



**THE AFROSAI-E PUBLIC FINANCIAL MANAGEMENT TRANSVERSAL RISK
ABRIDGED - REPORT**

2022

MESSAGE FROM THE CEO

This is our first Public Financial Management (PFM) Transversal Risk Report for the AFROSAI-E region. The main goals of PFM are to ensure government finances are sustainable, that resources are appropriately allocated and, that goods and services are effectively delivered to the public. To achieve these goals, PFM procedures and systems must operate efficiently and as part of an institutional framework that incorporates appropriate and steadfast rules, structures, processes and capacities.

This considered, the PFM Reporting Framework Tool allows SAIs to report holistically on PFM risks. The framework focuses on the overall functioning of the system and the related synergies. The tool gives the SAI added advantage of identifying weaknesses in the PFM system at country level and root causes, therefore giving Parliament an overview of where the “bottlenecks” are. It also gives the auditor an advantage to make recommendation and follow up on these recommendations more often than other PFM assessment tools.

In this PFM Transversal Risk Report, the reporting framework is taken a step further by consolidating the different country perspectives on PFM into a holistic regional view. This report does not mitigate the nuances of the individual country reports from Angola, Botswana, Cape Verde, Ghana, Kenya, Mozambique, Rwanda, Zambia, and Zimbabwe. Our sincere appreciation goes to these countries for their contribution to this report.

Sound PFM is crucial for achieving the Sustainable Development Goals (SDGs). In this report, we therefore also highlight the pivotal role that PFM processes play in the attainment of the SDGs. The PFM tool approaches the SDGs by prompting auditors at the planning stage to consider ministries, departments and agencies that have the highest impact on SDGs. In addition, there are embedded procedures which the auditor can use to evaluate the implementation of SDGs across functions to determine the effectiveness and efficiencies of the PFM processes. Consequently, there is increased reporting for ministries such as education and health.

The COVID-19 pandemic had adverse effects on our economies and on the ability of PFM systems and structures, including SAI, to deliver on their mandate. We also reflect on the readiness of the PFM systems to enable ministries, entities and agencies to remain productive, meet their mandates, and act in the interests of the stakeholders – while ensuring their work results in benefits to the citizens.

We recognise that effective PFM systems can have widespread effects on the reach, quality and effectiveness of essential public services. We therefore trust that this report will be a valuable resource for various stakeholders, including practitioners and policymakers. The report will be produced and circulated annually.

MMR Nkai, CEO

EXECUTIVE SUMMARY

Sound Public Financial Management (PFM) is crucial for achieving Sustainable Development Goals (SDGs). As a result, sound PFM systems are critical in ensuring government finances are sustainable, allowing for budgets to reflect political realities and ensure efficient service delivery. The main objectives of PFM are prioritized to ensure fiscal solvency, appropriate allocation of resources, and efficient public delivery of goods and services. To achieve them, PFM procedures and systems must operate efficiently and integrally within an institutional framework that incorporates appropriate and steadfast rules, structures, processes, and capacities.

A growing number of empirical studies have highlighted the positive relationship between PFM and fiscal transparency, fiscal outcomes, and the perception of fiscal solvency¹ (IMF, 2012). Good PFM will significantly increase fiscal credibility and economic development—perhaps not exclusively, but certainly as a contributing factor².

Given this background, the PFM Reporting Framework Tool allows Supreme Audit Institutions (SAIs) to report holistically on public financial management risks. The framework focuses on the overall functioning of the system and the related synergies. In this inaugural PFM Transversal Risk Report, the reporting framework is taken a step further by consolidating the different country perspectives on public financial management into a holistic regional view. This is not intended to, in any way mitigate the peculiar nuances of the individual countries in the study. The countries in the inaugural report include Zimbabwe, Zambia, Angola, Mozambique, Kenya, Botswana, Ghana, Cape Verde, and Rwanda.

A few salient observations from this inaugural report include the fact that governments are doing a lot to improve PFM systems, however there is significant scope for much more work to be done. More specifically, SAIs are doing tremendous work in unearthing malpractices and the ill preparedness of PFM systems in the region. The PFM tool has given SAIs the ability to unearth a lot of things, however there is more that can be achieved by using this tool. Further, it is in the interests of the SAIs to use the PFM tool to augment the traditional audit approach.

The level of adherence to the PFM processes is also consistent with the skills levels across the PFM institutions, with a noticeable decrease from the core PFM institutions to the Ministries, Departments and Agencies (MDAs). This is attributable to a concentration of skills and competencies at SAI and, in some cases, Finance Ministry level, suggestive of an urgent need to consider further capacitation at Parliament and MDA levels.

¹ IMF (International Monetary Fund). 2012. "Fiscal Transparency, Accountability and Risk." Board Paper, Washington, DC: International Monetary Fund.

² De Renzio P., M. Andrews, and Z. Mills. 2011. "Does Donor Support to Public Financial Management Reforms in Developing Countries Work? An Analytical Study of Quantitative Cross-Country Evidence." Overseas Development Institute, Working Paper 329. London: Overseas Development Institute.

