

AFRICAN GOVERNANCE OUTLOOK

PUBLIC FINANCIAL GOVERNANCE REFORMS:
THE RECENT PROGRESS IN AFRICA

Preliminary Findings of the AGO Pilot Phase



African Development Bank Group



THE AFRICAN CAPACITY BUILDING FOUNDATION



PUBLIC FINANCIAL GOVERNANCE REFORMS: THE RECENT PROGRESS IN AFRICA

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TABLE OF CONTENTS

Acronyms and Abbreviations
Foreword

PART I: THE OBJECTIVE AND VALUE ADDED OF THE AGO

- A. Introduction
- B. The objective and value added of the AGO
- C. The capacity building dimension
- D. Conceptual and analytical framework

PART II: PUBLIC FINANCIAL GOVERNANCE REFORMS IN AFRICA

- A. The recent progress in Africa
- B. Drivers of change and challenges in public financial governance
- C. Key reform priorities for good public financial governance

ANNEXES

- Annex I: Glossary of financial governance terminology
- Annex II: AGO financial governance indicators

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ACRONYMS AND ABBREVIATIONS

ACBF	African Capacity Building Foundation	OECD	Organization for Economic Cooperation and Development
ACR	African Competitiveness Report	OPEV	Operations Evaluation Department (AfDB)
AsDB	Asian Development Bank	ORPC	Operations Policies and Compliance Department (AfDB)
AEO	African Economic Outlook	ORPF	Procurement and Fiduciary Services Department (AfDB)
AfDB	African Development Bank	OSGE	Governance, Economic & Financial Management Department
AGO	African Governance Outlook	PAC	Public Accounts Committee
AGR	African Governance Report	PAF	Performance Assessment Framework
APRM	African Peer Review Mechanism	PEFA	Public Expenditure and Financial Accountability
AU	Africa Union	PER	Public Expenditure Review
CABRI	Collaborative Africa Budget Reform Initiative	PETS	Public Expenditure Tracking System
CAG	Controller and Auditor General	PFM	Public financial management
CGP	Country Governance Profile	PPAA	Public Procurement Appeals Authority
CPI	Corruption Perception Index	PPRA	Public Procurement Regulatory Authority
CPIA	Country Policy and Institutional Assessments	RMCs	Regional member countries
CSO	Civil Society Organization	ROCS	Report on Observance of Standards and Codes
EADI	Africa Development Institute (AfDB)	ToR	Terms of Reference
EDRE	Development Research Department (AfDB)	UA	Unit of Account
EITI	Extractive Industries Transparency Initiative	UNDP	United Nations Development Program
ESTA	Statistics Department (AfDB)	UNECA	United Nations Economic Commission for Africa
FRA s	Fiduciary risk assessments	WGI	World Governance Indicators
GAC	Governance and Anti-Corruption		
GAP	Governance Strategic Directions and Action Plan		
GBS	General Budget Support		
GDP	Gross Domestic Product		
GECL	General Counsel & Legal Services Department (AfDB)		
GI	Global Integrity		
IFMS	Integrated Financial Management System		
IMF	International Monetary Fund		
INTOSAI	International Organisation of Supreme Audit Institutes		
MDA	Ministry, Department, Agency		
MOF	Ministry of Finance		
MP	Member of Parliament		
MTEF	Medium Term Expenditure Framework		
NAO	National Audit Office		
NGOs	Non-Governmental Organisations		
OBS	Open Budget Survey		
OBI	Open Budget Index		
ODI	Overseas Development Institute		

FOREWORD

Over the last ten years, the African Development Bank has taken significant steps towards strengthening and solidifying governance activities as one of its strategic priorities while deepening the awareness of governance as a cross-cutting issue in Bank lending and non-lending activities. These efforts gained momentum with the launch of the Bank's Governance Strategic Directions and Action Plan (2008-2012), whose thrust is to support regional member countries enhance accountability and transparency in the management of their public financial resources. Building on its experience and knowledge, and recognizing that governance is, more than ever, a critical factor for economic and social development, the AfDB has decided to launch the African Governance Outlook (AGO).

The AGO's conceptual framework is based on a selected set of objective indicators on financial governance, and uses a political economy perspective to analyze the major factors that determine financial governance outcomes and their evolution trends over time. The tool carves out its niche by focusing on financial governance assessment and complements existing efforts by other development partners in Africa. It consolidates existing partnerships with key African institutions to strengthen the capacity of national and regional institutions to collect and analyze financial governance data.

It should be emphasized that AGO is carefully designed to add value and not undermine or duplicate existing African governance assessments. It has a unique capacity building dimension that stems from its methodological base. The approach of ensuring active leadership and ownership by national stakeholders focuses on self-assessment founded on local knowledge and a contextual appreciation of the dynamics of financial governance and, by extension, the broader political governance in a particular country.

The AGO's emphasis on assessing African countries' policy reforms in financial governance, and their institutional capacity to implement such reforms could not have been initiated at a better time. African countries, generally, succeeded in surviving relatively unharmed the recent financial crisis that swept across the world mainly because of the governments' commitment to reforms. African countries

need to continue with the necessary reforms and, more importantly, undertake periodic policy and structural reviews to strengthen their public financial management systems, procedures and practices. Moreover, sound financial and economic governance is a necessary condition to strengthen the trust of African citizens in their governments and to ensure the delivery of much needed public services.

There is now a general consensus that there is need for investment in financial management capacity at all levels in Africa—institutional, national and regional level—particularly in view of the changing global financial landscape. Capacity development is a process that requires perseverance and consistency. Human capital and financial institutions in Africa require such dedicated focus and the African Capacity Building Foundation is a key factor of this critical endeavour.

THE OBJECTIVE AND VALUE ADDED OF THE AGO

- A. Introduction
- B. The objective and value added of the AGO
- C. The capacity building dimension
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PART I. THE OBJECTIVE AND VALUE ADDED OF THE AGO

A. Introduction

1.1 There is now a general consensus on the role that good governance plays in achieving equitable and sustainable development in Africa. Empirical evidence confirms that good governance is critical for sustainable economic growth as measured by high per capita income¹. Countries with better governance profiles tend to attract higher levels of foreign direct investment and faster economic growth rates than others. Empirical evidence also confirms the causal linkage between good governance and the decline in absolute poverty levels, infant mortality, literacy rates, gender equality, access to clean water and other Millennium Development Goals. These broad empirical findings confirm the casual wisdom that good governance does play an important role in achieving positive development outcomes.

1.2 The African Development Bank Group's Governance Strategic Direction and Action Plan (2008-2012) underscores the prominence that governance has taken in the region. This strategic document establishes clear objectives and milestones, committing the Bank to a set of actions that aim to establish accountable, transparent and capable institutions in Africa. Due, in part, to the Bank's efforts, many African countries have now achieved notable progress in establishing institutions, implementing sound economic and financial reforms, and improving their governance practices. Some African countries have now set up independent institutions to establish checks and balances aimed at strengthening accountability and transparency, and combating corruption². A new political, economic and social climate is emerging, enabling civil society to participate in important governance debates, and demanding greater accountability and transparency from elected officials. This is encouraging, given that civil society represents the building block of demand-side governance, echoing the voice and aspirations of ordinary citizens in public affairs and in the management of public economic and financial resources.

