FISCAL TRANSPARENCY AND PARTICIPATION IN AFRICA

A Status Report

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CABRI
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The Collaborative Africa Budget Reform Initiative (CABRI) is a professional network of senior budget officials of African Ministries of Finance and/or Planning. CABRI aims to promote efficient and effective management of public finances in Africa. Specifically, the network seeks to:

- support senior budget officials in the management of public finance systems by developing appropriate approaches, procedures and practices;
- advance the development of member states by building capacity and promoting training and research in the field of public finance management; and
- develop and promote common African positions on budget-related issues of interest to Africa.

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CABRI
Collaborative Africa Budget Reform Initiative

CONTENTS

ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
AFROSAI	African Organisation of Supreme Audit Institutions
AG	Auditor-General
ATAF	African Tax Administration Forum
CABRI	Collaborative Africa Budget Reform Initiative
DAC	Development Assistance Committee
DCCF	Central Directorate for Financial Control (Burkina Faso)
EAP	East Asia and the Pacific
ECA	Europe and Central Asia
GIFT	Global Initiative for Fiscal Transparency
HIC	High-Income Country
IFMIS	Integrated Financial Management Information System
IGE	General State Inspectorate (Burkina Faso)
IGF	Finance Inspectorate-General (Burkina Faso)
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
LAC	Latin America and the Caribbean
LIC	Low-Income Country
LMIC	Lower Middle-Income Country
MDA	Ministries, Departments and Agencies
ME	Middle East
MIC	Middle-Income Country
MTEF	Medium-Term Expenditure Framework
OBI	Open Budget Index
OECD	Organisation for Economic Cooperation and Development
PAC	Public Accounts Committee
PAF	Poverty Action Fund (Uganda)
PEAP	Poverty Eradication Action Plan (Uganda)
PEFA	Public Expenditure and Financial Accountability (assessment framework)
PFM	Public Financial Management
SA	South Asia
SAI	Supreme Audit Institution
UMIC	Upper Middle-Income Country
WAEMU	West African Economic and Monetary Union
WGI	Worldwide Governance Indicators

EXECUTIVE SUMMARY

This report assesses the status, drivers and challenges of fiscal and budget transparency and participation reforms in Africa, based on existing large cross-country datasets and desk reviews of seven African countries. Its purpose is to provide a knowledge base for CABRI's upcoming programme of work on fiscal transparency and participation in collaboration with the International Budget Partnership.

For the purposes of this report, transparency is seen as the degree to which citizens and other external stakeholders can observe government's fiscal and budget strategies, decisions and their outcomes. This includes ready access to reliable, comprehensive, timely, understandable and comparable information on fiscal policy intentions, public sector accounts and projections.

The relationship between fiscal transparency and improved fiscal outcomes, although well recognised, is not an automatic one. Many countries make improvements in fiscal transparency, but experience limited improvement in financial governance. In this respect, the difference between nominal and effective transparency is often emphasised, as well as the need for clear 'proactive' transparency policies that ensure that the right information is released at the right time and in the right way to ensure that external stakeholders to the executive, like parliaments and citizens, can play an accountability role.

It is for this reason that the programme of work will engage CABRI member and participating countries on reforms that will enhance transparency in ways that will enable improved oversight and participation, and that this report looks beyond just the availability of information to external actors.

A STATUS REPORT ON FISCAL TRANSPARENCY, OVERSIGHT AND PARTICIPATION

The report uses cross-country data from the Open Budget Index (OBI) and Survey undertaken by the International Budget Partnership and the Public Expenditure and Financial Accountability (PEFA) assessments to assess the current status of fiscal transparency and the potential for transparency gains given current systems in African countries. Key findings are:

Fiscal transparency

- While on average African countries lag behind other regions in the world with regard to the degree and practice of fiscal transparency, some of the higher performers (and indeed the highest performer in the world) are located on the continent.
- At the same time however, most countries in Africa provide no or only very basic information. In many cases, information is already available internally and significant progress can be made relatively quickly by focusing on transparency reforms that produce standard external documents, such as executive budget proposals and annual reports.
- Despite good potential for transparency gains, the performance in most of the countries assessed in Africa has either remained stagnant or deteriorated since 2006.
- On average, Francophone and Lusophone countries perform at about one-fifth the level of Anglophone countries. Other explanatory factors for disparities between countries in performance include income level (with upper middle-income countries faring best), whether countries export oil, and countries' 'fragile state' status.
- Poor transparency in Africa has both a quantitative and qualitative dimension. For example in many countries, ex-ante budget information is not available; in others, it is available, but not credible. On the other hand, the data also show that many countries do have credible ex-ante information available internally, but do not publish this information.
- On average, African countries appear to have made progress with regard to some aspects of transparency, while regressing in others. For example, while countries have on average made improvements between 2006 and 2010 in terms of the provision of information about past years' fiscal outcomes (which may be attributed to improved financial information and accounting systems), the provision of medium-term and in-year actual information has deteriorated (which can be attributed to specific countries no longer publishing reports and others reducing the coverage of reports).
- There has been some progress in terms of countries providing information on extraordinary fiscal activities and activities carrying fiscal risk, but this is still at a very low level – on average just below 15 on the OBI index.
- Specific areas of poor performance in this regard are in respect of donor information, extra-budgetary activities

and contingent liabilities. While some countries do not track extra-budgetary activities and contingent liabilities well internally, many do. In these cases, quick transparency gains are possible.

- Similarly, while there has been an increase in the usefulness and comprehensiveness of data, on average the provision of information has been less timely from 2006 to 2010.
- Africa still trails other regions with regard to the provision of non-financial information – such as on the links between fiscal data and policy, non-financial performance information and on underlying assumptions – that assists external stakeholders in interpreting fiscal data.
- However, there has been steady progress over the last six years in the provision and quality of performance information.

Oversight and participation

- Audit systems in Francophone and Lusophone countries lag behind systems in Anglophone countries. In some countries audit systems are in fact functioning well, but the public does not have access to audit reports. In these countries, an immediate improvement in transparency is possible, others face the tougher task of improving the underlying audit systems.
- Legislature engagement in Africa has improved consistently across the three OBI surveys, even if it lags behind the performance of other world regions. The improvement was largely driven by changes in Anglophone countries.
- The progress made in citizen engagement follows a similar pattern, with progress in Anglophone countries countervailed by deterioration in Francophone and Lusophone countries.

A REVIEW OF CHALLENGES AND DRIVERS OF FISCAL TRANSPARENCY AND PARTICIPATION REFORMS

There are a number of ways in which countries approach transparency improvements and many similarities in the obstacles encountered or factors driving reversals in transparency performance. Key strategic considerations that emerged from the desk reviews are:

- Imbedding transparency in the law may not only serve as a catalyst for greater transparency, but may be necessary in the more administrative law traditions of public administration (such as in Francophone and Lusophone countries).
- However, laws are insufficient to ensure transparency. The case studies include instances of reversal of transparency gains, even when imbedded in law, when political will or capacity failed. There is also a risk that imbedding transparency in law, without also having the political and technical/strategic will to implement improvements, may lead to compliance transparency.
- In order for transparency to be meaningful, policy-makers (usually in the Ministry of Finance) need to see it as a fundamental principle and objective of public finance management reforms. If this does not occur, even significant internal technical reform will not produce improved external transparency.
- The role of the legislature and its reform is critical in fostering transparency and making it meaningful. Furthermore, strengthening the audit function is key to building trust in fiscal data.

Overall, country experiences point to changes in law; the introduction of new documents or new means of distributing information; and improving the quality of existing documents through underlying system reforms, as being key factors in transparency improvements.

Transparency improvements however, are often not consistent and sustained. Transparency gains can be reversed by stopping the publication of reports; ceasing the publication of specific types of information in reports; publishing reports inconsistently across and within years; or by late publishing of reports and documentation.

While the desk studies did not allow in-depth engagement with the reasons for transparency improvement, or lack of improvement and reversals, factors appear to be weak legal bases (although not in all countries); political will; technical budgeting, financial management and accounting capacity; and audit and legislature processes. In many countries, technical reforms that led to better internal information, did not translate into better external information.

EMERGING GOOD PRACTICES IN OVERSIGHT AND TRANSPARENCY

The report finally reviews emerging examples of good practices in strengthening oversight and participation. In respect of accountability and oversight institutions, it looks at two levels of good practices, namely key reforms that enable institutions to ensure effective fiscal transparency, and practices within these institutions that enable engagement or participation by the citizenry and civil society at large.

The report did not attempt a comprehensive review of civil society participation in budget processes in Africa: that is beyond its scope. It did however collect examples of practices in the country desk reviews, as reflected in the final set of bullet points below.

In strengthened oversight and participation, the seven country desk reviews therefore highlighted the following emerging practices and key findings:

Audit institutions

- The importance of ensuring the legal, managerial and financial independence of SAIs through legal reforms, funding reforms and capacity building. A key issue is clarifying the accountability cycle and the roles and responsibilities of actors within and independent of the executive.
- The important role played by international and regional standard setting and capacity building bodies, such as INTOSAI and AFROSAI in strengthening audit institutions.
- The obligation on the executive to establish clear follow-up mechanisms for audit recommendations, and ensure that they are operational.
- The importance of audit institutions establishing direct links with legislatures and the public.

Legislatures

- The value of using key constitutional and legal reform moments to identify and improve weaknesses in the distribution of budgetary power between the executive and the legislature in terms of accountability.
- The value of legislatures building effective internal processes – that link ex-ante and ex-post oversight – and capacity on budgetary matters for effective transparency demand.
- The need for the executive to set and abide by clear budget calendars that allow sufficient time for the legislature to review proposals and reports.

Citizens and civil society

- The need to tailor – and good examples of tailoring – fiscal information to make it accessible to the public, for example through Citizen's Budgets.
- The potential of fiscal decentralisation to engage local actors.
- The pay-off of providing information to local communities on the budgets available to local structures and service providing institutions.
- The value of including citizens in service delivery monitoring.

INTRODUCTION

The recognition that fiscal transparency is a cornerstone of good public governance is not new. Ancient Athens required civilian oversight of public wealth and the wealth of all public figures. In modern history, the entrenchment of public budgetary accounting in constitutional texts dates back to the Magna Carta in England and the French and American revolutions. The important link between the availability of information about the actions of governments and democratic governance is well recognised.

However, in the late 1990s fiscal transparency emerged as a major public policy concern due the role of murky fiscal activities and fiscal risk in the Asian crisis. This interest was spurred by the issuing of the IMF Code on Fiscal Transparency and the OECD Best Practices for Budget Transparency. The circumstances of the Asian crisis served to underscore the importance of comprehensive, reliable and timely information about governments' fiscal activities for effective markets.

Premchand (2001) identified three reasons for the increased emphasis on fiscal transparency in the 1990s: (i) the growing recognition of the importance of strengthening civil society so that it may perform its designated role; (ii) the role of transparency in reconciling an increasing demand for public services with growing disillusionment about the capacity of governments to deliver; and (iii) the series of economic crises experienced during the last decades of the 20th century. It is no surprise that there is a resurgence of interest in transparency at present, as the fiscal implications of the 2007 financial crisis become clear.

In budgetary theory and reform practice, Campos and Pradhan's (1995) seminal paper on fiscal institutions and budgetary outcomes set out how institutional arrangements that improve transparency and accountability bind key players to particular fiscal outcomes and make it costly for them to misbehave. Since then, the potential of fiscal transparency to not only ensure better decision-making, but also to prevent rule-breaking and outright corruption in the management of public money, has become common in public sector reform discourses.

The draft *High-Level Principles on Fiscal Transparency and Participation* of the Global Initiative for Fiscal Transparency (GIFT), a multi-sector world partnership, states in the preamble that access to high quality information, meaningful public participation, and effective accountability mechanisms –

- enhance the integrity, quality and implementation of fiscal policies;
- reduce corruption;
- increase the legitimacy of and trust in government;
- increase willingness to pay taxes and provide financing; and
- strengthen the effectiveness of development assistance;

thereby strengthening the efficiency, equity, effectiveness, stability and sustainability of fiscal policies and increasing the likelihood that fiscal policies will have positive economic, social and environmental impacts.

Broadly speaking, fiscal transparency is described as the overall degree to which citizens and other external stakeholders can observe government's fiscal and budget strategies and decisions and their outcomes. Kopits and Craig (1998) describe fiscal transparency as openness toward the public at large about government structure and functions, fiscal policy intentions, public sector accounts, and projections. It involves ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government activities so that the electorate and financial markets can accurately assess the government's financial position and the true costs and benefits of government activities, including their present and future economic and social implications. The OECD (2002: 7) describes it as 'openness about policy intentions, formulation and implementation', while the IMF views it in a similar vein as 'being open to the public about the government's past, present, and future fiscal activities, and about the structure and functions of government that determine fiscal policies and outcomes'.

In tandem with the realisation of the importance of fiscal transparency as a public policy issue, there has been a growth in research on its effectiveness. For example, Hameed (2005), in an examination of the relationship between fiscal transparency and market credibility, fiscal discipline and corruption based on an index constructed from the findings of IMF Reports on the Observance of Codes and Standards (ROSCs), found that fiscal transparency was associated with higher credit ratings, even after controlling for various economic fundamentals. Countries with better fiscal transparency practices also displayed more fiscal discipline, even after controlling for certain socio-economic variables. Similarly, control of corruption was shown to be correlated with fiscal transparency, and this result is robust to the inclusion of several control variables. Hameed also provided a literature review of earlier research in support of his findings, citing, among others, Drabek and Payne (2001), Alt and Lassen (2003) and Von Hagen (1992).

More recently, Dabla-Norris *et al.* (2010) noted that, although improved fiscal outcomes and counter-cyclical fiscal policy are associated with strong budget preparation institutions, the correlation between comprehensive and transparent budget processes and improved fiscal outcomes is particularly strong. Other recent studies about the effects of fiscal transparency include one by Arbatli and Escolano (2012), who developed equations to estimate the direct effects of fiscal transparency, through reduced uncertainty, as well as its indirect effects, through improved economic policy-making. The paper found that transparency has a 'positive and significant' effect on a country's credit rating.

FISCAL TRANSPARENCY AND PARTICIPATION

The relationship between fiscal transparency and improved fiscal outcomes and/or a check on corruption is not, however, an automatic one. During the last decade, many developing countries have made improvements in transparency, yet have not necessarily experienced benefits in terms of financial governance. In this respect, commentators have emphasised the difference between nominal and effective transparency, as well as the need for clear, 'proactive' transparency regimes or policies that take into account whether the right information is released at the right time and in the right way to ensure that citizens can play an accountability role.

This may be particularly important in countries where the budget process and budget frameworks are vulnerable to short-term political influences. In this regard, the research of Dabla-Norris *et al.* (2010) showed that a more transparent and comprehensive budget is of greater importance for positive fiscal outcomes than budget rules and top-down procedures. This, they argue, may indicate that, for low-income countries, budget procedures that facilitate external monitoring are more credible mechanisms for ensuring proper fiscal responses than procedures that facilitate internal monitoring, when the institutional checks and balances are inadequate to hold the executive branch accountable for observing budget rules and controls. They also note a possible further implication of this result, namely that, in low-income countries and in the absence of strong transparency requirements and public oversight, greater centralisation of the budget process in the hands of the executive may actually be counterproductive to fiscal discipline (Dabla-Norris *et al.*, 2010: 27).

The link between transparency and participation is, however, still under-researched and has as yet not been formalised in a commonly accepted guideline or framework, although GIFT is currently debating a set of 'high-level principles on fiscal transparency, participation and accountability'. Darbishire (2010), in her investigation of effective proactive transparency practices for all government information (including, for example, information about government services), recommends that information should be available for free or at low cost, findable, relevant, comprehensible, and up to date. The International Budget Partnership in turn has emphasised the availability of opportunities for the public to participate meaningfully in budget decisions and oversight, for example, through the executive soliciting inputs during budget preparation; public hearings held by the legislature on the executive's budget proposal; and the engagement of the public by supreme audit institutions.

CABRI'S WORK ON FISCAL TRANSPARENCY

The Collaborative Africa Budget Reform Initiative (CABRI) is a peer learning network of senior budget officials in Africa, constituted as an intergovernmental membership organisation. In its research on the 'Status of Public Financial Governance in Africa', which was undertaken in 2010 in conjunction with the African Organisation of Supreme Audit Institutions (AFROSAI) and the African Tax Administration Forum (ATAF), it identified a persistent fiscal transparency gap as a key challenge for Africa in improving public financial governance, mobilising its own resources, and growing out of aid (CABRI, AFROSAI *et al.*, 2010).

In response – and in recognition of the importance of fiscal transparency coupled with meaningful participation for good governance and macroeconomic stability – CABRI and its members are undertaking a three-year programme on fiscal transparency and participation in Africa in collaboration with the International Budget Partnership, a civil society organisation that partners with civil society organisations around the world to foster more open, participatory and accountable public budgeting.

Budget transparency is an important element of CABRI's work to support senior budget officials in improving their budget practices and procedures. This report represents the initiating phase of the current programme of work, aimed at fostering a common understanding among CABRI members about the status of fiscal transparency in Africa; the key challenges faced by African countries and the different pathways chosen by these countries to enhance transparency; and emerging good practice in fiscal participation. The report is intended to inform a common framework for a series of country assessments of budget transparency and participation with a view to developing reform agendas.

The report is structured in three main parts:

- Section 1 presents a status report on fiscal transparency in Africa;
- Section 2 investigates the approaches taken by African countries and the challenges they face in improving fiscal transparency and participation; and
- Section 3 looks at emerging good practices of SAIs, legislatures and citizen engagement.

The report explores six broad aspects of fiscal transparency and participation, drawing on the common definitions used and based on the best available cross-country comparative data (see Box 1). In line with the purpose of the CABRI programme, it is focused on external transparency, i.e. the public availability of fiscal information. The report attempts to take into account both the public availability of key fiscal reports (the OECD Best Practices and OBI Approach) as well as the spectrum of fiscal information available (the IMF Code on Fiscal Transparency Approach) in order to assess the status of fiscal transparency. The table below sets out the various aspects involved and their associated issues.

Aspect of transparency and participation	Associated issues
Budget information	Forward estimates (borrowing, debt, revenue, expenditure); policy objectives, measures and targets; medium-term frameworks and budgeting; cost of new policy; macro-fiscal forecasting and risks.
Budget execution information	Actual borrowing, debt, revenue and expenditure information; in-year, mid-year, year-end and annual reports; policy performance; financial statements; accounting system.
Data quality and assurance	Budget classification; comprehensiveness and coverage; accessibility; timeliness; quality of assurances about the integrity of fiscal information, such as external and internal audits.
Fiscal risks and extra-budgetary information	Contingent liabilities; quasi-fiscal activities; tax expenditures; extra-budgetary fiscal activity.
Clarity on roles and responsibilities	Clear budget rules; clarity on the structures and functions of government; clear roles and responsibilities for fiscal decision-making.
Participation	Access to information and meaningful opportunity for stakeholders outside of the executive to engage in budgetary processes, including legislatures.

