



## Republic of Botswana Public Expenditure and Financial Accountability report

March 11, 2020



PEFA was initiated and is supported by the seven international partners:



**Country's currency and indicative exchange rates  
(as of Mid-2019)**

**Local Currency Unit: Pula (P)**

**1 USD = 10.5640 BWP**

**1 EUR = 11.9268 BWP**

**1 ZAR = 0.752711 BWP**

**Fiscal year**

**April 1 – March 31**

**Fiscal years covered in this report: FY 2015/16, FY 2016/17 and FY  
2017/18 and information at the time of assessment**



Republic of Botswana

Public Expenditure and Financial Accountability report

March 11, 2020

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK**'.

PEFA Secretariat,

March 16, 2020

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# Abbreviations and Acronyms

AB	Air Botswana
ADB	African Development Bank
AFROSAI-E	African Organization of Supreme Audit Institutions - East
AGC	Attorney General's Chambers
AGOA	African Growth and Opportunity Act
AIA	Appropriation in Aid
APP	Annual Performance Plan
ASA	Annual Statements of Accounts
ASYCUDA	Automated System for Customs Data
AU	African Union
BAC	Botswana Accountancy College
BADM	Budget Analysis and Debt Management
BAFC	Board Audit and Finance Committee
BAMB	Botswana Agricultural Marketing Board
BAOA	Botswana Accounting Oversight Authority
BCC	Budget Call Circular
BCG	Budgetary Central Government
BEC	Botswana Examination Council
BERA	Botswana Energy Regulatory Authority
BDF	Botswana Defense Force
BHRC	Board Human Resource Committee
BICA	Botswana Institute of Chartered Accountants
BIH	Botswana Innovation Hub
BIDPA	Botswana Institute for Development Policy Analysis
BITC	Botswana Investment and Trade Centre
BITRI	Botswana Institute of Technology, Research and Innovation
BIUST	Botswana International University of Science and Technology
BMA	Botswana Missions Abroad
BMC	Botswana Meat Commission
BMFG	Botswana Modelling and Forecasting Group
BNSC	Botswana National Sports Council
BOB	Bank of Botswana
BOBS	Botswana Bureau of Standards
BOCRA	Botswana Communications Regulatory Authority
BoFINET	Botswana Fibre Networks
BOTC	Botswana Trade Commission
BOU	Botswana Open University
BPC	Botswana Power Corporation
BQA	Botswana Qualification Authority
BSE	Botswana Stock Exchange
BTC	Board Tender Committee
BTCL	Botswana Telecommunications Corporation Limited
BURS	Botswana Unified Revenue Service
BVI	Botswana Vaccine Institute
BWP	International Currency Designation for Botswana Pula
CA	Classification Assistant
CDE	Centre for Development of Enterprise
CG	Central Government
CMS	Customs Management System
CoA	Chart of Accounts
COFOG	Classification of Functions of Government

CPA	Commonwealth Parliamentary Association
CPI	Consumer Price Index
CS-DRMS	Commonwealth Secretariat – Debt Recording Management System
CSO	Committee of Sponsoring Organizations
DCEC	Directorate on Corruption and Economic Crime
DHMT	District Health Management Team
DIA	Directorate of Internal Audit
DISS	Directorate of Intelligence Security Services
DPHB	District Planning Handbook
DPMS	Development Project Monitoring System
DPP	Directorate of Public Prosecutions
DPSM	Directorate of Public Service Management
DTC	Diamond Trade Centre
EFT	Electronic Funds Transfer
ERM	Enterprise Risk Management
ESP	Economic Stimulus Programme
EU	European Union
FIA	Financial Intelligence Agency
FDI	Foreign Direct Investment
FY	Fiscal Year/Financial Year
GAAP	Generally Accepted Auditing Practice
GABS	Government Accounting and Budgeting System
GAC	Government Audit Committee
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GoB	Government of Botswana
GPO	General Purchase Order
GRA	Government Remittance Account
HCMS	Human Capital Management System
HE	His Excellency
HR	Human Resources
HRDC	Human Resource Development Advisory Council
IA	Internal Audit
IAM	Internal Audit Manual
ICT	Information and Communication Technology
IFAR	Integrated Fixed Asset Register
IFMIS	Integrated Financial Management Information System
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPMS	Integrated Procurement Management System
IPSAS	International Public Sector Accounting Standards
ISPAAD	Integrated Support Programme for Arable Agriculture Development
ISPPIA	International Standards for Professional Practice of Internal Audit
ISSAIs	International Standards of Supreme Audit Institutions
KPIs	Key Performance Indicators
LA	Local Authorities
LEA	Local Enterprise Authority
LED	Local Economic Development
LG	Local Government
LIMID	Livestock Management and Infrastructure Development
LSD	Lysergic Acid Diethylamide

M & E	Monitoring and Evaluation
MDAs	Ministries, departments and agencies
MDCB	Mineral Development Company
MDG	Millennium Development Goals
MENRCT	Ministry of Environment, Natural Resources, Conservation and Tourism
MFED	Ministry of Finance and Economic Development
MITI	Ministry of Investment, Trade and Industry
MLGRD	Ministry of Local Government and Rural Development
MLWS	Ministry of Land Management, Water and Sanitation Services
MMGE	Ministry of Mineral Resources, Green Technology and Energy Security
MOBE	Ministry of Basic Education
MOHW	Ministry of Health and Wellness
MTBF	Medium-term Budget Framework
MTC	Ministry of Transport and Communication
MTDMS	Medium-term Debt Management Strategy
MTDS	Medium-term Debt Strategy
MTEF	Medium-term Expenditure Framework
MTF	Medium-term Framework
MTFF	Medium-term Fiscal Framework
MTTC	Madirelo Training and Testing Centre
MVA	Motor Vehicle Assurance
NBFIRA	Non-Financial Institutions Regulatory Authority
NDP	National Development Plan
NEER	Nominal Effective Exchange Rate
NES	National Export Strategy
NESC	National Electricity Standard Cost
NMES	National Monitoring and Evaluation System
NPF	National Petroleum Fund
NSO	National Strategy Office
NSS	National Security Strategy
NTB	Non-Tax Barriers
OAG	Office of Accountant General
OP	Office of the President
P	Symbol for Botswana Pula (BWP)
PAC	Public Accounts Committee
PDSF	Public Debt Service Fund
PEEPA	Public Enterprise Evaluation & Privatisation Agency
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PFMA	Public Finance Management Act
PFMRP	Public Finance Management Reform Program
PICs	Performance Improvement Coordinators
PICA	Proceeds and Instruments of Crime Act
PIMA	Public Investment Management Assessment
PMO	Programme Management Office
POM	Planning Officers Manual
POS	Point of Sales
PPADB	Public Procurement and Asset Disposal Board
PPPs	Public-Private Partnerships
PSDP	Private Sector Development Programme
PSDS	Private Sector Development Strategy
RA	Remittance Accounts
RADP	Remote Area Development Programme
REER	Real Effective Exchange Rate
RSG	Resource Support Grants



RTGS	Real Time Gross Settlement
SACU	Southern African Customs Union
SAI	Supreme Audit Institution
SB	Statistics Botswana
SDGs	Sustainable Development Goals
SMME	Small, Medium and Micro Enterprises
SOEs	State-Owned Enterprises
SONA	State of the Nation Address
SOUR	Statement of User Requirement
SPEDU	Selibe-Phikwe Economic Diversification Unit
SWIMS	Supply Warehouse and Inventory Management System
TA	Technical Assistance
TDGVA	Tourism Direct Gross Value Added
TMRCs	Tax Management and Revenue Collection System
TSA	Treasury Single Account
VAT	Value Added Tax
WUC	Water Utilities Corporation

# Executive summary

The purpose of this PEFA assessment is to provide an objective analysis on the present state of the Public Finance Management (PFM) system in the Republic of Botswana (the Government) against the revised PEFA methodology. This is a repeat assessment for the Government. The assessment will provide an update on the PFM progress since the last assessment conducted in 2013. In addition, this assessment establishes a new baseline of information under the revised 2016 PEFA framework.

## Purpose and management

This PEFA assessment was conducted to provide the Government, its citizens, development partners and other stakeholders with a complete picture of the current state of the PFM system. This is the third PEFA assessment completed for the Government. The assessment will assist the Government in identifying the PFM weaknesses that may interfere with the achievement of the PFM reform objectives. This report provides a basis for continuing the dialogue throughout the Government and with other stakeholders on the appropriate measures and strategies needed for future PFM reform plans.

## Scope, coverage, and timing

The assessment was conducted as a self-assessment with the Government taking full ownership of the project. This assessment is a follow-up to the one conducted in 2013. The self-assessment was launched on January 21, 2019. The PFM Reform Steering committee oversaw the assessment project with frequent status updates from the assessment management team. MFED executives approved and provided support throughout the assessment period.

The data collection and interviews (fieldwork portion of the assessment) were conducted from January 24 – March 7, 2019. The assessment team analyzed and prepared the preliminary version of the self-assessment from March 1 – April 21, 2019. MFED management and the PFM Reform Steering committee members reviewed the results and provided feedback from March 24 – May 17, 2019. Peer reviewers reviewed and completed the quality assurance of the PEFA report from May 20 – June 11, 2019. The financial years covered under the assessment were primarily 2015/16, 2016/17 and 2017/18.

The assessment looked at expenditures of central government (CG) entities, including budgetary units, extra-budgetary units, public enterprises and revenues collected by the Botswana Unified Revenue Services (BURS) as well as other revenue categories. CG budgetary units consists of ministries, departments and agencies (MDAs) whose budgets are approved by Parliament. Extra-budgetary units, public enterprises and/or parastatals are covered to the extent of financial reporting and allocations from the Government. The local authorities, or subnational governments (SNGs), were only included in the assessment as referenced by indicator 7 (transfers to subnational governments) and indicator 10 (fiscal risk reporting – 10.2 monitoring of subnational governments). Botswana Missions Abroad, Land Boards and Special fund accounts were not directly assessed but were factored in the CG overall operation of their parent entity.

## Impact of PFM on budgetary and fiscal outcomes

The results of this PEFA assessment explains how Botswana's PFM systems influences fiscal and budgetary outcomes. The results are as follows:

### 1. Aggregate Fiscal Discipline<sup>1</sup>

The Government keeps a tight grip on annual spending in accordance with the provisions of its financial rules and regulations. Most budget entities tend to operate within their allocated resources. However, there are instances of overspending by MDAs. This leads to budget adjustments via the supplementary budget request route or through the virement request process.

With the adoption of NDP 11, the Government proposed a comprehensive fiscal rule. The main elements of the fiscal rule are: financing recurrent budget from non-mineral revenues; splitting the spending of Mineral Revenues – with up to 60 percent invested in physical and human capital, while up to 40 percent is saved as financial assets for future generations; restricting total government expenditure to GDP at 30 percent; maintaining a 70:30 allocation between recurrent and development budgets; and maintaining the statutory debt-to-GDP limit of 40 percent; of which 20 percent is domestic debt, while the other 20 percent is foreign debt. The Government has a strong fiscal policy objective which is to maintain a balanced budget and keep deficits to a minimum.

Medium-term projections play a critical role in depicting the future fiscal outlooks for governments. However, there are concerns that the medium-term frameworks are not being used effectively to set parameters for the budget and to guide the Government in its decision-making process. Furthermore, revenue forecasting constantly underperforms and is not reliable. This could ultimately impede fiscal relevance and discipline.

SOEs performances are weak and rely a great deal on transfers from the Government to support some of their daily operations. There are uncertainties surrounding the future return on investment with SOEs. This leads to a growing fiscal concern of the Government that may impact future fiscal discipline.

### 2. Strategic Allocation of Resources

The strategic allocation of resources is critical to government operations when policy priorities and objectives are aligned with budget resources. The eleventh National Development Plan (NDP) was developed to represent the national plans and priorities of Botswana and its efforts leading towards the achievement of Vision 2036. NDP 11 is based on the theme "***Inclusive Growth for the Realisation of Sustainable Employment Creation and Poverty Eradication***". Most MDAs have developed strategic plans centered around and in support of NDP 11. The strategic plans are used as a guiding principle to efficient and effective service delivery. However, the strategic plans have not been appropriately defined due to the absence of program association with service delivery strategies and performance outcomes. There is no performance measurement information to track and there is no indication that cost analysis was conducted. In addition, there are no narratives in the annual budget documents to outline how the allocation of resources support service delivery units.

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<sup>1</sup> National Development Plan 11, April 2017 – March 2023, Ministry of Finance and Economic Development, March 2017

There was no evidence that indicated cost benefit analysis of service delivery was factored in the medium-term frameworks. With the lack of cost analysis of services and the absence of key performance evaluations in budget documentations, the decision to allocate resources across MDAs and other entities is not based on substantiated information and cost justifications. In addition, there are no indicative planning figures used in the budget preparation/development process. The budget allocation to subnational governments is usually based on how much resources are available at the time of budget formulation. This poses a threat to the medium-term outlook. Therefore, the link between the medium-term framework in expenditure budgeting, indicative planning mechanisms and MDAs strategic planning is fractured and not fully developed to support a strategic allocation of resources.

### **3. Efficient Use of Resources for Service Delivery**

Adjustments to the annual budget, through supplementary and/or virement requests, are kept to a minimum. However, there is limited evidence regarding whether budget resources are used efficiently when delivering services to the public. There is insufficient qualitative and/or quantitative data collected to determine if services are delivered as planned and whether those services lead to value for money opportunities for the Government. There is a lack of program evaluation and data on resources available at the service delivery units. This lack of performance information undermines accountability for service delivery.

The absence of performance information, identified at the MDA level, hinders operational efficiency. The Government is considering transitioning to a performance management or result-based environment that uses performance measurement information as the focal point during its annual planning and budget development process. However, this initiative has been mentioned in future PFM reform plans. No timelines for implementation have been identified.

## **SUMMARY OF RESULTS**

The PEFA performance assessment conducted from January – April 2019, based on the 2016 PEFA methodology, revealed the following results for the indicators and their respective dimensions:

**Table 1: Overview of the scores of the PEFA indicators**

2016 PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
<b>Pillar I. Budget reliability</b>							
PI-1	Aggregate expenditure outturn	M1	A				<b>A</b>
PI-2	Expenditure composition outturn	M1	B	B	A		<b>B+</b>
PI-3	Revenue outturn	M2	D	D			<b>D</b>
<b>II. Transparency of public finances</b>							
PI-4	Budget classification	M1	C				<b>C</b>
PI-5	Budget documentation	M1	B				<b>B</b>
PI-6	Central government operations outside financial reports	M2	B	B	C		<b>B</b>
PI-7	Transfers to subnational governments	M2	D	A			<b>C+</b>
PI-8	Performance information for service delivery	M2	D	D	A	C	<b>C</b>

2016 PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
PI-9	Public access to fiscal information	M1	D				D
<b>III. Management of assets and liabilities</b>							
PI-10	Fiscal risk reporting	M2	C	D	A		C+
PI-11	Public investment management	M2	B	C	C	D	C
PI-12	Public asset management	M2	C	D	D		D+
PI-13	Debt management	M2	B	C	B		B
<b>IV. Policy-based fiscal strategy and budgeting</b>							
PI-14	Macroeconomic and fiscal forecasting	M2	C	C	C		C
PI-15	Fiscal strategy	M2	D	B	C		C
PI-16	Medium-term perspective in expenditure budgeting	M2	C	D	D	D	D
PI-17	Budget preparation process	M2	C	C	A		B
PI-18	Legislative scrutiny of budgets	M1	C	C	A	B	C+
<b>V. Predictability and control in budget execution</b>							
PI-19	Revenue administration	M2	B	B	D	C	C+
PI-20	Accounting for revenue	M1	A	D	C		D+
PI-21	Predictability of in-year resource allocation	M2	D	D	A	B	C+
PI-22	Expenditure arrears	M1	D*	D			D
PI-23	Payroll controls	M1	C	D*	A	B	D+
PI-24	Procurement management	M2	A	D	A	D	C+
PI-25	Internal controls on non-salary expenditure	M2	A	C	B		B
PI-26	Internal audit	M1	A	B	D	C	D+
<b>VI. Accounting and reporting</b>							
PI-27	Financial data integrity	M2	D	D	D*	B	D+
PI-28	In-year budget reports	M1	C	B	C		C+
PI-29	Annual financial reports	M1	C	B	C		C+
<b>VII. External scrutiny and audit</b>							
PI-30	External audit	M1	A	C	D	A	D+
PI-31	Legislative scrutiny of audit reports	M2	B	A	B	C	B

## Government PFM Reform Process

In July 2010, GoB adopted a comprehensive and integrated Public Financial Management Reform Program (PFMRP), which was effective immediately. This program was an outcome of the first PEFA assessment done in 2009. Prior to the first PEFA assessment, reforms were conducted in an unstructured and ad hoc manner.

The PFM Reform program is in its ninth year of implementation. During this period, a PFM Coordinating Committee, a PFM Coordinating unit and a high-level steering committee were created. These entities were used to spearhead and facilitate the implementation of the

reform program and agenda. To steer the program, an implementation roadmap and a PFM action plan were developed and adopted by the Government.

#### PFM reform agenda

PFM reform has been a continuous priority for the Government. A PFM Reform Programme (PFMRP) was approved by the PFM Reform Steering committee on September 24, 2014. The current PFMRP is comprised of 13 components (see Chapter 5 for details).

The PFM Coordinating unit has been strengthened with the addition of a full-time staff and an intern. Activities are ongoing with all 13 PFMRP components, at various stages of completion.

#### Recent and On-Going Reform Actions

The Government continues to implement major PFM reforms. Some of the milestones achieved following the 2013 PEFA assessment are as follows:

- Production of People's Budget and publishing the budget in three languages (English, Setswana and Braille)
- Developed Work Force and Exchange Rate models to support MTFF. The models are used to set annual budget ceilings and are also published as part of the budget speech documentation and budget in brief
- MFED spear headed review and update of the planning officer's manual and the upgrade of the Development Projects Management System to improve the monitoring and evaluation of the projects management
- Public Investment Program (PIP) has been developed and approved covering the National Development Program P 11 period of 2017-23
- The Government has taken the initiative to introduce Medium-term Expenditure Framework (MTEF). Currently, the initial ceilings are prepared internally in the medium-term format even though the format is not submitted to the Legislature
- The Government conducted the review of budget classification to accommodate the transition from cash to accrual accounting including the adoption of IPSAS
- The guidelines for baseline budget projections were developed and is currently used to guide MDAs during the annual budget cycle process

#### Ongoing/new reforms as at 31<sup>st</sup> March 2019

- Finalization of the Budget Options process through technical support from OTA. The development of the Budget Options process is ongoing through the assistance of the OTA. For some years, this process was supported by the IMF AFRITAC South in the form of an annual paper early in the budget process. The pilot process is expected to guide the 2020/21 budget preparation process for selected pilot ministries;
- Ongoing development of a costing tool which is intended to improve project costing and program proposals. This is expected to end with adoption of a standardized costing methodology for projects that will be adopted by the Government during financial year 2019/20.

- Planning efforts are ongoing to conduct a debt sustainability analysis during FY 2019/20
- The PPADB Act is going through a review which is expected to support the decentralization of the government procurement services
- Development of E-procurement system is ongoing, and the part developed by PPADB was completed in June 2016. Currently, the IFMS is scheduled for roll out to MDAs
- A Public Assets Management policy is going through an approval stage. The cascade effort will be done during FY 2019/20
- The Auditor General is reviewing and updating the Regulatory and Performance Audit Manual

Numerous other achievements of PFM reform can be found in Chapter 5.

### Institutional considerations

The formal channels of PFM reform dialogue within the Government are the Steering and the Coordination Committees. The Coordination Committee membership consists of component managers. The committee meets every second month to discuss progress in implementation of reform activities; obstacles to implementation; resourcing and training requirements; and any other relevant business matters. Decisions made at the Coordination Committee that require the approval of the higher-level Steering Committee are discussed and approved by this committee. The Steering Committee meets on a quarterly basis. The members consist of representatives from MFED, the Office of the Auditor General, the Public Sector Reforms Coordinating office, the Directorate of Public Service Management, MLGRD, BURS, and PPAD.

### Government leadership and ownership

The Government has committed to a comprehensive and integrated PFM reform process since its inception in July 2010. Reform efforts are led by MFED. This is demonstrated by budget annually allocated to reform activities and the inclusion of capacity building opportunities for staff. Supplemental assistance is provided by development partners via technical assistance from the EU, IMF AFRITAC-South and most recently from the U.S. Department of Treasury – Office of Technical Assistance.

### Coordination across government

A high-level steering committee was established to lead the PFM Reform Programme at a strategic level. A coordinating committee and a Coordinating unit was established devoted to dealing with day-to-day implementation activities and the monitoring of the reform plans among various MDAs. Working groups are in place with the responsibility of planning and implementing specific reform activities led by designated Component Managers.

### A sustainable reform process

Since the inception of PFM reforms, capacity building has been a main priority across the component areas. The objective is to build technical skills across the PFM spectrum in order to ensure sustainability in strengthening the PFM processes and systems. As part of

succession planning, each component has working groups with representatives from various areas in order to create synergy across the Government.

The PFM Reforms Coordinating unit has full-time staff who are responsible for overseeing the reform plans and activities. The staff manages the collaboration of reform activities with different international partners. Some development partners especially EU, IMF AFRITAC South have supported the PFM Reforms program in terms of capacity building and provision of technical services, thus improving sustainability

#### Transparency of the PFM program

The Government's PFM reforms are part of the larger Public Sector Reforms (PSR). Regular updates on reform implementation and annual plans are shared with the Office of the President through the PSR Coordinator and the international community. The international community is updated on PFM reforms during a MFED biannual meeting. As part of the promotion and publicizing of the PFM Reform agenda, presentations are made during regional and national shows hosted by districts and trade fairs where pamphlets and other promotional materials are also shared with the public.

Major reports on PFM reforms such as the annual assessment of PFM progress are available on MFED's website. PFM reform progress is outlined in the annual budget speech. Reform updates are also noted in the Public Accounts Committee Summary Report and the Annual Statements of Accounts which are accessible to the public. Furthermore, the PFM reforms are the core of MFED's strategic plan (2017-2023) as it has been recognized as a potent driver of the Government's development goals.



# 1. Introduction

## Rationale and purpose

The rationale for a repeat PEFA assessment is to identify strengths and weaknesses in the Government’s PFM system at the central government level. The assessment will provide an in-depth analysis of any progress made in the PFM arena. The Government will be able to make evidence-based decisions on whether there is a need for strengthening the ongoing reform process and/or make additional adjustments to the reform plan.

The assessment results will be used to refocus the PFM reform agenda and to evaluate progress made since the inception of PFM Reform in 2010. Holistic evaluation will be made to determine the level of PFM improvements as well as identify any deficiencies or deterioration within the system.

The main stakeholders for the assessment are the Ministry of Finance and Economic Development, PFM Reform unit and the Ministry of Presidential Affairs, Governance and Public Administration, Public Sector Reforms unit.

The assessment results will guide the review of the PFM Reform program roadmap and the PFM Reform program strategy. The results will be made available to all stakeholders, including MDAs, parastatals, public corporations, development partners and other interested parties.

## Assessment management and quality assurance

The Government of Botswana initiated and funded this assessment. U.S. Department of Treasury, Office of Technical Assistance, provided an intermittent advisor to serve as the assessment manager and guide the assessment process. The PFM Reform Steering Committee served as the assessment oversight committee. The assessment team drafted the assessment report. Quality assurance was conducted by peer reviewers consisting of the European Union, World Bank, U.S. Embassy – Gaborone, Macro-Economic & Financial Management Institute of Eastern and Southern Africa, University of Botswana, Botswana Institute of Development and Policy Analysis, African Development Bank and the PEFA Secretariat. Ministries, departments, agencies, and public enterprises contributed to the assessment primarily during the fieldwork and data collection stage.

## PEFA assessment management organization

### PEFA Assessment Team

Team Member Name	Organization	Position
Ms. Teri Allen (Assessment Manager)	US Treasury	Technical Advisor
Ms. Grace Ntereke (Assistant Assessment Manager)	MFED	Deputy, Public Finance Management Reforms Coordinator
Ms. Grace Modukanele (Cluster I Leader)	MFED	Deputy Director, Budget Administration
Ms. Bophone Selebatso (Cluster I member)	BURS	General Manager

Team Member Name	Organization	Position
Ms. Katlego M. Gaie (Cluster I member)	MFED	Assistant Finance Officer
Ms. Kebafentse Ketshajwang (Cluster II Leader)	Auditor General	Quality Assurance Manager
Mr. Rebana Mmerekhi (Cluster II member)	University of Botswana	Senior Lecturer
Ms. Malebogo Kgosimore (Cluster II member)	MFED	Principal Accountant I
Ms. Tlotlo Matoko (Cluster II member)	MFED	Assistant Finance Officer
Ms. Chimbidzani Maripe (Cluster III Leader)	MFED	Chief Accountant
Ms. Olga Butale (Cluster IV Leader)	MFED	Chief Finance Officer
Mr. Obakeng Thebeetsile (Cluster IV member)	MFED	Principal Accountant I
Ms. D. Seleka (Cluster V Leader)	BURS	General Manager
Mr. Innocent A. Kologwe (Cluster V member)	MOBE	Reforms Facilitator (Education Strategy)
Ms. Gosegomang Radimpe (Cluster V member)	MFED	Assistant Accountant
Ms. Rosemary Rammei (Cluster VI member)	MFED	Principal Accountant I

### Auxiliary PEFA Assessment Team

Some officers who were initially nominated for the assessment were not able to fully participate due to unforeseeable commitments, hence recognized as auxiliary support, and they contributed to some areas of the assessment especially some chapters of the report.

Team Member Name	Organization	Position
Ms. Boineelo Peter	MFED	Director Budget Analysis and Debt Management
Mr. Valentine Neo	MFED	Chief Economist
Ms. Janet Ealotswe	MFED	Chief Accountant
Mr. Eric Mokoti	MFED	Deputy Director, Procurement
Ms. Portia Nuku-Basaakane	MFED	Assistant Accountant General, Procurement
Ms. Tebogo Tomango	MFED	Senior Assistant Accountant General
Mr. Lefoko Ramoathodi	PPADB	Devolution and Compliance Officer
Mr. Mark Sims	MFED	Project Specialist
Ms. Tlhobogang Peters	MFED	Chief Finance Officer

## Review of concept note and/or terms of reference

- Date of reviewed draft concept note and/or terms of reference: 12<sup>th</sup> June 2018 and final review was on 15<sup>th</sup> October 2018
- Invited reviewers:

REVIEW OF CONCEPT NOTE		
Reviewers	Date of First Comments	Date of final Comments
PEFA Secretariat	11 June 2018	15 October 2018
World Bank	12 June 2018	No comments
African Development Bank	No comment	24 October 2018
EU Delegation for Botswana and SADC	12 June 2018	23 October 2018
US Embassy-Gaborone	13 June 2018	No comments
MEFMI	13 June 2018	No comments
University of Botswana	No Comments	No comments
BIDPA	No comments	No comments

- Date of final concept note and/or terms of reference: 11th December 2018

## Review of the assessment report

- Dates of reviewed draft report: May 21 – June 18, 2019
- Invited reviewers: Government of Botswana, African Development Bank, the World Bank, Macro-Economic and Financial Management Institute of Eastern and Southern Africa, Botswana Institute of Development and Policy Analysis, University of Botswana, U. S. Embassy – Gaborone, the European Union, Southern African Development Community and the PEFA Secretariat.
- Reviewers who provided comments: GoB, ADB, BIDPA, US Embassy, the EU, SADC and the PEFA Secretariat

## Assessment methodology

The assessment methodology followed the 2016 PEFA framework. The 2016 framework consists of seven pillars that use a set of 31 performance indicators and their 94 associated dimensions. The framework introduced four new indicators, totaling 31 indicators instead of 28 from the previous 2011 framework. Some of the former indicators were redefined with stringent scoring criteria. Furthermore, a stronger focus was applied to internal controls and a policy perspective to fiscal strategy.

## Scope and coverage of the assessment<sup>2</sup>

The Government is composed of central and local government, which represents the general government, plus public corporations. However, the scope of the assessment covers the operation of central government. The central government is comprised of 25 budgetary units and 64 public enterprises which are financed wholly or partially by the Government. The public enterprises or parastatals are classified in two categories: commercial (17 entities) and non-commercial (45 entities). Non-commercial entities are financed via subventions (which are public funds transferred from their parent ministry) as well as reliance on their self-generating income. The other parastatals are expected to generate their own income (revenue). Extra-budgetary entities are classified as non-market producers of goods and services.

The scope of the assessment did not directly cover local authorities, or subnational governments, unless directly included in the PEFA framework criteria such as transfers to subnational governments and monitoring of subnational governments. The local government is comprised of 10 district councils, 6 urban (town) councils and 12 land boards. The Ministry of Local Government and Rural Development (MLGRD) provides oversight of the district and urban councils. The Ministry of Land Management, Water and Sanitation Services oversees the land boards. Most activities of the local government take place at the district and urban levels.

Botswana Missions Abroad (BMAs) were not directly assessed on an individual basis but as part of the whole government under the Ministry of Foreign Affairs and International Corporations. BMAs are funded by the general budget cost centres under the ministry budget.

The budgetary central government is comprised of four fund categories: Consolidated fund; Development fund; Contingent fund; and Special funds. There are 33 Special Funds established by the Government. Some of the Special Funds are: Public Debt Service Fund Order; Revenue Stabilization Fund Order; Road Levy Collections Fund; Foreign Exchange Stabilization Reserve Fund Order; Guardians Fund; National Petroleum Fund Order; National Electrification fund; Human Resources Development Fund; Housing Fund; and Tertiary Education Development Fund. The Special Funds were not assessed directly as part of the PEFA assessment as they are operated independently from the Government's daily transactions. However, Special Funds were considered when assessing *PI-6 Central government operations outside financial reports*. Special Funds are not integrated in the annual budget approval process. Special Funds are recognized during budget preparation but do not form part of the annual budget documentation. Since FY 2017/18, detailed information on revenues and expenditures of Special funds have been incorporated into the Annual Statement of Accounts. According to IMF, Special Funds are captured in the category "other financing" and are calculated as a residual item in financing of the Government.<sup>3</sup> For the Fiscal Year ending March 31, 2018, Special Fund expenditures were P 2.4 billion, or 4.4% of the amount of the total budget expenditures for that year.

## When performance is assessed

The primary assessment period was fiscal years 2015/16, 2016/17 and 2017/18. There were some adjustments made to the timing when the "time period" specified by the PEFA

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<sup>2</sup> Finance and Audit Act

<sup>3</sup> IMF, Botswana: Technical Assistance Report on the Government Finance Statistics Mission, June 2017

guidelines stated the following: “last budget submitted to the legislature” (FY 2019/20); “last completed fiscal year” (FY 2017/18); “performance indicators and planned outputs and outcomes for the next fiscal year” (FY 2019/20); “at time of assessment” (FY 2018/19); and “last annual financial report submitted for audit” (FY 2017/18). The cutoff date for the assessment was March 1, 2019. However, the Auditor General’s report findings on FY 2017/18 was not used due to the lack of approval from the National Assembly. Therefore, the assessment used the last completed fiscal years consisting of FY 2014/15, 2015/16 and 2016/17. This was the only exception when FY 2014/15 was considered in the assessment.

### **Sources of information**

The assessment team collected and consulted with a variety of government representatives from the following: budgetary units, institutions, public enterprises and other budget entities. MFED senior management and the PFM Reform Steering committee provided the oversight role of the assessment. MFED senior management and the PFM Reform Steering committee was regularly provided feedback, recommendations and a weekly and/or monthly status of the PEFA project. The names of individuals who participated in the assessment interviews are listed in Annex 3. The membership of the PFM Reform Steering Committee is comprised of representatives from MFED, Public Sector Reforms, National Strategy Office, Ministry of Local Government and Rural Development, Directorate of Public Service Management, BURS, Auditor General and PPADB. The full list of sources of information for each of the indicators and dimensions is outlined in Annex 4.

### **Other methodological issues for the preparation of the report**

The assessment was conducted as a standalone project. The 2016 PEFA framework was explicitly followed in accordance to the guidelines. There were no deviations or substitutions used in assessing the indicators and dimensions. All 31 indicators and 94 dimensions were assessed and scored in adherence to the applicable criteria. The assessment team also scored, using the 2011 PEFA framework, the comparison between 2013 and 2019 PEFA results. The comparison between the 2013 and 2019 scores is in Annex 5.

## 2. Country background information

Botswana is a sovereign Republic. It is in Southern Africa and shares the border with South Africa, in the south and southeast, Namibia, in the northwest, Zambia and Zimbabwe in the northeast. It has a surface area of 582,000 km<sup>2</sup> with the Kalahari Desert. The population is over 2,025,000. The majority, about 87 percent, of the population live in the eastern part of Botswana.<sup>4</sup>

Since 1966, Botswana has been among the fastest growing economies in Africa. It graduated from among the 25 poorest and least developed countries in the world in the 1960s to an upper middle-income country between 1980 and 2000. Botswana is well-endowed with minerals and other natural resources, including diamonds, gold, copper, nickel, uranium, iron and coal. Diamonds have been a major source of revenue for decades. The coal reserves are estimated around 212 billion tonnes.

### Country economic situation

According to macroeconomic forecasts, the economic outlook is positive. Most sectors are expected to register growth rates. In 2018, real GDP growth showed signs of recovery following the slowdown experienced in 2017. Inflation remains positive in the medium-term. Interest rates continue to support economic activity and are reflective of low inflationary pressures.

### Economic Growth<sup>5</sup>

The economy grew by 2.9 percent in 2017. This was a slowdown from 2016 which recorded growth at 4.3 percent. Through the first three quarters of 2018, the growth in the economy averaged 4.6 percent. The economy is projected to grow by 4.2 percent in 2019 and 4.8 percent in 2020. The growth is attributable to improvements in the mining sector due to increased diamond production. Positive performances are also expected in Transport, Communication, Trade, Hotels and Restaurants, Finance and Business Services. See table below.

**Table 2.1: Real GDP Growth Rates by Sector (2006 constant prices): 2015 - 2019**

SECTOR	ACTUALS		PROJECTIONS		
	2015	2016	2017	2018	2019
1. Agriculture	0.3	-1.0	1.0	1.1	1.2
2. Mining	-19.6	-3.7	0.5	9.3	2.6
3. Manufacturing	3.2	0.8	1.8	1.9	1.5
4. Water & Electricity	7.0	123.0	39.2	10.9	4.0
5. Construction	4.0	4.2	4.5	4.4	4.3
6. Trade, Hotels & Restaurants	-3.9	13.5	9.1	7.3	10.0
7. Transport & Communications	4.5	5.6	6.7	6.2	6.2
8. Finance & Business Services	4.5	3.8	3.6	4.0	4.0
9. General Government	3.3	2.0	2.6	2.6	2.6

<sup>4</sup> Statistics Botswana, Consumer Price Index, December 2018

<sup>5</sup> Statistics Botswana, Consumer Price Index, December 2018

SECTOR	ACTUALS		PROJECTIONS		
	2015	2016	2017	2018	2019
<b>10. Social &amp; Personal Services</b>	3.6	3.5	3.6	3.7	3.7
<b>Adjustment Items</b>	1.1	0.0	4.7	5.3	5.0
<b>Total GDP</b>	-1.7	4.3	4.7	5.3	5.0
<b>Non-Mining</b>	1.7	5.5	5.3	4.8	5.4

Source: Statistics Botswana Actuals & MFED Projections

## Inflation<sup>6</sup>

Domestic inflation remains low and stable. Headline inflation was 3.5 percent in December 2018, an increase from 3.2 percent in the same month of 2017. The increase was mainly due to increases in fuel prices. Core inflation was 1.8 percent in December 2018, a decline from 2.3 percent recorded in December 2017. The inflation outlook is expected to remain positive, due to the modest domestic demand pressures and the relative strength of the Pula against the South African Rand. However, some risks remain especially from any adjustments needed in administered prices, government levies or taxes, or increases in commodity prices, including world oil prices, beyond the current levels.

The national Consumer Price Index was 107.4 in December 2018, an increase of 0.1 percent. The Trimmed Mean Core Inflation rate was 3.6 percent in December 2018, a decrease of 0.2 since November 2018 rate of 3.8 percent. The Core Inflation rate was 1.8 percent, an increase of 0.1 percent from November 2018.

Table 2.1.b outlines the economic indicators, in real terms. GDP real growth and CPI have fluctuated between 2015 – 2017. External debt remains low and stable in comparison to most countries.

**TABLE 2.2: Selected economic indicators**

	2015	2016	2017
GDP	152.2	173.0	183.9
GDP per capita (US dollars)	6,785	7,272	7,989
Real GDP growth (%)	-1.7	4.3	2.4
CPI (annual average change) (%)	3.1	2.8	3.3
Gross government debt (% of GDP)	22.8	19.9	25.0
External terms of trade (annual percentage change)	195.7	174.4	155.8
Current account balance (% of GDP)	5.6	13.7	12.3
Total external debt (% of GDP)	18.4	14.3	12.9
Gross official reserves (months of import value)	7,546	7,189	7,502

Source: Ministry of Finance and Economic Development and IMF

## Employment<sup>7</sup>

The employment by sector, as of September 2018, in Botswana is as follows: private sector (46.8%), Central government (25.7%), Local government (22.8%) and parastatals (4.7%). Overall employment increased by 1.0 percent (3,976 persons) from 413,186 persons in June 2018 to 417,162 persons in September 2018. Local government recorded the highest growth of 1.8 percent in employment followed by Central government and parastatals with 1.4

<sup>6</sup> Statistics Botswana, Consumer Price Index, December 2018

<sup>7</sup> Statistics Botswana, "Formal Sector Employment Stats Brief", September 2018

percent and 1.1 percent respectively. Private sector recorded an increase in employment of 0.3 percent.

### **Wages and Earnings<sup>8</sup>**

Monthly average earnings were P6,038 for citizens, P18,265 for non-citizens and P6,347 for all employees at the end of September 2018. This was a decrease of 1.3 percent in monthly average earnings for all employees from June 2018 (P6,430) to September 2018 (P6,347).

### **The government's main economic challenges and government-wide reforms**

Over the years, the domestic economic performance, as measured by GDP, has averaged 10 percent between 1966 and 2008. The economy faced a slowdown due to the financial crisis of 2008/2009. Currently, the main economic challenges are sustaining positive economic growth rates, reducing unemployment and eradicating abject poverty. Other challenges include rising expenditure needs and volatility in the major revenue sources.

Botswana has achieved sustained economic growth since independence, but high unemployment, unequal access, declining education quality and inadequate skills development, and a relatively high unmet need for family planning among underserved populations are key bottlenecks that undermine socio-economic progress and attainment of the country's long-term development vision.<sup>9</sup>

Botswana is taking measures to ensure the budget is affordable and sustainable. This is done by maintaining a balanced budget or modest surpluses in order to create fiscal space for the Government to provide productive investments and social development. In addition, the Government is looking into broadening the country's domestic revenue base to reduce the reliance on diamond revenue.

The Government adopted the National Development Plan 11 (NDP 11) in December 2016. NDP 11 was prepared to guide the medium-term economic development path for the country, as well as guide the implementation of Vision 2036. The theme for NDP 11 is "Inclusive Growth for the Realisation of Sustainable Employment Creation and Poverty Eradication". NDP 11 focuses on six broad-based national priorities consisting of: Developing Diversified Sources of Economic Growth; Human Capital Development; Social Development; Sustainable Use of Natural Resources; Consolidation of Good Governance and Strengthening of National Security; and Implementation of an Effective Monitoring and Evaluation System. NDP 11 is expected to run from April 2017 to March 2023.<sup>10</sup>

### **Fiscal and budgetary trends**

Botswana has a good track record of fiscal responsibility and sustainable public debt. However, annual expenditures (recurrent and development) plus net lending has exceeded total annual revenue resulting in annual deficits for the three fiscal years under review.

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<sup>8</sup> Statistics Botswana, "Formal Sector Employment Stats Brief", September 2018

<sup>9</sup> UNFPA, Policy Brief: Maximizing the Demographic Dividend in Botswana, 2018

<sup>10</sup> National Development Plan 11, April 2017 – March 2023, Ministry of Finance and Economic Development, March 2017



**TABLE 2.3: Aggregate fiscal data (Pula Million)**

Central government actuals			
	FY 15/16	FY 16/17	FY 17/18
<b>Total Revenue and Grants</b>	<b>47,420.30</b>	<b>57,398.43</b>	<b>56,411.05</b>
Mineral Revenue	14,437.64	22,495.88	18,686.34
Customs & Excise Revenue	15,817.58	11,773.34	17,864.38
Non-mineral Income Tax	8,690.63	9,572.20	8,200.26
VAT	5,547.59	6,642.70	7,776.36
BOB Revenue	1,133.03	2,841.95	1,573.20
Other Revenue and Grants	1,648.20	3,502.26	2,310.50
<b>Total Expenditures and Net Lending</b>	<b>54,411.16</b>	<b>56,274.86</b>	<b>58,392.90</b>
<b>Recurrent Expenditure</b>	<b>40,413.36</b>	<b>41,166.16</b>	<b>43,562.10</b>
Personal Emoluments	18,544.01	19,224.44	21,068.42
Other Charges	9,773.84	9,740.20	9,312.52
Grants & Subventions	11,268.76	11,323.69	12,191.68
Interest Payments	826.75	877.83	989.50
<b>Development Expenditure</b>	<b>12,772.93</b>	<b>15,160.79</b>	<b>14,745.80</b>
<b>Net Lending</b>		<b>592.91</b>	<b>84.96</b>
<b>Overall surplus/deficit (-)</b>			
As a % of GDP	<b>-6,990.84</b>	<b>-535.48</b>	<b>-1,981.90</b>
<b>GDP at current prices</b>	4.7%	0.31%	1.1%
	<b>149,111</b>	<b>174,836</b>	<b>182,408</b>

Source: Ministry of Finance and Economic Development

The annual budget allocations across sectors have been relatively consistent over the past three fiscal years as outlined in Table 2.3. The top three sectors that have received over 14% of the annual budget allocations are General Public Services, Education and Economic Services.

**TABLE 2.4: Budget allocations by function**

Actual budgetary allocations by sectors (as a percentage of total expenditures)			
	FY 15/16	FY 16/17	FY 17/18
General Public Services	14%	15%	14%
Defense	6%	9%	7%
Education	18%	19%	19%
Health	9%	9%	10%
Food and Social Welfare Programs	3%	3%	4%
Housing, Urban and Regional Development	4%	4%	3%
Other Community and Social Services	3%	3%	3%
Economic Services	18%	16%	16%
Agriculture, Forestry & Fishing	4%	2%	3%
Mining	0%	2%	1%
Electricity and Water Supply	6%	8%	7%
Roads	2%	2%	3%
Other	5%	3%	3%
Unallocated Expenditures	7%	6%	7%
<b>Total Expenditures</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: This classification is based on the functional structure set out in the International Monetary Fund's Manual on Government Finance Statistics. Source: Ministry of Finance and Economic Development, Annual Statement of Accounts

**TABLE 2.5: Budget allocations by economic classification**

<b>Actual budgetary allocations by economic classification (as a percentage of total expenditures)</b>			
	<b>FY 15/16</b>	<b>FY 16/17</b>	<b>FY 17/18</b>
Personal Emoluments	30%	30%	31%
Pensions, Gratuities and Compensations	4%	4%	5%
Grants & Subventions	21%	21%	21%
Other Charges	18%	18%	16%
Public Debt Interest	2%	2%	2%
Development Expenditure	24%	28%	25%
PDSF Loans	1%	2%	0%
Government Equity	1%	0%	0%
Repayment of Loans of which	0%	-2%	0%
—PDSF	0%	-2%	0%
---Other (DF)	0%	0%	0%
Total Expenditures	100%	100%	100%

Source: Ministry of Finance and Economic Development, Annual Statement of Accounts

The budget allocations by function and economic classification have been relatively steady and consistent for the three fiscal years under review.

### **Legal and regulatory arrangements for PFM**

The Government's legal and regulatory arrangements for PFM consists of the following:

#### **The Constitution<sup>11</sup>**

On September 30, 1966, the independent Republic of Botswana was established and the Constitution was adopted. The Bill of Rights is included in the Constitution. The Bill of Rights guarantees certain fundamental rights and freedoms and it affords all persons' equal protection of the law. The Constitution outlines a republican form of government, headed by the President. There are three main branches of government - the legislature, the executive and the judiciary. The President is head of the executive and commander-in-chief of the armed forces of the Republic. The President is also an integral part of the legislature.

#### **The Legislature<sup>12</sup>**

The legislature is comprised of the National Assembly and the President, acting in consultation on tribal matters with the House of Chiefs, which is the supreme authority in the Republic. The supreme legislative authority in Botswana is Parliament. The main functions of Parliament are to pass laws regulating the life of the nation and to scrutinize government policy and administration and to monitor government spending. There are 57 members of the National Assembly who are elected by their constituencies and 6 specially elected members for a total of 63 members.

#### **The Executive**

The executive branch consists of the cabinet headed by the President. There are 18 ministers and 8 assistant Ministers who run ministries and departments of the Government. The executive branch is responsible for initiating and directing national policy; oversight and

<sup>11</sup> Republic of Botswana, Constitution of Botswana, Chapter 1

<sup>12</sup> Republic of Botswana, Constitution of Botswana, Chapter 1

control over ministries and departments which implement government policy, and parastatal corporations that provide specific national services.

### **The Judiciary**

The judiciary administers and interprets the law of the land. The judiciary is independent of both the executive and legislative branches of government. It consists of a typical court system of local Magistrates Courts, a High Court and a Court of Appeal. The High Court is a superior court of record with unlimited original jurisdiction to hear and determine any criminal, civil or constitutional cases under any law. The Head of the High Court is the Chief Justice. Appeals can be heard by the Court of Appeal. The Court of Appeal is the highest and final court in the country and deals with appeals from the High Court and Industrial Court. The Head of the Court of Appeal is the Judge President. Judges are appointed by the President of Botswana on the recommendation of the Judicial Services Commission.

The constitution contains a Finance section (Chapter VIII, ss 117-124). Within the Finance section there are subsections that establish the foundation for the following: Consolidated Fund; Withdrawals from Consolidated Fund or other public funds; Authorization of Expenditure; Authorization of Expenditure in advance of appropriation; Contingencies Fund; Remuneration of certain officers; Public Debt; and Auditor-General.

The Public Finance Management Act (PFMA), Act No. 17 of 2011, was enacted to make provision for the control and management of public finances, supplies and other connected matters. The sections of the PFMA include: Control and Management of Public Finances and Supplies; Loans, Guarantees and Grants; Expenditure; Development Fund and Special Funds; Audit and Accounts; Surcharge; Liability; Financial Regulations, Instructions and Procedures; and Miscellaneous matters.<sup>13</sup> The PFMA also includes the establishment of the Government Audit Committee (GAC) and strengthens the functions of the Directorate of Internal Audit (DIA).

The Public Procurement and Asset Disposal Act established the Public Procurement and Asset Disposal Board and its committees. The Act provides for the procurement of works, supplies and services for the disposal of public assets and other related matters. The following Parts are outlined in the Act: Preliminary; Procuring Entities; Public Procurement Rules and Process; Evaluation Processes; Choice of Procurement Methods; Procurement of Supplies; Procurement of Works; Procurement of Services; Administrative Review; General; Disposal of Assets; and, Methods for Disposal of Public Assets.<sup>14</sup>

Section 73 of the Local Government Act established the Local Authorities Public Accounts Committee to examine the accounts of every Council and Land Board which are required to be presented to the Minister and any other accounts referred to it by the Minister.<sup>15</sup>

Finance and Audit, Chapter 54:01, an Act to make further and better provision for the control and management of public moneys and public stores, for the audit of public accounts and the accounts of certain statutory corporations, for the powers and duties of the Auditor-General and for matters connected therewith and incidental thereto.<sup>16</sup>

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<sup>13</sup> Public Finance Management Act, 2011

<sup>14</sup> Public Procurement and Asset Disposal Act, Chapter 42:08

<sup>15</sup> Local Government Act, Section 73

<sup>16</sup> Finance and Audit Act, Chapter 54:01

## Institutional arrangements for PFM

Botswana's public sector is comprised of the central government, local governments and public corporations. There are no social security fund accounts. The central government consists of 25 budgetary units, representing ministries, offices, statutory requirements and other entities. The Local government is comprised of 10 district councils, 6 town (urban) councils and 12 land boards. The Ministry of Local Government and Rural Development (MLGRD) provides oversight over the district and town councils. The Ministry of Land Management, Water and Sanitation Services oversees the land boards.

**TABLE 2.6: Structure of the public sector - FY 2017/18**

	Government subsector		Social security funds	Public corporation sub-sector	
	Budgetary unit	Extra-budgetary units		Nonfinancial public corporations	Financial public corporations
Central	25	45	0	2	15
Local	34				
Councils (16):					
Districts – 10					
Town Councils – 6					
Land Boards (12)					
Subordinate authority (6)					

Source: Ministry of Finance and Economic Development

Institutional arrangements for PFM consist of the following important entities:

### Ministry of Finance<sup>17</sup>

MFED is responsible for the coordination of national development planning, monitoring implementation, mobilizing and managing financial and economic resources for the achievement of inclusive and sustainable socio-economic development, and overall national prosperity. The following divisions and departments make up the structure of MFED:

- **Economic and Financial Policy division** – responsible for Macroeconomic, Financial and Socio-economic development policies and analysis;
- **Development and Budget division** – responsible for National Budget and Financial Management as well as coordination of the implementation of Public Finance Management Reform Programme. The division ensures that the whole budgetary and planning process is managed in a timely and professional manner;
- **The Office of Accountant General** – is entrusted to provide efficient accounting, financial services and procurement advice and to ensure compliance, as well as provision of custodial and advisory services in accordance with the relevant acts and regulations. The office ensures that the system of internal controls in ministries, fund agencies or other reporting units required to produce government accounts under

<sup>17</sup> Ministry of Finance and Economic Development, Performance Review Report, 28<sup>th</sup> February 2017

the law, is appropriate to the needs of the organizations concerned and conforms to national and internationally recognized standards;

- **Internal Audit department** – responsible for providing objective assurance to management on the adequacy, reliability and effectiveness of governance, risk management and internal controls in all ministries and independent departments;
- **Financial Intelligence Agency (FIA)** – established as an autonomous public office by Act of 2009. The agency is responsible for requesting, receiving, analyzing and disseminating financial information concerning suspicious transactions to an investigatory authority, supervisory authority or comparable body, in order to counter financial offenses, particularly money laundering and financing of terrorism;
- **Corporate Services department** – provides support services on the ministry’s cross-cutting areas such as Human Resources Management, Administrative Services, IT, Corporate Communication, Strategy Management, etc.