Regarding the region’s ability to meet the SDGs, this report urges caution and maybe a bit of circumspection regarding the ability of the countries in the survey to meet the 2030 targets. While observable that the intent to monitor and measure SDG targets is captured at national government, with very few exceptions, this intent does not always cascade to the MDAs. This is reflected in the opacity of reporting on SDGs at MDA level, which unless urgently addressed, will result in the region missing the SDG targets, because, in our view, if you cannot measure it, you cannot correctly and objectively report it. This further highlights an underlying problem of implementation of the SDGs at MDA level.

PFM TRANSVERSAL ASSESSMENT OF PERFORMANCE OUTCOME & RISKS

Overview

The rankings stretch from zero (0) to four (4). Across the PFM processes and the subprocesses, a zero ranking reflects overall non-adherence with the PFM process as reflected by policy inconsistencies, inadequate data, lack of alignment with relevant legislation, and lack of cooperation, among other things. On the other end of the ranking, four (4) reflects inter alia regularly consistent reporting across the PFM processes and cycles, well aligned budgetary processes, and SDGs that are adequately mapped onto the national development strategies and monitored and measured.

Government performance by PFM processes

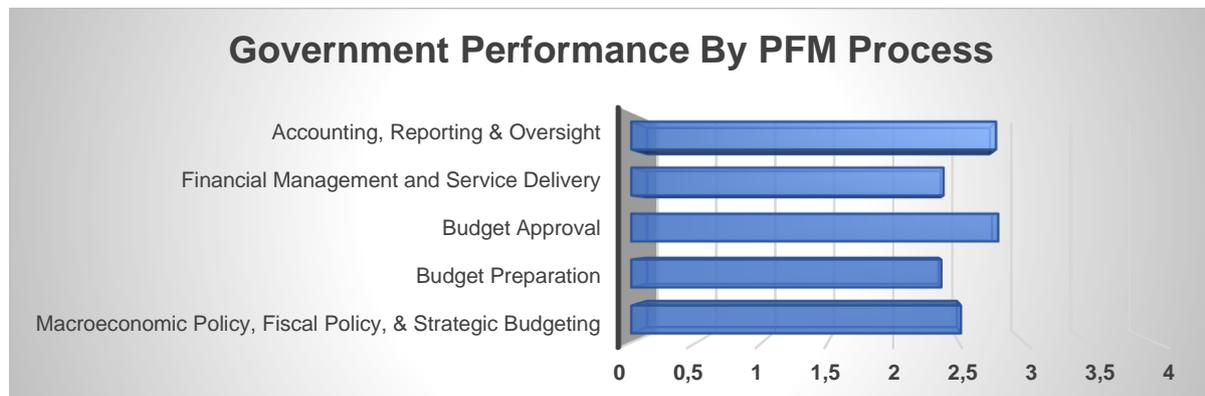


Figure 1: Government Performance by PFM Process

Performance by Key PFM institutions

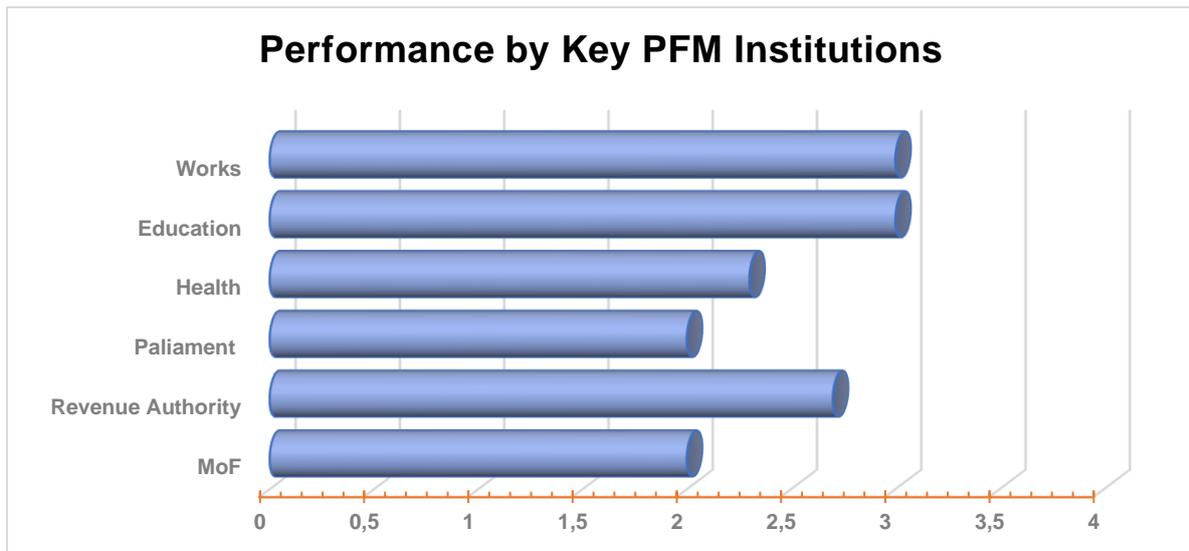


Figure 2: Performance by Key PFM Institutions

Performance by key PFM institutions in integrating SDGs into PFM processes

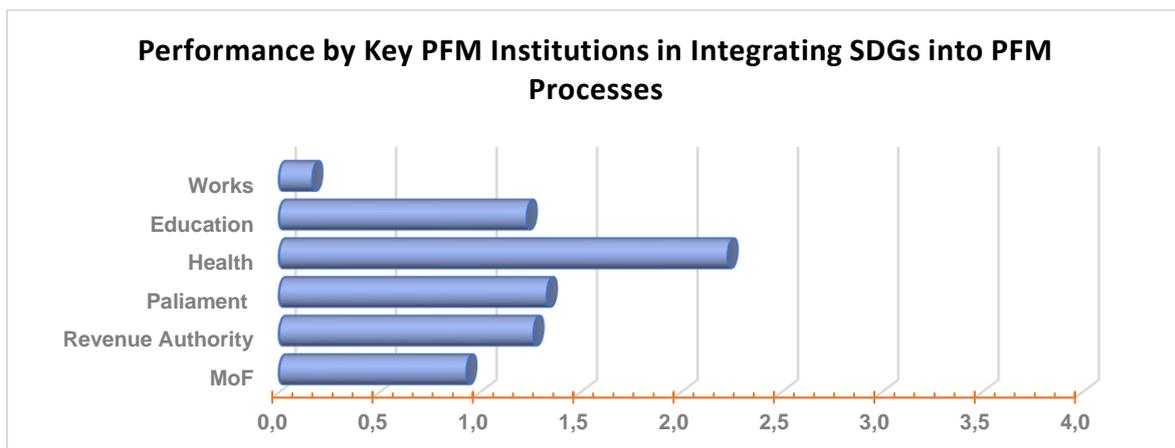


Figure 3: SDG Integration by PFM Institutions

Transversal PFM risk areas: PFM cycle vs ministries

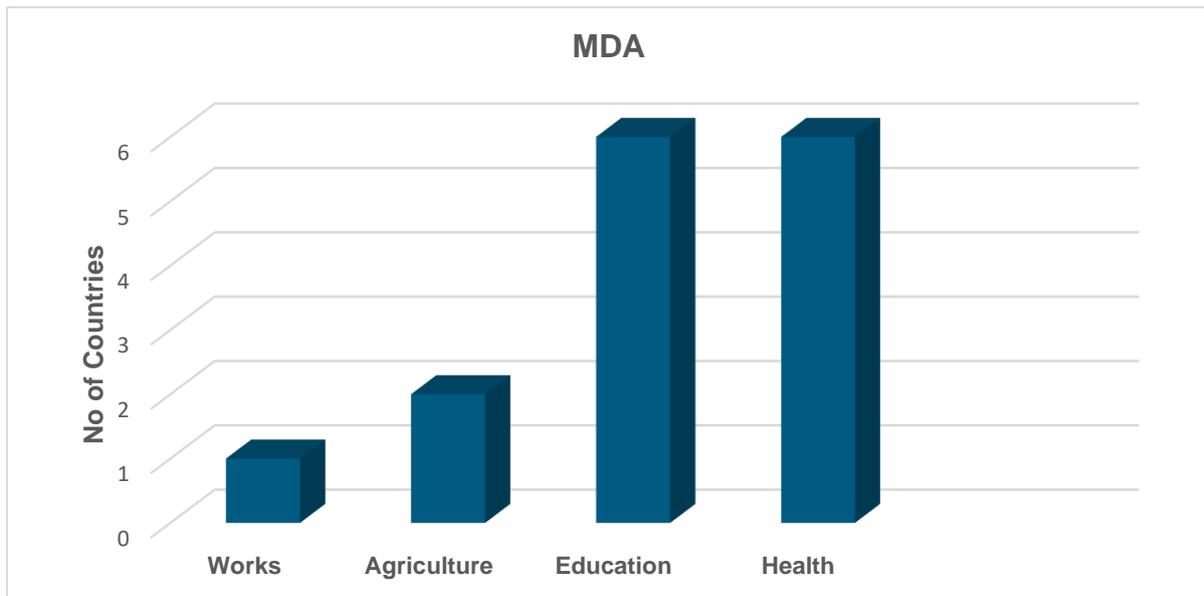


Figure 4: MDA Responses Per Country

Dominant root causes of underperformance by institutions

PFM Process	Institution		
	Revenue Authority	Ministry of Finance	Parliament
Macroeconomic Policy, Fiscal Policy & Strategic Budgeting	Information systems + Communications	Governance and Oversight	Not applicable*
Budget Preparation	Governance & Oversight	Governance + Policy	Not applicable
Budget Approval	Governance + Policy	Other + Communication + Policy	Organisation + Governance
Financial Management and Service Delivery	Governance + Policy	Governance + Communications	Not applicable
Accounting, Reporting & Oversight	Information Systems + Policy	Policy & Legal Framework	Governance + Policy
*The specific PFM process is generally not applicable to this institution			

Table 1: Dominant Root Analysis Across Institutions