International	CPI: 31 (112/168)	2015

*Corruption is a severe problem*

As with many other countries in the region, corruption is a severe problem in Mozambique. Not only does the ruling party control Mozambique's policies, but it is also extensively involved in the country's economy. Mozambique is therefore ranked 112 out of 169 countries by Transparency International in terms of perceived corruption.

*The GCCC lacks independence from government and many investigations into allegedly corrupt activity have not been carried out*

In the latest study by Global Integrity, the Central Directorate for Combatting Corruption (GCCC) did not carry out any investigations against senior government officials or opposition politicians. This was despite evidence of misconduct that surfaced through trials against international business partners and media reports of corruption involving the president and ministers. In general, the GCCC is not renowned as an effective government entity. Although mechanisms are in place to receive complaints from citizens on incidents of corruption, the response to such complaints is ineffective. In the last phase, only 72 of the 342 complaints regarding embezzlement of public funds and corruption were investigated. Moreover, all 72 of these cases involved only low-profile public officials. The GCCC lacks independence from the government and the necessary human and financial resources to carry out its work. Most or all of the current prosecutors have a connection to the ruling party.





## Governance

Indicator	Source	Score	Year
Public access to information	PEFA	PI 10: B	2015
Right to request information	Global Integrity	All 41: Yes	2016
In practice request for information are effective	Global Integrity	All 42: 0%	2016
Access to legislative processes and documents	Global Integrity	All: 43: 50%	2016
Government censoring of media	Global Integrity	All 55: 0%	2016
Rule of law	Bertelsmann	BTI: 4.30	2016
Political participation	Bertelsmann	BTI: 6.25	2016
Freedom of the press	Freedom House	FH: Partly Free	2016
	Reporters without borders (RSF)	RSF: 30.25 (87/180)	2016
Gender equality	BTI	0.66	2016

Regarding governance, Mozambique suffers from shortcomings in terms of rule of law, political participation, and transparency. A primary challenge remains the separation of powers. The ruling party not only dominates the executive branch, but also the judiciary, and only people with strong ties to the leading party can acquire positions in the public sector. This situation violates the principle of an independent judiciary, although it is guaranteed by law. The attorney of the state remains a weak position, plagued by political interference. Similar is true for the director of the GCCC. Both are appointed by the president without approval of the legislative. This and widespread corruption in the judiciary undermines the institutions' effectiveness and leads to a poor reputation among the population.

*The ruling party dominates the executive branch, judiciary, and appointment of public officials*

Basic civil rights are not always guaranteed. Elections have deteriorated in terms of democratic quality. The rights of assembly were restricted in the last elections despite constitutional guarantees of universal, direct, secret, and periodic elections. The main opposition party in fact boycotted the local elections and questioned the legitimacy of the government.

*Rights of assembly were restricted in the last elections*

According to the Bertelsmann Foundation, violations of freedom of speech have been reported in their last observation period. These violations have especially targeted members of the opposition parties. The 2016 Bertelsmann Transformation Index (BTI) report mentions that government intelligence forces allegedly monitor email correspondence of opposition party members. Although the legal framework has recently been improved, there have been physical attacks against journalists. Some of these attacks involve security forces. The editor of the *Diario de Noticias* was assassinated in August 2015 after publicly supporting journalists who faced charges for defaming the president (Reporters Without Borders – RSF 2016). RSF ranks Mozambique 87 out of 180 countries for freedom of the press, and Freedom House considers the press in Mozambique as partly free. This situation has led to behaviour of self-censorship.

*Intimidation of the media has led to a behaviour of self-censorship*

There is also room to improve transparency. The Constitution equips citizens with the right to request information. The Access to Information law was passed in 2014, however, little has happened on the ground. Regulations that specify the implementation of the Access to Information law have not been approved yet, with little information available on- or offline. The situation is much better when it comes to legislative information. With a few exceptions (e.g. security, defence) information is physically available and, with some delays, also online. The government is also performing well with regard to providing information on public finances. Here, the government provides five of the seven documents requested by PEFA, achieving a B score.

*Online and physical access is provided to most legislative and public finance information*

## DEVELOPMENTAL IMPACT

Indicator	Source	Score	Year
Human Development Index	BTI	+0.01 0.39 (178/187) 0.33 (185/187) 0.32 (184/187) 0.40 (172/182)	2010-2016 2016 2014 2012 2010
Millenium Development Goals (MDGs)	Ghana MDG Report	MDG 1: missed with progress MDG 2: partly achieved MDG 3: likely to be achieved MDG 4: achieved MDG 5: missed with little progress MDG 6: partly achieved MDG 7: missed. Progress in some areas	2013
Extreme poverty (below 1.90 USD PPP 2011)	World Development Indicators	31.40% 47.30%	2008 1996
Primary school enrolment	World Development Indicators	87.60% 86.50% 85.40% 84.90% 86.90% 72.10%	2014 2013 2012 2011 2010 2005
Primary school completion	World Development Indicators	47.60% 48.00% 50.20% 52.60% 56.30% 40.70%	2014 2013 2012 2011 2010 2005
Infant mortality (per 1 000 inhabitants)	World Development Indicators	56.70	2015
Maternal mortality (per 100 000 inhabitants)	World Development Indicators	489.00 506.00 528.00 563.00 596.00 762.00	2015 2014 2013 2012 2011 2005
Income inequality – GINI index	World Development Indicators	45.60	2008
Life expectancy	BTI	50.20 49.50 49.00 42.00	2016 2014 2012 2010
UN education index	BTI	0.37 0.22 0.22 0.48	2016 2014 2012 2010
Environmental performance	Yale EPI	2.93 (172/180)	2016
Environmental policy	BTI	3.00	2016

*The government has made little progress on human development or the MDGs*

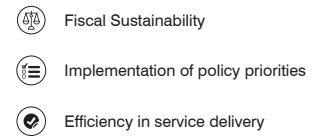
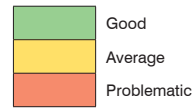
Despite robust economic growth over the past 15 years, the government was unable to deliver substantial development results. There has been hardly any progress made on human development over the past five years. Similarly, progress made towards the MDGs is unsatisfactory. Mozambique therefore sits among the ten weakest countries. The government was unable to achieve its poverty alleviation objectives, with the latest available data from the World Bank indicating that more than 30 per cent of the population still live below the 1.90 USD purchasing power parity poverty line. The



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government did manage to achieve an increase in primary school enrolment, but completion rates fall short of the target. Major progress was made on gender equality, with girls now experiencing almost equal access to primary education. No reliable data is available for secondary education, but tertiary education targets should be achieved in the near future. Targeted child mortality rates have been achieved, although the reduction in maternal mortality has not been as successful as envisaged. Thus, MDG 5 will not be achieved. MDG 6 was partly achieved, with significant successes in the fight against HIV/AIDS.

# SENEGAL



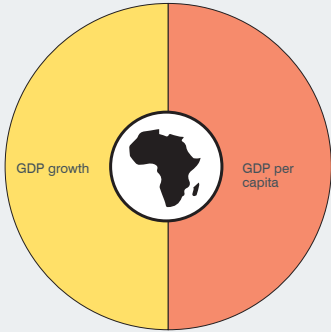
## Enabling environment

## Processes

## Outcomes

## Developmental impact

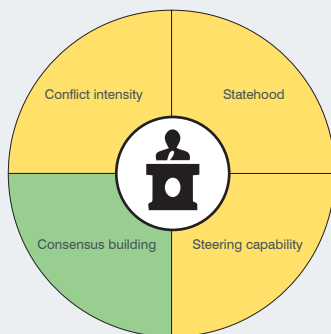
### Economic context



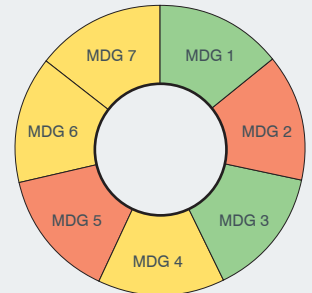
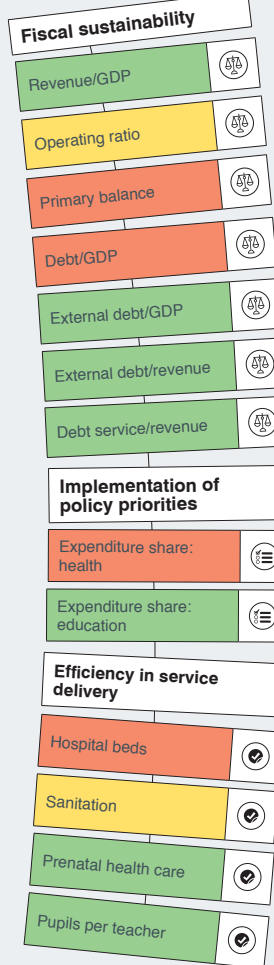
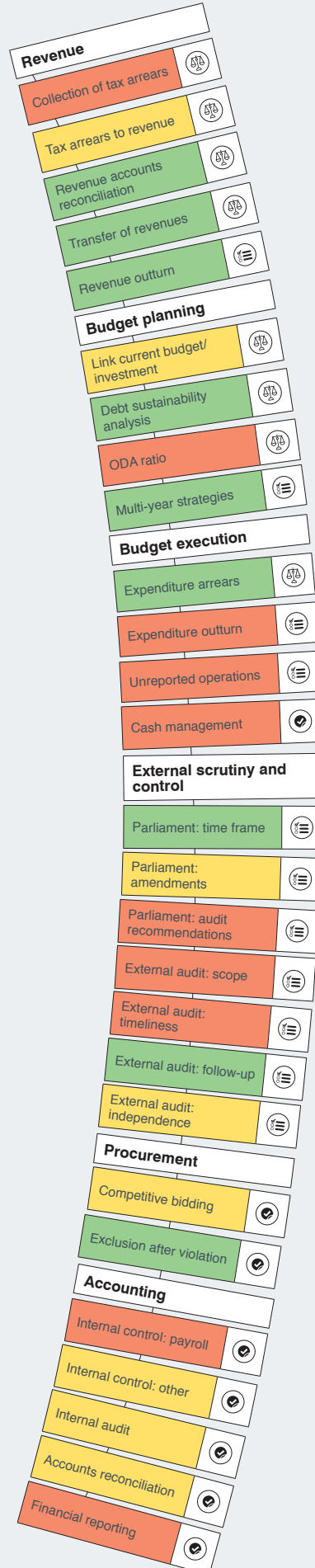
### Anti-corruption



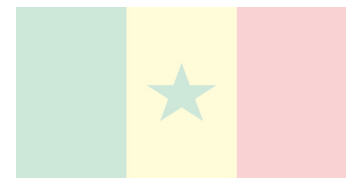
### Political Economy



### Governance



HDI	0.025
Extreme Poverty	12.80%
School enrolment	71.10%
School completion	59.00%
Infant mortality	41.70
Maternal mortality	315.00
Gini Index	40.30
Environment: performance	63.72 (Rank 117/180)
Environment: policy	5.00



# 5 SENEGAL

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## EXECUTIVE SUMMARY

Recent governments have been committed to development and economic, political, and social transformation. Notwithstanding the many reforms implemented, most Millennium Development Goals (MDGs) are not fully achieved. The government has only come close to achieving the initial target for MDG 3 and, with certain limitation, MDG 1. Health and education reforms have been implemented inefficiently and illiteracy is high compared to other countries in the region. Health services have deteriorated since the 1990s, which is remarkable as public expenditures are comparably high in this sector despite recent declines.

The country is politically stable, has a good governance reputation, and receives significant donor support (33.8 per cent of government expenditure). The tax-to-GDP ratio is decent and above the regional average, although still insufficient to cover expenditure needs. Debt levels are stable and interest costs do not overly restrict fiscal space. The primary balance has, however, been negative with debt ratios increasing consistently over the last five years. The weak spot in Senegal's public financial management (PFM) system is control and oversight. The government has not established an effective framework of checks and balances. Parliament has time to scrutinise and debate the budget proposal, but the ex-ante oversight is undermined by various budget amendments during the execution phase where the legislative is not adequately consulted. Ministries, departments and agencies (MDAs) are also often not sufficiently informed about cash flows, which has adverse effects on public service delivery.

Internal controls during the budget execution phase are not thoroughly enforced. Large amounts of public funds are spent outside the budget and financial statements are incomplete. Financial statements are also not received on time and audit reports are produced with extensive delays. External control does not audit all government expenditures. Parliament is often insufficiently involved in ex-post control and scrutiny. Thus, the entire accountability chain is characterised by weaknesses and this could explain inefficiencies in policy-priority setting and service delivery.

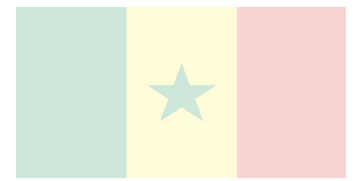
## PFM CORE PROCESSES AND OUTCOMES

 Fiscal sustainability

Process Indicators	Source	Score	Year
Cost of Tax Administration to revenue	ATO	Less than 1.00%	2014
Arrears to net tax revenue	ATO	15.00%-20.00%	2014
Arrears recovery of total Arrears	ATO	15.00%-20.00%	2014
Collection of Tax Arrears	PEFA	PI 15.10: D	2011
Revenue Accounts Reconciliation	PEFA	PI 15.30: B	2011
Transfer of Revenues	PEFA	PI 15.20: A	2011
Linkage between Investment Budget	PEFA	PI 12.40: C	2011
Expenditure Arrears	PEFA	PI 4: B	2011
Debt Sustainability Analysis	PEFA	PI 12.20: A	2011
ODA/Total Government Expenditure (Aid Dependency)	World Development Indicators	45.00% 33.80%	2012 2016
<b>Outcome indicators</b>			
Revenue-to-GDP ratio	CABRI	24.25% 22.43% 23.32%	2014 2013 2012
Operating ratio	CABRI	83.31% 80.04% 81.77%	2014 2013 2012
Primary balance	IMF	-2.30% (projection) -2.90% (estimate) -3.20% -4.00% -3.70%	2016 2015 2014 2013 2012
Debt to GDP ratio	IMF	+18.20% 55.10% (projection) 54.40% (estimate) 53.20% 46.60%	2013-2016 change 2016 2015 2014 2013
External debt to GDP ratio (IMF threshold 40%)	IMF	31.10% (projection) 31.10% (projection) 27.80%	2016 2015 2014
PV external debt to revenue ratio (IMF threshold 250%)	CABRI	145.70% (projection) 144.90% (projection) 132.50%	2016 2015 2014
External debt service to revenue ratio (IMF threshold 20%)	IMF	9.80% (projection) 10.70% (projection) 10.60% 9.20% 9.50%	2016 2015 2014 2013 2012

*Although consistent primary deficits have led to increased public debt, the risk of financial distress remains low*

The IMF's 2015 debt sustainability report identified a low risk of financial distress in Senegal. The current gap between revenue and expenditure is within an acceptable range. Senegal does not mobilise sufficient revenue to cover all expenditure and has therefore run a primary deficit for at least 5 consecutive years, with projections showing this trend to continue. Public debt is expected to rise, but remain below critical thresholds with obligations on debt expected to remain at around 10 per cent of revenue. Furthermore, the government received good ratings for debt sustainability



monitoring. A challenge remains with the linkage between large investment projects and the budget. Although a three-year planning document (programme triennial d'investissement public) exists, cost calculations have only improved slightly with the introduction of a medium-term expenditure framework (MTEF).

Tax mobilisation in Senegal is hindered by a large informal sector. The “doing business” assessment by the World Bank also criticises the complexity of the tax system. Tax administration is efficient in terms of collection costs, which are currently less than 1 per cent of tax revenue. The tax administration, however, has several weaknesses concerning operative outcomes. Tax arrears are between 15 and 20 per cent of GDP, with the administration only able to collect 15 to 20 per cent of the stock (African Tax Administrators Forum (ATAF) African Tax Outlook 2016). In fact, Senegal received the lowest rating for tax arrears recovery in the 2011 public expenditure and financial accountability (PEFA) assessment. Transfers of revenues to the treasury and revenue account reconciliation performed well.

