The European Union's EDF Programme for Mauritius

PEFA Public Financial Management Performance Assessment Report for Mauritius

Project No. 2006/129349

Final Comprehensive Report

4 June 2007

This project is funded by the European Union

SIPU INTERNATIONAL
SWEDISH INSTITUTE FOR PUBLIC ADMINISTRATION

A project implemented by SIPU International
(Consortium POHL CONSULTING & ASSOCIATES)

REPORT COVER PAGE

Project Title	:	Public Financial Management assessment for Mauritius based on PEFA			
Project No.	:	2006/129349			
Country :		Mauritius			
		Partner	EU Agency	Framework Contractor	Implementing Partner
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Date of report: 4 June 2007

Reporting period: 2 February to 4 June 2007

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Project starting date: 2 February 2007

Start date of activities: 3 February 2007

Project duration : 4 months

Acknowledgements

This comprehensive version of the final report includes extensive explanations and background information to the Mauritian PFM set-up and the rating towards the different indicators. It is mainly intended as a version available for readers that wish a more in-depth picture and understanding. A shorter “executive” version in line with the terms of reference is submitted in parallel as the official final report.

Feed-back and comments related to the first draft report have been received from MOFED, the EU Delegation in Mauritius and the PEFA Secretariat at the World Bank in Washington. These useful comments have at large been incorporated in the two final reports. No significant discrepancies are deemed to remain in opinion related to content of the reports.

The Assessment Team wishes to thank all those who have participated and contributed in the process. Special thanks go to the management and staff members of the Ministry of Finance and Economic Development, the EU delegation in Mauritius, EU in Brussels and the PEFA Secretariat for moral, financial and professional support to this mission.

Finn Hedvall Bo Sandberg Ryaad Owodally

Acronyms and Abbreviations

ABB	Activity Based Budget
AGA	Autonomous Government Agencies
AO	Accounting Officer
Bn	Billion
COFOG	Classification of Functions of Government
CFAA	Country Financial Accountability Assessment
CISD	Central Information System Department
CTB	Central Tender Board
DoA	Director of Audit (NAO)
DSA	Debt Sustainability Analysis
EU	European Union
FMS	Financial Management System
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GRM	Government of the Republic of Mauritius
HIPC	Highly Indebted Poor Countries
IAG	Internal Auditor General
ICT	Information and Communication Technology
IFAC	International Federation of Accountants
IFMIS	Integrated Financial Management Information System
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
INTOSAI	International Organisation for Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards (of IFAC)
ISPPIA	International Standards for the Professional Practice of Internal Auditors
MDAs	Ministries, Departments and Agencies
MICA	Mauritius Institute of Chartered Accountants
Mn	Million
MOFED	Ministry of Finance and Economic Development
MOLG	Ministry of Local Government
MRA	Mauritius Revenue Authority
MTEF	Medium Term Expenditure Framework
NGO	Non Government Organisations
NAO	National Audit Office
PAC	Public Accounts Committee
PE	Public Enterprises
PEFA	Public Expenditure and Financial Accountability
PEMFA	Public Expenditure Management and Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PFM-PR	Public Financial Management Performance Report
PI	Performance Indicator
PRS	Poverty Reduction Strategy
PSM	Public Service Management
PSRP	Public Sector Reform Programme
SN	Sub National Government
STA	Single Treasury Account
TOR	Terms of Reference
WB	World Bank

Currency: Throughout the report Rs have been used indicating Mauritian Rupees. As at 1 June 2007 100 Rs= 24 € = 32 US$

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SUMMARY ASSESSMENT

The main rationale for a PEFA assessment[1] is to identify strengths and weaknesses in the Public Financial Management system. The assessment shall serve as a basis for the further identification of a feasible reform programme which, where needed, can receive donor support. An efficient PFM system is a key factor to the efficient use of a nation's scarce public resources and the realization of public sector objectives such as poverty reduction, and support towards national growth and prosperity. A trustworthy and efficient national PFM system is also one important prerequisite for donors to provide general budget support and to use national PFM systems.

(i) Integrated assessment of PFM performance

Credibility of the budget

The overall budget balance is under control although the budget is based on an increasing deficit over the three years studied as well as an aggregate outcome which 2005/06 exceeded the budgeted deficit. Overall macro projections are at present not systematically integrated in the budget presentation which may contribute to the problems to contain costs.

Outcome as compared to allocations between sectors has over the studied years showed only minor deviations. In general however the capital budget has been underspent and the recurrent budget overspent. The efforts to introduce mid term expenditure frameworks related to sector plans have not yet yielded the desired results and more efforts are planned in this area.

Revenue estimates have been accurate as compared to outcome although tax compliance is one problem area. Revenues have risen over the last three years. Current plans and efforts to reform the tax system are not as a main purpose aiming for a raised revenue level but rather a flatter and fair system. A close monitoring of reform results will be of essence.

Accumulation and management of expenditure arrears do not constitute a problem for the central government budget entities.

The financial information structure in the budget and accounts is good, but functional/programmatic classification can be deepened and developed.

Comprehensiveness and transparency of the budget

Most important macro indicators are included in the budget documents. The analytical conclusions from the figures are mainly found in the budget speech. In essence much is covered, but the main documents are very detailed and technical in nature. This leads to a problem of oversight and a lack of analysis of different scenarios and options.

Information pertaining to sector development and budget implications of reforms is not covered in the budget document for 2005/06. A Medium Term Economic Framework (MTEF) was appended in the previous budget and there are advanced plans to include such information in the budget for 2007/08.

The extent of unreported government operations is large. These feature as transfers in the budget. Such funds constitute around Bn Rs 8 out of the total budget of Bn Rs 50. Transfers to tertiary training institutions is one component and constitute around Bn Rs 1. A more detailed reporting of estimates and financial outcome for these funds is only made in statistics for general government expenditure.

A large portion of donor support is provided as loans for projects and as a sector budget support to the wastewater sector. Such support is properly presented both in budget and outcomes, to a large extent using national procedures.

The "horizontal" allocation towards municipalities and districts is transparent at large, but the system is not regarded as fair as it builds on old population and other data. Allocations are known in advance

[1] The PEFA PFM Performance Measurement Framework was developed in conjunction with a group of co-operating partners as a tool for the measurement and monitoring of PFM systems performance. It defines the content of a PFM performance report, and a set of high-level indicators covering all aspects of public financial management.

but the system needs an overhaul. Transfers to Rodrigues is a special case as the island has a fair degree of autonomy.

Outcome data for general government is presented regularly according to sector and economic classification. The fiscal risk is monitored for budgeted entities and public corporations and the public debt.

Public access to fiscal information is good on the government's websites. They cover the budget documents, in-year budget reports (but with some delay), end of year financial reports for government, the external audit report, contract awards and public debt. On request resources used by primary service units like primary schools and clinics can be produced by the accounting system.

On the whole the financial information gives a good overview and financial risks are contained.

Policy-based budget

Despite commendable attempts over the past years the most recent budget documents do not contain the desired clarity and connection between sector strategies and cost allocations. The budget is characterized by a high level of detail and of disintegration between sector plans, capital and recurrent budgets. There is also insufficient overview of the macro-economic projections and background to the budget. The political budget process is involved but rather short.

The impression is of a fairly static system, to a certain degree characterized by incremental considerations and budgeting. Mauritius is now phased with new challenges as regards prioritization and results-oriented management which will require improved performance-related reporting of both sector plans, budgets and outcomes.

Predictability and control in budget execution - accounting, recording and reporting

The tax legislation language is clear and education provided. Improvement is needed for clarity on certain areas of the law. The enhancement of the law may improve the general tax compliance, morale and support the efforts announced in the 2006 budget speech to get a tax system that is fair and transparent.

There is a tax appeals mechanism in place but certain actions and decisions of the MRA cannot be contested. The taxpayer registration system is efficient and the system for penalties fairly efficient, but waivers constitute a problem to the extent that the law provides that penalties and interests are only waived if the error is attributable to a just or reasonable cause. There is no guidance on the factors that the MRA would take into account in deciding the amount of interests and/or penalties that will be waived.

Tax audit is well in place with the new revenue authority, but there is no adequate focus on VAT. The level of tax in arrears is high and debt collection is decreasing. The situation is worsened by disputed tax awaiting trial, sometimes for years.

Transfers of tax to treasury is timely and reconciliation prudent. Cash flows can be forecasted, in-year information is readily available and there are relatively small adjustments to the budget.

For debt management and control of guarantees there is a good system in place, but with question marks as to whether extra-budgetary funds are sufficiently covered.

Payroll management is efficient but the payroll system is not fully integrated with personnel records. Personnel data access, accuracy and statistics are likely to improve if also the personnel data records are automated and integrated. There is a question-mark however for the options studied so far whether the value added for such an integration is cost-efficient.

Accounting is compliant with rules and recording standards and bank reconciliation regularly undertaken. Suspense accounts are not featuring as a problem. With the present accounting system in-year budget reports are available on time with good quality and accuracy. Also the annual statements are complete, timely and accurate. There is a commitment control system in place and payments are contained within the authorized ceilings.

For the capital budget, contract management seems to constitute a problem with delays and cost overruns during project implementation.

Question-marks relate to the extra-budgetary entities which are responsible for a considerable share of the budget. It has not been possible within the ambit of this study to examine in detail the reporting systems and data access for these entities as they operate their own systems. For the majority of such institutions they seem to be able to prepare annual reports in reasonable, although not ideal, time.

The procurement process is regarded as a transparent process with competitive bidding. The number of exemptions has been reduced. A remaining problem is that appeals can block the tender process for substantial periods. The new legislation has been accepted by Parliament and is now awaiting promulgation. The new legislation represents best practice.

Reporting and budgeting is related to the traditional administrative and economic classification rather than programmes, purposes and performance. The system appears robust and controlled. Further development of programme budgeting and the introduction of accrual elements in reporting is being considered and will require development efforts.

There is room to improve internal audit methodology. To this end a new manual has been developed. Reports from internal audit are readily available. Newly appointed audit committees are being created but need to find their role in assisting the Accounting Officers and promoting action on audit findings and recommendations.

External scrutiny and audit

External audit reports are well formulated and timely except for extra budgetary funds where the submission of financial statements as well as the audit thereof are lagging behind. Audit recommendations are not always followed up. Pilot efforts towards performance audit is taking place and the scope can be further expanded to support the result-oriented programme budget approach.

The legislature’s scrutiny of the budget follows the rules stipulated in the Constitution. The legislature’s scrutiny does not cover the MTEF framework. The time allocated for the Assembly's review of the budget proposal is insufficient.

The scrutiny of audit reports is not completed within a year after submission. Delays are especially cumbersome related to extra budgetary funds. The PAC do conduct thorough hearings with accounting officers. There are few recommendations from PAC to the Executive and no established routine for this and follow up on action taken.

Donor practices

Sector Budget Support provided by EU is predictable, but at times cut due to poor performance in relation to agreed indicators. Disbursement of such support is regular.

As to project support the provision of estimated figures by donors and in-year reports on resource flows has not been possible to verify by all major donors for the PEFA assessment except for the EU. Loan-financed project support, which constitutes the largest share of project support is however regularly and sufficiently reported.

For budget support and other support from the EU national procedures are to a large extent used for procurement, budget, accounting, payment and audit. The extent of which national procedures are used for loan-financed support from other sources remains uncertain.

(ii) Assessment of the impact of PFM weaknesses

The overall impression of the performance of the Mauritian PFM system is of a system with strong performance to contain and control fiduciary risk and produce reliable financial information. Weaknesses in the system relate to development risks, whether the system provides sufficient allocative flexibility that can support political priorities, mobilize the resources needed and reduce the relatively high level of tax arrears.

A worst case scenario would be of a Government unable to steer free of the obvious dangers of unaffordable commitments for social transfers and government salaries, allowing much needed public investments to stall and allocation patterns to stagnate.

A best case would be that available information on the financial situation and projections is used for analysis and prioritization, that a reorientation towards a public economy in balance takes place, partly by the introduction of new sources of revenue, and better tax compliance, partly through a reprioritization of government expenditure in favour of prioritized needs and affordable measures.

The present performance of the system is planned to be improved through a wider introduction of sector planning integrated with MTEF, performance management and budgeting, and linked performance and budget monitoring, supported by performance audit.

Even if the assessment score is high, the accuracy and utilization of the accounting data and system can be further improved with the use of more integrated FMS modules, an expanded and streamlined use of the chart of accounts and codes as well as improved reporting for extra budgetary funds.

(iii) Prospects for reform planning and implementation

Recommendations for prioritisation and sequencing of a PFM reform plan.

As demonstrated by the PEFA scorings the Government has well developed and consolidated the potential of the present PFM platform. This can be noticed in accounting, procurement, internal audit and external audit. The major next steps will aim to position the Mauritian Government at par with international standards and best practice in PFM. There are no 'quick wins' along that road. It will often take years of hard work and need substantial resources and both long term technical and financial support. Efforts will need to include substantial capacity building towards new concepts and methods.

The main planned elements of on-going reform efforts, in line with the concept described above, are captured below:

- Programme budgeting and MTEF – full implementation
- Integration of payroll and FMS
- Performance audit
- Tax reform towards flat tax rates, property tax and VAT, improved collection of arrears and the complete establishment of the MRA
- Inclusion of Extra Budgetary Funds and entities in detailed reporting and risk monitoring
- Roll out of the new Procurement Act
- Introduction of accrual accounting
- Operational audit and audit committees

With these elements the reform agenda is already substantial. There may be a need to analyze this agenda in terms of completeness and comprehensiveness. Are the right causal relationships addressed? Has capacity constraints and capacity building needs been sufficiently focused? Is pre-service training included?

To avoid an overload of reform work, a sequenced planning will be required identifying critical relationships and sequences and dividing the burden between entities and over time. A comprehensive costed reform plan would serve as a basis to mobilize donor support and facilitate tender for international and national expertise.

For the successful implementation of a reform programme the buy-in and involvement of “clients” and users in the PFM system is of essence – both from the MDA:s, the political leadership and representative NGO:s.

It is therefore recommended that further PFM reform planning is made against both the PEFA report and other diagnostic studies and against stakeholder inputs with the aim to ensure coverage, ownership, a sequenced and realistic programme.

SUMMARY OF PFM PERFORMANCE SCORES[2] - MAURITIUS

An upward arrow next to the score indicates small improvements in PFM performance not captured by the indicator or reforms implemented to date that have not yet impacted on PFM performance.

Table (i) Summary of PFM Performance Scores	**Score**
A. Credibility of the Budget	
1. Aggregate expenditure out-turn compared to original approved budget	A
2. Composition of expenditure out-turn compared to original approved budget	B
3. Aggregate revenue out-turn compared to original approved budget	A
4. Stock and monitoring of expenditure payment arrears	A
B. Comprehensiveness and Transparency	
5. Classification of the budget	B
6. Comprehensiveness of information included in budget documentation	B
7. Extent of unreported government operations	D+
8. Transparency of Inter-Governmental Fiscal Relations	A
9. Oversight of aggregate fiscal risk from other public sector entities.	B+
10. Public Access to key fiscal information	A
C. Budget Cycle	
C(i) Policy-Based Budgeting	
11. Orderliness and participation in the annual budget process	B
12. Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+
C (ii) Predictability and Control in Budget Execution	
13. Transparency of taxpayer obligations and liabilities	B
14. Effectiveness of measures for taxpayer registration and tax assessment	B+
15. Effectiveness in collection of tax payments	D+
16. Predictability in the availability of funds for commitment of expenditures	A
17. Recording and management of cash balances, debt and guarantees	A
18. Effectiveness of payroll controls	B+
19. Competition, value for money and controls in procurement	B+
20. Effectiveness of internal controls for non-salary expenditure	A
21. Effectiveness of internal audit	B+
C (iii) Accounting, Recording and Reporting	
22. Timeliness and regularity of accounts reconciliation	A
23. Availability of information on resources received by service delivery units	A
24. Quality and timeliness of in-year budget reports	B+
25. Quality and timeliness of annual financial statements	B+
C (iv) External Scrutiny and Audit	
26. Scope, nature and follow-up of external audit	B+
27. Legislative scrutiny of the annual budget law	B+
28. Legislative scrutiny of external audit reports	D+
D. Donor Practices	
D-1 Predictability of Direct Budget Support	A
D-2 Financial information provided by donors for budgeting and reporting on project and program aid	A
D-3 Proportion of aid that is managed by use of national procedures	-

2 See Annex 1 for details of the calibration of the scores.

1. INTRODUCTION

1.1 Objective of the Public Financial Management Performance Report Process

The main rationale for a PEFA assessment[3] is to identify strengths and weaknesses in the Public Financial Management system. The assessment shall serve as a basis for the further identification of a feasible reform programme which where needed can receive donor support. An efficient PFM system is a key factor to the efficient use of a nation's scarce public resources and the realization of public sector objectives such as poverty reduction, and support towards national growth and prosperity. A trustworthy and efficient national PFM system is also one important prerequisite for donors to provide general budget support and to use national PFM systems.

With regard to the possible deployment of General Budget Support by the main donors for Mauritius (including the EU and the World Bank), during the period 2007 – 2013, the Government and the main donors have agreed that the situation as regards result and performance of the public finance management system should be assessed based on internationally agreed metrics (PEFA performance measurement framework) during 2006/07.

The assessment together with a World Bank Public Expenditure Review (PER), will help determine the feasibility of the planned Public Expenditure Management and Financial Accountability (PEMFA) reform programme and contribute to define any further PFM reforms needed.

It is important to underline that the purpose of the assessment hasn't been to evaluate and score different institutions or responsible individuals in the Government. The focus is on the PFM system as such.

1.2 Methodology for the Evaluation

The PEFA assessment has been organized at the request of the Mauritian Government to the EU delegation in Mauritius. After a tender process EU contracted SIPU International, Sweden[4], to carry out the assessment. The assessment mission took place in Mauritius during the period 19 February - 3 March 2007.

The evaluation involved:

- Collection and analysis of existing documentation concerning Mauritius' Public Financial Management System
- A one day seminar to present the methodology and indicators
- Hearings with key stakeholders with responsibilities within the PFM system
- Independent confirmation on data and information either from additional interviews or from recent reports
- Discussions within the assessment team to reach and consolidate a common approach and interpretation of data and presentation of information
- Feedback sessions of preliminary findings with MOFED and the EU delegation in Mauritius
- Questions to and answers from the PEFA secretariat in Washington on key definitions and scoring method
- A referral procedure to all the concerned officials to safeguard that facts are correct.
- Referral of the draft report to the PEFA secretariat in Washington and the EU delegation in Mauritius
- Finalization of the report in Sweden incorporating comments from PEFA Secretariat in Washington, the EU delegation in Mauritius and Government of Mauritius

TOR for the assessment can be found in Annexure 2.

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[3] The PEFA PFM Performance Measurement Framework was developed in conjunction with a group of co-operating partners as a tool for the measurement and monitoring of PFM systems performance. It defines the content of a PFM performance report, and a set of high-level indicators covering all aspects of public financial management. See further www.pefa.org.

[4] SIPU Internatioal made the team of Finn Hedvall, team leader; Bo Sandberg and Ryaad Owodally available for the mission.

1.3 Scope of the Assessment

The assessment covers most of the public financial management system and processes including budgeting, accounting and reporting, payment, procurement, debt management, tax administration and audit.

The public sector in Mauritius comprises the central government, the administration of Rodrigues Island, local authorities, state-owned public enterprises, statutory and non-statutory entities as well as special funds. The assessment focuses on central government PFM, although the relationship and oversight of other public entities is included.

Public services in Mauritius are to a large extent offered through central government. Out of the consolidated General Government budget of in total Bn Rs 43,8 2004/05 93 % constituted expenditure for central government, 3 % for regional government and 4 % for local government. The Budget document lists 58 Ministries, departments and agencies that constitute in-budget central government institutions that receive their own designated allocation under a vote and/or sub-vote. Out of the Central Government budget 2004/05 14 % was also channelled to some 157 extra budgetary institutions, funds and non-financial public corporations and 13 % constituted transfers for social security.

1.4 Structure of the report

The evaluation report has been structured as follows:

Section 2 provides country background information for the evaluation;
Section 3 summarizes the assessment in terms of main performance for the seven aspects of the PFM system studied by the PEFA instrument;
Section 4 describes government's reform programme and institutional factors supporting that programme.

A series of annexes provide more detailed reference information;

- 1. Summary of the scoring of the performance indicators
- 2. TORs for the evaluation
- 3. List of the stakeholders visited by the team
- 4. Sources of information
- 5 Project implementation and lessons learned

An slimmer executive version of the report, responding to the TOR for the assignment, exists alongside this comprehensive version.

2. COUNTRY BACKGROUND INFORMATION

2.1 Description of Mauritius' Economic Situation

Mauritius has achieved spectacular economic success since independence 1968, outperforming most other countries in the region as well as most middle-income and small island states. Underpinning this success was a preference-based strategy to create growth and employment through labour-intensive, export oriented manufacturing, while maintaining an elaborate social welfare system. The annual GDP growth rate reported by IMF was 5 % 1994-1999, 4,3 % 2000-2004, and then declined to 3% 2004/05 with a slight increase to 3,7 % 2005/06.

Mauritius is however recently facing a number of new economic challenges. The traditional productive sectors, sugar and textile, have been undermined by major exogenous shocks: The reduction in sugar guaranteed prices by 36%, which has started in 2006 will become fully effective as from 2009. The dismantling of the Multi-Fibre Agreement erodes preferential access to the EU and US markets. The tourism industry and financial services sector have also recorded lower growth rates over the past few years, and new emerging sectors, such as ICT and seafood, have yet to demonstrate their full potential in terms of job and income creation. During the last years the economic growth has been driven by the service sector.

The fiscal situation over the recent years has deteriorated owing to increasing expenditure and falling tax revenue. The Central Government debt increased from 49,8% of GDP in 2001-02 to 57,7% in 2005-06, implying a high level of debt burden. Throughout the 1990s, budget deficits exceeded the long-term target of 3% of GDP creeping up to 5,5% of GDP in recent years. High budget deficits have also been due to the increase in average interest rate for the largely domestic debt stock. Unless controlled, the debt burden may spiral out of control, but the Government has now taken significant steps to address the problem in the initial phase of a reform programme.

As from the Financial Year (FY) 2006/07 the Government has started an important ten-year reform programme that would prepare the transition of Mauritius from a trade preference-dependent economy to a globally competitive economy. The reform programme, estimated to cost around EUR 4 Bn, consists of the following elements:
- Fiscal Consolidation and improving public sector efficiency
- Improving trade competitiveness
- Improving the Investment Climate
- Democratizing the economy participation, social inclusion, and sustainability.

Fiscal consolidation is based on explicit rules intended to put deficits and debt on a downward path by (i) limiting government borrowing to the financing of the capital budget, and (ii) reducing the ratio of net public debt to GDP.

The Government's MTEF is intended to underpin this consolidation, anchoring annual budgets within an aggregate multi-year framework and enabling Government to set priorities and resolve budgetary-trade offs. Operationalisation of Mauritius Revenue Authority and a reduction in tax expenditures and discretionary ministerial powers to remit taxes and duties are expected to improve revenue effort. At the same time, modifications to the structure of direct taxes are expected to streamline incentives and increase equity. The expectation is that the new tax structure will better reward effort, innovation and entrepreneurship, increase transparency, and encourage investment and job creation, especially by SMEs.

The PEFA assessment now undertaken, combined with the on-going World Bank Public Expenditure Review (PER), will contribute to define further PFM reforms and budgetary measures needed. Further to a World Bank study for the introduction of MTEF, a MTEF unit was set up in 2004 within the Ministry of Finance and Economic Development (MOFED). Several pilot ministries have already adopted the framework. The MTEF will be further strengthened to modernise budget management and promote fiscal discipline, improve budget resource allocation, and support operational efficiency of public services.

The Ministry of Finance and Economic Development (MOFED) is the responsible authority in the Republic of Mauritius for all aspects of the budget process and related performance. The Mauritius fiscal year runs from July to June with budget preparation starting some five months earlier. Mauritius prepares a recurrent and a capital budget. There is a separation of executive and legislative functions in the preparation and appropriation of the Budget as well as the required mechanisms to ensure a rigorous overseeing of public spending.

At present the Government and major donors are discussing the possibilities to replace more of the sector and programme aid with a general budget support. Such a shift would require that Mauritius has a well functioning PFM system to provide the donors with guarantees that the added and domestic resources are handled with great care and in line with best financial management practices.

2.2 Description of Budgetary Outcomes

Fiscal performance

Public spending in Mauritius has averaged around 25% of GDP in recent years (See table below). Both revenue and expenditure as a %-age of GDP has been fairly stable over the three year period.

Table 01 - Overall Budgetary Trends, 2003/04-2005/06			
	% of GDP		
	2003/04	*2004/05*	*2005/06*
	Actual	Actual	Provisional
Total Revenues and Grants	20,3%	19,8%	20,0%
Own revenue	19,9%	19,6%	19,8%
Grants	0,4%	0,2%	0,2%
Total Expenditures	25,6%	24,8%	25,3%
Non-interest expenditure	21,7%	20,9%	21,6%
Interest expenditure	4,0%	4,0%	3,8%
- whereof External interest	0,1%	0,1%	0,1%
- whereof Domestic interest	3,8%	3,8%	3,6%
Aggregate Deficit[1]	-5,4%	-5,0%	-5,3%
Primary deficit[2]	-1,4%	-1,0%	-1,5%
Net Financing	1,9%	5,0%	5,3%
External	-0,1%	0,3%	-0,6%
Domestic	2,0%	4,7%	5,8%
[1] Including grants [2] Excluding net interest payments.			
Source: Financial Statement on Main Aggregates, MOFED			

Allocation of resources

As shown in the table overleaf spending on social services represent around one fifth of total budgetary expenditure. Spending on the interest for public debt amounted to around 15 %, which was equivalent to the portion allocated to Education. General public services, Public order and safety, and Housing and community amenities all received between fairly stable portions of the budget of between 7 and 9 %. Only Health showed a slight reduction from 9,0 to 8,6 % over the three years' outcomes. As the total budget increased by 16,5 % over the period all sectors received added amounts in current prices. Inflation for the calendar years 2004 and 2005 was 4,7 and 4,9 % respectively. Hence an increase of the budget also in real terms is likely to have occurred, albeit not for all sectors.

