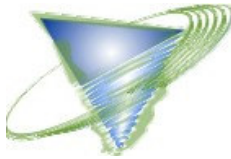


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**BUDGET PROCESSES AND TRANSPARENCY IN SOUTHERN
AND EASTERN AFRICAN COUNTRIES**

*A COMPARATIVE STUDY FOR THE SOUTHERN AND EASTERN AFRICA POLICY
RESEARCH NETWORK (SEAPREN)*

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August 2008

SEAPREN Working Paper No. 8

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ISSN Number: 1993-8942

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First published in 2008 by the Southern and Eastern Africa Policy Research Network
c/o NEPRU, P.O. Box 40710, Ausspannplatz, Windhoek, Namibia.

Acknowledgements

The authors wish to thank Mr. Jan Isaksen (Chr. Michelsen Institute - CMI) for the insightful contributions he made towards completion of this report. We also thank the SEAPREN researchers who compiled the databases which form the basis for this report. Mr. Klaus Schade as SEAPREN Coordinator also played a major role in facilitating workshops where the preliminary work was presented to the SEAPREN network as well as in editing the report. This workshop gave the authors an opportunity to validate the findings and receive comments from a wider forum. Last but not the least we convey our thanks to Norad for providing financial and CMI for technical support towards this research.

Disclaimer

The opinions presented are those of the authors and should not be regarded as the views of the SEAPREN.

Executive Summary

This report presents findings of a comparative empirical study of budgetary processes in Southern and Eastern African Countries – namely Botswana, Kenya, Namibia, Tanzania and Zambia. The national budget is an instrument of economic and financial management and also an implicit policy statement. It outlines targets for spending and revenues and provides policy makers with a set of priorities to allocate government resources and prescribes overall spending limits for parliament in different areas. Given the complexity of the budget process where many actors in- and outside the government are involved, a comparative study of each country's budgetary process may offer useful lessons to countries which may need to reform their budget processes.

The findings show that although the legal frameworks exist in all countries, they are often inadequate or not applied due to lack of capacity. There is need to improve the application of the legal frameworks as failure to do so may be an impediment to transparency and accountability. In all countries except Tanzania, the budget formulation phase is generally confined to the public institutions and does not allow for enough opportunities for participation to contribute to the decision-making process by broader stakeholders. In Botswana, Kenya, Namibia and Zambia, civil society inputs are usually sourced only after the budget has been approved by the Executive, while in Tanzania, the Public Expenditure Review (PER) Working Groups, which comprises of Government, Development Partners and Non-State Actors provide inputs that feed into the development of sector budget guidelines as well as into the overall budget processes.

The legislative phase of the budget also lacks transparency. A good example is the limited time the Botswana parliament has for its deliberations on budget issues. Similarly, parliaments for all countries have no fully-fledged Budgetary Research Office that could equip parliamentarians with necessary information in their deliberations on the budget. This is exacerbated by lack of access to basic budget information, lack of civil society capacity to interrogate the budget and make meaningful contributions, non-transparent allocations and the use of cash budget systems as it is the case in all countries.

Budget implementation in the five countries generally needs to be improved especially in Namibia and Zambia where there are no reviews or evaluations of budgeted funds or government programmes. There is need to enhance expenditure control and create conditions for increased efficiency in public spending and to enhance transparency and governance in these countries.

Parliaments and Auditor Generals are not sufficiently capacitated in controlling the national budgets. Parliaments have no budget research offices and decision-making powers are too skewed in favour of the executive. The Auditor General offices are resource constrained, and have autonomy that is largely limited to the appointment and dismissal of the AG as an officer. These constraints mean that the AG cannot fulfil its mandate entrusted to it and this does not fare well for good economic governance and transparency.

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List of abbreviations

AG	Auditor General (also see CAG and OAG)
BIDPA	Botswana Institute for Development Policy Analysis
BoB	Bank of Botswana
BoN	Bank of Namibia
BOPA	Budget Outlook Paper
BoZ	Bank of Zambia
CAG	Control and Auditor General (also see AG)
CMI	Chr. Michelsen Institute
CRF	Consolidated Revenue Fund (also see SRF)
DDP	District Development Plan
ECC	Economic Committee of Cabinet (Botswana)
EPAS	Economic Policy Advisory Services (Namibia)
EPRC	Economic Policy Research Centre (Uganda)
ERS	Economic Recovery Strategy for wealth and employment creation
ESRF	Economic and Social Research Foundation (Tanzania)
FY	Financial Year
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Country
IDA	International Development Assistance
IFI	International Financial Institution (IMF/World Bank)
IMF	International Monetary Fund
IPAR	Institute of Policy Analysis and Research (Kenya)
KIPPRA	Kenya Institute of Public Policy Research and Analysis
KTMM	KIPPRA Treasury Macro Model
MEMBOT	Macro-Economic Model of Botswana
MFDP	Ministry of Finance and Development Planning (Botswana)
MFNP	Ministry of Finance and National Planning (Zambia)
MFP	Ministry of Finance and Planning
MIC	Middle Income Country
MoF	Ministry of Finance
MRLGHRD	Ministry of Regional, Local Government and Housing and Rural Development (Namibia)
MTEF	Medium Term Expenditure Framework
MTP	Mid-Term Plan
MTR	Mid-Term Review
MWG	Macro Working Group (Kenya)
NAMMAC	Namibian Macroeconomic Model
NAMEX	Namibian Macro-Econometric model
NDP	National Development Plan
NEPRU	Namibian Economic Policy Research Unit
NPCS	National Planning Commission Secretariat (Namibia)

OAG	Office of the Auditor General
PER	Public Expenditure Review
PF	Policy Framework (or Macroeconomic Policy Framework)
PFP	Economic and Financial Policy Framework Paper
PMS	Performance Management System
PPADB	Public Procurement and Asset Disposal Board (Botswana)
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SAP	Structural Adjustment Programme
SEAPREN	Southern and Eastern Africa Policy Network
SRF	State Revenue Fund (also see CRF)
TBN	Tender Board of Namibia
TNDP	Transitional National Development Plan
TRA	Tanzania Revenue Authority
UDP	Urban Development Plan
US\$	United States Dollar
VAT	Value Added Tax
ZNTB	Zambia National Tender Board
ZRA	Zambia Revenue Authority

1. INTRODUCTION

This report presents a comparative empirical study of budgetary processes in Southern and Eastern African Countries. The countries in Southern Africa covered by the study are Botswana, Namibia and Zambia. The countries covered In East Africa are Kenya and Tanzania. This study is pertinent particularly because a budget is both an instrument of economic and financial management as well as an implicit policy statement, as it sets relative levels of spending for different programs and activities. A budget outlines targets for spending and revenues and provides policy makers with a set of priorities to allocate government resources and prescribes overall spending limits for parliament in different areas. However, the budget process is complex and involves different actors in and outside the government. Therefore a comparative study of each country's budgetary process may offer useful lessons to countries which may need to reform their budget processes.

The overall study on budget process was conducted in four phases. Phase one comprised a general literature review on budget process. The second phase involved the country specific literature review on budget processes. The third phase covered the establishment of a database on budget processes and a narrative report for each of the countries covered by the study. The final phase comprised this comparative empirical study on budget processes and transparency in East and Southern African countries.

This report presents the findings for the budget processes and transparency phase which builds upon the first phases of the study. The report aims at providing an understanding on the basics about the steps involved in the budget process and to identify the key decision-makers in the budget process. The report further explains the respective roles of the executive, the parliament and the Auditor General in the budgeting process for each country. The report also aims at identifying the parliamentary structures that are engaged in the budgeting process, and what they do, as well as other aspects regarding the implementation and control of the budget.

The introduction to the study is provided in Chapter one. Chapter two presents the objectives while Chapter three describes the methodology and organisation of the study. Background information relating to the budgeting process, budgeting roles and authorities is provided in the forth chapter of the report. The fifth chapter presents the legal framework of the budget processes which is followed by the institutional framework of the budget processes. Chapter seven covers the budget development cycle. The executive formulation of the budget is presented in the eighth chapter while the legislative approval of the budget is presented in chapter nine. Chapter ten compares the implementation of the budget, and Chapter eleven refers to the role of the Auditor General. Finally, the summary of findings and conclusions is presented in chapter eleven.

2. OBJECTIVES AND SCOPE OF THE STUDY

The main goal of the study is to assess the budgetary process in five East and South African countries namely Botswana, Kenya, Namibia, Tanzania, and Zambia, and to assess whether their systems offer useful lessons for each other's budget processes. The specific objective of the study is to conduct empirical studies on characteristics of the budgeting processes in these five countries. These countries are supposed to improve their economic governance in the area of budgets through the use of Medium-Term Expenditure Frameworks (MTEFs); and enhancing the roles of parliaments, non-state actors and the Auditor General in controlling budgets, as well as the adoption of effective quality assurance, watchdog, surveillance functions and due process devices. This study is intended to reveal:

- How the countries set up their fiscal targets and the level of expenditures compatible with these targets. Formulating expenditure policies,
- How they allocate resources in conformity with both policies and fiscal targets and
- How they address operational efficiency and performance issues.

The comparative nature of this study may offer policy-makers opportunity to draw on current experience in other countries to improve national budgeting processes.

3. METHODOLOGY

The methodology for the study entailed the production of five case studies of Botswana, Kenya, Namibia, Tanzania, and Zambia on the Budget Processes. A case study approach was deliberately used in order to capture inter-country variations and also to provide insights on how transparency works in practice. The study focussed on budget processes in each country, covering the budget cycle, legal framework for transparency; clarity of roles and responsibilities; public availability of budget information; existence of systems to enforce transparency; civil society and legislative participation in the budget process and the role of the Auditor General.

The study is based on the review of literature on budgeting, processes of budget making and the relevant budgetary legal framework as well as primary data collection using both structured as well as non-structured interviews with different stakeholders. This was done for each of the participating countries.

Specifically the data collection entailed:

- an extensive literature review;
- analysis of relevant statutes, policies, and guidelines;
- compilation of comparative country budget process information;
- interviews with budgeting experts and key participants in the budget process including legislative leaders and members of the parliaments ; and
- interviews with staff from the ministry of finance and staff from the revenue collection agencies

4. THE CONTEXT: BUDGET PROCESSES IN SOUTHERN AND EASTERN AFRICA

Budgeting is a process by which public expenditure decisions are made. Budgetary procedures involve: formulation and transmittal, parliamentary action, and execution and auditing. Budget process has been the object of considerable research, beginning with seminal works of Wildavsky (1975) and Ferejohn and Krehbiel (1987). This was followed by the work of Alesina and Perotti (1995, 1999); von Hagen and Harden (1995, 1996); and Poterba and von Hagen (1999). Empirical research on international comparative studies suggests that the design of budget processes has considerable influence on the fiscal performance of governments. In pursuit of improving the fiscal performance, the United States introduced a Budget Act of 1974, the Gramm-Rudman-Hollings Act of 1985, and the Budget Enforcement Act of 1991, all of which have attempted to reduce excessive government spending and deficits by introducing changes in the budget process. In Europe, the Maastricht Treaty on European Union of 1992 mandates reform of budget processes of the member states to enhance fiscal discipline (Karl-Martin Ehrhart *et al.*, 2000). Similarly, developing countries are encouraged by international development organisations to improve economic governance through budget process reform.