1 STATUS OF FISCAL TRANSPARENCY IN AFRICA

The key findings of this section, based on two cross-country data sets in particular (see Box 1), are that although on average African countries lag behind other regions in the world with regard to the degree and practice of fiscal transparency, some of the higher performers (and indeed the highest performer in the world) are located on the continent. However, most countries in Africa provide no or only very basic information. In many cases, information is already available internally and significant progress can be made relatively quickly by focusing on transparency reforms that produce standard external documents, such as executive budget proposals and annual reports. Nevertheless, instead of improving their transparency performance, most of the countries assessed in Africa have either remained stagnant or deteriorated since 2006.

On average, Francophone and Lusophone countries perform at about one-fifth the level of Anglophone countries. Explanatory factors for this disparity in performance include income level (with upper middle-income countries faring best), whether countries export oil, and countries' 'fragile state' status.

Poor transparency in Africa has both a quantitative and qualitative dimension: in many countries, information is not available; in others, it is available, but of poor quality. On the other hand, the data also show that many countries do have good information available internally, but do not publish this information. One factor contributing to this situation is the quality of systems that provide assurance about the integrity of fiscal information. In this regard, systems to provide assurance on the integrity of data in Francophone and Lusophone countries lag significantly behind those of Anglophone countries. In some countries, audit systems are in fact functioning well, but the public does not have access to audit reports. In these countries an immediate improvement in transparency is possible; others face the tougher task of improving the underlying audit systems.

On average, African countries appear to have made progress with regard to some aspects of transparency, while regressing in others. For example, while countries have on average made improvements between 2006 and 2010 in terms of the provision of information about past years' fiscal outcomes (which may be attributed to improved financial information and accounting systems), the provision of medium-term and in-year actual information has deteriorated (which may be attributed to specific countries no longer publishing reports and others reducing the coverage in reports).

There has been some progress in terms of countries providing information on extraordinary fiscal activities and activities carrying fiscal risk, but this is still at a very low level – on average just below 15 on the OBI index. Similarly, while there has been an increase in the usefulness and comprehensiveness of data, on average the provision of information has been less timely from 2006 to 2010.

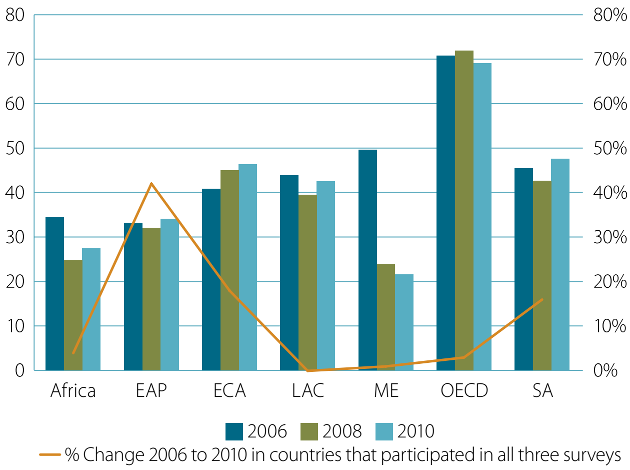
Legislature engagement in Africa has, however, improved consistently across the three OBI surveys, even if it lags behind the performance of other world regions. The improvement was largely driven by changes in Anglophone countries. The progress made in terms of citizen engagement follows a similar pattern, with progress in Anglophone countries countervailed by deterioration in Francophone and Lusophone countries.

These broad findings are set out in detail below.

AFRICA REGION PERFORMANCE

As measured on the International Budget Partnership's Open Budget Index (OBI) (see Box 1), African countries are, on average, less open about their fiscal activities than their counterparts in other regions of the world, bar countries in the Middle East. If the OBI scores of the 94 countries assessed in the 2010 Open Budget are compared by region, countries in Africa (Sub-Saharan Africa and North Africa combined) scored 27.6 on average, compared to 70 for OECD countries and 42.5 for countries in Latin America and the Caribbean (LAC).

Figure 1: Average score (OBI 2010) and improvement by region (2006 to 2010)



Furthermore, African countries seem to lag behind their counterparts elsewhere in terms of the progress made over the last six years to improve fiscal transparency. The African countries that participated in both the 2006 and 2010 survey improved by 4% on average, compared to the almost 45% improvement made by participating countries in East Asia and the Pacific (EAP), or the just more than 15% average improvement of countries in South Asia (SA) and Europe and Central Asia (ECA). However, if the scores of the participating North African countries, which are often included in the Middle East and North Africa region, are added to those of the African countries, then the African countries performed better than those of the Middle East (comprising the remaining countries measured in the ME chart point above).

When the OBI index is broken down into sub-indexes that measure the availability of specific types of fiscal information, and the average performance by sub-index across regions is compared, a varied picture emerges of the degree to which Africa lags behind other regions. As illustrated in the table below, while African countries do not, on average, perform much worse than the rest of the world in terms of providing macro-fiscal information and information about donor flows (insofar as measured by the OBI), they **provide significantly less information on**

Box 1: Data sources for the status report

This report uses two primary data sources and one tertiary source to describe the status of fiscal transparency in Africa. Given standardised underlying assessment frameworks and methodologies, all sources provide comparable cross-country data.

The International Budget Partnership, based at the Centre on Budget and Policy Priorities, publishes the results of its Open Budget Survey as part of the Open Budget Initiative. The 2010 survey provides extensive data and rankings with regard to the level of transparency of the budget processes of 94 developed and developing countries, based on peer-reviewed surveys conducted by local civil society partners during 2009. The findings presented in this section were calculated using the individual question cardinal scores provided by the IBP on its website, which places the Open Budget Survey ordinal rankings along an index scale.

The Public Expenditure and Financial Accountability (PEFA) assessment framework scores were used to supplement the OBI data in cases where these reports are in the public domain. The PEFA data serve two purposes. Firstly, some of the indicators provide additional measures of external transparency, for example indicators PI-6 and PI-10, which measure the comprehensiveness of budget documentation and public access to information, and indicator PI-19(iv), which measures the public transparency of procurement information. Others provide information on the clarity of roles and responsibilities, or on the quality of systems that provide assurances on the integrity of fiscal information. Secondly, PEFA indicators also provide information about the internal availability of key data for fiscal decision-making, thereby providing an indication of how difficult it would be for a country to make gains in external transparency.

In order to perform a cross-country and summary analysis of the PEFA data, this report uses the convention established in De Renzio (2008) to convert PEFA's ordinal scores to cardinal scores for analysis, so that an A scores 4, a B 3, a C 2 and a D 1, with scores of B+ and C+ converted to 3.5 and 2.5, etc. In addition, a methodology was applied to convert the scores thus derived into a format that is more comparable to the OBI scores, namely by equalling a D score to 10 on an index – taking into account that, for most of the PEFA indicators, a D does not equal zero information or systems in place, but rather a very low threshold of information – and an A score to 90, with the variations in between placed proportionately on the resulting scale. While the selection of the scale is somewhat arbitrary, it was used consistently across countries, providing a broad-brush comparison with the OBI using a similar scale, as well as a basis for indicative, if not definitive, findings.

A fourth index used is the transparency sub-index of the Budget Institutions Index developed by Dabla-Norris, Allen *et al.* (2010) to analyse the impact of budgetary institutions on fiscal outcomes. The transparency sub-index gives countries a score of 0, 2, or 4, based on a series of key questions that are compatible with the issues reflected in the OBI and PEFA transparency indicators. The index, which uses PEFA reports, OBI data and IMF Fiscal ROSC data, was used to provide summary information on the transparency status of countries that were not assessed as part of the OBI and for which a public PEFA assessment is not available. Other parts of the index used include the scores of the sustainability and credibility, and comprehensiveness sub-indexes, which, similar to PEFA, provide an indication of the state of the internal systems that produce fiscal information.

Table 1: Comparative Africa region performance by type of information (OBI 2010)

Row labels	Africa	EAP	ECA	LAC	ME	OECD	SA	Average for fiscal activity across regions	Points deviation of Africa from average
Borrowing	30.06	35.89	51.42	52.47	38.87	80.43	55.61	48.49	-18
Donors	18.95	24.12	48.17	28.40	4.40	15.06	46.33	25.16	-6
Expenditure	30.23	34.32	45.35	43.94	20.95	68.13	48.10	42.47	-12
Intergovernmental transfers	35.85	45.45	66.75	47.94	13.20	84.29	55.50	51.79	-16
Macro-fiscal	20.01	23.00	29.42	22.91	9.32	55.29	32.20	28.64	-9
Public enterprise transfers	30.85	27.18	41.67	39.56	33.40	64.65	50.00	40.76	-10
Revenue	34.79	45.00	60.40	54.62	33.34	81.33	60.25	52.59	-18
Extraordinary fiscal activities/information	10.68	11.05	22.47	19.65	5.91	53.62	21.02	21.93	-11
Average across types of information[1]	**28.41**	**33.46**	**46.03**	**42.69**	**22.07**	**67.95**	**47.63**	**41.72**	-13

1. Not an average of the whole index, only of the questions that assess the availability of these types of information.

borrowing and debt, revenue, and intergovernmental transfers. Also noteworthy is the degree to which Africa lags behind the Europe and Central Asia region (the former Soviet republics and satellite states) and South Asia (including countries such as Bangladesh, Pakistan, Nepal, India and Sri Lanka) in the index.

AGGREGATE PERFORMANCE BY COUNTRY

Wide disparity in country performance, but most countries provide no, meagre, or basic information: This assessment of the average performance of the region hides a spread of country performance: the top performing country in OBI 2010 is South Africa (at 92), while two of the three countries that scored 0 are also African. The table below uses both PEFA and OBI data, as well as the Dabla-Norris *et al.* (2010) transparency sub-index to sort 46 of the 57 countries in Africa into four main blocks of transparency performance. Within these blocks, countries are listed from the lowest to the highest performance, meaning, for example, that on the OBI Angola achieved a higher score than Equatorial Guinea. Several countries were scored on two or all of the indexes. In such cases preference was given to the OBI, which provides a more in-depth assessment of transparency, followed by PEFA, and then the Dabla-Norris *et al.* sub-index.

A total of 16 countries are assessed to provide no or meagre information to external stakeholders, 17 to provide basic information, 12 extended information, and 1 comprehensive information. While there are therefore wide disparity in country practices, most African countries cluster around providing no, very little, or only basic information. On the PEFA index, for example, a score of 2 on indicator P6, which measures public access to fiscal information, would imply that countries provide only one or two of six listed information types (including annual budget documentation, in-year reports, financial statements and audit reports, as well as contract rewards), while a score of 1 implies that none of the information is publicly available.

About a third of countries can make improvements in fiscal transparency with some ease: The deep transparency deficit on the continent becomes even more apparent when scores on the PEFA indicators and the Dabla-Norris *et al.* index that provide information on the internal availability of fiscal information are compared against OBI and PEFA scores on the public availability of information. The table below uses the line categories of the table above, but adds columns categorising the ease with which countries can improve external transparency, depending on the difference between their PEFA/OBI score ranking for current transparency, and an average score of PEFA or Dabla-Norris *et al.* indicators that measure internal information availability.

While the placement of countries in the resulting matrix is at best indicative, given the diversity of data sources and assessment methodologies underlying the assessment, it does indicate how easy it may be for countries to improve external transparency. About a third of countries that make available basic, meagre, or no information can improve their performance by publishing more and better information, which they already have. For about 60% of countries however, improvement will require more in-depth reforms to improve the timely availability of quality information. For the remaining countries, insufficient information about their current systems was available to make an assessment.

Table 2: Country performance with regard to transparency

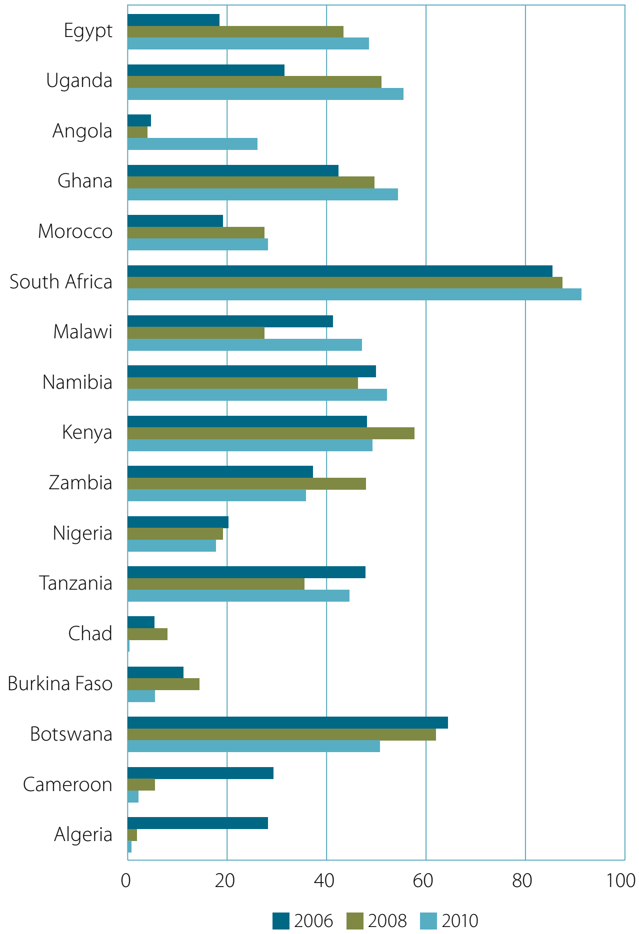
	OBI	PEFA	Dabla-Norris, Allan *et al.*
	Sorting rules for scores in brackets		
No or meagre information (16 countries)	(1-24) Equatorial Guinea, Sao Tome & Principe, Chad, Algeria, Cameroon, Senegal, Niger, Burkina Faso, Democratic Republic of the Congo, Sudan, Rwanda, Nigeria, Angola	(1-1.5) Togo, Madagascar	(<2) Somalia
Basic information (17 countries)	(25-49) Morocco, Mozambique, Mali, Zambia, Liberia, Tanzania, Malawi, Egypt, Kenya	(2-2.5) Benin, Central African Republic, Côte d'Ivoire, Gabon, Guinea-Bissau, Lesotho, Mauritania	(2-3.9) Guinea
Extended information (12 countries)	(50-74) Botswana, Namibia, Ghana, Uganda	(3.3-5) Burundi, Ethiopia, Mauritius, Seychelles, Sierra Leone, Swaziland, Tunisia	(4-5.9) The Gambia
Comprehensive information (1 country)	(75+) South Africa	(4)	(6+)

Sources: OBI (2010), PEFA (various) and Dabla-Norris, Allan *et al.* (2010)

Table 3: External transparency and internal systems

	More or better information likely to be available internally (positive difference of 20 points)	More information not likely to be available internally / coverage, quality or timeliness an issue (difference of less than 20 points)	Not known (No public PEFA assessment, not included in the Dabla-Norris index)
No or meagre information	Sao Tome & Principe, Chad, Cameroon, Senegal, Niger, Burkina Faso, Democratic Republic of the Congo, Rwanda, Nigeria, Angola, Madagascar	Sudan, Togo	Equatorial Guinea, Algeria, Nigeria, Angola, Somalia
Basic information	Morocco, Mozambique, Mali	Zambia, Liberia, Tanzania, Malawi, Egypt, Kenya, Benin, Central African Republic, Côte d'Ivoire, Gabon, Guinea-Bissau, Lesotho, Mauritania, Guinea	
Extended information (12 countries)		Botswana, Namibia, Ghana, Uganda, The Gambia, Burundi, Ethiopia, Mauritius, Seychelles, Sierra Leone, Swaziland, Tunisia	
Comprehensive information (1 country)		South Africa	

Figure 2: Improvement over time by country (OBI 2006, 2008 and 2010)



Some African countries, such as Egypt, Uganda and Angola, made significant improvements in transparency over the six years covered by the OBI survey. Often this is driven by the release or introduction of a key budget document, such as the executive budget proposal. The graph alongside shows the average scores for the 17 African countries that have participated in all three surveys.

At the same time, however, transparency performance is not stable over time, and improvements may be only short-term. This may emphasise the importance of anchoring transparency improvements in legislative requirements, something which is not measured in the OBI.

While eight of the countries that participated in all three surveys made progress between 2006 and 2010, nine deteriorated. For some, like Kenya and Zambia, the average improvement achieved in 2008 was reversed in 2010.

If improvements in transparency and participation in all countries that participated in more than one survey is assessed, the number of countries that stayed stagnant or deteriorated is greater than the number of countries that improved. The table below sorts all the countries in Africa that have conducted two or more surveys in two dimensions; their starting point on the 0 to 100 index; and the degree of improvement that they have made, the latter measured by the points difference between the earliest and 2010 survey, with the results divided into quartiles. It takes into account all the questions on the OBI survey, thereby including more participation aspects, as well as supplemental transparency aspects.

This analysis adds Liberia (which was not included in the 2007 survey) as a high performing country. It also highlights the unique position of Botswana, which between 2006 and 2010 shifted downwards from extended to basic information.

Table 4: Changes in transparency and participation against starting point

	No or meagre	Basic	Extended	Comprehensive
High improvement (14 +) 5 countries	Angola, Egypt, Liberia	Ghana, Uganda		
Some improvement (4.26 to 9.82) 7 countries	Democratic Republic of the Congo, Sudan, Rwanda, Morocco	Malawi, Kenya		South Africa
Small improvement or stagnant (2.4 to -0.76) 6 countries	Nigeria, Equatorial Guinea, Burkina Faso	Tanzania, Zambia, Namibia		
Deterioration (-1.3 to -21) 6 countries	Chad, Senegal, Sao Tome & Principe	Cameroon, Algeria	Botswana	

Source: OBI Survey 2006, 2008 and 2010

DIFFERENCES IN FISCAL TRANSPARENCY: EXPLANATORY FACTORS

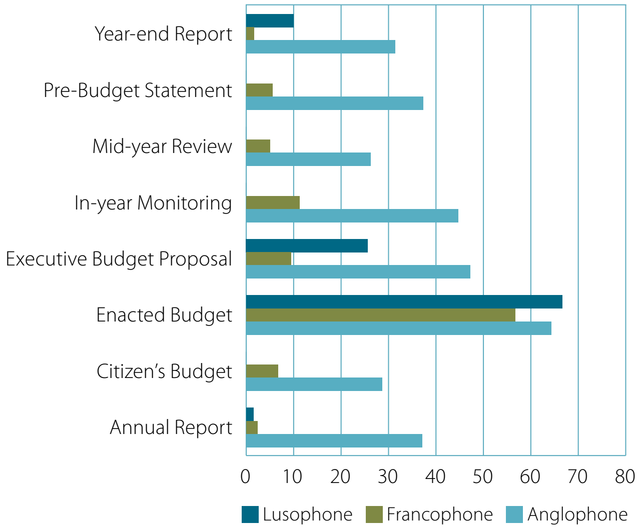
The data shows that fiscal transparency performance is affected by several factors. Significant differences on both the PEFA and the OBI measures emerge when countries are classified by income group, administrative heritage, their dependency on natural resource exports, and their fragile state status. In fact, all the countries in the top row of Table 2 have one or more of the following characteristics in common: low-income, Francophone, oil and/or gas exporting, and a fragile state. The exception is Rwanda, which scores 11 on the OBI data, based on key documentation judged not to be publicly available by the OBI assessors. However, if the PEFA scores were used, Rwanda would fall in the bottom row, as the PEFA assessors gave it an A for comprehensiveness of budget documentation, as well as an A for public access to information.