### **Auditor General<sup>18</sup>**

The Auditor General is mandated by Section 124 of the Constitution to audit the public accounts of Botswana and of all officers, courts and authorities of the Government and forward those reports to the Minister of Finance, who shall lay the reports before the National Assembly. In accordance to Section 7 of the Public Audit Act (Cap. 54:02), the Auditor General must satisfy the following:

- 1) All reasonable precautions have been taken to safeguard the collection and custody of public moneys and that the laws, instructions and directions relating thereto have been duly observed;
- 2) The disbursement of public moneys has taken place under proper authority and for the purposes intended by such authority;
- 3) All reasonable precautions have been taken to safeguard the receipt, custody, issue and proper use of public stores, and that the instructions and directions relating thereto have been duly observed;
- 4) Adequate instructions or directions exist for the guidance of officers responsible for the collection, custody, issue and disbursement of public moneys or the receipt, custody and issue of public stores;
- 5) To examine the economy, efficiency or effectiveness with which any officer, authority or institution of Government has, in the discharge of his/her or its official function, applied or utilized the public moneys or public supplies at his/her or its disposal and submit the reports on the findings thereon to the Minister of Finance who shall lay such reports before the National Assembly; and
- 6) In accordance with the terms of Section 68 (3) of the Local Government Act and Section 32 (3) of the Tribal Land Regulations audit the accounts of the local authorities and district councils and land boards, and submit the reports, along with the audited statements, to the Chief Executive Officers of those entities who shall lay those reports before their respective authorities and boards.

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<sup>18</sup> Republic of Botswana, Constitution of Botswana, Chapter VIII, Section 124

## **Botswana Unified Revenue Services (BURS)<sup>19</sup>**

BURS was established as a body in accordance with the Botswana Unified Revenue Service Act, 2003 (Act No. 17 of 2004). The Revenue Service is responsible for the assessment and collection of tax on behalf of the Government. The various types of taxes include the income tax, the value added tax (VAT), the fuel levy and the capital transfer tax. Other collections consist of customs and excise duties on behalf of the Southern African Customs Union (SACU). The Revenue Service has power to:

- 1) Administer and enforce the revenue laws;
- 2) Promote compliance with the revenue laws;
- 3) Take such measures as may be required to improve service given to taxpayers with a view to improving efficiency and maximizing revenue collection;
- 4) Take such measures as may be required to counteract tax fraud and other forms of tax evasion;
- 5) Advise the Minister on matters relating to the administration and collection of tax; and
- 6) Perform such other functions in relation to tax as the Minister may direct.

The Revenue Service shall, in the discharge of its functions under this Act, have power to: a) study the revenue laws and propose to the Minister, such amendments as it considers appropriate so as to improve the administration of and compliance with such laws; b) calculate the administrative costs, compliance costs and the operational impact of existing taxes and intended tax changes, and to advise the Minister; c) collect and process statistics needed to provide forecasts of tax receipts and the effect on yield of any proposals for changes in the revenue laws, and to advise the Minister; and, d) subject to the provisions of the Act, take such other measures as it considers necessary or desirable for the achievement of the purposes or provisions of the Act. A Board of Directors was established as the governing body of the Revenue Service. The board is responsible for the direction in connection with the management, performance, operational policies and implementation of policies of the Revenue Service. The Board of Directors comprise non-executive Chairman, other members appointed from the public, parastatal, and private sectors and the Commissioner General. The members are appointed by MFED in accordance with provisions of Section 6 of the BURS Act, Cap 53:03 of the Laws of Botswana.<sup>20</sup>

Section 15 (1) of the BURS Act empowers the Board to appoint committees. The Board has appointed the following committees: Board Audit and Finance committee (BAFC); Board Human Resources committee (BHRC); and Board Tender committee (BTC).

## **Bank of Botswana (the Central Bank)<sup>21</sup>**

Bank of Botswana was established in accordance with the Bank of Botswana Act (Cap 55:01). The Act provided for the establishment of the Bank of Botswana, its constitution, objectives and powers to regulate the issuance of Bank notes and coins; to provide for certain matters connected with banking, currency and coinage and for matters connected and incidental. Bank of Botswana is known as the central bank.

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<sup>19</sup> Botswana Unified Revenue Service Act, Chapter 53:03, 2003 (Act No. 17 of 2004)

<sup>20</sup> Botswana Unified Revenue Service Act, Cap 53:03

<sup>21</sup> Bank of Botswana Act, Cap 55:01

## **Politics and Government**

The Constitution of Botswana is the rule of law, which protects the citizens of Botswana and represents their rights. The political framework of Botswana is the representative Democratic Republic. The President of Botswana is both head of state and head of government. Executive power is exercised by the Government. Legislative power is vested in both the Government and the Parliament of Botswana. The multi-party system has been dominated by the Botswana Democratic Party.

## **Other key features of PFM and its operating environment**

The Government has four types of fund categories. The funds are:<sup>22</sup>

- 1) Consolidated Fund – consists of all revenue raised or received for purposes and benefit of the Government. The fund excludes revenues or other monies that are payable by or under any law which established the fund for a specific purpose;
- 2) Development Fund – includes any money appropriated by law from the consolidated fund to finance various government development expenditures. The fund also includes money received from proceeds of loans raised by the Government and grants made to the Government for purposes of expenditure on development and other government projects, and reimbursement of expenditure under any project;
- 3) Contingencies Fund – established mainly for enabling advances for urgent and unforeseen circumstances for which no other provision exists or has been made where such expenditure could not be delayed or postponed for various reasons. The money under this fund is appropriated from the consolidated fund in accordance with applicable provisions of the law; and
- 4) Special Funds – represents any fund of public revenues established by or under any written law for specific purpose, any trust held by Government or any fund created by the Minister of Finance in accordance with powers conferred upon him/her by the Public Finance Management Act No. 17 of 2011.

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<sup>22</sup> Republic of Botswana, Public Finance Management Act, 2011 (Act No. 17 of 2011)

### 3. Assessment of PFM performance

This chapter outlines the assessment of the key elements of the PFM system in Botswana. The assessment covered the 31 performance indicators and their respective 94 dimensions. The performance for each indicator and dimension was rated on the ordinal scale of A to D. A score of D reflects performance below the basic requirements as established by PEFA or insufficient information was available to adequately score the component. The ordinal scores are defined as follows:

<b>A</b>	This performance level represents good international practices. All the criteria for the dimension were met in a complete, accurate, verifiable and timely manner.
<b>B</b>	This performance level represents a mixture of good and basic international practices.
<b>C</b>	This performance level represents the basic international practices.
<b>D</b>	This performance level falls below the basic requirements of international practices and standards. In addition, this score is applied when insufficient information is available to assess a criterion.

#### PILLAR ONE: Budget reliability

Pillar one assesses whether the government budget is realistic and is implemented as intended. This is measured by comparing actual revenue and expenditures with the original approved budget.

#### PI-1. Aggregate expenditure outturn

##### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-1. Aggregate expenditure outturn</b>	<b>A</b>	<b>Aggregate expenditure was between -1.9% and 3.3% of the originally approved budget.</b>
1.1. Aggregate expenditure outturn	A	Aggregate expenditure outturn was 0.5%, 3.3% and -1.9% for the years 2015/16, 2016/17 and 2017/18 respectively.

##### Aggregate expenditure outturn

	2015/16	2016/17	2017/18
Budget	54 162.93	54 454.53	59 553.78
Actual	54 416.66	56 274.85	58 392.95
% Deviation	0.5%	3.3%	-1.9%

This indicator/dimension measures the extent to which aggregate expenditure outturn deviates from the originally approved budget. The score for this indicator/dimension is “A”. In all the three financial years, aggregate expenditure outturn deviated from the original



budget by an amount less than 5% of the originally approved budget. Deviations were 0.5%, 3.3% and -1.9.% for 2015/16, 2016/17 and 2017/18 respectively. Deviations for all the three years were less than 5% even though expenditure incurred includes supplementary funding for unforeseen circumstances and expenditure charged to the contingency fund. Therefore, this indicates that the original forecast was reliable (refer to Annex 5 for the Calculations).

Contingency vote limit is P10 million and that expenditure was charged to the contingency vote only in one year (2015/16) for the period under review. The amount charged was P5.5 million which was 0.004% of the originally approved budget. The expenditure is not significant as in the other two years there was no expenditure under contingency vote.

The Medium-Term Expenditure Framework (MTEF), which is a project under the National Budget Reform, is expected to improve forecasting of expenditure. Forecasts are done for the medium term instead of one (1) year. The reform plan will also include costing methodologies which is expected to enhance forecasting. Budget documentation for this indicator include the Estimates of Expenditure from the Consolidated and Development Funds and Annual Statement of Accounts. The net balance of suspense account as of end of FY 2017/18 was P1, 296,933,684.37 with high debits mostly consisting of embassies rental deposits, equities and BCL liquidation advances. The unallocated expenses against actual expenditure was 2.5% for 2017/18.

## PI-2. Expenditure composition outturn

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-2. Expenditure composition outturn</b>	<b>B+</b>	<b>Variance in expenditure outturn by function and economic type for two years was more than 5% but less than 10%.Unallocated expenses were 2.5% for 2017/18.</b>
2.1 Expenditure composition outturn by function	B	The variances in expenditure outturn by administrative classification were 7.7%, 5.8% and 6.9% for the three years covered. Expenditure outturn was higher than the approved budget for some ministries due to supplementary funding which revised the budget figures. The outturn is based on the original budget.
2.2 Expenditure composition outturn by economic type	B	Variance in expenditure composition outturn by economic type was 14.9%, 2.3% and 5.2%.
2.3 Expenditure from contingency reserves	A	Expenditure was charged to the contingency vote only in one year (2015/16) for the period under review. The amount charged was P P5.5 million which was 0.01% of the originally approved budget.

#### 2.1. Expenditure composition outturn by function

This dimension indicates the variances in the composition of expenditure at the level of Ministries, Departments and Agencies (MDAs) in relation to the originally approved budget.

Expenditures (both recurrent and development budget) for Ministry of Basic Education (MOBE), Ministry of Mineral Resources, Green Technology and Energy Security (MMGE) and Ministry of Health and Wellness (MOHW) was higher than the originally approved budget. These ministries were granted additional funding through the supplementary budget process hence impacting the deviation of expenditure outturns from the originally approved budget. Refer to Annex 5.

The number and magnitude of supplementary funding show a decline towards the end of the review period (2017/2018) as evidenced by only two Financial Papers with a drastically reduced amount that was approved. The introduction of the baseline budget projections exercise, which was identified in the reform agenda, has aided in coming up with more realistic figures. MDAs are providing more information before the establishment of the annual budget ceilings.

Variance in expenditure composition by administrative classification was greater than 10% for 2015/16 but less than 10% for the remaining two years resulting in a score of “B”.

## **2.2. Expenditure composition outturn by economic type**

This dimension indicates the variances in the composition of expenditure by economic type in relation to the originally approved budget. Categories under economic classification include compensation of employees, use of goods and services, consumption of fixed capital and grants. This indicator was given a score of “B”.

Variance in expenditure composition outturn by economic type was 14.9%, 2.3% and 5.2% in 2015/16, 2016/17 and 2017/18 respectively. The high variance of 14.9% recorded for the financial year 2015/16 was due to government equity contributions of P545million for Botswana Meat Commission (BMC) and Botswana Vaccine Institute (BVI) and P755 million in Public Debt Service Fund (PDSF) loans. Grants include subsidies and social benefits for the recurrent budget. The Government uses economic classifications that capture subsidies and social benefits across ministries in various categories. Subventions and grants to local authorities includes the same classifications. Also, the development budget subsidies are used primarily by the Ministry of Agriculture and Food Security. Subsidies for the development funds are included under consumption of fixed capital. It is difficult to disaggregate subsidies and social benefits from grants or some development expenditure programs. The codes between development and recurrent budget are not the same hence the difficulty. Subsidies can be calculated as they reside within the development budget classification. However, the social benefit budget does not use the same codes across recurrent and development, hence being difficult to accurately calculate. The total traceable budget for subsidies and social benefit for 2017/18 was P2 541 436 980 (P1 782 478 190 under development budget and P758 958 790 under recurrent budget). Normally, this is usually over 90% of subsidies and social net budget. The figure under recurrent does not include subsidies. The problem and weaknesses are currently being addressed under the reform initiative of the new Chart of Accounts where codes will be standardized between recurrent and development budget. Refer to Annex 5.

## **2.3. Expenditure from contingency reserves**

This dimension shows the actual expenditure charged to the contingency vote for the period under review. Contingencies Fund was established under Section 121 of the Constitution of

Botswana. It is used for situations requiring urgent and unforeseen expenditure ‘...for which no other provision exists and that the circumstances are such that the expenditure cannot, without loss to the Government, be postponed until adequate provision is made by the National Assembly...’section 121(1). The contingency fund was charged P5.5 million in 2015/16 only which translates to 0.01% of the originally approved budget, for that year, hence the score of “A”. See Annex 5.

Any expenditure charged to the Contingency Fund should be replenished by the same amount as required by Section 121 (2) of the Constitution which states that ‘where any advance is made from the Contingencies Fund, a supplementary estimate shall be laid before the National Assembly as soon as possible for the purpose of replacing the amount so advanced’.

### PI-3. Revenue outturn

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-3. Revenue outturn	D	The variation between the revenue outturn and originally approved budget indicate significant inadequacies in revenue forecasting.
3.1 Aggregate revenue outturn	D	Revenue outturn was -14.4%, 18.6% and -1.4%% for 2015/16, 2016/17 and 2017/18 respectively which was less than required for a C score.
3.2 Revenue composition outturn	D	Variance in revenue composition outturn was 15.4%, 15.9% and 7.9% for the period under review.

#### 3.1. Aggregate revenue outturn

This dimension measures the extent to which aggregate revenue outturn deviates from the originally approved budget. It checks the extent to which the revenue forecasts are reliable. The score for this dimension is “D”.

The aggregate revenue outturn, in at least two of the three financial years, falls out of the range of between -8% and 16% which is required to get a C score. The main revenue earners are tax revenue inclusive of Southern African Customs Union (SACU) revenue and mineral revenue. Revenue forecasting is still a challenge for Botswana Unified Revenue Service (BURS) which does not have a Revenue Forecasting Model. The model is expected to be in place by March 2020 as per the Public Finance Management Reform agenda. Mineral revenue relies on and is impacted by market performance. See Annex 5.

#### 3.2. Revenue composition outturn

This dimension indicates the variances in the composition of revenue by categorizing revenue into different components. It attempts to capture the accuracy of forecasts of the revenue structure and the ability of the Government to collect the amounts of each category of revenue as intended. A score of “D” is awarded to this indicator considering the variances in revenue composition outturn of over 15% in two out of the three years.

These composition variances were 15.4%, 15.9% and 7.9% during the years 2015/16, 2016/17 and 2017/18. During the financial year 2015/16, there was a slump in the demand for metals resulting in under collection of revenue of approximately P4.9bn for mineral revenue.

Moreover, the main tax items under collected by around P2.3bn. Although this was the case, the financial year 2016/17 was a good year for diamonds leading to an over collection of around P2.5bn. Performance for the main tax items also exceeded expectations as evidenced by an over-collection of P2.7bn. Other revenues typically account for less than 10% of Government’s total revenue (refer to Annex 5) including non-mineral and non-tax revenues. For the period under review, the Medium-Term Fiscal Framework (MTFF) was operational. This perhaps played a hand in the slight improvement in deviations between the originally approved budget and aggregate revenue outturn during the current assessment. There are periodic updates of macro-fiscal variables annually in order to improve the MTFF therefore it is anticipated that revenue forecasts will improve over time.

## PILLAR TWO: Transparency of public finances

Pillar two assesses whether information on public financial management is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditures including inter-governmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.

### PI-4. Budget classification

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. It covers the budgetary units of central government. The period of assessment is the last completed fiscal year 2017/18.

All Governments need a robust and comprehensive classification system where the budget can be aligned and linked to policies, programs and key expenditure line items for efficient and economical management of resources. Budget classification allows for transactions to be tracked right from budget formulation, execution and reporting. International standards require that budget classification be done according to administrative, economic and functional/sub-functional units or votes. This will be necessary in allocating expenditure to support aggregate fiscal discipline, the allocation of resources to strategic priorities and efficient service delivery.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-4. Budget classification	C	The budget formulation and execution are based on administrative and economic classification using GFS 1986 standards for both revenue and expenditure. Though expenditure by function is presented in the budget book and annual accounts, it is not derived through a standard bridge table or automated process, but through a manual reclassification of expenditure for reporting purposes.
4.1 Budget classification	C	Budget and reporting are based on classifications from GFS/COFOG 1986. These classifications are also

Indicator/Dimension	Score	Brief justification for score
		embedded in the Chart of Accounts hence a consistent documentation of the 2017/18 Budget Estimates book, Revenue Book and Annual Statement of Accounts.

#### 4.1. Budget classification

IMF's Government Finance Statistics Manual (GFSM) 1986 provides an international framework for the economic and administrative classification of both revenue and expenditure and, for functional classification, the UN Classification of Functions of Government (COFOG). In accordance with international good practice, Botswana consistently uses the economic and administrative classification as per the manual. The classification structures are embedded in the current Chart of Accounts (CoA) of the Government Accounting and Budgetary System (GABS).

As was verified during the 2013 PEFA Assessment, the functional breakdown of expenditure presented in the *Annual Statement of Accounts* or the *Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenue* cannot be derived automatically from GABS, as it is the only classification that is not embedded in the CoA. The method used to derive the information by function included in budget reports is manual and involves a long, difficult and detailed exercise of extracting information from GABS or hard copy budget reports, transposing it to an excel file, and re-classifying the information (also manually) with the support of a coding table or Classification Assistant (CA) file. IMF underlined that this manual procedure is long and difficult, as well as highly prone to quality data problems due to human error. As a result, the process used is not one that allows the presentation of consistent information by function. Due to this manual reclassification, reporting is done on only nine (9) out of the fourteen (14) functions, while the remaining five (5) are reported as sub-functions. In addition, since the functional and sub-functional classification is done manually, corresponding programs are also not mapped or embedded in the CoA.

Botswana's revenue classification is identified and reported accordingly which is the origin of the revenue, especially as a country rich in natural resources. In both the Revenue book and ASA, revenue from diamonds (mineral tax and mineral royalties & dividends), customs revenue, non-mineral income tax etc. are classified as per the CoA and the budget classification.

Budget formulation, execution and reporting is based on every level of administrative, economic and functional/sub-functional classification using GFS/COFOG standards, however due to the lack of program mapping and the full configuration of all the functions in the CoA for consistent documentation, the score for the present dimension is "C".

#### Recent or ongoing reform activities

During the 2013 assessment, GoB was working towards the adoption of the GFS 2001 standards. The Budget Analysis and Debt Management (BADM) section had a plan that was due to start in May 2013. In addition, GoB has been working to adopt IPSAS as its accounting framework. The project is in the advanced stage of implementation. Efforts are ongoing to finalize the revisions to the CoA in order to accommodate the transition to accrual accounting.

The Government has received support and assistance from IMF AFRITAC South as well as the U.S. Office of Technical Assistance. The main reform is the transition from cash to accrual accounting which is progressing well along with the CoA project which is at an advanced stage.

## PI-5. Budget documentation

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-5. Budget documentation	B	Parliament is provided with comprehensive documentation to make informed and strategic decisions regarding the approval of budget estimates. Parliament is provided 8 out of the 12 budget documentations for scrutiny. Furthermore, at the end of financial year, Parliament is provided with financial reports containing budget information from previous years (ASA).
5.1 Budget documentation	B	The annual budget documentation is generally comprehensive. Budget documentation fulfills 8 of the 12 information benchmarks, including all basic element requirements. The end of year report, as presented under ASA, also details the revenue and expenditure performance of the central government as at the end of the financial year.

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation for scrutiny and approval by Parliament, as measured against a specified list of basic and additional elements. There is one dimension for this indicator.

According to the dimension, the assessment time period is the last budget submitted to legislature which is 2019/2020, however since it was still under consideration by the Legislature at time of assessment, the Government decided to use financial year 2018/19 as the last submitted.

#### 5.1. Budget documentation

The draft annual budget and supporting documentation provided to Parliament should contain all the necessary information on the Government's budget policy and priorities for Parliament to have a complete picture when reviewing and approving the budget proposals. Parliament needs to understand how the country performed in the previous fiscal years through budget outturns as well as how the country is anticipated to perform in the next financial year through fiscal forecasts, macro-economic assumptions, medium-term fiscal forecasts and budget estimates.

Most of the official annual budget documentations are prepared by the Ministry of Finance and Economic Development and presented to Parliament at different phases during the budget cycle.

The table below shows the comprehensiveness of the information in the 2018/19 budget documentation against the four basic and eight additional elements:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
<b>Basic elements</b>		
1. Forecast of the fiscal deficit or surplus or accrual operating result	Y	<p>Fiscal deficit defined according to GFS (1986) is presented in the <i>Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenue 2018/2019 – Table V: Consolidated Cash Flow Presentation of the Budget</i></p> <p>The government calculates the overall fiscal deficit or surplus as revenues (tax, non-tax and grants) minus expenditures and net lending. Forecasts are presented only for the next fiscal year, i.e., 2018/19 without a medium-term projection. Projected fiscal deficit of 2018/19 was P3.59 billion or 1.8 percent of GDP that is financed through budget financing, including borrowings (debts/loans), investment financing, and guarantees. The same information above is presented in the <b>2018 Budget Speech</b> under Chapter 4 - 2018/2019 Budget Proposals (Overall Balance) on page 17.</p>
2. Previous year's budget outturn, presented in the same format as the budget proposal	Y	<p>Prior year's outturns for both revenues and expenditure are presented in the same format as the budget proposal. See <i>Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2018/2019 – Tables I, II and III</i>. Also see <i>Estimates of Expenditure from the Consolidated and Development Funds 2018/19</i>.</p> <p>Budget outturn for the past seven (7) years (2011-2017) is presented by line ministries and economic classification in <i>Tables I, II and III</i>, and by functional and sub-functional classification in <i>Table VI</i>.</p>
3. Current fiscal year's budget presented in the same format as the budget proposal	Y	<p>Revised estimates for 2017/18 are reported for both expenditure and revenue. They are presented in the same format as the budget proposal for 2018/19 and classified in a consistent manner of economic and functional classification. See <i>Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2018/19 - Tables I, II, III and VI</i>.</p>
4. Aggregated budget data for both revenue and expenditure	Y	<p>The draft budget includes summarized data according to the main heads of classification used for both revenue and expenditure for the current year and for previous years.</p> <p><b>Table V</b> shows the detailed breakdown of revenues as per GFSM 1986 (tax revenue, non-tax revenue and grants) while the detailed expenditures for the current</p>

		and previous years (i) are shown by functions in <b>Table VI</b> and (ii) by line ministry in <b>Table I and II</b> of the <b>Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2018/19</b> .
<b>Additional elements</b>		
5. Deficit financing, describing its anticipated composition	Y	The overall deficit is shown in <b>Table V</b> of the <b>Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2018/19</b> as well as the anticipated composition of the financing from debt, loans, investment financing, lending, guarantees and other financing types.
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate	Y	<p>The macroeconomic assumptions underlying the budget, including estimates of aggregate growth, inflation &amp; exchange rate, are presented in the <b>2018/19 Budget Strategy Paper</b> on Chapter II – Macroeconomic Developments from page 3-7.</p> <p>Three-year medium-term fiscal projections are also included in the <b>Ceilings Cabinet Memorandum for 2018/19</b> budget proposal. In addition, these assumptions are later presented by the Minister of Finance and Economic Development to Parliament (but exclude the medium-term projections) and the public during the <b>2018 Budget Speech</b> on the chapter about Domestic Performance and Outlook, pages 4-6.</p>
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard	Y	<p>The debt stock is detailed by type of (foreign and domestic) loans and government debt (bonds). A statement of outstanding domestic debt is included and detailed by bonds, T-Bills and Central Government Participation in the debt of Public Entities. A statement of outstanding foreign debt (medium and long-term) is also included, detailed by source (Governments, Organizations, supplier credits).</p> <p>Domestic and Foreign debt are presented in <b>Tables VIII and VII respectively of Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2018/19</b>.</p>
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard	N	The breakdown of government financial assets data is presented in accordance with GFS and included in the 2018/19 audited government Annual Statement of Accounts (ASA) as part of the year end budget realization and accountability reports submitted to Parliament, but it is not included as part of the budget documents (the executive's budget proposals) submitted to Parliament for scrutiny and approval.



9. Summary information of fiscal risks	N	<p>Contingent liabilities and other fiscal risks created for Government are from backing up loans of extra-budgetary entities as well as the subsidies and subventions provided to them as revenue support. There is however no mention of the impact of these risks in any budget documentation or the mention of existing public-private partnerships (PPP) contracts within Botswana Government. The total risk exposure is not quantified due to limited disclosure under budget documents and ASA; hence the level of risk exposure remains unknown. It is not possible to estimate comprehensive needs of commercial parastatals under recurrent budget during the budget preparation due to late completion of audit there the level of going concern reported late hence incidence of bail out during the year.</p>
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of <i>all</i> major revenue policy changes and/or changes to expenditure programs	N	<p>The Medium-Term Fiscal Framework (MTFF) reflects the prevailing macroeconomic environment; information on current Government policies; as well as new policy initiatives that may have significant impact on Government revenues and expenditures.</p> <p>In addition, explanations on new policy initiatives and priorities from the NDP 11, Vision 2036 and Sustainable Development Goals (SDGs) are also explained in the <b>2019/2020 Budget Speech on pages 7-11</b>. The speech however only outlines general statements on new budget orientations and proposed budget allocations but with no quantification or systematic identification of new revenue policy changes, new major projects or changes to expenditure programs and their impact on the budget.</p>
11. Documentation on the medium-term fiscal forecasts	Y	<p>Medium-term fiscal forecasts (MTFF) which include medium-term projections of expenditure, revenue, and fiscal balance are contained in the <b>2019/2020 Budget Strategy Paper</b> on pages 4-6. Three-year medium-term fiscal forecasts are also included in the <b>Ceilings Cabinet Memorandum for 2018/19</b> budget proposal. However, the details do not form part of the budget submissions to Parliament.</p>
12. Quantification of tax expenditures	N	<p>Tax expenditures are generally defined as those government expenditures or reliefs carried out through tax legislation, regulations, and practices that reduce or defer taxes for some taxpayers. There is no quantification of such expenditure in the budget documentation however it has been reported by the Botswana Unified Revenue Services (BURS) in their annual financial statement to show their collected revenue and the reliefs or exemptions provided for by the tax legislation of Botswana.</p>

The requirements are met for 4 basic elements out of 4 and 5 additional elements out of 8. Hence, the score for the present dimension is “B”.

### Ongoing reform activities

Currently, there are ongoing efforts to improve budget documentation such as the contents in the budget estimates books and fiscal risk reporting to expand on the parastatal’s financial information and other related disclosures.

## PI-6. Central government operations outside financial reports

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-6. Central government operations outside financial reports</b>	<b>B</b>	<b>Parastatals’ financial reports submission to Central Government for the year 2017/2018 was done between 6-9 months.</b>
6.1 Expenditure outside financial reports	B	Expenditures totaling P1.25 billion occurred outside the government system which equals 2.14% of the total government expenditures.
6.2 Revenue outside financial reports	B	Revenue outside the financial reports was 2.15% of the total government revenue.
6.3 Financial reports of extra-budgetary units	C	Majority (50%) of financial reports of parastatals are submitted within 9 months.

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. It assesses how significant are revenue and expenditure operations of the central government that are not included in the budget documentation, and that are not reported regularly in the ex-post financial reports available to government compared with the total budgeted expenditure for the last completed fiscal year, 2017/18.

International good practice establishes that all government financial reports or documentation should allow for a complete picture of revenues and expenditures across all categories. According to IMF’s GFS 2014 Manual, extra-budgetary entities that are implementing government policies, but that by law have their own budget, income, management autonomy and a certain degree of discretion over the volume and composition of their expenditures, should be included in this reporting process.

In Botswana, there are 63 parastatals. The non-commercial parastatals are provided subventions, subsidies and funding for capital related projects from the Central Government’s national budget. The funds are transferred and recorded as income in their respective financial statements. The transfer funds are reported in the Revenue and Expenditure Estimates books as well as the Annual Statement of Accounts (ASA) (under the budget line “grants, subventions and other payments (01700)” of their parent ministry).

Not all parastatals were assessed due to the availability of annual statements for the last completed fiscal year, 2017-18. Consideration was given to the Government's support through subventions, financing of some projects and subsidies. In addition, special funds, which were established via Parliament, were also factored in the calculation. Out of the total number assessed at least four (4) organizations report on calendar year (January – December 2017). Therefore, some of the calculation though their annual reports reflected only nine months.

Some of the major parastatals who receive large subventions and subsidies, or development expenditure support did not have their 2017/18 Annual Reports available to determine and verify their revenue and expenditure figures outside government financial reports. Therefore, the absence of the Annual Financial Reports meant that the income generated by the parastatals to augment the 2017/18 government subvention could not be determined. The actual expenses, as well as the types of expenses they incurred during their various business transactions in 2017/18, could not be determined.

Other parastatals that were not part of the sample due to the unavailability of their 2018 Annual Financial Reports: Citizen Entrepreneurial Development Agency (CEDA), Civil Aviation Authority (CAA), Botswana University of Agriculture and Natural Resources, University of Botswana, SKQ Masire Medical Teaching Hospital, Medicine Regulatory Authority, Botswana Tourism Organization, National Development Bank, Vision 2036, Botswana Savings Bank, Botswana Unified Revenue Services, Mineral Development Company, and Public Enterprise Evaluation and Privatization Agency (PEEPA).

Income and expenditure of Special funds were also considered. It was observed that the statements for 2017/18 are incorporated in the Government's ASA under statement 10. The same was confirmed in the Auditor General's report for 2017/18 but the budget documentation did not include the Special funds even though the existing balances are discussed during the budgeting processes.

**Table 6.1: Types and amounts of revenues and expenditures outside the government's financial reports 2017/18 (Million Pula)**

Entity	Type of revenue	Estimated revenue amount	Type of expenditure	Estimated expenditure amount	Evidence and reporting
1) Botswana Institute of Development Policy Analysis (BIDPA)	Income from research projects & finance income. Revenue from collaboration with other organizations	13.14	Operating expenses	5.30	Annual Reports, ASA
2) Botswana Institute of Chartered Accountants (BICA)	Registration fees for accountants & interest earned	16.11	Operating expenses	11.50	Annual Reports, ASA
3) Botswana Accounting Oversight Authority (BAOA)	Services rendered, Tender sales, Interest	4.49	Operating expenses	4.49	Annual Reports, ASA
4) Public Procurement and Asset	Contractor registration, Interest income and	14.30	Operating expenses	19.82	Annual reports, ASA

Entity	Type of revenue	Estimated revenue amount	Type of expenditure	Estimated expenditure amount	Evidence and reporting
Disposal Board (PPADB)	capacity building trainings				
5) Botswana National Youth Council (BNYC)		-	Operating expenses		Annual Reports, ASA
6) Statistics Botswana	Sundry income, and tender sales	0.32	Operating expenses		- Annual Reports, ASA
7) Botswana International University of Science and Technology (BIUST)	Tuition and other student fee, income & Finance income	66.39	Operating expenses	4.40	Annual Reports, ASA
8) Human resource Development Advisory Council (HRDC)	No extra revenue	-	Operating expenses		- Annual Reports, ASA
9) Botswana Qualification Authority (BQA)	Project fund, Registration fees & finance income	2.82	Operating expenses	8.56	Annual Reports, ASA
10) Botswana Accountancy College (BAC)	Tuition fees, Hostel income, & Sundry income	136.52	Operating expenses	125.76	Annual Reports, ASA
11) University of Botswana (UB)	Student application & tuition	-	Operating expenses		Annual Reports, ASA
12) Botswana Institute Technology, Research and Innovation (BITRI)	Product sales, other services and tender sales	1.75	Operating expenses		- Annual Reports, ASA
13) Botswana Innovation Hub (BIH)	Rental income & Finance income	4.09	Operating expenses	4.00	Annual Reports, ASA
14) Botswana Investment and Trade Centre (BITC)	Rental income, Global expo income & finance income	25.71	Operating expenses	10.00	Annual Reports, ASA
15) Botswana Examination Council (BEC)	Certification fees, Registration fees, Remarking fees & Finance income	50.81	Operating expenses	140.00	Annual Reports, ASA
16) Botswana Bureau of Standards (BOBS)	Sale of Standards, Rendering services Rental income & Investment income	15.00	Operating expenses	15.17	Annual Reports, ASA
17) Selibe-Phikwe Economic Diversification Unit (SPEDU)	Bank interest	0.02	Operating expenses		- Annual Reports, ASA

Entity	Type of revenue	Estimated revenue amount	Type of expenditure	Estimated expenditure amount	Evidence and reporting
18) Gambling Authority	National Lottery fees, Annual fees, Casino entrance, Transfer fees, income from gambling machines & Interest income	35.21	Operating expenses	7.06	Annual Reports, ASA
19) Local Enterprise Authority (LEA)	Service fees, tender fees and other income	7.54	Operating expenses	6.70	Annual Reports, ASA
20) Botswana Trade Commission (BOTC)	Service fees, tender fees and other income	0.67	Operating expenses	-	Annual Reports, ASA
21) Botswana Fibre Networks (BoFINET)	Sale of rendering services, Finance income, UASF subsidy, Cost of works revenue, Dividend received, Tender fees & sundry income Rebate received	3.48	Operating expenses	33.27	Annual Reports, ASA
22) Botswana Unified Revenue Service (BURS)	Fees and assets disposals		Operating expenses		Annual Reports, ASA
23) Botswana Energy Regulatory Authority (BERA)	Sundry income	0.02	N/A		Annual Reports, ASA
24) Botswana Geoscience Institute (BGI)	Sundry income	2.30	Operating expenses		Annual Reports, ASA
25) Botswana National Sports Council (BNSC)	Stadium income, Rental income & Debswana-grant	11.24	Operating expenses	10.74	Annual Reports, ASA
26) Botswana National Productivity Centre (BNPC)	Sale of service Other income disposal of assets, Finance income	6.60	Operating expenses	2.25	Annual Reports
27) Banyana Farms	Sales & rentals	1.48	Operating expenses	3.16	Annual Reports, ASA
28) Botswana Tourism Organisation (BTO)	Interest and other income		Operating expenses		Annual Reports, ASA
29) Companies and Intellectual Property Authority (CIPA)	Registration fees, tenders and other income	4.75	Operating expenses	4.40	Annual Reports, ASA
30) Citizen Entrepreneurial Development Agency (CEDA)	Sales, tenders, interests & other income		Operating expenses		Annual Reports, ASA
31) Botswana Oil	Sales	548.30	Operating expenses	599.51	Annual Reports, ASA

Entity	Type of revenue	Estimated revenue amount	Type of expenditure	Estimated expenditure amount	Evidence and reporting
32) Botswana Stock Exchange (BSE)	Sales, commission, rentals and other income	40.69	Operating expenses	25.54	Annual Reports, ASA
33) Civil Aviation Authority of Botswana (CAAB)	Ticket sales		Operating expenses		Annual Reports, ASA
34) Botswana University of Agriculture and Natural Resources (BUAN)	Tuition, consultancy and others	59.46	Operating expenses	6.69	Annual Reports, ASA
35) Botswana Open University (BOU)	Tuition, consultancy and other income	28.20	Operating expenses	46.04	Annual Reports, ASA
36) Competition Authority	Merger Fees, other charges and other income	0.15	Operating expenses	-	Annual Reports, ASA
37) Legal Aid Botswana (LAB)	Interest, fees and other income	0.33	Operating expenses	0.33	Annual Reports, ASA
38) National Food Technology Research Centre (NFTRC)	Fees, Consultancy fees, interest and other income	1.85	Operating expenses	1.85	Annual Reports, ASA
39) Non-Bank Financial Institutions Regulatory Authority (NBFIRA)	Fees, interest and other income	53.54	Operating expenses	60.07	Annual Reports, ASA
40) Okavango Diamond Company	Sales and other income	5.64	Operating expenses	5.45	Annual Reports, ASA
41) Vision 2036	Internal revenue		Operating expenses		Annual Reports, ASA
42) Public Enterprises Evaluation and Privatization Agency (PEEPA)	Government funding, investment income		Operating expenses		Annual Reports, ASA
43) SKQ Masire Medical Teaching Hospital	No report			-	
<b>TOTALS (REVENUE &amp; EXPENDITURE OUTSIDE BCG)</b>		<b>1 162.92</b>		<b>1 162.06</b>	
<b>Above as a percent of Total BCG Revenue and Expenditure</b>		<b>2.15%</b>		<b>2.14%</b>	

## **6.1. Expenditure outside financial reports**

Most entities classified as parastatals in Botswana are categorized into two groups: commercial and non-commercial. Line ministries are responsible for providing oversight of parastatals. According to the GFSM 2001, it states that not only the subsidy or subvention be reported in the budget estimates (ex-ante) and the annual statement of accounts (ex-post), but that the data on all their income and expenditure be captured by this documentation.

It was discovered that neither the 2017/18 Annual Statement of Accounts (ASA) nor the Estimates Expenditure book of 2017/18 report expenditures of parastatals. Parastatals report their expenditures and revenues in their respective annual financial report. Even though the Budget Expenditure Book does not show the parastatals' income and expenditures during budget preparation cycle, parastatals are requested to submit their spending from the previous year as well as their forecasted revenue for the upcoming year. The forecasts include revenue and expenditure estimates not covered by subventions (transfers) from the Government. This information is not discussed or contained in the final budget documents even though it is recognized during the budget planning cycle.

Both audited and unaudited annual reports showing their expenditures for 2017/18 were sought from various departments as well as from their respective website and analyzed to determine CG unreported expenditures.

It should be noted that the figure is not all inclusive as it only captures the unreported expenditures of those entities in which their financial reports were available during analysis. Some of the entities were provided with cash injections or bailouts which were not part of the initial budget estimates.

Expenditure outside government financial reports was less than 5% (2.15%), and therefore a score of "B" was given.

## **6.2. Revenue outside financial reports**

Most of the revenue and expenditures received by parastatals are not included in the Government's financial reports. Parastatals income comes from internal revenue and this information is outlined in their respective annual financial statements. Even though some parastatals receive more than 80% of their income from the Government, some parastatals have the capacity and the business acumen to generate revenue on their own. This additional income is used to augment the Government's support by providing some of their services to the public and private sector for a fee. Other parastatals receive revenue from development partners for donor-funded projects and through Memorandum of Agreements (MoAs) efforts that exists across the Government.

The GFSM 2001 requires that this revenue be recorded in both the budget estimates books and the ASA, being the amount of money that the parastatals generated for themselves to augment the budgetary allocations.

The revenue generated by parastatals is recognized during the budget development process, but it is usually not disclosed in the final budget documents at the end of the budget process.

Revenue outside financial reports for financial year 2017/18 was less than 5% (2.14%), therefore, a score of "B" was given.

### 6.3. Financial reports of extra-budgetary units

International practice suggests that extra-budgetary units should submit annual accounts to the line ministry with which they are associated – thus allowing detailed information to be reported and the determination of contingent liabilities and fiscal risks. Parastatals are also required to submit their annual reports to the Auditor General within 6-9 months of the end of the financial year for auditing purposes.

In Botswana, parastatals submit their annual reports to their respective parent ministry. These annual reports are then tabled in Parliament by the respective parent ministers. The reports are also submitted to Auditor General to form part of the Audit Report that is submitted to the Public Accounts Committee every year (PAC).

The Auditor General's Report for 2016/17 was then used to determine how many of the parastatals were submitted for audit as there was no trace or evidence on whether the parastatals submitted their financial documents to their respective parent ministry. The Auditor General's report is produced between 6 and 9 months from the end of the financial year which indicates that all parastatals who are part of the report had submitted their annual reports in a timely manner.

At least 50% (majority) of the parastatals in Botswana submitted their detailed financial reports to the Government within 9 months of the end of the financial year, hence a score of "C".

#### Recent or ongoing reform activities

Accounting and reporting reforms will address some weaknesses. More requirements will be initiated for parastatals to complete their annual end of year audits in a timely manner to enable consolidation of their accounts to be reflected in the overall government accounts.

## PI-7. Transfers to subnational governments

This indicator assesses the transparency and timelines of transfers from CG to subnational governments (local authorities). It considers the basis for transfers from CG and whether SNGs receive information on their allocations in time to facilitate budget planning and effectively receive these allocations according to the established calendar for the last completed fiscal year, 2017/18.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-7. Transfers to subnational governments	C+	Transfers to subnational governments are primarily based on the availability of resources as well as historical trends. Subnational governments are allowed six weeks to complete their budget requests.
7.1 System for allocating transfers	D	There is no system or formula process such as indicative planning figures used to formally determine the allocation amount or percentage.



7.2 Timeliness of information on transfers	A	The information on transfers to sub-national governments' budget is fully regulated by the Central Government's annual budget calendar which allows them 6 weeks to complete their budget planning in a timely manner. The feedback on the tentative budget is given immediately to the Cabinet.
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### 7.1. System for allocating transfers

Local authorities (or subnational governments) are entities that have the authority to own assets, incur liabilities, and/or engage in transactions. Botswana's sub-national government or local authorities consists of 34 local government entities comprising of 16 councils (6 town councils and 10 district councils), 6 subordinate authorities and 12 land boards across two ministries (Ministry of Local Government and Rural Development, and Ministry of Land Management, Water and Sanitation Services).

The LAs are provided with Resource Support Grants (RSG) from CG to support their annual expenditure as per their budget estimates, to implement selected service delivery programs, as well as to implement prioritized development projects under NDP 11.

Typically, the RSGs and their disbursement are in accordance with an agreed-upon process and regulatory or policy standard as per international good practices on the transfer of resources from the CG to SNGs.

The legislative framework for local government is provided by the Local Government Act (Cap 18/2012). The Local Government Act, section 72 provides guidance on how budget estimates for LAs are done and the powers of the Project Review Committees in determining the RSG for all entities.

Currently, there is no formulae process being used by CG for the transfer of resources to the lower government for allocation of the recurrent budget. However, the development grants are guided by the projects as listed in the NDP. The allocation is presented in medium terms. The Government used to have a formula for allocation of the recurrent budget. However, it was discontinued due to certain inadequacies. The current baseline history comes from that formula. Currently, the budget adjustment is incremental, and increases are discussed during the budget committee stage. The increase is per local authority except for salaries and allowances which normally cut across all authorities.

The budgeting process for SNG is the same process as for CG, in accordance with the Local Authorities Act 2011. The delivery of services at district level is supported by CG. Local authorities raise less than 10% of their annual budget (regarded as internal revenue). The LAs submit their budget estimates to their parent ministries where their income and expenditure reports are also assessed to determine their cash balances, revenue generated in the previous financial year and their forecasted internal revenue for the upcoming budget year.

The budgeting process to determine development projects funding is guided by the NDP which also covers development projects for SNGs. A project generally must be listed in the NDP before it can be approved. There needs to be an agreement regarding priority at the

district level and up to the CG level. The development and recurrent budget estimates are discussed at the same time during the annual budget process and this is coordinated by MFED.

From this evidence, it does point out that the recurrent and development budgeting process for SNGs in Botswana is systematic, follows a clear process and transparent standard of transfers even though the transparency of resource allocation is more under development budget than recurrent budget. However, there was no evidence of a formulae-based criteria or a value-based weighted average used for the horizontal allocation of funds to SNGs. Based on this information, a score of “D” was awarded.

**Table 7.1 Budget Apportionment**

Fiscal Year	Recurrent Budget (Pula)	Development Budget (Pula)	Total (Pula)	Apportionment Ratios
2015/16	50 627 851 660	14 358 684 910	64 986 536 570	78:22
2016/17	53 831 481 072	16 828 907 754	70 660 388 826	76:24
2017/18	56 776 821 396	17 057 030 466	73 833 851 862	77:23
				Average = 23

Source: Ministry of Finance

## 7.2. Timeliness of information on transfers

This dimension measures the extent to which subnational governments receive reliable information on their allocations from the CG for the upcoming year. LAs in Botswana use the regular budget calendar of CG, which provides clear and sufficiently detailed information to allow them time to complete their budget planning on time. In 2017/18 which is the year under review, the Ministry of Local Government and Rural Development issued a Budget Call for Financial Year 2017/18 on the 6<sup>th</sup> of June 2016 through a Savingram (memo) to all Council Secretaries and Town Clerks to submit their final accounts and budget estimates by the 15<sup>th</sup> July 2016. The Savingram was detailed with reliable guidelines on how the budget estimates should be produced and it gave them six (6) weeks to complete their budget planning process and meet the submission of the ministry’s baseline budget projections to MFED.

The Ministry of Local Government and Rural Development follows the CG budget calendar. Resource availability in the medium-term as well as Resource Support Grant (RSG) ceilings are communicated well in advance. This is usually around September each year after the ceilings are approved by Cabinet and shared with MDAs.

The LA Project Review Committee meet regularly throughout the budget development cycle. Information on ceilings are relayed to all affected entities. The final estimates are timely communicated to LAs via their parent ministry to enable LAs to begin planning for the next financial year. During the execution of the budget, grant funding is disbursed on a quarterly basis to LAs. LAs must submit their interim financial returns and output before the end of the preceding quarter (during the last month of the quarter). This allows the ministry to evaluate and provide feedback reports in order to release their grants in a timely manner. There were no incidences of late releases of grants to LAs. Based on the analysis and supporting evidence, the score for the present dimension is “A”.

### Recent or ongoing reform activities

The timing of the information provided to SNGs allows them six weeks to complete their budget requests prior to the start of the fiscal year. The horizontal allocation of transfers to

LAs from CG is supported by a transparent process guided by the PFM Act. However, the process is not rule or formulae based. Development grants are based on the approved projects as listed on the NDP and the estimated costs of the projects are in medium term which allows LAs to plan for the project implementation in advance. Other PFM tools of improvements are ongoing to enhance the current structure for more transparency such as developing a rule-based formula for the subnational transfers. Currently, the MLGRD is working on the development of a Decentralization Policy which will direct approaches for the development of a standardized formula for the allocation of resources to the lower national governments.

## PI-8. Performance information for service delivery

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-8. Performance information for service delivery</b>	<b>C</b>	<b>Performance information is presented and published in the budget documentation and year-end report, but it is purely financial, neglecting non-financial information. There have not been any surveys carried out to find out estimates of the resources received by the frontline services while there have been some evaluations of service delivery performance carried out for the last three completed fiscal years but were not made available to the public.</b>
8.1 Performance plans for service delivery	D	Less than 50% of MDAs' budget documentation produced contain non-financial performance information. The information is not all published.
8.2 Performance achieved for service delivery	D	Budget execution reports produced that contain both financial and non-financial information are for ministries representing less than 50%. The reports produced are not published.
8.3 Resources received by service delivery units	A	Financial records are maintained on the resources received by service delivery units for both the Ministry of Basic Education and the Ministry of Health and Wellness.
8.4 Performance evaluation for service delivery	C	Independent evaluations or assessments, performance/program audits and reviews have been carried out for more than 50% of the MDAs. Only 25% of those reports are published.

Promoting operational efficiency in the delivery of public services to communities is a core objective of the PFM system. The inclusion of performance information within budgetary documentation is international good practice and a factor in improving operational efficiency. It strengthens the accountability of the executive for the planned and achieved outputs and outcomes of government programs and services. Increasingly, legislatures demand to see

such performance information as part of their consideration of the executive's budget proposal, although the Legislature may not be required to approve planned performance. This indicator examines the service delivery information in the executive's budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded.

### **8.1. Performance plans for service delivery**

The dimension assesses the extent to which service delivery performance information for the next fiscal year 2019/2020 is made available to the Legislature as well as the public, to strengthen accountability and ensure that resources are allocated strategically for priority policy objectives, programs and services.

Botswana has not adopted a performance or results-based budgeting process that highlights performance information in the budget documents. However, other reports containing performance information, such as the NDP 11, are produced and published. Key performance indicators for the planned outputs and outcomes of programs and services that are financed through the budget for MDAs are included in various budgetary documentations throughout the budget preparation process. These reports are shared with the Cabinet but not with the Legislature. The reports are in this order:

- 1) Medium-term budget ceilings are prepared and shared with MDAs by MFED. The budget, at the initial stage, is discussed in medium term up to the committees. The budget is discussed as initially submitted by MDAs to MFED, detailing each MDA's policy objectives and their budget request to achieve their proposed outputs and outcomes. The information is limited to the line ministries and the final budget documents do not contain output and outcome details.
- 2) The budget speech is presented to the public and the Legislature in various manner. It is presented in print, through the media and on the radio. The budget speech is published on MFED website at [www.finance.gov.bw](http://www.finance.gov.bw) as well as the Botswana Government Facebook page. The speech is a consolidated summary of all MDA's budget proposals, a listing of government priority areas and their respective outcomes from the previous budget, proposed programs and projects for the upcoming financial year.
- 3) Budget debates are held following the release of the budget speech. This is when MDAs present their respective detailed budget proposals, programs and service delivery initiatives to Parliament. The Committee of Supply testimonies, from the respective MDAs, are available in print form for the public. This information is also shared on the Government's Facebook page.

As evidenced above, the executive budget proposal and its related documentation is only available to government officials who are involved in the budget preparation process. The information is however not published annually or made available to the public, even for the ministries that have majority of their expenditure devoted to service delivery such as Ministry of Health and Wellness, Ministry of Basic Education, Ministry of Tertiary Education, Research, Science and Technology; Ministry of Transport and Communication, Ministry of Agriculture and Food Security, and Ministry of Local Government and Rural Development. During the planning process of the budget cycle, some documents were made available to the public while some were not.

Based on this analysis and supporting evidence, the score for the present dimension is a “D”. Performance is less than required for a C score because the dimensions requires that at least the information produced should be published annually (made available to the public either in print or in readable form on a publicly accessible website).

## **8.2. Performance achieved for service delivery**

This dimension measures the extent to which the performance information is reported and published, in a format and at a level comparable to the plans previously adopted within the annual or medium-term budgets for 2017/18.

The period assessed in this dimension is the last completed fiscal year, i.e. the reports on outputs and outcome produced during 2017/18. A sample of ministries were used for this dimension. Those ministries have expenditure devoted to service delivery as per above, including any expenditures by related entities, or services delivered from tied or conditional grants under the ministry’s responsibility. An estimate of the value of expenditure devoted to service delivery in each ministry was calculated and the ministries with the highest expenditure and being assessed for this dimension were: Ministry of Health and Wellness, Ministry of Basic Education, Ministry of Tertiary Education, Ministry of Transport and Communication, and Ministry of Local Government and Rural Development and Ministry of Agriculture.