*Senegal has a sizeable stock of tax arrears and received the lowest rating for tax arrears recovery*

### Implementation of policy priorities

Process Indicators	Source	Score	Year
Overall expenditure outturn	PEFA	PI 1: B PI 2: D+	2011
Revenue outturn	PEFA	PI 3: A	2011
Multi-year perspective	PEFA	PI 12.10: C PI 12.30: B	2011
Unreported government operations	PEFA	PI 7.10: D	2011
Parliamentary scrutiny: time frame, budget amendments, audit recommendations	PEFA	PI 27.30: B PI 27.40: C PI 28.30: D	2011
External audit: scope, quality, follow-up	PEFA AFROSAI-E SA	PI 26: D+ –	2011 2015
External-audit: independence	GI	All 7: 50.00%	2016
<b>Outcome indicators</b>			
Public health expenditure/GDP	World Development Indicator	2.42%	2014
Public health expenditure/total expenditure	World Development Indicator	8.04%	2014
Government education expenditure/GDP	World Development Indicator	5.60%	2010
Government education expenditure/ total expenditure	World Development Indicator	20.70%	2010

Weaknesses in the public finance system affect the implementation of policy priorities. Implementation of policy priorities relies on a credible budget, which is not the case in Senegal. One positive trend is the decline in the current administration’s practice of budgeting via decrees (so called “decrets d’avance”), which allow spending without prior approval from parliament. Whereas revenue estimates are quite accurate, the expenditure composition outturn differs significantly from the approved budget. The PEFA 2011 assessment noted large variances between actual spending by different departments and agencies and the figures initially authorised by parliament. The deviations can be partly explained by frequent amendments during the execution phase of the budget. Deviations were always above 10 per cent of the budget for the period under investigation.

*There is a significant variation for some departments and agencies between actual and initially authorised expenditure*

The volume of unreported government operations is also critical. Extra-budgetary funds are in double-digit figures compared with total expenditure. Because of the nature of these funds reporting is less frequent than for budgetary expenditures, which complicates monitoring and evaluation. The current situation has had adverse effects on the credibility of the budget and the implementation of policy priorities.

*Extra-budgetary funds have had adverse effects on the credibility of the budget and the implementation of policy priorities*



*Parliamentary checks and balances are weak and budget amendments during the execution phase undermine the effectiveness of ex-ante scrutiny*

A key weakness is the system of checks and balances. The parliament is dominated by the executive branch, and technical capacity remains weak within the Commission des Finances. The currently large coalition government crowds out opposition and thus exacerbates this parliamentary weakness. Parliament is given 60 days by law to analyse the budget and discuss proposals, but in practice less time is granted. Senegal still received a B-rating in the last PEFA assessment for the ex-ante scrutiny of the budget. Amendments during the budget execution phase, if done without the approval of parliament, undermine the effectiveness of ex-ante scrutiny.

*Three types of reports are produced by the SAI and submitted to the president of the Republic and the National Assembly*

Ex-post control is weak. In accordance with its institutional framework, the annual report of the supreme audit institution (SAI) is submitted to the presidents of the Republic and the National Assembly. The court produces three types of reports: (i) special reports which analyse proceedings, reveal violations, and propose areas that need improvement; (ii) an annual report for the public; and (iii) a report on the Budget Execution Act and the general statement of compliance. Audit reports are addressed to the Ministry of Finance and the Presidency. The court gives parliament the report on the Budget Execution Act. Parliament does not organise public hearings on audits nor provide recommendations on external audit findings. These actions are sanctioned by the Court of Auditors.

*Audit performance is negatively affected by interference from the executive and delays in the submission of reports*

The Court of Auditors is not legally independent from the executive despite the Constitution and the Organic Law No. 2012-23 (of December 27 2012) providing for a wide range of capabilities. Appointments to leadership positions within the Court are at the discretion of the president of the Republic. The executive does not always respect the Court's autonomy to conduct audits. For instance, in 2015 the Minister of Microfinance refused to provide the Court with access to information during the audit. According to PEFA 2011, audit coverage was less than 50 per cent of the budget. This translates to the lowest rating in PEFA scoring. The Court's effectiveness is further limited by delays in the submission of reports and because special reports are not publicly available. There is also no systematic follow-up on recommendations.

*Education and healthcare make up a significant share of public expenditure*

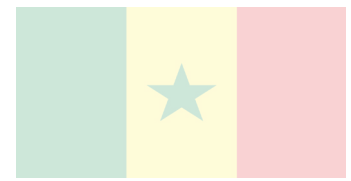
Government's financial priorities include education and health. 20 per cent of total public expenditure is allocated to education, with 8 per cent going to public health. The healthcare allocation has been shrinking, leading to reports of deteriorated public health services. Health and education facilities are plentiful near the coast, but become scarce in remote areas. Despite these developments, the public administration successfully prevented the spread of Ebola (2013 - 2015) from neighbouring countries into Senegal.



## Efficiency in service delivery

Process Indicators	Source	Score	Year
Cash management	PEFA	PI 16: D+	2011
Procurement: competitive bidding	GI PEFA	All 25: 50% PI 19.20: A	2016 2011
Procurement: public access to contracts	GI PEFA	All 26: 25.00% PI: 19.30: B	2016 2011
Procurement: exclusion from future biddings	GI	All 28: 100.00%	2016
Internal control: payroll	PEFA	PI 18: D	2011
Internal control: non-payroll	PEFA	PI 20: C+	2011
Internal audit	PEFA	PI 21: C+	2011
Accounts reconciliation	PEFA	PI 22: C	2011
Financial reporting	PEFA	PI 25: D+	2011
<b>Outcome indicators</b>			
Hospital beds per 1 000 inhabitants	World Development Indicators	0.30 0.73	2008 1990





Outcome Indicators			
Access to sanitation	World Development Indicators	47.60% 42.60% 35.50%	2015 2005 1990
Access to prenatal healthcare	World Development Indicators	96.20% 87.40% 73.60%	2014 2005 1993
Pupil-teacher ratio (primary education)	World Development Indicators	31.60 41.70 57.60	2014 2005 1990
Primary schools with access to electricity	World Bank Education Data Set	21.96% 32.77%	2012 2010
Average number of pupils per mathematics textbook in primary education	World Bank Education Data Set	2.05 1.65 1.61	2014 2012 2010
Average number of pupils per reading textbook in primary education	World Bank Education Data Set	1.66 1.44 1.37	2014 2012 2010

Senegal has severe problems with cash management, the public procurement system, and transparency. There is also space to improve internal controls and financial reporting, which could help to ensure better development results in public service delivery.

*There are problems with cash management, public procurement, and transparency*

Cash management is organised in a way that cash flows are forecast for the financial year, and then updated monthly. In practice, however, MDAs do not receive sufficient information about the availability and the provision of funds. This makes it difficult for the entities to plan spending on projects and to carry out activities. Frequent adjustments to the budget and planned cash flows are also not managed transparently, which makes service provision an even more complex task.

*Insufficient information makes it difficult for MDAs to plan spending and carry out activities*

Public procurements, especially larger investment projects, are often delayed and inefficiently implemented due to weak administrative capacity. Vested interests are an additional burden. Major procurements require competitive bidding by law, but some exemptions have been observed in the past. Major procurements are generally tendered with information provided in newspapers and on the government website. Citizens can also obtain information about contracts signed by the government. This information includes the identity of the contractor and the final terms of the deal. Nevertheless, there is no information available about the performance of contracts and the audit of them. Companies that violate procurement regulations are excluded by law from future procurements, which Global Integrity note is normally enforced without exceptions.

*Public procurement suffers from weak administrative capacity but remains transparent*

There is currently no integration of personnel and payroll records. Moreover, no information exchange between human resource and payroll records is done systematically. This decreases the likelihood of detecting ghost workers and raises the risk of embezzlement of public funds. Audits of the payroll are not done regularly. Internal controls are generally in place and of adequate quality, but their effectiveness is limited as they do not apply to all expenditures. Furthermore, there is no manual for internal control procedures and certain features of the integrated financial management information system (IFMIS) are not yet operational. This all limits the effectiveness of internal controls.

*Internal controls are limited by information exchange and uniformity issues*

The standard of internal audits is normally respected and organisational issues and procedures are addressed in the reports. Major findings are translated into recommendations by the president, and the prime minister regularly monitors their implementation. The lack of a working relationship with the supreme audit institution (SAI) is a weakness in the system.

*Internal audits are respected but could benefit from closer working relationships*

*Information is missing from financial statements and submissions are delayed*

Financial statements submitted to the SAI do not normally include all public expenditure. Furthermore, submissions to the SAI take place with substantial delays and the accounting standards underlying financial statements are not fully applied.

## ENABLING ENVIRONMENT



### Economic context

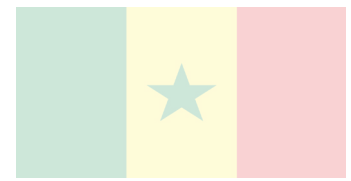
Indicator	Source	Score	Year
GDP per capita (USD PPP)	World Development Indicators	2.430	2015
		2.330	2014
		2.270	2013
		2.230	2012
		2.160	2011
GDP growth	World Development Indicators	4.10%	2011-2015 average
		6.50%	2015
		4.30%	2014
		3.50%	2013
		4.40%	2012
1.80%	2011		
Shadow Economy to GDP	Estimate Prof. Schneider	33.70%	2000-2015 average
Land locked	No		
Driving sectors	Agriculture: no data (difference to other sectors: 16.20%) ; Industry: 23.60% ; Services: 60.20% (2015)		

*Growth is volatile and unequal, with rural parts of the country being disadvantaged*

Senegal has experienced almost two decades of volatile growth. The Economist projects average annual real GDP growth of 5.4 per cent between 2016 and 2020. This is below the government's target of 7 to 8 per cent, which the IMF considers unrealistic. Per capita growth is slow due to high fertility rates and population growth that is currently above 3 per cent. 34.1 per cent of the population lives below the 1.25 USD a day poverty line. Poverty rates are higher in rural areas, with a widening disparity in the less developed arid areas in the northern and eastern parts of the country. The economic marginalisation of the Casamance region has a direct impact on its identification with the nation state and local stability. Part of the increasing income inequality is explained by the unequal distribution of land among the population. The development disparity has increased domestic rural-urban migration, thereby increasing pressure on urban labour markets to absorb unqualified workers. The long-time neglect of agriculture and agricultural policy-making has partly driven these developments.

*Senegal is reliant on energy and food imports and has attempted to diversify the export base to reduce the current account deficit*

Senegal's economic situation is currently difficult. The country has a large current account deficit due to its dependence on energy and food imports. Prices for export commodities, especially gold, are comparably low and place additional pressure on the current account. The government has begun attempts to diversify the export base, most recently with cement and phosphate derivatives. The discovery of off-shore oil fields also bears potential for economic development, and growth in the tourism sector might be possible. Nevertheless, commercial production will only start when crude oil prices recover and there is a risk of increased income inequality and emerging social tensions if this is not managed sensibly. The value-add of the agricultural sector is small compared to other countries in the region. The reliance on food imports is likely to intensify due to climate change, with weather pattern changes already affecting the sector.



## Political economy

Indicator	Source	Score	Year
Statehood	BTI	7.00	2016
Steering capability	BTI	6.33	2016
Consensus building	BTI	7.60	2016
Conflict intensity	BTI	4.00	2016

### Statehood

The government is generally responsible for domestic and foreign security. It is able to enforce its monopoly of force in most parts of the country, but it is not in control of the area of Casamance near the border with Gambia and Guinea-Bissau and the city of Touba. Casamance has been the scene of violence and unrest with separatist movements claiming greater autonomy and independence. Touba enjoys something like informal autonomy. The Mourides, one of the major Muslim brotherhoods, controls the area and has established a system of Islamic rules and ancient traditions. Concerns of Islamic terrorism are growing, especially due to the conflict in neighbouring Mali.

*The government's control of the country is challenged in some regions*

Although the government is unable to enforce control in all parts of the country, the vast majority of the country identifies itself with the nation state and its principles. Democratic order is generally accepted due to the free and fair elections. Apart from the above-mentioned regions, there is no organised group that questions democracy or the structure of the state and relevant political stakeholders support the market economy.

*Most of the country supports democracy and identifies with the nation state*

Muslims, and some Christian leaders have strong influence. The Muslim brotherhoods exert influence in political affairs as their views are impossible to ignore. They are especially important for the government as an outreach to rural areas. This might also be a reason why the government provides financial support to the brotherhoods, especially the most important ones (e.g. Mourides). Despite this situation, the state tries to limit influence where possible to hold up the inherited secular design of the state.

*The government tries to limit the political influence exerted by religious groups*

Public administration representatives are present throughout the country, except in the regions mentioned above. Capacity is focused in Dakar and the areas surrounding the capital. The Senegalese public administration system generally lacks checks and balances to fight corruption and the abuse of office. Structures and incentives are not designed in a way that promotes efficient or effective behaviour. Furthermore, limited human capacity and an eroding infrastructure harm service delivery. Capacity is much weaker in rural areas, especially in the eastern parts of the country. This leads to an unequal distribution of public goods and services across the country, with services not available in all areas of the country or to all segments of society. Decentralisation reforms have not improved capacity on the ground. The last reform in 2012 did not deliver the intended results, and is now under strong criticism and being readapted.

*The public administration system lacks checks and balances to fight corruption and capacity is weak in rural areas*

### Steering capability

The political leaders predominantly embrace constitutional order and the democratic system. The government sets strategic priorities, such as poverty reduction, but there are several shortcomings with implementation. The schedules underlying strategy and single policy initiatives are seldom kept. Implementation often suffers from weak administrative structures and insufficient political buy-in. Due to restricted domestic resources, implementation of development plans is dependent on external support. This forces the government to find a balance between national demands and meeting the expectations of donors to secure their support over the medium to long term. A persistent challenge is the power that the Constitution grants to the president and his office. Tasks given to this office, however, often exceed its capacity.

*Policy implementation suffers from weak administrative structures*

Consensus building

*Conservative Islamic groups do not pose an immediate threat to democracy, but their numbers are growing*

Most stakeholders are committed to a market economy and democracy, with politics driven by personalities rather than ideologies. The few anti-democratic players are no threat to the country. The Muslim brotherhoods are conservative and can oppose progressive reforms. A threat to stability might be the empowerment of extreme Islamic tendencies spurred by developments in the region. External influence also seems to be driving more and larger conservative Islamic groups.

*The government has used open discussions and investment to minimise the potential for conflict*

Opposition groups and separatists have been successfully involved to prevent the emergence of divisions. The relationship between Muslims and Christians has improved after a short period of deterioration. The Casamance conflict has calmed down following government's openness to talks and negotiations. Moreover, the government is trying to reduce development disparities through increased investment in infrastructure and agriculture.



Anti-corruption

Indicator	Source	Score	Year
Most/all government officials are corrupt	Afrobarometer	24.50%	2014/15
Most /all tax officers are corrupt	Afrobarometer	22.00%	2014/15
Independent body investigates against senior level politicians/ public servants	Global Integrity	All 12: 50.00%	2016
Public sector corruption is investigated effectively	Global Integrity	All 13: 50.00%	2016
Staff appointments support Independence	Global Integrity	All 14: 25.00%	2016
Corruption Perception Index	Transparency International	CPI: 44 (61/168)	2015

*Corruption is low by regional standards but still common at all political levels*

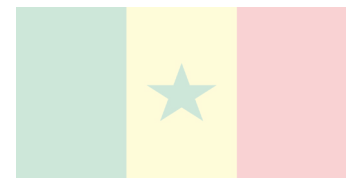
Public perception of corruption is comparably low according to the results of Afrobarometer surveys. Only 24.5 per cent of the interviewees perceived most, or all, of their government officials as corrupt. Tax officials even score well. This is in line with Transparency International's (TI) Corruption Perception Index (CPI) where Senegal ranked 66 out of 168 countries. This places them 8th in sub-Saharan Africa. Despite these fairly good scores, corruption and cronyism is common at all political levels and official positions are often abused for economic gains. The former president Wade and his son were accused of corruption. After a trial, the son, Karim Wade, was found guilty of corruption and sentenced to six years in prison but later released following a presidential pardon.