On the OBI data, the administrative heritage is a better predictor of fiscal transparency performance than income group. This is related to inherited administrative traditions. The available data enable an assessment of the correlation between country characteristics and fiscal transparency performance. The administrative heritage of a country appears to have a larger impact on whether it is transparent than does income.

On the OBI data, the average score for Francophone countries in Africa is 19 if the average score for Anglophone countries is equalled to 100. The difference between different income groups is not as stark: the average of low-income countries' scores is 57 if the average score for upper-middle income countries is equalled to 100 – a significant difference, but not as great as the difference between Anglophone and Francophone countries. Some of the reason for this difference is illustrated in the graph below, which shows the average scores by document by administrative heritage. Whereas the scores for the enacted budget are close together (as this is traditionally made public in non-Anglophone countries), the average scores on other documents are much lower. This is because the OBI is document-focused in its construction. In other words, even if a country makes medium-term fiscal framework estimates available on its website, but does not publish either an executive budget proposal or a pre-budget statement, the OBI score reflecting the availability of forward estimates would still be zero.

When the average of PEFA indicators PI-6 and PI-10 is compared across country groups, the difference between language groups is less striking: on average, low-income countries scored 74 on the PEFA data if the average performance of upper-middle income countries is equalled to 100. By administrative heritage, the score is 70 for Francophone countries if Anglophone countries' average score is equalled to 100.

Figure 3: Which documents are published traditionally (OBI 2010)?



A third factor that could contribute to countries' performance is the degree to which their economies are dependent on natural resource exports. Using oil exports as a proxy variable, the results are quite stark on OBI data, but less so on PEFA data. On the OBI data, oil and gas exporting countries in Africa return an average score of 38 if the score of non-exporting countries is equalled to 100, and on PEFA a score of 80.

A fourth factor tested is whether a country is a fragile state. Using the World Bank's current list of fragile states, the average score of the six states for which an OBI assessment was done in 2010 is just over half (54) of the average score of all the other African states if this score is equalled to 100. Using Table 2, all the African countries on the list of fragile states fall in rows 1 and 2, in other words they provide either no, meagre, or only basic information. The exceptions are Burundi and Sierra Leone, both of which, based on PEFA data, provide extended information, which makes their achievement more notable.

All four of the country characteristic variables tested therefore correlate with transparency performance.

RELIABILITY OF FISCAL DATA

In this section, we investigate the reliability of fiscal data provided, as well as the quality of systems that provide assurance on the reliability of fiscal data. Reliability of data for the purposes of this report, is used in a broad sense, namely the expectation that the fiscal data made available to external stakeholders throughout the budget cycle, would faithfully represent that which it purports to represent, or could reasonably be expected to represent.[1]

The meaning of reliable data in this broad sense differs across the budget cycle. In the budget preparation and budget approval cycle the query here is whether the data provided to external stakeholders in the executive budget proposal is a reliable predictor of the executive's fiscal activities; in other words, whether the fiscal and budget projections are credible. In the real world the credibility of ex-ante budget information – which can only be measured by comparing it with the ex-post data – is a mix of the faithfulness with which it represents the executive's 'real' plans, as well as the strength – or realism – of those plans given the macro-economic and government context. Having an assessment of reliability for ex-ante information however is important in the context of effective transparency: it is the basis on which external stakeholders engage with the executive on their plans and the basis for holding the executive to account for the quality of the plans.

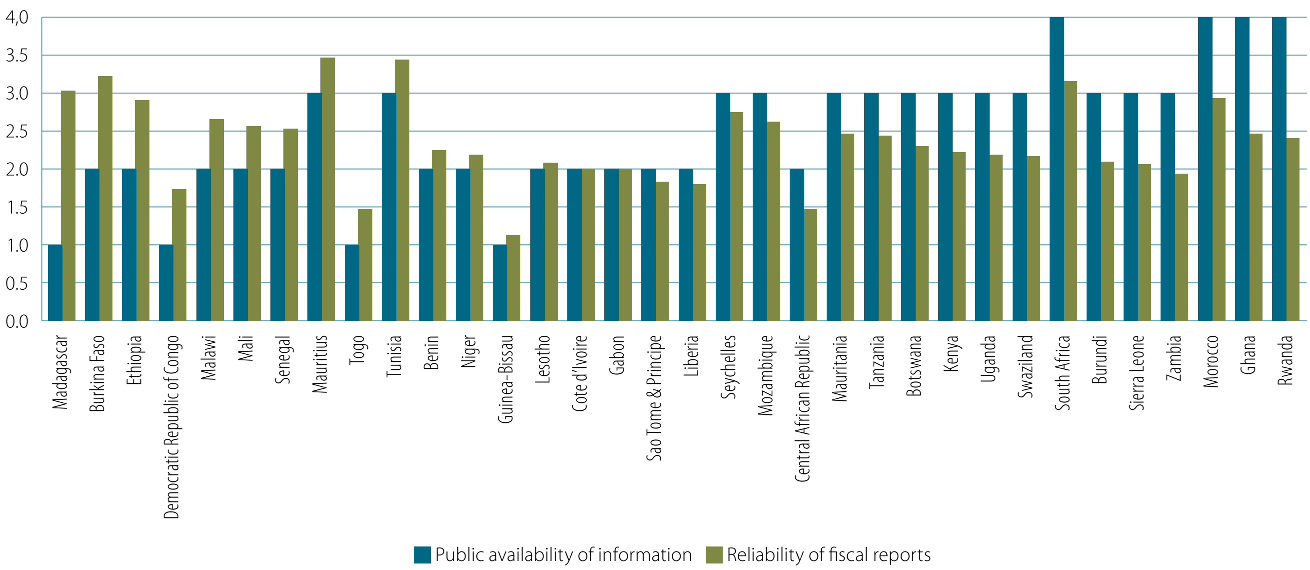
In budget execution and ex-post reporting reliability is much more straightforward, namely, whether the data presented to external stakeholders accurately, completely and reliably reflect the executive's fiscal activities for the stated period. The quality of systems that provide assurances on the reliability of the data is important.

1 The IMF Code on Good Practices for Fiscal Transparency uses 'integrity' to describe similar concerns with the reliability of data sets. In its section on assurances of integrity, the Code sets out good practices relating to the realism of budget data, accounting standards and data consistency and reconciliation.

This section uses the available OBI and PEFA data to assess the degree to which countries' fiscal data is reliable, looking both at measures of actual reliability, as well as systems that support reliability.

The transparency deficit has a quantitative and qualitative dimension, which in some countries overlap. For the most part, the OBI survey does not assess the reliability of fiscal information: it merely asks whether the information is available. The PEFA assessment, however, also provides an indication of the reliability of the enacted budget. PI-1 to PI-3 (revenue aggregate) and expenditure information (aggregate and composition), PI-16 (macro-fiscal framework), PI-17 (quality of debt data), PI-24 (iii, quality of internal reports) and PI-D1 (ii, reliability of donor information) provide an assessment of various types of fiscal information. The graph below compares the public availability of data (PI-10) with an assessment of the reliability of fiscal data using the indicators listed above. On the left-hand side of the graph are countries that are likely to be able to improve transparency by providing reliable data they already have. On the right-hand side are countries that may provide significant information, but that would need to significantly improve the quality of data in order to achieve meaningful ex-ante transparency. Again, note that this is a broad-brush assessment, applying the same criteria to all countries. For some, considering the limited scope of information available on a cross-country basis, the assessment may overemphasise some factors (e.g. South Africa, where donor funds form less than 1% of the total budget, but contributes a value of one-sixth of the average score), while for others it may underemphasise some factors. However, the graph does show that the transparency deficit has both a quantitative (the amount of information available) and

Figure 4: Availability and reliability of fiscal information (PEFA assessments 2006–2012)



qualitative (the quality of information available) dimension, which in some countries may overlap (e.g. Guinea-Bissau).

Timely assurance on the reliability of ex-post data

Systems to provide assurances about the reliability of ex-post fiscal data in Francophone and Lusophone countries lag significantly behind those of Anglophone countries. Furthermore, sustained improvements in these systems across the three OBI surveys were only registered in Anglophone countries. Both the OBI and PEFA provide data on the quality of the systems that provide assurance.

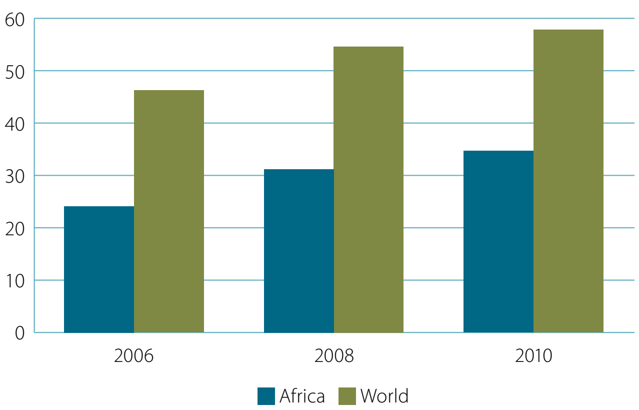
A sub-index, based on questions 111 to 125 (on the 2008 and 2010 surveys, and their equivalent questions in 2006), was created on the OBI to measure this aspect, while indicators PI-21, PI-25, PI-26 and PI-28 from PEFA were used. The table below provides the average scores by region, converting the PEFA data to an index (as explained in Box 1) and illustrates the differences by administrative heritage group. The scores by countries are provided in Annex 1.

Table 5: Assurances on the reliability of data (OBI and PEFA)

	2006	2008	2010	PEFA
Anglophone	34.7	40.3	48.7	51.6
Francophone	4.1	15.9	9.2	34.2
Lusophone	7.7	7.7	7.7	29.3

However, improvements in Africa, as measured in the 17 countries represented in all three surveys, kept pace with improvements across the world (see graph below).

Figure 5: Improvements in audit institutions, 2006 to 2010 (OBI Survey)



Many countries can make immediate transparency improvements by publishing already available audit reports; others face the tougher task of improving their underlying audit systems. Besides the observation about the differences highlighted above, the difference in the PEFA scores compared to OBI scores is significant. The OBI questions ask whether audit reports are released to the public; the PEFA indicators are assessed on whether the reports are prepared in the first place and hearings are held, and whether executive branch systems that will support a timely and quality audit are in place (e.g. the availability of financial statements on time and internal audit strength). The table below highlights cases where countries have a significantly higher PEFA compared to OBI index score (for those countries for which the PEFA assessments are public).

Table 6: PEFA and OBI assessed strength of audit systems

	PEFA	OBI
Anglophone countries	53.36	43.34
Botswana	56.67	57.14
Ghana	45.56	66.71
Kenya	43.33	47.57
Liberia	17.62	38.14
Malawi	**43.33**	**0.00**
Rwanda	**54.44**	**33.29**
South Africa	83.33	71.43
Tanzania	52.22	47.71
Uganda	**65.56**	**42.86**
Zambia	**56.67**	**28.57**
Francophone countries	37.23	3.95
Burkina Faso	**54.44**	**0.00**
Democratic Republic of Congo	**32.22**	**0.00**
Mali	**30.60**	**14.29**
Morocco	**36.66**	**0.00**
Niger	**38.89**	**0.00**
Senegal	**30.00**	**9.43**
Lusophone countries	34.44	2.36
Mozambique	**52.22**	**4.71**
Sao Tome & Principe	16.67	0.00

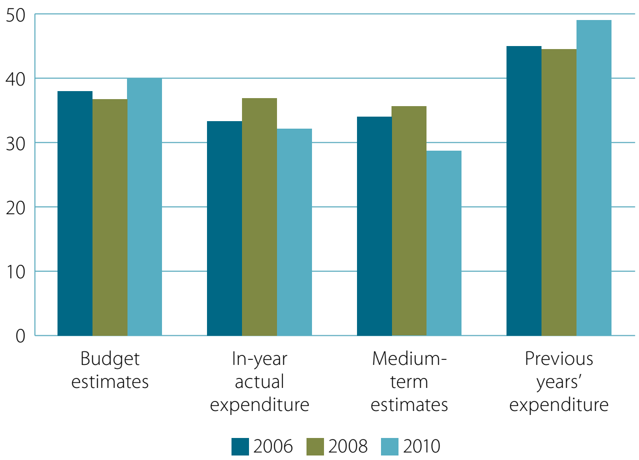
PERFORMANCE IN TERMS OF DIFFERENT TYPES OF FISCAL DATA

This section looks at performance across and within African countries in terms of different types of fiscal data. Two main distinguishing factors were used to categorise the questions on the OBI survey, namely (i) the status of the data in relation to the fiscal activity it describes – in other words, does it refer to past, current, expected short-term, or expected medium-term fiscal activities; and (ii) the type of fiscal information – in other words, does it describe macro-fiscal forecasts or performance, or expenditure, revenue, borrowing and debt, and so forth.

Status of information in relation to the timing of fiscal activities

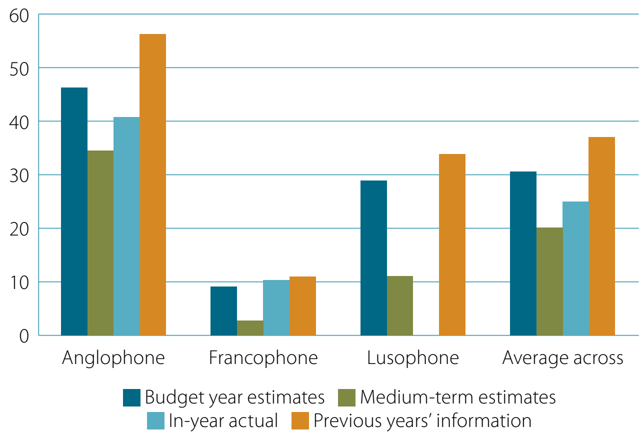
Between 2006 and 2010, the average country performance in Africa has deteriorated with regard to the provision of medium-term estimates and in-year actual expenditure, and improved with regard to the provision of past years' information and budget year estimates. On average, African countries have improved in terms of information for the budget year and the provision of comparable information on previous years' expenditure. The deterioration with regard to in-year reports is driven in part by some countries not providing in-year reports during the 2010 survey, whereas they did so for the 2008 survey (e.g. Botswana), but mostly by deteriorating coverage in others (e.g. Morocco and Zambia). In 2006, Algeria provided medium-term forward estimates, but scored 0 on the same questions in 2010. For others (Botswana, Malawi, Kenya and Ghana), the coverage of forward estimates deteriorated. In both cases, the average deterioration occurred despite significant improvements in some countries (e.g. Malawi) in terms of the provision of in-year reports.

Figure 6: Improvement by status of fiscal information (OBI 2006–2010)



However, when all the countries assessed during the 2010 OBI survey are taken into account, the picture shifts somewhat. Surprisingly, on average, African countries provided better information about previous years' spending on the OBI questionnaire than about the budget year. However, this is largely explained by the fact that the OBI included more questions about budget year information in the sub-index constructed here for budget year estimates than for past information. Additional questions, which do not feature in the past information sub-index, such as about information provided on the assumptions underlying macro-fiscal forecasts, are included. Nonetheless, the improvement in previous years' expenditure data seen in the graph above, together with the relatively good performance in this category across all groups of countries, is noteworthy. It may indicate that publishing past actual spending information is relatively easy to do, given improvements in financial management information systems and the timely availability of financial statements.

Figure 7: Performance by status of fiscal information and by country administrative heritage (OBI 2010)



In comparing the performance of different regions, the different practices are again illustrated. In Francophone countries, citizens are more likely to find in-year spending reports than a publicly available executive budget proposal. The individual average scores by country and by administrative heritage are provided in Annex 1.

Transparency by type of fiscal activity

Improvements over time in most types of fiscal activities: Besides their performance in terms of the provision of macro-fiscal information, the 17 African countries that participated in all three OBI surveys improved their performance for all other types of information measured, most significantly in terms of intergovernmental transfers and borrowing, and information provided about fiscal risk factors and extraordinary fiscal activities (e.g. off-budget revenue and expenditure, contingent liabilities, tax expenditures, and so forth). However, the latter still lags significantly behind other types of fiscal activity.

The differences by region are less stark in this analysis than in the analysis by status of expenditure. For the most part, ignoring the overall difference in levels of expenditure, the differentiation among these types of activities follows very similar patterns across all three administrative heritage groups. This perhaps underscores the leading role that different practices with regard to the provision of certain types of reports play in overall transparency performance among administrative heritage groups. The main differentiation pertains to the information provided about intergovernmental transfers, donor spending and transfers to public enterprises, which in Anglophone countries were assessed higher than for all other information except revenue, and much lower relative to other activities in Francophone and Lusophone countries.

Figure 8: Transparency by type of fiscal activity (OBI 2006–2010)

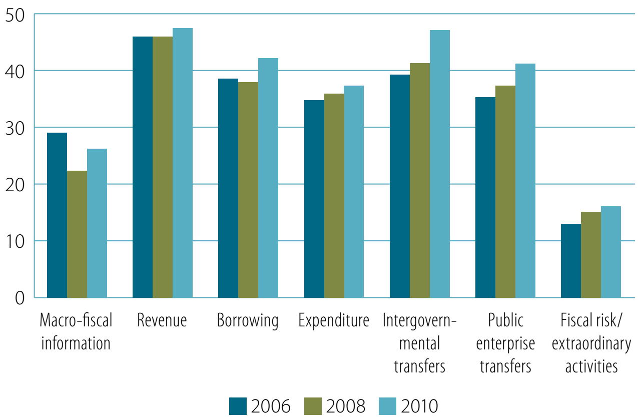
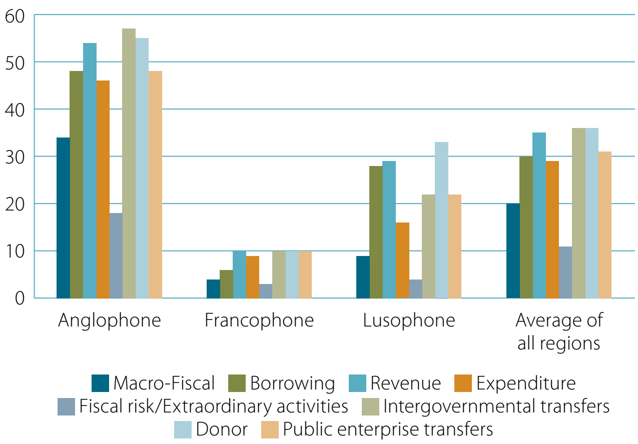


Figure 9: Public information assessed by type of fiscal activity (OBI 2010)



QUALITY OF TRANSPARENCY: THE USEFULNESS, COMPREHENSIVENESS AND TIMELINESS OF FISCAL DATA

This section investigates in more depth whether the fiscal data provided are done so –

- with sufficient disaggregation and context to be useful;
- on time, to enable effective participation; and
- comprehensively, so that a complete picture of government performance emerges.