These ministries account for 76% of the total expenditure for 2017/18. The programs and services delivered to the public by these ministries include health, education, transport and communication, infrastructure, agricultural development (ISPAAD, LIMID and Foot and Mouth Control Project etc.), communication and social protection programs.

For financial year 2017/18, budget documentation produced which provided limited outputs and outcomes achieved by MDAs were the 2017 Budget Speech, the People’s budget and the Committee of Supply testimonies as presented to Parliament for the 2017/18 budget cycle.

In addition to budget documentation, the sampled ministries also have strategic plans that covered FY 2017/18. The plans outlined their planned activities and projections on programs and services outputs and outcomes. There are annual reviews produced on these ministerial plans conducted by Performance Improvement Coordinating units and/or Performance Review Committees. Some evaluations and assessments were conducted by independent assessors including development partners. Some of the reports produced by these entities are depicted in Table 8.5 from dimension 8.4. As stated, Botswana has not adopted Program Based Budgeting. Therefore, the information is not quantified or costed but rather produced separately from budget documentation. The dimension then required that this information (reports on 2017 outputs, outcomes and mitigation for the sampled ministries) should have been published annually (made available to the public either in print or in readable form on a publicly accessible website). Not all reports produced, that is less than 50% of MDAs do not publish their reports, hence a score of “D”.

## **8.3. Resources received by service delivery units**

This dimension measures the availability of information on resources—including all sources of funds—received by service delivery units for at least two large service delivery ministries for 2015/16, 2016/17 and 2017/18.

The Annual Statement of Accounts (ASA) which derives its data from the Botswana Government Accounting and Budgetary System (GABS) records CG financial records at the aggregated line ministry level. Funding from CG to service delivery units, such as schools and primary health care facilities, is both channeled through the MDA headquarters to their deconcentrated units as well as through LAs such as councils and districts in the form of Resource Support Grants (RSGs). The District councils, District Health Management teams (DHMTs) and regional education offices are responsible for the delivery of services to the districts.

Since the relocation of primary health care from the Ministry of Local Government & Rural Development in 2010, the Ministry of Health and Wellness is now the principal public sector health care provider. The DHMT is the key department responsible for the clinical services of the Ministry of Health and Wellness including management of budget allocations, management of resources from the private sector and development partners (grants, donations etc.). Health clinics and hospitals in Botswana report their monthly recurrent expenditure back to the DHMTs where the reports are consolidated and shared with the Department of Clinical Services in the Ministry of Health and Wellness. The reporting is very detailed. The reports show budget execution by different categories of expenditure and resources in kind that are distributed to public health clinics at the DHMT level. The reports do not show the expenditure by line item at clinic level because they do not do the spending but are rather given resources in kind. For development projects, expenditure on public health clinics can be traced through headquarters in GABS. Expenditures are reported both monthly and at year-end in the annual accounts.

Resources to primary schools are delivered through LAs and regional education offices. The LAs play a major role in the provision and maintenance of primary education facilities such as construction and maintenance. The MOBE provide teachers, pays their salaries, develops the curriculum and provides teaching materials and equipment. Therefore, the resource allocations for primary schools fall between two ministries: Ministry of Basic Education and Ministry of Local Government and Rural Development.

As demonstrated, financial records are maintained on the resources received by service delivery units for both the Ministry of Basic Education and the Ministry of Health and Wellness, however, there is no service performance data produced by the ministries showing how the resources have been actually used, such as whether there are improvements in service delivery to the communities, if the standard of living is improving or if the results of literacy rates of students are increasing. Development partners perform some reviews and assessment to ascertain the above. For example, a survey was carried out by UNICEF in 2017<sup>23</sup> which assessed the budget credibility and execution of the estimates of resources received by districts in charge of primary and secondary schools in Botswana. The report was published on their website for public access.

The results are widely published as outlined in dimension 8.4 below. In addition, the Auditor General conducts performance audits of CG and district councils.

Information on resources received by frontline service delivery units is collected and recorded for at least two large ministries (value of expenditure), disaggregated by source of funds. A

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<sup>23</sup> <https://www.unicef.org/esa/sites/unicef.org/esa/files/2018-12/UNICEF-Botswana-2018-Education-Budget-Brief.pdf>

report compiling the information is prepared at least annually. Based on this analysis and supporting evidence, the score for the present dimension is “A”.

#### **8.4. Performance evaluation for service delivery**

This dimension considers the extent to which the design of public services and the appropriateness, efficiency and effectiveness of those services is assessed in a systematic way through program or performance evaluations for 2015/16, 2016/17 and 2017/18. The dimension also uses the same sampling used in dimensions 8.1, 8.2 and 8.3.

According to the Performance Audit Manual 2016, economy, effectiveness and efficiency form the theoretical platform for the perspectives and the types of problems that are addressed in performance auditing.

Performance audits often include an analysis of the conditions that are necessary to ensure that the principles of economy, efficiency and effectiveness can be upheld. These conditions may include good management practices and procedures to ensure the correct and timely delivery of services.

Evaluations of effectiveness and efficiency of service delivery in Botswana are reported through various instruments, structures and reports such as the Public Accounts Committee (PAC) Report, State of the Nation Address (SONA), Committee of Supply Speech, His Excellency (HE) reports, Ministerial Performance Improvement Coordinators (PICs) Reports, Annual Performance Plan (APP) Reviews as well as the mid-term review of the NDP 9 and 10. All of the above, reports on performance indicators, output and outcomes. The reports are produced for the majority of MDAs across CG. Most of the reports are also made available to the public through presentations to Parliament, radio and TV media broadcasting, print media and shared with the public both on ministerial websites and Government Facebook page.

Independent evaluations of effectiveness and efficiency have been carried out for a few programs by the Office of Auditor General during the 3 financial years under review. These are performance audits and the reports are tabled before Parliament. The audit findings are available in print on demand, but it has been observed that they cover significantly less than 25% of total operations of CG.

In addition, independent evaluations have also been conducted by the World Bank for the Education sector, Agriculture Expenditure Assessment, IMF Article IV, to name a few. Evaluations and assessments conducted by development partners are published on their respective websites for the public to access.

The score for the present dimension is “C”. Evaluations of the efficiency and effectiveness of service delivery have been carried out for most MDAs at least once within the last three financial years. Most MDAs in this case are those devoting 76% of their expenditures to service delivery as per Table 8.5 below. However, even with the evaluations undertaken, not all the reports are published.

**Table 8.5: Independent evaluation reports or reviews prepared**

Ministry	Program or service delivery	Date of evaluation report	Evaluation of		Report author (e.g., independent assessor, ministry, IAU, SAI)
			Efficiency (Y or N)	Effectiveness (Y or N)	
Ministry of Finance and Economic Development	Management of Borrowing activities by the Development and Budget Division (MFED)	12 <sup>th</sup> December 2017	Y	Y	Auditor General
	Assessment of Effectiveness of Government Accounting and Budgeting System (GABS) in Botswana	9 <sup>th</sup> March 2017	N	Y	University of Botswana
Ministry of Agriculture and Food Security	Control of Foot and Mouth Disease	23 <sup>rd</sup> April 2018	Y	Y	Auditor General
	Agriculture Public Expenditure Review	31 <sup>st</sup> March 2015	Y	Y	World Bank
Ministry of Health and Wellness	Botswana Health and HIV/AIDS Public Expenditure Review	15 <sup>th</sup> June 2016	Y	Y	World Bank
Ministry of Basic Education	Botswana Education Budget Brief	2017	Y	Y	UNICEF
Ministry of Land Management, Water and Sanitation Services	Management of Gamodubu Landfill	27 <sup>th</sup> April 2018	Y	Y	Auditor General
	Regulation of Municipal Solid waste in Botswana by Department of Waste Management and Pollution Control	12 <sup>th</sup> February 2018	Y	Y	Auditor General



Ministry	Program or service delivery	Date of evaluation report	Evaluation of		Report author (e.g., independent assessor, ministry, IAU, SAI)
			Efficiency (Y or N)	Effectiveness (Y or N)	
Ministry of Local Government and Rural Development	Construction of Roads and Storm Water Drainage facilities in Ramotswa and Taung Villages	6 <sup>th</sup> July 2017	Y	Y	Auditor General
Ministry of Infrastructure and Housing	Infrastructure development projects at Monarch and Gerald Estates Blocks 5 and 6	6 <sup>th</sup> July 2017	Y	Y	Auditor General
	A study on Housing Needs Assessment in Botswana	31 <sup>st</sup> May 2017	N	Y	University of Botswana

### Recent or ongoing reform activities

A potential area for reform relates to implementation of audits of performance information. Currently, the Office of the Auditor General is more focused on performance audits that relate to value for money. Independent evaluations of effectiveness and efficiency have been carried out for a few programs by the Office of Auditor General during the 3 years under review and these are called performance audits. The reports are available in print on demand, but it has been observed that the reports cover significantly less than 25% of total operations of CG hence the need to increase the coverage.

Botswana has not adopted the Program-based budgeting approach. Therefore, the budget information is not quantified or costed but rather produced separately from budget documentation. Information contained in Committee of Supply documents does not give an analysis of service delivery, challenges encountered when services were delivered in the previous years and an analysis on why current programs and projects should be funded. The resources are allocated but there is no service performance data showing how the resources were used or on what activities or services.

The reforms under budget is expected to adequately cover the existing weaknesses as Botswana move towards program-based budgeting. The process is still at infancy stage. However, the efforts of aligning the budget to ministerial strategies and policy priorities has started.

## PI-9. Public access to fiscal information

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-9. Public access to fiscal information	D	Only 3 out of the 5 basic elements are made available to the public. The other elements are produced after the required timelines.
9.1 Public access to fiscal information	D	Public access to fiscal information fulfills 3 out of the 5 basic elements.

Fiscal transparency depends on whether information on government fiscal plans, positions and performance is easily accessible to the public. This indicator assesses the comprehensiveness of fiscal information available to the public for the last completed fiscal year 2017/18 based on specified elements of information to which public access is considered critical.

#### 9.1. Public access to fiscal information

Element/ Requirements	Met (Y/N)	Evidence used/Comments
<b>Basic elements</b>		
1. <b>Annual executive budget proposal documentation.</b> A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	Y	A combination of methods was used to allow public access to budget documentation and end of year reports (ASA) including: 1) Communicating the Budget Speech through different types of media for 2017/18 on February 6 <sup>th</sup> , 2017. The budget speech was then uploaded to the ministry's website. The speech was made available to the public in Setswana and in Braille. 2) Making the draft budget estimates available to the public upon request, as soon as they have been tabled in the National Assembly. 3) Putting the approved estimates book on sale in the Government's bookshop and for reference in the Government's library. 4) Committee of Supply presentation and speeches which were delivered to Parliament and the public. 5) Making government financial report (ASA) available to the public by putting it on sale in the Government's bookshop and Government Facebook page.
2. <b>Enacted budget.</b> The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Y	Appropriation Act 2017/18 was approved and was gazette, within two weeks of passage of the Act. However, the Appropriation Act was uploaded on the internet past the two-week period.

Element/ Requirements	Met (Y/N)	Evidence used/Comments
3. <b>In-year budget execution reports.</b> The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	N	In-year budget reports are posted on the Government's intranet for internal use only and are not made available to the public.
4. <b>Annual budget execution report.</b> The report is made available to the public within six months of the fiscal year's end.	N	The Annual Statement of Accounts (ASA) for 2017/18 was due in September 2018 to be made available to the public. However, the accounts were only submitted for auditing at the Auditor General's Office during that timeframe.
5. <b>Audited annual financial report, incorporating or accompanied by the external auditor's report.</b> The reports are made available to the public within twelve months of the fiscal year's end.	Y	Audited Annual Statement of Accounts with an audit certificate from Auditor General was made available to the public within 12 months of the fiscal year end, on 25 <sup>th</sup> March 2019. The ASA can be purchased at the Government's bookshop or reviewed at the library. The contents of the report are also covered by the media. In addition, it has been uploaded on the ministry's website at <a href="http://www.finance.gov.bw">www.finance.gov.bw</a>
<b>Additional elements</b>		
6. <b>Pre-budget statement.</b> The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	Y	Budget consultative meetings through the Budget Pitso were held in September 2016, six months before the 2017/18 year started. The Pitso was attended by various stakeholders including members of the public, parliamentarians and local authorities. The 2017 Budget Strategy Paper was also discussed.
7. <b>Other external audit reports.</b> All no confidential reports on central government consolidated operations are made available to the public within six months of submission.	Y	The audit report on the FY 2017/18 executed budget by Botswana Central Government was made available to the public within six months of submission of all non-confidential reports to Auditor General's Office.
8. <b>Summary of the budget proposal.</b> A "citizen's budget", and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.	Y	The citizens' budget was made available after the budget speech. The citizen's budget was translated into Setswana to accommodate the public's interest. The Citizens' Budget was uploaded to the MFED's website at <a href="http://www.finance.gov.bw">www.finance.gov.bw</a>
9. <b>Macroeconomic forecasts.</b> The forecasts, as assessed in PI-14.1,	Y	The Medium-Term Fiscal Framework (MTFF) forecasts are endorsed and outlined in a Cabinet

Element/ Requirements	Met (Y/N)	Evidence used/Comments
are available within one week of their endorsement.		<p>Memorandum on MTBF Ceilings which was submitted to the Cabinet, by August 2016.</p> <p>Botswana Unified Revenue Services contributes to the MTFE every year despite limitations in their revenue forecasting models.</p>

The requirements are met for 3 basic elements out of 5 and 4 additional elements out of 4. Hence, the score for the present dimension is “D”.

Fiscal information to public isn't easily accessible. Although there has been an improvement in making fiscal information available through electronic media, it is hampered by internet connectivity; according to 39.58% of the population had access to internet in 2017. This therefore suggests that placing reliance on ICT or websites as is the case now does not enable majority of public to access the information with ease. The information is also made accessible through the traditional media in a summarized format or through information sharing. The promotion mode is the use of the radio through call in programs where officials make presentation which is then followed by a question and answer session. This also provides limited access as callers must use their own resources to call instead of the use of toll-free number. Documents are made available in English (official language) and Setswana (national language) but for a nominal fee. The fee is charged as a way of recovering the costs of publication. In cases where they are made available through public libraries, the documents are limited in number. Information shared through others means, such as kgotla meetings, reach a few members of the public as the meetings are held during working hours hence limiting attendance by the working population. It is further noted that documents are not always made timely available to the public.

The Government shares with members of the public the budget through the budget Pitso. However, it has not been easy to establish the criteria used to select participants at these gatherings. The level of the participant's input is questionable and that they represent the primary stakeholders of PFM. The process is that MFED officials prepare the proposal which is limited. The process is not open for input from other stakeholders such as civil society groups. Stakeholders comment on the prepared document. The Budget Strategy Paper is shared with different stakeholders through the seminars organized by MFED. There are no follow up seminars to share the final paper or usage of other platforms where the stakeholders can appreciate the final documents following their inputs.

#### **Recent or ongoing reform activities**

The ongoing PFM reforms do not have activities relating to access to fiscal information. However, other performance management initiatives are ongoing to include information transparency. For the last three years, budget documents were distributed to public libraries and reading rooms. Work is ongoing to identify other means to access information where public libraries and reading rooms are not present.

## PILLAR THREE: Management of Assets and Liabilities

Pillar three assesses whether effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded, and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved and monitored.

### PI-10. Fiscal risk reporting

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-10. Fiscal risk reporting	C+	Public corporations and local authorities submit their financial statements within 9 months after the end of the financial year. All significant contingent liabilities are represented.
10.1 Monitoring of public corporations	C	Most public corporations (15 of 18) submitted to the Government financial reports 9 months after the end of the financial year (FY 2017/18). Often, there is follow up from MFED to ensure the public corporations meet this timeline.
10.2 Monitoring of subnational governments	D	All (90%) of Local Authorities' financial statements, are submitted to their oversight ministry 9 months after the end of the financial year which is 31 <sup>st</sup> December of every financial year. The audits are done on time, but the report is published late. The Auditor General needs time to print the reports hence affecting LAPAC setting consideration of reports on time. The audited reports are available in hard copies and shared on request at the relevant Local Authority's parent ministry. Furthermore, they are available for a nominal price at the Government's bookshop.
10.3 Contingent liabilities and other fiscal risks	A	All significant explicit contingent liabilities are published annually in the Annual Statement of Accounts (ASA) under Statement 17. The information on parastatals liabilities are disclosed in their respective annual financial statements.

#### 10.1. Monitoring of public corporations

The table below presents evidence used regarding financial reporting of sampled public corporations. The dates show the timeline when the financial audits were performed as opposed to the date when the financial reports were submitted. Audits are done on most financial corporations, 6 months after the end of the financial year but there are still some parastatals in which their audits are done beyond 6 months. Also, the submission of audited

reports to the line ministries (Government) was not traceable as ministries do not keep records of when parastatals submit their reports. The Auditor General publishes its findings on financial information of public corporations in its end of year report. Hence, the score is “C”.

**Table 10.1: Financial reports of public corporations**

Public corporations	Year covered by financial report	Financial statement audited	Date reception of the report	Total expenditure Million (Pula)	As a % of total expenditure of public corporations	Contingent liabilities disclosed in the financial report?
1) Botswana Tele-communications Corporation Limited ( <b>BTCL</b> )	2017/18	Yes	No register	1 400.0	9.9%	Yes
2) Water Utilities Corporation ( <b>WUC</b> )	2017/18	Yes	No register	1 710.0	12.8%	Yes
3) Botswana Development Corporation ( <b>BDC</b> )	2017/18	Yes	No register	129.3	0.09%	Yes
4) Botswana Power Corporation ( <b>BPC</b> )	2017/18	Yes	No register	2 880.0	20.4%	Yes
5) Botswana Building Society ( <b>BBS</b> )	2017/18	Yes	No register	140.2	0.10%	Yes
6) National Development Bank ( <b>NDB</b> )	No Report	Yes	No register	361.6	N/A	N/A
7) Botswana Communication Regulatory Authority ( <b>BOCRA</b> )	2017/18	Yes	No register	118.3	0.08%	Yes
8) Botswana Courier and Logistics	2017/18	Yes	No register	102.2	0.07%	Yes
9) Botswana Housing Corporation ( <b>BHC</b> )	2017/18	Yes	No register	333.0	0.24%	Yes
10) Botswana Meat Commission ( <b>BMC</b> )	2017/18	Yes	No register	1 028 .0	7.26%	Yes
11) Air Botswana	2017/18	Yes	No register	380.9	0.27%	Yes
12) Botswana Agricultural Marketing Board ( <b>BAMB</b> )	2017/18	Yes	No register	365.4	0.26%	Yes
13) Botswana Privatization Asset Holding Company	2017/18	Yes	No register	2.8	0%	Yes
14) Botswana Postal Services	2017/18	Yes	No register	308.3	0.22%	Yes
15) Botswana Railways	2017/18	Yes	No register	438.3	0.31%	Yes
16) Botswana Savings Bank ( <b>BSB</b> )	No report	N/A	No register	0	N/A	N/A
17) Botswana Vaccine Institute ( <b>BVI</b> )	2017/18	Yes	No register	82.9	0.06%	Yes
18) Motor Vehicle Accident Fund ( <b>MVA</b> )	No report	N/A	No register	331.0	0.20%	N/A
<b>Total Expenditure</b>				<b>13 968.0</b>		

## **Reform Prospects**

The table above shows evidence of 16 out of 18 public corporations. All the sampled entities disclose contingent liabilities and the ongoing concerns are adequately covered. The current challenge is the monitoring of public entities by the Government. IMF AFRITAC South is assisting the Government to develop a monitoring tool to track efficiency of public corporations. Over the years, the risk exposure of parastatals has been a concern for the Government. The loans undertaken by parastatals, which are not government guaranteed, are not recorded even though the default on such loans may expose the Government to liabilities and may trigger a financial bail-out from the Government. Hence, PEEPA was established and given the mandate of overseeing the monitoring of parastatals performances. PEEPA also coordinates the privatization of parastatals. The latest privatized parastatal was Botswana Telecommunication Cooperation. The privatization of Air Botswana and National Development Bank is still ongoing.

The budget reforms cover most public corporations especially the ones receiving subvention from the Government. Changes to government funding processes will directly impact all entities funded by the Government as well as a limited number of those funded for specific capital expenditures. Currently, the ongoing reform is moving from annual budgeting approach to medium term and result/program-based budgeting. This will impact the funding of parastatals. Also, the ongoing reforms in accounting and reporting will also improve on this weakness as parastatals will be required to submit their financial reports on time to enable the Government to consolidate all financial information and reports.

### **10.2. Monitoring of subnational governments**

Subnational governments are managed under the Ministry of Local Government and Rural Development. The overall oversight is conducted by the parent ministry. Regular meetings are held with LAs by their respective oversight ministries. This is demonstrated by quarterly meetings held to discuss financial and non-financial management issues.

The annual audit of these entities is done on time by the Auditor General. However, the Local Authorities Public Accounts Committee (LAPAC) does not consider the reports timely because the financial reports are submitted to the parent ministry in the unaudited version and the audited reports are printed late by the Auditor General. The last sitting of the Local Authorities Public Accounts Committee discussed financial reports for financial year 2016/17 due to printing backlog of the annual reports.

In summary, all SNGs are audited on time but the reports are published late due to the late printing of the reports by the Auditor General. The unaudited accounts are normally available for internal use within CG and SNG but not for the public. The audit is done between August and December. As a result, the reports are accessed later than 9 months which is a requirement for a "C" score. Based on this information, the score is "D".

### **Reform prospects**

A decentralization policy development is ongoing through the MLGRD. This is at an advanced stage.

### 10.3. Contingent liabilities and other fiscal risks

For the financial years under review (FY 2015/16, FY 2016/17 and FY 2017/18), explicit contingent liabilities of CG are published in Statement 15 in the Annual Statement of Accounts. Explicit Government contingent liabilities cover loan guarantees to parastatals, mortgages and car advances for public officers. Overall, the Government tracks and records its public liabilities including public debt and other liabilities in the ASA, statement 17. The recorded contingent liabilities for 2017/18 were P 8,763,421 (defaulted repayment under motor vehicle and mortgage staff loans guaranteed by government) and 81% were aged over 12 months and the level of contingent liabilities under Statement 15 for financial year 2017/18 were 0.016 % to the total expenditure of central government or 0.015% of the authorized budget. Based on this information, the score is “A”.

### Reforms Prospects

Currently, there are no areas identified for reform. However, the budget and accounting reforms will address the existing problems. Efforts towards program-based budgeting will require comprehensive reporting of commitments and performances. The accrual accounting reports will improve on the completeness and accuracy of Government’s financial reports. Overall, the transition to accrual-based projects will directly improve the management of contingent liabilities.

## PI-11. Public investment management

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-11. Public investment management</b>	<b>C</b>	<b>Overall, management of public investment is limited by inadequate tools for the project selection, costing and prioritization. Most of the projects implemented have incurred cost over runs due to weak cost projections and project management.</b>
11.1 Economic analysis of investment projects	B	All investment projects have a completed economic analysis. This is a basic requirement with the project memorandum template used for all government projects (CG and SNG). The Department of Environmental Affairs serves as the independent entity that reviews the analysis. The results from the analysis such as the health and environmental impacts of the projects are published and made available to the public. Some results can be found under the financier’s website while the other results are used for internal purposes.
11.2 Investment project selection	C	While there are no clearly defined criteria for project selection (as indicated in the PIMA report of 2017), there are transparent processes for the selection of investments projects. This is supported by the ongoing introduction of sectorial planning coordinated by NSO at the CG level. Also, the NDP document contains the planned project for



		the period. NDP is guided by the national vision known as Vision 2036. However, there is no cost information associated with any of the identified projects.
11.3 Investment project costing	C	There is a year by year breakdown of the capital costs and estimates of the recurrent costs for the next three years. It covers estimated cost for the NDP period which is in the medium term of 6 years. What is excluded is comprehensive costing on the recurrent costs and standardized tools for costing of projects. Hence, there are ongoing challenges regarding the costing of projects and cost overruns are experienced across most of the projects.
11.4 Investment project monitoring	D	The total cost and physical progress of major investment projects are monitored by the implementing government agency. There are incidences of inadequate monitoring where data availability is a challenge. There are variations of scope and cost over runs that are persistently present. Standard procedures and rules for project implementation are in place. However, the monitoring system is not fully adequate and does not identify deviations from the plans or appropriate actions.

Currently, there is no clear definition or guidance for major projects. However, for the purpose of this assessment, ten projects with the highest annual budget contribution for a particular financial year (2015/16 - 2017/18) were selected. See Table below.

**Table: 11.1 Top 10 projects**

MINISTRIES	PROJECTS	Total Estimated Cost (Pula)	Budget 2017/18 (Pula)	Accumulated Expenditure as 2017/18
<b>Ministry Lands Water and Sanitation</b>	Land development	6 632 000 000	6 144 927 450	106 277 299
	Water Supply & Sanitation	3 960 600 000	3 198 630 510	602 232 866
	Water supply pipes	8 306 000 000	7 051 000 000	1 309 505 965
<b>Ministry of Local Government and Rural Development</b>	Ipelegeng	4 397 500 000	3 821 312 900	572 430 455
<b>Ministry of Agriculture and Food Security</b>	Agricultural Support Schemes	3 575 000 000	2 907 600 000	8 524 471 976
<b>Ministry of Infrastructure, Science &amp; Technology</b>	Infrastructure and Maintenance	2 210 971 890	1 948 046 890	91 559 232

<b>MINISTRIES</b>	<b>PROJECTS</b>	<b>Total Estimated Cost (Pula)</b>	<b>Budget 2017/18 (Pula)</b>	<b>Accumulated Expenditure as 2017/18</b>
<b>Ministry of Minerals Resources, Green Technology and Energy Security</b>	Botswana Power Corporation Support	10 000 000 000	8 543 000 000	1 457 000 000
<b>Ministry Transport and Communications</b>	Power Generation Distribution	4 248 200 000	2 994 211 321	1 292 148 990
<b>Ministry of Health and Wellness</b>	Road infrastructure	6 519 000 000	5 568 000 000	1 360 681 243
	Primary Health Care Services	2 943 800 000	194 581 391	77 570 397

### **11.1. Economic analysis of investment projects**

Economic analysis is conducted as established in the national guidelines (EIA, AIA, EMP, Planning Officers Manual) to assess most major investment projects and results are published and made available to the public that pertains to the health and environmental impacts. Some results are outlined on the financiers' website and other results are used for internal purposes. The Department of Environmental Affairs assumes the role of the independent entity which reviews the results from these reports. The risk analysis on cost benefit analysis, or multi-criteria analysis is also conducted for mega projects, such as Kazungula Bridge, Morupule B Power Station, Botswana Integrated Transport Project and Pandamatenga Agricultural Infrastructural Project.

In summary, all projects have economic analysis as it is a basic requirement within the project memorandum template used for all government projects (at CG and SNG) and for major projects the analysis is done as part of the feasibility study. The feasibility studies for major projects are available in hard copies for the public and all Environmental Impact Assessment for all projects are published in government media including the government portal. Based on this information, the score of "B" was given. Refer to appraisal report of these projects for reference which have been made available as evidence.

### **Reform Prospects**

The ongoing PFM Reforms cover analysis of investment projects. Public Investment Management Assessment (PIMA) report of June 2017 identified areas of weakness. IMF AFRITAC South is assisting MFED to review the PIMA findings and sequencing of them for implementation.

### **11.2. Investment project selection**

The Government's planning process for investment project selection is based on the bottom-up approach. This means that the selection of projects starts at the grass roots level and progresses upwards until it reaches the Legislature for approval. This is how all projects in NDP 11 came to fruition. While there are no clearly defined criteria for project selection like it has been indicated in the PIMA report of 2017, there are rigorous and transparent arrangements for the selection of investments projects, that aim to strengthen the efficiency and productivity of public investment. There are policies that guide project selection for

inclusion in the NDP for specific MDAs (RNSP, RNPE, National Health Policy of 2011). Line ministries prepare a project list for consideration during the NDP process. Furthermore, projects are proposed at the District level and receive approval by the full council (Councilors), the information is sent to MLGRD for onward transmission to MFED. Local government development spending is coordinated by MLGRD. MFED role is to develop management tools like the framework for evaluating and monitoring investment projects. There are further appraisals and discussions during the preparation of the NDP at the CG level. Some projects will make the NDP listing while others might not qualify due to resource constraints and government priorities. Hence, the score of “C”.

### **Reform Prospects**

IMF AFRITAC South is assisting MFED with this effort.

### **11.3. Investment project costing**

There is a year by year breakdown of the capital costs and estimates of the recurrent costs for the next three years. It covers estimated cost for the NDP period which is in the medium term of 6 years. What is excluded is comprehensive costing on the recurrent costs and standardized tools for costing of projects. Project costing is still a challenge. During the last NDP, most projects experienced cost overruns associated with inadequate costing parameters. Major steps have been taken to improve the situation and project costing is part of the reform program efforts. The total estimated cost and associated recurrent cost of projects are included in the NDP as well as year by year break down of the project cost during the implementation period. The PIP is discussed during the annual budget process. Thematic working groups meet regularly during budget execution and preparations. Projections on the implication of capital costs on recurrent costs are not adequately incorporated into the development/capital budget except for the mega projects. Hence the score is “C”.

### **Reform Prospects**

The planning officer’s manual has been reviewed to enhance processes for project costing. Currently, IMF AFRITAC South is assisting MFED in developing a standardized process for costing of projects based on the International Unitary Costing Model which is expected to be adopted by the Government. This would lead to profound appraisal, selection, costing and project management procedures. Hence, there should be improvements in the variance costs levels between the initial estimated costs and actual costs.

### **11.4. Investment project monitoring**

All projects are reported under standardized procedures as per the annual budget reports such as the Estimate book and Committee of Supply speeches, the President and Vice President reports, and the Annual Statements of Accounts, Planning Officers manual and the Financial instructions and procedures. However, project monitoring has some challenges. Projects are not completed on time and in most cases results in cost overruns. Even though challenges exist, there are processes used for monitoring projects at the MDA level. Project officers were introduced throughout the government. Units have been established to oversee project management. This arrangement is expected to lead to improvements in the overall management of projects. In addition, MFED has assigned planning officers to all MDAs for monitoring and evaluation of projects and to provide overall guidance.

According to PIMA 2017<sup>24</sup>, “for all major projects, financial and physical progress are monitored during implementation by procuring entities. Financial monitoring was previously supported by the Development Project Management System (DPMS), but the system has not been operational since the transition from NDP 9 to NDP 10. In the absence of the DPMS, financial monitoring is enabled through GABS in a more limited fashion. Physical progress is monitored by each procuring entity responsible for the project, GICO with support from the Community-Based Monitoring (CBM) program and implementing agencies. However, formal reports are not compiled to substantiate the observations of the monitoring entities and implementation status, but site meetings are conducted for works projects. Such a report would typically identify risks (and courses of action to mitigate them), time constraints, and the sources of cost overruns”. Based on this information, the score of “D” was given.

### Reform Prospects

The Development Project Monitoring System (DPMS) has been upgraded to enhance the monitoring of projects and to improve the data quality of the individual projects. Also, NSO has developed a national monitoring and evaluation tools. This tool is currently used for the monitoring of the projects in fulfillment of NDP 11 objectives. Other elements of monitoring will be included in future PFM Reform Program plans. The government, through MFED, is committed to finding new ways of improving efficiency of managing projects as a way of ensuring alignment to medium term strategic priorities as stated in the current NDP 11.

## PI-12. Public asset management

### Summary of scores and performance table

Indicator/ Dimension	Score	Brief justification for score
PI-12. Public asset management	D+	<b>Most Government entities reflect 50% compliance of maintenance of records in financial &amp; non-financial assets, as well as transparency of Government assets disposal as prescribed by the PPADB Act. The information on transfer of assets is very limited.</b>
12.1 Financial asset monitoring	C	The Government maintains a record of its holdings in major categories of financial assets, which are published in the ASA but the information on each asset is not fully aged and they are reported under the following statements: <ol style="list-style-type: none"> <li>1. Cash- statement 1</li> <li>2. Government lending-statement 8 &amp; 13</li> <li>3. Long term funds-statement 9</li> <li>4. The information on age and location of assets is not published but evident on the internal record of individual assets, e.g. almost all vehicles, buildings, machinery and equipment are</li> </ol>

<sup>24</sup> IMF Country Report No. 17/188. Botswana: Technical Assistance Report – Public Investment Management Assessment

Indicator/ Dimension	Score	Brief justification for score
		recorded. 5. Shares held in commercial under takings- Statement 18
12.2 Nonfinancial asset monitoring	D	Government maintains an asset register in which some fixed assets are recorded (e.g. vehicles) and the information is partially available as the records only reflect acquisition date and the asset descriptions.
12.3 Transparency of asset disposal	D	The procedure for disposal of non-financial assets are stated in the PPADB Act and estimated revenue on the disposal is not reflected in the budget estimates documents. Financial reports outline the revenue generated from asset disposals. Procedures on transfer of non-financial assets between government entities have not been established.

### 12.1. Financial asset monitoring

Categories of financial assets reflected under this dimension exclude stores/supplies and inventories, because of the modified cash-based accounting system. The information on performance are available for as reported on annual basis e.g. Bank of Botswana report all investments annually and the Investment Committee deals with the management of government assets under BOB and other investments like shares and dividends are managed and recorded by MFED.

The Supply Warehousing and Inventory Management System (SWIMS) is used to record all common user items across the Government. SWIMS has been rolled out to 128 cost centres in 16 ministries and some districts.<sup>25</sup> SWIMS is being used in preparation for the transition to the accrual-based accounting process (March 2022). Based on this information, the score is "C".

### 12.2. Nonfinancial asset monitoring

The holding of non-financial assets in terms of usage and age is not published annually. A register of land, buildings, other natural occurring assets, and minerals & energy resources is not fully maintained. The Ministry of Land Management have buildings register and Central Transport Organisation have registers for all CG vehicles. The current records do not have information on age of individual assets except the date of acquisition.

In summary, usage and age information is available on registers for buildings, inventory and Store cards. For all other assets, e.g. all assets in offices, warehouses and other government facilities, have inventory and stock cards which have description and the date of acquisition. Any transfer of assets is recorded immediately at the time of transaction. All vehicles and big machinery have logbooks which record and track maintenance and repairs. Inventory and stock cards have details of each machinery and vehicles assigned to the respective MDAs. For vehicles and machinery, the Department of Central Transport maintains duplicate copies of each assets and update it with repairs and maintenance information on regular basis. Based

<sup>25</sup> Ministry of Finance and Economic Development, Annual Statements of Accounts, for the financial year ended 31 March 2018

on the fact that the coverage is not complete and not published annually, the score “D” was given.

Categories of nonfinancial assets are provided below:

**Table 12.1. Categories of nonfinancial assets**

Categories	Subcategories	Where captured	Comments
<b>Fixed assets</b>	Buildings and structures	Asset registers	Automation of asset registers is in progress through the Integrated Fixed Asset register (IFA) project. In cases where IFAR is not active manual registers are kept at the location of each assets in has the description and the acquisition date, value is not recorded.
	Machinery and equipment	Asset registers	
	Other fixed assets	Asset registers	
<b>Inventories</b>	—		These are classified as financial assets
<b>Valuables</b>	—		
<b>Non-produced assets</b>	Land	Asset register	
	Mineral and energy resources		
	Other naturally occurring assets		
	Intangible non-produced assets		These are classified as fixed assets and are not yet reflected/published in the asset under 1, in ASA.

*Non-Financial Assets categories- Currently non-financial assets like fixed assets are not included in the ASA. Financial Assets categories like shares and cash balances are reflected in the ASA.*

### Reform Activity

The current roll out of Integrated Fixed Asset Register (IFAR) will improve on the quality of information as real time tracking of assets will be instituted. However, implementation of IFAR is ongoing with a few ministries at advance stage in recording of assets and currently rolling out IFAR to their departments.

The fixed asset register has been developed which is aligned with accrual concepts of accounting. This register is being rolled out to MDAs.

### 12.3. Transparency of asset disposal

All Government institutions comply with procedures and rules for the disposal of financial and non-financial assets which are outlined in the PPADB Act. Information on disposal is included in the budget document and financial reports. The score is a “D” because of lack of evidence on transfers of non-financial assets. For instance, clinics and ambulances have been transferred from LAs to CG, however there is no documentation to support this type of transaction ever took place.

## PI-13. Debt management

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-13. Debt management	B	Management of domestic, foreign debt, and guarantees is based on satisfactory practices. There are fiscal policies in place to guide the debt management process.
13.1 Recording and reporting of debt and guarantees	B	Most debt data are updated in the Commonwealth Secretariat –Debt Recording Management System (CS-DRMS) such as when transactions take place. Reconciliations are done on a quarterly basis. Statistical reports are produced and disseminated on a quarterly basis. The public debt is reported under ASA, Statement 11. It covers internal and external debt per borrowing and reporting; outstanding balance and expected final repayment date. In addition, ASA statement 17 cover debt servicing, stock and servicing of each loan and bonds.
13.2 Approval of debt and guarantees	C	Authority to borrow and extension of loan guarantees are stipulated in the Public Financial Management Act, 2011 and the Stocks, Bonds and Treasury Bills Act, 2005. The Budget Analysis and Debt Management (BADM) section within MFED is charged with the responsibility of managing and monitoring debt. All debts are approved by Parliament while negotiations are handled by MFED.
13.3 Debt management strategy	B	The Medium-Term Debt Strategy (MTDS) was published in 2016. MTDS cover interest rate, refinancing and foreign currency risks. MTDS is also available on MFED website and located in the national library. However, annual reports have not been produced for publication since 2016. The budget includes estimated interest rate variation, exchange rate and foreign exchange rates variations. There were no negative variations experienced for the period under review.

#### 13.1 Recording and reporting of debt and guarantees

Debt data is updated in CS-DRMS when transactions take place. Reconciliations are done on a quarterly basis. External debt, domestic and guaranteed debts are reported in Statement 11, 11A and 17 in the Annual Statement of Accounts. ASA statement 17 cover debt servicing, stock and servicing of each loan and bonds. Quarterly debt data is also published on MFED website. The score is a “B” since reconciliation is done quarterly instead of on a monthly basis.

#### Reform Prospects

There is a need to streamline the duties of the Cash Flow and Public Debt Service units. As shown in the 2013 PEFA assessment, the duties of recording of debt transactions is

duplicated. Efforts are being made to reconcile the statistics generated from GABS and CS-DRMS. Discrepancies have greatly reduced.

### **13.2. Approval of debt and guarantees**

Parliament authorizes external borrowing through a bill on a case by case basis. There is no annual approval for borrowing. However, regarding domestic borrowing, Parliament approves a ceiling within which borrowing is undertaken on an annual basis. MFED approves an amount to be borrowed on an annual basis on behalf of the Government within the budget ceiling established. BADM uses CS-DRMS which is a debt reporting and monitoring system to record external, domestic, and guarantees. MFED is mandated with the primary responsibilities of negotiating and signing for debt and guaranties on behalf of government entities. The primary legislation is the PFMA, which requires borrowing to be authorized by Parliament. All existing loans were authorized by Parliament. The score is therefore “C”.

#### **Reforms Prospects**

Currently, this is not under consideration for the reform program plans. However, the initiatives to improve debt management has been part of the PFM reforms program. The drafting of the procedure manual has begun, and it will fulfill the procedures requirement.

### **13.3. Debt management strategy**

The MTDS covers the financial years 2016/17, 2017/18 and 2018/19. MTDS is available to various stakeholders. MTDS can be found in national libraries. MTDS was published on MFED website. Ninety percent (90%) of Botswana’s external debt portfolio is subject to variable interest rate. The MTDS states that there should be a shift from variable interest rates to fixed rates. Furthermore, to hedge against the exchange rate risk, the MTDS states that there has been a gradual decrease in external debt and a gradual increase in domestic debt. The percentage of domestic debt outstanding on an annual basis was increased from 5% to 6% of GDP. The exchange rate risks are not calculated based on adopted model, but annual provisions are made for variations that might occur due to exchange rate and interest rate variations. The budget estimates are guided by forward exchange rate and guided by Bank of Botswana. The interest rate is low on most loans if using quantity. About 90% of loans interest rates are fixed, but in value terms, it is vice versa. The few loans that are not fixed have high material value hence annual the interest rate variations are calculated and provided for. Additionally, the current debt strategy is working towards having high value loans at fixed interest rate. Based on this analysis, the score is “B”.

#### **Reform Prospects**

Streamlining of the front, middle and back offices is necessary. In the absence of these, there is a departure in the recommendations in the MTDS.



## PILLAR FOUR: Policy based fiscal strategy and budgeting

Pillar four assesses whether the fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

### PI-14. Macroeconomic and fiscal forecasting

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-14. Macroeconomic and fiscal forecasting</b>	<b>C</b>	<b>The Government, through the MFED, prepares medium-term macro-economic forecasts with underlying assumptions but they are not submitted to the Legislature. They are prepared for the purpose of informing the fiscal and budget planning processes. The forecast includes estimates of GDP growth, interest rates and exchange rates.</b>
14.1 Macroeconomic forecasts	C	MFED produces annual macroeconomics forecasts and are depicted in the medium terms outlined in the budget strategy paper. The medium-term forecasts are not shared with Parliament. However, the NDP, which guides the annual budget, is submitted to Parliament but the annual budget submissions do not contain any underlying assumptions. The budget is not presented in medium terms.
14.2 Fiscal forecasts	C	Government prepares fiscal forecasts which are considered mid to medium term fiscal forecasts, consisting of the current year plus two outer years. However, the forecasts are not submitted to the Legislature but are used internally by MFED to prepare the annual budget
14.3 Macro fiscal sensitivity analysis	C	A sensitivity analysis is done for internal purposes by MFED. The budget is presented to the Legislature without consideration of the scenarios. The scenarios are not shared (or published) in any public documents.

#### 14.1. Macroeconomic forecasts

The Government, through the Macroeconomic Policy section, use a macro economic model to prepare medium-term macro-economic forecasts with underlying assumptions prepared for the purpose of informing the fiscal and budgeting/planning processes. The forecast includes projections of GDP growth, interest rates and exchange rates. This information is

revised quarterly. The Government produces the Quarterly Economic Bulletin which provides summarized versions of information on key economic issues and indicators. This bulletin is available to the public on MFED website and hard copies. The medium-term forecasts are not presented to the Legislature and the forecasts are not included in budget documentation. Based on this analysis and supporting evidence, the score is “C”.

#### 14.2. Fiscal forecast

The budget documents incorporate the mid-term fiscal framework for FY 2017/18 and the next two years based on updated macroeconomic projections that reflects government approved expenditure and revenue policy settings. The revenue projections are presented by type and identify underlying assumptions such as rates, coverage and projected growth.

The MTFF information is presented in the 2018 budget speech which is relayed to the Legislature. The speech was delivered by the MFED for all the financial years under review. Hence, the score for the present dimension is “C”.

#### 14.3. Macro fiscal sensitivity analysis

The Macroeconomic Policy section prepares different fiscal forecast scenarios. The scenarios are presented to the Cabinet and MFED. To assist with capacity building in modelling and forecasting, Botswana Modelling and Forecasting Group (BMFG) was established as an external team with representation from various entities.

Macro fiscal sensitivity analysis scenarios are not published nor discussed during the budget speech. Hence, the score for the present dimension is “C”.

#### Recent or ongoing reform activities

The MTFF process is now well-embedded in the Government. MTFF provides a sound basis for medium-term financial planning and budgeting. The Macro-Fiscal Policy & Planning component is continuing to publish a quarterly summary of key economic and fiscal data.

### PI-15. Fiscal strategy

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-15. Fiscal strategy	C	Government has developed a clear fiscal strategy which can assess the fiscal impact on revenue and expenditure policy proposals. The annual BSP is shared with stakeholders around September each year.

Indicator/Dimension	Score	Brief justification for score
15.1 Fiscal impact of policy proposals	D	The fiscal policy impact is shared on the BSP and the Budget Speech, but presentation is not in medium term. Policies are not costed and do not form part of the MTEF budget process. Also, outcomes of the proposed policies are not always quantified and linked to budget resources and as result there is limitation in detailing the impact of policy changes as most of the time policies are not fully costed. The tax revision is normally quantified the effect of the change the impact of the tax revision is normally calculated by the Tax Committee.
15.2 Fiscal strategy adoption	B	The annual fiscal strategy produced is in line with the NDP. It covers the key performance indicators against existing fiscal rules. The overall economic performance is normally included in the internal budget documentation. The performance variance of the strategy is not published during budget execution. The fiscal strategy applies to CG.
15.3 Reporting on fiscal outcomes	C	MFED submits to the Legislature, along with the annual budget, a report that describes progress made against the fiscal strategy and provides reasons for any deviation (at the aggregate level). However, the report does not detail variations from the initial objectives. The report only outlines projected fiscal targets.

### 15.1. Fiscal impact of policy proposals

The MTEF working group prepares estimates of the fiscal impact of all proposed changes in revenue & expenditure every quarter. This is used as a means of checking the feasibility of the fiscal rule. The projected total revenues and grants for 2017/2018 was P52.8 billion: with Mineral Revenues accounting for P19.1 billion; Customs and Excise for P13.4 billion; Non-income tax at P10.6 billion; and Other revenues at P9.6 billion.

Mineral and Customs & Excise revenues remain Botswana's major revenue source, constituting over 60 percent of total revenues. However, these two sources of revenue remain vulnerable to instability and fluctuations in the exchange rates and international markets.

Policy proposals are not costed and do not form part of the MTEF budget process. Therefore, the outcome of the proposed policies is unknown due to the lack of costing information and the sensitivity analysis of any changes of the new policies. Hence, the score for the present dimension is "D".

### 15.2. Fiscal strategy adoption

The government has adopted and submitted to the Legislature a current fiscal strategy that includes qualitative and quantitative fiscal objectives for the budget year and the two following years. The Government prepares fiscal forecasts for the upcoming budget year

and next two financial years as shown in the Quarterly MTF reports to Senior Management. (Last completed fiscal year.)

The debt rule puts a cap on total domestic and foreign debt, each at 20 percent of GDP. There is no provision in the law for the rule to be suspended or readjustment if the cap is exceeded. The expenditure principle includes a 40 percent of GDP government spending cap which was introduced in NDP 9. A target reduction of government spending to 30 percent of GDP by 2016 was outlined in NDP 10. Within the total expenditure limit, as a guideline, 30 percent of expenditure is targeted for capital in efforts to prioritize capital investments. These rules are used to frame discussions during the budget planning process. The fiscal strategy applies to CG. Hence, the score for the present dimension is “B”.

### 15.3. Reporting on fiscal outcomes

The Government submits to the Legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides reasons for any deviation.

The Government makes available, as part of the annual budget documents submitted to the Legislature, an assessment of its achievements against its stated fiscal objective and targets. The budget outlook, for the 2017/2018 financial year is projected to result in a budget deficit of P6.8 billion or -4.1 percent of GDP. This is attributable to the projected modest growth in revenues, and continued pressures arising from the implementation of the ESP. This calls for continued efforts to expand the domestic revenue base, as well as prudent management of expenditure in 2017/2018. Hence, the score for the present dimension is “C”.

### Recent or ongoing reform activities

The budget option papers have been drafted for FY 2016/17 and FY 2017/18 and baseline budgeting has been introduced. Efforts continue to enhance these activities.

## PI-16. Medium-term perspective in expenditure budgeting

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-16. Medium-term perspective in expenditure budgeting	D	The medium-term estimates are not presented to Parliament along with the other annual budget documents. Medium-term estimates do not correspond to MDAs strategic plans. There is no evidence that links budget expenditures to strategic plans.
16.1 Medium-term expenditure estimates	C	The published budget documents do not present estimates of expenditure for the current budget and the two following years. The medium-term estimates are only presented to the Cabinet and not to the Legislature. Annual estimates are guided by the medium-term objectives and planned programmes under the current NDP 11. The limitation is that the budget is not presented in medium-term to Parliament for approval. The

Indicator/Dimension	Score	Brief justification for score
		medium-term perspective is approved during the approval of NDP by Parliament. The estimates are presented by administrative classification.
16.2 Medium-term expenditure ceilings	D	Aggregate expenditure ceilings for the budget and the two following fiscal years were not approved by the Government prior to the release of the budget circular. The medium-term budget ceilings are contained in the budget call circular to MDAs. The medium planning and implementation of programmes and projects is done under the development budget as outlined in the NDP.
16.3 Alignment of strategic plans and medium-term budgets	D	All ministries prepare medium term strategic plans. The expenditure policy proposals in the annual budget are aligned with the Vision 2036 and NDP 11 which sets the tone for the MDAs strategic plans. However, there was no evidence on the estimate of budgeted expenditures that are aligned to the strategic plans.
16.4 Consistency of budgets with previous year's estimates	D	There is no comparison and explanation of change between the second year of the last medium term and the first year of the current medium term.

### 16.1. Medium-term expenditure estimates

The annual budget is the published budget documents and does not present estimates of expenditure for the budget and the two following years. For 2018/2019, the medium-term estimates were presented to Cabinet by administrative classification and not to the Legislature. The recurrent budget is outlined in medium terms while the development budget estimates are presented only for the one budget year. However, the budget circular containing the ceilings include the medium-term ceilings for both the recurrent and development budgets. Moreover, the budget circular contained comprehensive guidelines with templates for MDAs to submit their budget requests for the medium-term. MDAs submitted their budget requests for 2018/2019 in the medium-term format as per the budget guidelines. Hence, the score for the present dimension is “C”.

### 16.2. Medium-term expenditure ceilings

Medium-term expenditure ceilings were prepared internally for management decision making, but were not submitted to the Cabinet for approval, prior to the release of the budget circular. MFED is aware of the requirements to submit ceilings to Cabinet for approval before issuing them to MDAs. However, due to time constraints, this requirement was not met for 2018/2019 fiscal year. The score for this dimension is therefore a “D”.

### 16.3. Alignment of strategic plans and medium-term budgets

The 2018/2019 budget proposals are part of Government’s efforts to achieve the goals and aspirations of the Eleventh National Development Plan (NDP 11) and Vision 2036. The annual budget is aligned to the national goals and objectives contained in NDP 11 and Vision 2036. Budget strategies for the FY 2018/2019 aimed at realizing the national goals and objectives. Budget allocations are focused on six national priorities consisting of: Completion of On-going Projects; Maintenance and ensuring functionality of Existing Infrastructure; Investing in High Impact Projects; Strengthening Human Capital; Improving Total Factor Productivity; and Social Protection programmes. Even though MDAs have strategic plans, there was no visible link of budget allocations to MDAs strategic plans. However, the Ministry of Education has a country education strategy. This strategy is fully costed and is guided by the overarching strategic plan of the ministry, the NDP and budget allocations. Based on this information, the score for the present dimension is “D”.