The need to reform budget processes is to ensure that expenditures and revenues balance, to avoid revenue shortfalls, and to reach consensus on policy matters. There is no consensus on a single model or set of procedures that ensure achievement of these goals. One reason is that many factors outside the process have an impact on budget outcomes. A country's budgetary decisions are influenced by economic conditions, political culture and history, and by executive and legislative authorities that can vary greatly over time and from country to country. In this study, we explore the key phases of the budget process in the five countries covered by the study as well as the role players, the legal framework, the institutional framework, the budget development cycle and the budget implementation and control processes.

Zambia's budget process generally entails the formulation of a macroeconomic policy framework (PF) and budget guidelines by the Ministry of Finance and National Planning (MFNP) for cabinet approval before the budget circular is submitted to line ministries for preparation and submission of their expenditure estimates. The budget is greatly influenced by current and expected economic conditions while the overall expenditure is set within the Medium Term Expenditure Framework (MTEF). This is slightly different from the Botswana and Namibian budget processes in which annual budgets are formulated within multi-year plans called National Development Plans (NDPs). The annual budgets in Botswana are directed by an integrated, initially five-year, but currently six-year NDP consisting of the national government development plan, along with the District Development Plans (DDPs) and Urban Development Plans (UDPs). In 1997, the Government of Botswana adopted a long-term (perspective) plan called Vision 2016, which summarised the aspirations of the nation and society, for which the national development plans and the annual budgets

have become the strategies and instruments for achievement. The annual budget of the Government of Botswana is the product of a consultative process involving all public institutions, including Executive, Legislative and Non-State Actors at different phases of the budget development cycle. Similarly, the Namibian budget processes follows medium and long-term development frameworks articulated in five-year National Development Plans (NDPs) and the long term strategic plan called Vision 2030. Budget allocations are done based on national development priorities, which are part of both NDP and MTEF frameworks. Poverty reduction is one of such development priorities and so, the Poverty Reduction Strategy (PRS) goals are already linked to NDP and MTEF.

In East Africa, specifically in the case of Tanzania and Kenya, the budget process is similar to the Zambian budget process which operates within a macroeconomic policy framework (PF) prepared by the Ministry of Finance. In addition to the PF, the Ministry of Planning, Economy and Empowerment prepares and submits the Macroeconomic Policy Framework for the Plan/Budget for the fiscal year, and the Economic Survey of the previous year to provide details of the implementation of Government policies and budget for the previous year. The Ministry of Finance takes the leading role in the preparation and coordination of the annual budget and development budget. The medium term expenditure framework (MTEF) is a rolling budget over a three-year horizon. In Kenya, budget allocations are done based on government development priorities spelt out in the Economic Recovery Strategy for Wealth and Employment Creation (ERS) whereas in Tanzania they are done within the PRS framework.

There are a number of key differences between Southern and Eastern Africa countries except for Zambia that follows the format of the East African budget processes. These differences between the approaches are important from a practical operational point of view. They arise from different cultural, legal and political backgrounds as well as economic performance records. There is no suggestion that one approach is better than the other, but it is merely that there are important differences. However, countries which did not implement any IMF structural adjustments programmes, such as Botswana and Namibia have their budget processes being highly influenced by medium- to long-term plans such as National Development Plans and long term visionary plans.

5. THE LEGAL FRAMEWORK FOR THE BUDGET PROCESSES

In all five countries covered by this study, the national constitution provides the legal basis for the Government budget. The constitution does not only prescribe the respective roles of the executive, the legislature, the office of the president, the Auditor General and other key institutions, but also establishes these institutions. The main legal instruments regulating the budget processes are:

- The constitution
- The Public Finance Act or State Finance Act
- The Annual Finance Act
- The Annual Appropriation Act and
- Other laws

A comparison of each of these legal instruments is presented in the following sections.

5.1. The constitution of the Republic

Various Articles/sections of the constitution especially those establishing the executive, legislature and the Auditor General are important for this analysis. There is however variance across countries in terms of details provided in the constitution.

5.2. The Public Finance Act or State Finance Act

This is a legal instrument specifically regulating the budget and as all other laws, it derives from the constitution. Most of these countries have different laws regulating revenue and expenditures respectively while some have an inclusive law regulating both the sourcing of revenues and expenditures.

5.3. The Annual Finance Act

This Act is applicable in countries with separate laws regulating revenue and expenditures, and it grants powers to the Ministry of Finance to raise money through imposition of taxes and other means in order to finance the Government expenditures.

5.4. The Annual Appropriation Act

This Act provides powers to the Minister of Finance to draw funds from the Consolidated Fund or State Revenue Fund and to allocate such funds to the budget votes. It also provides powers for reallocation of funds between votes. This Act is initiated by the executive, debated and approved by the legislature and signed into law by the state president every financial year.

5.5. Other laws

Numerous Acts of parliament establishing and regulating sub-national governments, various spending agencies and those pertaining to collections of state revenues such as Income tax, Value Added Tax, Customs and Excise, all have considerable importance in the budget processes.

6. THE INSTITUTIONAL FRAMEWORK FOR THE BUDGET PROCESSES

Key institutions in the budget processes within the five countries covered by this study include the Executive branch of the Government; the Legislature (parliament); the Ministry/Ministries responsible for Finance and Development/Economic Planning; the Central Bank; the Revenue Collection Agency (where it is autonomous or separate from the Ministry of Finance); Sector Ministries; Development Partners and the Office of the Auditor General. However not all of these institutions are participating in the budget process in each of the five countries; but even those that participate in each country are subject to different degrees of effective participation – having powers that are slightly different across countries. The key institutions in the budget processes in Botswana, Kenya, Namibia, Tanzania and Zambia are briefly explained below:

6.1. Ministry of Finance and Planning

The ministry (or ministries) that take the lead in budget formulation, co-ordination, presentation and execution of the Government budget is known by different names in different countries, but its functions remain largely the same throughout. The ministry is precisely known as the Ministry of Finance and Development Planning in Botswana; the Ministry of Finance and National Planning in Zambia. In Namibia these functions are separated and performed by the Ministry of Finance and the National Planning Commission Secretariat (under the Office of the President), but both work closely together in the budget process. This is similar in Kenya - the Ministry of Finance and the Ministry of Planning in Kenya (especially Macro Department) – and in Tanzania - Ministry of Finance, the Ministry of Planning, Economy and Empowerment and the Planning and Privatisation Agency under the Office of the President. For the purpose of this section, this ministry is referred to as the Ministry of Finance and Planning (MFP) for all countries concerned.

6.2. Other Ministries and Institutions

Besides the Ministry of Finance and Planning, the budget process involves other central Government ministries responsible for various sectors, sub-national Government structures (e.g. provincial/regional, district and local councils), the Central Bank (in Namibia and Zambia), Development Partners and civil society institutions or groups. The role of Development Partners is much stronger in countries that have implemented Structural Adjustment Programmes (SAPs) under the auspices of the International Financial Institutions (i.e. IMF and the World Bank) and that have high proportions of the national budgets funded by development partners. In some countries such as Tanzania, Public Expenditure Review (PER) groups which brings together Government, Development Partners and Non-State Actors monitor, track and review public expenditures and then provide inputs to the budget processes.

6.3. The Executive

The Executive branch of Government, also referred to as “*the cabinet*” is an important decision making body established by the national constitution and is made up of the top Government officials (the president, the prime ministers and other ministers). The cabinet works hand-in-hand with the Ministry of Finance especially during the early stages of budget formulation.

6.4. The Legislature

The legislative branch of Government, also known as the “*parliament*” is the highest law making body in a country established by the national constitution. It is made up of the prime minister, ministers, other members of the ruling party, and members of the opposition in a proportional representation form based on the votes that political parties have received in recent parliamentary elections. Criteria for getting other members to the parliament may not be uniform in all five countries, but the president of the republic (e.g. in Namibia) can nominate additional non-voting members to parliament based on their expertise.

6.5. Office of the Auditor General

The Auditor General (AG) - also referred to as the Control and Auditor General (CAG) or the Office of the Auditor General (OAG) when referring to the institution - is a legal entity established by the constitution of the Republic in all five countries covered by this study. The AG is there to ensure that state revenue collection and public spending complies with the constitutional provisions and with other legal instruments managing the Government budget. Ideally, the AG is responsible and has authority to audit books and all other records pertaining to the collection and use of public funds. Therefore, the AG has the mandate to audit accounts of central Government, sub-national Governments and any other institutions entrusted with the management of public funds. The AG performs at least two types of audits – compliance (financial) and value for money (performance) audit – although in some countries it has not yet performed performance audits due to capacity constraints.

7. THE BUDGET DEVELOPMENT CYCLE

The making of the country's budget does not occur only when the government officially unveils the budget and tables government estimates. Instead, over the course of the year, governments constantly work through various stages of budget development and implementation. Most countries use a one-year budget cycle. In most cases economic conditions largely determine how efficiently a budget is enacted and the extent of revisions. Forecasting is more accurate for annual budgets and these budgets are perceived to lead to:

- increased accuracy of estimates
- greater opportunity for legislative control over federal funds
- reduced need for supplemental appropriations and special sessions

However, budgeting success seems to be more dependent on economic conditions and the commitment of decision makers than the length of the budget cycle. The major phases in formulating a country's operating budget are described in the following section and followed by an overview of the implementation phase of the budget process.

7.1. Key Phases of the Budget

All the countries covered by the study have an annual budget cycle. The budget phases vary from country to country. Generally budgeting for a fiscal year can be divided into four phases:

1. budget formulation;
2. budget presentation and parliamentary debate process;
3. budget implementation; and
4. the monitoring and compliance assessment.

Table 1 below shows the key budget phases in the five countries covered by the study as well as the fiscal year, and budget authority.

In the case of Botswana, the budget development cycle is the product of a consultative process involving all public institutions, including Executive, Legislative and Non-State Actors at different phases of the budget development cycle. There are four phases of the budget which are the initiative phase; a legislative phase; implementation phase; and the monitoring and compliance assessment phase. The government's fiscal year runs from 1 April to 31 March of the following calendar year. The budget speech is delivered on the first week of February. The Minister of Finance and Development Planning is the head of the central budget authority while the Permanent Secretary in the Ministry of Finance and Development Planning (MFDP) is the administrative head of the central budget authority, who is the accounting officer of the Ministry. Botswana's annual budget is embodied in six year (initially five year) National Development Plan.

Table 1 Budget Phases

	Botswana	Kenya	Namibia	Tanzania	Zambia
Number of Phases	4	4	4	4	4
Fiscal Year	April 1 to March 31	July 1 to June 30	April 1 to March 31	July 1 to June 30	January 1 to December 31
Budget Speech	First week of February	Second week of June	Second week of March	Second week of June	Last Friday of January
MTEF	Six year NDPs	Three year horizon	Three year rolling budget	Three year horizon	Three-year rolling budget
Head of Budget Authority	Minister of Finance and Development Planning	The Director of Budget supplies Department	Minister of Finance	Commissioner of Budget (MoF)	Minister of Finance and National Planning
Types of appropriation	cash payment	Cash and commitment	Cash and commitment	cash and commitment	mixture of commitment, cash and accrual

The Namibian development cycle is similar to that of Botswana. The budget development cycle has four phases which are the formulation, legislation, implementation (spending) and audit & control. Namibia employs a Medium Term Expenditure Framework, first introduced during 2001/02 financial year to allow for a 3-year planning horizon. The fiscal year is similar to that of Botswana and runs from 1 April to 31 March of the following calendar year. The budget speech is delivered to parliament during March; the exact dates vary from year to year. The Minister of Finance is the head of the central budget authority.