	Table 02 - Actual budgetary allocations by functions for Central Government			
	% of total annual expenditure			
		2003/04	*2004/05*	*2005/06*
		Outcome	*Outcome*	*Outcome*
				Provisional
1	General public services	7,9%	7,9%	8,0%
2	Defence	0,7%	0,7%	0,7%
3	Public order & safety	8,5%	8,1%	8,2%
4	Education	14,6%	15,2%	14,0%
5	Health	9,0%	8,9%	8,6%
6	Social security & welfare	18,8%	19,7%	21,2%
7	Housing & community amenities	7,1%	7,2%	7,0%
8	Recreational, cultural & religious services	1,8%	1,2%	1,1%
9	Fuel & energy	0,1%	0,2%	0,1%
10	Agriculture, forestry, fishing & hunting	3,7%	3,5%	2,9%
11	Mining, manufacturing & construction	0,4%	0,3%	0,3%
12	Transportation & communication	2,6%	1,6%	2,8%
13	Other economic services	3,4%	3,7%	4,6%
14	Other expenditure (incl public debt interest)	21,4%	21,9%	20,4%
	Total expenditure	100,0%	100,0%	100,0%
	Whereof Public Debt Interest	15,7%	16,2%	15,0%

In an analysis of the composition of the budget related to economic classifiers it can be noted that the wage bill accounts for around 25 % of the budget outcome, that the proportion spent on capital expenditure has decreased while the recurrent portion increases, mainly related to transfers and subsidies where costs for pensions has seen a marked increase.

Table 03 - Actual budgetary allocations by economic classification	**2003/04**	**2004/05**	**2005/06**
(as a %-age of total expenditure outcome)			
Current Expenditure	83,1%	85,8%	85,8%
Expenditure on Goods and Services	34,3%	34,2%	34,2%
Wages and Salaries	26,0%	25,2%	25,2%
Other Goods and Services	8,3%	9,0%	9,0%
Interest Payments	15,7%	15,0%	15,0%
External Interest	0,5%	0,6%	0,6%
Domestic Interest	15,2%	14,5%	14,5%
Current Transfers and Subsidies	33,1%	36,5%	36,5%
Capital Expenditure	16,9%	14,2%	14,2%
Source: Aggregate table MOFED			

Resources utilized by the different layers of government

Table 04 - Share of total outcome for general government				
	2003/04	*2004/05*	*2003/04*	*2004/05*
	Mn Rs	*Mn Rs*	*%*	*%*
Local Government	1 886	1 988	4,4%	4,5%
Regional Government	1 055	1 122	2,5%	2,6%
Central Government	39 630	40 696	93,1%	92,9%
	42 571	43 806	100,0%	100,0%

2.3 Description of the legal and institutional framework for PFM

The legal framework

The legal framework that governs the management and control of public finances in Mauritius is made up of the Constitution (1968), The Finance and Audit Act (1973), The Central Tender Board Act (2000), Local Government Act (1989, 2003 and 2005), and the Financial Regulations. The roles of the executive, legislature and judicial branches of government are clearly set out in the Constitution. Chapter X of the Constitution deals with finances and Article 110 with the appointment and the duties of the Director of Audit. The Finance and Audit Act and the supplementary Instructions, as well as the Financial Management Manual issued by the Minister of Finance and Economic Development (MOFED) sets out the management and control of public finances, including i.a. the following:-

- The functions of the Minister of Finance and Economic Development
- The functions and powers of the Treasury
- The duties and responsibilities of the Accounting Officers
- The appointment of the Accountant General and duties of Accounting Officers for a ministry, department or statutory and non-statutory bodies and special funds
- The appointment and the powers of the Internal Auditors
- The establishment of audit committees for all ministries, departments, statutory and non statutory bodies (MOFED letter to the Ministries)
- The establishment of a consolidated fund for all general revenue and other public monies
- The appropriation and releases of funds
- The penalties for Accounting Officers who fail to perform assigned financial duties
- The control of statutory bodies, non-statutory bodies and special funds
- Revenue management
- Supplies management

Currently the legal framework relating to the management and control of public finances is undergoing reform in order to improve on financial management, accountability and transparency. The Central Tender Board Act will be replaced by a Public Procurement Act. At present it is endorsed by the Assembly and is expected to be promulgated in May 2007. The Financial Management Manual is continuously being updated.

The Institutional Framework for PFM

The Legislature

Mauritius is a multi-party democracy and a Republic with 1,2 Mn inhabitants (2005). The Constitution of Mauritius provides for a Parliament which consists of the President and the 70 Members of the National Assembly. The Republic of Mauritius is divided into 21 constituencies, 20 of which on the island of Mauritius, 1 on the island Rodrigues. Parliament is normally dissolved after five years after which new elections are held.

For the preparation of its decision on the proposed estimates Parliament meets as the Supplies Committee, consisting of all Members of Parliament.

Parliament also elects a Public Accounts Committee. The powers and duties of this Committee, are set out in Standing Orders of the Assembly, and include "to examine the accounts showing the appropriation of the sums granted by the Assembly to meet the public expenditure and such other accounts laid before the Assembly as the Assembly may refer to the Committee together with the Director of Audit's Report thereon." The Committee has the power to send for persons and records, to take evidence, and to report from time to time.

Regional and Local Government

Mauritius has one local government layer consisting of five municipalities and four district councils. Due to the limited size of Mauritius the local authorities have limited functions compared to other countries. Primary Education and Health is for example not a local government responsibility.

For the island of Rodrigues the Constitution provides for a Regional Assembly consisting of elected members and a chairperson. This arrangement was recently introduced and linked to the devolution of certain government functions and financial responsibilities to the island. Rodrigues is situated some 560 kms east the island of Mauritius and had a population of 37 000 inhabitants in 2005.

The Executive

The executive authority of Mauritius is vested in the President or through officers subordinate to him/her. The President is elected by the National Assembly on a motion by the Prime Minister for the period of five years and can be re-elected. There is also a Vice President to support the President.

The President appoints a Prime Minister, Deputy Prime Minister and Ministers from among the Members of Parliament. The Cabinet consists of the Prime Minister and the Ministers. The function of the Cabinet is to advice the President in the government of Mauritius. The Cabinet is collectively responsible to the Assembly. There is in the present Cabinet (March 2007) a Prime Minister who also carries the responsibility for three ministerial portfolios, three Deputy Prime Ministers with the responsibility for one Ministry each and 15 Ministers. One of the Deputy Prime Ministers has the portfolio of the Ministry of Finance and Economic Development.

Any department in the charge of a Minister is under the supervision of a Permanent Secretary or of some other supervising public officer.

The Minister of Finance and Economic Development is responsible to the Cabinet for the financial soundness of the Government's economic policy and for the proper control of revenue and expenditure. The Minister, assisted by his chief adviser, the Financial Secretary, exercises this responsibility through the Ministry of Finance and Economic Development. The Ministry of Finance was merged with the Ministry of Economic Development (2002), and has undergone recent organizational changes. It now consists of the following units:

- Office of the Finance Secretary
- Administration
- Logistics
- MOFED Operations
- Strategic Planning, Policy Formulation and Communications
- Sector Strategy and Budget Formulation with cells corresponding to the different Line Ministries
- Management Audit and Financial Management Services
- Treasury

The Revenue functions has been separated from the central ministry and is now organised under the Mauritius Revenue Authority led by a Director General. There remains a revenue oversight function in MOFED.

Debt management is the mandate of a unit of MOFED's department for Strategic Planning.

The external audit function is exercised by the Director of Audit who is appointed by the Public Service Commission after consultation with the Prime Minister and the Leader of Opposition. The Director of Audit submits audit reports to the Minister of Finance who shall cause them to be laid before Parliament.

The Central Statistics Office under MOFED publishes national statistics for Mauritius including national and public finance statistics.

With a few exceptions The Bank of Mauritius and the State Commercial Bank operate Government's bank accounts.

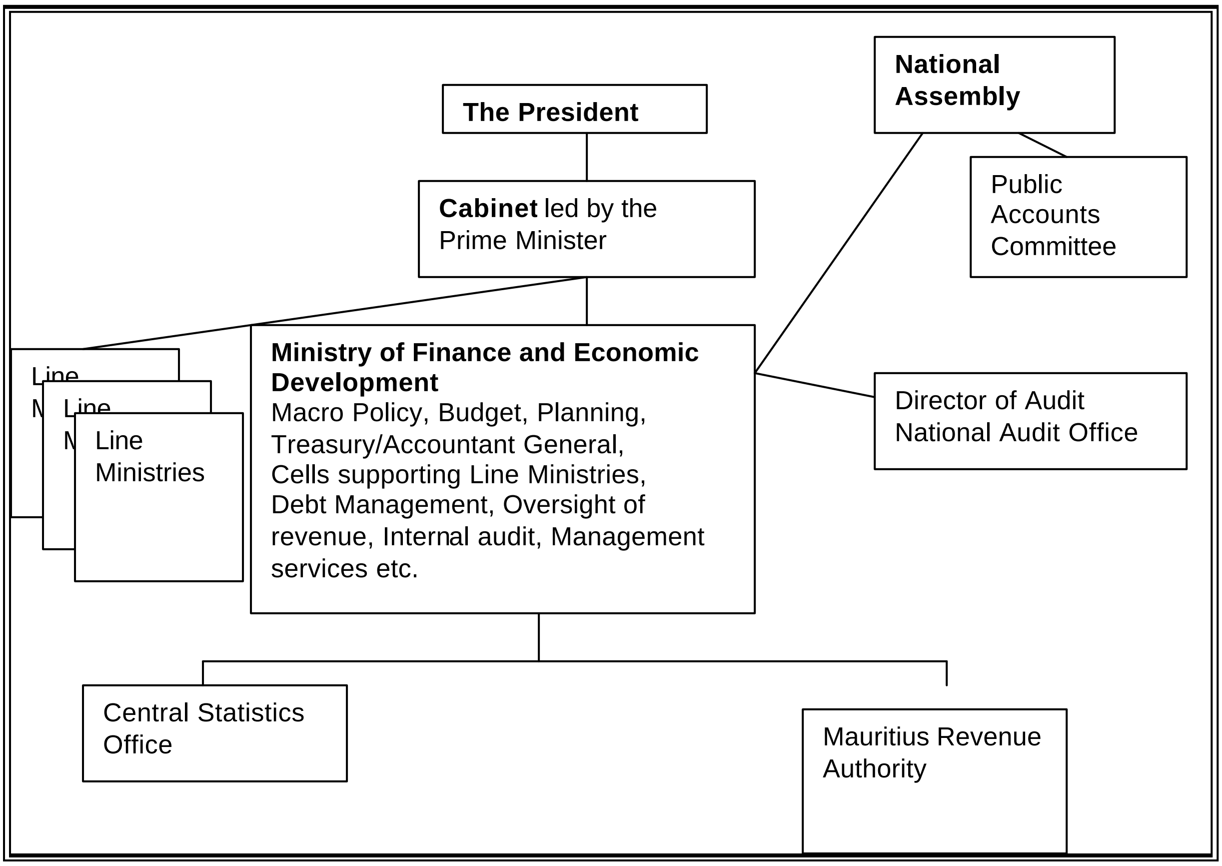

Figure 1

The procurement Bill recently accepted by Parliament and awaiting assent by the President stipulates a Procurement Policy Office to be created in MOFED and a Central Procurement Board to be established. The Board will consist of five members, including a chairperson, all appointed by the President in accordance with advice from the Prime Minister, who shall consult with the Leader of the Opposition.

The person answerable to the Legislative Assembly in respect of any Government Department is the Minister charged with the responsibility for that department. The public officer responsible for the running of any department in the charge of a Minister, including the management of its financial affairs, is the Accounting Officer – in most cases a State Secretary. The Accounting Officer is answerable to the Public Accounts Committee for the formal regularity and propriety of all the expenditure out of the Votes for which he is responsible. Similarly he should ensure that adequate machinery exists for the due collection and bringing to account of all receipts connected with the Votes and Revenue Heads under his control.

Finance Officers, stores officers and internal controllers are posted by the Ministry of Finance to serve Accounting Officers in Ministries/Departments, relieving them of much of the routine work, whilst at the same time liaising with the Ministry of Finance.

Key features of the PFM system

In essence a PFM system is composed of a series of more or less integrated processes and systems for:

- Macroeconomic planning and long term fiscal projections
- Revenue mobilization
- Budgeting
- Budget execution and monitoring, including accounting, payments, procurement, payroll management and commitment control
- External control and audit

In the case of Mauritius the institutional set-up is based on the UK Westminster model.

Some specific features worth noting are:

Macro-economic planning
The merger of the ministries of Finance and Economic Development and subsequent reorganization makes it easier to integrate the macro-economic planning and long term financial projections with the MTEF instrument and its link over to the annual budget process. All these functions are now centred in MOFED, although as observed much still needs to be done before this part of the process is fully functional.

Revenue mobilization
Main domestic revenue items include:

- Income tax
- Corporate tax
- Property tax and rates
- Registration duty for motor vehicles and immovable property
- Customs duty
- VAT
- Excise duties
- Taxes on gambling
- Motor Vehicle Licences
- Licence fees
- Receipts from public utilities

The creation of a separate Mauritius Revenue Authority in Mauritius is a recent feature in line with international best practice. The MRA is a body corporate and is fully operational as from last July. Revenue collection has improved and the Government has made a series of important tax reforms, one of which is a common property tax which introduces this tax for certain areas not covered by the rates under the Local Government Act. The MRA carries the responsibility for the collection of taxes, except taxes falling under the Land (Duties and Taxes) and registration duty Personal income tax is largely collected from employers and drawn at the source (Pay As You Earn system). There is a modern automated tax register system.

Budgeting
All Government revenue shall according to the Constitution be paid into and form the Consolidated Fund. Expenditure can be covered through the consolidated fund by authorization in Parliament of an Appropriation Law based on Annual Estimates or by an approved supplementary appropriation law. Capital expenditure is appropriated from the Capital Fund. There is also a contingency fund that is used for extraordinary and emergency expenses to be covered by supplementary estimates.

The Minister of Finance shall present the annual estimates of revenue and expenditure before or not later than 30 days after the commencement of the financial year, i.e. 1st of July.

The budget is divided into a Capital and a Recurrent budget, the estimates for which are prepared by the Ministries and Departments. Three year MTEF ceilings for each vote are issued before the budget process. MOFED's unit for sector strategies and budget formulation is organized in cells each supporting a line ministry in its budget work.

The capital budget contains development/investment projects and is in its totality financed by external grants, external and domestic loans. The recurrent budget covers running costs and transfers. Parliament discusses the proposed estimate over a two to three week period in June before the Annual Appropriation Act is taken.

Budget execution
The budget document contains a list of votes and the officers authorized to incur expenditure under the votes. Some Ministries/Departments have the delegated right to incur their own expenditure and to register their payments – the so called self-accounting ministries - whereas other Ministries/Departments are referred to the Treasury for execution and registration of payments.

Funds may be reallocated or vired within a vote for the recurrent budget or between votes in the capital budget by the Accounting Officer for the votes in his/her control for a maximum value of Rs 300 000 . Added resources can only be received through the Contingency Fund or by a supplementary appropriation from Parliament.

All central Government Ministries/Departments are connected to a central automated Financial Management System (TAS), based in the Treasury. All ministries/departments can access the information in the system. Self-accounting ministries register their own transactions and initiate payments. Non self-accounting ministries and departments input their transactions for commitment control, whereas payments are initiated and registered by the Treasury. The system includes the General Ledger, a module for commitment control and generates regular reports and answers specific queries on-line.

Budgeting and accounting is made on a cash basis using the GFS 1986 standards and handbook. Government's Payments are made by the Bank of Mauritius and/or the State Commercial Bank. Salaries are paid towards employees' commercial banks or in cash.

The payroll system is also automated but not integrated with TAS. Personnel records are kept manually.

A separate debt management system contains a database for domestic and external debt. Procurement and store-keeping follow the procedures in the legislation and FM manual. Procurement is presently centralized with the Central Tender Board responsible for tenders above Rs 500 000. A local tender committee at Ministry/Department level is involved for purchases between Rs 20 000 and 500 000. Below Rs 20 000 the Accounting officer may authorize payment without a tender.
The consolidated central government's annual accounts are prepared and forwarded to the National Audit Office by the Treasury. On receipt of the Audit Certificate, the Accountant General who heads the Treasury, submits the Annual Accounts, which includes the Audit Certificate, to the MOFED for eventual tabling to Parliament.

External control and audit
The Audit Director heads the External Audit Department. All central Government Accounts are subject to external audit. Audit reports are submitted to the Minister of Finance who lays them before the National Assembly, which in its turn submits them to the Public Accounts Committee.

3. ASSESSMENT OF PUBLIC FINANCIAL MANAGEMENT USING THE PEFA FRAMEWORK

This chapter contains the detailed rating for each indicator and dimension. Two methods are used to calculate the overall score of an indicator in accordance with the PEFA guidelines. Method 1 (M1) bases the overall rating on the weakest of the dimensions for that indicator, whereas method 2 (M2) averages the dimensions to arrive at the overall rating. Where methodology M2 is used this has been shown by insertion of M2 in the rating tables. In all other cases method M1 is used, or the indicator is one-dimensional.

3.1 Budget Credibility

There are four indicators used to highlight if the budget can be regarded as a credible instrument for the public, executing agencies and the legislature to allocate and use resources. The four indicators measure:

1. whether the overall expenditure budget is over- or underspent,
2. whether there are many deviations or reallocations over the year for the main budget items
3. whether the overall revenue collected fell below the budget, and
4. if the amount of unpaid expenditure items is well monitored and whether the stock of unpaid expenditure is large

PI-1: Aggregate Expenditure Outturn compared to original approved budget

The assessment of the aggregate expenditure outturn as compared to budget is based on the aggregate budget figures presented in the annual budget documents for the functional allocation, as well as on the statistic reports of outcomes for the functions made by MOFED. The functional structure follows the GFS manual for 1986, and reflects main sectors (See the table under PI-2). The Budget and outcome figures reported in the functional structure deviate from the administrative totals in the budget documents insofar that the former include repayment of loans taken, payment of loans given and payments towards the "sinking fund"[5]. The exclusion of these figures for expenditure analysis is in accordance with IPSAS and GFS standards. A "conversion table" between the administrative and functional structure totals in the budget document would facilitate analysis and understanding of the difference between the presented figures.

Payment of interest has also been excluded from the figures presented below in line with the PEFA guidelines, as they represent costs over which the government has little control. Donor funded projects in the capital budget however remain in the figures as they are regarded to be fairly well under government control.

The following table presents the aggregate budget deviation:

Table 05 - Comparison of Original Budgeted and Actual Expenditure, 2003/04-2005/06, *Mn Rs*			
	2003/04	2004/05	2005/06
Budgeted primary expenditure	35 995,0	37 708,4	41 418,3
Actual primary expenditure outcome	35 377,6	37 202,7	41 520,5
Difference between actual & budgeted primary expenditure	- 617,4	- 505,7	102,2
Difference as % of budgeted primary expenditure (%)	- 1,7 %	- 1,3 %	0,2 %
Note: 1. Primary expenditures exclude debt servicing payments. Source: Ministry of Finance and Economic Development: Budget documents, Statistic reports for 2003/04- 2005/06			

[5] The consolidated sinking fund is held and managed by the Bank of Mauritius. Payments to the sinking fund represent internal debt servicing.

The deviation in actual expenditure as compared to the approved estimate on aggregate level, excluding interest on public debt was – 1,7 % for 2003/04, - 1,3 % for 2004/05 and + 0,2 % for 2005/06. Hence the first two years in total represented a narrowing underspending of the total budget and the latest year a slight overspending.

The aggregate figures hide the tendency for the capital budget to be underspent and the recurrent to be overspent over the three years. The overspending of the recurrent budget has increased from 0,4 % to 5 % between 2003/04 and 2005/06 calculated on the administrative structure totals.

In total Mauritius scores well on this indicator which measures the ability to adhere to the approved budget. It should however be noted that the original budgets included budgeted deficits for the three year period in the order of 1,5 %, 5,4 % and 6,1 % respectively calculated on the total administrative revenue and expenditure budgets. There are hence in terms of trends signs of a widening of both anticipated and unbudgeted deficits, but also a fair level of control over the situation. The issue was addressed in the budget speech for 2006/07 which took up the need for fiscal consolidation and discipline and mentioned the need to limit government's borrowing to the financing of investment and to keep expenditure at a constant level. It also contained several measures related to tax reform.

The unplanned added expenditure to the budget 2005/06 (+0,2 %) was met by improved unbudgeted revenue collection of +1,6 %. The originally budgeted deficit was however 6,1 %.

PI-2 Composition of expenditure outturn as compared to original approved budget

GFS main functional structure was chosen by the Government for the analysis of indicator PI-2 because it has been more stable than the administrative structure, which for the years under scrutiny has seen several administrative/organizational changes. The PEFA guidelines mention for indicator PI-2 that the administrative basis is preferred, but the functional accepted. For accountability purposes the administrative structure would be more fruitful for analysis of the responsibility for deviations. An analysis in accordance with such a structure is recommended for the future, but in combination with the functional. The functional analysis gives evidence whether Government's intended distribution between sectors has been adhered to.

The following table depicts the variance for main government functions and calculates the overall total variance neutralized for the overall over- or under-spending of the aggregate budget

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Table 06 - Comparison of Variance in Original Budgeted Expenditure compared to Actual Outturns for Functional Budget Categories, 2003/04 - 2005/06, Mn Rs						
	Budget	*Variance*	*Budget*	*Variance*	*Budget*	*Variance*
	2003/04		2004/05		2005/06	
General public services	3 637	321	3 957	461	4 225	300
Defence	358	50	348	55	397	48
Public order & safety	3 435	128	3 685	77	4 114	129
Education	6 565	432	7 000	257	7 526	679
Health	3 804	39	3 858	90	4 230	9
Social security & welfare	7 692	195	8 152	572	9 528	834
Housing & community amenities	3 435	453	3 319	111	3 497	96
Recreational, cultural & religious services	714	59	561	20	610	68
Fuel & energy	48	13	75	6	76	38
Agriculture, forestry, fishing & hunting	1 663	92	1 628	78	1 652	211
Mining, manufacturing & construction	182	30	217	76	171	4
Transportation & communication	893	199	845	119	1 119	260
Other economic services	1 484	66	1 606	18	1 625	630
Other expenditure (excl public debt interest)	2 085	298	2 458	72	2 650	40
Total expenditure	35 995	2 374	37 708	2 011	41 418	3 344
Minus aggregate variance, i.e. overall overspending		617		506		102
Remaining variance for functions		1 756		1 505		3 242
Average variance or redistribution in relation to budget for functions, excluding overall variance		4,9%		4,0%		7,8%

Except for the latest year the deviations have been moderate. The following table gives the detailed picture as to the deviations over the three years and for 2005/06 per function. The deviations reveal whether a sector has been under- or overspent as compared to the budget:

Table 07 - Budget variance by sector				
Function	*Average deviation 2003/04-2005/06 Mn Rs*	*%-age 2003/04-2005/06*	*2005/06 deviation Mn Rs*	*% age deviation 2005/06*
General public services	-360	-3,1%	-299,6	-7,1%
Defence	-51	-4,6%	-48,0	-12,1%
Public order & safety	-26	-0,2%	-128,8	-3,1%
Education	-456	-2,2%	-679,1	-9,0%
Health	14	0,1%	-9,4	-0,2%
Social security & welfare	533	2,1%	833,5	8,7%
Housing & community amenities	-220	-2,1%	-95,6	-2,7%
Recreational, cultural & religious services	-9	-0,5%	-67,7	-11,1%
Fuel & energy	-19	-9,6%	-38,0	-50,0%
Agriculture, forestry, fishing & hunting	-127	-2,6%	-210,8	-12,8%
Mining, manufacturing & construction	-36	-6,4%	-3,6	-2,1%
Transportation & communication	113	4,0%	260,2	23,3%
Other economic services	194	4,1%	629,5	38,7%
Other expenditure (incl public debt interest)	265	1,0%	504,8	5,3%

(A minus indicates underspending in relation to original approved budget)

The tendency has been for General Public Services, Defence, Public Order and Safety, Education, Housing and Agriculture to be underspent and for Social Security and Welfare, Transportation and Communication, Other Economic Services and Other Expenditure to be overspent. Only Health has shifted over the period.

Normally one supplementary estimate is presented to Parliament each year. For 2005/06 two supplementary estimates were approved, the first for a total of Mn Rs 1 582 and the second for a total of Mn Rs 1 895. These supplements together constituted an addition of 8 % to the original budget for 2005/06.

The explanation for the added resources and reallocations in the supplementary estimates for 2005/06 to a large extent (~60 %) relates to:

1. Increased costs for external and internal borrowing. (Mn Rs 926)
2. The Government decision to grant free bus travelling for students, old age pensioners and disabled persons. (Added cost Mn Rs 487)
3. The creation of the new Revenue Authority which started its operations earlier than budgeted for. (Mn Rs 377 added)
4. Added needs in hospitals for medicines and staff. (160 Mn Rs)
5. Development Works Corporation where funds were needed to cover its deficit and meet its obligations. (A supplement of 146 Mn Rs required). The corporation has since been closed down.

Reforms

To improve accountability the chart of accounts was changed in 2000/01 to allow for cost analysis and reporting towards cost centres. Other efforts relate to the introduction of a MTEF, more of which is described under indicator PI-12. Another reform related to budget control is the introduction of the automated system for commitment control.

The reporting of expenditure in the functional structure is until this year done through a fairly standardized conversion of data from the administrative reports through the use of spreadsheet tables. There are advanced plans to use the accounting system's own functions and codes to automatically generate these reports.

PI-3 Aggregate revenue outturn compared to original approved budget

The table below compares actual revenue receipts with the original budgeted estimates over the last three years.

Table 08 - Comparison of Original Budgeted and Actual Domestic Revenue Receipts, 2003/04 -2005/06			
	2003/04	2004/05	2005/06
Budgeted receipts (Mn Rs)	34 239	35 880	38 595
Actual receipts (Mn Rs)	33 676	36 050	39 220
Difference between actual and budgeted receipts (Mn Rs)	- 563	+ 171	+ 625
Difference as % of budgeted receipts (%)	- 2%	0 %	+ 2 %
Note: Data refer to total domestic receipts (excluding loans) Source: Budget documents, MoFED, Statistics office reports.			

A comparison of actual receipts against the original budgeted figures indicates that, in aggregate, the budget has been successful to forecast the actual revenue receipts. The data in the table also show that in two of the past three years, actual revenue received has exceeded the budgeted amount. There is a positive trend both in the budgeted and actually collected amounts.