### 16.4. Consistency of budgets with previous year’s estimates

The medium-term budget process was introduced around financial year 2014/2015, some years after the Government adopted a PFM reform roadmap. Since then, medium-term expenditure ceilings and budget estimates are prepared annually for internal use. The medium-term projections are not compared to previous year’s estimates. In addition, explanations are not provided for any changes or variances to expenditure estimates between financial years. Challenges still exist in the medium-term budget projections due to poor forecasting. Therefore, the score for the present dimension is “D”.

## PI-17. Budget preparation process

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-17. Budget preparation process</b>	<b>B</b>	<b>MDAs and the Legislature are involved in the annual budget process. However, majority of MDAs did not adhere to the annual budget timelines.</b>
17.1 Budget calendar	C	The budget calendar exists and allows budgetary units at least four weeks from receipt of the budget circular. About 60% of budgetary units were not able to complete their detailed estimates on time that means 40% met the deadline.
17.2 Guidance on budget preparation	C	The budget circular is issued to MDAs, including ceilings for individual administrative units. The budget estimates are reviewed and approved by Cabinet only after they have been allocated and summarized in greater details by MDAs.
17.3 Budget submission to the legislature	A	For the last three fiscal years, MFED submitted the annual budget for tabling to Parliament two months before the beginning of the fiscal year.

## 17.1. Budget calendar

Every year before the beginning of the budget preparation process, MFED prepares and issues a budget preparation schedule to all MDAs. The budget preparation schedule is prepared by the Development and Budget division of the MFED in collaboration with the relevant stakeholders, e.g. the Economic and Financial Policy division of MFED. The budget calendar allows budgetary units at least four weeks from receipt of the budget circular to complete their detailed estimates. Most of the budgetary units are unable to complete their detailed estimates on time, therefore the score is “C”.

**Table 17.1 Budget calendar for the last budget submitted to the Legislature FY 2018/19**

Activity	Planned date	Actual date
Preparation of Draft Budget Strategy Paper for Budget Pitso	July	01 June to 21 July 2017
Release of updated MTFE forecasts revenues and Expenditure	June 2017	23 June 2017
Assessment of Baseline Budget Projections (Internal)	June 2017	26 June to July 2017
Bilateral meetings with line Ministries, Departments & Agencies (MDAs) on Baseline Budget Projection for Recurrent and Development Budget	July 2017	10-14 July 2017
Receipt of Transport Establishment Review Committee & Manpower requirements	July 2017	11 July 2017
Call Circular Released on Pitso Schedule	July 2017	24 July 2017
Submission of memo on MTFE & Ceilings	August 2017	03 August 2017
Budget Call Circular with Approved ceilings sent to ministries	August 2017	21 August 2017
Budget Pitso	September 2017	05-22 September 2017
Submission of Revenue Estimates and Submission of Expenditure Estimates	September 2017	17 September 2017 21 September 2017
Estimates committee Meetings Timetable to ministries	October 2017	10 October 2017
Estimates Committee meetings	November 2017	06-10 November 2017
Cab Memo on Final Budget Proposal	November 2017	23 November 2017
Cabinet consider Budget proposals for 2018/2019	November 2017	29 November 2017
Submission of Draft Appropriation Bills to Attorney General's Chamber	December 2017	12 December 2017
Draft Estimates Book tabled to Parliament	December 2017	27-December 2017
Draft Appropriation and Supplementary Appropriation bills submitted to Cabinet	January 2018	03 January 2018

Activity	Planned date	Actual date
Submission of Final Draft Budget Speech to Cabinet	January 2018	15 January 2018
Discussion & Approval of Final Draft Budget Speech by cabinet. Cabinet approves Appropriation bill	January 2018	17 January 2018
Tabling of Financial Statements, tables & Estimates of the consolidated & Development fund	February 2018	05 February 2018
Debate of Budget Speech (10 days)	February 2018	07-22 February 2018
Committee of Supply (18 days)	March 2018	26 Feb to 27 March 2018
Day of Assent- Third reading of Appropriation of Bill	March 2018	29 March 2018
Signing of Appropriation Act, General Statutory Warrants and Finance Warrants; Dispatch of finance warrants to Ministries	March 2018	30 March 2018
Printing of FY 2018/19 Final Estimates books		17 April 2018

## 17.2. Guidance on budget preparation

The budget circular for 2018/19 was issued to MDAs, including ceilings for individual administrative units, but the ceiling was not approved by Cabinet. Comprehensive guidelines and templates were provided in the circular.

### Existence and adherence to a fixed budget calendar

The calendar for budget preparation in Botswana is detailed and clear as follows:

- A first circular is sent between June and July for the preparation of the FY 2018/19 budget requesting submissions by MDAs on Baseline Projections;
- Later in the process global ceilings by MDA, are communicated to MDAs through a Budget Call Circular (BCC). This Circular provides guidance on the preparation of budget submission by MDAs and sets a deadline for their comments and submissions.
- MDAs submit comments on the ceilings and proposals: For the preparation of the majority recent budget, submissions were due in mid-September and submitted in October by most ministries.
- Project Review meetings take a week to discuss both the Recurrent and the Development Budget. These involve discussions with MDAs; and
- Estimates Committee meetings are conducted with MDAs to examine both recurrent and development budget estimates

Although the ceilings were not approved by Cabinet, budget estimates were reviewed and approved by Cabinet only after above process was executed. The budget was submitted to Cabinet for approval through the Cabinet Memorandum in late November. Hence, the score for the present dimension is “C”.

## 17.3. Budget submission to the legislature

MFED submitted the annual budget for tabling in Parliament two months before the beginning of the fiscal year, in the last three years. (See Table 17.3 below) the score for the present dimension is “A”.



**Table 17.3: Actual dates of budget submission for the last three completed fiscal years**

FISCAL YEAR	Actual date of submission
2015/16	21 JANUARY 2015
2016/17	20 JANUARY 2016
2017/18	18 JANUARY 2017

## PI-18. Legislative scrutiny of budgets

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-18. Legislative scrutiny of budgets</b>	<b>C+</b>	<b>The Legislature does not have a Budget office or committee to consider and analyze the budget documents before the approval of the annual budget. The scrutiny is done during the overall budget discussions (Committee of Supply). However, the supplementary budget request is tabled before Parliament for consideration and approval. One of the committees will review the supplementary request prior to approval by Parliament.</b>
18.1 Scope of budget scrutiny	C	The Legislature scrutinizes the budget during budget discussions session (Committee of Supply). Parliament approves the budget after the debate and only then are MDAs allowed to implement their annual budget.
18.2 Legislative procedures for budget scrutiny	C	Budget proposals are reviewed and discussed by the Legislature during the Committee of Supply which takes eighteen days. The Legislature's procedures to review budget proposals are laid out in the Constitution of Botswana and the Standing Orders of Parliament.
18.3 Timing of budget approval	A	The Legislature has during the last three years, approved the budget before the start of the fiscal year. See Table 18.3
18.4 Rules for budget adjustments by the executive	B	Amendments to the original approved budget follow clearly defined rules, in order to avoid undermining the credibility of the original budget. These rules are adhered to in most instances and are covered by PFMA and Financial Instructions and Procedures. This compliance is evaluated and reported on in Auditor General reports.

### 18.1. Scope of budget scrutiny

Although the Legislature scrutinizes the annual budget, this scrutiny does not cover review of fiscal policies. The Legislature is not provided with medium-term fiscal forecasts and medium-term priorities when the annual budget is submitted, therefore this information is not taken into consideration. The Finance and Estimates Committee of Parliament has been in existence for a long time but does not review the annual budget before it is presented in the full Chamber of Parliament.

The practice is that the committee reviews the supplementary budget estimates and the Chairman of the Committee will table the estimates for presentation in Parliament. Hence, the score for the present dimension is “C”.

### 18.2. Legislative procedures for budget scrutiny

Annual budget proposals are reviewed and discussed by the Legislature during the budget discussions session (Committee of Supply). Before these discussions, Parliament issues a timetable and invites each MDA to be present when their respective annual budget is up for debate. This debate takes eighteen days to cover all MDAs.

The Legislature's procedures to review budget proposals are laid out in the Constitution of Botswana and the standing orders of Parliament. The Legislature's procedures to review budget proposals are approved by the Legislature in advance of budget hearings and are adhered to in accordance with the standing orders. The procedures do not include arrangements for public participation. During the debate sessions, the public can attend and observe the proceedings in Parliament's chambers. Hence, the score for the present dimension is “C”.

### 18.3. Timing of budget approval

The Legislature has, during the last three years, approved the budget before the start of the fiscal year. The budget approval date coincides with the release of the Appropriation Act. Hence, the score for the present dimension is “A”.

**Table 18.3: Actual dates of budget approval for the last three completed fiscal years**

Budget for FY	Name of the Bill	First Reading	Second Reading	Third Reading
2018-2019	Appropriation Bill 2018	05 <sup>th</sup> February 2018	05 <sup>th</sup> February 2018	29 <sup>th</sup> March 2018
2017-2018	Appropriation Bill 2017	01 <sup>st</sup> February 2017	01 <sup>st</sup> February 2017	27 <sup>th</sup> March 2017
2016-2017	Appropriation Bill 2016	01 <sup>st</sup> February 2016	01 <sup>st</sup> February 2016	29 <sup>th</sup> March 2016

FISCAL YEAR	Actual Date of Approval
2015/16	29 <sup>th</sup> March 2015
2016/17	27 <sup>th</sup> March 2016
2017/18	29 <sup>th</sup> March 2017

#### 18.4. Rules for budget adjustments by the executive

In year budget adjustments consists of transfer of funds between items or across departments (virements) within the same ministry and reallocation of funds between projects by MDAs. MFED also has the authority to reallocate funds (reduce the budget) of MDAs. The PFM Act allows MFED to initiate the reallocation. Line ministries can initiate virements through their accounting officers. The adjustments through virements do not require approval by the Legislature. However, reallocations across MDAs is done through the supplementary budget request process. Supplementary requests may increase the approved budget for the receiving MDAs and reduce approved budget for the giving MDAs. Any amendments to the original budget follow clearly defined rules as covered under PFMA and Financial Instructions and Procedures. This process avoids undermining the credibility of the original budget.

These rules are adhered to in most instances. Financial instructions and procedures, which are issued by MFED, provides clear directions on when and how the transfer of funds within the MDAs' budget (virements) must be handled. The Cabinet, from time to time, also issues directives advising on how in-year budget adjustments must be processed. Currently, the Cabinet has directed that, in-year budget adjustments to personnel emoluments and external travel can only be processed by MDAs after receiving prior approval from MFED. The percentage of MDAs receiving supplementary budget in 2016/17 and 2017/18 was 44% and 24% respectively. Hence, the score for the present dimension is "B".

**Table 18.4a FY 2016/17 Supplementary budget requests (adjustments)**

Ministry	Recurrent Budget (P)	Development Budget (P)
MFED	114 284 090	0
Ministry of Education and Skills Development	5 000 000	0
Ministry of Tertiary Education, Research, Science & Technology	1 308 071 800	0
Parliament	5 324 540	0
Presidential Affairs, Governance & Public Administration	38 796 770	0
Local Government & Rural Development	68 561 040	0
Health and Wellness	550 837 970	0
Auditor General	2 942 150	0
International Affairs & Cooperation	500 000	0
Environmental, Natural Resources Conservation & Tourism	12 352 040	0

Ministry	Recurrent Budget (P)	Development Budget (P)
Defence, Justice & Security	47 067 390	0
Mineral Resources, Green Technology & Energy Security	0	2 007 698 000

Total appropriated budget = P66 498 963 036

**Table 18.4b FY 2017/18 Supplementary Budget requests (adjustments)**

Ministry	Recurrent Budget (P)	Development Budget (P)
Environment, Natural Resources Conservation and Tourism	25 114 910	41 600 000
Parliament	5 491 810	0
Basic Education	407 861 370	0
Local Government and Rural Development	283 609 940	0
Health and Wellness	368 288 900	0
Auditor General	1 201 210	0
Mineral Resources, Green Technology and Energy Security	0	430 000 000
Agricultural Development and Food Security	0	106 737 000

Total appropriated budget was P72 205 546 722

## **PILLAR FIVE: Predictability and control in budget execution**

Pillar five assessed whether the budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

This indicator covers the administration of all types of tax and non-tax revenue for central government. The indicator further assesses the procedures used to collect and monitor central government revenues. It contains four dimensions that assesses: (i). Rights and obligation for revenue measures, (ii). Revenue risk management, (iii) revenue audit and investigation and (IV). Revenue arrears monitoring.

This indicator relates to the entities that administer CG revenues, which may include tax administration and customs administration. It also covers agencies administering revenues from other significant sources such as natural resources extraction. These may include public enterprises that operate as regulators and holding companies for government interests. The assessment required information to be collected from entities outside the government sector. Furthermore, the Government has other sources of revenue which do not fall under the central administration. They included: rates which are administered at LAs and special

funds administered by fund managers such as the National Petroleum Funds (NPF), Motor Vehicle Assurance (MVA) Funds and Tertiary Education Funds etc. Also, the Government receives grants to fund both recurrent and development expenditure.

For the purpose of tax administration, BURS was established and mandated to perform tax assessment and collection on behalf of the Government. Also, to take appropriate measures to counteract tax evasion on the one hand, and to improve taxpayer service to a much higher level on the other.

The Southern African Customs Union Agreement of 2002 was the revision of the SACU agreement which was established in 1910 which Botswana is a member. This agreement is between the Republic of Botswana, the Kingdom of Lesotho, the Kingdom of Eswatini, the Republic of Namibia and the Republic of South Africa. The objectives of this Agreement as spelled out in Article No. 2 are to:

1. Facilitate the cross-border movement of goods between the territories of the Member State;
2. Create effective, transparent and democratic institutions which will ensure equitable trade benefits to Member States;
3. Promote conditions of fair competition in the Common Customs Area;
4. Substantially increase investment opportunities in the Common Customs Area;
5. Enhance the economic development, diversification, industrialization and competitiveness of Member States;
6. Promote the integration of Member States into the global economy through enhanced trade and investment;
7. Facilitate the equitable sharing of revenue arising from customs, excise and additional duties levied by Member States; and
8. Facilitate the development of common policies and strategies. The member states share the revenue pool based on the formula as stated in Part seven, Article 35 of the Agreement.

For the year under review, GoB total revenue and grants amounted to P60.50 billion. Non-mineral revenue is the highest contributor at 78.35% of total revenue and grants, while mineral revenue is at 21.65%. Tax revenue was 66.65% while non-tax revenue represented 33.35%. Grants represent only 0.28% of the total revenue. However, there are risks to the actual revenue collection mainly from the continued high volatility of the mineral, customs and excise revenues. Moreover, SACU revenue has been fluctuating over the years due to performance of imports within SACU region. Historically, SACU revenue was the second highest following mineral revenue. However, the status has changed due to the volatility of the SACU revenue. Currently, it makes around 50% of the tax revenue. Total expenditures and net lending for the financial year 2019/2020 is estimated at P67.54 billion, resulting in a budget deficit of P7.34 billion or minus 3.5 percent of GDP.

A new Customs Management System (CMS), which replaced the ASYCUDA system, was implemented in January 2017. The entire project, included interfacing with other stakeholder systems, was completed in 2017. In addition, there are plans to acquire a modern web Tax Management and Revenue Collection System (TMRCs). The new system is expected to replace the current legacy system which no longer meet business requirements due to its design limitations considered at its advanced stage. The new TMRCs is expected to help facilitate the efficient management of internal revenue collection in Botswana.

## PI-19. Revenue administration

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-19. Revenue administration	C+	<b>Tax information is publicly shared using various forums; risk management is embedded within revenue management processes and that was enhanced further by creating risk management unit in 2017 and drafting of the Enterprise Risk Management Framework. Tax audit and monitoring of tax arrears was traceable during the assessment.</b>
19.1 Rights and obligations for revenue measures	B	Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes. The Revenue Administration supplements this with active taxpayer education campaigns.
19.2 Revenue risk management	B	BURS has adopted a risk based and relatively new unit has been set up by BURS focusing on tax risk management. Furthermore, as part of operational risk management, taxpayers are segregated into large, medium and small tax categories. For customs and excise tax, risks have been categorized into: Revenue loss: deliberate fraud by negligence of importers, traders and officers; evasion of prohibition or restriction: negligence by trader/traveler; and, deliberate fraud, loss or damage to reputation: negligence by managers and officers, deliberate sabotage or criminality.
19.3 Revenue audit and investigation	D	Tax audits and fraud investigations are continuously carried out based on documented annual audit plans and discovery of fraudulent activities. These programs are based on established risk management criteria.
19.4 Revenue arrears monitoring	C	Total amount of tax arrears is significant. The stock of arrears of revenue at the end of the last completed fiscal year was 8% and that is only for VAT and income tax, lower than the benchmark which is set at 10%. However, the revenue arrears older than twelve (12) months is 61%, higher than the benchmark which is set at 50% to qualify for a "B" rating.

#### 19.1. Rights and obligations for revenue measures

This dimension seeks to establish whether individuals and enterprises have access to information regarding their rights and obligations. In addition, the dimension assesses the

administrative procedures and processes that allow redress such as a fair and independent body outside the general legal system to consider appeals.

BURS introduced a web-based e-service platform for e-filing and e-payment of both taxes and duties for both individuals and enterprises. Information on tax liability for all tax types can be accessed through pamphlets, periodic presentations by the taxpayer education unit and the EFT office. Tax legislations, regulations, treaties and bilateral agreements can also be accessed through the BURS website. A 'Large' taxpayer unit has been set up to provide service to taxpayers who have higher contributions in terms of compliance and revenue collection. Large taxpayers have been assigned relationship managers who take care of the maintenance of their accounts. Taxpayers are also assisted through a toll-free call center. During FY 2016/17, BURS conducted taxpayer education workshops, business to business training events and public awareness campaigns to educate taxpayers on the use of the e-services, as a means of improving voluntary compliance.

Objections to tax assessments are a fundamental part of a fair and transparent tax system that allows taxpayers to challenge decisions made by the revenue service regarding tax liabilities. Any challenges to tax decisions will prompt a review process. The appeal structure allows taxpayers to benefit for the right to appeal any objectionable decisions to the Board of Adjudicators. Subsequently, this could progress to the higher courts. During the year under review, the target was to finalize 70% of all objections within 90 days (BURS Annual Report 2017).

Tax administration has a well-functioning administrative procedure and processes that allow redress before a fair and independent appeals body. Each tax stream has its own tax appeals mechanism in place as stipulated in the relevant Act. The administrative procedures for each tax stream are outlined in Annex 6. Based on the analysis and supporting evidence, the score for the present dimension is "B".

## **19.2. Revenue risk management**

BURS administer two major types of revenue streams which are domestic tax and customs duty and excise. For these revenue streams, each has a risk management strategy in place from which risk registers and action plans are drawn. For this exercise, the risk register for customs and excise were provided. However, risk management strategy for both revenue streams and the risk register for domestic tax were not provided on account of confidentiality.

BURS has adopted a risk-based audit whereby taxpayers are segregated into large, medium and small categories. For customs and excise, the risk register and action plan have categorized risks into 3 areas:

1. Revenue loss - deliberate fraud by negligence of importers, traders and officers
2. Evasion of prohibition or restriction - negligence by trader/traveler and deliberate fraud
3. Loss or damage to reputation - negligence by managers and officers, deliberate sabotage or criminality

Each risk is categorized into impact, likelihood and priority with a risk treatment prescribed for each.

On 1<sup>st</sup> December 2016, BURS commenced the use of customs' sniffer dogs to provide a non-intrusive search capability at Botswana ports of entry. This is meant to prevent and detect

smuggling of contrabands such as marijuana, mandrax, heroin, cocaine, LSD, ecstasy and any other illegal narcotics as well as arms, explosives, chemicals, endangered fauna and flora products and currency. This initiative was reviewed to ensure compliance with provisions of the Customs and Excise Duty Act in the wake of the ever-escalating instances of smuggling of contrabands into Botswana and the need to effectively curb this illegal activity. Based on the analysis and supporting evidence, the score for the present dimension is “B”.

### **19.3. Revenue audit and investigation**

At the beginning of each financial year, BURS prepare consolidated annual audit work plans for implementation. In terms of the FY 2016/17 audit work plan, 685 audits on small, medium, large and regional taxpayers were planned for and this also included Gaborone inspections and investigations. From all the audits planned, 436 were specific audits and 249 were full audits of which only 20% (137 audits) were carried out. Of this, 16% of the audits conducted was for small and medium taxpayers plus Gaborone inspections and investigations. Over and above tax audit, a Risk Management Unit was established in 2017. The unit was established to enhance the safeguarding of revenue management by ensuring existence of sound controls. Currently, a Risk Management Framework draft is going through management consultation before approval by the board. Based on the analysis and supporting evidence, the score for the present dimension is “D” as carried out audits were 20% of the planned audits and do not meet the “C” score requirements.

### **19.4. Revenue arrears monitoring**

Arrears of revenue represent unpaid or overdue receivable from the taxpayers relating to the current and previous financial years. The amounts are known but have not been included in accounts receivables in the annual financial statements as BURS is currently reporting on modified cash basis. The arrears are only for VAT and income tax as customs and excise duties are collected at point of entry.

The existence of tax arrears presents a challenge as a significant proportion of arrears are old and very difficult to collect as some of the debtors cannot be traced. Previous attempts to recover the outstanding debt have been hampered with several challenges. These include untraceable debtors, unavailable supporting records and taxpayer’s inability to pay. There is a need to consider whether the revenue arrears should be written off if the arrears exceed 5 years of age and older.

BURS keep a register of arrears of revenue. Arrears are segregated according to tax type. However, the tax management system currently in use is not able to analyze (segregate) them according to the level and age. Hence, it does not facilitate the collection of arrears in the year in which they occurred. Evidence available for assessment shows the following situation regarding tax and VAT arrears:

The Auditor General’s report covers the revenue arrears of non-tax revenue under MDAs and the Accounting Officers are expected to collect the revenue as per approved estimated revenue for the year. All arrears are discussed during PAC sitting. MDAs give progress reports under PAC Memorandum Report which is tabled by the Chairperson of the committee at Parliament. As of March 2018, tax revenue arrears were P424, 577,815.18 of which 93% is one type of revenue (Company Registration Fees). Arrears for the just ended financial year was P4, 040,822.80 making the aged arrears over 12 months or 99%. Company Registration



Fees appears as arrears as the newly established entity being CIPA is now collecting the fees as internal revenue. Hence, the transactions were not recognized by the report of 2017/18. Therefore, the actual figure of arrears is P29, 720,447 (7%) of reported arrears.

**Table 19.1 Tax Arrears for the Financial Years 2015/17 & 2017/18**

	Balance at beginning of the year	Collection of previous years' arrears	Abandonment, discharges, remissions/ waivers & adjustments (see note below)	Balance of prior years' arrears	Arrears in respect of current year	Balance at end of the year
<b>31-Mar-18</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>
VAT internal	555 034 939	-132 796 302	-33 199 076	389 039 561	241 100 061	630 139 622
VAT interest and penalties	893 282 455	-28 933 749	-67 512 080	796 836 626	271 077 860	1 067 914 486
Assessed tax	359 110 821	-95 965 574	-208 425 949	54 719 298	386 323 291	441 042 589
Assessed tax and interest	887 012 119	-30 600 746	-83 032,054	773 379 319	374 613 191	1 147 992 510
<b>Total</b>	<b>2 694 440 334</b>	<b>-288 296 371</b>	<b>-392 169 159</b>	<b>2 013 974 804</b>	<b>1 273 114 403</b>	<b>3 287 089 207</b>
<b>31-Mar-17</b>						
VAT internal	484 089 339	-68 395 822	-45 597 214	370 096 303	184 938 636	555 034 939
VAT interest and penalties	751 199 335	-33 012 203	-49 518 304	668 668 828	224 613 627	893 282 455
Assessed tax	224 340 569	-92 360 415	-157 043 585	-25 063 431	384 174 252	359 110 821
Assessed tax and interest	775 951 907	-30 611 436	-168 359 096	576 981 375	310 030 744	887 012 119
<b>Total</b>	<b>2 235 581 150</b>	<b>-224 379 876</b>	<b>-420 518 199</b>	<b>1 590 683 075</b>	<b>1 103 757 259</b>	<b>2 694 440 334</b>

**Table 19.2 Arrears of revenue as a percentage of revenue collection FY 2017/18-BURS:**

Description	Amount (Pula)	Per cent of total
Actual Revenue collected	39 877 935 000	100%
Cumulative arrears of revenue	3 287 089 207	8.2%
Arrears older than 12 months	2 013 974 804	5.1%

The opening balance of arrears as of 1<sup>st</sup> April 2016 was P2,235,581,150 which comprised of P1,235,288,674 and P1,000,292,476 being VAT, Assessed Income Tax respectively. The stock of arrears of revenue at the end of the last completed fiscal year is 8%, lower than the benchmark which is set at 10%. However, the revenue arrears older than twelve (12) months is 61%, higher than the benchmark which is set at 25%. For this dimension to score better assessment results, arrears more than 12 months should be less than 50% which is not the case. The 2016/17 arrears increased from P2.7 Billion to P 3.3 billion (closing balance as ta 31<sup>st</sup> March 2018), an annual increase of 18.02%. Collection ratio of previous year – 2016/17 is 25.25% which is a bit lower than the collection ratio for 2015/16 which was 28.84%, thus lower by 3.59%. Despite efforts made to reduce the arrears through recoveries and remissions, the total outstanding arrears as of 31<sup>st</sup> March 2017 stood P2, 694,440,334. The growth in the debt is mainly attributed to interest and penalties which accounts for 66% of the arrears while the principal tax outstanding is 34%. Based on the analysis and supporting evidence, the score for the present dimension is “C”.

## Recent or ongoing reform activities

For the last completed fiscal year, BURS implemented customs management system phase 1. Implementation of Phase 2, which is single window started in January 2018, with series of pilot implementations at Kazungula border, Ngoma border and Gaborone airport. During the development stage of the new tax management system, the blueprints for master data management and taxpayer registration modules were being discussed with the consultant.

In addition to the above, requirements for the BACH system, which is being developed for the BURS EFT transaction processing system, had been submitted to Bankers Association for consideration. Also, the transfer pricing legislation had been developed and the draft submitted to the MFED Taxation Review Committee for approval. This was subsequently approved in November 2018. BURS is currently exploring ways of building capacity in this area, however, subject to availability of funds.

## PI-20. Accounting for revenue

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-20 Accounting for revenue	D+	The data for revenue is well documented by basic categories with efficient management of revenue between revenue collecting agencies and central government.
20.1 Information on revenue collections	A	The following have been identified as the sources of revenues for GoB: Tax, Non-tax, Minerals, Non minerals and grants. The information is efficiently managed in terms of coordination, administration, timeliness and reporting of the revenue, and as indicated by Table 20.1 below mostly reported within 2-3 days. A report on all revenues is produced by MFED on a monthly basis.
20.2 Transfer of revenue collections	D	Revenue collections are transferred to the Treasury daily, weekly, monthly and annually depending on the terms of remittance agreements between revenue collecting entity and the Government.
20.3 Revenue accounts reconciliation	C	Complete reconciliation of tax assessment and collections are not done. However, monthly cashbook, revenue reconciliation and cash transfers are done annually, that is immediately after the end of the financial year. Reconciliations for remittances from other entities are done monthly.

The Botswana Unified Revenue Service (BURS) was established by the BURS Act No. 17 of 2004. The BURS is mandated in terms of Income Tax Act Chapter 52:01, VAT Act Chapter 53:03, Capital Transfer Act Chapter 53:03 and Customs and Excise Duty Act Cap 50.01 of the laws of Botswana and other relevant legislation to implement the various provisions relating to taxpayer registration, timely filling of declarations and tax returns, payment of liability on

time and complete and accurate reporting of information in declarations and returns, accounting, reconciliation, transfers to treasury and reporting on revenue collected on behalf of the government of Botswana and other entities.

Information on non-tax revenue is available in laws and regulations issued by the respective line ministries and available on their websites. For example, royalties on mines and minerals are covered by Mines and Minerals Act (66.01) Part X (Financial ss 66-73) and implementing regulations under the authority of relevant ministry. MDAs responsible for and managing respective revenues are responsible for disseminating the corresponding information. The appeals and redress mechanism are governed by MFED regulations authorizing MDAs to carry out the process with an option to appeal through a legal due process.

## 20.1 Information on revenue collections

Collecting entity	Category of revenue	Total amount collected <sup>26</sup> (Pula)	Frequency of data transfer to the central agency	Transferred data characteristics (Y/N):		
				Broken down by type	Consolidated into a report	Consolidated
<b>TAX REVENUE</b>						
<b>Botswana Unified Revenue Service</b>	Withholding Tax	1 930 259 179	2-3 days	YES	YES	YES
	Income Tax Deduct	4 947 967 136	2-3 days	YES	YES	YES
	Income Tax Assessed	6 893 993 358	2-3 days	YES	YES	YES
	Capital Transfer Tax	6 531 712	2-3 days	YES	YES	YES
	Value Added Tax	7 649 949 483	2-3 days	YES	YES	YES
	SACU Revenue	17 864 375 037	2-3 days	YES	YES	YES
	Fuel Levy	126 406 301	2-3 days	YES	YES	YES
	Alcohol Levy	533 196 653	2-3 days	YES	YES	YES
	<b>Ministry of Transport &amp; Communication</b>	Motor Vehicle License	400 252 989	Daily	YES	YES
<b>Ministry of Int. Trade and Industry</b>	Taxes on Int. Trade	2 181 276	Daily	YES	YES	YES
<b>NON-TAX REVENUE</b>						
<b>Ministry of Finance &amp; Economic Development</b>	Profits from Public Enterprises	107 309 389	Monthly	YES	YES	YES
	Grants (Development)	170 414 471	As per the implementation plan of the project	YES	YES	YES
	Mineral Royalty	5 367 867 319	Monthly	YES	YES	YES
	Mineral Dividends	7 739 979 949	Monthly	YES	YES	YES
	BOB Revenue	1 573 198 413	Monthly	YES	YES	YES
	Interest	18 605 627	Monthly	YES	YES	YES

<sup>26</sup> As described under PI-19 to determine the materiality

Collecting entity	Category of revenue	Total amount collected <sup>26</sup> (Pula)	Frequency of data transfer to the central agency	Transferred data characteristics (Y/N):		
				Broken down by type	Consolidated into a report	Consolidated
Ministry of Lands, Water & Sanitation Various Government Ministries	Parastatals Interest on Deposit	4 497 240	Monthly	YES	YES	YES
	Rent	107 248 817	Monthly	YES	YES	YES
	Sale of Goods & Services	11 2518 203	Daily	YES	YES	YES
	Other fees and charges Fines and Forfeits	842 727 817	Daily	YES	YES	YES
	Other Income	11 572 909	Daily	YES	YES	YES
<b>Total Revenue</b>		<b>56 411 053 278</b>				

BURS coordinates administration activities and collects, account for and reports timely information on collected revenue. To facilitate this, BURS has arrangements with BOB and commercial banks to collect revenue through electronic means whereby taxpayers have access to utilize RTGS and EFT modes of payment. Furthermore, taxpayers have access to point of sale, e-commerce and direct debit modes of payment. These modes of payments allow taxpayers to pay their dues directly into BURS bank account held with either BOB or commercial banks depending on the mode of payment chosen. Payments made directly into direct debit bank account are transferred to BURS Treasury Single Account daily. Payments made into the point of sale and e-commerce systems are transferred on a weekly basis. All cash transfers paid directly into BURS TSA account are transferred to Treasury every 2 to 3 days. Revenue collection data relating to these bank transfers is submitted to the BURS Finance division daily to update the general ledger. At the end of every month, a manual consolidated revenue collection report is prepared based on collections as recorded in the general ledger (broken down by revenue type, codes e.g. 21561 being VAT, 21891-SACU) and submitted to MFED and OAG for accounting and reporting purposes and MFED produces a composite report on all revenues on a monthly basis. Based on the analysis and supporting evidence, the score for the present dimension is “A”.

## 20.2. Transfer of revenue collections

BURS is operating a TSA account into which collections made through other bank accounts is transferred and consolidated for further transmission into the Government’s TSA account. Transfers to the Government’s TSA account and other designated agencies is done every 2 to 3 days in order to make available the funds as soon as possible in order to support cash management and any untimely spending. However, transfers to SACU pool is done on a quarterly basis or as and when SACU calls for those funds. This is in line with the arrangement made between SACU and BURS. Based on the analysis and supporting evidence, the score for the present dimension is “D”.

### 20.3. Revenue accounts reconciliation

**Table 20.3: Revenue accounts reconciliation**

Collecting entity	Category of revenue	Frequency	Timeline	Type of reconciled data (Y/N):			
				Assessments	Collections	Arrears	Transfers to Treasury
BURS	SACU	Quarterly	YES	YES	YES	NO	No
	Income Tax	Monthly	No	YES	YES	No	YES
	Corporate Tax	Annual	No	YES	YES	No	YES
	Other Taxes	Monthly	No	YES	YES	No	YES
	VAT	Monthly/ Bimonthly	No	YES	YES	No	YES
	Alcohol Levy	Monthly/ Bimonthly	No	YES	YES	No	YES
MFED	Other	Monthly	No		YES	YES	

All taxes, duties and levies collected on behalf of the government and other designated entities like SACU and designated parastatals (training levy for HRDC and Motor Vehicle Insurance Fund for MVA) are recorded in the cashbook and the general ledger. To confirm completeness of revenue collections and recording, BURS carries out various reconciliations at different intervals. Reconciliations carried out includes cashbook, where the transactions recorded in the cashbook are compared to transactions in the bank statement as a way of reconciling the cashbook to the bank balances. These reconciliations are carried out on a monthly basis though they are usually performed after the end of the financial year. In addition to that, revenue reconciliation, which is general ledger reconciliation, is carried out as a means of confirming transactions recorded in the tax collection system to transactions recorded in the general ledger and the bank. The main purpose of this reconciliation is to confirm adherence and completeness of revenue collection. Reconciliations are done in April and May by BURS in preparations for the audit that start within three months following the end of the financial year which in June.

Based on the analysis and supporting evidence, the score for the present dimension is “C” as revenue arrears under BURS are not reconciled.

### PI-21. Predictability of in-year resource allocation

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-21 Predictability of in-year resource allocation	C+	During budget execution, cash forecasts are done weekly, monthly and quarterly. Cash forecasts are not done annually to guide the budget preparation process.
21.1 Consolidation of cash balances	D	All government and treasury cashier bank balances are consolidated at the end of the financial year, as opposed to either daily, weekly or monthly. For accounts held with other entities e.g. special funds

Indicator/Dimension	Score	Brief justification for score
		are never consolidated.
21.2 Cash forecasting and monitoring	D	Cash flow forecasting is done weekly, quarterly and monthly based on the approved budget. However, at the time of assessment, there was no annual cash flow forecast.
21.3 Information on commitment ceilings	A	Commitment ceilings are done on an annual basis through the issuance of the warrants by MFED to MDAs. Subventions are issued on a quarterly basis. The law requires Accounting Officers to abide by the set ceilings as per their respective budget warrants. The initial cash flow forecasts are done at the beginning of the first quarter for the financial year. Expenditures are usually covered by the closing bank balances and on transit revenue transfer as at the end of the financial year. Moreover, there is a liquidity committee from BOB that provide guidance on the liquidity position of the Government hence warrants issued to MDAs.
21.4 Significance of in-year budget adjustments	B	MDAs are discouraged to do virements during the first quarter of the financial year. Supplementary budget requests are also not accepted at the beginning of the financial year. However, the process is not transparent enough because the reports on virements are not shared between MDAs. Virements are authorized by Accounting Officers except for those affecting personnel emoluments and external travel. Budget adjustments through virements and other means are not shared between MDAs and are not part of financial reporting.

MFED operates a TSA account which is held with Bank of Botswana. Most government cash inflows go through this account. Most GoB payments are made from this account. All MDAs are covered by the remittance accounts. The daily cash balance from the remittance account is P700 million (and must not exceed that, as per MFED instructions). Consequently, calculation of cash balances take place daily. Consolidation of accounts' balances including special funds sub-accounts, also takes place daily and the relevant information is sent to OAG daily. GoB maintains four main categories of entities covered by central government expenditure and not hold account with Bank of Botswana (BOB) or are not part of the RA. The categories are:

1. **Treasury Cashier Office:** there are 38 (36 operational and 2 non-operational at the time of assessment) and they act as service points to facilitate payments to districts. Calculation and consolidation of cash balances for these accounts are never transferred to the Government's TSA but instead included in the ASA bank and cash balances as a way of consolidating them.

2. **BURS Remittance Account:** This is a separate account maintained by BURS at BOB for its revenue collection. BURS collect government tax and specific non-tax revenue on behalf of the Central Government. The revenue collected by BURS is transferred to the Government's TSA account and other designated agencies every 2 to 3 days a week in order to make available the funds as soon as possible in support of cash management and any untimely spending. However, transfers to the SACU pool is done on a quarterly basis or when SACU calls for the funds. This is in line with the arrangement made between SACU and BURS. Accounting information for such transfers is submitted to the OAG at the end of each month.
3. **Parastatals:** Their bank accounts are held with commercial banks. Nominal amounts are kept with commercial banks as parastatals are largely subsidized by the Central Government. Reconciliation for these accounts are done manually.
4. **Local Government:** maintain their own bank accounts held with commercial banks into which revenues collected in the form of rates and Government transfers are paid. Reconciliations for such account are carried out on monthly basis. These accounts are never consolidated into the Government's TSA.

### 21.1. Consolidation of cash balances

**Table 21.1: Consolidation of cash balances**

Bank and cash - List of accounts	Frequency of consolidation
Banking Group 1 – EFT	Annually
Banking Group 2 – EFT	Annually
Banking Group 3 – EFT	Annually
Banking Group 4 – EFT	Annually
Banking Group 5: RTGS	Annually
Ramotswa – EFT	Annually
Commercial Banks	
Current account – Group J	Annually
Group K	Annually
Group L	Annually
Group N	Annually
Group F	Annually
Foreign Mission bank accounts	Monthly
Point of sale accounts	Annually

Treasury cashier bank balances are, at the end of each financial year, consolidated into the TSA. Over and above that, the Government operates POS bank accounts held with commercial banks. Some MDAs and foreign embassies have commercial bank accounts. Consolidation for cash balances of MDAs bank accounts held with commercial banks are consolidated at year end but do not transfer the cash balances into the TSA. The balances are only included in the financial statements (ASA). Cash balances for bank accounts held by other entities (in the form of Special funds such as NPF, training levy, etc.) are never consolidated into the TSA. A majority of accounts are consolidated to TSA at year end, the special funds are 24, hence constitutes a percentage less than 10%. Total consolidated balances as at March 2018 was P7,933,478,383 even though the accuracy was questionable due to backlog in reconciliations

across all accounts (at least 90%). Based on the analysis and supporting evidence, the score for the present dimension is “D.”

### **21.2. Cash forecasting and monitoring**

The MFED, through the Office of the Accountant General, has established a cash flow unit which implemented a cash flow forecast process that at the time of the 2013 previous assessment was still at an infancy stage. Currently, the unit is fully functional. Ten (10) MDAs form the cash flow forecasting committees. However, the committees are still at an infancy stage. As compared to the previous assessment, cash flow forecast is prepared weekly, monthly and quarterly and updated at least based on actual cash inflows and outflows. MDAs are continuing with quarterly forecasting for foreseen payments above P5 million. At the time of assessment, no annual cash flow forecasts were prepared. Cash flow forecasts for both revenue and expenditure are updated at least quarterly based on actual inflows and outflows. Such forecasts are submitted to OAG for consideration and consolidation. Based on the analysis and supporting evidence, the score for the present dimension is “D”.

### **21.3. Information on commitment ceilings**

Commitment warrants signed by MFED are issued at the beginning of each financial year. The warrants signal the release, both expenditure and development, of funds for the whole year to budgetary units enabling them to plan and to begin spending their approved budget.

The cash and bank balances at the end of March 2018 was P7,933,478,383 and that excluded cash inflow in transit like collected tax revenue but not yet transferred to Government. BURS transfer of tax collection is mostly within 2-3 days. SACU transfers are done on a quarterly basis.

The Government issues reliable ceilings and authority to spend based on data received from the liquidity committee and investment committee reports. The cash in transit report is reported by BURS. Based on the analysis and supporting evidence, the score for the present dimension is “A”.

### **21.4. Significance of in-year budget adjustments**

The budget ceilings are provided to the MDAs ten (10) months before the budget is approved. The funds are released to budgetary units at the beginning of each financial year. Adjustments to the approved budget, in the form of virements, are made six months after the beginning of the financial year. Virement requests are made by MDAs. Permanent Secretaries of the respective ministry approves or rejects the request. However, in cases of reallocation from personal emoluments and external travel, these requests must be submitted and approved by the Permanent Secretary of MFED. Dossier reports are issued for transparency reasons. Supplementary estimates follow the same procedure of request and approval. Financial papers are issued for transparency reasons. All supplementary requests are approved by the Permanent Secretary of MFED. Based on the analysis and supporting evidence, the score is “B”.



## PI-22. Expenditure arrears

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-22 Expenditure arrears	D	<b>Government does not track expenditure arrears. There are no reports produced that could guide the impact of the overall expenditure arrears on the financial state of the Government.</b>
22.1. Stock of expenditure arrears	D*	This dimension relates to the size of the payment arrears. The data provided is not reliable as it includes both purchase orders which were cancelled at the end of the financial year to facilitate the financial year end closure procedure and those that were genuinely cancelled.
22.2. Expenditure arrears monitoring	D	This dimension focuses on the availability of data for monitoring the stock of arrears. The government system does not support the tracking of expenditure arrears. The only data available for arrears are the cancelled purchase orders, which is done at the end of the financial year. There is no data on aged expenditure arrears. Therefore, the overall level of the Government's expenditure arrears is undetermined.

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control.

Arrears are overdue debts, liabilities and obligations. They constitute a form of non-transparent financing, which can result in increased cost of providing services by the Government as they may result in penalties being levied upon the Government by service providers. On the other hand, it may result in the Government failing to provide essential services to citizenry due to suppliers withdrawing their services due to outstanding payments. Lack of tracking of expenditure arrears have resulted in over expenditure under some MDAs as liabilities and obligations due to factors like court cases were not provided for during budget preparations and their occurrence automatically reduced provisions within the budget.

The government system (GABS) does not support the tracking of expenditure arrears. The only data available for arrears of expenditure are cancelled purchase orders, which is done at the end of the financial year. The data provided is not reliable as it includes both purchase orders which were cancelled at the end of the financial year to facilitate the financial year end closing process and those POs that were genuinely cancelled.

### 22.1. Stock of expenditure arrears

There is no information on the stock of expenditure arrears. Based on the lack of evidence, the score for the present dimension is “D\*”.

### 22.2. Expenditure arrears monitoring

Since there is no data collected or reporting on expenditure arrears monitoring, the score for the present dimension is “D”.

## PI-23. Payroll controls

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-23 Payroll controls</b>	<b>D+</b>	<b>Reconciliation of payroll with personnel records is conducted on a quarterly basis. However, payroll audits are not conducted on a timely basis.</b>
23.1 Integration of payroll and personnel records	C	Payroll, personnel and budget systems are integrated. The majority of MDAs are compliant with the standard of reconciliation of payroll of more than twice a year. The reconciliation checks against personal details, positions and salary information including any adjustments made during the period e.g. promotions and acting appointments. In addition, a Payroll Detail form must be completed by MDAs on a quarterly basis.
23.2 Management of payroll changes	D*	Payroll changes are managed. There is a Payroll Detail form that must be completed on a quarterly basis by MDAs. However, there is not sufficient information available regarding the amount of the corrections as a per cent of payroll.
23.3 Internal control of payroll	A	Internal controls in payroll include access control, authorization controls, segregation of duties, supervisory, arithmetic and accounting controls.
23.4 Payroll audit	B	An audit was conducted at least once over the three years under review. MDAs internal audit units did not conduct specific payroll audits for the period under review.

This indicator seeks to further assess the extent to which approved staff list, personnel data base and payroll are directly linked to ensure budget control, data consistency and monthly reconciliations. All Government personnel records relating to recruitment, promotions and transfers of all officers within Central Government except for detailed information relating to the staff establishment for the disciplined forces are maintained at the Directorate of Public Service Management (DPSM). The payroll system is directly linked to the Human Capital Management System (HCMS) which is the core human resource system and is based at DPSM.

### **23.1. Integration of payroll and personnel records**

The DPSM is the core HR for Central Government and thus maintains personnel databases for all public officers. The payroll system is linked to the HCMS (core HR) and pays on staff employed by GoB as per HCMS. The payroll system charges expenses in relation to salaries and allowances to each respective MDA. HCMS keep track of the salary votes per MDA. Thus payroll, personnel and budget systems are integrated. Moreover, the payroll system is interfaced with the National Identity (Omang) database and it uses the unique national identification as the payroll number for each employee.

The payroll is underpinned by a personnel database which is based at DPSM. The payroll pays salaries and allowances to officers on the HCMS database. The payroll system operates on the GABS platform and reads financial data from the salaries and allowances votes of each MDA. MDAs make virements to accounts with inadequate funds prior to over expenditure. During the assessment, the majority of MDAs were reconciling their monthly adjustments to payroll. However, there is no control to prevent exceeding the payroll budget allocation as budget line under salaries and allowances accepts transactions above the budget. MDAs are expected to prevent the over expenditure by regularly reconciling their accounts. Salaries and allowances are paid on a monthly basis. The HCMS maintains an approved establishment for all MDAs. Controls are in place to ensure that recruitment is not done outside of the establishment and on monthly basis payroll reports are produced for reconciliation by MDAs and MFED. HCMS does not have access and authority over the disciplined forces (BDF and DIS) for security reasons. Hence, the score for the present dimension is “C”.

### **23.2. Management of payroll changes**

Any changes to an officer’s salary or allowance are affected through a form called Casualty Return (CR). The changes to the salary or allowances are not automated. Casualty Returns are raised by MDAs and should be submitted to the payroll section and OAG by the end of the month preceding the payroll month. For instance, inputs for March payroll should be submitted to the payroll section by the 28<sup>th</sup> February. MDAs maintain their casualty return registers and copies of casualty returns are filed in the respective employees’ personal files by MDAs. This register serves to track management of payroll changes at both MDAs and MFED level. The supporting document, such as a promotion letter, is submitted along with the casualty return to payroll and after input. This documentation is filed in the officer’s personal file. The payroll unit keeps a personnel file (hardcopy) for all officers who are on the payroll. This documentation provides an audit trail to corroborate information on the system.

Retroactive adjustments are done on a monthly basis as per instructed by MDAs. The adjustments can serve as evidence in the event of recoveries due to overpayments of salaries and/or allowances. Adjustments are not tracked on a monthly basis but are entered when received from MDAs. MDAs elevate casualty returns when an overpayment or underpayment has occurred. MDAs also completes a Payroll Detail form that highlights any personnel/payroll changes. There is not sufficient information available regarding the amount of the corrections as a per cent of payroll. Hence, the score for the present dimension is “D\*”.

### **23.3. Internal control of payroll**

Internal controls in the payroll consist of access control, authorization controls, segregation of duties, supervisory approval, calculation and accounting controls.

Authority to change payroll records is restricted. Any change will trigger an audit trail. Officers are assigned different responsibilities in the payroll system. Any action in the system can be traced to the person who inputted it. Each officer must generate an access password which is valid for 90 days. To ensure integrity of data before payments are made, senior officers in the payroll section print exception reports after the initial payroll run for analysis before finalization of the payroll.

Payroll reports generated before finalization of the payroll include "Active officers, dead Omang (National Identity)". This report shows officers who are deceased thus should not be appearing on the payroll. Another report shows a list of persons paid more than P25,000 per month. These payments, per individual, are analyzed to establish the integrity of the payment. Monthly return reports are sent to MDAs for reconciliation, but majority of MDAs do not complete the monthly return report.

Payments or changes to the salary for amounts more than P25,000 are registered to the payroll supervisor. The supervisor needs to intervene to input the officer's name and the salary amount. There is full audit trail for transactions made as per system such as: who accessed the system, who initiated a transaction, the time of day or date of entry, what fields of information it contained and what files it updated. Additional audit trails requiring intrusion is done by the systems support section. Based on this analysis and supporting evidence, the score for the present dimension is "A".

### **23.4. Payroll audit**

Payroll audits are a component in the Department of Internal Audit annual audit plan. The department has a Computer Assisted Audit Techniques Unit (CAAT) which is charged with auditing of large volumes of automated systems data using a software called Audit Command Language (ACL). Training on the software has been cascaded to the Internal Audit units in MDAs to enable internal auditors to conduct payroll audits and other audits within their respective ministry.

For the years under review, payroll audits have taken place during the years 2015/2016 and 2017/2018. Reports were produced which highlighted lapses in the payroll system. Recommendations were implemented and follow up was made by internal audit to validate implementation of the recommendations.

Furthermore, MDAs are required to verify their payroll on a monthly basis to confirm the accuracy of salaries, allowances, and warranted staff. During the assessment interviews, most MDAs confirmed not completing the verification of payroll on a monthly basis. MDAs are also required to complete a feedback form regarding the correctness of payments and whether payments were made to the rightful persons. The completed form is then submitted to payroll on a monthly basis. Most MDAs were not completing the payroll return form. Therefore, the accuracy of payroll transactions was verified through the two audits conducted during 2015/16 and 2017/18. Based on the analysis and supporting evidence, the score for the present dimension is "B".

## Recent or ongoing reform activities

The development of payroll and pension processing manuals are planned under the FY 2018/19 work plan. Plans are underway to resuscitate pension module in GAPPS.

## PI-24. Procurement

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-24 Procurement	C+	Procurement is through competitive and non-competitive procurement. Ministry of Health has a high incidence of non-competitive bidding. Procurement information is available to the public through the Government's <i>Gazette</i> , the Government's newspaper, PPADB website and notice boards.
24.1 Procurement monitoring	A	Five (5) ministries were sampled and the data under the sampled ministries were accurate and complete for all procurement methods used for acquiring for goods, services and works. The World Bank completed a procurement assessment. The results can be found in an assessment report titled "Benchmarking Public Procurement 2017 <sup>27</sup> ".
24.2 Procurement methods	D	The competitive procurement methods accounted for 40.87% of the five CGs assessed with the highest expenditure level (Table 24.1). This is below the requirement of 60% or more for a "C" score.
24.3 Public access to procurement information	A	All key procurement information is available to the public through various means including printed and non-printed media. The Public Procurement and Asset Disposal Board maintains information accessible on the Internet. See <a href="http://www.ppadb.co.bw/">http://www.ppadb.co.bw/</a>
24.4 Procurement complaints management	D	A sound appeals mechanism exists and is applied. However, the first stage of appeal is not independent from the awarding entity. Complaints are addressed on time that is within 14 calendar days. The fees charged are high but are in line with the complaint review protocol. The criteria of independence were not met.