Zambia's budget development cycle entails four phases which are drafting, legislation, implementation and auditing. The Minister of Finance and National Planning is the head of the Central budget authority and various departments within the MFNP assisted by the Bank of Zambia (BoZ) and Zambia Revenue Authority (ZRA) are responsible for putting together and implementing the budget. The fiscal year is a twelve month period that begins on 1 January and ends on 31 December (see Table 1). The budget speech is delivered on the last Friday of January. The Minister of Finance is the head of the central budget authority. Zambia has a three-year rolling budget (combining both the MTEF and the Development budget). Before the 2003/04 fiscal year when the first MTEF was published, the operational budget contained one-year expenditure estimates. Expenditure estimates are presented to, and debated by parliament for approval.

In the case of the East Africa countries of Kenya and Tanzania, the budget development cycle also entails four phases which are drafting, legislation, implementation and auditing. The first step in the budget development cycle in the case of Kenya is the establishment of national priorities, which become the basis for the request of resources and a consistent macro-forecast of key parameters, such as desired growth targets, inflation rate, exchange rate, interest rate and other macroeconomic parameters. The annual budget and the 3-year rolling MTEF provide a way to evaluate the realisation of the outputs and outcomes and their contribution to the overall growth of the economy. The fiscal year is a twelve month

period that begins on July 1 and ends on June 30 of the following year (see Table 1), with the budget speech being delivered during the second week of June. Unlike in the case of South African countries in this study, the head of the budget authority in East African countries is not the Minister of Finance. In Kenya, the head of the budget authority is the Director Budget Supplies Department.

The Tanzanian budget development cycle is similar to that of Kenya. The fiscal year is also a twelve month period that begins on July 1 and ends in June 30 of the following calendar year and the budget speech is delivered during the second week of June. The government of Tanzania introduced an MTEF during the 1999/2000 financial year, as the key budget planning tool. The MTEF is a 3-year, integrated, prioritised and performance-based budget process that takes into account all resources, both government and donor funds, although there are difficulties in accurately projecting these funds. Similar to Kenya, the head of the budget authority in Tanzania is not the Minister of Finance but rather the Commissioner of Budget in the Ministry of Finance.

In terms of types of appropriation used in the budget all countries except Namibia and Zambia use a mixture of appropriations. The Namibian budget system uses accrual appropriations, pays when account is due or upon presentation of invoice where as the Zambian budget system uses cash payments which are done when there are funds in the Government main account. The Botswana budget system employs a mixture of commitment, cash and accrual appropriations while Kenya and Tanzania use both cash and commitment.

7.2. Underlying Factors in Budget Cycle - Basic Setup and Administration

There are different cultural, legal, economic and political backgrounds that need to be taken into account in any comparative analysis of the operational effectiveness of the systems that are employed in a budget development process. Therefore, any budget process reform should recognize the influence of these factors. The reform should embody improving the quality of the financial management of service delivery and as part of that the efficiency and effectiveness of the budget process, including the transparency with which the public sector operates.

One important factor influencing the budget development cycle which is affected by the cultural, legal, economic and political background, are the economic assumptions used in the budget and the existence or non-existence of economic model upon which the assumptions are created as well as the degree of any independent review by a government body of the economic assumptions used in the budget. In the case of Zambia, the MFNP led by the Department of Planning and Economic Management consults with Central Statistical Office, Bank of Zambia, National Economic Advisory Council, various donor agencies and cabinet to come up with economic assumptions used in the budget. There is no independent body that reviews the economic assumptions. The same organisations review the assumptions and agree with the MFNP. Final Economic assumptions are published

in a Green Paper which also contains other frameworks such as fiscal and monetary policies and developments so that the public can scrutinise them. However, there are no agreed upon economic models upon which the assumptions are created.

In the case of Botswana, the Ministry of Finance and Development Planning (MFDP) is responsible for the economic assumptions but makes the assumptions in consultation with the Bank of Botswana and the private sector. The economic assumptions are actually sourced from international and regional economic reviews and their perceived implications for the Botswana economy; and from the review of performance of the domestic economy and a prediction of the outlook. There is no independent review by a governmental body of the economic assumptions used in the budget and the assumptions are not available for public scrutiny. However, participating institutions do discuss and debate them.

In contrast to Zambia, there is an economic model, namely, Macro-Economic Model of Botswana (MEMBOT) housed in and managed by the MFDP. There is a manual on it that is in circulation, which could be accessed by members of the public. It is an aggregate multi-sector model of the Botswana economy used for forecasting macroeconomic and fiscal aggregates and updated when new and better information on the economy becomes available. Similarly, in Namibia, the budget is developed based on economic assumptions which are developed by the Bank of Namibia (BoN), the Economic Policy Advisory Services (EPAS) directorate in the Ministry of Finance and the National Planning Commission Secretariat (NPCS) through consultation with trade bodies and economic sectors such as mining, fisheries, agriculture and other for their expectations. BoN produces an Economic Outlook, which includes economic forecasts over the medium term. In the past the assumptions were sometimes reviewed by NEPRU, an independent research institute. However, that has not been the case in recent years. Final Economic assumptions are published in BoN reports and also in the policy framework document, so the public can scrutinise them. There are two economic models that form the foundation of the budget development process in Namibia. These are:

- 1) Namibian Macroeconomic model (NAMMAC), which is an excel-based model adopted from the World Bank model. The model relies largely on the fundamental national income accounting identity where all expenditure aggregates, ex ante, equal the value of all final goods and services produced in the economy (GDP). It includes four main sectors: Private, external, public and monetary sectors.
- 2) The Namibian Macro-Econometric model (NAMEX) is an in-house aggregate model developed by BoN. There is a publication on this model, which is accessible to the public. The model involves estimation of various equations.

In the case of Kenya, the Macro Working Group (MWG), whose membership includes officials of: Macro Department, Kenya Institute of Public Policy Research and Analysis (KIPPRA), Budget Monitoring Department, Budget Supplies Department, Medium Term Expenditure Framework (MTEF) Department, Fiscal and

Monetary Affairs Department, Kenya Revenue Authority and the Central Bank is responsible for the economic assumptions used in the budget development cycle. These are documented in the Budget Outlook Paper (BOPA) prepared by the MWG. The economic assumptions are available for scrutiny and they are documented in the BOPA, which is distributed during public hearings. However, some of the assumptions that are based on classified government data are not available to the public but are available to the donors. It is not clear whether there is any independent review by a government body of the economic assumptions used in the budget. The economic model upon which the assumptions are created is available and is called the KIPPRA-Treasury Macro Model (KTMM).

Tanzania is no exception in using economic assumptions to develop a budget. The Policy Analysis Division of the Ministry of Finance with input from the Ministry of Planning, Economy and Empowerment is responsible for the economic assumptions used in the budget. The MTEF working group and Public Expenditure Review (PER) working group provide independent review of the economic assumptions used in the budget. The economic assumptions are also subjected to scrutiny by the Inter-Ministerial Technical Committee responsible for budget and financial issues. There is an economic model upon which the assumptions are created but its availability is limited to members of the Policy Analysis Division officials and any other interested party who has the technical expertise to understand the model.

All the five countries use economic assumptions to develop their budgets. Economic development institutions such as the MoF and the Central Bank are responsible for formulating these assumptions based on review of the performance of the domestic economy and a prediction of the economic outlook. However, these countries do not have any independent review by a government body of the economic assumptions used in the budget. All the five countries except Zambia have economic models upon which the economic assumptions are created.

7.3. Budget Responsibilities, Rules and Regulations

A summary of the main similarities and differences among the five countries in respect to major features of budgeting is set out in Table 2 below. Some of these differences flow from the way the systems work rather than the actual characteristics of the systems themselves.

In terms of formal constraints on aggregate spending and/or deficits, all the five countries have formal constraints on aggregate spending except Tanzania where constraints are determined by donors. Botswana has recently reformed its fiscal rules. In the past the fiscal policy rules were that recurrent expenditures other than those on education and health are to be funded from non-mineral revenue. Due to the growth of the public budget from 30 to 40 per cent of GDP as reported in the Mid-Term Review of NDP9 during 2006, the Government proposed an adoption of a new Fiscal Rule which is to be followed in preparation of annual budgets. The Rule requires Government expenditures not to exceed 40 per cent of GDP. It also set out the plan to divide Government expenditures between the recurrent and development

budgets, initially with not more than 75 per cent allocated to the recurrent budget, and at least 25 per cent allocated to the development budget. The intention is to reach the 70:30 apportionment ratio between recurrent and development budgets by the end of NDP9 i.e. during the financial year 2008/09. These targets became operational in the 2006/07 budget but are not constitutionally derived. However since Parliament accepted and approved the Mid-Term Review (MTR) of NDP9, it may in that context be considered legislative. There are no targets for budget deficits. This may be understandable since in 40 years, Botswana has experienced only three years of budget deficits. There is no formal requirement to publish actual figures relative to constraints. Donors are not directly involved in budget development and implementation, but they insist on accountability regarding aid funds and they are usually kept informed.

In Zambia the Government has set some fiscal targets for itself that include the deficit over GDP ratio to be 3% or lower. Expenditure priorities that are set out in the Poverty Reduction Strategy Paper (PRSP), the Transitional National Development Plan (TNDP) and MTEF documents also form part of budgetary constraints. Donor conditionalities also influence the budget. For example, since the introduction of the PRSP, the donor conditionalities required a proportion of government expenditure to be directed towards social sectors.

Namibia has more constraints than the other four countries. It has a government expenditure constraint, a public debt constraint as well as a constraint on deficit. The fiscal targets for Namibia are set out as follows:

1. expenditure over GDP not to exceed 30%,
2. public debt over GDP not to exceed 25%, and
3. deficit over GDP not to exceed 3%.

Additional constraints are spelt out by expenditure priorities set out in NDP and MTEF, which include Mid-Term Plans (MTPs) for line ministries. Donor conditionalities hardly influence the overall budget.

In the case of Kenya, expenditures should fall within the approved budget. Any changes have to be sanctioned by parliament through supplementary estimates and appropriation account. A common feature between Kenya and Tanzania is that where donor financing is involved, constraints are determined and monitored by donors. An exception in the case of Tanzania is that where donor financing is involved and is channelled through the Government budget, constraints on spending are established by donors and monitored by the government. The Government publishes the budget figures after undergoing audit by the Controller and Auditor General. All public expenditures are accessed by anyone interested.