*An anti-corruption office was created as part of a wide set of measures to fight corruption*

The current government is committed to large-scale efforts to fight corruption. Efforts have led to a continuous improvement in the CPI score. Among these are the reactivation of a special court to fight corruption and the abuse of office. Further, the government created a national anti-corruption and fraud office (OFNAC) in 2013 and a Ministry (Ministre de l'intégration Africaine, du NEPAD et de la Promotion de la Bonne Gouvernance) to promote good governance. OFNAC is expected to make it easier for whistle-blowers to report fraud, bribery and embezzlement. Cases can now be reported in person, by phone, or electronically via a website or an app. Senegal was also the first country within the West African Economic and Monetary Union (WAEMU) to adopt a transparency law, which obliges public officials to declare their assets publicly.

*The effectiveness of the OFNAC is limited by presidential interferences and push-back by ministers*

The OFNAC's mandate is to investigate any accused person unless they enjoy special judicial protection. The office is also only able to carry out investigations but not to prosecute suspects. Hence, the mandate is restricted. If a suspect is identified, information is forwarded to the public prosecutor who is then responsible for carrying the work forward. There is, however, no data available for the total number of investigations, the time taken to process investigations, or the results. OFNAC is made up of representatives from civil society and the public and private sectors. A professional committee makes suggestions for appointments and based on these the president appoints staff. Its effectiveness and independence are therefore limited by presidential interferences. The first annual report of OFNAC was published in 2016.



To the dislike of the president, the report targeted members of the ruling party and his own brother. The president of the institution, Ms. Nafi Ngom Keïta, was removed from her position by a presidential decree before the end of her tenure. Moreover, some ministers have refused to disclose their assets, even though they are obliged to do so.

## Governance

Indicator	Source	Score	Year
Public access to information	PEFA	PI 10: C	2011
Scope, currency, and accessibility of information	TADAT		–
Right to request information	Global Integrity	All 41: No	2016
In practice request for information are effective	Global Integrity	All 42: 0%	2016
Access to legislative processes and documents	Global Integrity	All: 43: 25%	2016
Government censoring of media	Global Integrity	All 55: 75.00%	2016
Rule of law	Bertelsmann	BTI: 6.50	2016
Political participation	Bertelsmann	BTI: 8.00	2016
Freedom of the press	Freedom House Reporters without borders (RSF)	FH: 3.50 (free) RSF: 27.99 (65/180)	2016
Gender equality	BTI	0.54	2016

The government scores low for transparency. Citizens do not have any legal right to request information from the government and there are no mechanisms that support public sharing of information. PFM transparency is also weak. The government does not consistently publish information on taxes, expenditure, or procurement contracts. If information is made available online, it is often delayed. Similar problems are observed in the resource sector, where information about contracts and payments by companies to the government is not available. Here, legal inconsistencies enable government and companies alike to refuse to give out information. The 2011 PEFA report criticises the fact that information was made available to the public in only two of the six examined categories.

*Transparency is low as citizens have no legal right to request information*

Transparency of information from the legislative branch is better, however several shortcomings still exist. Parliament's website does not provide any information about ongoing processes or archived information about past proceedings. There is at least hard copy legislation information available and accessible in the library. Here, approved laws and minutes of parliamentary discussions are available. The library is open to any citizen interested in getting information. A modernisation process should include the digitalisation of all records, including documents from the colonial era.

*Copies of approved laws and minutes of parliamentary discussions are available to interested citizens in hard copy*

Human and civil rights are generally respected in Senegal. Freedom of speech, assembly, and press are guaranteed by the Constitution and normally also protected in practice. A law that offers more opportunities to prosecute journalists was not approved by parliament. Journalists must still be cautious when reporting on senior office holders or religious leaders, as there have been cases where journalists were questioned and threatened by authorities. The media landscape in Senegal is diverse, independent, and critical by continental standards, even when reporting on political scandals. Freedom House considers the press in Senegal as free, and Reporters Without Borders ranks Senegal 65 out of 180 countries in terms of freedom of the press.

*Freedom of speech, assembly, and press are constitutionally guaranteed and respected*

The judiciary in Senegal has a solid reputation. Its independence is, however, questioned in cases of investigations against government officials, or cases where strong economic interests are involved. Judicial corruption is also a persistent problem. Equal rights before the law and equal access are therefore limited. Social, financial, and cultural restrictions impede proper law enforcement. Long, complicated, and costly procedures encourage behaviour to sideline official structures and rely on more

*The independence of the judiciary is questionable and certain restrictions impede proper law enforcement*

informal and traditional modes of dispute resolution. This is especially valid in rural areas.

*Incidents of human rights violations have occurred and gender-based discrimination is common*

Although Senegal has a solid human rights record, the violations that occur are not always investigated or followed-up by the judiciary. Incidents of violations include discrimination against sexual minorities, HIV/AIDS-infected people, child labour, and child custody in Koran schools. Similarly, there is no discrimination against women in the legislation, but in practice this does occur, especially in rural areas where discrimination is part of daily life. Women hold 42.7 per cent of the parliamentary seats, which is a high figure by international standards. Despite these advances, the introduction of gender-balanced electoral slates caused strong opposition by the Khalif of Touba and was ultimately not accepted.

*Horizontal separation of power is strongly skewed towards the president and his office*

A general problem in the political system is the separation of power. Although horizontal separation of power is guaranteed, it is strongly skewed towards the president and his office. The legislature cannot fulfil its control function adequately. In addition to the legal weakness, parliament has the reputation of being too passive and having weak technical capabilities. The system of checks and balances is further weakened by the composition of parliament. Currently the opposition is quite small in comparison with the government coalition.

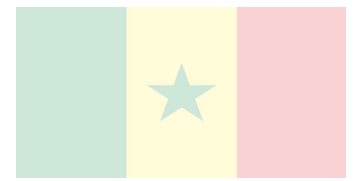
*Senegal provides regional stability*

Finally, Senegal is a stable anchor within the region. Apart from regionally focused skirmishes, Senegal is a country with little potential conflict.

## DEVELOPMENTAL IMPACT

Indicator	Source	Score	Year
Human Development Index	BTI	0.025 0.49 (163/187) 0.47 (154/187) 0.46 (155/187) 0.46 (166/182)	2010-2015 change 2016 2014 2012 2010
Millenium Development Goals (MDGs)	Ghana MDG Report	MDG 1: substantial progress MDG 2: missed MDG 3: achieved MDG 4: substantial progress MDG 5: missed MDG 6: some progress MDG 7: some progress	2011 2015 2015 2013 2013 2013 2010/2015/2014
Extreme poverty (below 1.90 USD PPP 2011)	World Development Indicators	12.80% 12.40% 210%	2011 2005 1994
Primary school enrolment	World Development Indicators	71.10% 71.70% 70.00% 69.80% 63.80%	2014 2012 2011 2010 2005
Primary school completion	World Development Indicators	59.00% 58.60% 59.60% 56.50% 51.30%	2014 2012 2011 2010 2005
Infant mortality (per 1 000 inhabitants)	World Development Indicators	41.70	2015





Maternal mortality (per 100 000 inhabitants)	World Development Indicators	315.00	2015
		323.00	2014
		335.00	2013
		351.00	2012
		365.00	2011
		427.00	2005
GINI Index	World Development Indicators	40.30	2010
Life expectancy	BTI	63.40	2016
		63.00	2014
		59.00	2012
		55.00	2010
UN education index	BTI	0.37	2016
		0.40	2014
		0.39	2012
		0.42	2010
Environmental performance	Yale EPI	63.72 (117/180)	2016
Environmental policy	BTI	5.00	2016

Although the government is committed to development, the results have been disappointing. Senegal belongs to the group of least developed countries. There have been no substantial improvements in human development of late, with Senegal ranked 163 out of 187 countries. The number of people living in poverty (1.90 USD PPP poverty line) fell from 21 per cent in 1994 to 12.8 per cent in 2011. This substantial reduction means the achievement of a major portion of MDG 1, although government was unsuccessful in reducing the proportion of the population suffering from hunger. Only 71 per cent of the school-age population is enrolled in primary school and illiteracy remains a problem. The government has achieved an increase in equal school enrolment between girls and boys and representation of women in parliament has increased substantially. Child mortality, captured under MDG 4, was reduced by 61 per cent until 2013. Disappointing progress has been made on maternal healthcare, with MDG 5 likely to be missed. The government has been successful in its fight against HIV/AIDS, but missed its target for reduced tuberculosis infections.

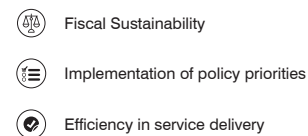
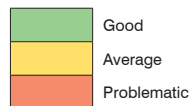
*Progress was made in the fight against poverty, gender inequality, child mortality and HIV/AIDS*

The government only partly met its environmental sustainability objectives. Even though the loss of forest coverage was not reversed, the continued rate of losses slowed. Access to clean water and sanitation has improved, although the number of people without access was not reduced significantly. In addition to this, Senegal is already experiencing the first effects of climate change. Weather patterns are already changing and projections are for stronger impacts in future. Senegal ranks 117 out of 180 countries in Yale's Environmental Performance Index, and is thus considered a weak performer.

*Environmental sustainability remains a risk and is aggravated by the effects of climate change*

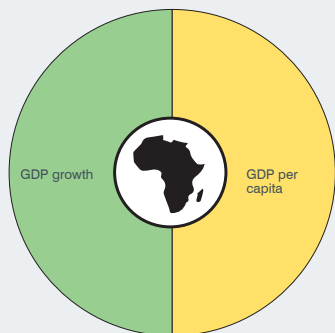


# TANZANIA



## Enabling environment

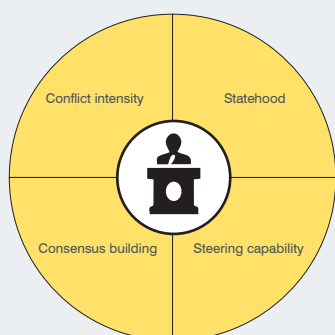
### Economic context



### Anti-corruption



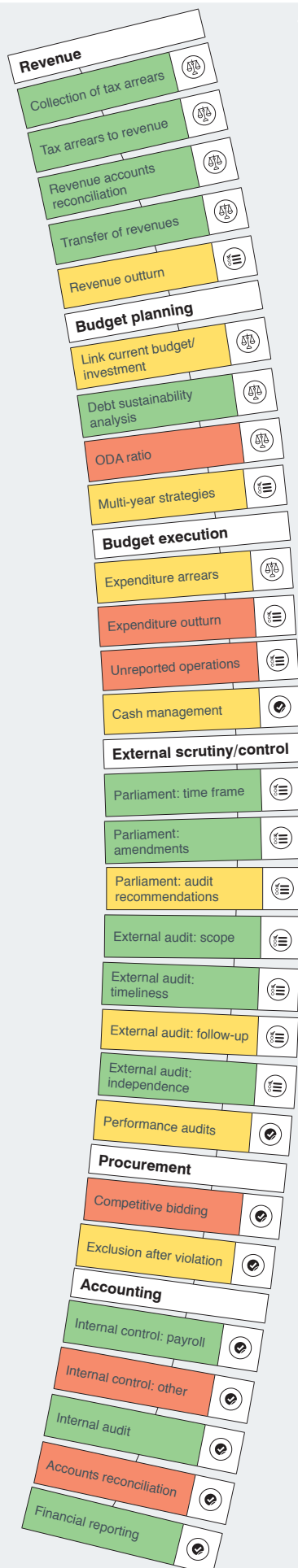
### Political Economy



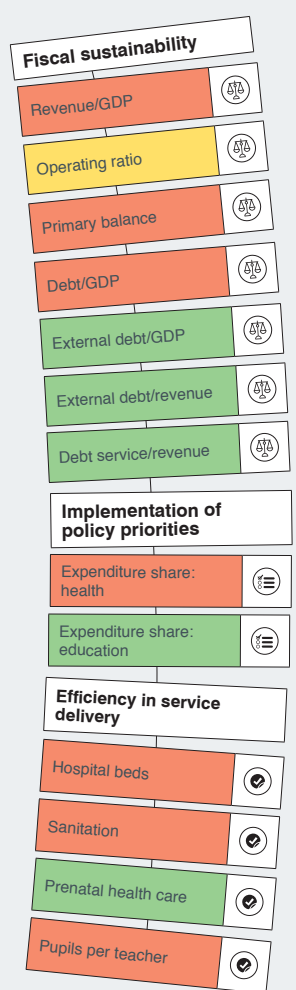
### Governance



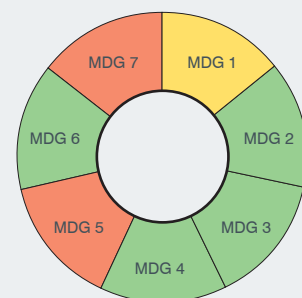
## Processes



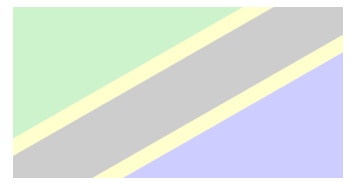
## Outcomes



## Developmental impact



HDI	0.49
Extreme Poverty	14.40%
School enrolment	80.90%
School completion	73.70%
Infant mortality	35.20
Maternal mortality	398.00
Gini Index	37.80
Environment: performance	4.08 (Rank 132/180)
Environment: policy	3.00



# 6 TANZANIA

## EXECUTIVE SUMMARY

Tanzania is a least developed country with a low ranking in terms of human development. Some progress has been made with social welfare and economic development over the last decade. The country has a stable political system on the mainland, which is strongly dominated by the ruling party. A constitutional review process meant to improve the independence of the legislature and judiciary has not yet been concluded. Areas of concern are high levels of corruption and shortcomings in government's transparency. There is also international pressure for a more inclusive design of government policies and a more effective system of checks and balances. At the same time, the international community has been highly appreciative of the current administration's commitment in tackling corruption and curbing unnecessary expenditure

The government ensured sensible and disciplined fiscal policies. Nevertheless, the country is still dependent on aid as domestic revenues remain low. Cash rationing has translated into growing expenditure arrears and lost budget credibility. The practice of entering payment commitments outside the integrated financial management system (IFMIS) indicates a lack of commitment control. Internal controls, the extent of operations outside of the official budget process, the public procurement system, and the number and level of budget reallocations during the execution phase pose further risks to the public financial management (PFM) system.