Again, sub-indexes of the two main data sets were used. Annex 2 provides information about the coding of both data sets, as well as about the particular questions included in the indexes. The table below briefly sets out the main criteria for selecting a question or indicator.

Improvements in the usefulness and comprehensiveness of data, but deterioration in the timeliness of data: On average, the countries that were assessed in all three OBI surveys have made improvements in the usefulness and comprehensiveness of publicly available fiscal data between 2006 and 2010. However, in terms of the timeliness of data, the improvements made between 2006 and 2008 were reversed.

PEFA data suggest furthermore, that current internal systems hold a transparency dividend on usefulness, comprehensiveness and timeliness of publicly available data. The table below, which reflect the OBI and PEFA scores for countries that were assessed on both frameworks, suggests that, on average, African countries can make transparency improvements in respect of the usefulness, comprehensiveness and timeliness of publicly available data, given the status of their current systems. However, for Anglophone countries, the improvements that can be made

Table 7: Criteria to assess the usefulness, comprehensiveness and timeliness of fiscal data

Aspect	OBI criteria	PEFA criteria
Usefulness	The disaggregation of financial information, e.g. the classification of expenditure information. Non-financial information provided that gives context to the financial information, e.g. assumptions about macro-fiscal forecasts, the explanation of the impact of policies on budget estimates, performance information, etc.	Indicators that provide an indication of whether internal systems exist that will increase the usefulness of public financial information, e.g. the availability of sector expenditure strategies.
Comprehensiveness	Questions that indicate whether all types of fiscal activities of central government (the focus of the OBI) are included in the budget.	Indicators that provide an indication of government systems to provide this information.
Timeliness	Questions that indicate whether external stakeholders receive information in time to engage government on its fiscal decisions.	Indicators that provide an indication of whether information can be provided in a timely manner.

may pertain more to the timeliness of public information, while significant improvement appears possible across all three dimensions in Francophone and Lusophone countries.

Figure 10: Change in average scores against key quality dimensions (OBI 2006, 2008 and 2010)

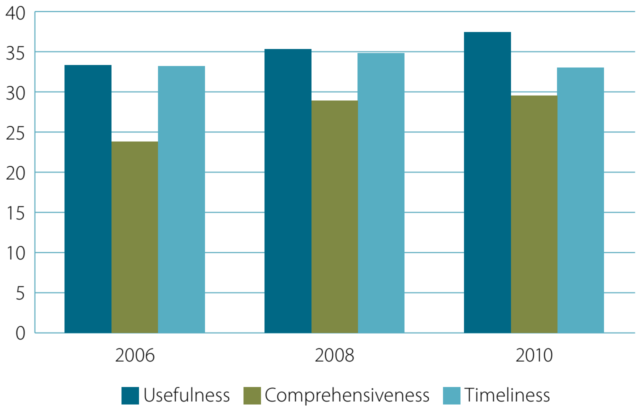


Table 8: Usefulness, comprehensiveness and timeliness of fiscal data (OBI 2010 and PEFA)

	Usefulness		Compre-hensiveness		Timeliness	
	OBI	PEFA	OBI	PEFA	OBI	PEFA
Anglophone	49.0	46.2	40.2	44.8	44.8	56.7
Francophone	14.8	47.8	16	47.7	20.4	49.8
Lusophone	12.7	34.8	9.3	38.0	13.9	47.6
Average for African countries	**33.6**	**45.5**	**28.7**	**45.0**	**33.2**	**53.3**

African countries fare poorly in respect of transparency on three types of non-core fiscal data, namely donor funds, extra-budgetary activities and contingent liabilities. However, in each of the three aspects, some countries and groups of countries within Africa out-perform others.

- **Donor funds:** Across countries, finance ministries face great challenges in representing donor funds that do not flow through country systems on budget and in reports, even if these funds directly support public activities and institutions. The table below shows the level of information provided by donors to African countries with public PEFA reports about projected and actual spending on activities that are not funded through the use of country systems, compared to the performance of countries in reflecting donor-funded income and expenditure on budget. The low level of information provided to low-income countries, which are likely to have larger proportions of their public resources being sourced from donors, is notable.

Table 9: Reflecting donor funds on country budgets

	PI-D2 (i)	PI-D2 (ii)	PI-7 (iii)
	Completeness and timeliness of budget estimates by donors for project support	Frequency and coverage of reporting by donors on actual donor flows for project support	Income/ expenditure information on donor-funded projects that is included in fiscal reports
LIC	2.00	1.57	2.00
LMIC	2.17	2.17	2.75
UMIC	2.00	1.75	4.00

- **Extra-budgetary expenditure:** African countries lag other regions in reporting extra-budgetary flows. Given that overall transparency is lower, it may be argued that a first priority should be transparency on the core budget. However, two factors still highlight the reporting of extra-budgetary flows as a significant problem on the continent. Firstly, the level of unreported expenditure is considerable. As shown in the table below, in low-income countries, on average, unreported expenditure accounts for between 5% and 10% of expenditure. This hides a number of countries where it is higher than 10%, for example, Benin, the Central African Republic, the Democratic Republic of the Congo, Ethiopia, Guinea-Bissau, Kenya and Zambia. Countries that do well (in other words, where less than 1% of extra-budgetary flows go unreported) are Rwanda, Niger and Madagascar.

Table 10: Unreported extra-budgetary expenditure

	Average PEFA score PI-7(i)
	The level of extra-budgetary expenditure (other than donor-funded projects) that is unreported, i.e. not included in fiscal reports
LIC	2.26
LMIC	3.17
UMIC	3.25

Not all countries that report extra-budgetary flows poorly, report expenditure poorly. Using the OBI 2010 data, the following countries have a difference of 15 points or more between their overall score for expenditure transparency (which, on average, is lower than transparency on revenue, for example) and their scores on the three questions about extra-budgetary funds in particular (35, 110 and 115): Angola, Nigeria, Zambia, Namibia, Kenya, Malawi, Uganda, Egypt, Liberia, Mali and Tanzania. Compared to the PEFA analysis (for those countries that have been assessed under both PEFA and OBI 2010), key countries that can add meaningfully to transparency by improving their reporting on extra-budgetary funds are Kenya and Zambia (see further discussion below). However, this does not mean that others cannot.

- **Contingent liabilities:** Few countries report on contingent liabilities. The table below shows reporting on contingent liabilities in the budget documentation, the average score on expenditure transparency, and (for countries that have a public PEFA report) the score on indicator PI-9, oversight of fiscal risk from other public sector entities. While it suggests that, for some countries, improving reporting on contingent liabilities would require improved internal transparency (e.g. Ghana, Morocco and Uganda to make gradual improvements, and Angola, Chad, Equatorial Guinea, Kenya, Rwanda and Sao Tome & Principe to report at all), immediate gains are possible for a few (e.g. Liberia, Mali and Nigeria).

PROVISION OF NON-FINANCIAL INFORMATION

The usefulness of fiscal information is a function not only of the degree to which data is disaggregated, but also of the degree to which governments provide information on the context of the fiscal data. This includes, for example, the degree to which assumptions are made clear and whether the budget documentation makes clear the links between fiscal data and underlying policies and plans. This section looks particularly at the provision of information on assumptions underlying forecasts, on the links to policy and on non-financial performance.

Africa trails other regions with regard to the provision of non-financial information, but has made progress over the last six years in the provision and quality of performance information. An issue that merits particular

Table 11: Comparative performance on transparency and oversight of fiscal risk

	OBI score on contingent liability transparency	OBI score on overall expenditure transparency	PEFA PI-9
Botswana	67.00	48.33	3.5
Ghana	33.00	60.1	2.0
Malawi	33.00	55	3.0
Morocco	33.00	20.75	1.5
Namibia	67.00	60.03	2.5
South Africa	100.00	94.2	NO PEFA
Uganda	67.00	57.48	2.0
Algeria	0.00	0	NO PEFA
Angola	0.00	26.65	1.5
Burkina Faso	0.00	5.03	NO PEFA
Cameroon	0.00	0	NO PEFA
Chad	0.00	0	1.0
Democratic Republic of the Congo	0.00	4.18	NO PEFA
Egypt	0.00	47.52	NO PEFA
Equatorial Guinea	0.00	0	1.5
Kenya	0.00	50	1.0
Liberia	0.00	48.33	2.5
Mali	0.00	50.8	3.0
Mozambique	0.00	22.45	NO PEFA
Niger	0.00	0	NO PEFA
Nigeria	0.00	15.85	2.0
Rwanda	0.00	4.98	1.5
Sao Tome & Principe	0.00	0	1.5
Senegal	0.00	5.8	3.5
Sudan	0.00	5	–
Tanzania	0.00	56.75	2.0
Zambia	0.00	36.65	NO PEFA

attention is the question of whether the policy changes and drivers underpinning financial data are adequately explained, and whether performance objectives, targets and data are provided. In the 2010 OBI survey, African countries performed worse than all other regions except the Middle East across all three dimensions of non-financial information measured, as is illustrated in the graph on the left-hand side below. The graph on the right-hand side shows the change over time for each dimension and the average scores of the 17 countries that participated in all three surveys. While some improvement was registered in all three aspects, the systematic improvement in available performance information is notable, and most likely reflects significant investment in programme performance budgeting systems by countries and development partners over the last decade.

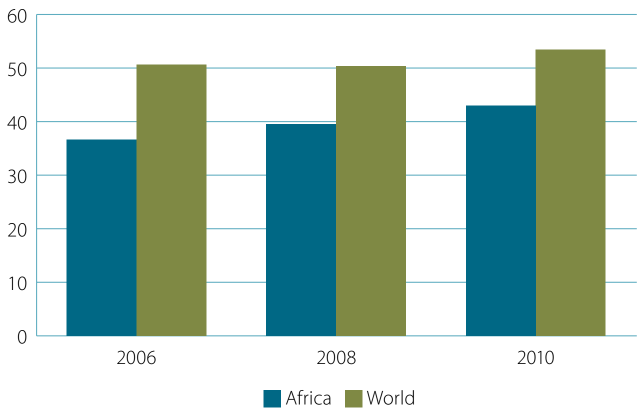
PARTICIPATION AND OVERSIGHT

The final two sections of this report look at different approaches to improve fiscal transparency and ways in which interaction with civil society, parliaments and supreme audit institutions can be achieved. This section reflects on the functioning of these key institutions in the budget process, as measured by OBI and PEFA data.

African countries assessed in all three rounds of the PEFA have made progress in terms of legislature engagement strength between 2006 and 2010. Both the OBI and the PEFA indicators provide assessments of the functioning of the legislature in budget approval and oversight.

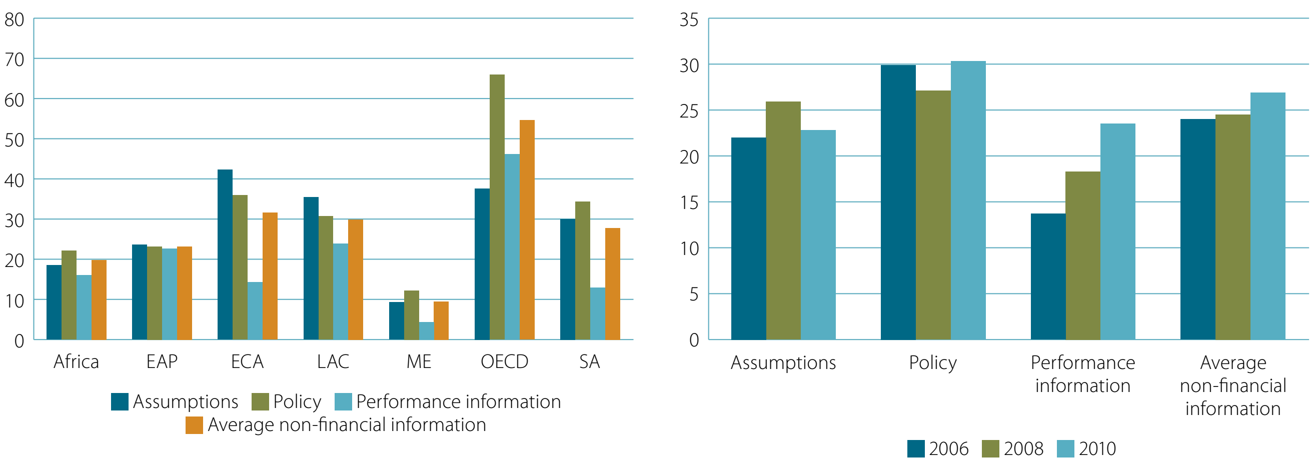
Comparing the average scores on OBI survey questions on the legislature (its powers, engagement with the executive, engagement with citizens) of the 17 African countries that participated in all three surveys with the scores of countries in the rest of the world that participated in all three surveys show a clear trend of improving legislature strength in budget engagement. However, the overall average score for all countries participating in the 2010 survey was still below 40.

Figure 12: Change in legislature engagement strength, 2006 to 2010 (OBI survey)



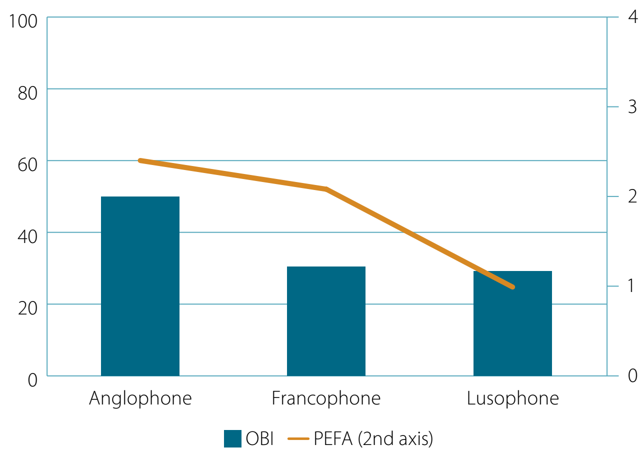
Legislatures in Anglophone African countries have significantly higher engagement in the budget process: Again, the differences between Anglophone and Francophone/Lusophone countries are clear. As illustrated in figure 12, the assessment of legislature strength in the budget in Francophone countries returned an average score of 29 on the OBI survey, compared to 47 in Anglophone countries (and 27 in Lusophone countries). The difference between the administrative heritage groups in PEFA assessments – of an additional 16 countries – is smaller between Anglophone and Francophone countries, but as significant between Anglophone and Lusophone countries. Overall, the better average performance on PEFA assessments may be explained by the narrower scope of the PEFA indicators on the legislature compared to the OBI survey, which included the dimension of openness to the public in its key questions.

Figure 11: Transparency performance with regard to non-financial information across regions and time



In the PEFA assessments too, however, even the Anglophone countries fared relatively poorly, with an average score of c+. In terms of budget oversight, for example, this would reflect at times poor respect for the legal requirements of legislative scrutiny, some parts of the budget not being covered by legislative hearings, and recommendations from the legislature not always being acted on.

Figure 13: Average performance of African countries in terms of legislature strength by administrative heritage

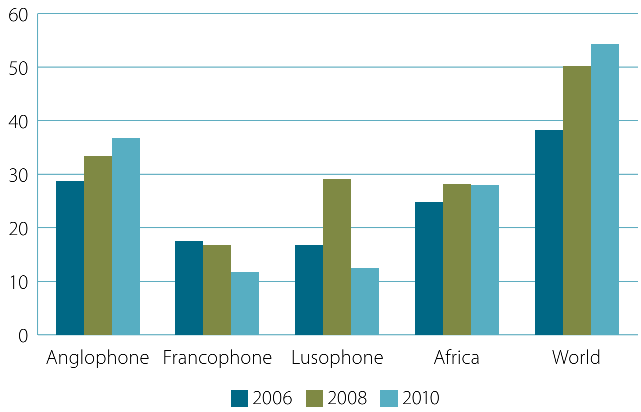


Source: OBI Survey 2010, PEFA assessments (various)

While Anglophone countries made progress in terms of opportunities for citizens to engage in the budget process, on average these opportunities diminished in Francophone countries between 2006 and 2010.

Figure 13 provides the averages of the 17 African countries (and other countries around the world) that were assessed in all three the OBI surveys on questions that provide an indication of opportunities for citizens to engage in the budget process. The sub-index of the survey results included questions on public hearings, consultation, and the predictability of the budget process so that citizens may engage with it.

Figure 14: Citizen access to budget processes as measured by the OBI survey (2006 to 2010)



If all the questions on the OBI survey are taken into account, African countries participating in all three OBI surveys improved their performance from 32.99 to 35.6. Some countries, however, have far outperformed this average, either between 2006 and 2010 or between 2008 and 2010, such as Liberia (30 points), Egypt (23 points), Uganda (19 points), Angola (17 points), and Ghana (15 points).

2 DIFFERENT APPROACHES TO FISCAL TRANSPARENCY AND MAIN CHALLENGES

This section discusses:

- the different approaches or pathways to transparency gains displayed by countries; and
- the common challenges faced by countries.

The discussion is underpinned by seven desk reviews of transparency 'policy' and changes. The countries reviewed are:

- South Africa (comprehensive information, some improvement);
- Rwanda (no or meagre information, some improvement (but comprehensive information on the PEFA assessment));
- Uganda (basic information, high improvement);
- Liberia (no or meagre information, high improvement);
- Egypt (no or meagre information, high improvement);
- Burkina Faso (no or meagre information, stagnant); and
- Senegal (no or meagre information, deterioration).

The research also assessed the Botswana surveys to identify areas where its improvement deteriorated. Section 2 of the Bibliography provides a list of the documents used for the case studies.

Overall, the case studies highlighted how fiscal transparency and participation in any one country is a specific function of (i) the political will to be transparent; (ii) the existence of internal technical systems and capacity to support transparency; and (iii) the openness of government to undertaking reforms and changing the 'way things are done'.

WHAT ARE THE DIFFERENT PATHWAYS/ APPROACHES TO TRANSPARENCY IMPROVEMENTS?

There are a number of ways in which countries may approach transparency improvements. The discussion of the case studies that follows, highlights the following strategic considerations:

- Imbedding transparency in the law may not only serve as a catalyst for greater transparency, but may be necessary in more administrative law traditions of public administration (such as in Francophone and Lusophone countries).
- However, laws are insufficient to ensure transparency. The case studies include instances of reversal of transparency gains, even where imbedded in law, when political will or capacity failed. There is also a risk that imbedding transparency in laws, without also having the political and technical/strategic will to implement them, may lead to compliance transparency.
- In order for transparency to be meaningful, policy-makers (usually in the ministry of finance) need to see it as a fundamental principle and objective of public finance management reforms. If this does not occur, even significant internal technical reform will not produce improved external transparency.
- The role of the legislature and its reform is critical in fostering transparency and making it meaningful. Furthermore, strengthening the audit function is key to building trust in fiscal data.