Table 2 Comparative Analysis of Budget Responsibilities, Rules and Regulations

	Botswana	Kenya	Namibia	Tanzania	Zambia
Formal constraints on aggregate spending and/or deficits	Expenditure not to exceed 40% of GDP	Donor-determined constraints	Targets: Expenditure over GDP (30%), Public debt over GDP (25%) and Deficit over GDP (3%)	Expenditures within approved budget	Targets - Deficit over GDP (3%).
Expenditure limit on public debt and domestic/external borrowing	no formal constraints	limit set by Public Debt Management Policy	fiscal target of Public debt to be at 25% of GDP	limit set by an Act of parliament	targets include Public debt projected at 30% of GDP
Budget allocations subject to revision during budget execution	Yes	Yes	Yes	Yes	Yes
Budget documents include fiscal risk taking?	Yes	Yes	Yes	No	Yes
When was an MTEF formally introduced	no separate MTEF from its NDP	2001/02	2001/02	2000/01	2003/04
Fixed spending limits set for ministry spending plans?	Yes	Yes	Yes	Yes	Yes
Specific studies undertaken to establish the cost basis of sector proposals	Yes	Yes	n.a.	Yes	Yes
Percentage of initial executive branch budget decided by the President/Prime	None	None	None	None	None
Percentage of the budget comprised of mandatory spending	Varies- statutory expenditures $\geq 10.7\%$ of recurrent expenditure, and $\geq 8.2\%$ of the total expenditure	None	None	40%	40%
Who has the last word? How are disputes between line ministries and the central budget authority resolved?	MFDP	MoF	MoF	MoF	MFNP

n.a. – no data available

Formal constraints on public debt and on domestic/external borrowing by (i) central government; (ii) sub national governments; and (iii) public enterprises exist for all the countries except Botswana (see Table 3 below). Botswana budgets are mostly in surplus. This does not mean that short term public borrowing by means of Treasury Bills to smoothen cash flow and expenditure does not occur. Even medium and long term loans – domestic and external are contracted. However, in Botswana only the MFDP negotiates with donors and creditors for all facilities: aids and loans, on behalf of the government and all other organs of the state. Government underwrites all loans to sub national governments and public enterprises and even lends to these entities. In this sense, borrowing by these sub-national governments or entities may be considered restricted but not formally. The public debt is monitored by the MFDP

and the Bank of Botswana (BoB) and reported in the financial statements of the Government and the BoB's financial statistics.

In Namibia, the Government has set a fiscal target of public debt to be at 25% of GDP or lower and donors have a limited role in determination of fiscal targets for the national budget. The Government publishes actual figures relative to borrowing constraints, but there is no legal requirement or other conditionality that it has to do it. Similar to Botswana, Namibia is classified as a middle income country and has therefore no access to International Development Assistance (IDA) loans from International Financial Institutions (IFIs) and has no borrowing or public debt constraints.

Compared to Namibia, Zambia also has fiscal targets which include public debt set at a ceiling of 30% of GDP. However, donors have a limited role in the national budget. The Government does not make public actual figures relative to borrowing constraints, because there is no legal requirement or other conditionality that it has to do it. Zambia is classified as a low income country and therefore has access to IDA loans from International Financial Institutions and has borrowing or public debt constraints.

In the case of Kenya and Tanzania, limits are set by the Act of parliament and by the country's Public Debt Management Policy respectively. In Kenya, the Ministry of Finance and the Central Bank produce monthly publications on public debt, domestic borrowing and external borrowing. In Tanzania the Central Bank publishes monthly and quarterly economic bulletins that show domestic and external borrowing. In both countries, constraints are determined and monitored by donors based on various benchmarks especially with multilaterals. The government is required to publish actual figures relative to these borrowing constraints through the appropriations accounts.

Budget allocations are subject to revision during budget execution in all the five countries. In Botswana, budget allocations are subject to revisions on account of unforeseen events such as significant price variations that escalate total costs of projects over and above approved estimates in the budget, which is called revised authorisation; and/or if it became imperative to deal with unforeseen circumstances and developments such as natural disasters and emergencies, then, supplementary estimates are proposed. Parliament has the right to approve supplementary estimates and the revised authorisation and these are motivated by implementing agencies and presented to cabinet and subsequently to parliament by the Minister for MFDP. Similarly in Zambia, budget allocations are revised during budget implementation through the publication of the supplementary estimates. This happens when there are expenditures which could not be accommodated by a provisional fund under the Ministry of Finance. All supplementary expenditures are approved by Parliament. The same applies to Kenya and Tanzania, where budget revisions are also done through supplementary estimates, approved by parliament. In Tanzania, the spending units submit proposed changes to the Ministry of Finance which approves (or disapproves) the reallocation before submitting to parliament for

final approval. The cabinet has also authority to make alterations before approval. Namibia handles revisions slightly different from the other four countries. The budget allocations are revised during implementation through the publication of the revised budget. This happens when there are expenditures could not be accommodated by a provisional fund under the Ministry of Finance.

Among the five countries covered by the study, four have budget documentation formally incorporating information on fiscal risks (see Table 3 below) In Botswana and Namibia budget documentation formally incorporate information on fiscal risks since the budget presentation begins with a review of global, regional and domestic economic trends and outlooks. These inform economic assumptions and update the projections made in the NDPs. In Zambia and Tanzania fiscal risk is mention but very little information is given in the budget documents where as in Kenya budget documentation does not formally incorporate information on fiscal risks.

There are fixed limits set for ministry spending plans for all the five countries but due to the rolling nature of MTEF, these are continuously adjusted. Botswana, Tanzania and Zambia conduct studies to establish the cost basis of sector proposals. Botswana employs project appraisal studies that lead to the determination total estimated costs, while in the case of Zambia there have been studies undertaken prior to the implementation of MTEF and priority expenditures have received more attention than the others. In Tanzania, priority sectors receive poverty-related priority funding but expenditures are not ring fenced. In the case of Namibia, data is not available on the issue while in Kenya there are no specific studies. Instead, expenditures to priority sectors are ring fenced.

There is no percentage of initial executive branch budgets that is decided by the President or Prime Minister in all the five countries. In Botswana, all executive powers are reposed in the President, which are then delegated to ministers and other public functionaries. But, the President, in his capacity as President of the Republic, does determine expenditure items or allocate expenditures. However, the President in his capacity as the chair of the cabinet can participate in the deliberations and influence the allocations and he assents to the Appropriation Bill as well as to other bills passed by parliament. It is only when parliament has failed to authorise expenditure before the beginning of the new financial year that the President is authorised by law to authorise expenditures from the Contingencies Fund. In Namibia, all budget allocations go through the formal budgetary process, with consideration of some already decided allocations. NDP policies are also formulated through consultative processes, but some allocations (e.g. allocations for land reform) make little sense when it comes to actual expenditures. Similarly in Kenya, Tanzania and Zambia all budget allocations go through the formal budgetary process with consideration of some already decided allocations.

The percentage of the budget comprised of mandatory spending is non-existent in Kenya and Namibia. In Tanzania and Zambia, the percentage of the budget comprised of mandatory spending is 40% while in Botswana it varies, and it is slightly greater than 10% of recurrent expenditure, and slightly more than 8% of the

total expenditure. In terms of the overall control of the budget, the ministries of finance in all the five countries have the last word. In Botswana, the Ministry of Finance and Development Planning (MFDP) has the overall responsibility for the budget preparation and implementation. The MFDP issues the ceilings to sectoral ministries and agencies, who are expected to prepare their budget proposals within their ceilings/budget guidelines approved by the Economic Committee of Cabinet (ECC). The budget proposals are reviewed, discussed and negotiated at the Budget Committee to achieve internal consistency between resource expectations and expenditure projections and then submitted to the ECC. The cabinet has the last say at this stage of the budget development phase. For Namibia, the Ministry of Finance (MoF) has the overall responsibility for the budget, but line ministries have to prepare their requests for funds within their ceilings/budget guidelines approved by cabinet. The MoF and NPCS interview line ministries in order to reconcile requests for funds. In that sense, the cabinet has the last word. Similarly for Kenya, Tanzania and Zambia the ministry responsible for finance and planning has the overall responsibility for the budget, but line ministries have to prepare their requests for funds within their ceilings/budget guidelines approved by cabinet.

7.4. Budget Constraints, Supplementaries, Budget Actuals and Accountability

All five countries except Botswana have formally established limits on expenditure, public debt and on domestic/external borrowing. In Botswana there are no formal constraints on public debt and domestic/external borrowing because Botswana's budget is mostly in surplus. This does not mean that short term public borrowing by means of treasury bills to smoothen cash flow and expenditure does not occur. The public debt is monitored by the MFDP and the Bank of Botswana (BoB) and reported in the financial statements of the Government and the BoB's financial statistics. In Namibia, the fiscal target on public debt that is set to be at most 25% of GDP, while the equivalent for Zambia is at 30% of GDP. In Kenya, the limits are set by an Act of Parliament while in Tanzania the limit is set by the Public Debt Management Policy (see Table 3 below).

One striking similarity is that budget allocations are subject to revision during budget execution in all the five countries. Another similarity is that in all countries ministries of finance are responsible for policy changes related to ceilings. Additionally, all country budget documents include fiscal risk taking except in the case of Kenya.

In terms of specific rules for supplementaries, Botswana and Tanzania have the rules while the other three countries do not. Deviations between projections and actual outturns are explained in Botswana and Tanzania. In the former this is done at the budget/project reviews. In Tanzania deviations are justified on the basis of changing priorities, emergencies and financial availability. The major factors requiring supplementary budgets in Botswana had been cost overrun and unforeseen circumstances that makes a new projects compelling such as national emergencies e.g. natural disasters such disease outbreak, drought, flood, etc. In Tanzania it is the lower than planned revenue collected by Tanzania Revenue

Authority (TRA) or disbursed by donors, additional expenditures due to new policies / changing priorities and additional expenditures due to inadequate budgetary provisions at the beginning in case of emergencies or major problems such as natural calamity. In Botswana the supplementaries are generally less than 5% of total expenditure. However, in recent years at least, budget overruns had been surpluses. For instance during 2005/06 under spending was about 12.4% of the revised budget, while in 2006/07 under-spending was about 24%. Under-spending is caused largely by implementation capacity constraints but it makes difficult the estimation of the true supplementary budgets. In Tanzania supplementaries are between 2% - 5% of total expenditure, averaging about 20 billion shillings annually.

Table 3 Budget Constraints and Fiscal Targets

	Botswana	Kenya	Namibia	Tanzania	Zambia
Expenditure limit public on debt and domestic/external borrowing	no formal constraints	limit set by Public Debt Management Policy	fiscal target of Public debt to be at 25% of GDP	limit set by an act for parliament	targets include Public debt projected at 30% of GDP
budget allocations subject to revision during budget execution	Yes	Yes	Yes	Yes	Yes
Budget documents include fiscal risk taking?	Yes	Yes	Yes	No	Yes
policy change when related to ceilings	MFDP	MFEE	MoF	MoF	MoF
Specific Rules for supplementaries	Yes	Yes	No	No	No
deviations between projections and actual outturns	Less than 5%	2%-5%	n.a	n.a	n.a
per cent deviation between the composition of expenditures as approved in the annual budget and the actual allocation	2%-7%	10%-15%	2%	More than 10%	n.a.
per cent deviation between the aggregate spending in the annual budget and the total amount actually spent	3.5%	10%-15%	0.22%	More than 10%	1.3%
clear specification of the output to be produced	Yes	Yes	Yes	No	Yes
performance indicators specifically linked to senior managers	Yes	No	No	Yes	No
a maximum ceiling on the number of permanent staff that government	Yes	Yes	Yes	Yes	Yes

n.a. – no data available

In all countries except Zambia, percentage deviation between the composition of expenditures as approved in the annual budget and the actual allocation varies between 2% and 15% (see table 3 above). The same applies to percentage deviation between the aggregate spending in the annual budget and the total amount actually spent, which has higher variations in Kenya and Tanzania. Performance indicators are also specifically linked to senior managers in two countries namely Botswana and Kenya. However, in Botswana there is no explicit link between pay and performance. In Kenya, the government has just started giving contract employment to parastatal heads (senior managers) with clear deliverables. This has seen some of them sacked. In Namibia and Zambia, although there is no explicit link

between pay and performance, poor performers have limited chances of promotion whereas in Tanzania the Civil Service Reform is trying to link pay with performance but this is being implemented only in Government Agencies.