1. World Bank (1999), *Empirical Studies of Governance and Development: An Annotated Bibliography*, Washington, D.C.

2. Some recent examples include Ghana, Kenya, and Nigeria.

1.3 Improved financial governance has contributed, among other factors, to more sustained economic growth in Africa. This momentum needs to be maintained and progress consolidated, as public financial resources are direly needed to address the numerous remaining challenges faced by many countries, in terms of economic and social development.

B. The objective and value added of the AGO

1.4 The African Governance Outlook (AGO) is to become AfDB's flagship publication on financial governance. The AGO intends to serve as an authoritative source of information on the state of financial governance in Africa based on three interrelated parts: (i) an assessment of financial governance baselines, trends and prospects for the region; (ii) a summary of country financial governance profiles, along with the contextual analysis of observed practices developed through national consultative processes; and (iii) a thematic chapter focusing on important financial governance issues. Box 1 provides the mission and strategic objective of the AGO.

Box 1: AGO's mission and strategic objective

AGO's mission is to contribute to the overarching goal of poverty reduction and sustainable development in Africa. AGO's strategic objective is to contribute to increasing the level of accountability and transparency in the administration and management of public financial resources in Africa by:

- Providing a platform for better understanding of the processes of public financial policies, and practices thereby helping to set the region's governance agenda;
- Integrating information from different sources through the development of coherent organizing framework and analytical tools;
- Developing analytical space for evidence based policy dialogue;
- Sharing best practices on institutional reforms; and
- Informing the Bank's policies, country and sector strategies and operations

Source: AfDB Governance, Economic and Financial Management Department.

1.5 The AGO is designed to add value rather than duplicate existing African governance assessment tools. It provides coherent qualitative and contextual explanation of how and why individual countries perform as they do in financial governance. It examines interest group dynamics and identifies drivers of and obstacles to change by analyzing stakeholders' incentives and institutional constraints.

1.6 The AGO process ensures country ownership through a number of mechanisms. First, the data compilation and analytical work is undertaken by local research institutes or think-tanks. Second, the analytical work involves local participation through a range of activities, including targeted surveys, face-to-face interviews, and expert panel discussions. Third, to ensure AGO's legitimacy and establish broad ownership, national stakeholder groups are proposed in each country with the objective of providing a formal platform for consultation. Country reports intend to provide indepth governance analysis, articulate the nation's governance priorities and provide recommendations for reform.

C. The capacity building dimension

1.7 AGO's contribution to advancing the governance agenda is dependent, in part, on the quality, comprehensiveness and relevance of the knowledge base upon which it relies. The successful and sustainable implementation of the AGO depends on the support structure and the capacity building programs that the Bank, its member countries, and its strategic partners put in place to improve the knowledge base on financial governance.

In this regard,, the AGO will disseminate the knowledge and foster peer learning, so as to contribute to better policies and tangible development outcomes.

1.8 At the country level, the AGO emphasizes country ownership and wide participation by all stakeholders. In this regard, it places emphasis on moving from a situation where data are compiled and analyzed externally, to one where data systems reflect national priorities and where the national agencies are closely involved. This requires focusing attention not only on the short term needs for information, but also on long term investments in the national capacity to independently generate, analyze and disseminate information on financial governance.

D. Conceptual and analytical framework

1.9 In the past decade, governance assessments have become less descriptive or subjective and more evidence-based and performance-oriented. The conventional approach to governance assessment tends to separate quantitative from qualitative analyses. The conventional approach analyzes governance based on numerical measures focusing on rating and ranking for country comparisons. However, the new generation of governance assessments integrates political economy dimensions of financial governance and combines quantitative and qualitative analyses. The differences of both approaches are presented in Table 1.

Table 1. Differences between conventional and new approaches to assessing financial governance

Dimension	Conventional approach	New approach
Approach	Political and financial governance are kept separate	Political and financial governance are integrated
Epistemic basis	Assessment based on numerical measures	Assessment undertaken through new knowledge and insights
Methodology	Quantitative and statistical analysis	Quantitative and qualitative analysis
Application	Focus on rating and ranking of countries and/or institutions	Focus on trends and trajectories of change in a particular country
Value added	Precise and objective numbers	Drivers of change and other determining variables
Challenge	Gaps between indicator and reality resulting in stylized facts	Choosing among potential explanatory variables

1.10 The conceptual framework developed for the AGO takes into account the recommendations from various stocktaking exercises inside and outside the Bank including the evaluation of the Bank's Country Governance Profiles (2006), the OECD-DAC Conference on Governance Assessments and Aid Effectiveness in London (2008), and the Roundtable on Governance and Anti-corruption Assessments in Africa in Tunis (2008). These forums explicitly highlighted the need for the Bank to develop a revised assessment tool that encapsulates the following: ADB-UNECA-OECD African Economic Outlook, the ADB-WEF African Competitiveness Report, and the OECD-DAC Survey and Sourcebook of Donor Approaches to Governance Assessment (2009). The AGO carves out its niche by focusing on financial governance assessment and complements existing efforts by other development partners in Africa. It consolidates existing partnerships with key African institutions to strengthen the capacity of countries to collect and analyze financial governance data.

1.11 The conceptual framework is informed by the lessons and experience from existing governance assessments tools notably, the African Peer Review Mechanism (APRM),

UNECA's Africa Governance Report (AGR), Mo Ibrahim Index of African Governance, Afro-Barometer, and the Africa Governance, Monitoring and Advocacy Project (AFRIMAP). These tools provide broad assessments of the quality of governance across different governance dimensions. Other regional development banks have sought to tailor their own diagnostic tools to reflect the specific circumstances of their member countries. The Inter-American Development Bank has focused on a broad range of political governance indicators, while the Asian Development Bank has focused on a set of indicators related to public administration.

1.12 The AGO approach combines quantitative and qualitative analysis based on twenty five indicators, covering five financial dimensions matched against five governance variables. The AGO primarily relies on existing sources of data, locally generated data and, where needed, will support their extension and strengthening. Table 2 provides a matrix of the twenty five AGO indicators designed to measure the effectiveness of a country's public financial governance performance.

Table 2: Matrix for measuring financial governance

Political governance	Financial governance				
	Budget governance	Revenue governance	Internal control	Public procurement	External audit/oversight
Inclusiveness	(1) Effectiveness of public participation	(6) Public involvement	(11) Public monitoring	(16) Stakeholder (civil society and private sector) involvement	(21) Level of interaction with the public
Openness	(2) Transparency comprehensiveness and user-friendliness	(7) Awareness of liabilities	(12) Availability of information on expenditure	(17) Degree of access to information	(22) Public access to audit reports
Rule compliance	(3) Orderliness and clarity of rules	(8) Equity of rule application	(13) Effectiveness and adherence to internal control framework	(18) Compliance with good practice	(23) Independence of audit agency
Oversight	(4) Adequacy of the legislative scrutiny of the budget	(9) Legislative scrutiny in place	(14) Comprehensiveness of oversight activities	(19) Effectiveness of oversight activities	(24) Scrutiny and follow-up of audit activities
Capability	(5) Budget reflective of declared policies	(10) Effectiveness of revenue administration	(15) Action taken against unethical and illegal behaviour	(20) Enforcement capacity of regulatory body	(25) Independence of oversight and enforcement bodies

1.13 The overall analytical framework of the AGO involves a three-step approach. The first step involves conducting desk research to generate the statistical data for the twenty five financial governance indicators. The primary sources of data include the African Peer Review Mechanism (APRM), Public Expenditure and Financial Accountability (PEFA) reports, Afro-barometer (AB) surveys, Mo Ibrahim Indexes (MII), Open Budget Index (OBI) surveys, OECD procurement assessments and the Global Integrity (GI) surveys.