A more in-depth study of the revenue figures reveal that the improved performance to a large extent depends on increases in collection of income tax and VAT. Customs income is on a stable level.

Estimates of revenue have to a large degree been based on earlier years' collections and not on macro economic analysis. There is room to improve forecasting and modelling. There is a risk that conservative forecasts become self-fulfilling and easy targets to reach, leaving much to desire in terms of improved compliance and closing of tax gaps.

Reforms

A number of tax reforms have been implemented over the last three years. The new Mauritius Revenue Authority (MRA) was established in 2004 and is fully operational as from 1 July 2006. A large number of tax auditors have been employed to reduce tax evasion. They apply a risk based planning method. A national property tax has been introduced. Deduction of taxes at source has been implemented, the tax base has been broadened and tax exemptions have been substantially reduced.

The former three tax registers have been integrated to improve on transaction costs and the efficiency of tax collection. Taxes are to a large extent paid by electronic transfer from the employers. The revenue authority's performance is monitored by a separate unit in MOFED and clear performance indicators have been developed. The customs system still constitutes a problem area in terms of forecasting as revenue to a large extent is dependent on off-shore operations and not driven by the local economy. More than 75 % of these incomes come from off-shore companies registered in Mauritius which depend on the business development in India and China.

Tax reform featured strongly in the budget speech of 2006/07 which announced efforts towards a fairer tax system, simplifications and efforts to curb tax evasion and improve enforcement.

PI-4 Stock and monitoring of expenditure payment arrears

The State Budget accounting and reporting adheres to 'Financial Reporting under the Cash Basis of Accounting' (IPSAS, IFAC 2003/2006 and GFS 1986). According to these standards reporting on expenditure arrears is not a mandatory requirement - only a recommendation. The National Accounting Principles for Mauritius require that revenue arrears should be reported but not expenditure arrears.

A Treasury Regulation stipulates that all commitments and invoices related to the actual financial year should be cleared and paid well ahead of the end of the financial year. The control system to safeguard this is tight and efficient as confirmed by both internal and external audit.
Due to the prudent controls applied Government has not seen a need for any arrears accounts or separate routines. A three day window is open for payment of unpaid invoices for emergency cases at the start of a new financial year, but beyond this payments of invoices received the previous year are not permitted.

There are also no salaries or pensions in arrears as payments are made promptly. Long term pension debts, unpaid interest and utilities partly delivered but not billed, like energy, should not be reported as arrears under cash based reporting principles.

Reforms

A special form signed by the Accounting Officer at year end, where the AOs verify that there is no expenditure arrears, will be introduced and sent to the Treasury by July.

Performance towards credibility of the budget

The following summary table presents the scoring towards the four indicators that assess the credibility of the Mauritian State Budget.

Indicator	Score	Brief Explanation
A. Credibility of the Budget		
PI-1. Aggregate expenditure out-turn compared to original approved budget	**A**	The percentage deviation between actual and originally budgeted primary expenditures were: 2003/04: -1,7 % 2004/05: -1,3 % 2005/06: 0,2 %
PI-2. Composition of expenditure out-turn compared to original approved budget	**B**	The variances in the composition of primary expenditure across budget heads were: 2003/04: 4,9 % 2004/05: 4,0 % 2005/06: 7,8 %
PI-3. Aggregate revenue out-turn compared to original approved budget	**A**	Actual revenue collection as compared to budgeted domestic revenue: 2003/04: 98,4 % 2004/05: 100,5 % 2005/06: 101,6 %
PI-4. Stock and monitoring of expenditure payment arrears	**A**	
(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and a recent change in the stock.	A	No substantial expenditure arrears are permitted and controls are strict.
(ii) Availability of data for monitoring the stock of expenditure payment arrears.	A	No record of arrears applied or needed as no stock of expenditure arrears is permitted or exists. Controls are strict.

At large the rating is rather positive indicating that the budget is used as an instrument for budget allocation, that the intended allocation to functions prevails during budget execution and that the balance between revenue and expenditure is being monitored and controlled. Also the mobilization of resources is controlled. Arrears or unpaid invoices and other expenditures do not constitute a problem.

On a more critical note the expenditure trend will need close continued monitoring where analysis of budget deviations towards the administrative structure and accounting officers will be important. The overall figures also hide a tendency to underspend the capital and overspend the recurrent budget.

3.2 Transparency and Comprehensiveness

Six indicators cover the cross-cutting issues that relate to transparency and comprehensiveness of the public financial management. The indicators relate to:

- the dimensions and information structure in which budget and outcome data is presented
- whether important financial information is presented in the budget document
- whether important government operations are unreported
- if resources are transferred sub-national entities in a predictable and timely manner
- if autonomous government agencies and public enterprises submit financial reports and the fiscal position of sub-national entities is monitored, and
- whether the public has timely access to key fiscal information

PI-5 Classification of the budget, and
PI-6 Comprehensiveness of information included in budget documentation

The Annual Budget is presented with three documents; The Budget Speech made by the Deputy Prime Minister and Minister for Economic Development and Finance; the Capital Budget and the Recurrent Budget. Twice during the three year period a Draft MTEF was presented at the time of the presentation of the budget.

Expenditure tables and structure

The Recurrent Budget's expenditure estimates are presented mainly by administrative classification into vote and sub-vote representing Ministries, Departments and Agencies, and with a further breakdown into summary and details of the economic dimensions of "Personal Emoluments", "Other Charges Recurrent" and "Contributions and benefits". The document also includes a summary on the administrative/group item level as well as presentations according to GFS 1986 manual's recommendations of expenditure and lending minus repayments, and of expenditure related to 14 functional categories.

Appendix A to the recurrent budget document presents a comparative statement by vote and subvote of main categories of cost for the proposed recurrent budget. (Different categories of staff costs, summary of costs for goods and services as well as for contributions and benefits.)
The recurrent budget document also contains Medium Term Expenditure Projections by vote and sub-vote for the up-coming three year period, including the budget year. The figures for the up-coming budget year match the budgets' more detailed totals. The MTEF and annual budget summary tables include both capital and recurrent allocations.

The Capital Budget's expenditure estimate contains a summary expenditure budget and detailed presentations of estimated costs for Ministries, sections/programmes and projects.
The detailed tables cover current year's estimate and the proposal for the up-coming year. The summary table according to votes and sub-votes includes columns with the outcome for the past year and revised estimates for the current year.

The summary expenditure table in the current estimate book includes columns for both recurrent, capital and total costs. The summary tables of estimates according to functional GFS -86 classifiers contain columns for the current year's estimate, revised estimate for the same year as well as a presentation of the proposed distribution for the coming year. It has tables presenting both the recurrent, capital and total budgets per function. These tables do not contain outcome figures for the past year.

Presentation of revenue in the budget

The aggregate revenue tables in the budget documents are structured into Heads of revenue, which in the capital budget reflect Grants, Loans (from A. Local Sources and B. External Sources), Returns from Investments and Miscellaneous Capital Revenue. The break down of revenue in the Capital Budget represents grants related to donating agency, foreign loans related to Government/Bank and project supported and domestic loans reflecting local source.

Revenue in the recurrent budget is presented in main categories for Taxes (Direct and Indirect), Non-tax Revenue (Receipts from Public Utilities, Receipts from Public Services, Rental of Government

Property, Interest, Royalties, etc, Reimbursements, and Miscellaneous Recurrent Revenue.) Tax income is further presented with a break-down related to type of tax (i.e. personal income tax, corporate tax, custom duties, excise duties, etc.), receipts from utilities and services with a break-down into utility/service and type of revenue, rental into State Lands, Buildings and Shooting Rights. Interest and Royalties as well as Reimbursements and Miscellaneous revenue are presented in accordance with the Government Agency collecting and name of fund or loan.

Outcome data
The computerized accounting system used by Government reflects the administrative and economic classification in the budget. It can also give more detailed information on cost centre level. Aggregate data for Budgetary Central Government Accounts for Revenue and Expenditure and Expenditure by Main Function in accordance with GFS 1986 standards are produced through a conversion in a spreadsheet environment by MOFED. Both the budget and outcome tables in accordance with this classification are presented on MOFED's website.

Assessment of classification
In summary the budget formulation and budget execution combine administrative, economic and functional dimensions and classifiers. The GFS 1986 standards are utilized both for functional and economic classification of government revenue and expenditure. There is no other programmatic classification in use.

The main functional classification is not automated in the accounting system yet. The conversion is however done in a rules based and controlled way. No regular tables are presented with a further break-down into a sub-functional level.

The project classification in the capital budget could be improved as descriptions represent a mixture of capital projects, recipients and cost items referring to the nature of cost. On the whole however the project descriptions dominate. It could also be discussed whether a further economic break down of project costs in the reporting could be beneficial and introduced.

Assessment of comprehensiveness of information included in budget documentation

A scrutiny of the budget documents related to the benchmarks in the PEFA framework gives the following result:

Table 09 - Information included in the budget documents		
Aspect	**Coverage**	**Criteria met?**
1. Macro-economic assumptions, including at least estimates of aggregate growth, inflation and exchange rate.	Aggregate growth and inflation figures are covered in Appendix to published budget, but not exchange rate. Presently no MTEF in place.	No
2. Fiscal deficit, defined according to GFS or other internationally recognized standard.	Covered in appendix of the published budget in accordance with GFS standard	Yes
3. Deficit financing, describing anticipated composition.	Covered in appendix to published budget.	Yes
4. Debt stock, including details at least for the beginning of the current year.	Details of debt stock over three last years, for the current year and forecast for up-coming year covered.	Yes
5. Financial Assets, including details at least for the beginning of the current year.	The published budget contains details of assets for the current year.	Yes
6. Prior year's budget outturn, presented in the same format as the budget proposal.	Yes for the administrative classification (detailed for revenue and summary by Ministry/Department for expenditure). The economic and functional classifications are not published in the budget document but they are available on the website (within three months after the close of the financial year) and in the Digest of Public Finance Statistics (within nine months after the close of the financial year).	No
7. Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal.	Yes, also for the main functions of government.	Yes
8. Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year.	Yes for the administrative classification of recurrent and capital expenditure but no total summary table for capital and recurrent revenue. Yes for the economic and functional classifications for the current year but no for previous year. However, they are available on the website and in the Digest of Public Finance Statistics.	No
9. Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.	No systematic presentation of budget implications of reforms are presented. There is also no systematic presentation of all sector reforms except for the budget speech which has an emphasis on financial reform.	No

Five out of the nine benchmarks have hence been met. Hence the requirements for level B are met. It will be very easy to meet benchmarks 1 and 8 where the data is readily available but not published in the budget. Also a presentation in accordance with benchmark 6 of outturn related to main functional classifiers should not constitute a problem as the data are already available on the website within 3 months after the close of the financial year. The main challenge will be benchmark 9 relating to the costing of reforms and policies. See further under PI-12.

Indicator	Score	Brief Explanation
PI-5. Classification of the budget	**B**	The budget formulation and execution is based on administrative, economic and functional classification using the GFS 1986 main functional and detailed economic classification.
PI-6. Comprehensiveness of information included in budget documentation	**B**	The 2006/07 Budget documents meet 5 of the 9 information benchmarks.

PI-7 Extent of unreported government operations
This benchmark examines two subdimensions – i) related to extrabudgetary expenditure other than donor funded projects, and ii) extrabudgetary donor funded project support.

i) Extrabudgetary expenditure other than donor funded projects
The analysis of the extent of extra budgetary funds in Mauritius is important as there are numerous transfers in the budget to funds and institutions. Appendix B to the Recurrent Budget contains the "Schedule of Grants, Subsidies and Contributions – Provision included in the 2006-2007 Recurrent Budget". The schedule is a listing by vote and item of the various funds and institutions as well as the amount budgeted for the annual grant, subsidy or contribution. There are in all 150 institutions/funds in the list and the total amount budgeted for 2006/07 is Bn Rs 18,5 which amounts to 33 % of the total budget. Two large transfers dominate the allocations; the National Pensions Fund with Bn Rs 6,1 and Pensions and contributions to the public service with Bn Rs 3,4.

Among main recipients of the remaining Bn Rs 9 are the Private Secondary Schools Authority which is allocated Bn Rs 1,8, Local Authorities receiving Bn Rs 1,3, Rodrigues Regional Assembly, receiving Mn Rs 828, and eight tertiary training institutions that receive Mn Rs 700 (University of Mauritius is the largest receiving Mn Rs 241). Mauritius Revenue Authority is allocated Mn Rs 667, Bus operators receive Mn Rs 560 for free travel for certain categories of passengers, Mn Rs 285 is allocated for social aid. The remaining allocations fall below Mn Rs 250 each and include a host of funds, voluntary organizations etc, such as the Media Trust fund, the Financial Intelligence Unit, Text books, the Tea Board, Funeral grants and the National Library.

Many of these transfers are recorded in accordance with international practise as a plain transfer to a specific purpose outside government and should not be regarded as unreported extra budgetary funds. They are possible to distinguish as they have their own item title and number; they feature in the budget as well as in in-year and annual reports. In some instances they represent functions which are devolved to sub-national levels of government and are managed by locally elected assemblies, such as in the case for local authorities and Rodrigues. The transfers to sub-national entities should not be regarded as forming part of central government PFM and operations and their PFM is not assessed under this instrument.

For other institutions receiving such transfers or grants the picture is different, for example for the tertiary institutions like the University of Mauritius. These form part of the central government operations. The PEFA requirement is for all such entities to allow a complete picture of central government revenue, expenditures across all categories, and financing.

The benchmark for this indicator is related to the extent of unreported extra-budgetary expenditure, i.e. with insignificant volumes representing less than 1 % of total expenditure for rating A, 1-5 % giving rate B, 5-10 % rate C, and more than 10 % giving a D.

In the case of Mauritius the transfers to institutions and trust funds that can be regarded as forming part of central government operations is deemed to constitute around Bn Rs 5,8 from the total list in the recurrent budget. What can be regarded as "pure" transfers to entities outside central government for their use has then been excluded.

The transfers to the included entities are not unreported, but the detailed reporting of how the resources are used do not feature in the central government in-year reporting, nor is the budget broken down into economic classifiers, except for the registration as a transfer. Additional revenue to these entities is also not reported, so it is not clear whether for example the university receives fees from students, research grants from external sources etc. or if the trust funds receive interest on their funds. On the whole the system of “Appropriations in Aid” is not used and such revenue not presented in the budget document. From the estimates it is also not clear whether these entities operate with a deficit, consuming a trust fund which has been created over the past years.

Contributions and grants to trust funds and specific institutions also feature in the capital budget. Clearly the purpose is for investments in capital projects and assets, but the figures are not broken down into details of nature of investment. To give two examples - in the capital budget for 2006/07 a lump sum of Mn Rs 31 is allocated to “Support for Tertiary Education Sector” and Mn Rs 75 as “Contribution to trust fund for the Social Integration of Vulnerable Groups.”

For the purpose of this assessment the mentioned transfers to central government operations are regarded as only partially reported. Against the calculations presented above such flows are assessed to constitute at least 10 % of the total budget, rendering a rating at level D.

ii) Income/expenditure information on donor-funded projects which is included in fiscal reports
The analysis of this sub-dimension estimates the income/expenditure information on donor-funded projects which is included in fiscal reports. Indications are whether donor funded project expenditure is insignificant or the extent (value) of donor-funded projects that is included in fiscal reports, except inputs provided in kind. If the value of included project support is 90 % or more the rating is A, 50-90 % gives a B, inclusion of only all loan financed projects gives a C and rating D is used if the information is seriously deficient and does not even cover all loan financed operations.

The Mauritian Government’s reporting on donor aid can be found in a) the annual capital estimates and subsequent reporting related to the estimate, and b) the Accountant Generals Annual Report including The Annual Accounts which contains an appendix “Statement of foreign aid received” and a statement of “Cash Aid Received from foreign countries”. The “statement of foreign aid received” lists in detail donor, receiving agency, nature of aid, quantity and at times the estimated amount. It includes donations in kind. Both these statements are based on information provided by the donors to Government each year.

The latest “statement of foreign aid received” available at the time of rating is the statement for 2004/05. The main donor in the statement is the European Development Fund whose contribution amounted to Mn Rs 72 2004/05. Other donations estimated amount to some Mn Rs 7,3.

The “statement on cash aid received” captures financial aid, donor, recipient and purpose as well as the incoming balance, amount received during the year, the amount spent during the year and the closing balance. The total cash aid spent 2004/05 was around Mn Rs 26 with the largest donors being the EU with Mn Rs 8,9 spent towards the Ministry of Fisheries, followed by the UN with several donations between 4,5 and mn Rs 1 and a large number of other smaller donations.

The Capital Budget contains details, on the revenue side, of grants and loans received from external sources for the capital projects. The grants are presented per donor whereas the loans are presented per donor/bank with a further breakdown into projects. The expenditure is presented per project and does not indicate source of funding which could be by domestic loans, external loans or foreign grants. There are no internal revenue sources funding the capital budget apart from loans taken on the domestic market. The table below describes the funding of the capital budget for the period 2003/04 to 2005/06.

Table 10 - Capital budget Mn Rs Estimated figures	*2003/04*		*2004/05*		*2005/06*	
	Revenue	Expendi-ture	Revenue	Expendi-ture	Revenue	Expendi-ture
Donor grants	663		567		496	
Loans - local sources	5 000		5 000		5 800	
Loans - external sources	849		1 076		667	
Returns from investment	722		750		720	
Miscellaneous	198		10		10	
Total capital revenue	7 432		7 403		7 693	
Capital Expenditure						
Loans given		600		580		258
Project expenditure		8 575		7 974		8 299
Reserve		5		45		39
Total Capital Expenditure		9 180		8 599		8 596

Out of the donor grants, EU has provided sector budget support for the wastewater sector, which was estimated to Mn Rs 360 2003/04, Mn Rs 427,5 2004/05, and Mn Rs 472,5 2005/06.
To determine the extent of project support the sector budget support must be deducted.

To determine whether external project support has been insignificant the following table presents budgeted and actual amounts for the three years related to the total budget and outcomes.

Table 11 - Revenue budget and outcome	*2003/04*		*2004/05*		*2005/06*	
Mn Rs	Estimate	Outcome	Estimate	Outcome	Estimate	Outcome
Foreign grants minus EU sector budget support	303	258	140	124,5	24	97
Foreign loans	849	726	1 076	1 065	667	608
Total project support	1 152	984	1 216	1 190	691	705
Total Recurrent and Capital Budget and outcome	45 930	45 306	48 200	48 194	51 750	48 875
Project support as % of total budget/outcome	3%	2%	3%	2%	1%	1%

To these figures could be added the support provided in cash as presented by the annual report from the Accountant General. For 2004/05 it amounted to Mn Rs 26. It is hence clear that the donor funded project support is above the level of 1 % for all the years and cannot be regarded as insignificant.

The question then arises whether income/expenditure information for donor funded projects, except inputs provided in kind, is included in fiscal reports and to what extent financial reports can be provided on receipt and use of donor support received in cash.

For all the loan funded projects, which constitute the majority of donor funding to projects, clear records and reports are provided in all stages related to both the estimated and used amounts for specific projects through the revenue/loans reporting. As to grants the estimate indicates the amounts estimated for each donor, but not to which project the fund is allocated. The expenditure reporting is however broken down into projects so that each donor can determine whether a project which is supported did receive the anticipated amount from the capital budget. In many instances projects are co-funded through joint financing by government and donors and the financial records for expenditure are not split according to source of funding.

Out of the total project funding from loans and grants the following %-age are financed by loans:

Table 12 - Loans and Grants as a percentage of total project funding	*2003/04*		*2004/05*		*2005/06*	
	Estimate	Outcome	Estimate	Outcome	Estimate	Outcome
Project support through loans in % of total project support	74%	74%	89%	90%	97%	86%

For loans the reporting requirement is fully covered through the break down of the loans into projects. For the grant supported projects we also regard the information required to be sufficient, although a reporting of expenditure towards source of revenue would be possible with a multi-dimensional coding system and a break down of the capital expenditure estimate according to source of funding. With multiple funding such a break-down however tends to become artificial and to add little information value to decision-makers. The essential reporting of the project expenditure as compared to the total estimated expenditure budget is provided.

The information on "Aid in kind and cash" in the Accountant General's report may add some value to the reporting. However it covers limited amounts, it presents a mixture of support in kind, which isn't costed at all on one hand, and costed support on the other. Besides, the relationship between the amounts presented as receipts in cash and the Accountant Generals appendix and the amounts included in the capital budget is unclear.

In conclusion it is assessed that the income/expenditure information on donor-funded projects which is included in fiscal reports represents at least 90 % of all such support excluding in-puts in-kind. The rating for this dimension would hence be an A.

Indicator	**Score**	**Brief Explanation**
PI-7. Extent of unreported government operations	**D+**	
(i) Level of unreported extra-budgetary expenditure	D	A number of trust funds and government entities receive general grants. The transfers to such entities are only reported from limited aspects and constitute slightly more than 10 % of the total budget.
(ii) Income/expenditure information on donor-funded projects	A	The level of project support given is slightly above 1% and hence not insignificant. More than 90 % of project support excluding in-puts in kind is reported.

PI–8 Transparency of inter-governmental fiscal relations

The specific situation in Mauritius related to sub-national government (SN) is that the Republic has one local government layer consisting of five municipalities and four district councils. In addition the island of Rodrigues has a longer reaching autonomous status with its own elected assembly and several devolved functions of government.

With the limited size of the island of Mauritius the mandate of local authorities is rather restricted. They are mainly vested with the responsibility for waste collection, local roads, parks and fountains, cemeteries, sport grounds and recreational facilities, fire protection and in some instances pre schools.

Financially Rodrigues receives a specific vote which is negotiated with government and the Ministry of Finance and Economic Development in detail.

The municipalities and district councils receive shares of the local government grant – the horizontal allocation of which to a large extent is based on a specific formula. The grant is intended for recurrent costs. The local government grant has normally been added to during the year to cover requests for supplementary local government grant.

A separate grant is given for capital costs with an equal amount to each local authority – at present Mn Rs 5 to each. There also exist some minor grants such as for tourism enterprises.

The local authorities have access to own revenue sources, but the main share of their budget is covered by the Local Government Grant. For municipalities the grant covers 55 % to 70 % of the budget, whereas for district councils it covers 70 % to 85 %. The difference is caused by the municipalities' right to collect rates.

The Local Government Grant was originally allocated on a formula that took population and other factors into account. The information that is applied in the formula has however not been up-dated for several years and the distribution is not regarded as fair any more. The total grant is presently only up-dated by a %-age each year to accommodate inflation and increased cost, but the basic percentage distribution for the horizontal allocation remains the same, despite changes in population etc. The basic horizontal allocation is therefore rules based and transparent, albeit not based on up-dated information. The horizontal distribution of supplementary grants is less predictable as the distribution is made on a needs basis after a negotiation process between MOFED and the local authorities. The supplementary allocations have however in total been insignificant compared to the total grant.

The Local Authorities have to submit their estimates to MOFED before 31 of May each year. They have been given an indicative grant amount already before May. Based on the estimates and the available funds the proposed total %-age increase and grant is determined for the government estimates. The finally approved amount is communicated before the start of the financial year.

The negotiations with Rodrigues on the estimate follows central governments budget preparatory calendar and is channelled through the Ministry for Rodrigues.

Outcome data from municipalities is received by the end of the financial year and compiled into the General Government Statistic reports. The data is presented according to economic, administrative and main functional categories. The local authorities' final accounts are audited.

Outcome data for Rodrigues is reported through the same procedures and formats as central government ministries. MOFED has staff stationed on the island.

Reforms

An overhaul of the formula for allocation of the local government transfer is planned.

Assessment

The assessment criteria relate to

i) Whether a transparent and rules based system exists in the horizontal allocation among sub-national governments and if fiscal data for these entities is collected and reported for general government according to sectoral categories..

ii) Whether sub-national governments are provided with reliable information on the allocations to be transferred to them in time for their budget process, and

iii) Whether ex-ante and ex-post fiscal data, consistent with government fiscal reporting is collected and consolidated into annual reports in a timely manner.

As to i) a rules-based system is in place and applied for more than 90 % of the grants to local authorities. The criteria for an A score is thereby satisfied although the system needs to be up-dated. Rodrigues is unique insofar as its mandate and autonomy is concerned. The issue of horizontal allocation therefore does not apply.

For sub-indicator ii) the local authorities get information on allocations at least one month before their budgets are to be submitted, which gives them sufficient time for their budget process. The criteria for an A is hence satisfied for local authorities. For Rodrigues the central government time table applies which has been rated under indicator PI-11.

For sub-indicator iii) fiscal annual information on outcome is collected for the whole local authority turnover as well as for Rodrigues within 10 months of the end of the fiscal year and published in the annual fiscal reports for general government and presented for sectoral categories. This is in accordance with the criteria for an A rating.

Indicator	Score	Brief Explanation
PI-8. Transparency of Inter-Governmental Fiscal Relations (M2)	**A**	
(i) Transparency and objectivity in the horizontal allocation amongst Sub National Governments	A	More than 90 % of central government transfers are determined by transparent and rules based systems for the horizontal allocation to sub-national government.
(ii) Timeliness and reliable information to SN governments on their allocations	A	The SN governments are provided with reliable information on the grants to be transferred at least two month prior to the new year and one month prior to their own budget submissions.
(iii) Extent of consolidation of fiscal data for general government	A	The local authorities are included in the central government statistical reports which are produced within 10 months of year end. End of year statements are also compiled and sent to MOFED for all Local Authorities.

PI-9 Oversight of aggregate fiscal risk

The Public sector consists of the General Government and Public Corporations. The General Government exercises legislative, judicial and executive authority. In the Mauritian context, the general Government sub-sectors are made up of (i) budgetary Central Government, (ii) extra-budgetary units and social security funds (EBU), (iii) Sub-national Government (SN). Public corporations (PE) comprising of the Non-Financial Public Corporations and Financial Public Corporations.

The government through the Ministry of Finance and Economic Development has in place a system for monitoring external public sector debt. Following discussions, held with the World Bank in the context of the Public Expenditure Review Loan (PERL), the government has decided to extend the coverage to include also domestic public sector debt. The data on outstanding domestic debt is collected on a quarterly basis. It includes both guaranteed and non-guaranteed loans by Government. The data is classified in categories such as: Extra Budgetary units (EBU), Local Government (SN), Public corporations (PE) and Non-Financial Public Corporations (PE).