In terms of accountability, there are clear specifications of the output to be produced by a ministry, a department within a ministry and a division, programme or project unit within a department in all countries except Kenya. On the average, the public sector pay is higher than the private sector pay because the public sector observes minimum wages. For this reason, the public sector pay is higher for middle management and lower-ranked staff including casual labour but relatively lower for senior management when compared to the private sector. Even within the public sector, the parastatals sub-sector pays the highest while the local governments pay the least, but even the minimum pay is higher than the private sector average. Estimates show that the central government average pay is nearly twice the average private sector pay (approximately 95% higher than the private sector pay). The parastatal sub-sector pay is nearly 3.35 times that of the private sector pay; while the Local Government pay is nearly 55% higher than the private sector pay.

In Namibia and Zambia pay grades are different across these sectors. However, In Namibia unqualified (lower grade) employees are better paid in government than in the private sector, while highly qualified professionals are better paid in the private sector than in government. Directors in parastatals are also well paid and this is in contrast to Zambia where employees are better paid in the private sector than in government. A similar pattern is depicted by Kenya and Tanzania with disparities in pay grades across sectors.

There is also a maximum ceiling on the number of permanent staff that government institutions may employ in all the five countries. In Botswana, manpower ceilings are set in the NDP and updated by the annual budget. In the case of Namibia, there are staff establishments for each ministry and funded positions that might be lower than the establishments. This serves as a maximum because nothing in excess of that would be funded, unless if funded positions are changed. In Zambia all public institutions that are funded by government have establishments of the number of employees which is supposed to be approved by the Public Service Management Division. Kenya requires that ministerial rationalisation reports indicate their employment requirements and whereas in Tanzania the ceiling has been set under the civil service reform but it has been waived recently for the ministry of Education and Health due to high demand for employees in these sectors. In Botswana and Tanzania, the ministry of finance proposes revisions to pay scales and submits it for discussion by parliament for deliberation and authorisation while in Namibia the office of the Prime Minister has the responsibility over human resource development and pay, but it consults with other institutions, including the Ministry of Finance. In Zambia the Management Development Division in the office of the president has the responsibility over human resource development and pay, but it consults with other institutions as well. Revisions to pay scales are only done if the office is convinced there will be enough funds in Kenya.

8. THE EXECUTIVE FORMULATION OF THE BUDGET

The Executive has considerable powers in the budget process. These powers are derived from national constitutions and other laws that regulate the formulation, implementation and control of the national budget.

The Executive is the first body in setting or approving budgetary policy, budget guidelines, expenditure ceilings and it initiates the appropriation bills. The president, who is also a member of the executive, has the power to approve or reject the appropriation bill after endorsement by parliament. At the initiation of the budget processes, the Executive needs to approve the macroeconomic framework paper prepared by main institutions that formulates the budget (these institutions include the Ministry of Finance and Planning and other institutions whose involvement vary from county to country). In Tanzania, the Public Expenditure Review (PER) Working Groups, which comprises of Government, Development Partners and Non-State Actors provide inputs that feed into development of sector budget guidelines as well as in the overall budget processes. This is unlike in other countries where civil society inputs are usually sourced only after the budget has been approved by the Executive. The Executive also has the privilege and power to approve the call circular (the document that gives economic and budget guidelines for the next budget) and the final expenditure ceilings before line ministries, offices and spending agencies prepare their budgets. Furthermore, the prevalence of ruling parties with overwhelming majorities in the region adds to the powers and dominance of the Executive in budgetary decision-making, making it the most influential organ in this respect. The countries covered by this study, Botswana, Kenya, Namibia, Tanzania and Zambia, are democratic states with their Governments elected in national general elections where political party representation parliament is proportional to the proportion of votes that each party has received in recent national elections. Since the Executive is usually made up of the members of the ruling party including the state president, dominance by the same party in parliament means that there are strong overlaps between the Executive and parliament. The implication of this is that whatever is approved by the Executive, which has the first chance of approving the budget, is likely to go because a significant portion of the legislature is made up of executive members, additional ruling party members to the legislature have the same mandate as the executives both at the ministerial level as well as at the political party level, and the opposition may be weak. This is true for Namibia where all ministers are members to both the executive and legislature. The first house of the legislature in Namibia (National Assembly) then consists of the same ministers plus some deputy ministers and a relatively small and weak opposition. In Tanzania, of the 295 parliamentary seats, 95% of them are taken by the ruling party. Ruling parties are also moderately dominant in Botswana and Zambia, but not in Kenya.

After all, the eventual dominance of the budget processes by the Executive may not be that bad. Firstly, it is not primarily due to legal loopholes (except in Zambia where the constitution limits powers of the legislature in changing the budget), mainly due to political party domination of Government. Secondly, the Executive followed the

approved development framework for the country in formulating current budgetary policy and guidelines and in approving expenditure ceilings. This national development framework consists of the National Development Vision (Vision 2016 for Botswana, Vision 2025 for Tanzania, Vision 2030 for Kenya and Namibia); National Development Plans (NDPs), Poverty Reduction Strategies (PRS) and Sectoral Strategies and Economic and Financial Policy Framework Papers (PFPs) whichever is in place. The three-year PFPs appeared to have replaced NDPs in Zambia following the adoption of the Structural Adjustment Programmes (SAPs) under the auspices of IMF and the World Bank, but the country is rejuvenating Medium and Long-Term planning again in form of NDP and the Vision. The more pertinent issue is probably the adherence of budgeting to these widely debated and approved development plans.

9. LEGISLATIVE APPROVAL OF THE BUDGET

In all five countries, the national constitution amongst other laws obliges the legislature to pass an Appropriation Act (and an Annual Finance Act for some countries) after debate and approval of expenditures (and taxation). The time frame for the debate and approval of the budget in parliament ranges from 30 to 60 days.

The Botswana parliament has the least time allocation for its deliberations when compared to other countries. This has the potential to undermine the ability of parliament in performing its roles, firstly because of the limited time over which parliamentarians have to go through voluminous budget documents and debate them, and secondly for Botswana and some other countries, the budget comes to parliament as a black box, meaning that there is no interaction process between parliament and the Executive or Ministry of Finance during the early stages of budget formulation. The parliament for Tanzania has 40 days to debate and approve the whole budget, made of 5 days allocated for debating the budget speech delivered by the Minister of Finance and 35 days for the house to debate the estimates of each ministry. Kenyan, Namibian and Zambian parliaments have about two months (60 days) to debate and approve the budget. Namibia has a bi-cameral parliament and the first house of parliament (National Assembly) takes the majority of the time, while the house of review (National Council) gets the remainder of the time. This makes sense because National Council members are able to get the budget in time and go through it before they start to debate it.

Parliaments for the five countries have no fully-fledged Budgetary Research Offices that would equip parliamentarians with necessary information in their deliberations on the budget. The Tanzanian parliament has what is called the "Hansard Department" which facilitates parliamentary research, information and publications, with a Bunge library. Both the Hansard department and the library have insufficient computers, photocopying equipment and other necessary facilities. Past efforts to establish a budgetary research office for the Kenyan parliament have been rejected on the basis that this would duplicate work done by various ministries. The Kenyan parliament, however, has a research unit, a website and all legislators have been allocated offices. All five parliaments (for Botswana, Kenya, Namibia, Tanzania and Zambia) make use of independent research institutions or relevant University departments to solicit research inputs for their discussions. Furthermore, all five parliaments accomplish their analytical work through various parliamentary committees, including permanent Standing Committees (lasts for the life of parliament, which is equivalent to parliamentary election cycle) as well as Session Select committees, which are not permanent. The most common permanent committee is the Public Accounts Committee that scrutinises audited accounts and makes recommendations to parliament. In Zambia, the parliament resolves into the Committee of Supply and the Committee of Ways and Means during the Finance Minister's presentation on the budget. Deliberations leading to the approval of revenues and expenditures are then undertaken with parliamentarians allocated to these committees. The scope of parliamentary committees is wider in Kenya,

Namibia and Tanzania where there is a number of departmental or sectoral committees responsible for various disciplines of life or sectors of the economy. These committees extract members from the ruling party as well as from the opposition within the parliament, based on their expertise.

The role and authority of parliament in debating and approving sources of Government revenue and the appropriation of expenditures do not go without limitations. In other words, the highest law-making institutions do lack rights and authorities, things that work to undermine their abilities to control Government. The majority of these limitations are from the constitutional provisions that limit the ability of parliament in changing the budget approved by the executive branch or that calls upon the president to dissolve parliament should it fail to approve the budget.

Zambia has an interesting case in terms of restrictions on parliament. The Zambian parliament, in its debates on revenues and expenditures, is only allowed to propose savings but not to increase expenditures; because the budget is voted by head, the parliament cannot affect a wider virement that reallocates funds across functions within the resource envelope, but rather focuses on allocations within each head. Furthermore, the budget is tabled in parliament a month after the start of the financial year and only approved three months after the financial year. Expenditures during this three-month period are allocated on the basis of Presidential warrants. The implication is that the parliament has little say in Government expenditures for three months. The legislature is therefore ranked fourth in Zambia in terms of ability to influence the budget, after the executive, the Ministry of Finance and National Planning as well as Development Partners. The indication here is that it is not the Heavily Indebted Poor Country (HIPC) status of the country or the involvement of IFIs through the application of SAPs that eats on the legislative power of the parliament in the budget processes but rather the fact that constitutional powers are too skewed in favour of the executive and at the expense of the legislature.

In Tanzania, though parliament can approve or reject the budget, it is constitutionally difficult for parliament to reject the Government budget. The constitution prescribes special and limited circumstances under which the president may dissolve parliament. Article 90(2) reads as follows: "The President shall not have power to dissolve Parliament at any time only if the National Assembly refuses to approve a budget proposed by the government." Refusal to approve government budget is therefore regarded as a vote of no confidence in government and should that happen, the president would be compelled to dissolve the parliament so that a new general election can take place. This has not occurred in Tanzania since its independence in 1961, but one cannot presume that parliament was always happy with the budget. This constitutional provision is also found in Kenya. Should parliament reject the budget in Kenya, Government would bring a motion to parliament in an attempt to have the house expressing confidence in Government. Should parliament fail to express confidence in Government, then the Government is compelled to resign (otherwise dissolve) within four days. The parliament can only reduce expenditures to show dissatisfaction with performance of a given ministry, but

otherwise as provided for by the standing orders applicable to all Commonwealth Countries; it has no power to increase expenditures.