Transparency as a principle in reform design: Recognising transparency as a driving or fundamental principle of a public financial management (PFM) system or reforms is instrumental in ensuring that internal budget process and system reforms translate into improvements in external transparency. In two of the case study countries, i.e. Uganda and South Africa, the willingness of the finance ministries to make fiscal data public – stemming from an understanding of its potential value within a coherent reform strategy – played a key role in consistent transparency improvements. In both cases, the interpretation of underlying legal requirements means that, in practice, their actual transparency is much broader and deeper than legally required.

- In South Africa, for example, the legislation requires the annual budget to include estimates of revenue and expenditure; estimates of interest and debt servicing charges; estimates of capital expenditure and its future implications; estimates of off-budget revenue; proposals for financing the deficit; indications of additional borrowing or liabilities; information about revenue, expenditure and borrowing for the previous year; and any other information that may be prescribed. This has been interpreted by the National Treasury into a set of six documents tabled in Parliament and published every year, namely the Budget Speech, which is a summary of the executive budget proposal; the Budget Review, which sets out the macro-fiscal framework and assumptions and includes an extensive chapter on public sector borrowing, detailed revenue and expenditure proposals linked to policy changes, an intergovernmental chapter, and so forth; the Estimates of National Expenditure, which sets out detailed expenditure proposals for each vote, linked to policy priorities and performance information, as well as revenue and expenditure information for the entities that report to the department funded by the vote; a Citizen's Budget document; a document on revenue proposals; and the proposed appropriation bill.
- In Uganda, transparency has remained at the centre of PFM strategy for almost two decades. In 2006, increases in transparency were still seen as crucial to improving public resource effectiveness and reducing corruption, as set out in the Financial Management and Accountability Programme of 2006.

In a third case, that of Liberia, the recognition of transparency as a fundamental principle of good PFM in the 2007 reform strategy led to its inclusion as a principle in new budget legislation with commensurate provisions. This resulted in significant improvements in transparency on the ground.

Anchoring transparency through legislation: Similarly, a concern for fiscal transparency in the redrafting of key primary and secondary legislation may serve as a catalyst for rapid transparency improvements. In fact, in two of the five countries that have made significant improvements in transparency, these improvements were prompted by legislative change:

- In Egypt, the constitutional amendments of March 2007 facilitated transparency in respect of the state budget and the final accounts of the state budget. Key changes were requirements for the submission of executive budget proposals; additional powers for the legislature to amend the proposals; and the submission of a year-end statement to the legislature with sufficient time for the legislature to engage. The Constitution also required meetings of the legislature to be public.
- Much of Liberia's transparency improvements stem from the inclusion of transparency provisions in the 2009 Public Financial Management Act. Hence, it is one of the countries recognised for including 'extensive' mentions of budget transparency in its PFM legislation (De Renzio and Kroth 2011). Besides recognising transparency as a principle, the specific provisions require an executive budget proposal, an enacted budget, in-year reports and audit reports to be made available publicly.
- In Uganda, the government has undertaken a series of legal reforms to achieve improved budgetary outcomes over the past twenty years. The Budget Act and the Public Finance and Accountability Act have set new requirements for public finance systems and budget documentation, and have given Parliament a greater role in scrutinising the budget process. In fact, the Budget Act was a parliamentary initiative, which required the sharing of core pre-budget information with Parliament.
- With the change in the fiscal and budget directives of the West African Economic and Monetary Union (WAEMU), and particularly the directive on transparency, member countries are in the process of aligning their national legislation and developing systems to implement transparency-related reforms. The directive acknowledges transparency as a fundamental principle of sound public financial management. It is expected that implementation of the directive will use existing internal information and system capacity to make rapid transparency improvements.

Countries make significant progress by simply publishing documents that are already available or for which the information is available internally. This is often related to legal changes: There are numerous instances of this across the case studies. After the promulgation of the Public Financial Management Act in Liberia in 2009, several documents that had been produced previously were made available on the government's website, including an executive budget proposal (published for the first time in 2009), and year-end and in-year reports. The site also publishes a pre-budget statement now, although this is not yet reflected in the 2010 OBI. In addition, it is expected that the implementation of the Transparency Directive will result in immediate improvements over the next few years in the

Francophone countries of the WAEMU region, particularly given the importance of legislation in driving reforms in these countries.

Countries also make progress by extending the coverage, quality and comprehensives of published documents: Several countries showed moderate improvements in their OBI performance by improving the comprehensiveness, usefulness and timeliness of budget documentation. In Liberia, for example, expenditure information is now much more disaggregated, with expenditures being reflected in several dimensions in key documentation. In Uganda, as illustrated below, after initial improvements in terms of the documentation available, government focused on improving the documentation through technical reforms.

Underlying system reforms often underpin transparency improvements, particularly in terms of the quality of documents already published: two kinds of system reforms in particular lead to improvements in the quality of information.

- Modernisation of the chart of accounts: In many countries, the introduction of multidimensional budget classification systems has produced transparency dividends. In Liberia, for example, the disaggregation and detail of information improved with the introduction of a chart of accounts including a budget classification that allow for the full range of elements – administrative, fund, projects, programme, function (including sub-functions), location, and economic – in line with international standards. In Burkina Faso, modernisation of the classification system allows a direct comparison with the initial budget.
- Developing integrated financial management systems: In Uganda, the roll-out of an IFMS allowed for more timely in-year reconciliations, which in turn allowed for more timely year-end statements. In Burkina Faso, the roll-out of the Circuit Informatisé de la Depense ensures timely, quality financial statements, which is currently still mainly used for internal rather than external transparency purposes, although government has started publishing year-end reports. Similarly, the monitoring of revenue has started through the Circuit Integré des Recettes, which enables the delivery of monthly accounts within 5 days after the end of the month. In Rwanda, the roll-out of SmartGov has enabled timely reporting.
- Making budget process improvements: In Uganda, the introduction of a first medium-term framework phase of the budget process that is focused on setting a macro-fiscal framework and making strategic decisions about expenditure priorities made the publication of a pre-budget statement possible. The budget process reforms in South Africa from 2006 to 2008 had a similar effect.

However, system reforms can also result from an effort to improve internal and external transparency: In Uganda, for example, during the mid-2000s – after its initial presentational transparency reforms – government realised that further improvements to the comprehensiveness and transparency of the budget would require improved technical systems, such as the extension of the classification framework, improved coverage of all government financial transactions, and consolidation of the framework for intergovernmental fiscal transactions, as well as the extension of the coverage of information and technology across all central government ministries, departments and agencies, and regional governments.

The most recent transparency improvement in Uganda is the introduction of output- or activity-based budgeting, which means that the budget documentation now makes it very transparent how public resources are linked to specific expenditure outputs and activities. Output-oriented budgeting has restructured the budget in such a way that spending agencies' and local governments' budgets clearly link their expenditure plans to the results they deliver. Data on budget plans, execution and performance is publically available. New government-led accountability mechanisms have been established to hold spending agencies and local governments to account for the results set out in their budgets. All spending agencies and local governments are required to enter into a performance contract with the Ministry of Finance. The quality of output-oriented budgeting and service delivery data at local government level, in particular, has steadily improved since the introduction of output-oriented budgeting at the local government level in 2010. This has strengthened reporting and accountability to central government, which funds nearly all of most local governments' budgets through grants, and represents a key external transparency improvement.

Strengthening legislature engagement with the budget is an important avenue for more transparency. There are numerous examples of this in the case studies. For example, in Uganda, the legislature promoted improvements in the public availability of information by requiring a formal submission of the pre-budget statement. The Kenyan legislature enacted a similar law. In Egypt, enhancing the powers of the legislature through constitutional changes improved transparency in a government that, up to this point, had been very opaque. In Senegal, the introduction of budget orientation debates, budget oversight laws and an audit court, as well as a revision of its budget format and the training of parliamentarians in public finance, have all enhanced its budget transparency and particularly the participation of the legislature in the process.

Some countries have made transparency gains through means that will not necessarily reflect in the cross-country surveys. Burkina Faso and Rwanda, for example, use consultation and information sessions to provide information. Countries have also started using the World Wide Web to make information available, even if not linked to the publication of specific reports. An example is the provision of a website by the Senegalese Ministry of Finance and Economy, which provides regular updates on the assumptions underlying the budget, macroeconomic perspectives and public debt (see www.dpee.sn).

Donor influence can lead to improved transparency. Although there was only one clear instance of this in the case studies (in Liberia, where HIPC conditionality played a role in transparency improvements), it is worth mentioning. However, considering that systematic, sustained, and meaningful transparency is unlikely to follow unless there is political will to sustain it, donor pressure for transparency can do more harm than good in the absence of government commitment. An example of this is the publication of programme budgets – which were produced without much connection to the actual budget or much impact on budget execution and which absorbed limited reform capacity, but to little effect – in some Francophone countries.

WHAT ARE THE COMMON CHALLENGES TO IMPROVING OR SUSTAINING FISCAL TRANSPARENCY?

Transparency gains can be reversed by ceasing the publication of specific types of information in reports; publishing key reports inconsistently across and within years; and late publishing of key documents and information. There are several examples in the case studies of this happening. In Botswana, for example, although available in 2006 and 2008, in-year reports were not published in 2010, even if they were available internally. In Burkina Faso, the audit report, year-end report, mid-year review, and citizen's budget were published in 2008, but this was no longer the case in 2010. In Rwanda, in-year reports were prepared prior to 2008, but not in 2008.

The absence of legal requirements for transparency could hinder consistent transparency improvements, particularly in non-Anglophone countries with administrative legal systems. In Burkina Faso, for example, the legal framework does not place any duty on government to make budget information available to the public, nor does it provide for public participation in the budget process. This means that whereas government may publish documentation in one year, it can easily not publish it in the following year. In countries with an administrative legal system, the gap between internal and external transparency is also high (see Table 12 below).

Legislating transparency is not always sufficient – political will for their implementation and systems to produce the information is also needed. Even though the 2009 PFM Act in Liberia prompted significant improvements in transparency, compliance with some of its provisions remains low. For example, although legislation underpins the monitoring of public enterprises by central government, reports are not always submitted on time, and a budget annex on the financial operations of state-owned enterprises that appeared in 2010/11, in accordance with a requirement of the PFM Act, was left out in 2011/12. The scrutiny of audit reports, as required by the legislation, has also not occurred. As an integrated financial management system (IFMS) is still in the process of being developed, the country also faces challenges in producing key reports on time and to sufficient quality.

Table 12: Potential for transparency improvements in selected Francophone countries

	Burkina Faso		Democratic Republic of the Congo		Mali		Morocco		Niger		Senegal	
	PEFA	OBI	PEFA	OBI	PEFA	OBI	PEFA	OBI	PEFA	OBI	PEFA	OBI
Borrowing	81	0	28	0	81	17	90	39	28	0	46	0
Donor	58	0	19	0	53	100	30	0	42	0	31	0
Expenditure	77	5	39	4	47	51	53	21	39	0	47	6
Fiscal risk/Extraordinary fiscal activities	72	0	10	0	63	0	72	26	72	0	19	0
IG transfers	90	0	10	0	50	67	37	33	23	0	37	0
Macro-fiscal	72	0	28	0	72	20	63	13	63	0	46	0
Revenue	37	12	77	0	90	35	77	55	37	0	77	0

Source: OBI 2010, various PEFA assessments

Technical reforms that result in better information internally have little impact on external transparency. Apart from the fact that providing information publicly is critical for transparency and public engagement, not doing so also means missing out on a powerful incentive to improve the quality of the documentation.

In terms of the 2010 OBI survey and PEFA assessment, producing key documents internally without publishing them externally was particularly evident in Francophone and Lusophone countries. The table below uses the PEFA data (adjusted to an index to make it more comparable with OBI data), coded by indicator for its potential to provide each of the types of fiscal information and compared to similarly coded OBI data, to illustrate the extent of this practice. The differences by country between the PEFA and OBI columns are significant: with the exception of Mali and Morocco, the OBI column reads 0 (indicating that information is not available) for all the countries included in the table, compared to sometimes high scores on the PEFA internal data availability/ system functionality assessment. Even allowing for discrepancies in scale and the focus of questions, the potential for improving transparency by simply publishing information is significant.

In Senegal, for example, the pre-budget statement, the executive's budget proposal, the mid-year review, and the year-end report are produced but not made available to the public. The budget summary, the budget documents in support of the executive' budget proposal, and the citizen's budget are not produced. The only budget documentation shared with the public is the enacted budget, in-year reports and the audit report, even if all eight documents identified by the OBI survey, are produced. Yet the comprehensiveness and quality of internal documentation in Senegal appears to be good: the PEFA assessment found that five of the nine elements to be included in budget documentation are present; that the documentation is credible (receiving A's and B's on aggregate expenditure and revenue outturn); and that the classification of the budget is comprehensive. This shows that budget documentation, while not available, seems to be of a reasonable quality, which means that quick gains could be realised if Senegal published the executive's budget proposal.

Weak budget processes in the legislature can undermine transparency and participation. In Liberia, the enacted budget may be delayed while members of the legislature debate what may be relatively minor points, or fail to reach agreement on the budget. The legislature has also not instituted the required oversight procedures during any one of the years since the end of the civil war, thus delaying the publication of audit reports. This prompted the Liberian Auditor-General to release statements directly to the public on the same day that they are submitted to the legislature.

Similarly, in Uganda, despite legislative activism in the early 2000s on the ex-ante budgetary oversight, in the late 2000s Parliament were behind in completing the audit cycle, a key element in ensuring reliable fiscal data. As stated in the 2008 PEFA report: 'Uganda has been a pioneer of many PFM features that are now considered commonplace, such as PEAP, MTEF, and IFMS, and has worked hard over the last decade to achieve a high level of development of PFM systems. It is remarkable, therefore, at the end of the accountability line, when Parliament reviews the usage of public funds, that the process is not completed. Four reports by the Public Accounts Committee (PAC) await Parliamentary debate and Executive follow up. By June 2009, the PAC plans to deliver another three reports for 2005/06, 2006/07, and 2007/08, but the benefits of this achievement will depend on Parliamentary action, followed by MoFPED and MDA action'.

In South Africa, despite legislating a process through which it can implement its constitutional powers to amend money bills and providing for a budget office in the legislation, Parliament has still not established this budget office, even though almost four years have elapsed. This means that, while significant information is published throughout the budget cycle in a series of extensive key documents in line with international good practice, the capacity of Parliament to use the information is limited. Members of Parliament change over time and have a full legislative agenda, which limits the capacity of the various portfolio committees to engage with their relevant ministries' budget in depth. While there is a research bureau, committees mostly have access to only one researcher; moreover, this researcher often primarily has expertise in legislative matters rather than budgetary ones.

Weak practice by SAIs also compromise fiscal transparency. In Burkina Faso, for example, the Supreme Audit Institution is currently undergoing a programme of development to align it with international standards; however, its practice is still too weak to provide the necessary assurance on the integrity of information. The latest public PEFA report, for example, found that the SAI publishes few audit reports, and then with some delay. Reports are not communicated to Parliament and it does not have proper channels of communication with the public. There is also inadequate reporting on the follow-up steps taken by the executive to address audit recommendations. As in other Francophone countries, there is potential for duplication and overlapping between the different institutions charged with auditing. The public expenditure audit organs are the Central Directorate of Financial Control (DCCF), the Directorate-General for the

Treasury and Public Accounts, the Finance Inspectorate-General (IGF), the General State Inspectorate (IGE), the Audit Court and Parliament. Both internal auditing within the administration and/or judicial audits are carried out, but with some overlap. A pre-audit is conducted by the relevant service of the DCCF for the commitment of expenditure. The Treasury accountant checks the regularity of the expenditure before seeing to the payment and commits his personal and criminal liability. Post-auditing is carried out by the government services (the IGF and the IGE), the services of the judicial power (Audit Court), and the legislative power (Parliament). Another key problem area is the lack of formal and financial independence from the executive.

Addressing these issues can produce significant transparency dividends. In Rwanda, for example, progress has been made in auditing thanks to the establishment of an Office of the Auditor-General. Before 1998, the external audit of state capacity was entrusted to the court of accounts, with some confusion between its mandate and that of the Inspectorate General of Finances. By establishing the Office of the Auditor-General, Rwanda redefined the roles and responsibilities of these institutions. A major step forward was taken in June 2007, when Rwanda's very first consolidated financial statement (for the 2006 financial year) was presented to the Office of the Auditor-General for audit. This meant that audit coverage improved from less than 50% at the end of the period examined by the 2007 PEFA to 100% in the latest PEFA. At present, the audit reports are submitted to Parliament in less than eight months, which allows for timely scrutiny and in-depth hearings in the legislature.

Lack of technical financial management and accounting capacity impacts on transparency. To a large extent, modern PFM systems require that countries produce enough qualified accountants, financial managers, and procurement managers. For example, the growth in internal audits requires qualified accountants and auditors. However, many countries are experiencing a shortage of qualified staff in the public sector. Even when programmes are put in place to train candidates, they are often absorbed into the private sector over time. In Rwanda, for example, the PEFA report highlighted the lack of qualified accountants in the public sector as a contributing factor in accounting and reporting weaknesses.

High use of exceptional financial procedures can undermine in-year transparency. In Senegal, for example, the case study highlighted the high use of exceptional procedures such as advance payments and imprest accounts to bypass cumbersome official procedures. This affects transparency and creates some fiscal risk, which is exacerbated by weaknesses in auditing.

Across Africa, coverage of extra-budgetary flows, contingent liabilities and extraordinary fiscal activities, such as tax expenditures, in public documents is weak. The case studies confirmed the findings in Section 1 stemming from the analysis of OBI and PEFA data on weak reporting of non-core fiscal activities. In Senegal, for example, the combined impact of opaque government in these areas means that the budget information provided to the public is very weak in respect of comprehensiveness. There is no information about extra-budgetary funds, earmarked revenue, national security and military intelligence, intergovernmental transfers, contingent liabilities and quasi-fiscal activities, government and non-government financial assets, or expenditure arrears. Sources of donor assistance and conditions associated with assistance from international financial institutions are not identified. There is information about the terms of loans and conditionality. There is scattered information internally about transfers to public corporations and future liabilities, but this is not shared with the public.

The desk studies did not allow for an exploration of the underlying reasons for not monitoring or not being transparent about fiscal risk from public sector entities. The case of Liberia suggests that a lack of political will or capacity to monitor information and make it available publicly may be a driver. However, this would be an important area of improvement in countries where government is a significant player in the private sector or with risk at the lower levels of government.

3 WAYS IN WHICH INTERACTION WITH CIVIL SOCIETY, PARLIAMENTS AND SUPREME AUDIT INSTITUTIONS CAN BE ACHIEVED

In principle, fiscal transparency and effective participation are closely linked: effective participation without adequate transparency is not possible. Equally, participatory actors can play a role in promoting budget and fiscal transparency. Conversely, without the effective participation of actors outside of the executive who are prepared to use the information to participate in policy processes and hold the executive to account, a public financial management system cannot fully benefit from the advantages of transparency.

This third section of the status report examines ways in which interaction with civil society, parliaments and supreme audit institutions may be achieved. In particular, it looks at:

- best practices in Africa and abroad in terms of budget and fiscal participation;
- how governments can engage civil society;
- how executive governments can engage parliaments; and
- the role of supreme audit institutions in building effective transparency and participation.