A special Debt Management Unit (DMU) at MOFED was established in 2004. Its role is to analyze and manage fiscal risk in the government. It is also expected to play an important role in reshaping the legal and regulatory framework and in building adequate infrastructure for the development of the domestic government bond market. Along with the risks involved in the government debt portfolio, the DMU should at least monitor and analyze risk arising from the government guarantees and from the public sector and the economy more broadly.[6]

The budgetary Central Government includes all ministries and departments and they are not authorised to raise loans. It is the Government, the MOFED, that contracts loans on their behalf. In 2006 the total public debt was Bn Rs 117, whereof domestic debt Bn Rs 108 (92%) and external debt Bn Rs 9 (8%)[7]

Extra Budgetary Units (EBU) are non-profit agencies responsible for the performance of specialised governmental functions in such fields as health, education, social welfare, construction and so on, under the authority of the Central Government (e.g. Mahatma Gandhi Institute, Mauritius Examination Syndicate, University of Mauritius, etc). The social security schemes are also grouped with the EBU:s. Social Security Schemes are imposed, controlled or financed by the public authorities for the purpose of providing social security benefits for the community. Included in this category is the National Pension Fund. At present (Feb 2007) there are 91 such EBU:s. The sum of their guaranteed and non guaranteed loans in 2006 was Bn Rs 10 which constitutes 3% of total domestic public debt outside central government budgetary institutions.

Local Government (SN) consists of municipalities and district councils/village councils exercising an independent competence as government units. In all there are 9 such bodies. SN government cannot generate fiscal risk without the MOLG and the Treasury approval. The MOLG and MOFED receive fiscal reports from local authorities and MOFED produces a consolidated report. MOLG and Treasury do monitor local councils' fiscal position. The sum of guaranteed and non guaranteed loans for SNs in 2006 was 1% of the total public domestic debt for entities outside of central government budgetary institutions.

The Non-Financial Public Corporation Sector (PE) encompasses corporations engaging primarily in the production of goods and non-financial services which are controlled by the Government. At present a total of 50 such units have been surveyed. Their sum of guaranteed and non guaranteed loans in 2006 was 66%, whereof overdrafts 1%, of total public domestic debt outside central government budgetary institutions.

Public Financial Corporations (PE) are government-owned or government-controlled institutions primarily engaged in both incurring liabilities and acquiring financial assets in the market. There are 22 corporation listed under this category. The sum of guaranteed and non guaranteed loans in 2006 was

[6] WB 2004, p. 79

[7] Debt Unit MOFED, homepage March 2007

30%, whereof overdrafts 0%, of total public domestic debt for entities outside central government's budgetary institutions.

There are many sources of information open to the public on the fiscal oversight. Most of them are available on the different government web sites: (i) Debt Unit at MOFED in detail specifying: Public respectively Public Sector Debt; Public Debt Servicing; Total External Debt; Total External Debt Servicing; Currency Compositions on different Debts; Public Corporations Debts; External Debt Outstanding by Borrower and Creditor Category. (ii) the Annual State Budget and the corresponding Annual Financial Statement at the Accountant General, MOFED and (iii) the Director of Audit's Annual Report to the Assembly.

There is thus a good and timely oversight of aggregate fiscal risk at MOFED as presented above. The Outstanding External Debt is monitored on a quarterly basis. On a quarterly basis MOFED also produces a complete consolidated overview of Outstanding Domestic Debt in order to facilitate a general financial oversight of the PEs, EBUs and the sub-national government (SN). Some information related to fiscal risks is presented with the budget, but there is no analysis of risk to the medium term fiscal situation. Information is presented on all central government guarantees and some other contingent liabilities on a quarterly basis but there is no direct assesment made of the likely fiscal impact[8].

Central Government receives regular financial statements and audited year-end statements from all, state-owned enterprises (PE). It also monitors financial performance against targets on a quarterly basis. The same applies for the Extra Budgetary Units (EBU). In a recent WB mission to Mauritius it was noted that despite the limited liability of Central Government for SN government budgets, there is an oversight by Central Government.

The WB stated already in 2004 before the reinforced fiscal oversight described above that 'there is a good degree of transparency with respect to government explicit contingent liabilities, helping to ensure the comprehensiveness of the fiscal framework and transparency of fiscal risks. The list of government guarantees is publicly available, with a full list of beneficiaries and lenders under government guarantees and the amounts outstanding denominated in the domestic currency as well as the currency of origin.

Indicator	Score	Brief Explanation
PI-9. Oversight of aggregate fiscal risk from other public sector entities.	**B+**	
(i) Extent of central government monitoring of AGAs/PEs	B	All major PEs and AGAs submit fiscal reports to MoFED: Annual financial statements and an annual audit report as well as quarterly statements. MOFED consolidates fiscal exposure on a quarterly basis, report available on their website. There are, however, some problems with the monitoring of PEs because of late submission of financial statements and the issuing of external audit reports.
(ii) Extent of central government monitoring of SN governments' fiscal position	A	SN government cannot incur debt without the MOLG and Treasury approval. The MOLG and MOFED receive fiscal reports from local authorities. MOFED produces a consolidated report on a quarterly basis available on their website. MOLG and the MOFED monitor local authorities' fiscal position.

[8] Accrual-based accounting system is neither necessary, nor sufficient as a remedy. International accounting standards, for instance, require only *probable* contingent liabilities (contingencies with relatively high probability of realization) to be included in the balance sheet, leaving the others in a separate statement of contingent liabilities (WB 2004 p.82)

PI–10 Public access to key fiscal information

Key financial documents include the three budget documents – i.e. the budget speech, recurrent and capital budgets, the Accountant General's annual report and the annual Digest of Public Finance Statistics. Also the Auditor General's annual report is of importance. In addition quarterly financial reports are made available on Government's website. The Auditor Generals report can be accessed on the Auditor General's website. Advertisement of contact awards and major tender announcements are made on Governments website and in a Bulletin. The central Statistics Office also makes its reports available on its website.

The budget documents are not sold in the market, but available at the Ministry of Finance on request and without charge. The annual Digest of Public Finance Statistics is printed and sold for Rs 50 ,(= around 1 €) through the Central Statistics Office.

The budget documents are – except for the budget speech – quite technical and very detailed, although the lay-out is acceptable and there are summary tables, indexes etc. The Accountant General's annual report with the annual accounts is also – partly by nature - a technical document, though with more diagrams which provide good illustrations to the content. The Auditor General's annual report is written in clear language in a very pedagogic manner. The Digest of Public Finance Statistics and the web-published statistic tables from the Central Statistics Office provide clear tables but could contain more graphic material.

The following table captures the documents, mode and timeliness of publication and whether the PEFA requirements for publication and timeliness are met.

Table 13 - Availability and publication of PFM documents

Document/information	***Means of publication***	***Timeliness***	***Criteria met?***
Annual Budget documentation	Government's website	At the time of budget speech - mid June	Yes
In year budget execution reports	Government's website	Quarterly reports within 3 months	No
Year end financial statements, and	Government's website	Feb/March	Yes
Digest of Public Finance Statistics	CSO website and sales	April	
External audit reports	Government's website	November	Yes
Contract awards	Government's website+ bulletin		Yes
Resources available to primary service units	Information per cost centre on request to MOFEF	Immediately	Yes

Indicator	**Score**	**Brief Explanation**
PI-10. Public Access to key fiscal information	**A**	The government makes available to the public in time 5 of the 6 listed types of information.

The Budget Cycle

The indicators referring to the budget cycle cover both the budget preparation phase and process - the political involvement and the relationship between policies and the budget, the budget execution, with regard to taxes and revenues, commitment control and payments, control of salaries and non salary expenses, accounting, reporting and internal and external audit and control

3.3 Policy-based Budgeting

PI–11 Orderliness and participation in the annual budget process

Indicator 11 is related to whether there is a fixed budget calendar which is adhered to, the political involvement in guidance on the preparation of the budget, and whether the legislature's approval of the budget is timely.

The financial budget year in Mauritius runs from the 1 July to 30 June. The following diagram seeks to depict the budget process and time-table:

Table 14 - The budget process and timetable

Level	February	March	April	May	June
Parliament					Budget proposal presented 1st week of June, approval last week of June
Cabinet				Economic? Cabinet	
MOFED Finance Secretary	20 Feb, Budget circular is distributed to MDA:s **?**	15 March deadline for submission from MDA:s ?	Estimate Committee discussion ?	Budget Memo ? **?** Final Budget Proposal	
MDAs Accounting Officers	Received by MDA:s ?			Preparation ? of Budget Speech input	

Hence the budget process is initiated in mid February when MOFED issues the budget circular. The circular contains general guidelines and requirements, the MTEF ceilings which are given per vote for a three year period and technical forms to be used. It covers both the capital and recurrent budget. The MDA:s are given around four weeks to prepare the budget and submit it to MOFED. The submissions are compiled at MOFED to a total draft estimate that is discussed in the Estimate Committee. This committee is chaired by the Finance Secretary and includes the Ministry of Civil Service and some major line ministries. MOFED issues a budget memo requesting input from line ministers to the budget speech and inviting comments to the final draft budget proposal. The final proposal emanating from the Committee is presented to the so called Economic Cabinet consisting of the Prime Minister and the Minister of Finance. After Cabinet decision the budget proposal is presented to Parliament, normally in the first week of June.

In larger ministries like Education and Health, preparation of the estimates has started before the budget circular arrives, but experience is that these ministries still submit their budget input after the deadline in March.

The Parliamentary decision on the budget has over the three years under scrutiny occurred before the start of the financial year. Parliament's process and decision on the budget is further described under indicator PI-27.

Dimension i) Existence and adherence to a fixed budget calendar
In relation to the first dimension for this indicator it is obvious that there is a fairly clear time-table for the budget process. There is no overall calendar documenting the whole budget process, deadlines have to be determined from different documents. The timetable allows MDA:s reasonable time – around four weeks, from receipt of the budget circular and most of them are able to meaningfully complete their detailed estimates on time. This results in the score of a weak B. More could be done to document the whole budget process and larger ministries would benefit if they were be given more time to digest the budget circular.

Dimension ii) Guidance on the preparation of budget submissions
The circular gives clear guidance and reflects three year ceilings. The MTEF process does however not yet cover all ministries and is subject to an overhaul. There is no overall three year MTEF presentation linked to the latest budget that present the rationale of the ceilings. The rating for this dimension is therefore a C.

Dimension iii) Timely approval by the legislature.
The legislature has, during the last three years, approved the budget before the start of the fiscal year. This renders the score A.

PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting

Dimension i) preparation of multi-year fiscal forecasts and functional allocations
The Government of Mauritius started a process to implement a mid term expenditure framework in 2003 when the Ministry of Education and Training was chosen as a pilot. The first MTEF document for this ministry was submitted to Parliament in June 2004. In April 2005 a second MTEF document was submitted as an appendix to the estimate including Education and Training, Social Security, Wastewater, Environment, Solid Waste and Health. The implementation process then slowed down due to elections and the budget proposal to the Assembly for 2006/07 didn't contain any full MTEF appendix, although the document had tables giving three year MTEF estimates for all votes.

Some lessons noted from the pilot period are that the policy framework was inexisting or not operational, that there was no link between policy frameworks and budgets where the framework existed, and a lack of capacity to propose programs and medium term estimates and link them to policy objectives. The budget process was rather characterized by "Line itemization" than strategic budgeting. There are also complaints that the concept of MTEF has been unclear and that line ministries do not have the methodology and formats in place to apply the method.

Reforms
The new government has decided to extend the MTEF process to all ministries with the objective that the 2007/08 budget formulation should be MTEF-based, i e based on a policy framework, programmes and three year presentations. To support the process with few months left to present the 2007/08 budget, line ministries have been requested to create dedicated MTEF cells that are to liaise with a support team set up at MOFED. Plans also exist to launch programme based budgeting by 2008.

Assessment
For the scoring of this dimension it can be noted that Medium Term Macro-economic Projections exist in the 2006/07 budget estimate for a four year period – related to calendar years. There are also medium term expenditure projections for a three year period according to administrative classification. There are however no revenue projections over a three year period and also no three year expenditure projections related to economic or functional/sector classification. The MTEF appendix which existed for the 2003/04 and 2004/05 budget had several of these features, but only covered some pilot sectors and ministries.

The conclusion is therefore that a D score reflects the present situation as no forward estimates of fiscal aggregates are undertaken in the budget document for the revenue aspects of the budget.

Dimension ii) Scope and frequency of debt sustainability analysis
Debt sustainability analyses have been undertaken every second year for Mauritius with the assistance of IMF experts. Annual analyses have not been deemed necessary or cost efficient.

Reforms
There are plans to introduce regular internal debt analyses on an annual basis.

Assessment
The score for this dimension is a B.

Dimension iii) Existence of costed sector strategies
Costed sector strategies existed for the pilot ministries included in the MTEF appendix presented to the 2005/06 budget. In the 2006/07 budget there were however no such strategies, and no separate up-dated documents with such costed strategies exist at present. As noted above there were also deficiencies noted with the first MTEF approach.
The rating of this dimension will at present therefore be a D.

Reforms
As noted under dimension i) advanced plans exist to present the whole budget for 2007/08 in a MTEF format with costed three year sector plans.

Dimension iv) Linkages between investment budgets and forward expenditure estimates
Although the recurrent implications of investments are said to be covered by the recurrent estimates there is no solid presentation that this is the case. Inclusion of additional staff costs, medicines etc when new hospitals have been built or of teacher's salaries for new schools is likely to be covered in the internal budget process of the responsible line ministries. As there are no clear sector plans or even sector related texts in the estimates at present this link is not covered and visible in the budget documents. A stronger integration between capital and recurrent estimates would help in this regard. At present therefore this dimension scores a D.

Policy-Based Budgeting		
Indicator	**Score**	**Brief Explanation**
PI-11. Orderliness and participation in the annual budget process (M2)	**B**	
(i) Existence of, and adherence to, a fixed budget calendar	B	A clear budget circular with deadline exists, but some larger ministries do not meet the deadlines as they are given only around four weeks to complete their submissions.
(ii) Guidance on the preparation of budget submissions	C	A clear budget circular to MDA:s including three year ceilings exist. There is however at present no MTEF document linked to the budget ceilings.
(iii) Timely budget approval by the legislature	A	The legislature has, during the last three years, approved the budget before the start of the fiscal year.
PI- 12. Multi-year perspective in fiscal planning, expenditure policy and budgeting (M2)	**D+**	
(i) multi-year fiscal forecasts and functional allocations	D	Forward estimates do not cover revenue.
(ii) scope and frequency of debt sustainability analysis	B	DSA for external and domestic debt is undertaken every second year.
(iii) existence of costed sector strategies	D	The budget for 2005/06 contained pilot ministry MTEF and sector strategies. The 2006/07 budget only contained MTEF three year frameworks related to votes.
(iv) linkages between investment budgets and forward expenditure estimates	D	In the absence of sector presentations in the current budget the inclusion of recurrent implications of investments is not visible.

3.4 Predictability and Control in Budget Execution

PI-13 Transparency of taxpayer obligations and liabilities

Most legislations and procedures are comprehensive and clear. The Director-General ("DG") of the MRA is empowered to waive the whole or part of any penalty or interest where he is satisfied that the failure to comply with the law was attributable to a just or reasonable cause. In the exercise of his power the DG is expected to, in writing, record the reasons for waiving the whole or part of the penalty or interest.

There is an advanced ruling procedure in place and rulings are binding on the MRA. Moreover, such rulings cannot be contested.

Apart from taxes on transactions pertaining to land, all major taxes are administered by the MRA. The MRA became operational in July 2006 and has organised a number of training sessions for all stakeholders as a result of the significant changes made to the income tax law in the 2006/2007 Budget. Various explanatory documents are also available on the web site of the MRA. As from 20 April 2005 the DG of the MRA is allowed to issue Statement of Practice as regards to certain specific provisions of the income tax legislation. To date only one Statement of Practise has been issued by the MRA.

There is an appeal system in place. Should a taxpayer be aggrieved by an assessment for additional tax or an adjustment to his tax losses, he should object in the first instance to the MRA. The case would then be dealt with by a separate unit at the MRA. In the event that the case is not settled at the level of the MRA, then the taxpayer may make a written representation to the Assessment Review Committee ("ARC"). The taxpayer can also appeal to the decision of the ARC to the Supreme Court and if he still is not satisfied, he can also make an appeal to the Privy Council. However, no appeal can be made in respect of certain actions/decisions of the MRA. In his Annual Report for the year ended 30 June 2006 the Director of Audit criticizes tax debt collection as he observes a downward trend in collection as well as a large backlog of pending appeals (2006 101 pending appeals were more than 6 years old representing a value of Mn Rs 103,6).

PI-14 Effectiveness of measures for taxpayer registration and tax assessment

Mauritius operates a self assessment tax regime. The Business Registration Act 2002 ("BRA 2002") was promulgated in October 2006 and it requires all persons engaged in any business to be registered with the Registrar of Companies ("ROC"). The ROC automatically provides information on new businesses to the MRA. With the advent of the MRA, the VAT, PAYE and corporate affairs of small and medium enterprises are administered by the same unit. There is one identification number for corporate, VAT and Customs purposes.

Further to the amendment made by the Finance Act 2006, all the penalties and interests in the various fiscal legislations have been harmonised. Late submission of a return results in a penalty of Rs 2,000 per month, with a maximum of Rs 20,000. Late payment of tax results in a penalty of 5% of the unpaid tax. There is also interest computed at 1% of the unpaid tax per month, with no maximum.

The tax administration has started to implement a computerisation process to improve the processing of tax administration data. Large taxpayers and employers with more than 50 employees should file their returns electronically.

There are well defined criteria to audit taxpayers who are susceptible to have understated their taxable income. For instance, all individuals who acquire a property of at least Rs 2million are examined. Apart from the information gathered from the Registrar General, the MRA has access to information from other regulatory Authorities to enable it to track non-compliant taxpayers. Generally 5% of the small and medium enterprises are subject to audit. As regards large taxpayers they are subject to a full audit.

PI-15 Effectiveness in collection of tax payments

The accumulation of tax arrears can be a critical factor in undermining high budgetary outturns, while the ability to collect tax debt lends credibility to the tax assessment process and reflects equal treatment of taxpayers. The prompt transfer of the collections to the Treasury is essential for ensuring that the collected revenue is available to the Treasury for spending, and aggregate reporting on tax assessments, collections, arrears and transfers to Treasury must take place regularly and be reconciled.

The tax arrears are significant for income tax, corporate tax and VAT. The following table depicts the tax debt and debt collection as well as the total arrears for the last two years, based on the Auditor General's reports and the recurrent budget.

Table 15 - Tax arrears and collection , Mn Rs				
	2004/05	*2004/05*	*2005/06*	*2005/06*
	Outstanding debt	Amount Collected	Outstanding debt	Amount Collected
Income tax	747	347	764	262
Value Added Tax	141	79	183	36
% collected Income tax debt		46%		34%
% Collected VAT debt		56%		20%
Total debt and total collected debt	888	426	947	299
Total Debt collection ratio	48%		32%	
Annual collection:				
Income tax	5 829		7 420	
VAT	12 529		13 700	
Total annual collection	18 358		21 120	
% in arrears of total collection Income Tax	13%		10%	
% in arrears of total collection VAT	1%		1%	
Total Arrears as % of total collection		5%		4%

Tax in dispute constitutes a significant proportion of the total tax arrears. When a taxpayer makes an objection, 30% of the total amount claimed has to be paid for the objection to be valid. In some cases, the 30% is not paid. Most of the taxes in arrears relate to cases that have not yet been determined by the ARC, MRA, Supreme Court and the Privy Council.

Taxes are collected by the MRA and not directly by the Treasurer. Certain taxpayers and employers pay tax liabilities through direct bank transfers to the account of the MRA. The law provides that taxes collected by the MRA shall as soon as is reasonably practicable be paid to the Consolidated Fund. The MRA transfers revenue collected to the Treasury on a daily basis. As the MRA is a body corporate, separate from Government, it does not have access to the Treasury Accounting System of the Government as from 1 July 2006. Although the reconciliation is time consuming with the advent of the MRA it is still done on a monthly basis, covering reconciliations of established taxes against taxes collected and paid, tax arrears and sums of daily tax payments which all are reconciled with amount credited to the Treasury accounts.

Indicator	Score	Brief Explanation
PI-13. Transparency of taxpayer obligations and liabilities (M2)	**B**	
(i) Clarity and comprehensiveness of tax liabilities	B	The tax law and regulations are clearly spelt out for most, but not necessarily all, major taxes and there are limited discretionary powers for the tax authorities. Taxpayer education sessions are conducted.
(ii) Taxpayer access to information on tax liabilities and administrative procedures	B	Tax payer education seminars are conducted and information on tax liabilities and procedures are available on the website of the MRA for some of the major taxes
(iii) Existence and functioning of a tax appeals mechanism	C	A tax appeals mechanism is in place, but needs substantial redesign to be fair, transparent and effective. There are certain decisions that the taxpayers do not have any legal recourse.
PI-14. Effectiveness of measures for taxpayer registration and tax assessment (M2)	**B+**	
(i) Controls in taxpayer registration system	A	Taxpayers are registered in a complete database system with complete direct linkages to other relevant government registration systems such financial sector regulations such as the Registrar of Companies and the Board of Investment.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	B	Interests and penalties exist and acts as deterrent, but are not always effective due to inconsistent administration.
(iii) Planning and monitoring of tax audit and fraud investigation programs	B	Tax audits and fraud investigations are managed through a documented annual audit plan, with clear risk assessment criteria for audits in at least one major tax area that applies self-assessment
PI-15. Effectiveness in collection of tax payments	**D+**	
(i) Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	D	The collection ratio is below 60 % for the two most recent fiscal years. The total amount of tax arrears exceeds 2% of the total annual collections.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	Transfers of collections to the Treasury are done on a daily basis.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	A	The MRA is separate from the Government and a complete reconciliation of the accounts are reconciled on at least monthly basis.

PI-16 Predictability in the availability of funds for commitment of expenditures

The effective execution of the budget, in accordance with work plans, requires that the spending ministries, departments and agencies receive reliable information on the availability of funds within which they can commit expenditure for recurrent and capital inputs. Key elements of predictability in the availability of funds for commitment of expenditure include (i) the extent to which cash flows are forecasted and monitored; (ii) reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure; and (iii) frequency and transparency of adjustments to budget allocations which are decided above the level of management of MDAs.

An important requirement for avoiding unnecessary short term borrowing and interest is that cash balances in all government accounts are identified and consolidated. The calculation and consolidation of bank balances take place daily and are reported upon monthly.
In Mauritius. Quarterly funding profiles are the basis upon which resources are released by the Treasury. Recording and management of cash balances, debt and guarantees are made on a daily, monthly and quarterly basis.

In-year adjustments to budget allocation normally take place only once a year (2003/04 and 2004/05), in the financial year 2005/06 twice. For all three years the amendments as a percentage of total expenditure have been reasonable (2005/06 4,4% - excluding interest on public debt, 2004/05 2,9% and 2003/04 2,3%) and had no material impact for the MDAs ability to make commitments for 'at least six months' and in practice for most budget spenders the whole fiscal year, once the appropriation is made. Reallocations or virements are made relatively frequently within same head with Treasury approval.

A cash flow forecast is prepared for the fiscal year, and is presented monthly based on a daily update of actual cash inflows and outflows.

MDAs' are able to plan and commit expenditure for at least six months in advance based on the budgeted appropriation (In practice, during the last three years, for the whole fiscal year).

Indicator	Score	Brief Explanation
PI-16. - Predictability in the availability of funds for commitment of expenditures	**A**	
(i) Extent to which cash flows are forecast and monitored	A	A cash flow forecast is prepared for the fiscal year, and is presented monthly based on a daily update of actual cash inflows and outflows.
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	A	MDAs' are able to plan and commit expenditure for at least six months in advance based on the budgeted appropriation. In practice, during the last three years, for the whole fiscal year.
(iii) Frequency and transparency of adjustments to budget allocations which are decided above the level of management of MDAs	A	In-year adjustments to budget allocation normally take place only once a year (2003/04 and 2004/05, in the financial year 2005/06 twice). For all three years the amounts have been reasonable and had no more material impact for the MDAs ability to make commitments for 'at least six months' and in practice for the whole year once the appropriation is made. Virements are made relatively frequently within same head with Treasury approval.

PI-17 Recording and management of cash balances, debt and guarantees

Debt management, in terms of contracting, servicing and repayment of loans, and the provision of government guarantees are major elements of overall fiscal management.
The WB's assessment in 2004[9] was:

'(a) The Bank of Mauritius's Annual Report provides detailed information on the portfolio of government debt. The report, however, does not discuss the associated government risk exposure and its possible impact on future debt service cost. In addition, quasi-fiscal operations conducted through public corporations and their potential future fiscal costs are only discussed occasionally.
(b) There is a good degree of transparency with respect to government explicit contingent liabilities, helping to ensure the comprehensiveness of the fiscal framework and transparency of fiscal risks. The list of government's guarantees is publicly available, with a full list of beneficiaries and lenders under government guarantees and the amounts outstanding are denominated in the domestic currency as well as the currency of the origin.'

The following dimensions reflect a well performed management; (i) quality of debt data recording and reporting; (ii) extent of government's cash balances; and (iii) systems for contracting loans and issuances of guarantees.

Foreign and domestic records on debt stock, debt servicing and guarantees are complete, updated and reconciled quarterly by the Debt Unit at MOFED and publicly available on MOFED's web-site. Calculation and consolidation of bank balances take place daily and in more depth monthly at the MOFED.

In accordance with the Loans Act from 1982:
'The Minister may on such terms as he thinks fit enter into an agreement (a) to raise funds for financing development projects or for such other purpose as the Minister considers necessary in the public interest; (b) to guarantee a loan made to any person for the purpose of financing development projects, (c) for such other purpose as the Minister considers necessary in the public interest. A copy of every agreement shall be laid before the Assembly - within 30 days where the Assembly is sitting and 7 days before the next meeting when it is not sitting'. For 'other loans' the Minister may raise 'loans not exceeding an aggregate of Rs 3,500 Mn in any financial year'.

The act thus entrusts the Minister with extensive powers in the execution of the Government's Fiscal Policy. In practice he is restricted by fiscal targets, such as debt ceilings for short and long term given in the MTEF and the Appropriation Act and he is required to report back to the Assembly without delay.

[9] WB Mauritius The New Economic Agenda and Fiscal Sustainability 2004.