10. IMPLEMENTATION OF THE BUDGET

Development budgets are often beset by implementation problems due to insufficient implementation capacities and other factors such as delays in mobilizing external financing, overoptimistic implementation schedules, natural disasters and difficulties in sourcing supplies. The other challenges stem from difficulties to make accurate forecasts for the implementation of certain programs or for developments in economic parameters such as inflation, interest rate or exchange rates. Some immediate needs that were not foreseen during budget formulation may appear during the budget execution. It may also be difficult to know exactly which budget is being implemented, because decisions concerning allocations and reallocations of appropriations are contained in various circulars and are not gathered into a single document. To limit the effects of these problems, the budget implementation plan should be updated regularly to take into account decisions concerning appropriations and rules for transfers that must be flexible; and appropriations for debt service cannot be a spending limit and should be revised according to developments in interest rates or exchange rates. The literature also emphasizes that budget implementation system should have the following features:

- 1) A complete budgetary/appropriation accounting system. It is needed to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items (apportionment, virements, supplementary estimates).
- 2) Effective controls at each stage of the expenditure cycle, whatever their organization.
- 3) A system for managing multi-year contracts and forward commitments.
- 4) Personnel management system including staff ceilings, which should be controlled and budgeted in countries that need to undertake civil service reform.
- 5) Adequate and transparent procedures for competitive procurement and systems for managing procurement and contracting out.

In this chapter, an assessment of the extent to which the five countries covered by the study adhere to these budget implementation features is being done. Table 4 below presents the budget implementation similarities and differences among the five countries.

10.1. Budget Reviews, Virements and Transfers

Table 4 below shows that three out of five countries covered by the study reported that their central budget authorities conduct reviews or evaluations of budgeted funds or government programmes. In Botswana the MFDP conducts budget reviews or evaluations of budgeted funds or government programmes while in Kenya reviews and evaluations of budgeted funds are done through the quarterly budget reviews and in Tanzania it is done through mid-year and annual reviews as well as field

inspections. Expenditure tracking is also undertaken. Namibia and Zambia are the only countries without any regular reviews or evaluations of budgeted funds or government programmes. In Namibia, major budget reforms started around 1996 with the aim to develop a fully-fledged performance-based budgeting. Evaluation of overall economic performance has however been done at the end of NDPs.

Table 4 Budget Implementation

	Botswana	Kenya	Namibia	Tanzania	Zambia
Reviews/evaluates of budgeted funds	Yes	Yes	No	Yes	No
transfers or virements permitted between different appropriation lines	Yes	No	between lines within same programme	No	between lines within the same programme
organisations can transfer funds between operating expenditures, investments & programme funds	Yes	Be justified	within same programme	Within same vote, with authority	within same programme
appropriations be reallocated from one programme to another	Yes	Be justified	No	Within same vote, with authority	within same programme
carry-over unused appropriations for operating cost	No	No	No	No	No
annual budget include any central reserve funds to meet unforeseen expenditures	Yes	Yes	Yes	Yes	Yes
size of such reserve funds relative to the total size of the budget	More than 10%	Less than 1%	Up to 1.4%	Less than 1%	Up to 2.5%
laws, regulations or policies which define permitted uses of the budget reserves	Yes	Yes	Yes	Yes	Yes
Interval on information interval on the in-year budget implementation	Annual	Annual	Annual	Annual	Annual
Any maximum time that can elapse from the end of the reporting period	Yes	No	Yes	No	Yes
government announce the release dates for reports in advance	Yes	Yes	Yes	No	Yes
ministries/government institutions allowed to maintain cash accounts separate from the Treasury	Yes	No	Yes	No	Yes

Transfers or virements are permitted between different appropriations lines in Botswana only whereas in Namibia and Zambia transfers or reallocation of funds are only allowed between line items within the same programme. No transfers are authorised between programmes without authorisation by parliament.

The State Finance Act (Namibia) clearly defines virements that are acceptable (between line items within a programme) and a virements that is not acceptable (between programmes). In Namibia, the treasury is empowered by the State Finance Act (Act no.31 of 1991) to authorise acceptable transfers (transfers within a budget programme). In Kenya and Tanzania, transfers or virements are not permitted at all.

Variations are also pronounced in the case of government institutions being allowed to transfer funds between operating expenditures, investments and programme

funds. In Botswana government departments are allowed to transfer funds between operating expenditures and investments, as well as between programmes. In Namibia, virements that seek to transfer funds from development budget to recurrent budget are not allowed. In Kenya transfers can only be done with authority from central budget authority while in Tanzania transfers can be made under strong justification but must follow all funds authorisation procedures

Botswana also stands out in allowing unconditional appropriations to be reallocated from one programme to another whereas in Zambia, re-allocating appropriations across programmes is prohibited under the Finance Act of 1996 and in Kenya and Namibia no transfers are allowed between programmes, but only within a programme. In Tanzania, transfers can be made under strong justification but must follow all fund authorisation procedures. One major common feature among the five countries is the prohibition of carry-overs of unused appropriations. In Zambia, the Finance Act does not allow for carry-overs, and all funds that are not utilised by 31st December are forfeited. Similarly in Namibia, the State Finance Act does not allow for carry-overs, but the MoF is now prepared to look into this issue whereas in Kenya, Botswana and Tanzania, unused funds have to be returned to the exchequer at the end of the financial year for reallocation.

The annual budget in all countries includes central reserve funds to meet unforeseen expenditures. In Botswana there is a contingency fund allocated to the Office of the President from which unforeseen expenditures can be met. In Kenya, Namibia, Tanzania and Zambia the provisional contingency fund is kept under the Ministry of Finance to cater for unexpected and probable expenditures. In Botswana, the size of such reserve funds relative to the total size of the budget is more than 10 per cent whereas it is less than 3 per cent in the rest of the countries. All the countries have laws, regulations or policies which define permitted uses of these budget reserves.

Information interval on the in-year budget implementation is annual in all the five countries. In Botswana there are also periodic reviews of the projects and hence of the budget, the results of which are not released. For example, between September and October, MFDP meets with line ministries to review development projects. Further, when there is need for a supplementary budget (which is often the case), budget information is also released during the presentation of the supplementary budget. In Namibia the State Finance Act obliges the Permanent Secretary of the MoF to prepare appropriation accounts for each ministry, not later than six months after the end of the current financial year and the Auditor General is required to submit audited appropriation accounts to the Minister of Finance not later than the end of the following fiscal year. In the case of Kenya and Tanzania there is no maximum time requirement for reporting that is established by any legislation.

In all the countries except Kenya, government announces the release dates for budget reports in advance and the case of Namibia and Zambia, the release dates of audited reports are always announced in the media whereas in Tanzania, letters of notice are released by Permanent Secretary of the Ministry of Finance and

Accountant General. Ministries and government agencies are allowed to maintain cash accounts separate from the Treasury.

10.2. Procurement and Contracting Out

In terms of procurement and contracting out, in Botswana the public procurement and related laws have established the Central Government procurement and defined lower levels of decision making. The Public Procurement and Asset Disposal Board (PPADB) was established by the Public Procurement and Asset Disposal Act, 2001 to do public procurement for works, supplies and services and for the disposal of public assets and related matters; while tenders within authorisation limits are done by the ministerial Tender Committees. But, there is also the Department of Supplies housed in the MFDP that caters for supplies for the entire civil service. Similarly, the Tender Board of Namibia (TBN), established by the Tender Board of Namibia Act (No 16 of 1996) do public procurement for services where the contract value exceeds N\$10 000. Tenders for smaller amounts are done by the ministries and agencies themselves. Line ministries and agencies do apply (to the TBN) for exemptions so that they do their tenders themselves and such exemptions are usually awarded. Ministries are believed to do it better since they know what they need. The Zambia National Tender Board, established through the Zambia National Tender Board Act (Act No. 30 of 1982) is responsible for public procurement for goods and services where the contract value exceed 5 million Kwacha. Tenders for smaller amounts are done by ministerial tender committees.

The Zambia National Tender Board (ZNTB) gives exemptions to some ministries to do tenders themselves. Tendering through the ZNTB is a preferred arrangement because goods and services are procured in bulk and cheaply. In Kenya and Tanzania the public procurement and related laws established the Central Government procurement and defined lower levels of decision making but it is not clear whether there is a central procurement body as it is the case with the Southern African countries. Compliance with procurement regulations is audited. The Botswana PPADB monitors and supervises all procurements. Furthermore, government auditors also audit the procurements both at ministerial and national levels. In Namibia and Zambia the Auditor General audits compliance with procurement regulations among other issues.

Competitive bidding is required for the procurement of major expenditure items. In Botswana, there are preference and reservation clauses for citizen and local enterprises whereas in Namibia the procurement policy does permit price preferences according to certain socio-economic goals and strategies. The main preference is for consultants and contractors domiciled in Namibia. In Zambia, interested suppliers bid for tenders and based on their bids, the ZNTB awards the tender to the winner.

10.3. Capital Budget

Capital or Development and operating budgets are presented in separate documents in all countries except Zambia. They are called Development and Recurrent/Operational budgets, respectively and are part of annual budget documents. In these countries the definition of capital or development refers to the investment programme consisting of works and acquisition of physical assets (durable goods such as buildings, roads, bridges, machinery and equipment). In Botswana capital expenditures are financed from the Development Fund, which consists of appropriations from the Consolidated Fund and Aid, while in Kenya, rural electrification programme is financed from the fuel levy. In Namibia and Tanzania, there are no major provisions for different financing mechanisms from the general expenditure - all government revenues are pooled together and all government expenditures are then financed from there.

In Botswana, the capital projects are mapped out in the NDP, which is implemented incrementally by the annual budgets with updates. Within a given fiscal year, however, all government revenues are pooled together into the Consolidate Fund out of which all government expenditures are financed. In Namibia and Zambia capital projects are funded through MTPs, which form part of the MTEF budgeting. In Tanzania, capital projects are divided into implementable phases depending on their nature and availability of funds whereas in Kenya these projects are funded on a yearly basis.

The percentage of public investments which is donor financed varies from country to country. In Botswana, donor funding of capital project has declined from 51% in 1966/67 to only 2% in 2007/08 largely perhaps because of the country's Middle Income Country (MIC) status. Similarly in Namibia, a small portion of public investment is financed by donors. In the case of Kenya and Tanzania donor funds account for about 70% and 80% respectively, depicting a high dependence on donors, while the same ratio is 36% for Zambia.

10.4. Accounting and Budgeting Classification and Concepts

In all the five countries, there is a unified accounting and budgeting classification system at both National and Local Governments. The accounting system includes all domestic and externally financed transactions and in Botswana this applies as long as they are financed from the Consolidated Fund. In Namibia the accounting system includes all transactions channelled through the State Revenue Fund (SRF). For Kenya, Tanzania and Zambia the external resources once given to government become public funds and are subject to the accounting system. Expenditure classifications in the budget system are by function, line item, administrative classification, programme, by vote, by ministry and by type (capital and recurrent).

Intra-government payments and user charges / fees apply to all countries. For example, inter-ministerial transactions are paid for. For instance, the central transport office is paid for the use of transport and fuel. In the case of Botswana and

Zambia, the government printer department has a standard rate and the government valuations department also has a standard rate for the evaluations. In Botswana, Kenya, Tanzania and Zambia, ministries and ministerial departments are allowed to keep revenues collected from user charges/fees. Parastatals are allowed to keep the proceeds from the user charges/fees. The laws establishing the institutions usually define their sources of revenue and how they could be managed. In Namibia, government institutions are not allowed to keep proceeds from user charges/fees for more than a day.