## PFM CORE PROCESSES AND OUTCOMES



### Fiscal sustainability

Process Indicators	Source	Score	Year
Cost of tax administration to revenue	ATO	Around 2.50%	2016
Arrears to net tax revenue	ATO	Close to zero	2016
Arrears recovery of total arrears	ATO	>40.00%	2016
Collection of tax arrears	PEFA	PI 15.10: A	2013
Revenue accounts reconciliation	PEFA	PI 15.30: A	2013
Transfer of revenues	PEFA	PI 15.20: B	2013

GOOD FINANCIAL GOVERNANCE HEAT MAP

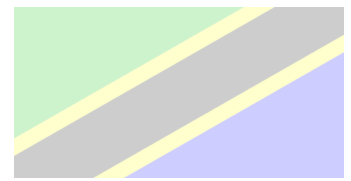
Linkage between investment budget	PEFA	PI 12.40: C	2013
Expenditure arrears	PEFA	PI 4: C	2013
Debt sustainability analysis	PEFA	PI 12.20: B	2013
ODA/GNI	World Development Indicators	40.90%	2012
<b>Outcome indicators</b>			
Revenue-to-GDP ratio	CABRI	14.85% 15.46% 15.67% 15.58%	2014 2013 2012 2011
Operating ratio	CABRI	82.41% 79.77% 79.22% 81.36%	2014 2013 2012 2011
Primary balance	IMF	-2.60% (projection) -2.60% (estimate) -2.00% -3.80% -2.90%	2016 2015 2014 2013 2012
Debt to GDP ratio	IMF	+49.80% 40.90% (projection) 40.50% (estimate) 30.20% 30.00% 27.30%	2012-2016 change 2016 2015 2014 2013 2012
PV of external debt to GDP	IMF	19.10% (projection) 18.50% (projection) 14.20%	2016 2015 2014
PV of external debt to revenue	IMF	128.00% (projection) 138.90% (projection) 104.10%	2016 2015 2014
External debt service to revenue ratio (IMF threshold 20%)	IMF	9.50% (projection) 3.80% (projection) 3.10% 3.00%	2016 2015 2014 2013

*Fundamental fiscal indicators are healthy and revenue transfers and account reconciliation run smoothly*

The government has a good reputation of fiscal discipline. The International Monetary Fund (IMF) noted that all fundamental fiscal indicators show little distress. The public deficit is currently 4.2 per cent of GDP, but is expected to fall to 3.2 per cent over the medium term (Economist Intelligence Unit). The primary balance has remained negative over the last five years, pointing to the need to mobilise more domestic resources. At 15 per cent, the tax-to-GDP ratio is low by Sub-Saharan African (SSA) standards. Increasing the ratio and revenue collection is one of government's top priorities - matching the advice of international financial institutions: success stories, where monthly revenue collection by TRA was increased dramatically (in some cases doubling from the previous year) were widely reported by the press. Nevertheless, the government scored well for revenue mobilisation processes in the 2013 public expenditure and financial accountability (PEFA) assessment. According to the African Tax Administrators Forum's (ATAF) African Tax Outlook (ATO) and PEFA, revenue arrears are low and arrears recovery performs well. Payment delays of value-added tax (VAT) refunds is an issue for businesses, but data is not readily available to quantify the problem. Transfers of revenues from collecting entities to the exchequer run smoothly and accounts are reconciled monthly.

*MDAs have entered expenditure commitments outside of the IFMIS and the approved budget*

The level of expenditure arrears has increased, mostly due to construction projects under the Ministry of Works (PEFA 2013). Ministries, departments and agencies (MDAs) have entered expenditure commitments outside of the IFMIS and the approved budget that exceed expenditure ceilings and available cash. Data is available for the stock and age of arrears and this seems to be well monitored.



## Implementation of policy priorities

Process Indicators	Source	Score	Year
Expenditure outturn	PEFA	PI 1: B PI 2: D+	2013 2013
Revenue outturn	PEFA	PI 3: C	2013
Multi-year perspective	PEFA	PI 12.10: C PI 12.30: C	2013 2013
Unreported government operations	PEFA	PI 7.10: D	2013
Parliamentary scrutiny	PEFA	PI 27.30: A PI 27.40: B PI 28.30: C	2013 2013 2013
External audit: scope, quality, follow-up	GI AFROSAI-E SA	PI 26: C+ Rating: 4 + 3	2013 2015
External audit: Independence	GI AFROSAI-E SA	All 7: 3.50 Q 9 + Q10: 3 + 3	2016 2015
<b>Outcome indicators</b>			
Public health expenditure/GDP	World Development Indicators	2.59%	2014
Public health expenditure/total expenditure	World Development Indicators	12.30%	2014
Government education expenditure/GDP	World Development Indicators	3.48%	2014
Government education expenditure/ total expenditure	World Development Indicators	17.30%	2014

The budget process lacks short and medium term credibility. While the government performs well in terms of total aggregated expenditure outcomes across all MDAs when compared with the original budget plan, the composition of variations in expenditure within MDA budgets is weak. Reasons for this include over-budgeting for capital expenditure and under-budgeting for recurrent expenditure. The budget execution system also contributes to poor performance. There is cash rationing due to uncertainties about availability, a lack of commitment controls, and no excess liquidity (PEFA 2013).

*There is a high variation between expenditure outcomes and budget plans within MDAs*

The medium-term expenditure framework (MTEF) projections are prepared for a five-year period. Forecasts are shown in aggregate and broken down by economic classification for expenditure. Any differences in budget projections for the same year are not explained. Government also prepares sector strategies for larger sectors, but the costing of these strategies is often unrealistic and sometimes not done at all. Revenue collection fell short of forecasts for two years and exceeded the forecast in one year of the 2009/10 – 2012/13 PEFA review period. It is not currently possible to specify the amount of extra-budgetary expenditures as internally generated funds and their spending are not properly documented. Estimations indicate that the quantum of extra-budgetary expenditure comes to more than 10 per cent of overall public expenditure.

*Budget forecasts tend to be inaccurate and differences in budget projections for the same year are not explained*

Legislative scrutiny is rated solidly in terms of ex-ante controls of the budget, and its involvement during execution. The ex-post control through the supreme audit institution (SAI) and parliament can be improved. The latest PEFA assessment noted that parliament had two and a half months to review and approve the budget proposal, which is more than in 2010. Sector committees were also given three weeks to analyse sector budget estimates. Additionally, rules for in-year budget amendments are generally respected. As the changes in the composition of expenditure show, several reallocations take place throughout the fiscal year.

*Parliament has two and a half months to scrutinise and debate the budget proposal*

With regards to the ex-post control, it normally takes more than twelve months for the Public Accounts Committee (PAC) to review the SAI's audit reports and give recommendations. Follow-up on recommendations is weak. External audits and audits on special assignments fall under the mandate of the National Audit Office (NAO), which generally enjoys autonomy in auditing government accounts at the

*Audit coverage is good but the PAC takes more than a year to review the SAI's audit reports and follow-up on recommendations is weak*

different levels of government. The SAI and its employees operate independently, but recruitment, remuneration, transfers, and contract termination are all outside the SAI's control. Audit coverage is close to 100 per cent of government accounts according to PEFA 2013, with audits of public sector corporations outsourced due to staff limitations. The NAO conducts performance and financial audits, with a focus on systemic issues. Submission of audit reports is normally in line with the legislation and submitted to the National Assembly nine months after the end of the financial year. This corresponds with the good self-assessment results collected by the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E). The low C+ rating given by PEFA is explained by the lack of government response to external audit reports, with significant issues remaining unsolved.

*Health expenditure is below government's commitment*

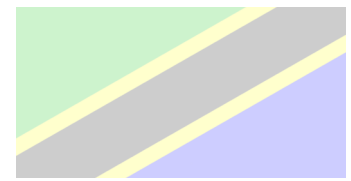
Public expenditure on key areas of service delivery seems adequate. Health expenditure, however, lies below the government's 2001 commitment of 15 per cent of the budget, as per the Abuja Declaration<sup>1</sup>.



### Efficiency in service delivery

Process Indicators	Source	Score	Year
Cash management	PEFA	PI 16: C	2011
Procurement: competitive bidding	GI PEFA	All 25: 25% PI 19.20: NA	2016 2013
Procurement: public access to contracts	GI PEFA	All 26: 25% PI: 19.30: NA	2016 2013
Procurement: exclusion from future bids	GI	All 28: 50%	2016
Internal control: payroll	PEFA	PI 18: B	2013
Internal control: non-payroll	PEFA	PI 20: D+	2013
Internal audit	PEFA	PI 21: B	2013
Accounts reconciliation	PEFA	PI 22: D+	2013
Financial reporting	PEFA	PI 25: B+	2013
<b>Outcome indicators</b>			
Hospital beds per 1000 inhabitants	World Development Indicators	0.70 1.10 1.00	2010 2006 1990
Access to sanitation	World Development Indicators	15.60% 11.00% 6.50%	2015 2005 1990
Access to prenatal healthcare	World Development Indicators	87.80% 78.20% 62.20%	2010 2005 1992
Pupil-teacher ratio (primary education)	World Development Indicators	43.40 55.90 34.90	2013 2005 1990
Primary schools with access to electricity	World Bank Education Data Set	14.00% 6.30%	2012 2010

<sup>1</sup> In 2001, the heads of state of the African Union agreed to set a target of 15% of the budget to be spent on the health sector



Average number of pupils per mathematics textbook in primary education	World Bank Education Data Set	2.70	2013
		2.00	2012
		2.10	2010
Average number of pupils per reading textbook in primary education	World Bank Education Data Set	2.57	2013
		1.96	2012
		2.04	2010

Government struggles with procurement, internal non-payroll controls, and account reconciliation. Financial reporting, internal auditing, and payroll controls are well-established processes. Cash flow forecasts of MDAs are improving but still do not take full account of procurement plans. The usefulness of forecasts is also restricted as the Ministry of Finance's cash rationing regime is not in line with MDA cash flow forecasts and there are regular cash reallocations decided outside of the control of MDAs.

*Improvements to procurement, internal non-payroll controls, account reconciliation, and cash management are required*

Competitive bidding for major procurements is compulsory by law and tenders are normally published in public newspapers and on government entity websites. The scope of the proposed contract is generally specified and legal violations reported on a regular basis. In some cases, regulations are breached and single source procurements are legitimised as emergency procurements. Evaluation criteria remain opaque and there are allegations that certain companies are provided with insider knowledge to influence the outcome of tenders. It is difficult for the public to gain access to detailed procurement information and there is only rudimentary information about existing, closed, and awarded tenders. There is no information available about the value of the tender, nor is there anything published about the execution of a tender or audit results. The only exception are audits reports from the NAO, which by law must be made public. Firms that violate regulations are normally banned from public tenders for a certain period, but there have been cases where exclusion was not enforced because of poor information flows and monitoring between different layers of government.

*Procurement processes lack transparency and there are allegations of interference*

Apart from the lack of an effective commitments control system, the level of reported non-compliance remains high. Transactions are routinely made outside the control system and not documented adequately. Detected issues cover accounting practices and standards, cash management and banking, supporting documentation, procurement and payroll, and access to all records. Factors that hinder compliance include a lack of adequate record keeping and capacity and financial constraints. The combined reports of the NAO, the internal audit function, and the public procurement regulatory authority (PPRA) have revealed the extent of non-compliance with laws and regulations (PEFA 2013).

*Internal control issues cover several areas and there is widespread non-compliance with laws and regulations*

Even though there has been an improvement in primary school enrolments, the absorption quota of secondary and tertiary education institutions is weak. As the Bertelsmann Transformation Index (BTI) points out, gross enrolment in secondary school is only 35 per cent and 3.9 per cent in tertiary institutions. The demand for a well-educated workforce is likely to increase given the speed of economic development and transformation. Poor performance is also seen in government's administration and inability to provide more people with access to sanitation, clean drinking water, and the benefits of economic growth.

*Service delivery outcomes are weak and economic growth is non-inclusive*

## ENABLING ENVIRONMENT



### Economic context

Indicator	Source	Score	Year
GDP per capita (USD PPP)	World Development Indicators	2,67	2015
		2,55	2014
		2,42	2013
		2,29	2012
		2,21	2011

Indicator	Source	Score	Year
GDP growth	World Development Indicators	6.90% 7.00% 7.00% 7.30% 5.10% 7.90%	2011-2015 average 2015 2014 2013 2012 2011
Shadow economy to GDP	Research Prof. Schneider	36.00%	2000-2015 average
Land locked	No		
Driving sectors	Agriculture: 30.50%; Industry: 25.90%; Services: 43.60% (2015)		

*Obstacles to growth include red tape, corruption, low productivity, and an unqualified workforce*

Tanzania's economy is characterised by solid growth rates and a steady increase in per capita GDP in recent years. The government managed to develop a favourable environment for economic growth by keeping inflation low and through sensible fiscal policy. The mining, transportation, communication, construction, and agriculture sectors have driven economic expansion. The agriculture sector contributes 30.5 per cent of value added, which is slightly bigger than manufacturing but smaller than the services sector. Manufacturing is still characterised by strong state involvement, which is a relic of a socialist past. The high dependency on agriculture for employment and the relatively low productivity of the sector is a challenge. Red tape, corruption, and an unqualified workforce represent additional obstacles to growth. The expected take-off of oil and gas production bears potential for economic growth and transformation of the economy.

### Political economy

Indicator	Source	Score	Year
Statehood	BTI	7.25	2016
Steering capability	BTI	5.67	2016
Consensus building	BTI	4.80	2016
Conflict intensity	BTI	5.00	2016

#### Statehood

*There are separate governments for the union, mainland, and islands*

The United Republic of Tanzania is a union of the former regions of Tanganyika (Tanzania mainland) and the Zanzibar archipelago, which holds a semi-autonomous status. Currently there are three governments, one for the union, one for the mainland and one for the islands. The situation between the mainland and islands differs vastly in some areas, however there is no serious challenge to government. The only struggles the state currently faces are violent crime and clashes about land rights.

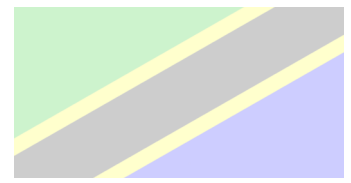
*The opposition claim that the new Constitution does not sufficiently limit executive power or introduce adequate checks and balances*

Tanzania has a well-developed national identity. Government has always tried to socially integrate different ethnic groups. Nevertheless, civil society groups and the opposition complained about being excluded in the process of developing a new Constitution. After accusing the government of intimidation and abuse, opposition parties pulled out of the consultation process and rejected government's proposal. The key criticisms of the opposition were that the proposal did not sufficiently limit the power of the executive, introduce an adequate system of checks and balances, or make room for discussions about the establishment of a federal system and greater autonomy of the Zanzibar islands. So far the referendum on the new Constitution has not been conducted.

*The public administration's capacity to implement development goals is limited*

Tanzania's public administration is divided into three layers, with a national, regional, and district level. The administration can provide basic services, but lacks the human and financial resources necessary for more complex tasks related to development goals. The public administration also suffers from political interference.





### Steering capability

The government has had two Strategies for Growth and Poverty Reduction since 2005 and there is a new plan for 2016/17 - 2020/21. There is also a long-term development strategy until 2025, the Tanzania Development Vision 2025. The development strategies are coordinated with the donor community, which has a strong influence due to the high levels of ODA. The focus of the strategies is mainly on social and economic development through the removal of bureaucratic impediments, facilitating a better business environment, and eradicating corruption.

*Development strategies focus on social and economic development and are coordinated with the donor community*

The government made some progress with policy implementation despite existing capacity gaps. Progress was especially notable for economic, fiscal, and monetary policy goals. In contrast, the government failed to reduce poverty, create jobs, and fight corruption. Concerning the achievement of the MDGs, government has a mixed record. Little has been done to consolidate democratic structures and processes, mostly because it has not been a priority of the ruling government party.

*The government has failed to reduce poverty, create jobs, fight corruption, and consolidate democratic structures*

### Consensus building

The political elite, opposition, and civil society admitted there was a need to adapt the institutional framework of the country following the start of the constitutional review process. Otherwise there was no agreement on necessary changes. The opposition parties and civil society were keen to change the rules of the game and move towards a more open democracy with more opportunities for public participation.

*There is no agreement between stakeholders about adaptations to the country's institutional framework*

Divisions exist between the mainland and the islands, federalists and centralists, and to some extent between Muslims and Christians. The government could mostly integrate the relevant stakeholders except for some from Zanzibar, thereby reducing the risk of conflict. During the institutional review process, however, conflicts between the government party, the opposition, and civil society intensified. Deficiencies in conflict management led to a boycott of the review process by the opposition and civil society organisations. In general, civil society is not widely included in policymaking in Tanzania. The government welcomes their engagement as long as it is restricted to supplementing or substituting government services, but rejects their political engagement.