Indicator	Score	Brief Explanation
PI-17 Recording and management of cash balances, debt and guarantees (M2)	**A**	
(i) Quality of debt data recording and reporting	B	Foreign and domestic debt records are complete, updated and reconciled quarterly. Comprehensive management and statistical reports are produced at least annually. They are public and available on MOFED's web site. Findings related to extra budgetary funds are described under PI-7 and PI-9 and reduce the score.
(ii) Extent of consolidation of the government's cash balances	A	Calculation and consolidation of bank balances take place daily and in more depth monthly.
(iii) Systems for contracting loans and issuance of guarantees	A	Central government's contracting of loans and issuing of guarantees are always approved by a single responsible government entity, MOFED. The Minister is entrusted with extensive powers to execute the Government's fiscal policy within the limits given by MTEF and the Appropriation Act. The Minister has to inform the Assembly on all agreements made within tight time limits.

PI-18 Effectiveness of payroll controls

Salaries are usually one of the largest cost items of government and could be susceptible to both weak control and corruption. In Mauritius wages and salaries amount to 30 % of the recurrent budget. The indicator is concerned with the payroll for salaries to public servants only and not wages for casual labour and discretionary allowances. The personnel database is an important cornerstone for a well functioning payroll. An assessment of the functioning of the payroll include: (i) degree of integration and reconciliation between personnel records and payroll data, (ii) timeliness of changes to personnel records and the payroll, (iii) internal controls of changes to personnel records and the payroll, and (iv) existence of payroll audits to identify control weaknesses and/or ghost workers.

In the Government of Mauritius a central automated payroll system and database is in operation for central government employees. It is not integrated with the FMS system, but generates data for payment of salaries to the banking system and summary reports to be registered in the FMS system. The processing of salary payments is based on the set of data provided for each employee and post. The system calculates the salary based on this initial data. In addition input data for the monthly salary calculation is provided in the cases required as exception reports (for unpaid leave, bonuses etc) sent from the line ministries to the central CISD.

The monthly payroll lists are then sent back to the ministries to be confirmed and signed. Salary payments are made into the employee's individual bank account, thereby registered and leaving a solid audit trail. All other steps in the further processing, e.g. availability of funds and concerned bank accounts are checked before payment. Finally the actual payments are checked against previous month's payment by the line ministry and signed. Retroactive adjustments are rare.

The quality of the data entry into the system seems to be properly secured. Both the Internal and the External Auditors perform annual system based audits of the internal control of the payroll including substantive testing. They have not expressed any serious criticism during the last three years on this design or application neither in their reports nor in the PEFA hearings. The overall assessment is thus that internal control of the system is functioning well.

Reforms

MOFED aims at a full integration of the payroll database, the personnel register (presently manual) and the FMS system and is for now investigating different options and their value for money. A preliminary feasibility assessment is, however, that the cost for an integrated solution might be too high in relation to value added.

Indicator	Score	Brief Explanation
PI-18. Effectiveness of payroll controls	**B+**	
(i) Degree of integration and reconciliation between personnel records and payroll data.	B	Personnel data and payroll data are not directly linked but the payroll is supported by full documentation for all changes made to personnel records each month and checked against previous month's payroll data.
(ii) Timeliness of changes to personnel records and the payroll.	A	Personnel records and payroll data are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare.
(iii) Internal controls of changes to personnel records and the payroll.	A	Authority to change records and payroll is restricted. Changes made are recorded leaving an audit trail.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.	A	Both the internal audit and the external audit perform annually system based audit, including substantive testing, on the internal control of the annual payroll to identify possible control weaknesses. There has neither been any more substantial criticism during the last three years in their reports, nor have they expressed any concern during the PEFA assessment.

PI-19 Competition, value for money and controls in procurement

Effective and efficient public procurement systems are essential for the achievement of sustainable development. Public procurement systems are at the centre of the way public money is spent since budgets get translated into services largely through the government's purchase of goods, works, and services.

Key elements[10] of a well performing public procurement system include whether there is (i) evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases (percentage of the number of contracts awards that are above the threshold); (ii) extent of justification for use of less competitive procurement methods; and (iii) existence and operation of a procurement complaints mechanism.

Public Procurement is currently regulated by the provisions of the Financial Management Manual (FMM) under the Finance and Audit Act (July 1973) and the Central Tender Board Act (CTBA - October 2000). The FMM is applicable only to Ministries and Departments, whereas the CTBA also applies to procurement made by other public bodies listed in the Act for procurement above certain prescribed thresholds.

The default method for all procurement below the thresholds is selective tendering and open tenders for all procurements above the thresholds. Direct procurement is rarely resorted to and only in circumstances where a tender exercise is not practical, e.g. procurement of spare parts. However, in the case of Ministries and Departments, prior approval is required from the MOFED for purchases below the prescribed amount and from the CTB for those above the prescribed amount.

Table 16 - Thresholds applied and responsible agent

Thresholds	Type of procurement	Responsible Agent
= Mn Rs 1	Major Contracts with an Open tender	Central Tender Board
= Rs 20 000 = Mn Rs 1	Big Contracts (i) Open contracts, and (ii) Selective tender	Ministries – Local Tender Committee
< Rs 20 000	Purchases (low value items): (i) No quotation for any one item costing or items costing Rs 20,000 or less; (ii) No quotation for contracts up to Rs 200,000 provided that the value of anyone item in contract is =Rs 20,000	Accounting Officer

[10] OECD/DAC guidelines for Strengthening Procurement Capacities in Developing Countries

It is well spelt out both in the provisions of the FMM and the CTBA that for all procurements the following should be taken into account:

- Equality of opportunity to all prospective tenders;
- Fairness of treatments to all parties; and
- The need to obtain the best value for money in terms of price, quality and delivery, having regard to set specifications.

Regarding challenges and appeals, there is no specific provision and whenever a bidder feels aggrieved, he can resort to the Supreme Court.

The methods of announcement of Tender Invitation have been (a) press notice in local daily newspapers having wide circulation; (b) Government's website; (c) individual invitation; (d) through embassies and High Commissions, and finally (e) in international newspapers - all depending on the type of procurement and the threshold applied.

The number of contracts awarded on the basis of open competition for award of contracts that exceed the nationally established monetary threshold (=1 Mn Rs) as a percentage of all contracts awarded for the last fiscal year has been 100%. For the year 2006 the CTB has awarded 1,902 major contracts for the total value of Rs 8,282,158,540 (EUR 18,823,080). This figure includes tenders launched by the CTB itself, and Ministries/Departments. The method used by the CTB is open competition; whereas for Ministry/Departments it can be open tender or selective tender, but in the latter case with the prior approval of the CTB. Accurate data exists, but their retrieval is time-consuming since records are kept at the levels of Ministries/Departments involved in the awards of major contracts (=Rs 1mn).

There is no justification in the legal framework for use of less competitive procurement methods, related to the thresholds that have been established for the CTB and the Ministries/Departments. In the CTB Act (§19) it is stated that the auditor of every public body shall, in his annual report, state whether §5 (informing the CTB in writing ahead of any major contract) and §7 (award of major contract) have been respected. All contracts (2005/06) above the thresholds have been open.

The Appeals and Complaints Rules applied have been that bidders are offered a 'debriefing session' on request where the procurement agent responsible explains the reasons for not choosing a bid. This offer has been appreciated as such by the parties. If the non favoured bidder is not satisfied with the outcome an appeal can be made to the Supreme Court. There have, however, been few cases during the last years and all verdicts have been in favour of the CTB. Until the case has been tried in the Supreme Court the procurement process is blocked.

The appeal is normally a costly and time consuming process with long delays of the final decision, sometimes for years. With the level of inflation of Mauritius during the last years there may be a need for price adjustment when the final decision on a contract is reached. The winning bidder might even withdraw. A low rate of appeals to the Supreme Court might just reflect that appeals aren't worth the trouble from a possible rejected bidder's point of view. The appeal system has been criticized for leading to delays and is not in line with best procurement practice.

The international donor community has tended not to entrust the Mauritian procurement system for aid funded projects and programmes. They have often required that their own procurement rules should be applied. This has been accepted by the CTB. It is, however, a costly and inefficient solution to apply different standards instead of having the national procurement matching best practice world wide.

The Director of Audit has in his annual report for the financial year 2005/06 critized the public procurement for leading to inefficient use of public funds. The report has, however mainly focused on the preceding analytical work in the tender specification phase, for the frequent supplementary orders that were not included in the original contract and for the poor monitoring of ongoing projects. He has not specifically addressed the PEFA aspects/dimensions assessed.

Reforms

A new procurement legislation, the Public Procurement Act (PPA) has been adopted by the national Assembly in December 2006 and will be promulgated in mid of May and implemented in July 2007. Under the PPA the default method will be open tendering and all other procurement methods will have to meet certain specific conditions. The objective with the bill is:

- to establish a Central Procurement Board (CPB)
- to set up a Procurement Policy Office (PPO), and
- to establish an Independent Review Panel (IRP)

The CTB and Ministries/Departments should submit justification whenever a competitive method isn't utilized in a tender process.

The PPA makes provision to allow a bidder/or potential bidder to challenge the procedures of a public body. According to the PPA an aggrieved bidder can challenge tender proceedings and awards of contract, in the first instance to the Chief Executive Officer (CEO) of the public entity. The process will be halted abiding the final decision by the CEO. If the bidder still isn't satisfied, he can appeal, within a prescribed time, to the IRP. The IRP should finalize the case within a maximum period of one month.

The new procurement legislation, the PPA, will upgrade the Mauritian procurement to best procurement practice. It has been accepted by the donors for future use, as it is on par with many donors' own procurement rules.

Indicator	Score	Brief Explanation
PI-19. Competition, value for money and controls in procurement (M2)	**B+**	
(i) Use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases	A	Accurate data on the method used to award public contracts exists and shows that 100% of contracts above the thresholds are awarded on the basis of open competition.
(ii) Justification for use of less competitive procurement methods	A	Justification of other less competitive methods is not required in the legislation as it is not allowed and there are controls to prevent such use. Auditors of a public body shall state in their annual report if open competition in major awards has been respected or not.
(iii) Existence and operation of a procurement complaints mechanism	C	A mechanism exists for submitting and addressing procurement complaints, but it is poorly designed and does not operate in a manner that provides for timely resolution of complaints. However a debriefing system to inform bidders about the foreseen decision by the Tender Board works well. A non accepted bidder can block the procurement for years by appeal to the Supreme Court. The new Public Procurement Act has not been included in the scoring as it is not yet promulgated and the reform rolled out.

PI-20 Effectiveness of internal controls for non-salary expenditure

The concept of internal control has a number of dimensions. An effective internal control system is one that is relevant (i.e. based on an assessment of risk and the control required to manage the risks), incorporates a comprehensive and generally cost effective set of controls, (which addresses compliance with rules, prevention and detection of mistakes and fraud, safeguard of information and assets, and quality and timeliness of accounting and reporting) which are widely understood and complied with and is circumvented only for genuine emergency reasons for which top management takes full responsibility.

Evidence of the effectiveness of the internal control system should come from regular audits, both internal and external.

The dimensions that are assessed here are: (i) Effectiveness of expenditure commitment controls; (ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures; (iii) Degree of compliance with rules for processing and recording transactions.

The regulatory and methodological basis for the internal expenditure controls is the Financial Management Manual derived from the Finance and Audit Act (1973). The remit of this indicator refers to Budgetary Central Government and does not include parastatals and extra budgetary funds. A special concern is the lack of competent accounting staff at many of the extra budgetary units and the situation for the parastatals has been criticized over the years by the Director of Audit.
Transaction processing and recording is made through the Financial Management System (FMS). This is a computerized on line system using Oracle Financials. The system is accessed, at any time, by self-accounting Ministries/Departments which process their own payments and by Non-self Accounting Ministries/Departments which submit their vouchers for examination and processing of payments to the Treasury. Accounting staff in all ministries are seconded from the central Treasury.

The Government has also implemented a broad commitment control system which is integrated to the FMS and in principle all major procurement is subject to a commitment prior to a payment. The internal controls provide for segregation of duties. Expenditure commitment control procedures exist and are effective. They effectively limit commitments and payments to actual cash availability and approved budget allocations (as revised). Other internal control rules and procedures are relevant, and incorporate a comprehensive and generally cost effective set of controls.

The WB assessed in 2004 concerning a sound economic management that 'financial monitoring systems and compliance with existing rules are strong'.[11]

The Director of Audit has during the last three years not regarded the effectiveness of internal controls for non-salary expenditure in the budgetary central government as an issue of concern.
The general sentiment for this indicator, also confirmed at this assessment by the Internal Auditor General within his area of responsibility, is thus that the control system for non-salary expenditure is robust and fairly efficient and is complied with in a vast majority of transactions.

[11] WB 2004, p. 59

Indicator	Score	Brief Explanation
PI-20. Effectiveness of internal controls for non-salary expenditure	**A**	
(i) Effectiveness of expenditure commitment controls.	A	Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations (as revised).
(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures.	A	Other internal control rules and procedures are relevant, and incorporate a comprehensive and generally cost effective set of controls which are widely understood.
(iii) Degree of compliance with rules for processing and recording transactions.	A	Compliance with rules is good and any misuse of simplified and emergency procedures is insignificant.

PI-21 Effectiveness of internal audit

Regular and adequate feedback to management is required on the performance of the internal control systems, through an internal audit function that is appropriately structured, has adequate independence, mandate and power to report, utilizes appropriate professional standards, and reports on significant systemic issues. Specific evidence of an effective internal audit would also include assessment and monitoring of error rates, a focus on high risk areas, reporting on correction rates, use by the NAO of the internal audit reports, and action by management on internal audit findings.

The Internal Audit (Internal Control Cadre, ICC) is today, after a government decision in 2000, operational for all central government entities, and working according to their audit manual. All in all 25 Internal Control Units, ICUs. 20 of them are covering major entities and 5 cover entities that are too small to merit for their own internal audit unit (covered by the five so called roving teams). Out of an establishment of 117 officers, 86 internal controllers are in post (5 staff forming part of the management team at Head Office – MOFED) and 81 field staff. All the staff performing at their respective level possess the required qualification as prescribed by their scheme of service.

An Internal Audit Regulation and an Audit Charter have been introduced in 2005 (MOFED Circular 2005:12, November 2005). Up to date 12 of 25 units have adopted the Internal Audit Charter and the remaining are expected to do so in the near future.

There is no Annual Report by the Internal Auditor General (IAG, Central ICU) summarizing the issues arising from the ICUs work.

In 2006 the government took a decision to establish Audit Committees for all central government entities - some 20 units, in line with best international practice. The Audit Committees will support the Accounting Officers to better and more successfully meet their responsibilities for a solid and professional Internal Control at the Ministries/Departments. The Audit Committees will deal with both the results and reports from the External and Internal Audits. The first tranche of 5 units, established in July 2006, are up and running and three of them have already produced their first quarterly Internal Audit Report. The next tranche of 5 units has only just been established in January 2007, and the remaining 10 will be established in 2008. A Charter for the Audit Committees has been endorsed by the MOFED (April 2006) and will successively be adopted by the new committees as they start up.

Internal Audit Reports are issued, in a reasonable number, as they are finalized for most audited entities and are distributed to the audited entity, the Audit Committees, Head of Internal Control Cadre (IAG), Ministry of Finance and Economic Development (MOFED). On the request of the Director of Audit (NAO) internal audit reports are not distributed to him on a regular basis but should always be held available for the external auditors at their visits.

The response from the management on recommendations from internal audit varies across MDAs, but there have been weaknesses in the degree of response, with some of the Accounting Officers not taking prompt action. The Audit Committees are responsible to remedy this and for improving the effectiveness of the Internal as well as the External audits. There is no follow-up routine or estimates/assessments available on the number of material weaknesses found per year and the remediation rates, i.e. the percentage of material weaknesses corrected within the 12 months of notification.

The Director of Audit has addressed the need of an upgrade of the Internal Audit function in his latest three Annual Audit Reports to the Assembly. In his report for the FY 2005/2006, delivered in 2006, he still sees problems with how the Accounting Officers actually use their ICUs, weaknesses in the monitoring of the quality in their services and the many vacancies.

Reforms

During the last six years of existence as an independent Internal Audit function the audit activities have undergone a stabilization process and the organization is today poised for a big leap ahead. The Head of the Internal Control Cadre - the Internal Auditor General (IAG) together with the Heads of Internal Audit units today emphasize the need for a professional up-grading; adoption of standardised policies, rules and practices; introduction of modern audit tools, e.g. Computer Assisted Audit Tools (CAATs); effective corrective measures; evaluation and continuous self assessments.

In line with this endeavour the future reforms will focus on (a) Strategic Audit Plans that are to be introduced in major ministries within the near future (3-4 years); (b) adoption of a 'Manual for Working Procedures, in line with best international praxis (IIA standards); (c) to introduce and make an Audit Costing System mandatory for each audit; and (d) prepare an Annual Internal Audit Report to be submitted to the Financial Secretary at MOFED at the end of each year - highlighting: major findings with recommendations to the management of a Ministry/Department; actions taken by management; and recommendations not attended to.

Indicator	Score	Brief Explanation
PI-21. Effectiveness of internal audit	**B+**	
(i) Coverage and quality of the internal audit function	B	Internal audit is operational for all central government entities (25 entities), and generally meet professional standards. It is focused on systemic issues (some 75% of staff time). An Internal Audit Charter is gradually adopted by all entities. The IAG, as well as the Audit Committees now being established, are monitoring the internal audit units.
(ii) Frequency and distribution of reports.	A	The reports are issued regularly, in reasonable numbers, as they are completed and distributed to the audited entities, the Audit Committees, the MoFED and the NAO (at the Director of Audit's directive available on request and followed up at least annually).
(iii) Extent of management response to internal audit findings.	B	Management response varies across MDAs. Action is taken by many (but not all) Accounting Officers on major issues but with delay. The new set-up with Audit Committees, in line with best international practice and standards, are expected to remedy the situation. So far some 5 audit committees have been established in 2006, and another tranche of 5 will take place in the beginning of 2007 and the remaining 10 in 2008. A Charter for the Audit Committees has been endorsed by the MOFED (April 2006).

3.5 Accounting, recording and reporting

PI-22 Timeliness and regularity of accounts reconciliation

Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants. This is an important part of internal control and a foundation for good quality information for management and for external reports. Timely and frequent reconciliation of data from different sources is fundamental for data reliability. High quality bank reconciliation requires that large differences aren't left unexplained. Two critical types of reconciliation are: (i) reconciliation of fiscal data, held in the government's books, with government bank account data held by central and commercial banks; (ii) reconciliation of suspense accounts, and advances.

The Government has bank accounts mainly in the National Commercial Bank and in the National Bank of Mauritius. The payment system operates with a single treasury account solution (STA) to reduce the need for short term borrowing. Reconciliation for all Treasury managed bank accounts take place daily and in-depth monthly, usually within 4 weeks from end of month.

Clearance of advances takes place monthly. Advances to employees are regulated against the salary, within one month from the end of the period given.

Indicator	Score	Brief Explanation
PI-22. Timeliness and regularity of accounts reconciliation (M2)	**A**	
(i) Regularity of bank reconciliations	A	Bank reconciliation for all Treasury managed bank accounts takes place daily and in depth monthly at aggregate and detailed levels, usually within 4 weeks from end of period.
(ii) Regularity of reconciliation and clearance of suspense accounts and advances	A	There is no Suspense account maintained in the General Ledger. Regularity in reconciliation of Advances exists and is reliable. Reconciliation and clearance of advances takes place at least monthly within a month from end of period given and with few balances brought forward.

PI-23 Availability of information on resources received by service delivery units

Data registration in the FMS generally gives information of expenditure related to cost centres at service delivery and other levels. Information can therefore for example be provided for expenditure financed by the state budget for primary schools or primary health clinics across the country. The Accounting System and its code structure allows for this information to be reported on request.

Resources in cash or kind from donors which aren't channelled through the budget, are not routinely reported, but constitute minor contributions.

Indicator	Score	Brief Explanation
PI-23. Availability of information on resources received by service delivery units	**A**	Data on the expenditure by primary schools and primary health clinics across the country is available on request. Resources in cash or kind from donor which are not channelled through the Budget, are not routinely reported but in most instances minor.

PI–24 Quality and timeliness of in-year budget reports

The ability to monitor budget execution requires that timely and regular information on actual budget in relation to outcome is available both to the Ministry of Finance, to monitor performance, and if necessary to identify new actions to get the budget back on track, and to the sector ministries for managing the operations for which they are accountable. The division of responsibility between the Ministry of Finance and sector ministries in the preparation of the reports will depend on the type of accounting and payment system in operation.

In the case of Mauritius a central FMS system (TAS) is in operation, based in MOFED. This integrated computerized system includes the General Ledger and accounting database and a module for commitment control. The payroll operates under a separate system and data is transferred manually on a monthly basis to the FMS system. Payments are classified in the system by separate code strings for:

Code:	**Representing:**
Head	Vote and Balance sheet heads, administrative classification
Sub-head	Sub-vote representing department or project, administrative classification
Element	Group items, normally representing nature of cost and revenue at group level
ID code	Ministry/Department, administrative classification
Analysis Code	Items for nature of costs – economic classifier
Cost Centre Code	Institution/organizational entity
Miscellaneous	Used for CFA
Reporting entity	The entity feeding the data

The classification follows the division of the budget into vote, sub-vote, group item and item and also permits a further break down of both budgets and outcomes into cost centres. The system can also retrieve data related to the reporting entity and per Ministry/Department.

The cost centre coding is used by the ministries of Health and Education to provide data also down to service delivery level, e.g. for schools and clinics.

All ministries have access to the system on line and can receive reports and get queries answered instantly. Larger ministries have a delegated responsibility to operate the accounting system and incur expenditure. They use the same system and are connected to the central data-base.

As to extra-budgetary units like the Universities, they are not connected to the FMS system, but operate their own systems. Rodrigues budget is operated over the central government system.

The budget preparation module of the system is not yet utilized, but reports and queries contain the budget figures, as well as committed cost and aggregate outcome.

Assessment

Dimension i) Scope of reports in terms of coverage and compatibility with budget estimates

Requirements for an A scoring are that classification of data allows direct comparison to the original budget, that information includes all items of budget estimates and that expenditure is covered at both commitment and payments stages. These are all clearly met.

The requirement is however also that accounting for expenditure made from transfers to deconcentrated units within central government should be included. As there are numerous extra-budgetary units with a considerable turnover it is noted that a detailed monitoring of their expenditure (beside the payment of transfers to them) is not covered by the central system.

There are also no central budget figures to monitor for these entities except the transfer allocated to each of them. Monitoring of details of their spending will have to rely on their own systems. There are substantial delays in their end of year reporting. It has not been possible to examine the structure and accuracy of the reports from these entities and whether they operate under commitment control. Annual reports are provided that presents extra-budgetary units' expenditure according to both economic and functional classification. The conclusion must however be drawn that in year reporting for the EBU:s only allows comparisons with the budget at aggregate level. The scoring for this dimension therefore is a B.

Dimension ii) Timeliness of the issue of reports
For all entities connected and handled over the central government FMS reports are prepared as frequently as desired and with immediate access. Quarterly outcome reports are also provided over the MOFED website. For the EBU:s such timely and detailed reporting is however not in place. The overall score for this dimension is therefore a B

Dimension iii) Quality of information
Examination of audit reports as well as interviews with external and internal auditors reveal that there are few material concerns regarding the data accuracy, hence an A scoring is relevant for this dimension.

Indicator	**Score**	**Brief Explanation**
PI-24. Quality and timeliness of in-year budget reports	**B+**	
(i) Scope of reports in terms of coverage and compatibility with budget estimates	B	Classification of data allows direct comparison to the original budget, but for EBU:s only on aggregate level. Information includes all items of budget estimates. Expenditure is except for EBU:s covered at both commitment and payment stages.
(ii) Timeliness of the issue of reports	B	Reports and queries are provided instantly on-line for all ministries. For EBU:s such timely reporting is not in place..
(iii) Quality of information	A	There are no significant material concerns regarding data accuracy.

PI-25 Quality and timeliness of annual financial statements
The Government prepares a Consolidated Government Financial Statement (CGFS) in line with the requirements in the Constitution (1968 §§ 103-109) and the Finance and Audit Act (FaA 1973 §19:3). This means ' statements showing fully the financial position of Mauritius on the last day of a financial year' (FaA 19:1). That includes full information on revenue, expenditure and financial assets/liabilities related to the State Budget.

The use of cash accounting by the Government means that reporting on the value of fixed assets doesn’t feature. The CGFS includes what was spent, transfers or contributions to each specific entity, for all grant-aided institutions, parastatals and local councils and their liabilities and loans guaranteed by the Government. These institutions are labelled as segment one.

During the last years Government has met the statutory requirement to submit the financial statement on the State Budget Execution within 6 month of the end of the fiscal year to the NAO for certification. Since 2003/04, the consolidated government statement is submitted for external audit within 4-5 months of the end of the fiscal year. These statements are prepared according to international accounting standards for financial reporting on a cash basis (IPSAS 2003 and 2006 as well as GFS 1986).

Indicator	Score	Brief Explanation
PI-25. Quality and timeliness of annual financial statements	**A**	
(i) Completeness of the financial statements	A	Government Financial Statement is prepared annually, and includes budget estimates, full information on revenue, expenditure and financial assets/liabilities. The extra budgetary funds are represented by the grants and transfers given to them through the State Budget as well as in the reporting of contingent liabilities and loans guaranteed by the Government.
(ii) Timeliness of submission of the financial statements	A	Since 2003/04, the consolidated government financial statement is submitted for external audit within 4-5 months of the end of the fiscal year during the last three years.
(iii) Accounting standards used	A	Government is using national standards which are based on international cash based financial reporting standards (IPSAS/GFS) for all financial statements.

3.6 External scrutiny and audit

The Republic of Mauritius is a parliamentary democracy based on the Westminster system since its independence in 1968. Parliament consists of the President and the National Assembly, which has 70 members. The Constitution clearly demarcates the separation of power between the Legislature, the Executive and the Judiciary.

PI-26 Scope, nature and follow-up of external audit

A high quality external audit is an essential requirement for creating transparency in the use of public funds. Key elements of quality include whether external audit (a) is adequately empowered – i.e. authority exists to obtain necessary information and the scope of audit covers the full public sector, and (b) adheres to appropriate auditing standards (INTOSAI, IFAC) and focuses on significant and systemic PFM issues in its reports and (c) covers the full range of financial audit – reliability of financial statements, regularity of transactions and functioning of internal control system Public sector auditing is a crucial element of an effective accountability framework, which is a cornerstone of all democratic governments.