The section looks at two levels of good practices in respect of legislatures and Supreme Audit Institutions (SAIs). At the first level it looks at key reforms that enable – or hindrances to – the institution to ensure effective fiscal transparency. At the second level it also looks at practices within these institutions that enable engagement or participation by citizens and civil society and community organisations.

The field investigated is rich in examples and has a significant emerging literature. The discussion provided here represents only a snapshot of issues, as highlighted by the case study material. The intention is for the section to serve as a departing point for the CABRI / IBP programme of work on transparency and participation. Further material and discussion can be found for example on the website of the IBP (www.internationalbudget.org), the Transparency and Accountability Initiative (www.transparency-initiative.org), the Governance and Social Development Resource Centre (www.gsdrc.org) and the Institute for Development Studies Governance Research Programme (http://www.ids.ac.uk/idsresearch/governance).

Defining participation

For the purposes of this report, participation is defined as the effective participation and engagement of oversight institutions and actors in the budget process and cycle. Of these, the legislature, supreme audit institutions and civil society are the principal actors. While the media are an important fourth pillar in the participative process, space does not allow detailing its role in this section.

In the literature, participation has also been categorised as either 'consultative participation' or 'empowered participation'. The former is one where government provides citizens and their representatives with opportunities to be heard, but without any guarantee that their participation will be heeded. In the case of empowered participation, participants are invested with decision-making power and influence, such as having citizen representatives on boards that oversee local public service delivery (Fölscher, 2011). In its definition of effective or meaningful engagement, this section leans towards the latter end of the spectrum, if not requiring the investment of participatory actors with decision-making powers as such.

Benefits of participation

From improving good governance to reducing corruption, the benefits and advantages of participation have been well researched. Because the budget allows a comprehensive review of government activities, the participation of oversight actors in the budget process and cycle is a building block to improving policies and creating accountable institutions (Menocal and Sharma, 2008). This accountability can either be horizontal (the engagement of state actors such as the legislature) or vertical (where citizens play a direct role in holding the powerful to account). Elections, for example, are the common institutional channel of vertical accountability.

McNeil and Mumvuma (2006) have argued that effective participation can lead to better public service delivery and the achievement of the Millennium Development Goals. This is also because effective participation by these various actors can lead to greater qualitative input into the budget process and formulation. Others have concurred that effective participation can lead to a better alignment with a country's poverty reduction strategy and hence pro-poor budgeting through the engagement of stakeholders. Some have also argued that participation in the budget process and cycle leads to better operational and allocative efficiency (Wehner, 2007). This in turn leads to greater trust and confidence in these institutions. In the long run, effective participation is an important component in creating a vibrant democracy.

Effective participation requires the satisfaction of various preconditions, all of which have been well researched:

- Political diversity and a stable democratic state are a necessary precondition for effective participation. For example, this (among other issues) ensures that parliaments are representative of a diverse electorate and various political parties.
- A legal and institutional basis for participation and engagement is needed. For example, a constitution that details effective roles for parliament and civil society provides a legal basis for effective participation.
- The presence of a mobilised and engaged civil society has been mentioned as a precondition for effective participation.
- Sophisticated capacity at government level to engage with civil society and oversight actors is also necessary. This requires that budget officials and government officials possess the analytical and political management skills to channel the input of oversight actors into responsiveness.
- A free media has also been cited as a precondition for the engagement of civil society in particular.

Risks associated with participation

Admittedly, there are some risks to participation. One of these has been cited as higher spending (Wingast *et al.*, in Wehner, Bromsale *et al.* (2007). Institutional capture, whereby elites or better organised groups have greater scope to extract benefits from the budget can also be a risk (Heimans, 2002). Similarly, the erosion of the legitimacy of established democratic institutions such as parliaments is another risk. In this sense, representativeness, independence, the need for transparency and accountability also applies to these oversight institutions and actors and to the establishment of participative mechanisms in general.

The risks however, can be mitigated through adequate institutional design, the establishment of checks and balances and the observance of rules. Process rules can be effective in managing fiscal risk, for example. When budget totals are the result of explicit enforced decisions, do not merely accommodate spending demands, and are set before individual spending decisions are made and are sustainable over the medium term and beyond, incorporating citizen input into parliamentary budget processes will not lead to fiscal risk (Wehner, 2007).

Participation in the budget process in Africa

As illustrated by the analysis above, citizen participation in the budget in Africa lags other regions and is generally very poor. Worldwide, significant opportunity for public engagement occurs during budget approval in legislatures. In Africa however, this part of the budget cycle is generally weak and often not open to the public. Similarly, the engagement between Supreme Audit Institutions and citizens and their organisation is still limited.

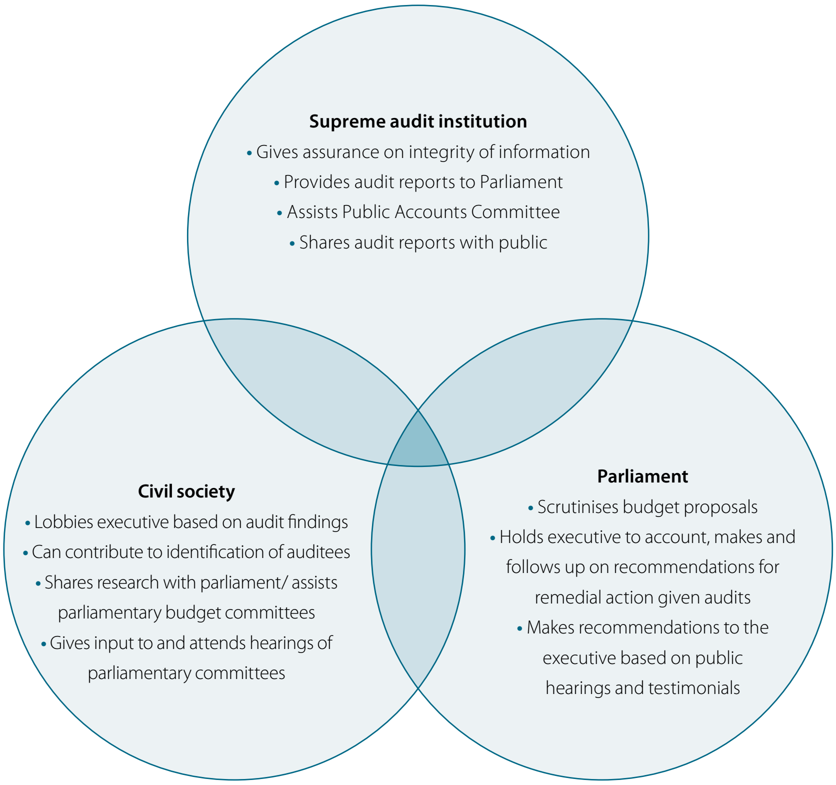
Given the importance of effective participation in making transparency effective, this section seeks to illustrate good practices in Africa, particularly in relation to the legislature, SAIs and citizens directly with the executive branch of government. The chart on the next page maps some of the relationships explored in the section. However, it is important to note that different approaches will work in different country contexts and that there are multiple and complex relationships between these actors.

The discussion below explores these relationships further.

EASY WINS FOR EFFECTIVE ENGAGEMENT OF SUPREME AUDIT INSTITUTIONS

SAIs play a key role in budget transparency: they provide assurance on the integrity of financial information, and on compliance within the executive with the rules of the budget process. When a SAI also takes on performance auditing, these core roles are expanded into the provision of additional non-financial information in the budget cycle, often key to effective programme performance budgeting systems. These systems are themselves potential drivers of improved transparency and participation.

Figure 15: Relationships between oversight institutions



Overall, the effective engagement of SAIs in the budget process has the effect of strengthening the role of parliamentary oversight of budget implementation, and thus of strengthening accountability. Where the external audit system is endowed with judicial powers to levy fines on public accountants, the provision of its reports to the legislature as a matter of routine can still contribute to enhanced legislative processes in discharging expenditure for any one year. While an effective SAI is necessary for accountability, it is not sufficient. Accountability also depends on having actors who will use improved and more timely audit information to hold the executive answerable for its actions.

This section picks up on key concerns and emerging good practices in respect of SAIs in Africa. It draws on the case studies and further literature reviews undertaken for this report, as well as on the AFROSAI input report (AFROSAI 2010) to the CABRI, AFROSAI and ATAF Status Report on Good Financial Governance (2010). This report identified necessary actions by both the executive and SAIs to strengthen SAIs in Africa and what is notable, is the degree to which stronger external audit practices, are dependent on improvements in executive public financial management. The priorities listed by AFROSAI are summarised below:

Changes in executive practice

- *Financial reporting framework:* Adequate financial reporting frameworks should be provided for and enforced, including clear reporting timelines for government entities.
- *Coordination of functions:* More effective coordination should be provided for to improve the functions and relationship between the SAI and other institutions contributing towards accountability.
- *Accountability:* Clear reporting mechanisms should be set up for SAIs in order to hold them accountable for the effective discharge of their functions.
- *Legal, financial and managerial independence of SAIs:* Government should promote the independent setup and functioning of the SAI. Independence includes legal, financial, managerial and administrative independence. It means that SAIs should be able to appoint staff, select and conduct audits and issue reports without undue influence from the executive government.
- *Follow-up of mechanisms:* Effective mechanisms should be put in place to enable the regular follow up of recommendations by the SAI and also by Parliament and its oversight committees. This requires that SAIs should have freedom to follow up on previously reported issues.

- *Reporting:* The SAIs' reports should be made public documents and disseminated on a timely basis and in their original format with additional summaries and interpretations where necessary. It is notable that in the examples provided below of emerging good practices, some SAIs have taken the initiative to publish their reports directly.

Improvements in SAI practices

- *Communication and stakeholder management:* The SAI should foster the awareness of the public and key stakeholders regarding the role and function of SAIs and audit report issues.

- *Capacity of the SAIs and adherence to INTOSAI standards:* SAIs should have formalised mechanisms providing for continuous training of staff. SAIs should strive towards implementation of applicable INTOSAI standards – in line with their mandate and national legislation – and measure their own performance and auditing guidance against the standards. Practical and documented audit manuals, functioning quality control systems providing for ongoing evaluation of the audit work and better utilisation of existing IT tools should complement this process.

The discussion of emerging good practices below provides illustrations of how countries or individual SAIs have started implementing these AFROSAI priorities. It first looks at core strengthening of SAIs and then at good practices of SAI engagement with legislatures, citizens and civil society, a listed AFROSAI priority.

STRENGTHENING SUPREME AUDIT INSTITUTIONS

Ensuring the legal, managerial and financial independence of SAIs

In order to conduct its work effectively, SAIs need to be independent from the executive, i.e. they should be able to fulfil their mandate without executive influence. This means legal, financial and managerial independence.

Several African countries have made significant progress on the legal independence of SAIs over the past decade. For example, in Rwanda, there have been improvements in the functioning of the SAI. The Office of the Auditor-General was established by law in 1998. The 2003 Constitution gave it independence and shifted it from being a branch of the judiciary, to an independent institution reporting to parliament.

As discussed in the previous section, several African countries face challenge not so much in respect of the independence of the SAI, but on the clarity of roles and responsibilities of various auditing agencies. The box below sets out key differences between the Westminster versus the judicial model, traditionally found in countries with a European administrative heritage.

Box 2: Westminster model vs. judicial model

In the court or judicial model, the audit institution, or 'Court des Comptes' (Court of Accounts) has judicial status, and parliamentary engagement leads to a formal vote to discharge the budget. In this model, government officials are held personally liable for illegal transactions. The SAI judges whether a public accountant concerned would be liable for divergence from rules, in order to impose a penalty. In this system audit reports of individual agencies are not placed before the legislature. Instead, the SAI itself acts on the audit findings. However, the SAI does present the legislature with a report on the national accounts which is based in part on audit findings from individual agencies and other findings of SAI reviews. In some countries, the Court of Accounts may form part of the Supreme Court, in which case it might not have the same degree of autonomy as it would if it were independent of other courts.

In the Westminster model, the SAI usually has a powerful head, who can be removed only with parliament's agreement. The SAI makes finding on the integrity of financial information and compliance with rules, and generates recommendations on how to improve public spending. In this model, parliament is the principal audience of the auditor general. Parliament depends on high quality audit reporting to exercise effective scrutiny. This model requires an effective parliament to ensure that departments follow up on audit outcomes.

Wehner, Bromsale *et al.* (2007); Ramkumar (2008)

Public law should set out the independence, mandates and reporting timelines for SAIs. These should be linked to government's own financial reporting timelines within a budget cycle. In addition, SAIs should ensure that they have an effective structure that can address their mandates.

- Ghana is a good example of an effective establishment of structure, reporting, and responsibilities in law. The law provides for the mandate and reporting responsibility of the Auditor General (AG). The AG must present the audit report to parliament within six months after the end of each financial year. The legal framework for PFM in Ghana further spells out sanctions in cases of financial mal-administration. These include pecuniary liability of civil servants for public losses through any action or inaction by them. While this provides potential teeth to the audit process and can build accountability, it has not been used extensively.

- In Senegal, the head of the SAI may only be removed by the legislature or judiciary or the judiciary or legislature must give final consent before they are removed. The magistrates of the SAI may not be removed as is the case for the magistrates in other courts and tribunals. In law, the SAI has full discretion to decide which audits it wishes to undertake. The SAI budget is determined by the executive but the amount is lower than what the SAI needs to carry out its work.

It is also important that SAIs ensure that they report on their own practices and finances.

Establishing clear auditing standards

SAIs should strive toward implementation of applicable INTOSAI standards, in line with their mandate and national legislation and measure their own performance and auditing practices against these standards. By extension, this means having audit protocols, manuals and a functioning quality control system in place. Many SAIs are turning to IT tools to facilitate better quality and more efficient audits. SAIs participation in international peer organisations, such as AFROSAI and INTOSAI present opportunities for continuous improvements in practice. For example, in Burkina Faso, an improvement of the PEFA indicator for the quality and timeliness of annual financial systems was judged to be linked to the SAI becoming a member of INTOSAI in 2007.

Ensuring that the SAI has the skills and monetary resources to conduct audits

While SAIs may be nominally independent, have established sound practices and are adhering to international standard, audits are unlikely to be effective unless SAIs have adequate financial resources. In some countries SAIs suffer from the lack of capacity, both technical and financial. A way in which this can be resolved is by providing a sufficient and independent budget to the SAI to carry out its activities, under the oversight of parliament. In South Africa, the auditor general reports to parliament and works on a cost recovery basis from clients, ensuring a greater degree of independence.

Establishing clear follow up mechanisms for audit recommendations

Effective mechanisms should be put in place to enable the regular follow up of recommendations by the SAI and by parliament and its oversight committees. This requires freedom to follow up on previously reported issues. Good practice also requires that the executive systematically reports to parliament whether recommendations have been implemented. In Malawi for example, the executive is supposed to submit an annual report on the implementation of recommendations. In practice, however, these reports have often not been forthcoming, or are incomplete or late.

Establishing links with the parliament and public

SAIs can enhance the effectiveness of audit information in accountability systems by fostering direct links with the public, and developing a supportive relationship with parliament, particularly with committees that are charged with oversight where they exist.

In South Africa, the Auditor General recognised in the late 1990s that it is important that its reports are accessible to the public. At the time it invested in establishing reporting frameworks that adhere to the legal and technical requirements of audit reports, but which would assist both the public and members of the national and provincial legislatures to use the information. Currently the Auditor General releases audit reports to the public at the time of submitting them to parliament. This is backed up with road shows, which take place in all provinces. South Africa is also a good example where the SAI and the legislature work closely together through the public accounts committee, with SAI staff supporting the committee on a full-time basis.

In Liberia the SAI also began to publish its audit reports, after persistent delays in the legislature to process the reports. Now the Auditor General publishes the report and issues a press release on the same day he submits these reports to the legislature. Furthermore, copies of the audit reports are also distributed to civil society organisations and made available in schools and public libraries. The Auditor General holds open forums in various provinces and invites communities to ask questions and provide suggestions. The Auditor General has established a hotline that people can call, and many of the SAI's audits are undertaken in response to recommendations from the public.

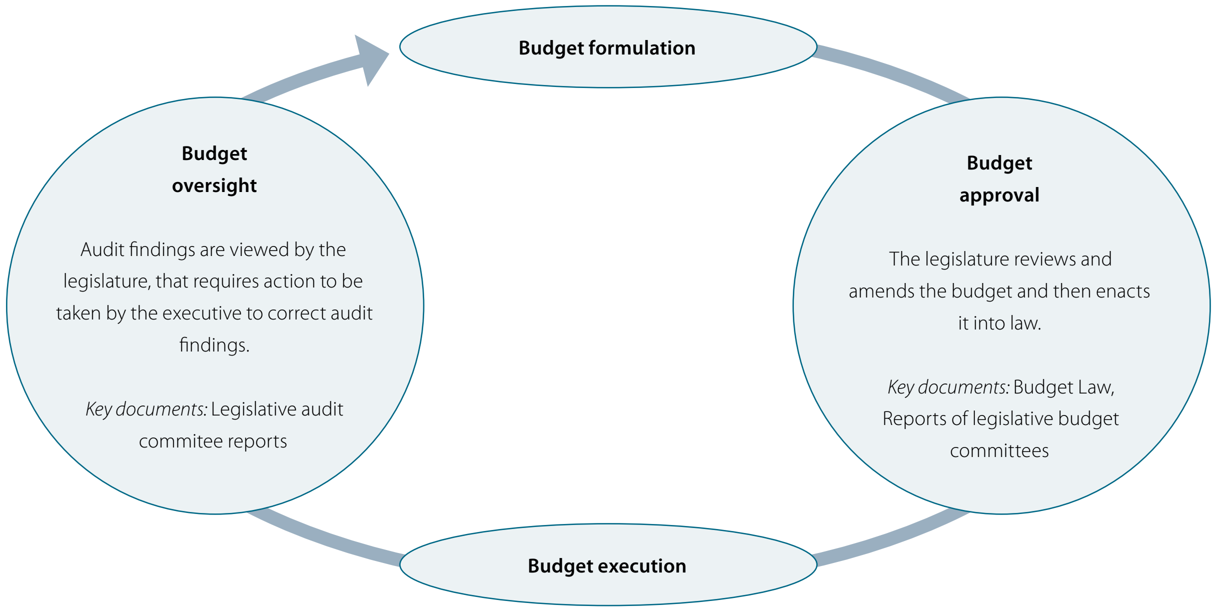
STRENGTHENING LEGISLATIVE OVERSIGHT OF EXECUTIVE FISCAL DECISIONS

This section provides a brief overview of key issues in strengthening the core functioning of legislatures in the budget process, and legislature/citizen engagement. It draws on existing literature, and briefly highlights some examples of legislature practice in Africa.