1.14 The second step involves qualitative assessment of financial governance and understanding the dynamics of the data generated in step one by examining the reasons for the performance, and how policies and institutional arrangements are being improved over time. The information necessary to undertake step two is generated through qualitative research and analyzed using political economy as an analytical tool. This step also requires indepth understanding of the complex set of political, social, economic and financial context of a particular country.

1.15 The third step builds on the first two stages and analyzes trends over time. The AGO does not use numerical measures for cross country comparisons, but rather focuses on the trajectories of change including an analysis of the underlying factors that determine good financial governance in individual countries, so as to facilitate replication and knowledge transfer in other countries. The next chapter of this progress report summarizes key findings of the pilot phase for each of the five dimensions analyzed, while annexes 1 and 2 provide further details on the definitions of the AGO financial governance terms and the sources of data.

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PART II: PUBLIC FINANCIAL GOVERNANCE REFORMS IN AFRICA

A. The recent progress in Africa

2.1 The preliminary findings of the AGO pilot phase implementation highlights that most of the countries have a robust legal and policy framework, as well as the requisite institutional structures for good public financial governance. Many of the AGO pilot countries have been implementing comprehensive PFM reform programs over the last two decades. The reforms were aimed at enhancing fiscal discipline, redirecting public expenditure to poverty reduction; enhancing efficiency and effectiveness of public expenditures; and improving transparency and accountability in the use of public resources. Despite the observed progress in the institutional and policy framework, reform implementation has been hampered by a number of factors, including weak capacity, inadequate citizen participation and ineffective external scrutiny.

2.2 The performance on financial governance is closely related to broader governance reforms that are taking place in Africa, including constitutional and legislative reforms. In Ethiopia for example, the federal governance structure sets out the expenditure and revenue assignment of all tiers of government and rules for inter-governmental fiscal transfers and accountability in the management of public resources. In Kenya, the new constitution anchors the principles of public finance, setting the stage for the establishment of an adequate legal framework, which, if consistently implemented, favorably impacts the quality of public financial governance (see Box 1). The following sections review preliminary findings of the AGO pilot phase for each of the five dimension of public financial governance, i.e. Budget governance; Revenue governance; Internal control; Public procurement; and External audit and oversight.

Box 2: Impact of constitutional reform on financial governance—the case of Kenya

Constitutional impact on budget governance: The Constitution provides for principle of openness and accountability, including public participation in financial matters³. This principle is further reinforced by another principle of public service that includes public participation in the process of policy making⁴. Combination of these principles applies to inclusiveness and openness of budget governance, as well as the other governance dimensions.

On the rule of compliance, the constitution provides for a threshold of two months before the end of the financial year at the time when the budget must be tabled to the National Assembly⁵. Legislative scrutiny on budget process is enshrined in the constitution. A committee is mandated to discuss and review the budget estimate and make recommendations that have an input of public participation to the full National Assembly⁶. The PFM Bill 2011 delineates in detail the legislative oversight function⁷.

Constitutional impact on Procurement Governance: The new constitution recognizes the importance of public procurement⁸ in the economy, and states the policy objectives of the public procurement system. Besides, it provides for enactment of legislation that will implement the policy objectives of the procurement system that is fair, equitable, transparent, competitive and cost-effective. These objectives will likely improve the rule of compliance. The constitution also provides for sanctions against non-performing contractors and tax-defaulters.

Constitutional Impact on External Audit: The office of Auditor General is entrenched in the constitution as an independent office. The report of the Auditor-General shall be tabled to Parliament or relevant county assembly and three months after its receipt, there shall be a debate and appropriate action taken⁹.

A.1. Budget governance

2.3 The AGO preliminary findings confirm that significant achievements have been made with regard to rule compliance. This is a reflection of the number of regulatory and policy initiatives that have been instituted in a number of countries. Compliance with constitutional requirements and Public Financial Management Regulations has continued to improve.

3. Id article 203(a)
4. Id article 232 (d)
5. Id article 221(1)

6. Id article 221(4)
7. Public Financial Management Bill, 2011
8. Constitution of Kenya article 227
9. Id article 229 (7)(8)

2.4 Budgets, more adequately, reflect declared policy priorities than in the past. The preliminary findings of the AGO country assessment shows that the alignment of the national budget to policy priorities has improved considerably, mainly due to the ability of Ministries and Agencies to, effectively, align their budget priorities with the national development strategies. This also reflects a better inclusiveness in the budget preparation processes of line ministries and departments. Countries, such as Ethiopia and Mali, have made significant progress with regard to compliance with budgetary rules and alignment of public policy with the budget. However, recent developments in Mali are jeopardizing the reform momentum. Furthermore, budgets need not only to be aligned but credible in their execution. In other words, the capacity of governments to appraise the effectiveness of their expenditure programs needs to be enhanced, so that they can demonstrate that the alignment of the budget framework with policy priorities also translates into tangible development results.

2.5 Progress has been made in improving transparency of the budgetary process, however, there is need to scale efforts to improve citizens participation in budget formulation and decision making. Countries such as Kenya, Uganda, Rwanda and Ethiopia, have introduced freedom of information legislation to improve free access to information concerning the budget and the final accounts of the budget. These countries have adopted encouraging practices to disseminate budget information using local newspapers, community radios, websites, town hall meetings, and publishing of the budget. However, the involvement of non-state actors in the budget allocation and execution could even be more effective. The three main challenges accounting for the weak participation by citizens in the budget process are: (a) budget documents are too complex and not user-friendly for citizens to engage effectively in the review, approval and evaluation processes; ii) limited capacity to scrutinize public finances; and (b) lack of knowledge of civil society's rights to public financial information and limited capacity to effectively mobilize citizen's around budgetary issues.

2.6 Most of the AGO pilot countries are not performing well on budget inclusiveness. Despite efforts to engage citizens in the budget process, a high degree of centralized decision making and top-down economic management has, traditionally, been one of the features of the economy in many of the pilot countries. In some countries, there are mechanisms for CSOs participation in the budget process through hearings held by parliamentary sector committees, but the ability of non-state actors to influence economic, fiscal, and expenditure policies remains inadequate. The preliminary findings of the AGO country assessment shows that low performance on budget inclusiveness does not suggest complete lack of citizens participation in the budget process, but signals serious limitations in the process. As some countries engage in fiscally responsible and gradual decentralization processes, the potential for citizens' external scrutiny and involvement in budget preparation and execution may increase. The strengthening of the engagement of civil society organizations in the budget process will enhance poor people's voice and demand for transparency and accountability at critical stages of the budget process, including the review of the draft budget bill and execution, public expenditure tracking, and auditing.