Section 110 of the Constitution (March 1968) of Mauritius establishes the Office of the Director of Audit and lays down his powers and independence as follows: -

The public accounts of Mauritius and of all courts of law and all authorities and officers of the Government shall be audited and reported on by the Director of Audit and for that purpose the Director of Audit or any person authorised by him in that behalf shall have access to all books, records and other documents relating to those accounts.

In the exercise of his functions under the Constitution, the Director of Audit shall not be subject to the direction or control of any other person or authority.

The Finance and Audit Act (July 1973) further amplifies the constitutional powers and duties of the Director of Audit as well as the method of control and management of public funds including the right and obligation to perform Performance Audit. The audit remit includes the State Budget, Statutory and Non-Statutory Funds, Public Enterprises and Sub National Governments. It also prescribes the function and responsibilities of the Minister responsible for Finance and those of Accounting Officers and the various accounts to be kept.

The National Audit Office (NAO) audit approaches include Certification Audits, programme results reviews/evaluations, Value for Money audits, IT audit and issues relating to Corporate Governance. NAO has adopted INTOSAI auditing standards. The office has an establishment of 150 officers. 115 are auditors and whereof 75 are chartered accountants.

All entities of the central government (ministries, departments and agencies / MDA) appropriated by the State Budget are covered annually by an audit certification of financial statements. Thus in terms of expenditure as well as entities/accounts the coverage is 100% on this segment. The NAO also audit the accounts of a wide range of Statutory and Non-Statutory bodies as well as some 30 Special Funds. Here there are, however, severe and substantial delays, mainly due to late submission, or no submission, of financial statements. These units seem often to lack adequately trained accountants. It has not been possible to assess, with precision, the actual coverage of this segment. The total coverage is however estimated to be at least 75%., which is a moderate estimate with a considerable safety margin. (See further indicator PI-7)

The audit reports (a Certification of the State Budget as well as the Annual Report of the Director of Audit) are submitted in time to the Assembly - just a few weeks after receipt of the financial statements, and well within the statutory deadlines of eight months (4-6 months for the last three years). The timing for the first segment is thus well within good PFM principles and might be a bench-mark to other SAIs.

The timing for the second segment represents a problem. The problem seems mainly to be late receipt of financial statements. Even for the National Pension Fund, the transfer to which represented Rs 6,1 Bn (2006) the Financial Statements for the FY 2002/03--2004/05 were still under examination

(Feb 2007). The statement for FY 2005/06 had not been submitted to the NAO at the time for presentation of the NAO:s Annual Report 2006 to the Assembly (December 2006).

The Director of Audit's Annual Report (2006) as such could serve as a model for many other SAIs to bench-mark themselves against in terms of clarity, readability and coverage, etc.

Once the audit report has been finalized and submitted to the Assembly, the primary responsibility to make recommendations rests with the PAC. Government is supposed to take responsibility for follow-up on the recommendations from PAC. There is no follow-up routine at the PAC and a considerable back-log in handling the audit reports. The NAO applies their own follow-up routine for the auditees, the government as well as the Assembly.

To better support the Assembly, NAO makes since 2006 observations of whether action has been taken in subsequent Annual Reports. The establishment of the Audit Committees will also contribute in reinforcing the monitoring of audit recommendations for both the Internal and External Audit. All in all there is a feeling among stakeholders that the follow-up of the NAO reports should get a higher priority. There is no more elaborated statistics of follow-ups on the auditees' and the executive's actions on auidit findings and recommendations available.

There are no rules or provisions for external and independent audit of the NAO. Consequently there has been no such audit. The Director of Audit is, however, in line with best practice responsible for the auditing of his office.

Reforms

An up-grading of the Audit Manual is planned to be finalized in the months to come. It will then be more in line with the INTOSAI Auditing Standards and the International Standards of Auditing issued by IFAC.

A Strategic Development Plan is under work and is expected to be finalized in the next months to come.

Indicator	Score	Brief Explanation
PI-26 Scope, nature and follow-up of external audit	**B+**	
(i) Scope/nature of audit performed	B	All central government (ministries, departments and agencies - MDAs) entities, segment one, is covered annually with an audit certification of financial statements. For segment two - Special Funds, Statutory and Non-Statutory bodies - there are problems but it has not been possible to assess the coverage with precision. The problem seems mainly to be late reception of financial statements and bad performance of the units. In terms of expenditure the audit for both segments is estimated to cover at least 75%, which allows for a safety margin.
(ii) Timeliness of submission of audit reports to legislature	A	During the last three years the annual audit reports have been submitted to the Assembly/PAC within a few weeks of receipt of financial statement and within 4-6 months of the end of the fiscal year. The statutory limit is 8 months. The Audit Certificates on the financial statements on the State Budget have been issued just a few weeks after the Accountant General has submitted the Consolidated Financial Statements on the State Budget to the NAO.
(iii) Evidence of follow-up on audit recommendations	B	Once the audit report is submitted to the Assembly, the responsibility for making recommendations rests with the PAC, and the Government is supposed to take responsibility for follow-up on the recommendations from PAC. NAO in subsequent reports makes observations on whether action has been taken or not, and informs the Assembly accordingly in its annual reports. As a complement to this NAO has its own routine to follow-up on the auditees, the government and the Assembly, action taken on audit findings and recommendations. It seems, however, that follow-up of audit queries still does not have the highest priority. The establishment of the Audit Committees is likely to reinforce the monitoring on audit recommendations.

PI-27 Legislative scrutiny of the annual budget law

The power to give the government authority to spend rests with the legislature, and is exercised through the passing of the annual budget law. Assessment of the legislative scrutiny and debate of the annual budget law is here made on (a) the scope of the scrutiny, (b) the internal procedures for scrutiny and debate and (c) the time allowed for that process.

The National Assembly in Mauritius has 70 members. Most members combine an outside employment with the parliamentary obligations. The National Assembly and its committees convene once a week during Parliamentary sessions.

The Constitution provides (§105) clear rules for the Minister of Finance to present the proposed State Budget to the Assembly no later than 30 days after the commencement of each financial year. When required a supplementary estimate showing the sums required or spent shall be laid before the Assembly in a proposed supplementary Appropriation Bill or in a motion or motions for approval of such expenditure, not later than the end of the financial year.

There is no Estimate Committee in the Assembly. Budget issues are handled and decided upon by the full House. It is then referred to as the ‘Committee of Supplies’. The members of the National Assembly normally don’t have any special support for analyzing the budget bill during its different stages of preparation and the decision-making phase.

There is a timetable for the Ministries, the Government as well as the Assembly work and involvement (See. PI-11). In practice this has implied the following during the last three years. In February the MOFED distributes a Budget circular to the MDAs incl. ceilings for the next three years. In April the

Government holds discussions in the Estimate Committee of MOFED on detailed priorities for the coming budget.

The first reading of the budget normally takes place a week ahead of the budget being presented to the Assembly. It is a formality just announcing that there will be a bill but with no supporting material. For the second reading Government hands over the bill to Members of the National Assembly just a day or two before the budget deliberations start in the first week of June. During the next two weeks the 'Committee of Supplies' discusses the budget bill intensively, deliberations often pass midnight. Changes can be made during this process but in principle the broad lines are difficult to change for individuals or groups regardless of whether they represent the opposition or the government. The time for preparation or consultation before the deliberations in the 'Committee of Supplies' is regarded to be too short. The final approval of the budget by the Assembly has taken place before the start of the fiscal year(< last week of June) during the last three years.

The scope of the legislature's scrutiny covers fiscal policies and aggregates for the coming year as well as detailed estimates of revenue and expenditure. The medium term fiscal framework and medium term priorities are not included or specifically addressed, but have for two of the three years studied featured as an appendix to the budget documents.

The general attitude from the Assembly to in-year amendments is very restrictive and looked upon as a loss of prestige for the MOFED when needed. Major events that have not been possible to foresee, e.g. natural disasters or major external shock waves, e.g. energy prices, constitute acceptable exemptions and may be covered through the contingency fund. After such use additional resources shall be allocated to the contingency fund through supplementary appropriation. In-year adjustments to budget allocation normally take place only once a year (2003/04 and 2004/05), in the financial year 2005/06 it took place twice. For all three years the amendments as a percentage of total expenditure have been reasonable (2005/06 4,4%, 2004/05 2,9% and 2003/04 2,3%) and haven't had any material impact for the MDAs ability to make commitments for 'at least six months' and in practice for most budget spenders the whole fiscal year, once the appropriation is made.

INDICATOR	SCORE	BRIEF EXPLANATION
PI-27 Legislative scrutiny of the annual budget law	**B+**	
(i) Scope of the legislature's scrutiny.	B	The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue. Medium term fiscal framework and medium term priorities are at present not covered by the budget documents except as detailed financial projections.
(ii) Extent to which the legislature's procedures are well-established and respected.	B	Simple procedures exist for the legislature's budget review and are basically respected.
(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	The time allowed for the legislature's review has during the last three years been at least one month to review the budget proposal. The time for studying the budget proposal is clearly insufficient for the need of the following debate (just a few days). The time at disposal for the deliberations (1-2 weeks) as such seems fairly adequate.
(iv) Rules for in-year amendments to the bud-get without ex-ante app-roval by the legislature.	A	Clear rules exist for in-year budget amendments by the executive, which set strict limits on extent and nature of amendments and are consistently respected.

PI-28 Legislative scrutiny of external audit reports

In most countries, the legislature is the constitutionally mandated institution through which governments are held to account to the electorate. In Mauritius the Parliamentary Public Accounts Committee (PAC with 10 members) is responsible for the legislative oversight of budget execution. The powers and duties of PAC, are set out in Standing Orders of the Assembly, and include "to examine the accounts showing the appropriation of the sums granted by the Assembly to meet the public expenditure and such other accounts laid before the Assembly as the Assembly may refer to the Committee together with the Director of Audit's Report thereon." The Committee has the power to send for persons and records, to take evidence, and to report from time to time.

Scrutiny of audit reports has not during the last years been completed by the legislature within 12 months from receipt of the reports. At present (March 2007) the PAC is working with the Director of Audit's (DoA) reports for the FYs 2003/2004 and 2004/2005. The estimated date for finalising these two is before July 2007 and for the FY 2005/2006 maybe November 2007*. The PAC hearing and scrutiny requires an average of at least 18 months for the last three DoA's Annual Reports.

Table 17 - Timeliness of examination of audit reports by the legislature – last three years

DoA Annual Report for Financial Year (FY)	Submission by DoA - i.e. laid before the National Assembly	Date when PAC still hadn't finalized scrutiny	Time up to 2007-03-03 at PAC for waiting time and possible deliberations
FY 2003/2004	2004-11-16	2007-03-03	27 months
FY 2004/2005	2005-10-31	2007-03-03	15 months
FY 2005/2006	2006-12-04	2007-03-03	11 months (provisional estimate)

The substantial delays in submission of accounts from the Extra Budgetary Funds to the DoA as well as the audit thereof are noted by the PAC but have not so far rendered any action from their side.

The PAC conducts hearings and summons accounting officers to appear and explain their performance and financial management. These sessions are not public but minutes are taken. The PAC convenes once a week during parliamentary sessions and as Members of National Assembly normally keep their previous civil jobs the time for deliberation is limited. The Director of Audit and the Accountant General are witnesses to explain and provide more information to assist the committee. The committee has limited human resources for preparation and analytical work. Due to the delays in examination of the audit reports it might sometimes be difficult to hold the AOs responsible at the time of the audit queries accountable.

The main result of the hearings and the committee's deliberation are regarded to be the preventative effect achieved through the intensive debates and reprimands given. There is neither an Annual Report from the PAC setting out issues and recommendations nor a routine for summing up the conclusions and recommendations made by the PAC for the Executive to address.

Reforms

PAC intends, during 2007, to make an annual summing-up report of findings and recommendations from the hearings to be presented to the full House and the Executive for action. This will also imply that a PAC follow-up routine on the Executive's action will be needed.

Indicator	Score	Brief Explanation
PI-28 Legislative scrutiny of external audit reports	**D+**	
(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years).	D	Scrutiny of audit reports is not completed by the legislature within 12 months from receipt of the reports. The Public Accounts Committee (PAC) hearing and scrutiny has during the last three years required at least 18 months. Even more substantial delays in receiving audited accounts for most of the Extra Budgetary Funds have not been addressed by the PAC.
(ii) Extent of hearings on key findings undertaken by the legislature.	A	PAC is conducting thorough hearings with all AOs on the DoA's Annual Report. The Director of Audit and the Accountant General are assisting the PAC.
(iii) Issuance of recommended actions by the legislature and implementation by the executive.	D	The deliberations of the PAC don't render many recommendations to the Executive. There is no established routine to address the Executive to require action on audit findings and recommendations.

3.7 Donor Practices

The three indicators that capture donor practices scrutinize

- whether direct budget support is predictable,
- whether project and program aid provided is reported by donors in time for budgeting and reporting, as well as
- the proportion of aid that is managed by use of national procedures.

The narrative to indicator PI- 7, dimension ii) captures some overall information related to donor support. In addition the table below presents total foreign grants and loans in relation to the budget:

Table 18 - Grants and Loans in Foreign Aid	*2003/04*	*2004/05*	*2005/06*	*2006/07*
Total donor grants and loans, Mn Rs	1 512	1 643	1 163	1 480
Portion of total expenditure budget	3%	3%	2%	3%

Loans constitute the main external source presented in the budget document – for all years studied the budget reveals that external loans have exceeded the grants somewhat. There are however also some amounts given as aid in kind which wouldn't feature in the budget. If these are added the grants and loans may constitute roughly equal amounts.

As presented under PI-7 ii) there is only one donor providing budget support, namely EU, which gives Sector Budget Support to the Wastewater sector.

When sector budget support is deducted the remaining support is heavily dominated by loans, with only a smaller portion of grants for project support. The loans are normally paid directly to the Government of Mauritius for specific projects using Government's procedures for payments. There could however be specific conditions related to procurement and disbursements for some of the loans. No information was received from donors except the EU as regards conditions for loans. Indicator D-3 has therefore not been possible to score.

Developments

The EU as the major donor to Mauritius, is planning to increase the share of aid provided as sector or budget support putting the support fully on the Government's budget and utilizing Government procedures.

D-1 Predictability of Direct Budget Support

The magnitude of the total EU support to the Wastewater sector was communicated at the time of the signing of the financing agreement. The agreement includes a schedule of disbursement which states that funds are released once a year in the last quarter of Government of Mauritius' financial year. The amount for the annual tranche of the total multiyear agreement is based on one fixed agreed amount and one variable amount which depends on the fulfilment of certain both general and specific performance indicators. The paid amount can hence be reduced, although the rules related to the reduction is known and therefore to some extent predictable. For the last tranche added resources can also be given provided the overall performance was good. The predictability for this may be disputed.

Dimension 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 proposal to the legislature.

During the three years under scrutiny the budget support from EU has been reduced twice as presented overleaf:

Table 19 - Annual deviation of actual budget support from forecasted				
2003/04	2004/05	2005/06		EU Sector Budget support
360	427,5	472,5		Originally estimated amount Mn Rs
360	319,5	454,5		Amount paid Mn Rs
100%	75%	96%		% of estimated amount paid

The reduction is based on an assessment of performance carried out in November prior to the year when the support is paid out. The reduction is hence communicated well in time for the up-coming year's budget.

The criteria for rating A is fulfilled as the deviation exceeded 5 % only in one year out of three. Also the deviation itself was in accordance with predictable rules and in time to affect the estimates

Dimension ii) In-year timeliness of donor disbursements.
As disbursements have been agreed to take place in the last quarter of the financial year and been released accordingly the rating of this dimension is an A.

D–2 Financial information provided by donors for budgeting and reporting on project and programme aid

The major share of project and programme support is provided as loans. A large share of the project and programme aid that is provided as grants emanates from the European Union. The amount to be provided, and the disbursement and reporting requirements are stipulated in the financing agreement. The support, either as grant or loan is included in the capital estimates. Limited support is also provided in kind and does not feature in the estimates, but is reported in the Accountant Generals annual report which to this part is based on donor reports.

Payments to suppliers for technical support companies outside Mauritius paid through loans can only be made after authorization by Government and is reported back to Government without delay by the banks. Overseas payments by the EU from grants is reported by the EU to Government.

Dimension i) Completeness and timeliness of budget estimates by donors for project support
All project and programme support financed by loans as well as by grants from EU provide budget estimates for disbursement at stages consistent with the government's budget calendar and with a break down consistent with government's budget classification. Other grants (mainly India and Japan) are in comparison fairly insignificant and also on the whole seem to be reported in time for inclusion in the budget. The criteria for score A is therefore filled.

Dimension ii) Frequency and coverage of reporting by donors on actual donor flows for budget support.
For overseas payments from grants from EU, statements of payment are communicated within 30 days. Payments made by EU directly to domestic contractors are communicated by the contractors paid.

For the latest three years foreign loans constitute the following %-age of project support: 2003/04 - 74 %, 2004/05 - 89 %, 2006/07 - 97 %. For loans, payments are normally initiated by Government and reported back promptly by the paying banks. Therefore in accordance with information provided by Government, quarterly reports are available within one month of end-of quarter on all disbursements made for on average at least 85 % of the externally funded projects in the budget, with a break down consistent with the Government's budget classification. The score should therefore be an A.

D–3 Proportion of aid that is managed by use of national procedures

The sector budget support from EU uses the Governments procedures for procurement, payment/accounting, audit and reporting fully. Loans from EU also follow these procedures. As to other loan providers information has not been obtained. EU grants and all loans from different donors together has been 82%, 92 % and 98 % of aid funds to central government over the last three years. If all loans would follow government procedures the scoring would hence be an A. If on the other hand all other loan providers use their own systems and requirements for procurement and disbursements then only 26 % of all aid (loans and grants) strictly follow national procedures. The score would then be a D. Due to lack of evidence the scoring is therefore left blank.

Indicator	Score	*Brief Explanation*
D-1 Predictability of Direct Budget Support	**A**	
(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.	A	The outturn has been 100 %, 75 % and 96 %. The reductions have been predictable.
(ii) In-year timeliness of donor disbursements.	A	Disbursement schemes and mechanisms are agreed with donors already in the financing agreement. The sector budget support scheme's disbursements have adhered to the agreed time-schedule.
D-2 Financial information provided by donors for budgeting and reporting	**A**	
(i) Completeness and timeliness of budget estimates by donors for project support	A	All donors (with the possible exception of a few donors providing insignificant amounts) provide budget estimates for disbursement of project aid at stages consistent with the government's budget calendar and with a breakdown consistent with the government's budget classification.
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	A	In general donors/banks provide quarterly reports within one month of end-of-quarter on all disbursements made for at least 85% of the externally grant and loan financed project estimates in the budget, with a break-down consistent with the government budget classification.
D-3 Proportion of aid that is managed by use of national procedures	**-**	
(i) Overall proportion of aid funds to central government that are managed through national procedures.	**-**	Information not obtained from major donors/providers of development loans.

4. Government Reform Process

4.1 General description of recent and on-going reforms

The Government of Mauritius has, together with mainly the WB, the IMF and the EU, during the last years planned for, initiated and implemented reforms of different size and importance in the PFM area. They have been:

The New Economic Agenda (NEA), designed in 2000/01 was set out to address the three major challenges that Mauritius faced at the turn of the millennium :
(a) growth sustainability. Mauritius' export markets and its growth are threatened;
(b) welfare sustainability. Despite increasing welfare expenditures, a core part of the population remained poor and unemployment reached record high levels: and
(c) fiscal sustainability. Mauritius' fiscal balance had deteriorated and debt levels increased.

One of the four pillars to remedy the fiscal balance was modernizing economic management. For this pillar Government set out three priorities: (a) attaining stabilization to about 3 percent of the GDP by 2005/06; (b) improving budget management by introducing MTEF. The Government also aimed to include results assessments and program evaluations; and (c) redefining the role of the state by retreating from the productive sector and limits itself to the role of regulator.

Stemming from this the following PFM related reforms the last six years can be noted:

- In 2003 the Government introduced a *MTEF* on a pilot basis for the ministry of Education and Training. The first MTEF document was presented to parliament 2004. In 2005 other pilot ministries were added. In 2006/07 there wasn't any MTEF attached to the budget, but a decision has now been taken to present the budget for 2007/08 in a programmatic and MTEF format.
- In 1999 the Treasury, MOFED, installed *a modern Accounting System* – the TAS (Oracle Financial) covering the whole Budgetary Central Government. It has also a number of efficient internal controls and provides also decision makers with relevant information and statistics. During the last few years the Treasury has considered an integrated payroll module but preliminary assessments indicate it will not be sufficiently cost efficient.
- A number of measures was taken and benchmarks formulated for the Consolidated *Public Sector Debt*. One of them was to set up a Debt Management Unit (DMU) at MOFED in 2004. Its role is to analyze and manage fiscal risk in the government. It is also expected to play an important role in reshaping the legal and regulatory framework and in building adequate infrastructure for the development of domestic government bond market. Along with the risks involved in the government debt portfolio, the DMU should at least monitor and analyze risk arising from the government guarantees and from the public sector and the economy more broadly.
- Setting up a *modern Internal Audit function* in all major ministries and agencies, after a government decision in 2000. The Internal Control Cadre with 25 units is today (2007) operational for all central government entities, and working according to their audit manual. Out of an establishment of 117 officers, 86 internal controllers are in post (5 staff forming part of the management team at Head Office – MOFED) and 81 field staff. All the staff performing at their respective level possesses the required qualification as prescribed by their scheme of service. An Internal Audit Regulation and a Charter were introduced in 2005 and 2007 respectively. During these six years of existence as an independent Internal Audit function they have undergone the process of stabilization of audit activity and are today poised for a big leap ahead to fully match best practice and IIA standards.
- In 2006 the government took a decision to *establish Audit Committees* for all central government entities - some 20 units, in line with best international practice. The Audit Committees will support the Accounting Officers to better and more successfully meet their responsibilities for a solid and professional Internal Control at the Ministries/Departments.
- In 2006 Parliament endorsed a new Public Procurement Act (PPA) that is expected to be promulgated May 2007. The new PPA will upgrade the Mauritian procurement to best procurement practice. It has been accepted by the donors for future use, as it is on par with many donors' own procurement rules.

- In the *Tax area* the Government has carried through many reforms and improvements during the last years, such as the introduction of VAT and a common property tax, the establishment of the MRA, development of a modern automated tax register system. More reform efforts were announced in the budget speech for 2006/07 with the aim to simplify the tax system, broaden the tax base and improve the fairness of the system.

Further reforms
In the 2006/07 budget speech also the following reform areas related to PFM were flagged:
- monitoring by the Expenditure Review Committees of cost-cutting measures
- campaign against wastage of public funds – creation of a Cut waste squad
- further establishment of audit committees
- expansion of MTEF to all ministries
- analysis and feasibility studies of parastatals
- functional review of public sector bodies
- review of special funds and linkage to the Consolidated Fund.
- a number of further reforms related to government revenue

Mauritius seems today, also verified in this PEFA assessment, to have well exploited most of the potentials on the present platform of PFM. There are, however, some areas that need to urgently be addressed. The next steps to really benchmark best PFM practice will be more costly and more time consuming as elaborated upon in the following.

4.2 Institutional Factors Supporting Reform Planning and Implementation

System changes and reform implementation will be of continued importance to further improve and develop PFM performance. In the past the Government has demonstrated that it has been able to introduce and implement reform. Critical factors paving the way for success have been:
- awareness and orientation towards new methods and best practices developed elsewhere
- top management and political support to reforms
- government ownership of reform processes
- technical assistance has been welcome and supported
- certain reform driving elements such as the management services in the Ministry of Finance and Economic Development.

When efforts have slowed down or failed they have been top-driven and without enough effort towards capacity building.

Government ownership and leadership of reform programme.
The new Government has shown interest and initiative towards reform of the PFM systems and outcomes. Still the political leadership is fairly new and it would be natural to expect a certain reluctance towards too technical issues. The PEFA instrument is a first step to benchmark the PFM performance and identify weaknesses in the system. It is meant to lead up towards a reform programme which is well defined, receives political buy in and engagement and addresses the critical issues. Such a program would receive support also from the donor community. This is what is referred to as the strengthened approach towards PFM reform.

The PEFA assessment alone will not suffice to define a suitable reform programme or even to identify the causes behind shortcomings identified in the PFM system. Further analysis by other parties, such as the recent PER by the World Bank and the IMF article IV consultations will add to the analysis. In addition and most important is that key stakeholders including the political leadership are taking the opportunity to digest and study the analyses and that more in-depth cause-relationship analysis of critical weaknesses as well as new opportunities are studied in preparation of a reform plan. Examples could be in-depth think tanks or stakeholder workshops related to subjects such as:
- Tax gap and tax compliance
- The step towards accrual accounting – why and what would it imply?
- Analysis of problems encountered and possible solutions in the introduction of sector planning, MTEF, improved resource allocation and resource flexibility
- Action planning for the successful launch of the new Procurement Act
- The concept and methodology of performance audit and results oriented planning
- The envisaged reform process and what it would take

Reform planning and implementation is a problem in any Ministry of Finance with its hectic and politically sensitive day to day agenda. To release key personnel for development work and change management is a major challenge. It appears that the Division of Management Audit and Financial Management Services in MOFED could be assigned to play a role to support PFM reform. The unit may however need initial support to tackle that role and should foremost co-ordinate and administer reform, not design and own the solutions.

The reforms envisaged at this stage in the development of PFM in Mauritius constitute a major step towards more complexity and advanced concepts. It will take long term engagement, long term support and technical assistance, piloting and coaching to introduce and implement the new concepts envisaged. It is also a matter of phasing and prioritizing reform efforts not to overburden the agenda. A successful reform will require full political backing, understanding of options and choices, adaptation to the Mauritian environment and identification of key staff to drive the process and implement changes. It must also be understood that it won't be a matter of defining a new circular or manual. It is a major learning exercise requiring total commitment and wide participation in line ministries and other spending agencies.

The engagement of external support must be geared towards capacity building. There must also be an exit strategy in place so that external experts gradually phase out.

The reform is likely to be supported by several donors in line with the subscription to the Paris Agenda and the strengthened approach to support PFM reform. There will probably be a need for a well structured and costed PFM reform plan including capacity building efforts. There is also likely to be a need for joint financing and engagement. The EU has already announced that a PFM reform plan and related indicators is an important prerequisite for budget support. It must however be noted that the purpose and need for PFM reform foremost is derived from the need for a more efficient and effective public service that delivers the desired results to the population and supports economic growth and poverty reduction. Both allocative and operational efficiency should benefit from the reform.