The Public Procurement and Asset Disposal Board was established by an Act of Parliament (PPAD Act Chapter 42:08) as an independent authority responsible for overseeing implementation of all public procurement and asset disposal activities in Central Government. The Act is supported by complimentary regulations (Public Procurement and Asset Disposal Regulations). The PPADB operations manual further breaks down the statutory and provisions

<sup>27</sup> <http://documents.worldbank.org/curated/en/121001523554026106/Benchmarking-Public-Procurement-2017-Assessing-Public-Procurement-Regulatory-Systems-in-180-Economies.pdf>

in the PPAD Act and Regulations into specific standard operating policies and procedures for ease of implementation.

The PPADB was established as a parastatal under MFED with a principal mandate to ensure efficient, transparent and accountable management of the public procurement and asset disposal system for the achievement of the country's socio-economic objectives while delivering value for money. This was done through adjudication and award of tenders in Central Government, development and formulation of standardized bidding documents, registration and discipline of contractors wishing to do business with the Government, monitoring compliance to the PPAD Act, capacity building, support and general advice to the Government on public procurement and asset disposal.

In exercise of its mandate, the Board observes the listed critical procurement principles as prescribed in the PPAD Act Section 26:

1. An open, competitive economy alive to the ever-changing external trade and procurement obligations;
2. Standardization of procurement items in the interest of cost reduction, ease of maintenance and technological effectiveness;
3. Aggregation of common procurement and asset disposal activities;
4. Competition among contractors by using most efficient and competitive procurement methods;
5. Fair and equitable treatment of all contractors;
6. Accountability and transparency in the management of public procurement and asset disposal; and
7. Integrity and public confidence in the procurement and disposal processes.

Information on all critical documentation like the PPAD Act, regulations, operations manual, standardized bidding packages etc. are all available in the PPADB website. The site is continually updated as necessary. The Act and regulation provide for an independent complaints review committee which is an administrative complaints review body with its own regulations.

#### **24.1. Procurement monitoring**

GoB have a semi-decentralized procurement system. MDAs are given annual thresholds which are not guided by their respective annual budget allocation. Any MDAs procurement, above their respective threshold, is adjudicated by PPADB. For instance, using 2018 threshold guide; Ministry of Health and Wellness threshold was P200 000 000 equivalent to a smaller ministry like the Ministry of Nationality, Immigration and Gender Affairs; Ministry of Basic Education threshold was set at P130 000 000 which was less than Ministry of Youth Empowerment, Sports and Culture Development (capped at a threshold of P360 000 000). MDAs with high budget allocation are given low procurement thresholds as threshold are guided by the competency of Ministerial Tender Committees (MTCs) not the size of budget allocated to individuals ministries. Threshold are revised on a regular basis.

The five CG units with the highest procurement expenditures were identified as Ministry of Transport and Communication, Ministry of Health and Wellness, Ministry of Defense, Justice and Security, Ministry of Infrastructure and Housing Development and the Ministry of Lands,

Water and Sanitation Services for 2017/18 with the expenditure for each ministry indicated in Table 24.1 below. The Five (5) ministries were sampled and the data under the sampled ministries were accurate and complete for all procurement methods used for acquiring for goods, services and works.

PPADB award contracts that are above the threshold amounts assigned to MDAs. Currently, PPADB is working on transferring more procurement power to MDAs. Over time, procurement will become fully decentralized. PPADB will only deal with oversight responsibilities and complaints management. The World Bank completed a procurement assessment. The results can be found in an assessment report titled “Benchmarking Public Procurement 2017”. Based on the analysis and supporting evidence, the score for the present dimension is “A”.

**Table 24.1 Ministries with highest procurement expenditure**

Ministry	Expenditure (Pula)	Competitive bidding (Pula)	Non-Competitive bidding (P)
Ministry of Transport and Communication	1 834 167 941	556 218 572	30.9%
Ministry of Health and Wellness	1 776 437 948	255 984 795	14.4%
Ministry of Infrastructure and Housing Development	715,626,708	521 525 223	72.9%
Ministry of Defense, Justice and Security	720 379 547	625 474 862	86.8%
Ministry of Lands, Water and Sanitation Services	540 112 673	323 826 793	60.0%
<b>Total</b>	<b>5 586 724 817</b>	<b>2 283 030 245</b>	<b>40.9%</b>

Ministry	Expenditure (Pula)	Open tenders (Pula)	% open tenders (Pula)	% non-open tenders
Ministry of Transport and Communication	1 834 167 941	556 218 572	30.9	69.1%
Mistry of Health and Wellness	1 776 437 948	255 984 795	14.4	85.6%
Ministry of Infrastructure and Housing Development	715 626 708	521 525 223	72.9	27.1%
Ministry of Defense, Justice and Security	720 379 547	625 474 861	86.8	13.2%
Ministry of Lands, Water and Sanitation Services	540 112 673	323 826 793	60.0	40.0%

## 24.2 Procurement methods

The total value of contracts awarded through competitive methods in the last completed fiscal year was: Ministry of Transport and Communication (70%), Ministry of Health and Wellness (45%), Ministry of Defense, Justice and Security (66%), Ministry of Infrastructure and Housing Development (54%) and Ministry of Lands, Water and Sanitation Services (70% ).

Open domestic competition is completely identified by the regulatory framework as the preferred method of procurement. Any departure from this method has been justified to the

relevant body, depending on the threshold (see PPADB; 'Report on Review of Threshold for 2018'). However, for any tender above BWP 25 million, PPADB reserves the right to approve.

Ministry of Health and Wellness scored the lowest (45%) on the competitive aspect of their procurement. This is due to the ministry procures a lot of specialized machinery, drugs and paraphernalia which tends to be only available from specific suppliers. Even the servicing of machinery is tied to the original equipment source or a designated agent, for compatibility. In times of emergencies, such as outbreak of diseases, the ministry seeks supply from the 'trial and tested supplies, as opposed to putting the supplies up for 'competitive bidding, due to time constraint. The average score for the five ministries is  $(2,283,030,244.24 / 5,586,724,817.50 = 40.87\%$  for competitive bidding and  $3,303,694,573.26$  or  $59.13\%$  for non-competitive) which falls below the 'C' category. Based on the analysis and supporting evidence, the score for the present dimension is "D".

### 24.3 Public access to procurement information

Key procurement information to be made available to the public comprises:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) legal and regulatory framework for procurement	Yes	Government Gazette PPADB Act Standard Operating Policies and Procedures for Public Procurement
(2) government procurement plans	Yes	PPADB Portal MDAs websites
(3) bidding opportunities	Yes	Government Gazette PPADB Website
(4) contract awards (purpose, contractor and value)	Yes	Register of Contracts Awarded
(5) data on resolution of procurement complaints	Yes	Customer Complaints Report
(6) annual procurement statistics	Yes	PPADB Devolution and Complaints Reports

The requirements were met for 6 out of the 6 elements. All six key features of a procurement complaints mechanism were fulfilled. Procurement information is accessible to the public through printed media such as the Government's Daily news. This publication distributes around 80,000 copies daily except during weekends and public holidays. The information is released timely to the public. Board decisions are immediately released following weekly board meeting which are held every Thursday. The Government's *Gazette* advertises tenders. Other means are the Government's websites and PPADB website. Also, tenders are posted on MDAs noticeboards and the respective MDAs Facebook page. Based on the analysis and supporting evidence, the score for the present dimension is "A".



## 24.4 Procurement complaints management

Part 'X' of the PPADP Act establishes the Independent Complaints Review Committee supported by its own regulation of 2006. The committee is comprised of a chairperson and four members. All members are appointed by MFED. All members are drawn from outside the Government, such as from commerce, industry or academia. The committee members are not involved in the Government's procurement processes. A non-refundable lodging fee of P 250 is charged and an additional complaint fee ranging from P2,500 to P350 000, which is refundable in lieu of successful complaints. However, the P350,000 fee is considered high and may serve as a barrier to bidders wishing to lodge a complaint. However, PPADP sole role is to be informed of the committee's decisions. The complaint process is clearly regulated. The committee has the authority to suspend the procurement process and issue decisions within the regulated (30 days maximum) time period. The decisions are binding but does not preclude the right to litigation.

The first appeal structure in the complaint resolution mechanism is the adjudicating and awarding tender committee. This amounts to conflict of interest since the committee effectively reviews its earlier award decision. An independent body would be better served to hear the complaints. The current arrangement is in direct contradiction with requirement number 1 of this dimension that advocates for independence of the complaints review authority.

Of the five ministries that were assessed, none managed to address all their complaints within the prescribed 14 calendar days except for Ministry of Infrastructure and Housing Development. This means complaints are largely not responded to in a timely manner.

Full adherence to the indicator requires that complaints are reviewed by a body that (1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions; (2) does not charge fees that prohibit access by concerned parties; (3) follows processes for submission and resolution of complaints that are clearly defined and publicly available; (4) exercises the authority to suspend the procurement process; (5) issues decisions within the timeframe specified in the rules/regulations; and (6) issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	NO	Standard Operating Policies and Procedures for Public Procurement PPADB ACT
(2) does not charge fees that prohibit access by concerned parties	NO	PPADB ACT (The BWP 350 000 is a deterrent for some bidders)
(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available	YES	PPADB ACT

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(4) exercises the authority to suspend the procurement process	YES	PPADB ACT
(5) issues decisions within the timeframe specified in the rules/ regulations	NO	Devolution Status Report of 2017/18 shows that only one of 5 sampled ministries managed to address its complaints within 14 calendar days. 78.2% (61/78) complaints handled by PPADB were done on time. The complaints were directly received by PPADB. A total of 246 complaints were received by the board and 168 were copied to PPADB as were directly received by MTCs, DATCs, Councils and Parastatals Tender Committees.
(6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	YES	PPADB ACT

The requirements were not met for elements (1), and 2 additional elements out of 5. Based on the analysis and supporting evidence, the score for the present dimension is “D”.

### Ongoing reform activities

The focus of ongoing reforms activities is:

1. To train Project Officers, e-Procurement stakeholders and Support Team
2. To develop e-Procurement system (Enterprise Material/Resources Planning)
3. To review Supplies Regulations and Procedures
4. To finalise review of the PPAD Act
5. To implement E-procurement (IPMS) system to streamline procurement process within government and within PPADB
6. To build capacity in Public Procurement
7. To finalize Review of PPADB Act

## PI-25. Internal controls on non-salary expenditure

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-25 Internal controls on non-salary expenditure	B	Rules, procedures and controls are in place. There are incidences of non-compliance by a few ministries.
25.1 Segregation of duties	A	Appropriate segregation of duties exists as prescribed in the Financial Instructions and Procedures and the Supplies Regulations and Procedures.

Indicator/Dimension	Score	Brief justification for score
25.2 Effectiveness of expenditure commitment controls	C	Expenditure commitment controls are established via the budget ceilings and the warrant process.
25.3 Compliance with payment rules and procedures	B	The Financial Instructions and procedures are the rules and guidelines for payment processing. Using the Annual Statements of Accounts for the period under review the payments were 98% (non-compliance for 2017/18 was 2.0%; 2016/17 was 1.8% and 2015/16 was 1.9%)

This indicator measures the effectiveness of general internal controls for non-salary expenditure and covers expenditure commitments and payments for goods and services, casual labor wages, and discretionary staff allowances. It includes a wide range of processes and types of payment across central government including segregation of duties, commitment control and payment controls. Effective internal control system plays a vital role across every PI in addressing risks and providing reasonable assurance on operations of the Government. The institutional coverage included CG. The period assessed is at the time of assessment.

Appropriate segregation of duties for non-salary expenditure is prescribed throughout the expenditure process. The Public Finance Management ACT, 2011, Act no 17, PART IX, Section 54(1) and (2) prescribes that ‘for the effective and efficient management of public monies and supplies and the observance of the highest standard of the principles of fiscal management. MFED must issue financial instruction, procedures and manuals. In support of the above, the Financial Instructions and Procedures, Chapters 4 (instructions) and 10 (procedures), cover the same. Supplies Regulations and Procedures (2006), Chapter 4, Regulations (400-403), highlights the segregation of duties for procurement.

### 25.1. Segregation of duties

Appropriate segregation of duties exists as prescribed in the Financial Instructions and Procedures and the Supplies Regulations and Procedures. These responsibilities are laid down in the procedure manual and supplies regulations.

The Supplies Regulations (401) stipulates that officers who are authorized to possess a General Purchase Order (GPO): The Director, Deputy Director and Assistant Director of Supplies. With respect to signing the GPO, the ‘warrant holder shall have the authority to sign GPOs. However, they may delegate this responsibility to officers enumerated under 401.1 for the purchase of supplies up to a set maximum value of P10,000.

Recording of supplies is stipulated in the Supplies Regulation and Procedures (2006):

- i) Regulation 804; Recording of Issues
- ii) Regulation 810; Recording of Transactions
- iii) Regulation 901; Recording of Receipts
- iv) Regulation 1101-1105;

Financial Instructions and Procedures Manual states that: it is the duty of the accounting officer to ensure that all officers who are required to hold public money, stamps, official receipts etc. are provided with proper custody facilities.

Chapter 9 of the Financial Instructions and Procedures gives guidance on maintenance of expenditure records as follows:

- 902-Recording on Votes Ledgers (T29)
- 903-Opening the Votes Ledger
- 904-Maintenance of Votes Ledger (T29)
- 905-Unauthorised commitments and payments
- 906-Reconciliation of Votes Ledger

Supplies Regulation and Procedures states that: the accounting officer/head of department have the power to direct supplies officers; shall carry out supply's checks and inspections. It is the responsibility of the director of supplies to request that a special supplies inspection is conducted.

All payments are processed through the GABS system. In compliance with the segregation of duties as stated in the Financial Instructions and Procedures and Supplies Regulations and Procedures, responsibilities are clearly defined and laid down in the manual payment forms for all Government payments and in the GABS system. Responsibilities are segregated as authorization, recording, reconciliation, audit and custody. Hence, the score for the present dimension is "A."

## **25.2 Effectiveness of expenditure commitment controls**

MFED is responsible for the Public Finance Management. The Minister of MFED supervises the finances of the Government of Botswana to ensure that a full account of the finances is made to the National Assembly.

At the beginning of each financial year, the Permanent Secretary of MFED, upon receipt of the general warrant authorizes accounting officers, by means of finance warrant to expend funds to meet various services of government. Funds for which an accounting officer holds a finance warrant may be sub warranted to an officer within the ministry or to another accounting officer. This is done through the issuance of a sub warrant, Form T32, signed by the accounting officer or by an officer delegated to carry out the day to day control of expenditure in accordance with Financial Instruction No 302). This gives full details of the head, part, sub head and item, the officer to whom it is issued, the amount of expenditure that may be incurred and any specific instructions necessary. The responsibility for authorizing expenditure of these funds, then passes to the sub warrant holder who is required to account for them in the manner shown in financial instruction No 307.

As a measure of expenditure control, a vote ledger is opened in GABS and maintained as per Financial Procedure No. 901 - 905 to ensure that expenditure commitments do not exceed the amounts sub warranted against each item on the department. Financial Instruction No. 904 requires that commitments should be made as soon as a purchase order is placed and a separate entry should be made in the ledger for each commitment, the amount of the commitment being estimated as accurately as possible and recorded, once a commitment has

been entered as a liability it reduces the provision left available for the placement of future orders.

Generally, these expenditure commitment controls are effective as the actual expenditure is usually within the approved estimates. MFED has established a cash flow office which is responsible for consolidating and monitoring of the weekly, monthly and quarterly cash flow forecasts as a means of ensuring that the Government's payment obligations remain within the limits of annual budget allocations and within projected cash flow available thereby creation of expenditure arrears. This process applies to all MDAs even though there are incidences of overriding of controls by larger ministries such as: Ministries of Basic Education, Health and Wellness and Local Government and Rural Development.

Chapter 3 and 4 of the Financial Instructions and Procedures gives guidance on management of payments and maintenance of expenditure records as follows:

#### Chapter 3-Expenditure Controls

- 304 Authorisation of expenditure
- 305 Allocation of expenditure
- 306 Necessity of economy
- 307 Control expenditure
- 309 Settlement within financial year
- 310 Credits to expenditure items

#### Chapter 4-Payment General (controls)

- 401-Payment, By Whom Made
- 402-Signature on Payment Vouchers
- 403- Improper Payments
- 404-Documents in Support of Payment Vouchers
- 405-Checking of Payment Vouchers

Chapter 9 of the Financial Instructions and Procedures gives guidance on maintenance of expenditure records as follows:

The authority to commit expenditure is conveyed in the chain of warrants which is initiated by the general warrant issued by the Minister responsible for Finance to his Permanent Secretary after the enactment of the Appropriation Act (F.I. 209). The chain is completed by the issue of sub warrants by Accounting Officers holding finance warrants (F.I. 214 & 215). Based on this analysis, the score for the present dimension is "C".

### **25.3. Compliance with payment rules and procedures**

At the time of the assessment, the FY 2017/18 Auditor General report was not yet issued and approved. Therefore, the FY 2016/17 Auditor General's report was used. Expenditure audits are done by the Auditor General and Internal Audit departments. The Auditor General report PART IV titled "OTHER Statement" covers the findings of expenditure audit as per specific financial year. A sampling approach was applied to identify internal audits reports for confirmation of compliance with payment controls, rules and procedures. According to the sampled reports, most payments followed regular payment procedures, with some

exceptions as identified in the internal audit consolidated activity report for quarter ending 31 December 2016, which highlighted anomalies in compliance.

The Auditor General’s report for the year ended 31 March 2017: Paragraph 86 (Audit of Accounts-Botswana Embassy, Kuwait) also confirms non-compliance with payments rules and procedures for only a few ministries who have incidents of over expenditure. Accounting Officers are made to account for all over expenditures. Based on the availability of payment controls and the information contained on the Annual Statement of Accounts for FY 2017/18 which was audited by the Auditor General which shows over 90% of payments comply with expenditure controls therefore the score for the present dimension is “B”.

## PI-26. Internal audit

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-26 Internal audit	D+	<b>Overall, internal audits are performed, and standards are applied. However, the number of audits conducted fall short of annual audits planned. The majority of audit recommendations are implemented, although some responses are not timely.</b>
26.1 Coverage of internal audit	A	Internal Audit (IA) is operational for all central government entities in line with the provisions of Section 80 of the PFM Act. MFED second internal auditors to MDAs and they report administratively to DIA under MFED and functionally to Accounting Officers (PS) where they are seconded to.
26.2 Nature of audits and standards applied	B	The quality assurance process is in place within the Internal Audit department, supported by an internal manual and other related tools. However, quality assurance reviews of the internal audit department have not been done for the period under review or the proceeding years.
26.3 Implementation of internal audits and reporting	D	The output of the annual audit plan is below satisfactory performance as achievements were below 75%. For the last completed FY 2016/17, the department planned for 164 audits for all ministries. However, it completed only 60 audits as of March 2017, with 33 audits ongoing and 71 outstanding. This performance represented 57% and 17/18 performance was 44%. The overall average performance for the two years being 50.5%.

Indicator/Dimension	Score	Brief justification for score
26.4 Response to internal audits	C	Management has provided written responses to audit findings but follow ups in subsequent audit revealed that while some responses have been implemented, many others remained outstanding. Implementation level on internal audits recommendations was also found to be declining as represented by 82.9%, 70.8% and 37.7% for 2015/16, 2016/17 and 2017/18 respectively. On average, the three FYs, had a 63.8% implementation level.

Internal Audit (IA) is operational for all central government entities in line with the provisions of Section 80 of the PFM Act (No 17 of 2011), which governs their existence, scope and functionality.

The Department of Internal Audits (DIA) operations are guided by the Internal Audit Manual (developed 1998 and revised 2016). The Internal Audit Manual (IAM) derives its mandate from the PFM Act and International Standard for Practice of Internal Auditors and it:

- 1) Establishes minimum guidelines for the development and operations of internal auditing in public service;
- 2) Serves as source of reference; and
- 3) Ensures internal audit activities comply with the requirements of:
  - a) The PFM Act
  - b) International Standards for Professional Practice of Internal Auditing (ISPPA) as published in 2013 and a Code of Ethics
  - c) The Committee of Sponsoring Organizations of the Tread Way Commission (COCO) Manual on Internal Control as well as risk management control.
  - d) The Public Service Act (Act of 2018); and
  - e) Public Service Charter.

In Botswana, IA falls under the jurisdiction of the Director – Internal Audit at the MFED. The IA Unit is administratively responsible for internal auditors seconded to MDAs and provides professional development and guidance to internal auditors.

### 26.1. Coverage of internal audit

Internal Audit (IA) is responsible for examining and evaluating the adequacy and effectiveness of the organization's systems of internal controls and the quality of performance by management in carrying out their assigned responsibilities.

The Department of Internal audit (DIA) functions are:

- 1) Ensure that the Government has effective risk management, sound internal controls and a governance structure to enable achievement of its strategic goals and objectives; and
- 2) Serves as a resource to Ministries to provide timely, accurate and objective information, opinions and recommendations pertaining to the Government activities and functions.

A Government Audit Committee (GAC) is in place, with membership drawn from the private sector and being independent from the Government. It is comprised of seven (7) members.

The GAC operation is guided by a charter, which states its objectives as follows: to provide independent assurance to the Permanent Secretary, MFED on government risk management, control, governance and compliance framework. All CG entities are subject to internal audit and internal audit units exist across government entities. Based on the analysis and supporting evidence, the score for the present dimension is “A”.

## 26.2. Nature of audits and standards applied

The Department of Internal Audit subscribes to the Institute of Internal Auditors standards in the conduct of its audits. In addition, the department has established an audit manual which was developed in line with auditing standards. All internal audits are carried out based on Internal Auditing Standards prescribed by the Institute of Internal Auditors (IIA). The department is working towards risk-based audit. However, there is no independent external quality assessment conducted to verify the conformity to standards.

Annual audits encompass internal controls and financial compliance. Based on the analysis and supporting evidence, the score for the present dimension is “B”.

## 26.3. Implementation of internal audits and reporting

Consolidated annual work plans are prepared each financial year. The plans are implemented through the conduct of internal audit performed across ministries throughout the year. Implementations of the audits are recorded in the minutes of the ministerial audit committees. Issues not addressed by the committees are escalated to the Government Audit Committee.

For the last completed FY 2016/17, the department planned 164 audits for all MDAs. However, the department completed only 60 audits as of March 2017, with 33 audits ongoing and 71 outstanding. This performance represents 57% which is attributable to: one lengthy (over 6 months) audit at Maun airport reallocation project which was conducted by Ministries of Transport and Communication and Lands and Housing). Some audits were prolonged due to lack of records for projects. For example, the audit on allocation of plots at Block 10 and Tsholofelo which started in April 2016 and was not completed until March 2017. According to Government Audit Committee, the 8th meeting, held on the 5th December 2018, the recommended implementation level stood as follows:

2015/16		2016/17		2017/18	
Total Audits	% implemented	Total Audits	% implemented	Total Audits	% implemented
987	82.9	640	70.8%	1132	37.7
<b>Routine</b>					
790	83.7	512	68.6	732	40.8
<b>Special</b>					
197	78.2	128	78.9	220	34.6

With reference to the above table, implementation level on internal audits is declining as represented by 82.9%, 70.8% and 37.7% for 2015/16, 2016/17 and 2017/18 respectively. Because the implementation rate for 2017/2018 is less than 50%, the score for the present dimension is “D.”



#### **26.4. Response to internal audits**

Internal audits carried out on budgetary units with major expenditure were focused on procurement and financial controls as identified in the internal audit consolidated activity reports for FY 2015/16, 2016/17 and 2017/18.

For most entities audited by the internal audit section, management provided written responses to any audit issues identified. However, follow up by an external audit in subsequent audits revealed that while some responses were implemented, many others remained outstanding.

According to the Government audit committee, the meeting held on the 27 March 2017, 2100 recommendations were made and only 1313 were implemented which translates to 62% performance. Most recommendations implemented were from the previous financial period. The reports produced since last review has not been responded to and ministries do not comply with the 4 weeks' response standard. There is also slow progress regarding resolution of audit queries. Based on the analysis and supporting evidence, the score for the present dimension is "C".

#### **Ongoing reform activities**

The reforms are:

- 1) Introduce quality assurance review of the internal audit unit (conduct quality assurance reviews as per internal audit standards requirements
- 2) Implement roll out of the Risk Management Policy and Framework; and
- 3) Implement rollout of the application of Computer Aided Audit Approach.

## PILLAR SIX: Accounting and reporting

Pillar six assesses whether accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

### PI-27. Financial data integrity

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-27 Financial data integrity	D+	Reconciliations of the different types of account covered by this indicator occur regularly, but a backlog remains to be addressed as late reconciliation of accounts was identified by the Auditor General for years under review. Efforts are ongoing to address the backlog. Integrity of financial data is satisfactory as access to the automated financial management system is controlled through passwords and changes are recorded in an audit trail. There is no operational unit in charge of verifying the integrity of financial data but that is done during the auditing by internal and external auditors.
27.1 Bank account reconciliation	D	Bank reconciliations are undertaken each month, but several accounts were reported as not reconciled. Furthermore, there are difficulties reconciling accounts due to disposing or poor referencing of transactions. The reconciliation of bank accounts was identified as not up to date by the Auditor General and outlined in their reports for the period under review.
27.2 Suspense accounts	D	Suspense accounts are reconciled regularly, but they are not cleared on a timely basis. Several accounts show persistent high value balances. The aggregate balance of suspense accounts was P1, 297 million at the end of FY 2017/2018.
27.3 Advance accounts	D*	The advance accounts are reconciled regularly. However, there are outstanding balances which need to be investigated as they have not been cleared as of March 2018 with a total outstanding balance of P 1 675 596 251.
27.4 Financial data integrity processes	B	Access is controlled by passwords on the GABS and other financial management systems. Clear segregation of duties is guided by the Financial Instructions and Procedures which safeguards financial integrity. Access and changes to records are restricted and recorded, and results in an audit trail. There is no operational unit specifically in charge of verifying the integrity of the financial data. However, assurance on data integrity is done through internal and external controls and audits.

## 27.1. Bank account reconciliation

Bank reconciliations are undertaken by the Accountant General on a monthly basis. There are several accounts that exist including the Government Remittance Account (GRA) which is the main government bank account.

Bank reconciliations should be properly conducted, and reconciling items cleared or fully explained on the reconciliation statements. Even though some bank reconciliations are done, they are not done on time. Moreover, there are high value reconciling items that are not explained. The Bank of Botswana remittance account had balances narrated as unidentified debits in the bank statement as well as receipts in the general ledger that were not on the bank statement. Some of the reconciling items date back as far as 2005.

The Government has experienced great difficulty in reconciling most of its bank accounts (Statement 16). In most cases, difficulty arises from poor referencing of transactions and analysis of the movement in unreconciled items in the three-year period of the assessment. This indicates that this problem persists despite considerable effort having been devoted to reconciling the accounts.

The table below provides information about the actual reconciliation date for a sample of grouped bank accounts at year end over the period of assessment. Group F shows large unreconciled balances that do not provide evidence of improvement.

**TABLE 27.1 GROUP ACCOUNTS**

Group	Period reviewed	Reconciliation date	Recon Bal (P)
F	March 2016	11 Apr 2016*	55 159 415
	March 2017	7 Dec 2017	141 736 415
	March 2018	31 Oct 2018	139 618 415
J	March 2016	16 Jan 2017	0
	March 2017	6 Apr 2017*	0
	March 2018	18 Nov 2018	0
K	March 2016	28 Apr 2015	695 723
	March 2017	5 Apr 2017*	(11 293)
	March 2018	24 Oct 2018	(3,097,993)
L	March 2016	8 Jun 2016	1,025,996
	March 2017		
	March 2018	19 Sep 2018	(4,711,007)

\*Please note that monthly accounts are posted on the 15<sup>th</sup> of the following month. It should be noted that year end bank reconciliations are often only completed when all adjustments have been made, and these may include audit adjustments. Hence in some cases the long delays in reconciling certain accounts will reflect difficulties in processing the proper adjustments and that might have compromised the integrity of the financial data but currently no material impact had been identified. Based on this information, the score for the present dimension is “D”.

## 27.2 Suspense accounts

This dimension assesses the extent to which the suspense account is reconciled on a regular basis and cleared in a timely manner. If suspense accounts are not cleared, this may result in a distortion of the financial reports and therefore undermine the financial integrity of the Government. The following table demonstrates the status of a sample of suspense accounts at different points during the 3-year period of this assessment:

**Table 27.2: Suspense accounts reconciliation and clearance example**

ACCOUNT	DESCRIPTION	MAR 15/16 (P)	MAR 16/17 (P)	MAR 17/18 (P)
43163	AR Spares	1 036 149	1 036 149	1 032 865
43303	Sandulela	-	6 641 735	97,368,275
43204	Purchase of Equity- De-Beers	-	673 597 322	673 597 322
43232	Bots Post Cheque	156 083 576	223 253 991	390 384 242
43203	Social Ben Cash All-Commercial Banks	-	321,930	-

The above constitute the majority of the aggregate balance of suspense account at the end of FY 2017/2018, which was P1,297 million. Hence, the score for the present dimension is “D”.

## 27.3. Advance accounts

Advances are regulated by the Financial Instructions and Procedures. There are several types of advance accounts including travelling imprests, loss of cash, surcharges and others. There is effort to reconcile these accounts regularly. However, balances include significant amounts which by virtue of their unreconciled status and other reasons, required further investigations:

### Imprest Account

Imprests are regularly monitored, retired and monitoring reports submitted to management.

**Table 27.3: Advance accounts reconciliation and clearance**

Min/Dept	Period	Total	Retired on time		Late retirements		Others	
			Number	%	Number	%	Number	%
MFED	Feb 2016	581	279	48.0	202	34.8	100	17.2
	Feb 2017	463	276	59.6	165	35.6	22	4.8
DPSM	Feb 2016	121	76	62.8	45	37.2		
	Feb 2017	141	98	69.5	41	29.5		
MITI	Aug 2016	338	246	72.8	92	27.2		

	Feb 2017	923	763	82.7	160	17.3		
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### Loss of cash

Monitoring on loss of cash is done by line ministries following the devolution of surcharge and losses to MDAs and Accounting Officers are made to account on the slow-moving items by the Public Accounts Committee.

Data for the most recent year is unavailable, hence, the score for the present dimension is “D\*”.

### 27.4. Financial data integrity processes

Users are given passwords to access the system in line with their duties. The passwords are renewed after 30 to 90 days depending on the sensitivity of the activity being performed. Access and changes to records is restricted and recorded, and results in an audit trail. A soft copy of the audit trail is accessible and verified. The system can track any changes in the system.

However, there is no evidence of the existence of a unit in charge of verifying financial data integrity. Based on the analysis and supporting evidence, the score for the present dimension is “B”.

## PI-28. In-year budget reports

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-28 In-year budget report	C+	<b>Comprehensive budget monitoring reports are posted on the intranet each month and are consistent with the approved budget. The reports cover all approved budget and adjustments made after the appropriation of the budget.</b>
28.1 Coverage and comparability of reports	C	Budget execution reports are directly comparable to the original budget.
28.2 Timing of in-year budget reports	B	Budgets execution reports are prepared monthly and issued within two weeks from the end of each month. However, only 8 out of 12 monthly reports during the year of 2017/2018 were issued within 2 weeks of month end.
28.3 Accuracy of in-year budget reports	C	In addition to the monthly reports posted on the intranet, expenditures are reported on quarterly basis. For the period under review, there were no material data challenges identified.

### **28.1. Coverage and comparability of reports**

The Accountant General produces monthly in-year budget reports which are posted onto the intranet by the 15<sup>th</sup> of the following month. The data in the reports is entered by MDAs and consolidated by the Accountant General before posting.

Coverage of reports allows direct comparison with partial disaggregation. The reports do not include expenditure of parastatals and LAs are also not included in the report. However, the deconcentrated units are covered in detail under their respective line ministries according to budget line items. Based on this information, the score for this dimension is “C”.

### **28.2. Timing of in-year budget reports**

The Accountant General has a target to produce expenditure monthly reports by the 15<sup>th</sup> day of the following month. This is not the same as the target for this dimension, which allows 14 days for the issuing of monthly reports.

The posting dates for the 12 reports posted in the last fiscal year were reviewed and noted that on 8 occasions the internal target was met, and the reports were posted within the 14 days required by this dimension. Technical errors in July 2017 led to delays in posting for the following three months, after which the issue was resolved. The year-end report was posted late due to final adjustments.

Reports were produced monthly and were issued within 2 weeks of the month end. However, this was achieved for 8 out of the 12 months. Unfortunately, due to the revisions to this criterion, a score of “B” for this dimension was given.

### **28.3. Accuracy of in-year budget reports**

The reports meet the major criterion for a high score, which is that they separate actual expenditure and committed funds and show them against the warranted provision. As noted in 28.1, the reports do not include expenditure of parastatals and local authorities. The previous report does refer to ministries confirming the accuracy of the reports and the Accountant General is noted as receiving few comments or complaints of inaccuracy. No assurance was available from the Auditor General, internal audit, or the Accountant General about the quality of the reports.

The current assessment for this dimension must consider whether “an analysis of the budget execution is provided on at least a half-yearly basis”. This is clearly not the same as the “budget execution reports” which must be produced monthly to score an A in 28.2. MFED does not produce any reports in addition to the monthly pack of which the commitment and expenditure report is a component.

A qualitative assessment of report usage was undertaken. The previous report noted that “MDAs do access reports regularly, as it is through the reports that they decide whether to request any in-year reallocations between vote. Line ministries interviewed during the assessment confirmed that this is the case. Also, the reports are accessed for MDAs to explain any variances from the estimated budget. The Monitoring and Evaluation unit, Budget and Development division at MFED, regularly check that this is undertaken.”

The 2019 assessment plan includes seven ministries for detailed review of public financial management arrangements. In order to assess whether the reports were effective, the

assessors asked representatives from the accounting units in each ministry the following questions:

1. Do officers in your ministry raise questions about their outturn in relation to the monthly Commitment & Expenditure report?
2. Is there any other evidence that the monthly Commitment & Expenditure report is used by officers in your ministry?

From the responses received, the reports are not used for regular budget monitoring purposes. There is no structured process for reviewing execution against budget, recording variances and identifying mitigation for risks of under or overspend. MDAs do monitor outturn, but they do so by requesting live reports for specific accounts, rather than by using the posted reporting packs. There is a clear need to establish a robust framework for budget monitoring at operational level in MDAs, with the responsibility assigned to accounting officers, but with oversight of the process for consistency by MFED. Based on this analysis, the score is a “C”.

## PI-29. Annual financial reports

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-29 Annual financial reports	C+	The Annual Statement of Accounts is prepared annually. The ASA is comparable with both recurrent and development budget including outstanding of debt. It is comprehensive and complete with some exceptions.
29.1 Completeness of annual financial reports	C	The ASA are prepared on an annual basis and are directly comparable to the budget. The statements are comprehensive and include full information on revenue, expenditure, some financial assets and liabilities. The liabilities including loans, guarantees and bond stock. Expenditure arrears, tangible assets and some liabilities are not disclosed and absence of complete expenditure arrears data the level of what is not covered is unknown.
29.2 Submission of reports for external audit	B	The ASA was submitted for external audit within 6 months of the end of financial years covered by the assessment.
29.3 Accounting standards	C	ASA uses a modified cash basis and the standard used to prepare the statements is consistent with the legal framework, but the framework has not incorporated international standards and does not include tangible assets and other complex balances.

### **29.1. Completeness of annual financial reports**

The Annual Statement of Accounts (ASA) is prepared on an annual basis and is directly comparable to the budget. ASA under statement 11 and 17 cover loans, stock of debts and guarantees. The statements are comprehensive with some exceptions and include full information on revenue, expenditure, some financial assets and liabilities. All financial assets are reported under Statement 16- Statement of Cash and Bank Balances and Statement 18- Statement of Assets held by Government in Commercial undertakings, Statutory bodies etc. The information is incorporated into financial reports in a modified cash-based system but is compiled without proper clearance of some suspense, advance and bank accounts reconciliation. Expenditure arrears and tangible assets are not disclosed in the ASA. The score is “C”.

### **29.2. Submission of reports for external audit**

The Accountant General is required to submit the ASA to the Auditor General within a period of six months after year end, in accordance with the PFMA, Section 42(2). In the year ending 2017/18, the Accountant General completed the submission of the ASA within the stipulated period, as set out in the Audit Report for the year (Section 4). The balance sheet was submitted on the October 03, 2018 and other statements were submitted on the September 28, 2018. The score is “B”.

### **29.3. Accounting standards**

The Government of Botswana accounts are prepared using the modified cash basis of accounting standards, as determined by the Minister responsible for finance in accordance with Section 9 of the Public Finance Management Act, 2011.

The accounting standards used in the preparation of the ASA are derived from the PFMA and hence consistent with the legal framework. The ASA is prepared, and efforts have been made to describe the key accounting policies applied in their preparation. As noted in 29.1, the ASA uses a modified cash basis of accounting, comparing revenue and development outturn against the cash budget while also disclosing, in notes, several other elements of the financial statements, including liabilities due on public debt and explicit contingent liabilities. The framework has not, however, incorporated international standards and does not include tangible assets and other complex balances. Based on this information, the score for this dimension is “C”. The standard used is per the requirements of the country legal framework.

## **PILLAR SEVEN: External scrutiny and audit**

Pillar seven assesses whether public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

For this pillar, the period under review covers financial years 2014/15 to 2016/17 instead of 2015/16 to 2017/18. This is as a result of the fact that for financial year 2017/18, the Report of the Auditor General on the Accounts of the Botswana Government was still in draft form and had not gone through Parliament before being publicized.



## PI-30. External audit

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-30 External audit	D+	Although the characteristics of external audit in Botswana are generally good, the lack of comprehensive follow-up structure for audit recommendations swayed the overall score.
30.1 Audit coverage and standards	A	The audit covers all central government entities and their respective expenditures and revenues. Manuals used include Compliance Audit Manual, Performance Audit Manual and Regulatory Audit Manual which adhered to international auditing standards. The audit is conducted as per African Organization of Supreme Audit Institutions - East (AFROSAI-E).
30.2 Submission of audit reports to the legislature	C	Audit reports were submitted to the Legislature after six months from receipt of financial reports.
30.3 External audit follow-up	D	There is no comprehensive format for follow-ups of audits. There is low turnover of response to audit findings.
30.4 Supreme Audit Institution independence	A	Independence of the Auditor General is enshrined in the Constitution of Botswana.

#### 30.1. Audit coverage and standards

This dimension aims to gauge the performance of external audit by the Office of the Auditor General (OAG) which is the Supreme Audit Institution (SAI) including coverage and type of the audits. Moreover, adherence to auditing standards such as International Standards of Supreme Audit Institutions (ISSAIs) is assessed.

The score given for this area is “A”, subsequent to the OAG having performed financial audits for all MDAs (including total expenditures and revenues) and special funds. The OAG is a member of the African Organization of Supreme Audit Institutions -East (AFROSAI-E) which issues handbooks and guidelines relevant for auditing and undertakes quality assurance reviews. Furthermore, the OAG is also a member of the International Organization of Supreme Audit Institutions (INTOSAI). Audits are carried out in accordance with ISSAIs. Manuals used include the Performance Audit and Regulatory Audit Manuals which are based on the ISSAIs. Audits plans also show compliance with ISSAIs.

#### 30.2 Submission of audit reports to the legislature

Timeliness of submission of audit report(s) on the budget execution to the Legislature is appraised. For the period under review, a score of “C” was awarded.

OAG received the financial statements from MFED in the last week of September and submitted the audited statements to the Legislature in April of the following year for 2

financial years i.e. for 2015/16. OAG received Annual Statement of Accounts (ASA) on the 26<sup>th</sup> September 2016 and submitted to the Legislature on 10<sup>th</sup> April 2017 while OAG received the ASA for 2016/17 on the 29<sup>th</sup> September 2017 and submitted to the Legislature on 16<sup>th</sup> April 2018. This period is more than 6 months but less than 9 months. For the year 2014/15, OAG submitted within 6 months i.e. on the 22<sup>nd</sup> of March 2016. Since the change in the audit calendar reducing the auditing period from 4 months to 3 months, the OAG's efforts in meeting the audit deadline have been unsuccessful. SOEs also contribute to delays in submission of audit reports to the Legislature as they frequently submit their audited financial statements late for review and inclusion in the Report of the Auditor General on the Accounts of the Botswana Government.

### 30.3. External audit follow-up

Efficient and prompt follow-ups on external audit recommendations as undertaken by the audited entity is a vital process in the auditing process. Consequently, evidence of follow-up of audit findings such as issuance of a formal response to the OAG by the audited entity stipulating mitigation plans are put under scrutiny to evaluate this dimension. OAG reports that there is no format for follow-up on audits for which follow up was expected. OAG issues reminders through savingrams and email for which typically only a few auditees respond. The turnaround time for these responses is 11 months. According to the AFROSAI-E Quality Assurance Review Report of September 2017, there 'was no effective follow-up of the SAI's auditees to check whether the recommendations had been implemented or whether the weaknesses were addressed', for performance audits. The audit plan for FY 2017/ 18 indicates that a follow-up register is to be implemented between January and April 2019 suggesting the absence of a comprehensive follow-up structure. Based on this information, a score of "D" was awarded.

### 30.4. Supreme Audit Institution independence

Considering the criticality of SAI independence in an effective and credible system of financial accountability, not only should it be laid down in the constitution or legal framework but practically demonstrated by non-interference in the planning and implementation of the Supreme Audit Institution's audit work. This includes the approval and spending for the SAI's budget. Considering all the above, a score of "A" has been granted.

Independence of the Auditor General is enshrined in the Constitution of Botswana. Section 124 (4) and (5) clearly stipulate that "the Auditor General shall not be subject to the direction or control of any other person or authority." Furthermore, the Auditor General has unrestricted and timely access to records, documentation and information. Refer to Section 124 (2). Section 10 (4) of the Public Audit Act for further emphasizes the Auditor General's unlimited access to any records, places or information required for audits.

Element/ Requirements	Met (Y/N)	Evidence used/Comments
1. The SAI operates independently from the executive with respect to:	Y	*Constitution of Botswana (Sections 124) *Public Audit Act (Section 10)

Element/ Requirements	Met (Y/N)	Evidence used/Comments
<i>Procedures for appointment and removal of the head of the SAI</i>	Y	*Constitution of Botswana (Sections 124) *Public Audit Act (Section 10)
<i>The planning of audit engagements</i>	Y	*Public Audit Act *The Report of the Auditor General for the 3 years *Performance Manual *Regulatory Audit Manual *Interview with the Office of The Auditor General
<i>Arrangements for publicizing reports</i>	Y	*Public Audit Act *The Report of the Auditor General for the 3 years *Performance Manual *Regulatory Audit Manual *Interview with the Office of The Auditor General
<i>the approval and execution of the SAI's budget.</i>	Y	*Constitution of Botswana (Sections 124) *Public Audit Act (Section 10)
2. This independence is assured by law.	Y	*Constitution of Botswana (Sections 124) *Public Audit Act (Section 10)
3. The SAI has unrestricted and timely access to records, documentation and information for:	Y	*Public Audit Act *The Report of the Auditor General for the 3 years *Performance Manual *Regulatory Audit Manual *Interview with the Office of The Auditor General
<i>All audited entities</i>	Y	*Public Audit Act *The Report of the Auditor General for the 3 years *Performance Manual *Regulatory Audit Manual *Interview with the Office of The Auditor General
<i>Most audited entities</i>	Y	*Public Audit Act *The Report of the Auditor General for the 3 years *Performance Manual *Regulatory Audit Manual *Interview with the Office of The Auditor General
<i>The majority of requested records</i>	Y	*Public Audit Act *The Report of the Auditor General for the 3 years *Performance Manual *Regulatory Audit Manual *Interview with the Office of The Auditor General

## PI-31. Legislative scrutiny of audit reports

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-31 Legislative scrutiny of audit reports	B	For the period under review, scrutiny of audit reports was completed within 3 months for 2 years only. All central governments appeared before the Public Accounts Committee (PAC) and hearings were held in public.
31.1 Timing of audit report scrutiny	B	For FY 2014/15 and FY 2015/16, the scrutiny of audit reports was completed within 3 months from receipt by the Legislature whereas for FY 2016/17 scrutiny was within six months.
31.2 Hearings on audit findings	A	For all the three years, in-depth hearings on key findings took place regularly with responsible officers for all audited entities.
31.3 Recommendations on audit by legislature	B	Recommendations made by the Legislature were followed up in the next PAC sitting.
31.4 Transparency of legislative scrutiny of audit reports	C	PAC reports were distributed to audited entities and participating government departments <b>only</b> . Moreover, reports were not published on the official website for the period under review.

#### 31.1. Timing of audit report scrutiny

In this area, the timely submission of audit reports to the Legislature and their examination was under investigation. For the FY 2014/15, audit reports were submitted to Parliament on the 22<sup>nd</sup> of March 2016. PAC sittings commenced on the 18<sup>th</sup> of May 2016 and concluded on the 9<sup>th</sup> of June 2016. The duration of scrutiny of audit reports by Parliament was within three months from the date of submission of reports. The PAC received the FY 2015/16 audit reports on the 10<sup>th</sup> of April 2017. PAC sittings then began on the 22<sup>nd</sup> of May 2017 and ended on the 16<sup>th</sup> of June 2017. The duration of scrutiny of audit reports by Parliament was within three months from the date of submission of reports. Regarding FY 2016/17 audit reports, submission to Parliament was done on the 16<sup>th</sup> of April 2018. PAC sittings started on the 3<sup>rd</sup> of September 2018 and ended on the 12<sup>th</sup> of October 2018 which is within six months from date of submission of the reports. This is a result of preparations for Parliament to sit earlier in July (i.e. 4-13 July 2018) coupled with preparing for hosting the Commonwealth Parliamentary Association (CPA) from the 13<sup>th</sup> – 22<sup>nd</sup> August 2018. Hence a score of “B”.

The summary box for checklists is provided below:

Element/ Requirements	Met (Y/N)	Evidence used/ Comments
31.1 Timing of audit report scrutiny	Y	*Savingsgrams on submission of Report of the Auditor General to the Legislature

		*PAC Timetables for 2014/15 to 2016/17
31.2 Hearings on audit findings	Y	*PAC Timetables for 2014/15 to 2016/17 *PAC Work-In-Progress Report 2014-15, 2015-2016
31.3 Recommendations on audit by legislature	Y	*PAC Work-In-Progress Report 2014-15, 2015-2016 *2015 PAC Examination of Value for Money Audit Report *PAC Report 2014-2015 ,2015-2016, 2016-2017(draft)
31.4 Transparency of legislative scrutiny of audit reports	Y	*Interview with Parliament *Parliament website

### 31.2 Hearings on audit findings

The degree to which in-depth hearings on key findings of the OAG took place was examined. The PAC consists of Members of Parliament and a technical advisor on secondment from OAG. All accounting officers (Permanent Secretaries and head of Departments and Agencies) attended the hearings as per the PAC timetable. The findings were examined based on the financial statements as contained in Annual Statement of Accounts and the Accounts of Special Funds. Progress made on issues raised in the PAC Work-In-Progress Report of the previous PAC sitting is also examined.

PAC hearing are attended by MDAs as scheduled and issued by Parliament. The hearings are opened to the public. Each MDAs delegation is headed by the Permanent Secretary as Accounting officer who was warranted the budget for the period under review. A score of “A” was awarded.

### 31.3. Recommendations on audit by Legislature

This dimension examines the extent to which the Legislature issues recommendations and follows up on their implementation. After each PAC sitting, two reports are produced. The Public Accounts Committee report, which is one of the reports, contains recommendations that were brought up after PAC hearings. Another report is the Public Accounts Committee Work-in-Progress Report which shows the account balances. Of these two reports, the PAC Report containing recommendations is tabled in Parliament for debate. For the period under review, all PAC Reports have been tabled for debate in Parliament. However, debates are yet to take place. Although the reports have not been debated, it must be noted that during every PAC sitting, there is a review of the recommendations stated in the last sitting and progress on the implementation of such recommendations per ministry. Furthermore, after execution of performance audits by OAG, the PAC examines the performance audit reports resulting in the PAC Value for Money report which is tabled for debate in Parliament. A Government Assurances Committee has been established to efficiently follow-up on the progress of implementation of recommendations by PAC. This committee, however, is not yet operational. The score awarded for this area is “B”.

### 31.4. Transparency of legislative scrutiny of audit reports

In this area, the level of transparency of the Legislature is assessed. Ideally, hearings should be conducted in public and committee reports should be published. Since 2011, proceedings

of the committee are held in public with the media in presence. Prior to the PAC sittings, a timetable for PAC sittings is issued. Despite public scrutiny of the committee proceedings, distribution of committee reports is limited to the audited entities and the National Assembly Library. Reports may also be found at the Government Printers for a nominal fee. This results in a score of “C”.

## 4. Conclusions of the analysis of PFM systems

Overall, the results of the PEFA assessment show that the PFM systems in Botswana are operational and generally meet basic requirements. A summary of the pillar results is indicated below:

### 4.1 Integrated assessment of PFM performance

This section summarizes the overall PFM performances of the seven pillars as determined by the 2016 PEFA criteria.

PFM Performance by Pillar	Performance Indicators	Nominal SCORES				Total Indicators
		A	B+/B	C+/C	D+/D	
Pillar #1: Budget Reliability	PI-1 to PI-3	1	1	0	1	3
Pillar #2: Transparency of Public Finances	PI-4 to PI-9	0	2	3	1	6
Pillar #3: Management of Assets and Liabilities	PI-10 to PI-13	0	1	2	1	4
Pillar #4: Policy-based fiscal strategy and budgeting	PI-14 to PI-18	0	1	3	1	5
Pillar #5: Predictability and control in budget execution	PI-19 to PI-26	0	1	5	2	8
Pillar #6: Accounting and reporting	PI-27 to PI-29	0	0	2	1	3
Pillar #7: External Scrutiny and Audit	PI-30 to PI-31	0	1	0	1	2
<b>Total</b>		<b>1</b>	<b>7</b>	<b>15</b>	<b>8</b>	<b>31</b>

#### Pillar 1: Budget Reliability

Budget reliability was mixed. For the three financial years under review, aggregate expenditure outturn was determined to be the strongest component as reflected by the “A” score. The actual expenditures were consistently below 4% of the original approved budget leading to budget credibility. This was supported by guiding principles and rules for budget adjustments adhered to by MDAs which garnered a “B” score. Cash forecasts and monitoring were conducted weekly, monthly and quarterly by MDAs to ensure adequate resources were available. However, there are concerns that the initial annual budget and budget ceilings are developed without reference or guidance from an annual cash flow forecast.