2.7 The preliminary findings of the AGO pilot implementation show that legislative scrutiny of the budget is the weakest link in budget governance. The time for legislative scrutiny of the annual budget varies among countries and averages between 2 and 4 weeks. A good number of MPs and legislative committees do not have sufficient understanding of the technical details of the budget. The time and financial constraint also prevents parliamentary committees from calling expert witnesses to assist with the scrutiny. Furthermore, effectiveness of the external scrutiny has been undermined by the user unfriendliness of the budget documents. In most countries, the constitution and financial regulations mandates the legislature to review the budget. However, the time is too short to examine the recommended budget rigorously and make any meaningful comments or changes to the proposal.

Box 3: Budget governance in the case of Mali, Burkina Faso, and Uganda

Since 1996 Mali has carried out PFM reform and a number of legislations and regulations were adopted. The regulations are respected and the main provisions are adhered to. For example, the Government complies with the constitutional requirement for submission of the draft budget to the National Assembly on the first Monday of October. As the result, the National Assembly has more than two months to effectively review the proposed budget before approval. In addition, the existing law promotes freedom of and access to information, including budget. With the adoption of the National Strategy for Gender Responsive Budgeting, a Gender Annual Report is being prepared with analysis of the gender dimension of the national budget and its consistency with the strategic objectives of the National Gender Policy.

In Burkina Faso, the National Assembly approves the budget before the beginning of the fiscal year, and carries out a mid-term and end of the year scrutiny of the budget. It has the power to establish independent committees to investigate public expenditures. Members of the Finance and Budget committee responsible for budget implementation have a professional experience in public finances, which enables them to effectively engage in the review process. However, there is need to strengthen the organization capacity (human and infrastructure) of the National Assembly. In addition, Burkina Faso has made progress to make budget information more accessible to the public. The Ministry of Finance has undertaken a communication campaign and public consultation on the draft budget across the thirteen regions of the country. Budget information is being posted on the Budget Department website. However, more efforts are needed to develop meaningful citizen's participation and inclusiveness in the budget processes; this may also include translation of budget documents into local languages and preparation of a simplified version of the budget to make it more user-friendly.

In Uganda, the budget process is characterized by relative transparency and broad participation. Important components of this process are the Budget Framework Papers (BFPs), and Medium Term Expenditure Framework (MTEF) which is presented to Parliament and accessible to citizens and the media. The process is transparent and involves people from the districts, and civil society organizations. Government holds budget consultative workshops in districts which provide a forum where indicative budget ceilings for a given financial year are made public. Civil society participation has improved at district level and they also submit proposals to improve the budget allocation and prioritization.

A.2 Revenue governance

2.8 The preliminary findings indicates that most of the AGO pilot countries are steadily improving their performance on revenue governance. The positive trend in the performance of revenue administration is due to effective implementation of the revenue administration reform with greater focus on policy and legislation, business process re-engineering, automation of work processes and procedures, and investing in human resource capacity for tax audit, investigation, and enforcement. A strong political will and commitment of the leadership in several countries has been the major factor driving progress in revenue governance. All of the AGO pilot countries have implemented detailed reform actions in line with their revenue modernization program.

2.9 The rent seeking activities of tax and customs officials remains a challenge, however, and will continue to affect revenue governance adversely in some countries. Public perception and corruption survey suggest that tax and customs administrations are vulnerable to corrupt practices. As a result, equity in the implementation of tax administration is undermined and erodes the citizens' trust in the State altogether¹⁰. Stakeholders observed that even though automation of business process (e.g. ASYCUDA, ITAS, e-tax system etc.) removes individual discretion in assessment, there are still outstanding issues of exemptions, assessment, smuggling, and human resource capacity limitations.

2.10 Going forward, the AGO initiative calls on political leaders and Heads of Revenue Administration Authorities to develop and implement reform measures to address transparency, integrity and accountability as part of the broader tax and customs administration reforms. Provided this commitment is given, external support is required to improve institutional integrity and effectively fight corruption in partnership with non-state actors. Moreover, as African countries adopt modern tax systems that are efficient and minimize market distortions, administrative complexity of implementing such systems increases for both tax officials and taxpayers (in particular SMEs). This calls for an evolution of mindsets in many tax administrations towards a transparent and service-oriented relationship with tax payers.

10. Global Integrity Index 2010 Vertical Score Summary, pp108-109.

Box 4: Revenue governance in the case of Kenya, Rwanda, Tanzania and Senegal

In Kenya, tax revenue is the primary source of government revenue accounting for over 90 per cent of total revenues to the state. The Kenya Revenue Authority's good performance is associated with improved tax administration reforms, increased focus on tax audits, investigations and tightening of tax laws and tax revenue has increased. The liabilities towards a taxpayer are set out clearly in law, while notices and procedures are gazetted. However, the taxpayer complains that the laws are complex. The positive trend in revenue governance indicators in Kenya is associated with improved tax administrative reforms, increased focus on tax audits and investigations and tightening of critical revenue generation dimensions of tax law.

The Rwanda Revenue Authority (RRA) has a dedicated taxpayer's service division responsible for ensuring information availability on tax obligations, liabilities, and deadlines. All legislation is published in the Official Gazette, which is available in bookshops, and online. RRA conducts regular tax campaigns on the television and local newspapers to disseminate information on tax issues. Taxpayers' registration is obligatory and a Registration Certificate is issued, which must be displayed on business premises. A database of taxpayers identified by their TIN has been established. It was noted that the capability of tax administration has been improved to practice and enforce tax laws without discrimination. Tax laws and procedures for customs and excise tax are applied uniformly without fear or favor. A tax appeal mechanism exists and operates satisfactorily, with a degree of independence, access and fairness.

Tanzania has relatively new and comprehensive up-to-date income and VAT laws and there is enforcement of this legislation. Revenue administration procedures are clearly documented and uniformly implemented. A comprehensive TRA audit plan and operational manual to guide the Domestic Revenue Department has been developed, but implementation has been slow due to capacity limitations. What is outstanding is the development of a taxation procedures court to ensure speedy resolution of tax disputes, where they arise.

In Senegal, customs administration and process has been automated. A framework for dialogue has been established with the aim to improve transparency and compliance in customs operation. This include the establishment of an arbitration body called the "Customs Disputes Arbitration Committee" composed of representatives from the customs authority, and clearing agents as well as the "List Office" in charge of the settlement of disputes between agents and users.

A.3 Internal control

2.11 Internal controls have traditionally been one of the weakest areas in public financial governance in Africa. In some systems, controls are lax or inexistent. In others, typically the francophone systems, ex ante controls are numerous and strict on paper, so that there is a strong incentive to escape them by taking advantage of regulatory loopholes. In recent years, a number of new regulations and institutions have been introduced to strengthen internal control systems in the public sector. Improvement has been made and Audit is now system based, and undertaken on the basis of professional standards. Most countries have adopted an internal audit manual; replaced the previous traditional pre-audit functions by post audit, and organized internal audit units and committees across government. Audit reports are being issued and distributed to all relevant bodies. Despite these significant improvements, management implementation is still weak, undermining the effectiveness of internal control.