*There was conflict between stakeholders during the institutional review process and the government rejects political engagement by civil society organisations*



### Anti-corruption

Indicator	Source	Score	Year
Most/all government officials are corrupt	Afrobarometer	24.90%	2014/15
Independent body investigates against senior level politicians/ public servants	Global Integrity	12: 50%	2016
Public sector corruption is investigated effectively	Global Integrity	13: 50%	2016
Staff appointments support Independence	Global Integrity	14: 50%	2016
Corruption Perception Index	Transparency International	CPI: 30 (117/158)	2015

Corruption remains a major issue in Tanzania, with no effective follow through on announcements by the government to eradicate corruption. According to Afrobarometer, close to 25 per cent of Tanzanians believe that most, or all of their government officials are corrupt. Public servants have the reputation of being uncommitted, unaccountable, and corrupt. This is mostly seen as a result of poor salaries. Transparency International's Corruption Perception Index (CPI) ranks Tanzania 117 out of 158 assessed countries.

*Public servants are perceived as uncommitted, unaccountable, and corrupt*

The official corruption investigation body is the Prevention and Combating of Corruption Bureau (PCCB). In the past, the Bureau investigated low and high profile suspects and brought some cases to court. Investigations by the PCCB can either be taken up upon complaint, independently, or proactively. The fact that certain investigations have taken

*Investigations by the anti-corruption bureau can be taken up upon complaint, independently, or proactively but can also take several years to complete*

several years has led to frustration and added to the public's negative perception of the PCCB.



## Governance

Indicator	Source	Score	Year
Public access to information	PEFA	PI 10: B	2013
Right to request information	Global Integrity	All 41: No	2016
In practice request for information are effective	Global Integrity	All 42: 0.00%	2016
Access to legislative processes and documents	Global Integrity	All 43: 25.00%	2016
Government censoring of media	Global Integrity	All 55: 50.00%	2016
Rule of law	Bertelsmann	BTI: 5.50	2016
Political participation	Bertelsmann	BTI: 6.75	2016
Freedom of the press	Freedom House Reporters without borders (RSF)	FH: Partly free RSF: 28.65 (rank 71/180)	2016 2016
Gender equality	Gender Inequality Index (UNDP)	0.55	2016

*Limited information is provided by government except for enacted documents*

There is a severe lack of government transparency. Tanzania does not have a law allowing citizens to request information, although the Constitution grants a general right to citizens to seek information. An Access to Information Bill was drafted with the support of the Open Government Partnership, but it is yet to be presented in parliament. Information provided by government institutions is normally limited to within the structure and the tasks of the entities. Applications to request information that are integrated into government entity websites rarely function. Requests filed to government entities directly are often not attended to, and when a response is given it normally takes more than a month and the information provided is often limited. With regard to legislative information, the situation is slightly better as enacted documents are available online a week after enactment, and can also be accessed physically. Information about debates, committee records, votes, and attendance rolls are not available for citizens. Four out of six standard types of public finance information are available to the public.

*The president and the National Assembly are elected by popular vote but the space for political participation is limited*

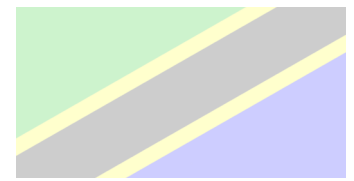
Tanzania's political participation record is slightly better. Since the end of single-party rule, citizens are invited to elect the president and the National Assembly every five years by direct popular vote. There are several active parties, with three parties dominating the political scene. The government party has ruled since independence and has a strong influence on national and subnational election processes. For example, the Constitution allows the president to appoint the National Election Commission and although opposition parties have become stronger since the 1990s, the 2015 election result made it clear that the opposition was not a real electoral threat to the current government party. Beyond elections, the possibilities to participate are limited.

*Freedom of expression is limited and there are legal and practical barriers to press freedom*

The government has the right to deregister NGOs at any time, which might incentivise NGOs to act with undue caution. The Constitution provides for freedom of expression without mentioning the press explicitly. In practice, this right is sometimes restricted on the mainland and frequently limited in Zanzibar. With 13 newspapers on the mainland and one government-owned newspaper on the islands, there is a diverse media landscape. Freedom House considers the press to be partly free due to legal and practical barriers like intimidation, vandalism, and prohibition of publications. Reporters without Borders rank freedom of the press in Tanzania 71 out of 168 countries. This is a marked deterioration from its rank of 41 in 2010.

*The executive dominates the legislature and exerts pressure on the judiciary, which the constitutional review process aims to change*

The Constitution ensures separation of powers between the executive, legislature, and judiciary. The executive, however, clearly dominates the legislature. Many political processes are steered by committees of the ruling party, rather than by parliament. But parliament has been able to turn down certain government proposals. The chief justice is appointed by the president based on recommendations from the Judicial Service



Commission. The executive also exerts pressure on the judiciary, for example which cases to follow-up and what approaches to take. Moreover, the judiciary lacks sufficient resources to carry out its role properly. There are doubts among citizens whether the judiciary can guarantee fair trials and high levels of corruption exacerbate this problem. Changing the current situation is a key focus of the constitutional review process.

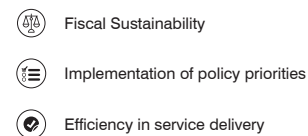
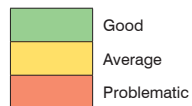
## DEVELOPMENTAL IMPACT

Indicator	Source	Score	Year
Human Development Index	BTI	0.49 (159/187) 0.48 (152/187) 0.47 (152/187) 0.53 (151/182)	2016 2014 2012 2010
Millenium Development Goals (MDGs)	MDG Status Report	MDG 1: not achieved, but progress. MDG 2: likely to be achieved. MDG 3: likely to be achieved. MDG 4: achieved. MDG 5: missed with little progress. MDG 6: achieved. MDG 7: missed with little progress.	
Extreme poverty (below 1.90 USD PPP 2011)	World Development Indicators	14.40% 19.00% 44.50% 29.00%	2011 2007 2000 1991
Primary school enrolment	World Development Indicators	80.90% 84.20% 88.70% 89.30%	2013 2012 2010 2005
Primary school completion	World Development Indicators	73.70% 78.60% 87.60% 54.60%	2013 2012 2010 2005
Infant mortality (per 1 000 inhabitants)	World Development Indicators	35.20	2015
Maternal mortality (per 100 000 inhabitants)	World Development Indicators	398.00 418.00 438.00 464.00 483.00 687.00	2015 2014 2013 2012 2011 2005
Income inequality: GINI index	World Development Indicators	37.80	2011
Life expectancy	BTI	61.50 60.10 57.00 55.00	2016 2014 2012 2010
UN education index	BTI	0.43 0.45 0.45 0.67	2016 2014 2012 2010
Environmental performance	Yale EPI	4.08 (132/180)	2015
Environmental policy	BTI	3.00	2016

*While many MDGs were achieved, poverty reduction and environmental sustainability remain a challenge*

Despite weaknesses in the PFM system the government managed to partly achieve its development goals. The Human Development Index (HDI) has steadily improved since the 1990s, but has stalled at a low level in recent years with the country's ranking deteriorating. Nevertheless, the government achieved most of the Millennium Development Goals (MDGs). The government managed to increase primary school enrolment, introduce free primary school education, and improve the access of girls to education. Scores in the United Nation's education index have, however, fallen since 2010. The government managed to reduce child mortality and achieved their health MDG target before 2015. Likewise, government was able to reverse trends in HIV/AIDS infection rates and incidences of tuberculosis. Yet maternal health and access to clean water and sanitation objectives were missed. Further challenges exist around poverty reduction and environmental sustainability. In 2011, 14.4 per cent of the population lived on less than 1.90 USD a day. Furthermore, the gap between the rich and the poor is widening. The Gini Index shows that inequality is still moderate by international and African standards.

# UGANDA



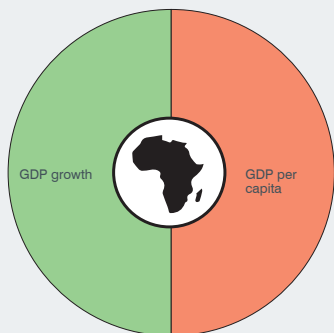
## Enabling environment

## Processes

## Outcomes

## Developmental impact

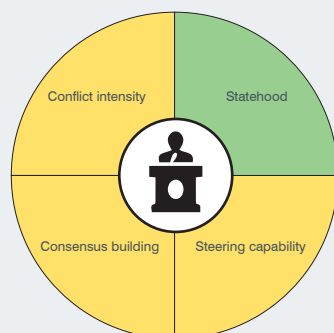
### Economic context



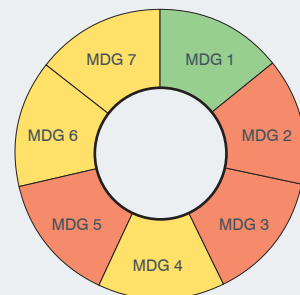
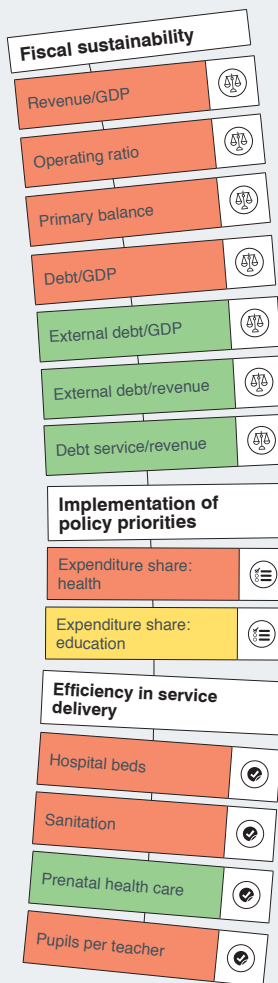
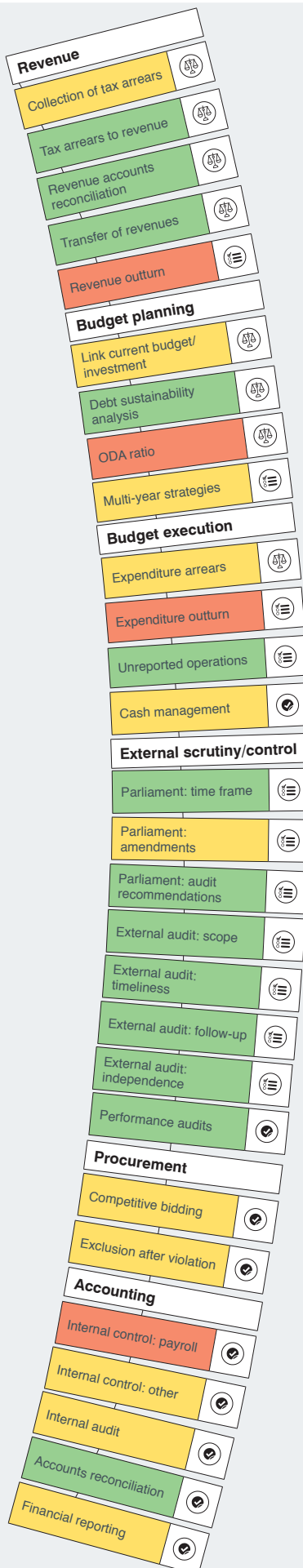
### Anti-corruption



### Political Economy



### Governance



HDI	-0.03
Extreme Poverty	10.10%
School enrolment	93.70%
School completion	55.60%
Infant mortality	37.70
Maternal mortality	343.00
Gini Index	42.40
Environment: performance	57.56 (Rank 135/180)
Environment: policy	5.00



# 7 UGANDA

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## EXECUTIVE SUMMARY

Due to high population growth, Uganda's robust economic growth over the last 20 years has led to minimal progress in terms of per capita gains. Despite the government's commitment to development and the existence of ambitious development plans, progress has been disappointing. Growth has not been inclusive, and some parts of the country remain economically and socially marginalised. In terms of human development, Uganda only improved slightly in absolute terms and regressed in relation to other countries, currently ranking 164 of 187 countries. Progress towards the millennium development goals (MDGs) has been mixed. This is especially evident in the areas of health, education and gender, with only slight improvements being made. Lately, concerns about environmental protection and the effects of climate change have arisen. Slow progress towards these MDGs can partly be linked to weaknesses in the public finance management (PFM) system.

Though public finances are managed in a sustainable manner, Uganda's dependency on aid is significant. Domestic revenue mobilisation remains weak and below regional averages. Furthermore, resources are not always utilised effectively or efficiently. There are shortcomings in budget planning and execution, with budgets tending to be unreliable and lacking credibility. In the execution of the budget, problems exist around cash management. Although there are solid internal controls and procedures in place, enforcement is weak. In addition, public procurement is weak and impacts on the ability of the government to effectively fight corruption. Internal and external audit as well as legislative oversight are, relatively speaking, the best performing areas in Uganda's PFM system.

Overall, Uganda has many well-developed PFM processes and procedures in place, however, poor implementation adversely affects service delivery and the achievement of development results. This problem is not restricted to the PFM system alone, but seems to be relevant for the entire administration and the political sphere.



## PFM CORE PROCESSES AND OUTCOMES



### Fiscal sustainability

Process Indicators	Source	Score	Year
Cost of Tax Administration to revenue	ATO	2.00%	2014
Arrears to net tax revenue	ATO	Below 5.00%	2014
Arrears recovery of total Arrears	ATO	Between 20.00% and 25.00%	2014
Collection of Tax Arrears	PEFA	PI 15.10: C	2012
Revenue Accounts Reconciliation	PEFA	PI 15.30: A	2012
Transfer of Revenues	PEFA	PI 15.20: B	2012
Linkage between Investment Budget	PEFA	PI 12.40: C	2012
Expenditure Arrears	PEFA	PI 4: C+	2012
Debt Sustainability Analysis	PEFA	PI 12.20: A	2012
ODA/Total Government Expenditure (Aid Dependency)	World Development Indicators	58.50%	2012
<b>Outcome indicators</b>			
Revenue-to-GDP ratio	CABRI	13.60% 12.80% 13.50%	2014 2013 2012
Operating ratio	CABRI	79.70% 76.10% 81.90%	2014 2013 2012
Primary balance	IMF	-4.60% (estimate) -3.00% -2.70% -2.20%	2016 2015 2014 2013 2012
Debt to GDP ratio	IMF	+62.70% 37.90% (estimate) 31.10% 26.40% 23.30%	2013-2016 change 2016 2015 2014 2013
External debt to GDP ratio (IMF threshold 40%)	IMF	25.80% (projection) 19.30% 16.10% 15.20%	2016 2015 2014 2013
PV external debt to revenue ratio (IMF threshold 250%)	CABRI	119.50% 120.10% 80.70%	2017 2016 2015
External debt service to revenue ratio (IMF threshold 20%)	IMF	5.40% (projection) 3.50% 4.50% 4.10% 4.30%	2016 2015 2014 2013 2012

Uganda's public finances are currently sound and sustainable, but challenges remain around the high dependency on Official Development Assistance (ODA) (58 per cent) to supplement low levels of revenue collection. The continuous increase in internal and external public debt levels and a sustained primary deficit threaten to push the country's debt figures over critical thresholds. The government regularly monitors these indicators. The upward trend in debt, however, causes grave concern when one

*The upward trend in debt is concerning given weaknesses in domestic revenue mobilisation*



considers the continued weaknesses in domestic revenue mobilisation. With a tax-to-GDP ratio of 13.6 per cent, Uganda belongs to a group of countries with the lowest ratios in the region. This is aggravated by tax arrears. While the overall volume of tax arrears is moderate at below five per cent of annual revenue collections, the 2012 Public Expenditure and Financial Accountability (PEFA) assessment revealed that 57 per cent of these arrears were older than a year. This matches with the African Tax Administrator's Forum's (ATAF) African Tax Outlook Statistics which shows that the recovery rate is only 20 to 25 per cent of the overall arrear stock. Information on tax arrears is solid since tax assessments and tax payments are reconciled automatically. Similarly, collections by the revenue authority and treasury receipts are reconciled daily. Revenue account reconciliation takes place monthly.