Capacity building related to PFM reform is needed from three different perspectives:

- to assist in the design phase for the core staff driving the reform and that need to make strategic design decisions and choices, to assist in the implementation of the reform nation-wide for all involved,
- academic and pre-service training programme to ensure continuous supply of capable recruits to the PFM cadres that have been exposed to the new concepts and methods.

It is beyond this exercise to examine in-depth the existing capacity of PFM staff or the existing training institutions curriculum and programmes. There are reasons to believe that a certain level of capacity exists, that the appetite to introduce new concepts and methods is considerable, but also that a substantial level of long term support will be needed. Twinning arrangements and durable assistance will be essential as well as quality assurance systems to ensure that progress is made.

The release of key staff and availability of suitable reform drivers is essential. This could require recruitment of gap-fillers to fill ordinary tasks during the reform engagement. It will also be essential to engage training institutions that can be instrumental in the rollout of reform efforts and in the pre-service training.

The centralised PFM function of Mauritius should facilitate the mobilization of suitable staff and the roll out of reform. MOFED has instant access to finance staff of different designation in both its own departments and in line ministries.

Capacity to implement the reforms.

There are significant capacity constraints, particularly in the line ministries, in provincial and district administrations, to implement some of the reforms. This is particularly the case with financial management. A lack of familiarity with new concepts can adversely affect the Government's ability to meet its PFM reform objectives. Another constraint to the ability to implement reforms relates to inappropriate incentive systems in Government and an allowance seeking culture.

Extent of public scrutiny and external pressure.

There have been some improvements in external oversight, including the clearance of the backlog of the Auditor-General's reports and the more active role of Parliament in the budget process. However, there is room for improvement of the degree of public scrutiny to put pressure on the Government to meet its reform commitments.

List of Annexes

Annex 1 Summary of PFM Performance Indicators - Mauritius

Table 20 - Summary of PFM Performance Indicators	**Score**	**Brief Explanation**
	A. Credibility of the Budget	
PI-1. Aggregate expenditure out-turn compared to original approved budget	**A**	The percentage deviation between actual and originally budgeted primary expenditures were: 2003/04: -1,7 % 2004/05: -1,3 % 2005/06: 0,2 %
PI-2. Composition of expenditure out-turn compared to original approved budget	**B**	The variances in the composition of primary expenditure across budget heads were: 2003/04: 4,9 % 2004/05: 4,0 % 2005/06: 7,8 %
PI-3. Aggregate revenue out-turn compared to original approved budget	**A**	Actual revenue collection as compared to budgeted domestic revenue: 2003/04: 98,4 % 2004/05: 100,5 % 2005/06: 101,6 %
PI-4. Stock and monitoring of expenditure payment arrears	**A**	
(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and a recent change in the stock	A	No substantial expenditure arrears are permitted and controls are strict.
(ii) Availability of data for monitoring the stock of expenditure payment arrears	A	No record of arrears applied or needed as no stock of expenditure arrears is permitted or exists. Controls are strict.
	B. Comprehensiveness and Transparency	
PI-5. Classification of the budget	**B**	The budget formulation and execution is based on administrative, economic and functional classification using the GFS 1986 main functional and detailed economic classification.
PI-6. Comprehensiveness of information included in budget documentation	**B**	The 2006/07 Budget documents meet 5 of the 9 information benchmarks.
PI-7. Extent of unreported government operations	**D+**	
(i) Level of unreported extra-budgetary expenditure	D	A number of trust funds and government entities receive general grants. The transfers to such entities are only reported from limited aspects and constitute slightly more than 10 % of the total budget.
(ii) Income/expenditure information on donor-funded projects	A	The level of project support given is slightly above 1% and hence not insignificant. More than 90 % of project support excluding in-puts in kind is reported.

PI-8. Transparency of Inter-Governmental Fiscal Relations (M2)	**A**	
(i) Transparency and objectivity in the horizontal allocation amongst Sub National Governments	A	More than 90 % of central government transfers are determined by transparent and rules based systems for the horizontal allocation to sub-national government..
(ii) Timeliness and reliable information to SN governments on their allocations	A	The SN governments are provided with reliable information on the grants to be transferred at least two month prior to the new year and one month prior to their own budget submissions.
(iii) Extent of consolidation of fiscal data for general government	A	The local authorities are included in the central government statistical reports which are produced within 10 months of year end. End of year statements are also compiled and sent to MOFED for all Local Authorities.
PI-9. Oversight of aggregate fiscal risk from other public sector entities	**B+**	
(i) Extent of central government monitoring of AGAs/PEs	B	All major PEs and AGAs submit fiscal reports to MoFED: Annual financial statements and an annual audit report as well as quarterly statements. MOFED consolidates fiscal exposure on a quarterly basis, report available on their website. There are, however, some problems with the monitoring of PEs because of late submission of financial statements and the issuing of external audit reports.
(ii) Extent of central government monitoring of SN governments' fiscal position	A	SN government cannot incur debt without the MOLG and Treasury approval. The MOLG and MOFED receive fiscal reports from local authorities. MOFED produces a consolidated report on a quarterly basis available on their website. MOLG and MOFED monitor local authorities' fiscal position.
PI-10. Public Access to key fiscal information	**A**	5 of the 6 listed types of information are made available to the public in time.
C. Budget Cycle		
C(i) Policy-Based Budgeting		
PI-11. Orderliness and participation in the annual budget process (M2)	**B**	
(i) Existence of, and adherence to, a fixed budget calendar	B	A clear budget circular with deadline exists, but some larger ministries do not meet the deadlines as they are given only around four weeks to complete their submissions.
(ii) Guidance on the preparation of budget submissions	C	A clear budget circular to MDA:s including three year ceilings exist. There is however at present no MTEF document linked to the budget ceilings.
(iii) Timely budget approval by the legislature	A	The legislature has, during the last three years, approved the budget before the start of the fiscal year.

PI- 12. Multi-year perspective in fiscal planning, expenditure policy and budgeting (M2)	**D+**	
(i) multi-year fiscal forecasts and functional allocations	D	Forward estimates do not cover revenue.
(ii) scope and frequency of debt sustainability analysis	B	DSA for external and domestic debt is undertaken every second year.
(iii) existence of costed sector strategies	D	The budget for 2005/06 contained pilot ministry MTEF and sector strategies. The 2006/07 budget only contained MTEF three year frameworks related to votes.
(iv) linkages between investment budgets and forward expenditure estimates	D	In the absence of sector presentations in the current budget the inclusion of recurrent implications of investments is not visible.
C (ii) Predictability and Control in the Budget Execution		
PI-13. Transparency of taxpayer obligations and liabilities (M2)	**B**	
(i) Clarity and comprehensiveness of tax liabilities	B	The tax law and regulations are clearly spelt out for most, but not necessarily all, major taxes and there are limited discretionary powers for the tax authorities. Taxpayer education sessions are conducted.
(ii) Taxpayer access to information on tax liabilities and administrative procedures	B	Tax payer education seminars are conducted and information on tax liabilities and procedures are available on the website of the MRA for some of the major taxes
(iii) Existence and functioning of a tax appeals mechanism	C	A tax appeals mechanism is in place, but needs substantial redesign to be fair, transparent and effective. There are certain decisions that the taxpayers do not have any legal recourse.
PI-14. Effectiveness of measures for taxpayer registration and tax assessment (M2)	**B+**	
(i) Controls in taxpayer registration system	A	Taxpayers are registered in a complete database system with complete direct linkages to other relevant government registration systems such financial sector regulations such as the Registrar of Companies and the Board of Investment.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	B	Interests and penalties exist and acts as deterrent, but are not always effective due to inconsistent administration.
(iii) Planning and monitoring of tax audit and fraud investigation programs	B	Tax audits and fraud investigations are managed through a documented audit plan, with clear risk assessment criteria for audits in at least one major tax area that applies self-assessment

PI-15. Effectiveness in collection of tax payments	**D+**	
(i) Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	D	The collection ratio is below 60 % for the two most recent fiscal years. The total amount of tax arrears exceeds 2% of the total annual collections.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	Transfers of collections to the Treasury are done on a daily basis.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	A	The MRA is separate from the Government and the accounts are reconciled on a monthly basis.
PI-16. Predictability in the availability of funds for commitment of expenditures	**A**	
(i) Extent to which cash flows are forecast and monitored	A	A cash flow forecast is prepared for the fiscal year, and are presented monthly based on a daily update of actual cash inflows and outflows.
(ii) Reliability and horizon of periodic in-year information to MPSAs on ceilings for expenditure	A	MDAs' are able to plan and commit expenditure for at least six months in advance based on the budgeted appropriation. In practice during the last three years for the whole fiscal year.
(iii) Frequency and transparency of adjustments to budget allocations which are decided above the level of management of MDAs	A	In-year adjustments to budget allocation take normally place only once a year (2003/04 and 2004/05), in the financial year 2005/06 twice. For all three years the amounts have been reasonable and had no more material impact for the MDAs ability to make commitments for 'at least six months' and in practice for the whole year once the appropriation is made. Budget variations are done relatively frequently within same head with Treasury approval.
PI-17 Recording and management of cash balances, debt and guarantees (M2)	**A**	
(i) Quality of debt data recording and reporting	B	Foreign and domestic debt records are complete, updated and reconciled quarterly. Comprehensive management and statistical reports are produced at least annually. They are public and available on MOFED's web site. Findings related to extra budgetary funds are described under PI-7 and PI-9 and reduce the score.
(ii) Extent of consolidation of the government's cash balances	A	Calculation and consolidation of bank balances take place daily and in more depth monthly.
(iii) Systems for contracting loans and issuance of guarantees	A	Central government's contracting and issuing of guarantees are always approved by a single responsible government entity, MOFED. The Minister is entrusted with extensive powers to execute the Government's fiscal policy within the limits given by MTEF and the Budget Bill. The Minister has to inform the Assembly on all agreements within tight time limits.

PI-18. Effectiveness of payroll controls	**B+**	
(i) Degree of integration and reconciliation between personnel records and payroll data.	B	Personnel data and payroll data are not directly linked but the payroll is supported by full documentation for all changes made to personnel records each month and checked against previous month's payroll data.
(ii) Timeliness of changes to personnel records and the payroll	A	Personnel records and payroll data are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare.
(iii) Internal controls of changes to personnel records and the payroll.	A	Authority to change records and payroll is restricted. Changes made are recorded leaving an audit trail.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.	A	Both the internal audit and the external audit perform annually system based audit, including substantive testing, on the internal control of the annual payroll to identify possible control weaknesses. There has neither been any more substantial criticism during the last three years in their reports, nor have they expressed any concern during the PEFA assessment.
PI-19. Competition, value for money and controls in procurement (M2)	**B+**	
(i) Use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases	A	Accurate data on the method used to award public contracts exists and shows that 100% of contracts above the thresholds are awarded on the basis of open competition.
(ii) Justification for use of less competitive procurement methods	A	Justification of other less competitive methods is not required in the legislation as it is not allowed and there are controls to prevent such use. Auditors of a public body shall state in their annual report if open competition in major awards has been respected or not.
(iii) Existence and operation of a procurement complaints mechanism	C	A mechanism exists for submitting and addressing procurement complaints, but it is poorly designed and does not operate in a manner that provides for timely resolution of complaints. However a debriefing system to inform bidders about the foreseen decision by the Tender Board works well. A non accepted bidder can block the procurement for years by appeal to the Supreme Court. The new Public Procurement Act has not been included in the scoring as it is not yet promulgated and the reform rolled out.
PI-20. Effectiveness of internal controls for non-salary expenditure	**A**	
(i) Effectiveness of expenditure commitment controls.	A	Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations (as revised).
(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures.	A	Other internal control rules and procedures are relevant, and incorporate a comprehensive and generally cost effective set of controls which are widely understood.
(iii) Degree of compliance with rules for processing and recording transactions.	A	Compliance with rules is good and any misuse of simplified and emergency procedures is insignificant.

PI-21. Effectiveness of internal audit	**B+**	
(i) Coverage and quality of the internal audit function	B	Internal audit is operational for all central government entities (25 entities), and generally meet professional standards. It is focused on systemic issues (some 75% of staff time). An Internal Audit Charter is gradually adopted by all entities. The IAG, as well as the Audit Committees now being established, are monitoring the internal audit units.
(ii) Frequency and distribution of reports.	A	The reports are issued regularly, in reasonable numbers, as they are completed and distributed to the audited entities, the Audit Committees, the MoFED and the NAO (at the Director of Audit's directive available on request and followed up at least annually').
(iii) Extent of management response to internal audit findings.	B	Management response varies across MDAs. Action is taken by many (but not all) Accounting Officers on major issues but with delay. The new set up with Audit Committees, in line with best international practice and standards, are expected to remedy the situation. So far some 5 audit committees have been established in 2006, and another tranche of 5 will take place in the beginning of 2007 and the remaining 10 in 2008. A Charter for the Audit Committees has been endorsed by the MOFED (April 2006).
C(iii) Accounting, Recording and Reporting		
PI-22. Timeliness and regularity of accounts reconciliation (M2)	**A**	
(i) Regularity of bank reconciliations	A	Bank reconciliation for all Treasury managed bank accounts takes place daily and in depth monthly at aggregate and detailed levels, usually within 4 weeks from end of period.
(ii) Regularity of reconciliation and clearance of suspense accounts and advances	A	There is no Suspense account maintained in the General Ledger. Regularity in reconciliation of Advances exists and is reliable. Reconciliation and clearance of advances takes place at least monthly within a month from end of period given and with few balances brought forward.
PI-23. Availability of information on resources received by service delivery units	**A**	Data on the expenditure by primary schools and primary health clinics across the country is available on request. Resources in cash or kind from donor which are not channelled through the Budget, are not routinely reported but in most instances minor.
PI-24. Quality and timeliness of in-year budget reports	**B+**	
(i) Scope of reports in terms of coverage and compatibility with budget estimates	B	Classification of data allows direct comparison to the original budget, but for EBU:s only on aggregate level. Information includes all items of budget estimates. Expenditure is except for EBU:s covered at both commitment and payment stages.
(ii) Timeliness of the issue of reports	B	Reports and queries are provided instantly on-line for all ministries. For EBU:s such timely reporting is not in place..
(iii) Quality of information	A	There are no significant material concerns regarding data accuracy.

PI-25. Quality and timeliness of annual financial statements	**A**	
(i) Completeness of the financial statements	A	Government Financial Statement is prepared annually, and includes budget estimates, full information on revenue, expenditure and financial assets/liabilities. The extra budgetary funds are represented by the grants and transfers given to them through the State Budget as well as in the reporting of contingent liabilities and loans guaranteed by the Government.
(ii) Timeliness of submission of the financial statements	A	Since 2003/04, the consolidated government financial statement is submitted for external audit within 4-5 months of the end of the fiscal year during the last three years.
(iii) Accounting standards used	A	Government is using national standards which are based on international cash based financial reporting standards (IPSAS/GFS) for all financial statements.
C(iv) External Scrutiny and Reporting		
PI-26 Scope, nature and follow-up of external audit	**B+**	
(i) Scope/nature of audit performed	B	All central government (ministries, departments and agencies - MDAs) entities, segment one, is covered annually with an audit certification of financial statements. For segment two - Special Funds, Statutory and Non-Statutory bodies - there are problems but it has not been possible to assess the coverage with precision. The problem seems mainly to be late reception of financial statements and bad performance of the units. In terms of expenditure the audit for both segments is estimated to cover at least 75%, which allows for a safety margin.
(ii) Timeliness of submission of audit reports to legislature	A	During the last three years the annual audit reports have been submitted to the Assembly/PAC within a few weeks of receipt of financial statement and within 4-6 months of the end of the fiscal year. The statutory limit is 8 months. The Audit Certificates on the financial statements on the State Budget have been issued just a few weeks after the Accountant General has submitted the Consolidated Financial Statements on the State Budget to the NAO.
(iii) Evidence of follow-up on audit recommendations	B	Once the audit report is submitted to the Assembly, the responsibility for making recommendations rests with the PAC, and the Government is supposed to take responsibility for follow-up on the recommendations from PAC. NAO in subsequent reports makes observations on whether action has been taken or not, and informs the Assembly accordingly in its annual reports. As a complement to this NAO has its own routine to follow-up on the auditees, the government and the Assembly, action taken on audit findings and recommendations. It seems, however, that follow-up of audit queries still does not have the highest priority. The establishment of the Audit Committees is likely to reinforce the monitoring on audit recommendations.

PI-27 Legislative scrutiny of the annual budget law	**B+**	
(i) Scope of the legislature's scrutiny.	B	The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue, but not medium term fiscal framework and medium term priorities.
(ii) Extent to which the legislature's procedures are well-established and respected.	B	Simple procedures exist for the legislature's budget review and are basically respected.
(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	The time allowed for the legislature's review has during the last three years been at least one month to review the budget proposal incl. proposals on macro-fiscal aggregates and priorities. The time for proposals on macro-fiscal aggregates earlier in the budget preparation cycle seems to be acceptable. The time for studying the budget proposal is clearly insufficient for the need of the following debate (just a few days). The time at disposal for the deliberations (1-2 weeks) as such seems more adequate.
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature.	A	Even if more elaborated rules do not exist for in-year budget amendments the general attitude by the Assembly has been restrictive and also applied so by the Executive. Administrative reallocations with reasonable ceilings are allowed.
PI-28 Legislative scrutiny of external audit reports	**D+**	
(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years).	D	Scrutiny of audit reports is not completed by the legislature within 12 months from receipt of the reports. The Public Accounts Committee (PAC) hearing and scrutiny has during the last three years required at least 18 months. Even more substantial delays in receiving audited accounts for most of the Extra Budgetary Funds have not been addressed by the PAC.
(ii) Extent of hearings on key findings undertaken by the legislature.	A	PAC is conducting thorough hearings with all AOs on the DoA's Annual Report. The Director of Audit and the Accountant General are assisting the PAC.
(iii) Issuance of recommended actions by the legislature and implementation by the executive.	D	The deliberations of the PAC don't render many recommendations to the Executive. There is no established routine to address the Executive to require action on audit findings and recommendations.

D. Donor Practices		
D-1 Predictability of Direct Budget Support	**A**	
(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.	A	The out turn has been 100 %, 75 % and 96 %. The reductions have been predictable.
(ii) In-year timeliness of donor disbursements.	A	Disbursement schemes and mechanisms are agreed with donors already in the financing agreement. The one sector budget support scheme's disbursements have adhered to the agreed time schedule.
D-2 Financial information provided by donors for budgeting and reporting	**A**	
(i) Completeness and timeliness of budget estimates by donors for project support	A	All donors (with the possible exception of a few donors providing insignificant amounts) provide budget estimates for disbursement of project aid at stages consistent with the government's budget calendar and with a breakdown consistent with the government's budget classification.
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	A	Donors provide quarterly reports within one month of end-of-quarter on the all disbursements made for at least 85% of the externally financed project estimates in the budget, with a break-down consistent with the government budget classification.
D-3 Proportion of aid that is managed by use of national procedures	**-**	
(i) Overall proportion of aid funds to central government that are managed through national procedures.	-	Information not obtained from major donors/providers of development loans.

Annex 2 Terms of Reference

Country: Republic of Mauritius

Terms of Reference for Public Financial Management assessment based on PEFA (Public Expenditure and Financial Accountability) methodology

Background

Mauritius is a small island economy in the Indian Ocean with a population of 1.2 million people and an income per capita of US$5,250. It has achieved spectacular economic success since independence in 1968, outperforming most other countries in the region and middle-income and small island states as well. From 1968-2004, per capita GDP growth averaged 3.8%[12] compared to 2.3% for low- and middle-income countries overall. General living standards of the population have been improving significantly and the country is well on track to reach the Millennium Development Goals before 2015. Successive waves of diversification transformed the country from a monocrop sugar producer to an exporter of sugar, textiles and clothing, tourism and financial services.

Underpinning this success was a preference-based strategy to create growth and employment through labor-intensive, export-oriented manufacturing, while maintaining an elaborate social welfare system. Mauritius has been successfully benefiting from the preferential trade regimes in sugar and textiles while expanding the economic base through diversification into new growth pillars (tourism, financial services, ICT).

With trade liberalization pressures and the loss of preferential access to export markets, the annual average GDP growth has dropped to 4% in the period 2001-2005 (from 6% in earlier decades). With limited natural resources, constraints of small size, and isolation from main markets, Mauritius needs to urgently redress its macro-economic fundamentals, the education and training system, and the business enabling environment to unleash high-value added growth.

Fiscal Situation and Public Financial Management (PFM)

The fiscal situation over the recent years has thus deteriorated owing to increasing expenditures and falling tax revenues. The Central Government outstanding debt has increased from 49.8% of GDP in 2001-02 to 57.5% in 2005-06, implying a high level of debt burden. Throughout the 1990s, budget deficit exceeded the long-term target of 3% of GDP creeping up to 5.5% of GDP in recent years. High budget deficits have not only been driven by high primary deficits but also by an increase in average interest rate of the debt stock. Unless controlled, the debt burden may spiral out of control, but the Government has now taken significant steps to address the problem in the initial phase of a ten-year reform programme launched as from FY 2006/07.

The Ministry of Finance and Economic Development (MOFED) is the responsible authority in the Republic of Mauritius for all aspects of the budget process and related performance. The Mauritius fiscal year runs from July to June with budget preparation starting some five months earlier. Mauritius prepares a recurrent and a capital budget and the budgetary process allows for the establishment of expenditure priorities. There is a separation of executive and legislative functions in the preparation and appropriation of the Budget as well as the required mechanisms to ensure a rigorous overseeing of public spending.

The various institutional components of the public financial management process are detailed in the box below :

[12] Average GDP growth for the same period was 6 percent.

Legal Framework
The Mauritian legal framework for financial management, within which the public service operates, is set out in:-
the Constitution, Sections 103 to 110;
the Finance and Audit Act;
Regulations and Financial Instructions under the Finance and Audit Act (e.g. Financial Management Manual); and
the Loans Act.

Authorisation of Expenditure
The National Assembly is the only authority for the expenditure of public funds. This is done through the approval of the annual Estimates and the passing each year, of an Appropriation Act in which the amount of money to be allocated for each service of the Government is set out under a series of 'Votes'.
However, provisions exist to cater for expenditure on a new service, not provided for in the estimates or which will result in an excess of the sum provided for that service in the estimates.

Treasury Accounting System
Transactions processing and recording is made through the Treasury Accounting System. This is a computerised on line system using Oracle Financials. The system is accessed by self-accounting Ministries/Departments which process their own payments and by Non-self Accounting Ministries/Departments which submit their vouchers for examination and processing of payments to the Treasury.

The system has inbuilt control to prevent spending above the approved budget and provides management information for monitoring and control purposes.

Cash Management
The government operates a consolidated fund system where all revenues are credited to a single bank account made in the name of the Accountant-General and from which all payments are made.

Final Accounts and Audit
The Finance and Audit Act requires a set of financial statements to be prepared and submitted to the Director of Audit by 31 December each year and the Director of Audit to submit his report thereon to the National Assembly by the end of February.

Public Accounts Committee
The Annual Report of the Director of Audit is examined by the Public Accounts Committee which is a select Committee of the National Assembly. The committee has the power to examine witnesses and is one of the most important safeguards in the financial system.

Mauritius conducted its last PFM evaluation in 2003 which found that Mauritius had one of the most transparent budgetary processes in Africa except with some reserves on delayed Public Procurement(PP) legislation, under discussion since long, now expected to be enacted in FY 2006/07 and to be in line with international best practices.

After a World Bank study for the introduction of MTEF, an MTEF unit was set up in 2004 within the Ministry of Finance and Economic Development (MOFED). Several pilot ministries have already adopted the framework. The MTEF will be further strengthened to modernise budget management and promote fiscal discipline, improve budget resource allocation, and support operational efficiency in the delivery of public services.

The Government's ten-year reform programme
As from the Financial Year 2006/07 the Government has started an important ten-year reform programme that would prepare the transition of Mauritius from a trade preference-dependent

economy to a globally competitive economy. The reform programme, estimated to cost around EUR 4 billion, consists of the following elements:
Fiscal Consolidation and improving public sector efficiency
Improving trade competitiveness
Improving the Investment Climate
Democratizing the economy: participation, social inclusion and sustainability

The reform programme's fiscal consolidation pillar is based on explicit rules intended to put deficits and debt on a downward path by: (i) limiting government borrowing to the financing of the capital budget; and (ii) reducing the ratio of net public debt to GDP. Projections from the Ministry of Finance anticipate revenue stabilizing at around 19 percent of GDP, accompanied by a decline in the share of expenditure from 25.4 and a narrowing of the overall central government budget deficit.

Table 21 - Fiscal Projections
(as % of GDP)

	05/06	06/07	07/08	08/09	09/10	Average 10/11-12/13
Current revenues	19.9	20.1	19.3	19.1	19.3	19.4
Current expenditures	22.1	21.5	20.1	19.8	19.2	18.8
Capital expenditures and net lending	3.2	3.4	3.4	3.5	3.5	3.6
Budget balance	-5.4	-4.7	-4.2	-4.1	-3.5	-3.0
Primary balance	-0.6	-0.1	-0.2	-0.2	0.2	0.0
Government debt 1/	59.0	58.5	57.9	57.4	55.8	51.9

Source: World Bank Local Data Base, September 2006.
1/ Excludes parastatals.

The Government's Medium-Term Expenditure Framework (MTEF) will underpin this consolidation, anchoring annual budgets within an aggregate multi-year framework and enabling Government to set priorities and resolve budgetary trade-offs. Operationalisation of the Mauritius Revenue Authority and a reduction in tax expenditures and discretionary ministerial powers to remit taxes and duties are expected to improve revenue effort. At the same time, proposed modifications to the structure of direct taxes will streamline incentives and increase equity. The expectation is that the new tax structure will better reward effort, innovation and entrepreneurship, increase transparency, and encourage investment and job creation, especially by SMEs.

On the expenditure side, policy measures focus on eliminating waste and increasing efficiency. More careful monitoring of capital projects is intended to improve the quality of public investments and discourage unjustified cost overruns. Closer scrutiny of recurrent expenditure will reduce wastage and raise efficiency. Better targeting of subsidies and transfers will better direct these expenditures to the most needy Mauritians. Long term sustainability of the pension system will be addressed by raising the eligibility age to 65 over the next decade.