2.12 Internal control mechanisms are undermined by insufficient protection of the civil service from political influence. . Regulations are based on the assumption that an impartial, independent and fairly managed civil service should be in place. In several countries, though laws exist to regulate conduct of civil servants, political patronage appears to play a major role in appointments to the civil service. Political interference is a common occurrence for civil servants. Civil servants are commonly ordered or subtly influenced by political leaders, but in cases that backfire, they are the ones to personally suffer the consequences. In some countries, the absence of a mechanism for civil servants to report corrupt practices is affecting the internal control across government. Strengthening whistle blowing or ombudsman functions and establishing lean, but effective, internal audit systems represent a desirable avenue for future reform.

Box 5: Internal control in the case of Ghana, and Uganda

In Ghana, the quality of internal audit has improved, significantly, with the establishment of the Internal Audit Agency as an independent entity from the Controller and Accountant General's Department and the Ghana Audit Service. In Kenya, internal control shows a positive trend associated with the adoption of an internal audit reform. These include a shift from pre-auditing/transactions audit to systems audit, adoption of Risk Based Audit Approach, spearheading the development of Institutional Risk Management Policy Framework, adopting internal audit standards and best practices as promulgated by the Institute of Internal Auditors, enhancing governance through establishment of ministerial audit and risk management committees, introducing IT supported audits, rolling out Audit Management System (Team-mate) and adopting Value for Money Audits.

In Uganda, there is an internal mechanism through which civil servants can report corruption. To ease the process of enabling people to submit complaints or report cases of corruption, the institution of the Inspector General of Government created a phone hotline and opened up regional offices through which people can report corruption. Other agencies have also opened up hotlines for people to report corruption. A law has been passed to protect whistle blowers¹¹ and this is likely to increase the number of corruptions cases reported.

A.4 Public procurement

2.13 The AGO pilot countries have embarked on a process to reform their procurement systems and have modern procurement rules and regulations, and established autonomous regulatory bodies. However, annual procurement planning and its integration in the overall budget preparation, even if made mandatory by legislation, is not properly executed, causing delayed payment. Lack of capacity in public entities, limited participation of non-state actors and the rent seeking behaviors of public officials remain a major challenge affecting financial governance in Africa.

2.14 Most legal and regulatory requirements clearly establish open competition as the default method of procurement. Nevertheless, the procurement system is troubled by the gap between intentions and practice, and weakness in compliance. Progress has been made in adopting standard bidding document, and establishing procurement units and complaint handling and review mechanisms that are acceptable to international standards, with some exceptions. However, compliance and enforcement capa-

city remains a challenge. Poor performance in procurement compliance has contributed to corruption. There is a concern that transparency is undermined by discretionary decision-making driven by outside pressure and lobbying. Recourse and enforcement systems are not credible enough to deter such practices.

Box 6: Procurement in the case of Uganda, and Senegal

In Uganda, the public procurement reform was initiated in 1997, following the enactment of the 1995 constitution and the demand for accountability, transparency and absence of a culture of value for money procurements (PPDA, 2007). When the Central Tender Board was abolished in the year 2000, a National public procurement Unit (NPPU) was established as the Reformed Central Tender, Board under the recommendations of a Reform Task Force. Later, in 2003, there was enactment of the PPDA Act 2003, and the issuance of Regulations and Guidelines in that area with the view to increase effectiveness, efficiency and transparency of procurement. This was sought to ensure that the use of public funds is effective. This procurement system for Uganda was designed to facilitate the delivery of public goods and services, as well as ensure value for money.

In Senegal, the Department in charge of procurements has introduced good practice to improve transparency of the procurement process. It, regularly, publishes all information relating to procurements on the website, including single source procurements. Also, procurement notice, and contract awards are published in newspapers and this facilitates appeals and transparency.

A.5 External oversight

2.15 The current situation of the external oversight functions and in particular the Supreme Audit Institutions (SAIs) in Africa vary, reflecting different governance systems and government policies in the continent. Typically, the independence of an Audit Agency (be it administrative or judicial) is measured by its reporting requirements, the protection of its operational budgets, the autonomy in designing its annual work plans, the ability to publish its reports and the modus of appointing and removing its senior officials. In some countries, the Auditor General is protected from illegal removal from office without relevant justification by the law establishing the office of the Auditor General. Most

¹¹ Uganda Government, the Whistleblowers Protection Act, 2010. Date of Commencement: 11th May, 2010.

countries in Africa have focused on improving the audit methods, process and systems coupled with efforts to move from financial audit to value for money audit. There is now a need for a comprehensive and integrated approach to support the civil society organizations, parliamentary committees and supreme audit institutions (SAIs) in Africa to promote transparency and accountability in the use of public resources, and fight against corruption.

2.16 Some countries have registered a positive trajectory of change in external scrutiny and oversight. Nevertheless, the extent of oversight involving the scrutiny and follow up of audit activities remains challenging in many of the AGO pilot countries. The positive trend can be associated with the enactment of the Public Audit Act that established more independent supreme audit institutions, improved competencies through better organization, increased systematic training, introduced of computer-assisted audit methods and adopted of successful application of international standards. However, there is a problem with delay in the presentation of the annual audit report to Parliament, delay after Parliament attends to the audit report and, even further delay when Government responds. Follow up on audit recommendations remains an area of concern in public financial governance, even in a situation where the Public Accounts Committee (PAC) reviews audit reports on time, conducts hearings, and instructs public bodies to rectify problems, identified and implement audit recommendations. There are, however, capacity limitations and as a result, hearings are not systematic, and follow up is not made by PAC on recommendations. It is, therefore, critical that more consideration should be given to strengthening the institutional capacity and role of civil society organization and parliamentary committees as integral part of the accountability chain.

Box 7: External oversight - The Rwanda Case

Rwanda has an improved legislation scrutiny of external audit reports. The scrutiny of the audit reports is done within the time frame of 6 months. The timely completion of legislative scrutiny is a reflection of an enhanced capacity by the budget committee to deliver efficiently. Subsequently, the Budget Committee of the Chamber of Deputies prepares a report of its scrutiny of the Auditor General's annual report and presents report to the plenary session of the Chamber. Additionally, every hearing obliges the implicated entities to submit a summary report within two months on how they have addressed the recommendations and decisions made by the budget committee in respect of the identified irregularities. The Chamber of Deputies conducts supplementary visits every 3-4 months to assess progress on how the executive is implementing the proposed recommendations.

The Kenya National Audit Office (KENAO) is a constitutional office mandated to audit the central government, local authorities and state corporations. KENAO has, substantially, increased its audit coverage and is now covering 100% of central government annually, although there is a backlog when it comes to local authorities. A performance audit unit has been established at KENAO and risk assessment method used to determine audit plans.

2.17 Reform of government audit is not an end in itself but should be undertaken with a view to improving financial management and accountability in the public sector as a whole. SAIs are currently being called upon to go beyond compliance and performance auditing and play a greater role in promoting accountability and transparency in government., SAIs need to establish a good working relationship with Parliament –to whom they report- and media, which can publicize wrongdoings discovered during audits of the public accounts, thus curb corruption. By providing high quality audit services, including results based audits, SAIs can assist parliament in holding the government accountable for its management of public resources.