*Incorrect budgeting and procurement procedures contribute to issues with expenditure arrears*

The government is also struggling with expenditure arrears. According to PEFA, several expenditures are not budgeted for correctly despite numerous control mechanisms being in place. This means that allocations often fall short of required levels, with the main issues being delayed utility bills and under-budgeted salaries. Commitment controls are weak as some Ministries, Departments and Agencies (MDAs) procure goods or services directly from suppliers without entering them into the integrated financial management system (IFMIS). In these cases, the accountant general might refuse payment. As a legally binding contract has been entered, however, the corresponding obligation is captured as an expenditure arrear.

*Several issues need to be resolved before the existing expenditure arrears can be settled*

The government targets to settle existing expenditure arrears and minimise the creation of new arrears. This is often undermined by a lack of fiscal discipline, poor planning and budget constraints. PEFA notes that another problem on the expenditure side of the budget is the weak link between investments and their effects on the recurrent budget. This is due to the absence of examination and integration of the recurrent cost implications of investments.



### Implementation of policy priorities

Process Indicators	Source	Score	Year
Overall expenditure outturn	PEFA	PI 1: C PI 2: D+	2012
Revenue outturn	PEFA	PI 3: D	2012
Multi-year perspective	PEFA	PI 12.10: C PI 12.30: C	2012
Unreported government operations	PEFA	PI 7.10: B	2012
Parliamentary scrutiny: time frame, budget amendments, audit recommendations	PEFA	PI 27.30: A PI 27.40: C PI 28.30: B	2012
External audit: scope, quality, follow-up	PEFA AFROSAI-E SA	PI 26: B+ SA: all?; PA: 11	2012 2015
External-audit: independence	GI	All 7: 5.25 Q 9 + 10: 4,70	2016 2015
<b>Outcome indicators</b>			
Public health expenditure/GDP	World Development Indicator	1.80%	2014
Public health expenditure/total expenditure	World Development Indicator	11.00%	2014
Government education expenditure/GDP	World Development Indicator	2.20%	2013
Government education expenditure/ total expenditure	World Development Indicator	11.80%	2013

*Budget forecasts are often unreliable and changes in the MTEF occur regularly*

In the past, figures in the budget were often vastly different from actual outcomes. This indicates that the budget cannot be considered as a strategic planning or effective steering document. The credibility of the budget is poor for both expenditure and revenue. The medium-term forecasts are also unreliable. The medium-term expenditure framework (MTEF) covers five years and is aligned to the five-year national



development plan. The figures in the outer years of the MTEF can differ greatly from the eventual expenditure ceilings in subsequent budgets. Changes in the framework occur regularly and lack transparency. The reliability of the forecast is crucial for the implementation of development plans.

In contrast to scores on budget planning and execution, PEFA rates the control and scrutiny of the legislature and supreme audit institution as much better. Regarding legislative oversight, parliament is usually given enough time to analyse and scrutinise the budget proposal and respond to it. Parliament is given one and a half months to consider the macro-fiscal aggregates and more than three and a half months for the budget estimates. Concerning in-year budget amendments, clear rules also exist for parliamentary scrutiny. The Constitution stipulates that within four months of expenditure, these budget amendments need to be reported to parliament. The Budget Act 2001 limits the level and amounts of amendments to 3 per cent of total expenditure. In practice, however, the executive branch does not respect these rules.

*There are good rules governing parliamentary oversight and scrutiny of the budget*

Parliamentary accountability committees, however, have not been able to discuss the reports issued by the auditor general or other process reports timeously. The backlog in parliamentary responses has been increasing and some reports discussed at the Public Accounts Committee level were not tabled at the plenary level. On the positive side, parliament's recommendations to the Ministry of Finance (responsible for preparing a Treasury Memorandum) often have practical implications like leading to the development of new policies, the introduction of new laws, and counter-measures by certain MDAs.

*While budget accountability is lacking, parliamentary recommendations often lead to reforms*

Regarding external audit, different assessments conclude that performance is acceptable but still somewhat weak. In general, the Office of the Auditor General (OAG – the Ugandan Supreme Audit Institution) can operate independently and auditors can carry out their work without fear of threats. The 2015 annual report (for the financial year 2014/15) was handed to parliament in December 2015 and included 1 518 financial audits, 11 value for money audits, and 4 specialised audits. 694 financial audits were still, however, in progress. This equates to a near 100 per cent coverage of central government entities, according to PEFA methodology. Recommendations of the OAG to the accounting officers at the MDAs are followed up in subsequent audits.

*The OAG operates independently and almost all central government entities were audited in 2014/15*

Concerns do exist around the limited financial resources that are allocated to the OAG. The funds allocated in the budget are not sufficient for the OAG to carry out their work effectively. Moreover, cash rationing by the government effectively decreases the actual budget allocation to OAG. In the past, civil society organisations criticised the scarce resource endowment of the OAG as an obstacle in the fight against corruption. For the past three years, donors have supplemented the OAG's budget by between 5 and 15 per cent.

*Limited financial resources mean the OAG is reliant on donor funding to carry out their work effectively*

Regarding development-oriented public expenditures, the budget has prioritised public works, roads, and energy. These three areas have been given priority over education and health for the past three years. The shares of education and health, in relation to GDP, are small at 2.2 per cent and 1.8 per cent, respectively. Additionally, expenditure on health has been declining consistently over recent years.

*Expenditure priority is assigned to public works, roads, and energy*



## Efficiency in service delivery

Process Indicators	Source	Score	Year
Cash management	PEFA	PI 16: C+	2012
Procurement: competitive bidding	GI PEFA	All 25: 50% PI 19,20: D	2016 2012
Procurement: public access to contracts	GI PEFA	All 26: 25% PI: 19,30: C	2016 2012
Procurement: exclusion from future biddings	GI	All 28: 50%	2016
Internal control: payroll	PEFA	PI 18: D+	2012
Internal control: non-payroll	PEFA	PI 20: C	2012

## GOOD FINANCIAL GOVERNANCE HEAT MAP

Internal audit	PEFA	PI 21: C+	2012
Accounts reconciliation	PEFA	PI 21: C+	2012
Financial reporting	PEFA	PI 25: C+	2012
Performance audits	AFROSAI-SA	Yes: 11 conducted	2015
<b>Outcome indicators</b>			
Hospital beds per 1 000 inhabitants	World Development Indicators	0.50 1.00 0.92	2010 2005 1991
Access to sanitation	World Development Indicators	19.10% 16.80% 13.20%	2015 2005 1990
Access to prenatal healthcare	World Development Indicators	93.30% 93.50% 91.20%	2011 2006 1995
Pupil-teacher-ratio (primary education)	World Development Indicators	45.60 49.90 59.40 29.40	2013 2005 1997 1990
Average number of pupils per mathematics textbooks in primary education (number)	World Bank Education Data Set	3.11 3.15	2011 2010
Average number of pupils per reading textbooks in primary education (number)	World Bank Education Data Set	2.85 2.36	2011 2010

*Poor cash management constrains the efficient absorption and utilisation of funds and the execution of government programmes*

Regarding PFM core processes, Uganda is performing poorly in the processes that impact on service delivery. Cash management is a key shortcoming in Uganda's PFM system. According to the PEFA 2012 assessment, although monitoring and forecasting of cash flows is done regularly, work plans and cash forecasts submitted by MDAs to the budget directorate for consolidation are of poor quality. Delays in funds being released to MDAs and local government happen often and cause under-spending or ad-hoc spending decisions. Poor cash management is a significant constraint for the efficient absorption and utilisation of funds, and the execution of core government programmes. In addition to poor management of cash flows, regular adjustments to the budget remain a challenge.

*Only bid invitations are made freely available to the public*

Uganda still faces public procurement challenges that weaken the efficient and effective use of public funds. Bid invitations for major procurements are openly advertised in major newspapers, and made public on the Procurement and Disposal of Public Assets Authority's (PPDA) website and on the website of the MDA undertaking the transaction. Evaluation criteria, however, are not made public and are only visible to those parties who buy the bidding documents.

*The e-government procurement system was launched in 2015 to combat procurement issues*

Global Integrity have raised accusations of flawed procurement laws and regulations. Major public procurements associated with allegations of bribery and ghost contractors include the \$8.5 billion Standard Gauge Railway project and the Shs165 billion Mukono-Katosi road. Although the PPDA maintains an online archive, it does not provide complete records of all procurement contracts. Complete records are often not available on request, which makes it difficult to investigate procurement processes. This is especially the case for big procurement projects above the threshold of 50 Million Ugandan Shillings. The PPDA is also granted powers to refuse disclosure of this information. Currently, it is only the auditor general that has full access to procurement-related information. In 2015, government launched the e-government procurement system which is aimed at promoting efficiency and accountability in public procurement, and empowering entities to better manage the procurement and disposal process.

*Violations of procurement laws result in exclusion from future procurements, although this is sometimes ignored*

In case of violations against procurement laws, companies can be excluded from future procurements for a certain period, or permanently. The period of exclusion is decided on a case by case basis. Companies that are excluded are put on a blacklist, which is



publicly accessible on the PPDA's website. Companies that are on the World Bank's blacklist are also usually banned from procurement processes. Still, there have been a couple of cases where the blacklist has been ignored. In some cases, the Constitutional Court has also intervened and issued interim orders to stop exclusion until pending disputes were resolved (Global Integrity).

With the introduction of IFMIS the internal control mechanism should have been strengthened. Although commitment control procedures exist, they are not totally effective as they do not cover all expenditures. If they do apply, IFMIS does not allow commitments to be entered into the system if they exceed a certain limit. This means MDAs are incentivised to make commitments outside the system to circumvent this barrier. To strengthen the internal control mechanisms, the accountant general refuses to pay bills that are produced outside of the system and to any suppliers that have been warned by public notice. This strategy has led to an increased accrual of expenditure arrears given that legally binding contracts have not been entered or honoured.

*MDAs are incentivised to circumvent commitment control procedures*

According to PEFA, there is a well-developed level of awareness among MDAs on internal control procedures. Nevertheless, internal audit units, the inspectorate department, and the auditor general emphasised that there are several irregularities among MDAs. A report by the Budget Monitoring and Accountability Unit stated that compliance with rules and procedures was also weak due to poor supervision by accounting officers and the heads of finance departments. The report also pointed out that the lack of compliance with internal controls, rules and procedures is a major obstacle to service delivery.

*Poor supervision has led to low levels of compliance with internal control procedures*

PEFA has affirmed substantial progress in terms of internal audit. Internal audit departments are operational in most MDAs, and backstopping is provided by the Internal Auditor General's Office. Internal audit is meeting professional standards and focusing on systemic issues. Reports are produced quarterly and findings are consolidated in an annual report which is distributed to key stakeholders. The auditor general makes use of the results of internal audit reports during its own work. Despite many improvements in internal auditing, the follow-up of recommendations remains dependent of personalities and is a far way from being systematic. A fair share of actions have been implemented, even if these are often done with delay.

*Internal audit is meeting professional standards and a fair share of actions have been implemented*

Financial reporting in Uganda is considered sound. Financial statements include comprehensive information on revenue, expenditure, and financial assets and liabilities. Exceptions include externally financed projects, and some liabilities and contingent liabilities. The submission of financial statements is done by accounting officers and takes place within two months of the financial year end. The accountant general is expected to consolidate and submit all accounts to the Minister of Finance and the auditor general within three months of the end of the financial year. This equals an 'A' rating with PEFA. One of the weaknesses identified by PEFA refers to the accounting standards, which do not meet International Public Sector Accounting Standards (IPSAS) standards.

*Financial reporting is sound, but the accounting standards must be lifted to meet IPSAS standards*

## ENABLING ENVIRONMENT



### Economic context

Indicator	Source	Score	Year
GDP per capita (USD PPP)	World Development Indicators	1 830	2015
		1 780	2014
		1 720	2013
		1 700	2012
		1 650	2011
GDP growth	World Development Indicators	5.40%	2011-2015 average
		5.00%	2015
		4.80%	2014
		3.30%	2013
		4.40%	2012
		9.70%	2011

Indicator	Source	Score	Year
Shadow Economy to GDP	Estimate Prof. Schneider	25.80%	2000-2015 average
Land locked	Yes		
Driving sectors	Agriculture: 24.70%; Industry: 20.40%; Services: 54.90%		

*Uganda remains one of the least developed countries despite economic growth*

After economic turmoil in 2011, Uganda has subsequently achieved robust growth rates. Due to high population growth, however, GDP per capita has only increased at a slow pace. Consequently, Uganda remains part of the group of least developed countries (LDC). Growth led to the development of a substantial middle class, but at the same time a large part of the population is still trapped in poverty and a larger part risks slipping back into poverty. This has translated into an unequal distribution of income and meant that recent development achievements cannot be consolidated.

*The discovery of oil fields offers new development potential but also poses risks*

Despite the government's development orientated policies, the country has failed to take full advantage of its potential. New development potential lies in the exploitation of newly discovered oil fields, which are assumed to take off from 2018. The discovery of these oil fields, however, also bears risks of internal conflict and natural resource management issues related to the environment and revenue management. As a landlocked country, Uganda also finds it relatively more difficult to integrate with international trade - especially beyond the region.

### Political economy

Indicator	Source	Score	Year
Statehood	BTI	7.70	2016
Steering capability	BTI	7.00	2016
Consensus building	BTI	5.86	2016
Conflict intensity	BTI	6.00	2016

*The state is generally able to ensure a stable environment, but localised security risks are present*

In general, the state enforces its monopoly of force (represented by the police, the military, and any other form of authority) countrywide although it is sometimes challenged in some parts of the country. Generally, though, the government can ensure an overall stable environment. The most recent conflicts occurred in the north-eastern part of the country in Karamoja. Clashes here were between official security forces and the local population, with divisions in local society arising from time to time. Despite progress being made, several risks for these clashes still exist. There are widespread perceptions of economic and political marginalisation and a growing frustration among young and unemployed people. This means that there is increased risk for social discord if growth cannot be accelerated and made more inclusive.

*Unstable neighbouring countries, internal rebel forces, and terrorist groups pose security risks*

Uganda also borders several fragile countries, including the Democratic Republic of Congo, South Sudan, Somalia and the Central African Republic. In terms of internal conflicts, the Allied Democratic Forces - a rebel group opposed to the Ugandan Government who were active since 1995 in Rwenzori, north-western Uganda - are now only active in Eastern Congo. There are concerns, however, that the group will return to Uganda. In 2014, the Rwenzori region experienced a violent clash with many people being killed. Unrests were tracked back to traditional rivalries, extension of power, and land disputes. Al-Shabaab militia also pose a terrorist threat due to the government's involvement in peacekeeping missions in Somalia.

*The quality of and access to public services varies by region*

Administratively, Uganda has developed infrastructure to enable the provision of basic public services and goods. In terms of the capacity of the public administration, this is stronger in the country's centre where district headquarters are located. Access to courts is guaranteed in the entire country. Public health services are offered throughout the country but are not always of a standard quality. Drugs are not always available and sometimes only given in return for bribes. If affordable, citizens prefer to use private health facilities. A World Bank survey revealed that health workers and teachers have high absence rates and are poorly trained. These are additional burdens on public service provision and speak to the poor performance by Uganda in achieving the MDGs.





The development strategy of the country is presented in the “Vision 2040” – a long-term strategy that includes various steps to develop Uganda into an Upper Middle Income Country over a 30-year period between 2010 and 2040. To achieve this target, National Development Plans are developed for five-year periods. Cornerstones of the strategy are investments in information and communication technology, as well as science and technology. Although certain structures have been put in place to implement the strategy and the underlying plans, short-term developments and events have impeded a coherent and successful implementation. Other challenges include a high dependency on donor funding, a lack of political will, and corruption.