The system function and responsibility of all tiers of sub national government (local, regional or provincial) and their relation to each other and to the central government is well defined in all the five countries. Botswana, Kenya and Tanzania have two tiers of government. In Botswana, it is the Central Government and Local Governments (District and Urban Councils). Local Authorities are established by the Local Government Act of 1965 (as amended from time to time) to perform delegated functions. Besides, the District and Urban Councils, there are also Land Boards and Tribal Administrations. They are all under the Ministry of Local Government. In Kenya and Tanzania, District Development Directors (DDD) are the accounting officers at the Local Government level and report directly to the Ministry of Finance. Namibia has a three-tier government system, with central, regional and local government levels. Local governments are not sub-ordinate to regional governments, but the two need to consult each other on various issues. Both Regional and Local Government tiers are under the Ministry of Regional, Local Government and Housing, and Rural Development (MRLGHRD). In Zambia provinces are government departments with almost all sectors which are funded by the central government through the central government.

Local Governments in Botswana are highly depended on the central government funding in the order of 60% for Urban Councils and even higher for others. Budget allocations to local governments are done through the Ministry of Local Government. In Namibia, the Ministry of Regional, Local Government and Housing and Rural Development provides subsidies for village councils and new town councils who cannot finance their own operations and allocations to sub-national governments are done through the same ministry. Kenya, Namibia and Tanzania differ slightly from the other countries in that local governments are very autonomous and they can source part of their own finances. In Namibia, central government only funds small and new town councils. Local governments of the City of Windhoek and other larger towns are usually not in need of assistance.

Usually the local government's budgets are approved by the ministry of local government and housing. Generally, the local governments in all the five countries are dependent on the central government for part of their financing, through transfers which are conditionally of specific objectives

The revenue raising responsibilities is assigned across levels of government in all the five countries. In Botswana, Namibia and Zambia the Central Government raises most of revenues through mining company tax, transfers from the customs pool,

non-mining company and income taxes, export duties, taxes on property, taxes on motor vehicle business and professional licences, sales tax, Value Added Tax (VAT), airport tax, non-tax revenue and in the case of Botswana through mineral royalties and dividends, interest on loans, among others including grants. Local authorities raise their revenues through user charges/fees to finance local expenditures. In contrast, there is one central authority charged with collection of revenue in Kenya while in Tanzania, the Tanzania Revenue Authority (TRA) takes the lead in revenue collection, but in few areas the District Councils can collect revenue as well.

10.5. Budget Transparency and Governance

Budget transparency, while not a goal in itself, is a prerequisite for public participation and accountability. A budget that is not transparent, accessible and accurate cannot be properly analysed. Its implementation also cannot be thoroughly monitored, nor its outcomes evaluated. To assess the extent of budget transparency among the five countries covered by the study, an open budget index is used. This index provides citizens, legislators and civil society advocates with the comprehensive and practical information needed to gauge a government's commitment to budget transparency and accountability.

The figures for the open budget index of 2006 were developed by the International Budget Project, Washington D.C. Table 5 below presents the index for the five countries covered by the study.

Table 5 Budget Transparency and Governance

	Botswana	Kenya	Namibia	Tanzania	Zambia
Transparency and Accountability promoted?	Yes	Yes	Yes	No	Yes
Open Budget index	65%	48 %	51 %	48 %	37 %
budget perceived to comply with the principles of good governance	Yes	Yes	Yes	Yes	Yes
frequency of publication of central government financial accounting reports	Annually	Quarterly, mid-year and end of year	Annually	Quarterly	Annually
mechanisms used to assess the efficiency, effectiveness, and value of expenditure on public activities	Project reviews and Mid-term Review	Public expenditure reviews, and Tracking assessments.	programme budgeting system	Public expenditure reviews	NA
Expected development in next five years in relation to performance targets in the budget procedure	Performance Management System	performance based budget	performance based budget	performance based budget	performance based budget

From Table 5 above, it is clear that most countries covered by the study provide at least some information to their citizens about the budgeting process although the majority of the countries fail to provide the budgetary information needed for good governance. The scores for the open budget index are interpreted as follows:

- "Provides Extensive Information": Between 81 – 100%.
- "Provides Significant Information": Between 61 – 80%.
- "Provides Some Information": Between 41 - 60%.
- "Provides Minimal Information": Between 21 – 40%.
- "Provides Scant or No Information": Between 0% - 20%

Botswana's open budget index of 65% shows that the government provides citizens with significant information on budget process. However, there is room for improvement. Kenya, Namibia and Tanzania provide some information on budget process to their citizens while Zambia provides minimal information to the public about budget process. On the basis of the open budget index, Botswana has a more transparent budget system compared to the rest of the countries in the study. In Botswana the Auditor General's office promotes accountability and transparency by holding accounting officers responsible; ensuring transparency in terms of legislative requirements and sharing reports with Parliament through the Public Accounts Committee of parliament.

Generally, the budget processes in the five countries are perceived to comply with the principles of good governance. The necessary institutions are in place, even though, there is room for improvement in the practice. The central government financial accounting reports are published annually in southern African countries but more frequently in east African countries. There are mechanisms that are used to assess the efficiency, effectiveness, and value of expenditure on public activities in all countries except Zambia. In Botswana the NDP specifies project outputs and targets, which the annual budget implements incrementally and rolls over. The project reviews and mid-term reviews measure achievements compared to targets and identify short falls with explanations, which informs the next face of the project implementation. In Namibia, the programme budgeting system was introduced in 2005 and it includes targets or expected programme outcomes, but previous budgets did not have targets and no performance assessment was carried out. Budget reforms are moving in accordance with cabinet decisions and are therefore legal requirements. In Kenya and Tanzania, public expenditure reviews, and budget expenditure tracking assessments are undertaken.

In terms of future development in the next five years with regard to the level of attention given to performance targets in the budget procedure, Botswana is gearing up to start working on the 10th version of the NDP series (NDP10) and equally important the MFDP is trying to use the Performance Management System (PMS) to sensitise workers to vision and mission of their institutions. Namibia is working on the finalisation of NDP3 and Zambia has re-introduced its long-term planning in form of NDP and the vision.

11. THE ROLE OF THE AUDITOR GENERAL

The audit functions are there to ensure that the budget process and economic governance of the country achieves probity, transparency and accountability (Agiobenebo, T.J. 2007). The pertinent questions for this enquiry are therefore: What are the powers, authorities and functions of the Auditor General? What does Auditor General Audit? When does the Office of the Auditor General carry out its audit? How does the Auditor General choose what to audit? How do the Auditor General's audit reports reach the parliament? How do the recommendations of the Auditor General impact future compliance and accountability?

Table 6 below makes a comparison on various features of the Auditor General across the five countries that are covered by this study. The comparison is based on the establishment of the office, appointment of the AG and funding; on the relationship between AG and Government; on the tenure of office for the AG; on the powers and duties of the AG; deliverables and deadlines for the AG; and on challenges facing the AG's office.

11.1. Establishment, appointment and funding of the AG

On the first variable (establishment, appointment and funding) in Table 6, it is clear that all five countries have made an attempt to establish an independent and autonomous office of the AG by having it established directly by the national constitution. The appointment of the AG is usually by the state president with ratification by parliament, except for Botswana where the AG is appointed by Government through the Department of Public Service Management. The office is funded through parliamentary appropriation in Namibia, Tanzania and Zambia, while the same office is funded through the ministry responsible for finance (exchequer) in Botswana and Kenya. Direct funding by parliament is preferred in that it works to guarantee operational autonomy of the AG since the ministry of finance is one of those institutions that the AG's office need to audit and possibly implicate. It was recently suggested in Kenya that the AG's budget be made constitutional e.g. 1.5% of overall government revenue and for the law to specify when funds are to be disbursed to the AG office. This is intended to ensure financial independence of the AG and enable the office to fulfil its audit and control functions.

11.2. Independency of AG from Government

All AG offices in the five countries are separate from Government, but have varying degrees of autonomy in hiring staff as well as on engagement with parliament. It is a practice across the five countries that the AG report is submitted to parliament through the minister of finance or the state president. In some countries (e.g. Botswana and Kenya), the AG has no access to parliament except if the minister of finance or president fails to table the audit report of the AG within a legally specified time frame, the AG needs to table the report in parliament. The AG enjoys security of office tenure guaranteed by the national constitution in all five countries. Once appointed, the AG can only be removed from office either through a majority vote by

parliament or by establish tribunal for that purpose, and all this can only happen on the grounds infirmity or proven gross misconduct. It is also advised here that the AG office should be granted authority to recruit staff and to determine its own remuneration structure in order to address human capacity constraints.

11.3. Powers and Duties of the AG

The AG's office usually needs to have some powers to enable it carry out its functions, as well as duties that the office needs to fulfil. The most notable is for the AG to have unimpeded access to Government books, accounts and records that the office needs to audit from time to time. This power appears to be guaranteed in all five countries. What the AG does not have across five countries is the power to institute prosecution based on its audit findings. Rather, the AG only recommends to parliament. It has also been observed that in most of the countries, there is no institution mandated to investigate and institute prosecution following the findings by the AG. However, in some countries (e.g. Namibia), the government is required by the law to act upon the recommendations by the AG, but no time-limit is specified and therefore, Government has a tendency to delay even for decades. The main duties of the AG are to see to it that public funds are sourced as approved by parliament and expended for the purposes for which they are appropriated by parliament (compliance audit) and that such funds are used efficiently and effectively (value for money audit).

11.4. Key deliverables and deadlines for the AG

The AG is required by law to submit its audit report to the minister of finance or to the office of the president no later than 12 months (for Botswana, Kenya and Zambia), seven months (Namibia) or six months (Tanzania) following the end of the financial year to which the accounts relate. Should the minister of finance or president (who ever is applicable) fail to submit the AG report to parliament within a given period of time, then the AG is required to submit the report to parliament.

Table 6 Characteristic features of the AG in the five countries

	Botswana	Kenya	Namibia	Tanzania	Zambia
Establishment, Appointment & Funding	Established by Section 124 of the Constitution, but the constitution is silent about appointment; Appointed by Government through the Department of Public Service Management; Funded through the MFDP after authorisation by parliament.	Established by Section 105 of the Constitution, with further elaboration in the Exchequer and Audit Act (chapter 412); Appointed by president; AG is funded through the Exchequer (no fiscal autonomy);	Established by Article 127 of the Constitution; AG appointed by president with ratification by parliament – term of office is 5 years and is eligible for re-appointment; Funded through appropriation by parliament	Established by Section 143 of the Constitution; AG is appointed by president; Funded through appropriation by parliament	Established by Article 121 of the Constitution; AG appointed by president with ratification by parliament; Funded through appropriation by parliament
Relation to Government	Separate from Government and has operational autonomy (appointment & funding may undermine this).	Independent; Reports irregularities to the Treasury;	Independent from Government, but staffing needs approval by the Public Service	AG is independent and reports to parliament;	Independent from Government, but staffing is done by the Public Service
Tenure of Office	Secure Tenure of office – can only be removed from office through parliament on proven grounds of gross misconduct.	AG enjoys security of tenure - Constitution provides safeguards against arbitrary dismissal of the AG;	AG cannot be removed from office unless if the two-thirds of parliament vote for such removal on the account of mental incapacity or gross misconduct;	Constitution provides safeguards against arbitrary dismissal of the AG;	Can only be removed from office by parliament on the basis of physical or mental incapacity or gross misbehaviour (a tribunal has to be established following decision by parliament)
Powers & Duties of AG	<i>Powers:</i> Has unimpeded access to Government accounts & other records; Has no persecution powers; <i>Duties:</i> AG is responsible to audit for all public funds; Need to ascertain that withdrawals of public funds are in line with legal provisions; Need to ascertain that public funds are expended for the purposes for which they are appropriated.	<i>Powers:</i> Has unimpeded access to Government accounts & other records; Has no persecution powers; <i>Duties:</i> AG is responsible to audit for all public funds; Need to ascertain that withdrawals from the consolidated fund are in line with legal provisions; Need to ascertain that public funds are expended for the purposes for which they are appropriated.	<i>Powers:</i> Has unimpeded access to Government accounts & other records; Has no persecution powers; Toothless in dealing with unauthorised expenditures or in getting financial statements for audit on time; <i>Duties:</i> AG is responsible to audit for all public funds; Conducts financial and performance audits.	<i>Powers:</i> Has unimpeded access to Government accounts & other records; AG initiates disciplinary proceedings (no persecution powers); <i>Duties:</i> To ascertain whether withdrawals from consolidated fund are authorised; To ascertain whether funds are expended as appropriated; To audit and report on public accounts of the whole	<i>Powers:</i> Has unimpeded access to Government accounts & other records; Has no power to prosecute. <i>Duties:</i> AG Need to satisfy herself that: financial provisions are complied with; funds are expended as appropriated; revenues are collected as approved by parliament;