B. The divers of change and challenges in public financial governance

2.18 Despite the political and economic governance challenges that the continent is facing, there has been a persistent commitment and ownership of PFM reform in Africa. The preliminary findings of the AGO country profiles show that many countries are implementing meaningful

financial governance reforms, and can demonstrate evidence of improvement in performance. This section provides explanations for the observed successes and key drivers that shape performance as well as key challenges in financial governance in Africa.

2.19 An enabling legislative environment: The adoption of new Constitutions has created an enabling environment for the implementation of financial governance reforms in Africa. For example, the Constitution (Ethiopia, Uganda, and Kenya) calls for decentralization of financial management and procurement processes with the aim to improve transparency, accountability and efficiency in the use of public resources. The AGO report shows that all countries have passed a comprehensive legal framework in expenditure management and revenue mobilization, which paved the way for enhance financial governance. PFM reform is anchored on effective implementation of existing legislative framework. However, the legislative oversight capacity is very limited, including the absence of technical support staff for MPs and parliamentary committees which, undoubtedly, contribute to weak performance in external oversight and scrutiny of the budget process.

2.20 Strong Political Will and Commitment: There has been a, relatively, persistent and successful track record of PFM reform in almost all AGO pilot countries guided by policies and reform champions. They have also put in place a framework for planning, execution and coordination of PFM reform, including setting up Reform Steering and Technical Committees mandated to provide forum for regular dialogue and monitoring reform activities. The various PFM reform components underpinned by Government leadership and ownership contributed to the positive developments over the past years. An important finding has been that this commitment needs to be shared at the highest levels of government, and also at the technical level. However, among the five selected financial governance indicators, capability has been identified as one of the weakest links. Although most Governments have been pursuing a multi-faceted strategy to build capacity in PFM areas, the introduction of new sets of rules and procedures could not bring the intended result due to limited skilled and motivated work force in the public sector. Most of the PFM reform programs have also identified implementation capacity as one of the risk factors that undoubtedly impedes the move or delay in reform implementation.

2.21 The preliminary findings of the country report shows that the limited separation of powers adversely impinges on the quality of financial governance. Some countries still face difficulties with respect to separation of powers between the executive, legislature and judiciary. In some countries where the political spectrum is characterized by overwhelming single party domination, Parliaments fail to exercise checks and maintain balances. The Executive has a dominant role in determining resource allocations to critical oversight institutions, which sometimes results in a rather formalistic scrutiny and oversight of public finances. With party leaders also serving in key government positions, the separation between what is party and government is blurred. Public resources have been tapped to favor government ministers and ruling party incumbents, especially just before, and during, election seasons.

2.22 A strong and vibrant civil society: Civil society in Africa is involved in diverse advocacy to initiate change in policy, laws and institutional practices towards a more transparent, accountable and responsive governance. Good performance in public participation and inclusiveness is associated with countries where civil society is active. The strong and vibrant civil society has kept the government on check and that improves the performance. There are examples of demand driven change met by supply side governance reform. In Kenya, civil society has been engaged in the budget and also been reported to be the whistle blowers in the major corruption cases that have rocked the country, among them the Anglo leasing and Goldenberg scandals, not to mention their role as critics on the budget. They prepare a citizen alternative budget that seeks to influence Government decisions, as well as help civil society develop viable alternatives. Due to pressure and sustained demand from active civil society, the government has launched social budgeting framework to improve public participation in the process. However, in some countries, involving Civil Society Organizations (CSOs) in the government budgetary process is marginalized, and the regulatory framework for CSOs to operate and engage in governance has been an impediment for CSOs participation in financial governance. The capacity of CSO to participate and engage in policy forums is limited, and those that are capable are all based in capitals and do not have access to the sub national budget process

2.23 Strong and independent media: Media is playing an important role in bringing information closer to citizens and getting citizens' voice to be heard. It is also an instrument for advocacy on policy and legal issues, supporting gender empowerment, and public participation in the public financial management and fight against corruption. Government attitude towards media and communication is also changing as manifested in the drafting of the Freedom of Information Act, Information and Communication Strategy, and Broadcasting Council.

2.24 Demand-side governance. For a long time improving the PFM system was perceived as putting in place the legal framework, efficient working procedures and manuals and building capacity of government departments which is focused on the supply side factors. Little attention was given to demand-side governance where citizens can participate in planning and decision making process. This requires investment in systems and mechanisms that can provide opportunity for citizens and non-state actors to engage in public affairs. Focus on demand-side governance would complement reform efforts to build a more inclusive, transparent and accountable governance systems. For example, Governments have introduced financial transparency and accountability initiatives to disseminate budget information and service delivery standards to citizens but these have not been properly utilized by citizens, and civil society organizations.

2.25 Competitive politics and development of independent oversight institutions: In many countries, the introduction of multi-party system of political governance has resulted in increased number of MPs from the opposition parties. The advantage of this scenario is that the opposition parties check the performance of the ruling party and vice versa, which improves the accountability of the government. The MPs are the whistle blowers of major corruption scandals that involved their partner party members. Through these checks and balances, major corruption scandals have been revealed. In several countries, corruption has been recognized as negatively affecting the performance of public institutions. The formation and capacity building of independent oversight institutions is important in promoting transparency and accountability as well as tackling corruption.

2.26 A sizeable and influential middle class: The recent AfDB report on the dynamics of the middle class in Africa explains that a well-established middle class is catalytic to the growth of democratic space. Empirical evidence shows that middle class helps to improve accountability in public services through vocal demands for services that achieve better governance, economic growth and poverty reduction. People in the middle class are better educated, better informed and have greater awareness of human rights. They are, actively, involved in the country's governance issues by having a say in e.g. revenue management. This includes pressing for the rule of law, property rights and a higher quantity and quality of public services (AfDB¹²).

2.27 Donor confidence and support: Most reform efforts in Africa have been supported by development partners. This includes technical assistance and capacity building support to PFM institutions, and also channeling their development assistance using the national systems. While aid has contributed immensely to government efforts towards improving financial governance and reducing poverty, issues about governance and corruption still remain and will continue being the focus of donor and government relationship. For example, in Ethiopia, the Woreda and City

12. The Middle of the Pyramid: Dynamics of the Middle Class in Africa (2011).

Administration Benchmarking Surveys (WCBS¹³) provide synopsis of Citizen's views, on the quality, level of transparency, accountability and inclusiveness in public sector service delivery including public finance management. Similarly PBS component aims to (a) enhance transparency in public budget processes and management, and (b) promote citizens' awareness and participation in local government finance, budgeting and service delivery ¹⁴

2.28 Fiscal decentralization supports good public financial governance. Despite initial challenges, the implementation of fiscal decentralization has enabled some countries to increase transparency and accountability, and participation of citizens in budget process and service delivery. The Gender Budgeting initiative in Rwanda, and District level decentralization in Ethiopia have been positive drivers to improve financial governance through (i) setting standards for service delivery; (ii) increased consultation and participation of different groups in society (e.g. women and youth) in local planning, budget preparation and execution as well as collection of taxes; and (iii) increased participation in implementation and monitoring local development programs and projects.