The current economic classification does not apply to the development budget. This makes it difficult to accurately identify and quantify the capital components of the development budget. This leads to special or manual adjustments to account for all development budget activities.

Revenue projections appear to be a major challenge as reflected by “D” scores especially in revenue composition and aggregate revenue outturns. The deviations from the actual revenue in comparison to the approved revenue indicates volatility in the global market and uncertainty in the mining and other sectors. The continuous under budgeting of revenue has a direct impact on the provision of services throughout GoB.

## **Pillar 2: Transparency of Public Finances**

The Government of Botswana supports a transparent annual budget process. Budget documentation is comprehensive and consists of four basic requirements and five additional elements for a “B” score. Budget transfers to subnational governments are done on a timely basis (A score) and provides enough time for local authorities to complete their annual budget requests. The transfer to local authorities is done on a quarterly basis by the line ministries and the disbursement is based on the approved budget for each entity. The funding of the projects for local authorities is guided by the projects in the National Development Plan. Local authorities are aware of the funds that will be available during the plan period.

However, the recurrent budget does not follow any formula-based planning process. Budget allocations to SNG appears subjective. SNG annual budget allocations are based primarily on the availability of resources from the Government and not on the service delivery needs of districts and local authorities. Transfers are based on historical needs which was formula-based, but was discontinued many years ago. This leads to LGs incurring overdrafts that exceed less than one third of the previous year’s revenue (excluding grants) with approval from MoLG in consultation with MFED.

Budget classification is adequate (C score) but uses the older version of GFSM 1986. The economic classification does not apply to the development budget. This makes it difficult to accurately assess and quantify the capital component of the development budget. GFSM 1986 only covers BCG activities. There is limited to no information compiled on extra-budgetary entities. MFED plans to transition to accrual-based accounting by FY 2022. The revision of the Charts of Accounts is ongoing and expected to be completed during FY 2019/20. This will broaden the scope of GFS to include LGs and extrabudgetary units. The revision of GFSM is ongoing under the PFM Reform Programme. GFSM revisions are expected to be completed within the same period along with the COA updates.

The Government’s exposure of expenditures and revenues conducted outside the central government is a concern (overall D+ score). SOEs performance appear weak. SOEs have a high reliance on public resources. Some SOEs do not provide their financial reports in a timely manner to the Government. The untimely submission of financial information presented to the Government delays the overall consolidation of financial information and reporting to the public.

The Government uses several methods to relay information to stakeholders and to the public. The Government met three out of the five basic elements on public access to fiscal information. The more frequent methods used to relay fiscal information include conducting public forums, uploading the information to MFED’s website and print copies made available in Government stores and national libraries. Unfortunately, most print copies are not free and carry a nominal price. In addition, the timing and release of budget execution reports are often delayed and are available for internal use only.

The annual performance measurement process is underdeveloped and not well defined. The annual budget is mainly developed by economic and functional classification. Unfortunately, the alignment of resources to economic classifications does not meet the standard of service delivery to the public. There has been discussion of performance or a result-based approach to budgeting. There are plans to implement this new budget process beginning Spring 2020. Even though a national plan and strategies have been developed (NDP 11), there are no annual performance plans that consistently outline outcomes, outputs, targets and their



respective linkage to the budget. Furthermore, there is no semi-annual or year-end reports that outline performance achieved for service delivery in relation to the executed budget. There is no association between end-of-year performances and budget outturns. This makes it difficult to trace accountability at the program or project level. Performance audits are conducted by the Auditor General. However, the audits tend to focus on performance of internal controls and not directly on service delivery.

### **Pillar 3: Management of Assets and Liabilities**

The Government tracks and monitors assets and liabilities. Financial assets age and usage are recorded. However, non-financial assets and depreciation are not adequately reported. There are systems and policies in place to govern this process. Currently, efforts are underway to ensure the IFAR (asset register) and SWIMs (inventory) systems are updated with the latest information.

There are some weaknesses identified in the public investment project area. The relevance and impact of public investment projects, including PPPs, is not highlighted during the annual budget process. Multi-year investment costs are highlighted during the internal budget process but are not clearly identified in the budget estimates. Portions of the cost benefit analysis report are not made available to the public. However, the public can acquire the reports through the project financiers. Some investment projects did not have adequate project planning and monitoring which ultimately led to cost overruns and delays. The Government prioritized investment expenditures in NDP 11. NDP 11 provides the basis and selection for the total development budget.

There is limited information on the selection and approval of investment projects during the budget process. The Planning Officer's manual contains detailed guidance on project appraisal but lacks guidance on project selection. There is an assumption that any project outlined in NDP 11 is approved for implementation absent detailed costing and funding support. Some large projects did not have evidence of rigorous cost-benefit analysis. The lack of data on investment projects contributes to inadequately informed decision-making. In addition, public investment projects continued to demonstrate weaknesses in project appraisal, project costing and analysis, project selection and monitoring. The fiscal risks and value-for money information on investment projects are not disclosed to the public.

Most public corporations submitted their financial reports to the Government at least nine months after the end of the financial year. There was some follow up needed by MFED to acquire the financial information from the remaining PCs. Some public corporations had overlapping mandates and it was not clear on their value-addition to the Government. The growth of public corporations continued to contribute to the Government's fiscal costs and possible contingent liabilities. If not effectively managed, PCs activities could contribute to the erosion of the Government's fiscal space and discipline.

Debt management is strong. The external debt-to-GDP is sustainable. The authority to borrow is governed by the PFM Act of 2011. All public debt, internal and external, is outlined in the budget documentation as well as in the ASA. The Medium-term Debt Strategy (MTDS) was published in 2016. The MTDS is available on MFED website.

### **Pillar 4: Policy-based Fiscal Strategy and Budgeting**

The alignment of policy-based fiscal strategy and budgeting is not well defined. This area also received mixed results consisting of mainly "C" scores. The submission of the budget to the

Legislature and the timing of budget approval were excellent (A scores). The rules for budget adjustments and fiscal strategy adoption performed well (B scores). However, there were weaknesses identified with the medium-term perspectives, fiscal impact of policy and consistency of the budget with previous year's estimates (D scores). The annual budget development process lacked an annual cash flow plan. This raised a concern regarding whether projected spending was matched with the availability of cash.

Even though the medium-term expenditure estimates and ceilings were weak, they did not have an adverse impact on the year-end aggregate expenditure outturns (A score).

The annual budget documentation does not detail policy priority decisions and the resources allocated to those decisions. In addition, it is hard to track the changes of the proposed annual budget from the previous years approved budget. The budget documentation does not explain the reasons for the variances. There are no detailed statements or narratives to explain the numbers.

There was no obvious association between MDAs strategic plans and their respective approved budget allocation. MDAs indicated that most of their strategic plans had not been costed over the medium-term. In addition, there is the absence of indicative planning figures which compromises the annual budget process. Without annual indicative planning figures and their respective assumptions, the quality and comprehensiveness of the budget estimates lacks realism and could become fiscal risks to the Government.

## **Pillar 5: Predictability and Control in Budget Execution**

The Government has adequate controls and procedures in place to guide and monitor the various PFM area resulting in mainly B and C scores. Some of the stronger areas included information on commitment ceilings, internal control of payroll, procurement monitoring, public access to procurement information, segregation of duties, internal audit coverage received A scores. Other areas that performed well (B scores) were revenue measures and risk management, budget adjustments, payroll audit, payment rules and procedures, and audit standards. These areas are governed by regulatory guidelines, monitoring, oversight and enforcements committees which were adequately enforced and adhered to by the budget entities.

Revenue administration is adequate but there are some constraints in certain areas. BURS has adopted a risk-based approach to administrating revenue. However, revenue audit, investigation and transfers of revenue collected are weak which could lead to revenue leakages and fraud. Furthermore, revenue arrears are a cause of some concern. Revenue arrears if not monitored and cleared in a timely manner could compromise the overall budget and fiscal posture of the Government.

The cash management process is effective, but expenditure control is experiencing some difficulties. Some MDAs have incidences of over commitments. There are weak controls in the accounting system leading to over commitments primarily in the salary and allowances areas.

Most of the over expenditure occurs due to faulty integration of the Government's payroll and pension system and GABS which ultimately impacts the recurrent budget. This faulty integration often leads to overspending of the approved budget without consideration and approval from the Legislature. Thus, this causes violation of the Constitution and the PFM Act and increased requests for supplementary funding. In addition, personnel records and payroll

are not reconciled consistently and in a timely manner such as every six months. This could expose the Government to “ghost accounts” if personnel records are not reconciled to payroll records on a timely basis.

Another weak area pertained to expenditure arrears (D\* score). There are no procedures for tracking or monitoring expenditure arrears. Very little effort has taken place to identify expenditure arrears. The Government has not addressed this weakness since the previous assessment conducted in 2013. This lack of tracking and monitoring impacts the overall cash balance and performance on budget execution and control.

There were some deficiencies in the internal audit area. Even though there are annual audits planned for each fiscal year, the actual audits conducted fell below the planned figure (57% completed in FY 2016/17 and 44% in FY 2017/18). Once the audits are completed, the written responses to the internal audits are provided by management. However, the implementation of corrective actions on the audit findings are often delayed.

Uncompetitive tender processing in procurement is a concern. It was determined that the Ministry of Health and Wellness had a 45% incidence of uncompetitive tendering. This is primarily due to emergency situations such as out of stock of medical supplies. In addition, of the top five procurement MDAs including the MoHW, the average non-competitive bidding selection process was 59.13%. This compromises the overall procurement selection process implying favoritism and may led to less value for money in the procurement process.

## **Pillar 6: Accounting and Reporting**

Financial information is reported on a timely basis. In-year and annual budget reports are produced as planned (B scores). However, the usefulness and comprehensiveness of the information in the reports are questionable due to weakness in reconciliation of the general ledger and bank accounts. In addition, access to financial information online is lacking and often not timely.

The overall financial data integrity area was very weak (primarily D scores). This is mainly attributable to the backlog in reconciling bank accounts and the clearing of suspense and advance accounts. Large sums of advances remain unsettled. OAG has made progress in reducing the frequency of bank reconciliations. Unfortunately, there are still some accounts that go back several years and that affects the accuracy and reliability of the closing and opening balances at the beginning of the financial year. Until the accounts can be completely reconciled and cleared, the accuracy and validity of the accounting information is questionable. In addition, information on tangible assets and guarantees are often not included in the annual reports. This limits the disclosure of all financial information. However, the OAG provides information on contingent liabilities in the year-end report (ASA).

The Government uses a modified accounting standard (C score). The accounting standards are in accordance with the country’s legal framework and adheres to international practices and standards. The Government is in the process of transitioning from cash-based to accrual-based accounting. This is expected to be completed over the next few years. Technical assistance is being provided by IMF and US Treasury.

## **Pillar 7: External Scrutiny and Audit**

Although the characteristics of external audit in Botswana are generally good, the lack of comprehensive follow-up structure for audit recommendations greatly influenced the overall

score. Audit coverage, SAI independence and hearings on audit findings performed very well (A scores). Legislative scrutiny of audit reports is conducted in a timely manner and recommendations are made on audits (B score). The shortcoming is that there is very little monitoring and follow-up on whether the recommendations were considered or implemented. This may lead to the deterioration of internal controls or loss of financial resources through wastage and mismatch of expenditure to the initially approved budget if addressing the issues are not made a priority. The external audit follow-up was the only weak area (D score).

## **4.2 Effectiveness of the internal control framework**

The overall objective of any internal control framework is to ensure efficiency in the financial and non-financial planning processes; to approve and execute the annual budget as planned; and to execute post budget audits and provide parliamentary oversight.

GoB is very disciplined as far as internal controls are concerned. Some of the existing systems and procedures have been operational for quite some time. Most of the systems are transversally applied throughout the Government. Some examples are the procurement procedures and the process for the appointment of staff. The Government has a lot of legacy systems in which most of them are currently undergoing system upgrades. Therefore, the automated processes work parallel with the manual system.

The Government is currently on track with defining the management of resources. Initiatives and regulations are being introduced, on an as needed basis, to enhance existing laws, policies and procedures. For instance, the PFM Act was reviewed in 2011 and the result was the separation of the PFM policy from the Public Audit Act. Controls are evaluated regularly by auditors during the year by way of internal audits. At the end of the year, external auditors test the reliability, integrity and authenticity of financial data and look for the existence of internal controls.

Segregation of duties and having proper levels of authorization and approvals is embedded within the internal control framework. There are several agencies and/or units who are responsible for ensuring that controls are adhered to and that appropriate actions are taken when overriding of controls are initiated. Those agencies and units are the Internal Audit unit, the Auditor General, the Directorate of Corruption and Economic Crime and the Parliamentary Oversight committee known as PAC.

The Auditor General examines control and reports on adherence to PAC. Permanent Secretaries of MDAs appear before PAC to account for the resources that were warranted to their respective MDA. MFED submits timely financial reports to the Auditor General. Any issues of noncompliance are outlined in the annual Auditor General's report. Furthermore, the issues are covered in the PAC report which is also presented to the main house of Parliament by the Chairperson of the PAC. The Auditor General also conducts performance audits. The performance audit report is presented to the Legislature.

Revenues are protected by the legal frameworks. All revenues are collected and posted to the Consolidated Fund, unless explicitly expressed otherwise in the legal framework. Parliament has the legal authority to approve the drawdown of funds from the Consolidated fund account. Furthermore, all expenditures must be approved through the warrant process. MDAs spending is limited to their respective approved warranted amount.

During the period of assessment, some MDAs incurred over expenditures in the personnel emolument categories. This was mainly due to court orders that were not adequately planned and provided for within the appropriated budget. Furthermore, during the budget planning process, provisions for contingent liabilities are not quantified. Hence, court decisions are not budgeted even though MDAs have to comply with the court orders. However, the over expenditures incurred from court orders were less than 3% per annum of the respective MDA's budget and less than 1% of the overall government's budget.

The responsibilities of Accounting Officers (Permanent Secretaries) is to maintain effective, efficient and transparent systems of financial controls and oversee risk management. Financial controls are integral to every aspect of any organization. Risk management, for both financial management and operational systems, forms part of the overall controls of government. The Government, through PFM Reform, have developed a Risk Management policy and an Enterprise Risk Management framework. These are tools used by MDAs to guide risk management and offer improvements to the governance structures.

Government operations have significant weaknesses that are impacting negatively on the execution of the budget. For instance, expenditure arrears are not quantified nor tracked. Lack of effective management of expenditure arrears is contributing to expenditure mismatch with the budget and in some cases led to supplementary budget requests. The existing controls do not allow carry over of commitments to the next financial year. However, due to weak monitoring, some commitments can carry over. The carryover amount across the government is unknown due to lack of documentation.

### **4.3 PFM strengths and weaknesses**

Botswana has maintained steady growth over the last few years. Debt is relatively low and sustainable. There are opportunities for growth and development in the economic and infrastructure sectors to strengthen the fiscal outlook. The PFM systems and processes are operational. There are continued efforts to review and evaluate the effectiveness of the PFM environment through the PFM Reform program.

#### **Aggregate fiscal discipline**

Fiscal discipline is strict and adheres to fiscal rules as outlined in the Eleventh NDP. This is central to the Government's efforts to control spending. Expenditure forecasts and cash management are effective. However, this is hampered by the lack of data on the stock of arrears both expenditure and revenue. This leads to an inaccurate assumption of the financial landscape and enhances fiscal risks. In addition, bank reconciliations against the general ledger are not performed timely to eliminate the backlog. This leads to uncertainty with financial integrity.

Financial system controls and monitoring are operational. However, over commitment of certain expenditure items by MDAs still occur. Systems are integrated such as personnel, payroll and accounting. However, the reconciliation of information is not conducted as frequently to alleviate or eliminate any opportunities of waste, fraud and abuse. Continued improvements to address outdated financial standards and methods are evolving through PFM reform initiatives.

Revenue administration and cash management are effective. Revenue is collected and cash is swept into TSA accounts within 2-3 days. Risk-based processes and compliance have been adopted.

However, SoEs are a growing concern. They are considered one of the biggest financial risks to the Government especially with increased requests for bailouts from public resources. The monitoring and evaluation of SoEs are conducted in a timely manner. In addition, some SoEs fail to submit year-end financial reports in a timely manner.

### **Strategic resource allocation**

The former Chart of Accounts (CoA) followed GFSM 1986. The Government is transitioning towards accrual-based accounting and the CoA is transitioning to GFSM 2014. The revisions to the CoA will broaden the scope of GFS to include LGs and extra-budgetary units. The transition is expected to be completed by March 2022.

The medium-term perspective has been adopted for the recurrent budget. Investment project expenditures are not included in the medium-term to gauge the Government's fiscal exposure and fiscal space for the upcoming years. However, there are weak linkages between expenditure budgeting and strategic planning. The overall fiscal framework is hampered by inadequate costing and reporting of fiscal strategies and policy changes.

### **Efficient service delivery**

Performance information to guide service delivery is non-existent. The annual budget is developed according to economic and administrative classifications. There is very little evidence that performance information, such as performance targets, outputs and outcomes, are considered during the policy planning and budget allocation process. This leads to missed opportunities by not collecting and using critical performance data as evidence to guide policy and budgetary decisions especially when fiscal resources are limited. Overall, this affects the effectiveness of delivering the expected services and the overall outcome of the resources used each financial year and throughout the NDP period.

Procurement has weaknesses with increased use of non-competitive bidding. This undermines the need and use of procurement policies and procedures. There are strengths including the checks and balances with external auditing. All CGs are audited at the end of the fiscal year. However, the follow-up on recommendations from external audits is not monitored and addressed in a timely manner.

## **4.4 Performance changes since the previous assessment**

This PEFA assessment was carried out using the 2016 framework. The performance changes since the previous assessment which was carried out in 2013 were relatively neutral. While there have been some changes (four improvements and 14 deteriorations), the Government continues to identify weaknesses in order to strengthen its PFM environment.

The budget reliability pillar garnered the best overall performance even though there are still areas for improvement. The predictability and control in budget execution pillar were considered the weakest area.

The main deficient areas were aggregate revenue outturn, stock of expenditure arrears, multi-year fiscal and expenditure planning (medium-term) and bank reconciliations. These areas performed weak in 2013 and there were no improvements in this assessment.

The PFM Reform program has outlined several critical PFM components that are targeted for improvement over the next few years. While some progress has been made (as assessed by the five improvements), most of the reform action plans are still in infancy stage.

## Performance changes since previous assessment

The previous PEFA assessment was conducted in 2013, using the 2011 PEFA framework. The 2016 PEFA framework was used to complete this 2019 assessment. The assessors used the 2011 methodology to determine the 2019 performance and to arrive at the performance changes from the 2013 assessment, which are explained in detail in Annex 5. There were four areas of improvement:

- PI-2 Composition of expenditure outturn compared to original budget
- PI-7 Extent of unreported government operations
- PI-9 Oversight of aggregate fiscal risk from other public sector entities
- PI-16 Predictability in the availability of funds for commitment of expenditures

Fourteen areas showed deterioration: PI-8, PI-12, PI-14, PI-17, PI-18, PI-19, PI-21, PI-22, PI-23, PI-24, PI-26, PI-27, PI-28, and D-3. and the remaining 13 stayed the same as shown in the table below. Therefore, when comparing the 2019 PEFA results to the 2013 PEFA results generally, the scores in PEFA Pillar One, Budget Reliability and Pillar Two, Transparency of Public Finances went up or stayed the same, while scores in the other pillars generally stayed the same or deteriorated. The change in scoring frameworks complicates this comparison, but the next PEFA will allow scoring on the same framework.

A summary of these changes is in Table 2, below and more detail can be found in Annex 4.




### Summary of Trends:

The following is a summary of the trends overall comparing the current PEFA scores to the 2013 PEFA according to the PEFA 2011 Categories:

- A. PFM-OUT-TURNS: Credibility of the Budget-Slight Improvement
- B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency-Average no change
- C(i) Policy-Based Budgeting-Slight Deterioration
- C(ii) Predictability and Control in Budget Execution-Slight Deterioration
- C(iii) Accounting, Recording and Reporting-Deterioration
- C(iv) External Scrutiny and Audit-Deterioration
- D. Donor Practices C(iv) External Scrutiny and Audit-Slight Deterioration




A summary of these changes is in Table 4.4 below, and more detail can be found in Annex 4.

**Table 4.4: Performance Indicator Changes Between 2013 and 2019**

PEFA 2011 Methodology Performance Indicators*	2013 PEFA Scores	2019 PEFA Scores*	Change
PI-1 Aggregate expenditure outturn compared to original approved budget	A	A	
PI-2 Composition of expenditure outturn compared to original budget	C+	B+	
PI-3 Aggregate revenue outturn compared to original approved budget	D	D	

<b>PEFA 2011 Methodology Performance Indicators*</b>	<b>2013 PEFA Scores</b>	<b>2019 PEFA Scores*</b>	<b>Change</b>
PI-4 Stock and monitoring of expenditure payment arrears	NR	NR	
PI-5 Classification of the budget	C	C	
PI-6 Comprehensiveness of information included in budget documentation	A	A	
PI-7 Extent of unreported government operations	NR	B+	
PI-8 Transparency of Inter-Governmental Fiscal Relations	C	NR	
PI-9 Oversight of aggregate fiscal risk from other public sector entities	D+	C	
PI-10 Public access to key fiscal information	B	B	
PI-11 Orderliness and participation in the annual budget process	B	B	
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	D	
PI-13 Transparency of taxpayer obligations and liabilities	B+	B+	
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	B	C+	
PI-15 Effectiveness in collection of tax payments	D+	D+	
PI-16 Predictability in the availability of funds for commitment of expenditures	D+	B	
PI-17 Recording and management of cash balances, debt and guarantees	B	C	
PI-18 Effectiveness of payroll controls	B+	C+	
PI-19 Competition, value for money and controls in procurement	B+	B	
PI-20 Effectiveness of internal controls for non-salary expenditure	C+	C+	
PI-21 Effectiveness of internal audit	B	C+	
PI-22 Timeliness and regularity of accounts reconciliation	C	D	
PI-23 Availability of information on resources received by service delivery units	A	C	
PI-24 Quality and timeliness of in-year budget reports	A	C+	
PI-25 Quality and timeliness of annual financial statements	C+	C+	
PI-26 Scope, nature and follow-up of external audit	C+	D+	
PI-27 Legislative scrutiny of the annual budget law	B+	B	
PI-28 Legislative scrutiny of external audit reports	A	B+	



PEFA 2011 Methodology Performance Indicators*	2013 PEFA Scores	2019 PEFA Scores*	Change
D-1 Predictability of direct budget support	D+	D+	
D-2 Financial information provided by donors for budgeting and reporting on project and program aid	D	D	
D-3 Proportion of aid that is managed by use of national systems	C	NR	

## 5. Government PFM reform process

### 5.1 Approach to PFM Reforms

In July 2010, GoB adopted a comprehensive and integrated Public Financial Management Reform Program (PFMRP). This program was an outcome of the first PEFA assessment done in 2009. Prior to the first PEFA assessment, reforms were conducted in an unstructured and ad hoc manner.

GoB recognized the need to improve PFM as one of the elements to increase efficiency and effectiveness of service delivery and to focus more on value for money. Reforms to budget formulation and management, including greater emphasis on prioritizing spending and delivering results, have received significant attention. Efficient and effective budget management is one of the best ways in which the Government can contribute to economic diversification and to help develop a more vibrant private sector.

The PFM Reform program is in its ninth year of implementation. During this period, a PFM Coordinating Committee, a PFM Coordinating unit and a high-level steering committee were created. These entities were used to spearhead and facilitate the implementation of the reform program and agenda. To steer the program, an implementation roadmap and a PFM action plan were developed and adopted by the Government.

PFMRP was initially comprised of five main components and 17 sub-components. In 2014, the structure and content of the PFMRP was revised to 13 components in order to elevate its significance.

#### **PFM reform agenda<sup>28</sup>**

PFM reform has been a continuous priority for the Government. A PFM Reform Programme (PFMRP) was approved by the PFM Reform Steering committee on September 24, 2014. PFMRP is comprised of 13 components. The components are:

- 1) Legal and institutional framework
- 2) Strategic planning
- 3) Macro-fiscal policy and planning
- 4) National budgeting
- 5) Accounting and reporting
- 6) National debt, liabilities and guarantee management
- 7) Public procurement
- 8) Payroll and pensions
- 9) Public stores and assets management (including cash)
- 10) Revenue collection and management
- 11) Internal audit
- 12) External audit
- 13) Integrated Financial Management Information System (IFMIS)

The progress of PFMRP continues to be slow. Some of the reasons include: the lack of technical capacity in specialist technical areas such as IPSAS, MTEF, and Risk-based auditing; unrealistic expectation of the time required to complete the reform; the PFMRP Coordinating Unit Coordinator was initially a part-time position; and, the PFM Reform Coordination and

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<sup>28</sup> AECOM, Monitoring Report by Mr. David Frank Biggs, March 2017

Steering committee meetings were not held with enough frequency to address program issues and to make timely decisions on the various reform activities.

However, the need for change continues to be strong and positive even though implementation of the changes is at a much slower pace. The PFM Coordinating unit has been strengthened with the addition of a full-time staff and an intern. Activities are ongoing with all 13 PFMRP components, at various stages of completion. There have been discussions to prioritize and identify the top 5 components, but a decision has not been made.

## **5.2 Recent and On-Going Reform Actions**

The Government continues to implement major PFM reforms. Significant results have been achieved as well as some challenges have been identified especially with technical skills. Some of the milestones achieved following the 2013 PEFA assessment are as follows:

- Production of People's Budget and publishing the budget in three languages (English, Setswana and Braille);
- Developed Work Force and Exchange Rate models to support MTFF. The models are used to set annual budget ceilings and are also published as part of the budget speech documentation and budget in brief;
- MFED spear headed review and update of the planning officer's manual and the upgrade of the Development Projects Management System to improve the monitoring and evaluation of the projects management;
- Public Investment Program (PIP) has been developed and approved covering the NDP 11 period of 2017-23;
- MFED, in conjunction with IMF, conducted and PIMA assessment during February 2017. The purpose of the review was to assess the quality and impact of Botswana's public investment. While it was found that Botswana outperformed the average comparable countries, it was however determined that the quality of investment may not have been assured;
- The Government has taken the initiative to introduce Medium-term Expenditure Framework (MTEF). Currently, the initial ceilings are prepared internally in the medium-term format even though the format is not submitted to the Legislature;
- The Government conducted the review of budget classification to accommodate the transition from cash to accrual accounting including the adoption of IPSAS;
- The guidelines for baseline budget projections were developed and is currently used to guide MDAs during the annual budget cycle process;
- Accounting policies are consistent with the requirements of IPSAS, GFS 2001/2015 and COFOG. The policies were developed along with the reporting templates and financial statements. The deliverables are part of the transition from cash accounting to accrual accounting which is currently at the Phase 2 stage of the five-year project plan;
- The preparation of Chart of Accounts (CoA) to align with IPSASs and accrual accounting is in the final stage with support from U.S. Department of the Treasury Office of Technical Assistance (OTA);
- Treasury Single Account (TSA) is fully operational;
- MTDS was developed and operational in 2017;

- The development of the National E-procurement Strategy, Public Procurement Policy and Procurement Governance Model. These are used to guide the ongoing automation of procurement services;
- MDAs produced procurement plans that are used for guiding annual procurement and the procurement plans are on PPADB website as well as the Government's portal;
- A simplified bidding package was developed together with the standard specification catalogue and product price guide for common user items;
- The clean-up of payroll and pensions databases was done during financial year 2014/15 to determine the level of ghost employment and have an accurate and reliable database for payroll management;
- The integration of the payroll and pensions system with the Human Capital System was completed during 2014/15 financial year;
- The automation of manual fixed asset registers at the Office of the Accountant General was completed during 2015/16, and is currently being rolled out to MDAs;
- The establishment of the Cash Management unit in November 2015. Currently, the cash forecasts are done on a weekly and monthly basis and work is ongoing to establish Cash Management committees;
- The development and adoption of the cash management manual;
- A standardized cash flow template was developed as part of the enhancements to the cash management process;
- A review of the Income Tax law to accommodate transfer pricing was done in FY 2018/2019;
- The development of a risk management policy and the enterprise risk management framework was completed during FY 2015/16;
- The Government adopted the computer assisted audit techniques and the roll out is still ongoing;
- The Government Audit Committee was established in August 2016. Members are from outside the Government including the Chairperson;
- The development and adoption of Audit Committee Regulations in 2015;
- The Auditor General office developed templates and procedures for PAC briefings through the assistance of AFRO SAI-E;
- The Government Accounting and Budgeting System was rolled out to all foreign Botswana Missions. The rollout was completed in FY 2014/15. The computerization of mission accounts has improved quality of financial reporting and control as all government financial processes are now automated

### **Ongoing/new reforms as at 31<sup>st</sup> March 2019**

- Finalization of the Budget Options process through technical support from OTA. The development of the Budget Options process is ongoing through the assistance of the OTA. For some years, this process was supported by the IMF AFRITAC South in the form of an annual paper early in the budget process. The pilot process is expected to guide the 2020/21 budget preparation process for selected pilot ministries;
- Ongoing development of a costing tool which is intended to improve project costing and program proposals. This is expected to end with adoption of a standardized

costing methodology for projects that will be adopted by the Government during financial year 2019/20. The activity is supported by IMF AFRITAC South. It is expected to address the ongoing challenges with the costing of projects which often leads to project cost overruns;

- Planning efforts are ongoing to conduct a debt sustainability analysis during FY 2019/20;
- The PPADB Act is going through a review which is expected to support the decentralization of the government procurement services;
- Development of E-procurement system is ongoing, and the part developed by PPADB was completed in June 2016. Currently, the IFMS is scheduled for roll out to MDAs;
- Development of the Payroll and Pensions manual is ongoing. It is expected to improve the overall management of payroll and pensions services throughout the Government;
- Establishment of a Cash Management committee is ongoing. The Liquidity Committee is also expected to be established during FY 2019/20;
- A Public Assets Management policy is going through an approval stage. The cascade effort will be done during FY 2019/20;
- Development of revenue forecasting and other modelling tools are ongoing as well as data verification. Furthermore, the development will include other mini models such as Income Tax and VAT models; and
- The Auditor General is reviewing and updating the Regulatory and Performance Audit Manual.

### **5.3 Institutional considerations**

The formal channels of PFM reform dialogue within the Government are the Steering and the Coordination Committees. The Coordination Committee membership consists of component managers. The committee meets every second month to discuss progress in implementation of reform activities; obstacles to implementation; resourcing and training requirements; and any other relevant business matters. Decisions made at the Coordination Committee that require the approval of the higher-level Steering Committee are discussed and approved by this committee. The Steering Committee meets on a quarterly basis. The members consist of representatives from MFED, the Office of the Auditor General, the Public Sector Reforms Coordinating office, the Directorate of Public Service Management, MLGRD, BURS, and PPAD.

#### **Government leadership and ownership**

The Government has committed to a comprehensive and integrated PFM reform process since its inception in July 2010. Reform efforts are led by MFED. This is demonstrated by budget annually allocated to reform activities and the inclusion of capacity building opportunities for staff. Supplemental assistance is provided by development partners via technical assistance from the EU, IMF AFRITAC-South and most recently from the U.S. Department of Treasury – OTA.

As Botswana developed into an upper middle-income country, several development partners ceased their financial support which caused the Government to increase its reliance on its internal resources. However, the EU has continued to be the main donor supporting Botswana in the area of PFM reforms. There are other development partners who have supported and still support implementation of PFM reforms through the provision of technical support. Those development partners include the IMF's Southern Africa Technical

Assistance Center (IMF/AFRITAC South), the World Bank, Commonwealth Secretariat, U.S. Department of Treasury-Washington, and the Macroeconomic and Financial Management Institute of Southern and Eastern Africa (MEFMI) and a few others.

### **Coordination across government**

A high-level steering committee was established to lead the PFM Reform Programme at a strategic level. A coordinating committee and a Coordinating unit was established devoted to dealing with day-to-day implementation activities and the monitoring of the reform plans. Working groups are in place with the responsibility of planning and implementing specific reform activities led by designated Component Managers.

### **A sustainable reform processes**

The Government's PFM reform efforts were conducted on an ad hoc basis beginning with the country's independence in 1965. In 2010, the PFM reforms were formalized with the establishment of the PFM Reforms Coordinating unit under the MFED. Since the inception of PFM reforms, capacity building has been a main priority across the component areas. The objective is to build technical skills across the PFM spectrum in order to ensure sustainability in strengthening the PFM processes and systems. As part of succession planning, each component has working groups with representatives from various areas in order to create synergy across the Government.

The PFM Reforms Coordinating unit has full-time staff who are responsible for overseeing the reform plans and activities. The staff manages the collaboration of reform activities with different international partners. Training on various PFM areas is ongoing as most of the reforms are slow due to inadequate technical skills. In some areas, assessments and bench marking are conducted to identify and improve the current skill level of staff. Some development partners especially EU, IMF AFRITAC South have supported the PFM Reforms program in terms of capacity building and provision of technical services. Recently, additional support has been received from OTA in several PFM capacities.

Some of the key reform components have taken more time to implement than initially planned. This is due to various reasons such as: some of the initial program plans were very ambitious in terms of timelines; limited technical skills; dependence on outsourced services; and reliance on external expert technical support who were not always readily available.

### **Transparency of the PFM program**

The Government's PFM reforms are part of the larger Public Sector Reforms (PSR). Regular updates on reform implementation and annual plans are shared with the Office of the President through the PSR Coordinator and the international community. The international community is updated on PFM reforms during a MFED biannual meeting. As part of the promotion and publicizing of the PFM Reform agenda, presentations are made during regional and national shows hosted by districts and trade fairs where pamphlets and other promotional materials are also shared with the public.

Major reports on PFM reforms such as the annual assessment of PFM progress are available on MFED's website. PFM reform progress is outlined in the annual budget speech. Reform updates are also noted in the Public Accounts Committee Summary Report and the Annual Statements of Accounts which are accessible to the public. The reform activities are embedded in MFED and other departments such as the Office of the Auditor General.

Furthermore, the PFM reforms are the core of MFED's strategic plan (2017-2023) as it has been recognized as a potent driver of the Government's development goals. The five key reforms covered are National Budgeting (transition to results-based budgeting); Accounting and Reporting (transition from cash to accrual accounting); Public procurement (development of an e-procurement system); Revenue collection; and Management and Public Investment Management.

An annual review of the progress of PFM reform program implementation was jointly carried out by MFED and the EU between the 26<sup>th</sup> October and 24<sup>th</sup> November 2016. The specific objective of the program assessment was to provide a status report on: the progress made in the implementation of the Botswana Public Finance Management Reform Program against its sequenced action plan, annual work plans and the monitoring framework; and the progress in transparency and oversight of the budget, during the period of April 2015 - October 2016. Finally, MFED completes quarterly and annual assessments and the progress is filtered in other management reports such as the annual budget speech and PAC briefings to Parliament.

## 6. Annexes

### Annex 1: Performance Indicator Summary

Performance Indicator	Score	Description of Requirements Met
<b>PILLAR ONE: Budget Reliability</b>		
<b>PI-1. Aggregate expenditure outturn</b>	<b>A</b>	
1.1 Aggregate expenditure outturn	A	Aggregate expenditure outturn was 101.2%, 103.7% and 100.2% for the years 2015/16, 2016/17 and 2017/18 respectively.
<b>PI-2. Expenditure composition outturn</b>	<b>B+</b>	
2.1. Expenditure composition outturn by function	B	The variances in expenditure outturn by administrative classification were 5.7%, 8.4% and 4.7%. Expenditure outturn was higher than the approved budget for some ministries due to supplementary funding which revised the budget figures. The outturn is based on the original budget.
2.2. Expenditure composition outturn by economic type	B	Variance in expenditure composition outturn by economic type was 14.9%, 2.3% and 5.2%.
2.3. Expenditures from contingency reserves	A	Variance in revenue composition outturn was 15.4%, 15.9% and 7.9% for the period under review.
<b>PI-3. Revenue outturn</b>	<b>D</b>	
3.1. Aggregate revenue outturn	D	Revenue outturn was -14.4%, 18.6% and -1.4% for 2015/16, 2016/17 and 2017/18 respectively which was less than required for a C score.
3.2. Revenue composition outturn	D	Variance in revenue composition outturn was 15.4%, 15.9% and 7.9% for the period under review.
<b>PILLAR TWO: Transparency of Public Finances</b>		
<b>PI-4. Budget classification</b>	<b>C</b>	
4.1. Budget classification	C	Budget and reporting are based on classifications from GFS/COFOG 1986. These classifications are also embedded in the Chart of Accounts hence a consistent documentation of the 2017/18 Budget Estimates book, Revenue Book and Annual Statement of Accounts.
<b>PI-5. Budget documentation</b>	<b>B</b>	
5.1. Budget documentation	B	The annual budget documentation is generally



Performance Indicator	Score	Description of Requirements Met
		comprehensive. Budget documentation fulfills 8 of the 12 information benchmarks, including all basic element requirements. The end of year report, as presented under ASA, also details the revenue and expenditure performance of the central government as at the end of the financial year.
<b>PI-6. Central government operations outside financial reports</b>	<b>B</b>	
6.1. Expenditure outside financial reports	B	Expenditures totaling P1.25 billion occurred outside the government system which equals 2.14% of the total government expenditures.
6.2. Revenue outside financial reports	B	Revenue outside the financial reports was 2.15% of the total government revenue.
6.3. Financial reports of extra-budgetary units	C	Majority (50%) of financial reports of parastatals are submitted within 9 months.
<b>PI-7. Transfers to subnational governments</b>	<b>C+</b>	
7.1. System for allocating transfers	D	There is no system or formula process such as indicative planning figures used to formally determine the allocation amount or percentage.
7.2. Timeliness of information on transfers	A	The information on transfers to sub-national governments' budget is fully regulated by the Central Government's annual budget calendar which allows them 6 weeks to complete their budget planning in a timely manner. The feedback on the tentative budget is given immediately to the Cabinet.
<b>PI-8. Performance information for service delivery</b>	<b>D+</b>	
8.1. Performance plans for service delivery	D	Less than 50% of MDAs' budget documentation produced contain non-financial performance information. The information is not all published.
8.2. Performance achieved for service delivery	D	Budget execution reports produced that contain both financial and non-financial information are for ministries representing less than 50%. The reports produced are not published.
8.3. Resources received by service delivery units	A	Financial records are maintained on the resources received by service delivery units for both the Ministry of Basic Education and the Ministry of Health and Wellness.
8.4. Performance evaluation for service	C	Independent evaluations or assessments, performance/program audits and reviews have been

Performance Indicator	Score	Description of Requirements Met
delivery		carried out for more than 50% of the MDAs. Only 25% of those reports are published.
<b>PI-9. Public access to fiscal information</b>	<b>D</b>	
9.1. Public access to fiscal information	D	Public access to fiscal information fulfills 3 out of the 5 basic elements.
<b>PILLAR THREE: Management of Assets and Liabilities</b>		
<b>PI-10. Fiscal risk reporting</b>	<b>C+</b>	
10.1 Monitoring of public corporations	C	Most public corporations (50 out of 62) submitted to the Government financial reports 9 months after the end of the financial year (FY 2017/18). Often, there is follow up from MFED to ensure the public corporations meet this timeline.
10.2 Monitoring of subnational governments	D	All (90%) of Local Authorities' financial statements, are submitted to their oversight ministry 9 months after the end of the financial year which is 31 <sup>st</sup> December of every financial year. The audits are done on time, but the report is published late. The Auditor General needs time to print the reports hence affecting LAPAC setting consideration of reports on time. The audited reports are available in hard copies and shared on request at the relevant Local Authority's parent ministry. Furthermore, they are available for a nominal price at the Government's bookshop.
10.3 Contingent liabilities and other fiscal risks	A	All significant explicit contingent liabilities are published annually in the Annual Statement of Accounts (ASA) under Statement 17. The information on parastatals liabilities are disclosed in their respective annual financial statements.
<b>PI-11. Public investment management</b>	<b>C</b>	
11.1 Economic analysis of investment projects	B	All investment projects have a completed economic analysis. This is a basic requirement with the project memorandum template used for all government projects (CG and SNG). The Department of Environmental Affairs serves as the independent entity that reviews the analysis. The results from the analysis such as the health and environmental impacts of the projects are published and made available to the public. Some results can be found under the financier's website while the other results are used for internal purposes.
11.2 Investment project selection	C	While there are no clearly defined criteria for project selection (as indicated in the PIMA report of 2017), there

Performance Indicator	Score	Description of Requirements Met
		are transparent processes for the selection of investments projects. This is supported by the ongoing introduction of sectorial planning coordinated by NSO at the CG level. Also, the NDP document contains the planned project for the period. NDP is guided by the national vision known as Vision 2036. However, there is no cost information associated with any of the identified projects.
11.3 Investment project costing	C	There is a year by year breakdown of the capital costs and estimates of the recurrent costs for the next three years. It covers estimated cost for the NDP period which is in the medium term of 6 years. What is excluded is comprehensive costing on the recurrent costs and standardized tools for costing of projects. Hence, there are ongoing challenges regarding the costing of projects and cost overruns are experienced across most of the projects.
11.4 Investment project monitoring	D	The total cost and physical progress of major investment projects are monitored by the implementing government agency. There are incidences of inadequate monitoring where data availability is a challenge. There are variations of scope and cost over runs that are persistently present. Standard procedures and rules for project implementation are in place. However, the monitoring system is not fully adequate and does not identify deviations from the plans or appropriate actions.
<b>PI-12. Public asset management</b>	<b>D+</b>	
12.1 Financial asset monitoring	C	The Government maintains a record of its holdings in major categories of financial assets, which are published in the ASA but the information on each asset is not fully aged and they are reported under the following statements: 1. Cash- statement 1 2. Government lending-statement 8 & 13 3. Long term funds-statement 9 4. The information on age and location of assets is not published but evident on the internal record of individual assets, e.g. almost all vehicles, buildings, machinery and equipment are recorded. 5. Shares held in commercial under takings- Statement 18
12.2 Nonfinancial asset monitoring	D	Government maintains an asset register in which some fixed assets are recorded (e.g. vehicles) and the information is partially available as the records only reflect acquisition date and the asset descriptions.
12.3 Transparency of asset disposal	D	The procedure for disposal of non-financial assets are stated in the PPADB Act and estimated revenue on the disposal is not reflected in the budget estimates documents. Financial reports outline the revenue

Performance Indicator	Score	Description of Requirements Met
		generated from asset disposals. Procedures on transfer of non-financial assets between government entities have not been established.
<b>PI-13. Debt management</b>	<b>B</b>	
13.1 Recording and reporting of debt and guarantees	B	Most debt data are updated in the Commonwealth Secretariat –Debt Recording Management System (CS-DRMS) such as when transactions take place. Reconciliations are done on a quarterly basis. Statistical reports are produced and disseminated on a quarterly basis. The public debt is reported under ASA, Statement 11. It covers internal and external debt per borrowing and reporting; outstanding balance and expected final repayment date. In addition, ASA statement 17 cover debt servicing, stock and servicing of each loan and bonds.
13.2 Approval of debt and guarantees	C	Authority to borrow and extension of loan guarantees are stipulated in the Public Financial Management Act, 2011 and the Stocks, Bonds and Treasury Bills Act, 2005. The Budget Analysis and Debt Management (BADM) section within MFED is charged with the responsibility of managing and monitoring debt. All debts are approved by Parliament while negotiations are handled by MFED.
13.3 Debt management strategy	B	The Medium-Term Debt Strategy (MTDS) was published in 2016. MTDS cover interest rate, refinancing and foreign currency risks. MTDS is also available on MFED website and located in the national library. However, annual reports have not been produced for publication since 2016. The budget includes estimated interest rate variation, exchange rate and foreign exchange rates variations. There were no negative variations experienced for the period under review.
<b>PILLAR FOUR: Policy-based Fiscal Strategy and Budgeting</b>		
<b>PI-14. Macroeconomic and fiscal forecasting</b>	<b>C</b>	
14.1 Macroeconomic forecasts	C	MFED produces annual macroeconomics forecasts and are depicted in the medium terms outlined in the budget strategy paper. The medium-term forecasts are not shared with Parliament. However, the NDP, which guides the annual budget, is submitted to Parliament but the annual budget submissions do not contain any underlying assumptions. The budget is not presented in medium terms.
14.2 Fiscal forecasts	C	Government prepares fiscal forecasts which are considered mid to medium term fiscal forecasts, consisting

Performance Indicator	Score	Description of Requirements Met
		of the current year plus two outer years. However, the forecasts are not submitted to the Legislature but are used internally by MFED to prepare the annual budget.
14.3 Macro fiscal sensitivity analysis	C	A sensitivity analysis is done for internal purposes by MFED. The budget is presented to the Legislature without consideration of the scenarios. The scenarios are not shared (or published) in any public documents.
<b>PI-15. Fiscal strategy</b>	<b>C</b>	
15.1 Fiscal impact of policy proposals	D	The fiscal policy impact is shared on the BSP and the Budget Speech, but presentation is not in medium term. Policies are not costed and do not form part of the MTEF budget process. Also, outcomes of the proposed policies are not always quantified and linked to budget resources and as result there is limitation in detailing the impact of policy changes as most of the time policies are not fully costed. The tax revision is normally quantified the effect of the change the impact of the tax revision is normally calculated by the Tax Committee.
15.2 Fiscal strategy adoption	B	The annual fiscal strategy produced is in line with the NDP. It covers the key performance indicators against existing fiscal rules. The overall economic performance is normally included in the internal budget documentation. The performance variance of the strategy is not published during budget execution. The fiscal strategy applies to CG.
15.3 Reporting on fiscal outcomes	C	MFED submits to the Legislature, along with the annual budget, a report that describes progress made against the fiscal strategy and provides reasons for any deviation (at the aggregate level). However, the report does not detail variations from the initial objectives. The report only outlines projected fiscal targets.
<b>PI-16. Medium-term perspective in expenditure budgeting</b>	<b>D</b>	
16.1 Medium-term expenditure estimates	C	The published budget documents do not present estimates of expenditure for the current budget and the two following years. The medium-term estimates are only presented to the Cabinet and not to the Legislature. Annual estimates are guided by the medium-term objectives and planned programmes under the current NDP 11. The limitation is that the budget is not presented in medium-term to Parliament for approval. The medium-term perspective is approved during the approval of NDP by Parliament. The estimates are presented by administrative classification.
16.2 Medium-term	D	Aggregate expenditure ceilings for the budget and the two

Performance Indicator	Score	Description of Requirements Met
expenditure ceilings		following fiscal years were not approved by the Government prior to the release of the budget circular. The medium-term budget ceilings are contained in the budget call circular to MDAs. The medium planning and implementation of programmes and projects is done under the development budget as outlined in the NDP.
16.3 Alignment of strategic plans and medium-term budgets	D	All ministries prepare medium term strategic plans. The expenditure policy proposals in the annual budget are aligned with the Vision 2036 and NDP 11 which sets the tone for the MDAs strategic plans. However, there was no evidence on the estimate of budgeted expenditures that are aligned to the strategic plans.
16.4 Consistency of budgets with previous year's estimates	D	There is no comparison and explanation of change between the second year of the last medium term and the first year of the current medium term.
<b>PI-17. Budget preparation process</b>	<b>B</b>	
17.1 Budget calendar	C	The budget calendar exists and allows budgetary units at least four weeks from receipt of the budget circular. About 60% of budgetary units were not able to complete their detailed estimates on time that means 40% met the deadline.
17.2 Guidance on budget preparation	C	The budget circular is issued to MDAs, including ceilings for individual administrative units. The budget estimates are reviewed and approved by Cabinet only after they have been allocated and summarized in greater details by MDAs.
17.3 Budget submission to the legislature	A	For the last three fiscal years, MFED submitted the annual budget for tabling to Parliament two months before the beginning of the fiscal year.
<b>PI-18. Legislative scrutiny of budgets</b>	<b>C+</b>	
18.1 Scope of budget scrutiny	C	The Legislature scrutinizes the budget during budget discussions session (Committee of Supply). Parliament approves the budget after the debate and only then are MDAs allowed to implement their annual budget.
18.2 Legislative procedures for budget scrutiny	C	Budget proposals are reviewed and discussed by the Legislature during the Committee of Supply which takes eighteen days. The Legislature's procedures to review budget proposals are laid out in the Constitution of Botswana and the Standing Orders of Parliament.
18.3 Timing of budget approval	A	The Legislature has during the last three years, approved the budget before the start of the fiscal year. See Table 18.3

Performance Indicator	Score	Description of Requirements Met
18.4 Rules for budget adjustments by the executive	B	Amendments to the original approved budget follow clearly defined rules, in order to avoid undermining the credibility of the original budget. These rules are adhered to in most instances and are covered by PFMA and Financial Instructions and Procedures. This compliance is evaluated and reported on in Auditor General reports.
<b>PILLAR FIVE: Predictability and Control in Budget Execution</b>		
<b>PI-19. Revenue administration</b>	<b>C+</b>	
19.1 Rights and obligations for revenue measures	B	Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes. The Revenue Administration supplements this with active taxpayer education campaigns.
19.2 Revenue risk management	B	BURS has adopted a risk based and relatively new unit has been set up by BURS focusing on tax risk management. Furthermore, as part of operational risk management, taxpayers are segregated into large, medium and small tax categories. For customs and excise tax, risks have been categorized into: Revenue loss: deliberate fraud by negligence of importers, traders and officers; evasion of prohibition or restriction: negligence by trader/traveler; and, deliberate fraud, loss or damage to reputation: negligence by managers and officers, deliberate sabotage or criminality.
19.3 Revenue audit and investigation	D	Tax audits and fraud investigations are continuously carried out based on documented annual audit plans and discovery of fraudulent activities. These programs are based on established risk management criteria.
19.4 Revenue arrears monitoring	C	Total amount of tax arrears is significant. The stock of arrears of revenue at the end of the last completed fiscal year was 8% and that is only for VAT and income tax, lower than the benchmark which is set at 10%. However, the revenue arrears older than twelve (12) months is 61%, higher than the benchmark which is set at 50% to qualify for a "B" rating.
<b>PI-20 Accounting for revenue</b>	<b>D+</b>	
20.1 Information on revenue collections	A	The following has been identified as the sources of revenues for GoB: Tax, Non-tax, Minerals, Non minerals and grants. All these had a total collection of P60.20 billion for the financial year 2017/18. Non-Mineral revenue is recorded as the highest collector at 78.35% followed by Tax revenue at 66.65%. Information is efficiently managed in terms of coordination, administration, timeliness and

Performance Indicator	Score	Description of Requirements Met
		reporting of the revenue.
20.2 Transfer of revenue collections	D	Revenue collections are transferred to the Treasury daily, weekly, monthly and annually depending on the terms of remittance agreements between revenue collecting entity and the Government.
20.3 Revenue accounts reconciliation	C	Complete reconciliation of tax assessment and collections are not done. However, monthly cashbook, revenue reconciliation and cash transfers are done annually, that is immediately after the end of the financial year. Reconciliations for remittances from other entities are done monthly.
<b>PI-21 Predictability of in-year resource allocation</b>	<b>C+</b>	
21.1 Consolidation of cash balances	D	All government and treasury cashier bank balances are consolidated at the end of the financial year, as opposed to either daily, weekly or monthly. For accounts held with other entities e.g. special funds are never consolidated.
21.2 Cash forecasting and monitoring	D	Cash flow forecasting is done weekly, quarterly and monthly based on the approved budget. However, at the time of assessment, there was no annual cash flow forecast.
21.3 Information on commitment ceilings	A	Commitment ceilings are done on an annual basis through the issuance of the warrants by MFED to MDAs. Subventions are issued on a quarterly basis. The law requires Accounting Officers to abide by the set ceilings as per their respective budget warrants. The initial cash flow forecasts are done at the beginning of the first quarter for the financial year. Expenditures are usually covered by the closing bank balances and on transit revenue transfer is at the end of the financial year. Moreover, there is a liquidity committee from BOB that provide guidance on the liquidity position of the Government hence warrants issued to MDAs.
21.4 Significance of in-year budget adjustments	B	MDAs are discouraged to do virements during the first quarter of the financial year. Supplementary budget requests are also not accepted at the beginning of the financial year. However, the process is not transparent enough because the reports on virements are not shared between MDAs. Virements are authorized by Accounting Officers except for those affecting personnel emoluments and external travel. Budget adjustments through virements and other means are not shared between MDAs and are not part of financial reporting.
<b>PI-22 Expenditure arrears</b>	<b>D</b>	



Performance Indicator	Score	Description of Requirements Met
22.1. Stock of expenditure arrears	D*	This dimension relates to the size of the payment arrears. The data provided is not reliable as it includes both purchase orders which were cancelled at the end of the financial year to facilitate the financial year end closure procedure and those that were genuinely cancelled.
22.2 Expenditure arrears monitoring	D*	This dimension focuses on the availability of data for monitoring the stock of arrears. The government system does not support the tracking of expenditure arrears. The only data available for arrears are the cancelled purchase orders, which is done at the end of the financial year. There is no data on aged expenditure arrears. Therefore, the overall level of the Government's expenditure arrears is undetermined.
<b>PI-23 Payroll controls</b>	<b>C+</b>	
23.1 Integration of payroll and personnel records	C	Payroll, personnel and budget systems are integrated. The majority of MDAs are compliant with the standard of reconciliation of payroll of more than twice a year. The reconciliation checks against personal details, positions and salary information including any adjustments made during the period e.g. promotions and acting appointments. In addition, a Payroll Detail form must be completed by MDAs on a quarterly basis.
23.2 Management of payroll changes	D*	Payroll changes are managed. There is a Payroll Detail form that must be completed on a quarterly basis by MDAs. However, there is not sufficient information available regarding the amount of the corrections as a per cent of payroll.
23.3 Internal control of payroll	A	Internal controls in payroll include access control, authorization controls, segregation of duties, supervisory, arithmetic and accounting controls.
23.4 Payroll audit	B	An audit was conducted at least once over the three years under review. MDAs internal audit units did not conduct specific payroll audits for the period under review.
<b>PI-24 Procurement</b>	<b>C+</b>	
24.1 Procurement monitoring	A	Five (5) ministries were sampled and the data under the sampled ministries were accurate and complete for all procurement methods used for acquiring for goods, services and works. Procurement is not fully decentralized. The Government is working towards fully decentralizing procurement.
24.2 Procurement methods	D	The competitive procurement methods accounted for 40.87% of the five CGs assessed with the highest expenditure level (Table 24.1). This is below the requirement of 60% or more for a "C" score.