*Development strategies are hindered by short-term decision making, lack of political will, and corruption*

All key stakeholders have similar development goals in mind. The market-economy is seen as the key to achieving development results, although privatisation of former parastatals sometimes causes hiccups in service delivery. Democracy, while accepted by all relevant actors, remains fragile and incomplete. The government was successful in weakening anti-democratic forces and integrating them into the established system, but has also been criticised for overstepping boundaries set by the Constitution. The last general elections in February 2016 saw the re-election of the incumbent president and were marred by irregularities and the arrest of political opponents as well as journalists. According to observers from the Commonwealth of Nations, the elections “fell well short of meeting many key democratic benchmarks relating to the conduct of fair and credible elections”. Governance in Uganda is basically understood as ruling by the government – at least when it comes to agenda setting. Participation of potential democratic actors is weak at this stage. This limits the influence of more progressive forces in the country. Non-governmental organisations (NGOs), academia and the media receive little attention, and are perceived as irrelevant stakeholders that do not need to be integrated into governance structures. Civil society enjoys a stronger role when it comes to development issues, which do not include questions of human rights and the political system.

*Election results are questionable and participation of democratic actors is weak*

## Anti-corruption

Indicator	Source	Score	Year
Most/all government officials are corrupt	Afrobarometer	47.80%	2014/15
Most /all tax officers are corrupt	Afrobarometer	48.30%	2014/15
Independent body investigates against senior level politicians/ public servants	Global Integrity	All 12: 50%	2016
Public sector corruption is investigated effectively	Global Integrity	All 13: 50%	2016
Staff appointments support Independence	Global Integrity	All 14: 50%	2016
Corruption Perception Index	Transparency International	CPI: 25 (Rank 139/168)	2015

Corruption is considered as a major impediment to public service efficiency and effectiveness and is also seen as the main reason why Uganda did not take full advantage of its development potential. According to the latest Afrobarometer Survey, 47.8 per cent of Ugandans perceive most, or all of their government officials, as corrupt. The reputation of tax officers is even worse. Slightly better is the reputation of members of parliament (MPs), where only 36.1 per cent of the respondents believe that all, or most MPs, are corrupt. This is in line with the findings of Transparency International, an expert perception index, which ranked Uganda 139 out of 168 assessed countries. Uganda is therefore perceived as one of the most corrupt countries in the world. Nevertheless, Global Integrity assigned Uganda’s anti-corruption structures a medium score. Investigations on cases of corruption fall under the mandate of the Inspectorate of the Government (IG). The IG has seldom initiated investigations, but complaints have been taken seriously and investigations undertaken. Regarding the efficiency of the IG’s operations, this differs vastly between district offices and headquarters due to structural deficiencies. The IG’s work gets delayed due to scarce financial and human resources. Furthermore, it often takes time to distinguish valid accusations from unfounded complaints. Further delays in investigations can be explained by poor cooperation between different government entities. Corruption is also investigated by other government entities such as the police service and Directorate of Public Prosecution.

*Despite adequate anti-corruption structures, Uganda is perceived as one of the most corrupt countries in the world*

This institutional setup not only causes delays but proves to be a systemic weakness in investigations of high profile cases. Suspects are aware and take advantage of the poor inter-institutional cooperation. In addition, the IG is weakened by political interference. In the past, the Attorney General's Office used courts to impede the inspectorate's work. The entity was also hindered with investigations of big procurement cases.



## Governance

Indicator	Source	Score	Year
Public access to information	PEFA	PI 10: B	2011
Right to request information	Global Integrity	All 41: Yes	2016
In practice request for information are effective	Global Integrity	All 42: 25%	2016
Access to legislative processes and documents	Global Integrity	All: 43: 25%	2016
Government censoring of media	Global Integrity	All 55: 25%	2016
Rule of law	Bertelsmann	BTI: 5.70	2016
Political participation	Bertelsmann	BTI: 5.60	2016
Freedom of the press	Freedom House Reporters without borders (RSF)	FH: 3.01 – partly free RSF: 32.58 (Rank 102/180)	2016
Gender equality	BTI	0.53	2016

*While access to budget information is good, the government does not respond adequately to requests and the cost to access information can be prohibitive*

Uganda's governance performance is mixed. Access to information is good and the government is very open when it comes to sharing information on the budget, in-year budget execution reports, end-of year financial statements, and external audit reports. Accessibility to larger procurement contracts, however, is not guaranteed. The government also does not respond to every request adequately and the administrative hurdles are high for citizens to request certain information. As most records are not available online, it takes at least three weeks for a request to be resolved. The cost for accessing information can also be prohibitive. Often the information officers responsible (by law) for handling requests are absent. Against this background the government is running a couple of initiatives to increase accessibility to information, sometimes in cooperation with civil society organisations.

*There is electronic and physical access to legislative documents*

When it comes to access to legislative processes and documents, the performance is better. Many documents are available online, but often not updated regularly. Information can also be accessed physically through the parliament's public relations office. Access via this channel is smooth for journalists but can be challenging for other citizens and can then take up to three weeks.

*Attacks on journalists and intimidation by the government encourages self-censorship of the press*

Regarding the freedom of the press, there are several challenges in Uganda. Although there is no active government censorship, the treatment of journalists and media house owners encourages self-censorship. This often occurs when reporting on high profile corruption cases and journalists and media houses face pressure to reveal their sources or are discredited by the state. According to Reporters without Borders, attacks on journalists occur daily and are committed by ruling party officials and security forces. The situation was especially bad in the context of the presidential election in 2016. Media houses covering campaigns of competing candidates were threatened with closure. Due to these shortcomings, Uganda only ranks 102 out of 180 countries and Freedom House considers Uganda's press as partly free.

*The rule of law is often disregarded and the work of parliament is weakened by the dominant role of the ruling party*

In terms of the rule of law, the Constitution clearly lays out the different responsibilities of state organs and how tasks are divided. Further, the institutional framework de jure provides a system of checks and balances. Nevertheless, the system is not enforced strictly. The government and the president regularly overstep these rules. Although the Constitution provides room for prosecution and removal of officials, no actions are taken in practice. The fact that many office holders in Uganda are directly appointed by the president favours their loyalty to him. Parliament, in contrast, is trying to fulfil its control





function by critically monitoring the government and trying to hold government officials accountable for their actions and any misconduct in office. The work of parliament is, however, weakened by the dominant role of the ruling party.

The independence of the judiciary is guaranteed by the Constitution and there is usually no interference, especially at the higher levels. Courts have a solid reputation and seem to fulfil their tasks. On lower levels, however, courts have the reputation of being corrupt and therefore do not enjoy a favourable reputation among citizens. The capacity of the judicial system also presents a challenge. It often takes many years for trials to commence, while the accused often stay in overcrowded prisons under inhumane circumstances. Another problematic feature of Uganda's judicial system is that in some cases military courts can also charge civilians. In these cases, the official system is undermined. This is especially problematic because fair proceedings cannot be guaranteed here since the military courts do not always act independently from the president.

*High level courts, unlike military and low level courts, usually operate without interference*

A problem remains in terms of abuse of office. Although there have been a couple of instigations, trials, and sanctions, there is still the belief that top office holders enjoy immunity. If cases become public, it is often more about finding a scapegoat and sanctioning individuals than addressing the systemic challenges.

*There is the belief that top officials enjoy immunity*

Regarding citizens, there is no systematic discrimination of a particular ethnic group. There have, however, been cases of expropriation without any adequate compensation. There are some reservations against the Asian minorities performing business in Uganda. The police have a reputation for torture and inhumane treatment of people. Lastly, the treatment received by sexual minorities is a huge matter of concern in Uganda.

*There have been cases of expropriation without compensation, police brutality, and intolerance of sexual minorities*

## DEVELOPMENTAL IMPACT

Indicator	Source	Score	Year
Human Development Index	BTI	-0.03 0.48 (Rank 164/187) 0.46 (Rank 161/187) 0.45 (Rank 161/187) 0.51 (Rank 157/182)	2010-2016 change 2016 2014 2012 2010
Millennium Development Goals (MDGs)	UN MDG Report Uganda	MDG 1: achieved to a great extent. MDG 2: not achieved. MDG 3: not achieved. MDG 4: narrowly missed. MDG 5: not achieved. MDG 6: partly achieved. MDG 7: progress, lack of data.	2015
Extreme poverty (below 1.90 USD PPP 2011)	World Development Indicators	10.10% 19.40% 28.60%	2012 2005 1992
Primary school enrolment	World Development Indicators	93.70% 93.10% 90.20% 93.50%	2013 2011 2010 2009
Primary school completion	World Development Indicators	55.60% 54.50% 56.70% 58.10% 57.40%	2013 2011 2010 2009 2005
Infant mortality (per 1 000 inhabitants)	World Development Indicators	37.70	2015

## GOOD FINANCIAL GOVERNANCE HEAT MAP

Maternal mortality (per 100 000)	World Development Indicators	343.00 356.00 372.00 395.00 408.00 504.00	2015 2014 2013 2012 2011 2005
Gini index	World Development Indicators	42.40	2010
Life expectancy	BTI	59.20 58.00 53.00 52.00	2016 2014 2012 2010
UN education index	BTI	0.48 0.48 0.48	2016 2014 2010
Environmental performance	Yale EPI	57,56 (Rank 135/180)	2016
Environmental policy	BTI	5.00	2016

*Few of the MDGs have been achieved and the country has fallen in the HDI rankings*

Despite several improvements in different PFM processes and good results in several assessments, the government has not been able to take full advantage of its development potential. In terms of human development, there has even been a decrease in the country's international ranking. Currently Uganda only ranks 164 out of 187 assessed countries, down seven places since 2010. With regard to extreme poverty, Uganda was able to achieve MDG 1. MDG 2 on education was missed as well as the target related to gender equality. Similarly, the government only accomplished a few of the MDG targets related to health. In the reduction of child mortality, progress was made, but the goal was narrowly missed. The target on improving maternal health was clearly missed. The government did achieve increases in life expectancy. With regards to HIV/AIDS, universal treatment could be achieved, however, the spread of the disease could not be halted or reverted. Even worse, among younger people there has been an increase in the HIV/AIDS infection rate. Also concerning public health, the government is not providing sufficient access to water and sanitation to the entire population. With regard to the environment, no rating was made on MDG 7 due to a lack of data. In Yale's environmental performance index, Uganda ranks 135 out of 180 countries. Especially concerning is the loss of forest coverage in the past years.

# Annexure I: Sources

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The Good Financial Governance Heat Map uses data collected from a range of internationally established sources. It is not possible in the context of this report to give all the details about the methodology used by each of the sources. Below you will find an overview of our sources, based on how they describe their purpose and methodology, and links on where to find more detailed information.

## **African Tax Outlook (ATO):**

The ATO was first published by the African Tax Administration Forum in 2016. The report assesses and compares countries' tax bases, tax structure, revenue performance, and tax administration. The objective is to provide a reliable source of taxation information that can serve as an African and global benchmark when formulating tax policies and administrative reforms across Africa. More information is available on their website: <http://www.ataftax.org/>

## **Afrobarometer:**

Afrobarometer is a partnership of non-partisan African research institutes that conduct regular face-to-face public attitude surveys on democracy, governance, economic conditions and related issues across more than 30 countries in Africa. More information is available on their website: [www.afrobarometer.org](http://www.afrobarometer.org)

## **AFROSAI-E self-assessment:**

The African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) is a network of 26 mostly Anglophone Supreme Audit Institutions promoting effective public audit in Africa. Questionnaires are sent to members annually to identify gaps and challenges that Supreme Audit Institutions (SAIs) face in terms of: capacity; independence and the legal framework; organisation and management; human resources; audit standards and methodologies; and communication and stakeholder management. The SAIs are requested to rate themselves on a scale from 1 (no action taken) to 4 (full satisfaction). More information is available on their website: <https://afrosai-e.org.za/>

## **Bertelsmann Transformation Index (BTI):**

The BTI analyses the quality of democracy, the market economy, and political management in 129 developing and transition countries. It measures successes and setbacks on the path toward a democracy based on the rule of law and a socially responsible market economy. Guided by a standardised codebook, country experts assess the extent to which 17 criteria have been met. Results and more information on the methodology is available on their website: [www.bti-project.org](http://www.bti-project.org)

## **The Collaborative Africa Budget Reform Initiative (CABRI):**

CABRI is an intergovernmental organisation that provides African finance and planning ministries with a platform for peer learning and knowledge exchange. The organisation has set up an online Public Financial Management Knowledge Hub that makes available information on public finances in Africa. The online portal enables users to access a comprehensive repository of government budget information, via the online search facility, for 53 African countries. Budget speeches, budget proposals, appropriation acts, treasury guidelines, and many more budget-related documents are available. More information is available on their website: [www.cabri-sbo.org](http://www.cabri-sbo.org)

## **Corruption Perception Index (CPI):**

Transparency International (TI) publish a CPI that uses expert assessments and opinion surveys to rank countries according to their perceived levels of corruption. 178 countries are assessed on a scale from 0 (highly corrupt) to 100 (very clean). TI actively promotes changes in laws and behaviour. More information is available on their website: [www.transparency.org](http://www.transparency.org)

## **Freedom House:**

Freedom of the Press is an annual report on global media independence published by Freedom House. It assesses the degree of print, broadcast, and digital media freedom in 199 countries and territories. Published since 1980, it provides numerical scores and country narratives evaluating the legal environment for the media, political pressures that influence reporting, and economic factors that affect access to news and information. External analysts assess the 199 countries and territories, using a combination of on-the-ground research, consultations with local contacts, and information from news articles, nongovernmental organizations, governments, and a variety of other sources. Expert advisers and regional specialists then vet the analysts' conclusions. The final product represents the consensus of the analysts, advisers, and Freedom House staff. More information is available on their website: <https://freedomhouse.org/>

### **Global Integrity (GI):**

GI monitors corruption and governance across the world. The Africa Integrity Indicators are scored by in-country researchers following an evidence-based investigation methodology: Rather than relying on experiences or pre-existing perceptions by experts, the strength of GI's methodology is that it requires a variety of sources of information to be reviewed and documented (including legal and scholarly reviews, interviews with experts, and reviews of media stories) to substantiate the score choice. Following the qualitative assessment compiled by the researcher, the resultant data points are then reviewed blindly by a panel of peer reviewers, drawing on the expertise of a mix of in-country experts as well as outside experts. More information is available on their website: [www.globalintegrity.org](http://www.globalintegrity.org)

### **The International Monetary Fund (IMF):**

The heat maps use data collected by the IMF to assess the fiscal sustainability of countries. The IMF provides advice on macroeconomic policies in the context of IMF-supported programs and surveillance, and publishes a number of documents and reviews housed on their website: <https://www.imf.org/en/Data>

### **The Millennium Development Goals Track:**

The eight Millennium Development Goals (MDGs) were time-bound and quantified objectives to halve extreme poverty by 2015. The MDGs included different dimensions of poverty: income poverty, hunger, disease, lack of adequate shelter, exclusion and promoted gender equality, education, and environmental sustainability. To assess the progress made by the countries included in the report, data from the MDG Track was used. The MDG Track is an initiative that monitors progress towards the MDGs in 144 countries. More information is available on their website: <http://www.mdgtrack.org/>.

Since 2015, the United Nations has worked with governments, civil society, and other partners to build on the momentum generated by the MDGs and carry on with an ambitious post-2015 development agenda. This has led to the Agenda 2030 that includes a set of 17 goals to be achieved by 2030.

### **Public Expenditure and Financial Accountability (PEFA):**

PEFA is a methodology for assessing the status of public financial management, including among others revenue collection, budget planning and execution, internal and external controls, and legislative scrutiny. A PEFA assessment provides an overview of public financial management performance in a country at a specific point in time. Some countries have undergone several assessments, which allows changes to be tracked over time. Additions were made to the reports in 2015, but the assessments used for the heat maps pre-date these changes. More information is available on their website: <https://pefa.org/>

### **Prof. Friederich Schneider:**

The estimations on the size of the shadow economy used in the report are based on data collected by Professor Friederich Schneider from the Johannes Kepler University of Linz, Austria. Professor Schneider's work on the shadow economy includes all market-based legal production of goods and services that are deliberately concealed from public authorities for the following reasons: to avoid payment of income, value added, or other taxes; to avoid payment of social security contributions; to avoid having to meet certain legal labour market standards, such as minimum wages, maximum working hours, safety standards, etc.; and to avoid complying with certain administrative obligations, such as completing statistical questionnaires or other administrative forms. Factors that influence the shadow economy are tax burden, quality of state institutions and public sector services, deterrence, intensity of regulations, tax morale, unemployment and self-employment rates, and the size of the agricultural sector. These factors are weighted accordingly. The analysis excludes illegal activities such as drug production, crime, and human trafficking.