C. Key priorities for good public financial governance

2.29 In conclusion, the AGO initiative calls on regional member countries and development partners to continuously implement and deepen governance reforms. The initial findings of the AGO country reports shows progress as a consequence of strong political commitment to implement reforms, despite the prevailing human resource constraints and challenges faced in the wake of the global financial crisis. It also identified key drivers, challenges and opportunities to further improve the quality of financial governance in Africa. Building on the improvements achieved to date, future reform implementation should consider the following options within individual countries.

Capacity building of PFM professionals: training for the financial cadres must be all round, irrespective of operations and functions; it must cover the new legal and regulatory framework, the new codes and classifications, and the new business procedures put in place as a result of the on-

13. Woreda and City Administrations Benchmarking Survey III, Ministry of Capacity Building, July 2010.

14. Aide Memoire: Protection of Basic Service (PBS) Program, Phase II Joint Review and Implementation Support Mission (JRIS) May 9-19, 2011

going reforms; in effect, there must be on-going training for the financial cadres on-the-job for an effective public sector financial governance.

Strengthen economic governance role of Parliament to enable Parliament to play its oversight role in the area of financial governance more effectively, and to professionalize its interaction with the government by establishing a budget and finance professional corps in the parliamentary service. Such a group would provide technical support to the various parliamentary committees in the area of budget oversight (budget preparation, budget execution, and expenditure control). Governments and development partners should continue to provide sufficient training and technical support to enhance the legislature's capacity to oversee and hold the executive to account for the use of public resources; this may include the establishment of a budget and finance professional corps in the Parliamentary Service.

Strengthening watchdog-role of specialized agencies: strengthen the watchdog-role of independent agencies specialized in combating fraud and corruption in the public sector. The key objective is to strengthen the existing mechanisms in the public sector to monitor financial activities of public agencies and, effectively, pursue prosecution of mismanagement. These agencies must strengthen collaboration and extend basic technical and logistical support to other key actors of the Anti-Corruption and Integrity Initiatives to enable them to effectively fulfill their mandate. The ultimate goal is to strengthen accountability and independent monitoring and evaluation of economic management of the government at the level of civil society.

Improve participation of civil society and other stakeholders in the public financial management by providing capacity development support to CSOs, and providing them with the opportunity to engage in budget oversight and monitoring at all tiers of government. It is recognized that citizens participation in the PFM system process promote the quality of decisions and provide an essential reality check for its implementation. PFM is not solely the responsibility of single institution. Thus, citizen's engagement in the financial management system is of critical importance in promoting financial governance. Going forward, the AGO initiative calls for coordinated support to streng-

then institutions of governance that empower citizens and participation in budget formulation and execution process.

Enhance the capacity of the media and access to budget information: Freedom of the press and freedom to public information are recognized and guaranteed by the state, but access to information is still problematic. Anchored on this, a more active role of the media could make accurate information accessible and free to all the people. Effort to reform information and public disclosure policy must be accelerated for media to, effectively, plays its watchdog role vis-a-vis the fiscal and economic activities of the government. The open access to information regarding the economic management of the government is key to an effective monitoring and supervision role of the media, civil society and other stakeholders.

Annex I: Glossary of AGO financial governance terms

Budget governance	The process of translating stated policies into the annual budgets and medium-term fiscal frameworks, as well as the quality of budget execution and reporting.
Capability	The political will and ability of governments to design and implement public policies for the common public good.
External oversight	The institutional arrangements for independent auditing by supreme audit institutions, the role of legislatures in scrutinizing the government's actual expenditures, and the contribution of civil society and independent bodies in overseeing the use of public resources.
Inclusiveness	The extent to which relevant stakeholders outside government, notably private sector and civil society, are able to participate and influence the rules that guide financial governance, set the agenda and policies as well as shape the execution.
Internal control	The legislation, regulations and procedures including those safeguarding assets, internal control standards, reporting and internal audit.
Openness	The extent to which the process of governance is transparent with regard to sharing documents and other information that the public need in order to exercise its accountability role.
Oversight	The effectiveness with which parliament and specific oversight bodies for external audit purposes are able to perform their roles and responsibilities.
Public procurement	The policies and systems in place for the acquisition of goods, works and services, including arrangements for regulation and control of public procurement.
Revenue governance	The process of determining tax revenue policy and administering tax and non-tax revenue collection, including states' fiscal capacity and citizen's voluntary compliance.
Rule compliance	The extent to which government and other public officials adhere to the formal rules applied to specific financial governance arenas and how well these rules are being enforced by relevant public bodies (e.g. courts, tribunals)

Annex II: AGO financial governance indicators

BUDGET GOVERNANCE

Dimension	Indicator	Sub indicators	Source of information
Inclusiveness	Effectiveness of public participation	In practice, the national budgetary process is conducted in a transparent manner in the debating stage (i.e. before final approval).	GI,41a
		In practice, citizens provide input at budget hearings.	GI,41b
Openness	Transparent & Comprehensive & User friendly	Do citizens have the right in law to access government information, including budget information?	OBI 63
		Does the executive publish a "citizen's budget" or some nontechnical presentation intended for a wide audience that describes the budget and its proposals?	OBI, 61
Rule Compliance	Orderliness and clarity of rules	Orderliness and participation (of government entities) in the annual budget process (i) Existence of and adherence to a fixed budget calendar (ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent (iii) Timely budget approval by the legislature or similarly mandated body (within the last three years)	PEFA PI 11
Oversight	Adequacy of the legislative scrutiny of the budget	Legislative Scrutiny of the annual budget law (i) Scope of the legislature's scrutiny (ii) Extent to which the legislatures procedures are well-established and respected (iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable to macro-fiscal aggregates earlier in the budget preparation cycle (iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	PEFA PI 27
Capability	Budget reflective (of declared policies)	iii) Composition of expenditure out-turn compared to original approved budget	PEFA PI 2

REVENUE GOVERNANCE

Dimension	Indicator	Sub indicators	Source of information
Inclusiveness	Stakeholder involvement	Does the executive hold consultations with the public as part of its process of determining budget priorities? ¹	OBI 71
Openness	Awareness of liabilities	Transparency of taxpayer obligations and liabilities (i) Clarity and comprehensiveness of taxpayer liabilities (ii) Taxpayer access to information on tax liabilities and administrative procedures (iii) Existence and functioning of a tax appeals mechanism	PEFA PI 13
Rule Compliance	Equity of rule applications	Effectiveness of measures for taxpayer registration and tax assessment (i) Controls in the taxpayer registration system (ii) Effectiveness of penalties for non compliance with registration and declaration obligations (iii) Planning and monitoring of tax audit and fraud investigations	PEFA PI 14
		Effectiveness in collection of tax payments (i) Collection ratio for gross tax arrears being the percentage of tax arrears at the beginning of a fiscal year which was collected during the fiscal year (average of the last two years)	PI 15
		How many tax officials (e.g., national revenue authority official or local government tax collectors) are involved in corruption according to public perception?	Afro 2.3
Oversight	Legislative scrutiny	In law is there a separate legislative committee which provides oversight of public funds?	PEFA PI 26
Capability	Effectiveness of the revenue administration	In practice, are tax laws enforced uniformly and without discrimination?	GI 63
		In practice, are customs and excise laws enforced uniformly and without discrimination?	GI 66