				Government.	
Deliverables & Deadlines	<p>AG is required by law to submit audited report within 12 months following the end of the FY to which the accounts relate;</p> <p>AG is required to submit its report and audit certificate directly to parliament should the minister of finance fail to submit it within 30 days of receiving it.</p>	<p>AG is required by law to submit the report to MoF within 7 months following the end of FY to which the accounts relate;</p> <p>AG is mandated to submit its report directly to parliament should the minister of finance fail to submit it within 7 days of receiving it.</p>	<p>AG needs to submit the report to MoF not later than the end of the following FY;</p>	<p>AG need to submit the report to president within 6 months following the end of the FY;</p> <p>Compliance Audits are carried, but the 2001 Public Finance Act empowers the AG to conduct value for money audits as well;</p>	<p>To submit audit report to president within 12 months following end of the FY;</p> <p>If president didn't submit the AG report to parliament within 7 days of the first sitting of parliament, then the AG should submit it;</p>
Challenges faced	<p>Under-finance leading to accommodation & capacity constraints (audit is however completed on time);</p> <p>Toothless when it comes to enforcement of audit queries;</p> <p>Funding arrangements & channels of communication between AG and parliament may compromise autonomy of the AG.</p>	<p>AG is undermined by the legal protection of officers, lack of prosecuting powers and limited resources, all of which contributes to delays in submission of AG reports;</p> <p>Lack of resources & powers means that AG has concentrated on performance audit only & not on control functions</p>	<p>The OAG is under-financed and understaffed (high staff turnover);</p> <p>Late submission of reports to the OAG;</p> <p>Lack of capacity within the OAG;</p> <p>Government is required by the law to follow up following recommendations by AG, but Government delays (forever);</p> <p>Reshuffles of Permanent Secretaries add to delays.</p>	<p>AG is understaffed (high staff turnover, of 563 staff establishment, only 385 are employed);</p> <p>Late submission of reports to the AG;</p> <p>Lack of capacity within AG is the main contribution to delays;</p> <p>Differences in FYs of Central & Local Governments;</p>	<p>Under-funded;</p> <p>No control over staffing (severe staff problems);</p> <p>Late submission of reports to the OAG;</p>

11.5. Summary of challenges faced by the AG

The last row of Table 6 contains challenges that AG is faced within the five countries. Though these challenges are listed per country, such listing is done according to the identification by researchers and as such, most of the challenges are applicable to more than one country.

The biggest challenge identified is insufficient funding for the AG office, leading to capacity constraints that range from lack of staff (also limitations to out source), limited office space, and leading to a backlog of outstanding audit reports and limited coverage of the audit. The audit is limited in two ways – not all public funds that the AG is mandated to audit are actually audited and in most instances, AG only concentrates on compliance audit and leaving out value for money audit as the later requires the AG to have a comprehensive database which is usually not in place. Only Botswana's AG office is said to have been consistently submitting its reports on time despite challenges cited. The AG offices for Namibia and Tanzania have also less time in which to complete and submit their reports, seven months or less compared to 12 months allocated in other three countries.

Most Auditor Generals' offices around the globe, including those in the five countries have no prosecution authority. Prosecution is defined as *"to officially accuse someone of committing a crime or to sue"*. Therefore, lack of prosecution authority means that the AG is not allowed initiating legal proceedings on the grounds of findings in the audit. Furthermore, there is no institution or agency mandated to investigate and to institute prosecution based on findings of the AG. All this means that irregularities are exposed through the AG report, but no punitive measures are usually taken against the wrongdoers and this dilutes the final impact of the AG's work.

Another limitation is the excessive protection of officers by the law. For instance, the Exchequer and Audit Act (Kenya) gave too much power to the minister of finance and the permanent secretary, without corresponding accountability – unauthorised expenditures requires presidential approval and this is done through the minister of finance, who heads one of the audited ministries and the Exchequer through which the AG gets its funding.

AG is also powerless in dealing with unlawful spending. In Zambia, over-expenditures are usually taken care off by passing an Excess Expenditure Act developed for that purpose – it takes around two years to legalise illegal spending. In Namibia, regular additional appropriations by parliament have become a norm and this highlights weakness in enforcing discipline amongst spending ministries agencies and constitutes poor economic management.

The late submission of AG reports is in part due to limited capacities of the AG offices and it is again exacerbated by other factors outside the AG's control. One factor is the late submission of reports for audit from ministries and spending offices and agencies; the second is the regular reshuffles of permanent secretaries

(especially in Namibia, Tanzania and Zambia) that makes it difficult for the AG to follow up with ministries on outstanding issues; and the third is due to differences in financial years of central and local governments (Tanzania).

12. SUMMARY, FINDINGS AND CONCLUSIONS

Several issues were identified as major concern in the countries in this study. Although the legal frameworks exist in all countries, they are often inadequate or not applied (or both) due to lack of capacity. There is need to improve the application of the legal frameworks as failure to do so may be an impediment to transparency and accountability.

The budget formulation phase is generally confined to public institutions and does not allow for enough opportunities for participation to contribute to the decision-making process by broader stakeholders. This is the case in all five countries except Tanzania. In Botswana, Kenya, Namibia and Zambia, civil society inputs are usually sourced only after the budget has been approved by the Executive, while in Tanzania the Public Expenditure Review (PER) Working Groups, which comprises of Government, Development Partners and Non-State Actors provide inputs that feed into development of sector budget guidelines as well as in the overall budget processes.

The same applies to the legislative phase of the budget, where lack of transparency is apparent even among the decision makers. A good example is the limited time the Botswana parliament has for its deliberations on budget issues. Similarly, parliaments for the five countries have no fully-fledged Budgetary Research Offices that would equip parliamentarians with necessary information in their deliberations on the budget. This lack of transparency is exacerbated by lack of access to basic budget information, lack of civil society capacity to interrogate the budget and make meaningful contributions, non-transparent allocations and the use of cash budget systems as it is the case in all countries except Namibia, which uses the accrual appropriation system. A current characteristic of both the southern and east African countries is a mixture of accounting systems which can be argued to give an indication of a need to reform accounting systems, switching from cash accounting to accrual accounting. Where this reform is being instituted of critical importance is the recognition that the change is not an end in itself. What is important is that the management approach is changed to reflect the new information becoming available to management. This should of itself demand more flexibility of management as it responds to this information.

There are many challenges to the construction of a realistic and sound budget system. This is particularly so in the context of Kenya, Tanzania and Zambia where donor funds account for a large proportion of their capital budgets. The challenges stem from donors that do not trust a country's financial management system. As a consequence, substantial components of development expenditure may simply fail to appear in the government's budget. While off-budget activities may make financial accounting easier for donors, they are detrimental to a country's culture of accountability in that they create non-transparent, parallel systems that make comprehensive budget analysis and monitoring of expenditures difficult. Generally, governments and donors should work together to implement a single expenditure

programme which prioritises the use of all sources of funding for public expenditure, across all sectors as it is the case in Botswana and Namibia. This aims to be medium term (3-5 years), to consolidate sources of funding and for donors to offer flexible budgetary support to an agreed programme of policy reforms, rather than to implement their own stand alone pet projects.

Budget implementation in the five countries generally needs to be improved especially in Namibia and Zambia where there are no reviews or evaluations of budgeted funds or government programmes. There is need to enhance expenditure control and create the conditions for increased efficiency in public spending. Although most countries covered by the study provide at least some information to their citizens about the budgeting process although the majority of countries fail to provide the budgetary information needed for good governance. Budgetary reforms are an important ingredient to enhance transparency and governance in these countries, but the absorption of reforms, such as the new public management, may have different characteristics in these countries compared with the way such reforms impact in more developed countries.

Despite the well-known and well-appreciated mandates of parliaments and Auditor Generals in controlling the national budget and to see to it that public funds are sourced and expended in the best interest of the citizenry, these institutions are not sufficiently capacitated. Parliaments have no budget research offices and decision-making powers are too skewed in favour of the executive and at the expense of parliaments. Constitutional provisions restricting parliament from disapproving the budget however, appears to be a global phenomenon. The Auditor General Offices are resource constrained, have limited access to parliament and have autonomy that is largely limited to the appointment and dismissal of the AG as an officer. These constraints mean that the AG cannot fulfil its mandate entrusted to it by the constitution and other laws and this does not fare well for good economic governance and transparency. Furthermore, punitive measures against non-compliance need to be clear and responsibility to prosecute offenders need to be assigned.

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Appendix – SEAPREN Publications as per 23 October 2008

Publication ID	Title	Authors	No. of Pages	Year Published
SEAP11	Growth and Poverty focus of the PRSPs in HIPC Countries: the Case of Tanzania, Uganda and Zambia	Thomson Kalinda		2008
SEAP10	Effects of Economic Growth on Poverty Reduction: Experiences from Botswana, Kenya and Namibia	Lineth N.Oyugi	23	2008
SEAP9	Development of Budget Systems and Practices in sub-Saharan Africa	Oswald Mashindano		2008
SEAP8	Budget Processes and Transparency in Southern and Eastern African Countries	Charity K. Kerapeletswe Rehabeam Shilimela	43	2008
SEAP7	Experiences with Medium-Term Expenditure Frameworks in Selected Southern and Eastern African Countries	Lineth N.Oyugi	18	2008
SEAP6	Access to Financial Services and Poverty Reduction in Rural Kenya	John M. Mutua, Lineth N. Oyugi	37	2006
SEAP5	Poverty Alleviation in Rural Namibia through Improved Access to Financial Services	Jonathan Andongo, Mariama Deen-Swarray	42	2006
SEAP4	The Budgetary Process and Economic Governance in Namibia: Literature Review	Rehabeam Shilimela, Erwin Naimhwaka	32	2005
SEAP3	The Budgetary Process and Economic Governance in Zambia: Literature Review	Dale Mudenda, Manenga Ndulo, Mukata Wamulume	42	2005
SEAP2	The Budgetary Process and Economic Governance in Kenya: Literature Review	Lineth Nyaboike Oyugi	26	2005
SEAP1	The Budgetary Process and Economic Governance in Southern and Eastern Africa: Literature Review	Odd-Helge Fjeldstad, Dirk Hansohm, Jan Isaksen Erwin Naimhwaka	44	2004