<b>Performance Indicator</b>	<b>Score</b>	<b>Description of Requirements Met</b>
24.3 Public access to procurement information	A	All key procurement information is available to the public through various means including printed and non-printed media.
24.4 Procurement complaints management	D	A sound appeals mechanism exists and is applied. However, the first stage of appeal is not independent from the awarding entity. Complaints are addressed on time that is within 14 calendar days. The fees charged are high but are in line with the complaint review protocol. The criteria of independence were not met.
<b>PI-25 Internal controls on non-salary expenditure</b>	<b>B</b>	
25.1 Segregation of duties	A	Appropriate segregation of duties exists as prescribed in the Financial Instructions and Procedures and the Supplies Regulations and Procedures.
25.2 Effectiveness of expenditure commitment controls	C	Expenditure commitment controls are established via the budget ceilings and the warrant process.
25.3 Compliance with payment rules and procedures	B	The Financial Instructions and Procedures are the rules and guidelines for payment processing. Using the Annual Statements of Accounts for the period under review the payments were 98% (non-compliance for 2017/18 was 2.0%; 2016/17 was 1.8% and 2015/16 was 1.9%)
<b>PI-26 Internal audit</b>	<b>C+</b>	
26.1 Coverage of internal audit	A	Internal Audit (IA) is operational for all central government entities in line with the provisions of Section 80 of the PFM Act. MFED second internal auditors to MDAs and they report administratively to DIA under MFED and functionally to Accounting Officers (PS) where they are seconded to.
26.2 Nature of audits and standards applied	B	The quality assurance process is in place within the Internal Audit department, supported by an internal manual and other related tools. However, quality assurance reviews of the internal audit department have not been done for the period under review or the proceeding years.
26.3 Implementation of internal audits and reporting	D	The output of the annual audit plan is below satisfactory performance as achievements were below 75%. For the last completed FY 2016/17, the department planned for 164 audits for all ministries. However, it completed only 60 audits as of March 2017, with 33 audits ongoing and 71 outstanding. This performance represented 57% and 17/18 performance was 44%. The overall average performance for the two years being 50.5%.

Performance Indicator	Score	Description of Requirements Met
26.4 Response to internal audits	C	Management has provided written responses to audit findings but follow ups in subsequent audit revealed that while some responses have been implemented, many others remained outstanding. Implementation level on internal audits recommendations was also found to be declining as represented by 82.9%, 70.8% and 37.7% for 2015/16, 2016/17 and 2017/18 respectively. On average, the three FYs, had a 63.8% implementation level.
<b>PILLAR SIX: Accounting and Reporting</b>		
<b>PI-27 Financial data integrity</b>	<b>D+</b>	
27.1 Bank account reconciliation	D	Bank reconciliations are undertaken each month to clear the existing backlog reported under the Auditor General report. Several accounts were reported as not reconciled. Furthermore, there are difficulties reconciling accounts due to disposing or poor referencing of transactions. The reconciliation of bank accounts was identified as not up to date by the Auditor General and outlined in their reports for the period under review.
27.2 Suspense accounts	D	Suspense accounts are reconciled regularly, but they are not cleared on a timely basis. Several accounts show persistent high value balances.
27.3 Advance accounts	D*	The advance accounts are reconciled regularly. However, there are outstanding balances which need to be investigated as they have not been cleared as of March 2018 with a total outstanding balance of P 1 675 596 251. Data for the most recent year is unavailable.
27.4 Financial data integrity processes	B	Access is controlled by passwords on the GABS and other financial management systems. Clear segregation of duties is guided by the Financial Instructions and Procedures which safeguards financial integrity. Access and changes to records are restricted and recorded, and results in an audit trail. There is no operational unit specifically in charge of verifying the integrity of the financial data. However, assurance on data integrity is done through internal and external controls and audits.
<b>PI-28 In-year budget report</b>	<b>C+</b>	
28.1 Coverage and comparability of reports	C	Budget execution reports are directly comparable to the original budget.
28.2 Timing of in-year budget reports	B	Budgets execution reports are prepared monthly and issued within two weeks from the end of each month. However, only 8 out of 12 monthly reports during the year of 2017/2018 were issued within 2 weeks of month end.

Performance Indicator	Score	Description of Requirements Met
28.3 Accuracy of in-year budget reports	C	In addition to the monthly reports posted on the intranet, expenditures are reported on quarterly basis. For the period under review, there were no material data challenges identified.
<b>PI-29 Annual financial reports</b>	<b>C+</b>	
29.1 Completeness of annual financial reports	C	The ASA are prepared on an annual basis and are directly comparable to the budget. The statements are comprehensive and include full information on revenue, expenditure, some financial assets and liabilities. The liabilities including loans, guarantees and bond stock. Expenditure arrears, tangible assets and some liabilities are not disclosed and absence of complete expenditure arrears data the level of what is not covered is unknown.
29.2 Submission of reports for external audit	B	The ASA was submitted for external audit within 6 months of the end of financial years covered by the assessment.
29.3 Accounting standards	C	ASA uses a modified cash basis and the standard used to prepare the statements is consistent with the legal framework, but the framework has not incorporated international standards and does not include tangible assets and other complex balances.
<b>PILLAR SEVEN: External Scrutiny and Audit</b>		
<b>PI-30 External audit</b>	<b>D+</b>	
30.1 Audit coverage and standards	A	The audit covers all central government entities and their respective expenditures and revenues. Manuals used include Compliance Audit Manual, Performance Audit Manual and Regulatory Audit Manual which adhered to international auditing standards. The audit is conducted as per African Organization of Supreme Audit Institutions -East (AFROSAI-E).
30.2 Submission of audit reports to the legislature	C	Audit reports were submitted to the Legislature after six months from receipt of financial reports.
30.3 External audit follow-up	D	There is no comprehensive format for follow-ups of audits. There is low turnover of response to audit findings.
30.4 Supreme Audit Institution independence	A	Independence of the Auditor General is enshrined in the Constitution of Botswana.
<b>PI-31 Legislative scrutiny of audit reports</b>	<b>B</b>	
31.1 Timing of audit report scrutiny	B	For FY 2014/15 and FY 2015/16, the scrutiny of audit reports was completed within 3 months from receipt by the Legislature whereas for FY 2016/17 scrutiny was within six months.

Performance Indicator	Score	Description of Requirements Met
31.2 Hearings on audit findings	A	For all the three years, in-depth hearings on key findings took place regularly with responsible officers for all audited entities.
31.3 Recommendations on audit by legislature	B	Recommendations made by the Legislature were followed up in the next PAC sitting.
31.4 Transparency of legislative scrutiny of audit reports	C	PAC reports were distributed to audited entities and participating government departments <b>only</b> . Moreover, reports were not published on the official website for the period under review.

## Annex 2: Summary of Observations on the Internal Control Framework

Internal control components and elements	Summary of observations
<b>1. Control environment</b>	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	The Government is committed to continuous improvement of business processes hence various reform are ongoing and training on internal control forms part of short- and long-term training. Most of processes in place are continuously reviewed and evaluated to ensure relevance, efficiency and effectiveness of each control and conducive environment. The whole government process is clearly defined with elaborate division of authority to ensure no concentration duties so that controls are preventive and detective to safeguard the resources.
1.2 Commitment to competence	Government commitment in NDP 11 to the development of human capital. Skills development is one of the priorities used for the improvement of staff competencies and it is delivered through annual training plans. Training by MDAs is in short- and long-term categories and high deficit skills guide but not dictate the training plan. Government training staff up to master's level with few opportunities for doctorate qualifications. Among others the reform programs across government also focuses in development of skills through various capacity building plans which also include attachment of staff to experienced institutions and benchmarking where necessary.
1.3 The "tone at the top" (i.e. management's philosophy and operating style)	Government executives are committed to delivering national policies as established in MDAs. MDAs strategic plans are monitored by the National Strategy Office. Managerial hierarchy and chain of command exist across and is guided by laws, policies and procedures.
1.4 Organizational structure	Accounting Officers are responsible for sound financial management and that is indicated in the PFM laws and other operational controls. Segregation of duties requirements are embedded in laws, financial policies and procedures and any overriding of financial management systems is reported by the Auditor General and Internal Audit during the year and post budget execution. Accounting Officers are executives and can delegate authority to certain organization within government jurisdiction and accountability remains with

Internal control components and elements	Summary of observations
	<p>them as budget warrants are issued to accounting officers. Public Accounts Committee sit annually, and accounting officers are made to account for any deviations of noncompliance. Decentralisation is ongoing as a way of improving service delivery and the key ministries are Education, Health and Agriculture are at advanced using deconcentrating method of decentralization. Ministry of Local Government have advanced administrative decentralization and currently working on the development of decentralization policy which is expected to guide the fiscal decentralization and other areas on an as needed basis.</p>
<p>1.5 Human resource policies and practices</p>	<p>Transmission of information is done electronically and manually, and all MDAs are accountable for sound management controls. Payroll system is linked to Human Capital Management System and payments are only made to officers existing within HR system. Any adjustment or variations of payroll are done by MDAs. MFED hosts the payroll system and Directorate Personnel Service Management (DPSM) is responsible for the development of human resources strategies, policies and effective human management practices.</p>
<p><b>2. Risk assessment</b></p>	
<p>2.1 Risk identification</p>	<p>Soft and hard controls exist for overall management of government systems and daily transactions are in accordance with the set compliance structures in terms of laws, policies. These are utilized for prevention, detection and assurance of risk management as any variations is managed through set structures, laws procedures and regulations. Risk identified are used for guiding reforms programme and audit plans. All process changes or new processes are considered and supported with situational analysis, concept notes and Cabinet Memos. The process of risk identification assessment normally form part of these documentation and processes. Risk Policy and Enterprise Risk Management Framework guide on the identification of risks. BURS conduct annual risk identification and profile revenue management risks accordingly while MFED in collaboration with MDAs oversees the overall financial risk management and non-financial risk management as guided by the existing Enterprise Risk Management Framework. Risks are identified to feed in the annual audit plans for both internal and external audit and some of the identification is done by the Standards and Compliance Unit under the Office of the Accountant</p>

Internal control components and elements	Summary of observations
	General.
2.2 Risk assessment (significance and likelihood)	<p>Cost benefit analysis is done for most action/decision and ministries demonstrate the benefit of reviewing old policies or development of new policies whenever new policies are developed or old ones reviewed. Enterprise Risk Management Framework based on COSO ideology have been adopted by government and it provide basis or concept on risk management and mostly unquantified risks are evaluated using historical events. Financial risks quantification is also limited to historical data as value at risk is difficult to quantify in absence of scientific or statistical models like Monte Carlo Simulation and other sensitivity analysis.</p>
2.3 Risk evaluation	<p>Evaluation done on continuous bases during budgeting processes, selecting financing of projects and overall expenditure for the year is guided by the fiscal rules. The decision on debt, expenditure level, deficit and overall government affordability is guided overall calculated financial risks. Internal audit and external audit continuously evaluate the risk level on the execution of government services and overall decision taken by Accounting Officers.</p>
2.4 Risk appetite assessment	<p>MDAs follows the government Risk Management Framework and risks are shared where necessary e.g. where limited skills exist outsourcing is done like transactional advisor for certain activities and hedging as per necessary. Financial risk is guided by the quantified fiscal risks which are: debt limit 40% to GDP; Expenditure limit 30% to GDP; deficit 5% to GDP.</p> <p>Parliamentary and its committees evaluate the decisions taken by Ministries in terms of cost/benefit analysis and prioritizations of policies. Parliament oversight committee, Public Accounts Committee have set the minimum budget outturn at 95%. Revenue collection level of risk appetite is done annually and feed into the annual audit plan and debt strategy.</p>
2.5 Responses to risk (transfer, tolerance, treatment or termination)	<p>Government continuously evaluate and respond to risk during planning, budget execution or delivery of services and reporting/feedback stage. In order to manage the inherit risk and reduce residual risk contracts with high risk go through financial vetting and performance bonding. In some cases, hedging and outsourcing of technical expertise is used to reduce the risk of projects failure and overall management of high-risk projects.</p>
<b>3. Control activities</b>	



Internal control components and elements	Summary of observations
3.1 Authorization and approval procedure	Regulations and procedures define authorization and approval processes and they help to ensure the risk responses are effectively carried out. Even though Accounting Officers are accountable for budget warrants, funds movement from or into certain accounts is approved by MFED e.g. personnel emoluments and external travel virements are authorized by MFED; Creation of new transactional accounts or creation of special funds are approved by MFED.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Segregation of duties exist in all transactional processes for both manual and automated processes. The usage of IDs. Password and defined categories of positions based on responsibilities and salary scales are used. Responsibilities of public officers is outlined under PFM Act; Financial Instructions and Procedures Section 107; Supplies Regulations and Procedures; Public Service Act and Directives as issues on need basis.
3.3 Controls over access to resources and records	Physical access controls are used in certain areas of high risk like Revenue Offices and strong password access controls. Authorization hierarchy structures are used for both automated and manual processes. The evaluation and review of the controls is covered during the audits and visits done by Standards and Compliance Unit under MFED (Accountant General office)
3.4 Verifications	Verification on the efficiency and effectiveness of processes is done through the internal audit and external audit assignments. Performance audits are done by the Office of the Auditor General and the reports are submitted to the legislature. Expenditure and revenue verifications are done on quarterly basis through the Ministerial performance reports that are submitted to the Office of the President under financial performance and MFED report on the overall budget performance under the same report on quarterly basis. National Strategy Office coordinate the Thematic Working Groups that oversees the Sectorial Planning and execution of the National Development Plan 11 and ministerial outputs are aligned to their Annual Performance Plans that are guided by Strategic Plans.
3.5 Reconciliations	MDAs are not timely with the reconciliation of accounts and bank accounts. Reconciliation backlogs are being addressed with significant improvement in some areas. The general requirements are for the accounts to be reconciled on monthly basis and work is ongoing to update bank accounts reconciliations and reinstitute the monthly reconciliations by MDAs.

Internal control components and elements	Summary of observations
3.6 Reviews of operating performance	Performance management is managed through ministerial Annual Performance Plans and review reports are produced on quarterly basis. Performance reports are aligned to ministerial strategic plans and Permanent Secretaries are mandated to achieve the ministerial strategic objectives. The government is using Balance Score Card for performance management and the annual performance plan are in line with the Balance Score Card format. Performance reporting is done by MDAs on quarterly basis and for the period under review the ministries were given ratings in terms of percentages by the Office of the President on quarterly basis.
3.7 Reviews of operations, processes and activities	Financial operations and processes are the mandate of MFED in terms of the laws, policies and procedures being made available to the users and reviewed where necessary. Ongoing PFM reforms and general public sector reforms are bringing in changes to government processes as a way of improving service delivery.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	The laws, regulations policies and organizational structure of government provides the controls for employee supervision. Training is mostly guided by policies and other instruments used for personnel management. Each MDA have training Plan for short- and long-term training and the objective of training is to fulfil NDP 11 priorities especially human capital development.
<b>4. Information and communication</b>	
	The government used various forums to communicate the mandate and performance progress of ministries and departments. The main forums are national broadcasting tools (radio, and television) and government newspaper known as Daily News. Also, the annual reports like budget documents, ASA and Auditor General's Report communicate government performance to the whole government and the public.
<b>5. Monitoring</b>	
5.1 Ongoing monitoring	MDAs report to the President on quarterly basis on progress on the Annual Performance Plans and MFED report overall execution of the budget. National Strategy Office monitor implementation of the National Development Plan as according to the National Monitoring and Evaluation Plan. Internal audit report on execution of the budget and related annual plans and Auditor General performance and financial reports

Internal control components and elements	Summary of observations
	monitor progress in the implementation of government policies and priorities.
5.2 Evaluations	MDAs have Performance Improvement Coordination Units which monitor implementation of the ministerial Strategic Plans and the Annual Performance Plans. Public Accounts Committees under Parliament evaluate financial and non-financial performance on annual basis using Auditor General report. Also, Government Audit Committee evaluate the performance of MDAs in auctioning of the findings and recommendations of individual audits which covers the overall progress of the annual audit plans and performance of internal audit department.
5.3 Management responses	Response to the internal audit reports are shared quarterly with the Government Audit Committee and annual performance plans are reviewed annually. PAC follow up on management auctioning of the Auditor General Report and the PAC Report is presented to Parliament, it also covers progress made since last sitting of PAC and aged activities which Accounting Officers have not yet actioned. Some ministries have active Audit Committee which oversee audits follow ups and to some extend the implementation of audits recommendations.

## Annex 3: Sources of Information

### List of people interviewed

No	Institution	Department	Person	Position
1.	Parliament	National Assembly	Nametso C. Sephephe	Deputy Manager
2.	Parliament	National Assembly	Leatile Bapege	Management Analyst
3.	Parliament	National Assembly	Mopati Mogae	Human Resources Officer
4.	Parliament	National Assembly	T. Agisanang	PAO-ACC
5.	Parliament	National Assembly	Moitshepi Baakile	AO-HR
6.	Parliament	National Assembly	M. U. Kgosintwa	Records Manager
7.	Parliament	Ntlo ya Dikgosi	Peter Motlhamme	PAO
8.	Parliament	National Assembly	K. Ramatsimana	PAO-Procurement
9.	Parliament	Parliament	Monoko Moreri	SNYD
10.	Parliament	Parliament	Lesedi Keekae	Assistant - Clerk
11.	Parliament	Parliament	Betty Skelemani	AAG
12.	MFED	Corporate Services – Budget Administration	Seabo M. Keorapetse	Director Budget Admin, Recurrent
13.	MFED	Corporate Services – Budget Administration	Martha Gunda-Pule	Chief Finance Officer
14.	MFED	Corporate Services – Budget Administration	Onkemetse K. Montsho	Chief Finance Officer
15.	MFED	Corporate Services – Budget Administration	Kebalepile Lesego	Chief Finance Officer
16.	MFED	Corporate Services – Budget Administration	Phatsimo K. Motlhoiwa	Chief Finance Officer
17.	MFED	Office of Accountant General	Tlotlang Seketeme	Accountant I
18.	MFED	Office of Accountant General	Sylvia Makiwa	Accountant I
19.	MFED	Macro-Economic Policy	Ernest Makhwaje	Director
20.	MFED	Corporate Services	Kelateletswe Gabegwe	Chief Economist
21.	MFED	Corporate Services	Tshepho Babatshi -Gasha	Principal Economist II
22.	MFED	Corporate Services	Ndapiwa Segole	CE(MC)
23.	MFED	Corporate Services	Tshepo Tsimako	PO(MR)

No	Institution	Department	Person	Position
24.	MFED	Corporate Services	Bathusi Segobai	PO(WAVES)
25.	MFED	Corporate Services	Rachel Masu	CE(PC)
26.	MFED	Corporate Services	Edwin Itshekeng	CE
27.	MFED	Corporate Services	Kabelo K. Motlhatlhedhi	Principal Planning Officer II
28.	MFED	Corporate Services	Staff T. Mokgatle	CE(P) V
29.	MFED	Corporate Services	Keineetse Lepekoane	Director Development Planning
30.	MFED	Office of Accountant General	I. Tlhabiwe	CA-SS
31.	MFED	Corporate Services	Jacqueline Sajembe	Deputy Director
32.	MFED	Corporate Services	C. Matongo	CE
33.	MFED	Office of Accountant General	Opelo Bayane	PPO II
34.	MFED	Office of Accountant General	G. Phatudi	PPO II
35.	MFED	Office of Accountant General-Cash Management	Misani Bgwata	AI
36.	MFED	Office of Accountant General	N. Mafoko	PPO II
37.	MFED	Office of Accountant General	Tlotlang Seketeme	Accountant
38.	MFED	Office of Accountant General	Sophia De Brain	AAG-SC
39.	MFED	Office of Accountant General	Dellah Barungwi	Deputy Manager HR
40.	MFED	Office of Accountant General	Boikhutso Mokubung	PAI
41.	MFED	Office of Accountant General	Segopotso Thobega	CAO
42.	MFED	Office of Accountant General	Bakang Motlhake	SAAG
43.	MFED	Office of Accountant General	Khutsafalo Eyman	PA I
44.	MFED	Office of Accountant General	Keitebetse Mooketsi	CA
45.	MFED	Office of Accountant General	G. Baleseng	AM-Procurement
46.	MFED	Office of Accountant General	Godiraone Elias Makwati	CA

No	Institution	Department	Person	Position
47.	MFED	Office of Accountant General	Boitumelo Tshwanelo	PA I
48.	MFED	Office of Accountant General	Florah C. Otlogetswe	PA I
49.	MFED	Office of Accountant General	R Moreti	PA II
50.	MFED	Office of Accountant General	Godiretse Mahanne	PA I
51.	MFED	Office of Accountant General	Kennedy Maruapula	PAO
52.	MFED	Office of Accountant General	Mary Tsheko	AAG
53.	MFED	Office of Accountant General	Godisamang Maruping	CA
54.	MFED	Office of Accountant General	S. Magazine	AAG
55.	MFED	Office of Accountant General	K. Mmopi	AAG
56.	MFED	Human Resource, Planning & Enterp. Dev. Policy	M. Willie	PPO II
57.	MFED	Human Resource, Planning & Enterp. Dev. Policy	M. Moremi	Director-HRP&EDP
58.	MFED	Human Resource, Planning & Enterp. Dev. Policy	T. P. Chakalisa	PPO II
59.	MFED	Internal Audit	O. K. Mokatse	Director
60.	MFED	Internal Audit	C. Matsheka	Deputy Director
61.	MFED	Internal Audit	T. Gakekgonwe	Senior Internal Auditor
62.	MFED	Corporate Services	Salome Bopa	Manager- Dev. & Finance
63.	MFED	Corporate Services	Cecilia Justice-Letshwiti	CFO
64.	MFED	Corporate Services	Gaobue Phirinyane	PA I
65.	MFED	Corporate Services	Kemmony Mokgweetsi	SFO
66.	MFED	Corporate Services	Lorato Laone Masupe	PAO
67.	MFED	Corporate Services	Mokwadi B. Motlhako	CE
68.	MOHW	Corporate Services	Maroba Toko	CIA
69.	MOHW	Corporate Services	Mareko Ramotsababa	Advisor
70.	MOHW	Corporate Services	Olebile Mogapi	CAO I
71.	MOHW	Corporate Services	Malebogo Keaketswe	CAO I
72.	MOHW	Corporate Services	Mosire C. Mariri	Controller of Accounts

No	Institution	Department	Person	Position
73.	MOHW	Corporate Services	Onkemetse Mathala	Director/HPRD
74.	MOHW	Corporate Services	S. Setso	Director HI
75.	MOHW	Corporate Services	Hazel Reaitsanye	Deputy Permanent Secretary
76.	MOHW	Corporate Services	Samson Modire	AD
77.	MOHW	Corporate Services	Andinah Morapedi	FO II
78.	MOHW	Corporate Services	Funani Majoni	SFO
79.	MOHW	Corporate Services	Onalenna S. Telekelo	CA
80.	MOHW	Corporate Services	Lucky Matseka	PIC
81.	MOHW	Corporate Services	Tshegofatso Ramoipone	DMHR
82.	MOHW	Corporate Services	Mpho Sentle	PO
83.	MOHW	Corporate Services	Gosegomang Ramathele	PPO II
84.	MOHW	Corporate Services	Virgina G. Monekwe	CAO
85.	MOHW	Corporate Services	Olga Letsebe	CAO
86.	MOHW	Corporate Services	Gasebotho Kedikilwe	CHO-PHC
87.	MOHW	Corporate Services	Gabriel Mafika	CAO
88.	BAOA	HQ	Duncan D. Majinda	CEO
89.	BAOA	HQ	Motlatsi Mmusi	Finance Manager
90.	BAOA	HQ	Itumeleng Selebalakhai	Accountant
91.	BICA	HQ	Verily Molatedi	CEO
92.	BICA	HQ	Eddie Bayen	Director
93.	BICA	HQ	Catherine N. Monyatsi	Finance & Admin Manager
94.	MOPAGPA	DPSM	Goitseone Mosalakatane	Director
95.	MOPAGPA	DPSM	Tefo G. Bogosi	LA
96.	MOPAGPA	DPSM	Rose Nkolongane	Senior Manager – Corporate Services
97.	MOPAGPA	DPSM	Nono Masu	Manager Finance and Development
98.	MOPAGPA	DPSM	Ian Makgabana	SAD-HRIS
99.	MOPAGPA	DPSM	Yolinda Baletloa	SADI-HRPD
100.	MOPAGPA	DPSM	Bethuel Monene	SADI-HRFS
101.	MOPAGPA	DPSM	Tiny K. Mothibedi	SADI-BAM
102.	MOPAGPA	DPSM	Bajaki Chika	SAD
103.	MOPAGPA	DPSM	Aldrin Tayane	ADIER
104.	Office of Auditor General	Office of Auditor General	Pulane D. Letebele	Auditor General
105.	Office of Auditor General	Office of Auditor General	Tiroyamodimo H. Molefe	Performance Improvement Coordinator
106.	Office of Auditor General	Office of Auditor General	Keneilwe Senyarelo	Senior Assistant Auditor General

No	Institution	Department	Person	Position
107.	Office of Auditor General	Office of Auditor General	Mmopa Juma	Deputy Auditor General
108.	Office of Auditor General	Office of Auditor General	Juliah Willie	Chief Auditor
109.	Office of Auditor General	Office of Auditor General	Ringo Hule	Senior Manager
110.	PPADB	Services	Tumelo Motsumi	ED-Services
111.	PPADB	Supplies	Ken. K. Ketshajwang	ED-Supplies
112.	PPADB	HQ	Baitshepi Tebogo	General Manager Corporate Services
113.	PPADB	HQ	Patience Motswagole	Board Secretary
114.	PPADB	HQ	Masego Oageng	Strategy Manager
115.	PEEPA	Corporate Services	Shadrack Rathapo	Ag. Director – Corporate Services
116.	PEEPA	Corporate Services	Segomotso Matswiri	Manager-PME
117.	PEEPA	Corporate Services	Mooketsi E Kgosibodiba	Accountant
118.	PEEPA	Corporate Services	Letshego Moeng	
119.	MOA	Corporate Services	A Dintwa	Senior Manager
120.	MOA	Corporate Services	O Monthe	Performance Improvement Coordinator
121.	MOA	Corporate Services	Thomas M. Mogome	DCP
122.	MOA	Corporate Services	Moipolai Thobega	DABP
123.	MOA	Corporate Services	Phatsimo Tilane	SAO
124.	MOA	Corporate Services	Thato S. Leepile	PFO
125.	MOA	Corporate Services	Selinah Mphoentle Mpesi	AFO
126.	MOA	Corporate Services	Kabo R. Monare	CAO
127.	MOA	Corporate Services	Lerato Sello	Chief -Policy
128.	MOA	Corporate Services	Mositi O. Tsenang	PMA I
129.	MOA	Corporate Services	Letlhogile Modisa	Director
130.	MOA	Corporate Services	Ofentse Kgaogano	DMP
131.	MOA	Corporate Services	Mpho Kgoreletso	PPO I
132.	MOA	Corporate Services	Kudzani Sinaice	Chief Economist
133.	MOA	Corporate Services	Ikanyeng Mbulawa	Chief Accountant
134.	MOPAGPA	NSO	D.K.U Corea	Director General
135.	MOPAGPA	NSO	B. K. Molosiwa	DDG (Mega Projects)
136.	MOPAGPA	NSO	David Sefawe	Senior Manager (R & D)
137.	MOPAGPA	NSO	Modiegi Ngakane	Ag. Manager (NP)
138.	MOPAGPA	NSO	Dr. Grace K-Tabengwa	DDG (P & S)
139.	MOPAGPA	NSO	Goaba Mosienyane	DDG(TWG)
140.	MITI	corporate services	T. Motswakhumo	Ag. Chief Internal Auditor



No	Institution	Department	Person	Position
141.	MITI	corporate services	Maria S. Molefe	Ag. Chief Accountant
142.	MITI	corporate services	Patricia P. Kgopelo	CAO I- Accounts
143.	MITI	corporate services	Molemi S. Tsheboeng	Manager- Finance and Development
144.	MITI	corporate services	Matilda Basinyi	Ag. Director PPM
145.	MITI	corporate services	Sedzelani Ross	Chief Finance Officer
146.	MITI	corporate services	Wabuya Mapa	AM Strategy
147.	MITI	corporate services	Potlako Matshaba	Manager HR & Admin
148.	MITI	corporate services	Resego C. Lesolame	Ag. Manager- Procurement
149.	MITI	corporate services	Florie Tau	MTC Secretary
150.	MITI	corporate services	Edwin Tabengwa	Chief Economist
151.	NGO Council	corporate services	Innocentia Puso	Ag. NGO C. Coordinator
152.	NGO Council	corporate services	Chrishna Motshwaedi	PIA- MNIG
153.	MMGE	corporate services	Monei Mosimanyane	PFO II
154.	MMGE	Botswana Power Corporation	Nicholas Keitshokile	Finance Manager
155.	MMGE	Botswana Oil	Olivia Ramaselwana	CFO(A)
156.	MMGE	corporate services	M. Rapalai	R.M
157.	MMGE	corporate services	Malebogo Moilwa	MHRA
158.	MMGE	corporate services	Lorato Thebekgosi	
159.	MMGE	corporate services	N T Raleru	Coordinator
160.	MMGE	corporate services	Kealeboga L Kolagano	CAO I-Reforms
161.	MMGE	corporate services	Petunia Sebetlela	CFO
162.	MMGE	corporate services	Thuso C. Matshemeko	Ag. Director
163.	MMGE	corporate services	Dr T Mmusi	DPS
164.	MLWS	corporate services	Nonofu Sam	Principal Planning Officer II
165.	MLWS	corporate services	Elizabeth N. Ramaloto	Chief Finance Officer
166.	MLWS	corporate services	Seanokeng Raditlhokwa	IAM
167.	MLWS	corporate services	Thuto Mogotlhwane	AM-LBF
168.	MLWS	corporate services	S. Ruth Mmolai	CAO
169.	MLWS	corporate services	Boitumelo Letsholo	CC
170.	MLWS	corporate services	Mbako Masole	Procurement Manager
171.	AGC	AGC	Anthony Makgato	DM-Facilities
172.	AGC	AGC	Chabaesele Mokgosi	PPO II
173.	AGC	AGC	Felicia Nbontsi	CAO II
174.	AGC	AGC	Gaone Tsie	PA II
175.	AGC	AGC	Chandipa O. Bengani	AFO
176.	AGC	AGC	Moeteledi Mvami	PFO II
177.	AGC	AGC	Hanganani Mhotsha	PIC

No	Institution	Department	Person	Position
178.	AGC	AGC	Oabona P. Matobana	Senior Manager-Corporate Services
179.	AGC	AGC	Lucas K. Moshokwa	Manager HR & Admin
180.	AGC	AGC	Fredah Tlhagwane	Assistant Manager
181.	AGC	AGC	Thekegelo Morapedi	Chief Accounts Assistant
182.	MOBE	Regional operation S\E	Rosalind TT Serumola	Ag Director
183.	MOBE	Corporate Services	Mosamaria Kgaoganang	DM-Corporate Services (T)
184.	MOBE	Corporate Services	Ephraim Dikhutso	AS-Corporate Services
185.	MOBE	Corporate Services	Pierre Mokgweetsi	PFO I
186.	MOBE	Corporate Services	Rejoice Ramokate	DM-A
187.	MOBE	Office of Strategy	O. R. Kedikilwe	CEO
188.	MOBE		L D Nemaorani	
189.	MOBE	MOBE-Kweneng Region	B. A. Rauwe	DRO
190.	MOBE	Corporate Services	Shatiso Tamajasi	PIA
191.	MOBE	Corporate Services	Benny Mduli	CE
192.	MOBE	Corporate Services	Molemisi Kedumetse	CA
193.	MOBE	Corporate Services	Tshireletso Kgosidiile	SM
194.	MOBE	Corporate Services	Helen Chilisa	DPS-Reforms
195.	MOBE	Corporate Services	Atlarelang Solomon	Manager HR & A
196.	MOBE	Southern region	N.M. M	Ag Director
197.	MOBE	Corporate Services	Maduo Tshoswane	Manager (Proc)
198.	MOBE	Corporate Services	Tidimalo Masisi	SFO
199.	MOBE	Corporate Services	D. Seretse	PA I
200.	MOBE	Corporate Services	B. Lesoyane	PE I
201.	MOBE	DTS	T. Nfila	CAO II
202.	MOBE	Corporate Services	T. K. Oganne	PPO II
203.	MOBE	DTS	Dineo Segona	SPO
204.	MOBE	Corporate Services	Josiah. R. Mafojane	Finance Manager
205.	MOBE	Corporate Services	Nametso Eunice Malaka	CFO
206.	BOB	Corporate Services	T. A. Kganetsano	Director, Research
207.	BOB	Corporate Services	Matthew Wright	Director, Financial Markets
208.	BOB	Corporate Services	Moemedi Phetwe	Deputy Director, Financial Markets
209.	BOB	Corporate Services	Carter Moseki	Deputy Director PFMD
210.	BOB	Corporate Services	Goememang Baatlhologeng	Deputy Director RFSD
211.	BOB	Corporate Services	Samson Lefoane	PFSA
212.	BOB	Corporate Services	Thato P. Mokoti	Principal Economist

No	Institution	Department	Person	Position
213.	MIH	Corporate Services	Lebang S. Lerothodi	MHRMA
214.	MIH	Corporate Services	Gorata T. Moleboge	DPPM
215.	MIH	Corporate Services	Herman Butale	PIC
216.	MIH	Corporate Services	Lucia Segatlhe	CE
217.	MIH	Corporate Services	O. Allex Basinyi	SPO
218.	MIH	Corporate Services	Nnoi Masaka	CFO
219.	MIH	Corporate Services	Final Nseula	Manager F & D
220.	MIH	Corporate Services	Tlhalefo Mophakedi	Accountant
221.	MIH	DBES	Lapologang Onkabetse	CPC
222.	MIH	DBES	Lindani Mayila	CAO I
223.	MOTE	Corporate Services	Neo Sebolao	Senior Manager
224.	MOTE	Policy Development and Research	Oupa Masesane	DPS
225.	MOTE	Corporate Services	Tebogo Bagopi	DPS-CORPORATE SERVICES
226.	MOTE	Research, Science & Technology	Kekgonne Baipoledi	DPS-RST
227.	MOTE	Corporate Services	Dineo Setshogo	FM
228.	MOTE	Corporate Services	Dineo Khome	Manager procurement
229.	MOTE	Corporate Services	Iponeng Molebwa	CFO
230.	MOTE	Corporate Services	Annah Mbuso	CE
231.	MOTE	Corporate Services	Motlatsi Puna Serati	CA
232.	MOTE	Corporate Services	Gaone Lekoba	Principal Accountant I
233.	MOTE	Corporate Services	Nonofo Tsae	IA
234.	MOTE	Corporate Services	Thusego Kgosinaga	PFO II
235.	MOTE	Corporate Services	Tshiamo Mabote	SFO
236.	MOTE	Teacher training and Technical Education	Matlhogonolo Mokakapadi	Director
237.	MOTE	Department of Tertiary Education Financing	Tumisani N. Baleki	Deputy Director
238.	MLGRD	Corporate Services	K. Bolebano	PPO
239.	MLGRD	Corporate Services	K Molapisi	Ag. CFO
240.	MLGRD	Corporate Services	K Kgangmotse	CE
241.	MLGRD	Corporate Services	Christine Malikongwa	Manager, Finance & Dev.
242.	MLGRD	DLFD	Petrus Z. Motswaledi	CFO
243.	MLGRD	Corporate Services - Reforms	Lenamile Taolo	PIC-LA
244.	MTC	Corporate Services	O. Motsomatshukudu	Ag. PM
245.	MTC	Corporate Services	Andrew Modo	SIA
246.	MTC	Corporate Services	Tshepiso Bogatsu	Planning Officer

No	Institution	Department	Person	Position
247.	MTC	Corporate Services	D. Marange	Finance Manager
248.	MTC	Corporate Services	K. M. Sanatagane	Accountant
249.	MTC	Corporate Services	C Macheke	Finance Officer
250.	MTC	Corporate Services	R Kokeletso	Internal Auditor
251.	MTC	Corporate Services	M. Gaasekwe	COA
252.	MTC	Corporate Services	J. Lempadi	COA
253.	MTC	Corporate Services	K. Mokwakwa	PAO
254.	MTC	Central Transport Office	Irene K. Poomore	Principal Accountant
255.	MTC	MTC	T. K. Molefhe	Project Officer
256.	BIDPA	Corporate Services	Margaret Sengwaketse	Research Fellow
257.	BIDPA	Corporate Services	Bangwe Siwawa-Moepeng	Financial Administrator
258.	BIDPA	Corporate Services	Isaac Modise	Finance Officer
259.	DCEC	Corporate Services	Brig. Joseph M. Mathambo	Deputy Director General, Operations
260.	DCEC	Corporate Services	Agnes Mothobi	Senior Manager, Corporate Services
261.	DCEC	Corporate Services	Barney Rustle Masupe	Senior Assistant Director, T & D
262.	DCEC	Corporate Services	Mogolodi Rantsetse	Centre Manager, CAACC
263.	DCEC	Corporate Services	Bose Maynard Mosweswe	Performance Improvement Coordinator
264.	DCEC	Corporate Services	Martha Nnanisi Kgasi	Deputy Manager, HR
265.	DCEC	Corporate Services	Mophutholodi Molatudi	Ag. Senior Assistant Director CP
266.	DCEC	Corporate Services	Tsholofelo Barei	Safety, Health & Environment Coordinator
267.	DCEC	Corporate Services	Mike Mogapane	Deputy Manager, Operations
268.	DCEC	Corporate Services	Keanole J. Motlogelwa	Controller of Accounts

**Annex Table 3.1: Sources of Information Used to Extract Evidence for Scoring Each Indicator**

Indicator/dimension	Data Sources
<b>Budget reliability</b>	
<b>PI-1. Aggregate expenditure outturn</b> 1.1. Aggregate expenditure outturn	<ul style="list-style-type: none"> <li>• Annual Statements of Accounts</li> <li>• Estimates of Expenditure from The Consolidated and Development Funds</li> <li>• Supplementary Estimates of Expenditure from The Consolidated and Development Funds</li> </ul>

Indicator/dimension	Data Sources
	<ul style="list-style-type: none"> <li>• Appropriation Act</li> </ul>
<b>PI-2. Expenditure composition outturn</b> 2.1. Expenditure composition outturn by function 2.2. Expenditure composition outturn by economic type 2.3. Expenditure from contingency reserves	<ul style="list-style-type: none"> <li>• Annual Statements of Accounts</li> <li>• Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues</li> <li>• Estimates of Expenditure from The Consolidated and Development Funds</li> <li>• Supplementary Estimates of Expenditure from The Consolidated and Development Funds</li> <li>• Appropriation Act</li> </ul>
<b>PI-3. Revenue outturn</b> 3.1. Aggregate revenue outturn 3.2. Revenue composition outturn	<ul style="list-style-type: none"> <li>• Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues</li> <li>• Government Accounting and Budgeting System (GABS)</li> </ul>
<b>Transparency of public finances</b>	
<b>PI-4. Budget classification</b> 4.1 Budget classification	<ul style="list-style-type: none"> <li>• Botswana Government's Chart of Accounts</li> <li>• COFOG Mapping (Bridging Table)</li> <li>• Government Financial Statistics Manual 1968</li> <li>• Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2018/19</li> <li>• Estimates of Expenditure from the Consolidated and Development Funds 2018/19</li> <li>• Annual Statements of Accounts (ASA) 2017/18</li> </ul>
<b>PI-5. Budget documentation</b> 5.1 Budget documentation	<ul style="list-style-type: none"> <li>• Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2018/19</li> <li>• Estimates of Expenditure from the Consolidated and Development Funds 2018/19</li> <li>• Budget Speech 2018/19</li> <li>• Budget Strategy Paper 2018/19</li> <li>• Ceilings Cabinet Memorandum for 2018/19</li> </ul>
<b>PI-6. Central government operations outside financial reports</b> 6.1. Expenditure outside financial reports 6.2. Revenue outside financial reports 6.3. Financial reports of extra-budgetary units	<ul style="list-style-type: none"> <li>• Annual financial reports of 33 extra-budgetary units sampled for the indicator</li> <li>• Annual Reports of Revenue Generating SOEs</li> <li>• Auditor Generals' Report</li> <li>• Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2017/18</li> <li>• Estimates of Expenditure from the Consolidated and Development Funds 2017/18</li> <li>• Annual Statements of Accounts (ASA) 2017/18</li> </ul>

Indicator/dimension	Data Sources
<b>PI-7. Transfers to subnational governments</b>	<ul style="list-style-type: none"> <li>• Local Government Act, 2013</li> <li>• Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2017/18</li> <li>• Estimates of Expenditure from the Consolidated and Development Funds 2017/18</li> <li>• Annual Income and Expenditure Reports for Local Authorities</li> <li>• Annual Statements of Accounts (ASA) 2017/18</li> <li>• Budget Estimates Call Circular 2017/18</li> <li>• Resource Support Grants Transfers to Local Authorities for 2017/18</li> </ul>
7.1. System for allocating transfers	
7.2. Timeliness of information on transfers	
<b>PI-8. Performance information for service delivery</b>	<ul style="list-style-type: none"> <li>• Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2018/19</li> <li>• Estimates of Expenditure from the Consolidated and Development Funds 2018/19</li> <li>• Annual Statements of Accounts (ASA) 2017/18</li> <li>• Budget Speech 2019/20</li> <li>• Budget Strategy Paper 2019/20</li> <li>• Ceilings Cabinet Memorandum for 2019/20</li> <li>• Baseline Budgeting 2019/20</li> <li>• Ministerial Annual Performance Plans 2016-2018</li> <li>• Ministerial Strategic Plans</li> <li>• Ministerial Performance Reviews 2016 - 2018</li> <li>• In-year budget execution reports 2017/18</li> <li>• Financial reports or statements of donor organizations 2017/18</li> <li>• Government Accounting and Budgetary System (GABS)</li> <li>• Auditor Generals' Performance Audits 2017/18</li> <li>• Internal Audit Committee Reports</li> <li>• Development Partners' 2017 Assessments and Expenditure Reviews</li> <li>• Article IV 2017</li> </ul>
8.1. Performance plans for service delivery	
8.2. Performance achieved for service delivery	
8.3. Resources received by service delivery units	
8.4. Performance evaluation for service delivery	
<b>PI- 9. Public access to fiscal information</b>	<ul style="list-style-type: none"> <li>• Ministry of Finance and Economic Development Website</li> <li>• Government Bookshop</li> <li>• The Botswana Daily News</li> <li>• Financial Statements, Tables and Estimates of the Consolidated and Development Funds Revenues 2018/19</li> <li>• Estimates of Expenditure from the Consolidated and Development Funds 2018/19</li> </ul>
9.1. Public access to fiscal information	

Indicator/dimension	Data Sources
	<ul style="list-style-type: none"> <li>• Annual Statements of Accounts (ASA) 2017/18</li> <li>• Budget Speech 2019/20</li> <li>• Budget Strategy Paper 2019/20</li> <li>• Ceilings Cabinet Memorandum for 2019/20</li> <li>• Baseline Budgeting 2019/20</li> <li>• MTF Report 2017/18</li> <li>• Government Accounting and Budgetary System (GABS)</li> <li>• Auditor Generals' Report 2017/18</li> </ul>
<b>Management of assets and liabilities</b>	
<b>PI-10. Fiscal risk reporting</b> 10.1. Monitoring of public corporations 10.2. Monitoring of sub-national government 10.3. Contingent liabilities and other fiscal risks	<ul style="list-style-type: none"> <li>• HRP&amp;ED section of the MFED, respective websites for SoPE, Meetings were held with PEEPA, and HRPE&amp;ED section, and Office of the Auditor General (OAG).</li> <li>• Meetings were held with the MLGR&amp;RD, MLWS &amp; OAG. Even though financial statements are submitted on time to the OAG, there's a general backlog in the audit. As at February 2019, audited accounts were completed for 10/28 LA for financial year end 2017/18.</li> <li>• Meetings were held with the office of the Accountant General, and Budget Analysis, Debt Management section within MFED.</li> </ul>
<b>PI- 11. Public investment management</b> 11.1. Economic analysis of investment proposals 11.2. Investment project selection 11.3. Investment project costing 11.4. Investment project monitoring	<ul style="list-style-type: none"> <li>• Meetings were held with Development Programmes sub-division within MFED, Public Investment Management Assessment report (PIMA report June-2017) National Strategy Office (NSO), Ministry of Transport &amp; Communication, Ministry of Land Management, Water and Sanitation services, Ministry of Infrastructure Housing &amp; development, Mineral resources, Green Technology, and Energy security, Ministry of Defence Justice and Security, and Ministry of Basic Education.</li> <li>• Meetings were held with Development Programmes sub-division within MFED, Public Investment Management Assessment report (PIMA report June-2017), NDP 11, Estimates of expenditure from the consolidated development funds, Ministry of Transport &amp; Communication, Ministry of Land Management, Water and Sanitation services, Ministry of Infrastructure Housing &amp; development, Mineral resources, Green Technology, and Energy security, Ministry of Defence Justice and Security, and Ministry of Basic Education.</li> <li>• Meetings were held with the Development Programmes Sub-Division and the Macro- Economic Section Policy</li> </ul>

Indicator/dimension	Data Sources
	Section. The Capital and Recurrent Budget Estimates as shown in the estimates of expenditure only reflect the revised budget for the current and estimates for the coming year.
<b>PI-12. Public asset management</b> 12.1. Financial asset monitoring 12.2. Nonfinancial asset monitoring 12.3. Transparency of asset disposal.	<ul style="list-style-type: none"> <li>• Meetings held with the Office of the Accountant General (Cash Management Unit, Accounts &amp; Control Units), and the Budget Analysis &amp; Debt Management.</li> <li>• Meetings held with the Office of the Accountant General (Cash Management Unit, Accounts &amp; Control Units), and the Budget Analysis &amp; Debt Management.</li> <li>• Meetings were held with the Office of the Accountant General (Procurement Unit), and line ministries.</li> </ul>
<b>PI-13. Debt management</b> 13.1. Recording and reporting of debt and guarantees 13.2. Approval of debt and guarantees 13.3. Debt management strategy	<ul style="list-style-type: none"> <li>• Meetings were held with the Budget analysis &amp; Debt Management section (BADM), and the ASA</li> <li>• Meetings were held with the Budget analysis &amp; Debt Management section (BADM), PFM Act, stocks, bonds, and Treasury Bills Act</li> <li>• Medium-Term Management Debt Strategy (MTDS) 2016/17-2018/19, Meetings were held with the Budget analysis &amp; Debt Management section (BADM).</li> </ul>
<b>Policy-based fiscal strategy and budgeting</b>	
<b>PI-14. Macroeconomic and fiscal forecasting</b> 14.1. Macroeconomic forecasts 14.2. Fiscal forecasts 14.3. Macro-fiscal sensitivity analysis	<ul style="list-style-type: none"> <li>• -Annual budget documents: budget circular, budget ceilings, budget speech, budget estimates and financial statements from FY 2015/16, FY 2016/17 and FY 2017/18</li> <li>• -Botswana Statistics</li> <li>• -Interview with MFED – Macroeconomic unit</li> </ul>
<b>PI-15. Fiscal strategy</b> 15.1. Fiscal impact of policy proposals 15.2. Fiscal strategy adoption 15.3. Reporting on fiscal outcomes	<ul style="list-style-type: none"> <li>• Annual budget documents: budget circular, budget ceilings, budget speech, budget estimates and financial statements from FY 2015/16, FY 2016/17 and FY 2017/18</li> <li>• -Botswana Statistics</li> <li>• -Interview with MFED – Macroeconomic unit</li> </ul>
<b>PI-16. Medium-term perspective in expenditure budgeting</b> 16.1. Medium-term expenditure estimates 16.2. Medium-term expenditure ceilings 16.3. Alignment of strategic plans and medium-term budgets 16.4 Consistency of budgets with previous year's estimates	<ul style="list-style-type: none"> <li>• Annual budget documents: budget circular, budget ceilings, budget speech, budget estimates and financial statements from FY 2015/16, FY 2016/17 and FY 2017/18</li> <li>• -Botswana Statistics</li> <li>• -Interviews with MFED – Macroeconomic unit and National Strategy Office</li> </ul>
<b>PI-17. Budget preparation process</b> 17.1. Budget calendar	<ul style="list-style-type: none"> <li>• -Budget calendar</li> </ul>