The role of the legislature in the budget process

The legislature has an important role to play in the budget process and cycle. As described in the chart on the next page, there are two key entry points for legislature participation in

Figure 16: Entry points for legislature engagement in the budget process



Source: Modified from Ramkumar (2008)

the budget. The first is through the budget approval stage and the second through budget oversight. However, effective parliaments remain engaged in budgetary matters throughout the fiscal year, through reviewing in-year expenditure reports and requesting explanations from the executive branch on unauthorised, irregular or fruitless and wasteful expenditure. Overall, parliaments can provide a check on a strong executive branch, especially in presidential systems. Effective engagement of parliament will in turn strengthen civil society engagement.

This role may vary its emphasis between budget appropriation and approval, and budget oversight, depending on the model for legislative scrutiny and ex-post oversight. Schick (2003) described four scenarios for legislative budgeting.

- A legislature that has a lot of information, but no real influence on budgeting.
- A legislature that has developed fully-fledged capacity for budgeting, which requires strong political will and may exacerbate conflict. These mostly develop in presidential systems.
- A legislature that focuses parliamentary scrutiny on government performance and results with a strong ex-post emphasis.
- A legislature that enters into a cooperative partnership with government in shaping medium term framework and budgets.

The emerging good practices below for the most part fit in the third of Schick's four scenarios: parliaments that in exercising the power of the purse and in their scrutiny of government, focus on government performance and results. However, there are also examples of Parliaments that have instituted specific mechanisms to have a clearer voice in shaping medium term fiscal and budget frameworks.

Strengthening the legislature

The distribution of budgetary power between the executive and the legislature

Several aspects are important in strengthening legislatures' engagement with budgets. The CABRI/AfDB report on budget practices and procedures (CABRI and AfDB, 2008) identified the power to amend the budget, reversionary budgetary powers (i.e. what happens in law when parliament does not approve the budget by the start of the fiscal year) and the flexibility given to the executive in law to amend the budget during budget execution, as key aspects that determine the power of the legislature relative to the executive in fiscal decision-making.

The potential for legislative changes to the executive budget proposal is determined by law. In the African context, legislatures' powers are constrained in ways that are noticeably shaped by administrative heritage. Some legislatures are not allowed to increase the deficit, whereas a large number of countries with a Westminster heritage are allowed to make cuts to existing items only. According to the 2008 CABRI/ OECD survey of budget practices, 19 of 26 surveyed African countries prohibit certain types of amendments. While legislative powers can change, this often requires constitutional changes or changes to organic laws, which take time. Legislatures can make quicker gains in their engagement with budgets by ensuring better transparency, improving their internal processes and using existing powers better (CABRI and AfDB, 2008).

In Senegal, the revision of the organic law introduced a provision to reinforce the parliament's capacity to deliberate on the executive's proposal. Transparency was imposed by including public debt service as an ordinary expenditure rather than in an annex. The format of the budget was also simplified with a clear division into two parts: revenues and expenditures, along with the inclusion of a three year budgetary plan under MTEF that allows legislators to better assess the direction of Senegal's fiscal policy.

Parliaments can also use their legislative powers to legislate for greater transparency, as has occurred in Kenya and Uganda.

Ensuring effective internal processes on budgetary matters

Parliamentary effectiveness can be greatly enhanced within existing powers if parliament sets out a clear process for itself to scrutinise the budget and exercise oversight, including setting up specific committees, empowering sector committees to look at budget and performance issues (beyond their mandates to review legislative proposals) and linking ex-post oversight to ex-ante scrutiny. We look at a number of good practices:

- **Promoting cross-party budget committees within parliament:** There are different committee systems in the world, some of which can contribute greatly to budget effectiveness. Germany for example, adopted a system whereby there is an audit sub-committee of the budget committee which includes members of all parties. In New Zealand, audit scrutiny is devolved to relevant department committees or dedicated public accounts committee. In the United Kingdom the Public Accounts Committee questions the accounting officer rather than the relevant minister, as it has the mandate not to question policy but the administration of it (Wehner, 2007). In many countries in Africa, for example in Uganda, Kenya and South Africa, the practice of having a separate audit committee has been extended to having specific committees to deal with the approval of macro-fiscal frameworks and the budget at aggregate level.

  In order for these committees to function effectively, their mandates must be sufficiently broad, they must be independent of the executive and parliamentary or party oversight on the choice of subjects to investigate, they must have powers to make recommendations and they must have access to sufficient technical and research support to undertake their tasks. Good practice is also to publish their reports, and to hold public hearings.

Box 3: The Zambia committee on the budget

In 2002, parliament constituted a committee on estimates. This was the first time ever that the legislature convened a specialised committee to investigate budgetary matters. One of the first initiatives of the committee was to compile a wide ranging report on budget reform, which also contains recommendations to strengthen the involvement of parliament. The committee called for the following reforms:

- A white paper on budgetary reforms and to demonstrate genuine political commitment to the highest level.
- Tabling the budget in October, three months before the beginning of the fiscal year.
- The development of supporting documentation to be tabled with the budget and a clear link between the budget and policy. It also urged a revision of the budget format.
- Several short term steps to improve the cash budget system, including the gradual extension of cash release periods to phase out the cash budget and the development of rules to ensure disbursements in line with budget priorities.

The committee urged the government to subscribe to the Code of Good Practices on Fiscal Transparency and announced the implementation of public access to committee sessions in parliament. It also acknowledged the need for a parliamentary budget unit.

Source: Fölscher ed. (2002)

- **Providing and enabling capacity building for parliamentary committees and parliament in general:** A major obstacle to the effective engagement of parliament is the weak technical capacity of the parliament to engage in budgetary issues. Many parliaments in Africa (including Uganda, Kenya and South Africa) have or are in the process of establishing budget offices to address this issue. In the case of Kenya, for example, the finance ministry seconded a senior budget official to start up the office, in recognition of the overall potential benefit of effective parliamentary oversight. Rwanda's public reform strategy also makes explicit the need to build capacity of parliament. Parliaments can also draw on external capacity, including from civil society. This can be done through public hearings, or by directly requesting research support.

- **Setting a feasible budget calendar and abiding by a clear budget cycle for participative engagement.** The timing of the budget has direct consequences for the strength of legislature engagement. The OECD guideline for budget and fiscal transparency states that three months are the minimum that parliaments need to effectively review, comment and approve the budget. The 2012 Public Financial Management Act in Kenya ensures a more functional juxtaposition of the parliamentary and executive budget process calendars.

Improving information flows to parliament

Finally, an obvious factor in improving the capacity of parliament to engage on budgetary matters is the coverage and quality of information flows. Put simply, without good, reliable and timely information parliament cannot exercise its powers of oversight. For example, without in-year reports parliament would not be able to call members of the executive branch to hearings to explain deviations from budget. In addition to the executive budget proposal and audited statements, parliamentary engagement can be improved by creating additional entry points for the legislature, such as through the pre-budget statement, a mid-year review and in-year financial reports.

WAYS OF ENGAGING CIVIL SOCIETY MORE EFFECTIVELY

Civil society can be engaged through the constitutional oversight institutions, but also through direct participation. There are many examples of civil society organisations using budgetary information effectively to undertake independent budget analysis and advocacy, to track public expenditure, monitor performance and undertake social audits (see www.internationalbudget.org). It does not fall within the scope of this section to engage in much depth with the types of engagement, the conditions for engagement or the challenges and risks of engagement. For the purposes here, of introducing the subject as background to further CABRI work, it will suffice to highlight a few examples of emerging good practice.

Tailoring fiscal information to make it accessible to the public

The government can help to engage civil society at all levels of government by providing tailored and accessible documents to the public. This will increase the responsiveness of civil society. One of the key budget documents that the Open Budget Index measures is the publication of a citizen's budget. These are published in many countries, including Malawi, Nigeria, South-Africa, Ghana, Uganda, the Democratic Republic of the Congo and Rwanda.

Rwanda provides a good example of how a citizen's budget can be developed. The first document was produced in 2009. While it was too technical for a wide audience, it provided a starting point to engage citizens. The second edition in 2010 was far more user friendly after consultation with civil society organisations. One significant improvement in the guide is a large section on how citizens can get involved in developing and monitoring the national budget. This includes ways of getting involved at both central and local government levels: for example through sectorial working groups, budget accountability day, performance contracts and civil society involvement. The guide was translated in Kinyarwanda, French and English. The citizen's budget however still lacks information on the overall budget envelope, making it hard to understand allocations and trade-off decisions.

Establishing clear access to information laws for the public

Beyond improved pro-active transparency policies, the establishment of clear legal basis for access to information by the public is key to empower civil society and to enable them to participate in the budget process. Many countries in Africa have these laws in place, including Senegal and South Africa. Again, implementation is a challenge. In Senegal, for example, the 'Agence de l'information de l'État' (Government information agency) was created in an attempt to bridge the gap between law and implementation. Its vision is to enable all citizens to access information and to respond to the government's performance requirements and leader's requirement for decision making information. Being open about government structures and functions is also necessary to lead to the effective engagement of civil society.

Decentralising budgeting and planning

While good engagement of civil society is not restricted only to the local level, many good examples of meaningful engagement occur at this level. In this respect, decentralisation of budgeting and planning can lead to significant gains in the engagement of actors at the local level. Several African countries have over the last two decades implemented fiscal decentralisation, to enable better engagement between service providing governments and their clients. South Africa for example, has established a system of municipal laws that provide rights to citizens at the local level to participate in decision-making and an obligation on local governments to engage citizens and provide information, particularly on revenue, spending and capital investment. In Rwanda, similar concepts of local participation are home grown concepts, these allow community involvement based on terms such as 'Gacaca' (community courts) or 'Ubudehe' (community assistance) (Matovu, 2011). In Kenya, by the mid-2000s the MTEF has begun to provide a basis for more meaningful interaction between civil society organisations and the legislature (Claassens, 2005) . Kenya's Public Financial Management Act also makes provision for participation at regional level through the budget process. In Tanzania the system of decentralisation provides for extensive participation of local communities in drafting local plans and budgets.

In Uganda, the constitution provides a clear constitutional base for decentralised governance. It ensures peoples' participation and democratic control in decision making. It further allows clear space for civil participation: 'Every Ugandan citizen has the right to participate in the affairs of government, individually or through his or her representatives'. There is a guide entitled 'General Guide on the Local Governance Budget Process for District and Urban Authorities, NGOs, CBOS and civil society'. The process includes community outreach, technical committee work, and creation of the budget framework papers, budget conferences additional committee work and finally council approval (Matovu, 2011). Existing mechanisms for public participation in the budget include sector working groups, budget workshops at local government level, the preparation of budget framework papers as well as public expenditure review and consultative group meetings (Claassens, 2005).

While fiscal decentralisation brings many challenges, including how to change the behaviour of local officials to enable effective participation, making the necessary constitutional and legal changes is a first step. Early lessons however point to the importance of building capacity within the state to manage the participation, and ensure responsiveness.

Involving citizens in accountability

The executive can also greatly improve accountability, by providing information to local communities on the budgets made available to key service providers.

In Uganda for example, an expenditure tracking survey showed that between 1991 and 1995, only 13% of the annual student grants reached primary schools, on average. The rest was either misappropriated or used for purpose not directly related to education. This prompted authorities to undertake a number of initiatives to enhance transparency and accountability. The central government began publicising all fund transfers to districts and required schools and district offices to post information on the transfers they received. The effect of these efforts was dramatic when the school survey was repeated in 1999, it found that schools received more than 90% of the funding budgeted for them (Sundet, 2004 in Ramkumar, 2008).

Earlier Uganda also involved civil society in the monitoring of the implementation of the poverty eradication action plan and poverty action fund expenditures. At first this was done only by well-organised national CSOs (such as the Uganda Debt Network), but later it was extended to community-based organisations. At its height the monitoring of poverty action fund expenditure in 13 districts was done by civil society organisations, and used to augment the information flow inside of government. The CSOs provided a check on official information plus additional qualitative information – for example on the implementation of public works projects and the quality of services. Later communities were also involved through PAF committees and by regular publication of monthly disbursements to districts by central government.

ANNEX 1: ADDITIONAL DATA TABLES

Annex Data 1: Country performance by type of fiscal data, by region (OBI 2010)

	Budget estimates	In-year actual expenditure	Medium-term estimates	Previous years' expenditure
Botswana	59.48	0.00	50.00	91.70
Egypt	53.65	80.10	0.00	83.35
Ghana	65.30	16.70	72.17	73.40
Kenya	49.26	60.10	44.50	70.05
Liberia	53.65	80.10	0.00	41.65
Malawi	47.83	60.00	66.67	61.65
Namibia	59.48	13.40	83.33	76.70
Nigeria	23.22	50.00	0.00	1.65
Rwanda	0.00	0.00	0.00	5.00
South Africa	88.43	100.00	94.50	93.35
Sudan	0.00	0.00	0.00	5.00
Tanzania	45.00	63.40	5.50	70.05
Uganda	53.65	40.00	66.67	73.45
Zambia	47.83	6.60	0.00	40.00
Anglophone	**46.20**	**40.74**	**34.52**	**56.21**
Algeria	0.00	0.00	0.00	0.00
Burkina Faso	0.00	40.10	0.00	0.00
Cameroon	0.00	0.00	0.00	0.00
Chad	0.00	0.00	0.00	0.00
Democratic Republic of Congo	0.00	16.70	0.00	0.00
Equatorial Guinea	0.00	0.00	0.00	0.00
Mali	46.43	13.40	22.17	63.35
Morocco	44.78	16.70	5.50	46.65
Niger	0.00	0.00	0.00	0.00
Senegal	0.00	16.60	0.00	0.00
Francophone	**9.12**	**10.35**	**2.77**	**11.00**
Angola	41.96	0.00	0.00	51.65
Mozambique	44.87	0.00	33.33	50.00
Sao Tome & Principe	0.00	0.00	0.00	0.00
Lusophone	**28.94**	**0.00**	**11.11**	**33.88**

Annex Data 2: Average scores by type of fiscal activity and region (OBI 2010)

	Macro-Fiscal	Borrowing	Revenue	Expend-iture	Fiscal risk extra-ordinary activities	Inter-gov-ernmental transfers	Donor informa-tion	Public enterprise transfers
Anglophone	**33.83**	**48.07**	**54.38**	**45.73**	**17.97**	**57.29**	**54.93**	**47.64**
Botswana	20.00	61.17	66.65	48.33	33.44	67.00	100.00	67.00
Egypt	26.80	78.00	74.53	47.53	11.00	67.00	0.00	67.00
Ghana	46.60	50.17	70.59	60.10	40.56	67.00	100.00	67.00
Kenya	26.60	78.00	64.76	50.00	11.11	33.00	67.00	33.00
Liberia	40.00	27.83	56.94	48.33	0.00	67.00	67.00	33.00
Malawi	26.80	44.50	68.71	55.00	18.44	100.00	100.00	33.00
Namibia	26.60	72.33	66.71	60.03	29.67	67.00	67.00	100.00
Nigeria	26.80	11.00	21.59	15.85	0.00	33.00	0.00	67.00
Rwanda	20.00	0.00	3.94	4.98	11.11	0.00	0.00	0.00
South Africa	93.40	100.00	98.06	94.20	66.78	100.00	67.00	100.00
Sudan	0.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
Tanzania	20.00	50.00	62.82	56.75	0.00	67.00	67.00	67.00
Uganda	46.60	61.17	66.76	57.48	22.11	67.00	67.00	0.00
Zambia	53.40	38.83	39.24	36.65	7.33	67.00	67.00	33.00
Francophone	**4.00**	**5.55**	**10.19**	**8.66**	**2.58**	**10.00**	**10.00**	**10.00**
Algeria	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Burkina Faso	0.00	0.00	11.76	5.03	0.00	0.00	0.00	0.00
Cameroon	6.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chad	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Democratic Republic of Congo	0.00	0.00	0.00	4.18	0.00	0.00	0.00	0.00
Equatorial Guinea	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mali	20.00	16.67	35.29	50.80	0.00	67.00	100.00	67.00
Morocco	13.40	38.83	54.88	20.75	25.78	33.00	0.00	33.00
Niger	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Senegal	0.00	0.00	0.00	5.80	0.00	0.00	0.00	0.00
Lusophone	**8.87**	**27.72**	**28.80**	**16.37**	**3.67**	**22.00**	**33.33**	**22.00**
Angola	13.20	33.17	39.29	26.65	7.33	33.00	0.00	33.00
Mozambique	13.40	50.00	47.12	22.45	3.67	33.00	100.00	33.00
Sao Tome & Principe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Average of all regions	**20.01**	**30.06**	**35.17**	**28.74**	**10.68**	**35.85**	**35.89**	**30.85**

ANNEX 2:
CODING OF OBI QUESTIONNAIRE AND PEFA INDICATORS

Open Budget Survey

Question Number	Type of Fiscal Activity	Status of information	Non Financial Information	Usefulness	Disaggregation	Timeliness	Comprehensiveness	Citizens	Legislature	SAI
1	Exp	BY	0	1		0	0	0	0	0
2	Exp	BY	0	1		0	0	0	0	0
3	Exp	BY	0	1		0	0	0	0	0
4	Exp	BY	0	1		0	0	0	0	0
5	Exp	MTEF	0	0		0	0	0	0	0
6	Exp	MTEF	0	1		0	0	0	0	0
7	Rev	BY	0	1		0	0	0	0	0
8	Rev	BY	0	1		0	0	0	0	0
9	Rev	MTEF	0	0		0	0	0	0	0
10	Rev	MTEF	0	1		0	0	0	0	0
11	Bor	BY	0	0		0	0	0	0	0
12	Exp	BY	0	0		0	0	0	0	0
13	Bor	BY	0	1		0	0	0	0	0
14	Macro-Fiscal	BY	0	1		0	0	0	0	0
15	Macro-Fiscal	0	Assumptions	1		0	0	0	0	0
16	Exp	0	Policy	1		0	0	0	0	0
17	Rev	0	Policy	1		0	0	0	0	0
18	Exp	Past	0	1		0	0	0	0	0
19	Exp	Past	0	1		0	0	0	0	0
20	Exp	Past	0	1		0	0	0	0	0
21	Exp	Past	0	1		0	0	0	0	0
22	Exp	Past	0	1		0	0	0	0	0
23	Exp	Past	0	0		0	0	0	0	0
24	Exp	Past	0	1		0	0	0	0	0
25	Exp	Past	0	0		0	0	0	0	0
26	Exp	Past	0	1		0	0	0	0	0
27	Rev	Past	0	1		0	0	0	0	0
28	Rev	Past	0	1		0	0	0	0	0
29	Rev	Past	0	0		1	0	0	0	0
30	Rev	Past	0	0		0	0	0	0	0
31	Rev	Past	0	1		0	0	0	0	0
32	Rev	Past	0	0		0	0	0	0	0