INTERNAL CONTROL FRAMEWORK

Dimension	Indicator	Sub indicators/questions	Source of information
Inclusiveness	Public monitoring	In law, can citizens access the asset disclosure records of senior civil servant?	GI 47 a
		In practice, can citizens access the asset disclosure records of senior civil servant within a reasonable time period?	GI 47 b
		In practice, can citizens access the asset disclosure records of senior civil servant at reasonable costs?	GI 47 c
Openness	Availability of information on expenditure	Are citizens able, in practice, to obtain financial information on expenditures for individual programs in a format that is more highly disaggregated than that which appears in the executive's budget proposal, if they request it (for example, from a ministry or agency)?	OBI 64
Rule Compliance	Effectiveness and adherence to internal control framework	Effectiveness of internal controls for non-salary expenditure (i)Effectiveness of expenditure commitment controls (ii)Comprehensiveness, relevance and understanding of other internal control rules and procedures (iii)Degree of compliance with rules for processing and recording transactions	PEFA PI 20
		Effectiveness of internal audit (i)Coverage and quality of the internal audit function (ii)Frequency and distribution of reports (iii)Extent of management response to internal audit findings	PEFA PI 21
		Are there regulations requiring an impartial, independent and fairly managed civil service?	GI 44a
		In law, are there regulations to prevent nepotism, cronyism and patronage within the civil service?	GI 44b
		In practice, is there an internal mechanism through which civil servants can report corruption?	GI 49
Oversight	Comprehensiveness of oversight activity	Scope, nature and follow-up of external audit (i)Scope/nature of audit performed including adherence to auditing standards (ii)Timeliness of submission of audit reports to legislature (iii)Evidence of follow up on recommendations	PEFA PI 26
		In law, are there requirements for the independent auditing of the asset disclosure forms of senior members of the civil service?	GI 46e
		In practice, are civil service asset disclosures audited?	GI 46i
Capability	Action taken v unethical and illegal behavior	In practice, are civil servants convicted of corruption are prohibited from future government employment?	GI 45 i
		In practice, are civil servants protected from political interference?	GI 45a

PUBLIC PROCUREMENT

Dimension	Indicator	Sub indicators/questions	Source of information
Inclusiveness	Stakeholder involvement	Stakeholders (private sector, civil society and ultimate beneficiaries of procurement/end-users) support the creation of a procurement market known for its integrity and ethical behavior	OECD 12
		Rules on participation (The indicator assesses the participation and selection policies to ensure that they are non-discriminatory)	OECD 1(d)
		There are effective mechanisms for partnership between the public and the private sector	OECD 7 a
Openness	Degree of access to information	Information is published and distributed through available media with support from information technology when feasible	OECD 11
		Advertising rules and time limits	OECD 1 (c)
Rule Compliance	Deviation from good practice	During the past year, have there been credible reported instances in which the procurement of goods and services has not followed an open and competitive process in practice?	OBI 97
Oversight	Effectiveness of oversight activities	The Country has a functional normative/regulatory body (a)The status and basis for the normative regulatory body is covered in the legislative and regulatory framework (b) The body has a defined set of responsibilities (c) The body's organization, funding staffing and level of independence and authority (formal power) to exercise its duties should be sufficient and consistent with responsibilities (d) The responsibilities should also provide for separation and clarity so as to avoid conflict of interest and direct involvement in the execution of procurement transactions	OECD 4 (a – d)
		Are Auditors sufficiently informed about procurement requirements and control systems to conduct quality audits that contribute to compliance?	OECD 9e
		In law, is there a mechanism that monitors the assets, incomes and spending habits of public procurement officials?	GI 51d
Capability	Enforcement capacity of regulatory body/Sanctions enforced	In practice, are companies guilty of major violations of procurement regulations (i.e. bribery) prohibited from participating in future procurement bids?	GI 51j
		In practice, are the conflicts of interest regulations for public procurement officials enforced?	GI 51c
		The complaint review body has full authority and independence for resolution of complaints	OECD 10(e)

EXTERNAL AUDIT AND OVERSIGHT BODIES

Dimension	Indicator	Sub indicators	Source of information
Inclusiveness	Level of interaction with the public	Does the Supreme Audit Institution maintain formal mechanisms of communication with the public to receive complaints and suggestions to assist it in determining its audit program (that is, to identify the agencies, programs, or projects it will audit)?	OBI 119
Openness	Access to audit reports	Can citizens access reports of the supreme audit institution?	GI 60
		Does the executive make available to the public a report on what steps it has taken to address audit recommendations or findings that indicate a need for remedial action?	OBI 121
		Does either the Supreme Audit Institution or the legislature release to the public a report that tracks actions taken by the executive to address audit recommendations?	OBI 122
Rule Compliance	Independence of audit agency	In practice is the head of the audit agency protected from removal without relevant justification?	GI 59b
Oversight	Scrutiny and follow up of audit activities	Legislative scrutiny of external audit reports (i) Timeliness of examination of audit reports by the legislature (ii) Extent of hearings on key findings undertaken by the legislature (iii) Issuance of recommended actions by the legislature and implementation by the executive	PEFA PI 28
Capability	Independence of oversight/enforcement bodies	In practice, is the anti-corruption agency protected from political interference?	GI 75b
		In practice, is the ombudsman protected from political interference?	GI 56b
		Is the judiciary able to act independently?	GI 80



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The African Governance Outlook is a publication on financial governance produced by the African Development Bank's Governance, Economic and Financial Management Department and the African Capacity Building Foundation. Its aim is to serve both as a reference publication that brings the reader the latest available information on financial governance and as a trusted source of analysis to which policy makers, academics and others interested in African development issues may turn for guidance. The publication features an assessment of governance baselines, trends and prospects in different countries in Africa, provides country focused financial governance profiles along with capability analysis and includes thematic issues based on important governance areas and policy.

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The African Development Bank Group is a multilateral development bank whose shareholders comprise 54 African countries and 24 non-African countries. The AfDB Group's primary objective is to contribute to the sustainable economic development and social progress of its regional members, individually and jointly. It does this by financing a broad range of development projects and program through public sector loans (including policy based operations), private sector loans and equity investments; by providing technical assistance for institutional support projects and programs; by making public and private capital investments; by assisting countries with development policies and plans; and by supplying emergency assistance and crises responses to countries in Africa.

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ACBF was established in February 1991. It is the outcome of collaboration between African governments and the international donor community. Its mission is to build human and institutional capacity for sustainable growth and poverty reduction in Africa. ACBF's vision is for Africa to be recognized for its socio-political and economic capabilities and endowments – a continent with effective institutions and policies acquired through sustained investment in people and institutions. The Foundation is a major partner and centre of excellence for capacity building in Africa. ACBF has a Board of Governors comprising representatives of African governments and all donor countries. The World Bank, the African Development Bank, and UNDP are founding institutions. The Governors are usually Ministers of Finance and/or Economic Planning, Directors-General or Permanent Secretaries of core economic Ministries or Agencies. The African Union currently serves as an Observer on the ACBF Board of Governors.

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