Indicator/dimension	Data Sources
17.2. Guidance on budget preparation	<ul style="list-style-type: none"> <li>• -Annual budget circular</li> <li>• -PFM Act</li> <li>• -The Constitution</li> </ul>
17.3. Budget submission to the legislature	
<b>PI-18. Legislative scrutiny of budgets</b>	
18.1. Scope of budget scrutiny	<ul style="list-style-type: none"> <li>• Annual budget circular</li> <li>• -PFM Act</li> <li>• -The Constitution</li> <li>• -Interview with staff from Parliament</li> </ul>
18.2. Legislative procedures for budget scrutiny	
18.3. Timing of budget approval	
18.4. Rules for budget adjustments by the executive	
<b>Predictability and control in budget execution</b>	
<b>PI-19. Revenue administration</b>	<ul style="list-style-type: none"> <li>• 19.1</li> <li>• Taxpayer education pamphlet</li> <li>• e- service uptake strategy</li> <li>• BURS Website</li> <li>• BURS Act</li> <li>• SACU Agreement (BURS Website)</li> <li>• BURS Annual Report 2017</li> <li>• Income Act</li> <li>• VAT Act</li> <li>• Customs Act</li> <li>• Capital Transfer Act</li> <li>• 19.2</li> <li>• Customs Risk Register</li> <li>• Customs Risk Plan</li> <li>• BURS Annual Report 2016</li> <li>• 19,3</li> <li>• Audit Plan 201/17</li> <li>• 19.4</li> <li>• BURS Annual Report 2016/17</li> <li>• BURS Annual Report 2017/18 (draft)</li> </ul>
19.1. Rights and obligations for revenue measures	
19.2. Revenue risk management	
19.3. Revenue audit and investigation	
19.4. Revenue arrears monitoring	
<b>PI-20. Accounting for revenues</b>	<ul style="list-style-type: none"> <li>• 20.1 Botswana Government analysis of revenue by type</li> <li>• 20.2 Transfer to government remittance analysis reports. 2015/16, 2016/17 and 2017/18 and ASA</li> <li>• BURS Bank Reconciliation</li> <li>• Government Bank reconciliations</li> </ul>
20.1. Information on revenue collections	
20.2. Transfer of revenue collections	
20.3. Revenue accounts reconciliation	
<b>PI-21. Predictability of in-year resource allocation</b>	<ul style="list-style-type: none"> <li>• 21.1 Government Bank Accounts statements</li> <li>• 21.2 Government Cash flow forecast statements</li> <li>• 21.3 Savingsgrams to line Ministries on ceilings</li> <li>• 23.4 Virements and supplementary documents</li> </ul>
21.1. Consolidation of cash balances	
21.2. Cash forecasting and monitoring	
21.3. Information on commitment ceilings	
21.4. Significance of in-year budget adjustments	
<b>PI-22. Expenditure arrears</b>	NO DATA/INFORMATION

Indicator/dimension	Data Sources
22.1. Stock of expenditure arrears	
22.2. Expenditure arrears monitoring	
<b>PI-23. Payroll controls</b>	<ul style="list-style-type: none"> <li>• 23.1 through interviews (Accountant General and Payroll Officers)</li> <li>• 23.2 Sampled letters of appointments, acceptance letters, casualty returns and payment history.</li> <li>• 23.3 Interviews <ul style="list-style-type: none"> <li>• Audit log</li> <li>• User responsibilities</li> </ul> </li> <li>• 23.4 Internal Audit Plans</li> <li>• Internal Audit Reports (2015/16, 2016/17 and 2017/18)</li> </ul>
23.1. Integration of payroll and personnel records	
23.2. Management of payroll changes	
23.3. Internal control of payroll	
23.4. Payroll audit	
<b>PI-24. Procurement</b>	<ul style="list-style-type: none"> <li>• 24.1 Government Gazette</li> <li>• PPADB Act</li> <li>• Standard Operating Policies and Procedures for Public Procurement</li> <li>•</li> <li>• 24.2 Sampled 4 big Ministries.</li> <li>• Plan and End of Activity report for Attorney General submitted</li> <li>• 24.3 Government Gazette</li> <li>• PPADB Website</li> <li>• 24.4 Register of Contracts Awarded</li> <li>• Customer Complaints Report</li> <li>•</li> </ul>
24.1. Procurement monitoring	
24.2. Procurement methods	
24.3. Public access to procurement information	
24.4. Procurement complaints management	
<b>PI-25. Internal controls on non-salary expenditure</b>	<ul style="list-style-type: none"> <li>• 25.1 User responsibilities (Tomango to provide)</li> <li>• Financial Instructions and Procedures</li> <li>• Supplies Regulations and Procedures</li> <li>• Sampled payment vouchers</li> <li>• 25.2 ASA</li> <li>• 25.3 Auditor General Report 31/03/17</li> <li>• Internal Audit Reports</li> </ul>
25.1. Segregation of duties	
25.2. Effectiveness of expenditure commitment controls	
25.3. Compliance with payment rules and procedures	
<b>PI-26. Internal audit</b>	<ul style="list-style-type: none"> <li>• 26.1 PFM Act</li> <li>• 26.2 Internal Audit Manual</li> <li>• 26.3 Government Audit Committee</li> <li>• 26.4 Internal Audit Reports</li> </ul>
26.1. Coverage of internal audit	
26.2. Nature of audits and standards applied	
26.3. Implementation of internal audits and reporting	
26.4. Response to internal audits	
<b>Accounting and reporting</b>	
<b>PI-27. Financial data integrity</b>	<ul style="list-style-type: none"> <li>• -Bank accounts: Government remittance accounts</li> </ul>
27.1. Bank account reconciliation	

Indicator/dimension	Data Sources
27.2. Suspense accounts	<ul style="list-style-type: none"> <li>-Statement 16</li> </ul>
27.3. Advance accounts	<ul style="list-style-type: none"> <li>-Auditor General Annual reports</li> </ul>
27.4. Financial data integrity processes	
<b>PI-28. In-year budget reports</b>	<ul style="list-style-type: none"> <li>-Quarterly management reports</li> </ul>
28.1. Coverage and comparability of reports	<ul style="list-style-type: none"> <li>-Accountant General's monthly reports</li> </ul>
28.2. Timing of in-year budget reports	<ul style="list-style-type: none"> <li>-Annual Statement of Accounts</li> </ul>
28.3. Accuracy of in-year budget reports	
<b>PI-29. Annual financial reports</b>	<ul style="list-style-type: none"> <li>-Quarterly management reports</li> </ul>
29.1. Completeness of annual financial reports	<ul style="list-style-type: none"> <li>-Accountant General's monthly reports</li> </ul>
29.2. Submission of the reports for external audit	<ul style="list-style-type: none"> <li>-Annual Statement of Accounts</li> </ul>
29.3. Accounting standards	<ul style="list-style-type: none"> <li>-PFM Act No. 17, Section 42</li> <li>-Savingram Circular – modified cash basis</li> </ul>
<b>External scrutiny and audit</b>	
<b>PI-30. External audit</b>	<ul style="list-style-type: none"> <li>Constitution of Botswana Chapter 1</li> </ul>
30.1. Audit coverage and standards	<ul style="list-style-type: none"> <li>Public Audit Act Chapter 54:02</li> </ul>
30.2. Submission of audit reports to the legislature	<ul style="list-style-type: none"> <li>Report of the Auditor General on the Accounts of the Botswana Government</li> </ul>
30.3. External audit follows up	<ul style="list-style-type: none"> <li>Compliance, Performance and Regulatory Audit Manuals</li> </ul>
30.4. Supreme Audit Institution independence	<ul style="list-style-type: none"> <li>Acknowledgement of receipt of Annual Statement of Accounts by Auditor General</li> <li>Correspondence on submission of Auditor General Report to MFED Minister and Legislature</li> <li>Quality Assurance Review Report for SAI of Botswana</li> </ul>
<b>PI-31. Legislative scrutiny of audit reports</b>	<ul style="list-style-type: none"> <li>Public Accounts Committee Report</li> </ul>
31.1. Timing of audit report scrutiny	<ul style="list-style-type: none"> <li>Savingsrams on submission of Report of the Auditor General to the Legislature</li> </ul>
31.2. Hearings on audit findings	<ul style="list-style-type: none"> <li>PAC Timetables for 2014/15 to 2016/17</li> </ul>
31.3. Recommendations on audit by the legislature	<ul style="list-style-type: none"> <li>PAC Work-In-Progress Report 2014-15, 2015-2016</li> </ul>
31.4. Transparency of legislative scrutiny of audit reports	<ul style="list-style-type: none"> <li>2015 PAC Examination of Value for Money Audit Report</li> <li>PAC Report 2014-2015 ,2015-2016, 2016-2017(draft)</li> <li>Interview with Parliament</li> </ul>

## Annex 4: Tracking Change in Performance Based on the 2011 PEFA Framework

Indicator/ Dimension	2013 Score	2019 Score	Description of requirements met in current assessment	Trend
<b>A. PFM-OUT-TURNS: Credibility of the Budget</b>				
PI-1 Aggregate expenditure out-turn compared to original approved budget	A	A	In all the three years, aggregate expenditure outturn deviated from the original budget by an amount less than 5% of the original budget. Deviations were as follows: 0.5%, 3.3% and -1.9% for 2015/16, 2016/17 and 2017/18 respectively. There was a slight improvement in expenditure outturns from the 2013 assessment.	No change
PI-2 Composition of expenditure out-turn compared to original approved budget	C+	B+		Improvement
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	C	B	The variances in expenditure outturn by administrative classification 7.7%, 5.8% and 6.9% for 2015/16, 2016/17 and 2017/18 respectively. However, expenditures from contingency items were not considered.	Improvement
(ii) The average amount of expenditures charged to the contingency vote over the last three years.	B	A	Expenditures were charged to the contingency vote in one year (2015/16) for the period under review. The Contingency Fund is capped at P10m on an annual basis.	Improvement
PI-3 Aggregate revenue out-turn compared to original approved budget	D	D	Revenue outturn deviations were -14.4%, 18.6% and -1.4% for 2015/16, 2016/17 and 2017/18, which was a slight improvement over the 2013 assessment, but not enough to raise the score.	No change
PI-4 Stock and monitoring of expenditure payment arrears	NR	NR		No change
(i) Stock of expenditure payment arrears and a recent change in the stock	NR	NR	No record or monitoring is conducted to track the stock of expenditure arrears.	No change

(ii) Availability of data for monitoring the stock of expenditure payment arrears	D	D	No data exists	No change
<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>				
<b>PI-5 Classification of the budget</b>	<b>C</b>	<b>C</b>	<b>The budget formulation and execution are based on administrative and economic classification using GFS 1986 standards for both revenue and expenditure.</b>	<b>No Change</b>
<b>PI-6 Comprehensiveness of information included in budget documentation</b>	<b>A</b>	<b>A</b>	<b>Parliament is provided with comprehensive documentation to make informed and strategic decisions regarding the approval of budget estimates. The annual budget documentation fulfilled 8 out of the 9 benchmarks.</b>	<b>No change</b>
<b>PI-7 Extent of unreported government operations</b>	<b>NR</b>	<b>B+</b>		<b>Improvement</b>
(i) Level of unreported government operations	NR	B	There is a greater emphasis to monitor all government operations especially with the parastatals.	Improvement
(ii) Income/ expenditure information on donor-funded projects	A	A	Donor-funded projects are primarily grant or loan-based. This amounts to a small percentage of GoB's income and expenditures. However, this information is reflected in the annual budget and fiscal documents.	No change
<b>PI-8 Transparency of inter-governmental fiscal relations</b>	<b>C</b>	<b>NR</b>		<b>Deterioration</b>
(i) Transparency and objectivity in the horizontal allocation amongst Sub-national Governments	D	D	No evidence of a rule-based system in the form of a formulae used for allocation.	No change
(ii) Timeliness and reliable information to SN Governments on their allocations	C	A	The information on transfers to sub-national governments' budget is fully regulated by the Central Government's annual budget calendar which allows them 6 weeks to complete their budget planning on time.	Improvement
(iii) Extent of consolidation of fiscal data for general government according to sectoral categories	B	NR	Fiscal information is collected from local authorities. However, there was no evidence the local authorities' fiscal information was consolidated into the central government's annual reports.	Deterioration

<b>PI-9 Oversight of aggregate fiscal risk from other public sector entities</b>	<b>D+</b>	<b>C</b>		<b>Improvement</b>
(i) Extent of central government monitoring of autonomous entities and public enterprises	D	C	Public enterprises are monitored and submit annual financial statements. PEEPA has expanded oversight over PEs.	Improvement
(ii) Extent of central government monitoring of SN government's fiscal position	C	C	No change – SN are monitored for their fiscal position.	No change
<b>PI-10 Public access to key fiscal information</b>	<b>B</b>	<b>B</b>	<b>Only 4 out of the 6 elements are made available to the public. The following are made available to the public: annual budget documentation; year-end financial statements; external audit reports; contract awards.</b>	<b>No change</b>
<b>C. BUDGET CYCLE</b>				
<b><i>C(i) Policy-Based Budgeting</i></b>				
<b>PI-11 Orderliness and participation in the annual budget process</b>	<b>B</b>	<b>B</b>		<b>No change</b>
(i) Existence of, and adherence to, a fixed budget calendar	C	C	An annual budget calendar is prepared. However, there is a 60% non-completion rate by MDAs in accordance to the calendar timelines.	No change
(ii) Guidance on the preparation of budget submissions	C	C	An annual budget circular and budget ceilings are prepared and issued to MDAs.	No change
(iii) Timely budget approval by the legislature	A	A	The Legislature has approved the budget prior to the start of the fiscal year during the last three fiscal years.	No change
<b>PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting</b>	<b>D+</b>	<b>D</b>		<b>Deterioration</b>
(i) Multiyear fiscal forecasts and functional allocations	D	D	Fiscal aggregate forecasts are not prepared for the main categories of economic classification for at least two years on a rolling annual basis.	No change
(ii) Scope and frequency of debt sustainability analysis	D	D	The last medium-term debt strategy was completed in 2016. However, there was no evidence of a debt sustainability analysis.	No change

(iii) Existence of costed sector strategies	C	D	There was no evidence of costed sector strategies.	Deterioration
(iv) Linkages between investment budgets and forward expenditure estimates	C	D	Recurrent and development budget estimates are calculated separately. Some investment projects take into consideration the recurrent and/or maintenance costs of the investment project. However, this is not consistently applied across all investment projects.	Deterioration
<b>C(ii) Predictability and Control in Budget Execution</b>				
<b>PI-13 Transparency of taxpayer obligations and liabilities</b>	<b>B+</b>	<b>B+</b>		<b>No change</b>
(i) Clarity and comprehensiveness of tax liabilities	B	B	Tax liabilities are comprehensive and clear.	No change
(ii) Taxpayer access to information on tax liabilities and administrative procedures	A	A	Taxpayers have access to information via BURS website on tax liabilities and administrative procedures.	No change
(iii) Existence and functioning of a tax appeal mechanism	B	B	A tax appeal process exists.	No change
<b>PI-14 Effectiveness of measures for taxpayer registration and tax assessment</b>	<b>B</b>	<b>C+</b>		<b>Deterioration</b>
(i) Controls in the taxpayer registration system	B	C	There are controls used in the taxpayer registration system.	Deterioration
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	A	C	Penalties and declaration obligations exists. Enforcement of non-compliance is inconsistent and has weakened.	Deterioration
(iii) Planning and monitoring of tax audit and fraud investigation programs	C	B	Tax audits and fraud investigations are managed. Risk assessment criteria has been identified.	Improvement
<b>PI-15 Effectiveness in collection of tax payments</b>	<b>D+</b>	<b>D+</b>		<b>No change</b>
(i) Collection ratio for gross tax arrears	D	A	Tax arrears are well documented in the Auditors General annual report According to the ASA, dated March 31, 2018, the	Improvement

			outstanding MDAs balance of P424.53 million (2017: P424.86 million) under revenue arrears at year-end included balances totaling P407.99 million (96%) (2017: P421.71 million) which were dormant and whose recoverability was doubtful.	
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	B	B	BURS transfers tax collections to the Government on a daily, weekly, and monthly basis depending on the category of revenue.	No change
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	D	D	Complete reconciliation of tax assessments and collections are not done in a timely manner.	No change
<b>PI-16 Predictability in the availability of funds for commitment of expenditures</b>	<b>D+</b>	<b>B</b>		<b>Improvement</b>
(i) Extent to which cash flows are forecasted and monitored	D	D	A cash flow forecasting committee was formed. Cash flow forecasts are performed weekly, monthly and quarterly by MDAs. But there are no annual cash flow forecasts.	No Change
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	A	A	Commitment ceilings for the fiscal year are issued to MDAs by the beginning of the budget implementation period.	No Change
(iii) Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	A	B	Supplementary and virement requests are conducted and approved throughout the financial year. Virements are not as transparent as supplementary requests because virements do not require approval from the Legislature.	Deterioration
<b>PI-17 Recording and management of cash balances, debt and guarantees</b>	<b>B</b>	<b>C</b>		<b>Deterioration</b>
(i) Quality of debt data recording and reporting	C	B	Domestic and foreign debt records are updated and reconciled quarterly.	Improvement
(ii) Extent of consolidation of the	B	D	Consolidation of balances takes place irregularly. No information on which cash	Deterioration



government's cash balances			balances are consolidated by Treasury and MDAs.	
(iii) Systems for contracting loans and issuance of guarantees	B	C	Debt must be approved by Parliament, but no evidence of clear criteria.	Deterioration
<b>PI-18 Effectiveness of payroll controls</b>	<b>B+</b>	<b>C+</b>		<b>Deterioration</b>
(i) Degree of integration and reconciliation between personnel records and payroll data	A	A	The personnel and payroll systems are integrated. However, the reconciliation process is done on an annual basis.	No change
(ii) Timeliness of changes to personnel records and the payroll	A	C	MDAs try to complete changes to personnel records and payroll within 30 days. Some delays may occur which leads to retroactive adjustments.	Deterioration
(iii) Internal controls of changes to personnel records and the payroll	A	A	Internal controls are in place. Any changes will result in an audit trail.	No change
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	B	B	A payroll audit was last completed in FY 2017/18. A payroll audit has been completed at least twice over the last three fiscal years.	No change
<b>PI-19 Competition, value for money and controls in procurement</b>	<b>B+</b>	<b>B</b>		<b>Deterioration</b>
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework.	B	A	Meets 6 out of the 6 requirements. There is transparency and comprehensiveness in the legal and regulatory framework.	Improvement
(ii) Use of competitive procurement methods	A	D	Competitive procurement methods have been identified and are used less than 50% of the time by large MDAs. However, some MDAs tend to circumvent the competitive procurement process due to emergency and timing constraints.	Deterioration
(iii) Public access to complete, reliable and timely procurement information	B	A	The government makes available to the public bidding opportunities and contract awards in a timely manner.	Improvement

(iv) Existence of an independent administrative procurement complaints system	A	B	An independent administrative procurement complaints system exists. Meets at least (i), (ii), and three of the five criteria. Fees are charged that may be considered too high and may serve as a deterrent.	Deterioration
<b>PI-20 Effectiveness of internal controls for non-salary expenditure</b>	<b>C+</b>	<b>C+</b>		<b>No change</b>
(i) Effectiveness of expenditure commitment controls	B	C	Commitment controls exist, but are partially effective and are occasionally violated by the larger, more dominate MDAs. This is because IFMS does not have commitment control indicators at the various expenditure levels.	Deterioration
(ii) Comprehensive-ness, relevance and understanding of other internal control rules/procedures.	A	A	Internal control rules and procedures are comprehensive. MDAs have access to internal control rules and procedures.	No Change
(iii) Degree of compliance with rules for processing and recording transactions	C	B	Rules are adhered by most MDAs. However, there are still some areas of concern. Systems such as GABS, IFAR and SWIMS are in place to promote compliance.	Improvement
<b>PI-21 Effectiveness of internal audit</b>	<b>B</b>	<b>C+</b>		<b>Deterioration</b>
(i) Coverage and quality of the internal audit function	B	B	Audits follow international standards.	No change
(ii) Frequency and distribution of reports	B	B	Internal audits are conducted annually and distributed to stakeholders, but not on a fixed schedule.	No change
(iii) Extent of management response to internal audit function.	B	C	The responses to internal audit functions needs improvement. The extent of management responses is inconsistent and not timely.	Deterioration
<b><i>C(iii) Accounting, Recording and Reporting</i></b>				
<b>PI-22 Timeliness and regularity of accounts reconciliation</b>	<b>C</b>	<b>D</b>		<b>Deterioration</b>
(i) Regularity of bank reconciliation	D	D	There continues to be backlogs, of several years, that have not been resolved. The general ledger and bank statements are not accurate.	No change
(ii) Regularity and clearance of	B	D	Advance accounts continue to carry a balance at year-end are not cleared in a	Deterioration

suspense accounts and advances			timely manner. Reform efforts are underway to address this weakness.	
<b>PI-23 Availability of information on resources received by service delivery units</b>	<b>A</b>	<b>C</b>	<b>There is inconsistency on comprehensive data collected by MDAs on resources to service delivery units. Only occasional surveys show the resources provided.</b>	<b>Deterioration</b>
<b>PI-24 Quality and timeliness of in-year budget reports</b>	<b>A</b>	<b>C+</b>		<b>Deterioration</b>
(i) Scope of reports in terms of coverage and compatibility with budget estimates	A	C	Classification allows comparison to the budget. The warranted stage. The actual expenditure stage is captured.	Deterioration
(ii) Timeliness of the issue of reports	A	A	Reports are produced monthly usually by the 15 <sup>th</sup> of the following month.	No change
(iii) Quality of information	A	C	There are some concerns about the accuracy of information. The scope of reports and the quality of information has been compromised due to outstanding reconciliation issues.	Deterioration
<b>PI-25 Quality and timeliness of annual financial statements</b>	<b>C+</b>	<b>C+</b>		<b>No Change</b>
(i) Completeness of the financial statements	B	C	The ASA is prepared annually and includes information on revenue, expenditure and financial assets and liabilities. However, the general ledger and bank statements are not accurate due to delays in reconciliation.	Deterioration
(ii) Timeliness of submissions of the financial statements	B	A	The ASA was submitted for external audit within 6 months from the end of the financial year. Balance sheets submitted on October 3, 2018 and the other statements were submitted on September 28, 2018.	Improvement
(iii) Accounting standards used	C	C	A modified accounting standard is currently used.	No change
<b><i>C(iv) External Scrutiny and Audit</i></b>				
<b>PI-26 Scope, nature and follow-up of external audit</b>	<b>C+</b>	<b>D+</b>		<b>Deterioration</b>
(i) Scope/nature of audit performed (including adherence to auditing standards)	C	A	The Auditor General has performed financial audits for all MDAs, special funds and some state- owned entities for 2014/15, 2015/16 and 2016/17. Performance audits were conducted for selected development projects under MDAs and Local Authorities.	Improvement
(ii) Timeliness of submission of audit	A	B	Audit reports were submitted to the Legislature after six months from receipt of	Deterioration

reports to the Legislature			financial reports, but in less than eight months.	
(iii) Evidence of follow up on audit recommendations	B	D	There was no evidence of a format for follow-up on audits for which follow up was expected as stated by the OAG. Follow up on audit recommendations was weak and inconsistent.	Deterioration
<b>PI-27 Legislative scrutiny of the annual budget law</b>	<b>B+</b>	<b>B</b>		<b>Deterioration</b>
(i) Scope of the legislature scrutiny	B	C	The Legislative scrutiny of the annual budget is limited. The review covers details of expenditures and revenues, but not fiscal policies. The Legislature does not have a budget office or staff with relevant technical skills.	Deterioration
(ii) Extent to which the legislature's procedures are well established and respected	A	B	The Legislature adheres to the Constitution and other legal frameworks governing the annual budget process. Legislature's budget reviews follow simple procedures which are respected.	Deterioration.
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	B	A	The Legislature has at least two months to review the budget proposal.	Improvement
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	A	B	Virements are allowed after six months of the new fiscal year. Virement requests are not approved by Parliament. The process is not transparent. The PFM Act outlines amendments to the budget. Virements are managed by accounting officers with a request for approval to MFED.	Deterioration
<b>PI-28 Legislative scrutiny of external audit reports</b>	<b>A</b>	<b>B+</b>		<b>Deterioration</b>
(i) Timeliness of examination of audit reports by the legislature	A	B	For 2014/15 and 2015/16, audit reports were examined by Parliament within three months from receipt of reports whereas in 2016/17 audit reports were examined by Parliament within six months.	Performance slightly declined because examination of

				audit reports by Parliament was done within six months for the financial year 2016/17, instead of the ideal 3 months.
(ii) Extent of hearing on key findings undertaken by the legislature	A	A	All Accounting Officers attend hearings as per the PAC Timetable and are examined on the financial statements as contained in Annual Statement of Accounts and the Accounts of Special Funds. This is done in the presence of a Technical Advisor on secondment from the Office of the Auditor General.	No change
(iii) Issuance of recommended actions by the legislature and implementation by the executive	A	B	During every PAC sitting, there is a review of the recommendations stated in the last sitting and progress on the implementation of such recommendations per ministry.	Deterioration
<b>D. Donor Practices</b>				
<b>D-1 Predictability of Direct Budget Support</b>	<b>D+</b>	<b>D+</b>		<b>No change</b>
(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body)	B	C	Unable to confirm the timing of budget support. Direct donor support is limited and unpredictable.	Deterioration
(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	D	D	Donors often do not comply with providing quarterly estimates.	No change
<b>D-2 Financial information provided by donors for budgeting and reporting on project and program aid</b>	<b>D</b>	<b>D</b>		<b>No change</b>

(i) Completeness and timeliness of budget estimates by donors for project support	D	D	Donor projects and program support is communicated but the actual budget estimates are not provided.	No change
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	D	D	Coverage and frequency are inadequate.	No change
<b>D-3 Proportion of aid that is managed by use of national procedures</b>	<b>C</b>	<b>NR</b>		<b>Deterioration</b>
(i) Overall proportion of aid funds to central government that are managed through national procedures	C	NR	Unable to confirm the overall proportion of aid funds.	Deterioration

# Annex 5: Calculations on Expenditures and Revenues

## PART 1: Expenditure Composition Outturn by Function (PI-2.1)

(Pula Millions)

Data for year = 2015/16						
Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
General Public Services	10 768.06	9 377.26	10 863.34	-1 486.08	1 486.08	13.7%
Defence	4 088.52	4 092.23	4 124.70	-32.47	32.47	0.8%
Education	11 751.31	11 972.79	11 855.29	117.50	117.50	1.0%
Health	5 934.11	6 012.60	5 986.62	25.98	25.98	0.4%
Food and Social Welfare Programmes	1 941.94	1 868.78	1 959.12	-90.34	90.34	4.6%
Housing, Urban and Regional Development	3 068.75	2 868.16	3 095.90	-227.74	227.74	7.4%
Other Community and Social Services	1 931.13	1 856.12	1 948.22	-92.10	92.10	4.7%
Economic Services	10 084.05	11 958.51	10 173.27	1 785.24	1 785.24	17.5%
General Administration, Regulation and Technical Services	476.76	527.87	480.98	46.89	46.89	9.7%
Agriculture, Forestry and Fishing	2 126.05	2 757.02	2 144.86	612.16	612.16	28.5%
Mining	433.22	324.64	437.05	-112.41	112.41	25.7%
Electricity and Water Supply	3 168.57	4 275.81	3 196.61	1 079.20	1 079.20	33.8%
Roads	1 544.78	1 118.92	1 558.45	-439.53	439.53	28.2%
Air Transport	357.00	404.63	360.16	44.47	44.47	12.3%
Rail Transport	0.00	0.00	0.00	0.00	0.00	0%
Post and Telecommunication	1 039.65	1 271.35	1 048.85	222.50	222.50	21.2%
Other Transport	5.00	0.13	5.04	-4.91	4.91	97.4%
Promotion of Commerce and Industry	933.02	1 278.14	941.28	336.86	336.86	35.8%
Storage	0.00	0.00	0.00	0.00	0.00	0.0%
<b>Allocated expenditure</b>	<b>49 567.87</b>	<b>50 006.45</b>	<b>50 006.45</b>	<b>0.00</b>	<b>3 857.45</b>	<b>0.5%</b>
<b>Unallocated expenditure</b>	<b>3 506.41</b>	<b>3 577.96</b>	<b>3 537.43</b>			
Interest	1 078.65	826.75				
<b>Sub Total</b>	<b>54 152.93</b>	<b>54 411.16</b>				
Contingency	10.00	5.50				
<b>Total Expenditure</b>	<b>54 162.93</b>	<b>54 416.66</b>				
<b>Aggregate outturn variance (PI-1)</b>						<b>0.5%</b>
<b>Composition (PI-2) variance</b>						<b>7.7%</b>
<b>Contingency share of budget</b>						<b>0.01%</b>

<b>Data for year = 2016/17</b>						
<b>Administrative or Functional Head</b>	<b>Budget</b>	<b>Actual</b>	<b>Adjusted Budget</b>	<b>Deviation</b>	<b>Absolute Deviation</b>	<b>%</b>
General Public Services	9 817.01	9 827.37	10 166.47	-339.10	339.10	3%
Defence	6 114.24	5 972.43	6 331.89	-359.46	359.46	6%
Education	12 148.79	12 839.82	12 581.26	258.56	258.56	2%
Health	6 325.37	6 355.14	6 550.54	-195.40	195.40	3%
Food and Social Welfare Programmes	1 898.27	1 859.09	1 965.84	-106.75	106.75	5%
Housing, Urban and Regional Development	2 680.48	2 541.76	2 775.90	-234.14	234.14	8%
Other Community and Social Services	1 948.21	1 747.81	2 017.56	-269.75	269.75	13%
Economic Services	9 229.43	10 804.02	9 557.98	1 246.04	1 246.04	13%
General Administration, Regulation and Technical Services	430.30	423.79	445.62	-21.83	21.83	5%
Agriculture, Forestry and Fishing	1 863.50	1 247.81	1 929.84	-682.03	682.03	35%
Mining	351.57	1 131.98	364.09	767.89	767.89	211%
Electricity and Water Supply	3 238.78	5 047.96	3 354.07	1 693.89	1 693.89	51%
Roads	1 273.64	1 244.67	1 318.98	-74.31	74.31	6%
Air Transport	197.20	240.49	204.22	36.27	36.27	18%
Rail Transport	0.00	0.00	0.00	0.00	0.00	0%
Post and Telecommunication	918.52	784.84	951.22	-166.38	166.38	17%
Other Transport	0.00	0.00	0.00	0.00	0.00	0%
Promotion of Commerce and Industry	955.92	682.48	989.95	-307.47	307.47	31%
Storage	0.00	0.00	0.00	0.00	0.00	0%
<b>Allocated expenditure</b>	<b>50 161.80</b>	<b>51 947.44</b>	51 947.44	<b>0.00</b>	<b>3 009.21</b>	<b>0.54</b>
<b>Unallocated expenditure</b>	3 546.45	3 449.58				
Interest	736.28	877.83				
<b>Sub Total</b>	<b>54 444.53</b>	<b>56 274.85</b>				
Contingency	10.00	0.00				
<b>Total Expenditure</b>	<b>54 454.53</b>	<b>56 274.85</b>				
				<b>Aggregate outturn variance (PI-1)</b>		<b>3.3%</b>
				<b>Composition (PI-2) variance</b>		<b>5.8%</b>
				<b>Contingency share of budget</b>		<b>0.0%</b>



<b>Data for year = 2017/18</b>						
<b>Administrative or Functional Head</b>	<b>Budget</b>	<b>Actual</b>	<b>Adjusted Budget</b>	<b>Deviation</b>	<b>Absolute Deviation</b>	<b>%</b>
General Public Services	11 114.98	9 997.96	10 843.74	-845.78	845.78	7.8%
Defence	5 301.20	5 078.67	5 171.84	-93.17	93.17	1.8%
Education	12 707.92	13 174.07	12 397.81	776.26	776.26	6.3%
Health	7 226.22	7 137.45	7 049.88	87.57	87.57	1.2%
Food and Social Welfare Programmes	1 850.49	2 551.43				
Housing, Urban and Regional Development	3 129.45	1 939.25	3 053.08	-1 113.83	1 113.83	36.5%
Other Community and Social Services	2 039.48	1 881.29	1 989.71	-108.42	108.42	5.4%
Economic Services	11 236.83	11 513.90	10 962.62	551.28	551.28	5.0%
General Administration, Regulation and Technical Services	297.99	173.38	290.72	-117.34	117.34	40.4%
Agriculture, Forestry and Fishing	1 917.62	2 019.49	1 870.82	148.67	148.67	7.9%
Mining	387.70	939.93	378.24	561.69	561.69	148.5%
Electricity and Water Supply	5 013.34	4 800.88	4 891.00	-90.12	90.12	1.8%
Roads	1 466.96	1 824.68	1 431.16	393.52	393.52	27.5%
Air Transport	129.81	165.68				
Rail Transport	0.00	0.00	0.00	0.00	0.00	0.0%
Post and Telecommunication	1 086.54	668.13	1 060.03	-391.90	391.90	37.0%
Other Transport	0.00	0.00				
Promotion of Commerce and Industry	936.87	921.74	914.01	7.73	7.73	0.8%
Storage	0.00	0.00	0.00	0.00	0.00	0.0%
<b>Allocated expenditure</b>	<b>54 606.57</b>	<b>53 274.02</b>	<b>51 468.69</b>	<b>-746.10</b>	<b>3 576.31</b>	<b>0.64%</b>
<b>Unallocated expenditure</b>	<b>4 034.58</b>	<b>4 129.41</b>				
Interest	902.63	989.52				
<b>Sub Total</b>	<b>59 543.78</b>	<b>58 392.95</b>				
Contingency	10.00	0.00				
<b>Total Expenditure</b>	<b>59 553.78</b>	<b>58 392.95</b>				
<b>Aggregate outturn variance (PI-1)</b>						<b>-1.9%</b>
<b>Composition (PI-2) variance</b>						<b>6.9%</b>
<b>Contingency share of budget</b>						<b>0.0%</b>

<b>Part 1 Results: Expenditure Outturns</b>			
	<b>for PI-1.1</b>	<b>for PI-2.1</b>	<b>for PI-2.3</b>
<b>Year</b>	<b>Total Expenditure Outturn Variance</b>	<b>Functional Composition Variance</b>	<b>Contingency Share</b>
2015/16	0.5%	7.7%	0.003%
2016/17	3.3%	5.8%	
2017/18	-1.9%	6.9%	

## PART 2: Expenditure Composition Outturn by Economic Class (PI-2.2)

(Pula Millions)

<b>Data for year = 2015/16</b>						
<b>Administrative or Functional Head</b>	<b>Budget</b>	<b>Actual</b>	<b>Adjusted Budget</b>	<b>Deviation</b>	<b>Absolute Deviation</b>	<b>%</b>
Compensation of employees	16 057.00	18 544.01	16 133.57	2 410.44	2 410.44	14.9%
Use of goods and services	13 296.26	9 773.84	13 359.66	-3 585.82	3 585.82	26.8%
Consumption of fixed capital	12 933.16	12 772.93	12 994.83	-221.90	221.90	1.7%
Interest	1 078.65	826.75	1 083.79	-257.04	257.04	23.7%
Subsidies	-	-	0.00	0.00	0.00	#DIV/0!
Grants	10 863.86	11 268.76	10 915.66	353.10	353.10	3.2%
Social benefits	-	-	0.00	0.00	0.00	0.0%
Other expenses	-76.00	1 224.87	-76.36	1 301.23	1 301.23	-1704.0%
<b>Total expenditure</b>	<b>54 152.93</b>	<b>54 411.16</b>	<b>54 411.16</b>	<b>0.00</b>	<b>8 129.54</b>	
<b>Composition variance</b>						<b>14.9%</b>

<b>Data for year = 2016/17</b>						
<b>Economic head</b>	<b>Budget</b>	<b>Actual</b>	<b>Adjusted Budget</b>	<b>Deviation</b>	<b>Absolute Deviation</b>	<b>Percent</b>
Compensation of employees	18 106.53	19 224.44	18 715.24	509.20	509.20	2.7%
Use of goods and services	9 870.68	9 740.20	10 202.52	462.32	462.32	4.5%
Consumption of fixed capital	14 821.21	15 160.79	15 319.47	158.68	158.68	1.0%
Interest	736.28	877.83	761.03	116.80	116.80	15.3%
Subsidies	-	-	-	-	-	0.0%
Grants	10 985.83	11 323.69	11 355.15	31.46	31.46	0.3%
Social benefits	-	-	-	-	-	0.0%
Other expenses	76.00	52.09	78.55	26.46	26.46	-33.7%
<b>Total expenditure</b>	<b>54 445</b>	<b>56 275</b>	<b>56 275</b>	<b>0</b>	<b>1 305</b>	
<b>Composition variance</b>						<b>2.3%</b>

**Data for year = 2017/18**

<b>Economic head</b>	<b>Budget</b>	<b>Actual</b>	<b>Adjusted Budget</b>	<b>Deviation</b>	<b>Absolute Deviation</b>	<b>Percent</b>
Compensation of employees	21 450.10	21 068.42	21 035.52	32.90	32.90	0.2%
Use of goods and services	8 222.45	9 312.52	8 063.53	1 248.99	1 248.99	15.5%
Consumption of fixed capital	16 520.29	14 745.84	16 200.99	-1 455.15	1 455.15	9.0%
Interest	902.64	989.52	885.19	104.33	104.33	11.8%
Subsidies	-	-	-	-	-	0.0%
Grants	12 495.75	12 191.68	12 254.24	-62.56	62.56	0.5%
Social benefits	-	-	-	-	-	0.0%
Other expenses	-47.46	84.96	-46.54	131.50	131.50	-282.5%
<b>Total expenditure</b>	<b>59 543.77</b>	<b>58 392.94</b>	<b>58 392.94</b>	<b>-0.00</b>	<b>3 035.43</b>	
<b>Composition variance</b>						<b>5.2%</b>

**Part 2 Results: Expenditure Composition Outturns by Economic Class (PI-2.2)**

Year	Composition variance
2015/16	14.9%
2016/17	2.3%
2017/18	5.2%

## PART 3: Revenue Composition Outturn (PI-3.2)

(Pula Millions)

Data for year = 2015/16						
Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
<b>Tax revenues</b>						
Taxes on income, profit and capital gains	5 856.52	6 321.14	5 014.6	1 306.5	1 306.5	26.1%
Taxes on payroll and workforce	7 994.59	6 825.45	6 845.3	-19.9	19.9	0.3%
Taxes on property	59.99	53.10	51.4	1.7	1.7	3.4%
Taxes on goods and services	6 736.43	5 758.84	5 768.0	-9.2	9.2	0.2%
Taxes on international trade and transactions	16 493.06	15 928.25	14 122.1	1 806.2	1 806.2	12.8%
Other taxes	-	-	0.0	0.0	0.0	
<b>Social contributions</b>						
Social security contributions	0	0	0.0	0.0	0.0	
Other social contributions	0	0	0.0	0.0	0.0	
<b>Grants</b>						
Grants from foreign governments	165.99	71.24	142.1	-70.9	70.9	49.9%
Grants from international organizations	0.97	2.54	0.8	1.7	1.7	205.9%
Grants from other government units			0.0	0.0	0.0	
<b>Other revenue</b>						
Property income	1 200.88	1 248.05	1 028.2	219.8	219.8	21.4%
Sales of goods and services	118.62	113.02	101.6	11.4	11.4	11.3%
Fines, penalties and forfeits	772.67	954.73	661.6	293.1	293.1	44.3%
Transfers not elsewhere classified	91.35	69.16	78.2	-9.1	9.1	11.6%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			0.0	0.0	0.0	
All Other	15 890.76	10 074.80	13 606.4	-3 531.6	3 531.6	26.0%
<b>Total revenue</b>	<b>55 381.84</b>	<b>47 420.32</b>	<b>47 420.3</b>	<b>0.0</b>	<b>7 281.1</b>	
Overall Variance						85.6%
Composition Variance						15.4%

<b>Data for year = 2016/17</b>						
<b>Administrative or Functional Head</b>	<b>Budget</b>	<b>Actual</b>	<b>Adjusted Budget</b>	<b>Deviation</b>	<b>Absolute Deviation</b>	<b>Percent</b>
<b>Tax revenues</b>						
Taxes on income, profit and capital gains	6 162.16	7 330.87	7 308.1	22.8	22.8	0.3%
Taxes on payroll and workforce	8 412.46	9 453.87	9 976.9	-523.0	523.0	5.2%
Taxes on property	50.00	54.52	59.3	-4.8	4.8	8.1%
Taxes on goods and services	6 120.32	6 840.56	7 258.5	-417.9	417.9	5.8%
Taxes on international trade and transactions	11 931.65	11 884.06	14 150.5	-2 266.5	2 266.5	16.0%
Other taxes	0	0	0.0	0.0	0.0	
<b>Social contributions</b>						
Social security contributions	0	0	0.0	0.0	0.0	
Other social contributions	0	0	0.0	0.0	0.0	
<b>Grants</b>						
Grants from foreign governments	142.9		169.5	-169.5	169.5	100.0%
Grants from international organizations	0.97	1.38	1.2	0.2	0.2	19.7%
Grants from other government units			0.0	0.0	0.0	
<b>Other revenue</b>						
Property income	1 071.36	95.33	1 270.6	-1 175.3	1 175.3	92.5%
Sales of goods and services	119.98	122.38	142.3	-19.9	19.9	14.0%
Fines, penalties and forfeits	1 007.29	1 332.00	1 194.6	137.4	137.4	11.5%
Transfers not elsewhere classified	7.92	1 554.39	9.4	1 545.0	1 545.0	16448.5%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			0.0	0.0	0.0	
All Other	13 371.09	18 729.08	15 857.6	2 871.4	2 871.4	18.1%
Total revenue	48 398.10	57 398.43	57 398.4	0.0	9 153.6	
Overall Variance						118.6%
Composition Variance						15.9%

<b>Data for year = 2017/18</b>						
<b>Economic head</b>	<b>Budget</b>	<b>Actual Millions</b>	<b>Adjusted Budget</b>	<b>Deviation</b>	<b>Absolute Deviation</b>	<b>Percent</b>
<b>Tax revenues</b>						
Taxes on income, profit and capital gains	7 147.90	6 884.75	7 050.9	-166.2	166.2	2.4%
Taxes on payroll and workforce	8 890.21	6 893.99	8 769.6	-1 875.6	1 875.6	21.4%
Taxes on property	50.00	56.76	49.3	7.4	7.4	15.1%
Taxes on goods and services	8 292.03	8 055.92	8 179.5	-123.6	123.6	1.5%
Taxes on international trade and transactions	17 195.44	17 992.96	16 962.1	1 030.9	1 030.9	6.1%
Other taxes	0	-	0.0	0.0	0.0	
<b>Social contributions</b>						
Social security contributions	0	0	0.0	0.0	0.0	
Other social contributions	0	0	0.0	0.0	0.0	
<b>Grants</b>						
Grants from foreign governments	207.89	170.41	205.1	-34.7	34.7	16.9%
Grants from international organizations	0.97	11.43	1.0	10.5	10.5	1094.8%
Grants from other government units			0.0	0.0	0.0	
<b>Other revenue</b>						
Property income	946.33	1 777.32	933.5	843.8	843.8	90.4%
Sales of goods and services	122.83	112.52	121.2	-8.6	8.6	7.1%
Fines, penalties and forfeits	998.18	1 004.62	984.6	20.0	20.0	2.0%
Transfers not elsewhere classified	48.01	28.47	47.4	-18.9	18.9	39.9%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	-	-	0.0	0.0	0.0	
All other	13 287.32	13 421.89	13 107.0	314.9	314.9	2.4%
<b>Total revenue</b>	<b>57 187.11</b>	<b>56 411.05</b>	<b>56 411.1</b>	<b>0.0</b>	<b>4 455.0</b>	
Overall variance						98.6%
Composition variance						7.9%

<b>Part 3 Results: Revenue Composition Outturns</b>		
<b>Year</b>	<b>PI-3.1 Aggregate Revenue Variance</b>	<b>PI-3.2 Revenue Composition Variance</b>
2015/16	85.6%	15.4%
2016/17	118.6%	15.9%
2017/18	98.6%	7.9%

## Annex 6: BURS – Additional Information

The tax administration has well-functioning administrative procedures and processes that allow redress such as fair and independent body of appeals procedures. Each tax stream has its own tax appeals mechanism in place as stipulated in the relevant Act. The administrative procedures for each tax stream are as follows:

### 1. VAT redress mechanisms

Chapter 50:03 Value Added Tax, Section 30-32 spell out the administrative procedure as follows:

#### Section 30. Objection

- (1) The first recourse availed to a dissatisfied person with an appealable decision may lodge an objection to the decision with the Commissioner General within 30 days after service of the notice of the decision.
- (2) Upon application in writing by a person dissatisfied with an appealable decision, the Commissioner General may, where satisfied that owing to absence from Botswana, sickness, or other reasonable cause, the person was prevented from lodging an objection to the decision within the time specified under subsection (1) and there has been no unreasonable delay by the person in lodging the objection, accept an objection lodged after the time specified under subsection (1).
- (3) An objection to an appealable decision shall be in writing and specify in detail, the grounds upon which it is made.
- (4) In the case of an objection to an assessment, the Commissioner General may consider the objection only if the person assessed has paid the tax due under the assessment; or (b) the Commissioner General is satisfied that the person objecting is unable to pay the full amount of tax due and has given sufficient security for the amount of tax unpaid and any penalty that may become payable.
- (5) After considering the objection, the Commissioner General may allow the objection in whole or in part and amend the assessment or the decision objected to accordingly or disallow the objection.
- (6) The Commissioner General shall serve the person objecting with notice in writing of the decision on the objection.
- (7) A person dissatisfied with a decision of the Commissioner General under subsection (2) may appeal against the decision only in accordance with the provisions of this Part.

#### Section 31. Appeals

- (1) In this section-"Board of Adjudicators" means a board appointed by the Minister to hear any matter in dispute between the Commissioner General and any person in respect of the person's liability or assessment for tax.
- (2) A person dissatisfied with a decision under section 30(5) may, within 30 days after the person was served with notice of the decision, lodge with the Commissioner General, a notice of appeal to the High Court or, at the person's option, the Board of Adjudicators.
- (3) Upon application in writing by a person dissatisfied with a decision under section 30(5), the Commissioner General may, where satisfied that owing to absence from Botswana, sickness, or other reasonable cause, the person was prevented from lodging a notice of

appeal within the time specified under subsection (2) and there has been no unreasonable delay by the person in lodging the notice, except a notice of appeal lodged after the time specified under subsection (2).

- (4) The provisions of sections 90-94, except for section 91(3), and except for the time period to lodge an appeal under section 91(2)(c) of the Income Tax Act and any regulation made under that Act relating to the High Court or the Board of Adjudicators and to any appeal in terms of section 93 of that Act, shall apply with necessary changes made to adapt those rules to a value added tax appeal.
- (5) A person dissatisfied with a decision of the Commissioner General under subsection, (3) may appeal against the decision only in accordance with the provisions of this Part.

## **2. Income Tax redress mechanism, Income Tax Act Sections 88-94 Chapter 52:01 Income Tax, Section 88-94 spells out the administrative procedure as follows:**

### **Objection of Assessment**

Any person aggrieved by an assessment made on him or her may, by notice in writing lodge with the Commissioner General within 60 days after the date of the notice of assessment, object to the assessment accordingly. Provided that the Commissioner General shall not consider an objection to an assessment in terms of this subsection unless he or she is satisfied that reasonable cause has been shown for the delay in lodging the objection or furnishing the tax return, as the case may be, and tax due on the tax return furnished has been paid. Any person who is aggrieved by a decision of the Commissioner General on an objection (hereinafter referred to as "the appellant") may, by notice of appeal, appeal to the High Court; or to the Board of adjudicators.

### **Board of Adjudicators**

For the purposes of this Part there shall be a Board of Adjudicators constituted and regulated in accordance with the provisions of the Ninth Schedule.

### **Hearing by the Board of Adjudicators or High Court**

Upon every hearing of an appeal by the Board of Adjudicators or the High Court, the Board or the Court may confirm, increase, annul or order the reduction of any assessment, or may make such other order as it deems fit.

### **Right of further appeal**

The Commissioner General or the appellant may appeal to the High Court from any decision of the Board of Adjudicators which involves a question of law, including a question of mixed fact and law, or where the amount of tax in dispute exceeds the sum of P10,000, but in any other case the decision of the Board of Adjudicators on an appeal shall be final

## **3. Customs Act redress mechanism, Customs Act, Section 380 – 384.**

Any person aggrieved by a decision of Revenue Service may lodge an appeal with the Commissioner General. (2) An appeal lodged under subsection (1) shall be made by the person concerned in writing within 30 days from the date of the decision by Revenue Service and shall specify particulars of the grounds on which it is made. (3) The Commissioner General shall consider the appeal lodged and may amend, vary, or uphold the decision by Revenue Service and shall, by notice in writing, inform the person concerned of his or her decision. (4)



A person aggrieved by the decision of the Commissioner General under this section may within 30 days from the date of the decision of the Commissioner General, lodge an appeal with the High Court.