Question Number	Type of Fiscal Activity	Status of information	Non Financial Information	Usefulness	Disaggregation	Timeliness	Comprehensiveness	Citizens	Legislature	SAI
33	Bor	Past	0	0		0	0	0	0	0
34	Bor	Past	0	0		0	0	0	0	0
35	Extraordinary	BY	0	0		0	1	0	0	0
36	IG Transfers	BY	0	0		0	1	0	0	0
37	PE Transfers	BY	0	0		0	1	0	0	0
38	Extraordinary	BY	0	0		0	1	0	0	0
39	Extraordinary	BY	0	0		0	1	0	0	0
40	Extraordinary	BY	0	0		0	1	0	0	0
41	Exp	Past	0	0		0	1	0	0	0
42	Extraordinary	BY	0	0		0	1	0	0	0
43	Extraordinary	MTEF	0	0		0	1	0	0	0
44	Donor	BY	0	1		0	0	0	0	0
45	Extraordinary	BY	0	0		0	1	0	0	0
46	Rev	BY	0	0		0	0	0	0	0
47	Exp	BY	0	0		0	0	0	0	0
48	Exp	0	Policy	1		0	0	0	0	0
49	Exp	MTEF	Policy	1		0	0	0	0	0
50	Exp	0	Performance Information	1		0	0	0	0	0
51	Exp	0	Performance Information	1		0	0	0	0	0
52	Exp	0	Performance Information	1		0	0	0	0	0
53	Exp	0	Performance Information	1		0	0	0	0	0
54	Exp	0	Performance Information	1		0	0	0	0	0
55	Exp	0	Policy	1		0	0	0	0	0
56	Rev	0	Assumptions	1		0	0	0	0	0
57	Rev	0	Assumptions	1		0	0	0	0	0
58	Donor	0	Assumptions	1		0	0	0	0	0
59	Donor	0	Assumptions	1		0	0	0	0	0
60	0	0	0	1		0	0	0	0	0
61	0	0	0	1		0	0	0	0	0
62	0	0	0	1		0	0	0	0	0
63	Access	0	0	0		0	0	1	0	0
64	Access	0	0	0		0	0	1	0	0
65	Access	0	0	0		0	0	1	0	0
66	0	0	0	0		0	0	1	1	0
67	0	0	0	0		0	0	1	0	0
68	0	0	0	0		0	0	1	0	0
69	0	0	0	0		0	0	0	1	0
70	0	0	0	0		0	0	1	0	0
71	0	0	0	0		1	0	0	0	0
72	Macro-Fiscal	0	0	0		0	0	0	0	0
73	0	0	Policy	1		0	0	0	0	0
74	0	0	0	0		1	0	0	1	0
75	0	0	0	0		0	0	0	1	0
76	0	0	0	0		0	0	0	1	0
77	0	0	0	0		0	0	1	1	0
78	0	0	0	0		0	0	1	1	0

Question Number	Type of Fiscal Activity	Status of information	Non Financial Information	Usefulness	Disaggregation	Timeliness	Comprehensiveness	Citizens	Legislature	SAI
79	Exp	BY	0	0		0	0	0	1	0
80	0	0	0	0		0	0	0	1	0
81	0	0	0	0		0	0	0	1	0
82	Exp	IYA	0	0		1	0	0	0	0
83	Exp	IYA	0	0		0	1	0	0	0
84	Exp	IYA	0	1		0	0	0	0	0
85	Exp	IYA	0	1		0	0	0	0	0
86	Rev	IYA	0	1		1	0	0	0	0
87	Rev	IYA	0	0		0	1	0	0	0
88	Rev	IYA	0	1		0	0	0	0	0
89	Bor	IYA	0	0		0	0	0	0	0
90	Bor	IYA	0	1		0	0	0	0	0
91	Exp	IYA	0	0		1	0	0	0	0
92	Macro-Fiscal	BY	0	1		1	0	0	0	0
93	Exp	BY	0	0		1	0	0	0	0
94	Exp	IYA	0	1		0	0	0	0	0
95	Rev	IYA	0	0		1	0	0	0	0
96	Exp	0	0	0		0	0	0	1	0
97	Exp	0	0	0		0	0	0	0	0
98	Exp	0	0	0		0	0	0	1	0
99	Exp	0	0	0		0	0	0	1	0
100	Exp	0	0	0		0	0	0	1	0
101	0	Past	0	0		1	0	0	0	0
102	0	0	0	0		0	0	0	0	0
103	Exp	0	Policy	1		0	0	0	0	0
104	Exp	0	Policy	1		0	0	0	0	0
105	Rev	0	Policy	1		0	0	0	0	0
106	Macro-Fiscal	0	Policy	1		0	0	0	0	0
107	Exp	0	Policy	1		0	0	0	0	0
108	Exp	0	Performance Information	1		0	0	0	0	0
109	Exp	0	Policy	1		0	0	0	0	0
110	Extraordinary	Past	0	0		0	0	0	0	0
111	Exp	0	0	0		1	0	0	0	1
112	Exp	0	0	0		1	0	0	0	1
113	0	0	0	1		0	0	0	0	1
114	0	0	0	0		0	0	0	0	1
115	Extraordinary	0	0	0		0	1	0	0	1
116	0	0	0	0		0	1	0	0	1
117	0	0	0	0		0	0	0	0	1
118	Exp	0	0	0		0	1	0	0	1
119	0	0	0	0		0	0	1	0	1
120	0	0	0	0		0	0	0	1	1
121	0	0	0	0		0	0	0	0	1
122	0	0	0	0		0	0	0	0	1
123	Exp	0	0	0		0	1	0	1	1

PEFA Indicators

	Indicator	Main or component	Accuracy of Fiscal Reports	Supports Accuracy	Usefulness	PEFA assessment of public transparency	Comprehensiveness of the budget	Timeliness of fiscal information	Type of information	Status of Information	Legislature	Audit
Aggregate expenditure out-turn compared to original approved budget	PI-1	1	1	0	0	0	0	0	0	0	0	0
Composition of expenditure out-turn compared to original approved budget	PI-2	1	1	0	0	0	0	0	0	0	0	0
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	PI-2(i)	0	1	0	0	0	0	0	0	0	0	0
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years	PI-2(ii)	0	1	0	0	0	0	0	0	0	0	0
Aggregate revenue out-turn compared to original approved budget	PI-3	1	1	0	0	0	0	0	0	0	0	0
Stock and monitoring of expenditure payment arrears	PI-4	1	0	0	0	0	0	0	0	0	0	0
(i) Stock of expenditure payment arrears (as a % of actual total expenditure for the corresponding fiscal year) & any recent change in the stock	PI-4(i)	0	0	0	0	0	0	0	0	0	0	0
(ii) Availability of data for monitoring the stock of expenditure payment arrears	PI-4(i)	0	0	1	0	0	0	0	0	0	0	0
Classification of the budget	PI-5	1	0	0	1	0	0	0	Exp	0	0	0
Comprehensiveness of information included in budget documentation	PI-6	1	0	0	0	1	1	0	0	0	0	0
Extent of unreported government operations	PI-7	1	0	0	0	0	0	0	Exp	0	0	0
(i) The level of extra-budgetary expenditure (other than donor funded projects) which is unreported i.e. not included in fiscal reports	PI-7(i)	0	0	0	0	0	1	0	Extraordinary	0	0	0
(ii) Income/expenditure information on donor-funded projects which is included in fiscal reports	PI-7(ii)	0	0	0	0	0	1	0	Donor	0	0	0
Transparency of inter-governmental fiscal relations	PI-8	1	0	0	1	0	0	0	IG Transfers	0	0	0
(i) Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from central government (both budgeted and actual allocations)	PI-8(i)	0	0	0	1	0	0	0	IG Transfers	0	0	0

	Indicator	Main or component	Accuracy of Fiscal Reports	Supports Accuracy	Usefulness	PEFA assessment of public transparency	Comprehensiveness of the budget	Timeliness of fiscal information	Type of information	Status of Information	Legislature	Audit
(ii) Timeliness of reliable information to SN governments on their allocations from central government for the coming year	PI-8(ii)	0	0	1	0	0	0	1	IG Transfers	0	0	0
(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories	PI-8(iii)	0	0	0	1	0	1	0	IG Transfers	iya	0	0
Oversight of aggregate fiscal risk from other public sector entities	PI-9	1	0	0	0	0	0	0	Extraordinary	0	0	0
(i) Extent of central government monitoring of AGAs and PEs	PI-9(i)	0	0	0	0	0	1	0	Extraordinary	iya	0	0
(ii) Extent of central government monitoring of SN government's fiscal position	PI-9(ii)	0	0	0	0	0	1	0	Extraordinary	iya	0	0
Public access to key fiscal information	PI-10	1	0	0	0	1	0	0	0	0	0	0
Orderliness and participation in the annual budget process	PI-11	1	0	0	0	0	0	0	0	0	0	0
(i) Existence of and adherence to a fixed budget calendar	PI-11(i)	0	0	0	0	0	0	1	0	0	0	0
(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent)	PI-11(ii)	0	0	0	0	0	0	0	0	0	0	0
(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years)	PI-11(iii)	0	0	0	0	0	0	1	0	0	0	0
Multi-year perspective in fiscal planning, expenditure policy and budgeting	PI-12	1	0	0	0	0	0	0	Macro-Fiscal	MTEF	0	0
(i) Preparation of multi-year fiscal forecasts and functional allocations	PI-12(i)	0	0	0	0	0	0	0	Macro-Fiscal	MTEF	0	0
(ii) Scope and frequency of debt sustainability analysis	PI-12(ii)	0	0	0	0	0	0	0	Borrowing	0	0	0
(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure	PI-12(iii)	0	0	1	1	0	0	0	Exp	MTEF	0	0
(iv) Linkages between investment budgets and forward expenditure estimates	PI-12(iv)	0	0	1	0	0	0	0	Exp	MTEF	0	0
Transparency of taxpayer obligations and liabilities	PI-13	1	0	0	0	0	0	0	0	0	0	0
(i) Clarity and comprehensiveness of tax liabilities	PI-13(i)	0	0	0	0	0	0	0	0	0	0	0
(ii) Taxpayer access to information on tax liabilities and administrative procedures	PI-13(ii)	0	0	0	0	0	0	0	0	0	0	0

	Indicator	Main or component	Accuracy of Fiscal Reports	Supports Accuracy	Usefulness	PEFA assessment of public transparency	Comprehensiveness of the budget	Timeliness of fiscal information	Type of information	Status of Information	Legislature	Audit
(iii) Existence and functioning of a tax appeals mechanism	PI-13(iii)	0	0	0	0	0	0	0	0	0	0	0
Effectiveness of measures for taxpayer registration and tax assessment	PI-14	1	0	0	0	0	0	0	0	0	0	0
(i) Controls in the taxpayer registration system	PI-14(i)	0	0	0	0	0	0	0	0	0	0	0
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	PI-14(ii)	0	0	0	0	0	0	0	0	0	0	0
(iii) Planning and monitoring of tax audit and fraud investigation programs	PI-14(iii)	0	0	0	0	0	0	0	0	0	0	0
Effectiveness in collection of tax payments	PI-15	1	0	1	0	0	0	0	Rev	0	0	0
(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)	PI-15(i)	0	0	0	0	0	0	0	0	0	0	0
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	PI-15(ii)	0	0	0	0	0	0	0	Rev	iya	0	0
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	PI-15(iii)	0	0	1	0	0	0	1	Rev	iya	0	0
Predictability in the availability of funds for commitment of expenditures	PI-16	1	1	0	0	0	0	0	Macro-Fiscal	iya	0	0
(i) Extent to which cash flows are forecast and monitored	PI-16(i)	0	0	0	0	0	0	0	Macro-Fiscal	iya	0	0
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	PI-16(ii)	0	0	0	0	0	0	0	Exp	iya	0	0
(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs	PI-16(iii)	0	0	0	0	0	0	0	Exp	iya	0	0
Recording and management of cash balances, debt and guarantees	PI-17	1	0	1	0	0	0	0	Borrowing	iya	0	0
(i) Quality of debt data recording and reporting	PI-17(i)	0	1	1	0	0	0	0	Borrowing	0	0	0
(ii) Extent of consolidation of the government's cash balances	PI-17(ii)	0	0	0	0	0	0	0	Macro-Fiscal	0	0	0
(iii) Systems for contracting loans and issuance of guarantees	PI-17(iii)	0	0	0	0	0	1	0	Borrowing	0	0	0

	Indicator	Main or component	Accuracy of Fiscal Reports	Supports Accuracy	Usefulness	PEFA assessment of public transparency	Comprehensiveness of the budget	Timeliness of fiscal information	Type of information	Status of Information	Legislature	Audit
Effectiveness of payroll controls	PI-18	1	0	1	0	0	0	0	0	0	0	0
(i) Degree of integration and reconciliation between personnel records and payroll data	PI-18(i)	0	0	1	0	0	0	0	0	0	0	0
(ii) Timeliness of changes to personnel records and the payroll	PI-18(ii)	0	0	1	0	0	0	0	0	0	0	0
(iii) Internal controls of changes to personnel records and the payroll	PI-18(iii)	0	0	1	0	0	0	0	0	0	0	0
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	PI-18(iv)	0	0	1	0	0	0	0	0	0	0	0
Competition, value for money and controls in procurement	PI-19	1	0	1	0	0	0	0	0	0	0	0
(i) Evidence on the use of open competition for award of contracts	PI-19(i)	0	0	1	0	0	0	0	0	0	0	0
(ii) Extent of justificaction for use of less competitive procurement methods	PI-19(ii)	0	0	1	0	0	0	0	0	0	0	0
(iii) Existence and operation of a procurement complaints mechanism	PI-19(iii)	0	0	1	0	0	0	0	0	0	0	0
Competition, value for money and controls in procurement	PI-19(b)	1	0	1	0	0	0	0	0	0	0	0
(i) Transparency, comprehensiveness and competition in legal framework	PI-19(b)(i)	0	0	1	0	0	0	0	0	0	0	0
(ii) Use of Competitive methods	PI-19(b)(ii)	0	0	1	0	0	0	0	0	0	0	0
(iii) Public access to complete, reliable and timely procurement information	PI-19(b)(iii)	0	0	1	0	1	0	1	0	0	0	0
(iv) Existence of an independent administrative procurement complaints system	PI-19(b)(iv)	0	0	1	0	0	0	0	0	0	0	0
Effectiveness of internal controls for non-salary expenditure	PI-20	1	0	1	0	0	0	0	0	0	0	0
(i) Effectiveness of expenditure commitment controls	PI-20(i)	0	0	1	0	0	0	0	0	0	0	0
(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures	PI-20(ii)	0	0	1	0	0	0	0	0	0	0	0
(iii) Degree of compliance with rules for processing and recording transactions	PI-20(iii)	0	0	1	0	0	0	0	0	0	0	0
Effectiveness of internal audit	PI-21	1	0	1	0	0	0	0	0	0	0	1
(i) Coverage and quality of the internal audit function	PI-21(i)	0	0	1	0	0	0	0	0	0	0	1
(ii) Frequency and distribution of reports	PI-21(ii)	0	0	1	0	0	0	0	0	0	0	1

	Indicator	Main or component	Accuracy of Fiscal Reports	Supports Accuracy	Usefulness	PEFA assessment of public transparency	Comprehensiveness of the budget	Timeliness of fiscal information	Type of information	Status of Information	Legislature	Audit
(iii) Extent of management response to internal audit findings	PI-21(iii)	0	0	1	0	0	0	0	0	0	0	1
Timeliness and regularity of accounts reconciliation	PI-22	1	0	1	0	0	0	0	0	iya	0	0
(i) Regularity of bank reconciliations	PI-22(i)	0	0	1	0	0	0	1	0	iya	0	0
(ii) Regularity of reconciliation and clearance of suspense accounts and advances.	PI-22(ii)	0	0	1	0	0	0	1	0	iya	0	0
Availability of information on resources received by service delivery units	PI-23	0	0	0	1	0	0	0	0	0	0	0
Quality and timeliness of in-year budget reports	PI-24	1	0	1	0	0	0	0	Exp	iya	0	0
(i) Scope of reports in terms of coverage and compatibility with budget estimates	PI-24(i)	0	0	1	1	0	1	0	Exp	iya	0	0
(ii) Timeliness of the issue of reports	PI-24(ii)	0	0	1	0	0	0	1	Exp	iya	0	0
(iii) Quality of information	PI-24(iii)	0	1	1	0	0	0	0	Exp	iya	0	0
Quality and timeliness of annual financial statements	PI-25	1	0	1	0	0	0	0	Exp	past	0	1
(i) Completeness of the financial statements	PI-25(I)	0	0	1	1	0	0	0	Exp	past	0	1
(ii) Timeliness of submission of the financial statements	PI-25(ii)	0	0	1	0	0	0	1	Exp	past	0	1
(iii) Accounting standards used	PI-25(iii)	0	0	1	1	0	0	0	Exp	0	0	1
Scope, nature and follow-up of external audit	PI-26	1	0	1	0	0	0	0	0	0	0	1
(i) Scope/nature of audit performed (incl. adherence to auditing standards)	PI-26(i)	0	0	1	0	0	0	0	0	0	0	1
(ii) Timeliness of submission of audit reports to legislature	PI-26(ii)	0	0	1	0	0	0	1	0	0	1	1
(iii) Evidence of follow up on audit recommendations	PI-26(iii)	0	0	1	0	0	0	0	0	0	0	1
Legislative scrutiny of the annual budget law	PI-27	1	0	1	0	0	0	0	0	0	0	0
(i) Scope of the legislature's scrutiny	PI-27(i)	0	0	1	0	0	0	0	0	0	1	0
(ii) Extent to which the legislature's procedures are well established and respected	PI-27(ii)	0	0	1	0	0	0	1	0	0	1	0
(iii) Adequacy of time for the legislature to provide a response to budget proposals	PI-27(iii)	0	0	1	0	0	0	0	0	0	1	0
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	PI-27(iv)	0	0	1	0	0	0	0	0	0	1	0
Legislative scrutiny of external audit reports	PI-28	1	0	1	0	0	0	0	0	0	0	1

	Indicator	Main or component	Accuracy of Fiscal Reports	Supports Accuracy	Usefulness	PEFA assessment of public transparency	Comprehensiveness of the budget	Timeliness of fiscal information	Type of information	Status of Information	Legislature	Audit
(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years)	PI-28(I)	0	0	1	0	0	0	1	0	0	1	1
(ii) Extent of hearings on key findings undertaken by the legislature	PI-28(ii)	0	0	1	0	0	0	0	0	0	1	1
(iii) Issuance of recommended actions by the legislature and implementation by the executive	PI-28(iii)	0	0	1	0	0	0	0	0	0	1	1
Predictability of Direct Budget Support	D-1	1	0	0	0	0	1	0	Donor	by	0	0
(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body)	D-1(I)	0	1	0	0	0	1	0	Donor	by	0	0
(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	D-1(ii)	0	0	1	0	0	1	0	Donor	by	0	0
Financial information provided by donors for budgeting and reporting on project and program aid	D-2	1	0	1	0	0	1	0	Donor	0	0	0
(i) Completeness and timeliness of budget estimates by donors for project support	D-2(i)	0	0	1	0	0	1	0	Donor	by	0	0
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	D-2(ii)	0	0	1	0	0	1	0	Donor	iya	0	0
Proportion of aid that is managed by use of national procedures	D-3	1	0	1	0	0	1	0	Donor	0	0	0

ANNEX 3: BIBLIOGRAPHY

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