### **United Nations Human Development Index:**

The HDI measures the level of human development in countries across the world. The index looks at key dimensions of human development: a long and healthy life, being knowledgeable, and having a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions. The health dimension is assessed by life expectancy at birth, the education dimension is measured by mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age. The standard of living dimension is measured by gross national income per capita. The HDI uses the logarithm of income to reflect the diminishing importance of income with increasing gross national income. The scores for the three HDI dimension indices are then aggregated into a composite index using geometric mean. More information is available on their website: <http://hdr.undp.org/en/content/human-development-index-hdi>

### **World Development Indicators:**

The World Development Indicators are the primary World Bank collection of development indicators, compiled from officially-recognized international sources. According to the World Bank, it presents the most current and accurate global development data available, and includes national, regional and global estimates. More information is available on their website: <http://data.worldbank.org/>

**World Press Freedom Index:**

The World Press Freedom Index is compiled annually by the Paris-based international NGO Reporters Without Borders (RSF). The index evaluates the level of freedom available to the media in 180 countries. The press freedom available to journalists is determined by pooling the responses of experts to a questionnaire devised by RSF. This qualitative analysis is combined with quantitative data on abuses and acts of violence against journalists during the period evaluated. The criteria evaluated in the questionnaire are pluralism, media independence, media environment and self-censorship, legislative framework, transparency, and the quality of the infrastructure that supports the production of news and information. More details on the methodology can be found on RSF's website: <https://rsf.org/en/detailed-methodology>

**Yale Environmental Performance Index:**

The EPI is a project led by the Yale Center for Environmental Law & Policy (YCELP), Yale Data-Driven Environmental Solutions Group at Yale University (Data-Driven Yale), the Center for International Earth Science Information Network (CIESIN) at Columbia University, in collaboration with the Samuel Family Foundation, McCall MacBain Foundation, and the World Economic Forum. The EPI provides a global view of environmental performance and country metrics to inform decision-making. Launched at the World Economic Forum, the EPI is in its 15th year and more relevant than ever to achieving the United Nations' Sustainable Development Goals and carrying out the recent international climate change agreement. More information is available on their website: <http://epi.yale.edu/>

## Annexure II: Threshold levels

The table informs the thresholds applied for the colouration of indicators.

Indicator	Source	Threshold levels
Public Expenditure Financial Accountability (PEFA)		PEFA scores countries from A (best) to D (worst). This was converted numerically: A= 7, D=1.  Red ≤ 2,5 (D+, D) Yellow > 2,5 and < 5 (C+, C) Green ≥ 5 (A, B+, B)
Bertelsmann Transformation Index (BTI)		BTI uses a scale from 10 (best) to 1 (worst)  Red ≤ 3 Yellow > 3 and < 7,5 Green ≥ 7,5
Corruption Perception Index (CPI)	Transparency International	Transparency International's CPI rates countries from 100 (best) to 0 (worst).  Red ≤ 35 Yellow > 35 and < 70 Green ≥ 70
World Press Freedom Index	Reporters Without Borders (Reporters sans frontieres)	Reporters Without Borders scores countries from 0 (best) to 100 (worst)  Red ≥ 35 Yellow > 25 and < 35 Green ≤ 25
Afrobarometer		Red ≥ 40 Yellow > 30 and < 40 Green ≤ 30
Global Integrity		Red ≤ 25 Yellow > 25 and < 75 Green ≥ 75
GDP per capita (PPP)	World Development Indicators	Red ≤ 2500 USD Yellow > 2500 USD and < 5000 USD Green ≥ 5000 USD
GDP growth (average 2011-2015)	World Development Indicators	Red ≤ 2% Yellow > 2% and < 5% Green ≥ 5%
Freedom of the press report	Freedom House	Red: unfree Yellow: partly free Green: free
Cost of tax administration in % of total revenue	African Tax Outlook	Red > 2,5% Yellow > 1,5% and ≤ 2,5% Green ≤ 1,5%
Tax arrears	African Tax Outlook	Average of countries surveyed by ATO: 15 %  Red ≥ 20% Yellow > 10% and < 20% Green ≤ 10%
Tax arrears recovery	African Tax Outlook	Red ≤ 20% Yellow > 20% and < 40% Green ≥ 40%

Revenue/GDP	CABRI	Red $\leq$ 15% Yellow $>$ 15% and $<$ 20% Green $\geq$ 20%
Operating ratio (revenue/expenditure)	CABRI	Red $\leq$ 80% Yellow $>$ 80% and $<$ 90% Green $\geq$ 90%
Aid dependency Official development assistance to total expenditure	World Development Indicators	Red $\geq$ 30% Yellow $>$ 15% and $<$ 20% Green $\leq$ 15%
Primary balance Three-year average	International Monetary Fund	Red $\geq$ 15% Yellow $>$ 0% and $<$ 15% Green $\leq$ 0%
Debt/GDP ratio Relative change of the period 2011-2015	International Monetary Fund	Red $\geq$ 15% Yellow $>$ 0% and $<$ 15% Green $\leq$ 0%
External debt/GDP	International Monetary Fund	Red $\geq$ 40% Yellow $>$ 30% and $<$ 40% Green $\leq$ 30%
External debt to revenue	International Monetary Fund	Red $\geq$ 250% Yellow $>$ 200% and $<$ 250% Green $\leq$ 200%
External debt service/revenue	International Monetary Fund	Red $\geq$ 20% Yellow $>$ 15% and $<$ 20% Green $\leq$ 15%
Health expenditure/total expenditure	World Development Indicators	Global average: 15,5%  Red $\leq$ 13,5% Yellow $>$ 13,5% and $<$ 17,5% Green $\geq$ 17,5%
Education expenditure/total expenditure	World Development Indicators	Global average: 13,5%  Red $\leq$ 11,5% Yellow $>$ 11,5% and $<$ 15,5% Green $\geq$ 15,5%
AFROSAI-E self-assessment	AFROSAI-E	Red $\leq$ 1 Yellow $>$ 1 and $<$ 3 Green $\geq$ 3
Hospital beds per 1000 inhabitants	World Development Indicators	Red $\leq$ 1 Yellow $>$ 1 and $<$ 1.3 Green $\geq$ 1.3
Access to sanitation	World Development Indicators	Red $\leq$ 30% Yellow $>$ 30% and $<$ 50% Green $\geq$ 50%
Pupil-teacher ratio	World Development Indicators	Red $\geq$ 40 Yellow $>$ 35 and $<$ 40 Green $\leq$ 35
Access to prenatal healthcare	World Development Indicators	Red $\leq$ 70% Yellow $>$ 70% and $<$ 80% Green $\geq$ 80%
Infant mortality	World Development Indicators	Sub-Saharan African average: 56/1000 Lower middle-income countries average: 40/1000  Red $\geq$ 50 Yellow $>$ 35 and $<$ 50 Green $\leq$ 35



Maternal mortality	World Development Indicators	Sub-Saharan African average: 547/100 000 inhabitants Lower middle-income countries average: 251/100 000 inhabitants  Red $\geq$ 500 Yellow $>$ 250 and $<$ 500 Green $\leq$ 250
Primary school enrolment	World Development Indicators	Sub-Sahara African average: 77% Lower middle-income country average: 87%  Red $\leq$ 75% Yellow $>$ 75% and $<$ 90% Green $\geq$ 90%
School completion	World Development Indicators	Sub-Sahara African average: 69% Lower middle-income country average: 91%  Red $\leq$ 70% Yellow $>$ 70% and $<$ 85% Green $\geq$ 85%
Gini coefficient	World Development Indicators	Red $\geq$ 45 Yellow $>$ 35 and $<$ 45 Green $\leq$ 35
Extreme poverty (1,90 USD PPPD)	World Development Indicators	World average (2013): 10,7%  Red $\geq$ 20% Yellow $>$ 10% and $<$ 20% Green $\leq$ 10%
Human Development Index (Progress over period 2010-2014)	United Nations	Sub-Saharan African average change over the period: 0,019  Red $\leq$ 0,015 Yellow $>$ 0,015 and $<$ 0,025 Green $\geq$ 0,025
Environmental Performance Index (EPI)		EPI scores countries from 100 (best) to 0 (worst)  Red $\leq$ 50 Yellow $>$ 50 and $<$ 70 Green $\geq$ 70
Millennium Development Goals (MDGs)	MDG Track	Red: Missed Yellow: Progress / partly achieved Green: Achieved
Size of shadow economy/GDP 2000-2015 (estimates)	Prof. Schneider	Sub-Sahara African average: 25,7% of GDP  Red $\geq$ 28% Yellow $>$ 24% and $<$ 28% Green $\leq$ 24%

## Annexure III: Full list of indicators

### PFM CORE PROCESSES AND OUTCOMES

#### Fiscal sustainability

Process indicators	Source	Infographic title	Infographic data
Cost of tax administration to revenue	ATO	Cost of tax administration	Latest
Tax arrears to revenue	ATO	Tax arrears	Latest
Tax arrears recovery to total arrears	ATO	Tax arrears recovery	Latest
Collection of tax arrears	PEFA		
Revenue accounts reconciliation	PEFA	Revenue accounts reconciliation	Latest PEFA 15.3
Transfer of revenues	PEFA	Transfer of revenues	Latest PEFA 15.2
Link between Investment and current budget	PEFA	Link recurrent budget/ investment	Latest PEFA 12.4
Expenditure arrears	PEFA	Expenditure arrears	Latest PEFA 4
Debt sustainability analysis	PEFA	Debt analysis	Latest PEFA 12.2
ODA to total expenditure (aid dependency)	World Development Indicators	ODA ratio	Latest
<b>Outcome Indicators</b>			
Revenue to GDP	CABRI	Revenue/GDP	Latest
Operating ratio	CABRI	Operating ratio	Latest
Primary balance	IMF	Primary balance	Latest
Debt to GDP	IMF	Debt/GDP	2012-2015 increase (rate of change) 2016 2015 2014 2013 2012
PV external debt to GDP	IMF	External debt/GDP	Latest
PV external debt to revenue	IMF	External debt/revenue	Latest
External debt service-to-revenue	IMF	Debt service/revenue	Latest

#### Implementation of policy priorities

Process indicators	Source	Infographic title	Infographic data
Overall expenditure outturn	PEFA		
Expenditure composition outturn	PEFA	Expenditure outturn	Latest PEFA 2
Revenue outturn	PEFA	Revenue outturn	Latest PEFA 3
Multi-year perspective	PEFA	Multi-year strategies	Latest PEFA 12.3
Unreported government operations	PEFA	Unreported operations	Latest PEFA 7.1
Parliament: time to provide response to budget proposals	PEFA	Parliament: time frame	Latest PEFA 27.3

Parliament: in-year budget amendments	PEFA	Parliament: amendments	Latest PEFA 27.4
Parliament: follow-up on audit recommendations	PEFA	Parliament: audit follow-up	Latest PEFA 28.3
External audit scope	AFROSAI-E	External audit: scope	AFROSAI-E SA
External audit scope, Timeliness	PEFA	External audit: timeliness	Latest PEFA 26.2
External audit follow-up	PEFA	External audit: follow-up	Latest PEFA 26.3
External audit independence	GI AFROSAI-E	External audit: independence	GI
<b>Outcome Indicators</b>			
Public health expenditure/GDP	World Development Indicators		
Health expenditure/ total government expenditure	World Development Indicators	Expenditure share: health	Latest
Government education expenditure/GDP	World Development Indicators		
Education expenditure/ total government expenditure	World Development Indicators	Expenditure share: education	Latest

### Efficiency in service delivery

Process indicators	Source	Infographic title	Infographic data
Cash management	PEFA	Cash management	Latest PEFA 16
Procurement: competitive bidding	GI PEFA	Competitive bidding	Latest GI 25 Latest PEFA 19.2
Procurement: public access to contracts	GI PEFA		
Procurement: exclusion after violation of rules	GI	Exclusion after violation	Latest GI 28
Internal control: payroll	PEFA	Internal control: payroll	Latest PEFA 18
Internal control: other	PEFA	Internal control: other	Latest PEFA 20
Internal audit	PEFA	Internal audit	Latest PEFA 21
Accounts reconciliation	PEFA	Accounts reconciliation	Latest PEFA 22
Financial reporting	PEFA	Financial reporting	Latest PEFA 25
Performance audits	AFROSAI-SA	Performance audits	Latest
<b>Outcome Indicators</b>			
Hospital beds per 1000 inhabitants	World Development Indicators	Hospital beds	Latest
Access to sanitation	World Development Indicators	Sanitation	Latest
Access to prenatal healthcare	World Development Indicators	Prenatal healthcare	Latest
Pupil-teacher ratio (primary education)	World Development Indicators	Pupils per teacher	Latest

### ENABLING ENVIRONMENT

#### Economic context

Indicator	Source	Infographic title	Infographic data
GDP per capita (PPP)	World Development Indicators	GDP per capita	Latest
GDP growth	World Development Indicators	GDP growth	2011-2015 (average) 2015 2014 2013 2012 2011

Indicator	Source	Infographic title	Infographic data
Shadow economy to GDP	Estimate Professor Schneider	Shadow economy	2000-2015 (average)
Land Locked			
Driving Sectors			

### Political economy

Indicator	Source	Infographic title	Infographic data
Statehood	BTI	Statehood	Latest
Steering capability	BTI	Steering capability	Latest
Consensus building	BTI	Consensus building	Latest
Conflict intensity	BTI	Conflict intensity	Latest

### Anti-corruption

Indicator	Source	Infographic title	Infographic data
Most/all government officials are corrupt	Afrobarometer	Corruption of government officials	Latest
Most /all tax officers are corrupt	Afrobarometer		
Investigation against senior level officials	Global Integrity	Investigations against senior level government officials	Latest GI 12
Effectiveness of investigation	Global Integrity	Effective corruption investigations	Latest GI 13
Staff appointment anti-corruption agency	Global Integrity	Staff appointments	Latest GI 14
Corruption Perception Index	Transparency International	Corruption Perception Index	Latest

### Governance

Indicator	Source	Infographic title	Infographic data
Public access to information	PEFA	Access to information	Latest PEFA 10
Right to request information	Global Integrity	Right to information	Latest GI 41
Effectiveness of information requests	Global Integrity	Effective information	Latest GI 42
Access to legislative processes and documents	Global Integrity	Access to legislative documents	Latest GI 43
Government censoring of media	Global Integrity	Media censorship	Latest GI 55
Rule of law	Bertelsmann	Rule of law	Latest
Political participation	Bertelsmann	Political participation	Latest
Freedom of the press	Freedom House Reporters without borders	Press freedom	Latest Freedom House
Gender equality	BTI	Gender equality	Latest

**DEVELOPMENTAL IMPACT****Development data**

Indicator	Source	Infographic title	Infographic data
Human Development Index	BTI		2010-2016 2016 2014 2012 2010
MDG	MDG Track	MDG 1: Poverty MDG 2: Education MDG 3: Gender equality MDG 4: Child mortality MDG 5: Maternal health MDG 6: Diseases MDG 7: Environment	
Extreme poverty (below 1.90 USD PPP 2011)	World Development Indicators	Extreme poverty	Latest
Primary school enrolment	World Development Indicators	School enrolment	Latest
Primary school completion	World Development Indicators	School completion	Latest
Infant mortality (per 1000)	World Development Indicators	Infant mortality	Latest
Maternal mortality (per 100,000)	World Development Indicators	Maternal mortality	Latest
Income inequality - GINI Index	World Development Indicators	GINI Index	Latest
Life expectancy	BTI		
UN Education Index	BTI		
Environmental performance	Yale EPI	Environmental performance	Latest
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