The rationale for carrying out a PEFA assessment
In regard of the possible deployment of General Budget Support vehicles by the main donors for the country (including the EU and the World Bank), during the period 2007 – 2013, the Government and the main donors have agreed that the situation as regards result and performance of the country in the field of the public finance management will be assessed based on internationally agreed metrics (performance measurement framework) as regards Public finance management (PEFA – PFM-PMF). The Government has agreed that a detailed PFM assessment using the PEFA methodology be undertaken during the FY 2006/07. This, together with a World Bank PER, will contribute to define any further PFM reforms needed.

The PMF framework is intended for the harmonisation of the appraisal of the public finance management by the donor community, but also by the Governments themselves, and was developed specifically by the PEFA Secretariat (see www.pefa.org) , under the leadership of the Steering

Committee of the PEFA. A genuine partnership programme among several institutions, the PEFA evaluation is now approved by the community of the donors.

The use of this integrated Framework (comprising 31 high level result and impact indicators and detailed methodology), tested in 2004 in 24 countries and validated in June 2005 by the joint Working Party, makes it possible indeed to measure pertinently, exhaustively and over time the performances of a country as regards public finance management. It includes six essential dimensions of public finance management:

Credibility of the budget,
Exhaustiveness and transparency of the budget and of its follow-up,
Budgeting based on national priorities,
Predictability and control of the budget,
Accountancy, recording of information and financial statements,
Monitoring and external checking.
It rests on 16 PPTE indicators of monitoring of the expenditure of poverty alleviation and uses the IMF Guidelines on budgetary transparency, while referring as far as possible to the internationally accepted standards. The Annex A of the Performance Measurement Framework shows the list of all the indicators and their methodology. This document, entitled "Public finance management/Framework of measure of the performance", is accessible on the site www.pefa.org .

In the short-term, the PEFA assessment may be used as baseline data, and a basis for information and monitoring so as to: (i) facilitate and update the dialogue on PFM between Government and donors; (ii) help donors assess the eligibility of a country for a new general budget support (GBS) programme, or to verify whether general or specific PFM conditions of an ongoing GBS programme have been met.
In the medium-term, the PEFA assessment may feed the reflection on: (i) the preparation or revision of a PFM reform strategy (and related action plan); (ii) the preparation or revision of a PFM capacity development programme, in coordination with the government.

Objectives
The objective of the PFM assessment mission in Mauritius is to draft of a comprehensive[13] "Public Financial Management – Performance Report" (PFM-PR) prepared according to the PEFA methodology (see point 5 below), so as to provide an analysis of the overall performance of the PFM systems of the Republic of Mauritius as well as a baseline situation that permits the measuring over time of changes in performance.
Specific tasks in the preparation of the PFM-Performance Report
In order to meet the objective of the assessment mission the following tasks shall be carried out:

Documentation.
Before the mission in the partner country the experts will collect, in the Headquarters of the "lead donor" (see below point 6), all basic documentation that they deem necessary for the mission's work on the spot. They will also let the Government know, through the local representation of the lead donor, any need for additional information. The experts will specify the time-span they deem necessary between the date of reception of this basic documentation and the actual start of the mission on the spot. The lead donor will particularly follow up this issue with the national authorities so as to minimize the risk of disrupting the mission which could be entailed by an important delay in providing this basic documentation.

Training workshop.
The mission on the spot will start with a 2 or 3 days information/training workshop gathering all the stakeholders and enabling the latter to understand the challenges and the modalities of the PEFA assessment. This workshop will be run by the experts and its organisation and financing will be taken care of by the lead donor (Delegation of the European Commission) in collaboration with the Government[14]. The pedagogical material used by the experts will be that worked out by the PEFA

[13] This PFM PR is composed of the detailed analysis of the 31 indicators of the «PFM Performance Measurement Framework » and of the performance report itself which summarises this analysis of the indicators and includes other elements relevant for the assessment.
[14] 9th EDF TCF funds would provide for the costs of organisation of the workshop

Secretariat and posted on its website. This workshop will comprise: (i) a general session with all the stakeholders aiming at providing a general understanding of what a PEFA assessment is about; (ii) a technical session with the national authorities (government and external control body) to explain the indicators.

Work-plan:
On arrival the experts will submit to the national authorities and the involved donors a work-plan describing the main steps of the mission, notably specifying the list of the interlocutors to meet, the tentatively scheduled meetings and the list of required information not yet collected and to be provided on the spot. This work-plan may foresee a mid-term meeting gathering all the stakeholders so as to report on the work's progress and possible difficulties faced. A final debriefing session will be planned.

Methodology
Document of reference: the experts, in close coordination with government services involved, will undertake the required analysis while rigorously following the structure, the methodology and the guidelines (annexes 1 § 2) of the document adopted by the PEFA Steering Committee and entitled " Public Financial Management – Performance Measurement Framework". This document can be found on the website www.pefa.org . The original version of this document is in English. Should any uncertainty arise in the interpretation of the text of the translated versions (French, Spanish, Portuguese, Russian) the experts will refer to the original English version to avoid any misunderstanding of the methodology to apply.

Differences in Methodology. If the particular situation of the country requires the addition of specific indicators and/or, for some indicators, to diverge from the prescribed methodology, this shall be duly justified by the experts and require the agreement, during the mission, of the lead donor. In any case, only a very limited number of additional indicators would be acceptable. In this case, as well as for any possible proposed difference in methodology, the experts will ask for the written opinion of the PEFA Secretariat.

Interpretation. Any question on the interpretation of the guidelines, which the experts cannot resolve with the available documentation, should be addressed to the PEFA Secretariat and/or to the Headquarters of the lead donor.

Supporting information. In the report the experts will justify the scoring and describe, in an annex, for each indicator, the analytical work which has been carried out mentioning the sources of information and documentation used. Furthermore, for each indicator, the experts will mention the any possible difficulties encountered during the assessment, the approach used to overcome these difficulties, and, as appropriate, the additional investigative work judged necessary to complete the analysis carried out.
Stakeholders: donors and national authorities

Lead Donor: For the purpose of the PFM assessment in the Republic of Mauritius the Lead Donor is the European Commission, represented by its Delegation in the Republic of Mauritius.
The lead donor has made the first contacts with the Government and has officially informed them of the timetable and ToR of the PEFA assessment. Besides financing the PFM assessment it is responsible with the Government for the organisation and the follow-up of the mission and checks the quality of the report in consultation with the other donors involved, the PEFA Secretariat[15] and the Government. The Lead Donor also consolidates the comments of donors and the PEFA Secretariat and sends them to the experts and the government and disseminates the draft and final report. The Lead Donor will indicate the names of its officials who, in the HQs and on the spot, will be the contact point for the experts.
The other donors involved: Main other donor in respect of this PFM assessment in Mauritius is the World Bank. .

The Government: (i) will indicate whether a service of the administration will accompany the experts during the mission; and (ii) will comment the draft and final reports and send its comments to the

[15] Should its advice be required.

experts and the lead donor. Mr S Ramdeen, Assistant Accountant General will act as focal point (Tel. No. 210 7337).

Other State structures: the MOFED has arranged for involvement of the Audit Bureau (through the Director of Audit) and of the National Assembly's Public Accounts Committee (see respective roles under point 6 above).

Reporting
Reporting requirements are set out below:
In view of the final session of debriefing at the end of the mission, the experts will provide the Government and the Lead Donor with an aide mémoire (10 pages maximum, excluding annexes), in 10 copies, indicating the main findings and reflections which will be developed in the draft report. This aide mémoire will be complemented by the detailed analysis of the 31 indicators of the PFM-PMF.
Within one week after the end of the mission on the spot, the experts will send to the government and the lead donor a draft PFM-Performance Report, in 10 copies, based on Annexes 1 and 2 of the above-mentioned PEFA document.
Within 15 days following the reception of the draft report, the stakeholders (donors, government) will send their comments to the experts.
Within 15 days after the reception of the comments, the experts will write the final report. The latter will be sent in 10 copies to the government and the lead donor. It will contain, in an annex, the observations of the government on the points where the latter disagrees with the findings of the experts.
The report will be written in English.

Calendar (see annex 1)
Global calendar of the team of experts: The mission is scheduled for January-March 2007 with the first phase to be launched in January. The dates to be proposed by the consultants and subject to final agreement by the MOFED. The mission on the spot will involve 3 experts, will include the information/training workshop, and will have a maximum duration of 2 weeks. In addition 1 weeks of work, involving the team leader and one other expert, will comprise: 2 days for the briefing and the debriefing in the HQs of the lead donor, 12 days for the preparation of the mission and the finalisation of the report. Annex 1 is a tentative table indicating the dates and key steps in preparing the PFM-PR.

Table 22 - Detailed inputs for the first phase

	Total	Of which in Mauritius	In Brussels	In Home-country
Team Leader	22	14	2	6
Other experts	34	28	0	6

Subject to the assessment being conclusive, and the report accepted, the lead consultant (team leader, see Article IX below) may be required, within a period of two months following acceptance of the report(March 2007), to undertake a second phase with the objective of formulating recommendations and sensitizing the government thereon. This second phase may last in total for one week on the spot and will include a one-day workshop on the recommendations.
This second phase is not budgeted for in this current TORs.
Composition and professional profile of the team
The team will be composed of three experts, including the possibility of having a maximum of 1 national expert.

The team leader, international expert, will have at least 15 years of experience in analysis and/or audit of PFM in developing countries.
The two other members of the team will have a least 10 years of experience in the area of PFM.
At least one of the team members should have a good knowledge as well as professional experience in Mauritius in the field of PFM.

The cumulated experience of the experts should ensure that the team is able to cover the analysis of the different areas of the PFM-Performance Report.
The international experts will have an excellent command of the language used (ENGLISH) during the assessment and in the report.
At least one international expert with a good prior knowledge of the specific budget and PFM situation of the Republic of Mauritius would be an asset.

The team leader is the first guarantor of the quality of the exercise, he will imperatively have practical knowledge of the Performance Measurement Framework applied for analysis of the performance of public finance management.
The CV of the proposed experts will have to contain the precise and verifiable references of the (of) mission (s) PEFA carried out (s), and the details of the (of) contracting authority (s) (s).
The consultants' team will have to be equipped with the necessary computer equipment

Annex 3: Road Map for the preparation and execution of the mission

Table 23 - Road Map for the preparation and execution of the mission		
Tasks	Responsible	Calendar
Awareness making of the government	Lead Donor (country office) (Delegation of the European Commission in Mauritius)	Oct 2006
- Drafting of a concept note - Sending this concept note to the government. - Establish the modalities of Government involvement as well as the list of documentation that the government has to provide before the start of the mission on the spot		
Agreeing the mission timetable	Lead Donor (country office)	Oct 2006
Dates agreed taking into account other donor missions and the budget calendar of the government.		
Recruitment of the experts	Lead Donor (country office)	Nov – Dec 06
Recruitment of consultants according to European Commission's Framework Contract (BENEF) procedures.		
Works of the experts and finalisation of the report (1st phase)	Experts	Jan-Feb 07
- Briefing in the HQ of the lead donor. - Collection of documentation and request for additional information. - Mission on the spot: organisation of PEFA workshop. - Mission on the spot: analysis of documentation and interviews with administration. Drafting of the aide mémoire. - Write and send draft report. - Write and send the final report. - Debriefing in the HQs of the lead donor.		
Validation of the reports	Donors, Government, Secretariat of PEFA**	
- To check the quality of the draft report - To draft and send comments to the experts. - Approval of the final report	The comments of the donors and of the PEFA Secretariat will be consolidated by the lead donor.	By Feb 07
2nd phase (tentative, subject to validation of report)	Donors, Government	By March 07
- Formulation of recommendations - Mission on the spot, one-day workshop with Govt on recommendations. - Approval of the final report	The comments of the donors and of the PEFA Secretariat will be consolidated by the lead donor.	

** On request of the donors the Secretariat of PEFA may be asked to check the quality of the draft report and/or of the final report. It is desirable that its opinion be asked at the stage of the draft report.

ANNEX 3 STAKEHOLDERS MET DURING THE ASSESSMENT MISSION

The list below contains most of the key stakeholders met during the mission. A full record of all participants of the hearings is however kept by MOFED.

Name	Position	Institution
E. Larbi	Chief Economist	African Development Bank
E. Ormiston	Deputy High Commissioner	British High Commission Port Louis
P. Joggeser		C.I.S.D.
Y. Zhangsheng	Counsellor	Embassy of the People's Republic of China
C. Wiedey	Head of EU Delegation to Mauritius	European Commission
J. Lovasz	Macro-Economic Advisor	European Commission
J. von Kirchmann	Head, Contracts and Finances	European Commission
S. Gouvras	Counsellor	European Commission
L. Nosib	Project Director	European Commission
E. Vanhalewyn	Macro-Economic Advisor	European Commission
S. Bah	Principal Advisor	International Monetary Fund
N. Funke	Deputy Division Chief	International Monetary Fund
S. Prosper	Chief Finance Officer	Ministry of Education and Human Resources
C. Singelee	Chief Finance Officer	Ministry of Education and Human Resources
Kong Win Chang	Principal Assistant Secretary	Ministry of Education and Human Resources
A. Mansoor	Finance Secretary	MOFED
R. Hosany	Permanent Secretary	MOFED
P. Ujoodha	Director General	MOFED
S. D. Ramdeen	Deputy Accountant General	MOFED
P. Yip Wang Wing	Director, Parl Questions	MOFED
R. Naghen	Head, Internal Control Cadre	MOFED
Denise Lan. Hing Po	Budget Officer	MOFED
J Valaythein	Accountant General	MOFED
E. Wong	Statistics Office	MOFED
A. Owadally	Statistics Office	MOFED
D. Paligadu	Dir. Debt Management Unit	MOFED
M. Dhoorundhur	PAS	MOFED
V. Bassant	Assistant Director	MOFED
L. Ghoorah	Senior Economist	MOFED
R. Vasder Hassamal	Advisor	MOFED
A. Beeharry	Head, Finance Cadre	MOFED
A. Ponnusawmy	Assistant Director	MOFED
D. Paligadu	Assistant Director, Debt Management	MOFED
J.C. Boncoeur	Head of Purchase and Supply Cadre	MOFED
Hon J.K. Cuttaree	Chairman	Public Accounts Committee, National Assembly
G. Gopee	Head of Management Audit	Ministry of Finance & Economic Development
N.O. Jankee	Chief Finance Officer	Ministry of Health
Y. Ramful	Economist	Ministry of Health
R.P. Ramlugun	Permanent Secretary	Ministry of Information Technology and Telecommunications
Juggernauth	Director	National Audit Office
N. Gunness	Auditor	National Audit Office

K. Reetun	Assistant Director	National Audit Office
R. Keyfitz	Sr. Economist	The World Bank
J. Valaythen	Accountant General	Treasury
R. Alcindor	Economist/Prog. Manager	UNDP
E. Cuvellier		UNDP

ANNEX 4 SOURCES OF INFORMATION

Accountant General's Annual Report for the FYs 2003/04; 2004/05; and 2005/06
Annual Digest of Statistics on Education, Education Card, 2006
Audit Committee Charter, MOFED April 2006
Budget Speech 2006-2007, MOFED
Central Tender Board Act
Country Assistance Strategy (CAS) for Mauritius 2002-2004, The Government of Mauritius and WB 2002
Director's of Audit Annual Reports to the Assembly for the FYs 2003/04; 2004/05; and 2005/06
Education Card, Statistics 2004, Ministry of Education and Human Resources
Finance and Economic Development - Financial Management Manual, MOFED with updates
Financial Sector Assessment, Mauritius, IMF and WB, August 2003
Implementation Completion Report, WB, March 31, 2003, Report No. 25639
Internal Audit Charter, MOFED August 2006
Internal Audit Manual
Internal Audit Reports for FYs 2003/04; 2004/05; and 2005/06 (six sampled ministries)
Internal Control Cadre, MOFED Circular No. 12, 2005
Mauritius, Assessment Letter in the Context of Aid for Trade Initiative, IMF, September 8, 2006
Mauritius, The New Economic Agenda and Fiscal Sustainability, WB, June 30, 2004, Report No. 26152-MU
Mauritius: One Nation, One Destiny. A Comprehensive Development Framework Profile, WB, Report No. 34146
Medium Term Expenditure Framework 2005/2006
Ministry of Finance and Economic Development Circular, No. 12 of 2005
Ministry of Finance and Economic Development, New Functional Structure, Chart 041206a
NAO Audit Manual and Draft Audit Manual (2007)
Recurrent and Capital Budget 2003/04, 2004/05, 2005/06, 2006/2007, MOFED
Report of the Director of Audit, National Audit Office, No. 16 of 2006
Report of the Director of Audit, National Audit Office, No. 21 of 2005
Report of the Director of Audit, No. 18 of 2004
Financial Statistics etc from GoM website www.gov.mu
Supplementary Budget 1 and 2 for 2006/2007
The Central Tender Board Act, 2000 (No. 32) as amended
The Constitution of Mauritius
The Finance and Audit Act, 1973 as amended
The Public Procurement Bill, draft 2006.

ANNEX 5 SUMMARY REPORT OF PROJECT ASPECTS TO EU

1. Summary of project progress

The process for a PEFA assessment is well guided by the guidelines for the Performance Measurement Framework issued by the PEFA Secretariat at the World Bank. The process was of course also further steered by EU:s specific terms of reference for this mission. Emanating from these sources and our own experience a tentative time-table and process was followed which contained the following steps:

- Briefing of the assessment team at EU headquarters in Brussels
- Collection and analysis of existing documentation concerning Mauritius' Public Financial Management System
- A one day seminar to present the methodology and indicators to main stakeholders in Mauritius
- Hearings for each of the indicators with key stakeholders with responsibilities within the PFM system
- Independent confirmation on data and information either from additional interviews or from recent reports
- Discussions within the assessment team to reach and consolidate a common approach and interpretation of data and presentation of information
- Feedback sessions of preliminary findings with MOFED and the EU delegation in Mauritius
- Questions to and answers from the PEFA secretariat in Washington on key definitions and scoring method
- A referral procedure to all the concerned officials to safeguard that facts are correct.
- Referral of the draft report to the PEFA secretariat in Washington and the EU delegation in Mauritius
- Finalization of the report in our home office incorporating comments from PEFA Secretariat in Washington, the EU delegation in Mauritius and Government of Mauritius

The design was hence characterized by the need for a clear and early message to the Mauritian Government and MOFED that their involvement was highly needed and expected and that there would be a number of hearings over a fairly short period when information would be gathered and disseminated. It was also made clear from the onset that before the assessment team left they would communicate their preliminary findings and discuss problem areas at a follow-up meeting with the larger group of stakeholders. The process turned out to function well with good participation and contributions from government and possibilities to discuss findings and results before conclusions were made. It was also essential that second opinions from audit and other stakeholders could be discussed as the process continued.

The Government had appointed a contact person, the deputy accountant General, who was instrumental in the administration of hearings and making key managers and material available.

A weakness in the process was the difficulty, once the team had left, to get comments on draft assessments and a final comment from Government. This turned out to be time-consuming and it appears that few comments were made from the units concerned. This is probably a sign that the draft report by and large was accepted, but could also be due to time constraints and engagement needed for other up-coming missions. A proposal for future similar missions could be to add a second mission to the country examined to collect and discuss viewpoints and finalize the report. This is likely to considerably shorten the process, to secure valuable comments from all involved, and fill information gaps.

There was also unforeseen difficulties to obtain information from donors and other financiers related to their procedures etc. Time must be allocated for interviews and meetings also with donor representatives. As it was there was one general meeting with donors, and a mail sent out to collect information required, but to little avail. One cannot expect the PEFA financing donor to fill that information gap, a wider buy-in from the other donors and Banks is necessary. This may be specifically problematic in Mauritius with its emphasis on loan-financed development projects. Many of the donating countries and Banks were not part of the development of the PEFA instrument.

The time allowed for the production of a qualitative report was too short. In reality the working time needed for this report has consumed at least twice the contracted time. This is partly due to the difficulty to foresee the availability of information. As was the case, Mauritius has few earlier PFM analyses which necessitated a thorough research into some of the factual conditions, especially related to extra-budgetary funds, and more data compilation. Also little data was available for study prior to the mission due to time constraints.

The timetable for the whole exercise was initially delayed in comparison with the TOR as the phase "Work of experts and finalization of the first phase of report-writing" should have taken place January-February 2007 and the final report be approved by February 2007. As the contract for the assignment was signed in the beginning of February, the mission to Mauritius could only be scheduled for 18th February to 3rd March 2007. The draft report was submitted on the 23rd March after some delays to receive additional information. Then followed a referral process, with the PEFA Secretariat and EU delegation responding by 13 April and the Government's comments arriving 21 May.

On the whole the PEFA instrument identifies key problem areas related to the performance of the PFM system. Even if the Mauritian system performs well from a number of aspects some weaknesses have been identified. It will be important not to stop the assessment with this report. The weaknesses identified can have a number of reasons, each with a different solution. It is therefore highly recommended to continue the assessment with further in-depth problem analysis and design of further development plans. It is also recommended that such analysis is made with a high degree of stakeholder involvement, ideally in the format of an exercise using the Logical Framework Approach and format for the reform planning.

Table 1: Comparison of planned and achieved results

Planned results	Expected completion	Current status
Result 1: Draft report	Before end of February 2007	100 % complete 23rd March
Result 2: Final Report	By February 2007	100 % completed 3rd June

2. Component 1: Draft PEFA report

The tasks undertaken included briefing of the PEFA team by EU delegation in Brussels, preparation of introductory letter to GoM to request information and prepare for the PEFA workshop, preparations for the workshop schedule and presentations, implementation of the workshop in Mauritius, organize and conduct some 30 hearings with key stakeholders, compilation of preliminary findings and scoring, follow up hearings and debriefing of GoM and EU delegation in Mauritius.

Then followed work in home offices to draft the first report and to submit it for comments.

Risks were related to unavailability of information or incorrect information and lack of involvement and commitment by the Government representatives. This proved not to be the case and the government and MOFED demonstrated commitment and readiness to participate from the top leadership downwards. At large the information proved to be correct and relevant, although some adjustments had to be made of the scoring compared to the preliminary scoring presented at the end of the Mauritius mission. The reason for this was mainly that additional findings were made from the materials received. A main such information was the magnitude and character of extra budgetary funds.

Summary table for activity 1

	Planned	Progress in reporting period
Deliverables:	› Draft PEFA report ›	Achieved deliverables: Delivered › Percentage of total achieved: 100%
Tasks:	- Briefing of the PEFA team by EU delegation in Brussels, - Preparation of introductory letter to GoM to request information and prepare for the PEFA workshop, - Preparations for the workshop schedule and presentations, - Implementation of the workshop in Mauritius, - Organize and conduct some 30 hearings with key stakeholders, - Compilation of preliminary findings and scoring, - Follow up hearings and debriefing of GoM and EU delegation in Mauritius. - Work in home offices to draft the first report, and - Submit it for comments. ›	Tasks completed: All completed as planned ›

3. Component 2: Preparation of final report, some lessons learned and recommendations

The finalization of the report entailed dissemination of comments received and further research of facts to check some basic data where question-marks had been raised for some scoring dimensions. A tabular response to comments was made and communicated with commenters. Upon this the report was finalized incorporating agreed comments and information.This included further efforts for a good lay-out and polishing of report design and distribution of the final report.

Risks relate to time and engagement by stakeholders to comment on the draft report. After some delay comments were however received, except for some information related to procedures used in cases of loan-financed projects from donors. It also appears that the government co-ordinator had difficulties to receive comments from all internal stakeholders.

To avoid a situation where feed-back and comments aren't forth-coming it is recommended for the future to organize a follow-up session after distribution of the draft report in the country to get feed-back and finalize the report. There is however no reason to believe that the findings of the report have not been accepted by the Government and constructive feed-back has at large been received, albeit with some delay. Special arrangements and hearings with donors may also be necessary to organize to secure full rating of the donor indicators; this would however require additional time and resources if it is to be carried out by the consultants.

Summary table for activity 1.2

	Planned	Progress in reporting period
Deliverables:	➢ Final PEFA Report ➢	Achieved deliverables: Delivered ➢ Percentage of total achieved: 100%
Tasks:	- Dissemination of comments received and - Further research of facts to check some basic data where questionmarks had been raised as to detailed scoring for some dimensions. - Compilation of response to comments and - Communication with commenter. - Finalization of the report incorporating agreed comments and information. - Lay-out and polishing of report design. - Distribution of final report.	Tasks completed: All completed but with some delay ➢

4. Summary tables

Final project activity implementation report

PEFA PFM Performance Assessment Report - Mauritius
Project No 2006/129349
Final project
report

Country:	Mauritius		
Planning period:	2007	Prepared:	2007-06-01
Project Objectives:	Draft a comprehensive "Public Financial Management Performance Report" so as to provide an analysis of the overall performance of the PFM systems of the Republic of Mauritius, as well as abaseline situation that permits the measuring over time of changes in performance.		

Time Frame 2007

No	Activities implemented	January	February	March	April	May	June
1	Submit work plan		X				
2	Brussels Briefing		X				
3	Study of material		xxxxxxxxxxx				
4	Start-up workshop		X				
5	Conduct hearings		xxxx				
6	Follow-up hearings, study of input			xxx x x			
7	Presentation of preliminary findings			X			
8	Drafting of report			xxxX			
9	Receipt of comments				x	x	
10	Finalization of report					x x x xxx	X
	X= main outputs delivered						

Comparison of planned and used resources by month

		February	March	April	May	June	Total
Team Leader	Planned	10	12	0	0		22
	Used	10	10	5	6		31
	Remaining	0	3	0	0		-9
Senior Expert	Planned	11	8	0	0		19
	Used	11	10	5	3		29
	Remaining	0	0	0	0		-10
Local Expert	Planned	8	9	0	0		17
	Used	8	8	1	0		17
	Remaining	0	0	0	0		0

Output Performance Report

Project title :PFM assessment based on PEFA methodology - Mauritius	Project nr :2006/129349	Country : Mauritius	Page :
Prepared on : 2007-06-02		Contractor: POHL CONSULTING & ASSOCIATES	

Output results	Deviation original plan + or - %	Reason for deviation	Comment on constraints & assumptions
Work Plan, Brussels briefing, Start-up workshop, hearings, briefing on preliminary findings, presentation of draft report, presentation of final report	All delivered, some with delay. Ministry of Finance staff overburdened, staff from some development partners not available or not responding to request for information.	Late receipt of input and comments	On the whole good participation and response from all involved however.

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